September 2020

QATAR FINANCIAL CENTRE

QATAR FINANCIAL CENTRE PMI™

Strong rebound of the Qatari economy continues in August

KEY FINDINGS

PMI continues to register a strong expansion at 57.3

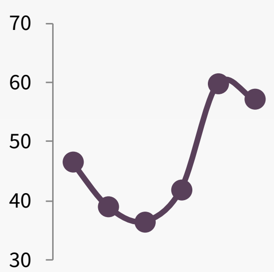
Headline figure driven by further rapid expansions in output and new orders

Cost inflationary pressures remain strong

QATAR FINANCIAL CENTRE PMI

AUG
57.3
JUL: 59.8

Last six months



The latest Purchasing Managers' Index™ (PMI™) survey data for Qatar indicated another marked improvement in non-energy private sector business conditions in August, building on July's rebound as lockdown measures related to the coronavirus disease 2019 (COVID-19) pandemic continued to be loosened. Activity and new business orders both increased at the second-strongest rates to-date since the survey began in April 2017, building on July's record expansions.

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 registered 57.3 in August, the second-highest level on record behind July's peak of 59.8. Prior to the third quarter of 2020, the highest the headline figure had reached was 56.3 in October 2017. The latest figure signalled a sustained strong recovery in non-energy private sector business conditions as markets reopened and pent-up demand was released following the easing of lockdown restrictions. Companies stepped up purchasing operations and capacity increased as backlogs were completed during the month. The sector's workforce was broadly stable while firms remained confident of growth over the next 12 months.

The strongest contributions to the headline figure in August were from new orders and output. Both variables expanded at the second-fastest rates since the survey began, following surges in July. Firms reported that business had strengthened as the economy reopened with the easing of lockdown restrictions. The manufacturing sector recorded the strongest rates of growth in both output and new orders during the month.

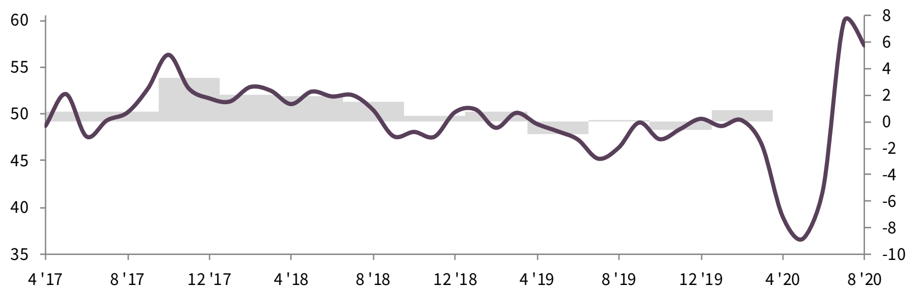
The employment component was little-changed from July and broadly in line with its long-run survey average in August, signalling a broadly stable hiring trend in the non-energy private sector. Sub-sector data signalled fresh recruitment in the construction industry during the month.

Signalling a normally-functioning economy, August data showed further upward pressure on firms' input costs. Overall input prices rose at the second-strongest rate in two-and-a-half years, following July's survey-record inflation. This was despite a slight dip in average labour costs during the month. Output charges rose for the second month running, at a rate little-changed on July.

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 0.88 with the year-on-year percentage change in GDP in real terms, with a PMI reading of 50.0 equating to 1.0% growth on an annual basis. The latest official data reported annual growth of 0.9% in the first quarter. The PMI data for the second quarter of 2020 are indicating a decline in GDP of 4.6% year-on-year, reflecting the impact of the lockdown on the economy. PMI data for the first two months of the third quarter are signalling a subsequent rebound, with growth of 5.5%.

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

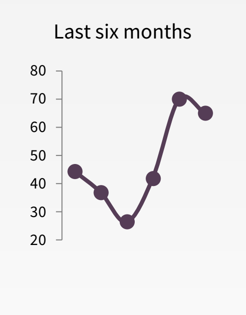
sa, >50 = improvement since previous month — % yr/yr



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

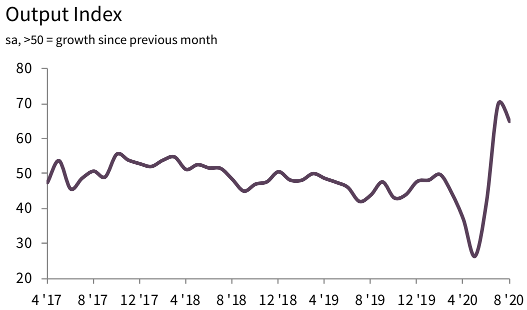
PMI™ By IHS Markit

OUTPUT INDEX

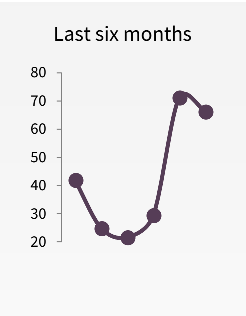


Further marked rise in non-energy business activity

August data signalled another rapid increase in non-energy private sector activity in Qatar, as lockdown measures were lifted further. The seasonally adjusted Output Index eased from July's record, but was still the second-highest over the series history.

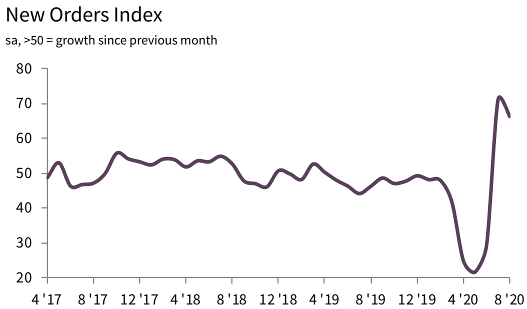


NEW ORDERS INDEX

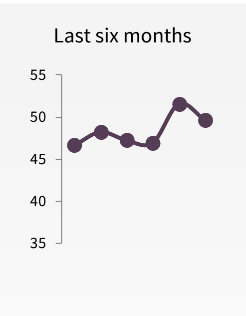


Second-fastest expansion of new work in series history

Non-energy private sector demand continued to expand markedly in August, linked to the lifting of COVID-19 related restrictions. The New Orders Index was the second-highest on record, following July's upward surge. Almost two-fifths (37%) of the survey panel reported higher demand in the latest period.

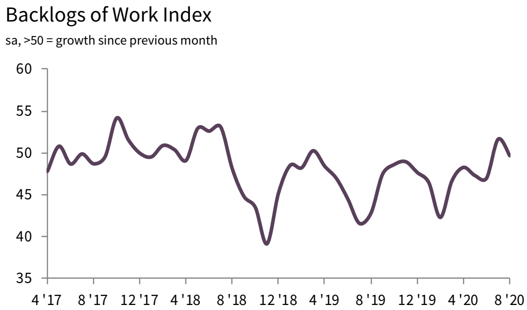


BACKLOGS OF WORK INDEX

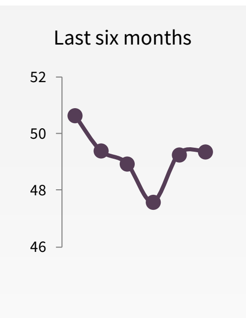


Firms cut outstanding business

Non-energy private sector firms in Qatar expanded capacity in August and were able to deplete their levels of outstanding business, following a rare increase in backlogs in July. That said, the rate of reduction was only marginal, suggesting sustained pressure on capacity remained.

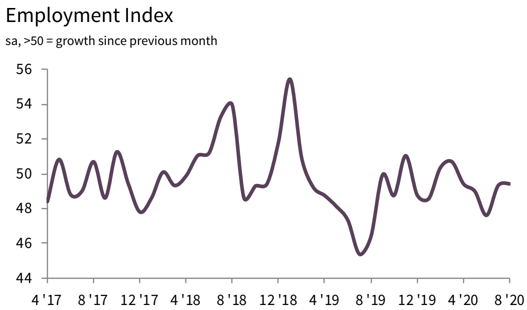


EMPLOYMENT INDEX



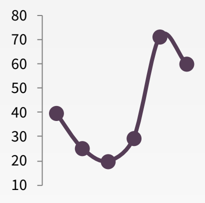
Workforce remains broadly stable

The Employment Index was little-changed in August, and only just below the neutral level of 50.0. This signalled a further stable trend in non-energy private sector employment in Qatar, following a decline in June. The Index was broadly in line with its long-run average.



QUANTITY OF PURCHASES INDEX

Last six months

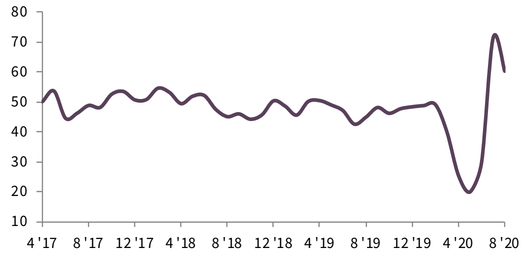


Firms continue to increase purchases of inputs

Non-energy private sector firms continued to step up their purchasing activity in August, to meet strong growth in new business. The seasonally adjusted Quantity of Purchases Index registered its second-highest level, signalling a further rapid rate of expansion.

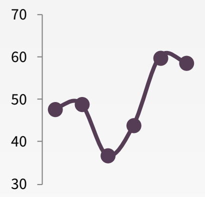
Quantity of Purchases Index

sa, >50 = growth since previous month



SUPPLIERS' DELIVERY TIMES INDEX

Last six months

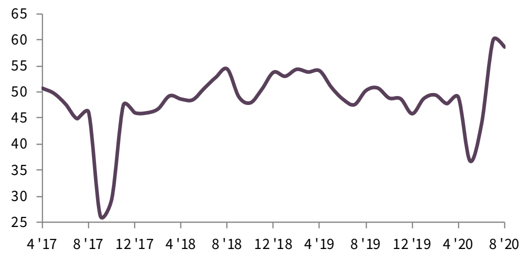


Suppliers continue to achieve faster delivery times

The seasonally adjusted Suppliers' Delivery Times Index remained well above the 50.0 no-change mark in August, despite moderating from July's record high. The latest figure indicated another substantial improvement in average lead times, reflecting the lifting of transport restrictions.

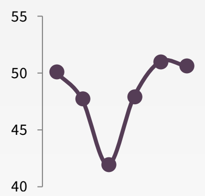
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



STOCKS OF PURCHASES INDEX

Last six months

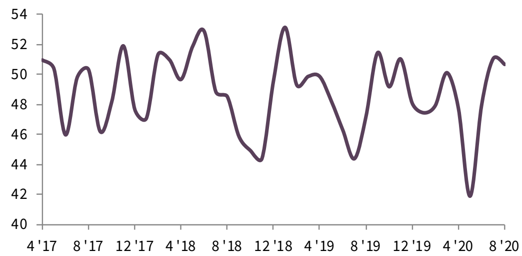


Sustained growth of input stocks

The sustained strong growth in purchasing activity in August resulted in another overall rise in input stocks inventories at non-energy private sector firms. This marked the first back-to-back inventory growth since the middle of 2018.

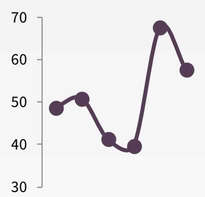
Stocks of Purchases Index

sa, >50 = growth since previous month



OVERALL INPUT PRICES INDEX

Last six months

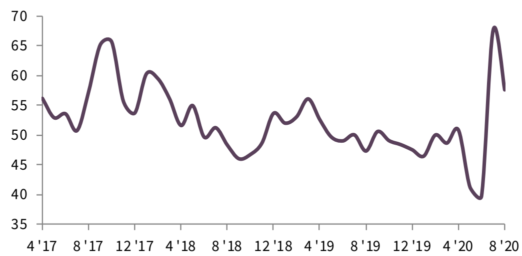


Input price inflation moderates from July record

Average input prices paid by non-energy private sector firms continued to rise sharply in August. The rate of inflation eased from July' all-time high but was still among the strongest on record since the series began in April 2017.

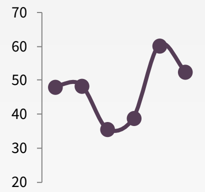
Overall Input Prices Index

sa, >50 = inflation since previous month



PURCHASE PRICES INDEX

Last six months

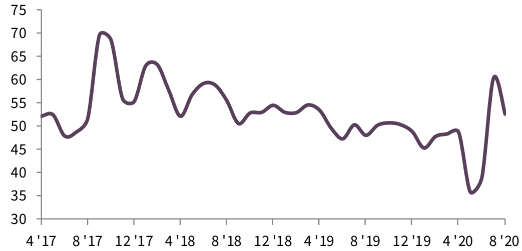


Much slower rise in purchase prices

Prices paid for raw materials and other production inputs rose further in August. The rate of inflation was much slower than July's series record, but still stronger than in any previous period stretching back to May 2019. The Purchase Prices Index was broadly in line with its long-run trend level.

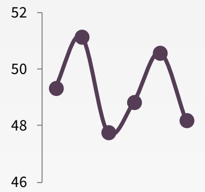
Purchase Prices Index

sa, >50 = inflation since previous month



STAFF COSTS INDEX

Last six months

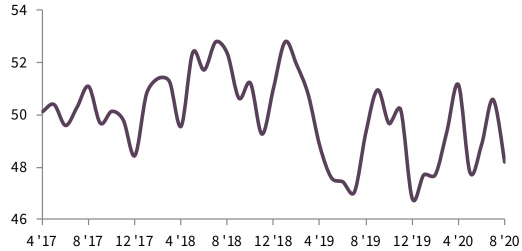


Wages and salaries decrease slightly

Average wages and salaries at non-energy private sector firms in Qatar fell in August, following an increase in July. Firms linked downward pressure on labour costs to losses incurred in recent months during the lockdown.

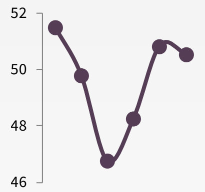
Staff Costs Index

sa, >50 = inflation since previous month



OUTPUT PRICES INDEX

Last six months

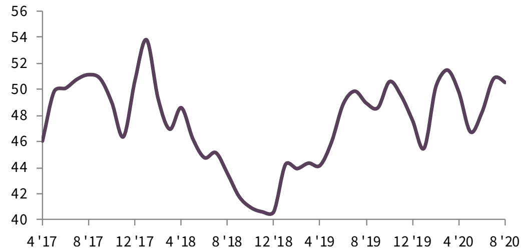


Charges raised for second month running

Firms raised their prices charged for goods and services for the second month running in August, following reductions during April, May and June. The rate of inflation remained modest overall, but relatively strong in the context of the survey history.

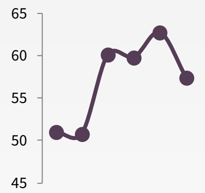
Output Prices Index

sa, >50 = inflation since previous month



FUTURE OUTPUT INDEX

Last six months

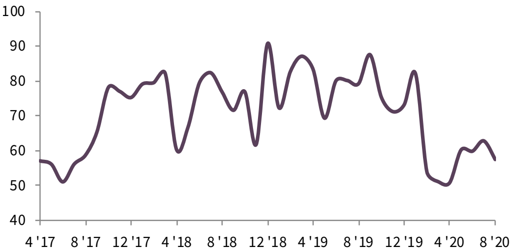


Output expectations remain firmly positive

The 12-month outlook for non-energy private sector business activity remained upbeat in August. The Future Output Index eased somewhat from July's six-month high but remained firmly in positive territory. Several firms reported expectations of improved business conditions from September.

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 12-25 August 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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