



Press Release

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Emirates NBD Saudi Arabia PMI®

New business growth recovers in November

Riyadh, December 6th, 2018: Today sees the release of November 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 Saudi Arabia Purchasing Managers' Index (PMI) rose to 55.2 in November from 53.8 in October, the highest reading this year. However, the PMI in November is still below the series average of 57.7, and the year-to-date average is lower than it was for Jan-Nov 2017, indicating a relatively soft rate of expansion in the non-oil private sector by historical standards.

“Both output and new orders increased at a faster rate in November, and while new export order growth was firmer in November than it has been in recent months, it remained sluggish. The recovery in new orders thus likely reflects stronger domestic demand. However, some of the rebound in new order growth appears to be on the back of price discounting as well as increased marketing.

“Many firms surveyed indicated that competition for new work was strong, and as a result, selling prices were marginally lower on average last month. Firms also indicated that they were increasingly focused on cost-savings. As a result, expansion in both **employment and purchasing activity slowed in November**, despite stronger new order growth. Input costs were broadly unchanged in November after declining slightly in October. There was little evidence of wage inflation, with the staff costs index at 50.2 in November.

“Firms remained strongly optimistic about their output in the coming year, citing planned new products, increased marketing and more competitive prices; however, the ‘future output’ index slipped 2 points in November from the October peak.”

The main findings of the November survey were as follows:

- Headline PMI records highest reading in 2018 so far
- Faster growth in output and new orders
- Inflationary pressures curtailed by strong competition

November saw 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 – rise for the second month running to 55.2, from 53.8 in October. The latest reading was the highest since December last year, although it still signalled a rate of improvement in business conditions that was below the average over the survey's nine-year history.

Output growth recovered in November after having slipped to a six-month low in October, and was second-quickest observed in 2018 so far. Helping drive the upturn was stronger demand for goods and services. The main impetus continued to come from the domestic market, with new export orders rising only marginally and at a much slower rate than total new business.

The latest survey indicated a modest monthly rise in employment, although the majority of firms reported unchanged headcount in November. Some firms reported hiring additional staff in marketing positions to help boost sales, while a rise in backlogs of work also pointed to pressure on operating capacity.

However, amid reports of strong competition, the survey highlighted efforts by businesses to control costs in order to facilitate lower selling prices. Prices charged decreased marginally in November following a rise the month before.

On the cost front, there were negligible increases in purchase prices and average staff pay, as competition among suppliers and relatively low demand for new staff helped to constrain inflationary pressures.

Quantities of purchases among non-oil private sector firms increased at the slowest rate for six months in November. Lead times on purchases meanwhile improved, reflecting demands from businesses for faster deliveries.

Finally, business confidence towards the year-ahead outlook for activity remained strongly positive. Easing only slightly since October, the degree of optimism was the third-highest seen since April 2014.



-Ends-

The next *Saudi Arabia PMI Report* will be published on January 10th 2019 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.

About Emirates NBD

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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