

## IHS Markit UAE PMI®

# Growth in non-oil economy loses speed in January

### Key findings

Upturn in activity slows from December's recent high, but remains strong

Softest rate of new business growth in four months

Price pressures limit expansions in staffing and input purchases

Data were collected 12-25 January 2022.

UAE's non-oil sector continued to expand sharply in January, according to the latest PMI® survey data, though it lost some momentum since the end of 2021 as rising COVID-19 cases hindered demand growth. Companies meanwhile endured the fastest rise in cost pressures for ten months, which in turn limited purchasing activity and job creation.

The headline seasonally adjusted IHS Markit 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 from 55.6 in December to 54.1 in January. The index signalled a strong improvement in operating conditions, but one that was the slowest seen since September last year.

Business activity was once again boosted by strong sales from the Expo 2020 in January, alongside a broad recovery in economic conditions from the pandemic. The latest survey data showed that a sharp rise in new work led to a further marked expansion in output across the non-oil sector.

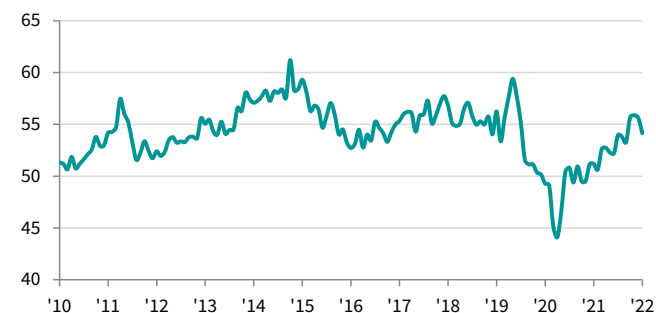
However, after reaching near-record highs at the end of 2021, there were signs that growth had begun to slow down – rates of expansion in both activity and sales softened to four-month lows. This was partly due to a rise in COVID-19 cases linked to the Omicron variant which had reportedly curbed customer spending. Foreign sales were also affected, as new export orders rose only marginally and at the softest rate in five months.

Consistent with the slowdown in demand, outstanding business levels grew at a softer pace across the non-oil sector in January, allowing some firms to work through backlogs that had built

*continued...*

UAE PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

*"UAE's non-oil sector entered 2022 on a strong footing, as businesses continued to enjoy the benefits of a recovery in economic conditions and increased demand from the Expo. The latest data further solidified this footing, but perhaps showed the first signs that growth had started to tail off."*

*"Part of this was down to the Omicron surge as rising cases led to increased uncertainty among consumers and businesses, as well as tapering the rebound in tourism. The sector could quickly recoup this momentum in the coming months as the Omicron wave appears shorter than previous ones, although firms face additional challenges from stronger inflationary pressures, global supply chain problems and a possible dip in activity once the Expo ends."*

up due to delayed freight shipments. Supplier performance meanwhile showed further signs of a turnaround, as delivery times shortened for the fourth straight month and to the greatest extent since July 2020.

Businesses had to contend with stronger input price pressures in January, as the rate of inflation ticked up to the highest recorded since last March. Raw materials were often cited as up in price, while global transport costs continued to surge upwards due to supply-chain bottlenecks. The rise in expenses placed even greater pressure on firms' margins, as output charges continued to fall amid efforts to boost sales.

High cost pressures led many businesses to use up existing inventories to meet demand instead of purchasing extra inputs. Whilst the latest expansion in input buying was only modest as a result, stock levels continued to rise slightly due to the arrival of prior purchases.

Staff hiring was also limited by inflationary concerns. The rise in employment in January was marginal and slightly weaker than in December, but nonetheless extended the current run of job creation to eight months.

Finally, output expectations among non-oil businesses improved slightly in January, with companies signalling stronger forecasts than seen on average throughout 2021. Growth predictions were again closely tied to hopes of a broad recovery in market demand and an easing of the pandemic.

### Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

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### Methodology

The IHS Markit UAE PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 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.

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.

January 2022 data were collected 12-25 January 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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.

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