



بنك الإمارات دبي الوطني
Emirates NBD

Economics

4 January 2017

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UAE PMI: 2016 ends on a strong note

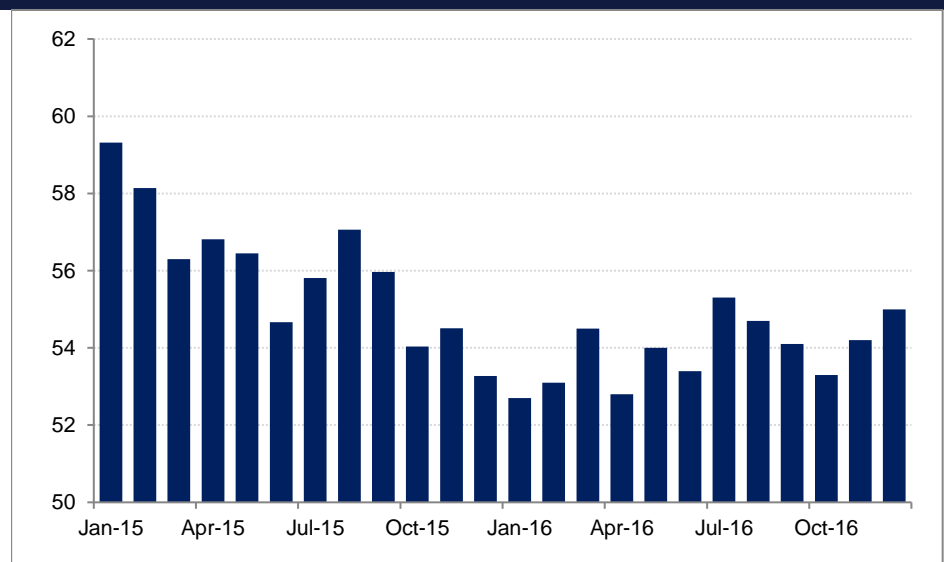
The Emirates NBD Purchasing Managers' Index (PMI) rose to **55.0** in December from **54.2** in November, a five-month high. **Output** increased at the fastest rate since August 2015, with more than a third of firms surveyed reporting higher output than the previous month. **New orders** rose at a similar rate to November, and encouragingly, **export orders** increased for the first time in six months.

One of the key themes that has emerged from the PMI surveys over the last year has been **sustained activity/ output growth against a backdrop of lower oil prices and tighter fiscal policy**. To some extent, activity in the non-oil sector has been supported by increased crude oil production last year, which has fed through to oil-related manufacturing (included in the PMI survey). However, firms have also consistently cut selling prices in order to compete for new work. **Output prices** fell again – albeit marginally – in December, the fourteenth straight month of sub-50 readings in this component of the PMI.

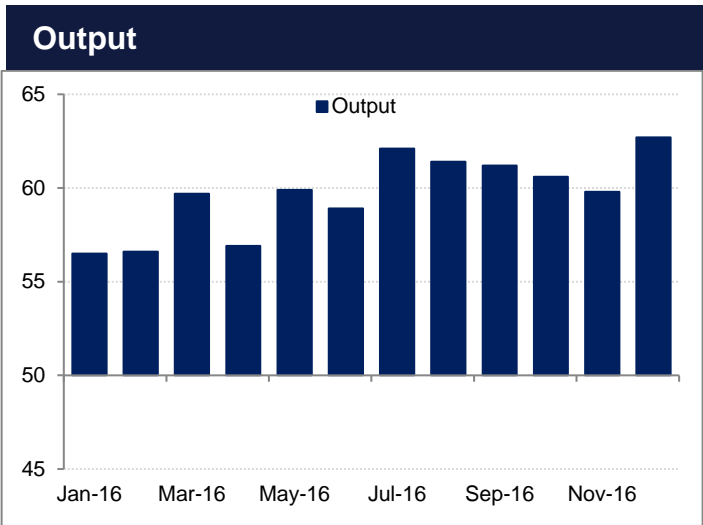
With input prices continuing to rise, firms' margins remain under pressure. One consequence of this has been firms' reluctance to take on additional costs and **employment** growth has been lacklustre this year despite the strong rise in output. The employment index averaged just 51.2 in 2016 compared with 52.4 in 2015. **Backlogs of work** was broadly unchanged in December, suggesting there is sufficient existing capacity in the non-oil sector to deal with current workloads.

Overall, the UAE PMI averaged 53.9 in 2016, down from 56.0 in 2015, signalling a slower rate of growth in the non-oil private sector last year. Looking ahead to 2017, higher oil prices should boost sentiment and reduce the pressure on the government's budget. While we are not expecting a substantial fiscal stimulus this year, we also don't foresee further cuts to spending. Construction and other Expo 2020 related spending should also pick up in 2017, supporting growth in the broader non-oil economy. Consequently, we expect real GDP growth to accelerate to 3.4% this year from an estimated 3.0% in 2016.

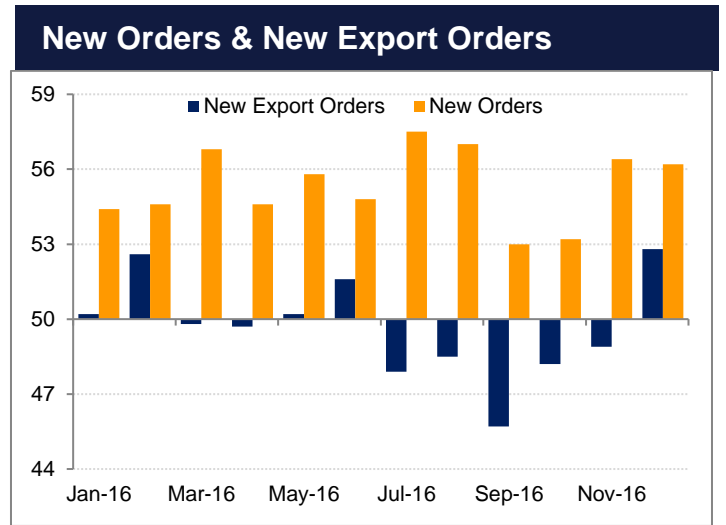
Emirates NBD UAE Purchasing Managers' Index



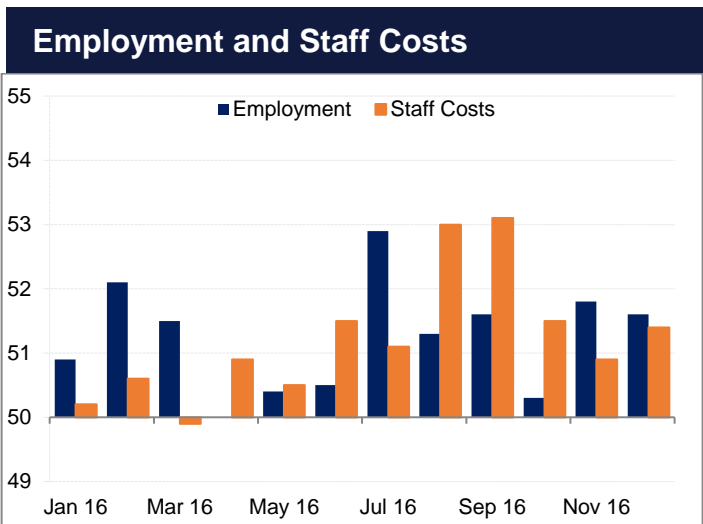
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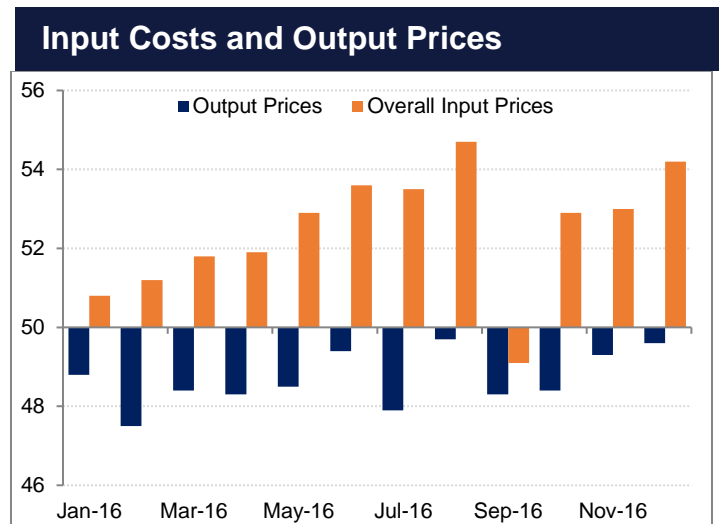
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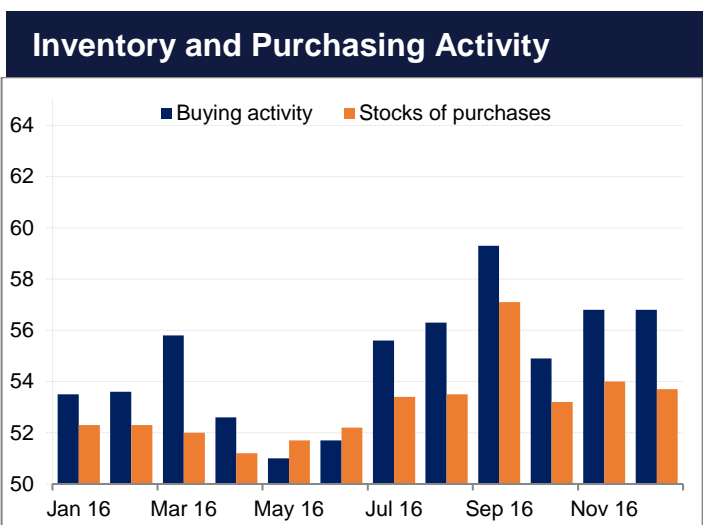
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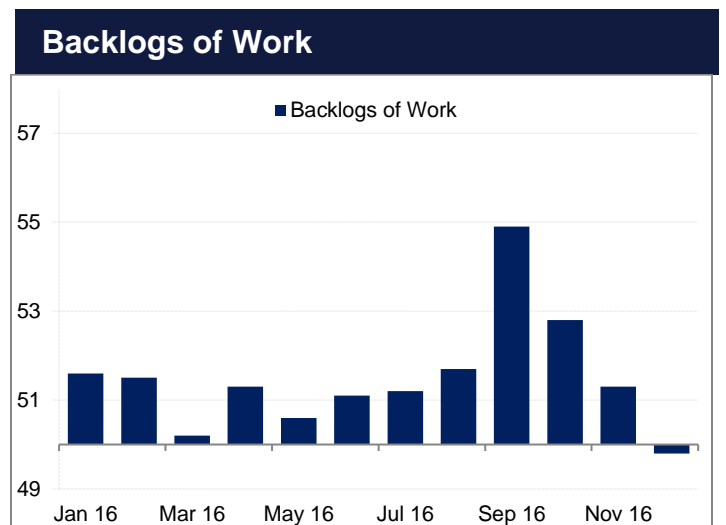
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