November 2020

# QATAR FINANCIAL CENTRE PMI™

## Private sector recovery remains on track at start of fourth quarter

### KEY FINDINGS

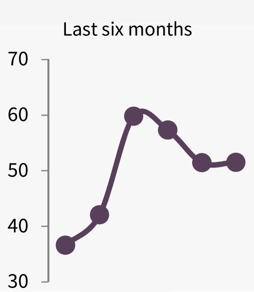
PMI remains elevated at 51.5 in October

Further strong rise in new work orders and output as firms report greater customer numbers

Employment indicator at seven-month high

### QATAR FINANCIAL CENTRE PMI

OCT
51.5
SEP:51.4




A sustained rebound in business conditions of Qatar's non-energy private sector economy was seen in beginning of the fourth quarter of 2020, according to the October Purchasing Managers' Index™ (PMI™) survey data. Output and new business both registered elevated growth rates for the fourth consecutive month, and the employment index rose to its highest level since March. With firms reporting rising customer numbers and hopeful of further business wins in the coming months as restrictions are eased further, business expectations improved to the highest since July.

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 PMI registered 51.5 in October, up fractionally from 51.4 in September, driven by strong business expectations and realised transactions. The latest figure was the third-highest since July 2018 and signalled a sustained marked improvement in business conditions in the non-energy private sector economy. Recent performance has registered higher than the long-term average, which since the survey began in April 2017, the PMI has trended at 49.5.

At the sub-sector level, the strongest-performing area in October was construction (54.0), following by manufacturing (51.9), wholesale & retail (51.7) and services (48.8).

The two largest components of the PMI – output and new orders – continued to rebound in October, with the respective indices at elevated levels for the fourth successive month. There was a notably sharp rise in new business in the construction sector during the month, which was likely driven by improving weather conditions and lower COVID-19 counts.

Non-energy private sector companies expanded their workforces across the board in October, following a broadly stable labour market during the third quarter. The employment index hit a seven-month high and was well above its long-run trend level. Among the varied sectors, there was a notable boost to hiring among construction companies as activity picked up considerably.

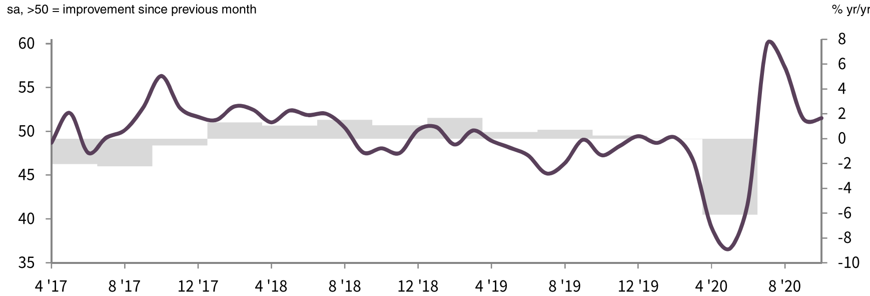
Following the rise in output and new business, the 12-month outlook for business activity improved to the strongest since July. This was reflected in one of the fastest increases in purchasing activity in the survey's history, and rising levels of outstanding work. As a consequence, the backlogs index registered its the second-highest in over two years.

In terms of prices, average input costs were broadly stable during October, although staff costs fell slightly since September. Meanwhile, prices charged for goods and services rose for the third time in four months.

The monthly PMI can be aggregated to a quarterly average to enable comparisons with official gross domestic product (GDP). Since the survey began in April 2017 the quarterly PMI has a correlation of 0.66 with the year-on-year percentage change in GDP in real terms, with a PMI reading of 50.0 equating to 0.2% growth on an annual basis. The latest official data reported a year-on-year decline of 6.1% in real terms in the second quarter of 2020, a figure heavily influenced by the lockdown measures implemented to contain the coronavirus outbreak. The PMI data for the third quarter of 2020 are indicating a rebound in GDP, consistent with a 2.7% year-on-year increase.

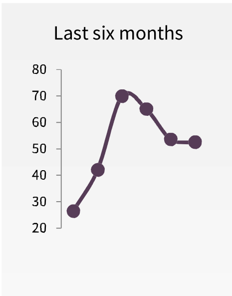
Qatar Financial Centre PMI — Qatar Gross Domestic Product (GDP)

sa, >50 = improvement since previous month — % yr/yr



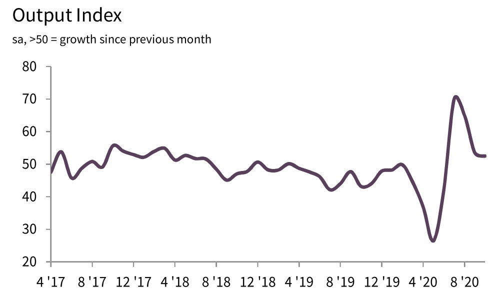

Sources: Qatar Financial Centre, IHS Markit, Qatar's Planning & Statistics Authority.

## OUTPUT INDEX

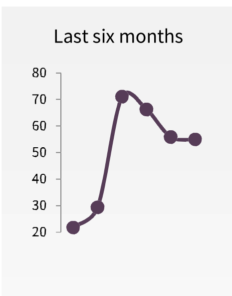



### Output of non-energy sector grows further in October

The seasonally adjusted Output Index remained above the no-change mark of 50.0 for the fourth successive month in October, indicating a sustained rebound in growth of non-energy private sector activity in Qatar following the coronavirus lockdown. Firms linked growth to greater customer numbers as restrictions were eased.

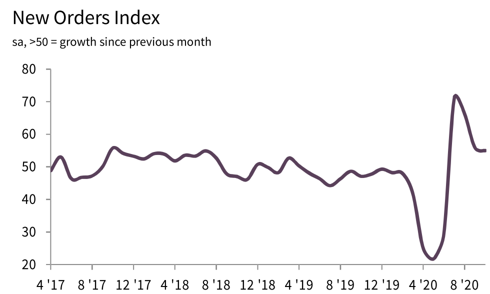



## NEW ORDERS INDEX

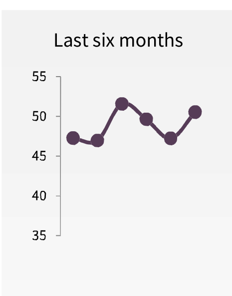



### New business growth remains strong at start of fourth quarter

Demand for non-energy goods and services in Qatar continued to expand markedly in October. The seasonally adjusted New Orders Index was at the fifth-highest level since the survey began in April 2017, signalling an elevated rate of growth. A number of firms reported that orders had returned to 'normal' levels.

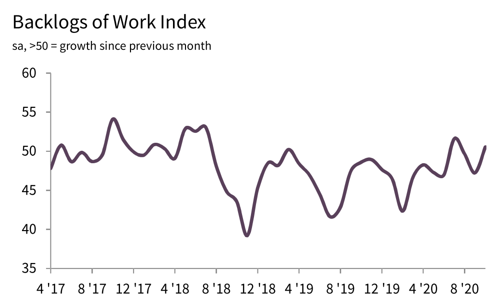



## BACKLOGS OF WORK INDEX

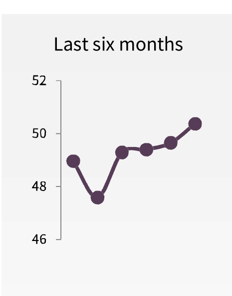



### Outstanding business rises for first time since July

With inflows of new work remaining strong, non-energy private sector firms in Qatar reported an overall increase in outstanding business at the start of the fourth quarter. A number of firms reported the need to resolve previous orders. The backlogs index was the second-highest in over two years.

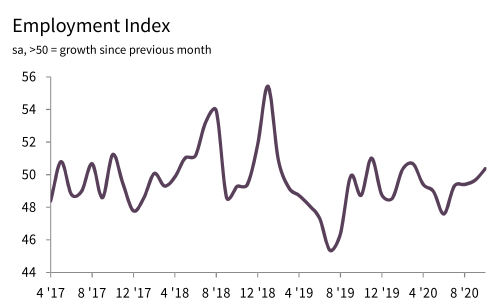



## EMPLOYMENT INDEX

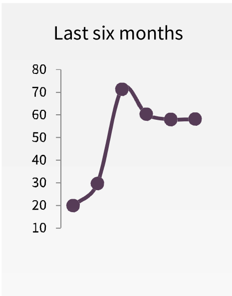



### Employment rises for first time since March

The Employment Index rose above the neutral threshold of 50.0 in October, indicating a rise in non-energy private sector employment in Qatar. This followed a broadly stable trend in the workforce during the third quarter. The Index was at a seven-month high in the latest period and above its long-run trend level of 49.6.

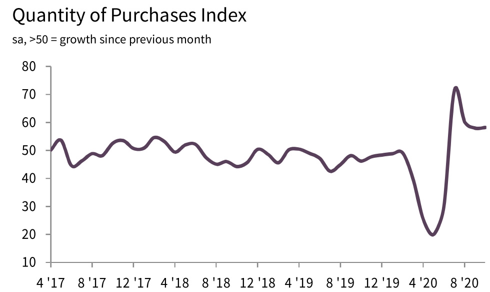


## QUANTITY OF PURCHASES INDEX

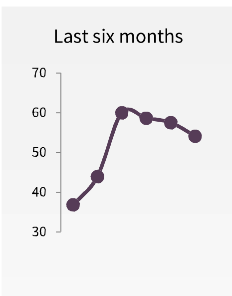



### Companies continue to intensify purchasing operations

The seasonally adjusted Quantity of Purchases Index remained elevated in October, signalling a sustained strong rate of expansion in purchasing activity by non-energy firms. This was widely linked to greater customer numbers as demand conditions improved.

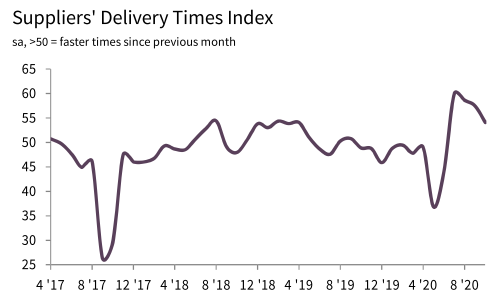



## SUPPLIERS' DELIVERY TIMES INDEX

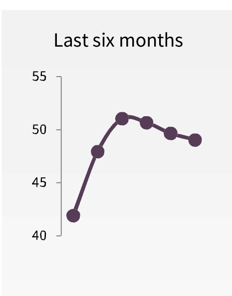



### Suppliers continue to achieve quicker deliveries of inputs to non-energy firms

Average lead times for inputs in the non-energy private sector economy fell for the fourth month running in October, as supply chains continued to recover with the lifting of lockdown measures. Times shortened by less than during the third quarter, however, as demand for inputs rose.

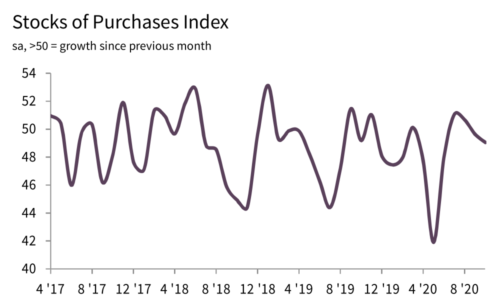



## STOCKS OF PURCHASES INDEX

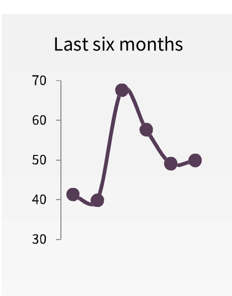



### Further slight destocking of inputs registered in October

A further strong rise in overall business activity in October meant that stocks of inputs fell even as purchasing activity increased. That said, the rate of reduction in inventories was only marginal, as was the case in September.

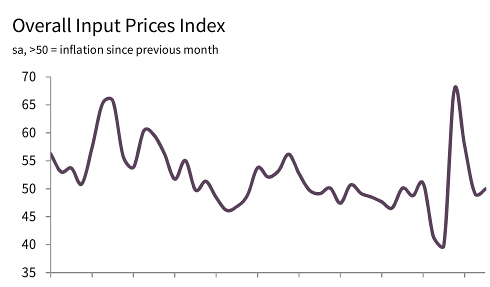



## OVERALL INPUT PRICES INDEX

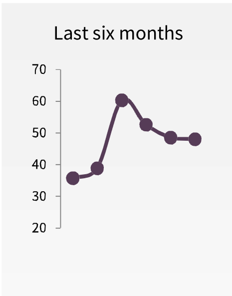



### Overall cost pressures broadly unchanged in October compared with prior month

Average input prices paid by non-energy private sector firms were broadly unchanged in October, following a slight decrease in September.

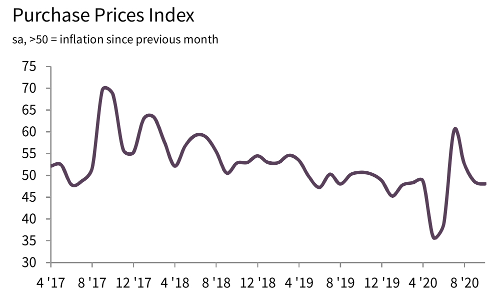


## PURCHASE PRICES INDEX

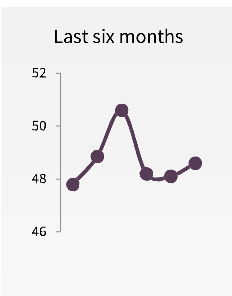



### Average purchase prices decline for second month running

Prices paid for raw materials and other production inputs decreased for the second straight month in October, following increases in July and August. The rate of reduction remained only moderate, however.

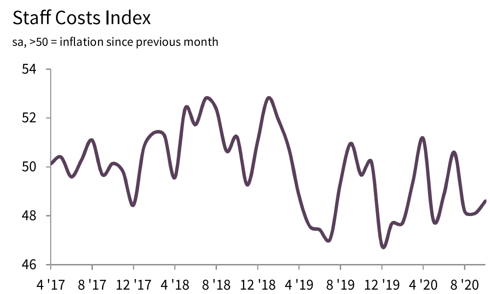



## STAFF COSTS INDEX

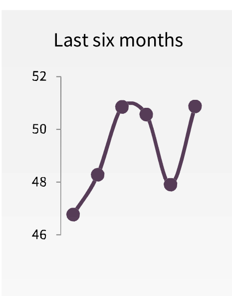



### Average wages and salaries reduced for third consecutive month

Non-energy private sector firms in Qatar cut wages and salaries for the third consecutive month in October, on average. That said, the rate of decline was the weakest during this sequence.

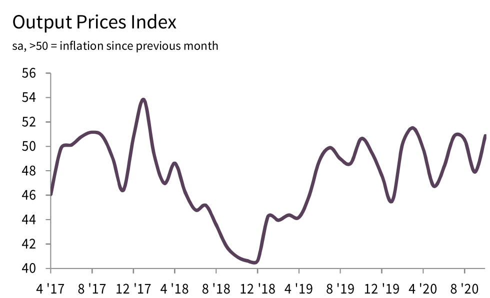



## OUTPUT PRICES INDEX

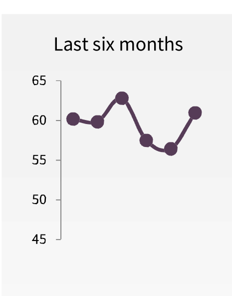



### Renewed inflation of prices charged for goods and services

With demand conditions continuing to improve, companies raised their prices charged for goods and services for the third time in four months in October. Moreover, the seasonally adjusted Output Prices Index hit a seven-month high and was well above its long-run average of 47.6.

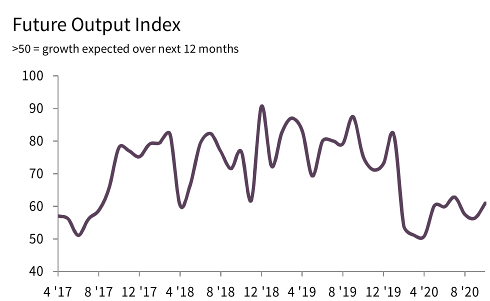



## FUTURE OUTPUT INDEX




### Year-ahead output expectations strengthen in October

The 12-month outlook for non-energy private sector business activity strengthened at the start of the fourth quarter. The Future Output Index rose to a three-month high, remaining well above the no-change mark of 50.0. Firms were hopeful of further improvements in demand in the coming 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.

Data were collected 12-27 October 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.

https://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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