

BANKING ON KNOWLEDGE

Qatar's economic momentum now in the GCC

By Dr R Seetharaman

Qatar economy is set to rebound this year with the World Bank forecasting it to grow 3% in 2021. Qatar's economy is estimated to have contracted with a -2% growth in 2020. The run-up to the 2022 FIFA World Cup should also anchor demand growth, as the final-phase investment work is complete and the tournament itself is set to give a major lift to the export-orientated services sector. The easing of the 3.5-year-old regional dispute will improve trade, tourism and logistics. The Qatar-GCC trade was close to \$12bn in 2020 and this is expected to pick up further. The opening of border between Qatar and Saudi Arabia is very good news for overall trade.



Now we will see a smooth flow of goods between Qatar and the GCC. We expect rise in the trade of food

items, pharmaceutical products and construction-related products in the coming months. Apart from the flow of goods, the opening of border is also good news for the service sector. We will see resumption of movement of professionals from the sector. The normalisation of relations between Qatar and its neighbours would help Qatar's non-oil economy, with a resumption of travel links eventually lifting tourism inflows and greater interest of regional buyers in Qatar's real estate market. The normalisation of relations should encourage GCC tourists back to Qatar when the pandemic eventually eases. This should help reduce the pressure on the country's distressed real estate and hospitality sectors. Another benefit could be a



convergence in Qatar's onshore and offshore spot currency rates, as foreign liquidity stands to benefit from the lifting of the embargo. Regionally, the boost to consumer and investor sentiment and lower perceived geopolitical risk may contribute positively to economic outcomes, particularly ahead of significant events such as 2022 FIFA World Cup in Doha. The restoration of travel and trade links between the GCC and Qatar is set to revive an era of vibrant trade and investment amongst

the countries. Qatar's credit profile will remain resilient, supported by its wealthy economy, strong government and external net asset positions. Qatar's PMI remained at an elevated level in December 2020 indicating that the non-energy private sector economy continued to expand at a relatively strong pace. The PMI eased slightly from 52.5 in November to 51.8 in December, broadly in line with the fourth quarter average of 51.9. Qatar has set a budget of QR194.7bn for 2021 and the country's total

revenue is expected to reach QR160.1bn. The revenue in the 2021 budget is based on a conservative average oil price assumption of \$40 per barrel. The projected deficit will be covered from available resources or through issuing debt instruments in the domestic and international financial markets if needed. The revival in global economy from Covid-19 can give some boost to oil prices. An amount of QR72.1bn has been allocated for major projects in the 2021 budget, which includes an allocation for new projects along with on-going development projects in various sectors and those related to hosting the 2022 World Cup.

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