



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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UAE PMI ends 2017 on a (nearly) 3 year high

The Emirates NBD Purchasing Managers' Index (PMI) for the UAE rose to 57.7 in December, the highest reading in 34 months. Output and new orders both rose at a sharp rate in December, underpinning the improvement in the headline PMI. Some of the increase in December output and new work may have been due to households and businesses purchasing ahead of VAT implementation in January. Encouragingly, new export orders rose last month at the fastest pace since March, with nearly a quarter of respondents citing higher export orders in December. This helped to boost overall new order growth to the strongest since January 2015.

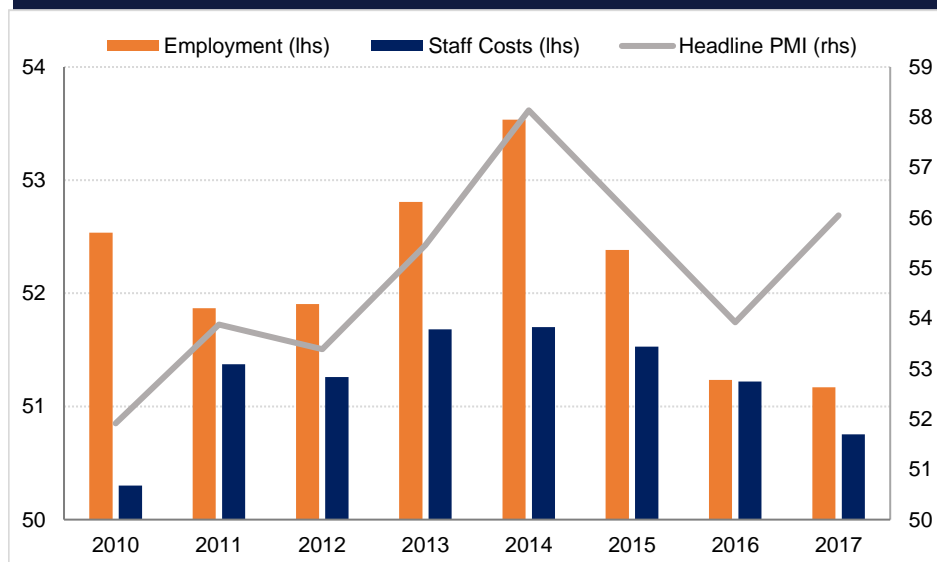
For 2017 as a whole, the headline PMI averaged 56.1, indicating a similar rate of non-oil sector growth to 2015 and markedly stronger than 2016. However, the PMI survey suggests that the rate of job growth over 2017 was slower than in 2015, despite similar levels of activity growth. Moreover, staff costs (a proxy for wages) in 2017 grew at the slowest rate since 2010, when the economy was just emerging from recession.

The survey data is showing clearly that while the volume of goods and services produced in the non-oil sector has increased over the last year, it has not led to higher employment, nor has it led firms to pay more for the labour they are employing. This suggests that households in the UAE have been squeezed over the last year, as rising living costs have not been matched by higher wages or better employment opportunities.

Businesses do not appear to have fared much better than households in terms of their margins. Input costs rose at a faster rate than in 2015 and 2016, but firms have been unable to pass this on through higher selling prices. On average, output prices declined marginally in 2017, although to a lesser extent than in 2016. 2017 marked the third consecutive year where the average output price index was below the neutral 50.0 reading.

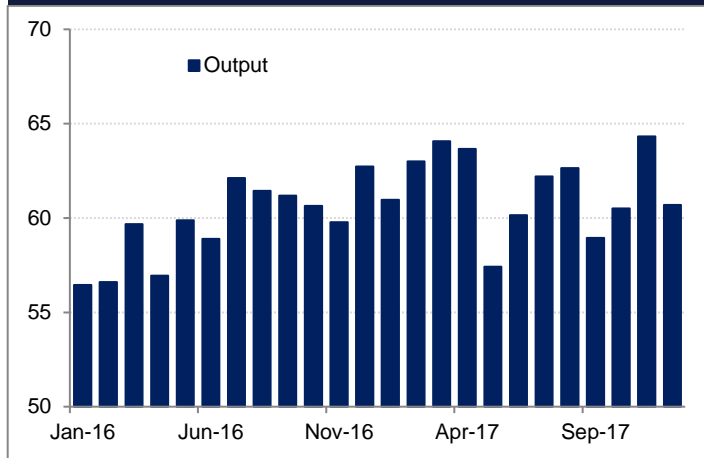
Our outlook for the UAE's economy in 2018 is relatively constructive, with higher oil prices likely to support public sector spending, particularly on infrastructure. We expect public sector spending to drive growth in the non-oil sectors next year, as household consumption is likely to remain constrained.

Emirates NBD UAE PMI



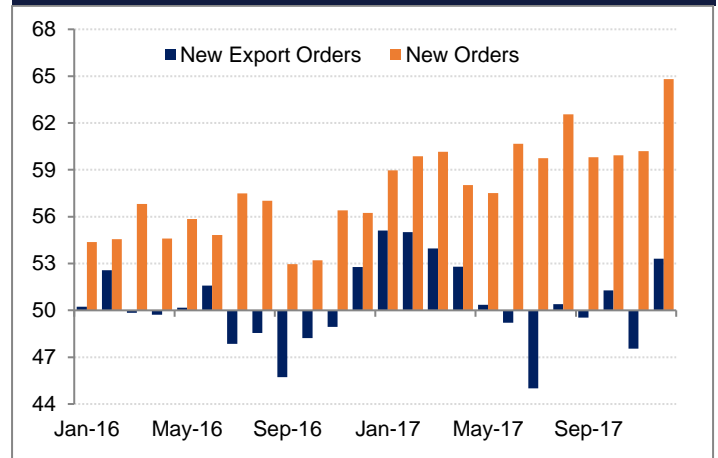
Source: IHSMarkit, Emirates NBD Research

Output



Source: IHSMarkit, Emirates NBD Research

New Orders & New Export Orders



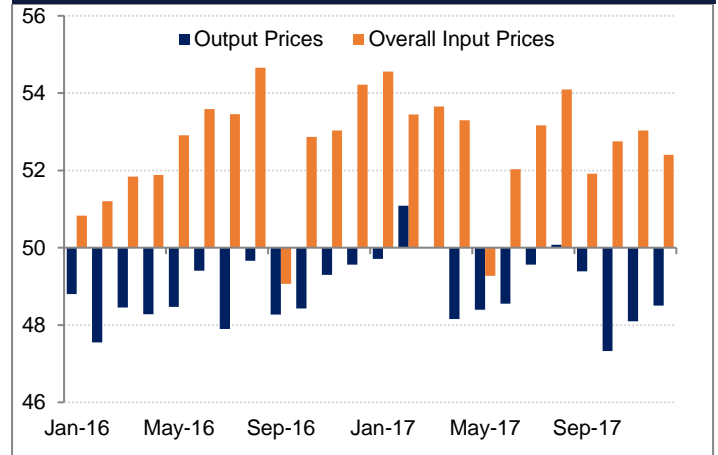
Source: IHSMarkit, Emirates NBD Research

Employment and Staff Costs



Source: IHSMarkit, Emirates NBD Research

Input Costs and Output Prices



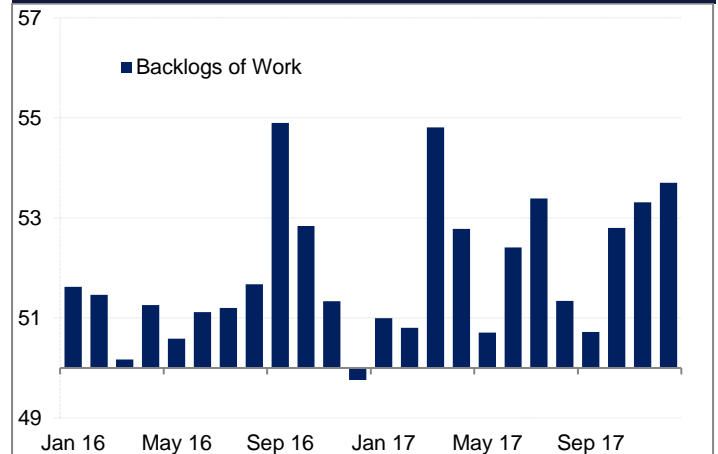
Source: IHSMarkit, Emirates NBD Research

Inventory and Purchasing Activity



Source: IHSMarkit, Emirates NBD Research

Backlogs of Work



Source: IHSMarkit, Emirates NBD Research

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