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IHS Markit Dubai PMI®

Growth surges to two-year high in October

Key findings

Renewed and sharp increase in new business as tourism revives

Output rises at fastest rate since July 2019

Delivery times strengthen for first time in nine months

Data were collected 12-25 October 2021.

Dubai's non-oil economy registered a strong expansion in October, underlined by a sharp rebound in new orders and increased tourism activity at the start of the Expo 2020. With the easing of travel restrictions, supply chains also started to improve, while output grew at the fastest rate for more than two years. The surge in demand meanwhile led to the strongest outlook for future activity since March 2020.

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®) climbed to 54.5 in October, from 51.5 in September, to mark the sharpest improvement in business conditions for exactly two years.

After a slight fall in September, new business volumes were back on the up at the start of the fourth quarter. Furthermore, the rate of growth was sharp and the quickest since October 2019. The recovery of tourism activity as flights resumed was a key factor behind the upturn, according to survey panellists, as visitor numbers surged amid the opening of the Expo 2020. Firms reported an increase in client orders both at home and abroad, although the rise in export sales was the least marked for three months.

Business activity expanded sharply during October in response

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:

"Dubai began the fourth quarter of the year in a strong position, with PMI data signalling the fastest rise in new orders for two years as Expo 2020 brought increased client demand and tourist numbers. The initial surge in sales contributed to a sharp expansion in activity, suggesting that the economy is well on the way to recovering from the pandemic.

"Job creation was again signalled across only a small proportion of the survey panel in October. However, with tourism reviving and capacity pressures growing, this will likely improve in the coming months."

to the sharp uplift in demand. In fact, the rise in output was the strongest recorded since July 2019. Growth accelerated across each of the construction, travel & tourism and wholesale & retail sectors, with the latter seeing the greatest pick-up from September. Construction firms continued to see the strongest overall speed of recovery.

Despite ticking higher in October, the pace of job creation across the non-oil private sector was only marginal. Staff hiring was partly linked to a rise in backlogs of work, which was solid despite easing slightly from the previous month.

Inventories of inputs were broadly unchanged at the start of the fourth quarter. Firms commented on increased confidence that supply chains would strengthen following disruption from COVID-19 measures, which was signalled by the first reduction in overall delivery times since January.

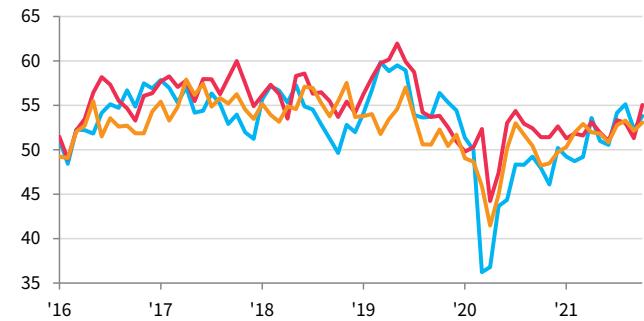
Price pressures were muted again in October, as businesses signalled a marginal increase in input costs that was the joint-weakest for eight months (level with September). Higher prices for raw materials such as steel led to a slight uptick in purchase costs. This encouraged firms to lower their output charges for the fourth month in succession.

Business confidence regarding future output improved sharply in October, as the strong rebound in sales gave firms increased hope that the economy would quickly recover from the pandemic. Overall expectations were at their highest since March 2020, though they remained weak compared to pre-COVID trends.

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.

October data were collected 12-25 October 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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