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## HSBC UAE PMI™

PMI hit new survey record high in March, but price pressures intensified.

### Key findings:

- Output and new orders rose sharply.
- Job creation fastest for fifteen months.
- Input cost and charge inflation both accelerated to series record rates.

March was another favourable month for the UAE non-oil private sector, rounding off a strong quarter. Output and new orders both increased at near series record rates, while jobs growth picked up for the fourth straight month. Aided by rising employment levels, firms continued to satisfy business requirements, although backlog clearance moderated to the joint-slowest pace to date. Meanwhile, inflationary pressures persisted, principally driven by higher commodity prices.

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 – climbed to a new high of 54.7 in March, from February's previous record of 54.3. The PMI has now registered above the no-change mark of 50.0 for nineteen months in succession, with the latest figure signalling a strong improvement in operating conditions.

New work received by UAE non-oil private sector companies increased at a substantial pace that was the most marked since November 2009. Although March's rise in new export orders was unparalleled in the survey history, data suggest that the domestic market remained the principal driver of total new business growth. Supported by further gains in new work, activity expanded at a considerable rate. Panellists linked higher new order and output levels to good company reputations,

improved economic conditions, higher demand and successful promotional activities.

Stronger market conditions led UAE non-oil private sector firms to recruit extra personnel in March. Employment increased at a solid and accelerated pace, helping companies to keep on top of backlogs (which continued to fall, albeit only marginally).

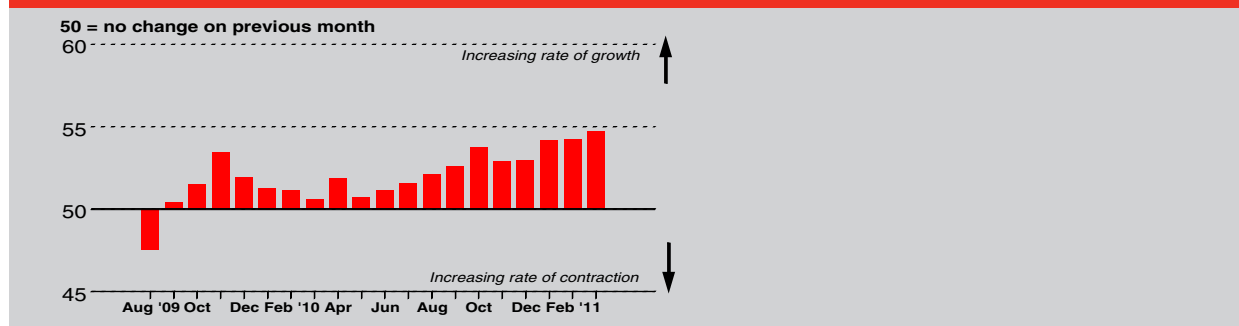
To accommodate further new order growth, firms acquired additional supplies in March. Buying activity rose at the fastest rate since September 2009, boosting input stocks. Holdings of raw materials and semi-finished goods accumulated at a survey record pace.

Vendor performance continued to improve at the end of Q1, which respondents attributed to efficient service and competition amongst suppliers.

Input price inflation accelerated to a new survey record high in March, reflecting unprecedented increases in both purchase and staff costs. The former was driven by rising raw material prices, while the latter was due to stronger business performance and higher living costs.

United Arab Emirates non-oil private sector companies took advantage of favourable business conditions in March, passing on part of their input cost burdens to customers. Charges rose at a series record pace as a result.

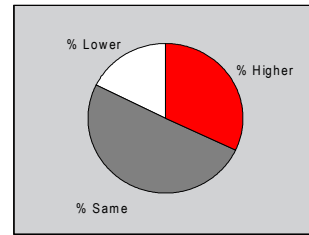
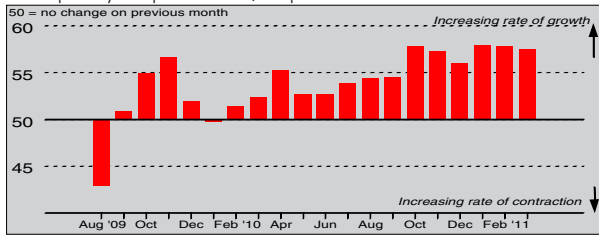
### HSBC UAE PMI



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 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.

**Output Index**

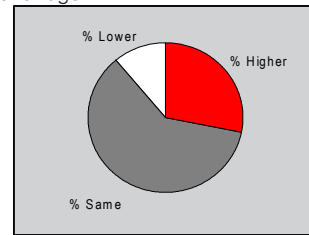
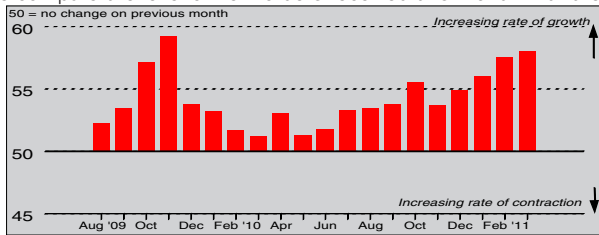
Q. Please compare your production/output this month with the situation one month ago.



The seasonally adjusted Output Index remained close to January's record peak in March, despite slipping for the second straight month. The latest figure signalled another sharp rise in UAE non-oil private sector activity. Survey participants mostly linked higher output to further gains in new work and a better business environment.

**New Orders Index**

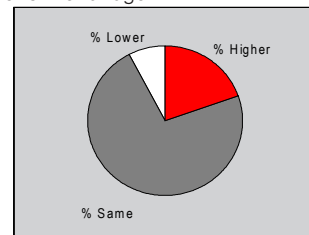
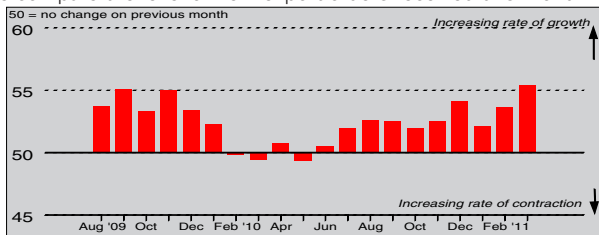
Q. Please compare the level of new orders received this month with the situation of one month ago.



New order growth in the United Arab Emirates non-oil private sector accelerated again in March. The latest rise was substantial and the second-fastest in the twenty-month history of the series. Reports showed that strong business reputations, better market conditions, higher demand and advertising campaigns all underpinned gains in new work.

**New Export Orders Index**

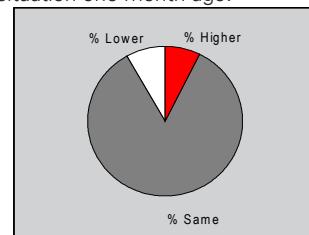
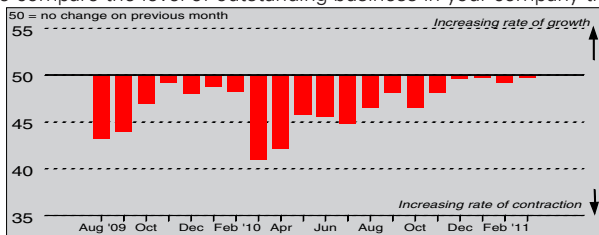
Q. Please compare the level of new export orders received this month with the situation of one month ago.



Foreign demand for UAE non-oil private sector goods and services improved at the end of Q1, boosting export business. Incoming new work from abroad rose at a series record rate as a result. Companies generally commented on better global business conditions, though some mentioned successful efforts to increase their international presence through marketing.

**Backlogs of Work Index**

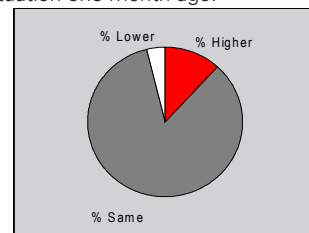
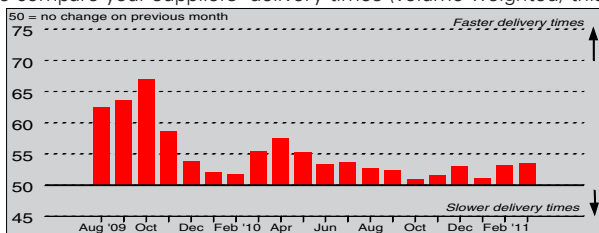
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Latest data suggest that UAE non-oil private sector firms continued to satisfy the requirements of their workloads in March. Backlogs fell further, despite another rise in new orders. Outstanding business has declined continuously throughout the survey history. However, the rate of depletion in March was only marginal and the joint-slowest to date.

**Suppliers' Delivery Times Index**

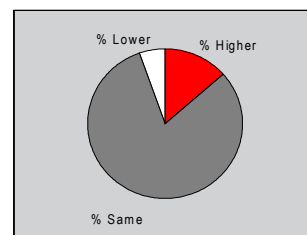
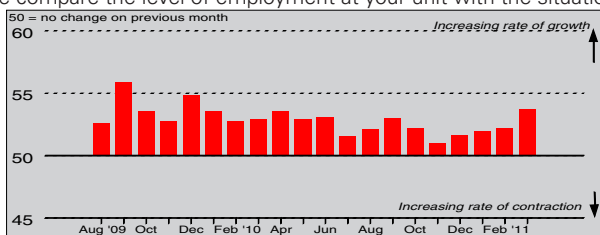
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Up fractionally since February, the seasonally adjusted Suppliers' Delivery Times Index signalled another solid improvement in vendor performance in March. Around 12% of monitored UAE non-oil private sector firms noted shorter lead times, attributing this to efficient service and competition amongst suppliers.

### Employment Index

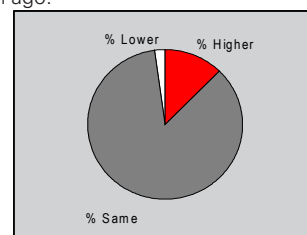
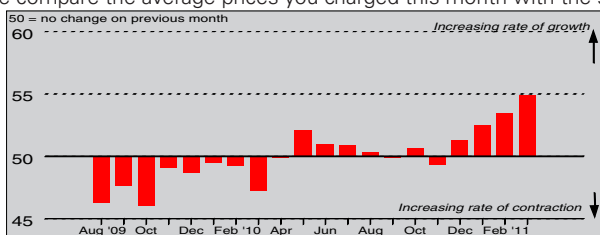
Q. Please compare the level of employment at your unit with the situation one month ago.



Job creation across the UAE non-oil private sector gained pace in March as business conditions and new order levels improved. Employment in the sector has risen during every month in the survey history, with the latest increase the most pronounced since December 2009 and above the average for the series.

### Output Prices Index

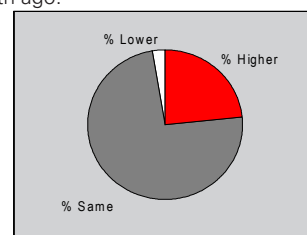
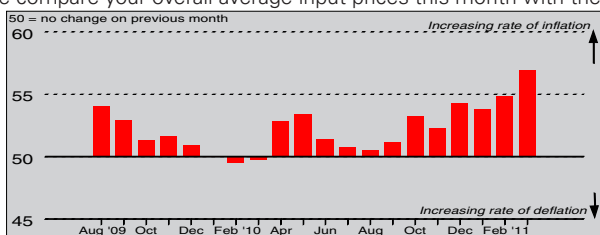
Q. Please compare the average prices you charged this month with the situation one month ago.



In order to pass part of their rising input cost burdens onto customers, United Arab Emirates non-oil private sector firms increased their tariffs in March. Charge inflation accelerated to a strong pace that was unprecedented in the survey history. Over 12% of monitored companies raised their rates – compared to just 2% that discounted.

### Overall Input Prices Index

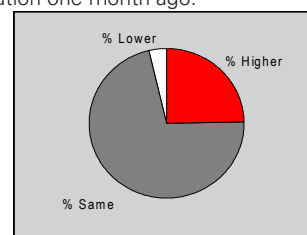
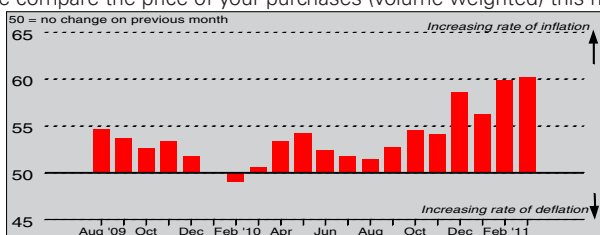
Q. Please compare your overall average input prices this month with the situation one month ago.



March marked one year of continuous input price inflation across the UAE non-oil private sector. The latest rise was the fastest since the survey began in August 2009 and reflected sharper increases in both purchase and employee costs. More than 23% of panellists registered growth in their average input cost burdens since February, against just 3% that saw a reduction.

### Input Costs: Purchase Prices Index

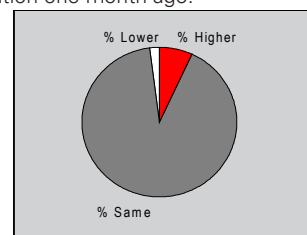
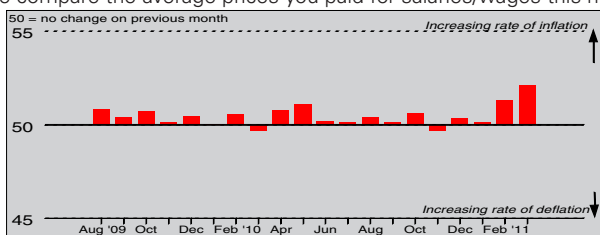
Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.



Driven higher by rising commodity prices, purchasing cost inflation in the UAE non-oil private sector picked up to a series record pace in March. Respondents made particular reference to the increased costs of oil and metals (mostly steel and copper). Some firms also mentioned unfavourable exchange rates.

### Input Costs: Staff Costs Index

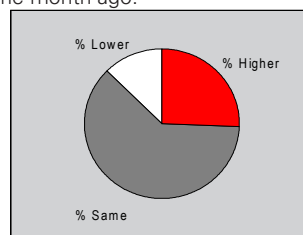
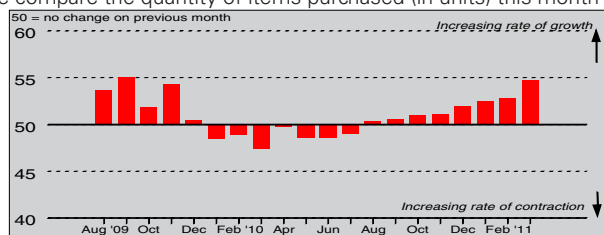
Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.



The wages and salaries received by United Arab Emirates non-oil private sector employees continued to rise in March. Furthermore, the rate of inflation accelerated to a new series record peak. Panel members indicated that the increase was due to good business conditions and higher living costs. Some companies stated that pressure from unions had also led to greater staff costs.

### Quantity of Purchases Index

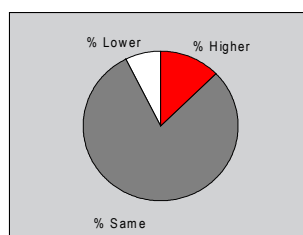
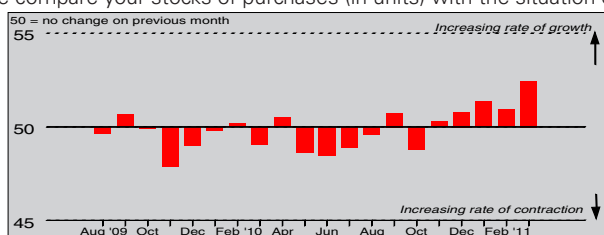
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



To keep pace with new order growth, as well as to hedge against further input price inflation, UAE non-oil private sector companies raised buying activity in March. Accelerating since February, the rate of increase was robust and the most marked since September 2009. The current sequence of expansion now extends to eight months.

### Stocks of Purchases Index

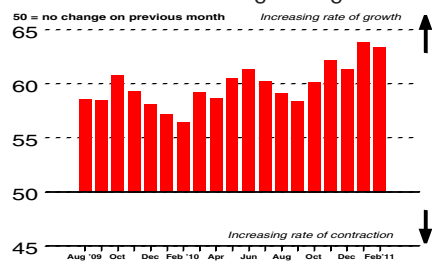
Q. Please compare your stocks of purchases (in units) with the situation one month ago.



Reflecting a sharper increase in purchases, input holdings at UAE non-oil private sector firms rose at an accelerated pace during the latest survey period. Although only moderate, the rate of expansion was a series record high with around 13% of panel members reporting an accumulation in March.

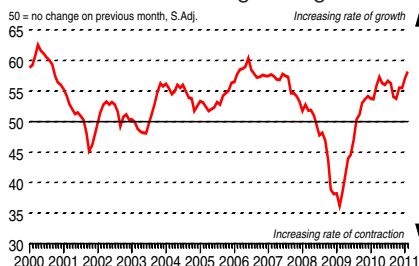
### International PMI summary

#### Saudi Arabia Purchasing Managers' Index™



Source: Markit.

#### Eurozone Purchasing Managers' Index™



Source: Markit.

#### US Purchasing Managers' Index™



Source: Institute for Supply Management (ISM).

The headline Saudi Arabia PMI registered 63.4 in February, fractionally below January's record of 63.8. The latest figure pointed to another sharp improvement in the health of Saudi Arabia's non-oil private sector.

At 58.2 in February, the Final Eurozone Composite Output Index posted its highest reading since July 2006, but was slightly below the earlier flash estimate of 58.4. Business activity has now risen for 19 consecutive months.

The ISM US Manufacturing PMI registered 61.4 in February – its highest reading for almost seven years, reflecting sharper growth in output, new orders and employment. The ISM NMI also rose in February, hitting a series record peak of 59.7, up from 59.4 in January.

### 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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