



جهاز التخطيط والإحصاء
Planning and Statistics Authority

Business Confidence Index in the State of Qatar

Q3, 2018

Development Indicators Series

Table of Contents

Subject	Page
Methodology.....	3
Business Confidence Index in Qatar.....	4
Sub-Indices for the Status of Qatar-Based Enterprises.....	5
BCI by Enterprise Size.....	6
BCI by Economic Activity.....	7
Economic Enterprises and Bank Finance.....	8
Production Capacity and Enterprise Future Plan.....	9
Economic Enterprises and Access to Markets.....	11
Challenges Hindering Economic Enterprises' Performance.....	14
Annex	
Overall Index and Sub-Indices of Business Confidence.....	16
Overall Index and Sub-Indices of Business Confidence by Enterprise Size.....	16
Overall Index and Sub-Indices of Business Confidence by Enterprise Activity	18
Questionnaire.....	21

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 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.

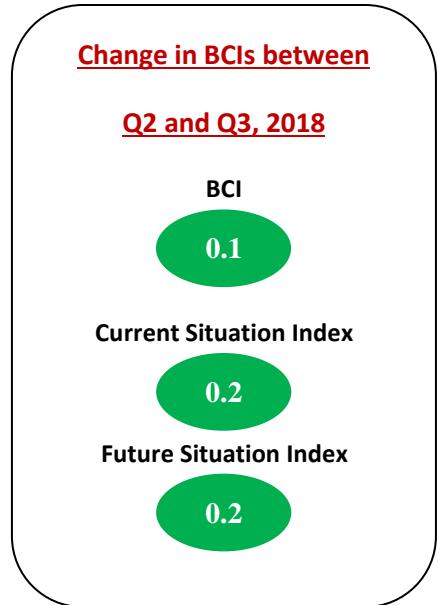
<http://www.mdps.gov.qa/en/statistics/Statistical%20Releases/Economic/ConfidenceIndex/BCI/2014/Q2/BCI-Q2-2014-Ar.pdf>

Doha – October, 2018

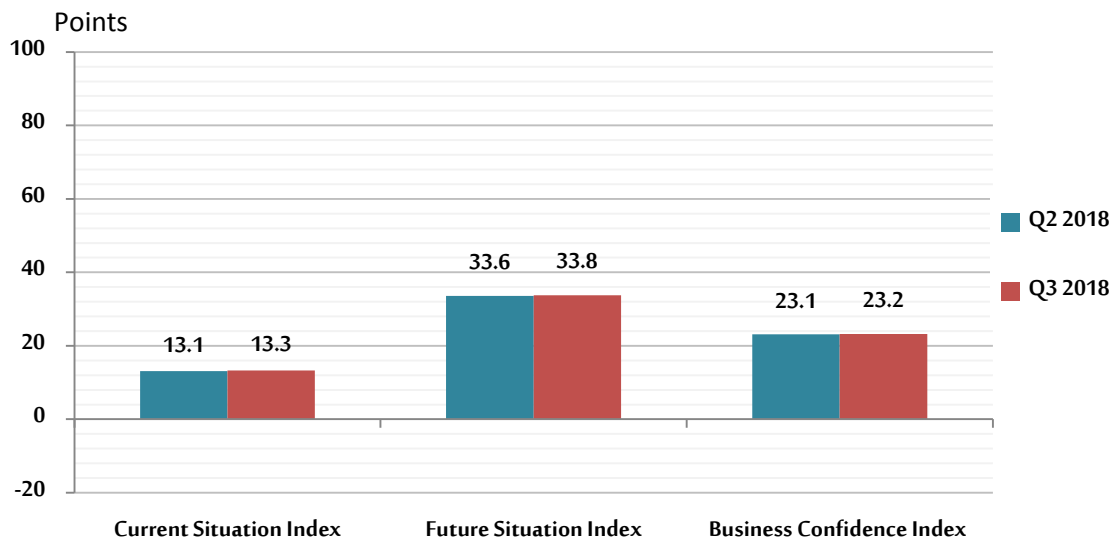
Business Confidence Index in Qatar:

In Q3 of 2018, the Business Confidence Index (BCI) rose to (23.2) points, an increase of (0.1) point compared to Q2 of 2018 (Graph 1). In terms of annual change, there was an increase of (0.2) point compared to Q3 of 2017 where the value of the index was (23.0) points.

We note that the index has achieved high positive levels, which confirms the strength and solidity of Qatari economy. Qatar has a strong, open and diversified economy that attracts investment for all over the world thanks to incentives, laws, legislation and the wisdom of good leadership, 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.



Graph (1)
Qatar's BCI – Q2 and Q3, 2018

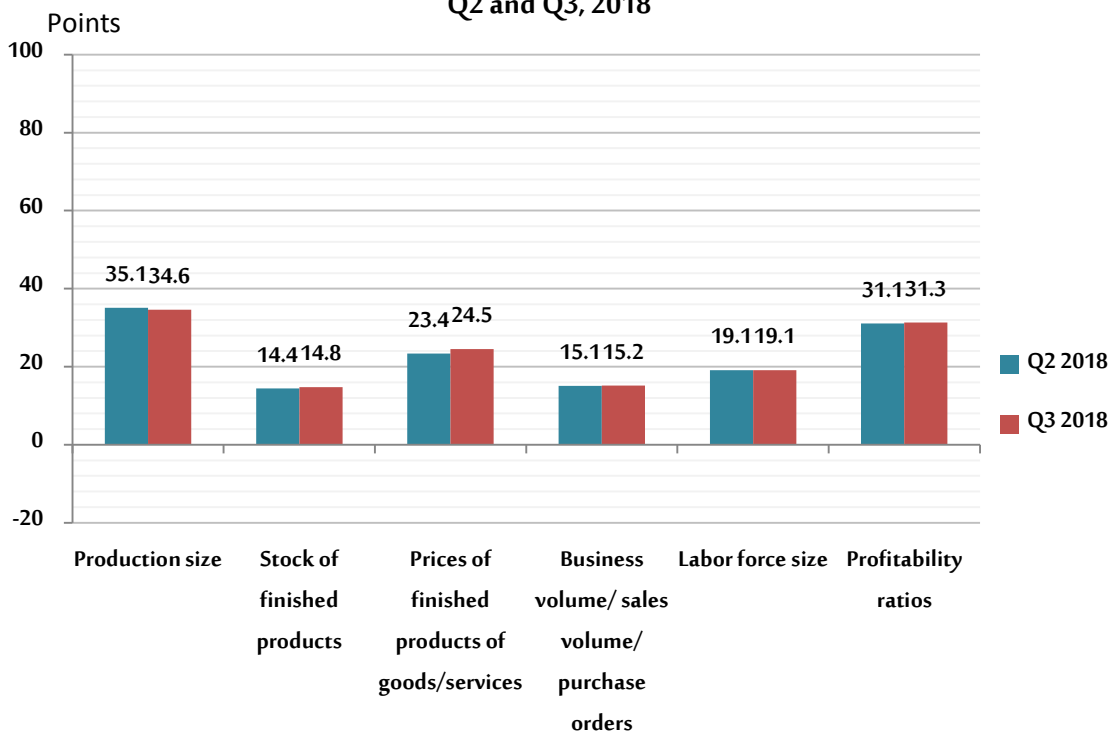


Sub-Indices for the Status of Qatar-Based Enterprises:

Sub-indices are the Current Situation Index and the Future Situation Index. The survey results indicate an increase of (0.2) point in optimism among Qatar-based enterprises in Qatar over the current situation, recording (13.3) points, compared to (13.1) points in Q2, 2018. Whereas the levels of optimism among Qatar-based enterprises in the Future Situation Index increased by (0.2), recording (33.8) points compared to (33.6) points in the previous quarter (Annex, p16).

The surveyed business community sample expressed optimism about all sub-indices of enterprises status during Q3, 2018. The production volume recorded the highest level of optimism (34.6) points, followed by profitability ratios (31.3) points, and then prices of finished products of goods/services (24.5) points. See further details in Graph 2.

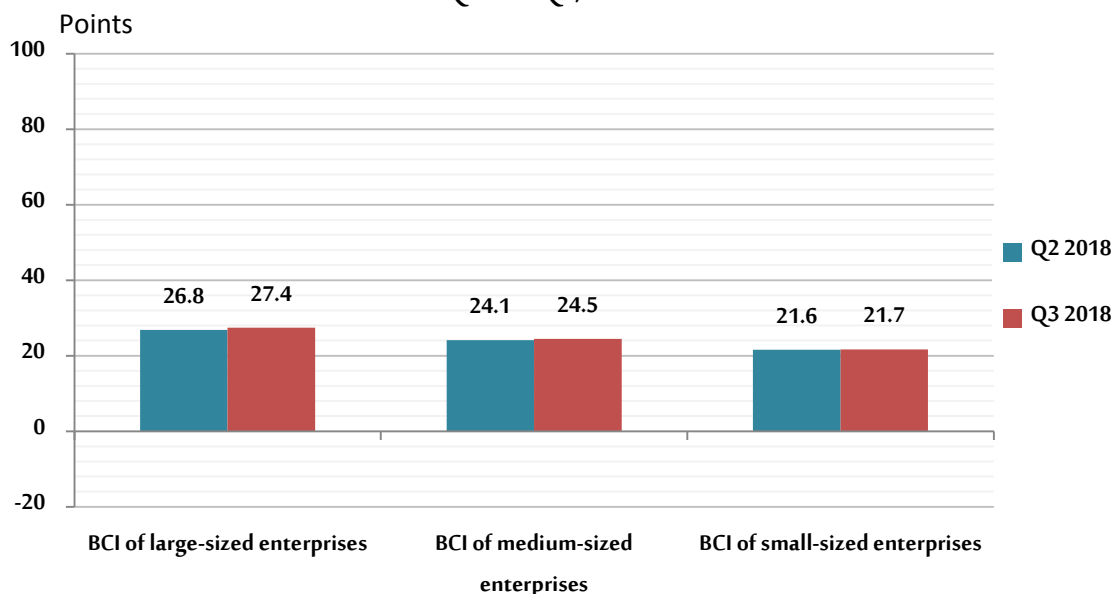
Graph (2)
Sub-Indices of Qatar-Based Enterprises Status
Q2 and Q3, 2018



BCI by Enterprise Size:

All large-sized enterprises (50+ employees), medium-sized enterprises (20 - 49 employees), and small-sized enterprises (5 - 19 employees), expressed their optimism over Qatar's economic conditions in Q3 of 2018, recording (27.4), (24.5) and (21.7) points respectively, an increase of (0.6), (0.4) and (0.1) points for large, medium-sized enterprises and small-sized enterprises respectively, compared to Q2 of 2018, as shown in Graph (3).

Graph (3)
Qatar's BCI by Enterprise Size
Q2 and Q3, 2018

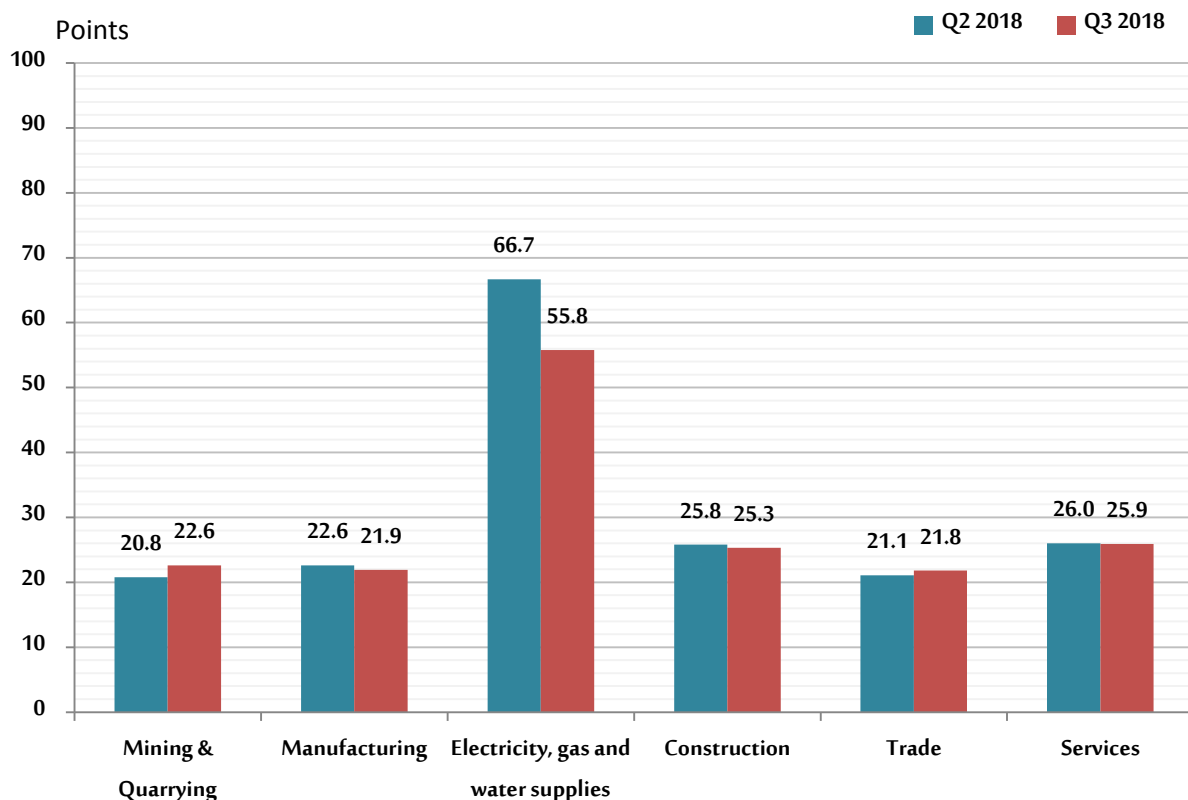


The results of Q3 of 2018 reflect the rise in the indices of finished products and profitability ratios of the large-sized enterprises, as the index reached (32.2) and (33.6) points compared to (29.9) and (31.5) points in the previous quarter, respectively. The index of production volume, finished products of goods and services prices of medium-sized enterprises increased to (39.7) points and (26.6) points compared to (38.1) points and (25.7) points in the previous quarter, respectively. The index of finished product and the stock of finished products at the small-sized enterprises increased to (21.7) points and (13.5) points compared to (20.9) points and (12.9) points in the previous quarter respectively. (Annex, p16).

BCI by Economic Activity:

With regards to economic activity of Qatar-based enterprises in Q3 of 2018, the results indicate that the enterprises engaged in "electricity, gas and water supplies" were most optimistic about the country's economic conditions in general, and about their own businesses in particular at (55.8 points). In second place came "services" activity at (25.9 points), followed by "construction" at (25.3 points), "mining and quarrying" at (22.6 points), "manufacturing" at (21.9 points), and then "trade" at (21.8 points). We note that the index of "mining and quarrying" activity rose by (1.8) points compared to the previous quarter as shown in Graph (4).

Graph (4)
Qatar's BCI by Economic Activity
Q2 and Q3, 2018



Economic Enterprises and Bank Finance:

Survey results reveal that about (94.0%) of enterprises did not receive any bank finance in Q3 of 2018, compared to (89.8%) in Q2, 2018. This is due to a variety of reasons topped by the fact that around (80.0%) of enterprises had sufficient internal funds, compared to (80.2%) in Q2, 2018, reflecting 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 (10.5%) of surveyed enterprises, compared to (10.7%) in Q2, 2018. See further details in Table (1) below.

Table (1)
Reasons why enterprises did not avail of bank finance in Q3, 2018*

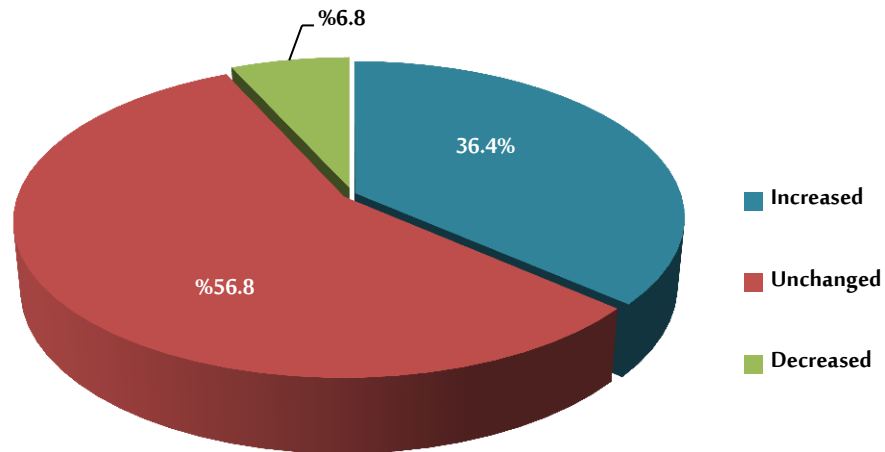
Reasons	Number of enterprises	Percentage of total enterprises that did not avail of bank finance
Sufficient internal funds	556	80.0%
Bank finance is an additional burden/commitment	73	10.5%
Bank charges/fees are unaffordable	34	4.9%
Enterprise's financial position does not allow to borrow from banks	29	4.2%
Banks do not lend enterprises operating in such sector/industry	12	1.7%
Others	12	1.7%

* 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 (6.0%) of enterprises received bank finance in Q3, 2018, compared to about (10.2%) in Q2, 2018. When surveyed, (56.8%) of enterprises reported that the cost of finance remained unchanged, whereas (36.4%) reported that the cost of finance increased in Q3 of 2018, compared to (46.6%) and (52.1%) respectively in Q2, 2018, as shown in Graph (5).

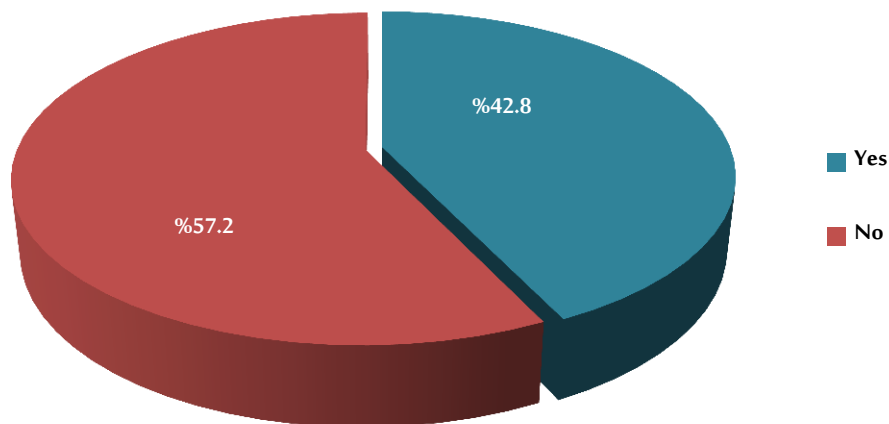
Graph (5)
Enterprises' Assessment of Cost of Finance in Q3, 2018



Production Capacity and Enterprise Future Plan:

Results of Q3, 2018 indicate that (42.8%) of enterprises have future plans to expand their production capacity, compared to (47.1%) in the previous quarter, as shown in graph (6).

Graph (6)
Percentage of Enterprises Planning to Expand Their Production Capacity Q3, 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 (51.6%) of total enterprises with future plan to expand their production capacity, and around (38.6%) plan to open new branches either in Qatar or in GCC countries, whereas (12.7%) plan to invest in business assets, such as factories, warehouses, machinery and vehicles. Furthermore, some other enterprises plan to add a new activity, speed towards exportation or develop new partnerships, as shown in Table (2) below.

Table (2)
Enterprises' future plan to expand their production capacity*
Q3, 2018

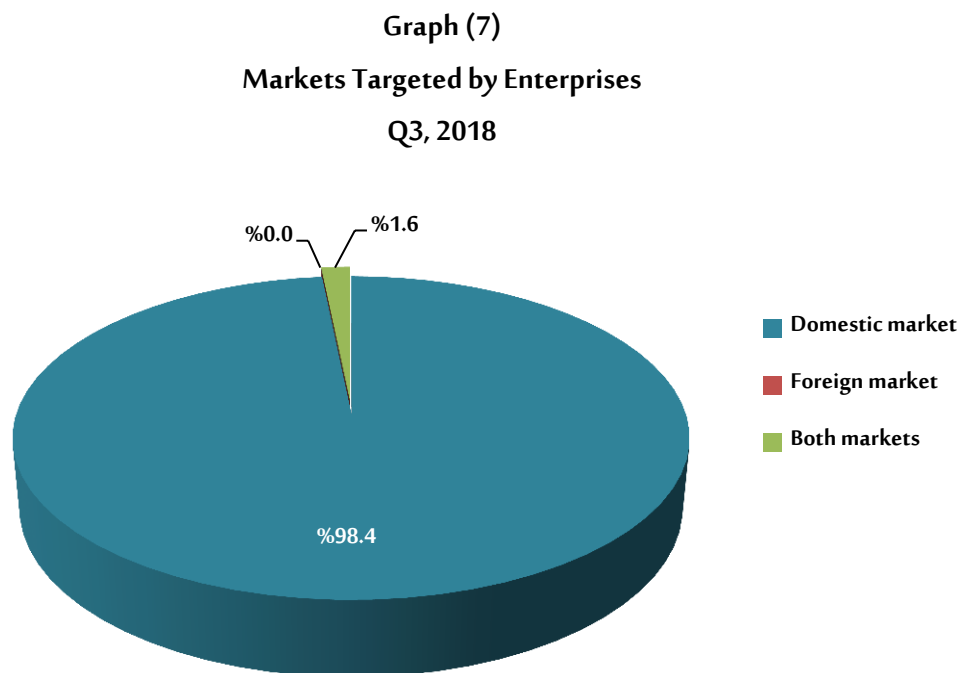
Enterprises' future plan	No. of enterprises	Percentage of total enterprises with a future expansion plan
Expand current premises	163	51.6%
Open new branches in Qatar or GCC countries	122	38.6%
Invest in business assets, such as factories, warehouses, machinery and vehicles	40	12.7%
Others	9	2.8%

* You may choose more than one option.

According to survey results in Q3, 2018, the enterprises that did not have plans to expand their production capacity amounted to (57.2%) 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:

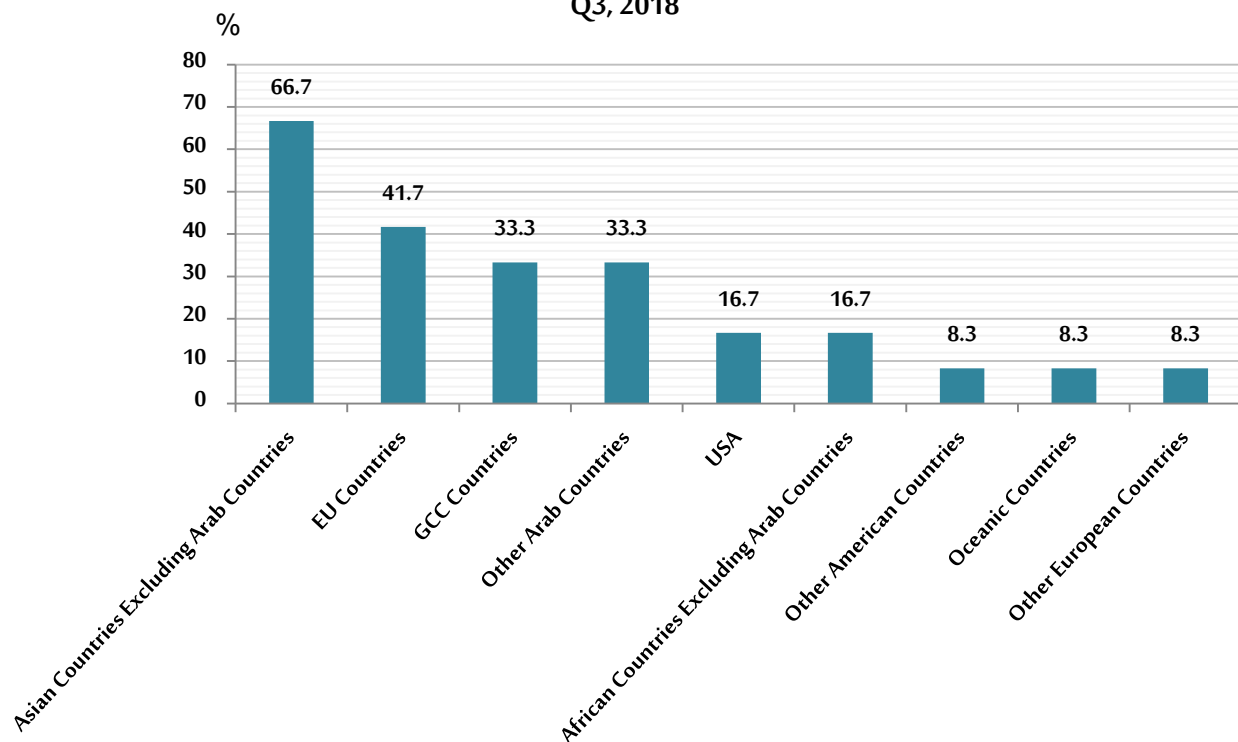
As for access to markets, around (98.4%) of enterprises targeted domestic market and (1.6%) targeted both domestic and foreign markets, whereas Zero of enterprises targeted only foreign markets, as shown in Graph (7).



According to survey results, the average percentage of enterprises' exports targeting foreign markets in Q3, 2018 amounted to (35.1%) of total production, compared to (35.0%) in Q2, 2018. We notice an increase 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 imposed by the blockading countries.

The results indicate that the key foreign markets were: "Asian countries except Arab countries" by (66.7%), followed by EU countries" by (41.7%) and then "GCC countries and other Arab countries" by (33.3%). See further details in Graph (8).

Graph (8)
Markets* Targeted by Enterprises
Q3, 2018

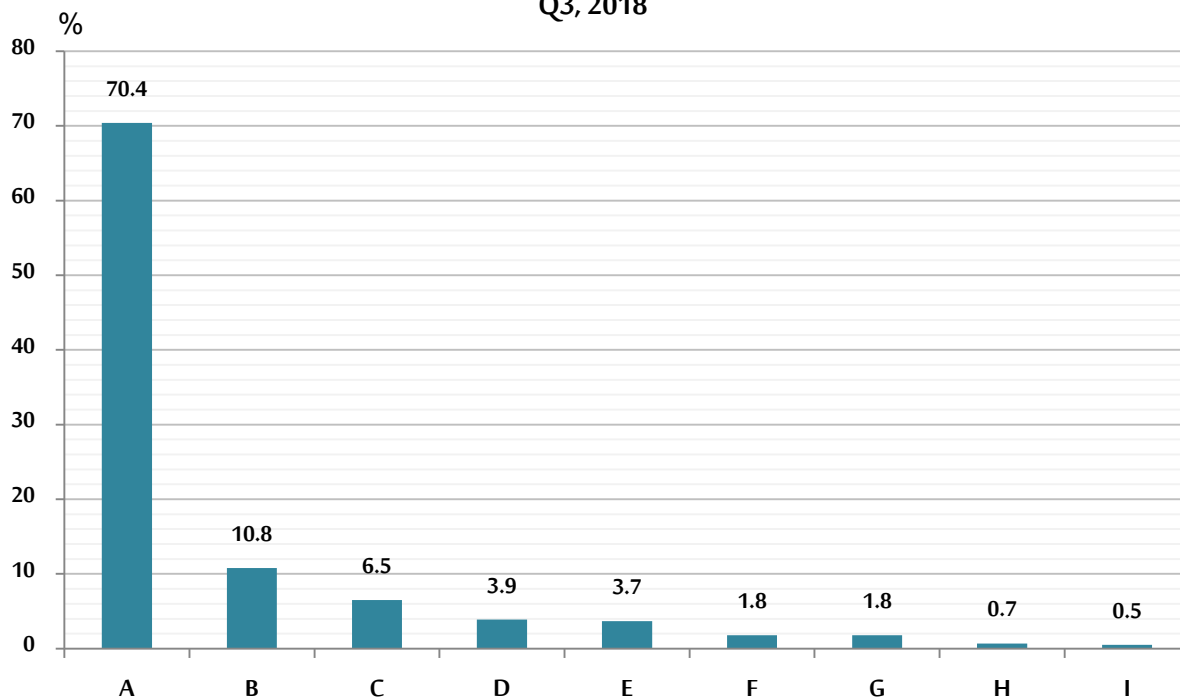


*You may choose more than one market.

Qatari Product Access to Foreign Markets:

The survey results of Q3, 2018 show that (29.6%) of enterprises encountered some obstacles hindering Qatari product access to foreign markets, compared to (27.7%) in Q2, 2018. 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 the small-sized 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
Q3, 2018

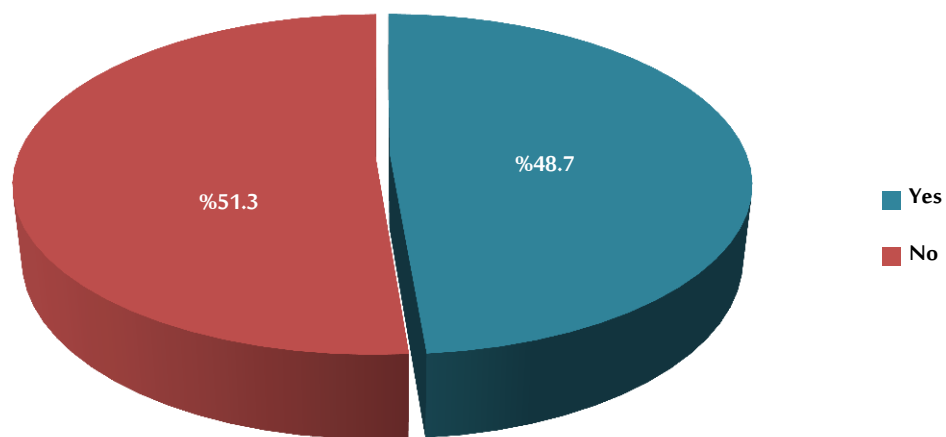


- A No obstacles
- B High cost of production
- C Increased demand for products in domestic market and lack of factories
- D Small market and poor marketing
- E Less competitive product
- F Blockade crisis
- G Weak support for exports
- H Poor financial and human potential
- I Others

Challenges Hindering Economic Enterprises' Performance in Q3, 2018:

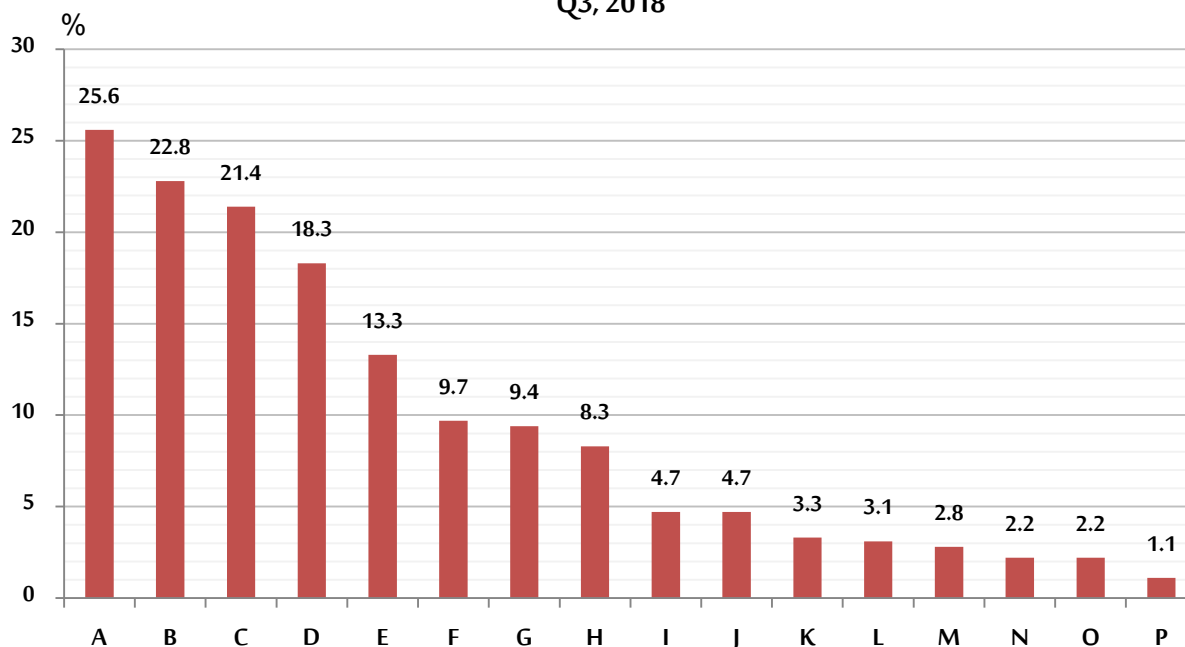
Results indicate that (48.7%) of enterprises faced some challenges hindering their performance, compared to (49.1%) in Q2, 2018, as shown in Graph (10).

Graph (10)
Percentage of Enterprises Facing Challenges Hindering their Performance
Q3, 2018



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

Graph (11)
Main Challenges Hindering Enterprises' Performance*
Q3, 2018



* You may choose more than one option.

A Insufficient demand

B Cost of rental

C Receivables delay

D Competition

E Financial restraints

F Cost of obtaining raw materials

G Shortage of materials and/or equipment

H Difficulty to obtain raw materials

I Legislative restrictions and obstacles

J Cost of transport, shipping and storage

K Shortage of labor force

L Routine

M Others

N Cost of services and utilities

O Customs tariffs

P Government fees

Annex

First: Overall Index and Sub-Indices of Business Confidence - Q3, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	13.3	33.8	23.2
Production size	20.1	49.9	34.6
Stock of finished products	11.3	18.3	14.8
Prices of finished products of goods/services	16.1	33.2	24.5
Business volume/ sales volume/ purchase orders	8.7	21.9	15.2
Labor force size	10.3	28.2	19.1
Profitability ratios	13.2	51.1	31.3

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

1- Small-Sized Enterprises – Q3, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	11.8	32.3	21.7
Production size	15.4	48.1	31.2
Stock of finished products	12.0	15.1	13.5
Prices of finished products of goods/services	13.8	29.9	21.7
Business volume/ sales volume/ purchase orders	8.4	22.1	15.1
Labor force size	8.7	27.4	17.8
Profitability ratios	12.3	51.0	30.9

2- Medium-Sized Enterprises – Q3, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	14.6	34.9	24.5
Production size	25.0	55.3	39.7
Stock of finished products	10.6	26.3	18.3
Prices of finished products of goods/services	18.5	35.0	26.6
Business volume/ sales volume/ purchase orders	5.9	21.5	13.6
Labor force size	12.0	24.4	18.1
Profitability ratios	15.6	47.1	30.8

3- Large-Sized Enterprises – Q3, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	17.3	38.1	27.4
Production size	31.6	50.9	41.1
Stock of finished products	9.8	22.1	15.9
Prices of finished products of goods/services	21.5	43.1	32.1
Business volume/ sales volume/ purchase orders	12.5	21.8	17.1
Labor force size	14.4	35.1	24.5
Profitability ratios	13.7	55.3	33.6

Third: Overall Index and Sub-Indices of Business Confidence by Enterprise Activity**1- Mining and Quarrying – Q3, 2018**

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	20.2	25.0	22.6
Production size	14.2	35.5	24.6
Stock of finished products	0.0	0.0	0.0
Prices of finished products of goods/services	35.8	35.5	35.7
Business volume/ sales volume/ purchase orders	21.4	21.7	21.5
Labor force size	14.2	21.7	17.9
Profitability ratios	35.8	35.5	35.7

1- Manufacturing – Q3, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
<u>Overall index</u>	12.5	31.7	21.9
Production size	19.8	53.6	36.1
Stock of finished products	5.7	26.1	15.6
Prices of finished products of goods/services	11.3	16.6	13.9
Business volume/ sales volume/ purchase orders	10.3	16.5	13.4
Labor force size	9.4	24.9	17.0
Profitability ratios	18.8	52.6	35.1

2- Electricity, Gas and Water Supply – Q3, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
Overall index	66.7	50.0	55.8
Production size	100.0	100.0	100.0
Stock of finished products	100.0	0.0	44.9
Prices of finished products of goods/services	0.0	0.0	0.0
Business volume/ sales volume/ purchase orders	0.0	100.0	44.9
Labor force size	100.0	0.0	44.9
Profitability ratios	100.0	100.0	100.0

3- Construction - Q3, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
Overall index	14.7	36.7	25.3
Production size	16.0	56.9	35.6
Stock of finished products	10.1	12.4	11.3
Prices of finished products of goods/services	26.7	39.0	32.8
Business volume/ sales volume/ purchase orders	8.6	18.0	13.2
Labor force size	13.5	41.4	27.0
Profitability ratios	13.1	52.3	31.9

4- Trading – Q3, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
Overall index	13.3	30.8	21.8
Production size	22.6	44.1	33.1
Stock of finished products	14.8	15.6	15.2
Prices of finished products of goods/services	16.0	32.3	24.0
Business volume/ sales volume/ purchase orders	8.0	20.5	14.1
Labor force size	8.3	24.3	16.1
Profitability ratios	10.4	48.2	28.5

5- Services – Q3, 2018

Index	Current Situation Index	Future Situation Index	Overall Index
Overall index	12.9	39.7	25.9
Production size	19.7	51.7	35.2
Stock of finished products	-	-	-
Prices of finished products of goods/services	11.2	38.1	24.2
Business volume/ sales volume/ purchase orders	8.7	28.7	18.5
Labor force size	11.1	26.6	18.7
Profitability ratios	13.9	53.5	32.8