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QATAR FINANCIAL CENTRE

QATAR FINANCIAL CENTRE PMI™

PMI signals a lull in June, but growth outlook strengthens

KEY FINDINGS

Future business expectations strengthen in June

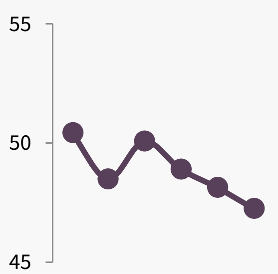
Firms' margins and delivery times improve

PMI consistent with tepid growth in second quarter of 2019

QATAR FINANCIAL CENTRE PMI

JUN
47.2
MAY: 48.1

Last six months



The most recent PMI™ survey of Qatar pointed to a stronger 12-month outlook for business activity, which was held back somewhat by a collection of local factors and aggravated by observed seasonal trends.

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 data.

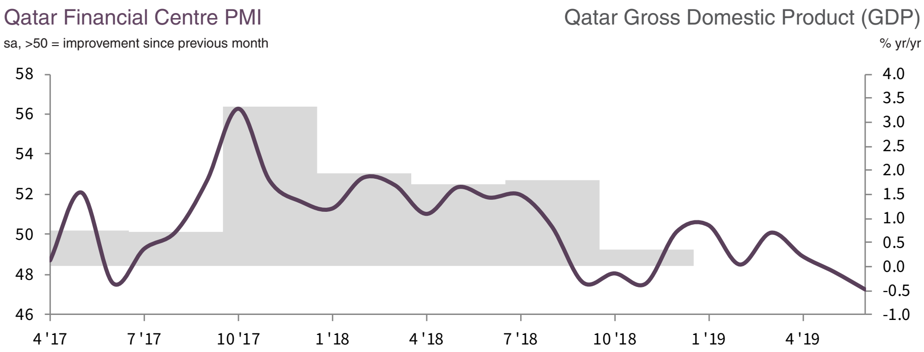
The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of five indices for new orders, output, employment, suppliers' delivery times and stocks of purchases, and is designed to provide a timely single-figure snapshot of the health of the economy every month.

The PMI eased to 47.2 in June, and averaged 48.1 over the second quarter. The quarterly PMI figure can be compared with changes in official gross domestic product (GDP). Since the survey began in April 2017 the PMI has a correlation of 0.88 with the year-on-year percentage change in GDP in real terms, over a comparison period of seven quarters up to the fourth quarter of 2018. The PMI is released ahead of GDP data, and accurately signaled the slower official growth rate of 0.3% year-on-year in Q4 2018. So far in 2019, the PMI is signaling a pick-up in GDP growth in the first quarter, to around 0.9%, followed by no change in the second quarter.

The easing of the PMI in June reflected softer contributions from four of its five components, most notably output and new business. The sole positive contribution came from suppliers' delivery times (although this index fell in June, it is subsequently inverted for the PMI calculation).

More positively, the outlook for total business activity strengthened in June as the Future Output Index rose to 80.0. Around 63% of survey respondents expect higher workloads at their units over the next 12 months, with confidence strongest in the real estate & business services and construction sectors

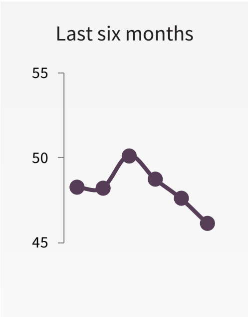
June survey data signaled further downward pressure on private sector input costs. Prices paid for raw materials fell the most since the series began in April 2017. Overall input costs fell for the second month running and at a slightly faster rate than in May, also reflecting a stronger decline in staff costs. In contrast to input prices, the index for output charges moved higher in June, suggesting a relative improvement in firms' margins. Charges continued to fall overall, but by the least since February 2018.



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

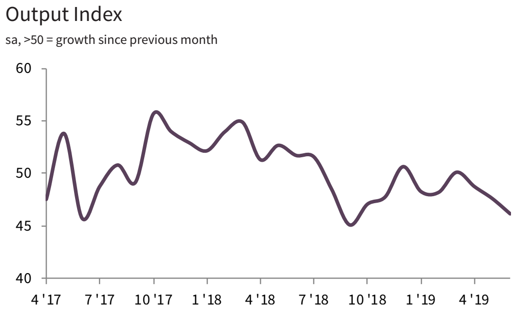
PMI™ By IHS Markit

OUTPUT INDEX

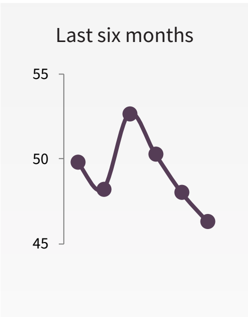


Current business activity slows further in June

The seasonally adjusted Output Index eased further to a nine-month low in June, indicating slower business activity in the Qatari non-energy private sector.

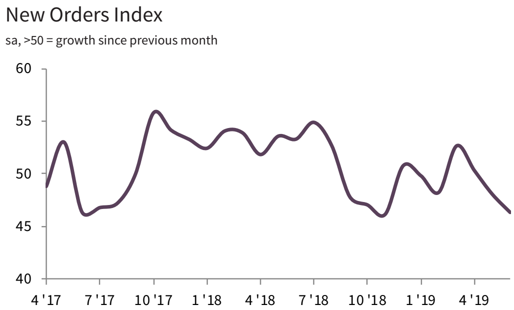


NEW ORDERS INDEX

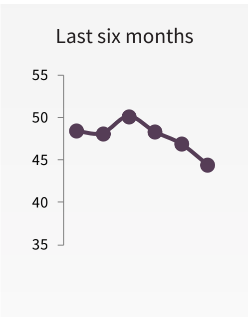


New business index at lowest level since November 2018

The seasonally adjusted New Orders Index continued to signal a weakening current trend in new business in June. The Index eased further from March's seven-month high to the lowest since last November, and was below the long-run trend level of 50.7.

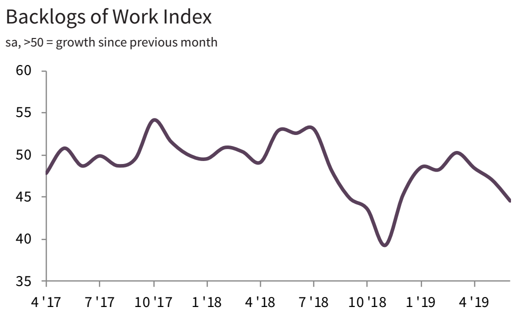


BACKLOGS OF WORK INDEX

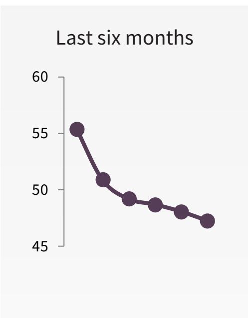


Strongest decline in backlogs in seven months

Private sector non-energy firms in Qatar continued to complete existing workloads in June. Moreover, the rate of backlog depletion was the strongest in seven months. The Backlogs of Work Index posted below its long-run trend level of 48.8.



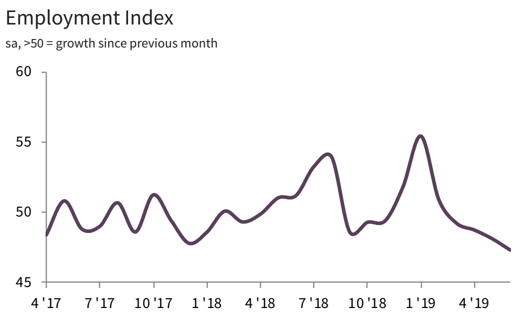
EMPLOYMENT INDEX



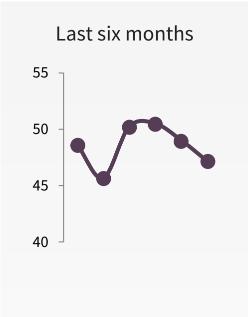
Employment index at series low in June

June data signalled that the non-energy private sector labour market in Qatar was the slowest since the PMI survey began in April 2017.

The rate at which workforce numbers declined was modest overall, however.



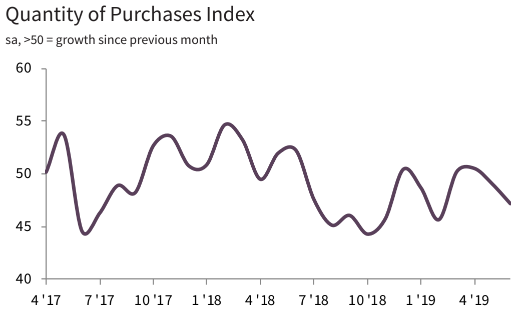
QUANTITY OF PURCHASES INDEX



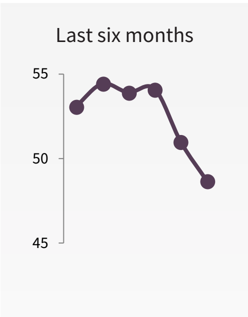
Companies remain cautious around new purchasing activity

Following growth in purchasing activity in March and April, June data indicated a second successive monthly decline. Moreover, the rate of contraction accelerated.

The seasonally adjusted Quantity of Purchases Index was below its long-run average of 49.3.

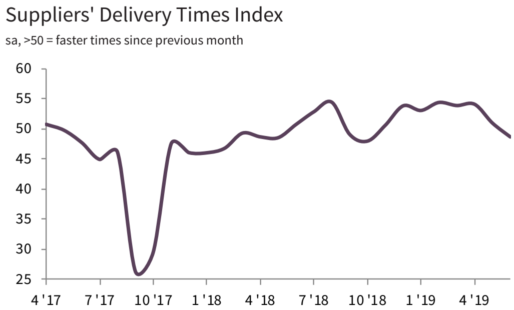


SUPPLIERS' DELIVERY TIMES INDEX

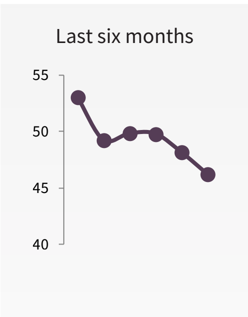


Suppliers' delivery times lengthen in June

The average time taken for ordered inputs to be delivered lengthened for the first time in eight months in June. This suggested that suppliers to non-oil private sector firms in Qatar were busier approaching the midway point of 2019.

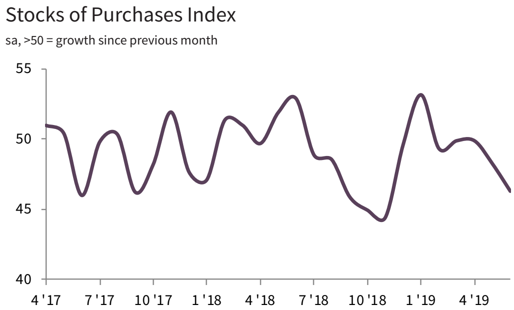


STOCKS OF PURCHASES INDEX

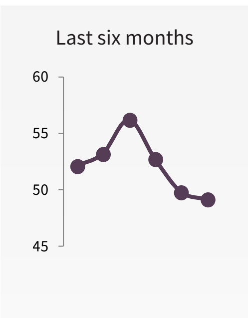


Inventories of inputs continue to be streamlined

Non-energy private sector firms in Qatar continued to deplete their stocks of inputs in June. Inventories have been streamlined every month following a series-record increase in January 2019.

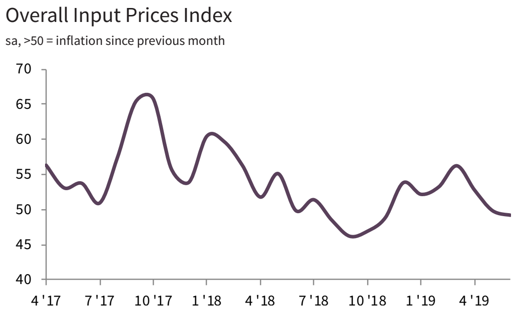


OVERALL INPUT PRICES INDEX

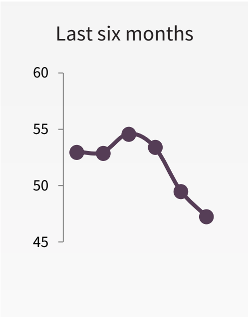


Average input prices fall for second month running

The seasonally adjusted Overall Input Prices Index remained below 50.0 in June, signalling falling average input costs in the non-energy private sector. The rate of reduction accelerated slightly since May but remained only modest.

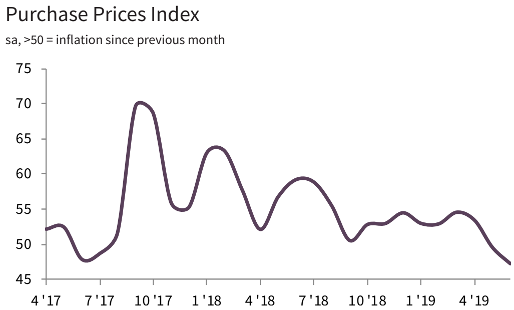


PURCHASE PRICES INDEX

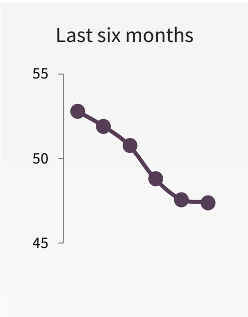


Average purchase prices drop at faster rate in June

The price of raw materials and other production inputs fell for the second month running in June, following a 21-month period of inflation. Moreover, the rate of reduction quickened since May to the fastest in the short survey history.

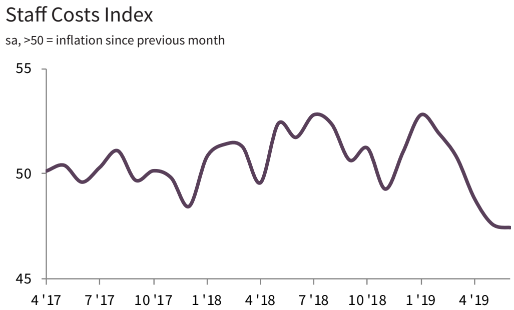


STAFF COSTS INDEX

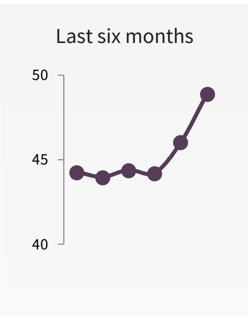


Downward pressure on wages maintained in June

The seasonally adjusted Staff Costs Index was below 50:0 for the third month running in June, signalling further downward pressure on wages and salaries in the Qatari non-energy private sector. Moreover, the level of the Index was the lowest since the survey began in April 2017.

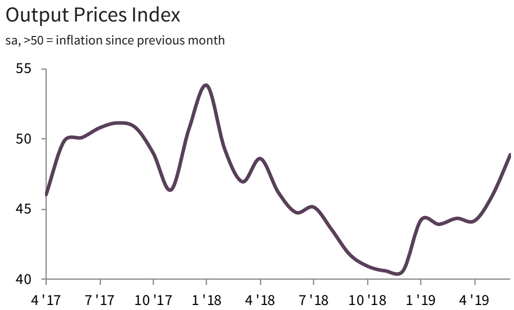


OUTPUT PRICES INDEX

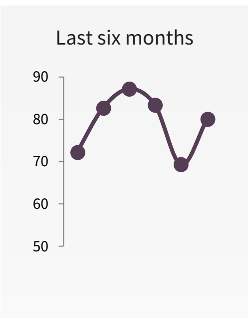


Rate of price discounting slows to marginal pace in June

Prices charged for goods and services by Qatari non-energy companies fell for the seventeenth successive month in June. Companies continued to report competitive pressures in the marketplace. That said, the rate at which prices fell was the slowest since February 2018.

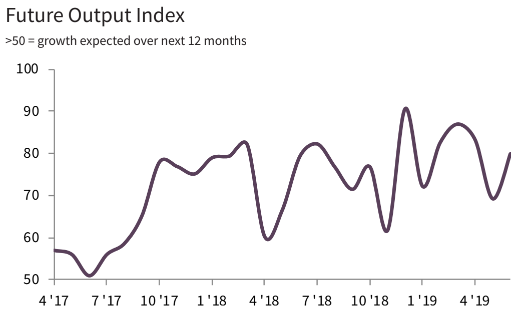


FUTURE OUTPUT INDEX



Output expectations strengthen since May

The Future Output Index remained well above the neutral mark of 50.0 in June, as 63% of firms reported positive forecasts for activity over the next 12 months. Moreover, the Index rebounded from May's six-month low, signalling strengthening sentiment.



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.

June 2019 data were collected 12-21 June 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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