



Press Release

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Emirates NBD UAE PMI™

PMI climbs to six-month high in January

Dubai, February 5th, 2017: January data signalled a solid improvement in the health of the UAE's non-oil private sector. Underpinning the latest upturn were expansions in output and new work, with the latter supported by improved foreign demand. In response to increased new business, companies raised their payroll numbers for the ninth straight month. On the price front, data highlighted divergent trends in January as firms continued to cut their prices charged in spite of a faster rise in cost burdens.

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

"The January PMI data shows that output and new order growth remains strong, and the improvement in export demand last month is particularly welcome after a relatively soft 2016."

Key Findings

- Output expands at sharp rate
- New order growth accelerates to fastest since September 2015
- Firms continue to cut their charges, despite stronger cost inflation

Rising from 55.0 in December to 55.3 in January, 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 – posted the highest reading since July 2016. That signalled a notable improvement in the health of the sector, particularly in the context of the trends over 2016 (53.9) and the survey as a whole (54.5).



The upward movement in the headline index was supported by a sharper increase in new work during January, with new business rising at the quickest rate in 16 months. Anecdotal evidence highlighted promotional activities, increased client demand and stronger underlying economic conditions as key factors boosting growth of new business inflows. Moreover, growth of new export orders quickened to a 14-month high.

Panellists scaled up output and input buying to cater for existing and expected new orders. In both cases rates of expansion eased since December, but remained sharp.

On the jobs front, a further increase in payroll numbers failed to alleviate pressures on operating capacity. The rate of backlog accumulation was slight overall as the vast majority of monitored firms (91%) recorded no change in work-in-hand.

Latest survey data pointed to mounting cost pressures in the UAE's non-oil private sector. Sharp input price inflation was predominantly driven by a marked increase in purchasing prices as staff costs rose only slightly.

That said, output charges decreased for the fifteenth consecutive month in January, with a number of companies citing intense market competition. However, the pace of reduction was slight overall and the weakest seen in five months.

Average lead times improved at a sharp rate that was broadly in line with that registered in the previous month.

Finally, UAE non-oil private sector businesses remained optimistic towards the 12-month outlook for output at the start of the year. Those firms that were upbeat about the year ahead commented on expectations of further improvements in market conditions and strengthening client demand.

-Ends-

The next *UAE PMI Report* will be published on March 5th 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. 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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