



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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UAE PMI rises in October

The Emirates NBD Purchasing Managers' Index (PMI) for the UAE rose to 55.9 in October, in a strong start to the fourth quarter. Output and new orders increased at a sharp rate last month, with the output index rising to 60.5 and the new orders index a touch higher than September at 59.9. New export orders increased modestly, which helped overall new order growth.

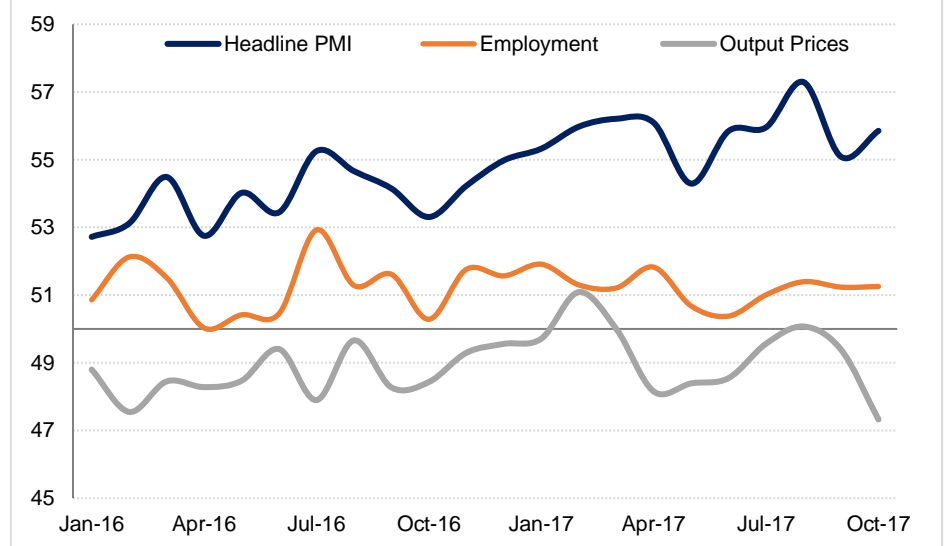
The strong growth in output and new orders reflects robust demand, according to the survey respondents. However, demand has been supported by continued promotional activities and price discounting by firms. **Output (selling) prices declined in October at the fastest rate in more than seven-and-a-half years.** Input costs rose at a faster pace last month compared with October, further squeezing margins. Firms cited increased competition as a reason for reducing selling prices on average.

Employment increased in October, at a similar rate to September, but the overall rate of job growth remains modest with the index at 51.3 last month. Staff costs were also only marginally higher in October.

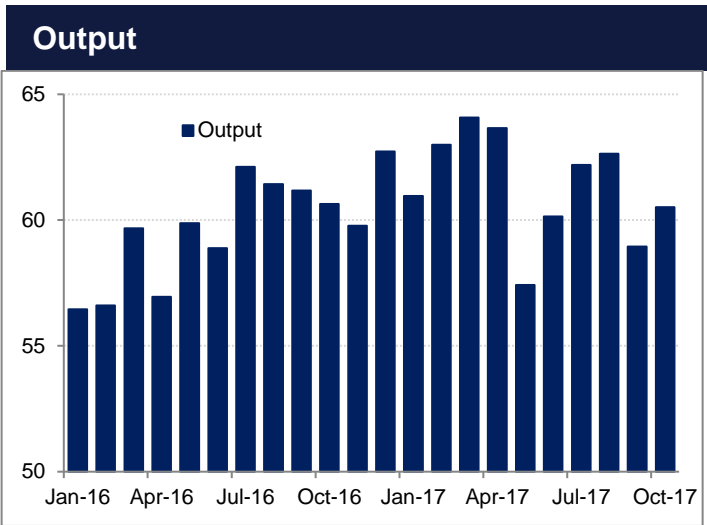
Despite the pressure on margins, firms were much more optimistic in October about the coming twelve months, with the **business confidence index reaching a five-month high of 61.2.** However, this component of the survey is not seasonally adjusted, and businesses are typically optimistic at the start of what is considered the high-season for tourism and hospitality.

Year-to-date, the headline purchasing managers' index indicates a faster rate of expansion in the UAE's non-oil economy than over the same period last year. This is in line with our expectations for non-oil sector growth this year, and likely reflects some increase in government spending (particularly on infrastructure) as well as greater confidence on the back of higher oil prices. However, the improvement in non-oil sector growth will probably be offset by lower crude oil production, in line with OPEC-agreed production cuts. We retain our forecast of real GDP growth of 2.0% in the UAE this year.

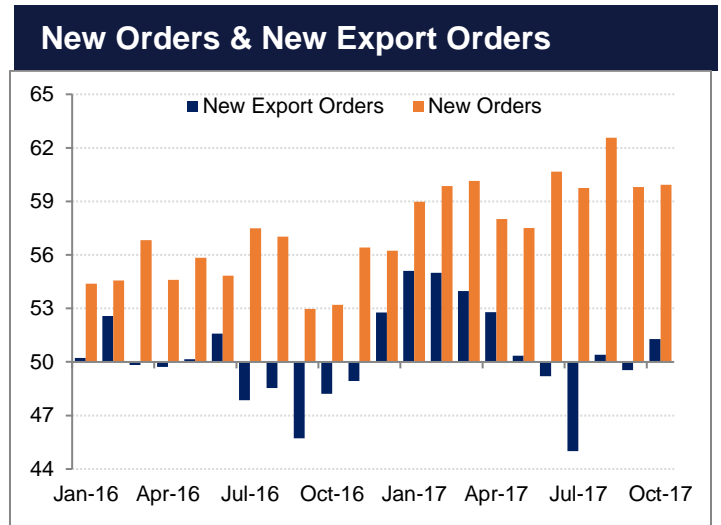
Emirates NBD UAE Purchasing Managers' Index



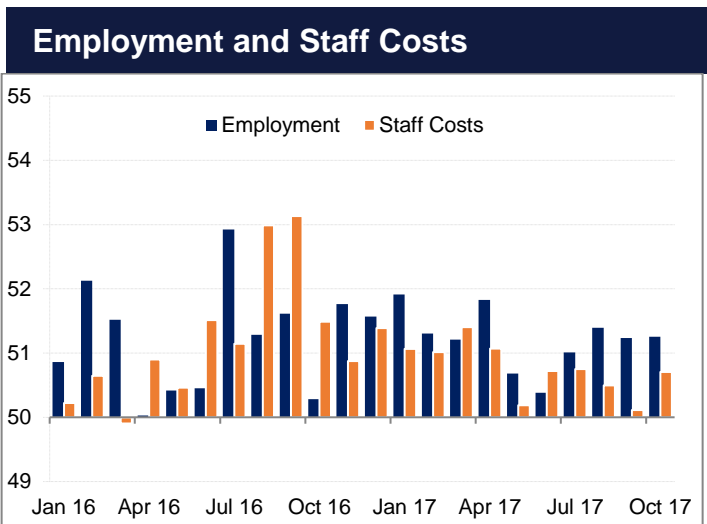
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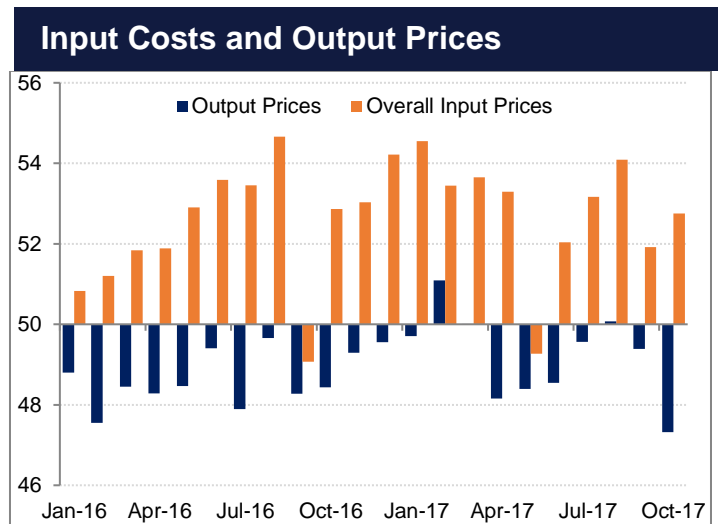
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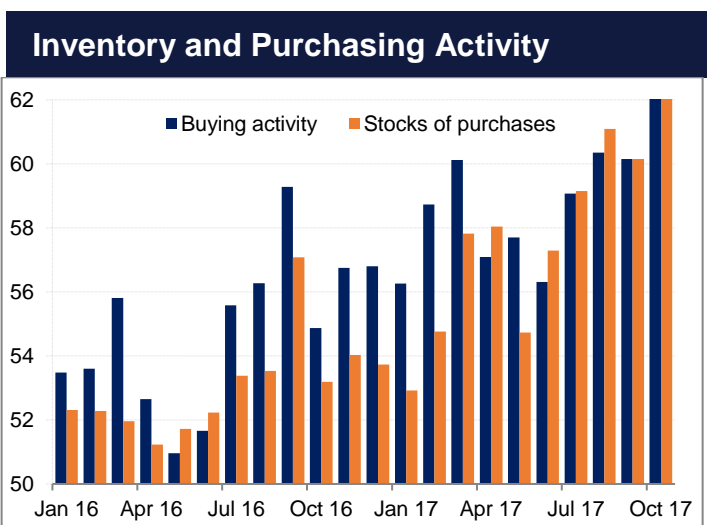
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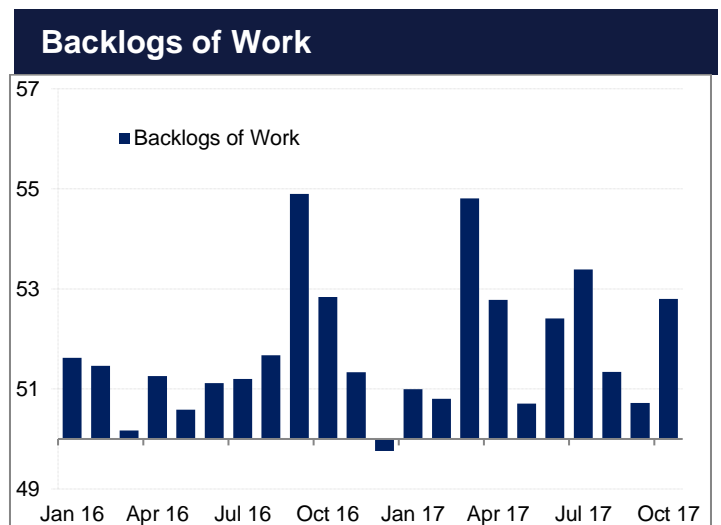
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