



Press Release

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Emirates NBD Saudi Arabia PMI[®]

PMI falls to record low in March, but remains in growth territory

Riyadh, April 3rd, 2018: Business conditions improved at the slowest rate since the survey began, largely reflecting subdued increases in new orders and employment during March. That said, business confidence remained strong in the non-oil private sector and output growth picked up. Furthermore, input cost inflation continued to ease from the recent peak seen at the start of 2018.

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, **Daniel Richards, MENA Economist at Emirates NBD**, said:

“The fall in the pace of expansion in Saudi Arabia’s non-oil private sector to its lowest levels on record last month will prompt firms to continue price discounting in a bid to galvanise demand; output prices were below the neutral 50.0 level which delineates contraction and expansion for the second month running in March. Despite the sluggish growth at present, business optimism at 71.0 remains far above the 12-month average of 61.4.”

Key Findings

- Headline PMI falls to 52.8 in March, from 53.2 in February
- New business growth weakest in survey history
- Input price inflation cools

At 52.8 in March, down from 53.2 in February, 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 – was at a record low. Although an improvement in operating conditions was registered, the rate of growth was only moderate overall. Furthermore, the latest data rounded off the weakest quarter recorded since the survey began in August 2009.



Non-oil private sector companies reported an uptick in output growth in Saudi Arabia. Although marked overall and the strongest registered in the year-to-date, the expansion was subdued in the context of historical data.

Incoming new business grew at the slowest rate on record during March. The expansion was only fractional overall. According to anecdotal evidence, the recent introduction of VAT continued to damp customer demand, whilst panel respondents also commented on competitive pressures. Furthermore, foreign demand deteriorated for the second month running, albeit fractionally. In fact, the majority of respondents reported no change in new export orders since the preceding survey.

Continuing the trend seen over the past four years, job creation was registered once again in March. Although the rate of employment growth eased further since January's recent peak, the expansion was above the average seen over the past 12 months.

In terms of prices, input cost inflation eased to a ten-month low during the latest survey. The rate of increase was well below its long-run average and only slight overall. Both raw material and wage inflation softened at the end of the first quarter. As a result, companies in the non-oil private sector continued to offer price discounts, albeit at only a fractional rate overall. Some businesses noted that they reduced output charges to stimulate client demand.

Although business confidence eased from the 46-month high registered in February, optimism remained strongly positive overall. An expected economic upturn alongside anticipated new project wins underpinned positive sentiment in March.

-Ends-

The next *Saudi Arabia PMI Report* will be published on May 3rd 2018 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 31st 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.

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