News Release

Embargoed until 0815 GST (0415 UTC) 5 August 2024

S&P Global United Arab Emirates PMI®

PMI drops to lowest level since September 2021

Key findings

Output and new business growth ease, but remain robust

Firms start to deplete stocks to offset workload strain

Cost inflation climbs to two-year high

Business conditions across the UAE non-oil private sector improved at the weakest pace in almost three years in July, latest survey data showed, as competitive conditions, rising price pressures and capacity overloads weighed on performance. While rising customer demand continued to support growth of activity, firms' desire to retain clients coupled with ongoing capacity challenges led to another sharp increase in outstanding work, which also resulted in a decrease in inventories for the first time since late-2020.

Price inflation accelerated further, with companies experiencing the fastest rise in input costs for exactly two years. Higher input prices were once again partially passed through to customers, as output charges increased for the third month running.

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 to 53.7 in July from 54.6 in June, its lowest since September 2021. The index was also below its long-run average of 54.4, but remained solidly above the 50.0 neutral threshold.

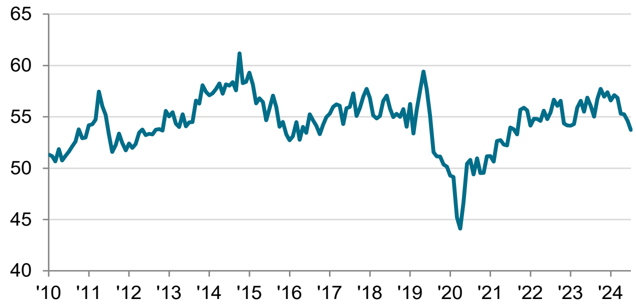
Business activity levels rose further in July, as firms commented on rising inflows of new work, ongoing projects and improved supply chain conditions. Nevertheless, in a continuation of the recent trend, the rate of expansion eased for the third month in a row and was the softest recorded in almost three years.

Demand conditions nonetheless remained favourable in July, with sales rising sharply, though to the least extent since April. Of note was another marked improvement in international demand, as exports rose at the second-strongest pace for nine months. However, high competition meant that some firms saw a drop in new order volumes.

With concerns that clients could switch to rivals, survey reports indicated that non-oil companies often took on

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 11-25 July 2024.

Comment

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

"The drop in the UAE PMI is a further signal that non-oil sector growth is on a downwards trend in 2024. Not only is the index at its lowest for almost three years, posting 53.7 in July, but it has also lost momentum in four out of the last five months and fell below its long-run trend level (54.4).

"Business capacity remained one of the key challenges facing the sector, as indicated by another steep uptick in backlogs as firms struggled to resolve supply and administrative issues. Although delivery times are improving and purchases rising, firms were forced to dip into their stocks to try and resolve some of these issues, which could act as a headwind to growth if inventories are noticeably depleted.

"That said, overall the PMI suggests that the non-oil sector is expanding solidly and could be strengthened if companies start to get on top of their workloads. Firms are generally optimistic of this, with confidence in the year ahead remaining strong, while hiring also continued in a bid to raise staff capacity."

PMI® by S&P Global

greater work than they could manage. Combined with processing challenges and existing projects overrunning, this led to another substantial rise in outstanding workloads, prompting firms to utilise their inputs as much as possible to avoid further backlogs. Consequently, despite input purchases rising sharply, overall inventory volumes across the sector fell for the first time since November 2020 (albeit fractionally).

Meanwhile, the survey data pointed to another steep increase in business costs in July. In fact, the rate of input price inflation was the fastest observed in exactly two years, having quickened in each of the past four months. Higher material prices were often behind price pressures, according to firms, although increases in wages and other overhead costs were also cited.

Selling prices rose again in July, with the uptick hitting an over six-year record for the second month running. That said, only some firms decided to pass on expenses to clients amid sustained competition.

Vendor delivery times continued to improve at a robust pace in July. Lead times were often reduced in line with firms' requests for faster deliveries.

Looking ahead, non-oil companies tended to predict that improving economic conditions will continue over the next 12 months, although the degree of confidence slipped to the weakest since January. Job creation also softened to a six-month low in July.

Dubai PMI

The Dubai PMI dropped to its lowest level in two-and-a-half years in July. At 52.9, down from 54.3 in June, the headline index signalled a solid, but slower improvement in the health of the non-oil private sector.

A softer upturn was especially seen with regards to new orders, which was partly dampened by competitive conditions. Output growth eased slightly to its lowest since September 2021, leading to a scaling back of job creation.

Notably, non-oil firms reduced their stocks of purchases at the second-fastest pace on record in July (behind April 2020), amid reports of rising material price pressures and the need to utilise existing stocks. Input prices increased at the quickest rate in exactly two years, driving a third successive uplift in output charges.

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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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