



Press Release

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Emirates NBD UAE PMI®

Output growth at five-month high at start of 2019

Dubai, February 5th, 2019: Today sees the release of January 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 rebounded to 56.3 at the start of 2019, after a disappointing December reading of 54.0. The January PMI was the highest in seven months, and signalled a good start to the year for the non-oil private sector.

The main driver for the higher headline index in January was faster output growth, and the new orders index increased as well. The improvement in business activity was partly due to promotions and price discounting by firms. The output price index remained below the neutral 50-level in January, signalling another month of lower average selling prices in the UAE, although the extent of price discounting in January was slight. Selling prices have declined for eight of the last nine months. Input costs rose only modestly in January.

Fewer than 3% of firms reported increased hiring in January, despite the improvement in output and new order volumes. Some firms indicated that efforts to cut costs prevented them hiring. Staff costs were also only marginally higher in January.

Purchasing activity was robust in January, as firms responded to stronger order growth and increased output. However, **the stock of pre-production inventories declined for the second month in a row**, suggesting that firms are managing their inventories more efficiently, and not building up stocks in anticipation of future demand.

Business optimism about future output remained high in January, with more than 68% of firms expecting their output to be higher in a year’s time. None of the firms surveyed expected output to be lower in a year’s time.”

The main findings of the January survey were as follows:

- Sharper expansions in output and new orders recorded
- New order receipts helped by discounting as charges reduced for fourth month running
- Rate of job creation remains muted

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 – rose to a seven-month high of 56.3 in January from 54.0 in December. The latest reading signalled a strong monthly improvement in business conditions, and one that was greater than the survey average.

Central to the improved headline figure were accelerated growth rates for both output and new orders. Activity rose to the greatest extent since August 2018, with marketing and promotional efforts helping to support the latest expansion. While total new orders rose at a sharp pace, the rate of growth in new export orders was much weaker and eased to the slowest in the current ten-month sequence of expansion.

Activity requirements increased in January, leading companies to raise their staffing levels for the fourth month running. That said, the rate of job creation remained modest as some firms expressed a reluctance to hire amid efforts to limit cost inflation.

These efforts were generally successful as staff costs rose only marginally again at the start of 2019. Purchase prices also increased at a relatively modest pace.

Output prices, meanwhile, decreased for the eighth time in the past nine months. Panellists reported having offered discounts to customers in order to help stimulate sales amid competitive market conditions.

As has been the case on a monthly basis throughout the past eight-and-a-half years, UAE non-oil companies increased their purchasing activity in January. The latest rise was sharp as firms responded to higher activity requirements. Despite this, inventory levels were broadly unchanged as inputs were used to support output growth.

The improving demand picture is expected by firms to continue during 2019, with this alongside marketing activities set to help lead to increases in output. Business confidence improved in January and was among the highest since the series began in April 2012.



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The next *UAE PMI Report* will be published on March 5th 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.

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

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