

## Qatar’s Economic Growth is Expected to Continue Accelerating

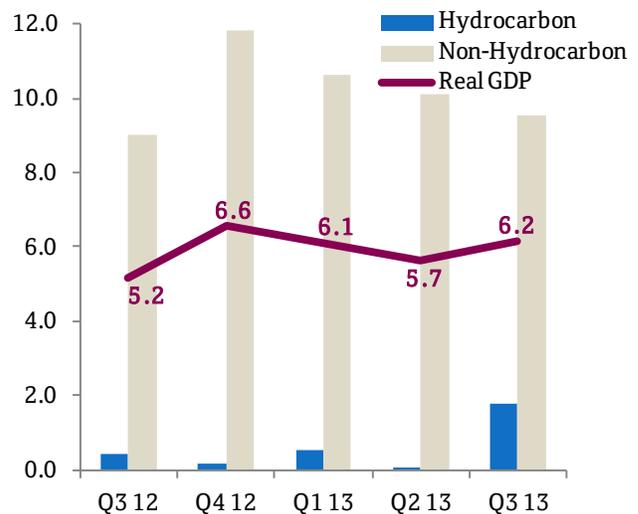
Qatar’s economic growth accelerated at a buoyant 6.2% pace in Q3 2013 compared with Q3 2012, according to figures released by the Ministry of Development Planning and Statistics. This growth was spurred by double-digit growth in trade, restaurants and hotels; construction; transport and communication; financial, real estate, and business services; as well as domestic services. QNB Group expects real GDP growth to pick up further during 2014 to 6.8% as the implementation of large infrastructure projects accelerates and the fast-growing population boosts domestic demand.

The hydrocarbon sector, which consists of crude oil and raw gas production, perked up and expanded to a better-than-expected 1.8% year-on-year in Q3 2013 owing to higher production of natural gas due to LNG facilities coming back to full operational capacity after some downtime for maintenance over the last year.

The non-hydrocarbon sector grew 9.5% year-on-year in Q3 2013, driven by a strong growth in services. Transport and communication was the fastest growing sector (13.9% year-on-year), owing to the Ramadan period of festivity which boosted travel and tourism, as well as higher mobile subscribers which is a key characteristic of the stronger growth in private consumption boosted by the larger population. The financial, real estate, and business services sector grew rapidly (10.5% year-on-year), as real estate services were boosted by the growing population. The non-hydrocarbon sector was further boosted by the construction sector, which accelerated to 13.0% year-on-year as

Qatar’s infrastructure development program is gathering momentum.

**Qatar Real GDP Growth by Sector**  
 (% change year-on-year, Q3 2012 – Q3 2013)



Sources: Ministry of Development Planning and Statistics (MDPS) and QNB Group analysis

This large infrastructure investment program will have a direct effect on GDP growth through higher investment spending and an indirect effect through population growth. A new wave of expatriate workers is coming into Qatar in response to higher labor demand for infrastructure projects. Indeed, population continued its double-digit growth (11.4% year-on-year) in the year to the end of December 2013, driven by the large ramp up in infrastructure spending. The larger population will continue to drive economic growth by boosting domestic demand, services as well as investment in housing and other infrastructure. Accordingly, small and medium-sized

enterprises, such as hotels, education, medical services, retail and restaurants are expected to flourish in order to cater to the growing population.

There are some concerns of economic overheating arising from the infrastructure program. Those concerns can be alleviated by considering the latest GDP data for the construction sector which indicates that pricing for building materials are falling. This leads to the conclusion that there is no excess demand for building materials and no shortage in supply that could lead to potential bottlenecks in the implementation of those programs.

Overall, QNB Group expects real GDP growth to accelerate further to 6.8% in 2014, as highlighted in QNB Group's latest [Qatar Economic Insight](#) report, owing to the implementation of additional large infrastructure projects, like the Lusail real estate development, the new Doha Port, the new Hamad International Airport and the Doha Metro Rail project. The key driver of growth will therefore continue to be the non-hydrocarbon sector which is expected to grow from 42% of nominal GDP in 2012 to more than 50% by 2015.