

# BEST'S COUNTRY RISK REPORT

## Qatar CRT-3

August 22, 2018

**Region:** Middle East & North Africa

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Qatar is a CRT-3 country, with a low level of economic risk and moderate levels of political and financial system risk. Its economic and political prospects could be hampered by the decision by many Gulf nations to cut trade links with the country. The embargo started in 2017 and continues.
- Despite the boycott, GDP grew 2.1% in 2017. Economic growth is expected to range between 2.5% and 3.0% over the medium term.
- The map depicts countries in the region that A.M. Best evaluates for country risk. The region contains countries with risk levels ranging from CRT-3 to CRT-5.



Economic Risk



Political Risk



Financial System Risk

- Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2) Low Level of Country Risk
- Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4) High Level of Country Risk
- Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

## Regional Summary: Middle East & North Africa

- Higher global interest rates, particularly if interest rates increase faster than expected, raise the potential for greater fiscal vulnerabilities and tighter credit conditions. According to the IMF, debt in the region has increased an average of 10% of GDP each year since 2013, owing to countries financing large fiscal deficits through increased borrowing and draw downs of fiscal buffers.
- Economic growth for the region is estimated to increase in 2018 on strengthening global growth, a moderate rise in oil prices, easing fiscal adjustment, reforms to promote non-oil sector growth, and growing infrastructure investment.
- Fiscal consolidation and revenue generating programs implemented over the last few years continue, albeit at a slower pace. Revenue measures include the introduction of a value-added tax (January 2018) in Saudi Arabia and the United Arab Emirates, with other countries likely to implement similar measures by the end of the year. Improving the efficiency of public spending (via a bill that lowers the government wage bill, for example) on the expenditure side is also a priority.

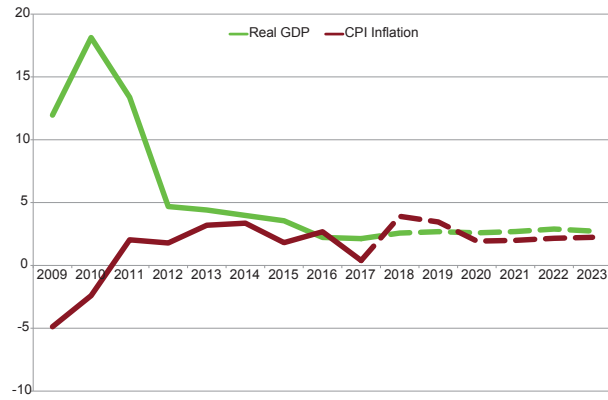
Vital Statistics 2017		
Nominal GDP	USD bn	166.33
Population	mil	2.7
GDP Per Capita	USD	60,804
Real GDP Growth	%	2.1
Inflation Rate	%	0.4
United Nations Estimates		
Literacy Rate	%	97.3
Urbanization	%	99.4
Dependency Ratio	%	17.5
Life Expectancy	Years	78.9
Median Age	Years	33.2
Insurance Statistics - As of 2016		
Insurance Regulator	The Qatar Financial Center Regulatory Authority	
Premiums Written (Life)	USD mil	47
Premiums Written (Non-Life)	USD mil	2,889
Premiums Growth (2016 - 2017)	%	n.a.
Regional Comparison		
	Country Risk Tier	
Qatar	CRT-3	
Bahrain	CRT-4	
Kuwait	CRT-3	
Oman	CRT-4	
Saudi Arabia	CRT-3	
United Arab Emirates	CRT-3	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



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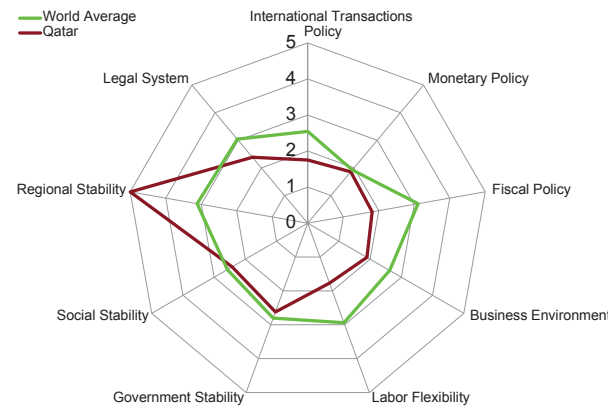
### Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

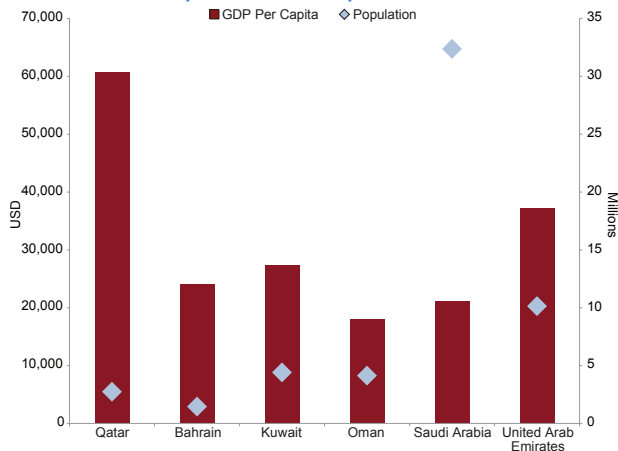
### Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

### GDP Per Capita and Population



Source: IMF and A.M. Best

### Economic Risk: Low

- Qatar's economy relies heavily on the oil and natural gas sectors, which account for around 90% of government revenue. To lessen its exposure to volatile commodity prices and global demand, Qatar hopes to diversify its economy and is strengthening a number of sectors including manufacturing, financial services, and construction.
- Qatar has significant reserves of natural gas—its natural gas reserves are the third-highest in the world, after Iran and Russia—and is the world's largest exporter of liquefied natural gas (LNG).
- Government spending on infrastructure (roads, stadiums, and hotels) has helped spur economic growth. Qatar is hosting the 2022 World Cup.
- In response to the embargo, Qatar has established new trade routes, to access needed imports. However, prices have increased owing to the embargo, and inflation is expected to rise to 3.9% in 2018. Inflation in 2017 was 0.4%.

### Political Risk: Moderate

- The country has an absolute monarchy, whose ruler is Sheikh Tamim bin Hamad Al Thani. He came to power following his father's abdication in 2013. All powers are vested in the amir, with the cabinet responsible for the administration.
- In June 2017, a group of countries—the United Arab Emirates, Saudi Arabia, Bahrain, Egypt, and Libya—moved to cut trade links (the country imports virtually all basic goods) and diplomatic ties with Qatar. Although the short-term effects of the move have been muted, its long-term effects are uncertain.
- Qatar ranks 83 out of 190 countries in the World Bank's Ease of Doing Business Survey. Qatar suffers from excessive bureaucracy and cronyism.
- The country has a significant sovereign wealth fund, the Qatar Investment Authority, and is better positioned than most Gulf Cooperation Council countries, owing to a significant amount of state assets and a relatively low fiscal break-even price on oil.

### Financial System Risk: Moderate

- The Qatar Financial Centre Regulatory Authority regulates and supervises the insurance industry and the entire Qatar Financial Centre.
- The IMF has recommended strengthening the monetary policy framework and expanding the domestic financial markets, particularly the domestic debt market.
- Non-performing loans are low, at 1.5% of gross loans.
- The Qatari riyal is pegged to the US dollar and has provided price stability in the face of oil price volatility. Monetary policy, however, is limited owing to the exchange rate peg. Tightening monetary conditions could raise borrowing costs and pressure asset quality.