

News Release

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S&P Global United Arab Emirates PMI®

Business activity rises at fastest pace in nearly five years

Key findings

Output growth strongest since June 2019

Demand momentum eases further but remains robust

Supply constraints emerge amid shipping disruption

The UAE PMI® continued to signal a strong run of growth across the non-oil sector in February, as business conditions strengthened rapidly amid marked uplifts in activity and sales. Firms again secured greater volumes of new orders as market demand and client activity remained on upwards paths. This supported the sharpest rise in output levels since the middle of 2019, despite further signs that competitive pressures remained present.

At the same time, disruption to shipping lines in the Red Sea began to feed through into local supply chains. Vendor performance improved to the least extent for seven months, while volumes of backlogged work rose at the sharpest rate for almost four years. Concurrently, input prices rose solidly for the second month in a row, though this did not discourage firms from offering price cuts in an effort to beat competitors – in fact, charge discounting was the greatest seen since September 2020.

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 – picked up from 56.6 in January to 57.1 in February, signalling a sharp upturn in overall operating conditions. The reading was broadly consistent with the trend seen since the final quarter of last year, which was the strongest recorded since mid-2019.

Driving the improvement in operating conditions was a sharp expansion in non-oil private sector activity. Notably, the latest survey data indicated the fastest upturn since June 2019, as 38% of monitored firms noted a month-on-month increase. Higher new business, stronger client activity, greater marketing and development work were among the factors cited as driving heightened activity.

Improving demand conditions once again led to a marked rise in new business inflows in February. The rate of growth remained above the long-run trend, but softened to a six-

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-23 February 2024.

Comment

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

"The UAE PMI continued to signal strong upwards momentum in the non-oil economy at the start of 2024, with February's reading of 57.1 up from 56.6 in January. One of the PMI's largest components, the Output Index, rose to its highest level since June 2019, pointing to a rapid expansion of business activity as firms look to take full advantage of strong market growth and maintain a competitive edge.

"Capacity pressures were apparent however, with backlogs of work rising at their fastest pace in nearly four years, as Red Sea shipping disruption fed through into transport delays. Overall supply chain performance improved at the weakest rate since last July, but nonetheless still improved, suggesting that the impact on vendors is so far limited.

"Business expectations suggest that companies are positive about the year ahead, although concerns of a crowded market remain and appeared to dampen sales growth further. New orders rose at their softest rate for six months, suggesting output growth could also begin to slow."

PMI®

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month low. While client orders generally picked up, firms often noted the impact of competitive pressures on growth.

A greater degree of price cuts was recorded in February, the strongest in nearly three-and-a-half years. Firms highlighted the need to retain market share which often involved offering discounts to clients. Price cuts were seen despite another solid increase in overall input costs, linked to rises in material prices and wages.

Meanwhile, non-oil businesses felt a degree of pressure on their supply chains in February due to shipment challenges arising from the Red Sea. Some companies reported delays to input deliveries, resulting in a sharp accumulation of outstanding work. However, overall supplier performance was still positive, as many firms reported the quicker distribution of inputs when requested.

To support workloads and offset backlog growth, hiring activity accelerated in the latest survey period. As such, employment levels expanded to the fastest degree since last May. Similarly, input purchases continued to grow sharply amid reports of firms bulk buying materials and looking to replenish their stocks.

Finally, business expectations ticked up to a four-month high, as firms expect activity, demand and profits to continue strengthening in the future.

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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