



Press Release

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Emirates NBD UAE PMI®

Employment falls amid slowest new order growth since October 2016

Dubai, March 5th, 2019: Today sees the release of February 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 Emirates NBD Purchasing Managers' Index (PMI) for the UAE fell to 53.4 in February from 56.3 in January, and was the lowest reading since October 2016. The drop in the headline index reflects slower growth in new orders last month (new export orders rose at the slowest rate in 11 months), as well as the steepest decline in private sector employment in the survey history.

The employment index fell to 47.5 in February, as nearly 9% of businesses surveyed reported lower headcount relative to January, while just 1.5% reported increased hiring. Some firms reported operating with the minimum level of staffing in a bid to keep costs down. Staff costs were broadly unchanged last month, again reflecting a relatively soft job market.

The pricing environment remains challenging for private sector businesses, and stiff competition led more than 13% of firms on the panel to offer discounts in order to secure new work. **Selling prices in February fell at the fastest rate in the survey history on a seasonally adjusted basis** (ie after taking into account the usual promotions offered during February). However, input cost inflation was only marginal in February.

Backlogs of work outstanding increased at the fastest rate since June last year. This partly reflects lower employment, but some firms have also reported that delays in receiving payments from customers have led to delays in completing projects, which would then be reflected in higher backlogs of work outstanding.

The quantity of purchases increased sharply in February, in line with output growth, but **inventories rose only slightly** following two months of declines. While some firms reported holding stock in anticipation of future order growth, the majority are instead storing only what is required to fulfil their current requirements.

Businesses were also less optimistic about their future output than in January. Around half of firms surveyed expected their output to be higher in a year's time, compared with nearly 70% in January.”

The main findings of the February survey were as follows:

- Sharpest reduction in employment in survey's history
- New order growth at 28-month low
- Marked fall in charges amid fragile demand

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 – dropped to a 28-month low of 53.4 in February from 56.3 in January. The reading signalled an improvement in business conditions, but one that was weaker than the series average.

Anecdotal evidence suggested that the slowdown reflected challenging market conditions and competitive pressures. These factors led new orders to rise to the least extent since October 2016. The rate of output growth also eased in February, and was softer than seen on average in 2018.

Companies responded to signs of weaker new order inflows by reducing staffing levels. Moreover, the rate of job shedding was the most marked in the survey's history. A number of panellists signalled that they were maintaining only minimum workforce numbers, partly due to cost saving efforts.

Efforts to limit increases in operating expenses were generally successful as both purchase prices and staff costs rose only marginally. This allowed companies some leeway to reduce their selling prices, which they did to the greatest extent in nine-and-a-half years of data collection. Respondents indicated that strong competition amid difficult market conditions led them to offer discounts.

Despite a sharp slowdown in new order growth, backlogs of work increased at a marked and accelerated pace in February. A number of panellists reported that difficulties in obtaining payments from customers led to delays in the completion of projects. Issues in supply chains were also evident as vendor delivery times improved to the least extent in the survey's history.

The rate of expansion in purchasing activity quickened, helping lead to a first rise in inventories in three months. Stocks of purchases increased only slightly, however.

February data pointed to a sharp drop in sentiment regarding the 12-month outlook among UAE non-oil companies, linked to the current challenging market environment. Firms remained optimistic, however, that economic conditions will improve and help support further expansions in business activity.



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The next *UAE PMI Report* will be published on April 4th 2019 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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