

MACROECONOMIC PERSPECTIVE

Summary of

IMF Executive Board Article IV Consultation with Qatar

April 2, 2015

KEY OBSERVATIONS OF REPORT

- Qatar accounts for one-third of global liquefied natural gas (LNG) trade and has emerged as an important global financial investor, labor importer, and donor.
- Real GDP growth has been stable at about 6% over the past three years, mostly driven by double digit expansion of the non-hydrocarbon sector.
- The decline in oil prices will lead to a substantial deterioration of the fiscal and external balances, however strong growth momentum continues to be maintained.
- Growth is expected to increase in 2015 as the Barzan natural gas field starts production and the government authorities continue implementing the public investment program.
- The authorities are executing a large public infrastructure program as part of economic diversification and to prepare for the FIFA 2022 World Cup.
- Growth is expected to slow over the medium term as public investment growth tapers and the private sector offsets the decline only partially.
- Consumer price inflation is contained, although real estate prices have grown quickly.

IMF EXECUTIVE BOARD ASSESSMENT

- Qatar has continues to implement an ambitious diversification strategy through a large public investment program, alongside retaining its systemic role in the global natural gas market.
- The expected deterioration of the fiscal and external balances from low oil prices will necessitate intensification of diversification efforts and some fiscal consolidation in the medium term.
- In the short run, lower international commodity prices, including for food, and a strong US dollar should reduce headline inflation despite the tight rental market.
- Real estate prices, especially land prices are increasing particularly fast and valuations appear on the upper end of a range consistent with fundamentals. Consideration should be given to introducing a differentiated schedule of real estate transaction fees to deter speculators and taking further measures to increase land supply.
- Significant progress has been made in setting up the macro-fiscal unit and public investment department, while current expenditure growth has been restrained. However, while there is no immediate concern about fiscal sustainability, the oil price slump highlights the need for specifying a clear medium-term fiscal framework, including contingency plans.
- The banking sector remains sound and the financial sector regulatory including implementation of Basel III is moving forward.
- Despite broadly stable credit growth, potential emerging risks include the challenges associated with falling liquidity due to the oil price drop, and rapidly-growing credit to selected sectors and across the border.
- Persistently low oil prices and slowing medium-term growth have intensified the need for diversification. Privatization would also help stimulate private sector activity. Growth could be made more inclusive through labor market reforms.
- The fixed exchange rate regime has served Qatar well in periods of both high and low oil prices by anchoring prices of tradable and providing stability to income flows and financial wealth.