



وزارة التخطيط التنموي والإحصاء  
Ministry of Development Planning and Statistics

# Business Confidence Index in the State of Qatar Q4 2015

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December 2015

**Development Indicators Series**

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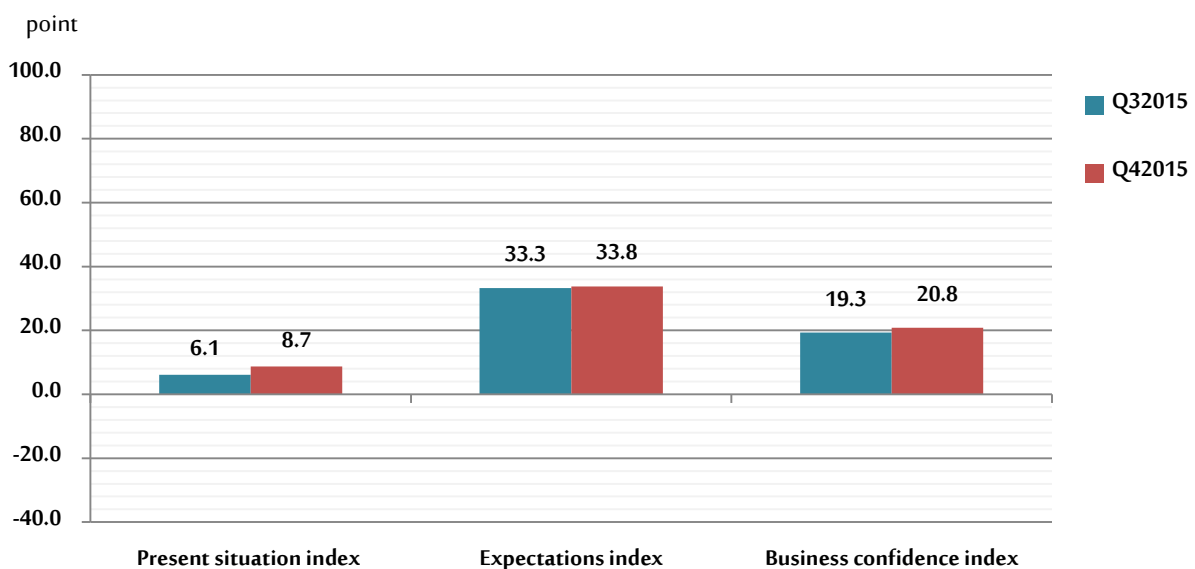
**Doha – December 2015:** The business confidence index increased during the 4th quarter of 2015 compared to the 3rd quarter of the same year. It accounted for (20.8) and (19.3) points respectively due to the rise in optimism levels of enterprises operating in the sector of construction, and sector of services . The Index shows the continuous optimistic outlook over Qatar's economy as it outpaces the neutral level (0) when positive and negative opinions are equal as shown in Graph (1).



Such optimism mirrors continued good performance of Qatar's economy despite the decline in oil prices. This fact asserts the findings of the 2015-2016 report of the Global Competitiveness Index, unveiled on September 30, 2015, and in which Qatar was ranked first among Arab countries and 14th internationally. According to the report, Qatar's leading position at regional level was due to its stable economic environment, propped up by general budget's colossal surpluses, and decrease of government debt owing to the energy exports' high revenues.

**Graph (1)**

**Business Confidence Index in the State of Qatar – Q3 and Q4 of 2015**

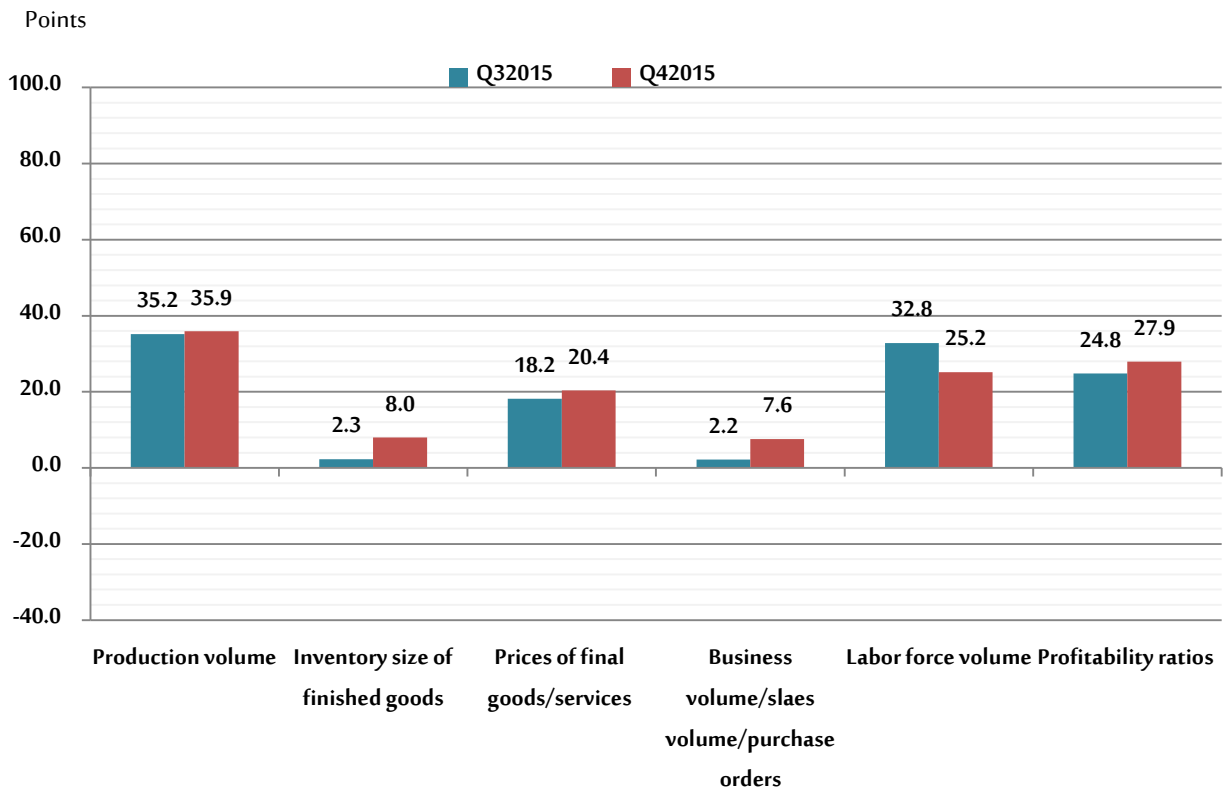


The survey results indicate a slight rise in optimism of economic enterprises operating in Qatar over the future expectations index compared to the current situation index, which attained (0.5) and (2.6) points respectively.

Such results reflect a greater sense that the economy of the State of Qatar may be affected by global economic events, especially amid ongoing decline in oil prices. However, the rise in levels of optimism about the current situation reflects enterprises' understanding of continuous good performance of the economy of Qatar in 2015, thanks to government investment spending.

The sample of respondents from the business community show their optimism during Q4 of 2015 over the production volume, available job opportunities, enterprises' profitability ratios, prices of their final goods and services, and improved demand for sales in general and finished goods, compared to Q3 2015 as shown in Graph (2).

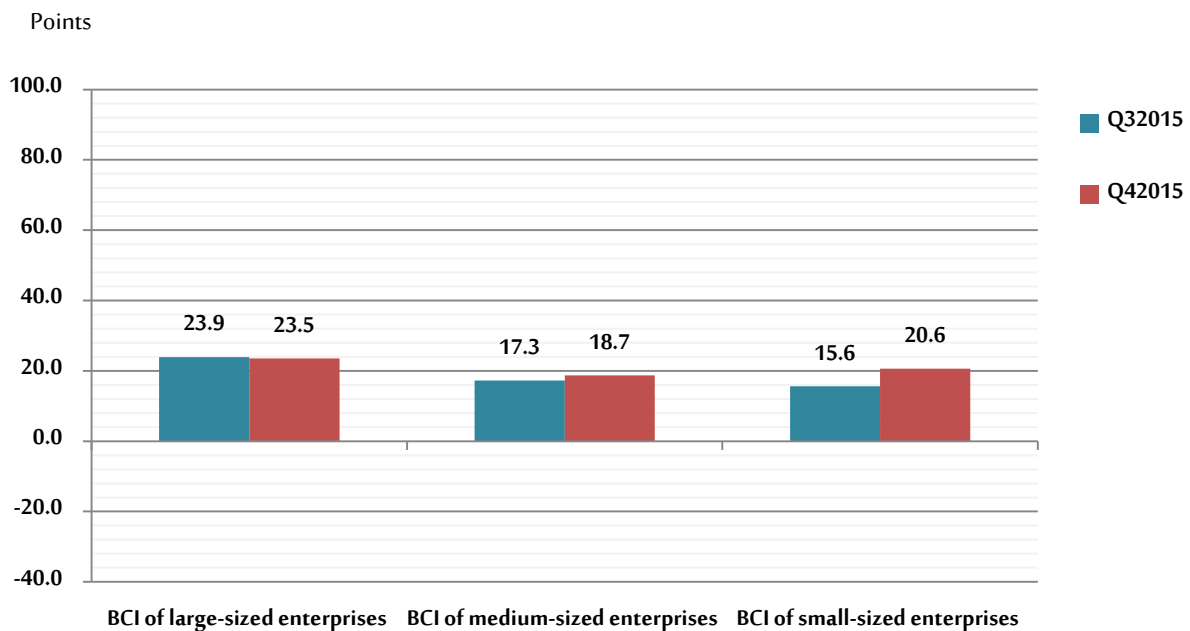
**Graph (2)**  
**Sub-indices of the Status of Enterprises Operating in Qatar – Q3 and Q4 of 2015**



Small -sized enterprises are ranked first in expressing optimism about Qatar's economic conditions, followed by large -sized enterprises, and medium-sized enterprises. We noticed an increasing optimism levels of enterprises operating in the activities of construction and services during the 4th quarter which affected optimism levels of small-sized enterprises. Graph (3).

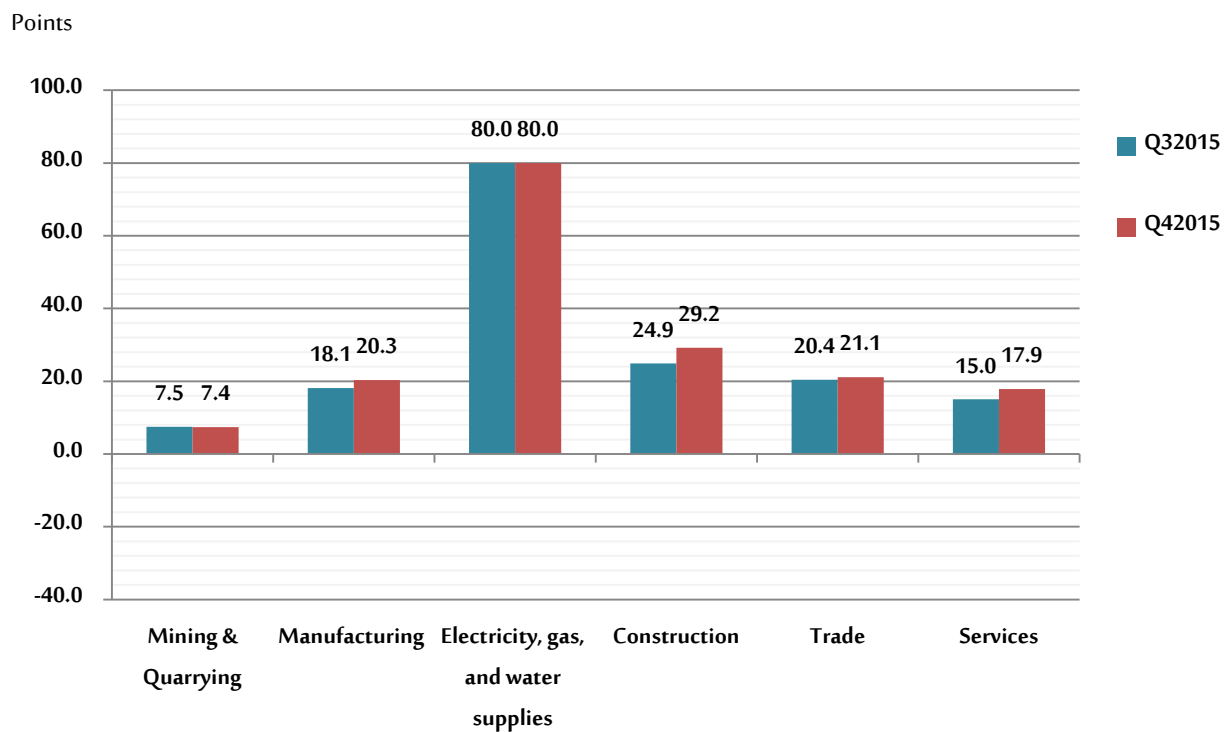
The results show a slump in labor force size in all economic enterprises either medium, small, or large-sized. The largest slump was that of the large-sized enterprises. Labor force size decreased in the large, medium, and small-sized enterprises by around (-8.7), and (-5.1), and (-2.7) points respectively in Q4 2015. Results also indicate a decline in the profitability ratios of small and medium-sized enterprises.

**Graph (3)**  
**Qatar's Business Confidence Index by Enterprise Size – Q3 and Q4 of 2015**



As for BCI by activity, the results indicate that enterprises engaged in "electricity, gas and water supplies" are the most optimistic over the country's economic conditions in general and the status of their own businesses in particular. In second place came "construction", followed by enterprises operating in "trade" activity, and then "manufacturing", whereas enterprises engaging in "mining and quarrying" activities showed a tiny decrease by (0.1) point with a general index value amounting to (7.4) points compared to (7.5) points in Q3 2015. Graph (4).

**Graph (4)**  
**Qatar's Business Confidence Index by Economic Activity – Q3 and Q4 of 2015**



The results indicate the stability of optimism levels within enterprises engaged in "electricity, gas and water supplies". Its index remained unchanged at (80) points which reflected that this activity was not affected according to the respondents' viewpoints. Further, optimism levels went up to (29.2) points for the enterprises engaged in "construction", an increase of (4.3) points vis-à-vis Q3 2015. Levels of optimism for enterprises engaged in "services" also increased by (2.9) points.

### **Economic Enterprises and Bank Financing:**

Survey results reveal that about (83.3%) of economic enterprises did not receive bank financing in Q4 2015 compared to (81.4%) in Q3 of the same year. This is due to a variety of reasons topped by the fact that around (88.3%) of enterprises had sufficient internal balances, and therefore did not receive bank financing in Q4 2015 compared to (85.5%) in Q3 2015. It is consequently a sign reflecting the financial stability of such enterprises, and increase of their financial capacity. The second reason lies in the fact that enterprises consider bank financing as extra financial commitments and burdens that may overload the establishment according to (8.8%) of enterprises, compared to (9.2%) in Q3 2015. (Table 1).

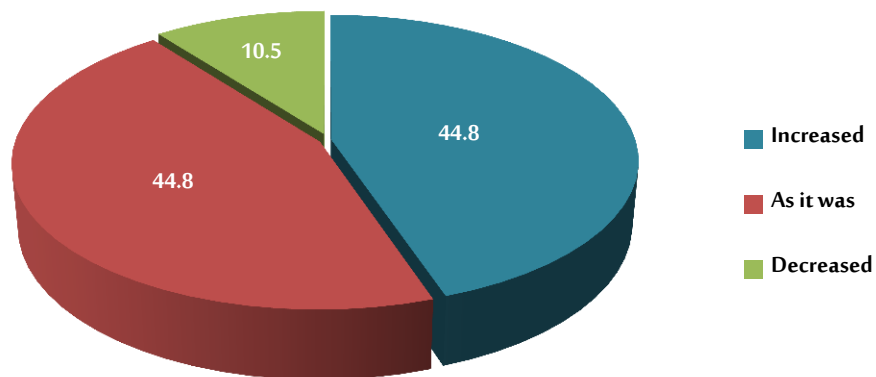
**Table 1**  
**Enterprises' reasons not to seek bank financing in Q4 2015**

Reasons	Number of enterprises	Percentage of total number of Enterprises that did not use bank financing
Sufficient internal balances	461	% 88.3
Considering bank financing as an extra burden / commitment	46	% 8.8
Enterprise's financial position does not allow it to borrow from banks	16	% 3.1
Banks do not lend companies operating in such sector / industry	12	% 2.3
Inability to pay fees	11	% 2.1
Others	5	% 1.0

On one hand, such results indicate the stability of the situation of economic enterprises and their ability to resist the financial burdens and to cover their commitments without resorting to borrowing.

On the other hand, about (16.7%) of economic enterprises received bank financing in Q4 2015 compared to about (18.6%) in Q3 2015. When asked, (44.8%) of such enterprises reported that the cost of financing remained unchanged, whereas (44.8%) said that the cost of financing rose in Q4 2015 compared to (43.6%) and (47.0%) in Q3 2015 respectively. Graph (5).

**Graph (5)**  
**Enterprises Assessment of Finance Cost in Q4 2015**



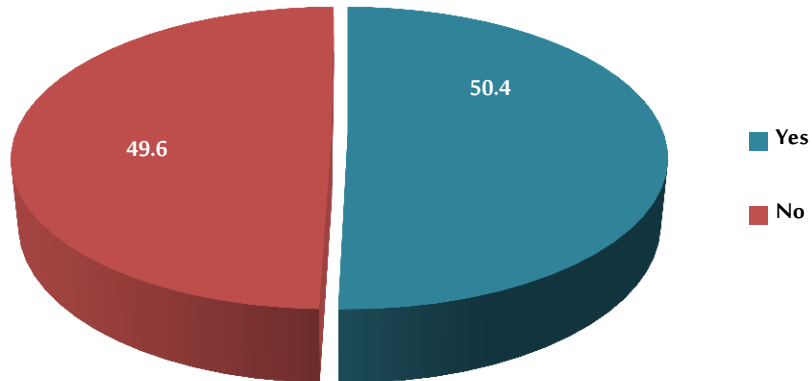
**Production Capacity and Enterprise Future Plan:**

The Q4 2015 results indicate that (50.4%) of enterprises have future plans to expand their business' production capacity, compared to (57.6%) in Q3 2015, as shown in Graph (6).



**Graph (6)**

**The percentage of enterprises planning to expand their production capacity, Q4 2015**



According to survey results, high percentage of enterprises plan to expand their business. For example, (44.0%) of enterprises, which have an expansion future plan, intend to generally open new subsidiaries either in Qatar or GCC countries. Around (36.7%) of enterprises plan to enlarge their current premises. Further, some enterprises' plans are represented in increasing investment in their assets such as machinery or stores capacity, or in the capacity of stores, or in their production lines. Some enterprises plan to raise staff number or change activity, as shown in table (2).

According to Q4 2015 survey results, the main reasons preventing some enterprises (49.6%) from expanding their business' production capacity are the instability of markets or because they have already expanded in previous periods.

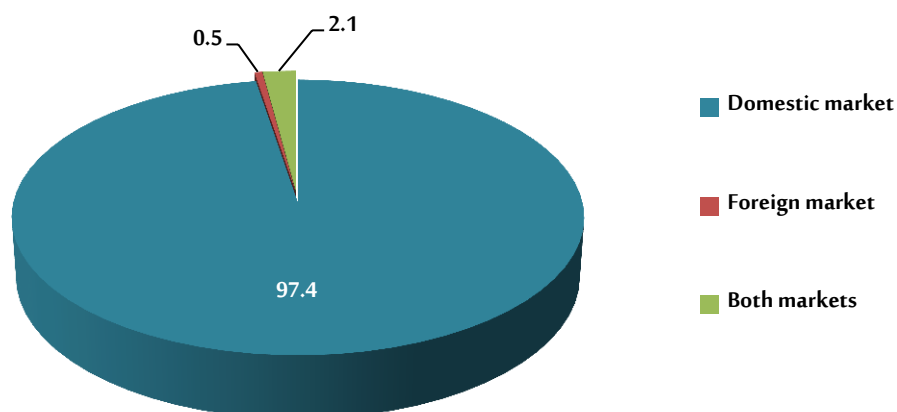
**Table 2**  
**Enterprise plans to expand its business' production capacity - Q4 2015**

Enterprise future plan	No. of enterprises	Percent of total enterprises having a future expansion plan
Opening new subsidiaries in Qatar or GCC	139	44.0 %
Expansion of present premises	116	36.7 %
Investment in business assets (factories, stores and machinery)	93	29.4%
Others	6	1.9 %

### Economic Enterprises and Access to Markets:

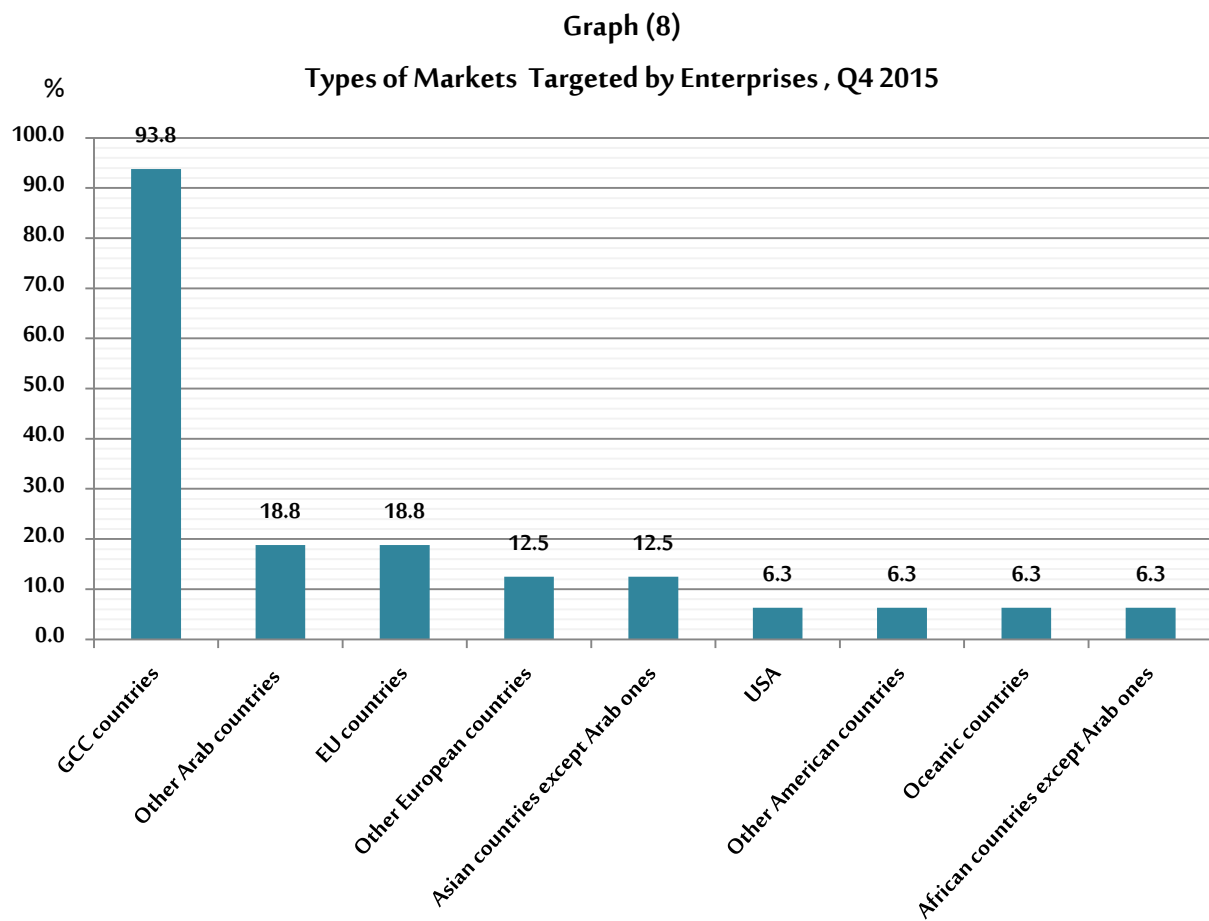
Generally, (97.4%) of enterprises target domestic market, whereas only (0.5%) of enterprises target foreign markets, and (2.1%) of enterprises target both markets, as shown in Graph (7).

**Graph (7)**  
**Types of markets targeted by enterprises, Q4 2015**



The percentage of production exported, on average, by enterprises targeting foreign markets in Q4 2015 amounted to (28.6%) of total production, compared with (28.1%) in Q3 2015.

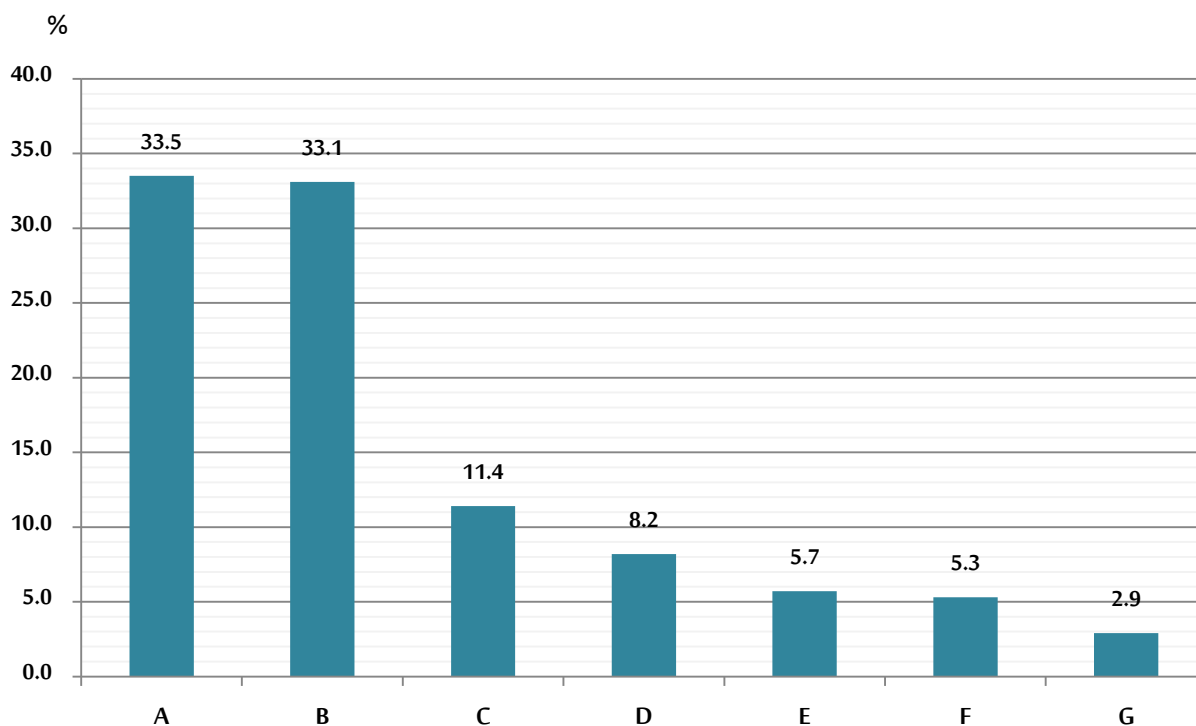
Results indicate that the most significant foreign markets are GCC countries (93.8%), followed by markets of other Arab countries and EU countries with equal rates (18.8%). Further, Asian countries except Arab ones and the rest of the European countries recorded equal rates of (12.5%). Graph (8).



The Q4 2015 results mirror that (39.1%) of economic enterprises encounter a group of challenges hindering Qatari products' access to foreign markets compared to (44.2%) in Q3 2015. The main obstacles are represented in the increasing demand for product in domestic market; Lack of factories; and high cost of Qatari products compared to those of other countries, especially GCC countries. The high cost of Qatari products is due to high cost of raw materials and customs tariffs, as well as rising rentals. Whereas others believe that the weak support for exports is an obstacle to Qatari products access to foreign markets, in addition to a number of other reasons. Graph (9).

**Graph (9)**

**Obstacles facing Qatari products access to foreign markets, Q4 2015**

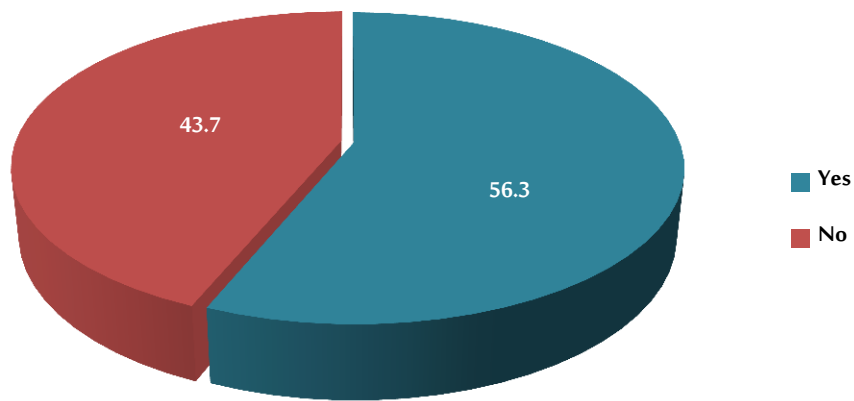


- A Increasing demand for product in domestic market and lack of factories
- B High cost of production
- C Weak support for exports
- D Small market and poor marketing
- E Less competitive product
- F Poor material and human potential
- G Others

**Challenges Facing Economic Enterprises' Performance in Q4 2015:**

Results indicate that (56.3%) of enterprises face some challenges hindering their performance, compared with (58.0%) in Q3 2015, as shown in Graph (10).

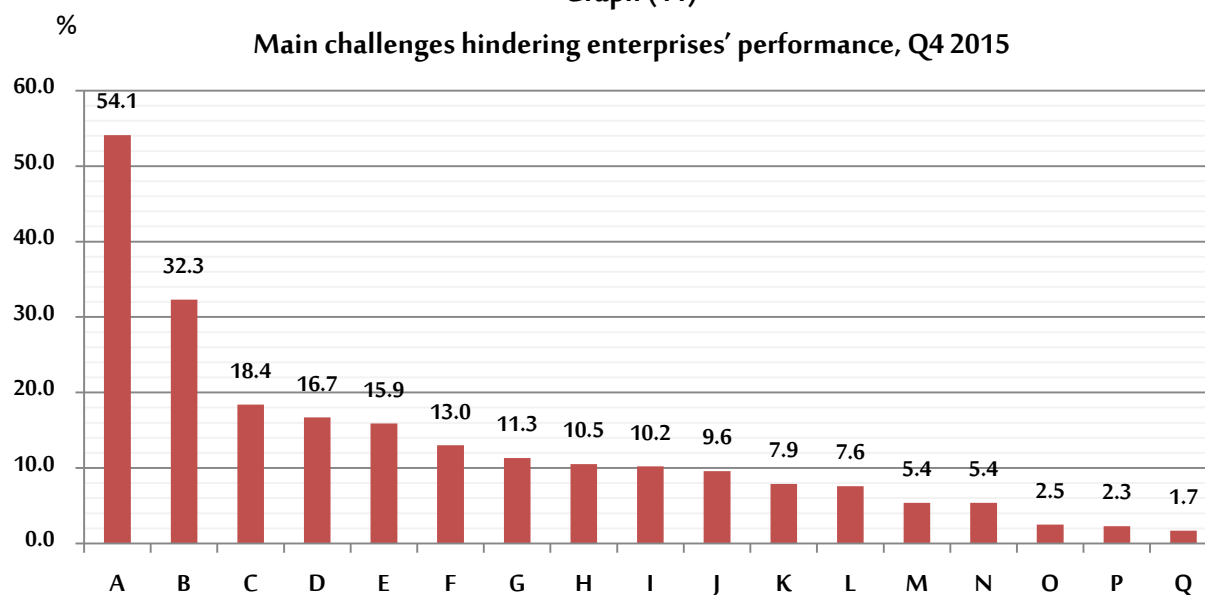
**Graph (10)**  
**Percentage of enterprises suffering from challenges hindering their performance – Q4 2015**



Results show that the main challenges are the high rent costs, intense competitiveness, delay in collection of due payments and labor force shortage, as well as other challenges as shown in Graph (11).

Graph (11)

Main challenges hindering enterprises' performance, Q4 2015



A Cost of rent

B Competitiveness

C Legislative restrictions and obstacles

D Delay in collection of due payments

E Low demand

F Financial restrictions

G Labor force shortage

H Cost of services (facilities)

I Cost of obtaining raw materials

J Bureaucratic procedures

K Customs burdens

L Cost of transport (shipping and storage)

M Government fees

N Difficulty to obtain raw materials

O Insufficient materials and / or equipment

P Land procurement (property registration and taxes)

Q Others

## Appendix

### First: Overall Index and Sub-Indices of Business Confidence, Q4 2015

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	8.7	33.8	20.8
Volume of production	16.7	56.9	35.9
Inventory size of finished goods	2.3	13.8	8.0
Final products price, i.e. goods/services prices	9.8	31.5	20.4
Business volume/ sales volume/ purchase orders	-2.9	18.7	7.6
Labor force volume	19.2	31.4	25.2
Profitability ratios	7.2	50.7	27.9

### Second: Overall Index and Sub-Indices of Business Confidence by Enterprise Size

#### 1- Small-sized enterprises , Q4 2015

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	8.1	34.1	20.6
Volume of production	16.6	59.4	37.0
Inventory size of finished products	0.3	13.2	6.7
Final products price, i.e. goods/services prices	9.2	32.7	20.6
Business volume/ sales volume/ purchase orders	-4.6	14.7	4.8
Labor force volume	20.0	27.1	23.5
Profitability Ratios	7.1	57.6	31.0

## 2- Medium-sized enterprises , Q4 2015

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	9.1	28.6	18.7
Volume of production	21.9	48.1	34.6
Inventory size of finished products	6.0	16.5	11.2
Final products price, i.e. goods/services prices	13.2	27.2	20.1
Business volume/ sales volume/ purchase orders	-4.7	15.5	5.1
Labor force volume	13.6	30.1	21.7
Profitability Ratios	4.9	34.5	19.2

## 3- Large-sized enterprises, Q4 2015

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	10.1	37.8	23.5
Volume of production	11.8	57.2	33.4
Inventory size of finished products	4.2	12.8	8.5
Final products price, i.e. goods/services prices	8.5	31.6	19.8
Business volume/ sales volume/ purchase orders	4.6	34.7	19.1
Labor force volume	22.1	46.6	34.0
Profitability Ratios	9.7	44.0	26.2



### Third: Overall Index and Sub-Indices of Business Confidence by Enterprise Activity

#### 1- Mining and quarrying, Q4 2015

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	-12.1	29.8	7.4
Volume of production	-45.8	18.6	-16.4
Inventory size of finished products	0.0	50.0	23.6
Final products price, i.e. goods/services prices	18.6	45.8	31.8
Business volume/ sales volume/ purchase orders	-27.1	18.6	-5.6
Labor force volume	27.1	27.1	27.1
Profitability Ratios	-45.8	18.6	-16.4

#### 2- Manufacturing , Q4 2015

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	8.0	33.5	20.3
Volume of production	18.9	59.5	38.4
Inventory size of finished products	5.8	21.8	13.7
Final products price, i.e. goods/services prices	7.5	28.8	17.9
Business volume/ sales volume/ purchase orders	0.7	16.0	8.2
Labor force volume	9.7	25.1	17.3
Profitability Ratios	5.5	49.9	26.6

### 3- Electricity, gas, and water supply, Q4 2015

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	80.0	80.0	80.0
Volume of production	100.0	100.0	100.0
Inventory size of finished products	-	-	-
Final products price, i.e. goods/services prices	0.0	0.0	0.0
Business volume/ sales volume/ purchase orders	100.0	100.0	100.0
Labor force volume	100.0	100.0	100.0
Profitability Ratios	100.0	100.0	100.0

### 4- Construction, Q4 2015

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	14.4	45.0	29.2
Volume of production	22.4	64.9	42.7
Inventory size of finished products	4.5	25.4	14.7
Final products price, i.e. goods/services prices	20.3	49.9	34.6
Business volume/ sales volume/ purchase orders	-4.1	26.9	10.8
Labor force volume	20.4	49.3	34.4
Profitability Ratios	23.0	53.6	37.8

## 5- Trading , Q4 2015

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	10.6	32.5	21.1
Volume of production	16.7	56.9	35.9
Inventory size of finished products	0.6	6.6	3.6
Final products price, i.e. goods/services prices	11.6	32.0	21.6
Business volume/ sales volume/ purchase orders	2.3	16.8	9.4
Labor force volume	27.4	29.7	28.5
Profitability Ratios	4.8	53.1	27.6

## 6- Services , Q4 2015

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	4.4	32.4	17.9
Volume of production	13.2	51.6	31.6
Inventory size of finished products			
Final products price, i.e. goods/services prices	2.5	21.1	11.6
Business volume/ sales volume/ purchase orders	-8.9	16.8	3.6
Labor force volume	13.2	25.3	19.2
Profitability Ratios	1.9	47.2	23.4

## Methodology

The Business Confidence Index was based on international methodologies, especially the European Commission Methodology and the CESifo Group Munich Methodology.

The index measurement is based on (6) questions from which two sub-indices emerge (present situation index and future expectations index).

These (6) questions that make up the sub-indices are centered on the following:

- Volume of production.
- Inventory volume of finished products
- Final products price, i.e. goods/services prices
- Business volume/ sales volume/ purchase orders.
- Labour force volume.
- Profitability Ratios

## Index Value

The index value ranges between (-100) and (+100) points. It reaches its maximum (+100) if the views of all surveyed enterprises are positive, whereas it reaches neutrality (zero) when positive and negative views are equal. If the index value is below (zero), this indicates a negative assessment of enterprises situation in the State of Qatar.

**For further information on methodology, please refer to issue No. 1.**