



## **Press Release**

**Under strict embargo until: 07:15 (RIYADH) / 04:15 (UTC), February 5<sup>th</sup> 2018**

# **Emirates NBD Saudi Arabia PMI<sup>®</sup>**

*Slowdown in private sector growth recorded at the start of 2018, but business confidence reaches eight-month high*

**Riyadh, February 5<sup>th</sup>, 2018:** January data indicated a subdued start to the year for non-oil private sector companies, with output growth continuing to slow from November's ten-month peak. Survey respondents commented on softer rises in new business intakes following the VAT introduction in January. However, reports from non-oil businesses suggested that the impact on sales was likely to prove transitory, with part of the slowdown simply reflecting a natural payback following strong order flows prior to the policy implementation. With private sector firms continuing to experience resilient demand fundamentals, staff hiring picked up to its strongest since August 2016 and business optimism reached an eight-month high.

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<sup>®</sup> survey, Khatija Haque, **Head of MENA Research at Emirates NBD**, said:

*"The softness in the January PMI survey was fairly broad-based, with faster employment growth being the main highlight. Wage increases, fuel subsidy cuts and the introduction of VAT is evident in the higher input costs and staff costs components of the survey in January. However, firms were the most optimistic about their prospects in the coming 12 months than they have been since May 2017."*

## **Key Findings**

- Weakest rise in business activity since the survey began in August 2009
- Softer new order growth linked to VAT introduction in January
- Job creation and business optimism improve amid hopes that demand will rebound

At 53.0 in January, down from 57.3 in December, the headline seasonally adjusted **Emirates NBD Saudi Arabia Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>)** – a composite gauge designed to give a single-figure snapshot of operating conditions in the non-oil private sector economy –



remained well above the 50.0 threshold that separates expansion from contraction. However, the latest reading signalled the slowest improvement in private sector business conditions since August 2009.

Weaker rates of business activity and new order growth were the main factors that weighed on the headline PMI in January. Survey respondents cited intense competition for new work and temporarily softer demand following the introduction of VAT at the start of 2018.

Saudi Arabian private sector companies continued to boost their operating capacity in January, as highlighted by a sustained rise in employment levels during the latest survey period. The rate of job creation was the fastest for almost a year-and-a-half, with a number of firms noting that business conditions were expected to improve over the course of this year. Reflecting this, latest data indicated that business optimism rebounded to its highest since May 2017.

January data indicated a robust and accelerated rise in average cost burdens across the non-oil private sector economy. The latest increase in overall input prices was the fastest since July 2014. Anecdotal evidence overwhelmingly linked cost pressures to fuel subsidy cuts and the implementation of VAT in January.

Purchasing prices rose at the fastest pace for three-and-a-half years, while staff wages increased to the greatest degree since September 2016. However, there were signs that private sector companies continued to absorb higher operating expenses, as average prices charged increased only marginally in January. Reports from survey respondents suggested that competitive market conditions and subdued client demand were the key factors holding back prices charged inflation.

-Ends-

**The next *Saudi Arabia PMI Report* will be published on March 5<sup>th</sup> 2018 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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Emirates NBD is a leading banking Group in the region. As at 31<sup>st</sup> December 2017, total assets were AED 470.4 Billion, (equivalent to approx. USD 128 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 was declared the Most Innovative Financial Services Organization of the Year at the 2017 BAI Global Innovation Awards.

The bank currently has 230 branches and 1040 ATMs and SDMs 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, India, Singapore, the United Kingdom and representative offices in 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. Emirates NBD Group is an official premier partner of EXPO 2020. For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

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