HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 09:30 (Dubai), 6 January 2013

HSBC UAE PMI™

Series-record increase in new business

Summary

Business conditions in the UAE non-oil producing private sector improved solidly during December. Output continued to increase at a solid pace and the growth rate of new orders was the sharpest since the survey was launched in August 2009. Meanwhile, employment levels rose further and purchasing activity increased at the strongest rate in 18 months.

The headline seasonally adjusted HSBC United Arab Emirates PMI^{TM} — 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 December, signalling an improvement in overall operating conditions. At 55.6, up from 53.7 in November, the PMI pointed to the strongest improvement in operating conditions in 19 months.

Production saw a solid rise during December, and the index recorded its highest reading since May 2011. New order levels continued to increase, and the growth rate of new work was the sharpest since the beginning of data collection in August 2009. According to anecdotal evidence, both higher output levels and increased new orders were partly driven by improving economic and market conditions.

The level of outstanding business at UAE non-oil producing private sector companies decreased slightly during December, partly reflecting higher production efficiency. Meanwhile, average lead times shortened further. December data signalled higher employment levels, and the rate of job creation was slightly higher than in the previous month.

Overall input prices continued to increase in the UAE non-oil producing private sector during December. That said, the rate of input price inflation eased and was the lowest since September 2010. While average purchase prices increased at a similar pace to November, the rate of wage inflation was slightly lower than in the previous month. The main reasons behind the latest inflation were general inflationary pressures and increased living costs, respectively.

Output prices charged by UAE non-oil producing private sector companies remained broadly unchanged as the majority of respondents recorded steady tariffs. The latest survey data indicated an increase in buying at UAE non-oil producing private sector firms. The rate at which purchasing activity rose was the sharpest in 18 months, and one of the fastest in the series history. Some panellists linked growth to the increase in new orders.

Stocks of purchases accumulated at a similar pace as in recent months. Some panellists commented on increased business as one of the reasons behind the latest development.

Comment

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

"It is a fitting reading to mark the end of a strong recovery year for the UAE. Good output growth, firm new orders from home and abroad and a pick up in job creation point to an economy that is growing at a solid pace and well placed to maintain momentum. While the UAE will still likely lag some of its neighbours, the economy enters 2013 at its most positive in five years."

Key points

- Output and new orders increase at faster rates
- Rate of job creation highest in five months
- Purchasing activity sees strong increase

HSBC United Arab Emirates PMI

Historical Overview

Sources: Markit, HSBC

50 = no change on previous month, S.Adj. Increasing rate of growth 60 55 Increasing rate of contraction 2010 2011 2012





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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' IndexTM (PMITM)* 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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