

News Release

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S&P Global Dubai PMI[®]

PMI hits 35-month high as tourism growth strengthens, but cost pressures build

Key findings

Business conditions improve sharply in May...

...but cost inflation accelerates to over four-year high

Outlook slumps to 12-month low

Growth in Dubai non-oil business conditions strengthened to the greatest degree in nearly three years in May, according to the latest PMI survey from S&P Global. The robust expansion was aided by a marked improvement in the travel & tourism sector, as businesses saw a further recovery in sales.

At the same time, however, cost pressures quickened across the non-oil economy, driven by ongoing volatility in global energy markets. This added to greater uncertainty surrounding future growth, with overall confidence fading to a one-year low.

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 seasonally adjusted S&P Global Dubai Purchasing Managers' Index[™] (PMI[®]) picked up to 55.7 in May, up from 54.7 in April, and indicating a robust improvement in the health of the non-oil private sector. In fact, the latest reading was the highest since June 2019.

Strong new business growth remained a prominent feature of the non-oil economy during May, as survey panellists often noted an improvement in client demand as markets recovered from the pandemic. Notably, the upturn accelerated from April and was the second-fastest in nearly three years.

However, there was a considerable disparity in sales performance by sector. Of the three monitored categories, travel & tourism displayed by far the sharpest expansion in May, as businesses commented on further rises in bookings due to the easing of travel rules. By contrast, wholesale & retail firms saw a sharp slowdown in new order growth, while in construction, new work inflows declined for the first time

S&P Global Dubai PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-25 May 2022.

Comment

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

"May's PMI data for the Dubai non-oil economy had two prominent findings: firstly, that global energy market volatility drove cost inflation to an over four-year high; and secondly, that a fast-recovering tourism sector is now masking weak performances in the rest of the economy.

"On the new orders side, travel & tourism was the only sector to see an acceleration in growth in May, rising to the quickest pace for nearly three years. By comparison, wholesale & retail growth eased to a three-month low, while construction recorded the first decrease in new work since last September, as both businesses and households battled with rising inflationary pressures.

"The uplift in input costs also placed further pressure on firms' margins, amid additional reports of charge discounting. This contributed to a more subdued outlook for future activity, which slipped to the lowest in one year."

PMI[®]

by S&P Global

since September 2021.

Weakness in these two sectors came amid a sharp increase in input costs in May. The pace of inflation in the non-oil economy quickened to the fastest in just over four years, as firms particularly noted the impact of rising fuel prices due to the war in Ukraine. Other items such as steel, aluminium, chemicals and timber were also cited as up in price.

While firms attempted to pass these costs onto customers, overall output charges decreased for the eleventh straight month in May. According to panellists, strong competitive pressures continued to drive selling prices lower, though the overall reduction was only modest.

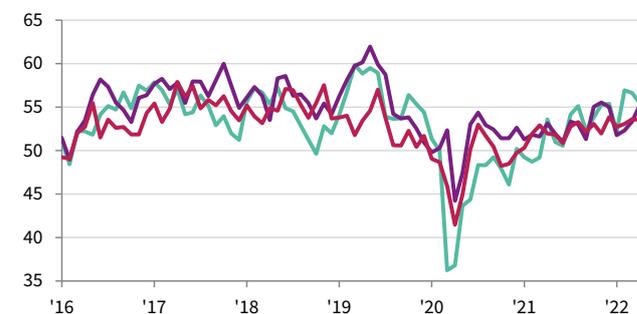
Meanwhile, survey data indicated a further marked increase in non-oil business activity during May. Companies signalled that rising new order volumes and ongoing project work were behind the expansion, which was the second-fastest in nearly three years.

Supporting the rise in output, firms expanded their workforce numbers during the month, following a slight reduction in April. While only marginal, the pace of job creation was the fastest in 2022 so far. Businesses were also helped by an improvement in suppliers' delivery times, albeit one that was the slowest since February.

Looking ahead, businesses were notably less confident of a rise in activity over the coming year in May, as inflation fears weighed on expectations of sales growth. In fact, the degree of optimism slipped to the weakest since May 2021.

■ Wholesale & Retail PMI
■ Travel & Tourism PMI
■ Construction PMI

sa, >50 = improvement since previous month



Source: S&P Global.

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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@ihsmarkit.com.

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