News Release

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S&P Global United Arab Emirates PMI®

Non-oil economy sees growth moderating in March

Key findings

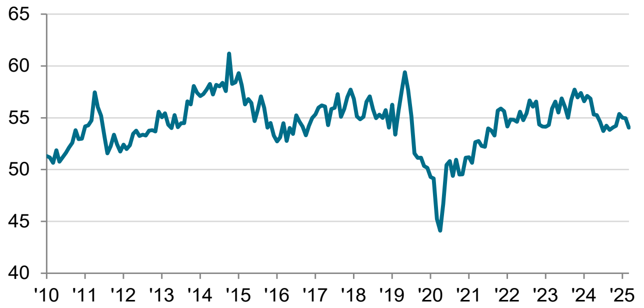
Demand momentum continues to soften

Charge inflation second-highest in over seven years

Input purchases grow at strongest rate since July 2019

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 5-25 March 2025.

The UAE non-oil private sector experienced a mild slowdown in growth momentum at the end of the first quarter. While business conditions improved at a solid pace, the upturn was the weakest recorded since September last year as demand growth showed signs of softening.

Nevertheless, businesses reported a considerable increase in their purchasing activity during March, often as part of efforts to address the ongoing backlog of outstanding work. Input purchases rose at their sharpest rate since mid-2019.

The latest survey data also indicated a stronger drive among non-oil firms to protect profit margins, which included raising selling charges at the second-fastest pace in over seven years. This occurred despite a moderation in input cost pressures.

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 – dropped from 55.0 in February to 54.0 in March, signalling a slower but solid improvement in the sector's performance. Having reached a nine-month high at the end of last year, the PMI dropped to its lowest level since last September.

The uplift in operating conditions was driven by an increase in sales volumes across the non-oil economy. Monitored companies frequently noted gaining new customers amid improving demand conditions. However, with firms also signalling strong competition and only mild growth in new export orders, March's upturn in sales was the weakest recorded since October 2024.

Non-oil private sector business activity rose sharply in March, though at the slowest pace for four months. Exactly 27% of surveyed firms saw activity increase on the month, while 8% reported a decline.

The slower rate of demand growth somewhat curbed capacity

Comment

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

"The UAE PMI signalled another month of robust growth in the non-oil economy in March, although there were some signs that momentum may be slowing. A third consecutive month-on-month softening of new order growth shows that some firms could be encountering challenges in meeting their sales targets.

"The quest to overcome capacity hurdles ramped up in March, as firms purchased inputs in bulk to try and clear their backlogs. The surge in purchasing activity reached its fastest pace since mid-2019, while a decrease in inventories indicated that these new inputs were quickly integrated into operations. However, some companies are still grappling with backlogs due to widespread delays in customer payments, something which the UAE's move towards a mandatory e-invoicing system is aiming to resolve.

"Hiring remains a significant concern, with March's employment increase marking the weakest growth in nearly three years. Given the elevated demand levels, this suggests that some firms could be struggling to locate suitable candidates."

pressures, but UAE businesses continued to highlight a steep rise in backlogs of work. Panellists often cited delays in input arrivals and client payments. Although vendor performance improved in March, it did so at the softest rate for almost a year.

Firms continued to channel resources into procurement activity in a bid to mitigate the pile-up of backlogs. Purchases of inputs rose at the sharpest rate in nearly six years. A concurrent dip in total inventories provided further evidence that output requirements were elevated.

In contrast to purchases, employment growth was subdued in March, softening to its weakest in nearly three years. The vast majority of panellists kept staff numbers unchanged.

Meanwhile, average input prices increased at a moderate pace at the end of the quarter. Some panellists noted a rise in material costs due to stronger input demand, while others reported a fall in transport prices. Salary costs continued to climb due to cost-of-living pressures.

Prices charged by non-oil firms rose for the third consecutive month in March, and the pace of inflation was historically fast – almost the quickest seen for over seven years. Survey comments indicated that firms were seeking to protect their margins and respond to higher market prices.

Dubai PMI

Dubai non-oil business conditions improved at a softer rate for the third month in a row in March. The decelerating trend observed so far in 2025 was further highlighted by a slowdown in activity growth, with firms reporting the weakest expansion since September 2021.

The headline PMI fell to a five-month low of 53.2 in March, down from 54.3 in February, and below the overall UAE reading of 54.0.

New orders increased sharply, but the rate of expansion was much softer than at the start of the year. This prompted firms to reduce employment for only the second time in nearly three years.

Input price inflation meanwhile fell to its lowest level in exactly one year. In contrast, output prices rose at a quicker pace than in February.

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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.