

HSBC UAE PMI™

October PMI data signals the fastest rate of output growth for four months

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 – registered above the 50.0 no-change mark in October, signalling an improvement in overall operating conditions. At 53.8, unchanged from September, the PMI was above the series average of 52.7, and indicated a solid improvement overall.

Output at UAE non-oil private sector firms increased at a solid rate during October. Moreover, the rate of growth was at a similar pace to September. The increased level of production was driven by marked growth of new orders. Anecdotal evidence linked the increase in incoming new work to greater demand, particularly in international markets.

Backlogs of work increased marginally during October, following a modest reduction in September. A number of panellists attributed the rise of backlogged work to an increased volume of new business. Meanwhile, there was a further rise in employment levels at non-oil private sector firms in October. The rate of job creation was slightly faster than in September, quickening to a three-month high.

Purchasing activity grew at the fastest rate since June, with a number of firms attributing this to higher production requirements. Stocks of purchases also increased during October. The rate of inventory accumulation was marginally faster than in September, but continued to be modest nonetheless.

Suppliers' delivery times improved further during October, although the rate of improvement was slightly down from that recorded in September. Survey respondents mentioned requests for faster delivery times had driven the improvement in vendor performance.

Overall input prices increased at a solid rate in October, with both purchase prices and staffing costs having risen since September. The greatest increase was for purchases, with average salaries rising only marginally over the month.

Average tariffs meanwhile rose for the second successive month. The rate of output price inflation was slightly quicker than one month previously, but remained only marginal overall.

Comment

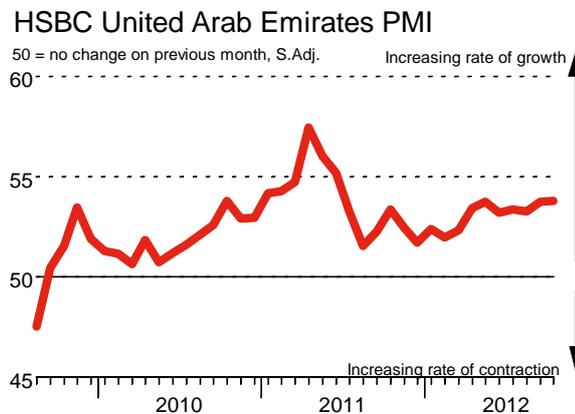
Commenting on the UAE PMI™ survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

"It's another solid reading that shows the UAE economy continuing to perform well, despite the poor global environment. The strong new orders numbers are particularly encouraging as is the modest gain in employment. We have no breakdown between Dubai and Abu Dhabi in the data, but I suspect the former is outpacing the latter at present."

Key points

- Solid increase in non-oil private sector output
- Marked rise in total new business
- Input price inflation slowest since July

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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