

News Release

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S&P Global United Arab Emirates PMI®

Employment levels rise at fastest rate since July 2016

Key findings

PMI ticks up to five-month high amid stronger new order growth

Stocks of purchases expand at sharpest rate in five years

Firms see further modest increase in input prices

The latest PMI® survey data from S&P Global signalled a thriving labour market in the UAE non-oil private sector economy in March, as accelerated new order growth and capacity pressures fed through to the fastest increase in employment since July 2016. Underlying new business growth was the quickest since October last year, encouraging firms to build their stocks of inputs at the strongest rate in exactly five years. Firms also continued to benefit from relatively mild cost pressures, though margins narrowed again as output charges fell.

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 – rose from 54.3 in February to 55.9 in March, to signal a sharp and quicker improvement in the health of the sector. Notably, the 1.6-point rise in the index was the largest month-on-month uplift since October 2021, with all five sub-components providing a positive directional influence.

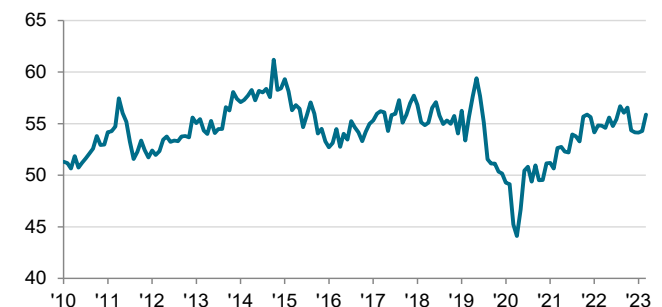
A standout of the sub-indices was the Employment Index which rose to its highest reading since July 2016 and signalled a solid boost to workforces. The jump in employment levels reflected the recent trend of improving demand conditions, with some companies noting that rising new order intakes led to a need for greater labour capacity.

The rate of new order growth meanwhile picked up to a five-month high in March, as companies highlighted stronger market demand and increased tourism. The upturn remained predominantly driven by domestic sales, whereas overall export business was broadly stable in March following a three-month sequence of decline.

The rise in new orders led firms to increase their output, with the rate of expansion broadly unchanged from February and marked overall. Nonetheless, with demand improving and some firms reporting delays in the recruitment of staff,

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 10-27 March 2023.

Comment

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

"The latest PMI reading of 55.9 in March reflected concerted efforts by non-oil companies to boost their capacity levels in the face of strengthening demand conditions. The sub-indices for employment and stocks of purchases rose to 80- and 60-month highs respectively, signalling notable uplifts in staffing numbers and inventories in the latest survey period.

"Underlying the expansion was a robust increase in new order intakes, with the rate of growth accelerating to a five-month high, albeit remaining below the post-COVID peak seen in late-2021. Similarly, output levels expanded at the quickest rate for five months, while the outlook for future activity was up to the highest since last October.

"Firms are still benefitting from relatively mild inflationary pressures, despite stronger market conditions and increased staffing demand driving a quicker rise in wages. This allowed firms to reduce their output charges further in the face of strong market competition, with a number of panellists mentioning extra discounts to customers."

PMI®

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outstanding business volumes rose to the greatest extent since October last year.

Meanwhile, non-oil businesses signalled improved momentum with regards to inventories. With input buying rising sharply in recent months, March data indicated the fastest expansion in holdings of raw materials and semi-finished items in exactly five years. Anecdotal reports suggested that efforts to replenish stocks and build inventories for new projects underlined the upturn. That said, the latest uplift in purchasing activity was much softer than in February, and firms also experienced a slower improvement in delivery times.

The upscaling of inventory levels partly reflected efforts to take advantage of a mild cost environment. Indeed, March data signalled that while overall input prices rose for the second month running in line with higher wages and some supplier price hikes, the rate of inflation was modest overall. Subsequently, there was a marginal drop in selling charges as firms looked to attract new customers.

Finally, the outlook for future activity in the non-oil economy strengthened to a five-month high in March and was aligned with the average sentiment level seen since the COVID-19 pandemic began. Firms were generally hopeful that continued market growth will provide increased opportunities over the next 12 months.

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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