



# QATAR

## 2023 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

January 2024

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 2023 Article IV consultation with Qatar, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on November 14, 2023 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 December 18, 2023.
- An **Informational Annex** prepared by the IMF staff.

The documents listed below have been or will be separately released.

- **Selected Issues**

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**International Monetary Fund**  
**Washington, D.C.**



## IMF Executive Board Concludes 2023 Article IV Consultation with Qatar

FOR IMMEDIATE RELEASE

**Washington, DC:** On January 11, 2024, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation<sup>1</sup> with Qatar, and considered and endorsed the staff appraisal without a meeting.<sup>2</sup>

Qatar's decade-long efforts to diversify the economy culminated into the successful hosting of the 2022 FIFA World Cup. After very strong performance in 2022 on the back of World Cup-induced buoyancy and high hydrocarbon prices, growth has been normalizing, with real GDP growth in 2023 projected at 1.6 percent. Growth normalization is expected to continue in the near term, with non-hydrocarbon growth supported by investment in public projects, construction of the North Field LNG expansion project, and their spillovers to logistics, manufacturing, and trade. Visibility brought by the WC could continue to boost tourism. Medium-term growth is expected to average around 5½ percent, boosted by significant LNG production expansion and initial reform gains from implementing the Third National Development Strategy (NDS3), set to be released soon. As global commodity prices decline and domestic demand normalizes, headline inflation will likely ease to below 3 percent in 2023, and further to around 2 percent over the medium term.

Amid high hydrocarbon prices, both fiscal and current account positions strengthened significantly in 2022, with surpluses reaching 10½ percent of GDP and 26½ percent of GDP, respectively. Both the fiscal and current accounts will likely remain in sizeable surplus supported by elevated, albeit declining, hydrocarbon prices projected for the medium term, and Qatar's LNG production expansion, coupled with increasing demand from Asia and Europe.

Banks are well-capitalized, liquid, and profitable, with the capital adequacy ratio and return on equity at 19 and 14.6 percent, respectively, in the second quarter of 2023. Banks' nonresident deposits fell by more than one-third from the recent peak, partially replaced by higher public sector domestic deposits, reducing vulnerabilities amid tight global financial conditions. The NPL ratio continued to edge up to 3.8 percent but the provisioning coverage ratio is relatively high, close to 80 percent. Banks were resilient to the financial market turmoil from advanced economies in early-2023.

Structural reforms continue to progress, including to enhance protection and mobility of expatriate labor, improve the business environment, promote public-private partnerships, and further attract private investment through the residency program and broadened foreign ownership provisions. The pension scheme has been expanded to more Qataris in the private sector to promote private sector employment. Digitalization has continued to advance, and

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<sup>1</sup> 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.

<sup>2</sup> The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

many climate initiatives guided by the National Environment and Climate Change Strategy and the Climate Change Action Plan are being implemented. The upcoming NDS3 is expected to provide an ambitious reform agenda to guide the transformation toward a private sector-led, knowledge-based, more diversified and greener economy, as envisaged under Qatar's National Vision 2030.

Risks to the outlook are broadly balanced. Main downside risks stem from an unfavorable global environment. In particular, while the conflict in Gaza and Israel has had no visible impact on Qatar, if it is protracted or worsened, it could potentially affect Qatar through more volatile hydrocarbon prices (although higher prices could improve fiscal and external positions), lower tourism and investment, as well as more costly external funding for banks. Domestically, more protracted or severe real estate market weaknesses could negatively affect the banking system and the broader economy. If downside risks materialize, Qatar has strong policy buffers to mitigate the negative impact. On the upside, accelerated reform efforts guided by NDS3 could further promote diversification and boost potential growth.

### **Executive Board Assessment**

In concluding the 2023 Article IV consultation with Qatar, Executive Directors endorsed staff's appraisal, as follows:

Qatar has remained resilient to the recent global shocks and its economic outlook is favorable. Output growth is normalizing as expected from the 2022 WC-driven boom. The nation's favorable medium-term outlook is supported by the significant expansion of LNG production in the NF and expected gains from the implementation of NDS3. Risks are broadly balanced. Maintaining prudent macroeconomic policy and intensifying reform efforts will support Qatar's resilience to shocks and accelerate its economic transformation.

The fiscal strategy should balance discipline with growth in the near term and facilitate the transition to more diversified, private sector-led growth over the medium term. If downside risks to growth materialize and the ongoing growth slowdown sharpens, some fiscal space could be deployed through productive and efficient spending while maintaining broad fiscal prudence. In the medium term, fiscal strategy should aim at sustaining prudent and countercyclical policy, accelerating revenue diversification including via VAT introduction, enhancing current expenditure efficiency by rationalizing wage bill and gradually removing remaining subsidies, and reorienting expenditure from traditional infrastructure to reforms that facilitate transformation to a private sector-led growth model. A medium-term fiscal framework anchored around maintaining intergenerational equity, complemented by greater fiscal transparency, will support the implementation of the fiscal strategy.

The authorities are encouraged to continue safeguarding financial stability. The QCB should continue its proactive supervision and regulation, supported by regular risk analysis and information sharing among the financial supervisors to help identify emerging vulnerabilities and guide regulatory actions. The authorities' plans to deepen domestic capital markets are welcome as well as measures to mitigate risks associated with banks' exposure to short-term foreign funding, which should be reviewed regularly. Equally important is to carefully balance opportunities and risks associated with the nation's Fintech and green financing initiatives and put in place adequate regulations. Qatar's significant progress on the technical compliance with the FATF Standards is commendable, and the authorities are encouraged to implement the FATF action plan decisively.

The exchange rate peg continues to represent a credible monetary anchor. Qatar's external position in 2022 was assessed to be substantially stronger than the level implied by medium-term fundamentals and desirable policies, mainly due to the elevated hydrocarbon prices. Further efforts to strengthen liquidity management and coordination among the fiscal and monetary authorities are recommended. Deepening domestic financial markets and maintaining low currency mismatches on bank balance sheets would further reduce vulnerabilities and enhance monetary policy transmission.

Reform efforts should be intensified to shift from a traditional state-led growth model to a more dynamic, knowledge-based, private sector-driven one. Attracting more skilled expatriates, improving education outcome, incentivizing Qatari nationals to take up private sector jobs, and raising female labor force participation will enhance human capital and labor market dynamics. In addition, reforms are needed to promote further trade liberalization, ease access to finance, and continue enhancing administrative efficiency. These measures should be implemented comprehensively in a well-sequenced manner to boost potential growth. Furthering digitalization and climate actions are also critical. Broadening gains from economic zones and centers to the wider economy would accelerate economic diversification.

### Qatar: Selected Macroeconomic Indicators, 2020–24

(Quota: 735.1 million SDRs, 2023)  
 (Per capita income: U.S.\$80,626, 2022)  
 (Life expectancy at birth: 79, 2021), (Population: 2.9 million, 2022)

	2020	2021	2022	Estimates	Projections
				2023	2024
<b>Production and prices</b>					
Real GDP (2018 prices)	-3.6	1.6	4.2	1.6	1.9
Hydrocarbon 1/	-2.0	-0.3	1.7	2.6	1.7
Nonhydrocarbon	-4.5	2.8	5.7	1.0	2.0
CPI inflation (average)	-2.5	2.3	5.0	2.8	2.4
<b>Public finances</b>					
Revenue	32.6	29.6	34.8	31.5	31.1
Expenditure	34.7	29.3	24.3	23.9	23.9
Current	22.0	18.3	15.5	15.6	15.8
Capital	12.7	11.1	8.8	8.3	8.1
Central government fiscal balance	-2.1	0.3	10.6	7.6	7.2
<b>Money</b>					
Broad money	3.8	1.4	17.4	2.9	4.1
Credit to private sector	8.3	9.5	7.4	3.9	4.5
<b>External sector</b>					
Exports	49.1	58.7	68.4	58.5	56.4
Imports	40.9	34.1	31.5	32.2	32.7
Current account balance (billions of U.S. dollars)					
in percent of GDP	-2.1	14.6	26.7	17.6	15.8
External debt	187.0	161.4	116.0	112.7	107.3
Central Bank's reserves	28.3	23.5	20.1	21.9	22.4
in months of next year's imports			7.3	7.5	7.6
Exchange rate	3.6	3.6	3.6	3.6	3.6
Real effective exchange rate (change in percent) 2/	-3.2	-2.6	6.5	0.6	...

Sources: Qatari authorities; and IMF staff estimates.

1/ Includes crude oil, natural gas, propane, butane, and condensates.

2/ Last observation October 2023.



# QATAR

## STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION

December 18, 2023

### KEY ISSUES

**Context:** After very strong economic performance in 2022, boosted by the successful hosting of the 2022 FIFA World Cup, output growth has been normalizing. High hydrocarbon prices further strengthened fiscal and external positions. Banks are strong, although non-performing loans continued to edge up. Reforms have gained momentum and are expected to intensify under the upcoming Third National Development Strategy.

**Outlook and risks:** Growth normalization is expected to continue in the near term. The medium-term outlook is bolstered by the major LNG production expansion and accelerated reforms. Elevated hydrocarbon prices will likely support sizeable fiscal and current account surpluses. Risks to the outlook are broadly balanced. Qatar's strong fundamentals and policy buffers can help mitigate negative impact from adverse shocks.

**Fiscal policy:** Near-term fiscal stance should balance discipline with the need to maintain growth vitality. The medium-term fiscal strategy should be underpinned by sustained prudence, accelerated revenue diversification including the VAT introduction, and enhanced spending composition and efficiency to facilitate the transition to private sector-driven growth. A well-designed and operational medium-term fiscal framework, with greater fiscal transparency and cross-agency coordination, will support the strategy.

**Monetary and financial sector policies:** The exchange rate peg continues to serve the country well. Monetary policy in line with the U.S. Federal Reserve, supported by strengthened liquidity management, is welcome. Continued diligence in banking supervision is critical for financial stability. Domestic financial market deepening, complemented by appropriate macroprudential policies, would alleviate banks' reliance on short-term foreign funding. Adequate regulations for Fintech and green financing should be put in place. With significant progress made on the technical compliance with the FATF Standards, further improvement is needed on the effectiveness of the AML/CFT framework.

**Structural reforms:** A comprehensive and well-sequenced reform package enhancing human capital, labor market dynamics, and the business environment should guide Qatar's transformation toward private sector-led growth. Further advancing digitalization and accelerating climate actions would support the transformation and generate new sources of growth. Gains from the various economic zones and centers should be broadened to the wider economy. Finally, enhancement of macroeconomic statistics should continue.

Approved By  
**Zeine Zeidane (MCD)**  
**and Jarkko Turunen**  
**(SPR)**

Discussions were held in Doha during November 1–14, 2023. The staff team comprised Mmes. Bi (head) and Rehman, Messrs. Miyajima (all MCD) and Pierri (FAD). Ms. Fayez (OED) joined mission meetings and Mr. Zeidane (MCD) the concluding meetings. Mr. Yuan provided research assistance. Mr. De Asis and Ms. George provided editorial support.

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## CONTEXT

**1. Qatar’s decade-long efforts to diversify the economy culminated into the successful hosting of the 2022 FIFA World Cup** (Figure 1). Qatar’s decisive response to the COVID-19 pandemic allowed a safe environment for the World Cup (WC), the first major global sport event since the health crisis, and the first WC held in the Arab world. About 1 million visitors arrived in Qatar, of which 0.3 million stayed in (and commuted from) neighboring GCC countries, generating positive regional spillovers. Beyond the immediate growth impact of up to 1 percent of 2022 GDP (similar to cross-country experiences), Qatar has also benefitted from the decade-long investment program in the run up to the event (worth US\$200–US\$300 billion), mostly in general infrastructure such as the port, metro, and railways, contributing on average 5–6 percentage points (ppts) annually to non-hydrocarbon output growth.<sup>1</sup> The WC has left a lasting legacy—top-notch infrastructure was built with enhanced sustainability; Qatar became the first GCC country to abolish the Kafala system, a welcome first step to improve expatriates’ labor protection and mobility; and the nation has boosted its global visibility.

**2. Important strides have been made in enhancing macroeconomic resilience and economic transformation.** Qatar has navigated the recent global shocks relatively smoothly. Its real non-hydrocarbon GDP level has returned to the pre-pandemic trend, as the WC accelerated recovery in the service sectors hit hard by the COVID-19 crisis. Fiscal and current account surpluses reached high levels thanks to elevated hydrocarbon prices and broadly prudent policies. The Russian war in Ukraine has highlighted the importance of liquefied natural gas (LNG) in safeguarding energy security while Qatar is undertaking the pre-planned massive North Field (NF) LNG expansion (Annex I). Structural reforms have also advanced in improving labor market flexibility, enhancing government efficiency, upgrading regulatory environment, promoting digital transformation, and accelerating climate actions. Qatar is thus ranked relatively highly in global competitiveness indicators and is in a strong position to further diversify the economy, guided by the upcoming Third National Development Strategy (NDS3), to achieve the Qatar National Vision (QNV) 2030.

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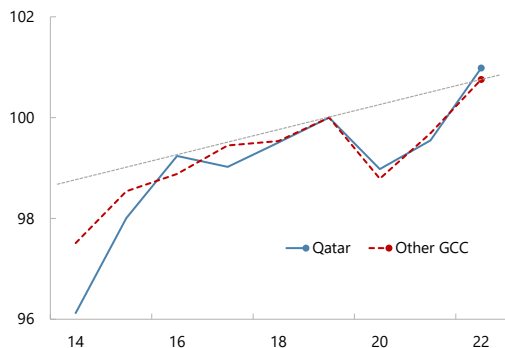
<sup>1</sup> Selected Issues Paper “2022 FIFA World Cup: Economic Impact on Qatar and Regional Spillovers.”

**Figure 1. Key Indicators of Economic Transformation in Qatar 1/**

*Qatar's non-hydrocarbon real output returned to the pre-COVID-19 trend...*

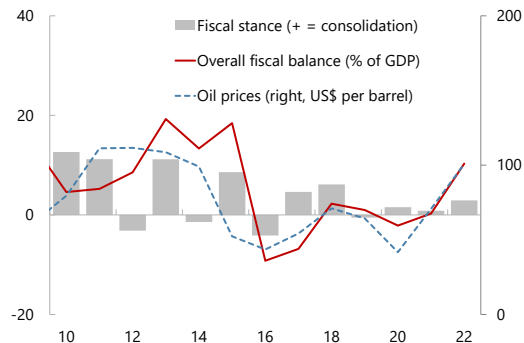
**Non-Hydrocarbon Real Output**

(In log, 2019 = 100)



*...and the nation's fiscal balance improved amid hydrocarbon windfalls and spending discipline.*

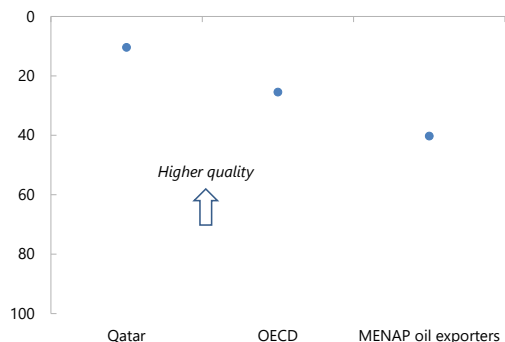
**Fiscal Performance and Oil Prices**



*Qatar's infrastructure quality is high...*

**Indicator of Infrastructure Quality**

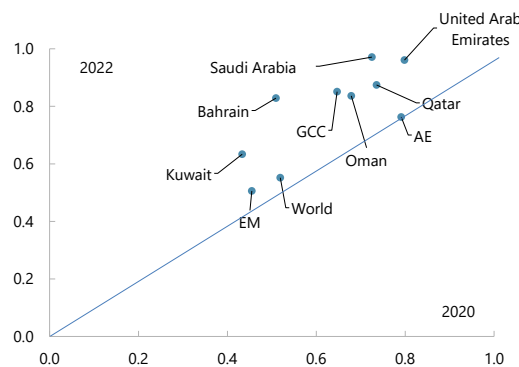
(Percentile ranks)



*...and the nation, among other GCC economies, excels in government digital transformation.*

**Maturity in GovTech**

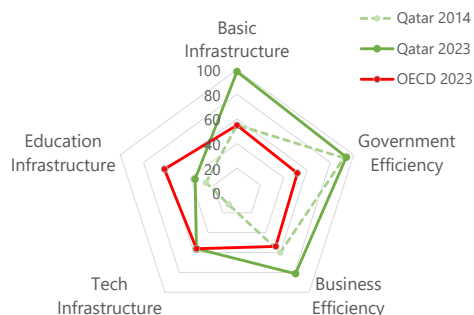
(Between 0-1, higher value = better performance)



*Qatar ranks high including in basic infrastructure and business efficiency, but lags in education infrastructure.*

**Indicators of Competitiveness**

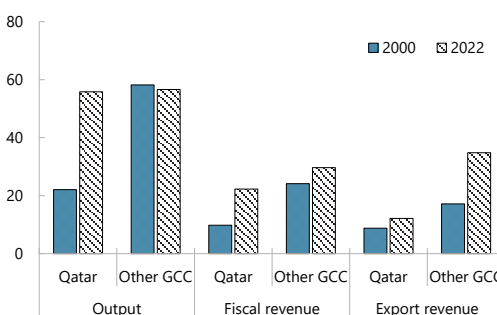
(Percentile ranks, higher value = better performance)



*Qatar achieved significant output diversification, with scope for further fiscal and export diversification.*

**Indicators of Economic Diversification**

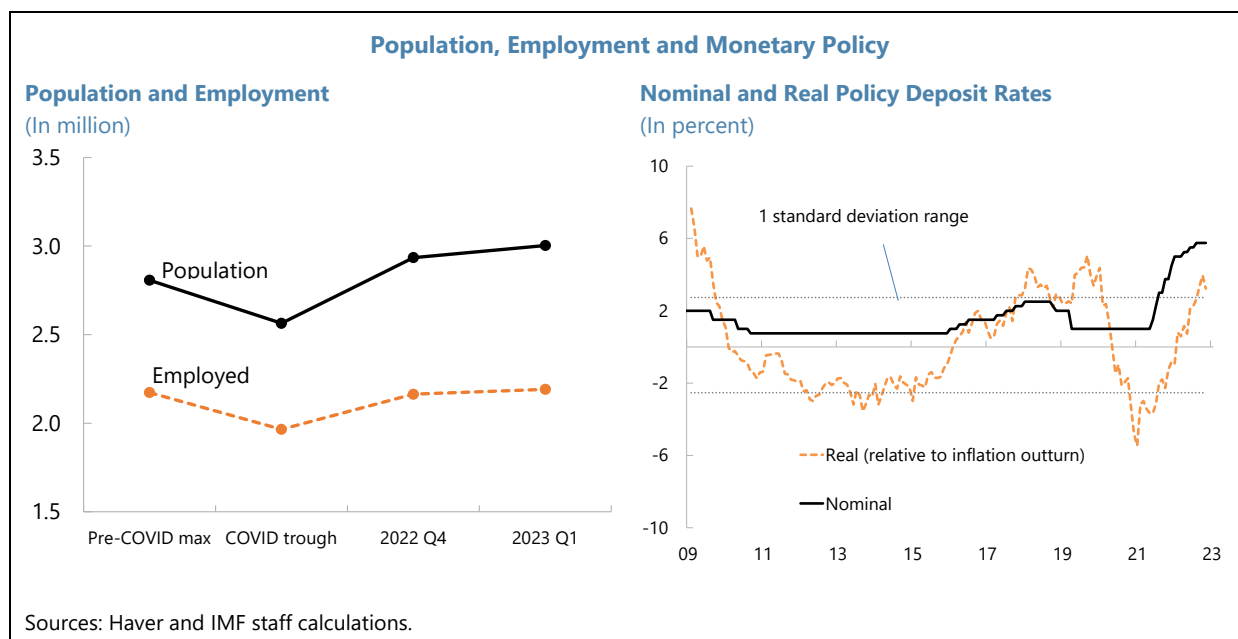
(Percent, non-hydrocarbon sector's share of total)



1/ Fiscal stance is percentage point difference in non-hydrocarbon primary balance in percent of non-hydrocarbon GDP. Infrastructure quality uses numerical ranking for 144 countries and is average of quality of air transport, roads, and ports. Sources: Haver Analytics; IMD Competitiveness Ranking; IMF Investment and Capital Stock Dataset; Planning and Statistics Authority, Qatar; and IMF staff calculations.

## RECENT ECONOMIC DEVELOPMENTS

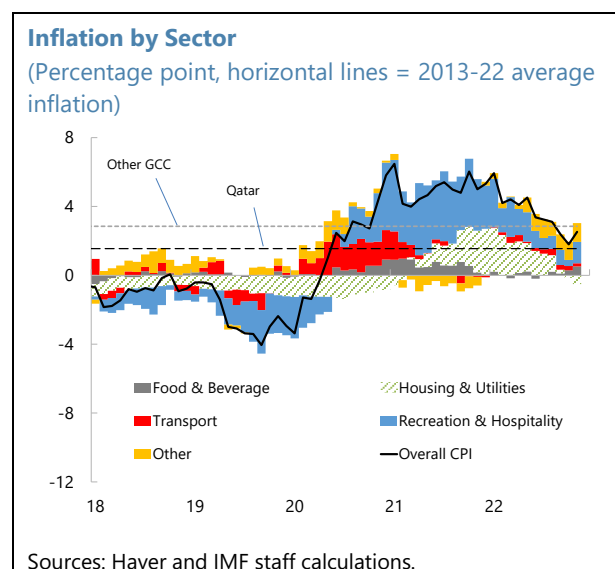
**3. After very strong performance in 2022, economic growth has been normalizing** (Text Figure and Figure 2). Real GDP growth accelerated from 1.6 percent in 2021 to 4.2 percent in 2022 supported by buoyant non-hydrocarbon output growth (5.7 percent) on the back of high hydrocarbon prices and WC-related activities—service GDP grew by more than 20 percent year-on-year (yoy) in Q4 2022, exceeding historical performance by several multiples. Economic growth normalized in 2023, reaching 1.6 percent yoy in H1 with non-hydrocarbon growth of 0.5 percent (from a strong base), supported by the construction of the NF expansion project and resilient tourism post WC—visitors in 2023 through October (3.1 million) was 60 percent above the pre-COVID-19 average (2015–19). The Purchasing Managers Index (PMI) remained in expansionary territory. Employment broadly recovered to the pre-pandemic level, and population continued its upward trend, supporting domestic demand. Nominal bank credit growth to the private sector slowed from 9.5 percent in 2021 to 7.4 percent in 2022 and further to 6.2 percent in September 2023 amid tightening financial conditions and reduced borrowing needs from public entities as WC-related projects wound down and hydrocarbon revenue was strong.



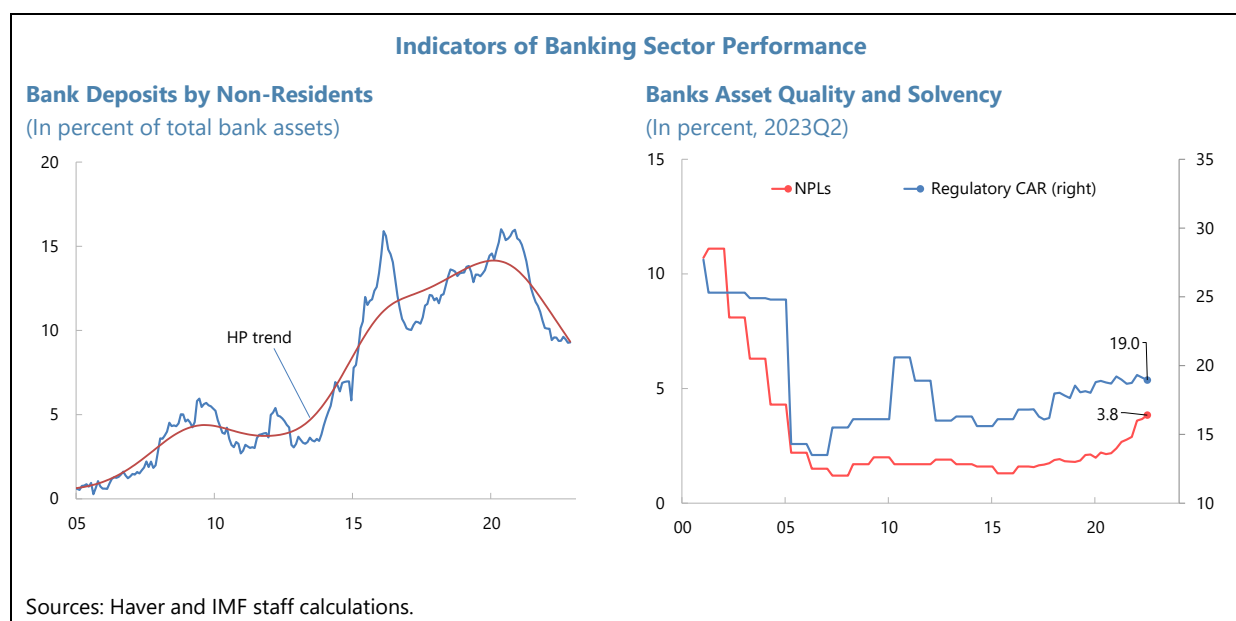
**4. Inflation moderated from its 2022 peak** (Text Figure and Figure 3). Headline CPI inflation rose from 2.3 percent in 2021 to 5.0 percent in 2022, amid global price pressures and WC-related demand. On the other hand, food and energy price controls and subsidies, and a strong Qatari riyal reflecting the US dollar peg, helped contain inflation. Inflation softened in 2023 to 2.5 percent in October, with wage inflation being broadly contained.

**5. High hydrocarbon prices further strengthened fiscal and external positions** (Figures 4 and 5). The central government fiscal surplus rose to around 10 percent of GDP in 2022, from close to zero in 2021, with most of the hydrocarbon windfalls saved and overall expenditure kept largely within the budget envelope. Central government debt declined by 16 ppts to 42 percent of GDP by end-2022. Sizeable fiscal surpluses continued in 2023 through Q3 (supporting a projected surplus of 7½ percent of GDP on the year). The current account surplus almost doubled from 14.6 percent of GDP in 2021 to 26.7 percent of GDP in 2022, through strong hydrocarbon exports and exceptional WC-induced tourism. Trade surplus remained large in 2023H1. Consequently, the QCB's international reserves increased to US\$51 billion in October 2023. The QCB's reserve accumulation, however, was more modest compared to the significant current account surplus as hydrocarbon windfalls were mainly invested abroad, including by the Qatar Investment Authority (QIA, the sovereign wealth fund), and banks' foreign liabilities fell (see below). As a result, the end-2023 QCB reserves are projected to reach 58.9 percent of the ARA metric<sup>2</sup> and 7.5 months of imports. Qatar's external debt-to-GDP ratio declined from 161.4 percent in 2021 to 116 percent by end-2022 (Annex II), and its external position is assessed to be substantially stronger than that implied by medium-term fundamentals and desirable policies, mainly due to elevated hydrocarbon prices. Reserve buffers are well above the benchmark for broad adequacy as QCB reserves are complemented by the estimated large foreign assets held by the QIA (Annex III).

**6. The banking sector remained healthy and nonresident deposits fell, although non-performing loans (NPLs) continued to edge up** (Text Figure and Figure 6). Banks are well-capitalized, liquid, and profitable, with the Capital Adequacy Ratio (CAR) and Return on Equity (ROE) at 19 and 14.6 percent, respectively, in 2023Q2. Nonresident deposits fell by more than one-third from the recent peak (to US\$49 billion, or 9.3 percent of total liabilities in September 2023), partially replaced by public sector domestic deposits. The NPL ratio, however, rose to 3.8 percent in 2023Q2, with relatively high provisioning coverage ratio (close to 80 percent). Banks were resilient to the financial market turmoil from advanced economies in early-2023.



<sup>2</sup> Strong hydrocarbon exports also increase the ARA adequacy benchmark and weigh on the QCB reserve coverage of the ARA metric.



## OUTLOOK AND RISKS

**7. Growth normalization is expected to continue in the near term, with the medium-term outlook bolstered by the NF expansion and intensifying reforms.** Real GDP growth in 2023 is projected at 1.6 percent, with non-hydrocarbon growth (1.0 percent, from a strong base) supported by investment in public projects, construction of the NF expansion project, and their spillovers to logistics, manufacturing, and trade. Visibility brought by the WC could continue to boost tourism. The overall impact of U.S. monetary policy tightening is estimated to have been limited in an environment of ample hydrocarbon revenues, but certain segments, such as the real estate sector, small and medium-sized enterprises (SMEs) and banks with less access to hydrocarbon liquidity could be more affected. Medium-term growth is expected to average around 5½ percent, boosted by significant LNG production expansion (65 percent by 2028) and initial reform gains from implementing NDS3. As global commodity prices decline and domestic demand normalizes, headline inflation will likely ease to below 3 percent in 2023, before moderating further over the medium term to around 2 percent.

**8. The fiscal and current accounts will likely remain in sizeable surplus.** Hydrocarbon prices are likely to stay elevated, albeit declining over the medium term. Qatar's LNG production expansion, combined with increasing demand from Asia and Europe, is set to boost LNG export over the medium term.

### Box 1. State of the Real Estate Sector in Qatar

#### **Excess supply in the real estate market has pushed related price indicators further down after the WC.**

The decade-long investment program, especially the construction boom ahead of the WC, spurred a rise in property supply. The real estate price index has remained weak since 2017 and equity prices of the sector underperformed the main index (Box Figures). Excess supply became more acute after the WC after demand weakened and supply continued to increase in 2023Q1 as developments reserved for the WC were released to the market.

#### **There are broader signs of weakening property markets even though prime segments perform better.**

In the residential space, sales volume contracted by 26 percent in 2022, and another 36 percent in 2023 through April. Rents have normalized after the WC as a number of apartments became available to lease, with incentives such as one-month rent free returning. Hotel occupancy continued to fall to somewhat above 50 percent in the first several months of 2023.<sup>1</sup> Revenue per available room has also moderated. On the other hand, a sustained increase in tourist arrivals to Qatar so far in 2023 is encouraging. Office rents in key districts have progressively declined in the past decade even though those for prime properties appear to have held up better in the recent quarters. Retail rents have continued to fall amid new supply as overall vacancy across Qatar's main retail malls has risen to above 20 percent in the past decade, even though some prime developments enjoy full occupancy.

**Real estate market weaknesses could impact the wider economy through construction and hospitality, while banks are well provisioned for real estate exposure.** Real estate firms' median interest coverage ratio improved in 2021. Still, especially smaller builders' revenue appears more under pressure potentially as larger builders may be involved more in better-performing prime property. Real estate and contractors represent 1/5 of the stock of bank lending and credit supply to the real estate sector accelerated in 2023. If financing conditions remain tight for longer, asset quality from exposure to real estate could be further pressured. On the other hand, amid protracted real estate sector weaknesses, banks have provisioned for related exposures. Moreover, continued capital expenditure by the state provides some support to the construction sector.

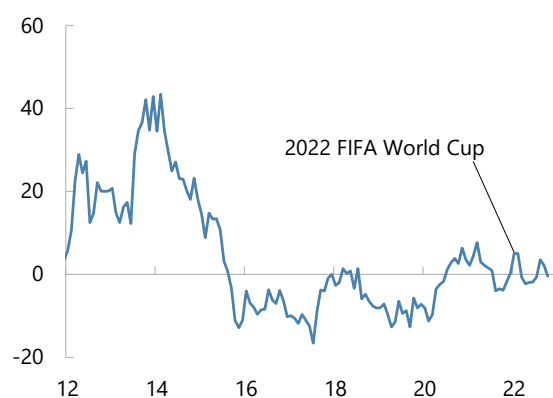
**Related policy measures should help enhance risk monitoring and mitigation of the sector and increase related demand.**<sup>2</sup> Since early-2023, the law regulating the real estate sector was updated, the Real Estate Platform was launched to collect and centralize data, and the Real Estate Regulatory Authority was established to strengthen regulation. Macroeprudential measures were also refined to enhance risk control of bank lending to the real estate sector. Other initiatives in place, including the residency program, mortgage for expatriates, and tourism promotion, could also support demand. Proper implementation of the National Tourism Sector Strategy, aiming to attract over 6 million visitors per year by 2030 (2.6 million in 2022) through enhanced governance, planning, regulations, capacity building, and diversification of products and services, is important. Measures with low complexity and high impact, such as simplifying visa procedures, could be prioritized.

<sup>1</sup> Average daily rates rose by several multiples but hotel occupancy did not increase substantially during the WC likely as some visitors released hotel room reservations last minute after securing accommodation in residential properties (Real Estate Market Review, Qatar Q1 2023, Cushman & Wakefield).

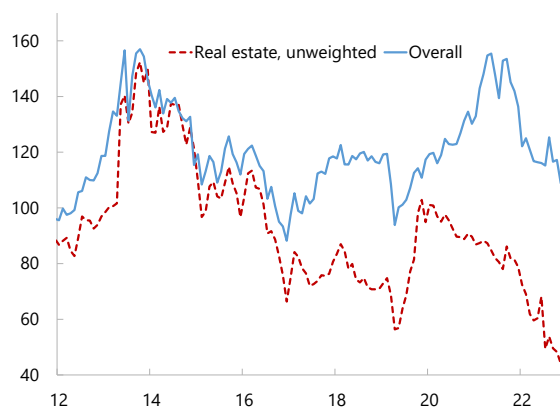
<sup>2</sup> See articles on [the Real Estate Regulatory Authority](#) and [the real estate platform by the Ministry of Municipality](#).

**Box 1. State of the Real Estate Sector in Qatar (concluded)****Real Estate Prices**

(In percent, year-on-year, September 2023)

**Stock Price Indices 1/**

(January 2011 = 100)



1/ The real estate sector index is calculated as the unweighted average of the 4 companies classified in the sector by the Qatar Stock Exchange.

Sources: Bloomberg, Haver, and IMF staff calculations.

**9. Risks to the outlook are broadly balanced (Annex IV).** Main downside risks stem from an unfavorable global environment, including a sharper-than-expected global growth slowdown, tighter and more volatile global financial conditions, increased commodity price volatility, further worsening of geopolitical tensions and deepening geoeconomic fragmentation. The conflict in Gaza and Israel has had no visible impact on Qatar so far, but if protracted or worsened, could potentially affect Qatar through more volatile hydrocarbon prices (although higher prices could improve fiscal and external positions), lower tourism and investment, as well as more costly external funding for banks. Over the medium and long term, worsening climate stressors and a disorderly global energy transition are the main downside risks. Domestically, more protracted or severe real estate market weaknesses could negatively affect the banking system and the broader economy (see Box 1 and Figure 7). If downside risks materialize, Qatar has strong policy buffers to mitigate the negative impact. On the upside, accelerated reform efforts guided by NDS3 could further promote diversification and boost potential growth.

**Authorities' Views****10. The authorities concurred with staff's assessment of the economic outlook and risks.**

They highlighted a significant boost to growth from the NF expansion over the medium term and potential gains from the ambitious reform agenda in NDS3. The authorities perceived Qatar as mostly isolated from the impact of the conflict in Gaza and Israel, even if it is protracted—being a stable country in a tense region was considered a boon. The authorities stressed that the weaknesses of the real estate sector were long expected, and that banks were well prepared to manage the associated risks, especially with the recent policy measures. They were confident that if downside risks were to materialize, Qatar's strong fundamentals and policy buffers could dampen the impact.

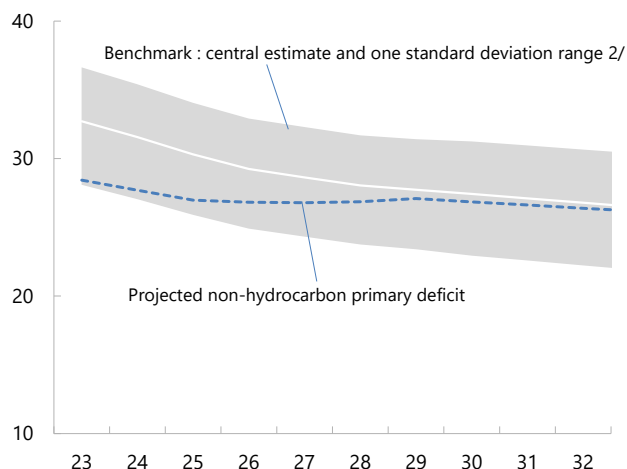
## POLICIES TO STRENGTHEN STABILITY AND ACCELERATE ECONOMIC TRANSFORMATION

**11. Continued policy prudence and further reform momentum would allow Qatar to accelerate the envisaged economic transformation** (Annex V). Policy discussions focused on: (i) maintaining spending discipline and improving the revenue and expenditure composition and efficiency, (ii) ensuring financial stability while accelerating domestic financial market development, (iii) enhancing monetary policy effectiveness, and (iv) adopting a comprehensive and well-sequenced reform agenda to build a more diversified, knowledge-based, and greener economy.

### A. Balancing Fiscal Discipline with Aspirations for Transformation

**12. Broad fiscal prudence has been maintained in 2022–23 amid significant hydrocarbon windfalls.** Fiscal stance tightened in 2022 (counter-cyclical fiscal policy) with the non-hydrocarbon primary balance (NHPB) improving by about 3 ppts of non-hydrocarbon GDP from 2021. The authorities' commitment to public spending discipline, especially under pressures from hosting the WC and high hydrocarbon prices, is commendable. The relatively strong increase in the 2022 wage bill (8 percent above both budget and the 2021 level), representing mainly a reversal of the cut during the pandemic, was mostly offset by lower capital expenditure. The 2023 budget envisages cuts in both capital and other current expenditure, with the wage bill kept unchanged. While total expenditure through 2023Q3 was somewhat above implied by the budget, staff projects moderate fiscal consolidation to continue in 2023. The 2023 NHPB is estimated to be broadly in line with the Permanent Income Hypothesis (PIH) benchmark, suggesting a strong fiscal position to ensure intergenerational equity—an objective achieved sooner than previously projected (Text Figure).<sup>3</sup>

**Projected Non-Hydrocarbon Primary Deficits and PIH Benchmark 1/**  
(Percent of non-hydrocarbon output)



1/ PIH benchmark is calculated to ensure constant real per-capita income. Long-term parameters: Inflation and non-hydrocarbon real output growth = 2 percent, population growth = 0.75 percent, natural gas production volume = constant after NF expansion completes, real hydrocarbon prices growth = 2 percent, nominal returns on QIA assets and discount rate = both 4.75 percent.

2/ Standard deviation range is based on historical oil price performance to capture the sensitivity of the PIH estimates to oil price volatility, thus enhancing robustness of the estimates.

Source: IMF staff calculations.

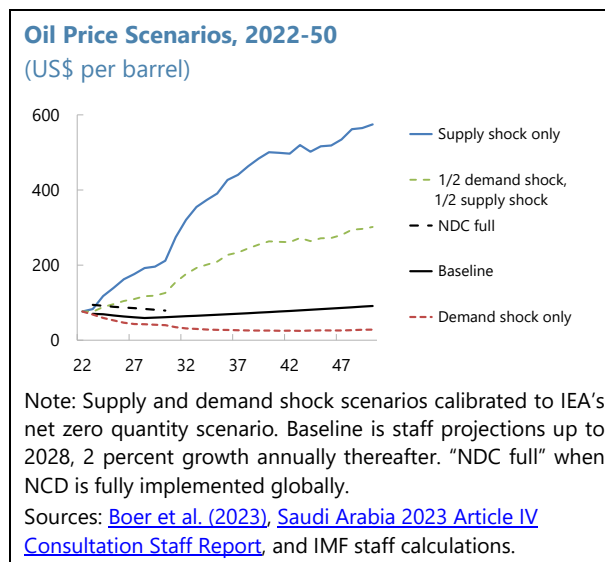
<sup>3</sup> See [Annex VI of the 2022 Qatar Article IV Staff Report](#) and [Chapter II of the 2019 Selected Issues](#) for more detailed discussion of the PIH analysis.



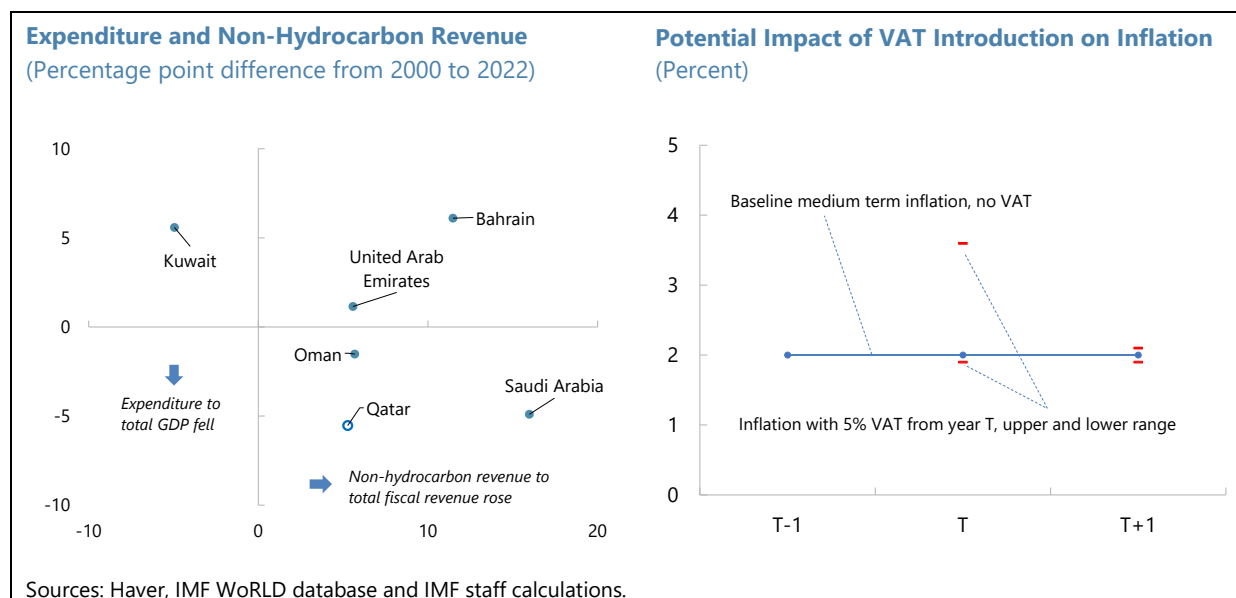
**13. Near term fiscal stance should balance discipline with the need to maintain growth vitality.** The 2024 budget, to be released in December 2023, is set to continue to assume a conservative oil price and contained public spending. Sustained fiscal prudence is welcome, but if the growth slowdown sharpens, some fiscal space could be deployed through productive and efficient spending (see below) to moderate the downturn while still maintaining broad fiscal prudence. This could include targeted support to vulnerable households and SMEs, as well as frontloading of planned investment in smaller-scale community infrastructure projects which could also provide near-term support to the construction sector. However, additional fiscal cost (including contingent liabilities) to support unviable firms should be avoided.

**14. Qatar’s medium-term fiscal strategy should be underpinned by sustained prudence, accelerated revenue diversification and enhanced spending composition and efficiency.** The ongoing update of Qatar’s medium-term budget, covering a 5-year period for the first time to support NDS3 implementation, offers an opportunity to recalibrate Qatar’s medium-term strategy to balance fiscal prudence with aspirations for economic transformation. Assuming continued spending discipline, the central government debt is projected to gradually decline to close to 30 percent of GDP by 2028 (Annex VI). Policy priorities include:

- **Sustaining prudent and countercyclical policy.** As the global energy transition unfolds, hydrocarbon prices, thus the magnitude of fiscal space, could be highly uncertain (Text Figure). To navigate through this uncertainty, staff recommended to adhere to a PIH-based fiscal anchor with realistic price assumptions and maintain sufficient fiscal buffers against external shocks. The fiscal anchor could be updated periodically alongside the changing hydrocarbon price outlook.



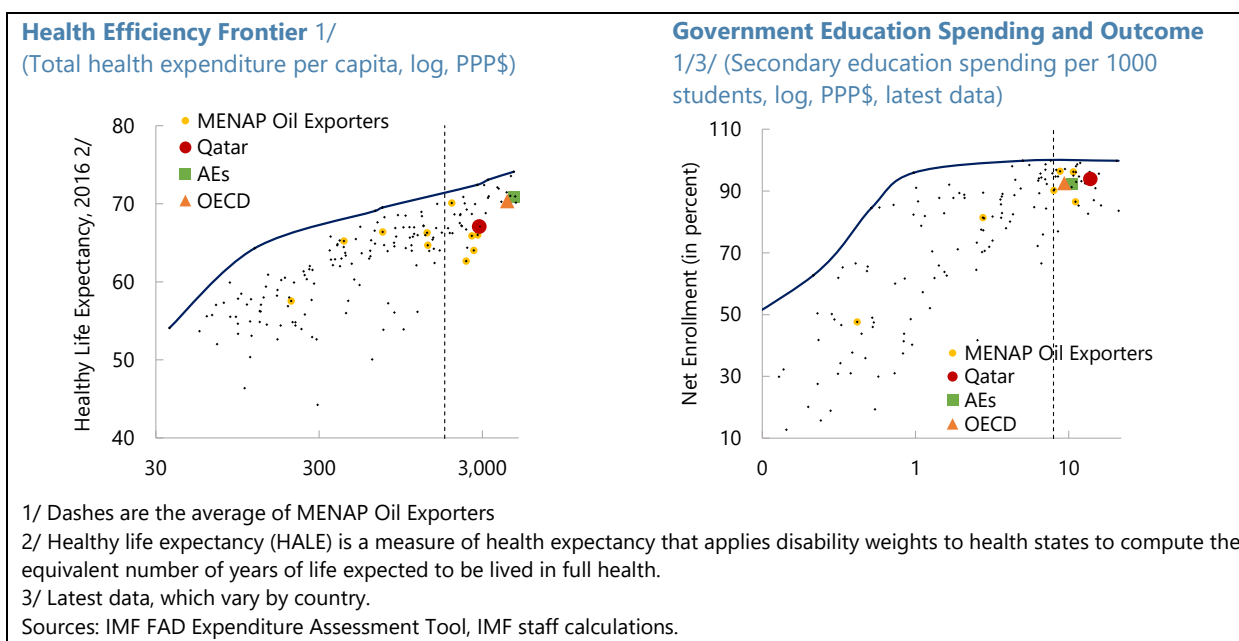
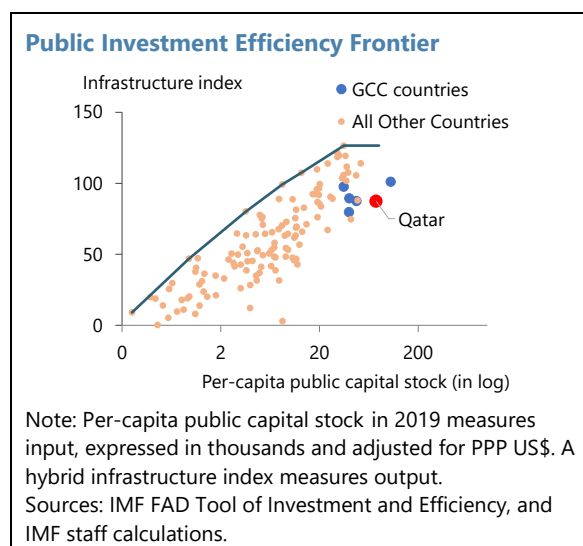
- **Introducing the VAT.** Qatar has achieved sizeable fiscal consolidation, mainly through expenditure cuts (Text Figure). Its progress in revenue diversification, however, lags its GCC peers that introduced the VAT (and some increased the rates). Staff reiterated that a broad-based VAT be introduced to help modernize the tax system and lay the foundation for greater revenue diversification. Comprehensive information gathering that comes with VAT implementation facilitates the introduction and administration of other taxes as well. The favorable medium-term outlook provides opportunities to introduce the VAT—its revenue could be used productively to mitigate the temporary growth impact and boost long-term potential growth. Targeted transfers to vulnerable households can be considered to enhance social support. An introductory rate of 5 percent as per the GCC agreement would bring revenue up to 1½ percent of GDP (and increase non-hydrocarbon revenue to around 20 percent of total revenue). The impact on inflation is estimated to be limited and transitory (Text Figure).



- **Broadening the CIT.** A speedy implementation of the global minimum corporate income tax (CIT) would help increase non-hydrocarbon revenues further. A CIT for domestic firms—at an appropriate threshold—could also be considered.
- **Rationalizing public wage bill.** Staff welcomed the plan to enhance public wage bill efficiency, with the increase in headcount closely linked to the efficient provision of new public services. Continued efforts to contain public wage bill, including by tightening the eligibility for benefits and reducing staffing by natural attrition, are recommended.
- **Continuing subsidy reforms.** After previous reforms, energy subsidies in Qatar have fallen, but more can be done, including to lift the caps on gasoline and diesel prices and gradually phase out remaining subsidies for food, natural gas, electricity, and water, with targeted support to the vulnerable. Further subsidy reduction will generate fiscal savings, promote efficient energy and water consumption, and support the nation's climate ambition. More efficient energy consumption domestically would also allow more hydrocarbon exports and revenues.
- **Reorienting spending to transform the state's role from a direct growth driver to an enabler of private sector-led growth.** Staff supported the authorities' plan to align spending with reform priorities, and emphasized the need to reorient spending from traditional physical infrastructure to reforms to boost productivity, economic diversification, and climate sustainability. Qatar already has top-notch infrastructure (and excess supply in some areas) to help elevate growth potential. It is also time to rethink the role of the state—from a main driver of growth to an enabler of private sector-led growth. Therefore, public investment should focus on improving human capital, both for nationals and expatriates, providing a more conducive business environment, enhancing climate sustainability, and continuing to adapt to the energy transition. In particular, further investment in climate adaptation is critical given Qatar's significant vulnerabilities to climate stressors, and that in renewable energy would both support

Qatar’s emission reduction target and generate economic gains (Annex VII). In this context, the preparation of the sovereign’s Green Financing Framework is welcome.

- Enhancing public investment efficiency.**  
 Qatar stands out with a large stock of per-capita public capital with room for improving investment efficiency (Text Figure). Therefore, especially with a view to building resilience to climate shocks, staff recommended that the authorities undertake the Public Investment Management Assessment (PIMA) and/or Climate-PIMA. Investment in human capital (education and health) is a welcome key pillar of the 2023 budget, and there is scope to improve efficiency on both (Text Figure).<sup>4</sup> Equally important is to crowd in private investment with high investment efficiency to further economic diversification.



**15. A well-designed and operational medium-term fiscal framework (MTFF) will support the implementation of the fiscal strategy.** Staff recommended that the updated medium-term budget be informed by credible macroeconomic projections with a PIH-based fiscal anchor (with a view to eventually introducing a fiscal rule<sup>5</sup>) and preserve priority spending. The MTFF should guide

<sup>4</sup> The 2023 budget allocates 9 percent of total spending to education, up from 7½ percent in the previous 5 years and maintains health spending at 9 percent of total spending.

<sup>5</sup> See [Chapter II of the 2019 Selected Issues](#) for greater discussion.

and be integrated into the annual budget process, by providing a top-down aggregate expenditure ceiling as a basis for bottom-up budgeting of line ministries, preferably linked to performances to enhance allocative efficiency. The MTFE should also be complemented by regular fiscal risk assessments. An MTFE monitoring tool could strengthen credibility by assessing compliance to fiscal targets during budget execution. A more comprehensive sovereign asset-liability management framework encompassing the general government, including the QIA and government-related enterprises (GREs), would enhance risk assessment and coordinate support for economic transformation.

**16. Greater fiscal transparency and coordination across government entities will strengthen fiscal policy effectiveness.** Digital transformation in the government, as evidenced by Qatar's high global ranking in GovTech, has improved efficiency and transparency of public sector operations. The publication of annual budget documents and quarterly budget performance reports for the central government is welcome. Their coverage should be broadened to the general government and include more detailed information on fiscal operations and budget plans. Further improvement in the reporting of fiscal accounts in terms of frequency, timeliness, granularity, and supporting analysis would help strengthen accountability and transparency. Improving transparency in public investment and procurement would enhance fiscal management and assist the government's anti-corruption efforts.

### ***Authorities' Views***

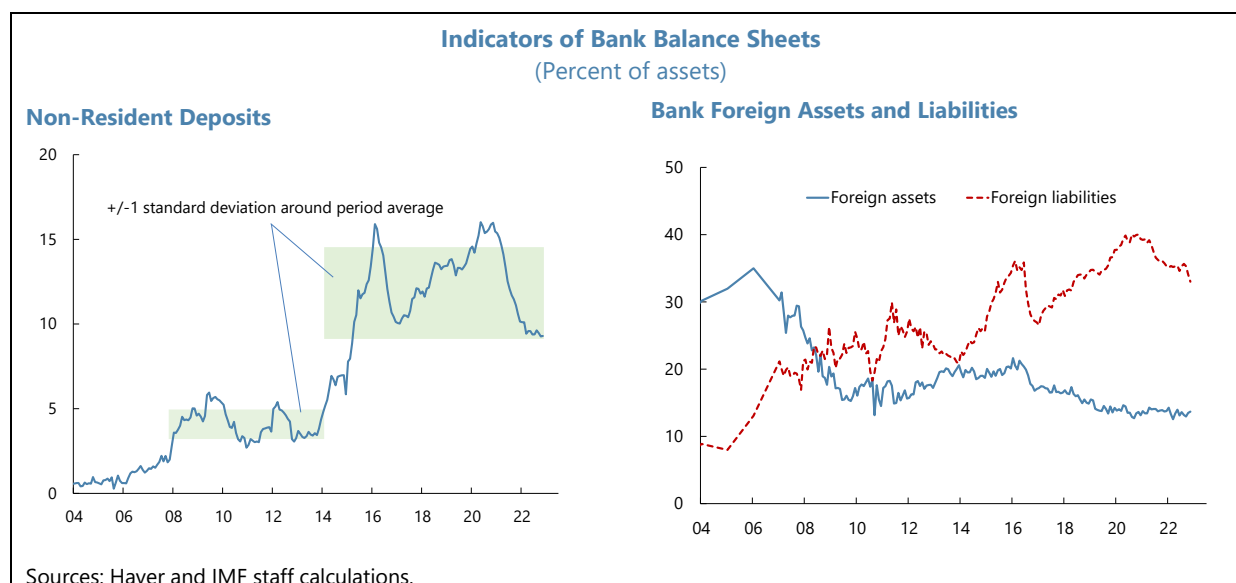
**17. The authorities underscored their commitment to fiscal discipline and broadly shared staff's views on the near- and medium-term fiscal strategy.** For the near term, they were confident that a prudent yet robust expenditure envelope would support growth, and emphasized the need to revitalize sectors under pressure and avoid supporting unviable firms. For the medium-term, they confirmed that key initiatives in NDS3 to boost human capital and private sector-driven growth would be financed by reorienting funds from infrastructure investment. Recognizing the importance of mobilizing non-hydrocarbon revenues, the authorities preferred to introduce the VAT and/or other revenue diversification measures at a time when domestic and global growth is more robust. The authorities highlighted the substantial fiscal savings from previous energy subsidy reforms, and were open to further reviewing the scope of energy subsidies. The authorities also highlighted the ongoing efforts to introduce program-based budgeting underpinned by performance-based indicators, and the expenditure review program to enhance efficiency, especially in sectors critical to promote diversification under NDS3, such as education and health.

## **B. Safeguarding Financial Stability amid Global Uncertainty**

**18. Prudent QCB policies have helped maintain financial stability, while emerging pressures on asset quality and profitability warrant close monitoring.** Banks have withstood the gradual exit from pandemic-era financial sector support measures and the tightening in financial conditions well, thanks to their sizeable buffers and continued diligent supervision. Looking ahead, NPL ratios could edge up further from some of the pandemic-related loan restructures and as slower economic activity and tighter financial conditions strain debt service capacity. Weakness in

the real estate market is another potential source of NPLs. Welcome effort to maintain high provisions could weigh on bank profitability, while weakening credit demand would reduce income. Results from recent QCB stress tests showed that the banking system is resilient to severe shocks, even though a few weaker banks would require recapitalization in those stress scenarios.

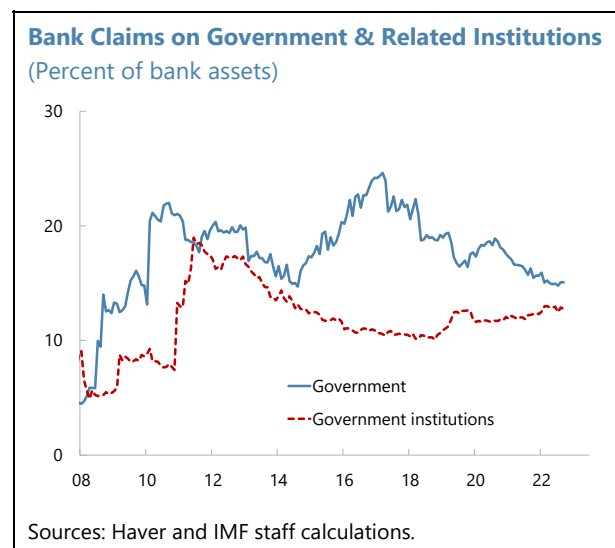
**19. Tighter policy measures, together with lower funding needs, have reduced banks' exposure to non-resident deposits.** Several measures have been tightened since the Spring of 2022 to reduce banks' exposure to short-term FX non-resident deposits.<sup>6</sup> The completion of WC-related projects and hydrocarbon windfalls have reduced credit demand from the public sector and provided additional liquidity to the banking system. Bank holdings of non-resident deposits have thus declined significantly. However, banks' exposure to overall foreign liabilities remains high, especially relative to banks' foreign assets (Text Figure). Risks stemming from the foreign asset-liability mismatches, particularly with short maturities, warrant continued vigilance, especially under the uncertain geopolitical and financial conditions at present, and as such mismatches may increase when monetary policy starts to ease globally and/or hydrocarbon liquidity abates.



<sup>6</sup> The QCB adjusted reserve requirements in foreign currencies for short-term non-resident deposits and the calculation of LCR and NSFR ratios using more conservative assumptions of outflow run-off rates, and modified the calculation of the loan-to-deposit ratio to include banks' borrowing with different maturities. Also see footnote 9 of the [2022 Qatar Article IV Staff Report](#) for further discussion.

**20. Staff recommended that the QCB continue strengthening efforts to enhance banking sector resilience.** A number of welcome initiatives are underway, including to enhance risk-based supervision and establish a financial safety net with deposit insurance and a recovery and resolution framework—in both areas, IMF technical assistance has been requested.

Diligent implementation of macroprudential measures to limit risks from real estate exposures is key. As the Qatar Development Bank (QDB) took over the remaining SME loans under the pandemic-era National Response Guarantee Program, offering a much lower interest rate and extending the maturity, it is critical to diligently assess these SMEs' viability and recognize NPLs promptly. The QCB should continue to proactively monitor banks' compliance with provisioning and capital requirements, and require plans to handle NPLs and restore capital buffers as needed. Regular stress testing and information sharing among the financial supervisors would help identify vulnerabilities and guide regulatory actions. Staff recommended that Qatar undertake an FSAP update once the QCB's ongoing initiatives are largely completed (last FSAP was concluded in 2007).



**21. Domestic financial market deepening, complemented by appropriate macroprudential policies, is critical to reduce banks' exposure to short-term foreign liabilities.** Promoting term savings, broadening borrowing and investment opportunities, and achieving greater financial inclusion will facilitate more stable, domestic funding for banks. Continued fiscal discipline, including spending through GREs, will moderate banks' funding needs and avoid crowding out of credit to the private sector (Text Figure). As domestic financial deepening will take time, macroprudential measures to mitigate risks associated with banks' exposure to short-term foreign funding could be needed. The measures introduced in 2022 are both macroprudential and capital flow management measures (CFM/MPMs) and are in line with the IMF's Institutional View. Among these measures, the higher reserve requirements (RRs) on short-term FX nonresident deposits have recently been replaced by higher RRs on short-term FX non-resident asset-liability mismatches (relative to those with longer maturities). Staff welcomed the more targeted and risk-based approach and recommended that the measures be reviewed regularly to align them with evolving risks.

**22. The QCB should carefully balance opportunities and risks associated with its fintech and green financing initiatives and put in place adequate regulations.** In March 2023, the QCB launched the National Fintech Strategy built upon four pillars—infrastructure, regulation, capacity development and ecosystem development. It would be important to align the implementation guidelines, currently under development, with global best practices and ensure consistency with the QCB's mandate. The QCB is also exploring the concept of a wholesale CBDC and has requested IMF assistance. To help financial institutions promote climate financing and manage associated risks, the QCB has been working on the ESG policies, reporting framework, and risk management, including climate stress tests.

**23. Qatar has made significant progress on the technical compliance with the FATF Standards.** Its MENA FATF AML/CFT mutual evaluation was completed in February 2023. Looking ahead, further improvements are needed to enhance the effectiveness of the AML/CFT framework to preserve the integrity and stability of the financial sector and broader economy, including to enhance understanding of terrorism financing risks and ability to detect terrorism financing, and improve intelligence gathering and prosecutorial efforts. The FATF action plan should be implemented in a decisive and coordinated manner, with progress reported back to the FATF within a year.

#### ***Authorities' Views***

**24. The authorities supported staff's call for continued vigilance.** They agreed on the need to continue monitoring and managing risks associated with banks' short-term foreign asset-liability mismatches, and noted efforts in deepening domestic financial markets. They highlighted progress in risk management, corporate governance, home-host coordination, and the early-warning framework in line with the previous FSAP recommendations, and stressed that remaining key areas are being strengthened with IMF technical assistance. They also shared staff's views on FinTech, green financing and AML/CFT plans. The authorities noted that the recently published Financial Sector Strategy covers a number of the areas above, as well as promoting greater digitalization of banking services and financial inclusion.

### **C. Further Enhancing Monetary Policy Effectiveness**

**25. The exchange rate peg continues to serve Qatar well.** The peg remains a credible monetary anchor especially with continued fiscal prudence and competitiveness-enhancing reforms. Staff supported domestic monetary policy tightening in line with the U.S. Federal Reserve and enhanced liquidity management with T-bill issuance. Monetary policy transmission appears to have improved, bringing interbank market rates more in line with the deposit policy rate. To pave the way for a more independent monetary policy when it becomes appropriate in the long run, staff continued to advise to strengthen liquidity management and coordination among the fiscal authorities, the QIA, and the QCB; deepen domestic financial markets; and maintain low currency mismatches on balance sheets. Staff welcomed the QCB's request for technical assistance to enhance liquidity forecasting and management.

#### ***Authorities' Views***

**26. The authorities agreed with staff's assessment on the exchange rate regime.** They welcomed IMF technical assistance to strengthen liquidity management.

## D. Accelerating Structural Reforms for Economic Transformation

**27. Qatar is at an important juncture in shifting from a traditional state-led growth model to a more dynamic, knowledge-based, and private sector-driven one.**<sup>7</sup> Building on the many progresses made (Annex VIII), further reforms should focus on: (i) boosting productivity and inclusiveness; (ii) fostering a more conducive business environment; and (iii) leveraging progress in digitalization and climate actions for further diversification and growth.

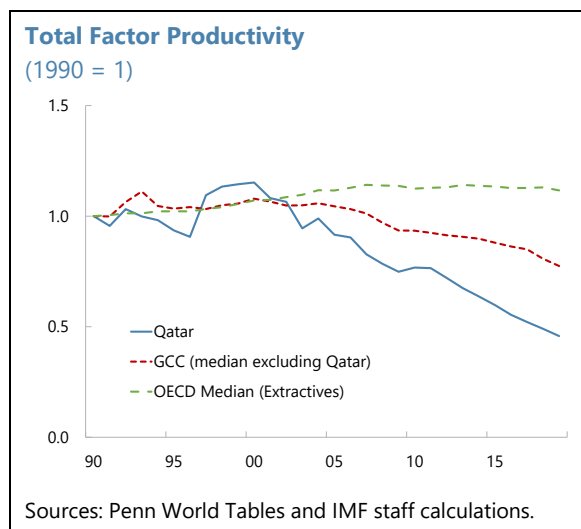
### 28. Enhancing human capital and labor market dynamics are key to boost productivity and inclusiveness.

Total factor productivity in the GCC is on a declining trend since the early-2000s, contrary to the trajectory in OECD commodity producers (Text Figure). This highlights the need for productivity-enhancing reforms to:

- **Attract more skilled expatriates by enhancing labor market mobility and safety nets.** The expatriate labor reforms introduced during the pandemic are welcome first steps to improve protection and flexibility for expatriates, and should be fully implemented. The renewed Qatar-ILO collaboration for 2024-27 is encouraging to further efforts in this area.

Modernizing the visa and work permit system, providing sufficient pension schemes and social safety nets, strengthening labor market dynamics and retraining for skill upgrade can help attract more skilled expatriates and reduce skill mismatches. Accelerating diversification toward more knowledge-based industries can create more high-skill jobs.

- **Improve education outcome and align it with private sector needs.** Education spending per student in Qatar is already among the highest in the world—the key is to enhance the efficiency of education spending to achieve better outcome. Aligning education and training with the evolving needs of the private sector is critical to promote private sector growth. Reforms can include performance-based compensation for teachers, more emphasis on early education, and partnership with the private sector in curricula design and vocational training. A coordinated effort across public and private sectors and youth associations is essential.
- **Incentivize private sector employment among Qatari nationals.** Over 90 percent of the employed Qataris work for the public sector. Civil service reviews and performance-based compensation can help rationalize public employment and reduce the persistent public-private wage gap. Post-school entrepreneurial education and incentive schemes can further encourage

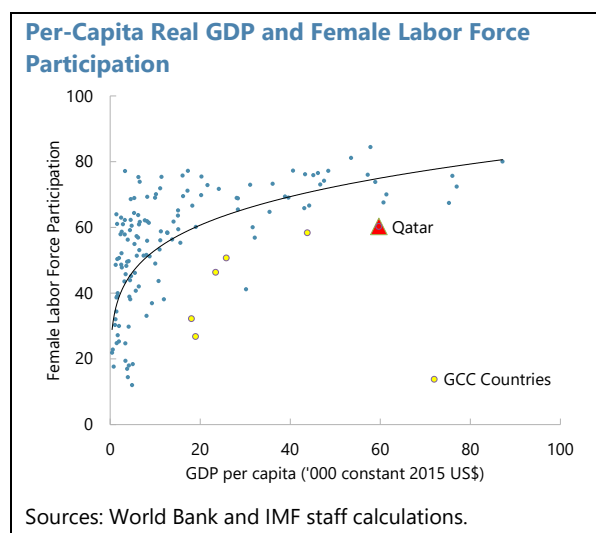


<sup>7</sup> Selected Issues Paper "From Hydrocarbon to High Tech: Mapping the Economic Transformation for Qatar."



Qataris to join the private sector. Expansion of the public pension scheme to Qataris working in the private sector came into effect in early-2023, a step in the right direction.

- Raise female labor force participation.** Qatar's female human capital is relatively high and its female labor participation rate has risen 9 ppts over the last decade, but it is still more than 30 ppts below that of male's and below what is implied by its per-capita income level (Text Figure). Continued efforts are needed to facilitate female employment in more sectors and ensure equal remuneration as required by the Labor Law, protection in the workplace, and paid parental leave. Encouraging female students to focus more on technology and engineering-related majors, increasing female representation in decision making bodies, providing special entrepreneurship programs and accessible quality childcare, allowing equal access to finance, and adopting female-friendly policies at the workplace would also help. Additionally, with Qatar's advanced digital infrastructure (see below), promoting online job searches, virtual interviews and remote work could provide more flexibility for women to join the labor force (Annex IX).

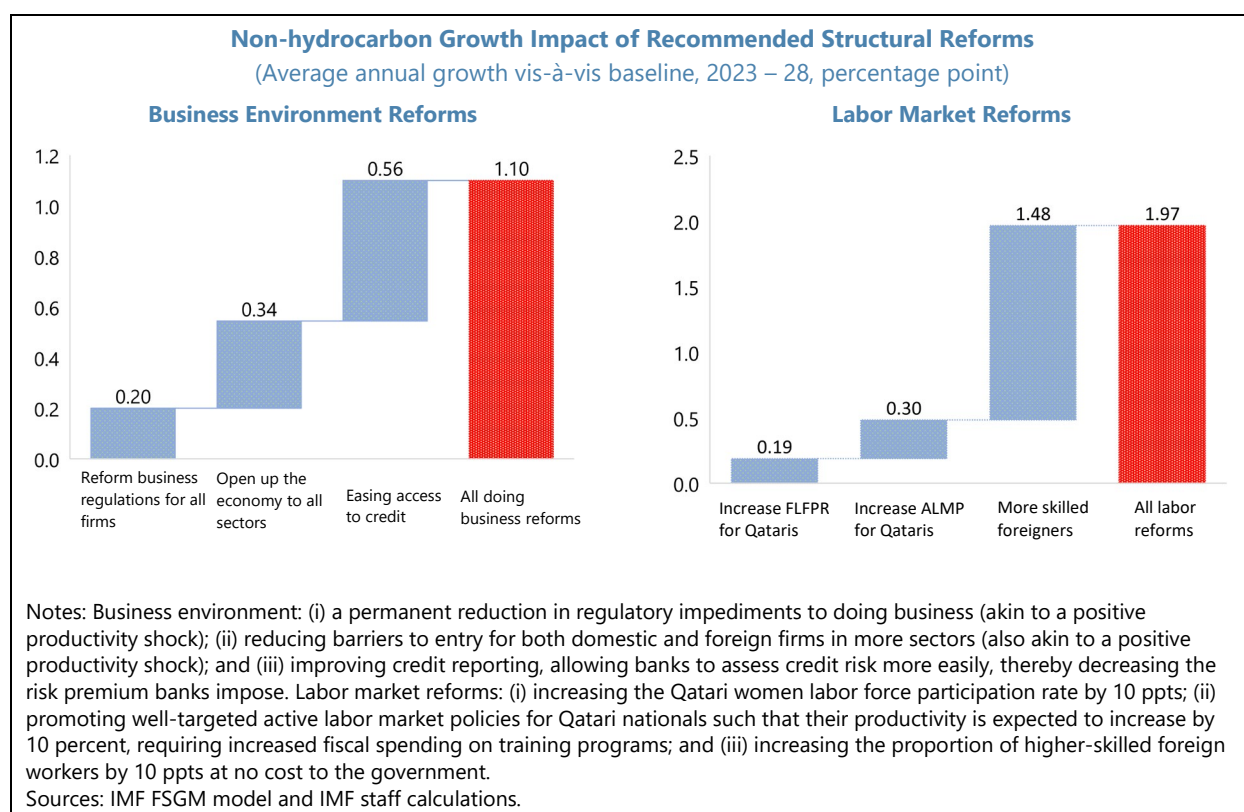


## 29. Notable progress has been made to improve the business environment, and future reforms should focus on:

- Promoting further trade liberalization and competition.** Key measures include reducing non-tariff barriers, liberalizing trade in services, and promoting free trade agreements. Aligning trade regulations and taxes with the rest of the GCC will facilitate regional trade integration. Further opening the economy by reducing entry barriers for foreign firms and promoting healthy competition are also important.
- Easing access to finance, especially for SMEs.** SMEs represent a large share of firms, and as elsewhere in the world, tend to have limited credit information and collateral, negatively affecting access to bank lending. Reforms to protect legal rights of borrowers and lenders, simplify insolvency procedures to accelerate resolution and improve recovery rate, strengthen creditor assessment tools, and proper use of fintech would ease SMEs' financing constraints.

- **Further enhancing administrative efficiency** by streamlining business regulations and procedures, enhancing transparency and accountability, refining and clarifying the legal and regulatory frameworks, further deepening public sector digitalization, and aligning fees with services provided.

**30. A comprehensive and well-sequenced reform package could boost Qatar’s potential growth significantly.** For illustration, economic gains from key labor market and business environment reforms are modeled using the IMF’s Flexible System of Global Models (FSGM). In general, labor market reforms could have larger growth benefits than further improving the business environment. Among labor market reforms, measures to attract more skilled expatriates have the largest impact, followed by active labor market policies and that to increase female labor force participation among the Qataris. Among business environment reforms, easing access to finance and lowering firms’ entry barriers for more trade and competition could bring sizeable benefits. A comprehensive reform package, integrating key reforms with proper sequencing to prioritize more impactful reforms, exploit reform complementarities (e.g., governance, trade liberalization and product market reforms) and avoid pressuring implementation capacity, is recommended.<sup>8</sup>



**31. Further digitalization will spur the transition towards a more knowledge-based economy.** Promoted as a key pillar to foster innovation, digitalization has advanced rapidly in Qatar (Box 2). To reap the benefits fully, further enhancing digital skills, both at the basic and more

<sup>8</sup> IMF. 2023. From Setbacks to Comebacks: Reforms to Build Resilience and Prosperity. October, Chapter II: Regional Economic Outlook – Middle East and the Central Asia.

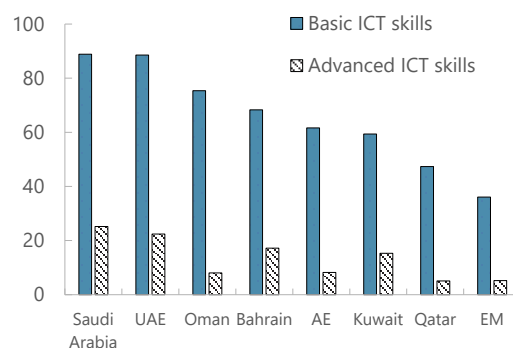
advanced levels, is crucial. In addition to the establishment of the National Cyber Security Agency (NCSA), continuing the efforts in public education on cyber security and strengthening cyber regulations can further promote use and trust.<sup>9</sup> Digitalization also provides an opportunity to attract top talent.

### 32. Accelerating climate adaptation and mitigation would enhance resilience to climate stressors, reduce carbon footprint, and enhance growth.

Numerous climate mitigation and adaptation initiatives have been implemented or planned, guided by the National Environment and Climate Change Strategy and the National Climate Change Action Plan. To maintain the momentum, a concerted effort across all policy areas is needed, including to gradually phase out remaining energy subsidies, increase green investment, deepen financial markets to promote climate financing, enhance interagency coordination, and upgrade the regulatory framework. Greening the economy enhances Qatar's resilience against climate risks and the global energy transition, which would ultimately reduce demand for fossil fuel, boosts greener jobs, and promotes sustainable tourism.

**Individuals with Basic & Advanced ICT Skills 1/**  
(In percent)

1/ Basic 2020/21, Advanced 2019/21, or latest.



Sources: ITU and IMF staff calculations.

**33. Diversification gains from various specialized economic zones and centers should be broadened to the wider economy.** Overseen by separate, dedicated authorities, numerous special economic and free zones, industrial parks, warehousing and logistics parks, and the Qatar Financial Center have been established to attract FDI and boost trade, combined with financial and sector-specific incentives. To enhance allocative efficiency and minimize fiscal risks, it is important to have targeted and time-bound incentives (with strict exit criteria and sunset clauses). Diversification gains from these zones and centers should be expanded by promoting stronger spillovers through backward and forward linkages. Periodic cost-benefit assessments will help rationalize incentives, and an appropriate regulatory setup underpinned by a strong governance framework is key to ensure a level playing field and that incentives do not substitute for broad-based structural reforms.

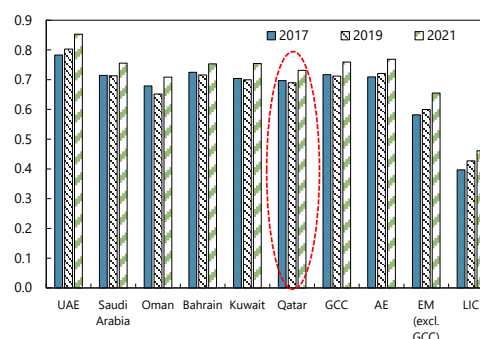
<sup>9</sup> Up to 70 percent of transactions for services available online today are still conducted offline (Qatar E-Government Strategy, 2020).

## Box 2. Qatar's Digital Evolution: Progress and Impact

**Digital penetration has been progressing fast in Qatar, underpinned by a wide range of transformative initiatives.** The Qatar National Broadband Network has enhanced digital access and connectivity. The National Payment Gateway has promoted financial inclusion, innovation, and more efficient electronic payments. The implementation of the e-Government 2020 Strategy has allowed Qatar to rank in the top 30 globally on GovTech Maturity Index (GTMI) and third among GCC countries as of 2022. Following rapid growth in the FinTech sector, a FinTech strategy was launched in early-2023, aiming at building local tech skills, fostering innovation including through international collaboration, engaging with Big Techs, updating payment service requirements, and expanding sandbox participants. Qatar's Investment Promotion Agency (IPA) has also embarked on partnerships to accelerate digital transformation and foster technological innovation domestically, including through FDI.

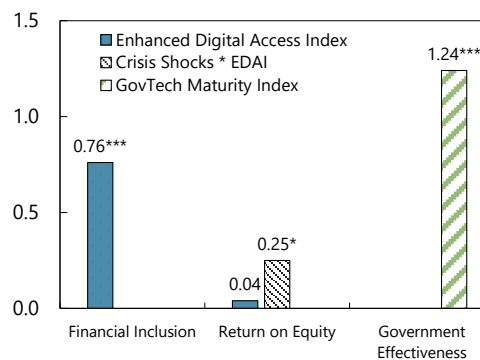
**Digital adoption is found to be positively associated with higher financial inclusion, government effectiveness, and resilience to shocks.** A novel index—enhanced digital access index (EDAI)—is constructed based on the availability of digital infrastructure, affordability of access, educational level of the population, quality of ICT services, and internet usage, following Alper and Miktus (2019). Cross-country analysis suggests that the EDAI is positively associated with financial inclusion and government effectiveness, while mitigating the negative impact of crisis on bank profitability. In particular, while Qatar already ranks high on GovTech, the analysis suggests a statistically significant and economically meaningful impact from continued improvement in government effectiveness through digitalization.

**Enhanced Digital Access Index (EDAI)**  
(Between 0-1)



Sources: World Bank and IMF staff calculations.

**Impacts of Digitalization 1/**  
(Estimated coefficients)



1/ '\*' and '\*\*\*' are statistical significance at the 1 and 10 percent levels.  
Sources: International Telecommunication Union and IMF staff calculations.

### Authorities' Views

**34. The authorities emphasized their commitment to ambitious structural reforms.** They highlighted the progress so far in reforming the labor market, enhancing the business environment, and attracting FDI. They concurred with staff's call to gradually transition the state's role from a direct growth driver to an enabler of private sector-led growth, and worked across government entities to embed the strategy in NDS3. On women's economic empowerment, the authorities considered that the gap in labor force participation is not due to legal and regulatory barriers but rather to individual choice.

## E. Enhancing Statistics Collection and Provision

**35. Improving macroeconomic statistics will enhance surveillance.** Qatar publishes essential macroeconomic data through a National Summary Data Page (NSDP) as a participant to the Enhanced General Data Dissemination System (e-GDDS). While data coverage is broadly adequate for surveillance and welcome improvements have been made in national account statistics following the IMF's technical assistance, further efforts are needed to enhance coverage, collection and granularity of fiscal, debt and external statistics, especially for the International Investment Position, FDI and portfolio investment. Such progress will help Qatar to subscribe to the Special Data Dissemination Standard.

## STAFF APPRAISAL

**36. Qatar has remained resilient to the recent global shocks and its economic outlook is favorable.** Output growth is normalizing as expected from the 2022 WC-driven boom. The nation's favorable medium-term outlook is supported by the significant expansion of LNG production in the NF and expected gains from the implementation of NDS3. Risks are broadly balanced. Maintaining prudent macroeconomic policy and intensifying reform efforts will support Qatar's resilience to shocks and accelerate its economic transformation.

**37. The fiscal strategy should balance discipline with growth in the near term and facilitate the transition to more diversified, private sector-led growth over the medium term.** If downside risks to growth materialize and the ongoing growth slowdown sharpens, some fiscal space could be deployed through productive and efficient spending while maintaining broad fiscal prudence. In the medium term, fiscal strategy should aim at sustaining prudent and countercyclical policy, accelerating revenue diversification including via VAT introduction, enhancing current expenditure efficiency by rationalizing wage bill and gradually removing remaining subsidies, and reorienting expenditure from traditional infrastructure to reforms that facilitate transformation to a private sector-led growth model. A medium-term fiscal framework anchored around maintaining intergenerational equity, complemented by greater fiscal transparency, will support the implementation of the fiscal strategy.

**38. The authorities are encouraged to continue safeguarding financial stability.** The QCB should continue its proactive supervision and regulation, supported by regular risk analysis and information sharing among the financial supervisors to help identify emerging vulnerabilities and guide regulatory actions. The authorities' plans to deepen domestic capital markets are welcome as well as measures to mitigate risks associated with banks' exposure to short-term foreign funding, which should be reviewed regularly. Equally important is to carefully balance opportunities and risks associated with the nation's Fintech and green financing initiatives and put in place adequate regulations. Qatar's significant progress on the technical compliance with the FATF Standards is commendable, and the authorities are encouraged to implement the FATF action plan decisively.

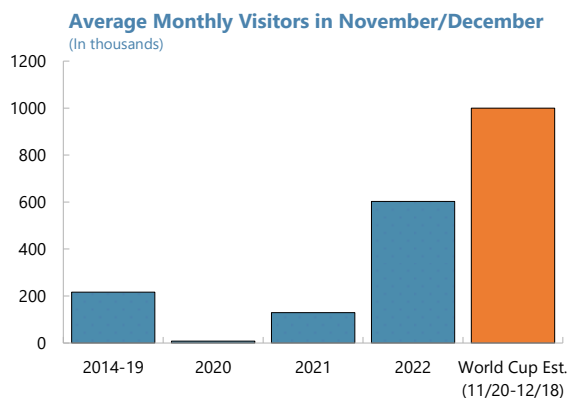
**39. The exchange rate peg continues to represent a credible monetary anchor.** Qatar's external position in 2022 was assessed to be substantially stronger than the level implied by medium-term fundamentals and desirable policies, mainly due to the elevated hydrocarbon prices. Further efforts to strengthen liquidity management and coordination among the fiscal and monetary authorities are recommended. Deepening domestic financial markets and maintaining low currency mismatches on bank balance sheets would further reduce vulnerabilities and enhance monetary policy transmission.

**40. Reform efforts should be intensified to shift from a traditional state-led growth model to a more dynamic, knowledge-based, private sector-driven one.** Attracting more skilled expatriates, improving education outcome, incentivizing Qatari nationals to take up private sector jobs, and raising female labor force participation will enhance human capital and labor market dynamics. In addition, reforms are needed to promote further trade liberalization, ease access to finance, and continue enhancing administrative efficiency. These measures should be implemented comprehensively in a well-sequenced manner to boost potential growth. Furthering digitalization and climate actions are also critical. Broadening gains from economic zones and centers to the wider economy would accelerate economic diversification.

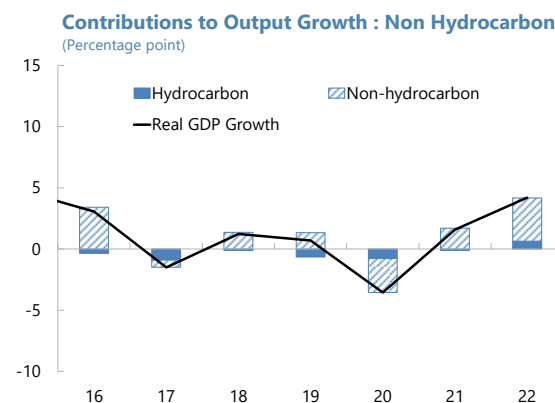
**41. It is proposed that the next Article IV consultation with Qatar take place on the standard 12-month cycle.**

**Figure 2. Qatar: Real Sector Developments**

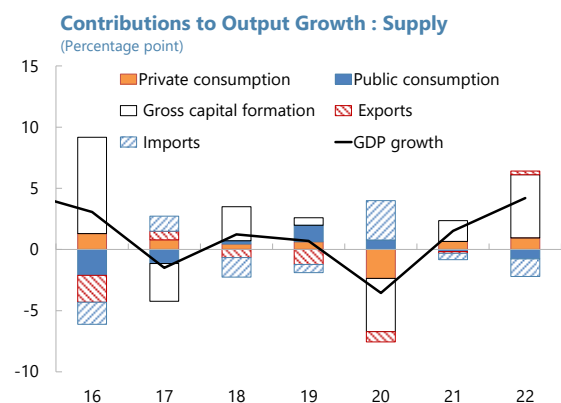
The 2022 FIFA World Cup drew a large number of visitors to Qatar...



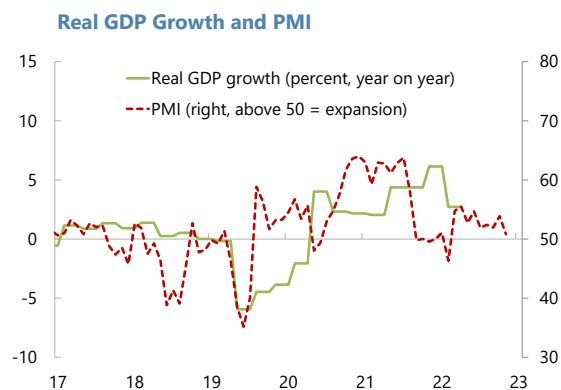
...boosting non-hydrocarbon growth in 2022...



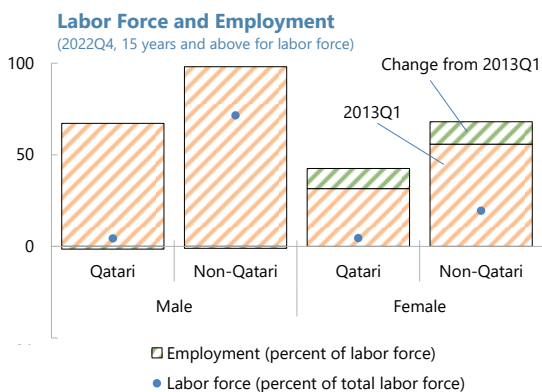
...which was supported by capital formation.



Purchasing Managers Index (PMI) suggests growth is set to moderate in 2023.



Female's employment rose across nationalities over the last decade; that for male changed little.



Real estate prices weakened further after the World Cup.



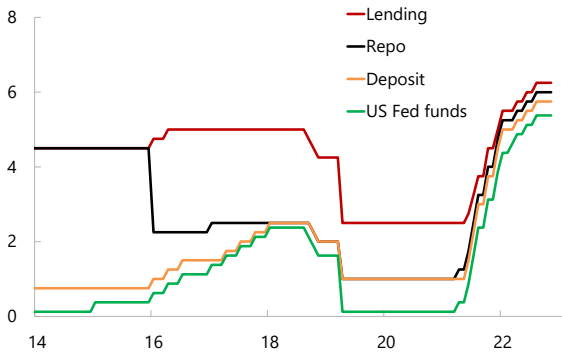
Sources: Haver Analytics, and IMF staff calculations.

**Figure 3. Qatar: Inflation and Monetary Policy Developments**

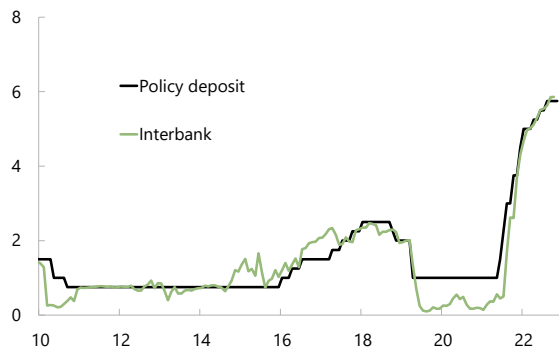
Policy deposit rate has broadly followed the US Fed funds rate while local policy rates have closed gaps.

Monetary policy transmission improved after QCB mopped up liquidity more effectively.

**Qatari and US Policy Rates**  
(Percent)



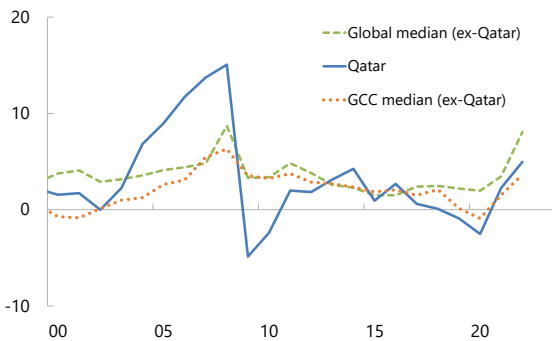
**Policy Deposit and Interbank Interest Rates**  
(Percent)



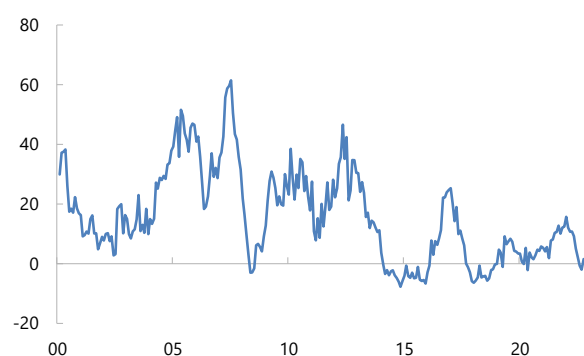
Inflation in Qatar has generally been contained in the past decade albeit having risen in 2022...

...while money growth also rose in 2022 amid strong economic performance.

**Consumer Price Inflation**  
(Percent, year on year)



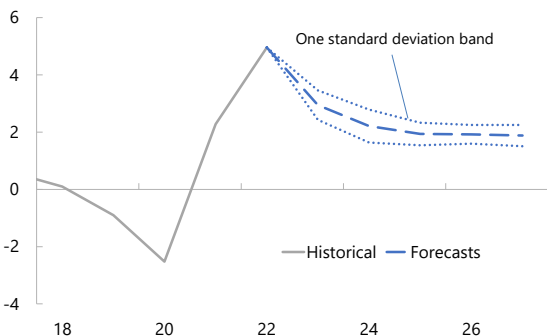
**Money Supply**  
(Percent, year on year)



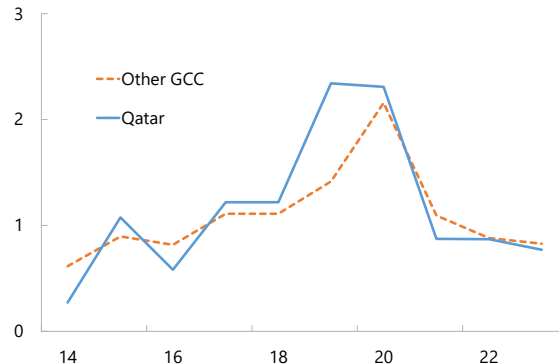
Inflation is expected to moderate to around 2 percent in the medium term...

...amid falling inflation uncertainty suggested by smaller divergence in analyst forecasts.

**Inflation Median Consensus Forecasts**  
(Percent, year on year, by private sector institutions)



**Indicator of Inflation Uncertainty 1/**



1/ Following-year inflation forecasts made in Q4, maximum less minimum scaled by the consensus. Median for GCC. 2023Q4 estimate is implied by Q3 performance.

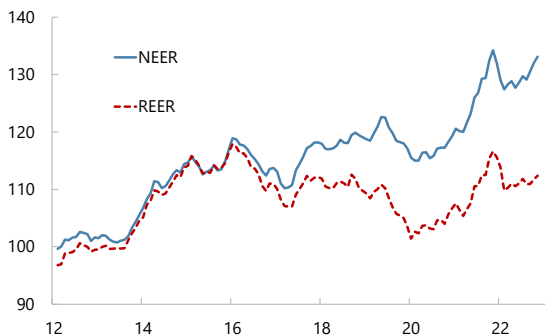
Sources: Focus Economics Consensus Forecast, Haver Analytics, and IMF staff calculations.



**Figure 4. Qatar: External Sector Developments**

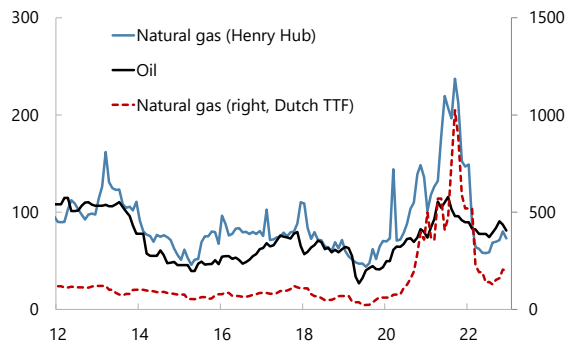
After appreciating for 2 years to end-2022, effective exchange rates have weakened...

**Effective Exchange Rates**  
(2010 average = 100, "+" = appreciation)



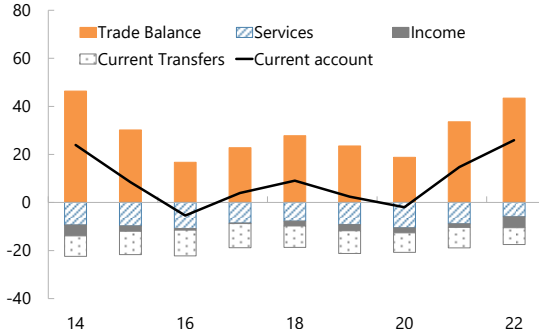
...while key hydrocarbon prices were volatile during the period.

**Oil and Natural Gas Price Indices**  
(2010-12 = 100)



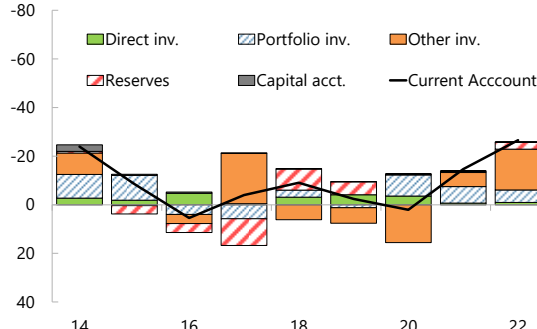
The current account surplus surged in 2022 on the back of strong LNG export revenue...

**Current Account Components**  
(Percent of GDP)



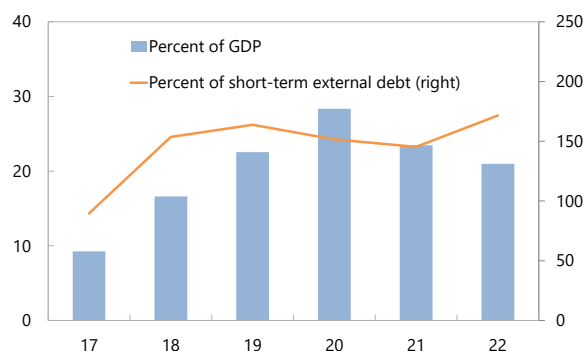
... financing other and portfolio investments overseas, and QCB reserve accumulation.

**Current Account Financing Components**  
(Percent of GDP, inverted scale)



QCB reserves rose in 2022 relative to short-term external debt.

**Central Bank International Reserves**



Exchange rate forwards have traded in a narrow range.

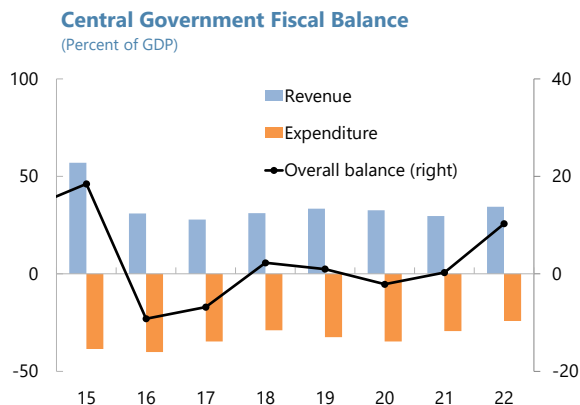
**Dollar-cross Exchange Rate Forwards**  
(Percent deviation from parity, one month tenor)



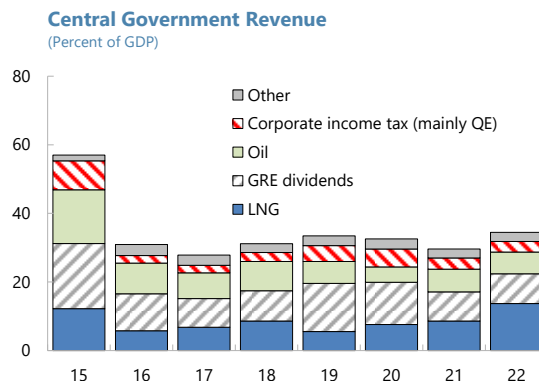
Sources: Bloomberg, Haver Analytics, IMF WEO, and IMF staff calculations.

**Figure 5. Qatar: Fiscal Sector Developments**

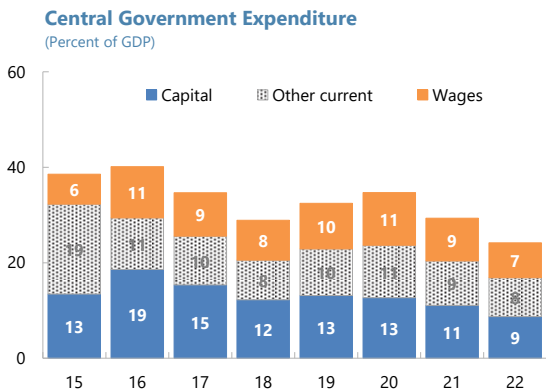
The fiscal surplus rose in 2022 from close to zero...



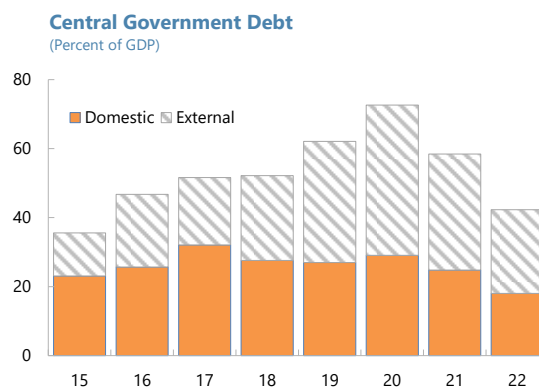
...as LNG-related revenue rose further...



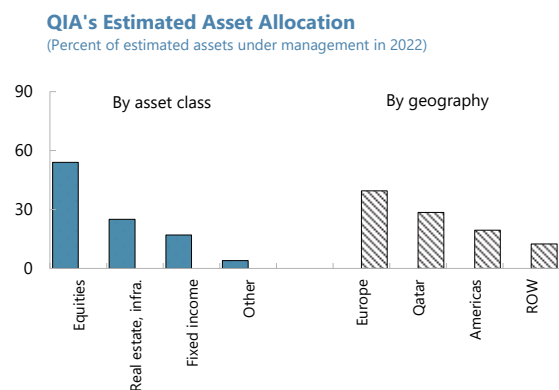
...and expenditure (in percent of GDP) continued to fall, particularly capital spending and wages.



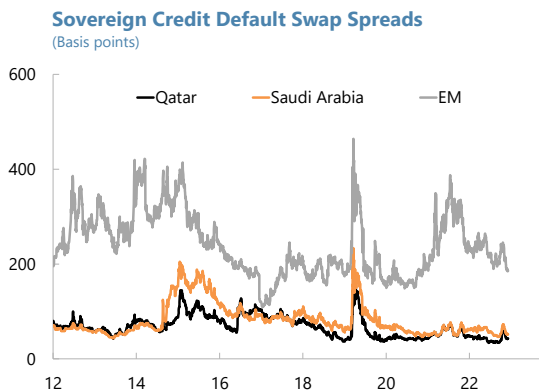
Central government gross debt continued to fall towards the target of sub-40 percent of GDP...



...and the State's large financial assets are estimated to be invested globally by sovereign wealth fund QIA...



...supporting the sovereign's tight credit spread.

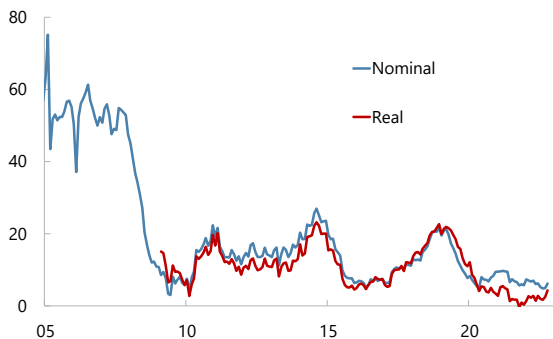


Sources: Haver Analytics, JPMorgan, Global Sovereign Wealth Fund Annual Reports, and IMF staff calculations.

**Figure 6. Qatar: Credit and Financial Sector Developments**

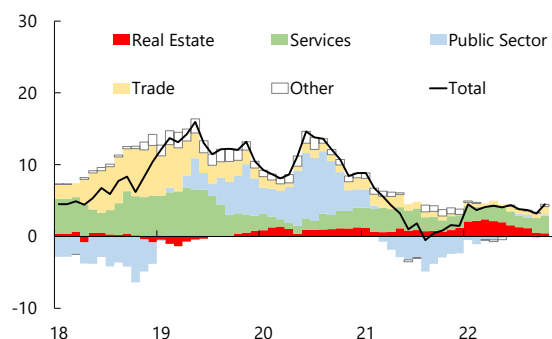
Real credit growth remained around zero.

**Bank Credit to Private Sector**  
(Percent, year on year)



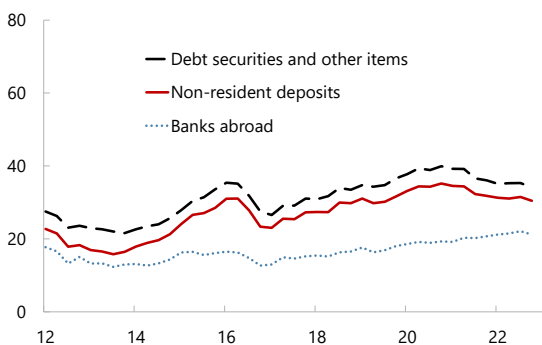
Key drivers of bank lending growth have shifted from public sector to real estate and services. 1/

**Domestic Bank Credit by Sector**  
(Percentage point contribution to total year on year growth)



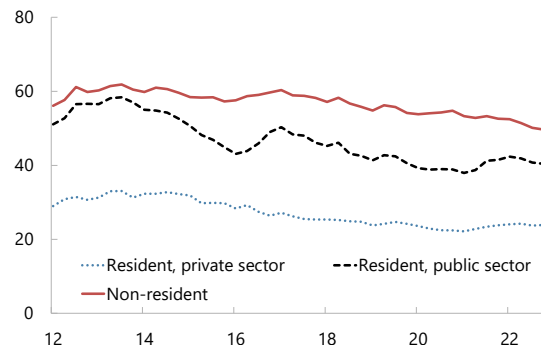
Non-resident deposits continued to decline, replaced to some extent by borrowing from banks abroad...

**Commercial Bank Foreign Liabilities**  
(Percent of total liabilities)



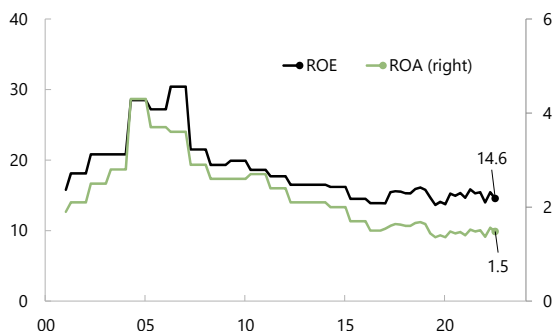
...and public sector resident deposits.

**Commercial Bank Deposits**  
(Percent of total liabilities)



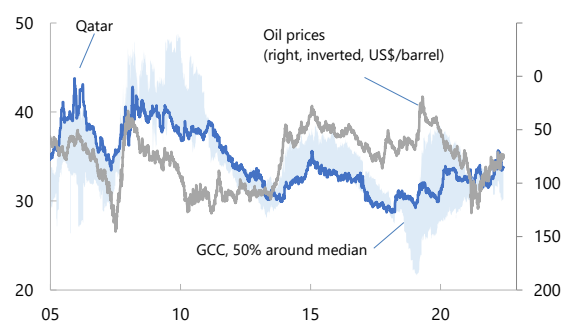
Bank profitability recovered.

**Bank Profitability**  
(Percent, 2023Q1)



Spillover risk in the Qatari banking system has edged up recently.

**Banking Vulnerability Index and Oil Prices**  
(Percent of banks in distress given at least one in distress)



1/ Real estate also includes contractors. Other also includes consumption and industry.

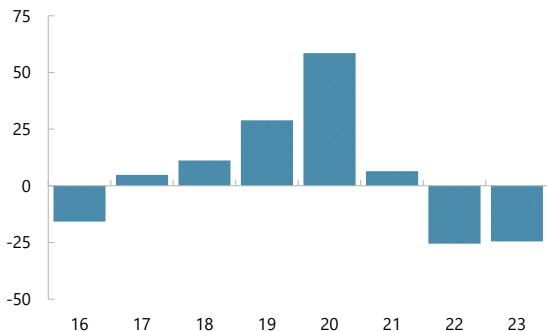
Sources: Haver Analytics; Segoviano and Goodhart. 2009. Banking Stability Measures. IMF WP 09/4; and IMF staff calculations.

Note: Banking vulnerability index for GCC excludes Bahrain due to data limitations.

**Figure 7. Qatar: Indicators of Real Estate Sector Performance**

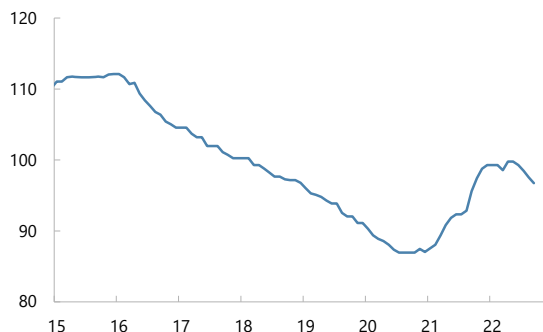
*Sales of residential houses have slowed...*

**Number of Residential Houses Sold**  
(Percent, year on year, Jan-Aug for 2023)



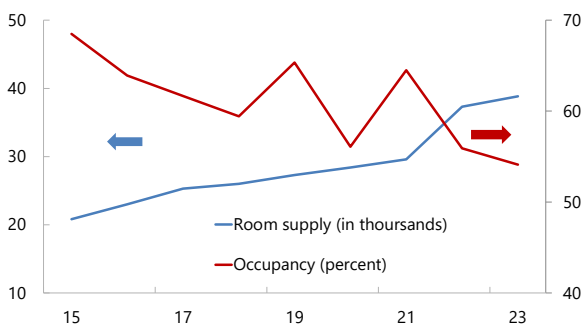
*...and housing rents started to normalize.*

**Housing Rents**  
(Period average = 100, nominal)



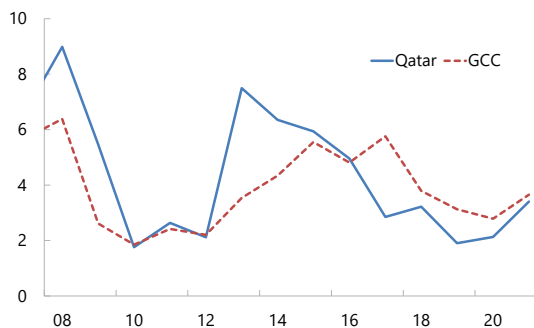
*Hotel room supply has risen while occupancy fallen.*

**Hotel Room Supply and Occupancy**  
(September 2023)



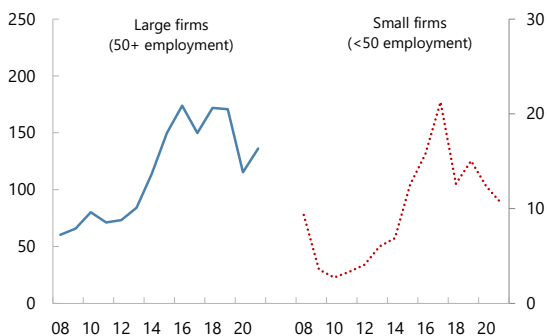
*Median ICR of Qatari real estate firms rose in 2021, from around 2 ...*

**Real Estate Sector Profitability to Debt**  
(Median interest coverage ratio, or EBIT to interest expense)



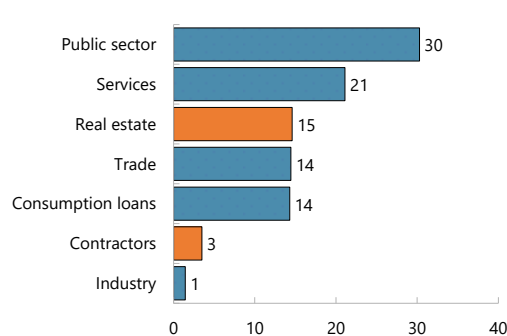
*...but revenue of smaller construction companies continued to weaken.*

**Revenue of Construction Companies**  
(In millions of Qatari riyal, 2008-21)



*Real estate and contractors represent an important share of total bank lending.*

**Bank Domestic Credit By Industry**  
(Percent, August 2023)



Sources: Haver, Cushman & Wakefield, S&P capital IQ, and IMF staff calculations.

Table 1. Qatar: Selected Macroeconomic Indicators, 2019-28

	2019	2020	2021	2022	Projections					
					2023	2024	2025	2026	2027	2028
<b>National Account</b>										
	(change in percent unless otherwise noted)									
Nominal GDP (billions of Qatari Riyals)	642.0	525.7	654.2	860.0	853.7	888.2	919.7	982.4	1054.9	1097.8
Nominal hydrocarbon GDP (billions of Qatari Riyals)	229.3	152.3	240.8	380.3	331.8	329.3	319.4	341.8	381.3	389.8
Nominal nonhydrocarbon GDP (billions of Qatari Riyals)	412.7	373.3	413.5	479.7	521.9	558.8	600.3	640.7	673.5	708.1
Nominal nonhydrocarbon GDP (share of overall GDP, percent)	64.3	71.0	63.2	55.8	61.1	62.9	65.3	65.2	63.9	64.5
Real GDP (2018 prices)	0.7	-3.6	1.6	4.2	1.6	1.9	2.0	5.9	7.6	3.4
Hydrocarbon 1/	-1.7	-2.0	-0.3	1.7	2.6	1.7	1.5	11.4	15.4	4.6
Nonhydrocarbon	2.2	-4.5	2.8	5.7	1.0	2.0	2.3	2.6	2.6	2.6
Per capita	-0.7	-4.7	4.8	-2.3	0.1	0.9	1.5	5.4	7.0	2.9
Deflator	-4.5	-15.1	22.5	26.2	-2.3	2.1	1.5	0.9	-0.2	0.6
CPI inflation (average)	-0.9	-2.5	2.3	5.0	2.8	2.4	2.2	2.2	2.0	2.0
<b>Hydrocarbon sector</b>										
Exports (billions of U.S. dollars) 1/	62.9	47.2	75.1	115.0	98.0	97.6	94.7	101.5	113.5	116.5
Brent crude oil price (U.S. dollars per barrel)	64.2	43.3	70.8	99.0	82.7	80.1	76.5	73.4	71.1	69.4
Crude oil production (thousands of barrels per day)	579.2	565.0	551.0	574.0	574.0	574.0	574.0	574.0	574.0	574.0
Natural Gas exports (millions of tons per year)	92.3	91.5	90.7	91.1	94.6	97.0	99.0	115.0	139.0	147.4
of which Liquefied natural gas (LNG)	77.3	77.0	76.3	76.7	79.9	82.3	84.4	100.4	124.4	132.8
<b>Central government finances</b>										
	(percent of GDP unless otherwise noted)									
Revenue	33.5	32.6	29.6	34.8	31.5	31.1	29.6	28.8	28.3	27.9
Expenditure	32.5	34.7	29.3	24.3	23.9	23.9	24.1	23.9	23.3	23.5
Current	19.3	22.0	18.3	15.5	15.6	15.8	16.0	16.0	16.0	16.3
Capital	13.1	12.7	11.1	8.8	8.3	8.1	8.1	7.8	7.3	7.2
Central government fiscal balance	1.0	-2.1	0.3	10.6	7.6	7.2	5.4	4.9	5.1	4.4
Non-hydrocarbon primary balance										
(percent of non-hydrocarbon GDP) 2/	-37.0	-35.4	-34.6	-31.7	-28.4	-27.7	-27.0	-26.8	-26.8	-26.8
Central government debt	62.1	72.6	58.4	42.5	39.4	37.4	36.0	34.9	33.3	32.9
<b>Monetary and financial sector (change in percent)</b>										
	(change in percent unless otherwise noted)									
Broad money	2.5	3.8	1.4	17.4	2.9	4.1	4.6	4.6	4.4	4.4
Domestic claims on public sector 3/	4.2	6.2	9.1	1.3	2.4	2.4	2.5	3.3	3.3	3.4
Domestic credit to private sector 4/	19.5	8.3	9.5	7.4	3.9	4.5	4.7	5.0	5.0	5.0
3-month T-bill rate (Qatar Riyal, percent, eop) 5/	1.7	0.1	0.2	5.1	5.4	...	...	...	...	...
CDS (bps, eop) 5/	41.9	38.5	44.5	48.2	42.4	...	...	...	...	...
<b>External sector</b>										
	(percent of GDP unless otherwise noted)									
Exports	52.2	49.1	58.7	68.4	58.5	56.4	53.7	53.6	54.9	54.2
Imports	37.9	40.9	34.1	31.5	32.2	32.7	33.4	33.7	33.9	34.7
Current account balance	2.4	-2.1	14.6	26.7	17.6	15.8	12.6	12.0	13.0	12.1
Terms of trade (2013=100)	73.8	57.0	77.6	110.8	92.7	90.0	85.8	80.9	76.1	73.5
External debt	137.6	187.0	161.4	116.0	112.7	107.3	104.1	98.8	93.9	92.6
Central Bank's official reserves	22.5	28.3	23.5	20.1	21.9	22.4	23.4	24.1	24.8	25.6
<b>Memorandum items 5/</b>										
Local currency per U.S. dollar (period average)	3.6	3.6	3.6	3.6	3.6	...	...	...	...	...
Real effective exchange rate (change in percent)	0.7	-3.2	-2.6	6.5	0.6	...	...	...	...	...
Credit rating (Moody's investor services)	Aa3	Aa3	Aa3	Aa3	Aa3	...	...	...	...	...

Sources: Qatari authorities; and IMF staff estimates.

1/ Includes crude oil, natural gas, propane, butane, and condensates.

2/ Non-hydrocarbon central government balance refers to the central government balance excluding investment income and corporate income tax from hydrocarbon activities.

3/ Credit to the government, government institutions, and semi-government institutions, as well as holdings of government securities.

4/ Excludes financial securities.

5/ Last observation is October 2023

Table 2. Qatar: Balance of Payments, 2019-28

	(Billions of U.S. dollars unless otherwise noted)									
	2019	2020	2021	2022	Projections					
					2023	2024	2025	2026	2027	2028
<b>Current account</b>	4.3	-3.0	26.3	63.1	41.2	38.5	31.7	32.3	37.8	36.4
Trade (net)	41.6	27.1	60.3	97.4	78.0	75.9	71.4	75.9	85.5	86.6
Exports	72.9	51.5	87.2	131.0	111.5	111.0	108.0	115.3	128.3	131.5
Hydrocarbon	62.9	47.2	75.1	115.0	98.0	97.6	94.7	101.5	113.5	116.5
<i>o/w</i> : LNG	37.9	30.5	35.3	60.8	55.6	56.2	55.0	62.0	73.2	76.2
Crude oil	12.2	7.2	11.8	17.7	13.3	12.9	12.3	12.0	11.8	11.9
Propane, butane	6.0	4.2	6.8	9.5	7.4	7.4	7.2	8.3	9.9	10.3
Condensates	3.5	2.0	5.6	9.6	10.2	9.9	9.5	9.1	8.8	8.6
Refined petroleum products	9.1	6.6	10.5	15.3	11.5	11.1	10.6	10.2	9.8	9.6
Non-hydrocarbon	10.1	4.4	12.1	16.0	13.5	13.5	13.3	13.8	14.8	15.1
<i>o/w</i> : Petrochemicals	6.0	3.6	6.6	9.6	7.4	7.3	7.1	7.6	8.5	8.6
Others	5.0	4.6	5.5	6.4	6.1	6.2	6.2	6.3	6.3	6.4
Imports	-31.4	-24.4	-26.9	-33.5	-33.4	-35.2	-36.6	-39.4	-42.7	-44.9
Services (net)	-16.3	-15.3	-16.0	-10.3	-16.4	-18.0	-20.1	-22.2	-24.7	-27.9
<i>o/w</i> : Transportation	-3.3	-4.3	-1.9	5.7	1.3	1.2	0.9	0.9	0.8	0.6
<i>o/w</i> : Travel	-4.0	-3.2	-5.8	-5.0	-7.4	-7.9	-8.5	-9.0	-9.5	-10.1
Income (net)	-4.4	-3.0	-2.8	-8.3	-4.3	-2.7	-2.8	-4.6	-6.4	-5.7
Credit	8.9	10.5	10.4	14.2	16.2	17.5	16.7	16.2	16.8	18.1
Debit	-13.4	-13.5	-13.1	-22.5	-20.5	-20.2	-19.6	-20.9	-23.2	-23.8
Transfers (net)	-16.6	-11.8	-15.3	-15.8	-16.1	-16.7	-16.7	-16.7	-16.7	-16.7
<i>o/w</i> : workers remittances	-11.8	-10.0	-10.8	-12.1	-12.2	-12.4	-12.1	-11.8	-11.5	-11.2
<b>Capital account</b>	-0.1	-0.2	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3
<b>Financial account</b>	6.1	5.6	-23.4	-54.0	-37.0	-35.1	-26.9	-26.1	-30.6	-30.7
Direct Investment (net)	-7.3	-5.2	-1.3	-2.3	-4.1	-2.4	-1.2	-0.5	-0.2	0.0
Net acquisition of financial assets	-4.5	-2.7	-0.2	-2.4	-4.2	-2.5	-1.3	-0.7	-0.3	-0.2
Net incurrence of liabilities	-2.8	-2.4	-1.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Portfolio borrowing (net)	2.2	-12.3	-11.8	-11.9	-11.5	-4.5	0.6	1.6	3.0	3.4
Net acquisition of financial assets	-10.5	-14.6	-10.0	-10.6	-9.4	-2.8	-1.3	-0.3	1.1	1.5
Net incurrence of liabilities	12.7	2.3	-1.5	-1.1	-2.0	-1.7	1.9	1.9	1.9	2.0
Other investment (net)	11.2	23.1	-10.3	-39.8	-21.4	-28.1	-26.3	-27.1	-33.4	-34.1
Net acquisition of financial assets	-9.8	1.1	-27.0	-22.8	-11.6	-25.6	-27.5	-31.0	-38.9	-41.2
Net incurrence of liabilities	21.0	22.0	16.7	-17.0	-9.8	-2.5	1.2	3.9	5.4	7.1
<b>Net errors and omissions</b>	-0.9	-1.3	-1.7	-2.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Overall balance</b>	9.4	0.5	1.1	6.9	4.0	3.2	4.5	5.9	6.8	5.4
<b>Change in QCB reserves (- increase)</b>	-9.4	-0.5	-1.1	-6.9	-4.0	-3.2	-4.5	-5.9	-6.8	-5.4
<b>Memorandum items:</b>										
Nominal GDP	176.4	144.4	179.7	236.3	234.6	244.0	252.7	270.0	289.9	301.7
Current account balance (percent of GDP)	2.4	-2.1	14.6	26.7	17.6	15.8	12.6	11.9	13.0	12.1
Trade balance (percent of GDP)	23.6	18.8	33.6	41.2	33.3	31.1	28.2	28.1	29.5	28.7
Financial account balance (percent of GDP)	3.5	3.9	-13.0	-22.9	-15.8	-14.4	-10.7	-9.7	-10.6	-10.2
Central bank reserves	39.7	40.9	42.2	47.4	51.4	54.6	59.1	65.0	71.8	77.2
In months of next year's imports	8.0	8.0	6.6	7.3	7.5	7.6	7.6	7.8	8.6	8.7
In percent of short-term external debt	163.8	151.5	145.3	172.9	194.6	208.6	224.7	243.6	263.9	276.5
In percent of the ARA metric	52.1	51.2	48.5	51.7	58.9	62.5	66.6	70.8	75.0	77.9

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

Table 3a. Qatar: Summary of Central Government Finance, 2019-28

	(Billions of Qatari Riyals unless otherwise noted)									
	2019	2020	2021	2022	2023	2024	Projections			
							2025	2026	2027	2028
<b>Revenue</b>	214.7	171.2	193.7	299.5	269.3	276.6	271.8	282.6	299.0	306.0
Oil	41.0	24.0	43.4	57.6	42.4	41.1	39.2	38.1	37.7	37.9
LNG	35.4	39.9	56.3	118.2	95.7	113.1	108.2	119.7	128.9	131.5
Investment income from public enterprises	90.3	64.2	55.4	74.3	81.8	73.8	74.5	73.8	79.0	80.3
Corporate tax revenue	29.7	27.5	21.4	26.9	29.4	28.1	28.9	29.5	31.6	34.3
Other revenue	18.4	15.6	17.2	22.5	20.0	20.5	21.0	21.5	21.8	22.0
<b>Expenditure</b>	208.4	182.4	191.9	208.7	204.0	212.3	221.7	234.3	245.6	257.5
Expense	124.1	115.9	119.6	133.4	133.2	140.4	147.2	157.2	168.8	179.0
Compensation of employees	61.4	57.9	58.7	62.9	64.0	67.5	69.9	74.7	80.2	83.5
Goods and services	16.7	17.9	19.0	20.1	21.3	22.6	23.9	25.4	26.9	28.5
Interest payments	11.0	12.2	11.6	11.7	11.2	10.4	10.3	10.4	10.8	11.1
Other expense	35.0	27.9	30.4	38.7	36.7	39.8	43.0	46.8	51.0	55.9
Net acquisition of nonfinancial assets	84.3	66.5	72.3	75.3	70.8	71.9	74.5	77.1	76.8	78.5
Gross operating balance	90.6	55.3	74.1	166.1	136.0	136.2	124.7	125.4	130.1	127.0
<b>Net lending (+)/borrowing (-)</b>	6.3	-11.2	1.8	90.8	65.3	64.3	50.1	48.3	53.3	48.5
<b>Financing</b>										
Domestic financing (net)										
- Bank loans	-18.1	3.0	5.5	-26.2	0.0	0.0	0.0	0.0	0.0	0.0
- Domestic securities	20.4	-5.7	19.4	12.9	3.1	3.2	3.2	11.6	8.8	9.3
- Domestic deposits	14.3	-0.4	-23.5	-9.5	0.0	0.0	0.0	0.0	0.0	0.0
Foreign borrowing	40.0	3.3	-9.5	-10.2	-32.4	-7.3	-4.0	0.0	0.0	0.0
Other 1/	-62.9	11.1	6.3	-57.8	-36.0	-60.2	-49.3	-59.9	-62.2	-57.7
<b>Nonhydrocarbon primary fiscal balance 2/</b>	-152.7	-132.3	-143.0	-152.1	-148.2	-154.6	-161.8	-171.7	-180.3	-190.0
<b>Memorandum items</b>										
Total debt	398.6	381.7	382.0	365.3	336.0	331.9	331.1	342.7	351.5	360.8
External debt	225.3	228.9	219.8	209.6	177.2	169.9	165.9	165.9	165.9	165.9
Domestic debt	173.3	152.8	162.2	155.7	158.8	162.0	165.2	176.8	185.6	194.9
Total net debt	323.7	306.4	283.3	257.1	227.8	223.7	222.9	234.5	243.4	252.6
o/w net domestic debt 3/	98.4	77.5	63.5	47.5	50.6	53.8	57.0	68.6	77.4	86.7
External debt service/total revenue (percent)	3.7	22.9	9.9	6.6	14.1	4.3	3.1	1.6	1.5	1.4
Total hydrocarbon revenue 4/	170.0	131.0	156.3	254.6	224.6	229.3	222.2	230.4	244.4	249.5
as a share of total revenues (in percent)	79.2	76.5	80.7	85.0	83.4	82.9	81.8	81.5	81.7	81.5

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

1/ Accumulation of foreign assets by the government.

2/ Nonhydrocarbon balance of central government (excluding the portion of investment income and corporate income tax from hydrocarbon activities).

3/ Government domestic debt less government domestic deposits.

4/ Include corporate income taxes and investment income from hydrocarbon activities.

Table 3b. Qatar: Summary of Central Government Finance, 2019-28

(Percent of GDP unless otherwise noted))

	2019	2020	2021	2022	Projections					
					2023	2024	2025	2026	2027	2028
<b>Revenue</b>	33.5	32.6	29.6	34.8	31.5	31.1	29.6	28.8	28.3	27.9
Oil	6.4	4.6	6.6	6.7	5.0	4.6	4.3	3.9	3.6	3.5
LNG	5.5	7.6	8.6	13.7	11.2	12.7	11.8	12.2	12.2	12.0
Investment income from public enterprises	14.1	12.2	8.5	8.6	9.6	8.3	8.1	7.5	7.5	7.3
Corporate tax revenue	4.6	5.2	3.3	3.1	3.4	3.2	3.1	3.0	3.0	3.1
Other revenue	2.9	3.0	2.6	2.6	2.3	2.3	2.3	2.2	2.1	2.0
<b>Expenditure</b>	32.5	34.7	29.3	24.3	23.9	23.9	24.1	23.9	23.3	23.5
Expense	19.3	22.0	18.3	15.5	15.6	15.8	16.0	16.0	16.0	16.3
Compensation of employees	9.6	11.0	9.0	7.3	7.5	7.6	7.6	7.6	7.6	7.6
Goods and services	2.6	3.4	2.9	2.3	2.5	2.5	2.6	2.6	2.6	2.6
Interest payments	1.7	2.3	1.8	1.4	1.3	1.2	1.1	1.1	1.0	1.0
Other expense	5.5	5.3	4.6	4.5	4.3	4.5	4.7	4.8	4.8	5.1
Net acquisition of nonfinancial assets	13.1	12.7	11.1	8.8	8.3	8.1	8.1	7.8	7.3	7.2
Gross operating balance	14.1	10.5	11.3	19.3	15.9	15.3	13.6	12.8	12.3	11.6
<b>Net lending (+)/borrowing (-)</b>	1.0	-2.1	0.3	10.6	7.6	7.2	5.4	4.9	5.1	4.4
<b>Financing</b>										
Domestic financing (net)										
- Bank loans	-2.8	0.6	0.8	-3.1	0.0	0.0	0.0	0.0	0.0	0.0
- Domestic securities	3.2	-1.1	3.0	1.5	0.4	0.4	0.4	-1.2	0.8	0.8
- Domestic deposits	2.2	-0.1	-3.6	-1.1	0.0	0.0	0.0	0.0	0.0	0.0
Foreign borrowing	6.2	0.6	-1.4	-1.2	-3.8	-0.8	-0.4	0.0	0.0	0.0
Other 1/	-9.8	2.1	1.0	-6.7	-4.2	-6.8	-5.4	-6.1	-5.9	-5.3
<b>Nonhydrocarbon primary fiscal balance, in pct of nonhydrocarbon GDP 2/</b>	-37.0	-35.4	-34.6	-31.7	-28.4	-27.7	-27.0	-26.8	-26.8	-26.8
<b>Memorandum items:</b>										
Total debt	62.1	72.6	58.4	42.5	39.3	37.4	36.0	34.9	33.3	32.9
External debt	35.1	43.5	33.6	24.4	20.8	19.1	18.0	16.9	15.7	15.1
Domestic debt	27.0	29.1	24.8	18.1	18.6	18.2	18.0	18.0	17.6	17.8
Total net debt	50.4	58.3	43.3	29.9	26.7	25.2	24.2	23.9	23.1	23.0
o/w net domestic debt 3/	15.3	14.8	9.7	5.5	5.9	6.1	6.2	7.0	7.3	7.9
Primary fiscal balance	2.7	0.2	2.0	11.9	9.0	8.4	6.6	6.0	6.1	5.4
Total hydrocarbon revenue 4/	26.5	24.9	23.9	29.6	26.3	25.8	24.2	23.4	23.2	22.7
Nonhydrocarbon tax revenues as percent of nonhydrocarbon GDP	4.1	3.8	3.1	3.0	2.9	2.9	2.9	2.9	2.9	2.9

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

1/ Accumulation of foreign assets by the government.

2/ Nonhydrocarbon balance of central government (excluding the portion of investment income and corporate income tax from hydrocarbon activities).

3/ Government domestic debt less government domestic deposits.

4/ Include corporate income taxes and investment income from hydrocarbon activities.



Table 4. Qatar: Monetary Survey, 2019-28

(Billions of Qatari Riyals unless otherwise noted)										
	2019	2020	2021	2022	Projections					
					2023	2024	2025	2026	2027	2028
<b>Total</b>										
Net foreign assets	-155.0	-254.7	-316.8	-228.9	-205.4	-186.4	-172.8	-159.6	-148.6	-148.9
Net domestic assets	733.0	854.6	925.3	943.3	940.8	952.2	973.4	997.5	1023.7	1062.9
Claims on government (net)	221.3	218.2	219.6	196.8	199.9	203.1	206.3	217.9	226.7	236.0
Domestic credit	830.4	916.5	1004.2	1081.8	1124.8	1174.2	1227.5	1283.0	1344.4	1408.7
Other items (net)	-318.7	-280.1	-298.5	-335.2	-383.9	-425.1	-460.4	-503.4	-547.4	-581.8
Broad Money	578.0	599.9	608.5	714.5	735.3	765.8	800.6	837.8	875.1	914.0
Money	124.7	146.5	148.3	160.8	165.4	172.3	180.1	188.5	196.9	205.6
Quasi Money	453.3	453.4	460.2	553.7	569.9	593.5	620.5	649.3	678.2	708.4
<b>Qatar Central Bank</b>										
Net foreign assets	143.4	147.7	148.5	167.7	182.5	194.0	210.4	231.9	256.8	276.4
Foreign assets	144.7	149.0	153.5	172.4	187.2	198.7	215.1	236.6	261.5	281.1
Foreign liabilities	1.3	1.3	4.9	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Claims on commercial banks	65.3	76.8	75.3	58.0	57.0	56.0	55.0	54.0	53.0	52.0
Net claims on government	-0.3	-1.0	-1.1	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9
Claims on government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government deposits	0.3	1.0	1.1	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Reserve Money	72.1	101.2	106.5	98.9	104.1	109.1	114.4	120.4	126.8	133.0
Cash in vault	16.4	26.3	24.6	25.9	28.0	29.2	30.5	32.3	34.3	35.8
Deposits of local banks	55.7	74.9	81.9	72.9	76.1	79.9	83.9	88.1	92.5	97.1
Other items (net)	136.3	122.3	116.3	124.0	132.6	138.1	148.2	162.7	180.2	192.6
<b>Other Depository Corporations</b>										
Net foreign assets	-298.4	-402.3	-465.3	-396.6	-387.9	-380.4	-383.1	-391.5	-405.4	-425.3
Foreign assets	240.1	232.7	251.6	272.0	277.4	282.9	288.6	294.4	300.3	306.3
Foreign liabilities	538.5	635.0	716.9	668.5	665.3	663.4	671.7	685.9	705.6	731.6
Claims on Central Bank	60.2	87.2	93.1	85.2	89.4	93.9	98.6	103.5	108.7	114.1
Currency	4.8	12.5	11.9	12.7	13.3	14.0	14.7	15.4	16.2	17.0
Reserve Deposits	55.4	74.7	81.2	72.5	76.1	79.9	83.9	88.1	92.5	97.1
Claims on public sector	479.9	509.5	555.7	563.1	576.9	591.0	605.7	625.6	646.4	668.2
Credit to government	133.8	136.8	142.3	116.0	116.0	116.0	116.0	116.0	116.0	116.0
Government financial securities	162.4	156.7	176.1	188.9	192.1	195.2	198.5	210.0	218.9	228.2
Credit to public enterprises	183.7	216.1	237.4	258.2	268.8	279.7	291.2	299.5	311.5	324.0
Credit to private sector	646.7	700.4	766.8	823.6	856.0	894.5	936.4	983.5	1032.9	1084.7
Deposits	640.9	660.4	693.4	806.5	848.2	884.7	925.6	965.5	998.1	1032.3
Private sector	367.8	397.1	404.8	458.2	498.7	533.9	573.5	612.2	643.6	676.6
Public enterprises	198.6	189.0	191.0	243.0	244.2	245.4	246.7	247.9	249.1	250.4
Government	74.5	74.3	97.6	105.3	105.3	105.3	105.3	105.3	105.3	105.3
Liabilities to the central bank	14.0	31.3	32.7	14.9	13.9	12.9	11.9	10.9	9.9	8.9
Other items, net	233.5	203.2	224.1	253.8	272.2	301.3	320.0	344.7	374.6	400.5
<b>Memorandum items</b>										
Broad money growth (M2)	2.5	3.8	1.4	17.4	2.9	4.1	4.6	4.6	4.4	4.4
Velocity (M2 to non-oil GDP)	0.7	0.6	0.6	0.6	0.7	0.7	0.8	0.8	0.8	0.8
Net foreign assets (change)	-65.6	-99.7	-62.1	87.9	23.4	19.0	13.7	13.1	11.0	-0.3
Net domestic assets (percent of GDP)	114.2	162.6	141.4	109.7	110.2	107.2	105.8	101.5	97.0	96.8
o/w: Domestic claims on public sector	74.8	96.9	84.9	65.5	67.6	66.5	65.8	63.7	61.3	60.8
o/w: Domestic claims on private sector	100.7	133.2	117.2	95.8	100.2	100.7	101.8	100.1	97.9	98.8

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

Table 5. Qatar: Financial Soundness Indicators, 2016-2023Q2

	2016	2017	2018	2019	2020	2021	2022	2023Q1	2023Q2
<b>Capital adequacy</b>									
Regulatory Tier 1 capital to risk-weighted assets	15.7	16.5	17.0	17.5	17.6	18.0	18.1	18.0	17.9
Regulatory Tier 1 capital to total assets	10.7	10.7	10.1	9.9	9.6	9.3	8.7	...	...
Regulatory capital to risk weighted assets	16.1	16.8	18.0	18.6	18.8	19.2	19.3	19.1	19.0
<b>Asset quality</b>									
Nonperforming loans to total loans	1.3	1.6	1.9	1.8	2.0	2.4	3.6	3.7	3.8
Nonperforming Loans net of provisions to capital	1.7	1.7	3.0	2.2	2.3	2.6	5.9	5.0	5.7
Bank provisions to nonperforming loans	79.9	83.2	75.8	81.9	83.8	85.0	77.0	...	...
Bank provisions to total loans	1.3	1.5	2.3	2.5	2.8	3.2	4.0	...	...
Total provisions to total assets	0.9	1.1	1.6	1.7	1.9	2.1	2.7	...	...
<b>Earnings and profitability</b>									
Return on assets	1.7	1.5	1.6	1.6	1.4	1.4	1.4	1.6	1.5
Return on equity	14.5	13.9	15.3	15.8	13.7	14.7	14.0	15.4	14.6
Net interest to gross income	75.1	78.1	77.0	77.0	79.5	80.5	79.0	78.8	79.2
Net Interest to average total assets	1.9	1.9	1.9	1.9	2.0	2.0	2.1	...	...
Non-interest expenses to gross income	28.8	26.8	25.9	24.4	21.2	21.1	20.5	22.1	22.1
Wages and salaries to other non-interest expenses	49.8	49.4	49.7	50.0	49.5	49.6	42.5	...	...
<b>Liquidity</b>									
Liquid assets to total assets	29.6	28.2	29.1	30.2	28.1	28.2	26.3	25.2	25.4
Liquid assets to short-term liabilities	54.7	54.2	62.7	69.7	67.0	66.9	57.4	62.0	62.5
Domestic credit-to-deposits ratio	136.8	119.6	134.1	150.4	159.5	165.3	148.5	152.0	154.4
Loans as a percentage of customers deposits	113.7	108.8	114.1	120.1	122.9	121.5	123.3	...	...

Sources: Qatar Central Bank, and Haver Analytics.

Table 6. Qatar: Vulnerability Indicators, 2016-22

	2016	2017	2018	2019	2020	2021	2022
<b>External solvency indicators</b>							
REER (change in percent, 2010=100)	3.5	-1.2	-2.8	0.7	-3.3	-2.6	6.5
Total debt (billion US\$, including commercial banks)	193.0	166.3	198.2	242.6	270.1	290.1	274.0
<i>Of which: LNG-related</i>	5.5	4.7	5.2	5.2	5.0	5.1	5.1
Total debt (percent of GDP)	127.2	103.2	108.1	137.6	187.0	161.5	115.9
<b>Public sector solvency indicators</b>							
Government gross domestic debt/GDP	25.7	32.1	27.6	27.0	29.1	24.8	18.1
Government net domestic debt/GDP 1/	14.9	16.0	14.2	15.3	14.8	9.7	5.5
Government external debt/GDP	21.0	19.5	24.6	35.1	43.5	33.6	24.4
Interest payments/total revenue	4.8	5.0	4.7	5.1	7.1	6.0	3.9
<b>External liquidity indicators</b>							
Central bank net reserves (US\$b)	31.4	14.5	30.1	39.4	40.6	40.8	46.1
In months of next year's imports	6.1	2.7	5.4	8.0	8.0	6.6	7.5
Commercial banks net foreign assets (US\$b)	-47.7	-35.0	-54.6	-82.0	-110.5	-127.8	-109.0
Foreign assets (US\$b)	75.1	64.4	65.7	66.0	63.9	69.1	74.7
Foreign liabilities (US\$b)	122.8	99.4	120.3	147.9	174.5	197.0	183.7
Hydrocarbon exports/total exports	83.5	84.5	86.4	86.2	91.5	86.1	87.8
<b>Financial sector indicators</b>							
Foreign currency deposits/total deposits	25.6	37.3	36.1	27.9	28.2	29.8	36.4
Net domestic credit (percent change)	3.7	6.6	9.8	17.3	10.4	9.6	7.7
Private sector credit (percent change)	6.5	6.4	13.0	19.5	8.3	9.5	7.4
Net domestic credit/GDP	109.6	110.0	106.1	129.3	174.4	153.5	125.7
Private credit/total assets of banks	35.6	35.1	38.2	41.7	41.6	42.0	43.2
<b>Market assessment/financial market indicators</b>							
Stock market index (end of period)	10436.8	8523.4	10299.0	10425.5	10436.0	11625.8	10681.1
Moody's investor services 2/	Aa2	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3
Standard and Poor's 2/	AA	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/ Long-term foreign currency rating.

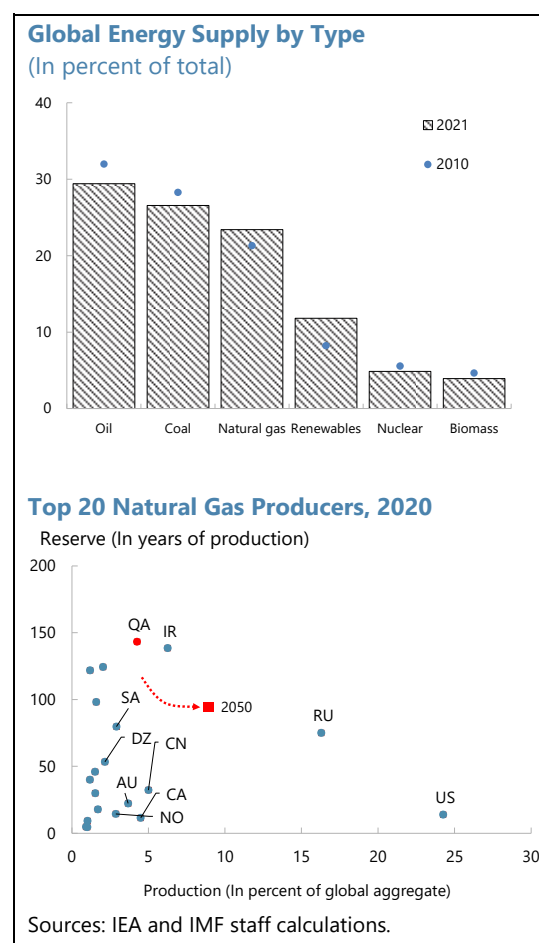
## Annex I. Qatar's Natural Gas: Global Positioning and Prospects

*Qatar is one of the several dominant producers of natural gas, which has gained more importance in global energy supply over the last decade. Qatar stands out with its large natural gas reserves, focus on liquefied natural gas (LNG) production, relatively diversified export destinations and proven reliability. Qatar's LNG contracts are mostly of long maturities and indexed to oil prices. While the outlook of the global natural gas market is subject to uncertainty, especially under the ongoing energy transition, several factors could help mitigate the potential impact on Qatar.*

**1. Natural gas, dominated by a few producers including Qatar, has gained more importance in global energy supply over the last decade.** By 2021, oil and coal remained the two largest sources of energy, but their shares in total fell by 2–3 ppts each from 2010 amid global energy transition. By contrast, natural gas's share rose by 2 ppts to 23 percent of total energy supply, and renewables up by 4 ppts to 12 percent. The U.S. was the largest natural gas producer, representing 23 percent of total in 2021, with Russia producing somewhat below 20 percent of total. Iran, China, Canada, Qatar, Australia, and Norway represented 3–5 percent of total each.

**2. Among key producers, Qatar stands out with its large natural gas reserves.** Endowed with 13 percent of the world's total reserves, Qatar is the third largest in terms of reserve volume and is able to sustain the current pace of production for the longest horizon—by 2050, for example, Qatar may still have century-long reserves while some producers already deplete reserves.

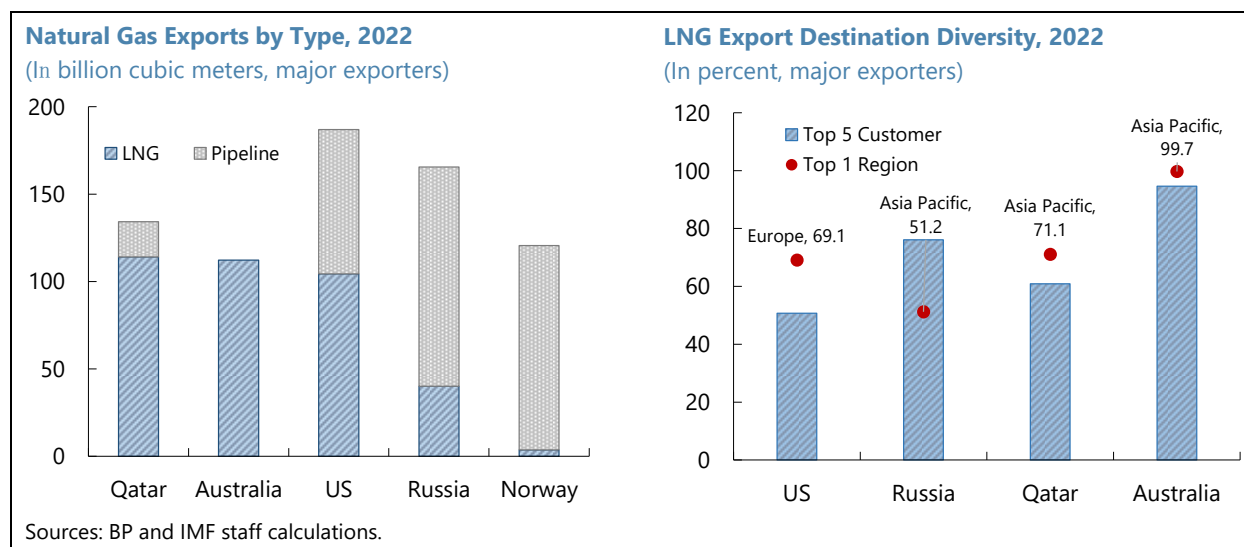
**3. Qatar is one of the largest exporters of Liquefied National Gas (LNG).** Around 85 percent of Qatar's natural gas export is LNG.<sup>1</sup> At its peak, Qatar accounted for one-third of global LNG exports. Qatar's share has gradually declined, primarily owing to swift expansions in the U.S. and Australia, to around one-fifth of global LNG exports in 2022. However, state-owned QatarEnergy, through its subsidiaries QatarEnergy LNG (previously Qatar Gas) and RasGas, is developing the offshore North Field (NF), where almost all of the nation's gas reserves are located.



<sup>1</sup> Through the Dolphin Gas project, the UAE receives pipeline gas that accounts for 15 percent of Qatar's total gas exports in 2022 (source: BP). As the UAE increases natural gas self-sufficiency, Qatar's reliance on LNG exports may increase.

The ongoing NF expansion project is expected to increase Qatar’s LNG production capacity by around 65 percent by 2028.

**4. Qatar has more diversified LNG export destinations than its main competitors.** Its largest five customers represent around 60 percent of the nation’s total LNG exports, less than the shares for its primary competitors, Russia and Australia. Asian countries represent over 70 percent of Qatar’s total LNG exports (China, India, Korea, and Japan).



**5. Qatar is a highly reliable supplier thanks to its significant control over the export value chain.** Qatar’s strategic integration of LNG carriers, in-house shipyard, and maritime services has been crucial in ensuring a reliable supply to its clients and mitigating the impact of volatile shipping costs in times of market turbulence. Nakilat, Qatar’s natural gas transport company, manages the world’s largest LNG shipping fleet by capacity. To support its upcoming LNG expansion, Qatar is poised to initiate another substantial phase of fleet expansion. QatarEnergy has reportedly reserved construction slots with all major Korean shipyards, with the intent to grow the fleet to over 100 carriers.

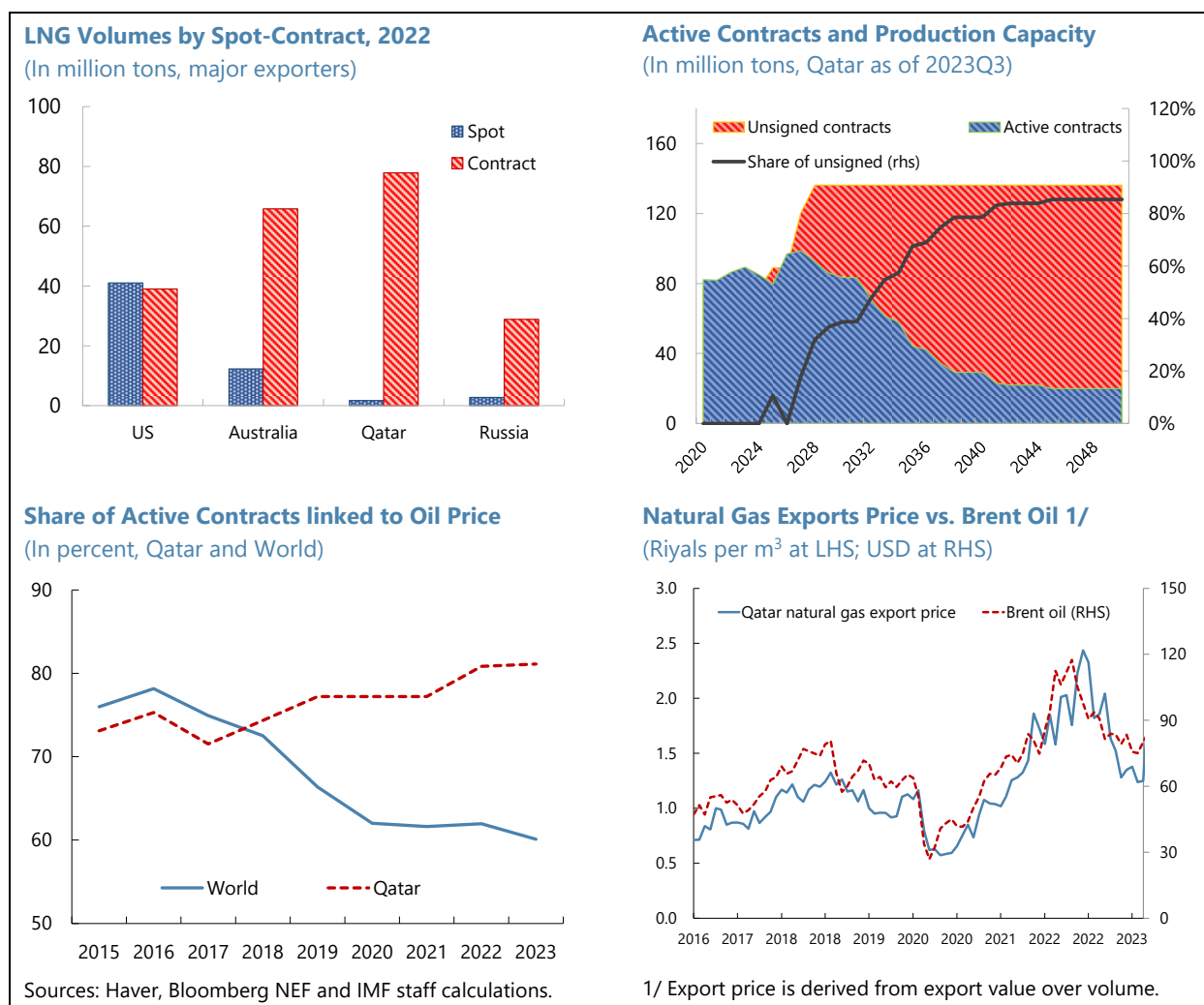
**6. Qatar’s LNG contracts are mostly long-term and indexed to oil prices.**

- Qatar predominantly relies on contract-based LNG delivery due to historical pricing model, energy security for highly LNG-dependent Asian customers, and revenue assurance for Qatar to cover significant upfront investment. In contrast, the U.S. allocates over half of its volume as spot deliveries. Amid heightened concerns of energy security risks, the average duration of contracts signed globally has increased from a low of



12 years in 2020 to 18 years in 2022. Qatar’s contract duration has further lengthened to 20 years in the first half of 2023.

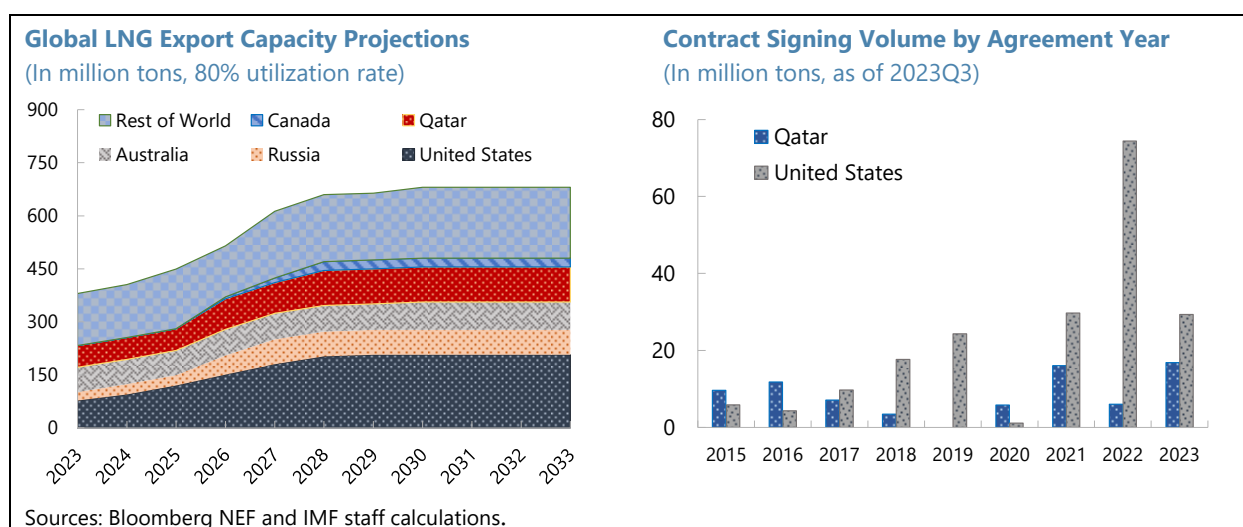
- A substantial number of Qatar’s contracts are due to expire over the next decade. Approximately 66 million tons of LNG will see their contracts end during 2024–34. As an illustration, without new contracts, the unsigned LNG volume will account for around 50 percent of the total production volume by 2030.<sup>2</sup>
- As of 2023, around 80 percent of Qatar’s active contracts with disclosed indexation was tied to crude oil prices, compared to around 60 percent globally. As a result, Qatar’s natural gas export prices are closely correlated with crude oil prices with a lag. The global shift from short-term to extended-duration contracts align with Qatar’s inclination to lock in long-term demand in advance.



<sup>2</sup> The trend of sales volume shifting towards spot & short-term contract has also reversed in recent years. Their share within LNG trade declined from its highest, 40 percent, in 2020 to 35 percent in 2022. This is in the backdrop of spot & short-term volume rising from less than 20 percent in 2010.

## 7. Looking ahead, as Qatar is expanding its LNG production, the outlook of the global natural gas market is subject to uncertainty.

As Qatar moves ahead with its domestic LNG production expansion, it is also increasingly active in expanding exploration and investment in natural gas-related assets overseas. Notably, the Golden Pass Export Project in the U.S., 70 percent owned by QatarEnergy, is expected to have a full export capacity of approximately 16 mtpa of LNG by 2026, with the first LNG train operational by 2024. Globally, LNG export capacity will increase from 500 MTPA to around 700-900 MTPA by 2030,<sup>3</sup> driven by the U.S., Qatar, and Russia. Meanwhile, demand for natural gas, in particular LNG, is subject to elevated, two-sided uncertainty. With the war in Ukraine and severe energy security concerns, Europe is shifting from pipeline to LNG with higher LNG demand from new suppliers, such as Qatar, expected over the medium term. Also, as the cleanest fossil fuel, natural gas will likely play an important role during the energy transition (it has been defined as green energy by the EU), including as back-up energy for renewables. These would suggest that natural gas stay as a key component of the energy mix in the foreseeable future. On the other hand, the elevated costs and price volatility of LNG relative to other fuels<sup>4</sup>, the uncertain growth paths and hence energy demand from emerging economies and the global momentum toward carbon-neutrality by mid-century could lead to declining LNG demand.



**8. A few factors could mitigate the impact of uncertain global energy transition on Qatar over the medium term.** First, Qatar's LNG-focused export structure bodes well with the potential global shift away from high-emission fossil fuels, especially to LNG, as a first step of energy transition. The share of global LNG trade surpassed that of global pipeline trade in 2022, and some analysts anticipate that it will reach 60 percent in 2030. Second, Qatar has cost advantages, especially in large natural gas fields, allowing it to be more competitive than many other producers.

<sup>3</sup> This range reflects the uncertainty of project status. Using stricter estimation criteria, which only includes projects that are post-FID (financial investment decision) and pre-FID with target FID date, and assuming an 80 percent utilization rate, the medium-term supply would be close to 700 MTPA. If pre-FID projects are also included, the capacity is expected to increase to around 900 MTPA.

<sup>4</sup> For example, thermal coal prices have historically traded in a lower range than LNG, and exhibit less price volatility, especially following the Ukraine War, many countries switched to coal as an alternative.

Third, Qatar is a highly reliable supplier thanks to its significant control over the export value chain. Fourth, Qatar has stepped up in securing more long-term demand in response to the impending wave of contracts expirations. In the past three years, Qatar has signed agreements averaged to 12.9 million tons per year. In comparison, during 2024–34, an average of 6 MTPA will expire each year. At the current pace of signing, Qatar is on track to renegotiate the expired volumes and accommodate the additional volumes expected between 2025 and 2028. Finally, Qatar is investing including in carbon capture and storage as a climate-sensitive supplier.



## Annex II. External Debt Sustainability Analysis

**1. While Qatar’s gross external debt remains sizable, it is projected to decline over the medium-term** (Table 1). Gross external debt declined from 161.4 percent of GDP at end-2021 to 116 percent of GDP at end-2022—of which public debt accounts for 24.4 percent of GDP. This reduction of 45.4 ppts reflects large debt repayments, a favorable current account surplus and automatic debt dynamics, where the interest rate-growth differential serves to reduce debt. Gross external debt is projected to gradually fall to nearly 92.6 percent of GDP in 2028.

**2. Large external assets provide a buffer.** Absent official data, sovereign external assets are not incorporated in the debt sustainability exercise. However, external assets of the QIA are estimated at 177.2 percent of GDP and those of the banking sector 31.6 percent of GDP in 2022. Such sizable assets would be able to mitigate potential risks posed by gross external liabilities, as Qatar holds a large positive net external position.

**3. Standard stress tests show the strongest impact from a non-interest current account shock** (Figure 1). The impact of adverse shocks on the external debt is estimated as follows:

- *An interest rate shock*, which increases the average nominal external interest rate by 37.5 basis points over 2023–28 on average relative to the baseline, would increase external debt by 2.2 percent of GDP by 2028.
- *A negative growth shock*, which lowers real GDP growth by 1.5 ppts on average over 2023–28, would raise external debt by about 9.2 percent of GDP by 2028 compared to the baseline.
- *A negative non-interest current account shock*, which worsens the current account by 6.2 ppts of GDP on average over 2023–28, would increase external debt by about 35.6 percent of GDP by 2028 relative to the baseline.
- *A real depreciation shock of the exchange rate*—a one-time real depreciation of 30 percent in 2023—would raise external debt by about 10.9 percent of GDP by 2028.

**Table AII.1. Qatar: External Debt Sustainability Framework, 2018–28**  
(In percent of GDP, unless otherwise indicated)

	Actual					Projections						Debt-stabilizing non-interest current account 6/ 15.0
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
<b>Baseline: External debt</b>	108.1	137.6	187.0	161.4	116.0	<b>112.7</b>	<b>107.3</b>	<b>104.1</b>	<b>98.8</b>	<b>93.9</b>	<b>92.6</b>	
Change in external debt	4.9	29.4	49.5	-25.6	-45.4	-3.3	-5.4	-3.2	-5.2	-4.9	-1.3	
Identified external debt-creating flows (4+8+9)	-24.7	-2.3	28.9	-52.1	-66.3	-21.2	-18.8	-15.1	-17.9	-20.1	-15.2	
Current account deficit, excluding interest payments	-10.5	-3.6	1.7	-15.5	-29.5	-22.6	-20.6	-16.5	-14.9	-15.7	-15.0	
Deficit in balance of goods and services	-20.0	-14.3	-8.2	-24.7	-36.9	-26.3	-23.7	-20.3	-19.9	-21.0	-19.5	
Exports	55.9	52.2	49.1	58.7	68.4	58.5	56.4	53.7	53.6	54.9	54.2	
Imports	35.9	37.9	40.9	34.1	31.5	32.2	32.7	33.4	33.7	33.9	34.7	
Net non-debt creating capital inflows (negative)	-3.1	-4.1	-3.6	-0.7	-1.0	-1.7	-1.0	-0.5	-0.2	-0.1	0.0	
Automatic debt dynamics 1/	-11.1	5.4	30.8	-35.9	-35.9	3.2	2.8	1.9	-2.8	-4.3	-0.2	
Contribution from nominal interest rate	1.5	1.1	0.3	0.8	2.8	5.0	4.9	3.9	3.0	2.7	2.9	
Contribution from real GDP growth	-1.1	-0.8	6.0	-2.4	-5.2	-1.8	-2.0	-2.1	-5.7	-7.0	-3.1	
Contribution from price and exchange rate changes 2/	-11.4	5.0	24.5	-34.3	-33.5	...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	29.6	31.7	20.6	26.5	20.9	17.8	13.4	11.9	12.7	15.2	13.8	
External debt-to-exports ratio (in percent)	193.3	263.6	380.8	274.9	169.5	192.7	190.0	193.7	184.3	171.1	170.9	
<b>Gross external financing need (in billions of US dollars) 4/</b>	87.7	192.4	202.2	173.3	137.5	160.0	164.0	171.4	171.8	167.3	168.8	
in percent of GDP	47.8	109.1	140.0	96.4	58.2	68.2	67.2	67.8	63.7	57.7	56.0	
<b>Scenario with key variables at their historical averages 5/</b>						<b>113.6</b>	<b>111.8</b>	<b>107.7</b>	<b>104.1</b>	<b>102.4</b>	<b>100.1</b>	<b>-4.5</b>
<b>Key Macroeconomic Assumptions Underlying Baseline</b>												
Nominal GDP (US dollars)	183.3	176.4	144.4	179.7	236.3	234.5	244.0	252.7	269.9	289.8	301.6	
Real GDP growth (in percent)	1.2	0.7	-3.6	1.6	4.2	2.1	3.0	1.6	1.9	2.0	5.9	7.6
GDP deflator in US dollars (change in percent)	12.4	-4.5	-15.1	22.5	26.2	2.3	15.7	-2.3	2.1	1.5	0.9	-0.2
Nominal external interest rate (in percent)	1.6	1.0	0.2	0.6	2.3	1.5	0.7	4.3	4.5	3.8	3.1	2.9
Growth of exports (US dollar terms, in percent)	20.4	-10.3	-22.9	48.8	53.2	4.9	29.7	-15.2	0.5	-1.4	6.6	9.9
Growth of imports (US dollar terms, in percent)	5.8	1.5	-11.5	3.6	21.8	3.5	9.3	1.2	5.9	5.7	7.9	7.9
Current account balance, excluding interest payments	10.5	3.6	-1.7	15.5	29.5	12.6	12.5	22.6	20.6	16.5	14.9	15.7
Net non-debt creating capital inflows	3.1	4.1	3.6	0.7	1.0	1.6	1.4	1.7	1.0	0.5	0.2	0.1

1/ Derived as  $[r - g - r(1+g) + ea(1+r)] / (1+g+gr)$  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  $[-r(1+g) + ea(1+r)] / (1+g+gr)$  times previous period debt stock.  $r$  increases with an appreciating domestic currency ( $e > 0$ ) and rising inflation (based on GDP deflator).

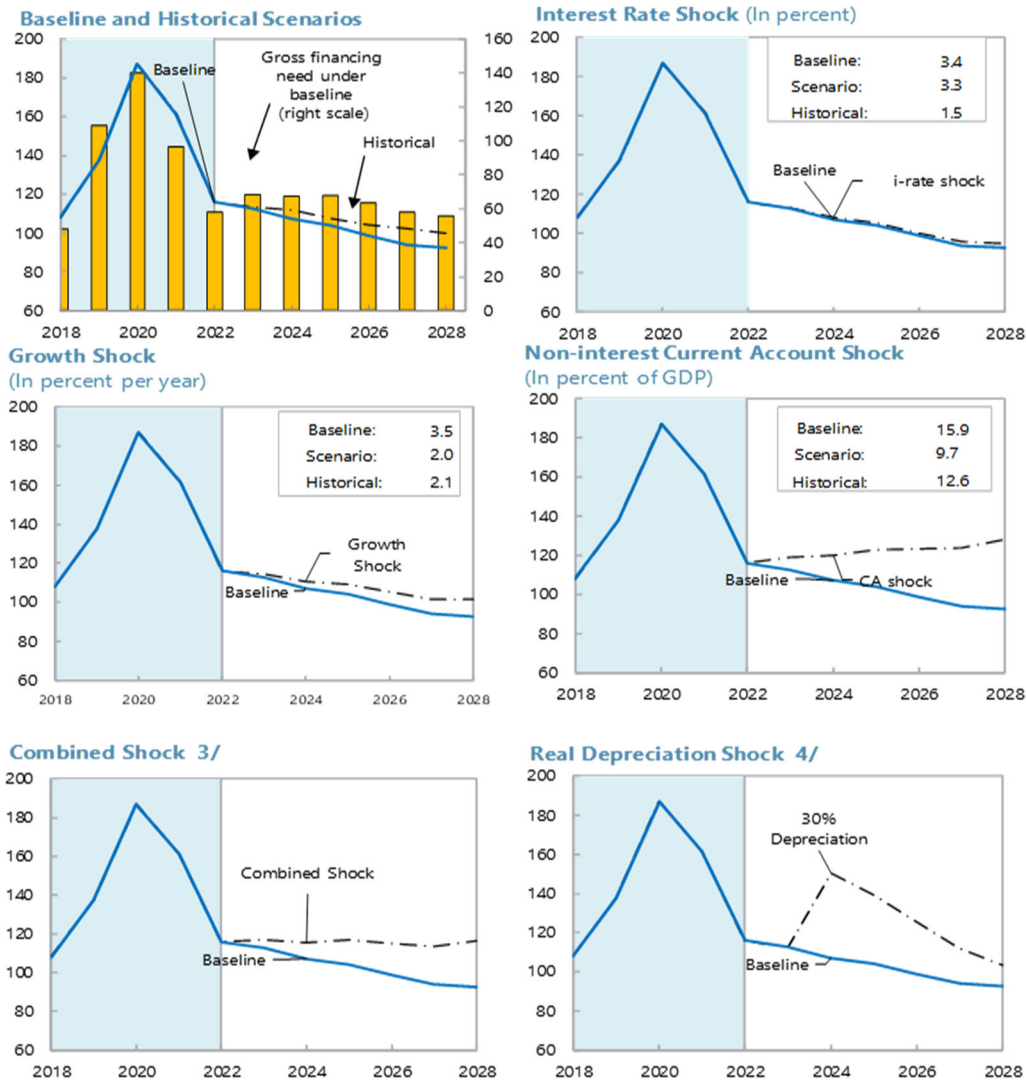
3/ For projection, line includes the impact of price and exchange rate changes.

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.

**Figure All.1. Qatar: External Debt Sustainability, 2018–28** <sup>1/2/</sup>  
 (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/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.

4/ One-time real depreciation of 30 percent occurs in 2023.

## Annex III. External Sector Assessment

**Overall Assessment:** Qatar's external position continued to improve in 2022 and was assessed to be substantially stronger than the level implied by medium-term fundamentals and desirable policies. Surging hydrocarbon prices and hence hydrocarbon exports, exceptional World Cup-induced tourism and continued fiscal discipline served to improve the external position in 2022. As hydrocarbon prices declined in 2023, the current account surplus narrowed in 2023H1. The external position in 2023 is thus expected to be more aligned with the level implied by medium-term fundamentals and desirable policies.

**Potential Policy Responses:** With the projected normalization of hydrocarbon prices over the medium term, the gap is expected to diminish. Structural reforms to enhance productivity and competitiveness, as envisaged under the upcoming NDS3 and the QNV 2030, would support the transition toward private sector-led growth and promote private investment. Fiscal prudence should be preserved, with revenue diversification accelerated toward more non-hydrocarbon sources, and spending reoriented to support the reform agenda. These factors will reduce the current gap and help align the external position in the medium term.

### Foreign Assets and Liabilities: Position and Trajectory

**Background.**<sup>1</sup> Reserve accumulation was modest given the dynamics in the financial account with large acquisition of assets abroad, including by the sovereign wealth fund. On the liabilities side, external debt declined from 161.4 percent of GDP at end-2021 to 116 percent of GDP at end-2022, largely due to repayments, and a reduction in net incurrence of liabilities, mostly by commercial banks, following the introduction of QCB measures (see Annex II: External DSA). Reserves as of October 2023 stood at US\$51 billion, with an increase in 2023 of about US\$3.5 billion.

**Assessment.** On the asset side, reserves are assessed to be adequate considering QIA assets which are estimated to have reached 177.2 percent of GDP at end-2022, and together with QCB reserves, 197.3 percent of GDP. On the liabilities side, the authorities have reined in public debt and commercial banks reduced their non-resident deposits, which are reflected in the external debt stock.

2022 (% GDP)	NIIP: NA	Gross Assets: NA	QCB Res. Assets: 47.4	Gross Liab.: NA	Debt Liab.: 116
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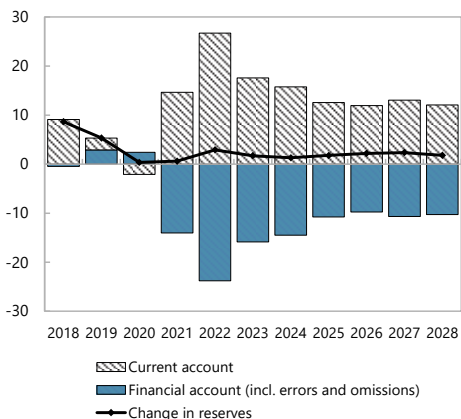
### Current Account

**Background.** Higher hydrocarbon prices improved the current account surplus to a 9-year high of 26.7 percent of GDP in 2022. Higher exports—primarily from hydrocarbon exports but also from exceptionally strong tourism related to the World Cup—continued to surpass the strong import growth and large remittance outflows. In 2023H1, the current account continued to register a sizeable surplus (US\$20.3 billion). Hydrocarbon exports, albeit still strong, declined from their 2022 peaks, and imports were also lower amid the growth normalization. The current account surplus is thus expected to abate to 17.6 percent of GDP in 2023, and around 10 percent of GDP in the medium-term, buoyed by the LNG production expansion in the North Field and elevated hydrocarbon prices (although gradually declining).

<sup>1</sup> The authorities do not produce comprehensive IIP data.

**Assessment.** Staff assesses the 2022 external position to be substantially stronger than the level implied by fundamentals and desirable policies—largely attributable to sharp increases in hydrocarbon prices and hence strong hydrocarbon exports. While the External Balance Assessment (EBA-Lite) regression model suggests a positive CA gap (8.1 percent of GDP), the REER regression model suggests a negative CA gap (4.1 percent of GDP) based on an elasticity of 0.3 (see text table)—staff assessment relies on the current account approach as the REER approach was deemed less relevant with the currency peg. Qatar’s reliance on hydrocarbons complicates the application of standard external assessment methodologies, given the wide swings of hydrocarbon prices between 2020 and 2022. Hydrocarbon prices increased substantially in 2022, in part due to the war in Ukraine, thus rendering a large surplus. This increase is partially captured in the cyclical adjustment component (4.9 percent of GDP). As the current account surplus is expected to moderate in 2023, along with lower hydrocarbon prices (relative to the 2022 levels), the CA gap is projected to narrow, allowing the external position to be more aligned with the level implied by fundamentals and desirable policies.

**Current and Financial Account Balances**  
(In percent of GDP)



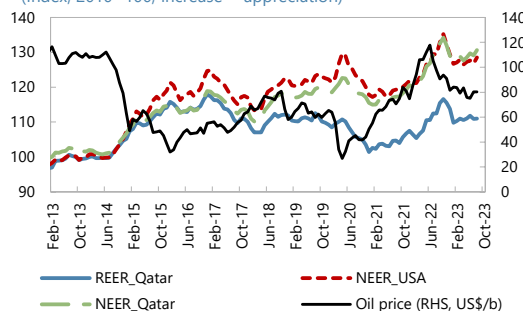
Qatar: Model Estimates for 2022 (in percent of GDP)		
	CA model	REER model
<b>CA-Actual</b>	<b>26.7</b>	<b>26.7</b>
Cyclical contributions (from model) (-)	4.9	
Natural disasters and conflicts (-)	0.0	
<b>Adjusted CA</b>	<b>21.8</b>	
<b>CA Norm (from model) 1/</b>	<b>13.6</b>	
Adjustments to the norm (+)	0.0	
<b>Adjusted CA Norm</b>	<b>13.6</b>	
<b>CA Gap</b>	<b>8.1</b>	<b>-4.1</b>
o/w Relative policy gap	6.2	
Elasticity	-0.3	
<b>REER Gap (in percent, + overvaluation)</b>	<b>-23.6</b>	<b>11.9</b>

1/ Cyclically adjusted, including multilateral consistency adjustments.

### Real Exchange Rate

**Background.** The Riyal has been pegged to the U.S. dollar at 3.64 since July 2001. The real effective exchange rate (REER) appreciated gradually in 2022. The nominal effective exchange rate (NEER) at end-2022 appreciated by 7 percent since end-2021, with a slight depreciation in the last quarter of 2022. The NEER appreciation was mainly driven by the appreciation of the US dollar versus third currencies and with inflation less than in its trading partners, Qatar’s REER appreciation was less than that of its NEER. As of October 2023, the REER was 1.1 percent above that observed in 2022.

**NEER, REER and Oil Prices, 2013-2023**  
(Index, 2010=100, increase = appreciation)



**Assessment.** With heavy reliance on hydrocarbon exports priced in U.S. dollars and elastic supply of expatriate labor, the impact of the REER movements on competitiveness remains limited. The EBA-lite REER model suggests an overvaluation of 11.9 percent. Consistent with the estimated CA gap and based on an elasticity of 0.3, staff assesses the REER to be undervalued by 23.6 percent.

## Capital and Financial Accounts: Flows and Policy Measures

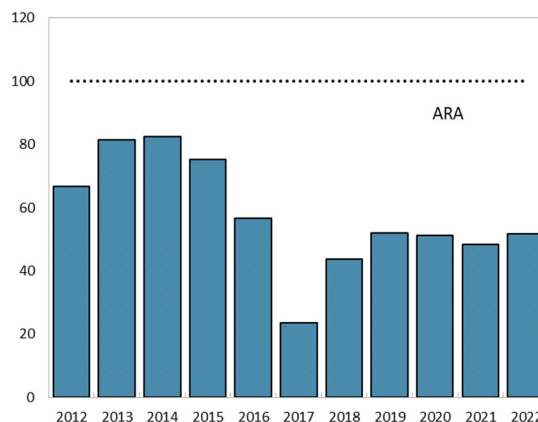
**Background.** The capital and financial account deteriorated in 2022. The increase in net portfolio outflows (totaling 5 percent of GDP)—driven mainly by the resumption of portfolio investments abroad (4.5 percent of GDP) and the reversal of inward portfolio flows (0.5 percent of GDP)—was compounded by a large acquisition of assets abroad as well as a reduction in net incurrence of liabilities, mostly by commercial banks, following the introduction of QCB measures. A similar trend continued into 2023, with 2023H1 suggesting outflows, including portfolio investment abroad.

**Assessment.** A lack of detailed information on the nature of financial flows in Qatar complicates analysis of its financial account. The strong reserves position, including QIA’s estimated sizable assets, limits risks and vulnerabilities to capital flows. Declines in commercial banks’ exposure to foreign liabilities have also reduced risks in an environment of higher external funding cost.

## FX Intervention and Reserves Level

**Background.** The high current account surplus only translated into a muted increase in reserves in 2022 of US\$6.9 billion to reach US\$47.4 billion (20 percent of GDP, 7.5 months of prospective imports, 24.1 percent of broad money, and 172.9 percent of short-term external debt) or equivalent to an estimated 52 percent of the IMF’s reserve adequacy metric (ARA), up from 49 percent in 2021.<sup>2</sup> Much of the current account surplus was estimated to have been invested by the QIA overseas. In 2023H1, the reserve accumulation has also been more modest than the current account surplus of US\$20.3 billion, again attributable to the dynamics in the financial account indicative of portfolio investment abroad.

Foreign Reserves as a Percentage of the ARA Metric (Percent)



**Assessment.** Qatar’s “overall” FX reserves remained adequate in 2022. QCB reserves are complemented by large foreign assets held by the QIA that are estimated to have reached 176.9 percent of GDP at end-2022. Together they account for 508 percent of the ARA metric, significantly above the 100 percent adequacy benchmark.

<sup>2</sup> The ARA is a composite metric that measures the adequacy of precautionary reserves. It is based on the relative risk weights for each source of foreign exchange drain drawing on the 10th percentile of observed outflows from Emerging Markets (EMs) during exchange market pressure episodes. Reserves in the range of 100-150 percent of the composite metric are considered broadly adequate for precautionary purposes.

Annex IV. Risk Assessment Matrix<sup>1</sup>

Source of Risk and Likelihood	Expected Impact if Risk is Realized	Policy Response
<b>Global Risks (Conjunctural)</b>		
<b>High</b>	<b>Medium</b>	
<b>Intensification of regional conflict(s).</b> Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, FDI and financial flows, and payment systems, and lead to refugee flows.	The impact would depend on the nature of the event. If the shock translates into higher global oil prices, the impact will be positive for Qatar. This effect could however be offset by weaker investor confidence and disruptions to supply, trade, and capital flows. The Al-Ula reconciliation declaration has reduced political tensions in the GCC.	The needed policy response would depend on the nature of the shock. Qatar has fiscal space to respond to a negative shock. The central bank should provide adequate liquidity in the banking system if needed. Continue to closely monitor financial institutions.
<b>High</b>	<b>High</b>	
<b>Commodity price volatility.</b> A succession of supply disruptions (e.g., due to conflicts, uncertainty, and export restrictions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability.	Qatar's ongoing LNG production expansion will raise the economy's sensitivity to energy price volatility. Higher-than-projected energy prices could strengthen fiscal and external positions, and non-hydrocarbon output growth as positive private-sector confidence would boost consumption and investment. Pressures to increase public spending could rise. Lower oil prices would weaken the external and fiscal balances, and growth.	The authorities should implement a transparent medium-term fiscal and debt management framework which helps insulate public spending from oil price volatility, includes fiscal risk assessment, supports spending efficacy, and enhances fiscal policy credibility. Broadening the revenue base more toward non-hydrocarbon sources would reduce revenue sensitivity to energy price volatility. Accelerate structural reforms to advance economic diversification.
<b>Medium</b>	<b>Medium</b>	
<b>Abrupt global slowdown or recession.</b> Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation causing sudden stops in EMDEs.	Lower external demand reduces hydrocarbon export prices, weakening fiscal and external positions which are currently strong. Global financial market corrections may lead to capital outflows, increase financial stability risks, and weigh on growth.	Qatar has fiscal space to respond to a major growth slowdown. Fiscal policy should be anchored in a medium-term framework to reduce the risk of procyclicality. Continue to closely monitor banking sector developments to maintain financial stability. Accelerate structural reforms to boost economic diversification and non-hydrocarbon potential output.
<b>Medium</b>	<b>Low</b>	
<b>Monetary policy miscalibration.</b> Amid high economic uncertainty and financial sector fragility, major central banks pause monetary policy tightening or pivot to loosen policy stance prematurely, de-anchoring inflation expectations, triggering a wage-price spiral and spillovers to financial markets.	Consistent with the exchange rate peg, monetary policy in Qatar would closely follow that of the U.S. As domestic inflationary pressure remains low and growth continues to normalize from the World Cup-driven boom, the risks from de-anchoring of inflation expectations are limited.	Maintain monetary policy and liquidity management that are consistent with the currency peg. Continue to closely monitor banking sector developments to ensure financial stability.
<b>Medium</b>	<b>Low</b>	
<b>Systemic financial instability.</b> Sharp swings in real interest rates and risk premia, and asset repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing market dislocations and adverse cross-border spillovers.	Tighter global financial conditions would increase debt service and financing costs, and increase a liquidity risk for domestic banks reliant on foreign funding. Such risks are however mitigated by Qatar's large financial buffers, favorable market access, high sovereign credit ratings, and banks' lower exposure to nonresident deposits.	Maintain prudent financial sector policy and closely monitor risks and vulnerabilities related to financial institutions, including through stress tests and thematic inspections. Provide liquidity to the financial system if needed, compatible with the currency peg.
<b>Global Risks (Structural)</b>		
<b>High</b>	<b>Medium</b>	

<sup>1</sup> The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood 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, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

<p><b>Deepening geoeconomic fragmentation.</b> Broader and deeper conflict(s) and weakened international cooperation result in a more rapid reconfiguration of trade and FDI, supply disruptions, protectionism, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth.</p>	<p>Supply disruptions and higher input costs would accelerate inflation. Lower FDI would dampen output growth and the pace of economic diversification. The fiscal and external accounts would benefit if the price of and demand for the nation's natural gas strengthen.</p>	<p>Accelerate fiscal and structural reforms to boost potential non-hydrocarbon output growth, economic diversification, and private investment. Provide targeted support to the most vulnerable against higher inflation. Maintain prudent financial sector policy to ensure financial stability.</p>
<b>Medium</b>	<b>Medium</b>	
<p><b>Cyberthreats.</b> Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets ecosystems) or misuse of AI technologies trigger financial and economic instability.</p>	<p>As the nation continues to enhance its global visibility and digitalization, cyberthreats have reportedly increased significantly.</p>	<p>Qatar has expanded its capacity to contain cyberthreats by creating the National Cybersecurity Agency in 2021, which revamped the 2014 Cybersecurity Strategy, enhancing the legal framework, and coordinating with the ICT sector. Close monitoring and supervision including of the banking and payment systems should continue.</p>
<b>Medium</b>	<b>High</b>	
<p><b>Extreme climate events.</b> Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.</p>	<p>Qatar's ecosystem is highly vulnerable to climate shocks. Climate stressors have a significant impact on water, temperature, and sea level. With limited water resources and increasing temperatures, adaptation costs are likely to increase rapidly. Extreme climate events in partner countries could affect Qatar.</p>	<p>In line with Qatar National Vision 2030, continue working on various initiatives, including renewable energy, green building practices, sustainable transportation, and education and awareness campaigns. The Climate Change Action Plan identifies a number of mitigation and adaptation measures across various sectors (healthcare, biodiversity, water management and infrastructure) to ensure the implementation the National Environment and Climate Change Strategy and the achievement of key goals including 25 percent reduction in GHG emissions by 2030.</p>
<b>Domestic Risks</b>		
<b>Medium</b>	<b>Medium</b>	
<p><b>Real estate market weakness.</b> Property prices continue to decline amid oversupply, negatively affecting the banking system and the broader economy.</p>	<p>Bank asset quality could weaken, and the construction sector would come under pressure, potentially dampening credit and non-hydrocarbon output growth.</p>	<p>Leverage the ongoing effort to step up surveillance of the property sector. Monitor risks to the banking sector closely and recognize NPLs promptly. Maintain strong banking sector capital buffers, liquidity and provisioning to mitigate the impact. Qatar has fiscal space to help contain threat to macroeconomic and financial stability.</p>



## Annex V. Implementation of the 2022 Article IV Recommendations

Recommendations	Status
<b><i>Fiscal Policy</i></b>	
Uphold fiscal discipline, especially during high hydrocarbon price periods, and commit to a growth-friendly medium-term consolidation.	Broad fiscal prudence has been maintained in 2022–23 amid significant hydrocarbon windfalls, and is expected to be upheld in the 2024 budget. The authorities are committed to continued fiscal discipline over the medium term, with spending reorienting from infrastructure investment to supporting diversification through reforms.
Reduce dependence on hydrocarbon revenues by diversifying non-hydrocarbon revenue sources, which includes introducing the VAT and accelerate the implementation of the international agreement on minimum corporate income tax (CIT).	The authorities recognize the need to mobilize non-hydrocarbon revenues but prefer to introduce the VAT later when domestic and global growth is more robust. The necessary infrastructure for VAT introduction and administration are largely in place. The authorities have amended Qatar published Law No.11 of 2022 including to highlight Qatar’s commitment to introducing Global Minimum Tax. The amendments imply that measures will be introduced to achieve minimum effective tax rate of 15 percent for in-scope entities.
Streamline current expenditures with a focus on public employment and subsidy reforms, ensuring that resources are allocated to sectors that support growth.	The authorities aim to enhance wage bill efficiency by aligning the headcount with essential areas that support the economic transformation. An expenditure review program is underway to improve spending efficiency. The authorities are open to further reviewing the scope of energy subsidies.
Prioritize public investment in reforms to enhance human capital, business environment, and climate sustainability.	Investment in human capital (education and health) is a focus of the 2023 budget and a key pillar in the upcoming NDS3 and QNV 2030. The sovereign green financing framework has been published to support climate actions.
Establish an enhanced medium-term fiscal framework for better transparency and decision-making. This involves extending the fiscal timeline, introducing anchoring fiscal rules, and increasing budget transparency.	The authorities are currently working to update its medium-term budget, covering a 5-year period for the first time, to support the reform initiatives in the upcoming NDS3. Efforts are also ongoing to introduce program-based budgeting underpinned by performance-based indicators.
<b><i>Monetary and Financial Sector Policy</i></b>	
Strengthen liquidity forecasting and coordination among fiscal and monetary authorities to improve liquidity management.	The QCB has improved liquidity management through T-bill issuance. It has requested IMF technical assistance to enhance liquidity forecasting and management.
Continue with diligent banking supervision. Contain banks’ exposure to foreign liabilities and deepen the financial market to reduce vulnerabilities and enhance monetary transmission.	Authorities run banking sector stress tests and publish their results in the financial stability review. The QCB has requested IMF technical assistance to enhance bank stress testing. The QCB measures introduced in early-2022 to reduce banks’ exposure to short-term FX nonresident deposits, together with banks’ lower funding needs, have led to a significant decline in bank holdings of nonresident deposits. The QCB has more recently refined its policy measures to mitigate risks associated with banks’ short-term foreign asset-liability mismatches. A comprehensive Financial Sector Strategy was published, with plans to deepen domestic financial market.
Adopt an adequate bank resolution framework and enhanced insolvency regime, and reduce the sovereign-	D-SIBs are required to maintain a recovery plan. Most of the generic requirements under the Key Attributes for resolution plans are in place. QCB undertakes regular prudential and macro-economic assessments and can take a decision either on the modalities for temporary management

Recommendations	Status
bank nexus to ensure financial stability.	or liquidation. Recovery and resolution plan for the Islamic banks are being enhanced. The QCB has requested IMF technical assistance to strengthen the recovery and resolution regime for banks and develop a deposit insurance scheme. The QIA has set up a market-making initiative to enhance domestic trading liquidity. Credit demand from the public sector has declined as World Cup-related projects wound down and sizeable hydrocarbon revenues reduced financing needs. Broad fiscal discipline has been maintained and public debt continued to decline to below 40 percent of GDP.
Develop an adequate fintech regulatory framework and further strengthen the AML/CFT framework to support financial sector development.	Qatar has launched a Fintech Strategy in early 2023, with implementation guidelines being developed. Qatar has made significant progress on the technical compliance with the FATF Standards. Its MENA FATF AML/CFT mutual evaluation was completed in February 2023 and the associated report published in May 2023. The authorities are expected to report back to FATF with progress on improving the effectiveness of its AML/CFT framework in 2024.
<b>Structural Reforms and Statistics</b>	
Accelerate structural reforms to limit scarring from the pandemic and facilitate economic transformation. Focus on improving productivity and inclusion, enhancing private sector competitiveness, and leveraging global trends, such as digitalization and climate actions, to foster stronger and more diversified growth while addressing climate challenges	Reforms have accelerated since the pandemic, including to enhance protection and mobility of expatriate labor, streamlined residency procedures via Qatar Visa Centers, improve the business environment, promote public-private partnerships, and broaden foreign ownership provisions in business and real estate market reforms. Qatar also expanded its public pension scheme to include Qataris in the private sector in 2023 to promote private sector employment. Digitalization has continued to advance and many initiatives guided by the National Environment and Climate Change Strategy and the Climate Change Action Plan are being implemented. The upcoming NDS3 is expected to provide an ambitious reform agenda to achieve economic transformation.
Enhance macroeconomic statistics by improving data quality, coverage, and timeliness, and by strengthening the institutional framework for statistics.	The PSA is enhancing consistency in GDP statistics through new supply and use tables, refining housing item specifications, and improving data acquisition methods. Comprehensive data coverage, particularly on the International Investment Position, remains a challenge, highlighted by Qatar's absence from surveys on CPIS and CDIS.

## Annex VI. Fiscal and Debt Sustainability Assessment

Table AVI.1. Qatar: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
<b>Overall</b>	...	<b>Low</b>	The overall risk of sovereign stress is low, reflecting a low level of vulnerability in the near, medium, and long term.
<b>Near term 1/</b>			
<b>Medium term</b>	<b>Low</b>	<b>Low</b>	Medium-term risks are assessed as low consistent with the mechanical signal. The debt level is relatively low and the QIA holds substantial financial assets.
Fanchart	<b>Moderate</b>	...	
GFN	<b>Low</b>	...	
Stress test	...	...	
<b>Long term</b>	...	<b>Low</b>	Long-term risks are low supported by the QIA's large financial assets, manageable aging-related and social security expenditures, and strong natural gas reserves. As the cleanest fossil fuel, natural gas will likely play a key role for a smoother energy transition relative to fossil fuels with higher emission. Qatar's production cost is low. These together support sizeable revenues over a long term.
<b>Sustainability assessment 2/</b>	Not required for surveillance countries	Sustainable with high probability	Not applicable
<b>Debt stabilization in the baseline</b>			Yes

### DSA Summary Assessment

Commentary: Qatar is at a low overall risk of sovereign stress and debt is sustainable. Hydrocarbon prices are set to remain high and commitment to, and the recent track record of, fiscal discipline support low fiscal and debt risk. The large reserves of natural gas, cleaner than other browner fossil fuels, is likely to play a key role in a smoother energy transition, and strong financial buffers (including from the QIA) can support fiscal financing. The projected non-hydrocarbon primary balance (NHPB) is broadly consistent with the benchmark guided by the Permanent Income Hypothesis (PIH) in the long term (see the main text of the Staff Report). The authorities are in the process of producing own actuarial studies on the sustainability of the pension system.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Table AVI.2. Qatar: Debt Coverage and Disclosures

						Comments
<b>1. Debt coverage in the DSA: 1/</b>						
	CG	GG	NFPS	CPS	Other	
<b>1a. If central government, are non-central government entities insignificant?</b>						No
<b>2. Subsectors included in the chosen coverage in (1) above:</b>						
Subsectors captured in the baseline						Inclusion
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes
				2	Extra budgetary funds (EBFs)	No
				3	Social security funds (SSFs)	No
				4	State governments	No
				5	Local governments	No
				6	Public nonfinancial corporations	No
				7	Central bank	No
				8	Other public financial corporations	No
<b>3. Instrument coverage:</b>						
	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/	
<b>4. Accounting principles:</b>						
Basis of recording		Valuation of debt stock				
Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/		
<b>5. Debt consolidation across sectors:</b>						
					Consolidated	Non-consolidated
<b>Color code:</b> <span style="color: green;">■</span> chosen coverage <span style="color: red;">■</span> Missing from recommended coverage <span style="color: gray;">■</span> Not applicable						

## Reporting on Intra-government Debt Holdings

Issuer	Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
		1	Budget. central govt							
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
Total		0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.

2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.

3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.

4/ Includes accrual recording, commitment basis, due for payment, etc.

5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).

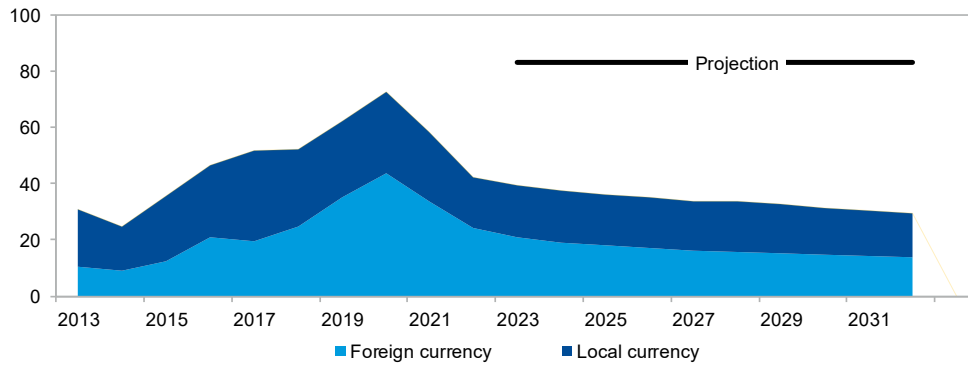
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The fiscal data cover the central government. Staff continues to encourage the authorities that the coverage be expanded to include the broader public sector and the QIA.

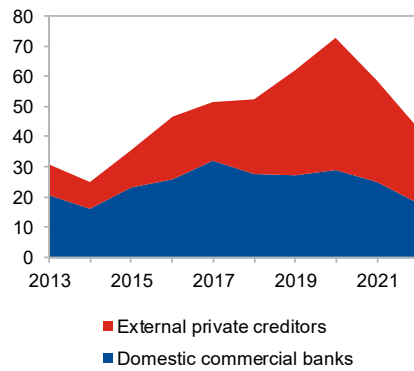
**Figure AVI.1. Qatar: Public Debt Structure Indicators**

**Debt by Currency (percent of GDP)**



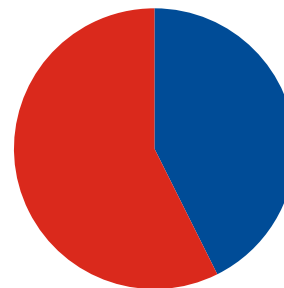
Note: The perimeter shown is central government.

**Public Debt by Holder (percent of GDP)**



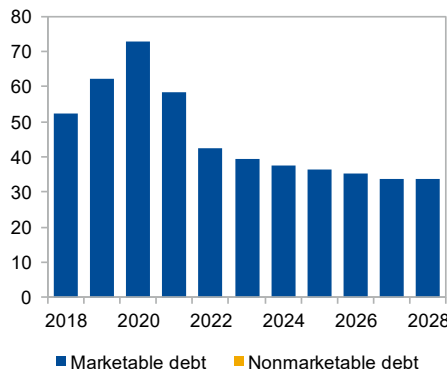
Note: The perimeter shown is central government.

**Public Debt by Governing Law, 2022 (percent)**



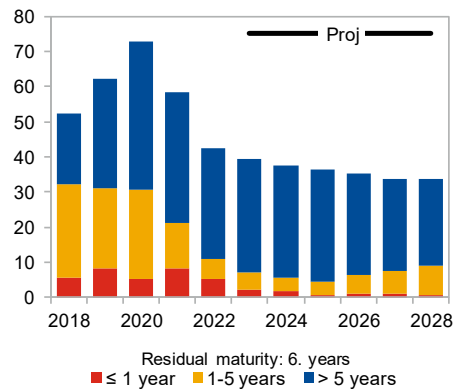
Note: The perimeter shown is central government.

**Debt by Instruments (percent of GDP)**



Note: The perimeter shown is central government.

**Public Debt by Maturity (percent of GDP)**



Note: The perimeter shown is central government.

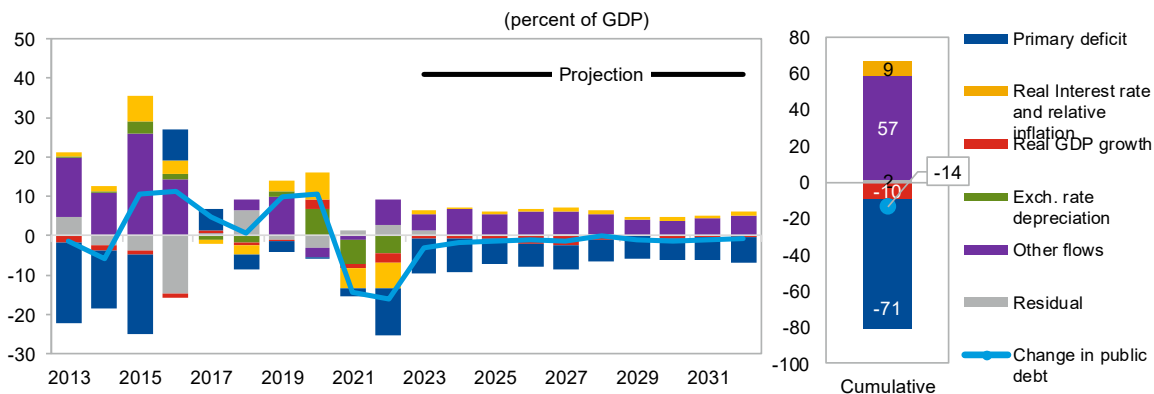
Commentary: The authorities target the debt to GDP ratio at below 40 percent, and balance the mix of local and external debt to broadly held and half, and eventually to 60/40.

Table AVI.3. Qatar: Baseline Scenario

(percent of GDP unless indicated otherwise)

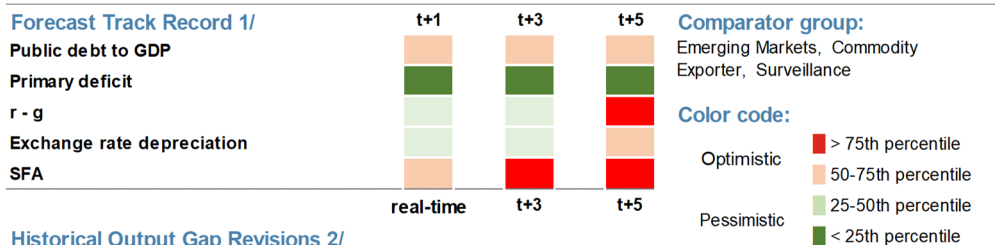
	Actual	Medium-term projection						Extended projection			
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Public debt	42.5	39.4	37.5	36.2	35.2	33.7	33.5	32.6	31.2	30.2	29.4
Change in public debt	-15.9	-3.1	-1.9	-1.3	-1.0	-1.5	-0.2	-0.9	-1.4	-1.0	-0.9
Contribution of identified flows	-18.5	-4.5	-1.9	-1.3	-1.1	-1.6	-0.4	-0.9	-1.4	-1.0	-0.8
Primary deficit	-11.9	-8.9	-8.4	-6.6	-6.0	-6.1	-5.4	-5.6	-5.3	-5.6	-6.4
Noninterest revenues	34.8	31.5	31.1	29.5	28.7	28.3	27.9	28.1	27.8	28.1	28.9
Noninterest expenditures	22.9	22.6	22.7	23.0	22.8	22.3	22.4	22.5	22.5	22.5	22.5
Automatic debt dynamics	-13.3	0.2	-0.3	-0.1	-1.2	-1.5	-0.2	0.7	0.1	0.3	0.3
Real interest rate and relative inflatio	-6.4	0.9	0.5	0.7	0.8	1.0	0.9	0.7	0.8	0.8	0.8
Real interest rate	-10.9	2.3	0.5	0.7	1.0	1.3	1.1	0.7	0.7	0.8	0.8
Relative inflation	4.6	-1.4	0.0	-0.1	-0.2	-0.3	-0.2	0.0	0.0	0.0	0.0
Real growth rate	-2.4	-0.7	-0.7	-0.7	-2.0	-2.5	-1.1	-0.1	-0.7	-0.5	-0.5
Real exchange rate	-4.6	...	...	...	...	...	...	...	...	...	...
Other identified flows	6.7	4.2	6.8	5.4	6.1	5.9	5.2	4.1	3.9	4.4	5.2
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	6.7	4.2	6.8	5.4	6.1	5.9	5.3	4.1	3.9	4.4	5.2
Contribution of residual	2.6	1.4	0.0	0.0	0.1	0.2	0.2	0.0	0.0	0.0	0.0
Gross financing needs	-5.1	-2.4	-4.9	-3.4	-4.2	-4.0	-3.0	-2.6	-1.7	-2.1	-2.7
of which: debt service	6.8	6.6	3.5	3.1	1.8	2.1	2.4	3.0	3.7	3.6	3.7
Local currency	5.2	2.1	2.2	2.2	1.3	1.7	2.0	2.6	3.3	3.2	3.3
Foreign currency	1.6	4.4	1.4	0.9	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Memo:											
Real GDP growth (percent)	4.2	1.6	1.9	2.0	5.9	7.6	3.4	0.2	2.1	1.7	1.7
Inflation (GDP deflator; percent)	26.2	-2.2	2.1	1.5	0.9	-0.2	0.6	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	31.5	-0.7	4.0	3.5	6.8	7.4	4.1	2.2	4.1	3.7	3.7
Effective interest rate (percent)	1.5	3.1	3.4	3.5	3.7	3.9	4.1	4.2	4.4	4.6	4.8

Figure AVI.2. Qatar: Contribution to Change in Public Debt

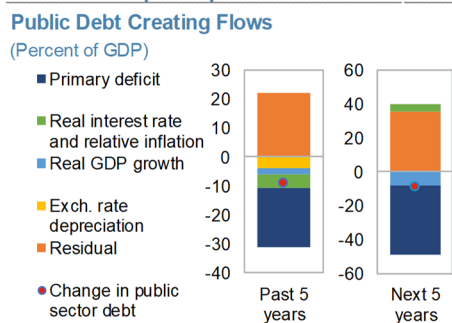


Staff commentary: The public debt ratio is projected to progressively decline reflecting sizeable primary surpluses and stable economic conditions.

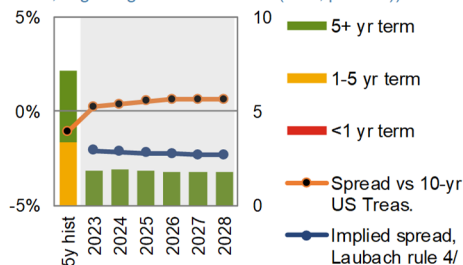
Figure AVI.3. Qatar: Realism of Baseline Assumptions



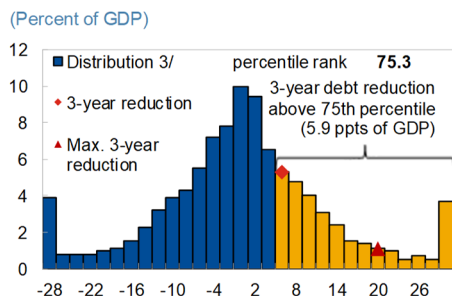
**Historical Output Gap Revisions 2/**



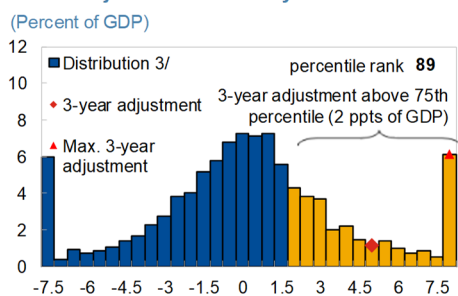
**Bond Issuances** (bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



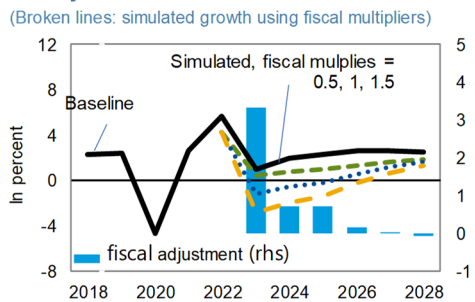
**3-Year Debt Reduction**



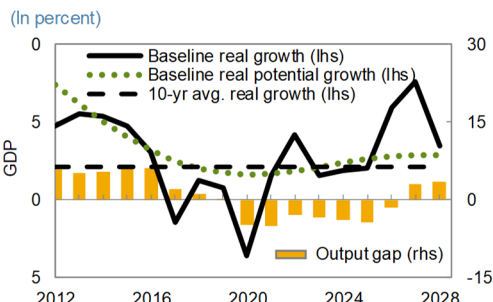
**3-Year Adjustment in Primary Balance**



**Non-hydro Real Growth: Baseline and Simulated**



**Overall Real GDP Growth**



Commentary: The realism analysis does not point to any major concerns as the adjustment proposed by the authorities is not overly optimistic and in line with historical behavior.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.



Figure AVI.4. Qatar: Medium-Term Risk Assessment

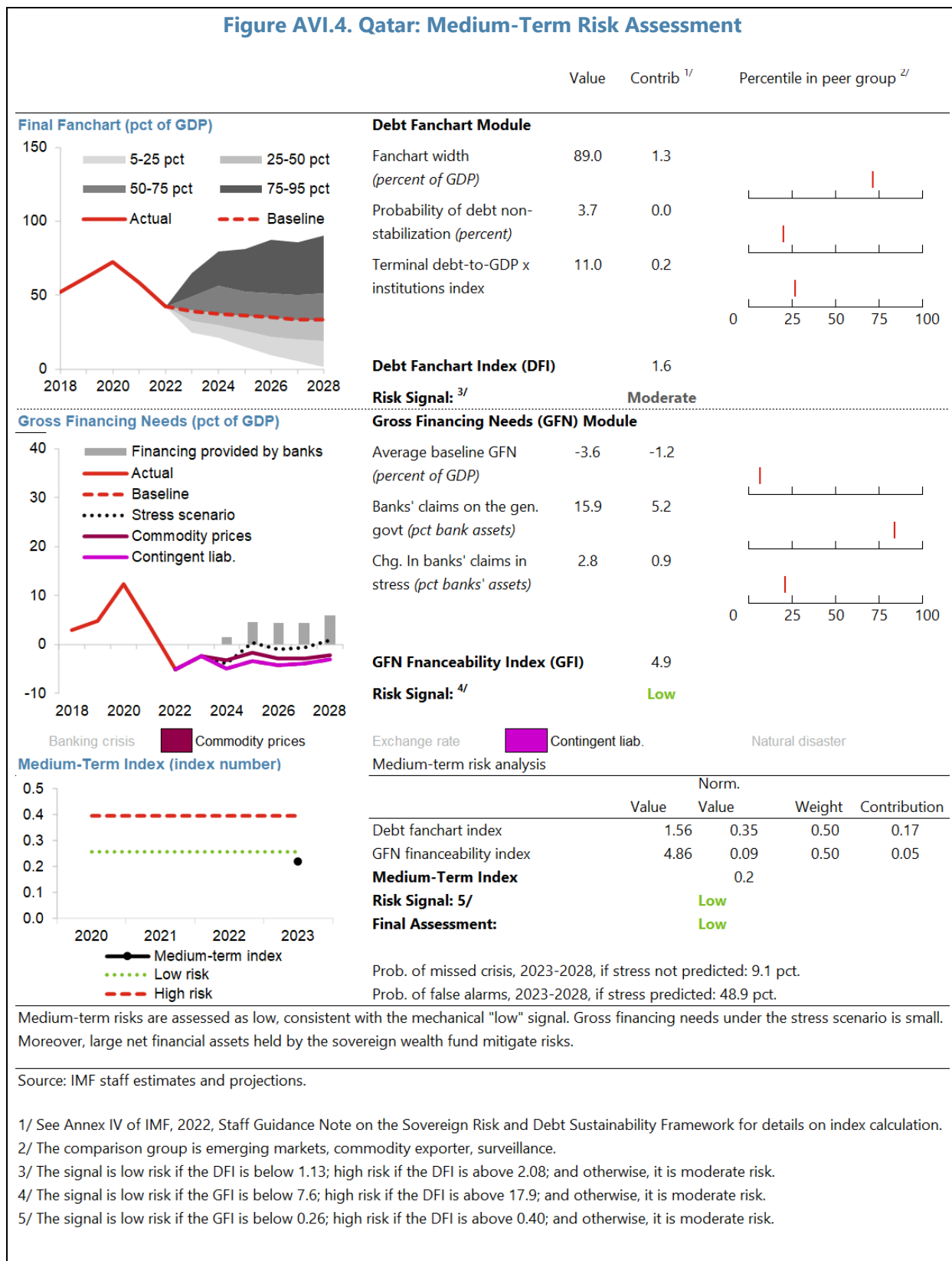


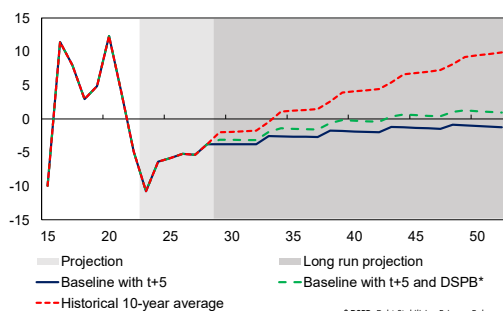
Figure AVI.5. Qatar: Long-Term Risk Assessment

Large Amortization Trigger

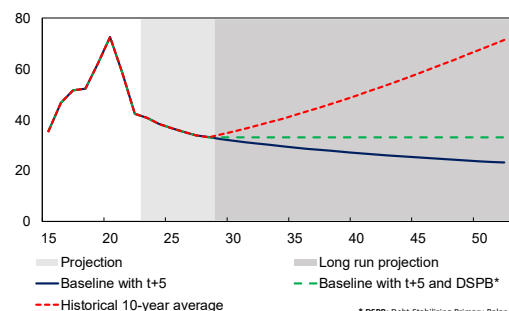
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Red
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Red
	Amortization	Red
Historical average assumptions	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Red
	Amortization	Red
<b>Overall Risk Indication</b>		Green

Alternative Baseline Long-term Projections

GFN-to-GDP Ratio



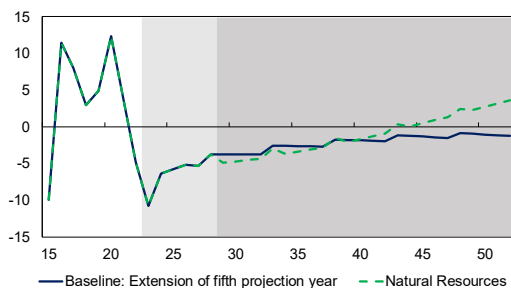
Total Public Debt-to-GDP Ratio



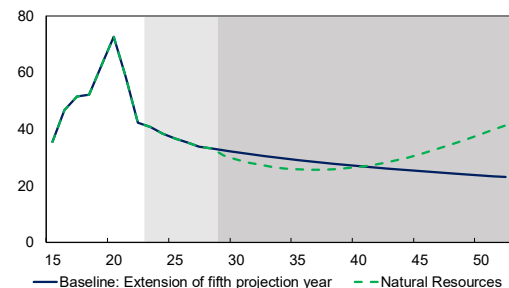
**Commentary:** Staff assesses that risks related to large amortization are low, consistent with the mechanical overall risk indication. The baseline paths suggest that the debt ratio would remain low and stable, consistent with staff's separate analysis of the PIH benchmark to ensure intergenerational equity in the long term, discussed in the main text of this Staff Report. The "Historical 10-year average" scenario includes COVID-19-related shocks and generates a notable rise in the debt ratio.

Natural Resources

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



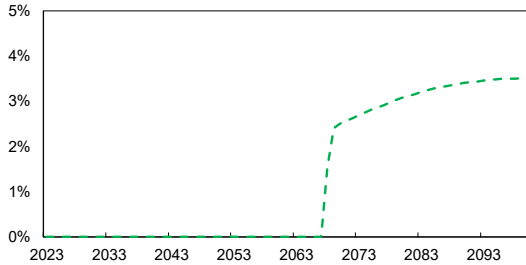
**Commentary:** Staff assesses risks from gradual reduction of large natural gas reserves as relatively low. When the pace of natural gas production is reduced relative to under the baseline, in a bid to moderate the pace of reserve reduction, would raise the debt ratio above its benchmark path (generated by mechanically extending staff's medium-term baseline into the long term) and eventually to around 40 percent of GDP in the long run.

Figure AVI.5. Qatar: Long-Term Risk Assessment (Continued)

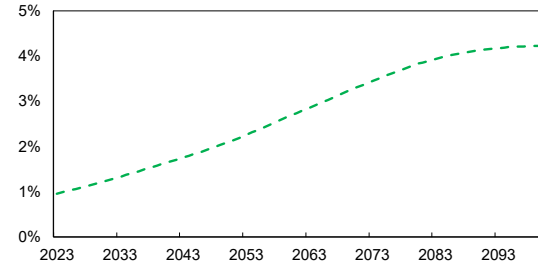
Demographics: Pension

Permanent adjustment needed in the pension system (pp of GDP per year)	To keep pension assets positive for:		
	30 years	50 years	Until 2100
	0.00%	0.27%	1.48%

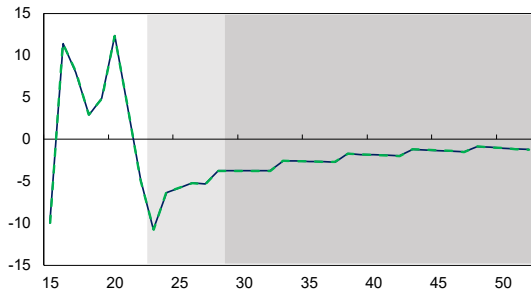
Pension Financing Needs (percent of GDP)



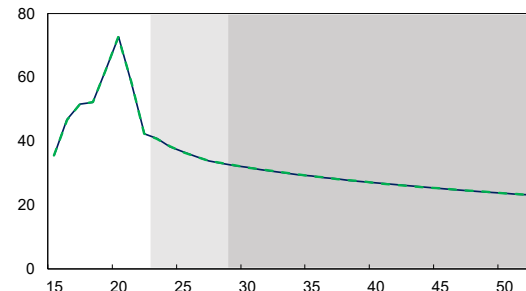
Total Benefits Paid (percent of GDP)



GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



— Baseline: Extension of fifth projection year — With pension cost increase

— Baseline: Extension of fifth projection year — With pension cost increase

**Commentary:** Staff assess that risks from pension financing needs are low. The pension system covers Qatari nationals, around a 10th of the total population in Qatar. Key revisions made in 2023 enhanced the system's sustainability (e.g., the contribution rate was increased by 6 ppts to 21 percent of salary; minimum retirement age and years of services were raised). The authorities plan to conduct and publish own sustainability study in 2024.

## Annex VII. The Impact of Renewable Investment in Qatar

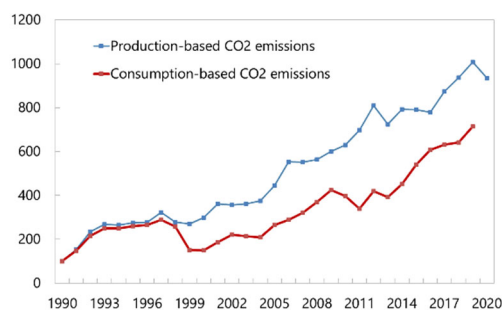
*Qatar is highly exposed to climate risks and to the uncertainty of global energy transition, given its reliance on hydrocarbon production. Qatar's National Environment and Climate Change Strategy has thus envisioned a wide range of environmental goals, including to curb Qatar's increasing greenhouse gases (GHG) emissions. To achieve the national target of reducing 25 percent of the business-as-usual GHG emission by 2030, energy subsidy reforms will play a critical role. Meanwhile, stepping up investments in renewable energy can complement subsidy reforms and accelerate progress in emission reduction and energy transition domestically. Moreover, green investment could lead to sizeable gains in growth, employment and diversification.*

**1. Qatar's economy depends significantly on hydrocarbon production with increasing greenhouse gases (GHG) emissions, while its ecosystem is highly vulnerable to climate change.** Hydrocarbon resources—dominated by liquefied natural gas (LNG)—represented 44 percent of GDP and more than 80 percent of government's revenues in 2022. Such high dependence on the hydrocarbon sector makes Qatar susceptible to the impact of global energy transition, including highly uncertain and volatile hydrocarbon prices and the ultimate decline in fossil fuel demand. In the meantime, domestic GHG emissions have been rapidly rising (Figure A7.1) and emissions per capita, while in decline, are among the highest in the world.<sup>1</sup> Climate change has also become a major threat to Qatar's ecosystem because of its geographic characteristics. Climate stressors have already been impacting adversely water, temperatures, and sea level (IMF 2022a).

**Figure A7.1. GHG Emissions**

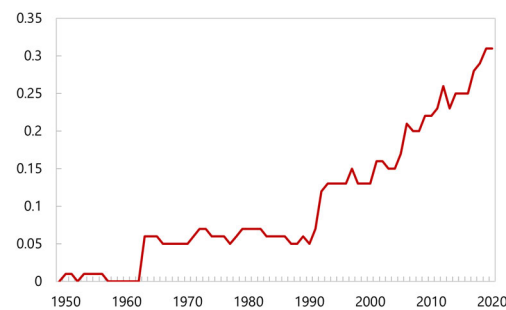
### Annual Carbon Emissions

(Index, 1990 = 100)



### Share of Global Carbon Emissions

(In percent)



Sources: Our World in Data and IMF staff calculations.

<sup>1</sup> The increasing domestic GHG emissions are related to Qatar's role as a major global natural gas producer and exporter. To the extent that Qatar's natural gas supply to the world substitutes for fossil fuels with higher emission, it could help reduce global GHG emission. Figure A7.1 abstracts from such considerations.

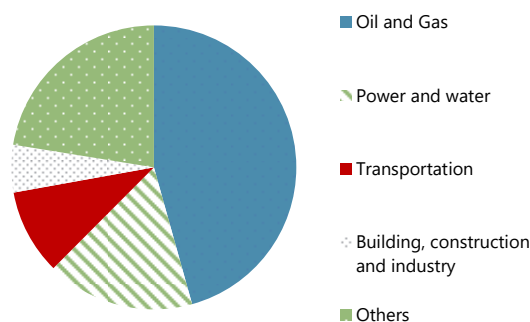
**2. Launched in 2021, Qatar’s National Environment and Climate Change Strategy (QNE) and National Climate Change Action Plan (NCCAP) set a wide range of environmental goals.**

The objectives include reducing GHG emissions and air pollution, enhancing efforts to conserve, restore and protect biodiversity, improving management of water (e.g., diminishing water waste) and land resources (e.g., prioritizing high-yield and sustainable agriculture), and enhancing critical infrastructure for sustainable waste management. In particular, Qatar’s National Determined Contributions amount to a 25 percent GHG emission reduction by 2030 compared to business as usual (BAU), which would keep emissions at a level similar to 2019.

**3. The QNE and NCCAP envision a broad set of emission reduction measures, including significant investments in solar electricity production.**

Some of the measures planned with the goal of reducing emissions include the commissioning in 2019 of the largest carbon storage facility in the region—which is expected to sequester five million tonnes (MT) CO<sub>2</sub> from LNG facilities by 2025—the drafting of the Sovereign Green Financing Framework to promote climate financing, and the development of an integrated electric transportation systems (including Doha Metro and Lusail Tram). The construction of the first 800 MW-peak solar plant is a significant step towards the goal of increasing solar electricity production to 20 percent of the total by 2030.

**Figure A7.2. Contribution to Emission Reductions by Sector compared to BAU**

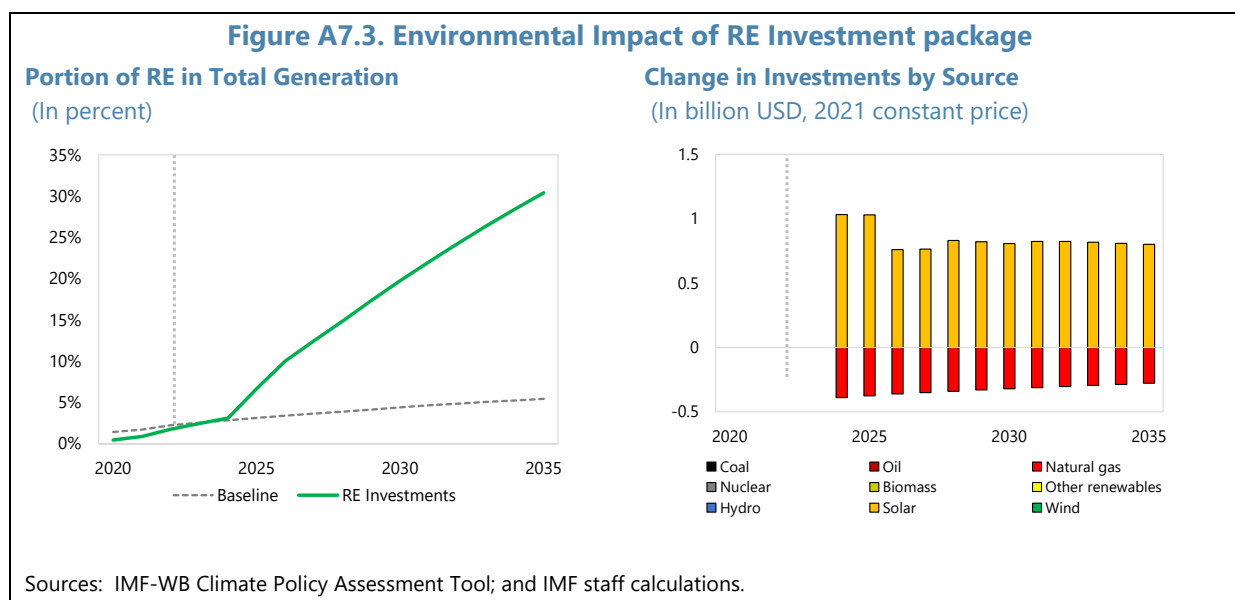


Sources: Qatari authorities and IMF staff calculations.

**4. Investments in renewable energy (RE) can complement energy subsidy reforms in achieving Qatar’s emission reduction goal.** Removing explicit fuel subsidies, especially by aligning natural gas and electricity prices with supply costs gradually over the next few years, can play a critical role to help achieve Qatar’s NDC (IMF, 2022a). In the meantime, RE investment could step up to accelerate the emission reduction progress and Qatar’s transition toward more renewables. As the power and water sector is expected to contribute to the NDC with a reduction of 6.2 MT CO<sub>2</sub> equivalent, the largest contributor from the non-hydrocarbon sector (Figure A7.2), RE Investments targeting the power and water sector will likely generate significant climate gains.

**5. In addition to the environmental benefits, RE investments can generate substantial economic benefits in terms of growth and diversification.** Green investments—such as RE production or biodiversity conservation—are an essential ingredient of growth-friendly mitigation policy mix and are also essential to increase productivity in the low-carbon part of the economy (Acemoglu and others, 2016; IMF, 2020). In fact, the economic multiplier of green investments is estimated to be in the range of 1.1–1.5, much higher than the multiplier of investments in fossil fuel energy production which is around 0.5 (Batini and others, 2021). RE investments are also helpful to diversify the economy from hydrocarbons, consistent with Qatar National Vision 2030, and can contribute to employment (IMF, 2022b).

**6. A sizeable investment package in solar energy generation over 2024–35 could reduce emission from the power and water sector by a third.** The IMF-WB Climate Policy Assessment Tool is used.<sup>2</sup> The cumulative investment cost is USD 14 billion, QR 50 billion, or 5.6 percent of 2024 GDP. It is calibrated to bring the share of renewable electricity generation to 30 percent by 2035, either through direct investment by the government or GREs to increase renewable energy production, or through subsidizing solar energy generation cost to lower it to 1 cent per kWh (Figure A7.3).<sup>3</sup> Increasing RE generation share to 30 percent by 2035, against a baseline of 5 percent, would reduce emissions by 4.5 MTCO<sub>2</sub>e. This additional reduction is equal to 70 percent of the targeted reduction for the power and water sector per QNE.

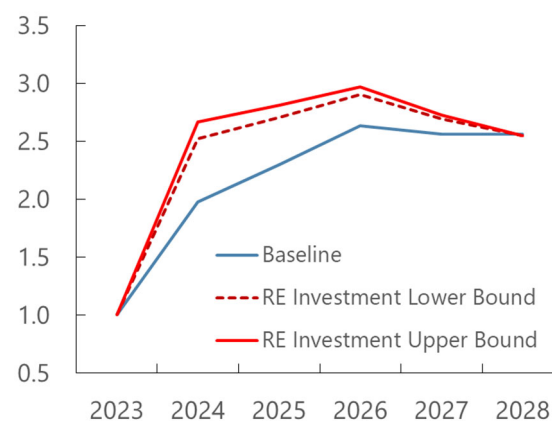


<sup>2</sup> CPAT, Black and others, 2023.

<sup>3</sup> 30 percent of energy generation from renewables is close to the frontier of solar and wind electricity generation as only ten countries have higher shares (2022 data from OurWorldinData.com). It is also consistent with the authorities' goal of 20 percent of energy from renewable sources by 2030.

**7. The same investment package is estimated to additionally generate large growth gains.** Simulations of the economic impact of the RE investments are performed in the following way. First, the total amount of investments in RE—and their pattern over time—is obtained from CPAT.<sup>4</sup> Then, the economic impact of the investments is calculated using the coefficients of the impulse response function for green spending estimated by Batini and others (2021).<sup>5</sup> the total economic impact is calculated as the size of the investments multiplied by the “green” multiplier. The investment package is estimated to increase real non-hydrocarbon GDP growth between 0.53 to 0.67 ppts in 2024 with smaller growth gains in the following years (Figure A7.4), leading to a cumulative increase in non-hydrocarbon economic activity between 20 to 50 percent larger than the invested amounts.

**Figure A7.4. Growth Impact of RE Investments on Real Non-Hydro GDP Growth**



Source: IMF staff calculations.

<sup>4</sup> The investments are approximately equally split between each year from 2024 to 2035 (Figure A7.3).

<sup>5</sup> The impact of each dollar of investment is estimated to be larger during the first year (about 40% of total impact), and then fading to zero at the fifth year.

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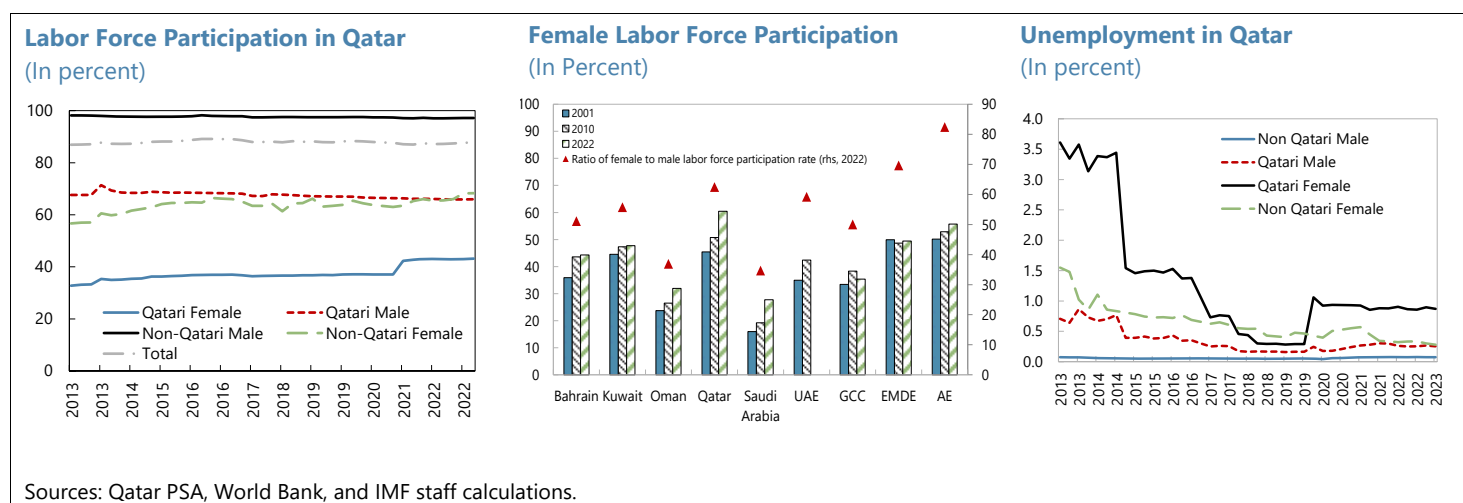
## Annex VIII. Key Structural Reforms in 2018-23

Key Laws/Regulations	Objectives
Removal of "No Objection" Certificate Requirement	Enables employees to switch employers without requiring the employer's permission.
Entry and Exit of Expatriates and their Residence	Allows expatriate workers to leave the country without requiring exit permits.
Establishment of Qatar Visa Centers (QVCs)	To simplify residency procedures for expatriate workers and facilitate necessary paperwork prior to contracted workers entering Qatar.
Amendment to Regulations on Labor Disputes	The Cabinet approved draft amendments to Qatar Financial Center (QFC) Regulation to improve the processes of the labor dispute settlement committees.
National Minimum Wage	Upward revision of the minimum wage.
Regulating the Investment of Non-Qatari Capital in Economic Activity	Permits foreign investors to invest in Qatar as majority shareholder with up to 100 percent foreign ownership.
Regulation of Non-Qataris' Ownership and Usage of Real Estate	Legislates foreign real estate investment and ownership and allows for real estate developers freehold ownership of real estate.
Property Rights	Covers the rules of expropriation of property for public benefit.
Organizing the Partnership between the Public and Private Sector	Legislates public-private partnerships.
Establishing the Investment Promotion Agency	The Ministry of Commerce and Industry (MOCI) set up the Investment Promotion Agency-Qatar to further attract inward FDI.
Establishing of the Investment Commerce Court	Establishes the Investment and Commerce Court to oversee all commercial lawsuits and disputes.
Mediation in the Settlement of Civil and Commercial Disputes	Sets out the framework for the mediation and settle commercial disputes.
Combating Money Laundering and Terrorism Financing	Establishes the regulatory framework to ensure due diligence by financial institutions (monitored by the Qatar Central Bank) to prevent money laundering and terrorism financing.
Sources: Authorities and IMF staff.	

## Annex IX. Promoting Gender Equality: Enhancing Women's Workforce in Qatar<sup>1</sup>

Gender inequality in the workforce can impede economic growth. While Qatar surpasses its regional peers in female labor force participation, sizeable gender gaps in the labor market persist. In Qatar, women on average have better access to higher education and greater human capital than men, but could lag in fields including technology and engineering, crucial to achieve Qatar's National Vision (QNV) 2030. Since the early 2000s, key legal reforms have boosted female labor force participation. Recent initiatives, such as the National Committee for the Empowerment of Women and partnerships with educational institutions, further demonstrate Qatar's commitment to women's economic empowerment. As Qatar continues to transform toward a knowledge-based economy, bolstering women's roles in the workforce by eliminating barriers and adapting women to future work trends is imperative.

**1. Gender inequality in opportunities and outcomes persist across the globe and can weigh on economic performance.** The literature has found that gender gaps could negatively impact economic growth, external and financial stability, private and public sector performance, and income equality. Research focusing on the Middle East and North Africa (MENA) and South Asia shows that eliminating barriers to women's labor force participation can increase welfare by more than 20 percent (Ostry et al., 2018; IMF, 2019).



**2. Qatar outperforms its regional peers in supporting women's participation in the labor market, but sizeable gender gaps remain.** Among the Qataris, the female labor force participation (FLFP) rate of 42.9 percent is almost 23 ppts below that for men. It has increased by 9.3 ppts over the last decade, with most of the progress having been achieved during the pandemic. While the

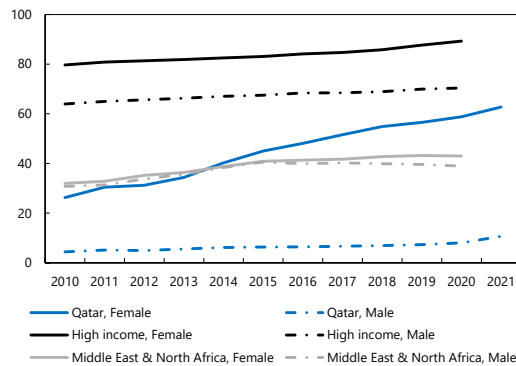
<sup>1</sup> Prepared by Sidra Rehman (EUR) and Naomi-Rose Alexander and Lisa Kolovich (both SPR Inclusion and Gender Unit).

non-Qatari FLFP rate is higher, at close to 60 percent, this is 31 ppts below that for non-Qatari men, and has remained relatively constant. Compared to countries with similar per-capita income levels, Qatar still has significant room to narrow the gender gap in labor force participation. Moreover, Qatari female's unemployment rate remains above that for male and women's employment is more susceptible to shocks. The pandemic, for example, widened the female-male unemployment rate gap among the Qataris, which did not narrow even as the economic recovery took hold in 2021.

**3. Women's access to education, especially higher education, is better than that of men in Qatar, although a gap could exist in fields related to technology and engineering.** In Qatar, women's enrollment in tertiary education is well above men's and has been rising steadily over the last decade. Women also have, on average, two more expected years of schooling than men. Qatar's women human capital index is thus higher than that of men and above global average. On the fields of study, however, data suggests that female students have tended to focus more on education, health, journalism and sciences—with enrollment in engineering, manufacturing and technology being lower, potentially limiting their future labor market participation in a technology-driven economy as envisioned in QNV 2030. More recently, female enrollment in engineering and technology is reportedly increasing.

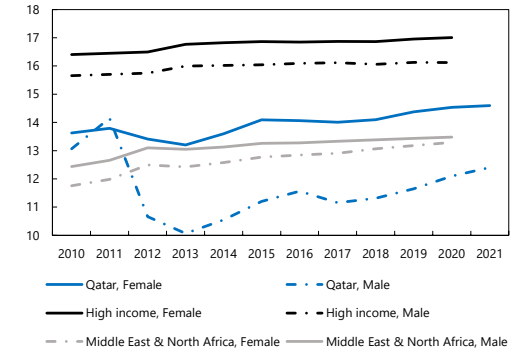
### School Enrollment

(Tertiary, percent of gross)



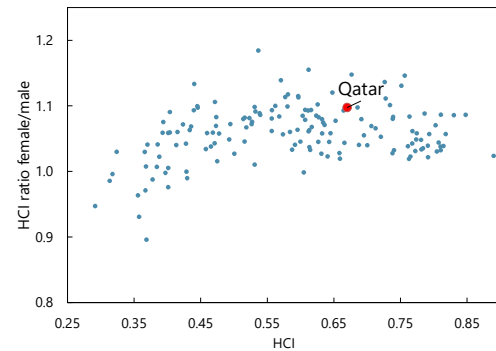
### Expected Years of Schooling

(In years)



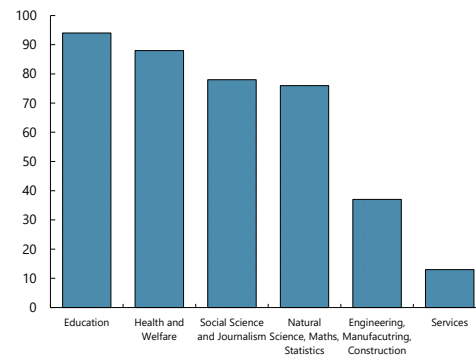
### Human Capital Index (2020)

(HCI is between 0 to 1)



### Women's Preferences: Education fields (2018)

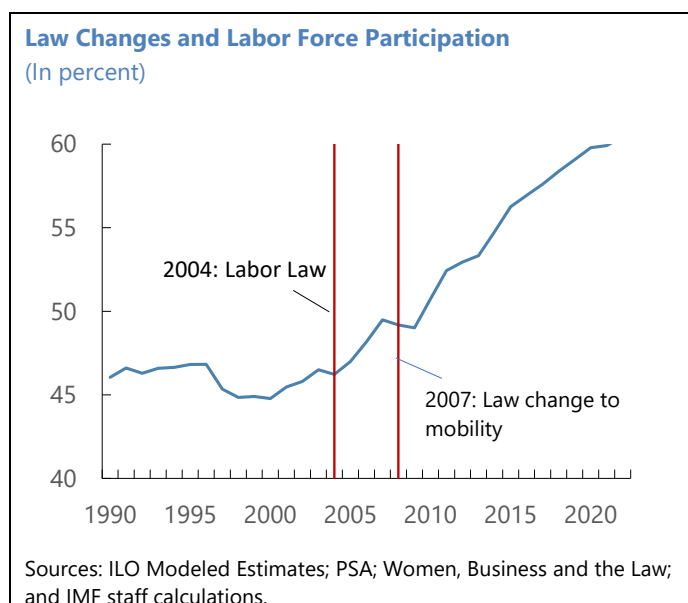
(Percent of women enrolled in each field)



Sources: World Bank and IMF staff calculations.

**4. Earlier policy measures increased female labor force participation in Qatar.** This showed how legal rights and institutions play a pivotal role in gender equity in the workforce. The observation is consistent with findings in the literature—Gonzales et al. (2015) find that countries with more equal property and job rights have lower gender gaps in labor market participation. Specific policy measures in Qatar included:

- *Women's Employment Rights and Roles:* The Labor Law of 2004 does not allow gender-based discrimination in recruitment but does discourage women's employment in certain occupations, for instance due to concerns of danger or health. Women participate in diverse roles, but could be subject to, for instance, working hour limitations. According to the UNDP, the law ensures equal remuneration for the same work between men and women, but there is no provision ensuring equal pay (including benefits) for work of equal value (UNDP, 2019). Wage disparities are evident in various sectors –



women earn less than men in fields like mining, quarrying, and

information technology, but they out-earn men in sectors such as education, real estate, and manufacturing.<sup>2</sup> These disparities may stem from women in dual-income households not claiming certain benefits (such as housing or travel allowances) already received by their spouses, or working fewer hours due to unpaid care work. The Qatar Financial Centre's Employment Regulations further prohibit gender discrimination and ensures safety and equal pay for similar work. Additionally, in 2007, Qatar adopted Law No. 5 that allowed women to apply for passports in the same way as men, thus improving the overall World Bank Women, Business and the Law (WBL) score on 'Mobility'.

- *Maternity and Employment Stability:* Women are entitled to 50 days of maternity leave, fully paid by the employer. Dismissal due to marriage or taking maternity leave is strictly prohibited.
- *Protection Measures and Domestic Workers:* The Labor Law doesn't explicitly address sexual harassment, but the Penal Code penalizes offensive actions towards women. Over 90 percent of the workforce comprises migrants, mainly in low-skilled roles. Law No. 15 of 2017 specifically addresses domestic workers, ensuring rights like maximum working hours, paid leaves, and various forms of well-being, including suitable housing, medical care, and decent treatment.

**5. A number of new government initiatives to promote women's economic empowerment were introduced in collaboration with key international and domestic stakeholders.** The authorities are prioritizing the participation of Qatari women in the labor force as a crucial component of realizing QNV 2030 (Qatar University, 2020). With an emphasis on the significance of human capital development, these endeavors aim to expand women's access to the job market and facilitate their continuous professional growth. Three prominent initiatives include:

<sup>2</sup> [PSA data from 2022.](#)

- *National Committee for the Empowerment of Women.* Established by the government in 2011, this committee is tasked with shaping and executing policies and programs tailored to boost women’s economic engagement. One of its notable ventures is the “Women’s Economic Empowerment Strategy”, which delineates multiple objectives to augment women’s labor force participation, such as combating workplace gender stereotypes and widening access to childcare and tailored skills training for women.
- *Education and Training:*
  - *Qatar Foundation’s Education City:* An initiative that encapsulates several global universities, offering Qatari women a world-class education tailored to regional labor market needs.
  - *Qatar University’s Specialized Programs:* Beyond its core academic offerings, Qatar University proactively arranges specialized training and workshops designed to empower women with both technical and soft skills pivotal for the evolving Qatari job landscape. The institution also champions research avenues, particularly beneficial for women inclined towards academic or specialized professions.
- *Support for Women Empowerment.* Launched by the Ministry of Labor, [Women’s Work Group Initiative](#) gathers representatives from ministries, the private sector, and academic institutions to share best practices, research, and experiences to boost women’s professional potential and representation in the labor market.

**6. As Qatar transforms toward a more diversified and knowledge-based economy, it is critical to ensure women’s equal access to opportunities and leverage their already high human capital.** Central to this objective is the elimination of barriers hindering women’s active participation in the labor market, the adaptation of women to the future of work through digital platforms and updated educational curricula. Decisive efforts in these areas, complemented by regular monitoring and evaluation of policy effectiveness, should guide Qatar’s macroeconomic gender strategy:

- *Eliminating educational and labor market barriers.* By further broadening the sectors available for female employment and championing platforms that enhance opportunities for them, Qatar can solidify its commitment to gender equality. Other reforms to enable a female-friendly workplace could include flexible work shifts, allowing virtual job interviews, and providing affordable quality childcare.
- *Enabling remote work and promoting future-readiness.* The pandemic has allowed the world to embrace remote work—supported by Qatar’s advanced digital infrastructure, remote and flexible work arrangements can prove reliable and significantly benefit women in the labor force. At the legislative level, updating labor regulations to support and protect women’s role in forward-leaning, emerging jobs will enhance their readiness to the future of work.

- *Strengthening and diversifying leadership roles to include more women* in Qatar could have profound policy implications. As observed in other nations, broadening leadership opportunities often leads to more inclusive decision-making, greater innovation, and a wider range of perspectives being considered. Such an initiative would not only align with Qatar’s strategic vision for sustainable growth and development but also emulate global best practices that have proven beneficial for socio-economic progress.

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# QATAR

## STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

December 18, 2023

Prepared By

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

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## RELATIONS WITH THE FUND

(As of November 30, 2023)

**Membership Status:** Joined on September 8, 1972, Article VIII on June 4, 1973

General Resources Account	SDR Million	Percent Quota
Quota	735.10	100.00
Fund holdings of currency	524.47	71.35
Reserve position in Fund	210.63	28.65

SDR Department	SDR Million	Percent Allocation
Net cumulative allocation	955.96	100.00
Holdings	983.03	102.83

**Outstanding Purchases and Loans:** None

### Projected Payments to Fund

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

	Forthcoming				
	2023	2024	2025	2026	2027
Principal					
Charges/Interest	0.00	0.01	0.01	0.01	0.01
Total	0.00	0.01	0.01	0.01	0.01

**Implementation of HIPC Initiative:** Not Applicable

**Safeguards Assessments:** Not Applicable

### Exchange Rate Arrangement

The de jure and de facto exchange rate arrangements in Qatar are conventional pegged arrangements against the U.S. dollar. The Qatari riyal has been pegged to the U.S. dollar at QR3.64 per U.S. dollar since July 2001, following an unofficial peg since June 1980. Qatar has accepted the obligations under Article VIII, Sections 2(a), 3 and 4 of the IMF's Articles of Agreement, and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices. 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 were held remotely during February 13–March 1, 2022. The staff report was considered by the Executive Board on May 27, 2022, and published on June 21, 2022.

## 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

Department	Date	Activity
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 Direct Investment Survey
LEG	March 2014	AML/CFT follow up
FAD	April 2014	Macro-fiscal unit
LEG	November 2014	Risk-based approach to AML/CFT
STA	November 2016	SDDS Assessment Mission
STA	May 2017	External Sector Statistics
LEG	June 2017	AML/CFT Legislative Mission
STA	March 2018	National Accounts Statistics
STA	May 2019	E-GDDS
STA	May 2019	Government Finance Statistics

**Resident Representative:** None

## RELATIONS WITH THE WORLD BANK GROUP

(As of December 2023)

**World Bank Country Page:**

<https://www.worldbank.org/en/country/gcc/brief/qatar-country-program>

# STATISTICAL ISSUES

(As of December 2023)

<b>I. Assessment of Data Adequacy for Surveillance</b>
<p><b>General:</b> Data provision has some shortcomings but is broadly adequate for surveillance. There is substantial scope for improving data frequency, timeliness and coverage. The most affected areas are fiscal statistics, international investment position and external debt statistics.</p>
<p><b>National Accounts:</b> Qatar publishes quarterly estimates of GDP at current and constant prices compiled based on limited source data. Data is particularly limited on the demand side. Procedures used to benchmark the quarterly estimates to the annual estimates need improvements to be consistent with international best practice. The Planning and Statistics Authority (PSA) is in the process of producing new supply and use tables that can be used to improve the consistency of GDP estimates.</p>
<p><b>Price statistics:</b> Qatar has been publishing monthly CPI data based on a basket with a significant share of rents. Qatar also publishes the monthly producer price index (PPI) for the Industrial Sector (Manufacturing; Electricity, gas, steam and air conditioning supply, and Water supply).</p>
<p><b>Real estate statistics:</b> The QCB publishes an aggregate residential real estate monthly price index. The index covers only transactions made between private parties. The Ministry of Justice publishes Weekly Newsletter with daily transaction data by type.</p>
<p><b>Government Finance Statistics:</b> The authorities are implementing the Government Financial Management Information System (GFMIS) which enables compilation of accrual fiscal accounts. An IMF TA mission in 2019 supported transition to the Government Finance Statistics Manual 2014. Detailed annual budget documents and quarterly budget performance reports for the central government were published. For the 2023 budget, a press release was published and, instead of the regular budget statement, the Minister provided relevant information at the press conference. The fiscal coverage should be broadened to cover the general government and Qatar Investment Authority.</p>
<p><b>Monetary statistics:</b> The QCB submits the monetary and financial statistics (MFS) for the central bank and other depository corporations based on the Standardized Report Forms (SRFs). The MFS data are published in the International Financial Statistics on a timely basis. Qatar also reports data on some key series and indicators of the Financial Access Survey (FAS), including mobile money and the two indicators of the U.N. Sustainable Development Goals, but does not report data by gender.</p>
<p><b>Financial Sector Surveillance:</b> The QCB reports the Financial Soundness Indicators as part of the National Summary Data Page but does not submit to the IMF.</p>
<p><b>External Sector Statistics (ESS):</b> The QCB reports quarterly balance of payments data with timely submission to STA, following the fifth edition of the balance of payments manual (BPM5). The financial account has been developed and coverage improved for major public corporations, the Qatar Financial Center Authority, and the Qatar Stock Exchange. A 2017 technical assistance mission helped develop a quarterly survey for nonfinancial sector data aimed at producing a quarterly IIP statement. Despite these advancements, more work is needed to ensure comprehensive data coverage, collection, and granularity, in particular on International Investment Position (IIP) data, which is essential for macroeconomic evaluation,</p>

and gaps due to Qatar's non-participation in key surveys like the Coordinated Portfolio Investment Survey (CPIIS) and the Coordinated Direct Investment Survey (CDIS).

**External debt:** 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 debt of the central government and public sector enterprises. The authorities publish data on central government external debt on the QCB's website. It would be useful to also publish aggregate data on public sector enterprise external debt.

## II. Data Standards and Quality

Qatar has been a General Data Dissemination System (GDDS) participant since December 2005 and implemented the e-GDDS reporting data via the National Summary Data Page, starting in July 2019. A SDDS assessment mission was conducted in 2016 by the Statistics Department of the IMF, which found that further efforts were needed to meet the SDDS requirements.

**Table of Common Indicators Required for Surveillance  
(As of December 2023)**

	Date of latest observation	Date received	Frequency of Data <sup>6</sup>	Frequency of Reporting <sup>6</sup>	Frequency of Publication <sup>6</sup>
Exchange Rates	Dec. 2023	Dec. 2023	D	D	D
International Reserve Assets of the Monetary Authorities <sup>1</sup>	Oct. 2023	Nov. 2023	M	M	M
Reserve/Base Money	Oct. 2023	Nov. 2023	M	M	M
Broad Money	Oct. 2023	Nov. 2023	M	M	M
Central Bank Balance Sheet	Oct. 2023	Nov. 2023	M	M	M
Consolidated Balance Sheet of the Banking System	Oct. 2023	Nov. 2023	M	M	M
Interest Rates <sup>2</sup>	Nov. 2023	Dec. 2023	M	M	M
Consumer Price Index	Oct. 2023	Nov. 2023	M	M	M
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> –General Government <sup>4</sup>	...	...	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – Central Government	2023 Q3	Nov. 2023	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	2023 Q2	Sep. 2023	Q	Q	Q
External Current Account Balance	2023 Q2	Oct. 2023	Q	Q	Q
Exports and Imports of Goods	Oct. 2023	Dec. 2023	M	M	M
Exports and Imports of Goods and Services	2023 Q2	Oct. 2023	Q	Q	Q
GDP/GNP	2023 Q2	Nov. 2023	Q	Q	Q
Gross External Debt	2023 Q2	Sep. 2023	Q	Q	Q
International Investment Position <sup>7</sup>	...	...	NA	NA	NA

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> Qatar publishes the data for the central government. The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Central government debt stock and domestic/external composition are reported in quarterly performance reports. No information on maturity composition, and guaranteed debt.

<sup>6</sup> Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).

<sup>7</sup> Includes external gross financial asset and liability positions vis-a-vis nonresidents.