

## HSBC UAE PMI™

Output and new order growth at series record highs in April. Prices also increased at unprecedented rates

### Summary

April survey data pointed to a strong start to 2011's second quarter for the UAE non-oil private sector. Series record expansions were recorded in output, total new business, new export orders, buying activity and input stocks, while employment grew at the sharpest rate for sixteen months. However, price pressures built up on the back of higher demand levels.

Climbing to 57.5 in April, from 54.7 in March, the headline seasonally adjusted HSBC United Arab Emirates PMI™ reached a new series record peak. The latest reading signalled a stronger improvement in the health of the country's non-oil private sector.

Incoming new work rose at an accelerated pace during the latest survey period, with growth reflecting improved market demand and the relative stability of business conditions in the country (compared to elsewhere in the region). Despite a faster rise in new export orders, data suggest that domestic demand remained the principal driver of expansion.

To accommodate faster growth of new business, UAE non-oil private sector firms raised output at a sharper pace in April. Activity levels in the sector have now increased for fifteen straight months. By company size, data indicate that large and medium-sized firms were the best performers.

Partly due to further growth of new business, but also because of supply-chain disruptions caused by unrest in the region, backlogs of work built up for the first time in the survey history. That said, the rate of accumulation was only marginal.

Reflecting greater business requirements, United Arab Emirates non-oil private sector firms took on additional staff and raised buying activity in April. Employment growth accelerated to the fastest since December 2009. Company size data showed that job creation was similar across the three categories. Meanwhile, purchases increased markedly, supporting a sharper rise in input holdings.

Despite supply-chain disruptions and stronger demand for inputs, average vendor performance continued to improve in April. However, lead times shortened at the slowest pace for three months.

A combination of stronger demand for inputs and political unrest across the Middle East and North Africa pushed up purchasing costs during April. Inflation accelerated to a series record rate as a result. Staff costs also rose, but at a slightly weaker rate. Respondents linked higher wages and salaries to increased living costs.

Companies passed on part of their rising cost burdens to customers in April via higher charges. Consequently, output price inflation picked up to a survey record pace.

### Comment

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

*"This is a very positive reading that tells me the UAE's recovery is building momentum. There are still a lot of problems to address, but more than two years after the boom went bust, it's clear the new growth cycle is underway."*

*"As with last month's numbers, the readings also suggest that price pressures may be in the pipeline later in the year, particularly with the backlogs of work category finally starting to indicate tightening capacity. However, sluggish real estate and credit markets are keeping the CPI contained for now."*

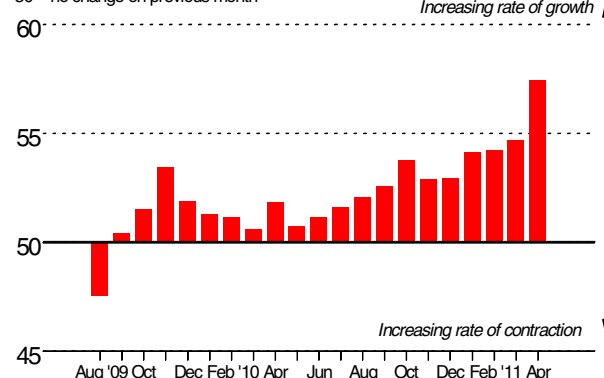
### Key points

- PMI at new survey record peak.
- Employment rose at fastest pace for sixteen months.
- Both input and output prices rose at series record rates.

### 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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