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مركز قطر للمال
QATAR FINANCIAL CENTRE

QATAR FINANCIAL CENTRE PMI™

Qatar PMI rises in August as outlook remains strongly positive

KEY FINDINGS

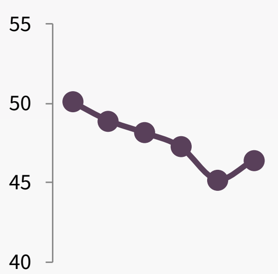
Headline PMI rises for first time in five months

Expectations for business activity remain strong

Input prices fall at fastest rate in ten months

QATAR FINANCIAL CENTRE PMI

AUG
46.4
JUL: 45.2



Doha, Qatar: 4 September 2019 – The latest PMI™ survey of Qatar's non-energy private sector economy saw overall business conditions rebound in August from July's temporary loss of momentum. Indicators for output, new work, employment and purchasing all picked up, while the 12-month outlook for total business activity remained strongly positive. The latest survey data also signalled softer cost pressures, allowing firms to engage in price discounting once more following July's pause.

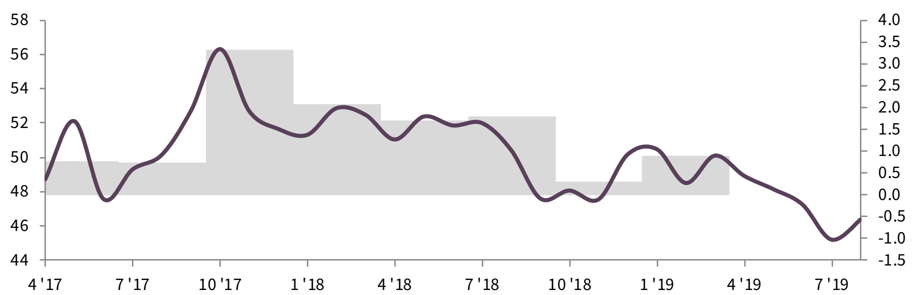
The Qatar PMI indices are compiled from survey responses from a panel of around 400 private sector companies. The panel covers the manufacturing, construction, wholesale, retail and services sectors, and reflects the structure of the non-energy economy according to official national accounts data.

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 from July's low of 45.2 to 46.4 in August, the first month-on-month gain in five months. The improvement reflected stronger contributions from four of its five components. New orders has the greatest weight in the PMI calculation and provided the biggest boost, increasing the headline figure by 0.6 index points. The other positive contributions came from output (+0.5), stocks of purchases (+0.3) and employment (+0.2) respectively, while suppliers' delivery times limited the overall gain in the PMI (-0.4).

Private sector non-energy companies in Qatar continued to report strong optimism regarding the 12-month horizon for business activity volumes. Almost two-thirds (64%) of the survey panel expect growth at their units by August 2020, linked to new customers, new projects and reinvigorated marketing strategies. The Future Activity Index eased slightly to a three-month low but remained well above its long-run average of 73.0, posting 79.2.

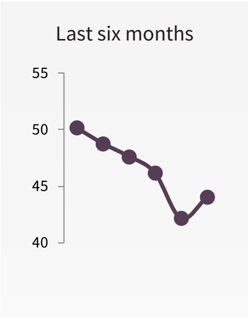
To enable comparisons with official quarterly gross domestic product (GDP), monthly headline PMI figures can be aggregated to a quarterly average. Since the survey began in April 2017 the quarterly PMI has a correlation of 0.90 with the year-on-year percentage change in GDP in real terms, over a comparison period of eight quarters up to the first quarter of 2019. While the PMI accurately signaled the slowdown in annual growth of GDP in the final quarter of 2018 to 0.3%, its subsequent pick-up in the first quarter of 2019 to 0.9% foreshadowed a recovery in GDP growth. Over the second quarter the PMI is consistent with a pause in GDP expansion, on a year-on-year basis. Despite the most recent quarter's mixed PMI performance, August's reading suggests a potential recovery is in process.



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

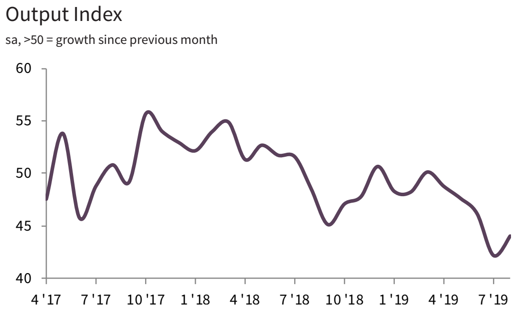
PMI™ By IHS Markit

OUTPUT INDEX

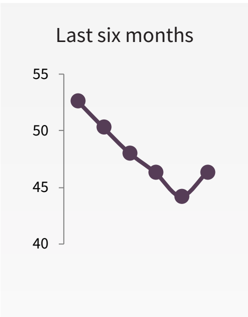


Output Index improves for first time since March

The seasonally adjusted Output Index rose in August, the first month-on-month increase in five months. That said, it remained below its long-run trend level of 49.7.

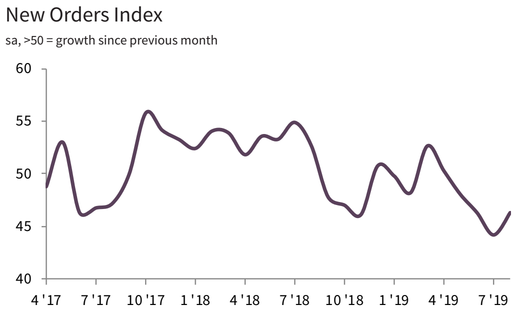


NEW ORDERS INDEX

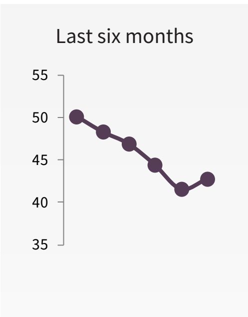


Reports of new customers lift New Business Index

There were reports from survey respondents of new customers driving new business in August. The seasonally adjusted New Orders Index rebounded from July's low, and matched the level registered in June. That said, it remained below the average since the series began in April 2017.

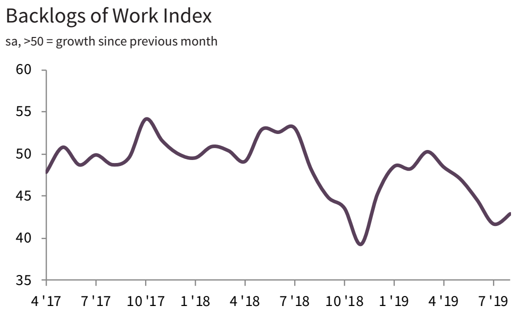


BACKLOGS OF WORK INDEX

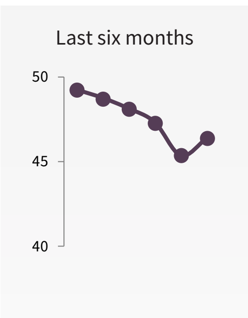


Companies cut backlogs of work at slower rate

A further drop in outstanding business pointed to spare capacity in Qatar's non-energy private sector economy in August. The rate of backlog depletion was sharp, but eased since July.

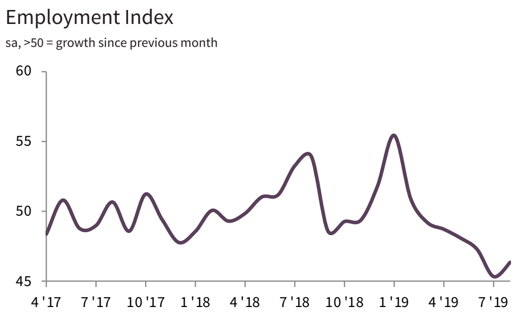


EMPLOYMENT INDEX

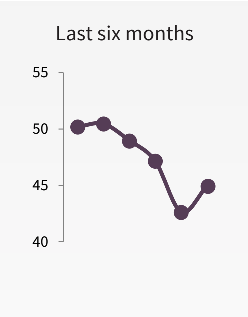


Employment index rises for first time since January

August data signalled an upturn in the Qatari non-energy private sector labour market. The Employment Index rose for the first time since hitting a record high in January. That said, it remained below its long-run trend level.

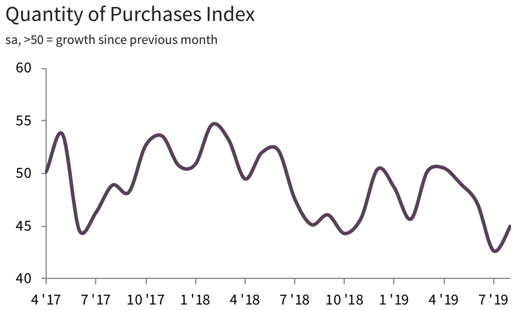


QUANTITY OF PURCHASES INDEX

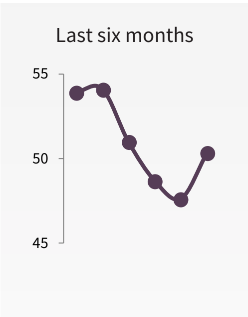


Quantity of purchases indicator rebounds from July low

The volume of inputs ordered by non-energy private sector firms in Qatar fell for the fourth consecutive month in August. That said, the rate of contraction slowed since July, as signalled by a rise in the seasonally adjusted Quantity of Purchases Index.

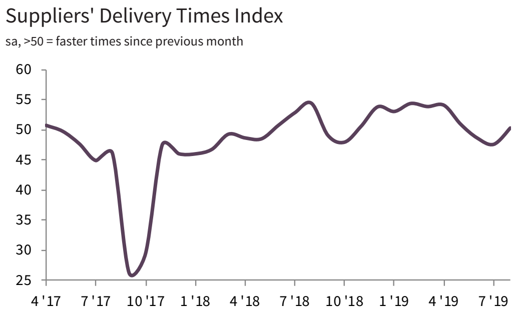


SUPPLIERS' DELIVERY TIMES INDEX

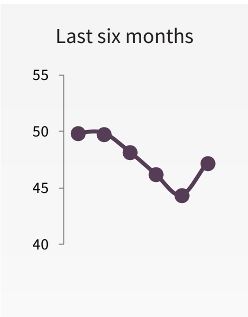


Supplier performance improves in August

The average time taken for suppliers to deliver inputs to non-energy private sector firms in Qatar quickened in August. This followed two months of deteriorating timeliness. The seasonally adjusted Suppliers' Delivery Times Index posted it's biggest month-on-month increase in 2019 so far.

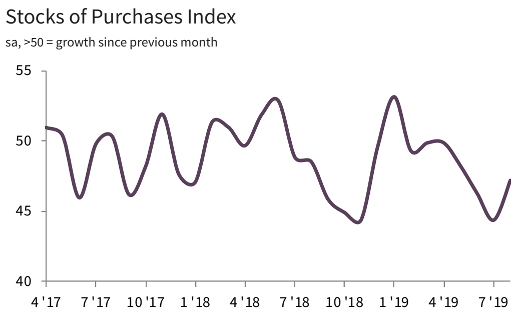


STOCKS OF PURCHASES INDEX

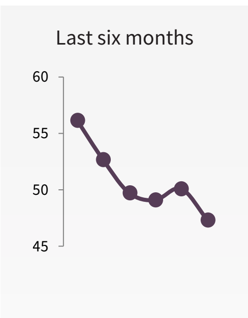


Inventories continue to be depleted in August

Non-energy private sector companies in Qatar reduced their input inventories for the seventh month running in August. That said, the rate of depletion eased from July's sharp pace, which was the joint-fastest on record.

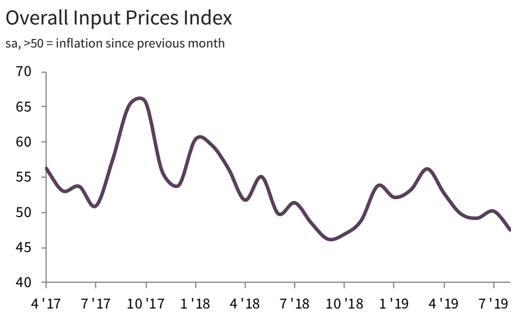


OVERALL INPUT PRICES INDEX

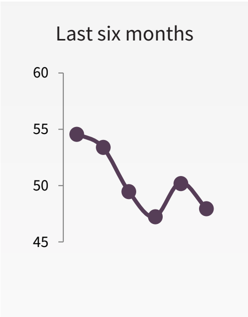


Input prices decline in August

The seasonally adjusted Overall Input Prices Index fell for the fourth time in five months in August. Moreover, the latest figure was below the no-change mark of 50.0, signalling lower average input costs in the Qatari non-energy private sector.

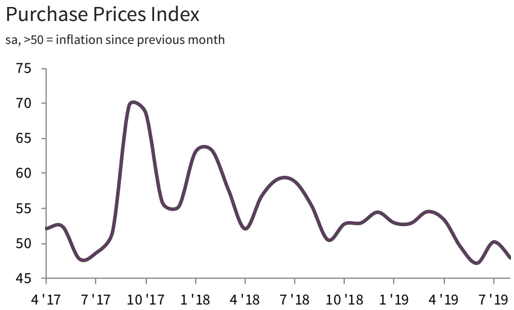


PURCHASE PRICES INDEX

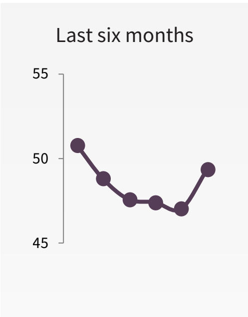


Purchase prices fall for third time in four months

Average non-staff input costs in Qatar's non-energy private sector fell for the third time in four months in August. Prior to May, purchase prices had declined only twice before during the survey history, in mid-2017.

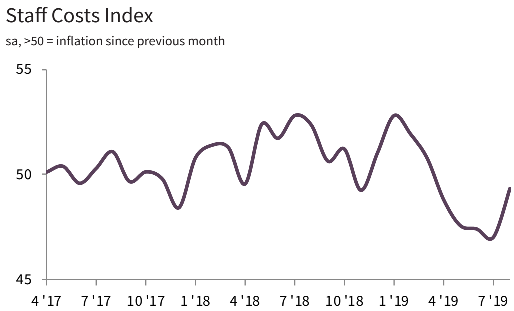


STAFF COSTS INDEX

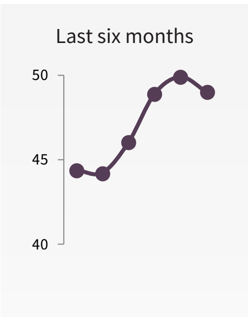


Downward trend in wages and salaries slows in August

Average staff costs fell for the fifth month running in August. That said, the seasonally adjusted Staff Costs Index rebounded from July's low, indicating a much slower rate of reduction. The index was only slightly below its long-run trend level of 50.3.

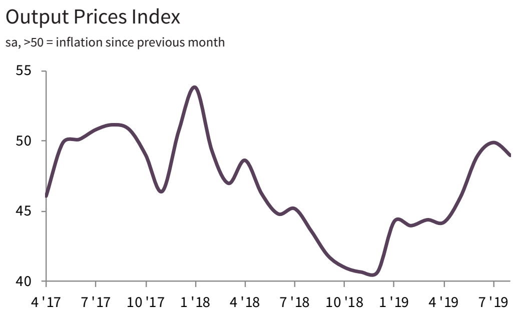


OUTPUT PRICES INDEX

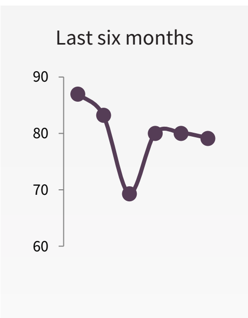


Firms return to recent trend of price discounting in August

Having been broadly unchanged in July, average prices charged for goods and services by Qatari non-energy private sector firms fell in August. This resumed the trend of discounting seen since February 2018.

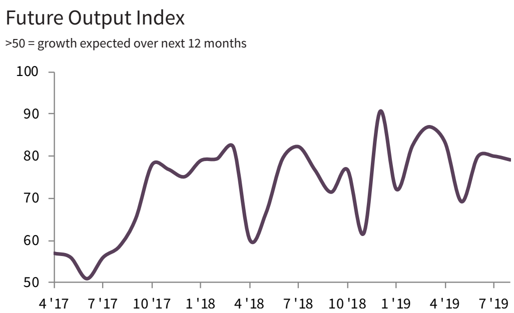


FUTURE OUTPUT INDEX



Companies remain strongly confident of higher future activity

The Future Output Index remained at an elevated level in August, signalling a further marked degree of confidence among firms that output would be higher in 12 months' time. The Index eased slightly to a three-month low, but remained well above it's long-run average of 73.0.



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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.

August 2019 data were collected 12-27 August 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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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.