

HSBC UAE PMI™

Operating conditions continue to improve, although at slightly slower pace

Summary

The UAE's non-oil producing private sector companies reported a further increase in output levels in April, and the pace of expansion was broadly unchanged from the previous month. While new orders continued to rise sharply, the rate of increase eased to the slowest in a year. Meanwhile, employment levels rose at the fastest pace in two years.

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 54.0 in April, down slightly from 54.3 in March, and pointed to a further improvement of operating conditions in the UAE. While April data marked the forty-fourth successive improvement, the latest reading was the lowest in five survey periods.

Output levels in the UAE's non-oil producing private sector rose further during the latest survey period. Increased incoming new business and improving market conditions were cited by panellists as having contributed to the latest rise.

Order book volumes increased sharply in April, albeit at the slowest pace in a year. Panellists linked growth of new work to improved sales team efforts and good market conditions. New business from abroad also increased at the slowest pace in nine months amid reports of economic slowdowns in export markets.

The UAE's non-oil producing private sector companies indicated a second successive monthly fall in outstanding business during the latest survey period, and linked the decline in work-in-hand to the hiring of additional staff and efficiency improvements. Meanwhile, suppliers' delivery times continued to improve. There was some anecdotal evidence that the improvement in average lead times was driven by long-term relationships with suppliers and faster payments.

April data pointed to a further increase in employment levels and the rate of job creation accelerated to the highest in two years. Overall input prices rose during April, and at a marginally sharper rate than in the previous month. Purchase prices increased in line with general inflationary pressures, while the rate of staff cost inflation quickened to the fastest in three months. Meanwhile, output prices charged by the UAE's non-oil producing private sector firms fell for a second consecutive month.

Purchasing activity continued to increase in April, albeit at the slowest pace in a year. Where a rise was reported, companies often linked this to increased incoming new business. Stocks of raw materials and other pre-production inventories were broadly unchanged from March.

Comment

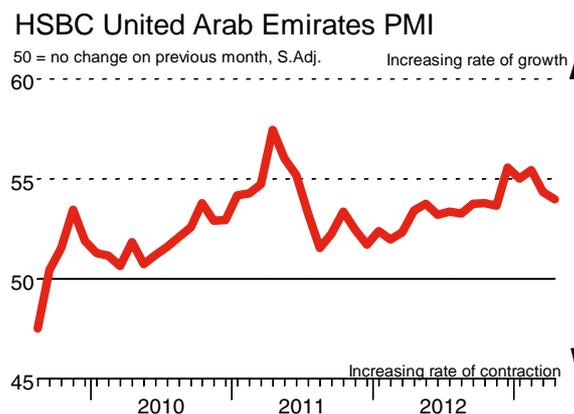
Commenting on the UAE PMI™ survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

"It's another solid reading that strongly suggests the UAE economy is maintaining momentum well. The softer export reading is a concern, but overall new orders are still strong, employment is rising and output is up. We continue to look for overall growth of around 4% this year, with Dubai likely to be the outperformer."

Key points

- Further rise in output levels
- Growth of new work eases to 12-month low
- Rate of job creation accelerates to two-year high

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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