

HSBC UAE PMI™

PMI signals further improvement in business conditions at start of 2013

Summary

January data signalled marked increases in both output and new orders at non-oil producing private sector firms in the UAE. New export orders and the quantity of items purchased both grew sharply, and at the fastest rates since the beginning of data collection. Meanwhile, employment levels rose further, and for the thirteenth month running.

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 – signalled a further marked strengthening of operating conditions. At 55.0 in January, down only slightly from December's 55.6, the PMI remained above its average at the start of the year.

Production in the UAE's non-oil producing private sector continued to rise during January. Nearly 20% of respondents indicated higher output levels and linked this to improved market conditions and increased business. New orders also increased at a marked rate with more than one-in-three panellists reporting an expansion in order book volumes.

New business from abroad placed at non-oil producing private sector firms in the UAE and purchasing activity both increased at the sharpest rates in the survey history. The rise in new export orders was mainly linked to improved market conditions. Companies that indicated an increase in buying also attributed this to improvements in market conditions and additionally to higher new orders. Meanwhile, stocks of purchases rose for the ninth successive survey period.

Outstanding business in the UAE's non-oil producing private sector increased during January. The rate of accumulation was only marginal, but ended a two-month sequence of decreasing backlogs. Meanwhile, suppliers' delivery times continued to shorten. More than 10% of respondents reported an improvement in vendor performance. According to anecdotal evidence, this was partly driven by requests for quicker deliveries.

Workforce numbers at non-oil producing private sector companies in the UAE rose during January, and for the thirteenth month in a row. Some companies linked the latest expansion in payroll numbers to increased business.

Prices charged by non-oil producing private sector companies increased during January. There was some evidence that the rise was caused by higher market prices and increased demand.

Driven by increased purchase prices and higher staff costs, overall input prices continued to rise during January. While the rise in purchase prices was partly driven by increased market demand, good business and higher living costs reportedly led to the increase in staff costs.

Comment

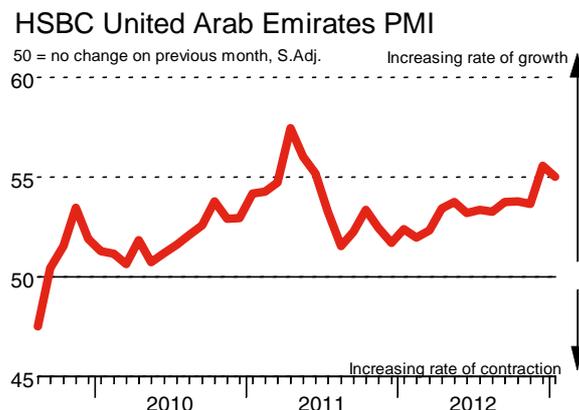
Commenting on the UAE PMI™ survey, Liz Martins, Senior Economist for Middle East & North Africa at HSBC said:

"The January number is another strong reading which adds to our sense of a recovery which lagged much of the region in 2012, but is taking shape now. The strength in new export orders in particular is encouraging, and probably speaks to robust demand elsewhere in the Gulf region, particularly for Dubai's non-oil goods and services."

Key points

- Output and new orders continue to rise at marked rates
- New export orders and purchasing activity grow at sharpest rates in survey history
- Further rise in employment levels

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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