



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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UAE PMI: Employment declines slightly in August

The employment index of the PMI survey fell to 49.0 in August signalling a modest average decline in jobs last month, the first time this has happened since the series began in August 2009. 7.5% of firms surveyed indicated lower employment in August compared with July, while 3.9% of firms reported increased hiring. Some firms who reported job shedding last month linked this to efficiency initiatives. Staff costs (wages) were also marginally lower last month.

We have repeatedly highlighted the very modest job growth in the UAE over the last couple of years, as measured by the PMI, with the employment index averaging 51.2 in both 2016 and 2017. 2018 has been even softer, with the employment index averaging just 50.5 year-to-date. This has been surprising in the context of strong reported growth in output and new orders in the private sector over the same period.

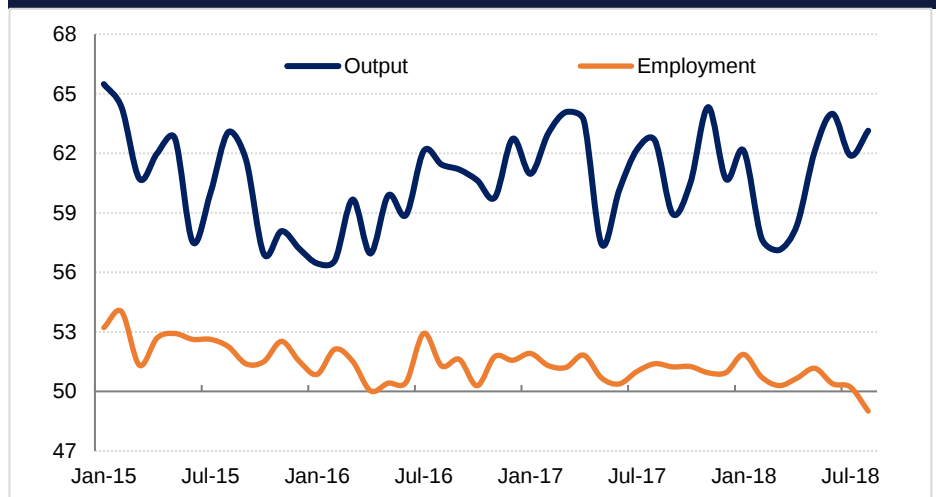
Indeed, the output index rose to 63.1 in August, while new work increased at a strong (although slower) rate last month, with this index easing to 57.1. New export orders increased in August but also a slower rate than in July, with firms highlighting demand in neighbouring GCC states.

The decline in employment weighed on the headline PMI, which fell to 55.0 in August from 55.8 in July. Stocks of pre-production inventories, which accounts for 10% of the headline PMI, also declined slightly in August, the first time this component has slipped under the neutral 50 level since April 2012.

Inflationary pressures on businesses eased last month, with overall input costs unchanged from July. Selling prices were slightly lower on average, with some firms attributing this to promotional activities.

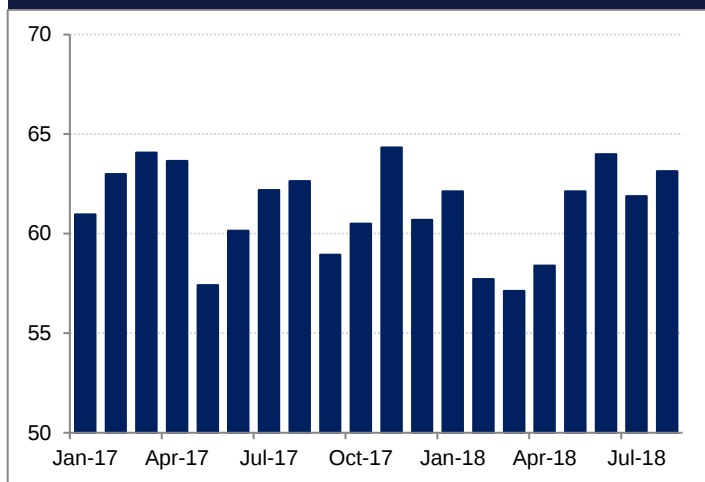
The August PMI survey suggests that while activity in the non-oil private sector is expanding at a similar rate to last year, margin pressures on firms mean that this growth in new work and output is not translating to job creation or higher wages. **As a result, we retain our view that private consumption is unlikely to contribute significantly to GDP growth this year, with government spending and investment, and net exports likely to be the engines of growth.**

UAE PMI: Output rises while employment declines



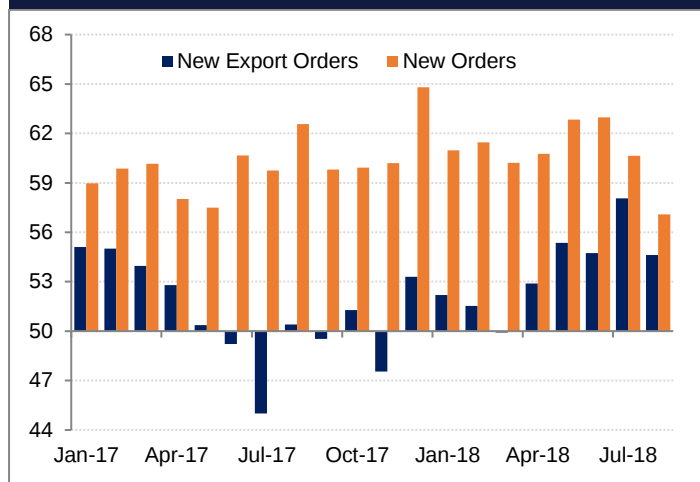
Source: IHS Markit, Emirates NBD Research

Output



Source: IHS Markit, Emirates NBD Research

New Orders & New Export Orders



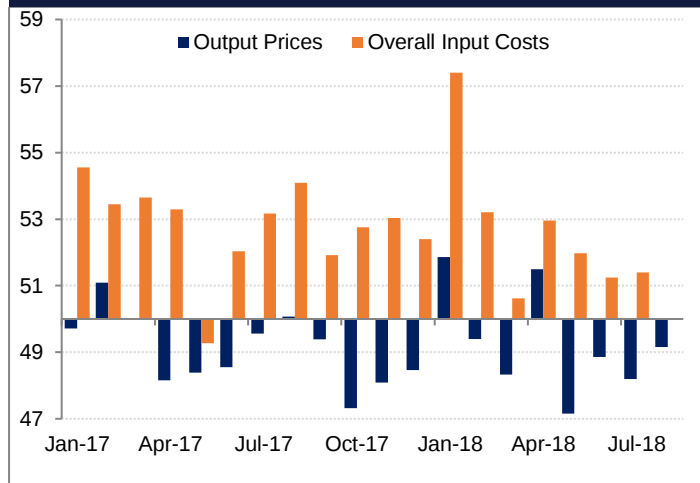
Source: IHS Markit, Emirates NBD Research

Employment and Staff Costs



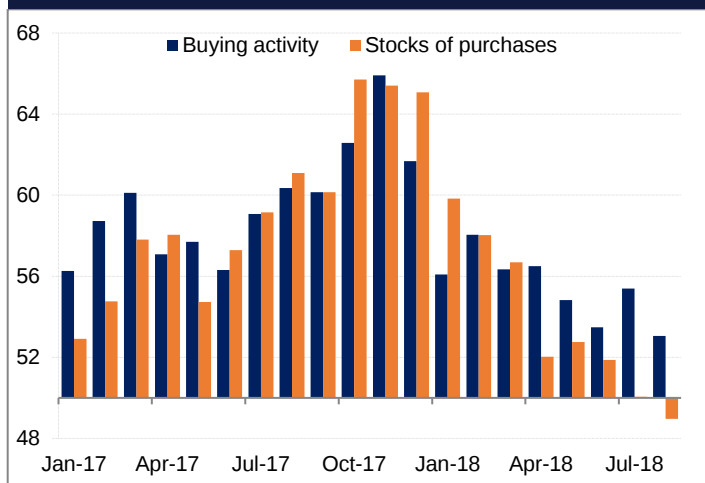
Source: IHS Markit, Emirates NBD Research

Input Costs and Output Prices



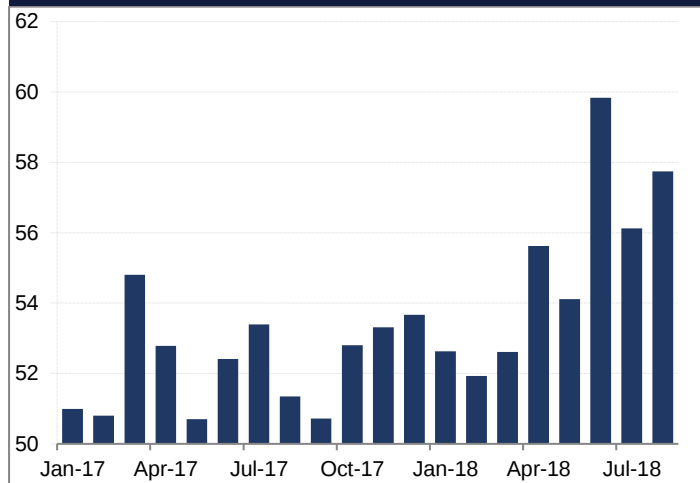
Source: IHS Markit, Emirates NBD Research

Inventory and Purchasing Activity



Source: IHS Markit, Emirates NBD Research

Backlogs of work



Source: IHS Markit, Emirates NBD Research

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