News Release

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S&P Global Dubai PMI®

New business growth accelerates further in October

Key findings

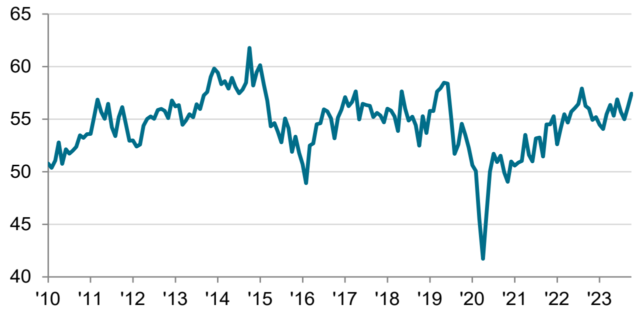
Sales upturn quickens to over four-year high

Inventories rise at sharpest rate in nearly six years

Business optimism soars

S&P Global Dubai PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 12-25 October 2023.

Momentum in the Dubai non-oil private sector economy remained on an upwards trajectory in October, amid surging demand and growing business confidence. According to the latest PMI® survey data, new business intakes increased at the sharpest rate since June 2019, with the upturn seen widely across key sectors.

With the improvement in sales growth providing added confidence to firms about the business outlook, the latest data highlighted a rapid build-up of inventories in October. Greater demand for inputs pushed prices higher, as indicated by the fastest rate of cost inflation for 15-months. On the flip side, staffing levels were raised only slightly as firms signalled having sufficient capacity to boost output levels.

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 index rose for the second month in a row in October, ticking up to 57.4 from 56.1 in September. Indicative of a sharp improvement in business conditions across the non-oil economy, the reading was also the second-highest since June 2019.

Driving the headline PMI higher was a faster increase in new business volumes. In fact, the rate of sales growth was the most marked in over four years, as firms frequently reported new clients and improving market demand. Price discounts were again mentioned as having supported sales.

Notably, the acceleration of sales growth was broadly spread across the three key sectors monitored by the survey, with each registering the sharpest upturn since June 2019. Sales growth was particularly marked among wholesale & retail firms and travel & tourism service providers.

Comment

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

"Demand momentum in the Dubai non-oil economy is on a steamroll in the latter part of the year, with October PMI data signalling that strong market conditions drove the sharpest rise in new business since June 2019. The uplift was steered by accelerations in multiple sectors, adding further confidence that non-oil growth will be robust in the fourth quarter.

"Output at non-oil firms rose at a sharp pace accordingly in October, while forward-looking indicators suggest that the expansion could step up further in the months ahead. This included business activity expectations which climbed to the highest since February 2020, prompting firms to accumulate stocks of purchases rapidly.

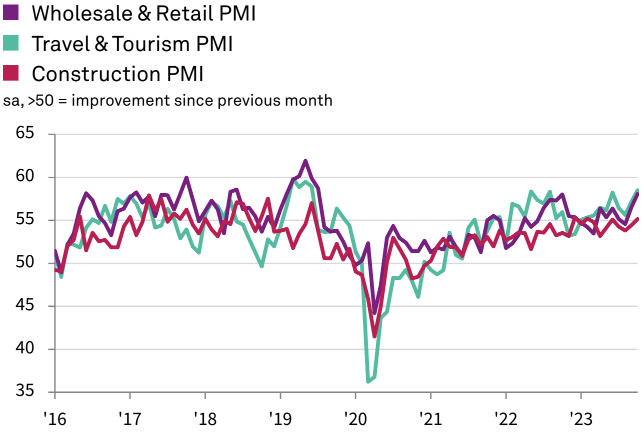
"The only lagging indicator is employment which dropped to a 13-month low and indicated only a marginal rise in staffing during October. The sharp increase in new order volumes suggests that firms will need additional labour in the coming months, although this depends on how much capacity they can build with existing workforces."

Improvements on the demand side supported another sharp rise in business activity across the non-oil private sector economy in October. The pace of output growth even ticked up to a three-month high. However, firms showed a degree of caution towards hiring, with survey data indicating only a slight rise in employment that was the weakest in just over a year.

On the cost front, Dubai non-oil firms registered a solid increase in overall input prices during October, which was also the fastest in 15 months following subdued cost pressures earlier in the year. This was often linked to an uptick in supplier prices amid higher demand for materials. Nevertheless, firms reduced their output prices slightly in line with reports of strong competition.

Meanwhile, expectations towards future activity in the non-oil private sector strengthened in October to their highest since February 2020, and were in line with the historical trend following a period of below-par sentiment during the COVID-19 pandemic. Bolstered by improving demand momentum, over 36% of surveyed firms gave a positive prediction for output over the coming 12 months, with sub-sector data indicating that wholesale & retail companies were the most confident.

Amid optimism that new order inflows will continue on a strong growth path and drive activity expansion, firms sharply increased their inventories of purchases in October. In fact, the uplift was the quickest in nearly six years. Supporting the rapid build-up of stocks was a sharp improvement in supplier delivery times which was the strongest since August 2019.



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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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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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