MENA PMI surveys September 2024

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Highlights

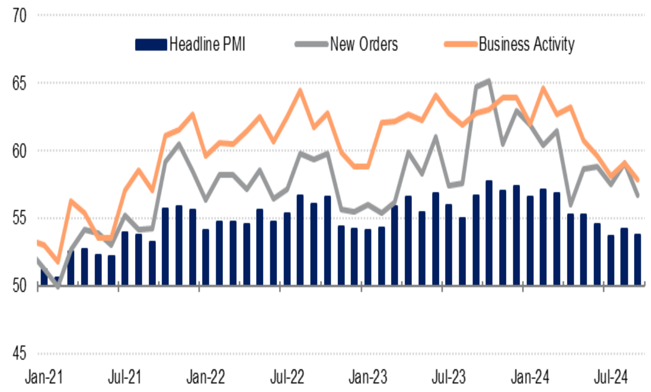
- The S&P Global PMI survey for the UAE fell to 53.8 in September, down from 54.2 in August.
- The Dubai S&P Global PMI survey softened by a smaller margin than the headline UAE figure as it fell to 54.1, from 54.2 the previous month.
- Saudi Arabia's Riyad Bank PMI index strengthened in September, rising to 56.3, up from 54.8 in August.
- Egypt's S&P Global PMI survey turned contractionary once more in September, dipping to 48.8, from 50.4 the previous month.

UAE

The S&P Global PMI survey for the UAE fell to 53.8 in September, down from 54.2 in August. This marked the second weakest reading for the survey in three years, and while the index remains comfortably above the 50.0 level that delineates expansion and contraction in the non-oil private sector, there are signs of softening in the economy. This is in line with our long-held expectation that growth would slow towards the end of the year as high interest rates took their toll. The average PMI reading in the third quarter was 53.9, down from 55.1 for Q2 and the weakest quarter since Q3 2021. However, with the Federal Reserve now embarked on its rate-cutting cycle there could be some support coming. We hold to our non-oil GDP growth forecast of 5.0% in 2024 and 5.0% in 2025.

There was a slower expansion in the key subindexes of the survey, with output expanding at the slowest pace in three years, albeit with only 6% of respondents citing a slowdown in activity. New orders also came in weaker, with implications for the coming months. Domestic orders appeared to drive the bulk of new orders, as while new export orders posted positive growth for the fifth month running, it was at a slower pace than seen in August.

UAE PMI



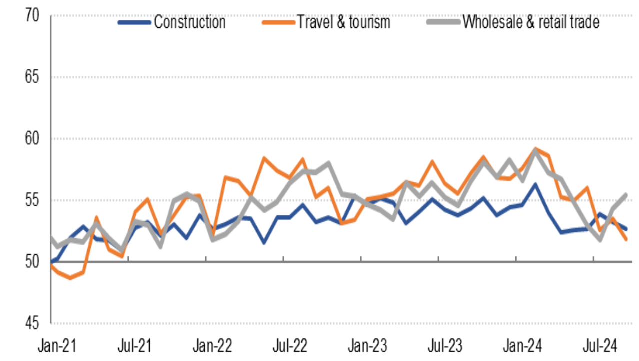
Source: S&P Global, Emirates NBD Research

Firms continued to face mounting input costs in September, albeit at the slowest pace in five months. This rise was driven by both purchase costs and staff costs, which while rising at a slower pace, continued to increase. Firms noted that shipping costs continued to contribute to rising purchase costs, along with higher technology and petrol prices. With prices at the pump seeing a notable decline for the month of October some of these pressures could fade next month. Nevertheless, firms continue to pass higher input prices on to consumers, with output prices rising for the fifth month in a row with potential implications for CPI inflation going forward. Business optimism in the UAE fell to the lowest level since March 2023.

Dubai

The Dubai S&P Global PMI survey softened by a smaller margin than the headline UAE figure as it fell to 54.1, from 54.2 the previous month. Activity expanded at the fastest pace in four months, and firms hired at a faster rate in order to cope with the work. However, new orders growth slowed compared to the acceleration seen in August. Input price pressures eased in September, but businesses hiked their prices charged at a faster pace regardless. CPI inflation in Dubai was 3.4% y/y in August, up from 3.3% in July, and this trend could mean a further pick-up in headline price growth in the coming months. Business optimism softened in Dubai in September, but firms remain fairly upbeat on the growth trajectory. We forecast real GDP growth of 3.5% this year, rising to 4.0% in 2025.

Dubai PMI



Source: S&P Global, Emirates NBD Research

Of the three sectors individually tracked by the PMI survey for Dubai, ***travel & tourism*** saw the weakest growth in September at 51.9, down from 53.5 the previous month. Both output and new work slowed compared to the previous month, despite firms cutting their prices charged for the first time since April. With input costs accelerating compared with August, firms cut employment levels for the third month running and business optimism was at the weakest since January.

Wholesale & retail trade was the strongest of the three sectors in September and was the only one of the three to see an acceleration, with the headline PMI number rising to 55.4, from 54.3 in August. Output rose at a faster pace, and while new orders slowed, they still came in stronger than the emirate-wide reading. The sector continues to discount, cutting prices charged for the 30th month running, even as input costs rose (albeit at a softer pace). The sector continues to hire, expanding headcount for six months in a row.

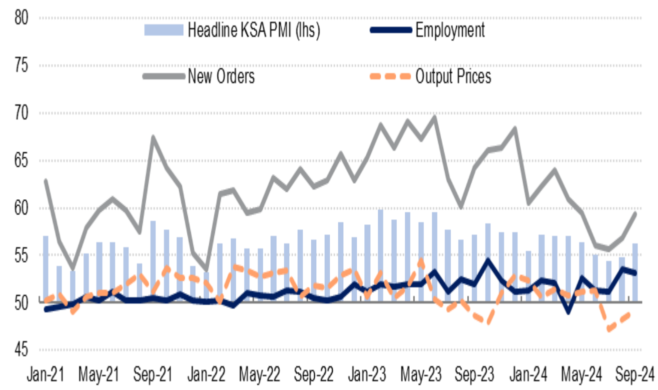
Construction growth slowed in September, dipping to 52.7, from 53.3 in August, as new work orders softened. Output also expanded at a slower pace in September, but employment remained buoyant. Input costs rose at a softer pace compared with the previous month, and businesses continue to pass these on to consumers as output prices increased.

KSA

Saudi Arabia's Riyad Bank PMI index strengthened in September, rising to 56.3, up from 54.8 in August. This marked the highest reading since May. Output rose to a three-month high with nearly a quarter of respondents saying that activity had increased compared with the previous month, and the pipeline of new work is healthy as well as new orders accelerated to a four-month high. The bulk of new order growth continues to come from the domestic market, as while new export orders rose, they did so at a slower pace.

Backlogs of work increased, and firms continued to expand headcount, albeit at a slightly softer pace than seen in August. Despite the strong new order growth, business optimism weakened in September, with firms continuing to cite increased competition in the Kingdom. Headlines around the scaling back of some of the development projects in Saudi Arabia may also have weighed on sentiment, though we would note that there remains a high level of spending being implemented by the government.

Saudi Arabia PMI



Source: Riyad Bank, Emirates NBD Research

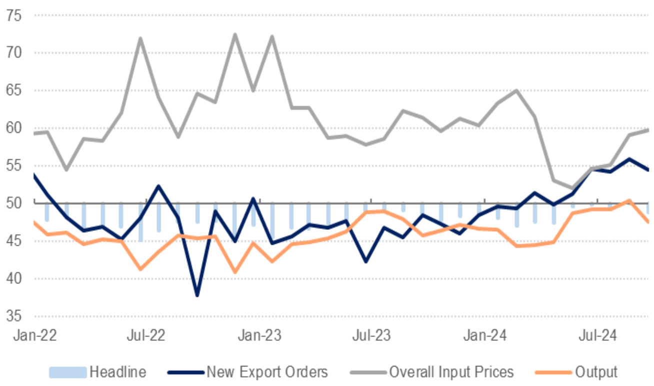
Firms cut their output prices for the third month running in September as they sought to remain competitive in an increasingly busy market, even as input prices rose at a faster pace. Staffing costs rose at a slightly softer pace, with the increase driven by inflationary pressures, while purchase costs rose more quickly. Firms noted higher raw materials prices, and costs related to new technology.

Egypt

Egypt's S&P Global PMI survey turned contractionary once more in September, dipping to 48.8, from 50.4 the previous month. August's had been the first positive reading for the survey in several years as Egypt makes progress with its revitalised reform programme, but the September fall highlights that there remain challenges facing the private sector in the country. Output dipped once more after a marginal gain in August, with only 4% of respondents noting an increase, while 9% saw a downturn in activity.

New orders contracted for the third month running, and at a sharper pace than seen the previous month, as firms noted higher prices weighing on domestic demand. On the other hand, new export orders expanded for the fifth consecutive month, with healthy foreign demand growth, likely aided by the devaluation to the EGP earlier in the year.

Egypt PMI



Source: S&P Global, Emirates NBD Research

Input prices accelerated in September and continue to rise at a rapid rate, with higher purchase costs driving much of that increase. Firms noted that raw materials costs increased, and that the weaker currency was also affecting them. Staff costs rose as employees contended with the higher cost of living, though this was at a slightly softer pace than seen in August. Firms are passing these costs on to consumers, but by a slighter margin compared to the previous month.

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