



Press Release

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Emirates NBD UAE PMI™

Business conditions continue to improve, albeit at reduced pace

Dubai, June 5th, 2017: There was a further improvement in the health of the UAE's non-oil private sector during May, with growth underpinned by rises in output and new orders. Although rates of expansion eased in both cases, they remained sharp. After a seven-month sequence of inflation, the non-oil private sector faced lower input costs. Meanwhile, firms offered discounts to their own clients for the second successive month.

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 decline in the headline PMI reading in May comes off very high readings from February through March. The data still shows a solid expansion in output and domestic demand in May, although external demand appears to have softened."

Key Findings

- Headline index at six-month low of 54.3 in May
- Sharp, but slower, rates of increase in output and new orders
- Overall input prices reduced for the first time in eight months

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 – edged down from 56.1 in April to 54.3 in May. Though the latest reading eased to a six-month low, it signalled a robust rate of expansion of the non-oil private sector. Notably, the latest figure was broadly in line with the long-run average.

New business inflows rose sharply in May, despite the rate of growth easing to a five-month low. According to anecdotal evidence, a general improvement in economic conditions was supplemented by promotional activities. Meanwhile, there were signs of weakness in client demand in external markets as new export orders rose only marginally.

The upward movement in the headline PMI was also supported by greater business activity which rose at a sharp, albeit slightly weaker rate. Panellists commented on strong demand conditions and new projects.

Meanwhile, employment continued to rise across the non-oil private sector in May as companies hired extra staff in response to greater output requirements. Nevertheless, employment rose at the weakest rate in seven months. Capacity pressures showed signs of easing, as evidenced by only a marginal rise in backlogs.

With market demand increasing, firms were encouraged to engage in input buying. Furthermore, the rate of expansion accelerated from the preceding month and was robust overall. As a result, pre-production inventories continued to increase. In both cases, there were reports of forecasts of stronger sales growth.

After seven successive months of inflation, firms faced lower input costs in May. The rate of decline was marginal, however. Some survey respondents reported higher raw material costs, but this was offset by others citing strong competition among suppliers.

In the absence of substantial cost pressures, and faced with intense competition, companies lowered their charges for the second consecutive month.

Finally, the degree of business confidence climbed to its highest level since September 2016, with more than a fifth of the panel forecasting growth in output. Market demand and projects are expected to rise, with growth also set to be bolstered by promotional activities.

-Ends-

The next *UAE PMI Report* will be published on July 4th 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. 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.



About Emirates NBD

Emirates NBD is a leading banking Group in the region. As at 31st March 2017, total assets were AED 452 Billion, (equivalent to approx. USD 123 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 222 branches and 1013 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.

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 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 #TogetherLimitless platform.

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

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