HSBC *Purchasing Managers' Index™* 2012

compiled by markit

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HSBC UAE PMI™

Further solid rise in output during November

Key findings:

- Solid growth in output and new orders received
- Output prices fall for the second time in four months
- Employment levels and staff costs increase further

Business conditions at non-oil producing firms in the UAE improved again in November. Production and new orders continued to grow and payroll numbers and salaries increased. Meanwhile, average prices set by companies decreased for the second time in the past four months.

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 – registered above the 50.0 no-change mark in November, signalling an improvement in overall operating conditions. At 53.7, almost unchanged from 53.8 in October, the PMI was above the series average of 52.7, and indicated a solid improvement overall.

November data signalled a further increase in output at non-oil producing firms in the UAE. The expansion was mainly driven by a higher number of projects. The volume of incoming new business rose again in November. Almost one-in-three respondents indicated a higher number of new orders and linked this to improved economic and market conditions.

The level of new export orders continued to rise in November, and the rate of growth remained strong as more than 20% of respondents indicated higher export orders. Meanwhile, the level of outstanding business decreased. Because projects could be delivered on time, companies reported less outstanding business than in October.

Average lead times shortened further in November. The improvement in vendor performance was due to a request for faster deliveries. That said, the latest improvement was the weakest since April.

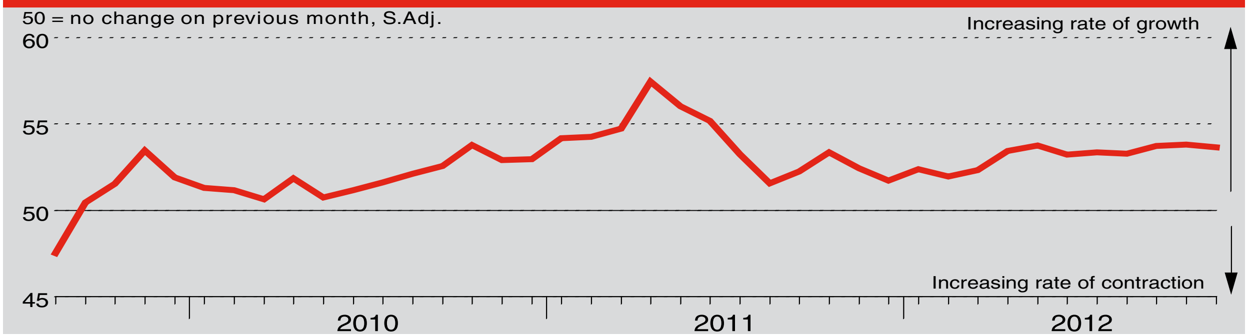
Employment levels rose at non-oil producing firms in the UAE. The rate of job creation was, however, the lowest in eight months. Companies that hired additional staff commonly associated this with higher output requirements. Average salaries continued to increase in November.

Average tariffs set by firms decreased for the second time in four months, albeit only marginally. Mainly driven by increased market competition, companies had to lower their average charges.

Overall input prices increased further in November. Almost 11% of panellists registered higher input costs, but the rate of inflation remained weak in historical context. Average purchase prices rose again, albeit at the lowest rate since August 2010.

Growth of purchasing activity remained solid at non-oil producing firms in the UAE. Higher business requirements were often commented on by companies that indicated an increase in buying. Concurrently pre-production inventories rose for the seventh successive month.

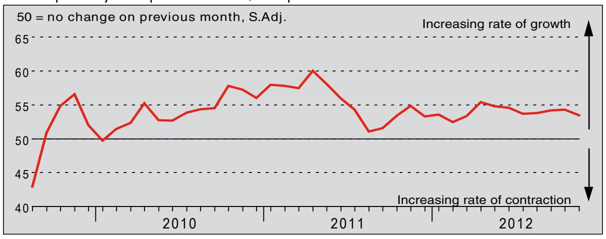
HSBC UAE *Purchasing Managers' Index™ (PMI™)*

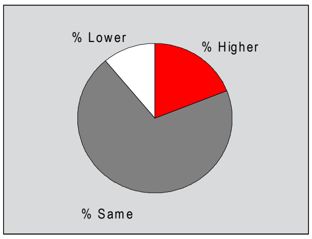


The HSBC UAE Purchasing Managers' Index (PMI) is a composite indicator designed to provide an overall view of activity in the United Arab Emirates non-oil private sector economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' 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.

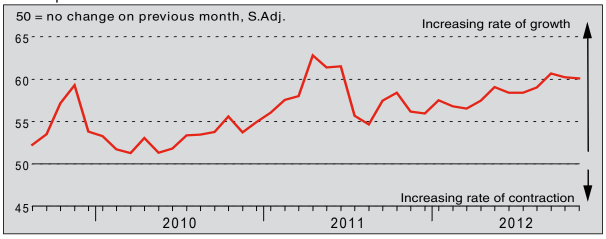


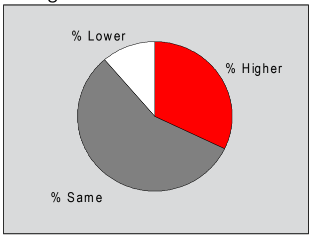


November data signalled a further increase in production at UAE non-oil private sector companies. This was highlighted by the seasonally adjusted Output Index scoring a level above the neutral 50.0 threshold. Exactly 19% of the respondents indicated higher output levels and commonly associated this with a higher number of projects than in October.

New Orders Index

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

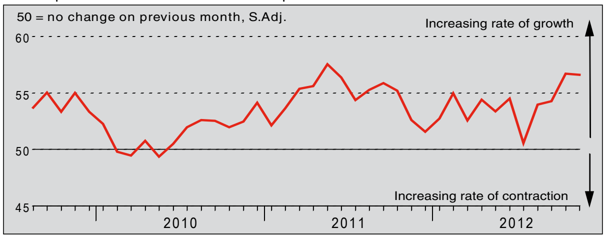


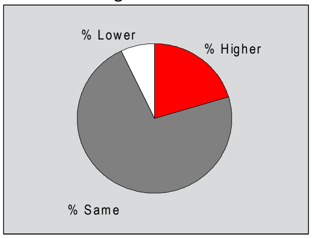


Continuing a trend observed throughout the survey history to date, the level of new orders increased in November. The rate of expasion was sharp, and little changed from October. Almost one-in-three respondents reported a higher volume of incoming new business. Improved economic and market conditions were mentioned as the key factors supporting growth of new work.

New Export Orders Index

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

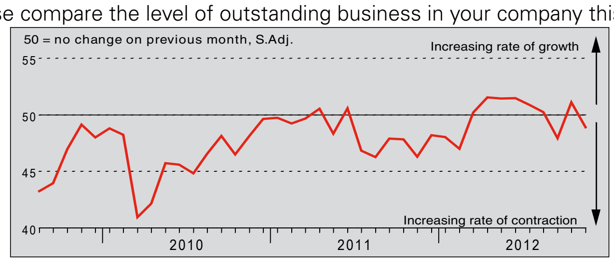


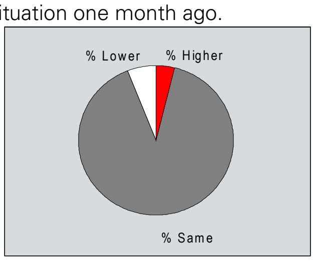


The level of new export orders continued to increase at non-oil producing companies in the UAE in November, and at a broadly similar pace to October. However, the rate of growth remained strong in the context of historical data. Panellists that reported a rise in their level of new export orders linked this to improved market conditions.

Backlogs of Work Index

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

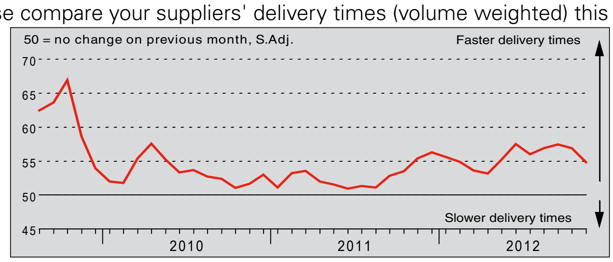


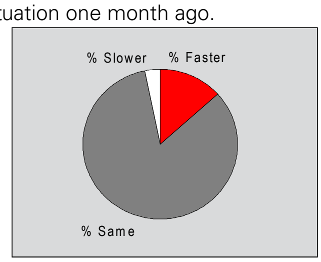


The seasonally adjusted Backlogs of Work Index dropped below the no-change mark of 50.0 in November. The decrease in work outstanding was the second in three months with exactly 6% of panellists indicating a decline. The delivery of projects on time was often commented on by companies that indicated a fall of backlogged work.

Suppliers' Delivery Times Index

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

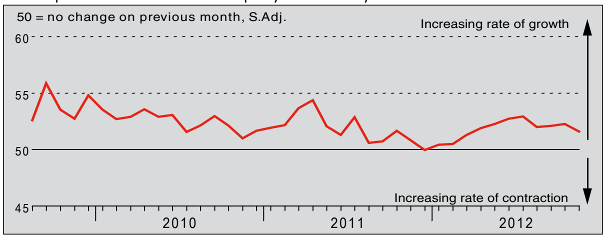


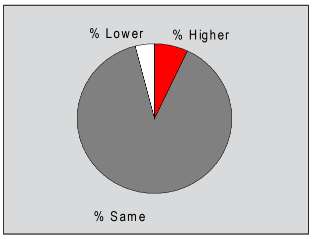


As has been the case for every month in the series history, average lead times shortened further in November. The rate at which delivery times improved was the lowest in seven months but remained in line with the average of the survey history to date. Respondents that mentioned an improvement in vendor performance often attributed this to requests for faster deliveries.

Employment Index

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

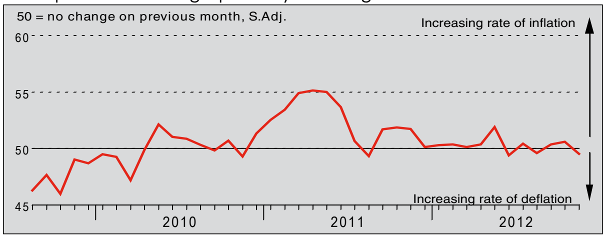


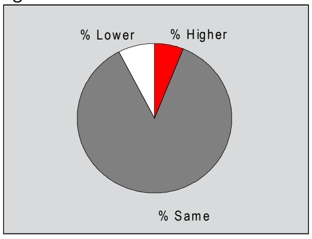


Non-oil producing firms in the UAE continued to raise employment levels in November, albeit at a slower pace than in October. The rate of job creation was the lowest in eight months and the seasonally adjusted Employment Index posted below its series average. Firms that hired additional staff linked this to higher output requirements because of new projects.

Output Prices Index

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

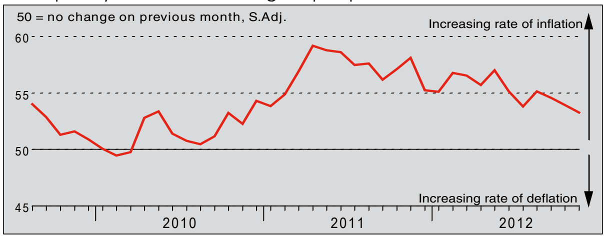


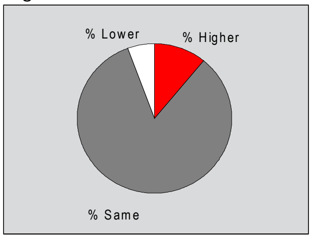


After a rise in October, average output prices set at non-oil producing firms in the UAE fell in November for the second time in four months. Almost 8% of respondents reported a decline in tariffs charged. According to panellists, increased competition had been the main reason behind the fall in average output charges.

Overall Input Prices Index

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

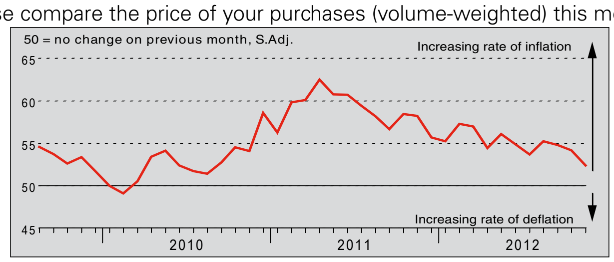


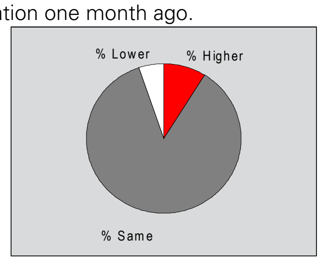


The seasonally adjusted Overall Input Prices Index posted above the 50.0 no-change mark in November. The rate of input price inflation was, however, slightly lower than the rate in October and the weakest since November 2010. Almost 11% of respondents reported a rise in input costs, against 6% that posted a fall

Input Costs: Purchase Prices Index

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

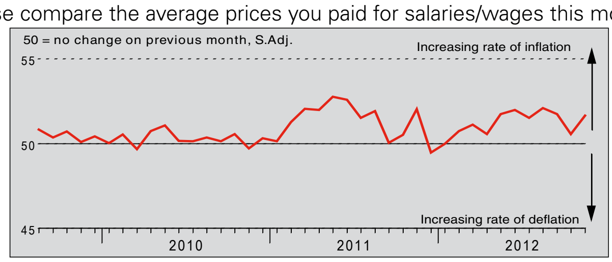


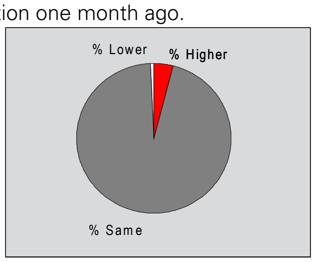


Average purchase prices rose again at non-oil producing firms in the UAE during November. The rate of inflation was the lowest since August 2010 and posted well below the series average. According to anecdotal evidence, the main reasons for the latest rise were a higher market demand for goods and general inflationary pressures.

Input Costs: Staff Costs Index

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

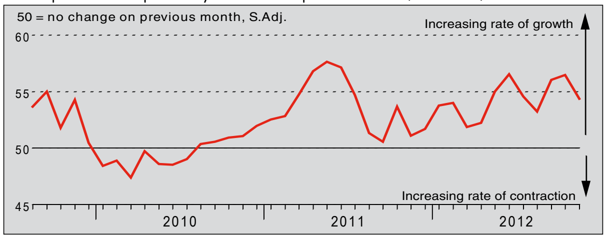


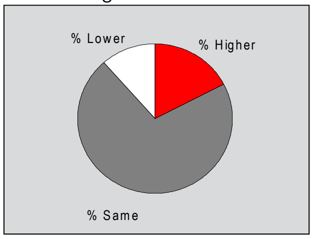


Average salaries increased in November for the tenth successive month. The rate of inflation was higher than in October and was strong in the context of historical data. Just over 4% of respondents indicated a rise in staff costs. Where higher staff costs were reported, some panellists linked this to increased business.

Quantity of Purchases Index

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

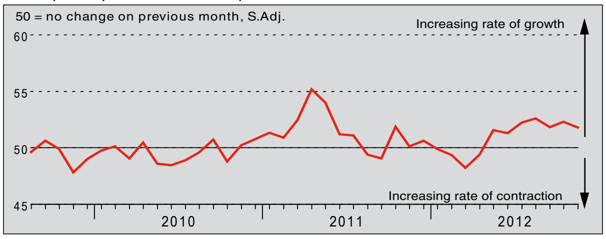


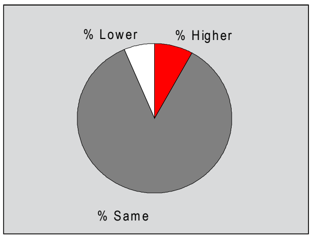


The quantity of items purchased at non-oil producing firms in the UAE increased in November. Purchasing activity has risen in every month since August 2010. More than 17% of companies signalled a rise in buying and commonly linked this to increased business requirements and higher new order numbers.

Stocks of Purchases Index

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

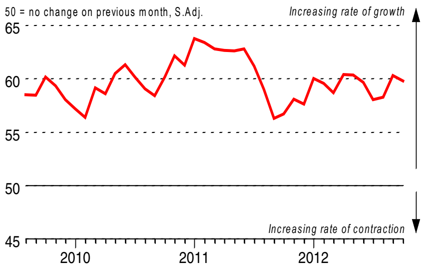




November data signalled a further rise in stocks of purchases at non-oil producing companies in the UAE. Pre-production inventories increased for the seventh successive month, albeit at a slightly weaker pace than in October. According to panellists, increased business led to the latest accumulation of stocks of purchases.

International PMI summary

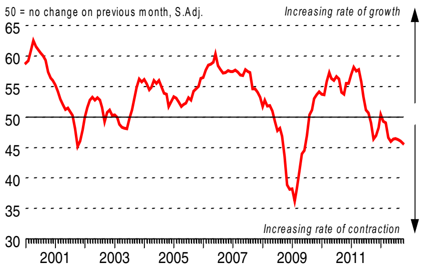
Saudi Arabia Purchasing Managers' Index™



Source: SABB, HSBC, Markit.

The seasonally adjusted SABB HSBC Saudi Arabia PMI™ posted 59.8 in October, down slightly from September's four-month high of 60.3. The latest reading was in line with the average for the 39-month survey history. Underpinning the latest improvement in operating performance were further increases in both output and new business.

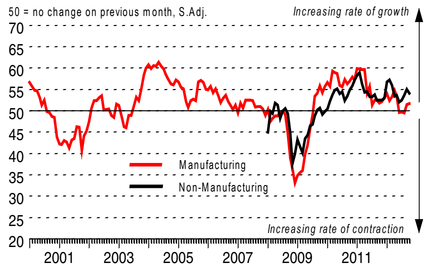
Eurozone Purchasing Managers' Index™



Source: Markit.

The downturn in the Eurozone economy deepened at the start of Q4 2012, with the combined output of the manufacturing and service sectors falling at the fastest pace since June 2009. The Markit Eurozone PMI® Composite Output Index fell to 45.7 in October, down from 46.1 in September and the earlier flash estimate of 45.8. Overall activity has now fallen for nine straight months.

US Purchasing Managers' Index



Source: Institute for Supply Management (ISM).

The ISM data showed a strengthening of manufacturing conditions for US companies in October with the PMI Index recording its highest reading in five months. This was the second consecutive improvement signalled. Non-manufacturing firms posted a weaker, albeit still solid improvement compared to September with an NMI Index reading of 54.2, down from 55.1 in the previous month.

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