



Press Release

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Emirates NBD UAE PMI[®]

Sharp improvement in business conditions

Dubai, July 4th, 2017: Following May's weakest improvement in six months, the upward growth trajectory of the non-oil private sector gained steam in June. The latest improvement was supported by sharper rises in both new orders and output. The ongoing upturns in output and new order book volumes encouraged companies to engage in input buying, leading to further increases in inventories. Meanwhile, problems existed elsewhere as employment stagnated. New export orders fell for the first time in seven months as demand from international markets reduced. Business confidence towards the 12-month outlook eased to the second-lowest in the survey history. Following a decline in the prior month, there was a renewed increase in input costs. In spite of increased cost pressures, firms continued to offer discounts amid reports of intense competition.

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 rise in output and new orders in June is encouraging, although we note that firms continued to reduce selling prices on average in order to support demand and order growth. The survey also highlights the lack of employment growth despite strong the strong increase in new work last month. Overall however, the PMI data for H1 2017 supports our view that the non-oil sectors have grown at a faster pace relative to H1 2016."

Key Findings

- Headline index increases to 55.8 in June
- Sharper expansions in output and new orders
- New export orders fall for the first time in seven months



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 from May's six-month low of 54.3 to 55.8 in June. Remaining comfortably above the crucial 50.0 threshold, the latest reading signalled a sharp improvement in the health of the private sector. Notably, the rate of growth was stronger than the long-run series average (54.5).

The general improvement in operating conditions was closely linked to a sharper increase in output during June from May's 13-month low. The combination of more projects, trends in new orders and favourable economic conditions was reported by panellists to have contributed to greater business activity.

Moreover, growth in new orders quickened from May's five-month low to the fastest pace since August 2015. Firms linked the rise in new business to discounts and greater marketing efforts. In response to greater output requirements, companies raised purchasing activity at a sharp pace. As a result, inventories rose at a steep pace. Firms mentioned forecasts of greater new work as the key reason behind the latest rise in inventories.

The rate of job creation eased to an eight-month low to signal a broad stagnation in employment.

Output charges decreased in June as firms were unable to pass on higher cost burdens to customers amid reports of intense competition. Input prices rose following a decline in May, although the rate of inflation was only modest. Input costs were mainly driven higher by a general increase in market prices for raw materials, according to panellists.

Positive sentiment towards business prospects eased to the second-weakest in the survey history. Firms expect projects in the pipeline, and further improvements in economic conditions will lead to output growth in the year ahead.

-Ends-

The next UAE PMI Report will be published on August 3rd 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 31st March 2017, total assets were AED 452 Billion, (equivalent to approx. USD 123 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 222 branches and 1013 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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