## **News Release**

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# S&P Global United Arab Emirates PMI®

# Business conditions improve at slowest rate in 16 months

### **Key findings**

Output growth loses further momentum

New business rises at sharper pace

Greatest increase in selling prices in over six years

Growth in the UAE non-oil private sector continued to slow down at the mid-point of 2024, according to the latest PMI® business survey. Despite another firm improvement in the sector's performance, sustained competitive pressures, weaker job creation and a subsequent easing in output growth meant that the upturn was the softest recorded since February 2023.

An overhanging impact from April's floods and supply-chain challenges due to the Red Sea crisis were again observed in June, driving another marked increase in outstanding work. Additionally, firms faced a further sharp upturn in input prices, leading to the quickest increase in average prices charged since April 2018.

The seasonally adjusted S&P Global UAE Purchasing Managers' Index  $^{\text{TM}}$  (PMI) – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – slid to 54.6 in June from 55.3 in May. While the index was well above the 50.0 neutral mark and indicative of a robust expansion, it was at its lowest point in 16 months.

The slowing PMI trend was broadly reflective of a softening of output growth across the non-oil private sector. Although the latest survey data pointed to a marked increase in business activity, with just over a quarter of companies seeing output rise, the rate of expansion was the softest since the beginning of 2023. Competitive pressures were reported by several panellists as an inhibiting factor to their operations.

At the same time, companies noted a steep rise in new work during June, with the upturn edging up to the strongest since March. Improving demand levels were commonly reported, alongside the acquisition of new clients. Furthermore, firms enjoyed the sharpest uplift in export volumes since October last year.

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 7-24 June 2024.

#### Comment

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

"The UAE PMI highlights a slowing growth trend in the non-oil sector throughout 2024 so far, with the headline index having lost roughly three points since last December. Nevertheless, companies are still enjoying strong customer demand and robust sales pipelines, which are sustaining output expectations and driving purchasing activity.

"The recent surge in backlogs of work is also showing signs of easing, a trend that is likely to continue as the country recovers from April's floods and supply chains adapt to the current situation in the Red Sea. Supplier lead times improved at the strongest rate for eight months, which will be a further boon for businesses.

"On the negative side, input price pressures are at their strongest for nearly two years, causing firms to raise their output prices for the second month in a row. With reports of swelling competition in some sectors, firms are keen to retain their competitive edge, which makes the latest uptick in prices even more indicative that businesses are feeling the pain on their balance sheets and having to protect their margins."

Backlogs of work continued to increase at a steep pace at the end of the second quarter, after May survey data signalled a record accumulation due to strong demand and the enduring impact of both the country's floods and the Red Sea crisis. While firms continued to see these factors limit their capacity, the pace at which backlogs accumulated was the least marked for four months, due in part to a speedier supply of raw materials.

As well as capacity pressures, non-oil companies faced a sharp rise in input costs during June. The rate of inflation ticked up to the highest seen in nearly two years. Where prices increased, survey respondents typically cited rises in material costs, shipping fees and overheads. Wages also grew, albeit only slightly.

Similar to May, firms struggled to absorb these cost increases, leading them to raise their selling charges for the second month running. Though modest, the rate of inflation was the fastest in over six years, as some companies opted to mark up their fees due to stronger customer demand.

Looking ahead, UAE non-oil companies were fairly upbeat in their assessment of future activity levels in June. The degree of optimism ticked lower, but was among the best observed in the past four years. With demand prospects looking strong, businesses upped their input buying volumes at a sharp pace, contributing to a faster expansion in inventory levels.

Employment numbers were also raised in June, albeit at the slowest rate in five months. According to respondents, efforts to build capacity were partly restrained by the need to control cost burdens.

#### Dubai PMI

The Dubai PMI continued to signal a moderating growth trend across the non-oil private sector economy. The headline index slipped to 54.3 in June, down from 54.7 in May, and was at its lowest level since February 2023.

Although new order growth remained strong in June and even accelerated, non-oil firms reported the softest increase in activity levels for nearly three years. Some businesses cited that high market competition had limited their ability to take advantage of strong demand conditions.

Input price inflation meanwhile ticked up in June and was the fastest in almost two years, driving firms to raise their output charges for the second month in a row. On a positive note, supplier performance improved sharply, job levels expanded and confidence ticked higher.

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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. <a href="www.spglobal.com/marketintelligence/en/mi/products/pmi">www.spglobal.com/marketintelligence/en/mi/products/pmi</a>

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