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IHS Markit Dubai PMI®

Strongest demand growth for one-and-a-half years

Key findings

Dubai PMI climbs to highest level since November 2019

Sharp rise in new work supports strong upturn in business activity

Travel and tourism sector rebounds as confidence improves

Data were collected 12-26 April 2021.

PMI survey data indicated a faster speed of recovery across the Dubai non-oil private sector during April, as business conditions were strengthened by marked increases in output and new business. Most notably, sales growth reached the quickest since October 2019, supported by higher business confidence as the COVID-19 vaccine roll-out continued at pace.

The headline IHS Markit 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 IHS Markit Dubai Purchasing Managers' Index™ (PMI®) rose from 51.0 in March to 53.5 in April, signalling a solid expansion in the non-oil private sector economy. The reading was also the highest recorded since November 2019, suggesting the economy is moving closer to its pre-COVID growth trajectory.

The most positive result in the latest survey was the New Orders Index, which pointed to the quickest rise in customer sales for a year-and-a-half. The upturn was helped by strengthening business optimism about the coming year as the impact of the COVID-19 pandemic is expected to recede.

Sector data illustrated that Travel & Tourism was a key driver of the upturn in April. Dubai companies in this segment reported

continued...

Dubai PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

"The recovery in the Dubai non-oil economy sped up in April, as output and new order growth returned to pre-COVID trends and business confidence strengthened to the highest in over a year.

"Travel & Tourism firms recorded the most notable bounce in performance, amid increasing hopes of a rise in tourism activity later in the year, boosted by the rapid vaccine roll-out. After recording a decline throughout the first quarter, new work rose at the strongest rate since the end of 2019.

"With demand strengthening, non-oil firms brought the recent run of falling output charges to an end in April, as prices were lifted for the first time in three years. Cost inflation meanwhile eased from March and was slower than the rate of selling charge inflation. This signals a slight improvement to operating margins after a long period of pressure from price discounting."

the first rise in new business so far this year, and the strongest rate of growth since the end of 2019. Faster increases in new work were also recorded in the Wholesale & Retail and Construction industries compared to the previous survey period.

As a result, non-oil private sector companies raised output for the fifth consecutive month in April, with the rate of expansion quickening to its highest since July 2020. There was also a third increase in staff numbers in four months, reflecting efforts to rebuild business capacity.

Demand for inputs rose solidly at the start of the second quarter, which put pressure on suppliers as average lead times lengthened to the greatest extent since last May. Some firms found that input supply struggled to match demand due to global shortages, leading to a slight increase in overall costs. That said, the rate of input price inflation softened markedly from March's recent high.

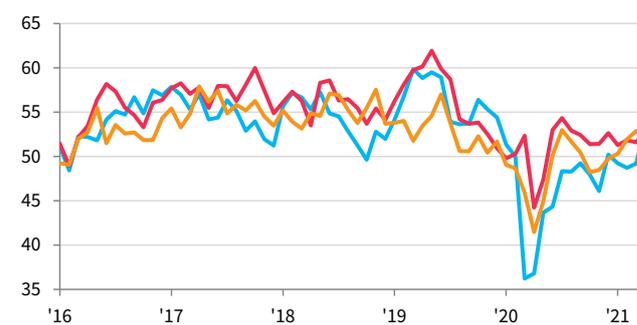
Supply shortages and rising demand encouraged firms to raise their output charges in April, marking the first month-on-month increase for exactly three years.

Finally, the outlook for the coming 12 months of business activity improved markedly during April. The degree of positive sentiment rose to the highest since March 2020, with firms showing increased optimism that the impact of COVID-19 will recede over the next year. That said, confidence remained below the average seen since this series began in 2012.

PMI by sector

Travel & tourism / Wholesale & retail / Construction

sa, >50 = improvement since previous month



Source: IHS Markit.

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Methodology

The IHS Markit Dubai PMI® is compiled by IHS Markit 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.

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.

April data were collected 12-26 April 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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.

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