HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

HSBC UAE PMI™

Non-oil private sector continues to expand at solid pace in July

Summary

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 – remained in positive territory during July, posting 53.4. That was slightly up on June's 53.2 and signalled the thirty-fifth successive month-on-month improvement in operating conditions.

New order volumes continued to increase sharply during July, with the rate of growth unchanged on the previous month. There were reports of a positive demand environment, particularly at home. A rise in export sales was again recorded during July, but the increase was marginal and the weakest since June 2010. Panellists indicated that securing foreign sales was becoming increasingly difficult in line with tougher operating conditions abroad.

July's survey indicated another increase of output volumes in UAE's non-oil private sector economy. Growth has now been recorded throughout the past two-and-a-half years, although the latest increase was the slowest since March.

With sales continuing to rise at a stronger pace than production, there was again evidence of capacity pressures. Backlogs rose for a fifth successive month, albeit only marginally and at the weakest pace since March.

As workloads increased and companies retained positive expectations for growth, payroll numbers rose again in July. Employment has now rise for seven successive months and latest data showed the continuation of the recent acceleration in growth, with staffing levels in July rising to the greatest degree since April 2011.

Forecasts for growth encouraged companies to boost their purchasing activity in July, with the survey signalling another solid increase in input buying. Stocks were subsequently raised to the greatest degree for over a year.

Finally, July's survey indicated that operating costs continued to rise, but at the slowest rate for a year-and-a-half as purchase price inflation weakened to a 22-month low and salaries increased only modestly. Part of the rise in overall costs was passed onto clients in the form of higher charges. However, a desire to remain competitive meant that output price inflation was only slight during the latest survey period.

Comment

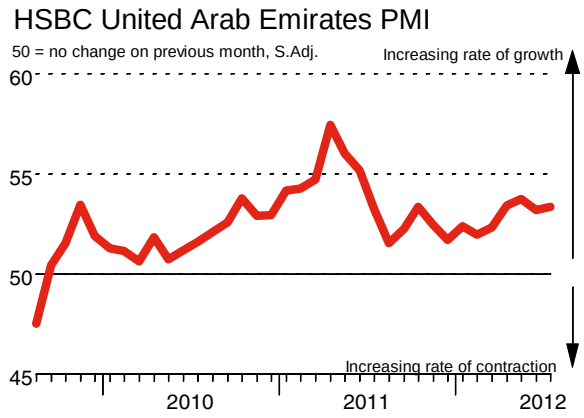
Commenting on the UAE PMI™ survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

"Although the sharp drop in export orders is troubling, overall the data suggests the non-oil economy is showing some resilience. The headline score is still firmly in expansionary territory, and the positive output, new order and employment readings are particularly encouraging given the troubled global economy and the onset of the Gulf summer."

Key points

- Domestic market conditions remain positive, but foreign demand shows signs of slowing
- Employment registers sharpest rise since April 2011
- Operating costs rise at slowest rate for 18 months; output charges up only slightly

Historical Overview



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' 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.

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Purchasing Managers' Index™ (PMI™) 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