QATAR

Table 1	2020
Population, million	2.9
GDP, current US$ billion	156.8
GDP per capita, current US$	54428.9
School enrollment, primary (% gross)[a]	103.5
Life expectancy at birth, years[a]	80.1

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) WDI for School enrollment (2019); Life expectancy (2018).

Qatar entered COVID-19 with a very particular set of circumstances, namely a high specialization in liquefied natural gas exports and very limited interaction with its immediate neighbors due to a diplomatic rift. These factors somewhat buffered the impact of Covid-19. The fundamentals for a strong recovery are in place through resilient demand for gas as a transition fuel, an extensive set of business environment reforms, and a tourism sector that was gearing up for 2022, not 2020-21.

Key conditions and challenges

Qatar is distinct from other GCC economies in the dominance of natural gas exports, a model in which it has made large investments to bring gas onshore and export it mainly via liquefaction (LNG). As a result, it is the world's second-largest gas exporter and the largest exporter of LNG. The collapse in crude oil prices at the start of the pandemic reverberated through to LNG markets, especially oil-linked LNG contracts. This persisted for most of 2020 and weakened overall GDP growth.

Crude oil exports remain an import source of export earnings and liquidity that help smooth out the lumpy investments and long timeframes of LNG. Exemplifying the scale of investment associated with LNG, Qatar has begun new investments which will total around US$29 billion expanding LNG capacity from the maritime North Field, which will take LNG production capacity to 110 million tons per annum by 2026 (mtpa) up from the current production rate of 77 million mtpa.

Unlike other energy producers in MENA, Qatar is also likely to have a longer timeframe to continue exporting hydrocarbons to the degree that LNG is viewed seen as less brown intermediate feed stock to complement a renewable and / or hydrogen-energy based future economy.

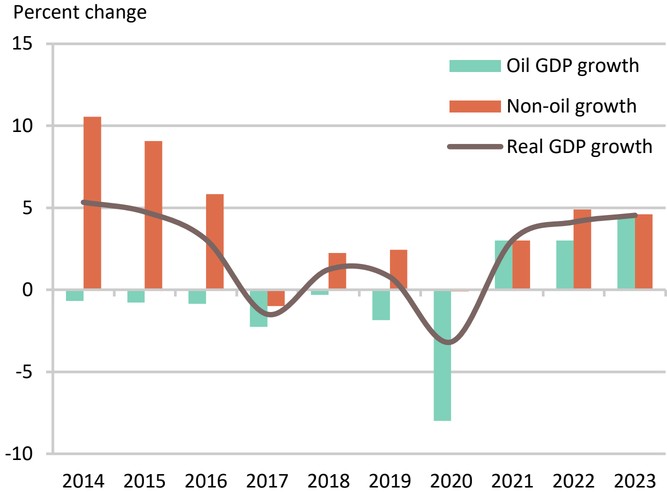
Notwithstanding LNG ambitions, there have been years of efforts to bolster competitiveness. Recently, these included: the abolishment of the Kafala sponsorship system and the strengthening of labor protection that helps facilitate labor mobility and raise productivity; the introduction of a new Public-Private Partnerships law which should help improve FDI attractiveness; and the announcement of the terms, conditions, benefits and procedures for real estate ownership and use of them by non-Qataris. This last step is a recognition that the diversification may involve long-term expatriate residency, moving towards a permanent residency model regarding access to healthcare, education, and level playing field with citizens in some commercial activities.

The prolonged diplomatic rift with four key neighbors (Bahrain, Egypt, Saudi Arabia and UAE) has also been resolved at the start of 2021; this removed some basic obstacles to movement of people, goods, and services between the countries (including airspace restrictions), but it will take some time to reestablish normal economic links between the countries.

Recent developments

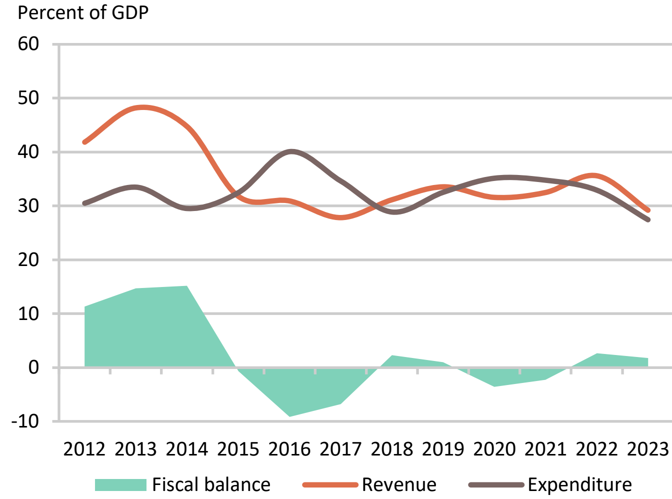
An initial spike of COVID-19 cases in the first and second quarters of 2020 was controlled through a strict lockdown, social distancing and travel restrictions. As a result, the country experienced a path of low and stable new cases as well as a relatively low number of deaths which allowed the authorities to gradually unwind the restrictions. In contrast with other GCC countries, mobility (measured via

FIGURE 1 Qatar / Real GDP growth



Sources: Haver and World Bank staff calculations.

FIGURE 2 Qatar / Public finances



Sources: Haver and World Bank staff calculations.

Google mobility data) returned to pre-pandemic levels by the third quarter. Retail and recreation and transit station footfall, as well as workplace mobility converged to the torrid pace set by residential activity during lockdown.

Following a sharp fall in the first quarter of 2020, Qatar's Purchasing Managers' Index (PMI) has consistently remained above 50 indicating economic expansion. Manufacturing and services activity reached near 60 at the end of the second quarter settling at a more subdued pace in the third and fourth quarters but still showing expansion. A PMI of 51.8 in January 2021 also suggested a strong start to the new year. Nonetheless, a rise in COVID-19 cases (from less than 150 new cases in December 2020 to 469 at the end of February 2021) has led government to announce new measures, especially focused on social gatherings where it is believed much non-compliance was occurring.

In addition to the lift in LNG pricing from the recovery in oil prices, Qatar expanded its share of the LNG market in Asia, where LNG spot prices have recently spiked, being the only major exporter able to respond quickly to the surge in demand.

The fiscal deficit in 2020 is estimated at 3.6 percent of GDP in 2020 in the wake of weak hydrocarbon prices, from where the bulk of government revenues are derived, and strong offsetting expenditures to mitigate the economic effects of COVID-19 amongst hardest hit sectors (travel, tourism and real estate). Consumer price inflation was -2.6 per cent last year. Prices are likely to return to normal from base effects in 2021 and with the possible implementation of VAT, which was postponed due to the pandemic.

The year 2021 began with continued impetus from manufacturing and services as reflected in the PMI, a stronger than expected recovery in oil markets, and final preparations ahead of the fortuitously-timed 2022 FIFA World Cup. Optimism has been dented with a resurgence of new COVID-19 cases, slow vaccination rollout in Europe, and new social restrictions in February 2021.

Outlook

Real GDP growth for 2021 is expected to be 3 percent, with the same rate of growth for both oil and non-oil GDP, driven by domestic and foreign demand as vaccinations roll out and with the end of the diplomatic rift. Strengthening energy prices and final preparations for the FIFA World Cup 2022, as well as expected bumper tourist receipts from what could be the world's first post-Covid mass audience sporting event, should lead to 4.1 percent growth in 2022, with non-oil GDP expected to grow 4.9% (and oil GDP remaining at 3%).

The fiscal deficit is expected to narrow to 2.3 percent in 2021 following recovery in hydrocarbon prices, the potential introduction of VAT in the current year and a general easing of fiscal mitigation as the pandemic unwinds. Like other macroeconomic indicators, the current account in Qatar is largely a function of energy-related commodity prices and export volumes. With a strong improvement in energy prices and higher market share in Asia, the current account will likely return to surplus (1.7 percent of GDP in 2021) and should be further bolstered from World Cup tourist receipts in 2022.

Nonetheless, the economic rebound in 2021 and beyond depends on the control of the COVID-19 pandemic and the effective roll-out of vaccines. Existing testing and tracing infrastructure will be needed for some time. The resolution of the diplomatic rift revives the prospect of further GCC integration and regional crisis burden-sharing.

TABLE 2 Qatar / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	1.2	0.8	-3.2	3.0	4.1	4.5
Private Consumption	5.0	3.5	-5.6	4.8	5.9	5.1
Government Consumption	-3.0	2.5	10.3	4.0	4.3	3.5
Gross Fixed Capital Investment	4.0	2.5	-3.2	3.0	3.3	3.4
Exports, Goods and Services	1.5	1.1	-6.8	2.7	5.3	6.0
Imports, Goods and Services	3.0	6.0	-2.7	5.5	5.8	6.0
Real GDP growth, at constant factor prices	1.2	0.8	-3.2	3.0	4.1	4.5
Agriculture	15.7	1.0	3.0	5.0	7.5	6.8
Industry	0.6	1.2	1.0	2.7	2.6	3.0
Services	2.7	-0.3	-13.7	4.0	8.5	8.7
Inflation (Consumer Price Index)	0.1	-0.9	-2.6	1.0	3.0	2.5
Current Account Balance (% of GDP)	9.1	2.4	-2.5	1.7	2.7	4.1
Fiscal Balance (% of GDP)	2.3	1.0	-3.6	-2.3	2.7	1.8
Primary Balance (% of GDP)	3.7	2.7	-1.7	-0.6	4.3	3.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.