

News Release

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S&P Global United Arab Emirates PMI[®]

New order growth accelerates sharply to over four-year high

Key findings

Output rises at stronger rate in response to sales upturn

Rapid input buying triggers purchase price inflation

Confidence up to highest level since March 2020

The UAE PMI[®] pointed to a much stronger upturn in new business volumes at non-oil companies during September, as new client onboarding, competitive pricing and sturdy underlying economic conditions boosted demand. Output rose more quickly and confidence jumped, while stronger input buying growth drove cost pressures higher. However, expansions in both inventories and employment softened.

The seasonally adjusted S&P Global UAE Purchasing Managers' Index™ (PMI[®]) – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – registered 56.7 in September, rising from 55.0 in August to signal a strong and accelerated expansion in the non-oil private sector.

The 1.7-point increase in the headline index was overwhelming driven by the New Orders sub-index, which climbed over seven points to its highest level since June 2019. This index signalled a considerable upturn in new order inflows over September, with nearly 38% of survey participants noting a monthly rise against 8% which saw a fall. Where new orders grew, a number of businesses noted having more clients, which some in turn linked to stronger economic conditions and lower prices amid competitive pressures.

Demand strength reportedly arose from both domestic and external markets in September. New orders from foreign clients rose at a marked pace that was the sharpest seen in just over four years.

Overall selling prices continued to fall in September, though like that seen in August, the pace of discounting was only modest. While several firms opted to cut their charges in order to promote goods and services and limit the impact of greater competition, some raised their charges due to rising input costs.

In response to new business gains, UAE non-oil firms expanded their output to a greater degree at the end of the third quarter. That said, growth picked up only slightly from

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-25 September 2023.

Comment

David Owen, Senior Economist at S&P Global Market Intelligence, said:

"The UAE PMI recorded its first uptick for three months in September, driven by a much sharper rise in new work intakes than one month ago. In fact, the upturn in new work was the fastest since June 2019, supported by new client wins both domestically and in export markets."

"Activity growth likewise quickened, though only mildly, and remained weaker than June's recent high. This also marked the first time since May 2021 where the Output Index was behind New Orders, suggesting that businesses did not feel the need to boost activity to such a considerable extent. Supporting this, backlogs of work rose at the softest rate in over two years, while both inventory and staff growth slowed, indicating that firms had sufficient capacity to deal with the influx of new orders."

"Demand growth meanwhile spurred greater purchasing at non-oil firms in September, which acted to quicken the pace of purchase price inflation. Price discounting at businesses continued, albeit to only a modest degree, suggesting that competition had limited pricing strategies."

PMI[®]

by S&P Global

August's seven-month low, and was softer than that recorded for new orders. The positive impact on output expectations was more pronounced, as confidence improved again to the strongest since March 2020.

The remaining sub-components of the PMI gave slight negative directional influences in September. Among these were inventories of inputs and employment, which increased at the softest rates in 14 and seven months respectively. Stocks rose only slightly as firms faced a greater drawdown to meet new orders, leading to a stronger increase in purchasing activity.

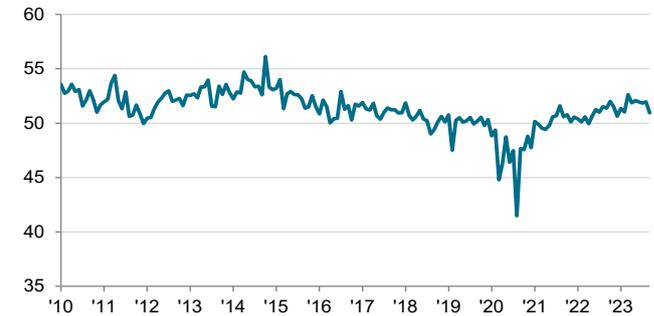
With regards to staff, firms indicated that previous hiring and inventory growth had helped them to boost capacity sufficiently, resulting in the weakest rise in backlogs of work in over two years. Subsequently, job creation slowed and was only mild during September.

Non-oil businesses enjoyed a further improvement in supply chains, as delivery times shortened to the greatest extent since July 2019.

On the cost side, there were reports that broader inflationary pressures and stronger input demand had led to increases in raw material prices. Consequently, purchasing (and overall) costs rose solidly and at the quickest pace for more than a year.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

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Survey methodology

The S&P Global United Arab Emirates PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 1000 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services. Data were first collected August 2009.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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