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IHS Markit Dubai PMI®

Business activity declines in November, but job shedding eases

Key findings

First contraction in output since May

New business growth eases to five-month low

Softest fall in employment in nine months, despite negative outlook

Data were collected 12-24 November 2020.

Businesses in Dubai saw a renewed fall in activity in November, latest PMI data showed, as the impact of coronavirus disease 2019 (COVID-19) appeared to worsen amid rising global cases. Growth in new work eased to the weakest seen in five months, leading to a solid reduction in output.

Meanwhile, sentiment regarding the next 12 months of activity fell to a new record low, amid increased worries about a slowing economic recovery. Nevertheless, job shedding eased to the weakest seen in the nine-month downturn.

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 49.0 in November, the lowest recorded since May. Falling from 49.9 in October, the reading signalled a quicker – but still marginal – decline in operating conditions.

Firms in Dubai lowered output for the first time in six months during November, and at a solid pace. The decline was often linked to the ongoing impact of the COVID-19 pandemic, with many reporting that the recovery since the national lockdown had been slow.

New business growth meanwhile softened to a five-month low in November. While some businesses saw a rise in demand,

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:

"A renewed fall in output and slower sales growth were evident across the Dubai non-oil private sector in November, highlighting the possibility of a 'double-dip' economic downturn from the pandemic. COVID-19 cases have risen in the UAE and globally, leaving firms uncertain as to how restrictions may impact new business in the near future.

"However, news about effective vaccines could restore long-term optimism, as firms are likely to place greater hopes of a strong recovery in 2021.

"Job numbers were stabilising in November, to signal that the impact of cost-cutting efforts on payrolls has started to ease. However, a possible hit to demand from falling customer numbers or renewed lockdown measures could lead to another setback for employment in the short-term."

often linked to price discounting, others highlighted a drop in sales due to tough market conditions.

On a sector basis, demand weakness was most prominent in travel & tourism, which panellists associated with a reduction in travel as COVID-19 cases flared in some key overseas markets. Construction firms also struggled, noting a lack of new projects and having to rely on work started before the pandemic.

Consequently, firms in the Dubai non-oil sector gave an even worse outlook for the year ahead in November. Falling to a new record low, business expectations were also negative for the first time since this series began in April 2012.

Despite greater concerns about the business outlook, employment continued to stabilise in the latest survey period, with data signalling the weakest fall in workforce numbers in the current nine-month downturn. This was helped by successive rises in new business, especially in the wholesale and retail sector.

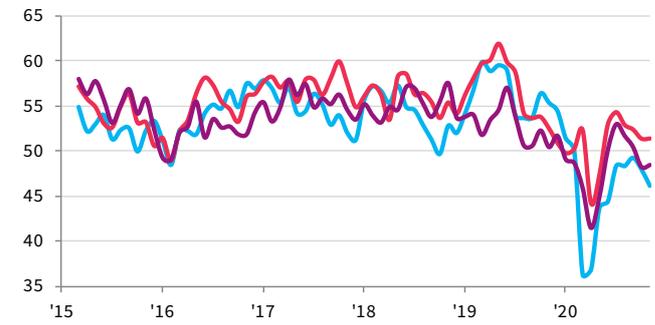
Average prices charged continued to fall, although the latest round of discounting was the softest seen since May. Firms reported lowering prices to finalise orders and improve market demand. This was supported by a further subdued rate of input cost inflation.

Stocks of inputs held by Dubai businesses fell for the third month running in November, but again only mildly. Deliveries were meanwhile slower to arrive than in October, although the decline in vendor performance was marginal.

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.

November data were collected 12-24 November 2020.

For further information on the PMI survey methodology, please contact 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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