

## HSBC UAE PMI™

Output growth reached series record high in January, boosted by sharper rise in new orders

### Summary

United Arab Emirates non-oil private sector companies enjoyed a strong start to the new year, as expansions in new orders, activity, employment and purchasing all accelerated. In particular, output growth reached a series record rate. This enabled firms to raise their charges at the fastest pace since the survey began in August 2009. Meanwhile, input cost inflation moderated.

Boosted by improved readings from its key components, the headline seasonally adjusted HSBC United Arab Emirates PMI™ rose to a survey record peak in January. At 54.2, up from 53.0 in December, the latest reading signalled a robust improvement in the health of the sector.

New business receipts at United Arab Emirates non-oil private sector firms continued to increase during the latest survey period, and at the fastest rate since November 2009. Panel members stated that stronger economic conditions and good company reputations underlay January's gains in new work. Data suggested that domestic demand was the main driver of total new order growth, as new export business increased at a weaker rate on the month.

In response to a further increase in new business, UAE non-oil private sector firms raised output, purchases and employment in January. Activity levels rose considerably, while both input acquisitions and staffing expanded at a moderate pace. Respondents also commented on company expansions as a reason for job creation.

A sharper rise in buying activity resulted in a faster accumulation of input stocks at the start of Q1. Inventories grew at a pace that, although modest, was the most marked in the series' one-and-a-half year history. Greater demand for inputs did not, however, prevent another shortening of lead times on input deliveries. Average vendor performance improved moderately, although at the mildest pace for three months. Anecdotal evidence indicated that competition amongst suppliers and prompt payments for goods were the main reasons for faster deliveries.

Latest data suggested that non-oil private sector firms in the UAE were generally able to cope with workloads. Outstanding business continued to fall, albeit only marginally and at the joint-slowest rate in the survey history.

Overall input prices increased at a solid rate during January, principally driven by rising fuel and raw material costs (staff cost inflation was marginal and weaker than in December). Partly to compensate for this, but also to take advantage of stronger market conditions, firms raised their tariffs again. Output price inflation was moderate and the steepest recorded in the survey history.

### Comment

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

*"It's another encouraging reading, consistent with our view of the UAE as an economy firmly in recovery mode. The gains may be modest, but the data makes clear that production is rising, new orders are positive and employment continues to pick up. There is some evidence in the figures of a rise in output prices in January, but given the pace of recovery and the spare capacity that still exists within the economy, I would be very surprised if this marked the start of a significant uptick in inflation."*

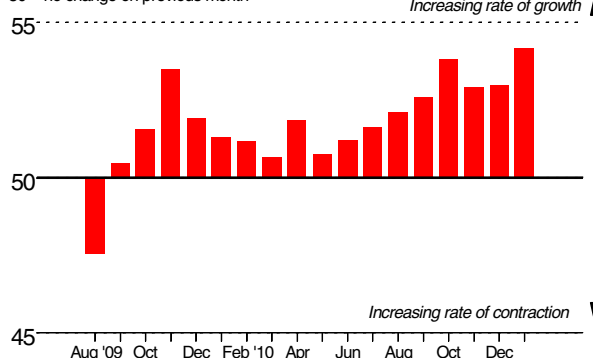
### Key points

- PMI hit series record peak.
- Activity, new orders and employment all rose at accelerated rates.
- Charges increased at fastest pace in survey history, despite slower input price inflation.

### 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.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

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