

## IHS Markit Dubai PMI®

### Growth slips to modest pace in May

#### Key findings

New order growth softens from April's recent high

Output expands at slowest pace for six months

Worst supply chain delays since April 2020

Data were collected 4-24 May 2021.

The Dubai non-oil private sector economy continued to expand in May, latest PMI data suggests, although the rate of growth cooled off from April's robust level. Output and new business both grew to a lesser extent, while there was a renewed decrease in employment. After rising for the first time in three years in April, output charges declined in the latest period, as firms sought to boost their sales whilst cost pressures remained weak.

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.

After posting a 17-month high of 53.5 in April, the seasonally adjusted IHS Markit Dubai Purchasing Managers' Index™ (PMI®) fell back to 51.6 in May. However, this still signalled the second-quickest improvement in operating conditions for ten months.

Four of the five sub-indices of the headline PMI provided a weaker contribution than in April, with suppliers' delivery times the exception. The largest drops were recorded by the Output and New Orders Indices, which both decreased by 3.8 points over the month.

Output in the non-oil economy increased for the sixth month running in May, but the rate of growth slowed to the weakest

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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:

"After rising for three months in a row, the Dubai PMI slipped from 53.5 in April to 51.6 in May, to signal a more modest improvement in non-oil business conditions. Both output and new orders rose at weaker rates, although April's data was the strongest seen since late-2019.

"The slowdown led firms to reduce their workforce numbers in May, but the overall rate of job losses was only marginal. Price pressures on inputs remained weak, allowing firms to decrease their selling prices after recording the first uptick in three years in April."

seen in this sequence. Surveyed businesses noted that work on ongoing projects had helped to offset a slowdown in new order growth. Construction was the only monitored sector to see a faster rise in output during the month, with Wholesale & Retail seeing a slower expansion and Travel & Tourism registering a renewed decrease in activity.

New business rose only modestly during May, after expanding to the greatest extent for one-and-a-half years in April. Travel & Tourism was again the weakest of the monitored sectors, as new work declined for the fourth time in five months.

Softer rises in both output and new orders led companies to reduce their staffing levels in the latest survey period. The fall in employment was the second recorded in three months, but only slight overall. Input purchases and inventories rose at the slowest rates since February, as stronger demand pressure was partly offset by efforts to run down existing stocks.

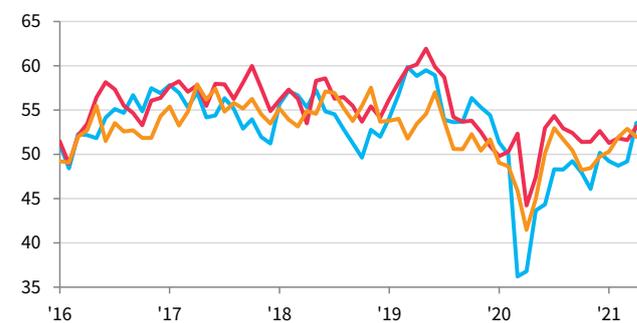
Vendor performance deteriorated for the fourth successive month in May, amid reports that the pandemic had caused further disruption to input shipments. Notably, the rate at which lead times lengthened was the fastest since the record set in April 2020.

Input prices picked up for the fourth month in a row, but the overall rate of inflation weakened to just a marginal pace. As a result, there was a renewed decrease in output charges, after firms raised their prices for the first time in three years during April. According to panellists, discounts were offered to finalise orders and win new clients.

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.

May data were collected 4-24 May 2021.

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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