

HSBC UAE PMI™

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

Summary

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™ 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.

Comment

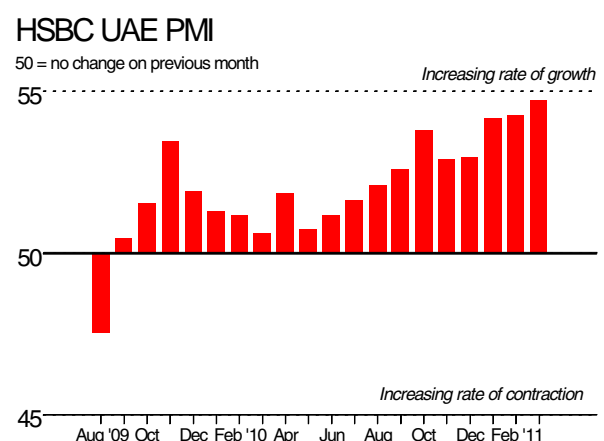
Commenting on the UAE PMI survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

"The readings are positive and continue to point to a recovery that is slowly regaining speed. We'll need to wait a little longer to gauge the effect of regional unrest on the UAE's performance, however. Long-term, the UAE's standing as the region's business hub is likely to be enhanced by the problems elsewhere, but over the short-term foreign investment and tourism may take a hit."

Key points

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

Historical Overview



For further information, please contact:

HSBC

Simon Williams, Chief Economist, HSBC Middle East & North Africa

Telephone +971-4-423-6925

Email simon.williams@hsbc.com

Aimee Peters, Senior Manager, Corporate Communications

Telephone +971-4-423-5608

Email aimeepeters@hsbc.com

Charles Clarke, Senior Manager, Corporate Communications

Telephone +971-4-423-5640

Email charleswclarke@hsbc.com

Markit

Gemma Wallace, Economist

Telephone +44-1491-461-075

Email gemma.wallace@markit.com

Caroline Lumley, Markit Press Office

Telephone +44-20-7260-2047

Mobile +44-781-581-2162

Email caroline.lumley@markit.com

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.

HSBC:

Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world. Its international network comprises some 7,500 offices in 87 countries and territories in Europe; Hong Kong; Rest of Asia-Pacific; the Middle East; North America and Latin America. With assets of US\$2,455 billion at 31 December 2010, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

About Markit:

Markit is a leading, global financial information services company with over 2,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial marketplace. For more information please see www.markit.com.

About PMIs:

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (PMIs™) have become the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

The intellectual property rights to the HSBC UAE PMI provided herein is owned by Markit Group. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit, PMI and Purchasing Managers' Index are all trademarks owned by The Markit Group.