News Release

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S&P Global United Arab Emirates PMI®

Robust growth continues across non-oil sector, but capacity pressures worsen

Key findings

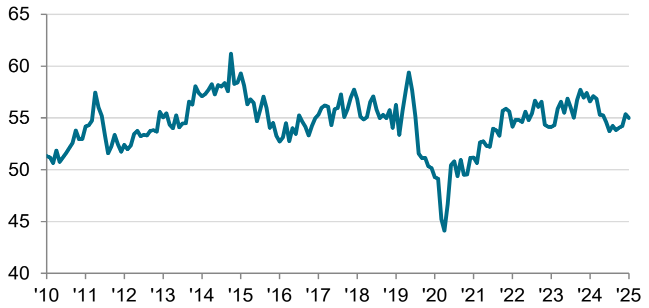
Output rises sharply in response to sales upturn

Input cost inflation falls to 13-month low

Optimism weakens amid fierce international competition

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 9-27 January 2025.

Growth in the UAE non-oil economy remained strong at the beginning of 2025, according to the latest PMI® survey data. Business activity and new orders continued to rise sharply, driven by favourable market conditions and softening cost pressures.

Once again, improved sales had a limited impact on hiring, as firms reported only a slight increase in employment. A similar trend was signalled for inventories, with stocks rising only fractionally despite strong purchasing growth.

Capacity pressures remained a major issue for the sector, as firms struggled to contain backlog volumes amid soaring demand and administrative delays. Meanwhile, concerns around competitive pressures curbed optimism, with sentiment slipping to its lowest level in over two 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 – posted 55.0 in January, indicating a robust improvement in the sector's health. The reading was only slightly lower than the nine-month high of 55.4 in December.

Just over a quarter of surveyed firms saw activity levels improve at the start of the year, with the upturn typically related to strong market conditions and increased clientele. Businesses also reported a persistently sharp rise in sales volumes. The uplift in demand was mainly domestic-driven, as growth in new export orders nearly stalled.

At the same time, non-oil businesses enjoyed a moderation of price pressures. Average cost burdens rose at their slowest rate for 13 months, despite evidence of higher costs for transport and machinery, and a quicker rise in salaries.

The slowdown in inflation helped firms to increase their purchases of inputs at the start of the year. Healthy market conditions and good client relationships meanwhile led to a

Comment

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

"The UAE PMI signalled another good month for the non-oil private sector in January, with the headline figure falling only slightly from December's nine-month high. Robust expansions in activity and new business, as well as lower input cost inflation, suggest the economy is in a healthy position.

"The broad decline in business confidence over the past few months will therefore be a surprise to some. Notably, total confidence was at its lowest level since December 2022. Strong competition and cash flow concerns arising from heavy backlogs have appeared to sow doubt among firms that they can continue to boost their revenues, underlining efforts to reduce the gap between output and input prices.

"A persistently low rate of employment growth suggests that firms are lacking the ability to hire in order to tackle backlog issues. Input resources similarly remain weak, which seems to be aggravating capacity pressures as work-in-hand rose at the quickest pace in eight months in January."

quickening of delivery times. Inputs were generally used to service existing orders rather than build up warehouses, as inventories rose only fractionally.

Similarly, firms reported only a mild increase in staff numbers in January, although the pace of growth was the fastest since August 2024.

Survey data on backlogs pointed to another month of severe capacity strain for non-oil businesses. Panellists often signalled this was due to heightened demand and administrative issues such as slow client payments. Notably, the rate of backlog accumulation accelerated to its fastest for eight months.

With demand pressures strong, non-oil companies opted to raise their selling prices in January, marking the first increase in four months. The rate of inflation was however only fractional.

Despite positive demand trends, surveyed firms were the least optimistic about future activity in just over two years, with only 9% of respondents forecasting growth over the next 12 months. Robust competition was often cited as holding back optimism.

Dubai PMI

Business conditions in the Dubai non-oil private sector improved sharply in January. The headline PMI registered 55.3, falling only slightly from December's nine-month high of 55.5, but remaining just above the UAE reading (55.0).

Total activity expanded markedly in response to greater new business inflows, as survey panellists highlighted favourable market conditions as well as improvements in sales and customer bases. Cost pressures also eased, with the pace of input price inflation slipping to a three-month low.

However, non-oil firms reported only fractional rises in employment and inventories in January, amid a subdued outlook for future business activity. Output expectations dropped to their lowest level in just over four years.

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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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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