

News Release

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S&P Global Dubai PMI®

Output growth remains strong in January, but confidence falls sharply

Key findings

Business activity continues to rise at robust pace

New order growth slips to five-month low

Worst outlook for future activity since December 2022

The non-oil private sector economy in Dubai registered another strong performance in January, according to the latest PMI® survey data. The rate of growth in business conditions fell back from December's 16-month high, but expansions in output and new orders remained marked as client demand continued to rise. The upturn spurred a further round of stockpiling and staffing gains, although the rise in employment was only marginal.

Looking ahead however, there were greater signs of uncertainty among Dubai-based companies, as optimism surrounding the future path of activity dropped sharply to a 13-month low. The decline came amid increased concerns of competition in the market, as well as worries about the impact of supply chain disruption in the Red Sea.

The headline S&P Global 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.

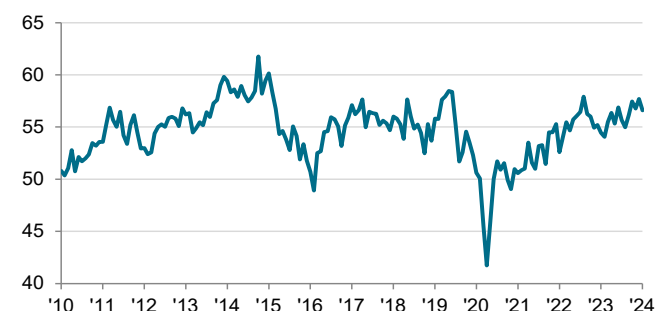
The headline PMI fell to 56.6 in January, from a 16-month high of 57.7 in December, to mark the lowest reading since last September. However, the index was still two points higher than the long-run average (54.6) and indicated a sharp improvement in operating conditions.

Once again, the survey data signalled a robust increase in non-oil activity across Dubai at the start of 2024. The upturn was mainly attributed to a further rise in new order volumes, which was in turn linked to strong demand and greater promotional activity. However, amid increasing reports that market competition was weighing on firms' sales growth, the uplift in new orders was the softest seen since last August.

Concerns surrounding greater competition also fed through to a sharp drop in business expectations for the upcoming

S&P Global Dubai PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 11-25 January 2024.

Comment

David Owen, Senior Economist at S&P Global Market Intelligence, said:

"The Dubai PMI data remained very positive at the beginning of the year, with output levels rising strongly on the back of healthy demand conditions and respective increases in new orders and purchasing."

"However, there are teething issues starting to appear. Competition is the main one, with surveyed businesses finding it increasingly difficult to drive sales growth as the market becomes crowded. Firms were often led to offer discounts on prices, which will likely squeeze profit margins."

"The Red Sea crisis also appears to be a growing risk to Dubai, especially if more companies experience delays on their shipments. Supply chain performance was only just in positive territory in January, with any escalation of the crisis likely to lead to longer wait times, higher costs and capacity constraints."

PMI®

by S&P Global

year. Indeed, the degree of optimism fell to the lowest level since December 2022, with just 10% of survey respondents expecting a rise in output. As well as fears of slower demand growth, some firms warned that greater supply chain disruption due to the Red Sea attacks could hinder activity moving forward. Business optimism dropped particularly sharply in the construction and travel & tourism sectors.

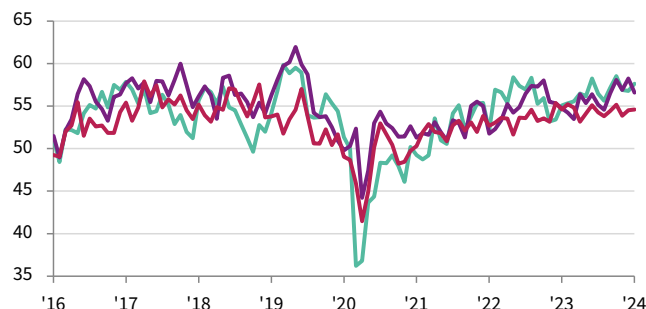
Supplier delivery times improved only marginally and at the slowest rate in just over a year in January, as shipment delays also impacted vendor efficiency. Nevertheless, companies were still able to boost their stocks of purchases, which increased sharply.

Cost pressures in the non-oil economy were fairly subdued at the start of the year, although the rate of inflation crept up slightly from December's five-month low. This came in spite of some reports that longer shipments had led to an increase in transport costs, as well as evidence of upward salary revisions. This helped firms to continue offering discounts on their products, resulting in another solid decrease in overall selling prices.

Subdued trends were also recorded in labour markets as non-oil businesses reported only a slight increase in employment levels. Most panellists found that there was little need to boost their workforces despite higher new work intakes.

- Wholesale & Retail PMI
- Travel & Tourism PMI
- Construction PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

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Survey methodology

The S&P Global Dubai PMI® is compiled by S&P Global 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. Data were first collected in January 2010.

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.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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