

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0815 (Dubai) / 0415 (UTC) August 5th 2019

IHS Markit UAE PMI®

Business activity continues to rise, but at weaker pace

Key findings:

- Activity and new orders increase, but rates of expansion soften
- New work often secured as a result of price discounting
- Firms remain reluctant to hire additional staff

Data collected 12-25 July

The UAE's non-oil private sector remained in growth territory at the start of the third quarter of the year, although there were signs of rates of expansion softening. Moreover, in a number of cases, new business was only secured as a result of price discounting. Meanwhile, employment continued to rise at only a marginal pace.

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 55.1 in July, signalling a marked monthly improvement in business conditions in the non-oil private sector. The reading was down from 57.7 in June, however, and the lowest since February.

Further marked increases in business activity and new orders were registered in July, although in both cases rates of expansion continued to soften from recent highs. While higher sales was a key factor behind growth of activity, panellists also cited marketing activity as having supported overall workloads.

Where new orders expanded, respondents often mentioned improving market conditions. That said, there were also a number of reports that price

discounting had been required in order to secure new work.

Output prices were reduced for the tenth successive month in July, with the pace of decline remaining modest. Non-oil companies were able to offer discounts thanks to a lack of upward pressure on input costs. Overall input prices were broadly unchanged, thereby ending a ten-month sequence of inflation. Both purchase prices and staff costs were little-changed during the month.

Companies continued to show a reluctance to hire additional staff in July, despite rising activity requirements. Employment was up marginally for the fifth month running, but the vast majority of respondents left their staffing levels unchanged.

Backlogs of work were also up only slightly in July, and to the least extent in the current 31-month sequence of accumulation. Some panellists reported payment delays from customers, while others indicated that softer new order growth reduced pressure on capacity.

Rising new orders encouraged companies to increase both their purchasing activity and inventory holdings in July. In both cases, however, rates of expansion eased.

Improving market conditions, higher new orders and the Expo 2020 are all expected to support increases in business activity over the coming year. Non-oil companies remained optimistic regarding the outlook, with sentiment little-changed from that seen in the previous month.

Comment

Andrew Harker, Associate Director at IHS Markit and author of the report said:

“While the latest UAE PMI data pointed to ongoing rises in both business activity and new orders in July, rates of growth took a step back from those seen in the second quarter of the year.

“Once again, companies were at least partly reliant on price discounting to secure new orders, suggesting some weakness in underlying demand. They were helped in this regard by a lack of cost inflation in July.”

-Ends-

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Notes to Editors

The IHS Markit UAE Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 private sector companies, which have been carefully selected to accurately represent the true structure of the UAE's non-oil economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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