

## IHS Markit Dubai PMI®

# Growth in Dubai economy strengthens in September, but remains sluggish

### Key findings

Non-oil business activity increases at faster rate...

... but new order growth slows for fourth month in a row

Selling prices fall further amid stronger rise in input costs

This report contains the latest release of data collected from a monthly survey of business conditions in Dubai's non-oil private sector. Produced by IHS Markit, the survey provides an early indication of operating conditions in Dubai. 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®) rose for the first time in four months during September, posting at 52.6. This compared with a reading of 51.7 in August. However, the latest figure was still among the lowest recorded over the past three years, signalling a relatively modest improvement in business conditions at non-oil companies.

New order growth at Dubai firms softened over the course of September, to indicate the fourth successive monthly slowdown in demand. While sales increased at a solid pace overall, a number of panellists mentioned that strong competition once again limited new orders from clients.

As such, output volumes increased at a slower rate than those seen earlier in the year. That said, the pace of expansion was faster than in August, in part due to some firms boosting their marketing activity. Attention was also directed at reducing outstanding business, which fell for the first time since January 2016. The overall contraction was only marginal though.

*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:*

*"The Dubai PMI remained relatively subdued in September, despite rising from the three-and-a-half year low in August. Sales growth slowed further as companies faced tough market competition, leading to another reduction in output prices. Activity growth did improve, but was still weaker than observed in the first seven months of the year.*

*"The slowdown led to a further weakening in the level of sentiment towards the one-year business outlook. That said, most firms are still optimistic that price discounting will encourage greater sales in the future, while continuing to mention the positive impact that the Expo 2020 is likely to have on the local economy."*

Slower growth of demand led firms to lower purchasing activity in the latest survey period, marking the first curtailing of input purchases since last October. Hiring activity also remained subdued over the month, with latest data signalling a fractional rise in workforce numbers.

For the seventeenth successive month, output charges set by Dubai non-oil firms dropped in September. The rate of decrease was quicker than in August, with respondents once again attributing this to a competitive market environment.

At the same time, overall input prices rose at the fastest pace in six months, although the increase was only modest and softer than the series average. Higher raw material costs were reportedly behind the uptick, while staffing costs rose only fractionally since August.

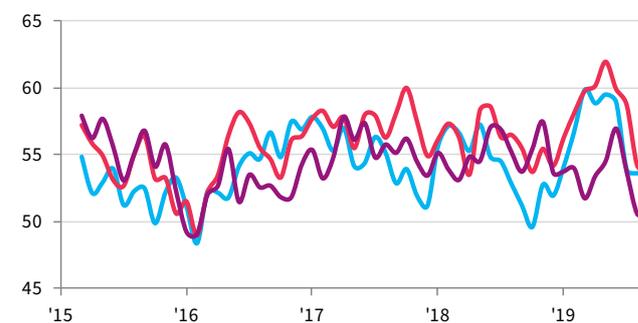
Meanwhile, delivery times faced by Dubai companies continued to shorten in September, although the rate of improvement was the weakest recorded since March.

Finally, with competitive pressures building and a slowdown in new order growth, fewer panellists gave a positive view for future activity during September. The level of sentiment fell to the joint-weakest for 14 months, but remained strongly optimistic and above the average for the survey history. Businesses reported that new products and discounted prices should help drive activity in the coming year, while the Expo 2020 was again widely mentioned as a boost to forecasts.

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.

September 2019 data were collected 12-25 September 2019.

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).