

HSBC UAE PMI™

Output continues to rise, although rate of expansion slows

Summary

March data signalled a further increase in output and new orders in the UAE's non-oil producing private sector, but the rates of expansion eased slightly from February. Meanwhile, output charges fell for the first time in four months and purchasing activity continued to increase.

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 – posted 54.3 in March, down slightly from 55.4 in February, and pointed to a further solid improvement of operating conditions in the UAE. While March data marked the forty-third successive improvement, the latest reading was the lowest in four survey periods.

Non-oil producing private sector companies in the UAE reported a further rise in output levels during March. The rate of expansion, however, eased from February. New order book volumes continued to rise during March. The rate of new order growth fell for the third successive month, but remained solid. New export business rose for the thirty-fourth consecutive survey period, but at the slowest pace since last July.

The level of outstanding business at non-oil producing private sector companies in the UAE fell for the first time in three months during March. Panellists reported that the completion of projects on time resulted in the decline of work-in-hand. Meanwhile, vendor performance improved at the sharpest rate in four months.

Driven by increased new business, non-oil producing private sector companies in the UAE hired additional staff. Workforce numbers increased for the fifteenth successive survey period, and the rate of job creation was in line with the overall series average. Around 9% of respondents indicated an increase in employment levels, while only 3% recorded a fall.

Output prices charged by non-oil producing private sector companies in the UAE fell marginally during March, and for the first time since last November. According to anecdotal evidence, the decline was partly driven by increased market competition. Concurrently, overall input costs increased during the latest survey period. While a rise in purchase prices was mainly driven by increased raw material costs and inflationary pressures, higher living costs accounted for some of the rise in average salaries.

Purchasing activity continued to increase in March, but the rate of expansion was the weakest in seven months. Where growth in buying was reported, companies often linked this to increased new business. Stocks of purchases also increased in the UAE's non-oil producing private sector. There was some anecdotal evidence that the rise was driven by expected growth in new business.

Comment

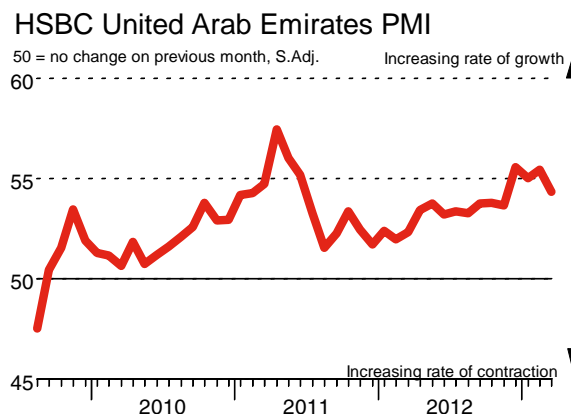
Commenting on the UAE PMI™ survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

"I'm not concerned by the slight moderation in the headline score. Output and new order growth are still robust and employment has continued to pick up, so far without generating any material inflationary pressures. 2013 continues to look like a good year for the UAE."

Key points

- Output and new order growth rates ease slightly
- Output prices fall for the first time in four months
- Further increase in purchasing activity

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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