Embargoed until: 09:30 (DUBAI) 3 April 2013

# HSBC UAE PMI™

Output continues to rise, although rate of expansion slows

# **Key findings:**

- Output and new order growth rates ease slightly
- · Output prices fall for the first time in four months
- Further increase in purchasing activity

March data signalled a further increase in output and new orders in the UAE's non-oil producing private sector, but the rates of expansion eased slightly from February. Meanwhile, output charges fell for the first time in four months and purchasing activity continued to increase.

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 54.3 in March, down slightly from 55.4 in February, and pointed to a further solid improvement of operating conditions in the UAE. While March data marked the forty-third successive improvement, the latest reading was the lowest in four survey periods.

Non-oil producing private sector companies in the UAE reported a further rise in output levels during March. The rate of expansion, however, eased from February. New order book volumes continued to rise during March. The rate of new order growth fell for the third successive month, but remained solid. New export business rose for the thirty-fourth consecutive survey period, but at the slowest pace since last July.

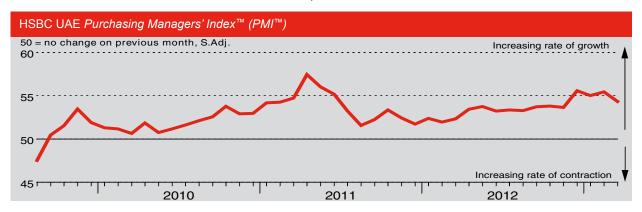
The level of outstanding business at non-oil producing private sector companies in the UAE fell for the first time in three months during March. Panellists reported that the completion of projects on time resulted in the decline of work-in-hand. Meanwhile,

vendor performance improved at the sharpest rate in four months.

Driven by increased new business, non-oil producing private sector companies in the UAE hired additional staff. Workforce numbers increased for the fifteenth successive survey period, and the rate of job creation was in line with the overall series average. Around 9% of respondents indicated an increase in employment levels, while only 3% recorded a fall.

Output prices charged by non-oil producing private sector companies in the UAE fell marginally during March, and for the first time since last November. According to anecdotal evidence, the decline was partly driven by increased market competition. Concurrently, overall input costs increased during the latest survey period. While a rise in purchase prices was mainly driven by increased raw material costs and inflationary pressures, higher living costs accounted for some of the rise in average salaries

Purchasing activity continued to increase in March, but the rate of expansion was the weakest in seven months. Where growth in buying was reported, companies often linked this to increased new business. Stocks of purchases also increased in the UAE's non-oil producing private sector. There was some anecdotal evidence that the rise was driven by expected growth in new business.



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.

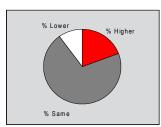




## Output Index

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



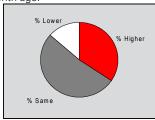


Non-oil producing private sector companies in the UAE recorded higher output levels in March. Panellists commonly linked the rise in production to improving market conditions and increased new business. While the seasonally adjusted Output Index was down slightly from February, the rate of expansion remained solid and above the overall series average.

#### New Orders Index

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

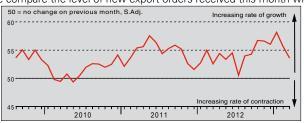


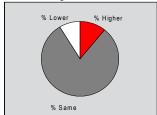


March data signalled a further solid rise in incoming new business at UAE non-oil producing private sector firms, as more than one-in-three respondents reported an increase in order book volumes. According to anecdotal evidence, growth of new work was driven by the launch of new products and improving economic conditions.

#### New Export Orders Index

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



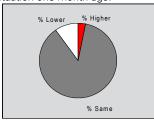


New export business placed at non-oil producing private sector companies in the UAE continued to increase during March. New business from abroad rose for the thirty-fourth month running, but the rate of expansion eased and was the weakest since last July. Where a rise was reported, companies commonly attributed this to improving 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.





After two months of rising work-in-hand, the seasonally adjusted Backlogs of Work Index posted below the no-change mark of 50.0 in March, pointing to a decrease in outstanding business at UAE companies. The completion of projects on time was one of the main reasons for the latest decline, according to panellists.

# Suppliers' Delivery Times Index

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



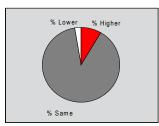


The latest survey data signalled a shortening in average lead times in the UAE's non-oil producing private sector. The rate at which delivery times improved was slightly stronger than in February, and the sharpest in four months. Around 14% of panellists indicated better delivery times, while only 2% recorded a worsening.

# **Employment Index**

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

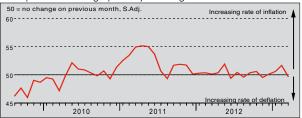


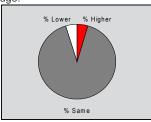


Workforce numbers in the UAE's non-oil producing private sector increased during March, and for the fifteenth successive survey period. The rate of job creation remained modest, and was in-line with the overall series average. Increased new orders was cited as the main driver of the latest rise in employment levels.

# Output Prices Index

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



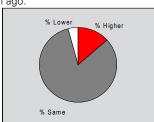


Average charges set by the UAE's non-oil producing private sector companies decreased marginally in March, as the seasonally adjusted Output Prices Index posted just below the neutral 50.0 threshold. The latest data marked the first fall in output prices since last November, and was partly linked to increased market competition.

#### Overall Input Prices Index

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



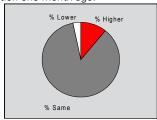


The UAE's non-oil producing private sector companies faced higher input costs in March. Around 13% of respondents indicated an increase in overall input prices, and only 4% recorded a fall. The rate of inflation, however, eased from the previous survey period, and was below the average recorded over the series history.

#### 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 in the UAE's non-oil producing private sector continued a trend observed throughout most of the survey history and increased in March. Companies often attributed the rise to general inflationary pressures and higher raw material prices. Broadly in-line with February's data, purchase price inflation remained below the series average.

# Input Costs: Staff Costs Index

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



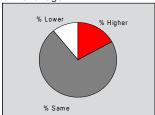


Average salaries at non-oil producing private sector companies in the UAE rose during March, albeit at the joint-slowest pace in 14 months. The majority of panellists indicated unchanged wages from February, and around 4% recorded a rise. Where an increase was reported, some companies linked this to higher living costs.

## Quantity of Purchases Index

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



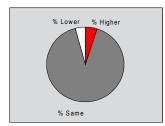


The seasonally adjusted Quantity of Purchases Index posted a reading above the no-change mark of 50.0 during March, pointing to a further increase in purchasing activity in the UAE's non-oil producing private sector. Respondents reported that higher new business was the main driver of the latest rise. Buying has now increased for 32 consecutive survey periods, albeit at the weakest rate in seven months.

# Stocks of Purchases Index

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





Non-oil producing private sector companies in the UAE reported an increase in pre-production inventories during March. Expected higher business was one of the factors highlighted by firms that indicated a rise in stocks of purchases. Input stocks rose for the eleventh month running, but the rate of expansion eased from February and was the joint-lowest in the current sequence of growth.

Eurozone Purchasing Managers' Index™

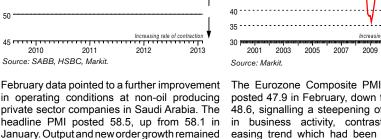
# International PMI summary

Source: SABB, HSBC, Markit.

# Saudi Arabia Purchasing Managers' Index™ 50 2011 2012

solid and employment levels continued to rise.

Meanwhile, purchasing activity increased at a



60 55

45



The Eurozone Composite PMI Output Index posted 47.9 in February, down from January's 48.6, signalling a steepening of the downturn in business activity, contrasting with the easing trend which had been evident in the three months to January. However, the rate of decline remained less severe than seen in any of the nine months prior to January.

2011

2013

Latest data from the ISM showed a further improvement in manufacturing operating conditions during February, with the PMI posting a reading of 54.2, up from January's 53.1. Similarly, further growth was reported in the non-manufacturing sector, with the headline index posting a 12-month high of 56.0, up from 55.2 in the previous survey period.

# 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

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