Emirates NBD

Economics

3 August 2017

UAE PMI points to solid expansion in July

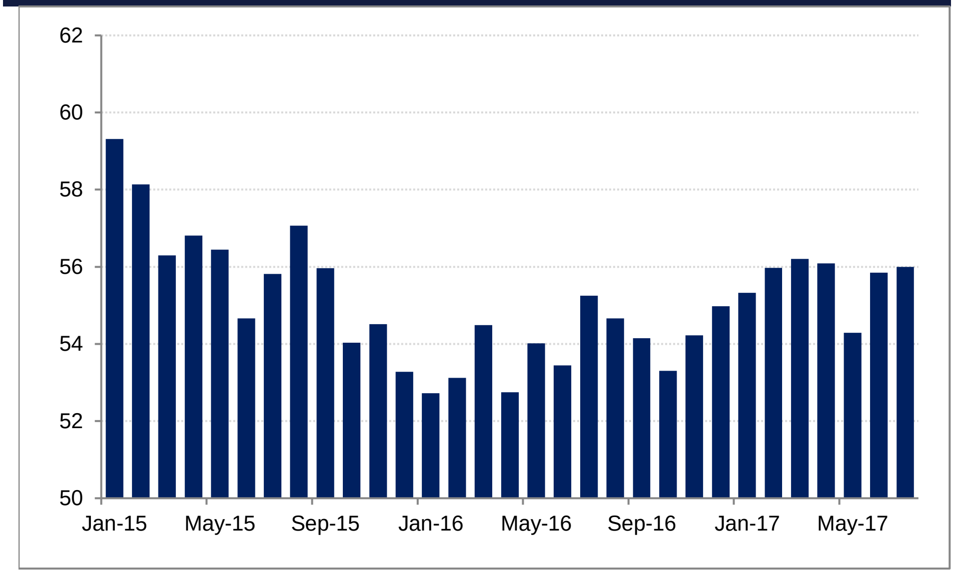
The Emirates NBD Purchasing Managers' Index (PMI) for the UAE increased to 56.0 in July from 55.8 in June, signalling a strong rate of growth in the non-oil private sector last month. Output increased at a faster rate with firms citing favourable economic conditions and new projects as factors driving higher output. New orders also increased at a sharp rate in July, despite a decline in new export orders for the second month in a row. This suggests that domestic demand was robust last month.

Employment increased on average in July, although the rate of increase in new jobs was modest overall. Input price inflation accelerated last month, largely on the higher cost of purchases. Staff costs increased only marginally. Firms were unable to pass on the higher cost of raw materials to consumers, with average selling prices easing (marginally) further in July.

Businesses were more optimistic about their prospects over the coming 12 months than they were in June. This, together with rising output, contributed to a sharp rise in purchasing activity in July. Stocks of pre-production inventories also rose at the fastest pace on record as firms anticipated future order growth.

Overall, the July PMI data suggests that the non-oil sectors are enjoying solid growth in terms of the volume of output, although pressures on margins remain. Strong competition for new business has meant that firms have been unable to pass on rising input costs to consumers. Against this backdrop, it is unsurprising that employment growth has been relatively soft.

Emirates NBD UAE Purchasing Managers' Index



Source: IHSMarkit, Emirates NBD Research

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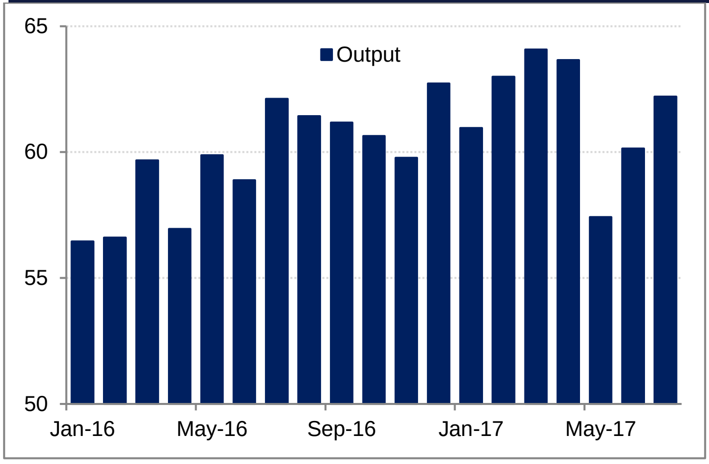
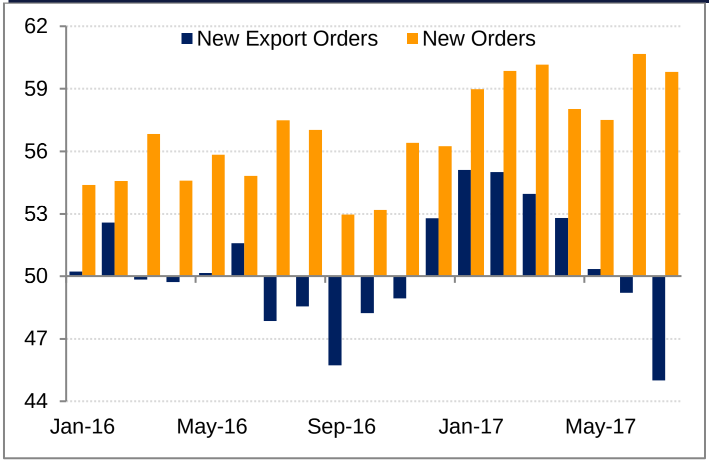
Output



Source: IHSMarkit, Emirates NBD Research

New Orders & New Export Orders



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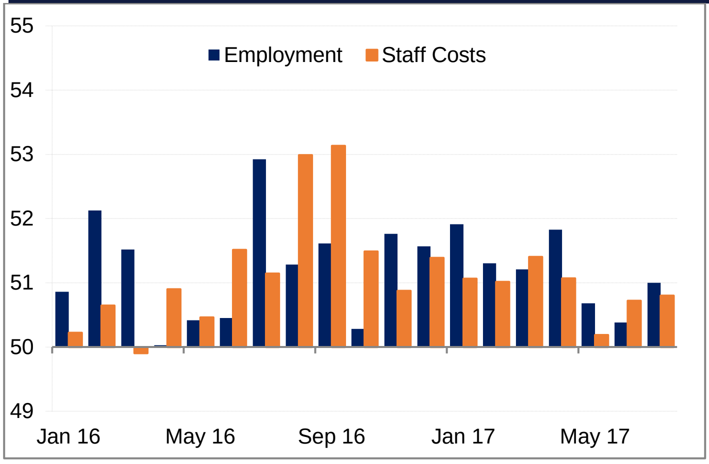
Employment and Staff Costs



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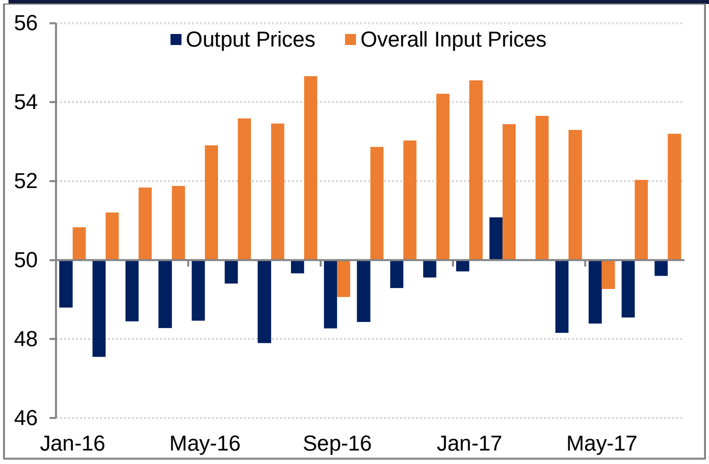
Input Costs and Output Prices



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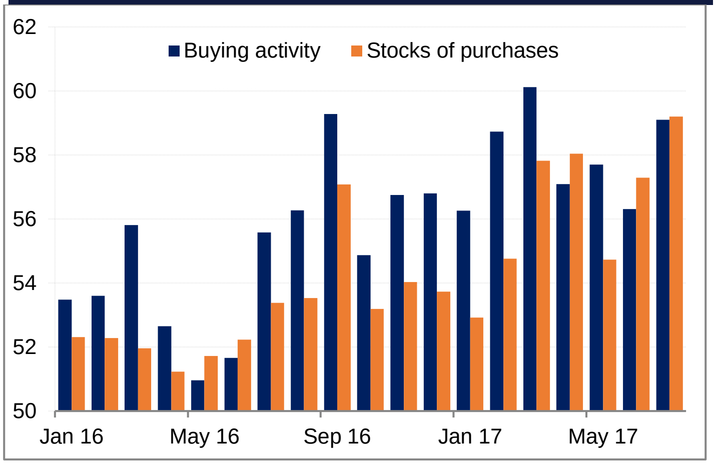
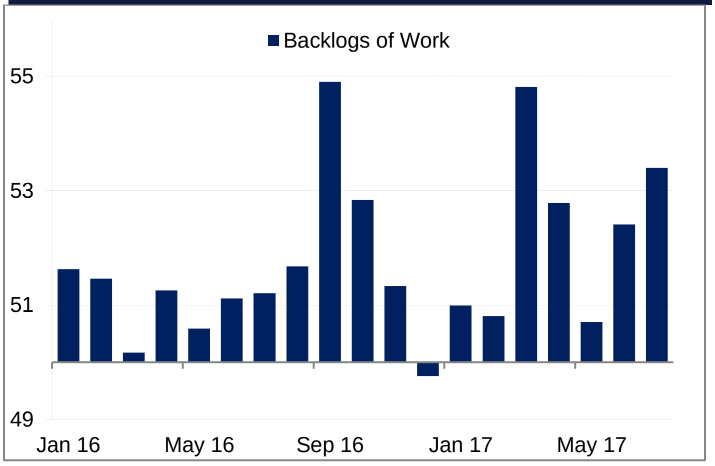
Inventory and Purchasing Activity



Source: IHSMarkit, Emirates NBD Research

Backlogs of Work



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