QATAR FINANCIAL CENTRE PMI™

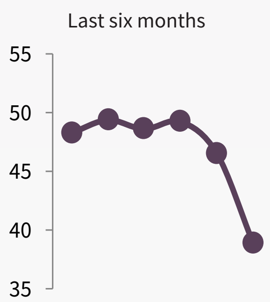
Qatar PMI slumps to record low in April as lockdown restricts economy

KEY FINDINGS

- PMI at 39.0, lowest in three-year survey history
- Output and new business indices both at record lows
- Outlook shows signs of stabilising

QATAR FINANCIAL CENTRE PMI

APR
39.0
MAR: 46.6



The latest Purchasing Managers' Index™ (PMI™) survey data for Qatar signalled that lockdown measures put in place to combat the global coronavirus disease 2019 (COVID-19) pandemic continued to hamper the non-energy private sector economy in April. Overall current business conditions deteriorated the most of any month since the survey began in April 2017, as indicators for output and new orders both hit record lows. More positively, employment fell only slightly during the month and the backlogs indicator hit a five-month high, suggesting firms are focused on resuming operations when the lockdown is eased.

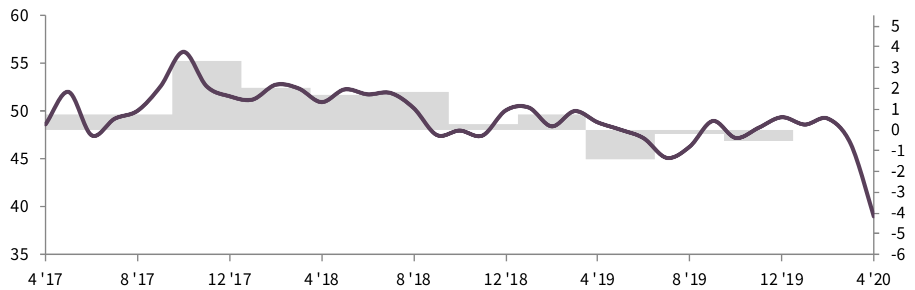
The 12-month outlook for activity eased to a new low in April, reflecting the expected long-term economic impact of the lockdown measures. The Future Activity Index eased only fractionally since March, however, suggesting sentiment has bottomed out. The indicator fell by over 28 points in February as the Chinese economy shut down, and a further 2.8 points in March, but April's dip was just 0.3 points.

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 fell from 46.6 in March to 39.0 in April, the lowest reading since the series began in April 2017. Moreover, the descent of the headline figure accelerated at the start of the second quarter, with a drop of 7.5 points in April following March's 2.7-point slide. While data for January and February were signalling the strongest quarterly performance since Q1 2019, the March and April figures have inevitably been pulled down by disruption to business operations from the lockdown measures imposed to halt the virus spread.

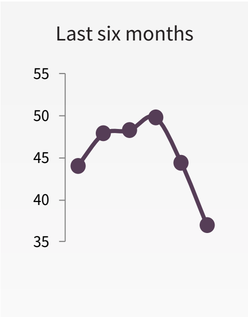
At the sector level, trend data for March and April suggest services was the most impacted by the lockdown, followed by construction and wholesale & retail respectively, while manufacturing fared best.

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 0.89 with the year-on-year percentage change in GDP in real terms. The most recent official release of GDP, for the final quarter of 2019, show a year-on-year decline of 0.6%, compared with an advance signal from the PMI of -0.3%. PMI data for the first quarter of 2020 are signalling a further year-on-year decline of 0.4%, though the trend for March suggests a downside risk due to the imposition of measures to halt the spread of COVID-19. The latest PMI data for April are signalling a year-on-year decline in GDP of 6.5% at the start of the second quarter. That said, with the Future Activity Index appearing to stabilise in April, the second quarter may represent the nadir of the current virus-driven downturn.



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

OUTPUT INDEX

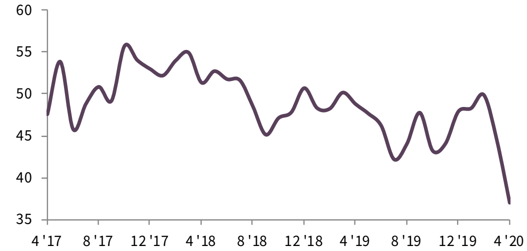


Output Index slides to record low in April

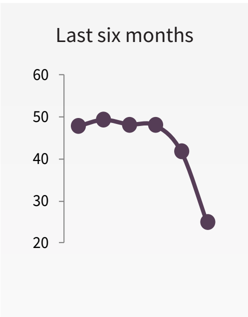
Non-energy private sector activity in Qatar was severely hampered by lockdown measures to halt the spread of the coronavirus disease 2019 (COVID-19) in April. The seasonally adjusted Output Index fell to a new low, down almost 13 points from February's 11-month peak. Activity fell across all four main sub-sectors, most notably in services.

Output Index

sa, >50 = growth since previous month



NEW ORDERS INDEX

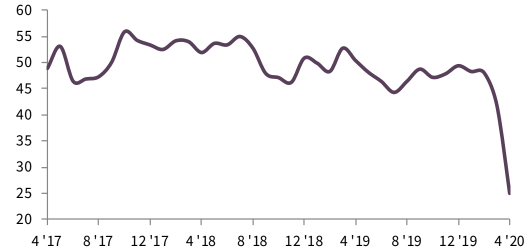


Fastest decline in new work in survey history

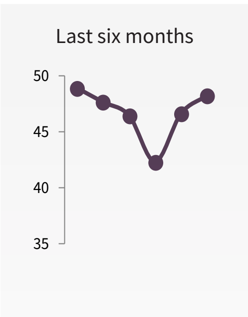
Demand deteriorated markedly in April as a result of the lockdown measures. The New Orders Index fell sharply since March to a record low. Around 55% of companies reported lower inflows of new business, compared with only 2% reporting growth.

New Orders Index

sa, >50 = growth since previous month



BACKLOGS OF WORK INDEX

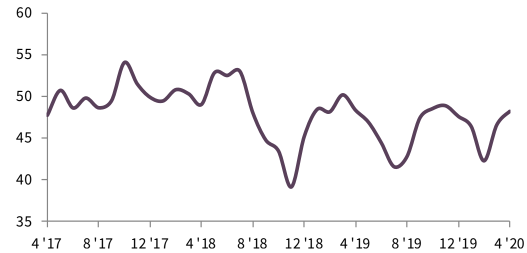


Backlog indicator rises to five-month high

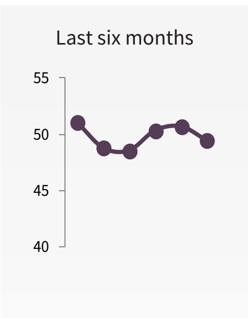
The seasonally adjusted Backlogs of Work Index rose further to a five-month high in April, in a sign that some business operations were being held up by the coronavirus lockdown. The main area to record falling backlogs was manufacturing, reflecting a marked decline in new orders.

Backlogs of Work Index

sa, >50 = growth since previous month



EMPLOYMENT INDEX

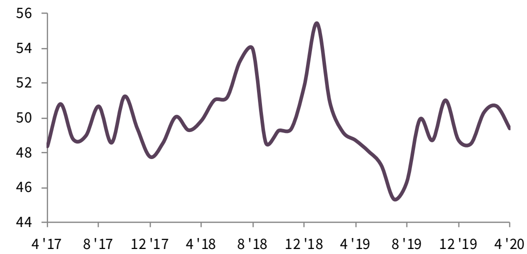


Marginal fall in employment indicated in April

Having risen in February and March, non-energy private sector employment in Qatar fell in April, as the employment Index dipped below the 50.0 no-change threshold. That said, the rate of job shedding was only fractional, with the Index only slightly below its three-year historic average of 49.7.

Employment Index

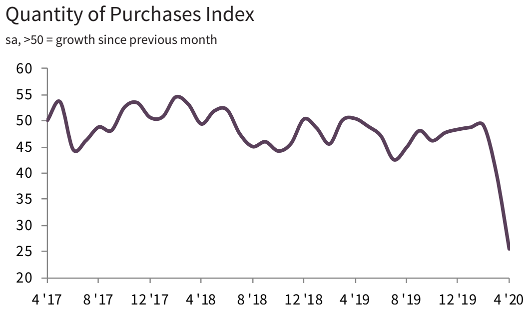
sa, >50 = growth since previous month



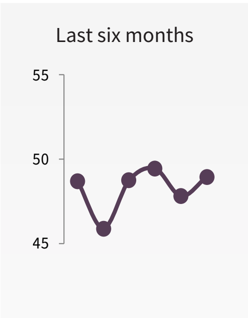
QUANTITY OF PURCHASES INDEX

Companies cut purchasing at fastest rate on record

The seasonally adjusted Quantity of Purchases Index posted the lowest level on record in April, signalling a marked drop in buying activity by non-energy private sector firms. Firms reported buying less due to reduced business activity as a result of the lockdown measures.

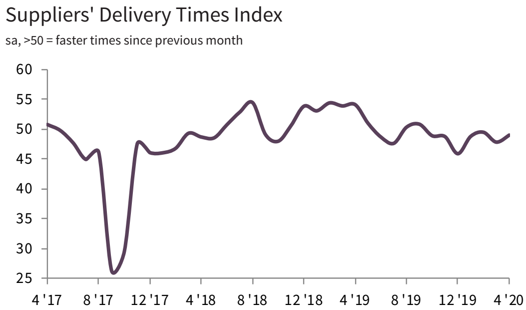


SUPPLIERS' DELIVERY TIMES INDEX

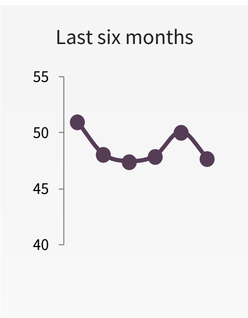


Supply delays continue in April as lockdown impacts logistics

Although demand for inputs fell sharply in April, supplier lead times continued to lengthen, reflecting transport difficulties arising from the lockdown. The seasonally adjusted Suppliers' Delivery Times Index rose in the latest period to indicate fewer logistical delays than in March.

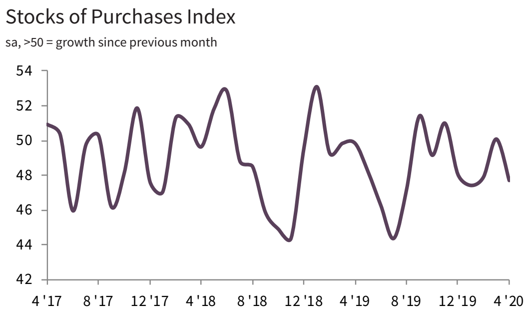


STOCKS OF PURCHASES INDEX

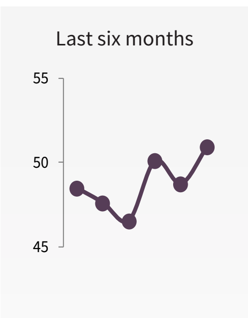


Input inventories decline in April as workloads fall

Having been broadly stable in March, the volume of inputs held in stock at non-energy private sector firms in Qatar fell in the latest survey period. Lower inventory levels were primarily linked to the lockdown measures. The rate of decline was sharper than the long-run series average.

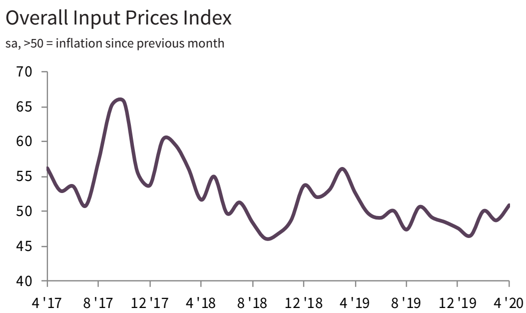


OVERALL INPUT PRICES INDEX



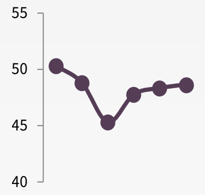
Cost pressures build in April

The seasonally adjusted Overall Input Prices Index rose above the no-change mark in April, to signal higher average input costs at Qatari non-energy private sector companies. The rate of was the strongest since April 2019, albeit still weaker than the three-year series trend.



PURCHASE PRICES INDEX

Last six months

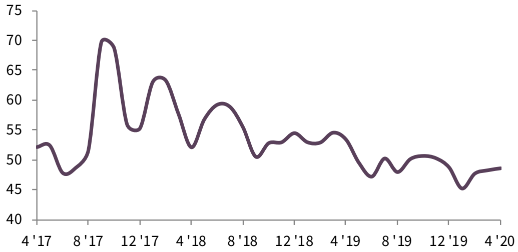


Further slight decline in average purchase prices

Non-energy private sector firms continued to report falling average purchasing costs in April. The seasonally adjusted Purchase Prices Index remained below the 50.0 no-change mark for the fifth month running, but signalled the weakest rate of reduction since December 2019.

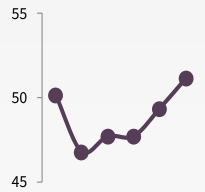
Purchase Prices Index

sa, >50 = inflation since previous month



STAFF COSTS INDEX

Last six months

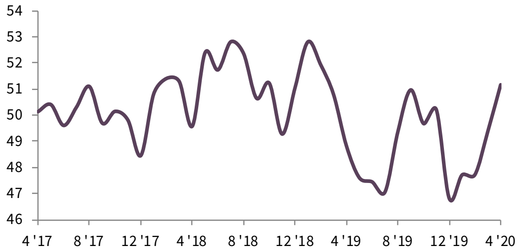


Wages and salaries rise for first time in five months

Latest survey data indicated a rise in average labour costs in April. This followed a four-month period of decline. Moreover, the rate of wage inflation was the strongest since February 2019.

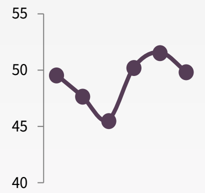
Staff Costs Index

sa, >50 = inflation since previous month



OUTPUT PRICES INDEX

Last six months

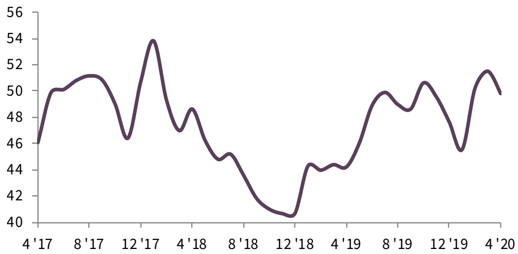


Prices charged for goods and services fall slightly

Having risen in both February and March, average prices charged for goods and services fell in April. That said, the seasonally adjusted Output Prices Index was only just below the no-change threshold, indicating a marginal rate of discounting. The Index remained above its long-run average of 47.3.

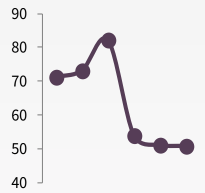
Output Prices Index

sa, >50 = inflation since previous month



FUTURE OUTPUT INDEX

Last six months

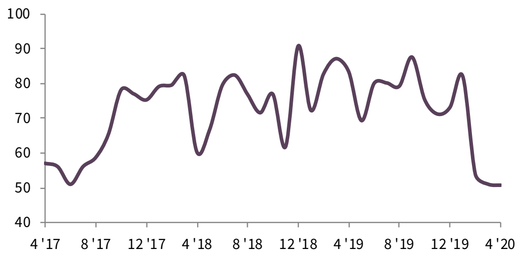


Sentiment eases to new low, but shows signs of bottoming out

The 12-month outlook for non-energy private sector business activity moderated further. The Future Output Index fell to a new record low, but remained just above 50.0. Encouragingly, the level of the index has stabilised following February's sharp drop, indicating that the recent moderation in sentiment may have bottomed out.

Future Output Index

>50 = growth expected over next 12 months



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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 7-27 April 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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