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مركز قطر للمال
QATAR FINANCIAL CENTRE

QATAR FINANCIAL CENTRE PMI™

PMI rises sharply in September, pointing to fresh momentum in non-energy private sector

KEY FINDINGS

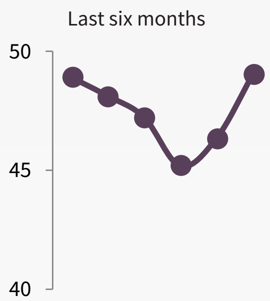
Headline PMI at six-month high

Strongest expectations for future activity in 2019 so far

Output index contributed most to the hike in headline PMI

QATAR FINANCIAL CENTRE PMI

SEP
49.0
AUG: 46.4



The September PMI™ survey of Qatar's non-energy private sector economy signaled returning momentum at the end of the third quarter, coupled with near-record sentiment regarding the year-ahead outlook. All primary indicators for output, new business and jobs improved in unison for the second month running, with each posting bigger monthly gains than in August. Meanwhile, the Future Activity Index was the second-highest on record, below only the level achieved in December 2018.

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.

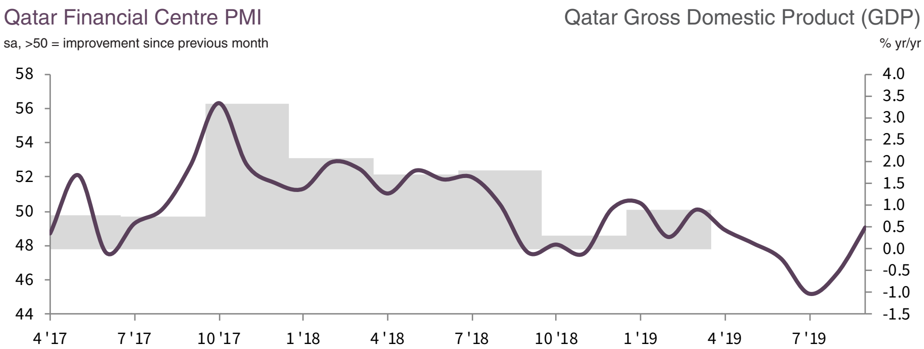
The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of five indices for new orders (30% weight), output (25%), employment (20%), suppliers' delivery times (15%, with the index inverted) and stocks of purchases (10%), and is designed to provide a timely single-figure snapshot of the health of the economy every month.

The Qatar PMI rose sharply to 49.0 in September from 46.4 in August. The index has risen by 3.8 points since July - the largest sustained improvement since that recorded in September-October 2017 when the initial effects of the blockade had subsided. Output has the second-highest weight in the PMI calculation and provided the biggest boost, increasing the headline figure by 0.9 index points. Positive contributions also came from new business (+0.7), employment (+0.7) and stocks of purchases (+0.4), while suppliers' delivery times again limited the overall gain in the PMI (-0.1).

New business was heavily linked by firms to new customers and projects, with the forthcoming FIFA World Cup in 2022 often mentioned as a source of demand. Moreover, this trend is expected to continue, with new projects and World Cup-related work underpinning a stronger outlook for activity over the next 12 months. The Future Activity Index rose sharply to the second-highest on record in September, with more than three-quarters of firms expecting growth.

Data signaled rising cost pressures in September, with average input prices increasing at the strongest rate in five months. This mainly reflected labor costs. In contrast, prices charged for goods and services continued to fall, albeit only slightly.

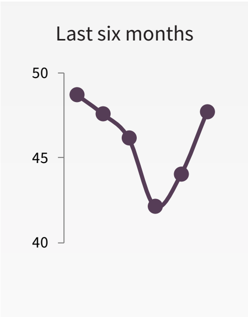
To enable comparisons with official quarterly gross domestic product (GDP), monthly headline PMI figures can be aggregated to a quarterly average. Since the survey began in April 2017 the quarterly PMI has a correlation of 0.90 with the year-on-year percentage change in GDP in real terms, over a comparison period of eight quarters up to the first quarter of 2019. In 2019 so far, the PMI accurately signaled the rebound in growth of GDP in the first quarter of 2019 to 0.9%. Over the second quarter the PMI is consistent with a pause in GDP expansion, while the September reading points to returning growth momentum at the end of the third quarter.



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

PMI™ By IHS Markit

OUTPUT INDEX

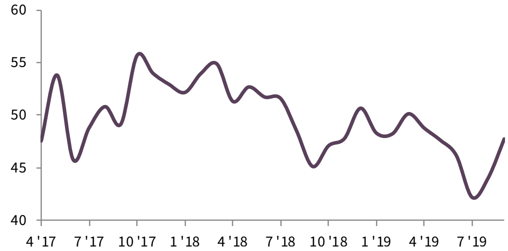


Output Index highest in five months

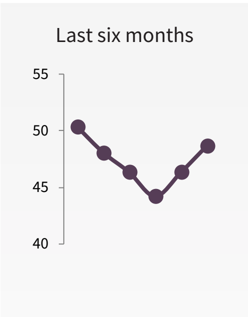
Activity in the Qatari non-energy private sector economy continued to regain momentum in September. The Output Index improved for the second month running to the highest since April. Moreover, the month-on-month increase in the index was the largest in nearly two years.

Output Index

sa, >50 = growth since previous month



NEW ORDERS INDEX

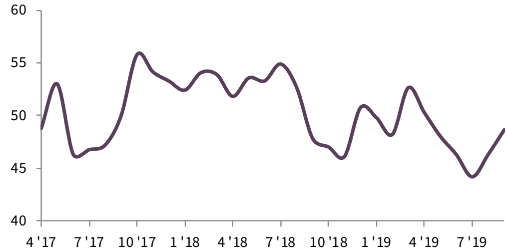


New business trend improves further

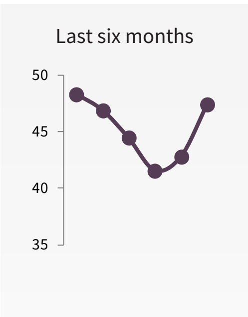
The New Orders Index rose for the second month running in September to the highest in five months. There were many reports from survey respondents of new projects and customers. In particular, work related to the forthcoming FIFA World Cup was mentioned.

New Orders Index

sa, >50 = growth since previous month



BACKLOGS OF WORK INDEX

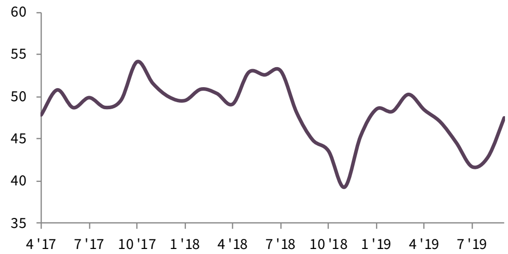


Strongest pressure on capacity in five months

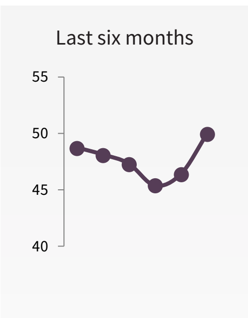
Although the volume of outstanding business in the non-energy private sector economy continued to moderate in September, backlogs were only slightly lower than in August. The month-on-month increase in the index was the largest in 2019 so far.

Backlogs of Work Index

sa, >50 = growth since previous month



EMPLOYMENT INDEX

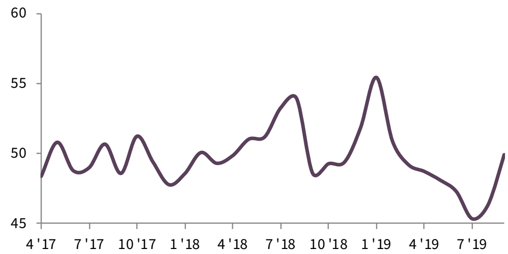


Stronger trend in non-energy private sector employment

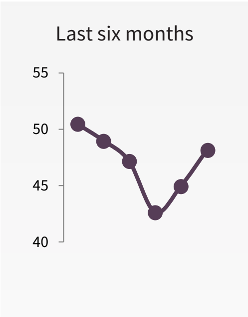
Non-energy private sector firms in Qatar boosted their workforces in September. The Employment Index posted a 3.5-point increase since August, just short of the record gain registered in January. Moreover, the Index was at the highest level in seven months.

Employment Index

sa, >50 = growth since previous month

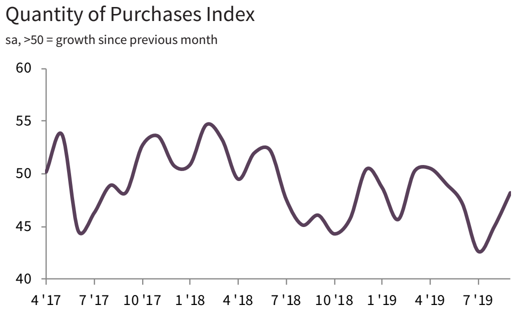


QUANTITY OF PURCHASES INDEX

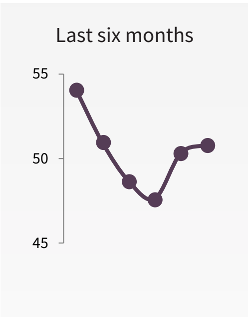


Purchasing activity continues to stabilise

The volume of inputs ordered by non-energy private sector firms in Qatar continued to moderate in September. That said, the pace of buying continued to stabilise with the Quantity of Purchases Index gaining by 5.6 points since July.

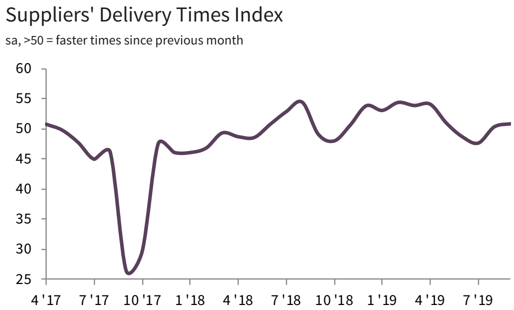


SUPPLIERS' DELIVERY TIMES INDEX

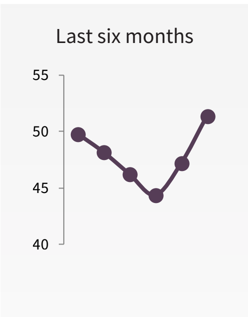


Supplier performance continues to improve

The average time taken for suppliers to deliver inputs to non-energy private sector firms in Qatar continued to improve in September, as signalled by the seasonally adjusted Suppliers' Delivery Times Index remaining above 50.0.

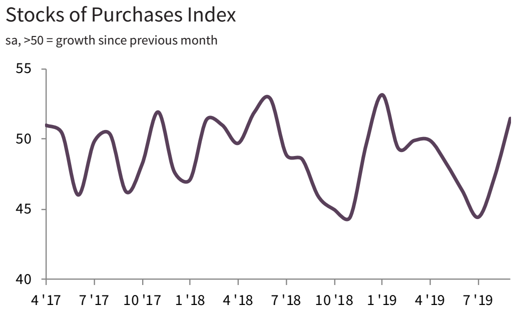


STOCKS OF PURCHASES INDEX

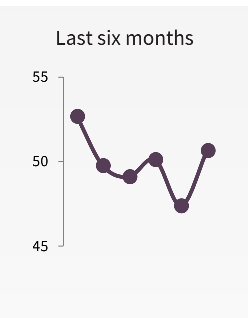


Inventories expand for first time since January

In a sign of strengthening confidence about the outlook, non-energy private sector firms in Qatar raised their inventories of inputs in September. This marked the first expansion in stocks since January.

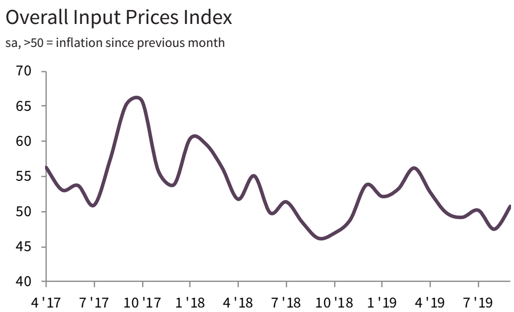


OVERALL INPUT PRICES INDEX



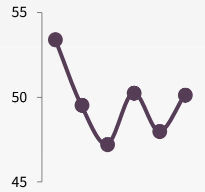
Input prices rise slightly in September

Overall cost pressures at non-energy private sector firms increased in September. The Overall Input Prices Index rose to a five-month high, although it remained below its long-run trend level of 53.3.



PURCHASE PRICES INDEX

Last six months

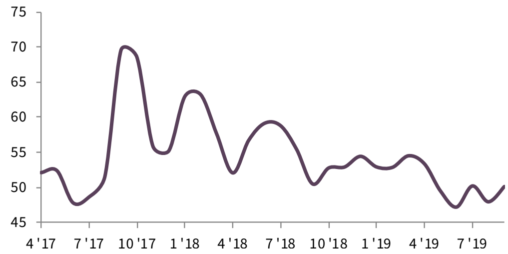


Purchase prices rise in September

Average non-staff input costs in Qatar's non-energy private sector rose for the second time in three months in September. That said, the rate of inflation was weak and below the long-run average.

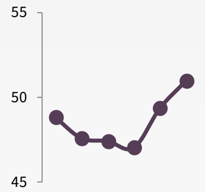
Purchase Prices Index

sa, >50 = inflation since previous month



STAFF COSTS INDEX

Last six months

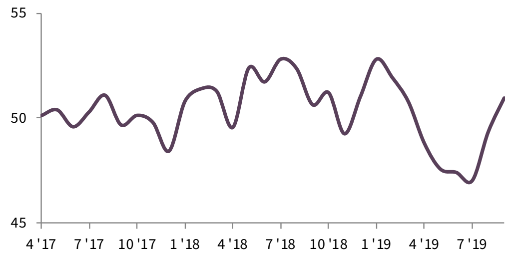


Upward pressure on wages and salaries

The Staff Costs Index rose further in September, reaching a seven-month high and signalling growing pressure on wages in the non-energy private sector. The Index was risen by 4.0 points over the past two months, a survey record.

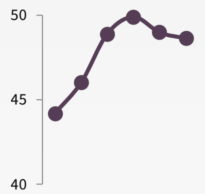
Staff Costs Index

sa, >50 = inflation since previous month



OUTPUT PRICES INDEX

Last six months

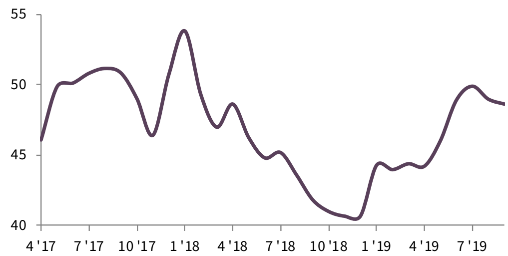


Price discounting continues in September

Non-energy private sector firms in Qatar continued to reduce their prices charged for goods and services in September. That said, the pace of discounting has slowed during the third quarter as a whole, with the Index posting its highest quarterly average since Q1 2018.

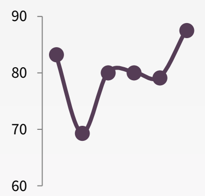
Output Prices Index

sa, >50 = inflation since previous month



FUTURE OUTPUT INDEX

Last six months

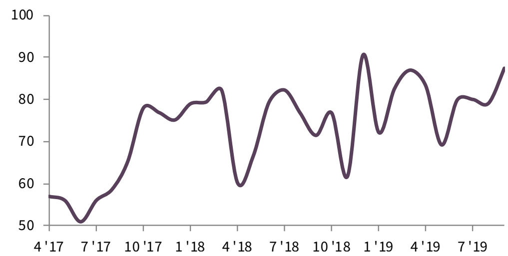


Strongest output expectations in 2019 to date

Companies were increasingly optimistic regarding the 12-month outlook for business activity in September. The Future Activity Index rose sharply during the month, to the highest since December 2018. Moreover, it was the second-highest on record since the survey began in April 2017.

Future Output Index

>50 = growth expected over next 12 months



PMI™ By IHS Markit

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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.

September data were collected 12-25 September 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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