

News Release

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S&P Global Dubai PMI®

Dubai PMI weakens to 11-month low but still points to robust growth

Key findings

Demand levels continue to increase sharply in January

Output rises rapidly, but confidence in the future remains weak

Delivery times improve at strongest rate since September 2019

The latest survey data of business conditions across the Dubai non-oil economy pointed to a further slowdown in growth momentum at the beginning of 2023. Five months after hitting its post-pandemic peak, the rate of expansion eased to the weakest recorded in almost a year, though it was still robust and driven by marked uplifts in both output and new orders.

Rising demand and stable input costs meanwhile encouraged increases in employment and inventories, whereas average selling prices continued to fall. These developments were partly supported by an improving supply chain environment, as delivery times shortened to the greatest extent since September 2019.

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.

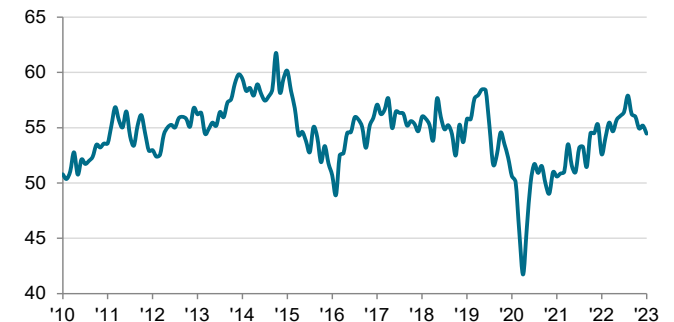
At 54.5 in January, the headline index remained well above the 50.0 neutral threshold to signal a robust improvement in operating conditions at the start of the year. The index nonetheless dropped for the fourth time in five months, falling from 55.2 in December to its lowest since February 2022.

Non-oil companies continued to indicate a strong demand environment in January, with numerous reports of higher customer orders, increased advanced bookings and new projects commencing. Whilst down slightly from December and the second-lowest in 11 months, the rate of new order growth remained marked overall, boosted by the strongest increase in new work at construction firms for three-and-a-half years.

Subsequently, business activity levels continued to rise

S&P Global Dubai PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-25 January 2023.

Comment

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

"The Dubai PMI dropped to an 11-month low in January to provide a further signal that post-pandemic growth across the emirate peaked in the third quarter of 2022. Nonetheless, the index was still well above the 50.0 no-change mark at 54.5, supported by robust expansions in both output and new orders.

"Dubai companies continued to benefit from relatively benign supply side and pricing conditions. Delivery times improved at the strongest rate in three-and-a-half years, whilst overall input costs were largely unchanged following a slight drop in December. These factors helped firms to increase their headcounts and boost inventory levels."

PMI®

by S&P Global

sharply at the turn of the year, although like new orders, the pace of expansion was the second-weakest for 11 months. Higher demand and reports of capacity pressures led firms to increase their employment numbers, with the rate of job creation just shy of October's near three-year high.

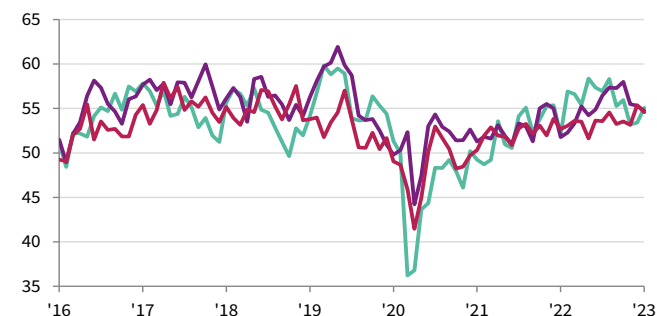
The latest survey data also pointed to a solid improvement in supplier performance. After lengthening slightly in the previous month, overall lead times decreased by the most in three-and-a-half years. The improvement supported another round of input stockpiling and meant that cost pressures remained relatively settled - the relevant sub-index posted broadly in line with the neutral 50.0 mark. Some panellists indicated that falling shipment fees helped to offset price increases of some materials.

A stable cost environment allowed firms to discount their output prices once again during January, with the modest cut in charges broadly similar to December's. Respondents cited that prices were usually reduced to strengthen sales.

Despite robust increases in both activity and demand, non-oil companies stayed relatively muted about the 12-month business outlook in January. Whilst picking up slightly since the end of the last year, optimism towards future activity remained lower than the long-run series trend, with just 11% of panellists expecting growth amid hopes of higher new orders. That said, sentiment was slightly above the average recorded in 2022.

- 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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