News Release

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S&P Global United Arab Emirates PMI®

Strong growth in business conditions continues

Key findings

PMI drops but is second-highest since June 2019

Activity levels increase sharply amid robust demand growth

Input costs rise slightly after renewed fall in August

September PMI® data from S&P Global saw operating conditions improve at a robust pace once again across the UAE non-oil economy, as strong new business growth continued to drive increases in output and employment. Firms also encountered relatively mild price pressures, as input costs rose only slightly after a renewed fall in August.

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 – fell for the first time in three months to 56.1 in September, after reaching an over three-year high of 56.7 in August. Nevertheless, the index remained firmly above the 50.0 no-change mark and signalled a strong improvement in the health of the non-oil private sector.

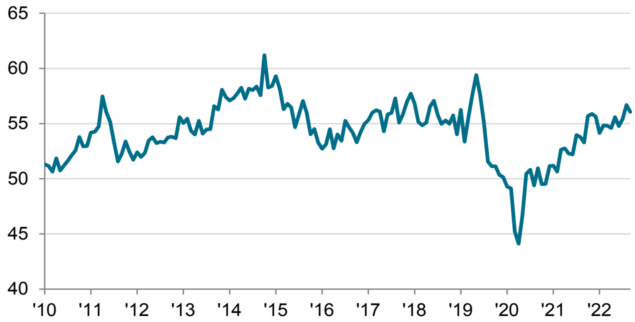
The upturn in business conditions was marked by another robust increase in new business volumes at the end of the third quarter of the year. Despite ticking down slightly from August's nine-month high, the rate of new order growth was sharp and faster than the trend observed since the survey began in August 2009. Surveyed businesses often commented on improving market conditions as well as a boost to sales from efforts to keep prices affordable for customers. Sales from abroad also increased in September, although only modestly.

The rise in demand encouraged firms to raise their business activity sharply, although the rate of expansion slowed from August's 38-month high. In total, just over a quarter of firms raised their output over the course of September, compared to 4% that recorded a decrease. However, strong client demand and project backlogs meant that businesses continued to face strains on their capacity, leading to a solid uptick in outstanding orders.

To aid workloads and enable business expansions, non-oil firms recorded a further increase in employment, one that was broadly similar to that seen in August. Input purchasing

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-26 September 2022.

Comment

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

"The UAE PMI was slightly lower at 56.1 in September, after August's 38-month high of 56.7, but was nonetheless indicative of another strong pace of improvement in the non-oil economy. At a time of heightened global recession risks, these findings suggest that domestic businesses are keeping well clear of economic storms in other regions, helped by above-trend rates of growth in output and new business as the country continues to recover from the pandemic.

"Low price pressures are also helping to drive growth, with September data pointing to another month where inflation had rapidly come off the boil since the first half of the year. Despite input costs rising (after dropping in August), they did only slightly, as downward movements for a swathe of commodity prices helped to ease the burden on firms' procurement budgets. Subsequently, input purchasing increased at the fastest rate for over three years, helping to boost inventories and supporting both higher new orders and stronger output expectations for the next 12 months."

PMI® by S&P Global

also rose and to the greatest extent in just over three years, as firms looked to boost inventories of raw materials in expectation of continued strength in order books.

Alongside this, there were reports that improved demand and faster payments to suppliers resulted in a further (albeit weaker) improvement in delivery times. Some panellists also claimed that vendors had been able to expand their capacity in line with higher input requirements. In turn, stocks of purchased items rose solidly and at the quickest pace since August 2020.

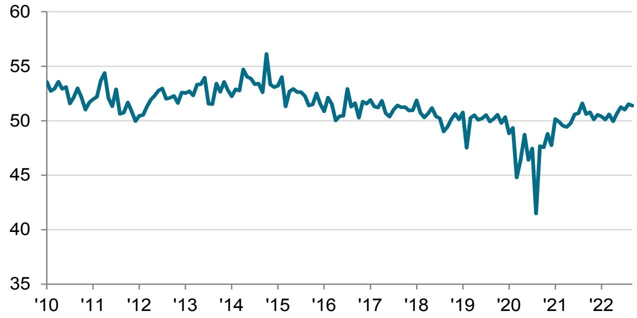
On the price front, September data signalled a modest uptick in firms' overall expenses, following a renewed (and joint-survey record) decline in August. Higher purchase prices mainly drove the rise, according to businesses, although wage costs also ticked higher. That said, reductions in the price of energy and other commodities helped to keep cost inflation subdued compared to the first half of the year.

Subsequently, output charges were reduced for the fifth month in a row as businesses looked to further aid sales growth through competitive pricing. The drop in charges was only modest, however.

Finally, output expectations for the coming year improved for the first time since June, as a higher proportion of firms projected activity to rise due to stronger order books. Forecasts nonetheless remained much weaker than the long run trend.

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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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.