

# HSBC Purchasing Managers' Index™ 2011

compiled by markit

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## HSBC UAE PMI™

PMI reached survey record high in February, but price pressures intensified.

### Key findings:

- Output and new orders both rose sharply.
- Employment growth picked up to modest pace.
- Series record rises in both input and output prices.

February data point to another positive performance from UAE non-oil private sector companies. Output growth stayed close to January's record pace, while both new orders and employment rose at stronger rates. However, price pressures intensified at unprecedented rates in the survey's nineteen-month history.

The headline seasonally adjusted HSBC United Arab Emirates PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the non-oil private sector – hit a new high of 54.3 in February, from January's 54.2. The latest figure signals another robust gain in the health of the sector. The PMI has now registered above the 50.0 no-change threshold for a year-and-a-half. Supporting the rise in the headline index were faster increases in both new orders and employment.

Incoming new work grew at a substantial and accelerated pace during February. Data show that improvements in both domestic and foreign demand contributed to the increase in total new business, although the former remained the principal driver. Panel members cited favourable economic conditions, company expansions, new product launches, promotional work and strong business reputations as reasons for greater demand.

To accommodate stronger growth of new orders, UAE non-oil private sector firms raised output, hired more staff and built up

stocks of purchases in February. Activity levels expanded at a substantial pace, although the rate of increase eased fractionally since January. The accumulation of input stocks also moderated on the month, despite a faster rise in buying activity. Job creation, on the other hand, picked up to a modest pace that was the sharpest since last October.

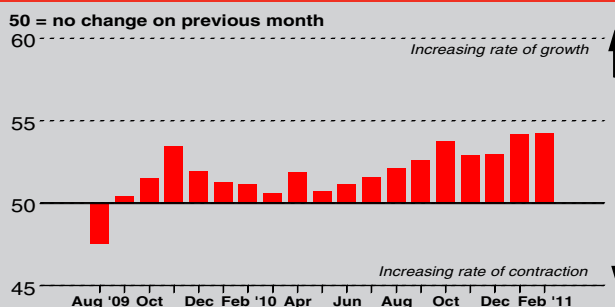
Latest figures suggest that both UAE non-oil private sector firms and their suppliers were coping well with workloads in February. The former continued to clear backlogs, while the latter made faster input deliveries. Panel members attributed improved vendor performance to sufficient stock levels, efficient service, good client-provider relationships and competition amongst suppliers.

A combination of greater fuel and raw material prices drove up purchasing costs in February. Consequently, purchasing price inflation accelerated to a series record pace. Respondents made particular reference to higher oil prices.

To compensate their workers for increased living costs, UAE non-oil private sector firms raised wages and salaries again in February, and at the fastest rate in the survey history. Even so, the rate of inflation was only modest.

Stronger demand conditions meant that UAE non-oil private sector companies were able to pass on part of their increased cost burdens to customers in February. Charges were raised at an unprecedented rate as a result.

### HSBC UAE PMI



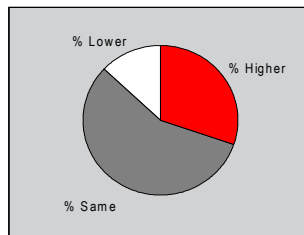
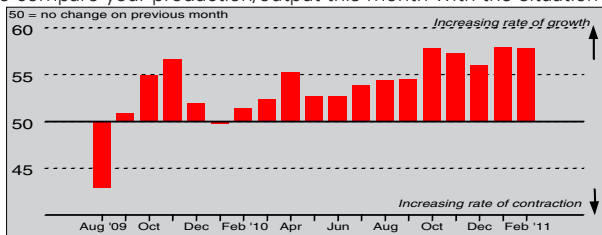
The HSBC UAE Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the United Arab Emirates economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index.

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**Output Index**

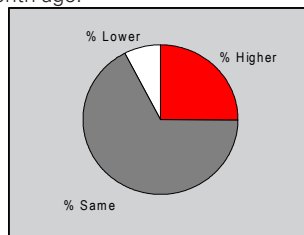
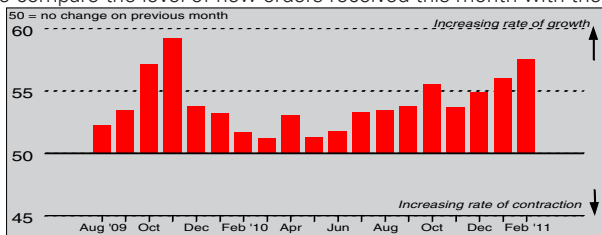
Q. Please compare your production/output this month with the situation one month ago.



The seasonally adjusted Output Index was down only slightly from January's survey record high in February, signalling another substantial increase in UAE non-oil private sector activity. Growth has now been recorded in the sector for just over a year, with the latest expansion linked by firms to better business conditions and further gains in new work.

**New Orders Index**

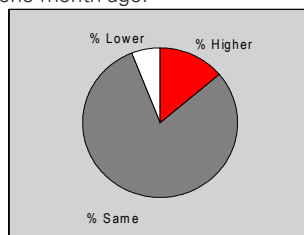
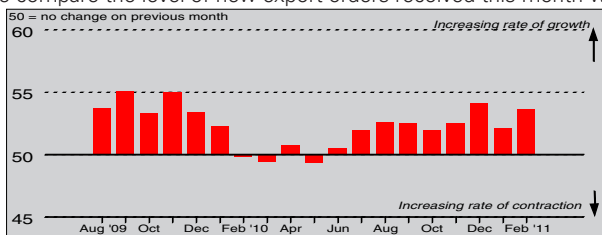
Q. Please compare the level of new orders received this month with the situation of one month ago.



New business taken by United Arab Emirates non-oil private sector firms continued to grow in February, and at an accelerated pace. The latest increase was sharp and the second-fastest in the series history. Over one-quarter of panel members recorded a gain since January, mentioning a favourable economic environment, company expansions, new product launches, promotional work and strong business reputations.

**New Export Orders Index**

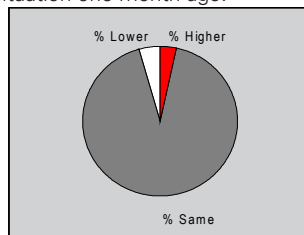
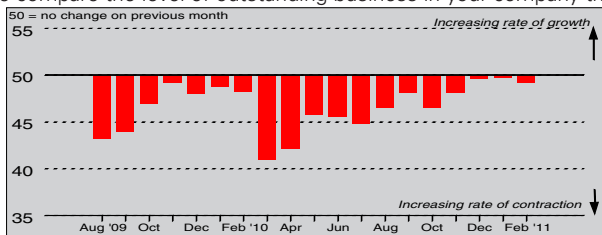
Q. Please compare the level of new export orders received this month with the situation of one month ago.



February data suggests that foreign demand for UAE non-oil private sector goods and services remained solid. Incoming new work from abroad grew at a robust pace that was above the series' long-run average. Survey members linked increased new export orders to favourable business conditions and good company reputations.

**Backlogs of Work Index**

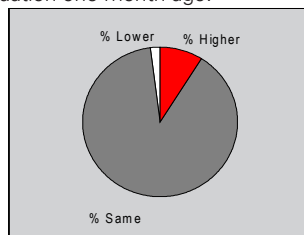
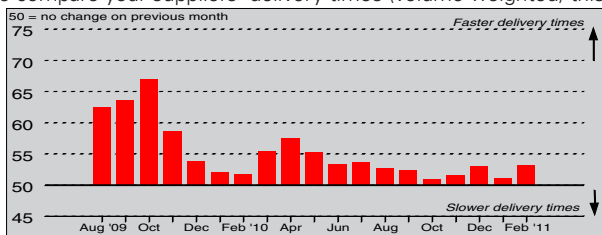
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The seasonally adjusted Backlogs of Work Index continued to hover just beneath the 50.0 no-change mark in February, suggesting that UAE non-oil private sector companies were still coping with their workloads. The index has never signalled an accumulation of outstanding business since the survey began in August 2009, and the latest reading is one of the highest to date.

**Suppliers' Delivery Times Index**

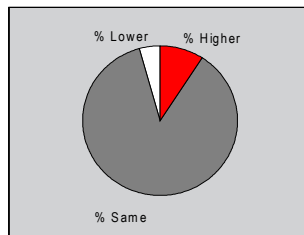
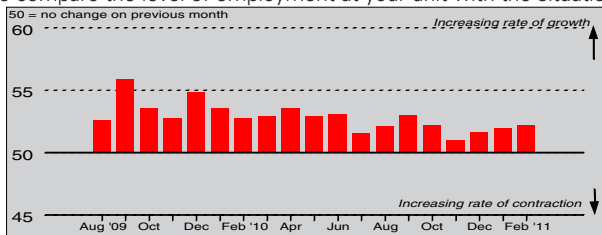
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Maintaining the series trend, supplier delivery times to UAE non-oil private sector firms shortened in February. Furthermore, the rate of improvement picked up to a solid pace, with 9% of respondents noting faster deliveries. Companies stated that sufficient capacity at vendors, efficient service, good client-provider relationships and competition amongst suppliers all contributed to shorter lead times.

**Employment Index**

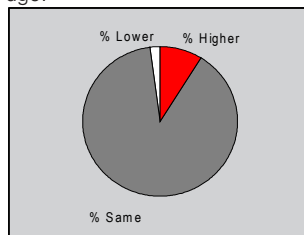
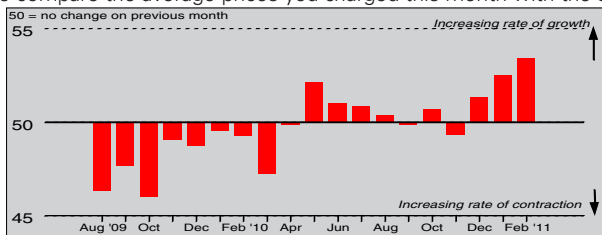
Q. Please compare the level of employment at your unit with the situation one month ago.



Job creation across the UAE non-oil private sector gained pace in February. Although still modest, growth was the most pronounced for four months, with 9% of monitored firms hiring additional staff. Panellists cited an improving business environment and company expansions as key reasons behind new recruitment.

**Output Prices Index**

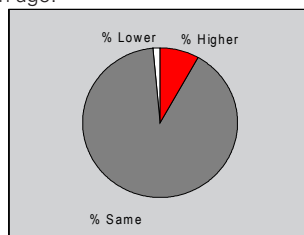
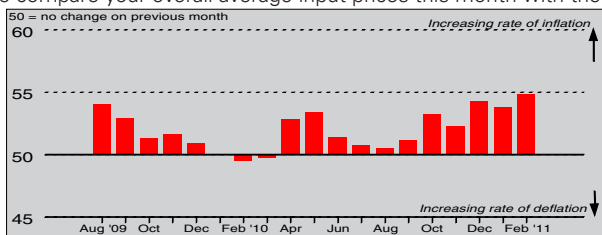
Q. Please compare the average prices you charged this month with the situation one month ago.



Rising input costs and stronger market demand led United Arab Emirates non-oil private sector companies to raise their charges in February. Output price inflation was solid and the fastest in the series history as nearly 9% of survey participants reported an increase since January. This compares with only 2% that cut their tariffs.

**Overall Input Prices Index**

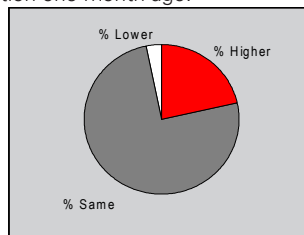
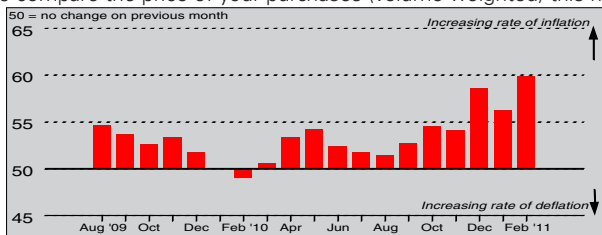
Q. Please compare your overall average input prices this month with the situation one month ago.



Driven by unprecedented rises in both purchasing prices and employment costs, overall input price inflation faced by UAE non-oil private sector companies accelerated to a series record pace during February. Total input costs have risen continuously for nearly a year, and the latest increase was marked.

**Input Costs: Purchase Prices Index**

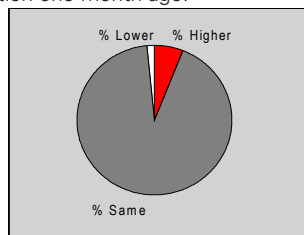
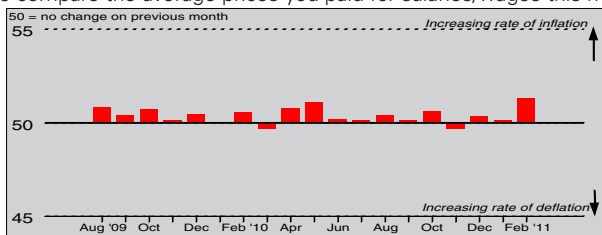
Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.



Input cost inflation in the UAE non-oil private sector accelerated to a substantial rate during the latest survey period. February's rise was the sharpest in the series' nineteen-month history. Respondents principally attributed greater input costs to higher fuel and raw material prices. Firms made particular reference to increased oil prices.

**Input Costs: Staff Costs Index**

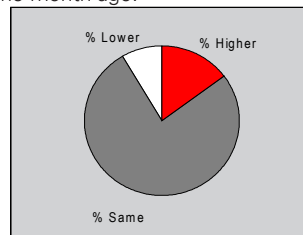
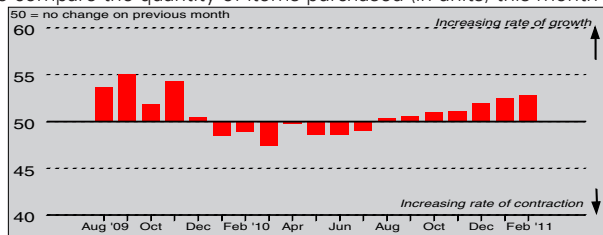
Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.



The wages and salaries of UAE non-oil private sector employees continued to grow in February. Although only modest, the rate of increase was a survey record, with 6% of firms noting a rise. Anecdotal evidence indicated that greater staff compensation was granted due to rising living costs.

**Quantity of Purchases Index**

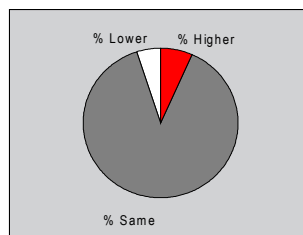
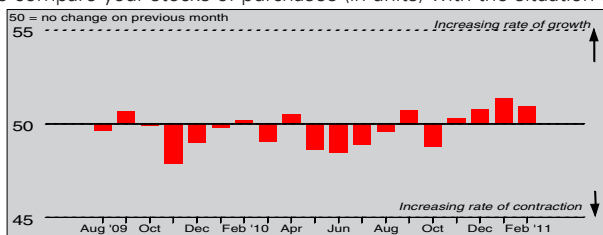
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



United Arab Emirates non-oil private sector companies raised buying activity in February for the seventh month in succession. The increase was solid and the fastest for fifteen months, reflecting a pick-up in new order growth. Another reason for higher input purchases was to build inventories.

**Stocks of Purchases Index**

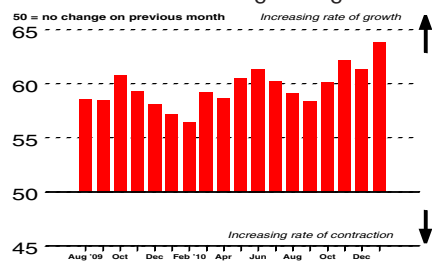
Q. Please compare your stocks of purchases (in units) with the situation one month ago.



In order to accommodate greater production requirements, UAE non-oil private sector firms increased their holdings of inputs during February. Stocks of raw materials and semi-finished goods accumulated for the fourth consecutive month, although the rate of expansion eased to only a slight pace.

**International PMI summary**

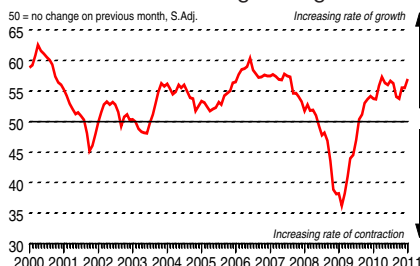
**Saudi Arabia Purchasing Managers' Index™**



Source: Markit.

The headline PMI climbed to a series record peak of 63.8 in January (from 61.3 in December), supported by unprecedented rises in both output and new orders. The latest reading signalled a substantial and accelerated improvement in the health of the KSA non-oil producing private sector.

**Eurozone Purchasing Managers' Index™**



Source: Markit.

Growth of Eurozone private sector business activity accelerated to a nine-month high in January. The Eurozone Composite Output Index rose to 57.0, up from 55.5 in December. Incoming new orders, meanwhile, rose to the greatest extent since August 2007.

**US Purchasing Managers' Index™**



Source: Institute for Supply Management (ISM).

Climbing to its highest level in over six-and-a-half years in January (60.8, from 58.5 in December), the ISM US Manufacturing PMI signalled a substantial improvement in business conditions across the US manufacturing economy. Meanwhile, the ISM NMI climbed to a series record peak of 59.4.

**Notes on the Data and Method of Presentation**

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: 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 July be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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