

News Release

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S&P Global United Arab Emirates PMI[®]

New order growth hits four-year high in June

Key findings

Competitive pricing aids further expansion in new business

Business activity ramped up amid higher workloads

Employment rises for fourteenth month running

Non-oil companies in the UAE saw growth gather momentum at the end of the second quarter of the year, with output and new orders increasing rapidly. Success in securing new business in part reflected competitive pricing as firms were able to reduce selling prices in spite of further increases in input costs.

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 to 56.9 in June from 55.5 in May. The index signalled a substantial strengthening of business conditions and one that was the most pronounced since June 2019. The health of the non-oil private sector has now improved in each of the past 31 survey periods.

Central to the strong improvement in business conditions in June was the ability of companies to secure new orders. New business was up rapidly over the month, with the rate of expansion hitting a four-year high. Total new orders were supported by an increase in new business from abroad.

The rise in new orders was fuelled by stronger customer demand, and was provided with further momentum by promotional offers to help secure sales.

Efforts to price competitively were evident in data on output charges, which decreased for the fourteenth successive month in June.

Charges were lowered in spite of a modest increase in input costs. Overall input prices rose for the fifth month running. The rate of inflation was softer than the series average, but the strongest for almost a year. Both purchase prices and staff costs increased at sharper rates than in May. The rise in purchase prices was mainly linked to higher raw material costs, while wage inflation was attributed to positive business performance and the hitting of individual targets by some workers.

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-26 June 2023.

Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

"The ability of firms to secure increasing volumes of new business continued unabated in June, with growth of new work actually accelerating to a four-year high. Some of this growth was predicated on the offer of discounts to customers, however, which may not be sustainable in the long-term given that input costs are rising.

"The extent of the inflows in new work was such that backlogs of work continued to rise in June despite a ramping up of activity, further job creation and an expansion of purchasing activity. This should therefore support further increases in staffing levels in the months to come as firms try to keep on top of workloads.

"All in all, the non-oil private sector remained on a strong footing at the midway point of the year, and is well placed for further growth in H2."

PMI[®]

by S&P Global

Rising new orders and work on existing projects meant that business activity increased again at the end of the second quarter. Moreover, the rate of growth was substantial and quickened to the fastest since August last year. The expansion in output was in part due to advertising and promotional activity, according to respondents.

Employment also increased, extending the current sequence of job creation to 14 months. Higher staffing levels were linked to rising workloads and the recruitment of additional sales workers.

The modest increase in staffing levels and sustained growth of activity were still insufficient to prevent a build-up of backlogs of work, however, given the strength of the gains in new orders. Outstanding business was up for the twenty-fourth month running, with some firms also linking the accumulation to delayed client payments.

Non-oil companies increased their purchasing activity markedly in response to greater workloads and as part of efforts to replenish inventories. Stocks of purchases rose solidly, and to a greater extent than in May.

Firms were helped in their efforts to build inventories by quicker deliveries by suppliers, thanks to prompt payments and positive responses to requests for shorter lead times.

Confidence that new orders will continue to grow supported optimism in the year-ahead outlook for output. That said, sentiment dipped from May and remained below the series average.

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@ihsmarkit.com.

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