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QATAR FINANCIAL CENTRE PMI™

Employment boost lifts headline PMI in November

KEY FINDINGS

Non-energy private sector workforce expands

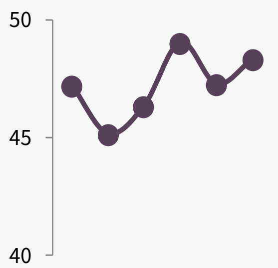
Indicators for output and new business improve

Output expectations remain strongly positive

QATAR FINANCIAL CENTRE PMI

NOV
48.3
OCT: 47.3

Last six months



November's PMI™ survey of Qatar's non-energy private sector economy revealed a boost to employment, which drove the headline PMI to rise to 48.3. Although current business levels exhibit some signs of strain, indices for output and new orders both improved since October. Looking forward, the backlogs indicator was at an eight-month high and the year-ahead outlook remained strongly positive, indicating further future improvements in the PMI.

Qatari non-energy establishments are buoyant regarding prospects. More than ten times as many survey respondents (46%) expect growth of activity at their units over the next 12 months, as compared to those that forecast a decline (less than 4%).

The Qatar PMI indices are compiled from survey responses from a panel of around 400 private sector companies. The panel covers the manufacturing, construction, wholesale, retail and services sectors, and reflects the structure of the non-energy economy according to official national accounts data.

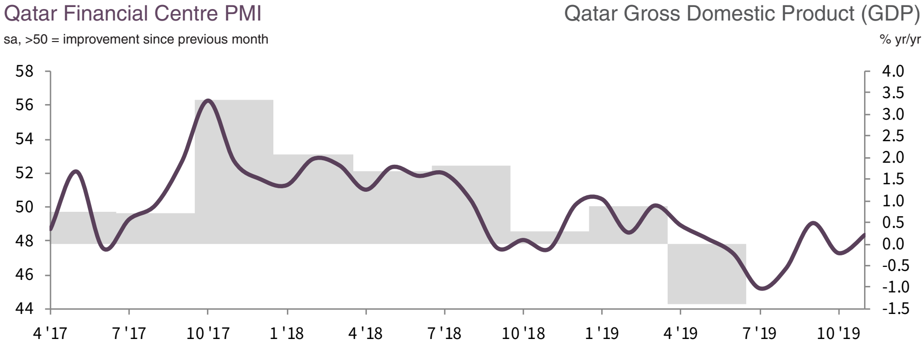
The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of five indices for new orders (30% weight), output (25%), employment (20%), suppliers' delivery times (15%, with the index inverted) and stocks of purchases (10%), and is designed to provide a timely single-figure snapshot of the health of the economy every month.

The PMI rose to 48.3 in November, from 47.3 in October. While only a mild month-on-month improvement in short-term business conditions, it was above trends established in both the second and third quarters of 2019 (48.1 and 46.9, respectively).

Detailed sectoral data shows that manufacturing has led the non-energy economy over 2019 so far, followed by wholesale, retail and services, respectively. While construction has lagged of late, recent data is signaling a recovery.

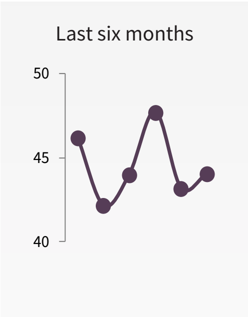
The upward movement in the PMI in November was primarily driven by the employment component, which contributed 0.5 points to the increase. Three other components – output, new orders and stocks of purchases – each contributed around 0.2 points, while the suppliers' delivery times index was broadly stable.

To enable comparisons with official quarterly gross domestic product (GDP), the monthly headline PMI figure can be aggregated to a quarterly average. Since the survey began in April 2017 the quarterly PMI has a correlation of 0.90 with the year-on-year percentage change in GDP in real terms, over a comparison period of nine quarters up to the second quarter of 2019. In the first half of 2019 the PMI tracked the rebound in annual growth of official GDP in the first quarter to 0.9% and the subsequent contraction in the second quarter (-1.4%), which was the first decline since the third quarter of 2009. In the second half of 2019 the PMI has trended higher since July, suggesting that the official measure of GDP may recover in the third and fourth quarters. While PMI baselines are different across global markets, over the survey history a Qatari PMI reading of 50.0 is consistent with 0.8% annual growth of GDP, and 2.7% growth of non-mining GDP



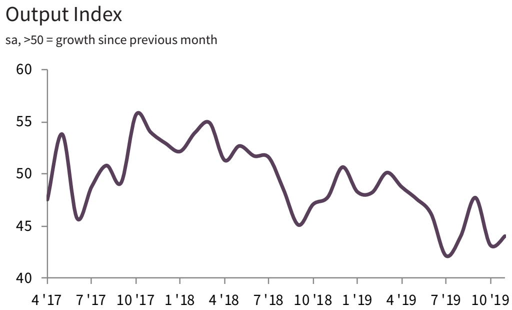
Sources: Qatar Financial Centre, IHS Markit, Qatar's Planning & Statistics Authority.

OUTPUT INDEX

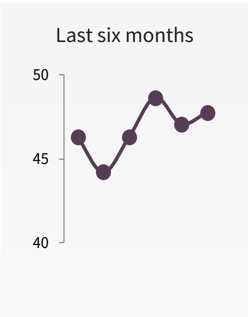


Output Index ticks higher in November

Activity in the Qatari non-energy private sector economy regained some momentum in November. The Output Index rose from October's three-month low, but remained well below the long-run trend level of 49.3.

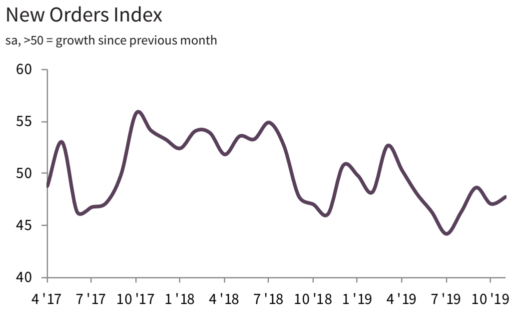


NEW ORDERS INDEX

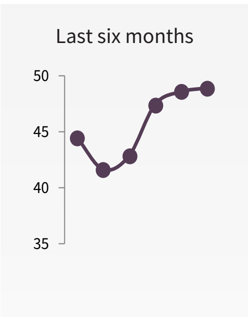


New Business Index rises for third time in four months

Inflows of new work registered the second-best performance in six months in November. The New Business Index remained below the no-change threshold but rose for the third time in four months to a level just below September's recent peak.



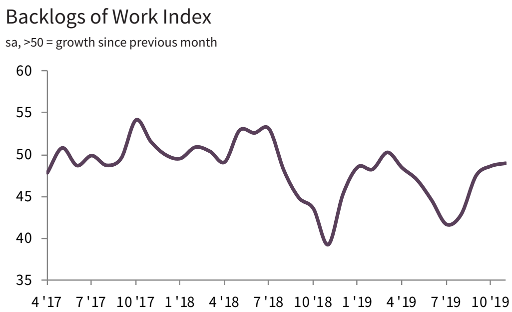
BACKLOGS OF WORK INDEX



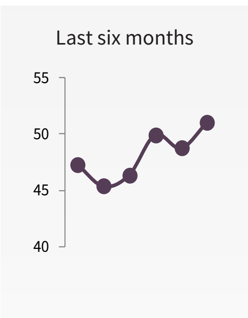
Data signal near stabilisation in level of outstanding business

The seasonally adjusted Backlogs of Work Index rose for the fourth successive month in November, to the highest in eight months.

The latest reading was close to the no-change threshold of 50.0, indicating a near-stabilisation in the level of outstanding business.

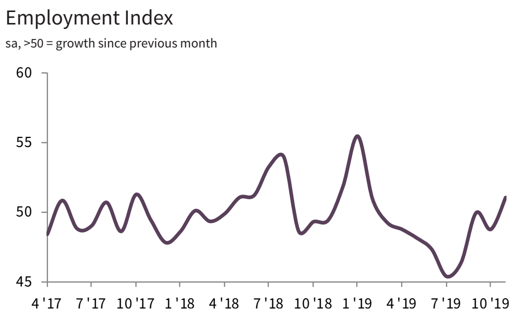


EMPLOYMENT INDEX

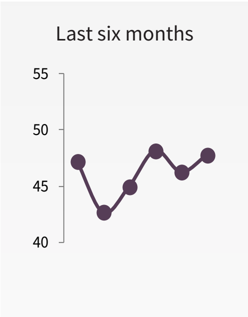


First expansion in private sector employment since February

The seasonally adjusted Employment Index rose above the no-change mark of 50.0 in November, indicating the first overall expansion of the Qatari non-oil private sector workforce since February. A number of firms reported hiring linked to new projects.

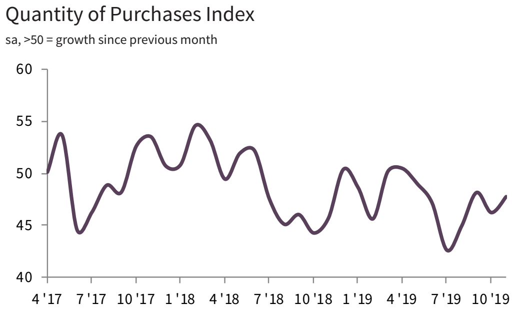


QUANTITY OF PURCHASES INDEX

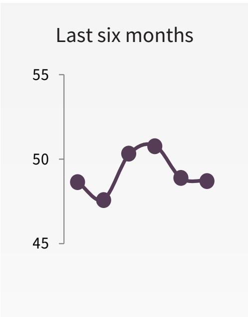


Purchasing indicator resumes upward trajectory in November

The level of inputs purchased by non-energy private sector firms in Qatar continued to decline in November. That said, the rate of reduction eased for the third time in four months, to a modest pace.

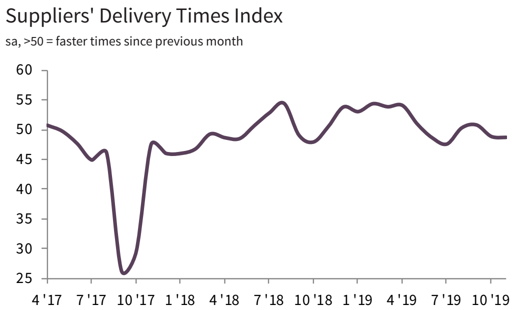


SUPPLIERS' DELIVERY TIMES INDEX

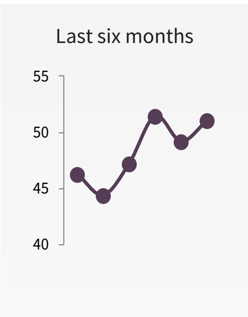


Input lead times continue to lengthen

The seasonally adjusted Suppliers' Delivery Times Index was little-changed since October, indicating longer average lead times in the Qatari non-energy private sector. The index was broadly in line with its long-run trend level of 48.4.

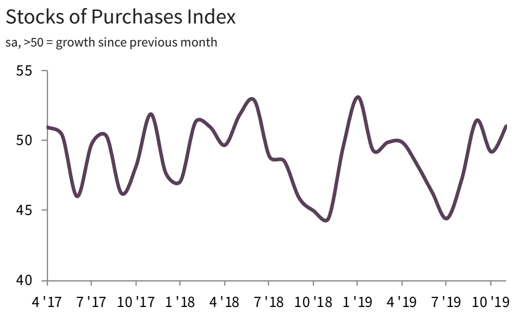


STOCKS OF PURCHASES INDEX

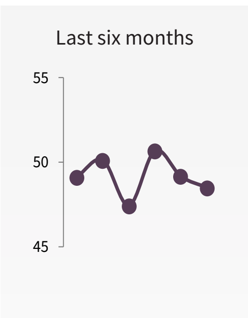


Stocks of inputs rise in November

The volume of inputs held in stock at non-energy private sector companies rose for the second time in three months in November. Some firms linked higher inventories to new projects. The rate of growth was broadly similar to the previous expansion in September.

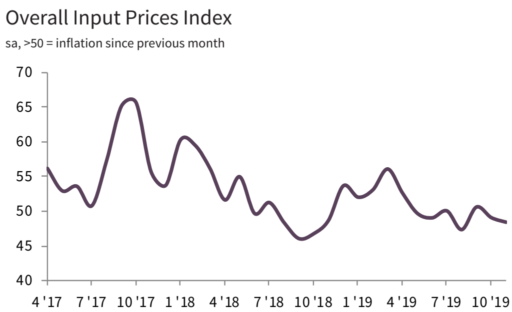


OVERALL INPUT PRICES INDEX

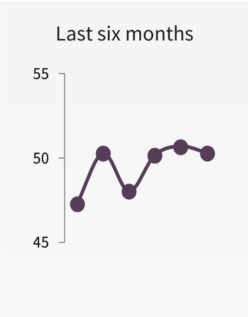


Average input prices fall in November

The seasonally adjusted Overall Input Prices Index registered below the no-change mark of 50.0 for the fifth time in seven months in November, signalling weaker overall cost pressures. The overall reduction occurred despite slightly higher wages and raw material prices.



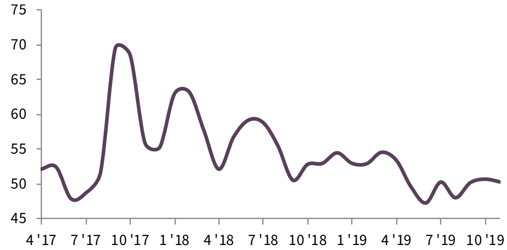
PURCHASE PRICES INDEX



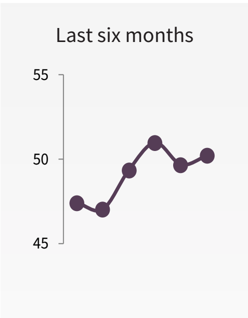
Average purchase prices up fractionally since October

November survey data signalled little upward pressure on non-energy private sector firms' purchasing costs. The seasonally adjusted Purchase Prices Index remained above 50.0 for the third month running, but signalled a negligible rate of inflation.

Purchase Prices Index
sa, >50 = inflation since previous month



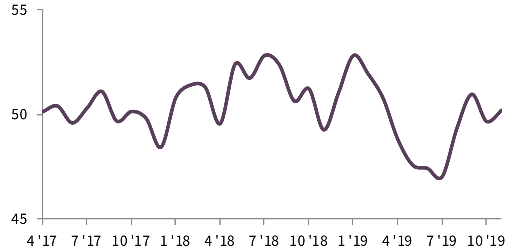
STAFF COSTS INDEX



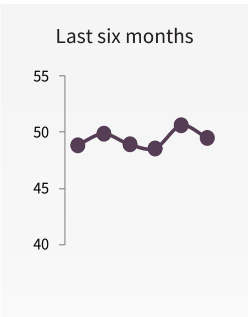
Fractional increase in wages and salaries

The seasonally adjusted Staff Costs Index rose back above the no-change mark of 50.0 in November, signalling growing wage pressures in the Qatari non-energy private sector economy. That said, the rate of inflation was only fractional. Some firms linked higher costs to hiring related to new projects.

Staff Costs Index
sa, >50 = inflation since previous month



OUTPUT PRICES INDEX

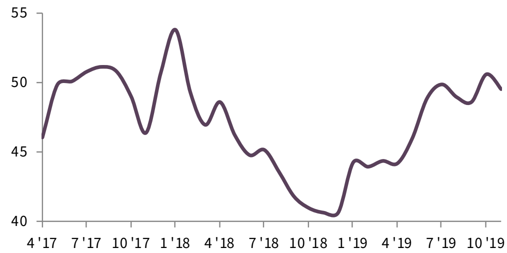


Price discounting returns in November

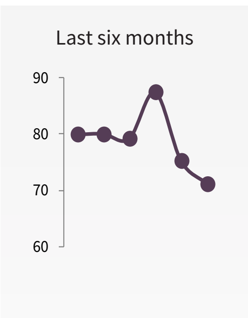
The latest survey data signalled a return to price discounting in November, following the first rise in average charges in 21 months in October.

That said, output prices were only fractionally lower in November compared with one month previously.

Output Prices Index
sa, >50 = inflation since previous month



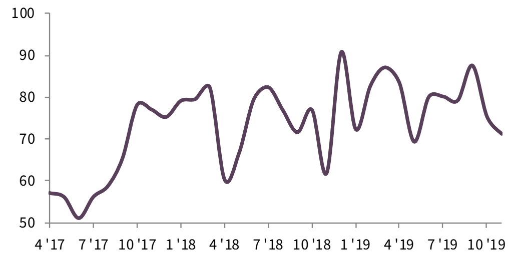
FUTURE OUTPUT INDEX



Expectations remain strongly positive in November

Private sector firms in the Qatari non-energy sector remained strongly optimistic regarding output levels over the next 12 months, with 46% of survey respondents forecasting growth. This compared with less than 4% expecting a decline. That said, overall sentiment was the softest since May.

Future Output Index
>50 = growth expected over next 12 months



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Methodology

The Qatar Financial Centre PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

November data were collected 12-26 November 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to ihsmarkit.com/products/pmi.html.

About Qatar Financial Centre

The Qatar Financial Centre (QFC) is an onshore business and financial centre located in Doha, providing an excellent platform for firms to do business in Qatar and the region. The QFC offers its own legal, regulatory, tax and business environment, which allows 100% foreign ownership, 100% repatriation of profits, and charges a competitive rate of 10% corporate tax on locally sourced profits.

The QFC welcomes a broad range of financial and non-financial services firms.

For more information about the permitted activities and the benefits of setting up in the QFC, please visit qfc.qa

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