

IHS Markit UAE PMI®

Economic recovery remains strong in September

Key findings

Robust increase in new work as demand continues to improve

Backlogs rise at fastest rate since March 2020

Output expands sharply, but job creation slows

Data were collected 13-24 September 2021.

The latest PMI survey indicated a robust improvement in business conditions across the UAE non-oil economy in September, with output and new orders rising strongly. Backlogs of work increased to the greatest extent in a year-and-a-half, although job creation softened from August. Business expectations improved for the first time in three months, as firms expect a pick-up in activity from Expo 2020 and loosening pandemic measures.

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 – posted 53.3 in September, down from 53.8 in August, but above the readings seen in the 23 months prior to July. The index was firmly in growth territory, having exceeded the 50.0 mark in each of the latest ten months.

Of the five components of the PMI, the Output Index had the strongest expansionary impact in September, with latest data signalling a marked rise in activity levels, albeit one that was slightly weaker than August's 25-month high. Firms commented that growing demand pressure and increased project work were largely behind the expansion.

New orders were also up strongly in September, with the rate of growth largely unchanged from the previous survey. According to respondents, a continued recovery in footfall and contracts related to Expo 2020 had contributed to the upturn. Export orders returned to growth, after falling in each month since May.

Some firms noted that price discounting had encouraged clients to place more orders. Notably, average prices charged in the

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:

"With the Expo 2020 beginning, the UAE economy appears in a good shape. The PMI ticked down to 53.3 in September but still pointed to a strong improvement in non-oil business conditions, as firms continued to see a recovery in demand from the pandemic. A loosening of global travel measures helped to support the rise in new business."

"Capacity pressures continued to build, as backlogs ticked up at the fastest rate since March 2020. However, firms reported little change to employment, with job numbers rising only marginally since August."

"Firms meanwhile expect the Expo 2020 to add to sales volumes in the coming months, supporting a pick-up in business expectations for the first time since June."

non-oil sector fell at the fastest rate since November 2020.

Backlogs of work rose to the greatest extent in one-and-a-half years during September, as firms often mentioned not having enough capacity to fulfil new orders whilst working on current projects. At the same time, job creation slowed to a marginal rate, albeit from a 43-month high in August.

UAE non-oil companies added to their inventories at the end of the third quarter. That said, the rate of stock accumulation was the weakest since May, as some panellists expressed concerns about overstocking. Purchasing activity rose for the third month running, while firms saw supplier delivery times lengthen only slightly after a renewed improvement in performance during August.

Higher raw material prices continued to exert upward pressure on input costs in September, although the upturn was the least marked in four months. Notably, the weaker rate of inflation helped some firms to reduce their charges.

Lastly, the outlook for activity in the year ahead improved slightly in September, after slipping to a five-month low in August. Positive forecasts were mainly linked to an expected recovery in demand as COVID-19 travel restrictions are loosened. Some firms also expect a boost to sales from Expo 2020.

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.

September 2021 data were collected 13-24 September 2021.

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.

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