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IHS Markit Dubai PMI®

Activity levels fall again in May, albeit at slower rate

Key findings

Dubai PMI up to 3-month high, but consistent with solid decline

Drops in output and new business soften

Employment falls at weakest pace since February

Data were collected 8-22 May 2020.

Dubai's non-oil private sector economy endured a further downturn in May, despite rates of decline easing since the height of lockdown restrictions to combat the coronavirus pandemic in April. Falls in both output and new orders softened in the latest survey data, leading to the slowest drop in employment for three months. Nonetheless, a weak demand environment meant that overall conditions remained subdued, while business confidence ticked up only gradually from April's record low.

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 41.7 in April to 46.0 in May and was consistent with a relatively strong decline in business conditions across the Dubai non-oil private sector. That said, the headline reading was the highest recorded since February.

A relaxation of lockdown measures in the emirate led to softer falls in both activity and new business in May, with the latter decreasing at the weakest pace for three months. Rates of decline were still historically sharp, due to ongoing weakness in client demand as business confidence remained subdued.

Consequently, firms made further cuts to employment, extending the current round of job losses that began in March.

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:

"While the Dubai PMI ticked up from the record low suffered in April, the latest survey data suggested economic conditions remain a long way from recovery in May."

"Businesses highlighted that, despite restrictions on economic activity being partly lifted, weak consumer demand and a slow market response stopped them from making headway into covering their losses."

"Subdued demand prompted further cuts to jobs, although the fall in employment did ease to the slowest rate seen during the pandemic. At the same time, the sentiment-led future output index signalled that firms remain unsure about the path to recovery. Activity is expected to improve in the year ahead, but it remains to be seen how long it will take for the Dubai economy to rebound following COVID-19."

However, the latest drop in workforces was the slowest in this period as fewer businesses sought to lower staff costs.

Declines in activity were again broad-based across the three monitored sectors in May, with travel & tourism registering the sharpest contraction for the third month in a row. Construction firms reported the steepest fall in incoming new work, noting that clients were unwilling to commit to new projects during the pandemic.

Average charges set by Dubai non-oil private sector firms decreased for the twenty-fifth successive month during May, although the rate of reduction was the weakest since August 2019. This occurred alongside a renewed rise in overall cost pressures.

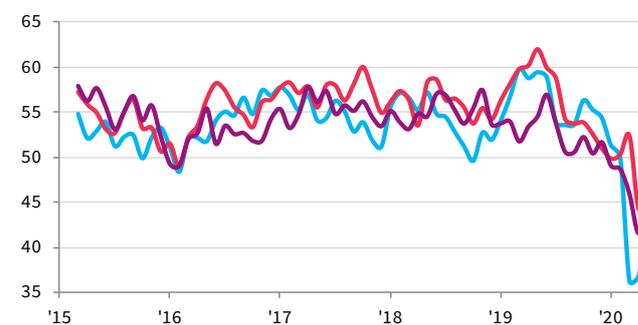
Meanwhile, firms saw a further increase in delivery times midway through the second quarter. The rate of lengthening slowed notably from April, but panellists again highlighted that the COVID-19 pandemic had a strong impact on the shipment of supplies.

Finally, business expectations regarding the next 12 months of activity in the non-oil economy ticked up in May. Nevertheless, overall sentiment was still the second-weakest in the survey history and signalled only modest optimism toward a recovery in output.

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 8-22 May 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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