HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

HSBC UAE PMI™

Further solid rise in output during November

Summary

Business conditions at non-oil producing firms in the UAE improved again in November. Production and new orders continued to grow and payroll numbers and salaries increased. Meanwhile, average prices set by companies decreased for the second time in the past four months.

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 November, signalling an improvement in overall operating conditions. At 53.7, almost unchanged from 53.8 in October, the PMI was above the series average of 52.7, and indicated a solid improvement overall.

November data signalled a further increase in output at non-oil producing firms in the UAE. The expansion was mainly driven by a higher number of projects. The volume of incoming new business rose again in November. Almost one-in-three respondents indicated a higher number of new orders and linked this to improved economic and market conditions.

The level of new export orders continued to rise in November, and the rate of growth remained strong as more than 20% of respondents indicated higher export orders. Meanwhile, the level of outstanding business decreased. Because projects could be delivered on time, companies reported less outstanding business than in October.

Average lead times shortened further in November. The improvement in vendor performance was due to a request for faster deliveries. That said, the latest improvement was the weakest since April.

Employment levels rose at non-oil producing firms in the UAE. The rate of job creation was, however, the lowest in eight months. Companies that hired additional staff commonly associated this with higher output requirements. Average salaries continued to increase in November.

Average tariffs set by firms decreased for the second time in four months, albeit only marginally. Mainly driven by increased market competition, companies had to lower their average charges.

Overall input prices increased further in November. Almost 11% of panellists registered higher input costs, but the rate of inflation remained weak in historical context. Average purchase prices rose again, albeit at the lowest rate since August 2010.

Growth of purchasing activity remained solid at non-oil producing firms in the UAE. Higher business requirements were often commented on by companies that indicated an increase in buying. Concurrently pre-production inventories rose for the seventh successive month.

Comment

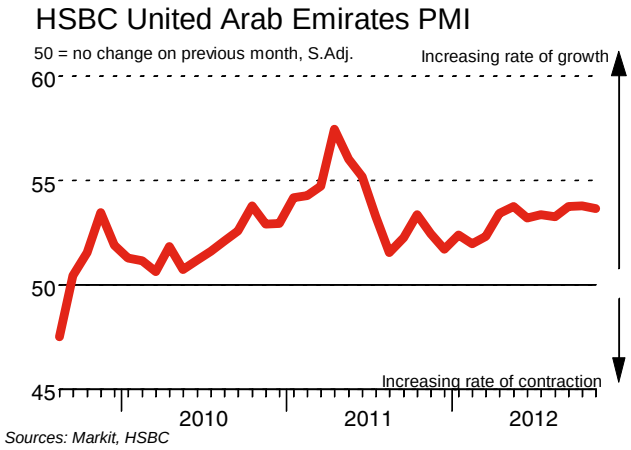
Commenting on the UAE PMI™ survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

"Given the weak global backdrop, this is another strong reading that puts the UAE non-oil economy firmly in expansionary territory. The strong new orders and new export readings are particularly encouraging and point to an economy not only showing growth but well placed to maintain momentum. Despite the sustained pick up in activity, the PMI shows the economy operating well within capacity; as a result, the upward pressures on prices and wages remains moderate"

Key points

- Solid growth in output and new orders received
- Output prices fall for the second time in four months
- Employment levels and staff costs increase further

Historical Overview



Sources: Markit, HSBC

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For further information, please contact:

HSBC

Simon Williams, Chief Economist,
HSBC Middle East & North Africa
Telephone +971-4-423-6925
Email simon.williams@hsbc.com

Charles Clarke, Senior Manager,
Corporate Communications
Telephone +971-4-423-5640
Email charleswclarke@hsbc.com

Markit

Oliver Kolodseike, Economist
Telephone +44-1491-461-003
Email oliver.kolodseike@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-781-5812-162
Email caroline.lumley@markit.com

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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