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Saudi PMI: Domestic demand offsets lower exports

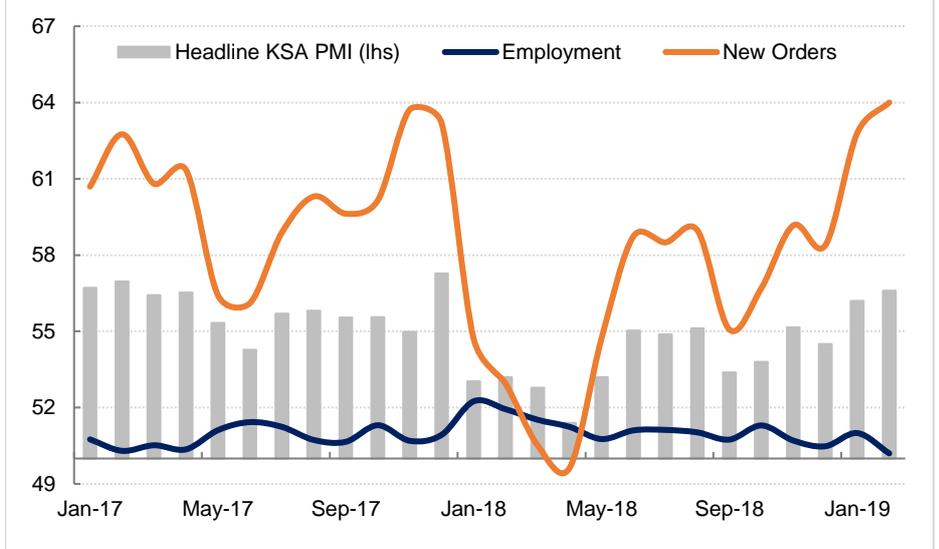
Saudi Arabia's headline Purchasing Managers' Index (PMI) rose modestly to 56.6 in February from 56.2 in January, the highest reading since December 2017. However, the February PMI reading is still below the series average of 57.6, indicating that non-oil growth in the kingdom is still weaker than the long-run average. **The main driver for the improvement in February was a stronger rise in new orders, despite the second consecutive decline in new export orders.** This suggests that it is domestic demand driving order growth. The output index rose slightly last month as well.

Despite relatively strong growth in output and new orders, **employment in the private sector was broadly unchanged**, with fewer than 1% of firms surveyed reporting increased hiring. The employment index was the lowest in nearly five years in February, at 50.2. Some firms indicated that cost control efforts were behind the reluctance to hire, despite rising new orders. Indeed, there was very little evidence of wage growth in the private sector last month, with the staff costs component declining to 50.2.

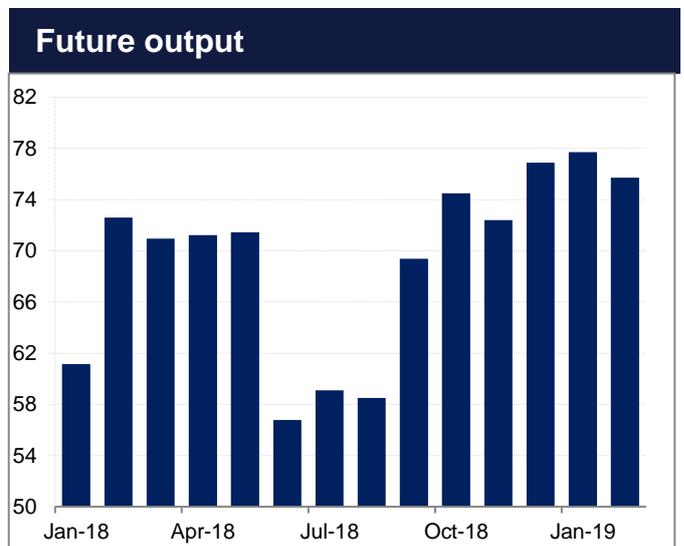
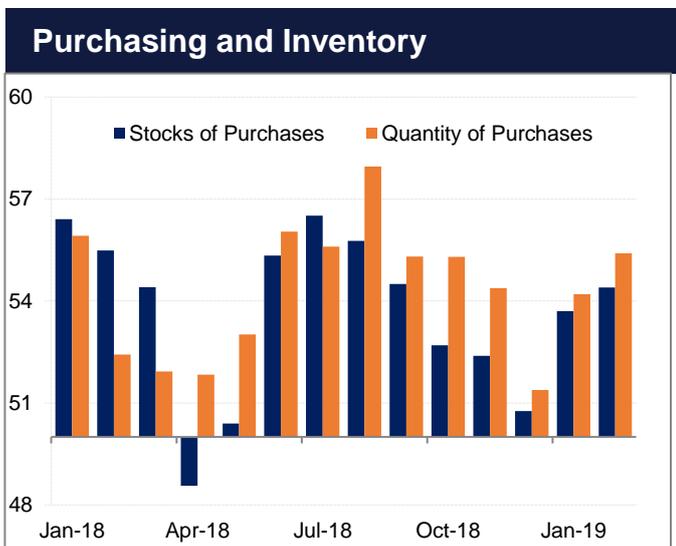
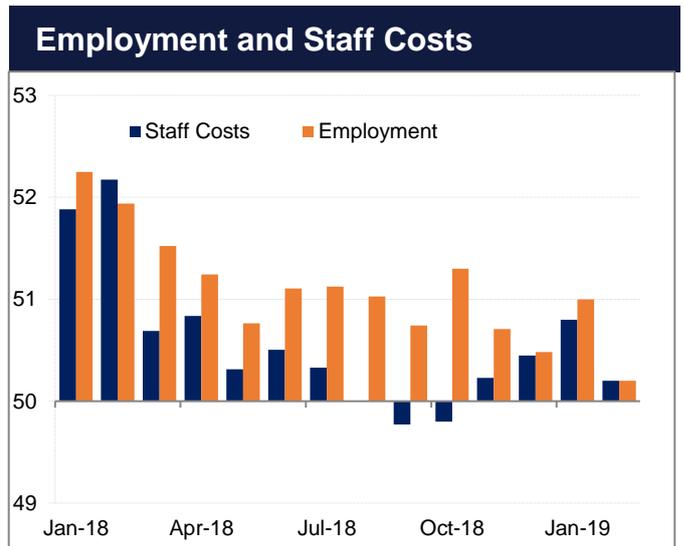
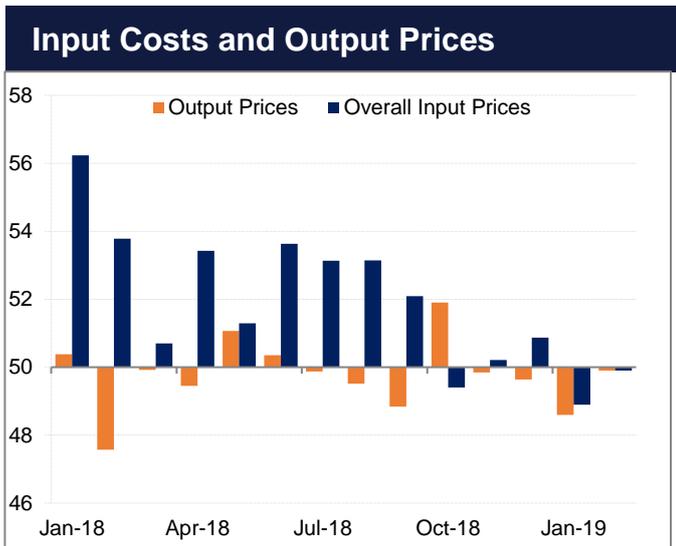
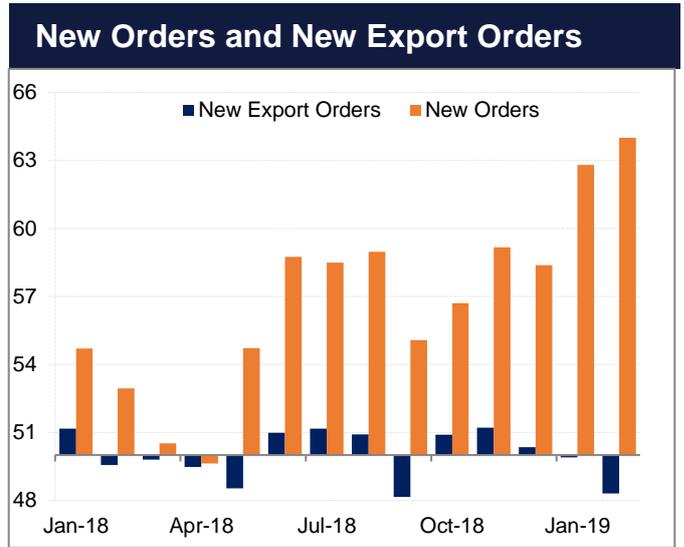
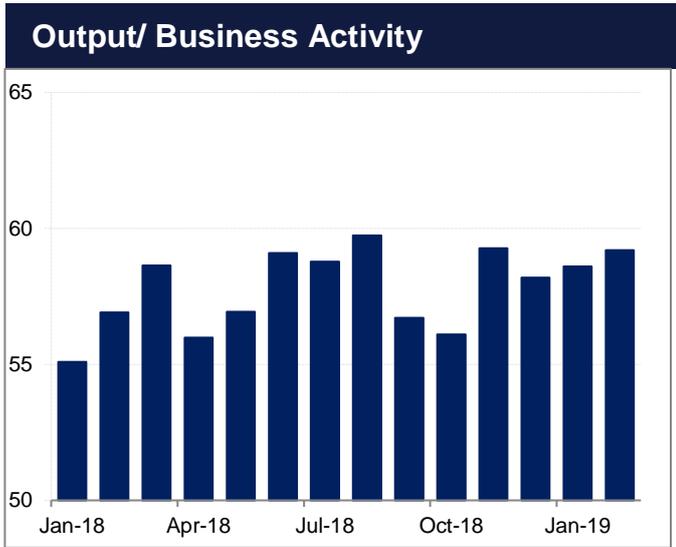
Overall **input costs** eased for the second month in a row, providing some relief for firms' margins as **selling prices** were broadly stable. Firms continued to report strong competitive pressures, eroding their pricing power.

Businesses increased their stock of pre-production inventories at the fastest rate since September, likely reflecting both the rise in new orders as well as optimism for future order growth – more than half of firms surveyed expect their output to be higher in a year's time.

Saudi Arabia PMI: Rising new orders not translating to private sector job growth



Source: IHS Markit, Emirates NBD Research



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