



Press Release

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Emirates NBD Saudi Arabia PMI™

Sharpest improvement in operating conditions since August

Riyadh, January 4th, 2017: Following October's record low, growth of the Saudi Arabian non-oil private sector strengthened again in December. Output rose at the sharpest rate since August, while new orders increased at a marked, albeit slightly slower, rate. Companies responded to increased requirements by raising their purchasing activity and boosting inventories amid positive growth projections.

However, with the rate of expansion in new work remaining below its long-run trend, staffing levels continued to be increased only slightly.

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 Emirates NBD Saudi Arabia PMI™, **Khatija Haque, Head of MENA Research at Emirates NBD**, said.

"Improving demand was a key driver for output and new order growth in Saudi Arabia in December, which is very encouraging as we look forward to 2017. While firms increased purchases and accumulated inventory in anticipation of future orders, they were reluctant to boost hiring. Overall, the pace of non-oil private sector growth this year, as indicated by the PMI survey, was markedly lower than 2015."

Key Findings

- PMI rises on sharper gain in output amid evidence of robust market demand
- Employment growth remains marginal despite rising backlogs of work
- Input costs and output charges continue to increase

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 – improved to a level of 55.5 during December,



up from November's 55.0 and the best reading since August. December's PMI was indicative of a further marked improvement in overall operating conditions.

Underpinning overall growth was an acceleration in the rate of expansion of output to a four-month high. Latest data marked the second month in a row that production growth has risen following the record low pace of expansion seen in October.

Panellists widely commented that the latest increase in production was the result of ongoing strength in new order books plus further investment in sales and marketing activities. Volumes of new business continued to rise sharply in December amid reports of better market demand. A number of panellists commented on increased activities in the construction sector. Foreign demand also continued to strengthen, with new export orders rising to the greatest degree for four months.

With production and order book requirements rising, there was a similarly marked increase in purchasing activity during December. Panellists also sought to replenish stocks of inputs in line with positive expectations for demand and new orders.

Despite evidence of modest pressure on capacity (backlogs of work rose for a second month in a row), staffing levels in the Saudi Arabian non-oil private sector increased only marginally and at the slowest pace in a year during December. Just 2% of the survey panel reported an increase in staffing levels over the month.

On the price front, operating costs continued to increase in December, albeit at a relatively modest pace that was slower than November's three-month high. Inflation was again underpinned by higher purchase prices as wage levels increased at only a fractional rate.

A desire to pass on these higher costs to clients, plus reports of strengthened market demand, meant several companies raised their own prices in December. However, the rate of inflation was only marginal, despite being the greatest since August.

-Ends-



The next *Saudi Arabia PMI Report* will be published on February 5th 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. 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 September 2016, total assets were AED 446 Billion, (equivalent to approx. USD 121 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 220 branches and 985 ATMs and CDMs 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. Ratings agency Moody's recently upgraded the bank's long-term deposit and senior unsecured ratings to A3 and its baseline credit assessment (BCA) to ba1. In addition to the bank's strong funding and liquidity profile, the upgrade reflected the bank's improved loan quality, and its higher loss-absorption buffers.

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 initiatives and of the various educational, environmental, cultural, charity and community welfare establishments.

For more information, please visit: www.emiratesnbd.com

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