

# Emirates NBD Saudi Arabia PMI®

## Saudi Arabia PMI slightly higher in August

### Key findings:

- Headline PMI rises to 55.1, up 0.2 points from July
- Output and new orders improve at stronger pace...
- ...although non-oil sector growth remains below the pre-VAT average

August's PMI data signalled the strongest growth in Saudi Arabia's non-oil private sector in the year-to-date. Expansions of both output and new orders ticked up to eight-month highs, although in both cases the increase remained slower than observed towards the end of 2017. Selling prices fell for the second month running, partly reflecting respondents linking stronger new business growth to promotional activity. Meanwhile, backlogs of work continued to build-up at a marked pace in the latest survey, thereby signalling capacity pressures at private sector businesses.

### Summary

At 55.1 in August, up from 54.9 in July, the headline seasonally adjusted Emirates NBD Saudi Arabia Purchasing Managers' Index™ (PMI®) – a composite gauge designed to give a single-figure snapshot of operating conditions in the non-oil private sector economy – edged upwards to a three-month high. The figure remained well above the 50.0 no-change threshold, and indicated a sharp improvement in business conditions across the non-oil private sector.

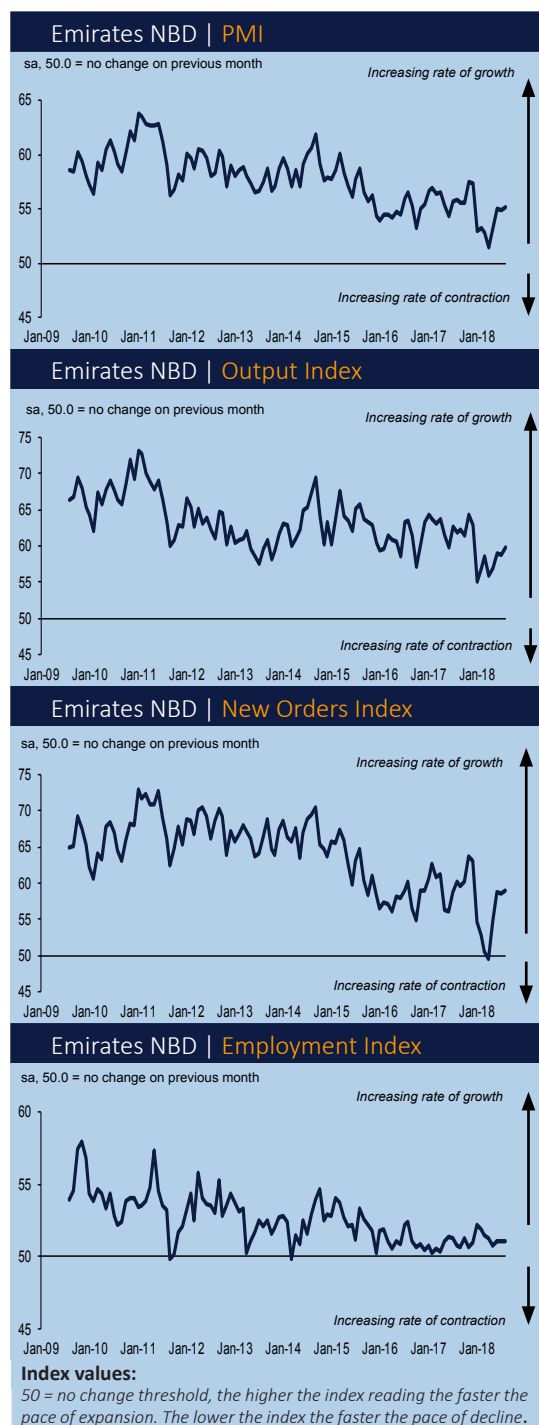
The latest data indicated an uptick in output growth across the non-oil private sector. Many firms linked higher activity to stronger inflows of new business. Despite August's improvement in output being sharp overall, the rate of growth was below the historical average.

Continuing the current phase of improvement registered since May, new orders received by non-oil private sector companies in Saudi Arabia increased again in August. Whilst domestic client demand remained robust, some respondents noted that they used promotional activity to stimulate demand during the latest survey period. New export orders increased, albeit at only a marginal pace overall.

Reflecting stronger inflows of new business, firms reported a marked build-up in work outstanding in August. Some companies noted that output had been focused on ongoing projects whilst new orders were adding to the backlog of work.

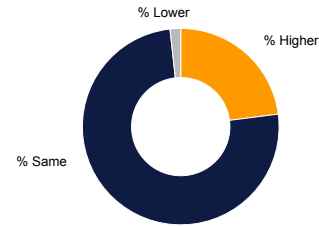
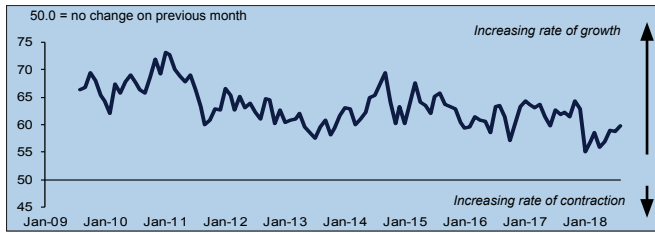
On the price front, selling prices fell once again in the non-oil private sector, linked to promotional activity. Meanwhile, input price pressures remained moderate and unchanged since the preceding survey.

In response to higher output requirements, firms in the non-oil private sector upped their purchasing activity during August. The rate of growth was sharp overall and the strongest seen in 2018 so far. Reflecting increased input buying activity, stocks of purchases increased at a marked rate during the latest survey period.



### Output Index

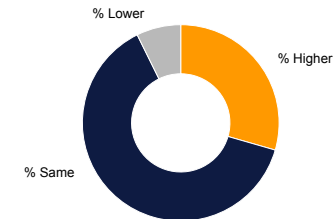
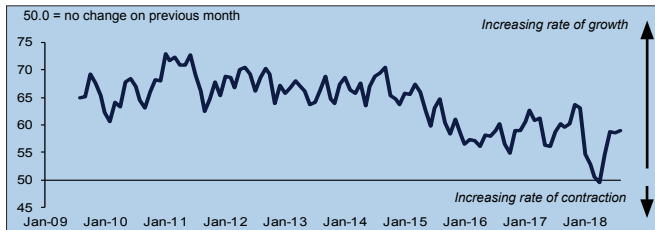
Q. Please compare your production/output this month with the situation one month ago.



The seasonally adjusted Output Index continued to register above the 50.0 no-change mark in August. The observed rate of growth was sharp overall and the strongest in 2018 so far. According to anecdotal evidence, robust inflows of new business led to higher output requirements in Saudi Arabia's non-oil private sector.

### New Orders Index

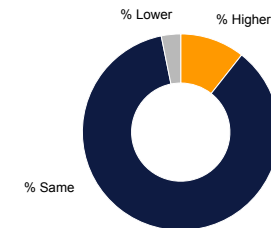
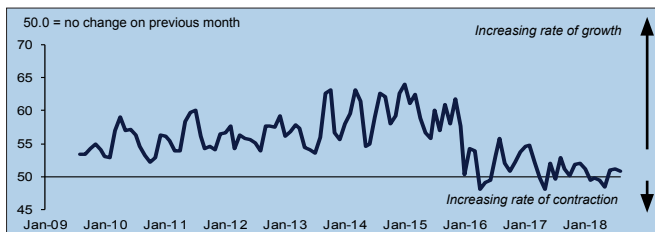
Q. Please compare the level of new orders received this month with the situation of one month ago.



New order growth gained impetus during the latest survey, with the latest expansion being the strongest since December 2017. Furthermore, August's increase in new order books extended the current phase of growth to four consecutive months. Among the reasons given by panellists that reported stronger inflows of new business were robust domestic client demand and price discounting.

### New Export Orders Index

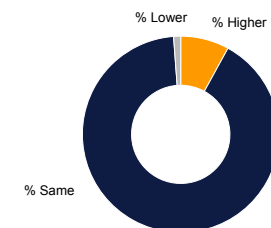
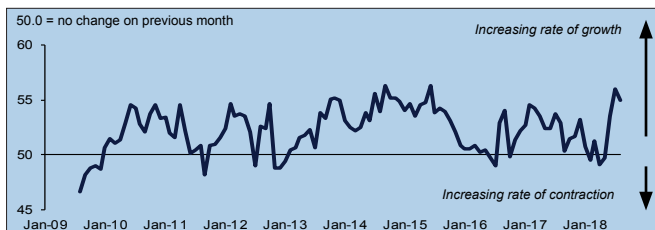
Q. Please compare the level of new export orders received this month with the situation of one month ago.



Adjusted for seasonal variance, the New Export Orders Index scored above the neutral 50.0 threshold for the third month running during August. The rate of growth eased, however, and was only slight overall in the latest survey. Around 11% of firms noted improving foreign client demand, compared to 3% that reported a deterioration.

### Backlogs of Work Index

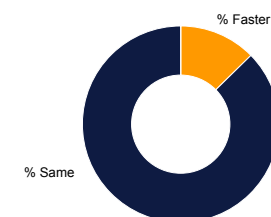
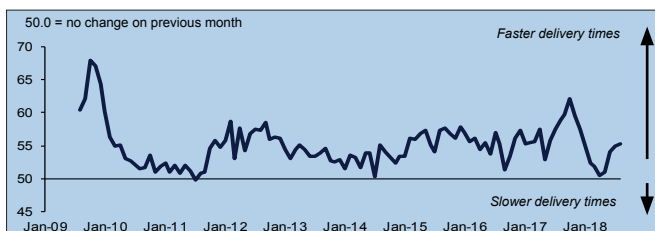
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Saudi Arabian non-oil private sector businesses continued to report a sharp build-up in work outstanding during August. Although the rate of growth eased since July, the latest expansion remained strong in the context of historical data. According to anecdotal evidence, the build-up in backlogs was linked to new project wins.

### Suppliers' Delivery Times Index

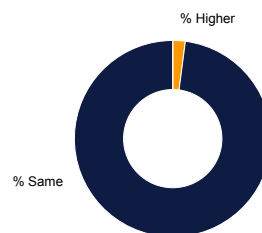
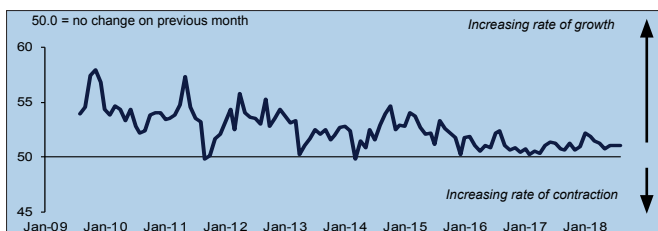
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Supplier delivery times improved to the greatest degree since the end of 2017 in the latest survey period. Vendor performance improved at a sharp pace overall. Approximately 13% of Saudi Arabian respondents reported an improvement in delivery times, whilst the remainder noted unchanged wait times since one month ago.

### Employment Index

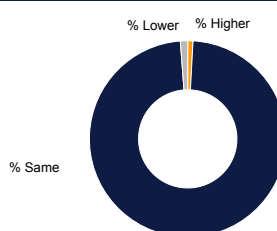
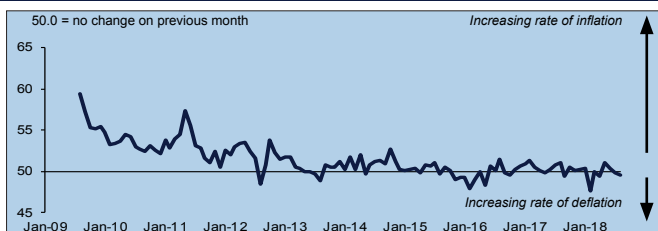
Q. Please compare the level of employment at your unit with the situation one month ago.



August data signalled continued steady growth of employment in the Saudi Arabian non-oil private sector. The rate of growth was broadly unchanged since July and slight overall. Job creation has been registered continuously on a month-by-month basis since April 2014.

### Output Prices Index

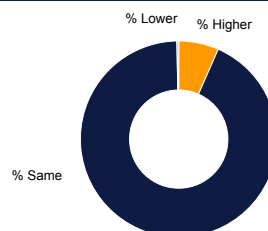
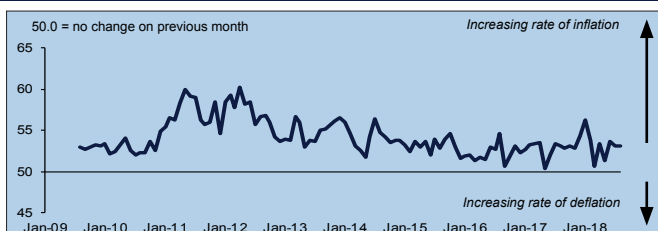
Q. Please compare the average prices you charged this month with the situation one month ago.



The seasonally adjusted Output Prices Index registered below the 50.0 no-change mark for the second month in a row during August, thereby indicating another fall in selling prices. Some firms noted that they offered price discounting to stimulate client demand, although the majority of respondents (98%) reported unchanged output charges since July's survey.

### Overall Input Prices Index

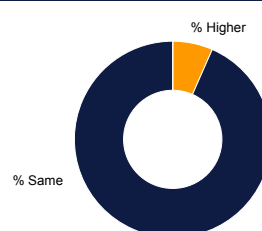
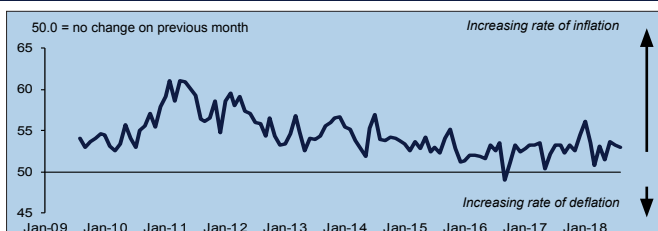
Q. Please compare your overall average input prices this month with the situation one month ago.



Input prices across the non-oil private sector continued to increase during August. The rate of input price inflation was solid overall and unchanged since July. Around 7% of of firms reported higher average cost burdens, whilst the vast majority noted no change since one month ago. The rate of input price inflation was below the long-run average.

### Input Costs: Purchase Prices Index

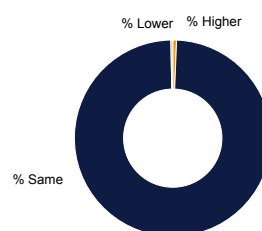
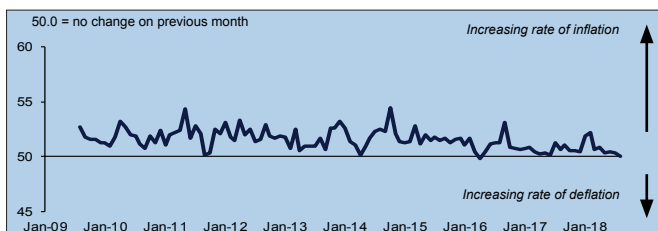
Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.



Continuing the sequence seen since October 2016, purchase prices rose once again in the Saudi Arabian non-oil private sector during August. The rate of inflation was solid overall, albeit the lowest observed since May. Some firms linked higher purchase prices to stronger demand for raw materials.

### Input Costs: Staff Costs Index

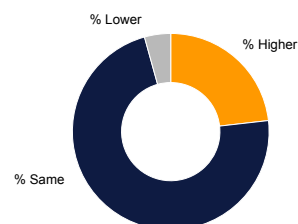
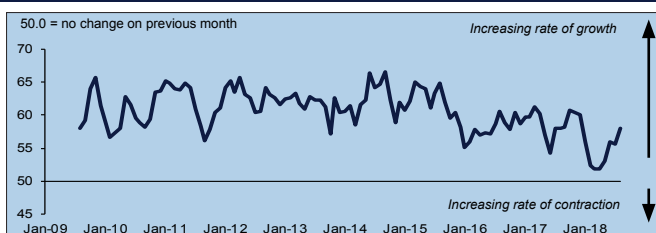
Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.



Adjusted for seasonal influences, the Staff Costs Index registered in line with the 50.0 no-change mark, signalling unchanged staff costs since one month ago in the Saudi Arabian non-oil private sector. The finding thereby ended the 27-month sequence of rising staff bills. The vast majority of respondents noted unchanged staff costs.

### Quantity of Purchases Index

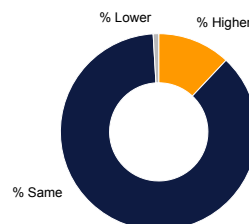
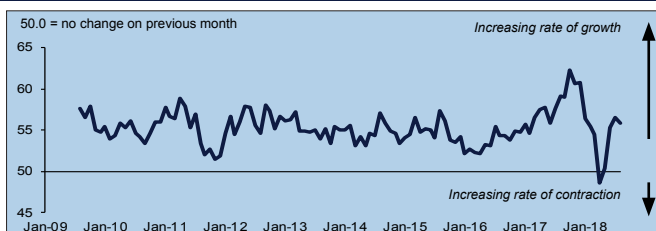
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



The seasonally adjusted Quantity of Purchases Index rose to its highest level in the year-to-date, indicating a sharp expansion in purchasing activity during August. Some panellists linked the increase to higher output requirements. Around 23% of respondents noted an increase in buying activity, compared with 4% that reported a reduction.

### Stocks of Purchases Index

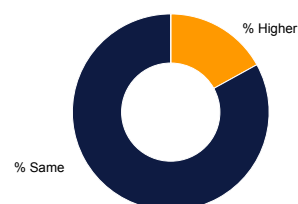
Q. Please compare your stocks of purchases (in units) with the situation one month ago.



August data indicated a further increase in stocks of purchases across the non-oil private sector, thereby extending the current phase of growth to four months. The rate of build-up was sharp overall, albeit slower than seen in the preceding survey period. The increase in stocks of purchases was partly linked to higher purchasing activity, according to anecdotal evidence.

### Future Output Index

Q. In 12 months' time, do you expect the overall volume of output to be higher, the same or lower than now?



The degree of optimism towards future output growth remained muted in the latest survey period. Exactly 17% of respondents reported optimism towards future growth prospects, whilst the remaining foresee unchanged output levels over the next year. New project wins and marketing initiatives were reported as potential sources of growth in the next 12 months.

### Notes on the Data and Method of Presentation

The Emirates NBD Saudi Arabia Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Saudi non-oil economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month.

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