August 2020

QATAR FINANCIAL CENTRE PMI™

Qatari economy rebounds in July as lockdown restrictions loosen

KEY FINDINGS

PMI surges to series high of 59.8

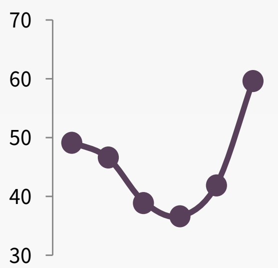
Record increases in both output and new orders

Restored confidence in output expectations

QATARFINANCIALCENTREPMI

JUL
59.8
JUN: 42.1

Last six months



The latest Purchasing Managers' Index™ (PMI™) survey data for Qatar signalled that non-energy private sector business conditions rebounded at the start of the second half of 2020, as lockdown measures to contain the global coronavirus disease 2019 (COVID-19) pandemic began to be loosened. Overall current business conditions improved at the strongest month-on-month rate since the survey began in April 2017. Unprecedented growth of output, new orders and purchasing activity were recorded in July, and backlogs increased for the first time since March 2019.

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 surged to a record high of 59.8 in July, from 42.1 in June. In comparison, the previous record high of 56.3 was set in October 2017. The month-on-month gain in the headline figure, at 17.7 points, was by far the largest on record since the series began over three years' ago.

Business conditions in Qatar improved universally. Wholesale & retail posted the strongest growth, followed by construction and manufacturing respectively. Meanwhile, service sector business conditions improved at the second-fastest rate on record (behind October 2017).

The largest component of the headline PMI, new orders (30% weight), recorded a rapid improvement in July. The respective index soared by 41.7 points from 29.4 in June to 71.1, by far the highest level on record. This signalled the release of pent-up demand in the non-energy private sector economy as lockdown restrictions began to ease. Output (25% weight) subsequently rose at the strongest rate since the survey began.

The employment component was broadly in line with its long-run survey average in July, indicative of a slight decline, suggesting caution among firms regarding new hiring. New hiring may have also been tempered by continued restrictions on new arrivals from overseas, with existing residents only being allowed entry as of 1 August. As a consequence, Qatar registered a rise in backlogs of work for only the second time in two years.

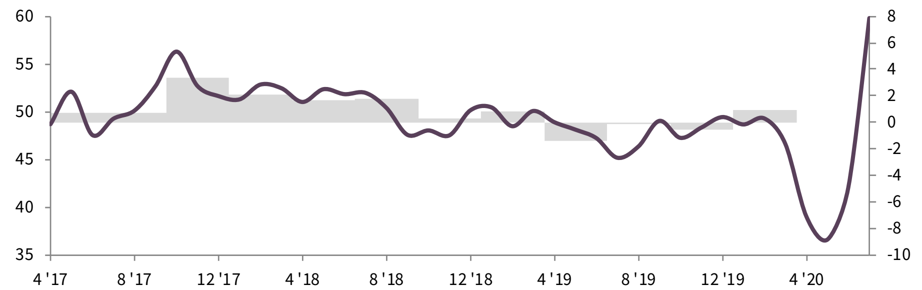
As to future prospects, the 12-month outlook for activity improved to a six-month high in July. The respective index remained below its long-run trend level, however, reflecting firms' uncertainty surrounding the long-term impact of the pandemic on regional and global economies and their global customer base.

The sharp rise in activity resulted in pricing pressure. July data on signalled the strongest input cost inflation since the survey began over three years' ago, driven mainly by raw materials and other physical inputs. Staff costs rose slightly, while firms raised their own prices charged for goods and services for the first time in four months.

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. PMI data for the second quarter of 2020 are signalling a year-on-year decline of 5%. The record high PMI reading for July is consistent with a growth rate of 6.4% year-on-year, representing a quick rebound in the economy following disruption caused by the coronavirus pandemic.

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

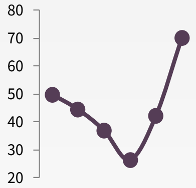
sa, >50 = improvement since previous month | % yr/yr



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

OUTPUT INDEX

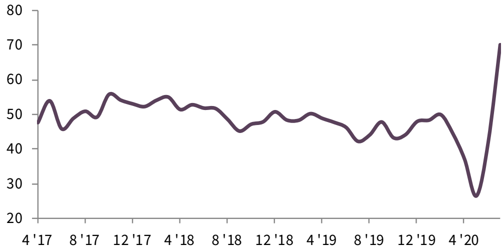
Last six months



Rapid growth of non-energy business activity

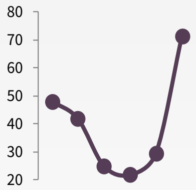
Non-energy private sector activity in Qatar grew at the strongest rate on record in July, as lockdown measures began to ease. The seasonally adjusted Output Index rose by a record 27.8 points to its highest since the survey began in April 2017.

Output Index
sa, >50 = growth since previous month



NEW ORDERS INDEX

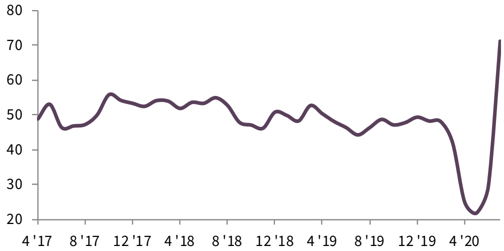
Last six months



Fastest expansion of new work in series history

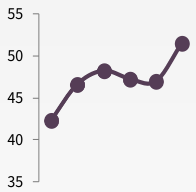
Non-energy private sector demand rebounded in July. The New Orders Index surged an unprecedented 41.7 points from June, to the highest level on record.

New Orders Index
sa, >50 = growth since previous month



BACKLOGS OF WORK INDEX

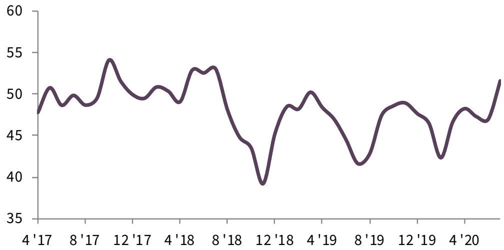
Last six months



Backlogs rise for first time since March 2019

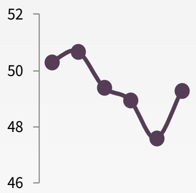
The rapid rise in new business in the non-energy private sector economy generated pressure on capacity. The level of outstanding business rose for the first time since March 2019, and at the fastest rate since July 2018.

Backlogs of Work Index
sa, >50 = growth since previous month



EMPLOYMENT INDEX

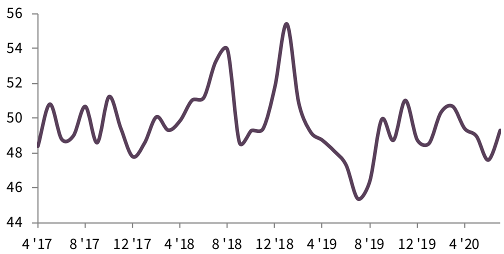
Last six months



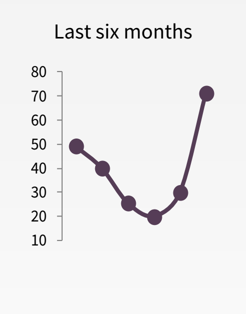
Workforce declines only fractionally

Non-oil private sector firms reduced their workforces for the fourth consecutive month in July. The rate of job shedding eased to a fractional pace, however. The Employment Index was only just below its historic average of 49.6.

Employment Index
sa, >50 = growth since previous month



QUANTITY OF PURCHASES INDEX

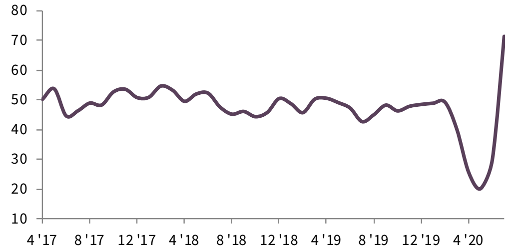


Purchasing activity grows at fastest rate on record

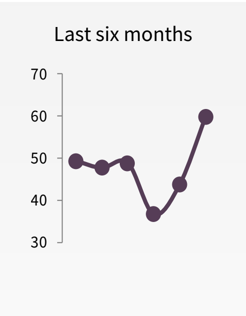
The seasonally adjusted Quantity of Purchases Index surged a record 41.7 points to the highest level ever recorded in July signalling a rapid increase in buying activity by non-energy private sector firms. Firms linked increased input purchasing to recovering demand as restrictions were eased.

Quantity of Purchases Index

sa, >50 = growth since previous month



SUPPLIERS' DELIVERY TIMES INDEX

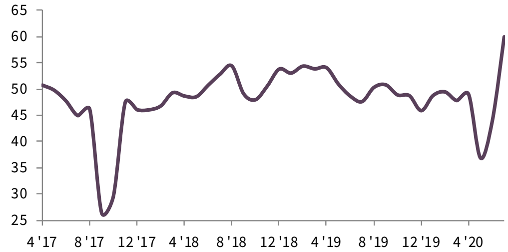


Record reduction in average supplier delivery times

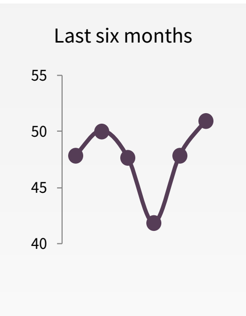
The seasonally adjusted Suppliers' Delivery Times Index rose sharply in July above the 50.0 no-change mark, and to a record high. The latest figure indicated the most substantial reduction in average lead times since the survey began in April 2017.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



STOCKS OF PURCHASES INDEX

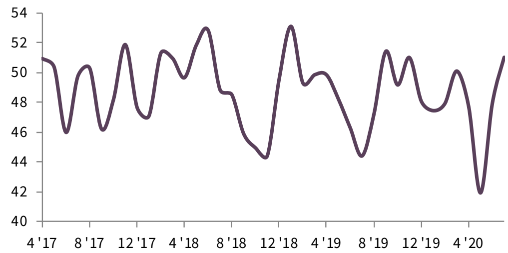


Input stocks rise for first time in four months

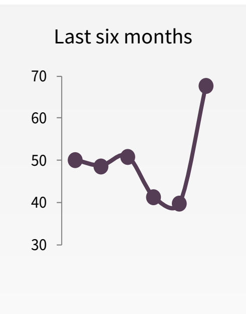
The rapid increase in purchasing activity in July resulted in higher than average inventories at non-energy private sector firms, following a three-month period of destocking. Firms linked higher stocks to rising workloads and concerns over future supply chain disruption.

Stocks of Purchases Index

sa, >50 = growth since previous month



OVERALL INPUT PRICES INDEX

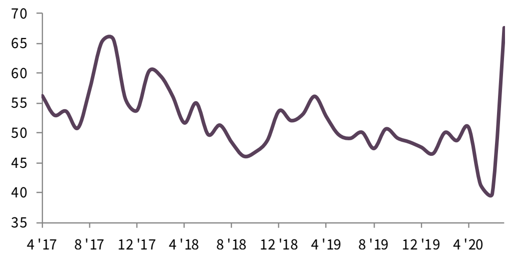


Record increase in average input prices

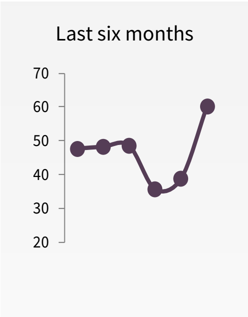
The seasonally adjusted Overall Input Prices Index surged from June's record low to a record high in July, signalling the fastest inflation of average costs at non-energy private sector firms in Qatar since the series began in April 2017.

Overall Input Prices Index

sa, >50 = inflation since previous month

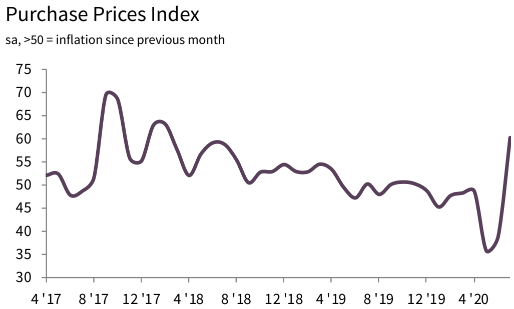


PURCHASE PRICES INDEX

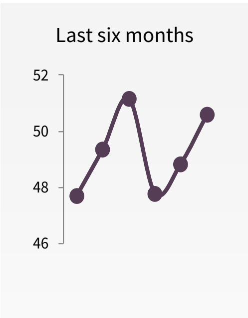


Strongest rise in purchase prices since February 2018

The seasonally adjusted Purchase Prices Index rose further from May's record low in July, signalling the strongest increase in average prices paid for purchased items since February 2018. Prior to July, purchase prices had fallen continuously since December 2019.

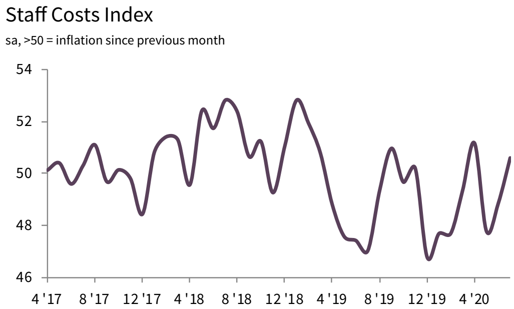


STAFF COSTS INDEX

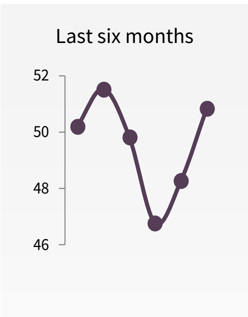


Wages and salaries increase slightly

Non-energy private sector firms in Qatar raised wages and salaries, on average, in July, only the second recorded increase in 2020 thus far. The rate of wage inflation was only marginal, however.

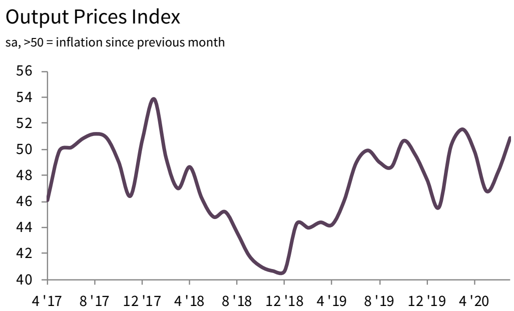


OUTPUT PRICES INDEX

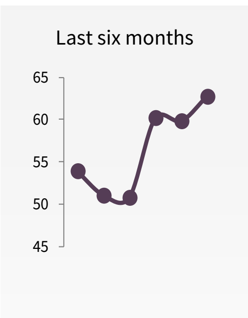


Charges raised for first time since March

Firms raised their prices charged for goods and services for the first time in four months in July. The rate of inflation was modest overall, but the fourth-strongest in the survey history.

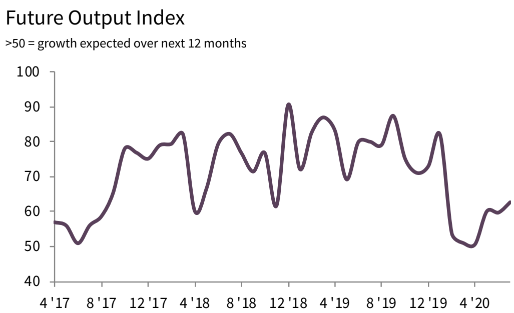


FUTURE OUTPUT INDEX



Output expectations strongest in six months

The 12-month outlook for business activity brightened in July. The Future Output Index rose for the second time in three months and signalled the strongest sentiment since January. Just over one-quarter of firms expect higher output by July 2021, with the remainder forecasting stable business volumes.

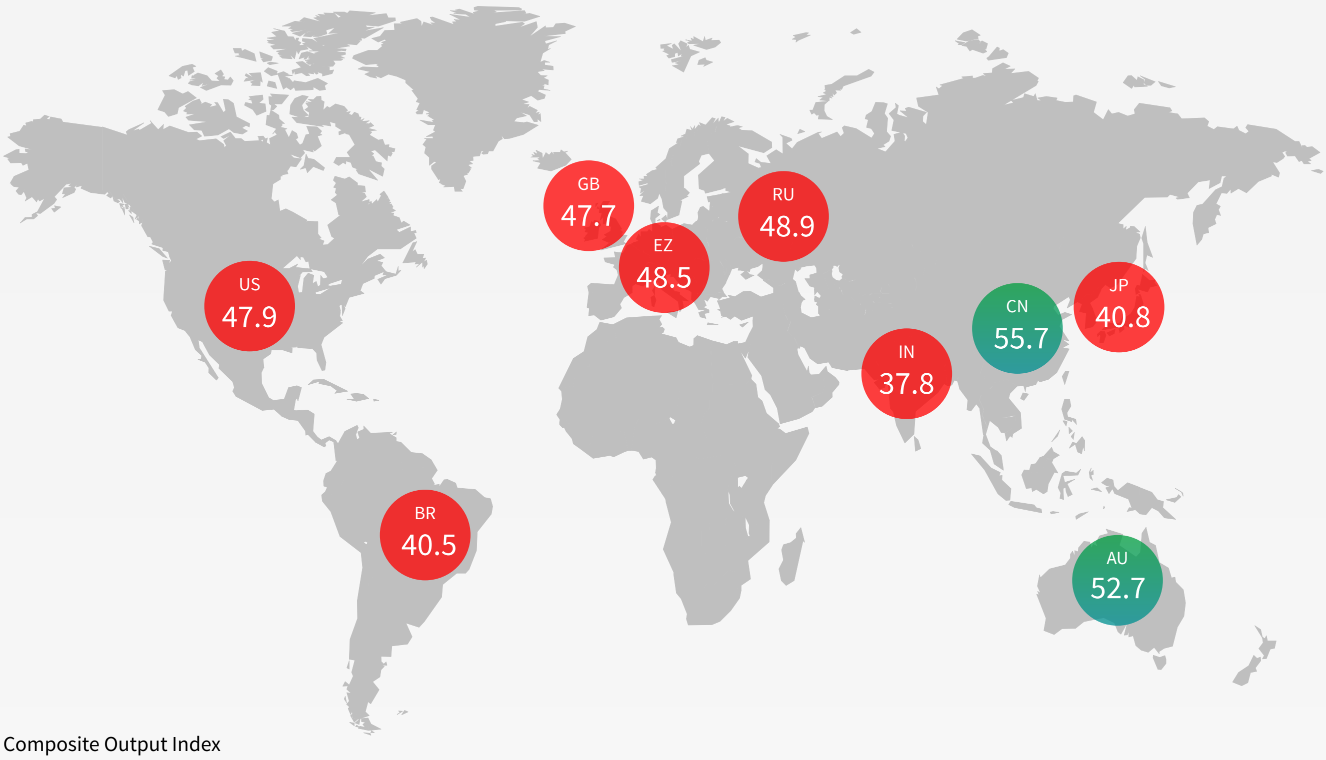


INTERNATIONAL PMI

Composite Output Index, Jun '20

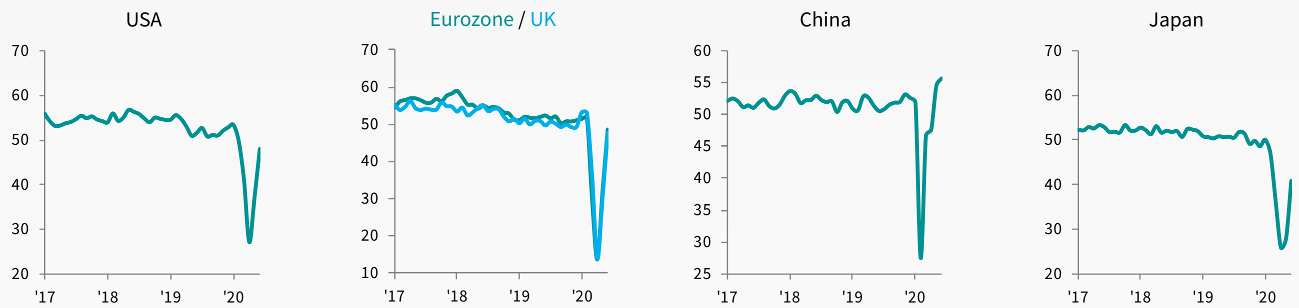
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index

sa, >50 = growth since previous month



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

Katherine Smith
Corporate Communications
+1 781 301 9311
katherine.smith@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.

Data were collected 13-28 July 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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About IHS Markit

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.