

## HSBC UAE PMI™

### PMI signals strongest improvement in operating conditions in three months

#### Summary

Non-oil producing private sector companies in the UAE reported further output and new order growth in May. The respective rates of expansion picked up from April and were the highest in three months. Meanwhile, output charges fell at the sharpest rate in over three years and input stocks increased for the thirteenth month in a row.

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 strengthening of operating conditions during the latest survey period. Posting 55.3 in May, up from April's 54.0, the latest reading was the highest since February and extended the sequence of improving operating conditions to 45 months.

May data signalled a rise in output levels in the UAE's non-oil producing private sector, with the rate of expansion at a three-month high. Increased order book volumes and improving market conditions were cited as the main drivers of the latest expansion. Incoming new business also increased at the fastest pace since February, with the rise linked to good market conditions and improved marketing efforts. Meanwhile, growth of new export orders picked up from April's nine-month low.

The increase in incoming new business accounted for much of the latest rises in stocks of purchases and purchasing activity. Input stocks accumulated at the fastest pace in 24 months and the rise in buying was the sharpest since the beginning of the year.

Backlogs of work in the UAE's non-oil producing private sector accumulated for the first time in three months during May, as companies reported increased new orders. Driven by improved relationships with suppliers, average lead times on inputs shortened further.

The latest survey data pointed to the seventeenth consecutive monthly increase in payroll numbers at the UAE's non-oil producing private sector companies. A combination of higher workloads and business expansions accounted for much of the latest rise in employment levels.

Overall input costs continued to increase in May. The rate of inflation eased, however, and was the weakest in four months. While a rise in purchase prices was linked to increased freight charges and general inflationary pressures, increased living costs was the main driver behind higher staff costs.

In response to increased market competition, non-oil producing private sector companies in the UAE lowered their charges during the latest survey period. Output prices have now fallen for three successive survey periods and the latest reduction was the fastest in 38 months.

#### Comment

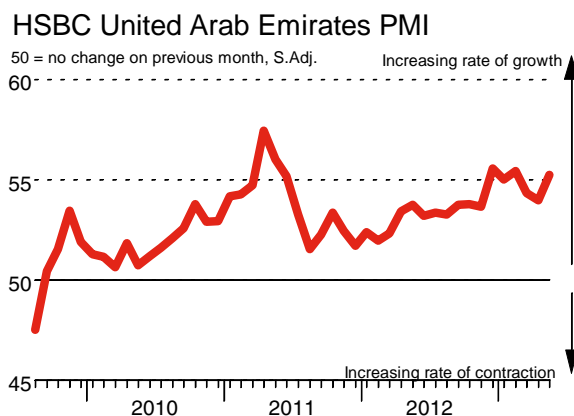
Commenting on the UAE PMI™ survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

*"The UAE is proving to be impressively resilient, gaining speed even as other emerging markets have softened. I expect activity to slow into the summer months, but the good readings for new orders and employment suggest the underlying economy is well placed to maintain momentum, and that any moderation will be muted."*

#### Key points

- Further rise in output levels
- Companies reduce their charges at faster pace
- Input stocks rise at sharpest rate in two years

#### 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](mailto:economics@markit.com).

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