News Release

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S&P Global United Arab Emirates PMI®

Backlogs accumulate at record pace as firms look to recover from flooding

Key findings

Outstanding work rises at unprecedented pace

Output growth slips to 16-month low but remains strong

Cost pressures climb to highest level since mid-2022

UAE non-oil companies faced a record uplift in outstanding business levels during May, as robust sales pipelines and the lingering effect from April's flooding crisis put immense pressure on business capacity. However, the overall performance of private sector firms remained strong, with output and new orders rising sharply, despite growth of the former slowing to a 16-month low. Efforts to boost capacity led firms to raise their staffing and purchasing of inputs at stronger rates, whilst supply chains also improved following last month's disruption.

Greater input demand and the need to replenish stocks nevertheless led to an intensification of price pressures. Input costs rose at the sharpest rate in nearly two years, prompting the fastest uptick in prices charged since April 2021.

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 – was unchanged from April's eight-month low of 55.3 in May. However, the reading was still above its long-run average of 54.4 and indicative of a robust improvement in operating conditions.

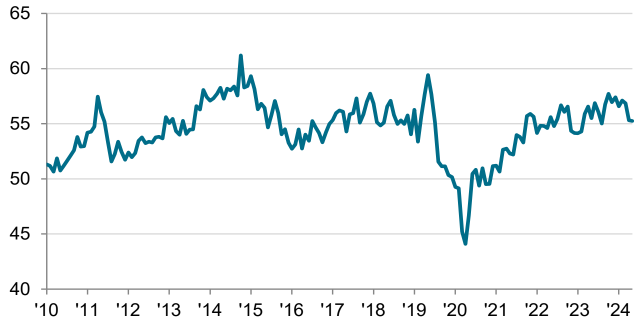
May survey data signalled a pick-up in demand momentum after companies faced a slowdown in April due to the floods. Several firms commented on improvements in client spending and tourism, although others reported that sales volumes were slow to recover. Despite accelerating from one month ago, the rise in total new orders was the second-weakest since August 2023.

At the same time, the rate of business activity growth softened to a 16-month low, with some companies noting that operations still faced disruptions. That said, the increase in activity remained strong by historical standards.

With sub-par capacity reported, backlogs of work stayed on a steep upward trend, rising at the fastest pace since

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 10-24 May 2024.

Comment

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

"UAE non-oil companies continued to face relentless pressure on business capacity in May, as the latest PMI survey data signalled the largest-ever increase in backlogs of work. Although the uplift can be partly blamed on the country's record rainfall event in April and subsequent flooding, capacity pressures were already at historic levels in March amid robust sales pipelines and supply chain challenges due to the Red Sea crisis.

"The findings suggest that firms have a lot of work to do to get on top of their workloads, including rebuilding output levels, hiring workers and boosting inventories. May data signals that hiring and purchasing efforts did pick up, though with the added effect of contributing to higher inflationary pressures. Output growth dropped to a 16-month low however, with some firms commenting that their operations were still on hold.

"As such, the focus for the next few months looks to be the recovery of the sector from this crisis. Nonetheless, with demand still strong, firms should be in a good position to resume their robust growth once capacity has been restored."

PMI® by S&P Global

the survey began in 2009. As well as the floods, firms cited additional challenges resulting from the Red Sea crisis and administrative issues. On a positive note, vendors were able to deliver items more quickly than in April.

In an attempt to bolster capacity, non-oil companies took on additional labour in May, with the rate of job creation ticking up to a three-month high. Purchasing growth also strengthened, reaching its highest since last November amid robust sales pipelines and output requirements. There were some reports of firms having to replenish items that were damaged during the floods.

Higher input spending aggravated price pressures, according to surveyed firms, as overall input costs rose at the sharpest rate since July 2022. Rising fuel prices and higher wages were also highlighted as reasons for stronger inflation, with the rate of pay growth the quickest in just over six years.

Average prices charged by non-oil companies rose for the first time in seven months in May, reflecting greater efforts to pass-through higher input costs to clients. Although marginal, the uplift in charges was the fastest recorded in just over three years.

Finally, confidence towards future output strengthened in May. Hopes of stabilising economic conditions, higher sales, greater profits and promotional activity were typically cited as reasons for positive output projections.

Dubai PMI

The Dubai PMI slipped to its lowest level in 15 months during May, as firms reported a further slowing of activity growth. At 54.7, down from 55.1 in April, the headline index was nonetheless indicative of a strong improvement in business conditions.

New order growth staged a modest recovery after hitting a 13-month low in April, as some firms reported a pick-up in client activity after flood-related disruptions. Supplier performance also rebounded as lead times shortened at the fastest rate since last October.

Inflationary pressures quickened in May amid reports of higher prices for raw materials and petrol. Overall input costs rose at the quickest rate since July 2022, leading to the first increase in output prices during this period.

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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

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