



وزارة التخطيط التنموي والإحصاء
Ministry of Development Planning and Statistics

Business Confidence Index in the State of Qatar Q1 2018

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.

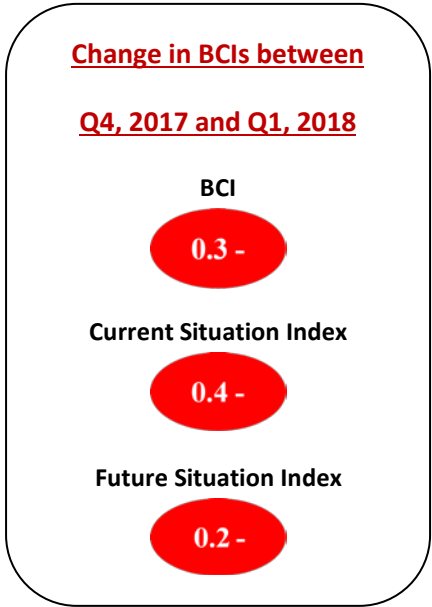
<http://www.mdps.gov.qa/en/statistics/Statistical%20Releases/Economic/ConfidenceIndex/BCI/2014/Q2/BCI-Q2-2014-Ar.pdf>

Doha – April, 2018

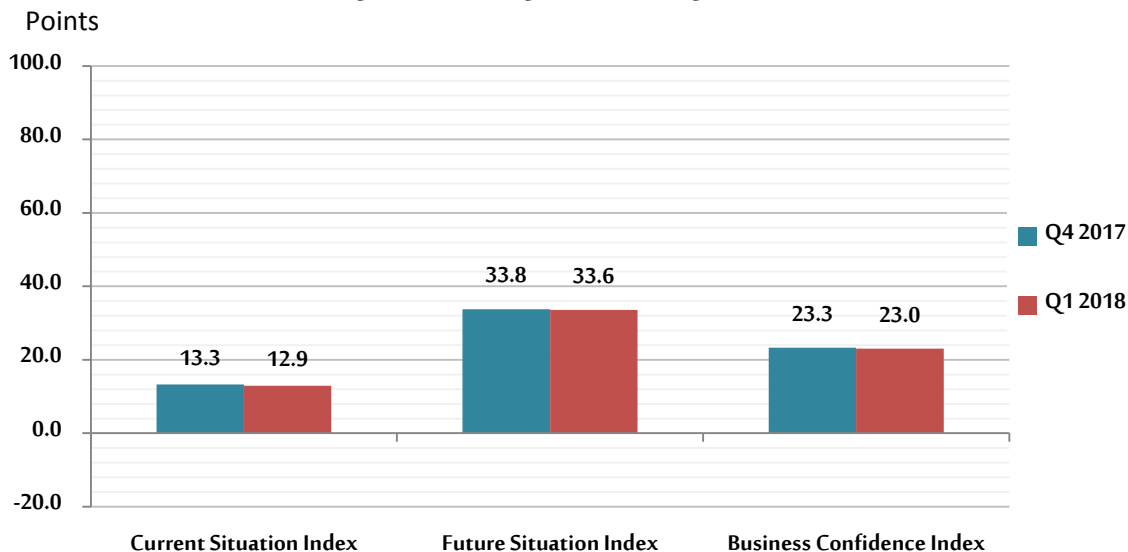
Business Confidence Index in Qatar:

In Q1, 2018, the Business Confidence Index (BCI) declined to (23.0) points, a decrease of (-0.3) point from Q4, 2017 (Graph 1). In terms of annual change, there was an increase of (1.7) points compared to Q1, 2017 where the value of the index was (21.3) points.

Despite this decline, the index maintained high positive levels, reflecting the strength and solidity of the Qatari economy despite the unjust and illegal blockade imposed on Qatar by land, sea and air from some GCC countries since the first week of June 2017, thanks to the wise and rational leadership that managed to turn blockade into victory, achieving long-term benefit. Currently, Qatar is witnessing an economic diversification and an unprecedented industrial boom based on diversification of the economy, promotion of investment and focus on food security projects in pursuit of self-sufficiency.



**Graph (1)
Qatar's BCI – Q4, 2017 and Q1, 2018**

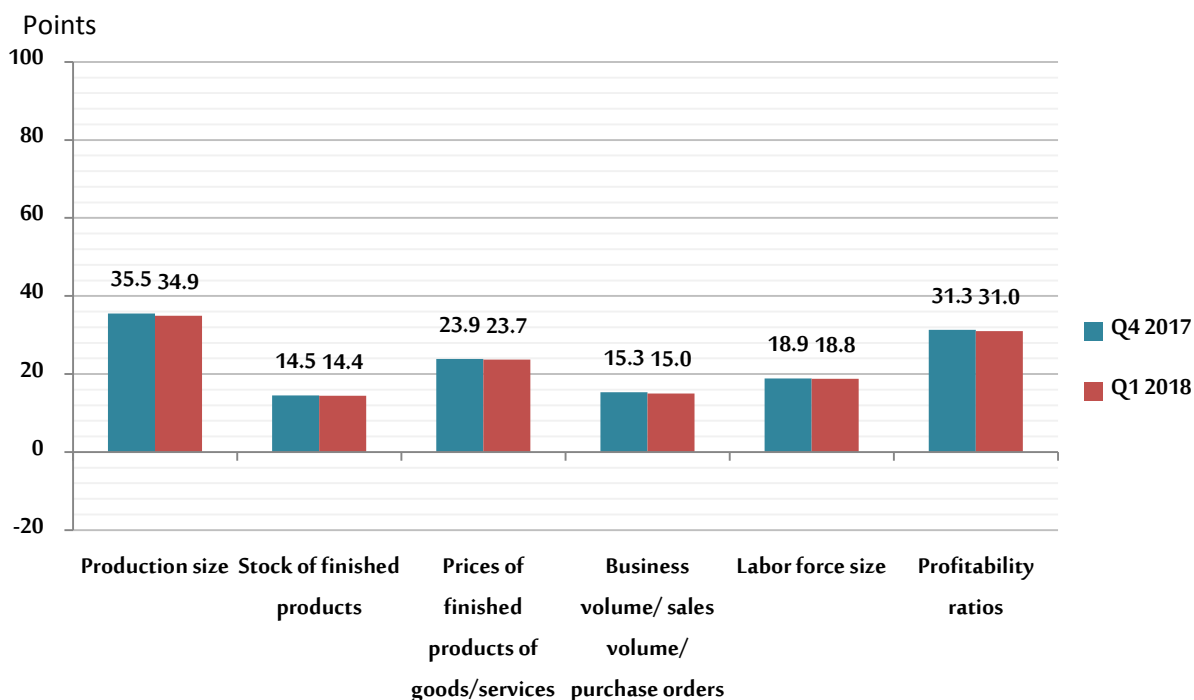


Sub-Indices for the Status of Qatar-Based Enterprises:

Sub-indices are the Current Situation Index and the Future Situation Index. The survey results indicate a decrease of (- 0.4) point in optimism among Qatar-based enterprises over the current situation, recording (12.9) points, compared to (13.3) points in Q4, 2017. Similarly, the Future Situation Index recorded a decrease of (-0.2) point in optimism level among Qatar-based enterprises over the future situation, recording (33.6) points, compared to (33.8) points in Q4, 2017 (Annex, p16).

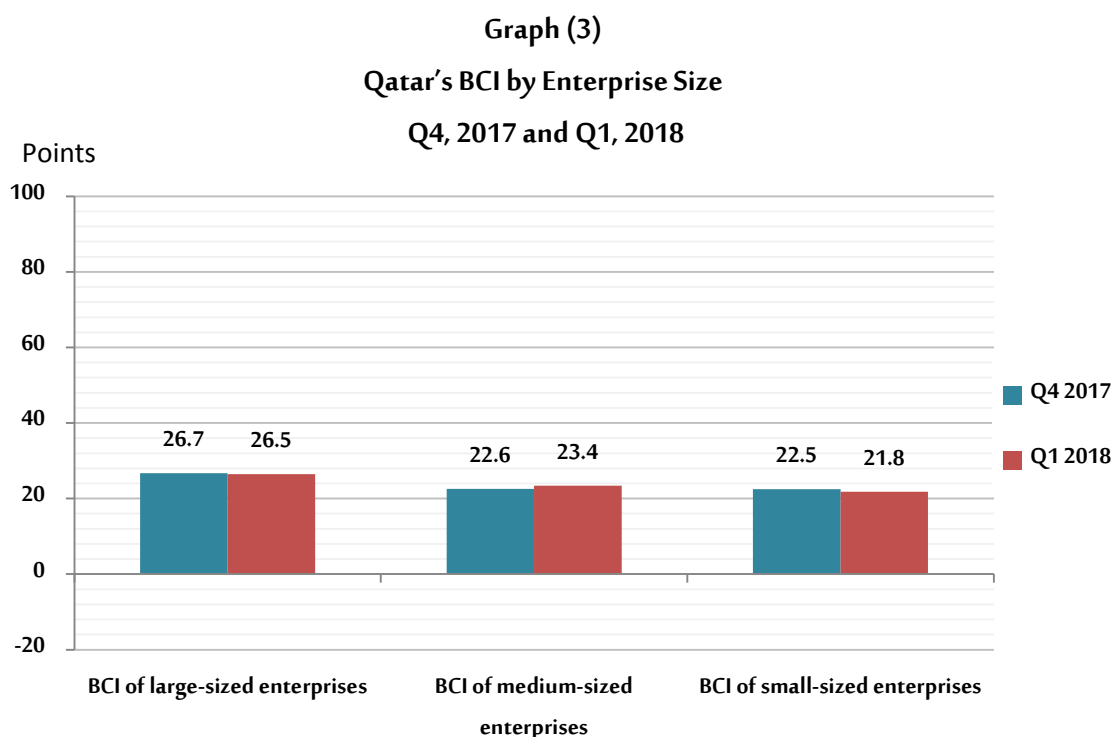
The surveyed business community sample expressed optimism about all sub-indices of enterprises status during Q1, 2018. The production volume recorded the highest level of optimism (34.9 points), followed by profitability ratios (31.0 points), and then prices of finished products of goods/services (23.7 points). See further details in Graph 2.

Graph (2)
Sub-Indices of Qatar-Based Enterprises Status
Q4, 2017 and Q1, 2018



BCI by Enterprise Size:

All large, medium and small-sized enterprises expressed their optimism over Qatar's economic conditions in Q1, 2018, recording (26.5), (23.4) and (21.8) points respectively, an increase of (0.8) point for medium-sized enterprises and a decrease of (-0.2) and (-0.7) points for large and small-sized enterprises respectively, compared to Q4, 2017, as shown in Graph (3).

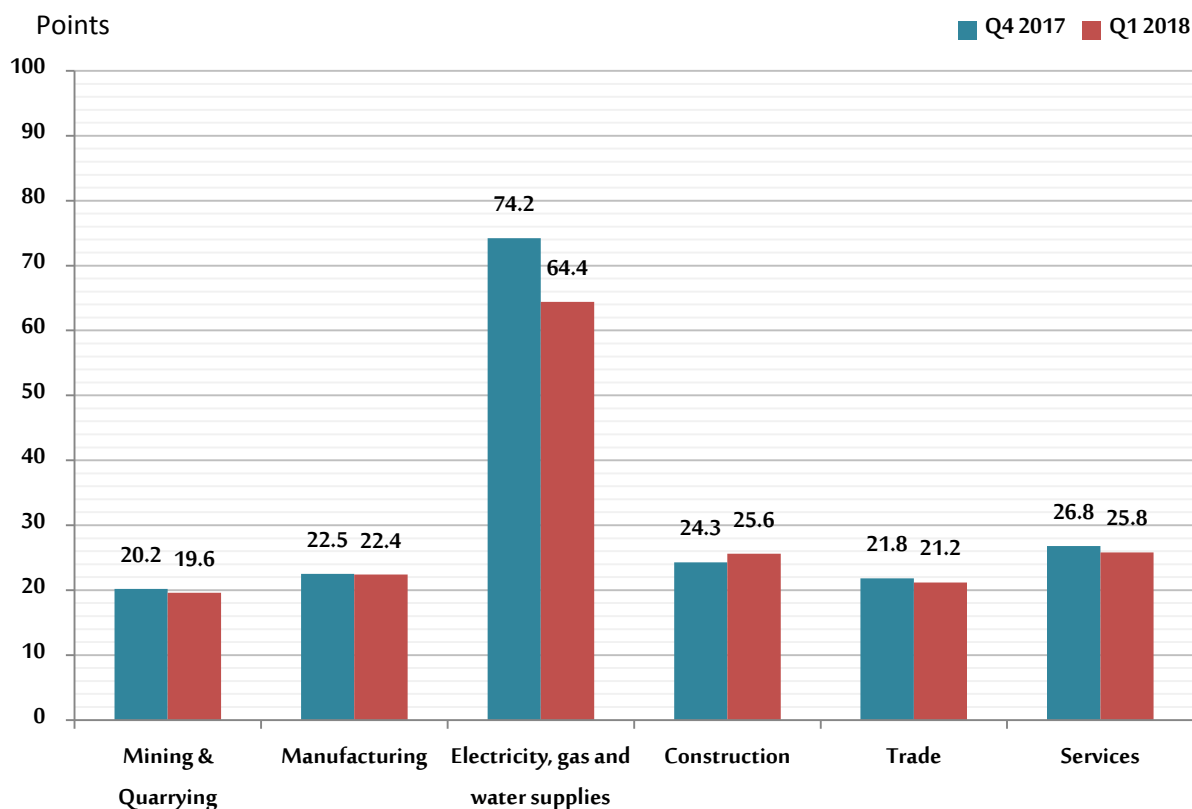


The results of Q1, 2018 reflect a rise in stock volume and labor force size of medium-sized enterprises. The index reached (15.8) and (15.9) points compared to (14.2) and (14.6) points in the previous quarter respectively. The index of prices of finished products/services of large-sized enterprises increased to (31.2) points compared to (29.9) points in the previous quarter. The index of profitability ratios for the future situation of small-sized enterprises increased to (49.1) points compared to (48.6) points in the previous quarter (Annex, p16).

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 (64.4 points) about the country's economic conditions in general, and about their own businesses in particular, recording a decrease of (-9.8) points from the previous quarter. In second place came "services" activity (25.8 points), followed by "construction" (25.6 points), "manufacturing" (22.4 points), "trade" (21.2 points) and "mining and quarrying" (19.6 points). We see a rise in the index of "construction" activity of (1.3) points compared to the previous quarter as shown in Graph (4).

Graph (4)
Qatar's BCI by Economic Activity
Q4, 2017 and Q1, 2018



Economic Enterprises and Bank Finance:

Survey results reveal that about (91.1%) of enterprises did not receive any bank finance in Q1, 2018, compared to (89.9%) in Q4, 2017. This is due to a variety of reasons topped by the fact that around (80.9%) of enterprises had sufficient internal funds, compared to (80.4%) in Q4, 2017. Consequently, this reflects the enterprises' financial stability and high financial capacity. The second reason is that bank finance was considered an additional burden that might be exhausting according to (10.4%) of surveyed enterprises, compared to (9.2%) in Q4, 2017. See further details in Table (1) below.

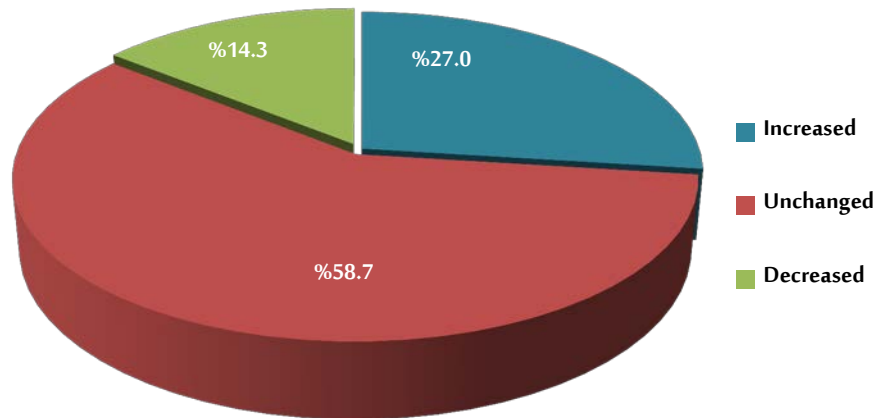
Table (1)
Reasons why enterprises did not avail of bank finance in Q1, 2018*

Reasons	Number of enterprises	Percentage of total enterprises that did not avail of bank finance
Sufficient internal funds	520	80.9 %
Bank finance is an additional burden/commitment	67	10.4 %
Banks do not lend enterprises operating in such sector/industry	20	3.1 %
Enterprise's financial position does not allow to borrow from banks	16	2.5 %
Bank charges/fees are unaffordable	14	2.2 %
Others	13	2.0 %

* You may choose more than one option.

These results, on one hand, reflect the stability of enterprises and their ability to bear financial burdens and cover their commitments without borrowing from banks. On the other hand, about (8.9%) of enterprises received bank finance in Q1, 2018, compared to about (10.1%) in Q4, 2017. When surveyed, (58.7%) of enterprises reported that the cost of finance remained unchanged, whereas (27.0%) reported that the cost of finance increased in Q1, 2018, compared to (59.1%) and (36.4%) respectively in Q4, 2017, as shown in Graph (5).

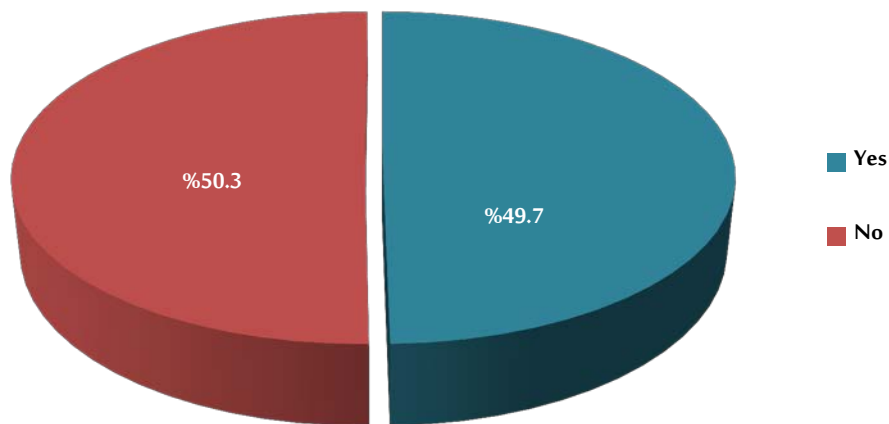
Graph (5)
Enterprise Assessment of Finance Cost in Q1, 2018



Production Capacity and Enterprise Future Plan:

Results of Q1, 2018 indicate that (49.7%) of enterprises have future plans to expand their production capacity compared to (41.0%) in the previous quarter, as shown in graph (6).

Graph (6)
Percentage of Enterprises Planning to Expand Their Production Capacity Q1, 2018



According to survey results, a high percentage of enterprises plan to expand their businesses. Thus, the percentage of enterprises planning to expand their current premises reached (55.6%) of total enterprises with future plan to expand their production capacity, and around (36.2%) plan to open new branches either in Qatar or in GCC countries, whereas (13.1%) plan to invest in business assets such as factories, warehouses, machinery and vehicles. Furthermore, some other enterprises plan to change their activity or start exporting, as shown in Table (2) below.

Table (2)
Enterprises' future plan to expand their production capacity*
Q1, 2018

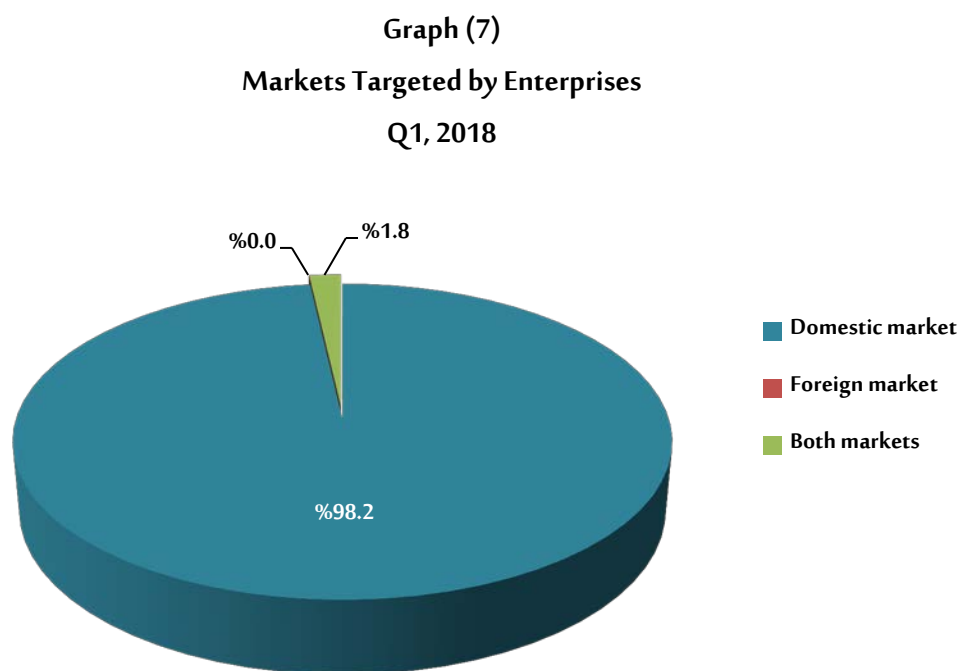
Enterprises' future plan	No. of enterprises	Percentage of total enterprises having a future expansion plan
Expansion of current premises	195	55.6 %
Opening new branches in Qatar or GCC countries	127	36.2 %
Investment in business assets, such as factories, warehouses, machinery, vehicles	46	13.1 %
Others	6	1.7 %

* You may choose more than one option.

According to survey results in Q1, 2018, the enterprises that do not have plans to expand their production capacity amounted to (50.3%) 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:

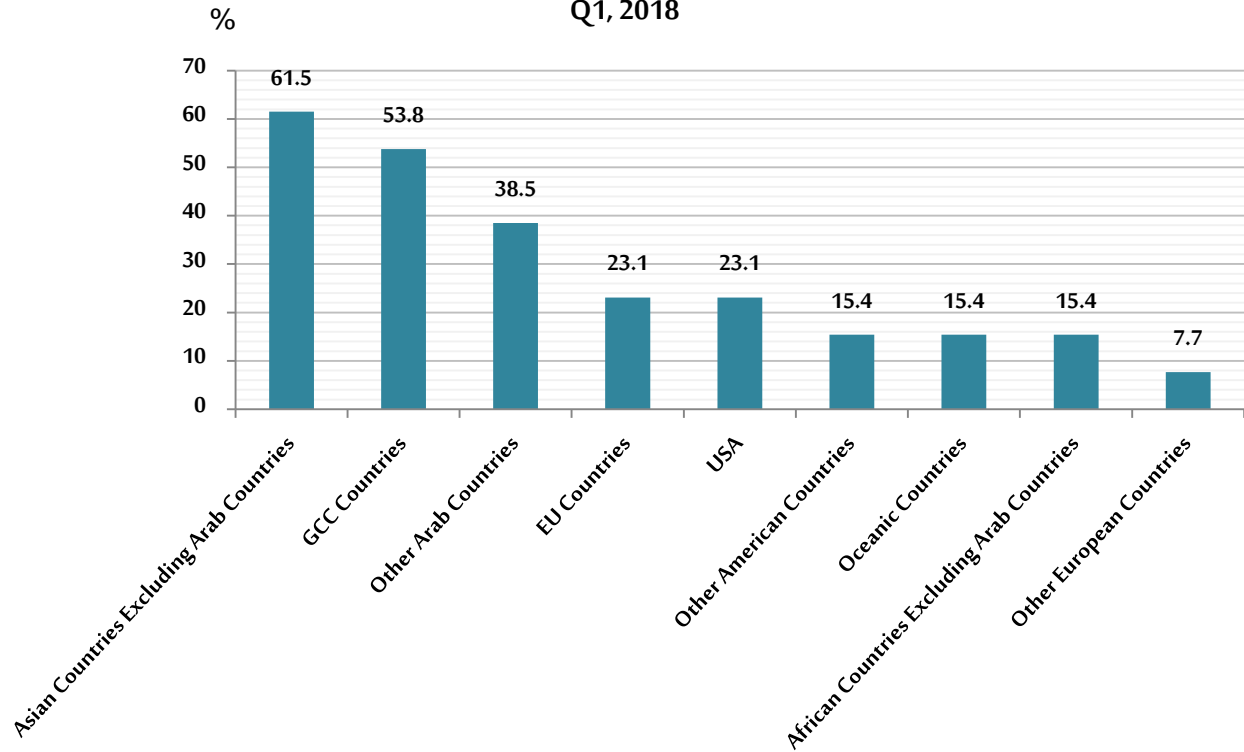
As for access to markets, around (98.2%) of enterprises targeted domestic market and (1.8%) targeted both domestic and foreign markets, whereas none of the surveyed enterprises targeted only foreign markets, as shown in Graph (7).



According to survey results, the average percentage of enterprises' exports targeting foreign markets in Q1, 2018 amounted to (34.6%) of total production, compared to (32.7%) in Q4, 2017. We note an increase in this ratio despite the unjust blockade imposed on Qatar since the first week of June 2017, indicating that the blockade could not affect Qatar's exports to the world despite the air, land and sea embargo with the blockading countries.

The results indicate that the key foreign markets were: "Asian countries except Arab countries" by (61.5%), followed by "GCC countries" by (53.8%), and then "other Arab countries" by (38.5%). See further details in Graph (8).

Graph (8)
Markets* Targeted by Enterprises
Q1, 2018

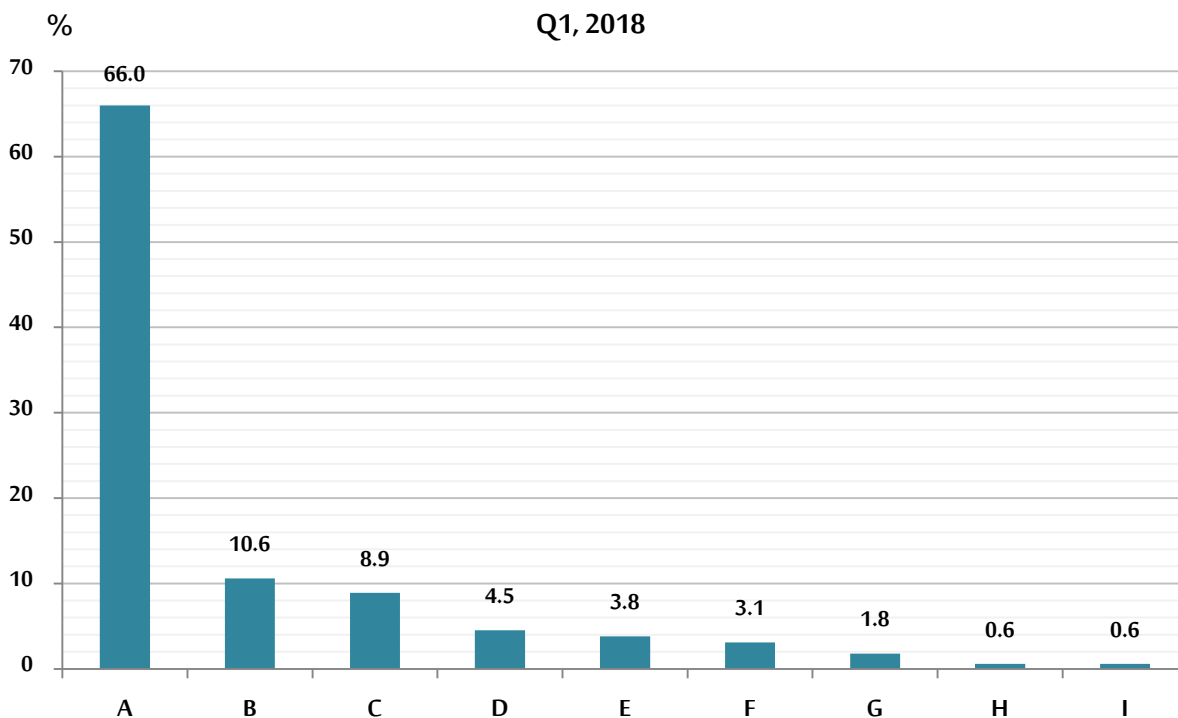


* You may choose more than one market.

Qatari Product Access to Foreign Markets:

The survey results for Q1, 2018 show that (34.0%) of enterprises encountered obstacles hindering Qatari product access to foreign markets, compared to (34.4%) in Q4, 2017. The main obstacles were the high cost of Qatari products compared to those of other countries due to high cost of raw materials and the increasing demand for Qatari products in domestic market. Others believed that small market and poor marketing were obstacles hindering Qatari product access to foreign markets, in addition to a number of other obstacles that are explained in Graph (9).

Graph (9)
Obstacles hindering Qatari product access to foreign markets
Q1, 2018



A No obstacles

B High cost of production

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

D Small market and poor marketing

E Less competitive product

F Blockade crisis

G Weak support for exports

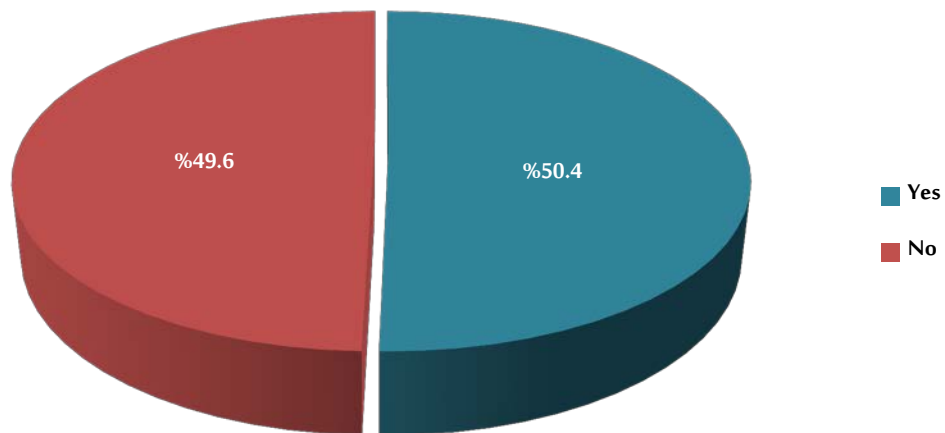
H Poor physical and human potential

I Others

Challenges Hindering Economic Enterprises' Performance in Q1, 2018:

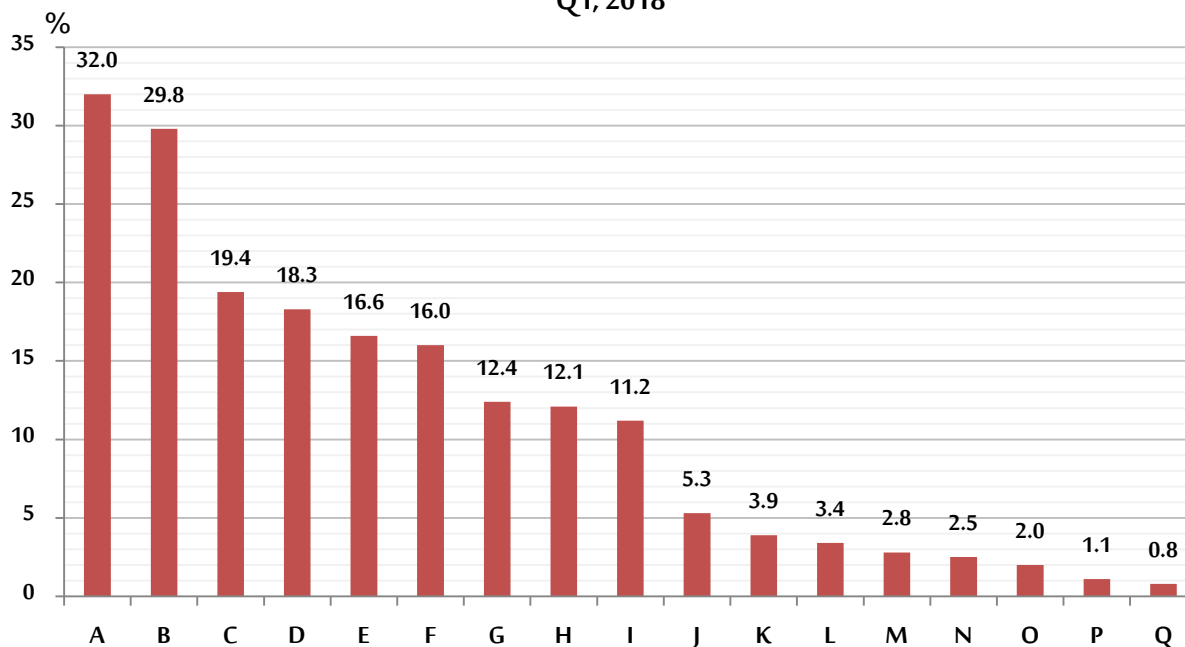
Results indicate that (50.4%) of enterprises face some challenges hindering their performance, compared to (51.8%) in Q4, 2017, as shown in Graph (10).

Graph (10)
Percentage of Enterprises Facing Challenges Hindering their Performance
Q1, 2018



Results also show that the main challenges were the high cost of rentals, low demand, receivables delay and shortage 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*
Q1, 2018



* You may choose more than one option.

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

Annex

First: Overall Index and Sub-Indices of Business Confidence - Q1, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	12.9	33.6	23.0
Production size	20.7	50.0	34.9
Stock of finished products	11.2	17.7	14.4
Prices of finished products of goods/services	13.9	34.0	23.7
Business volume/ sales volume/ purchase orders	8.7	21.5	15.0
Labor force size	9.3	28.7	18.8
Profitability ratios	13.8	49.6	31.0

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

1- Small-Sized Enterprises - Q1, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	12.0	32.2	21.8
Production size	16.7	49.1	32.3
Stock of finished products	12.9	13.9	13.4
Prices of finished products of goods/services	11.1	31.2	20.9
Business volume/ sales volume/ purchase orders	8.8	21.5	15.1
Labor force size	8.6	28.2	18.1
Profitability ratios	13.7	49.1	30.7

2- Medium-Sized Enterprises - Q1, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	13.3	34.1	23.4
Production size	23.4	53.0	37.7
Stock of finished products	9.8	22.1	15.8
Prices of finished products of goods/services	16.9	35.6	26.1
Business volume/ sales volume/ purchase orders	5.1	22.9	13.9
Labor force size	10.0	22.0	15.9
Profitability ratios	14.5	49.1	31.1

3- Large-Sized Enterprises- Q1, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	16.2	37.3	26.5
Production size	32.3	49.8	40.9
Stock of finished products	8.2	22.6	15.3
Prices of finished products of goods/services	20.6	42.2	31.2
Business volume/ sales volume/ purchase orders	11.8	19.6	15.7
Labor force size	11.1	37.8	24.1
Profitability ratios	13.4	51.7	31.8

Third: Overall Index and Sub-Indices of Business Confidence by Enterprise Activity**1- Mining and Quarrying - Q1, 2018**

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	13.1	26.3	19.6
Production size	7.2	21.7	14.3
Stock of finished products	0.0	0.0	0.0
Prices of finished products of goods/services	21.7	43.1	32.1
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	35.5	28.2

2- Manufacturing – Q1, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	12.1	33.3	22.4
Production size	18.2	54.1	35.5
Stock of finished products	5.6	27.9	16.4
Prices of finished products of goods/services	7.8	16.0	11.9
Business volume/ sales volume/ purchase orders	11.6	17.9	14.8
Labor force size	9.4	31.1	20.0
Profitability ratios	20.1	53.0	36.0

3- Electricity, Gas and Water Supply – Q1, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	66.7	66.7	64.4
Production size	100.0	100.0	100.0
Stock of finished products	100.0	100.0	100.0
Prices of finished products of goods/services	-100.0	0.0	-58.6
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 - Q1, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	13.5	38.6	25.6
Production size	17.9	54.1	35.3
Stock of finished products	6.8	29.7	17.9
Prices of finished products of goods/services	22.4	36.7	29.5
Business volume/ sales volume/ purchase orders	9.4	16.6	13.0
Labor force size	11.1	43.0	26.5
Profitability ratios	13.5	51.5	31.7

5- Trading – Q1, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	13.0	29.9	21.2
Production size	23.7	46.1	34.7
Stock of finished products	13.3	12.5	12.9
Prices of finished products of goods/services	15.3	32.2	23.6
Business volume/ sales volume/ purchase orders	7.1	19.8	13.4
Labor force size	6.4	23.0	14.5
Profitability ratios	12.1	45.7	28.3

6- Services – Q1, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	12.6	39.9	25.8
Production size	19.9	51.1	35.0
Stock of finished products			
Prices of finished products of goods/services	9.3	42.4	25.2
Business volume/ sales volume/ purchase orders	8.6	28.0	18.0
Labor force size	11.8	26.1	18.8
Profitability ratios	13.3	52.1	31.9



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Ministry of Development Planning and Statistics

By virtue of the Emiri Resolution no. 52 of 2009, the individual data mentioned in the present record shall be treated confidentially, and shall be only used for

Questionnaire Business Confidence Index in the State of Qatar

* Q1 is the period between January and March.

* Q2 is the period between April and June.

* Q3 is the period between July and September.

* Q4 is the period between October and December.

* **The current quarter** : Is the quarter in which the month form is filled .

* **The previous quarter** : Is the quarter preceding the quarter in which the month form was filled.

* **The next quarter** : Is the quarter following the quarter in which the month form is filled.

1. Evaluate the situation for the company performance within the current quarter compared with the previous quarter?									
1	Production Size	<input type="checkbox"/>	Increased	<input type="checkbox"/>	Remained unchanged	<input type="checkbox"/>	Decreased	<input type="checkbox"/>	Not Applied
2	Stock of finished products	<input type="checkbox"/>	Too large (above normal)	<input type="checkbox"/>	Adequate (normal)	<input type="checkbox"/>	Too small (below normal)	<input type="checkbox"/>	Not Applied
3	Prices of Finished goods Produced / Services prices	<input type="checkbox"/>	Increased	<input type="checkbox"/>	Remained unchanged	<input type="checkbox"/>	Decreased	<input type="checkbox"/>	Not Applied
4	Business Size / Sales Volume / Order Books	<input type="checkbox"/>	More than sufficient (above normal)	<input type="checkbox"/>	Sufficient (normal)	<input type="checkbox"/>	Not sufficient (below normal)	<input type="checkbox"/>	Not Applied
5	Wages	<input type="checkbox"/>	Increased	<input type="checkbox"/>	Remained unchanged	<input type="checkbox"/>	Decreased	<input type="checkbox"/>	Not Applied
6	Employment	<input type="checkbox"/>	Increased	<input type="checkbox"/>	Remained unchanged	<input type="checkbox"/>	Decreased	<input type="checkbox"/>	Not Applied
7	Profits	<input type="checkbox"/>	Increased	<input type="checkbox"/>	Remained unchanged	<input type="checkbox"/>	Decreased	<input type="checkbox"/>	Not Applied
8	Export order books	<input type="checkbox"/>	More than sufficient (above normal)	<input type="checkbox"/>	Sufficient (normal)	<input type="checkbox"/>	Not sufficient (below normal)	<input type="checkbox"/>	Not Applied

2. How do you expect the Company performance within the next quarter compared with the current quarter?									
1	Production Size	<input type="checkbox"/>	Increased	<input type="checkbox"/>	Remained unchanged	<input type="checkbox"/>	Decreased	<input type="checkbox"/>	Not Applied
2	Stock of finished products	<input type="checkbox"/>	Too large (above normal)	<input type="checkbox"/>	Adequate (normal)	<input type="checkbox"/>	Too small (below normal)	<input type="checkbox"/>	Not Applied
3	Prices of Finished goods Produced / Services prices	<input type="checkbox"/>	Increased	<input type="checkbox"/>	Remained unchanged	<input type="checkbox"/>	Decreased	<input type="checkbox"/>	Not Applied
4	Business Size / Sales Volume / Order Books	<input type="checkbox"/>	More than sufficient (above normal)	<input type="checkbox"/>	Sufficient (normal)	<input type="checkbox"/>	Not sufficient (below normal)	<input type="checkbox"/>	Not Applied
5	Wages	<input type="checkbox"/>	Increased	<input type="checkbox"/>	Remained unchanged	<input type="checkbox"/>	Decreased	<input type="checkbox"/>	Not Applied
6	Employment	<input type="checkbox"/>	Increased	<input type="checkbox"/>	Remained unchanged	<input type="checkbox"/>	Decreased	<input type="checkbox"/>	Not Applied
7	Profits	<input type="checkbox"/>	Increased	<input type="checkbox"/>	Remained unchanged	<input type="checkbox"/>	Decreased	<input type="checkbox"/>	Not Applied
8	Export order books	<input type="checkbox"/>	More than sufficient (above normal)	<input type="checkbox"/>	Sufficient (normal)	<input type="checkbox"/>	Not sufficient (below normal)	<input type="checkbox"/>	Not Applied

3- Did the company avail bank finance within the current quarter?

Yes (go to Q4 then Q6)

No (go to Q5)

4- Evaluate the changes in bank financing costs within the current quarter?

Increased

Remained unchanged

Decreased

5- What are the key reasons for not availing bank finance? (Multiple - choice)

We have sufficient internal funds.

Banks don't lend to companies in our sector / industry.

We consider bank finance to be an additional burden / commitment.

Our current financial position doesn't allow us to borrow from banks.

Bank charges, fees and interest rate were not affordable.

Others (Please Mention):

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6- How was the company competitive position in the domestic market within the current quarter?

Improved

Remained unchanged

Deteriorated

7- At what capacity is the company operating within the current quarter (as a percentage of full capacity)?

The company is currently operating at

of full capacity %.

8- Is the company planning to expand its business capacity?

Yes (go to Q9 then Q11)

No (go to Q10)

9- Describe the company expansion plan? (Multiple - choice)

Expansion of the current office premises	<input type="checkbox"/>
Investments in other business assets such as (factory, warehouse, machinery and vehicles)	<input type="checkbox"/>
New branches in Qatar or GCC countries	<input type="checkbox"/>
Others (please mention):	<input type="checkbox"/>
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10- Why the company doesn't plan to expand its business capacity? (Multiple - choice)

Unavailability of required funds / capital investment.	<input type="checkbox"/>
Unfavorable or unstable market conditions.	<input type="checkbox"/>
Others (please mention):	<input type="checkbox"/>
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11- What is the targeted market for the company?

<input type="checkbox"/> Domestic Market (go to Q14)	<input type="checkbox"/> Foreign Market	<input type="checkbox"/> Both Markets
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12- What is the percentage of the company production has been exported within the current quarter ?

<input type="text"/> <input type="text"/> <input type="text"/>	Production Size %
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13- What are the most important markets for the company exports? (Multiple - choice)

C.C.A.S.G	<input type="checkbox"/>
Other Arab Countries	<input type="checkbox"/>
European Union Countries	<input type="checkbox"/>
Other European Countries	<input type="checkbox"/>
Asia Countries other than Arab	<input type="checkbox"/>
United States of America	<input type="checkbox"/>
Other American countries	<input type="checkbox"/>
Oceanic Countries	<input type="checkbox"/>
Africa other than Arab Countries	<input type="checkbox"/>
Others (please mention):	<input type="checkbox"/>
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14- In your opinion, what are the main export obstacles? (Multiple - choice)

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15- Were there any challenges facing the company within within the current quarter ?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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16- What main challenges were facing the company within the current quarter? (Multiple - choice)

Insufficient demand	<input type="checkbox"/>
Shortage of material and/or equipment	<input type="checkbox"/>
Financial constrains	<input type="checkbox"/>
Receivables delay	<input type="checkbox"/>
Political instability in the region	<input type="checkbox"/>
Shortage of labour force	<input type="checkbox"/>
Competition	<input type="checkbox"/>
Government fees	<input type="checkbox"/>
Cost of utilities	<input type="checkbox"/>
Cost of rental	<input type="checkbox"/>
Government Regulations	<input type="checkbox"/>
Routine	<input type="checkbox"/>
Access to land / Property Registration / Taxes	<input type="checkbox"/>
Tariffs	<input type="checkbox"/>
Cost of Material	<input type="checkbox"/>
Optaining Materials	<input type="checkbox"/>
Transportation cost, Shipping and Storage	<input type="checkbox"/>
Others (please mention):	<input type="checkbox"/>
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In the future, could we get your response Through E-mail?	
<input type="checkbox"/> Yes	<input type="checkbox"/> No
Email: <input type="text"/>	