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IHS Markit Dubai PMI®

Rising output supports job creation in January, but demand growth weakens

Key findings

Output in Dubai's non-oil sector expands for a second month running

Job numbers rise for the first time since February 2020

Weakest uplift in new business for eight months

Data were collected 12-25 January 2021.

Dubai's non-oil economy remained in growth territory at the start of 2021, according to the latest PMI data, but only just, as expansions in both output and new orders softened from December. Back-to-back rises in activity and optimism linked to the roll-out of coronavirus disease 2019 (COVID-19) vaccines meanwhile led to the first increase in employment for almost a 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®) posted above the 50.0 growth threshold for the second consecutive month in January, despite falling to 50.6 from 51.0 in December. The slight reduction was driven by falls in the output and new orders sub-indices, although both remained in expansion territory.

Growth was recorded across most of the monitored sectors at the start of the year, with travel & tourism the only category to see a decline in business conditions, in part linked to a tightening of global travel restrictions. Wholesale & retail was the best-performing segment in January and the main driver of job creation.

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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:

"Despite sales growth near-stalling, non-oil companies in Dubai increased output for the second month in a row in January. With confidence for 2021 also improving due to the rapid vaccine roll-out in the UAE, employment rose for the first time in nearly a year, after the pandemic drove record declines during the second quarter of 2020.

"Of the three monitored sectors, only travel & tourism saw a decline in business conditions in January. New business fell amid a tightening of global travel restrictions in response to a second wave of COVID-19 infections. Restrictions are set to curb tourism activity over the first quarter of 2021 whilst developed countries vaccinate their populations, but are likely to ease later in the year.

"Uncertainty surrounding the near-term economic outlook and the prospect of tighter pandemic measures meant that output expectations across Dubai's non-oil sector remained subdued in January, despite picking up from the end of 2020."

Business activity across Dubai rose for the second month in a row in January, although the rate of expansion eased from December's five-month high. According to the survey panel, output was ramped up mostly to support ongoing projects, but some firms did mention an increase in client demand.

The rise in activity led to an uplift in employment for the first time since February 2020, and at the quickest rate for 14 months. At the same time, firms expressed greater confidence towards the future business climate, linked to the rapid domestic roll-out of COVID-19 vaccines. Optimism was the highest since last September but remained at one of the weakest levels seen in the series history, particularly as travel & tourism firms gave a neutral outlook for 2021.

Meanwhile, PMI data signalled weakness on the demand side in January, with sales growth softening to a fractional pace and the slowest seen in the current eight-month sequence of expansion. Anecdotal evidence suggested that client spending power had faded due to challenging market conditions.

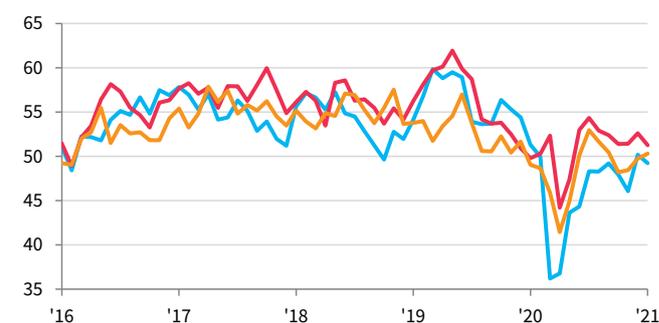
With sales momentum slowing, non-oil firms reduced their stocks of inputs further, leading to downward pressure on vendor prices. Overall input costs fell for the first time in six months, and at the quickest pace since April 2020. This led to a slight reduction in average selling prices.

Dubai-based businesses saw an improvement in suppliers' delivery times for the second month in a row, despite some concerns linked to global supply chains. Panellists noted that vendors were able to make faster deliveries as transport capacity improved.

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

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@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.

January data were collected 12-25 January 2021.

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.

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