



Press Release

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Emirates NBD UAE PMI[®]

Business conditions improve at fastest pace in 2018 so far

Dubai, July 3rd, 2018: The health of the UAE's non-oil private sector improved to the greatest extent in the year-to-date, buoyed by strong inflows of new business and output growth. Promotional activity helped to stimulate client demand, reflected by new order books expanding at the fastest pace since December last year. Despite firms ramping up output, backlogs of work built up at a record pace. Meanwhile, input price inflation further softened from the peak seen in January.

The survey, sponsored by Emirates NBD and produced by IHS Markit, contains original data collected from a monthly survey of business conditions in the UAE non-oil private sector.

Commenting on the UAE PMI[®] survey, **Khatija Haque, Head of MENA Research at Emirates NBD**, said:

"The headline PMI rose to a 2018-high in June, reflecting a sharp increase in both export and domestic new orders as well as output. In spite of this strengthening demand, there was almost no job growth or increase in wages in the UAE's private sector last month, as firms continued to focus on efficiency and cost containment."

Key Findings

- Headline PMI rises to 57.1 in June, from 56.5 in May...
- ...driven by stronger inflows of new business and faster output growth
- Backlogs of work build up at a survey-record pace

The headline seasonally adjusted **Emirates NBD UAE Purchasing Managers' Index™ (PMI[®])** – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – rose to 57.1 in June, up from 56.5 in May. The latest



expansion in the non-oil private sector was the strongest in 2018 so far and well above the series' historical average (54.7).

Output growth across the non-oil private sector accelerated to a seven-month high during June's survey. Rising output has been recorded continuously since February 2010, with the latest increase sharp overall. According to anecdotal evidence, higher business activity was associated with strong inflows of new work.

Promotional activity, business investment and solid client demand from both domestic and export markets was linked to June's steep expansion of new order books. The rate of growth was the strongest in the year-to-date. Reflecting a sharp improvement in new business and easing job creation, backlogs of work increased at a record pace in June.

On the price front, average cost burdens faced by non-oil private sector companies increased at a slower pace in June. In fact, the rate of input price inflation was only slight overall and the weakest in three months. Easing staff cost and raw material price inflation contributed to lower overall input cost inflation in June. Meanwhile, price discounting continued for the second month running, albeit to a softer extent than that seen in May.

Business confidence hit a fresh-survey high in June. According to anecdotal evidence, business investment, marketing initiatives and an anticipated economic upturn underpinned positive sentiment.

Purchasing activity growth eased to a two-year low during the latest survey. That said, the pace of expansion remained solid overall. Meanwhile stocks of purchases held at non-oil private sector firms increased at the slowest pace in 25 months during the most recent survey. Some firms noted that they had looked to streamline operations.

-Ends-

The next *UAE PMI Report* will be published on August 5th 2018 at 08:15 (DUBAI) / 04:15 (UTC)



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Notes to Editors

The Emirates NBD UAE Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the United Arab Emirates 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. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.



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Emirates NBD is a leading banking Group in the region. As at 31st December 2017, total assets were AED 470.4 Billion, (equivalent to approx. USD 128 Billion). The Group has a significant retail banking franchise in the UAE and is a key participant in the global digital banking industry, with over 90 per cent of all financial transactions and requests conducted outside of its branches. The bank was declared the Most Innovative Financial Services Organization of the Year at the 2017 BAI Global Innovation Awards.

The bank currently has 230 branches and 1040 ATMs and SDMs in the UAE and overseas and a large social media following, being the only bank in the Middle East ranked among the top 20 in the 'Power 100 Social Media Rankings', compiled by The Financial Brand. It is a major player in the UAE corporate and retail banking arena and has strong Islamic Banking, Global Markets & Treasury, Investment Banking, Private Banking, Asset Management and Brokerage operations.

The Group has operations in the UAE, Egypt, the Kingdom of Saudi Arabia, India, Singapore, the United Kingdom and representative offices in China and Indonesia.

The Group is an active participant and supporter of the UAE's main development and community initiatives, in close alignment with the UAE government's strategies, including financial literacy and advocacy for inclusion of People with Disabilities under its #Together Limitless platform. Emirates NBD Group is an official premier partner of EXPO 2020. For more information, please visit: www.emiratesnbd.com

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