



Press Release

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Emirates NBD Saudi Arabia PMI™

PMI signals improvement in business conditions

Riyadh, April 4th, 2017: Saudi Arabia's non-oil private sector remained entrenched in growth territory at the end of the first quarter of 2017, with sharp rates of expansion in new orders and output underpinning the overall upturn. As a result, companies raised input buying to the greatest extent in 18 months. Despite greater output requirements and increasing backlogs, companies raised their payroll numbers only marginally. Meanwhile, input price inflation climbed to a seven-month high.

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 Emirates NBD Saudi Arabia PMI™, **Tim Fox, Head of Research and Chief Economist at Emirates NBD**, said:

“Saudi Arabia's non-oil economy appears to be holding up well amidst ongoing reductions in oil production. Unlike previous periods of expansion however, gains in output and new orders are not being matched by new job growth, while competitive pressures appear to be keeping a lid on the prices firms are able to charge to customers.”

Key Findings

- Sharp expansions in new orders and output
- Job creation maintained in March
- Input cost inflation at seven-month high

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 – slipped from February's 18-month high of 57.0 to 56.4 in March. Nevertheless, the latest reading was consistent with a marked improvement in the overall health of the sector. Moreover, the PMI average for the first quarter of 2017 (56.7) was the highest in one-and-a-half years.

The above-50.0 reading for the headline index reflected steep increases in output and new work, though the respective rates of expansion eased since the preceding month. Anecdotal evidence indicated improvements in economic conditions, new projects, more construction work and increased marketing efforts. The rise in new business was mainly driven by domestic demand as growth of new export orders eased to the weakest in four months and was modest. Firms that reported higher levels of new work from abroad, commented on increased marketing efforts, good quality of products and internationally competitive prices offered.

In response to greater output requirements, firms raised payroll numbers. However, the rate of job creation was only marginal. This in turn led to higher volumes of outstanding business. In fact, the rate of accumulation was marked as existing resources were insufficient to cope with greater workloads.

Purchase prices rose at a solid pace in March, which firms attributed to greater demand for raw materials. However, businesses were restricted in their ability to fully pass on higher cost burdens to clients amid intense competition.

Higher volumes of incoming new business prompted firms to raise their input buying. The pace of expansion accelerated to the strongest in one-and-a-half years. Concurrently, the rate of accumulation of input stocks quickened to a 19-month high. A number of firms commented on more projects and forecasts of further improvements in demand as the main factors leading to stock-building initiatives.

Finally, firms remained strongly optimistic towards output over the coming year due to projects in the pipeline, construction work and expectations of further improvements in market demand.

-Ends-

The next *Saudi Arabia PMI Report* will be published on May 3rd 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. 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 2016, total assets were AED 448 Billion, (equivalent to approx. USD 122 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 219 branches and 1012 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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