

SUR/09/8

January 22, 2009

**The Acting Chair's Summing Up
Qatar—2008 Article IV Consultation
Executive Board Meeting 09/6
January 21, 2009**

Executive Directors agreed with the thrust of the staff appraisal. They commended the Qatari authorities for the impressive macroeconomic performance in recent years, which has strengthened the economy's resilience to the current global financial crisis and economic downturn. They noted that prudent macroeconomic policies have contributed to booming investment and exports, resulting in double-digit growth in both the hydrocarbon and non-hydrocarbon sectors and in sizeable external and fiscal surpluses, which leave Qatar's economy well placed to withstand shocks.

Directors considered the medium-term outlook favorable, and noted that the key challenges facing the authorities are to lower Qatar's high rate of inflation, continue to shield the economy from the global financial crisis, ensure that rapid credit growth does not undermine bank soundness, and diversify the economy to reduce the dependence on hydrocarbon production and exports. They welcomed the authorities' continued commitment to sound macroeconomic management to achieve these objectives. Directors agreed with the assessment that inflationary pressures should ease gradually because of lower food and raw material prices and an increase in the supply of residential and commercial properties. They encouraged the authorities to avoid the distortionary effects of price and rent controls, noting that these measures should at best be temporary.

Directors welcomed the authorities' intention to moderate fiscal expansion and broaden the non-oil revenue base over the medium term. They supported the emphasis on building capacity in infrastructure and, easing supply bottlenecks, while containing government current expenditure to reduce inflation. Directors agreed that, should the global crisis persist or external financing difficulties arise, a temporary increase in government investment spending would be warranted to support demand without undermining the effort to contain inflation.

Directors noted that Qatar's banking system is well-capitalized, liquid, and profitable. They welcomed the central bank's proactive stance to maintain confidence in the financial system and encouraged the authorities to continue to monitor closely financial sector developments, implement international standards against money laundering and terrorism financing, and upgrade financial sector surveillance capabilities. Directors supported the central bank's use of stress testing of financial institutions and endorsed the development of an early warning system to identify financial sector vulnerabilities. They also welcomed the consultation between the central bank and the government on the issuance of government bonds to improve liquidity forecasting and debt management.

Directors welcomed the progress made so far in establishing a unified regulator for financial services. They agreed on implementing the unified regulator gradually, preferably after proposals for improving the international financial regulatory framework have been agreed upon. In the interim, coordination should be enhanced among existing regulators and further improvements to the regulatory framework should be continued.

Directors agreed that the peg to the U.S. dollar continues to provide a credible anchor for monetary policy and maintain external stability. They noted the staff's finding that the level of the Qatari riyal appears to be in line with economic fundamentals. They welcomed the authorities' commitment to the GCC Monetary Union, and the decision to launch the Monetary Council by the end of 2009.

Directors commended the establishment of the Qatar Statistics Authority. They urged the authorities to continue improving the quality of economic statistics, particularly data on national income, the balance of payments, and the international investment position.

The next Article IV consultation with Qatar is expected to be held on the standard 12-month cycle.