



بنك الإمارات دبي الوطني
Emirates NBD

Economics

5 March 2018

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UAE PMI: Growth slows in February

The Emirates NBD Purchasing Managers' Index (PMI) for the UAE declined to 55.1 in February, the lowest reading since September 2017. The main driver was slower growth in output/ business activity last month. The majority of firms reported no change in their output in February compared with the previous month, while more than 16% of firms reported higher output. While output increased on average in February, the rate of increase was the weakest since May 2017. New orders increased at a sharp rate last month despite weak export order growth, which points to strong domestic demand in the UAE in February.

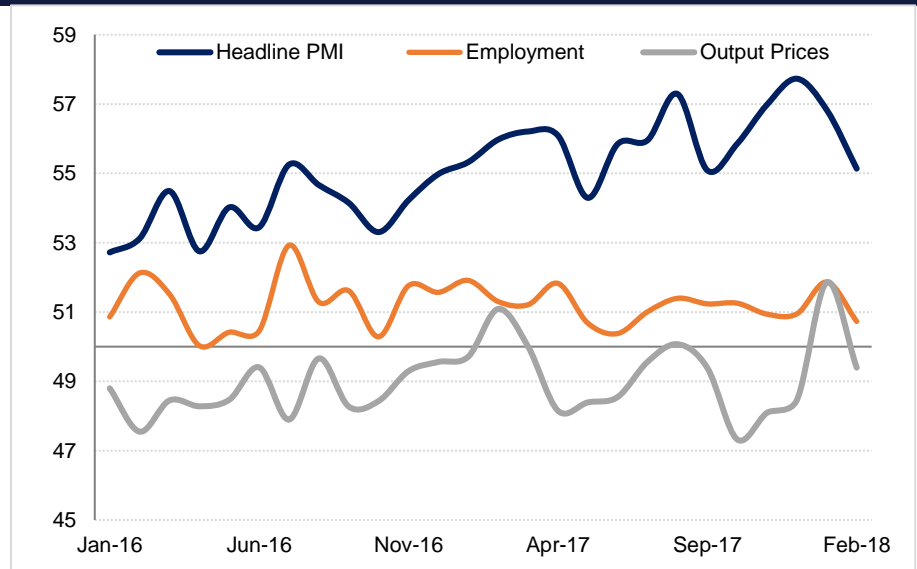
After picking up in January, **employment growth slowed last month** with less than 2% of firms surveyed indicating they had boosted hiring last month. Staff costs also moderated after rising sharply at the start of the year.

Businesses in the non-oil private sector reduced selling prices on average in February, although the rate of decline was marginal. Input cost inflation moderated in February as the impact of VAT was reflected in the January survey data.

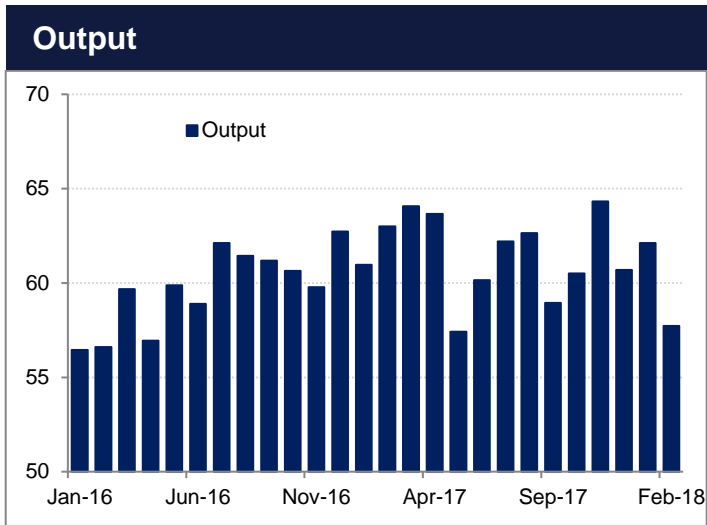
Purchasing activity was strong in February, with both the quantity of purchases and the stock of pre-production inventory rising at a sharp rate. Despite the relatively solid output and new order data, business optimism about future output declined to 57.2 in February from 71.2 in January (we note that the January reading was an outlier). Fewer firms expected their output to be higher in 12 months' time compared with the January survey, when nearly 43% of firms expected output to be higher in a year's time.

The softer survey data so far in 2018 is unsurprising given the increase in business activity and new orders in Q4 2017, as firms boosted purchases and output ahead of the introduction of VAT. **Overall, we expect the non-oil sectors of the UAE to grow at a faster rate in 2018 as government increases spending on infrastructure projects and also on public sector wages and transfers.** Higher oil prices relative to last year should also support consumer and business sentiment, and liquidity in the banking system.

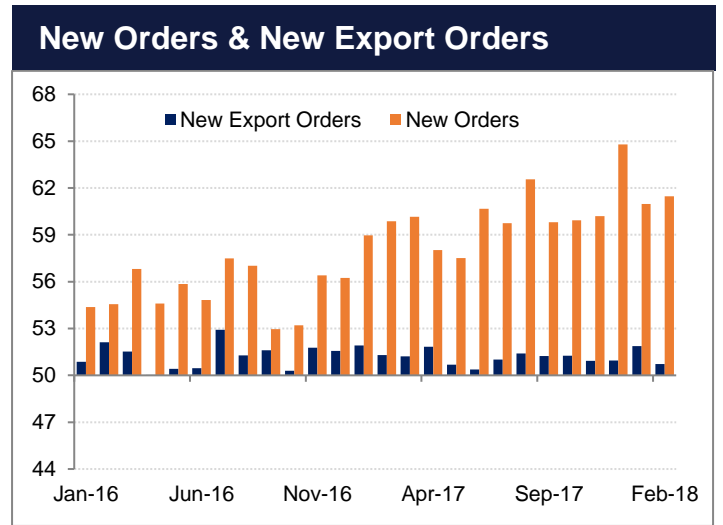
Emirates NBD UAE PMI



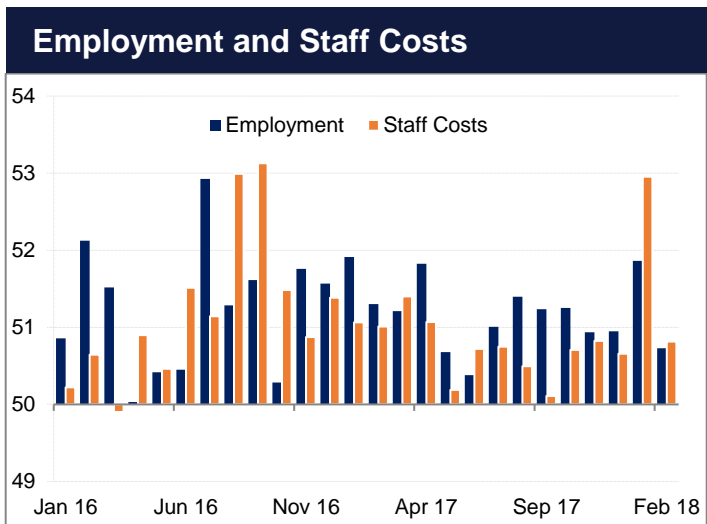
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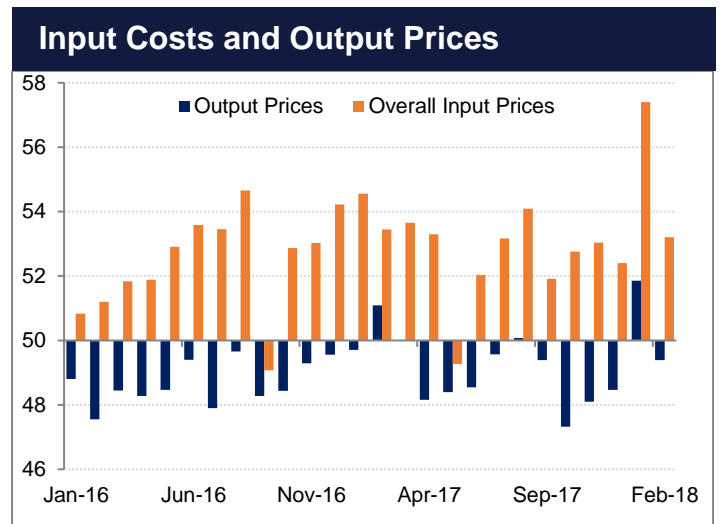
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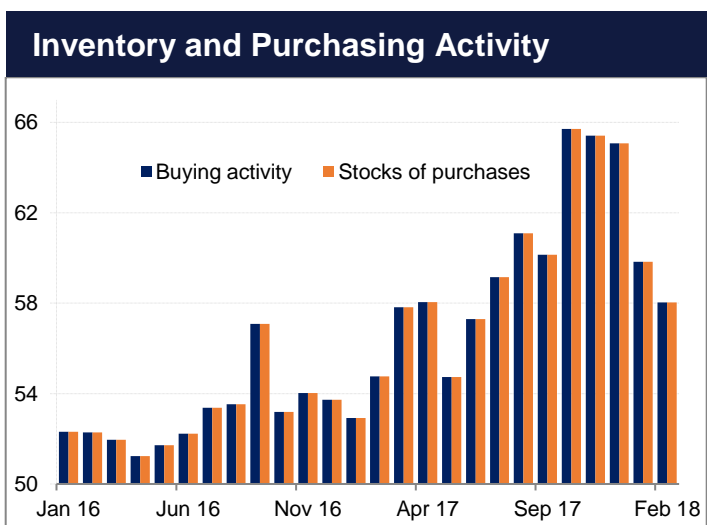
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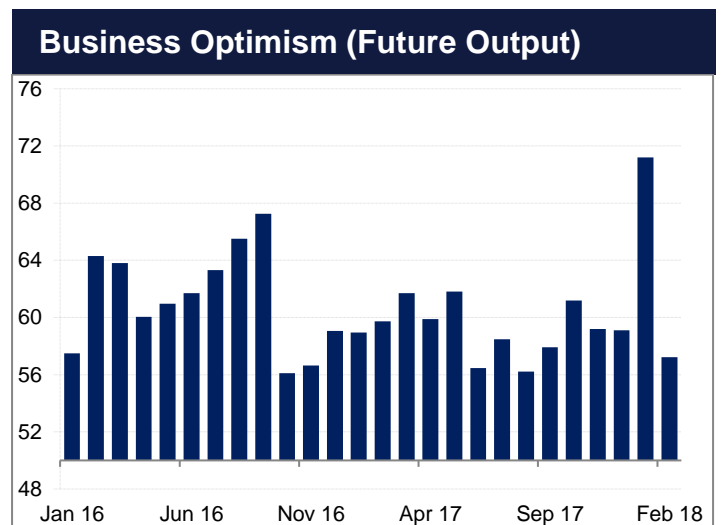
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