QATAR FINANCIAL CENTRE

QATAR FINANCIAL CENTRE PMI™

Qatar PMI rebounds in June but still signals challenging business conditions

KEY FINDINGS

PMI at 42.1, from 36.6 in May, hitting an all-time high month-on-month gain

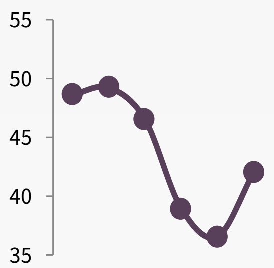
Year-ahead outlook for business activity remains positive

Record fall in average input prices

QATAR FINANCIAL CENTRE PMI

JUN
42.1
MAY: 36.6

Last six months



The latest Purchasing Managers' Index™ (PMI™) survey data for Qatar produced an uptick, but still signalled that non-energy private sector business conditions in June remained challenging amid the ongoing but loosening lockdown measures to contain the global coronavirus disease 2019 (COVID-19) pandemic. Overall current business conditions deteriorated further, although the key indicators for output and new orders both recovered from May's record lows, indicating much slower rates of decline. The future activity index continued to signal a positive 12-month outlook, following May's rebound in sentiment, which likely reflects optimism of the implemented phased reopening of the economy. Promisingly, the latest survey also noted a record fall in average input prices, alleviating some pressure on profit margins.

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 42.1 in June, from 36.6 in May. The month-on-month gain in the headline figure, at 5.5 points, was the largest on record since the series began in April 2017. That said, the level of the PMI was still the third-lowest since the survey's inception and indicated a challenging business environment for non-energy private sector firms in Qatar.

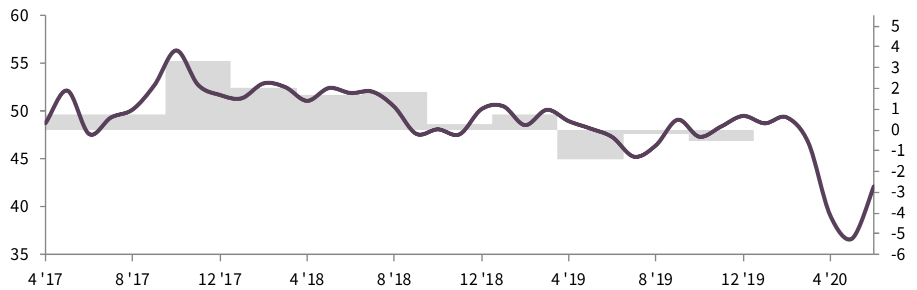
The increase in the headline PMI figure in June was largely driven by the initiation of the country's phased reopening. The two largest components of the headline PMI, new orders (30% weight) and output (25%), both saw record month-on-month gains in June, of 7.6 points and 15.6 points respectively. These trends signalled that the most extreme phase of the lockdown-induced disruption had passed. The upward momentum of activity and demand was tempered slightly, however, by a stronger rate of job shedding among non-energy private sector firms in June, as they adjusted capacity in anticipation of a decline in the volume of outstanding business.

At the sector level, trend data for June suggested that wholesale & retail witnessed the biggest rebound since May, followed by construction, services and manufacturing respectively. Service providers were the most confident of future expansion in activity, while the other sectors followed closely behind.

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 0.89 with the year-on-year percentage change in GDP in real terms. The most recent official release of GDP, for the final quarter of 2019, show a year-on-year decline of 0.6%, compared with an advance signal from the PMI of -0.3%. PMI data for the first quarter of 2020 are signalling a further year-on-year decline of 0.4%, and the latest PMI data for the second quarter are signalling a year-on-year decline in GDP of 6.4% in the second quarter. That said, with the Future Activity Index remaining positive in June, and the PMI rising sharply, the second quarter may represent the nadir of the current virus-driven downturn.

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

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



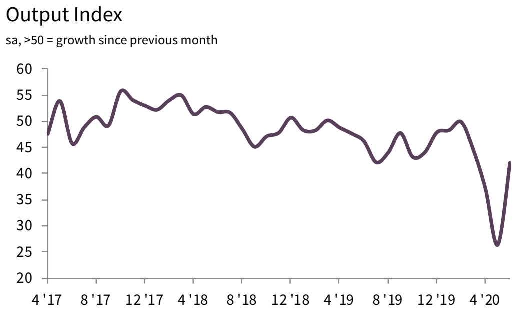
Sources: Qatar Financial Centre, IHS Markit, Qatar's Planning & Statistics Authority.

PMI™ By IHS Markit

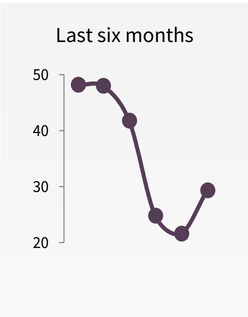
OUTPUT INDEX

Output index rebounds from May's record low

Non-energy private sector activity in Qatar remained hampered by easing measures to contain the spread of the coronavirus disease 2019 (COVID-19) in June. That said, the seasonally adjusted Output Index rose by a record 15.6 points to its highest since March.

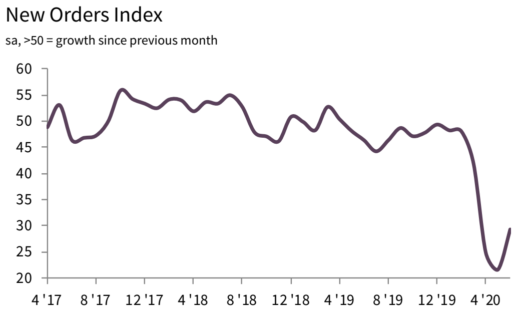


NEW ORDERS INDEX

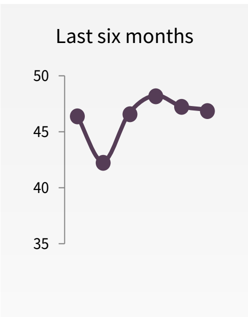


Slump in demand eases in June

The ongoing lockdown measures continued to restrict demand in June. The New Orders Index posted a record increase from May's low, but was still at the third-lowest level since the series began in April 2017.

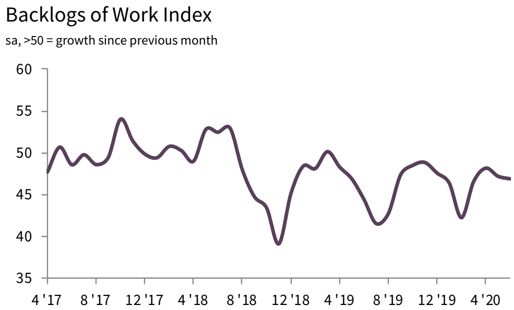


BACKLOGS OF WORK INDEX

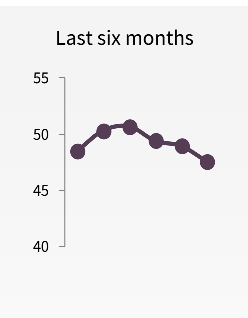


Backlogs continue decline in private sector

The volume of incomplete business in the non-energy private sector economy continued to decline in June, falling for the fifteenth successive month. The rate of contraction was the fastest in three months.

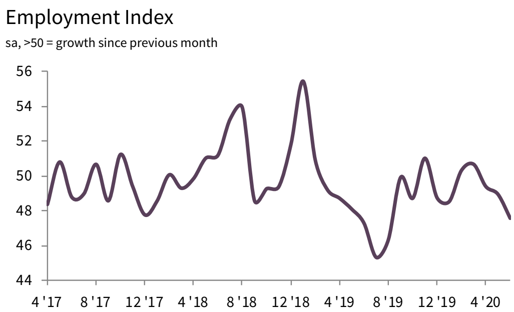


EMPLOYMENT INDEX

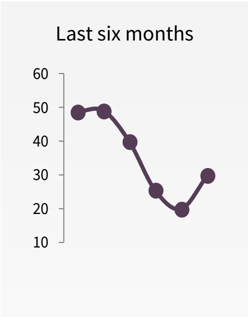


Workforce cut at fastest rate since August 2019

Non-oil private sector firms continued to reduce their workforces in June, continuing the trend shown since April. The rate of job shedding was the fastest in ten months, and the Employment Index remained below its three-year historic average of 49.6.

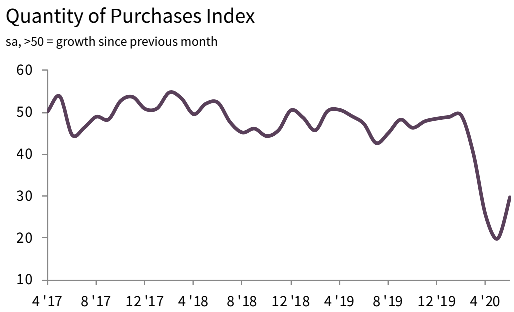


QUANTITY OF PURCHASES INDEX

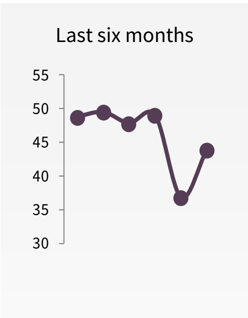


Decline in purchasing activity slows in June

The seasonally adjusted Quantity of Purchases Index recovered from May's record low in June, signalling a slower fall in buying activity by non-energy private sector firms. That said, the reduction remained strong overall.

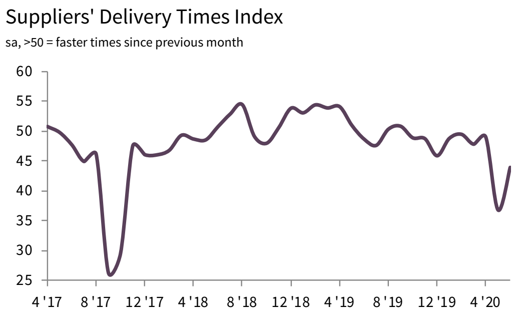


SUPPLIERS' DELIVERY TIMES INDEX

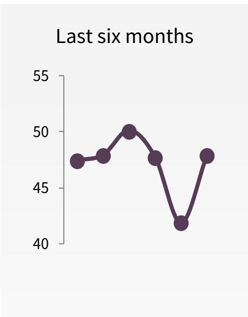


Supply chains under less pressure in June

The seasonally adjusted Suppliers' Delivery Times Index rose sharply in June, indicating a much less substantial lengthening of input lead times at non-energy private sector firms in Qatar. That said, delays were still the second-longest in over two-and-a-half years.

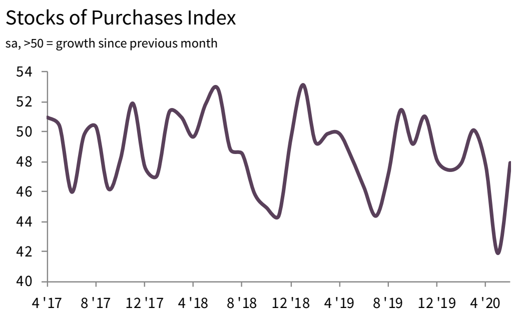


STOCKS OF PURCHASES INDEX

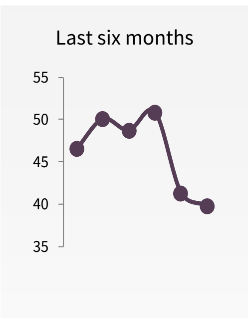


Much slower drop in input stocks

The volume of inputs held in stock at non-energy private sector firms in Qatar continued to fall in June. That said, the rate of decline slowed notably from May's record contraction.

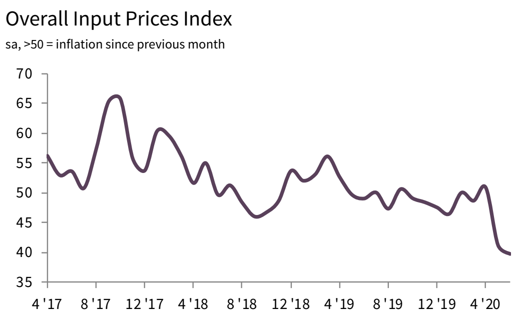


OVERALL INPUT PRICES INDEX



Record decline in average input prices

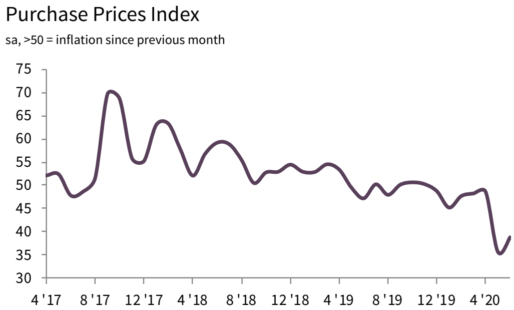
The seasonally adjusted Overall Input Prices Index fell to a new record low in June, signalling the fastest reduction in average costs at non-energy private sector firms in Qatar since the series began in April 2017.



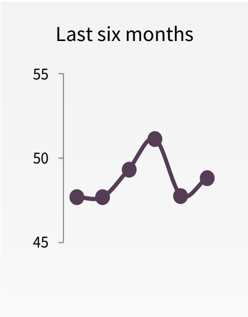
PURCHASE PRICES INDEX

Strong, but slower, drop in purchase prices

The seasonally adjusted Purchase Prices Index remained well below the 50.0 no-change mark in June, signalling another marked reduction in average prices paid for purchased items. Purchase prices have fallen continuously since December 2019.

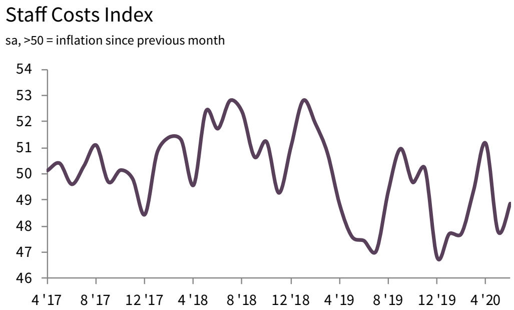


STAFF COSTS INDEX

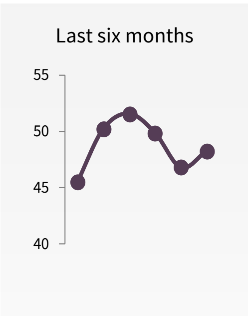


Wages and salaries fall further in June

Latest survey data indicated a sustained fall in average labour costs in June. This followed the strongest rise since February 2019 in April. Staff costs have now fallen six times in the past seven months.

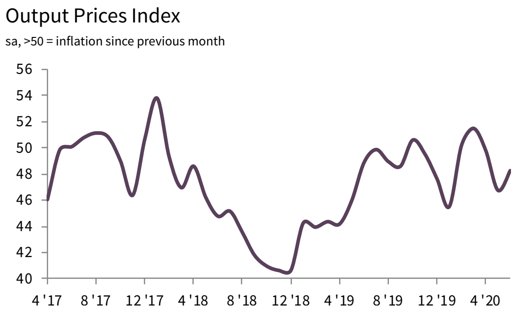


OUTPUT PRICES INDEX

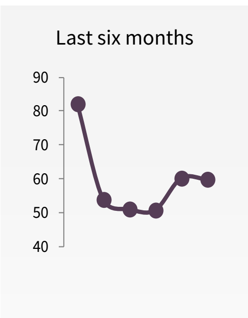


Prices charged fall further

Firms reduced their prices charged for goods and services for the third month running in June. That said, the seasonally adjusted Output Prices Index rose closer to the no-change threshold, indicating a slower rate of discounting. The Index was above its long-run average of 47.3.

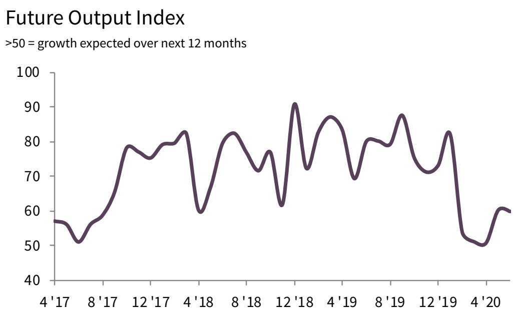


FUTURE OUTPUT INDEX



Year-ahead outlook remains positive

The 12-month outlook for business activity remained positive in June. The Future Output Index was little-changed from May's four-month high. Almost all (98%) of survey respondents expect activity at their units to either rise or remain stable by June 2021.



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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 June 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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