

News Release

Embargoed until 0815 GST (0415 UTC) 4 January 2024

S&P Global United Arab Emirates PMI[®]

Growth remains strong as cost pressures ease

Key findings

PMI up to 57.4, second-highest since mid-2019

Substantial rises in output and new orders

Purchase price inflation softens to 11-month low

Economic trends in the UAE non-oil sector remained exceptionally strong at the end of 2023, as the UAE PMI[®] posted its second-best reading in four-and-a-half years. A sharp upturn in new business intakes drove a marked expansion in output levels, as surveyed companies commented on increased order book volumes and improved sales pipelines. Similarly, projections for future activity were among the strongest recorded since early-2020.

Meanwhile, after indicating the fastest accumulation of input stocks for nearly six years in November, the latest data suggested a moderation of inventory growth in the final month of the year, reflecting efforts among some businesses to optimise input holdings and costs. This helped to soften the rate of purchase price inflation to its lowest level in nearly one year.

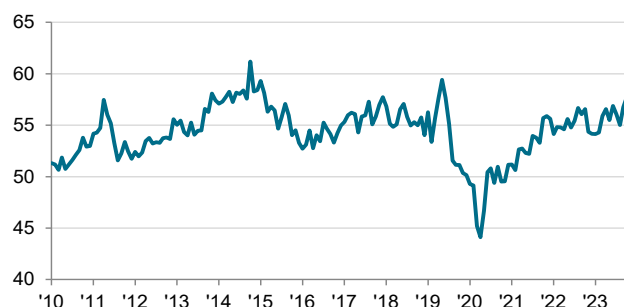
The seasonally adjusted S&P Global UAE Purchasing Managers' Index[™] (PMI[®]) – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – ticked up from 57.0 in November to 57.4 in December, the second-highest reading since June 2019. Overall, the index signalled a robust improvement in the health of the non-oil private sector, driven by considerable uplifts in output and new orders.

Notably, the latest rise in new order volumes confirmed the best quarterly sales performance in four-and-a-half years. Strong domestic market conditions supported improvements in new work and sales pipelines, according to panel members, despite evidence of slowing momentum from external markets.

Combined with ongoing project work and marketing efforts, the upturn in sales drove a substantial increase in non-oil activity during December, with over a quarter of surveyed firms seeing a monthly expansion. Indeed, the pace of growth was unchanged from November and the joint-strongest for six months. The rise in output was somewhat supported by

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 6-18 December 2023.

Comment

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

"The UAE non-oil economy closed the year with another impressive expansion, confirming the strongest quarterly upturn since Q2 2019 and putting the sector in a favourable position for 2024. Not only did businesses enjoy another substantial increase in output, but sentiment data suggested that they expect this growth to continue, with year-ahead expectations among the highest seen since prior to the COVID-19 pandemic.

"Supporting this optimism was a softening of price pressures, as purchasing costs rose to the least degree in almost a year. With wage pressures also remaining mild, firms were often willing to offer promotions and run down prices to remain competitive. While the drop in charges – the quickest since July – may support additional sales growth in early-2024, the findings suggest that firms are still keeping profit margins low as markets become more crowded."

PMI[®]

by S&P Global

firms' ability to complete work on time, evidenced by only a slight uptick in backlogs.

Purchasing activity continued to rise at a sharp pace in response to positive demand trends, although some businesses opted to streamline stocks amid cost considerations. Subsequently, after reaching a near six-year record, the rate of inventory growth slowed in December to a three-month low.

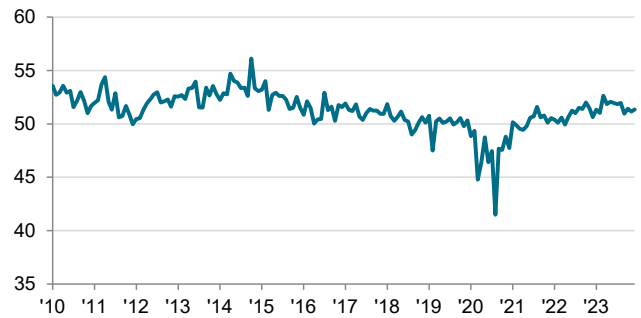
The inflation picture across the non-oil sector was partly helped by an alleviation of purchasing growth, according to the latest survey data, as some vendors cut material costs after negotiations with clients. Purchase prices rose to the least extent since January, bringing overall cost pressures down to a five-month low.

Selling prices were meanwhile reduced as companies sought to offer discounts and charge less than competitors. The overall decrease was the fastest since July, albeit only modest and partly offset by the pass-through of rising input costs at some firms.

Output expectations for the next 12 months strengthened in December and were among the highest recorded in the past four years. Survey comments suggested that optimism was largely based on robust sales pipelines. With this in mind, firms expanded their staffing levels, with the pace of job creation equalling the series long-run trend.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Contact

David Owen
Senior Economist
S&P Global Market Intelligence
T: +44 1491 461 002
david.owen@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 7967 447 030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, [click here](#).

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.