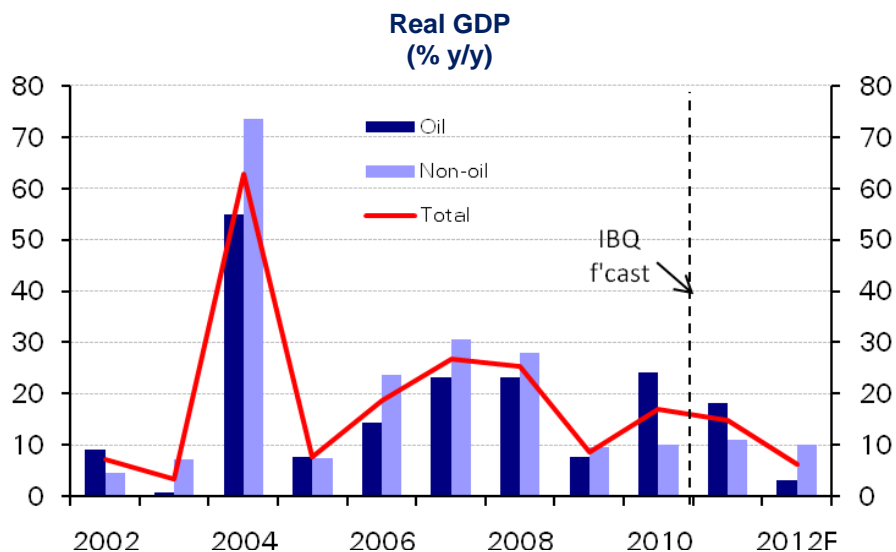


Qatar: Fast growth underpinned by strong government spending; healthy fiscal and external positions; moving out of deflation...

In IBQ's latest GCC Brief: Qatar is heading for another year of fast growth in 2011, underpinned by a final sizeable increase in LNG production, bringing total capacity to the targeted 77 million tonnes per year. From 2012 onwards, growth is set to slow as output from the hydrocarbon sector plateaus. The non-hydrocarbon sector will be targeted to provide the bulk of future growth through the recently unveiled National Development Strategy 2011-16. This will help achieve Qatar's long term goals under the National Vision 2030 and supply the investment needed to host the 2022 World Cup .

Qatar forecast summary:		2011f	2012f
Real GDP	%y/y	14.8	6.2
- Non-oil	%y/y	11.0	10.0
Inflation (yr avg)	%	4.0	6.5
Budget balance	% GDP	13.6	11.5

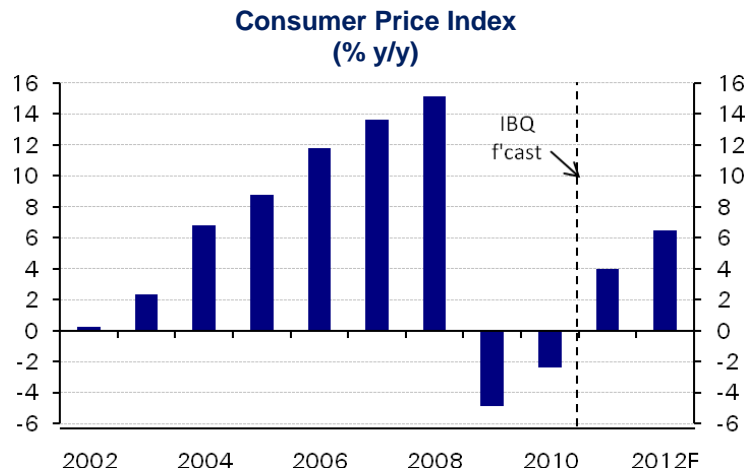
We expect real GDP to expand by 15% in 2011 and 6% in 2012, following estimated growth of 17% in 2010. We assume that real hydrocarbon sector output rises by 18% this year and 3% in 2012. Growth will be led by the gas sector, where output is expected to increase by 30% in 2011. This will be followed by a 4% increase in output in 2012 after which the moratorium on new gas projects takes effect and is due to last until at least 2014. Meanwhile, we expect oil production to remain broadly stable over the coming two years at 0.8 million barrels per day.



Source: Qatar Statistical Authority, IBQ forecast

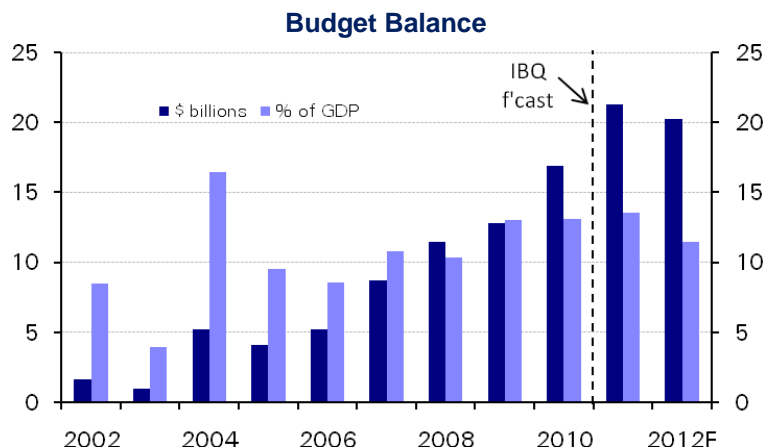
Growth in the non-oil sector will largely benefit from the government’s national development strategy that plans to spend \$125 billion over five years. Some \$65 billion of this is from direct government spending and the rest from government related entities. It will be used to upgrade and expand the country’s infrastructure, with the education, health, financial, housing, and transportation sectors set to be among the main beneficiaries. We expect real non-oil GDP growth of 11% in 2011 and 10% in 2012, compared to an average of 21% per year between 2001 and 2009 .

In 2009 and 2010, Qatar experienced deflation of 4% and 2.4%, respectively, largely due to falling housing rents. However, by the fourth quarter of 2010, the consumer price index (CPI) had started heading north again, boosted primarily by increasing food prices and transportation costs, and some easing in the downward pressure on housing rents. Broader conditions - strong economic growth, improving monetary conditions, rising food prices and a weak US dollar - look conducive to a further increase in prices through the rest of this year. We expect inflation to average 4.0% in 2011 and 6.5% in 2012.



Source: Qatar Statistical Authority, IBQ forecast

Buoyed by rising oil prices and increased revenue from rising LNG production, Qatar is expected to record sizeable budget surpluses of 14% of GDP in 2011 and 12% in 2012. Note that almost half of the planned development spending will not figure in the budget. Rising public expenditures will prompt more issuance of sovereign bonds, but Qatar’s overall sovereign debt remains at manageable levels. Meanwhile, the current account surplus is expected to improve this year and next as export prices and volumes pick up.



Source: Qatar Statistical Authority, IBQ forecast