



Press Release

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Emirates NBD UAE PMI®

Output growth picks up at start of 2018

Dubai, February 5th, 2018: Improving economic conditions resulted in further gains in output and new orders at UAE non-oil companies at the start of 2018. Employment was raised at the strongest pace for a year on the back of increased workloads. The introduction of VAT in January added to companies' input costs, which rose at the fastest pace in 74 months. Anecdotal evidence suggested that stock-building in advance of VAT coming into force was responsible for a marked slowdown in the rates of expansion in both purchasing activity and stocks of inputs.

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 UAE PMI® survey, **Khatija Haque, Head of MENA Research at Emirates NBD**, said:

“The January survey indicates that non-oil sector growth got off to a strong start in 2018, notwithstanding the slight decline in the headline index. The impact of VAT is evident in the sharp rise in input costs last month. While selling prices also increased in January, the survey suggests that the full rise in input costs was not passed on to consumers.”

Key Findings

- Faster rise in activity amid sharp increase in new orders
- Introduction of VAT leads to steepest rise in input costs since November 2011
- Purchasing activity expands at much weaker pace as firms make use of warehouse stocks

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 56.8 in January, down from 57.7 in December but still signalling a marked monthly improvement in business conditions.

Companies saw another sharp increase in new orders during January, linked to stronger economic conditions, competitive pricing and the securing of new clients. New export orders also rose, the second month running in which that has been the case.

Higher new orders contributed to a sharp and accelerated rise in business activity. Despite the faster rise in output, backlogs of work continued to accumulate.

Non-oil private sector firms increased their employment in line with higher workloads at the start of the year. Although modest, the rate of job creation was the fastest since January 2017.

The introduction of VAT impacted on pricing and purchasing during January. Overall input costs rose at a much faster pace than in December, with companies often linking higher purchase prices to the impact of the new VAT. Purchase costs increased at the sharpest rate since November 2011, while wages and salaries also rose at a faster pace.

Output charges increased for the first time in five months, with panellists suggesting that this was due to the inclusion of VAT in selling prices.

Rates of expansion in both input buying and stocks of purchases were much slower at the start of the year. Respondents indicated that stock-building in advance of the VAT introduction meant that inventories were sufficient to deal with current workloads.

Suppliers' delivery times continued to shorten amid prompt payments and good relationships with vendors.

Finally, there was a marked improvement in business confidence in January. Sentiment was the strongest since June 2015. Panellists predicted that activity will increase once the new VAT system becomes more familiar, with higher new orders also expected to support output growth.

-Ends-

The next *UAE PMI Report* will be published on March 5th 2018 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. 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.

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

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