

## HSBC UAE PMI™

### Operating conditions improve at fastest rate for ten months

#### Summary

April survey data pointed to a strong start to the second quarter of 2012 for the UAE non-oil private sector. Sharper expansions were recorded in output, total new business, buying activity and employment, pointing to an improved business environment. Price pressures eased over the month, but remained solid.

Climbing to 53.5 in April, from 52.3 in March, the headline seasonally adjusted HSBC United Arab Emirates PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the non-oil private sector – reached a ten-month high. The latest reading signalled a solid and faster improvement in the health of the country's non-oil private sector.

Incoming new work to UAE non-oil private sector companies rose at the quickest pace for three months during the latest survey period, with growth reflecting stronger market demand and a more stable economic environment. Anecdotal evidence suggested that domestic demand remained the principal driver of the expansion.

To accommodate faster growth of new business, United Arab Emirates non-oil private sector firms raised output at a sharper pace in April. Activity levels in the sector were increased at a solid rate – the quickest for ten months.

Reflecting a stronger rate of expansion of new orders than output, backlogs of work at UAE non-oil private sector companies built up for the second month in succession in April.

United Arab Emirates non-oil private sector firms took on additional staff and raised buying activity in April to meet the requirements of rising activity levels. Employment growth accelerated to the fastest since July 2011. At a moderate rate, the latest increase in purchases was insufficient to add to inventory holdings.

Overall input prices faced by UAE non-oil private sector firms continued to increase during April. The rate of inflation did ease to a three-month low, but remained above the long run trend for the series. Data indicated that rising purchase prices were the predominant cause of total inflation; staff costs grew at only a marginal pace over the month.

Panelists commented that they felt restricted from passing on higher charges to clients in April as competitive pressures remained strong. The latest increase in charges was again only marginal.

#### Comment

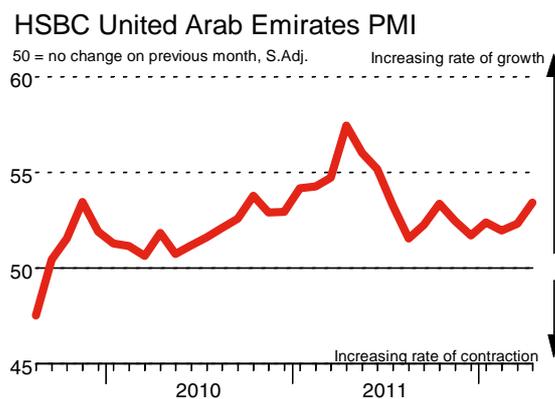
Commenting on the UAE PMI™ survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

*"It's encouraging that the data picked up so strongly in April, particularly as the employment reading was positive. I am still somewhat cautious, as this is only one good month's data after 6 months in the doldrums, and the quieter summer months could put a dent in the uptrend. The UAE also continues to be held back by both tight monetary conditions and a limited fiscal stimulus. However, against a backdrop of stronger macro indicators out of Dubai in particular, the April number is positive."*

#### Key points

- PMI indicates solid improvement in health of UAE private sector economy
- Output expansion quickest since June 2011
- Employment and purchasing activity increase to meet rising activity requirements

#### Historical Overview



Sources: Markit, HSBC

**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](mailto:simon.williams@hsbc.com)

Charles Clarke, Senior Manager,  
Corporate Communications  
Telephone +971-4-423-5640  
Email [charleswclarke@hsbc.com](mailto:charleswclarke@hsbc.com)

**Markit**

Richard Clarke, Middle East & Africa Economist  
Telephone +44-1491-461-006  
Email [richard.clarke@markit.com](mailto:richard.clarke@markit.com)

Rachel Harling, Corporate Communications  
Telephone +44-20-7064-6283  
Mobile +44-782-789-1072  
Email [rachel.harling@markit.com](mailto: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™ (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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