



Press Release

Under strict embargo until: 08:15 (DUBAI) / 04:15 (UTC), August 3rd 2017

Emirates NBD UAE PMI[®]

Robust improvement in business conditions

Dubai, August 3rd, 2017: The health of the UAE non-oil private sector gained steam in July, supported by sharp expansions in output and new work. In response to greater output requirements, firms scaled up inventories and employment. On the downside, new export orders fell at the quickest pace in the history of the survey. On the price front, firms faced stronger input cost inflation, but were unable to pass these on to consumers amid intense competitive conditions.

The survey, sponsored by Emirates NBD and produced 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 PMI survey in July showed that domestic demand remained robust, offsetting weakness in external demand last month. Firms were more optimistic about the coming year, and increased inventories at a record rate, partly in anticipation of further order growth.”

Key Findings

- Sharp expansions in output and new orders
- Survey-record rise in inventories
- New export orders decline at sharpest pace in series history

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 three-month high of 56.0 in July from 55.8 in June. This was indicative of a sharp improvement in operating conditions in the non-oil private sector. Notably, the performance of the sector was strong in context to historical data.



The overall upturn in the sector was underpinned by a sharper increase in output. A combination of more projects and favourable economic conditions was reported by panellists as having contributed to greater business activity.

A sharp rise in new orders was seen in July, despite growth easing slightly from the prior month. According to anecdotal evidence, promotional activities underpinned improvements in client demand.

In contrast to the upward trend seen for total new orders, new export work fell for the second consecutive month in July. The rate of contraction was sharp overall, with the respective index falling to a record low.

Reflecting further improvements in output (and subsequent capacity pressures), firms increased their payroll numbers. The rise in employment was only marginal, however.

The ongoing upturn in output encouraged companies to engage in input buying. As a result, inventories held by firms operating in the UAE rose at a record pace. In part, the increase in stocks of purchases reflected positive expectations of further improvements in market demand.

On the price front, average input costs rose for the second consecutive month and inflation was solid overall. According to underlying data, higher cost burdens stemmed from greater purchasing prices and staff costs, with the sharper increase noted in the former. Panellists commented on a general increase in raw materials prices.

Finally, companies expressed optimistic projections for output over the coming 12 months. Business confidence was rooted in orders in the pipeline and forecasts of further improvements in demand conditions.

-Ends-

The next *UAE PMI Report* will be published on September 6th 2017 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 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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