



Press Release

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Emirates NBD UAE PMI®

New order growth partly driven by price discounting

Dubai, December 6th, 2018: Today sees the release of November data from the Emirates NBD Purchasing Managers' Index® (PMI®) for the UAE. The survey, compiled 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:

“Selling prices in the UAE fell at the fastest rate since the 2009 recession in November, with the output price index declining to 47.0 from 48.7 in October. That input costs rose at the fastest rate since January even as firms were cutting output prices speaks to the challenging business environment and the pressure this is putting on firms to compete on price.

However, the steep price discounting, combined with other marketing efforts helped support domestic demand, and **both output and new work rose at a faster rate last month, compared with October.** Firmer export demand also contributed to overall new orders growth in November, with new export orders rising at the fastest pace in four months. Some businesses reported increased orders from other GCC countries in particular.

Largely as a result of the stronger output and new orders growth, the **headline Purchasing Managers' Index for the UAE rose slightly to 55.8 in November from 55.0 in October.** The average PMI with just one month left of the year is 55.7, marginally lower than the average of 55.9 recorded in the same period last year, signalling growth in the non-oil private sector at a similar rate to 2017. Official data showed the UAE's non-oil sector grew 2.5% in 2017.

The employment index rose marginally to 50.6 in November from 50.1 in October, but the majority of firms (94.2%) reported unchanged headcount last month. The 3.1% of firms who reported increased hiring attributed this to higher workloads. **Staff costs were only marginally higher** in November, with just 1.4% of respondents saying they had increased wages & salaries.

Purchasing activity increased sharply in November, as firms responded to increased new orders and output requirements. However, the overall level of inventories was unchanged, suggesting that firms are unwilling to invest in pre-production goods until they are actually required.

Optimism about future output remained near the series high, although this index declined modestly from October. Exactly 75% of firms surveyed expected their output to be higher in a year's time, compared with 6.7% who predicted lower output."

The main findings of the November survey were as follows:

- Sharper rises in output and new orders
- Selling prices lowered to greatest extent in just over nine years
- Business optimism remains elevated

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 55.8 in November, up from 55.0 in October.

Central to the improvement in business conditions were sharp and accelerated rises in both output and new orders. Panellists linked increased output to higher new orders, alongside marketing and promotional activity.

New business increased to the greatest extent since June, with new export order growth quickening to a four-month high. A number of panellists reported higher new orders from customers in other GCC countries.

Data suggested that price discounting helped firms to secure new work during November. Output prices were reduced at the fastest pace since October 2009. Panellists linked the reduction to competitive pressures.

The fall in output prices was recorded in spite of a pick-up in the rate of cost inflation. Overall input prices rose to the greatest extent since the introduction of VAT in January. The rise in overall input costs was driven by higher purchase prices, which respondents linked in turn to increased raw material costs and higher prices charged by wholesalers.



Rising output requirements led non-oil companies to increase their purchasing activity and employment in November. Input buying increased sharply, and at the fastest pace in the year-to-date. Employment, meanwhile, rose only modestly as firms attempted to limit costs.

Suppliers' delivery times continued to improve as companies commented on an improved service from their regular vendors. That said, lead times shortened to one of the least extents in the survey so far.

Improving demand and expectations of further increases in new orders meant that business confidence remained elevated in November. Optimism was only slightly lower than October's record high.

-Ends-

The next UAE PMI Report will be published on January 10th 2019 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 30th June 2018, total assets were AED 477.5 Billion, (equivalent to approx. USD 130 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 227 branches and 1065 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, the Kingdom of Saudi Arabia, Egypt, 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 #TogetherLimitless platform. Emirates NBD Group is an Official Premier Partner of Expo 2020 Dubai. For more information, please visit: www.emiratesnbd.com

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