



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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Decline in employment weighs on UAE PMI in February

The Emirates NBD Purchasing Managers' Index (PMI) for the UAE fell to 53.4 in February from 56.3 in January, and was the lowest reading since October 2016. The drop in the headline index reflects slower growth in new orders last month (new export orders rose at the slowest rate in 11 months), as well as the **steepest decline in private sector employment in the survey history**.

The employment index fell to 47.5 in February, as nearly 9% of businesses surveyed reported lower headcount relative to January, while just 1.5% reported increased hiring. Some firms reported operating with the minimum level of staffing in a bid to keep costs down. Staff costs were broadly unchanged last month, again reflecting a relatively soft job market.

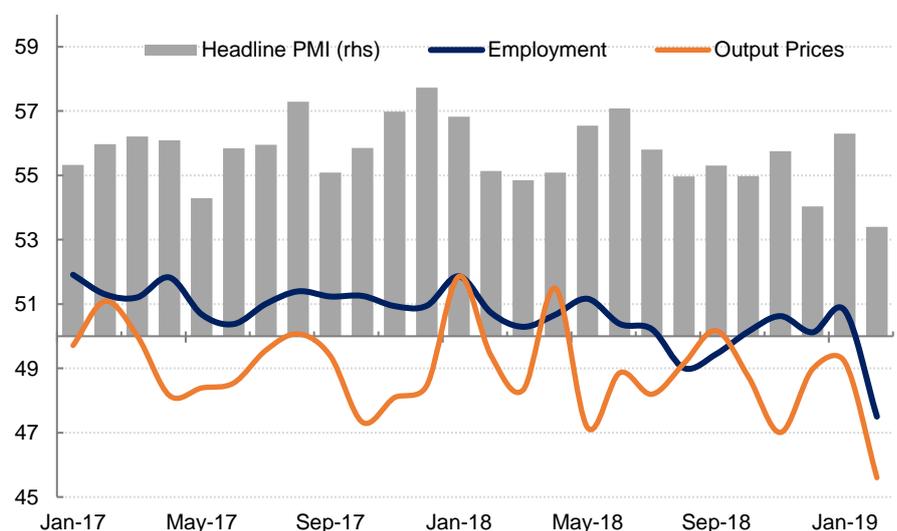
The pricing environment remains challenging for private sector businesses, and stiff competition led more than 13% of firms on the panel to offer discounts in order to secure new work. **Selling prices in February fell at the fastest rate in the survey history on a seasonally adjusted basis** (ie after taking into account the usual promotions offered during February). However, input cost inflation was only marginal in February.

Backlogs of work outstanding increased at the fastest rate since June last year. This partly reflects lower employment, but some firms have also reported that delays in receiving payments from customers have led to delays in completing projects, which would then be reflected in higher backlogs of work outstanding.

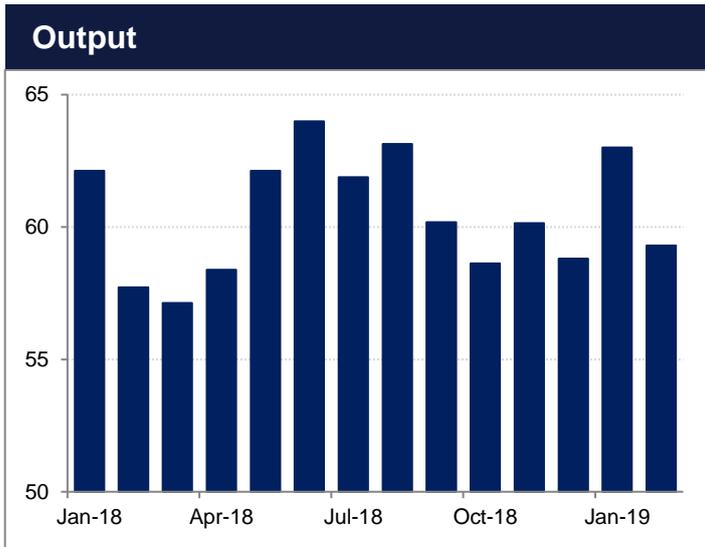
The quantity of purchases increased sharply in February, in line with output growth, but **inventories rose only slightly** following two months of declines. While some firms reported holding stock in anticipation of future order growth, the majority are instead storing only what is required to fulfil their current requirements.

Businesses were also less optimistic about their future output than in January. Around half of firms surveyed expected their output to be higher in a year's time, compared with nearly 70% in January.

Employment index fall to record low in February



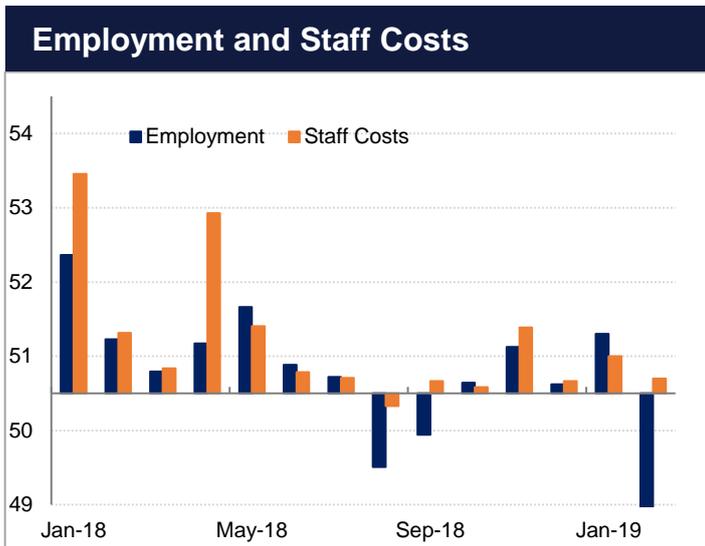
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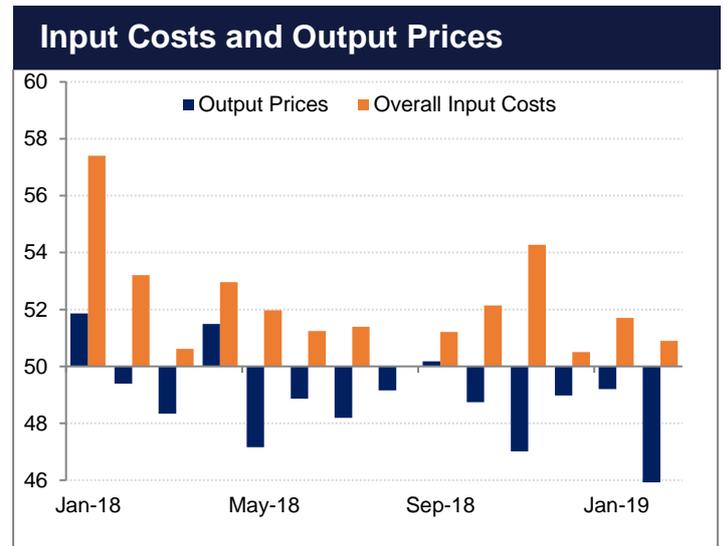
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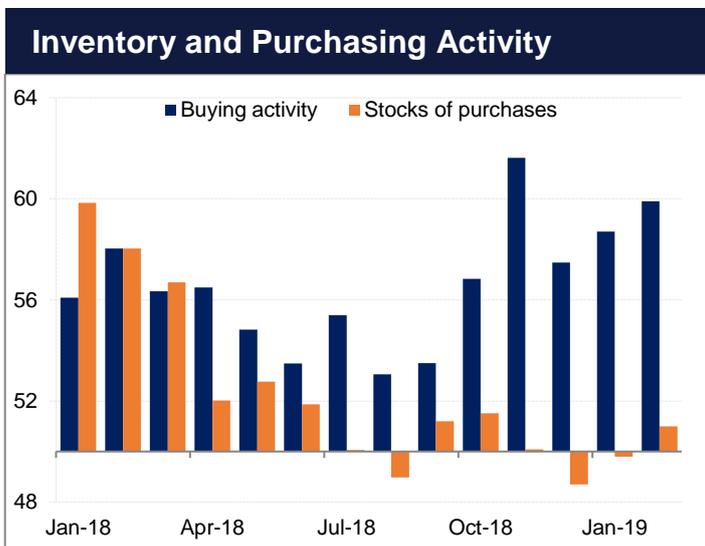
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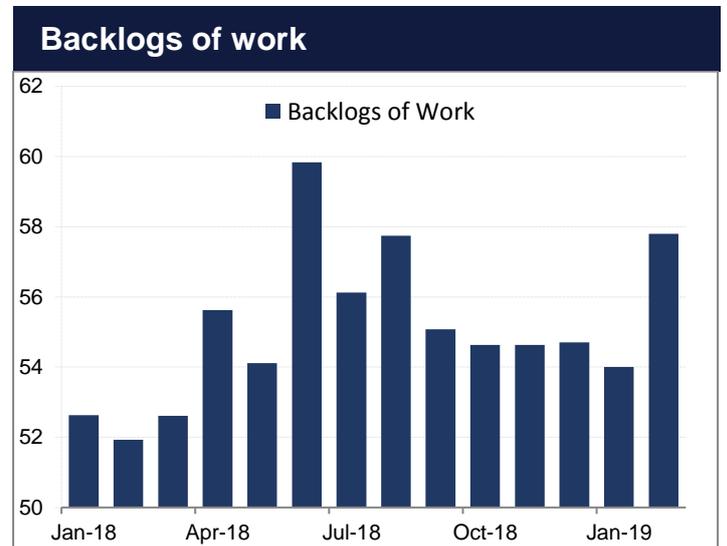
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