

News Release

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S&P Global Dubai PMI®

PMI slips to 12-month low as demand growth softens

Key findings

New business rises at sharp, but softer pace

Strongest reduction in delivery times in three-and-a-half years

Cost burdens pick up

The Dubai PMI® gave further signals of growth softening across the non-oil sector in February, as business conditions improved at the slowest rate for 12 months amid waning new order expansion. Renewed price pressures were also recorded, although supply chain conditions improved notably, and output expanded at the sharpest rate in four months.

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 54.1 in February, the headline PMI posted firmly above the 50.0 no-change mark, indicating a robust improvement in the health of the non-oil sector. That said, the index dropped from 54.5 in January and was at its lowest reading since February 2022. Four of the five sub-components of the PMI had a downward influence in February, partly offset by a mark-up in the Output Index.

Indeed, this index picked up to a four-month high and signalled a robust expansion in non-oil business activity in February. Where output increased, firms largely attributed this to new clients and ongoing projects. Notably, the construction sector registered its strongest upturn in output since June 2019, while wholesale & retail and travel & tourism both saw faster increases in activity compared to January.

On the other hand, the overall fall in the PMI largely stemmed from a slowdown in new business growth. In fact, new orders rose to the least extent since the beginning of 2022, though the rate of growth was strong overall. While many companies continued to see demand increase, others reported that competitive pressures had weighed on sales.

Subsequently, non-oil companies registered slower increases

S&P Global Dubai PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 10-22 February 2023.

Comment

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

"The Dubai PMI followed its recent trend of showing growth coming off the boil, as the headline index dropped to a 12-month low of 54.1 in February. That said, the reading was still indicative of a robust performance for the non-oil sector, as new orders and activity continued to rise sharply. While new order growth slipped to a 13-month low, output growth picked up from January and remained well above the survey trend.

"Businesses were also more optimistic towards future output in February, reflecting confidence that demand conditions will continue to improve and avoid disruption from a weaker global economic climate. In addition, firms saw supplier delivery times improve sharply, with this index picking up to its highest level in three-and-a-half years."

PMI®

by S&P Global

in both employment and inventories during February. Job creation was only mild overall and the softest seen for five months, whilst stock levels grew to the least extent in the present seven-month run of expansion.

Reduced stockpiling efforts were recorded amid a fresh increase in input prices, which rose following a broadly stable cost environment in each of the prior two months. The overall uplift in costs was modest, but nonetheless the fastest since July 2022. Higher input prices were frequently linked by panellists to upticks in both material prices and shipping costs.

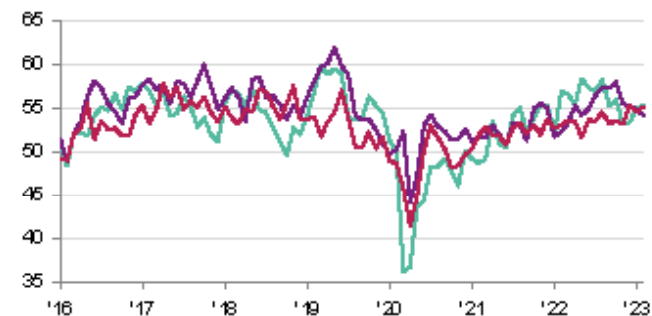
Despite expenses rising, companies reduced their output charges in a bid to support demand conditions. Charges fell for the seventh month running, although the rate of reduction was only modest and the softest since last November.

On the positive side, non-oil firms benefitted from a considerable improvement in supply chain performance, as vendors cut their delivery times to the greatest degree since August 2019. Panellists generally noted that suppliers had responded positively to requests for faster deliveries.

Firms were also broadly more confident about future activity in February. The degree of optimism towards the next 12 months reached its highest level since last June, as firms widely cited expectations that improving market conditions will support higher activity.

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

sa, >50 = improvement since previous month



Source: S&P Global.

Contact

David Owen
Senior 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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