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QATAR FINANCIAL CENTRE PMI™

Qatar PMI rises in February, continuing recent upward momentum

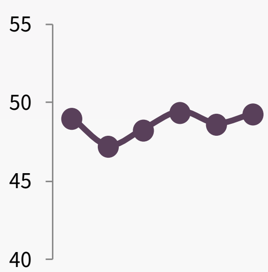
KEY FINDINGS

- PMI rises for fifth time in seven months and closes in on long-run trend level
- Output Index at 11-month high
- Boost to non-oil private sector employment

QATAR FINANCIAL CENTRE PMI

FEB
49.3
JAN: 48.7

Last six months



The February Purchasing Managers' Index™ (PMI™) survey data for Qatar showed that non-energy private sector business conditions remained on a broad upward trajectory. The headline PMI, which tracks real-time business metrics, rose for the fifth time in seven months to the second-highest level since March 2019. Output had its strongest showing for nearly a year, with a concurrent boost to employment.

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 rose to 49.3 in February from 48.7 in January, just shy of December's nine-month peak of 49.4 and only just below the three-year long-run trend level of 49.9. Overall business conditions have broadly recovered from a soft patch in the middle of 2019, with the first quarter of 2020 as a whole set to record the strongest trend since Q1 2019. This signals a return to broad-based non-oil economic expansion.

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 0.90 with the year-on-year percentage change in GDP in real terms. The PMI has trended noticeably higher since last July, suggesting that GDP will recover following a year-on-year decline of 1.4% in the second quarter of 2019. The most recent February PMI reading for Qatar of 49.3 points to even stronger 2020 GDP performance, which is consistent with 0.4% annual growth of total GDP and 1.9% growth of non-hydrocarbon GDP.

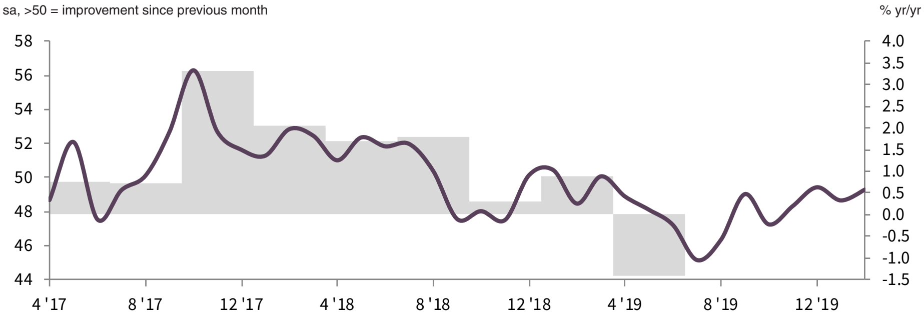
February's PMI reading flags a broad improvement in Qatari business conditions. Both the output and employment components contributed most weightily to the rise in the headline figure in February, each adding 0.4 points. Stocks of purchases also had a slight positive impact, while suppliers' delivery times and new orders weighed marginally on the PMI. The new orders index was little-changed from January, remaining broadly in line with the trend shown during 2019.

The largest Qatari non-oil sectors, outside of construction, all showed improved performance. At the sub-sector level, manufacturing has registered the strongest overall business conditions since the start of 2019. Meanwhile, readings of the construction sector displayed stabilization.

Companies in the non-energy private sector cleared their outstanding workloads at one of the fastest rates in the survey history, pointing to an improvement in productivity. Only in July 2019 and November 2018 had backlogs been depleted at faster rates. The clearing of existing workloads partly reflected a boost to employment in the non-energy private sector in February. The employment indicator rose to the second-highest in a year and was above its historic trend level.

The 12-month outlook for total activity remained positive. However, the latest reading ebbed slightly from the last month as a large proportion of firms expect no change in output at their units by February 2021 compared with current levels. Around 84% of respondents expect no change from current levels while 12% expect growth, three times the proportion expecting a decline (4%). The latter was little-changed from January's 3% figure.

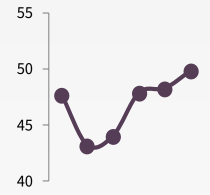
Qatar Financial Centre PMI | Qatar Gross Domestic Product (GDP)



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

OUTPUT INDEX

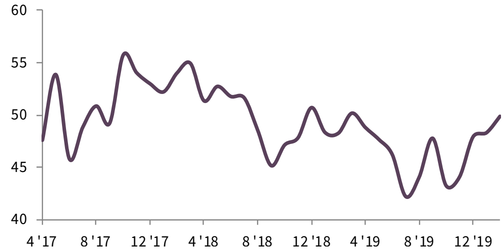
Last six months



Output Index highest since March 2019

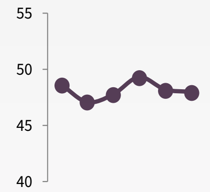
The Output Index rose for the sixth time in seven months in February to an 11-month peak, signalling a further pick-up in business activity in the non-oil private sector. The Index was above its long-run trend level (since April 2017) of 49.2 during the latest period.

Output Index
sa, >50 = growth since previous month



NEW ORDERS INDEX

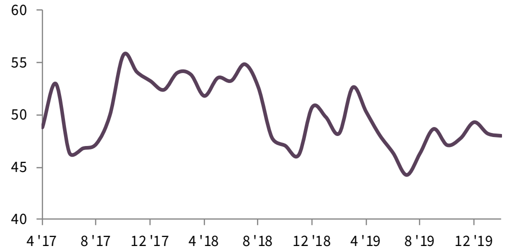
Last six months



New business indicator remains stable in February

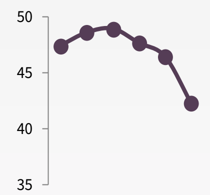
The New Orders Index was little-changed from January's level in February, indicating stable inflows of new business at Qatari non-energy private sector firms. The Index was broadly in line with the trend level since the start of 2019.

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



BACKLOGS OF WORK INDEX

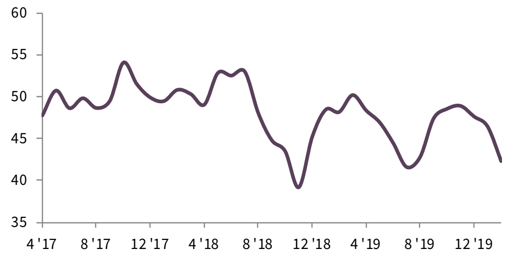
Last six months



Firms clear backlogs at fastest pace in seven months

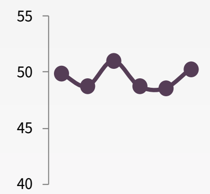
The seasonally adjusted Backlogs of Work Index posted its third-lowest level on record in February, falling sharply since January. The latest figure signalled a marked reduction in the level of outstanding business in the non-energy private sector economy.

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



EMPLOYMENT INDEX

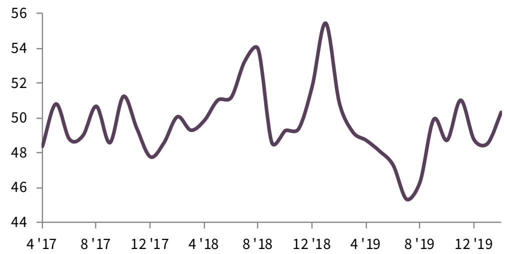
Last six months



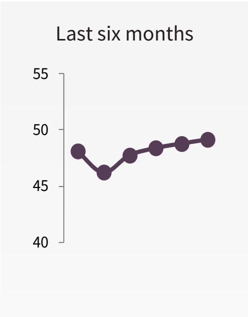
Non-energy private sector firms boost employment in February

Non-energy private sector employment in Qatar expanded in February. The seasonally adjusted Employment Index was the second-highest in 12 months, and above its long-run trend level of 49.7.

Employment Index
sa, >50 = growth since previous month

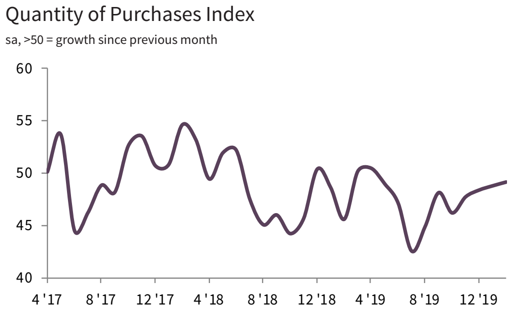


QUANTITY OF PURCHASES INDEX

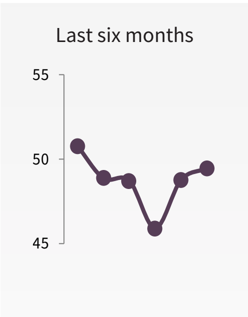


Purchasing indicator rises for fourth successive month

The seasonally adjusted Quantity of Purchases Index edged higher for the fourth month running in February, signalling a steadily improving trend in buying activity by non-energy companies in Qatar. The latest figure was the highest since April 2019.

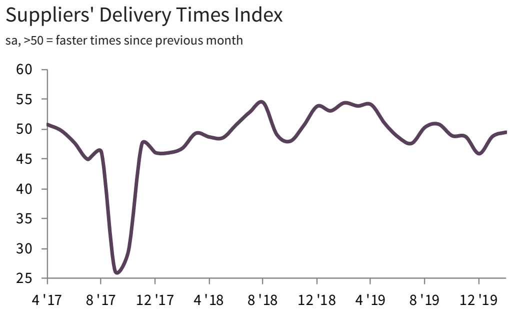


SUPPLIERS' DELIVERY TIMES INDEX

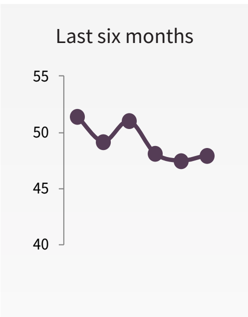


Suppliers' delivery times increase for fifth month running

The seasonally adjusted Suppliers' Delivery Times Index remained below the neutral threshold of 50.0 in February, signalling a further lengthening in the average time taken to deliver inputs to non-energy firms. That said, lead times were only slightly longer than in January.

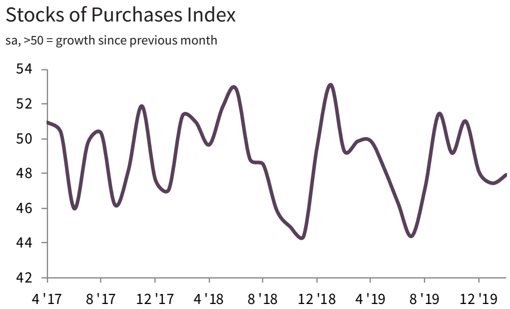


STOCKS OF PURCHASES INDEX

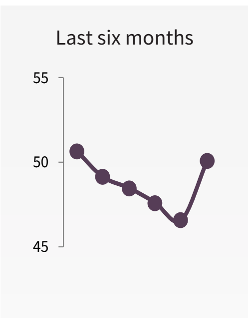


Inventories depleted for third month running

The seasonally adjusted Stocks of Purchases Index remained below the no-change mark of 50.0 in February, indicating another round of inventory trimming at non-energy private sector firms. The rate of destocking was slightly slower than in January.

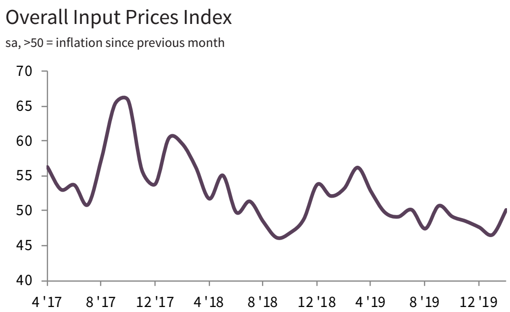


OVERALL INPUT PRICES INDEX



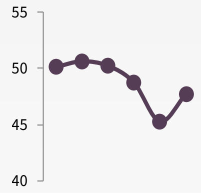
Cost pressures build in February

The seasonally adjusted Overall Input Prices Index posted its largest one-month gain since December 2018 in February, signalling renewed upward pressure on overall input costs at non-energy firms in Qatar. That said, it remained below its long-run trend level of 52.6.



PURCHASE PRICES INDEX

Last six months

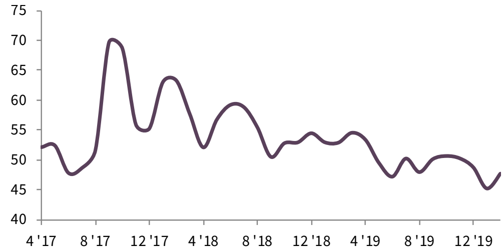


Purchase prices fall further on average, but at slower rate

Survey respondents continued to report falling average purchasing costs in February. The seasonally adjusted Purchase Prices Index picked up from January's record low, signalling a slower rate of reduction.

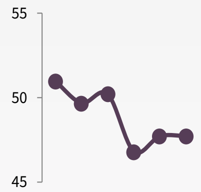
Purchase Prices Index

sa, >50 = inflation since previous month



STAFF COSTS INDEX

Last six months



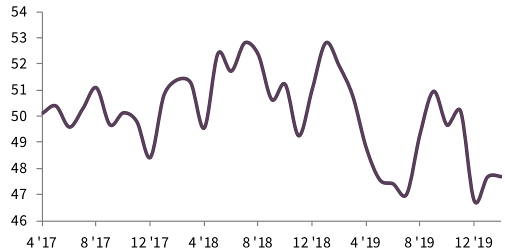
Wages and salaries decline further in February

Survey data indicated another drop in average labour costs in February, the ninth decline in the past 11 months.

The rate of reduction was unchanged since January.

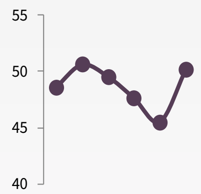
Staff Costs Index

sa, >50 = inflation since previous month



OUTPUT PRICES INDEX

Last six months

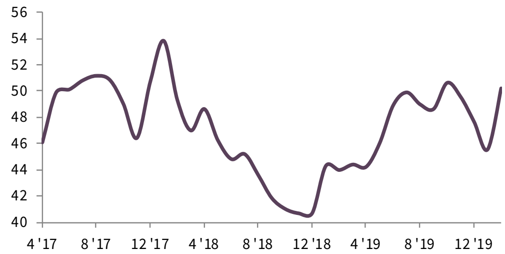


Record increase in charges indicator in February

The seasonally adjusted Output Prices Index rose by 4.7 points in February, the largest one-month gain since the series began in April 2017. The index was the second-highest in over two years, signalling returning pricing power at non-energy companies in Qatar.

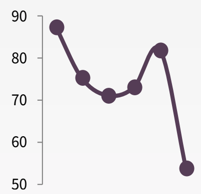
Output Prices Index

sa, >50 = inflation since previous month



FUTURE OUTPUT INDEX

Last six months

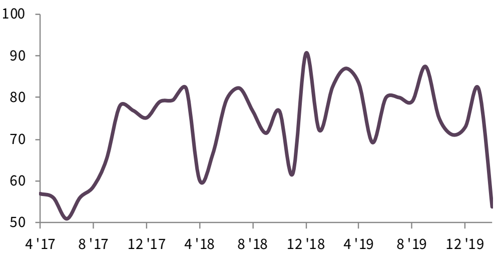


Outlook moderates as more firms expect no change in activity

The majority of survey respondents (84%) expect their activity to be unchanged in February 2021 from current levels. The Future Output Index subsequently posted much closer to the 50 mark, although remained indicative of positive sentiment overall. Only 4% expect a decline in activity, little-changed from January, while 12% expect growth.

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.

February data were collected 12-25 February 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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