

IHS Markit Dubai PMI®

New business growth slows sharply in January as COVID-19 cases surge

Key findings

New orders rise only modestly after marked growth in December

Output continues to rise sharply, but job creation stalls

Business confidence slides to eight-month low

Data were collected 12-25 January 2022.

Growth in Dubai's non-oil private sector economy was quelled by the Omicron wave of COVID-19 in January, as the latest PMI data signalled a much weaker rise in new business following December's 29-month high. Supply chain challenges and price pressures also persisted, although firms continued to see a strong recovery in activity following looser stringency measures.

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®) decreased for the first time in four months, from 55.3 in December to 52.6 in January. The index was nonetheless above the 50.0 neutral mark for the fourteenth consecutive month, indicating a solid upturn in business conditions across the non-oil private sector.

Output levels continued to rise at a sharp pace during January, as businesses commented on a further improvement in economic conditions from the pandemic. The expansion was led by another marked upturn in construction output, which was the joint-strongest since mid-2019. At the same time, slower expansions in the wholesale & retail and travel & tourism sectors meant that the overall increase in non-oil activity was slightly weaker than in December.

The latest data indicated only a modest uptick in new orders

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:

"After a strong final quarter of 2021, the Dubai non-oil economy lost momentum at the start of the year, amid a much milder rise in new work volumes that firms will hope is largely a blip due to the Omicron wave. Despite the slowdown in sales growth, business activity continued to rise at a sharp pace, although this could be further impacted in the coming months if demand does not recover quickly."

"Meanwhile, firms showed additional signs of strained capacity as delayed freight arrivals and rising inflationary pressures limited stock levels and led to a further rise in backlogs of work. Higher cost burdens translated into a much softer and only marginal reduction in selling charges."

"Going forward, Dubai businesses expect market conditions to continue to improve as the pandemic hopefully has a more limited impact through 2022. However, the latest data signals that the economy is not yet immune to new waves and could also face further disruption on the supply side."

during January. Several firms indicated that the rapid increase in COVID-19 cases linked to the Omicron variant had led to a drop in client demand, while others suggested that strong competition weighed on growth. Weaker expansions were recorded in all three monitored sectors, but wholesale & retail firms experienced the greatest loss of momentum.

As a result, businesses were less confident for the year ahead, as output expectations slipped to the lowest since last May. Efforts to hire new staff were also less prevalent than in December, resulting in a broadly unchanged level of employment.

Supply chain challenges remained evident in the non-oil sector in January. Businesses often reported that delays in the shipment of goods drove a further solid rise in outstanding work, despite softer demand pressures.

There was also an additional rise in purchasing prices as supply pressures pushed raw material costs higher, though the pace of inflation eased from a nine-month high in December. Strong cost pressures influenced some firms to rein in buying activity and use input stocks to fulfil output requirements, leading to a slight reduction in inventories for the second month running.

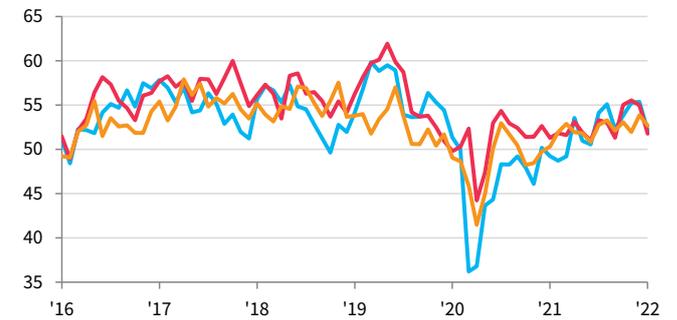
Notably though, domestic suppliers were often able to work around supply chain issues and deliver more quickly, according to survey respondents. As a result, overall lead times shortened for the third time in four months.

Reports of strong competition drove non-oil firms to lower their output charges again in January. However, the latest decline in charges was the slowest for seven months and fractional, as discounting efforts were partly offset by the sustained rise in input costs.

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.

January data were collected 12-25 January 2022.

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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