INTERNATIONAL MONETARY FUND

IMF Country Report No. 19/146

QATAR

2019 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT

June 2019

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 2019 Article IV consultation with Qatar, the following documents have been released and are included in this package:

- A **Press Release** on the staff report that concluded the Article IV consultation with Qatar.
- 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 March 10, 2019, with the officials of Qatar on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 29, 2019.
- An **Informational Annex** prepared by the IMF staff.

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

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

Press Release No. 19/192
FOR IMMEDIATE RELEASE
June 3, 2019

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

IMF Executive Board Concludes 2019 Article IV Consultation with Qatar

On May 13, 2019, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Qatar[1] and considered and endorsed the staff appraisal without a meeting. [2]

Economic performance improved in 2018. Qatar's economy has successfully absorbed the shocks from the 2014–16 drop in hydrocarbon prices and the 2017 diplomatic rift. Real GDP growth is estimated at 2.2 percent, up from 1.6 percent in 2017. Headline inflation remained low. The central government's fiscal position switched to a surplus of 2.3 percent of GDP in 2018 from a sizable deficit in 2017. Recovery in non-resident deposits and foreign bank funding helped banks increase private sector credit. Banks have been able to diversify the geographical composition of non-resident deposits. The current account is estimated to have reached a surplus of 9.3 percent of GDP in 2018, largely reflecting higher average oil prices. Reserves reached US$31 billion (5½ months of imports) at end-December 2018. Recently, Qatar issued US$12 billion in international bonds, which was more than four times oversubscribed, with lower spreads than in previous issues.

Qatar's banking sector remains healthy, reflecting high asset quality and strong capitalization. At end-September 2018, banks had high capitalization (CAR of 16 percent) and maintained strong profitability (ROA of 1.6 percent), low non-performing loans (ratio of 1.7 percent), and a reasonable provisioning ratio of 83 percent. Banks are comfortably liquid, with a liquid-asset-to-total-asset ratio of 29.7 percent. Nonetheless, strong credit growth that outpaced deposits resulted in the system-wide loan-to-deposit (LTD) ratio of 103 percent which is higher than the CB's

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] 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.

guidance of 100 percent. After a period of rapid growth, real estate prices in Qatar are adjusting to new levels. According to the real estate price index developed by QCB, following an 82 percent increase during 2012–16, real estate prices fell by 15 percent during 2017–18. Macro-financial prospects remain favorable, though risks skew to the downside:

- Overall GDP growth is projected to reach 2.6 percent in 2019 from 2.2 percent in 2018, underpinned by a recovery in the hydrocarbon output and still robust growth of the non-hydrocarbon sector. The projected non-hydrocarbon growth for 2019 reflects the lingering multiplier effects of sustained increases in capital expenditures in the last few years, the gradual pace of fiscal consolidation, ample liquidity, and increased private sector activity. Medium-term growth will be supported by increased gas production from the Barzan field, a planned increase in LNG production capacity by 40 percent. Inflation is projected to peak at 3.7 percent in 2020 with the introduction of a VAT, but converge to 2 percent in the medium term.

- Fiscal consolidation is envisaged to continue, albeit at a slower rate. In 2019, expenditure restraint and lagged revenue impact of higher oil prices would result in further improvement of fiscal position to about 3 percent from 2.3 percent in 2018. Over the medium term, the fiscal position would be in moderate surplus due to broadly stable hydrocarbon prices and sustained expenditure control. A current account surplus of about 4.6 percent of GDP is envisaged for 2019 in line with the projected oil prices, and slower import growth than GDP. Over the medium term, the current account would be in modest surplus.

- Lower-than-projected hydrocarbon prices constitute the main risk to the macro-financial framework. They would translate into a deterioration in external and fiscal positions and a higher public debt. Rising trade and geopolitical tensions could undermine investor confidence and weaken fiscal and external positions. Qatar is well placed to contain adverse macro-financial implications of downside risks, reflecting substantial buffers and prudent policies.

Executive Board Assessment[3]

Qatar’s economy has successfully adjusted to the dual shocks of lower oil prices and diplomatic rift. Prudent fiscal policy, an appropriate monetary anchor, sound financial regulation and supervision frameworks and considerable buffers continue to underpin strong macroeconomic performance. Increased gas production, a slower pace of fiscal consolidation, infrastructure programs and adequate credit growth will underpin growth over the medium term. The fixed exchange rate regime remains appropriate, as it has provided a clear and credible monetary

---

[3] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

anchor, although the external position is weaker than implied by fundamentals and desired policy settings. Fiscal consolidation over the medium term would help close the estimated current account gap. Lower-than-envisaged hydrocarbon prices constitute the main risk to the macro-financial outlook. Nonetheless, Qatar is in a position to weather such a shock, given significant buffers and prudent policies.

Gradual fiscal consolidation would help achieve adequate savings for future generations. Proceeding with a gradual fiscal consolidation is appropriate, given the availability of substantial fiscal space. Enhancing non-hydrocarbon revenues, including the introduction of a VAT should continue to be at the center of reforms for a broad-based tax system. Other fiscal reforms should continue to focus on containing the growth of the wage bill and putting public investment on a downward path. Education and labor market measures are needed to complement public -sector employment reform. An accelerated strategy to further reduce utility subsidies would help generate additional savings and contribute to improved economic efficiency. This strategy would need to be combined with the strengthening of social protection

A robust medium-term fiscal framework would bolster fiscal policy credibility. Strengthening fiscal policy frameworks is vital to averting procyclicality, mitigating risks and ensuring intergenerational equity. The use of fiscal indicators that emphasize intergenerational equity, combined with indicators to better manage oil price volatility remains important. Improving coordination among the fiscal authorities, QCB and QIA could strengthen fiscal-macroeconomic management. These measures could be complemented with a medium-term budget framework. Accelerating efforts towards turning the medium-term budget framework into a performance based medium-term expenditure framework would be useful. Publication of comprehensive information on the budget, including fiscal risks, budget execution data, and the composition of QIA's assets, would support improved transparency.

Banks remain sound, underpinned by strong profitability and capital as well as high asset quality. It is important to continue to monitor closely banking sector's assets, given the softening of real estate prices. In this connection, QCB should consider introducing additional indicators such as vacancy rates to assess in a more timely fashion developments in the real estate sector. The emphasis on risk-based supervision is important, as it provides the opportunity to detect vulnerabilities at earlier stages. The loan-to-deposit ratio should be enforced to encourage banks to reduce leverage. Strengthening the modalities for the exchange of information between the fiscal and monetary authorities would help avert sharp swings in liquidity and the related adverse economic and financial impact. Financial innovation tends to give rise to risks and vulnerabilities, despite the advantage of enhancing financial inclusion. It is therefore important to further strengthen financial supervision and the regulatory framework to ensure that consumers are protected and offered sound products.

Structural reforms with emphasis on private sector-led growth and economic diversification would help support a more inclusive growth. Authorities' reform agenda pertaining to the business environment, special economic zones, labor law, increased foreign ownership limits and privatization is welcome. While SEZs can be helpful in the short term, they should not constitute an alternative to economy-wide structural reforms. Domestic and export-market competition should be used as benchmarks to hold beneficiaries of government's support accountable. Policy measures that focus on further improving the business environment, including improved contract enforcement and enhanced strengthened competition through reform of the insolvency mechanism, would buoy private sector-led growth. Laws that focus on ensuring equal remuneration and support gender equality would support inclusive growth.

Qatar: Selected Economic and Financial Indicators, 2015–2020

	2015	2016	2017	Prel. 2018	Proj. 2019	Proj. 2020
Production and prices						
Real GDP (2013 prices)	3.7	2.1	1.6	2.2	2.6	3.2
Hydrocarbon 1/	-0.6	-0.9	-0.7	-1.1	0.4	1.8
Nonhydrocarbon	8.5	5.3	3.8	5.3	4.6	4.3
CPI inflation (average)	1.8	2.7	0.4	0.2	0.1	3.7
Public finance						
Total revenue	43.6	30.9	26.9	31.7	32.8	31.7
Expenditure	42.3	40.1	33.5	29.4	29.8	28.3
Current	28.5	21.5	18.6	15.5	17.1	17.2
Capital	13.8	18.6	14.8	13.9	12.6	11.2
Central government fiscal balance	1.3	-9.2	-6.6	2.3	3.0	3.4
Money						
Broad money	3.4	-4.6	21.3	-6.5	4.3	7.9
Credit to private sector	19.7	6.5	6.4	13.0	4.8	9.0
External sector						
Exports	77.3	57.3	67.5	84.5	80.2	80.4
Imports	-28.5	-31.9	-30.8	-33.2	-33.9	-34.6
Current account balance	13.8	-8.3	6.4	18.0	8.9	8.4
in percent GDP	8.5	-5.5	3.8	9.3	4.6	4.1
External debt (percent GDP)	88.4	127.2	99.6	101.1	106.7	98.3
Central bank reserves 2/	37.2	31.7	14.9	30.5	44.3	41.2
in months of imports	7.0	6.1	2.7	5.5	7.7	6.9
Exchange rate (Riyals/US$)	3.6	3.6	3.6	3.6	3.6	3.6
Real effective exchange rate (percentage change)	11.0	2.6	-1.1	-3.7	…	…

Sources: Qatari authorities; and IMF staff estimates.
1/ Includes crude oil, natural gas, propane, butane, and condensates. (data reflect full transfers of Qatar Petroleum profits to the budget).
2/ Excluding QIA assets.

INTERNATIONAL MONETARY FUND

QATAR

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION

April 29, 2019

KEY ISSUES

Context: Availability of buffers has enabled Qatar to successfully absorb the adverse shocks from the 2014–16 decline in oil prices and the 2017 diplomatic rift. The policy priorities are fiscal consolidation, strengthened fiscal policy frameworks, enhanced resiliency of the financial sector, financial inclusion, and a diversified economy.

Outlook and risks: Stronger real GDP growth is envisaged in the near term, with a recovery in hydrocarbon output. Medium-term growth will be buoyed by increased gas production and non-hydrocarbon growth. Expenditure consolidation would help to sustain fiscal and external surpluses. Ample liquidity will enable credit growth to support non-hydrocarbon GDP. Trade and geopolitical tensions could undermine investor confidence and weaken fiscal and external positions. Qatar is well placed to contain the adverse macro-financial implications of downside risks in view of considerable buffers.

Fiscal policy: Gradual fiscal consolidation would generate sufficient savings for future generations. Containing the growth of public wage bill and allowing public investment to taper off would help attain the needed fiscal consolidation, together with enhancing domestic revenue mobilization. Improving fiscal policy frameworks would entail a more transparent budget process and fiscal reporting, explicit fiscal anchors, and improved procurement processes.

Financial stability and deepening: The financial sector remains sound, underpinned by strong profitability and capital. Strengthening the regulatory and supervisory frameworks would help to bolster financial stability. Enhancing liquidity forecasting requires robust exchange of information between the fiscal and monetary authorities. Achieving more financial inclusion would demand a deepening of the financial markets.

Private-sector led inclusive growth and diversification: Progress towards private sector-led inclusive economic growth and diversification hinges largely on improving the business climate and advancing labor market and education reforms. Attention to women's empowerment by introducing legislation emphasizing equality in remuneration and avoiding gender-based discrimination would support inclusive growth.

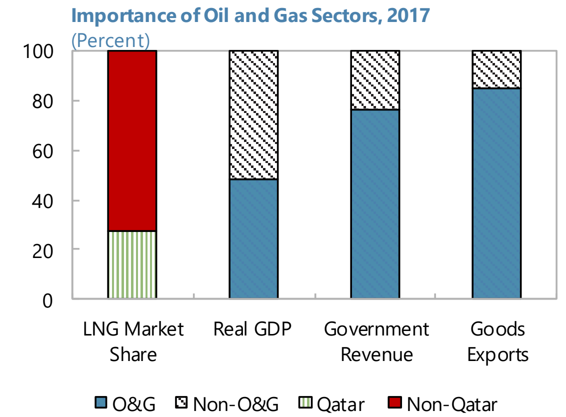
Approved By
Juha Kähkönen and Mary Goodman

Discussions were held in Doha during February 24–March 10, 2019. The staff team comprised Mr. El Qorchi (head), Messrs. Adedeji, Bibolov, and Kirti. Ms. Al-Riffai (OED) joined the mission during March 3–10, 2019. Ms. Zhang provided research assistance and Ms. Panagiotakopoulou provided editorial support.

CONTENTS

ANNEXES

CONTEXT AND BACKGROUND



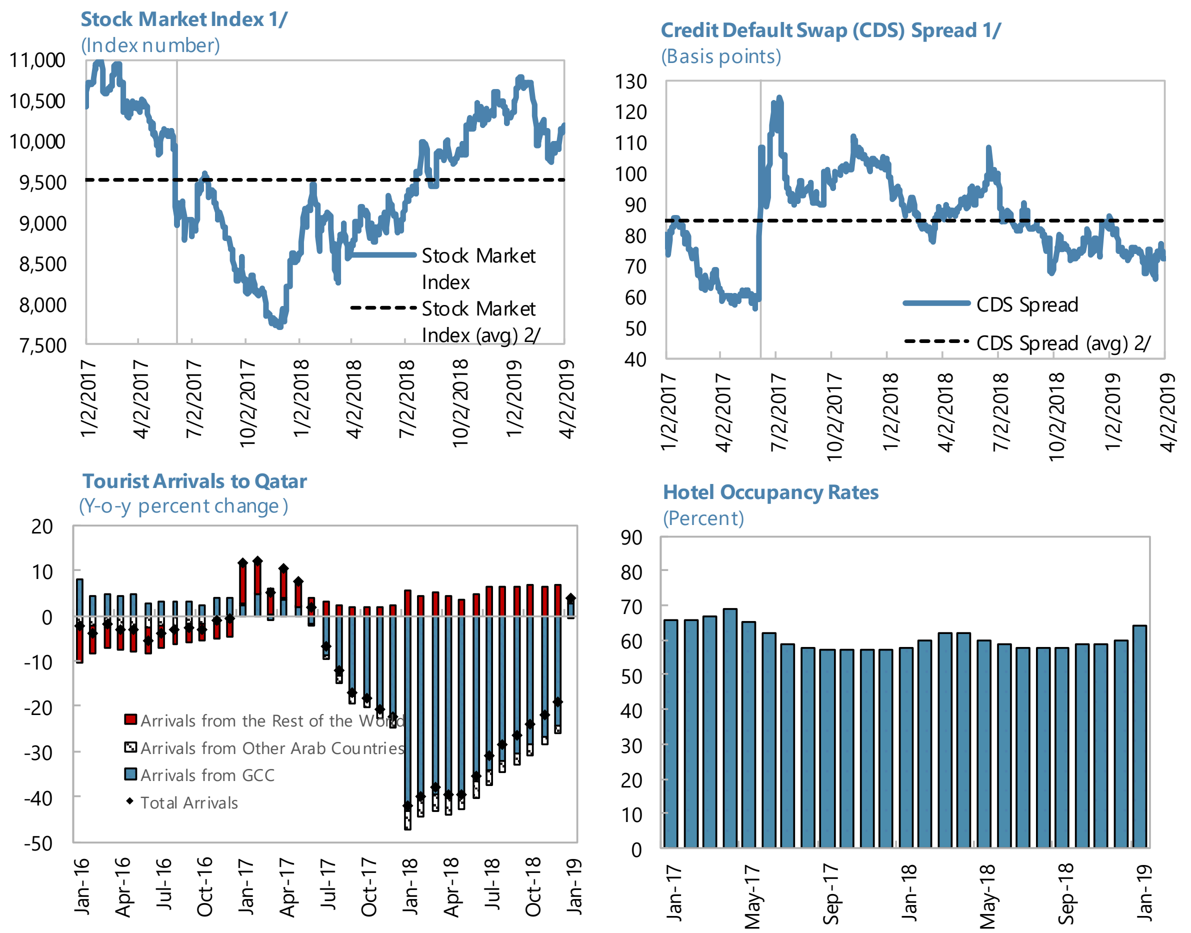
Sources: Country authorities; International Gas Union; and IMF staff calculations.

1. **Qatar's economy has successfully absorbed the shocks from 2014–16 drop in hydrocarbon prices and the 2017 diplomatic rift.** The country has managed to retain export ties and develop newer trade relations, sustaining its one-third share of global LNG trade. Qatar withdrew from OPEC effective January 1, 2019, citing its focus on gas production. Major infrastructure projects in preparation for the 2022 World Cup and in the context of economic diversification have continued. The authorities have implemented many of the recommendations put forward in the 2018 Article IV consultation (Annex I). The policy framework is being strengthened, including fiscal policy and institutions, financial regulation and supervision, and macro-prudential policies. The banking system has also adjusted to the diplomatic rift, as non-resident deposits and placements edged upward. With improved banks' liquidity conditions, public-sector deposits placed in the banking system in response to the diplomatic rift have been reduced. High-frequency financial indicators point to a stronger economy. Nevertheless, the economy remains dependent on the hydrocarbon sector. Tourist arrivals have fallen, though recent data show that the hotel occupancy rate is improving.

2. **The government is advancing a comprehensive structural reform agenda to address identified economic challenges.** The path to resolving the diplomatic rift remains unclear. [1] Nonetheless, the government is undertaking a structural reform agenda to broaden the geographical composition of trade and financial transactions, improve the business environment, enhance domestic food production, promote special economic zones (SEZs), and allow majority foreign ownership of companies. The visa-free entry program has been expanded to boost tourism.

[1] See IMF Country Report No. 18/35, particularly Box 1, on the background to and economic implications of the diplomatic rift between Qatar and a few neighboring countries.

High Frequency Indicators

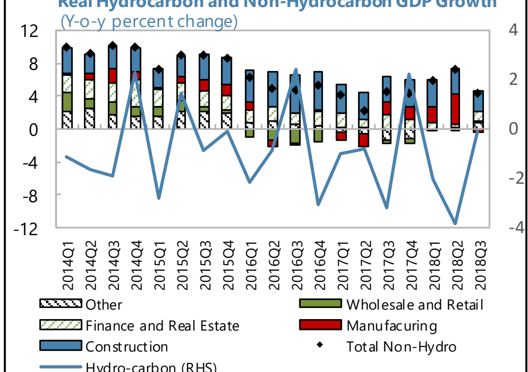


Sources: Country authorities; Bloomberg; and IMF staff calculations.
1. Vertical line corresponds to the start of the diplomatic rift (June 5, 2017).
2. Averages are calculated based on daily data from January 1, 2017 to current day.

RECENT DEVELOPMENTS

3. Economic activity improved in 2018, while inflation remained subdued. Non-hydrocarbon output grew by 6.5 percent during the first half of 2018, as oil prices increased, the pace of fiscal consolidation slowed, and the construction and manufacturing sectors drove a recovery from the impact of the diplomatic rift. Non-hydrocarbon growth moderated to 4.3 percent during the third quarter of 2018. However, hydrocarbon output fell by 2 percent during the first three quarters of 2018, keeping overall real GDP growth to 1.9 percent. Real

Real Hydrocarbon and Non-Hydrocarbon GDP Growth
(Y-o-y percent change)

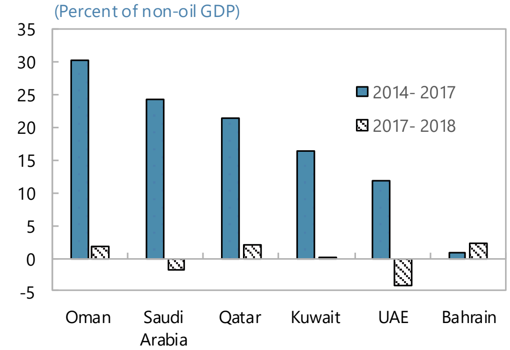


Sources: Country authorities; and IMF staff calculations.

GDP growth of 2.2 percent is estimated for 2018, up from 1.6 percent in 2017. Headline inflation remained low, reaching an average of 0.2 percent in 2018 (Figure 1). Real estate prices fell by 8 percent on average in 2018 in response to increased supply of new properties associated with higher prices during 2012–16.[2]

4. The fiscal position continues to strengthen (Figure 2). The central government's fiscal position is estimated at a surplus of 2.3 percent of GDP in 2018 from a deficit of 6.6 percent of GDP in 2017[3], as expenditure consolidation continued, and hydrocarbon prices increased. The non-hydrocarbon primary balance as a ratio of non-hydrocarbon GDP is estimated at 35 percent in 2018 compared with 38 percent in 2017. The government accessed the international financial market in 2018 and early 2019 to take advantage of more favorable financing conditions, raising US$24 billion to be used largely to amortize external debt maturing in the near and medium terms. Public debt (estimated at 48 percent of GDP at end-2018 and expected to fall to 29 percent in the medium term) is on a sustainable path.[4]

Changes in Non-Oil Primary Balance
(Percent of non-oil GDP)



Sources: Country authorities; and IMF staff calculations.

5. The external position improved in 2018 due to a rebound in oil prices (Figure 3). The current account is estimated to have reached a surplus of 9.3 percent of GDP in 2018 from 3.8 percent of GDP in 2017 due mainly to higher average oil prices. International reserves reached US$30.5 billion (5 ½ months of imports) at end-December 2018, compared to US$15 billion at end-2017).

6. The external position is weaker than the level implied by fundamentals and medium-term policy settings. (Annex II). Nonetheless, with gradual fiscal adjustment, the estimated current account gap could be closed in the medium term. While reserves are low relative to the ARA metric, risks are mitigated by large sovereign wealth fund assets (Annex II) and external debt is assessed to be sustainable (Annex III). The peg to the U.S. dollar continues to provide a clear and credible monetary anchor and is considered to be sustainable.

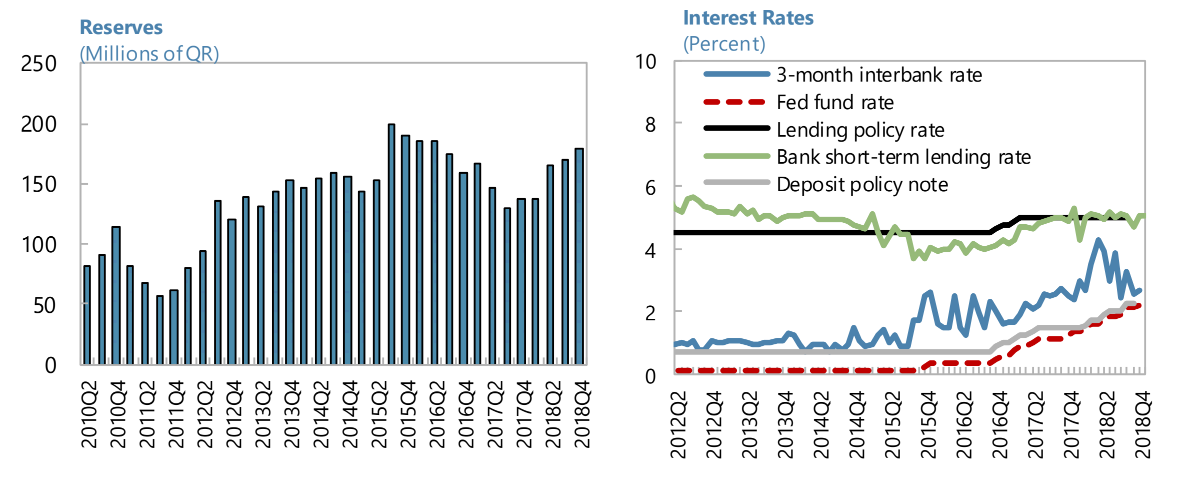
[2] Stress test results indicate that Qatari banks can withstand severe macroeconomic shocks. Given the strong position of the financial system, with low NPLs, adequate provisioning, and solid profitability, banks can comfortably withstand higher NPLs and lower profitability brought about by macroeconomic shocks (see IMF Country Report No. 18/136). Many of the real estate borrowers are reportedly well-diversified large conglomerates that are able to support their loan payments from other businesses.

[3] The general government balance (defined as central government balance plus estimated QIA returns) is estimated to have improved from a deficit of 2.9 percent of GDP in 2017 to a surplus of 5.3 percent of GDP in 2018.

[4] Qatar Investment Authority's (QIA) assets are estimated at about US$320 billion (166 percent of GDP and 345 percent of public debt).

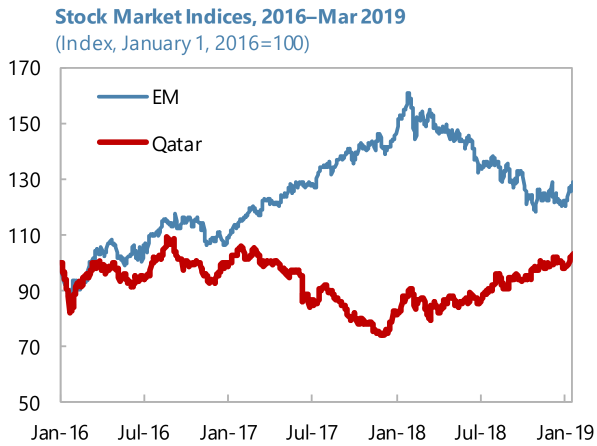
7. Liquidity conditions have improved, and the growth of private-sector credit has increased (Figure 4). Qatar Central Bank's (QCB) monetary policy has broadly followed increases in the U.S. Federal Reserve rate, which is appropriate given the pegged exchange rate regime to the U.S. dollar and the robust non-oil GDP growth. The recovery in non-resident deposits (by 23 percent y-o-y by December 2018) and foreign bank funding (up by 23 percent) helped banks increase private sector credit by 13 percent y-o-y by December 2018.[5] Banks have been able to diversify the geographical composition of non-resident deposits and lengthened their maturity structure.

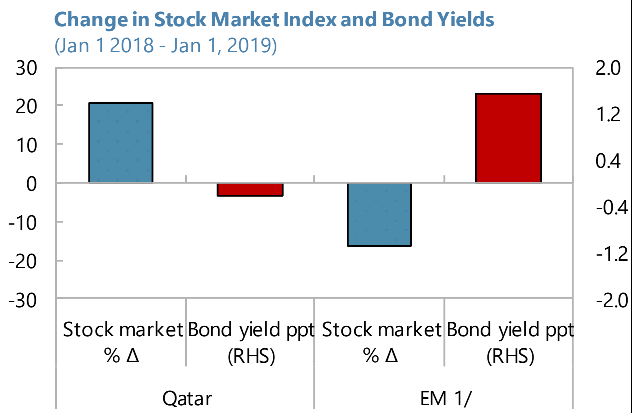
Monetary Indicators



8. Qatar's banking sector remains healthy, reflecting high asset quality and strong capitalization. At end-September 2018, banks had high capitalization (CAR of 16 percent) and maintained strong profitability (ROA of 1.6 percent), low non-performing loans (ratio of 1.7 percent), and a reasonable provisioning ratio of 83 percent. Banks are comfortably liquid, with a liquid-asset-to-total-asset ratio of 29.7 percent. Nonetheless, strong credit growth that outpaced deposits resulted in the system-wide loan-to-deposit (LTD) ratio of 103 percent which slightly exceeds the QCB's guidance of 100 percent. The stock market performed well in 2018, with the index recovering its 2017 losses and rising by 23 percent in 2018. Bond yields declined reflecting positive investor sentiment towards Qatar.

[5] Higher oil prices tend to dampen the impact of higher interest rates on credit and growth through liquidity and sentiment effects (see "The Economic Outlook and Policy Challenges in the GCC Countries," IMF 2017).





Sources: Bloomberg;; and IMF staff calculations.
1/ Based on Emerging Portfolio Fund Research, Inc. data.

MACROECONOMIC OUTLOOK AND RISKS

9. Macro-financial prospects remain favorable, though risks skew to the downside:

- **Growth.** GDP growth is projected to reach 2.6 percent in 2019 from 2.2 percent in 2018, underpinned by a recovery in the hydrocarbon output and still robust growth of the non-hydrocarbon sector. A moderation in non-hydrocarbon growth is projected for 2019 (from 5.3 percent in 2018 to 4.6 percent in 2019), as the one-off effect associated with recovery from the diplomatic rift dissipates. The projected non-hydrocarbon growth for 2019 reflects the lingering multiplier effects of sustained increases in capital expenditures in the last few years, the gradual pace of fiscal consolidation, and increased private sector activity. Medium-term growth will be supported by increased gas production from the Barzan project, a planned increase in LNG production capacity by 40 percent, while the tapering off of public investment growth would moderate non-oil growth to 4 percent annually.

- **Inflation** is projected to peak at 3.7 percent in 2020 with the introduction of a VAT, but converge to 2 percent in the medium term.

- **Fiscal consolidation is envisaged to continue, albeit at a slower rate.** In 2019, expenditure restraint and lagged revenue impact of higher oil prices would result in further improvement of fiscal position to about 3 percent from 2.3 percent in 2018. Over the medium term, the fiscal position would be in moderate surplus due to broadly stable hydrocarbon prices and sustained expenditure control.

- **The current account position is to stay in surplus.** A surplus of about 4.6 percent of GDP would be maintained in 2019 in line with the projected oil prices, and slower import growth than GDP. Over the medium term, the current account would show moderate surpluses.

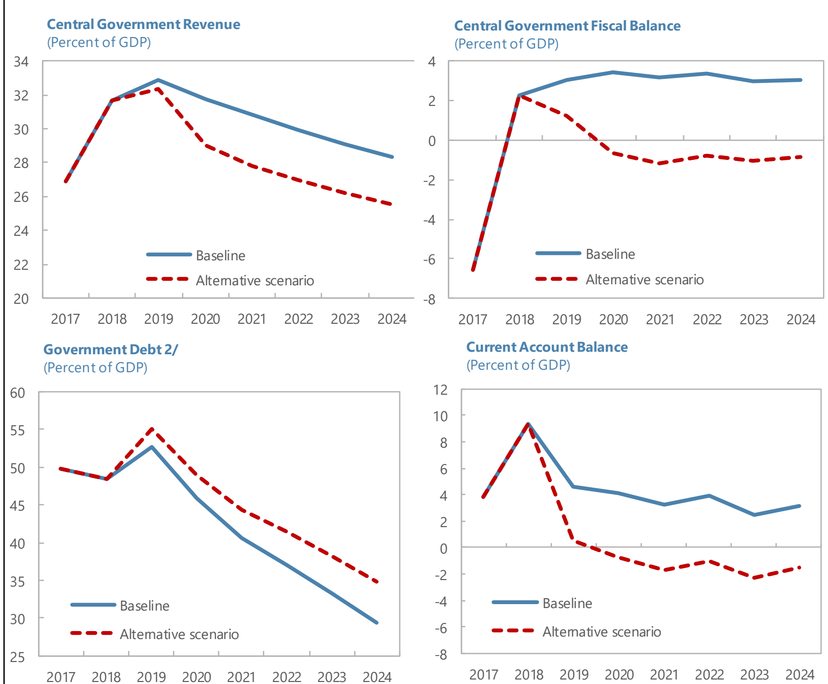
- **Credit growth.** Ample liquidity—partly reflecting relatively higher oil prices—should enable credit growth to support non-hydrocarbon GDP.

10. Lower-than-projected hydrocarbon prices constitute the main risk to the macro-financial framework (see Risk Assessment Matrix, Annex IV):

- In view of Qatar's dependence on the hydrocarbon sector, its open capital account, and the pegged exchange rate regime, the country is susceptible to global financial market volatility and trade disruptions. Rising trade and geopolitical tensions could undermine investor confidence and weaken fiscal and external positions. Tighter global financial conditions could raise funding costs and market risks for both the sovereign and banks**.** Banks' balance sheets are sufficiently healthy to withstand big shocks, and the authorities' financial buffers are sufficient to provide additional support if needed.

- Lower-than-projected oil prices (by about US$10 a barrel compared to the baseline) would translate into a deterioration in external and fiscal positions and a higher public debt. A more pronounced decline in oil prices compared to this scenario would further worsen fiscal and external positions.[6] These results point to the importance of decoupling government expenditures from revenues. Macro-financial linkages can further amplify the impacts of lower oil prices, as tighter liquidity conditions, increased non-performing loans, and weaker credit growth could adversely affect the non-hydrocarbon sector. Gradual fiscal adjustment would be recommended to smooth the transition, and the likely deployment of government financial assets would contain the adverse economic implications of such a scenario.

Fiscal and External Positions Under "Low Oil Price" Scenario 1/



Sources: Country authorities; and IMF staff estimates.
1/ This scenario assumes that Brent prices are USD10 lower than in the baseline for 2019-2024.
2/ It is assumed that the central government deficit is entirely financed through borrowing. The government net debt position would remain comfortable given large available financial assets.

- In such circumstances, the appropriate mix between the various borrowing and investment options would need to be guided by a comprehensive asset/liability management framework,

[6] One-standard deviation shocks, implied by market-based options prices as of February 2019, indicate oil prices of US$37 dollar per barrel compared to US$51 in the alternative scenario.

with particular attention to macro-financial implications and debt sustainability. Enhanced transparency about QIA assets would support market confidence.

11. The authorities broadly shared staff's assessment of macro-financial prospects and risks. They pointed out that investments to raise hydrocarbon production could allow non-hydrocarbon output to rise even faster than in staff's projections, arising from spillovers between the two sectors. In their assessment, growth could also turn out to be higher in view of the potential impact of on-going and envisaged structural reforms. The authorities pointed out that the annual budget is premised on conservative oil price assumptions with a view to delink government's expenditure from volatile revenues. The authorities expect further accumulation of international reserves, reflecting continued fiscal and external surpluses. They agreed with staff that hydrocarbon price volatility is the primary source of risk to the macroeconomic outlook. Nonetheless, they emphasized that Qatar has ample fiscal and external buffers to address the potential macroeconomic and financial implications of lower hydrocarbon prices and other downside risks.

MACROECONOMIC AND FINANCIAL POLICIES

A. Achieving Intergenerational Equity and Strengthening the Fiscal Framework

12. The 2019 budget rightly continues with prudent fiscal policy. Total expenditure growth is limited to about 2 percent, while allowing room for increased allocation to critical sectors (health and education). In line with the authorities' plan to enhance domestic revenue mobilization, excise taxes were introduced—100 percent on tobacco, 50 percent all carbonated drinks and 100 percent on all energy drinks. The introduction of a VAT has been postponed to 2020, while the fiscal authorities learn from the experiences of countries in the region that recently introduced the VAT. Staff recommended that enhancing non-hydrocarbon revenues should continue to be at the center of the reforms relating to tax policy and administration, paving the way for a more modern and broad-based tax system. In this regard, staff welcomed the authorities' decision to put in place an independent tax authority under the auspices of the Ministry of Finance, with the aim of further improving tax administration.

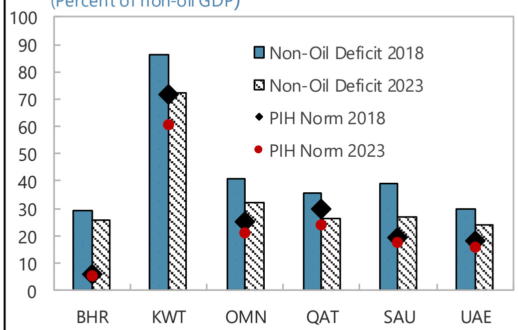
13. The baseline for the medium term (in line with the authorities' policy framework and intention) is appropriately focused on sustaining gradual fiscal consolidation. The main components of this strategy are containing the growth of the public wage bill and putting public investment on a downward path as many projects wind down, including the spending on the hosting of 2022 World Cup. This approach would allow the on-going improvement in the non-hydrocarbon balance as a ratio of non-oil GDP. Staff encouraged the authorities to design and implement public-sector employment reform in a way that emphasizes tightening the eligibility for benefits and reducing staffing by attrition.[7] In addition, the public-sector employment reform needs to be complemented with education and labor market reforms (Figure 5). Staff pointed out the

[7] The public to private wage gap in Qatar is estimated at about 171 percent, in line with the large wage gaps in the GCC countries (See IMF Country Report No. 18/35).

importance of combining an accelerated strategy to further reduce utility subsidies, with a focus on better alignment to market/cost recovery levels and creation of incentives to reduce energy intensity and inefficiency. This strategy would need to be combined with the strengthening of social protection.[8] The authorities indicated that the planned comprehensive assessment of workforce requirements that would help deliver efficiency and cost savings had commenced. They reiterated that the utility companies continue to focus on cost recovery.

14. Sustaining fiscal consolidation to help achieve intergenerational equity in the medium term should guide the conduct of fiscal policy. The nonhydrocarbon balance in line with intergenerational equity remains the appropriate anchor for assessing the fiscal position in Qatar. The estimated gap between the nonhydrocarbon primary balance derived from this framework and the actual in 2018 was about 5 percentage points of non-hydrocarbon GDP. Continuation with fiscal consolidation will help to close the remaining fiscal gap in the medium term. This gradual approach is appropriate to smooth the impact of fiscal consolidation on non-oil GDP growth. Moreover, the availability of substantial fiscal space, including the sizeable accumulated assets in the sovereign wealth fund, supports a gradual fiscal consolidation and implies that—if faced with adverse shocks—the authorities can slow the consolidation or even provide temporary stimulus without endangering market access and debt sustainability. While there is space to temporarily respond to a shock, the use of that space would somewhat increase the extent of adjustment required to meet intergenerational needs. Fiscal indicators point to a sound fiscal position, with public debt falling to about 29 percent in the medium term and gross financing needs remain manageable (Annex V).[9] The country has considerable access to international financial markets, as demonstrated in more recent sovereign bond issuance. The authorities reiterated their intention to continue with the implementation of prudent fiscal policies to ensure adequate savings for the future generations.

PIH Levels and Non-Oil Deficit
(Percent of non-oil GDP)



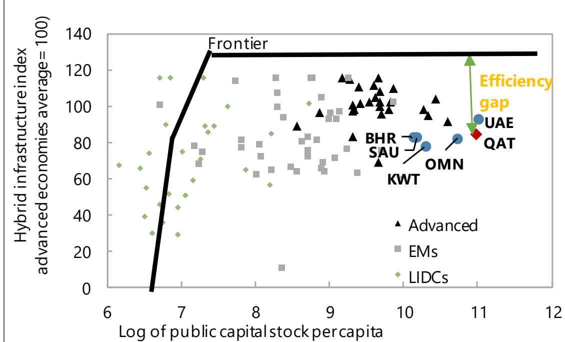
Sources: Country authorities; and IMF staff calculations.

[8]Using a price-gap approach (the difference between domestic prices and international benchmarks), staff analysis finds that removal of subsidies on electricity and gas would yield additional revenue of about 4 percent of non-hydrocarbon GDP in Qatar (See, If Not Now, When? Energy Price Reform in Arab Countries, a paper produced for the Annual Meeting of Arab Ministers of Finance, 2017).

[9] The assessment of the sustainability of public sector debt is based on the central government due to data availability. Public external debt constitutes about 44 percent of total public debt, indicating vulnerability to exchange rate movements. However, Qatar has a pegged exchange rate regime, which staff considers to be sustainable, given macro fundamentals and the size of the sovereign wealth fund. The emergence of large residuals in 2018 and 2019 in Annex III on public debt sustainability analysis reflects the issuance of sovereign bonds in the context of favorable debt dynamics, including fiscal surplus.

15. Staff and the authorities agreed on the importance of further strengthening the conduct of fiscal policy frameworks to prevent procyclicality and mitigate risks. Intergenerational equity considerations should feature more prominently in the fiscal policy framework, with emphasis on the nonhydrocarbon balance derived from the permanent income hypothesis. Staff recommended introducing a complementary indicator to better manage price volatility, such as the adoption of an oil-price based smoothing rule (Box 1). Improving coordination among the fiscal authorities, QIA, and the QCB, would help strengthen fiscal-macroeconomic management, with positive implications for the liquidity management framework. These measures could be complemented with a medium-term budget framework (MTBF) that would match the medium-term fiscal framework with a bottom-up estimation of the costs of existing policy and be integrated into the annual budget process. Accelerating progress towards turning the MTBF into a performance-based medium-term expenditure framework (MTEF) would further improve allocative efficiency. The authorities discussed with staff their efforts to ensure that the fiscal frameworks in the near to medium term are aligned with the goals and objectives of the second national development plans. To ensure effective linkages across sectors, a new economic department has been created in the Ministry of Finance. In addition, the authorities expect that the use of key performance indicators in budget design and implementation would help ensure effective allocation of resources.

Public Investment Efficiency Frontier 1/



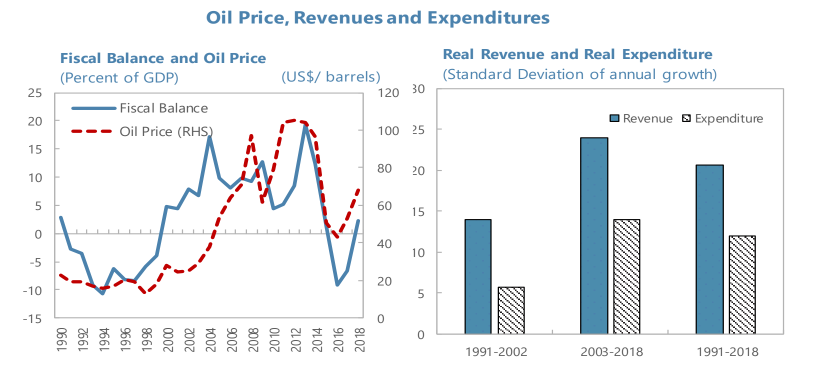
Sources: IMF FAD Expenditure Assessment Tool (EAT), World Economic Outlook, World Development Indicators, IMF Investment and Capital Stock Dataset, and World Economic Forum.
1/The frontier is defined by the countries with the highest infrastructure quality and access (output indicator based on a hybrid index made of physical and survey-based measures) for a given level of public capital stock (input). The greater the distance from the frontier, the less efficient is public investment.

16. Further enhancing efficiency of public investment would strengthen medium-term growth prospects. Key areas for further improvement are procurement and transparency. It would be important to publish comprehensive information on the budget, including fiscal risks. Regular publication of budget execution data and composition of QIA's assets and adopting the GFSM 2001 and later GFSM 2014 would support transparency by expanding coverage and enabling effective budget monitoring.

Box 1. Qatar: Fiscal Policy in a Medium-Term Context [1]

Fiscal policy in Qatar, as in other resource rich-dependent counties, plays a significant role in macroeconomic policy management and economic diversification. It aims to achieve macroeconomic stability, economic development, and intergenerational equity.

Fiscal balances in Qatar have tended to move with hydrocarbon price changes. Hydrocarbon revenues averaged about 90 percent of total revenues and about 34 percent of GDP during 1990–2018. The volatility in oil revenues has been accompanied by swings in government expenditure, though to a lesser degree.



Sources: Country authorities, and IMF staff calculations.

Qatar's growth volatility has moved in tandem with variations in expenditure, as in other GCC countries. Overall real GDP growth was higher (2003–18) when real government spending growth was also higher, in the context of relatively higher hydrocarbon revenues and prices. Further, the volatility of both real GDP growth and non-hydrocarbon GDP growth have been consistent with the volatility of government expenditure. The high volatility of non-hydrocarbon growth in the 2000s could be linked to rapid growth in the construction sector.

The use of a medium-term budget framework could help insulate spending from volatile oil receipts. Delinking the annual budget from short-term volatility in oil revenue and ensuring that spending decisions are based on a longer-term perspective is particularly important. In that respect, medium-term budget frameworks (MTBFs) can help protect priority expenditures and maintain the strategic focus of policy plans. Anchoring spending decisions in a medium-term framework is key to avoiding over-committing future budgets.

A well-designed fiscal rule could be considered as a way of reinforcing a multiyear fiscal framework, as it provides an anchor for the formulation of medium-term ceilings or projections. Given the volatile nature of resource revenues, Qatar would benefit from a framework that includes a procedural fiscal rule, rather than a permanent strict numerical target. A procedural fiscal rule would include *inter alia* principles for fiscal policymaking and a requirement for the government to set a target for one or more fiscal indicators.

[1] See accompanying Selected Issues Paper, "Qatar: Fiscal Policy in a Medium-Term Context".

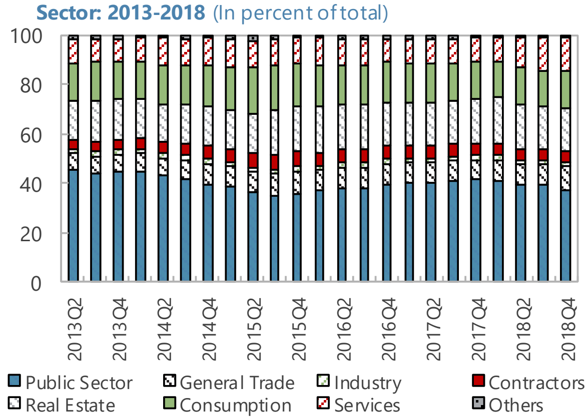
B. Safeguarding Financial Stability and Developing Financial Markets

17. **Staff and the authorities agreed on the importance of strengthening the regulatory and supervisory framework to bolster financial stability.** Banks in Qatar are now IFRS9 compliant, and the overall impact on banks' capital adequacy has been limited. The Financial Stability and Risk Control Committee is fully operational and has been meeting regularly to assess financial stability and inter-regulatory co-ordination. The banking sector is adjusting to the decline

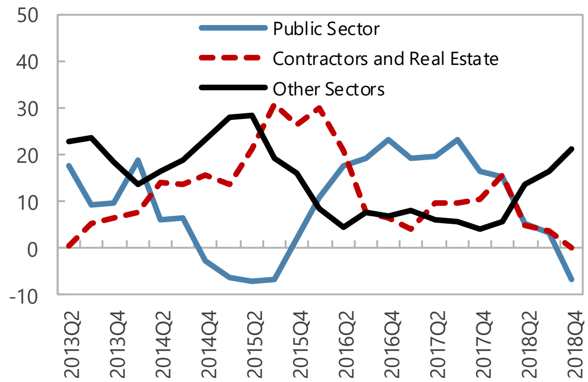
in real estate prices by reducing credit allocation to contractors and real estate sector. Safeguarding the stability of the financial system and enhancing its resilience would encompass developing additional indicators such as vacancy rates to help assess in a more-timely manner emerging trends in the real estate sector (Box 2), and continuing to ensure adequate provisioning and early risk recognition by banks, particularly those with a higher exposure to the real estate sector. The authorities pointed out ongoing efforts to strengthen the early warning framework by introducing new indicators such as the vacancy rate. The authorities noted that bank supervision is increasingly conducted on a risk-based approach with thematic inspections based on continuous monitoring of banks financials. The central bank is paying close attention to the banks' real estate exposure and is developing additional metrics to supplement its existing index.

Key Banking Sector Indicators

Distribution of Bank Domestic Credit Facilities by Sector: 2013-2018 (In percent of total)



Growth of Bank Credit Facilities by Sector: 2013-2018 (Y-o-y percent change)



Sources: Country authorities; and IMF staff calculations.

18. The monetary authorities continue to work on enhancing the liquidity management framework. The changes in the funding environment for banks in Qatar—uncertain oil price, geopolitical risks, and volatility of external flows—suggest a need for an enhanced liquidity management framework. QCB has developed an analytical framework to help guide the conduct and implementation of liquidity forecasting. Staff welcomed this development and emphasized the importance of strengthening the existing infrastructure by further improving the exchange of information between the central government, QCB, and QIA. This will help avoid marked swings in liquidity and the potential adverse macro-financial implications. QCB noted the exchange of information from fiscal authorities on liquidity flows to the banking system.

Box 2. Qatar: Property Market Update

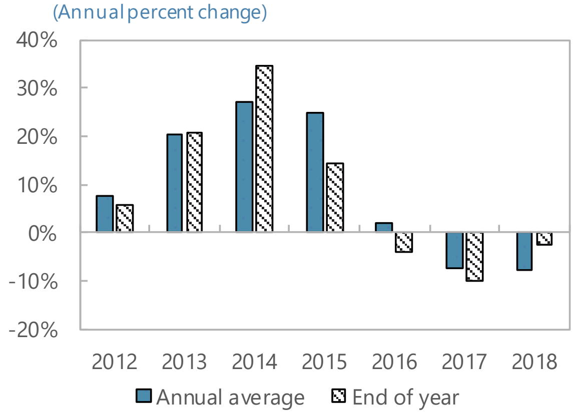
After a period of rapid growth, real estate prices in Qatar are adjusting to new levels. According to the real estate price index developed by QCB, following an 82 percent increase during 2012–16, real estate prices fell by 15 percent during 2017–18. Data produced by the Ministry of Justice indicate the following trends:

- Both the volume and number of transactions are down since 2013–2014 peak. As prices have decreased, some owners seem to be holding off to their properties rather than selling at depressed prices.

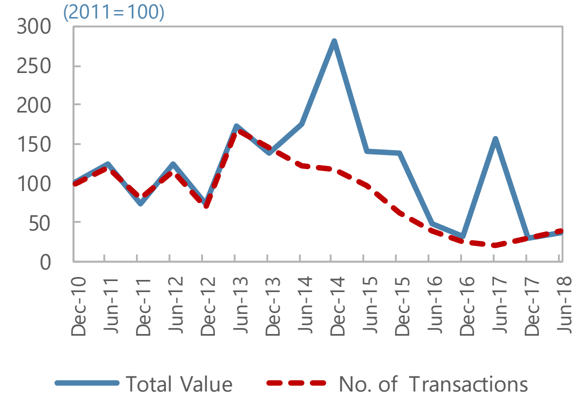
- Land prices are holding up better than properties with a rebound in prices during 2017 before adjustment in 2018. Residence prices have been on a declining trend since mid-2014, though there are signs that the slowdown is flattening.

- In terms of regions, land prices in Al Daayen are holding on better which could be due to the active development of Lusail City and 2022 World Cup projects. Similarly, land prices in Al Wakra have been stable in the past years due to major infrastructural projects.

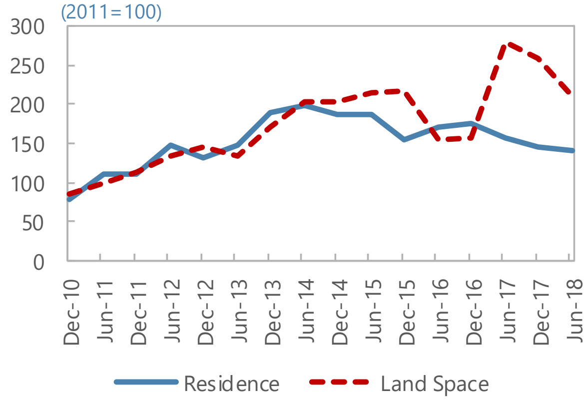
Official Real Estate Price Index (QCB)
(Annual percent change)



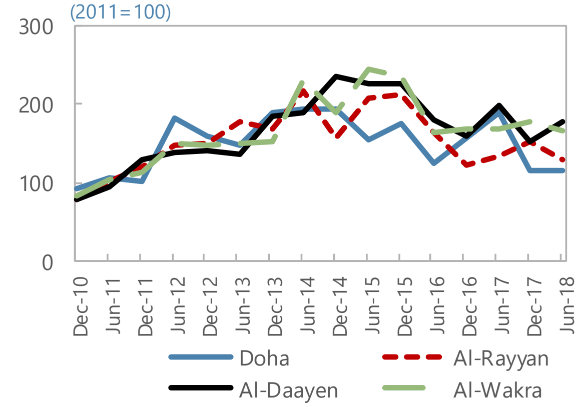
Prices by Type of Real Estate
(2011=100)



Prices by Type of Real Estate
(2011=100)



Land Prices by Selected Municipalities
(2011=100)



Source: Country athorities, and IMF staff calculations.

19. Deepening financial markets would help support financial inclusion. In implementing the Second Strategic Plan for the financial sector, the authorities are focusing more on deepening domestic financial markets with a view to promoting savings, offering borrowing and investment opportunities, and achieving greater financial inclusion, particularly for women and small and medium enterprises. Staff noted that Fintech could help to increase financial inclusion, bringing it on par with the levels of the financial system and economic development in Qatar. For example, Fintech can help ensure increased lending to small and medium enterprises that remains very low in Qatar at around 2 percent of total credit. Nonetheless, Fintech brings risks to data privacy and cybersecurity. It is important to ensure consumer protection and soundness of offered products. In this regard, staff supported the authorities' approach of initial testing of Fintech within a sandbox environment and in cooperation with international regulators.

20. Efforts to strengthen the AML/CFT legal framework are important, including to avoid pressures on correspondent banking relationships. Staff welcomed the authorities' efforts to strengthen the AML/CFT legal framework**.** Draft amendments to the AML/CFT law and the mechanism to implement United Nations Security Council Resolutions related to terrorist and proliferation financing are being considered. These reforms should be expedited and implemented in line with FATF standards. QCB is using its own tools for assessing ML/TF risks of institutions and sectors. Further progress is required in understanding risks of individual institutions and conducting a fully risk-based AML/CFT supervision. QCB is prioritizing institutions for AML/CFT supervision based on the results generated by the risk assessment tools.

C. Achieving Private Sector-Led Growth, Economic Diversification and Improving Macroeconomic Statistics

21. The Qatari economy remains competitive and well-governed, though certain areas call for further improvement (Figures 5 and 6). While recognizing measurement limitations, with strong technological adoption and a well-developed infrastructure base, Qatar shows solid performance in the World Economic Forum's Global Competitiveness Report (2018). It has engaged in significant anti-corruption efforts in recent years, including the adoption of anti-corruption laws, and of other governance measures and consistently compares well with regional peers on the indicators of corruption. Staff recommended that improved entity transparency and enhanced international cooperation would help support anti-corruption efforts. In addition, contract enforcement could be improved by reducing the time and cost needed to settle commercial disputes and by strengthening insolvency procedures. Further simplifying customs procedures could facilitate trade. In addition, systematic public engagement at the design stage of the regulatory process could be beneficial. Improving educational outcomes remains a key target: there is room to improve both years of schooling and performance on international tests. The authorities indicated that all key stakeholders, including the private sector when relevant, are consulted in the policy making process.

22. The authorities stressed that they are advancing a broad agenda to diversify the economy. Structural reforms continue to target improvements in several areas including contract enforcement and customs procedures. Several priorities identified in the Second National

Development Strategy are being pursued. Restrictions on foreign investments have been lifted in many sectors. The authorities aim to attract skilled workers over time. Foreigners that possess skills needed in Qatar, invest in Qatar, or perform important services for the state, are now eligible for permanent residency.

23. Staff underscored that while SEZs can be helpful in the short term, they should not be viewed as an alternative to economy-wide structural reforms. Additional SEZs are planned, to build robust local supply chains, and catalyze development in logistics, downstream chemicals, and emerging technology. These SEZs will offer a legal system based on English common law, more flexibility in providing skilled workers visas, access to potential equity investments, and partnerships with leading Qatari firms. Staff recommended that a comprehensive strategy to attract investment should ensure access to finance, integrate innovative foreign ventures into the economy, and be well communicated. Investment in human capital should target the specific skills needed. Domestic and export-market competition should be used to hold beneficiaries of government's support accountable (Box 3).[10] The authorities shared staff's views on the importance of setting performance benchmarks to ensure competition and effective allocation of resources.

24. Attention to women's empowerment and equality would support inclusive growth (Table 7). With limited unemployment, emphasis on human development, and broad access to education, electricity, and internet, Qatar's rapid development in recent decades has been broadly shared. However, the World Economic Forum reports that the gender gap in economic participation is larger than in emerging markets on average. In this regard, introducing and enacting laws that focus on equal remuneration and encourage gender equality would help promote equality. The authorities are studying international best practices to inform legislation to encourage gender equality.

25. Efforts are needed to further improve macroeconomic statistics. The available data are broadly adequate for surveillance. While the timeliness of the quarterly investment survey has improved, greater coordination is needed to broaden coverage and produce comprehensive estimates of the International Investment Position (IIP). Initiatives to improve the quality of national accounts data are ongoing. An STA e-GDDS mission is scheduled to take place shortly. The mission will assist the authorities in publishing essential macroeconomic data through a National Summary Data Page (NSDP) and making further progress towards subscribing to the Special Data Dissemination Standard (SDDS). The authorities reiterated their commitment to closing the remaining gaps for subscribing to the SDDS.

[10] See Box 3 and accompanying Selected Issues Paper, "Policies to Drive Diversification in Qatar."

Box 3. Qatar: Policies to Drive Diversification in Qatar[1]

Further diversification is important to help Qatar manage temporary shocks and prepare for the future. Oil and gas represent a substantial share of economic activity, exports, and fiscal revenues in Qatar. Diversification is important to help manage short-term volatility in hydrocarbon prices, as well as the risk that the demand for hydrocarbon falls substantially in the long term.[2] While Qatar's accumulated financial assets are a source of strength, QIA's asset allocation strategy should not ignore Qatar's already significant dependence on hydrocarbons. Equally, rigorous evaluation of capital spending should continue: domestic investments do entail foregone financial accumulation.

Additional structural reforms are needed to support diversification of economic activity and exports. Contract enforcement, processes for dealing with insolvency and disputes, and the quality of education are priorities. While Special Economic Zones (SEZs) can be helpful in the short term, efforts to improve the economy-wide business environment remain crucial. China is a prominent example of a country that has applied lessons learned from SEZs to the wider economy.

Well targeted, structured, and sequenced policies to encourage specific sectors can also play a role in diversifying Qatar's economy. Qatar's Second National Development Strategy identifies six priority sectors: manufacturing, finance, professional and scientific activities, tourism, logistics, and information and communication. Detailed strategies are being developed within these priorities. These detailed strategies should focus on specific opportunities that link to current strengths (including low petrochemical input costs, a large financial sector, and solid port and airport infrastructure), with scope for exports and innovation. Clear communication is needed to harness entrepreneurial initiative. These strategies should also present cost-benefit analysis for proposed investments and incentives.

Policies should aim to build expertise in specific clusters of innovative activity. Qatar rightly aims to attract both foreign investment and skilled workers. Efforts to encourage related businesses to cluster together should continue, with attention paid to integrating innovative new ventures in the economy. Investments in human capital should target the specific skills needed in priority sectors. Singapore's example shows the importance of combining focused priorities with long-term ambition.

Domestic and export market competition should be used to hold recipients of support accountable. Sector-specific policies have resulted in inefficient import substitution in many countries. Avoiding this outcome requires discipline. In sectors new to the Qatari economy but not to global markets, success in export markets could provide an external benchmark to measure progress. Policies should also aim to encourage sectors, not specific firms, to preserve competition.

---

[1]See accompanying Selected Issues Paper, "Policies to Drive Diversification in Qatar".

[2]For example, efforts to address climate change could potentially reduce the demand for hydrocarbons.

STAFF APPRAISAL

26. Qatar's economy has successfully adjusted to the dual shocks of lower oil prices and diplomatic rift. Prudent fiscal policy, an appropriate monetary anchor, sound financial regulation and supervision frameworks and considerable buffers continue to underpin strong macroeconomic performance. Increased gas production, a slower pace of fiscal consolidation, infrastructure programs and adequate credit growth will underpin growth over the medium term. The fixed exchange rate regime remains appropriate, as it has provided a clear and credible monetary anchor, although the external position is weaker than implied by fundamentals and desired policy settings. Fiscal consolidation over the medium term would help close the estimated current account gap. Lower-than-envisaged hydrocarbon prices constitute the main risk to the macro-financial outlook. Nonetheless, Qatar is in a position to weather such a shock, given significant buffers and prudent policies.

27. Gradual fiscal consolidation would help achieve adequate savings for future generations. Proceeding with a gradual fiscal consolidation is appropriate, given the availability of substantial fiscal space**.** Enhancing non-hydrocarbon revenues, including the introduction of a VAT should continue to be at the center of reforms for a broad-based tax system. Other fiscal reforms should continue to focus on containing the growth of the wage bill and putting public investment on a downward path. Education and labor market measures are needed to complement public-sector employment reform. An accelerated strategy to further reduce utility subsidies, would help generate additional savings and contribute to improved economic efficiency. This strategy would need to be combined with the strengthening of social protection.

28. A robust medium-term fiscal framework would bolster fiscal policy credibility. Strengthening fiscal policy frameworks is vital to averting procyclicality, mitigating risks and ensuring intergenerational equity. The use of fiscal indicators that emphasize intergenerational equity, combined with indicators to better manage oil price volatility remains important. Improving coordination among the fiscal authorities, QCB and QIA could strengthen fiscal-macroeconomic management. These measures could be complemented with a medium-term budget framework. Accelerating efforts towards turning the medium-term budget framework into a performance based medium-term expenditure framework would be useful. Publication of comprehensive information on the budget, including fiscal risks, budget execution data, and the composition of QIA's assets, would support improved transparency.

29. Banks remain sound, underpinned by strong profitability and capital as well as high asset quality. It is important to continue to monitor closely banking sector's assets, given the softening of real estate prices. In this connection, QCB should consider introducing additional indicators such as vacancy rates to assess in a more timely fashion developments in the real estate sector. The emphasis on risk-based supervision is important, as it provides the opportunity to detect vulnerabilities at earlier stages. The loan-to-deposit ratio should be enforced to encourage banks to reduce leverage. Strengthening the modalities for the exchange of information between the fiscal and monetary authorities would help avert sharp swings in liquidity and the related adverse economic and financial impact. Financial innovation tends to give rise to risks and vulnerabilities, despite the advantage of enhancing financial inclusion. It is therefore important to further strengthen financial supervision and the regulatory framework to ensure that consumers are protected and offered sound products.

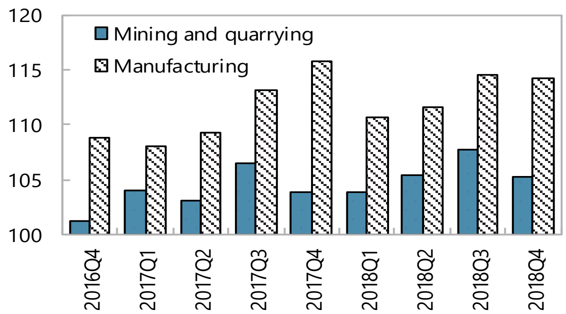
30. Structural reforms with emphasis on private sector-led growth and economic diversification would help support a more inclusive growth. Authorities' reform agenda pertaining to the business environment, special economic zones, labor law, increased foreign ownership limits and privatization is welcome. While SEZs can be helpful in the short term, they should not constitute an alternative to economy-wide structural reforms. Domestic and export-market competition should be used as benchmarks to hold beneficiaries of government's support accountable. Policy measures that focus on further improving the business environment, including improved contract enforcement and enhanced strengthened competition through reform of the insolvency mechanism, would buoy private sector-led growth. Laws that focus on ensuring equal remuneration and support gender equality would support inclusive growth.

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

Figure 1. Qatar: Real Sector Developments

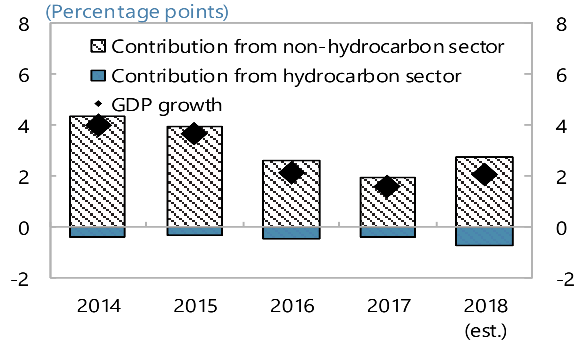
After moderating, the industrial production points to some recovery...

Industrial Production Index
(2013=100)



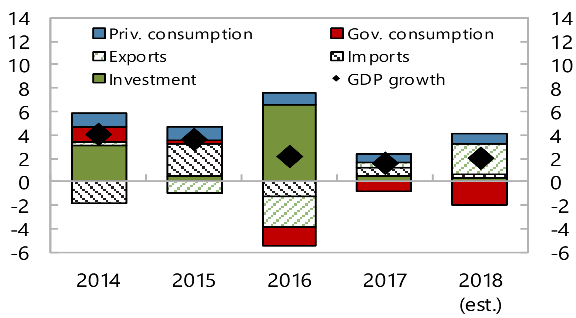
...with non-hydrocarbon growth recovering as well.

Oil and Non-oil Contributions to Real GDP Growth
(Percentage points)



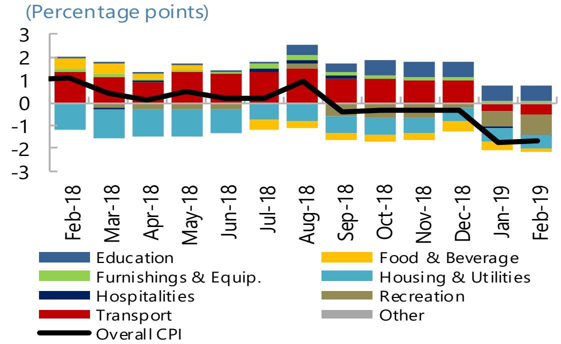
Growth is recovering despite continued fiscal consolidation...

Contributions to Real GDP Growth
(Percentage points)



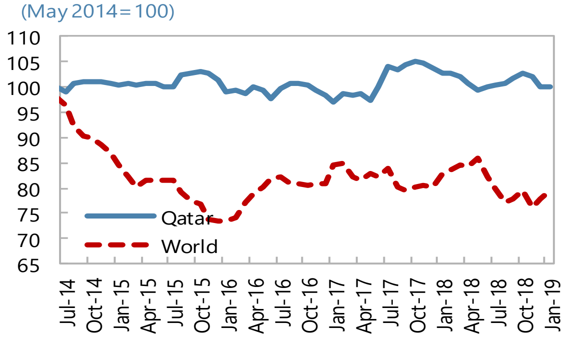
...while inflation remains subdued.

Year-on-Year CPI Growth Contributions, by Category
(Percentage points)



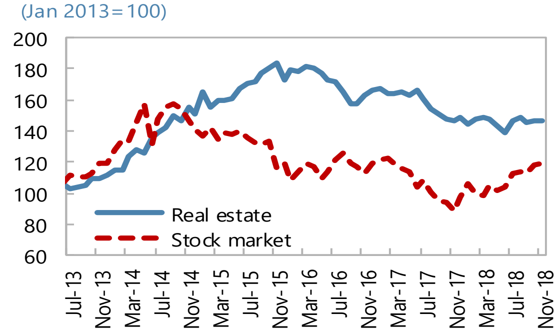
Food prices in Qatar have remained steady.

Food Price Index
(May 2014=100)



While the stock market is recovering, real estate prices have continued to fall.

Real Estate and Stock Market Indices
(Jan 2013=100)

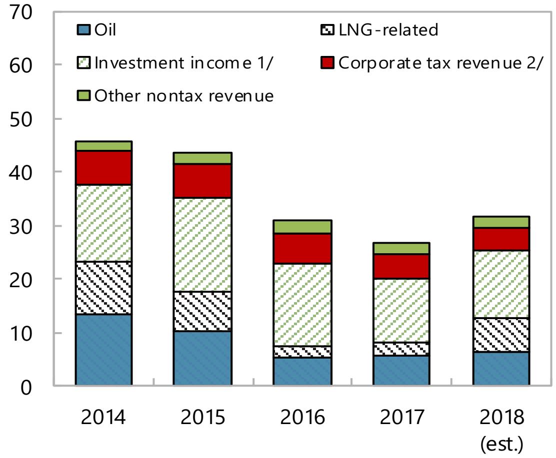


Sources: Country authorities; Bloomberg; and IMF staff calculations.

Figure 2. Qatar: Fiscal Developments

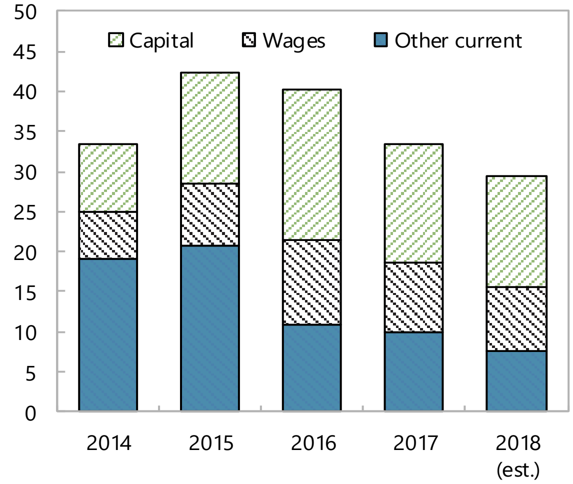
Higher oil prices have led to Improved fiscal revenues...

Central Government Revenues
(Percent of GDP)



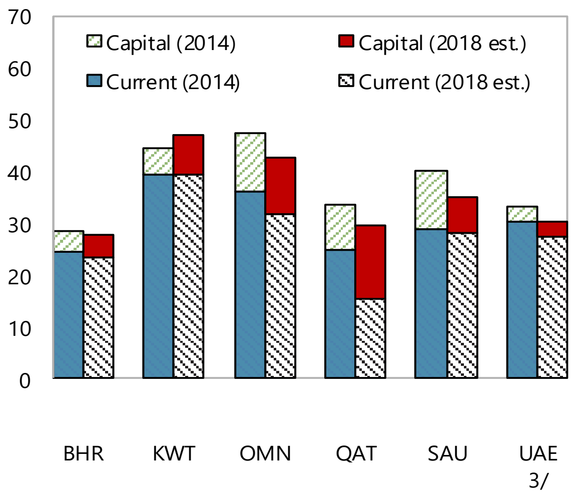
...expenditure consolidation continues underpinned by reduced current expenditure...

Central Government Expenditure
(Percent of GDP)



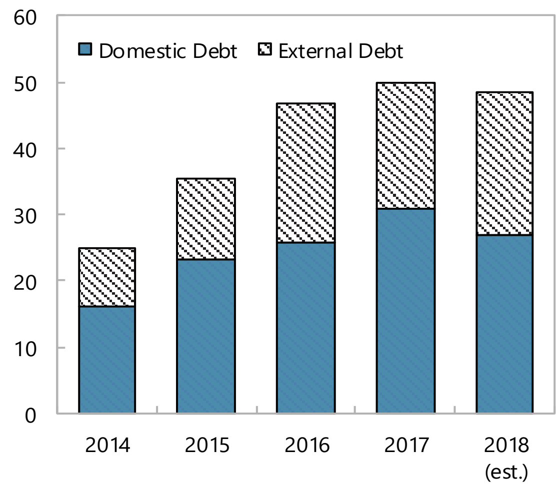
and capital expenditure has broadly expanded, despite on-going fiscal consolidation.

Government Expenditure, 2014 and 2018
(Percent of GDP)



Public debt has been increasing to finance deficit and develop capital markets.

Central Government Debt
(Percent of GDP)

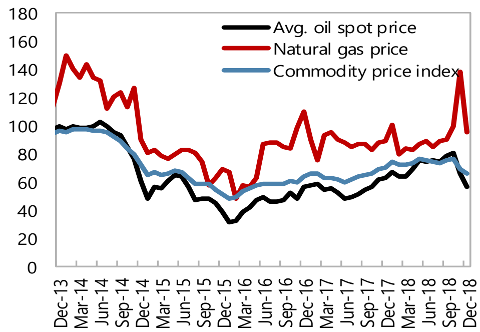


Sources: Country authorities; and IMF staff estimates.
1/ Dividends paid by Qatar Petroleum and other state-owned enterprises.
2/ About 85 percent of corporate income tax comes from Qatar Petroleum.
3/ Part of UAE's capital spending is reflected in loans and equity in the official statistics, and thus is not included in th is chart.

Figure 3. Qatar: External Sector Developments

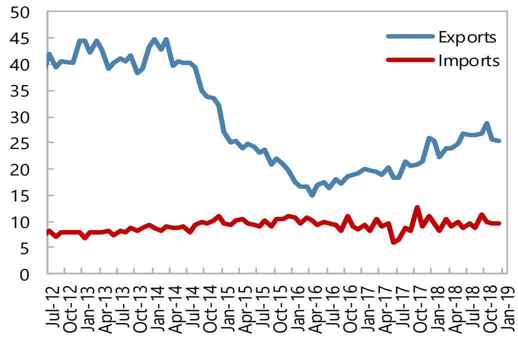
Commodity prices rose in 2017 and 2018.

Commodity Price Indices
(Jan 2013=100)



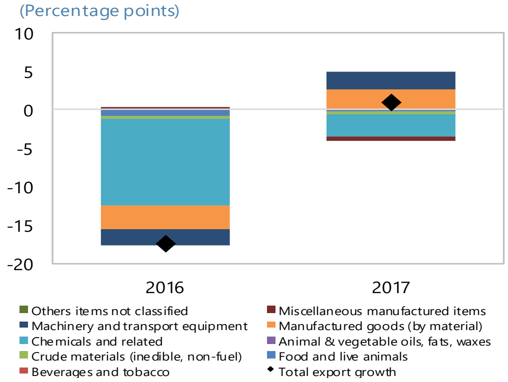
Exports have been increasing and imports have stabilized since the rift began in 2017.

Imports and Exports
(Billions of QR)



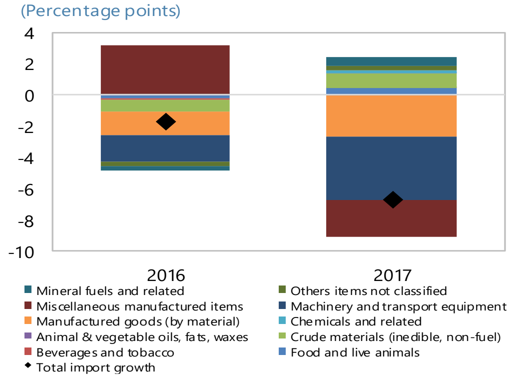
Non-hydrocarbon exports have grown modestly.

Contributions to Non-Hydrocarbon Export Growth
(Percentage points)



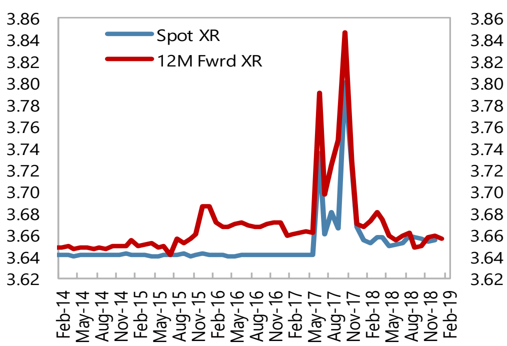
Imports fell in 2017.

Contributions to Import Growth
(Percentage points)



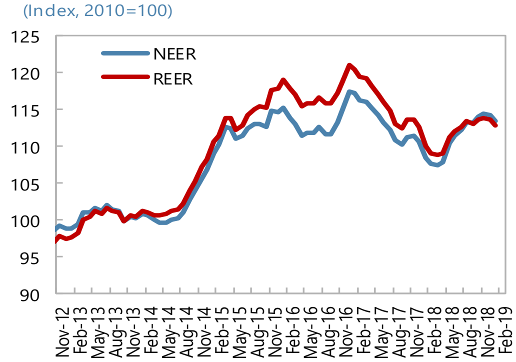
The impact of the rift on spot and forward rates has faded away.

Spot and Forward Exchange Rates[1/]



Real effective exchange rate has depreciated over 2018 in line with the U.S. dollar.

Real and Nominal Effective Exchange Rates
(Index, 2010=100)

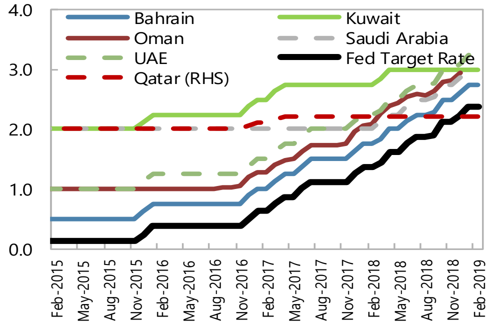


Sources: Country authorities; Bloomberg; and IMF staff calculations.
1/ Spot and forward exchange rates are off-shore rates.

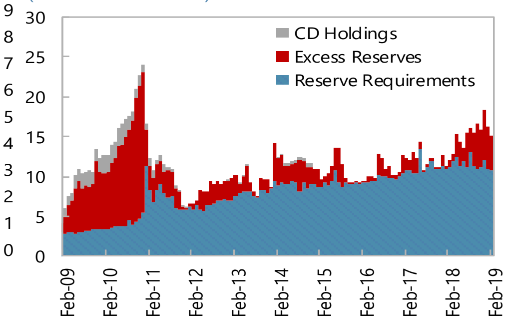
Figure 4. Qatar: Financial Sector Developments

Though interest rates have increased globally, bank excess reserves have increased due to higher oil prices…

Policy Rates
(Percent)

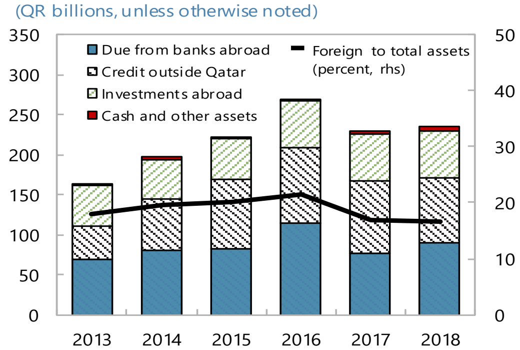


Commercial Bank Assets with Central Banks
(Billions of US dollars)

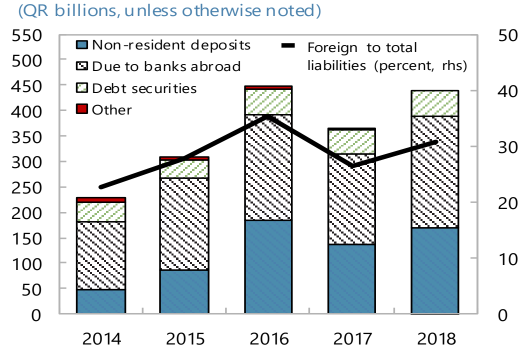


… as banks have seen recovery in non-resident deposits and foreign banks funding.

Qatari Banks: Foreign Assets Composition, 2014–18
(QR billions, unless otherwise noted)

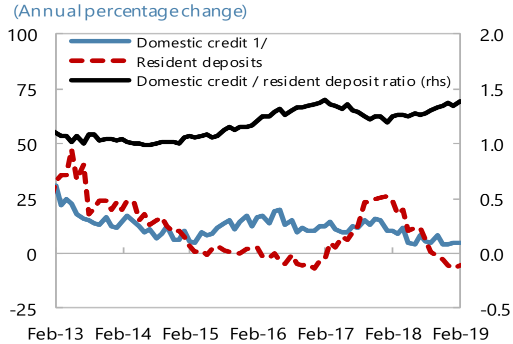


Qatari Banks: Foreign Liabilities Composition, 2014–18
(QR billions, unless otherwise noted)

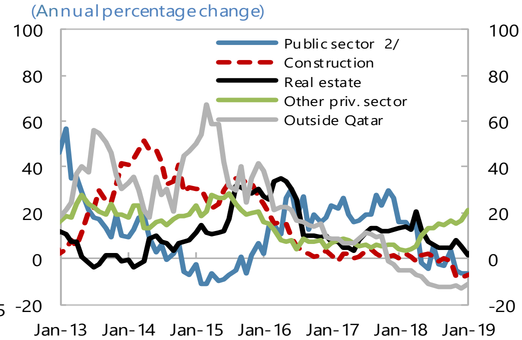


Domestic private sector credit expanded faster than deposits, while Qatar banks overseas credit has been declining.

Domestic Credit and Deposit Growth, 2013-2019
(Annual percentage change)



Bank Credit Growth by Sector, 2013–18
(Annual percentage change)

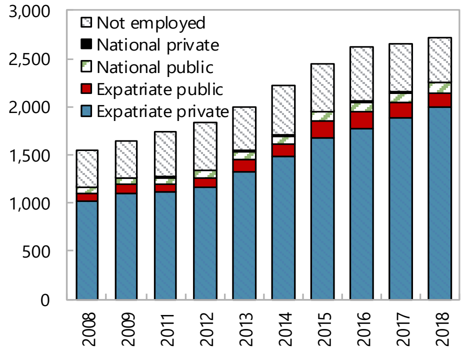


Sources: Country authorities; and Qatar Central Bank.
1/ Credit to government, government institutions, and semi-government institutions, as well as government financial securities; net of government deposits.
2/ Credit to government, government institutions, and semi-government institutions; excludes government financial securities.

Figure 5. Qatar: Labor Market Indicators

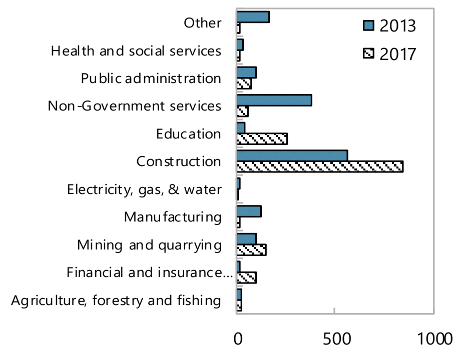
High population growth has been driven by inflows of expatriate workers…

Population Distribution, 2008–2018
(Thousand)



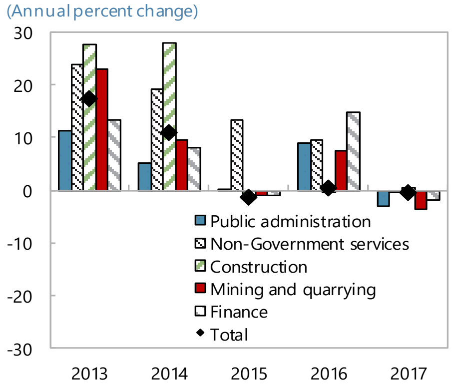
…mainly into construction and non-government service sectors.

Workers in Paid Employment, 2013 and 2017
(Thousand)



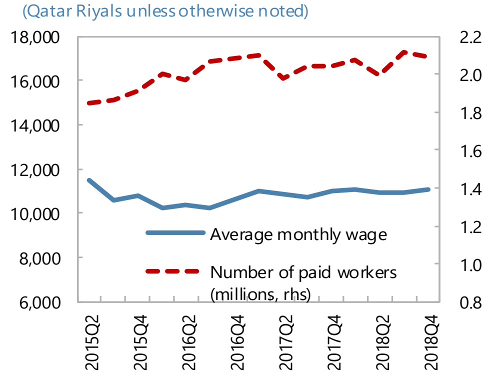
Public sector wage growth has moderated.

Real Monthly Average Wage, 2013–2017
(Annual percent change)



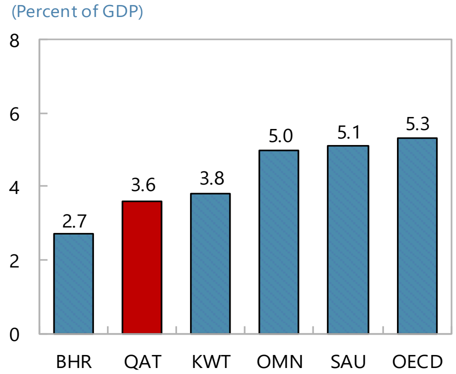
Wages and employment have plateaued.

Wages and Employment, 2014-2018
(Qatar Riyals unless otherwise noted)



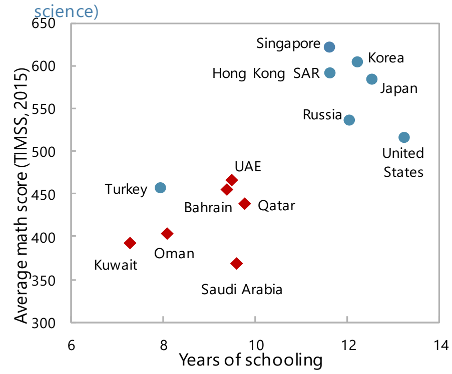
Education spending is comparable with a number of Gulf Cooperation Council countries.

Education Expenditure, Latest Value Available
(Percent of GDP)



There is room to improve education outcomes.

Length and Quality of Education, 2015
(Years of schooling and performance in math and science)

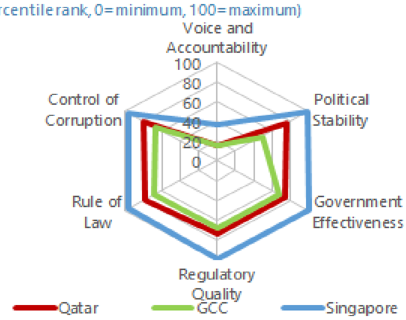


Sources: Qatar Statistics Authority's Labor Force Statistics Bulletin, 2017; Haver; UNDP; 2015 Trends in International Mathematics and Science Study evaluations; IMF FAD Expenditure Assessment Tool (EAT); and IMF staff calculations.

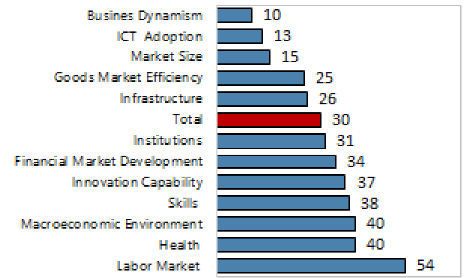
Figure 6. Qatar: Business Environment and Governance Indicators

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

World Governance Indicators, 2017
(Percentile rank, 0=minimum, 100=maximum)

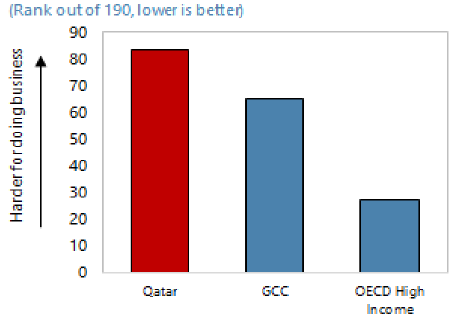


Global Competitiveness Index by Category, 2018
(Rank)

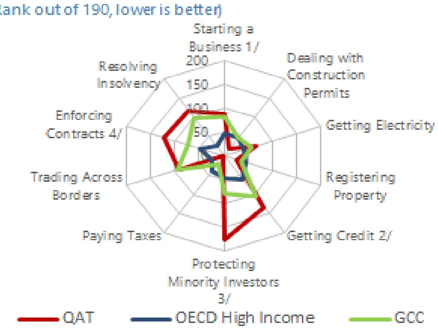


Improving contract enforcement, enhancing investor protection, and streamlining procedures to open new businesses would be particularly helpful.

World Bank Doing Business, 2018
(Rank out of 190, lower is better)

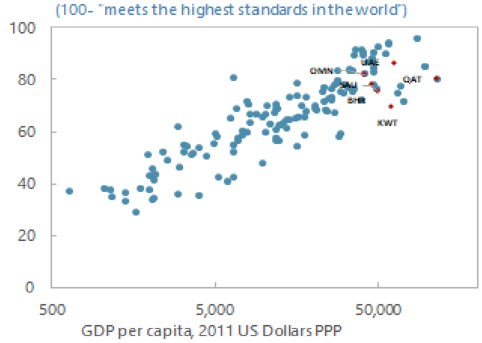


World Bank Doing Business, 2018: Details for Qatar
(Rank out of 190, lower is better)

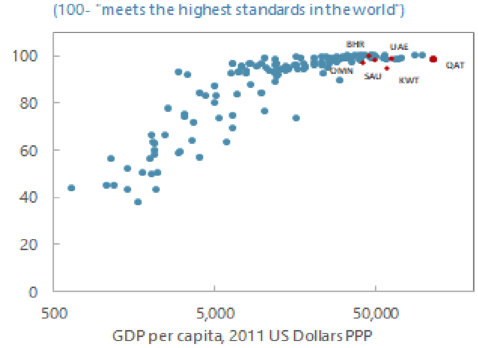


Qatar ranks favorably in terms of the quality of infrastructure and electricity supply.

Quality of Infrastucture, 2018
(100- "meets the highest standards in the world")



Quality of Electricity Supply, 2018
(100- "meets the highest standards in the world")



Sources: Global Competitiveness Report (2017–18); World Bank Doing Business Report (2018), World Governance Indicators (2017); and IMF staff estimates.
1/ Starting a business encompasses the procedures, time, and cost (including minimum capital requirement) required for an entrepreneur to start and operate a business.
2/ Getting credit is a combination of (i) the legal rights of borrowers and lenders that facilitate lending; and (ii) the coverage, scope, and accessibility of credit information via public credit registries and private credit bureaus. Qatar scores better in the latter but scores poorly by GCC standards in both cases.
3/ Protecting investors measures the strength of minority shareholder protection against directors' misuse of corporate assets for personal gain.
4/ Enforcing contracts measures the procedures, time, and cost involved in resolving a standardized commercial lawsuit between domestic businesses through the local first-instance court.

Table 1. Qatar: Selected Macroeconomic Indicators, 2014–24
(Billions of Qatari Riyals unless otherwise noted)

	2014	2015	2016	2017	Est. 2018	Proj. 2019	Proj. 2020	Proj. 2021	Proj. 2022	Proj. 2023	Proj. 2024
Real economy (change in percent unless otherwise noted)											
Nominal GDP (billions of Qatari Riyals)	750.7	588.7	552.3	607.6	700.5	704.3	742.6	775.6	813.2	852.1	903.3
Nominal hydrocarbon GDP (billions of Qatari Riyals)	394.2	221.0	164.0	196.0	260.2	245.2	247.3	250.0	254.9	259.7	268.6
Nominal nonhydrocarbon GDP (share of overall GDP, percent)	47.5	62.5	70.3	67.7	62.9	65.2	66.7	67.8	68.7	69.5	70.3
Real GDP (2013 prices)	4.0	3.7	2.1	1.6	2.2	2.6	3.2	3.3	2.7	2.3	3.0
Hydrocarbon 1/	-0.6	-0.6	-0.9	-0.7	-1.1	0.4	1.8	2.3	0.5	0.1	1.6
Nonhydrocarbon	9.8	8.5	5.3	3.8	5.3	4.6	4.3	4.2	4.4	4.0	4.0
Per capita	-6.0	-5.8	-4.9	0.1	-0.1	1.4	2.9	3.1	2.4	2.0	2.7
Deflator	-0.2	-24.3	-8.1	8.3	12.8	-2.0	2.2	1.1	2.1	2.4	2.9
CPI inflation (average)	3.4	1.8	2.7	0.4	0.2	0.1	3.7	2.3	2.0	2.0	2.0
Tradable	1.9	1.6	1.0	2.8	2.1	0.7	4.1	2.9	2.3	1.9	1.8
Non-tradable	3.9	2.0	4.1	-1.6	-1.4	-0.3	3.4	1.9	1.7	2.0	2.1
Hydrocarbon sector											
Exports (billions of U.S. dollars) 1/	113.9	65.6	47.8	57.1	72.1	67.7	67.7	67.7	68.8	69.6	72.3
Brent crude oil price (U.S. dollars per barrel)	98.9	52.4	44.0	54.4	71.1	61.8	61.5	60.8	60.4	60.6	61.0
Crude oil production (thousands of barrels per day)	673.1	636.4	646.0	607.4	608.0	622.5	633.4	642.5	639.2	638.1	612.6
Natural Gas exports (millions of tons per year)	90.9	91.3	91.1	90.3	92.4	92.3	91.8	92.5	92.4	92.3	97.3
of which LNG	77.1	77.5	77.3	76.5	78.1	77.5	77.1	77.7	77.6	77.6	82.6
Central government finances (percent GDP)											
Revenue	45.7	43.6	30.9	26.9	31.7	32.8	31.7	30.8	29.9	29.1	28.4
Expenditure	33.4	42.3	40.1	33.5	29.4	29.8	28.3	27.7	26.5	26.1	25.3
Current	25.0	28.5	21.5	18.6	15.5	17.1	17.2	17.2	17.3	17.3	17.0
Capital	8.4	13.8	18.6	14.8	13.9	12.6	11.2	10.4	9.2	8.8	8.3
Central government fiscal balance	12.3	1.3	-9.2	-6.6	2.3	3.0	3.4	3.2	3.4	3.0	3.1
Adjusted non-hydrocarbon primary balance (percent of non-hydrocarbon GDP) 2/	-57.8	-57.4	-45.4	-37.9	-35.4	-34.2	-30.4	-29.1	-27.2	-26.6	-25.4
Estimated general government balance 3/	14.3	4.5	-5.4	-2.9	5.3	6.1	6.6	6.4	6.7	6.4	6.5
Central government debt, gross	24.9	35.5	46.7	49.8	48.4	52.7	45.9	40.6	37.1	33.3	29.4
Monetary and financial sector (change in percent)											
Broad money	10.6	3.4	-4.6	21.3	-6.5	4.3	7.9	6.1	6.2	6.4	7.4
Domestic claims on public sector 4/	-8.1	5.8	16.1	20.9	-7.5	0.0	0.4	0.1	0.1	0.1	0.1
Domestic credit to private sector 5/	20.3	19.7	6.5	6.4	13.0	4.8	9.0	7.0	6.5	6.4	7.5
3-month T-bill rate (Qatar Riyal, percent, eop)	0.8	1.5	1.7	2.3	2.3	…	…	…	…	…	…
CDS (bps, eop)	65.3	83.2	80.3	100.9	82.4	…	…	…	…	…	…
External sector (billions of U.S. dollars unless otherwise noted)											
Exports	126.7	77.3	57.3	67.5	84.5	80.2	80.4	80.6	82.1	83.2	86.4
Imports	-31.1	-28.5	-31.9	-30.8	-33.2	-33.9	-34.6	-35.7	-38.4	-36.9	-37.1
Current account balance	49.4	13.8	-8.3	6.4	18.0	8.9	8.4	6.9	8.8	5.7	7.8
in percent GDP	24.0	8.5	-5.5	3.8	9.3	4.6	4.1	3.2	3.9	2.4	3.1
External debt (percent GDP) 6/	56.2	88.4	127.2	99.6	101.1	106.7	98.3	92.0	87.2	82.2	76.6
Official reserves 7/	43.1	37.2	31.7	14.9	30.5	44.3	41.2	40.8	41.1	41.8	45.5
Social indicators											
Per capita GDP (2016): $59,535											
Life expectancy at birth (2015): 78.7; Population (December 2017): 2.6 million											
Memorandum items											
Local currency per U.S. dollar (period average)	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Real effective exchange rate (change in percent)	2.6	11.0	2.6	-1.1	-3.7	…	…	…	…	…	…
Credit rating (Moody's investor services)	Aa2	Aa2	Aa2	Aa3	Aa3	…	…	…	…	…	…
Population growth (percent)	10.6	10.0	7.4	1.5	2.3	1.3	0.2	0.2	0.3	0.3	0.2

Sources: Qatari authorities; and IMF staff estimates.

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

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

3/ Central government balance plus estimated QIA returns, excluding capital gains.

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

5/ Excludes financial securities.

6/ Includes all liabilities of commercial banks to non-residents (including foreign branches of Qatari banks).

7/ Excluding QIA assets.

Table 2. Qatar: Balance of Payments, 2014–24
(Billions of U.S. dollars unless otherwise noted)

	2014	2015	2016	2017	Est. 2018	Proj. 2019	Proj. 2020	Proj. 2021	Proj. 2022	Proj. 2023	Proj. 2024
Current account	49.4	13.8	-8.3	6.4	18.0	8.9	8.4	6.9	8.8	5.7	7.8
In percent of GDP	24.0	8.5	-5.5	3.8	9.3	4.6	4.1	3.2	3.9	2.4	3.1
Trade balance	95.6	48.8	25.4	36.7	51.3	46.2	45.9	44.9	43.7	46.4	49.3
Exports	126.7	77.3	57.3	67.5	84.5	80.2	80.4	80.6	82.1	83.2	86.4
Hydrocarbon	113.9	65.6	47.8	57.1	72.1	67.7	67.7	67.7	68.8	69.6	72.3
Crude oil	21.4	10.2	8.7	10.1	13.2	11.8	12.3	12.7	13.4	13.8	13.6
LNG	56.6	36.1	21.4	22.3	36.4	37.2	35.8	35.7	35.3	35.3	38.0
Propane, butane	8.5	4.2	3.6	4.4	5.9	5.8	5.8	5.7	5.9	5.9	6.0
Condensates	13.6	4.0	7.9	8.9	5.7	4.2	4.5	4.3	4.6	4.8	4.9
Refined petroleum products	10.1	5.1	4.6	8.4	11.0	8.8	9.4	9.4	9.6	9.9	9.8
Non-hydrocarbon	12.8	11.7	9.5	10.4	12.4	12.5	12.7	12.9	13.3	13.7	14.1
Petrochemicals	5.2	4.3	4.0	4.1	5.6	5.8	6.0	6.1	6.3	6.5	6.8
Others	7.6	7.0	5.6	6.2	6.8	6.6	6.8	6.9	7.0	7.2	7.3
Imports	-31.1	-28.5	-31.9	-30.8	-33.2	-33.9	-34.6	-35.7	-38.4	-36.9	-37.1
Services (net)	-19.3	-15.8	-16.4	-13.7	-14.1	-16.1	-18.7	-19.2	-15.3	-17.0	-17.6
Income (net)	-9.3	-3.6	-1.1	-0.4	-1.7	-3.1	0.3	1.0	1.1	-2.1	-1.3
Receipts	7.4	7.8	7.1	8.6	9.4	7.6	11.3	11.8	11.9	8.7	9.8
Payments	-16.7	-11.4	-8.2	-9.0	-11.1	-10.8	-11.0	-10.8	-10.8	-10.8	-11.0
Transfers (net)	-17.5	-15.7	-16.2	-16.2	-17.5	-18.1	-19.0	-19.9	-20.7	-21.6	-22.6
Of which: workers remittances	-11.1	-12.0	-11.8	-12.6	-13.8	-14.1	-14.9	-15.5	-16.1	-16.7	-17.5
Capital account	-5.5	-0.7	-0.8	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6	-0.7	-0.7
Financial account	-43.6	-18.9	4.6	-25.0	-1.9	5.5	-10.9	-6.7	-7.8	-4.4	-3.4
Direct Investment, net	-5.7	-3.0	-7.1	-0.7	-4.6	-0.5	1.0	1.8	2.9	4.3	6.1
Portfolio borrowing, net	-19.9	-16.5	6.1	9.2	-6.6	-1.2	-1.2	-1.2	-1.2	-1.3	-1.3
Assets	-16.7	-11.6	-10.1	11.4	-16.6	-0.4	-0.4	-0.4	-0.4	-0.5	-0.5
Liabilities	-3.2	-4.9	16.2	-2.2	10.0	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Other investment (net)	-18.3	0.7	5.6	-33.2	7.3	6.0	-11.7	-8.3	-10.4	-8.4	-9.3
Assets	-22.5	-19.0	-22.8	-11.1	-9.1	-3.0	-3.3	-1.2	-6.8	-3.4	-4.3
Liabilities	4.2	19.6	28.4	-22.1	16.4	9.0	-8.4	-7.1	-3.6	-5.0	-5.0
Commercial banks, net	0.0	0.0	0.0	0.0	2.0	1.4	1.1	1.1	1.2	1.2	1.2
Other capital, net	0.3	-0.1	0.1	-0.3	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2
Errors and omissions	1.1	0.4	-1.2	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.3	-5.5	-5.6	-17.9	15.5	13.9	-3.1	-0.4	0.4	0.7	3.7
Change in QCB net foreign assets	-1.3	5.5	5.6	17.9	-15.5	-13.9	3.1	0.4	-0.4	-0.7	-3.7
Memorandum items											
Nominal GDP	206.2	161.7	151.7	166.9	192.4	193.5	204.0	213.1	223.4	234.1	248.2
Central bank reserves	43.1	37.2	31.7	14.9	30.5	44.3	41.2	40.8	41.1	41.8	45.5
In months of next year's imports of goods and services	8.6	7.0	6.1	2.7	5.5	7.7	6.9	6.5	6.5	6.5	6.5
Real goods and services exports (percent change)	0.4	-1.4	-3.9	0.7	4.0	-1.2	0.0	1.4	3.5	-0.8	2.3
Real goods and services imports (percent change)	6.4	-9.2	4.9	-2.8	-0.8	2.1	-0.4	0.6	3.2	-2.2	1.3

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

Table 3a. Qatar: Summary of Central Government Finance, 2014–24 1/

(Billions of Qatari Riyals unless otherwise noted)

	2014	2015	2016	2017	Est. 2018	Proj. 2019	Proj. 2020	Proj. 2021	Proj. 2022	Proj. 2023	Proj. 2024
Revenue	343.0	256.4	170.9	163.3	222.0	231.3	235.7	239.1	243.1	248.1	256.2
Oil	100.7	61.3	29.4	34.0	44.4	39.6	41.4	42.9	45.4	46.7	46.1
LNG-related	73.9	42.6	11.6	14.8	45.6	47.7	50.7	50.0	49.1	49.0	54.0
Investment income from public enterprises	108.5	102.3	84.8	74.0	88.5	94.5	90.1	91.2	92.2	94.4	96.3
Corporate tax revenue	46.8	37.1	31.5	26.5	29.6	35.8	35.1	36.4	37.4	38.8	40.1
Other revenue	13.0	13.0	13.5	14.0	14.0	13.7	18.4	18.7	19.2	19.2	19.6
Expenditure	250.7	248.8	221.7	203.3	206.2	209.9	210.2	214.6	215.5	222.5	228.4
Expense	187.8	167.6	119.0	113.3	108.8	120.8	127.4	133.8	140.5	147.5	153.4
Compensation of employees	44.1	45.0	59.2	53.1	55.2	57.1	58.6	60.0	61.8	64.3	66.9
Goods and services	17.7	18.6	13.9	14.1	14.5	15.2	16.3	17.2	18.3	19.4	20.5
Interest payments	8.8	8.8	8.2	8.2	9.8	10.8	11.6	10.8	10.1	9.8	9.3
Foreign grants	4.7	4.7	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Other expense	112.5	90.6	36.4	36.6	28.1	36.4	39.7	44.5	49.0	52.8	55.4
Net acquisition of nonfinancial assets	62.9	81.3	102.7	90.0	97.4	89.1	82.8	80.8	75.0	75.0	75.0
Gross operating balance	155.2	88.9	51.8	50.0	113.3	110.6	108.3	105.3	102.7	100.6	102.8
Net lending (+)/borrowing (-)	92.3	7.6	-50.8	-40.0	15.8	21.5	25.5	24.5	27.7	25.6	27.8
Adjusted nonhydrocarbon primary fiscal balance 2/	-206.2	-210.9	-176.1	-155.9	-155.7	-156.8	-150.4	-153.0	-152.1	-157.3	-161.2
Total government debt	187.0	209.3	258.0	302.3	338.7	371.5	340.9	315.0	301.9	283.7	265.4
o/w total net debt 3/	86.2	136.0	198.6	207.8	250.2	272.9	235.4	204.5	186.3	163.1	139.9
o/w external debt	67.0	73.4	116.2	114.2	150.6	183.4	152.8	126.9	113.8	95.6	77.3
o/w domestic debt	120.0	135.9	141.8	188.1	188.1	188.1	188.1	188.1	188.1	188.1	188.1
o/w net domestic debt 3/	19.2	62.6	82.4	93.6	99.6	89.6	82.6	77.6	72.6	67.6	62.6
External debt service/total revenue (percent)	2.0	7.7	1.8	6.4	4.6	3.3	15.0	12.5	6.8	8.6	8.1
Memorandum items											
Nominal GDP	750.7	588.7	552.3	607.6	700.5	704.3	742.6	775.6	813.2	852.1	903.3
Estimated general government balance 4/	107.7	26.6	-29.7	-17.8	36.8	43.0	48.8	49.6	54.6	54.7	59.1
Estimated financial net worth of general government 5/	546.7	568.7	867.1	961.3	939.0	970.3	1,067.9	1,163.5	1,253.3	1,350.2	1,453.5
Estimated total hydrocarbon revenue 6/	329.8	243.2	157.2	149.1	207.9	217.4	217.2	220.3	223.8	228.7	236.4

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

1/ GFSM 2001 based on staff estimates; presented on a calendar year basis. In 2015, budget will be based on a 9-month period (April-December).

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

3/ Excludes government deposits with resident banks.

4/ Central government balance plus estimated QIA investment income, excluding capital gains.

5/ Net debt of central government plus the estimated stock of QIA assets.

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

Table 3b. Qatar: Summary of Central Government Finance, 2014–24 1/

(Percent of GDP unless otherwise noted)

	2014	2015	2016	2017	Est. 2018	Proj. 2019	Proj. 2020	Proj. 2021	Proj. 2022	Proj. 2023	Proj. 2024
Revenue	45.7	43.6	30.9	26.9	31.7	32.8	31.7	30.8	29.9	29.1	28.4
Oil	13.4	10.4	5.3	5.6	6.3	5.6	5.6	5.5	5.6	5.5	5.1
LNG-related royalties	9.8	7.2	2.1	2.4	6.5	6.8	6.8	6.4	6.0	5.7	6.0
Investment income from public enterprises	14.5	17.4	15.4	12.2	12.6	13.4	12.1	11.8	11.3	11.1	10.7
Corporate tax revenue	6.2	6.3	5.7	4.4	4.2	5.1	4.7	4.7	4.6	4.6	4.4
Other revenue	1.7	2.2	2.4	2.3	2.0	1.9	2.5	2.4	2.4	2.3	2.2
Expenditure	33.4	42.3	40.1	33.5	29.4	29.8	28.3	27.7	26.5	26.1	25.3
Expense	25.0	28.5	21.5	18.6	15.5	17.1	17.2	17.2	17.3	17.3	17.0
Compensation of employees	5.9	7.6	10.7	8.7	7.9	8.1	7.9	7.7	7.6	7.5	7.4
Goods and services	2.4	3.2	2.5	2.3	2.1	2.2	2.2	2.2	2.2	2.3	2.3
Interest payments	1.2	1.5	1.5	1.3	1.4	1.5	1.6	1.4	1.2	1.1	1.0
Foreign grants	0.6	0.8	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Other expense	15.0	15.4	6.6	6.0	4.0	5.2	5.3	5.7	6.0	6.2	6.1
Net acquisition of nonfinancial assets	8.4	13.8	18.6	14.8	13.9	12.6	11.2	10.4	9.2	8.8	8.3
Gross operating balance	20.7	15.1	9.4	8.2	16.2	15.7	14.6	13.6	12.6	11.8	11.4
Net lending (+)/borrowing (-)	12.3	1.3	-9.2	-6.6	2.3	3.0	3.4	3.2	3.4	3.0	3.1
Nonhydrocarbon fiscal balance	-28.6	-37.3	-33.4	-27.0	-23.6	-23.8	-21.8	-21.1	-20.0	-19.6	-18.9
Adjusted nonhydrocarbon primary fiscal balance, in pct of nonhydrocarbon GDP 2/	-57.8	-57.4	-45.4	-37.9	-35.4	-34.2	-30.4	-29.1	-27.2	-26.6	-25.4
Memorandum items:											
Total government debt	24.9	35.5	46.7	49.8	48.4	52.7	45.9	40.6	37.1	33.3	29.4
o/w total net debt 3/	11.5	23.1	36.0	34.2	35.7	38.7	31.7	26.4	22.9	19.1	15.5
o/w external debt	8.9	12.5	21.0	18.8	21.5	26.0	20.6	16.4	14.0	11.2	8.6
o/w domestic debt	16.0	23.1	25.7	31.0	26.9	26.7	25.3	24.3	23.1	22.1	20.8
o/w net domestic debt 3/	2.6	10.6	14.9	15.4	14.2	12.7	11.1	10.0	8.9	7.9	6.9
Estimated general government balance 4/	14.3	4.5	-5.4	-2.9	5.3	6.1	6.6	6.4	6.7	6.4	6.5
Estimated financial net worth of general government 5/	72.8	96.6	157.0	158.2	134.0	137.8	143.8	150.0	154.1	158.4	160.9
Estimated total hydrocarbon revenue 6/	43.9	41.3	28.5	24.5	29.7	30.9	29.2	28.4	27.5	26.8	26.2

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

1/ GFSM 2001 based on staff estimates; presented on a calendar year basis. In 2015, budget will be based on a 9-month period (April-December).

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

3/ Excludes government deposits with resident banks.

4/ Central government balance plus estimated QIA investment income, excluding capital gains.

5/ Net debt of central government plus the estimated stock of QIA assets.

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

Table 4. Qatar: Vulnerability Indicators, 2014–18
(Percent, unless otherwise noted)

	2014	2015	2016	2017	Est. 2018
External solvency indicators					
REER (change in percent, 2010=100)	2.6	11.0	2.6	-1.1	....
Total debt (billion US$, including commercial banks)	116.0	142.9	193.0	166.3	194.5
Of which: LNG-related	5.5	5.5	5.5	4.7	5.2
Total debt (percent of GDP)	56.2	88.4	127.2	99.6	101.1
Public sector solvency indicators					
Government gross domestic debt/GDP	16.0	23.1	25.7	31.0	26.9
Government net domestic debt/GDP 1/	2.6	10.6	14.9	15.4	14.2
Government external debt/GDP	8.9	12.5	21.0	18.8	21.5
Interest payments/total revenue	2.6	3.4	4.8	5.0	4.4
External liquidity indicators (billion US$)					
Central bank net reserves	42.7	36.9	31.4	14.5	30.1
In months of imports	8.6	7.0	6.1	2.7	5.5
Commercial banks net foreign assets (US$b)	-8.5	-23.9	-47.7	-35.0	-54.6
Foreign assets (US$b)	54.0	61.2	75.1	64.4	65.7
Foreign liabilities (US$b)	62.5	85.2	122.8	99.4	120.3
Hydrocarbon exports/total exports	89.9	84.8	83.5	84.5	85.4
Financial sector indicators					
Foreign currency deposits/total deposits	31.7	29.8	25.6	37.3	36.1
Net domestic credit (percent change)	9.5	11.9	3.7	6.6	9.8
Private sector credit (percent change)	20.3	19.7	6.5	6.4	13.0
Net domestic credit/GDP	69.5	99.2	109.6	106.1	101.1
Private credit/total assets of banks	35.1	38.0	35.6	35.1	38.2
Market assessment/financial market indicators					
Stock market index (end of period)	10378.6	10379.6	12285.8	10313.7	7714.3
Moody's investor services 2/	Aa2	Aa2	Aa2	Aa3	Aa3
Standard and Poor's 2/	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.

Table 5. Qatar: Financial Soundness Indicators, 2014–18

(Percent unless otherwise noted)

	2014	2015	2016	2017	2018Q1	2018Q2	2018Q3
Capital adequacy							
Regulatory Tier 1 capital to risk-weighted assets 1/	15.8	15.2	15.7	16.1	14.9	15.1	14.9
Regulatory Tier 1 capital to total assets	12.0	11.3	10.7	10.7	10.3	10.4	10.3
Regulatory capital to risk weighted assets 1/	16.3	15.6	16.1	16.8	…	…	…
Asset quality							
Nonperforming loans to total loans	1.7	1.6	1.3	1.6	1.7	1.7	1.7
Nonperforming loans to capital	2.0	1.9	1.7	1.7			
Bank provisions to nonperforming loans 2/	99.1	100.1	95.9	83.2	82.7	84.1	83.3
Bank provisions to total loans	1.7	1.6	1.3	1.5	…	…	…
Foreign assets to total assets	1.2	1.1	0.9	1.1	…	…	…
Earnings and profitability							
Return on assets	2.1	2.0	1.7	1.5	1.6	1.6	1.6
Return on equity	16.5	16.2	14.5	13.9	15.4	15.6	15.5
Net interest to gross income	72.4	74.6	75.1	78.1	75.9	76.4	77.0
Net Interest to average total assets	2.3	2.2	1.9	1.9			
Non-interest expenses to gross income	26.9	28.0	28.8	26.8	26.1	26.3	26.0
Wages and salaries to other non-interest expenses	48.0	49.5	49.8	49.4			
Liquidity							
Liquid assets to total assets	30.8	28.5	29.6	28.2	29.0	29.6	29.7
Liquid assets to short-term liabilities	50.9	47.1	54.7	54.2	54.2	67.0	64.1
Domestic credit-to-deposits ratio	117.2	136.8	…	…	…	…	…
Loans as a percentage of customers deposits	105.9	112.4	113.7	108.8	…	…	…
Other							
Private sector loans (in percent total loans)	62.9	67.2	68.8	74.8	…	…	…
Foreign currency assets to liabilities	79.7	81.0	115.6	103.7	98.7	97.2	114.6

Sources: Qatar Central Bank, and Haver Analytics.

1/ In 2014 onwards, Basel III capital adequacy is applied for national banks only. Basel II is applied in earlier years.

2/ In 2014 onwards, bank provisions to nonperforming loans include provisions for some performing loans under the special category.

Table 6. Qatar: Monetary Survey, 2014–20

(Billions of Qatari Riyals unless otherwise noted)

	2014	2015	2016	2017	Est. 2018	Proj. 2019	Proj. 2020
Total							
Net foreign assets	124.6	47.1	-59.4	-74.5	-89.4	-43.9	-59.2
Net domestic assets	379.4	474.3	557.0	677.8	653.4	632.1	693.7
Claims on government (net)	72.8	132.2	197.3	237.6	205.4	195.4	188.4
Domestic credit	521.8	583.9	605.3	645.0	708.0	734.2	786.7
Other items (net)	-215.2	-241.8	-245.6	-204.8	-260.0	-297.6	-281.3
Broad Money	504.0	521.4	497.5	603.3	564.0	588.2	634.5
Money	124.3	126.9	128.3	123.1	119.1	124.2	134.0
Quasi Money	379.8	394.5	369.2	480.2	444.9	464.0	500.6
Qatar Central Bank							
Net foreign assets	155.5	134.2	114.2	52.9	109.5	160.0	148.7
Foreign assets	156.8	135.5	115.5	54.3	110.8	161.3	150.0
Foreign liabilities	1.4	1.3	1.3	1.3	1.3	1.3	1.3
Claims on commercial banks	55.9	56.0	44.6	110.5	80.2	79.2	78.2
Net claims on government	-34.6	-7.9	-1.3	-0.3	0.0	-10.0	-17.0
Claims on government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government deposits	34.6	7.9	1.3	0.3	0.0	10.0	17.0
Reserve Money	54.2	48.7	55.0	62.8	82.9	86.9	91.3
Currency issued	14.1	15.0	16.2	16.5	16.2	17.3	18.2
Deposits of local banks	40.1	33.7	38.8	46.2	66.7	69.6	73.1
Other items (net)	122.5	133.6	102.5	100.3	106.8	142.3	118.6
Other Depository Corporations							
Net foreign assets	-30.9	-87.1	-173.6	-127.4	-198.9	-203.9	-208.0
Foreign assets	196.5	222.9	273.2	234.4	239.1	245.1	250.0
Foreign liabilities	227.4	310.0	446.8	361.9	438.0	448.9	457.9
Claims on Central Bank	43.6	37.4	42.9	50.4	71.3	74.9	78.6
Currency	3.8	4.0	4.2	4.9	5.0	5.2	5.5
Reserve Deposits	39.9	33.5	38.6	45.5	66.3	69.6	73.1
Claims on public sector	335.5	354.9	411.9	498.1	460.7	460.9	462.6
Credit to government	64.7	76.8	138.7	175.6	…	…	…
Government financial securities	102.0	116.6	118.0	156.5	…	…	…
Credit to public enterprises	168.8	161.5	155.2	166.0	166.8	167.0	168.6
Credit to private sector	353.0	422.5	450.1	479.0	541.2	567.3	618.1
Deposits	553.0	563.6	543.7	685.9	641.3	656.7	687.2
Private sector	324.8	354.5	357.7	370.5	359.3	374.7	404.2
Public enterprises	168.9	155.8	127.9	221.2	193.5	193.5	194.5
Government	59.3	53.3	58.1	94.2	88.5	88.5	88.5
Liabilities to the central bank	6.7	7.0	9.1	34.4	21.8	20.8	19.8
Other items, net	141.6	157.0	178.5	179.8	211.2	221.7	244.3
Memorandum items							
Broad money growth (M2)	10.6	3.4	-4.6	21.3	-6.5	4.3	7.9
Velocity (M2 to non-oil GDP)	0.7	0.7	0.8	0.7	0.8	0.8	0.8
Net foreign assets growth	16.9	-62.2	-226.1	-25.4	-20.0	50.9	-35.0
Net domestic assets growth	8.7	25.0	17.4	21.7	-3.6	-3.3	9.8
Domestic claims on public sector growth	-8.1	5.8	16.1	20.9	-7.5	0.0	0.4
Domestic claims on private sector growth	20.3	19.7	6.5	6.4	13.0	4.8	9.0
3-month T-bill rate (Qatar Riyal, percent, eop)	0.8	1.5	1.7	2.3	2.3	…	…
CDS (bps, eop)	65.3	83.2	80.3	100.9	82.4	…	…

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

Table 7. Qatar: Inclusive Growth Indicators

	Indicator	EM Average
Growth		
GDP per capita growth (percent; 2015-17 average)	-4.3	1.6
Poverty and Inequality		
Poverty headcount ratio at $3.20/day (percent of population;)	n.a.	14.4
Multidimensional poverty (percent of population)	n.a.	8.6
Prevalence of stunting (% of children under 5,)	n.a.	15.8
GINI Index (2013)	41.1	38.9
Child mortality (per 1,000, 2016)	8.5	20.5
Growth in mean consumption (growth, %, bottom 40th percentile)	n.a.	2.5
Human Development and Access to Services		
Human Development Index (2015)	0.9	0.7
Life expectancy at birth (years, 2016)	78.2	73.2
Access to electricity (% of population, 2016)	100.0	95.0
Net school enrollment, secondary, total (% population, 2016)	81.8	74.9
Individuals using internet (% population, 2016)	94.3	54.3
Literacy rate (% population, 2014)	97.7	90.9
Government		
Commitment to reducing inequality index (2017)	n.a.	0.37
Government spending on social safety net programs (percent of GDP, 2018)	n.a.	1.8
Coverage of social safety net programs in poorest quintile (% population,)	n.a.	56.3
Government expenditure on education, total (% GDP, 2014)	3.6	4.7
Health expenditure, domestic general government (% of GDP, 2015)	2.6	3.5
Access to Finance		
Account at a financial institution (% age 15+, 2010)	65.9	55.8
Domestic credit to private sector (% GDP, 2017)	76.9	48.8
Loans to SMEs (% of GDP,)	n.a.	10.5
Financial Inclusion Index (IMF, 2017)	n.a.	0.4

	Indicator	EM Average
Labor Markets (ILO estimates)		
Unemployment rate (% of total labor force, 2017)	0.1	8.7
Female unemployment rate (% of female labor force, 2017)	0.5	11.4
Youth unemployment rate (% of total labor force ages 15-24, 2017)	0.4	20.4
Labor force participation (% of total population ages 15+, 2017)	86.9	59.7
Female labor force participation (% of female population ages 15+, 2017)	58.1	45.0
Youth labor force participation (% of population ages 15-24, 2017)	66.1	39.2
Business Environment[1]		
Ease of Doing Business (DTF, 2018)	64.9	60.8
Registering property (DTF, 2018)	81.1	59.3
Enforcing Contracts (DTF, 2018)	52.8	55.3
Paying Taxes (DTF, 2018)	99.4	67.0
Getting electricity (DTF, 2018)	78.6	68.7
Trading across borders (DTF, 2018)	99.4	69.2
Global Competitiveness Index (2018)	5.1	4.1
Governance[1]		
Global Competitiveness Index - Institutions Index (2017)	5.6	3.7
Government Effectiveness (WGI, 2016)	0.7	-0.1
Regulatory Quality (WGI, 2016)	0.7	-0.1
Rule of Law (WGI, 2016)	0.9	-0.2
Control of Corruption (WGI, 2016)	0.9	-0.2
Corruption Perceptions Index (2017)	63.0	40.4
Gender Equity and Inclusion		
Account at a financial institution (female vs male, %, 2014)	89.8	85.1
Female employment to population ratio (%, 2017)	57.8	40.5
Literacy rate (female vs male, %, 2014)	99.8	94.7
Net school enrollment, secondary (female vs male, %, 2016)	117.4	102.6
Gender Gap Index (2017)	0.6	0.7
Gender Gap Index, Economic Participation Opportunity (2017)	0.5	0.6
Gender Gap Index, Political Empowerment (2017)	0.0	0.2

Better than EM Average **Worse than EM Average**

Sources: IMF World Economic Outlook, World Bank, World Economic Forum, International Labour Organization, Transparency International, UNDP, Oxfam International.

1 / Indicators use official sources and surveys to summarize perceptions of the quality of governance and business environments.

Annex I. Status of Staff Recommendations

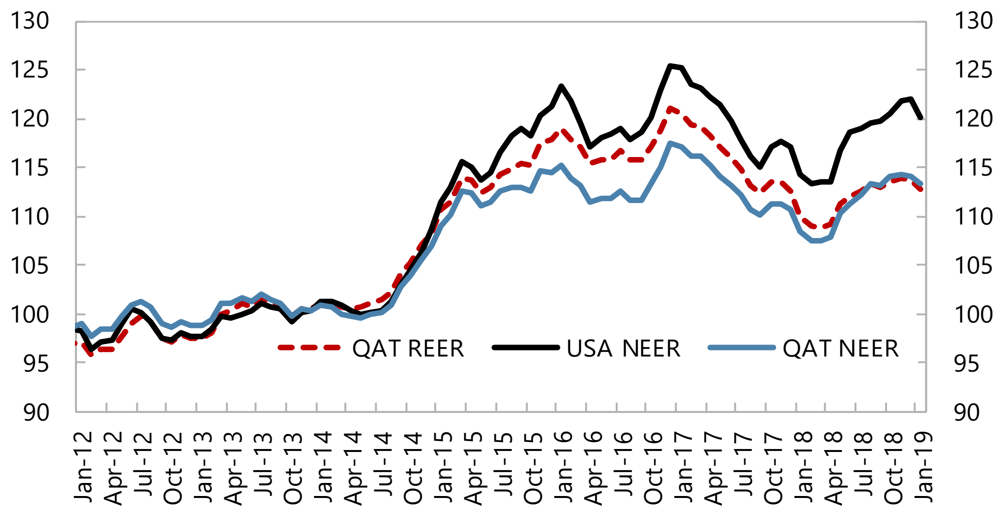
Continue gradual fiscal consolidation	Expenditure restraint continued in 2018, with a budget surplus.
Introduce excises and VAT	Excise taxes were introduced in 2019. The VAT is expected to be introduced in 2020.
Contain public wage bill	Wage expenditure as a ratio of GDP continued on a declining path. The planned study on a comprehensive assessment of public sector work force requirements has commenced.
Further reform energy subsidies	Utility companies continue to focus on cost recovery.
Enhance public financial management framework, including putting in place a medium term budget framework	A new department has been created in the Ministry of Finance to help align the budgetary framework with the national development strategy. Key performance indicators are being used to guide budget design and implementation.
Develop a liquidity forecasting framework	QCB has developed an analytical framework to underpin liquidity management. Efforts will be geared towards strengthening existing infrastructure for the exchange of information.
Strengthen financial sector surveillance	Banks are now IFRS9 compliant. The Financial Stability and Risk Control Committee is fully operational. There has been an increasing shift to risk-based supervision.
Deepen domestic financial markets	The implementation of Second Strategic Plan for the financial sector focuses on the use of Fintech to achieve financial inclusion, particularly for SMEs.
Further strengthen AML/CFT	Authorities continue to exert efforts to upgrade the AML/CFT framework, including the AML/CFT law.
Improve business environment	A visa-free entry program covering 80 nationalities has been implemented. Restrictions on foreign investment in many sectors have been lifted.
Continue labor market, education, and gender equality reforms	Most expatriate workers no longer need exist visas. Permanent residency is on offer to expatriates
Further improve macroeconomic statistics	The timeliness of the quarterly investment survey has improved and initiatives to further improve the quality of national accounts data are ongoing.

Annex II. External Sector Assessment

Qatar's current account continued to be in surplus in 2018 with the recovery in hydrocarbon prices. A consumption allocation rule approach indicates that the external position is weaker than the level implied by fundamentals and medium-term policy settings, as the current level of saving of exhaustible hydrocarbon wealth is below the estimated level that would achieve intergenerational equity. However, sustaining planned fiscal consolidation over the medium term would close the estimated current account and fiscal gaps.

1. Qatar's real effective exchange rate has depreciated broadly in line with the U.S. dollar, with some appreciation in recent months. The Riyal depreciated by 1 percent in 2017, and by 3.7 percent in 2018. Heavy reliance on hydrocarbon exports and an elastic supply of expatriate labor limit the impact of the exchange rate on the current account.

Real and Nominal Effective Exchange Rates
(2010=100)

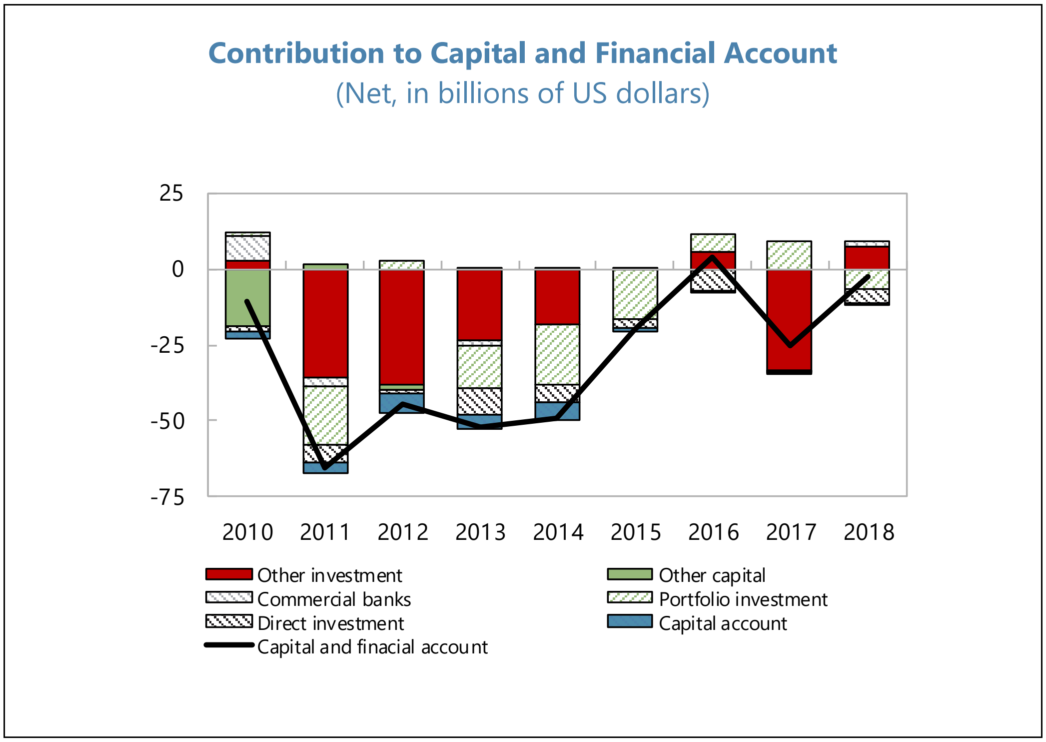


Sources: Bloomberg; and IMF staff calculations

2. Qatar's current account position strengthened in 2018 with higher hydrocarbon prices. The current account surplus increased to 9.3 percent of GDP in 2018 (from 3.8 percent in 2017). The recovery in hydrocarbon prices allowed hydrocarbon exports to return to levels seen in 2015.

3. The capital and financial account stabilized in 2018 following large outflows in 2017. With large financial outflows due to the diplomatic rift, the financial account was in a substantial deficit (15 percent of GDP) in 2017. With non-resident funding returning to commercial banks, a

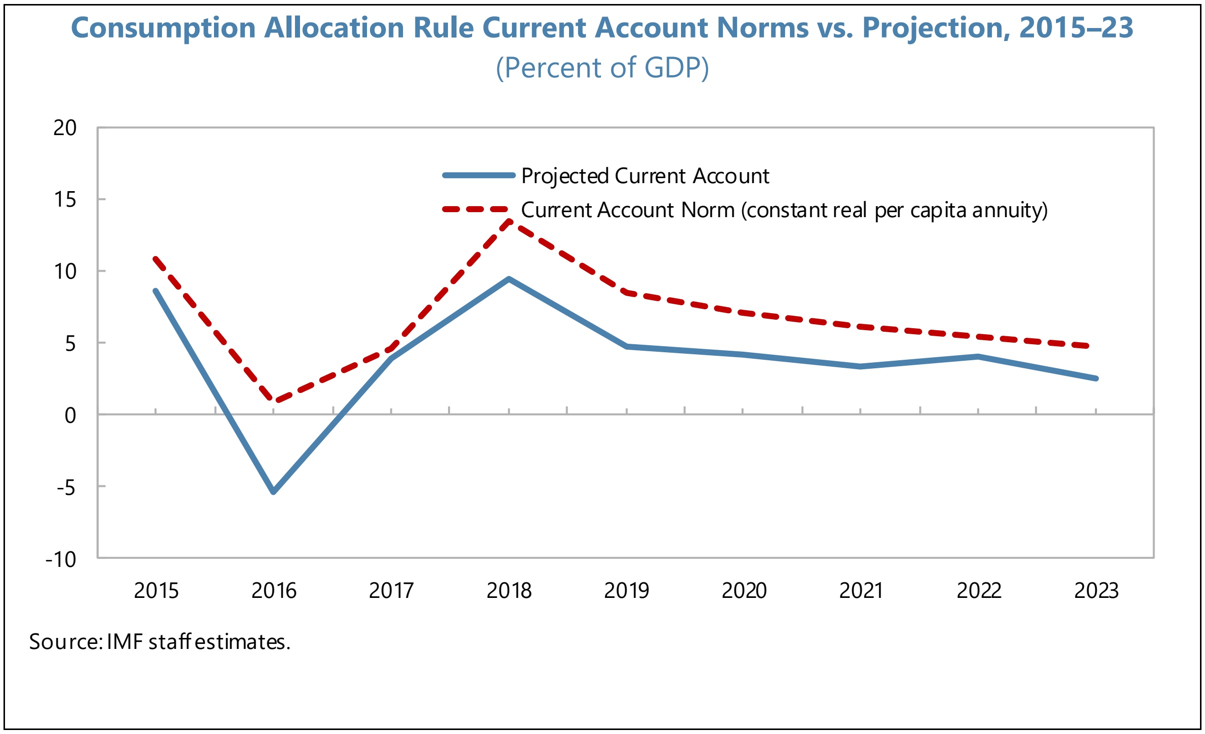
US$12 billion sovereign bond issuance in April, and some accumulation of assets abroad, the financial account is close to being balanced, at a deficit of 1 percent of GDP, in 2018.[1]



4. A consumption allocation rule approach indicates that the current account balance is weaker than the level consistent with adequate saving of the country's exhaustible hydrocarbon wealth. As Qatar is a major hydrocarbon exporter, a consumption allocation rule approach is the preferred method to assess its current account position. This approach reflects the need for a country with non-renewable resources to target intergenerational equity. It estimates the current account balance at which the net present value (NPV) of future hydrocarbon and investment income matches the NPV of future imports net of non-hydrocarbon exports.[2] A current account gap relative to this estimated level indicates sub-optimal saving of hydrocarbon revenues. For 2018, the current account is 4 percentage points of GDP below this estimated level. This gap reduces to close to 2 percent over the medium term. These results indicate that although Qatar's current account is expected to remain in a small surplus in the medium term, a stronger position would be needed to maintain intergenerational equity. The estimated gap between the non-hydrocarbon primary balance derived from a consumption allocation rule framework for 2018 is about 5 percentage points of non-hydrocarbon GDP. Continued fiscal consolidation will help to close the remaining fiscal gap in the medium term.

[1] The capital account remained relatively inactive.

[2] See Bems, R., and I. de Carvalho Filho, 2009, "Exchange Rate Assessments: Methodologies for Oil-Exporting Countries," IMF Working Paper 09/281.



5. The macro-balance approach suggests a larger current account gap.[3] The EBA-Lite methodology uses regression analysis to predict the equilibrium current account level consistent with a range of structural and policy factors. The norms are levels of the current account estimated based on underlying fundamentals, while the gaps are deviations of observed values from norms. For Qatar, the EBA-Lite model yields a current account norm of a surplus of 18.5 percent of GDP, and a current account gap of -9.2 percent of GDP. A small portion of the gap, 0.5 percent, is due to the "policy gap"—the gap between actual and desirable policies. In the case of Qatar, the small policy gap relates to fiscal balances and the accumulation of reserves. Most of the current account gap reflects the difference between actual current account balances and the level of current account balances predicted by a standard regression model (the fitted value).[4] The EBA-Lite current account model is estimated on a wide range of countries, and it may not fully capture the features of commodity exporters such as Qatar. Separately, using the real effective exchange rate index model of the EBA-Lite methodology, the policy component of the real effective exchange rate gap is estimated to be around 2 percent.

---

[3] The macro-balance methodology is outlined in International Monetary Fund, 2016, "Methodological note on EBA-lite," available at https://www.imf.org/external/np/pp/eng/2016/020516.pdf. The methodology was revised in the fall of 2018.

[4] The difference between the actual and fitted values of current account balances is large in Qatar. The gap for Qatar is partly driven by a strong net foreign asset position and high income per capita. Intuitively, the methodology predicts that countries such as Qatar with accumulated savings and high income per capita should be substantial net exporters of capital.

EBA-Lite Methodology (Current Account Model)	
CA-Actual	9.3%
CA-Fitted	18.2%
CA-Norm	18.5%
CA-Gap	-9.2%
o/w Policy Gap	-0.5%

6. **Central bank foreign exchange reserves have recovered from the impact of the diplomatic rift.** Reserves at the QCB recovered to US$30 billion, having declined to US$15 billion in 2017. In 2018, foreign reserves were 20 percent as a percentage of broad money and covered five and a half months of imports of goods and services. While QCB reserves only cover 44 percent of the Fund's reserve metric, the large stock of assets at the Qatar Investment Authority (QIA) provides an additional buffer, with assets estimated to be above US$300 billion.

Foreign Reserve Adequacy Assessment
(Billions of US dollars)

	2012	2013	2014	2015	2016	2017	2018
External short-term debt	12	11	12	14	19	17	19
Other liabilities (portfolio liabs + other invt liabs - short-term debt)	107	106	105	108	146	164	188
Broad money	105	125	138	143	137	166	155
Exports of goods and services	143	145	140	92	72	85	102
Actual foreign reserves	33	42	43	37	31	15	30
QIA assets (estimates)	107	141	174	194	293	321	327
ARA metric	50	52	52	50	56	63	69

	2012	2013	2014	2015	2016	2017	2018
Foreign reserves as a % of the ARA metric	66	81	82	74	56	23	44
Foreign reserves in percent of GDP	17.5	21.0	20.7	22.8	20.7	8.7	15.8
Foreign reserves in percent of broad money	31.3	33.3	30.8	25.7	23.0	8.8	19.7
Foreign reserves in months of imports of goods and services	6.7	7.8	8.6	7.0	6.1	2.7	5.5
Foreign reserves and QIA assets as a % of the ARA metric	281	354	414	465	580	533	517
Foreign reserves and QIA assets in percent of GDP	75	92	105	142	214	201	186
Foreign reserves and QIA assets in percent of broad money	134	146	156	161	237	203	230
Foreign reserves and QIA assets in months of imports of goods and services	28	34	44	44	63	63	65

Annex III. External Debt Sustainability Analysis

1. While Qatar's gross external debt is sizeable under the baseline, it is projected to fall over the medium term. Gross external debt has increased in recent years, from below 60 percent of GDP in 2013 to above 100 percent of GDP in 2018, reflecting growth of the banking sector's external liabilities, public-sector borrowing in response to lower oil prices, and the significant reduction in nominal GDP associated with reduced oil prices. Significant external assets held by QIA and the banking sector mitigate potential risks posed by gross external liabilities. By 2024, gross external debt is projected to fall to nearly 75 percent of GDP.

2. External risks are examined using standard stress tests.

- An interest rate shock, which increases the average interest rate by 80 basis points on average over 2018–24 relative to the baseline, would increase external debt by 5 percentage points by 2024.

- A growth shock, which lowers the growth rate by 3.5 percentage points on average over 2018–24, would raise external debt by about 18 percentage points by 2024 compared to the baseline.

- A non-interest current account shock, which worsens current account by 6 percentage points on average over 2018–24, would increase external debt by about 36 percentage points by 2024 relative to the baseline.

- A real depreciation shock—a one-time depreciation of 30 percent in 2018—would raise external debt by about to 19 percentage points by 2024.

Table 1. Qatar: External Debt Sustainability Framework, 2013–24

(In percent of GDP, unless otherwise indicated)

	Actual							Projections							
	2013	2014	2015	2016	2017			2018	2019	2020	2021	2022	2023	2024	**Debt-stabilizing non-interest current account 6/**
Baseline: External debt	57.8	56.2	88.4	127.2	99.6			**101.1**	**106.7**	**98.3**	**92.0**	**87.2**	**82.2**	**76.6**	**4.2**
Change in external debt	-12.2	-1.6	32.1	38.8	-27.6			1.5	5.7	-8.4	-6.3	-4.7	-5.0	-5.6	
Identified external debt-creating flows (4+8+9)	-33.7	-21.8	10.5	13.2	-11.2			-8.8	-7.0	-7.8	-7.2	-7.9	-5.2	-7.5	
Current account deficit, excluding interest payments	-31.5	-25.0	-10.7	2.9	-6.3			-12.2	-7.7	-7.7	-6.5	-6.9	-3.6	-4.2	
Deficit in balance of goods and services	-43.1	-37.0	-20.4	-5.9	-13.8			-19.3	-15.6	-13.3	-12.1	-12.7	-12.6	-12.8	
Exports	72.7	68.0	57.1	47.8	51.0			52.8	49.7	46.9	45.4	46.3	44.5	43.8	
Imports	29.7	31.0	36.6	41.8	37.3			33.5	34.2	33.6	33.3	33.6	31.9	31.0	
Net non-debt creating capital inflows (negative)	0.8	4.3	3.5	1.9	4.3			2.4	0.3	-0.5	-0.9	-1.7	-2.7	-3.7	
Automatic debt dynamics 1/	-3.0	-1.1	17.7	8.4	-9.1			1.0	0.5	0.4	0.2	0.7	1.0	0.4	
Contribution from nominal interest rate	1.2	1.0	2.2	2.6	2.5			2.9	3.1	3.6	3.3	3.1	2.9	2.7	
Contribution from real GDP growth	-2.9	-2.2	-2.6	-2.0	-1.8			-1.9	-2.7	-3.2	-3.1	-2.3	-1.9	-2.3	
Contribution from price and exchange rate changes 2/	-1.3	0.1	18.1	7.8	-9.8			...	...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	21.5	20.2	21.6	25.6	-16.4			10.3	12.7	-0.6	0.9	3.2	0.2	1.9	
External debt-to-exports ratio (in percent)	79.5	82.7	154.8	266.3	195.1			191.4	214.5	209.5	202.5	188.6	184.9	174.9	
Gross external financing need (in billions of US dollars) 4	-34.3	-32.2	2.3	27.5	18.1			3.6	16.1	17.4	18.2	15.9	18.8	16.5	
in percent of GDP	-17.2	-15.6	1.4	18.1	10.8			1.9	8.3	8.5	8.6	7.1	8.1	6.7	
Scenario with key variables at their historical averages 5/						10-Year Historical Average	10-Year Standard Deviation	**97.1**	**82.2**	**60.1**	**39.8**	**23.5**	**6.1**	**-8.6** For debt stabilization	**2.0**
Key Macroeconomic Assumptions Underlying Baseline															
Nominal GDP (US dollars)	198.7	206.2	161.7	151.7	166.9			192.4	193.5	204.0	213.1	223.4	234.1	248.2	
Real GDP growth (in percent)	4.4	4.0	3.7	2.1	1.6	9.1	6.9	2.2	2.6	3.2	3.3	2.7	2.3	3.0	
GDP deflator in US dollars (change in percent)	1.9	-0.2	-24.3	-8.1	8.3	1.8	15.5	12.8	-2.0	2.2	1.1	2.1	2.4	2.9	
Nominal external interest rate (in percent)	1.8	1.9	3.1	2.7	2.2	2.5	1.7	2.2	3.3	3.1	3.6	3.5	3.5	3.5	
Growth of exports (US dollar terms, in percent)	1.1	-3.0	-34.2	-21.5	17.5	12.1	32.7	19.2	-5.2	-0.5	1.1	6.8	0.8	4.4	
Growth of imports (US dollar terms, in percent)	7.8	8.6	-7.4	7.1	-2.0	11.2	17.5	3.5	2.7	3.7	3.5	5.6	-0.3	3.1	
Current account balance, excluding interest payments	31.5	25.0	10.7	-2.9	6.3	18.7	12.1	12.2	7.7	7.7	6.5	6.9	3.6	4.2	
Net non-debt creating capital inflows	-0.8	-4.3	-3.5	-1.9	-4.3	-1.4	2.5	-2.4	-0.3	0.5	0.9	1.7	2.7	3.7	

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

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

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

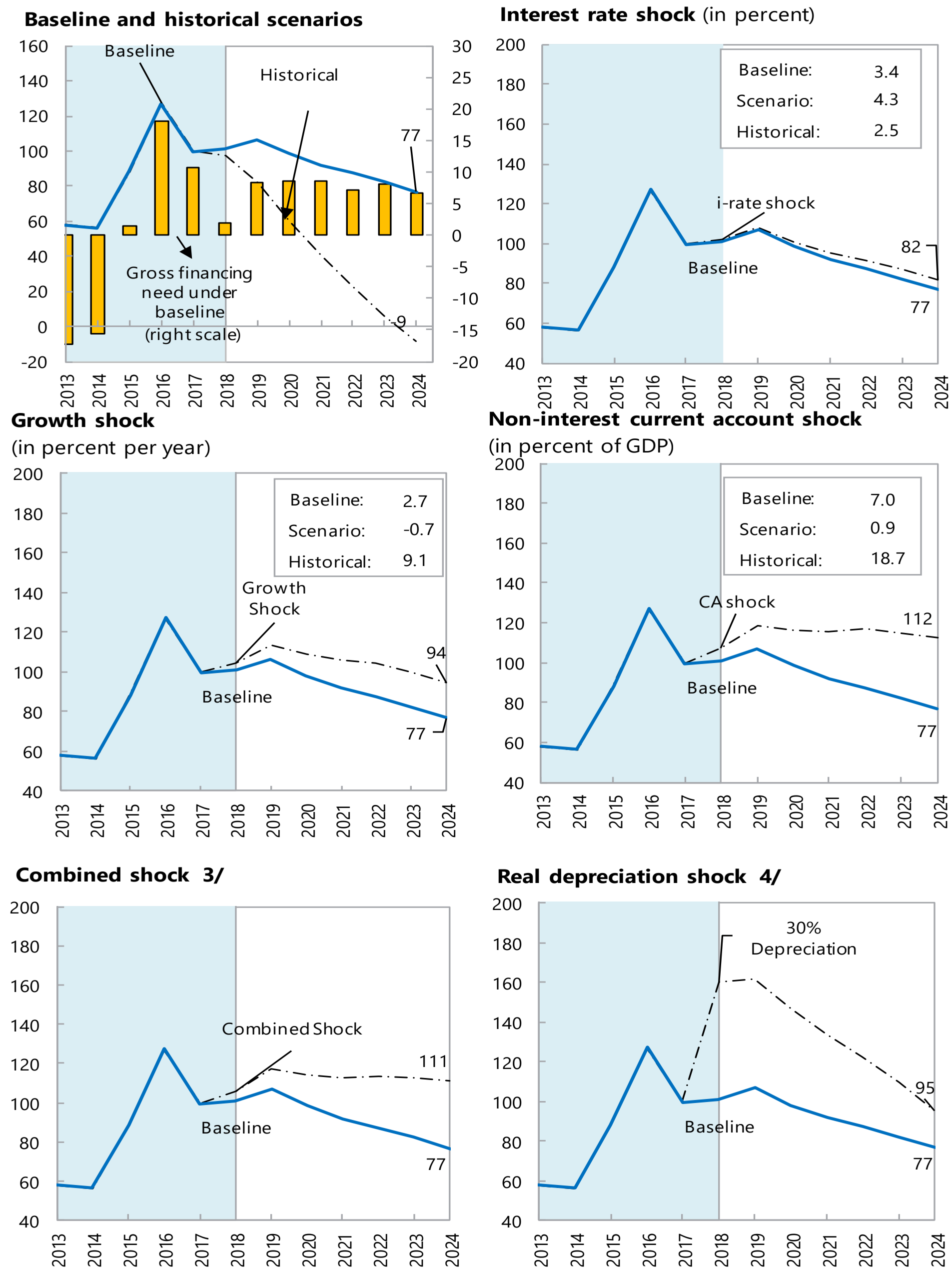
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

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

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

Figure 1. Qatar: External Debt Sustainability: Bound Tests 1/ 2/

(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ 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 2018.

Annex IV. Risk Assessment Matrix[1]

Nature/source of main risks	Expected impact on the economy if risk is realized	Policy Response
Large swings in energy prices. Risks to prices are broadly balanced, reflecting offsetting—but large and uncertain—supply and demand shocks. In the near term, uncertainty surrounding the shocks translates into elevated price volatility, complicating economic management and adversely affecting investment in the energy sector. As shocks materialize, they may cause large and persistent price swings. While, on aggregate, higher oil prices would harm global growth, they would benefit oil exporters (Medium).	***Medium to High*** Oil price volatility is the main risk for Qatar, as Qatar's gas is largely sold through long-term contracts with prices linked to oil benchmarks. Lower oil prices would weaken fiscal and external positions and increase government financing requirements. Lower oil prices could also impact liquidity in the banking system and credit growth, particularly if government financing needs were met by domestic banks, with an adverse impact on non-hydrocarbon growth. Higher oil prices would, conversely, strengthen fiscal and external positions, and support confidence and non-hydrocarbon growth.	Adjust fiscal position gradually, given availability of fiscal space to absorb temporary oil price changes. If oil prices fall permanently, put additional fiscal measures in place. Diversify economy to mitigate the impact of oil prices and enhance central bank liquidity management to help contain the impact on banks. In the event of higher oil prices, limit the expansion of the fiscal envelope.
Sharp tightening of global financial conditions as a result of market expectation of tighter U.S. monetary policy (Low) or a sustained rise in risk premium (Medium).	***Medium*** Capital account pressures could emerge. In addition, the private and public-sector cost of funds for external debt would rise. Liquidity and profit margins could also face pressure for individual banks reliant on wholesale funding.	Maintain financial cushions and strong fundamentals currently in place to mitigate impact from tighter financial conditions.
Intensification of security risks in parts of Africa, Asia, Europe, Latin America, and/or the Middle East causing regional socio-economic and political disruptions (High).	***Medium*** While dislocations could lead to higher hydrocarbon prices, which would improve fiscal and external balances, this effect could be more than offset by weaker investor confidence and possible disruptions to supply, trade, and capital flows.	Maintain prudent fiscal and liquidity management policies.
	Medium	

[1]The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of the IMF staff). 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.

Deepening in the Diplomatic Rift in the Gulf region and slowdown in the Gulf Cooperation Council integration (Low).	Investor and economic confidence across the GCC could be affected, impacting capital flows and financing costs, slowing investment and growth.	Continue prudent macroeconomic policies and enhance surveillance of financial system.
Further softening of the real estate market (Low).	***Medium***	
	Bank asset quality could be threatened, potentially pulling down credit and non-hydrocarbon growth.	Step up surveillance of the financial system and avoid evergreening.

Annex V. Public-Sector Debt Sustainability Analysis

Figure 1. Qatar: Public Sector Debt Sustainability Analysis (DSA) – Baseline Scenario

(in percent of GDP unless otherwise indicated)

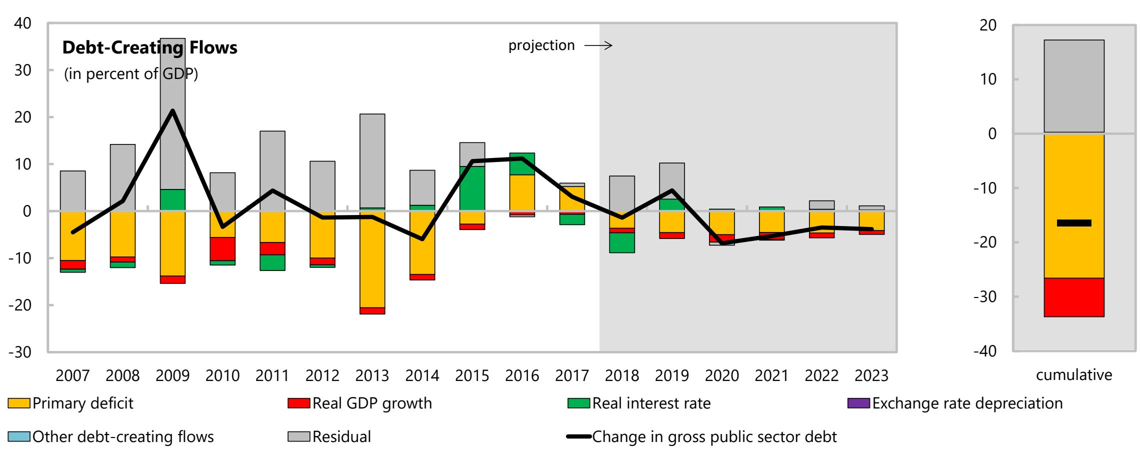
Debt, Economic and Market Indicators [1/]

	Actual			Projections					
	2007-2015 [2/]	2016	2017	2018	2019	2020	2021	2022	2023
Nominal gross public debt	26.5	46.7	49.8	48.4	52.7	45.9	40.6	37.1	33.3
Public gross financing needs	-6.3	11.4	7.8	3.4	0.2	2.5	4.3	-0.4	1.6
Real GDP growth (in percent)	10.7	2.1	1.6	2.2	2.6	3.2	3.3	2.7	2.3
Inflation (GDP deflator, in percent)	2.2	-8.1	8.3	12.8	-2.0	2.2	1.1	2.1	2.4
Nominal GDP growth (in percent)	13.6	-6.2	10.0	15.3	0.5	5.4	4.5	4.8	4.8
Effective interest rate (in percent) [4/]	5.7	3.9	3.2	3.2	3.2	3.1	3.2	3.2	3.2

As of December 28, 2018		
Sovereign Spreads		
EMBIG (bp) 3/		151
5Y CDS (bp)		84
Ratings	Foreign	Local
Moody's	Aa3	Aa3
S&Ps	AA-	AA-
Fitch	AA-	AA-

Contribution to Changes in Public Debt

	Actual			Projections							
	2007-2015	2016	2017	2018	2019	2020	2021	2022	2023	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	2.5	11.2	3.0	-1.4	4.4	-6.8	-5.3	-3.5	-3.8	-16.5	
Identified debt-creating flows	-11.2	11.5	2.3	-8.9	-3.3	-6.2	-5.1	-5.3	-4.7	-33.4	
Primary deficit	-10.3	7.7	5.2	-3.7	-4.6	-5.0	-4.6	-4.6	-4.2	-26.6	-0.5
Primary (noninterest) revenue and grants	40.1	30.9	26.9	31.7	32.8	31.7	30.8	29.9	29.1	186.1	
Primary (noninterest) expenditure	29.8	38.7	32.1	28.0	28.3	26.7	26.3	25.2	25.0	159.5	
Automatic debt dynamics [5/]	-0.9	3.8	-2.9	-5.2	1.3	-1.2	-0.6	-0.6	-0.5	-6.8	
Interest rate/growth differential [6/]	-0.9	3.8	-2.9	-5.2	1.3	-1.2	-0.6	-0.6	-0.5	-6.8	
Of which: real interest rate	1.0	4.6	-2.2	-4.3	2.5	0.4	0.9	0.4	0.3	0.3	
Of which: real GDP growth	-1.9	-0.8	-0.7	-0.9	-1.3	-1.6	-1.5	-1.0	-0.8	-7.1	
Exchange rate depreciation [7/]	0.0	0.0	0.0	…	…	…	…	…	…	…	
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accumulation of deposits (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Pre-Funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes [8/]	13.7	-0.4	0.7	7.5	7.7	-0.7	-0.2	1.8	0.9	17.0	



Source: IMF staff.

1/ Public sector is defined as central government.

2/ Based on available data.

3/ EMBIG.

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

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

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

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

8/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

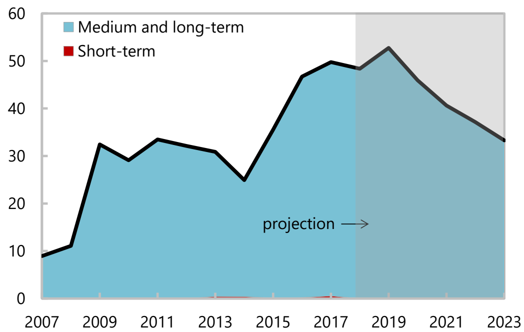
9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure 2. Qatar: Public DSA – Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

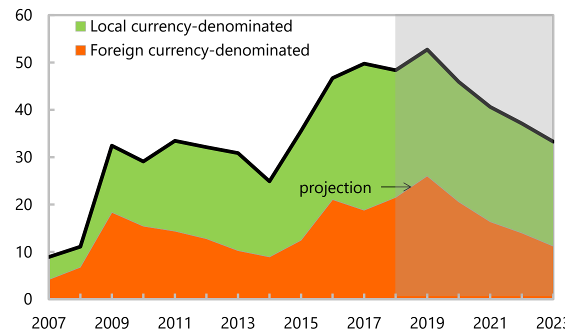
By Maturity

(in percent of GDP)



By Currency

(in percent of GDP)

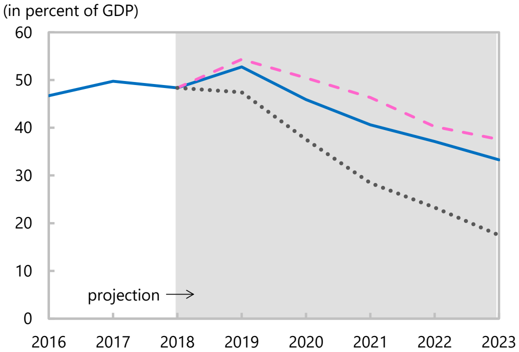


Alternative Scenarios

Baseline   Historical   Constant Primary Balance

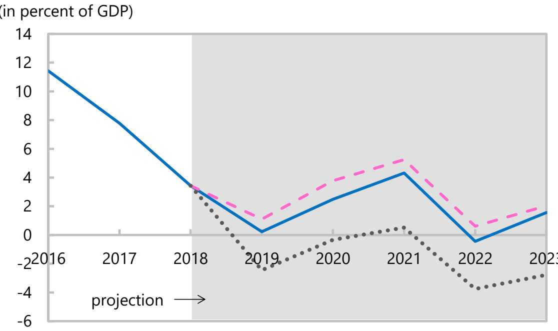
Gross Nominal Public Debt

(in percent of GDP)



Public Gross Financing Needs

(in percent of GDP)



Underlying Assumptions

(in percent)

Baseline Scenario	2018	2019	2020	2021	2022	2023
Real GDP growth	2.2	2.6	3.2	3.3	2.7	2.3
Inflation	12.8	-2.0	2.2	1.1	2.1	2.4
Primary Balance	3.7	4.6	5.0	4.6	4.6	4.2
Effective interest rate	3.2	3.2	3.1	3.2	3.2	3.2
Constant Primary Balance Scenario						
Real GDP growth	2.2	2.6	3.2	3.3	2.7	2.3
Inflation	12.8	-2.0	2.2	1.1	2.1	2.4
Primary Balance	3.7	3.7	3.7	3.7	3.7	3.7
Effective interest rate	3.2	3.1	2.9	2.9	3.0	2.9

Historical Scenario	2018	2019	2020	2021	2022	2023
Real GDP growth	2.2	8.2	8.2	8.2	8.2	8.2
Inflation	12.8	-2.0	2.2	1.1	2.1	2.4
Primary Balance	3.7	7.0	7.0	7.0	7.0	7.0
Effective interest rate	3.2	3.1	3.0	3.0	3.1	3.1

Source: IMF staff.

INTERNATIONAL MONETARY FUND

QATAR

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

April 29, 2019

Prepared By

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

CONTENTS

RELATIONS WITH THE FUND

(As of February 28, 2019)

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	610.85	83.10
Reserve position in Fund	124.25	16.90

SDR Department	SDR Million	Percent Allocation
Net cumulative allocation	251.40	100.00
Holdings	273.65	108.85

Outstanding Purchases and Loans: None

Projected Payments to Fund

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

	Forthcoming				
	2018	**2019**	**2020**	**2021**	**2022**
Principal					
Charges/Interest	0.00	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Implementation of HIPC Initiative: Not Applicable

Safeguards Assessments: Not Applicable

Exchange Rate Arrangement

The Qatari riyal has been pegged to the U.S. dollar at QR 3.64 = US$1.00 since July 2001, following an unofficial peg that was in effect since June 1980. Qatar has accepted the obligations under Article VIII, Sections 2, 3, and 4(a) and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions. Qatar maintains exchange restrictions for security reasons, based on UN Security Council Resolutions, that have been notified to the Fund for approval under the procedures set forth in Executive Board Decision No. 144 (52/51).

Last Article IV Consultation

The discussions for the previous Article IV consultation took place in Doha during February 4–21, 2018. The staff report was considered by the Executive Board on May 18, 2018 and published on May 30, 2018.

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
LEG	March 2018	AML/CFT effectiveness

Resident Representative: None

RELATIONS WITH THE WORLD BANK GROUP

(As of February 2019)

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

In 2011, the government, represented by the Ministry of Finance, signed the Framework Agreement for Advisory Services with the Bank in order to facilitate development of the Reimbursable Advisory Services program to benefit various public entities. Since then, the Bank assisted the Planning and Statistics Authority to prepare the mid-term review of the National Development Strategy (NDS 2011–16), and the second NDS (2017–22) focusing on key challenges including labor and sustainable development, service delivery and institutional development, diversification and private sector development.

Building on cooperation to help prepare the new NDS, the World Bank has helped enhance SME access to government contracts through upgraded procurement, improve early childhood education, modernize the national payment system, develop Central Bank tools for macro-prudential stress testing of the banking sector, and upgrade the business regulatory environment.

Dialogue is underway for possible support to improve the efficiency and effectiveness of public spending in the health and education sectors, build a suitable health insurance system, develop regulations for water and electricity service delivery, and further upgrade business regulations.

STATISTICAL ISSUES

(As of March 2019)

I. Assessment of Data Adequacy for Surveillance
General: 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 the real gross domestic product (GDP), real estate sector statistics, financial accounts of the balance of payments, international investment position, and external debt statistics.
National Accounts: Qatar publishes quarterly estimates of GDP at current and constant prices compiled based on limited source data. 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 is in process of producing a new supply and use tables which can be used to improve the consistency of the GDP estimates.
Price statistics: Qatar has been publishing monthly CPI data based on a basket with a significant share of rents. However, the rent component has limited geographic coverage and only reflects new contracts. The household income and expenditure survey 2012–13, which covers all municipalities, forms the basis for updated weights in a new CPI basket (2013 base year) introduced for measuring inflation in early 2015
Real estate statistics: The Ministry of Justice records real estate data at the transaction level, including some basic details about the type of transaction, and makes it available to the public in Arabic in PDF format. The QCB uses this data to produce an aggregate residential real estate monthly price index, which it publishes quarterly. The index covers only transactions made between private parties. Disaggregated indices are not available. The authorities are working on a measure of housing vacancies.
Government Finance Statistics: The authorities are implementing the Government Financial Management Information System (GFMIS) which will enable compilation of accrual fiscal accounts according to the Government Finance Statistics Manual 2001 (GFSM) guidelines. At the moment, the GFSM 2001 figures are estimated by staff on the basis of modified cash data provided by the authorities, although progress is being made in compiling fiscal data according to the GFSM 2001. To support the authorities' efforts, an IMF Statistics Department mission is planned for April-May 2019.
Monetary statistics: The QCB submits the monetary and financial statistics (MFS) for the Central bank and other depository corporation 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 the two indicators of the U.N. Sustainable Development Goals.
Financial Sector Surveillance: The QCB does not report the Financial Soundness Indicators to STA.
External Sector Statistics (ESS): The QCB reports quarterly balance of payments data with quarterly timeliness 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 Exchange. The last TA mission on ESS, conducted in 2017, assisted the Planning and Statistics Authority in developing a quarterly survey to collect data from the nonfinancial sector in order to

produce a quarterly IIP statement and improve the coverage of the primary income and the financial account of the balance of payments. The new survey was launched in August 2017 and the results sent to the QCB. However, QCB has not yet reported IIP data to STA, though partial IIP data are shared with staff during Article IV consultations. More work is required to ensure a comprehensive coverage. Qatar does not participate in the Coordinated Direct Investment Survey yet. The authorities presented the Article IV consultation mission with partial mid-year IIP data for the period 2012–18.
External debt: Detailed data on the country's medium and long-term external debt are provided to missions during the Article IV consultation discussions. The debt office at the Ministry of Finance is collating information about public debt and debt of public sector enterprises. The authorities are publishing data on public external debt on the QCB website.
II. Data Standards and Quality
Qatar is a General Data Dissemination System (GDDS) participant since December 2005 but has not implemented the e-GDDS, as it lacks a National Summary Data Page. A SDDS assessment mission was conducted in 2016 by the Statistical Department of the IMF, which found that while eleven (out of 15) data categories met the SDDS requirements for coverage, periodicity, and timeliness, thus putting Qatar in a steady path towards SDDS subscription, further efforts were needed to meet the SDDS requirements.

Table of Common Indicators Required for Surveillance (As of March 2019)					
	Date of latest observation	Date received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	Feb. 2019	Mar. 2019	M	M	M
International Reserve Assets of the Monetary Authorities[1]	Jan. 2019	Feb. 2019	M	M	M
Reserve/Base Money	Jan. 2019	Feb. 2019	M	M	M
Broad Money	Jan. 2019	Feb. 2019	M	M	M
Central Bank Balance Sheet	Jan. 2019	Feb. 2019	M	M	M
Consolidated Balance Sheet of the Banking System	Jan. 2019	Feb. 2019	M	M	M
Interest Rates[2]	Jan. 2019	Feb. 2019	M	M	M
Consumer Price Index	Feb. 2019	Mar. 2019	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] –General Government[4]	…	…	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	2018 Q3	Feb. 2019	Q	I	I
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2018	Feb. 2019	A	I	I
External Current Account Balance	2018 Q4	Mar. 2019	Q	Q	Q
Exports and Imports of Goods and Services	Jan. 2019	Mar. 2019	M	M	Q
Exports and Imports of Goods and Services	2018 Q3	Dec. 2018	Q	Q	Q
GDP/GNP	2018 Q3	Dec. 2018	Q	Q	Q
Gross External Debt	Nov. 2018	Feb. 2019	A	I	I
International Investment Position[7]	Jun. 2018	Feb. 2019	I	I	NA

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).

[7] Includes external gross financial asset and liability positions vis-a-vis nonresidents. The data are currently based on incomplete sources due to capacity limitations.