

# News Release

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## S&P Global United Arab Emirates PMI<sup>®</sup>

### Robust activity growth continues in April

#### Key findings

Output and new orders expand sharply

Input cost inflation joint-highest in over three years

Expectations dampened by inflation concerns

UAE non-oil companies maintained a robust level of activity growth in April, according to the latest PMI<sup>®</sup> survey data from S&P Global, supported by improving client demand and a sharp rise in exports. At the same time however, rising energy and material prices in response to the Russia-Ukraine war and pandemic-led disruption resulted in a further solid increase in companies' input costs, prompting firms to raise their selling charges for the first time in nine months. The risk of ongoing inflationary pressures also underlined a drop in business confidence to a four-month low, as well as efforts to stockpile goods and cut labour expenses where possible.

The headline seasonally adjusted S&P Global UAE Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – fell slightly to a three-month low of 54.6 in April, from 54.8 in March. The index remained firmly above the 50.0 neutral mark, however, to signal a robust improvement in the health of the non-oil sector.

Central to the uplift was a sharp rise in non-oil output at the start of the second quarter of the year, as firms continued to benefit from increased new orders and project work. In fact, the expansion in activity was the fastest registered since December last year, with just under a quarter of survey respondents seeing output increase since March.

New order growth remained on a strong footing during April, despite softening slightly to a three-month low. Anecdotal evidence suggested that market demand was still recovering from COVID-19 restrictions, while some panellists continued to benefit from increased sales related to the Expo. The upturn was particularly marked on the exports side, with the latest data pointing to the fastest rise in foreign new business since January 2021.

However, as was the case in March, UAE companies suffered from another solid increase in input costs during April that

S&P Global United Arab Emirates PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 11-25 April 2022.

#### Comment

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

*"The burden of rising input prices continued to be felt across the UAE non-oil sector in April. Cost pressures remained at their highest level for more than three years, driven by rising fuel and material prices, forcing businesses to raise their selling charges for the first time since July last year. The increase will spur greater concern of an inflationary-led dip in demand, particularly as the positive efforts from the pandemic recovery and Expo 2020 fade.*

*"For now, businesses continue to enjoy strong sales growth, which allowed them to increase their output at the fastest rate in 2022 so far in April. On the flip side, optimism around future activity slipped to a four-month low as some firms expressed concerns that inflationary pressures and the competitive landscape will make output and profit gains harder to achieve."*

PMI<sup>®</sup>

by S&P Global

was largely associated with an increase in energy prices due to the Russia-Ukraine war. Higher fuel charges were often mentioned by survey panellists, as well as a further increase in raw material prices. The rate of input price inflation was unchanged at its joint-highest for nearly three-and-a-half years.

With this in mind, businesses started to increase their selling charges in a bid to transfer at least part of the additional cost burden onto their customers. Average output prices rose for the first time in nine months, but only marginally overall.

Firms also looked to boost their purchasing activity and inventories in April, after last month's data suggested that stockpiling efforts had stalled. Notably, buying levels rose at the second-fastest rate since August 2019.

By contrast, employment numbers were reduced fractionally in the latest survey period as some companies reported efforts to cut labour costs. Limited staff capacity meant that backlogs of work continued to rise solidly.

Businesses remained confident that sales growth will continue to boost output over the next 12 months. That said, rising inflationary pressures, supply concerns and price-led competition meant that the degree of confidence in future activity slipped to the weakest since last December.

### 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](mailto:economics@ihsmarkit.com).

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