

QATAR

Table 1 **2019**

Population, million	2.8
GDP, current US\$ billion	184.5
GDP per capita, current US\$	65137.6
School enrollment, primary (% gross) ^a	103.8
Life expectancy at birth, years ^a	80.1

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

Notes:

(a) Most recent WDI value (2018).

COVID-19 and the sharp fall in hydrocarbon revenues will lead to a contraction of real GDP growth of 2 percent in 2020. The decline has been mitigated by infrastructure related spending ahead of the FIFA World Cup in 2022, continued expansion of LNG capacity, and fiscal and monetary response. Steps taken to improve the business environment, as well as the final push ahead of the World Cup are expected to underpin growth in the medium term.

Recent developments

Qatar has been struck very hard by COVID-19 both through global demand and price channels as well as through the domestic health impact (more than 120,000 cases reported by September 9, 2020), the second highest exposure in the GCC. Yet stringent containment measures, aggressive testing and trace policies, as well as the effectiveness of the Qatari healthcare system, have resulted in the second lowest death rate amongst this group of countries (73 deaths per one million population). Nearly 240,000 tests per million have been conducted in Qatar and there are no visible signs of a second wave.

The government undertook a swath of measures to offset the economic effects of the pandemic, including stimulus through tax deferrals and eased credit flow to hard pressed firms and households amounting to QR75 billion with guarantees to local banks of QR3 billion (approximately 10 percent of GDP). On the social side, measures included steps to guarantee basic salary and allowances for workers who are isolated or quarantined, whether they are entitled to sick leave or not.

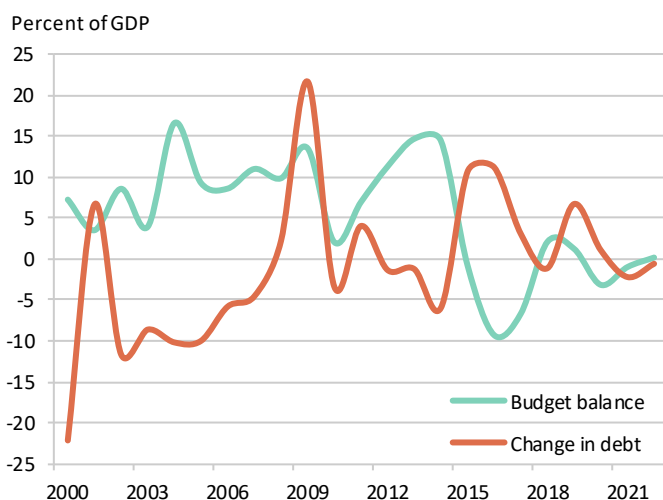
Qatar is the world's fifth-largest gas producer, second-largest gas exporter, and largest exporter of liquefied natural gas (LNG). The collapse in crude oil prices at the start of the pandemic reverberated through to LNG markets, especially for oil-linked LNG contracts.

These contracts decreased in price by 25-30 percent, narrowing the gap between spot LNG prices and long-term LNG contracts. Qatar with a high dependence on oil-linked contracts, has seen export revenues significantly impacted. The country's total exports dropped 42.8 percent y/y in June 2020 and total Imports fell by 19.5 percent.

Qatar's Q1 GDP growth rate, which was still largely unaffected by COVID-19, was a mere 0.9 percent, an early indication of a difficult 2020 ahead. Low economic sentiment is portrayed in the non-energy PMI, which fell from 49.3 in February to 36.6 in May 2020 as COVID-19 spread around the world. It improved rapidly to 59.8 in July 2020 when restrictions eased before leveling off again to 57.3; this indicates a loss of recovery momentum and undermines an ostensible V-shaped recovery.

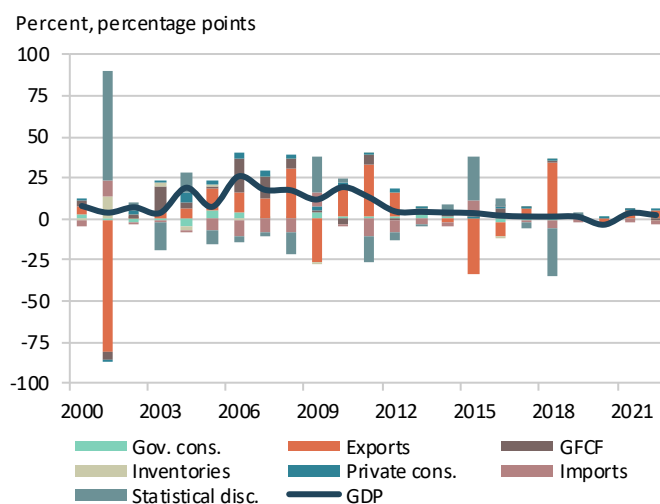
The combined effects of lower revenues and increased spending will change the positive pre-COVID trends in public finances. With the bulk of government revenues derived from hydrocarbons and given offsetting expenditures to mitigate the economic effects of COVID-19 amongst hardest hit sectors (air travel, tourism and real estate), the fiscal balance is projected to swing sharply into deficit in 2020. The fiscal stimulus announced in March 2020 was bolstered by strengthened cash buffers from a US\$10 billion issuance in Government bonds in April 2020. With foreign exchange reserves of US\$37 billion (July 2020), equal to 18 months of imports, and with the QIA sovereign wealth fund above US\$300 billion in assets under management, the

FIGURE 1 Qatar / Public finances and debt



Sources: World Bank staff calculations.

FIGURE 2 Qatar / Real GDP growth and contributions to real GDP growth



Sources: Haver.

country's credit standing remains very strong, in turn underpinning its ample market access and its ability to be an activist investor overseas.

Qatar's money supply M2 increased 6.2 percent y/y in July 2020 and domestic credit increased by 10.4 percent. This is markedly lower than the 20 percent (and higher) domestic credit growth rates recorded at the start of the year. Consumer prices are in deep deflationary territory at -0.8 percent in Q1/2020 and declining to -3.2 in Q2/2020.

Poverty is not an issue for citizens. Over 90 percent of Qataris are employed in the public sector or in public-private enterprises and have continued to receive their salaries throughout the crisis. By contrast, foreign workers, who represent over 90 percent of the labor force, are more likely to suffer job and income losses since they are employed in face-to-face sectors hit hardest by the crisis and in other jobs that cannot be conducted remotely (e.g., craft and trade related workers, plant and machine operators). A recent increase in the universal minimum wage (to US\$275 per month) and abolition of the requirement that migrants get permission of employers to change jobs are likely to positively impact migrant worker welfare and improve labor market incentives.

Outlook

The annual growth rate for 2020 is expected to be -2 percent, driven by a curtailed hydrocarbon sector and deteriorating non-energy market sentiment. Real GDP growth will turn positive again in 2021 as energy prices stabilize at around US\$42bbl, global LNG demand picks up, and non-energy economic sentiment improves once the pandemic is controlled. Over the medium term, growth will reach around 3 percent by 2022 from delivery and legacy investments for the FIFA World Cup.

The fiscal deficit is expected to be -3.6 percent on account of substantial drops in fiscal receipts of hydrocarbon exports, and a fiscal stimulus to mitigate COVID-19. As the pandemic is controlled, global demand picks up, and energy prices normalize, the fiscal deficit is expected to regain balance and turn into surplus by 2022. Public sector balances will also be supported by the eventual introduction of a VAT.

Like other macroeconomic indicators, the current account is largely a function of energy-related commodity prices and export volumes. With the sharp reduction in exports expected for 2020 (-6.5 percent), the current account will drop to a deficit of 1 percent of GDP in 2020. This will turn

into surplus over 2021-22 with global rebound and FDI recovery (the latter driven by new LNG projects and recent improvements to the business environment).

Risks and challenges

The economic rebound in 2021 and 2022 depends on the control of COVID-19, which is a function of effective containment strategies worldwide and/or effective vaccines to engender widespread immunity – a likely prerequisite for FIFA 2022 to go ahead. Existing testing and tracing infrastructure will be helpful to quickly administer vaccines to the population, in turn safeguarding the investment in event-based tourism and services.

A lack of resolution of the protracted diplomatic rift with neighboring countries prolongs the lost opportunity of further GCC regional integration and crisis burden sharing and confines the market size impact of reforms to strengthening the business environment. In this regard, Qatar has recently introduced measures to provide permanent residency for select expatriates and allowing foreigners to own 100 percent of the capital of companies across all economic sectors, amongst other measures.

TABLE 2 Qatar / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	1.6	1.5	1.4	-2.0	3.0	3.0
Private Consumption	4.4	5.0	3.0	-12.1	8.5	5.9
Government Consumption	-6.1	-3.0	3.0	15.6	3.3	3.3
Gross Fixed Capital Investment	1.3	3.6	2.5	5.5	3.1	3.1
Exports, Goods and Services	27.3	119.5	1.1	-6.5	2.7	1.0
Imports, Goods and Services	6.1	28.1	6.0	-1.5	5.7	0.8
Real GDP growth, at constant factor prices	1.0	0.5	1.2	-5.0	3.5	1.7
Agriculture	11.1	8.2	-1.0	3.0	5.0	8.0
Industry	2.2	0.6	1.2	0.9	3.0	2.8
Services	-1.5	0.3	1.3	-18.7	5.0	-1.4
Inflation (Consumer Price Index)	0.4	0.2	-0.4	-4.0	3.0	3.0
Current Account Balance (% of GDP)	3.8	8.7	2.6	-1.0	0.9	1.9
Net Foreign Direct Investment (% of GDP)	-0.4	-3.0	260.0	-572.1	-993.0	-1470.9
Fiscal Balance (% of GDP)	-6.6	2.2	1.8	-3.6	-3.7	1.2
Primary Balance (% of GDP)	-5.2	3.6	3.4	-1.9	-2.2	2.6

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