



CoProvider



Index: Procurement of Services By CoProvider

August 2020

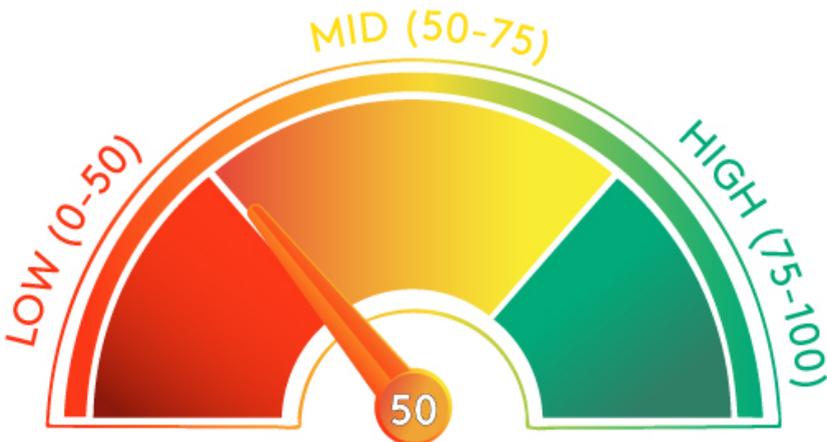
A monthly report by CoProvider. It reflects the key changes in procurement behaviour on services

Procurement Index Score

The Procurement Index gives a rapid overview of the market from a buying perspective. Through our survey of supply and procurement leaders, we are able to assess purchase order volumes, prices, and backlogs for various industries. Our algorithm then combines this information to deliver a monthly procurement index score (PIS). This score offers a snapshot of the health of the procurement activities and insights into future trends.

84% of the survey respondents work and live in UAE.

August 2020: The PIS is 50. This is the highest PIS since January 2020, and as predicted in July 2020, the green shoots of recovery are beginning to become apparent. Much of this continued improvement will centre on continued management of the economic impacts of COVID 19.

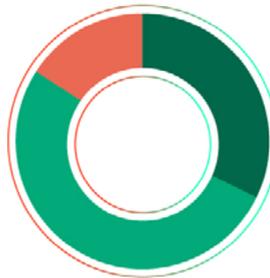


Near Term Economic Indicators



Number of purchasing orders in services

42.1% Decrease
36.8% No changes from Previous month
21.1% Increase



New export orders for services

36.8% Decrease
42.1% No changes from Previous month
21.1% Increase



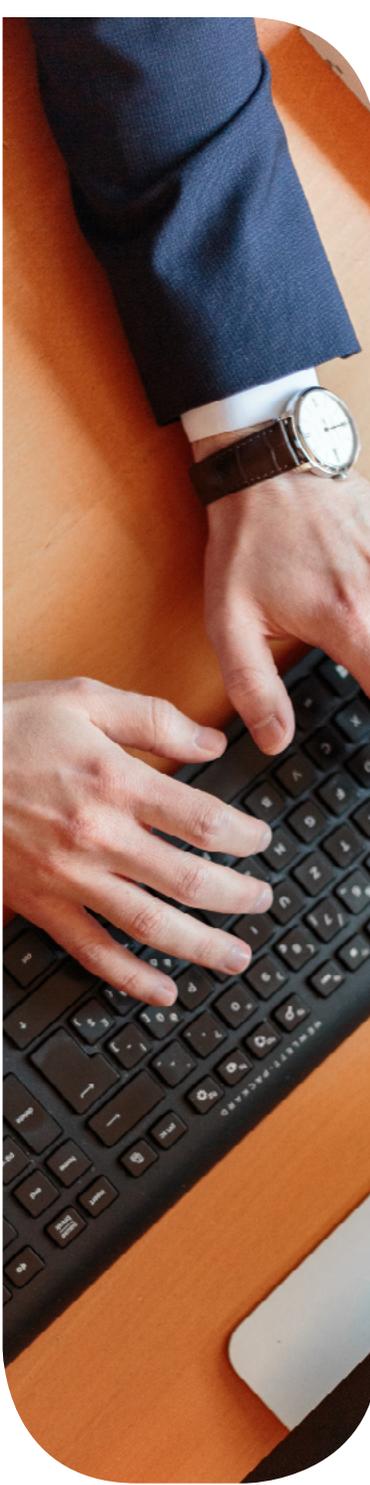
New local orders of services

42.1% Decrease
31.6% No changes from Previous month
26.3% Increase



Staff costs

57.9% Decrease
42.1% No changes from Previous month



“This isn’t the end. It isn’t even the beginning of the end. But it might well be the end of the beginning”

The near term economic indicators show what is happening now as it relates to purchasing activities and company financials.

58% of the respondents have reported a decrease in staff cost.

We continue to see a decrease in staff costs, indicating the impacts of COVID 19 on unemployment rates are still present. However the rate of reduction in staff costs continues to decrease, there should be a normalization in this trend by the end of the year according to current data.

37% of the respondents have confirmed a decrease in requesting services from abroad.

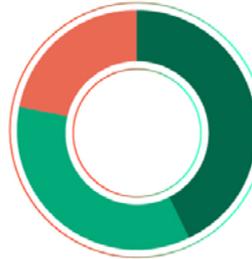
That said, the actual number of purchase orders from local suppliers continues to increase by 25% from the previous month. As yet there is no clear trend as to whether the reliance on local supply will grow, shrink or remain stable. This is going to be determined, in part, by the levels of service, prices and quality delivered by local supply. We may be seeing a fundamental shift away from the globalization trends of the past decade, but more likely in our opinion, we’ll see a “right-sizing” of global supply in line with actual requirements and a slightly greater reliance on local supply given the obvious logistical and time to market advantages that they offer.

Mid Term Economic Indicators



Number of purchasing orders in services

42.1% Decrease
36.8% No changes from Previous month
21.1% Increase



Your company's output: produced services or products

51.6% Decrease
42.1% No changes from Previous month
26.3% Increase



Backlog of work/ work orders

21.1% Decrease
47.4% No changes from Previous month
31.6% Increase



Lead time of service providers

15.8% Decrease
36.8% No changes from Previous month
47.4% Increase



“26% of the respondents have claimed an increase on overall outputs of their firms. ”

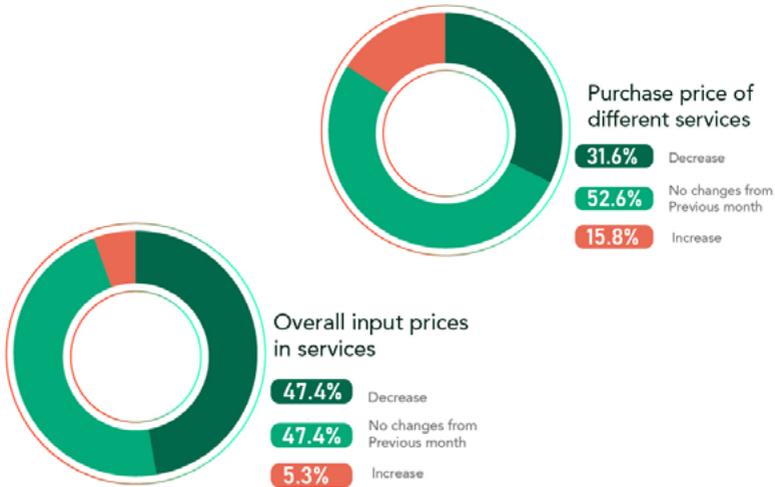
The mid-term economic indicators show how we should expect purchasing behaviours, and economic traction to change over the coming 3-6 months.

The data suggests that we are already seeing the beginnings of an economic recovery and this recovery, whilst nowhere near complete, will continue on its current trajectory of growth barring any further significant economic impacts such as a second lockdown. We have seen a slight increase in companies' outputs (products and service) over previous months.

47% of the respondents have confirmed an increase in lead time of delivering service.

Buyers still suffer from the prolonged delivery lead time by service providers. Whilst this may be a negative trend for supply chain professionals, it is a positive economic trend, indicating opportunities to many SMEs who can fill gaps throughout various value chains and stop the struggle between supply and demand. As supply lead time is a lagging metric, therefore as this metric decreases, as outputs and delivered services increases.

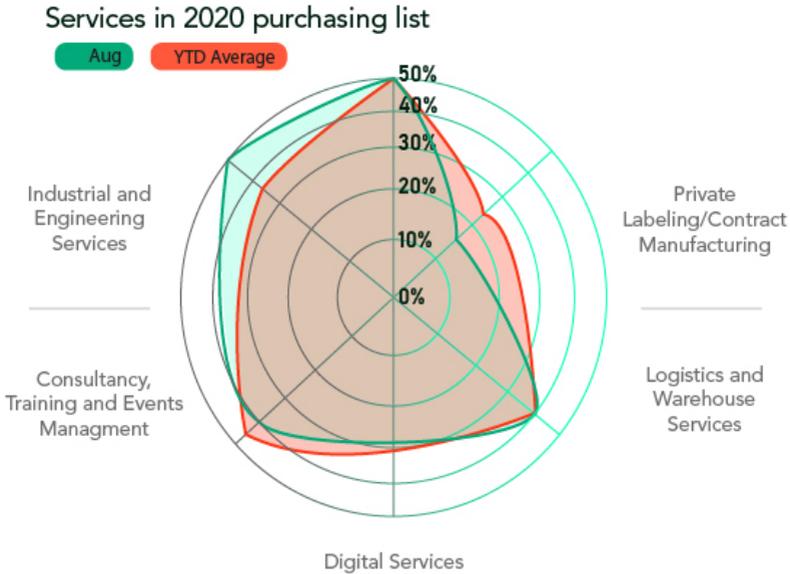
Pricing Indicators



“47% of the respondents have indicated that no changes on purchase prices over last months, thanks to supply chain leaders who have kept prices stable”

The fundamental factor behind the service pricing in August is the shift in the competitive landscape for suppliers. The pandemic has forced service providers to tighten their margins, reduce their operational overheads and increase the efficiency of delivery across the entire value chain.

Purchased Services



“79% of the respondents work for corporates with turnover greater than AED 250 Million.”

Requests for industrial engineering services have increased significantly. This is likely attributed to the increased demand of locally manufactured and fabricated components used to be imported before the pandemic.

Overall, the procurement index is starting to see recovery, and whilst this recovery is slow, it appears to be significantly faster than other economic indexes both regionally and internationally. This success should be attributed to the exceptional way that the pandemic has been managed and contained within the UAE. We expect to see a return to December 2019 levels by June 2021.



CoProvider

REACH US AT

WEBSITE



EMAIL



FOLLOW US AT

LINKEDIN



FACEBOOK



INSTAGRAM



YOUTUBE

