



Press Release

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Emirates NBD UAE PMI®

Economy expands at a steady rate in October

Dubai, November 5th, 2018: Today sees the release of October 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, **Khatija Haque, Head of MENA Research at Emirates NBD**, said:

“The headline UAE PMI eased to 55.0 in October from 55.3 in September. It has been broadly stable between 55 and 56 for the last four months, indicating growth in the UAE’s non-oil private sector at a similar rate to last year, when official GDP data showed the non-oil sector expanded 2.5%.

Output growth slowed to the weakest in six months in October, despite relatively robust new order growth. Anecdotal evidence suggested that promotions and price discounts likely contributed to the rise in new orders last month. Indeed, new export order growth also slowed sharply last month.

Employment was broadly flat in October after declining in the prior two months. Staff costs, a good proxy for wages, were also largely unchanged last month. The softness in the labour market is at odds with output and new work growth. However, the increased margin pressures in October likely contributed to firms’ reluctance to boost hiring.

Margins were squeezed further in October as input costs rose while selling prices declined. Input cost inflation was the fastest since April, on higher fuel and raw materials prices. Meanwhile, output prices declined at the sharpest pace in 3 months in October. Selling prices have declined on average in five of the last six months, as firms have had to compete for new business and to stimulate demand.

Business optimism about future output rose to a record high in October, with nearly 78% of firms surveyed indicating they expected their output to be higher in a year’s time. The surge in oil prices as well as announcements of increased government spending and Expo 2020 investment may have contributed to improved sentiment last month.”

The main findings of the October survey were as follows:

- Headline PMI falls to 55.0 in October, from 55.3 in September
- Sharp increase in new orders
- Business confidence hits record-high

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 – fell to 55.0 in October, from 55.3 in the preceding survey. The latest expansion remained marked overall and above the historical average nonetheless.

Non-oil private sector companies in the UAE reported another increase in new business during October. Anecdotal evidence suggested that promotional activity was partly linked to the improvement. That said, new orders from abroad grew at the weakest pace since March.

Meanwhile, output increased at a weaker pace in the latest survey period. In fact, the rate of growth was the slowest in six months. The expansion remained sharp overall, however, and was linked to rising inflows of new business.

Business confidence across the non-oil private sector hit its highest since the index began in 2012. Promotional activity, investment surrounding Expo 2020 and new product launches attributed to positive sentiment.

On the price front, output charges fell in October following a marginal rise in September. Respondents linked the fall to competitive pressures in the non-oil private sector. The rate of decline was the fastest since July.

Input price inflation accelerated in the most recent survey period. The rate of inflation was the strongest since April. Nonetheless it remained below the long-run average.

The employment index was a touch above the neutral 50-level, thereby ending a two-month sequence of job shedding. Some firms linked the increase to rising output requirements. The rate of growth was only fractional, however.

Reflecting higher output requirements, firms increased their purchasing activity in October. The rate of expansion accelerated notably since September, and was the strongest registered since February.

-Ends-



The next *UAE PMI Report* will be published on December 6th 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 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

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