



وزارة التخطيط التنموي والإحصاء
Ministry of Development Planning and Statistics

Business Confidence Index in the State of Qatar Q4 2017

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 6 questions from which two sub-indices emerge (Current Situation Index and Future Situation Index).

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

- Production size.
- Inventory size 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.

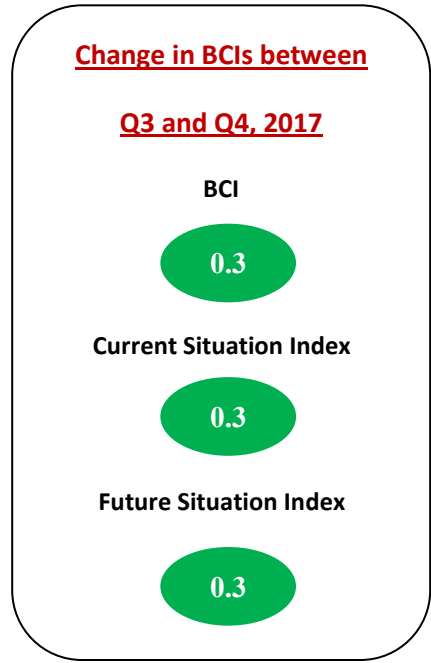
<http://www.mdps.gov.qa/en/statistics/Statistical%20Releases/Economic/ConfidenceIndex/BCI/2014/Q2/BCI-Q2-2014-Ar.pdf>

Doha – January, 2018

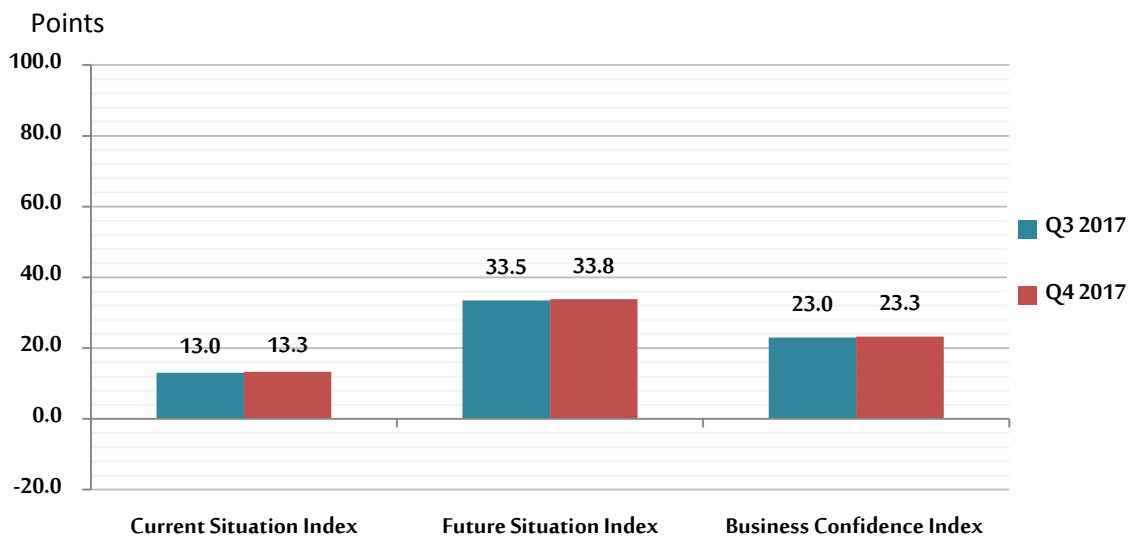
Business Confidence Index in Qatar:

In Q4, 2017, the Business Confidence Index (BCI) increased compared to Q3 of the same year, amounting to (23.3) points, an increase of (0.3) point compared to the previous quarter. In terms of annual change, there was an increase of (2.6) points compared to the 4th quarter of 2016 where the value of the index was (20.7) points.

In general, these results show that Qatari economy is strong and capable to cope with crises, especially the unjust and illegal land, sea and air blockade imposed on the State of Qatar by some GCC countries since the first week of June 2017, thanks to the wise leadership that managed to turn siege into a long-term benefit for the state of Qatar. Qatar is witnessing an economic diversification and an unprecedented industrial boom based on diversifying the economy, encouraging investment and focusing on food security projects in pursuit of self-sufficiency



Graph (1)
Qatar's BCI – Q3 and Q4, 2017

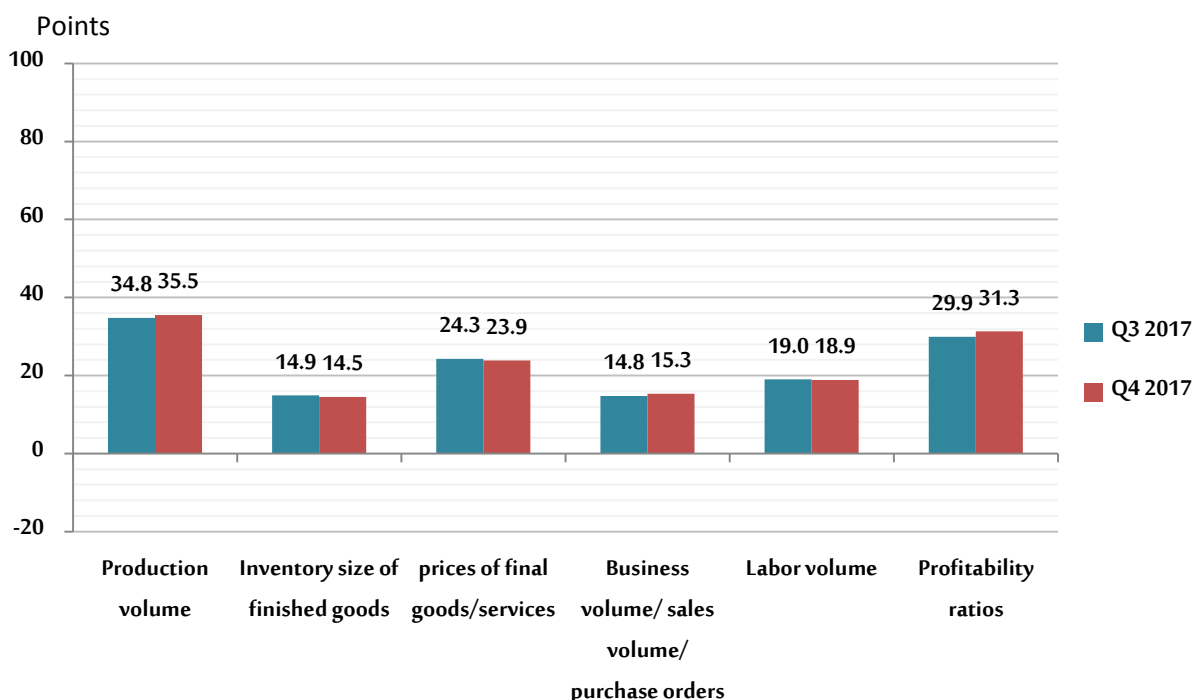


Sub-Indices for the Status of Qatar-Based Enterprises:

Sub-indices are the Current Situation Index and the Future Situation Index. The survey results indicate an increase of (0.3) point in optimism among Qatar-based enterprises over the current situation, recording (13.3) points, compared to (13.0) points in Q3, 2017. Similarly, the Future Situation Index recorded an increase of (0.3) point in optimism level among Qatar-based enterprises over the future situation, recording (33.8) points, compared to (33.5) points in Q3, 2017 (see Appendix, p16).

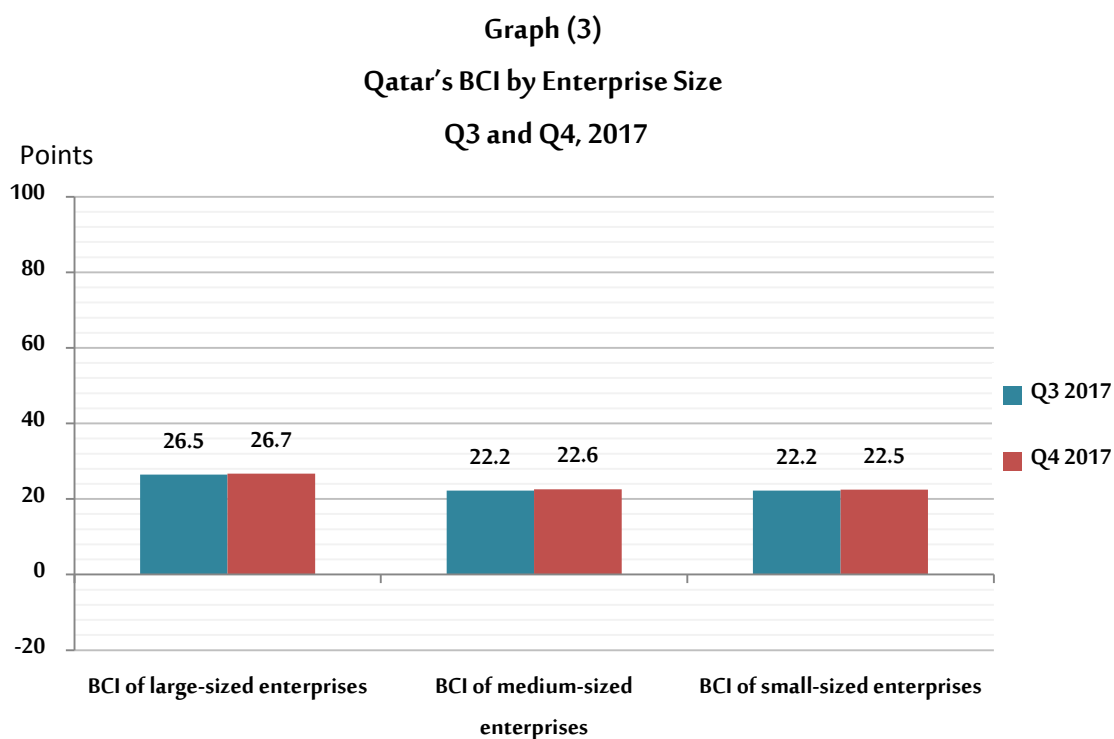
The surveyed business community sample expressed optimism over all sub-indices in Q4 of 2017, topped by profitability ratios (1.4) points followed by volume of production, and business\sales volume, purchase orders during Q4 of 2017 compared to Q3 of the same year. This is further detailed in Graph (2).

Graph (2)
Sub-Indices of Qatar-Based Enterprises Status
Q3 and Q4, 2017



BCI by Enterprise Size:

All large-sized, medium and small enterprises expressed their optimism over Qatar's economic conditions in Q4, 2017, recording (26.7), (22.6) and (22.5) points respectively, an increase of (0.2), (0.4) and (0.3) points respectively, compared to Q3, 2017, as shown in Graph (3).

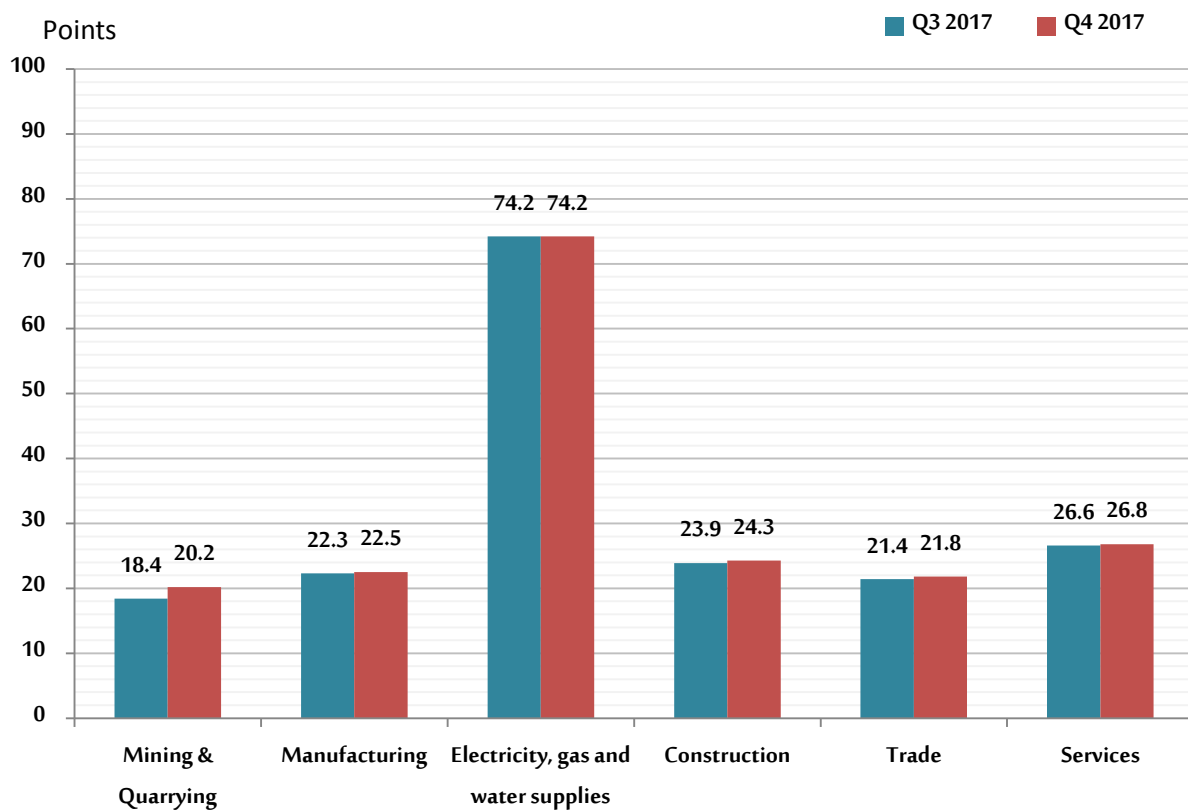


The results of Q4 reflect a rise in profitability ratios and production volume of all large-sized, medium and small enterprises with the largest increase in small-sized enterprises. During Q4, 2017, the profitability ratios index for large-sized, medium and small enterprises amounted to (33.4) points, (30.7) points and (30.9) points respectively; an increase of (1.0), (1.1) and (1.6) points respectively. Whereas production volume index for large-sized, medium and small enterprises amounted to (41.9), (36.8) and (33.2) points respectively; an increase of (0.5), (0.4) and (0.9) 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 (74.2 points) about the country's economic conditions in general, and about their own businesses in particular. In second place came "services" activity (26.8 points), followed by enterprises engaged in "construction" activity (24.3 points), "manufacturing" (22.5 points), "trade" (21.8 points) and "mining and quarrying" (20.2 points), an increase of (1.8) points, compared to Q3, 2017 as shown in Graph (4).

Graph (4)
Qatar's BCI by Economic Activity
Q3 and Q4, 2017



Economic Enterprises and Bank Finance:

Survey results reveal that about (89.9%) of enterprises did not receive any bank finance in Q4, 2017, compared to (89.7%) in Q3, 2017. This is due to a variety of reasons topped by the fact that around (80.4%) of enterprises had sufficient internal funds, compared to (85.3%) in Q3, 2017. Consequently, this reflects the enterprises' financial stability and high financial capacity. The second reason is that bank finance was considered an additional financial commitment/burden that might be exhausting according to (9.2%) of surveyed enterprises, compared to (8.9%) in Q3, 2017. See further details in Table (1) below.

Table (1)
Reasons Why Enterprises did not Avail of Bank Finance in Q4, 2017*

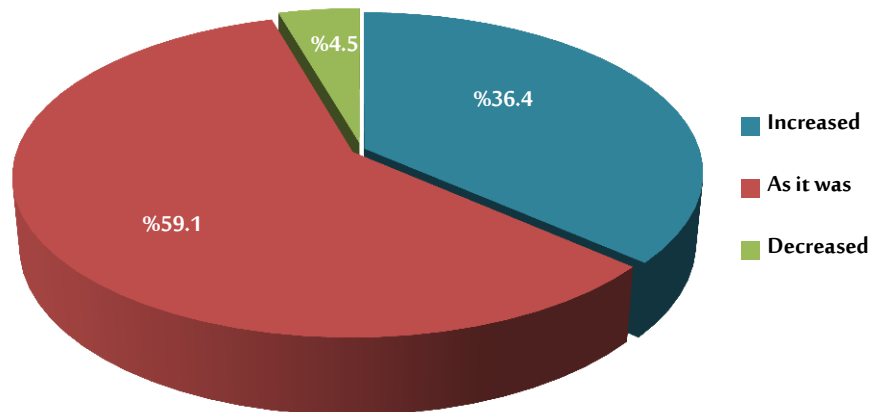
Reasons	Number of enterprises	Percentage of total enterprises that did not avail of bank finance
Sufficient internal funds	471	% 80.4
Bank finance is an additional burden/commitment	54	% 9.2
Banks do not lend enterprises operating in such sector/industry	32	% 5.5
Enterprise's financial position does not allow to borrow from banks	23	% 3.9
Bank charges/fees are unaffordable	11	% 1.9
Others	11	% 1.9

* You may choose more than one option.

These results, on one hand, reflect the stability of economic enterprises and their ability to bear financial burdens and cover their commitments without borrowing from banks.

On the other hand, about (10.1%) of enterprises received bank finance in Q4, 2017, compared to about (10.3%) in Q3, 2017. When surveyed, (59.1%) of enterprises reported that the cost of finance remained unchanged, whereas (36.4%) reported that the cost of finance increased in Q4, 2017, compared to (50.7%) and (35.8%) respectively in Q3, 2017, as shown in Graph (5).

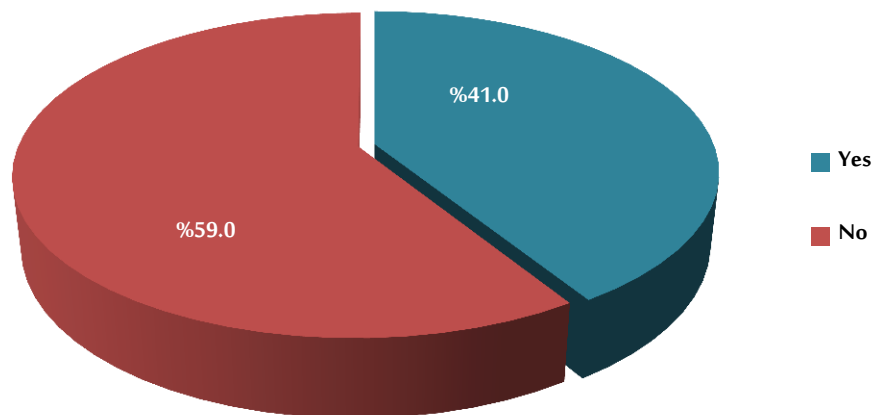
Graph (5)
Enterprise Assessment of Finance Cost in Q4, 2017



Production Capacity and Enterprise Future Plan:

Results of Q4, 2017 indicate that (41.0%) of enterprises have future plans to expand their production capacity, compared to (40.7%) in the previous quarter, as shown in graph (6).

Graph (6)
Percentage of Enterprises Planning to Expand Their Production Capacity Q4, 2017



According to survey results, high percentage of enterprises plan to expand their businesses. Thus, the percentage of enterprises planning to expand their current premises reached (43.4%) of total enterprises with future plan to expand their production capacity, and around (34.5%) plan to open new branches either in Qatar or in GCC countries. Furthermore, about (30.3%) of enterprises plan to invest in business assets (such as factories, warehouses, machinery, vehicles), whereas other enterprises plan to invest in new projects directed for exportation, as shown in Table (2) below.

Table (2)
Enterprises' future plan to expand their production capacity*
Q4, 2017

Enterprises' future plan	No. of enterprises	Percentage of total enterprises having a future expansion plan
Expansion of current premises	116	% 43.4
Opening new branches in Qatar or GCC countries	92	% 34.5
Investment in business assets (such as factories, warehouses, machinery, vehicles)	81	% 30.3
Others	4	% 1.5

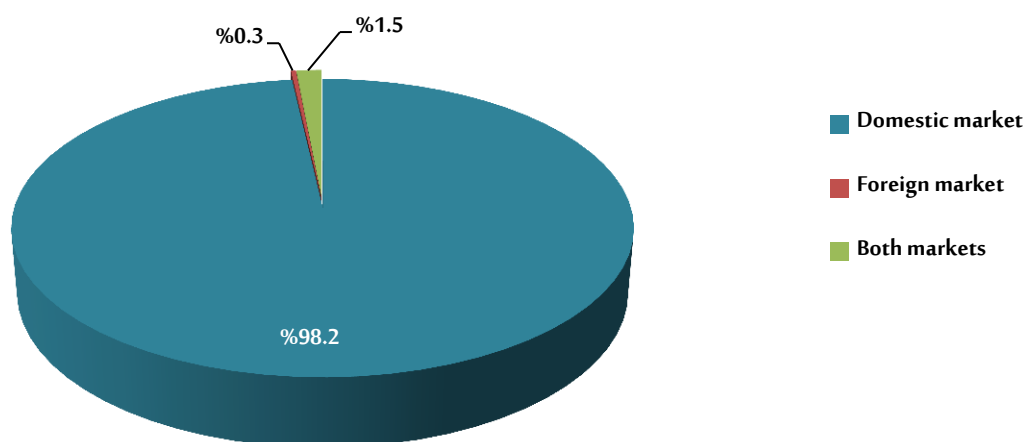
* You may choose more than one option.

According to survey results in Q4, 2017, the enterprises that do not have plans to expand their production capacity amounted to (59.0%) of respondents. This is due to inadequacy/instability of market conditions. Others reported that they had previously expanded, and were satisfied with their current situation.

Economic Enterprises and Access to Markets:

As for access to markets, around (98.2%) of enterprises target the domestic market and (1.5%) target both domestic and foreign markets, whereas (0.3%) of enterprises target only foreign markets, as shown in Graph (7).

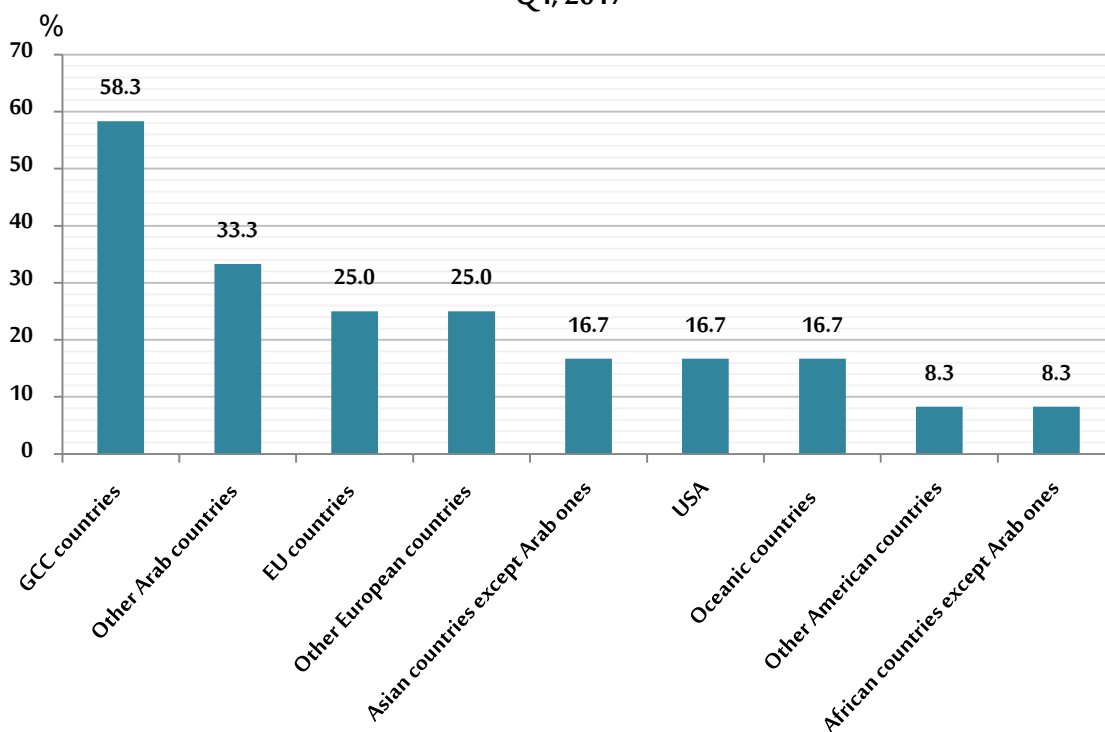
Graph (7)
Markets Targeted by Enterprises
Q4, 2017



According to survey results, the percentage of enterprises' exports targeting foreign markets in Q4, 2017 amounted to (32.7%) of total production, compared to (30.9%) in Q3, 2017. This increase in exports can be observed despite the unjust blockade imposed on Qatar since the first week of June 2017, which showed that exports quickly overcame the impacts of the blockade.

The results indicate that the key foreign markets were: GCC countries (58.3%) compared to (53.8%) in the previous quarter, followed by Other Arab countries (33.3%), EU countries and other European countries with (25.0%) each. See further details in Graph (8).

Graph (8)
Markets* Targeted by Enterprises
Q4, 2017

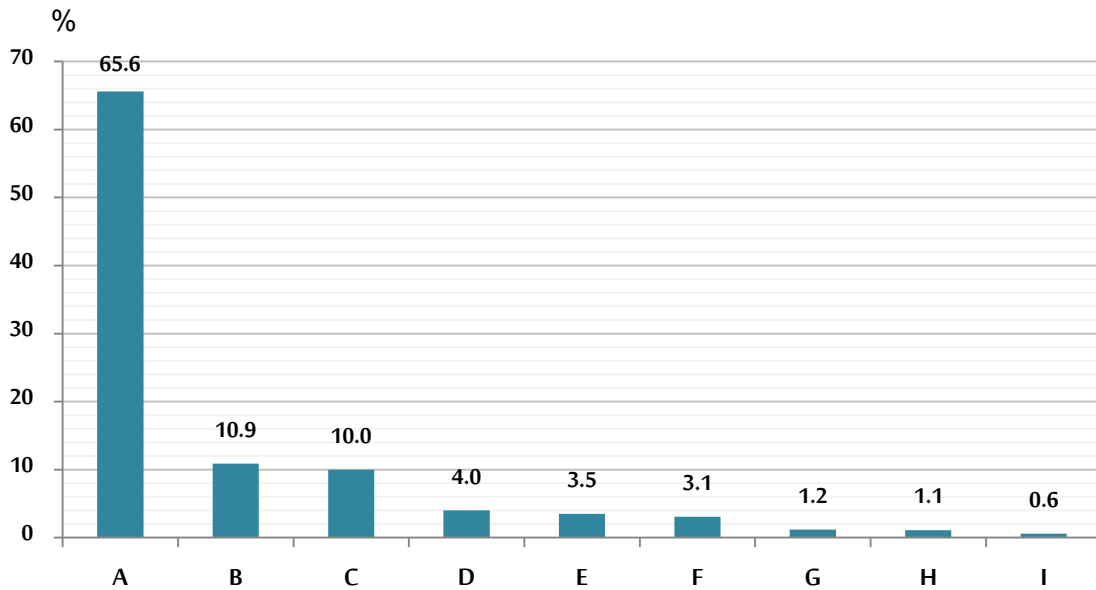


* You may choose more than one market.

Qatari Product Access to Foreign Markets:

The survey results for Q4, 2017 show that (34.4%) of enterprises encountered obstacles hindering Qatari product access to foreign markets, compared to (40.4%) in Q3, 2017. The obstacles were mainly the increasing demand for Qatari products in domestic market and the high cost of Qatari products compared to those of other countries due to high cost of raw materials. Others believed that weak competitiveness of Qatari products was an obstacle hindering access to foreign markets, in addition to a number of other obstacles that are explained in Graph (9) below.

Graph (9)
Obstacles hindering Qatari product access to foreign markets
Q4, 2017



A No obstacles

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

C High cost of production

D Less competitive product

E Small market and poor marketing

F Blockade crisis

G Poor financial and human potential

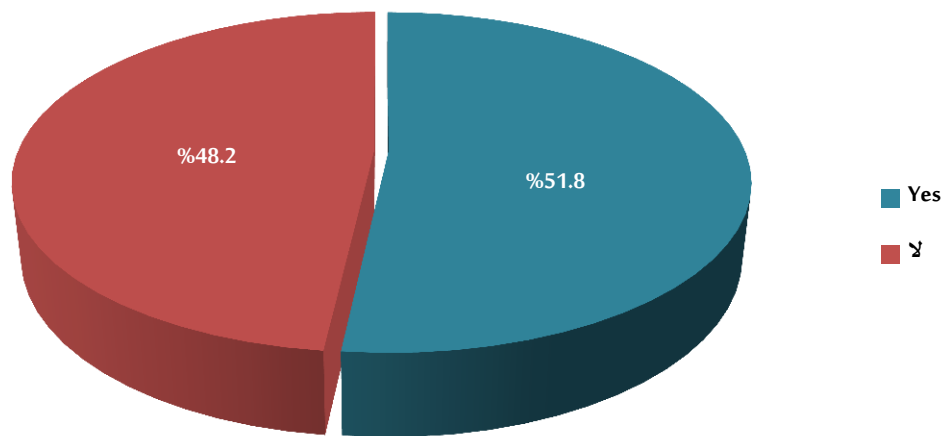
H Weak support for exports

I Others

Challenges Hindering Economic Enterprises' Performance in Q4, 2017:

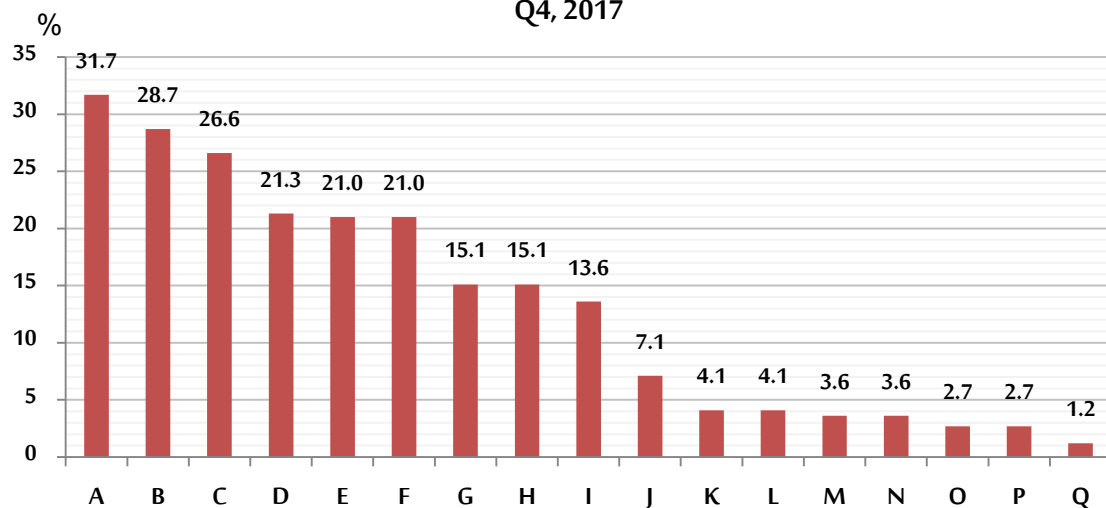
Results indicate that (51.8%) of enterprises face some challenges hindering their performance, compared to (61.3%) in Q3, 2017, as shown in Graph (10).

Graph (10)
Percentage of Enterprises Facing Challenges Hindering their Performance
Q4, 2017



Results also show that the main challenges were the high cost of rentals, insufficient demand, receivables delay and of materials and/or equipment, as well as other challenges that are further detailed in Graph (11) below.

Graph (11)
Main Challenges Hindering Enterprises' Performance*
Q4, 2017



* You may choose more than one market.

- A Cost of rental

- B Insufficient demand

- C Receivables delay

- D Shortage of materials and/or equipment

- E Competition

- F Difficulty to obtain raw materials

- G Cost of obtaining raw materials

- H Cost of transport, shipping and storing

- I Financial restraints

- J Cost of services and utilities

- K Government fees

- L Others

- M Shortage of labor force

- N Legislative restrictions and obstacles

- O Routine

- P Customs tariffs

- Q Access to land, property registration and taxes

Appendix

First: Overall Index and Sub-Indices of Business Confidence - Q4, 2017

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	13.3	33.8	23.3
Production size	21.1	50.8	35.5
Inventory size of finished products	10.8	18.3	14.5
Prices of finished products of goods/services	14.1	34.2	23.9
Business volume/ sales volume/ purchase orders	9.6	21.1	15.3
Labor force size	9.7	28.5	18.9
Profitability ratios	14.5	49.5	31.3

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

1. Small-Sized Enterprises – Q4, 2017

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	12.6	32.9	22.5
Production size	16.8	50.9	33.2
Inventory size of finished products	13.1	15.7	14.4
Prices of finished products of goods/services	11.9	32.3	21.8
Business volume/ sales volume/ purchase orders	9.6	21.5	15.4
Labor force size	9.6	28.5	18.9
Profitability ratios	14.6	48.6	30.9

2. Medium-Sized Enterprises – Q4, 2017

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	12.3	33.4	22.6
Production size	22.4	52.1	36.8
Inventory size of finished products	7.3	21.4	14.2
Prices of finished products of goods/services	16.8	34.1	25.3
Business volume/ sales volume/ purchase orders	5.3	22.7	13.8
Labor force size	9.0	20.4	14.6
Profitability ratios	13.2	49.5	30.7

3. Large-Sized Enterprises- Q4, 2017

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	17.2	36.8	26.7
Production size	34.7	49.3	41.9
Inventory size of finished products	8.4	22.4	15.3
Prices of finished products of goods/services	19.2	41.2	29.9
Business volume/ sales volume/ purchase orders	14.4	18.3	16.3
Labor force size	11.0	37.0	23.6
Profitability ratios	15.6	52.7	33.4

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

1. Mining and Quarrying – Q4, 2017

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	14.2	26.4	20.2
Production size	13.8	21.4	17.6
Inventory size of finished products	0.7	0.7	0.7
Prices of finished products of goods/services	21.4	43.1	32.0
Business volume/ sales volume/ purchase orders	21.1	35.8	28.3
Labor force size	7.2	21.7	14.3
Profitability ratios	21.1	35.8	28.3

2. Manufacturing – Q4, 2017

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	12.0	33.7	22.5
Production size	19.4	54.5	36.3
Inventory size of finished products	2.6	28.1	15.0
Prices of finished products of goods/services	6.2	15.8	11.0
Business volume/ sales volume/ purchase orders	12.7	17.8	15.2
Labor force size	9.9	31.7	20.5
Profitability ratios	21.0	54.3	37.0

3. Electricity, Gas and Water Supply – Q4, 2017

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
Inventory size of finished products	100.0	100.0	100.0
Prices of finished products of goods/services	0.0	0.0	0.0
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, 2017

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	12.0	37.4	24.3
Production size	15.4	54.6	34.2
Inventory size of finished products	6.7	27.2	16.7
Prices of finished products of goods/services	20.0	36.7	28.2
Business volume/ sales volume/ purchase orders	7.5	14.4	11.0
Labor force size	10.2	41.6	25.3
Profitability ratios	12.4	50.0	30.4

5. Trading – Q4, 2017

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	13.8	30.3	21.8
Production size	24.2	47.9	35.8
Inventory size of finished products	14.6	12.5	13.5
Prices of finished products of goods/services	16.2	33.1	24.5
Business volume/ sales volume/ purchase orders	8.3	19.9	14.0
Labor force size	6.8	22.5	14.5
Profitability ratios	12.4	46.1	28.7

6. Services – Q4, 2017

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	14.4	40.0	26.8
Production size	21.4	51.1	35.8
Inventory size of finished products			
Prices of finished products of goods/services	10.9	42.2	26.0
Business volume/ sales volume/ purchase orders	11.0	28.2	19.4
Labor force size	13.1	26.8	19.9
Profitability ratios	15.4	51.7	32.8