



Press Release

Under strict embargo until: 08:15 (DUBAI) / 04:15 (UTC), January 4th 2017

Emirates NBD UAE PMI™

Output growth quickens to 16-month high

Dubai, January 4th, 2017: The UAE's non-oil private sector continued to see strengthening growth momentum at the end of 2016 amid reports from panellists of improving economic conditions. Output rose at a sharper pace as new orders increased markedly amid a return to growth of new export business. On the price front, a further rise in input costs was registered but competitive pressures and promotional offers meant that output prices decreased again.

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 Emirates NBD UAE PMI™, **Khatija Haque, Head of MENA Research at Emirates NBD**, said.

"The Emirates NBD PMI indicates a solid expansion in the non-oil private sector in Q4 2016. Strong gains in output and new orders have been hard-won however, with firms continuing to offer discounts and promotions in order to secure orders. Overall, the PMI averaged 53.9 in 2016, well below the 2015 average of 56.0, reflecting slower growth this year."

Key Findings

- Sharp and accelerated increase in business activity
- New export orders rise for first time in six months
- Output prices continue to fall despite cost inflation

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 – ticked up to 55.0 in December from 54.2 in November, thereby signalling a marked monthly improvement in the health of the non-oil private sector, and one that was the strongest since July.



Higher new orders, improving economic conditions and marketing activities all contributed to output growth. Activity rose substantially over the month, and to the greatest extent since August 2015.

New business rose at a sharp pace that was broadly in line with that seen in the previous month. Improving client demand and the efforts of sales teams contributed to the rise. Meanwhile, new export orders returned to growth, ending a five-month sequence of decline.

Efforts to secure sales in a competitive environment meant that output prices decreased in December in spite of a further rise in cost burdens. Charges have now declined in each of the past 14 months. Overall input prices increased at a faster pace amid sharper inflation of both purchase prices and staff costs. Purchase prices have risen in three successive months, with the latest increase the fastest in this sequence.

There were signs that operating capacity was sufficient to deal with current workloads despite a marked increase in new work during December. Backlogs of work declined for the first time in 32 months, while the rate of job creation remained modest as the vast majority of respondents (96%) opted to leave their staffing levels unchanged.

Higher output requirements led firms to increase their purchasing activity in December. The rate of expansion was sharp and unchanged from that seen in November. Stocks of purchases also continued to rise, albeit at a slightly weaker pace than seen in the previous month.

As has been the case throughout the survey's history to date, suppliers' delivery times shortened in December. The latest improvement in vendor performance was marked, and attributed by respondents to requirements for faster deliveries.

-Ends-

The next *UAE PMI Report* will be published on February 5th 2017 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. 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.

About Emirates NBD

Emirates NBD is a leading banking Group in the region. As at 30th September 2016, total assets were AED 446 Billion, (equivalent to approx. USD 121 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 currently has 220



branches and 985 ATMs and CDMs 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. Ratings agency Moody's recently upgraded the bank's long-term deposit and senior unsecured ratings to A3 and its baseline credit assessment (BCA) to ba1. In addition to the bank's strong funding and liquidity profile, the upgrade reflected the bank's improved loan quality, and its higher loss-absorption buffers.

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 initiatives and of the various educational, environmental, cultural, charity and community welfare establishments.

For more information, please visit: www.emiratesnbd.com

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