Market Insights & Strategy

Global Markets

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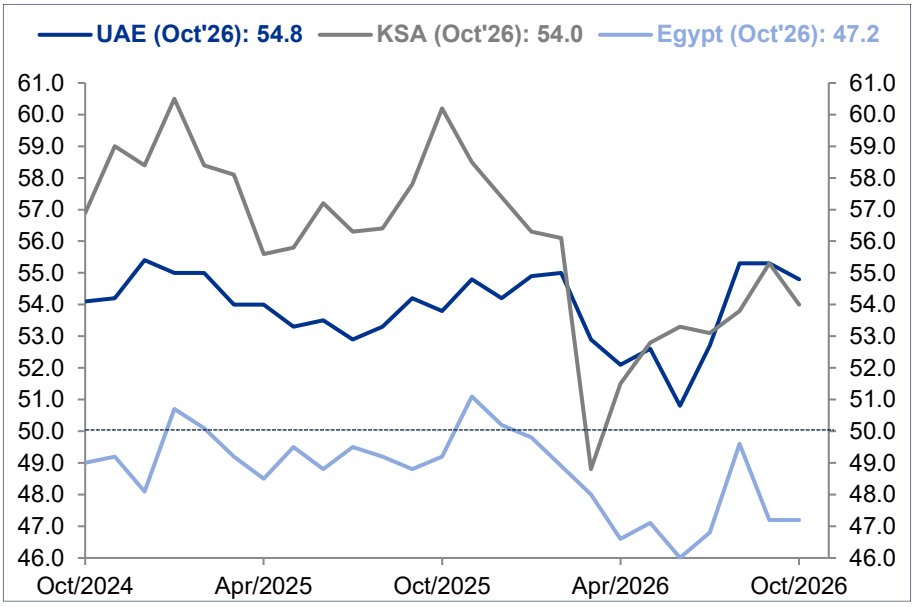
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October Non-oil PMI Update

- **UAE:** The headline non-oil private sector PMI eased only 0.5 point in October to 54.8 (from 55.3 in September) on stronger new orders, record export momentum and the fastest output-price rise since the survey began in 2009. Firm demand, pricing power and cautious hiring describe a mid-cycle, margin-protective expansion outlook for the non-oil activity.
- **Saudi Arabia:** The PMI slipped to 54.0 from 55.3, still a seventh straight expansion, as output growth picked up, but new orders and exports softened. Input costs rose while selling prices cooled, so margins are under some pressure. The YoY fall mainly reflects an exceptional October-2025 base of 60.2, and the picture is resilient but decelerating.
- **Kuwait:** The PMI rose to 52.9 from 52.4, a fourth month above 50, with the fastest new-order growth since February. The recovery is demand-led but narrow, with record stock-building, modest hiring and building inflation.
- **Egypt:** The PMI was unchanged at 47.2, a tenth month of contraction, with output, orders and confidence all weaker. Within the data, the headline reading was propped up by stocks and longer delivery times rather than demand.



Note: Reading above 50 indicates Expansion; below 50 indicates Contraction; Source: S&P Global/FAB

United Arab Emirates

Activity in the UAE's non-oil private sector economy was again firmly in expansion in October, with the PMI at 54.8, down just 0.5 compared to September. New orders accelerated and output grew strongly, while new export orders rose at the quickest rate in two years and purchasing activity jumped at the sharpest pace in nine months. Business confidence among the surveyed firms for the year-ahead rose to its highest since January. Dubai headline PMI reached an eight-month high of 54.6.

Looking ahead, the latest 54.8 reading sits above the Jan-2025–Oct-2026 average and well above June's 50.8 trough, and year-ahead expectations at their best since January point to durable Q4 momentum. Firm demand, robust pricing power and cautious hiring describe a mid-cycle, margin-protective expansion rather than an overheating one. This fits the wider macro picture. Official H1-2026 non-oil GDP grew 1.8% (non-oil share 79.2%) after a soft Q2 (-ve1.1%) hit by tourism and transport disruption, and October's PMI suggests the non-oil economy is re-accelerating into year-end. FAB's working call remains ~3.0% real GDP growth for 2026, a soft-patch year before recovery. Our base case is continued expansion supported by domestic demand and exports. A faster Hormuz normalization lifting tourism and logistics should act as a further tailwind; while any renewed conflict escalation would act as a headwind.

Saudi Arabia
The headline PMI eased to 54.0 from 55.3 in September, still the second-highest reading since February and a seventh straight expansion. The softer headline masks a stronger output picture: output growth picked up at a robust pace, whereas new-order growth softened and stayed below trend as export orders fell for an eighth month, with almost a quarter of firms citing lower exports amid shipping disruption and freight and insurance costs. Employment rose for a fourth month, though more slowly, and purchasing was the second fastest since February as firms built inventory buffers. The pressure is on margins. Input costs hit a June high (freight, insurance, raw materials and energy, with staff costs rising at the fastest rate since February), yet output-price inflation cooled to a nine-month low on competitive discounting. Non-oil firms are therefore absorbing costs rather than passing them on, which is the opposite of the pattern seen in the UAE.

Looking ahead, the −6.2 YoY declines look dramatic but reflect an exceptional October-2025 base of 60.2, not a 2026 breakdown. With expectations still subdued versus the series average, the survey reads the pace of activity as resilient but decelerating, with growth "becoming more selective". The hard data points the same way. Q3-2026 non-oil GDP grew 1.9% YoY (up from 0.8% in Q2), while headline GDP was still down 3.8% on a 20.4% drop in oil GDP. October's PMI is consistent with that pace rather than a re-acceleration signal, and the margin squeeze points to softer non-oil corporate profitability, a Vision 2030 execution watch-item rather than a setback. Our base case remains for expansion in non-oil activity, backed by robust domestic demand, with non-oil GDP grinding higher. A Hormuz reopening will act as an upside catalyst, restoring exports and freight normalization; the downside is prolonged export weakness, giga-project re-scoping and oil-revenue pressure on project spend. We will watch the export sub-index (eight months of falls), the selling-price trend (margins), employment pace and Q4 GASTAT non-oil GDP.

Kuwait
The headline PMI rose to 52.9 from 52.4 in September, a fourth successive month above 50 and clear evidence of a solidifying recovery. New orders grew at the fastest pace since February (an eight-month high), helped by faster export orders from neighboring countries, and output quickened further. Firms leaned into that demand. Input buying and stocks of purchases rose at the sharpest rates on record, partly to pre-empt expected price rises, while suppliers' delivery times were shortened to the greatest extent in the survey's history. Hiring remained the soft spot: job creation was modest for a third month running, so backlogs rose for a fourth month, just shy of February's record. Inflation is building as a result, with input costs rising at the fastest rate since February and output prices just below the September-2021 record, yet confidence still improved to its best since February.

Looking ahead, Kuwait has retraced from June's war-driven 46.4 low, re-establishing expansion. The recovery is real but narrow – demand-led with capacity, labor lagging and inflation re-accelerating – so momentum should persist in the low-50s rather than surge. Our base case is a steady, sustained low-50s expansion. The upside is durable regional calm reviving orders and flights; the downside is renewed conflict, or inflation outpacing demand. We will watch employment (persistently modest), backlog accumulation and whether record stock-building unwinds.

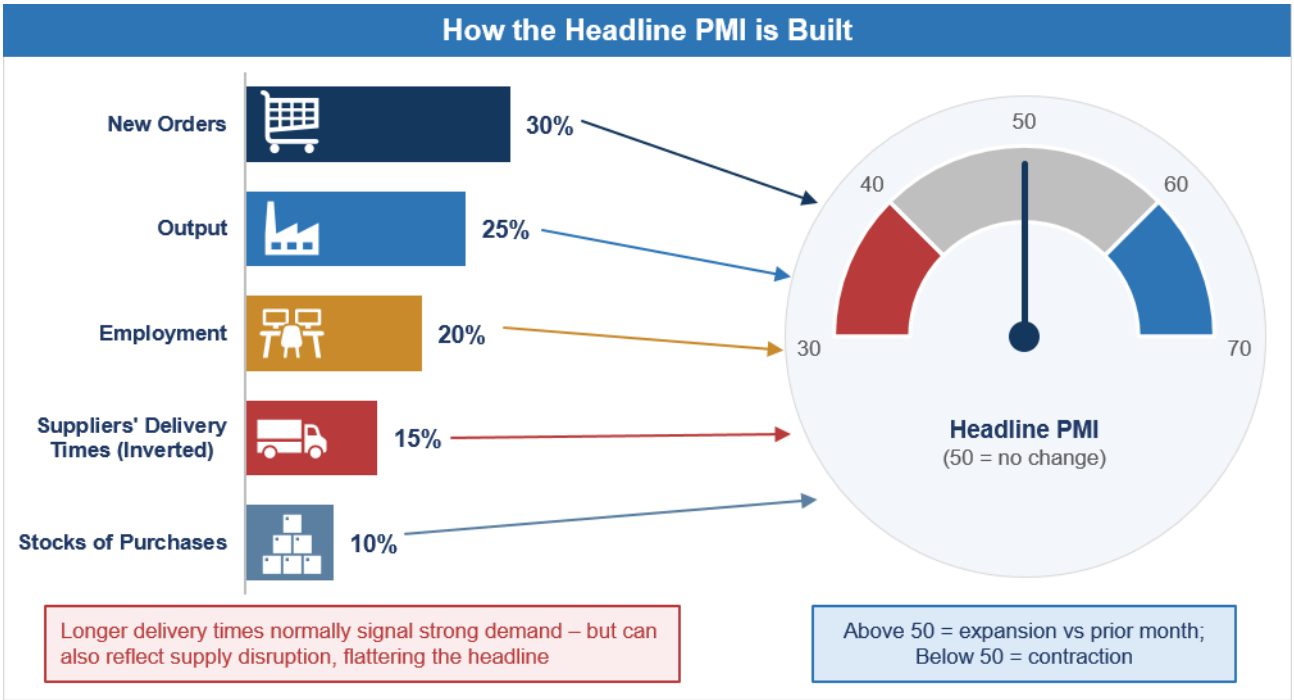
Egypt
The headline PMI was unchanged at 47.2, a tenth consecutive month of contraction below the 48.2 long-run average. Beneath the flat headline, the detail deteriorated: output and new orders fell at the fastest rates in four months on weak demand, reduced purchasing power, sentiment impacted by the US/Iran conflict, and employment returning to contraction. The headline was supported by mechanics rather than demand. Stocks rose for the first time since June and delivery times lengthened the most since June (maritime disruption, customs delays), both of which lifted the inventory components. Meanwhile, input-cost inflation hit a five-month high (imported inputs, energy, shipping, a weaker pound), pushing selling prices up at the fastest rate since June, and confidence sank to a seven-month low.

Looking ahead, the six-month average of 47.3 confirms a persistent sub-50 grind, and August's recovery has faded. S&P's model puts the October reading at ~4.3% implied annual GDP, a reminder that the PMI panel of private SMEs understates the broader economy. Official data indicates stronger GDP momentum: FY2025/26 real GDP growth of ~5.1% and Q4 at +4.7%, led by non-oil manufacturing, the recovery in Suez Canal trade volumes and Information & Communications Technology, sectors under-represented in the PMI panel. The signal is a two-speed economy of resilient headline growth and a struggling private-SME layer. Re-accelerating input costs suggest the recent easing in official inflation may prove short-lived. Our base case is a sub-50 PMI in the near term, with official GDP holding at ~4.5–5%. The upside is Red Sea and Suez normalization, FX stability and lower import costs; the downside would be any meaningful escalation in the conflict or renewed pound weakness. We will watch for a move back above 47.3 (stabilizing) or below (fresh deterioration), and the input-cost and FX pass-through.

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Appendix

How the headline PMI is built from five weighted sub-indices – and why the inverted delivery-times component can flatter a reading when supply chains are disrupted rather than demand strong.



GCC survey compiler S&P Global releases PMI numbers only for the headline index; output, new-orders, employment, input/output-price, delivery-time, stocks and future-output sub-indices are described directionally, not numerically.

FAB Global Markets

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