



FIFA World Cup 2022 - Client Opportunities in Qatar

On 2nd December 2010 Qatar was announced as the host country for the 2022 FIFA World Cup. Morison International's member firms in Qatar; Sohila & Kuriakose and Morison Menon have written the interesting article below exploring the opportunities that this global event will bring to the country. Please circulate this to your clients who may be interested in discussing these opportunities further with Sohila & Kuriakose and Morison Menon (contact details at the end of the article).

"Expect Amazing", was the tag-line of the Qatar Bid committee for FIFA 2022 and this became a reality when FIFA awarded the right to host the 2022 World Cup to Qatar, the first country in the Middle East to get this honour. The FIFA World Cup is expected to draw around half a million visitors, almost a third of Qatar's current population. The FIFA event at Qatar is expected to have a significant impact on the economy.

Government on track with large spending program

Prior to FIFA's announcement, Qatar had already outlined a plan to spend around \$100 billion, being 87% of GDP (2010 GDP in current prices is estimated at \$115 billion) on infrastructure projects as a part of the country's ambitious National Vision 2030, to modernize the country. The FIFA event has only accelerated the infrastructure spending programme and can expect the completion by 2022.

As part of the plan, the government will spend more than \$40 billion on projects, while the remaining share will be from government entities such as Qatar Petroleum. The plan includes, among others, a number of high profile mega projects, largely in the transportation, tourism, health, education and housing sectors. The plan also includes a \$25 billion metro and rail network.

The construction of the first phase of the new \$10 billion airport, dubbed the New Doha International Airport is already in full swing, which will eventually replace the current airport. The first phase of the project is scheduled to open in late 2011 or early 2012, with later phases being rolled out between 2012 and 2027. Once completed, the new airport would have the capacity to cater to 24 million passengers per year initially which could be expanded to handle 50 million passengers.

Other prominent projects include a \$7 billion deep water seaport and a \$1 billion crossing to link the new airport with projects in the northern part of Doha.

An additional \$20 billion will also be spent to build and expand roads. This does not include the Qatar-Bahrain Friendship Bridge project at a cost of \$4 Billion.



How would the World Cup help?

Hosting the World Cup adds a sense of urgency and provides a stiffer deadline for the completion of projects, critical to showcasing Qatar to the world. As a first step, officials in Qatar have already announced the launch of a staggering 200 projects in different areas by the first quarter of 2011, and the metro and rail projects are expected to be complete before the world cup to accommodate the anticipated inflow of tourists. The Qatar-Bahrain causeway could finally receive the necessary focus and attention which will see the project take shape well on time for the mega event. One needs to take note of the fact that while all the above projects were planned prior to the World Cup announcement, Qatar would also benefit through additional spending on projects undertaken exclusively for the World Cup. Qatar will receive an unexpected boost primarily in two areas: sports facilities and hotel/leisure facilities.

Qatar World Cup bid outlines having 12 stadiums ready by 2022. The stadiums, costing around \$4 billion, include three existing venues which would be expanded, and nine new state-of-the-art stadiums with capacities of at least 43,000 each.

Qatar also plans to build 90,000 additional hotel rooms, although FIFA requires Qatar to build 65,000 rooms.

Indeed, the resulting boost to the economy is not to be underestimated, and comes at a most opportune time. It coincides with Qatar reaching the targeted 77 million tons per year of LNG production and amid much speculation over Qatar's ability to sustain its rapid growth after gas related projects are completed.

The International Monetary Fund (IMF) provided Qataris more reason to rejoice when it projected a growth rate of 20 per cent for the country next year.

Already, Qatar is the second largest recipient of FDI amongst GCC countries after Saudi Arabia.

According to the World Investment Report 2010, in turn issued by United Nation's Conference on Trade and Development (UNCTAD), Qatar succeeded in more than doubling the value of FDI flows in a span of one year, from \$4.1 billion in 2008 to \$8.8 billion last year. The credit partly goes to the sustained progress made by the country's energy sector, notably in gas production. The 2022 World Cup event is expected to increase this FDI flow into the country.

Implications

Qatar is set to benefit enormously from currently planned spending in general, as well as from the impact of the World Cup. Continued economic growth would be the primary result, just when the fast-paced growth induced by the large buildup in capacity in the hydrocarbon sector in recent years, was set to come to an end. This vast spending program will also help diversify the economy away from hydrocarbons. Moreover, the private sector will have a greater role to play, as the contribution of non-hydro carbon related activities to the economy surges.



Investment in infrastructure will also help relieve some of the bottlenecks and shortages that have built up in many areas, because expansion in infrastructure had not kept up with the rapid growth of the economy or population. The new investments can help set the stage for further growth in the future. This also bodes well for Qatar's plans to boost its tourism and become a pole of attraction in the region.

Spending will also have tremendous repercussions for the country's financial sector. The banking and investment sector could be one of the main beneficiaries. Already, government backed projects have been very instrumental in 2010 in helping the banking sector's quick recovery in the aftermath of the global financial crisis. Sustained future plans will help banks generate revenues through top line growth and increased fee generating businesses. The plan could also result in deeper stock markets with some companies likely to go public for their funding. This will improve Qatar's competitiveness and its bid to become one of the financial hubs for the region.

Implications for the region

GCC firms are expected to vigorously pursue emerging opportunities in Qatar given the assurance in the form of a new accord reached by the six member states. Reference is to a resolution adopted during the GCC's 31st summit held in Abu Dhabi earlier in the month of December 2010, granting GCC companies the right to open branches in member states and to be treated on par with local businesses.

Intra-regional trade would also get a boost. A good deal of the raw materials involved in the construction of many projects will be sourced from neighbouring countries. Large regional financial institutions would also benefit by sharing in financing and servicing the plethora of projects. This would especially be the case as more and more regional companies take part in the execution of the different projects and look for local and regional financing.

Caution

There are always risks to take into consideration when assessing such ambitious plans. To begin with, planned spending runs the risk of putting pressure on government finances in the short to medium term. The government has already issued several bonds in the past few years, and has increased its borrowing from local banks. Moreover, as is often the case, actual spending may tend to exceed budgeted costs, and the ultimate bill might see some considerable upward revision over the years. However large foreign asset reserves and strong hydrocarbon revenues would cushion any sharp unforeseen spike in spending estimates.

A final consideration is the costly legacy assets that would remain after the World Cup concludes. The 12 stadiums that will be built for the event could be overkill for a country of the size of Qatar, although the authorities intend to get around this by dismantling and gifting some of the stadiums to other countries once the event is over. Also, the country runs the risk of building excess supply in certain sectors, mainly in hotel rooms. Still the bulk of the spending will be on projects that are critical for the country regardless of the requirements of the World Cup.



Opportunities

The massive spending plans for the World Cup 2022 projects and the ever-expanding gas industry, it is hardly surprising that according to the BP Statistical Review of World Energy, Qatar's gas reserves amount to 25.5 trillion cubic meters, or nearly 14% of proven global reserves.. The IMF has issued a positive outlook for the Qatari economy.

As suggested earlier, the IMF is expecting economic growth of 20 per cent next year unless there are serious inflationary pressures. The inflation rate is projected to hover around the bearable rate of 3 per cent in the absence of adverse effects of rising energy prices. Broadly speaking, Qatari authorities have a once in a lifetime opportunity to turn their economy into a global one. The 2022 World Cup is indeed is a strong catalyst to realize Qatari growth dreams.

The main sectors that will benefit include construction, infrastructure, hospitality and banking. There will definitely be significant opportunities for allied and service industries which are supporting and complimenting the aforementioned sectors. It is hence the most opportune time for related business to enter or expand in Qatar.

Morison International member firms in Qatar, Sohila & Kuriakose and Morison Menon are always at your service for your client needs.

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