مركز قطر للمال
QATAR FINANCIAL CENTRE

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QATAR FINANCIAL CENTRE PMI™

PMI signals slower private non-energy sector business conditions in May

KEY FINDINGS

Headline PMI remains consistent with economic growth

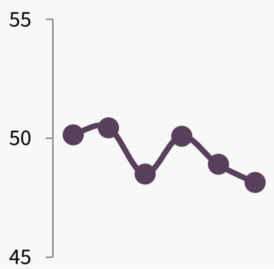
Future business expectations remain positive

Input prices fall in May

QATAR FINANCIAL CENTRE PMI

MAY
48.1
APR: 48.9

Last six months



Survey data remain indicative of overall economic growth and firms are confident of higher output over the forthcoming year. However, the most recent PMI™ survey of Qatar pointed to slower macro conditions facing private sector companies in the non-energy economy in May, after adjusting for the seasonal effects of Ramadan.

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.

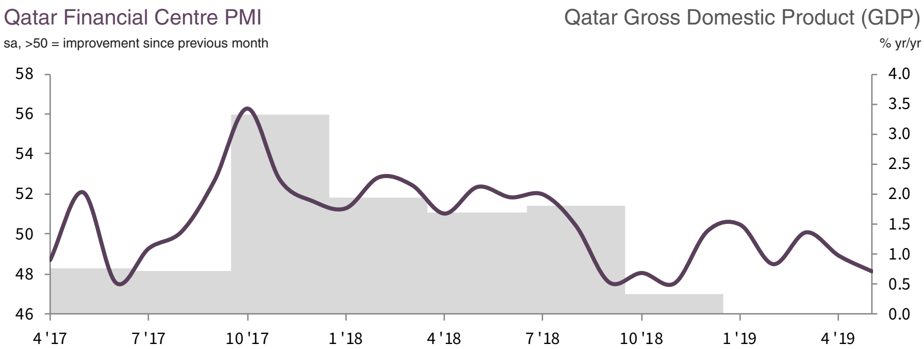
The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of five indices for new orders, output, employment, suppliers' delivery times and stocks of purchases, and is designed to provide a timely single-figure snapshot of the health of the economy every month.

The PMI eased to 48.1 in May, from 48.9 in April. The downward PMI movement in May reflected softer contributions from four of its five components, the exception being suppliers' delivery times (although this index fell in May, it is inverted for the PMI calculation). The indicators for output and new orders fell, leading to further caution among firms regarding hiring, with the employment index falling since April. Recent data signals a moderation in business conditions over the second quarter of 2019 compared with the first quarter, when the PMI trended at 49.7.

When aggregated to a quarterly series, the headline 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 a slight easing in growth in the second quarter.

Firms remained confident regarding expected activity levels over the next 12 months in May, although sentiment moderated somewhat compared with April.

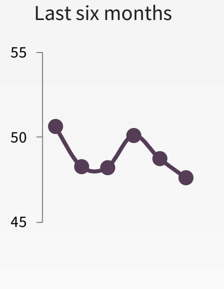
Overall input prices fell for the first time in six months in May. Moreover, both staff costs and purchase prices declined, the first concurrent falls since June 2017. The index for staff costs was the lowest since the survey began. Meanwhile, companies cut their own prices charged in May, albeit at the slowest rate for a year.



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

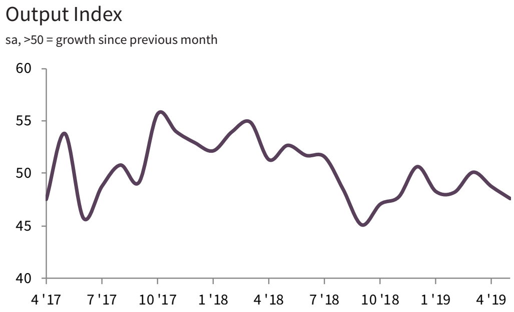
PMI™ By IHS Markit

OUTPUT INDEX

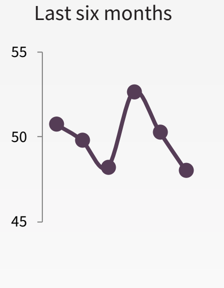


Business activity slows further in May

The seasonally adjusted Output Index eased further to a seven-month low in May, indicating slower business activity in the Qatari non-energy private sector. Where growth was reported firms mentioned marketing activity, while lower activity was linked to fewer new clients.

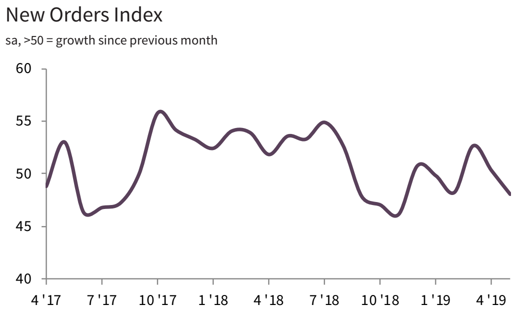


NEW ORDERS INDEX

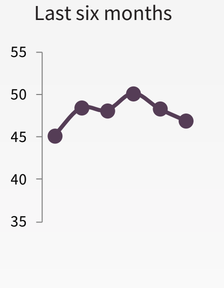


New business Index at lowest level since November 2018

The seasonally adjusted New Orders Index signalled a weaker trend in new business in May. 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 50.9.

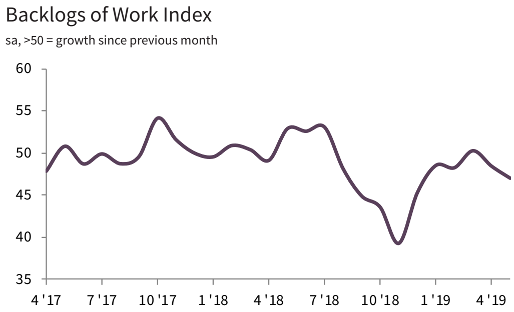


BACKLOGS OF WORK INDEX

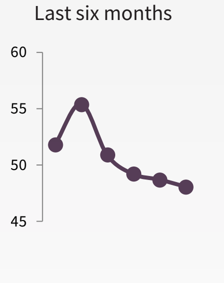


Qatari non-energy firms clear backlogs at faster rate

Private sector non-energy firms in Qatar continued to complete existing workloads in May. Moreover, the rate of backlog depletion was the strongest in 2019 so far. The Backlogs of Work Index posted below its long-run trend level of 48.9.



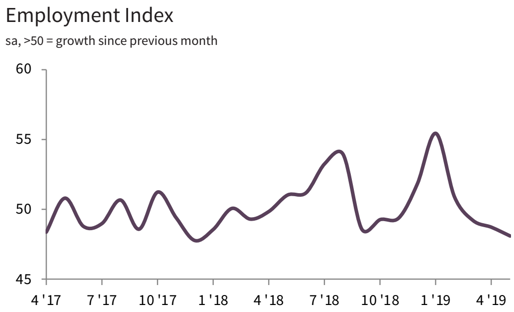
EMPLOYMENT INDEX



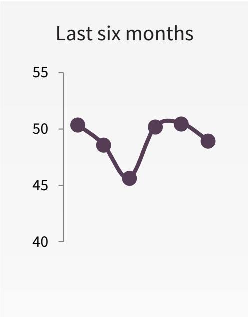
Employment Index at 17-month low in May

Latest survey data signalled that non-energy private sector companies in Qatar shed staff for the third month running in May.

The rate at which workforce numbers declined was slightly sharper than in March and April, but still only modest.



QUANTITY OF PURCHASES INDEX



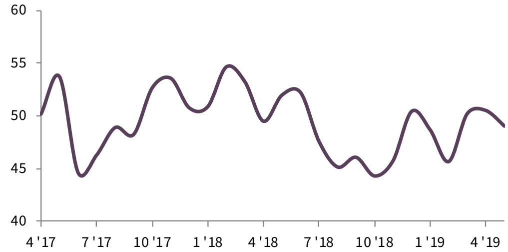
Companies pare back purchasing of new inputs

Following two months of growth in purchasing activity, May data indicated a decline. That said, the rate of contraction was only marginal.

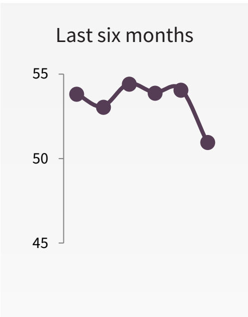
The seasonally adjusted Quantity of Purchases Index was only fractionally below its long-run average of 49.4.

Quantity of Purchases Index

sa, >50 = growth since previous month



SUPPLIERS' DELIVERY TIMES INDEX

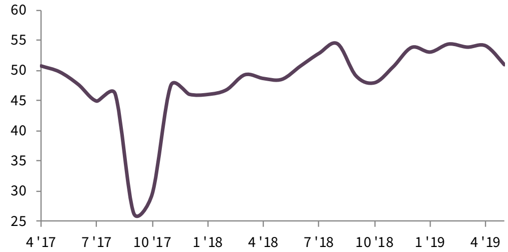


Input delivery times continue to quicken

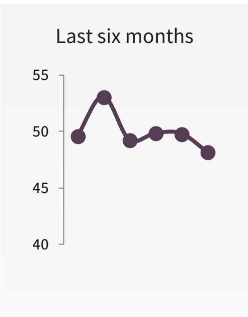
The average time taken for ordered inputs to be delivered fell for the seventh month running in May. That said, the extent to which supplier performance improved was the least substantial since November 2018.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



STOCKS OF PURCHASES INDEX

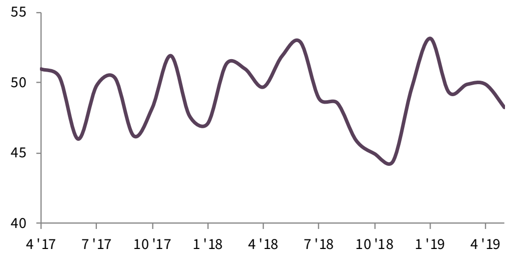


Inventories of inputs continue to be cut

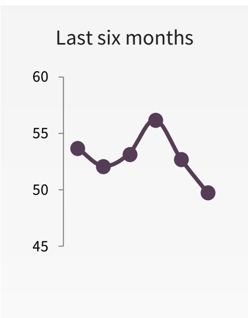
Non-energy private sector firms in Qatar continued to reduce their stocks of inputs in May. Inventories have been streamlined every month since January's record increase.

Stocks of Purchases Index

sa, >50 = growth since previous month



OVERALL INPUT PRICES INDEX

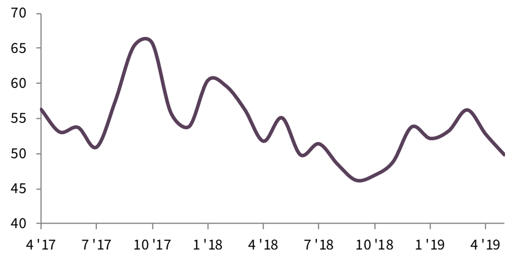


Average input prices fall for first time in six months

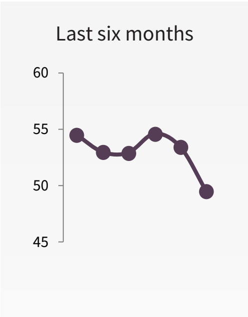
The seasonally adjusted Overall Input Prices Index fell below 50.0 in May, signalling declining cost pressures in the non-energy private sector for the first time since November 2018. That said, the latest figure signalled only a marginal rate of reduction.

Overall Input Prices Index

sa, >50 = inflation since previous month

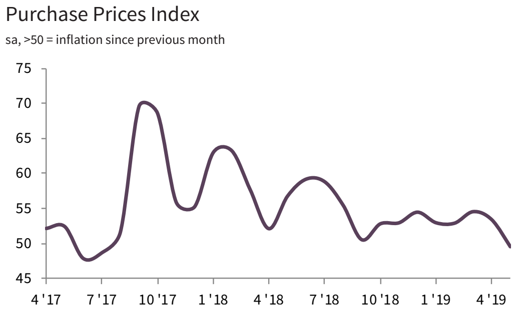


PURCHASE PRICES INDEX

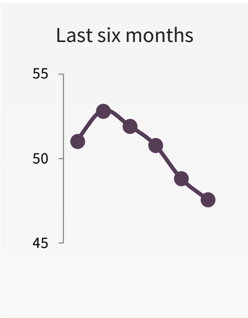


Slight decline in average purchase prices

The price of raw materials and other production inputs fell in May, ending a 21-month period of continuous inflation. It was only the third time in the 26-month survey history that purchase prices had fallen, albeit at a marginal pace.

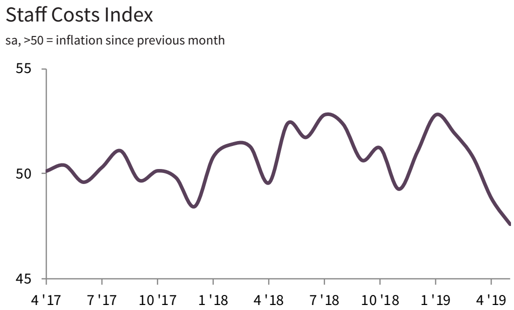


STAFF COSTS INDEX



Wages fall further mid-way through second quarter

The seasonally adjusted Staff Costs Index fell for the fourth month running in May, 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.

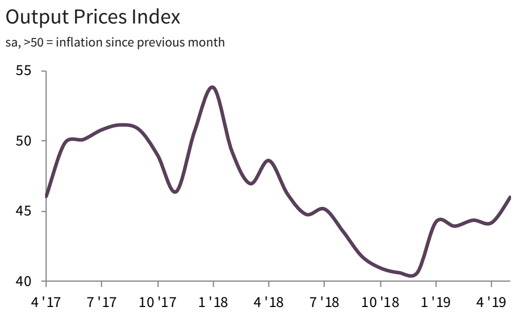


OUTPUT PRICES INDEX

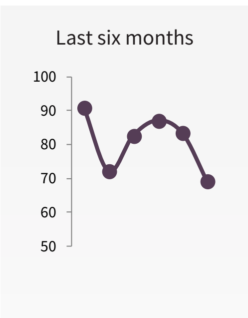
Discounting continues, but at slower rate

Prices charged for goods and services by Qatari non-energy companies fell for the sixteenth successive month in May. Companies continued to report engaging in promotional activities.

That said, the rate at which prices fell was the weakest for a year.

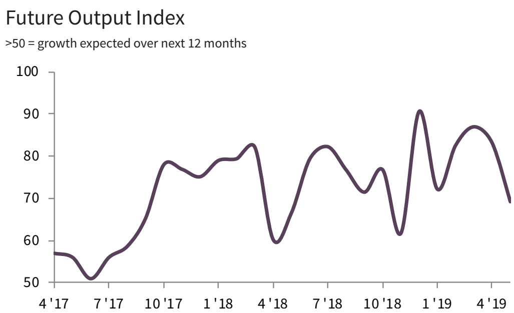


FUTURE OUTPUT INDEX



Output expectations moderate but remain strongly positive

The Future Output Index remained well above 50.0 in May, signalling that Qatari non-energy companies were, on balance, optimistic that activity levels would rise over the next 12 months. That said, the strength of sentiment eased to a six-month low.



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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.

May 2019 data were collected 13-28 May 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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