INTERNATIONAL MONETARY FUND

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# QATAR

May 2014

## 2014 ARTICLE IV CONSULTATION—STAFF REPORT; PRESS RELEASE; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR QATAR

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2014 Article IV consultation with Qatar, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 18, 2014, following discussions that ended on February 20, 2014, with the officials of Qatar on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 2, 2014.
- An **Informational Annex** prepared by the IMF.
- A **Staff Statement** of April 18, 2014 updating information on recent developments.
- A **Press Release** summarizing the views of the Executive Board as expressed during its April 18, 2014 discussion of the staff report that concluded the Article IV consultation.
- A **Statement by the Executive Director** for Qatar.

The following document has been or will be separately released.

Selected Issues Paper

The publication policy for staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

# QATAR

## STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION

April 2, 2014

## KEY ISSUES

**Context.** As the world's largest exporter of liquefied natural gas (LNG), Qatar has turned into an important global financial investor, donor, and labor importer. Growth averaged 14 percent over the past decade and GDP per capita has reached $100,000, the highest in the world. Qatar remains insulated from sluggish global growth thanks to high hydrocarbon prices and a large public investment program to support economic diversification and prepare for the FIFA 2022 Championship.

**Outlook and risks.** Macroeconomic performance is expected to remain strong, driven by the non-hydrocarbon sector which accounts for almost one-half of the economy. Potential challenges include the risk of over-heating in the near term and over-capacity in the medium term as a result of the large public investment program. The possibility of a sharp decline in oil and gas prices remains the main medium-term risk; however, the authorities have ample fiscal and external buffers to deal with contingencies.

**Risks from public investments.** Policymakers need to remain vigilant about overheating risks. Capital spending should be smoothed if signs of overheating emerge, and liquidity withdrawal operations and further macroprudential measures deployed in case of excessive credit growth or risk-taking. A comprehensive public investment management framework would increase the efficiency of public spending and reduce the risk of overinvestment.

**Fiscal reforms.** The authorities have appropriately been saving the large fiscal surpluses, and have started introducing a medium-term focus into the budget process by implementing a three-year budget framework and establishing performance measures. The framework should be accompanied by realistic hydrocarbon price assumptions and a more detailed multi-year expenditure plan.

**Financial sector.** The authorities are implementing an ambitious financial regulatory agenda, including establishing an umbrella advisory committee and issuing a final Basel III circular. Banks remain well capitalized and liquid, but the authorities should continue carefully monitoring vulnerabilities through an enhanced early warning system.

**Diversification.** The authorities are also supporting economic diversification through measures to further financial deepening and private sector development.

Approved By
**Alfred Kammer and Taline Koranchelian**

Discussions were held in Doha during February 5-20, 2014. The staff team comprised Martin Sommer (head), Pritha Mitra, Haonan Qu, Bahrom Shukurov (all MCD), and Celine Rochon (ICD).

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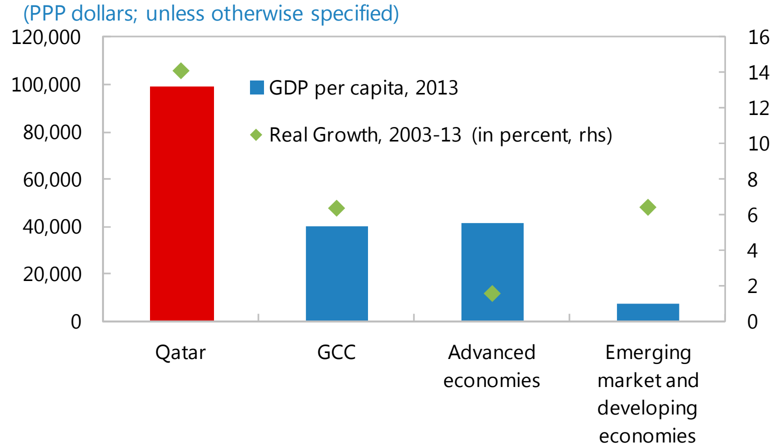
# CONTEXT

1. **As the world's largest exporter of liquefied natural gas (LNG), Qatar plays a systemic role in the global natural gas market.** Qatar accounts for about 1/3 of global LNG trade and has become the key supplier for Japan, South Korea, India, and the United Kingdom. In addition to attaining the world's highest per capita income (around $100,000), Qatar has emerged as an important global financial investor through its sovereign wealth fund (Qatar Investment Authority, QIA), as well as a major labor importer and donor. Qatar has pledged some $20 billion to support Bahrain, Oman, and Arab countries in transition. Remittances by Qatar's 1.75 million expatriate workers (total population is 2 million) reached 6 percent of GDP, among the highest shares in the world.

**GDP Growth and Output per Capita**
(PPP dollars; unless otherwise specified)




Source: World Economic Outlook, IMF.

2. **Having successfully completed a strategy to develop natural gas resources, the authorities have embarked on a large public investment program to advance economic diversification and prepare for the FIFA 2022 World Cup.** Under the new Emir, the authorities continue pursuing development and diversification strategy guided by the Qatar National Vision 2030 and National Development Strategy, 2011–16.[1] While a further expansion of LNG production is possible, Qatar will maintain a moratorium on development of new hydrocarbon projects until at least 2015 to give itself time to assess its production performance and carry out a comprehensive study of its North Field. Meanwhile, diversification is supported through budget-financed investment projects worth an estimated $160 billion (80 percent of last year's GDP) over 2014–21, supplemented by some $50 billion from public enterprises. Alongside, the macroeconomic policy framework is being strengthened by a number of ambitious reforms in the area of fiscal policy and institutions, financial regulation, macroprudential policies, liquidity management, and development of the local debt market, consistent with IMF staff advice.

[1] http://www.gsdp.gov.qa/portal/page/portal/gsdp_en/knowledge_center

**Status of Staff Recommendations Made during the 2012 Article IV Consultation**

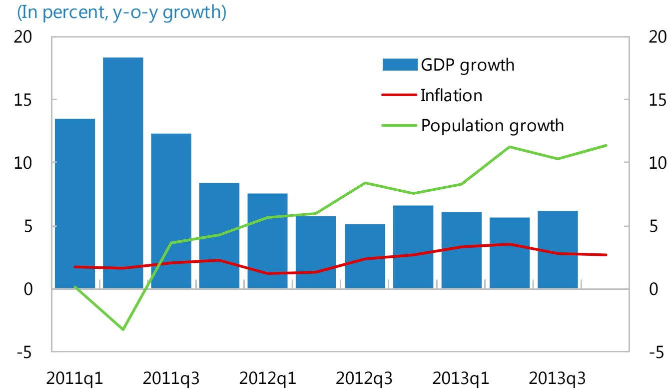
| Recommendation | Current status |
|---|---|
| Maintain policy mix to avoid overheating | Inflation remains subdued; high-level price and logistics committees monitor price developments and congestion stresses; the authorities are preparing a short list of critical infrastructure projects. |
| Continue building fiscal buffers; strengthen medium-term budgeting | The authorities are saving their large budget surpluses; ministries and agencies prepare 3-year spending and revenue projections and started reporting basic performance indicators; the Ministry of Finance is setting up macro fiscal unit and Government Financial Management Information System. |
| Introduce integrated public investment management | Central Planning Office coordinates infrastructure investments; the Ministry of Finance plans to set up a Public Investment Management unit. |
| Strenthen financial regulation to maintain financial stability | The 2012 Central Bank law established the Financial Stability and Risk Committee consisting of the three key regulators; the authorities unveiled a three-year Strategic Plan for Financial Regulation in December 2013; the Basel III circular was issued in January 2014. |
| Avoild a buildup of foreign borrowing | The reliance on foreign borrowing has declined substantially, partly owing to rising public sector deposits in the domestic banking system. |
| Further improve liquidity management, support financial deepening | The QCB has started auctioning 3- and 5- year bonds; the Strategic Plan for Financial Regulation contains a variety of measures to support financial deepening. |

Source: IMF Staff

# RECENT ECONOMIC DEVELOPMENTS

**3. Qatar's macroeconomic performance has remained strong (Figure 1).** GDP growth slowed from 13 percent in 2011 to 6.2 percent in 2012, largely as a result of the self-imposed moratorium on new hydrocarbon investments in the North Field. Growth is estimated to have remained around 6 percent in 2013, driven by a 10 percent expansion in the nonhydrocarbon sector, particularly construction, transport, communications, and finance. The nonhydrocarbon sector now accounts for almost one-half of the economy.

**Growth, Inflation, and Population, 2002-13**
(In percent, y-o-y growth)

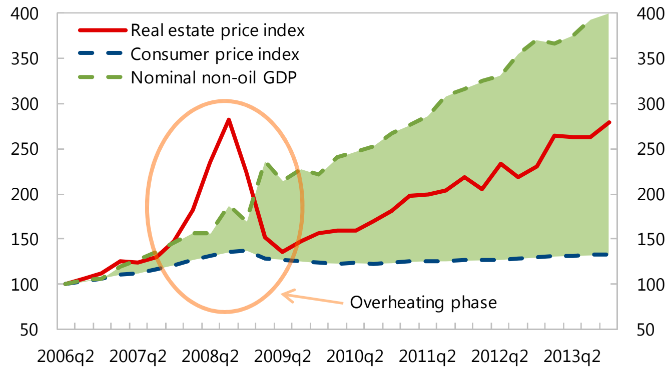



Sources: Qatar Central Bank; Ministry of Development Planning and Statistics; and Haver Analytics.

**4. The negative spillovers from sluggish global growth and financial market volatility have been limited**. The tight LNG market and supply disruptions among other oil producers have kept hydrocarbon prices high. Announcements regarding the U.S. Federal Reserve's asset purchases modestly raised the cost of external funding and contributed to money market volatility, but have had no discernible effect on the local lending rates so far. The recent emerging market turmoil has not affected local financial markets given strong fundamentals and modest financial linkages.

**5. Inflation increased early last year due to increased housing demand, but has fallen since then.** With rents and related components constituting over 30 percent of the CPI basket, a strong inflow of expatriate workers in the context of diminishing housing market slack pushed up CPI inflation to 3.7 percent y-o-y in April 2013. However, inflation has eased to 2.7 percent y-o-y in February 2014 as housing supply increased and rent growth decelerated. Core inflation excluding food, rent, and utilities has also been on a downward trend, with February core inflation at 1.6 percent. House prices have been growing strongly since the crisis-related drop in 2008–09, but according to crude measures, valuations appear broadly in line with fundamentals.

**Real Estate Prices, 2006-13**
(Index, 2006q2=100)




Sources: Qatar Central Bank; and Haver Analytics.

**6. The central government budget continues to post large surpluses (Figure 2).** The FY2012/13 budget surplus increased to 9 percent of GDP on the back of strong growth in revenues (especially from the nonhydrocarbon sector), despite a substantial overrun in current expenditures. Spending on infrastructure and other capital projects was broadly unchanged, but capital expenditures have picked up during the current fiscal year. The underlying non-hydrocarbon fiscal balance as a share of non-hydrocarbon GDP has been improving since the global financial crisis, from -54 percent of non-hydrocarbon GDP in FY2010/11 to an estimated -46 percent of non-hydrocarbon GDP in FY2013/14 (ending March 2014). Gross government debt as of March 2014 is projected at 34 percent of GDP, with the authorities issuing T-bills and T-bonds for financial market development and liquidity management purposes. Net debt remains negative considering the QIA's large assets.

**7. The current account recorded a surplus of 32 percent of GDP in 2012 and another high surplus can also be expected in 2013**, reflecting sustained high prices of LNG, crude oil, and condensates exports. LNG prices in Qatar's main export markets in Asia have so far remained largely unaffected by the rapid growth in the U.S. unconventional gas and oil production. The real effective exchange rate remained roughly unchanged during 2013.

**8. Monetary and credit conditions remain accommodative, but public sector credit growth has slowed substantially (Figure 3).** Accommodative U.S. monetary policy has been mirrored by low policy rates in Qatar. Broad money and private sector credit have continued to grow robustly, while the share of real estate lending has somewhat moderated. However, public sector credit growth has slowed substantially, partly reflecting previous strong growth and delays with infrastructure investments. The Ministry of Finance (MoF) started requiring an approval for new borrowing by public sector enterprises since October 2013.

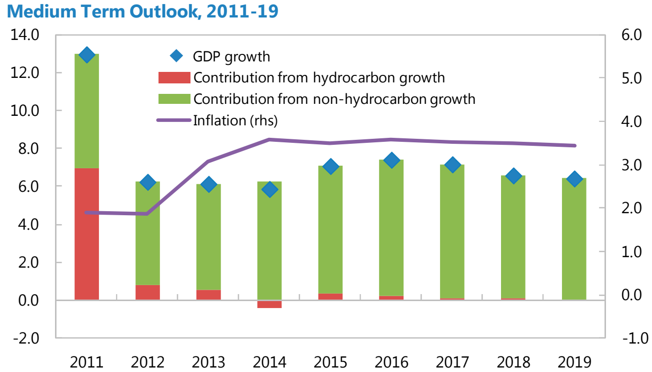
**9. The banking sector is profitable and liquid.** Tier 1 capital stood at 15 percent of risk-weighted assets at end-2013 and NPLs remain below 2 percent despite a recent slight increase. Banks remain highly profitable with a return on assets at 2 percent. Liquidity buffers are strong, with liquid assets around 50 percent of total assets. Foreign funding of commercial banks—which increased substantially in recent years—has been pared back from 30 percent of total liabilities at its peak in early 2012 to about 23 percent at present, and its maturity structure has improved, with short-term loans gradually replaced by longer-term securities.[2] The aggregate loan-to-deposit ratio has fallen from 1.2 to 1.0 over the past year, partly due to rising public sector deposits.

# MACROECONOMIC OUTLOOK AND RISKS

**10. The short- and medium-term macroeconomic outlook is positive under the baseline.**

- *GDP growth* could stay around 6 percent in 2014 as the pickup in public investments is offset by a modest decline in hydrocarbon output. The new gas-to-liquids Barzan plant could help push growth above 7 percent in 2015. Public investments are expected to keep growth at roughly 6-7 percent over the medium term, with nonhydrocarbon growth remaining about 10 percent.

**Medium Term Outlook, 2011-19**




Sources: Haver Analytics; IMF staff calculations and projections.

- *Inflation* is projected to stay benign at 3 to 4 percent going forward—a modest increase from recent years due to accelerating capital expenditures. The anticipated gradual decline in commodity prices, including for food, should reduce price pressures from strong economic activity in the context of the exchange rate peg.

- *Fiscal and external balances* are projected to taper down significantly over time due to flat LNG production, falling crude oil output from mature fields, expected lower hydrocarbon prices (the *World Economic Outlook* assumptions see the Brent oil price falling from $110 a barrel at present to about $90 a barrel by 2019), and growing nominal expenditures. The public debt ratio is

[2] The foreign wholesale exposure has dropped to about 10 percent of total liabilities, of which roughly ¾ is accounted for by European banks.

expected to fall, but the headline budget balance could—according to IMF staff projections—turn into deficit by 2019, while the current account surplus could drop to 6½ percent of GDP.

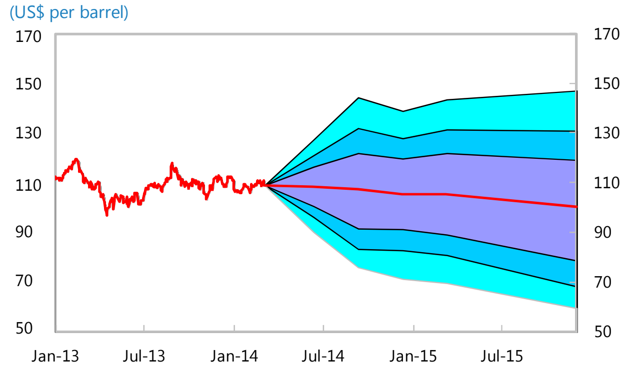
**11. Domestic risks to the above baseline are mostly related to the ongoing public investment program (see Risk Assessment Matrix).** The investment projects are essential to propel nonhydrocarbon sector growth and facilitate economic diversification. However, the program entails the possibility of overheating in the near term, and low return and overcapacity in the medium term. In particular, the extent to which public investment will durably boost private sector productivity remains uncertain. An unsuccessful design and implementation of the investment program would also increase the level of nonperforming loans in the banking system. That said, productivity could as well surprise on the upside, if major investments such as the forthcoming opening of a new airport boost broader economic activity.

**12. Meanwhile, Qatar remains exposed to several global risks (Risk Assessment Matrix)**.

- *In the short-term, a global slowdown or financial turbulence could yet have adverse repercussions for Qatar*. Generally, revenue losses from lower oil and natural gas exports would likely be the most significant spillover channel for Qatar given the high share of hydrocarbons in budget revenues and exports. This would particularly apply to a scenario with the protracted emerging market slowdown. However, the financial channel could become important given Qatari banks' remaining wholesale funding exposures abroad, their MENA linkages, and external financing needs for the infrastructure program. For example, global financial market volatility due to the exit from unconventional monetary policies in advanced economies or a renewed crisis in the Euro area could raise borrowing rates, while reducing credit availability. A global financial shock would also reduce the value of Qatar's sizeable foreign assets. The recent experience with financial market spillovers is discussed in Box 1.

- *The main medium-term risk remains the possibility of a sharp decline in oil and gas prices* in light of growing unconventional oil and natural gas supplies, sluggish global growth, and rising energy efficiency. Indeed, there is anecdotal evidence that while the U.S. shale gas boom has not meaningfully affected revenues so far, it is starting to put downward pressure on prices negotiated for future LNG supplies. According to staff calculations, a plausible drop in oil prices relative to the baseline (by $26.5 a barrel which is the historical standard deviation of oil prices) could place the public debt ratio on an upward path. The increase in the debt ratio would be more pronounced in a downside risk scenario which also assumes smaller-than-expected returns from the public investment program and cost over-

**Outlook for Brent Crude Oil Price, 2013-15 1/**
(US$ per barrel)




Sources: Bloomberg; and IMF staff calculations and projections.
1/ Derived from prices of futures options on March 4, 2014.

runs (Appendix 1). That said, the more favorable scenario in which supply disruptions among other oil producers keep hydrocarbon prices high is also possible.

**Qatar: Risk Assessment Matrix**

| Nature/source of main risks | Likelihood of realization | Expected impact on the economy if risk is realized |
|---|---|---|
| **Implementation risks related to infrastructure investments** | **Medium** | ***Low to Medium*** High infrastructure spending could raise inflation, lead to delays and cost overruns, while delivering lower-than-expected growth dividend and raising nonperforming loans in the banking system. *Enhancements to the QCB's early warning system and a comprehensive public investment management system with rigorous procedures for project selection and appraisal would help manage these risks.* |
| **Protracted period of slower growth in advanced economies and emerging markets** | **Medium to High** | ***Low to Medium*** Slow global growth could undermine hydrocarbon prices and demand for Qatar's hydrocarbon exports, in turn reducing fiscal and external surpluses, slowing QIA asset accumulation, and deteriorating financing conditions for Qatar's large investment program. As a result, policymakers might choose to trim public expenditures with negative consequences for non-hydrocarbon growth. *However, large financial cushions would be expected to mitigate the impact. Policymakers could further intensify diversification efforts to partially offset the negative spillovers over the medium term.* |
| **A surge in global financial market volatility** related to monetary policy exit in adv. econ. | **High** | ***Low to Medium*** Financing costs in domestic and international markets could rise, slowing implementation of the Qatar's investment program. Banks' profit margins would shrink and some individual banks reliant on wholesale funding could face liquidity pressures. *Large financial cushions and a policy framework are in place to mitigate the impact.* |
| **Financial stress in the euro area re-emerges** due to stalled or incomplete delivery of commitments. | **Medium** | ***Medium*** The funding costs of corporations and banks would increase, and foreign credit availability would deteriorate amid high uncertainty, QIA asset value and hydrocarbon prices would fall, and some banks may face liquidity pressures. *These pressures could be counteracted by QCB liquidity injections and reallocation of QIA and public enterprises' foreign assets into the domestic banking system.* |
| **Sustained decline in oil and gas prices** due to excess capacity. Alternatively, supply disruptions could keep prices high. | **Medium** | ***Medium*** In case of lower hydrocarbon prices, fiscal and external surpluses and private sector confidence would fall, resulting in lower QIA asset accumulation, reduced public expenditures, less financing available for the investment program, and lower non-hydrocarbon growth. *Qatar could draw on its large financial cushions while accelerating economic diversification. Low-cost LNG production, long-term gas contracts, and built-in diversion clauses in gas contracts could partially reduce risks.* In case of higher hydrocarbon prices, effects would be the opposite. |
| **Transport disruptions** due to materialization of geopolitical and regional risks | **Low** | ***Low to Medium*** A temporary land border closure would raise prices of certain items, including some foodstuffs and building materials. A temporary blockage of the Strait of Hormuz would also adversely affect hydrocarbon exports. *The supply-chain disruptions could be partly mitigated by releasing the strategic stockpiles of food and building materials, and using the Qatar's large financial cushions.* |

Note: The Risk Assessment Matrix shows events that could materially alter the baseline (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent).

- *Given its geographic location, Qatar is susceptible to the tail risk of transport disruptions*. For instance, should the recent foreign policy dispute with its three GCC neighbors (Saudi Arabia, U.A.E., Bahrain) lead to temporary sanctions on Qatar—a tail risk scenario—Qatar would face logistical challenges as certain food items and construction materials are imported from these immediate neighbors and some imports from other countries are also channeled through the Dubai port or over the Saudi Arabia land border. The direct trade and financial exposures are, however, limited.

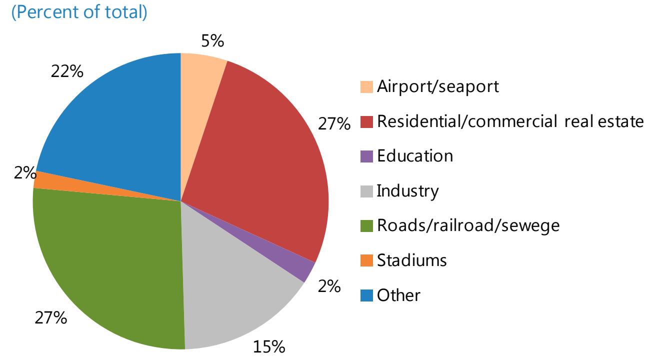
**13. Qatar has ample policy space to deal with unexpected circumstances in the short term.** Fiscal buffers and remaining natural resources are sizeable[3] and spending is unlikely to be affected by a drop in hydrocarbon prices or market volatility in the near term. The QCB can inject liquidity into the financial system through its lending window and repo operations, and the government could achieve the same goal by managing portfolio allocations of the QIA and public sector enterprises. The government also aided the banking system with equity injections and purchases of impaired assets during the global financial crisis. The tail risk of transport disruptions is managed by building strategic stocks of food and construction materials.

# POLICY DISCUSSIONS

## A. Managing Risks from the Public Investment Program

**14. The authorities and staff agreed on the importance of managing risks from the Qatar's large public investment program.** The projects include basic infrastructure (e.g., airport, port, metro, railway, and roads), real estate (including the new Lusail City), schools, hospitals, and stadiums for the 2022 FIFA Championship.

**Remaining Investment Project Expenditures, 2014-21**
(Percent of total)




Sources: MEED; and Zawya.

**15. The mission stressed that although inflationary pressures appear contained at the moment, policymakers need to remain vigilant**. The authorities—mindful of Qatar's 2006-08 experience with double-digit inflation—intend to phase in the investment projects gradually and various high-level committees are tasked with identification and removal of supply-chain bottlenecks. However, the mission recommended smoothing capital spending if signs of overheating emerge, and deploying liquidity withdrawal operations and further macroprudential measures in case of excessive credit growth or risk-taking.

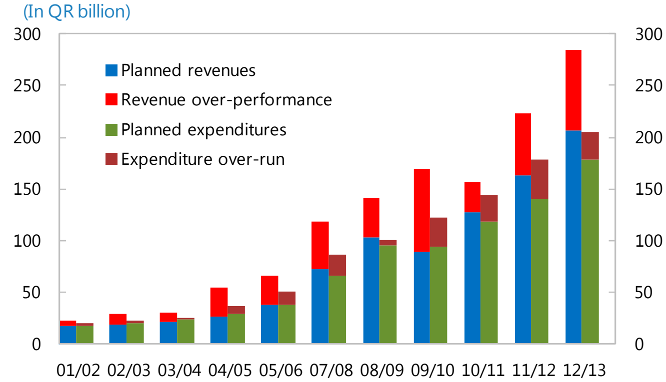
[3] Qatar can continue hydrocarbon production at current rates for at least another 100 years.

**16. The mission also saw scope for improving the investment management process to achieve optimal allocation of resources and high return on investment** (Box 2 and Selected Issues Paper). The authorities have made some progress in developing the relevant institutional structures, such as establishing the Central Planning Office overseeing infrastructure investments. Certain big-ticket projects such as the metro, port, and airport have been scaled down or divided into phases to reduce the risk of overcapacity. However, the large-scale nature of the program has led to implementation delays and cost overruns. The authorities noted that additional re-profiling and cuts may be necessary to make the planned investments logistically feasible, and are preparing a short list of critical projects. The staff reiterated its call for an integrated approach to public investment management, including rigorous procedures for selection and appraisal of projects, and encouraged comprehensive and transparent treatment of public programs in the budget, requiring substantial capacity building and deeper cooperation among various stakeholders. The MoF is planning to set up a public investment management unit, and have expressed interest in technical assistance regarding the draft Public Financial Management law.

## B. Enhancing the Institutional Framework for Fiscal Policy

**17. The authorities have started introducing a medium-term focus into the budget process.** The FY2014/15 budget circular requires ministries and agencies to provide indicative budget estimates until FY2016/17 and to share performance information about their programs. Once fully effective, the medium-term budget framework (MTBF) will help ensure that government spending is shielded from revenue volatility and expenditure targets are not exceeded, while providing a platform for assessing the quality of spending. The authorities are confident that the tradition of spending overruns can be largely eliminated already from the current budget cycle. In addition, the MoF plans to reduce the growth in current expenditures, prioritizing spending on health, education, and public investment. The authorities are also setting up a Government Finance Management Information System (GFMIS), which will, among others, facilitate compilation of the GFSM2001 budget data. The team welcomed these structural budget reforms and stressed that the MTBF should be accompanied by credible annual budgets based on realistic hydrocarbon price assumptions (now $65 a barrel) and a more detailed multi-year expenditure framework backed up by a fully-consistent macroeconomic forecast.

**Revenue Over-Performance and Expenditure Over-Runs, 2001-13**
(In QR billion)

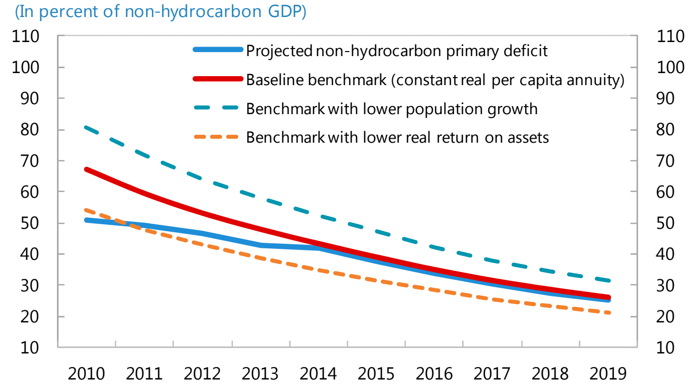



Source: Ministry of Finance; and IMF staff calculations.

**18. The authorities plan to make the recently established macro-fiscal unit operational as soon as possible, in line with IMF advice.** The unit would prepare macroeconomic forecasts, revenue and expenditure projections (including compilation of detailed forward-looking information about investment projects), and public debt forecasts. The IMF is ready to field a diagnostic mission and help find a resident advisor for the unit.

**19. The mission noted that the fiscal policy stance remains consistent with intergenerational equity.** Both the existing and projected fiscal deficits (measured by the nonhydrocarbon deficit excluding investment income in percent of nonhydrocarbon GDP) appear on current policies somewhat lower than, but close to, the deficits consistent with a constant real per capita annuity. This means that the government saves sufficiently for future generations, but does not over-save.[4] Should hydrocarbon prices surprise on the downside, additional measures to contain current expenditures and prioritize capital spending would need to be considered. The underlying non-hydrocarbon fiscal balance as a share of non-hydrocarbon GDP is expected by staff to continue improving going forward despite the projected increases in capital expenditures—from -46 percent of non-hydrocarbon GDP at present to -26 percent of non-hydrocarbon GDP in 2019. The authorities' longer-term aspiration of fully financing the budget from nonhydrocarbon revenues underscores their commitment to diversify the economy and maintain the health of public finances. However, if implemented literally, the objective would lead to over-saving since the QIA asset accumulation would continue indefinitely.

**Non-hydrocarbon Primary Deficits and PIH-Based Benchmarks, 2010-19**
(In percent of non-hydrocarbon GDP)




Source: IMF staff calculations.
Notes: Benchmark non-hydrocarbon primary deficit is calculated using the Permanent Income Hypothesis (PIH) under the assumption of constant real per capita annuity. Alternative scenarios assume lower population growth and real return on assets, respectively, by 0.5 percentage point.

[4] Any net-present-value calculation is subject to caveats about sensitivity to assumptions such as interest rates and the assumed rate of return. The budget breakeven price estimated by staff is roughly $70 a barrel at present, but the effective State-level breakeven price including all State hydrocarbon profits could be substantially lower, in the ballpark of $50 a barrel (Figure 2).

## C. Strengthening Financial Regulation and Monetary Operations to Maintain Financial Stability

**20. The team welcomed the considerable progress made on the financial sector regulatory agenda.** The QCB Governor has become the head of the Financial Stability and Risk Committee established by the 2012 Central Bank Law and serves as a chairman of all three regulatory agencies.[5] The QCB has taken over responsibility for the previously lightly-regulated insurance industry, and work is underway to produce joint risk-based analysis of the entire financial system. In December 2013, the three main regulatory agencies published their Strategic Plan for Financial Sector Regulation until 2016, laying out an ambitious agenda for moving to risk-based regulation, expanding macro-prudential oversight, strengthening market infrastructure, and consumer and investor protection. The financial system generally meets comfortably the final Basel III circular for capital, liquidity, and leverage ratios issued in January 2014. The authorities continue to implement a number of macro-prudential measures,[6] and plan to further enhance their risk-based approach to AML/CFT that has substantially been bolstered as a result of the 2010 legislation and ongoing IMF technical assistance. Qatar has been granted emerging market status by MSCI, effective May 2014.

**Strategic Plan for Financial Regulation**

| Strategic Goal | Measures |
|---|---|
| Enhancing regulation | Strengthen the risk-based supervisory framework for banks; develop regulation of insurance companies under the QCB; enhance risk-based approach to regulating capital markets; strengthen framework for Islamic finance; unify corporate governance standards; reinforce disclosure |
| Expanding macro-prudential oversight | Make the new Financial Stability and Risk Control Committee operational; strengthen monitoring of systemic risks; develop toolkit of macro-prudential instruments; collect financial market statistics and conduct studies; promote the Credit Bureau |
| Strengthening market infrastructure | Enhance resiliency and efficiency of the payments and settlements systems in line with the CPSS and IOSCO, including guidelines for participation by QFC banks; develop the government and corporate debt markets; broaden investor participation in primary and secondary markets; design a deposit protection scheme; promote SME financing |
| Protecting consumers and investors | Enhance consumer protection and dispute resolution mechanisms; address regulatory gaps; ensure effectiveness of bank secrecy laws and protection of credit information; raise public awareness about securities markets |
| Promoting regulatory cooperation | Promote greater cooperation and exchange of information among the three agencies; build a consistent approach to enforcement; strengthen GCC-wide cooperation |

Source: Qatar Financial Regulatory Agencies.

[5] These include the Qatar Central Bank, the Qatar Financial Center Regulatory Authority, and the Qatar Financial Markets Authority. The Financial Stability and Risk Committee is tasked with identifying emerging risks in all segments of the financial sector, coordinating among regulators, and recommending solutions for approval by the QCB Board.

[6] Currently employed tools include loan-to-value and debt-to-income ratios, and limits on real estate exposures, lending concentration, FX lending, and open FX positions.

**21. Banks remain well capitalized and liquid, but the authorities should continue carefully monitoring vulnerabilities through an enhanced early warning system.** Stress tests by the QCB show resilience to plausible shocks due to high capital and liquidity buffers.[7] That said, deposits and credit are substantially concentrated, and asset quality is exposed to risks from high single party exposures. The authorities are considering a reduction of the loan-to-deposit ratio which would further improve the strong liquidity profile of the banking system and its asset quality. Despite reduced reliance on international wholesale funding, a drying up of external liquidity could adversely impact the banking system; however, policymakers would have ample room to respond in this scenario, as noted above. Meanwhile, regional expansion of the largest Qatari banks could stretch their risk management capacity given the turbulent macroeconomic developments in many MENA countries,[8] and the reliance on foreign funding could increase again when infrastructure projects pick up. While the current situation does not seem to warrant policy action, policymakers should continue to closely monitor lending standards, concentration risks, and cross-border activities of banks. Staff suggested that the QCB's early warning system should be enhanced to identify risks and links across all sectors of the economy (Box 3 and Selected Issues Paper). The authorities plan to incorporate some of the technical recommendations into the next Financial Stability Review and requested a follow up during the next staff visit.

**22. There is scope to further increase transparency and improve the functioning of the QCB's liquidity management framework.** The QCB has taken several steps to alter its liquidity management operations including capping commercial banks' interest bearing deposits with the central bank and facilitating issues of T-bills and T-bonds. The issuance has so far proceeded at fixed nominal allotments, with the short-term T-bill rates continuing to exhibit some volatility. The money market tightened during summer and fall of 2013, partly as a result of international events such as the Syrian crisis and negotiations related to the U.S. budget and debt ceiling. The money market tightening was mostly reversed using a large liquidity injection in January 2014.[9] These developments underscore the need for sending clear signals to markets through a transparent and well structured liquidity management framework. The scope for QCB open-market operations is limited due to low secondary-market liquidity. Consideration should, therefore, be given to some flexibility in setting T-bill and T-bond issuance volumes to reduce the volatility of yields. The authorities saw some merit in this recommendation but did not see it as a short-term priority. In staff's view, close coordination between the MoF and the QCB would enhance liquidity forecasting.

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[7] The QCB monitors credit, market, liquidity, concentration, exchange rate and systemic risks; see Selected Issues Paper for a more detailed description of the stress tests. According to the QCB's Financial Stability Report (2013), the NPLs would need to increase to 35 percent before the banking system breaches the required capital minimum, and most banks would withstand liquidity shocks owing partly to availability of the QCB repo facility.

[8] The Qatar National Bank, the largest commercial bank which is 50 percent-owned by the government, has 30 percent of its assets in foreign activities, largely in the MENA region.

[9] Liquidity fell by QAR 13 billion between May and August 2013, then increased but remained below the previous levels throughout fall 2013, before sharply rebounding in January 2014—see Box 1.

**23. The authorities and staff agreed that the fixed exchange rate regime remains appropriate for Qatar.** The peg to the U.S. dollar has anchored prices of tradables and provided stability to income flows and financial wealth given the dominance of dollar denominated hydrocarbon exports. Staff analysis suggests that the global share of Qatar's non-hydrocarbon exports and the share of Qatar's imports in GDP have remained broadly stable in recent years. On the basis of incomplete data, the composition of financial flows appears to have been relatively stable as well. The real effective exchange rate is stronger than the long-term average, consistent with high hydrocarbon prices. Staff estimates of three alternative CGER-type models produce widely-dispersed exchange rate assessments (Appendix 2), but on balance, the overall evidence does not point to a systematic exchange rate misalignment.

## D. Deepening Financial Markets

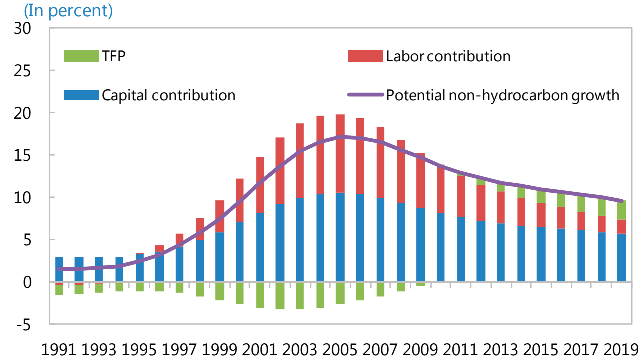
**24. The authorities and staff concurred that developing deep and liquid domestic debt markets can bring important benefits.** These include funding for the large infrastructure investment program, enhancing the monetary transmission mechanism, and facilitating liquidity management. Indeed, the government has been issuing Riyal-denominated securities with the stated objective of debt market development despite running large fiscal surpluses. Going forward, the authorities will continue issuing Riyal-denominated government securities, while trimming foreign borrowing and domestic loans.

**25. The authorities noted additional measures aimed at financial deepening.** The forthcoming creation of the domestic credit rating agency will support corporate bond issuance, while the public investment program provides an opportunity to issue corporate bonds for revenue-generating projects. The expanded coverage of the credit bureau is facilitating easier access to credit. Additional initiatives to improve consumer and investor protection and strengthen market infrastructure are envisaged in the Strategic Plan for Financial Regulation, as outlined in the text table above.

## E. Structural and Data Issues

**26. Qatar ranks 13th in the Global Competitiveness Index, the highest in the GCC region, but it lags behind in terms of SME development and educational quality (Figures 4 and 5).** The SME sector contributes only 10 percent of GDP, compared with almost 30 percent in the entire MENA region. The authorities have stepped up their diversification efforts via the Qatar Development Bank and Enterprise Qatar, for example, through loan guarantees and SME feasibility studies. The MoF has

**Potential Non-hydrocarbon Growth, 1991-2019**
(In percent)




Sources: IMF staff calculations and projections.
Note: A growth accounting framework is applied to Hodrick-Prescott filtered series of non-hydrocarbon output, capital stock, and employment. The cost share of capital is set to 0.5.

started outsourcing some activities and privatizing selected assets. According to *Doing Business*, procedures for registering a business could be simplified further. Efforts are being made to improve the quality of educational curricula, including via activities of the Qatar Foundation, and to align them with the labor market needs, while expanding study-abroad programs to increase foreign language proficiency and acquire specialized skills. The authorities also envisage a gradual rotation of employment from low productivity industries (such as construction) into higher productivity knowledge-based sectors as the private sector reaps the benefits of public investments. Success of these reform efforts will be critical for raising total factor productivity growth—which was negative in recent years—and securing high return on public investments.

**27. Vast infrastructure spending ahead of the 2022 FIFA Championship has placed a spotlight on labor market conditions for expatriate workers.** Working conditions of some construction workers and domestic help have made negative headlines and could, among others, affect the availability and cost of hiring new workers in the future. This would hinder growth since the success of Qatar's current development model depends importantly on the ability to rapidly hire expatriate workers. Committed to improving the situation, the authorities are focusing, for example, on better enforcement of existing labor laws, and issued a Welfare Charter for workers involved in FIFA-related projects. Proposals have been submitted to tighten occupation safety rules and enhance cooperation with the International Labor Organization.

**28. Considerable additional effort is necessary to improve macroeconomic statistics.** The Ministry of Development Planning and Statistics (MDPS) is finalizing the Foreign Investment Survey which should substantially improve the BoP and IIP statistics. The MDPS also plans to begin publishing quarterly GDP by expenditure from mid-2014. Further improvements to the real estate sector statistics and household and corporate balance sheets data would support development of the QCB's early warning system. Close collaboration with GCC Stat would help reinforce the authorities' efforts to enhance the macroeconomic statistics.[10]

# STAFF APPRAISAL

**29. Qatar remains insulated from sluggish global growth.** GDP could grow by 6 percent this year, driven by the non-hydrocarbon sector, and modestly accelerate going forward as public investment disbursements gather pace and the Barzan project comes on stream. Negative spillovers from the global slowdown have been limited owing to the tight liquefied natural gas market and supply disruptions among other oil producers. The ongoing emerging market turmoil has not affected local financial markets given strong fundamentals and modest international financial linkages. The possible sharp decline in oil and gas prices remains the main medium-term risk, although oil prices could also stay high if the global supply disruptions persist.

[10] GCC Stat—which became operational in June 2013—collects statistical data across the GCC region and facilitates implementation of the joint statistics projects, including through technical assistance.

**30. Policymakers need to remain vigilant about inflationary pressures.** The authorities should smooth capital spending if signs of overheating emerge, and deploy liquidity withdrawal operations and further macroprudential measures in case of excessive credit growth or risk-taking. This strategy can be supplemented by the authorities' efforts to identify and remove bottlenecks in the supply chain.

**31. Improving the public investment management process would help achieve better allocation of resources and high return on investment.** An integrated approach to public investment management, including rigorous procedures for selection and appraisal of projects would be highly desirable, requiring substantial capacity building and deeper cooperation among various stakeholders.

**32. The authorities are pursuing ambitious fiscal reforms.** The commitment to limiting spending over-runs, a medium-term focus in the budget process, elements of performance budgeting, and implementation of GFMIS are very welcome steps in the right direction. Going forward, the annual budgets should be based on realistic hydrocarbon price assumptions and a more detailed multi-year expenditure framework. The IMF stands ready to assist with setting up of the macro-fiscal unit.

**33. Substantial progress has been made on enhancing financial sector regulation.** The authorities have issued the final Basel III circular, and unveiled a three-year Strategic Plan for Financial Regulation, detailing an ambitious agenda of risk-based regulation, macro-prudential oversight, and strengthened investor and consumer protection and financial infrastructure. Banks remain well capitalized, liquid, and profitable, but policymakers need to continue to closely monitor lending standards, concentration risks, and cross-border activities of banks through an enhanced early warning system. There is scope to improve liquidity management via more flexible auction volumes and close cooperation between the QCB and MoF.

**34. Diversification efforts through public investments are being complemented with measures to support financial deepening and private sector development.** The authorities have stepped up activities of the Qatar Development Bank and Enterprise Qatar, and SME agency. The MoF has started outsourcing some activities and privatizing selected assets. The Strategic Plan for Financial Regulation envisages additional measures to strengthen investor and consumer protection. Efforts are being made to improve the quality of educational curricula. Additional measures to improve the business environment, for example in the area of business registration, should be considered.

**35. It is recommended that the next Article IV consultation take place on the standard 12-month cycle.**

### Box 1: Spillovers from Global Events to Qatari Financial Markets

**Qatar's international financial linkages have been strengthening**, supporting the country's growth prospects. While recent global financial and geopolitical shocks increased concerns over possible negative spillovers, Qatar has remained largely insulated so far:

- **The reaction to U.S. tapering discussions was mixed**. After last *May's announcement* that the U.S. may bring forward the end of quantitative easing, yields on Qatar's USD-denominated bonds increased, but there was no observable response in domestic short-term rates and borrowing rates, even as banks' excess reserves fell. The drop in foreign fund inflows (from EPFR survey) were small in dollar terms, CDS spread rose modestly, and the stock market response was muted in sharp contrast with the BRICS. When the U.S. Federal Reserve surprised by holding off tapering in *September*, the 10-year yield on the USD-denominated sovereign bond fell but the Qatari Riyal short-term rates continued their upward drift—the opposite of what could have been expected. Reaction to the *December announcement* of tapering was muted.

- **The January emerging market turmoil did not affect the local markets.** The stock market remained broadly flat, while the USD-denominated yields fell. The swings in domestic rates and excess reserves were mostly related to QCB's liquidity operation.

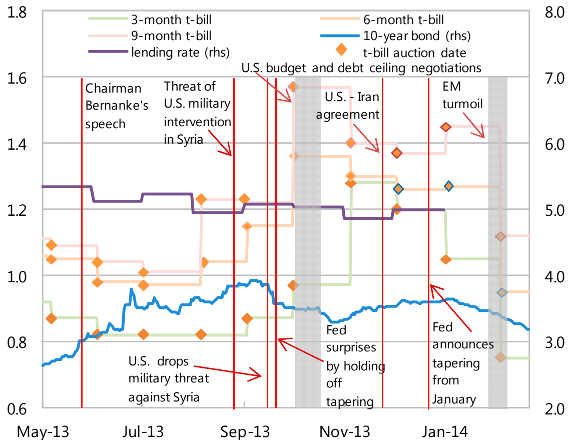
- **Negative spillovers were more clearly observed during the August Syria standoff and U.S. budget and debt ceiling negotiations in the fall.** In August, the stock market temporarily plunged by 10 percent, excess reserves fell, and short-term T-bill yields increased across the board. Both long-term USD bond yield and CDS spreads increased somewhat. Confidence improved after the threat of imminent attack subsided, but T-bill yields continued to drift upward. During and just after the U.S. budget and debt ceiling negotiations, 3-month T-bill rates rose and excess reserves fell, although the stock market and CDS spreads remained relatively stable. The November announcement of a temporary agreement between the U.S. and Iran had no discernible effect on Qatar's financial markets.

**The evidence above suggests that financial spillovers could play an important role under certain circumstances,** especially when the underlying risk has direct implications for the value of Qatar's hydrocarbon exports. While the evidence regarding the potential impact of QE exit is ambiguous, it does point to risks of higher external borrowing costs for Qatar's banks and corporations pursuing large-scale investment projects. The January experience also points to the importance of sound domestic fundamentals and possible role of liquidity operations in mitigating negative spillovers from global events.

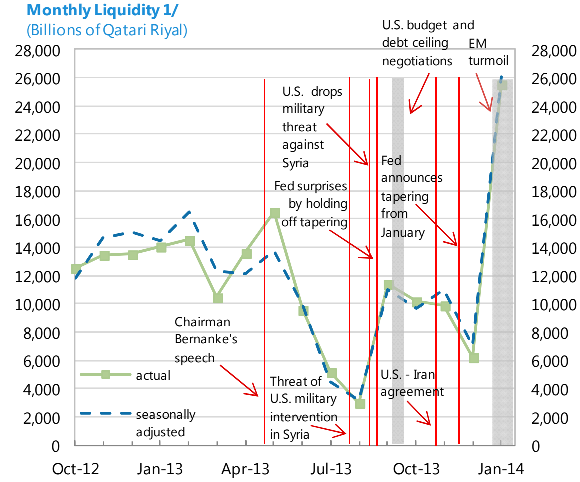
## Panel Figure. Qatari Financial Markets

*(May 2013-February 2014)*

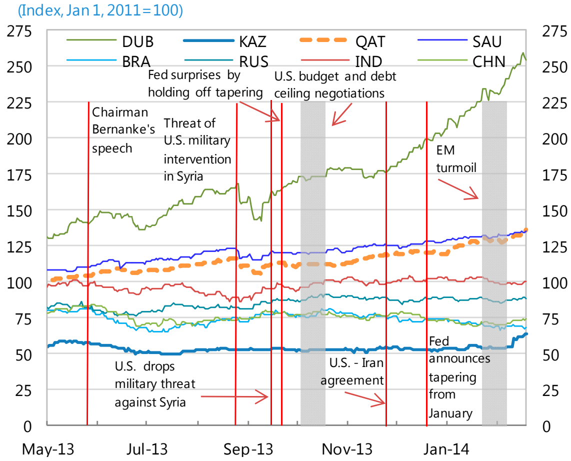
**Yields on Bonds (USD) and Monthly T-bills**
(Qatar Riyal)



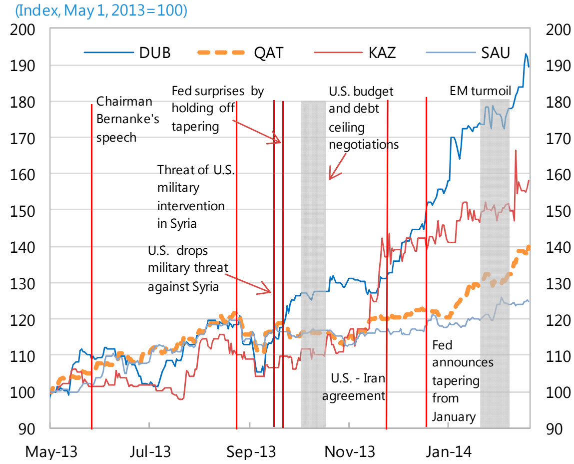

**Monthly Liquidity 1/**
(Billions of Qatari Riyal)



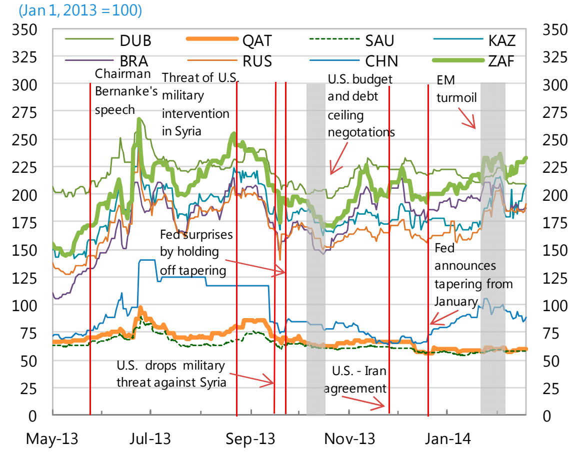

**Stock market indices**
(Index, Jan 1, 2011=100)



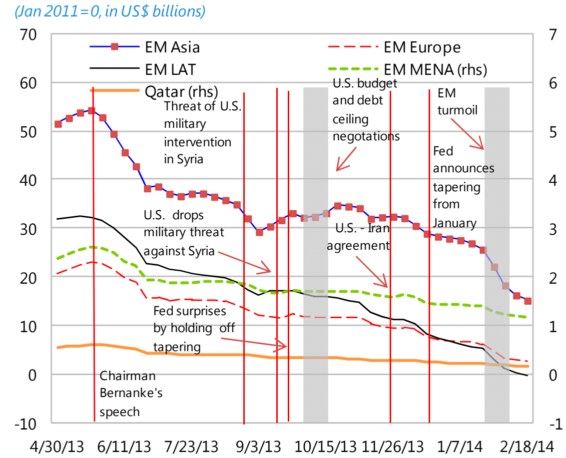

**Stock Indices: Banks**
(Index, May 1, 2013=100)




**CDS**
(Jan 1, 2013 =100)




**EPFR Cumulative Funds Flows**
*(Jan 2011=0, in US$ billions)*




Sources: Bloomberg, Qatar Central Bank, Zawya; and IMF staff estimates.
1/ Excess reserves and QMR.

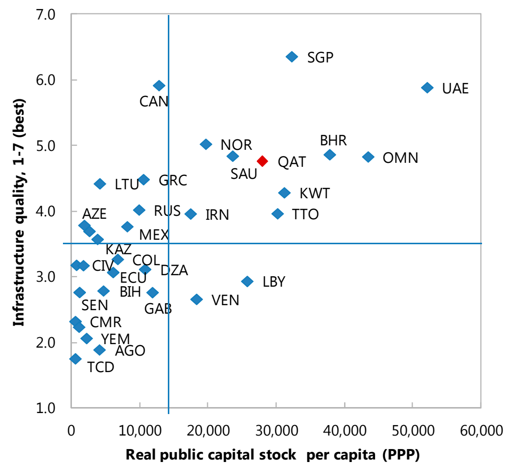
## Box 2: Efficiency of Qatar's Public Investment

**Qatar's public investment efficiency appears similar to the efficiency of other wealthy nations, but could be improved further.** Qatar has attained relatively high infrastructure quality, with total investment similar to (or even lower than) some other peers. However, Qatar seems less efficient than advanced countries such as Canada, Norway, and Singapore.

**Strengthening fiscal institutions could help boost returns on infrastructure investment**. While Qatar ranks high in a World Bank survey of government effectiveness, it lags behind countries in its income group. Putting in place an integrated public investment management process for selection, appraisal, and monitoring of projects could result in greater value for money. The authorities are planning to set up a public investment management unit at the MoF.

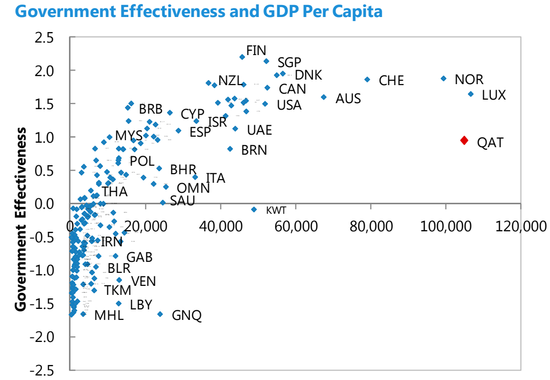
**Cost overruns pose a particular threat.** For example, the planned metro construction costs appear low in Qatar on a per-kilometer basis. However, the risk of cost overruns is especially high for Qatar given the compressed timetable ahead of FIFA 2022. The experience of Dubai provides a cautionary tale, with the final costs exceeding contracted expenditures by 75 percent.

**Public Capital Stocks and Infrastructure Quality, 2005-11**



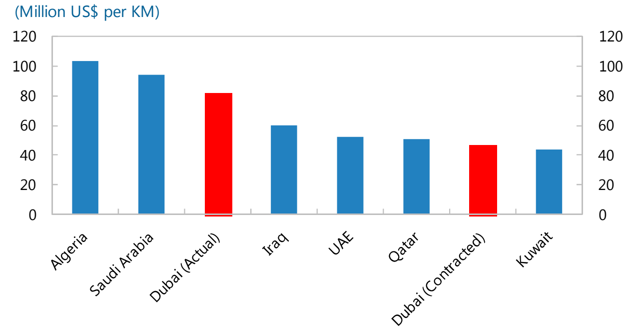

Sources: Global Competitiveness World Economic Forum and Authors' calculations.

**Government Effectiveness and GDP Per Capita**




Source: World Bank Worldwide Governance Indicators; IMF

**Metro Construction Cost**
(Million US$ per KM)




Source: Zawya Projects, Staff calculations.

## Box 3: Early Warning Exercise

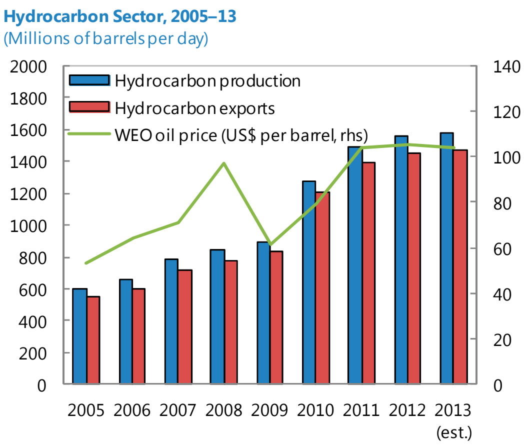
**There is scope for enhancing the QCB's Early Warning System.** The current methodology relies on financial indicators, indices (e.g. for real estate prices and bank stability), and stress tests for various risk categories (e.g. market, credit, liquidity and funding risks). The framework could be enhanced along the following dimensions:

- ***Balance Sheet Approach.*** Cross-sectoral assessments of maturity, currency and capital structure mismatches would be desirable to identify intersectoral linkages and transmission of shocks.
- ***External Sector.*** The framework should formally include assessment of the size and composition of cross border capital flows (e.g., debt vs. non-debt creating flows, public vs. private flows), and their impact on financial sector reserves and interest rates.
- ***Asset price and corporate sector***. The residential real estate market monitoring can be enhanced through data on housing vacancies, price-to-rent and price-to-income ratios, a quantitative model of house prices, and measures of lending standards. Indicators of housing permit, starts and completions, and more comprehensive data on household and corporate balance sheets would be desirable as well.
- ***Financial sector.*** Establishing a credit growth threshold, enhancing the analysis of contagion, and deeper monitoring of bond market developments would be useful.
- ***Fiscal sector.*** While less pressing given the strong fiscal buffers, the framework should include an assessment of longer-term fiscal position, financing risks, and volatility generated by swings in government spending.

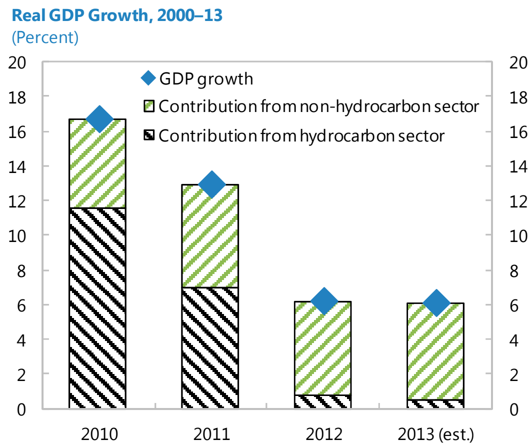
Additional recommendations are detailed in the accompanying Selected Issues Paper.

## Figure 1. Recent Economic Developments

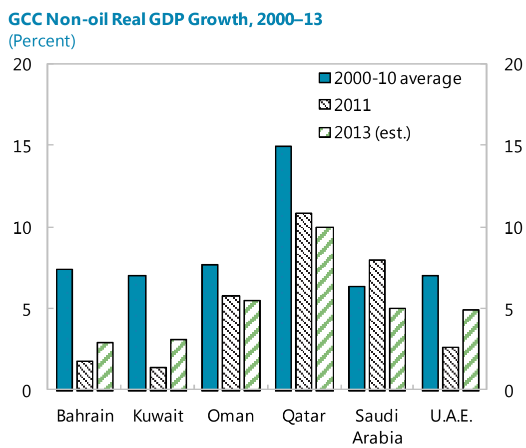
Hydrocarbon production has plateaued due to the investment moratorium imposed by the authorities...



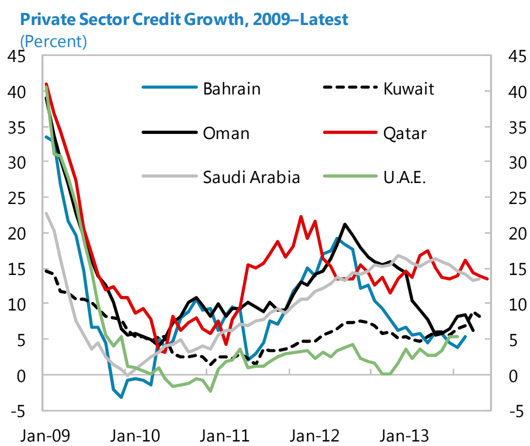

...and the non-hydrocarbon sector is thus driving GDP growth.



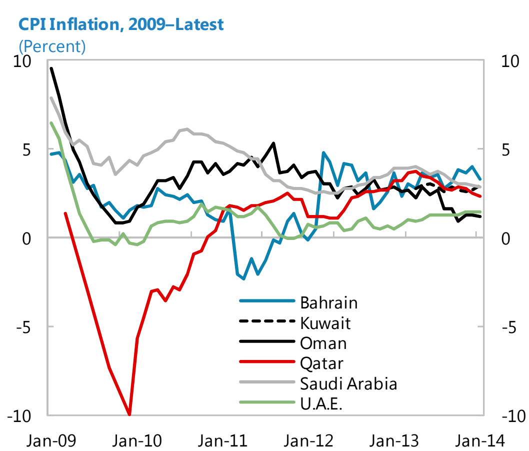

Qatar's non-hydrocarbon growth is the highest in the GCC region...



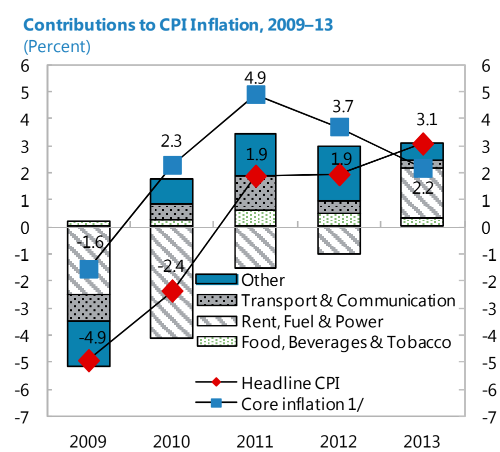

...supported by solid private sector credit growth.




Inflation accelerated in late 2012 and early 2013, but has eased recently...




...with price pressures confined to the rental market.

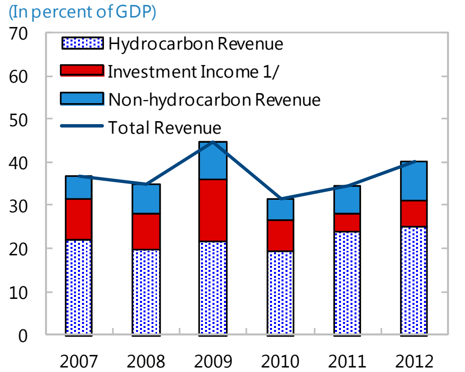



Sources: Country authorities; Bloomberg; and IMF staff calculations.
1/ Core inflation excludes food, rent, and utilities.

# Figure 2. Fiscal Developments

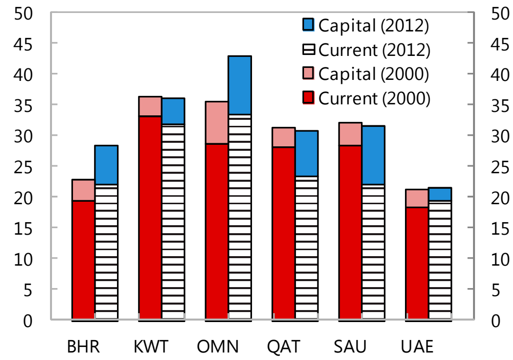
*The booming economy and corporate tax changes boosted budget revenues in recent years*

**Government Revenues**
(In percent of GDP)



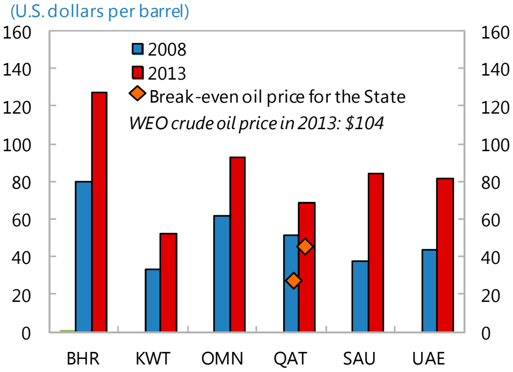

*Similarly to other GCC countries, the authorities have raised capital spending*

**Government Expenditure, 2000 and 2012**
(Percent of GDP)



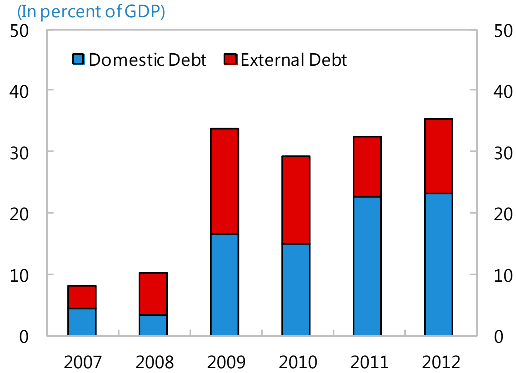

*While still at comfortable levels, Qatar's fiscal break-even price is rising*

**Fiscal Break-even Oil Prices, 2008 and 2013 2/**
(U.S. dollars per barrel)



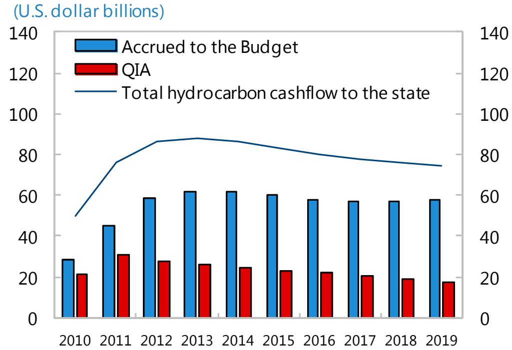

*The government has been issuing debt with the objective of developing capital markets*

**Public Debt**
(In percent of GDP)



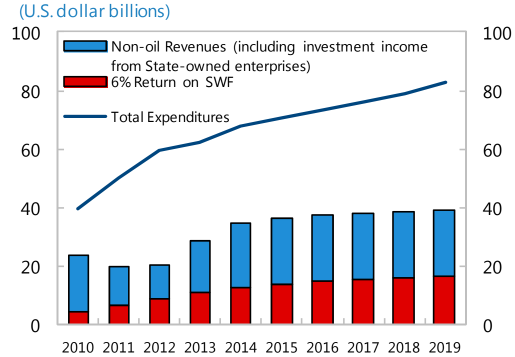

*Hydrocarbon cashflow to the State has increased substantially in recent years, but is projected to decline going forward as oil prices fall*

**Total Hydrocarbon Cashflow to the State 3/ 4/**
(U.S. dollar billions)




*Under plausible assumptions, the gap between expenditures and non-hydrocarbon revenues is expected to persist in the medium term*

**Nonhydrocarbon Revenue Gap for the State 4/**
(U.S. dollar billions)

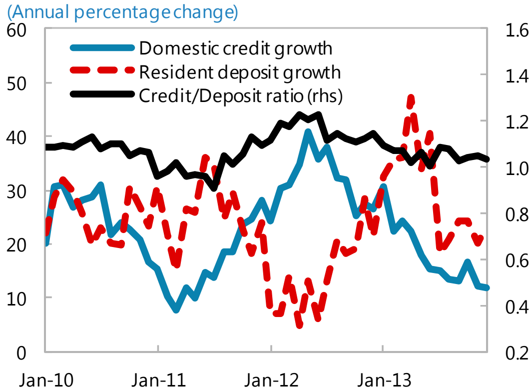



Sources: Country authorities; and Fund staff estimates.
1/ Includes investment income of state-owned hydrocarbon enterprises.
2/ For Qatar, the State-level break-even oil prices including all State hydrocarbon profits equal $29 in 2008 and $49 in 2013 (staff estimates).
3/ Cashflow to QIA is staff's estimate.
4/ Hydrocarbon revenues include corporate tax revenues from companies operating in the hydrocarbon sector; these revenues are classified as nonhydrocarbon receipts in the budget.

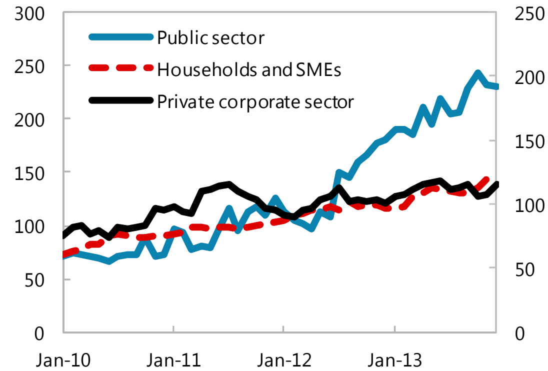
## Figure 3. Financial Sector Developments

*A slowdown in credit growth and a substantial pickup in public sector deposits have facilitated a decline in the aggregate loan-to-deposit ratio.*

**Domestic Credit and Deposit Growth**
(Annual percentage change)

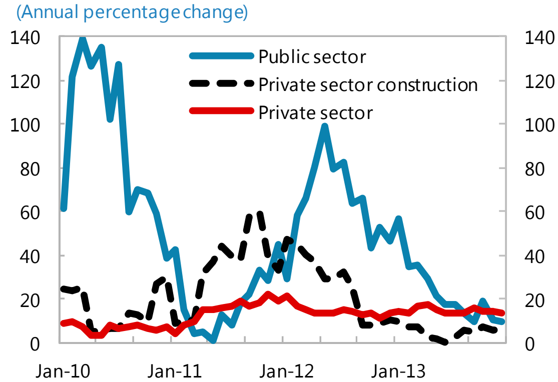



**Commercial Bank Deposits**
(QR billions)

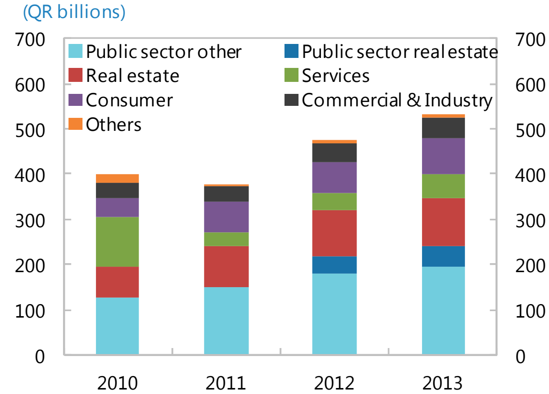



*The credit growth slowdown is concentrated in the public sector. The share of real estate loans remains substantial despite weak construction credit growth.*

**Domestic Credit Growth**
(Annual percentage change)

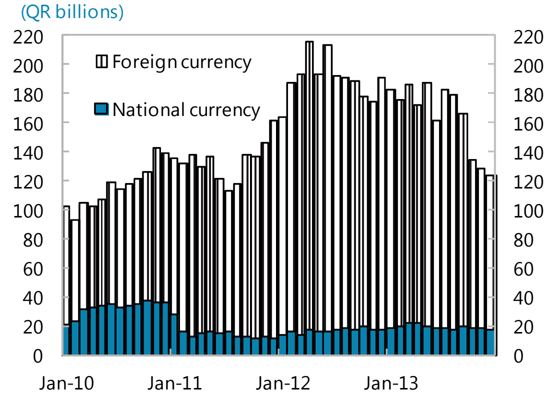



**Qatari Banks: Credit Exposure by Sector, 2010–13**
(QR billions)

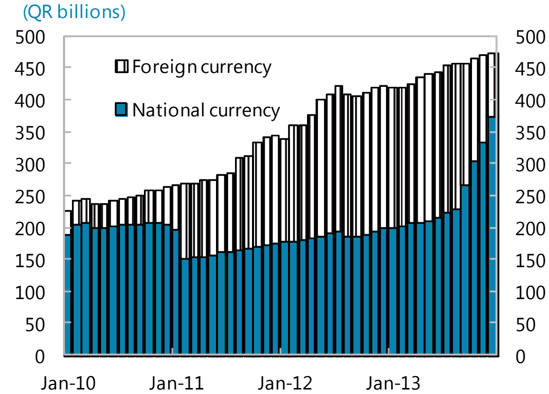



*The trend toward increased cross-border funding and FX lending has largely reversed.*

**Borrowing from Nonresidents**
(QR billions)




**Lending to Residents**
(QR billions)

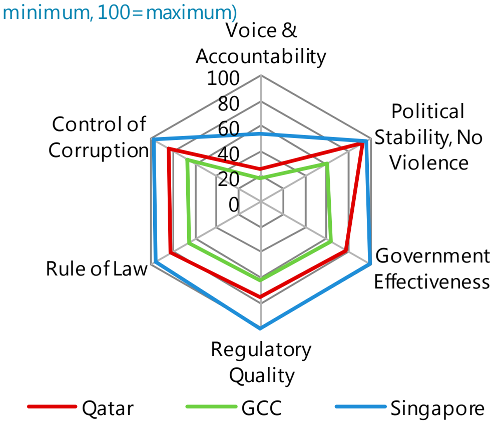



Sources: Country authorities; and Qatar Central Bank.

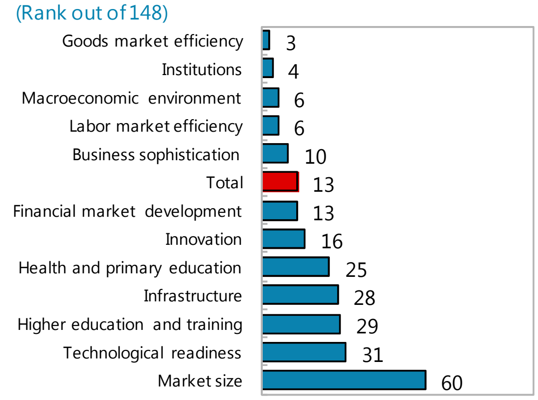
## Figure 4. Business Environment and Governance Indicators

*Qatar ranks favorably on a number of governance and competitiveness indicators, but there is scope for improvement, especially relative to non-GCC peers.*

**World Governance Indicators, 2012**
(0=minimum, 100=maximum)

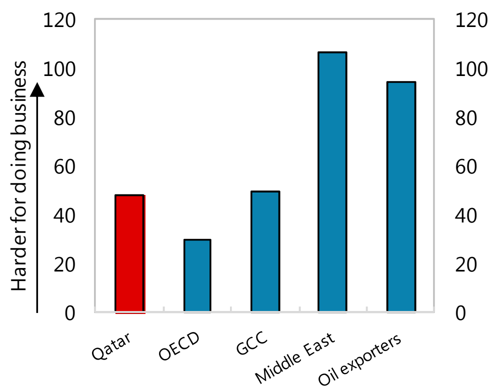



**Global Competitiveness Index Ranks by Category, 2013-14**
(Rank out of 148)

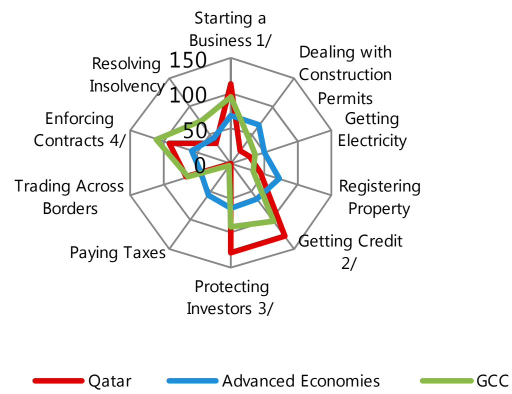



*Further progress in easing business start-ups, contract enforcement, and investor protection would be particularly helpful.*

**World Bank Doing Business, 2014**
(Rank out of 189)




**World Bank Doing Business, 2014: Details for Qatar**
(Rank out of 189)



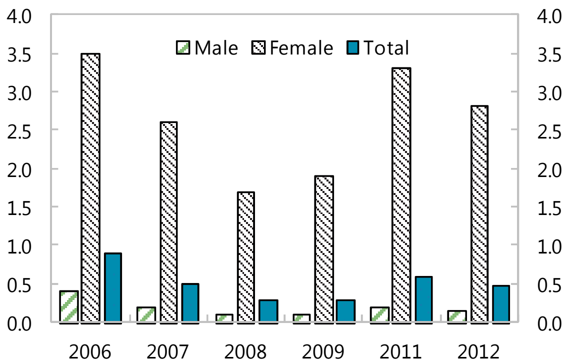

Sources: Global Competitiveness Report (2013–14); World Bank Doing Business Report (2014), World Governance Indicators (2012); and IMF staff estimates.
1/ Starting a business encompasses the procedures, time, and cost (including minimum capital requirement) required for an entrepreneur to start and operate a business.
2/ Getting credit is a combination of (i) the legal rights of borrowers and lenders that facilitate lending; and (ii) the coverage, scope, and accessibility of credit information via public credit registries and private credit bureaus.
3/ Protecting investors measures the strength of minority shareholder protection against directors' misuse of corporate assets for personal gain.
4/ Enforcing contracts measures the procedures, time, and cost involved in resolving a standardized commercial lawsuit between domestic businesses through the local first-instance court.

## Figure 5. Labor Market Indicators

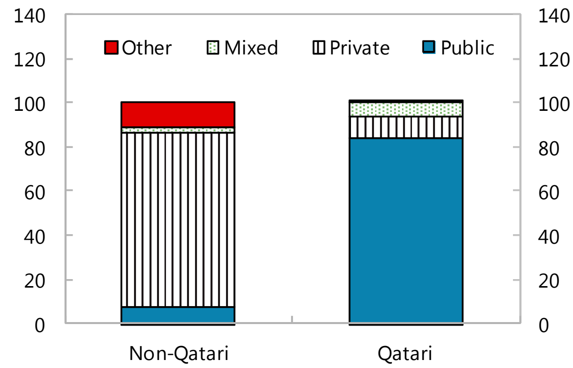
*Unemployment remains very low...*

*...with most Qataris employed in the public sector, and non-Qataris in the private sector.*

**Total Unemployment Rates, 2006–12**
(Percent)



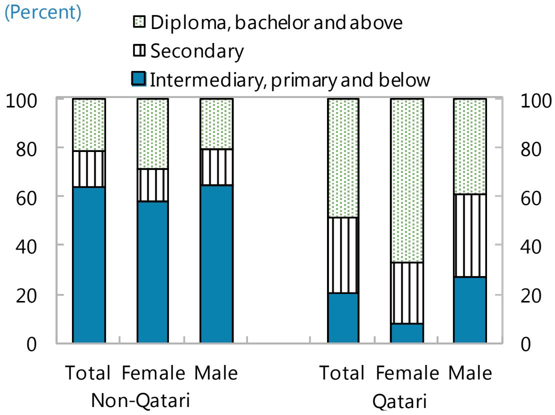

**Private vs. Public Sector Employment, 2012**
(Percent)



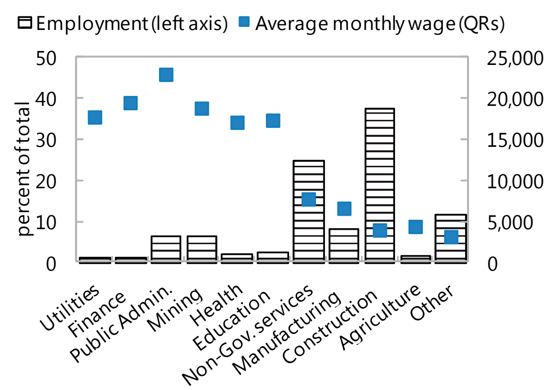

*The educational attainment of Qataris is much higher than for non-Qataris.*

*However, the most plentiful jobs in construction and private sector services are low paying.*

**Education of Qatari and Non-Qatari Labor Force, 2012**
(Percent)




**Employment by Sector and Wages, 2012**




Source: Qatar Statistics Authority's Labor Force Statistics Bulletin, 2012.

## Table 1. Qatar: Selected Macroeconomic Indicators, 2010-19

| | 2010 | 2011 | 2012 | Est. 2013 | Proj. 2014 | Proj. 2015 | Proj. 2016 | Proj. 2017 | Proj. 2018 | Proj. 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Real economy (change in percent unless otherwise noted) | | | | | | | | | | |
| Nominal GDP (billions of Qatari Riyals) | 455.4 | 624.2 | 700.3 | 737.5 | 778.2 | 819.8 | 870.0 | 933.6 | 1003.8 | 1082.4 |
| Nominal hydrocarbon GDP (billions of Qatari Riyals) | 239.7 | 370.2 | 404.8 | 399.7 | 393.2 | 380.5 | 366.9 | 357.2 | 351.2 | 345.9 |
| Real GDP | 16.7 | 13.0 | 6.2 | 6.1 | 5.9 | 7.1 | 7.4 | 7.2 | 6.6 | 6.4 |
| Hydrocarbon 1/ | 28.9 | 15.7 | 1.7 | 1.2 | -1.0 | 0.9 | 0.6 | 0.3 | 0.2 | -0.1 |
| Nonhydrocarbon | 8.6 | 10.8 | 10.0 | 9.9 | 10.7 | 11.0 | 11.3 | 10.7 | 9.6 | 9.2 |
| CPI inflation (average) | -2.4 | 1.9 | 1.9 | 3.1 | 3.5 | 3.5 | 3.6 | 3.5 | 3.5 | 3.4 |
| Hydrocarbon sector | | | | | | | | | | |
| Exports (billions of U.S. dollars) 1/ | 61.8 | 97.5 | 124.6 | 127.5 | 124.7 | 118.8 | 111.6 | 108.2 | 104.9 | 103.3 |
| Average oil export price (U.S. dollar per barrel) | 87.2 | 107.6 | 111.4 | 108.3 | 107.5 | 102.5 | 97.7 | 94.4 | 92.4 | 90.8 |
| Crude oil production (thousands of barrels per day) | 788.7 | 744.7 | 732.1 | 726.9 | 689.6 | 653.3 | 607.4 | 561.3 | 515.9 | 505.6 |
| LNG production (millions of tons per year) | 61.0 | 74.8 | 76.0 | 76.3 | 76.3 | 76.3 | 76.3 | 76.3 | 76.3 | 76.3 |
| Public finances (percent GDP) 2/ | | | | | | | | | | |
| Revenue | 31.4 | 34.6 | 40.1 | 41.5 | 38.8 | 35.7 | 32.7 | 30.4 | 28.3 | 26.7 |
| Hydrocarbon | 19.5 | 24.1 | 25.0 | 24.6 | 22.5 | 20.0 | 17.7 | 15.8 | 14.3 | 13.0 |
| Non-hydrocarbon | 11.9 | 10.5 | 15.0 | 16.9 | 16.4 | 15.7 | 15.0 | 14.5 | 14.1 | 13.7 |
| Expenditure | 28.9 | 28.2 | 30.6 | 30.4 | 31.2 | 30.9 | 30.1 | 29.1 | 28.2 | 27.2 |
| Current 3/ | 20.0 | 20.3 | 23.3 | 22.1 | 22.0 | 22.0 | 21.7 | 21.3 | 20.9 | 20.4 |
| Capital | 8.9 | 7.9 | 7.3 | 8.2 | 9.2 | 8.9 | 8.4 | 7.8 | 7.3 | 6.8 |
| Overall fiscal balance | 2.5 | 6.4 | 9.5 | 11.1 | 7.6 | 4.9 | 2.6 | 1.3 | 0.2 | -0.5 |
| Non-hydrocarbon fiscal balance | -17.0 | -17.7 | -15.5 | -13.5 | -14.9 | -15.1 | -15.0 | -14.6 | -14.1 | -13.5 |
| Excl. invest. income in pct of non-hydrocarbon GDP | -53.6 | -52.9 | -49.7 | -45.5 | -43.7 | -39.6 | -35.3 | -31.6 | -28.5 | -25.9 |
| Public debt 4/ | 29.2 | 32.3 | 35.4 | 34.2 | 25.4 | 25.1 | 24.9 | 21.8 | 17.8 | 13.9 |
| Monetary and financial sector (change in percent) | | | | | | | | | | |
| Broad money | 23.1 | 17.1 | 22.9 | 19.6 | … | … | … | … | … | … |
| Credit to public enterprises | 38.3 | 79.3 | 30.3 | 10.2 | … | … | … | … | … | … |
| Credit to private sector | 7.6 | 19.2 | 13.5 | 13.5 | … | … | … | … | … | … |
| 3-month T-bill rate (Qatar Riyal, percent, eop) | … | … | 0.9 | 1.2 | … | … | … | … | … | … |
| CDS (bps, eop) | 88.7 | 130.2 | 77.8 | 65.3 | … | … | … | … | … | … |
| External sector (billions of U.S. dollars unless otherwise noted) | | | | | | | | | | |
| Exports | 74.8 | 114.3 | 133.7 | 139.0 | 136.0 | 129.6 | 122.0 | 118.3 | 114.8 | 113.0 |
| Imports | -20.9 | -26.9 | -30.8 | -32.7 | -35.3 | -38.2 | -41.4 | -44.6 | -47.4 | -51.3 |
| Current account balance | 23.8 | 52.0 | 62.3 | 59.2 | 54.3 | 46.1 | 35.2 | 28.6 | 23.7 | 19.3 |
| in percent GDP | 19.0 | 30.3 | 32.4 | 29.2 | 25.4 | 20.5 | 14.7 | 11.2 | 8.6 | 6.5 |
| External debt (percent GDP) | 87.4 | 76.1 | 83.9 | 82.7 | 75.6 | 69.8 | 64.4 | 60.1 | 56.0 | 51.7 |
| Official reserves 5/ | 30.7 | 16.3 | 32.7 | 41.7 | 46.2 | 49.3 | 51.7 | 53.7 | 55.6 | 57.2 |
| Social indicators | | | | | | | | | | |
| Per capita GDP (2012): $104,756; | | | | | | | | | | |
| Life expectancy at birth (2011): 77.4 (male), 79.2 (female); Population (2013): 2.05 million | | | | | | | | | | |
| Memorandum items | | | | | | | | | | |
| Local currency per U.S. dollar (period average) | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| Real effective exchange rate (change in percent, 2005=100) | -5.5 | -5.1 | 1.4 | -0.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Credit rating (Moody's investor services) | Aa2 | Aa2 | Aa2 | Aa2 | … | … | … | … | … | … |
| Population growth (percent) | 0.4 | 4.3 | 7.5 | 10.0 | 9.5 | 8.0 | 7.0 | 4.5 | 2.0 | 2.0 |

Sources: Qatari authorities; and IMF staff estimates.
1/ Includes crude oil, LNG, propane, butane, and condensates.
2/ Fiscal year begins in April; GFSM 1986.
3/ Includes transfer to the General Retirement and Social Insurance Authority in 2011 and 2012.
4/ Central government, gross.
5/ Excluding foreign assets of the sovereign wealth fund.

## Table 2. Qatar: Balance of Payments, 2010-19

(Billions of U.S. dollars unless otherwise noted)

| | 2010 | 2011 | 2012 | Est. 2013 | Proj. 2014 | Proj. 2015 | Proj. 2016 | Proj. 2017 | Proj. 2018 | Proj. 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Current account | 23.8 | 52.0 | 62.3 | 59.2 | 54.3 | 46.1 | 35.2 | 28.6 | 23.7 | 19.3 |
| In percent of GDP | 19.0 | 30.3 | 32.4 | 29.2 | 25.4 | 20.5 | 14.7 | 11.2 | 8.6 | 6.5 |
| Trade balance | 53.9 | 87.4 | 102.9 | 106.2 | 100.6 | 91.4 | 80.5 | 73.7 | 67.4 | 61.7 |
| Exports | 74.8 | 114.3 | 133.7 | 139.0 | 136.0 | 129.6 | 122.0 | 118.3 | 114.8 | 113.0 |
| Hydrocarbon | 61.8 | 97.5 | 124.6 | 127.5 | 124.7 | 118.8 | 111.6 | 108.2 | 104.9 | 103.3 |
| Crude oil | 27.4 | 36.0 | 37.3 | 42.7 | 40.6 | 37.4 | 34.2 | 32.5 | 30.8 | 30.3 |
| LNG | 23.4 | 41.6 | 51.5 | 50.7 | 50.4 | 48.7 | 47.0 | 45.8 | 45.1 | 44.5 |
| Propane, butane | -3.9 | -5.5 | 8.7 | 8.7 | 8.6 | 8.2 | 7.9 | 7.6 | 7.4 | 7.3 |
| Condensates | 14.9 | 25.4 | 27.1 | 25.4 | 25.1 | 24.4 | 22.6 | 22.3 | 21.6 | 21.2 |
| Refined petroleum products | 7.2 | 9.6 | 11.2 | 17.5 | 17.4 | 16.9 | 16.3 | 16.1 | 16.0 | 16.0 |
| Non-hydrocarbon | 13.0 | 16.8 | 9.1 | 11.4 | 11.3 | 10.8 | 10.4 | 10.1 | 9.9 | 9.7 |
| Petrochemicals | 2.6 | 3.5 | 5.1 | 5.5 | 5.4 | 5.2 | 5.0 | 4.8 | 4.7 | 4.6 |
| Others | 10.4 | 13.3 | 4.0 | 6.0 | 5.9 | 5.6 | 5.4 | 5.2 | 5.1 | 5.1 |
| Imports | -20.9 | -26.9 | -30.8 | -32.7 | -35.3 | -38.2 | -41.4 | -44.6 | -47.4 | -51.3 |
| Services (net) | -5.8 | -9.5 | -14.0 | -15.5 | -15.3 | -14.8 | -14.2 | -12.8 | -11.1 | -8.9 |
| Income (net) | -12.9 | -13.3 | -12.1 | -14.2 | -11.7 | -9.6 | -8.5 | -7.6 | -6.3 | -5.2 |
| Receipts | 2.4 | 6.2 | 6.5 | 6.2 | 7.3 | 10.6 | 11.6 | 12.1 | 13.3 | 14.7 |
| Payments | -15.3 | -19.4 | -18.6 | -20.5 | -19.1 | -20.1 | -20.1 | -19.8 | -19.6 | -19.8 |
| Transfers (net) | -11.4 | -12.7 | -14.5 | -17.3 | -19.4 | -20.9 | -22.7 | -24.6 | -26.4 | -28.3 |
| *Of which:* workers remittances | -8.1 | -10.3 | -10.7 | -11.8 | -13.5 | -14.6 | -15.9 | -17.3 | -18.7 | -20.0 |
| Capital account | -2.1 | -3.6 | -6.2 | -6.9 | -7.8 | -8.5 | -9.4 | -10.4 | -11.4 | -12.5 |
| Financial account | -8.6 | -59.0 | -38.3 | -42.1 | -42.0 | -34.4 | -23.5 | -16.2 | -10.4 | -5.2 |
| Direct Investment, net | -2.1 | -6.1 | -1.5 | -5.9 | -6.3 | -5.8 | -3.3 | -2.7 | -2.8 | -2.4 |
| Portfolio borrowing, net | 1.1 | -18.9 | 2.8 | -5.8 | -5.5 | -2.1 | 0.8 | 4.6 | 6.6 | 9.1 |
| Assets | -1.3 | -17.2 | -7.6 | -10.8 | -11.2 | -9.6 | -8.9 | -8.0 | -8.5 | -8.3 |
| Liabilities | 2.4 | -1.8 | 10.4 | 5.0 | 5.7 | 7.4 | 9.7 | 12.6 | 15.1 | 17.4 |
| Other investment (net) | 3.1 | -35.5 | -38.0 | -28.9 | -28.6 | -24.9 | -19.5 | -16.6 | -13.0 | -10.8 |
| Assets | -18.1 | -41.3 | -36.9 | -31.4 | -31.2 | -28.3 | -23.8 | -22.3 | -20.4 | -20.4 |
| Trade credits | 4.3 | 39.9 | 6.7 | 4.9 | 2.7 | 1.0 | -0.3 | 0.4 | 0.2 | -0.1 |
| Other government external assets | -22.4 | -81.3 | -21.3 | -22.4 | -22.4 | -20.8 | -19.3 | -19.3 | -19.3 | -19.3 |
| Liabilities | 21.2 | 5.8 | -1.1 | 2.5 | 2.6 | 3.4 | 4.4 | 5.7 | 7.4 | 9.6 |
| Commercial banks, net | 7.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other capital, net | -18.6 | 1.6 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.4 | -1.2 | -1.1 |
| Errors and omissions | -0.7 | -3.8 | -1.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance | 12.4 | -14.4 | 16.1 | 10.2 | 4.5 | 3.2 | 2.3 | 2.0 | 1.9 | 1.7 |
| Change in QCB net foreign assets | -12.4 | 14.4 | -16.1 | -10.2 | -4.5 | -3.2 | -2.3 | -2.0 | -1.9 | -1.7 |
| Memorandum items | | | | | | | | | | |
| Nominal GDP | 125.1 | 171.5 | 192.4 | 202.6 | 213.8 | 225.2 | 239.0 | 256.5 | 275.8 | 297.4 |
| Central bank reserves, gross | 30.7 | 16.3 | 32.7 | 41.7 | 46.2 | 49.3 | 51.7 | 53.7 | 55.6 | 57.2 |
| In months of next year's imports of goods and services | 8.4 | 3.6 | 6.6 | 7.9 | 8.3 | 8.3 | 8.2 | 8.2 | 8.0 | 7.7 |
| Volume of exports (percent change) | 24.0 | 18.6 | 16.4 | 4.8 | -2.1 | 0.7 | -1.5 | -0.3 | -1.2 | -0.1 |
| Volume of imports (percent change) | -15.9 | 18.3 | 16.7 | 6.8 | 8.2 | 8.1 | 8.1 | 6.7 | 5.4 | 8.4 |

Sources: Qatar Central Bank; and IMF staff estimates and projections.

**Table 3. Qatar: Summary of Government Finance, 2010/11-2014/15 1/ *(continued)***

(Billions of Qatari Riyals unless otherwise noted)

| | 2010/11 | 2011/12 | 2012/13 | Proj. 2013/14 | Proj. 2014/15 |
|---|---|---|---|---|---|
| Revenue | 156.2 | 222.6 | 284.3 | 310.0 | 306.1 |
| Hydrocarbon | 96.9 | 155.3 | 177.6 | 184.0 | 177.1 |
| Oil | 58.7 | 79.0 | 92.4 | 100.8 | 95.1 |
| LNG-related | 38.2 | 76.3 | 85.2 | 83.1 | 82.0 |
| Non-hydrocarbon | 59.3 | 67.3 | 106.8 | 126.0 | 129.0 |
| Investment income from public enterprises 2/ | 36.3 | 25.8 | 41.8 | 58.3 | 57.0 |
| Corporate tax revenue | 14.5 | 32.9 | 55.5 | 58.4 | 61.6 |
| Other nontax revenue | 8.5 | 8.7 | 9.4 | 9.4 | 10.4 |
| Expenditure | 143.8 | 181.4 | 217.0 | 226.9 | 246.2 |
| Expense | 99.6 | 130.8 | 165.5 | 165.4 | 173.8 |
| Compensation of employees | 23.1 | 29.7 | 34.8 | 42.0 | 44.1 |
| Goods and services | 15.1 | 20.2 | 17.3 | 19.7 | 22.5 |
| Interest payments | 5.8 | 9.9 | 9.8 | 9.9 | 7.7 |
| Interest on domestic debt | 2.8 | 6.9 | 5.9 | 6.5 | 5.2 |
| Interest on foreign debt | 3.0 | 3.0 | 4.0 | 3.4 | 2.5 |
| Foreign grants | 1.1 | 3.4 | 3.8 | 4.3 | 4.6 |
| Other expense 3/ | 54.5 | 67.7 | 99.8 | 89.5 | 94.9 |
| Net acquisition of nonfinancial assets | 44.2 | 50.6 | 51.6 | 61.5 | 72.4 |
| Gross operating balance | 56.6 | 91.8 | 118.8 | 144.6 | 132.3 |
| Net lending (+)/borrowing (-) | 12.4 | 41.2 | 67.3 | 83.1 | 60.0 |
| Nonhydrocarbon fiscal balance | -84.5 | -114.0 | -110.3 | -100.9 | -117.1 |
| Excluding investment income and loans and equity | -120.8 | -139.8 | -152.1 | -159.1 | -174.1 |
| Total government debt 4/ | 145.3 | 207.9 | 251.3 | 256.0 | 200.0 |
| o/w total net debt 5/ | 120.5 | 152.2 | 183.9 | 135.4 | 81.6 |
| o/w external debt | 70.3 | 62.1 | 87.0 | 74.3 | 54.2 |
| o/w domestic debt | 75.0 | 145.8 | 164.3 | 181.8 | 145.8 |
| o/w net domestic debt 5/ | 50.3 | 90.1 | 96.9 | 61.1 | 27.4 |
| External debt service/total revenue (percent) | 6.9 | 1.3 | 6.7 | 5.2 | 7.3 |
| Nominal GDP (on a fiscal year basis) | 497.6 | 643.2 | 709.6 | 747.6 | 788.6 |

## Table 3. Qatar: Summary of Government Finance, 2010/11-2014/15 1/ *(concluded)*

(Percent of GDP unless otherwise noted)

| | 2010/11 | 2011/12 | 2012/13 | Proj. 2013/14 | Proj. 2014/15 |
|---|---|---|---|---|---|
| Revenue | 31.4 | 34.6 | 40.1 | 41.5 | 38.8 |
| Hydrocarbon | 19.5 | 24.1 | 25.0 | 24.6 | 22.5 |
| Oil | 11.8 | 12.3 | 13.0 | 13.5 | 12.1 |
| LNG-related royalties | 7.7 | 11.9 | 12.0 | 11.1 | 10.4 |
| Non-hydrocarbon | 11.9 | 10.5 | 15.0 | 16.9 | 16.4 |
| Investment income from public enterprises 2/ | 7.3 | 4.0 | 5.9 | 7.8 | 7.2 |
| Corporate tax revenue | 2.9 | 5.1 | 7.8 | 7.8 | 7.8 |
| Other nontax revenue | 1.7 | 1.4 | 1.3 | 1.3 | 1.3 |
| Expenditure | 28.9 | 28.2 | 30.6 | 30.4 | 31.2 |
| Expense | 20.0 | 20.3 | 23.3 | 22.1 | 22.0 |
| Compensation of employees | 4.6 | 4.6 | 4.9 | 5.6 | 5.6 |
| Goods and services | 3.0 | 3.1 | 2.4 | 2.6 | 2.9 |
| Interest payments | 1.2 | 1.5 | 1.4 | 1.3 | 1.0 |
| Interest on domestic debt | 0.6 | 1.1 | 0.8 | 0.9 | 0.7 |
| Interest on foreign debt | 0.6 | 0.5 | 0.6 | 0.5 | 0.3 |
| Foreign grants | 0.2 | 0.5 | 0.5 | 0.6 | 0.6 |
| Other expense 3/ | 10.9 | 10.5 | 14.1 | 12.0 | 12.0 |
| Net acquisition of nonfinancial assets | 8.9 | 7.9 | 7.3 | 8.2 | 9.2 |
| Gross operating balance | 11.4 | 14.3 | 16.7 | 19.3 | 16.8 |
| Net lending (+)/borrowing (-) | 2.5 | 6.4 | 9.5 | 11.1 | 7.6 |
| Nonhydrocarbon fiscal balance | -17.0 | -17.7 | -15.5 | -13.5 | -14.9 |
| In percent of nonhydrocarbon GDP | -37.5 | -43.1 | -36.0 | -28.9 | -29.4 |
| Excluding investment income | -53.6 | -52.9 | -49.7 | -45.5 | -43.7 |
| Memorandum items: | | | | | |
| Total government debt 4/ | 29.2 | 32.3 | 35.4 | 34.2 | 25.4 |
| o/w total net debt 5/ | 24.2 | 23.7 | 25.9 | 18.1 | 10.3 |
| o/w external debt | 14.1 | 9.7 | 12.3 | 9.9 | 6.9 |
| o/w domestic debt | 15.1 | 22.7 | 23.2 | 24.3 | 18.5 |
| o/w net domestic debt 5/ | 10.1 | 14.0 | 13.7 | 8.2 | 3.5 |

Sources: Ministry of Economy and Finance; and IMF staff estimates and projections.

1/ GFSM 2001 based on staff estimates; fiscal year begins in April.
2/ Includes investment income of state-owned hydrocarbon enterprises.
3/ Includes transfer to the General Retirement and Social Insurance Authority in 2011 and 2012.
4/ In calendar year.
5/ Excludes government deposits with resident banks.

## Table 4. Qatar: Vulnerability Indicators, 2008-13

(Percent, unless otherwise noted)

| | 2008 | 2009 | 2010 | 2011 | 2012 | Est. 2013 |
|---|---|---|---|---|---|---|
| External solvency indicators | | | | | | |
| REER (CPI based - end of period) | 6.5 | -1.7 | -5.5 | -5.1 | 1.4 | -0.1 |
| Total debt (billion US$, including commercial banks) | 57.1 | 80.2 | 109.3 | 130.5 | 161.5 | 167.6 |
| *Of which:* LNG-related | 17.1 | 19.7 | 20.4 | 22.3 | 23.1 | 23.1 |
| Total debt (percent of GDP) | 49.5 | 82.0 | 87.4 | 76.1 | 83.9 | 82.7 |
| Public sector solvency indicators | | | | | | |
| Government gross domestic debt/GDP | 3.3 | 16.5 | 15.1 | 22.7 | 23.2 | 24.3 |
| Government net domestic debt/GDP 1/ | -0.9 | 12.1 | 10.1 | 14.0 | 13.7 | 8.2 |
| Government external debt/GDP 2/ | 7.0 | 17.2 | 14.1 | 9.7 | 12.3 | 9.9 |
| Interest payments/total revenue | 1.5 | 2.6 | 3.7 | 4.4 | 3.5 | 3.2 |
| Hydrocarbon revenue/total revenue | 56.7 | 48.9 | 62.0 | 69.7 | 62.5 | 59.3 |
| External liquidity indicators (billion US$) | | | | | | |
| Central bank net reserves | 9.8 | 18.4 | 30.7 | 16.3 | 32.7 | 41.7 |
| In months of imports | 4.2 | 7.4 | 8.4 | 3.6 | 6.6 | 7.9 |
| Commercial banks net foreign assets (US$b) | 3.6 | -5.5 | -13.2 | -11.6 | -26.4 | -12.5 |
| Foreign assets (US$b) | 27.2 | 24.3 | 25.0 | 32.8 | 35.3 | 44.9 |
| Foreign liabilities (US$b) | 23.7 | 29.8 | 38.3 | 44.4 | 61.7 | 57.3 |
| Hydrocarbon exports/total exports | 88.2 | 85.7 | 82.6 | 85.3 | 93.2 | 91.8 |
| Financial sector indicators | | | | | | |
| Foreign currency deposits/total deposits | 26.6 | 13.7 | 11.4 | 19.6 | 29.3 | 31.7 |
| Net domestic credit (percent change) | 51.3 | 4.6 | 18.6 | 30.4 | 26.6 | 12.1 |
| Private sector credit (percent change) | 45.1 | 10.8 | 7.6 | 19.2 | 13.5 | 13.5 |
| Net domestic credit/GDP | 49.5 | 61.0 | 56.6 | 53.8 | 60.7 | 64.6 |
| Private credit/total assets of banks | 39.9 | 37.9 | 33.6 | 32.8 | 31.6 | 32.2 |
| Market assessment/financial market indicators | | | | | | |
| Stock market index (end of period) | 6,886 | 6,959 | 8,682 | 8,779 | 8,359 | 10,380 |
| Moody's investor services 3/ | Aa2 | Aa2 | Aa2 | Aa2 | Aa2 | Aa2 |
| Standard and Poor's 3/ | AA- | AA- | AA | AA | AA | AA |

Sources: Qatari authorities; Bloomberg; and IMF staff estimates and projections.

1/ Net of government deposits with resident banks.

2/ Fiscal year basis.

3/ Long-term foreign currency rating.

## Table 5. Qatar: Financial Soundness Indicators, 2007-13

(Percent unless otherwise noted)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| Capital adequacy | | | | | | | |
| Regulatory Tier 1 capital to risk-weighted assets | 12.2 | 15.1 | 15.0 | 15.0 | 19.9 | 18.2 | 15.3 |
| Regulatory Tier 1 capital to total assets | 11.5 | 11.0 | 11.5 | 11.1 | 12.6 | 12.8 | 9.2 |
| Regulatory capital to risk weighted assets | 13.5 | 15.5 | 16.1 | 16.1 | 20.6 | 18.9 | 16.0 |
| Asset quality | | | | | | | |
| Nonperforming loans | 1.5 | 1.2 | 1.7 | 2.0 | 1.7 | 1.7 | 1.9 |
| Bank provisions to nonperforming loans | 90.7 | 83.2 | 84.5 | 85.1 | 87.2 | 97.5 | 96.8 |
| Bank provisions to total loans | 1.4 | 1.0 | 1.4 | 1.7 | 1.5 | 1.7 | 1.9 |
| Earnings and profitability | | | | | | | |
| Return on assets | 3.6 | 2.9 | 2.6 | 2.6 | 2.7 | 2.4 | 2.1 |
| Return on equity | 30.4 | 21.5 | 19.3 | 19.9 | 18.6 | 17.7 | 16.5 |
| Net Interest to average total assets | 2.6 | 2.5 | 2.7 | 2.9 | 2.8 | 2.6 | 2.5 |
| Non-interest expenses to gross income | 20.2 | 25.2 | 26.5 | 24.6 | 28.2 | 25.4 | 26.5 |
| Wages and salaries to other non-interest expenses | 36.5 | 32.7 | 30.8 | 33.5 | 31.9 | 48.5 | 47.6 |
| Liquidity | | | | | | | |
| Liquid assets to total assets | 31.1 | 32.9 | 36.3 | 38.5 | 36.3 | 38.1 | 50.9 |
| Liquid assets to short-term liabilities | 39.6 | 41.2 | 47.0 | 50.7 | 47.2 | 58.5 | 33.6 |
| Other | | | | | | | |
| Private sector (in percent total loans) | 68.8 | 74.8 | 72.4 | 67.0 | 62.8 | 56.6 | 57.8 |
| Foreign currency assets to liabilities | 115.6 | 103.7 | 98.7 | 97.2 | 114.6 | 109.1 | 76.4 |

Sources: Qatar Central Bank.

# Appendix 1. Public and External Debt Sustainability Analysis

## Qatar Public Sector Debt Sustainability Analysis (DSA) – Baseline Scenario
(calendar year, in percent of GDP unless otherwise indicated)

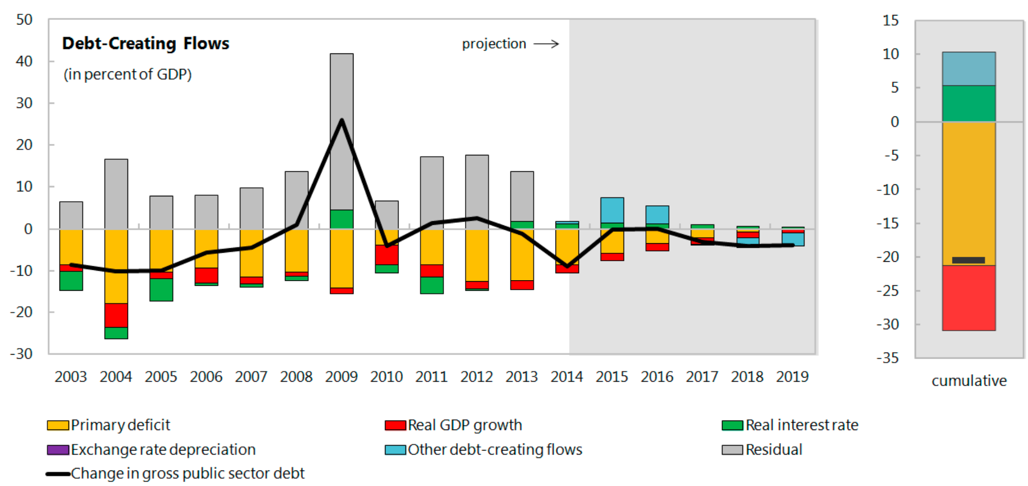
### Debt, Economic and Market Indicators [1]

| | Actual | | | Projections | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2003-2011 [2] | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Nominal gross public debt | 24.5 | 35.9 | 34.7 | 25.7 | 25.5 | 25.4 | 22.2 | 18.1 | 14.2 |
| Public gross financing needs | -8.7 | -4.2 | -8.8 | 4.4 | 2.9 | 0.5 | 5.2 | 9.5 | 7.7 |
| Real GDP growth (in percent) | 14.9 | 6.2 | 6.1 | 5.9 | 7.1 | 7.4 | 7.2 | 6.6 | 6.4 |
| Inflation (GDP deflator, in percent) | 12.2 | 5.6 | -0.8 | -0.3 | -1.6 | -1.2 | 0.1 | 0.9 | 1.3 |
| Nominal GDP growth (in percent) | 28.8 | 12.2 | 5.3 | 5.5 | 5.3 | 6.1 | 7.3 | 7.5 | 7.8 |
| Effective interest rate (in percent) [4] | 6.6 | 4.7 | 3.9 | 3.0 | 3.8 | 3.7 | 3.8 | 3.6 | 3.5 |

| As of March 05, 2014 | | |
|---|---|---|
| Sovereign Spreads | | |
| EMBIG (bp) 3/ | | 52 |
| 5Y CDS (bp) | | 57 |
| Ratings | Foreign | Local |
| Moody's | Aa2 | Aa2 |
| S&Ps | AA | AA |
| Fitch | n.a. | n.a. |

### Contribution to Changes in Public Debt

| | Actual | | | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2003-2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | cumulative | debt-stabilizing primary balance [9] |
| Change in gross public sector debt | -1.6 | 2.6 | -1.2 | -9.0 | -0.2 | -0.1 | -3.2 | -4.1 | -3.9 | -20.5 | |
| Identified debt-creating flows | -15.2 | -14.9 | -13.1 | -9.0 | -0.2 | -0.1 | -3.2 | -4.1 | -3.9 | -20.5 | |
| Primary deficit | -10.6 | -12.7 | -12.6 | -8.7 | -5.9 | -3.6 | -2.1 | -0.9 | 0.0 | -21.3 | -3.9 |
| Primary (noninterest) revenue and grant: | 39.4 | 40.6 | 42.0 | 39.3 | 36.3 | 33.3 | 31.0 | 28.9 | 27.3 | 196.1 | |
| Primary (noninterest) expenditure | 28.8 | 27.9 | 29.4 | 30.6 | 30.4 | 29.7 | 28.8 | 28.0 | 27.3 | 174.9 | |
| Automatic debt dynamics [5] | -4.6 | -2.2 | -0.5 | -0.8 | -0.4 | -0.6 | -0.8 | -0.8 | -0.7 | -4.2 | |
| Interest rate/growth differential [6] | -4.6 | -2.2 | -0.5 | -0.8 | -0.4 | -0.6 | -0.8 | -0.8 | -0.7 | -4.2 | |
| Of which: real interest rate | -1.9 | -0.4 | 1.6 | 1.1 | 1.3 | 1.2 | 0.9 | 0.6 | 0.3 | 5.4 | |
| Of which: real GDP growth | -2.7 | -1.9 | -2.1 | -1.9 | -1.7 | -1.8 | -1.7 | -1.4 | -1.1 | -9.6 | |
| Exchange rate depreciation [7] | 0.0 | 0.0 | 0.0 | … | … | … | … | … | … | … | |
| Other identified debt-creating flows | 0.0 | 0.0 | 0.0 | 0.5 | 6.0 | 4.1 | -0.2 | -2.4 | -3.1 | 4.9 | |
| Accumulation of deposits (negative) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Contingent liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Prefunding | 0.0 | 0.0 | 0.0 | 0.5 | 6.0 | 4.1 | -0.2 | -2.4 | -3.1 | 4.9 | |
| Residual, including asset changes [8] | 13.6 | 17.5 | 11.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |




Source: IMF staff.

1/ Public sector is defined as central government.

2/ Based on available data.

3/ Long-term bond spread over U.S. bonds.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

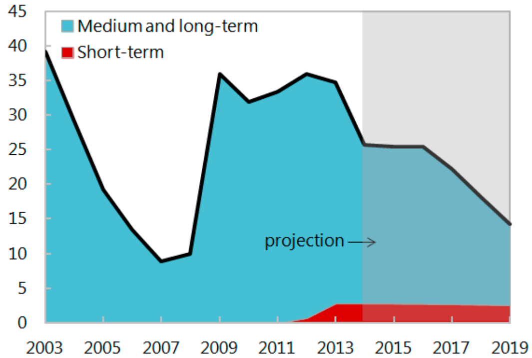
8/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period. Also indicates that public debt was increasing by more than the borrowing requirement.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

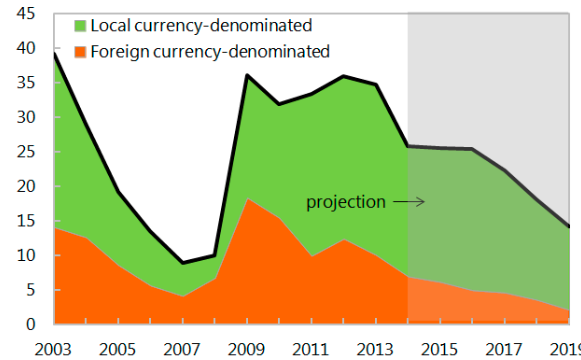
## Qatar Public DSA – Composition of Public Debt and Alternative Scenarios

### Composition of Debt

**By Maturity**
(in percent of GDP)



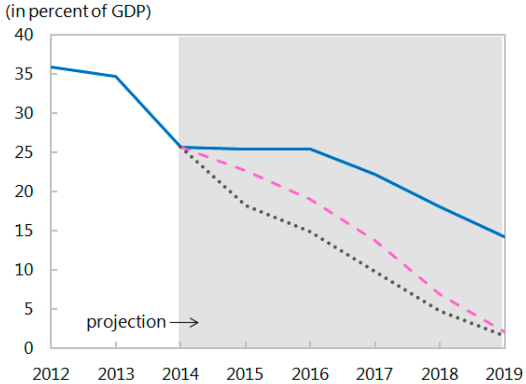

**By Currency**
(in percent of GDP)



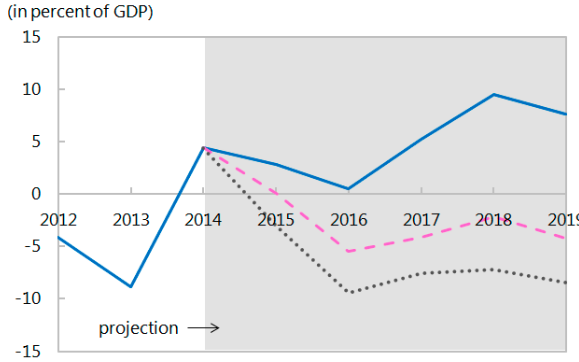

### Alternative Scenarios

Baseline   Historical   Constant Primary Balance

**Gross Nominal Public Debt**
(in percent of GDP)




**Public Gross Financing Needs**
(in percent of GDP)




### Underlying Assumptions
(in percent)

| **Baseline Scenario** | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Real GDP growth | 5.9 | 7.1 | 7.4 | 7.2 | 6.6 | 6.4 |
| Inflation | -0.3 | -1.6 | -1.2 | 0.1 | 0.9 | 1.3 |
| Primary Balance | 8.7 | 5.9 | 3.6 | 2.1 | 0.9 | 0.0 |
| Effective interest rate | 3.0 | 3.8 | 3.7 | 3.8 | 3.6 | 3.5 |
| **Constant Primary Balance Scenario 1/** | | | | | | |
| Real GDP growth | 5.9 | 7.1 | 7.4 | 7.2 | 6.6 | 6.4 |
| Inflation | -0.3 | -1.6 | -1.2 | 0.1 | 0.9 | 1.3 |
| Primary Balance | 8.7 | 8.7 | 8.7 | 8.7 | 8.7 | 8.7 |
| Effective interest rate | 3.0 | 3.8 | 3.7 | 4.1 | 4.0 | 4.0 |

| **Historical Scenario 1/** | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Real GDP growth | 5.9 | 14.3 | 14.3 | 14.3 | 14.3 | 14.3 |
| Inflation | -0.3 | -1.6 | -1.2 | 0.1 | 0.9 | 1.3 |
| Primary Balance | 8.7 | 11.2 | 11.2 | 11.2 | 11.2 | 11.2 |
| Effective interest rate | 3.0 | 3.8 | 3.3 | 3.7 | 3.4 | 3.6 |

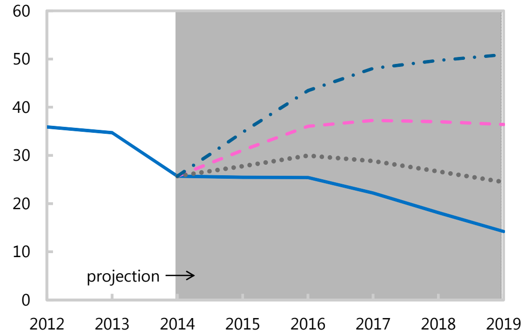
1/ The scenario assumes that no new debt is issued if the gross financing needs are negative.
Source: IMF staff.

## Qatar Public DSA – Alternative Scenarios

Baseline | Oil Price Shock | Growth-Spending Shock | Combined Shock

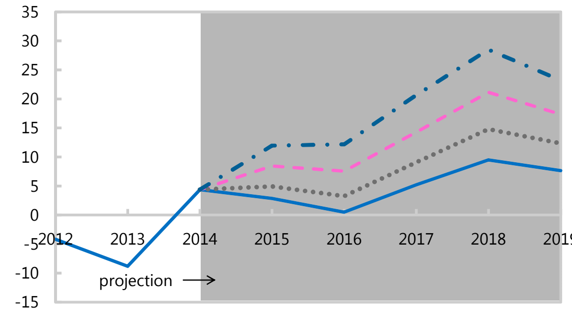
### Gross Nominal Public Debt

(in percent of GDP)




### Public Gross Financing Needs

(in percent of GDP)




### Underlying Assumptions

(in percent)

| **Baseline Scenario** | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Real GDP growth | 5.9 | 7.1 | 7.4 | 7.2 | 6.6 | 6.4 |
| Inflation | -0.3 | -1.6 | -1.2 | 0.1 | 0.9 | 1.3 |
| Primary Balance | 8.7 | 5.9 | 3.6 | 2.1 | 0.9 | 0.0 |
| Effective interest rate | 3.0 | 3.8 | 3.7 | 3.8 | 3.6 | 3.5 |
| **Growth-Spending Scenario 2/** | | | | | | |
| Real GDP growth | 5.9 | 6.1 | 6.4 | 6.2 | 5.6 | 5.4 |
| Inflation | -0.3 | -1.6 | -1.2 | 0.1 | 0.9 | 1.3 |
| Primary Balance | 8.7 | 3.9 | 1.6 | 0.1 | -1.1 | -2.0 |
| Effective interest rate | 3.0 | 3.8 | 3.6 | 3.7 | 3.5 | 3.4 |

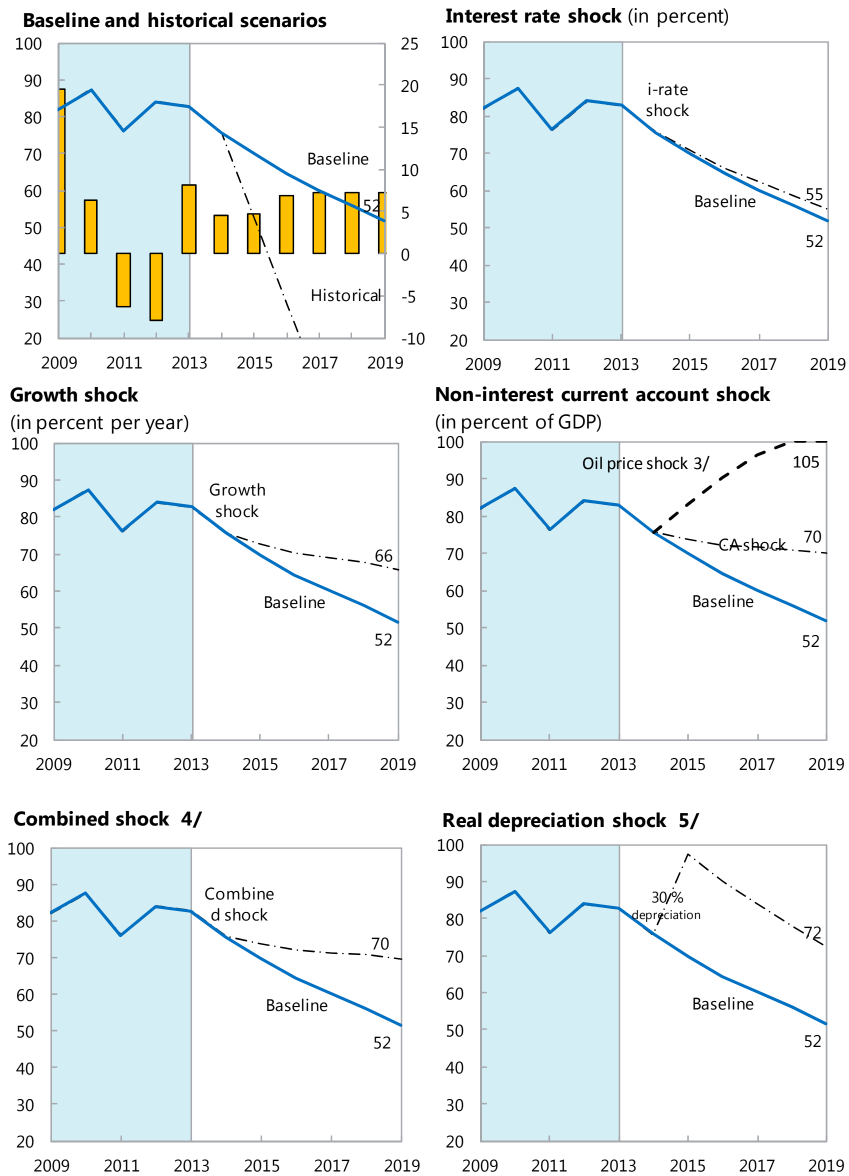
| **Oil Price Scenario 1/** | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Real GDP growth | 5.9 | 7.1 | 7.4 | 7.2 | 6.6 | 6.4 |
| Inflation | -0.3 | -1.6 | -1.2 | 0.1 | 0.9 | 1.3 |
| Primary Balance | 8.7 | 0.3 | -1.6 | -2.7 | -3.6 | -4.1 |
| Effective interest rate | 3.0 | 3.8 | 3.5 | 3.5 | 3.4 | 3.3 |
| **Combined Scenario 3/** | | | | | | |
| Real GDP growth | 5.9 | 6.1 | 6.4 | 6.2 | 5.6 | 5.4 |
| Inflation | -0.3 | -1.6 | -1.2 | 0.1 | 0.9 | 1.3 |
| Primary Balance | 8.7 | -3.1 | -5.0 | -6.0 | -5.6 | -6.1 |
| Effective interest rate | 3.0 | 3.8 | 3.5 | 3.4 | 3.3 | 3.3 |

1/ Oil price is lower by one standard deviation in 2015-19.
2/ Real GDP growth is lower by 1 percentage point and the non-interest expenditure-to-GDP ratio is higher by 2 percentage points than in the baseline in 2015-19.
3/ This scenario combines the oil price and the growth-spending scenarios, and in addition assumes that 10 percent of the public enterprise debt is gradually taken over by the government.

Source: IMF staff calculations.

## Qatar: External Debt Sustainability: Bound Tests 1/ 2/

(External debt in percent of GDP)




Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ A sustained one-standard deviation decline in oil prices (by $26.5 a barrel) applied to WEO crude oil prices over 2015-19
4/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
5/ One-time real depreciation of 30 percent occurs in 2010.

## Qatar: External Debt Sustainability Framework, 2009–19

(In percent of GDP, unless otherwise indicated)

| | Actual | | | | | | | Projections | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 10-Year Historical Average | 10-Year Standard Deviation | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | **Debt-stabilizing non-interest current account 6/** |
| **Baseline: External debt** | 82.0 | 87.4 | 76.1 | 83.9 | 82.7 | | | **75.6** | **69.8** | **64.4** | **60.1** | **56.0** | **51.7** | **-1.7** |
| Change in external debt | 32.5 | 5.4 | -11.2 | 7.8 | -1.2 | | | -7.1 | -5.8 | -5.5 | -4.2 | -4.1 | -4.4 | |
| Identified external debt-creating flows (4+8+9) | -0.8 | -35.2 | -50.4 | -39.9 | -30.5 | | | -27.0 | -23.0 | -18.2 | -14.4 | -11.3 | -9.0 | |
| Current account deficit, excluding interest payments | -7.6 | -20.0 | -31.0 | -33.2 | -30.3 | | | -26.5 | -22.1 | -16.3 | -12.7 | -10.3 | -7.8 | |
| Deficit in balance of goods and services | -22.1 | -38.4 | -45.4 | -46.2 | -44.8 | | | -39.9 | -34.0 | -27.8 | -23.7 | -20.4 | -17.8 | |
| Exports | 51.1 | 62.2 | 71.0 | 74.7 | 74.2 | | | 69.5 | 63.7 | 57.6 | 53.1 | 49.0 | 45.8 | |
| Imports | 29.0 | 23.8 | 25.5 | 28.4 | 29.4 | | | 29.5 | 29.7 | 29.9 | 29.4 | 28.6 | 28.1 | |
| Net non-debt creating capital inflows (negative) | -3.1 | 1.7 | 3.6 | 0.8 | 2.9 | | | 3.0 | 2.6 | 1.4 | 1.1 | 1.0 | 0.8 | |
| Automatic debt dynamics 1/ | 9.9 | -17.0 | -22.9 | -7.5 | -3.2 | | | -3.5 | -3.5 | -3.3 | -2.7 | -2.0 | -2.0 | |
| Contribution from nominal interest rate | 1.0 | 0.9 | 0.7 | 0.8 | 1.0 | | | 1.1 | 1.6 | 1.6 | 1.6 | 1.7 | 1.3 | |
| Contribution from real GDP growth | -7.0 | -10.7 | -8.3 | -4.2 | -4.9 | | | -4.6 | -5.1 | -4.9 | -4.3 | -3.7 | -3.3 | |
| Contribution from price and exchange rate changes 2/ | 15.8 | -7.2 | -15.4 | -4.0 | 0.7 | | | ... | ... | ... | ... | ... | ... | |
| Residual, incl. change in gross foreign assets (2-3) 3/ | 33.3 | 40.6 | 39.1 | 47.7 | 29.3 | | | 20.0 | 17.2 | 12.8 | 10.1 | 7.1 | 4.7 | |
| External debt-to-exports ratio (in percent) | 160.4 | 140.5 | 107.3 | 112.4 | 111.5 | | | 108.9 | 109.6 | 111.7 | 113.3 | 114.3 | 112.7 | |
| **Gross external financing need (in billions of US dollars) 4/** | 19.1 | 7.9 | -11.0 | -15.2 | 16.3 | | | 9.5 | 10.7 | 16.3 | 18.7 | 19.7 | 21.5 | |
| in percent of GDP | 19.5 | 6.3 | -6.4 | -7.9 | 8.0 | | | 4.5 | 4.8 | 6.8 | 7.3 | 7.1 | 7.2 | |
| **Scenario with key variables at their historical averages 5/** | | | | | | | | **75.6** | **52.7** | **28.9** | **7.0** | **-13.2** | **-31.5** | **4.9** |
| **Key Macroeconomic Assumptions Underlying Baseline** | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 12.0 | 16.7 | 13.0 | 6.2 | 6.1 | 14.3 | 6.5 | 5.9 | 7.1 | 7.4 | 7.2 | 6.6 | 6.4 | |
| GDP deflator in US dollars (change in percent) | -24.2 | 9.6 | 21.3 | 5.6 | -0.8 | 9.7 | 15.0 | -0.3 | -1.6 | -1.2 | 0.1 | 0.9 | 1.3 | |
| Nominal external interest rate (in percent) | 1.8 | 1.5 | 1.1 | 1.2 | 1.3 | 3.4 | 2.3 | 1.5 | 2.2 | 2.5 | 2.6 | 3.0 | 2.6 | |
| Growth of exports (US dollar terms, in percent) | -29.3 | 55.6 | 56.4 | 18.0 | 4.6 | 29.3 | 26.3 | -1.2 | -3.3 | -4.0 | -1.2 | -0.8 | 0.9 | |
| Growth of imports (US dollar terms, in percent) | -12.3 | 4.7 | 47.4 | 24.9 | 8.9 | 26.6 | 24.6 | 6.0 | 6.1 | 6.6 | 5.5 | 4.6 | 6.0 | |
| Current account balance, excluding interest payments | 7.6 | 20.0 | 31.0 | 33.2 | 30.3 | 22.4 | 8.0 | 26.5 | 22.1 | 16.3 | 12.7 | 10.3 | 7.8 | |
| Net non-debt creating capital inflows | 3.1 | -1.7 | -3.6 | -0.8 | -2.9 | 0.6 | 3.0 | -3.0 | -2.6 | -1.4 | -1.1 | -1.0 | -0.8 | |

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

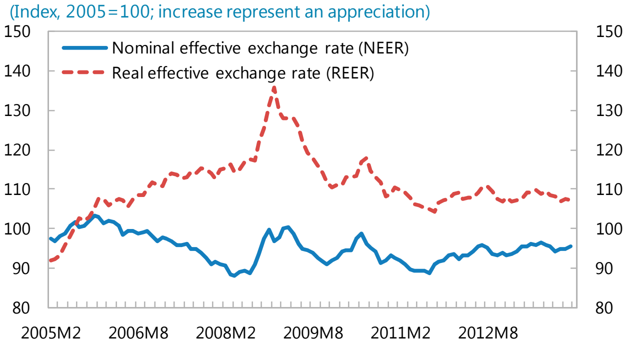
## Appendix 2. Exchange Rate Assessment Models

*Staff estimates of CGER-type models modified to capture characteristics of hydrocarbon exporters* produce widely-dispersed exchange rate assessments.

**36. Qatar's real exchange rate (REER) has been stable during the past two years,** depreciating 1.1 percent since 2011 while the nominal effective exchange rate (NEER) appreciated about 2.2 percent.

**Real and Nominal Effective Exchange Rates, Jan 2005 – Jan 2014**

(Index, 2005=100; increase represent an appreciation)

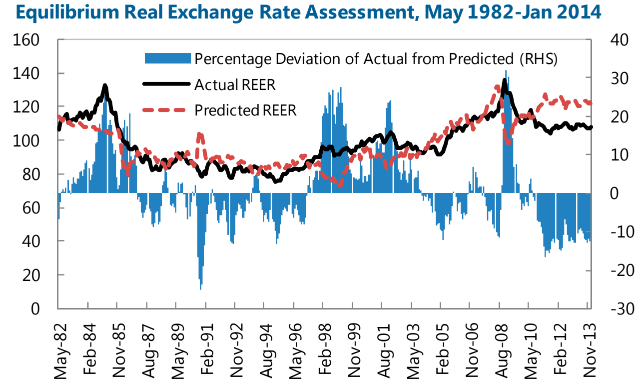



Sources: National authorities; and IMF staff estimates.

**37. The equilibrium real exchange rate approach suggests about 11 percent undervaluation.** This method directly estimates the monthly equilibrium real exchange rate using a co-integration relationship between the real exchange rate and real oil price.

**38. The macroeconomic balance approach indicates some 30 percent overvaluation**, based on estimates of the equilibrium current account (norm) from a set of fundamentals including non-hydrocarbon fiscal balance, hydrocarbon reserves, old-age dependency ratio, population growth rate, initial net foreign assets, oil trade balance, growth rate of real per capita GDP, and relative income. The method yields a current account norm of 20.9 percent of GDP in 2019. Contrasting the norm to the projected "underlying" current account position in 2019 (6.5 percent of GDP) points to an overvalued riyal.

**Equilibrium Real Exchange Rate Assessment, May 1982-Jan 2014**




**Results of CGER-type Analysis**

(Percent of GDP)

| | MB[1] | ES[2] | ERER[3] |
|---|---|---|---|
| Current Account Balance (2019 proj.) | 6.5 | 6.5 | |
| Current Account Norm | 20.9 | 5.2 | |
| Deviation from norm | -14.4 | 1.3 | |
| ER Over/undervaluation (percent) | 30.0 | -2.7 | -11.4 |

Source: IMF staff estimates and projections.

[1] Specification II in Beidas-Strom and Cashin (2011).

[2] Follows a constant real per capita allocation rule.

[3] Equilibrium exchange rate approach.

[4] EBA type approach.

**39. The external sustainability approach indicates the riyal is close to its equilibrium consistent with long-term fundamentals.** Sustainability of the current account trajectory requires the net present value (NPV) of all future hydrocarbon and financial and investment income equal the NPV of imports of goods and services net of non-hydrocarbon exports. Subject to this constraint, the policymaker chooses a path for imports, and hence a current account norm, that would support intergenerational equity given volatile oil prices and exhaustible oil reserves—through an appropriate pace of accumulation of net foreign assets. This calculation suggests the projected current account balance is broadly in line with fundamentals, but as with any NPV calculation, changing parameter values can have a significant impact on the estimated current account norm.

INTERNATIONAL MONETARY FUND

# QATAR

April 2, 2014

## STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX


Prepared By

Middle East and Central Asia Department
(In Consultation with Other Departments)


## CONTENTS

# RELATIONS WITH THE FUND

(As of March 31, 2014)

**Membership Status**

Joined: 09/08/72; Article VIII, 06/04/73

**General Resources Account**

| | SDR Million | Percent Quota |
|---|---|---|
| Quota | 302.6 | 100.00 |
| Fund holdings of currency | 197.18 | 65.16 |
| Reserve position in Fund | 105.42 | 34.84 |

**SDR Department**

| | SDR Million | Percent Allocation |
|---|---|---|
| Net cumulative allocation | 251.40 | 100.00 |
| Holdings | 271.14 | 107.85 |

**Outstanding Purchases and Loans:** None

**Projected Payments to Fund**

(SDR million; based on existing use of resources and present holdings of SDRs):

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Principal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Charges/Interest | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Total** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |

**Implementation of HIPC Initiative:** Not Applicable

**Safeguards Assessments:** Not applicable

**Exchange Rate Arrangement:**

The Qatari riyal has been pegged to the U.S. dollar at QR 3.64 = $1.00 since July 2002, following an unofficial peg that was in effect since June 1980. Qatar has accepted the obligations under Article VIII, Sections 2, 3, and 4(a) and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions. Qatar maintains exchange restrictions for security reasons, based on UN Security Council Resolutions, that have been notified to the Fund for approval under the procedures set forth in Executive Board Decision No. 144-(52/51)

**Last Article IV Consultation:**

The discussions for the previous Article IV consultation took place in Doha in November 2012. The 2012 Article IV consultation was concluded by the Executive Board on January 11, 2013. Qatar moved to a 12-month Article IV consultation cycle in 2007.

**FSAP and ROSC Participation:**

FSAP missions were conducted in 2007. LEG conducted a detailed assessment of the Qatari anti-money laundering and combating the financing of terrorism (AML/CFT) framework against the Financial Action Task Force (FATF) 40+9 Recommendations during 2006-7. The report was also presented to the Middle East & North Africa Financial Action Task Force (MENAFATF) and the FATF and adopted by these organizations as their own mutual evaluation at their respective plenary meetings in 2008. The final report was published on the Fund website and a ROSC was circulated to the Executive Board for information in September 2008.

**Technical Assistance:**

| | | |
|---|---|---|
| STA | April 2000 | Real Sector Statistics |
| STA | May 2001 | Balance of Payments Statistics |
| STA | January 2005 | Multisector Statistics |
| STA | April 2006 | Government Finance Statistics |
| LEG | November 2006 | AML/CFT Pre-assessment |
| STA | April 2007 | GDDS Assessment |
| LEG | October 2009 | AML/CFT Long-Term Advisor Providing TA. |
| STA | October 2010 | Balance of Payments Statistics |
| STA | September 2012 | Coordinated Portfolio Investment Survey |
| LEG | March 2014 | AML/CFT follow up |
| FAD | April 2014 (forthcoming) | Macro-fiscal unit |

**Resident Representative:** None

# RELATIONS WITH THE WORLD BANK GROUP

(As of March 2014)

Cooperation with Qatar began in 2003 with a Public Transport Sector Reform study. A manpower planning exercise launched in 2003 evolved to a Labor Market Strategy in 2004. In 2005, the World Bank provided technical assistance on payment systems to the Qatar Central Bank, in the context of supporting the development of payment and securities clearance and settlement systems in the Arab region through the Arab Payments and Securities Settlement Initiative, led jointly by the World Bank, the Arab Monetary Fund and the International Monetary Fund. In 2007, the Bank conducted a study on the Knowledge Economy (KE) the results of which informed several high-level workshops.

The Government, represented by the Ministry of Finance, signed in 2010 the Framework Agreement for Advisory Services with the Bank in order to enhance Qatar's benefit from available services. The Bank has since provided technical support on a number of strategic issues including strategic planning, public-private partnerships, and macroeconomic modeling. A recently completed program with the Ministry of Business and Trade focused on improving the business environment. The working relationship with Qatar further improved as the Bank helped the authorities prepare for and deliver the Convention of the Parties (COP 18) to the United Nations Framework Convention on Climate Change (UNFCCC) that Qatar hosted in December 2012, facilitating dialogue among various stakeholders on issues of climate change, dry-land agriculture, and food security.

Currently, the Bank is helping the Ministry of Development Planning and Statistics prepare the midterm review of the National Development Strategy 2011-16 by helping report on implementation progress and possible corrective measures in the domains of institutional development, human development, and infrastructure. The Bank also provides assistance to the Ministry of Environment to strengthen environmental policies and procedures under the regional Gulf Action Plan (GEPAP), and to the General Retirement and Social Insurance Agency to strengthen its institutional capacity and financial viability. Finally, dialogue started on possible long term assistance to enhance budget systems and to enhance the efficiency and effectiveness of public resource utilization in the health and education sectors.

# STATISTICAL ISSUES

As of March 2014

| I. Assessment of Data Adequacy for Surveillance |
|---|
| **General:** Economic data are broadly adequate for surveillance but there is substantial scope for improving their frequency, timeliness and coverage. The most affected areas are the real gross domestic product (GDP), financial accounts of the balance of payments, international investment position, and external debt statistics. |
| **National Accounts:** Qatar publishes quarterly estimates of GDP at current and constant prices. The accuracy of data in the nonhydrocarbon sector is undermined by the lack of comprehensive source data. The Ministry for Development Planning and Statistics (MDPS) plans to publish quarterly GDP by expenditure from summer 2014. Changing the base year (currently 2004) is also under consideration. |
| **Price statistics:** Qatar publishes monthly CPI data based on a basket with a significant share of rents. However, the rent component has limited geographic coverage and only reflects new contracts. The authorities are finalizing the household income and expenditure survey 2012-13, which will be used to update weights estimates for constructing the CPI. |
| **Government Finance Statistics:** The authorities are implementing the Government Financial Management Information System (GFMIS) which will enable compilation of accrual fiscal accounts according to the *Government Finance Statistics Manual 2001* (GFSM) guidelines. At the moment, the GFSM2001 figures are estimated by staff on the basis of modified cash data provided by the authorities. |
| **Monetary statistics:** Monetary data for Qatar Central Bank (QCB) and commercial banks are generally timely and of high quality. The QCB reports monetary data regularly to STA for publication in *International Financial Statistics* (IFS) on a monthly basis with a lag of about three weeks. Monthly and quarterly data are also published in the *Monthly* and *Quarterly Statistics Bulletin*. |
| **Financial stability:** Qatar Central Bank published and disseminated its fourth Financial Stability Report in 2013, and plans to prepare a risk-based analysis of the entire financial system in cooperation with the Qatar Financial Center Regulatory Authority and Qatar Financial Market Authority. |
| **Balance of Payments:** Since the 2010 technical assistance mission on balance of payments statistics, as well as the participation of STA staff in the 2011 Article IV Consultation, the authorities are publishing quarterly BoP data in the *International Financial Statistics (IFS)*. The financial account has been developed and coverage improved for major public corporations, the Qatar Financial Center Authority, and the Qatar Exchange. Continuing efforts are needed to further develop data sources, particularly for the private sector. The 2012 TA mission on CPIS has facilitated the Foreign Investment Survey for 2010-12 whose completion is expected in coming months. This data will enable compilation of comprehensive data on the Qatar's International Investment Position (IIP). The authorities presented the mission with partial IIP data for mid-2012 and mid-2013. |
| **External debt:** Detailed data on the country's medium- and long-term external debt are provided to missions during the Article IV consultation discussions. The debt office at the Ministry of Finance is collating information about public debt and debt of public sector enterprises. The authorities are publishing data on public external debt on the QCB website. |

| II. Data Standards and Quality |
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| Qatar is a General Data Dissemination System (GDDS) participant since December 2005. The GDDS mission of April 2007 updated the GDDS Summary Table II *Data Coverage, Periodicity, and Timeliness;* assessed dissemination practices relative to the requirements of the Special Data Dissemination Standard (SDDS) for coverage, periodicity, and timeliness; and identified major milestones that Qatar would have to reach to graduate from the GDDS to the SDDS. To enhance data dissemination practices, staff assisted the authorities in developing a National Summary Data Page (NSDP) and an Advance Release Calendar (ARC). |

## Qatar—Table of Common Indicators Required for Surveillance

(As of March 28th, 2014)

| | Date of latest observation | Date received | Frequency of Data[6] | Frequency of Reporting[6] | Frequency of Publication[6] |
|---|---|---|---|---|---|
| Exchange Rates | Feb. 2014 | Mar. 2014 | M | M | M |
| International Reserve Assets of the Monetary Authorities[1] | Feb. 2014 | Mar. 2014 | M | M | M |
| Reserve/Base Money | Feb. 2014 | Mar. 2014 | M | M | M |
| Broad Money | Feb. 2014 | Mar. 2014 | M | M | M |
| Central Bank Balance Sheet | Feb. 2014 | Mar. 2014 | M | M | M |
| Consolidated Balance Sheet of the Banking System | Feb. 2014 | Mar. 2014 | M | M | M |
| Interest Rates[2] | Feb. 2014 | Mar. 2014 | M | M | M |
| Consumer Price Index | Feb. 2014 | Mar. 2014 | M | M | M |
| Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4] | ... | ... | NA | NA | NA |
| Revenue, Expenditure, Balance and Composition of Financing[3] – Central Government | 2013/14 (up to Dec 2013) | Feb 2014 | Q | I | I |
| Stocks of Central Government and Central Government-Guaranteed Debt[5] | 2013 | Feb 2014 | A | I | I |
| External Current Account Balance | 2013 Q3 | Jan. 2014 | Q | Q | Q |
| Exports and Imports of Goods and Services | 2013 Q3 | Jan. 2014 | Q | Q | Q |
| GDP/GNP | 2013 Q3 | Jan. 2014 | Q | Q | Q |
| Gross External Debt | 2013 | Feb. 2014 | A | I | I |
| International Investment Position[7] | Jun. 2013 | Nov. 2013 | I | I | NA |

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).
[7] Includes external gross financial asset and liability positions vis-a-vis nonresidents. The data are currently based on incomplete sources due to capacity limitations.

**Statement by the IMF Staff Representative on Qatar**
**April 18, 2014**

1. **This note provides information that has become available since the staff report was issued.** It does not alter the staff appraisal.

2. **Recent data releases point to strong macroeconomic performance despite a growth slowdown in the last quarter of 2013.** The economy grew by 6.5 percent in 2013, almost ½ percentage point more than estimated by staff. The better-than-expected outturn largely resulted from upward revisions to the historic data on non-hydrocarbon growth. While GDP growth decelerated to 5.6 percent year-on-year in Q4/2013, the underlying momentum in the non-hydrocarbon sector appears intact, and staff thus maintains its 2014 growth projection at about 6 percent. In a separate data release, Qatar recorded a current account surplus of 31 percent of GDP last year, slightly higher than expected by staff. Consumer price inflation remained subdued at 2.6 percent year-on-year in March.

3. **The authorities unveiled the budget blueprint for FY2014/15.** Nominal expenditures are projected to grow by a modest 3¾ percent from the last year's budget *plan*, with priority given to major infrastructure projects (up by 17 percent), health and education. Current spending and minor capital expenditures are expected to be curtailed. Revenue projections continue to assume the $65 a barrel oil price, leading to substantial underestimation of the projected budget surplus. A more detailed assessment of the budget blueprint is not possible at this time given the lack of comprehensive information; in particular, the budget results for the fiscal year that has just ended are not yet available.

INTERNATIONAL MONETARY FUND
COMMUNICATIONS DEPARTMENT

Press Release No. 14/197
FOR IMMEDIATE RELEASE
May 6, 2014

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

**IMF Executive Board Concludes 2014 Article IV Consultation with Qatar**

On April 18, 2014, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Qatar.[1]

As the world's largest exporter of liquefied natural gas (LNG), Qatar has turned into an important global financial investor, labor importer, and donor. Growth averaged 14 percent over the past decade with per capita GDP reaching $100,000, the highest in the world. Having successfully completed a strategy to develop natural gas resources, the authorities have embarked on a large public investment program to advance economic diversification and prepare for the FIFA 2022 World Cup.

Qatar's macroeconomic performance has remained strong. GDP growth slowed from 13 percent in 2011 to 6.2 percent in 2012, mostly due to the self-imposed moratorium on additional hydrocarbon production from the North Field. Growth was 6.5 percent in 2013, driven by strong expansion in the nonhydrocarbon sector. The negative spillovers from sluggish global growth and financial market volatility have been limited. Price pressures are subdued at present, with March 2014 inflation at 2.6 percent year-on-year. Fiscal and external sector continue to exhibit large surpluses thanks to high hydrocarbon prices.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

The baseline macroeconomic outlook is positive. GDP growth could stay around 6 percent in 2014, with public investments keeping growth around 6–7 percent over the medium term. Inflation is projected to stay benign at 3 to 4 percent going forward, partly owing to the anticipated decline in commodity prices, including for food, and the fixed exchange rate. Potential challenges include the risk of over-heating in the near term and over-capacity in the medium term as a result of the public investment program. The possibility of a sharp decline in oil and gas prices remains the main medium-term risk; however, the authorities have ample fiscal and external buffers to deal with contingencies.

The macroeconomic policy framework is being strengthened by a number of ambitious reforms in the area of fiscal policy and institutions, financial regulation, macroprudential policies, liquidity management, and development of the local debt market. In particular, the authorities have been saving the large fiscal surpluses, and have started introducing a medium-term focus into the budget process. The financial regulatory agenda has centered on establishing an umbrella regulatory body and issuing a final Basel III circular. The authorities are also supporting economic diversification through measures to further financial deepening and private sector development.

**Executive Board Assessment**

Executive Directors welcomed Qatar's continued strong macroeconomic performance, underpinned by solid non-hydrocarbon growth and stable prices. The large fiscal and external surpluses have rendered the economy resilient against potential external shocks and the outlook is favorable. Directors agreed that continued prudent macroeconomic management and efforts to diversify the economy will help ensure long-term growth and stability.

Directors emphasized the importance of a well-calibrated implementation of the large public investment program, and encouraged the authorities to remain vigilant about possible inflationary pressures. If signs of overheating emerge, action should be taken to smooth capital spending, and deploy liquidity withdrawal operations and further macroprudential measures in case of excessive credit growth or risk-taking. Directors noted the authorities' efforts to ease price pressures by addressing bottlenecks in the supply chain.

Directors advised the authorities to enhance the public investment management framework and improve the efficiency of public spending. They saw merit in a comprehensive approach, including rigorous procedures for the selection and appraisal of projects, underpinned by substantial capacity building and deeper cooperation among various stakeholders. In this regard, they welcomed the authorities' plan to set up a Public Investment Management Unit.

Directors commended the authorities for pursuing ambitious fiscal reforms, such as the commitment to limit spending over-runs, a medium-term focus in the budget process, performance budgeting, and setting up of the macro-fiscal unit. They encouraged timely implementation of these reforms, and recommended that, going forward, the annual budgets should be based on realistic hydrocarbon price assumptions and a more detailed multi-year expenditure framework.

Directors commended the progress made in enhancing financial sector regulation. They welcomed issuance of the final Basel III circular and the three-year Strategic Plan for Financial Regulation. Directors observed that banks remain well capitalized, liquid, and profitable. They suggested continued close monitoring of lending standards, concentration risks, and cross-border activities of banks through an enhanced early warning system. Directors also saw further scope to improve liquidity management.

Directors took note of the authorities' efforts to enhance diversification by supporting financial deepening and private sector development. They agreed that priority should be given to further improving the business environment and the quality of education. Directors looked forward to continued improvements in the area of macroeconomic statistics.

## Qatar: Selected Economic and Financial Indicators, 2010-15 1/

| | 2010 | 2011 | 2012 | Est. 2013 | Proj. 2014 | Proj. 2015 |
|---|---|---|---|---|---|---|
| | (Annual change in percent) | | | | | |
| **Production and prices** | | | | | | |
| Real GDP | 16.7 | 13.0 | 6.2 | 6.5 | 5.9 | 7.1 |
| Hydrocarbon 2/ | 28.9 | 15.7 | 1.2 | 0.1 | -1.0 | 0.9 |
| Nonhydrocarbon | 8.6 | 10.8 | 10.3 | 11.4 | 10.7 | 11.0 |
| CPI inflation (average) | -2.4 | 1.9 | 1.9 | 3.1 | 3.5 | 3.5 |
| | (Percent of GDP on fiscal year basis) 3/ | | | | | |
| **Public finance** | | | | | | |
| Total revenue | 31.4 | 34.6 | 40.1 | 41.5 | 38.8 | 35.7 |
| Hydrocarbon revenue | 19.5 | 24.1 | 25.0 | 24.6 | 22.5 | 20.0 |
| Other revenue | 11.9 | 10.5 | 15.0 | 16.9 | 16.4 | 15.7 |
| Total expenditure and net lending | 28.9 | 28.2 | 30.6 | 30.4 | 31.2 | 30.9 |
| Current expenditure, of which | 20.0 | 20.3 | 23.3 | 22.1 | 22.0 | 22.0 |
| Wages and salaries | 4.6 | 4.6 | 4.9 | 5.6 | 5.6 | 5.6 |
| Capital expenditure | 8.9 | 7.9 | 7.3 | 8.2 | 9.2 | 8.9 |
| Overall fiscal balance (deficit -) | 2.5 | 6.4 | 9.5 | 11.1 | 7.6 | 4.9 |
| | (Annual change in percent) | | | | | |
| **Money** | | | | | | |
| Broad money | 23.1 | 17.1 | 22.9 | 19.6 | … | … |
| Credit to private sector | 7.6 | 19.2 | 13.5 | 13.5 | … | … |
| | (Billions of U.S. dollars unless otherwise noted) | | | | | |
| **External sector** | | | | | | |
| Exports of goods and services | 77.8 | 121.7 | 143.6 | 148.1 | 148.5 | 143.6 |
| Imports of goods and services | -29.7 | -43.8 | -54.7 | -59.0 | -63.1 | -67.0 |
| Current account | 23.8 | 52.0 | 62.3 | 62.6 | 54.3 | 46.1 |
| In percent of GDP | 19.0 | 30.3 | 32.4 | 30.9 | 25.4 | 20.5 |
| Central Bank reserves, gross | 30.7 | 16.3 | 32.7 | 41.7 | 46.2 | 49.3 |
| in months of imports of goods and services 4/ | 8.4 | 3.6 | 6.6 | 7.9 | 8.3 | 8.3 |
| Exchange rates (Riyals/US $) | 3.6 | 3.6 | 3.6 | 3.6 | … | … |
| Real effective exchange rate (percent change) | -5.5 | -5.1 | 1.4 | -0.1 | … | … |

Sources: Data provided by the authorities; and IMF staff estimates and projections.

1/ The staff forecasts are based on information available as of March 26, 2014.The GDP and balance of payments data have been updated to reflect recent data releases.

2/ Staff estimates; include crude oil, LNG, propane, butane, and condensates.

3/ Fiscal year begins in April; GFSM 1986.

4/ Next 12 months.

**Statement by Mr. Shaalan on Qatar**
**Executive Board Meeting**
**April 18, 2014**

1. On behalf of the Qatari authorities, I thank staff for their engagement with Qatar and the constructive Article IV Consultation discussions.

## Recent Economic Developments and Outlook

2. Qatar's macroeconomic performance remained strong in the past year. Growth was solid, driven by a large expansion in the non-hydrocarbon sector, and the fiscal and external accounts continued to post large surpluses. Efforts to diversify the economy—guided by the National Development Strategy 2011-16—resulted in a sharp increase in the non-hydrocarbon sector which is now equal to about half the size of the economy. This sector is expected to continue to sustain strong growth in the medium-term in spite of the moratorium on the development of natural gas projects in the North Field.

3. While Qatar's prospects are favorable, the authorities are vigilant about potential risks of over-heating in the near term. The main medium-term risks are over-capacity as a result of the large public investment program and an expected decline in oil and gas prices. Qatar's large fiscal and external buffers provide ample policy space to mitigate these risks, as noted by staff. To manage risks related to the infrastructure program, the authorities intend to phase in investment projects. They have also established the Central Planning Office to oversee infrastructure investments, and are currently setting up the Public Investment Management unit at the Ministry of Finance.

## Fiscal Policy and Reforms

4. The authorities are committed to fiscal efficiency and saving fiscal surpluses to strengthen buffers against shocks and save for future generations. This is reflected in their long-term objective to fully finance the budget from non-hydrocarbon revenues.

5. The overall fiscal surplus is projected to increase to about 11 percent of GDP in 2013/14, mainly due to an increase in public enterprises' revenue and a slight decline in expenditures. The authorities intend to eliminate spending overruns and aim to reduce current expenditures, while prioritizing health, education and capital spending. In this connection, they started introducing a medium-term focus into the budget process. The 2014/15 draft budget required ministries and agencies to provide indicative budget estimates for three years and to share performance information about their programs. The authorities are also setting up a Government Finance Management Information System, which would significantly improve the capacity for fiscal management and reporting. In addition, a macro-fiscal unit was established and will benefit from Fund technical assistance later this month.

6. Qatar's Public Investment Management Index score is broadly similar to its' peers, as detailed in the Selected Issues Paper. The authorities see merit in staff's recommendation to adopt an integrated approach to public investment management, and have initiated measures in this regard. These include setting up a Public Investment Management unit and finalizing the Public Financial Management Law.

**Monetary and Financial Sector Policies**

7. Price increases accelerated in early 2013 due to increased housing demand but eased recently as housing supply increased.

8. The authorities made considerable progress with regards to the financial sector regulatory agenda. The Qatar Central Bank (QCB) Governor has become the head of the Financial Stability and Risk Committee and serves as a chairman of the three main regulatory agencies (the QCB, the Qatar Financial Center Regulatory Authority, and the Qatar Financial Markets Authority). The QCB has also taken over responsibility for the previously lightly-regulated insurance sector. In December 2013, the three main regulatory agencies published their Strategic Plan for Financial Sector Regulation—which was aimed to move to risk-based regulations, expand macro-prudential oversight, and strengthen market infrastructure.

9. Qatar's banking sector remains profitable, well capitalized, and resilient to shocks. In addition, the sector meets the Basel III requirements on capital, liquidity and leverage ratios. The authorities take note of staff's view that deposits and credit are concentrated, and asset quality is exposed to risks from high single party exposures. They are considering a reduction in the loan-to-deposit ratio which would further improve the strong liquidity profile of the banking system and its asset quality. QCB appreciates staff's work on the early warning system to identify risks and links across all sectors of the economy. It plans to incorporate some of the Fund's technical recommendations in its' next Financial Stability Review.

10. The authorities recognize that developing deep and liquid domestic debt markets can bring important benefits by enhancing the monetary transmission mechanism and facilitating liquidity management. Going forward, they will continue issuing domestic currency-denominated securities, while trimming foreign borrowing. Recent additional measures to deepen the financial market include the launching of exchange-traded funds by the end of April, setting-up domestic credit rating agency, and expanding the coverage of the credit bureau.

**Economic Diversification**

11. The authorities attach high priority to economic diversification and private sector participation in the economy. Qatar National Vision 2030 focuses on enhancing economic diversification through human development and investment in the non-hydrocarbon sector. Initiatives to support small and medium-sized enterprises include loan guarantees and

feasibility studies. Additionally, efforts are being made to improve the quality of education and raise total factor productivity by promoting knowledge-based sectors.

**Statistical Issues**

12. The authorities are committed to further improve statistics to assist decision-making and macroeconomic management. The Ministry of Development Planning and Statistics is finalizing the Foreign Investment Survey which should substantially improve the balance of payments and international investment position statistics.