



Press Release

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Emirates NBD Saudi Arabia PMI™

PMI climbs to 17-month high in January

Riyadh, February 5th, 2017: Saudi Arabia's non-oil private sector saw a further improvement in growth momentum at the start of 2017 amid reports of favourable economic conditions and improving underlying demand. The latest upturn was led by sharp increases in output and new business, with data also pointing to improved client demand across foreign markets. Employment increased only marginally, however, despite rising volumes of unfinished work. On the price front, charges rose for the third successive month amid a further increase in input costs.

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.

“The rise in Saudi Arabia’s PMI to the highest level in 17 months is an encouraging start to the year, particularly as it reflects faster output and new order growth in January. Firms also appear to be more optimistic about the coming 12 months.”

Key Findings

- Output expands at sharpest rate since August 2015
- New order growth reaches 14-month high
- Staff numbers rise only slightly

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 55.5 in December to 56.7 at the start of 2017 and was consistent with a solid improvement in overall business conditions. Notably, it was the strongest rate of improvement seen for nearly one-and-a-half years.



Stronger growth in output was a key factor leading to an increase in the headline index during January. Output expanded at the strongest rate in 17 months. Anecdotal evidence linked the latest increase to improved market demand.

Volumes of incoming new business rose at the sharpest pace in 14 months in January. A number of panellists mentioned that promotional activities had resulted in sales. Another factor leading total new work to increase was a marked expansion in new export work, which reportedly occurred as firms offered internationally competitive prices.

Companies in Saudi Arabia's non-oil private sector raised their input buying in order to cater for increased output requirements. Though weaker than the series average, the rate of expansion was sharp overall, and underpinned the fastest rate of inventory accumulation in 16 months.

Despite a further increase in backlogs of work, firms added to their workforce numbers only marginally during January. Higher staff numbers were generally linked to new project start-ups.

Prices data indicated that higher purchasing costs was the predominant driver of an increase in total input prices. Some firms passed on higher cost burdens to clients in the form of greater selling prices. However, the rate of output charge inflation was slight as firms faced intense market competition.

Delivery times improved to the least extent since October 2016 as the vast majority of survey respondents (91%) noted no change in average supplier performance.

Finally, the degree of positive sentiment improved to a five-month high. Companies expect market conditions to continue to improve and boost output over the coming 12 months.

-Ends-

The next *Saudi Arabia PMI Report* will be published on March 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.



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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