



مركز قطر للمال
QATAR FINANCIAL CENTRE



PMI™
By IHS Markit

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Positive outlook for Qatari economy despite softer conditions in October

Qatar Financial Centre PMI™

- Expectations for future activity remain strongly positive
- Suppliers' delivery times lengthen
- Firms raise prices charged and profits in tandem, as input prices fall

Doha, Qatar: 11 November 2019 – The latest PMI™ survey of Qatar's non-energy private sector economy signaled a slight loss of momentum in short-term business conditions in October, but a firmly positive outlook was maintained. Tellingly, more than half (55%) of firms expect growth at their units over the next 12 months, versus just 5% that foresee lower activity. Many firms reported new projects linked to new marketing strategies and work related to the 2022 FIFA World Cup.

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 headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of five indices for new orders (30% weight), output (25%), employment (20%), suppliers' delivery times (15%, with the index inverted) and stocks of purchases (10%), and is designed to provide a timely single-figure snapshot of the health of the economy every month.

Although the index remained above trend for the third quarter as a whole (46.9), Qatar's PMI eased somewhat to 47.3 in October. This marked a reversal in momentum following strong gains in August and September.

The output component contributed the most (-1.1 index points) to the weakening of the PMI in October, followed by new orders (-0.5), employment and stocks of purchases, respectively. Suppliers' delivery times tempered the overall drop in the headline figure.

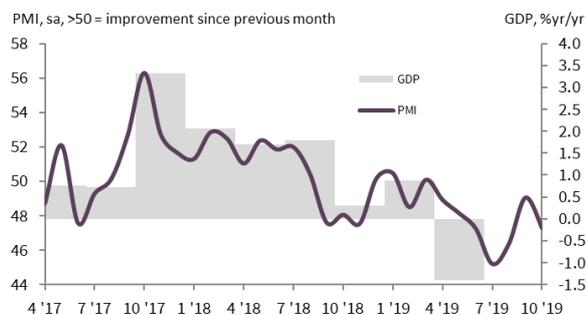


To enable comparisons with official quarterly gross domestic product (GDP), the monthly headline PMI figure can be aggregated to a quarterly average. Since the survey began in April 2017 the quarterly PMI has a correlation of 0.90 with the year-on-year percentage change in GDP in real terms, over a comparison period of nine quarters up to the second quarter of 2019.

In 2019 so far, the PMI signaled the rebound in annual growth of GDP in the first quarter to 0.9% and the subsequent contraction in the second quarter (-1.4%), which was the first decline since the third quarter of 2009. The PMI eased further in the third quarter to 46.9, implying an absence of GDP expansion. While PMI baselines are different across global markets, over the survey history a Qatari PMI reading of 50.0 is consistent with 0.8% annual growth of GDP, and 2.7% growth of non-mining GDP. Therefore, the current PMI reading of just below 50 would suggest sluggish but positive economic growth.

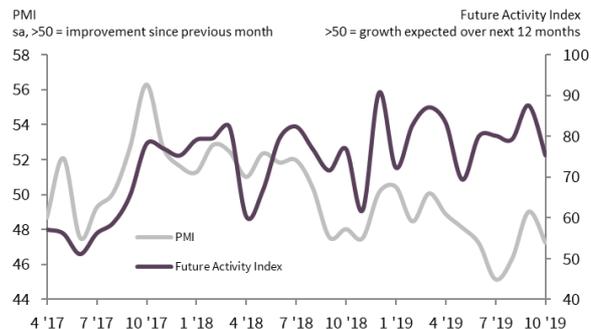
A key finding from the latest PMI survey is derived from the observed rise in prices charged for goods and services for the first time in almost two years. This, combined with lower overall input prices, suggests improved market conditions and higher attained profit margins in the Qatari non-energy private sector.

QFC Qatar PMI™ vs. GDP



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

Current vs. future business conditions



Sources: Qatar Financial Centre, IHS Markit.

Comment

“The PMI continues to show positive signs that Qatar’s economy has significant promise. While the indicators for short-term output, new business and employment all retreated since September, they remained above their summer levels. Critically, the forward-looking Future Output Index nonetheless remained above its long-run average as more than half of firms expect growth at their units over the next 12 months. Companies continue to point to World Cup-related projects and new marketing strategies as sources of demand.

“The October survey also signalled a rise in prices charged for goods and services for the first time since January 2018. Combined with falling average input costs, this suggested an improvement in firms’ profit margins.”

Sheikha Alanoud bint Hamad Al-Thani, Managing Director 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.

To learn more go to <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.

October data were collected 11-28 October 2019.

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

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