

Qatar Investment Outlook Pulse Report

2024



Qatar Investment Outlook Pulse

The past few years have presented many challenges to the global economy, from the COVID-19 pandemic, supply chain disruptions, escalations in geopolitical tensions, turbulent energy prices, high interest and inflation rates, among many others.

Qatar has managed to navigate these challenges and achieve strong economic growth, with the country's nominal GDP growing by 23.2% from 2019 to 2023. This outpaced the growth of the global economy, which grew by 20.5% over the same period.

Qatar has managed such remarkable success by focusing on its strategic goals and ambitions, most notably the hosting of a hugely celebrated and successful global sporting event in 2022. The event itself was one of the main catalysts of growth in the past decade, culminating in an annual GDP growth of around 31.5% in 2022.

However, an adjustment period post the event was expected, with the GDP decreasing by 8.1% in 2023, following the previous years' record high.

Remarkably though, the country managed to retain most of the growth in economic output post the event, with the GDP in 2023 standing at around a 20.9% higher level than what was achieved in 2021.

This sustained growth in economic output levels is due to the country's continued efforts to promote economic growth and improve its business environment.

Nominal GDP growth 2019-23

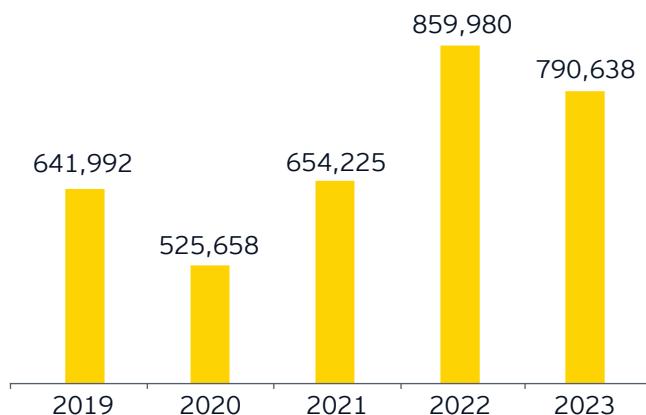
Global economy

20.5%

Qatar economy

23.2%

Qatar nominal GDP (in QAR billion)



Source: Oxford Economics



The country underwent or is currently undergoing a few initiatives to support the growth of the economy. To name a few are the publication of the ambitious third National Development Strategy covering the last phase of Qatar National Vision 2030 (QNV 2030), the North Field Expansion project, Hamad International Airport's expansion of both passenger and cargo operations.

Additionally, the sustained economic growth achieved thus far has managed to enhance the country's efforts in attracting foreign investments. The annual 2022 report of the Investment Promotion Agency Qatar highlighted that the year saw the announcement of 135 FDI projects worth around US\$30b, with more than half of those projects going into business services, software and IT sectors.

As we look toward to the future of the Qatari economy, EY Consulting LLC is proud to leverage its network to provide thought-provoking insights about the economic and investment outlook of executive decision-makers in some of the leading businesses in Qatar.

This report is a continuation of our Qatar Investment Outlook Pulse series that launched in 2022. It aims to provide insights into the investment and economic sentiments in Qatar as they relate to the year ahead.

This publication is based on the extensive one-on-one discussions we have had, from Q4 2023 to Q1 2024, with executive decision-makers across the largest businesses in Qatar.

100%

indicated that they managed to avoid losses during the adjustment period post-2022.

94%

expect interest rates to maintain or start decreasing in 2024.

75%

of interviewees expect that returns on investments in the next 12 months would surpass those achieved in the last 12 months.

72%

have either already invested or plan to invest in artificial intelligence (AI) and associated technologies in the next 12 months.





01 Economic outlook

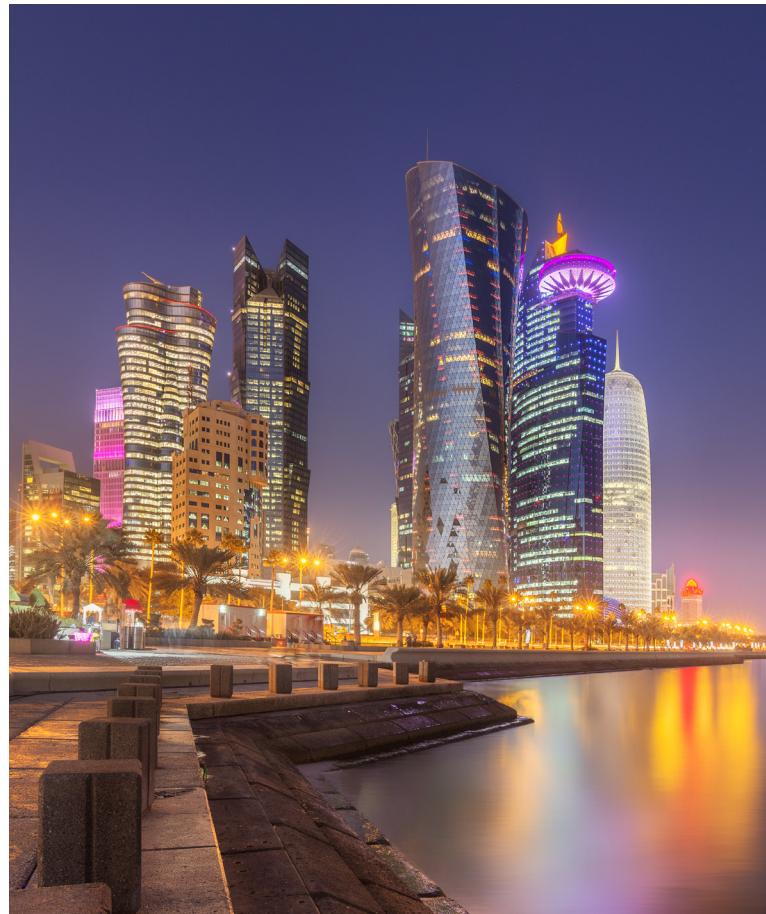
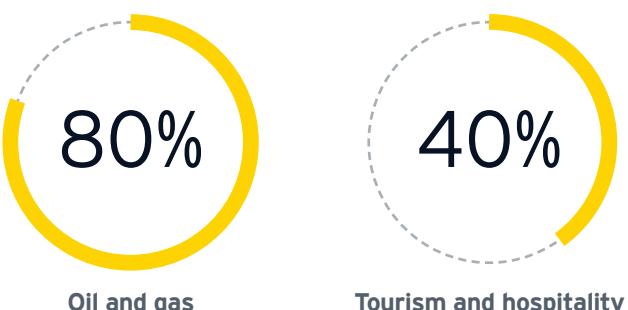
Economic outlook

Economists forecast that the Qatari GDP will grow between 4% and 6% annually over the coming five years. How do you expect the economy to perform relative to these forecasts?



Which sectors in your opinion will outperform the growth of the national economy over the coming five years?

Positive sentiments



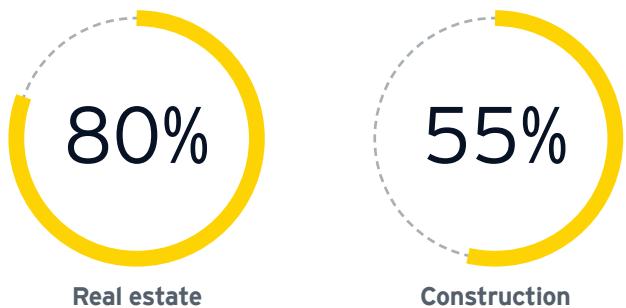
Interviewees' responses were mixed. Some of them maintain a slightly cautious outlook about the likelihood of the national economic growth achieving the anticipated annual growth of around 4% to 6%.

Interviewees were mostly positive regarding the prospects of the oil and gas sector, with around 80% expecting the sector to outperform the national economy. Most of these expectations were driven by the expected increase in production capacity from the North Field Expansion project.

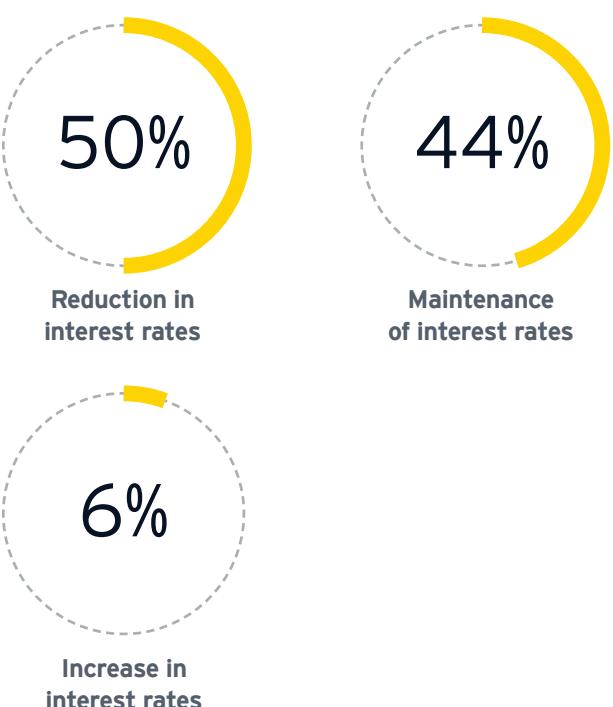
Additionally, around 40% expect the tourism and hospitality sector to outperform the national economy, as the country has managed to place itself on the global stage by successfully hosting many celebrated events in the past few years. This includes some of the most prestigious sports and tech events globally. The country has also invested in marketing and developing its tourism offerings. They have also worked on increasing its accessibility to the global tourism market.

In your opinion, which sectors will underperform the growth of the national economy over the coming five years?

Negative sentiments



The past few years have seen a marked increase in interest rates to combat rising inflation. In your opinion, what do you expect to happen to the interest rates in the coming 12 months?



Many interviewees held conservative views about the future performance of the real estate and construction sectors. Nearly 80% and 55% of interviewees, respectively, foresee the real estate and construction sectors growing at a slower pace than the overall national economy. The prevailing concern is centered on the current real estate supply potentially exceeding the demands of the existing population.

However, the continued strong growth of the tourism sector can help mitigate investors' concerns regarding the prospects of these sectors. This is mainly because the number of annual visitors arriving in Qatar reached a five-year high in 2023, with visitors exceeding four million. Additionally, the country has implemented a variety of initiatives that can provide further support to them. Some examples of these initiatives were introduction of the unified tourist visa with the GCC countries and easing of the residency permit obtainment process for certain professions. These initiatives, along with many others, have supported these sectors either through increased tourism visitation or growing the size of the population.

Around 94% of interviewees expect that the coming 12 months would see no further rises in the global interest rates. Around 50% expected that the rates would start to gradually drop at the starting of H2 2024, mainly due to the recent improvements in unemployment and inflation statistics.



02 Investment sentiment

Investment sentiment

How did your investments perform over the past 12 months?



In your opinion, how is easy is it to access capital in Qatar?



Feel that capital is accessible through many sources, and can be secured in a timely manner



Indicated some difficulty in the accessing of capital either from limited sources or the time it takes to secure funding

How do you expect your investments to perform in the coming year with respect to the previous year's performance?



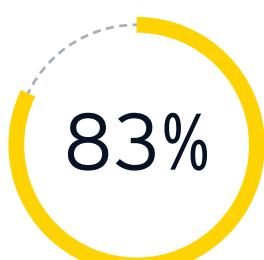
Expect investments to yield higher returns in the coming 12 months

Despite the economic adjustment in 2023, all interviewees indicated that their investments were profitable over the past 12 months. Additionally, most of the interviewees indicated positive sentiment for investment performance for the year ahead, with 75% expecting their investments to yield higher returns in 2024.

When considering whether to invest in new investment opportunities, 83% of interviewees indicated that they seek a hurdle rate between 10% and 15% to approve investments into new projects, with 17% of interviewees indicating that they seek a hurdle rate between 15% and 20%.

With regards to access to capital, 60% of interviewees indicated that capital is accessible in Qatar. Around 40% indicated that there are some difficulties regarding capital accessibility. Some of the issues mentioned during discussions are related to the high interest rate environment, lower risk appetite for banks and restrictions on issuance of financial instruments in foreign currencies.

What is the hurdle rate you utilize to approve investments into new projects?



10% to 15% IRR

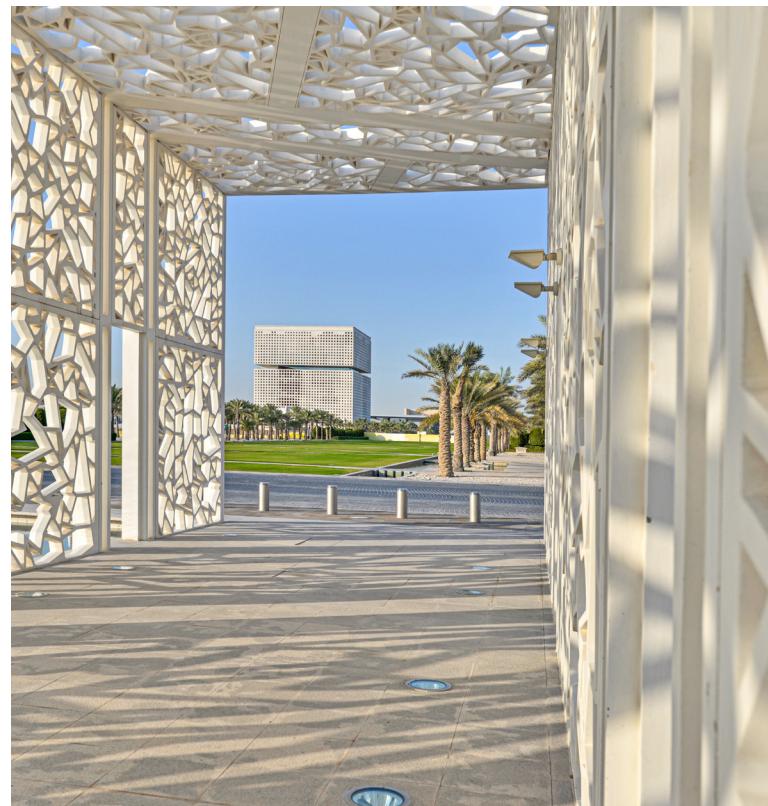
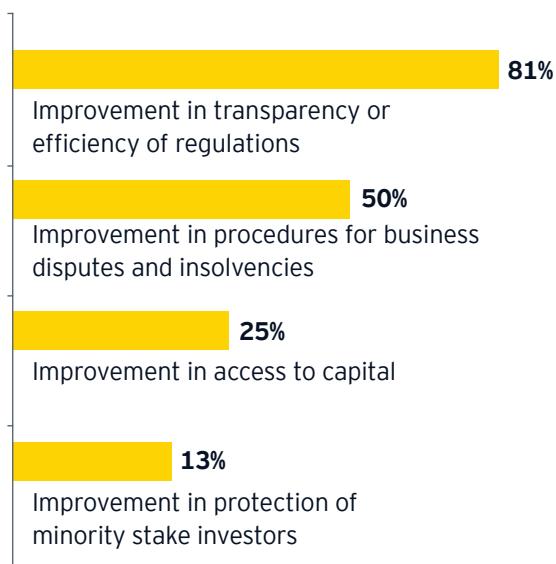


15% to 20% IRR

How would you describe your capital allocation strategy for the coming 12 months?



In your opinion, which of the following changes to the current investment landscape in Qatar would further promote Qatar as an investment destination?



With regards to the capital allocation strategy of investors, responses were mixed. Around 46% of interviewees indicated that their main priority for 2024 is to deleverage and reduce debts. Around 38% of interviewees indicated that they are actively seeking growth opportunities through organic investment projects or acquisitions. The remaining 15% indicated that they seek to maintain cash for unexpected challenges or future opportunities.

With regards to changes to the investment landscape that would further promote Qatar as an investment destination, 81% of interviewees have the opinion that improvements to the transparency or efficiency in the implementation of regulations are needed to improve the standing of Qatar as an investment destination. Some of the discussions refers to the ambiguity regarding the anticipated introduction of the value-added tax (VAT) tax in the country as an example.

Additionally, 50% of interviewees indicated that improvements to the procedures of the justice system would likely further promote Qatar as an investment destination, with some discussions referring to lengthy processes relating to resolving business disputes.



03 Views on issues of the day: AI

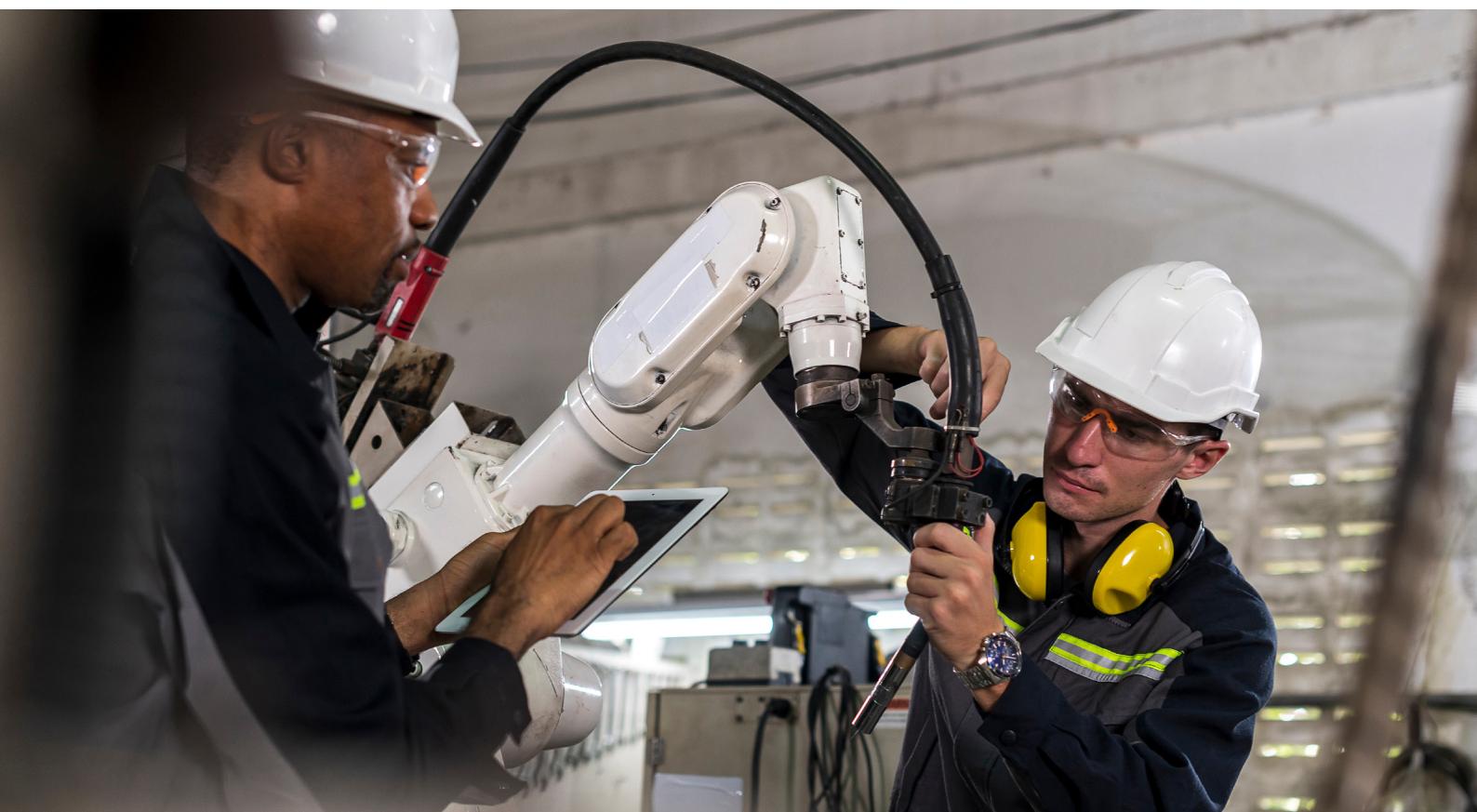
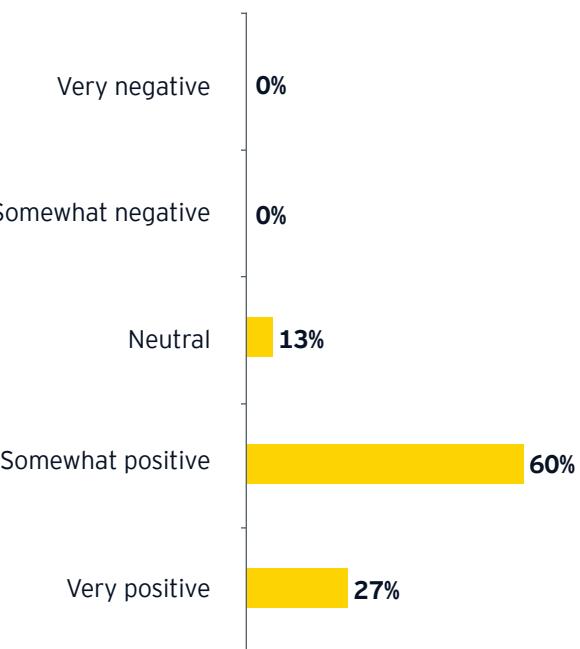
Views on issues of the day: AI

The past few years saw pivotal changes in the development of AI, mainly marked by significant breakthroughs and the excitement around the shift toward real-world implementation and applications.

The excitement in Qatar about the subject is clear from Qatar Airways' introduction of the world's first robotic flight attendant in a show in Dubai. Other significant breakthroughs include the recent announcement by the Qatar Investment Authority (QIA) about a venture capital fund of funds (FoF) that would invest US\$1b with the aim of supporting and investing in innovative local and regional startups in the tech sector, and the adoption of a national AI strategy that is aligned with QNV 2030. With these factors in mind, we asked our interviewees about their views on these developments.

The expectation that future developments in AI would positively impact the global community across all spectrums of society was held by 87% of interviewees.

What do you think will be the impact of AI developments on the global community?



Around 60% of interviewees expect that the anticipated disruptions from AI on the job market would be transient, and that the technology would not replace a significant portion of the human workforce. As per them, it would create new opportunities to replace the ones that get downsized or eliminated.

Around 72% of interviewees have either already invested in AI or associated technologies, or are planning to invest in the year ahead.



Do you think AI developments would create an oversupply in human labor force?



Yes, as AI replaces previously jobs, I believe there would be an oversupply in the market for labor.



No, the replacement of the human workforce will be counterbalanced by new job opportunities that the technology creates.

How would you describe your investment strategy toward AI and associated technologies?

36%

We have already invested in AI or associated technology

36%

We plan on investing in AI or associated technology in the next 12 months

28%

We are not currently planning on investing in AI or associated technologies

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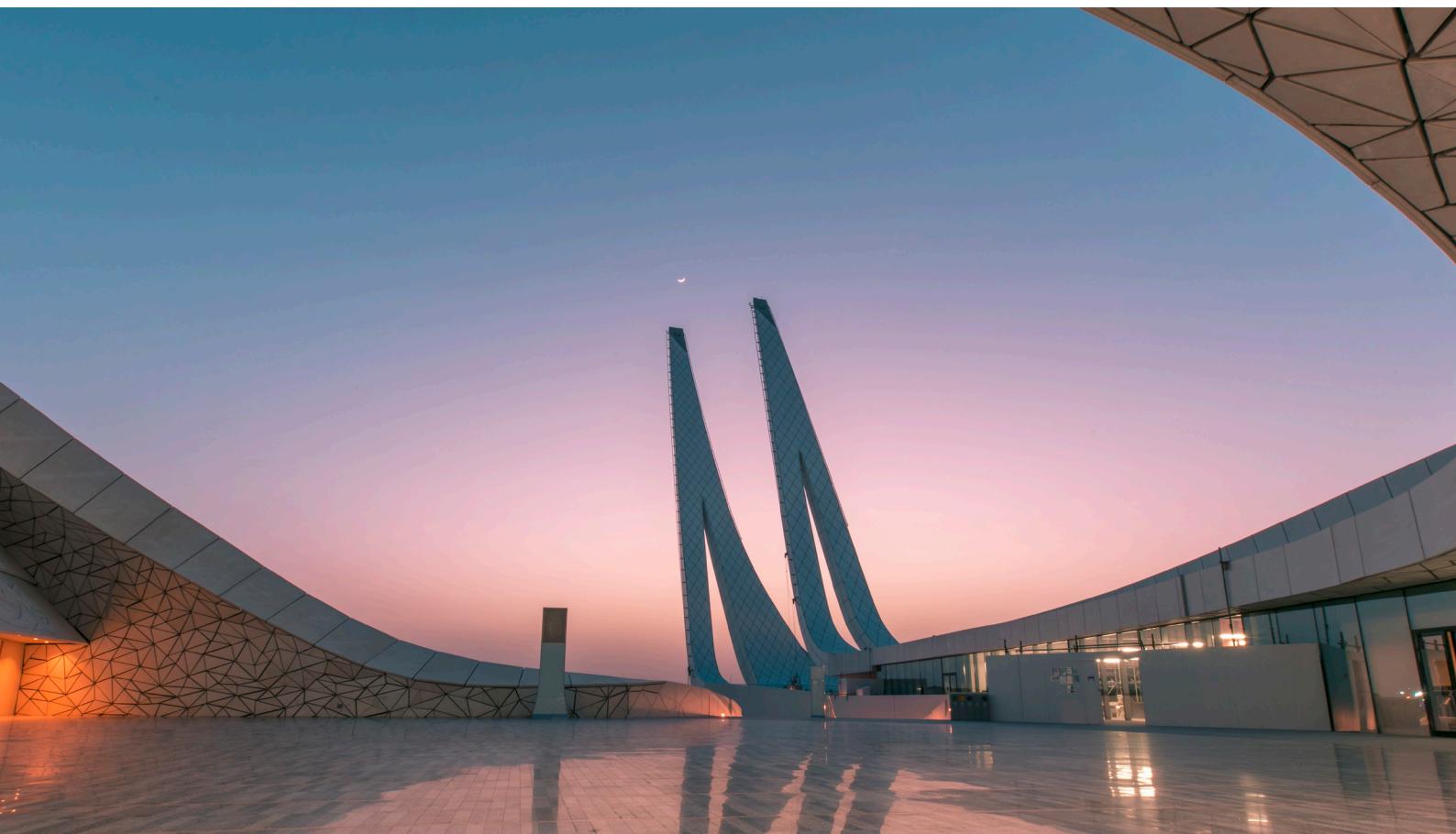
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