News Release

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S&P Global United Arab Emirates PMI®

Business activity keeps growing strongly in February

Key findings

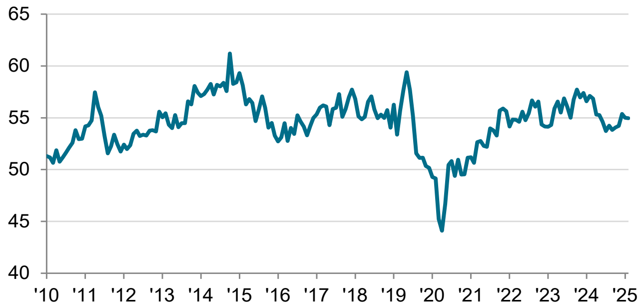
Marked expansions in output and new business

Backlogs rise sharply as workloads pile up

Solid boost to input inventories

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 10-24 February 2025.

The UAE non-oil private sector experienced a robust improvement in business conditions in February. The pace of growth remained close to December's nine-month high, driven by a notable rise in new business that fuelled a substantial upturn in output. While stocks of inputs increased solidly, labour constraints and delays in payment processes led to a further rise in backlogs of work.

Concerns about domestic and international competition posed a significant challenge to business confidence, fostering a degree of caution regarding price hikes as firms sought to boost sales. However, these efforts were partially hindered by an uptick in cost pressures for the first time in seven months.

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 – stayed at 55.0 in February, signalling a sharp improvement in the health of the non-oil economy. The index was slightly higher than its long-run average of 54.4.

Business activity growth gained momentum and was stronger than its historical trend in February. According to monitored firms, output was ramped up in response to rising levels of new business. Around 29% of the survey panel reported higher activity than in January, compared to 5% where activity had fallen.

Improving market conditions, advertising efforts and restrained output price pressures reportedly boosted demand levels in February. Order book volumes rose at a sharp pace, despite losing momentum since January. On the other hand, some firms signalled that competition from domestic and foreign sources had dampened growth.

Order book growth led to an increase in input purchases midway through the first quarter, albeit one that was the softest for three months. Inventories of inputs were also

Comment

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

"February proved to be another solid month for UAE non-oil businesses, with the latest survey data indicating further strong upturns in new orders and output. A PMI reading of 55.0 suggests that growth has remained relatively steady since its recent high at the end of last year.

"However, the sector is not without its challenges, as highlighted by a limited level of confidence in the year-ahead outlook. Firms continue to feel the pressure of intense competition, which has capped price increases. Nevertheless, growing cost pressures resulted in a slight acceleration in selling price inflation in February. Additionally, businesses are eager to secure new work, which contributed to a rapid accumulation of backlogged orders.

"While robust growth in business activity indicates that the pipeline of orders should eventually be addressed, other factors such as weak job creation and administrative delays pose risks to this outlook. Furthermore, firms continue to report difficulties in securing payments from clients, an issue that appears to be ingrained in the wider market and may necessitate policy action to address."

PMI® by S&P Global

raised, and to the greatest degree in just over a year.

Job creation in the non-oil sector remained limited. While some firms hired additional workers to increase their capacity, most firms kept employment unchanged.

Alongside invoice payment issues, administrative delays and the accumulation of new work contributed to another significant rise in the volume of unfinished business. This increase was only slightly weaker than January's eight-month high. While some firms benefited from quicker delivery times, others faced delays due to a busy market.

Concerns about international competition and capacity issues remained a key obstacle to firms when assessing their outlook. Approximately 10% of surveyed firms expect to increase their activity over the next 12 months, which is much lower than the long-run trend. Nevertheless, sentiment remained positive and even ticked up from January's recent low.

Input costs in the non-oil sector rose at a quicker pace in February, marking the first acceleration in inflation since July 2024. Many companies reported the passing on of higher material prices by suppliers, as well as increased costs for maintenance and technology. Staff costs were also up, though only modestly.

Despite some efforts to remain price competitive, non-oil companies raised their output charges for the second successive month. The latest increase was modest, but also the strongest since September last year.

Dubai PMI

The Dubai PMI fell to a three-month low of 54.3 in February, down from 55.3 in January, indicating a slower improvement in the health of the non-oil sector. Nonetheless, the overall improvement remained solid, driven by robust expansions in new orders and output.

Activity levels at non-oil companies reportedly increased due to stronger demand and softer price pressures. Notably, the rate of increase in input prices was the softest recorded in four months, resulting in only a fractional uplift in average prices charged.

Business expectations recovered to a three-month high but remained relatively subdued. As a result, most firms kept their staffing levels unchanged from January, although inventory growth was supported by rising input purchasing.

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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.

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

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