

News Release

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S&P Global United Arab Emirates PMI®

Output growth supports stronger PMI in October, but demand momentum slows to 20-month low

Key findings

Best expansion in business activity since April

Growth of new work eases further

Selling prices fall as cost pressures wane

The UAE PMI® remained well in expansion territory at the start of the final quarter of 2024. The upturn was supported by a marked and faster increase in business activity, as demand rose and firms maintained efforts to contain backlogs. However, growth of new orders softened to its lowest since February 2023, which contributed to both weaker job creation and a renewed drop in selling charges.

On a positive note, business sentiment picked up from September's 18-month low, with firms expecting growth to continue over the coming year. This was also helped by the rate of input cost inflation dipping to the lowest since April.

At 54.1 in October, 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 firmly above the 50.0 neutral mark, signalling an improvement in the sector's health. The index increased slightly from 53.8 in September, but remained weaker than the readings seen throughout the first half of the year.

Driving the PMI higher was a sharper expansion in activity levels at non-oil companies in October. Following September's three-year low, the pace of growth improved to the quickest since April, as firms often raised output in response to higher sales volumes, healthy work pipelines and robust client numbers. More than a quarter of survey respondents (28%) posted a rise in activity over the month, whereas just 4% saw a decline.

Intakes of new work increased in October, but the rate of growth dropped to its weakest level in 20 months. Firms often stated that demand momentum was showing signs of waning, with some even seeing sales fall due to strong market competition.

Softer new business growth contributed to a weaker rise in employment numbers, which was notably the mildest recorded in two-and-a-half years. Input purchasing growth

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 10-25 October 2024.

Comment

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

"A softening of new business growth in October added to signs that the non-oil economy is losing strength after a robust growth period in late-2023/early-2024. Firms in the survey panel frequently indicated that crowding in the market was eating into sales, and hitting job creation which slipped to a 30-month low.

"Firms reduced their output prices for the first time in six months in a bid to try and reverse this slowing sales trend. Positively, this came at the same time as input price pressures softened, likewise to a six-month low.

"The main factor keeping the PMI above its previous reading was an expansion in business activity, which accelerated notably, albeit from September's three-year low. Nevertheless, there are some reasons to suggest this could hold up, not least that firms are still seeing a long pipeline of work backlogs and ongoing contracts. This may ensure that the non-oil economy can continue to grow even if sales momentum slows further, though it may be more difficult to keep up this pace."

PMI®

by S&P Global

remained sharp however, particularly as businesses faced further efforts to overturn the recent trend of backlog accumulation. This trend persisted in October, but eased slightly, as firms reported an increase in work-in-hand that was one of the least-marked for nine months.

The slower rise in backlogs was aided by a stronger improvement in supplier delivery times. Nevertheless, with inputs rapidly used to complete both new and existing work, there was little change in firms' overall stocks, extending the general run of inventory stagnation that has been observed since July.

On prices, the latest survey data was more encouraging, as non-oil firms reported the softest increase in overall input costs for six months. A slowdown was recorded for both purchase prices and wages, with the latter registering the weakest pace of inflation in almost a year. Nevertheless, some firms reported higher prices for materials, equipment and office supplies.

Average prices charged decreased for the first time since April. The modest decline was generally linked by firms to the need to be more competitive, as well as the pass-through of some cost savings.

Business sentiment improved in October following September's 18-month low, yet remained at one of its weakest levels in 2024 so far. Firms were generally hopeful that activity and demand growth will be resilient, in part supported by strong sales pipelines. Conversely, uncertainty and high competition were both noted as headwinds to growth.

Dubai PMI

Non-oil companies in Dubai registered a slower improvement in operating conditions during October. At 53.2, the headline PMI was down from 54.1 in September and at a three-month low, contrasting with a slight pick-up in growth across the UAE as a whole.

New business intakes rose at the softest rate since the beginning of 2022, as a number of panellists cited tougher market conditions and increased numbers of competitors. The pace of employment growth also ticked down, but output growth accelerated slightly to a five-month high.

Similar to the overall UAE picture, Dubai non-oil firms posted a drop in average selling prices for the first time since April, linked to strong competition. Input costs rose further, but with the pace of inflation sliding to the softest in seven months.

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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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