

News Release

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S&P Global United Arab Emirates PMI®

Output and new orders continue to expand sharply at start of 2024

Key findings

Activity growth remains strong, but eases to five-month low

Slowest rise in job numbers since December 2022

Input prices rise solidly as shipping costs tick up

The first PMI® survey data of 2024 indicated a robust expansion in the UAE non-oil private sector, with rising new business inflows leading to a marked uplift in activity. Strong demand, greater customer numbers and promotional activity underlined the improvement in operating conditions, albeit with the rate of output growth slipping to a five-month low. Job creation likewise slowed in January, while a pick-up in supply-chain risks led to a quicker increase in firms' input costs.

At 56.6 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 – remained well above the 50.0 mark that separates growth from contraction. That said, the index dropped from 57.4 in December and was at its lowest reading for five months.

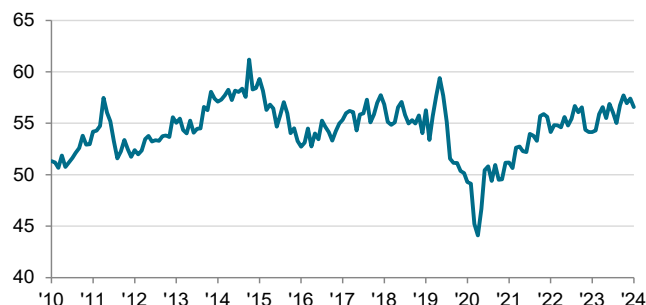
The PMI trend reflected a sharp, but slower, expansion in non-oil output in January. The rate of growth eased to the least marked since August 2023. Nevertheless, it was still much stronger than the long-run average (since 2009). Increased sales and marketing, new and current projects, greater investment and government initiatives were all reported as drivers of growth by survey members.

The rise in new business intakes was similarly marked in January, with around a quarter of respondents noting an increase from December. Businesses continued to highlight that strong demand conditions helped drive new customers and higher sales. As was the case in December, the positive development was broadly domestic driven, as firms reported only a fractional increase in foreign new orders.

Despite sales and output momentum staying robust, UAE non-oil businesses reported only a slight rise in their staffing levels during January. Notably, the pace of growth was the slowest in just over a year. On the other hand, purchases of inputs continued to grow sharply as firms looked to boost

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 11-25 January 2024.

Comment

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

"Whilst the UAE non-oil economy largely continued where it left off at the end of 2023, the PMI's dip to 56.6 in January pointed to a slight moderation of growth from the sector's best quarterly performance in four-and-a-half years. Output and new order growth stayed above their long-run trends but softened, with the former easing to a five-month low. More striking was a waning of employment growth to the weakest since December 2022, as strong demand and business optimism failed to translate into greater hiring.

"Meanwhile, the disruption to supply lines resulting from the Red Sea attacks appeared to have a modest impact on the UAE non-oil sector in January, with a few firms noting delivery delays, aggregate backlogs rising, and reports of higher shipping costs by survey respondents. The impact on inflationary pressures so far has been notable but not severe, as input costs rose at a faster rate than in December but remained slower than in the preceding three months."

PMI®

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their stocks and anticipated an increase in client demand.

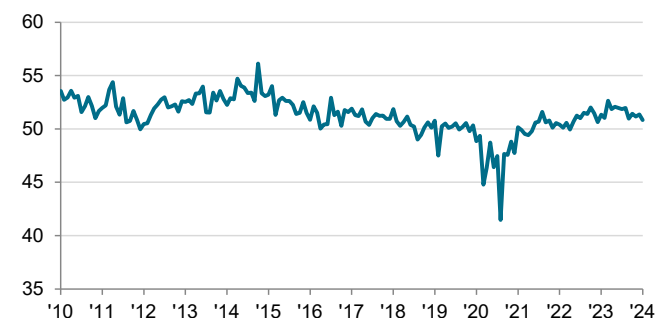
Meanwhile, there was some evidence of growing supply-chain risks leading to delivery delays at some firms and increased shipping costs in January. Although lead times collectively shortened, the degree of improvement was the softest seen for six months, while slower input arrivals contributed to a solid uptick in unfinished work. At the same time, an increase in transport costs underlined a faster rise in purchase prices than in December. Businesses also mentioned that greater material prices and salary adjustments pushed up expenses solidly.

Despite this, average prices charged by non-oil firms decreased for the third month running, and to the greatest extent since May 2023. Lower charges were often attributed to a build-up of competition and subsequent efforts to attract new customers.

Finally, although slipping slightly from December, confidence regarding year-ahead outlook for activity was positive and roughly on par with the 2023 average. Firms generally expect strong demand and sales pipelines to drive a sustained expansion in output, with hopes of new projects and greater investment also helping to boost positivity.

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@spglobal.com.

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