December 2020

QATAR FINANCIAL CENTRE PMI™

Private sector expansion builds momentum towards end of 2020

KEY FINDINGS

PMI rises to 52.5 in November, signalling accelerating growth in non-energy private sector

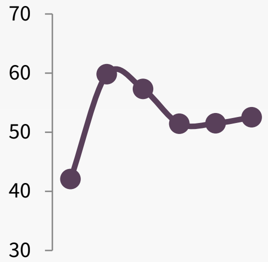
Growth rates for output, new business and employment among fastest in survey history

Firms boost wages as business levels return to normal

QATAR FINANCIAL CENTRE PMI

NOV
52.5
OCT: 51.5

Last six months



Qatar's non-energy private sector economy continued to expand towards the end of 2020, according to the November Purchasing Managers' Index™ (PMI™) survey data. The rates of expansion in business activity, backlogs and employment all accelerated during the month, while new business registered another marked increase and the 12-month outlook for output remained positive.

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 52.5 in November, from 51.5 in October, to signal an improvement in operating conditions in the non-energy private sector. The latest reading was the seventh-highest on record since the series began in April 2017, compared with a long-run average of 49.6.

The rise in the headline figure in November reflected stronger positive contributions from the output and employment indicators. Output rose at the fastest rate since August, while the rate of job creation was the strongest since January 2019 that marks a return to pre-pandemic trends.

At the sector level, operating conditions strengthened the most in manufacturing this November, followed by construction and wholesale & retail respectively, while operating conditions at service providers were running in line with the long-run survey trend. Manufacturing registered the strongest rise in output among the four main sectors monitored, while construction companies posted the sharpest expansion in jobs. Manufacturers' output is primarily destined to foreign markets, many in East Asia, where the effects of the pandemic have been milder than in Europe or the United States. Meanwhile, the effective local handling of the pandemic has enabled a return to safe operating conditions, including in labour-intensive construction activities.

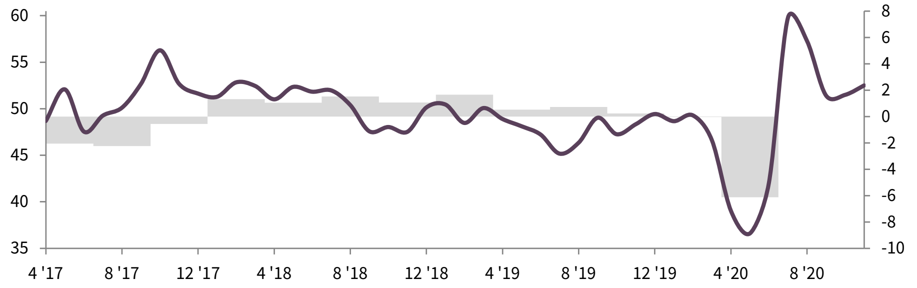
The elevated level of the PMI was also influenced by one of the highest levels seen in the new orders index to date, indicative of improving demand. New business growth was again sufficiently strong to generate rising levels of incomplete work for the second month running. The backlogs index was the second-highest since July 2018, signalling emerging capacity constraints driven by a resurgence in demand and limited supply of local labour amidst pandemic controls.

Non-energy private sector firms raised average wages and salaries in November as business levels returned to normal. Meanwhile, purchasing prices fell and charges levied for goods and services decreased slightly, reflecting seasonal promotion activity.

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 0.66 with the year-on-year percentage change in GDP in real terms, with a PMI reading of 50.0 equating to 0.2% growth on an annual basis. The latest official data reported a year-on-year decline of 6.1% in real terms in the second quarter of 2020, a figure heavily influenced by the lockdown measures implemented to contain the coronavirus outbreak. The PMI data for the third quarter of 2020 are consistent with a 2.7% year-on-year increase in GDP, and data for the first two months of the fourth quarter are signalling a further increase of 1.0%. Year-to-date PMI data confirms Qatar's economic trajectory is more in-line with what is observed in China and other East Asian economies with a V-shaped recovery, rather than that seen in Europe or the United States.

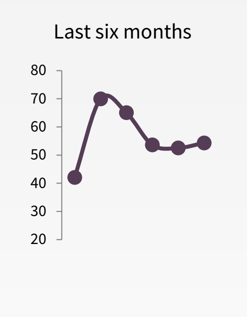
Qatar Financial Centre PMI — Qatar Gross Domestic Product (GDP)

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



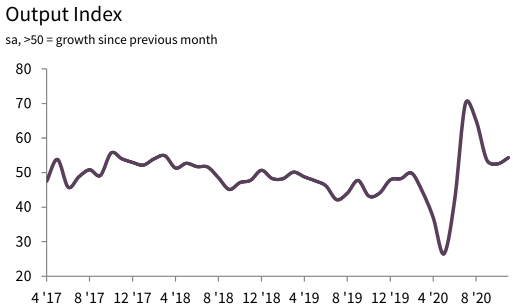
Sources: Qatar Financial Centre, IHS Markit, Qatar's Planning & Statistics Authority.

OUTPUT INDEX

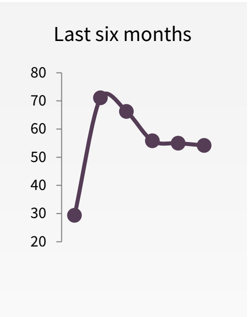


Strongest rise in output for three months in November

The level of non-energy private sector business activity in Qatar rose for the fifth successive month in November. Moreover, the rate of expansion accelerated to the fastest since August. The seasonally adjusted Output Index was the fifth-highest on record in the latest period.

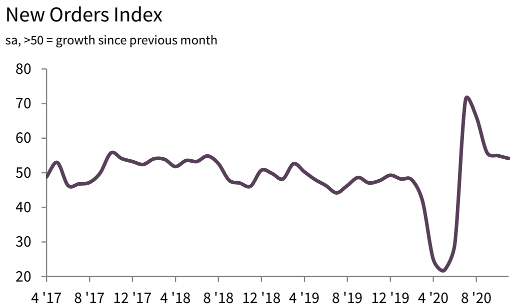


NEW ORDERS INDEX

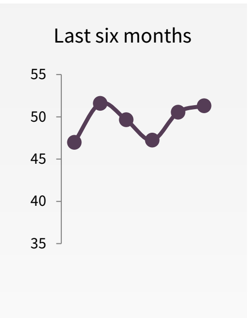


New business growth remains elevated approaching year end

Demand for non-energy goods and services in Qatar continued to improve in November. The seasonally adjusted New Orders Index was little-changed from October and remained among the highest on record, signalling an elevated rate of growth.

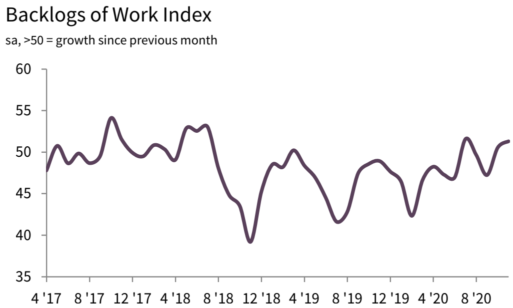


BACKLOGS OF WORK INDEX

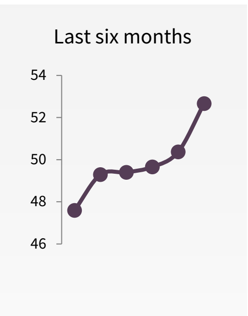


Outstanding business rises for second month running

Pressure from demand on business capacity was further evident in November, as the volume of outstanding work rose for the second month running. Moreover, the rate of backlog growth accelerated. The seasonally adjusted Backlogs of Work Index was the second-highest since July 2018.

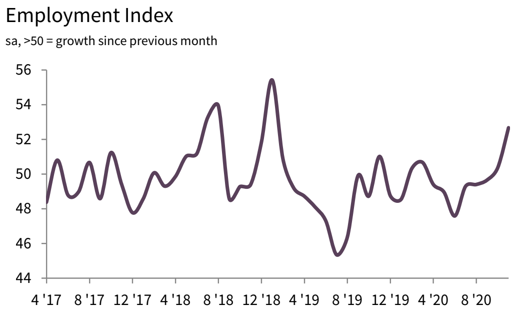


EMPLOYMENT INDEX



Fastest rise in employment rises for nearly two years

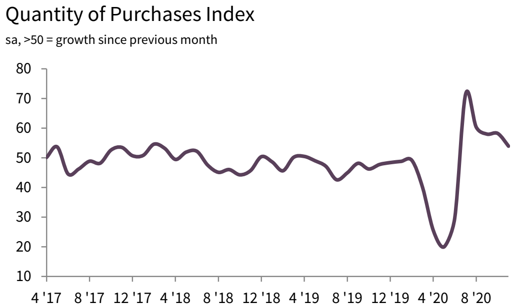
Non-energy private sector firms in Qatar boosted their workforces in November to a degree not seen since the start of 2019. The seasonally adjusted Employment Index rose to a 22-month high, and was the fourth-highest on record.



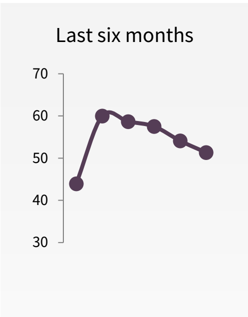
QUANTITY OF PURCHASES INDEX

Companies expand purchasing operations for fifth straight month

The seasonally adjusted Quantity of Purchases Index remained well above its long-run trend level in November, indicating a sustained marked expansion in input buying by non-energy private sector firms.

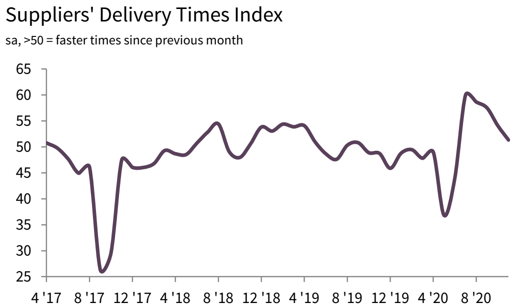


SUPPLIERS' DELIVERY TIMES INDEX

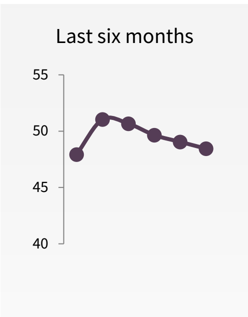


Suppliers delivery times fall for fifth month running

Average lead times for inputs in the non-energy private sector economy continued to quicken in November, as supply chains recovered from the disruption caused by the pandemic earlier in the year. Times were shorter for the fifth successive month.

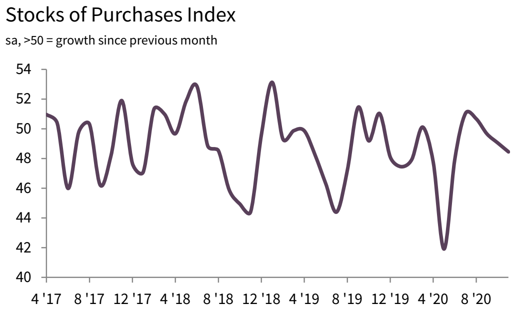


STOCKS OF PURCHASES INDEX

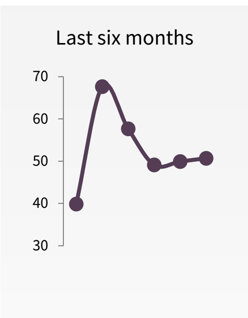


Destocking of inputs continues in November

Inventories remained under pressure due to rising demand in November. The volume of inputs held in stock fell for the third month running, and at the fastest rate in this sequence.

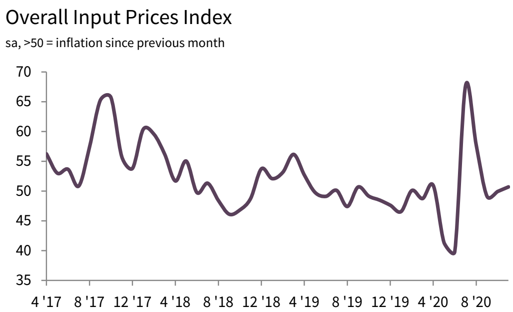


OVERALL INPUT PRICES INDEX

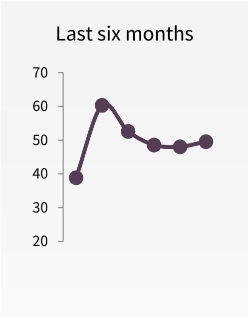


Overall cost pressures rise slightly compared with October

Average input prices paid by non-energy private sector firms increased in November, having been broadly unchanged in October. The rate of inflation was only marginal, however, reflecting a decline in raw material prices.

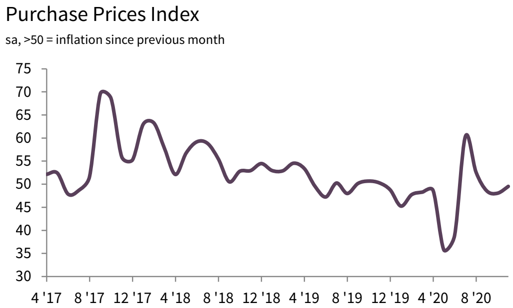


PURCHASE PRICES INDEX

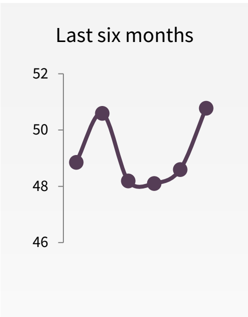


Average purchase prices decline for third month running

Prices paid for raw materials and other production inputs decreased for the third straight month in November. The rate of reduction was only fractional, however, and the slowest in the current sequence.

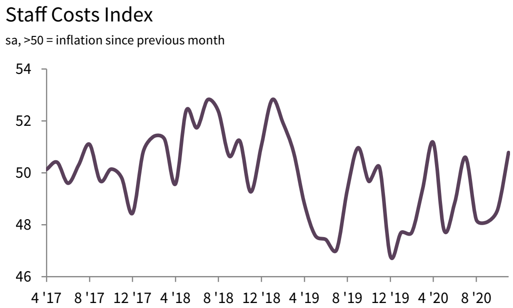


STAFF COSTS INDEX

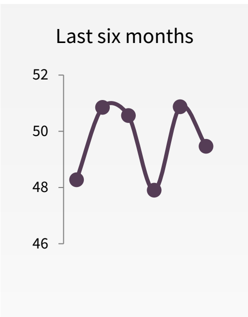


Average wages and salaries boosted for first time since July

Non-energy private sector firms in Qatar boosted wages and salaries in November, having cut them during the previous three months. The rate of wage inflation was the strongest since April, and above the long-run survey average. Some firms linked pay increases explicitly to business levels returning to normal.

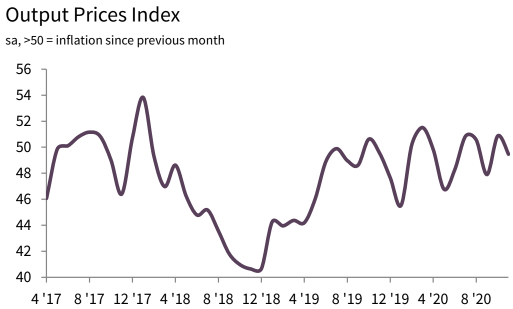


OUTPUT PRICES INDEX

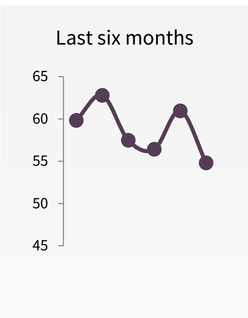


Prices charged for goods and services fall slightly

Prices charged for non-energy goods and services fell in November, reversing October's increase. A number of firms reported that promotional activity had led to reduced prices. The overall rate of discounting was only marginal, however.

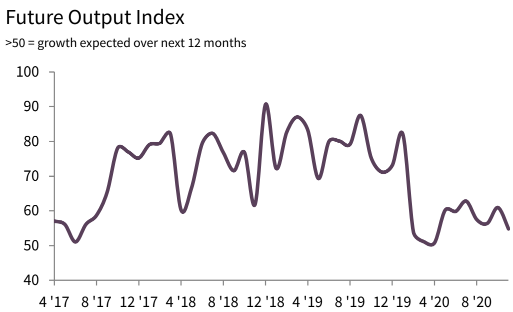


FUTURE OUTPUT INDEX



Year-ahead output expectations remain positive in November

The Future Output Index remained above the no-change mark of 50.0 in November, indicating an ongoing optimistic mood among non-energy private sector firms in Qatar regarding prospects for 2021. The strength of sentiment eased since October, however.



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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 12-24 November 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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