

IHS Markit Dubai PMI®

New order growth weakens to near four-year low

Key findings

Softest increase in new work in 46-month run of growth

Slight rise in job numbers

Selling prices fall, despite stronger cost pressures

Growth in the Dubai non-oil economy weakened in December, amid the slowest rise in new orders for nearly four years. Employment increased only marginally, but business activity remained strong as firms prepared for expected investment and higher sales in the coming year.

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 to a four-month low of 52.3 in December, from 53.5 in November. The latest reading indicated a modest improvement in business conditions in the Dubai non-oil economy.

Contributing to the slowdown was a weaker increase in new orders, with the rate of growth the slowest in nearly four years of consecutive monthly expansions. Firms often highlighted that softer economic conditions reduced clients' spending power.

Nevertheless, business activity continued to rise at a strong pace, with the rate of increase quickening from November. Firms also raised purchasing activity at the sharpest rate in four months, as some panellists sought to grow inventory levels.

On a sector basis, output growth accelerated among construction and travel & tourism firms. The other monitored sector, wholesale & retail, recorded the weakest expansion in

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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 economy showed further signs of weakness at the end of 2019, with new order growth the slowest in nearly four years. Nevertheless, business activity continued to expand sharply, mainly because firms expect things to pick up in the year ahead. The Expo 2020 is a key feature of firms' hopes for the future, as it promises to bring a timely boost to investment and spending across Dubai."

output since February 2016.

Meanwhile, employment in the Dubai non-oil economy increased for the fourth month running in December. However, the rise in job numbers was the joint-slowest in this period, and marginal. As such, backlogs continued to grow, albeit only modestly.

In response to softer demand growth, Dubai companies extended price discounting strategies at the end of the year. Latest data signalled a solid fall in average charges, albeit one that was the least marked since September.

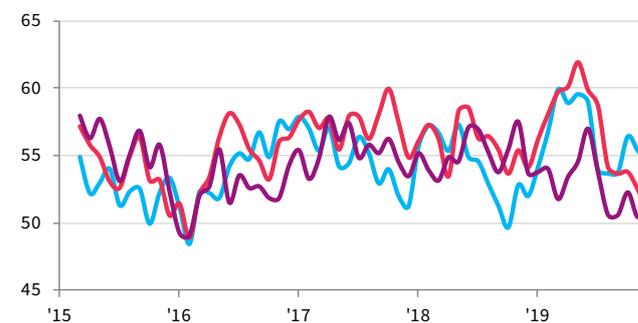
By contrast, input costs increased for the second month running in December. The rate of inflation quickened from November amid a renewed rise in staffing costs. Higher prices for equipment was also mentioned.

Looking ahead, the level of positive sentiment for output in 12 months' time fell for the first time in three months during December. That said, around 64% of respondents still expect business activity to grow, mainly amid hopes of market stabilisation and higher local investment as the Expo 2020 approaches. Tourism numbers are also forecast to strengthen in the coming year.

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.

December 2019 data were collected 5-17 December 2019.

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

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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. To learn more go to ihsmarkit.com/products/pmi.html.