

News Release

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S&P Global United Arab Emirates PMI®

PMI climbs to highest level in over four years

Key findings

New orders increase at sharpest pace since June 2019...

...boosting growth of business activity

Business optimism remains strong

The UAE non-oil economy enjoyed an even stronger uplift in demand levels in October, according to the latest PMI® survey data, prompting the greatest improvement in operating conditions since the middle of 2019. Sharply rising new order intakes supported a marked increase in activity, as well as further additions to purchasing and staffing levels. Confidence in the 12-month outlook also remained elevated.

At the same time, rising fuel and material prices underlined a sharp increase in business costs in October, as inflationary pressures accelerated to a 15-month high. With this in mind, firms raised their own selling prices for the first time in a year-and-a-half, albeit only fractionally as discounting efforts remained wide.

At 57.7, 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 – was up from 56.7 in September to the highest level since June 2019, and indicated a robust improvement in the health of the sector.

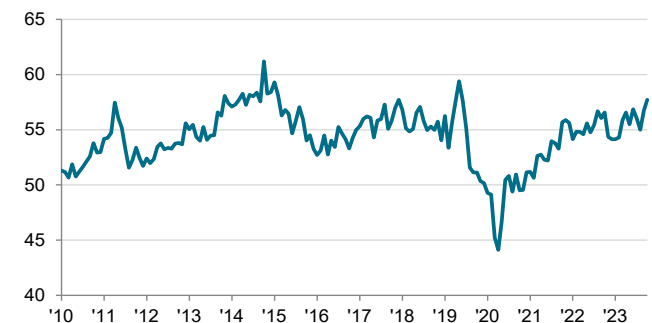
The headline PMI was partly driven by its largest sub-component, the New Orders Index, which also posted its strongest reading since June 2019 in October. Overall new business rose markedly, as surveyed firms highlighted strengthening demand conditions bringing new clients and increased project work. The upturn was strong both domestically and overseas, with foreign new orders also growing at the fastest rate for more than four years.

The considerable uplift in new business intakes supported a robust increase in activity across the non-oil sector in October. The rate of expansion ticked up slightly to the strongest since June, helped by a further rise in employment levels and the clearing of backlogs.

After softening to a 14-month low in September, there was a notable boost to inventory growth at the start of the fourth quarter. Firms increased their input buying sharply in

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-25 October 2023.

Comment

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

"Strong economic conditions in the non-oil sector extended into the final quarter of the year, as October PMI results signalled a new recent record for new business growth. Rising at the fastest rate since June 2019, new order volumes provided additional support to output which continued to rise markedly. High business confidence levels meanwhile suggest that firms do not expect this momentum to lose steam, as predictions for the year ahead were the second-strongest since March 2020."

"There were some indications that inflationary pressures are picking up and starting to influence company's pricing strategies. Overall cost burdens rose at the fastest rate for five months, leading to an increase in output prices. After dropping to a recent low of 1% in July, headline inflation could therefore pick back up in forthcoming readings."

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response to high client demand as well as efforts to build stocks amid strong sales expectations.

Inventory and staffing growth underpinned improved capacity levels in October, helping companies to make a renewed cut to backlog volumes. Despite demand pressures and reports of administrative delays, outstanding work decreased for the first time since June 2021.

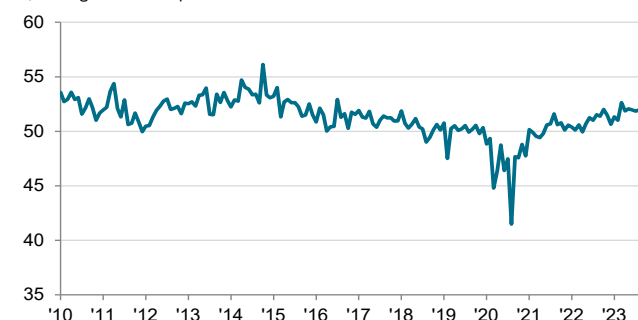
Meanwhile, the latest round of data signalled a further acceleration of price pressures across the non-oil economy. According to surveyed firms, costs were driven up by rising fuel and raw material prices, while the greater cost of living and efforts to retain staff contributed to a modest uptick in wages. Taken together, overall input costs rose at the fastest rate since July 2022.

Notably, the intensification of cost pressures underpinned a rise in selling prices in October, the first uplift recorded in a year-and-a-half. While several firms reported the pass-through of higher expenses to their customers, the overall increase in charges was only fractional and offset by further discounting efforts at other companies.

Looking ahead, the outlook for business activity remained strong in October and was the second-highest since March 2020, despite softening from September. Robust demand expectations were largely behind the positive outlook.

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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