News Release

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S&P Global United Arab Emirates PMI®

Employment growth strongest since July 2016

Key findings

Job creation accelerates as activity rises sharply

New order growth joint-sharpest in 11 months

Purchasing activity rises at quickest rate in over three years

UAE non-oil business conditions improved at a robust rate at the start of the fourth quarter, according to the latest PMI® survey data, amid faster uplifts in both output and new orders. The strengthening of demand conditions brought additional capacity pressures, leading firms to increase their headcounts at the sharpest rate since July 2016 and purchase inputs to the greatest extent for over three years. Business confidence weakened slightly, however, and was still subdued compared to the historical trend.

Price pressures remained only modest in October, amid reports that lower fuel, metal and transport costs had partly offset material price increases elsewhere. Subsequently, to maintain a competitive landscape, firms reduced their output charges for the sixth month running.

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 higher to 56.6 in October, from 56.1 in September, and was only just below August's over three-year high of 56.7. Staying well above the 50.0 neutral mark, the index signalled another sharp improvement in the health of the non-oil economy.

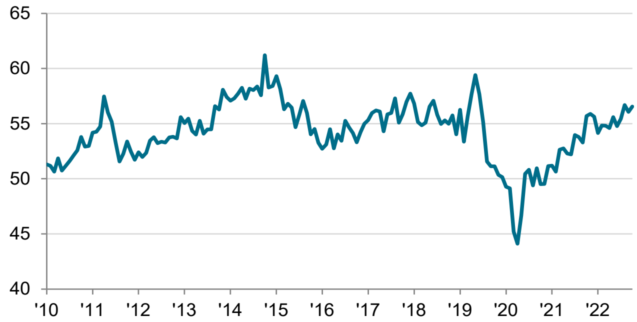
Central to the upturn was another sharp expansion in business activity at the start of the fourth quarter, as firms generally reported that higher client demand had boosted output. The rate of activity growth accelerated from September and was the second-fastest seen since July 2019 (after August's reading).

Similarly, new order inflows rose at a steep and accelerated rate in October, with firms posting the joint-strongest expansion for 11 months. Some panellists cited that new clients, lower prices, improved services and the upcoming FIFA World Cup in Qatar had contributed to the rise in sales.

New orders from abroad were an area of weakness in October, however. Firms saw the slowest increase in export

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-25 October 2022.

Comment

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

"The UAE PMI crept back up to 56.6 in October, just shy of August's over three-year high of 56.7, indicating that the non-oil private sector had continued to grow at a robust pace at the start of the fourth quarter. The upturn was led by sharp expansions in business activity and new orders, giving further evidence that domestic firms were not only weathering the global economic storms, but enjoying strong demand growth.

"The key movements in October were seen on the capacity side, as businesses responded to rising backlogs by increasing their employment numbers at a faster rate. In fact, the pace of job creation was the quickest since July 2016. Firms also looked to stock up on inputs as they prepare work schedules to address their backlogs, leading to a rapid increase in purchasing activity that was the fastest for over three years.

"Pricing data showed that UAE non-oil firms continued to enjoy mild inflationary pressures in October. Input costs rose only slightly, helped by reductions in fuel and transport costs in line with recent falls in global oil prices. This meant that businesses were able to lower their output charges, although the rate of discounting eased to the softest since July."

sales since the beginning of the year amid global economic headwinds.

With demand increasing sharply, firms faced additional strains on their operating capacity in October, leading to a sharp and accelerated increase in backlogs of work. This was partly linked to existing projects and pandemic-linked shipping delays.

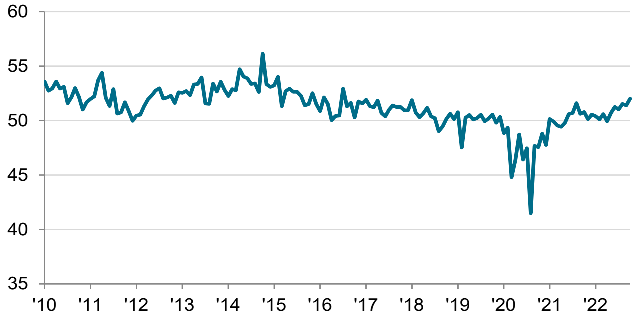
Businesses responded in two ways: firstly, employment numbers were expanded at the fastest pace since July 2016, extending the sequence of growth to six months. Secondly, firms sharply increased their purchasing activity in a bid to build inventories for future work. Purchases rose to the greatest extent since mid-2019, whilst shorter lead times contributed to a solid accumulation of input stocks.

While higher input demand led to some price pressures in October, firms noted that reductions in costs for items such as fuel, steel and transport had kept inflation mild. In addition, staff costs rose at a marginal and slower rate. Consequently, firms chose to reduce their output charges again in October amid ongoing efforts to stay competitive and improve client sales. However, the rate of decrease slowed from September and was only slight.

Finally, business confidence towards future output weakened at the start of the fourth quarter and remained soft by historical standards. Where growth was expected, firms attributed this to new projects and hopes that the economy will strengthen.

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.

PMI® by S&P Global