QATAR

Table 1	2021
Population, million	2.8
GDP, current US$ billion	167.9
GDP per capita, current US$	59964.3
School enrollment, primary (% gross)[a]	103.9
Life expectancy at birth, years[a]	80.2
Total GHG Emissions (mtCO2e)	109.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2019).

The resulting commodity shocks from the war in Ukraine are on balance positive for Qatar's economy, the largest LNG exporter in the world. Preparations for the World Cup scheduled for December 2022 have intensified the diversification of the economy and bolstered non-oil activity despite the COVID-19 pandemic. Hydrocarbon dependence, however, is likely to expand this decade as the North Field facilities begin production. Possible new outbreaks of COVID-19, a spike in consumer price inflation and rising US interest rates, should be modest downside risks for the country given high vaccination rates and sizeable sovereign financial wealth and reserves.

Key conditions and challenges

With more than 75 percent of Qatar's population vaccinated, recurring bouts of COVID-19 have had progressively smaller economic effects and strong growth has resumed. Renewed activity ahead of the World Cup has also been strengthened by the ending of the three-year diplomatic rift between Qatar and four Arab states (Saudi Arabia, UAE, Bahrain, and Egypt).

The recent classification of natural gas as a "green" investment by the EU has also spotlighted liquified natural gas (LNG). Qatar is the world's largest LNG exporter and the sharp recovery in oil prices during 2021 has been magnified on LNG markets with natural gas prices jumping four times more than oil in Europe; with further steep rises following the war in Ukraine.

Hydrocarbon production will remain a key driver of the Qatari economy. LNG investments are being expanded in the maritime and onshore North Field which will total around US$29 billion and lift production capacity to 126 million tons per annum (mtpa) by 2027, up from the current production rate of 77 million mtpa with more than half beginning within 2024. Investments are being brought forward with QatarEnergy, the state-owned enterprise operating all oil and gas activities in the country, awarding large engineering, procurement, construction, and installation contracts for offshore facilities destined for the North Field East Expansion project in January 2022.

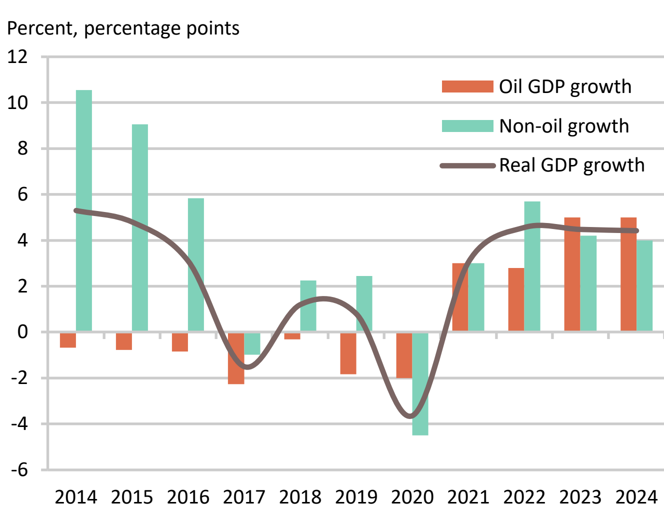
In addition, significant steps have been taken to boost competitiveness in the non-oil economy. These measures include: the abolishment of the Kafala sponsorship system; a new Public-Private Partnerships law; the recognition of real estate ownership by non-Qataris and a level playing field with citizens in some commercial activities. A non-discriminatory minimum wage has also come into force for all workers; a first among the GCC countries.

Recent developments

Economic recovery is well underway and despite temporary interruptions from COVID-19, real GDP grew by 3.0 percent in 2021, versus 3.6 percent contraction in the previous year rebounding in the second quarter of 2021, at an annualized rate of 4 percent, and remained positive in the third quarter. The Purchasing Managers' Index (PMI) was above 50 during all 2021 reflecting economic expansion reaching a highpoint of 63 in November and above 57 since then. Google mobility data had a short-lived dip during this most recent surge of the virus. But retail and recreation, transit station and workplace mobility, recovered in February 2022 to pre-pandemic levels.

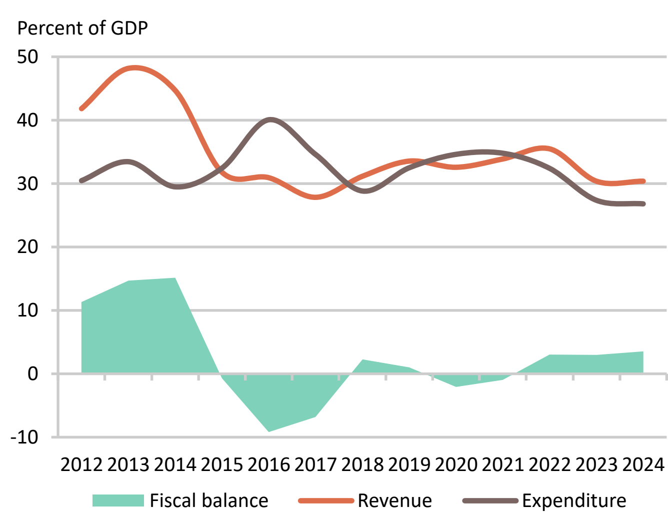
The fiscal deficit is estimated at 0.9 percent of GDP in 2021, an improvement from a 2.1 percent recorded in the previous year. Recovery in hydrocarbon prices, where the bulk of government revenues are derived,

FIGURE 1 Qatar / Real GDP growth



Source: World Bank staff calculations.

FIGURE 2 Qatar / Public finances



Sources: Haver and World Bank staff calculations.

and a gradual unwinding of offsetting expenditures to mitigate the economic effects of COVID-19 amongst hardest hit sectors (travel, tourism, and real estate) should continue to improve the fiscal balance and steadily shrink gross public debt (58.6 percent of GDP at end 2021)—gross debt in Qatar needs to be viewed against the 270.0 percent of GDP in assets accumulated in Qatar's sovereign wealth fund (QIA) at end-2021 and an additional 18.1 percent of GDP in central bank reserves.

Similar to other high income countries impacted by global supply chain interruptions, Qatar's consumer price inflation (CPI) has reached highs not seen since 2008: 6.4 percent in December 2021 (y/y). This contrasts with deflation during the COVID-19 lockdowns. At some point, possibly in 2022, Qatar will introduce a VAT regime which would have a one off impact on prices. As a GCC member state, Qatar agreed in 2016 to a VAT regime with a standard rate of 5 percent but has delayed implementation.

Outlook

Real GDP is estimated to rise in 2022 to 4.9 percent on the heels of boosted hydrocarbon exports of 10 percent. Growth in private consumption may be slightly below at 4.8 percent, driven by a potential dilution of World Cup proceeds and higher prices. Consumer prices are projected to jump by an additional percentage point in the current year.

Both the current account and fiscal balance surpluses are projected to widen in 2022 given that both depend about 90 percent on hydrocarbons. A potential upside for 2022, linked to the economic consequences of the war in Ukraine and Europe's goal of structurally reducing its exposure to Russian gas, is a speeding up of investments in the North Field Natural Gas which should see production increase by 60 percent at mid-decade. While non-oil growth is likely to ease in coming years, the hydrocarbon economy should pull up the overall rate real GDP growth at or above 4.5 percent in the coming years and deepen Qatar's dependence on hydrocarbons.

Continuation of high oil prices with a premium expected for natural gas in Europe from geopolitical tensions, as well as the EU's recent classification of this hydrocarbon feedstock as a green target investment, should lead to surpluses for the fiscal balance in Qatar above 3 percent of GDP into the foreseeable future. The potential introduction of VAT is likely to positively impact revenue in the current year and beyond. Similarly, the current account surplus is forecast to widen to more than 7 percent of GDP by 2024 as it is mostly driven by exports of hydrocarbons, reinforced by World Cup tourist receipts.

With regard to Green House Gas emissions, the forecast is for flat performance in absolute terms from 5.5 kilo tons of carbon dioxide (ktCO2) in 2021 to 5.4 in 2024. Analysis shows the bulk of the emissions to be caused by energy, especially fuel combustion activities (91 percent of the total) and fugitive emissions (about 5 percent).

TABLE 2 **Qatar** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	0.8	-3.6	3.0	4.9	4.5	4.4
Private Consumption	3.5	-5.6	4.5	4.8	4.1	4.2
Government Consumption	2.5	10.3	3.6	5.4	4.7	5.0
Gross Fixed Capital Investment	2.5	-3.1	2.3	4.0	3.6	3.7
Exports, Goods and Services	1.1	-6.8	4.1	6.6	7.0	7.1
Imports, Goods and Services	6.0	-2.7	5.5	7.3	7.8	7.8
Real GDP growth, at constant factor prices	0.8	-3.6	3.1	4.9	4.5	4.4
Agriculture	1.0	21.0	5.0	6.0	3.0	3.0
Industry	-2.3	-1.5	2.7	3.8	4.2	4.2
Services	7.6	-7.9	3.8	7.2	5.0	4.7
Inflation (Consumer Price Index)	-0.9	-2.6	1.0	4.0	2.8	2.3
Current Account Balance (% of GDP)	2.4	-2.5	3.1	4.5	6.1	7.4
Fiscal Balance (% of GDP)	1.0	-2.1	-0.9	3.4	3.3	3.9
Primary Balance (% of GDP)	2.7	-0.2	0.7	4.9	4.7	5.1
GHG emissions growth (mtCO2e)	5.7	-2.1	5.5	5.3	5.3	5.4
Energy related GHG emissions (% of total)	92.0	91.9	91.2	91.2	91.3	91.4

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