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QATAR FINANCIAL CENTRE PMI™

Qatar's private sector economy continues to gain momentum at end of 2019

KEY FINDINGS

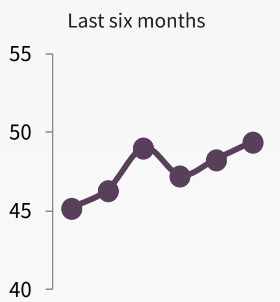
Qatar PMI rises for fourth time in five months in December

Output and new order indicators both hit eight-month highs

Record-beating decline in staff costs

QATAR FINANCIAL CENTRE PMI

DEC
49.4
NOV: 48.3



The final Purchasing Managers' Index™ (PMI™) survey of Qatar for 2019 revealed a strong end to the year for the non-energy private sector economy. Positive momentum was maintained in December, reflecting gains in the key output and new business indicators, which signal greater pressure on supply chains moving forward. Companies remained strongly optimistic regarding growth forecasts for 2020, reflecting expected new projects and clients. Exactly half of all respondents expect growth at their units over the next 12 months, versus only 4% that forecast a reduction.

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.

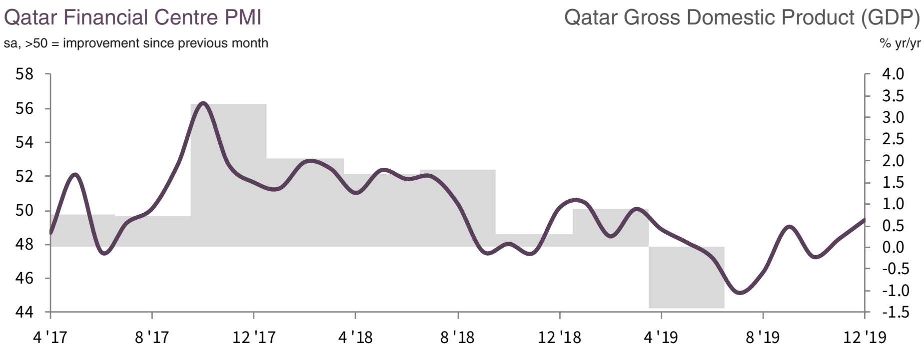
The headline figure is the Purchasing Managers' Index. The PMI is a weighted average of five indices for new orders (30% weight), output (25%), employment (20%), suppliers' delivery times (15%, with the index inverted) and stocks of purchases (10%) and is designed to provide a timely single-figure monthly snapshot of the health of the economy.

The PMI rose for the fourth time in five months to reach 49.4 in December, from 48.3 in November. The latest figure was broadly comparable with the long-run survey trend level of 49.9 (which is equivalent to 2.6% annual non-oil growth) and rounded off the best quarterly performance since the opening quarter of 2019.

December's PMI reading was lifted by the output (+1.0 points), new orders (+0.5) and suppliers' delivery times (+0.4) components. The latter lengthened during the month, which is indicative of busier supply chains and improving demand. The boost from these three indicators was tempered somewhat by falls in the employment (-0.4) and stocks of purchases (-0.3) indices, which suggest efforts by firms to embed productivity gains.

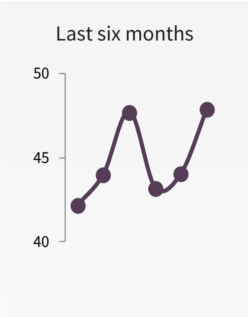
At the sub-sector level, December data for new business revealed notable upward momentum in the construction and wholesale & retail sectors.

To enable comparisons with official quarterly gross domestic product (GDP), the monthly headline PMI figure can be aggregated to a quarterly average. 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. In the first half of 2019 the PMI tracked the rebound in annual growth of official GDP in the first quarter to 0.9% and the subsequent contraction in the second quarter (-1.4%), which was the first decline since the third quarter of 2009. In the second half of 2019 the PMI has trended higher since July, suggesting that the official measure of GDP is likely to recover in the third and fourth quarters. While PMI baselines are different across global markets, over the survey history a Qatari PMI reading of 50.0 is consistent with 0.8% annual growth of GDP, and 2.7% growth of non-mining GDP.



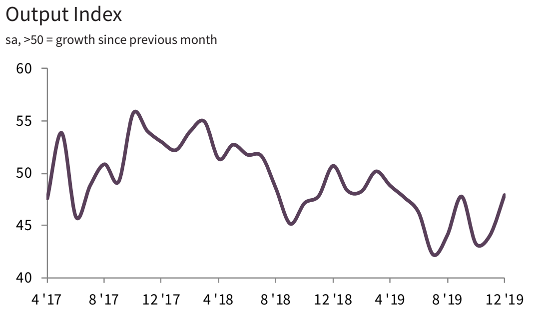
Sources: Qatar Financial Centre, IHS Markit, Qatar's Planning & Statistics Authority.

OUTPUT INDEX

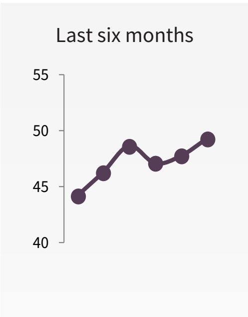


Output Index reaches highest mark since April

Business activity at Qatari non-energy private sector companies continued to build momentum in December. The Output Index rose for the fourth time in five months to the highest since April.

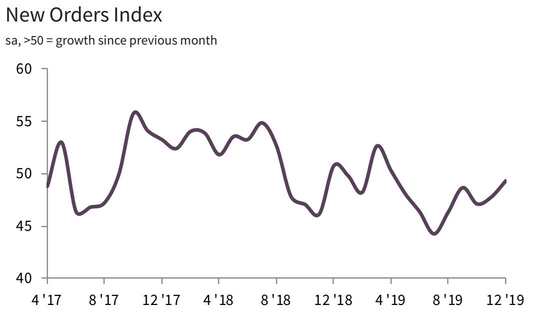


NEW ORDERS INDEX

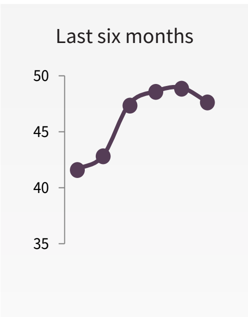


New business trend continues to improve

The seasonally adjusted New Orders Index remained on an upward trajectory in December, rising further from July's low to an eight-month high. A number of firms reported new projects and winning new clients.

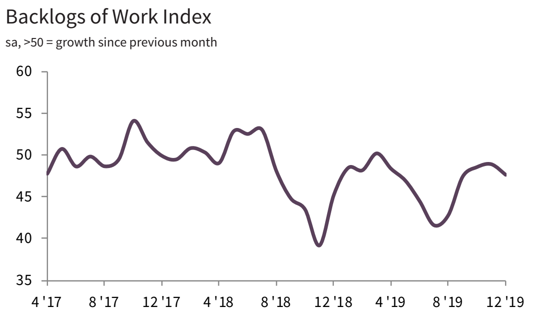


BACKLOGS OF WORK INDEX

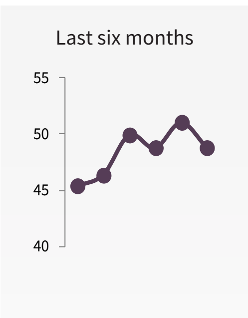


Firms cut backlogs at faster rate than in November

The seasonally adjusted Backlogs of Work Index eased slightly in December, but remained above its 2019 trend level. The month-on-month decline in the index signalled that firms had cleared outstanding business at a slightly faster rate at the end of the year.

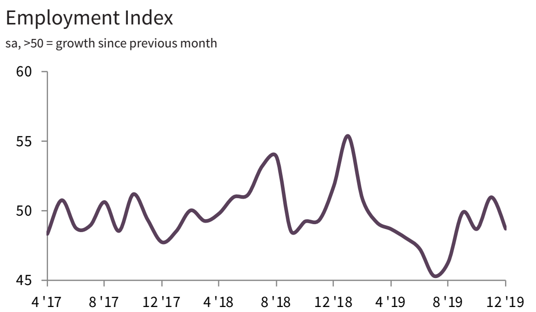


EMPLOYMENT INDEX

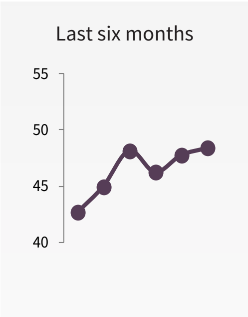


Non-energy firms consolidate workforces in December

The seasonally adjusted Employment Index dipped below the no-change mark of 50.0 in December, as slightly more firms reduced headcounts than raised them compared with November. The index was broadly in line with its trend level over 2019 as a whole.

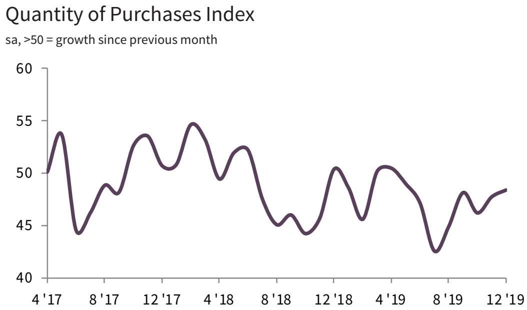


QUANTITY OF PURCHASES INDEX

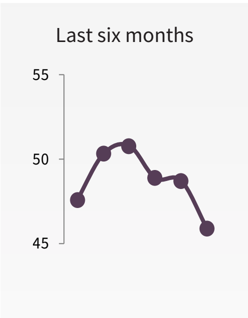


Purchasing indicator continues to rise in December

In tandem with the pattern observed for the new business indicator, the seasonally adjusted Quantity of Purchases Index rose for the fourth time in five months in December. This signalled upward momentum in buying activity undertaken by non-energy private sector firms in Qatar at the end of 2019.

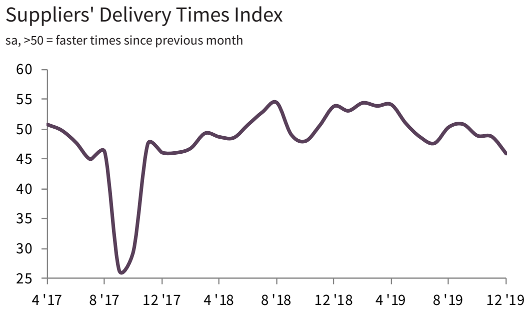


SUPPLIERS' DELIVERY TIMES INDEX

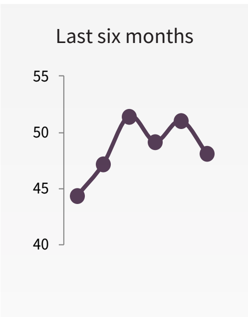


Pressure on supply chains intensifies at end of 2019

The seasonally adjusted Suppliers' Delivery Times Index fell notably in December, indicating longer input delivery times for companies in Qatar's non-energy private sector. This signalled pressure on supply chains from the improving trend in demand. Data signalled that times had lengthened to the greatest extent for over two years.

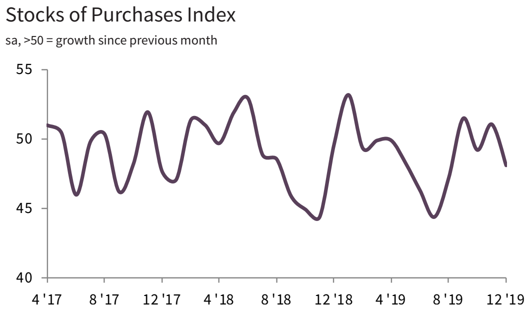


STOCKS OF PURCHASES INDEX

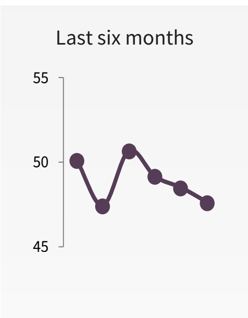


Inventories depleted at fastest rate in four months

Having risen in both September and November, the volume of inputs held in stock at non-energy companies in Qatar fell in December. The rate of decline was the strongest since August and slightly faster than the long-run survey average, partly reflecting the increased pressure on supply chains during the month.

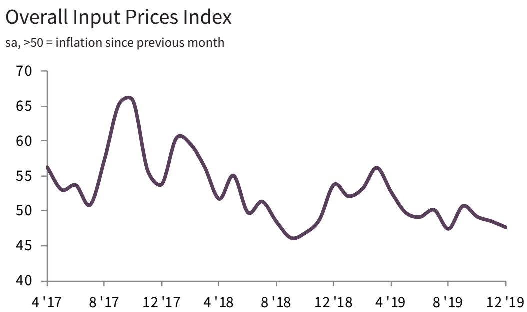


OVERALL INPUT PRICES INDEX

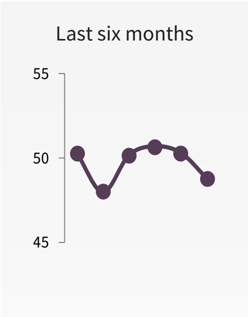


Overall cost pressures reduced in December

The seasonally adjusted Overall Input Prices Index registered below the no-change mark of 50.0 for the sixth time in eight months in December, signalling lower average input costs in the non-energy private sector. Moreover, the rate of reduction was one of the fastest signalled by the survey to date.

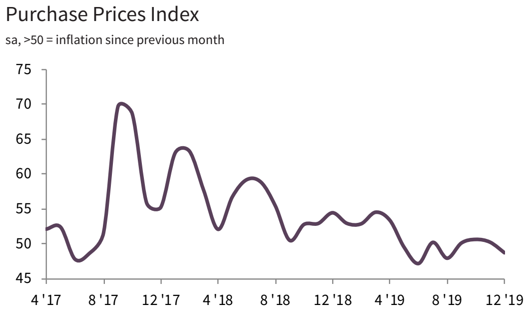


PURCHASE PRICES INDEX

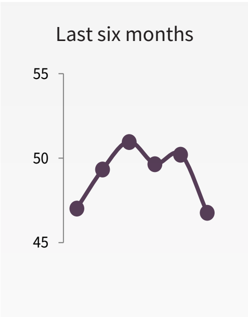


Purchase prices fall for first time in four months

Average purchasing costs fell for the first time since September at the end of 2019, signalled by the seasonally adjusted Purchase Prices Index dipping below the no-change mark of 50.0. That said, the overall rate of reduction was modest.

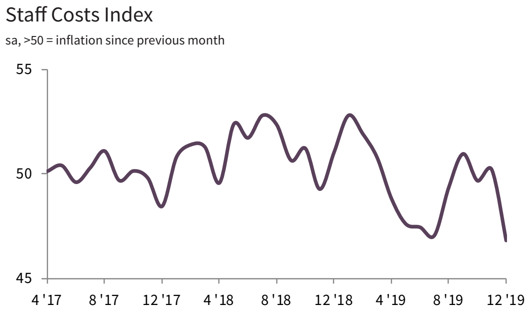


STAFF COSTS INDEX

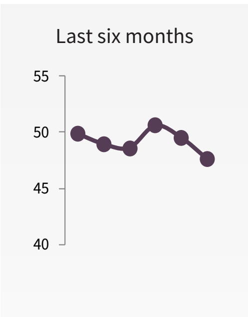


Survey-record decline in labour costs

In line with the trend shown throughout much of 2019, non-energy private sector companies in Qatar reported falling average staff costs in December. Moreover, the rate of decline was the fastest registered since the survey began in April 2017.

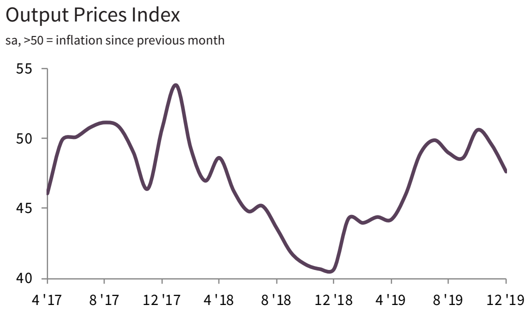


OUTPUT PRICES INDEX

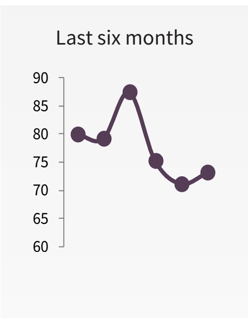


Strongest rate of discounting since May

Non-energy private sector firms in Qatar lowered their prices for goods and services at the end of 2019. The rate of discounting was the fastest since May, but remained slower than the long-run survey average.

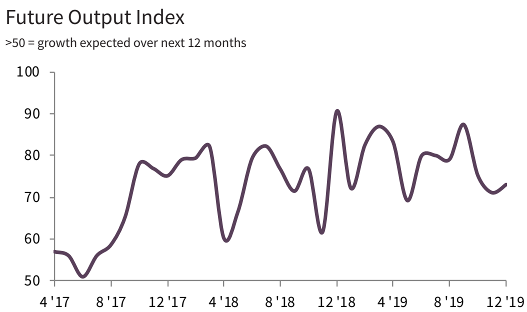


FUTURE OUTPUT INDEX



Output expectations pick up since November

The outlook for activity remained strongly positive in December, linked to new projects and clients. Exactly half of the survey respondents expect growth over the next 12 months, compared with only 4% that forecast a reduction. The Future Output Index rose since November and was broadly in line with its long-run trend level.



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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.

December data were collected 5-18 December 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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