News Release

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S&P Global Dubai PMI®

Input prices begin to decline across non-oil economy in August

Key findings

PMI climbs to 38-month high as demand growth strengthens

Input costs fall at record pace

Business outlook weakens for second month running

Non-oil private sector businesses across Dubai reported a fall in overall input costs for the first time in 19 months during August, latest PMI® data showed, driven by a moderation of fuel prices following recent inflationary trends. The fall in expenses encouraged firms to reduce their output prices over the latest month, bolstering sales growth to a 38-month high, while output likewise rose at the sharpest rate for just over three years. The upturn encouraged renewed stockpiling of inputs and a pick-up in employment growth to the highest for eight months. Business expectations slipped to the weakest since May, however, amid uncertainty surrounding the global economic outlook.

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.

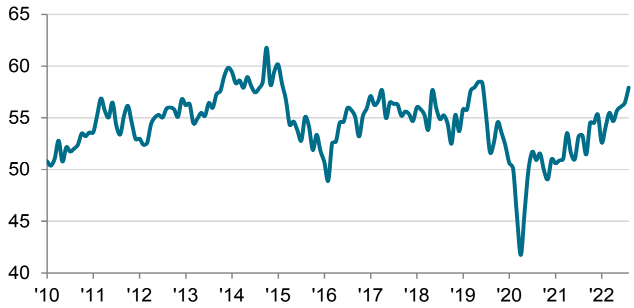
At 57.9 in August, the headline index was up from 56.4 in July to its highest reading since June 2019. The reading was indicative of a marked improvement in non-oil operating conditions, and well above the long-run series average of 54.5.

In line with the headline index, the sub-indices of Output and New Orders both rose to their highest readings for 38 months in August, indicating substantial expansions in activity and demand. Where output had increased, surveyed firms related this to improved market conditions, sustained pressure on capacity, rising tourism activity and price reductions.

Of the three sectors specially monitored by the Dubai PMI, activity growth was strongest in the travel & tourism industry in August, followed by wholesale & retail. Most

S&P Global Dubai PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-24 August 2022.

Comment

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

"The latest PMI data suggested that input costs at Dubai non-oil businesses had swiftly changed their direction in August, falling for the first time since the start of 2021 and at the quickest pace since the survey began almost 13 years ago. Recent drops in commodity prices helped to ease the burden on companies, particularly through a moderation of fuel prices.

"With this in mind, Dubai companies signalled renewed efforts to provide discounts to clients in August, prompting a fresh acceleration in new order growth. Reflecting this, the PMI made a further gain of 1.5 points to reach its highest since the middle of 2019.

"Despite this, uncertainty surrounding the future outlook for both the domestic and global economy meant that hiring efforts remained subdued in August, although the rate of job creation was the quickest seen in 2022 so far. Meanwhile, business activity forecasts were only mildly positive and the second-weakest so far this year."

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notably, travel & tourism posted the fastest rise in output for over three years.

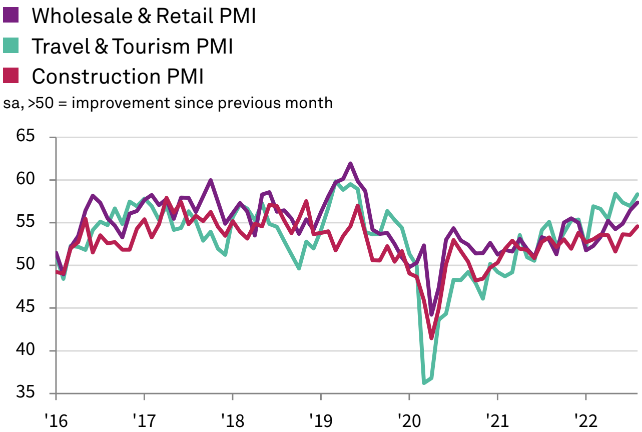
At the same time, all sectors registered a fresh decline in input prices in August, leading to a solid cut in overall cost burdens that was the quickest recorded in the series history. Firms largely attributed this to reduced fuel prices, with some adding that raw material prices and transport costs had fallen.

After stabilising in the previous month, output charges were subsequently lowered as businesses looked to pass on price corrections to customers. Lower charges were particularly seen by wholesale & retail businesses, where the rate of discounting was the most marked since late-2019.

Falling charges helped to support higher client demand, leading to a sharp and accelerated increase in total new orders during August. Similarly, lower purchasing costs encouraged some firms to renew stockpiling efforts, with inventories rising to the greatest extent for two years.

Employment was also up midway through the third quarter. The rate of job creation was the fastest seen in the year-to-date, but nevertheless still only mild and softer than the long-run trend.

One factor keeping job creation low was a weakening outlook for future activity, which dropped to the second-lowest so far in 2022. Despite some positivity that domestic consumer demand will continue to improve, in part due to lower fuel prices, firms also cited headwinds to the global economy from high inflation.



Source: S&P Global.

Contact

David Owen
Economist
S&P Global Market Intelligence
T: +44 1491 461 002
david.owen@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 7967 447 030
sabrina.mayeen@spglobal.com

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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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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. ihsmarkit.com/products/pmi.html.

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