

News Release

Embargoed until 0815 GST (0415 UTC) 13 July 2022

S&P Global Dubai PMI[®]

PMI climbs to three-year high of 56.1

Key findings

New orders rise at quickest rate since July 2019

Cost pressures surge to highest since start of 2018

Business expectations improve sharply

The Dubai non-oil economy maintained a robust speed of expansion in June, according to PMI survey data from S&P Global, as business conditions improved at the quickest pace in three years. The uplift came despite a rapid acceleration in input cost inflation, driven by surging fuel prices and knock-on effects on material and transport costs.

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 seasonally adjusted S&P Global Dubai Purchasing Managers' Index™ (PMI[®]) rose for the second month running to 56.1 in June, from 55.7 in May, and was the highest reading since June 2019. Any reading above 50.0 indicates an improvement in operating conditions.

Non-oil business activity continued to expand at a robust rate at the mid-point of the year, as firms indicated that rising customer demand had driven an uplift in output. Despite easing slightly from May, the rate of expansion was among the fastest recorded over the last three years.

New business volumes also increased sharply in June, with the rate of growth accelerating to the most marked since July 2019. Reports from survey panellists suggested that recovering client demand following the pandemic and increased promotional efforts had both contributed to higher sales.

Travel & tourism was still the key driver of growth as businesses continued to see travel activity rebound sharply following the loosening of border restrictions. In addition, after falling in May, new work at construction firms saw a renewed pick-up in the latest survey period.

S&P Global Dubai PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 13-24 June 2022.

Comment

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

"The Dubai PMI continued to trend upwards in June, reflecting further strength in new business and activity. Travel demand continued to support sales, and there was a renewed increase in new work in the construction sector.

"That said, the economy also faced the challenge of rising inflationary pressures, which led to the quickest increase in input prices since the start of 2018. The sharp uptick in global energy prices weighed heavily on businesses, with consumers also likely to feel the pinch on spending as fuel prices spike.

"To aid sales, many firms are waving off price rises for now, and offering promotions where possible to combat strong market competition. However, if cost inflation is sustained at a high level in the second half of 2022, it will become increasingly difficult for firms to keep price increases at bay."

PMI[®]

by S&P Global

Meanwhile, Dubai non-oil companies saw a sharp and accelerated rise in input costs in June, as several respondents highlighted a marked uptick in fuel prices due to global supply concerns. The rate of input cost inflation was the highest recorded since January 2018, driven by survey-record increases in expenses across both construction and wholesale & retail.

Despite the pressure to push rising costs onto their customers, non-oil firms continued to reduce their output charges in June. In fact, the rate of discounting quickened to the fastest since August 2020, as panellists mentioned that strong competition had forced them to lower their prices.

For the sixth month running, non-oil businesses saw an improvement in supplier performance during June, amid reports of a softening impact from the pandemic and increases in vendor capacity. That said, with some respondents seeing delays at customs and a lack of product availability, the rate at which lead times shortened was the weakest seen in the current sequence. Nevertheless, firms were able to increase their stocks of purchases. Employment also rose, albeit only marginally.

With new order growth picking up to a near-three-year high, businesses were increasingly confident of a rise in output over the coming year in June. Confidence rose to the highest since last October, with around twice as many firms expecting growth compared to that seen in May. Survey respondents suggested that output projections were generally unfazed by rising cost pressures.

■ 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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