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مـركـز قـطـر للـمـال
QATAR FINANCIAL CENTRE

QATAR FINANCIAL CENTRE PMI™

PMI ebbs in July but business outlook remains strongly positive

KEY FINDINGS

More than two-thirds of firms expect growth over the next year

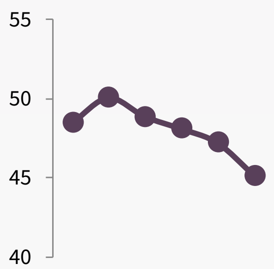
Heightened confidence of future business activity

Prices charged for goods and services remain constant

QATAR FINANCIAL CENTRE PMI

JUL
45.2
JUN: 47.2

Last six months



The July PMI™ survey of Qatar pointed to a strongly positive 12-month outlook for business activity in the non-energy private sector, while current business conditions grew more subdued.

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 data.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of five indices for new orders, output, employment, suppliers' delivery times and stocks of purchases, and is designed to provide a timely single-figure snapshot of the health of the economy every month. The PMI ebbed from June's 47.2 to 45.2 in July, after adjusting for seasonal factors. This mirrors the recent trend of weakening PMI data globally, notably in manufacturing.

Over the second quarter as a whole the PMI averaged 48.1, and this figure provides an advance signal of the direction of change in official gross domestic product (GDP), which is only published on a quarterly basis. Based on historical comparisons with official GDP data back to the second quarter of 2017, the PMI figure for the second quarter of 2019 is consistent with a pause in GDP expansion.

Since the survey began in April 2017 the PMI has a correlation of 0.90 with the year-on-year percentage change in GDP in real terms, over a comparison period of eight quarters up to the first quarter of 2019. Most recently, the PMI accurately signaled the marked slowdown in annual growth of GDP in the final quarter of last year to 0.3%, and the subsequent pick-up in the first quarter of 2019 to 0.9%. The official estimate for the first quarter of 2019 was published on 4 July, three months after the March PMI data were published.

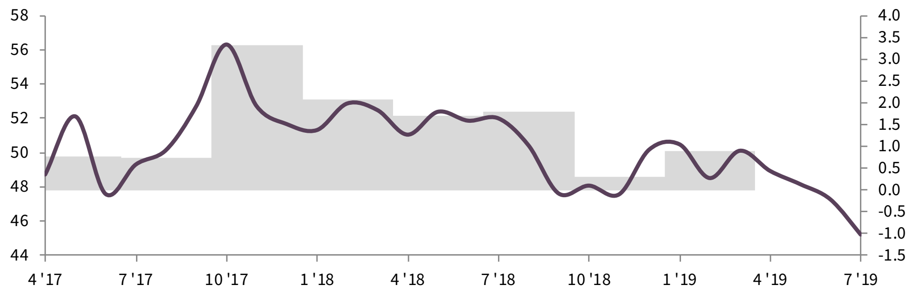
The easing of the PMI in July reflected weaker contributions from four of its five components, including output, new business, employment and stocks of purchases. A positive contribution came from suppliers' delivery times (although this index fell in July, it is subsequently inverted for the PMI calculation).

More positively, the 12-month outlook for total business activity remained strong at the start of the third quarter as the Future Output Index was little-changed from June at 80.1. Nearly 68% of survey respondents expect higher workloads at their units over the next 12 months, with confidence strongest in the financial services sector.

There was a general lack of inflationary pressure in the non-energy private sector economy in July, as average input prices were broadly unchanged since June. Staff costs fell for the fourth month running, and at a faster rate, foreshadowing lower production costs for Qatari firms. Companies retained price levels charged broadly stable, following a 17-month sequence of discounting, which is encouraging for the business community.

Qatar Financial Centre PMI
sa, >50 = improvement since previous month

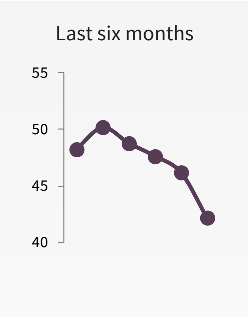
Qatar Gross Domestic Product (GDP)
% yr/yr



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

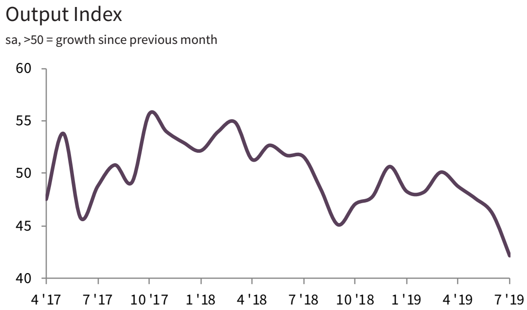
PMI™
By IHS Markit

OUTPUT INDEX

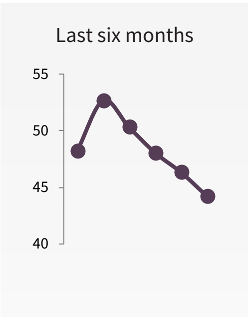


July data signal subdued business activity

The seasonally adjusted Output Index eased further to a new low in July, indicating slower business activity in the Qatari non-energy private sector.

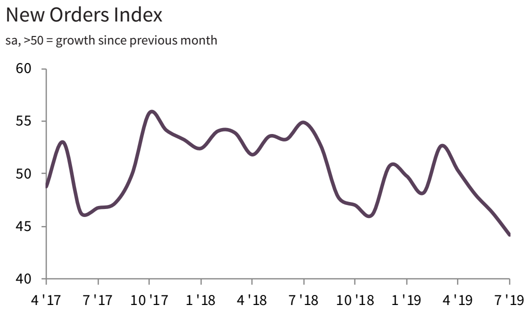


NEW ORDERS INDEX

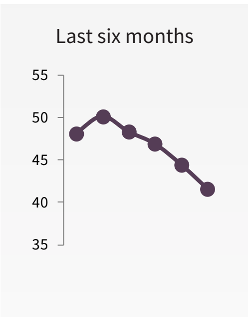


New business index falls to lowest level on record

The seasonally adjusted New Orders Index continued to signal a weakening current trend in new business at the start of the third quarter. The index eased further from March's seven-month high to the lowest on record.

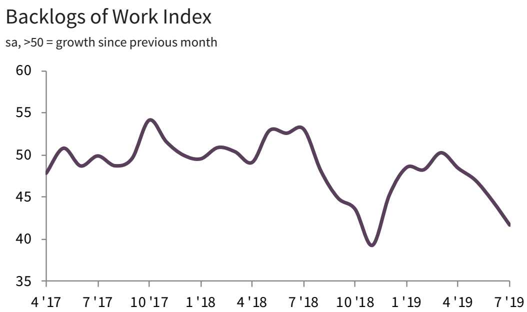


BACKLOGS OF WORK INDEX

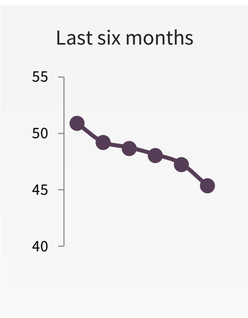


Firms clear existing workloads at stronger rate

Private sector non-energy firms in Qatar continued to complete existing workloads in July. Moreover, the rate of backlog depletion was the strongest since November 2018. The Backlogs of Work Index posted below its long-run trend level of 48.5.

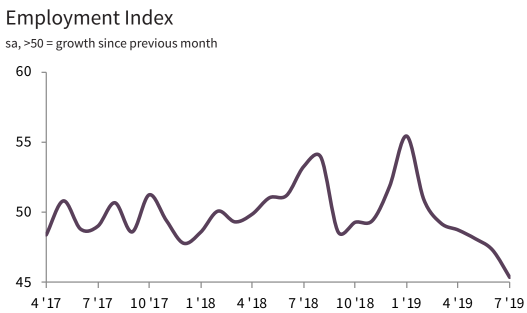


EMPLOYMENT INDEX

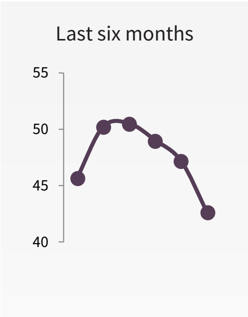


Employment index at series low in June

July data signalled that the non-energy private sector labour force in Qatar contracted by the most in any month since the PMI survey began in April 2017. The workforce has shrunk continuously since March.

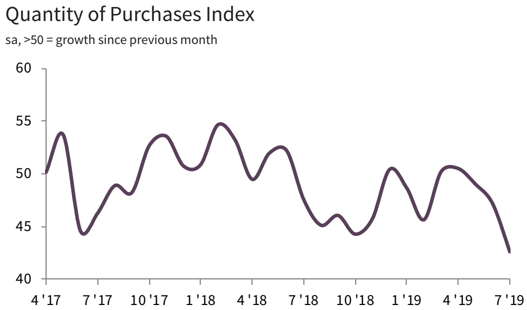


QUANTITY OF PURCHASES INDEX

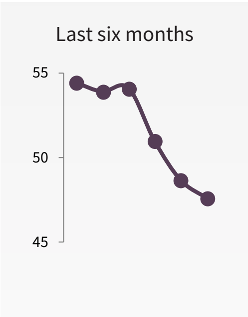


Companies cut purchases of new inputs sharply

The volume of inputs ordered by non-energy private sector firms in Qatar fell in July, as was the case in May and June. Moreover, the rate of decline accelerated in the latest period.

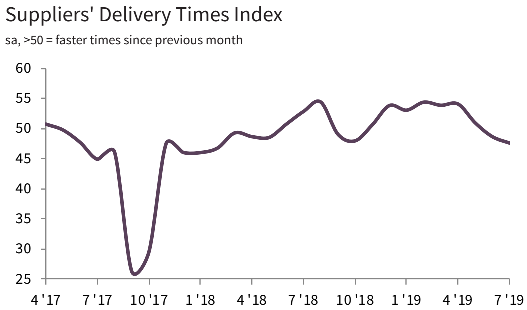


SUPPLIERS' DELIVERY TIMES INDEX

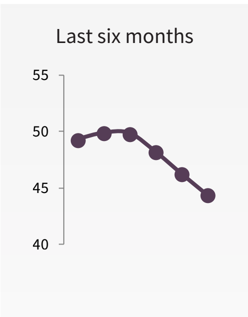


Delivery times for inputs continue to lengthen

The average time taken for suppliers to deliver inputs to non-energy private sector firms in Qatar lengthened further in July. Moreover, delays were more prevalent with around 9% of respondents reporting longer times in July, versus only 4% in June.

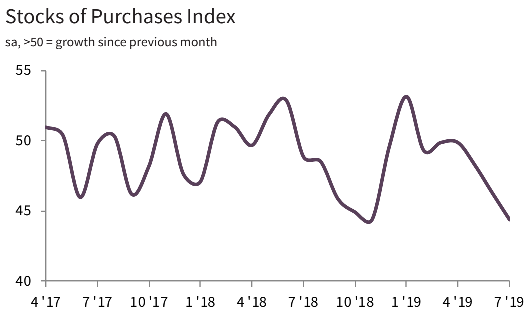


STOCKS OF PURCHASES INDEX

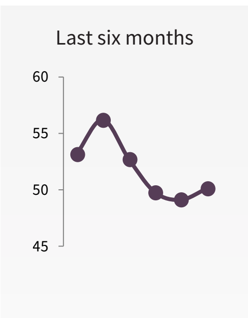


Destocking intensifies at start of second half of 2019

Companies continued to engage in destocking of inputs in July. Moreover, the extent of the clear-out in warehouse stocks was the fastest since November 2018.

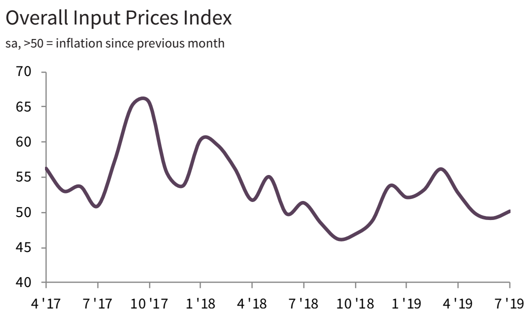


OVERALL INPUT PRICES INDEX

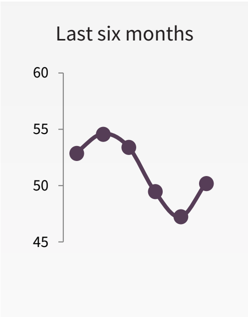


Average input costs broadly unchanged in July

The seasonally adjusted Overall Input Prices Index rose to almost equal the no-change mark of 50.0 in July, signalling a lack of cost pressure in the Qatari non-energy private sector. This followed slight falls in average input prices in both May and June.

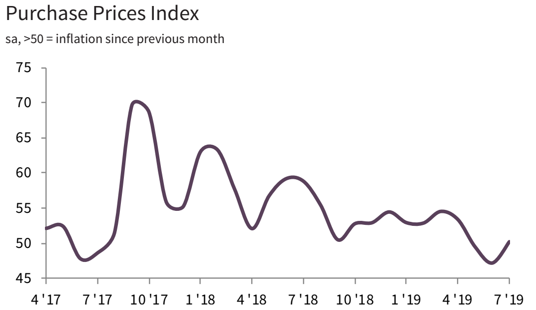


PURCHASE PRICES INDEX

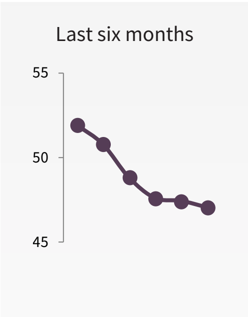


Purchase prices rise slightly in July

Qatari non-energy private sector firms paid more for non-staff inputs in July, following declines in both May and June. That said, the rate of inflation signalled at the start of the second half of 2019 was only marginal.

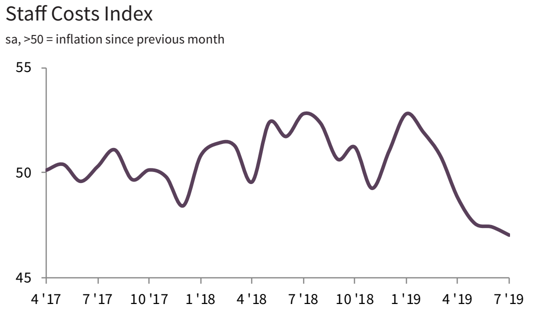


STAFF COSTS INDEX

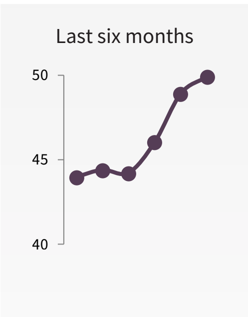


Wages and salaries decline further in July

July survey data indicated a fourth successive month-on-month decline in average wages and salaries paid by non-energy private sector firms in Qatar. Moreover, the rate of reduction accelerated slightly since June.

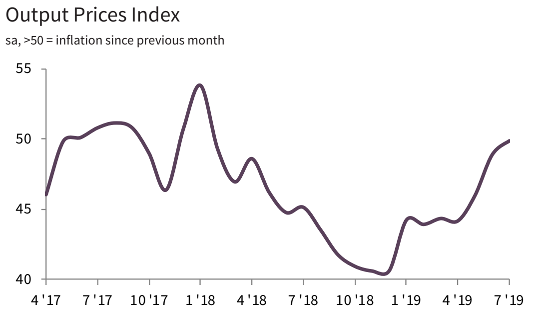


OUTPUT PRICES INDEX

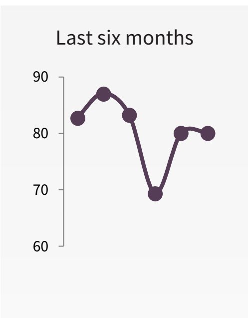


Charges for goods and services broadly unchanged since June

Following a 17-month period of discounting, output prices set by non-energy private sector firms in Qatar were broadly stable in July. This was signalled by the seasonally adjusted index rising to almost equal the neutral 50.0 threshold.

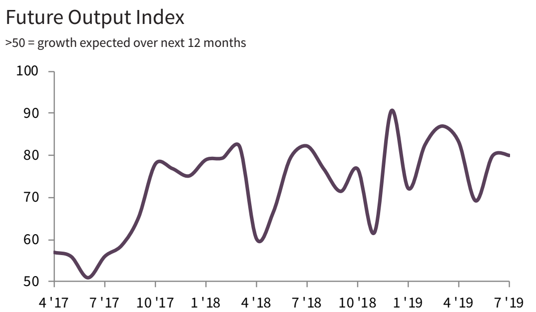


FUTURE OUTPUT INDEX



Outlook for business activity remains strongly positive

The Future Output Index was little-changed from June, at 80.1 in July. This signalled a marked degree of optimism at companies that business activity would grow by July 2020, with 68% of firms reporting positive views. The Index was above its average for both 2019 so far (79.2) and its long-run trend level (72.7) since April 2017.



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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.

July 2019 data were collected 12-30 July 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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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.