IHS Markit Dubai PMI®

Rapid decline in business activity as lockdown extends into April

Key findings

- Activity, new business and employment fall at record paces
- Staff cuts and weaker purchases lead to quickest ever fall in cost burdens
- Outlook worsens as companies fear large financial hit from COVID-19

Lockdown measures in Dubai to dampen the spread of coronavirus disease 2019 (COVID-19) had another drastic impact on business activity in April. Output and new work fell at record rates, prompting a severe shedding of jobs as companies highlighted escalating fears about the long-term impact from the pandemic. Efforts to lower costs meanwhile led to a modest, yet still record, fall in firms’ operating expenses, while output charges continued to decline.

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 a new survey record low of 41.7 in April, down from 45.5 in March, to indicate a severe deterioration in overall business conditions in the Dubai non-oil private sector. Activity across the sector retreated at a sharp pace due to the COVID-19 crisis and government lockdown measures to curb the spread of the virus. The rate of decline was much quicker than the previous record set in March, with 38% of surveyed businesses noting a fall in output during the month.

While firms often linked weaker activity to restricted movement and reduced opening hours, the loss of new business was also widely apparent in April. Sales declined at a steep rate, one that was the fastest seen in over ten years of data collection.

Data were collected 7-24 April 2020.

Comment

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

"With strict measures in place throughout April to combat the COVID-19 pandemic, it was unsurprising to see such dismal PMI data for Dubai’s non-oil private sector economy. The headline index set a record low for the second month running, posting 41.7, deeply below the 50.0 no-change mark.

"Restrictions on movement led to a steep fall in new business, particularly in the travel & tourism industry as air travel remained shut down. Construction firms noted that new building work was largely suspended, contributing to an unprecedented fall in activity.

"The COVID-19 crisis weighed heavily on the business outlook in April, with many firms warning of a huge financial hit from the lockdown. Firms pinning hopes on Expo 2020 were also much less upbeat with it being moved to next year, partly dashing hopes of a sharp rebound in the autumn."

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With countries in the region, and further afield, initiating similar public health measures, exports in the emirate also took a drastic hit.

The downturn from the virus pandemic was notably broad-based across Dubai’s non-oil private sector economy, with all key sectors recording stark decreases in activity and new work. That said, by far the sharpest reduction in activity was seen in the travel & tourism industry amid continued restrictions at home and abroad on international air travel. There was also a substantial decline in construction work as firms placed new building activity on hold during the lockdown period.

Employment conditions worsened again in Dubai at the start of the second quarter. Job shedding was only marginally quicker than in March, yet still the fastest seen in the survey’s history. Firms mentioned efforts to cut staff costs and operate with a minimal workforce during the lockdown, although they still managed to reduce outstanding work.

Meanwhile, lower purchases and reduced salaries helped to ease input costs in April for the first time since last November. This enabled a further drop in selling prices, as has been seen throughout the last two years.

Looking ahead to the next 12 months, businesses in Dubai mostly highlighted concerns about the duration of the COVID-19 pandemic. Reflecting this, the outlook for activity dropped to an historic low in April’s survey, with private sector companies signalling only a mildly positive forecast for output.