# News Release

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# S&P Global United Arab Emirates PMI®

## Activity growth picks up in February

### Key findings

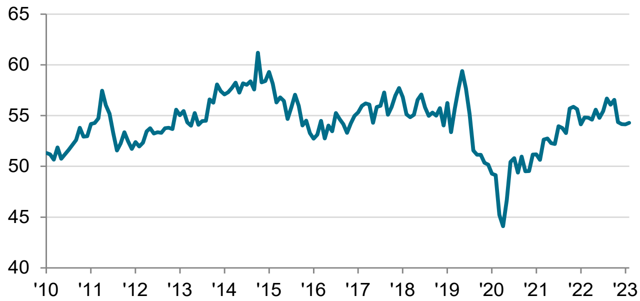
Output rises at strongest rate in four months

Sales growth remains solid, despite slipping to 17-month low

Fastest improvement in lead times since September 2019

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month




Source: S&P Global.

Data were collected 10-22 February 2023.

The latest PMI survey signalled an accelerated rate of growth in UAE non-oil activity in February, marking the strongest upturn since last October. Business expectations strengthened and supply chains performed well despite robust demand for inputs, with lead times improving at the fastest pace in almost three-and-a-half years. However, while demand trends remained strong, they showed some signs of softening, as new business rose to the smallest degree since September 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 – ticked up slightly to 54.3 in February, after printing a 12-month low of 54.1 in January. The latest reading signalled a robust improvement in the health of the sector, and one that was broadly in line with the series long-run trend (54.2).

The small upshift in the headline index masked competing movements in some of the PMI sub-components in February, particularly output, new orders and suppliers' delivery times. On the upside was a sharp acceleration in the rate of output growth, which picked up for the first time in four months and to the highest level in that same period. Notably, over a quarter of survey respondents indicated that their output had increased since January, often attributing this to new projects and rising client sales.

While new order volumes rose sharply in February, the rate of expansion softened slightly since the beginning of the year and was the weakest since September 2021. A number of firms saw demand levels improve, but others noted that strong competition and weaker exports had weighed on growth. New foreign orders decreased for the third straight month, although the latest fall was only marginal.

The headline PMI was slightly offset by the Suppliers' Delivery Times Index (which is inverted in the PMI calculation), which

### Comment

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

*"The UAE PMI gave conflicting signals for the non-oil economy midway through the first quarter of the year. After touching a 12-month low in January, the PMI picked up slightly from 54.1 to 54.3 in February, to signal a sharp improvement in operating conditions, but one that was nonetheless among the slowest recorded over the past year-and-a-half.*

*"The chief upside to the index was a faster rate of output growth, which accelerated for the first time in four months. Expectations towards future activity also picked up to a four-month high. However, while the sharp rise in output was largely attributed by firms to underlying demand strength, the latest upturn in new business was the slowest seen for 17 months, suggesting the improved growth picture may be short-lived.*

*"Supply chain conditions strengthened in February, shown by a marked reduction in delivery times that was the fastest since September 2019. However, a concurrent and sharp rise in purchasing activity contributed to a renewed increase in purchase prices, putting increased pressure on firms' cost levels."*

pointed to the sharpest reduction in lead times since September 2019 as supply chain conditions improved. Firms subsequently increased their input purchases at a sharp and notably quicker pace - the upswing in the index was the largest on record - in order to bolster output and plan for future work.

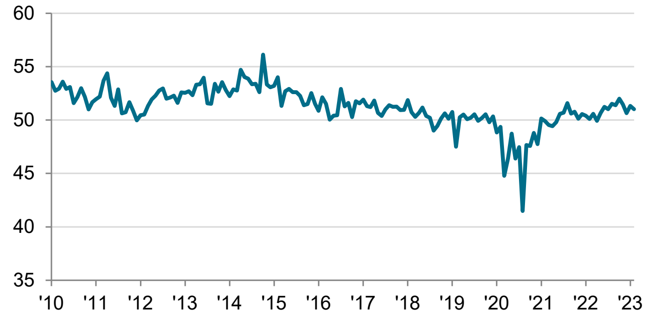
Rising input demand contributed to a renewed rise in purchase prices, which had seen little change over the prior two months. The uplift was modest, but the sharpest since July 2022. In addition to reports of higher raw material prices, some firms noted that shipment fees had risen. The increase led to an uptick in firms' overall input costs for the first time since last November.

Output charge discounting continued into February, although there was some evidence of companies passing on higher costs to clients. The rate of decrease in selling prices was the slowest for three months and only mild.

Looking ahead, non-oil firms signalled a stronger degree of confidence for the next 12 months in February, the highest since last October. Optimism remained subdued by historical standards and below the 2022 average, however.

Lastly, employment numbers picked up at only a marginal pace in February, with staff hires usually linked by panellists to new project work. Despite this, backlog volumes rose only modestly and to the least extent in 20 months, in line with the slowdown in sales growth.

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.



**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.



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