



Press Release

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Emirates NBD Saudi Arabia PMI™

PMI signals further improvement in business conditions

Riyadh, June 5th, 2017: The Saudi Arabian non-oil private sector remained comfortably in expansion territory during May, supported by sharp expansions in output and new orders. However, in both instances rates of increase eased. On the price front, cost inflation dropped to a survey-record low. Consequently, selling prices were lowered marginally. Meanwhile, new export orders fell for the second month in succession, reflecting intense competition in external markets.

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™ survey, Khatija Haque, **Head of MENA Research at Emirates NBD**, said:

“The decline in Saudi Arabia’s PMI in May was largely due to slower new orders growth, with export orders in particular showing weakness. While the non-oil sector has seen stronger growth so far this year compared to 2016, the downside risks to overall GDP growth have increased with the extension of OPEC’s production cuts for a further 9 months.”

Key Findings

- Headline index at 55.3 in May
- Sharp, albeit slower, expansions in new orders and output
- Input price inflation at survey-record low

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 – edged down to 55.3 during May (from 56.5 in April). Despite falling to a six-month low, the latest reading signalled a robust improvement in the health of the sector.

Central to the latest improvement in business conditions was a sharp increase in output. Panellists commented on strong underlying demand and more projects. Nevertheless, the pace of growth was at a six-month low.

New orders continued to expand, as has been the case since the inception of the survey in August 2009. Though easing to the weakest in seven months, the rate of growth was sharp overall. Panellists linked the improvement in market demand to greater promotional activities.

Underlying data suggested that growth in total new work was led by the domestic market as new export orders fell for the second consecutive month. Anecdotal evidence pointed to competitive pressures globally.

Payroll numbers increased further in May, thereby stretching the current period of employment growth to 38 months. The rate of job creation was the strongest since August 2016, but only marginal.

Overall input price inflation in the Saudi Arabian non-oil private sector eased to a survey-record low and was marginal. As a result, some firms offered discounts. The rate of decline in charges was, however, fractional.

In response to greater output requirements, firms engaged in further input buying. In spite of easing to a 13-month low, the rate of growth was sharp overall. Subsequently, stocks of purchases continued to increase.

The degree of positive sentiment climbed to the highest in over a year across the Saudi Arabian non-oil private sector. This reflected new projects in the pipeline, as well as expectations of further improvements in demand.

-Ends-

The next *Saudi Arabia PMI Report* will be published on July 4th 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

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