

## HSBC UAE PMI™

Output and new order growth remained strong in May

### Summary

The headline seasonally adjusted HSBC United Arab Emirates *Purchasing Managers' Index™ (PMI™)* registered 56.0 in May, down from April's survey record high of 57.5. Nevertheless, the latest reading points to another marked improvement in the health of the UAE non-oil private sector economy.

New order takings rose sharply during the latest survey period, albeit to a lesser extent than in April. Data suggest that the domestic market remained the key driver of total new business expansion, despite a pick-up in new export order growth. Panellists commented on better operating conditions, competitive pricing and successful promotional activities.

As a result of further gains in new work, as well as investments in new equipment, UAE non-oil private sector output rose considerably in May. However, the rate of increase slowed from April's series record pace.

Efficient order management and timely goods dispatch led to a modest depletion of backlogs at United Arab Emirates non-oil private sector firms in May. This followed a slight accumulation in April.

To accommodate greater business requirements, firms raised buying activity, built up input stocks and took on extra staff in May. Purchasing increased at a series record pace, supporting another robust rise in inventories. Job creation slowed on the month, but remained solid.

Average vendor performance continued to improve in May, despite stronger demand for inputs. Firms attributed this to prompt payment for goods and efficient service at suppliers.

Purchase price inflation moderated in May, but remained sharp with 26% of panellists registering a rise in purchasing costs. Anecdotal evidence suggests that greater fuel, raw material and freight costs drove the latest increase.

Staff costs continued to rise in May, and at a series record pace. Companies monitored by the survey stated that wages and salaries were increased to compensate workers for rising living costs.

UAE non-oil private sector firms shared the burden of rising input costs with their customers again in May. Prices charged for goods and services increased at a marked rate that was little-changed from April's series record pace.

### Comment

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

*"There is still a raft of problems for the UAE economy to work through and the lower PMI print for May is a reality check for those that thought we were rushing back to the strong growth rates of earlier years.*

*"But, it is still a decent reading – the good score for new orders is particularly encouraging – and it adds to my conviction that the UAE's recovery is well underway.*

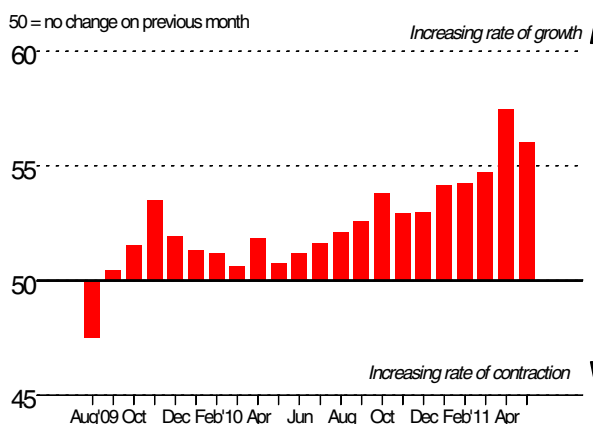
*"We continue to look for non-oil growth of around 3 percent this year, with the economies of both Dubai and Abu Dhabi expanding year on year."*

### Key points

- PMI signalled another marked improvement in operating conditions.
- Job creation slowed, but remained moderate.
- Cost inflation weakened in May.

### Historical Overview

#### HSBC UAE PMI



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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).

**HSBC:**

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*Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) surveys are now available for 32 countries and also for key regions including the Eurozone. They are 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](http://www.markit.com/economics).

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