



Press Release

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Emirates NBD Saudi Arabia PMI™

Further improvement in business conditions in April

Riyadh, May 3rd, 2017: Business conditions in Saudi Arabia's non-oil private sector continued to improve at the start of the second quarter, with rates of expansion in new work and business activity gathering pace. As a result, firms were encouraged to engage in purchasing activity, which in turn led to the strongest accumulation in stocks of purchases in over four-and-a-half years. Despite added pressure on operating capacity, the rate of job creation remained only marginal overall. Meanwhile, input cost inflation climbed to an eight-month high, but selling prices rose only fractionally amid competitive pressures.

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™, **Tim Fox, Head of Research and Chief Economist at Emirates NBD**, said:

"This was another overall strong reading of Saudi Arabia's non-oil private sector activity, with output and new orders growth both very firm in April. However, below the surface it remains clear that companies are having to work harder to generate these gains, with little capacity to increase employment and profit margins continuing to be squeezed."

Key Findings

- Sharper expansions in new orders and output
- Rate of inventory accumulation at 55-month high
- New export orders fall for first time in ten months

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 56.4 in March to 56.5 in April. The latest reading was broadly similar to the average recorded in the opening quarter of 2017 and



consistent with a robust improvement in business conditions across the sector. However, the PMI posted below its long-run series average of 58.3.

Underpinning the improvement in the sector was a sharper expansion in business activity. The rate of growth accelerated since March and was in line with its long-run trend. Panellists commented on stronger underlying demand and favourable economic conditions.

New business inflows rose sharply and at a faster pace than in the prior month. Anecdotal evidence indicated that firms' sales and marketing efforts had supported the upturn in domestic demand. There were also mentions of new construction and development activities.

On the other hand, new export work declined for the first time in ten months, although the rate of contraction was marginal overall. Non-oil private sector firms in Saudi Arabia faced lower foreign demand and intense competition in external markets, according to respondents.

In response to greater output requirements, companies were encouraged to increase their purchasing activity, contributing to a steeper rate of inventory building. Indeed, the rate of inventory accumulation quickened to a 55-month high.

Firms continued to increase payroll numbers during April, but the rate of job creation remained marginal. Concurrently, outstanding business increased for the sixth consecutive month.

Latest data pointed to diverging price trends. Total input costs rose at the fastest pace in eight months. Inflationary pressures stemmed from a general increase in raw material prices due to increased demand. On the other hand, the rate of charge inflation eased to the weakest in the current six-month sequence of increases and was only fractional.

-Ends-

**The next *Saudi Arabia PMI Report* will be published on June 5th 2017 at 07:15 (RIYADH)/
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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.



About Emirates NBD

Emirates NBD is a leading banking Group in the region. As at 31st December 2016, total assets were AED 448 Billion, (equivalent to approx. USD 122 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 219 branches and 1012 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.

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 #TogetherLimitless platform.

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

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