PMI ebb in July but business outlook remains strongly positive

Qatar Financial Centre PMI™

- 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

Doha, Qatar: 7 August 2019 – 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.

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**QFC Qatar PMI™ vs. GDP**

[Graph showing PMI and GDP values over time]

**Current vs. future business conditions**

[Graph showing PMI and Future Activity Index values over time]

Sources: Qatar Financial Centre, IHS Markit, Qatar's Planning & Statistics Authority.
Comment
“Qatar’s non-energy private sector looks to have ebbed as we move into the second half of 2019. Although indicators for current output and new orders have moderated, by contrast the 12-month outlook for activity is strongly positive and well above the survey trend. Just over two-thirds of companies are expecting business activity growth by mid-2020.

“The PMI has accurately signalled changes in recent official quarterly GDP data, which are now available for the first quarter of 2019. Having tracked slower growth in the final quarter of last year, the PMI trended higher in the first quarter, indicating year-on-year expansion in real terms GDP of 0.9%. This growth figure was subsequently published as the first official estimate in early-July.”

Sheikha Alanoud bint Hamad Al-Thani, Executive 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.

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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.

July 2019 data were collected 12-30 July 2019.

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

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