

Qatar Investment Outlook Pulse 2022







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Qatar Investment Outlook Pulse

The past two years have been turbulent and challenging globally, from both economic and social perspectives. Qatar has also faced challenges but has shown resilience and resolutely navigated unique as well as challenging regional and global events.

On the social and public health front, Qatar brought the COVID-19 pandemic under control through an efficient and agile vaccination program.

On the economic front, Qatar maintained balanced growth rates of its GDP in 2021 and 2022. This was achieved through the economic policies adopted in line with the Qatar National Vision 2030 to develop a diversified and competitive knowledge-based economy.

Recent initiatives and mega projects such as the development of Hamad Port Qatar Free Zones Authority (QFZA), the significant expansion of Hamad International Airport, the establishment of the Investment Promotion Agency, and the development of Media City as well as Doha Metro are a few such examples of strategic initiatives and projects that bolstered the resilience of the Qatari economy and aided in its sustained growth.

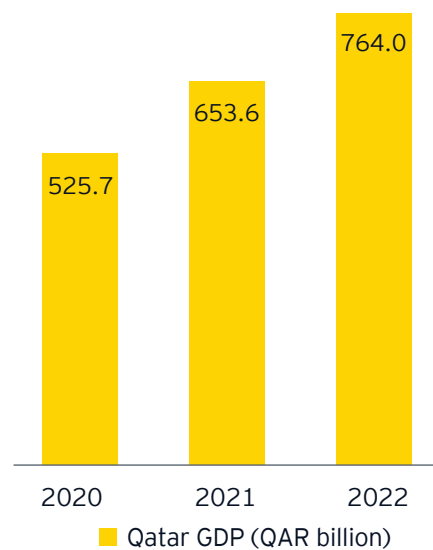
Looking ahead, Qatar's economy holds promise of many more opportunities.

Qatar is soon to be on the world stage with the long-awaited prestigious football tournament, the recently announced

North Field South (NFS) expansion underway, a new global sporting event on the horizon with the recent award of the 2030 Asian Games, and the strategic national goal of diversifying the economy away from hydrocarbons.

All these considerations have drawn the attention of foreign investors and resulted in positioning Qatar as an investment destination of choice.

Qatar GDP (QAR billion)



GDP growth

FY21 **24.3%**

FY22 **16.9%**

Source: Oxford Economics

fDi Markets data from 2016 to 2022 shows that foreign direct investments (FDIs) in Qatar have exhibited a significant compounded annual growth rate (CAGR) of 32% in projects, 28% in jobs and 19% in capex. Leading global businesses including Google, DB Schenker, Volkswagen, DHL and UPS choosing Qatar as their business hub exemplify the achievement of the country in enhancing its position as a key business destination in the region.

As we turn our gaze toward the future of the Qatari economy, EY Consulting LLC is proud to leverage its network

to provide you with thought-provoking insights about the economic and investment outlook of executive decision makers in some of the leading businesses in Qatar.

This report aims to provide insights into investment and economic sentiments in Qatar.

This publication is based on extensive one-on-one discussions we have had, from Q4 2021 to Q1 2022, with executive decision-makers across the largest businesses in Qatar.

82%

Expect the growth of the Qatari economy to meet or outperform economic forecasts

60%

Indicated their investments were profitable during the peak of the COVID-19 pandemic

91%

Expect their investment returns of the upcoming year to surpass those of the previous year

82%

Expect improvements in the perception of Qatar as a global tourism hub post the most-awaited football event



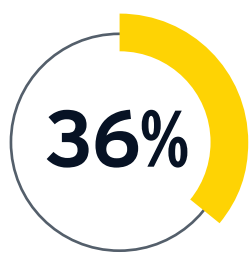


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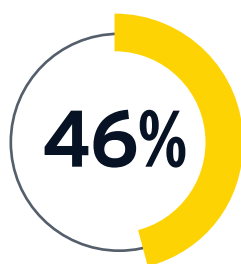
Economic outlook

Economic outlook

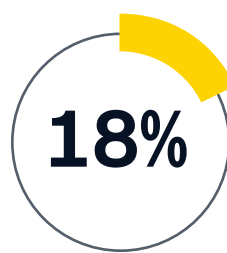
Economists* forecast that the Qatari GDP will grow between 4% and 6% over the coming five years. How do you expect the economy to perform relative to these forecasts?



Outperform forecasts



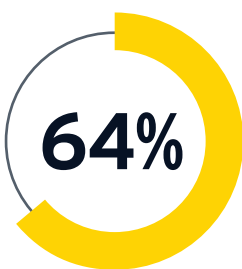
Perform as expected



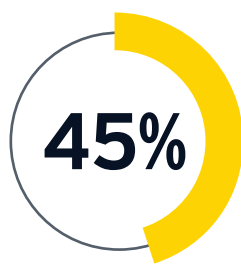
Underperform forecasts

Which sectors will outperform or underperform relative to the growth of the general economy over the coming five years?

Bullish sentiments

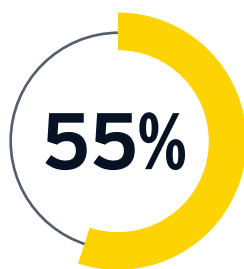


Oil and gas



Consumer services**

Bearish sentiments



Construction

Interviewed executives were overall bullish, with around 82% expecting the economic growth of the coming five years to meet or exceed forecasts.

Oil and gas and consumer services had the highest bullish sentiments, with respectively 64% and 45% of interviewees expecting the sectors to outgrow the general economy over the next five years.

Around 55% of interviewees had bearish sentiments relating to the growth of construction sector, especially since most mega projects will be either complete or nearly complete in the coming months.

New mega projects however, such as the postponed Sharq Crossing, the planned airport expansion and the development of the Lusail City project, may help alleviate some of the worries surrounding the sector's prospects.

82%
expect the economic growth of the coming five years to meet or exceed forecasts.

* Economists referred to herein include the International Monetary Fund and Oxford Economics

** The consumer services referred to herein includes retail and F&B activities

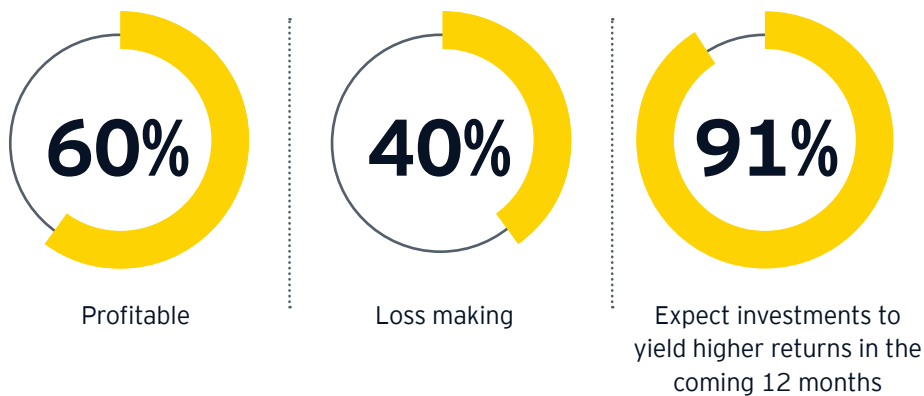


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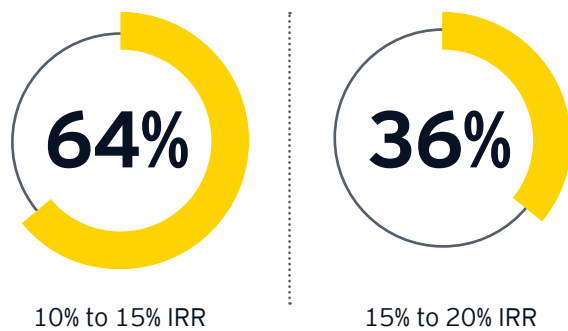
Investment sentiment

Investment sentiment

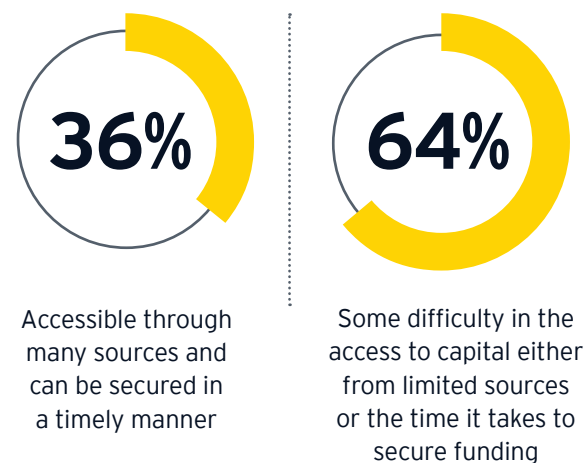
How did your investments perform over the past 12 months? How do you expect your investments to perform in the upcoming year relative to the previous year's performance?



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



How easy is it to access capital in Qatar?



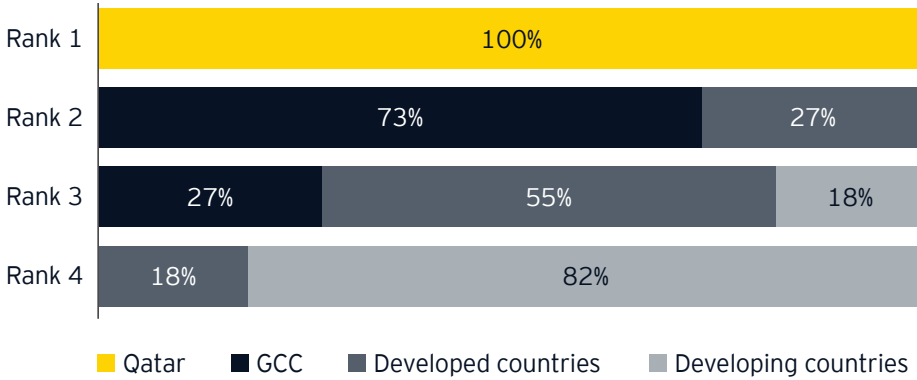
Nearly 60% of interviewed executives indicated that their investments have managed to yield positive returns in the past 12 months (Q3/ Q4 2020 to Q3/Q4 2021), through a period which still had many imposed restrictions from the COVID-19 pandemic, indicating business and consumer activities in the country were largely resilient.

Interviewed executives were highly optimistic regarding investment performance over the coming 12 months, with 91% indicating that they expect their investment performance to improve relative to the previous year's performance.

Around 64% of interviewed executives indicated some difficulties in access to capital. However, some recent initiatives indicate that regulators are taking steps to improve capital accessibility, examples of such initiatives include the recent launch of the Qatar Venture Market, aimed at increasing access to capital to SMEs, as well as the launch of the Qatar Fintech Hub as part of a wider strategy to improve innovation and access to capital within the Qatari economy.

91% indicated that they expect their investment performance to improve relative to the previous year's performance.

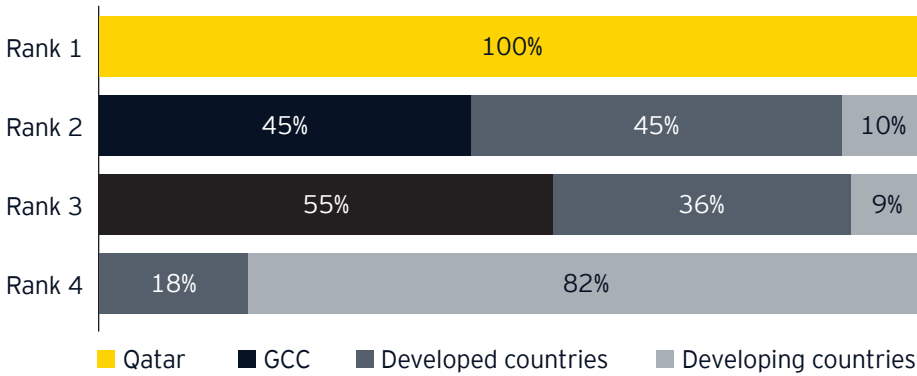
What were your historical preferences in terms of investment destinations?



All interviewed executives indicated that Qatar was and will remain the highest priority investment destination in their capital deployment strategy.

Some of the interviewed executives indicated a shift toward geographic diversification outside of the GCC region, with the share of executives indicating that the second-highest priority destinations are within the GCC dropping from 73% to 45% in favor of developed and developing countries, respectively, when comparing historical versus future capital deployment preferences.

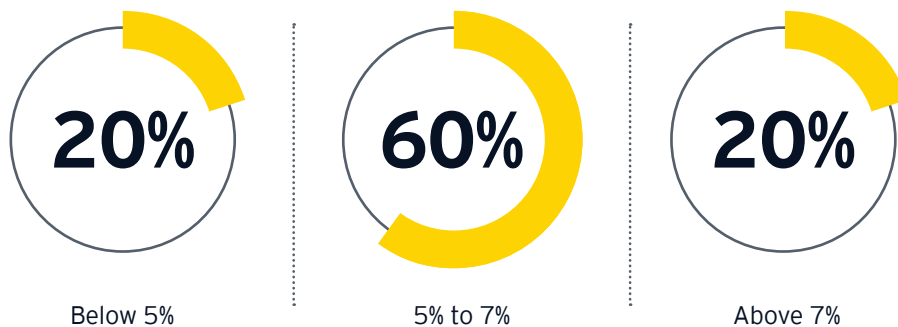
What are your current and future preferences?



Around 60% of interviewed executives indicated that an equity market risk premium ranging from 5% to 7% is the most reasonable for equity investments in Qatar.

During discussions, a number of interviewed executives highlighted that additional improvements in the regulatory processes can provide further support in promoting Qatar as an investment destination.

What is a reasonable equity market risk premium in Qatar?



Recent developments indicate that the government has taken some steps to improve the regulatory frameworks and processes, evident from the recent development of the single window platform for business formation, as well as the recent introduction of the public private partnership (PPP) law . Additionally, more developments in this area are expected as the government continues progressing toward digitizing its processes.





03

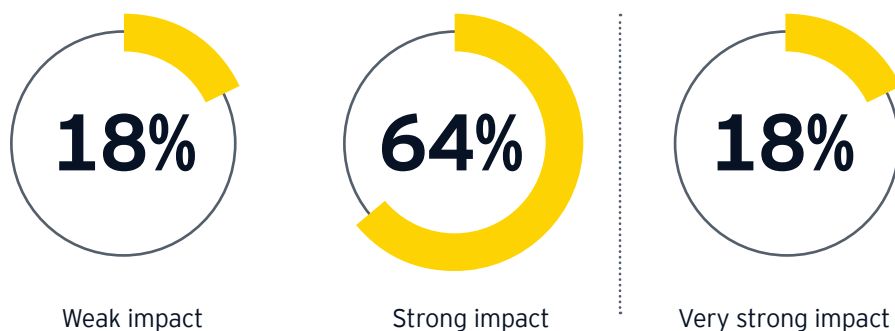
The prestigious
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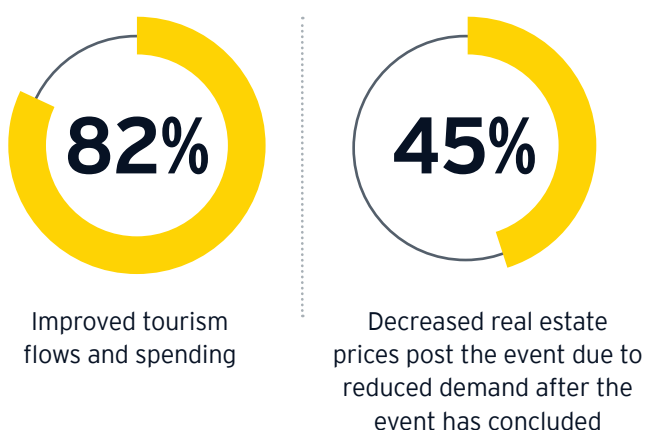
Did you invest in any specific projects to capitalize on the distinguished football tournament opportunity? In which sector did you invest?



How much of an impact would hosting the prestigious football event make in shifting the global perception of Qatar into a global tourism hub?



What are the most likely future impacts of hosting the awaited football event?



Around 55% of interviewed executives indicated that they have invested in projects specifically to capitalize on the opportunities presented by the major sports event of 2022. Half of these investments went into tourism, hospitality and real estate.

Nearly 82% of interviewed executives believe that hosting the distinguished sports event would make a “strong” to a “very strong” impact in shifting the global perception of Qatar as a global tourism hub. Ultimately resulting in improved tourism flows and spending.

In terms of near-future impacts post the event, 45% of interviewed executives believe that real estate prices will decrease due to decreased demand and the level of real estate supply available in the market. It is worth noting that if this correction takes place, it may present opportunities for other sectors to capitalize on lower rents and potentially cheaper labor when accommodation allowances follow suit.

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