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# QATAR ECONOMIC REPORT

APRIL 2026

## QATAR'S EFFORTS TO TRANSITION TO A DIVERSIFIED ECONOMY PERSISTING BEYOND REGIONAL TURMOIL SPILLOVER EFFECTS

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**Economic risks tied to regional turmoil arising from several channels**

Amid the emerging regional turmoil, the economic risks to GCC countries in general and Qatar in particular arise from several channels. Upside risks to oil prices are in principle positive for government revenues, but the disruption to regional oil production and supply routes potentially offsets any benefit. Which way it goes will depend on the magnitude of the price action, its duration, and the extent to which oil/gas supplies remain disrupted. The shut-in of oil and gas production, however brief, will likely have a net negative impact on real economic output, unless compensated for by increased production as supply constraints ease. Beyond oil production, the disruption to aviation, tourism, real estate, logistics, and general commerce inflicted by Iran's retaliatory attacks on Gulf states is also likely to have a negative impact on non-oil GDP in the near term. The lasting impact via the confidence factor implications, particularly given the large expatriate populations in these countries, remains to be seen.

**Real economy reporting circa 3% growth prior to the conflict**

Prior to the emergence of the regional turmoil, Qatar had reported strong performance in its domestic economy amid macro and geopolitical challenges, supported by sound macroeconomic management, the significant expansion of LNG production over the medium term, and strong non-hydrocarbon economic growth amid reform implementation guided by the Third National Development Strategy. Within this environment, economic growth had risen to 2.4% in 2024 and strengthened further to 2.9% in 2025.

**External sector performance set to be adversely affected by regional tensions while medium-term prospects remain favorable**

Qatar's external sector performance has remained on a contractionary trend in 2025 on the back of softening hydrocarbon revenues, diversification-driven structural shifts, and a challenging global trade environment. This trend is set to deteriorate further in the near term amid the escalation of regional tensions in the first quarter 2026 before beginning a reversal on the medium-term. Looking ahead, the escalation of regional hostilities in early 2026 and the effective disruption of Strait of Hormuz shipping lanes represent a material downside risk to the external outlook, with potential implications for export and import volumes and trade flows over the near to medium term.

**Qatar's deficit-to-GDP ratio expected to increase in 2026 following Iran war**

Qatar's fiscal deficit is projected to widen in 2026 due to concerns over prolonged disruptions in hydrocarbon production and transport stemming from the US-Israel conflict with Iran. This potential deterioration of the sovereign balance sheet follows Qatar's first fiscal deficit in 2025 since 2020.

**Some inflationary risks emerge in Qatar in the wake of the 2026 regional conflict**

Some inflationary risks started floating on the surface following the outbreak of the US-Israel conflict with Iran on February 28, 2026, and the subsequent closure of the Strait of Hormuz. This interrupted a period of receding inflationary pressures over the year 2025. Concomitantly, the Qatar Central Bank continued to track the US Federal Reserve's lead in either easing monetary policy through synchronized interest rate cuts in 2025 or maintaining key rates unchanged so far this year, consistent with the currency peg to the US dollar.

**Banking industry somewhat resilient amid challenges**

While the emerging regional conflict is likely to have adverse effect on banking activity at large, the year 2025 was a relatively satisfactory year for the banking industry, according to just released data for the sector. Measured by the aggregation of banks assets, banking activity grew by 5.1% (the largest growth in four years) to reach US$ 591 billion in December 2025. In particular, total credit facilities rose by 6.6% in 2025 to reach US$ 394 billion at year-end. Likewise, total deposits grew to US$ 287 billion, up by 1.7% over the year.

**Qatari equities and bonds spiraling downward so far this year amid escalating regional conflict**

Qatar's capital markets received a tough blow since the outbreak of the US-Israel conflict with Iran on February 28, 2026, which has eroded all year-to-date price gains and reversed the bullish momentum that has been prevailing over the year 2025. The market's downturn is primarily driven by a surge in risk-averse sentiment, as investors factor in a substantial geopolitical risk premium due to direct threats to regional energy infrastructure and maritime security, and given the noticeable level of unpredictability about the war duration.




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Prior to the emergence of the regional turmoil, Qatar had reported strong performance in its domestic economy amid macro and geopolitical challenges, supported by sound macroeconomic management, the significant expansion of LNG production over the medium term, and strong non-hydrocarbon economic growth amid reform implementation guided by the Third National Development Strategy. Within this environment, economic growth had risen to 2.4% in 2024 and strengthened further to 2.9% in 2025.

At the fiscal level, Qatar moved from a surplus of US$ 1.5 billion in 2024 (the equivalent of 0.7% of GDP) to a deficit of US$ 2.2 billion in 2025 (the equivalent of -1.0% of GDP). This is the result of a rise in public spending by 5.0%, moving from US$ 57.1 billion (the equivalent of 26.0% of GDP) to US$ 59.9 billion (the equivalent of 27.0% of GDP). In parallel, public revenues decreased from US$ 58.6 billion (the equivalent of 26.7% of GDP) to US$ 57.7 billion (the equivalent of 26.0% of GDP). Subsequently, public debt moved from US$ 90.4 billion (41.2% of GDP) in 2024 to US$ 90.2 billion (40.6% of GDP) in 2025.

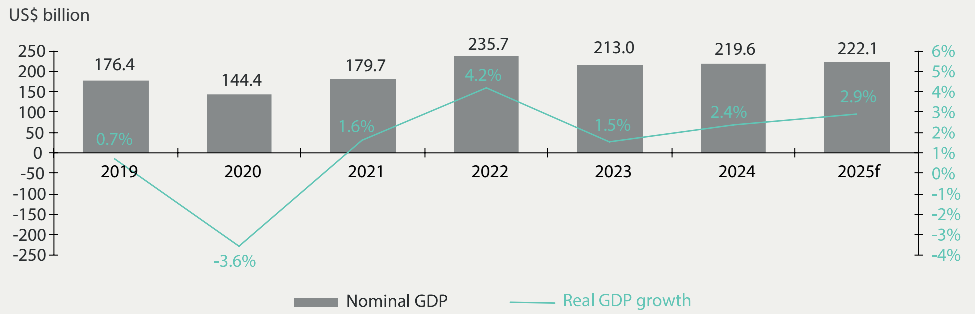
With respect to the foreign sector, the year saw a contraction in the trade deficit to GDP ratio from 28.4% in 2024 to 23.4% in 2025, with the ratio of exports to imports contracting from 292% to 237% respectively. In parallel, the current account moved from a surplus of US$ 37.9 billion (17.4% of GDP) in 2024 to a surplus of US$ 24.1 billion (10.8% of GDP) in 2025.

At the monetary level, the year 2025 was a slow inflation year. Indeed, average CPI inflation reported 0.5%, the slowest inflation since the year 2020. The mild inflation outcome comes despite a Money Supply growth of 3.5%. In parallel, the Qatari Central Bank international reserves pursued their expansionary trend to reach US$ 71.9 billion at end-2025 (the equivalent of 52.1% of domestic currency money supply), against US$ 70.1 billion at end-2024.

The past year was a relatively satisfactory year for the banking sector. Measured by the aggregation of banks assets, banking activity grew by 5.1% (the largest in four years) to reach US$ 591 billion in December 2025. In particular, total credit facilities rose by 6.6% in 2025 to reach US$ 394 billion at year-end. Likewise, total deposits grew to US$ 287 billion, up by 1.7% over the year. The year saw a contraction in interest rate on Time deposit in QR from 5.45% in December 2024 to 4.24% in December 2025, while interest rates on credit facilities in QR stabilized at 5.77%.

With respect to capital markets, the year 2025 reported a slight rise in the Qatari Exchange general index by 1.8%, leading to a rise in the Stock market capitalization from US$ 170.6 billion in December 2024 to US$ 177.0 billion in December 2025. This comes amid a stability in total value of shares traded at US$ 29 billion. By end-December 2025, the average Price to Earnings ratio stood at 12.3x and the average Price to Book value ratio at 1.3x. In parallel, the 5-year CDS spread contracted from 44 bps at end-December 2024 to 27 bps at end-December 2025, reflecting a net improvement in the market perception of sovereign risks.

REAL GROWTH & NOMINAL GDP




*Sources: IMF, Bank Audi's Group Research Department*

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The detailed developments in the real sector, external sector, public sector and financial sector are outlined in the sections that follow while the concluding remarks address Qatar's near and medium term economic outlook looking forward.

# 1. ECONOMIC CONDITIONS

## 1.1. REAL SECTOR

### 1.1.1 Hydrocarbon sector

*Qatar's hydrocarbon severely affected by regional conflict in 2026*

The Qatari's hydrocarbon sector was significantly hit so far this year as LNG production and exports faced disruptions following a series of military attacks on its primary energy hubs.

In details, on March 2, 2026, QatarEnergy initially halted all LNG and associated products, including oil-related condensates and downstream products, at Ras Laffan and Mesaieed Industrial City following drone strikes. The crisis escalated on March 18 and 19, when further missile attacks caused extensive damage and fires at the Ras Laffan terminal, the world's largest LNG export hub, specifically hitting LNG Trains 4 and 6. These strikes effectively wiped out 17% of Qatar's export capacity (approximately 12.8 million tons per annum), and forced the State to declare long-term force majeure on contracts with key buyers in Italy, Belgium, South Korea and China.

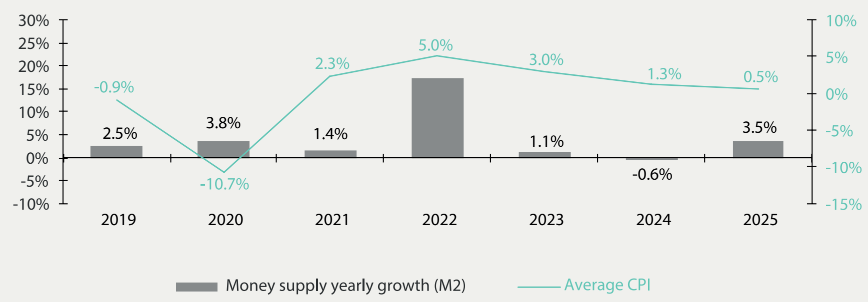
Furthermore, the functional closure of the Strait of Hormuz during this period has prevented any remaining vessels from transiting, tightening global gas markets and causing prices to surge to multi-year highs. Around 13 loaded vessels (more than one million tons of LNG) are currently trapped in the Mideast Gulf due to a virtual halt in traffic through the Strait of Hormuz.

Qatar officials stated that the damage is so severe that it could take three to five years to fully repair, resulting in an estimated US$ 20 billion annual revenue loss.

Before the war started, Doha had been preparing for a massive bonanza from a US$ 30 billion expansion of production from its North Field, the world's largest gas field. That would have increased Qatar's production capacity to 126 million tons a year by 2027, equivalent to about 30% of global LNG demand in 2024.

It is worth mentioning that over the year 2025, the Qatari's hydrocarbon sector had expanded, amid QatarEnergy (QE)'s efforts to lift gas production in response to sustained strength in spot LNG prices,

MONEY SUPPLY AND INFLATION




*Sources: Central Bank of Qatar, Bank Audi's Group Research Department*

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coupled with the rise in oil production due to intensive investment and expansion projects in major oilfields. In details, Qatar's natural gas production increased in 2025 by 2.3% y-o-y to 172 billion cubic meters (bcm) from 168 bcm in 2024, as per Fitch Solution. Production continued to be dominated by the North Field, with additional contributions from Dukhan and Al Shaheen. Smaller volumes come from Maydan Mahzam, Bul Hanine, Al Rayyan, Al Khalij, Al Karkara and the A-Structures. Concurrently, QE continued to advance a suite of projects to monetize these resources, most notably North Field Expansion (NFE), alongside the North Alpha project and continued production at North Field Bravo and RasGas Alfa.

In parallel, Qatar exported roughly 81 million tons of LNG in 2025, maintaining its position as a top global supplier alongside the US. As for 2026, Qatar's LNG net exports are forecasted to decline 20.2% y-o-y, from 104 bcm in 2025 to 83 bcm, as per Fitch Solutions.

Looking forward, while North Field Expansion (NFE) continues to advance on the upstream side, damage at Ras Laffan, coupled with the need to prioritize repairs, makes full effective LNG capacity more likely in 2028 rather than 2027, even assuming no further attacks, as per Fitch Solutions. While offshore gas facilities and wells associated with North Field East and South remain intact, the Ras Laffan complex is a tightly integrated system where liquefaction trains, utilities, refrigeration units, storage, power, water and control systems are heavily shared across legacy trains and new expansion phases. Given QatarEnergy expects the two existing LNG trains to require three to five years to repair, this implies that Engineering, Procurement and Construction (EPC) capacity, specialist contractors, long-lead equipment and site access would be absorbed by restoration activity for an extended period. This could mean QatarEnergy prioritizes bringing damaged base capacity back online before introducing new incremental volumes.

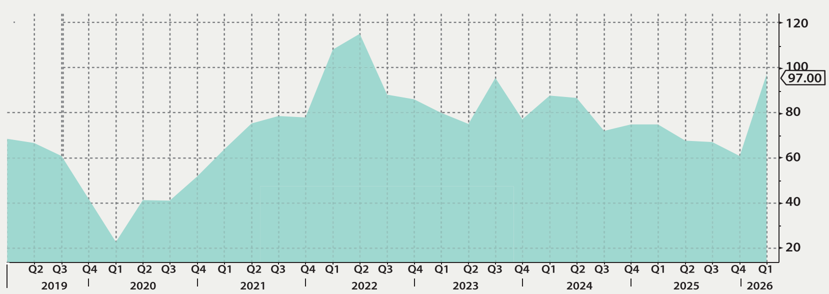
### 1.1.2 Manufacturing sector

*Qatar's manufacturing sector contracts amid military escalations in 2026*

Qatar's manufacturing sector is facing severe operational disruptions as of late March 2026, following direct military strikes on its primary industrial hubs during the regional conflict. Additionally, the closure of the Strait of Hormuz is effectively halting the activity of the manufacturing sector, as the nation relies on this single waterway for nearly all its industrial exports and raw material imports. While Qatar is attempting to bypass the Strait via Qatar Airways Cargo, the sheer volume of industrial goods (like aluminum ingots or bulk chemicals) is too heavy and costly for air transport to sustain.

It is worth mentioning that, over the year 2025, the manufacturing sector had experienced a notable year-on-year slowdown due to several domestic and global factors. In details, after the 2022 FIFA

CRUDE OIL PRICES (US$)




*Sources: Bloomberg, Bank Audi's Group Research Department*

World Cup, demand in construction-related manufacturing and retail sectors naturally leveled off. Concurrently, a significant driver was the drop in new business due to lower demand in the construction sector, which softened orders for related manufactured goods. Furthermore, key product lines like petrochemicals faced market saturation due to massive capacity expansions in China.

At the nominal level, the country's manufacturing sector share out of total GDP fell from 8.2% in the first nine months of 2024 to stand at 7.8% in the same period of 2025. The contribution of the sector to the country's nominal GDP registered US$ 12.7 billion in the first nine months of 2025, down from US$ 13.2 billion in 2024, marking a 3.4% contraction, as per the latest data.

Concomitantly, the manufacturing sector (which has a weight of 15.85% in Qatar's Industrial Production index) decreased by 0.7% y-o-y in 2025, as per the latest data released by the Planning and Statistics Authority (PSA).

A closer look at sub-categories shows that "printing and reproduction of recorded media" retreated by 6.1% year-on-year in the first nine months of 2025, followed by "manufacture of refined petroleum products" by -4.0%, "manufacture of chemicals and chemical products" with -2.9% and "manufacture of cement and other non-metallic mineral products" with -0.6%. In contrast, an increase of 8.7% year-on-year was recorded in "manufacture of rubber and plastics products", followed by "manufacture of basic metals" with +8.2%, "manufacture of food products" with +7.8% and "manufacture of beverages" with +4.6%.

On the other hand, Qatar's non-energy private sector posted a slower decrease in activity in February 2026, according to the latest Purchasing Managers' Index (PMI) survey data from S&P Global.

The PMI rose from 50.4 in January to 50.6 in February 2026, signaling an overall improvement in business conditions in the non-energy private sector. The sector has seen conditions improve in every month since January 2024, except for a pause in December 2025. The latest reading was still below the long-run average of 52.1 since 2017.

Based on the survey, the overall improvement in business conditions in February purely reflected higher employment. Additionally, February survey data indicated a further fall in new orders, the eighth decrease in nine months. This led to a third successive drop in output in the non-energy private sector, but the rate of decline eased since January and was only marginal.

Looking forward, Qatar's manufacturing sector is shifting from a high-growth expansion phase into a multi-year recovery and reconstruction period following devastating missile strikes on its industrial heartland. The conflict has fundamentally altered the short-term outlook for the sector, moving the focus from innovation to critical infrastructure repair.

However, over the long term, Qatar's manufacturing sector holds a positive outlook driven by the National Manufacturing Strategy 2024–2030, which aims to increase the sector's GDP contribution to QR 70.5 billion by the end of the decade. To attract global capital, the government currently allows 100% foreign ownership and has streamlined the business environment through advanced platforms that can reduce company setup time to just two days. Combined with the North Field Expansion providing stable energy feedstock, Qatar is positioned to transition from traditional oil-based production to a diversified, high-tech industrial hub.

### 1.1.3 Construction

*Outlook for the construction sector weakens amid rising geopolitical tensions*

Prior to the regional turmoil, Qatar's construction sector started to gradually recover following a period of subdued activity after the completion of major infrastructure projects linked to the FIFA World Cup 2022. The sector transitioned from large-scale, event-driven developments toward projects that support long-term socio-economic growth, sustainability, and regional integration, in line with Qatar National Vision 2030. Backed by a strong pipeline of government-led investments, activity is increasingly concentrated in transportation infrastructure, energy projects, and urban development, including initiatives aimed at enhancing connectivity, expanding LNG capacity, and addressing evolving demand for housing and public facilities. These developments reflect a shift toward more targeted and efficiency-driven investments. However, despite improving activity levels, the outlook remains moderated by structural constraints and emerging external risks, as heightened regional geopolitical tensions may weigh on project timelines and investor sentiment in the near term.

Before the recent escalation in regional tensions, Qatar's construction and real estate investment outlook was actually expected to strengthen, supported by a robust infrastructure pipeline, continued public spending, and ongoing diversification efforts under national development strategies. The sector was projected to benefit from sustained project awards and increased private sector participation, particularly across mixed-use, residential, and logistics developments. However, the onset of the conflict has begun to weigh on this outlook, primarily through indirect channels. Heightened geopolitical uncertainty is expected to impact investor sentiment, potentially delaying project execution and moderating capital inflows. In parallel, rising global energy prices and supply chain disruptions are likely to exert upward pressure on construction costs, affecting project feasibility and timelines. As a result, while the medium-term fundamentals of the sector remain intact, near-term investment activity may face increasing headwinds as market participants adopt a more cautious stance amid evolving regional conditions.

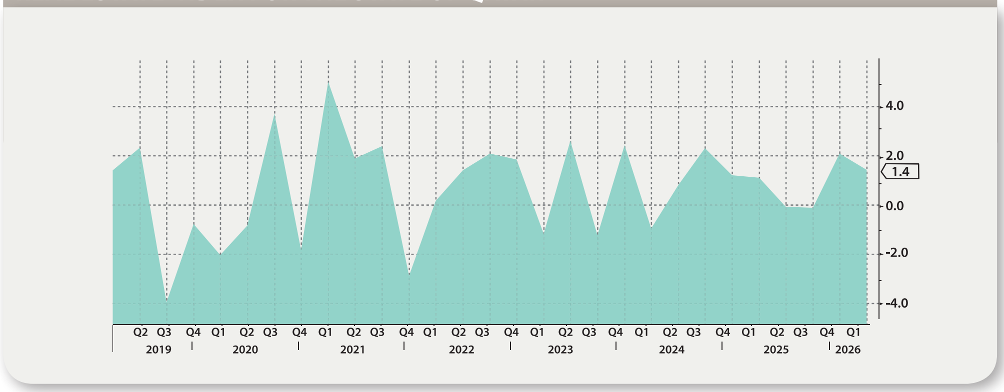
During Q3-2025, construction sector GDP reached QR 62.6 billion (US$ 16.9 billion) noting a year-on-year increase of 3.0% against the same period the year prior. This acceleration reflects a successful pivot toward the mandates of the Third National Development Strategy (NDS3).

A primary catalyst for this momentum is Ashghal's QR 81 billion (US$ 22.2 billion) infrastructure roadmap (2025-2029). In a significant move in early 2026, Ashghal announced the awarding and tendering of 20 new projects valued at QR 11.5 billion (US$ 3.16 billion), including the modernization of Hamad General Hospital and strategic drainage tunnels for southern Doha. These high multiplier projects are expected to sustain the sector's growth trajectory.

The Qatari realty sector GDP experienced a period of stagnation between Q3-2024 and Q3-2025, recording QR 39.6 billion (US$ 10.7 billion) in Q3-2025 indicating a pause in the expansionary cycle.

At the level of office rentals within Qatar, the sub-sector has been noting steady, low-single-digit increases in rental rates, underpinned by moderate supply and strengthening demand. Government efforts to reduce dependence on hydrocarbons are stimulating growth in sectors such as manufacturing, logistics, financial services and tourism. This will increase private sector participation and generate new demand across the commercial real estate market. In Doha, the average office price of rent per sqm is expected to reach US$ 27.5/month showing a year-on-year increase of 1.3%

**REAL ESTATE INDEX FOR THE STATE OF QATAR**




*Sources: Bloomberg, Bank Audi's Group Research Department* against prices in 2025, following five years of continuous decline. Additionally, office rent prices per sqm in Al Wakra is expected to reach US$ 22.9/month in 2026, up by 0.9% from prices in 2025; this increase is also the first after years of decline. Prices of office rental per sqm in Al Khor is expected to increase by 0.7% in 2026 reaching US$ 20.8/month.

In Doha, the average retail rent price per sqm is expected to reach US$ 72.1/month in 2026, up by 1.6% from 2025. Additionally, Al Khor and Al Wakra retail rental prices per sqm are expected to record a year-on-year increase of 0.5% and 1.2% respectively in 2026.

Demand for industrial rentals in Qatar is set to increase in the medium-to-long term amid expansions in exports, imports and the wider non-oil economy. In Doha, the price of industrial rent per sqm is expected to reach US$ 12.4/month in 2026 showing a year-on-year increase of 1.9%.

Looking at the Residential & Non-Residential Building industry, the sector is expected to note an average increase of 0.6% per annum between 2026 and 2034, as per Fitch Solutions. This increase comes on the back of an expected increase in demand for social infrastructure leading to an average annual increase in the Residential Building industry's value of 1.1% in 2026 and reaching 3.0% in 2034. However, the Non-Residential Building industry's value is set to partially offset this growth due to a relative stabilization in the sector during the period amid expected decreases in value between 2029 and 2034. These figures reflect pre-conflict conditions and are therefore subject to change.

Looking forward, multiple threats and opportunities present themselves for the construction and realty sectors. At the level of threats, in the short term, heightened geopolitical tensions may weigh on investor sentiment, potentially delaying project execution and exerting upward pressure on construction costs. In the longer term, sustained government spending under the Third National Development Strategy (NDS3), coupled with a strong infrastructure pipeline and continued investment in energy and social infrastructure, is expected to support sector activity. Overall, while structural constraints are expected to temper the pace of expansion, the sector is likely to maintain steady, albeit moderate, growth over the medium-to-long term.

### 1.1.4 Tourism

*Qatar's tourism sector performance currently mired in uncertainty following the region-wide escalation*

The outlook for Qatar's tourism sector prior to the start of the current region-wide escalation was decidedly positive, characterized by a transition from infrastructure readiness to aggressive commercial activation. Following a transitional start to 2025, the sector concluded the year with 5.1 million international arrivals at end-2025, marking a 3.7% year-on-year increase and were estimated to reach 6.1 million in 2026. On the medium term (2025-2029), tourist arrivals were set to increase by 5.8% year-on-year to reach 6.6 million by 2029. Additionally, Tourism receipts were estimated at around QR 90.4 billion (US$ 24.4 billion) in 2025 and were forecasted to reach QR 96.7 billion (US$ 26.1 billion) in 2026 and QR 113.7 billion (US$ 30.7 billion) in 2029. However, heightened regional geopolitical risks stand as a significant downside risk to the arrivals and tourism activity projections.

The escalation of regional hostilities in late February 2026 represents the most significant downside risk to this Qatar's tourism sector outlook. Retaliatory attacks targeting GCC infrastructure have materially dampened visitor confidence and disrupted aviation activity at Hamad International Airport, which currently operates at reduced capacity primarily serving repatriation flights. The resulting airspace disruptions and widespread travel advisories issued against non-essential travel to Qatar are expected to weigh heavily on arrival volumes, with the risk of a double-digit percentage decline in inbound tourists in 2026 compared to prior forecasts. Qatar's relatively high share of land arrivals provides a partial structural buffer against airspace-driven disruptions compared to more air-dependent regional peers. Nevertheless, the broader perception risk poses a more persistent threat, as historical precedent indicates that traveler confidence in conflict-adjacent destinations tends to recover more slowly than the security situation itself, representing a medium-term headwind to Qatar's arrivals and hospitality revenue projections over years to come.

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Tourism arrivals into Qatar have decreased by 8.3% between the first two months of 2025 (2M-2025) and the same period in 2026. Arrivals reached 1,069 thousand tourists in 2M-2026, down from 1,166 thousand tourists in 2M-2025, as per the Qatar Tourism Authority.

In details, looking at the distribution of arrivals by port of entry, arrivals by air took the lion's share accounting for 59.2% of all arrivals into the country in 2M-2026. Arrivals by land followed with a share of 30.5% of total arrivals into the country during the year. Arrivals by sea accounted for 10.3% of total arrivals into Qatar during 2M-2026.

At the level of evolution of arrivals into Qatar by tourist nationality, GCC countries took the lion's share accounting for 35.3% of total arrivals into the country during 2M-2026. Europe followed accounting for 27.6% of total tourist arrivals into Qatar during the period. Asia & Oceania accounted for 20.8% of total arrivals into the country during 2M-2026. Non-GCC Arab countries accounted for 7.1% of total arrivals into Qatar during the period. The Americas accounted for 6.9% of the total during 2M-2026 while Africa accounted for 2.3% of the total during the period, as per the Qatar Tourism Authority.

The official designation of Doha as the GCC Tourism Capital for 2026 represents a crowning achievement for Qatar's tourism strategy and a central pillar for its medium-term arrivals forecast. Ratified by the GCC Ministers of Tourism, the title provides a prestigious institutional framework to accelerate intra-regional travel through initiatives like the "Winter in Qatar 2026" campaign and the streamlined Abu Samra land border procedures.

Looking at the hospitality sector, during 2025, occupancy rate within Qatar's accommodations reached an average of 71%, up by 3.0 percentage points (pps) from 68% in 2024. Hotel supply reached approximately 42,500 room keys by the end of 2025. Additionally, room demand reached 10.84 million room nights sold in 2025, a 8.6% increase from demand in 2024. The Average Daily Rate (ADR) in Qatari accommodations reached an average of QR 448 (US$ 122) per day in 2025, noting a year-on-year increase of 2.2% from an average of QR 436 (US$ 119) per day in 2024. The average Revenue Per Available Room (RevPAR) of Qatari accommodations during 2025 reached QR 326 (US$ 89) per available room, up by 5.7% from QR 309 (US$ 84) per available room in 2024.

Looking forward, Qatar's tourism sector enters a critical juncture, having recorded steady progress in 2025 across arrivals, occupancy, and tourism receipts, against a backdrop of improving hospitality metrics and a strengthening events calendar anchored by the GCC Tourism Capital designation for 2026. On the medium term, tourist arrivals, tourism receipts, and occupancy rates are all projected to record positive growth through 2029, supported by ongoing government investment and a diversifying arrivals base. However, these projections, established prior to the escalation of regional hostilities in late February 2026, are subject to meaningful downward revision, as airspace disruptions, travel advisories, and weakening visitor confidence weigh on near-term demand. The pace at which Qatar's tourism sector converges toward its medium-term targets will therefore depend primarily on the duration of the conflict, the restoration of normal aviation activity at Hamad International Airport, and the speed at which traveler confidence in the country as a safe destination is rebuilt.

## 1.2 External sector

*Qatar's external sector performance in 2026 set to be adversely affected by regional tensions while medium-term prospects remain favorable*

Qatar's external sector performance has remained on a contractionary trend in 2025 on the back of softening hydrocarbon revenues, diversification-driven structural shifts, and a challenging global trade environment. This trend is set to deteriorate further in the near term amid the escalation of regional tensions in the first quarter 2026 before beginning a reversal on the medium-term.

Looking ahead, the escalation of regional hostilities in early 2026 and the effective disruption of Strait of Hormuz shipping lanes represent a material downside risk to the external outlook, with potential implications for export and import volumes and trade flows over the near to medium term.

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In details, Qatar's foreign trade figures revealed a contraction in exports by 5.3% alongside a 6.3% increase in imports in 2025 against figures from 2024. In turn, this led to a 12.3% decrease in the foreign trade surplus, according to the Planning & Statistics Authority (PSA). As such, Qatar's trade surplus decreased from QR 215.6 billion (US$ 58.2 billion) in 2024 to QR 189.2 billion (US$ 51.1 billion) in 2025.

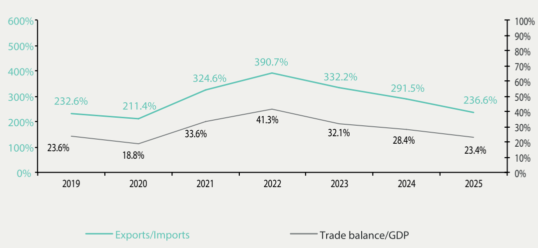
As for 2026 data, Qatar's exports during January recorded QR 25.1 billion (US$ 6.8 billion) noting a year-on-year decrease of 13.4% from QR 29.0 billion (US$ 7.8 billion) during the same month the year prior. This decrease was mainly due to a decrease in hydrocarbon exports by 15.9% during the period to reach QR 14.0 billion (US$ 3.8 billion) in January 2026. During the first month of 2026, the main country importing Qatari products was China accounting for 20.9% (QR 5.2 billion) of total exports during the period. India and South Korea followed with contributions of 17.1% (QR 4.3 billion) and 10.7% (QR 2.7 billion) of the total respectively in January 2026. The United Arab Emirates and Taiwan came next with contributions of 7.8% (QR 2.0 billion) and 6.9% (QR 1.7 billion) of the total respectively in January 2026. Other countries held a contribution of 36.6% (QR 9.2 billion) of total exports during the period, as per data from Qatar's PSA. Looking forward, according to the IMF, the volume of export of goods in Qatar is set to increase in 2027 with a growth of 8.6%, reversing the current contractionary trend. This comes amid an expected improvement in global economic conditions, diversification of the economy in Qatar and an expected easing of inflationary pressures.

In parallel, Qatar's imports during January 2026 recorded QR 13.0 billion (US$ 3.5 billion) noting a year-on-year increase of 13.0% against QR 11.5 billion (US$ 3.1 billion) in January 2025. During January 2026, the country from which Qatar imported the most products was China accounting for 21.8% (QR 2.8 billion) of total imports into Qatar during the period. The United States of America and Italy followed with contributions of 14.3% (QR 1.9 billion) and 7.6% (QR 1.0 billion) of the total respectively in January 2026. India and the United Arab Emirates came next with contributions of 5.6% (QR 0.7 billion) and 5.5% (QR 0.7 billion) of the total respectively in January 2026. Other countries held a contribution of 45.2% (QR 5.9 billion) of total imports into Qatar during the period, as per data from Qatar's PSA. According to the IMF, the volume of Imports of goods in Qatar is set to increase by 16.9% in 2027.

Having said that, Qatar's Balance of Trade registered a 30.8% contraction between January 2025 and January 2026, reaching QR 12.1 billion (US$ 3.3 billion) in the latter.

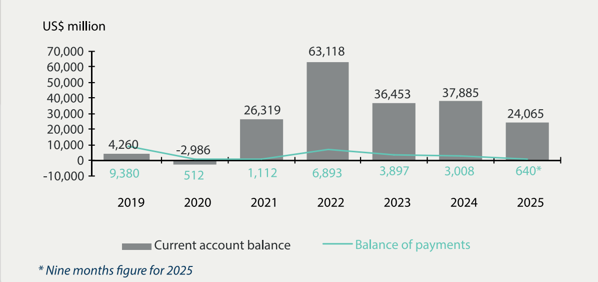
On the other side of the external sector, Qatar's current account balance posted a 1.5% decrease in surplus year-on-year between Q3-2024 and Q3-2025 driven mainly by an increase in the Current Transfers deficit by 29.0% between the mentioned period. On the other hand, the Balance of Income deficit widened by almost 3 folds year-on-year between Q3-2024 and Q3-2025. The Balance of Services deficit increased by 23.6% during the period. Looking forward, according to the IMF, the current account balance to GDP ratio is set to increase by 1.3 percentage points between 2026 and 2027 reaching 12.1% in 2027.

FOREIGN SECTOR INDICATORS




Sources: Central Bank of Qatar, Bank Audi's Group Research Department

BALANCE OF PAYMENTS




Sources: Central Bank of Qatar, IMF, Bank Audi's Group Research Department

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Qatar reported a deficit in the Capital & Financial Balance of QR 33.8 billion (US$ 9.1 billion) in Q3-2025, which shows a year-on-year contraction of 6.5% of a QR 36.2 billion (US$ 9.8 billion) deficit in Q3-2024.

It is worth noting that in Q3-2025, the net FDI into Qatar recorded a surplus of QR 1.7 billion (US$ 459.0 million), showing a reversal from a prior deficit of QR 3.5 billion (US$ 945.0 million) in Q3-2024.

In turn, the Balance of Payments recorded a surplus of circa QR 2.4 billion (US$ 648.0 million) in Q3-2025 against a deficit of QR 1.6 billion (US$ 432.0 million) in Q3-2024, according to the Central Bank of Qatar.

As such, looking forward, Qatar's external sector is set to remain on a contractionary trend in the near term as diversification efforts continue to weigh on hydrocarbon export volumes, import demand remains elevated on the back of ongoing investment activity, and regional hostilities introduce additional headwinds to trade and shipping flows. However, on the medium-term (2027-2030), this trend is set to be reversed as the benefits of diversification efforts begin to materialize within the sector. These developments are expected to reflect positively on the Current Account Balance as well as the Capital & Financial Balance through increased exports and investments, contingent on a resolution of the prevailing regional instability.

## 1.3 Public sector

*Qatar's deficit-to-GDP ratio expected to increase in 2026 following Iran war*

Qatar's fiscal deficit is projected to widen in 2026 due to concerns over prolonged disruptions in hydrocarbon production and transport stemming from the US-Israel conflict with Iran. This potential deterioration of the sovereign balance sheet follows Qatar's first fiscal deficit in 2025 since 2020.

Going into details, actual public revenues contracted by 1.5% in 2025 (against a contraction of 16.2% in 2024), moving from QR 213.3 billion (or US$ 58.6 billion) in 2024 to QR 210.0 billion (or US$ 57.7 billion) in 2025. This is mainly driven by a 3.8% fall in oil and gas revenues in 2025 relative to 2024 level (constituting 79.2% of total public revenues) to reach QR 166.3 billion (the equivalent of US$ 45.7 billion) due to lower energy prices, while non-oil and gas revenues expanded by 8.2% year-on-year in 2025 to reach QR 43.7 billion (the equivalent of US$ 12.0 billion).

On the spending front, total public expenditures increased by 5.0% in 2025 (or QR 10.3 billion) to fund the Third National Development Strategy, moving from QR 207.7 billion in 2024 (or US$ 57.1 billion) to QR 218.0 billion (the equivalent of US$ 59.9 billion). In fact, the rise in public spending is mainly justified by an 6.6% expansion in "current expenditures" (the equivalent of QR 5.1 billion) in 2025, a 3.9% increase in "salaries and wages" (the equivalent of QR 2.6 billion), a 2.4% expansion in "major capex" (the equivalent of QR 1.4 billion) and a 14.8% growth in "minor capex" (the equivalent of QR 0.9 billion).

**SELECTED PUBLIC FINANCE INDICATORS**

| US$ billion | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Var 25/24 |
|---|---|---|---|---|---|---|---|---|
| **Public revenues** | 59.2 | 47.2 | 53.2 | 81.8 | 69.9 | 58.6 | 57.7 | -1.5% |
| Public revenues/GDP | 33.6% | 32.7% | 29.6% | 34.7% | 32.8% | 26.5% | 26.0% | -0.7% |
| **Public expenditures** | 57.3 | 50.1 | 52.8 | 57.3 | 58.1 | 57.1 | 59.9 | 5.0% |
| Public expenditures/GDP | 32.5% | 34.7% | 29.4% | 24.3% | 27.3% | 25.8% | 27.0% | 1.0% |
| **Fiscal balance** | 1.9 | -2.9 | 0.4 | 24.5 | 11.8 | 1.5 | -2.2 | -242.5% |
| Fiscal balance/GDP | 1.1% | -2.0% | 0.2% | 10.4% | 5.6% | 0.7% | -1.0% | -1.7% |

*Sources: Central Bank of Qatar, Bank Audi's Group Research Department*

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As a result, Qatar ran a budget deficit of QR 8.0 billion in 2025 (the equivalent of US$ 2.2 billion) against a budget surplus of QR 5.6 billion in 2024 (the equivalent of US$ 1.5 billion). That being said, the fiscal deficit is estimated at 1.0% of GDP in 2025 compared to a fiscal surplus accounting for 0.7% of GDP in 2024. In parallel, the IMF estimated the general government debt at 40.6% of GDP in 2025, down from 41.2% in 2024 and 43.7% in 2023.

Finally, it is worth mentioning that Qatar approved in December 2025 the 2026 State Budget, with estimated total revenues of QR 199.0 billion, which marks a 1.0% increase relative to the estimates of the 2025 State budget. The Qatari State continues to adopt a conservative approach in estimating oil prices, with the adopted oil price standing at US$ 55 per barrel for the year 2026, compared to US$ 60 per barrel in 2025, in line with the conservative approach adopted by the State to ensure fiscal sustainability and enhance resilience against market fluctuations. On the other hand, total spending is estimated at QR 220.8 billion for the year 2026, up from QR 210.2 billion in 2025 State budget, which marks an expansion of 5.0%. The 2026 budget expenditure includes QR 69.5 billion for "salaries and wages", QR 81.5 billion for "current expenditures", QR 7 billion for "minor capital expenditures" and QR 62.8 billion for "major capital expenditures". Accordingly, Qatar expects a budget deficit for the year 2026 of QR 21.8 billion compared to a budgeted deficit of QR 13.2 billion for the year 2025.

Looking forward, Standard and Poor's expects Qatar's fiscal deficit to increase to 3.2% of GDP in 2026 as a result of disruption in LNG production and exports in the wake of the US-Israel conflict with Iran which erupted on February 28, 2026. Qatar is forecast to cover its funding needs in 2026 through a mix of central bank overdrafts, domestic and global market sources and drawdown on the Ministry of Finance's deposits in the banking sector, according to Fitch.

## 1.4 Financial sector

### 1.4.1. Monetary Situation

*Some inflationary risks emerge in Qatar in the wake of the 2026 regional conflict*

Some inflationary risks started floating on the surface following the outbreak of the US-Israel conflict with Iran on February 28, 2026, and the subsequent closure of the Strait of Hormuz. This interrupted a period of receding inflationary pressures over the year 2025. Concomitantly, the Qatar Central Bank continued to track the US Federal Reserve's lead in either easing monetary policy through synchronized interest rate cuts in 2025 or maintaining key rates unchanged so far this year, consistent with the currency peg to the US dollar.

In details, inflation in Qatar moderated over the year 2025, reaching an average of 0.5% against an average of 1.3% in 2024 and 3.0% in 2023. This is mainly due to lower energy and commodity prices globally, strong Qatari riyal peg to the US dollar, government price controls and subsidies and weakening rent prices.

The major contributor to the soft inflation in Qatar in 2025 was the "miscellaneous goods & services" segment which expanded by +12.3% on average year-in-year, followed by the "communication" segment with +12.1%, the "restaurants and hotels" segment with +1.4%, the "clothing and footwear" segment and the "education" segment with +0.8% each. In contrast, the "culture & recreation" segment posted a yearly price contraction of -2.4% on average, followed by the "housing, water, electricity and gas" segment (with a weight of 21.2%) with -2.3%, the "transport" segment with -1.2%, the "medical services" segment with -0.4%, the "furnishings and household equipment" segment with -0.3% and the "food & beverages" segment with -0.2%. The "tobacco" segment saw no yearly price change in 2025.

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Consistent with the currency peg to the US dollar, Qatar Central Bank's key policy rates remained anchored to the US Federal Reserve. In fact, the Qatar Central Bank slashed the overnight deposit rate and lending rate three times over the year 2025 and kept them unchanged so far this year to reach a current level of 3.85% and 4.35% respectively. Concomitantly, the Qatar Central Bank cut the repo rate three times over the year 2025 to reach a current level of 4.10%.

In parallel, Qatar Central Bank's international reserves and foreign currency liquidity reached US$ 71.9 billion at end-2025, up by US$ 1,855 million since end-2024. This is mainly explained by a significant expansion in the "gold" category of US$ 6.8 billion, which came within the context of a strong rally in gold prices globally and due to QCB's accumulation of gold holdings. In contrast, the "balances with foreign banks" category contracted by US$ 3.3 billion and the "foreign securities" category declined by US$ 1.9 billion over the year 2025. That being said, the QCB international reserves and foreign currency liquidity covered around 52.1% of money supply in local currency at end-2025, down from 53.6% at end-2024.

In parallel, the broader Money Supply (M2) expanded significantly by US$ 6.9 billion in 2025. This is mainly explained by a US$ 3.4 billion growth in the Money Supply (M1), and a US$ 4.0 billion increase in time deposits, while deposits in foreign currencies contracted by US$ 463 million in 2025. This followed a US$ 1.2 billion contraction in the broader Money Supply (M2) over the year 2024.

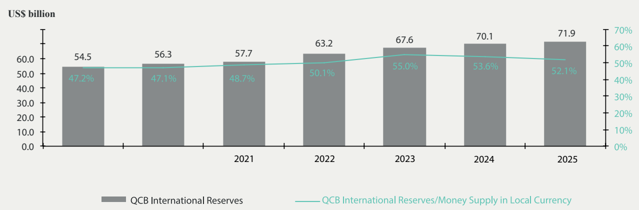
In the coming period, the loss of export revenue following the closure of the Strait of Hormuz and the need to defend the currency peg may put some pressure on the QCB's FX buffers, while the Central Bank's policy rate changes would remain in line with those of the US Federal Reserve, consistent with the currency peg to the US dollar. Besides, the country may be temporarily grappling with an acute inflation in the period ahead, because Qatar relies on maritime imports for the vast majority of its food and essential goods, and the blockade has triggered emergency air-freight logistics, causing consumer prices for food and utilities to surge.

## MONETARY SITUATION

| Flows in millions of US$ | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| **Net foreign assets** | **-18,034** | **-27,386** | **-17,064** | **24,162** | **11,197** | **-9,359** | **-1,110** |
| Foreign Assets | 9,578 | -856 | 6,416 | 10,811 | 8,195 | 7,384 | 16,518 |
| Foreign Liabilities | -27,612 | -26,529 | -23,480 | 13,351 | 3,002 | -16,743 | -17,628 |
| **Net Domestic Assets** | **21,878** | **33,398** | **24,275** | **110** | **-8,951** | **8,137** | **8,030** |
| Claims on private sector | 33,781 | 31,423 | 27,283 | 22,302 | 13,311 | 14,827 | 11,316 |
| Net claims on public sector | 4,548 | -854 | -620 | -5,274 | 852 | -1,327 | 14,503 |
| Other Items (net) | -16,450 | 2,829 | -2,388 | -16,918 | -23,114 | -5,363 | -17,789 |
| **Broad Money (M2)** | **3,845** | **6,012** | **7,210** | **24,272** | **2,246** | **-1,222** | **6,921** |
| Money Supply (M1) | 1,546 | 5,977 | 511 | 3,416 | -5,907 | 159 | 3,373 |
| Quasi-Money | 2,299 | 35 | 1,855 | 25,700 | 8,152 | -1,381 | 3,548 |

*Sources: Central Bank of Qatar, Bank Audi's Group Research Department*

## EXCHANGE MARKET INDICATORS




*Sources: Central Bank of Qatar, Bank Audi's Group Research Department*

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### 1.4.2. Banking Activity

*Banking industry somewhat resilient amid challenges*

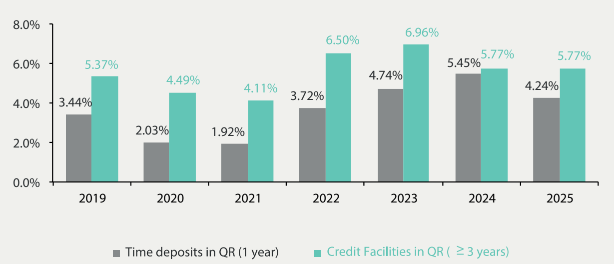
While the emerging regional conflict is likely to have adverse effect on banking activity at large, the year 2025 was a relatively satisfactory year for the banking industry, according to just released data for the sector. Measured by the aggregation of banks assets, banking activity grew by 5.1% (the largest growth in four years) to reach US$ 591 billion in December 2025. In particular, total credit facilities rose by 6.6% in 2025 to reach US$ 394 billion at year-end. Likewise, total deposits grew to US$ 287 billion, up by 1.7% over the year. The year saw a contraction in interest rate on Time deposit in QR from 5.45% in 2024 to 4.24% in 2025, while interest rates on credit facilities in QR stabilized at 5.77%.

According to the just released Moody's banking sector outlook, the problem loans ratios are to remain stable. Problem loans would remain around 3% of total loans in Qatar by end-2026, from 2.8% at the end of September 2025 3. Moody's expects asset quality metrics to remain resilient over the next 12-18 months, driven by (1) improving borrowers' repayment capacity and credit growth; and (2) recent policy measures aimed at monitoring and mitigating concentrated exposures to cyclical sectors. Past weakening trend in loan performance is attributed to overcapacity in the real estate sector (particularly commercial) and payment delays in the contracting segment, which together account for around one fifth of bank lending, presenting significant concentration risk. Mitigating this, Qatari banks benefit from sizeable low risk exposures to the government and public sector (29% of loans in 2025) and to Qatari nationals through personal lending (13%), where job security is strong. Meanwhile, Qatari banks' loan-loss reserves reached a high 138% of problem loans at the end of September 2025 (from 119% in 2022). Qatari banks' Stage 2 loans stood at 8.9% for the system at the end of September 2025, from 10.6% at end-2021.

With respect to capital adequacy, capital buffers will remain solid. Moody's expects credit growth to be around 5% in 2026, which combined with Qatari banks' high profit retention policy will maintain capital ratios at current high levels. Tangible common equity was at a high 16.5% of risk-weighted assets as of September 2025 and regulatory ratios remain well above central bank minimum requirements.

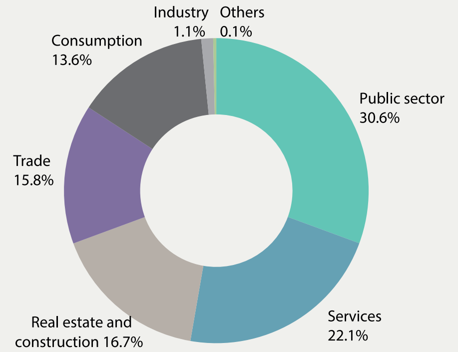
Profitability might soften a little looking ahead. Moody's expects Qatari banks' net income to slightly decline to 1.1% of tangible assets in 2026. Higher fee and commission income, driven by growing nonfunded income-related activities at the Qatari banks, will offset a potential drop in net interest income in 2026 as interest rate cuts constrain margins, keeping operating income broadly stable. However, elevated provisioning costs — because of some legacy challenges in the real estate and contracting sectors — and rising operating expenses from continued investments in digital services

**BANKING SECTOR INTEREST RATES IN QR**




*Sources: Central Bank of Qatar, Bank Audi's Group Research Department*

**CREDIT FACILITIES BREAKDOWN BY ECONOMIC ACTIVITY***




** End-December 2025*

*Sources: Central Bank of Qatar, Bank Audi's Group Research Department*

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and technology, will offset operating income stability and exert downward pressure on return on assets. Nonetheless, Qatari banks' cost-to-income ratio remains the best among the Gulf Cooperation Council banking systems at 26%, because the country's small and geographically concentrated population allows banks to reach customers without the need for extensive and costly branch networks.

Reliance on confidence-sensitive foreign funding will remain high. Current oil prices will support flows of domestic deposits into the banking system. This will help to compensate for prudential regulations aimed at curbing Qatari banks' overreliance on confidence sensitive foreign funding. The banks' foreign liabilities were 37% of total liabilities as of December 2025, up from 34% in 2023 but down from a peak of 40% at the end of 2021. Risks from volatility-prone foreign funding are partly offset by good diversification across regions and maturities. Further, as interest rates decline, banks should begin to shift toward longer-term funding structures. Lastly, Qatari banks maintain sound and stable core banking liquidity, at around 15% of total assets as of December 2024, with most banks reporting high liquidity coverage ratios.

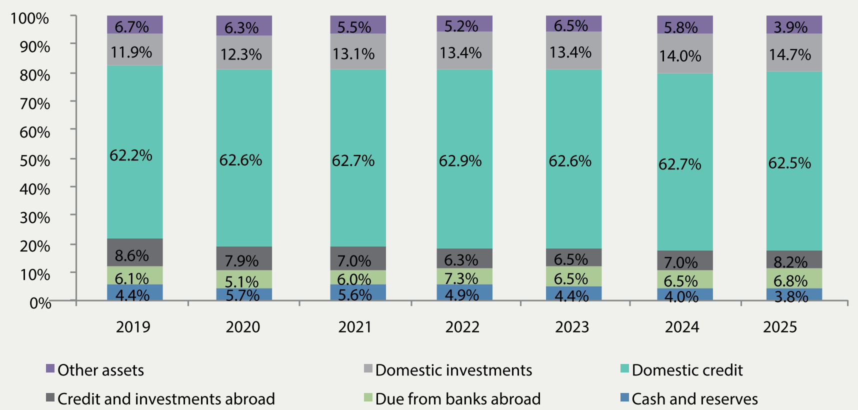
A very high likelihood of government support for Qatari banks is assumed. The government's strong willingness to provide a backstop is evidenced by the proactive assistance they have extended during periods of stress, as well as the fact that no domestic bank has ever defaulted on its debt or deposit obligations. The government's capacity to support banks remains high, with the sovereign long-term issuer rating at Aa2 by Moody's.

## BANKING ACTIVITY

| US$ million | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Variation 25/24 |
|---|---|---|---|---|---|---|---|---|
| Var. Total assets | 36,153 | 36,434 | 39,903 | 21,304 | 17,687 | 21,257 | 28,894 | 35.9% |
| % change | 9.3% | 8.6% | 8.6% | 4.2% | 3.4% | 3.9% | 5.1% | 1.2% |
| Var. Total deposits | 10,661 | 15,483 | 18,846 | 6,877 | -3,615 | 11,197 | 4,902 | -56.2% |
| % change | 4.8% | 6.6% | 7.6% | 2.6% | -1.3% | 4.1% | 1.7% | -2.4% |
| Var. Total credit facilities | 27,103 | 24,622 | 24,102 | 10,874 | 8,767 | 16,159 | 24,412 | 51.1% |
| % change | 10.5% | 8.6% | 7.8% | 3.3% | 2.5% | 4.6% | 6.6% | 2.0% |

*Sources: Central Bank of Qatar, Bank Audi's Group Research Department*

## BANK ASSET COMPOSITION




*Sources: Central Bank of Qatar, Bank Audi's Group Research Department*

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### 1.4.3. Equity and Bond Markets

*Qatari equities and bonds spiraling downward so far this year amid escalating regional conflict*

Qatar's capital markets received a tough blow since the outbreak of the US-Israel conflict with Iran on February 28, 2026, which has eroded all year-to-date price gains and reversed the bullish momentum that has been prevailing over the year 2025. The market's downturn is primarily driven by a surge in risk-averse sentiment, as investors factor in a substantial geopolitical risk premium due to direct threats to regional energy infrastructure and maritime security, and given the high level of unpredictability about the war duration.

The Qatar Stock Exchange (QSE) saw its early-year momentum vanish over the month of March 2026 as the outbreak of the US-Israel-Iran conflict on February 28 sent the market into a tailspin. While the Qatar Exchange general index concluded the year 2025 with a 1.8% gain and remained bullish through February, the geopolitical shock has since erased all year-to-date progress. In fact, the high degree of unpredictability regarding the war's duration and its strain on global supply chains and commodity prices has pushed the QSE general index into negative territory, resulting in a 2.5% year-to-date contraction.

On the backdrop of year-to-date equity price falls, the market capitalization on the Qatar Stock Exchange contracted to approximately US$ 168 billion by the time of writing this report, from US$ 177.0 billion at end-2025. This followed a 3.7% expansion in market capitalization over the year 2025.

At the level of the fixed income market, Qatari bonds took a nosedive following the outbreak of the Iran conflict on February 28, effectively erasing all year-to-date price gains. Qatari debt papers have begun incorporating a significant geopolitical risk premium while closely tracking the upward move in US Treasury yields. This trend reflects growing investor concerns that a protracted regional conflict would sustain high energy prices, thereby stoking US inflation and cementing a "higher-for-longer" interest rate environment.

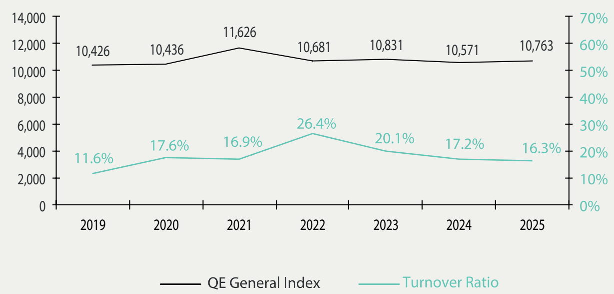
A closer look at individual bonds shows that Qatari sovereigns maturing in 2028, 2029, 2030, 2034, 2040 and 2050 registered price contractions ranging between 0.86 pt and 2.20 pts so far this year. This followed price expansions of up to 4.58 pts in 2025. Ooredoo'28, '31 and '43 traded down by 0.55 pt, 0.70 pt and 2.10 pts respectively so far this year. This followed price increases of up to 5.43 pts in 2025. As to papers issued by financial institutions, QNB'29 closed down by 0.94 pt so far this year, following price rises of 2.56 pts in 2025. Prices of Doha Bank'29 contracted by 1.25 pt, following an increase of 2.66 pts in 2025. QIIB'29 was down by 1.54 pt so far this year, following price expansions of 0.87 pt in 2025.

#### CAPITAL MARKETS INDICATORS

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| Market Capitalization (US$ billion) | 160.1 | 165.4 | 183.4 | 167.1 | 171.6 | 170.6 | 177.0 |
| Total value traded (US$ billion) | 18.6 | 29.1 | 31.0 | 44.1 | 34.4 | 29.3 | 28.9 |
| Total number of shares (million) | 11,416 | 55,155 | 47,037 | 45,380 | 44,609 | 38,169 | 39,953 |
| No. of listed companies | 47 | 47 | 47 | 47 | 51 | 52 | 54 |
| Change in QE general index | 1.2% | 0.1% | 11.4% | -8.1% | 1.4% | -2.4% | 1.8% |
| P/E ratio | 14.8x | 17.4x | 16.8x | 11.9x | 13.6x | 12.5x | 12.3x |
| P/BV ratio | 1.5x | 1.3x | 1.7x | 1.4x | 1.4x | 1.3x | 1.3x |
| Dividend yield | 3.8% | 3.4% | 2.3% | 4.0% | 4.3% | 4.6% | 4.4% |
| Five-year CDS spreads (bps) | 37 | 38 | 44 | 48 | 46 | 44 | 27 |

*Sources: Qatar Stock Exchange, Bloomberg, Bank Audi's Group Research Department*

#### CAPITAL MARKETS PERFORMANCE




*Sources: Qatar Stock Exchange, Bank Audi's Group Research Department*

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As to the cost of insuring debt, Qatar's five-year CDS spread, which measures the market's perception of sovereign risk at large, contracted by 17 basis points in 2025 to reach 27 bps at end-December, before rising back to 44 basis points by the time of writing this report.

As to credit ratings, Fitch Ratings affirmed on the 13th of March 2026 Qatar's long-term foreign currency Issuer Default Rating at "AA" with a "stable" outlook. The "AA" rating reflects GDP per capita among the world's highest, large sovereign assets, Fitch's expectation that additional gas production would strengthen public finances further and a relatively flexible public finance structure. Rating weaknesses include heavy hydrocarbon dependence and below-average scores on some measures of governance, higher government debt/GDP than oil-dependent highly rated peers and substantial contingent liabilities. Qatar's Stable Outlook reflects Fitch's expectation that its strong balance sheet and credible prospects for a significant rise in liquefied natural gas (LNG) production mitigate the impact of the Iran war. Fitch assumes a resumption of gas production once traffic in the Strait of Hormuz normalizes. Fitch's baseline scenario is that the closure will last less than a month.

Also, S&P Global Ratings affirmed on March 13, 2026 its "AA/A-1+" long-term and short-term foreign and local currency sovereign credit ratings on Qatar. The outlook is "stable". The stable outlook reflects S&P's view that Qatar's large financial buffers should enable sufficient fiscal and external space to offset the impacts of adverse geopolitical developments, including temporary disruptions to the production and export of LNG.

Moving forward, the performance of Qatari capital markets would rely upon the duration and intensity of the Iran conflict. A protracted conflict would likely cement the heightened geopolitical risk premium, leading to a sustained valuation reset as investors would move to a structural "de-risking" of regional holdings. Conversely, any upcoming resolution could trigger a relief rebound, allowing the market to refocus on the fundamental expansion established in 2025 and early this year.

## 2. CONCLUSION

Amid the emerging regional turmoil, the economic risks to GCC countries in general and Qatar in particular arise from several channels. Upside risks to oil prices are in principle positive for government revenues, but the disruption to regional oil production and supply routes potentially offsets any benefit. Which way it goes will depend on the magnitude of the price action, its duration, and the extent to which oil/gas supplies remain disrupted. The shut-in of oil and gas production, however brief, will likely have a net negative impact on real economic output, unless compensated for by increased production as supply constraints ease. Beyond oil production, the disruption to aviation, tourism, real estate, logistics, and general commerce inflicted by Iran's retaliatory attacks on Gulf states is also likely to have a negative impact on non-oil GDP in the near term. The lasting impact via the confidence factor implications, particularly given the large expatriate populations in these countries, remains to be seen.

In a longer term perspective, Qatar's real economic growth is expected to average around 4% in the medium run as per the IMF. Medium-term inflation is projected at around 2%, consistent with the currency peg to the US dollar. Fiscal and external current account surpluses are set to continue in the medium term and the financial sector remains strong. Risks to the growth outlook include a global growth slowdown, tighter financial conditions, geopolitical tensions, and long-term uncertainty over LNG market oversupply and climate stress. On the upside, gains from accelerated reforms and LNG production expansion could boost growth more than expected.

Qatar's economic outlook provides an opportunity to accelerate revenue diversification, especially by introducing a value-added tax; enhance spending efficiency; improve transparency of domestic gas pricing; and continue reorienting public spending to support reforms facilitating private sector growth. Adopting a full-fledged medium-term fiscal framework, with a fiscal anchor aimed at ensuring intergenerational equity and complemented by greater transparency and risk management, will enhance fiscal sustainability and support economic transformation. In their recent release on the Article IV Consultation mission, the IMF says recent pension reforms are welcome and should be supported by enhanced actuarial transparency to support fiscal planning.

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At the monetary level, enhancing operational capacity and implementing IMF technical assistance recommendations are important for strengthening monetary policy support of the peg and strengthening market development. Strong regulatory supervision has sustained financial stability, and it should be supported by continued vigilance for banks' real estate exposures, increased net foreign liabilities, and strong interconnectedness with the public sector.

The IMF commended continued reform, including by introducing a positive neutral counter-cyclical capital buffer to bolster banking sector resilience, diversifying funding sources to mitigate sovereign-bank risks, and lengthening the maturity of banks' funding. Qatar's welcome advances in financial inclusion and digitalization should be weighted with measures to mitigate potential new risks. Keeping the momentum in domestic financial market deepening, guided by the Third Financial Sector Strategy, is also important while Qatar's excellent progress in fighting financial crimes should continue as per IMF.

The analysis of Qatar's short to medium term outlook actually requires a careful examination of strengths and opportunities relative to the threats and challenges. At the level of the former, we mention the exceptionally high per-capita income, the vast hydrocarbon reserves and the robust government net asset position. At the level of risks constraining the outlook, we mention the heavy economic and fiscal reliance on the hydrocarbon sector, the exposure to regional geopolitical tensions and the elevated external debt along with transparency shortcomings. Having said that, we still believe strengths and opportunities outpace threats and challenges at the horizon.

Finally, Qatar's efforts to transition to a diversified, knowledge-based economy guided by the NDS3 should prioritize building and retaining human capital, enhancing the skills and private sector employment of nationals, fostering innovation including digitalization and AI capabilities, easing SMEs' access to finance, and promoting trade diversification. Realizing the ambitious goals of NDS3 calls for careful and strategic implementation and reform sequencing. Enhancing data availability and quality would also support the analysis and development of ongoing and future plans and the path forward.