Embargoed until: 09:30 (DUBAI) 5 March 2013

# HSBC UAE PMI™

Output growth at 21-month high

## Key findings:

- Output increases at fastest pace since May 2011
- Further rise in employment levels
- Overall input price inflation accelerates

Non-oil producing private sector companies in the UAE recorded both higher output and new orders during February. Employment levels continued to rise and the rate of overall input price inflation picked up to the highest since August 2012.

The headline seasonally adjusted HSBC United Arab Emirates  $PMI^{\text{TM}}$  — a composite indicator designed to provide a single-figure snapshot of the performance of the non-oil private sector — posted 55.4 in February, up slightly from January's 55.0 pointing to a further solid improvement of operating conditions in the UAE. The latest reading was the second-highest in 21 months.

February data signalled a solid increase in output at non-oil producing private sector companies in the UAE. The rate of expansion picked up from January and was the sharpest since May 2011. Panellists linked the rise to increased market demand and improving market conditions.

New orders rose at a marked rate during February. Around 34% of respondents signalled higher new work and less than 9% recorded a fall. New business from abroad also increased in the latest survey period, but at the weakest pace in five months.

The level of outstanding business in the UAE's non-oil producing private sector increased in February. While the latest reading marked the second successive accumulation, the rate of growth was only marginal and broadly unchanged from the previous

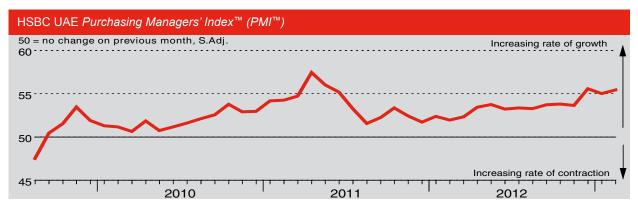
month. Meanwhile, vendor performance continued to improve. There was some anecdotal evidence that the improvement in delivery times was driven by faster payments and long-term relationships with suppliers.

Non-oil producing private sector companies in the UAE recorded higher employment levels in February. Job creation has now been registered in each of the past 14 months. Increased business and the opening of new branches were factors behind the latest expansion of workforce numbers.

Average output prices rose for the third month running during February, and at the fastest pace in nine months. Companies linked the rise to higher raw material prices and increased market demand.

The latest survey data signalled a solid increase in input costs at non-oil producing private sector firms in the UAE. The rate of inflation picked up, and was the sharpest since August 2012. Both average purchase prices and average staff costs rose during February. The rise in purchase costs was linked to increased raw material prices.

Purchasing activity in the UAE's non-oil producing private sector increased further in February. A rise in new orders was among the factors behind the increase. Concurrently, stocks of purchases rose at the sharpest rate since May 2011. Companies linked the increase to greater workloads.



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.

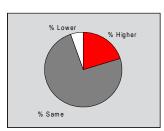




### Output Index

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



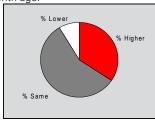


Output at non-oil producing private sector firms in the UAE increased during February. The seasonally adjusted Output Index posted above the no-change mark of 50.0 for the thirty-seventh consecutive month, and pointed to solid growth in production. Moreover, the rate of expansion was marked, and the sharpest since May 2011. Increased demand and ongoing improving market conditions accounted for much of the latest rise.

### New Orders Index

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





February data signalled a further marked rise in new business placed at non-oil producing private sector firms in the UAE. Around 34% of panellists recorded higher order book volumes, while less than 9% indicated a fall. According to anecdotal evidence, growth of new work was partly driven by increased sales efforts and improving market conditions.

### New Export Orders Index

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





New export orders in the UAE's non-oil producing private sector continued to rise in February. While the rate of expansion eased from January, it remained above the average observed throughout the series history. Some companies linked the increase in new business from abroad to improving economic and market conditions.

### Backlogs of Work Index

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





UAE non-oil producing private sector companies reported an increase in work outstanding in February. Work-in-hand increased for the second month running, but the rate at which backlogged work accumulated was only marginal and broadly unchanged from January. Where a rise in work outstanding was reported, respondents commonly linked this to increased business.

### Suppliers' Delivery Times Index

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

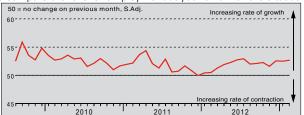


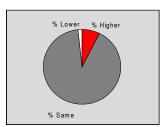


Non-oil producing private sector companies in the UAE registered a further improvement in vendor performance in February. Around 10% of panellists indicated better delivery times, while only 2% reported a deterioration. Some companies linked the shortening of delivery times to faster payments and long-term relationships with suppliers.

### **Employment Index**

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

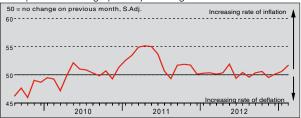


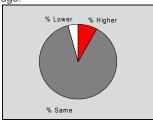


Payroll numbers in the UAE's non-oil producing private sector rose during the latest survey period. The rate of job creation stayed broadly in-line with that from the previous two months. An expected increase in business volumes and the opening of new branches were cited as factors that led to the latest hiring of additional staff.

### Output Prices Index

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

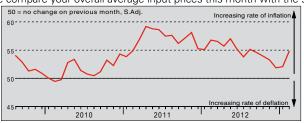


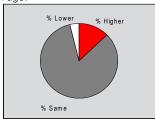


Survey data from February signalled a rise in average output prices charged by non-oil producing private sector firms in the UAE. The rate of charge inflation was the sharpest in nine months and above the overall series average. Higher raw material prices and increased market demand were reported by panellists to have contributed to the rise in output prices.

### 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 a reading above the no-change mark of 50.0 in February. Input costs have risen for every month since April 2010 and the rate of input price inflation accelerated from January, to the highest in six months. Around 13% of respondents registered a rise in input prices, and only 4% recorded a fall.

### Input Costs: Purchase Prices Index

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





Average purchase prices in the UAE's non-oil producing private sector rose further during February. While the rate of inflation was the highest in four months, it remained weak in the context of historical data. The combination of increased market demand and higher raw material prices resulted in the rise in purchase prices, according to panellists.

### Input Costs: Staff Costs Index

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



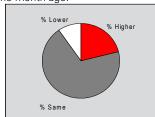


The UAE's non-oil producing private sector companies signalled a slight increase in average staff costs in February. The latest inflation was the slowest in four months as only 3% of panellists reported a rise. Where higher salaries were reported, companies linked this to increased workloads.

### Quantity of Purchases Index

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



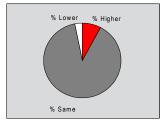


Purchasing activity in the UAE's non-oil producing private sector rose during February. Buying has now increased for 31 successive months, but the rate of expansion eased from January. Exactly 21% of panellists reported an increase in the quantity of inputs purchased and commonly attributed this to a rise in new orders.

### Stocks of Purchases Index

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





Pre-production inventories in the UAE's non-oil producing private sector increased further during February. The seasonally adjusted Stocks of Purchases Index scored above the neutral 50.0 threshold for the tenth month running. The rate of growth picked up slightly and was the sharpest since May 2011. There was some anecdotal evidence that the rise was driven by increased business.

Eurozone Purchasing Managers' Index™

### International PMI summary

# Saudi Arabia Purchasing Managers' Index<sup>TM</sup> 50 = no change on previous month, S.Adj. Increasing rate of growth 65 60 45 2010 2011 2012 2013 Source: SABB, HSBC, Markit.





Operating conditions in the Saudi Arabian nonoil producing private sector remained positive at the beginning of 2013, as the headline PMI posted a reading of 58.1, down slightly from December's 58.9. Output and new orders increased solidly but input price inflation picked up. Meanwhile, employment levels continued to rise. At 48.6 in January, from 47.2 in December, the Markit Eurozone PMI Composite Output Index rose to a ten-month high. Although signalling a further deterioration in output of the Eurozone private sector economy, the rate of decline has now eased for three straight months. Both manufacturing production and service sector business activity declined at the slowest rates since last March.

Posting 53.1 in January, up from December's 50.2, ISM data signalled a second successive improvement in the US manufacturing sector business conditions. The rate of growth was the fastest in nine months. For non-manufacturing companies, the NMI recorded a level of 55.2 in January, down from 55.7 in December.

# 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.

### **W**arning

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