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QATAR FINANCIAL CENTRE

QATAR FINANCIAL CENTRE PMI™

New business continues to underpin confidence in April

KEY FINDINGS

Volume of new work received by Qatari firms continues to build

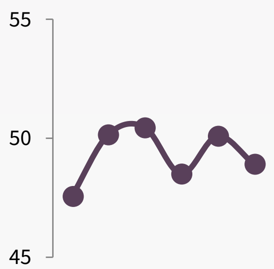
Future business expectations third-strongest in survey history

PMI remains indicative of growth in Qatari non-energy economy

QATAR FINANCIAL CENTRE PMI

APR
48.9
MAR: 50.1

Last six months



The most recent PMI™ survey of Qatari non-hydrocarbon private sector businesses highlighted a further rise in the volume of new business at the beginning of 2019's second quarter. Meanwhile, overall sentiment regarding future output was the third-strongest since the survey began in April 2017, with more than three-quarters of respondents expecting growth at their business units over the next 12 months. As a consequence, while the level of the headline PMI figure ebbed slightly from March's reading, sustained growth in such new work orders supported firms' robust expectations for future total business activity.

The headline Purchasing Managers' Index™ (PMI) for Qatar eased slightly to 48.9 in April, from 50.1 in March. Although the most recent reading continues to register above its average over the final quarter of 2018 (48.6), it is just below the trend observed over the first quarter of 2019 (49.7). The month-on-month dip in the PMI mainly reflects the slower growth rate of new orders and declines in the output as well as employment indicators.

Small monthly changes to PMI readings are more accurately explained by short-term market volatility than substantial adjustments to growth trends. When inferring possible changes to economic projections, readers should consider the relatively short duration for which both PMI and official gross domestic product (GDP) data are available for comparison, which is currently seven quarters up to the final quarter of 2018. Over this period the PMI has a correlation of 0.88 with the annual rate of change in quarterly GDP. The official growth rate of GDP slowed to 0.3% year-on-year in real terms in Q4 2018, a trend signaled in advance by the PMI. The average PMI reading for Q1 2019 of 49.7 is broadly consistent with total GDP rising by 0.9% in real terms on an annual basis, representing a pick-up in growth at the start of the year. Moreover, the April PMI is consistent with annual GDP growth being maintained at the start of Q2.

With new orders rising at a more balanced pace than in March, firms were able to resume backlog clearance with almost one-third of respondents reporting lower backlogs. Simultaneously, the volume of inputs ordered grew, mainly reflecting the manufacturing sector, while input inventories remained broadly stable.

Overall cost pressures faced by Qatari non-energy private sector firms eased in April. The rate of input price inflation slowed from March's 12-month high. This mainly reflected lower staff costs during the month, while raw material prices rose at a slightly weaker rate than in March.

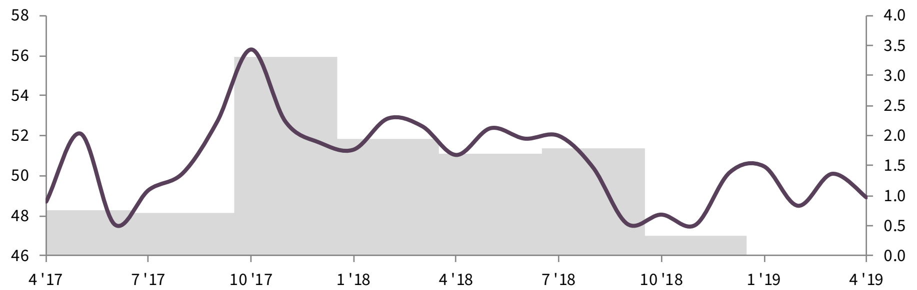
Although input costs continued to rise, firms cut their own prices for goods and services for the fifteenth month running in April. The rate of discounting was in line with those seen throughout the first quarter of 2019.

Qatar Financial Centre PMI

sa, >50 = improvement since previous month

Qatar Gross Domestic Product (GDP)

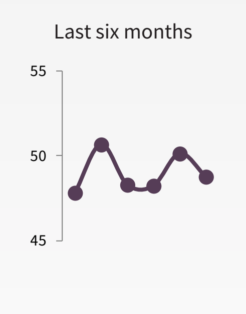
% yr/yr



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

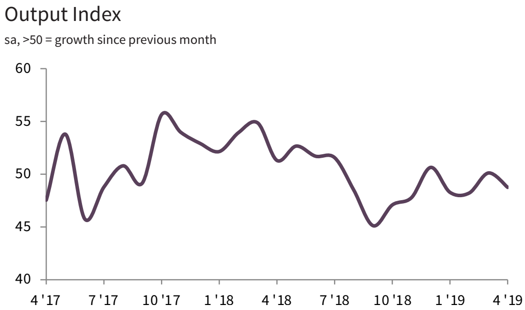
PMI™ By IHS Markit

OUTPUT INDEX

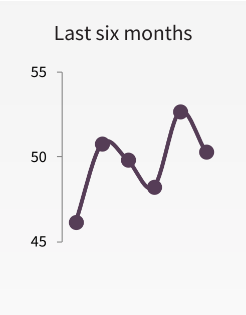


Business activity shifts down a gear in April

The seasonally adjusted Output Index eased to a two-month low in April, indicating slower business activity in the Qatari non-energy private sector. The Index was below its trend level of 50.5 since the start of the survey in April 2017.

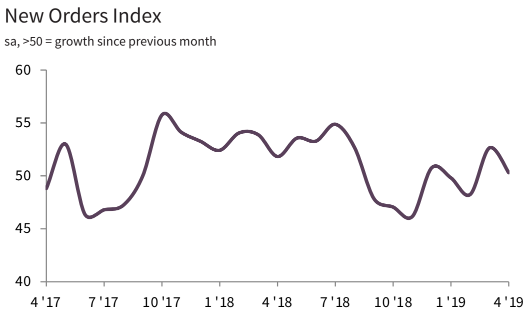


NEW ORDERS INDEX

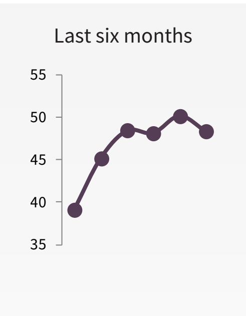


Intakes of new business continue to increase

The seasonally adjusted New Orders Index signaled a sustained intake of new business in April. The Index eased from March's seven-month high, however, and was below the long-run trend level of 51.0.

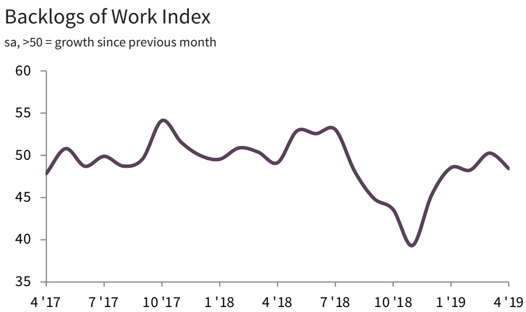


BACKLOGS OF WORK INDEX

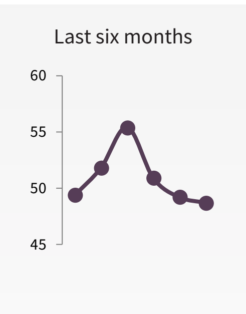


Qatari non-energy firms deplete backlogs in April

Latest data indicated lower pressure on business capacity in the Qatari non-energy private sector, as the seasonally adjusted Backlogs of Work Index fell since March's eight-month high. The Index was slightly below the long-run average of 49.0.

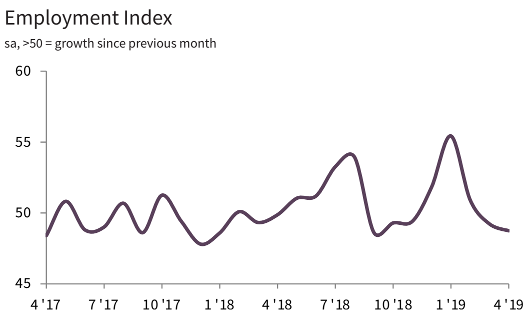


EMPLOYMENT INDEX

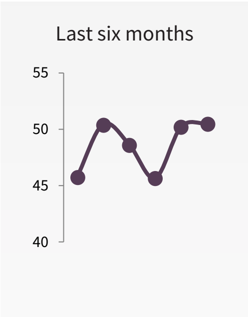


Employment Index at seven-month low in April

Private non-energy sector companies in Qatar were more cautious in terms of hiring in April than at the start of 2019. Having posted a record high in January, the seasonally adjusted Employment Index eased slightly to the lowest since September 2018 at the start of the second quarter.

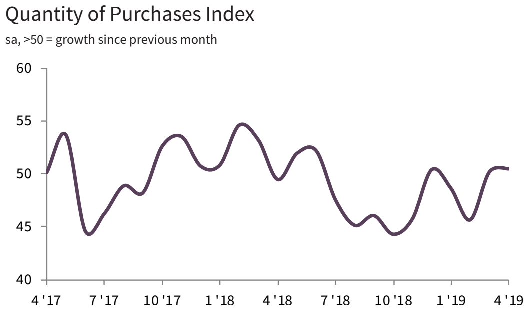


QUANTITY OF PURCHASES INDEX

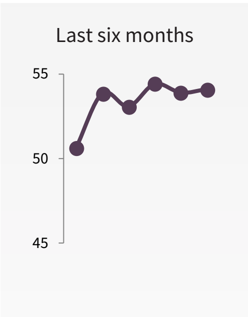


Strongest growth in purchasing activity since June 2018

The seasonally adjusted Quantity of Purchases Index edged higher since March, indicating the strongest increase in purchasing activity since June 2018. The latest figure remained above the long-run trend level of 49.4 since the series began in April 2017.

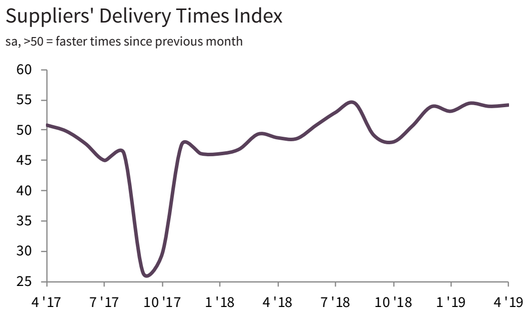


SUPPLIERS' DELIVERY TIMES INDEX

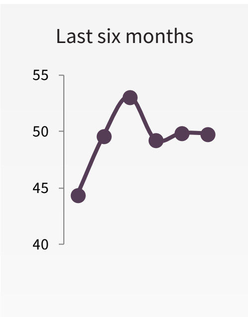


Supplier performance improves further in April

The average time taken for inputs to be delivered to non-energy private sector firms in Qatar continued to fall in April. Lead times have shortened throughout the past six months. Moreover, the Suppliers' Delivery Times Index posted the third-highest level on record in April.

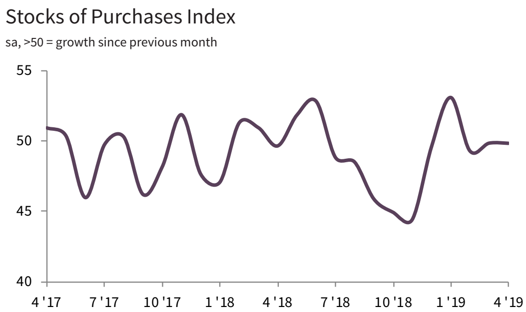


STOCKS OF PURCHASES INDEX

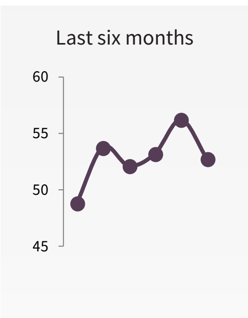


Holdings of inputs remain broadly unchanged in April

The seasonally adjusted Stocks of Purchases Index was unchanged from March, at a level indicative of broadly stable input inventories in the Qatari non-energy private sector. Stock levels have been stable since a survey-record increase in January.

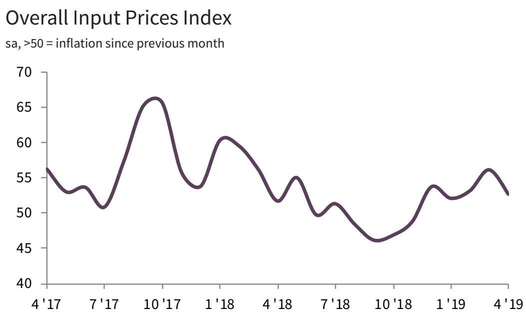


OVERALL INPUT PRICES INDEX

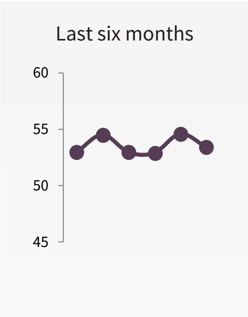


Input price inflation slows to three-month low

Average input prices paid by Qatari non-energy private sector firms continued to rise in April, as has been the case every month since December 2018. That said, the rate of inflation slowed from March's 12-month high to a three-month low. It was also below the long-run survey average.

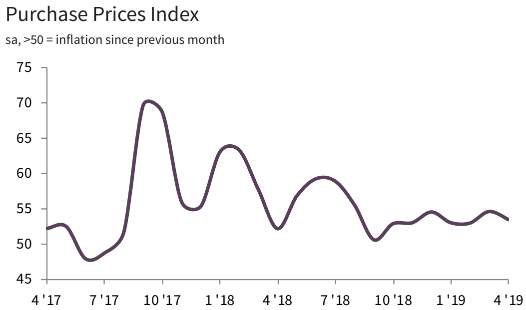


PURCHASE PRICES INDEX

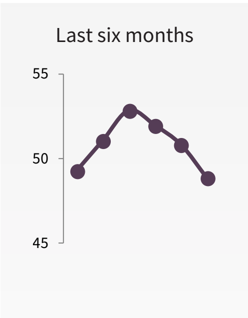


Purchase prices continue to rise at solid pace

The seasonally adjusted Purchase Prices Index indicated a further solid rise in average prices paid for raw materials and other production inputs in April. The Index eased since March and remained below its long-run trend level of 55.7, however.

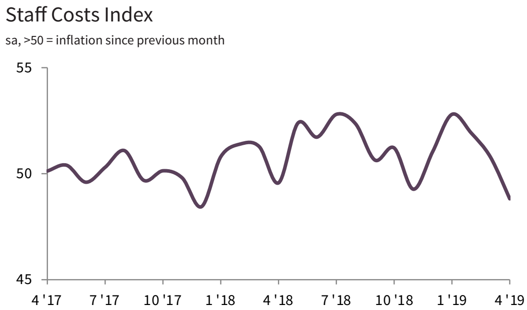


STAFF COSTS INDEX

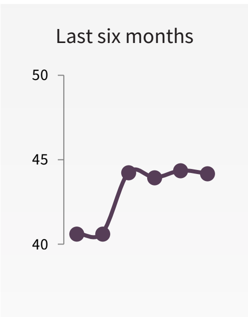


Wages and salaries fall for first time in five months

Average staff costs decreased for the first time since November 2018 in April, as indicated by the respective index posting below the neutral threshold of 50.0. Moreover, the rate at which wages declined was the fastest since December 2017.

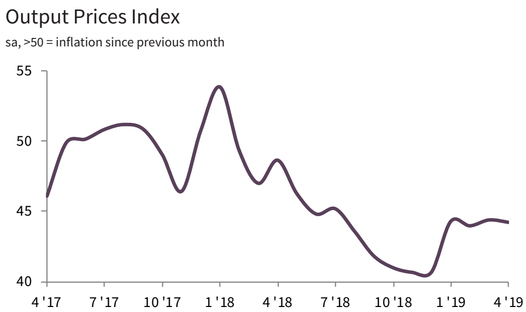


OUTPUT PRICES INDEX

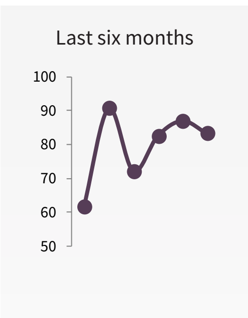


Non-energy private sector firms continue to cut prices

Prices charged by non-energy private sector firms for goods and services fell for the fifteenth successive month in April. The rate of discounting was in line with those seen during the first quarter of 2019. Around 17% of firms reported lowering their prices during the latest period.

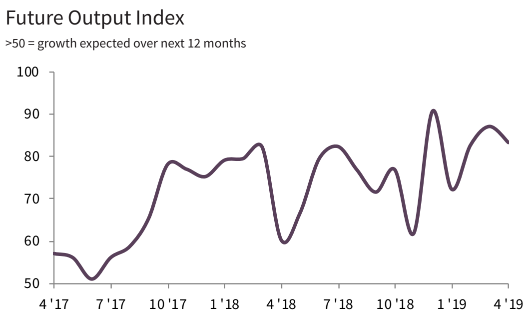


FUTURE OUTPUT INDEX



Business confidence remains strong in April

Output expectations in the Qatari non-energy sector remained firmly positive in April. More than three-quarters of companies expect activity at their units to rise over the next 12 months. The Future Output Index eased since March, but was nonetheless the third-highest on record.



CONTACT

Qatar Financial Centre

Economic Advisory Department
+974 4496 7777
qatarpmi@qfc.qa

IHS Markit

Trevor Balchin
Economics Director
+44 1491 461 065
trevor.balchin@ihsmarkit.com

Joanna Vickers
Corporate Communications
+44 207 260 2234
joanna.vickers@ihsmarkit.com

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.

April 2019 data were collected 10-24 April 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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About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.