

Press Release

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CAUTIOUS GROWTH OUTLOOK AMONGST UAE SMEs IN Q1 2016

- *Collections, payments and the ability to access finance are key issues*

Gulf Finance Corporation (GFC), a leading provider of finance to small and micro businesses, today announced the results of their Q1 2016 Gulf Finance SME Sentiment Survey.

Highlights:

- One in four respondents (23%) are still experiencing a deterioration in their ability to collect payments, only slightly down from the 29% reported in Q4 2015
- There was a rebound in company's ability to raise funds, with 48% witnessing an improvement. However, it remains well below Q1 and Q2 2015, where funds were much readily available
- 62% of SMEs saw an increase in sales, up from 49%. Cautious optimism returns to the consumer and corporate sectors in the UAE
- 41% of respondents added to their headcount in the first quarter, with 58% remaining unchanged. More importantly, 82% are forecasting their headcount to remain unchanged in the second quarter with only 16% looking at adding personnel, the lowest position in over a year
- Negative growth outlook and sales forecast lessens as sentiment turns cautiously positive, with 78% and 53% respectively stating they are positive and expect a sales increase next quarter
- Nearly half of those surveyed reported they will invest in their businesses next quarter

"The UAE's SME market appears to have weathered the trading difficulties it faced towards the end of 2015. Our Q1 2016 SME Sentiment Survey has signaled a cautious return to growth and a more positive outlook on revenue and sales. Total orders and sales forecasts are both above the 50% mark whilst growth outlook is 78% positive," said David Hunt, CEO of Gulf Finance.

"However, we are not out the woods yet. Appetite for recruitment remains weak amongst SMEs, with 58% reporting no additional headcount on a quarterly basis and 82% claiming they will not be hiring next quarter. The good news though is that almost no companies plan to decrease their staff numbers. So while business may not be booming, it is staying at a level that does not require layoffs."

No more layoffs

In the first quarter of 2016, 41% of respondents increased their headcount on the previous quarter (29%), with 58% saying they had remained the same, signaling a small uptick in recruitment.

However, respondents were less effusive on quarter two, with a record high 82% declaring they would not be hiring. This is 67% higher than Q4 2015. Only one in six said they would be looking to hire.

Cautious uptick in growth and sales

Orders received in the first quarter 2016 were higher, claimed 62% of respondents. One in three claimed they remained the same. The former was 25% higher than the previous quarter and the latter remained the same. This is still short of the 84% in Q1 2015 but is a sign that we may have seen a bottoming out at the end of 2015 and early 2016.

Of those interviewed, 78% said the second quarter will see growth tick up, a 20% increase on quarter four 2015. From a sales perspective, 53% remain positive and anticipate a quarterly increase, whilst 42% remain unchanged.

Payments continue to struggle

When respondents were asked whether their ability to collect payments had improved over the last quarter, it is most interesting to note that half of respondents (49%) saw an improvement, double the previous quarter's responses; yet, one in four (23%) saw a deterioration and one in three (29%) remained unchanged. Late payment remains a significant issue for SMEs despite witnessing a marked improvement.

Fundraising rebounds

When respondents were posed the question on their ability to raise capital in the last quarter, half of respondents said they observed a moderate improvement, double the previous quarter's tally. There was also a sharp pullback in terms of deterioration with only 16% of respondents seeing weakness in the market as opposed to fourth quarter 2015's 36%. However, it remains well below Q1 and Q2 2015, where funds were much readily available

Infrastructure expansion number one priority

Almost half the SMEs (47%) reported they will invest in infrastructure next quarter. In the fourth quarter 2015, over half said they would be investing in employee benefits. We see this shift as a natural progression as companies invest in new infrastructure as a primary tool to see relevant in a technologically demanding business environment.

David Hunt added: *"This period has been defined as a growth-stability trade-off. As a whole, our Q1 2016 Sentiment Survey has seen a cautious rebound in trade and commerce whilst holding firm on hiring and pulling back on regional expansion. Yet one needs to note this has been accomplished at a lower entry point to previous quarters and we will get a clearer picture of whether this is a dead-cat bounce or a more prolonged recovery."*

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Gulf Finance Corporation, a wholly-owned subsidiary of SHUAA Capital, is a leading business finance company that provides funding solutions to small and medium sized enterprises (SMEs) in the UAE. Gulf Finance was founded 18 years ago. It offers a broad range of funding solutions such as small business loans, commercial finance, business vehicle and equipment finance, trade finance and marine finance. Gulf Finance has office presence in Dubai, Sharjah and Abu Dhabi and serves customers across the UAE. Gulf Finance is headquartered in Dubai.

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