

IHS Markit Dubai PMI®

Recovery continues in March, but price pressures climb as supply issues persist

Key findings

Output expands again and new orders return to growth

Input price inflation quickens to 28-month high

Supplier delivery delays continue for second month running

Data were collected 12-25 March 2021.

The Dubai non-oil economy saw a surge in input price inflation at the end of the opening quarter of the year, driven by mounting input shortages, restocking efforts by companies and an intensification of global supply delays. Despite this, output continued to expand solidly, while new work picked up after a slight decrease in February. Firms also remained confident of a rise in business activity in the coming year as the economy recovers from the coronavirus disease (COVID-19) pandemic.

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®) posted 51.0 in March, up fractionally from 50.9 in February. Positive contributions relative to the previous month came from the New Orders and Stocks of Purchases indices, while the Output, Employment and Suppliers' Delivery Times sub-components provided slight negative directional influences.

At the sector level, Construction and Travel & Tourism saw improvements to their headline readings in March, with the former recording by far the strongest growth across the three monitored industries. Notably, construction firms saw

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:

"Global supply difficulties washed up on Dubai's shores in March, as the reduction in input availability led to the sharpest rise in prices for 28 months. This will constrain profit margins as competitive pressures and efforts to aid the recovery in demand led firms to lower output charges.

"Sector data meanwhile pointed to a surge in construction output, particularly as some projects were able to resume following COVID-19 restrictions. Wholesale & Retail growth also picked up, but shrinking Travel & Tourism activity continued to weigh on Dubai's recovery as international travel restrictions further constrained new orders."

the second-sharpest increase in output since the middle of 2019, as some respondents commented that easing COVID-19 restrictions allowed for project work to restart.

Across the whole non-oil private sector in Dubai, latest data signalled a rise in output for the fourth month running during March. This was supported by a renewed, albeit slight, pick up in new orders. However, while some firms saw an improvement in client demand, others reported weak market conditions due to COVID-19 restrictions and strong competition.

Businesses raised their stocks of purchases again in March, after a five-month period of decline up to January. However, a number of firms reported facing shortages of inputs linked to wider global supply problems, which contributed to a further lengthening of suppliers' delivery times.

With raw materials in short supply, input prices spiked higher at the end of the first quarter. The rate of input cost inflation accelerated to the quickest since November 2018. Despite this, firms continued to lower their selling charges in an effort to stimulate demand, and at the most marked pace for five months.

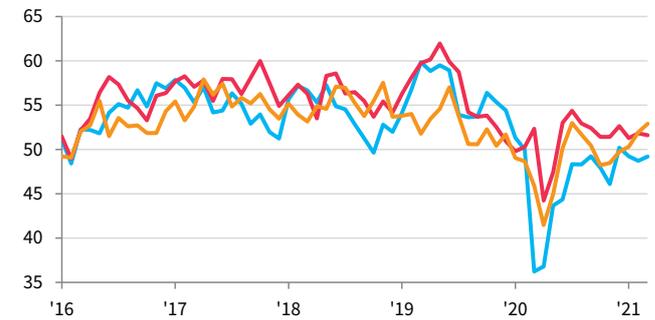
Efforts to contain costs meant that staff levels were reduced for the first time in 2021-to-date. That said, the fall in employment was only slight.

Finally, the outlook for future business activity among non-oil firms remained positive in March, despite ticking down from February's five-month high. The degree of optimism was also much weaker than the series average. Panellists linked hopes of an improvement in output to the reopening of the economy from the COVID-19 pandemic and strengthening client demand.

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.

March data were collected 12-25 March 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