

## IHS Markit UAE PMI®

### New business growth surges as Expo 2020 begins

#### Key findings

Fastest rises in activity and new orders since July 2019

Output prices continue to fall as cost inflationary pressures remain mild

Business confidence ticks up to highest since start of pandemic

Data were collected 12-25 October 2021.

UAE non-oil firms enjoyed a marked increase in new business during October, driven by rising spending and tourism amid the opening of the Expo 2020. Output levels rose at the strongest rate for more than two years, while confidence regarding future activity improved markedly.

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 – surged to 55.7 in October, from 53.3 in September, and was well above the 50.0 no-change mark. This was the highest reading since June 2019 and the first time since the start of the pandemic that it was above the long-run series average.

The PMI signalled a sharp expansion in business conditions during October that was driven by considerably faster increases in both output and new orders compared to a month ago. The two respective sub-indices reached their highest levels in more than two years.

New orders grew sharply in October, driven by a substantial increase in demand as the Expo 2020 began. According to panellists, the event drove increased sales in a number of sectors as tourism strengthened and investment spending rose. In contrast to domestic sales, export orders ticked up only marginally at the start of the fourth quarter.

Responding to the robust upturn in new business, UAE non-oil companies raised output levels sharply and to the greatest extent since July 2019. As well as the Expo, firms noted that the loosening of pandemic restrictions also helped to boost activity.

*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:

*"The Expo 2020 finally began in the UAE at the start of October and brought a highly welcome upsurge in growth across the non-oil private sector. The increases in both output and new business were sharp and the most marked since July 2019. In addition, the boost to sales led more companies to predict a rise in activity over the next 12 months, as optimism jumped to the highest level since the beginning of the pandemic."*

*"The key test for the UAE economy will be whether this initial uplift in demand from the Expo can be sustained over the coming months. We also wait to see whether this will strengthen employment growth, as latest data showed a subdued rate of hiring despite growing pressure on business capacity."*

Despite this, there was a pile-up of outstanding work during October. Backlogs rose at a solid pace, albeit one that was slightly softer than in September. While some firms added to their workforces to relieve capacity pressures, employment growth was only marginal overall.

Supplier lead times shortened slightly in October, as firms indicated that vendors were able to meet tighter delivery schedules in spite of global supply-chain issues. As a result, businesses were able to purchase more inputs and add to their inventories, although purchasing growth eased slightly from September.

Latest data also signalled a slowdown in the overall rate of input cost inflation across the non-oil economy. Purchase costs ticked up only slightly, while staff costs fell for the first time since January. As such, overall expenses rose at the softest pace for five months.

With cost inflation only mild, average prices charged by non-oil companies decreased in October, amid continued efforts by firms to remain competitive and gain additional clients. The rate of discounting eased to a slight pace, however, as rapid sales growth encouraged some firms to lift their fees.

Lastly, forecasts for future output improved considerably in October, amid hopes that the positive impact from the Expo can be sustained. The overall degree of optimism was the strongest since March 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.

October 2021 data were collected 12-25 October 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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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