

# QATAR

**Table 1** **2018**

Population, million	2.7
GDP, current US\$ billion	181.1
GDP per capita, current US\$	67 182
School enrollment, primary (% gross) <sup>a</sup>	103.7
Life expectancy at birth, years <sup>a</sup>	78.2

Source: WDI, Macro Poverty Outlook, and official data.  
Notes:

(a) Most recent WDI value (2016)

Growth is estimated to have recovered to 2.1 percent in 2018, as activity has gradually recovered from the effects of a diplomatic rift between Qatar and some GCC neighbors. The economy is expected to expand by 3 percent over the medium term, helped by continued investments related to hosting the football world cup, and as a large natural gas facility comes onstream. Downside risks stem from volatility in energy prices and continued diplomatic tensions with Gulf neighbors. The diversification of the economy away from hydrocarbons remains a key challenge.

## Recent developments

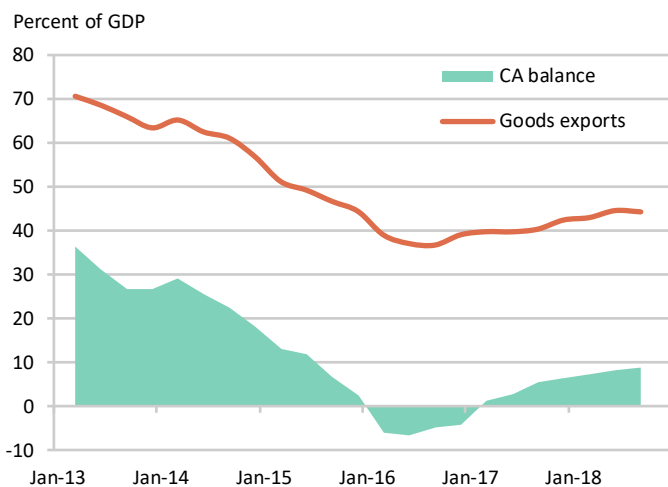
Growth slowed in 2017 to 1.6 percent, the weakest in over two decades, due to a diplomatic rift with some GCC countries that had culminated in the severing of trade and diplomatic ties in mid-2017. However, with a rerouting of trade and opening of a new port, the economy has recovered, posting average quarterly growth of 2 percent (y/y) in the first three quarters of 2018. The economy has also been supported by continued infrastructure spending related to preparations for hosting the 2022 FIFA World Cup; consequently the impacts of the (still ongoing) rift have been relatively short-lived and the economy is estimated to have grown by 2.1 percent in 2018. Qatar's withdrawal from OPEC in January 2019, after six decades of membership, has not had a major impact since Qatar was one of the smallest members of OPEC, making up less than 2 percent of OPEC's total oil production. Public finances have improved, supported by the recovery in energy prices, and Qatar is expected to post a small fiscal surplus in 2018, the first since 2014. A large public investment program for 2014-2024 has been pared back, with FIFA 2022 projects given priority. Although the Government has delayed the VAT implementation, it has announced "sin taxes" that include 100 percent excise duties on tobacco and energy drinks and a 50 percent levy on sugary drinks. The

2019 budget projects a 3.6 percent decrease in capital spending as some FIFA projects are completed; this should help offset a 7 percent increase in current spending, and limit growth in total spending to 1.7 percent. The 2019 budget projects a surplus of US\$1.2 billion (or about 0.6 percent of GDP), but outturns are likely to be higher on account of conservative budget assumptions.

Qatar is the largest LNG exporter globally, and goods export earnings rose by 25 percent in 2018, led by higher gas prices and production from the North Field, Qatar's biggest gas repository. This has helped increase the current account surplus to 8.7 percent in Q3 2018, from less than 4 percent in 2017.

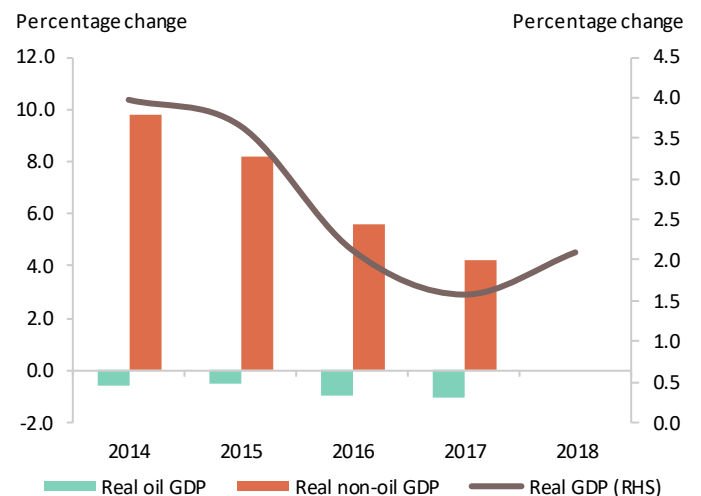
The banking system remains well capitalized and asset quality strong. Liquidity pressures that emerged following the rift in 2017 have fully waned (in part due to increased government deposits into the banking system), and foreign exchange reserves have recovered to pre-rift levels. Despite the peg to the US Dollar, the central bank has not lifted policy rates in line with the US Fed, reflecting efforts to support the economy. Investor confidence remains underpinned by financial assets of over US\$300 billion held in a sovereign wealth fund and demonstrated in Qatar's ability to raise money on the international bond markets at relatively low yields. All three major credit rating agencies rate Qatari bonds as investment grade assets. Absolute poverty is not an issue for citizens. Lower incomes correlate with household dependency ratio, job market status, educational attainment, female headship

**FIGURE 1 Qatar / Current account balance and exports**



Sources: Haver, World Bank.

**FIGURE 2 Qatar / Real GDP growth**



Sources: Haver analytics, World Bank.

and disability. Unemployment is low, at 0.1 percent for the total labor force and 1.8 percent for women. Spatial differences in welfare exist, both for monetary and non-monetary measures, notably between more urbanized and less urbanized areas.

## Outlook

The outlook remains positive with growth expected to rise to 3.4 percent by 2021 driven by higher service sector growth as the FIFA World Cup draws nearer. In addition, higher infrastructure spending on Qatar National Vision 2030 projects aimed at diversifying the economy should help offset falling investment spending on FIFA projects. Finally, hydro-carbon sector growth is also expected to pick up as the Barzan natural gas facility comes online in 2020, and as the expansion of the North Field gas projects is completed by 2024. Monetary policy is expected to gradually tighten as Qatar's

central bank resumes raising interest rates to restore the spread versus US policy rates, and to attract FX inflows into the banking system.

Public finances are expected to remain in small surplus, supported by recent tax reforms and the introduction of a VAT over the medium term. A recovery in imports, driven by capital goods related to infrastructure spending, should keep the current account surplus in single-digits (in contrast to surpluses of over 30 percent prior to 2014).

## Risks and challenges

Qatar's economy has largely overcome the constraints posed by the continuing diplomatic rift with GCC neighbors. Nevertheless, a resolution of this situation would help boost investor confidence. Key external risks include risks of volatility in global energy prices, regional instability risks, and global financial volatility that affects

capital flows and costs of funding although these are mitigated by the return to fiscal and current account surpluses.

There are several domestic risks. On the domestic front, Qatar's investment and hydrocarbons-driven growth strategy over the past decade has helped to transform standards of living for citizens; however, it has also given rise to concerns about excess capacity in the economy and resulted in a narrow economic base – although the investment in ports proved to be an important instrument for dealing with forced trade rerouting. With the adoption of its Second National Development Strategy, Qatar is moving to further open and diversify the economy. A new draft foreign investment law approved in 2018 seeks to allow foreigners to own 100 percent of the capital of companies across all economic sectors. This follows permanent residency reforms introduced last year aimed at attracting and retain highly-skilled foreign workers to help Qatar become a knowledge-intensive economy.

**TABLE 2 Qatar / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2016	2017	2018 e	2019 f	2020 f	2021 f
<b>Real GDP growth, at constant market prices</b>	2.2	1.6	2.1	3.0	3.2	3.4
Private Consumption	5.0	3.7	1.5	1.5	1.0	1.7
Government Consumption	-6.7	-17.1	0.4	2.5	3.0	5.8
Gross Fixed Capital Investment	7.4	-3.5	4.0	5.6	5.5	5.5
Exports, Goods and Services	2.1	2.2	2.0	2.0	2.4	2.4
Imports, Goods and Services	10.9	-7.1	3.0	2.2	2.1	2.1
<b>Real GDP growth, at constant factor prices</b>	2.2	1.6	2.1	3.0	3.2	3.4
Agriculture	8.1	-0.2	1.2	1.3	1.4	1.4
Industry	0.8	-0.2	1.5	1.6	1.8	1.8
Services	5.5	5.4	3.3	5.7	6.0	6.4
<b>Inflation (Consumer Price Index)</b>	2.9	0.4	2.0	3.8	2.2	2.1
<b>Current Account Balance (% of GDP)</b>	-5.5	3.8	7.5	7.5	7.8	7.7
<b>Net Foreign Direct Investment (% of GDP)</b>	-2.9	-2.8	-1.9	-1.5	-1.2	-1.1
<b>Fiscal Balance (% of GDP)</b>	-9.2	-5.8	2.0	1.3	2.0	2.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.  
Notes: e = estimate, f = forecast.