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QATAR'S STRONG FUNDAMENTALS AND POLICY BUFFERS MITIGATING IMPACT FROM ADVERSE SHOCKS

Growth normalization post World Cup

After very strong performance in 2022 driven by the World Cup, economic growth has been normalizing in Qatar. Real GDP growth is estimated to have slowed down to 1.3% in 2023 as per the IMF. Despite the weakening of the construction sector and tighter monetary policy, sound growth is continuing in the non-hydrocarbon sectors, propelled by thriving tourist arrivals and large events. Employment broadly recovered to the pre-pandemic level, and population continued its upward trend, supporting domestic demand. Qatar's standing as a global sporting hub has been further reinforced by an additional 14 major sporting events during the past year.

External sector adversely affected by lower oil exports

Qatar's external sector performance in 2023 has registered a noticeable decrease from the high performance seen in 2022. This comes amid a moderation of oil prices, the end of the FIFA World Cup related activities as well as weaker global demand. This in turn showed a contraction in Qatar's foreign trade balance year-on-year during the year. Looking forward, this contraction noticed throughout the external sector is expected to continue throughout 2024 with a decrease in the overall Balance of Payments (BOP) against figures recorded in 2023.

Qatar maintains fiscal strength metrics amid prudent policy stance

The country continued to register a sizeable surplus in 2023, a solid record of fiscal policy effectiveness and sustained fiscal prudence, as demonstrated through fiscal spending restraint in the face of the revenue windfall, and by the government's decision to use a portion of its surpluses to repay debt.

Inflation moderating in line with global trends, FX buffers expanding further

Qatar's inflation receded over the year 2023 and in the first quarter of 2024 in line with global trends, mainly reflecting lower commodity prices and the impact of monetary policy tightening. The Qatar Central Bank continued to follow the lead taken by the US Federal Reserve in maintaining high interest rates, while keeping rates unchanged since last July.

A good 2024 banking start and a stable outlook for the Qatari banking system

The year 2024 started with a very good performance for Qatar's banking system. Measured by banks' total assets, banking activity expanded by US\$ 4.6 billion over the first quarter of 2024, against a contraction of US\$ 6.6 billion over the same period of last year. Total deposits rose by US\$ 12.4 billion over the first three months of 2024, against a contraction of US\$ 8.7 billion in the same period of 2023. Likewise, total credit facilities rose by US\$ 6.1 billion over the first quarter of 2024, against a contraction of US\$ 0.4 billion over the 2023 corresponding period.

Qatari equities slide into red, bond prices on fall tracking US Treasuries move

Qatar's equity market shifted to a negative territory during the first four months of the year 2024, mainly pressured by US stagflation fears and escalation in hostilities in the Middle East, and as the IMF revised downward Qatar's real economic growth this year. Concurrently, the bond market registered mostly downward price movements over the first four months of the year, mainly tracking US Treasuries move, amid bets about higher for longer US interest rates.

Looking ahead, growth normalization is expected to continue in the near term

Real GDP growth is forecasted at 2.0% for the year 2024. The medium-term outlook is bolstered by the major LNG production expansion and accelerated reforms, leading to a real GDP growth average in excess of 4.0% over the next five years. Risks to the outlook are broadly balanced. Qatar's strong fundamentals and policy buffers can help mitigate negative impact from adverse shocks.

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After very strong performance in 2022 driven by the World Cup, economic growth has been normalizing in Qatar. Real GDP growth is estimated to have slowed down to 1.3% in 2023 as per the IMF. Despite the weakening of the construction sector and tighter monetary policy, sound growth is continuing in the non-hydrocarbon sectors, propelled by thriving tourist arrivals and large events. Employment broadly recovered to the pre-pandemic level, and population continued its upward trend, supporting domestic demand. Qatar's standing as a global sporting hub has been further reinforced by an additional 14 major sporting events during the past year. Meanwhile, the hydrocarbon sector is estimated to have grown by 1.3% in 2023 as per the World Bank.

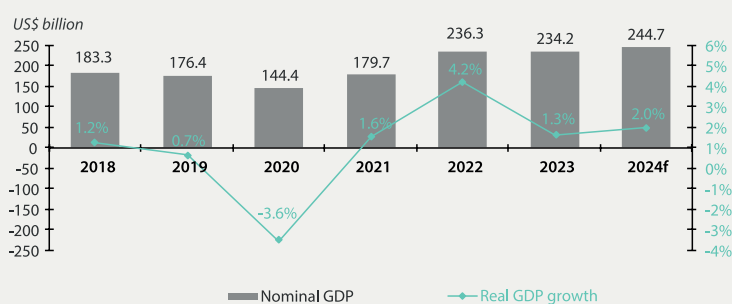
At the monetary level, inflation moderated from its 2022 peak. Headline CPI inflation rose from 2.3% in 2021 to 5.0% in 2022, amid global price pressures and WC-related demand. On the other hand, food and energy price controls and subsidies, and a strong Qatari riyal reflecting the US dollar peg, helped contain inflation. Inflation softened in 2023 to 3.0%, with wage inflation being broadly contained. QCB international reserves rose from US\$ 63.2 billion in 2022 to US\$ 67.6 billion in 2023 and to US\$ 68.0 billion in March 2024 (the equivalent of 52.7% of Money Supply in local currency).

At the fiscal level, the year 2023 reported a fiscal balance to GDP of 5.5%, against 10.4% in 2022. While public expenditures to GDP maintained a constant level of 24.8%, the decline in the fiscal surplus is tied to a decline in public revenues to GDP from 34.6% to 29.8%. Moody's estimates that the total assets managed by the government's sovereign wealth fund (Qatar Investment Authority, QIA) were equivalent to around 200% of GDP at the end of 2023, of which around three-quarters were invested abroad and account for the bulk of the government's financial assets that support fiscal strength. Moody's also estimates that up to 120% of GDP equivalent of these assets is liquid and available to support balance of payments and government liquidity needs on a relatively short notice, as demonstrated during 2017 when the QIA and the central bank brought on shore around \$40 billion (25% of GDP) worth of foreign currency assets to mitigate a sudden outflow of non-resident bank deposits triggered by the embargo from several neighboring Gulf Cooperation Council (GCC) states.

At the banking sector level, the year 2024 started with a very good performance for Qatari's banking system. Measured by banks' total assets, banking activity expanded by US\$ 4.6 billion over the first quarter of 2024, against a contraction of US\$ 6.6 billion over the same period of last year. Total deposits rose by US\$ 12.4 billion over the first three months of 2024, against a contraction of US\$ 8.7 billion in the same period of 2023. Likewise, total credit facilities rose by US\$ 6.1 billion over the first quarter of 2024, against a contraction of US\$ 0.4 billion over the 2023 corresponding period.

With respect to capital markets, a net decline in equity prices was registered this year, while fixed income markets reported a standstill. In fact, the Qatar Exchange general index reported a contraction of 10.2% over the first four months of 2024, after an annual rise of 1.4% in 2023, leading to a market capitalization of US\$ 155 billion at end-April 2024, against US\$ 172 billion at end-2023. This drove the average Price to Earnings ratio to 11.9x at end-April 2024, against 13.6x at end-2023. Likewise, the average Price to Book

REAL GROWTH & NOMINAL GDP



Sources: IMF, Bank Audi's Group Research Department

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Value ratio reached 1.2x at end-April 2024, against 1.4x at end-2023. In parallel, the 5-year CDS spread, reported 42 bps at end-April 2024, against 46 bps at end-2023 and 48 bps at end-2022, revealing a relative stability in the market perception of sovereign risks at large.

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 sector slowing down amid diversification efforts and lower energy prices

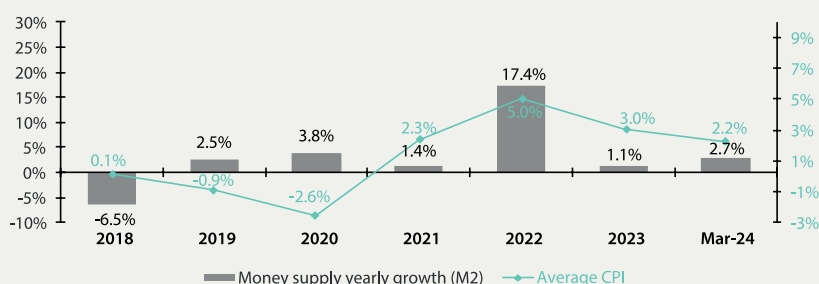
The Qatari's hydrocarbon sector saw a retreat in its share relative to the economy, amid lower energy prices globally in 2023, and in line with the authorities' commitment for long-term diversification strategy away from hydrocarbons sector, which focuses on sustainable economic growth. In fact, the country's hydrocarbon share out of total GDP fell from 45.1% in the first nine months of 2022 to 40.1% in the same period of 2023.

Qatar's natural gas production remained almost flat over the year 2023 (+0.1% y-o-y), after registering a moderate expansion of by 0.5% annually in the previous year, standing at 171 billion cubic meters (bcm). Within this context, Fitch Solutions expects gas production to grow further in 2024, mainly driven by potential increase in production from North Field expansion.

Within this context, QatarEnergy announced in February 2024 a third phase of LNG expansion, North Field West, with plans to add two more Liquefied Natural Gas (LNG) trains totaling 16 million tons per year by 2030. Meanwhile, construction is progressing rapidly on the existing phases, as North Field East (32 million tons per year) and North Field South (16 million tons per year) will come on stream in stages during 2026-27.

These expansion phases will increase Qatar's overall LNG capacity to 142 million tons per annum by 2030, in addition to increases in the production of condensates, natural gas liquids, ethane and helium. The LNG expansion was upsized after exploration activity boosted its reserve estimates and after a record series

MONEY SUPPLY AND INFLATION



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

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of long-term contract signings with customers in Asia and Europe, with 27-year terms, which allocated around 600 million tons of LNG, according to PwC.

In this context, it is worth mentioning that Qatar has been working on increasing its LNG expansion capacity for the last six years and there have been notable projects previously unveiled by the country including the 127 million tons per annum project expected to be completed by 2027. Moreover, Qatar has been positioning itself to take advantage of Europe's growing demand for LNG to replace the continents Russian natural gas supply, as per KAMCO Invest.

Additionally, according to Bloomberg, Qatari LNG will be reserved in the UK's giant new LNG tank starting 2025. Reserving capacity in the UK is a strategic move for Qatar as it would make it easier for the GCC country to send volumes of LNG to the UK, store them and deliver to customers.

At the level of gas consumption, Qatar's natural gas consumption in 2023 increased by 2% to 42 bcm, mainly driven by electricity consumption and petrochemical production, as per Fitch Solutions. Natural gas use in energy industries are expected to rise further in the medium terms in light of LNG production capacity expansions. Demand for feed gas from the liquefaction plants are expected to remain strong due to higher levels of LNG exports in 2024.

On another level, Qatar's crude oil, NGPL (Natural gas plant liquids) and other liquids production rose 0.7% y-o-y in 2023, down from a 1.9% y-o-y increase in the previous year, to reach a total production of 1,863.4 thousands b/d in 2023, as per Fitch Solutions. Qatar's crude oil production growth has been slowing, but natural gas liquids production growth principally including condensate, is contributing to overall production. Qatar's natural gas liquids production is forecasted to rise incrementally between 2027 and 2028, driven by anticipated increase in production from greenfield LNG projects. The bulk of incremental NGL supplies will come from North Field East and North Field South LNG projects.

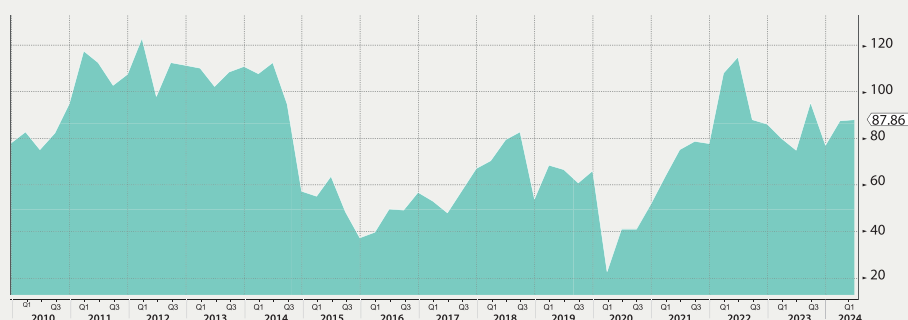
1.1.2 Manufacturing sector

Qatar's manufacturing sector maintaining its driving role in real economy

The manufacturing sector remains a major driving force in Qatar's economic diversification, accounting for 8.8% of GDP in the first nine months of 2023, in alignment with the Qatar National Vision 2030 aiming to reduce reliance on hydrocarbons and diversify the economy.

Qatar's non-energy private sector growth strengthened this year. The latest Purchasing Managers' Index (PMI) survey data showed that Qatar's PMI registered 52.0 in April 2024, up from 50.6 in March 2024, indicating the strongest improvement in business conditions in the non-energy private sector economy since September 2023. The 1.4-point increase in the headline figure was among the largest registered over the past two years.

CRUDE OIL PRICES



Sources: Bloomberg, Bank Audi's Group Research Department

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Four of the five components of the PMI including new orders, output, employment and stocks of purchases made positive contributions in April 2024. Output, new orders, employment and purchasing activity all increased at faster rates than in March 2024, and the 12-month outlook for the non-energy private sector remains strongly positive.

Stronger inflows of new work and increased confidence led to a sharper rate of hiring growth in April 2024. Companies continued to expand their workforces on average in April, as the seasonally adjusted Employment Index signaled growth for the fourteenth straight month. The rate of job creation accelerated since March and remained above the long-run trend. Sub-sector data signaled that recruitment was driven by the manufacturing and retail sectors. In parallel, prices charged by private sector firms in Qatar fell in April 2024, noting that the manufacturing sector was among the main sources of lower charges in April.

On another note, Qatar's Industrial Production index (IPI), which is a short-term quantitative index that measures the changes in the volume of production of a selected basket of industrial products over a given period with respect to a base year 2018, reached 100.2 point in March 2024, up by 4.7% relative to the month of February, yet down by 3.2% year-on-year.

The manufacturing sector (which has a weight of 15.85% in the IPI) showed in March 2024 a decrease of 3.1% relative to the previous year. A closer look at sub-categories shows that "manufacture of basic metals" contracted by 16.0% year-on-year, followed by "printing and reproduction of recorded media" with -9.1%, "manufacture of refined petroleum products" by -8.0%, "manufacture of beverages" with -5.6%, and "manufacture of rubber and plastics products" with -2.9%. In contrast, an increase of 3.7% year-on-year was recorded in "manufacture of Cement & other non-metallic mineral products", followed by "manufacture of food products" with +1.6% and "manufacture of chemicals and chemical products" with 0.3%.

On the other hand, the country's manufacturing Producer Price Index (PPI), an index that measures the average change in selling prices received by domestic producers of goods and services over time, was estimated at 113.13 points in March 2024, a decrease of 1.1% relative to the previous month, and down by 7.2% year-on-year.

As to credit facilities, latest data shows that credit facilities allocated to the country's industrial sector constituted 1.2% of total domestic credits in March 2024, slightly lower from its level at end-March 2023 of 1.4%.

Looking forward, under the Third National Development Strategy 2024–2030, Qatar plans to accelerate growth in the manufacturing sector as an engine for economic development and diversification, thus making a higher contribution to the non-hydrocarbon economic growth.

1.1.3 Construction

Outlook for construction sector positive albeit subdued amid saturation in tourism-related infrastructure

The outlook for Qatar's construction remains positive albeit subdued due to market saturation in tourism-related infrastructure. On the short-term (2024-2027), average year-on-year growth of 2.1% per annum in the sector's value is expected. However, on the medium-term (2024-2029), this growth is expected to slow down to average growth of 1.8% per annum before decreasing further to 1.5% per annum on the long-term (2024-2033).

The slowing down in performance comes as, between 2010 and 2016, Qatar saw a rapid expansion in the value of the construction sector brought on by transport infrastructure, stadiums, hotels and other tourism-related infrastructure built in anticipation for the 2022 FIFA World Cup. Since 2016, this expansion has moderated and the market has become broadly saturated at the level of tourism-related infrastructure. Additionally affecting long-term outlook are Qatar's continually weak fundamental drivers for infrastructure demand such as population growth which is forecast to remain timid. This weakness in fundamental drivers is set to affect long-term prospects for traditional transport, energy and social infrastructure.

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In parallel, expansion remains expected in the sector looking forward as Qatar begins work on infrastructure-related activities for the low-carbon energy transition exhibiting growth in the early stages.

Qatar currently holds approximately 90 projects in pre-construction or under-construction phases with an estimated value of QAR 277.0 billion (US\$ 76.1 billion). Most notably are the North Field East LNG Expansion Project (which is expected to increase Qatar's LNG export capacity by 42.9% to reach 110 million tons per annum by 2027), the Sharq Crossing Project, the Hamad International Airport Expansion, Doha's Metro Railway System and the Light Rail Transit System, as per FitchSolutions.

Looking at the infrastructure industry, the sector is set to outperform the wider construction sector on the medium and long term. On the medium-term (2024-2029), an average growth of 2.3% per annum is forecast with a marginal improvement on the long-term (2024-2033) with a forecasted average growth of 2.4% per annum. This comes amid a range of projects tied to water-related infrastructure, expansion in Qatar's electricity distribution network, electrification of the transport network and the solar electricity sector. Additionally, the Qatar National Vision 2030 along with diversification efforts will require the construction of social, educational, health and industrial buildings imposing upside risks on the sector's long-term outlook.

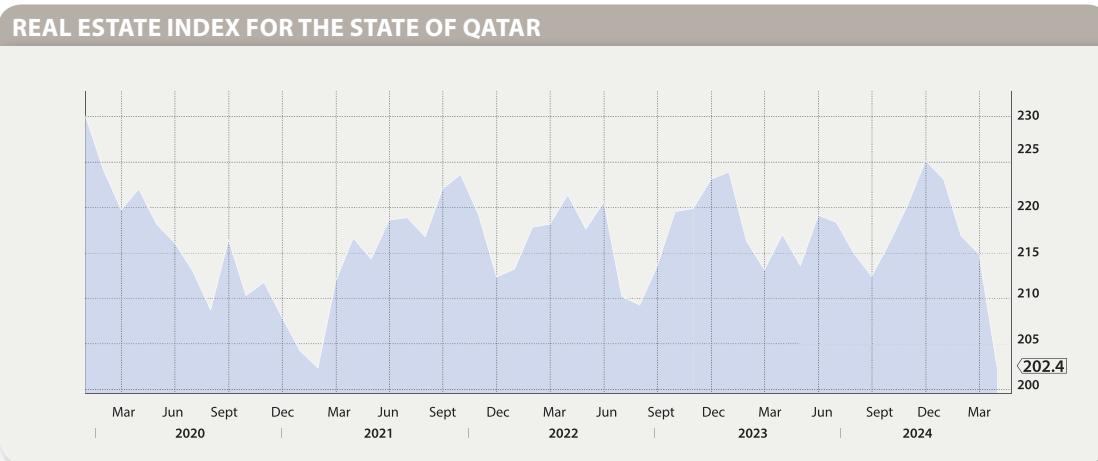
At the level of the residential building industry, an average year-on-year growth of 1.2% per annum is expected on the short-term (2024-2027). This growth is expected to continue rising on the medium and long term to reach 1.5% and 1.9% respectively. This comes amid the government's efforts to expand the number of areas where immigrant residents and foreigners can purchase freehold properties. On the other hand, the average yearly growth of the non-residential building industry is forecast to follow a decreasing trend between the short-term and the long-term to reach an average growth of 0.5% per annum in the latter, down from an average growth of 2.3% per annum in the former. This comes as the majority of non-residential building projects are set to be completed in the short-to-medium term.

Looking forward, upside risks to Qatar's construction sector continue to outweigh downside risks leading to positive growth prospects albeit at a subdued rate. Qatar's diversification efforts and its sizeable project pipeline are propping up the sector's outlook for the next decade. However, weak fundamental drivers for infrastructure demand, market saturation for various infrastructure-related sectors and regional security threats continue to apply downward pressure on the outlook for the sector.

1.1.4 Tourism

Tourism sector on a positive growth trend ever since 2021

Qatar's tourism sector has been on a positive growth trend ever since 2021, following the end of COVID-19 and the lifting of the GCC blockade. Additionally, in 2022, the country hosted the FIFA World Cup bringing



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

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in tourists in mass. The country had prepared its tourism-related infrastructure for the accommodation of the event with continuous upgrades since 2010. These efforts led to Qatar's tourism-related infrastructure to become advanced and in turn has had positive effects on the overall tourism sector. This upward trend has led to increases in tourist arrivals into the country reaching record height in 2023 while continuing its growth in the first four months of 2024.

According to the Qatari National Tourism Council (QNTC), tourism arrivals in the first four months of 2024 recorded circa 2 million individuals, up by 35.1% from 1.3 million individuals in the same period of 2023. This jump follows a year-on-year jump of 58.4% in tourism numbers between 2023 and 2022.

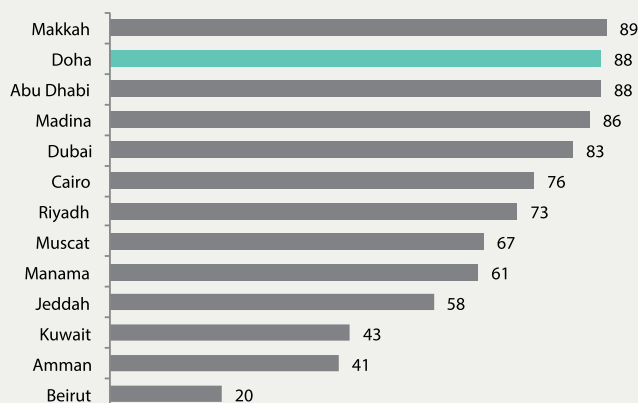
According to FitchSolutions, total arrivals for 2024 are forecasted to increase by 15.4% against figures from year prior to reach 4.7 million individuals during the year. The increase in incoming tourists comes amid increased tourism promotion efforts by the Qatari government as well as the hosting of several events. During the year, strong regional arrivals are expected especially from the Middle East as high oil prices support household income growth. However, weaker economic growth, higher living costs and tighter credit conditions within some key markets in 2024 are expected to exert downside pressure on the sector's growth due to lower frequency of medium and long haul travel.

Looking forward at the sector's forecasted performance between 2025 and 2028, total tourism arrivals are expected to grow by an average of 4.0% per annum to reach 5.5 million in 2028. This perceived slowdown in the growth of arrivals comes on the back of rationalization of the economy and the erasure of the low-base effect. International tourism receipts are also expected to grow at an average of 4.4% per annum during the period reaching QAR 163.3 billion (US\$ 44.9 billion) in 2028, up from QAR 137.7 billion (US\$ 37.8 billion). This robust growth trend in the tourism sector is supported by investments in tourism related infrastructure by both the government and the private sector.

The observed increase in tourism numbers has also had a positive impact on the hotel subsector. According to the EY Middle East hotel benchmark survey, occupancy rate in Doha reached 88.2% in January 2024, up by 39.5 percentage points from 48.7% in the same month of the year prior. Additionally, the average room rate increased by 6.1% year-on-year over the period to reach US\$ 124/room in January 2024, up from US\$ 117/room in January 2023. In turn, revenue per available room reached US\$ 109/available room in January 2024 reporting a year-on-year increase of 92.1%, up from US\$ 57/available room in January 2023.

Looking forward, the hosting of multiple events, the increase of investments into the sector and the relaxation of visa restrictions & improvement of visa on arrival requirements are expected to support the sector's growth. However, downside pressures are still present with regional tensions, weakened international economy, potential future over-supply of hotels in Qatar and regional competition potentially weighing down on the sector's future prospects.

COMPARATIVE HOTEL OCCUPANCY RATES (%)*



* January 2024

Sources: Ernst & Young, Bank Audi's Group Research Department

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1.2 External sector

Qatar's external sector adversely affected by lower oil exports

Qatar's external sector performance in 2023 has registered a noticeable decrease from the high performance seen in 2022. This comes amid a moderation of oil prices, the end of the FIFA World Cup related activities as well as weaker global demand. This in turn showed a contraction in Qatar's foreign trade balance year-on-year. Looking forward, this contraction noticed throughout the external sector is expected to continue throughout 2024 with a decrease in the overall Balance of Payments (BOP) against figures recorded in 2023.

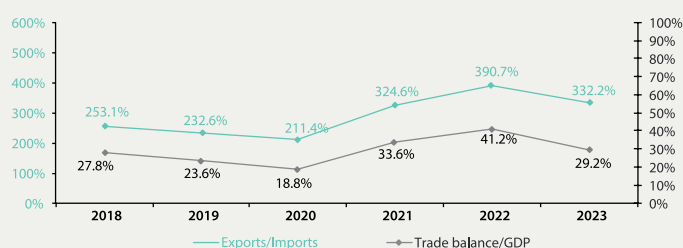
In fact, Qatar's foreign trade figures revealed a contraction in exports & re-exports by 25.4% alongside a 6.1% decrease in imports in 2023 against figures from 2022. In turn, this led to a 29.9% decrease in the foreign trade surplus, according to the Central Bank of Qatar. As such, Qatar's trade surplus decreased from US\$ 97.4 billion in 2022 to US\$ 68.3 billion in 2023.

Going further into details, total exports (including exports of domestic goods and re-exports) reached US\$ 97.8 billion in 2023, down from US\$ 131.0 billion in 2022. Qatar is one of the largest global exporters of liquefied natural gas and this is reflected in its trade activity as it's still heavily reliant on energy export revenues. The breakdown of exports by category according to the Central Bank of Qatar for 2023 suggests that oil-related exports made up the highest share of 86.1% of total exports. In turn, the sizeable drop in exports during 2023 can be attributed to the 26.0% decrease in oil exports during the year. The geographic distribution of domestic exports for 2023 indicates that 19.7% of total exports went to China, followed by South Korea with 12.6%, India, Japan and Singapore with 12.0%, 8.0% and 7.3% respectively of the total.

Looking forward, according to the IMF, the volume of export of goods in Qatar is set to continue decreasing in 2024 by 2.6% against figures noted in 2023. This decreasing trend is expected to be reversed between 2025 and 2029 with an average growth of 7.4% amid improving global economic conditions, the diversification of the economy in Qatar and an expected easing of inflationary pressures.

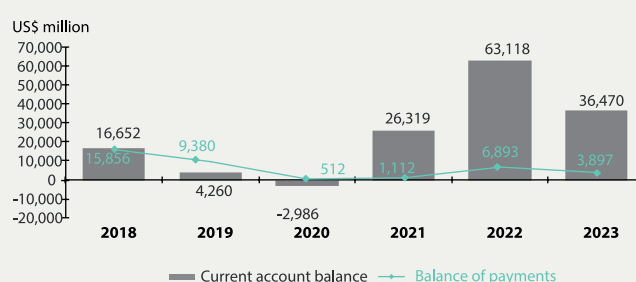
At the level of imports, a total of US\$ 31.4 billion was reported in 2023 compared to US\$ 33.5 billion in 2022, registering a decrease of 6.1% year-on-year. The breakdown of imports by category, according to the Central Bank of Qatar for 2023, suggests that imports of Machinery and Transport Equipment posted the highest share of 42.0%, followed by Miscellaneous Manufactured Articles with 16.1% of total imports. The breakdown of imports by country of origin reveals that 16.1% of the inward merchandise during 2023 came from the United States of America, followed by China with 14.7%, Italy with 6.6%, India with 5.8% and Germany with 5.7% of total imports.

FOREIGN SECTOR INDICATORS



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

BALANCE OF PAYMENTS



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

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According to the IMF, the volume of Imports of goods in Qatar is set to increase by 12.9% in 2024 and by an average of 6.1% in the following five years. The increase in imports paired with a continued decrease in exports during 2024 leads to a forecasted further decrease in balance of trade surplus during the year. Looking ahead, the average annual growth forecasted for exports outperform that of imports leading to an expected reversal in the downward trend for the balance of trade surplus.

Having said that, Qatar's Balance of Trade registered a 29.9% contraction between 2022 and 2023, reaching QAR 248.7 billion (US\$ 68.3 billion) in the latter.

On the other side of the external sector, Qatar's current account balance posted a 42.2% drop year-on-year between 2022 and 2023 driven mainly by a decrease in the Balance of Trade and an increase in the Balance of Services deficit. Qatar posted net deficits in its balances of services, income and transfers in 2023. In details, the Balance of Services in Qatar posted a deficit of QAR 42.9 billion (US\$ 11.8 billion) in 2023 which shows an increase of 14.6% in deficit against figure from 2022. The balance of incomes and the balance of transfers on the other hand posted a tightening of the deficit by 26.7% and 11.2% respectively.

Looking forward, according to the IMF, the current account balance is expected to decrease further in 2024 by 13.2%. This decrease constitutes the start of a downwards trend forecasted until 2026 with an average current account balance decrease of 9.8% per annum. It is then forecast that the current account increase in 2027 by 18.4% year-on-year before continuing the downwards trend between 2028 and 2029 by an average of 6.8% per annum.

Qatar reported a deficit in capital and financial balance of US\$ 32.6 billion in 2023 which shows a drop of 39.8% from a deficit of US\$ 54.3 billion in 2022.

It is worth noting that in 2023, the net FDI into Qatar returned to a negative figure with a deficit of QAR 1.7 billion (US\$ 467.0 million), following a positive net FDI of QAR 277 million (US\$ 76.1 million) in 2022.

In turn, the BOP recorded a surplus of US\$ 3.9 billion in 2023 against a surplus of US\$ 6.9 billion in 2022, registering a drop of 43.5% year-on-year, according to the Central Bank of Qatar.

1.3 Public sector

Qatar maintains fiscal strength metrics amid prudent policy stance

Qatar continued to register a sizeable surplus in 2023, a solid record of fiscal policy effectiveness and sustained fiscal prudence, as demonstrated through fiscal spending restraint in the face of the revenue windfall, and by the government's decision to use a portion of its surpluses to repay debt.

Going into details, actual public revenues contracted by 14.6% in 2023 (against a surge of 53.7% in 2022), moving from QR 297.8 billion (or US\$ 81.8 billion) in 2022 to QR 254.4 billion (or US\$ 69.9 billion) in 2023, on the back of a 16.5% fall in oil and gas revenues relative to 2022 level (constituting 83% of total public revenues). This is partly explained by the suspension of LNG shipments via the Red Sea due to the escalation of hostilities and as vessels forced to deviate around the Cape of Good Hope incurred higher fuel costs, not to mention additional

SELECTED PUBLIC FINANCE INDICATORS

| US\$ billion | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Var 23/22 |
|----------------------------|-------|-------|-------|-------|-------|-------|-----------|
| Public revenues | 57.1 | 59.2 | 47.2 | 53.2 | 81.8 | 69.9 | -14.6% |
| Public revenues/GDP | 31.2% | 33.6% | 32.7% | 29.6% | 34.6% | 29.8% | -4.8% |
| Public expenditures | 53.0 | 57.3 | 50.1 | 52.8 | 57.3 | 58.1 | 1.3% |
| Public expenditures/GDP | 28.9% | 32.5% | 34.7% | 29.4% | 24.3% | 24.8% | 0.5% |
| Fiscal balance | 4.1 | 1.9 | -2.9 | 0.4 | 24.5 | 11.8 | -51.6% |
| Fiscal balance/GDP | 2.3% | 1.1% | -2.0% | 0.2% | 10.4% | 5.5% | -4.9% |

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

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expense due to scrambled schedules. This compounded with broadly stable oil prices, noting that around 80% Qatar's active contracts with disclosed indexation is tied to crude oil prices. As a result, Qatar's natural gas export prices are closely correlated with crude oil prices with a lag.

On the spending front, total public expenditures increased moderately by 1.3% in 2023 (or QR 2.6 billion), moving from QR 208.7 billion in 2022 (or US\$ 57.3 billion) to QR 211.4 billion (the equivalent of US\$ 58.1 billion) as the Qatari government maintains fiscal prudence, including by continuing to wind down its infrastructure spending program. Within this context, it is worth mentioning that the small rise in public spending is mainly justified by a 3.1% increase in "wages and salaries" (the equivalent of QR 1.9 billion). In addition, the "secondary capital expenditures" increased by 14.4% (the equivalent of QR 699 million), and "current expenditures" expanded slightly by 0.8% (the equivalent of QR 566 million), while expenditures on "major projects" contracted by 0.8% (the equivalent of QR 579 million) in 2023.

As a result, Qatar ran a budget surplus of QR 43.1 billion in 2023 (the equivalent of US\$ 11.8 billion) against a much larger budget surplus of QR 89.0 billion in 2022. That being said, the IMF estimated a fiscal surplus at 5.5% of GDP in 2023, down from 10.4% of GDP in 2022, noting that the non-hydrocarbon primary balance improved by more than 2 percentage points of non-hydrocarbon GDP, indicating continued fiscal consolidation.

In parallel, given that Qatar continued to direct part of its fiscal surplus to pay off public debt obligations, the IMF estimated the general government debt at 40% of GDP in 2023, down from 42.5% in 2022 and 58.4% in 2021.

Finally, it is worth mentioning that Qatar approved in December 2023 the 2024 State Budget, with estimated total revenues of QR 202.0 billion, which marks an 11.4% decrease relative to the estimates of the 2023 State budget. The fall in public revenues is mainly explained by a higher conservative average oil price assumption of US\$ 60 per barrel for 2024 instead of US\$ 65 per barrel in 2023, based on the international institutions estimates for oil prices in 2024, and the conservative estimates for oil and gas revenues, according to Qatar's Ministry of Finance. Oil and gas revenues for the year 2024 are expected at QR 159.0 billion, compared to QR 186.0 billion in the 2023 budget, which represents a decrease of 14.5%, while non-oil revenues are expected at QR 43.0 billion, which marks a 2.4% rise relative to the 2023 budget. On the other hand, total spending is estimated at QR 200.9 billion for the year 2024, up by 1.0% relative to the year 2023 budget. Accordingly, Qatar's budget surplus for the year 2024 is expected at QR 1.1 billion compared to a budgeted surplus of QR 29.0 billion for the year 2023.

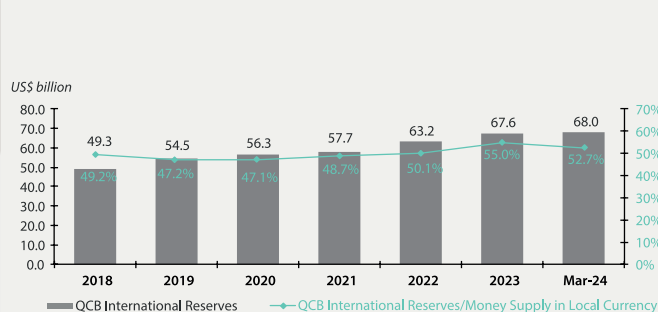
In the coming period, the IMF sees that the medium-term fiscal strategy should be underpinned by sustained prudence, accelerated revenue diversification including the VAT introduction, and enhanced spending composition and efficiency to facilitate the transition to private sector driven growth. Besides, the fiscal strength metrics in Qatar are likely to remain robust in the medium-term, taking into account a 62% ramp-up in Qatar's LNG production capacity, scheduled and on track for 2026-28, which is set to significantly boost government revenue while further reducing the oil price at which the budget would balance. Accordingly, Moody's expects the Qatari government to maintain robust fiscal surpluses in the medium-term, which would facilitate further reduction of government debt.

MONETARY SITUATION

| Flows in millions of US\$ | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Q1-24 |
|-----------------------------|----------------|----------------|----------------|----------------|---------------|---------------|----------------|
| Net foreign assets | -4,086 | -18,034 | -27,386 | -17,064 | 24,162 | 11,197 | 370,339 |
| Foreign Assets | 16,821 | 9,578 | -856 | 6,416 | 10,811 | 8,195 | 1,271 |
| Foreign Liabilities | -20,907 | -27,612 | -26,529 | -23,480 | 13,351 | 3,002 | 369,068 |
| Net Domestic Assets | -6,718 | 21,878 | 33,398 | 24,275 | 110 | -8,951 | 9,310 |
| Claims on private sector | 16,823 | 33,781 | 31,423 | 27,283 | 22,302 | 13,311 | 4,339 |
| Net claims on public sector | -9,032 | 4,548 | -854 | -620 | -5,274 | 852 | -4,799 |
| Other Items (net) | -14,509 | -16,450 | 2,829 | -2,388 | -16,918 | -23,114 | 9,770 |
| Broad Money (M2) | -10,803 | 3,845 | 6,012 | 7,210 | 24,272 | 2,246 | 379,649 |
| Money Supply (M1) | -1,102 | 1,546 | 5,977 | 511 | 3,416 | -5,907 | 4,027 |
| Quasi-Money | -9,701 | 2,299 | 35 | 1,855 | 25,700 | 8,152 | 1,392 |

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 Financial sector

1.4.1. Monetary Situation

A good 2024 banking start and a stable outlook for the Qatari banking system

Qatar's Inflation receded over the year 2023 and in the first quarter of 2024 in line with global trends, mainly reflecting lower commodity prices and the impact of monetary policy tightening. The Qatar Central Bank continued to follow the lead taken by the US Federal Reserve in maintaining high interest rates, while keeping rates unchanged since last July.

Inflation in Qatar moderated from a 14-year high level of 5.0% in 2022 to 3.0% in 2023, and eased further to an annual average of 2.2% during the first quarter of 2024, mainly as food and energy price controls and subsidies, and strong Qatari riyal reflecting the US dollar peg, helped containing inflationary pressures.

The major contributor to inflation in Qatar in the first quarter of 2024 was the "culture & recreation" segment, which is heavily driven by air travel and has a weight of 11.1% in the Consumer Price Index. The aforementioned segment expanded significantly by 15.9% on average during the first quarter of 2024. The second largest expansion in prices was in the food & beverages segment with +4.8% (with a weight of 13.5%), followed by the communication segment and the education segment with +3.8% each, the furnishings and household equipment segment with +1.4%, and the miscellaneous goods and services segment with +0.7%. In contrast, the clothing and footwear segment posted a yearly price contraction of 4.5% on average during the first quarter of 2024, followed by the housing, water, electricity and gas segment (which has a weight of 21.2%) with -2.2%, the medical services segment with -1.6%, the restaurants and hotels segment with -0.9%, and the transport segment with -0.6%, while the tobacco sector saw no price change over the covered period.

Given the currency peg to the US dollar, monetary policy in Qatar continued to move in tandem with the US Federal Reserve. In fact, after lifting the overnight deposit rate and lending rate three times over the first seven months of 2023, the Qatar Central Bank held interest rates unchanged at a current level of 5.75% and 6.25% respectively. Concomitantly, the Central Bank of Qatar lifted the repo rate three times in the first 7M of 2023 before holding it at a current level of 6.00%.

In parallel, Qatar Central Bank's international reserves and foreign currency liquidity grew moderately by US\$ 407 million over the first quarter of 2024 to reach US\$ 68.0 billion at end-March. This followed a US\$ 4.4 billion expansion in QCB's international reserves in 2023. Within this context, it is worth mentioning that the QCB's reserve accumulation, however, was more modest compared to the significant current account surplus in 2023 (US\$ 36.5 billion) as hydrocarbon windfalls were mainly invested abroad.

The US\$ 4.4 billion rise in QCB's FX reserves over the year 2023 is mainly explained by a US\$ 2.3 billion increase in the "balances with foreign banks" category, in addition to a US\$ 1.3 billion rise in the "gold" category, a US\$ 517 million growth in the "foreign securities" category and a US\$ 254 million expansion in the "other liquid assets in foreign currencies" category. That being said, the QCB international reserves and foreign currency liquidity covered around 52.7% of money supply in local currency at end-March 2024 as compared to 55.0% at end-2023 and 50.1% at end-2022.

The broader Money Supply (M2) expanded significantly by US\$ 5.4 billion over the first quarter of 2024. This is mainly explained by a US\$ 4.0 billion growth in the Money Supply (M1) and a US\$ 2.1 billion expansion in time deposits, while deposits in foreign currencies contracted by US\$ 666 million over the first quarter of 2024. This followed a US\$ 2.2 billion expansion in the broader Money Supply (M2) over the year 2023.

Looking forward, the IMF sees that as global commodity prices decline and domestic demand normalizes, Qatar's inflation is forecast to moderate to 2.5% on average in 2024, while the monetary policy would stay in line with the US Federal Reserve due to the greenback-pegging policy. Also, to pave the way for a more

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independent monetary policy when it becomes appropriate in the long run, the IMF continued to advise to strengthen liquidity management and coordination among the fiscal authorities, the QIA, and the QCB; deepen domestic financial markets; and maintain low currency mismatches on balance sheets.

1.4.2. Banking Activity

A good 2024 banking start and a stable outlook for the Qatari banking system

The year 2024 started with a very good performance for Qatar's banking system. Measured by banks' total assets, banking activity expanded by US\$ 4.6 billion over the first quarter of 2024, against a contraction of US\$ 6.6 billion over the same period of last year. Total deposits rose by US\$ 12.4 billion over the first three months of 2024, against a contraction of US\$ 8.7 billion in the same period of 2023. Likewise, total credit facilities rose by US\$ 6.1 billion over the first quarter of 2024, against a contraction of US\$ 0.4 billion over the 2023 corresponding period.

The breakdown of credit facilities by economic activity as at end-March suggests a conservative lending activity. Public sector accounts for 30.6% of total credit facilities, followed by services with 22.1%, real estate and construction with 16.6%, trade with 14.8%, consumption with 14.2%, industry with 1.3%, while others account for the remaining 0.3%.

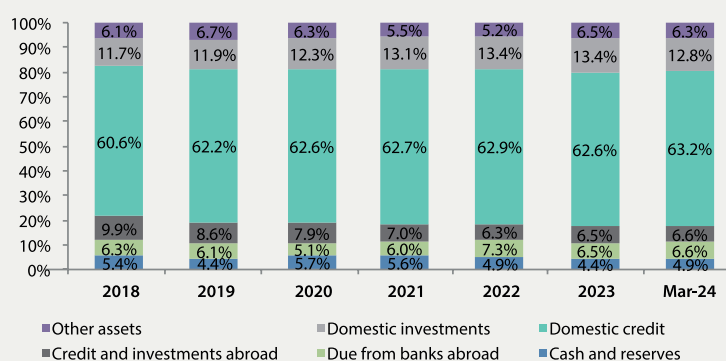
In its last Banking system outlook, the rating agency Moody's maintains a stable outlook for the Qatari banking system. Moody's view is driven by their expectation of higher economic growth as businesses in the non

BANKING ACTIVITY

| US\$ million | 2019 | 2020 | 2021 | 2022 | 2023 | Q1-23 | Q1-24 | Variation Q1/Q1 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------------------|
| Var. Total assets | 36,153 | 36,434 | 39,903 | 21,304 | 17,687 | -6,649 | 4,627 | -169.6% |
| % change | 9.3% | 8.6% | 8.6% | 4.2% | 3.4% | -1.3% | 0.9% | 2.1% |
| Var. Total deposits | 10,661 | 15,483 | 18,846 | 6,877 | -3,615 | -8,701 | 12,376 | -242.2% |
| % change | 4.8% | 6.6% | 7.6% | 2.6% | -1.3% | -3.2% | 4.6% | 7.7% |
| Var. Total credit facilities | 27,103 | 24,622 | 24,102 | 10,874 | 8,767 | -447 | 6,100 | -1465.6% |
| % change | 10.5% | 8.6% | 7.8% | 3.3% | 2.5% | -0.1% | 1.7% | 1.9% |

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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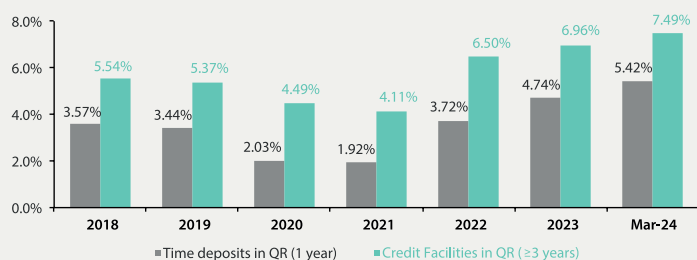
oil-related parts of the economy benefit from projects linked to the expansion of Qatar's Liquefied Natural Gas (LNG) production capacity. Moody's stable outlook also takes into account the banks' strong capital and liquidity buffers, although these strengths will be counterbalanced by their weakening loan performance, particularly in the real estate, contracting and hospitality sectors. Consequently, loan-loss provisioning costs will likely remain high and, combined with stable operating income and costs, will keep profitability broadly stable. High oil prices will boost domestic deposits but reliance on confidence-sensitive foreign funding will likely remain high, increasing banks' vulnerability to shocks. The likelihood of government support for banks in financial difficulty remains very high and its capacity to do so has improved.

The rating agency expects loan performance to weaken. Problem loans will rise, reaching around 3.5% of total loans by the end of 2024, from 3.0% at the end of September 2023. Stage 2 loans increased to 11.9% at the end of September 2023, from 10.6% at end 2021, as pandemic support measures for borrowers ended. Weakening loan performance is largely due to overcapacity in the real estate sector (shopping malls and office buildings) and in the service sector (mainly hotels). Payment delays in the contracting segment, as well as current high interest rates have also contributed. More severe real-estate market weakness would have a greater impact on the banking sector since real estate and contractors represent around one fifth of bank lending. New policy measures should help monitor and mitigate this sector's risks. High loan-loss reserves at the Qatari banks provide a buffer, constituting 129% of problem loans at end September 2023. Qatari banks' loan books also benefit from significant lending to the low-risk Qatari government and public-sector organizations (29% of the loan book as of December 2023). Additionally, personal loans (14% of the loan book as of December 2023) are largely to Qatari nationals with high job security. At large Qatari banks, foreign exposures bring additional asset quality pressures.

With respect to capital adequacy, capital buffers will remain solid. Qatari banks' capital benefits from good profit generation and provides substantial loss-absorption capacity. Tangible common equity stood at a high 16.8% of risk-weighted assets as of September 2023 and regulatory ratios remain well above central bank minimum requirements.

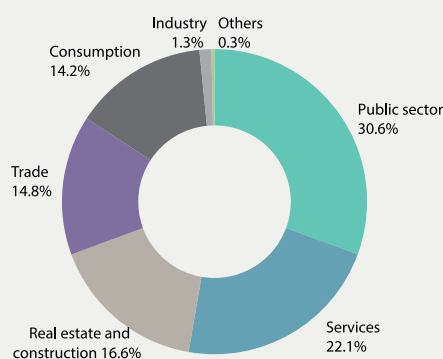
Profitability will remain sound as forecasted by Moody's. They expect Qatari banks' net income to remain between 1.2% and 1.4% of tangible assets in 2024. Growth in fee and commission income will balance a marginal drop in net interest income, keeping operating income broadly stable. Provisioning costs will remain high as pressures on certain sectors, such as real estate, contracting and hospitality persist. Margins will be temporarily compressed by interest rate cuts in 2024, because interest on deposits and other funding costs will fall more slowly than interest received from loans. That is despite the fact that funding is mostly short-term (less than one year maturity) meaning Qatari banks can respond to lower interest rates quickly. The banks' cost efficiency is the best among the Gulf Cooperation Council (GCC) banking systems, with cost-to-income at 22.9%. This is driven by Qatar's small and concentrated population, which allows banks to reach customers without the need for extensive and costly branch networks. The banks' high efficiency supports their profitability despite costly investment in digital services and technology.

BANKING SECTOR INTEREST RATES (IN QR)



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

CREDIT FACILITIES BREAKDOWN BY ECONOMIC ACTIVITY*



* End-March 2024

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

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1.4.3. Equity and Bond Markets

Qatari equities slide into red, bond prices on fall tracking US Treasuries move

Qatar's equity market shifted to a negative territory during the first four months of the year 2024, mainly pressured by US stagflation fears and escalation in hostilities in the Middle East, and as the IMF revised downward Qatar's real economic growth this year. Concurrently, the bond market registered mostly downward price movements over the first four months of the year, mainly tracking US Treasuries move, amid bets about higher for longer US interest rates.

The Qatar Stock Exchange plunged into the red during the first four months of the year 2024, as reflected by a 10.2% fall in the Qatar Exchange general index to reach 9,727.01 at end-April, which followed a 1.4% rise in 2023. Qatari equities were mainly pressured by concerns about sticky US inflation and a prolonged period of restrictive policy, and as long-simmering geopolitical tensions in the Middle East curbed investors' risk appetite, while the IMF revised down its forecast for real economic growth in Qatar to 2.0% in 2024 in its April World Economic Outlook.

Equity price falls on the Qatar Stock Exchange took place despite attractive market pricing ratios as the P/E reached 11.9 times at end-April 2024 compared to 13.6 times at end-December 2023, and despite a 5.8% year-on-year expansion in net profits of all companies listed on the Qatar Stock Exchange during the first quarter of 2024, and although Qatar's non-energy private sector recorded a stronger improvement in business conditions in April, according to the latest PMI survey data from Qatar Financial Centre (QFC) compiled by S&P Global, as the PMI registered 52.0 in April 2024, up from 50.6 in March 2024.

The number of listed companies on the Qatar Stock Exchange rose from 51 companies at end-2023 to 52 companies at end-April 2024. On the back of equity price falls and one new listing, the QSE market capitalization contracted by 9.4% during the first four months of 2024, moving from US\$ 171.6 billion at end-December 2023 to US\$ 155.4 billion at end-April 2024. This followed an expansion of 2.7% in 2023.

The total trading value on the QSE expanded by 11.8% year-on-year during the first four months of 2024 to reach US\$ 11.1 billion. This followed a contraction of 21.9% in 2023. The total number of traded shares rose by 16.8% year-on-year, moving from 11,377 million shares during the first four months of 2023 to 13,286 million shares during the first four months of 2024, and the total number of trades surged by 7.6% year-on-year during the first four months of 2024 to reach 1,338,657 trades. That being said, the turnover ratio, measured by the annualized trading value to market capitalization, reached 21.4% during the first four months of 2024 as compared to 18.4% during the corresponding period of 2023.

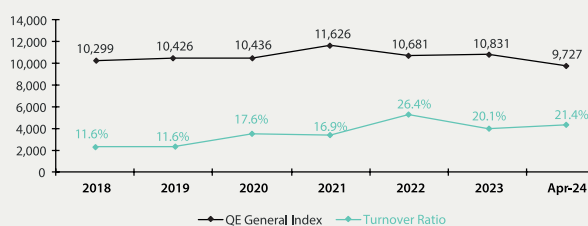
At the level of the fixed income market, Qatari sovereign papers came under downward price pressures over the first four months of 2024, mainly tracking declines in US Treasuries as stronger-than-surveyed US inflation

CAPITAL MARKETS INDICATORS

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Apr-24 |
|--------------------------------------|-------|--------|--------|--------|--------|--------|--------|
| Market Capitalization (US\$ billion) | 161.7 | 160.1 | 165.4 | 183.4 | 167.1 | 171.6 | 155.4 |
| Total value traded (US\$ billion) | 18.8 | 18.6 | 29.1 | 31.0 | 44.1 | 34.4 | 11.1 |
| Number of shares traded (million) | 2,286 | 11,416 | 55,155 | 47,037 | 45,380 | 44,609 | 13,286 |
| No. of listed companies | 46 | 47 | 47 | 47 | 47 | 51 | 52 |
| Change in QE general index | 20.8% | 1.2% | 0.1% | 11.4% | -8.1% | 1.4% | -10.2% |
| P/E ratio | 14.9x | 14.8x | 17.4x | 16.8x | 11.9x | 13.6x | 11.9x |
| P/BV ratio | 1.6x | 1.5x | 1.3x | 1.7x | 1.4x | 1.4x | 1.2x |
| Dividend yield | 4.0% | 3.8% | 3.4% | 2.3% | 4.0% | 4.3% | 4.7% |
| Five-year CDS spreads (bps) | 82 | 37 | 38 | 44 | 48 | 46 | 42 |

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

CAPITAL MARKETS PERFORMANCE



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

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during the first three months of 2024 added to uncertainty about the US Federal Reserve interest rate cut plans this year.

A closer look at individual bonds shows that Qatari sovereigns maturing in 2026 and 2030 registered price contractions of 1.12 pt and 5.96 pts respectively over the first four months of 2024, noting that the former expanded by 0.15 pt in 2023, while the latter contracted by 2.81 pts last year. Ooredoo'26 traded down by 0.97 pt. This followed a 1.09 pt rise in 2023. As to papers issued by financial institutions, QNB'25 closed up by 0.68 pt over the first four months of 2024, following price gains of 2.47 pts in 2023. Prices of QNB'26 expanded by 0.45 pt, following a rise of 2.78 pts in 2023.

As to the cost of insuring debt, Qatar's five-year CDS spread, which measures the market's perception of sovereign risk, contracted by four basis points over the first four months of 2024 to reach 42 bps at end-April, one of the lowest in the MENA region.

Regarding new issues, Qatar raised US\$ 2.5 billion in May 2024 from the sale of its first dollar bonds in four years and a debut green deal. The green bonds were split between a US\$ 1 billion five-year tranche priced at 30 bps over US Treasuries and a yield of 4.74%, and a US\$ 1.5 billion 10-year tranche priced at 40 bps over UST and a yield of 4.82%.

As to credit ratings, Moody's upgraded in January 2024 the government of Qatar's local and foreign currency long-term issuer and foreign currency senior unsecured debt ratings to "Aa2" from "Aa3". Moody's also upgraded Qatar's foreign currency senior unsecured medium-term note program rating to (P)Aa2 from (P)Aa3. The outlook has been changed to "stable" from "positive". The upgrade reflects Moody's view that the significant improvement in Qatar's fiscal metrics, achieved during 2021-23, would be sustained in the medium term. The "stable" outlook balances the downside risk of a material fiscal deterioration in a scenario where hydrocarbon demand and prices decline significantly and durably, potentially as a result of a more rapid global carbon transition than Moody's currently assumes, against the upside risk related to potentially faster and more significant progress on economic and fiscal diversification than Moody's currently expects.

Also, Fitch Ratings upgraded in March 2024 Qatar's long-term foreign currency Issuer Default Rating to "AA" from "AA-", with a "stable" outlook. The upgrade reflects Fitch's greater confidence that debt to GDP would remain in line with or below the "AA" peer median after falling sharply in recent years, while Qatar's external balance sheet would strengthen from an already strong level. Qatar is likely to retain budget surpluses until the 2030s a result of the North Field expansion.

Looking forward, the IMF sees that domestic financial market deepening, complemented by appropriate macro prudential policies, would alleviate banks' reliance on short-term foreign funding.

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2. CONCLUSION

Looking ahead, growth normalization is expected to continue in the near term. Real GDP growth is forecasted at 2.0% for the year 2024. The medium-term outlook is bolstered by the major LNG production expansion and accelerated reforms, leading to a real GDP growth average in excess of 4.0% over the next five years. Risks to the outlook are broadly balanced. Qatar's strong fundamentals and policy buffers can help mitigate negative impact from adverse shocks.

At the external level, elevated hydrocarbon prices will likely support sizeable fiscal and current account surpluses. Qatar's external position was assessed by the IMF to be substantially stronger than the level implied by medium term fundamentals and desirable policies, mainly due to the elevated hydrocarbon prices. The current account surplus to GDP is forecasted at 15.6% for 2024 and at an average of 11.9% for the next five years.

At the fiscal level, the fiscal balance to GDP stands at 5.1% for 2024 and is forecasted at an average surplus of 4.3% for the next 5 years. Fiscal strategy should balance discipline with growth in the near term and facilitate the transition to more diversified, private sector-led growth over the medium term. If downside risks to growth materialize and the ongoing growth slowdown sharpens, some fiscal space could be deployed through productive and efficient spending while maintaining broad fiscal prudence.

At the monetary level, inflation is forecasted at 2.6% in 2024 and at an average of 2.1% for the next 5 years. The exchange rate peg continues to represent a credible monetary anchor. Monetary policy in line with the U.S. Federal Reserve, supported by strengthened liquidity management, is welcome. The QCB should continue its proactive supervision and regulation, supported by regular risk analysis and information sharing among the financial supervisors to help identify emerging vulnerabilities and guide regulatory actions. The authorities' plans to deepen domestic capital markets are welcome as well as measures to mitigate risks associated with banks' exposure to short-term foreign funding, which should be reviewed regularly.

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 with large sovereign net foreign assets (SNFA) and a flexible public finance structure. At the level of risks constraining the outlook, we mention the heavy economic and fiscal reliance on the hydrocarbon sector, the relatively high but declining public-sector debt burden and the elevated external debt along with transparency shortcomings. Having said that, we firmly believe strengths and opportunities outpace threats and challenges at the horizon.

In its last Article IV Consultation mission report, the IMF recommended that reform efforts should be intensified to shift from a traditional state-led growth model to a more dynamic, knowledge-based, private sector-driven one. Attracting more skilled expatriates, improving education outcome, incentivizing Qatari nationals to take up private sector jobs, and raising female labor force participation will enhance human capital and labor market dynamics. In addition, reforms are needed to promote further trade liberalization, ease access to finance, and continue enhancing administrative efficiency. These measures should be implemented comprehensively in a well-sequenced manner to boost potential growth. Furthering digitalization and climate actions are also critical. Broadening gains from economic zones and centers to the wider economy would accelerate economic diversification at large.