# HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 09:30 (DUBAI), 4 January 2012

# HSBC UAE PMI™

PMI slips to four-month low as output and new order growth ease and employment stagnates

# **Summary**

Falling to a four-month low of 51.7 in December, from 52.5 in November, the HSBC United Arab Emirates *Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</sup>)* signalled a weaker improvement in business conditions.

Output from the UAE non-oil private sector continued to rise during the latest survey period. However, the rate of increase moderated since November to a three-month low, reflecting an easing trend in new business growth and a less-marked depletion of unfinished work. Broken down by company size, data revealed that expansion was led by small firms in December.

Total new order receipts rose at a weaker pace during December. However, the slowdown in growth was only fractional and the rate of increase remained robust. Over 27% of the survey panel noted higher takings of new work since November, citing solid market conditions, successful advertising campaigns and the introduction of new products.

New export business also expanded to a lesser extent at the end of Q4, with the rate of increase hitting a one-and-a-half year low. Reports showed that difficult business conditions abroad had subdued demand.

Efficient order processing, alongside manageable workloads, led to another depletion of backlogs in December. However, the rate of reduction eased to the weakest of the current six-month run of decline.

Suppliers were also working efficiently in December. Input delivery times shortened further, and to the greatest extent since April 2010. Prompt payments for goods, strong business relationships and vendors' efforts to secure more orders were reportedly the key reasons for better performance.

In response to further growth of new orders, as well as expectations of stronger demand, UAE non-oil private sector firms acquired additional inputs and built up inventories in December. However, employment was not increased. For the first time in the series history, staffing levels were unchanged.

Selling prices for UAE non-oil private sector goods and services were broadly maintained at the end of Q4. This followed three months of moderate inflation. Strong competition was the main reason for the slower rate of increase, according to respondents.

Overall input price pressures cooled in December, after picking up over the previous two months. The latest increase was the weakest since February and reflected a slower rise in purchase prices, as well as a slight decline in staff costs.

# Comment

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

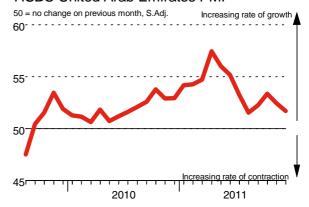
"The UAE economy may still be expanding, but another weak PMI score strongly suggests that growth has continued to lose momentum. Given how troubled the global outlook is, the UAE is unlikely to pick up pace over the first months of 2012."

# **Key Points**

- Rates of increase in activity and new business hit three- and four-month lows respectively
- Staffing levels unchanged since November
- Price pressures ease

#### **Historical Overview**

# **HSBC United Arab Emirates PMI**



Source: Markit Economics





#### 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

Charles Clarke, Senior Manager, Corporate Communications Telephone +971-4-423-5640 Email <a href="mailto:charleswclarke@hsbc.com">charleswclarke@hsbc.com</a>

#### Markit

Gemma Wallace, Economist Telephone +44-1491-461-075 Email gemma.wallace@markit.com Rachel Harling, Corporate Communications Telephone +44-20-7064-6283 Mobile +44-782-789-1072 Email rachel.harling@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: 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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

# **HSBC**:

Headquartered in London, HSBC is one of the world's largest banking and financial services organisations and one of the industry's most valuable brands. We provide a comprehensive range of financial services to around 89 million customers through two customer groups, Retail Banking and Wealth Management (formerly Personal Financial Services) and Commercial Banking, and two global businesses, Global Banking and Markets and Global Private Banking.

Our international network covers 87 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 220,000 shareholders in 129 countries and territories.

## **About Markit:**

Markit is a leading, global financial information services company with over 2,300 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 <a href="https://www.markit.com">www.markit.com</a>.

#### **About PMIs:**

Purchasing Managers' Index<sup> $\mathbb{M}$ </sup> (PMI<sup> $\mathbb{M}$ </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 <a href="https://www.markit.com/economics">www.markit.com/economics</a>.

The intellectual property rights to the HSBC UAE PMI provided herein is owned by Markit Economics Limited. 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. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.