

Qatar Business Forecast Report Q3 2014

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Abstracts

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Core Views

Qatar's short-term political risk profile remains among the most stable in the region. Despite enjoying little in the way of democratic freedom, Qataris benefit from massive hydrocarbon wealth which is spread generously across the country's native population and enjoy the highest per capita GDP in the world. A small population – and one without much inclination to protest against the government – will keep the country insulated from large-scale public unrest in the immediate term.

Sheikh Tamim bin Hamad Al Thani became the new ruler of Qatar in June 2013, in a peaceful handover from his father, Sheikh Hamad bin Khalifa. The 34-year old Emir's first public address and the composition of his new cabinet suggest that policy continuity will be the order of the day.

Strong growth in the non-hydrocarbon economy, stemming from extensive construction activity and the rapid expansion of the services sector, will drive economic activity over 2014 and 2015. We forecast real GDP of 5.7% this year and 6.1% in 2015, from 6.5% in 2013.

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BMI Political Risk Ratings

Domestic Politics

Slow 'Kafala' Reform To Harm Diversification Ambitions

Qatar's proposals for labour reform - including an overhaul of the controversial 'kafala' system - will not be implemented quickly. The slow pace of reform will continue to damage the country's international image, in turn harming the government's ambitions to turn Qatar into a knowledge-based economy.

Table: POLITICAL OVERVIEW

Foreign Policy

Support To Sudan Highlights Independent Foreign Policy

Qatar's increasing ties with Sudan - including the provision of USD1bn in direct financing - support our view that a shift in the independent and assertive character of Qatar's foreign policy is unlikely. The Qatari aid also provides a timely source of financing to Sudan's government, and adds to its role as a key economic partner for the country.

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We find it hard to argue that political instability could become a core scenario in Qatar. Nevertheless, with the government playing the role of conflict mediator in one of the hottest international conflict flashpoints in the world, in addition to having a growing young population and increasing number of expatriates, Qatar will not be immune to external and internal shocks in the long run.

CHAPTER 2: ECONOMIC OUTLOOK

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We have raised our economic growth forecasts for Qatar and now project average annual real GDP growth of 5.7% between 2014 and

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