

Summary of Global Economic Prospects 2023

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Background:

Qatar has witnessed robust economic growth over the past two decades, boosted by its vast natural gas reserves. Real GDP grew at an average annual rate of over 10% from 2000-2011. Growth moderated after 2011 but remained strong, averaging 3.4% from 2015-2019 prior to the COVID-19 pandemic. Qatar has among the highest per capita incomes globally.

The economy rests overwhelmingly on hydrocarbon production and exports, which accounts for over 60% of GDP, 85% of export earnings, and 70% of government revenues. Efforts have been made to diversify the economy, including into financial services, transportation, tourism and manufacturing. However, progress has been constrained by the small domestic market.

Current Conditions:

Qatar's economy has rebounded from the pandemic with growth estimated at 4.6% in 2022, aided by higher oil and gas prices. The recovery was further boosted by Qatar hosting the 2022 FIFA World Cup. However, the World Bank projects growth will slow to 3.3% in 2023 and 2.9% in 2024 as the boost from hydrocarbons and the World Cup fades.

The non-hydrocarbon sector contributes around 40% of GDP. However, its growth is closely linked to government spending, which may tighten. The banking sector remains resilient but profits could come under pressure from rising interest rates. Inflation has edged up but remains moderate at around 3%.

Unemployment among Qatari nationals is negligible, but the economy relies on expatriate workers who account for over 85% of the labor force. Job security and wage growth for expats has weakened amid the pandemic. Female participation in the labor force remains very low by global standards.

Key Findings:

- Qatar has achieved rapid economic growth fueled by large natural gas reserves, with GDP per capita among the highest globally.
- However, the economy remains heavily dependent on hydrocarbons, accounting for over 60% of GDP and 70% of government revenue.
- Growth is projected to moderate to around 3% in 2023-2024 as tailwinds from higher energy prices and Qatar's hosting of the 2022 World Cup recede.
- Downside risks stem from potential further weakness in major trading partners, regional tensions, climate change impacts, and volatility in global energy markets.

- Structural challenges include limited economic diversification, high reliance on expatriate labor, and a need to boost private sector employment among nationals.

Challenges:

- Heavy reliance on oil and gas leaves the economy vulnerable to swings in energy markets. This represents a challenge both now, with global growth slowing, and in long-run with the move away from fossil fuels.
- Limited economic diversification constrains private sector development beyond hydrocarbons. This hampers job creation for nationals outside the public sector.
- Regional geopolitical tensions may undermine tourism, trade, investment and access to imports.
- Climate change and extreme heat threatens resource security, infrastructure resilience, and health/productivity of outdoor workers.
- High youth unemployment and the need to create more private sector jobs for nationals.
- Promoting increased workforce participation among women and their skills development.

Recommendations:

- Accelerate reforms and initiatives to further diversify the economy beyond oil and gas.
- Facilitate growth of small and medium enterprises to drive job creation for nationals.
- Continue to strengthen educational quality to boost skills and human capital.
- Increase focus on climate mitigation and adaptation across sectors.
- Fiscal policy aimed at long-term sustainability and buffers against oil price fluctuations.
- Labor policies and incentives to encourage greater private sector employment of nationals.
- Investment in female education, entrepreneurship programs and support services to enable higher female labor force participation.

Conclusion:

Qatar has an opportunity to leverage its substantial hydrocarbon resources to continue diversifying its economy and ensure resilient, sustainable long-term growth.

Priority areas include accelerating diversification, strengthening human capital, empowering SME and entrepreneurship, mitigating climate risks, ensuring future fiscal sustainability, increasing workforce participation among nationals, and boosting female engagement in the labor force.

Pursuing these reform initiatives along with prudent macroeconomic policies can help Qatar successfully navigate its evolving economic landscape while providing prosperity for its citizens.