

IHS Markit Dubai PMI®

Output growth weakens further in June

Key findings

Softest rise in output for seven months

New orders rise only slightly

Cost pressures pick up amid rising commodity prices

Data were collected 11-24 June 2021.

Output growth in Dubai's non-oil economy slipped further in June, as a weaker rise in sales and supply shortages curtailed the sector's recovery. Input cost inflation accelerated as firms saw a mark-up in commodity prices, pushing output charges higher for only the second time in three years.

The headline IHS Markit Dubai Purchasing Managers' Index™ (PMI®) is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of purchased goods. The survey covers the Dubai non-oil private sector economy, with additional sector data published for travel & tourism, wholesale & retail and construction.

The seasonally adjusted IHS Markit Dubai Purchasing Managers' Index™ (PMI®) fell for a second successive month from 51.6 in May to 51.0 in June. The latest reading indicated only a slight improvement in operating conditions in the non-oil private sector, and one that was markedly slower than the average seen since data collection began in January 2010.

Both output and new orders rose to a lesser degree than in May, with the rate of output growth the slowest seen in the current seven-month sequence of expansion. According to panellists, there was a general improvement in economic conditions as the impact of COVID-19 eased. However, this was countered by a slowdown in sales growth and reports from some firms that raw material shortages and price hikes had curbed work on new projects.

Business activity continued to rise across the Construction and Wholesale & Retail sectors, but in both cases the upturn slowed

continued...

Dubai PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

"Business activity in the Dubai non-oil sector was hindered by weaker sales growth and raw material shortages in June, with the rate of growth slowing to a seven-month low. Both the Construction and Travel & Tourism sectors saw a reduction in sales, with restrictions on travel often mentioned as a drag on the economic recovery. Wholesale & Retail was the only monitored industry to see a rise in new orders over the latest period.

"Input price inflation picked up in June, posting its second-highest level since December 2019. Lengthening delivery times, supply shortages and rising freight costs were often cited by panellists, leading to a second rise in output prices in three months following a near three-year run of decline."

from the preceding month. Travel & Tourism activity saw a renewed upturn after a slight decline in May.

New work across Dubai's non-oil private sector rose only slightly at the end of the second quarter. The rate of growth slipped to a four-month low. While some respondents saw an increase in demand as markets reopened, others found that competitive pressures hindered order book volumes. Flight cancellations were meanwhile linked to a quicker fall in sales in the Travel & Tourism industry.

There were renewed efforts to increase employment numbers during June. In fact, the rate of job creation was the quickest since November 2019, but slower than the long run series average.

Businesses were also more optimistic regarding future output growth in June, albeit improving from a low base. The degree of optimism for the next 12 months was the second-strongest since last September.

Issues with the supply of raw materials placed further pressure on input prices. The rate of inflation picked up to the second-quickest since the end of 2019. Steel was often mentioned as up in price, while some panellists reported higher transportation charges.

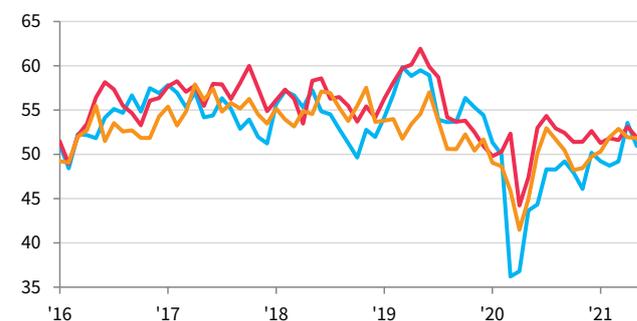
With input costs rising, non-oil firms marked up their output charges for only the second time in 38 months, although the latest uptick was slower than that seen in April. With competition increasing, some companies reduced their selling prices to attract new customers, weighing on the overall rise.

Elevated input prices led some firms to lower their purchases and draw from current inventories to fulfil new orders. Challenges with shipping delays, meanwhile, meant that average lead times among suppliers lengthened for the fifth month running.

PMI by sector

Travel & tourism / Wholesale & retail / Construction

sa, >50 = improvement since previous month



Source: IHS Markit.

Contact

David Owen
Economist
IHS Markit
T: +44 2070 646 237
david.owen@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

Methodology

The IHS Markit Dubai PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 600 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.

June data were collected 11-24 June 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click here.

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.

ihsmarkit.com/products/pmi.html