

## IHS Markit UAE PMI®

### Business activity contracts for first time since May

#### Key findings

Health of non-oil economy deteriorates again as output falls

Workforce numbers fall at slowest rate in nine months

Outlook turns negative for first time on record

Data were collected 12-24 November 2020.

The UAE non-oil private sector economy suffered a further deterioration in business conditions during November, latest PMI data showed, in part caused by the first decline in activity since May. Firms continued to struggle amid subdued market conditions and lower customer numbers than seen prior to the coronavirus disease 2019 (COVID-19) pandemic. New orders grew during the month, but only slightly, whereas more positively employment fell at slowest rate since February.

At the same time, business confidence towards growth prospects worsened in November, with companies now predicting a fall in output for the first time in the series history.

The headline seasonally adjusted IHS Markit UAE Purchasing Managers' Index™ (PMI®) – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – was unchanged at 49.5 in November, registering below the 50.0 threshold for the third time in four months.

The index remained in contraction territory largely due to the output sub-component, which registered below 50.0 for the first time since May. Firms highlighted that the recovery in activity after the COVID-19 lockdown had stalled as demand conditions remained subdued and concerns about a renewed increase in virus cases intensified.

Having fallen for the first time in five months during October, new business volumes were up in November, albeit only just offsetting the decline seen in the previous survey period. In addition, some companies directly linked higher sales to discounts offered in November, as firms hoped that price cuts

*continued...*

UAE PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

#### Comment

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

*"Notably, the latest data signalled a renewed decline in output across the non-oil economy in the UAE during November. The sector continued to suffer from weak demand which, despite a partial recovery, is reportedly still much softer than prior to the COVID-19 pandemic.*

*"Sales trends did pick up, but only enough to reverse a fall in business volumes seen in October. Firms were hindered by a renewed fall in exports as global markets suffered from rising COVID-19 cases and lockdowns in some regions, including Europe.*

*"With the economy struggling to revive, job numbers once again declined, while businesses gave a negative outlook for the year ahead for the first time since sentiment data were first collected in April 2012."*

would restore market demand.

New orders from foreign clients decreased slightly in November, after rising in the prior two months. The fall coincided with stricter lockdown measures in Europe as the region saw a second wave of COVID-19 cases.

With cases also rising in the UAE, firms gave a pessimistic outlook towards business activity over the coming year in November. It marked the first time in the over eight-and-a-half-year series history where a downturn in output was predicted, largely due to worries about the pandemic's impact on the economy

Meanwhile, private sector employment dropped again in November, extending the run of decline seen since January. However, the fall softened and was the least marked in nine months, as some surveyed firms recalled previously-employed staff.

Purchasing activity returned to retrenchment mode, as many companies found that they had enough input stocks during the month after a solid increase in buying at the start of the fourth quarter. Consequently, inventories fell for the third month in a row. Supply chain pressures meanwhile eased after a slight increase in lead times in October.

Purchase prices fell for the first time since April, alongside a further drop in staff costs. This supported another reduction in output charges, although the rate of discounting was only modest.

## Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

## Contact

David Owen  
Economist  
IHS Markit  
T: +44 2070 646 237  
[david.owen@ihsmarkit.com](mailto:david.owen@ihsmarkit.com)

Katherine Smith  
Public Relations  
IHS Markit  
T: +1 781 301 9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

### Methodology

The IHS Markit UAE PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 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.

November 2020 data were collected 12-24 November 2020.

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.

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