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IHS Markit Dubai PMI®

New business drops sharply in Dubai amid COVID-19 pandemic

Key findings

Weaker consumer demand and tourism slump hits Dubai firms

New orders fall at quickest pace on record

Activity and employment decline as outlook worsens

Business conditions in Dubai deteriorated at a sharp pace in March as the global economy was shaken by the coronavirus disease 2019 (COVID-19) pandemic. New work plummeted, with the travel & tourism industry particularly faring badly, whilst consumer demand for non-food items fell at a marked rate. Firms reacted with a steep drop in employment and the first reduction in output for over four years. Business expectations meanwhile dropped to a 43-month low.

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 below the 50.0 mark separating growth from contraction in March, to the lowest reading recorded in the decade-long series. Posting 45.5, down from 50.1 in February, the figure indicated a sharp deterioration in business conditions in the Dubai non-oil economy.

Weaker business conditions were driven by a substantial fall in new orders received by Dubai firms in March compared to the previous month. Firms overwhelmingly linked this to the COVID-19 pandemic that has led to government measures to dissuade travel and consumer activity. Spending thus declined sharply, with travel & tourism companies noting a large drop in demand. Construction firms also reported a decrease in new work. By contrast, wholesale & retail providers registered
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:

"As has happened across the world in March, Dubai firms suffered greatly from the impact of the COVID-19 pandemic, PMI data showed. Mainly due to a steep drop in new business volumes, companies were forced to quickly shed job numbers in order to minimise losses, while also reducing activity at a steady pace."

"Sector data signalled that the travel & tourism industry was most drastically affected in March, amid a large drop in global tourism as countries placed border controls to limit the virus spread. With all airports in the UAE now closed for commercial passengers, this weakness will persist into April and possibly the rest of the second quarter."

"Wholesale & retail firms gained slightly as a result of increased household purchases of food items, though the extension of restrictions is likely to have a more negative impact on retail in April."

stronger growth in sales due to bulk-buying of food items.

Dubai firms responded to the overall sharp fall in new business with a large reduction in workforces during March. The rate of decline was the quickest since the series began in January 2010. Businesses often reported freezing hiring activity and asking employees to take leave in order to reduce staffing costs.

At the same time, business activity dropped for the first time since February 2016, though the decrease was only moderate overall. Firms also noted a second successive month of inventory depletion, with the latest round of reduction the largest since October 2010.

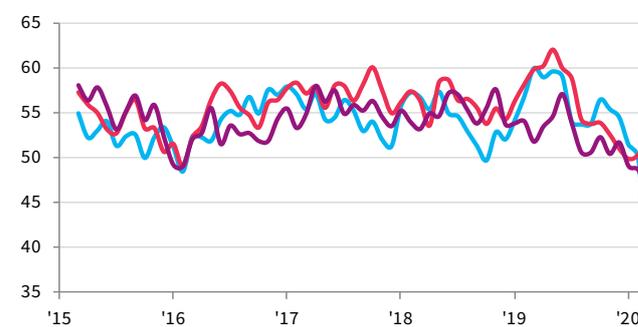
Efforts to limit cost pressures in March meant that overall input price inflation remained soft, supported by a slight easing of staff expenses. Some firms mentioned higher raw material prices, though a drop in oil prices helped to offset the increase. This enabled companies to extend discounting of output charges, but the latest reduction was the weakest for six months.

Lastly, the outlook for future activity in the Dubai non-oil private sector was notably weaker during March due to uncertainty from the viral pandemic. Firms were still hopeful of an uplift in output in the next 12 months overall, although the level of optimism was the lowest seen since August 2016.

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.

March data were collected 12-25 March 2020.

For further information on the PMI survey methodology, please contact 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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