

Wednesday 5th July 2017 – 1.25pm

International

Prepared by: Russel Ramdewar, Analyst II (Research and Analytics)

Russel.ramdewar@firstcitizenstt.com

Economic Alert: Qatar's outlook changed by Moody's from stable to negative with the long-term issuer and senior unsecured debt ratings affirmed at Aa3.

- On July 4, 2017, Moody's Investors Service changed the outlook on Qatar's rating to negative from stable and affirmed the long-term issuer and senior unsecured debt ratings at Aa3.
- According to Moody's, the ongoing dispute involving Qatar and a coalition of countries including three of its fellow GCC neighbors (Saudi Arabia, UAE and Bahrain) as well as some other mostly Arab nations including Egypt, is unlikely to be resolved soon.
- The coalition countries have enacted a series of measures such as severing diplomatic relations, closing land, sea and air links, and expelling Qatari nationals from their countries. In addition, they have submitted a list of 13 demands as condition for removing these actions.
- Depending on the duration and potential further escalation of tensions, the dispute could negatively affect Qatar's economic and fiscal strength.
- Economic activity will likely be hampered by the measures imposed so far in the absence of a swift resolution.
- Although Qatar's hydrocarbon exports are not affected at this stage, there have been reports of disruptions to certain non-hydrocarbon exports and a forced shutdown of helium production.
- The termination of direct flights between Qatar and coalition countries will affect services trade in areas like consulting and tourism. This will likely affect the profitability of corporates, including government-owned or government-related entities such as Qatar Airways.
- According to Moody's, a prolonged period of uncertainty will negatively affect business and foreign investor sentiment. This could also weigh on the government's long-term diversification plans to position the country as a hub for air traffic, tourism, medical services, education, and sports through a higher risk perception among foreign investors.
- The rating affirmation at Aa3 takes into account a number of credit strengths embedded in Qatar's credit profile, including the sizable net asset position of the government and exceptionally high levels of wealth. Additionally Moody's acknowledges the fact that as long as hydrocarbon

exports are not disrupted, the ongoing dispute will not affect the overwhelming majority of foreign exchange receipts in the current account balance and the bulk of government revenues.

- Qatar is rated AA- (*Negative*) by S&P and AA (*Negative*) by Fitch.



Follow us on Twitter @FCISResearch

Disclaimers

All information contained in this article has been obtained from sources that First Citizens Investment Services believes to be accurate and reliable. All opinions and estimates constitute the Author's judgment as of the date of the article; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this article is given or made by First Citizens Investment Services in any form whatsoever. First Citizens Investment Services and/or its employees or directors may, where applicable, make markets and effect transactions, or have positions in securities or companies mentioned herein. Neither the information nor any opinion expressed shall be construed to be, or constitute an offer or a solicitation to buy or sell.