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مـركـز قـطـر للـمـال
QATAR FINANCIAL CENTRE

QATAR FINANCIAL CENTRE PMI™

Qatar's private sector firms begin 2020 in upbeat mood

KEY FINDINGS

Future Output Index rises sharply in January

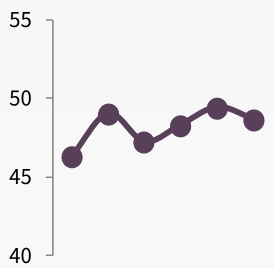
Current activity indicator at nine-month high

Input and output prices continue to fall

QATAR FINANCIAL CENTRE PMI

JAN
48.7
DEC: 49.4

Last six months



The first batch of Purchasing Managers' Index™ (PMI™) survey data for Qatar for 2020 showed that non-energy private sector firms were bullish regarding output prospects at the start of the year. More than two-thirds of respondents expect growth in their activity over the next 12 months, compared with just 3% expecting declines. Overall sentiment strengthened markedly since December and was above the three-year survey trend. A bullish outlook was coupled with elevated output readings, which rose to highs not seen since the beginning of 2019.

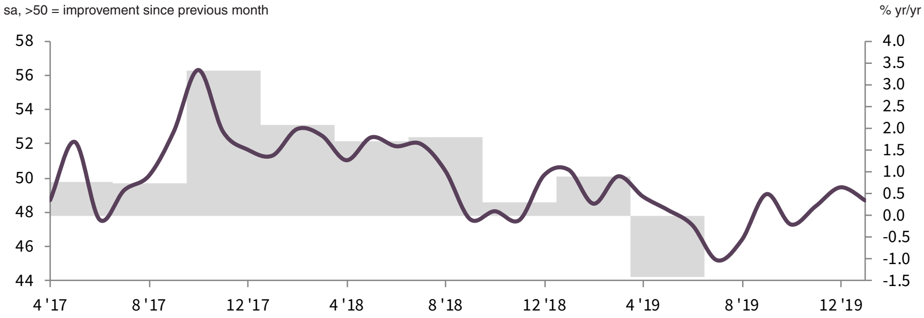
Business expectations strengthened across all four main sectors monitored in January. Sentiment was highest in wholesale & retail followed by construction, manufacturing and services respectively. This hike in sentiment comes on the back of a progressive reform agenda, which has been recognized by the World Bank Group's Doing Business 2020 with Qatar given mention as one of the top 20 global business environment improvers.

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.

January data also showed current business conditions holding broadly stable close to December's recent peak, according to the headline PMI figure. This 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 monthly snapshot of the current health of the economy.

While the PMI ebbed slightly from December's nine-month high of 49.4 to 48.7 in January, it was nonetheless above the average figures for the second, third and fourth quarters of 2019. The long-run survey trend level of 49.9 is equivalent to 2.6% annual non-oil economic growth.

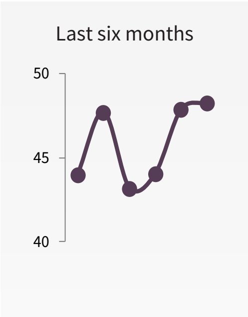
January's detailed reading presented a picture of improved production capacity, higher output along with moderately deflated new orders. More than half of the dip in the January PMI reading was accounted for by the suppliers' delivery times component (-0.4 points), which signalled that supply chains were less busy and had potential for more activity moving forward. This enhancement in production capacity was further evidenced by declines in purchasing and labour costs, pruning of the workforce, and ongoing discounting of prices charged for goods and services. The other main drag on the headline figure was new orders (-0.3 points). More positively, the output component rose to a nine-month high, driven by construction and services. Partly thanks to improved production capacity, existing workloads were completed at the fastest rate in five months.



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

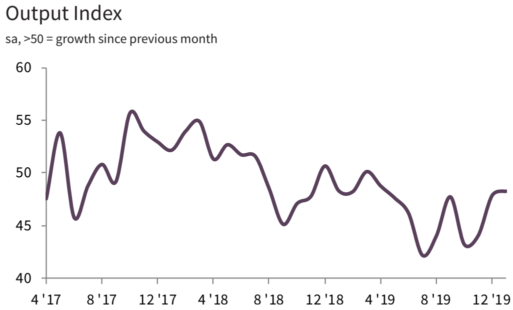
PMI™ By IHS Markit

OUTPUT INDEX

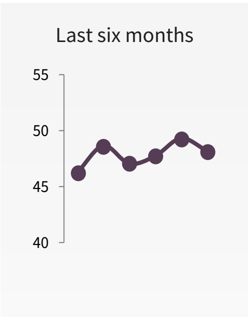


Output Index at nine-month high at start of 2020

The Output Index rose for the fifth time in six months in January to a nine-month peak. This signalled returning current growth momentum in the Qatari non-energy private sector at the start of 2020.

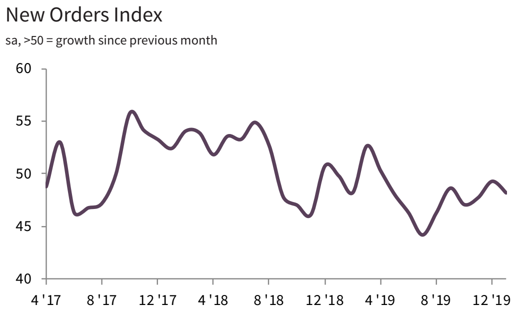


NEW ORDERS INDEX

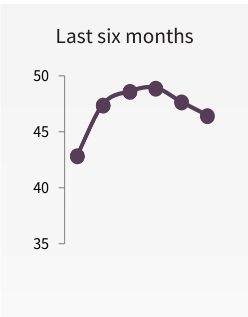


New business in line with 2019 trend in January

The New Orders Index eased slightly from December's level, after adjusting for seasonal factors. It was broadly in line with the average reading seen over 2019 as a whole.

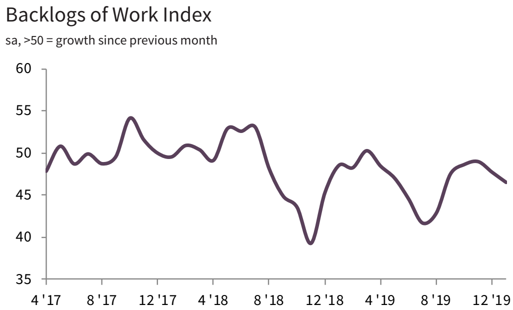


BACKLOGS OF WORK INDEX

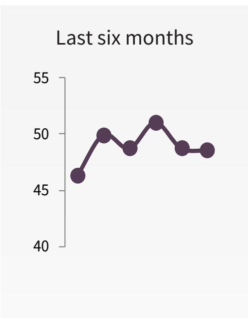


Firms clear backlogs at fastest rate since last August

The seasonally adjusted Backlogs of Work Index eased further in January, and was below its long-run average of 48.2. The month-on-month decline in the index signalled that firms had cleared outstanding business at a slightly faster rate at the start of the year, the strongest since last August.

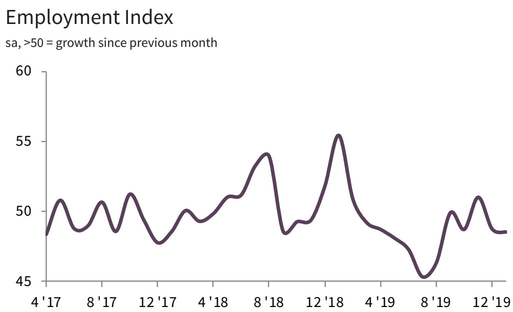


EMPLOYMENT INDEX

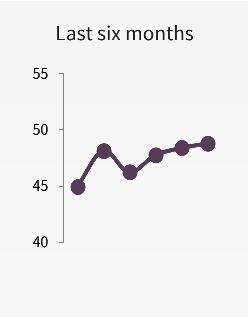


Employment continues to shrink in January

January data signalled that the non-energy private sector workforce in Qatar continued to shrink. The seasonally adjusted Employment Index was below 50.0 for the second month running, but continued to indicate only a marginal rate of decline.

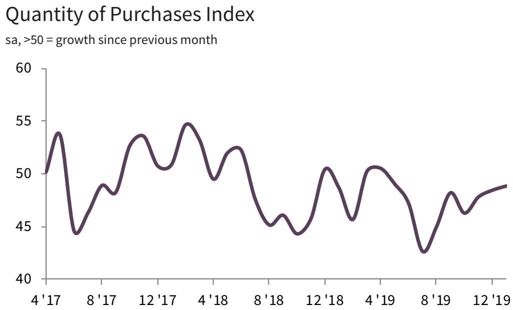


QUANTITY OF PURCHASES INDEX

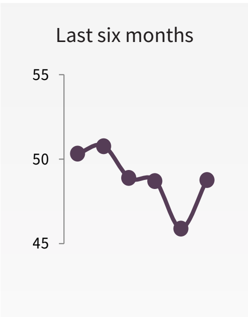


Purchasing indicator improves to eight-month high

In line with the trend observed for the Output Index, the seasonally adjusted Quantity of Purchases Index rose for the fifth time in six months in January. This signalled upward momentum in buying activity undertaken by non-energy private sector firms in Qatar at the start of 2020.

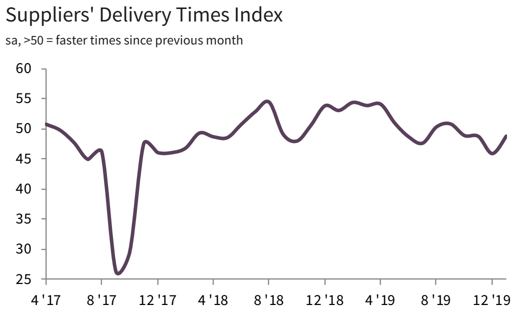


SUPPLIERS' DELIVERY TIMES INDEX

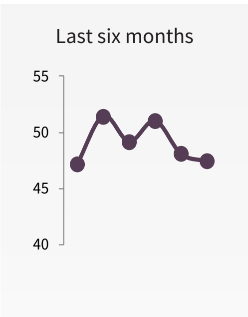


Suppliers' delivery times lengthen further

The seasonally adjusted Suppliers' Delivery Times Index rose in January, reversing the dip registered at the end of 2019. The latest figure signalled that lead times for inputs lengthened further, but by less than in December.

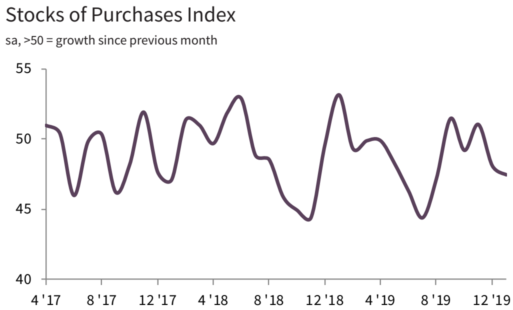


STOCKS OF PURCHASES INDEX

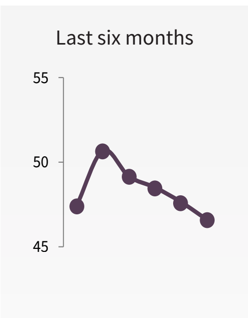


Inventories depleted at fastest rate in five months

The seasonally adjusted Stocks of Purchases Index remained below the no-change mark of 50.0 in January, indicating another round of inventory trimming at non-energy private sector firms. The rate of destocking was the fastest since last August.

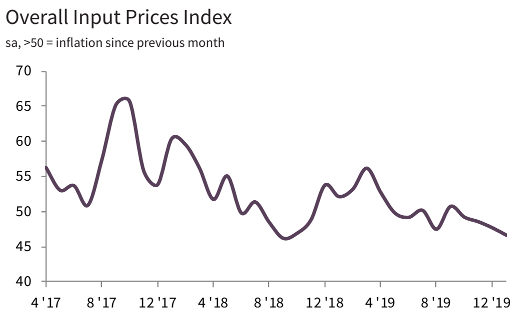


OVERALL INPUT PRICES INDEX

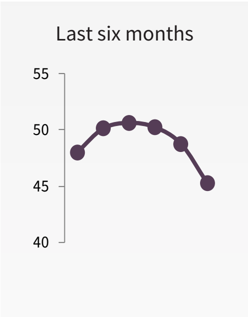


Cost pressures ease further at start of 2020

The seasonally adjusted Overall Input Prices Index fell for the fourth successive month in January, to the second-lowest on record since the series began in April 2017. This signalled a further weakening in overall cost pressures at Qatari non-energy private sector firms.

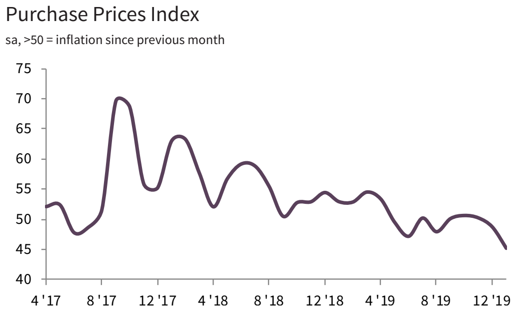


PURCHASE PRICES INDEX

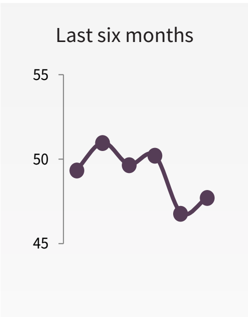


Survey-record decline in purchase prices

Survey respondents continued to report falling average purchasing costs in January. Moreover, the seasonally adjusted Purchase Prices Index was at a record low, signalling the fastest decrease since the survey began in April 2017.



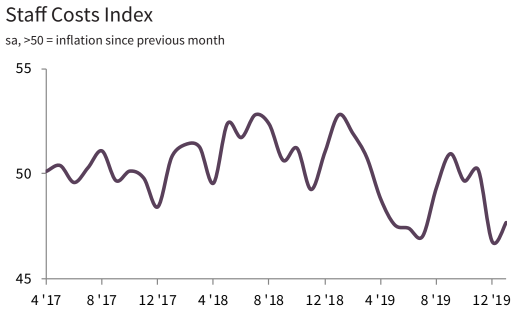
STAFF COSTS INDEX



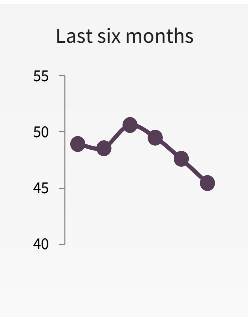
Wages and salaries fall further in January

Survey data indicated another drop in average labour costs in January, the eighth decline in the past ten months.

That said, the rate of reduction eased since December.

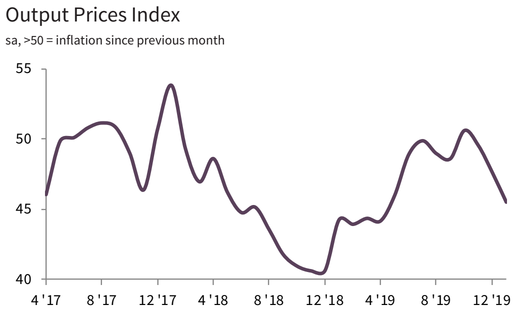


OUTPUT PRICES INDEX

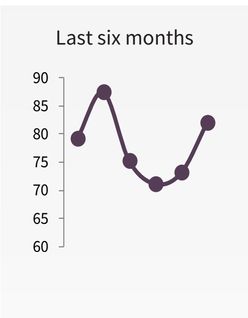


Strongest rate of discounting since April 2019

Non-energy private sector firms reported a further decline in average selling prices in January. Moreover, the rate of discounting was the fastest since last April. With the exception of October 2019, prices charged have fallen every month since February 2018.

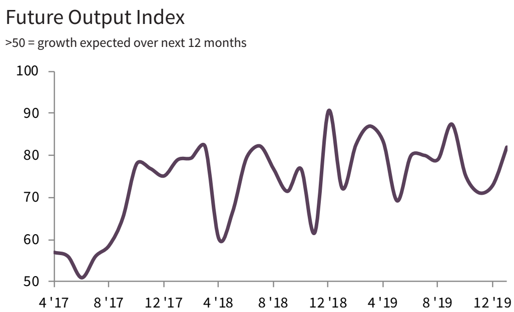


FUTURE OUTPUT INDEX



Strongest outlook for business activity since last September

Non-energy private sector firms were bullish regarding their output prospects at the start of 2020. Just over two-thirds of respondents expect growth at their units (67%), compared with just 3% anticipating a decline. The Future Output Index rose sharply to a four-month high and was well above its long-run average of 73.7.



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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.

January data were collected 13-28 January 2020.

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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