January 2021

QATAR FINANCIAL CENTRE PMI™

Private sector business conditions continue to improve in December

KEY FINDINGS

PMI registers 51.8, broadly in line with strong fourth quarter trend

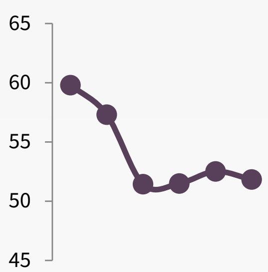
Growth of output and new orders sustained at end of 2020

Fastest rise in outstanding business since July 2018

QATAR FINANCIAL CENTRE PMI

DEC
51.8
NOV: 52.5

Last six months



Qatar's non-energy private sector economy ended 2020 with another above-par rate of growth, according to the December Purchasing Managers' Index™ (PMI™) survey data. Total business activity increased at a relatively marked pace, continuing the trend shown since the rapid expansion in July and August as the economy bounced back from the lockdown-induced downturn in the second quarter of the year. New business continued to grow at a rate above the long-run survey average, while outstanding work rose the most since July 2018 signalling rising pressure from demand on business capacity. Firms continued to boost employment and wages while input purchase prices continued to fall on average, allowing companies to hold prices charged stable.

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 eased slightly from 52.5 in November to 51.8 in December, broadly in line with the fourth quarter average of 51.9 and well above the long-run trend level of 49.6. This signalled a solid end to 2020 for the non-energy private sector, with all five of the components of the PMI in positive territory.

Total business activity continued to expand at a relatively strong rate in December. Expansion was the strongest since Q1 2018 over the fourth quarter as a whole, excluding the post-lockdown bounce in the third quarter. New business continued to support overall growth of activity and demand was sufficiently strong to generate rising levels of incomplete work. In fact, backlog growth was the strongest since July 2018.

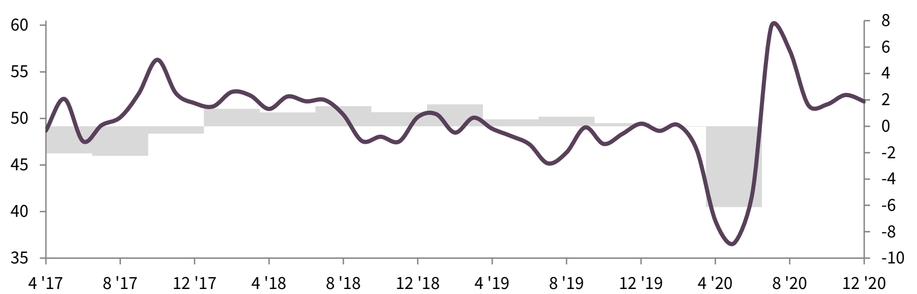
Sub-sector data signalled that the strongest overall improvement in business conditions over the fourth quarter as whole came from manufacturing, followed by construction, wholesale & retail and services respectively. In terms of output, manufacturing registered the strongest growth for the second month running in December, which forebodes strong non-oil export performance.

Employment in the non-energy private sector rose further in December, with notably strong recruitment in services. Firms also boosted wages and salaries at one of the fastest rates of the past two years, driven partially by capacity constraints as immigration flows were tempered by coronavirus restrictions.

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 0.66 with the year-on-year percentage change in GDP in real terms, with a PMI reading of 50.0 equating to 0.2% growth on an annual basis. The latest official data reported a year-on-year decline of 6.1% in real terms in the second quarter of 2020, a figure heavily influenced by the lockdown measures implemented to contain the coronavirus outbreak. The PMI data for the third quarter of 2020 are consistent with a 2.7% year-on-year increase in GDP, and data for the fourth quarter are signalling a further increase of 1.0%. Year-to-date PMI data confirms Qatar's economic trajectory is more in-line with what is observed in China and other East Asian economies with a V-shaped recovery, rather than that seen in Europe or the United States.

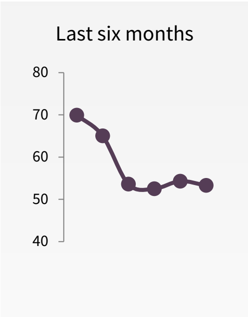
Qatar Financial Centre PMI | Qatar Gross Domestic Product (GDP)

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



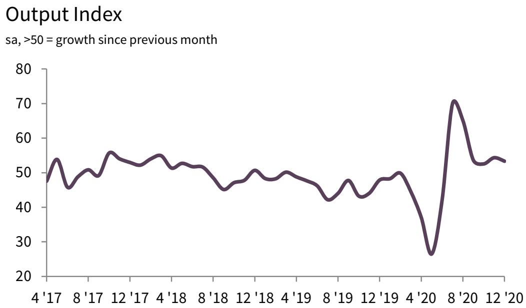
Sources: Qatar Financial Centre, IHS Markit, Qatar's Planning & Statistics Authority.

OUTPUT INDEX

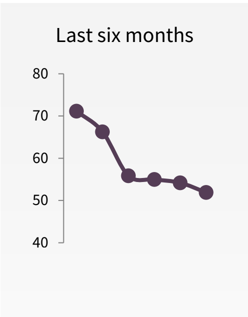


Output growth remains relatively strong at end of 2020

Non-energy private sector firms registered another strong rise in activity in December, with the seasonally adjusted Output Index remaining well above its long-run average. The rate of growth observed in December was broadly in line with the trend for the fourth quarter.

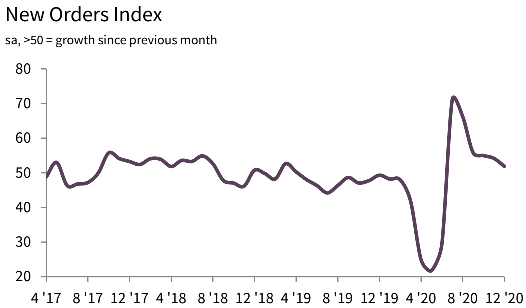


NEW ORDERS INDEX

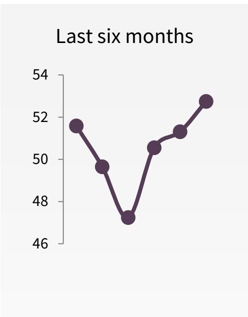


New business intakes rise for sixth consecutive month

Demand for goods and services continued to improve at the end of 2020, continuing a sequence of uninterrupted expansion throughout the second half of the year. The rate of growth eased for the fifth month running but remained above the long-run survey average.

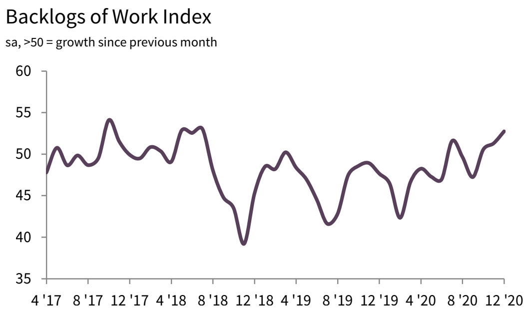


BACKLOGS OF WORK INDEX

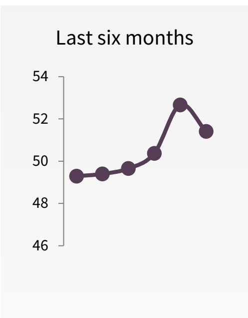


Sharpest increase in outstanding work since July 2018

In a sign of rising capacity pressures in the non-energy private sector, backlogs of work increased for the third successive month in December. This marked the joint-longest sequence of growth in the survey's history. The rate of expansion accelerated at the end of the year to the strongest since July 2018.

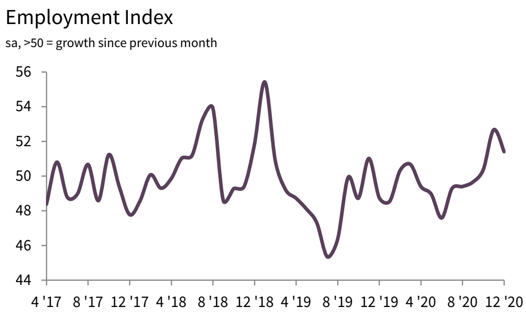


EMPLOYMENT INDEX

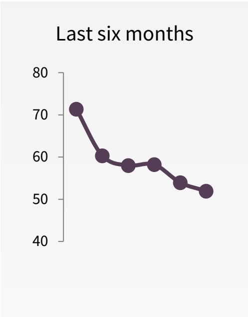


Job creation sustained throughout fourth quarter of 2020

Non-energy private sector employment rose for the third consecutive month in December, the most sustained period of growth in nearly two years. The rate of workforce expansion eased from November's 22-month high but was still among the fastest in the survey history.

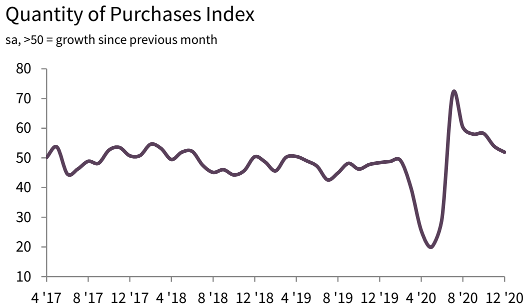


QUANTITY OF PURCHASES INDEX

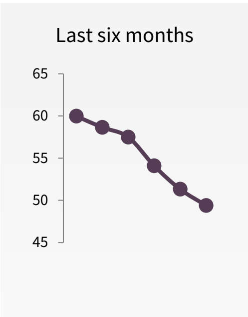


Purchasing activity increases for sixth month running

The volume of inputs purchased increased for the sixth month running in December, in line with the trends observed in output and new work. The rate of growth was the slowest in this sequence, but still stronger than the long-run survey trend.

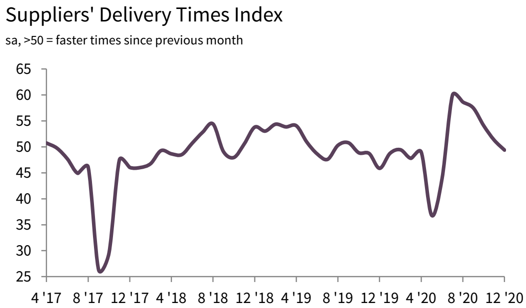


SUPPLIERS' DELIVERY TIMES INDEX

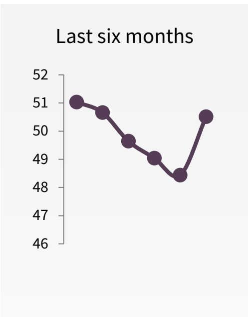


Suppliers' delivery times lengthen slightly in December

Average lead times for inputs ordered by Qatari non-energy firms lengthened in December. This ended a five-month period of improving supplier performance. That said, the extent to which times increased since November was only marginal.

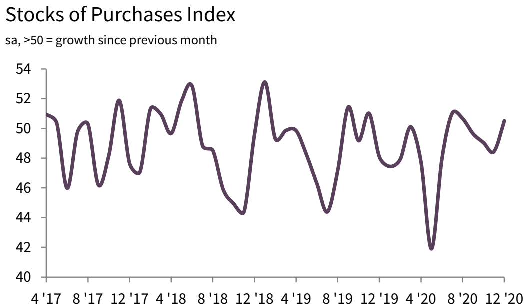


STOCKS OF PURCHASES INDEX

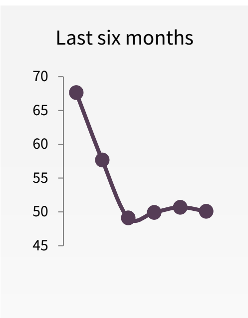


Companies add to inventories for first time in four months

The volume of inputs held in stock in the non-energy private sector economy rose in December, following a three-month period of decline.

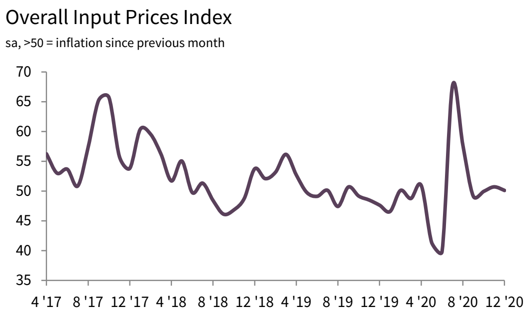


OVERALL INPUT PRICES INDEX

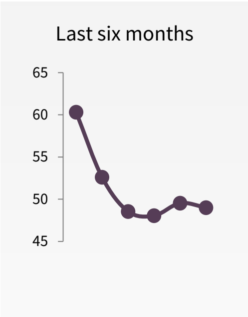


Average input prices broadly unchanged in December

The seasonally adjusted Overall Input Prices Index registered broadly in line with the no-change mark of 50.0, in December, indicating that overall cost pressures at non-energy firms remained broadly stable. Cost pressures have generally been muted following strong inflation in July and August, signalling an absence of capacity constraints on the inputs side.

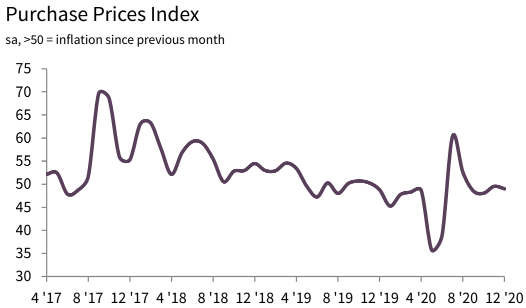


PURCHASE PRICES INDEX

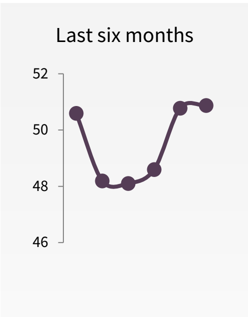


Prices paid for items purchased fall for fourth straight month

Private sector non-energy firms in Qatar paid less, on average, for their purchases in December, extending the current period of downward pressure on prices to four months. That said, the rate of reduction remained weak.

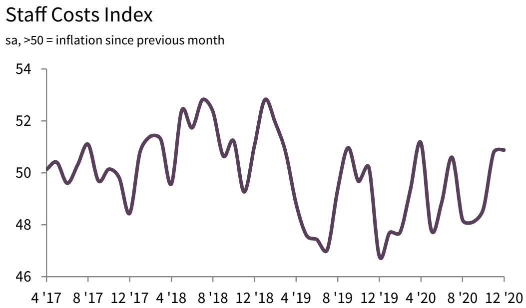


STAFF COSTS INDEX

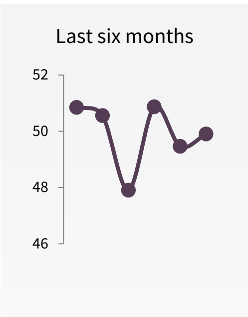


Boost to wages and salaries for second month running

Average labour costs rose for the second month running in December, marking the first consecutive periods of wage growth since the first quarter of 2019. Moreover, the seasonally adjusted Staff Costs Index rose to an eight-month high.

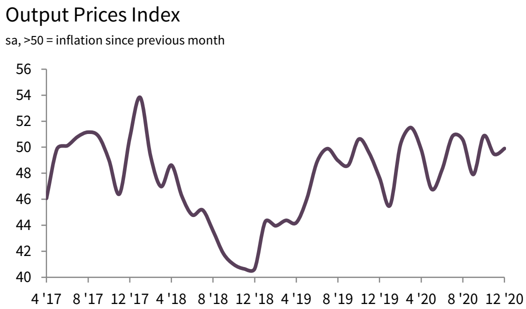


OUTPUT PRICES INDEX

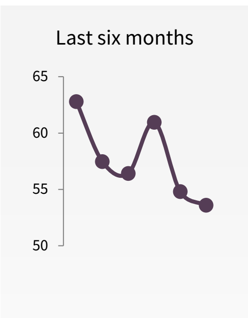


Prices charged for goods and services broadly stable

Prices charged for goods and services by non-energy private sector firms were largely unchanged in December compared with one month previously. However, over 2020 as a whole, charges rose five times - the most in any year since 2017.

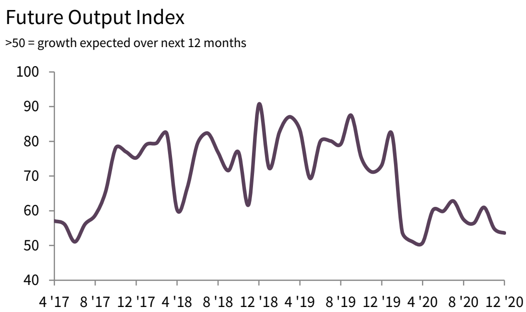


FUTURE OUTPUT INDEX



Firms expect higher activity over the course of 2021

The 12-month outlook for non-energy business activity in Qatar remained positive heading into 2021, as the Future Activity Index remained above 50.0 in December. The strongest sentiment was in manufacturing, followed by wholesale & retail.



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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 4-18 December 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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