



Press Release

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Emirates NBD Saudi Arabia PMI®

New order growth underpins higher PMI in February

Riyadh, March 5th, 2019: Today sees the release of February 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:

“Saudi Arabia’s headline Purchasing Managers’ Index (PMI) rose modestly to 56.6 in February from 56.2 in January, the highest reading since December 2017. However, the February PMI reading is still below the series average of 57.6, indicating that non-oil growth in the kingdom is still weaker than the long-run average. **The main driver for the improvement in February was a stronger rise in new orders, despite the second consecutive decline in new export orders.** This suggests that it is domestic demand driving order growth. The output index rose slightly last month as well.

Despite relatively strong growth in output and new orders, **employment in the private sector was broadly unchanged**, with fewer than 1% of firms surveyed reporting increased hiring. The employment index was the lowest in nearly five years in February, at 50.2. Some firms indicated that cost control efforts were behind the reluctance to hire, despite rising new orders. Indeed, there was very little evidence of wage growth in the private sector last month, with the staff costs component declining to 50.2.

Overall **input costs** eased for the second month in a row, providing some relief for firms’ margins as **selling prices** were broadly stable. Firms continued to report strong competitive pressures, eroding their pricing power.

Businesses increased their stock of pre-production inventories at the fastest rate since September, likely reflecting both the rise in new orders as well as optimism for future order growth – more than half of firms surveyed expect their output to be higher in a year’s time.”

The main findings of the February survey were as follows:

- Stronger domestic demand underpins improvement in business conditions in February
- Output growth ticks up to three-month high
- Employment rises only fractionally amid tighter cost management

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 – rose to a 14-month high of 56.6 in February, from 56.2 in January. This brought the headline index closer to its long-run average of 57.6 (since August 2009).

The upturn in business conditions seen in February was led by a steep and accelerated increase in new business – the sharpest seen since August 2015. Export sales were down on the month, indicating that the main impetus continued to come from the domestic market.

Increased demand in turn resulted in higher overall output in February, with the rate of growth accelerating for the second month in a row to the highest since last November.

February also saw a stronger increase in purchasing activity as firms looked to bring their buying levels into line with higher output requirements and build up inventories. Businesses that raised their stocks of purchases also commented on an expected uplift in activity in the coming months. Confidence towards the outlook remained among the highest seen over the past five years, albeit with the degree of optimism easing slightly from January's recent peak.

Less positively, latest data showed that firms operating in Saudi Arabia's non-oil economy remained reluctant to take on additional staff. Employment rose only fractionally and at the slowest rate in almost five years in February. According to anecdotal evidence, this was partly due to efforts to control costs amid a backdrop of strong competitive pressures.

Firms' overall operating expenses were little-changed in February, as a slight rise in average staff pay was offset by a similarly marginal fall in purchasing costs. Average prices charged for goods and services were also broadly stable. A decrease in selling prices has been recorded in each month since last November; however, in February fewer firms reported offering discounts amid stronger underlying demand.

Finally, February's survey indicated shorter lead times on purchased items, which anecdotal evidence attributed to requests for faster deliveries and more timely payments to suppliers.

-Ends-



The next *Saudi Arabia PMI Report* will be published on April 4th 2019 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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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.

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