News Release

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S&P Global United Arab Emirates PMI®

Output growth slides to 15-month low

Key findings

Business conditions improve at softest rate since January

Slower increases in output, new orders and employment

Cost pressures dissipate and charges continue to fall

The latest survey data pointed to a slight loss of growth momentum at UAE non-oil businesses at the end of 2022, as output and new business both rose at the slowest rates since September 2021. Demand conditions were strong but waned further, leading businesses to make fewer staffing additions despite challenges to operating capacity. Amid increased concerns about the global economic outlook, expectations towards future output slipped to its lowest level since February 2021.

More positively, firms recorded a fractional decrease in input costs as improving supplier availability underpinned lower material prices. The reduction encouraged firms to cut output charges at the quickest pace for three months.

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 – dipped fractionally from 54.4 in November to 54.2 in December, bringing the index in line with its long-run series average (since August 2009). The reading signalled a robust improvement in the health of the non-oil sector, albeit one that was the softest since January.

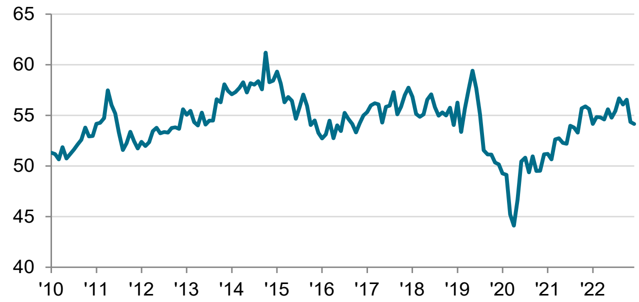
Output growth continued to run at a sharp pace in December, but showed further signs of softening from its over three-year high in August. Increased output was often linked by panellists to expansions in sales and customer numbers, although some firms struggled to acquire new orders.

Similarly, new business at non-oil companies continued to increase sharply, although the pace of growth slowed to a 15-month low. While demand from domestic clients improved, weakening global economic conditions weighed on the expansion, as new export business fell for the first time since August 2021.

Reflecting the softer demand outlook, firms were less optimistic about future activity in December. Expectations fell to their lowest level since early-2021.

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 6-19 December 2022.

Comment

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

"The UAE PMI fell for the second month in a row to 54.2 in December, almost registering the lowest reading in 2022 (54.1 in January 2022) and providing further signs that growth momentum has moderated from its post-pandemic peak in the third quarter. The slowdown reflected downward movements in three of the PMI's largest components, with output and new business growth both easing to 15-month lows, whilst employment rose at the softest rate in eight months. While domestic demand conditions are holding up relatively strong, weakness in the global economy led to a first decrease in new export business since August 2021.

"Businesses were less confident that output growth would be sustained in 2023, as year-ahead expectations fell to the weakest level since February 2021 amid concerns that economic problems abroad will seep through into the domestic economy. On the positive side, firms enjoyed a renewed fall in their expenses as commodity prices moderated and input availability improved, which supported an additional cut to selling prices."

PMI® by S&P Global

The broad slowdown in growth led non-oil firms to make fewer additions to staffing in December. Job numbers rose at the softest rate in eight months and only marginally overall. Reduced hiring efforts added to capacity constraints as businesses saw a solid and accelerated increase in backlogs of work.

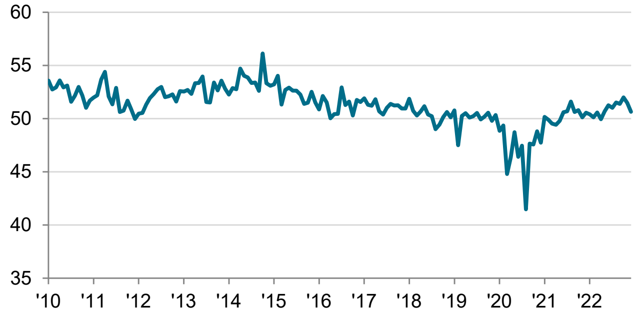
Input purchasing growth was also tempered at the end of the year, slipping to the weakest since July. At the same time, vendor performance improved only mildly and to the least extent for 15 months, but nonetheless supported a solid increase in input stocks. Despite the weaker outlook, some firms cited that expectations of higher sales and new projects had encouraged them to build stocks.

December data meanwhile signalled a renewed decrease in overall cost burdens across the non-oil economy. The slight reduction was mainly linked by respondents to improved input availability and a stabilisation of wage costs. Notably, the decline in business expenses was only the second recorded in almost two years.

Lastly, average output charges decreased for the eighth month running as firms continued to seek additional sales through price promotions. The renewed fall in costs meant that the rate of charge discounting picked up to the fastest since September.

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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