

# News Release

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## S&P Global United Arab Emirates PMI®

### UAE businesses face intense capacity pressures as backlogs grow sharply

#### Key findings

Outstanding business levels rise at joint-record pace

New order growth remains substantial

Weakest supply chain performance in a year

Business conditions in the UAE non-oil private sector strengthened at a sharp pace in March, latest S&P Global PMI® survey data showed, as another steep rise in new order inflows drove a sustained increase in output levels. Nevertheless, companies faced considerable pressure on their workloads, amid reports of administrative delays and increased supply constraints due to the Red Sea shipping crisis. As a result, the survey data signalled the joint-fastest accumulation of backlogs of work in the survey's near 15-year history (alongside June 2018).

At the same time, business optimism ticked up to its highest for six months, and firms experienced a softer increase in their expenses. Margins appeared to worsen though, as increased competition contributed to the strongest drop in output prices for three-and-a-half years.

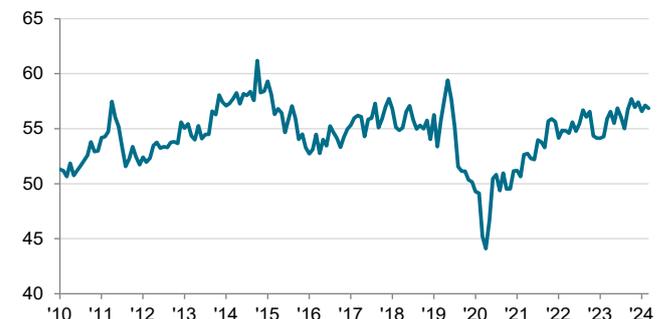
The seasonally adjusted S&P Global UAE Purchasing Managers' Index™ (PMI®) – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – registered 56.9 in March, down marginally from 57.1 in February. The index remained strongly above the 50.0 no-change mark to signal a robust improvement in non-oil operating conditions.

Strong demand remained a key feature of growth in the non-oil economy, as surveyed firms saw another sharp uplift in new order volumes. The rate of expansion picked up from February's six-month low, though remained slightly softer than those recorded around the turn of the year. Rising client spending and marketing campaigns were often noted by companies seeing higher order inflows. Export sales also increased, but only modestly.

In turn, non-oil businesses raised their output levels to a considerable degree. Indeed, nearly 31% of respondents saw activity grow over the latest survey period. As well as higher new orders, firms cited projects in their pipelines and promotional activity as drivers of growth.

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-22 March 2024.

#### Comment

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

"The overall picture for the UAE non-oil private sector remained rosy at the end of the first quarter. The latest PMI reading of 56.9 in March signalled a robust upturn in business conditions, with order book inflows and activity levels still growing sharply.

"Full attention should however be given to the survey's Backlogs of Work Index, which posted its joint-highest reading since the survey began in 2009 (matched only in June 2018). The index is a key indicator of capacity pressures and has shot upwards since the beginning of the year, with firms increasingly signalling that supply and administrative issues are preventing them from completing order books. The shipping crisis in the Red Sea was also a reported factor, particularly as it erodes supplier's ability to deliver items on time.

"While the surge in backlogs is concerning as an indicator of business health, the pent-up demand should support activity growth for even longer once these issues are resolved."

PMI®

by S&P Global

Despite increasing their output, companies often struggled to finalise new work. This led to the greatest upturn in backlogs of work on record, alongside that seen in June 2018. According to panel comments, rising client demand placed great pressure on administration teams, with payment and paperwork delays frequently cited.

Disruption to input freight arrivals due to the Red Sea shipping crisis were also reported to have affected business capacity. Delivery times were also hit, with firms signalling the weakest supplier performance in a year. That said, lead times continued to shorten overall.

Inventories of inputs grew at their slowest rate in two years during March. This was generally linked to fewer stockpiling efforts as several firms reported having enough inputs to fulfil new orders. Likewise, purchasing growth softened to a seven-month low, although it was still sharp.

Non-oil companies saw only a modest rise in input costs in March, the softest recorded in 2024 so far. This was due to a weaker increase in purchasing prices. Concurrently, selling prices fell at the sharpest rate for three-and-a-half years, which firms linked to growing competition and the need to retain customers.

Finally, optimism towards future business activity rose to the second-strongest level in four years (after September 2023). Strong demand, high profits and marketing plans were often attached to positive predictions. Concurrently, firms raised their employment numbers at a pace above the series trend for the second straight month.

## PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

## Contact

David Owen  
Senior Economist  
S&P Global Market Intelligence  
T: +44 1491 461 002  
[david.owen@spglobal.com](mailto:david.owen@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
T: +44 7967 447 030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

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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](mailto:economics@spglobal.com).

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