

IHS Markit Dubai PMI®

PMI drops to three-and-a-half year low in August

Key findings

Weakest increase in activity for 40 months

New work expands at notably softer pace

Output prices broadly unchanged

This release contains the latest release of data collected from a monthly survey of business conditions in Dubai's non-oil private sector. Produced by IHS Markit, the survey provides an early indication of operating conditions in Dubai. 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.

Business activity in Dubai's non-oil private sector economy increased at a much softer rate in August compared to July, as companies reported weaker new order growth. Employment fell marginally, while the business outlook slipped to a six-month low. More positively, output prices were broadly unchanged after 15 successive months of discounting.

The seasonally adjusted IHS Markit Dubai Purchasing Managers' Index™ (PMI®) fell from 55.2 in July to 51.7 in August, the lowest reading since February 2016. Overall, this signalled only a modest uplift in non-oil private sector operating conditions.

The slowdown was mostly reflected in the wholesale & retail and construction sectors, with the latter posting the weakest improvement in business conditions for three-and-a-half years. The travel & tourism sector also saw an easing in growth, albeit only marginally.

Output levels in the non-oil private sector were up sharply during August, although the rate of expansion was the weakest for over three years. Companies often related this to a softer

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:

"Growth in Dubai's private sector economy, as suggested by the PMI, eased in August, with the headline reading dropping to a three-and-a-half year low and only signalling a modest uplift in business conditions. Demand growth was notably softer, leading firms to raise activity at a below-average pace and reduce workforce numbers slightly."

"Future output expectations dimmed but remained relatively strong. With the Expo 2020 coming next year, firms were still optimistic that activity will expand."

"Further positivity was also noted on the price front, as selling prices were close to stabilisation during August after 15 consecutive months of discounting."

increase in new business, which rose at the slowest rate since last October. Competitive pressures led to an easing in new order growth, according to respondents.

Businesses looked to reduce employee numbers in August, with some citing ongoing cost-cutting measures. The rate of workforce reduction was only marginal, however.

Intense competition for new work had previously led firms to lower output charges in each of the past 15 months. However, August data revealed that prices were broadly unchanged.

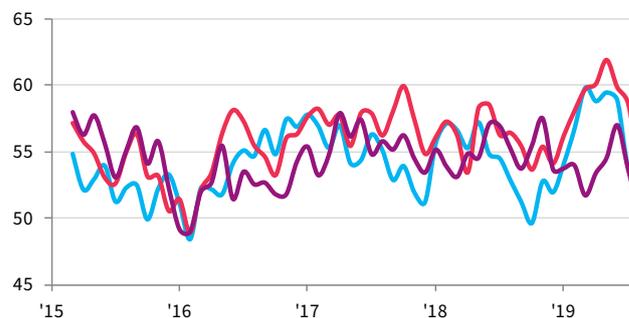
Meanwhile, average input prices recorded a renewed increase in August, with firms largely linking this to higher raw material costs. That said, the rate of inflation was marginal and below the trend for the series.

Looking ahead, the outlook for future activity among businesses in Dubai's non-oil private sector deteriorated in August. With activity and new business growing at a weakened pace, firms were less positive around their projections for output in the next 12 months. A majority of respondents remained optimistic though, with many hoping for a greater volume of clients and sales. The Expo 2020 was also a key factor highlighted by panellists as driving future activity growth.

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 400 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.

August 2019 data were collected 12-23 August 2019.

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 © 2019 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. To learn more go to ihsmarkit.com/products/pmi.html.