News Release

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S&P Global United Arab Emirates PMI®

Growth in non-oil business conditions remains strong despite slipping to 12-month low

Key findings

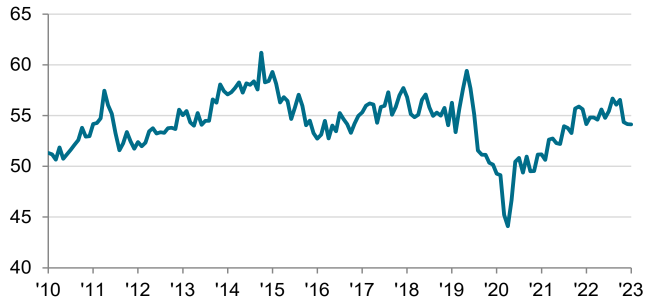
Output rises at joint-weakest rate since September 2021

New order inflows continue to grow sharply

Input costs remain broadly stable

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-25 January 2023.

UAE non-oil businesses continued to see a strong expansion at the start of the year, despite growth slipping further from its post-pandemic highs in the second half of 2022. Output and new orders both rose sharply, whilst robust supply chains and stable energy prices helped to keep input costs settled. Employment and purchasing activity continued to increase, but sentiment towards future activity remained subdued in the context of the historical data.

At 54.1 in January, 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 – signalled another solid improvement in the sector's performance at the start of 2023. That said, the index was down fractionally from 54.2 in December to its lowest level since January 2022.

Whilst continuing to signal a sharp rate of activity growth, the Output sub-index was unchanged at a joint 16-month low in January. A fifth of surveyed businesses saw their output levels rise over the month, whereas just 2% recorded a decline. According to panellists, growth was mainly driven by higher sales, increased marketing and efforts to complete existing projects.

Meanwhile, UAE non-oil firms reported a sharp increase in new order inflows in January, with the upturn picking up to a three-month high. However, like output, the expansion rate remained softer than those recorded throughout much of 2022. Overall sales growth was partly stymied by a sustained reduction in export orders, which fell at the quickest rate since June 2021 amid weakening global economic conditions.

Rising new orders continued to put pressure on companies' capacities in January, leading to another (albeit modest) increase in outstanding work. To boost capacity, firms raised employment numbers at a faster rate than in December, although some panellists mentioned that recruitment processes took longer than usual and contributed to an

Comment

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

"While the UAE PMI was at a one-year low of 54.1 in January, it continued to signal a robust improvement in business conditions at non-oil companies at the beginning of 2023. Activity levels rose sharply in response to another marked boost in new order inflows, although the rate of activity growth was the joint-slowest for 16 months.

"The results showed that the non-oil sector remains in good health and in particular compares positively against a global economic slowdown towards the end of 2022. That said, weak global conditions weighed on export demand in January, as firms saw foreign sales decrease at the fastest rate since June 2021. Firms were somewhat optimistic about future output prospects. Despite improving slightly from December's recent low, the level of confidence remained among the weakest seen in the series history."

PMI® by S&P Global

accumulation of backlogs.

Non-oil companies also expanded their input purchasing at the start of the year, although the solid uplift in buying levels was the slowest for six months. Some businesses commented that vendors were able to deliver materials in a timely manner, leading to an improvement in overall supplier performance. Stocks of purchases also rose, but only modestly.

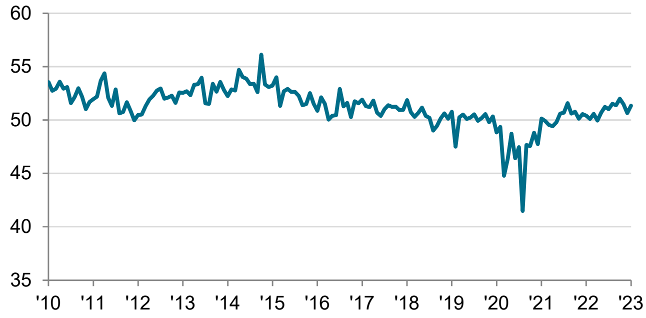
Meanwhile, January data signalled a lack of inflationary pressures across the non-oil private sector, as input prices were broadly stable for the second month running. Robust supply chains and the partial alleviation of energy and transport price pressures helped to keep costs steady, according to panellists, offsetting price rises for some items. Staff costs were unchanged for the second straight month.

Subsequently, firms reported an additional cut in average prices charged during January. The modest rate of discounting quickened slightly from December and was the fastest for five months, with firms often choosing to offer price promotions in a bid to attract sales.

Looking ahead, UAE non-oil companies gave a subdued outlook for future activity in January, albeit one that was still positive overall. The degree of optimism picked up slightly from December's 22-month low, with firms hoping that market conditions will continue to strengthen.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

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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@ihsmarkit.com.

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About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html.

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