

E-A-R TO THE GROUND (Economic Activity Report)

Economic Activity in the UAE remained tepid in February as suggested by the Purchasing Managers' Index (PMI). Headline PMI weakened to 50.6 from 51.2 in January largely due to a decline in pricing power as firms tried to raise sales volume by offering rebates. The PMI report also revealed that hiring remained subdued in February. Weakness in hiring activity despite the rollout of COVID vaccines suggests that fears around future aggregate demand on the back of rising COVID-19 cases in the UAE outweighed an improvement in sentiment due to the vaccine rollout in the UAE. With fresh COVID positive cases dropping in March, we may expect hiring activity to pick up moderately only by the middle of 2021. Uptick in the Dubai property market in February was likely due to the coming together of a number of factors. For one, higher savings in the past year aided by lockdown, no travel and work from home helped build a corpus for lumpy investments such as real estate.

