

First Qatar Real Estate Development Company

QATAR ECONOMY & PROJECTS

Q3, 2018 | REPORT

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QATAR'S ECONOMY IS ACCELERATING

Qatar's economic performance remains resilient. Despite the blockade by some of its neighbours, the economy grew by 1.6% in 2017. Non-hydrocarbon GDP growth was a solid 3.8% in 2017. For this year, the economy is on course for an overall growth of 2.6% and non-hydrocarbon growth of 5.0%. Activity is expected to accelerate further in 2019 with GDP growth of 3.2% and non-hydrocarbon growth of 5.3%.

GDP growth is forecast to gain by a solid 2.6% in 2018 as the drag from the hydrocarbon sector abates and the non-hydrocarbon sector is supported by construction, agriculture, manufacturing, transportation and storage. Higher oil prices will allow for some positive multiplier effects on domestic demand and also support current account surpluses.

Reflecting recent strength, our oil price forecasts are revised up to USD72/b in 2018 and USD69/b in 2019 (previously USD69/b and USD66/b). Strong global demand and various supply disruptions will keep prices firm well into 2019 before slowing global GDP growth and continued increases in US shale supply damp prices somewhat.

On the hydrocarbon side of Qatar's real economy, a growth of 0.2% is anticipated, which would end four years of declines. The lifting of OPEC production cuts should modestly boost crude oil production, while the end of maintenance work and temporary shutdowns should start to spur a recovery in LNG output through the year. A further pick up of 0.7% in hydrocarbon output is then expected in 2019.

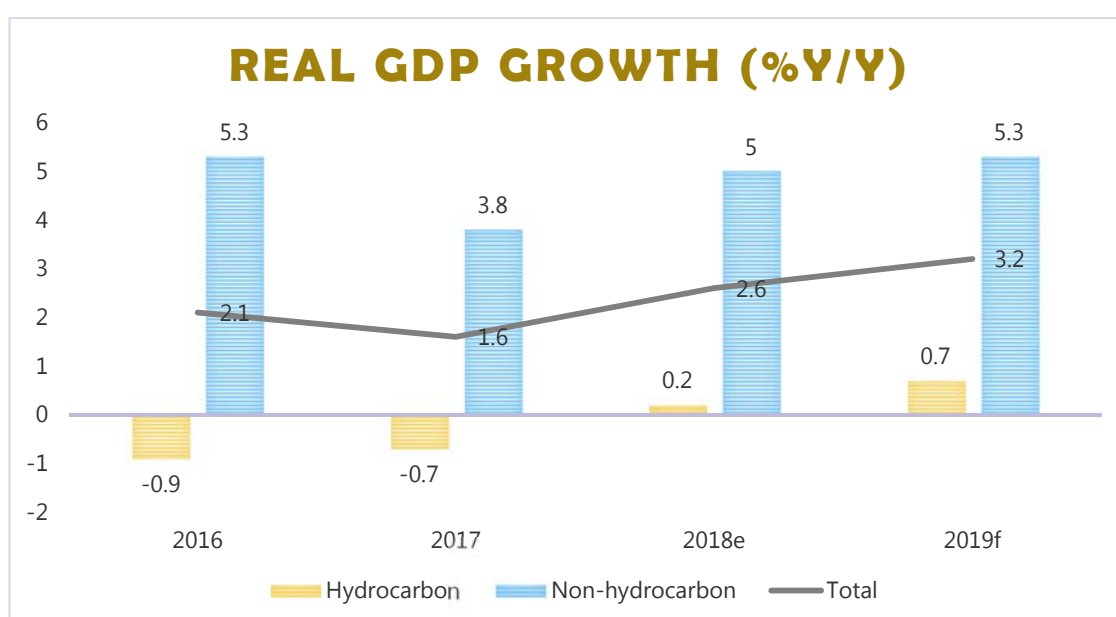
Total non-hydrocarbon GDP growth was a robust 4.9% y/y in 2018Q1, starting the year on a strong footing. Non-hydrocarbon GDP is expected to gain by 5.0% in 2018. For 2019 as a whole, we forecast non-hydrocarbon GDP growth of 5.3%.

Accounting for 21% of non-hydrocarbon output, construction activity was up 17.5% in 2017, supported by key infrastructure projects related to Qatar's Vision 2030 and also the 2022 World Cup. The construction sector's buoyancy has continued so far in 2018 with the latest data showing output up 17.2% y/y in the first quarter.

Growth in the manufacturing sector, which accounts for a further 19.5% of non-hydrocarbon GDP, recovered to 1% in 2017 as projects aimed at greater self-sufficiency and food security start to take effect. Their impact can be seen more clearly in recent quarters with manufacturing output growth up 3% y/y in 2018Q1.

Government policies to promote private-sector development are also lifting domestic demand. Agriculture (8.2% growth), manufacturing (3.2% growth), transportation and storage (3% growth) are expected to be the key beneficiaries with growth in these sectors expected to pick up further in 2019.

Continued population growth, with mid-year population expected to hit a record 2.81 million in 2018 then rising further to 2.89 million in 2019, will also work to spur additional domestic demand.



Source: MDPS, Haver Analytics, QNB Economics forecasts

External finances will be robust. The current account surplus should approach 9% of GDP in 2018: an improvement of around 4% of GDP in 2017 before subsiding to around 7% of GDP in 2019 as oil prices slip. Import growth is expected to remain moderate.

Helped by higher hydrocarbon prices, government finances are expected to steadily improve with the budget seen in broad balance in 2018 before a larger surplus emerges in 2019. The introduction of VAT in 2019 will lift revenues and help diversify the tax base.

Reflecting deflation in rental prices and slower food inflation, overall CPI inflation is expected to remain damped until the anticipated introduction of VAT boosts inflation in 2019. We target average CPI inflation of 0.5% in 2018, rising to 1.9% in 2019.

Qatar's banking system remains healthy with ample liquidity, high asset quality and strong capitalization. Deposit of 6.0% and loan growth of 5.0% is expected this year, which should result in some further decline in the loan-to-deposit ratio.

From 2019 onwards, the decision to increase LNG output by 30% by 2024 will increasingly drive Qatar's next development phase. The 30% increase will boost Qatar's LNG capacity from 77 million tonnes currently to 100 million tonnes by 2024. This increase in capacity will require substantial investments both onshore and offshore including the construction of three new LNG trains to process the gas. Beyond the direct impact on non-hydrocarbon GDP, this new investment phase, which should begin in earnest from 2020 onwards, will generate substantial multiplier effects on the wider economy, lifting demand for goods and services and driving the country's development in line with the Qatar National Vision 2030.

QATAR FUTURE MEGA PROJECTS (2018-2030)

Current construction projects and their demand for finishing materials and interior fit-out solutions exist across all types and scales in Qatar. There are however a variety of “mega projects” which are now progressing through their design and construction phases, with interior materials, furnishing and fit-out suppliers and products yet to be sourced. Examples of some of the astonishing projects underway in the run up to 2022 include:

LUSAIL CITY DEVELOPMENT PROJECT



Project budget: US\$45 billion

Overview: An all-new coastal city under construction north of Doha with an estimated population of 450,000, made up of 200,000 residents, 170,000 employees and over 80,000 visitors.

Features include:

- ✚ Covers 35 square km
- ✚ 19 distinctive commercial, retail, leisure, and entertainment districts
- ✚ 25,000 residential units housing 200,000 people
- ✚ Light rail network & underground metro link
- ✚ Blue-water lagoon with 2 marinas

MSHEIREB DOWNTOWN DOHA REGENERATION PROJECT



Project budget: US\$4.5 billion

Overview: The world's first fully sustainable downtown regeneration project, conserving yet modernizing the historical downtown of Doha in a mixed-use development.

Features include:

- ✚ Covers 31 hectares
- ✚ Features premier office space, retail, leisure facilities, townhouses, upscale apartments, hotels, museums, civic services, cultural and entertainment venues
- ✚ Cars and traditional services to be strategically placed underground in several basement levels, ensuring a pedestrian-friendly atmosphere
- ✚ The project will also be served by a dedicated tramway

FIFA WORLD CUP STADIUMS



Project budget: US\$8-10 billion

Overview: Construction and subsequent repurposing of sporting stadiums across the country in preparation for the 2022 football world cup.

Features include:

- ✚ 9 new state-of-the-art stadiums
- ✚ 7 city sites
- ✚ 3 renovated stadiums
- ✚ Zero-carbon emitting and climate controlled
- ✚ Regeneration / development of local facilities
- ✚ Total capacity of over 600,000 seats

ECONOMIC ZONES



Project budget: US\$3.2 billion

Overview: A three-part megaproject with a strategic focus on industrial-grade manufacturing, aviation and marine logistics and warehousing.

Features include:

- ✚ The three sites cover 27 square km
- ✚ Zone 1, Ras Bufontas is set to become an advanced technology and logistics hub, including service hubs, public spaces, land for labour accommodation, utilities access and versatile office and retail space
- ✚ Zone 2, Um Alhoul will be situated next to Hamad Port and facilitate access to the rest of the world via the sea
- ✚ Zone 3, Al Karana will become the overland gateway to GCC markets, including business incubator spaces, conference centres, storage facilities, an area for labour accommodation and a logistics zone

HAMAD INTERNATIONAL AIRPORT EXPANSION



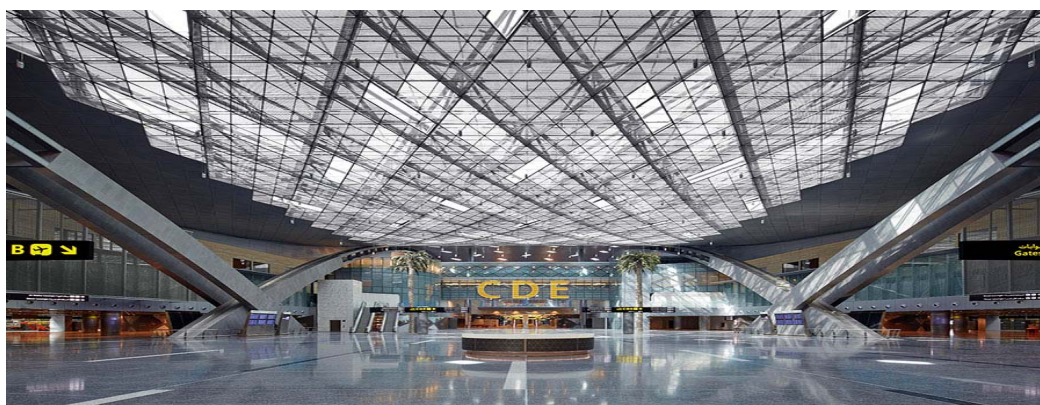
Project budget: US\$15.5 billion

Overview: An additional 400,000 square metre extension of the existing airport terminal.

Features include:

- ✚ A major expansion of airport facilities to bring existing capacity from 30m to 53m passengers annually
- ✚ New 1.3 kilometre concourse with a width of 60 metres
- ✚ 64 new check in counters
- ✚ 18,000 sq m of retail and food and beverage space

DOHA METRO PROJECT



Project budget: US\$36 billion

Overview: A comprehensive rail network in the Greater Doha area.

Features include:

- ✚ Entirely new rail network
- ✚ 95 distinct & individually themed stations
- ✚ An approx. overall length of 300 km

NEW PORT PROJECT











Project budget: US\$7.4 billion

Overview: One of the world's largest ever Greenfield port projects, spanning 26.5 square km.

Features include:

- ✚ Expected to become one of the largest multipurpose ports in the GCC
- ✚ Features a cargo terminal with capacity for 1.7m tonnes of general goods, 1m tonnes of food grains and 500,000 vehicles
- ✚ Designed to handle 6m containers annually
- ✚ Includes a new base for the Qatar Emiri Naval Forces and Qatar Economic Zone 3 (QEZ3), a self-contained development with industrial and residential facilities

SOURCE & REFERENCE

-  QNB Economic forecast
-  Havers Analytics
-  Qatar Central Bank
-  Ministry of Development Planning and Statistics
-  Economic Intelligence Unit
-  The Peninsula
-  MEED
-  J P Morgan Research



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