



## **Press Release**

**Under strict embargo until: 07:15 (RIYADH) / 04:15 (UTC), July 4<sup>th</sup> 2017**

# **Emirates NBD Saudi Arabia PMI<sup>®</sup>**

## *Upturn in private sector loses steam in June*

**Riyadh, July 4<sup>th</sup>, 2017:** The improvement in the health of the Saudi Arabian non-oil private sector economy was sustained in June, but growth lost momentum. Both new orders and output increased at the weakest rates in eight months, while growth of buying levels softened to the weakest since data collection began. Concurrently, there was a renewed increase in new export orders. On the price front, cost inflation was slightly above May's survey-record low. Subsequently, average selling prices rose.

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<sup>®</sup> survey, Khatija Haque, **Head of MENA Research at Emirates NBD**, said:

*"The average PMI for H1 2017 stood at 56.0, well above the neutral 50.0 level and signaling a faster rate of non-oil private sector growth than in H1 2016. However, faster non-oil GDP growth this year will likely be offset by contraction in the oil sector this year, following OPEC's decision to extend output cuts through Q1 2018."*

## **Key Findings**

- Headline index at eight-month low of 54.3
- Sharp, albeit weaker, expansions in output and new orders
- Weakest rise in buying levels in survey history

The headline seasonally adjusted **Emirates NBD Saudi Arabia Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>)** – a composite gauge designed to give a single-figure snapshot of operating conditions in the non-oil private sector economy – fell from 55.3 in May to an eight-month low of 54.3 in June. This was consistent with a marked, but slower, improvement in business conditions. Moreover, the average performance of Q2 2017 (55.4) was weaker than in the opening quarter (56.7).



The overall improvement in operating conditions was supported by a sharp increase in new business wins. Favourable economic conditions, strong underlying demand and more construction projects were reported by panellists to be the key factors behind the rise in inflows of new business. That said, growth eased to an eight-month low. A two-month sequence of contraction in new export orders was followed by a modest expansion during June. Panellists mentioned that good quality of products and services, as well as discounts, helped them secure new work from abroad.

Amid reports of strong demand conditions, firms raised output further during June. Although the slowest in eight months, the rate of growth was sharp overall.

In response to greater output requirements, firms increased payroll numbers at the fastest pace since August 2016. However, the overall rate of job creation was only slight.

In line with the trend for output, Saudi Arabian firms increased their purchasing activity again in June. Nonetheless, the rate of growth was the weakest observed since the inception of the survey in August 2009. Greater input buying contributed to higher input stocks. Although easing to the weakest in four months, the rate of accumulation was sharp overall and above the series trend.

The rate of input price inflation picked up from May's survey-low, but was modest overall. As a result, the sector saw a renewed rise in output charges. The rate of charge inflation was marginal overall. Those firms that raised their average selling prices commented on the passing on of higher cost burdens to clients.

Firms remained optimistic towards the 12-month outlook for output, with panellists commenting on promotional activities and projections of further improvements in economic conditions. That said, confidence fell to an eight-month low.

-Ends-

**The next *Saudi Arabia PMI Report* will be published on August 3<sup>rd</sup> 2017 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.



## 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](http://www.emiratesnbd.com)

## About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

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