



Press Release

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Emirates NBD Saudi Arabia PMI[®]

Non-oil private sector growth accelerates to six-month high

Riyadh, July 3rd, 2018: The health of the non-oil private sector improved at the fastest pace in 2018 so far during June. An upturn in output and new order growth were the key components behind the latest expansion. Furthermore, many panel respondents noted sharper capacity pressures, which led to the fastest build-up in backlogs of work in 11 months. In terms of inflation, both input and output price pressures remained subdued in the context of historical data.

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 private sector.

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

“The rise in the headline PMI to the highest level this year reflects a strong recovery in new orders (including export orders) and output. Firms had been anticipating this for several months, as reflected in the very strong ‘future output’ readings since February. It isn’t surprising then that the future output index declined sharply in June, with most firms now expecting their output to be relatively stable over the next twelve months.”

Key Findings

- Headline PMI rises to 55.0 in June, from 53.2 in May
- Sharp and accelerated output and new order growth
- New business from abroad returns to expansion

At 55.0 in June, up from 53.2 in May, 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 – recorded its highest reading in 2018 so far. The figure was well above the neutral 50.0 mark, thereby indicating a marked improvement in business conditions. That said, the rate of growth remained below the average registered since the survey’s inception in August 2009.

Output growth accelerated at the end of the second quarter, with the latest expansion being the strongest since December last year. Firms frequently linked higher output to strong inflows of new business and improving market conditions.

New orders in Saudi Arabia improved at the fastest rate in six months during June. New business was sourced from both domestic and foreign sources, with the latter returning to growth for the first time since January during the most recent survey.

Reflecting higher inflows of new orders from both domestic and foreign sources, capacity pressures built up across the non-oil private sector, as signalled by a solid rise in work outstanding. In fact, backlogs of work increased at the fastest pace in 11 months in June.

Despite a solid increase in new orders and work outstanding, firms hired additional staff at a rate below the historical average. The rate of job creation was slight overall, albeit fractionally above that in May.

Input price pressures faced by firms in Saudi Arabia's non-oil private sector increased at the fastest pace in four months during June. According to anecdotal evidence, rising raw material prices led to higher cost burdens. That said, in the context of historical data the latest rise in input prices was subdued.

Output charge inflation eased since May, with some firms linking a fall in selling prices to promotional activity. The rate of inflation remained below the long-run average.

Despite the upturn in business conditions, optimism towards future growth prospects eased to a nine-month low, and was much weaker than seen in the previous month.

-Ends-

The next *Saudi Arabia PMI Report* will be published on August 5th 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 31st December 2017, total assets were AED 470.4 Billion, (equivalent to approx. USD 128 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 230 branches and 1040 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, Egypt, the Kingdom of Saudi Arabia, 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 #Together Limitless platform. Emirates NBD Group is an official premier partner of EXPO 2020. For more information, please visit: www.emiratesnbd.com

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