



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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UAE PMI eases in May

The Emirates NBD Purchasing Managers' Index (PMI) for the UAE declined to 54.3 in May from 56.1 in April, signalling a strong but slower rate of expansion in the non-oil private sector last month. Almost all components of the survey were lower in May, which is perhaps unsurprising given the strength of the data in recent months.

Output/ business activity of firms surveyed increased on average (57.4) last month, but the rate of growth was the slowest since April 2016. New order growth also slowed (57.5) as export orders were broadly unchanged m/m. However, firms noted that promotional activities and a "general improvement in economic conditions" helped to support domestic demand.

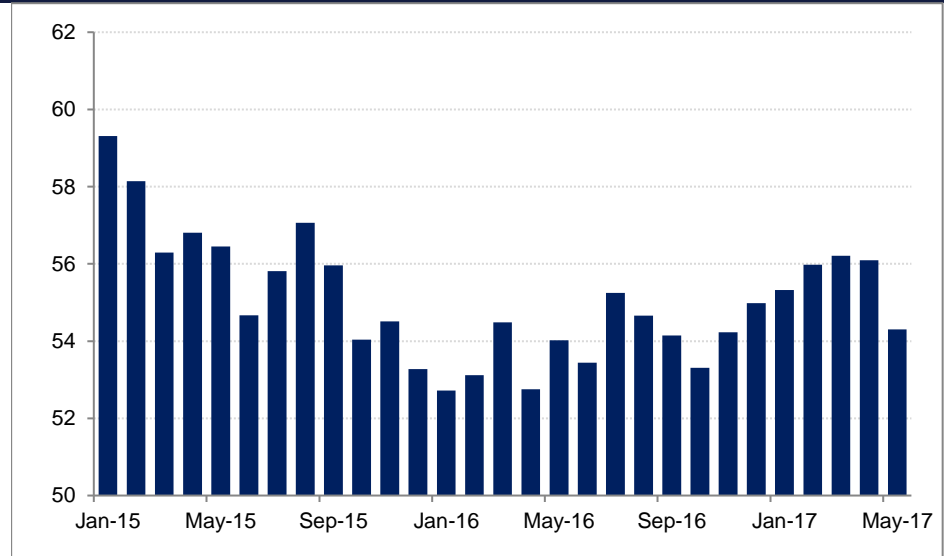
Employment was only marginally higher in May at 50.7, the lowest reading for this index since October 2016. Both input and output prices declined last month, as firms competed to secure new work.

Despite slightly slower expansion in May, firms remained highly optimistic about the prospects for the coming year. The business optimism component of the survey rose to 61.8 in May, the highest reading in 9 months, and firms increased their purchasing activity and inventories in anticipation of future demand.

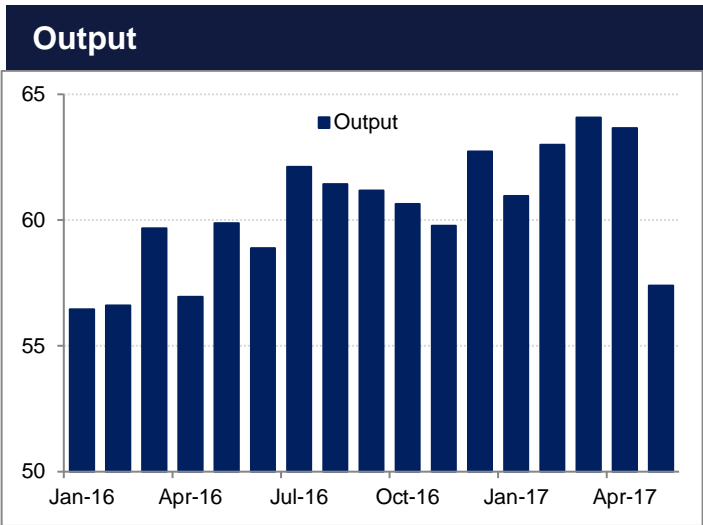
The average PMI reading year-to-May is 55.6, well above the average of 53.4 recorded in the same period last year. This suggests that non-oil growth has accelerated y/y, in line with our expectations at the start of the year.

However, the UAE, along with other OPEC member countries, has agreed to extend oil production cuts through March 2018, which will weigh on total GDP growth for the rest of this year. As a result, the downside risks to our 2017 GDP growth forecasts have increased. However, we await the release of official 2016 growth data before changing our forecast.

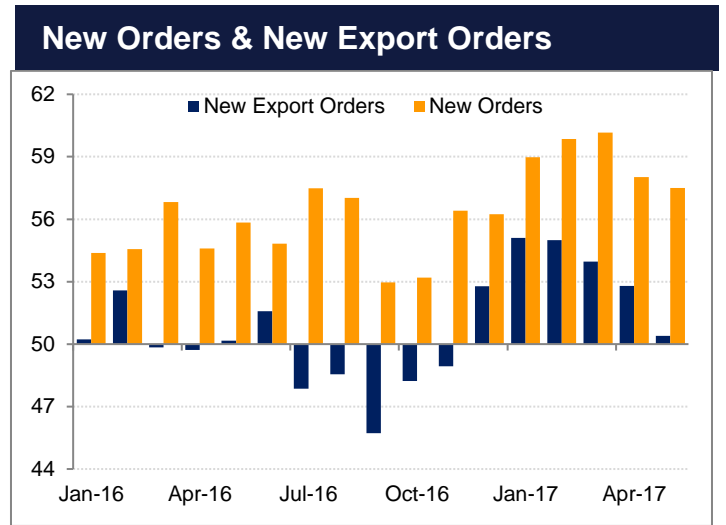
Emirates NBD UAE Purchasing Managers' Index



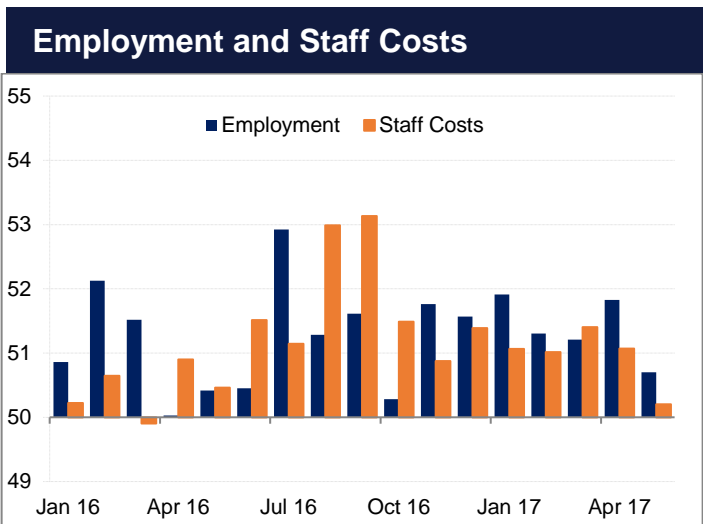
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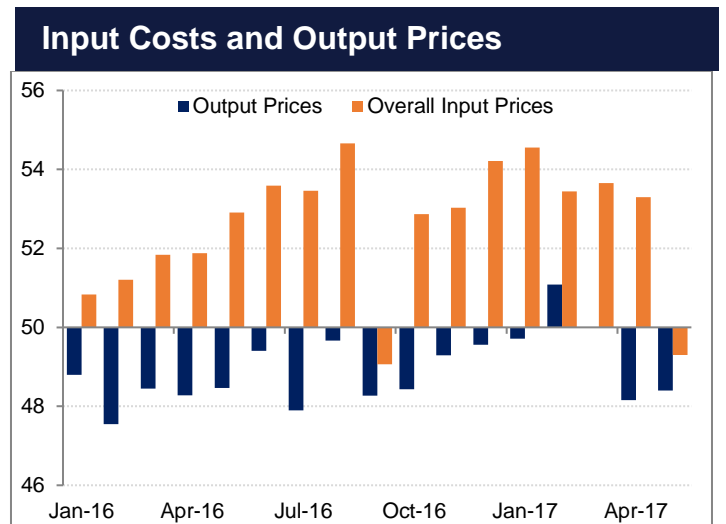
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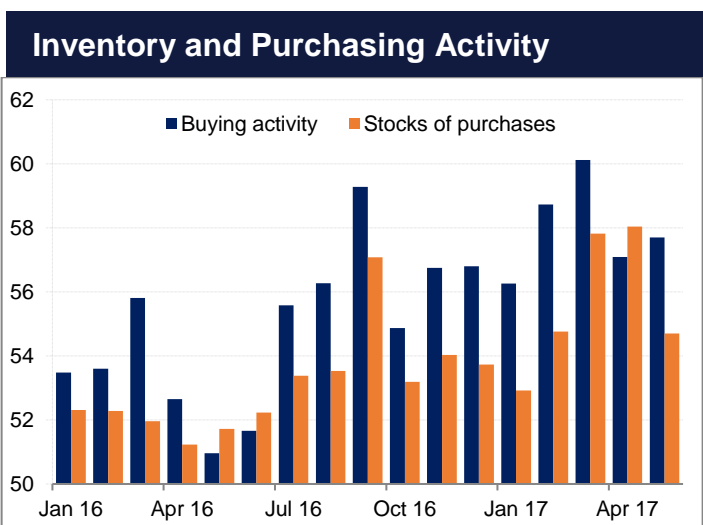
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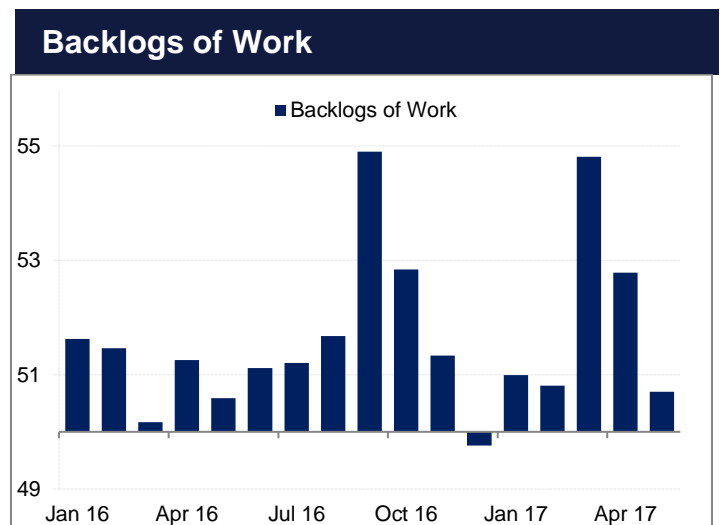
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