



Press Release

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Emirates NBD Saudi Arabia PMI®

New business growth improves during October

Riyadh, November 5th, 2018: Today sees the release of October data from the Emirates NBD Purchasing Managers' Index® (PMI®) for Saudi Arabia. The survey, sponsored by Emirates NBD and produced by IHS Markit, contains original data collected from a monthly survey of business conditions in the Saudi Arabian private sector.

Commenting on the Saudi Arabia PMI® survey, **Khatija Haque, Head of MENA Research at Emirates NBD**, said:

“The headline Emirates NBD Saudi Arabia Purchasing Managers' Index (PMI) rose slightly to 53.8 in October from 53.4 in September, as employment and new order growth picked up. New export orders also recovered after contracting in September, reflecting increased external demand. However, output rose at the slowest rate since April, suggesting that the rise in new work has yet to feed through to actual output.

The employment index rose to 51.3 in October from 50.7 in September. While this is the highest reading since March, it still indicates only a modest increase in jobs – indeed only 3.1% of firms surveyed indicated they had hired more staff last month. Staff costs, a good proxy for wages, remained below the neutral 50.0 level for the second month in a row, pointing to fractional wage deflation on average in the private sector.

Output prices increased modestly in October after declining in the prior three months. At the same time, input costs declined slightly last month on lower purchase costs, providing some relief for firms' margins.

Business optimism about future output increased markedly in October, with nearly half of all firms surveyed expecting their output to be higher in a year's time, while the other half expected current levels of output to be sustained. The rise in Brent oil prices to over USD 80/b on average last month – the highest level since October 2014 - likely contributed to improved business sentiment, and the government also signalled increased budget spending in 2019 in its pre-budget statement released in October.”

The main findings of the October survey were as follows:

- Headline PMI rises to 53.8 in October, from 53.4 in September...
- ...despite slowest improvement in output since April
- First fall in input costs in survey history

At 53.8 in October, up from 53.4 in September, 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 – registered above the neutral 50.0 threshold to indicate an improvement in business conditions. The latest expansion was moderate and above that recorded in September, although it remained weak in the context of historical data.

Output growth in Saudi Arabia's non-oil private sector slowed during October. The rate of growth was the third-weakest since the survey's inception in August 2009. That said, the expansion remained solid overall.

The latest survey data saw an acceleration in new business growth. The rate of expansion was marked overall, with October's improvement extending the current phase of growth to six months. Furthermore, foreign demand improved following a deterioration in September.

Partly due to an increase in new order inflows, non-oil private sector businesses increased their payroll numbers at the greatest rate in seven months in October. That said, the rate of growth was only modest overall and below the series' historical average.

October saw the first fall in average cost burdens faced by non-oil private sector businesses since the survey began. The rate of decline was slight overall, and linked to competitive pressures among input suppliers and falling wage bills.

Reflecting stronger new business growth, firms ramped up their input buying at a marked pace during October. The rate of growth was unchanged since the preceding survey, and above the average seen since the implementation of VAT at the start of 2018.

Meanwhile, stocks of purchases increased once again during the latest survey period, thereby extending the current sequence of growth to six months.



Finally, business confidence towards future growth prospects hit a 58-month high during October. Anecdotal evidence suggested that firms were optimistic about the impact of business investment and new project wins.

-Ends-

The next *Saudi Arabia PMI Report* will be published on December 6th 2018 at 07:15 (RIYADH) / 04:15 (UTC)

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Notes to Editors

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. 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 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: www.emiratesnbd.com

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