

IHS Markit Dubai PMI®

Dubai's non-oil sector returns to expansion

Key findings

PMI data signals strong rise in output at end of year...

... but job cuts remain, and quicken from November

Business outlook still subdued

Data were collected 4-17 December 2020.

Non-oil private sector companies in Dubai signalled a return to growth at the end of 2020, amid a strong rise in business activity and a faster increase in new work. However, employment numbers continued to fall as sentiment for the upcoming year was still subdued. Cost pressures were weak in December, supporting a further drop in selling prices, albeit at the slowest rate since May.

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 above the 50.0 no-change mark in December, posting 51.0 (from 49.0 in November) to indicate a modest expansion in the non-oil economy, and the first seen for three months.

The improvement in the headline PMI was largely driven by a sharp rise in business activity in December, after Dubai non-oil firms curtailed output midway through the final quarter. The rate of expansion was the second-quickest throughout 2020, bettered only by July's uptick.

Firms related the rise in output to higher sales during the month, which increased at the strongest rate since September. There were renewed expansions in new work across the travel

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:

"An increase in output and new orders led to a renewed improvement in the health of the Dubai non-oil sector in December, shown by the headline PMI rising back above the 50.0 neutral mark. At 51.0, however, the index signalled only a slight expansion in Dubai's economy, as falling employment, lower stocks of purchases and shorter delivery times all acted as drags on the headline reading.

"Looking ahead, firms continued to present a highly subdued outlook for business activity in December, despite some confidence that the confirmed effectiveness of COVID-19 vaccines should help a global economic recovery in 2021. Businesses noted that the after-effects of the pandemic will continue to be felt across the non-oil sector, particularly as hiring remains weak and containment measures continue to stem export demand."

& tourism and construction sectors, but growth was quickest in the retail & wholesale category. In all sectors, panellists who saw a rise in sales often linked this to the offering of price discounts.

Moreover, the increase in client demand failed to drive a rise in hiring activity, as December data signalled a tenth consecutive fall in job numbers. Moreover, the rate of job shedding accelerated slightly since November.

Meanwhile, companies in Dubai continued to lower their inventories of inputs, but the rate of decline remained modest. Firms often highlighted efforts to clear out old stocks. With input demand lower, and fewer deliveries required, suppliers managed to shorten lead times for the first time in four months.

Average prices charged fell for the thirty-second month in a row during December, as companies continued their efforts to secure more business by offering discounts. That said, the pace of decline in selling prices softened for the fourth consecutive month and was the least marked since May.

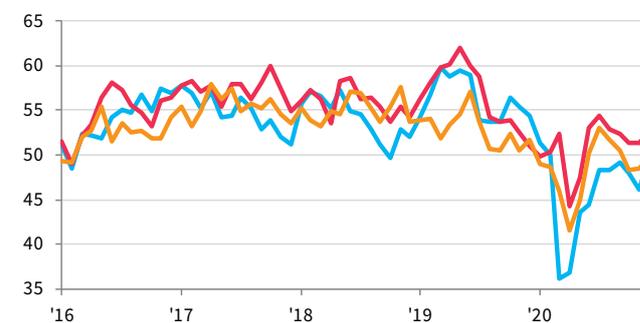
Helping firms to drop output charges was a subdued rate of input cost inflation at the end of the year. Businesses saw only a fractional degree of cost pressure, as prices for most inputs remained flat.

Output expectations for the coming year returned to positive territory in December, after firms gave a negative forecast in November for the first time since sentiment data were collected in April 2012. That said, the overall outlook remained subdued, with many respondents expecting output to remain unchanged by the end of 2021. Anecdotal evidence suggested that some respondents were sceptical of an economic recovery in the near-term due to the continued impact of COVID-19 on business turnover.

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.

December data were collected 4-17 December 2020.

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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