



Press Release

Under strict embargo until: 07:15 (RIYADH) / 04:15 (UTC), August 3rd 2017

Emirates NBD Saudi Arabia PMI[®]

Business conditions improve to the greatest extent in three months

Riyadh, August 3rd, 2017: Growth in the non-oil private sector picked up at the start of the third quarter on the back of sharper increases in output and new orders. Greater output requirements encouraged companies to purchase more inputs and stimulated job creation in the sector. Weakness was seen regarding trade, however, as new export orders fell. On the price front, input costs rose at a solid and accelerated pace. However, firms' ability to fully pass on higher cost burdens to customers was restricted by intense market competition and charges increased only marginally.

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 private sector.

Commenting on the Saudi Arabia PMI[®] survey, Khatija Haque, **Head of MENA Research at Emirates NBD**, said:

"Faster growth in output and new orders helped the headline PMI in Saudi Arabia rise in July, signaling the fastest rate of non-oil sector expansion in three months. Firms were more optimistic last month, and this likely contributed to increased buying activity and inventory accumulation."

Key Findings

- Headline PMI increases to 55.7 in July
- Sharper expansions in output and new orders
- Renewed contraction in new export orders

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 – rose from 54.3 in June to 55.7 in July. This was consistent with a robust improvement in overall business conditions, the strongest since April. However, the latest performance was weaker than the long-run series trend.

The main factors contributing to the upward trajectory of the non-oil private sector economy were sharper expansions in both new orders and output. Anecdotal evidence highlighted greater projects, good economic conditions, stronger underlying demand and higher construction activity.

Concurrently, June's increase in new export orders was short-lived, with non-oil private sector companies noting a renewed contraction in July. The rate of decline was fractional, however. Panellists commented on weaker demand from international markets for Saudi Arabian goods and services.

Underlying data provided evidence of ongoing pressures on operating capacity as backlogs rose for the ninth consecutive month. Subsequently, firms increased their payroll numbers, but only marginally.

In response to greater output requirements, businesses scaled up their purchasing activity during July. Moreover, the upturn in input buying was the quickest since April. Subsequently, inventories rose substantially.

On the price front, input cost inflation quickened to the fastest since April and was solid overall. Underlying data suggested that cost pressures mainly emanated from higher purchasing prices. Staff costs rose only modestly in comparison, but at the fastest rate in ten months. Panellists commented on a general rise in market prices for raw materials. Firms raised their output charges, but only marginally amid reports of intense competitive conditions.

Future output data indicated that business confidence improved in July. Forecasts of a better economic scenario and promotional activities were the key factors boosting optimism at the start of the third quarter.

-Ends-

**The next *Saudi Arabia PMI Report* will be published on September 6th 2017 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.



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Emirates NBD is a leading banking Group in the region. As at 30th June 2017, total assets were AED 456.2 Billion, (equivalent to approx. USD 124 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 currently has 221 branches and 1023 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, Singapore, the United Kingdom and representative offices in India, 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. For more information, please visit: www.emiratesnbd.com

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