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IHS Markit Dubai PMI®

Non-oil sector sees quickest growth in business activity for nearly two years

Key findings

Output growth climbs to sharp pace in August

Job numbers rise at fastest rate since November 2019

Selling charges fall despite increased costs

Data were collected 12-24 August 2021.

The pace of growth in non-oil activity across Dubai accelerated again in August, reaching its highest level for almost two years and continuing a run of solid improvements in business conditions over the third quarter of the year. As a result, firms increased their employment levels at the fastest rate since November 2019.

Meanwhile, despite a rise in input costs, uncertainty about the stability of customer demand led Dubai companies to discount their output charges for the second month running.

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.

Ticking up from 53.2 in July to 53.3 in August, the seasonally adjusted IHS Markit Dubai Purchasing Managers' Index™ (PMI®) signalled another solid upturn in operating conditions in the non-oil sector. Moreover, the index has registered higher only once in the last 21 months, in April 2021.

One of the key components of the PMI, the Output Index, jumped to its highest reading since September 2019 in the latest survey period, to signal a sharp expansion in non-oil output. Where activity increased, firms often linked this to improving new business volumes as the economy recovered from the pandemic. That said, the overall pace of new order growth eased slightly since the start of the third quarter.

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:

"The Dubai non-oil economy enjoyed another strong overall improvement in August, driven by a marked rise in output levels that was the fastest seen since September 2019. This suggests that the economy is solidifying its recovery from the pandemic, especially as a relaxation of travel measures drove tourism numbers higher and boosted consumer demand.

"Dubai will also stand to gain from the Expo 2020 later this year, which businesses hope will drive spending and growth even higher. With this in mind, firms expanded their staff capacity in August, leading to the sharpest rise in employment since late-2019."

Sector data suggested that growth was particularly driven by the travel & tourism category in August, with businesses seeing the sharpest increases in activity and new work in over two years as looser travel restrictions drove an influx of tourist numbers. Output growth among construction firms was also strong, having accelerated to a 13-month high.

Non-oil companies reported a further increase in staffing levels midway through the third quarter. In fact, the pace of job creation quickened to the most marked since November 2019, as firms looked to rebuild staff capacity in response to greater sales volumes and backlogs of work.

Expansions were also recorded in purchasing activity and inventories during August, with the latter seeing a renewed increase since July. Delivery times meanwhile lengthened for the seventh consecutive month, although the downturn was the weakest seen in this sequence and only marginal.

Input cost pressures continued to tick higher in the latest survey period, largely resulting from an increase in purchase prices. In particular, firms commented on rises in fuel, raw material (such as steel) and freight prices.

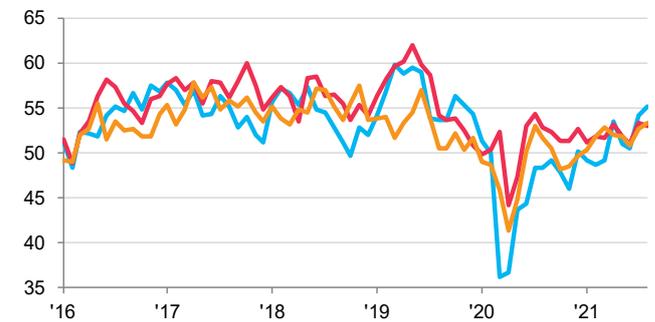
Nevertheless, non-oil companies again lowered their output prices in a bid to retain clients and win new contracts. The pace of discounting quickened from July to the fastest in five months, but remained slower than the average recorded in 2020.

Firms were slightly more confident regarding future output in August compared to the prior three months. Respondents with a positive outlook cited expectations of increased new business arising from Expo 2020, easing COVID-19 restrictions and the ongoing vaccination programme.

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.

August data were collected 12-24 August 2021.

For further information on the PMI survey methodology, please contact 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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