QATAR

Table 1	2017
Population, million	2.4
GDP, current US$ billion	161.2
GDP per capita, current US$	68516
School enrollment, primary (% gross)[a]	103.7
Life expectancy at birth, years[a]	78.2

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

(a) Most recent WDI value (2016)

Economic activity has rebounded following a slowdown in growth to 1.6 percent in 2017 supported by a successful rerouting of trade flows following the rift with GCC neighbors, higher energy prices and 2022 FIFA World Cup related spending. Fiscal, current account and banking sector liquidity pressures have also lessened. The growth outlook remains positive. Reforms protecting foreign workers and introducing permanent residency rights for expats will help with longer-term diversification efforts.

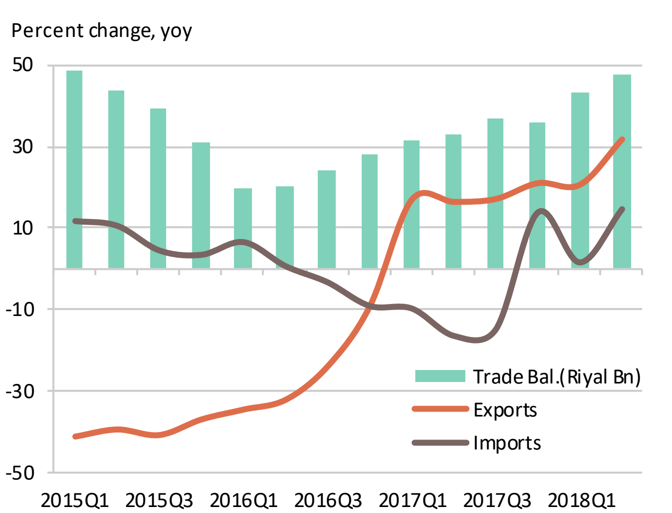
Recent developments

GDP growth in 2017 slowed to 1.6 percent, the weakest in over two decades, mainly due to the diplomatic rift between GCC countries and Qatar, which culminated in the severing of trade and diplomatic ties in mid-2017. Growth was also weighed down by fiscal consolidation efforts in response to lower oil prices. Quarterly data show the economy has successfully adjusted to the shock, with growth rising to 3.3 percent yoy in Q4 2017 (versus an average of 1 percent in the previous three). Food and imported goods prices have eased following a re-routing of trade and the opening of a new port, with inflation (excluding administered prices) slowing to 1 percent yoy in June (versus 2.9 percent in Janu-ary). Imports, which dropped 40 percent in the immediate aftermath of the crisis, have recovered. Qatar is the largest LNG exporter globally, and export receipts rose 17.8 percent during 2017, led by higher gas prices and production from the North Field, Qatar's biggest gas repository. This trend continued through Q1 2018, with a 20.6 percent increase yoy in export receipts, helping shift the current account (CA) into a surplus of 3.6 percent of GDP in 2017 (versus a deficit of over 5 percent in 2016, the first in 17 years).

Public finances have improved, supported by the recovery in energy prices and fiscal restraint. In particular, a large public investment program for 2014-2024 has been pared back to US$130 billion from US$180 billion, with FIFA 2022 projects given priority. With oil revenues improving, the Government has delayed plans to implement a VAT until later this year. The 2018 budget projects a 2.4 percent increase in spending; however, on a general government basis, the fiscal balance is anticipated to shift into a small surplus of over 2 percent (following a deficit of 1.6 percent in 2017). Investor confidence is 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, including a US$9 billion bond sale in 2016, and US$12 billion in April 2018, at relatively low yields. All three major credit rating agencies rate Qatari bonds as investment grade assets.

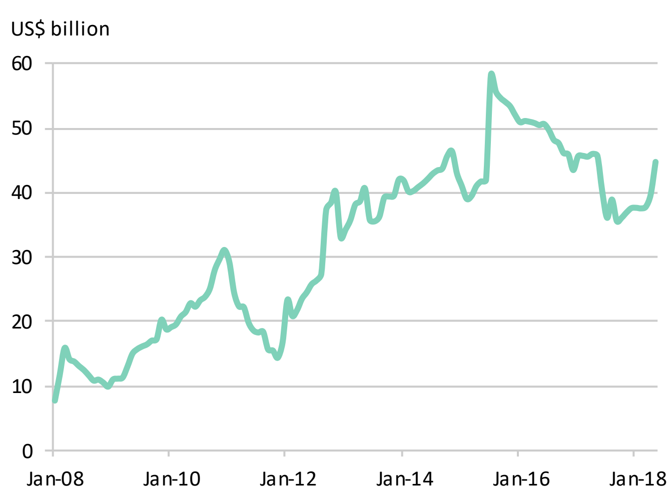
The banking system remains well capitalized and asset quality strong, and liquidity pressures that emerged mid-2017 have waned. Non-resident deposits in June 2018 were up 11 percent from their November 2017 lows and have been more than fully offset by an influx of government deposits into domestic banks. Foreign exchange reserves have risen from a low of US$35.6 billion last September to US$45.2 billion in June. The central bank raised its deposit rate by 25bps to 2 percent, in mid-June, in line with the US Federal Reserve. In August, it signed a US$3 billion currency swap agreement with its counterpart in Turkey to support an easing of the severe stress on the Turkish lira; this followed a US$15 billion financing package for Turkey announced at a bilateral summit.

FIGURE 1 Qatar / Goods trade balances



Source: Haver.

FIGURE 2 Qatar / International reserves



Sources: Qatar Central Bank, Haver.

Absolute poverty is not an issue for citizens. In the context of the National Development Strategy 2011-16 the authorities have adopted a national relative poverty line and a welfare measurement methodology to track living standards of the population and identify vulnerable households. This threshold is equal to half of the median household's income, and about 8 percent of Qataris in 2013 lived on an income less than that—a share broadly unchanged from 2007. Lower incomes correlate with household dependency ratio, job market status, educational attainment, female headship and disability. Spatial differences in welfare exist, both for monetary and non-monetary measures, notably between more urbanized and less urbanized areas.

Outlook

Growth is expected to recover to 2.3 per-cent in 2018, rising to 3 percent over the medium term, as rising energy receipts help ease fiscal constraints, spending on the multi - year FIFA-related infrastructure upgrade continues and as the US$10 billion Barzan natural gas facility comes on-stream in 2020. Qatar's central bank will continue to raise interest rates in tandem with the Fed to allow for positive spreads between the QIBOR and LIBOR rates, and to attract FX inflows into the financial system. Given higher global energy prices in 2018 and conservative oil price budget assumptions, the fiscal deficit is expected to remain in small surplus, supported by the introduction of a VAT over the medium term. A recovery in imports, in particular 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

In the near term, downside risks stem from the ongoing diplomatic crisis, although these are limited given Qatar's flexibility in accessing import and export markets. Other major 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. 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. In particular, the government is planning to allow full foreign ownership of companies in all economic sectors in the country, and investors to hold 49 percent or more in listed companies. 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)

	2015	2016	2017	2018 e	2019 f	2020 f
Real GDP growth, at constant market prices	3.9	2.1	1.6	2.3	2.7	3.0
Private Consumption	8.1	3.5	1.2	0.5	1.0	1.0
Government Consumption	1.1	-21.0	-2.5	0.4	0.5	0.6
Gross Fixed Capital Investment	1.4	7.4	-3.5	5.2	5.6	5.5
Exports, Goods and Services	-0.8	1.7	1.2	2.0	2.0	2.4
Imports, Goods and Services	-8.9	-4.1	-7.8	3.0	2.2	2.1
Real GDP growth, at constant factor prices	3.9	2.0	1.6	2.3	2.7	3.0
Agriculture	8.7	4.0	-0.2	1.2	1.3	1.4
Industry	2.0	1.9	-0.2	1.5	1.6	1.8
Services	8.6	2.0	5.6	3.9	4.9	5.4
Inflation (Consumer Price Index)	1.9	2.9	0.4	2.0	3.8	2.2
Current Account Balance (% of GDP)	8.5	-5.4	3.6	7.4	7.6	7.9
Net Foreign Direct Investment (% of GDP)	-2.8	-3.0	-2.9	-2.0	-1.5	-1.2
Fiscal Balance (% of GDP)	1.4	-4.7	-1.6	2.3	2.9	2.9

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