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Saudi PMI: Stable in April

Saudi Arabia's headline Purchasing Managers' Index (PMI) stood at 56.8 in April, unchanged from March and only fractionally higher than in February. The reading signals growth in the non-oil private sector on the back of rising output and new orders. The output index increased to 61.2 in April, the highest reading since December 2017. New order growth slowed slightly from March, but export orders continued to recover.

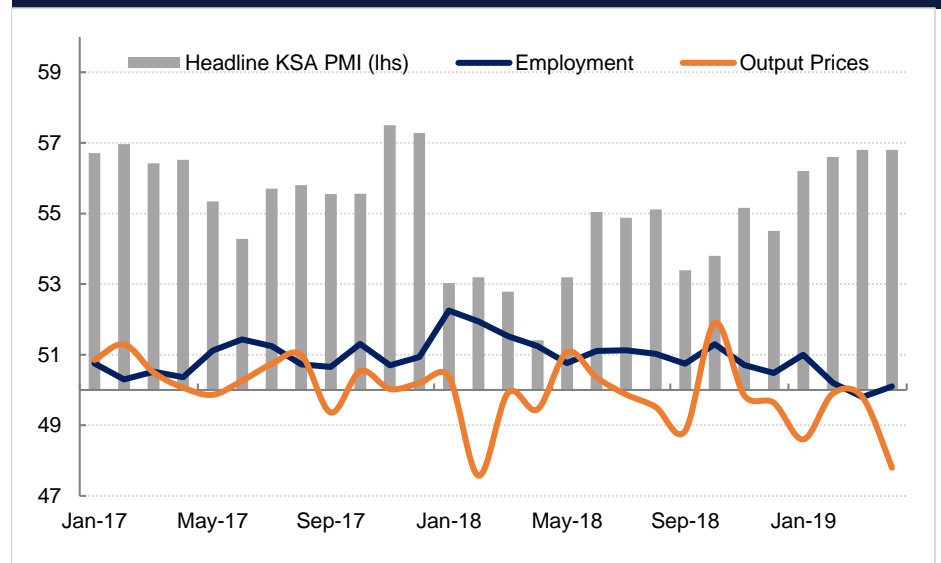
However, **the growth in new work and output was on the back of continued price discounting.** Selling prices declined for the sixth month in a row, and at a near-record pace. Input costs also declined slightly in April, and indeed there has been little input cost inflation over the last seven months, which has provided some room for firms to reduce selling prices in a bid to support demand and compete for work.

Despite the sharp rise in output and new work, **employment in the kingdom's private sector was broadly unchanged in April** as were staff costs (wages). Backlogs of work also increased only marginally, another indication that there is excess capacity in the private sector.

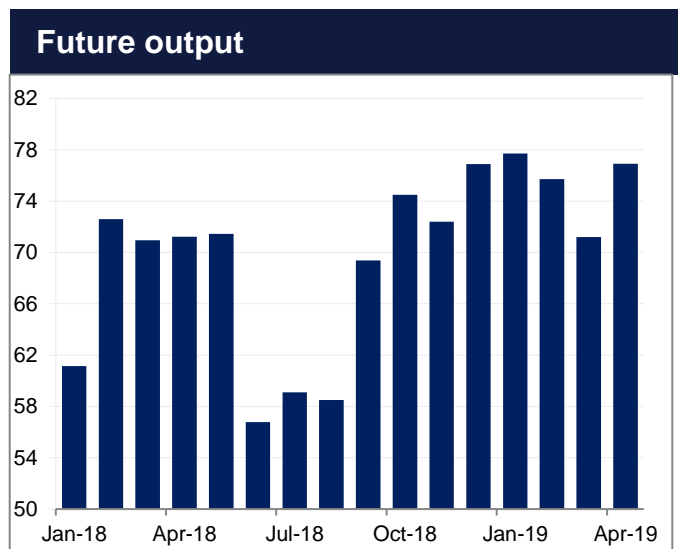
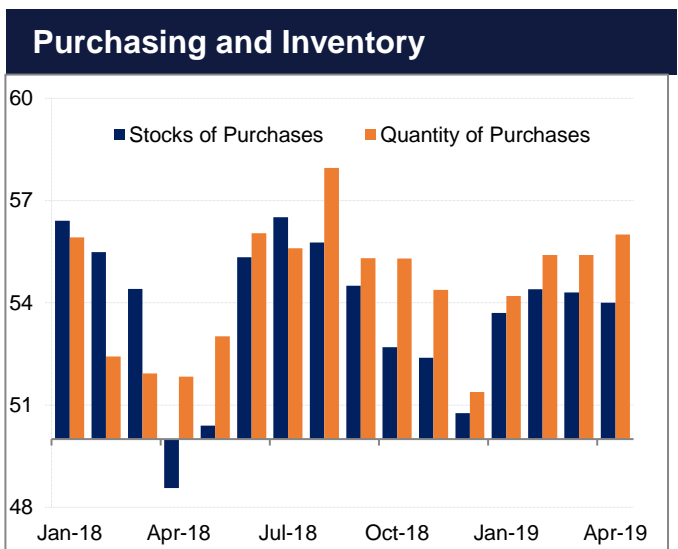
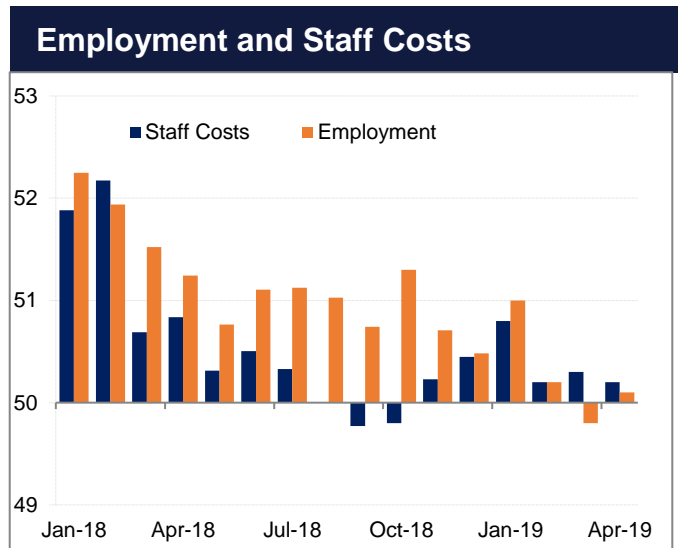
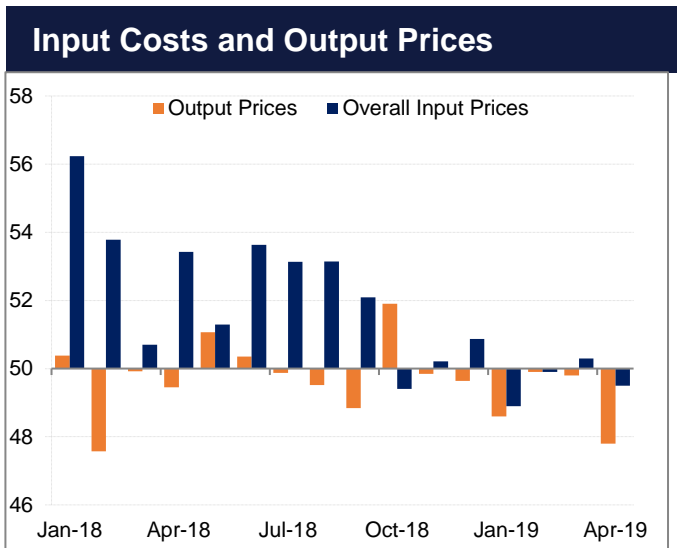
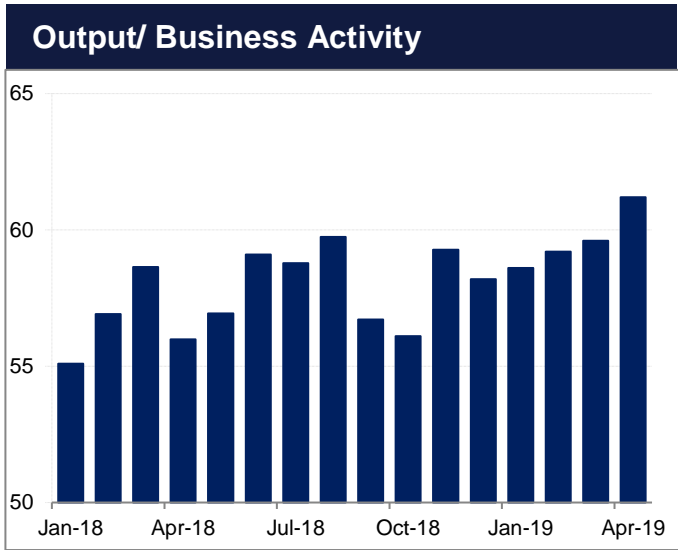
Businesses were more optimistic in April, with nearly 54% of firms surveyed expecting their output to be higher in a year's time, with the remainder expecting output to remain the same. None of the respondents anticipated lower output next year. The future output index rose to the highest level since October 2018.

The average PMI reading in the year to April is 56.6, much higher than the 52.6 average for the same period last year. **This suggests that private sector non-oil growth has gained momentum in the first four months of 2019.** This is broadly in line with our expectations for this year; we anticipate non-oil GDP growth to reach 2.7% in 2019 from 2.1% in 2018.

Saudi Arabia: Price discounting accelerates in April



Source: IHS Markit, Emirates NBD Research



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