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## IHS Markit Dubai PMI®

### PMI weakens to near four-year low

#### Key findings

Output growth slows to modest pace in January

New orders rise at weakest rate in 47 months

Job numbers slide as firms lower selling prices further

Dubai's non-oil private sector economy saw a further weakening of sales growth in January, which slowed to a near four-year low, prompting a much softer expansion in output and falling job numbers. Business expectations deteriorated further, while output charges were again lowered amid efforts to reinvigorate new orders.

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 from 52.3 in December to 50.6 in January, signalling the weakest improvement in the health of the non-oil private sector since February 2016. Growth primarily eased due to a weaker expansion in business activity and subsequent drop in job numbers. At the sub-sector level, there was a modest improvement in the travel & tourism industry. However, deteriorations in the construction and wholesale & retail sectors placed downward pressure on the headline index.

Output in the Dubai non-oil economy expanded only modestly at the start of the year. The rate of growth slowed to the weakest in the current 47-month sequence. According to surveyed firms, activity was subdued by soft new business volumes.

New orders followed a similar trend to output, with latest data indicating the weakest increase in demand for nearly four years.

*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 momentum in Dubai's non-oil private sector softened for the third month in a row in January, PMI data showed. Furthermore, the headline figure was at its lowest level for nearly four years, and indicated only a slight improvement in business conditions.

"Sub-sector data pointed to weakness in the construction and wholesale & retail categories, with these PMIs dipping below the 50.0 no-change mark for the first time since February 2016.

"Employment in Dubai was notably affected, with companies reporting the joint-quickest fall in job numbers seen throughout the ten-year series history. Business activity expectations slid to the joint-weakest for a year-and-a-half, suggesting that firms expect little pick-up in sales in the near future.

"Nevertheless, efforts to improve sales through lower output prices continued, with firms reducing their charges for the twenty-first month in a row."

According to panellists, this was mainly due to slow market conditions.

Weaker demand growth impacted hiring activity in January, with employment falling for the first time since last August. Staff numbers were reportedly lowered in order to streamline costs. The rate of job losses was marginal but nevertheless the joint-strongest in the ten-year series history.

Meanwhile, average prices set by non-oil private sector firms declined further at the start of 2020, as has been the case in each month since May 2018. However, the drop in prices was the softest for four months.

Despite some companies raising salaries, the overall increase in cost burdens was marginal in January. In particular, firms noted little pressure on purchase prices due to soft market demand.

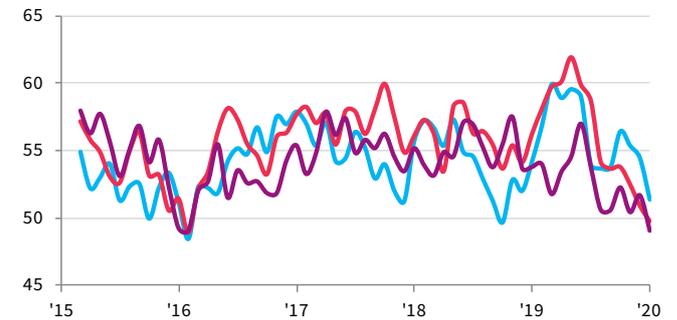
Input stocks continued to increase during the month, extending the current run of growth that began in November 2018. However, the pace of expansion was the softest for four months. Meanwhile, firms registered a second successive month of improving delivery times, albeit one that was only modest.

Lastly, business expectations slipped in January on the back of softer activity growth. That said, firms generally regarded the coming 12 months with optimism, citing hopes of market stabilisation and new projects in the year ahead.

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.

January data were collected 13-27 January 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. To learn more go to [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).