HSBC Purchasing Managers' Index™ Press Release

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HSBC UAE PMI™

Solid growth of UAE non-oil private sector sustained in June

Summary

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 — registered 53.2 in June. That was fractionally down on May's 11-month high of 53.8 and a three-month low, though still indicative of a solid improvement in operating conditions.

The PMI was again largely supported in June by a steep rise in new order volumes. Panellists reported positive operating conditions, with efforts to secure new work supported by marketing and advertising. Foreign sales also continued to increase during June, with the rate of growth reaching a four-month high.

Faced with another steep increase in order volumes, UAE non-oil private sector companies upped their production in the latest survey period. Although a three-month low, the rate of growth remained marked as companies tried to deal with higher workloads.

Rising workloads encouraged companies to take on extra staff during June; employment rose for the sixth successive month, with the rate of expansion the steepest since last July. Despite an expansion of capacity, backlogs of work continued to rise modestly, stretching the current run of growth to four months.

As business requirements increased further during June, UAE non-oil private sector companies raised their purchasing activity for a twenty-third month in a row. According to the latest data, growth of input buying was the sharpest since June 2011. This also enabled companies to add to their inventories; stocks of purchases rose for a second successive month, with the modest increase reflective of positive forecasts for sales and production over the coming months.

June's survey indicated that sales were in part supported by a marginal drop in output charges, the first reduction since August 2011. There were reports from panellists of strong competitive pressures encouraging the use of discounting.

Finally, input costs rose further in June, although the rate of inflation moderated to a five-month low. Purchase prices rose at a pace that was only slightly above April's near one-and-a-half year trough, but with suppliers trying to take advantage of the positive demand environment, inflation remained marked. Salary costs rose modestly in June.

Comment

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

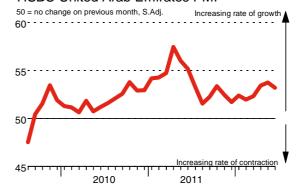
"I'm not troubled by the modest easing in the June PMI reading which points to a non-oil economy still firmly in growth territory. I suspect there are further declines to come, but the positive new orders numbers suggest that the economy is managing to maintain some momentum despite the weak global backdrop and falling energy prices."

Key points

- Positive demand environment supports further sharp rise in new orders
- Production rises further, but capacity constraints evident as backlogs up again
- Output charges fractionally down; input costs increase at slowest rate since January

Historical Overview

HSBC United Arab Emirates PMI



Sources: Markit, HSBC





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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' IndexTM (PMITM)* 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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