News Release

Embargoed until 0815 GST (0415 UTC) 6 December 2024

S&P Global United Arab Emirates PMI®

Capacity pressures remain elevated as sales growth quickens

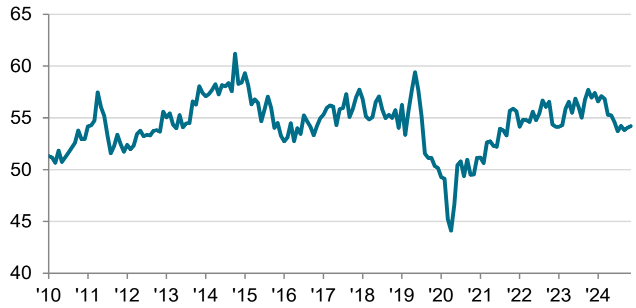
Key findings

New orders rise at fastest pace since August

Job creation and stock accumulation remain mild

Backlogs continue to grow sharply

S&P Global United Arab Emirates PMI
sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 12-25 November 2024.

The UAE non-oil economy continued to show a solid rate of expansion in November, according to latest PMI® survey data. Strong demand conditions and competitive client pricing supported a faster increase in new business, which in turn drove another robust uplift in business activity.

However, amid subdued job creation and limited efforts to store extra inputs, capacity pressures at non-oil firms remained elevated in November. Meanwhile, businesses cut charges again despite a solid increase in costs.

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 – registered 54.2 in November, up slightly from 54.1 in October. The index was firmly above the 50.0 no-change threshold, indicating a robust improvement in the health of the non-oil economy. That said, the rate of growth remained slower than those observed earlier in the year.

The survey data indicated a sharp expansion in total business activity during November. Despite softening from the previous month, the pace of output growth was slightly quicker than the historical trend, with nearly a quarter of survey respondents reporting an expansion in activity since the previous month.

Higher output was often associated with a strong market environment, which also supported a marked increase in new order volumes. Notably, the uplift in new orders was the sharpest since August. Qualitative evidence from businesses showed that successful client wins, new marketing initiatives and price discounts supported sales.

Despite this, the survey data continued to signal a relatively muted jobs market in the non-oil sector. Employment rose only fractionally and to the least extent for 31 months, with nearly all panellists (99%) reporting no change in their staffing.

Comment

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

"The UAE PMI was consistent with a solid rate of growth across the non-oil private sector in November. Businesses continued to see a marked upturn in sales, which spurred activity forwards but also greatly added to outstanding work.

"The survey data indicated that firms did little to try and rectify these capacity pressures. Employment growth slipped to a 31-month low, while input purchases rose at the slowest pace since July 2023.

"Despite the positive headline figure, the survey data signalled a degree of uncertainty among firms about how long this strength will last. Confidence in future business activity was relatively subdued - the second-lowest since early last year - and there were further mentions from panellists that markets are becoming crowded, curbing pricing power."

This came despite another substantial rise in backlogs of work, as growing order book volumes often led to delays in the completion of orders. Nearly a fifth of surveyed firms reported an expansion in pending workloads since October.

Capacity levels were also hindered by a fairly subdued assessment of future activity growth. Output expectations were only slightly better than September's 18-month low. With this in mind, firms were reluctant to boost input stocks, with new purchases mostly consumed by current output requirements. Firms signalled a solid improvement in supplier delivery times, which contributed to a slight increase in overall inventories.

The rate of input price inflation held at October's six-month low in the latest survey period. Nevertheless, this still represented a solid increase in costs that was also slightly quicker than the long-run trend. Survey evidence showed that cost pressures mainly stemmed from increased material, technology, fuel, machinery and maintenance prices.

Despite higher costs, non-oil businesses opted to reduce their selling charges, carrying on a renewed period of discounting from October. A desire to offer more competitive prices frequently drove firms to lower their fees, although the overall pace of decline was modest.

Dubai PMI

The Dubai PMI climbed to 53.9 in November, up from 53.2 in October but slightly below the UAE PMI (54.2).

Driving stronger operating conditions across Dubai was a marked increase in new order inflows, which was the fastest since August and stronger than seen nationwide. Client sales were often aided by lower prices, according to anecdotal reports. Rising sales led to another robust increase in business activity.

Employment levels nonetheless dropped for the first time since April 2022, albeit fractionally. The reduction came as output expectations slipped to a 23-month low, and margins were further squeezed by rising purchase prices. Also, inventories were cut for the first time since July.

Output charges fell for the second straight month despite a sharp uplift in input costs.

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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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