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IHS Markit Dubai Economy Tracker

Dubai's private sector growth slows in July

Key findings:

- Weakest increase in business activity in non-oil private sector in five months
- Companies continue to cut prices for goods and services
- Workforce numbers remain broadly unchanged

Data collected 12-25 July

This release contains the latest data collected from a monthly survey of business conditions in the Dubai non-oil private sector. Produced by IHS Markit, the survey provides an early indication of operating conditions in Dubai. The headline IHS Markit Dubai Economy Tracker Index 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.

Business activity in Dubai's non-oil private sector economy continued to expand in July. That said, the rate of growth slowed since June, to the weakest since February. Meanwhile, employment was little-changed during the latest period, continuing a sequence of stagnant labour market conditions seen through the year so far. Companies also continued to cut their prices charged for goods and services, while input prices fell for the first time in over a year.

The seasonally adjusted IHS Markit Dubai Economy Tracker Index – a composite indicator designed to give an overview of operating conditions in the non-oil private sector – fell from 58.4 in June to 55.2 in July, the lowest since

December 2018. The latest figure signalled a solid overall improvement in non-oil private sector business conditions in Dubai, and was broadly in line with its long-run trend level of 55.3. The month-on-month decline in the headline figure, at 3.2 points, was the largest observed since November 2014.

The overall slowdown in July mainly reflected the travel & tourism and construction sectors. The former posted a drop in its headline figure to 53.9, a seven-month low, while the figure for construction dropped to 53.8. Wholesale & retail, the third key sector monitored, bucked the overall trend with further marked growth (58.7), albeit the softest since February.

The rate of growth in total non-oil private sector business activity in Dubai weakened in July, to the slowest since February. That said, it remained sharp overall and above the long-run series average since 2010. Rates of expansion slowed sharply in the travel & tourism and construction sectors, while marked growth was maintained in wholesale & retail.

Labour market conditions in the non-oil private sector of Dubai remained stagnant in July. The level of employment barely rose since June, continuing the overall trend shown during 2019 so far. Job creation in the wholesale & retail sector was offset by cuts to workforce numbers in travel & tourism and construction.

The rate of expansion in new business in Dubai's non-oil private sector economy eased further from May's recent peak in July, and was only slightly stronger than the long-run trend pace since the series began in 2010.

Expectations for business activity over the next 12 months remained elevated at the start of the second half of 2019. The respective index was the third-highest on record. Sales forecasts in the wholesale & retail sector hit a new peak.

Average input prices paid by private sector firms in Dubai's non-oil private sector fell for the first time in 16 months in July, albeit only marginally. It was only the fourth time in over nine years where input prices have declined. Meanwhile, average prices charged for final goods and services fell for the fifteenth successive month in July, and at a faster rate than in June.

Comment

Trevor Balchin, Economics Director at IHS Markit and author of the report said:

“The start of the second half of 2019 saw Dubai's non-oil economy lift off the accelerator. The headline Economy Tracker index signalled the softest rate of expansion of the year so far in July, following the strongest period of growth in over four years during the second quarter. At 55.2, the latest figure was broadly in line with the long-run series average. Moreover, the month-on-month drop in the headline figure, from 58.4 in June, was the second-largest recorded since the series began in 2010.

“The slowdown in overall business conditions reflected much weaker increases in output and new business, while the contribution from employment remained neutral.

“Inflationary pressures weakened, with input and output prices falling concurrently in July for the first time since March 2018.”

Ends-

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Notes to Editors

The IHS Markit Dubai Economy Tracker™, produced by IHS Markit, is based on data compiled from monthly replies to questionnaires sent to senior executives in approximately 600 private sector companies, which have been carefully selected to accurately represent the true structure of the Dubai economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month.

For each of the indicators the 'Economy Tracker report' shows the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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