



Press Release

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Emirates NBD Saudi Arabia PMI[®]

Non-oil private sector growth regains some momentum in May

Riyadh, June 5th, 2018: May's PMI data signalled a rebound in non-oil private sector growth, following the all-time low recorded in April. The findings were indicative of a moderate improvement in business conditions, with the latest expansion being the strongest registered in three months. Renewed growth of new business and stocks of purchases, alongside a robust output expansion all contributed to the upturn in May. On the price front, input price inflation eased whilst output charges rose for the first time since January.

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:

"While the May PMI posted the highest reading this year, the index is still low by historical standards and reflects a slower rate of growth in the non-oil private sector than last year. The survey data suggests that government spending and higher oil prices year-to-date are not boosting economic activity as much as they have in the past, although firms remained highly optimistic about their future prospects."

Key Findings

- Headline PMI rises to 53.2 in May, from 51.4 in April
- However, growth remains weak in the context of historical data
- Output charge inflation returns, ending a three-month phase of price discounting

At 53.2 in May, up from 51.4 in April, 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 – signalled a moderate improvement in operating conditions, and one that was the strongest in three months. That said, the rate of expansion remained well below the historical average.

Output growth at non-oil private sector companies accelerated in May. The pace of expansion was robust overall, albeit below the long-run average. Survey data suggested that an increase in new orders led to higher output requirements. Whilst some firms noted that promotional activity had resulted in higher new business, some reported scepticism towards underlying demand conditions.

Inflows of new orders from abroad deteriorated for the fourth month in a row. Furthermore, the latest decline was moderate overall and the fastest for a year.

In terms of inflation, input price pressures faced by companies eased as a result of softer purchase price and staff cost inflation. Meanwhile, higher output charges were recorded in May, thereby ending a three-month phase of price discounting.

Job creation eased to a six-month low in May. The rate of employment growth was slight overall and below the historical trend. That said, the vast majority of panel respondents reported no change in payroll numbers.

Following the first recorded contraction in stocks of purchases in April, May data signalled a return to growth. The rate of accumulation was only fractional overall, however, and was the smallest recorded expansion since the survey began in August 2009.

Despite the rate of growth so far this year having been well below the long-run trend, the overall level of positive sentiment at non-oil private sector firms remained elevated, signalling strong optimism towards future growth prospects.

-Ends-

The next *Saudi Arabia PMI Report* will be published on July 3rd 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 31st 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.

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