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IHS Markit Dubai PMI®

Dubai non-oil economy stabilises in June

Key findings

Business activity rises for first time since February

New work up marginally, but firms continue to lower employment

Confidence strengthens as lockdown restrictions ease

Data were collected 12-24 June 2020.

June PMI data signalled an end to the recent downturn across Dubai's economy, as the region relaxed measures designed to stop the spread of coronavirus disease 2019 (COVID-19). Businesses saw a tentative rise in new work as activity levels strengthened, although payroll numbers were again reduced sharply. Confidence about the business outlook continued to improve, reaching the highest since March.

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 46.0 in May to the neutral 50.0 mark in June, to signal no change in overall business conditions at the end of the second quarter. Nevertheless, this ended a three-month downturn in the Dubai non-oil economy that was the worst seen in the series history and caused by the coronavirus pandemic.

The easing of lockdown measures supported a strengthening of business activity. Output grew for the first time in four months and at a solid rate, as firms received higher levels of new business. However, the rise in new work was subdued, as some companies still found that market conditions were weak.

At the sector level, construction and wholesale & retail returned to business activity growth in June. By contrast, travel & tourism

continued...

Dubai PMI

sa, >50 = improvement since previous month



Comment

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

"The latest PMI survey data offered hopeful signs for the Dubai non-oil private sector. The headline PMI was 50.0 in June, signalling neither growth nor contraction, but marking a notable improvement from the severe downturn seen during the coronavirus pandemic.

"Business activity was back in positive territory as firms were given a welcome boost from the relaxing of lockdown measures. Some sectors were on the path back to normality, according to survey respondents, though others presented a more cautious picture, finding that demand in some areas, notably travel & tourism, was still extremely weak.

"Firms direly need a boost to cash flow, as many have been left struggling with low revenues and high cost burdens in June. Workers have been hard-hit, with employment dropping sharply for the fourth month in a row."

remained in decline, although business expectations turned positive for the first time since March.

While overall activity and new business levels expanded, this was weighed on by a further reduction in private sector employment in June. Despite higher demand, the hit to firms' revenues from the lockdown period meant several companies laid off staff to lower cost pressures. The drop in employment was sharp, and broadly in line with the average seen since March.

The headline index was also lowered due to the first decrease in supplier delivery times for five months, as relaxed travel restrictions helped vendors to supply inputs to Dubai businesses. However, the improvement was only marginal. At the same time, firms expanded stocks of inputs for the first time since January.

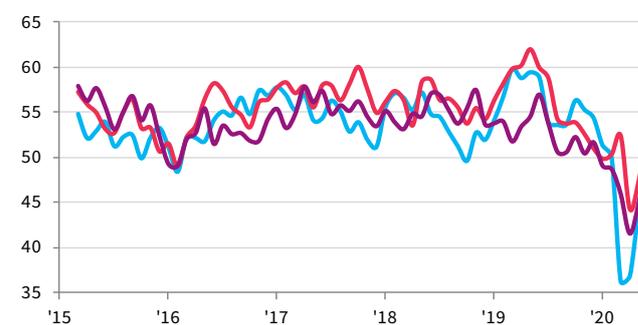
Supplier prices increased during June, leading to a slight uptick in overall expenses at non-oil private sector firms. The rate of inflation was eased by additional salary cuts and lower workforce numbers, however.

Confidence strengthened for the second month running during June as Dubai took steps toward normal activity with the relaxation of lockdown measures. More businesses were optimistic that activity will grow over the coming year. Rising from a record low in April, business expectations were nonetheless much weaker than prior to the onset of the COVID-19 pandemic.

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.

June data were collected 12-24 June 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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