



Press Release

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Emirates NBD Saudi Arabia PMI®

Sharp growth in Saudi Arabia's private sector

Riyadh, November 5th, 2017: October data signalled a strong start to the final quarter of 2017 for Saudi Arabia's non-oil private sector. Sharp growth of both output and new orders contributed to latest improvement in operating conditions. On the price front, an uptick in cost pressures was recorded, which according to anecdotal evidence led to higher selling prices. Business confidence improved during October, prompting firms to increase stocks of purchases at a record rate in anticipation of further improvements in economic 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 Saudi private sector.

Commenting on the Saudi Arabia PMI® survey, Khatija Haque, **Head of MENA Research at Emirates NBD**, said:

"The headline PMI index for Saudi Arabia has been broadly stable for the last four months, at a level which suggests solid growth in the non-oil sector. Encouragingly, firms were much more optimistic in October than they were in September, which bodes well for growth in the final quarter of this year."

Key Findings

- Headline PMI ticks up to 55.6, from 55.5
- Steep increases in both output and new orders
- Pre-production stocks built-up at record pace

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 to 55.6 in October, up from 55.5 in September. This indicated a steep expansion in Saudi Arabia's non-oil private sector. That said, the pace of growth remained below the long-run series average.



Incoming new business grew at a steep rate during October. Panel member reports suggested that strong domestic demand contributed to the latest improvement in order books. New export orders grew for the third month running, albeit at a fractional pace overall.

The upturn in demand for Saudi-produced goods and services led to sharp growth in output, according to anecdotal evidence. That said, the rate of expansion eased since the preceding survey period.

Non-oil private sector companies in Saudi Arabia continued to employ additional staff during October. The latest increase extended the current sequence of job creation to 43 months. That said, the rate of growth was slight overall and below the series' historical average.

Optimism towards future growth prospects reached a five-month high in October. Better marketing campaigns, business investments and an expected improvements in economic conditions underpinned the latest rise in confidence. Furthermore, companies in Saudi Arabia's non-oil private sector built-up stocks of purchases at the fastest pace in the survey history. Many linked the increase to forecasts of stronger demand.

October data indicated a marginal uptick in average cost burdens, linked to a rise in raw material costs. That said, the rate of input price inflation remained below the long-run series average. Meanwhile, staff cost inflation eased and was muted in the context of historical data.

Companies in Saudi Arabia's non-oil private sector passed on to their clients part of the additional cost burden during October by raising selling prices. The return to output price inflation followed discounts registered in September.

-Ends-

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



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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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