



Press Release

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Emirates NBD Saudi Arabia PMI[®]

PMI reaches new low as growth momentum continues to deteriorate

Riyadh, May 3rd, 2018: The non-oil private sector continued to lose growth impetus, as indicated by the slowest improvement in business conditions in the survey's near nine-year history. A contraction in new orders combined with easing job creation and softer output growth all contributed to the slowdown recorded in April. Furthermore, on the price front, input costs increased at a solid pace, whilst output charges fell for the third month running. Nonetheless, respondents remained confident towards the year ahead, with many noting that they expect the current slowdown to be temporary.

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 further softening of the non-oil activity data in April is surprising given the sharply higher oil prices so far this year, as well as the expansionary budget that was announced for 2018. Firms have cited subdued domestic demand as a reason for the decline in new orders last month, although export orders declined as well."

Key Findings

- Headline PMI slips to 51.4 in April, down from 52.8
- New orders deteriorate for first time in survey history
- Business confidence remains strong

At 51.4 in April, down from 52.8 in March, 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 – slumped to a record low. That said, the figure remained above the crucial 50.0 mark that separates growth from contraction, and signalled a modest overall expansion in the sector since March.

Output growth eased in the latest survey period, with the rate of expansion registering close to the low seen at the start of 2018. That said, the latest improvement remained marked overall. According to anecdotal evidence, some firms used excess capacity to clear existing backlogs of work.

Demand for goods and services produced in Saudi Arabia deteriorated in April. In fact, the contraction was the first ever recorded since the survey's inception in August 2009. Companies blamed the fall in order books on competitive pressures alongside subdued market demand. Furthermore, foreign sales decreased for the third month running, albeit at only a marginal rate.

Quantities of purchases grew at the slowest rate on record during April. According to anecdotal evidence, firms reined in input buying in response to falling demand. Reflecting a slowdown in purchasing activity growth and marked output expansion, firms utilised existing stockpiles of goods. The deterioration in input stocks was the first in the survey history.

Continuing the sequence seen over the past four years, employment growth was registered in the non-oil private sector. Many firms noted that they hired additional local staff in response to the Saudization government policy. That said, the rate of job creation was only slight overall, and below its historical average.

Output charges decreased for the third month running. Some firms noted that they offered discounts in attempts to stimulate client demand. Concurrently, average cost burdens faced by non-oil private sector firms increased at a solid rate, albeit one that was below its historical average.

-Ends-

The next *Saudi Arabia PMI Report* will be published on June 5th 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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