Embargoed until: 09:30 (DUBAI) 3 May 2012

HSBC UAE PMI™

Operating conditions improve at fastest rate for ten months

Key findings:

- PMI indicates solid improvement in health of UAE private sector economy
- Output expansion quickest since June 2011
- Employment and purchasing activity increase to meet rising activity requirements

April survey data pointed to a strong start to the second quarter of 2012 for the UAE non-oil private sector. Sharper expansions were recorded in output, total new business, buying activity and employment, pointing to an improved business environment. Furthermore, price pressures eased over the month, but remained solid

Climbing to 53.5 in April, from 52.3 in March, the headline seasonally adjusted HSBC United Arab Emirates PMITM – a composite indicator designed to provide a single-figure snapshot of the performance of the non-oil private sector – reached a tenmonth high. The latest reading signalled a solid and faster improvement in the health of the country's non-oil private sector.

Incoming new work to UAE non-oil private sector companies rose at the quickest pace for three months during the latest survey period, with growth reflecting stronger market demand and a more stable economic environment. Anecdotal evidence suggested that domestic demand remained the principal driver of the expansion, and a number of companies commenting that they had carried out successful new project launches in April.

To accommodate faster growth of new business, United Arab Emirates non-oil private sector firms raised output at a sharper pace in April. Activity levels in the sector were increased at a solid rate – the quickest for ten months.

Reflecting a stronger rate of expansion of new orders than output, backlogs of work at UAE non-oil private sector companies built

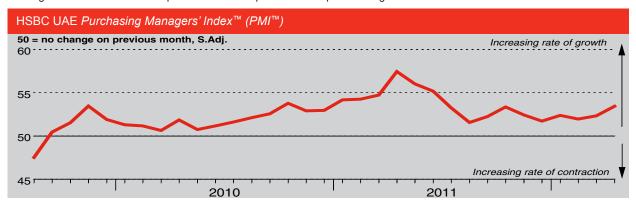
up for the second month in succession in April. While the rate of accumulation was only moderate, it was nevertheless only the fourth time in the survey history that work-in-hand had increased.

United Arab Emirates non-oil private sector firms took on additional staff and raised buying activity in April to meet the requirements of rising activity levels. Employment growth accelerated to the fastest since July 2011. At a moderate rate, the latest increase in purchases was insufficient to add to inventory holdings. Stocks were reduced for the fourth month running, albeit declining only marginally.

Despite stronger demand for inputs, average suppliers' delivery times continued to improve in April. Lead times shortened at a solid, but weaker, pace over the month.

Overall input prices faced by UAE non-oil private sector firms continued to increase during April. The rate of inflation did ease to a three-month low, but remained above the long run trend for the series. Data indicated that rising purchase prices were the predominant cause of total inflation; staff costs grew at only a marginal pace over the month.

Panellists commented that they felt restricted from passing on higher charges to clients in April as competitive pressures remained strong. While the latest increase in charges was again only marginal, it extended the current sequence of rising output prices to eight months.



The HSBC UAE Purchasing Managers' Index (PMI) is a composite indicator designed to provide an overall view of activity in the United Arab Emirates non-oil private sector economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Purchasing Managers' Index™ and PMI™ are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

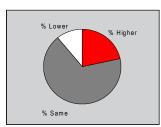




Output Index

Q. Please compare your production/output this month with the situation one month ago.



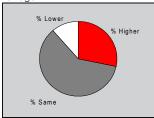


Boosted by a sharper rise in new business, UAE non-oil private sector output grew at the quickest rate for ten months at the start of Q2. Activity levels in the sector have now increased in each of the last 27 survey periods. Of the 22% of panellists that recorded an expansion from March, a number commented that this was due to a combination of new projects, greater sales, and improved market conditions.

New Orders Index

Q. Please compare the level of new orders received this month with the situation of one month ago.



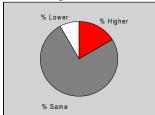


Incoming new work to the United Arab Emirates non-oil private sector increased during April, maintaining the series trend. Furthermore, the latest expansion was the joint-fastest since October 2011, with around 28% of panellists recording growth. Anecdotal evidence suggested that stronger market demand, new product launches and a more stable economic environment in the country had supported sales.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.





The seasonally adjusted New Export Orders Index rose in April, having fallen in the previous survey period, and therefore signalled a faster increase in new business from abroad. Foreign demand was supported by stronger market demand and advertising campaigns, according to respondents. Over 16% of monitored companies registered higher new orders from foreign clients, almost twice the proportion that recorded a fall.

Backlogs of Work Index

O. Please compare the level of outstanding business in your company this month with the situation one month ago.

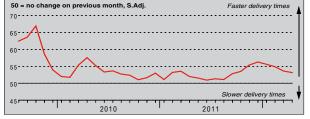


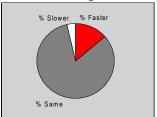


For the second month running, United Arab Emirates non-oil private sector firms recorded a build-up of backlogs at their units in April. That said, the rate of accumulation was only modest. Survey participants commonly linked rising unfinished business to a quicker rate of growth of new order levels relative to the increase in output.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



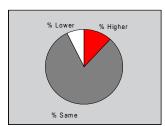


Although vendors continued to make faster input deliveries to UAE non-oil private sector firms in April, the rate of improvement eased marginally to a seven-month low. Reports showed that this was principally caused by greater demand for inputs as activity increased. Nevertheless, suppliers' delivery times still shortened at a solid pace.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.



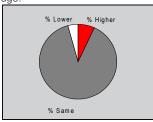


Job creation in the United Arab Emirates non-oil private sector picked up during April. Higher employment reflected stronger demand conditions and company expansions. Employment rose at the fastest rate for nine months, albeit still only moderately. Approximately 12% of companies registered higher staff levels than in March, compared to 7% that reduced headcounts at their business units.

Output Prices Index

Q. Please compare the average prices you charged this month with the situation one month ago.

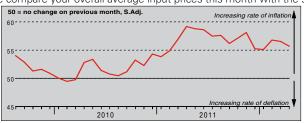




Prices charged for UAE non-oil private sector goods and services rose again at the start of Q2, bringing the current run of inflation to eight months. However, the latest increase was again only marginal, with panel members commenting that they were cautious of charging higher prices due to strong competition. This was signalled despite continued cost growth.

Overall Input Prices Index

Q. Please compare your overall average input prices this month with the situation one month ago.





Overall input price inflation faced by UAE non-oil private sector firms decelerated during April, falling to a three-month low. Data indicated that rising purchase prices had driven total inflation, as staff costs grew at only a marginal pace. Over three times the number of companies reported higher overall input prices than registered lower costs.

Input Costs: Purchase Prices Index

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.



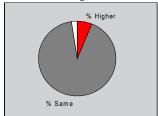


Rising raw material, fuel and freight costs – partly due to higher oil prices – continued to drive purchasing prices higher in the UAE non-oil private sector. Approximately 15% of panel members noted an increase since March, compared with less than 5% that reported a decline. While input prices have now risen in each of the past 26 months, the rate of inflation was the weakest for 17 months.

Input Costs: Staff Costs Index

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.



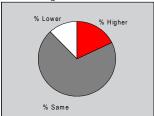


Staff cost inflation across the United Arab Emirates non-oil private sector eased slightly in April. Furthermore, the rate of wage growth was only marginal, and the weakest for three months. Where staff costs did increase, respondents cited good business performance and more favourable economic conditions.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



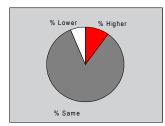


Consistent with the upward trend in new order growth, input purchases at United Arab Emirates non-oil private sector firms rose at a faster pace during the April survey period. The latest increase was moderate, and broadly in line with the average rate for the series. With positive expectations over future activity levels, a number of panellists commented that they were also looking to build up stocks in preparation for greater output.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.





The latest increase in buying activity at UAE non-oil private sector firms was insufficient to build inventories in April, however, as raw materials and semi-finished goods were immediately used for current business requirements. Stocks of purchases were depleted for the fourth time in as many months, but the pace of reduction eased to only a marginal rate.

International PMI summary



Registering 58.7 in March, the headline HSBC Saudi Arabia PMI was down on February's reading of 59.6. Nevertheless, the latest figure was consistent with a strong improvement in operating conditions across the Saudi Arabian non-oil private sector. Solid market demand boosted new order levels and led to another strong rise in output.



At 49.1 in March, the Markit Eurozone PMI[®] Composite Output Index fell to a three-month low. The average reading of 49.6 in the first quarter was nonetheless an improvement on the average of 47.2 seen in the final quarter of last year. Service sector business activity fell for the second month running in March, while manufacturing output contracted for the first time in three months.



The ISM US Manufacturing PMI rose to 53.4 in March from 52.4 in February, signalling a solid improvement in manufacturing operating conditions. Completing a strong first quarter, the Non-Manufacturing Index posted 56.0 in March. While business activity growth eased on the month, it remained marked, supported by a sharp rise in new orders.

Notes on the Data and Method of Presentation

The 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.

Warning

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 licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.