

HSBC UAE PMI™

PMI signals further solid improvement in operating conditions

Key findings:

- Output expansion broadly unchanged from June, but new order growth accelerates
- Demand from export markets increases at fastest pace in six months
- Rate of job creation eases

July data signalled further rises in output levels and new order intakes at non-oil producing private sector companies in the UAE. Meanwhile, new business from abroad rose at the sharpest rate since January and employment levels increased further, albeit at the slowest pace in eight 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 at 54.5 in July, up slightly from June's 54.1, and extending the current sequence of improving operating conditions to 47 months.

Non-oil producing private sector companies in the UAE recorded higher output levels in July, with 16% of survey respondents reporting increased activity. The rate of expansion was broadly unchanged from that seen in June. Meanwhile, new orders increased at an accelerated pace, mainly linked to the introduction of new products, improved marketing efforts and good economic conditions. New business from abroad also rose at a faster rate in July. The increase in foreign demand was the sharpest in six months, and panellists attributed this to a good reputation for UAE made products and improving market conditions.

In contrast to sharper increases in new orders and new export orders, the rate of job creation in the UAE non-oil producing

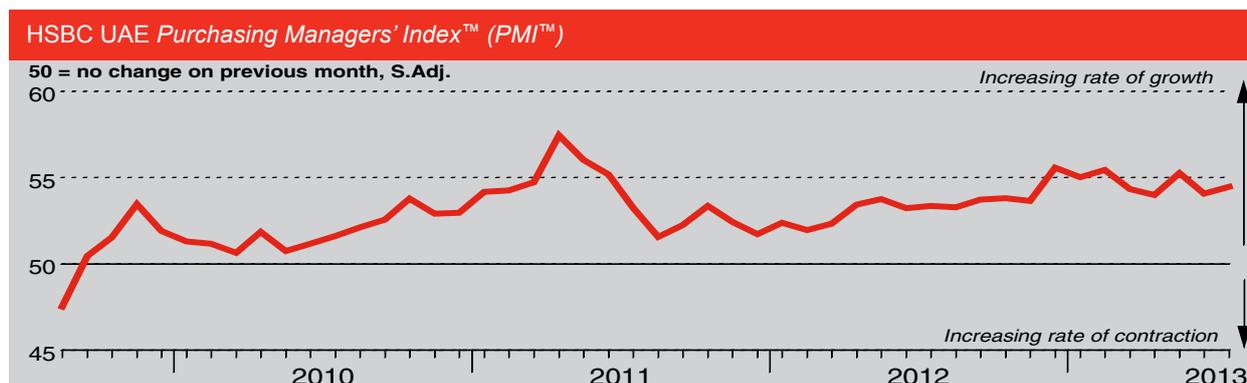
private sector eased in July, as the majority of panel members indicated unchanged workforce numbers.

Vendor performance improved during the latest survey period, as faster delivery times had been agreed with suppliers in order to meet business requirements. Meanwhile, work-in-hand decreased for the first time in three months, albeit only marginally.

Overall input costs in the UAE's non-oil producing private sector increased further in July. The rate of input cost inflation was up fractionally from the previous month, but remained below the long-run series average. While higher purchase prices were linked to increased raw material prices and general inflationary pressures, higher living costs accounted for much of the latest instance wage inflation.

In response to increased cost pressures, non-oil producing private sector companies in the UAE raised their selling prices in July, although only slightly. Around 3% of companies indicated higher output prices, while the majority reported unchanged charges from June.

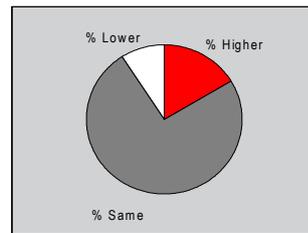
Increased new business was the key driver behind the latest rises in purchasing activity and stocks of purchases. Buying rose at a fractionally faster pace than that seen in June, and stocks of purchases accumulated at the second-sharpest rate in 26 survey periods.



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

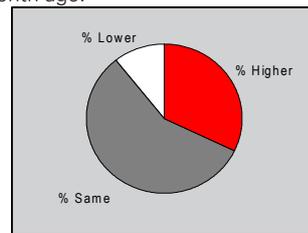
Q. Please compare your production/output this month with the situation one month ago.



The seasonally adjusted Output Index registered above the no-change mark of 50.0 in July, signalling further activity growth in the UAE's non-oil producing private sector. Output has now increased for 42 months in succession, and the rate of expansion was in line with that seen in June. Increased demand from local and foreign markets accounted for much of the latest rise, according to survey respondents.

New Orders Index

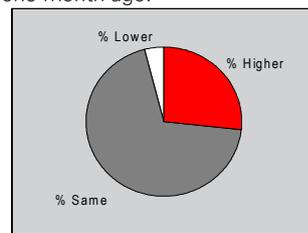
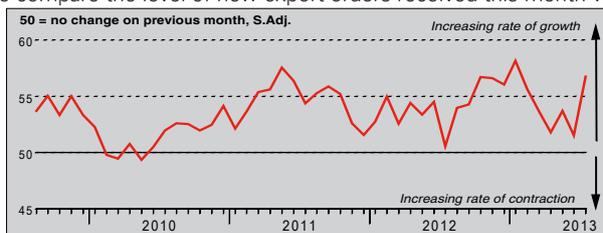
Q. Please compare the level of new orders received this month with the situation of one month ago.



July data signalled a further increase in new order intakes at the UAE's non-oil producing private sector companies, with 32% of panellists reporting higher new business. The rate of expansion was solid and above the long-run series average. Panel members linked the latest rise to the introduction of new products, improved marketing efforts and good economic conditions.

New Export Orders Index

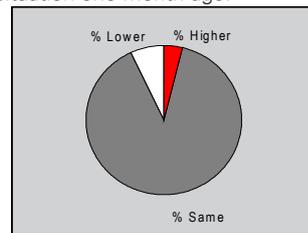
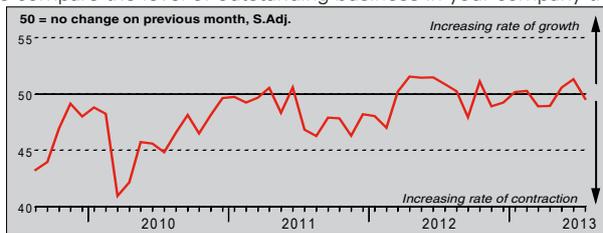
Q. Please compare the level of new export orders received this month with the situation of one month ago.



New business from abroad placed at non-oil producing private sector firms in the UAE rose in July, and the rate of increase was the sharpest in six months. Around 27% of companies reported higher demand from foreign markets, while only 4% indicated a decline. According to anecdotal evidence, the latest rise was driven by a good reputation for UAE products and improving market conditions.

Backlogs of Work Index

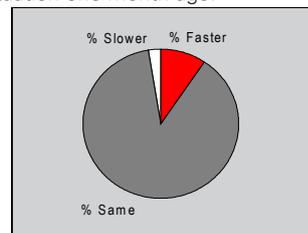
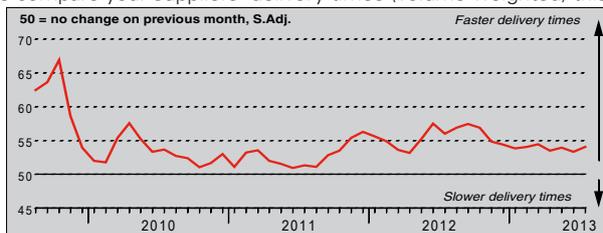
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The level of outstanding business in the UAE's non-oil producing private sector fell in July, highlighted by the seasonally adjusted Backlogs of Work Index posting below the neutral 50.0 threshold. Work-in-hand decreased for the first time in three months, but the rate of depletion was only marginal.

Suppliers' Delivery Times Index

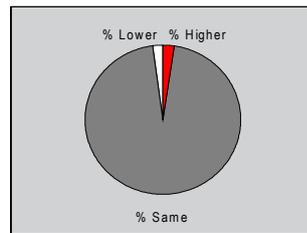
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



As has been the case throughout the 4-year survey history, suppliers' delivery times shortened in July. The rate at which average lead times improved was the sharpest in four months, although below the series average. Faster delivery times had been agreed with suppliers in order to meet business requirements.

Employment Index

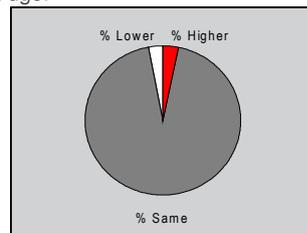
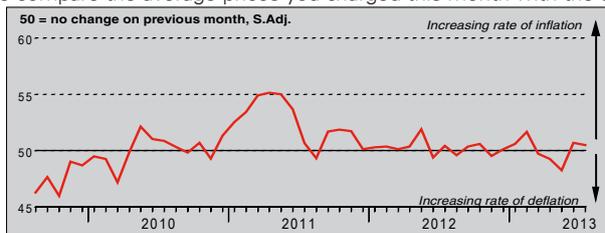
Q. Please compare the level of employment at your unit with the situation one month ago.



The latest survey data signalled a further rise in headcounts at the UAE's non-oil producing private sector firms, but the rate of job creation slipped to the weakest since last November. The majority of survey respondents indicated unchanged employment levels, and only 2% hired additional workers.

Output Prices Index

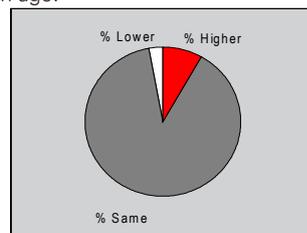
Q. Please compare the average prices you charged this month with the situation one month ago.



Non-oil producing private sector companies in the UAE raised their output charges for a second consecutive month in July. Some panellists attributed the rise to increased market prices. The overall rate of charge inflation was fractional, as the vast majority of respondents indicated unchanged selling prices from the previous month.

Overall Input Prices Index

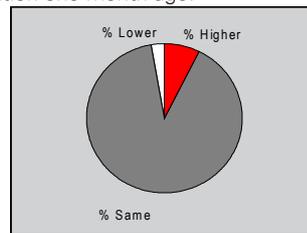
Q. Please compare your overall average input prices this month with the situation one month ago.



The seasonally adjusted Overall Input Prices Index registered above the 50.0 no-change threshold in July, signalling further cost pressures in the UAE's non-oil producing private sector. While the latest rate of cost inflation was up from that seen in June, the increase in input prices was weak in the context of historical data.

Input Costs: Purchase Prices Index

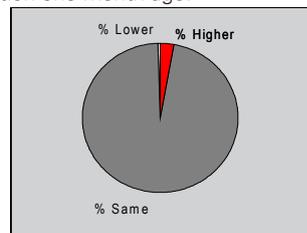
Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.



Average purchase prices in the UAE's non-oil producing private sector increased further in July, extending the current sequence of purchase price inflation to 41 months. Increased raw material prices and general inflationary pressures were the main drivers behind the latest cost inflation, according to respondents.

Input Costs: Staff Costs Index

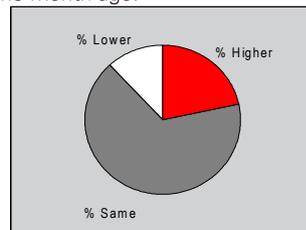
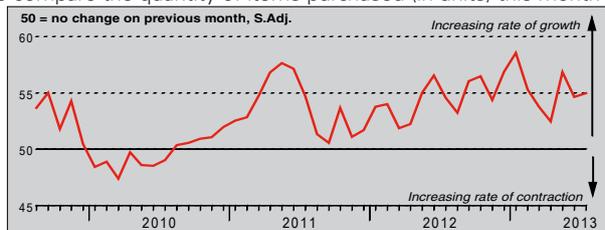
Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.



Average staff costs at the UAE's non-oil producing private sector companies increased further in July. The rate of wage inflation eased from the previous month and was in line with the long-run series average. There was some anecdotal evidence that the latest rise in salaries was due to increased living costs.

Quantity of Purchases Index

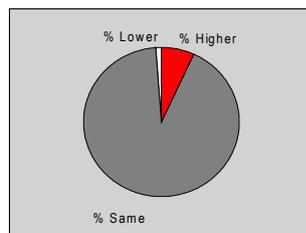
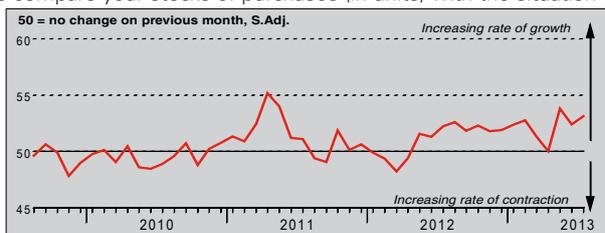
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Driven by higher new business, UAE non-oil producing private sector companies reported an increase in purchasing activity in July. The rate of expansion picked up slightly from June, with 22% of panellists indicating a rise in the quantity of purchases. Buying activity has now increased on a monthly basis for three years running.

Stocks of Purchases Index

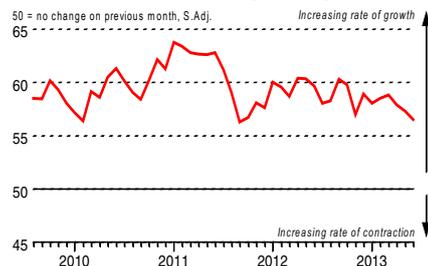
Q. Please compare your stocks of purchases (in units) with the situation one month ago.



July data signalled an increase in pre-production inventory levels at non-oil producing private sector companies in the UAE, highlighted by the seasonally adjusted Stocks of Purchases Index registering above the 50.0 no-change mark. Companies reported that increased incoming new business led to a further accumulation of stocks of purchases.

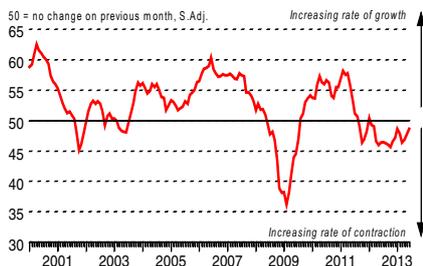
International PMI summary

Saudi Arabia Purchasing Managers' Index™



Source: SABB, HSBC, Markit.

Eurozone Purchasing Managers' Index™



Source: Markit.

US Purchasing Managers' Index



Source: Institute for Supply Management (ISM).

Posting 56.6 in June, down from May's 57.3, the headline PMI signalled that overall operating conditions in Saudi Arabia's non-oil producing private sector economy continued to improve. However, the pace of improvement slowed for the third month running, and was among the weakest in the 47-month survey history.

At 48.7 in June, up from 47.7 in May, the Markit Eurozone PMI Composite Output Index indicated a further easing in the rate of contraction in economic output to a 15-month low. However, the latest reading signalled that overall activity has now fallen in each of the past 17 months.

ISM data signalled an improvement in overall operating conditions for US manufacturers with the headline PMI index posting 50.9 in June, up from May's 49.0. The June reading was the strongest in the second quarter. Operating conditions in the non-manufacturing sector also improved, albeit at a reduced rate. The headline index posted a 40-month low of 52.2 in June, down from 53.7 in May.

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 (PMI 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.

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