IHS Markit Dubai PMI®

PMI down to four-year low in February

Key findings

New business falls for first time since February 2016
Output growth remains subdued
Expectations for future activity slide to 31-month low

New business in the Dubai non-oil private sector shifted into contraction territory in February, latest PMI® data showed. Output growth was unchanged from January's recent low, while confidence for future activity dropped to the lowest since July 2017.

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®) dropped to a four-year low of 50.1 in February, from 50.6 in January, to signal broadly unchanged business conditions midway through the first quarter of the year. The headline PMI was held back by weaker sales and lower inventories at Dubai firms, while output rose only modestly. Construction fared the worst of the monitored categories, recording a moderate decline in business conditions, while the travel & tourism sector stalled and wholesale & retail registered only a slight improvement.

New orders decreased for the first time since February 2016, following a trend of slowing growth since last October. Panellists often related the decline to weaker client demand and unfavourable market conditions. Some also noted that travel restrictions due to the coronavirus outbreak in China led to decreased tourism. This was reflected in sector data for the travel & tourism industry, which saw the first drop in total new business in the Dubai non-oil private sector shifted into contraction territory in February, latest PMI® data showed. Output growth was unchanged from January's recent low, while confidence for future activity dropped to the lowest since July 2017.

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®) dropped to a four-year low of 50.1 in February, from 50.6 in January, to signal broadly unchanged business conditions midway through the first quarter of the year. The headline PMI was held back by weaker sales and lower inventories at Dubai firms, while output rose only modestly. Construction fared the worst of the monitored categories, recording a moderate decline in business conditions, while the travel & tourism sector stalled and wholesale & retail registered only a slight improvement.

New orders decreased for the first time since February 2016, following a trend of slowing growth since last October. Panellists often related the decline to weaker client demand and unfavourable market conditions. Some also noted that travel restrictions due to the coronavirus outbreak in China led to decreased tourism. This was reflected in sector data for the travel & tourism industry, which saw the first drop in total new

Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

“Dubai firms saw a further slowdown in growth during February, according to latest PMI data. The headline reading of 50.1 signalled that business conditions broadly stagnated, driven by the first monthly fall in new orders in four years.

"While economic weakness was mainly linked to unfavourable domestic conditions, some firms did note a negative impact from the coronavirus outbreak on tourism activity as flights were restricted. With the outbreak appearing to intensify, this poses an additional challenge ahead for Dubai’s economy. Firms reflected these growing concerns in their outlook for future activity, which deteriorated to the lowest in over two-and-half years.

“Amid the drop in business confidence, firms kept output growth at a subdued pace, while stocks of purchases fell to the greatest extent since October 2010.”
business in 16 months.

Dubai firms thus reported subdued business activity, with the rate of expansion remaining at January’s recent low. Companies also reduced input purchases slightly in order to streamline stock levels, as many commented that lower demand weakened their input requirements. At the same time, vendor delivery times lengthened, with some panellists noting delays on imports sourced from China.

Unfinished work grew for the fifth consecutive month, though the rate of accumulation remained modest. Slower payments to creditors led to further pressures on business operations in February, according to some survey respondents. Meanwhile, firms raised hiring activity following a reduction in workforces during January. That said, the overall increase in employment was mild.

Output prices dropped for the twenty-second month running during February. The rate of decrease was moderate, however, and the softest since last September. Respondents noted further efforts to increase sales amid high competition in the domestic market. On the positive side, input costs were broadly unchanged from January.

Lastly, business sentiment for future output was notably swayed by the drop in new business in February. Firms were much less optimistic that output will grow over the next 12 months, with the degree of confidence reaching a 31-month low.

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.

February data were collected 12-24 February 2020.

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.