

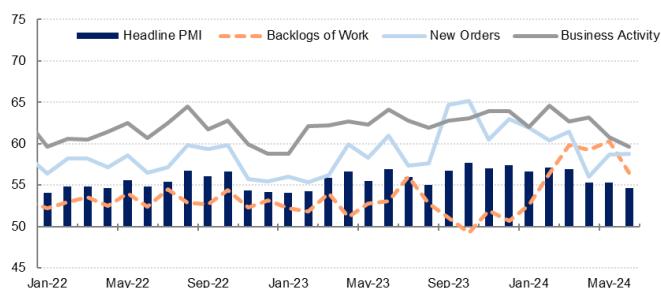
Regional June PMI surveys

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UAE

The S&P Global PMI survey for the UAE fell to 54.6 in June, down from 55.3 in May. This is still well above the neutral 50.0 level and continues to indicate robust growth in the private non-oil sector, but nevertheless there is evidence that the pace of expansion is softening, and this was the lowest reading since February 2023. Activity expanded at the slowest pace in 17 months, falling below the 60 level for the first time since January 2023.

UAE PMI & subcomponents



Source: S&P Global, Emirates NBD Research

Some of this slowdown appears to be a result of the heavy rains seen in April and the ongoing disruption to Red Sea shipping. Purchase costs rose at the fastest pace in 23-months, with businesses noting higher shipping costs as well as elevated prices for raw materials. Backlogs of work slowed from May but continued to expand faster than the series norm. More positively, suppliers' delivery times marked the strongest decline in eight months.

New orders grew marginally faster in June than seen in May but remain down on levels seen prior to the April flooding. The marginal uptick in new orders was driven by new export orders, which saw a substantial acceleration in June, suggesting that growth in domestic orders slowed further last month. Business optimism dipped slightly from the previous month and remains low compared to the long-run average.

Regional May PMI surveys

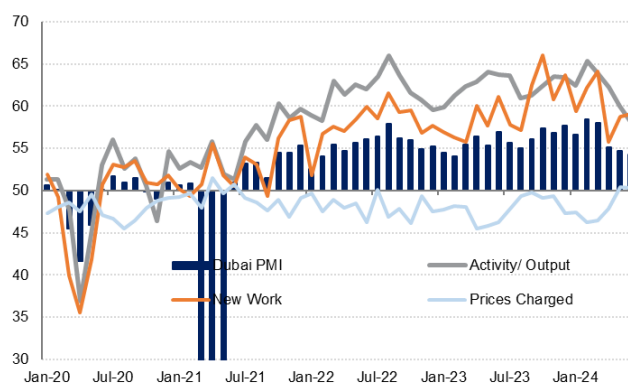
Notably, firms passed on higher costs to customers for the second month in a row, bucking the long-run trend of ongoing discounting in order to remain competitive. Prices charged rose at the fastest pace since April 2018, which could exert upwards pressure on consumer inflation in the coming months.

Dubai

The S&P Global Dubai PMI for June also slowed on the previous month, falling to a 16-month low of 54.3, down from 54.7 the previous month. New orders picked up to a three-month high but remained below the level seen prior to the heavy rains in April, while output appears to still be impacted by this dip as it expanded at a slower pace. Indeed, business activity rose at the slowest rate since September 2021.

Input cost rises accelerated in June, rising at the fastest pace since July 2022, and as with the wider UAE, firms are passing these costs on to customers; prices charged rose for the second month in a row, albeit at a fairly marginal pace and slightly slower than seen in May. Business expectations rose in June.

Dubai PMI & subcomponents



Source: S&P Global, Emirates NBD Research



Travel & tourism

The travel & tourism sector saw stronger growth in June than was logged in May, with the index hitting a three-month high of 56.0, from 55.0 previously. The uptick was driven by an uptick in output and new orders also accelerated, suggesting a healthy pipeline of work for the coming months. Input costs rose rapidly, climbing at the highest pace since July 2022, and while firms did raise their output prices for the second month in a row, this was at a far slower pace than that by which they saw their own costs rise. Firms continued to hire, but at a slower pace than seen in recent months.

Wholesale & retail trade

Wholesale & retail trade was the only sector covered individually by the survey that saw its headline reading fall in June, dropping to 53.0 from 54.9 previously. Output rose at the slowest pace since September 2021, despite the sector continuing to discount, even if not at the same pace as seen in May. Positively there was a sharp reduction in suppliers' delivery times, and business expectations ticked up in June from the previous month.

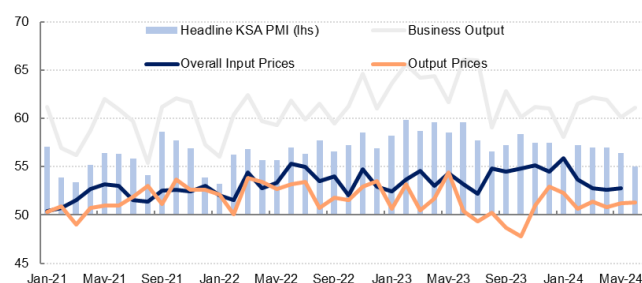
Construction

The construction sector index was little changed on the previous month, ticking up marginally from 52.6 in May to 52.7 in June. A robust pipeline of new construction projects in Dubai will support the sector through the coming years, and business expectations saw a sharp rise last month, picking up to an eight-month high after having seen lower readings through the start of this year. Input costs accelerated and firms passed some of these on to consumers, with output prices rising for the third month running. Employment rose for the 26th straight month as new work orders accelerated again in June.

Saudi Arabia

Saudi Arabia's Riyad Bank PMI survey dipped to 55.0 in June, down from 56.4 the previous month. Output rose at a faster pace than seen in May and remains indicative of robust growth in activity. However, new orders slowed sharply, expanding at the slowest pace in nearly two and a half years. New export orders expanded at a faster pace in June, suggesting that the slowdown came from the domestic market.

Saudi Arabia PMI & subcomponents



Source: Riyad Bank, Emirates NBD Research

Overall input prices rose at a faster pace in June, with the uptick driven by purchase costs. Raw materials continued to tick higher, while firms also noted the cost of adopting new technologies. On the other hand, staff costs grew at a slower pace. Where firms did increase staff payments, they noted that it was related to overdue salary increases for existing staff. Businesses continued to pass these higher costs onto customers, with output charges rising for the eighth month running in June, although a sizeable proportion of firms did note that they were discounting in an increasingly competitive environment.

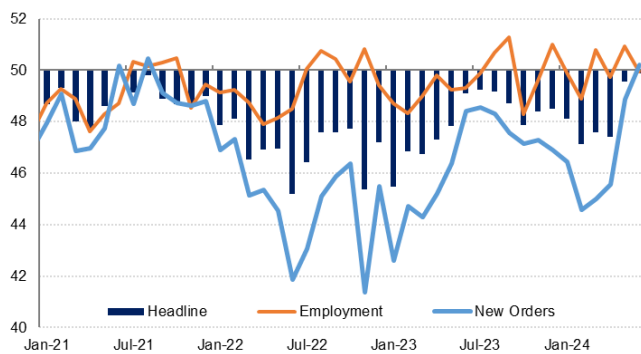
Business optimism rose to a three-month high in June after falling the two previous months, although the measure remained below the series average. Respondents noted strong project pipelines, although firms in the construction industry were least confident as the scale and timeline of some of Saudi Arabia's gigaprojects have been rolled back.



Egypt

Egypt's S&P Global PMI survey was only just shy of the neutral mark in June, at 49.9, up from 49.6 in June. While this was the 43rd month in a row that the index has been in contractionary territory, it was the strongest reading in exactly three years and on the current trajectory we would expect the survey to start showing a growing private sector in the coming months. The surge in multilateral and partner support for Egypt announced since February, alongside moves by the authorities around the currency and interest rates, have changed the narrative on Egypt, with the outlook now far more positive than it had been for some time.

Egypt PMI & subcomponents



Source: S&P Global, Emirates NBD Research

Output continued to contract in June but only at a marginal pace, and the outlook for the coming months is brighter as new orders turned positive for the first time since August 2021. This was only by a modest degree, with construction and wholesale & retail trade still contracting, but manufacturers and service providers saw growth. This is being driven primarily by new export orders which grew at the fastest pace since December 2021.

On prices, overall input costs accelerated in June compared with May, but this remains at a far slower pace than seen prior to the devaluation of the EGP as the move has actually increased dollar availability and made it less expensive for businesses to source raw materials. Purchase costs did accelerate in June but this was from

a four-year low in May. Staff costs rose at a slower pace than seen the previous month, rising at a five-month low. Moderating price pressures for businesses have enabled them to dramatically slow the rise in their output prices, with the uptick in June modest, especially compared with the pace seen at the start of the year. Disinflation has already started in Egypt, falling to 28.1% y/y in May, and we expect it to continue through the rest of the year.

Despite the improvement in many of the subcomponents of the PMI survey, business optimism in Egypt remained muted, registering a sharp fall from the previous month to a series low for the measure. This wariness was reflected in the employment index which turned contractionary again in June after a positive reading in May.



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