

## IHS Markit UAE PMI®

# New business growth strengthens to 20-month high

### Key findings

Improving market activity supports strong rise in new orders

Backlogs increase as employment falls

Selling charges up for first time since September 2018

Data were collected 12-26 April 2021.

The UAE non-oil private sector experienced a solid improvement in business conditions at the start of the second quarter. The PMI ticked up to its highest since mid-2019, supported by a strong rise in new business volumes and a sharp expansion in output that were linked to a continued economic recovery from COVID-19. Employment fell for the third month in a row, however, contributing to a renewed increase in backlogs of work.

Output charges increased for the first time in over two-and-a-half years. The mark-up was reportedly driven by rising input costs that reflected global raw material shortages and higher transport fees.

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 – rose fractionally from 52.6 in March to 52.7 in April, pointing to a solid improvement in the health of the non-oil sector. The index was above the 50.0 threshold for the fifth month running and at its highest level since July 2019.

The largest contributor to the headline PMI is the New Orders Index, which in April rose to a 20-month high and indicated a sharp increase in new business inflows. Surveyed firms that saw an upturn reported that market conditions had generally improved due the roll-out of COVID-19 vaccines and strengthening business confidence. Firms also saw a rise in new export orders, although the upturn was more modest than that of total sales, suggesting that demand growth was mainly domestic based.

Output expanded sharply in April, as firms aimed to complete

*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 remains on the right track to a recovery from COVID-19, latest PMI data suggests. The headline index rose to a 21-month high of 52.7, supported by strong expansions in output and new orders, the latter growing at the fastest rate since August 2019.*

*"That said, the rate of improvement in operating conditions was still below the 12-year survey average, reflecting further pandemic-related disruptions for a number of businesses and sectors.*

*"Firms also saw capacity pressures emerging in April, indicated by an increase in backlogs. Employment has been slow to react to rising demand so far this year, having fallen for three months in a row, but could start to rise as these pressures intensify."*

ongoing projects. Nevertheless, backlogs rose for the first time in eight months, partly due to a delay in input shipments faced by some companies. Another factor causing higher volumes of outstanding business was a slight fall in employment as firms decided to contain payroll costs rather than increase operating capacity.

Input buying rose at the quickest pace for nine months in April, contributing to a fifth successive increase in inventory holdings. That said, with some inputs held up by global supply-chain issues, overall stocks rose only slightly from March.

Global delivery delays and input shortages were notable factors leading to a rise in input costs in April. Chemicals and metals such as aluminium were reported as up in price, in addition to a mark-up in freight charges. Overall cost pressures increased for the third month in a row, although the pace of inflation eased from the preceding survey period.

As a result, non-oil firms passed these costs onto clients by lifting output charges for the first time in over two-and-a-half years. The uptick followed recent promotional efforts by some firms, although these were still widely mentioned in the latest survey period.

Finally, business expectations climbed for the fifth month running, amid hopes of a continued recovery from COVID-19 and an uplift in sales from the Expo 2020 later in the year.

### 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.

April 2021 data were collected 12-26 April 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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