



وزارة التخطيط التنموي والإحصاء
Ministry of Development Planning and Statistics

Business Confidence Index in the State of Qatar Q4 2016

December 2016

Development Indicators Series

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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 volume/ 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 – December, 2016

Overall Index:

The Business Confidence Index (BCI) increased during Q4, 2016 compared to Q3 of the same year. It accounted for (20.7) points, an increase of (0.5) point from Q3, 2016.

In general, these results show that Qatari economy is capable to diversify in view of the recent drop in global oil prices, thanks to the active contribution of non-oil sector to the national economy and the huge investments in energy and infrastructure sectors.

Change in BCIs between Q3 and Q4, 2016

Business Confidence Index

0.5

Current Situation Index

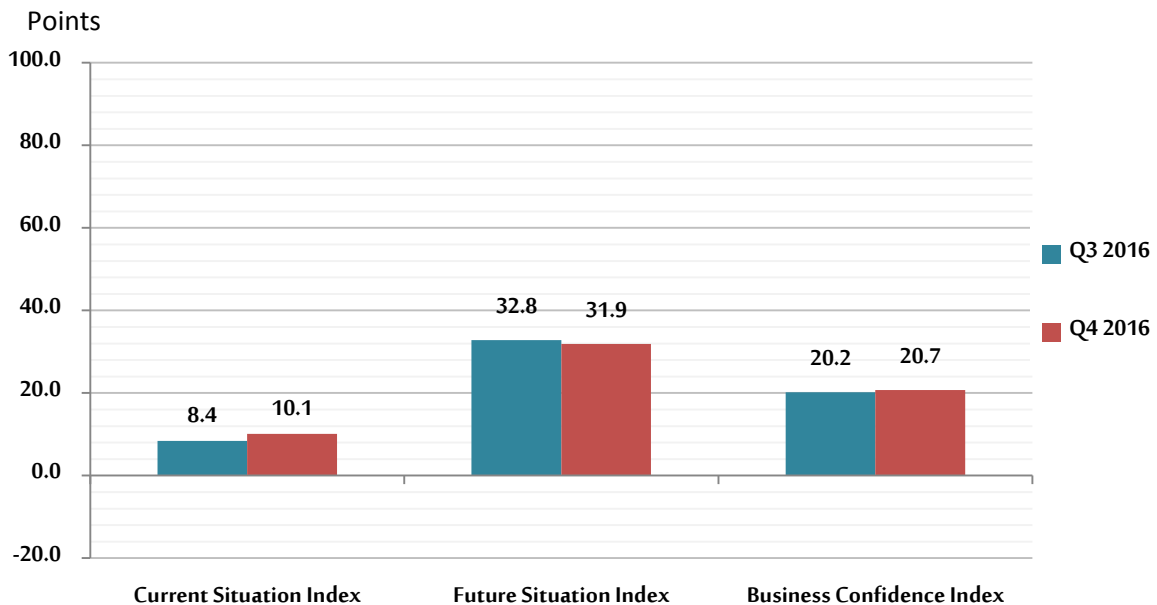
1.7

Future Situation Index

- 0.9

Graph (1)

Business Confidence Index in the State of Qatar – Q3 and Q4, 2016

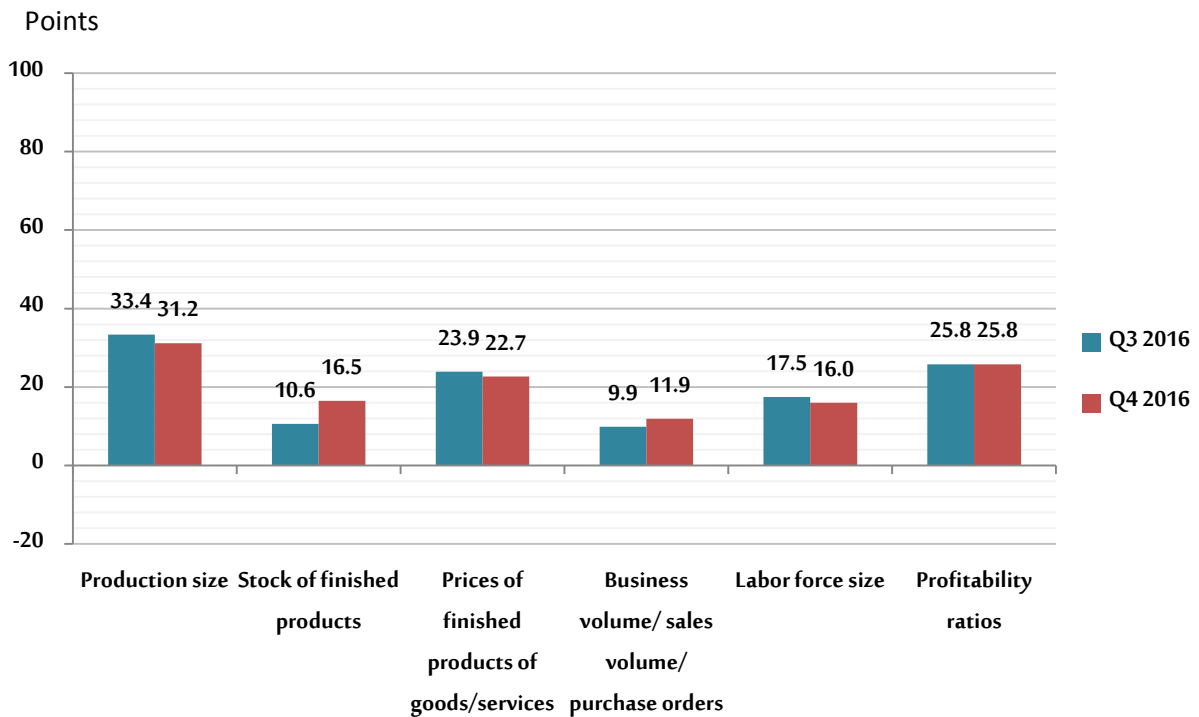


Sub-Indices:

Sub-indices mean the Current Situation Index and the Future Situation Index. The survey results indicate an increase of (1.7) points in optimism among Qatar-based economic enterprises over the current situation, recording (10.1) points, compared to (8.4) points in Q3, 2016. Whereas, the Future Situation Index recorded a decrease of (-0.9) point in optimism among Qatar-based economic enterprises over the future situation, recording (31.9) points, compared (32.8) points in Q3, 2016.

The surveyed business community sample expressed optimism over the stock volume of finished products, business volume \ sales volume, purchase orders and profitability ratios of their businesses. Whereas their optimism level declined over production size and prices of finished products of goods/services in Q4, 2016, compared to Q3, 2016. This is further detailed in Graph (2).

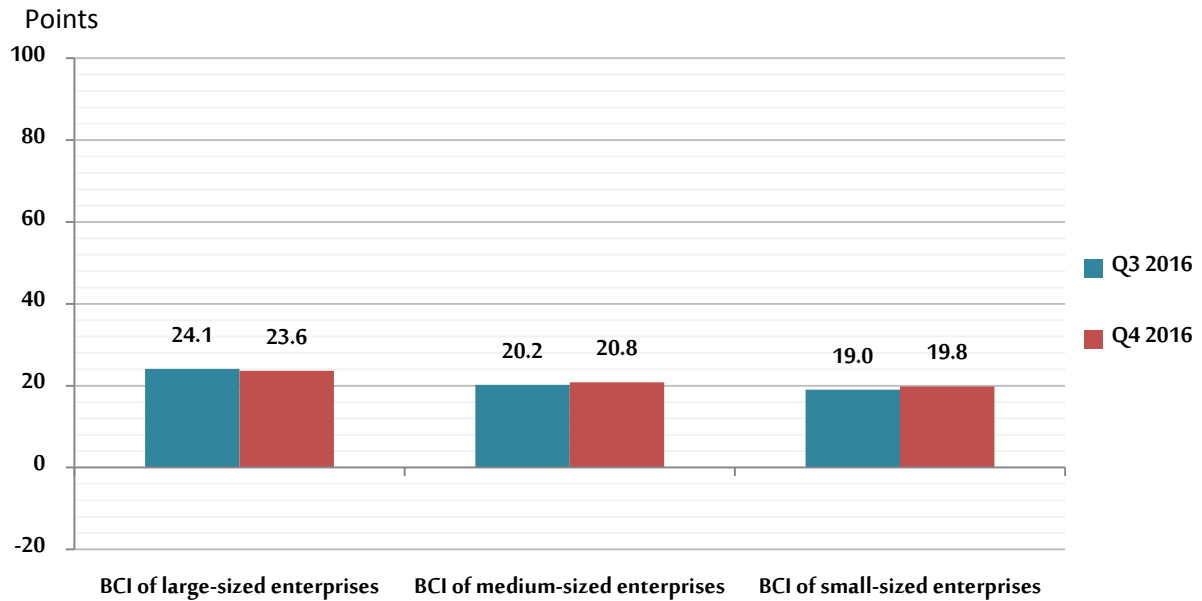
Graph (2)
Sub-Indices of Qatar-Based Enterprises Status
Q3 and Q4, 2016



BCI by Enterprise Size:

Small-and-medium-sized enterprises expressed their optimism over Qatar's economic conditions, recording (19.8) and (20.8) points respectively compared to (19.0) points and (20.2) points in Q3, 2016; a rise of (0.8) and (0.6) points respectively. Whereas large-sized enterprises recorded a decrease of (-0.5) point compared to Q3, 2016, as shown in Graph (3).

Graph (3)
Qatar's Business Confidence Index by Enterprise Size
Q3 and Q4, 2016

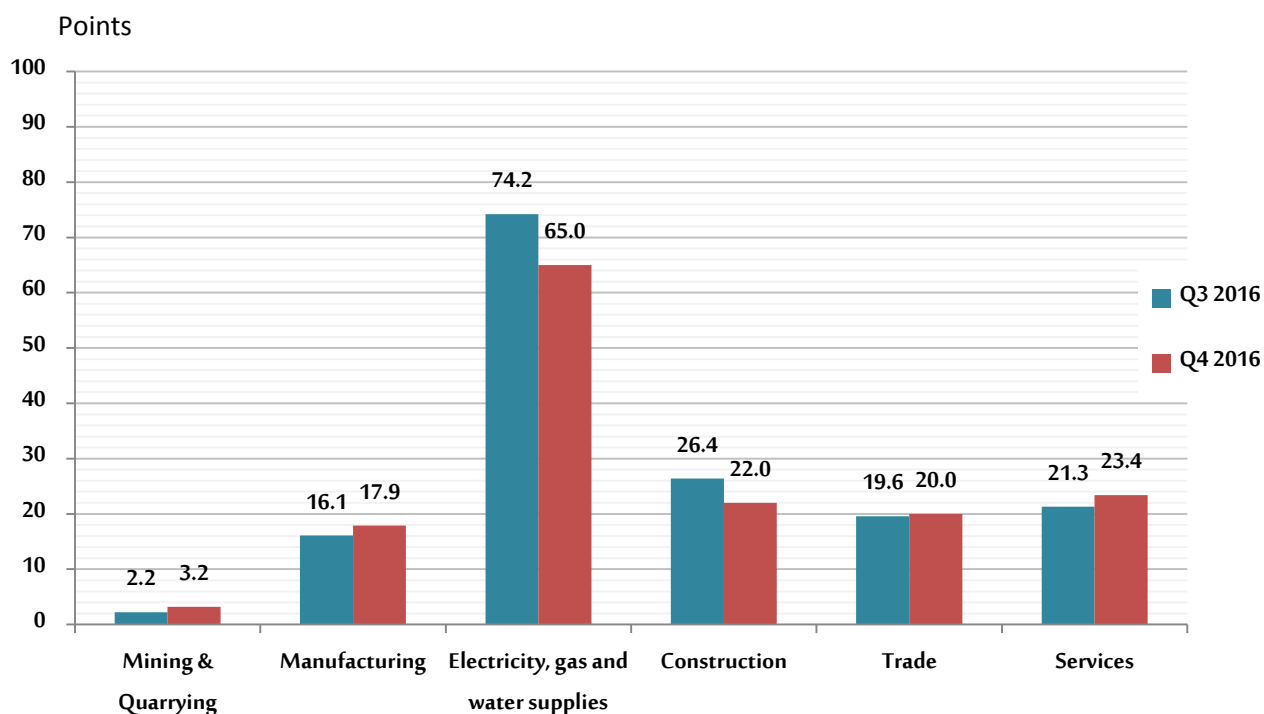


The results reflect a rise in business volume of all (small, medium and large) enterprises with the largest increase in small-sized enterprises. The business volume index for small, medium and large enterprises during Q4, 2016 reached (13.1) points, (11.0) points and (8.3) points respectively.

BCI by Economic Activity:

With regards to economic activity, the results indicate that the enterprises engaged in "electricity, gas and water supplies" were most optimistic (65.0 points) about the country's economic conditions in general, and about the status of their own businesses in particular. In second place came "services" activity (23.4 points), followed by "construction" (22.0 points), and then "trade" (20.0 points), "manufacturing" (17.9 points) and "mining and quarrying" (3.2 points), increasing by (1.0) point, compared to Q3, 2016 as shown in Graph (4).

Graph (4)
Qatar's Business Confidence Index by Economic Activity
Q3 and Q4, 2016



The results, compared to Q3, 2016, indicate a rise in optimism level among enterprises engaged in "services", "manufacturing", "mining and quarrying" and "trade" activities. However, the optimism levels decreased among enterprises engaged in "electricity, gas and water supplies" and "construction".

Economic Enterprises and Bank Finance:

Survey results indicate that about (87.2%) of economic enterprises did not receive any bank finance in Q4, 2016, compared to (88.3%) in Q3 of the same year. This is due to a variety of reasons topped by the fact that around (83.6%) of enterprises had sufficient internal funds, and therefore did not receive bank finance in Q4, 2016, compared to (82.1%) in Q3, 2016. Consequently, this reflects a financial stability and high financial capacity of such enterprises. The second reason is that bank finance was considered an additional financial commitment that might be exhausting according to (10.7%) of surveyed enterprises, compared to (13.5%) in Q3, 2016. See further details in Table (1) below.

Table (1)
Reasons Why Enterprises did not Avail of Bank Finance in Q4, 2016

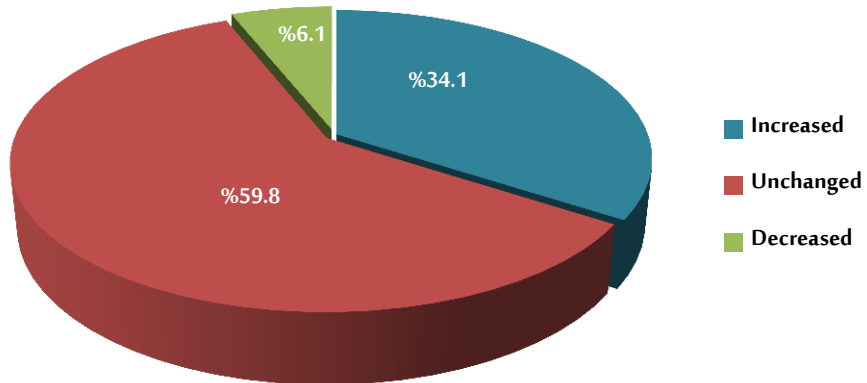
Reasons	Number of enterprises	Percentage of enterprises that did not avail of bank finance
Sufficient internal funds	468	% 83.6
bank finance is an additional burden/commitment	60	% 10.7
Bank charges/fees are unaffordable	26	% 4.6
Banks do not lend enterprises operating in such sector/industry	21	% 3.8
Enterprise's financial position does not allow to borrow from banks	15	%2.7
Others	3	% 0.5

- You may answer with more than one option.

On one hand, these results indicate a steady status for economic enterprises and their ability to bear financial burdens and meet their commitments without resorting to borrowing.

On the other hand, about (12.8%) of economic enterprises received bank finance in Q4, 2016, compared to about (11.7%) in Q3, 2016. When surveyed, (59.8%) of enterprises reported that the cost of finance remained unchanged, whereas (34.1%) stated that the cost of finance increased in Q4, 2016, compared to (58.7%) and (37.3%) respectively in Q3, 2016 as shown in Graph (5).

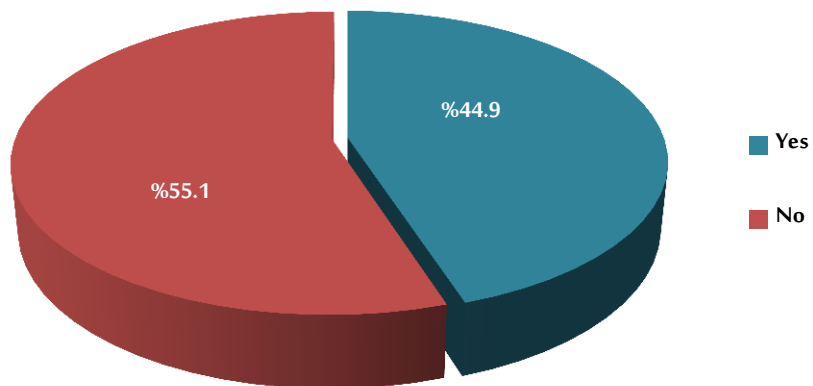
Graph (5)
Enterprises Assessment of Finance Cost in Q4, 2016



Production Capacity and Enterprise Future Plan:

Results of Q4, 2016 indicate that (44.9%) of enterprises have future plans to expand their production capacity, compared to (48.7%) in Q3, 2016, as shown in graph (6).

Graph (6)
Percentage of Enterprises Planning to Expand Their Production Capacity Q4, 2016



According to survey results, high percentage of enterprises plan to expand their businesses. Thus, the percentage of enterprises planning to open new branches either in Qatar or in GCC countries reached (41.0%) of total enterprises with future plan to expand their production capacity, and around (38.5%) plan to expand their current premises. Furthermore, some enterprises plan to expand and develop their services, make use of technology such as smart phone applications, to benefit from marketing, and add new activities, as shown in Table (2) below.

According to survey results in Q4, 2016, the enterprises that do not have plans to expand their production capacity amounted to (55.1%) of surveyed enterprises. This is due to inadequacy/instability of market conditions. Others reported that they already expanded in earlier times, hence they are currently self-sufficient.

Table (2)
Enterprises' future plan to expand their production capacity
Q4, 2016

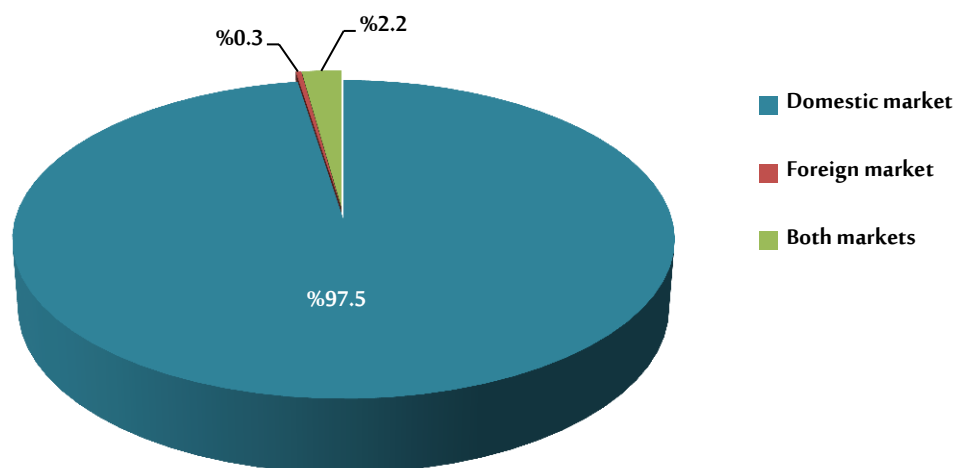
Enterprises' future plan	No. of enterprises	Percentage of total enterprises having a future expansion plan
Opening new branches in Qatar or GCC countries	118	%41.0
Expansion of current premises	111	%38.5
Investment in business assets, such as factories, warehouses, machinery, vehicles	75	%26
Others	4	%1.4

- You may answer with more than one option.

Economic Enterprises and Access to Markets:

As for access to markets, around (97.5%) of enterprises target the domestic market and (2.2%) target both domestic and foreign markets, whereas (0.3%) target only foreign markets, as shown in Graph (7).

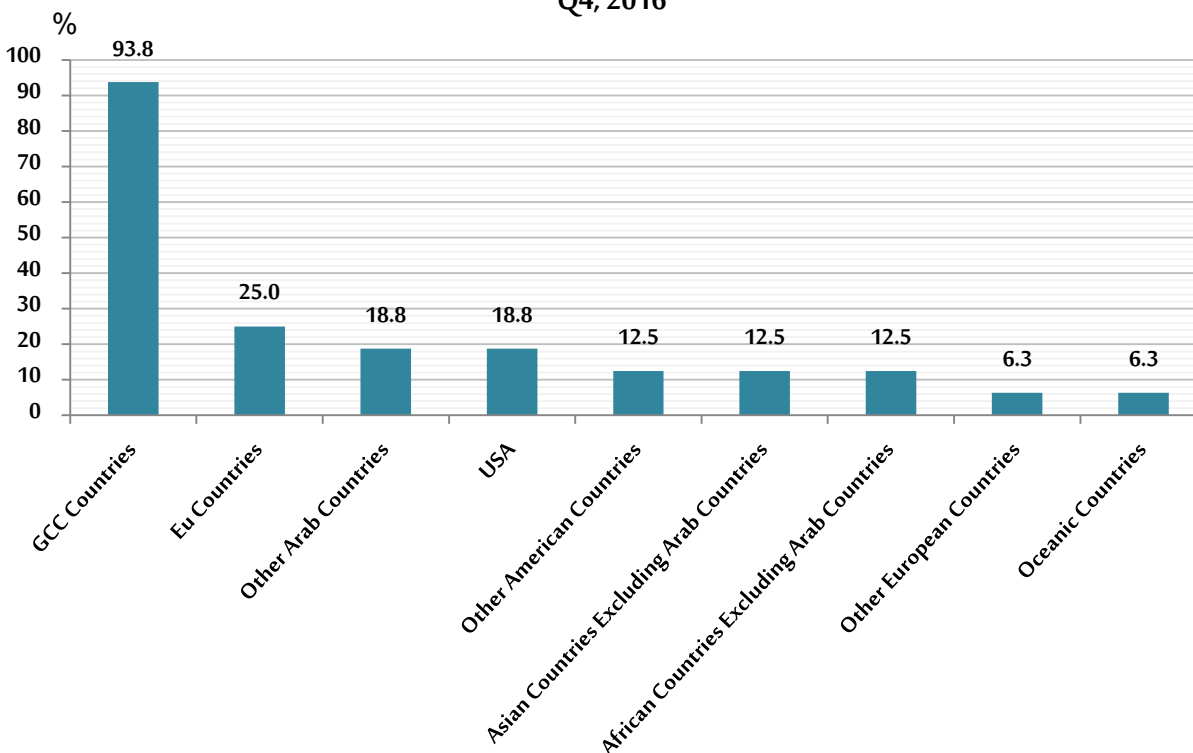
Graph (7)
Types of Markets Targeted by Enterprises
Q4, 2016



The average percentage of production exported by enterprises targeting foreign markets in Q4, 2016 amounted to (25.8%) of total production, compared to (25.1%) in Q3, 2016.

Results indicate that the key foreign markets targeted by enterprises are GCC countries (93.8%), followed by EU countries (25.0%). Other Arab countries and the USA accounted for an equal percentage of (18.8%) for each. See further details in Graph (8).

Graph (8)
Types of Markets Targeted by Enterprises
Q4, 2016

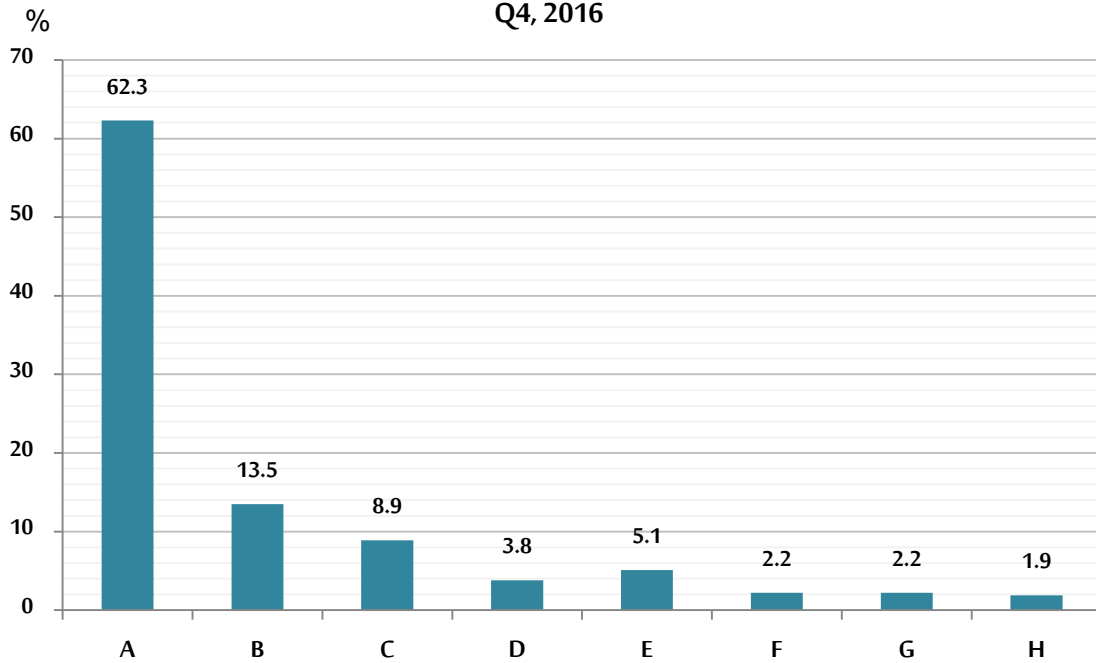


* You may choose more than one market.

Qatari Product Access to Foreign Markets:

The survey results for Q4, 2016 show that (37.7%) of enterprises encountered obstacles hindering Qatari product access to foreign markets, compared to (39.0%) in Q3, 2016. The obstacles were mainly 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 rentals, increasing demand for Qatari products in domestic market and lack of factories that can help in the export process. Others believed that the weak competitiveness of Qatari products was an obstacle hindering access to foreign markets, in addition to a number of other reasons that are explained in Graph (9) below.

Graph (9)
Obstacles hindering Qatari products access to foreign markets
Q4, 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

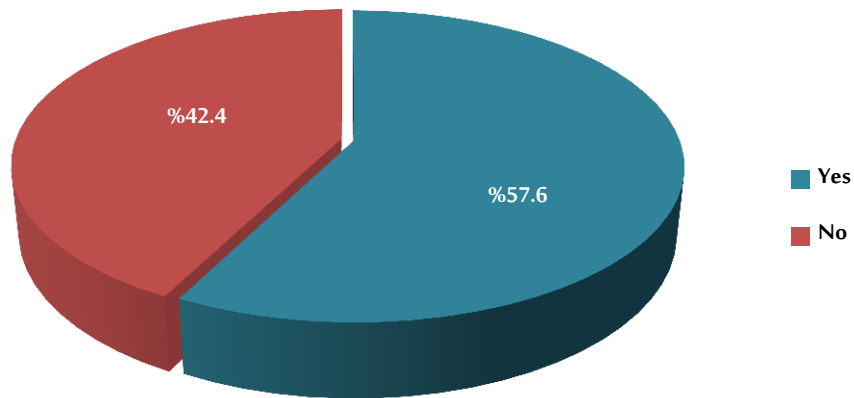
- G Poor physical and human potential

- H Others

Challenges Hindering Economic Enterprises' Performance in Q4, 2016:

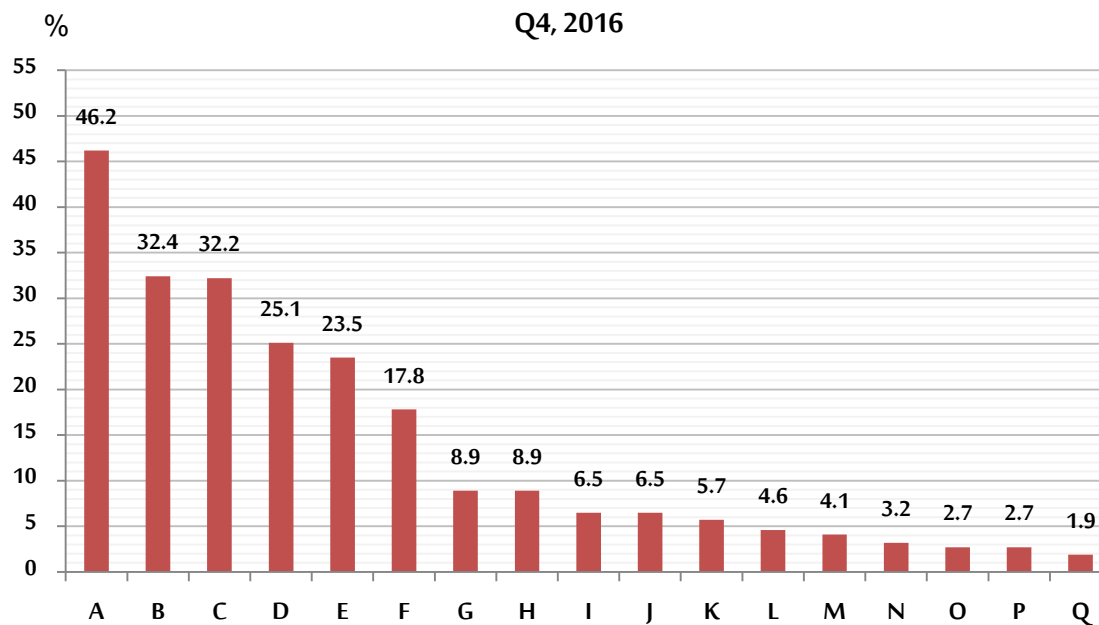
Results indicate that (57.6%) of economic enterprises face some challenges hindering their performance, compared to (62.8%) in Q3, 2016, as shown in Graph (10).

Graph (10)
Percentage of Enterprises Facing Challenges Hindering their Performance
Q4, 2016



Results show that the main challenges are the high cost of rentals, low demand, intense competitiveness and receivables delay, as well as other challenges that are further detailed in Graph (11) below.

Graph (11)
Main Challenges Hindering Enterprises' Performance
Q4, 2016



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

Appendix

First: Overall Index and Sub-Indices of Business Confidence - Q4, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	10.1	31.9	20.7
Production size	15.1	48.4	31.2
Stock of finished products	12.6	20.5	16.5
Prices of finished products of goods/services	12.0	33.8	22.7
Business volume/ sales volume/ purchase orders	5.9	18.1	11.9
Labor force size	7.9	24.4	16.0
Profitability ratios	7.5	45.9	25.8

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

1. Small-Sized Enterprises - Q4, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	9.6	30.6	19.8
Production size	11.9	47.3	28.9
Stock of finished products	15.0	20.3	17.6
Prices of finished products of goods/services	9.9	31.4	20.3
Business volume/ sales volume/ purchase orders	7.0	19.4	13.1
Labor force size	7.1	22.3	14.5
Profitability ratios	6.7	43.2	24.2

2. Medium-Sized Enterprises - Q4, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	9.2	33.0	20.8
Production size	18.8	51.0	34.3
Stock of finished products	7.3	21.1	14.1
Prices of finished products of goods/services	13.7	31.4	22.4
Business volume/ sales volume/ purchase orders	1.4	21.1	11.0
Labor force size	6.8	24.8	15.6
Profitability ratios	7.3	48.7	27.1

3. Large-Sized Enterprises- Q4, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	13.0	35.0	23.6
Production size	22.6	49.7	35.8
Stock of finished products	8.8	20.8	14.7
Prices of finished products of goods/services	17.9	45.1	31.1
Business volume/ sales volume/ purchase orders	6.4	10.3	8.3
Labor force size	11.8	31.6	21.5
Profitability ratios	10.5	52.3	30.4

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

1. Mining and Quarrying - Q4, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	-12.7	20.9	3.2
Production size	-25.3	24.5	-1.9
Stock of finished products	0.0	0.0	0.0
Prices of finished products of goods/services	24.5	50.2	37.0
Business volume/ sales volume/ purchase orders	-25.3	25.3	-1.6
Labor force size	-24.9	24.9	-1.6
Profitability ratios	-25.3	0.4	-12.9

2. Manufacturing – Q4, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	8.0	28.4	17.9
Production size	15.7	44.8	29.8
Stock of finished products	2.2	31.4	16.3
Prices of finished products of goods/services	3.6	14.2	8.8
Business volume/ sales volume/ purchase orders	11.1	12.0	11.5
Labor force size	4.8	24.0	14.2
Profitability ratios	10.5	44.2	26.7

3. Electricity, Gas and Water Supply – Q4, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	83.3	50.0	65.0
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 volume/ sales volume/ purchase orders	100.0	100.0	100.0
Labor force size	100.0	0.0	44.9
Profitability ratios	100.0	100.0	100.0

4. Construction - Q4, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	10.4	34.5	22.0
Production size	11.9	58.2	33.9
Stock of finished products	14.6	29.2	21.8
Prices of finished products of goods/services	15.7	32.5	23.9
Business volume/ sales volume/ purchase orders	3.7	11.0	7.3
Labor force size	8.9	32.3	20.3
Profitability ratios	7.6	43.9	25.0

5. Trading – Q4, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	10.5	30.0	20.0
Production size	18.4	45.5	31.5
Stock of finished products	15.3	14.0	14.6
Prices of finished products of goods/services	13.8	37.5	25.4
Business volume/ sales volume/ purchase orders	2.1	18.9	10.3
Labor force size	6.9	20.0	13.4
Profitability ratios	6.5	44.1	24.5

6. Services – Q4, 2016

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	10.5	37.4	23.4
Production size	13.1	47.9	29.9
Stock of finished products			
Prices of finished products of goods/services	10.7	38.3	24.1
Business volume/ sales volume/ purchase orders	10.4	24.1	17.1
Labor force size	10.3	25.4	17.7
Profitability ratios	7.7	51.0	28.3