

## HSBC UAE PMI™

PMI up from August's 15-month low in September

### Summary

UAE non-oil private sector business conditions strengthened at the end of the third quarter, following a relatively weak month in August. Supported by a sharper rise in new business, output picked up from stagnation and job creation accelerated (albeit only fractionally). However, the overall pace of improvement remained muted in relation to the rates recorded in the first half of the year.

The HSBC United Arab Emirates Purchasing Managers' Index™ (PMI™) registered 52.1 in September, up from August's 15-month low of 50.9. The latest reading signalled a moderate improvement in the health of the sector.

New business takings rose at a sharper rate during the latest survey period, boosting the sector's output (although activity growth remained below the series trend). Data suggested that both domestic and external demand contributed to the increase in total new work. Favourable business conditions, company expansions into new markets and competitive pricing all supported new order gains, according to panel members. Small companies out-performed medium and large firms in terms of both output and new order growth in September.

Further expansion of new work led UAE non-oil private sector firms to take on more staff and purchase additional inputs in September. Job creation accelerated fractionally on the month, although the rate of increase remained weak by the historical standards of the survey. Meanwhile, buying activity growth slowed to a marginal pace. Reports indicated that the slowdown in purchasing reflected stock management policies and just-in-time practices.

September's rise in raw material and semi-finished goods purchases was not sufficient to build input stocks. Holdings fell for the second straight month as a result, and at a marginally faster pace.

Outstanding work declined moderately during September, with panellists commenting on staff efficiency and manageable workloads. Efficiency was also a reason for improved vendor performance, alongside prompt payments and strong competition amongst suppliers.

The latest price indicators pointed to a general easing of input price pressures, but an acceleration of charge inflation in September. Overall input costs increased at the mildest pace for seven months, which data suggested was a result of weaker rises in both purchase and staff costs (the latter broadly stagnated). Even so, total input cost inflation remained sharper than its long-run series average. To compensate for rising input costs, firms increased their tariffs in September. However, the rate of inflation was much slower than in the first half of the year. Reports indicated that strong competition prevented a faster rise in selling prices.

### Comment

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

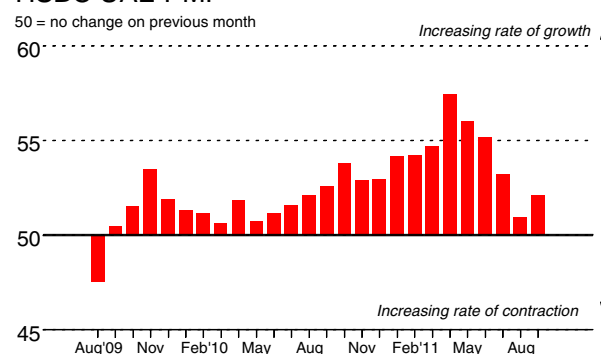
*"It's good to see a pick-up in the headline index after four consecutive months of decline, particularly as the gain was driven by strong growth in new orders. I'm not ready, though, to see this as the start of an upward trend. Readings for employment and wages still look very weak and I'm anxious that an economy as small and open as the UAE will prove vulnerable to the increasingly serious problems afflicting the rest of the global economy."*

### Key Points

- Output growth picks up, following stagnation in August
- New business expands at fastest rate in Q3
- Charges increase after slight fall in previous month

### 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: 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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