

News Release

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S&P Global United Arab Emirates PMI®

Output and sales growth strengthen in August

Key findings

UAE PMI recovers slightly from July's 34-month low

Quickest rise in new orders since March

Selling prices rise amid elevated cost pressures

Growth in the UAE non-oil private sector regained some momentum in August, according to the latest survey data from S&P Global. After hitting its lowest level for almost three years in July, the upturn in business activity accelerated as firms received a stronger intake of new work, especially from foreign clients. At the same time, pressure on operating capacity receded as supply chains continued to recover and firms purchased more inputs. That said, input price pressures remained sharp in August, resulting in a mark-up in output charges for the fourth 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 – increased to 54.2 in August, after dropping to a 34-month low of 53.7 in July. The index signalled a solid improvement in the health of the non-oil private sector, although the rate of expansion was the second-softest in over a year-and-a-half.

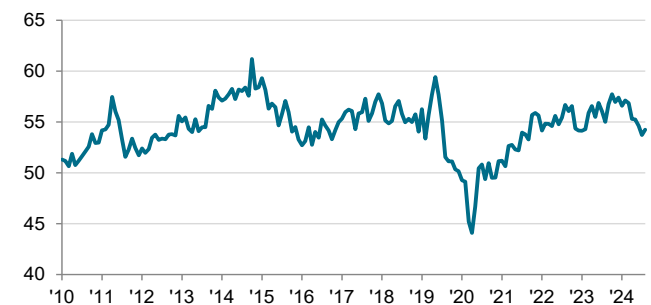
Non-oil firms benefitted from a stronger upturn in new order intakes half-way through the third quarter. Strengthening domestic conditions spurred a rise in business and consumer spending, according to reports from survey panellists, while an improvement in international demand led to the sharpest increase in new export orders since October 2023. Consequently, overall new business growth quickened to a five-month high.

In response, output levels were raised to a stronger degree in the latest survey period. However, although the upturn was sharp, it was among the weakest observed in the past three years. Many respondents noted that ongoing project work had also bolstered activity.

Businesses faced additional challenges when processing new orders in August, continuing a trend that began in early-2024 and subsequently worsened amid floods and supply-chain issues. That said, while backlogs of work rose sharply

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-23 August 2024.

Comment

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

"Although the UAE PMI picked up in August and was consistent with a solid expansion in non-oil business conditions, it remained weaker than the levels recorded earlier in the year, as fewer companies reported uplifts in activity.

"Nevertheless, businesses remain confident that output growth will be sustained over the coming year, especially as sales pipelines remain strong and firms have ample levels of outstanding work to complete. Capacity constraints are also easing which should further aid business activity.

"However, firms should still be wary of their costs, as the survey data indicated another sharp increase in input prices in August, which drove through another uptick in prices charged to customers. Ongoing price mark-ups have the potential to curb demand, adding some uncertainty to the view that growth will continue unabated."

PMI®

by S&P Global

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by historical standards, the rate of accumulation was the softest since January. Meanwhile, there was an even faster reduction in supplier delivery times as vendors were better able to reset their schedules. Stockpiling of inputs also resumed, albeit marginally.

Concurrently, hiring growth across the non-oil sector weakened in August and was the softest for seven months. While some firms added to their workforces to boost output, others made cuts to staffing levels.

August survey data pointed to another steep increase in average input costs, with businesses often commenting on higher expenses related to raw materials, transport, IT equipment and maintenance. Wage costs also increased at the fastest pace since May. However, a slowing of purchase price inflation meant that overall cost burdens were the softest in four months.

Output prices set by non-oil companies rose further in August in response to marked cost pressures. The uplift in charges was the fourth in successive months, though the weakest in this sequence.

Finally, projections for business activity strengthened in August after falling to a six-month low in July, with firms largely positive that domestic economic conditions will improve. Companies also suggested that strong sales pipelines would shore up output over the coming months.

Dubai PMI

Operating conditions in the Dubai non-oil private sector improved at a stronger pace in August, according to PMI survey data. This was largely due to a quicker increase in new business inflows, as the rate of demand growth picked up to a five-month high.

Stockpiling of inputs resumed, following the first reduction in exactly two years. Nevertheless, the rate of expansion in business activity slowed and was the least marked since September 2021. Similarly, employment levels rose at a milder rate.

Dubai non-oil firms continued to face upward pressure on their input costs in August. Prices rose sharply, albeit at the slowest pace since May. Average selling charges rose for the fourth month in a row and to the greatest extent since April 2021.

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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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