



Press Release

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Emirates NBD Saudi Arabia PMI®

Saudi Arabia PMI slightly higher in August

Riyadh, September 4th, 2018: Today sees the release of August 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 PMI rose to 55.1 in August from 54.9 in July, on stronger output and new orders growth. However, employment growth was modest, and the slowest in three months, while average selling prices declined for the second month in a row, as firms offered promotions to stimulate demand.

“The survey data suggests that the pace of non-oil private sector growth in the Kingdom has accelerated in the last three months, relative to the first five months of the year. Nevertheless, **the rate of expansion so far in 2018, measured by the average PMI reading for January through August, is markedly weaker than for the same period last year, and in fact the slowest on record.**

“The output and new work indices rose to their highest levels so far this year at 59.7 and 59.0 respectively, but as with the headline PMI, year to date both components remain well below previous years' averages. Export orders increased only marginally in August, and **some firms noted that domestic demand was supported by promotional activity.** This is also reflected in the output price index, which showed a decline in average selling prices for the second month in a row in August, despite higher input costs.

“**Employment growth was also relatively modest in August, with just 2% of firms surveyed reporting increased hiring.** Staff costs (wages) were unchanged on average last month.

“**On the whole, firms surveyed were optimistic about their future output,** with 17% of firms expecting their output to be higher in a year's time. However, this is a slightly lower percentage than in July.”

The main findings of the August survey were as follows:

- 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

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.

-Ends-

The next *Saudi Arabia PMI Report* will be published on October 3rd 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.

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