



Press Release

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Emirates NBD Saudi Arabia PMI®

January sees strongest improvement in business conditions for 13 months

Riyadh, February 5th, 2019: Today sees the release of January 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 PMI for Saudi Arabia rose to its highest level in more than a year in January. The main driver was an acceleration in new order growth, which appears to have been domestically driven, as export orders remained broadly flat month-on-month. Some of the growth in new orders was likely due to price discounting: **output prices fell by the most since February 2018.** Firms were able to reduce selling prices as their purchasing costs also declined in January.

“Output increased at a similar rate to December. The output index was slightly higher in January than in Q4 2018, but is still below the historical average of 63.0, suggesting that growth in output is still weaker than in previous years. Firms increased their quantity of purchases in January, probably reflecting stronger order growth, and stocks of pre-production inventory also rose the most since September 2018.

“The PMI survey showed only a **modest rise in private sector jobs and wages last month**, with 2.5% of firms surveyed reporting increased hiring and 2% reporting wage increases.

“Business optimism about future output was the highest in more than five years in January 2019. The government has announced an ambitious budget for this year, with expenditure projected to rise more than 7%, as well as a number of initiatives to boost investment and expansion in the non-oil sectors of the economy, which likely contributed to positive business sentiment. The recovery in oil prices last month after a sharp sell-off in December 2018 likely also helped.”

The main findings of the January survey were as follows:

- Headline PMI climbs to 56.2...
- ...supported by faster increases in output, new orders and employment
- Output prices fall again amid the steepest drop in costs in survey history

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 – climbed to 56.2 in January, from 54.5 in December, its highest reading for 13 months. The rise in the index reflected not only stronger growth in output, new orders and employment, but also a recovery in the rate of expansion in stocks of purchases. The only negative influence on the index came from the supplier delivery times component, which showed lead-times improving at a quicker rate (generally a sign of less pressure on supply chains).

The main positive takeaway in January was an acceleration in the rate of new order growth to the quickest since December 2017. The upturn owed almost exclusively to stronger domestic sales, with inflows of new business from abroad remaining broadly unchanged from the previous month.

Stronger overall order books in turn drove a solid and accelerated increase in the level of output across Saudi Arabia's non-oil private sector in January, with the rate of growth slightly above the average in the final quarter of 2018. The month also saw the rate of job creation pick up from a 20-month low in December, albeit remaining only modest overall.

Businesses continued to use discounts as way to support sales at the start of the year. January saw average selling prices fall for the sixth time in the past seven months and at the quickest rate since last February. Output price reductions were made easier by a fall in firms' operating expenses, which decreased to the greatest extent since data collection began in 2009 (albeit only modestly overall) due to a notable drop in purchasing costs. Average staff pay across the non-oil private was meanwhile up slightly on the month.

Elsewhere, growth in purchasing activity recovered slightly from December's record low, though was still relatively subdued by historical standards. Buying levels were raised not only to support higher output requirements, but also to help boost safety stocks amid positive forecasts for future business activity. Business confidence towards growth prospects over the next 12 months improved for the second month in a row to reach the highest since December 2013.

-Ends-



The next *Saudi Arabia PMI Report* will be published on March 5th 2019 at 07:15 (RIYADH) / 04:15 (UTC)

For further information, please contact:

Ibrahim Sowaidan
Senior Vice-President, Head - Group Corporate Affairs
Emirates NBD
Telephone: +971 4 609 4113 / +971 50 6538937
Email: ibrahims@emiratesnbd.com

Tricia Kaul
ASDA'A Burson-Marsteller; Dubai, UAE
Tel: +971 56 6032673
Email: tricia.kaul@bm.com

Khatija Haque
Head of MENA Research, Emirates NBD
Email: KhatijaH@emiratesnbd.com

Joanna Vickers
Corporate Communications
IHS Markit
Tel: +44-207-260-2234
Email: joanna.vickers@ihsmarkit.com

Phil Smith
Principal Economist
IHS Markit
Tel: +44 1491 461 009
Email: phil.smith@ihsmarkit.com

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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