

QATAR

Key conditions and challenges

Table 1 2020

Population, million	2.9
GDP, current US\$ billion	156.8
GDP per capita, current US\$	54069.0
School enrollment, primary (% gross) ^a	103.5
Life expectancy at birth, years ^a	80.2
Total GHG Emissions (mtCO ₂ e)	97.4

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent WDI value (2019).

Strict COVID-19 restrictions, a strong vaccination campaign and the lifting of the diplomatic rift with neighbors, places Qatar on a clear recovery path. Resilient global demand for gas as a transition fuel, significant expansion of North Field production, extensive business environment reforms, and a tourism sector geared for the December 2022 World Cup strengthen the country's outlook.

Key structural challenges that face Qatar are the high and persistent dependence on hydrocarbons, which are inherently volatile, and the need to bolster competitiveness in the non-oil economy. Fortunately, the three-year diplomatic rift between Qatar and four Arab states (Saudi Arabia, the UAE, Bahrain and Egypt) that had resulted in an embargo against Qatar for three years has recently been resolved, which should further boost short- and medium-term growth prospects.

Qatar is the world's third-largest gas exporter and vies with Australia as the largest exporter of Liquefied Natural Gas (LNG). The dominance of natural gas exports sets the country apart from other GCC nations, and the sharp recovery in oil prices during 2021 has also reverberated through to LNG markets, especially oil-linked LNG contracts, which has been stronger than initially expected.

Departing from the twelve-year self-imposed moratorium on further development of the North Field in the first quarter of 2017, hydrocarbon production will remain a growing component of the Qatari economy in coming years. Qatar is also expanding LNG investments 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.

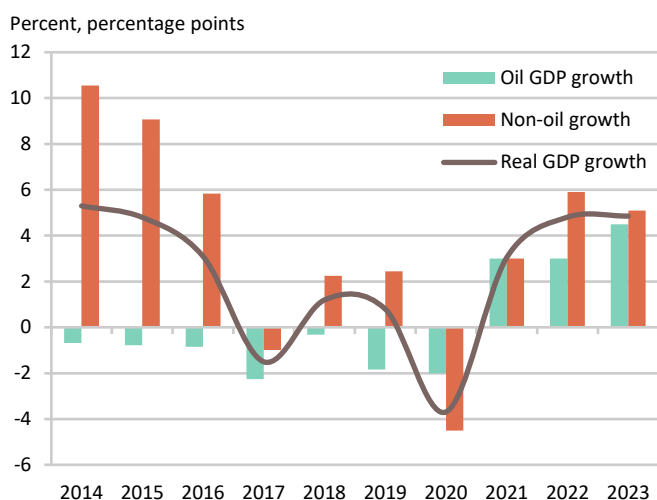
To the extent that LNG is viewed less as a brown intermediate feed stock and more as a complement to a renewable hydrogen-energy based future economy, Qatar is likely to export hydrocarbons for a longer period than other MENA hydrocarbon exporters focused on oil.

In addition to LNG investments, there have been years of efforts to bolster competitiveness. Recently, these included: the abolishment of the Kafala sponsorship system which will help facilitate labor mobility and raise productivity; a new Public-Private Partnerships law which should improve FDI attractiveness; the recognition of real estate ownership by non-Qataris, moving towards a longer-term expatriate residency model including access to healthcare, education, and a level playing field with citizens in some commercial activities. A non-discriminatory minimum wage has also come into force, applying to all workers, of all nationalities, in all sectors, including domestic workers. Qatar is the first country in the region to introduce a non-discriminatory minimum wage.

Recent developments

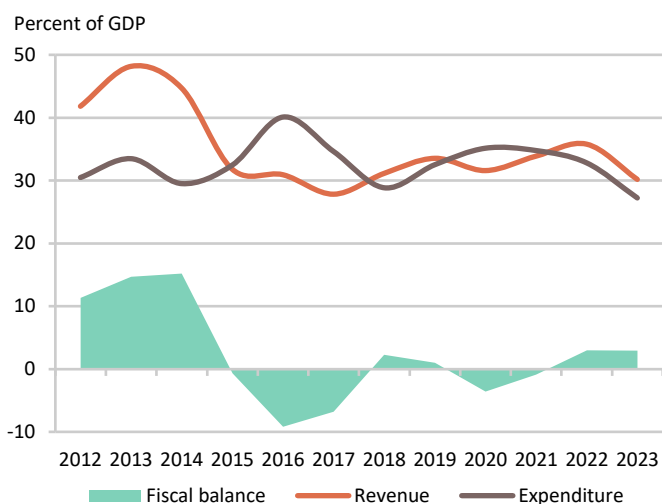
Early indicators suggest a timid economic recovery. Qatar's economy is estimated to have contracted by 3.7 percent in 2020 due to the lockdowns following the pandemic and the historic fall in oil prices in the second quarter of that year. Nonetheless, Purchasing Manager's Index (PMI) readings in 2021 have remained above 50,

FIGURE 1 Qatar / Real GDP growth



Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

FIGURE 2 Qatar / Public finances



Sources: Haver and WB staff calculations.

indicating expansion, and they have gathered momentum in June (54.6) and July (55.9). The COVID-19 pandemic in Qatar was on a path of low and stable new cases and deaths after an initial spike in 2020. A brief uptick in cases in January 2021 has not turned into a new trend. The high vaccination rate (98 doses per 100 people) has allowed the authorities to gradually unwind restrictions. This has had a palpable effect on activity. Mobility as measured via Google data, has returned to pre-pandemic levels although there was a short-lived dip in April and May. Retail and recreation, transit station and workplace mobility, have once again converged to average pre-pandemic levels which broadly remained intact for residential activity during the Covid-19 restrictions.

Qatar also unveiled a more than 60 percent expansion of LNG production over the next several years, and secured supply deals with Bangladesh and Pakistan. This is a clear sign that the energy sector will remain a driver of economic activity in post-pandemic Qatar.

The fiscal deficit in 2021 is estimated at 0.9 percent of GDP, an improvement from the deficit of 3.6 percent in the previous year, following the recovery in hydrocarbon prices, from where the bulk of government revenues are derived. Offsetting

expenditures to mitigate the economic effects of COVID-19 amongst hardest hit sectors (travel, tourism and real estate) are expected to continue in the coming quarters. Consumer price deflation which was apparent since the outbreak of the pandemic reversed in the second quarter of 2021 with the annualized rate of inflation reaching 3.1 percent in July. The introduction of a VAT, which was postponed due to the pandemic, is likely to take place later this year.

Outlook

Real GDP growth for 2021 is expected to be 3 percent, with the same rate of growth for both oil and non-oil GDP, driven by domestic and foreign demand given a successful vaccination roll out and with the end of the diplomatic rift. Strengthening energy prices and final preparations for the FIFA World Cup 2022, fortuitously timed for December, as well as expected bumper tourist receipts from what could be the world's first post-Covid mass audience sporting event, should lead to 4.8 percent growth in 2022, with non-oil GDP expected to grow 5.9 percent and oil GDP remaining at 3 percent. Continuation of strong oil prices (at US\$65 pb) and with

expanded North Field production beginning to kick-in in 2023 should maintain real GDP growth near 5 percent in 2023 after the World Cup.

The narrowing of the fiscal deficit in 2021 will be mostly due to the recovery in hydrocarbon prices and a general easing of fiscal mitigation as the pandemic unwinds. The potential introduction of a VAT in the current year is likely to mostly impact revenue in 2022. Like other macro-economic indicators, the current account in Qatar is largely a function of energy-related commodity prices and export volumes. With a strong improvement in energy prices, the current account will likely return to surplus (3.1 percent of GDP in 2021) and should be further bolstered by World Cup tourist receipts in 2022.

The economic rebound in 2021 and beyond depends on the control of the COVID-19 pandemic. Nonetheless, even if there are renewed bouts of Covid-19 globally and an intensification of "break-through" contagion among the vaccinated, the Tokyo Olympics have shown that major sporting events can be carried out despite the pandemic. Doha, however, has spent much more ahead of these singular events than Tokyo. The resolution of the diplomatic rift also revives the prospect of further GCC integration and regional crisis burden-sharing.

TABLE 2 Qatar / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	1.2	0.8	-3.7	3.0	4.8	4.9
Private Consumption	5.0	3.5	-5.6	4.5	5.9	5.1
Government Consumption	-3.0	2.5	10.3	3.6	5.3	5.0
Gross Fixed Capital Investment	4.0	2.5	-3.2	2.3	4.0	4.0
Exports, Goods and Services	1.5	1.1	-6.8	4.1	5.3	7.0
Imports, Goods and Services	3.0	6.0	-2.7	5.5	7.1	7.6
Real GDP growth, at constant factor prices	1.2	0.8	-3.6	3.0	4.7	4.8
Agriculture	15.7	1.0	3.0	5.0	6.0	3.0
Industry	0.6	1.2	1.0	2.7	3.5	3.8
Services	2.7	-0.3	-15.2	4.0	8.2	7.6
Inflation (Consumer Price Index)	0.1	-0.9	-2.6	1.0	3.0	2.5
Current Account Balance (% of GDP)	9.1	2.4	-2.5	3.1	4.0	5.7
Fiscal Balance (% of GDP)	2.3	1.0	-3.6	-0.9	3.0	2.9
Primary Balance (% of GDP)	3.7	2.7	-1.7	0.8	4.6	4.4
GHG emissions growth (mtCO₂e)	2.6	0.8	-3.3	5.7	3.0	3.7
Energy related GHG emissions (% of total)	91.5	91.5	91.1	90.2	90.0	89.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.