

## IHS Markit Dubai PMI®

# New orders fall for first time in seven months in September

### Key findings

Weaker customer demand drives a slight drop in sales

Output and employment continue to expand

Selling prices fall at quickest pace in a year

Data were collected 13-24 September 2021.

The latest Dubai PMI signalled a softening of growth momentum across the non-oil sector at the end of the third quarter. Output continued to expand at a strong pace, but new orders declined for the first time since February. Subsequently, employment growth eased to a four-month low, while firms reduced their output charges at the fastest rate in a year.

With Expo 2020 opening on 1st October, business confidence improved as firms hope that the event will drive a renewed increase in sales. The overall rise in optimism was led by travel & tourism and wholesale & retail businesses in September.

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®) registered 51.5 in September, to signal an improvement in operating conditions across the non-oil economy that extends the current run of growth to a tenth successive month. However, the PMI slipped from 53.3 in August and indicated only a modest expansion overall.

September data pointed to the first decrease in new business for seven months. Whilst only marginal, the decline was the joint-strongest since May 2020 (level with that seen in February). Surveyed companies highlighted that weaker client demand and discounts at competing firms were behind the drop in sales.

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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:

"The Dubai non-oil sector saw a dip in demand during September. New business fell for the first time in seven months which, whilst only gradual, was the joint-fastest since the initial global lockdown in the first half of 2020.

"Firms were largely unconcerned about the setback for order books in September, with the expansion in output remaining sharp and close to August's two-year high. As a result, the headline PMI was above the crucial 50.0 mark and ended the third quarter at its highest three-month average since the end of 2019.

"Moreover, the Expo 2020 has now begun, which should drive increased sales in the services sector over the next six months at least. Whilst IHS Markit predicts that the direct growth impact from the event will be modest, the latest PMI data highlighted a considerable impact on near-term business confidence."

Sector data showed that the construction industry led the decline, as new work fell for the first time since June. Conversely, travel & tourism firms saw a sustained upturn in sales, which some panellists linked to increased demand in the run up to Expo 2020.

Despite a fall in new business, non-oil companies continued to increase output at a sharp pace in September. The rate of growth slipped from August but was still the second-strongest in over a year. Additionally, expectations for future output improved for the fourth month running, as firms were hopeful that the economy will continue to rebound from the pandemic and Expo 2020 would drive higher sales. Confidence in the Travel & Tourism category reached a five-month high in September and outpaced that seen in the rest of the non-oil sector.

With confidence strengthening, Dubai firms continued to build their labour forces at the end of the third quarter. However, there were signs that the fall in new orders had weighed on hiring, as employment rose only marginally and to the least extent in four months.

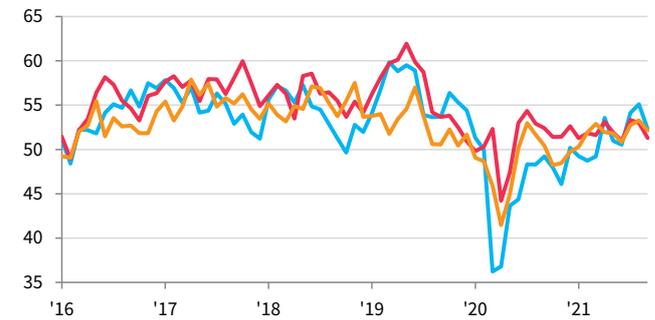
Moreover, stocks of raw materials and components fell slightly in September, as firms held on to fewer inputs as demand softened. Suppliers' delivery times lengthened again, as has been the case in each month since February. According to panellists, supply chains remained under pressure amid global transport issues and business capacity constraints.

Overall input costs rose in the latest survey period. The rate of cost inflation slowed and was only marginal, however. This contributed to a reduction in average prices charged for the third successive month, as firms often mentioned lowering their prices in line with their competitors.

PMI by sector

Travel & tourism / Wholesale & retail / Construction

sa, >50 = improvement since previous month



Source: IHS Markit.

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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.

September data were collected 13-24 September 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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