

HSBC UAE PMI™

Growth remains solid as new orders continue to rise

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 – recorded a level of 53.8 in September, up from August's 53.3 and indicative of a solid improvement in operating conditions during the latest survey period.

Production levels expanded for a thirty-second consecutive month during September. The rate of growth was the quickest in three months and remained solid. Total new orders rose at the sharpest rate in 15 months. New export orders increased for the twenty-eighth month in a row, and at a marginally stronger rate than in August. Panellists linked higher new orders to improved market conditions and stronger client demand.

Backlogs of work in non-oil private sector firms fell for the first time since February. This reduction was only marginal, and many respondents reporting a fall linked this to increased productivity at their units. Meanwhile, there was a further, albeit modest, expansion of staffing levels at firms during September as companies responded to greater production requirements. Employment has now risen for the past nine months.

Purchasing activity at UAE non-oil private sector companies increased during September, and at the fastest rate since June. Inventories also continued to increase, albeit at a more modest pace than in August. Growth in purchases and stocks reflected increased production requirements, and expectations of higher demand.

Average lead times continued to shorten in the latest survey period, and at the sharpest rate since June. A number of firms attributed this to improved vendor reliability.

On the price front, overall input prices continued to rise, though the rate of inflation eased slightly from August. Higher purchasing prices were the key driver of overall input price inflation as suppliers raised prices in line with higher demand for inputs. Staffing costs continued to increase in September, but inflation of wages in the latest survey was modest.

Average tariffs set by companies rose during September, following on from the slight decline in output charges of August. However, this increase was only marginal and much weaker than that seen for input prices.

Comment

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

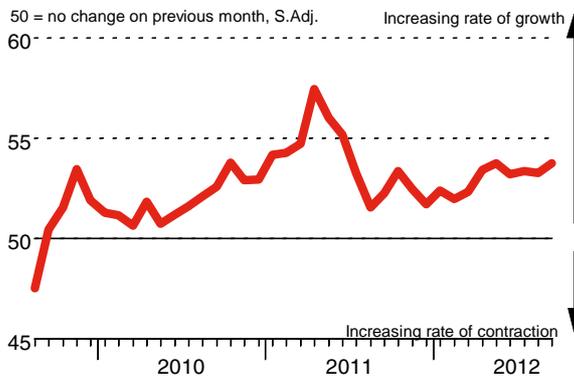
"It's a positive reading that suggests the UAE is one of the few economies in the world where private sector growth is accelerating rather than losing pace. I'm still concerned by the UAE's reliance on export demand, and by the rate of employment growth which is still disappointingly slow. But for now the economy is showing resilience and with new orders strengthening, there's good reason to expect the UAE to maintain momentum into the year end."

Key points

- Growth in new business at 15-month high
- Purchasing activity picks up sharply
- Backlogs of work fall for first time in seven months on back of improved productivity

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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