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## IHS Markit Dubai PMI®

# Business expectations hit record low as growth fades away

### Key findings

Output growth dips to five-month low

Job shedding gathers pace but remains softer than during lockdown

Weakest business optimism since this index began in April 2012

Data were collected 12-26 October 2020.

Dubai's non-oil private sector registered the slowest output growth in five months according to the October PMI survey, signalling a setback for the economic recovery from the coronavirus disease 2019 (COVID-19) pandemic. Firms saw only a slight rise in new work, while job shedding quickened from September but remained softer than in the prior six months. Most notably, the degree of positive sentiment regarding the year-ahead outlook for activity fell to its lowest since this index began in April 2012.

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.

At 49.9 in October, the seasonally adjusted IHS Markit Dubai Purchasing Managers' Index™ (PMI®) indicated that business conditions across the non-oil private sector were broadly unchanged over the month. Falling from 51.5 in September, the reading also signalled an end to the run of growth observed throughout the third quarter of the year.

Businesses in Dubai reported the weakest rise in activity in the last five months of expansion during October, which was in part due to a softer - and only marginal - upturn in new orders. Some companies noted they were unable to expand further whilst markets remained subdued. Additional sector data showed falls in output in both travel & tourism and construction.

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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:

"After a robust quarter of growth for the Dubai non-oil economy, October data pointed to a more subdued picture as overall business conditions were left broadly stable. Businesses also showed weaker optimism towards the economic recovery from COVID-19, amid reports of weak demand and uncertainty about the future impact of the pandemic on activity and jobs. In fact, the overall level of confidence was the weakest in the series' eight-year history.

"Output levels declined in the construction and travel & tourism sectors, mostly due to a lack of new building projects and weak tourist numbers. Growth in the wholesale & retail sector was the softest in five months, signalling a broad-based slowdown across some of Dubai's key sectors."

With the recovery fading, and uncertainty building about the future impact of the pandemic, output expectations fell to the lowest on record in October. Firms still expect a rise in activity in the coming 12 months, but the degree of positivity was only fractional.

Meanwhile, job numbers decreased across the private sector economy in October. The rate of contraction gathered pace from September, but was the second-weakest in the past eight months. Where job cuts were noted, firms often linked this to cost-cutting measures.

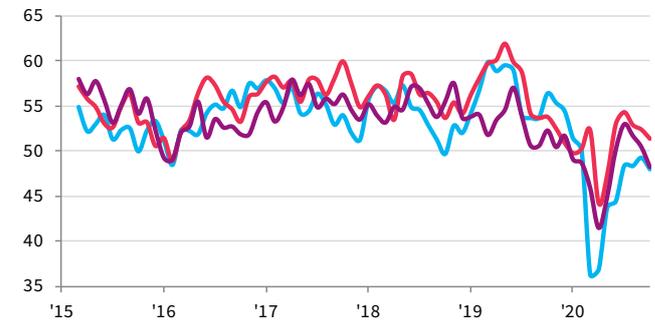
On the price front, latest data signalled a broadly unchanged level of expenses at the start of the fourth quarter. Margins came under further pressure as output charges fell for the thirtieth month running, amid reports of firms offering discounts to clear stocks and improve sales. The rate of discounting was the least marked since May, however.

Dubai businesses highlighted renewed issues with supply chains in October, as lead times lengthened at the quickest rate since May. Customs delays and shortages of some inputs were key factors leading to longer delivery times. That said, delays were much weaker than those seen during the spring.

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.

October data were collected 12-26 October 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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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