

Embargoed until 0815 GST (0415 UTC) 6 January 2020

## IHS Markit UAE PMI®

### Growth remains weak in December

#### Key findings

Output increases at slowest rate since September 2011

New business sees renewed upturn, but only slight

Inflationary pressures subdued as firms offer further discounts

December data signalled a downbeat end to the year for the UAE non-oil private sector, with output growth the weakest in over eight years and new work rising only marginally after November's downturn. Selling charges continued to drop, putting further pressure on margins. Expectations remained elevated though, as firms held on to hopes that increased investment and tourism will support business activity growth during 2020.

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 – slipped to 50.2 in December, from 50.3 in November, only slightly above the 50.0 mark that separates expansion from contraction. As such, the rate of improvement in business conditions was fractional and the slowest in the decade-long sequence of growth.

UAE businesses reported a weaker increase in activity during December, marking the third successive month in which the rate of expansion has softened. The latest upturn was also the slowest in over eight years, with panellists often noting subdued economic conditions.

At the same time, new orders grew marginally, linked to soft demand both at home and abroad. The expansion in new business volumes was the weakest seen in the series history, albeit followed the first monthly reduction ever recorded in November.

Meanwhile, selling charges were again lowered in December, as has been the case in each month since October 2018. Many

*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 UAE non-oil economy ended the year on a very different note to where it started. While the first half of 2019 saw demand levels soar in response to price discounting, the second half was much more subdued, with sales struggling to rise despite further price cuts.*

*"December data continued this theme, with the PMI falling to the lowest since August 2009 (the first month of data collection). Output rose at the softest rate in over eight years, while new orders increased only marginally after a slight downturn in sales during November.*

*"Nevertheless, businesses expect 2020 to be a more upbeat year, amid forecasts of greater tourism and investment in the economy. This may be able to lift hiring activity, which has remained subdued throughout the past year or so."*

firms cited that strong competitive pressures in the sector led them to offer discounts in order to retain customers. Several respondents noted this was a key factor in restoring demand growth. The decline in output prices was solid, but nevertheless the softest since September.

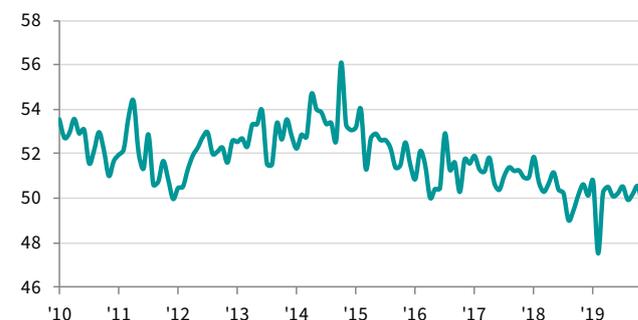
Lower charges put further pressure on companies' margins, as surveyed firms saw a fourth successive increase in total costs at the end of the year. However, the rate of inflation was relatively mild, with some respondents noting higher raw material and fuel prices but little change to staff costs.

Purchasing activity rose for the first time in three months during December. Firms related this to higher new orders and a depletion of input stocks, though the overall increase in input buying was only modest. Nevertheless, this spurred an improvement in vendor performance, as some firms reported placing stricter deadlines on deliveries.

Looking ahead, the slowdown in output growth failed to sway firms' predictions for activity in the coming year. Expectations were firmly positive in December and much stronger than the average for the series, with the Expo 2020 proving a key source of optimism. Despite this, the trend for employment remained subdued, with job numbers rising only marginally from the month before.

### 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.

December 2019 data were collected 5-17 December 2019.

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. To learn more go to [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).