

HSBC UAE PMI™

Output growth slows slightly, but remains sharp overall

Summary

October data signalled a slowing of output growth in the UAE's non-oil producing private sector, while new order intakes rose sharply and new export orders increased at the quickest pace in the survey history. Meanwhile, companies lowered their charges despite rising input costs.

The headline seasonally adjusted HSBC United Arab Emirates PMI™ signalled a further solid improvement in operating conditions in the UAE non-oil producing private sector, with the headline index inching down fractionally from September's 56.6 to 56.3 in October.

The latest survey results signalled a further increase in output, with panellists linking growth to higher new business. The pace of expansion eased to the slowest in three months, but remained sharp overall.

The UAE's non-oil producing private sector companies reported a solid rise in order intakes during October, with the rate of growth in new work the second-highest recorded in the survey history. Good sales efforts, improving economic conditions and higher construction activity all contributed to the sharp rise, according to panel members. Meanwhile, new export orders rose at the quickest pace since data collection began in August 2009. Anecdotal evidence suggested that competitive pricing and good market conditions accounted for much of the overall expansion.

Inflationary pressures persisted into October, but the rate of overall input price inflation eased slightly from September. Driven by increased market demand, general inflationary pressures and increased raw material costs, purchase prices rose at a slightly accelerated pace, while average staff costs increased at a weaker rate. Despite rising input costs, the UAE's non-oil producing private sector firms lowered their selling prices for the first time in five months. Survey respondents largely attributed price discounting to competitive market conditions.

Employment levels continued to increase during October as companies faced higher workloads. The rate of job creation was down slightly from that seen in September, but remained above the long-run series average.

Backlogs of work accumulated for a third month in succession during October, and to a greater extent than in the previous month. Meanwhile, suppliers' delivery times improved at the slowest pace in just over two years.

In line with the trends for output and new orders, purchasing activity in the UAE's non-oil producing private sector increased in October. Concurrently, stocks of purchases accumulated at an accelerated pace. Some companies linked the rise in input stocks to predicted new order growth.

Comment

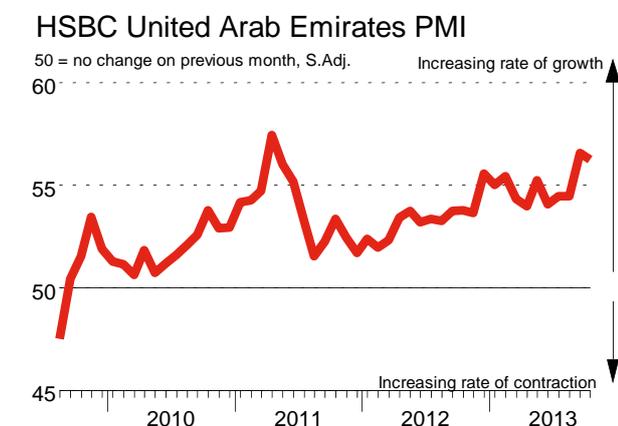
Commenting on the UAE PMI™ survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

"The headline number may be down on the September high, but the underlying data remains strong. Production and new orders are continuing to gain, employment is up and inflation still looks benign. I remain confident that the economy will perform well into the year-end."

Key points

- Activity growth eases in October
- New export orders rise at fastest pace in series history
- Output charges fall, despite increased cost pressures

Historical Overview



Sources: Markit, HSBC

For further information, please contact:

HSBC

Simon Williams, Chief Economist,
HSBC Middle East & North Africa
Telephone +971-4-423-6925
Email simon.williams@hsbc.com

Ahmad Othman
Media Relations
Tel: +971 4 423 5628
Email ahmadothman@hsbc.com

Markit

Oliver Kolodseike, Economist
Telephone +44-1491-461-003
Email oliver.kolodseike@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-781-5812-162
Email caroline.lumley@markit.com

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.

HSBC:

HSBC is one of the world's largest banking and financial services organisations. With around 6,600 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 55 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 80 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216,000 shareholders in 130 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 3,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce

risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

About PMIs:

Purchasing Managers' Index[™] (*PMI*[™]) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics

The intellectual property rights to the HSBC UAE *PMI*[™] provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*[™] and *PMI*[™] are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.