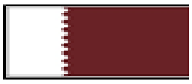
Euler Hermes Economic Research

Country Report

Qatar

One of the most resilient players in the region



General Information

GDP	USD166.8bn (World Ranking 54, World Bank 2015)
Population	2.2mn (World Ranking 143, World Bank 2015)
Form of state	Emirate
Head of government	HH Sheikh Abdullah bin Nasser bin Khalifa Al Thani (PM)
Next elections	None

Strengths

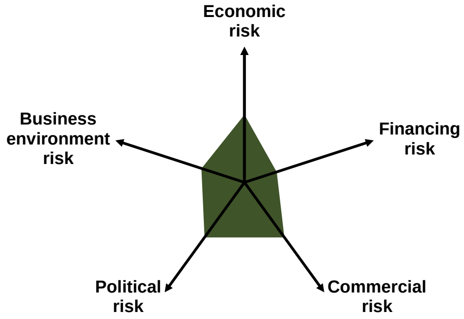
- Unlike elsewhere in the region, leadership has been passed to a younger generation, providing a degree of popular support in the short term
- U.S. military support affords some regional protection
- Large reserves of hydrocarbons, including the world's third-largest proven reserves of natural gas (after Iran and Russia)
- Long-term development strategy that has accelerated diversification away from upstream oil and gas
- Large foreign asset base, including a Sovereign Wealth Fund of USD335bn

Weaknesses

- Regional instability (including Iraq and Syria) and uncertainties (including Iran) impact on perceptions of risk
- U.S. military bases and the country's oil and gas facilities are potential targets for terrorist or extremist groups
- Despite the active policy of economic diversification, the economy relies heavily on hydrocarbons and this leaves it vulnerable to changes in levels of global activity and in international commodity prices
- Data transparency remains weak for an economy of its size and strategic importance

Country Rating

BB1



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports		Rank		Imports
Japan	25%	1	14%	United States
Korea, Republic of	19%	2	9%	China
India	13%	3	8%	United Arab Emirates
China	7%	4	8%	Germany
Singapore	6%	5	7%	United Kingdom

By product (% of total)

Exports		Rank		Imports
Gas, natural and manufactured	54%	1	12%	Road vehicles
Petroleum and petroleum products	32%	2	8%	Other transport equipment
Plastics in primary forms	2%	3	6%	Electrical machinery, etc.
Fertilizers	1%	4	4%	Iron and steel
Organic chemicals	1%	5	3%	Specialised machinery

Source: UNCTAD (2014)

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Economic Overview

Non-hydrocarbon sectors drive growth

In recent years oil prices and increased competition in the global liquefied gas market have curbed economic growth. Oil and gas account for 90% of total exports and over 75% of fiscal revenues. Crude oil production has declined due to cuts in response to the global glut and lower production from maturing fields. As Euler Hermes expects crude prices of around USD54/bbl (Brent) in 2017, the oil sector is not set to be a growth driver in the near future. The gas sector also disappointed because of delays in the Barzan project, touted to add 6% to existing output.

Nonetheless, growth should pick up from +2.5% in 2016 to +3.0% in 2017 and +3.2% in 2018. The main driver is a strong expansion in the non-hydrocarbon economy. Qatar's role as the host of the 2022 FIFA World Cup has had positive knock-on effects on the construction and services sectors. The former benefits from a large public investment related to the tournament. The government's fiscal consolidation efforts will not affect key projects such as the Doha metro. Large-scale works have also attracted considerable inflows of expatriate labor, resulting in consumption growth and higher services demand. Financial and business services continue to thrive.

Public finances on solid footing

The fiscal balance is forecast to shift to a large deficit of -7.5% of GDP in 2016 even though Qatar's fiscal breakeven oil price is reported to be a comparatively low USD55/bbl.

The government has made considerable efforts on fiscal consolidation. It trimmed the number of ministries from 18 to 14, canceled selected social expenditures, and cut water and electricity subsidies by 30%. To finance the fiscal deficit, the government has chosen not to tap into assets held by the Qatar Investment Authority (QIA) which continue to provide vital investment income. Instead, it has tapped the domestic and international debt markets instead.

Though this move is bound to push up external and public debt to about 56% and 64% of GDP in 2017, respectively, interest payments (currently at 7% of GDP) or liquidity issues should not cause distress. Qatar's total foreign assets, provided to the most part by QIA, are equivalent to 236% of GDP.

Long-term risks and uncertainties

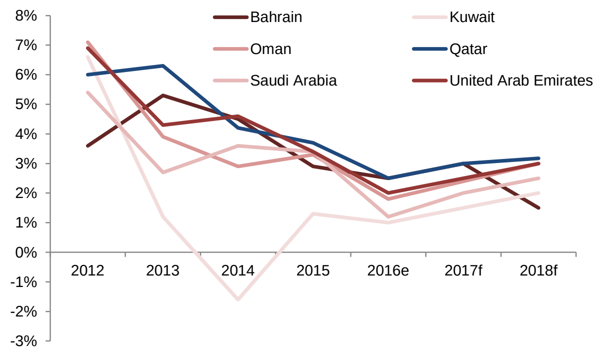
It is uncertain if World Cup-related infrastructure will be leveraged for diversification or cause overcapacity. Moreover, the treatment of migrant workers and Qatar's role in regional conflicts may be scrutinized by the international community and investors.

Key economic forecasts

	2015	2016e	2017f	2018f
GDP growth (% change)	3.7	2.5	3.0	3.2
Inflation (%, end-year)	1.6	2.3	3.0	3.0
Fiscal balance (% of GDP)	5.4	-7.5	-7.0	-6.0
Public debt (% of GDP)	39.8	55.0	64.0	70.0
Current account (% of GDP)	8.2	-1.8	-0.5	1.0
External debt (% of GDP)	48.4	54.0	56.0	57.0

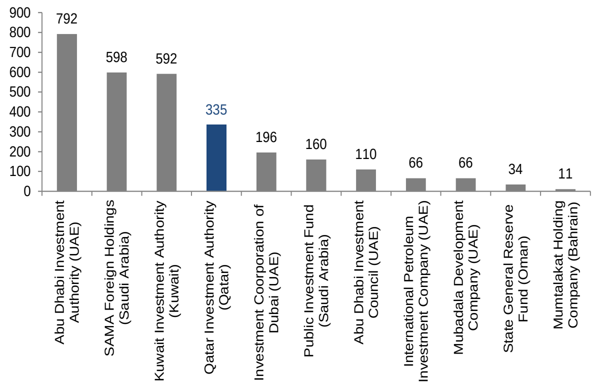
Sources: National statistics, IHS, Euler Hermes

GDP Growth (y/y) of members of the Gulf Cooperation Council



Sources: National statistics, IHS, Euler Hermes

Assets held by Sovereign Wealth Funds of Gulf Cooperation Council members (in USDbn)



Sources: Sovereign Wealth Fund Institute, Euler Hermes

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