

HSBC UAE PMI™

UAE non-oil private sector activity growth stayed close to October's series record rate in November

Summary

Latest PMI data pointed to further improvement in the UAE's non-oil private sector economy during November. Although down slightly from October's series record rate, output growth remained sharp, reflecting solid gains in new business and efforts to clear existing contracts. However, strong competition forced firms in the sector to shoulder rising input costs, leading to more determined cost management policies. This was reflected by a slowdown in job creation to a survey low.

The headline seasonally adjusted HSBC United Arab Emirates PMI™ slipped to 52.9 in November, from October's peak of 53.8. The latest reading pointed to a solid gain in the health of the sector.

Incoming new business to the UAE's non-oil private sector rose at a solid pace in November, albeit to a lesser extent than over the previous two months. Panellists linked higher market demand to good economic conditions and successful promotional drives. The recent GITEX exhibition in Dubai was also mentioned as providing a boost to sales. Data indicated that the slowdown in growth was centred on the domestic market, as export growth picked up slightly.

Although new orders continued to increase in November, data suggested that workloads remained manageable. UAE non-oil private sector companies continued to clear outstanding business, as they have done throughout the series history. However, the rate of decline eased to a modest pace.

Rising new orders and backlog depletion led companies to raise activity in November. Output levels grew sharply, albeit at a fractionally weaker rate than in October.

To accommodate further output growth, firms took on additional staff and raised buying activity during the latest survey period. Both rose modestly, although for the former it was the mildest increase in the series history. Meanwhile, vendor performance continued to improve, in spite of further input demand growth. Greater input acquisitions and shorter lead times led to a marginal rise in input holdings for the second time in three months.

Overall input prices continued to increase during November, albeit at a slower pace. This mainly reflected rising fuel and raw material prices, as wages fell slightly. Respondents linked higher purchasing costs to stronger demand for, and short supplies of, commodities, as well as unfavourable exchange rate fluctuations.

Strong competition forced UAE non-oil private sector firms to largely absorb input price inflation in November. This was highlighted by the fact that output prices fell slightly and for the second time in the past three survey periods.

Comment

Commenting on the UAE PMI survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

"The softening of the headline number masks a broadly encouraging underlying story. Output and new orders are still in solid growth territory, and employment is rising.

"The numbers also show me that there is still a lot of excess capacity in the economy. Firms' pricing power is still limited despite the gains in demand, wages are flat or falling and margins are still under pressure. There is no inflationary pressure in the UAE and that's unlikely to change anytime soon."

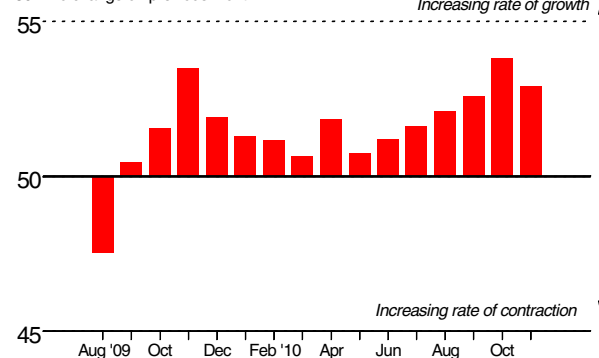
Key points

- Activity continued to rise sharply.
- Expansion in new orders slowed, but remained solid.
- Job creation weakest in survey history.

Historical Overview

HSBC UAE PMI

50 = no change on previous month



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Notes to Editors:

The Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the United Arab Emirates economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI) is a composite index based on five of the individual indexes with the following weights derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

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HSBC:

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