# **HSBC Purchasing Managers' Index™ Press Release**

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# HSBC UAE PMI™

# Operating conditions improve moderately amid cautious optimism

#### **Summary**

February data indicated a further modest improvement to operating conditions of the UAE non-oil private sector. Reflecting cautiously optimistic sentiment amongst businesses, output was raised moderately, despite robust expansions in new orders. Furthermore, the rate of hiring remained marginal and output prices were only increased fractionally.

The headline seasonally adjusted HSBC United Arab Emirates  $PMI^{TM}$  – a composite indicator designed to provide a single-figure snapshot of the performance of the non-oil private sector – slipped slightly, from 52.4 in January, to 52.0 in February. The latest figure was broadly in line with that recorded over the last four months, albeit below the series average.

Incoming new work grew at a strong pace during February. Improvements in both domestic and foreign demand were both indicated by panellists and the rate of new export order growth accelerated to a four-month high. An increase in new clients from African and Middle Eastern countries was reported by panellists, following strong marketing activity. Survey members also reported that they felt the wider economic environment had improved, with total new business growth for the month above the survey average.

To accommodate the continued expansion in new orders, UAE non-oil private sector firms raised output and increased input buying in February. However, the expansion in activity slowed to a modest pace, the weakest for five months and below the series average. Input buying rose at a solid pace over the month. Moreover, the rate of increase was the fastest since July 2011.

Latest figures suggest that both UAE non-oil private sector firms and their suppliers were coping well with workloads in February. Businesses continued to clear backlogs, while vendors reduced delivery times further. Panellists stated that spare capacity at vendors, good business relationships and competition amongst suppliers had all aided the shortening in lead times.

Caution amongst panellists was illustrated by the latest figures for employment. The rate of hiring remained only marginal as companies stated that optimism would remain tentative while activity in European markets was subdued.

Output prices across the UAE non-oil private sector were increased only fractionally in February, as efforts to prevent demand from falling stayed a priority.

Driven by stronger rises in both purchasing prices and employment costs, overall input price inflation accelerated to a three-month high during February. The rise in total input costs was robust, and extended the current period of rising input prices to just under two years.

## Comment

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

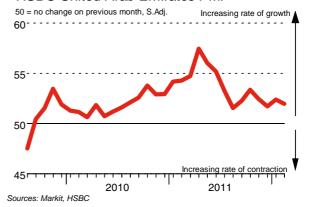
"The strong new order score is encouraging and suggests that growth may begin to build pace in the months ahead. For now, though, the February reading points only to stabilisation and paints a picture of an economy still operating below capacity. The weak employment growth and wages readings are a particular worry while data showing that producers are unable to pass on higher input costs suggests their pricing power is still very limited and that their margins remain under pressure."

# **Key points**

- PMI indicates weaker improvement in health of non-oil private sector than January
- New order growth continues to outstrip expansion in output
- Headcounts increase only marginally

## **Historical Overview**

#### **HSBC** United Arab Emirates PMI







## 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 charleswclarke@hsbc.com

#### Markit

Richard Clarke, Economist
Telephone +44-1491-461-006
Email richard.clarke@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 HSBC 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<sup>TM</sup> (PMI<sup>TM</sup>)* 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.

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Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</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

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