

HSBC UAE PMI™

Continued solid growth signalled in August as market conditions remain positive

Summary

August's survey signalled a continued expansion of the UAE non-oil private sector economy. Output, orders and employment all continued to rise, while there was further stock accumulation as companies retained positive forecasts for growth.

Input costs continued to increase, led primarily by rises in the prices of purchases, but there was a fractional fall in output charges as companies strove to remain competitive and stimulate increased volumes of new business.

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 – recorded a level of 53.3 in August. That reading was little changed on July's 53.4 and was indicative of a solid improvement in operating conditions during the latest survey period.

Production levels rose for a thirty-first successive month during August. Growth was solid, edging up only slightly on July's four-month low, as higher volumes of incoming new business encouraged companies to raise activity.

Total new orders rose at the sharpest rate for three months in August amid reports of improved market conditions, firm demand and higher sales efforts. Growth of new orders was not limited to the domestic market as sales to foreign markets were reported to have risen in August. Moreover, the rate of increase improved markedly on the 25-month low seen in July.

With order book growth continuing to outstrip that of output, backlogs of work increased in August (albeit slightly). As resources showed signs of being stretched, companies attempted to keep on top of rising workloads by hiring additional staff. In line with the trend throughout almost all of the survey history, payroll numbers continued to increase although the rate of growth was the slowest since April.

UAE non-oil private sector companies increased their purchasing activity during August. Solid growth reflected increased sales and the start of new projects. Companies were also able to add to their stocks of purchases, and to the sharpest degree for 15 months amid evidence of positive expectations for sales and output growth. Despite higher demand for inputs, vendors were able to deliver to quicker time scales. Prompt payments, the use of quality suppliers and market competition all helped to support an improvement in vendor performance.

Although market demand remained positive, strong competitive pressures encouraged slight price discounting amongst UAE non-oil private sector companies for the second time in the past three months.

In contrast, total cost inflation accelerated, as input price inflation accelerated to a three-month high. Staffing costs also rose at a stronger rate (the sharpest for 14 months), although wage inflation remained below that of purchase prices.

Comment

Commenting on the UAE PMI™ survey, Liz Martin, Senior Economist for Middle East & North Africa at HSBC said:

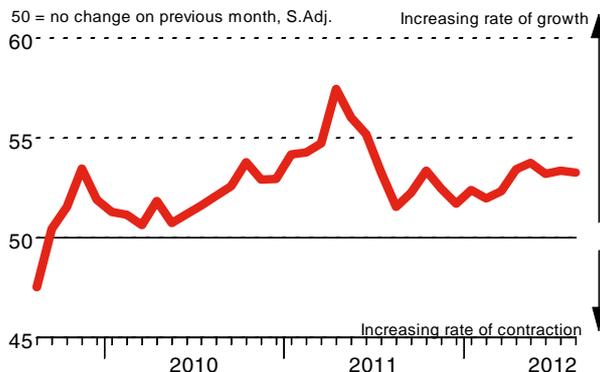
"It's a very solid number compared with much of the world, and what's particularly encouraging is the bounce in the new export orders index, after a somewhat worrying drop in July. Of course we remain concerned about the impact of the weak global demand climate, but these numbers suggest continued resilience so far."

Key points

- Output rises at solid rate on back of further gains in incoming new business
- Payroll numbers increase again
- Slight fall in output charges despite ongoing purchase price inflation

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' 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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