



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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UAE PMI: VAT drives input and output costs higher in January

The Emirates NBD Purchasing Managers' Index (PMI) for the UAE declined to 56.8 in January from 57.7 in December, signalling solid albeit slightly slower non-oil sector growth at the start of 2018. Output rose sharply in January, underpinning the improving economic conditions. Similarly, the rate of growth in new orders remained robust as competitive pricing and securing of new customers supported the rise in new business.

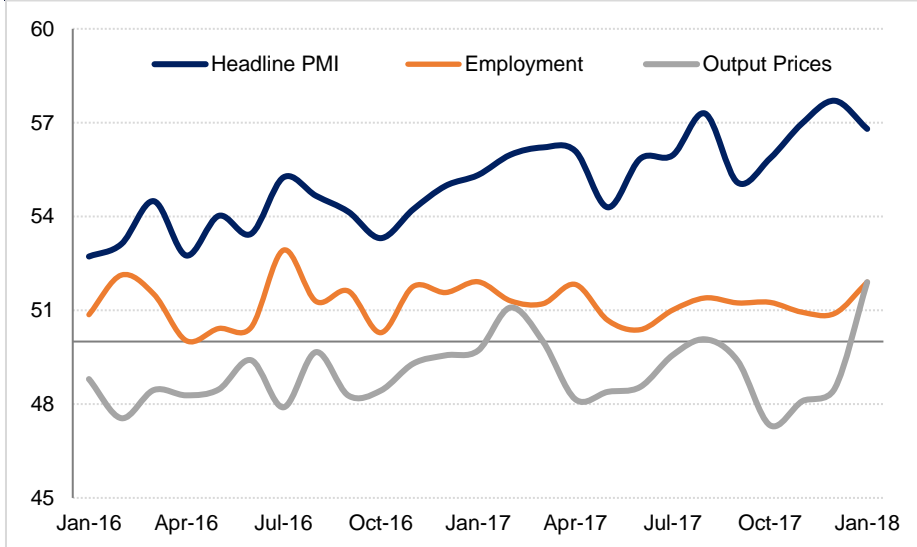
The impact of VAT was evident on prices and purchasing activity during January. Overall input costs rose at a much faster pace than a month ago recording the sharpest rate increase since November 2011. While output prices also increased for the first time in five months in January, the survey indicates that – on average - the full rise in input costs was not passed on to consumers.

Although the employment index was at the highest level in a year (51.9), the overall rise in employment was modest in January. However staff costs rose at the fastest rate in 16 months, according to the survey.

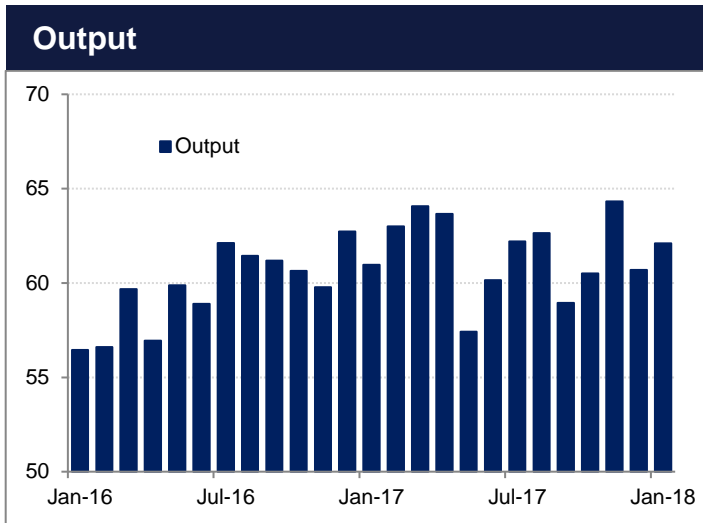
Stock-building in advance of VAT coming into force was responsible for a slowdown in the rates of expansion in both purchasing activity and stocks of inputs. Respondents also indicated that stock building prior to VAT introduction meant that inventory levels were sufficient to deal with current workloads.

Finally, there was robust improvement in business confidence in January, with sentiment at the highest level since June 2015. Survey respondents expect activity to further increase once the new VAT system becomes more familiar, with higher new orders expected to support output growth over the coming year.

Emirates NBD UAE PMI



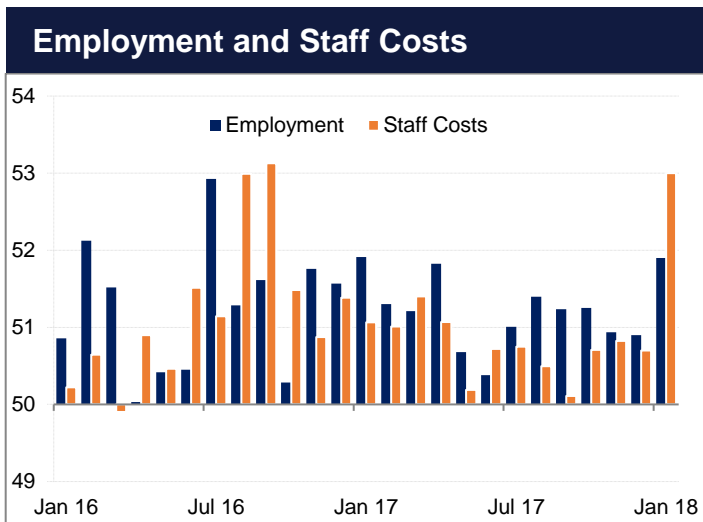
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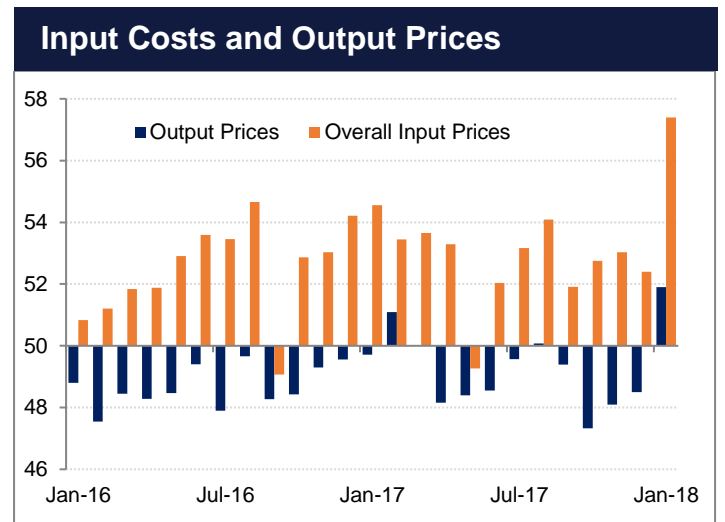
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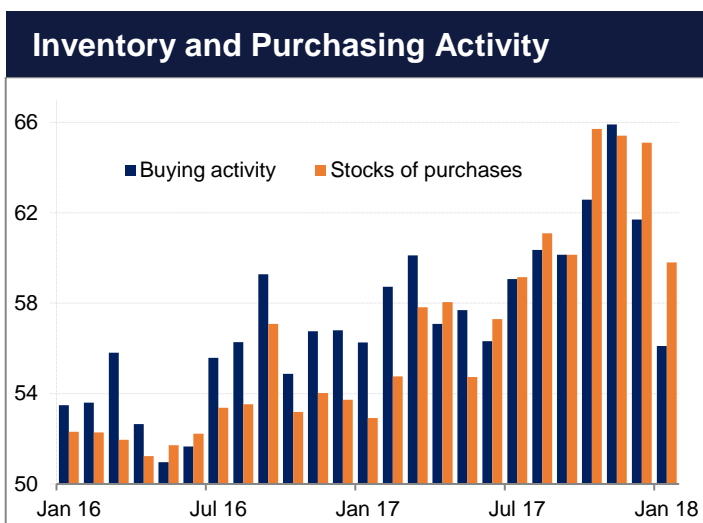
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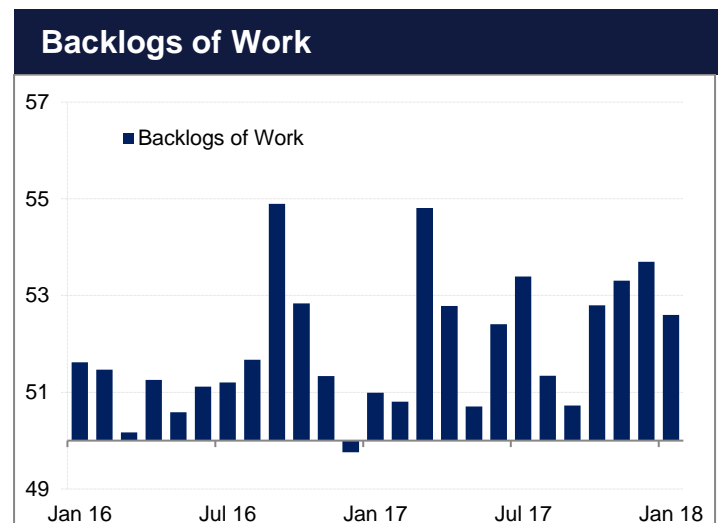
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