

IHS Markit Dubai PMI®

Recovery continues in February, but downturn in the Travel & Tourism sector holds back growth

Key findings

Output levels continue to expand

New orders decrease slightly amid fresh pandemic restrictions

Employment numbers rise for second month running

Data were collected 11-22 February 2021.

Business conditions in Dubai continued to strengthen in February, latest PMI survey data showed, as output and employment numbers increased amid growing confidence among firms for a strong economic recovery in 2021. However, the rate of expansion was stymied by a renewed fall in new business inflows that was centred on the Travel & Tourism sector and linked to fresh restrictions on mobility.

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 50.9 in February, up slightly from 50.6 in January and signalling a third successive monthly improvement in operating conditions. That said, the index remained far below its long-run average of 54.6 and pointed to just a marginal upturn overall.

Business activity increased for the third month in a row during February, with the rate of growth quickening to a solid pace since January. Companies that saw an expansion related this to ongoing projects, new customers and improving economic conditions since the initial impact of the coronavirus disease 2019 (COVID-19) outbreak. Across the three monitored sectors,

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:

"New business inflows dropped for the first time since last May in February, suggesting that renewed restrictions on services have stymied the economic recovery from the pandemic. The overall fall in sales was only mild though and has so far not deterred firms from increasing output and employment.

"The successful roll-out of COVID-19 vaccines in Dubai gave firms' increased optimism for growth in business activity over the coming 12 months. However, the near-term outlook could be choppy as cases remain high and other parts of the world continue to restrict activity and travel. Firms in the Travel & Tourism sector remain wary about their sales opportunities and the prospect of slamming the brakes on efforts to rebuild business capacity."

output growth was strongest in construction, followed by wholesale & retail. Travel & Tourism bucked the trend with a further decline in activity.

At the same time, sales volumes in the non-oil sector fell for the first time since May 2020. Dubai faced increased restrictions on consumer-facing services during the month amid efforts to suppress a recent rise in COVID-19 cases, which panellists reported led to a drop in demand. The fall in new business was only slight, however, and softer than those recorded at the start of the pandemic. New work in the Travel & Tourism sector decreased at the fastest rate since June 2020.

Despite weaker sales, Dubai firms were often optimistic that disruption to economic activity will be temporary, and that the successful rollout of COVID-19 vaccines could lead to a sharp rebound in output later in the year. This was shown by business expectations data which indicated the highest degree of positivity for the year ahead since last September. Businesses also reported a further round of job creation, after employment rose for the first time in 11 months in January. The latest increase in staff numbers was only marginal though.

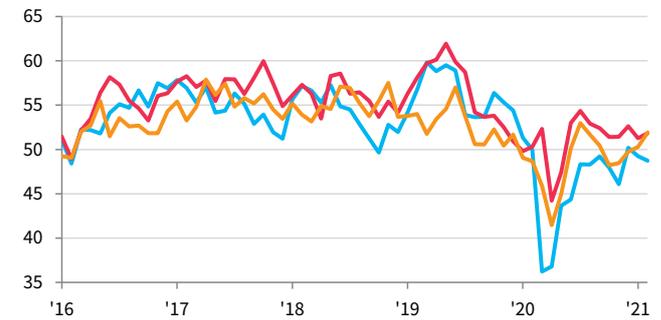
Input cost inflation resumed in February, following a slight decline in operating expenses at the beginning of the year. Consequently, the rate of price discounting by businesses in Dubai was the softest since August 2019.

Latest data pointed to the first deterioration in supplier performance for three months in February, as some panellists indicated problems with customs delays and restrictions on the movement of goods. Companies were nevertheless able to stock more inputs, leading to the first increase in inventories since last August.

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.

February data were collected 11-22 February 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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