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# HSBC UAE PMI™

Operating conditions continue to improve, although at slightly slower pace

# Key findings:

- Further rise in output levels
- Growth of new work eases to 12-month low
- · Rate of job creation accelerates to two-year high

The UAE's non-oil producing private sector companies reported a further increase in output levels in April, and the pace of expansion was broadly unchanged from the previous month. While new orders continued to rise sharply, the rate of increase eased to the slowest in a year. Meanwhile, employment levels rose at the fastest pace in two years.

The headline seasonally adjusted HSBC United Arab Emirates  $PMI^{\rm TM}$  — a composite indicator designed to provide a single-figure snapshot of the performance of the non-oil private sector — posted 54.0 in April, down slightly from 54.3 in March, and pointed to a further improvement of operating conditions in the UAE. While April data marked the forty-fourth successive improvement, the latest reading was the lowest in five survey periods.

Output levels in the UAE's non-oil producing private sector rose further during the latest survey period. Increased incoming new business and improving market conditions were cited by panellists as having contributed to the latest rise.

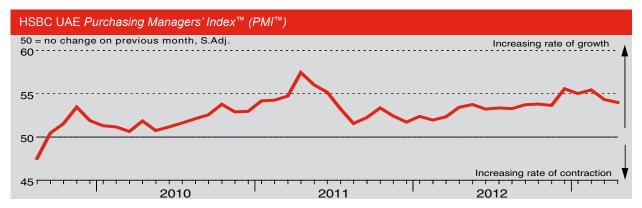
Order book volumes increased sharply in April, albeit at the slowest pace in a year. Panellists linked growth of new work to improved sales team efforts and good market conditions. New business from abroad also increased at the slowest pace in nine months amid reports of economic slowdowns in export markets.

The UAE's non-oil producing private sector companies indicated a second successive monthly fall in outstanding business during the latest survey period, and linked the decline in work-in-hand to the hiring of additional staff and efficiency improvements. Meanwhile, suppliers' delivery times continued to improve. There was some anecdotal evidence that the improvement in average lead times was driven by long-term relationships with suppliers and faster payments.

April data pointed to a further increase in employment levels, as around 11% of non-oil producing private sector companies in the UAE hired additional staff. The rate of job creation accelerated to the highest in two years.

Overall input prices rose during April, and at a marginally sharper rate than in the previous month. Purchase prices increased in line with general inflationary pressures, while the rate of staff cost inflation quickened to the fastest in three months. Meanwhile, output prices charged by the UAE's non-oil producing private sector firms fell for a second consecutive month.

Purchasing activity continued to increase in April, albeit at the slowest pace in a year. Where a rise was reported, companies often linked this to increased incoming new business. Stocks of raw materials and other pre-production inventories were broadly unchanged from March.



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.

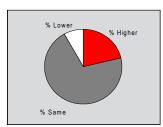




## Output Index

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



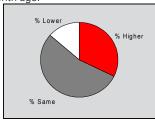


April data indicated a further rise in production levels at non-oil producing private sector firms in the UAE. Output has now increased for 39 successive months, and the rate of expansion was broadly in line with that seen in the previous survey period. A combination of increased incoming new business and improving market conditions resulted in the latest rise.

#### New Orders Index

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





New business placed at the UAE's non-oil producing private sector companies rose further in April, as 32% of panellists registered increased order book volumes. Improved efforts from sales teams and good market conditions accounted for much of the latest rise. While volumes of incoming new business have increased in every month since data collection began in August 2009, the growth rate of new work eased to the lowest in a year.

#### New Export Orders Index

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



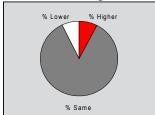


The seasonally adjusted New Export Orders Index posted above the no-change mark of 50.0 in April, and pointed to increased new export business. According to anecdotal evidence, the increase was partly driven by business expansions and improved marketing efforts. However, the latest expansion was the slowest in nine months amid reports of slowdowns in export markets.

#### Backlogs of Work Index

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





Non-oil producing private sector companies in the UAE reported a second consecutive monthly decrease in work outstanding during April. The rate of decline was modest, and similar to that recorded in the previous month. Companies linked the fall in backlogs to the hiring of additional staff and efficiency improvements.

# Suppliers' Delivery Times Index

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



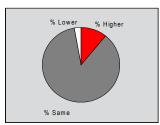


Average lead times on the delivery of inputs shortened further during the latest survey period, with the seasonally adjusted Suppliers' Delivery Times Index posting above the neutral 50.0 threshold. There was some anecdotal evidence that the latest improvement in vendor performance was driven by long-term relationships with suppliers and faster payments.

# **Employment Index**

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

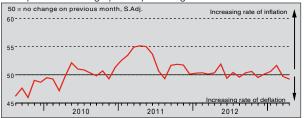




The UAE's non-oil producing private sector companies recorded higher employment levels in April, as 11% of panellists reported the hiring of additional staff. Workforce numbers have now increased for 16 successive months, and the rate of job creation accelerated to the sharpest in two years. Business expansions was one of the main drivers behind the latest increase, according to panellists.

#### Output Prices Index

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



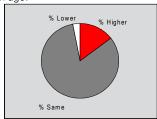


April data signalled a second consecutive monthly reduction in average prices charged by non-oil producing private sector companies in the UAE. Output charges fell only modestly, although at the sharpest rate in 29 months. Respondents linked the reduction in charges to competitive market prices.

#### Overall Input Prices Index

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



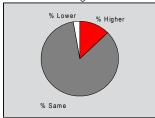


Overall input costs in Saudi Arabia's non-oil producing private sector continued to increase in April. This was highlighted by the seasonally adjusted Overall Input Prices Index recording a level above the 50.0 no-change mark. The rate of cost inflation was up marginally from March, but remained below the series average.

#### 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 faced by the UAE's non-oil producing private sector firms increased during April, and the rate of cost inflation was broadly unchanged from the previous two survey periods. Around 13% of panellists recorded an increase in purchase prices and commonly linked this to 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.





Non-oil producing private sector companies in the UAE indicated a fifteenth consecutive monthly increase in average staff costs during April. The rate of average wage inflation was modest, but accelerated to a three-month high. Around 4% of companies recorded an increase in average salaries paid, while the majority of panellists reported unchanged staff costs.

## Quantity of Purchases Index

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



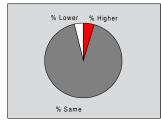


Purchasing activity at non-oil producing private sector companies in the UAE increased during the latest survey period, extending the current sequence of growth in buying to 33 months. The rate of expansion, however, eased from March and was the weakest in a year. Companies that reported an increase in buying linked this to higher new orders.

# Stocks of Purchases Index

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





The seasonally adjusted Stocks of Purchases Index posted just above the neutral 50.0 mark during the latest survey period, indicating broadly no change in input stocks at non-oil producing private sector companies in the UAE. The index fell for the second month running to the lowest since April 2012.

# International PMI summary

Source: SABB, HSBC, Markit.

# 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

The latest survey data pointed to a further solid improvement in overall business conditions at non-oil producing private sector companies in Saudi Arabia. The seasonally adjusted headline PMI posted 58.9 in March, up slightly from February's 58.5. Operating conditions have improved in every month since data collection began in August 2009.

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The final Markit Eurozone PMI<sup>®</sup> Composite Output Index posted 46.5 in March, down from February's 47.9. The rate of decline in activity accelerated for the second month in a row to reach the fastest since last November. The PMI shows that output has fallen in each of the past 19 months with the sole exception of a marginal increase at the start of last year.



Manufacturing operating conditions in the US continued to improve, as the ISM headline PMI posted 51.3 in March, down from February's 54.2. The latest reading was the weakest in three months. Slower growth was also reported in the non-manufacturing sector, as the headline index posted 54.4 in March, down from 56.0 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.

# **W**arning

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