News Release

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S&P Global United Arab Emirates PMI®

Business confidence reaches strongest level since October 2021

Key findings

Optimism improves further amid demand strength

Staff numbers rise at second-fastest rate in nearly seven years

Cost pressures remain mild as supply chains improve rapidly

The UAE PMI® remained firmly in growth territory in May, as surveyed firms continued to report marked increases in both activity and new orders. The upturn reflected strengthening demand conditions in the domestic economy, as well as a sharp improvement in supply chains which helped to keep cost pressures subdued.

Subsequently, firms displayed a greater degree of confidence in future activity, with the 12-month outlook jumping to its highest level since October 2021. With growth prospects picking up, businesses continued to create jobs and lift input purchases to provide buffer stocks.

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 – posted 55.5 in May, indicating a robust improvement in the sector's performance. Despite dropping from 56.6 in April to a three-month low, the index remained above the 50.0 no-change mark and its long-run average (54.2).

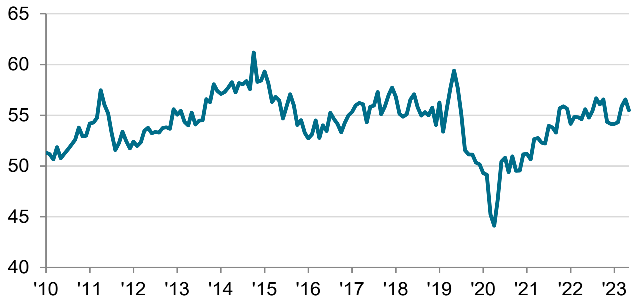
The improvement in operating conditions largely arose from a sharp uplift in sales volumes in May. New business intakes rose at a pace that was only marginally slower than April's 17-month high, with surveyed firms often associating the upturn with new clients, greater marketing and increased travel and tourism. New business growth was solely driven by domestic demand, as May data continued to signal a flat trend for export sales.

The strong rise in new business underlined growing confidence across surveyed firms about economic prospects. Expectations towards activity over the next year improved for the fifth consecutive month to the highest level since late-2021.

Rising new order inflows nonetheless exerted great pressure on business capacity in May, extending the current sequence of backlog accumulation to almost two years. The uptick in

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-24 May 2023.

Comment

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

"The UAE PMI pointed to another strong performance across the non-oil sector midway through the second quarter of 2023. Despite slipping from April's six-month high of 56.6, the latest headline reading of 55.5 signalled a robust improvement in business conditions, driven by marked upturns in activity and new work.

"Moreover, rising new work intakes and strengthening demand conditions gave firms greater confidence for the year ahead. The Future Output Index showed optimism rising to the highest level since October 2021, with firms pinning their hopes on projections that the strong run of demand momentum will continue.

"Also supporting this confidence was further promising data on business costs, which signalled that price pressures remained subdued in May. Firms additionally saw a sharp improvement in supply chain performance, as lead times on inputs shortened the most since September 2019. Hiring activity was meanwhile robust, as job levels increased at the second-fastest pace since July 2016, reflecting a strong intent at companies to build capacity in the hope of sustained growth."

backlogs came despite another rapid expansion in business activity - almost 28% of respondents saw an increase in output - as well as a relatively strong rise in workforce numbers. Notably, employment levels grew at the second-fastest pace since July 2016.

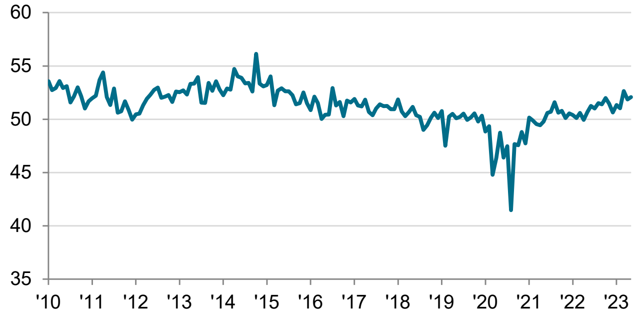
Purchasing activity at non-oil firms increased sharply, albeit to a lesser extent than in the previous month. While firms generally sought to build stocks of inputs due to the positive outlook, some panellists commented on overstocking. This resulted in a more modest rate of inventory accumulation than in April.

Despite sharply rising input demand, surveyed businesses saw a robust improvement in supplier performance in May. Lead times on inputs shortened at the fastest rate since September 2019, as vendors were often able to make quicker deliveries amid strong input availability. This meant that cost pressures on purchased items remained mild overall. Concurrently, firms found that increased hiring efforts and performance-based rewards led to a quicker rise in staff costs, the strongest since July last year (albeit still mild).

Finally, selling prices set by non-oil firms continued to decrease in May, although at a slightly weaker pace than the 31-month record set in April. Where charges fell, panellists often mentioned that strong competition in the market led them to offer lower prices to clients, while some looked to shift excess stocks.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

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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@ihsmarkit.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. ihsmarkit.com/products/pmi.html.

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