

IHS Markit Dubai PMI®

Dubai economy continues slow recovery

Key findings

Business conditions improve modestly for third month in a row

Output and new business growth solidify

Weakest fall in employment for seven months

Data were collected 11-24 September 2020.

The Dubai non-oil private sector saw another modest improvement in business conditions during September, amid efforts to recover from the coronavirus disease 2019 (COVID-19) outbreak and lockdown measures. Activity and new business rose at faster rates than in August, with demand growth reaching a ten-month high. As a result, the decline in employment slowed to a moderate pace, while business expectations improved slightly.

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 at 51.5 in September, indicating a third successive monthly improvement in the performance of the non-oil private sector. The index rose from 50.9 in August, but remained below that seen in July and markedly down on the series average of 54.7.

Nevertheless, the latest survey data indicated stronger increases in both output and new business across the private sector in September. Notably, the rate of sales growth reached the strongest for ten months, driven by reports of higher client demand and the starting of new projects as more economic activity resumed.

continued...

Dubai PMI

sa, >50 = improvement since previous month



Comment

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

"September PMI data finalised a third-quarter period of modest economic recovery in Dubai. The PMI has consistently remained above the 50.0 no-change mark since July, as business activity grew during the easing of COVID-19 restrictions.

"On the downside, the PMI has failed to lift off or signal any strong rebounds in output so far, with firms often initiating price cuts in order to drive sales higher. Meanwhile, employment data signalled a cautious outlook as firms often shed workers to manage cost pressures and enable discounting.

"Furthermore, the recent rise in COVID-19 cases across the UAE and the threat of reimposed restrictions could lead to a further dip in activity later this year. Firms will thus be wary of expanding too much or too quickly."

The wholesale & retail sector saw another sharp rise in new orders during the month, with growth near-matching that seen in August. The strong upturn led a modest rise in construction work. Travel & tourism business continued to decline, albeit at the slowest pace since February.

In line with recent survey periods, firms in the Dubai non-oil sector reported price cuts during September in an effort to boost sales. The rate of discounting slowed from August, but was still solid and partly accountable for the rise in sales, according to panellists.

Meanwhile, output levels expanded solidly for the fourth month in a row, as firms noted efforts to build activity back to pre-virus levels. That said, evidence of further cuts to jobs highlighted the need for some firms to reduce staff expenses. On a positive note though, the fall in employment was the weakest in seven months.

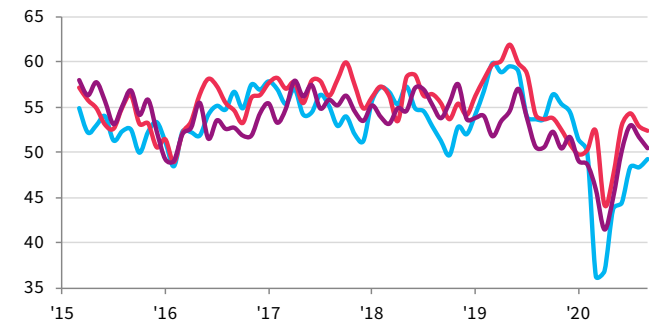
Staff cuts continued to stave off any notable rise in cost pressures in September, with input prices up only marginally. Nevertheless, amid a solid drop in selling prices, margins remained under considerable pressure.

Business expectations regarding the year ahead ticked up at the end of the third quarter, albeit with companies overall giving a relatively subdued outlook for activity. Hopes of further growth were largely linked to a recovery in sales as COVID-19 lockdown restrictions are eased.

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 data were collected 11-24 September 2020.

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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