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Qatar’s flying economy

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ll the news coming from Qatar give some positive signals about the prospects of Qatari economy in the near future. The country has recently unveiled its first ever five-year development plan for the period 2011-16 and the basic figures relating to fiscal year 2011-12. Various credible sources also depict a rather rosy picture of economic growth in Qatar.

**First five-year plan**

Recently, Qatari authorities uncovered the country’s first-ever plan for 2011-2016 in pursuit of attaining Vision 2030 goals. Other development plans are likely to come whilst the country makes efforts to reach goals exhibited in Vision 2030.

Broadly speaking, the plan is noted for projecting a notable investment figure in excess of $125bn, carried out by the public sector together with establishments in which the government owns controlling stakes. The sizable investment spree is part of the efforts for developing the necessary infrastructure for World Cup 2022 to be held in Qatar.

**Fiscal year 2011-12**

Projected spending for fiscal year 2011-12, which commenced in April, amounts to $38.5bn, up by 19 per cent compared to the previous fiscal year. Amongst others, the new figure confirms steady continuation of stronger spending years. The estimated spending for fiscal years for 2010-11 and 2009-10 amounted to $32.4bn and $26bn respectively.

With regards to treasury income, the budget puts projected revenues at $44.6bn. showing a hefty 27 per cent growth rate. As such, the projected surplus amounts to $6.1bn. Yet, the budget has the opportunity of either posting stronger surplus or increasing spending, and yet probably both concurrently.

The expectations relate to possible developments in the energy sector, notably oil price. The Qatari authorities used average oil prices of $55 per barrel in calculating oil revenue for fiscal year 2010-11 ending in March, considerably below prevailing market rates. Moreover, press reports project continuation of a relatively low figure when Qatar releases the budget for fiscal year 2011-12 starting in April, reflecting an age-old conservative policy. By one account, the average oil price could hover around $55 to $60 per barrel for the new fiscal year.

**Rapid growth**

Credible economic sources disagree on the extent but not the ability of Qatar’s economy to register steady growth rates. For instance, the International Monetary Fund (IMF) put Qatar’s gross domestic product (GDP) growth at 16 per cent in 2010 only to raise it to 20 per cent in 2011. Similarly, a recent report issued by Samba bank of Saudi Arabia projects Qatar’s GDP growth at 19 per cent for 2011, up from 16 per cent in 2010. Joyfully, all these figures are in real terms, meaning adjusted for inflation. Fortunately, inflationary threats are not substantial nowadays notwithstanding rising oil prices.

In fact, inflation was a real problem in 2007 and part of 2008 at the height of rising oil prices together with the declining value of the American currency. Oil prices reached a record $147 per barrel in July 2008 only to drop sharply as the global financial crisis began to unfold. However, changing circumstances relating to the global financial crisis and new insights gained on the way have helped keep inflationary pressures in check.

**Hard facts**

Undoubtedly, the positive economic prospects are based on solid ground, particularly developments related to the energy sector. Oil prices remain strong partly as a consequence of socio-political developments in the Mena region.

Concurrently, Qatar continues to expand gas output, with capacity already reaching 77 million tonnes per annum of liquefied natural gas, up from 54 million tonnes only last year. In reality, Qatar is the world’s leading exporter of LNG much like Saudi Arabia with regard to crude.

Qatar’s gas sector is boosted by hard facts. According to the BP Statistical Review of World Energy, Qatar’s gas reserves amount to 25.5 trillion cubic metres, comprising nearly 14 per cent of proven global reserves. Only Russia and Iran have more gas reserves - 23.4 per cent and 16 per cent of global reserves, respectively.

Steady economic growth rates have helped Qatar rise to third position in terms of the largest GDPs within the Gulf Cooperation Council after Saudi Arabia and the UAE but ahead of Kuwait. The GDPs of Qatar and Kuwait are pegged at $128bn and $117bn, respectively.

A recent IMF report suggests that Qatar’s per capita income could reach as high as $100,000 this year, second to none in the world. Second-place Luxembourg will report around $82,600 per capita income. Per capita income in fellow GCC member states is nowhere close to that of Qatar.

**Proliferation of benefits**

Happily enough, Qatar’s economic prospects remain solid until after the country has hosted the World Cup in 2022. The positive outlook chiefly reflects planned spending of billions of dollars on infrastructure development including a railway system and road network as well as football stadiums whilst preparing the country for the football extravaganza.

The tournament has injected fresh life to the construction of a causeway linking Qatar and Bahrain. The project is expected to cost around $4bn. Local, regional and international investors are expected to pour large amounts of money into Qatar’s economy as the country prepares to host the tournament. Planned spending schemes relate to construction of numerous projects within the hospitality industry, as tens of thousands of visitors are expected to come to Doha.

Foreign residents and workers who make up around 80 per cent of Qatar’s population benefit from the country’s growing economic fortunes in terms of job opportunities and outgoing remittances. Clearly, Qatar stands out when it comes to sharing the rewards of growth with others.

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Looking ahead

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Gas reserves amount to 25.5 trillion cubic metres, nearly 14 per cent of global reserves

Capacity of liquefied natural gas reached 77 million tonnes per annum