

QATAR

Table 1	2022
Population, million	2.9
GDP, current US\$ billion	225.3
GDP per capita, current US\$	78219.6
School enrollment, primary (% gross) ^a	102.2
Life expectancy at birth, years ^a	79.1
Total GHG emissions (mtCO ₂ e)	137.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2021); Life expectancy (2020).

The FIFA World Cup hosted in Qatar in November and December 2022 provided a near-term boon to the economy despite tightening global financial conditions and declining commodity prices. Large external and fiscal surpluses are anticipated in the medium term supported by the development of the North Field LNG expansion project. Key risks to the outlook include a breakout of new COVID-19 variants, tighter global financial conditions, and volatile energy prices. Diversification continues to be the main challenge for the economy.

Key conditions and challenges

The FIFA World Cup, which began in late November 2022, reportedly drew 3.4 million visitors in total. Travel, tourism and hospitality, and retail sectors have all gained momentum and received a major boost during Q4 2022.

The hydrocarbon sector continues to benefit from high yet moderating energy prices. Large surpluses in the external and fiscal balances are expected to remain for the next few years. The main driver of the economy will be the development of the North Field Liquefied Natural Gas (LNG) expansion project. Over the forecast period, investment spending on this project will support overall economic growth. LNG production in 2026 and 2027 will rise substantially supporting industrial output and boosting exports.

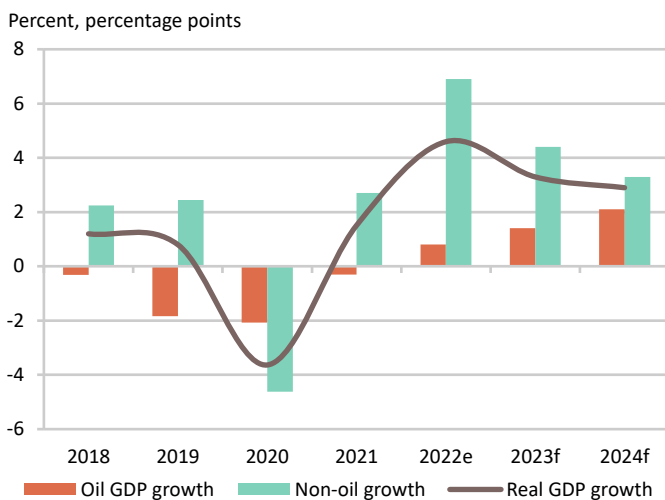
In the medium term, the greatest challenge that the country faces will be how to continue to diversify away from hydrocarbons. In the last ten years, the size of the hydrocarbon economy in relation to total GDP has declined but investments to expand LNG capacity over the next five years will reverse this trend. Within this context, additional structural reforms would boost Qatar's goal to further diversify its economy.

Recent developments

Qatar's Q3 2022 real GDP grew by 4.3 percent with contributions from both non-hydrocarbon (5.3 percent) and hydrocarbon (2.7 percent) sectors. The FIFA World Cup in November and December attracted 3.4 million spectators, including 1.2 million international visitors, leading to increased spending on tourism, food, and hospitality and boosting Q4 GDP growth. Despite a slight drop in the January PMI, the Future Output index rose to a three-year high indicating strong optimism for new business opportunities on the back of the World Cup. In the hydrocarbon sector, Qatar signed several long-term supply agreements in November, including the first Qatari-German LNG supply contract for at least 15 years, and the record-breaking 27-year deal with China. Qatar has already implemented the first phase of LNG production in North Field to increase production from 77 million tons to 110 million tons by 2025 and 126 million tons by 2027. This mega project will further expand Qatar's already dominant position in the LNG global market.

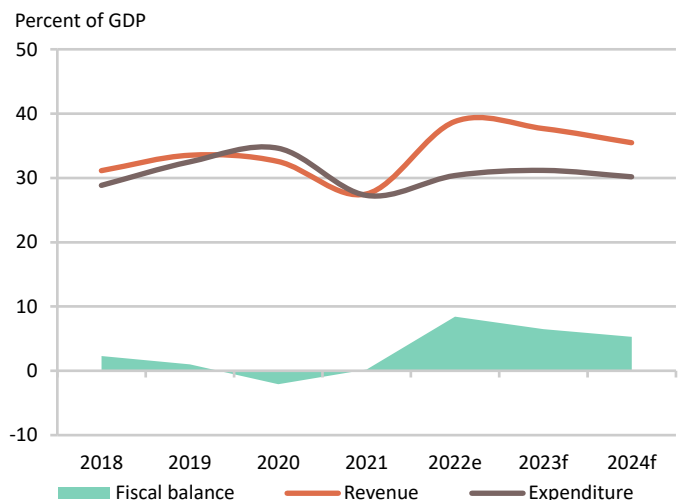
Higher domestic demand led to a significant increase in inflation, with consumer prices rising 5.9 percent in December. In mid-December, the Qatar Central Bank (QCB) raised its key policy interest rate by 50 basis points to 5 percent. The rise in interest rates and a strong currency (pegged to the US dollar) prevented a full passthrough of higher import prices

FIGURE 1 Qatar / Annual real GDP growth



Source: World Bank.

FIGURE 2 Qatar / Fiscal balance



Source: World Bank.

to consumers and businesses. The QCB maintained its policy rate in February, in contrast to the Fed's hike, as inflation eased to 4.2 percent in January as some domestic demand-side pressures associated with the World Cup started to fade. High hydrocarbon prices have materially strengthened fiscal and external balances, resulting in a large fiscal surplus of 13.2 percent of GDP and an external balance surplus of 27.5 percent of GDP in Q3. In Q4, the large influx of World Cup tourists boosted services export revenues. International reserves and foreign currency liquidity witnessed its highest growth, reaching QAR 230 billion (USD 63.2 billion) at the end of December 2022.

Thanks to continued labor reforms, Qatar's labor market is strengthening. Labor mobility has increased following the dissolution of the kafala sponsorship system. Almost 350,000 applications to change jobs were approved between November 2020 and August 2022, significantly outpacing the estimated 27,000 people who changed jobs in 2018 and 2019. However, progress is still needed in communicating the new process for changing jobs and deterring retaliatory behavior by employers as well as improving working conditions. Expanded electronic monitoring of payments and more channels for raising complaints

and resolving disputes have contributed to an increase in the amount paid out from the Workers' Support and Insurance Fund in 2022 relative to the previous year, but it can still take a long time for cases to be processed. As of October 2022, more than 70 private and public entities had established joint committees of management and worker representatives to facilitate social dialogue.

Outlook

Real GDP is estimated to slow down to 3.3 percent in 2023 after the strong performance registered in 2022, with the hydrocarbon sector expanding by 0.8 percent. The North Field expansion project is expected to boost the hydrocarbon sector in the medium term once the field enters commercial operation. Robust growth is anticipated during this year in the non-hydrocarbon sectors, reaching 4.3 percent, driven by private and public consumption. Consumer prices are projected to decelerate, averaging 3.2 percent in 2023, on the back of tightening global financial conditions and declining international commodity prices.

With falling, but still-high, international energy prices, the twin-balance surpluses

are projected to narrow but remain large in 2023 compared to 2022. Specifically, the external and fiscal balances are projected to reach 15.9 and 6.5 percent of GDP in 2023, respectively. The strength of Qatar's hydrocarbon sector (currently the largest LNG exporter and third largest producer) underpins the strong performance of the economy. Although the bidding process related to the first phase of the expansion of the North Field intensified, there is no evidence that investments have been accelerated beyond what had been planned prior to the Russian invasion of Ukraine (i.e., an increase in LNG production by 60 percent by 2027).

The much-delayed introduction of value-added tax (VAT), now expected to come into effect during 2023, will offset some of the declines in hydrocarbon revenue and support the budget balance. Notwithstanding a softening of global hydrocarbon prices in the medium term, the expansion of LNG production through 2027 should boost the cumulative increase in Qatar's total GDP by at least 15 percent. However, the economy continues to face challenges and risks, including the potential emergence of new COVID-19 variants, fluctuations in energy prices, and tightening global financial conditions.

TABLE 2 Qatar / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
Real GDP growth, at constant market prices	-3.6	1.5	4.6	3.3	2.9	3.1
Private Consumption	-5.6	3.4	5.1	3.0	2.6	2.6
Government Consumption	10.3	2.8	4.1	3.0	2.5	2.8
Gross Fixed Capital Investment	-3.1	2.3	3.1	2.4	2.1	2.3
Exports, Goods and Services	-6.8	2.4	5.4	5.1	4.9	4.5
Imports, Goods and Services	-2.7	4.7	6.5	6.1	6.1	6.0
Real GDP growth, at constant factor prices	-3.6	1.5	4.6	3.3	2.9	3.1
Agriculture	18.5	0.5	3.4	3.0	3.0	2.9
Industry	-3.2	0.7	5.2	3.9	3.1	3.1
Services	-4.4	3.1	3.3	2.2	2.6	3.0
Inflation (Consumer Price Index)	-2.7	2.3	5.0	3.2	2.1	1.8
Current Account Balance (% of GDP)	-2.5	14.6	22.5	15.9	12.1	10.9
Fiscal Balance (% of GDP)	-2.1	0.2	8.4	6.5	5.3	5.0
Revenues (% of GDP)	32.6	27.5	38.8	37.7	35.5	34.8
Primary Balance (% of GDP)	-0.3	1.8	9.6	7.5	6.3	6.0
GHG emissions growth (mtCO₂e)	2.8	6.5	9.3	7.5	7.9	8.5
Energy related GHG emissions (% of total)	76.5	77.8	79.5	80.8	82.1	83.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.