NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

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Qatar: economic report

MARKET INTELLIGENCE REPORT

Summary

- The IMF estimates that Qatar will achieve 2% real GDP growth in 2024; below the Gulf Cooperation Council average forecast of 2.8%. For Doha, this will be primarily driven by continued, if flattened, growth in its dominant hydrocarbons sector, and non-hydrocarbon sectoral growth (public sector investment, spill overs from the ongoing LNG expansion project and tourism).

- The outlook remains changeable, and the volatile regional situation poses risks if it deteriorates. This in turn partly explains Qatar's focus on resolving regional tensions: which are fundamentally bad for business and to achieving the macro aims of its National Vision 2030.

- Doha remains, like its Gulf neighbours, focused on reducing reliance on its hydrocarbons sector, and gradually transitioning towards a diversified, private sector led economic model that supports investment and Qatari employment. It is focused on attracting major international educational and health institutions, implementing structural reforms to improve the business enabling environment, expanding its infrastructure and undertaking aggressive acquisition through the Qatar Investment Authority, one of the biggest sovereign wealth funds globally with an estimated US$450 billion under management as at 2022. But as the hydrocarbons sector still accounts for 60% of GDP, this diversification goal may take a long time to achieve.

- -Qatar's strong economic base, strategic location, wealthy population with significant purchasing power and government support for diversification, conceptually has an abundant base of opportunities for New Zealand businesses, especially in the hydrocarbon, healthcare, and education sectors. That said, businesses should be aware of challenges such as the regional situation, the legal framework and Qatar's learned focus on its domestic self-sufficiency.

Report

GDP: below the GCC average for now, but wait until 2026 …

In April, the IMF projected 2% real GDP growth in 2024 for Qatar, a petrostate that boasts one of the highest GDP per capita rates, the world's third largest natural gas reserves, and one of the largest exporters of liquified natural gas (LNG) globally. However, this projection is below the IMF's 2.8% 2024 forecast for the six-member Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates). The relatively muted forecast, expected to endure through 2025, is primarily due to flattened output in the state's massive hydrocarbons sector, comprising 60 percent of GDP. This is also despite growth in Qatar's slowly expanding non-hydrocarbons sectors.

Beyond 2025, the EIU is, however, projecting a significant rise in real GDP growth (6% growth in 2026, and 14.2% in 2027), when output from the North Field LNG expansion project comes online. This expanded production, coupled with continued state investment in line with Doha's development and diversification strategy, is expected to sustain strong growth until at least 2030. It is possible that Qatar will enjoy further growth bursts if the government approves more gas export projects, in addition to the payoff from its sector diversification and expansion efforts.

National Vision2030: "a roadmap for Qatar's future"

Qatar's government is heavily focused on economic diversification, growing services industries and establishing itself as a financial, education, tourism and sports hub. These efforts commenced in 2008, when Emir Sheikh Hamad bin Khalifa Al Thani launched Qatar's National Vision 2030 (QNV2030). The strategy aims to transform Qatar into an advanced nation "capable of sustaining its own development and providing a high standard of living for its population and future generations".

Similar to its Gulf neighbours, QNV2030 was created to address five major predicted challenges: loss of Qatar's traditions, the needs of current and future generations, managed growth and uncontrolled expansion, the size and quality of the expatriate labour force, and economic, social, and environmental development. QNV2030's progress is tracked through successive National Development Strategies (NDS), which can be taken as a road map of opportunities for enterprising businesses who can support

Doha's aspirations.

The first two NDS (NDS1 from 2011-16 and NDS2 from 2018-22) brought significant structural changes: including efforts to improve business efficiency and attract more FDI, and extensive digitalisation investment which resulted in Qatar ranking 16th among 198 countries in the World Bank's 2022 GovTech Maturity Index. In 2019, Qatar became the first GCC country to officially abolish kafala, a foreign workers sponsorship system that makes their mobility dependent on their employers. Reform efforts have also resulted in significant increases in Qatari women's labour market participation (with over 50% of Qataris employed in the public sector in 2020 being women) and their enrolment rates in educational institutions (from 65.3% in 2010 to 96.3% in 2020).

These strategies also directed Qatar's massive public infrastructure investment programme, in the lead up to its hosting of the 2022 FIFA Men's Football World Cup. IMF analysis this year found that the programme – which spanned ports, roads, metro and airports, with the cost of stadiums only representing 5% of total infrastructure expenditure - was the primary driver of Doha's economic diversification in the decade leading up to 2022, contributing an average 5-6 percentage points annually to Qatar's non-hydrocarbon real GDP growth. Post-2022, Doha is focused on leveraging the profile and infrastructure generated by the World Cup for its Vision2030 objectives. Notably, visitor arrivals the year after the World Cup were nearly twice Qatar's pre-pandemic levels, and 2024 tourism numbers have already exceeded 2023.

Qatar launched its final National Development Strategy (NDS3, 2024-30) earlier this year. NDS3's diverse objectives include, by 2030: Qataris comprising 20% of the private sector, annual non-hydrocarbon GDP growth of 4%, attracting 6 million annual international visitors, ranking in the top 10 globally for the ease of doing business environment, and having over 18% of students graduating with STEM qualifications.

… but gas is still king.

Qatar's diversification efforts remain largely possible because of its dominant hydrocarbon sector. Despite an increased recognition by Doha of the need to transition away from hydrocarbons, high global oil prices have bolstered the Qatar Investment Authority's acquisition efforts (one of the world's largest sovereign wealth funds with an estimated US$450 billion under management as at 2022). These have also enabled state-owned Qatar Energy (QE, formerly Qatar Petroleum) to expand its gas production, with QE commencing projects to increase its LNG liquefaction and export capacity from 77 to 126 million tonnes per annum by 2026.

While QE initially focused on acquiring producing assets in the late 2010s, in recent years it has pivoted to a focus on exploration activity, relying on entering bids as a minority partner with a trusted operator as a majority. This has given it exposure to international production across the world at a comparatively low upfront cost.

QE now has a well-established network of cooperation, including in Canada, Egypt and Cyprus (with the USA's ExxonMobil), Lebanon and Iraq (with France's TotalEnergies), the United Kingdom (with the UK's Shell), and Oman, Mexico, Morocco, Mozambique and the Eastern Mediterranean basin (with Italy's Eni). The majority partners benefit from partnerships and joint ventures being a 'consideration' when QE selects partners for its vast North Field LNG expansion.

From a geopolitical perspective, foreign dependence on Qatari gas also arguably elevates Doha's influence with a range of partners and helps its 'friends to all' approach to foreign policy. In late 2022, Doha signed a 27-year deal to supply China's Sinopec with 4 million tonnes of LNG, the longest LNG agreement to date. It has also been able to act as an alternate gas supplier to Europe, as the continent works to remove its reliance on Russian pipeline gas, and to a number of Asian countries.

New Zealand – Qatar two-way trade: modest

In the year ended December 2023 New Zealand exported almost NZ$59 million of total goods and services to Qatar and imported NZ$35 million, representing a trade balance of more than NZ$23 million in New Zealand's favour, and a total trade value of around NZ$94 million. Dairy (almost NZ$28 million), comprises the majority of New Zealand exports to Qatar, followed by meat (NZ$7.9 million) and then travel (NZ$5.6 million). This sum stands in contrast to the mid-2010s, when our two-way trade balance reached a peak of NZ$662 million (YE December 2015), heavily in Qatar's favour and largely (93 per cent) due to New Zealand importing Qatari hydrocarbons. Hydrocarbon imports declined from 2015, and finally ended after Marsden Point's 2021 closure.

New Zealand exports continue to be particularly affected by Qatar's short shelf-life requirements (some 45 days) for imported mozzarella cheese and other dairy commodities.

Qatar's strong economic base, strategic location, wealthy population with significant purchasing power and government support for diversification, conceptually has an abundant base of possible opportunities for New Zealand businesses. In particular, the hydrocarbon sector offers the most prospects, with healthcare and education following. However, New Zealand businesses have faced a range of challenges, which can make it difficult to operate and gain traction. These include the complex legal framework and navigating local regulations, particularly with business ownership. Qatar's slow, if steady, economic diversification, has meant that sectors such as finance and technology are still lacking maturity compared to other Gulf markets. Finally, the domestic market's small size (with a 2024 population of just over 3 million, 300,000 of which are Qataris) also limits opportunities.

Comment

Qatar’s economic outlook for the rest of the decade, as well as Doha’s continued efforts to reduce its overwhelming reliance on its hydrocarbons sector, attract foreign investment and talent and improve the lives of its nationals, are likely to bring opportunities for New Zealand firms. As with the rest of the region, political and other risks remain live, and businesses will still need to undertake the requisite due diligence to extract the opportunities Qatar offers.

Concluding the New Zealand – Gulf Cooperation Council Free Trade Agreement negotiations, to which Qatar is a party, will be the most practical way to increase our modest two-way trade.

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