

News Release

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S&P Global United Arab Emirates PMI®

Business confidence hits post-pandemic high as growth remains strong

Key findings

Year-ahead sentiment reaches highest level since March 2020

Output rises sharply, but expansion slows

Quickest reduction in delivery times in just over four years

The UAE PMI® signalled another strong improvement in non-oil private sector business conditions in August, driven by marked uplifts in output and new business intakes. While there were added signs that demand momentum has eased from the multi-year peak seen in the second quarter, firms grew increasingly confident that activity levels will continue on an upward path. Optimism improved to its best since March 2020.

Robust confidence underpinned a sharp increase in procurement and sustained job creation in August, supported by subdued cost pressures. Discounts on selling prices continued but at a slower pace, tempered by increased purchase prices and higher customer demand.

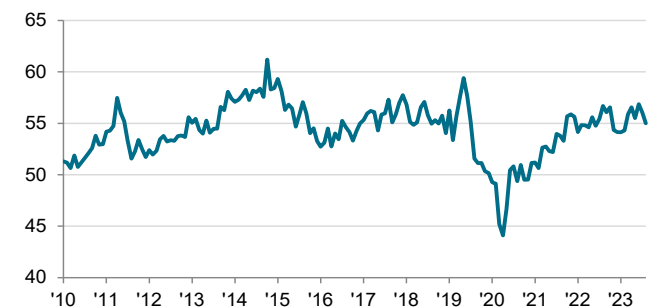
The seasonally adjusted S&P Global UAE Purchasing Managers' Index™ (PMI®) – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – posted 55.0 in August, down from 56.0 in July, to signal a sharp improvement in operating conditions. While the headline index dropped to its lowest level since February, it remained much higher than the 50.0 neutral mark.

Business activity growth across the non-oil economy remained historically sharp midway through the third quarter, despite softening to the least marked since January. Over one-quarter of survey respondents noted a rise in output since the previous month, with most attributing the upturn to rising new business volumes.

The increase in new work was also marked, as panellists signalled that strong economic growth supported higher customer numbers and greater household spending. Robust domestic sales were recorded alongside a solid rise in new export business, which was the fastest seen in just over a year. However, despite ticking up since July, the rate of overall new business growth remained below the four-year record seen in June.

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 10-24 August 2023.

Comment

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

"Strong demand conditions across the non-oil economy gave firms' greater confidence about the path for future activity, according to the August PMI findings. The Future Output Index signalled that business sentiment was at its highest level since March 2020, having improved in seven of the eight months in 2023 to-date. The findings suggest that the outlook for the non-oil sector is highly positive, with surveyed firms signalling that this was supported by rising new order inflows, greater tourism and increased investment."

"The headline PMI reading of 55.0 showed that growth of operating conditions was sustained in August, although momentum has waned since the four-year peak in June. Output growth remained sharp, but slowed to the weakest since January, while the expansion in new orders has likewise lost speed since the second quarter of the year. That said, most PMI indicators continued to give positive signals, including uplifts in input purchases, inventory building, job creation and improving supply chain conditions."

PMI®

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Nevertheless, businesses showed a greater degree of confidence that activity growth will be sustained over the next 12 months. In fact, confidence levels were the strongest registered since the onset of the COVID-19 pandemic in March 2020.

Rising new order inflows and higher business confidence supported a sharp increase in purchasing activity in August, with the expansion picking up to a four-month high. Efforts to replenish inventories amid forecasts of sales growth meant that stocks of inputs also rose solidly.

Notably, firms signalled a marked shortening of supplier lead times in August, as vendors often responded positively to requests for faster deliveries. The improvement was the strongest recorded since July 2019.

Employment levels expanded in the latest survey period, albeit only to a modest degree. Despite this, firms continued to note capacity pressures, shown by a solid rise in backlogs of work.

Finally, non-oil businesses reduced their output charges at the softest pace since March. While some firms looked to offer discounts, others raised their prices due to higher costs and increased demand. Overall input prices rose at a faster pace than in the previous month, although the rate of inflation was still modest.

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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