



## **Press Release**

**Under strict embargo until: 08:15 (DUBAI) / 04:15 (UTC), September 4<sup>th</sup> 2018**

# **Emirates NBD UAE PMI®**

## *PMI falls to five-month low in August*

**Dubai, September 4<sup>th</sup>, 2018:** Today sees the release of August 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 decline in the headline PMI to 55.0 in August from 55.8 in July was largely due to a decline in average employment - the first time this has been recorded since the survey began in August 2009 - as well as lower stocks of inventories. The softness in employment, which has been evident to some extent since 2016 but appears to have slowed even further this year, is surprising in the context of strong reported growth in output and new orders in the private sector over the same period.*

*“Indeed, the output index rose to 63.1 in August, while new work increased at a strong (although slower) rate last month, with this index easing to 57.1. New export orders increased in August but also a slower rate than in July, with firms highlighting strong demand in neighbouring GCC states.*

*“In our view, the apparent lack of job creation year-to-date is likely due to cost containment and efficiency measures being implemented by firms in the face of a sustained squeeze on margins. Although input costs were unchanged month-on-month in August, these have been rising over the last few years even as selling prices have declined on average. Output prices declined again (albeit marginally) in August, for the fourth month in a row.*

*“The August PMI survey suggests that while activity in the non-oil private sector is expanding at a similar rate to last year, margin pressures on firms mean that this growth in new work and output is not translating to job creation or higher wages. As a result, we retain our view that private consumption is unlikely to contribute significantly to GDP growth this year, with government spending and investment, and net exports likely to be the engines of growth.”*

**The main findings of the August survey were as follows:**

- Headline PMI eases to 55.0, from 55.8 in July
- New order growth falls to 20-month low
- Job shedding reported for first time in survey history

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 August, down from 55.8 in July. The headline index remained above the neutral 50.0 mark, however, signalling an improvement in business conditions across the UAE's non-oil private sector. That said, the latest expansion was the slowest since March.

Inflows of new business grew at a slower pace in August. The rate of improvement was the lowest recorded since December 2016. Furthermore, the latest expansion was below the series' historical average.

Despite new order growth easing in the latest survey, output growth accelerated and remained sharp overall. Many firms linked higher output requirements to elevated backlogs of work and ongoing projects surrounding Expo 2020. Output growth has been recorded continuously since February 2010.

Continuing the sequence seen since April, new export orders rose once again during August. The rate of growth was marked overall and reflected stronger inflows of new business from neighbouring GCC countries.

On the price front, the vast majority of companies in the UAE's non-oil private sector reported unchanged cost pressures since one month ago. Meanwhile, some firms reported price discounting, which was linked to promotional activity.

Optimism among businesses in the UAE's non-oil private sector accelerated to a record high during the latest survey. Many firms linked business confidence to new product launches, projects surrounding Expo 2020 and marketing initiatives.

Despite improving business confidence, latest survey data signalled the first contraction in employment since the survey began in August 2009. The rate of decline was slight overall, with some firms linking job shedding to efficiency savings.

Stocks of purchases also fell during August. The rate of decline was slight overall. The contraction was the first recorded since April 2012.



-Ends-

**The next UAE PMI Report will be published on October 3<sup>rd</sup> 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.



## About Emirates NBD

Emirates NBD is a leading banking Group in the region. As at 31<sup>st</sup> 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](http://www.emiratesnbd.com)

## About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

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