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HSBC UAE PMI™

Output growth at six-month high

Key findings:

- Activity growth accelerates as new orders increase sharply
- Further rise in employment levels
- Output charges rise in line with higher input costs

August data signalled accelerated output growth at the UAE's non-oil producing private sector companies. New orders continued to rise sharply, and workforce numbers increased for the twentieth month running. Meanwhile, companies raised their output charges in response to increased input costs.

The headline seasonally adjusted HSBC United Arab Emirates PMI^{TM} — a composite indicator designed to provide a single-figure snapshot of the performance of the non-oil private sector — posted 54.5 in August, unchanged from July's reading. Operating conditions have improved continuously since September 2009, and the latest pace of improvement was above the overall series average.

The latest survey results signalled a further rise in output levels at the UAE's non-oil producing private sector firms. The pace of expansion accelerated to a six-month high, mostly driven by increased business and improving market conditions. Order intakes also rose, as one-in-three respondents indicated growth of new work. Some companies linked more business to improved economic conditions, while others commented on price discounting. Meanwhile, new business from abroad increased at a slower pace than seen in July.

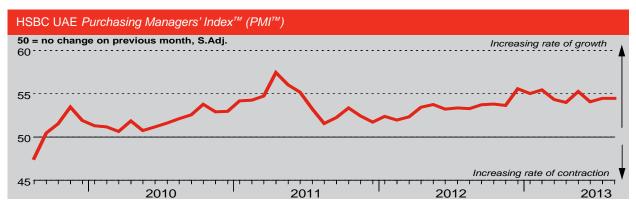
In line with increases in output and new orders, employment levels rose in August. Anecdotal evidence suggested that companies hired additional workers to meet higher production requirements.

Increased new business was the key driver for an accumulation of backlogs. The increase in work-in-hand was the sharpest recorded since data collection began in August 2009. Concurrently, suppliers' delivery times shortened again. Panellists attributed better delivery times to efficiency improvements and increased competition among suppliers.

Input costs in the UAE's non-oil producing private sector increased at the fastest pace in four months during August. Purchase prices and staff costs both increased at sharper rates than those seen in July. There was some anecdotal evidence that general inflationary pressures accounted for much of the latest increase in purchase prices.

In response to increased input costs, non-oil producing private sector companies in the UAE raised their output charges in August, extending the current sequence of rising selling prices to three months. However, the latest charge inflation was only marginal, as the vast majority of panel members indicated unchanged output prices from July.

Purchasing activity rose at the fastest pace in three months during August, mainly driven by increased business and predicted new order growth. Meanwhile, stocks of purchases accumulated marginally, and at the weakest rate since April.



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™ 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.

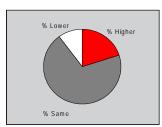




Output Index

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



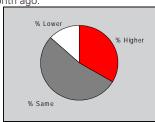


Non-oil producing private sector companies in the UAE reported a further rise in output in August, extending the current sequence of activity growth to 43 months. The pace of expansion picked up from July and was the fastest recorded since February. Increased business and good market conditions were the key drivers of the latest rise, according to panellists.

New Orders Index

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



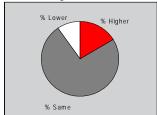


The seasonally adjusted New Orders Index registered well above the no-change mark of 50.0 in August, signalling increased order book volumes at the UAE's non-oil producing private sector firms. Growth of new work was down slightly from the previous month, but remained above the series average. Some panel members linked higher order intakes to improved economic conditions, while others commented on price discounting.

New Export Orders Index

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





Client demand from foreign markets strengthened in August, although to a lesser extent than in July. While 16% of survey respondents indicated higher new export orders, around 10% recorded a decline. Good market conditions was repeatedly mentioned by panellists to have contributed to the latest rise.

Backlogs of Work Index

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

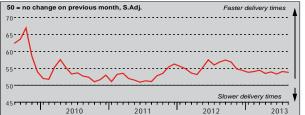




Driven by increased business, backlogs of work accumulated during August. Volumes of unfinished work increased for the third time in four months, and the latest rate of backlog accumulation was the sharpest in the 49-month survey history. Around 7% of companies reported a rise in work-in-hand, while 4% indicated a fall.

Suppliers' Delivery Times Index

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



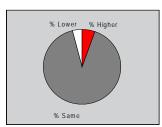


Vendor performance continued to improve in August, highlighted by the seasonally adjusted Suppliers' Delivery Times Index posting above the neutral 50.0 threshold. The rate of improvement was broadly in line with that seen in July. According to anecdotal evidence, better delivery times were partly driven by efficiency improvements and higher competition among suppliers.

Employment Index

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

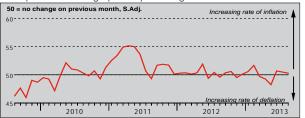


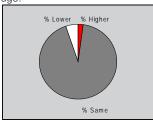


The UAE's non-oil producing private sector companies hired additional workers in August. Employment levels have risen continuously since January 2012, although in August at the slowest pace in almost a year-and-a-half. The overall rise in headcounts was mainly driven by increased production requirements.

Output Prices Index

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



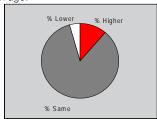


August data signalled the third consecutive rise in output charges at the UAE's non-oil producing private sector firms. However, the latest rate of charge inflation was marginal, as the vast majority of companies indicated unchanged selling prices. Where higher output prices were reported, companies often commented on increased input costs.

Overall Input Prices Index

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



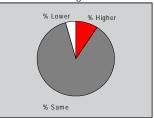


The seasonally adjusted Overall Input Prices Index registered above the no-change mark of 50.0 in August, signalling increased cost burdens in Saudi Arabia's non-oil producing private sector. The rate of cost inflation picked up from the previous survey period, and was the highest since April.

Input Costs: Purchase Prices Index

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





Purchase prices rose further in August, and the latest increase was largely in line with that seen in the previous two months. Around 9% of panel members recorded higher purchase costs and 4% indicated a reduction. General inflationary pressures was the main reason for the latest cost rise, according to survey 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.

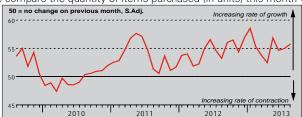




The UAE's non-oil producing private sector companies recorded an increase in average staff costs in August, extending the current sequence of rising average wages to 19 months. While the rate of wage inflation was up from July, the overall increase was modest, with the vast majority of panellists indicating unchanged salaries.

Quantity of Purchases Index

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



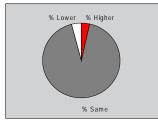


Continuing a trend observed since August 2010, purchasing activity in the UAE's non-oil producing private sector increased during the latest survey period. The pace of expansion accelerated to a three-month high. Increased business and predicted new order growth resulted in the latest rise in buying, according to panel members.

Stocks of Purchases Index

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





Stocks of purchases held at the UAE's non-oil producing private sector firms accumulated in August. Post-production inventories have now risen for 16 months in succession, although only marginally in August. There was some anecdotal evidence that the latest rise in inventory levels was mainly linked to increased business.

International PMI summary

Saudi Arabia Purchasing Managers' IndexTM 50 - no change on previous month, S.Adj. Increasing rate of growth 65 60 Mincreasing rate of contraction 45 2010 2011 2012 2013





July marked a tentative return to expansion for the eurozone economy, as manufacturing output posted a solid expansion and the trend in services activity moved close to stabilisation. At 50.5 in July, the Markit Eurozone PMI Composite Output Index rose to a near two-year high and posted above the neutral 50.0 mark for the first time since January 2012.



Operating conditions in the US manufacturing sector improved at the fastest pace in 25 months during July, with the headline PMI posting 55.4, up from June's 50.9. Non-manufacturing companies also reported improved operating conditions. The headline Index rose from 52.2 in June to 56.0 in July, the joint-highest reading in 17 survey periods.

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.

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