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QATAR FINANCIAL CENTRE PMI™

Qatar PMI falls in March, reflecting disruption from global coronavirus outbreak

KEY FINDINGS

PMI drops sharply following a period of expansion

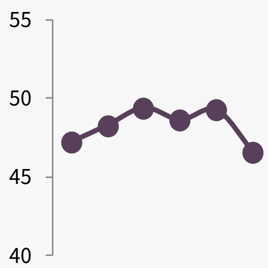
Global coronavirus disruption hits demand and activity

Future Activity Index hits 33-month low as virus uncertainty clouds global outlook

QATAR FINANCIAL CENTRE PMI

MAR
46.6
FEB: 49.3

Last six months



The Purchasing Managers' Index™ (PMI™) survey data for Qatar showed that non-energy private sector business conditions faced disruption in March as restrictions on travel and business activities were abruptly put in place as a result of the global coronavirus outbreak. The headline PMI, which tracks real-time business metrics, fell for only the third time in eight months to its lowest level since August 2019. As elsewhere in the world, indicators for output, new orders and purchasing all dropped sharply from their February levels and the 12-month outlook for total activity moderated further, reflecting great uncertainty surrounding the global economic impact of the coronavirus outbreak. More positively, employment in the Qatari non-energy private sector economy rose for the second month running, with the manufacturing and wholesale & retail sectors boosting job creation.

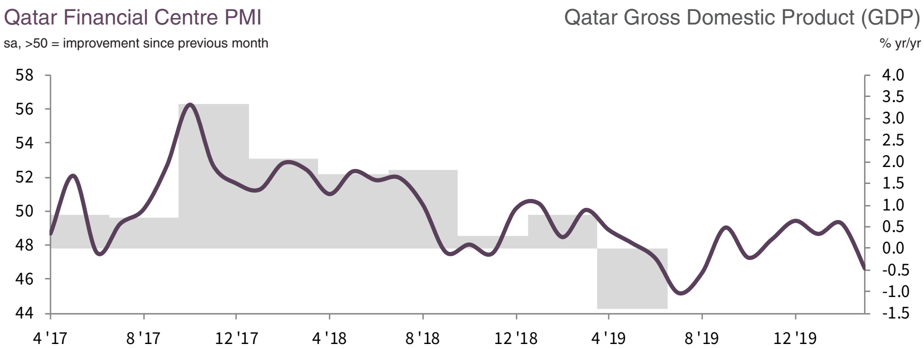
The Qatar PMI indices are compiled from survey responses from a panel of around 400 private sector companies. The panel covers the manufacturing, construction, wholesale, retail and services sectors, and reflects the structure of the non-energy economy according to official national accounts data.

Driven by the onset of the novel coronavirus, the PMI fell to 46.6 in March from 49.3 in February, the lowest reading since August 2019 and below the three-year long-run trend level of 49.8. Overall business conditions had previously recovered in the first two months of 2020 from a soft patch in the middle of last year. Data for January and February were signalling the strongest quarterly performance since Q1 2019, but the weak March figure resulting from the virus-related disruption brought the Q1 PMI average down to 48.2, little-changed from 48.3 in Q4 2019 but still higher than Q3 2019 (46.9). At the sub-sector level, manufacturing posted the strongest overall performance in March, and services the weakest. This is in line with reports that key sections of the economy, including industrial facilities in Ras Laffan, have been able to continue production as usual. Services, however, have been directly affected by government-mandated shutdowns that are in the interest of maintaining public health.

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. Before March's decline the PMI had trended noticeably higher since last July, suggesting that GDP had recovered following a year-on-year decline of 1.4% in the second quarter of 2019. The most recent quarterly PMI reading for Qatar of 48.2 in Q1 is consistent with a 0.4% annual decline in total GDP.

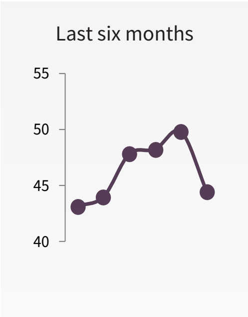
Whereas PMI readings fell due to slower current and future orders, several underlying improvements couched the fall in the headline figure. The new orders and output sub-components had the biggest downward influences on the headline PMI, at -1.9 and -1.3 points respectively. These were partly offset by slightly positive contributions from the employment, stocks of purchases and suppliers' delivery times indices, with the latter inverted for the PMI calculation. In normal circumstances, longer times are associated with rising demand, whereas the lengthening in March reflected disruption to global supply chains from the coronavirus outbreak.

While the aggregate picture suggests slowing activity, there were also several promising signs for Qatar's private sector. Latest data on prices suggested improving profitability at non-energy private sector companies, as overall input prices fell slightly while prices charged for goods and services rose at the fastest rate since January 2018. Average labour costs fell for the fourth month running, albeit only slightly.



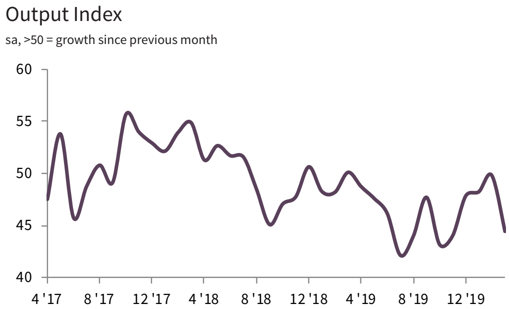
Sources: Qatar Financial Centre, IHS Markit, Qatar's Planning & Statistics Authority.

OUTPUT INDEX

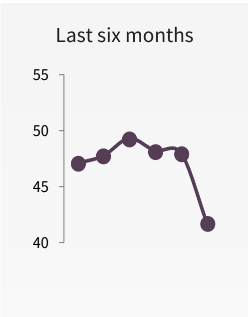


Global coronavirus disruption impacts activity in March

The Output Index fell for only the second time in eight months in March, down from February's 11-month peak. The latest data signalled disruption to business activity in the non-oil private sector resulting from the global coronavirus outbreak.

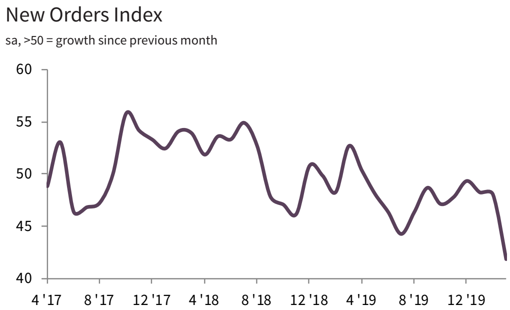


NEW ORDERS INDEX

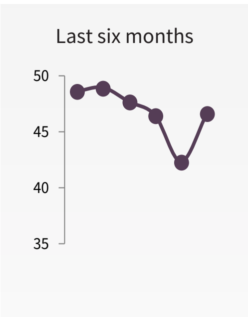


New orders impacted by virus disruption

The New Orders Index fell sharply to a record low in March, signalling widespread disruption to inflows of new business at Qatari non-energy private sector firms as a result of the coronavirus outbreak. Firms reported that restrictions imposed to combat the virus had halted travel and new projects during the month.

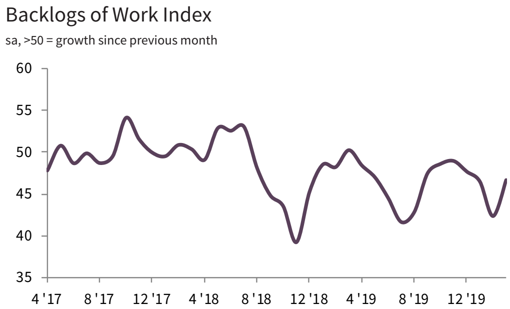


BACKLOGS OF WORK INDEX

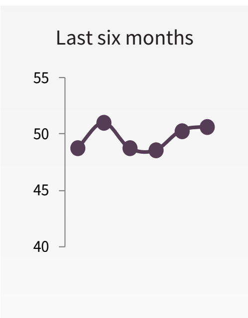


Slower decline in outstanding contracts

Having fallen to its third-lowest level on record in February, the Backlogs of Work Index rose to a three-month high in March. The latest figure signalled a slower reduction in the level of outstanding business in the non-energy private sector economy, partly reflecting restrictions on business activity due to the coronavirus outbreak.

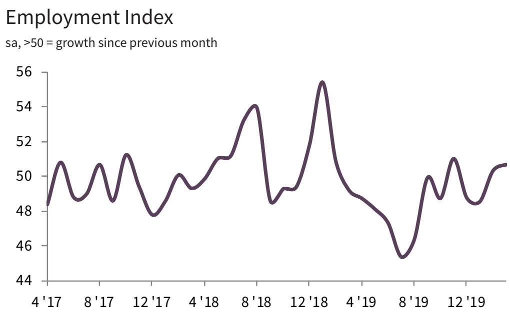


EMPLOYMENT INDEX



Employment growth sustained

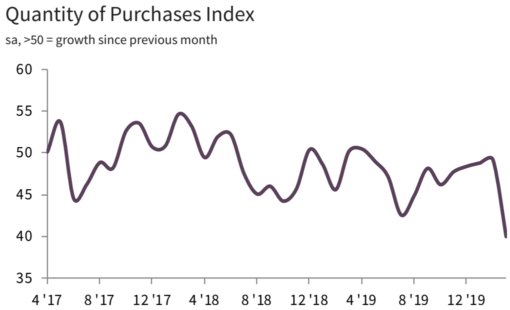
Non-energy private sector employment in Qatar expanded for the second month running in March, and at the fastest rate since February 2019. This marked the first back-to-back workforce growth since early-2019. The seasonally adjusted Employment Index was above its long-run trend level of 49.7.



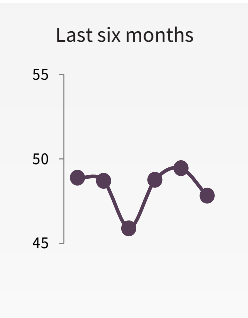
QUANTITY OF PURCHASES INDEX

Joint-record drop in purchasing indicator

The seasonally adjusted Quantity of Purchases Index fell sharply in March, following a series-record four-month sequence of gains. Moreover, the month-on-month drop in the index equalled the largest recorded by the survey to date, matching the 9.1-point fall in June 2017. The downward movement reflected a lack of buying activity in light of halted and cancelled projects due to the shutdowns in the economy.

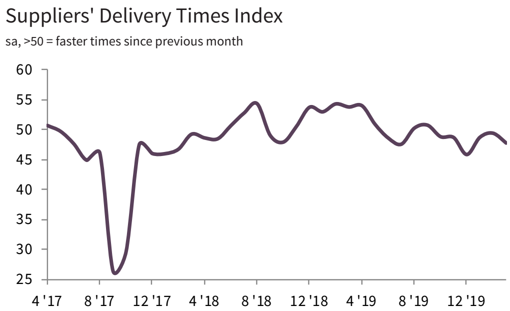


SUPPLIERS' DELIVERY TIMES INDEX

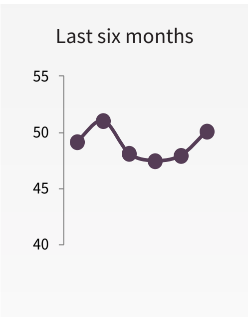


Suppliers' delivery times continue to lengthen

The seasonally adjusted Suppliers' Delivery Times Index remained below the neutral threshold of 50.0 in March, signalling a further lengthening in the average time taken to deliver inputs to non-energy firms. Moreover, lead times lengthened by more than in January and February.

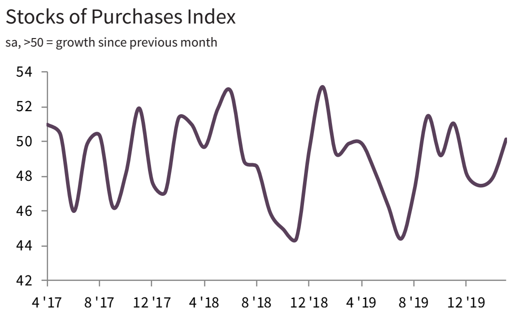


STOCKS OF PURCHASES INDEX

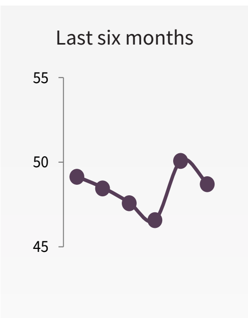


Input inventories stable in March

The seasonally adjusted Stocks of Purchases Index registered broadly in line with the no-change mark of 50.0 in March, indicating a stable level of inputs held at non-energy private sector firms. This followed a three-month sequence of inventory reduction.

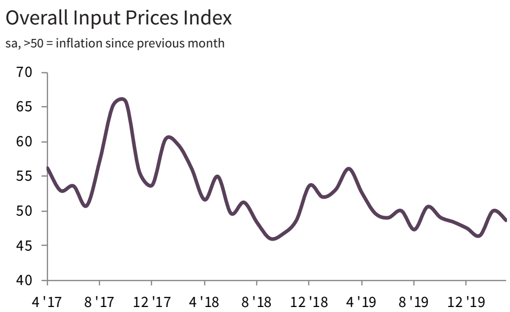


OVERALL INPUT PRICES INDEX

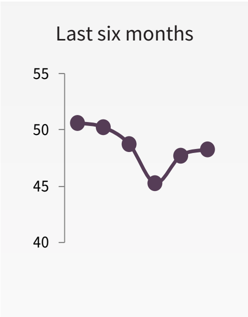


Lower average input costs in March

Having risen to a five-month high in February, the seasonally adjusted Overall Input Prices Index dipped below the no-change mark in March, to signal a fall in average input costs at Qatari non-energy private sector companies. The rate of reduction was moderate, and slower than the falls registered in December, January and February.

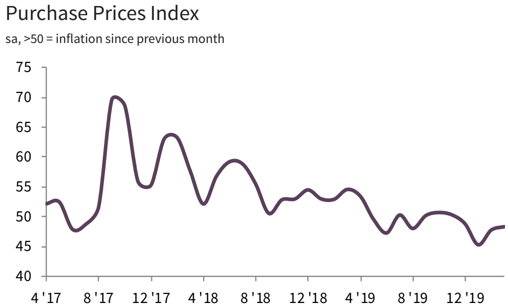


PURCHASE PRICES INDEX

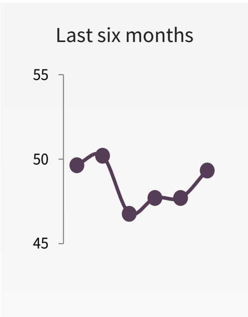


Slower fall in purchasing costs

Survey respondents continued to report falling average purchasing costs in March. The seasonally adjusted Purchase Prices Index remained in negative territory for the fourth month running, but picked up further from January's record low, signalling a slower rate of reduction in purchasing costs.

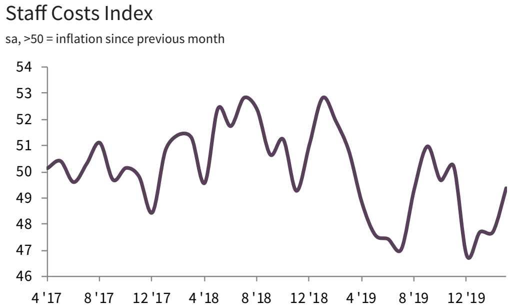


STAFF COSTS INDEX

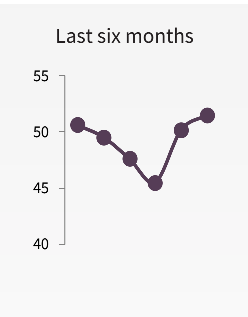


Wages and salaries decline only fractionally

Survey data indicated a fourth successive month-on-month decline in average labour costs in March. That said, the rate of reduction was the weakest in the current sequence and only marginal.

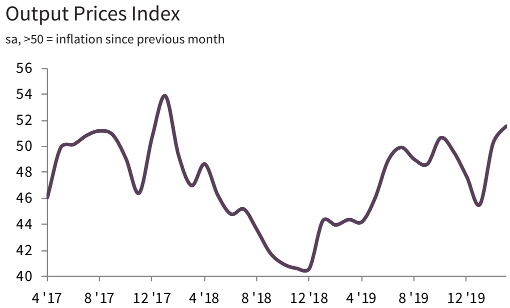


OUTPUT PRICES INDEX

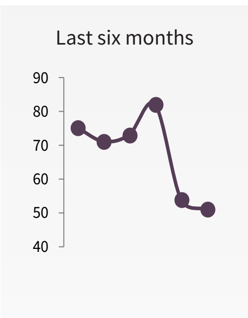


Strongest rise in charges since January 2018

The seasonally adjusted Output Prices Index continued to signal returning pricing power at non-energy companies in Qatar in March. Charges rose for the second month running, and at the fastest rate since January 2018.

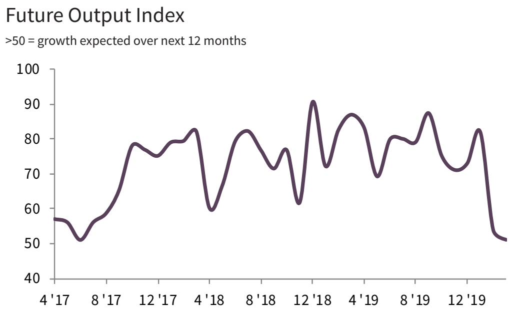


FUTURE OUTPUT INDEX



Future Output Index at 33-month low

With unprecedented global uncertainty surrounding the long-term economic impact of the coronavirus outbreak, the vast majority of survey respondents (97%) expect their activity to be unchanged in March 2021 from current levels. The Future Output Index subsequently fell to a 33-month low and was close to the neutral threshold of 50.0.



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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.

March data were collected 12-24 March 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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