



وزارة التخطيط التنموي والإحصاء  
Ministry of Development Planning and Statistics

# Business Confidence Index in the State of Qatar Q1 2016

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March 2016

**Development Indicators Series**

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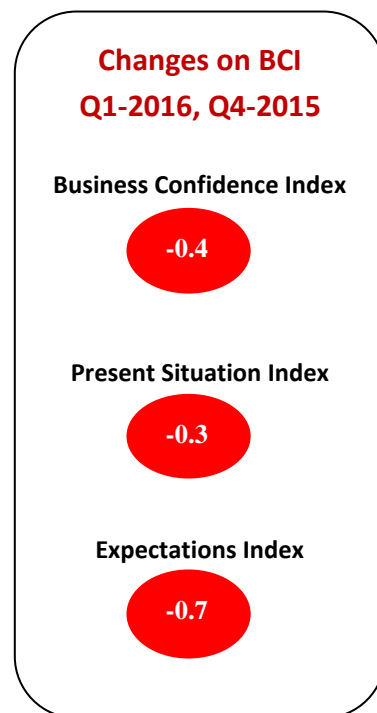
**Doha – March 2016 :**

**Overall Index :**

The business confidence index declined in Q1 2016 compared to Q4 2015. It accounted for (20.4) and (20.8) points respectively due to the slump in optimism levels of enterprises operating in the sector of oil, and the rise of prices of fuel and diesel locally by 30% in mid-January 2016.

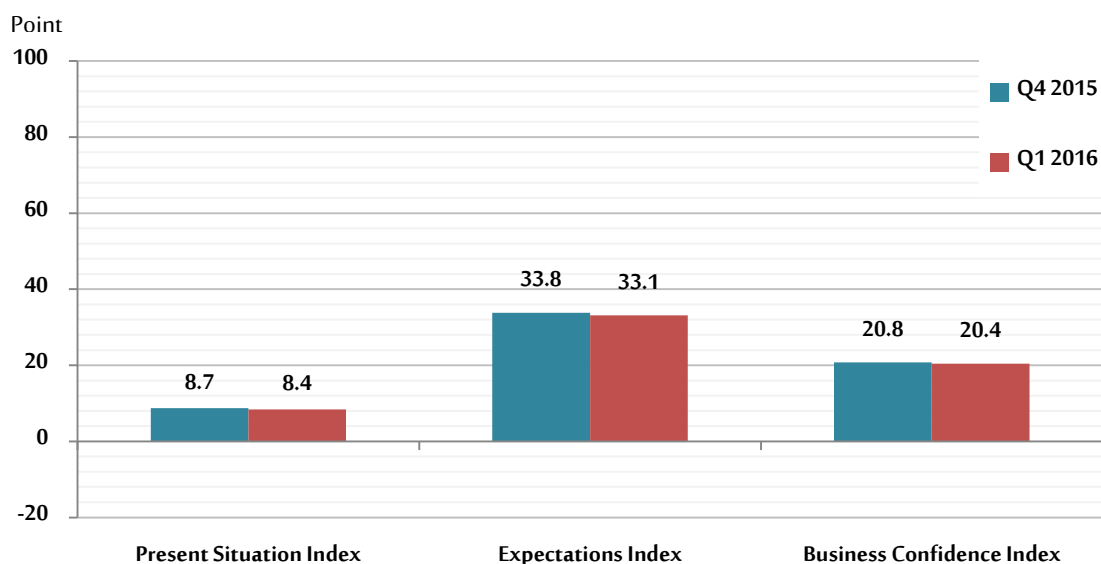
However, the Index generally shows continuous optimistic view over Qatar's economy as it surpasses the neutral level (0) when positive and negative opinions are equal as shown in graph (1).

Such optimism mirrors continued good performance of Qatar's economy despite the decline in oil prices. This situation confirms that Qatar's colossal financial reserves provide the necessary protection against any slump in oil prices.



**Graph (1)**

**Business Confidence Index in the State of Qatar – Q4 2015 and Q1 2016**

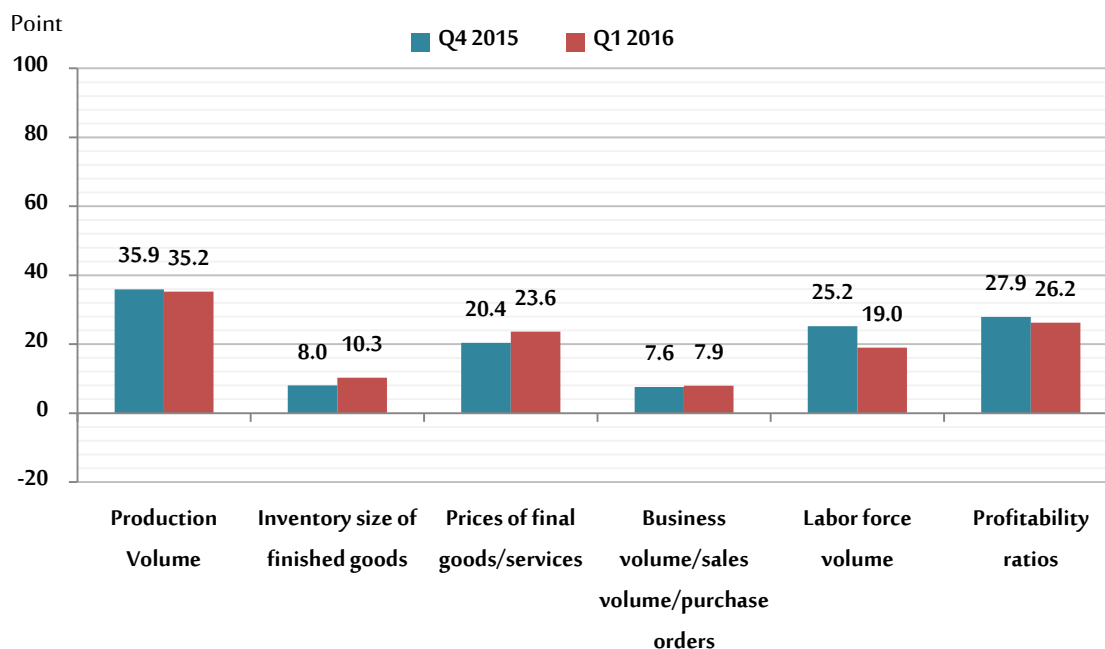


### Sub-Indices :

The sub-indices refer to the present situation index and future expectations index. The survey results indicate a slump of (-0.7) points in optimism of economic enterprises operating in Qatar over the expectations index which recorded (33.1) points vis-à-vis (33.8) in Q4 2015. Similarly, the present situation index registered a tiny decline (-0.3) points as it amounted to (8.4) points compared (8.7) in Q4 2015. Such results reflect a greater sense that the economy of the State of Qatar may be affected by the global economic conjuncture, chiefly amid ongoing decline in oil prices. However, the optimism levels about the current situation reflect the enterprises' understanding of the continuous good performance of Qatar's economy.

The sample of respondents from the business community show their optimism over the inventory size of finished goods, and prices of their final goods and services, whereas their optimism levels decreased about labor force volume, profitability ratios for their enterprises and production volume in Q1 2016 compared to Q4 2015. (Graph 2).

**Graph (2)**  
**Sub-indices of the Status of Enterprises Operating in Qatar**  
**Q4 2015 and Q1 2016**

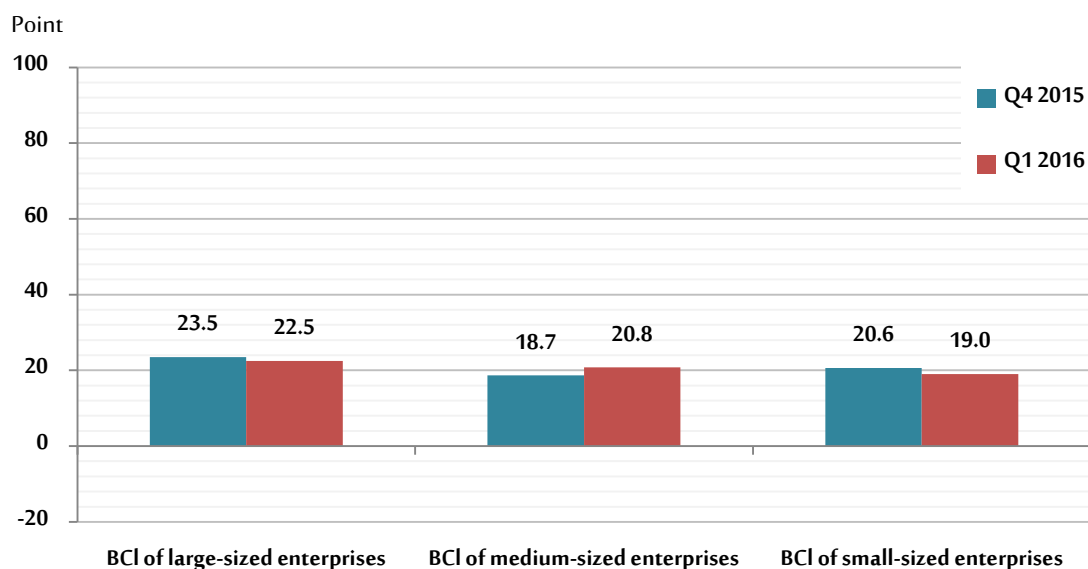


### BCI by Enterprise Size :

Medium-sized enterprises expressed their optimism over Qatar's economic conditions, and registered (20.8) points vis-à-vis (18.7) in Q4 2015; a rise of (2.1) points. It is noteworthy that the sectors of services and trade represent the majority of medium-sized enterprises.

The small-sized enterprises and large-sized enterprises registered a decline of (-1.6) and (-1.0) points respectively, compared to Q4 2015 which is illustrated in graph (3).

**Graph (3)**  
**Qatar's Business Confidence Index by Enterprise Size**  
**Q4 2015 and Q1 2016**

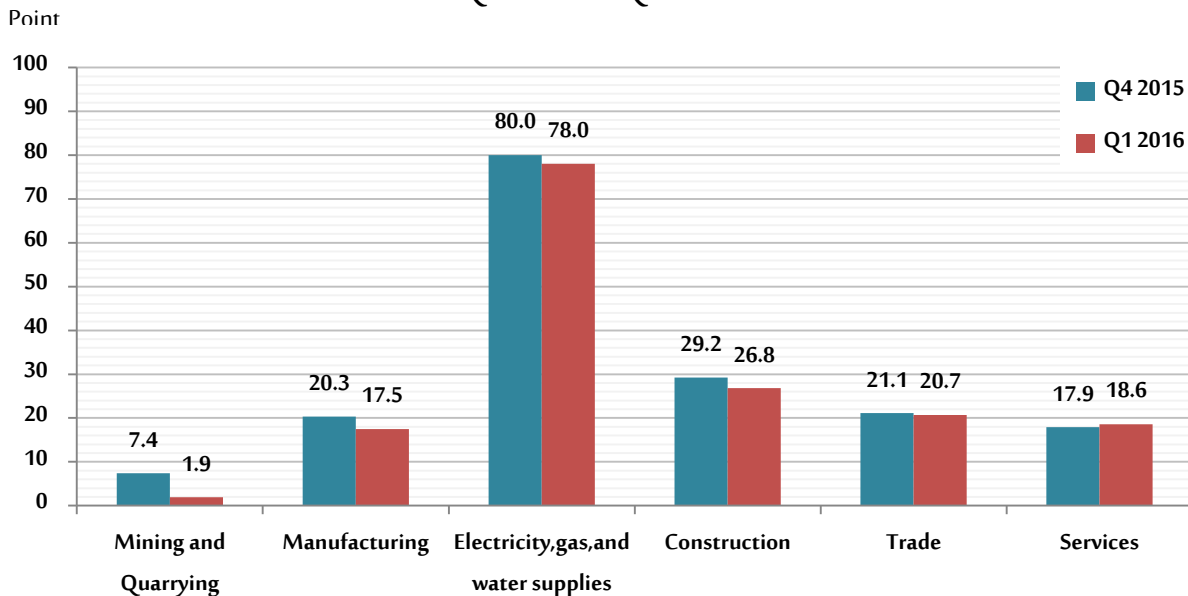


The results show a slump in labor force volume in all economic enterprises either large, medium, or small-sized. The largest slump was that of the large-sized enterprises. Labor force volume decreased in the large, medium, and small-sized enterprises by around (-13.6), (-3.2), and (-5.5) points respectively in Q1 2016. Results also indicate a decline in the profitability ratios of small and large-sized enterprises by (-3.2) and (-4.2) points respectively; however, they increased by (1.9) points in the medium-sized enterprises.

**BCI by Economic Activity :**

As for BCI by economic activity, the results indicate that enterprises engaged in "electricity, gas and water supplies" are the most optimistic (78.0 points) over the country's economic conditions in general, and over the status of their own businesses in particular. In second place came "construction" (26.8 points), followed by enterprises operating in "trade" activity (20.7 points), and then "services" (18.6 points), and "manufacturing" (17.5 points), whereas enterprises engaging in "mining and quarrying" activities decreased by (-5.5) points with a general index value of this activity amounting to (1.9) points compared to around (7.4) points in Q4 2015. Graph (4).

**Graph (4)**  
**Qatar's Business Confidence Index by Economic Activity**  
**Q4 2015 and Q1 2016**



The results indicate a slump in optimism levels within enterprises engaged in "electricity, gas and water supplies" activity whose index recorded (78.0) points; a decrease of (-2.0) points. Levels of optimism for enterprises engaged in "services" rose to (18.6) points; an increase of (0.7) points compared to Q4 2015.

### Economic Enterprises and Bank Financing :

Survey results reveal that about (85.5%) of economic enterprises did not receive bank financing in Q1 2016 compared to (83.3%) in Q4 2015. This is due to a variety of reasons topped by the fact that around (87.7%) of enterprises have sufficient internal balances, and therefore did not receive bank financing in Q1 2016 compared to (88.3%) in Q4 2015. It is consequently a sign reflecting the financial stability of such enterprises, and an increase of their financial capacity. The second reason lies in the fact that enterprises consider bank financing as an extra financial commitment and burden represented (6.7%) of total enterprises, compared to (8.8%) in Q4 2015. (Further details in table 1).

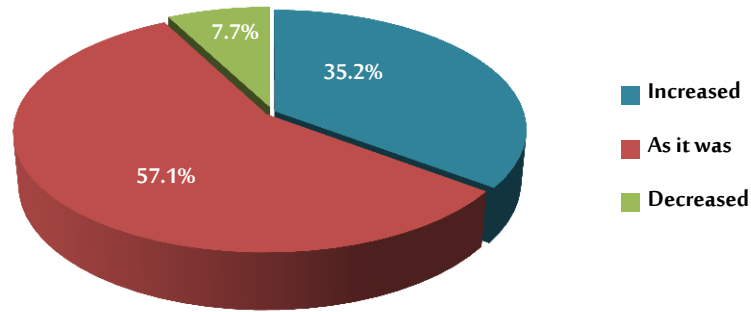
**Table 1**  
**Enterprises' reasons not to get bank financing in Q1, 2016**

Reasons	Number of enterprises	Percentage of total number of Enterprises that did not get bank financing
Sufficient internal balances	469	% 87.7
Considering bank financing as an extra burden /commitment	36	% 6.7
Banks do not give loans to companies operating in such sector/industry	15	% 2.8
Inability to pay fees/burdens	10	% 1.9
Enterprise's financial position does not allow it to loan from banks	8	% 1.5
Others	5	% 0.9

More options are available

On one hand, such results indicate the stability of the situations 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 (14.5%) of economic enterprises received bank financing in Q1 2016 compared to about (16.7%) in Q4 2015. When polled, (57.1%) of such enterprises reported that the cost of financing remained unchanged, whereas (35.2%) said that the cost of financing increased in Q1 2016 compared to (44.8%) in Q4 2015, as shown in graph (5).

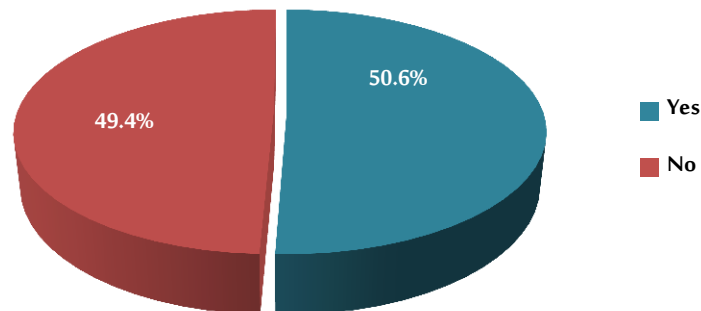
**Graph (5)**  
**Enterprises Assessment of Finance Cost in Q1-2016**



**Production Capacity and Enterprise Future's Plan:**

The Q1 2016 results indicate that (50.6%) of enterprises have future plans to expand their business' production capacity, compared to (50.4%) in Q4 2015, as shown in graph (6).

**Graph (6)**  
**Percentage of enterprises planning to expand their production capacity**  
**Q1-2016**





According to survey results, large percentage of enterprises plan to expand their business. For example, (40.7%) of enterprises, which have an expansion future plan, intend to enlarge their current premises, and around (38.5%) plan to open new subsidiaries either in Qatar or GCC countries in general. Further, some enterprises' plans are represented in increasing stores capacity, or their production lines. Some educational establishments plan to use e-learning to improve the academic level of students, and some enterprises stated that they intended to raise staff number or change activity, as shown in table (2).

According to Q1 2016 survey results, the main reasons preventing some enterprises (49.4%) from expanding their business' production capacity are the inadequacy or instability of markets' conditions or, as some enterprises responded, they had already expanded in previous periods.

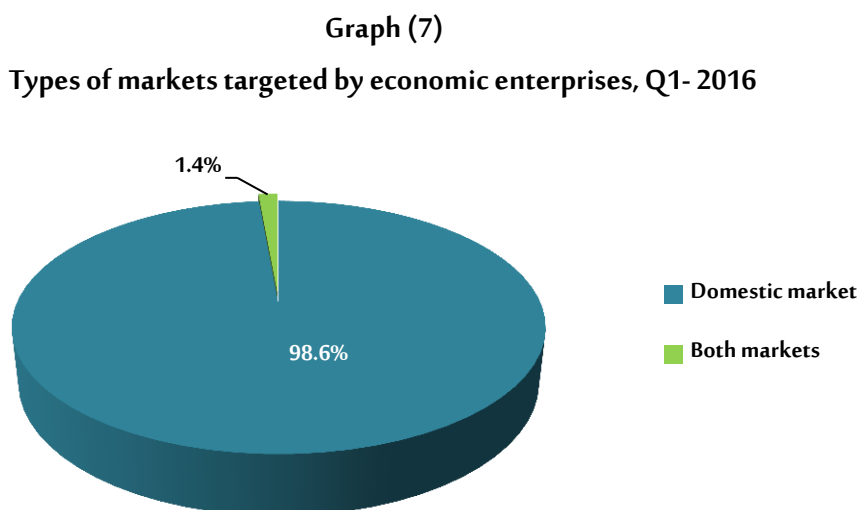
**Table 2**  
**Enterprises' future plan to expand their business' production capacity**  
**Q1-2016**

Enterprise future plan	No. of enterprises	Percentage of total enterprises having a future expansion plan
Expansion of present premises	129	% 40.7
Opening new subsidiaries in Qatar or GCC	122	% 38.5
Investment in business assets (factories, stores and machinery)	93	% 29.3
Others	7	% 2.2

More options are available

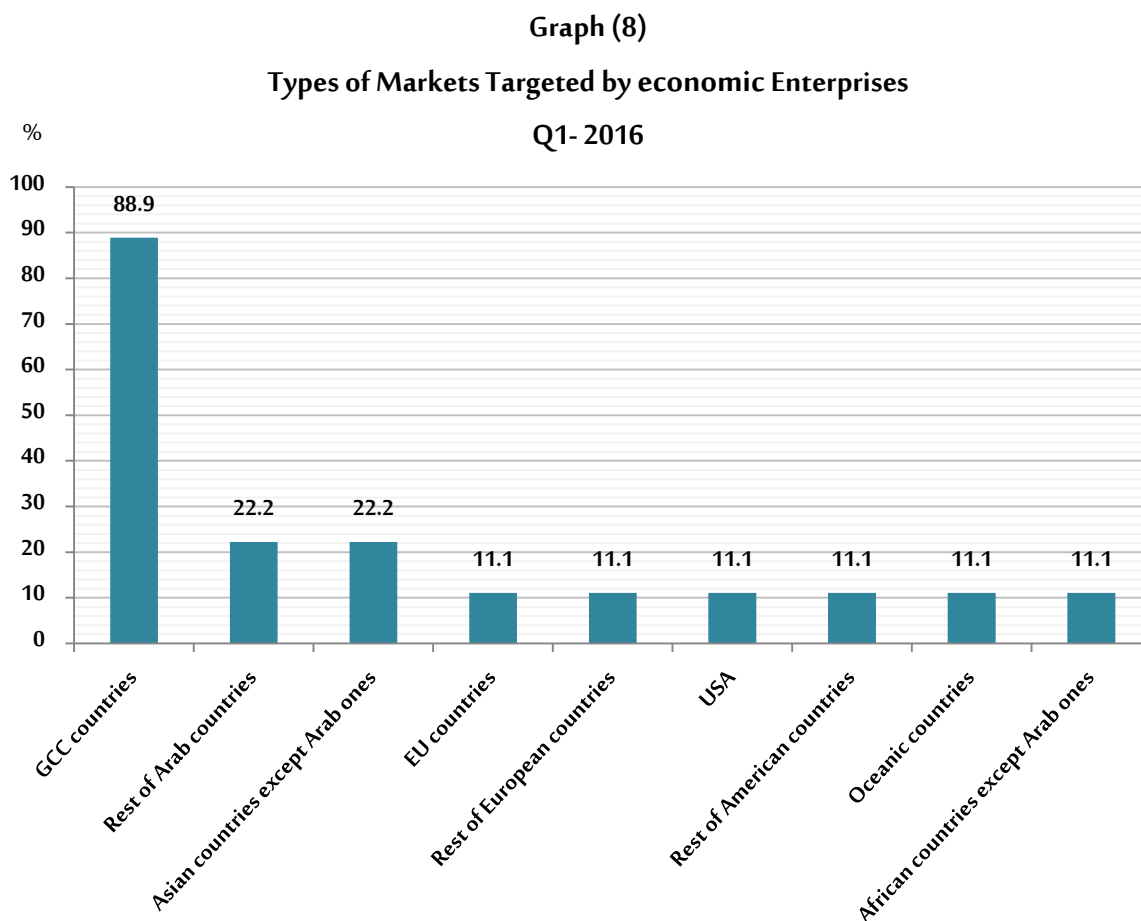
### Economic Enterprises and Access to Markets :

Around (98.6%) of economic enterprises target the domestic market, whereas (1.4%) target both markets – domestic and foreign – and no enterprises stated that they target the foreign market only. Graph (7)



The percentage of production exported, on average, by enterprises targeting foreign markets in Q1 2016 amounted to (27.2%) of total production, compared with (28.6%) in Q4 2015.

Results indicate that the key foreign markets targeted by enterprises are GCC countries (88.9%), followed by markets of other Arab countries, and Asian countries except Arab ones with equal rates amounting to (22.2%) each. Further details in graph (8).

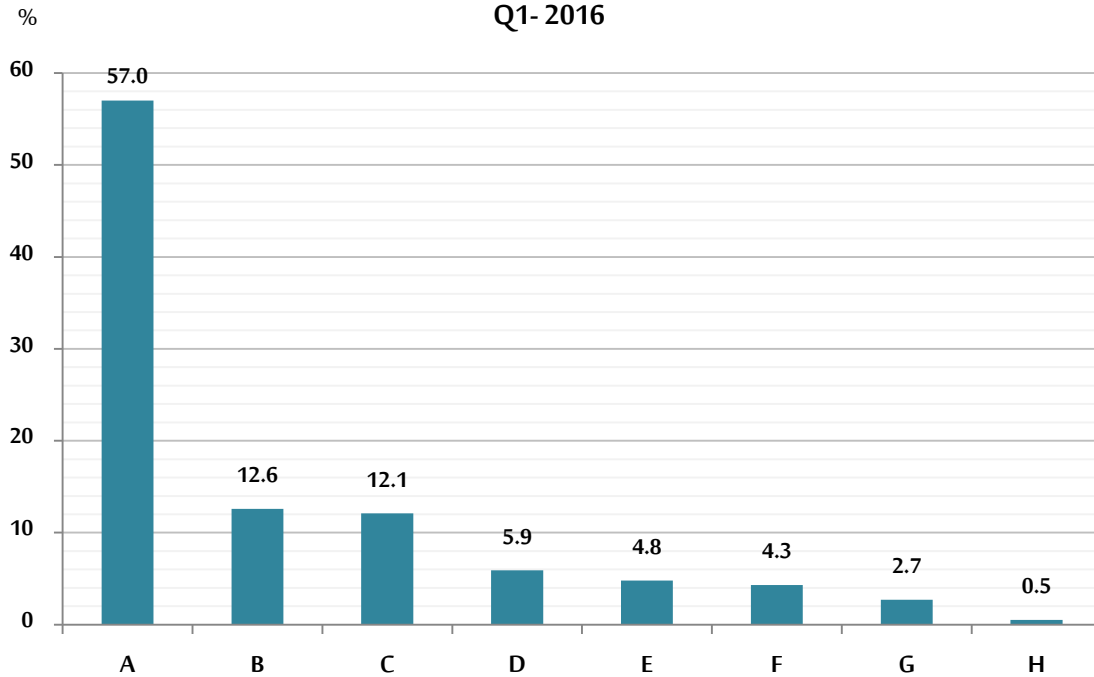


Enterprises can choose more than one market

### Qatari Products Access into Foreign Markets :

The Q1 2016 results show that (43.0%) of economic enterprises encounter a group of challenges hindering Qatari products' access to foreign markets compared to (39.1%) in Q4 2015. The main obstacles are represented in the high cost of Qatari products compared to those of other countries, especially GCC countries, due to high cost of raw materials and customs tariffs, as well as rising rentals. Besides, there are also the increasing demand for Qatari products in domestic market, and lack of factories that help in the process of exporting. Some see that the Qatari products' weak competitiveness constitutes an obstacle to its access to foreign markets, in addition to a number of other reason, pointed out in graph (9).

**Graph (9)**  
**Obstacles facing Qatari products access to foreign markets**  
**Q1- 2016**

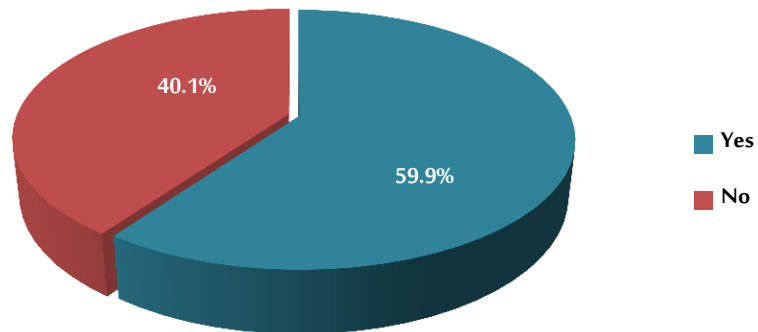


- A No obstacles
- B High cost of production
- C Increasing demand for products in domestic market and lack of factories not allowing export
- D Less competitive product
- E Weak support for exports
- F Small market and poor marketing
- G Poor material and human potential
- H Others

### Challenges Facing Economic Enterprises' Performance in Q1, 2016:

Results indicate that (59.9%) of enterprises face some challenges hindering their performance, compared with (56.3%) in Q4 2015, as shown in graph (10).

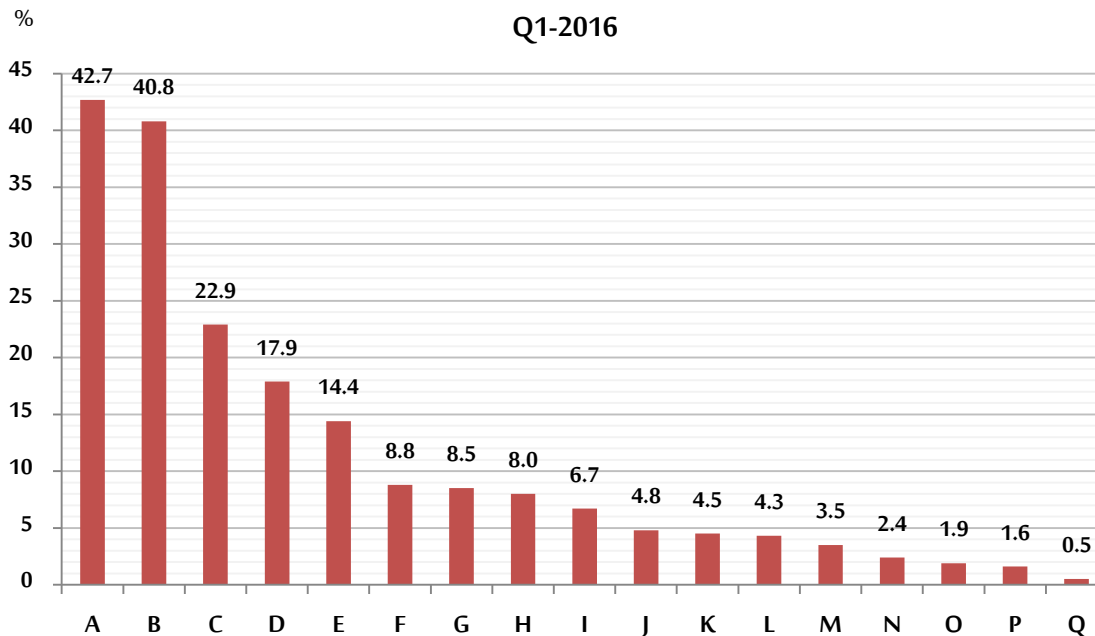
**Graph (10)**  
**Percentage of enterprises suffering from challenges hindering their performance**  
**Q1 2016**



Results show that the main challenges are the high rent costs, intense competitiveness, delay in collection of due payments and lack of demand, as well as other challenges embodied in road works which hinder access to establishments. Further details in graph (11).

Graph (11)

Main challenges hindering economic enterprises' performance



A Cost of rent

B Competitiveness

C Delay in collection of due payments

D Low demand

E Legislative restrictions and obstacles

F Financial restrictions

G Cost of services and facilities

H Cost of obtaining raw materials

I Government fees

J Bureaucratic procedures

K Labor force shortage

L Customs burdens

M Cost of transport, shipping and storage

N Others

O Land procurement, property registration and taxes

P Insufficient materials and / or equipment

Q Difficulty to obtain raw materials

## Appendix

### First: Overall Index and Sub-Indices of Business Confidence, Q1-2016

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	8.4	33.1	20.4
Volume of production	16.1	56.0	35.2
Inventory Size of finished products	5.9	14.8	10.3
Final products price, i.e. goods/services prices	12.2	35.6	23.6
Business volume/ sales volume/ purchase orders	-0.7	16.9	7.9
Labor force volume	11.3	26.9	19.0
Profitability Ratios	5.9	48.5	26.2

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

#### 1- Small-Sized Enterprises , Q1-2016

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	7.5	31.4	19.0
Volume of production	12.8	54.3	32.6
Inventory Size of finished products	4.2	7.7	6.0
Final products price, i.e. goods/services prices	9.1	33.1	20.7
Business volume/ sales volume/ purchase orders	0.0	17.8	8.7
Labor force volume	13.7	22.5	18.0
Profitability Ratios	5.1	53.1	27.8

## 2- Medium-Sized Enterprises , Q1-2016

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	9.5	32.7	20.8
Volume of production	29.8	58.6	43.8
Inventory Size of finished products	1.5	20.3	10.7
Final products price, i.e. goods/services prices	13.3	36.4	24.6
Business volume/ sales volume/ purchase orders	0.0	11.8	5.9
Labor force volume	7.6	29.9	18.5
Profitability Ratios	4.5	39.1	21.1

## 3- Large-Sized Enterprises, Q1-2016

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	9.2	36.8	22.5
Volume of production	12.8	56.9	33.8
Inventory Size of finished products	15.7	30.4	23.0
Final products price, i.e. goods/services prices	17.3	41.8	29.2
Business volume/ sales volume/ purchase orders	-2.8	16.3	6.5
Labor force volume	7.8	33.8	20.4
Profitability Ratios	4.2	41.4	22.0



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

#### 1- Mining and Quarrying, Q1-2016

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	-12.7	18.0	1.9
Volume of production	-35.2	7.2	-15.2
Inventory Size of finished products	0.0	0.0	0.0
Final products price, i.e. goods/services prices	21.7	64.5	42.1
Business volume/ sales volume/ purchase orders	-13.8	7.5	-3.4
Labor force volume	-13.8	21.4	3.0
Profitability Ratios	-35.2	7.5	-15.1

#### 2- Manufacturing , Q1-2016

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	7.0	28.5	17.5
Volume of production	18.3	50.0	33.6
Inventory Size of finished products	2.6	19.0	10.6
Final products price, i.e. goods/services prices	9.6	29.4	19.3
Business volume/ sales volume/ purchase orders	-0.4	10.0	4.7
Labor force volume	7.4	20.3	13.8
Profitability Ratios	4.7	42.4	22.7

### 3- Electricity, Gas, and Water Supply, Q1-2016

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	100.0	60.0	78.0
Volume of production	100.0	100.0	100.0
Inventory Size of finished products	-	-	-
Final products price, i.e. goods/services prices	100.0	0.0	44.9
Business volume/ sales volume/ purchase orders	100.0	100.0	100.0
Labor force volume	100.0	0.0	44.9
Profitability Ratios	100.0	100.0	100.0

### 4- Construction, Q1-2016

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	12.1	42.5	26.8
Volume of production	18.6	62.8	39.7
Inventory Size of finished products	-2.0	25.2	11.1
Final products price, i.e. goods/services prices	27.3	52.7	39.7
Business volume/ sales volume/ purchase orders	-2.5	23.9	10.3
Labor force volume	12.1	47.4	29.1
Profitability Ratios	19.2	43.0	30.8

## 5- Trading, Q1-2016

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	9.9	32.4	20.7
Volume of production	16.8	55.3	35.2
Inventory Size of finished products	10.5	8.8	9.7
Final products price, i.e. goods/services prices	12.3	39.0	25.2
Business volume/ sales volume/ purchase orders	4.1	16.3	10.1
Labor force volume	13.0	20.7	16.8
Profitability Ratios	2.9	54.1	27.1

## 6- Services, Q1-2016

Index	Present Situation Index	Expectations Index	Overall Index
<u>Overall index</u>	4.8	33.5	18.6
Volume of production	13.5	55.9	33.8
Inventory Size of finished products	-	-	-
Final products price, i.e. goods/services prices	3.1	22.0	12.4
Business volume/ sales volume/ purchase orders	-6.0	16.4	4.9
Labor force volume	10.6	24.9	17.6
Profitability Ratios	2.4	48.1	24.1

## 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.**