

# Press Release

31 August 2016

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## **CAUTIOUS OPTIMISM RETURNS TO THE UAE SME SECTOR IN SECOND QUARTER 2016**

*SHUAA Capital's SME financing subsidiary 'Gulf Finance' today announced the results of its Q2 2016 SME Sentiment Survey.*

### **Sentiment Survey Results**

- **Higher expectations on growth**

Respondents in the second quarter have grown more optimistic about the outlook in the third quarter 2016. Factors such as macro risks and economic weakness are lower than in our previous survey and locally, banks restarting to lend, are some of the principal reasons for the cautiously optimistic growth outlook.

85% of respondents had an optimistic outlook for the third quarter as opposed to 74% in the previous quarter survey. Ten percent of those surveyed remained unchanged (Q1 2016: 19%) and three percent are expecting growth to be negative (Q1 2016: 4%).

- **Noticeable progression in sales orders**

A higher proportion of respondents reported orders received in the second quarter 2016 were higher, 77% versus the 62% reported in the first quarter, and slightly down on second quarter 2015's 79%. This can be perceived as a sign that the SME market is starting to recover from lows seen at the end of 2015 and early 2016. 16% saw their sales order unchanged.

- **Collections improve**

Just over two in three respondents (70%) had commented on their ability to collect payments during the quarter, stating it had improved on quarter-by-quarter basis (48%). The result edges it closer to the second quarter 2015, which reached a high of 72%.

- **Fundraising improvement**

In tandem with the higher expectation of growth, 80% of respondents indicated a strong increase in their company's ability to raise funds in the second quarter, compared to less than half (48%) in the first quarter 2016. This is the highest recorded sentiment since the start of the survey. The first quarter 2015 is second, with a high of 78%. There are numerous factors behind this rise, including local banks re-starting their lending after a challenging first quarter.

▪ **Stable headcount**

Despite a cautiously optimistic outlook, only 14% of respondents added to their headcount in the second quarter and only 18% have plans to add in the third quarter. These figures are near record lows since data collection started and respondents are uniformly negative on recruitment. Only four and two percent are reported to have plans to expand geographically or open up new outlets in the next quarter.

Moreover, 84% reported no change to their headcounts compared to 58% in the first quarter 2016. Similar numbers of respondents, 80%, are forecasting their headcount to continue unchanged in the third quarter.

Commenting on the survey findings David Hunt, CEO of Gulf Finance said; *“Despite the cautiously optimistic outlook suggested by our second quarter SME Sentiment Survey and noticeable increase in lending by local banks, we still feel there is a large amount of stress in the system. Despite the market normalizing after a weak first quarter, it remains challenging. Recruitment is falling short, dampening enthusiasm for business expansion. Growth expectation will remain modest until the year end unless companies unlock their hiring freeze.”*

**-ENDS-**