

HSBC UAE PMI™

PMI signals further solid improvement in operating conditions

Summary

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.

Comment

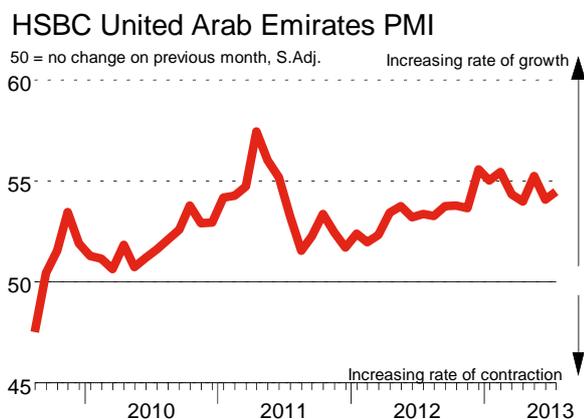
Commenting on the UAE PMI™ survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

"It's another positive set of readings that shows the UAE maintaining momentum even as other more high profile emerging markets lose steam. Despite strong demand, inflationary pressures appear subdued and wages, though rising, are gaining only slowly."

Key points

- 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

Historical Overview



Sources: Markit, HSBC

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Notes to Editors:

The HSBC 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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