News Release

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S&P Global United Arab Emirates PMI®

PMI jumps to nine-month high of 55.4 in December

Key findings

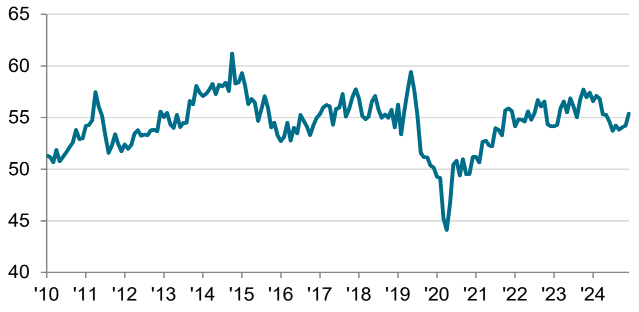
Activity and sales growth accelerate

Backlogs rise at sharpest rate in seven months

Input cost inflation eases to modest level

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 5-17 December 2024.

The UAE PMI® strengthened at the end of 2024, pointing to an accelerated expansion in the non-oil private sector economy. Robust demand conditions spurred the quickest increase in new business for nine months, which also drove a sharper increase in output. A limited expansion in workforces nonetheless contributed to another sharp rise in outstanding work, placing greater strain on capacity and inventories.

For the third month running, non-oil companies highlighted a reduction in output charges in December, with reports signalling further efforts to discount client fees and support sales growth. Input costs rose, although the rate of inflation slowed to its softest since last March.

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 – rose for the third successive month in December, from 54.2 to 55.4, and was at its highest level in nine months. The reading, which was firmly above the 50.0 no-change mark, indicated a robust and stronger expansion in the non-oil private sector.

Survey respondents highlighted buoyant market conditions at the end of the year, which helped them to secure new clients and larger order book volumes. Notably, the overall rise in new work was the sharpest recorded for nine months, despite a softer upturn in sales to international clients.

Consequently, businesses expanded output to the greatest degree since April 2024. Higher demand, projects in progress, discounted prices and favourable weather conditions were all supportive of business activity, according to qualitative reports.

Backlogs nevertheless accumulated at a rapid pace in December, as firms faced further limitations on staff recruitment. Employment rose at one of the slowest rates in over two-and-a-half years, in part linked to margin pressures.

Comment

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

"The UAE saw its best expansion in non-oil business conditions for nine months in December, with the latest PMI data closing out another year of continuous growth and putting the sector in a strong position for 2025.

"Capacity levels remain under considerable stress however, illustrated by another marked increase in backlogs of work. Recruitment appears to be the limiting factor - the pace of employment growth was barely changed from November's 31-month low. While margin constraints appear to be holding some firms back from recruiting more staff, as charges fell despite rising costs, there is certainly a need to boost resources to ensure firms capitalise on demand in the new year.

"Softening cost burdens may support this, as the latest data signalled the slowest rise in overall input prices for nine months. Purchasing growth also quickened to a 13-month high, which could help to lift inventories after a subdued trend in the second half of 2024."

PMI® by S&P Global

As such, the volume of outstanding work increased at one of the fastest rates in the survey's history (since 2009).

Strains on business capacity continued to hinder the ability of firms to hold on to stocks. Following a trend of limited gains in recent months, input inventories fell at a mild pace. The decline came despite a steep and accelerated increase in new input purchases, as materials and key components were quickly utilised in business operations. The survey data also indicated a slower improvement in delivery times compared to November.

On the price side, the latest data brought encouraging news, as the pace of input price inflation slowed for the fourth time in five months and dropped below the long-run trend. Although cost rises were noted in relation to raw materials, shipping, foodstuff and technology, overall purchase prices rose at the weakest pace since April 2024. Wage pressures picked up but were modest.

Meanwhile, average prices charged fell for the third consecutive month in December, with discounting widely associated with strong competition and efforts to support growth. The drop in charges was, however, the slowest in this period.

Finally, non-oil companies expressed optimism towards the year-ahead outlook in December, though with the level of confidence ticking down for the second month running. Notably, optimism was at its second-lowest since early 2023 (ahead of September 2024).

Dubai PMI

The Dubai PMI rose from 53.9 in November to 55.5 in December, to signal the strongest growth of operating conditions in nine months. Underlying the improvement were faster expansions in output and new orders, as businesses commented on increased client demand and busy markets. In both cases, rates of growth were stronger than those observed at the UAE level.

Elevated new business growth encouraged a renewed (albeit mid) rise in employment. In contrast, inventories of inputs declined for the second month in a row. Output charges started to rise following reductions in both October and November.

Notably, Dubai-based firms expressed weaker optimism towards the coming year, with confidence dropping to its lowest level since May 2021. Just 6% of respondents expect output to grow in 2025.

Contact

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

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

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.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi