



News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Private sector recovery remains on track at start of fourth quarter

Qatar Financial Centre PMI™

- PMI remains elevated at 51.5 in October
- Further strong rise in new work orders and output as firms report greater customer numbers
- Employment indicator at seven-month high

Data were collected 12-27 October 2020.

Doha, Qatar: 4 November 2020 – A sustained rebound in business conditions of Qatar's non-energy private sector economy was seen in the beginning of the fourth quarter of 2020, according to the October Purchasing Managers' Index™ (PMI™) survey data. Output and new business both registered elevated growth rates for the fourth consecutive month, and the employment index rose to its highest level since March. With firms reporting rising customer numbers and hopeful of further business wins in the coming months as restrictions are eased further, business expectations improved to the highest since July.

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 51.5 in October, up fractionally from 51.4 in September, driven by strong business expectations and realised transactions. The latest figure was the third-highest since July 2018 and signalled a sustained marked improvement in business conditions in the non-energy private sector economy. Recent performance has registered higher than the long-term average, which since the survey began in April 2017 has trended at 49.5.

At the sub-sector level, the strongest-performing area in October was construction (54.0), following by manufacturing (51.9), wholesale & retail (51.7) and services (48.8).



The two largest components of the PMI – output and new orders – continued to rebound in October, with the respective indices at elevated levels for the fourth successive month. There was a notably sharp rise in new business in the construction sector during the month, which was likely driven by improving weather conditions and lower COVID-19 counts.

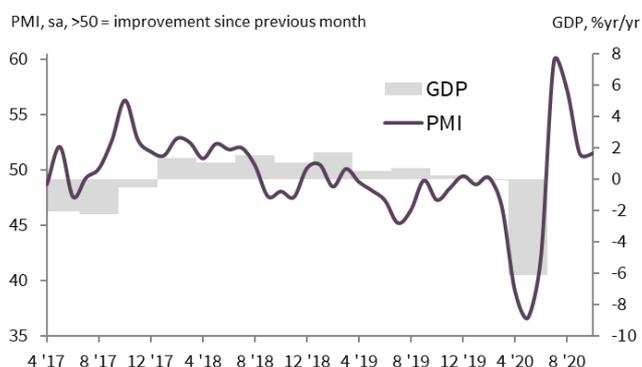
Non-energy private sector companies expanded their workforces across the board in October, following a broadly stable labour market during the third quarter. The employment index hit a seven-month high and was well above its long-run trend level. Among the varied sectors, there was a notable boost to hiring among construction companies as activity picked up considerably.

Following the rise in output and new business, the 12-month outlook for business activity improved to the strongest since July. This was reflected in one of the fastest increases in purchasing activity in the survey's history, and rising levels of outstanding work. As a consequence, the backlogs index registered its second-highest in over two years.

In terms of prices, average input costs were broadly stable during October, although staff costs fell slightly since September. Meanwhile, prices charged for goods and services rose for the third time in four months, which could eventually result in moderate consumer price inflation.

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 indicating a rebound in GDP, consistent with a 2.7% year-on-year increase.

QFC Qatar PMI™ vs. GDP



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



Comment

“Having signalled a rebound in the non-energy private sector economy in the third quarter, the October PMI survey data suggests that the recovery has been sustained moving into the final quarter of 2020. The Qatari economy shrank by 6.1% in the second quarter as lockdown measures were introduced to fight COVID-19, but the subsequent lifting of these restrictions has led to a swift resumption in growth. Third quarter PMI data are consistent with a year-on-year rise in GDP of 2.7%. Moreover, several survey indicators are pointing to sustained output growth in the final months of 2020, including new business, employment, backlogs and purchasing activity.”

Sheikha Alanoud bint Hamad Al-Thani, Managing Director of Business Development, QFC Authority

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ABOUT THE 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 up to 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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ABOUT PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and for key regions including the Eurozone. They are the most closely watched business surveys in the world, favored 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>.

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 12-27 October 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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