

Middle East

PMI data paint mixed picture in August

- **Solid improvement in business conditions across Saudi Arabia and the UAE**
- **Political uncertainty causes ongoing contraction in Egypt**
- **Turkey's manufacturing sector returns to growth**

August data signalled solid improvements in the health of Saudi Arabia's and the UAE's non-oil producing private sectors, while political unrest in Egypt caused business conditions in the country to deteriorate further. Meanwhile, Turkey's manufacturing sector edged back into expansionary territory, after having contracted fractionally in the previous month.

Markit's PMI™ (Purchasing Managers' Index) surveys currently cover four of the six largest economies in the Middle East, namely Egypt, Saudi Arabia, Turkey and the UAE (Iran and Israel being the other two). There are some variations in survey coverage worth noting from the outset: The HSBC Turkey Manufacturing PMI provides a monthly indication of business conditions across the country's manufacturing economy, while data for Egypt, Saudi Arabia and the UAE cover non-oil producing private sector companies.

Operating conditions improve strongest in Saudi Arabia

Out of the four monitored economies, operating conditions improved most markedly in **Saudi Arabia**, with the headline PMI rising from July's 56.6 to 57.5, signalling the fastest growth of the business sector for four months, though somewhat below that seen over much of the past four years.

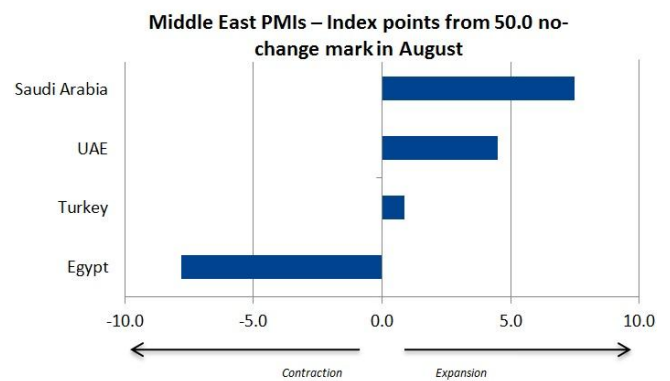
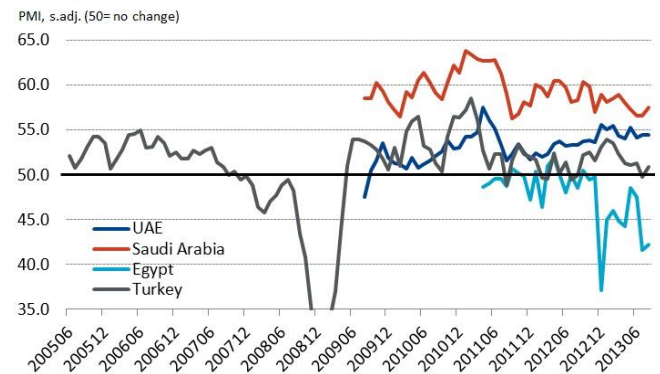
The headline **UAE** PMI meanwhile registered 54.5, unchanged from July's reading, but remaining at a level signalling robust growth.

Operating conditions in **Turkey's** manufacturing sector also improved in August. The headline PMI edged back into expansionary territory, posting 50.9 in August, suggesting that July's reading of 49.8 was only a

temporary lull, but indicating that growth remained well below that seen at the start of the year.

In contrast to the trends seen across Turkey, Saudi Arabia and the UAE, **Egypt's** non-oil producing private sector fell deeper into recession in August, with the headline PMI posting 42.2, up fractionally from July's 41.7 but well below the 50.0 no-change mark.

PMI Headline Index



Sources: Markit, HSBC.

Detailed data summary: Output Index

Country	Coverage	May-13	Jun-13	Jul-13	Aug-13
Egypt	Private sector*	▲	▼	▼	▲
UAE	Private sector*	▲	▼	▲	▲
Saudi Arabia	Private sector*	▲	▼	▼	▲
Turkey	Manufacturing	▼	▲	▼	▲

- ▲ Above 50, rising
- ▼ Above 50, falling
- ▼ 50, falling
- ▲ Below 50, rising
- ▼ Below 50, falling
- * Non-oil

Sources: Markit, HSBC.

Saudi Arabia continues to outperform the UAE

As has been the case in every month since data collection began in August 2009, output in Saudi Arabia increased at a quicker rate than in the UAE. However, the pace of activity growth in the UAE was above its historic series average in August, while the pace of output expansion in Saudi Arabia remained below the long-run series trend.

Saudi Arabia: Output growth accelerates as new orders increase

Activity at Saudi Arabian non-oil producing private sector companies increased at a sharp and accelerated pace in August, with 22% of survey respondents reporting higher output levels. Increased new business was repeatedly mentioned as the main driver of the latest expansion. In line with stronger output growth was a solid rise in order intakes. The latest expansion in incoming new work was partly driven by improved market conditions and increased marketing efforts. New order growth was the sharpest since April.

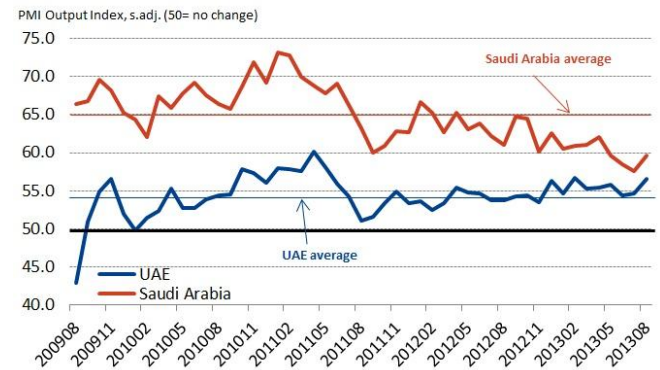
Meanwhile, client demand from foreign markets also strengthened. Following a trend observed throughout the survey history, new export orders rose in August. The rate of expansion was, however, weaker than that seen for total new orders, suggesting domestic demand played a large role in driving economic growth.

UAE: New export orders increase at slower pace in August

The latest survey results signalled a further rise in output levels in the UAE non-oil producing private sector. The index measuring changes in output volumes rose to a six-month high, with panellists commenting on increased new business and improving market conditions.

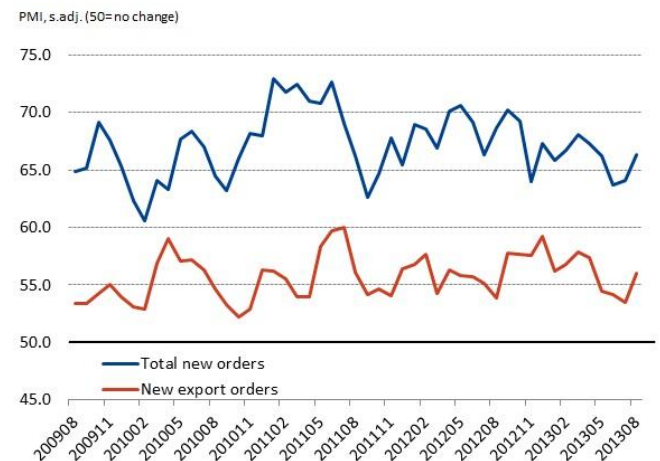
Order intakes increased at a slightly weaker pace than seen in the previous month. However, the overall expansion was sharp and stronger than the series average. Similarly, new business from abroad increased at a slower pace than seen in July. Some companies linked new business growth to improved economic conditions, while others commented on price discounting.

Comparison Output Index



Sources: Markit, HSBC.

Saudi Arabia: Total new orders and export orders



Sources: Markit, HSBC.

UAE: Total new orders and export orders



Sources: Markit, HSBC.

Downturn in Egypt's private sector extends to August

Ongoing political turmoil and demonstrations led to further sharp declines in output and new orders, according to PMI responses from Egypt's non-oil producing private sector companies. New export orders also declined substantially, with the pace of contraction reaching the second-fastest recorded in the series history. Concurrently, suppliers' delivery times worsened for the ninth month in succession.

The rate of input cost inflation eased, however, and was one of the weakest in the short series history. Companies reported that purchase prices rose due to raw material shortages and a high dollar price, while salary increments accounted for much of the latest rise in staff costs. Meanwhile, averages prices charged increased only fractionally, as some companies lowered their selling prices in order to attract new customers.

Egypt's non-oil producing private sector companies remained reluctant to take on additional staff in August, extending the current sequence of job shedding to 16 months. Survey respondents linked a slide in workforce numbers to falling inflows of new business.

Turkish manufacturers report higher production

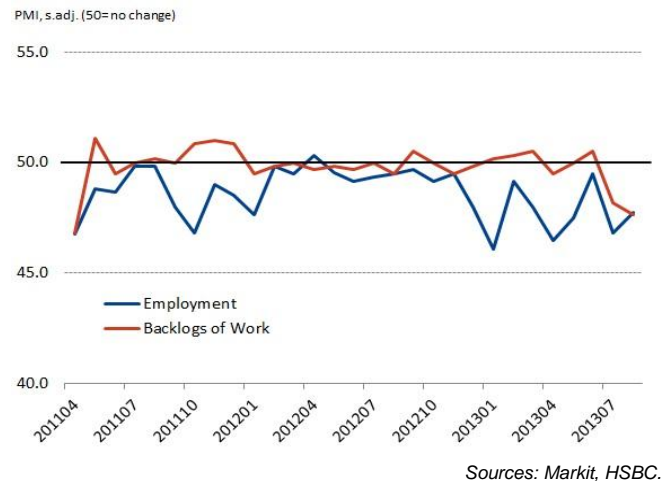
Output levels at Turkish goods producers increased for the third month running in August. The pace of expansion accelerated since July, with panellists reporting new business growth and improved market conditions. While the rise in new work intakes was marginal, it followed a contraction recorded in July. Client demand from foreign markets also strengthened, amid evidence of a weak Turkish lira and an overall improvement in the economy.

Input prices continued to increase in August. The latest rate of cost inflation was the second-highest in almost two years, and mainly linked to unfavourable exchange rates. In response to increased input costs, Turkish manufacturing companies raised their selling prices to a greater extent than seen in July, extending the current sequence of rising output charges to 12 months.

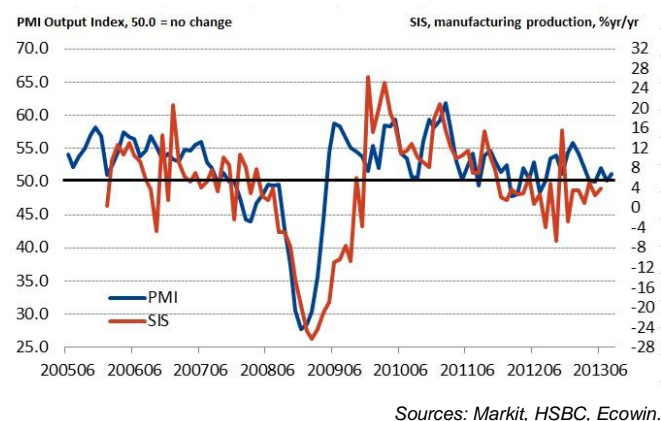
Input price inflation eases in Egypt



Workforce numbers and backlogs of work fall



Turkey Manufacturing PMI Output Index



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