

IHS Markit Dubai PMI®

Output growth accelerates in July

Key findings

Joint-quickest rise in activity for a year

New work increases strongly as demand rebuilds

Employment growth picks up to 20-month high

Data were collected 8-26 July 2021.

Dubai's non-oil private sector economy enjoyed a solid expansion in July, latest survey data showed, as increased consumer spending led to the joint-fastest rise in output since July 2020. As a result, firms added to their workforces at the quickest rate in over a year-and-a-half, though business expectations remained subdued. There was also a renewed drop in output charges, despite rising input prices due to global raw material shortages.

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 from 51.0 in June to 53.2 in July, to indicate a solid improvement in non-oil private sector business conditions. Notably, the upturn was the second-quickest since November 2019, and only slightly weaker than April's recent peak.

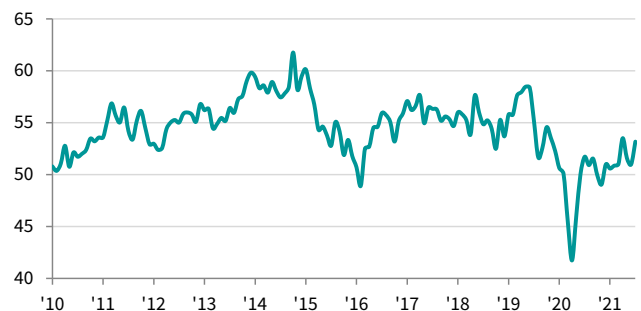
The index was driven by a much faster rise in output levels at the start of the third quarter. After slipping in each of the prior two months, the rate of business activity growth accelerated to the joint-strongest in a year. Sector data showed that travel & tourism firms saw the most marked improvement in output growth since June, with wholesale & retail and construction also recording faster expansions.

Where higher activity was reported, surveyed businesses often

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:

"Growth in the Dubai non-oil economy re-accelerated in July, helped by a rise in customer numbers that boosted sales in the travel & tourism and wholesale & retail sectors. This was also a key driver of employment as firms frequently mentioned hiring sales staff, leading to the fastest rate of job creation since November 2019.

"Businesses will be hoping to build on the economic recovery throughout the rest of the year. At 53.2 in July, the headline PMI was at its second-highest in 20 months, to offer further reassurance that the economy is heading in the right direction."

pointed to a rise in demand and improving economic conditions after the impact of COVID-19. New order volumes rose at the quickest pace in three months, whilst also exceeding growth rates seen throughout the 16 months prior to April. Firms signalled increasing pressure on capacity during July, as levels of outstanding work rose to the greatest extent for more than two years.

Non-oil firms added to their workforce numbers in July, often citing additions to sales teams in response to rising customer footfall. Whilst only marginal, the rate of job creation quickened to the fastest since November 2019. There was a renewed increase in employment among wholesale & retail companies, while growth accelerated in the travel & tourism and construction sectors.

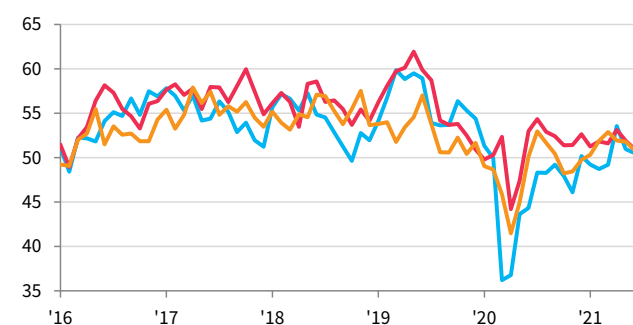
Meanwhile, delays to input shipments and shortages of key items meant that companies faced a rise in input prices in July. The overall rate of inflation was modest, however, and slower than the long-run average. Whilst some firms raised their output charges in response to higher costs, a greater number lowered their charges. Survey respondents typically cited discounts for clients to stimulate sales.

The degree of positivity towards future activity remained subdued in July, despite rising to a three-month high. Those providing an optimistic outlook for the coming year mostly commented on hopes of an economic recovery due to the vaccine programme and demand related to Expo 2020. However, the uncertain path of the pandemic and the impact of supply side problems dampened growth prospects.

PMI by sector

Travel & tourism / Wholesale & retail / Construction

sa, >50 = improvement since previous month



Source: IHS Markit.

Contact

David Owen
Economist
IHS Markit
T: +44 1491 461 002
david.owen@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

July data were collected 8-26 July 2021.

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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