



Press Release

Under strict embargo until: 08:15 (DUBAI) / 04:15 (UTC), January 10th 2019

Emirates NBD UAE PMI®

New order growth slows to four-month low

Dubai, January 10th, 2019: Today sees the release of December data from the Emirates NBD Purchasing Managers' Index® (PMI®) for the UAE. The survey, compiled 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, **Daniel Richards, MENA Economist at Emirates NBD**, said:

“The Emirates NBD Purchasing Managers' Index (PMI) for the UAE dipped from 55.8 in November to 54.0 in December. This marked the slowest pace of expansion in the non-oil private sector since October 2016, and has weighed on the 2018 average, which finished the year at 55.5, from 56.1 in 2017. Output fell from 60.1 to 58.8 and new orders from 61.0 to 58.3. Although the PMI remains in expansionary territory (50.0 is the neutral level which delineates contraction and expansion), the subcomponents of the survey suggest that this is continuing to come at a cost to businesses' margins, albeit to a lesser degree than seen in November.

Output prices did not fall as quickly in December as in the previous month – which was the fastest pace recorded since the 2009 recession – but they remained sub-50. Domestic competition led to sales promotions, according to firms surveyed, and a slower pace of growth in new export orders suggests that most of the growth in new orders was domestically driven.

The fall in output prices was mitigated somewhat by a slower pace of growth in purchase costs which expanded at the slowest pace since August. Nevertheless, **the squeeze on margins is apparently still taking its toll on head count and pay; both employment and staff costs were broadly flat** compared to a month earlier. Only 1.4% of firms took on new staff while all respondents reported their staffing costs unchanged, maintaining a trend recorded throughout H2 2018.

Despite the squeeze on firms and dip in the headline reading, a sizeable majority of respondents (65.4%) retain the view that output will be higher in 12 months' time, while only 5.2% expected conditions to deteriorate. However, some firms cited expectations of successful sales drives to help boost output, suggesting that price discounting will remain necessary to boost output in 2019.”

The main findings of the December survey were as follows:

- Lowest PMI reading since October 2016 amid slower growth of output and new orders
- Output prices reduced for third month running
- Employment broadly unchanged

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 – posted 54.0 in December, down from 55.8 in November and signalling the weakest improvement in business conditions since October 2016.

The drop in the headline figure reflected smaller contributions from all five constituent indices, suggesting a broad slowing of growth across the non-oil private sector at the end of 2018.

The latest expansion of business activity was solid overall as new orders increased again, but slower than that seen in November. New orders rose at the weakest pace since August. The offering of discounts in a competitive marketplace reportedly contributed to rises in both activity and new business.

Selling prices were reduced for the third successive month, albeit modestly. Companies were helped in the offering of discounts to customers by relatively weak input cost inflation. Overall input prices rose only marginally in December, with both purchase and staff costs broadly following the overall trend.

Efforts to control costs discouraged firms from hiring additional workers at the end of 2018, despite increasing new business. Employment was broadly unchanged, following a marginal rise in November.

Firms in the UAE's non-oil private sector continued to expand their purchasing activity in response to growth of new orders and higher output requirements. Data suggested that purchased items were only used to support higher output, rather than also to build stock holdings. Inventories of inputs decreased for the first time in four months, with some firms linking this to efforts to manage cash flow more efficiently.

Companies generally remained optimistic that business activity will continue to increase over the course of 2019. Optimism was based on expectations of improving economic conditions and success in securing additional sales over the next 12 months.

-Ends-



The next *UAE PMI Report* will be published on February 5th 2019 at 08:15 (DUBAI) / 04:15 (UTC)

For further information, please contact:

Ibrahim Sowaidan
Senior Vice-President, Head - Group Corporate Affairs
Emirates NBD
Telephone: +971 4 609 4113 / +971 50 6538937
Email: ibrahims@emiratesnbd.com

Tricia Kaul
ASDA'A Burson-Marsteller; Dubai, UAE
Tel: +971 56 6032673
Email: tricia.kaul@bm.com

Khatija Haque
Head of MENA Research, Emirates NBD
Email: KhatijaH@emiratesnbd.com

Joanna Vickers
Corporate Communications
IHS Markit
Tel: +44-207-260-2234
Email: joanna.vickers@ihsmarkit.com

Andrew Harker
Associate Director
IHS Markit
Tel: +44 1491 461016
Email: andrew.harker@ihsmarkit.com

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.



About Emirates NBD

Emirates NBD is a leading banking Group in the region. As at 30th June 2018, total assets were AED 477.5 Billion, (equivalent to approx. USD 130 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 227 branches and 1065 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, the Kingdom of Saudi Arabia, Egypt, 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 #TogetherLimitless platform. Emirates NBD Group is an Official Premier Partner of Expo 2020 Dubai. For more information, please visit: www.emiratesnbd.com

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

The intellectual property rights to the Emirates NBD UAE PMI[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[™] and PMI[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Emirates NBD use the above marks under licence. IHS Markit is a registered trade mark of IHS Markit Limited. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).