

Embargoed until 0815 GST (0415 UTC) 5 October 2020

IHS Markit UAE PMI®

UAE PMI rises above 50.0 in September, but signals weak growth

Key findings

Business conditions improve for third time in four months

New orders grow as firms offer larger discounts

Cash flow concerns spur further job cuts

Data were collected 11-24 September 2020.

UAE non-oil businesses saw a renewed improvement in the private sector economy in September, latest PMI survey data signalled. The headline PMI posted above 50.0 for only the third time since the introduction of coronavirus (COVID-19) lockdown measures, strengthened by a faster increase in output levels and an additional rise in new work. However, concerns remained of a weak outlook for the economy and ongoing cash flow issues for companies, leading to a further – albeit slower – cut to employment. Demand was also partly driven by discounts, which reached the strongest since the end of 2019.

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 – rose from 49.4 in August to 51.0 in September, the highest reading for 11 months and marking a renewed expansion in the non-oil private sector. The index remained well below its trend level of 54.3, however, and signalled only a slight uplift in overall business conditions.

UAE firms reported a further increase in output at the end of the third quarter, extending the run of growth to four months. Notably, the expansion quickened from August, but was still weaker than the recent high in July.

Rising activity levels were supported by a solid upturn in new business, as companies noted a further rebound in consumer demand following softer COVID-19 restrictions. Firms also reported higher export sales for only the second time in eight months, but saw only a mild increase overall.

Whilst firms often linked the rise in sales to an improved market

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:

"Ongoing COVID-19 restrictions have led to the PMI figure hovering around the 50.0 level in recent months as, despite higher output and new business, firms have continued to lower job numbers in an effort to cut expenses and manage cash flow. Higher demand was also supported by strong discounting efforts in September, the greatest since the end of 2019."

"More concerning is a recent rise in confirmed COVID-19 cases that could lead to lockdown restrictions being reimposed in the future. Given the weak nature of the current rebound, any further measures could lead to a "double-dip" in business activity. Reflecting the weak outlook, business sentiment was at its second-lowest level on record, only just above August's historic low."

environment, there was also several instances of discounts offered to help stimulate demand. Notably, these reached the most marked since last December. Cost burdens meanwhile rose for the fifth month running, albeit only mildly.

The inflow of new orders led to a slower fall in private sector employment in September, one that was the least marked since May. Nonetheless, firms that lowered workforce numbers noted that constraints on cash flow and business expenses remained severe.

These constraints were also evident in inventories data, as UAE firms reduced spending on purchases for the first time in the recent period of output growth. Instead, companies often used existing inputs to fulfil output needs, which ended a prior four-month run of stock accumulation.

Lead times continued to improve in September, albeit at only a marginal pace. Some firms noted further delays in payments to suppliers as cash flow issues mounted.

Looking ahead to the next 12 months, businesses again showed little optimism for future activity in September. The degree of confidence improved from August's record low, but was still the second-weakest in the series history, as firms suggested the economic recovery would be subdued.

Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

Contact

David Owen
Economist
IHS Markit
T: +44 2070 646 237
david.owen@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

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.

September 2020 data were collected 11-24 September 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit 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 IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

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