Embargoed until: 09:30 (DUBAI) 2 July 2013

HSBC UAE PMI™

Improvement in operating conditions slows slightly in June

Key findings:

- Output and new orders increase at weaker rates
- · New export business rises, albeit only slightly
- Average staff costs increase at fastest pace in series history

Non-oil producing private sector companies in the UAE reported increased output and new order levels in June. The rates of expansion, however, eased from May. New business from foreign markets also expanded at a slower pace. Meanwhile, payroll numbers rose solidly and the rate of wage inflation accelerated to the sharpest in the 47-month survey history.

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 54.1 in June, down from May's 55.3, and pointed to a further improvement in operating conditions in the sector. Activity, new orders, employment and stocks of purchases all improved, but only workforce numbers rose at an accelerated rate from the previous survey period.

June data signalled a further rise in output levels in the UAE's non-oil producing private sector, as 24% of panellists reported increased activity. The rate of expansion eased, however, and was the weakest since last November. Order book volumes also increased at a slower pace, although growth remained sharp overall.

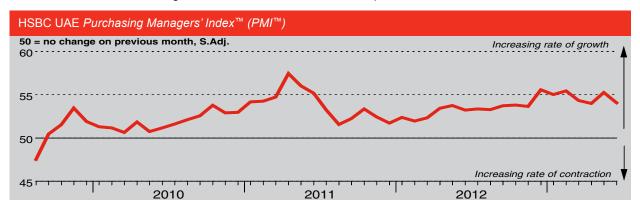
Deteriorating economic and political conditions in foreign markets were drivers behind a weak expansion in new business from abroad. While new export orders have risen in every month since June 2010, the latest rate of growth was the weakest in 11 survey periods.

Non-oil producing private sector companies in the UAE hired additional workers in June, and linked the increase to higher new business. The rate of job creation picked up and was the fastest in the current 18-month sequence of increasing employment levels.

Overall input prices increased in June, but the rate of cost inflation eased to the weakest since the beginning of the year. While average purchase prices increased at a slower pace, the rate of staff cost inflation accelerated to the sharpest since data collection began in August 2009. There was some anecdotal evidence that the cost rise was driven by increased salary payments.

Output charges rose for the first time in four months during June, as companies responded to increased input costs. The overall rate of charge inflation was, however, only slight.

Levels of outstanding business rose at the fastest pace in a year during June, although only modestly overall. Concurrently, average lead times on inputs shortened, as competition among suppliers increased. Buying activity increased in the UAE's non-oil producing private sector in June, although at a slower pace than in the previous survey period. Pre-production inventories also rose, as 13% of panellists reported an accumulation of stocks of purchases.



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.

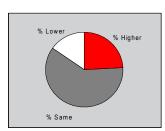




Output Index

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



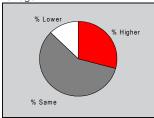


Non-oil producing private sector companies in the UAE reported further growth in activity in June, with the seasonally adjusted Output Index posting above the no-change mark of 50.0. Some panellists linked activity growth to good market conditions. While output has now risen for 41 consecutive months, the latest rate of expansion eased to the weakest since last November.

New Orders Index

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

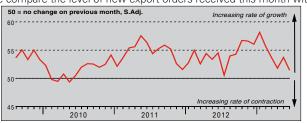




June data signalled a rise in incoming new business at the UAE's non-oil producing private sector companies, as 29% of respondents indicated growth of new work. The securing of new clients and increased tourism were reasons mentioned by panellists to have contributed to higher order book volumes. New orders increased sharply, although at the weakest pace in 14 survey periods.

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 registered above the neutral 50.0 threshold in June, extending the current sequence of growth to 37 months. The rate of growth eased, however, to the weakest since last July. Deteriorating economic and political conditions in foreign markets were reasons for the slower pace of expansion, according to panellists.

Backlogs of Work Index

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





Backlogs of work in the UAE's non-oil producing private sector accumulated for a second successive survey period in June. Around 9% of respondents indicated higher volumes of unfinished work, while 5% reported a decline. The rate of backlog accumulation was the sharpest in a year, but modest overall. There was some anecdotal evidence that the rise in work-in-hand was driven by increased new orders.

Suppliers' Delivery Times Index

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

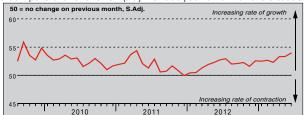


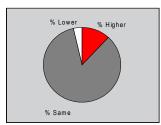


A further improvement in vendor performance in the UAE's non-oil producing private sector was reported in June. Higher competition between suppliers was mentioned by some companies to have contributed to the latest improvement. Average lead times on inputs have shortened in every month since data collection began in August 2009, while the latest rate of improvement was below the series average.

Employment Index

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



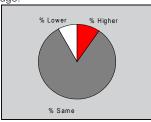


The UAE's non-oil producing private sector companies hired additional staff in June. Around 12% of respondents indicated a rise in payroll numbers, while only 4% recorded a decline. Employment levels have now increased for 18 months in a row, and the latest rise was the fastest in this sequence. Higher business was commonly mentioned as the main factor behind the latest increase in headcounts.

Output Prices Index

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



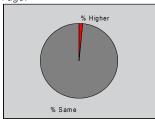


After three months of falling selling prices, non-oil producing private sector companies in the UAE raised their output charges in June. The rate of charge inflation was, however, slight, as the majority of companies reported unchanged prices charged for goods and services. Some firms attributed the rise in output prices to higher input costs.

Overall Input Prices Index

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



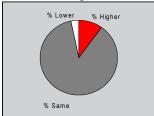


The seasonally adjusted Overall Input Prices Index registered above the neutral 50.0 mark in June, pointing to increased input costs at non-oil producing private sector firms in the UAE. However, the rate of cost inflation eased to a five-month low, with the vast majority of companies indicating unchanged overall input prices.

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 increased further in June, with 10% of companies recording a cost rise. Purchase prices have now increased for 40 months running, although the latest rise was the slowest since January. Increased fuel and raw material prices accounted for much of the latest cost rise, according to respondents.

Input Costs: Staff Costs Index

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

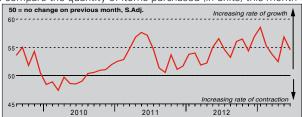


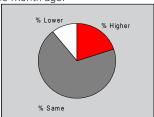


Non-oil producing private sector companies in the UAE recorded a rise in average salaries in June. Average staff costs have now risen for 17 successive survey periods, and the latest rate of wage inflation accelerated to the sharpest in the 47-month survey history. The hiring of additional workers and higher salary payments caused the increase in staff costs, according to panellists.

Quantity of Purchases Index

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



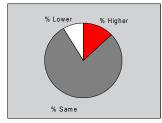


Purchasing activity in the UAE's non-oil producing private sector increased in June, as 20% of panellists acquired additional inputs. While buying increased at a slower pace than in May, the rate of increase remained above the series average. Companies commonly attributed increased buying activity to higher new business.

Stocks of Purchases Index

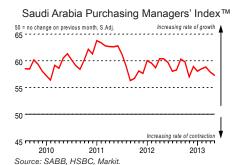
Q. Please compare your stocks of purchases (in units) with the situation one month ago





Stocks of raw materials and other pre-production inventories held at the UAE's non-oil producing private sector companies increased in June, highlighted by the seasonally adjusted Stocks of Purchases Index registering above the 50.0 no-change mark. Increased demand was mentioned by panellists as the main driver behind the latest accumulation.

International PMI summary



As has been the case throughout the survey history to date, operating conditions in Saudi Arabia's non-oil producing private sector strengthened during May. The degree of improvement eased, however, and the headline index posted a six-month low of 57.3, down from April's 58.0.



Posting 47.7 in May, up from April's 46.9, the downturn in the eurozone economy eased for the second month running in May. Rates of decline eased for both manufacturing production and service sector business activity, reaching 15- and three-month lows respectively.



ISM data signalled a contraction in operating conditions in the US manufacturing sector in May, with the headline index posting 49.0, down from April's 50.7. The May reading was the weakest in six months. Meanwhile, operating conditions in the non-manufacturing sector continued to improve, with the headline index registering 53.7, up slightly from 53.1 in April.

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.