

MENA PMI surveys January 2025

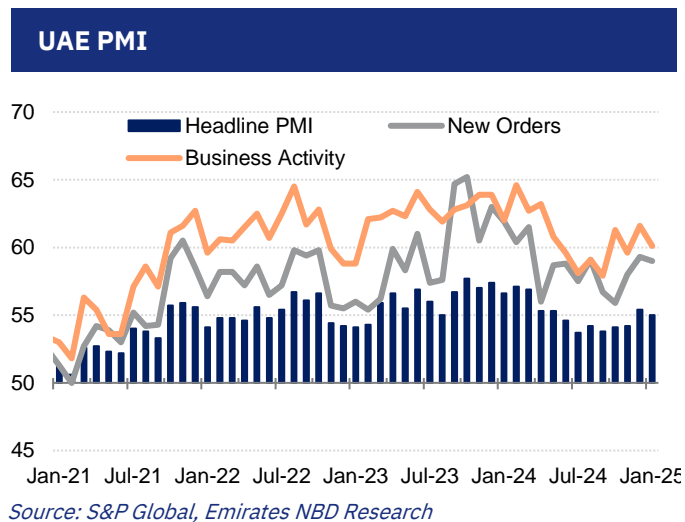
Research | February 5 2025

Highlights

- The S&P Global PMI survey for the UAE fell modestly to 55.0 in January, from 55.4 the previous month.
- The S&P Global PMI survey for Dubai slipped modestly to 55.3 in January, from 55.5 in December.
- The Riyadh Bank PMI survey for Saudi Arabia stood at its highest level since September 2014 in January as it rose to 60.5, up from 58.4 the previous month.
- The S&P Global PMI survey for Egypt returned a positive reading of 50.7 in January, up from 48.1 in December.

UAE

The S&P Global PMI survey for the UAE fell modestly to 55.0 in January, from 55.4 the previous month. Nevertheless, the reading is only just below the 2024 average and the data suggests still robust momentum in the non-oil private sector at the start of 2025. We forecast non-oil growth of 5.0% in the UAE this year, in line with our estimate for 2024.



Output moderated from the December print but continued to expand at a robust pace, with just over a quarter of respondents reporting an uptick in business activity with some citing strong tourist demand. New orders also slowed slightly but remained stronger than the long-run series average with firms noting that new projects were one of the factors supporting growth. It remained the case that domestic orders are responsible

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for growth in recent months, as growth in new export orders softened to a nine-month low with intense foreign competition highlighted as an impediment.

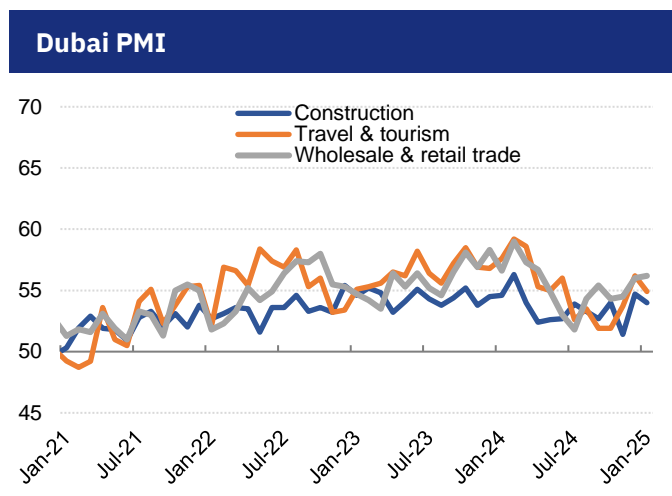
Overall price pressures softened in January, rising at the slowest pace since December 2023. Higher costs for machinery and raw materials saw purchase costs rise, but at a slower pace than seen over the previous nine months. Staff costs picked up moderately to a four-month high as firms compensated employees for a higher cost-of-living, but the rise was modest overall. Firms managed to pass some of these higher costs on to consumers as prices charged rose for the first time since September, albeit at a modest pace as most companies left prices unchanged.

Despite the overall positive survey results, business confidence fell to its lowest level in just over two years in January, with only 9% of respondents expecting business to grow over the next 12 months as many cited a highly competitive environment. This might explain the modest rise in employment despite strong order growth as while hiring picked up from December it remains low compared with the series average.

Dubai

The S&P Global PMI survey for Dubai slipped modestly to 55.3 in January, from 55.5 in December. This is a little stronger than the average for 2024 and the positive momentum over the past several months is supportive of our view that GDP growth in Dubai will strengthen to

3.7% in 2025, from an estimated 3.2% last year. New orders rose at a softer pace than seen in December but that remains a robust pace of growth. Input cost pressures softened to a three-month low but firms managed to pass on these higher costs to customers as output prices rose at their fastest pace since September. Similar to the UAE index, business confidence softened slightly despite the largely positive indicators from the rest of the survey.



Source: S&P Global, Emirates NBD Research

The headline index figure for the **Construction** sector fell to 54.0 in January, from 54.7 the previous month. Business activity softened from December but remained well above the neutral 50 level, while new orders rose at the fastest pace since October 2023. Despite this, business confidence fell to the lowest level since September 2021. Input costs rose at a slower pace than seen in December, and firms continued to pass these higher prices on to consumers, for the 10th month in a row.

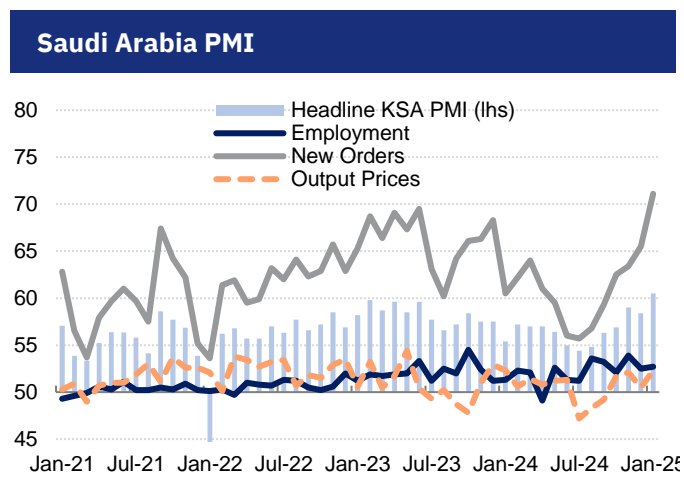
The **Travel & tourism** index fell to 54.9, down from 56.2 in December. Output rose at a faster pace but new orders slowed to a three-month low and business expectations fell to the lowest level since March 2021. Employment did rise but only fractionally. Input prices rose at a slower pace, and the rise in output prices also slowed.

The **Wholesale & retail** index was the only one of the three individual sectors covered by the Dubai index to

rise in January as it picked up modestly to 56.2, from 56.0 in December. Activity slowed in the first month of the year but new orders rose at the fastest pace since March 2024. Input costs rose at a sharper pace but firms increased their output prices for the first time since March 2022.

KSA

The Riyadh Bank PMI survey for Saudi Arabia stood at its highest level since September 2014 in January as it rose to 60.5, up from 58.4 the previous month. The boost to the headline reading was driven by an improvement in almost all subcomponents of the index, with many firms citing a strong flow of infrastructure development and a robust project pipeline as being supportive of their businesses. There are more than USD 421bn worth of projects currently underway in Saudi Arabia with a total USD 146bn awarded in 2024 as the country pursues its Vision 2030 diversification aims. After ending 2024 with a final quarter growth rate of 4.6% y/y, we hold a positive view on non-oil GDP growth this year: we forecast a 4.5% expansion, up from a preliminary 4.3% in 2024, and the first PMI result of the year has reaffirmed this bullish stance.



Source: Riyadh Bank, Emirates NBD Research

Output rose to an 18-month high in January, with nearly a third reporting an increase in activity. It was new orders though that underpinned the sharp rise in the headline reading, as they accelerated for a sixth consecutive month to the fastest pace since 2011. Much of this

growth was domestic orders related to local projects, but export sales also performed well as they rose at the fastest pace since July 2023, with firms reporting strong interest from other GCC countries. This positive pipeline for work saw firms ramp up hiring with employment rising for the ninth straight month, helping bring down backlogs of work. Firms also ramped up their purchases, and stock levels rose. In this environment, firms were optimistic for the coming year, with expectations for future output at the highest since March 2024.

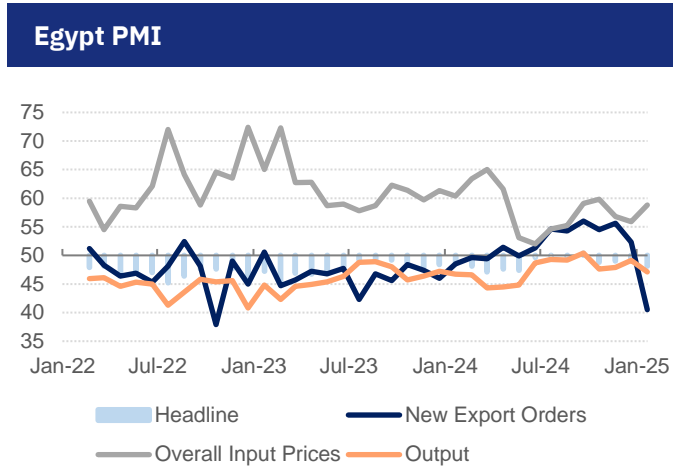
With strong domestic demand and geopolitical instability leading to higher raw materials prices, input prices rose at a faster pace than the series average, with both purchase costs and staff costs rising more swiftly in January than they had in December. Firms passed these higher prices on to consumers to a sharper degree than seen over the previous year.

Egypt

The S&P Global PMI survey for Egypt returned a positive reading of 50.7 in January, up from 48.1 in December. This was the first expansionary 50-plus reading for the index since August and only the second in the past four years in a positive suggestion that the IMF-led reforms in Egypt are starting to bear fruit with an improvement in private sector performance. While respondents still appear to be wary as to what the coming months have in store – business optimism declined from the December reading – near-term indicators were largely suggestive of easing business conditions that should be supportive of an ongoing recovery and we project GDP growth to strengthen in the second half of the current 2024/25 fiscal year (July-June).

Output turned positive in January for the first time since August as it expanded at the fastest pace since 2020. New orders also returned to growth once more following six consecutive months of declines previously, although services orders continued to contract. The growth in orders was driven by domestic demand as new export orders declined for the second month running, albeit at a softer pace than logged in December. Firms remained cautious around expanding headcount and employment

was unchanged compared to the previous reading, but they did ramp up their purchases which expanded at the fastest pace in over three years.



Source: S&P Global, Emirates NBD Research

Input price growth softened notably in January as prices rose at the slowest pace since May. Both purchase prices and staff costs rose at a more moderate rate, with falling raw material costs contributing to this. As a result, firms increased their prices charged at only a modest pace, the softest in over four years, supportive of our expectation that CPI inflation will soften markedly through the next several months from the 24.1% recorded in December.

Daniel Richards
Senior Economist
Group Research
+971 (0) 4 609 3032

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