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Statement by Mr. Deif on Qatar  
Executive Board Meeting 76/2  
January 14, 1976

I wish to thank the staff for their excellent reports before us for the 1975 Article VIII consultation with Qatar and the paper on the change in Qatar's exchange system (SM/75/300, SM/76/2 and EBS/76/9). The reports assemble the available information on the economy of Qatar and present a comprehensive analysis of the country's recent economic developments and near-term prospects.

The sharp increase in the financial resources of Qatar since 1973 has resulted in an acceleration of investment activity, continued expansion of government services and social programs, and growing financial assistance to various Arab and Islamic countries. The overall balance of payments was in substantial surplus in 1974 and is expected to record another large surplus in 1975. Present indications, however, are for the surplus in 1975 to be about half that in the preceding year owing to reduced earnings from oil exports, a more than doubling of imports, and larger transfers and capital flows. It is noteworthy that in 1974 more than 12 per cent of the Qatari Government's oil revenue was used in providing loans and grants to other countries and this assistance is expected to absorb about 28 per cent of the oil revenues in 1975.

Oil production and exports in Qatar declined very sharply between January and September of 1975 following disagreements between the Government and its foreign partners in the two operating oil companies regarding adjustments in the prices of Qatari crudes in the face of weakening market demand. Although production picked up in October after a new set of prices was agreed upon, the full year's production is expected to be about 17 per cent below the 1974 level. Meantime, the Government's budget revenues in 1975 are expected to turn out lower than in 1974, reflecting thereby the combined effects of the decline of production and the increased per barrel revenue. The authorities intend to stabilize production during 1976 at 480,000 barrels per day thus implying an increase of 12 per cent relative to 1975.

The authorities have been striving to build up the infrastructure, emphasizing the transportation system, facilities for the generation and transmission of power, water desalinization plants, and new housing. Moreover, a number of government-sponsored industrial projects were launched in 1975 as part of the continued effort to diversify the economy. The outlays on these activities as well as the increased outlays for other government services and domestic transfer payments, and the boom in private sector economic activity, have strained supply capabilities and strong inflationary pressures developed in both 1974 and 1975. The authorities have tried to alleviate these pressures through a number of measures including cost of living adjustments, subsidies and direct importation of essential food items, appreciation of the Qatar riyal relative to other currencies, expansion

of port handling facilities, and arrangements to facilitate the inflow of foreign workers. As pointed out by the staff, the application of demand management policies, however, is hampered by the absence of an effectively functioning central bank and by shortages of senior staff in the public sector. The authorities are taking measures to augment the staff of the Qatar Monetary Agency so as to enable it (the Agency) to expand its operations. In this connection, they are seeking assistance from the Central Banking Service.

In the international sphere, the Qatari authorities are pursuing liberal and enlightened policies. The trade and exchange system is virtually free of restrictions, and tariffs are low. The authorities' policy as regards foreign reserves has been one of asset diversification, the spreading of exchange risks, and the avoidance of disruptions to international financial markets.