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Qatar to Grow 18.5%, Risks Overheating, Says IMF (Update1)
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(Adds IMF comments starting from third paragraph.)

By Henry Meyer

Feb. 18 (Bloomberg) -- Qatar's gross domestic product will grow by 18.5 percent this year as gas exports increase, leaving the economy at risk of overheating in the medium term, the International Monetary Fund said.

The Persian Gulf country should have "positive" economic prospects in the medium term, with continuing strong growth, moderate inflation and a fiscal and current account surplus in 2010, the Washington-based lender said in a e-mailed report late yesterday. Inflation is forecast at 1 percent this year.

Rapid growth has "the potential of overheating the economy unless the government continues to prioritize and sequence its spending toward infrastructure spending," the Fund said. Infrastructure projects should be phased in to avoid supply bottlenecks that could drive up inflation, it said.

Qatar, the world's biggest producer of liquefied natural gas, is benefiting from higher oil and gas prices this year. The country is spending \$100 billion on projects to build up its infrastructure and raise its annual LNG export capacity to 77 million tons this year from 54 million.

Qatar experienced three years of inflation above 10 percent, peaking at 15 percent in 2008, before a contraction in consumer prices of about 5 percent last year amid the global slowdown. The economy grew at almost 15 percent a year between 2006 and 2008, before slowing to 9 percent last year.

Prime Minister Sheikh Hamad Bin Jasim Bin Jaber Al-Thani said Feb. 11 that the government budget for the 2010-11 fiscal year will be "much larger" than the current one, as the country seeks to press forward with infrastructure projects. The budget for fiscal 2009-10 was 94.5 billion riyals (\$26 billion).

The IMF said Qatar must make "sustained efforts" to improve its ability to absorb infrastructure spending and reduce the economy's reliance on energy exports.

Oil and gas account for half of Qatar's gross domestic product and 70 percent of government revenue, according to the U.S. Central Intelligence Agency World Factbook.

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--Editors: Ben Holland, Karl Maier.

To contact the reporter on this story:
Henry Meyer in Dubai at +971-4-364-1022 or hmeyer4@bloomberg.net

To contact the editor responsible for this story:
Peter Hirschberg at +972-2-640-1104 or
phirschberg@bloomberg.net