October 2020

QATAR FINANCIAL CENTRE PMI™

Recovery in Qatari non-energy economy continues in September

KEY FINDINGS

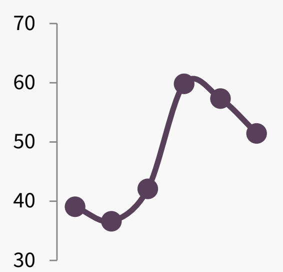
September 2020 PMI rounds off strongest quarter since survey began in April 2017

Expansion of new work among the fastest in survey history

Purchasing activity of non-energy firms rise in tandem with workloads

QATAR FINANCIAL CENTRE PMI

SEP
51.4
AUG: 57.3



The non-energy private sector economy of Qatar continued to expand in September as coronavirus-related restrictions were lifted further, according to the latest Purchasing Managers' Index™ (PMI™) survey data. Output and new business continued to register growth as firms reported operations returning to normality following the lockdown, and the reopening of industrial areas.

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 top line PMI registered 51.4 in September, down from 57.3 in August. The latest figure signalled sustained improvement in business conditions in the non-energy private sector segment of the economy and was the third-highest figure in over two years. Since the survey began in April 2017, the PMI has trended at 49.5. By contrast, over the third quarter of 2020 the PMI averaged a more elevated 56.2. This was by far the highest quarterly average to date, compared with the next-highest figure of 53.5 set in Q4 2017.

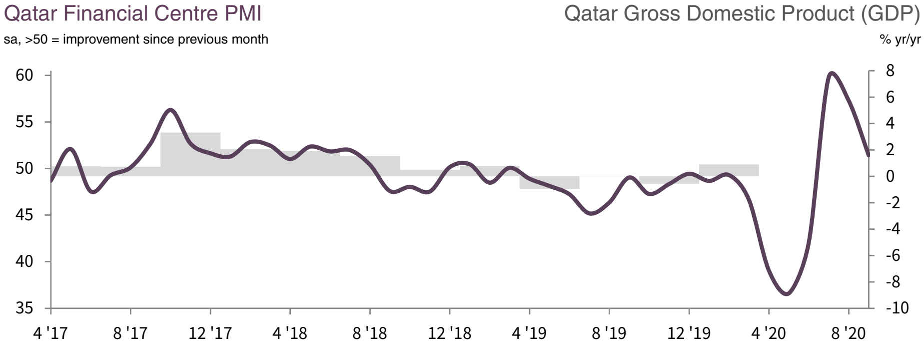
At the sub-sector level, the strongest-performing area in the third quarter was wholesale & retail (58.4), followed by construction (57.7), manufacturing (57.6) and services (52.1).

Economic conditions continued to register strong expansion, albeit at a more modest pace. Month-on-month growth rates for output and new business both eased further in September following record expansions in July, but the respective indices remained among the highest on record. The new orders index was the joint-third highest to date.

The employment index rose to a six-month high in September and was running in line with its long-run average, indicating a stable trend in workforces. Firms also supported workloads by increasing their purchasing activity further, though this was insufficient to prevent a decline in input inventories.

September data also indicated a further improvement in suppliers' delivery times and lower average input prices following July's record inflation. Prices charged fell for the first time in three months, signalling a return to normality.

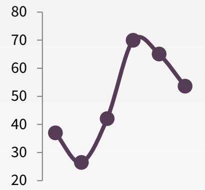
The monthly PMI can be aggregated to a quarterly average to enable comparisons with official gross domestic product (GDP). Since the survey began in April 2017 the quarterly PMI has a correlation of 0.88 with the year-on-year percentage change in GDP in real terms, with a PMI reading of 50.0 equating to 1.0% growth on an annual basis. The latest official data reported annual growth of 0.9% in the first quarter. The PMI data for the second quarter of 2020 are indicating a decline in GDP of 4.6% year-on-year, reflecting the impact of the lockdown on the economy. PMI data for the third quarter are signalling a subsequent rebound, with growth of 4.3%.



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

OUTPUT INDEX

Last six months

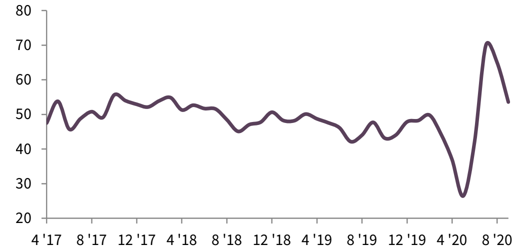


Non-energy business activity continues to expand in September

September data indicated a sustained increase in non-energy private sector business activity in Qatar. The rate of expansion was softer than in July and August, but still among the strongest registered over the survey history.

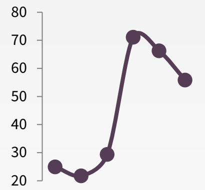
Output Index

sa, >50 = growth since previous month



NEW ORDERS INDEX

Last six months

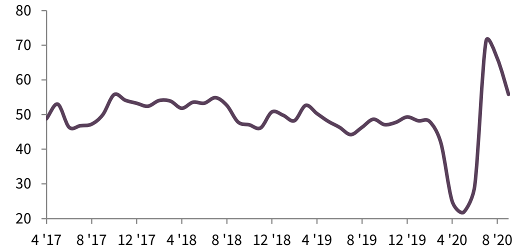


Expansion of new work remains among fastest in survey history

Non-energy private sector demand continued to improve markedly in September, sustaining the surge evident since July. The New Orders Index was the joint-third highest on record.

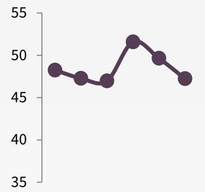
New Orders Index

sa, >50 = growth since previous month



BACKLOGS OF WORK INDEX

Last six months

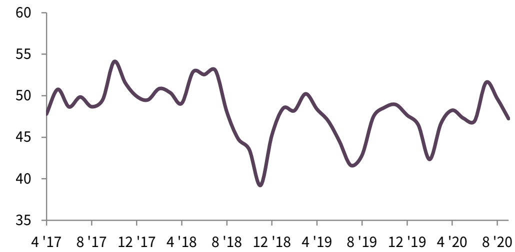


Firms cut outstanding business at faster pace

Non-energy private sector firms in Qatar continued to expand capacity in September and reduced their levels of outstanding business further, following an increase in backlogs in July. The rate of reduction accelerated since August.

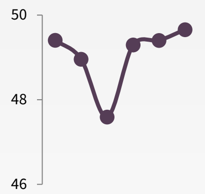
Backlogs of Work Index

sa, >50 = growth since previous month



EMPLOYMENT INDEX

Last six months

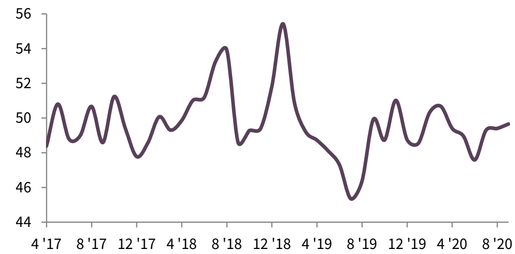


Employment broadly stable in September

The Employment Index rose to a six-month high in September, and to a level only just below the neutral threshold of 50.0. This signalled a further stable trend in non-energy private sector employment in Qatar, following a decline in June. The Index was broadly in line with its long-run average in the latest period.

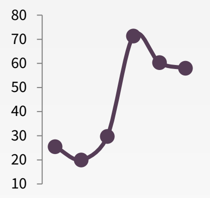
Employment Index

sa, >50 = growth since previous month



QUANTITY OF PURCHASES INDEX

Last six months

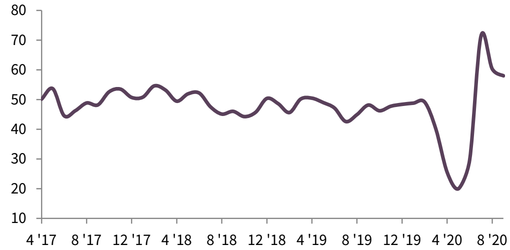


Further marked increase in purchasing activity

Non-energy private sector firms addressed rising workloads by expanding their purchasing activity in September. The seasonally adjusted Quantity of Purchases Index posted its third-highest level on record, signalling a rapid rate of expansion.

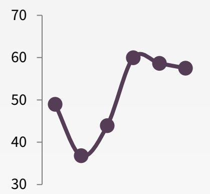
Quantity of Purchases Index

sa, >50 = growth since previous month



SUPPLIERS' DELIVERY TIMES INDEX

Last six months

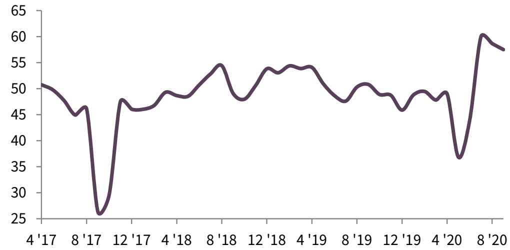


Suppliers' delivery times continue to improve

The seasonally adjusted Suppliers' Delivery Times Index remained well above the 50.0 no-change mark in September, despite moderating further from July's record high. The latest figure indicated another substantial improvement in average lead times in the non-energy private sector economy.

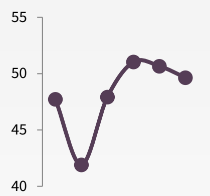
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



STOCKS OF PURCHASES INDEX

Last six months

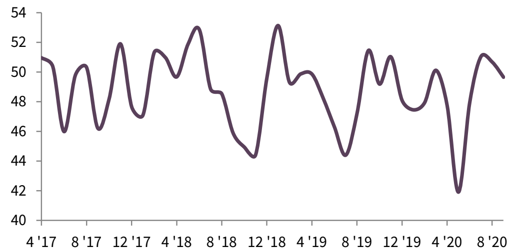


Slight decline in input stocks following growth in July and August

Although purchasing activity continued to rise in September, the level of inputs held in stock fell slightly for the first time in three months. This reflected the sustained strong growth in output at the end of the third quarter, as stocks were depleted at a faster rate than they were replenished.

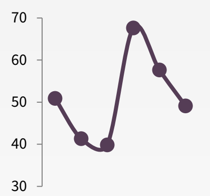
Stocks of Purchases Index

sa, >50 = growth since previous month



OVERALL INPUT PRICES INDEX

Last six months

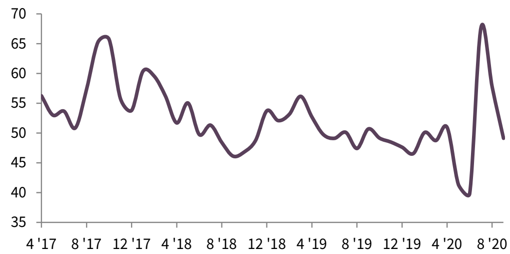


Input prices fall for first time in three months

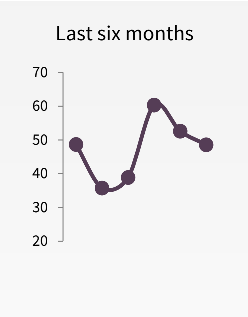
Average input prices paid by non-energy private sector firms fell somewhat in September, following a record rate of inflation in July and another strong increase in August. The rate of reduction was only marginal, however.

Overall Input Prices Index

sa, >50 = inflation since previous month

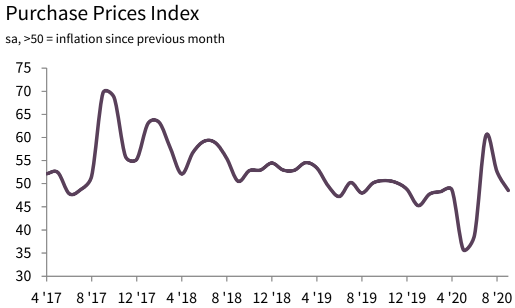


PURCHASE PRICES INDEX

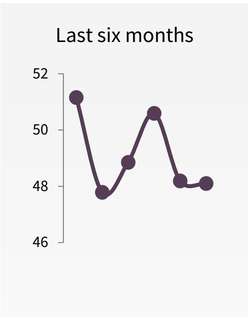


Average purchase prices decline

Prices paid for raw materials and other production inputs decreased in September, following increases in July and August. The rate of reduction was only modest, however, and slower than the trend shown over the previous sequence of falling prices from December 2019 to June 2020.

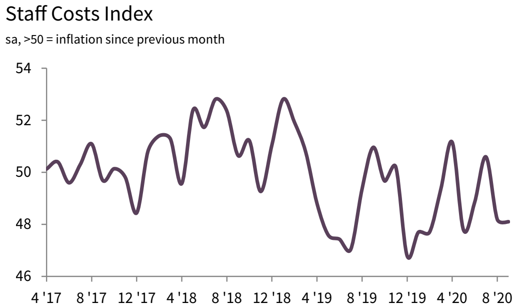


STAFF COSTS INDEX

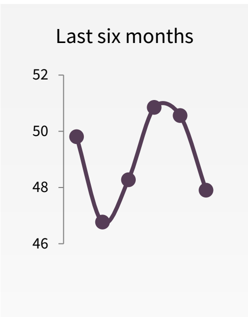


Wages and salaries decrease at similar pace to August

Average wages and salaries at non-energy private sector firms in Qatar were cut in September at a similar rate to that registered in August.

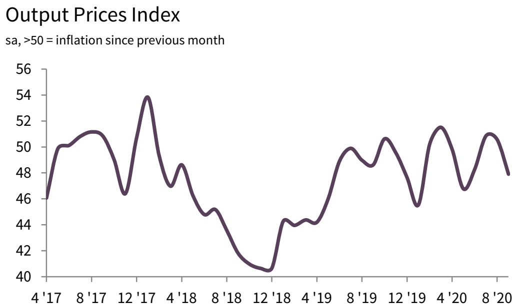


OUTPUT PRICES INDEX

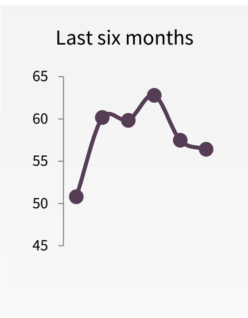


Charges cut for first time since June

Following increases in July and August, non-energy private sector companies reduced their prices charged for goods and services in September. The rate of discounting was moderate, and slightly softer than the long-run series average since April 2017.

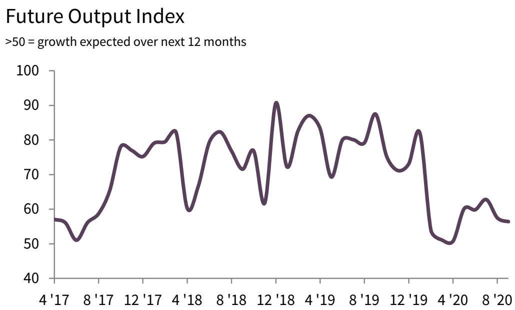


FUTURE OUTPUT INDEX



Year-ahead output expectations remain positive

The 12-month outlook for non-energy private sector business activity remained positive in September. The Future Output Index eased further from July's six-month high but remained firmly in positive territory.



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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 11-25 September 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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