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مـركـز قـطـر للـمـال
QATAR FINANCIAL CENTRE

QATAR FINANCIAL CENTRE PMI™

Positive outlook for Qatari economy despite softer conditions in October

KEY FINDINGS

Expectations for future activity remain strongly positive

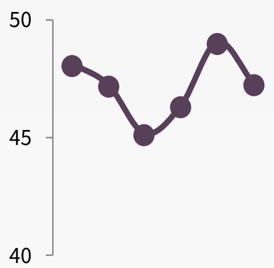
Suppliers' delivery times lengthen

Firms raise prices charged and profits in tandem, as input prices fall

QATAR FINANCIAL CENTRE PMI

OCT
47.3
SEP: 49.0

Last six months



The latest PMI™ survey of Qatar's non-energy private sector economy signaled a slight loss of momentum in short-term business conditions in October, but a firmly positive outlook was maintained. Tellingly, more than half (55%) of firms expect growth at their units over the next 12 months, versus just 5% that foresee lower activity. Many firms reported new projects linked to new marketing strategies and work related to the 2022 FIFA World Cup.

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.

Although the index remained above trend for the third quarter as a whole (46.9), Qatar's PMI eased somewhat to 47.3 in October. This marked a reversal in momentum following strong gains in August and September.

The output component contributed the most (-1.1 index points) to the weakening of the PMI in October, followed by new orders (-0.5), employment and stocks of purchases, respectively. Suppliers' delivery times tempered the overall drop in the headline figure.

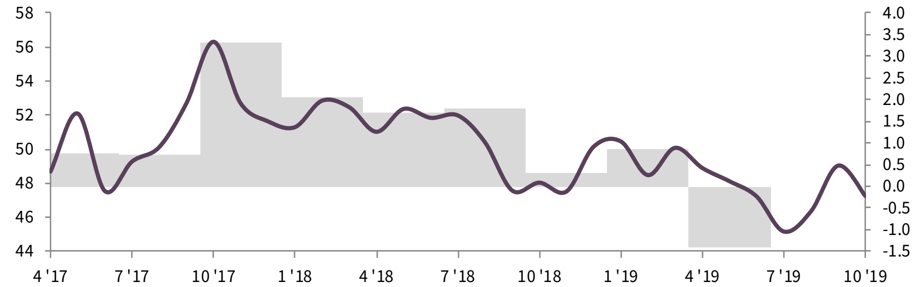
To enable comparisons with official quarterly gross domestic product (GDP), the monthly headline PMI figure can be aggregated to a quarterly average. Since the survey began in April 2017 the quarterly PMI has a correlation of 0.90 with the year-on-year percentage change in GDP in real terms, over a comparison period of nine quarters up to the second quarter of 2019.

In 2019 so far, the PMI signaled the rebound in annual growth of 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. The PMI eased further in the third quarter to 46.9, implying an absence of GDP expansion. 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. Therefore, the current PMI reading of just below 50 would suggest sluggish but positive economic growth.

A key finding from the latest PMI survey is derived from the observed rise in prices charged for goods and services for the first time in almost two years. This, combined with lower overall input prices, suggests improved market conditions and higher attained profit margins in the Qatari non-energy private sector.

Qatar Financial Centre PMI
sa, >50 = improvement since previous month

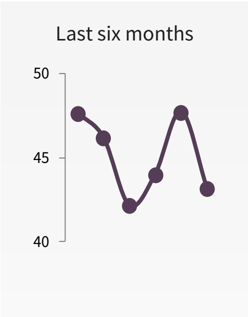
Qatar Gross Domestic Product (GDP)
% yr/yr



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

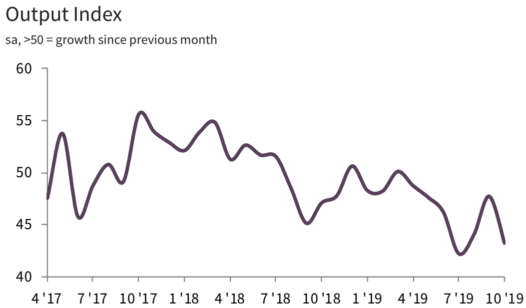
PMI™ By IHS Markit

OUTPUT INDEX

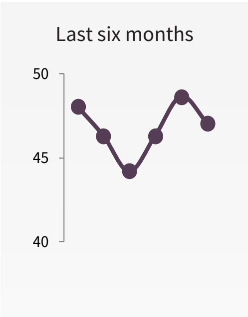


Output Index lowest in three months

Activity in the Qatari non-energy private sector economy lost momentum at the start of the final quarter of 2019. The Output Index fell from September's five-month high to the lowest since July.

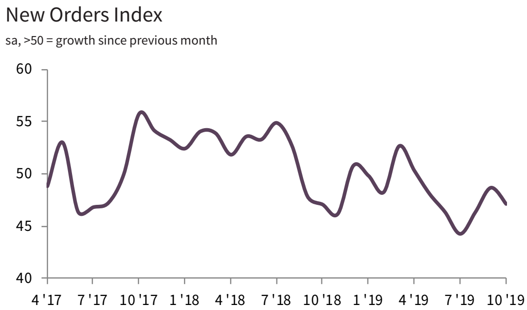


NEW ORDERS INDEX

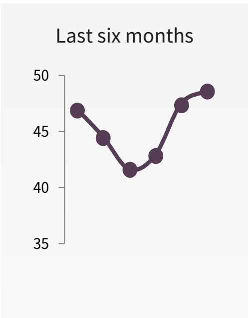


New Business Index remains above summer lows

The New Orders Index gave up some of September's gain in October, signalling a moderation in new business inflows. That said, it remained above the levels seen in June, July and August.

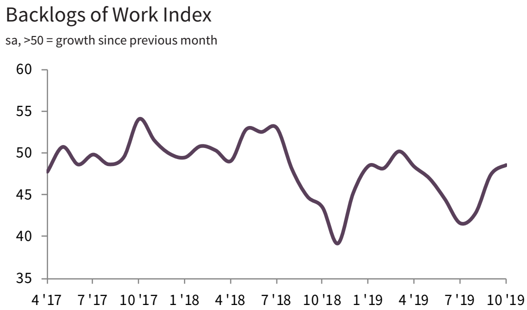


BACKLOGS OF WORK INDEX

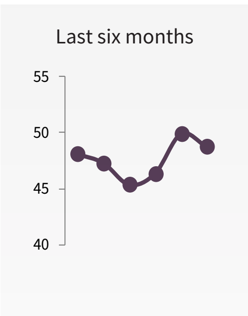


Capacity pressures return as Backlogs of Work Index rises

The seasonally adjusted Backlogs of Work Index improved for the third month running in October, to the highest in seven months. Some firms linked higher outstanding business to the commencement of new projects.

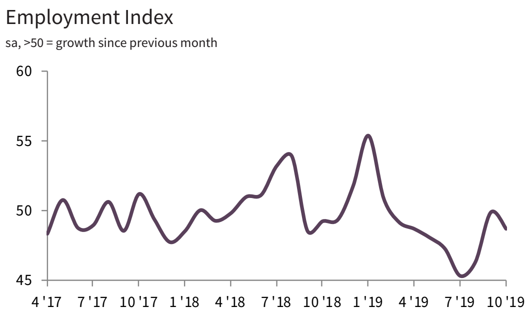


EMPLOYMENT INDEX

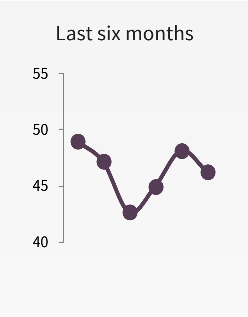


Labour market softens in October but remains above recent trend

Following September's rebound, the Employment Index lost some ground in October. That said, it was still the second-highest in the past six months, indicating a broadly stable labour market in Qatar's non-energy private sector.

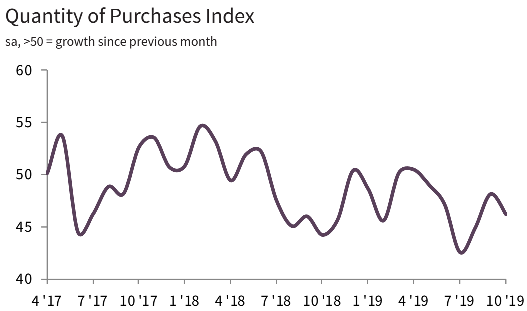


QUANTITY OF PURCHASES INDEX

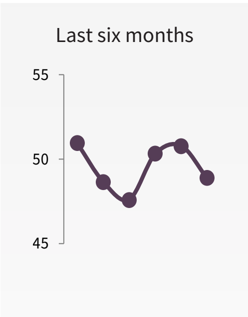


Purchasing activity moderates in October

Purchasing activity undertaken by non-energy private sector firms in Qatar continued to moderate in October. The seasonally adjusted Quantity of Purchases Index fell since September, but still signalled a stronger trend than in July and August.

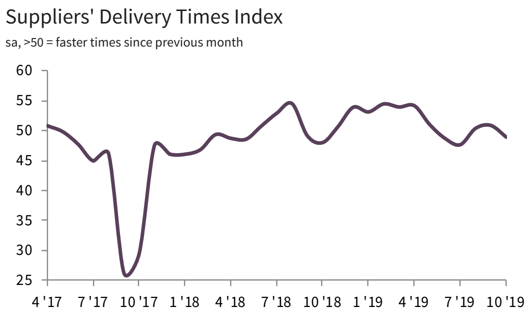


SUPPLIERS' DELIVERY TIMES INDEX

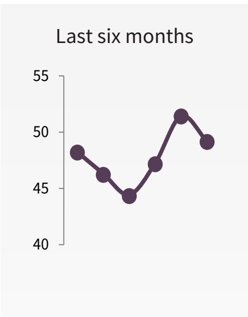


Supplier delivery times lengthen in October

The average time taken for suppliers to deliver inputs to non-energy private sector firms in Qatar lengthened in October, as signalled by the seasonally adjusted Suppliers' Delivery Times Index falling below the neutral mark of 50.0. That said, input lead times were only slightly longer than in September.

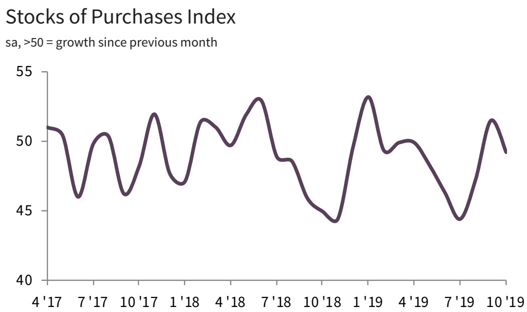


STOCKS OF PURCHASES INDEX

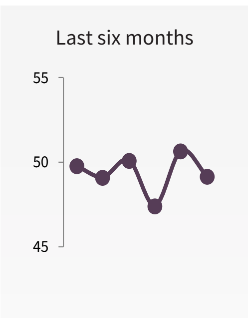


Inventories depleted in October following September's growth

Having risen in September for the first time in eight months, the level of inputs held in stock by Qatari non-energy private sector firms fell in October. This resumed the downward trend evident throughout much of the past year-and-a-half.

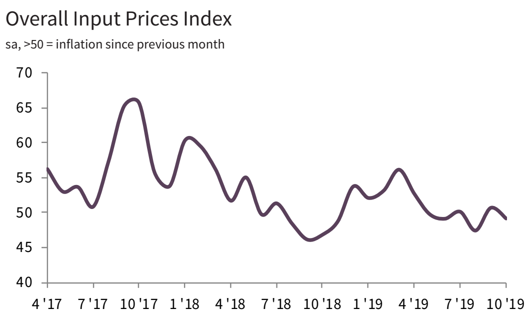


OVERALL INPUT PRICES INDEX

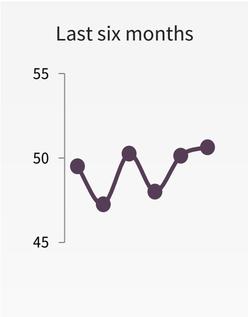


Overall cost pressures ease in October

Overall cost pressures at non-energy private sector firms moderated at the start of the final quarter of 2019. The Overall Input Prices Index fell to a two-month low, and remained below its long-run trend level of 53.2.

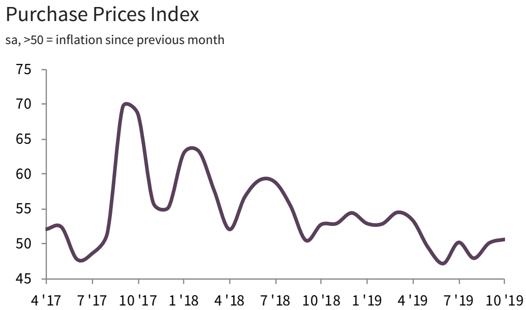


PURCHASE PRICES INDEX

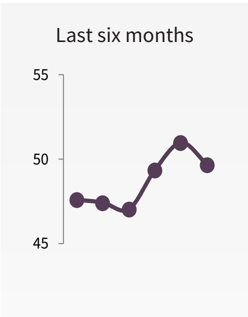


Purchase prices rise further in October

Average non-staff input costs in Qatar's non-energy private sector rose for the third time in four months in October. The rate of inflation accelerated slightly since September, but was weak overall and below the long-run average.

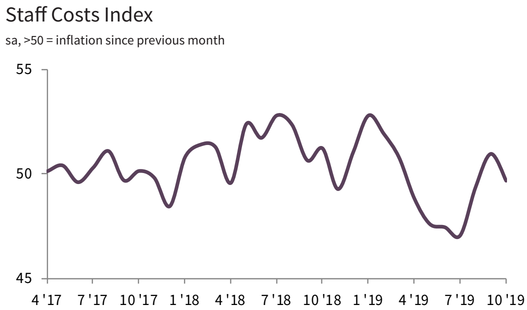


STAFF COSTS INDEX

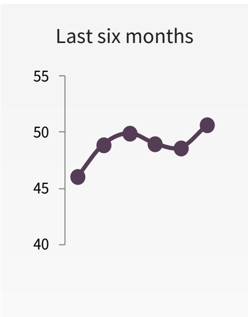


Wage pressures stabilise following September boost

The Staff Costs Index eased in October from September's seven-month high, signalling a stable trend in wages and salaries paid by non-energy private sector companies. The Index was only slightly below its long-run trend level of 50.3.

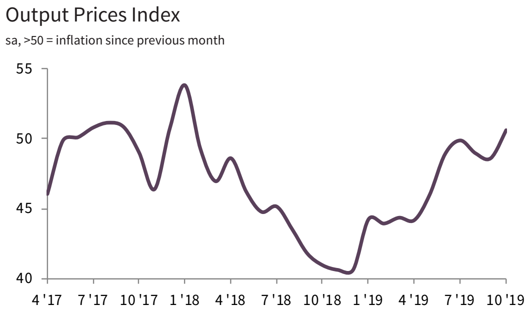


OUTPUT PRICES INDEX

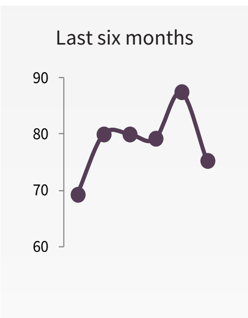


Firms raise prices for first time in nearly two years

Non-energy private sector firms in Qatar raised their prices charged for goods and services in October, following a 20-month period of discounting. That said, the rate of charge inflation was weak.

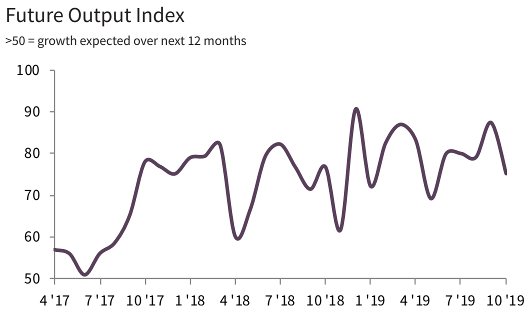


FUTURE OUTPUT INDEX



Output expectations soften since September but remain strong

Companies remained optimistic regarding the 12-month outlook for business activity in October. More than half of survey respondents (55%) expect growth at their units, compared with 5% that forecast a reduction. The Future Output Index eased since September, but remained above its long-run average of 73.5.



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.

October data were collected 11-28 October 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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IHS Markit (NYSE: 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.

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