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مركز قطر للمال
QATAR FINANCIAL CENTRE

QATAR FINANCIAL CENTRE PMI™

Qatar PMI troughs in May but output expectations pick up

KEY FINDINGS

PMI falls to new low of 36.6

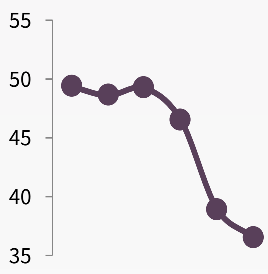
Lockdown continues to restrict non-energy economy

Year-ahead outlook for business activity improves further

QATAR FINANCIAL CENTRE PMI

MAY
36.6
APR 39.0

Last six months



The latest Purchasing Managers' Index™ (PMI™) survey data for Qatar signalled that the ongoing lockdown measures to contain the global coronavirus disease 2019 (COVID-19) pandemic continued to restrict the non-energy private sector economy in May. Overall current business conditions deteriorated at a new record rate, more so than in April. Indicators for output and new orders both hit new lows since they were first compiled in April 2017. More positively, employment continued to fall only slightly during the month and the future activity index improved to a four-month high, indicating that sentiment recovered as firms expect growth to resume in the coming months.

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 fell from 39.0 in April to 36.6 in May, the lowest reading since the series began in April 2017. That said, the month-on-month dip in the headline figure, at 2.4 points, was smaller than the declines registered in March and April.

Of the three main components of the headline PMI, output and new orders registered new lows in May while employment was broadly stable. Encouragingly, the new orders index posted the smallest monthly drop since February.

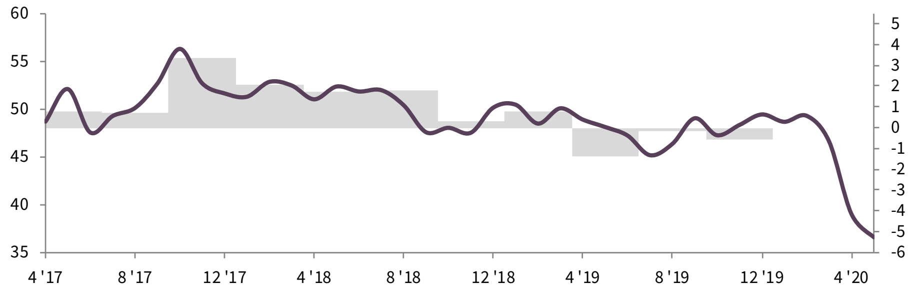
At the sector level, trend data for April and May suggested that services and wholesale & retail were most impacted by the lockdown, while manufacturing and construction fared comparatively better.

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 0.89 with the year-on-year percentage change in GDP in real terms. The most recent official release of GDP, for the final quarter of 2019, show a year-on-year decline of 0.6%, compared with an advance signal from the PMI of -0.3%. PMI data for the first quarter of 2020 are signalling a further year-on-year decline of 0.4%, though the trend for March suggests a downside risk due to the imposition of measures to halt the spread of COVID-19. The latest PMI data for April and May are collectively signalling a year-on-year decline in GDP of 7.3% in the second quarter. That said, with the Future Activity Index strengthening in May, the second quarter may represent the nadir of the current virus-driven downturn.

The May survey data also highlighted weaker inflationary pressures, as all four price indicators signalled declines since April. Overall input prices fell at the fastest rate on record, driven by a record decline in purchase prices, while wages and salaries were also down. Prices charged for goods and services were discounted at the fastest rate since January.

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

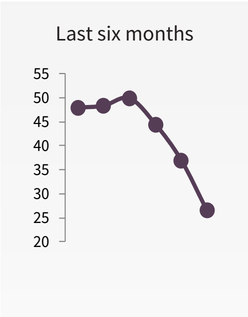
sa, >50 = improvement since previous month | % yr/yr



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

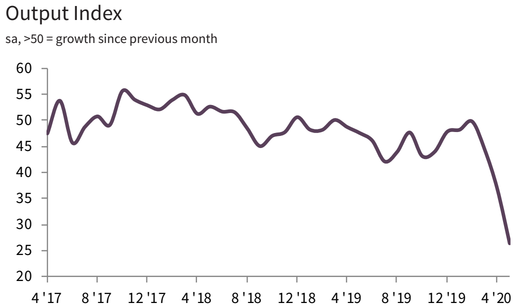
PMI™ By IHS Markit

OUTPUT INDEX

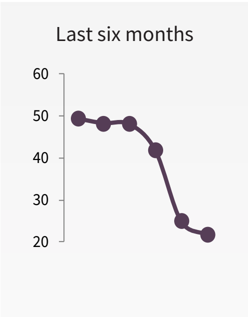


Output index falls to new low

Non-energy private sector activity in Qatar remained restricted by lockdown measures to contain the spread of the coronavirus disease 2019 (COVID-19) in May. The seasonally adjusted Output Index registered at the lowest level on record, down over 23 points from February's 11-month peak. Activity fell across all four main sub-sectors, most notably in wholesale & retail.

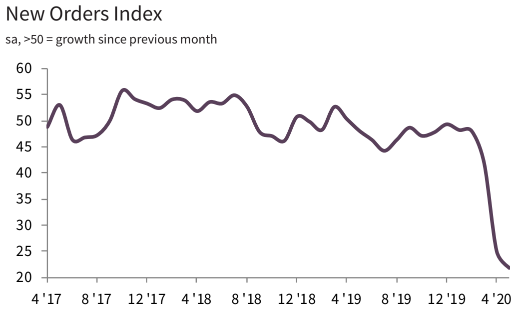


NEW ORDERS INDEX

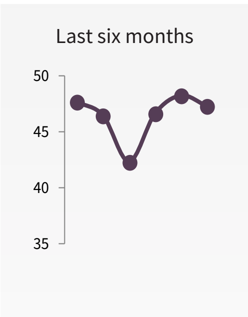


Demand weakens further in May

Incoming new business continued to be curtailed in May due to the ongoing lockdown measures. The New Orders Index fell sharply to a record low since it was first compiled in April 2017. Two-thirds of companies reported lower inflows of new business, an increase from 55% in April.

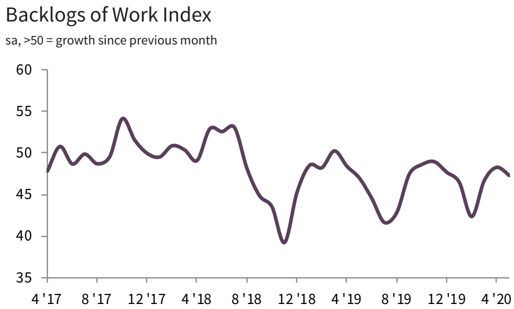


BACKLOGS OF WORK INDEX

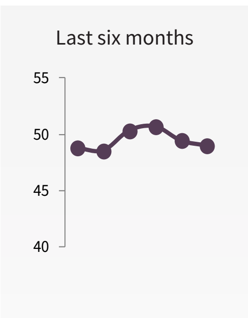


Broad-based drop in outstanding work

The volume of incomplete business in the non-energy private sector economy continued to decline in May. The rate of contraction accelerated, reflecting the record drop in new work. All areas recorded lower backlogs, most notably manufacturing.

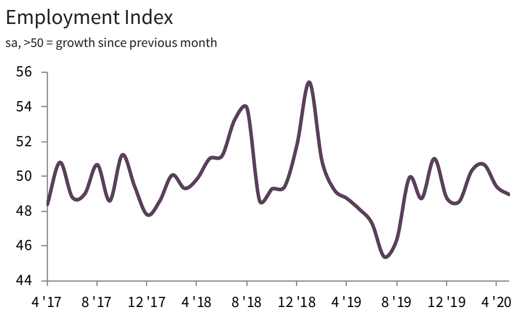


EMPLOYMENT INDEX



Job losses remain marginal

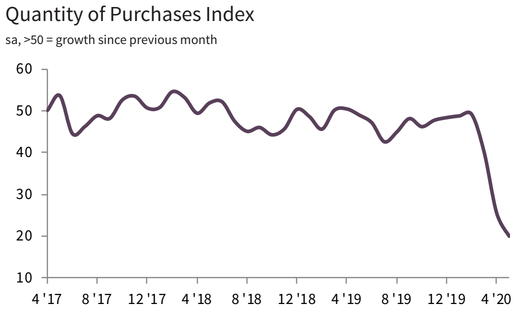
Latest survey data signalled another slight decrease in non-energy private sector employment in Qatar in May, as the employment Index remained below the 50.0 no-change threshold. That said, the Index only slightly below its three-year historic average of 49.7.



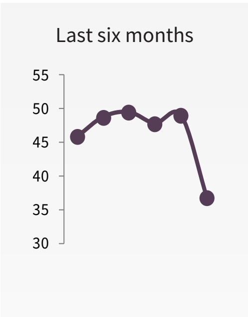
QUANTITY OF PURCHASES INDEX

Record drop in purchasing activity

The seasonally adjusted Quantity of Purchases Index dropped to a new record low in May, signalling a marked fall in buying activity by non-energy private sector firms. Firms continued to reduce purchasing due to depressed business activity as a result of the ongoing lockdown measures.

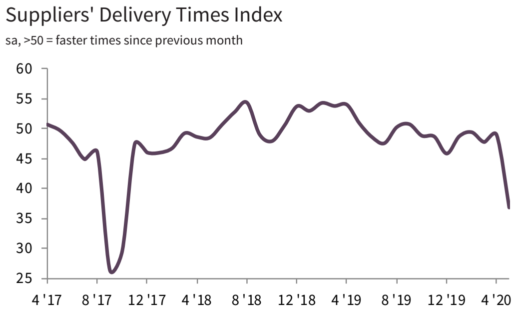


SUPPLIERS' DELIVERY TIMES INDEX

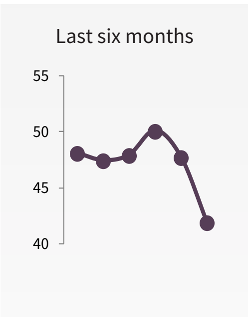


Supply chains remain under stress

Non-energy private sector firms in Qatar continued to report longer suppliers' delivery times in May, despite another marked reduction in the volume of purchasing activity. Longer times were linked to the industrial area lockdown and shipping delays.

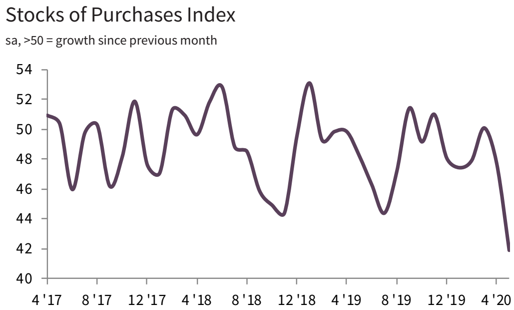


STOCKS OF PURCHASES INDEX

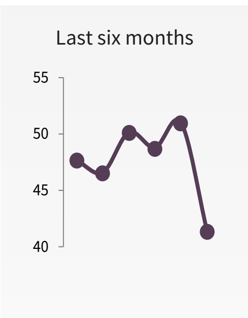


Destocking of inputs continues

The volume of inputs held in stock at non-energy private sector firms in Qatar fell in May at the strongest rate in the survey history. Lower inventory levels were again primarily linked to a lack of activity amid the ongoing lockdown.

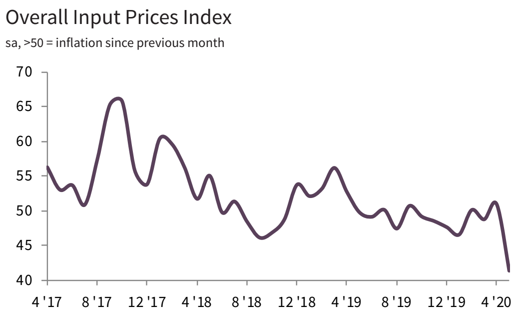


OVERALL INPUT PRICES INDEX



Record decline in average input prices

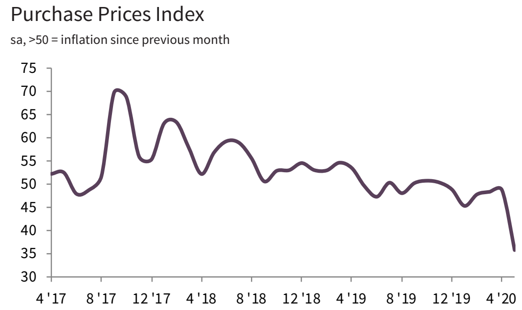
The seasonally adjusted Overall Input Prices Index fell below the no-change mark in May, indicating falling overall cost burdens in the non-energy private sector. Moreover, the rate of decline was the fastest since the series began in April 2017.



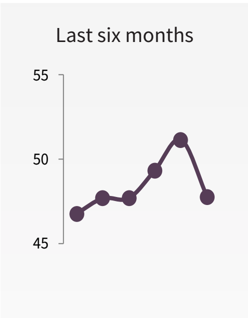
PURCHASE PRICES INDEX

Marked drop in purchase prices

The seasonally adjusted Purchase Prices Index fell further below the 50.0 no-change mark in May and to a new low, signalling a substantial reduction in average prices paid for purchased items. Purchase prices have fallen continuously since December 2019.

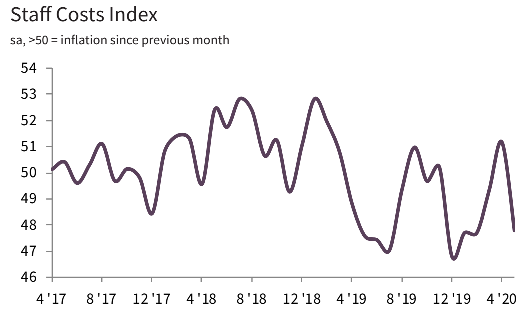


STAFF COSTS INDEX

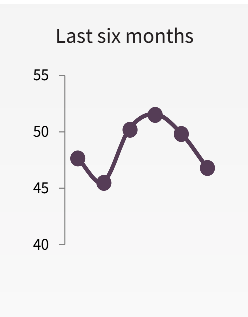


Wages and salaries post renewed decline

Latest survey data indicated a renewed fall in average labour costs in May. This followed the strongest rise since February 2019 in the previous month. Firms linked the latest wage cuts to lower workloads due to COVID-19. Staff costs have now fallen five times in the past six months.

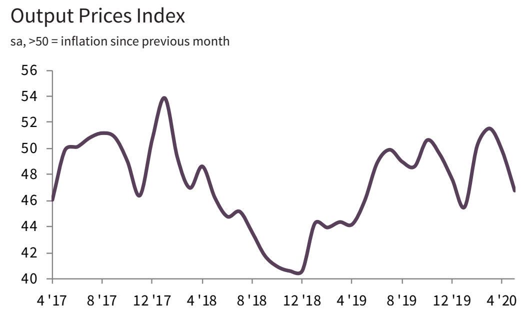


OUTPUT PRICES INDEX

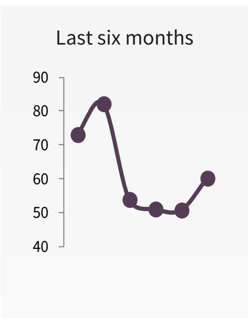


Further discounting of prices charged

Firms continued to discount their prices charged for goods and services in May, following increases in February and March. Moreover, the seasonally adjusted Output Prices Index fell further below the no-change threshold, indicating a faster rate of discounting. The Index was below its long-run average of 47.3.

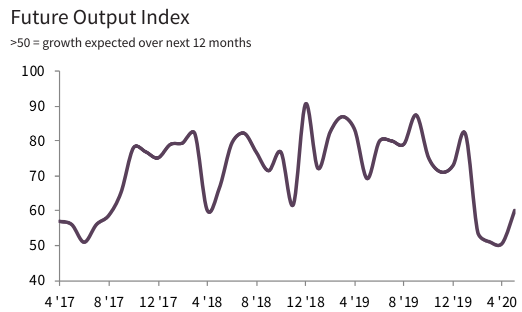


FUTURE OUTPUT INDEX



Year-ahead outlook improves in May

The 12-month outlook for business activity improved in May. The Future Output Index recovered from April's record low to a four-month high. Almost all (96%) of survey respondents expect activity at their units to either rise or remain stable by May 2021, expecting business to return once the coronavirus outbreak was under control.



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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 12-26 May 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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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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