



وزارة التخطيط التنموي والإحصاء
Ministry of Development Planning and Statistics

Business Confidence Index in the State of Qatar

Q3 2016

September 2016

Development Indicators Series

Table of Contents

Subject	Page
Methodology	3
Introduction.....	4
Business Confidence Index in Qatar	4
Sub-indices of the Status of Enterprises Operating in Qatar	5
Business Confidence Index by Enterprise Size	6
Business Confidence Index by Economic Activity	7
Economic Enterprises and Bank Financing	8
Production Capacity and Enterprise Future Plan	9
Economic Enterprises and Market Access	11
Challenges Hindering Economic Enterprises' Performance	13
Appendix	
Overall Index and Sub-Indices of Business Confidence	15
Overall Index and Sub-Indices of Business Confidence Index by Enterprise Size	15
Overall Index and Sub-Indices of Business Confidence Index by Enterprise Activity	17

Methodology

The Business Confidence Index (BCI) is based on international methodologies, especially the European Commission Methodology and the CESifo Group Munich Methodology.

The BCI measurement is based on six questions from which two sub-indices emerge (Current Situation Index and Future Situation Index).

These six questions that make up the sub-indices are centered on the following:

- Production size.
- Stock of finished products
- Prices of finished products of goods/services
- Business size/ sales volume/ purchase orders.
- Labour force size.
- 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 status in Qatar.

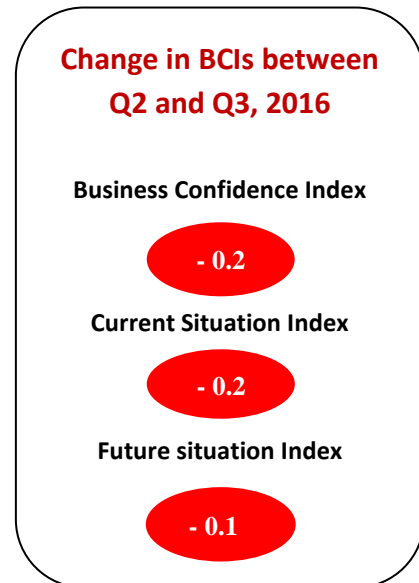
For further information on methodology, please refer to issue No. 1.

Doha – September, 2016

Overall Index:

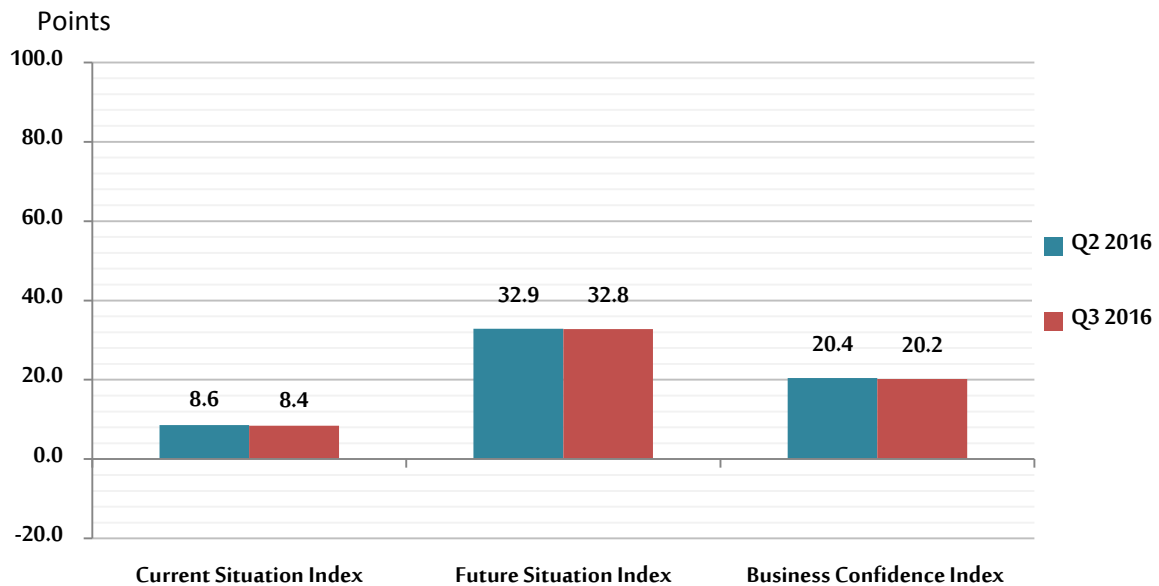
The Business Confidence Index (BCI) declined during Q3, 2016 compared to Q2 of the same year. It accounted for (20.2), a decrease of (-0.2) points from Q2, 2016.

In general, these results show that Qatari economy is capable to diversify in view of the recent drop in oil prices, and that non-oil sectors are able to achieve positive results, thanks to the strategic plans developed by the State.



Graph (1)

Business Confidence Index in the State of Qatar – Q2 and Q3, 2016

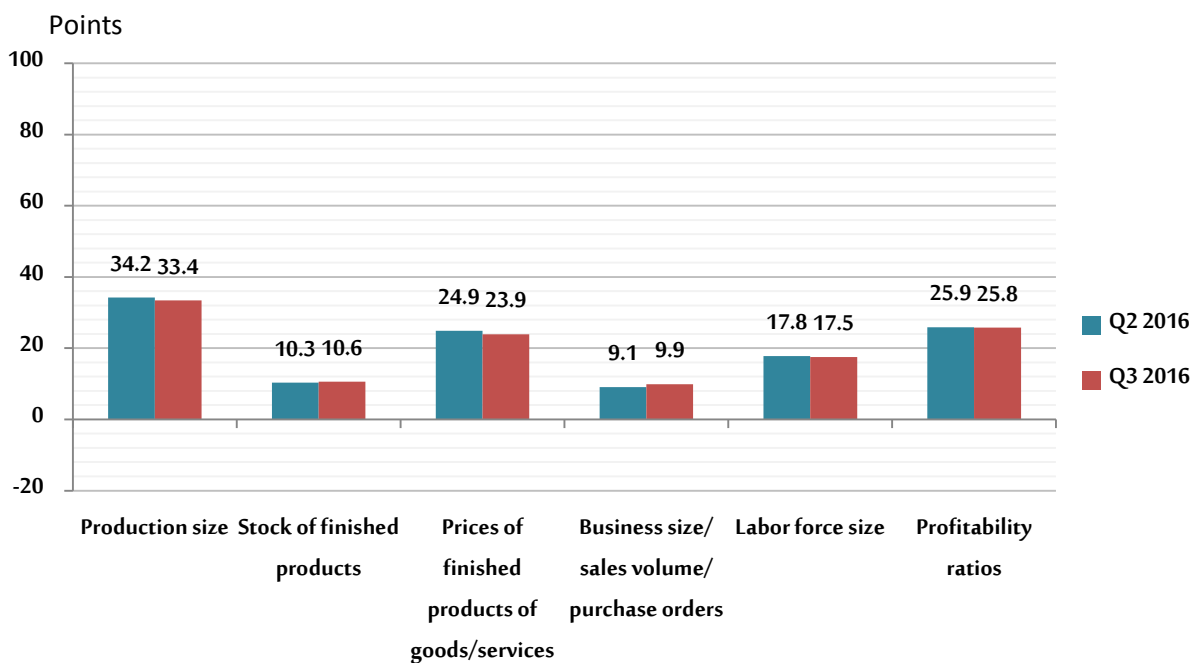


Sub-Indices:

Sub-indices refer to the Current Situation Index and the Future Situation Index. The survey results indicate a decrease of (-0.1) points in optimism of Qatar-based economic enterprises over the future situations, recording (32.8) points, compared to (32.9) in Q2, 2016. Also, the Current Situation Index recorded a decrease of (-0.2) points, recording (8.4) points, compared (8.6) in Q2, 2016.

The survey sample respondents from business community expressed optimism over the business size\ sales volume\ purchase orders and stock of finished products, whereas their optimism level declined over prices of finished products of goods/services and production size in Q3, 2016, compared to Q2 2016. This is further detailed in Graph (2).

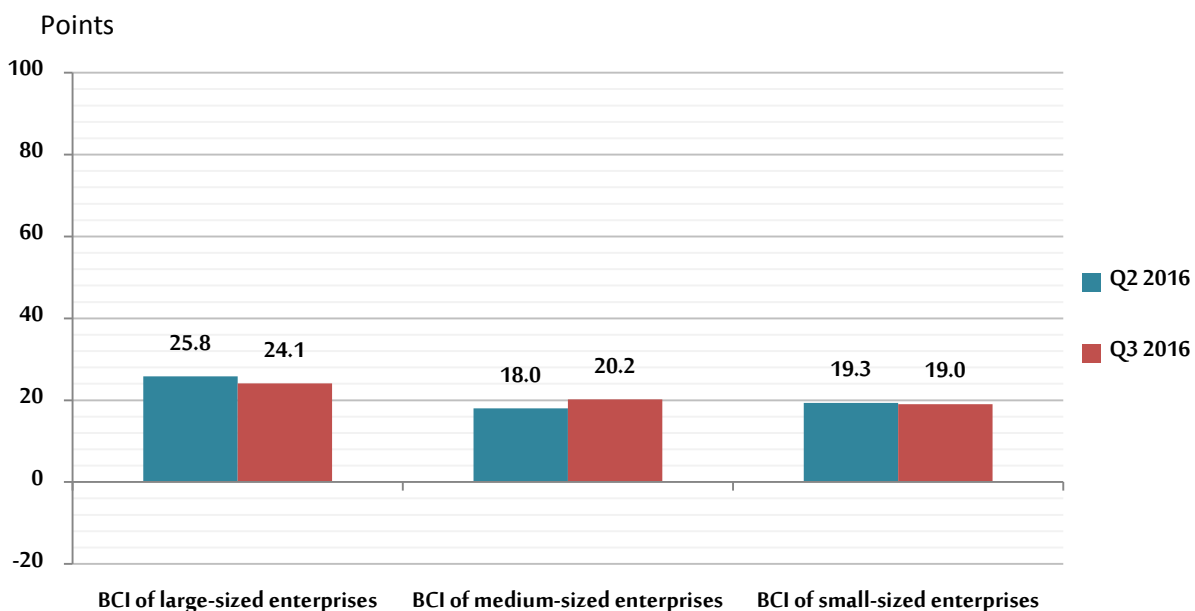
Graph (2)
Sub-Indices of Qatar-Based Enterprises Status
Q2 and Q3, 2016



BCI by Enterprise Size:

Medium-sized enterprises expressed their optimism over Qatar's economic conditions, recording (20.2) points versus (18.0) points in Q2, 2016; a rise of (2.2) points. Whereas Large and Small-sized enterprises recorded a decrease of (-1.7) and (-0.3) points respectively compared to Q2, 2016, as shown in Graph (3).

Graph (3)
Qatar's Business Confidence Index by Enterprise Size
Q2 and Q3, 2016

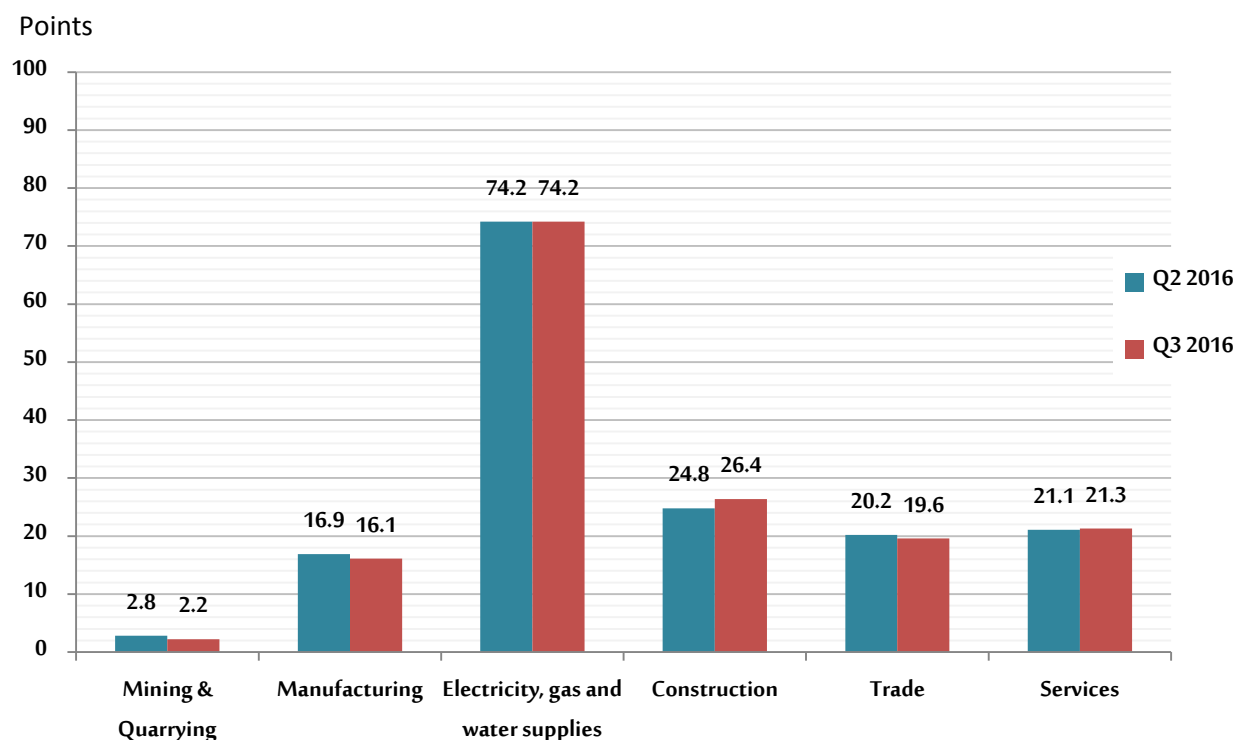


The results reflected a rise in stock size of large and medium-sized enterprises by about (3.0) and (0.9) points respectively, whereas the stock size decreased in small-sized enterprises by (-0.4) points. The results also reflected an increase in the profitability ratios of small-sized enterprises by (0.9) points, while they declined by (-2.6) and (-0.6) points for large and medium-sized enterprises respectively.

BCI by Economic Activity:

With regards to economic activity, the results indicate that enterprises engaged in "electricity, gas and water supplies" were most optimistic (74.2 points) about the country's economic conditions in general, and about the status of their own businesses in particular. In second place came "construction" (26.4 points), followed by enterprises engaged in "services" activity (21.3 points), and then "trade" (19.6 points), "manufacturing" (16.1 points), and finally "mining and quarrying" (2.2 points), decreasing by (-0.6) points, compared to Q2, 2016 as shown in Graph (4).

Graph (4)
Qatar's Business Confidence Index by Economic Activity
Q2 and Q3, 2016



The results, compared to Q2, 2016, indicate a steady optimism level among enterprises engaged in "electricity, gas and water supplies" activity. However, there was a rise in optimism levels among enterprises engaged in "construction" and "services" activities and a decrease in optimism levels among enterprises engaged in "manufacturing", "mining and quarrying" and "trade" activities.

Economic Enterprises and Bank Finance:

Survey results indicate that about (88.3%) of economic enterprises did not receive bank finance in Q3, 2016, compared to (85.1%) in Q2 of the same year. This is due to a variety of reasons topped by the fact that around (82.1%) of enterprises had sufficient internal funds, and therefore did not receive bank finance in Q3, 2016, compared to (80.0%) in Q2, 2016. Consequently, this reflects financial stability and high financial capacity of such enterprises. The second reason lies in the fact that bank finance was considered an additional financial commitment that might be exhausting according to (13.5%) of surveyed enterprises, compared to (11.5%) in Q2, 2016. Please see further details in Table (1) below.

Table (1)
Reasons Why Enterprises did not Avail of Bank Finance in Q3, 2016

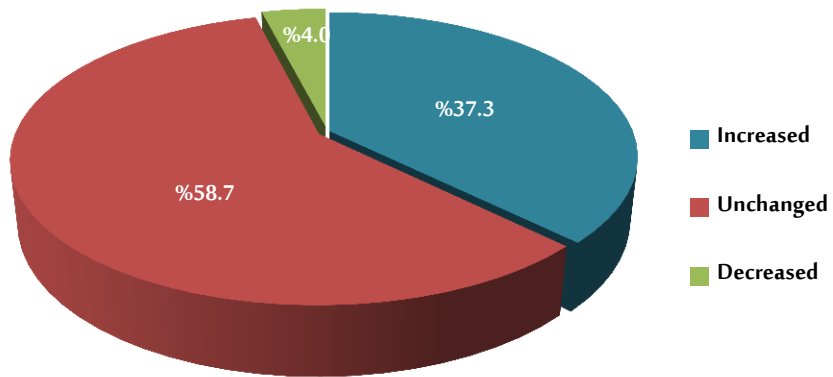
Reasons	Number of enterprises	Percentage of enterprises that did not avail of bank finance
Sufficient internal funds	463	% 82.1
bank finance is an additional burden / commitment	76	% 13.5
Banks do not lend enterprises operating in such sector / industry	33	% 5.9
Enterprise's financial position does not allow to borrow from banks	14	% 2.5
Bank charges/fees are unaffordable	11	% 2.0
Others	20	% 3.5

- You may select more than one option to answer.

On one hand, such results indicate a steady status of economic enterprises and their ability to bear financial burdens and to cover their commitments without resorting to borrowing.

On the other hand, about (11.7%) of economic enterprises received bank finance in Q3, 2016, compared to about (14.9%) in Q2, 2016. When surveyed, (58.7%) of enterprises reported that the cost of finance remained unchanged, whereas (37.3%) stated that the cost of finance increased in Q3, 2016, compared to (55.6%) and (34.4%) in Q2, 2016 respectively as shown in Graph (5).

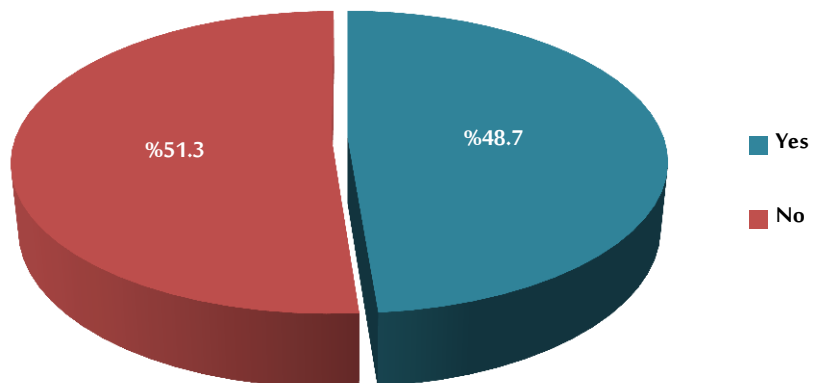
Graph (5)
Enterprises Assessment of Finance Cost in Q3, 2016



Production Capacity and Enterprise Future Plan:

Results of Q3, 2016 indicate that (48.7%) of enterprises have future plans to expand their production capacity, compared to (52.3%) in Q2, 2016, as shown in graph (6).

Graph (6)
Percentage of Enterprises Planning to Expand Production Capacity Q3, 2016



According to survey results, high percentage of enterprises plan to expand their businesses. The percentage of enterprises plan to open new branches in Qatar or in the GCC countries represent (42.1%) of enterprises with a future plan to expand their production capacity. and around (40.8%) from the enterprises plan to expand their current premises with a future plan to expand their production capacity. Furthermore, some enterprises plan to expand and develop their services, increase their production lines or add new activities. Other enterprises plan to restructure management and expand in advertising, as shown in table (2).

According to survey results in Q3, 2016, the enterprises that do not have plans to expand their production capacity amounted to (51.3%) of surveyed enterprises. This is due to inadequacy or instability of market conditions. Others reported that they already expanded in earlier times, hence they are self-sufficient currently.

Table (2)
Enterprises plan to expand their production capacity
Q3, 2016

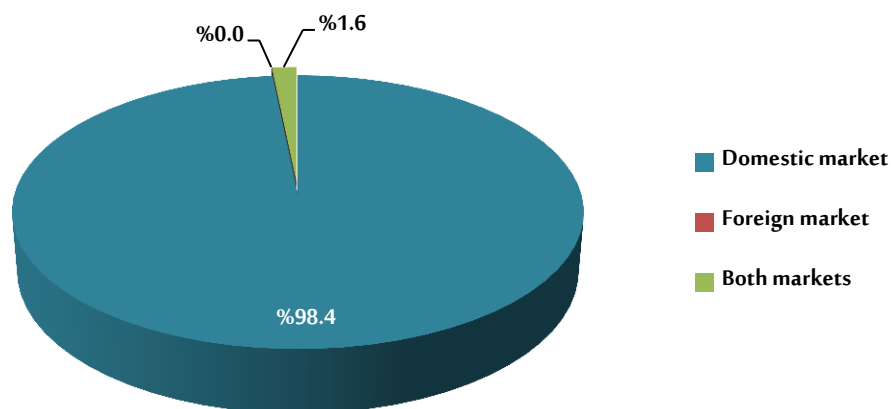
Enterprise future plan	No. of enterprises	Percentage of total enterprises having a future expansion plan
Opening new branches in Qatar or GCC countries	131	%42.1
Expansion of current premises	127	%40.8
Investment in business assets (factories, warehouses, machinery, vehicles)	52	%16.7
Others	34	%10.9

- You may select more than one option to answer.

Economic Enterprises and Access to Markets:

As for access to markets, around (98.4%) of enterprises target the domestic market and (1.6%) target both domestic and foreign markets, whereas none of the surveyed enterprises target only foreign markets, as shown in Graph (7)

Graph (7)
Types of Markets Targeted by Enterprises
Q3, 2016



The average percentage of production exported by enterprises targeting foreign markets in Q3, 2016 amounted to (25.1%) of total production, compared to (26.9%) in Q2, 2016.

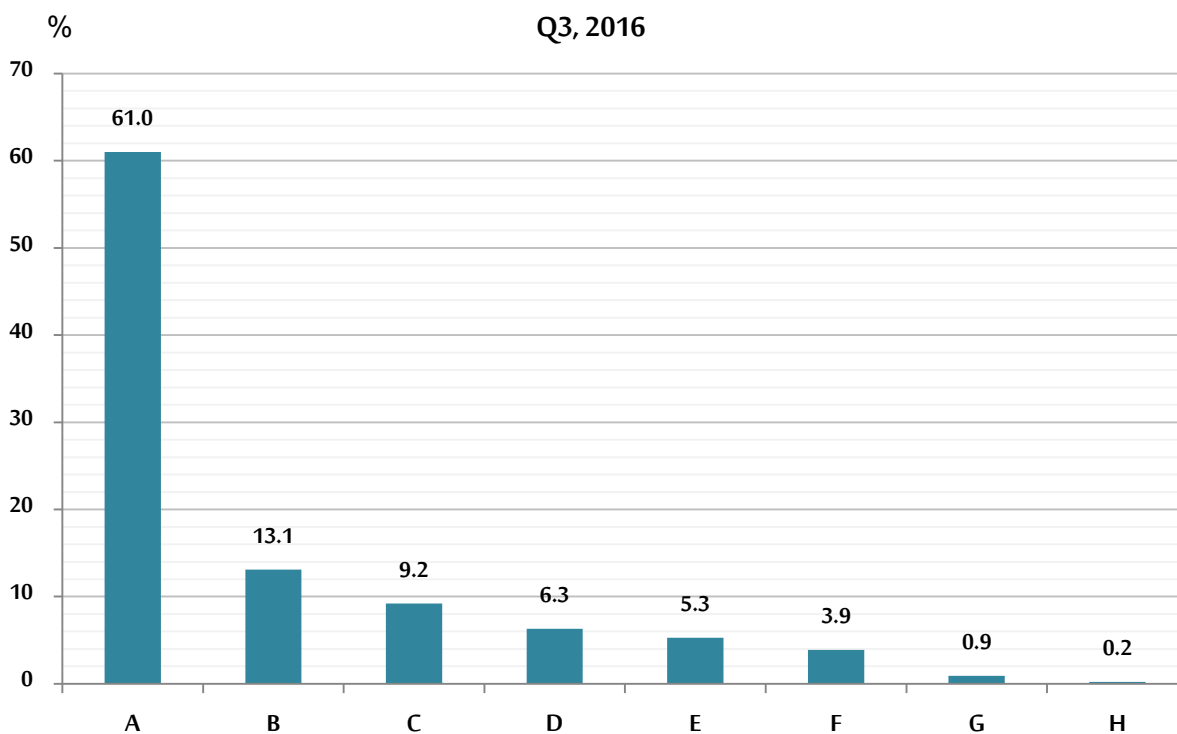
Results indicate that the key foreign markets targeted by enterprises are GCC countries (90%), followed by European countries and the USA.

Qatari Products Access to Foreign Markets:

The results of Q3, 2016 show that (39.0%) of enterprises encounter challenges hindering Qatari products access to foreign markets, compared to (51.7%) in Q2, 2016. 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 high cost of rental, increasing demand for Qatari products in domestic market and lack of factories that can help in the export process. Others believe that the weak competitiveness of Qatari products is an obstacle hindering access to foreign markets, in addition to a number of other reasons that are explained in Graph (8) below.

Graph (8)
Obstacles facing Qatari products access to foreign markets
Q3, 2016



A No obstacles

B High cost of production

C Increased demand for products in domestic market and lack of factories

D Less competitive product

E Small market and poor marketing

F Weak support for exports

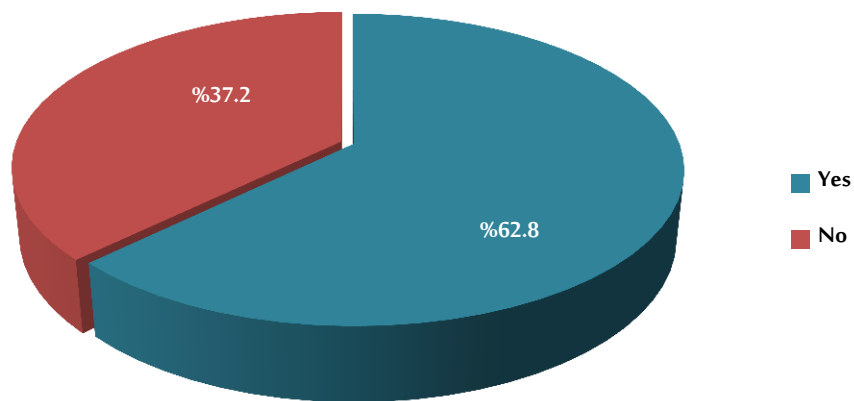
G Poor material and human potential

H Others

Challenges Facing Economic Enterprises' Performance in Q3, 2016:

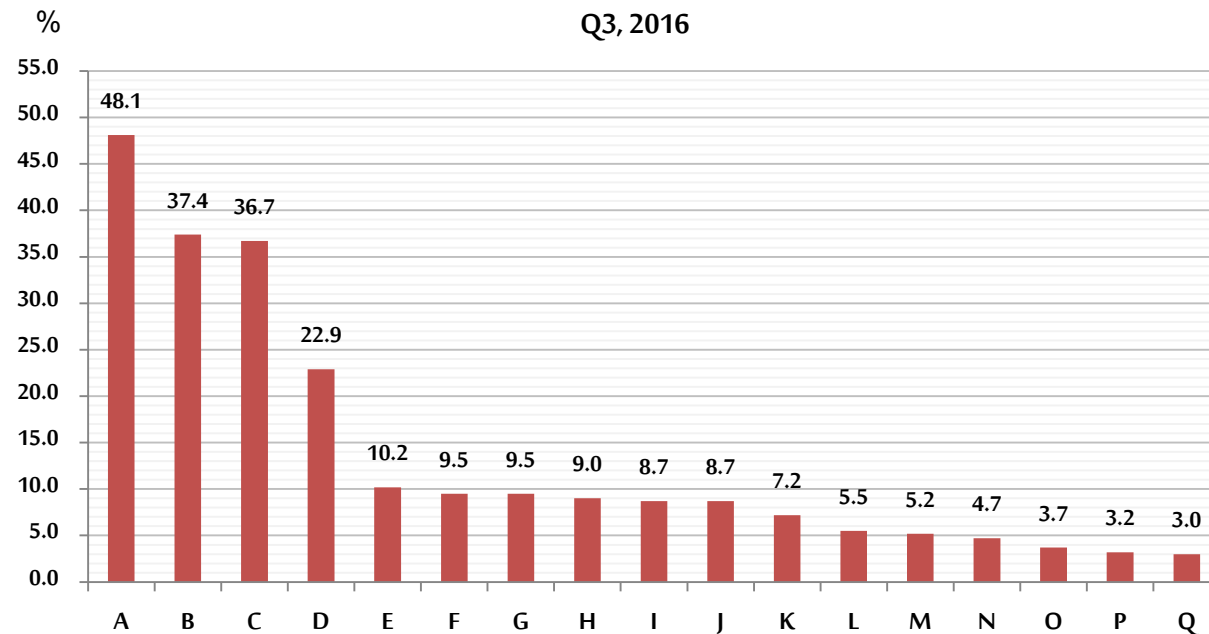
Results indicate that (62.8%) of enterprises face some challenges hindering their performance, compared to (61.1%) in Q2, 2016, as shown in graph (9).

Graph (9)
Percentage of Enterprises Facing Challenges Hindering their Performance
Q3, 2016



Results show that the main challenges are the high cost of rental, intense competitiveness, low demand and receivables delay, as well as other challenges embodied in road works which hinder access to establishments. See further details in Graph (10) below.

Graph 10
Main Challenges Hindering Enterprises' Performance
Q3, 2016



A	Cost of rent
B	Competition
C	Insufficient demand
D	Receivables delay
E	Financial constraints
F	Cost of services and utilities
G	Legislative restrictions and obstacles
H	Cost of transport, shipping and storage
I	Shortage of labor force
J	Cost of obtaining raw materials
K	Others
L	Routine
M	Shortage of materials and/or equipment
N	Government fees
O	Difficulty to obtain raw materials
P	Access to land, property registration and taxes
Q	Customs tariffs

Appendix

First: Overall Index and Sub-Indices of Business Confidence - Q3, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	8.4	32.8	20.2
Production size	14.7	53.8	33.4
Stock of finished products	6.3	14.9	10.6
Prices of finished products of goods/services	12.1	36.4	23.9
Business size/ sales volume/ purchase orders	2.7	17.3	9.9
Labor force size	9.4	25.8	17.5
Profitability ratios	5.2	48.5	25.8

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

1- Small-sized Enterprises - Q3, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	7.3	31.7	19.0
Production size	10.9	51.5	30.3
Stock of finished products	8.6	9.7	9.1
Prices of finished products of goods/services	10.3	36.5	23.0
Business size/ sales volume/ purchase orders	2.9	17.7	10.2
Labor force size	9.2	21.7	15.4
Profitability ratios	1.9	53.1	26.1

2- Medium-sized Enterprises - Q3, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	9.3	31.8	20.2
Production size	20.8	58.1	38.8
Stock of finished products	0.0	18.9	9.3
Prices of finished products of goods/services	15.6	25.0	20.3
Business size/ sales volume/ purchase orders	2.2	19.7	10.8
Labor force size	8.5	32.1	20.0
Profitability ratios	8.3	36.8	22.1

3- Large-sized Enterprises- Q3, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	11.4	37.7	24.1
Production size	21.6	57.1	38.7
Stock of finished products	5.0	30.4	17.3
Prices of finished products of goods/services	14.8	47.9	30.7
Business size/ sales volume/ purchase orders	2.5	13.4	7.9
Labor force size	11.2	33.4	22.0
Profitability ratios	13.3	44.2	28.2

Third: Overall Index and Sub-Indices of Business Confidence by Enterprise Activity**1- Mining and Quarrying - Q3, 2016**

Index	Current Situation Index	Future Situation Index	Overall Index
Overall index	-13.1	18.9	2.2
Production size	-35.8	10.4	-14.2
Stock of finished products	0.0	14.2	7.0
Prices of finished products of goods/services	32.1	53.8	42.7
Business size/ sales volume/ purchase orders	-24.5	0.0	-12.7
Labor force size	-14.2	24.5	4.3
Profitability ratios	-35.8	10.4	-14.2

2- Manufacturing – Q3, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
Overall index	6.3	26.6	16.1
Production size	13.4	50.5	31.2
Stock of finished products	3.6	29.1	16.0
Prices of finished products of goods/services	8.1	15.2	11.6
Business size/ sales volume/ purchase orders	3.1	8.5	5.8
Labor force size	6.4	20.6	13.4
Profitability ratios	3.3	35.5	18.8

3- Electricity, Gas, and Water Supply – Q3, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	83.3	66.7	74.2
Production size	100.0	100.0	100.0
Stock of finished products	0.0	0.0	0.0
Prices of finished products of goods/services	100.0	0.0	44.9
Business size/ sales volume/ purchase orders	100.0	100.0	100.0
Labor force size	100.0	100.0	100.0
Profitability ratios	100.0	100.0	100.0

4- Construction - Q3, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	13.1	40.5	26.4
Production size	16.0	61.1	37.5
Stock of finished products	7.1	25.4	16.1
Prices of finished products of goods/services	22.2	45.1	33.4
Business size/ sales volume/ purchase orders	3.1	22.5	12.6
Labor force size	11.1	48.1	28.8
Profitability ratios	19.2	40.8	29.8

5- Trading – Q3, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	8.3	31.7	19.6
Production size	15.9	55.9	35.1
Stock of finished products	6.8	7.3	7.1
Prices of finished products of goods/services	11.5	42.4	26.4
Business size/ sales volume/ purchase orders	3.8	16.9	10.3
Labor force size	10.1	17.1	13.5
Profitability ratios	1.8	50.9	25.0

6- Services – Q3, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	7.3	36.4	21.3
Production size	14.0	49.0	30.9
Stock of finished products	-	-	-
Prices of finished products of goods/services	8.0	32.6	20.0
Business size/ sales volume/ purchase orders	2.4	19.1	10.6
Labor force size	9.1	24.5	16.7
Profitability ratios	2.9	56.6	28.2