

News Release

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S&P Global United Arab Emirates PMI®

Activity growth accelerates in August amid a reduction in input prices

Key findings

Output rises at fastest rate since June 2019

Lower fuel prices drive reduction in input costs

Business sentiment slips to 17-month low

The UAE non-oil private sector saw a further pick-up in business activity growth in August, latest PMI® data showed, as firms reported a strengthening of demand conditions and a boost to new orders from lower selling charges. The reduction in charges was helped by a renewed drop in input costs, in large part due to a moderation of fuel prices. The uplift in sales and freeing up of expenses encouraged firms to expand input purchasing and employment to stronger degrees, with growth in the former accelerating to a three-year high.

Nevertheless, the outlook for future activity turned increasingly uncertain in August, amid concerns over a likely downturn in the global economy. Expectations dropped to their lowest since March 2021.

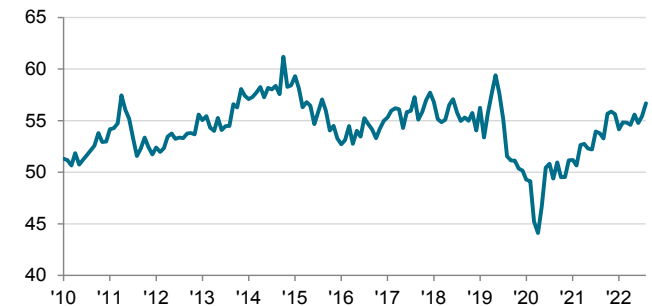
The seasonally adjusted S&P Global UAE Purchasing Managers' Index™ (PMI®) – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – rose to 56.7 in August, up from 55.4 in July, to signal a robust improvement in the health of the sector. The reading was the highest recorded since June 2019, consistent with the Output Index which also hit its highest figure in this period.

According to surveyed businesses, output growth strengthened due to a sharper uplift in new order volumes in August. The rate of sales growth was the second-fastest in over three years, which firms widely attributed to improved client demand and increased price promotions. However, whilst domestic sales remained strong, new export business rose only marginally and at the weakest rate since the beginning of the year.

Higher activity was sometimes linked to efforts to clear backlogs of work, which increased to a lesser degree compared to July. In a bid to aid backlog completion, staffing levels were raised for the fourth straight month and to the greatest extent in exactly one year.

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-24 August 2022.

Comment

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

"The UAE PMI continued to trend higher in August, reaching a 38-month high of 56.7 to signal a robust improvement in business conditions in the non-oil economy. Sales growth picked up even further, supported by additional efforts to provide discounts to clients.

"Input costs notably fell for the first time since January 2021, as lower fuel prices helped to ease the burden on companies' expenses and encouraged price drops for other items. The renewed decrease marked a considerable turnaround in inflationary pressures, which had reached an 11-year high in June. The data offers hope for other countries struggling with persistent inflation, although concerns remain that global energy supply constraints will continue to push prices higher.

"Despite positive signs for output and new orders, firms are showing greater hesitancy about the longevity of this strong growth phase. Business confidence for the coming year was down to a 17-month low in August, amid warning signs that the global economy could enter a recession towards the end of the year."

PMI®

by S&P Global

Meanwhile, output charges set by non-oil companies decreased for the fourth straight month in August, as firms continued to seek discount opportunities to attract new clients. The rate of reduction quickened to a solid pace that was the fastest in nearly two years.

Survey data showed that firms were aided by a reduction in input costs during August, the first decrease since January 2021. Lower fuel prices were often cited as the main factor leading to a drop in purchasing costs, while wages rose at a softer and only marginal pace. The rate at which overall business expenses declined was in fact a joint-survey record.

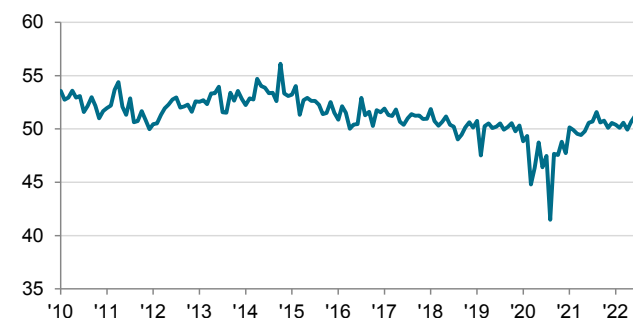
With purchase costs falling and output requirements growing, firms sharply expanded their input buying midway through the third quarter. The upturn was the most marked for exactly three years. As a result, stock levels grew to the greatest extent since August 2020.

Meanwhile, faster payments to suppliers and improved availability of inputs reportedly led to a quicker reduction in average lead times during August. The rate of improvement in vendor performance was the strongest since April.

Despite the current demand picture improving, UAE non-oil firms were less upbeat about their prospects in the latest survey. Hopes of sustained new business growth meant that output forecasts remained positive on average. However, increased uncertainty about the health of the global economy weighed on sentiment which dropped to its lowest level in nearly one-and-a-half years.

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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