

HSBC UAE PMI™

Strongest improvement in operating conditions in nearly two-and-a-half years

Summary

The UAE's non-oil producing private sector companies reported a solid rise in activity in September with the pace of expansion the highest in over two years. Order intakes increased at the fastest pace in the survey history and new export business also rose at an accelerated pace. Meanwhile, employment levels continued to rise.

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 – posted a 29-month high of 56.6 in September, up from August's 54.5. Operating conditions in the sector have improved continuously since September 2009.

The latest survey results signalled a sharp increase in activity at the UAE's non-oil producing private sector companies. Output growth was the highest since May 2011 and largely attributed to increased new business. In line with higher output levels was a strong rise in order intakes. The growth rate of new work accelerated substantially from August to the highest in the 50-month survey history. Anecdotal evidence suggested that higher new business was driven by improved market conditions, increased sales efforts and the introduction of new products.

New business from abroad also rose sharply in September. Increased tourism and improved market conditions contributed to the latest rise in new export orders, according to panellists.

In response to increased workloads, non-oil private sector companies in the UAE hired additional workers in September. Employment levels increased at the fastest pace in three months.

Backlogs of work accumulated for the second month running in September, as companies faced increased demand. The rate of backlog accumulation was, however, only marginal. Meanwhile, average lead times on inputs shortened further with some companies commenting on faster payments.

Following a trend observed throughout most of the survey history, input costs increased in September. The rate of cost inflation accelerated to the highest in seven months. While purchase prices rose at a largely unchanged pace from August, average staff costs increased at the fastest pace since June 2011. Survey respondents attributed higher average salaries to increased living costs and performance based pay rises.

September data signalled a further rise in input buying. The pace of expansion accelerated from August and was the second-sharpest in the survey history. The increase in purchasing activity was mainly driven by higher new business, according to panel members. Meanwhile, stocks of purchases accumulated for the seventeenth month in succession. The rise in input stocks was higher than that seen in August, although marginal overall.

Comment

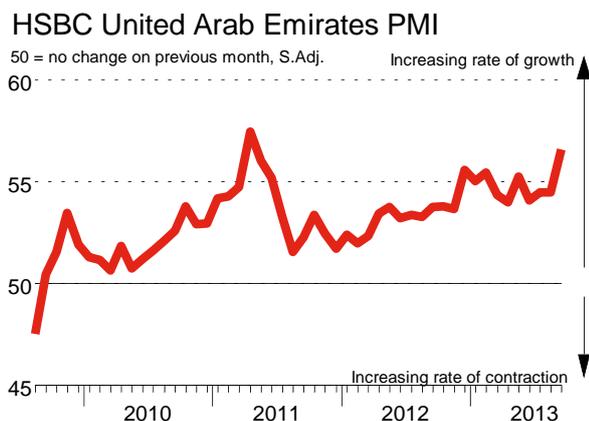
Commenting on the UAE PMI™ survey, Simon Williams, Chief Economist for Middle East & North Africa at HSBC said:

"It's an extremely strong reading that shows the UAE economy continuing to build speed. Output is high and new orders from home and overseas are robust, suggesting the economy is set to maintain momentum into the year end. The pick up in job creation is consistent with the positive overall trend but the rise in wages may mean that price pressures are starting to build. Given rising rents, we fear inflation will be a matter of growing policy concern over 2014."

Key points

- Output growth accelerates as new orders rise at fastest pace in survey history
- Export business increases sharply
- Rate of job creation picks up

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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