

Embargoed until: 09:30 (DUBAI) 4 September 2012

HSBC UAE PMI™

Continued solid growth signalled in August as market conditions remain positive

Key findings:

- Output rises at solid rate on back of further gains in incoming new business
- Payroll numbers increase again
- Slight fall in output charges despite ongoing purchase price inflation

August's survey signalled a continued expansion of the UAE non-oil private sector economy. Output, orders and employment all continued to rise, while there was further stock accumulation as companies retained positive forecasts for growth.

Input costs continued to increase, led primarily by rises in the prices of purchases, but there was a fractional fall in output charges as companies strove to remain competitive and stimulate increased volumes of new business.

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 – recorded a level of 53.3 in August. That reading was little changed on July's 53.4 and was indicative of a solid improvement in operating conditions during the latest survey period.

Production levels rose for a thirty-first successive month during August. Growth was solid, edging up only slightly on July's four-month low, as higher volumes of incoming new business encouraged companies to raise activity.

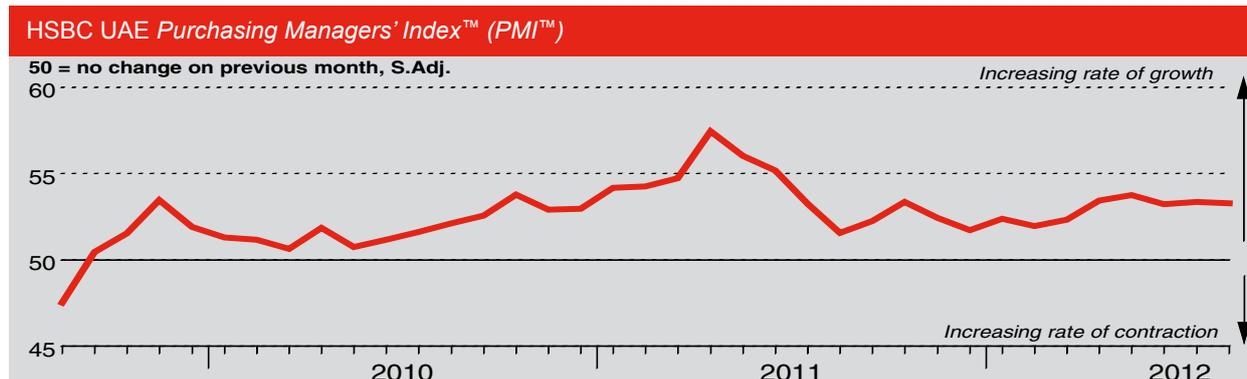
Total new orders rose at the sharpest rate for three months in August amid reports of improved market conditions, firm demand and higher sales efforts. Growth of new orders was not limited to the domestic market as sales to foreign markets were reported to have risen in August. Moreover, the rate of increase improved markedly on the 25-month low seen in July.

With order book growth continuing to outstrip that of output, backlogs of work increased in August (albeit slightly). As resources showed signs of being stretched, companies attempted to keep on top of rising workloads by hiring additional staff. In line with the trend throughout almost all of the survey history, payroll numbers continued to increase although the rate of growth was the slowest since April.

UAE non-oil private sector companies increased their purchasing activity during August. Solid growth reflected increased sales and the start of new projects. Companies were also able to add to their stocks of purchases, and to the sharpest degree for 15 months amid evidence of positive expectations for sales and output growth. Despite higher demand for inputs, vendors were able to deliver to quicker time scales. Prompt payments, the use of quality suppliers and market competition all helped to support an improvement in vendor performance.

Although market demand remained positive, strong competitive pressures encouraged slight price discounting amongst UAE non-oil private sector companies for the second time in the past three months.

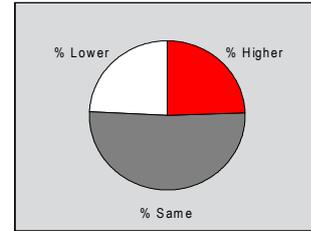
In contrast, total cost inflation accelerated, as input price inflation accelerated to a three-month high. Staffing costs also rose at a stronger rate (the sharpest for 14 months), although wage inflation remained below that of purchase prices.



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

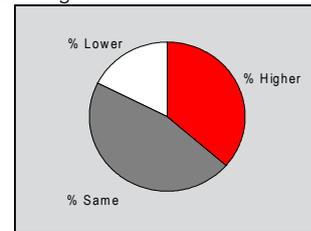
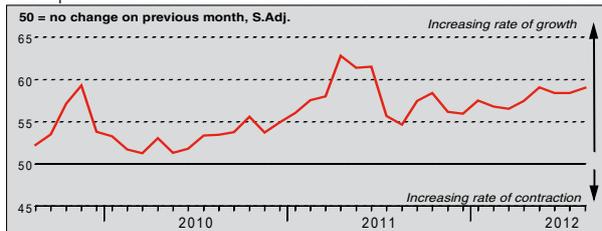
Q. Please compare your production/output this month with the situation one month ago.



Output in the UAE non-oil private sector continued to rise during August, extending the current run of growth to 31 months. The rate of expansion was little changed on July's four-month low, and was therefore marginally lower than the series trend. Panellists attributed the latest increase in activity to higher volumes of incoming new business. Some panellists reported the commencement of new activities at their units.

New Orders Index

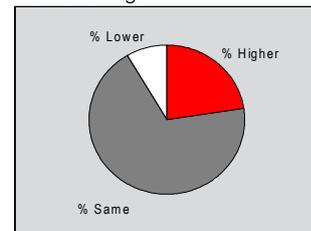
Q. Please compare the level of new orders received this month with the situation of one month ago.



The seasonally adjusted New Orders Index remained firmly in expansion territory during August. Moreover, improving to a three-month high and remaining above trend, growth was again marked. Panellists reported that the increase in new orders was reflective of improved market conditions, firm demand, and increased sales efforts.

New Export Orders Index

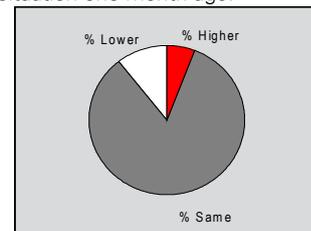
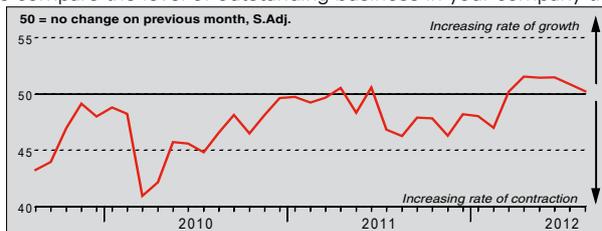
Q. Please compare the level of new export orders received this month with the situation of one month ago.



August's survey indicated a bounce in the seasonally adjusted New Export Orders Index following July's 25-month low. That indicated a solid increase in orders placed with UAE non-oil private sector companies from abroad, with companies reportedly benefiting from strengthened market conditions in foreign markets.

Backlogs of Work Index

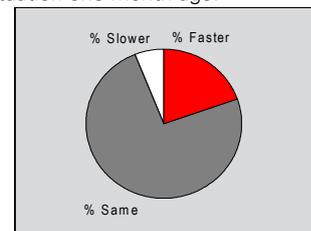
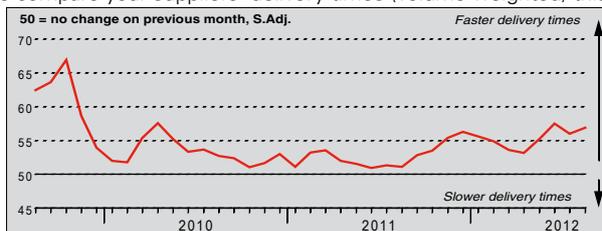
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The seasonally adjusted Backlogs of Work Index signalled little change in work outstanding during August, posting only fractionally above the 50.0 no-change mark. Where a rise in work outstanding was registered, panellists generally attributed growth to ongoing gains in incoming new business testing capacity at their units.

Suppliers' Delivery Times Index

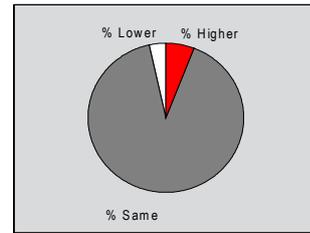
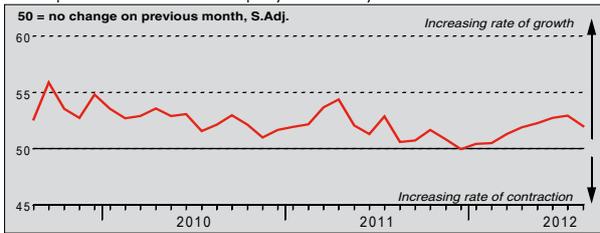
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Average lead times for the delivery of inputs to UAE non-oil private sector companies were reported to have shortened again during August. Panellists reported that on-time payments, the use of capable vendors and strong competition amongst suppliers had all led to an improvement in delivery times.

Employment Index

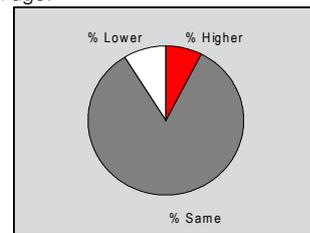
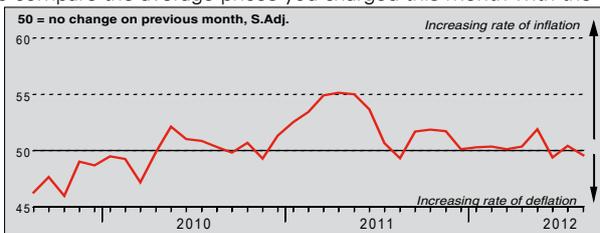
Q. Please compare the level of employment at your unit with the situation one month ago.



Companies reacted to further increases in new work and activity requirements by hiring additional staff during August. Growth was modest, however, and down to a four-month low, as signalled by the seasonally adjusted Employment Index dropping on July's level. Payroll numbers have now risen for eight months in a row.

Output Prices Index

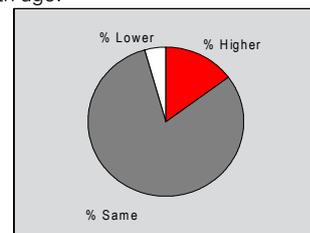
Q. Please compare the average prices you charged this month with the situation one month ago.



The seasonally adjusted Output Prices Index posted fractionally below the 50.0 no-change mark in August to indicate a marginal reduction in average prices charged by UAE non-oil private sector companies. Latest data marked the second fractional fall in three months as strong competitive pressures and efforts to drive new business growth led to discounting amongst some panellists.

Overall Input Prices Index

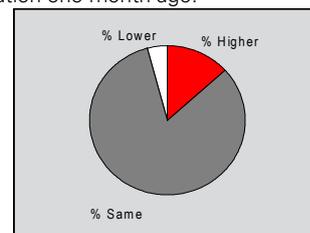
Q. Please compare your overall average input prices this month with the situation one month ago.



Total input prices continued to increase in August, with the rate of inflation signalled by the seasonally adjusted Overall Input Prices Index accelerating since the previous month. Around 15% of the survey panel indicated an increase in their overall costs, with higher purchase prices the principal driver of overall inflation in August.

Input Costs: Purchase Prices Index

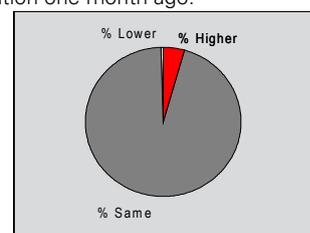
Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.



Increased market demand for inputs and services drove purchase prices higher in the latest survey period. August's data indicated an increase in purchase prices for the thirtieth consecutive month, with the rate of inflation accelerating to reach a three-month high. Just over 13% of the survey panel recorded an increase in purchase prices.

Input Costs: Staff Costs Index

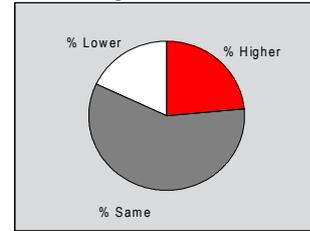
Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.



Average staffing costs continued to increase in August, extending the current period of inflation to seven months. Moreover, the rate of inflation was solid, accelerating slightly over the month to reach a 14-month high. A combination of increased turnover and general inflation encouraged companies to raise average wages in August.

Quantity of Purchases Index

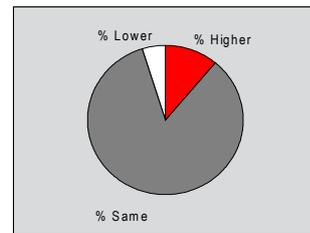
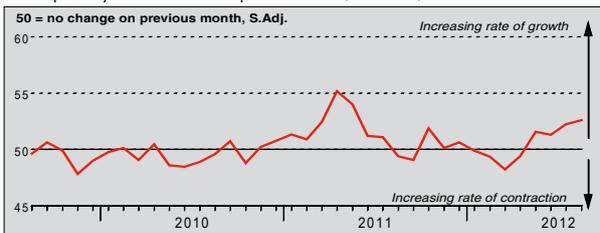
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Amid reports of increased sales and the start of new projects, companies operating in the UAE non-oil private sector economy continued to raise their purchasing activity during August. The rate of growth was solid, albeit the weakest since April, as signalled by a fall in the seasonally adjusted Quantity of Purchases Index.

Stocks of Purchases Index

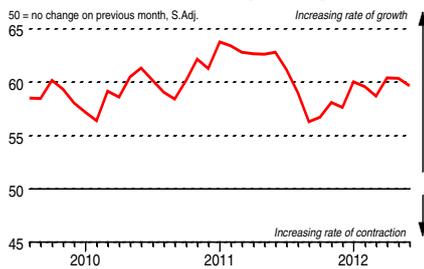
Q. Please compare your stocks of purchases (in units) with the situation one month ago.



Panelists reported ongoing efforts to increase inventories of purchases during August in line with expectations of ongoing sales growth in the coming months. A rise in the seasonally adjusted Stocks of Purchases Index to a 15-month high pointed to an acceleration in the rate of stock accumulation to a solid pace.

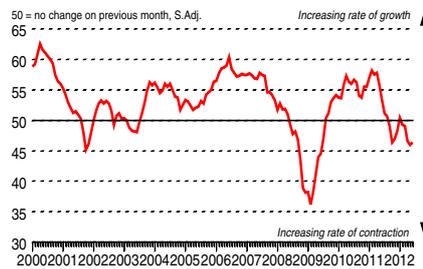
International PMI summary

Saudi Arabia Purchasing Managers' Index™



Source: Markit.

Eurozone Purchasing Managers' Index™



Source: Markit.

US Purchasing Managers' Index



Source: Institute for Supply Management (ISM).

Business conditions facing KSA private sector firms continued to improve during July, as signalled by the seasonally adjusted SABB HSBC Saudi Arabia PMI™ posting 58.1. However, down from 59.7 in June, the index was the lowest since last December and below the average recorded since data collection started three years ago.

The Eurozone economy remained in a downturn in July. At 46.5, little-changed from 46.4 in June, the Markit Eurozone PMI™ signalled a contraction in output for the tenth time in the past 11 months. Manufacturers and service providers both reported lower levels of output. The downturn was more severe in manufacturing, where production contracted at the fastest pace since May 2009.

July saw another marginal deterioration in business conditions within the US manufacturing sector, as highlighted by the ISM US Manufacturing PMI posting 49.8, up fractionally from 49.7 in June. The Non-Manufacturing Index meanwhile climbed from June's 29-month low of 52.1 to 52.6 in July, primarily as a consequence of a notable increase in business activity growth.

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.