



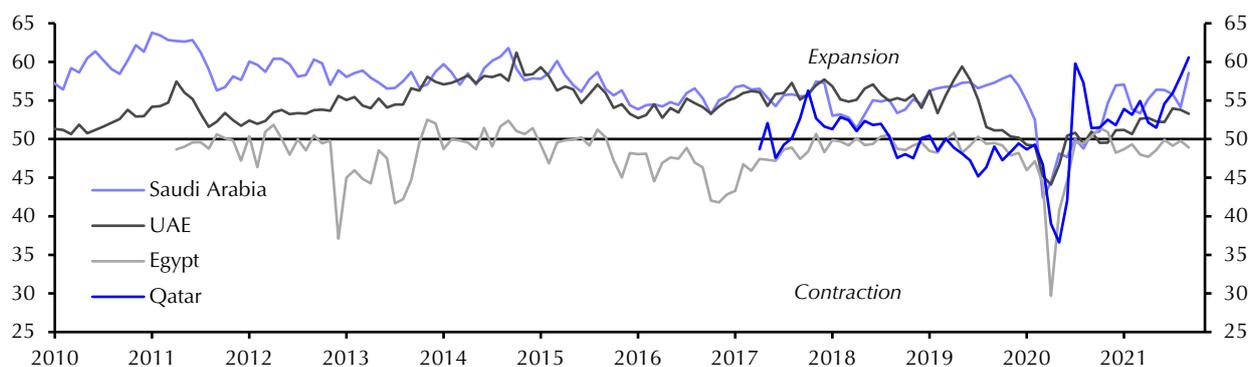
MENA DATA RESPONSE

Whole Economy PMIs (Sep.)

Non-oil sector recoveries in Saudi and Qatar surge ahead

- **September's batch of whole economy PMIs showed that recoveries in non-hydrocarbon private sectors in Saudi Arabia and Qatar gathered pace as domestic activity strengthened on the back of easing virus restrictions. In contrast, recoveries in Egypt and the UAE appear to have eased a touch at the start of Q3.**
- In Saudi Arabia, the headline survey rose from 54.1 in August to 58.6 in September, its highest level in more than six years. Qatar's PMI also picked up from 58.2 to an all-time high of 60.6 last month. In contrast, the UAE's whole economy PMI fell slightly from 53.8 in August to 53.3 in September and, in Egypt, the PMI reading fell to a four-month low of 48.9. (See Chart 1.)
- **The jump in Saudi Arabia's PMI to its highest since August 2015 came on the back of a sharp rise in the output and new orders sub-components of the survey.** The Kingdom's vaccine rollout has significantly improved recently with more than half of the population now fully vaccinated and the number of daily new cases has fallen sharply. **This has allowed the authorities to relax restrictions and, in turn, domestic activity has picked up. It is a similar story in Qatar where most virus-related measures have now been lifted.**
- Meanwhile, despite the fall in the headline PMI, the breakdown of the UAE's survey showed that external demand improved. New export orders rose at their fastest pace since January. But the suppliers' delivery times component fell back below 50, suggesting that continued shipment delays and the recent imposition of trade restrictions by Saudi Arabia on goods from the UAE are hampering activity.
- **One common theme across the surveys was a fall in output prices components, which suggests that price pressures are easing.** This is [in line with other surveys out of Latin America and Emerging Europe](#). What's more, this adds to our view that much of the recent rise in inflation in the Middle East and North Africa has been driven by transient factors, including unfavourable base effects from the impact of the pandemic, rising food prices, and the surge in global energy prices. Headline inflation in many countries should ease back over 2022-23 and [in Egypt this should open the door for rate cuts to come back onto the agenda](#).
- **Overall, September's batch of PMIs paint a positive picture of non-oil sector recoveries in the Gulf over the rest of this year and heading into 2022.** Strong vaccine rollouts and the removal of almost all restrictions should pave the way for stronger recoveries, particularly in the UAE which will be boosted by [the hosting of the World Expo in Dubai](#). However, Egypt's recovery faces several headwinds and the slow vaccination programme leaves the country more vulnerable to fresh outbreaks and tightening of measures.

Chart 1: Whole Economy PMIs



Source: Markit



Disclaimer: While every effort has been made to ensure that the data quoted and used for the research behind this document is reliable, there is no guarantee that it is correct, and Capital Economics Limited and its subsidiaries can accept no liability whatsoever in respect of any errors or omissions. This document is a piece of economic research and is not intended to constitute investment advice, nor to solicit dealing in securities or investments.

Distribution: Subscribers are free to make copies of our publications for their own use, and for the use of members of the subscribing team at their business location. No other form of copying or distribution of our publications is permitted without our explicit permission. This includes but is not limited to internal distribution to non-subscribing employees or teams.

