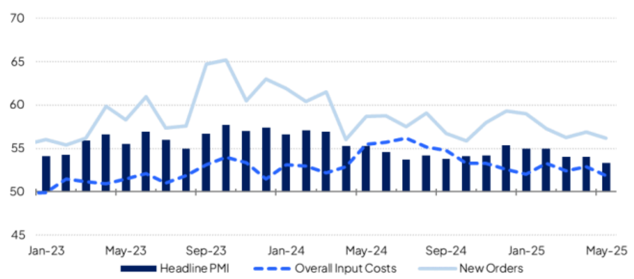
MENA PMI surveys, May 2025

4 June 2025 – Economics

UAE

The S&P Global PMI survey for the UAE slipped to 53.3 in May, down from 54.0 the previous month. This marked the lowest reading for the index since September 2021, although it remained comfortably above the neutral 50.0 line which delineates contraction from expansion in the non-oil private sector. Business activity was also at its weakest since September 2021 though this is coming off a fairly bullish run for the index and firms continue to increase their output. The outlook for the coming months remains constructive as there was only a moderate slowdown in new orders which were at a seven-month low, with substantially more (19%) of respondents to the survey seeing a rise compared to those seeing lower orders (8%). Domestic orders continue to drive the increase, with new export orders expanding at a softer pace than overall, with some firms noting the adverse effect that American tariff policy was having on business.

UAE PMI survey



Source: S&P Global, Emirates NBD Research

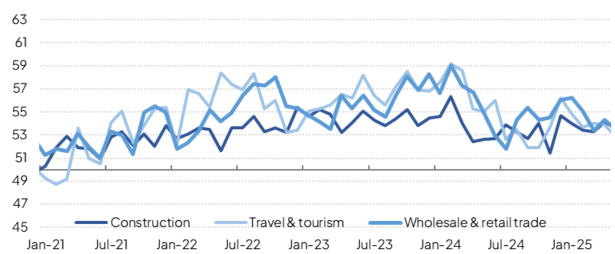
Cost pressures on businesses softened in May, with overall input prices rising at the slowest pace since December 2023 with only 5% of firms seeing an uptick. Purchase costs also rose at the slowest pace in 17 months, with some firms noting higher shipping costs and higher prices for raw materials as driving the moderate rise. Staff costs rose only modestly, and at the slowest pace since October last year, with respondents noting higher wages related to cost-of-living pressures. Firms did raise their output prices at a slightly faster pace than in April, with 8% reporting higher prices charged, though 5% continued to discount to remain competitive.

Respondents to the survey remain largely positive, though there was a modest move downwards in business optimism last month. Nearly 10% of businesses expect higher output in 12 months' time, with some citing a strong pipeline of project work. This was reflected in an acceleration in hiring with headcount expanding at the fastest pace since May last year as they looked to cope with new work.

Dubai

The S&P Global PMI survey was unchanged at 52.9 in May, the joint lowest reading for the index since early 2022, though still indicative of positive momentum in the non-oil private sector. New orders accelerated to the highest level since January with firms citing marketing strategies and competitive pricing as helping boost sales. Nevertheless, firms were able to rise prices, with prices charged rising at the fastest pace since April 2022 even as input costs rose at the slowest pace since December 2023, boosting firms' margins. Business optimism ticked up from April's level but still lower than the average of the past several years.

Dubai PMI survey



Source: S&P Global, Emirates NBD Research

Travel & tourism was the weakest of the three individually tracked sectors with a headline reading of 52.9, in line with the headline and down from 53.9 in April. There was an acceleration in new work compared with April, and firms increased their headcount to cope with the orders, though only modestly and there was a modest decrease in business optimism. Input costs rose at the slowest pace since July 2023, but firms rose their output prices again after the April dip nonetheless.

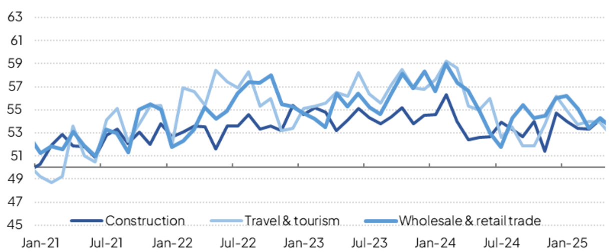
Construction softened to 53.7 in May, from 54.1 previously. There was a modest dip in the output and new orders subcomponents, but both remained comfortably above the 50 level, and business expectations rose to a three-month high. Firms increased headcount at broadly the same pace as seen in April. Input prices rose at a softer pace and there was a moderate increase in prices charged.

Wholesale & retail fell to 53.5 in May, down from 54.3 in April. Business activity slowed from the previous month, as did new orders, though there was a marked jump in business optimism nonetheless, which rose to a 10-month high. Input costs rose more quickly, perhaps on the back of a recent rise in shipping costs, but firms cut their prices charged as they sought to remain competitive. There was a marginal rise in headcount.

Saudi Arabia

The Riyad Bank PMI survey for Saudi Arabia ticked up marginally in May to 55.8, up from 55.6 the previous month. While the second quarter has seen a slowdown compared with Q1, which averaged 59.0, that was an especially strong quarter with the January reading the highest in some 14 years, and the index remains well above the neutral line, still indicating a robust expansion in the non-oil private sector in Saudi Arabia. We maintain a constructive view on non-oil GDP growth this year, forecasting a real expansion of 4.5%, compared with a 4.3% expansion last year. Q1 saw 4.2% non-oil growth.

Saudi Arabia PMI survey



Source: Riyad Bank, Emirates NBD Research

What is striking in the report for May is the marked improvement in business optimism, which rose to its highest level since November 2023 with a significant jump on the previous month's reading – 24% of firms expected an uptick in output in a year's time in May, compared with just 11% in April. This stands in contrast to some more negative anecdotal reports around sentiment and cautious media stories around the economy published in recent weeks. Firms cited long-term expansion plans as supporting their outlook, and this was reflected in continued growth in hiring. While the pace slowed modestly from the 18-month high in April, headcount continued to expand at a robust pace in May as businesses looked to cope with strong demand – there was a modest rise in backlogs of work last month.

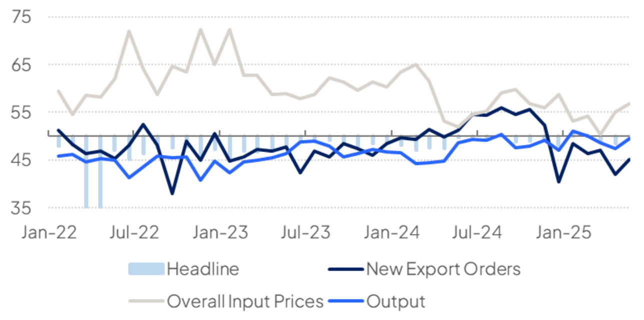
The outlook for the coming months remains positive given new orders ticked up once again in May, picking up from April's eight-month low, which was itself still at a strong level. Firms cited industrial development as one of the factors supporting hiring, and the bulk of new orders appear to be driven by the domestic market still, and likely related to the strong pipeline of project work ongoing. Export orders expanded at a much weaker pace, with firms noting increased competition from international markets and GCC competitors in particular.

Overall input price pressures were somewhat softer in May than the previous month, although they remained pertinent, especially in the manufacturing and construction sectors. Purchase prices rose at a slightly quicker pace than in April, with respondents noting that raw materials costs were higher. Staff costs continued to rise at a robust clip, although at a slower rate than the record high seen the previous month. Despite the rising input cost pressures, firms cut their output prices once more in May after they had turned positive in April. The service sector in particular cut their prices charged to customers and the high level of competition in the Saudi economy should help keep headline CPI soft through the year. The headline inflation rate was 2.3% in April, with housing costs driving much of the increase in the overall basket.

Egypt

Egypt's S&P Global PMI survey ticked up to 49.5 in May, from 48.5 in April. While this was the third consecutive month of sub-50 readings, the implied contraction in the private sector economy was less severe than in the previous two months. Business activity contracted once again but the sub-index was nevertheless at its highest level since February, and the manufacturing sector saw an uptick in output. New orders contracted at a slower pace than in March and at a marginal pace overall. Export orders still looked weak, however, albeit also falling at a slower pace than in the previous month.

Egypt PMI survey



Source: S&P Global, Emirates NBD Research

Some respondents to the survey noted that higher prices had deterred customer orders, and there was a sharp uptick in prices charged by firms in May, to their fastest pace since October last year. Businesses have been looking to pass on some of their higher input prices to customers, with overall input prices rising at the fastest pace in five months in May. Purchase costs drove this acceleration as the subcomponent also rose to the highest since December, with firms noting higher costs for raw materials including fuel, cement and paper. Some of this, especially higher fuel costs, will be being driven by ongoing subsidy reforms in Egypt, with the government having hiked petrol costs once again in April. Staff costs by contrast were fairly steady, rising at broadly the same modest pace in May as seen in April.

These inflationary pressures were a noted concern by respondents with regards their business optimism, and firms remain cautious with regards the future under the current challenging conditions – only 7% of respondents expect an uptick in output over the coming year. In this environment, firms have been reluctant to increase headcount and the employment subcomponent logged a fourth straight month of sub-50 readings. Firms noted that with weaker order growth they had the capacity to complete work on time, and so were not replacing voluntary leavers. The quantity of purchases declined for a third month running, but stock levels were little changed as orders fell.

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