



The Economic Impact of Qatar Financial Centre in 2020

June 2022



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Qatar Financial Centre

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An aerial night view of a city, likely Dubai, showing a dense urban landscape with numerous high-rise buildings and a complex network of roads and highways. The scene is illuminated by city lights, creating a vibrant, golden glow against the dark sky. A large, white number '1' is prominently displayed in the center-left, and the text 'Executive summary' is written in white to its right. A thin white line points from the text towards the number.

1

Executive summary

1.1 Summary of this study



\$2.77b

in **gross value added (GVA)** was supported through QFC activities

\$238m Induced
\$1,026m Indirect
\$1,504m Direct Impact

1.9%

of Qatar's **GDP*** was supported by QFC

Or

2.7%

of Qatar's **non-oil GDP** was supported by QFC



15,574

Jobs were supported by QFC activities in the Qatar economy

4,421 **Jobs through direct impacts**
 created directly by QFC activities

8,916 **Jobs through indirect impacts**
 supported through spending on local suppliers

2,237 **Jobs through induced impacts**
 supported by employee spending (e.g, on housing, education etc.)

Top sectors by total GVA



Holding Company
\$869m*



Investment Services
\$605m



Consultancy Services
\$340m



Management Office
\$210m

Since 2018, QFC's GVA impact has increased by 47% and jobs impact has risen by 25%**

A man in a dark suit and tie is walking in a modern, brightly lit interior space. He is carrying a black bag and looking upwards and to the right. The background features large glass windows and palm trees. The entire image has a dark purple overlay.

2

Introduction

2.1 Background to QFC

Qatar Financial Centre (QFC) provides a best-in-class platform for international companies to expand into Qatar and the region

The Qatar Financial Centre (QFC) is a Qatari government institution focusing on Qatar's financial and business sectors. It is located in Doha, the capital city, and was founded in 2005 with a mandate to attract international banking, insurance, business and other services in order to grow and develop the financial services sector in Qatar and the region.

As a global business and financial centre, QFC provides a best in-class platform for international companies to expand into Qatar and the region as well as local and regional companies to expand internationally. In line with this, QFC plays several critical roles for the Qatari economy. Firstly, it is a gateway for foreign direct investment (FDI) into Qatar. Secondly, it serves as an ecosystem to facilitate knowledge transfer from leading international companies. Further, it provides a diversity of funding channels for both foreign investors and local entities, as corporate banks and advisory firms on QFC's platform channel credit from their home countries, which include seventeen jurisdictions spanning three continents.

Economic context

With a total nominal gross domestic product (GDP) of US Dollar (USD) 146.4 billion in 2020, Qatar is one of the largest economies in the Middle East. Within the Qatari economy, QFC's economic activities mainly fall into the financial and insurance activities and professional, scientific and technical activities macroeconomic sectors, collectively referred to as the finance and business services sector in this report. This sector had a GDP of USD 19.95 billion in 2020. However, QFC is also focusing on the Digital, Media and Sports sectors, which are likely to extend its direct footprint to a wider range of sectors in Qatar.

Table 1: Qatar finance and business services sector and total GDP, 2020

Qatar GDP data, 2018	USDm
Financial and insurance activities sector GDP	14,754
Professional, scientific and technical activities sector GDP	5,197
Total finance and business services GDP	19,951
Total Qatar GDP	146,401

2.2 QFC evolution over time

QFC's contribution to Qatar as a financial ecosystem extends beyond its quantifiable economic footprint

QFC's role and contribution to Qatar has evolved since its inception – and continues to evolve. The infographic below segments QFC's evolution into three key distinct periods. In Phase 1, spanning from 2005 to 2009, QFC onboarded a large number of Western banks and insurance companies. In Phase 2, from 2010 to 2017, QFC brought in a large number of ancillary services to support this activity, expanding non-regulated firms in Qatar to diversify service offerings, new products and support the financial services ecosystem. Finally, in Phase 3, which started in 2018, QFC's focus is driven by Strategy 2022. Further, QFC is also an important platform for several key Qatari organizations such as Qatar Petroleum (QP), Qatar Investment Authority (QIA), Ooredoo and Katara Hospitality. These entities use QFC to set up holding companies and special purpose vehicles for a variety of domestic and international transactions.

It should be noted that not all government-held holding companies need to report their financials due to an October 2017-dated ruling. As such, the collection of holding company data in 2020 (similar to 2018) is less than it was for 2015. If all holding companies accounted for in the 2015-dated economic impact assessment (EIA) were included, QFC would likely show a larger aggregate GVA. QFC also adds significant value through developing the financial ecosystem in the country. For instance, QFC financial institutions engage across several complementary business lines, led by loans, advances, as well as bank placements. Between 2013-2018, over half of QFC banks' loans and advances were term loans, primarily directed towards project and equipment finance. Some of these benefits are less easily quantified in terms of the economic impact they are likely to generate in Qatar, but are also likely to be very significant.*



Phase 1 (2005-2009)
Western Banks and Insurance companies



Phase 2 (2010-2017)
Ancillary Services



Phase 3 (2018-2022)
Strategy 2022 Driven

*See <https://www.jbic.go.jp/en/information/press/press-2019/1119-012769.html>, as an example of a foreign investor securing financing through foreign banks on QFC's platform.

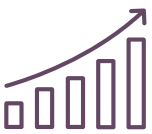
2.3 Purpose of this report

This report's purpose is to quantify QFC's economic impact on GVA and employment in Qatar across direct, indirect and induced effects

The purpose of this report is to estimate the economic contribution of QFC to Qatar in 2020 with regard to gross value added (GVA) and employment, using the Input-Output (IO) economic model. GVA is equal to GDP less net indirect taxes. The GVA estimates in this report can therefore be broadly understood as GDP contributions.

Each measure of economic impact is estimated across three distinct types of contributions: direct, indirect and induced effects, as set out in the infographic below. In total, the direct, indirect and induced impacts show the total economic footprint of QFC's activities in the Qatari economy in 2020. Further detail on this economic model is provided in section 6.

Measures Of Economic Impact



GVA Impact

QFC's contribution to value added in Qatar economy



Employment Impact

QFC's contribution to jobs supported in Qatar economy

Types Of Economic Impact



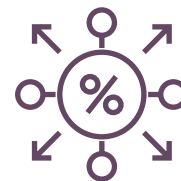
Direct Impacts

Impacts created directly by QFC



Indirect Impacts

Impacts created through QFC's local supply chain



Induced Impacts

Impacts created through employee spending (such as on children's quality education, upmarket housing and other domestic personal expenditures)



3

Overview of QFC

3.1 QFC governing entities and companies

QFC has three governing entities and its companies are segmented into 16 sectors for the purpose of the ongoing economic impact assessment, which are either regulated or non-regulated

QFC's economic contribution arises from two sources. The first source is its governing entities, referred to as QFC entities in this report. The second and larger source is the companies that are registered within QFC, referred to as QFC companies in this report. Although QFC companies are the main driver of QFC's economic impact, QFC entities also contribute to the economy through the employment they generate and associated income earned. Detail on both QFC entities and QFC companies is set out below.

QFC entities

QFC is overseen by the following bodies:

1. Qatar Financial Centre Authority (QFCA), the commercial arm of the QFC;
2. QFC Regulatory Authority (QFCRA), which is the independent regulator of the QFC; and
3. Qatar International Court and Dispute Resolution Centre (QICDRC), which comprises the Civil and Commercial Court (resolving disputes between QFC firms and their counterparties) as well as the Regulatory Tribunal (for appeals against QFCRA's decisions).

QFC companies

QFC companies can be grouped in two ways:

1. Regulation of sector: QFC companies are either regulated or non-regulated and
2. QFC sector: Each company can be mapped to a sector based on its activity type.

The 16 QFC sectors and their regulation status are set out opposite. The QFC companies economic impacts in this reported are broken down by regulation status and QFC sector.

Table 2: List of QFC sectors

QFC sector	Regulation status
Corporate Bank	Regulated
Insurance	Regulated
Insurance Intermediary	Regulated
Investment Services	Regulated
Investment Bank	Regulated
Consultancy Services	Non-regulated
Digital	Non-regulated
Holding Company	Non-regulated
Insurance Administration	Non-regulated
Legal Services	Non-regulated
Media	Non-regulated
Management Office	Non-regulated
Companies Limited by Guarantee (CLG)	Non-regulated
Other Professional Services	Non-regulated
Special Purpose Company (SPC)	Non-regulated
Sports	Non-regulated

3.2 QFC companies growth over time

In 2020, 364 new companies were registered in QFC for a total of 1,180 gross registered companies at the end of 2020

Table 3: Growth in QFC gross registered companies over time

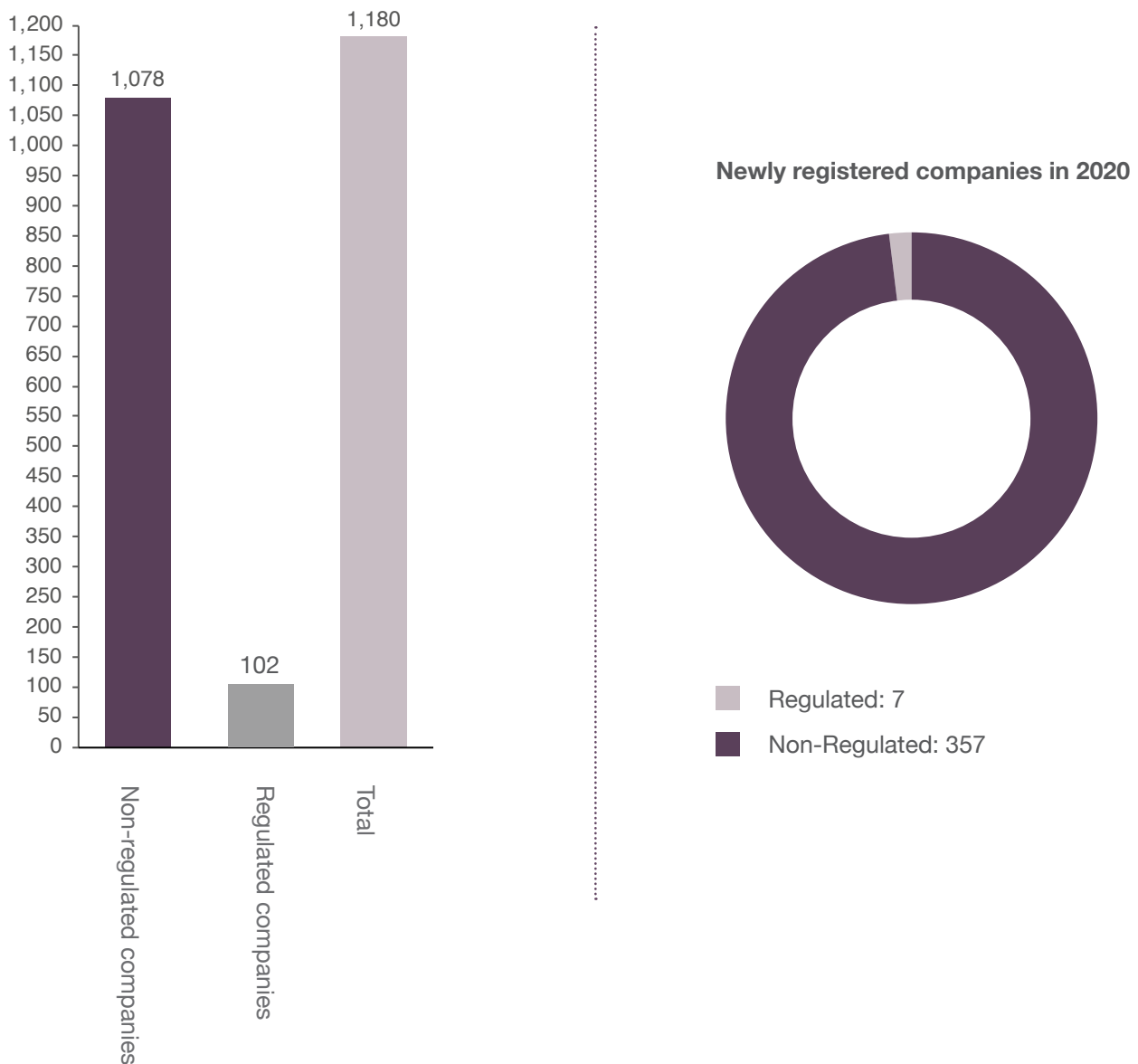
Year	Legal Status Type*												Total companies
	Foundation Non-Regulated	Holding Companies LLC	Investment Club LLC Non-Regulated	LLC (G) Non-Regulated	LLC Non-Regulated	Branch – LLC Non-Regulated	QFC-LLP Non-Regulated	Branch – LLP – Non-Regulated	LP Non-Regulated	LLC Regulated	Branch – LLC Regulated	SPCs LLC	
2005	-	-	-	-	-	1	-	-	-	1	1	-	3
2006	-	2	-	-	6	2	3	2	-	8	7	-	30
2007	-	1	-	-	10	2	1	-	-	9	11	-	34
2008	-	1	-	-	7	3	-	3	-	9	11	-	34
2009	-	1	-	-	1	-	-	3	-	7	4	-	16
2010	-	-	-	-	4	2	-	1	1	1	-	-	9
2011	-	3	-	-	3	2	-	6	-	4	5	-	23
2012	-	9	-	-	3	3	-	1	-	2	2	-	20
2013	-	3	-	-	4	1	1	1	-	1	1	-	12
2014	-	7	-	-	11	5	-	-	-	1	1	6	31
2015	-	19	-	2	26	13	2	1	-	1	1	3	68
2016	-	13	-	11	23	18	1	-	-	-	2	-	68
2017	1	32	-	10	31	11	2	1	-	-	1	24	113
2018	-	23	1	11	83	17	2	1	-	-	-	13	151
2019	1	20	-	15	118	27	1	-	-	4	-	18	204
2020	-	42	1	4	272	18	1	1	-	4	3	18	364
Total	2	176	2	53	602	125	14	21	1	52	50	82	1,180

Source: Source: QFCA. Note: LLC refers to Limited Liability Company and LLP to Limited Liability Partnership.

3.3 QFC companies by regulation type

The majority of QFC companies in 2020 were non-regulated, standing at 91.4% of the total. Out of 364 new companies registered in 2020, 357 were non-regulated, with just 7 new regulated companies

Chart 1: QFC gross registered companies in 2020 by regulation type



3.4 QFC companies available data

The analysis in this report is based on financial statements available for firms that had filed statements at the time of carrying out this study. This is significantly less than the overall population of companies

Chart 2: Comparison of net registered QFC companies with available financial statements, 2020



The count of net registered companies in QFC stood at 1,035 in 2020 (as this is a net figure excluding deregistered companies, it is lower than the gross registered count of 1,180 set out on the previous page). However, there were only 318 available company financial statements, which the economic impacts in this report have been estimated on. There are two main reasons for the difference:

1. Some firms that may have been eligible to file may not have filed their 2020 statements at the time of carrying out this study.
2. Some government-owned firms are not mandated to file their annual returns, based on an October 2017-dated ruling.

This could potentially lead to an understatement of the economic impact, dependent on the financial performance of the companies not included in the report.

3.5 QFC sectors assets and revenues

In 2020, QFC companies held USD 28.3 billion of assets and created almost USD 3.2 billion of revenues

Chart 3: QFC companies assets in 2020 by sector

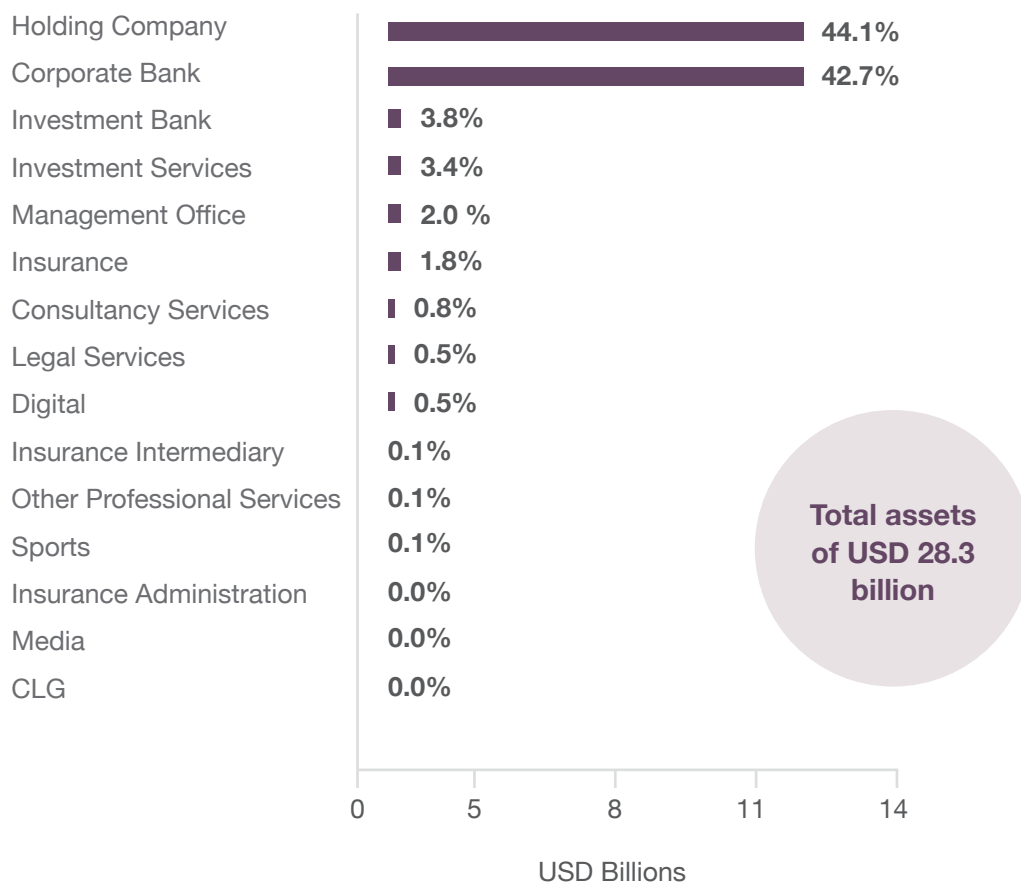
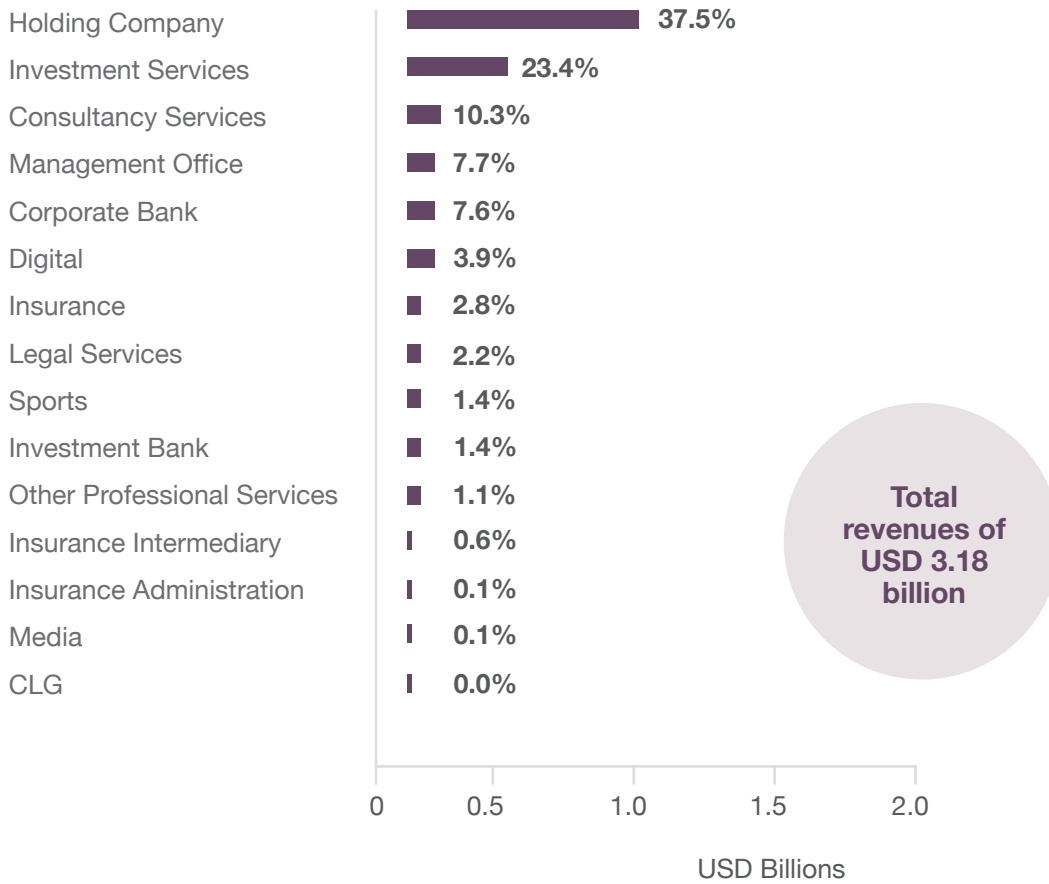


Chart 4: QFC companies revenues in 2020 by sector





4

GVA impact

4.1 Direct GVA impact

QFC’s direct GVA contribution to Qatar in 2020 was USD 1.5 billion, over 68% of which was from the Holding Company, Investment Services, Consultancy Services and Management Office sectors

Chart 5: QFC entities and companies direct GVA impact, 2020

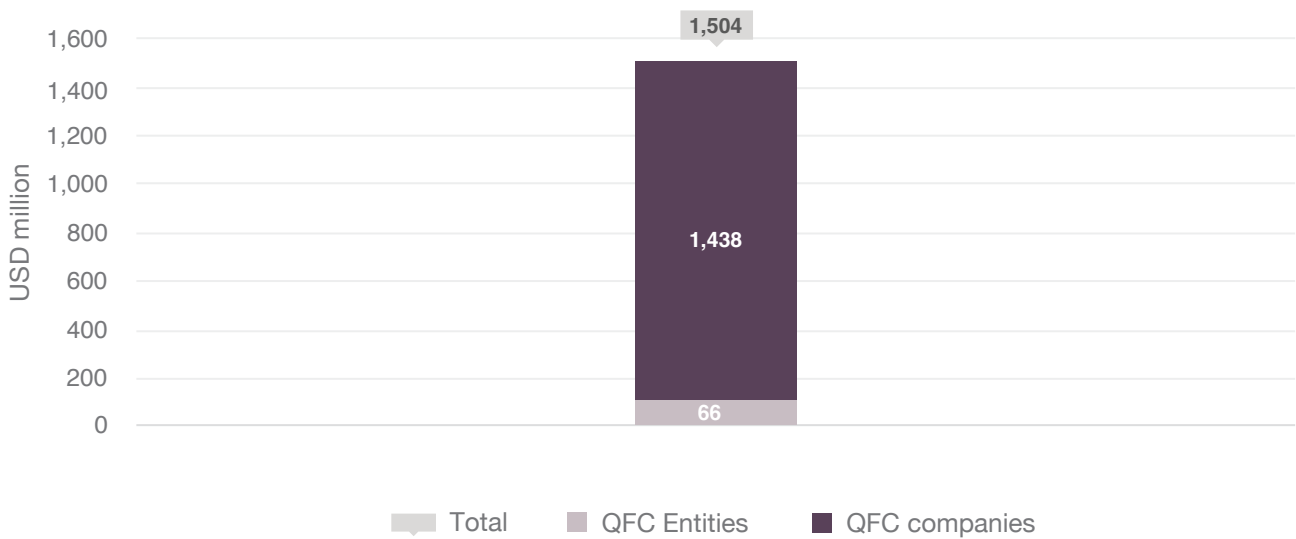
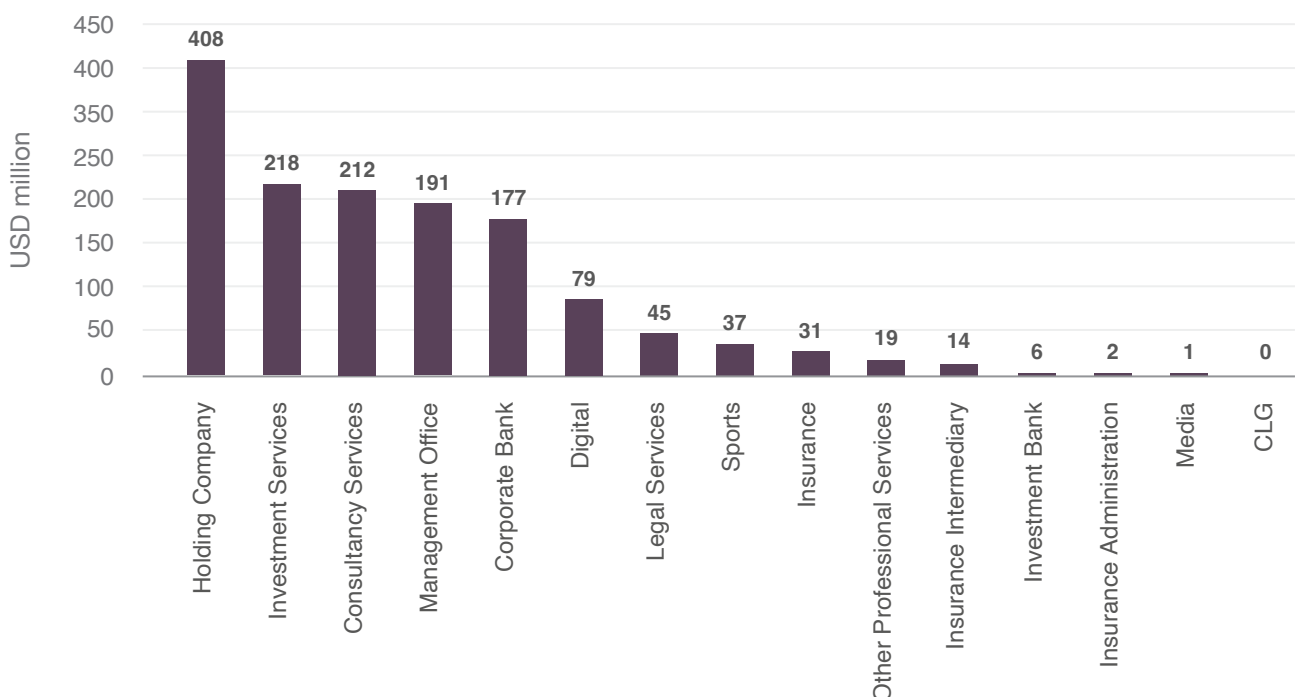


Chart 6: QFC companies direct GVA impact by sector, 2020



Source: QFCA, QFCRA and QFC companies financial statements. All companies estimates are based on 318 companies.

4.2 Indirect GVA impact

QFC's indirect GVA contribution to Qatar in 2020 was USD 1.03 billion, over 70% of which was from the Holding Company and Investment Services sectors

Chart 7: QFC entities and companies indirect GVA impact, 2020

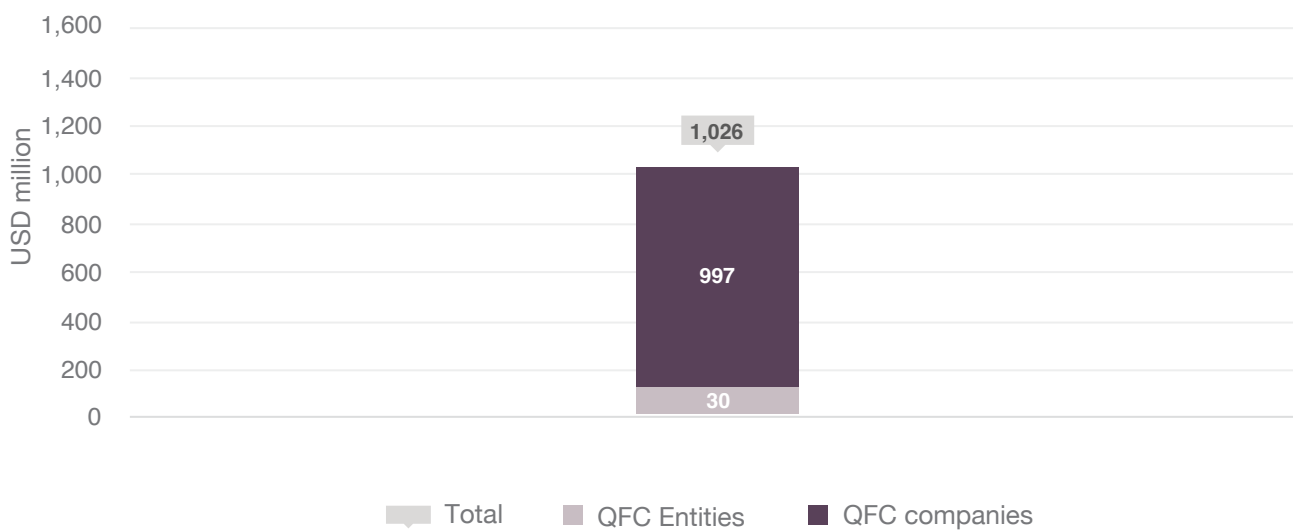
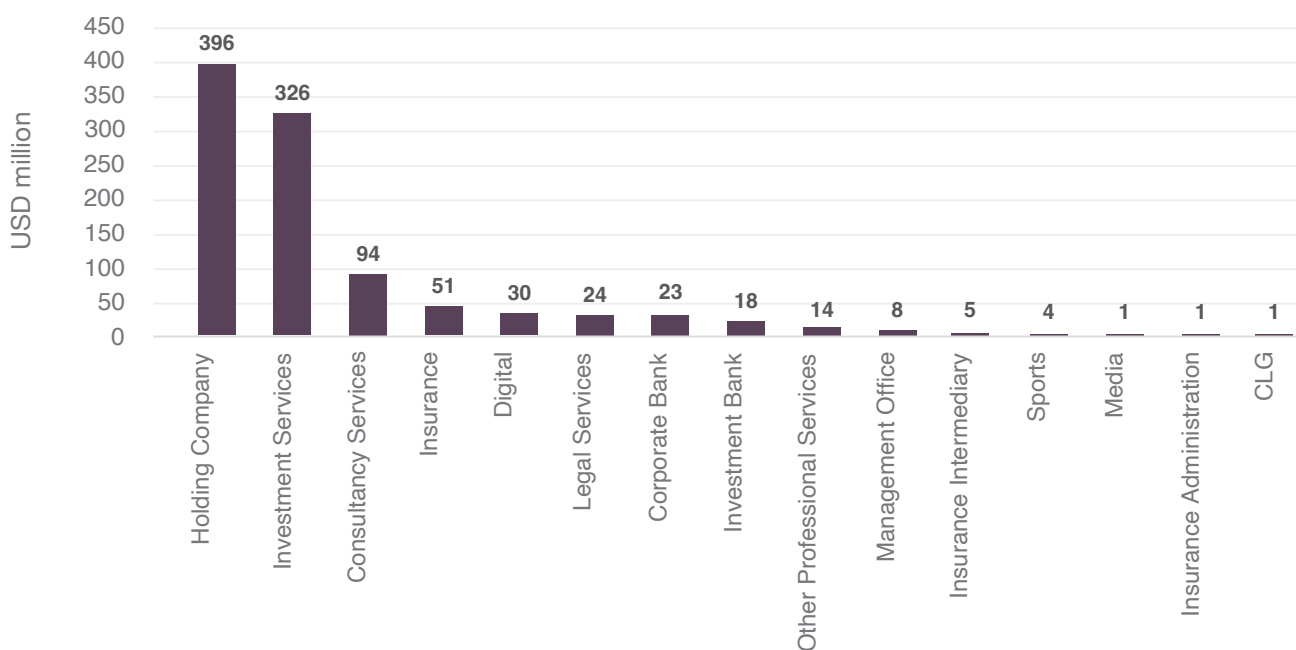


Chart 8: QFC companies indirect GVA impact by sector, 2020



4.3 Induced GVA impact

QFC’s induced GVA contribution to Qatar in 2020 was USD 238 million, almost 53% of which was from the Holding Company and Investment Services sectors

Chart 9: QFC entities and companies induced GVA impact, 2020

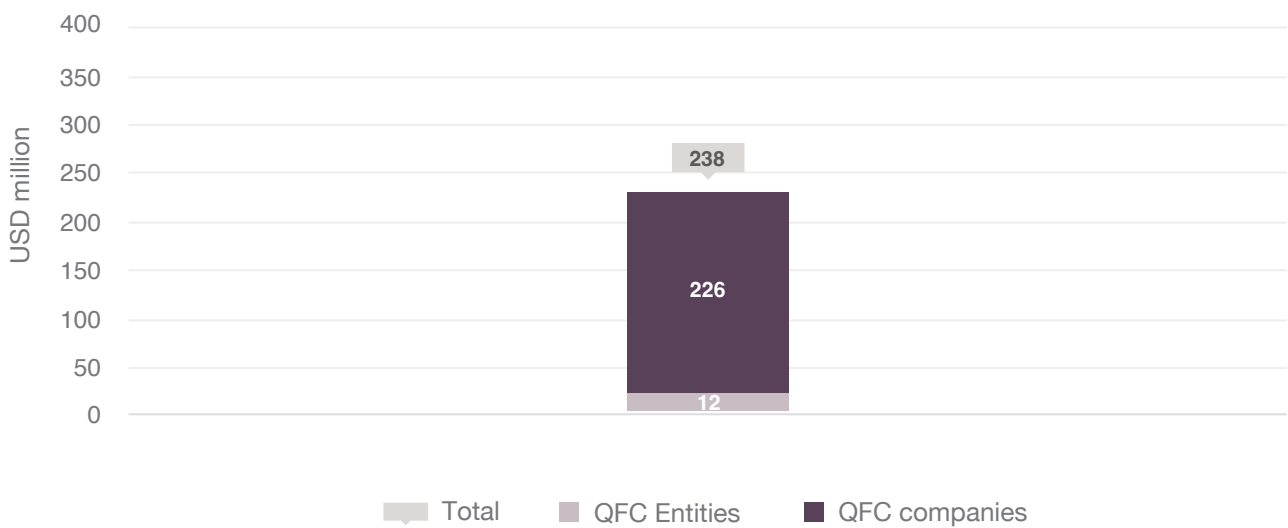
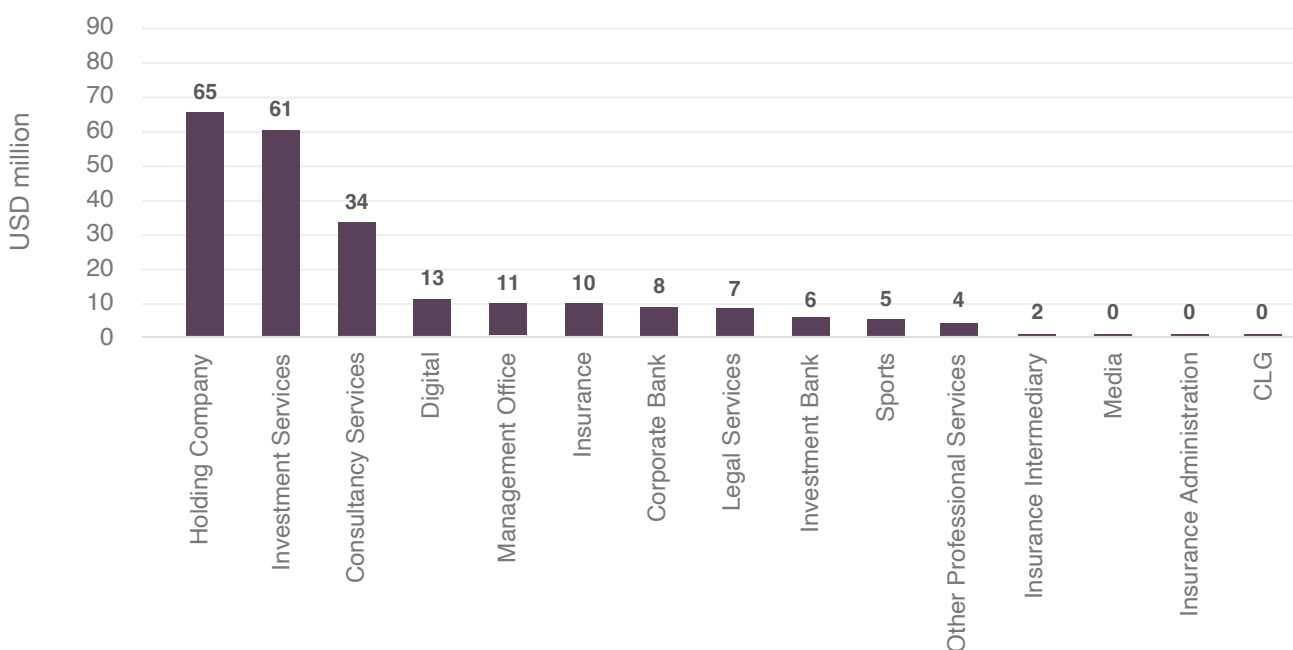


Chart 10: QFC companies induced GVA impact by sector, 2020



Source: Analysis using QFCA, QFCRA and QFC companies financial statements. All companies estimates are based on 318 companies.

4.4 Total GVA impact

QFC had a total GVA impact of USD 2.77 billion on Qatar in 2020, out of which USD 2.66 billion was from QFC companies

Chart 11: QFC entities and companies total GVA impact, 2020

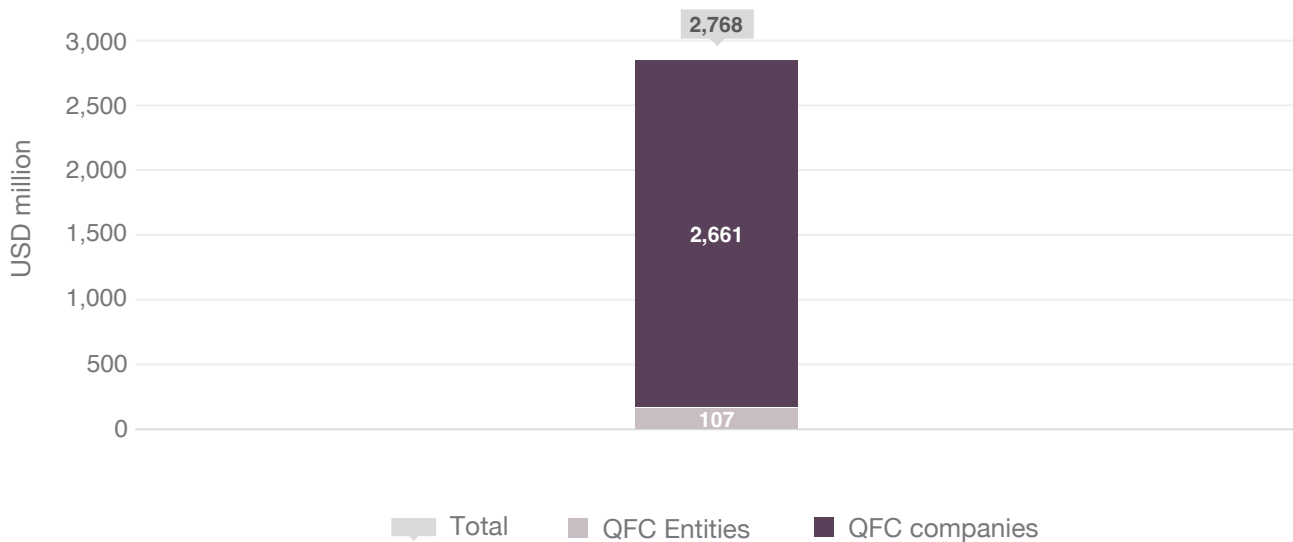
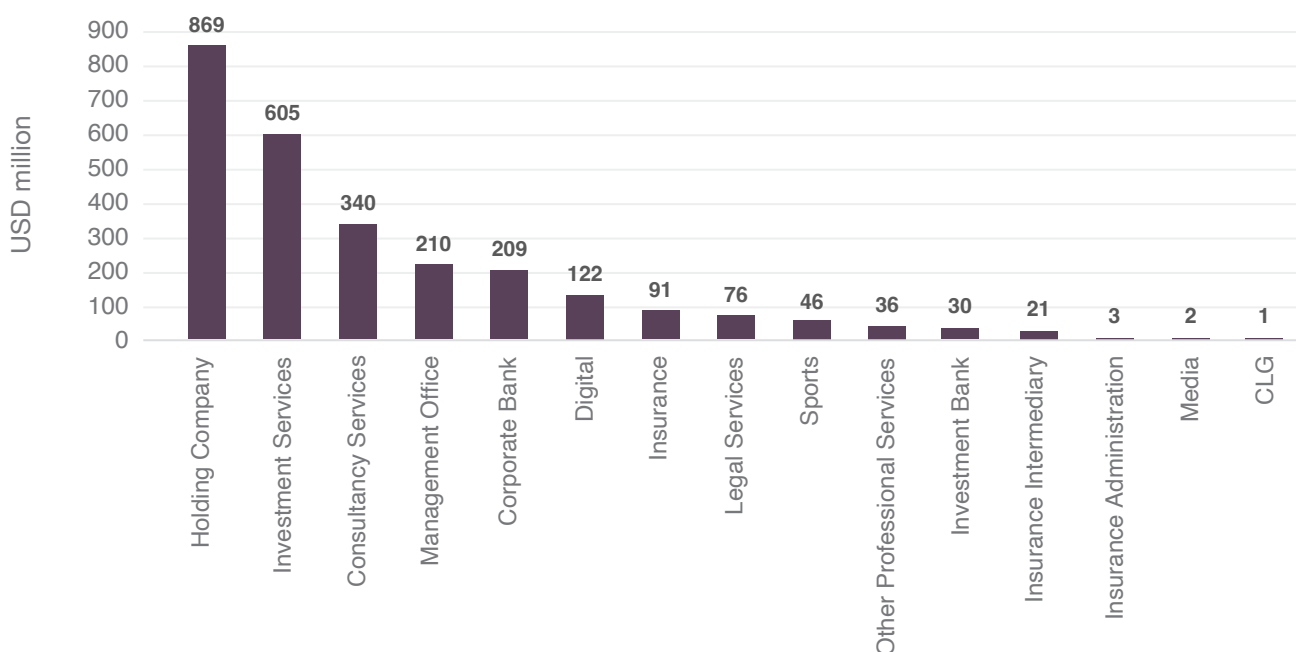


Chart 12: QFC companies total GVA impact by sector, 2020



4.5 GVA impact by sector type

The majority of QFC companies' total GVA impact of USD 2.66 billion in 2020 was from non-regulated sectors

Chart 13: Non-regulated and regulated QFC companies GVA impact, 2020

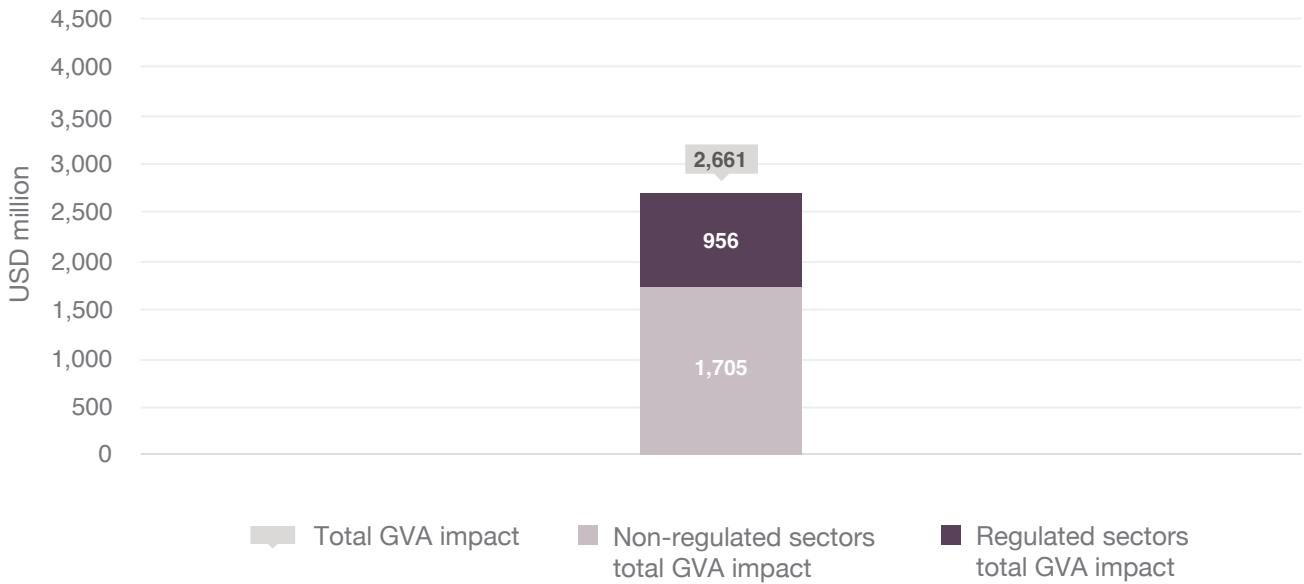
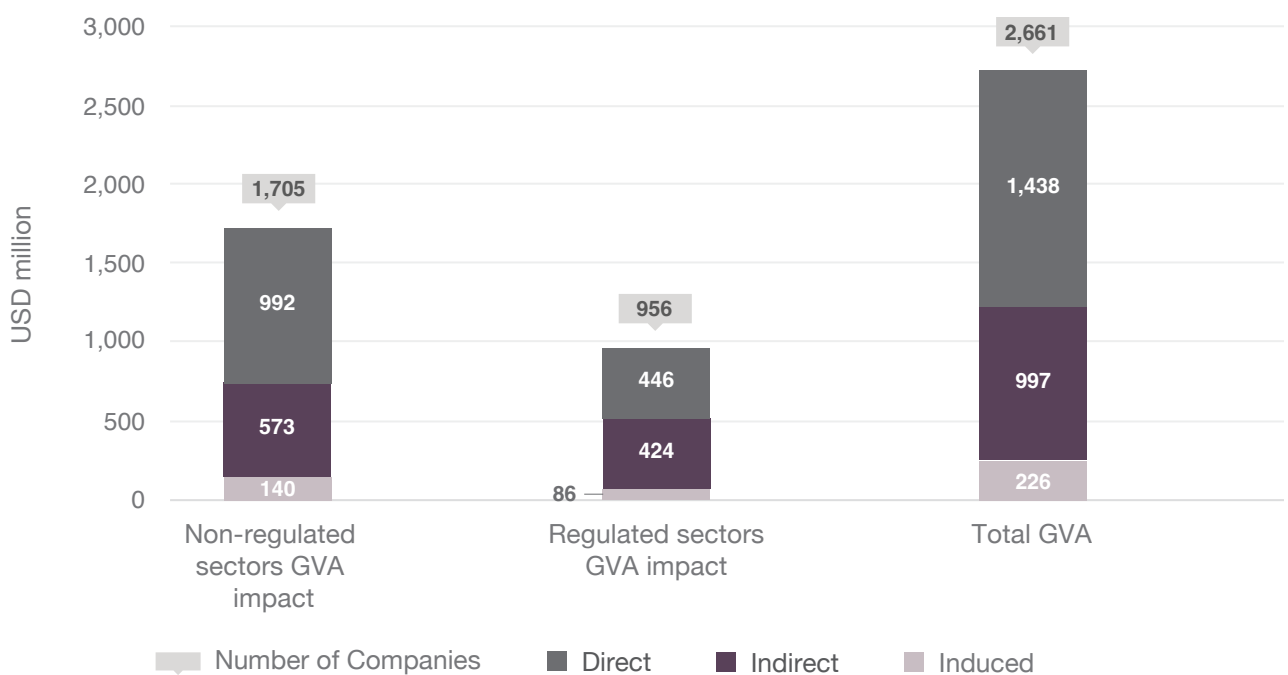


Chart 14: Breakdown of non-regulated and regulated QFC companies GVA impact, 2020



Source: Analysis using QFC companies financial statements. All companies estimates are based on 318 companies.

4.6 GVA impact – key takeaways

Although QFC made a significant contribution to GVA directly, it also benefited the wider economy through indirect and induced impacts

QFC's total contribution to Qatar's GVA in 2020 was USD 2.77 billion, broken down between a direct impact of USD 1.50 billion, an indirect impact of USD 1.03 billion and an induced impact of USD 0.24 billion. The total contribution increased by 47% compared to 2018 (unadjusted for inflation).

Key takeaways:

QFC makes significant contributions directly:

QFC's direct contribution to the Qatari economy was over half of its total GVA contribution. This demonstrates that the profits earned and labor costs paid by QFC companies make a significant positive contribution to Qatar.

Holding Company and Investment Services drive the contribution:

Holding Company and Investment Services sectors were responsible for over 55% of QFC companies' contribution and over 53% of QFC's total impact on Qatar's GVA in 2020. This shows these sectors benefit Qatar's economy directly but also through local supply chain and employee spending impacts.

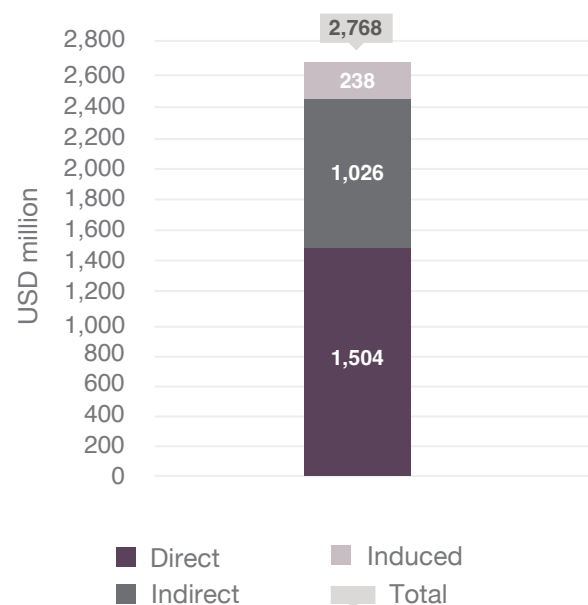
Holding Company impact on economy:

The Holding Company sector was responsible for nearly half of the GVA impact from companies, and around 46% of QFC's total GVA contribution.

The increase from 2018 was driven by a small number of sectors:

The increase in QFC's GVA impact between 2018 and 2020 was mainly driven by the Investment Services, Consultancy Services and Corporate Bank sectors. Other sectors with smaller but notable increases were Investment Bank, Sports and Digital.

Chart 15: QFC total GVA impact, 2020





5

**Employment
impact**

5.1 Direct employment impact

QFC had 4,421 full-time employees in 2020, with nearly half in the Consultancy Services and Management Office sectors

Chart 16: QFC entities and companies direct employment impact, 2020

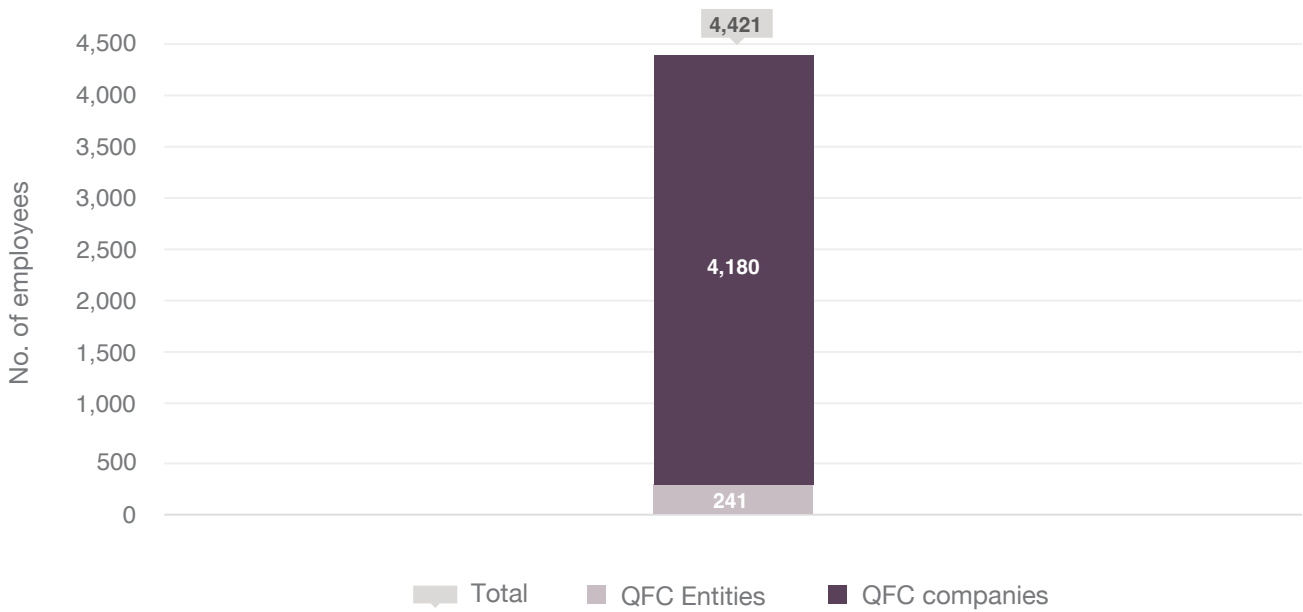
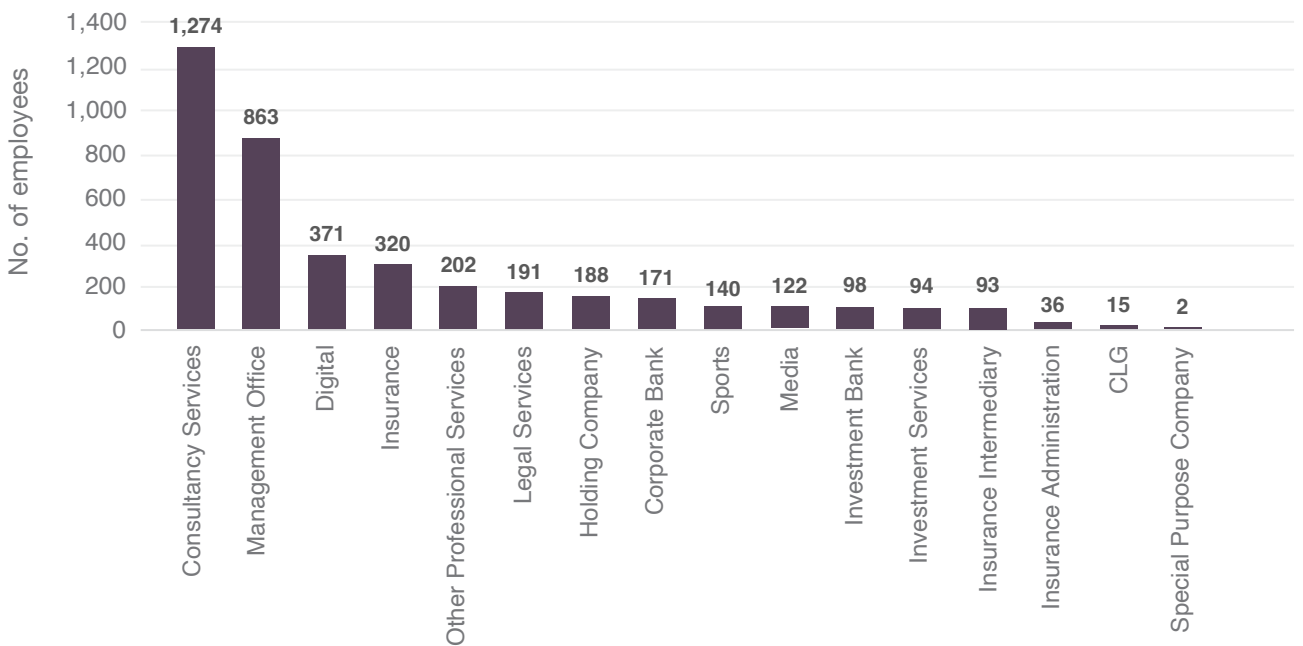


Chart 17: QFC companies direct employment impact by sector, 2020



Source: QFCA and QFCRA.

5.2 Indirect employment impact

QFC supported 8,916 jobs indirectly in 2020, with nearly 65% supported by the Holding Company and Investment Services sectors

Chart 18: QFC entities and companies indirect employment impact, 2020

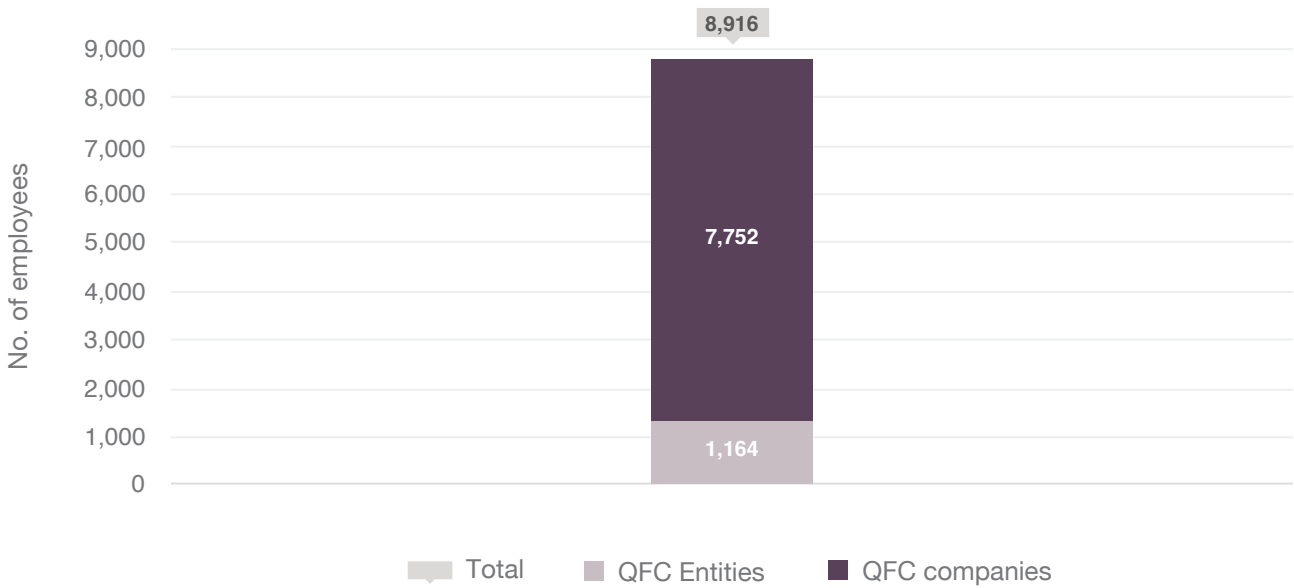
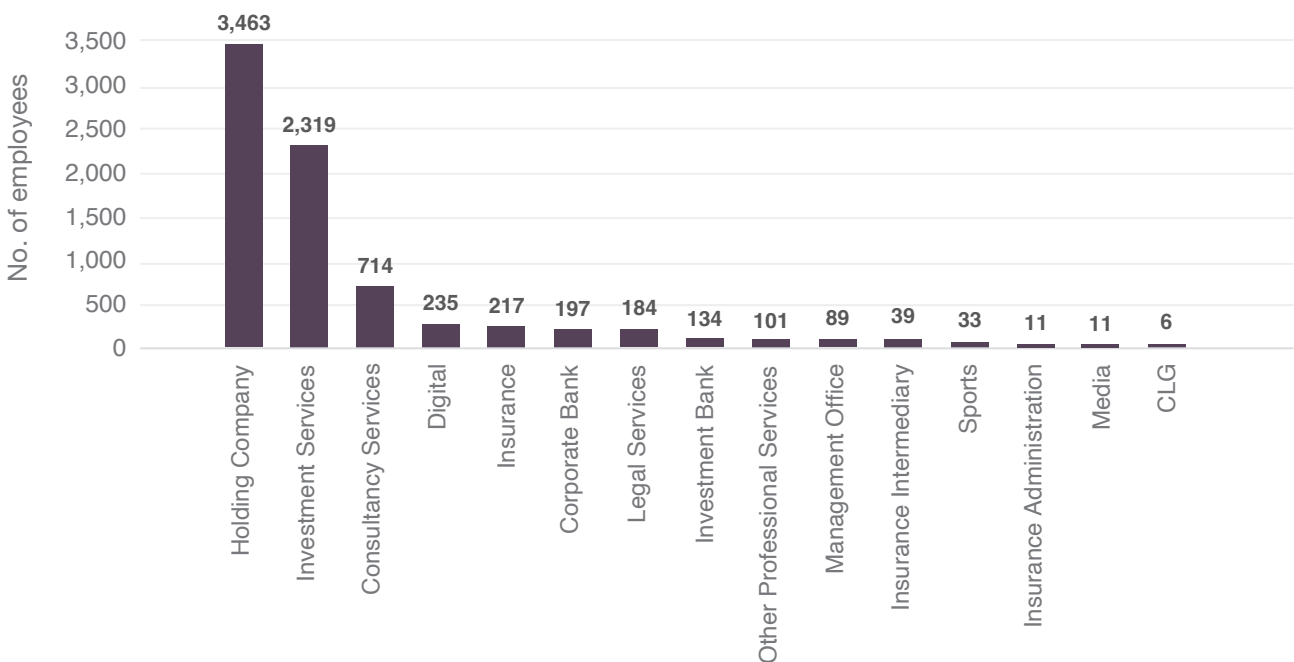


Chart 19: QFC companies indirect employment impact by sector, 2020



Source: Analysis using QFCA, QFCRA and QFC companies financial statements. All companies estimates are based on 318 companies.

5.3 Induced employment impact

QFC supported 2,237 jobs through induced impacts in 2020, with around 58% supported by the Holding Company, Investment Services and Consultancy Services sectors

Chart 20: QFC entities and companies induced employment impact, 2020

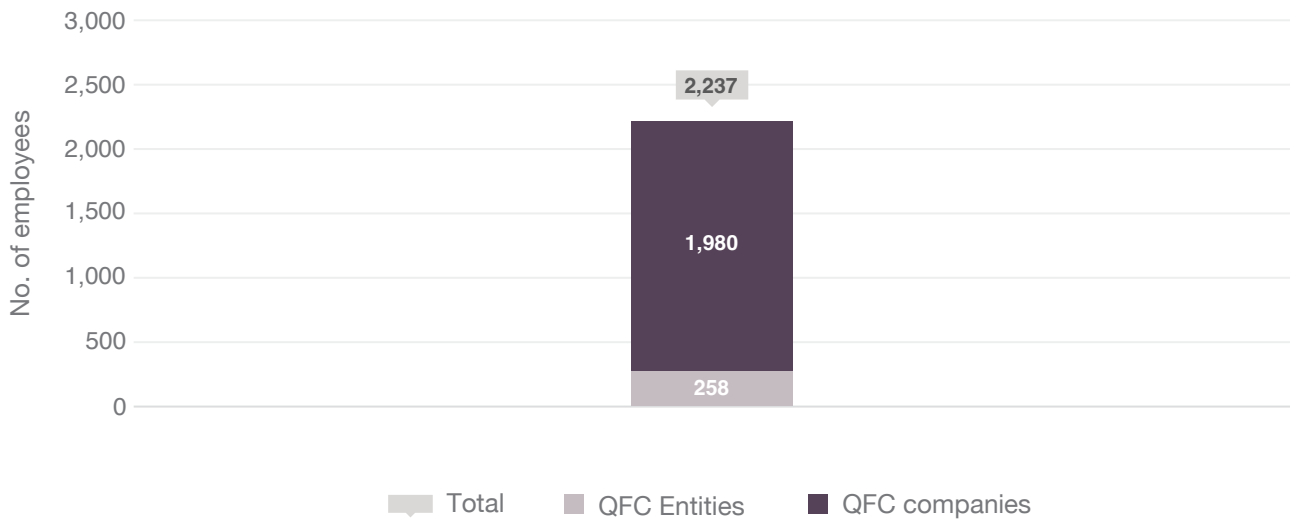
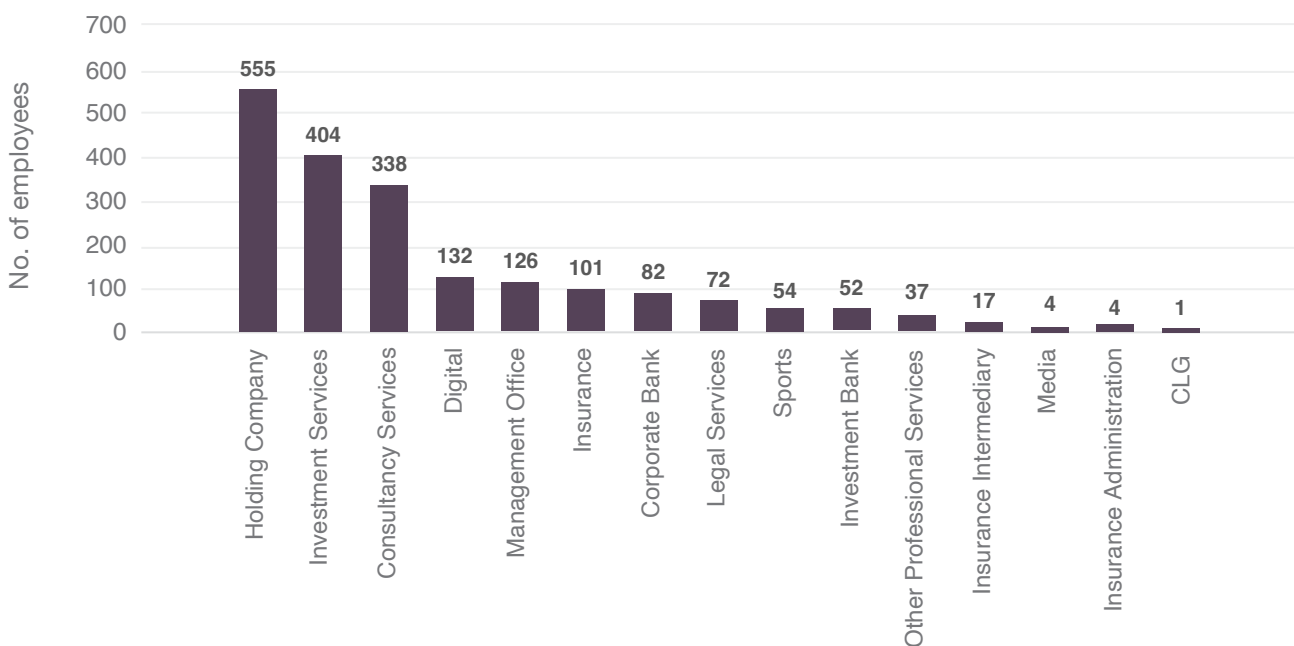


Chart 21: QFC companies induced employment impact by sector, 2020



5.4 Total employment impact

In 2020, QFC supported 15,574 jobs through direct, indirect and induced impacts from QFC entities and companies

Chart 22: QFC entities and companies total employment impact, 2020

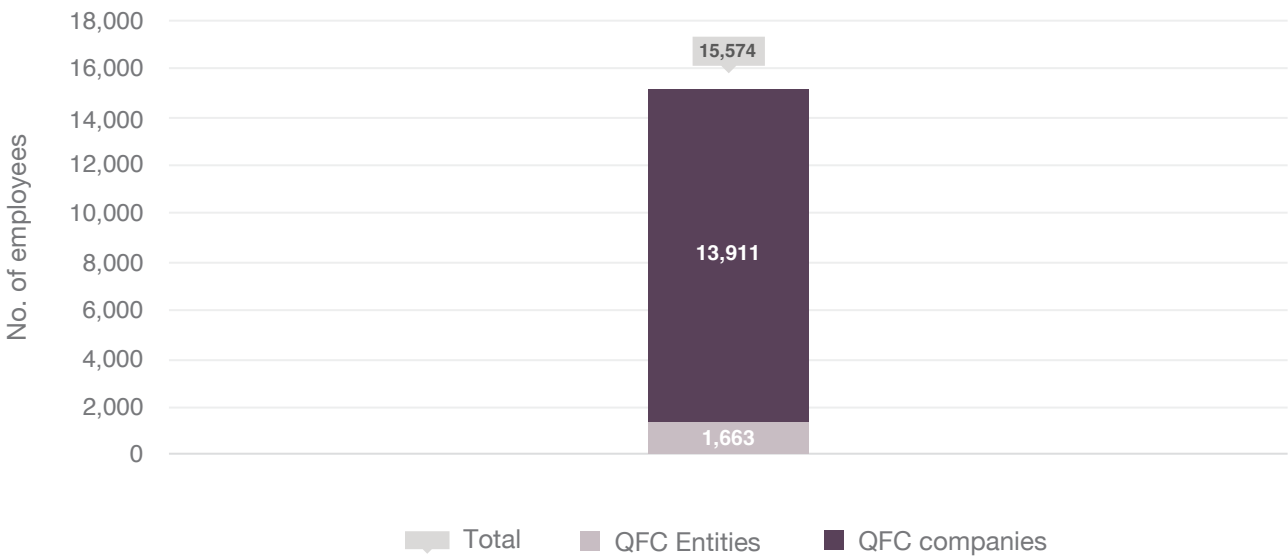
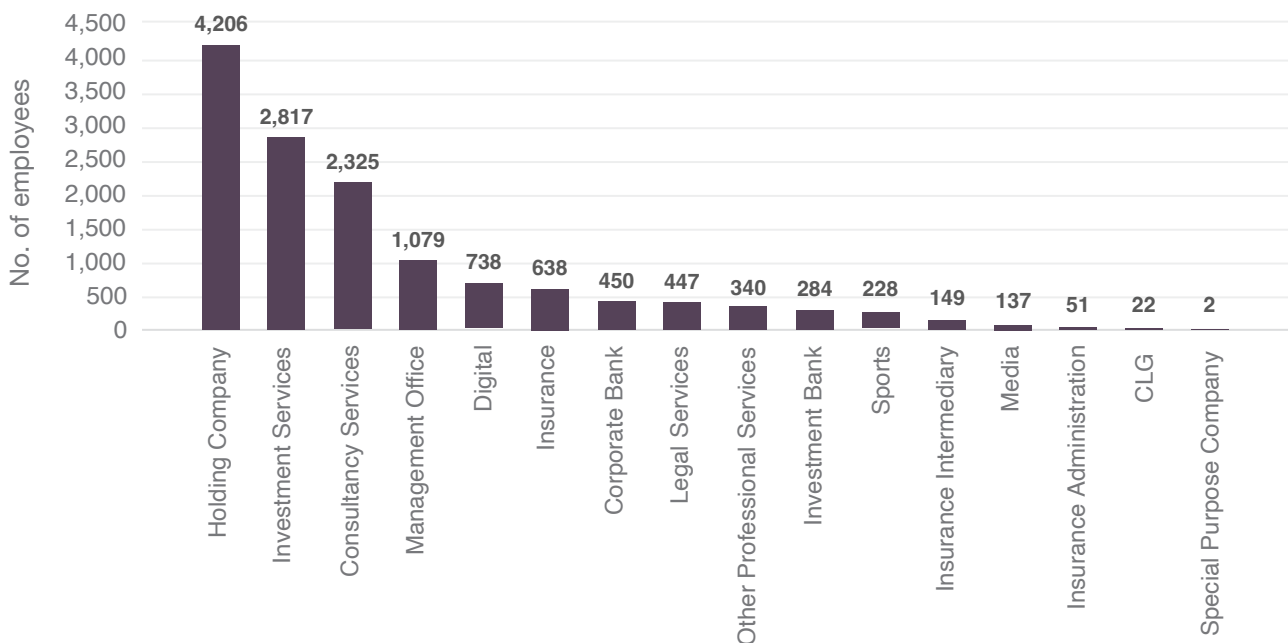


Chart 23: QFC companies total employment impact by sector, 2020



Source: Analysis using QFCA, QFCRA and QFC companies financial statements. All companies estimates are based on 318 companies.

5.5 Employment impact by sector type

In 2020, almost 69% of the total QFC companies' employment impact on Qatar was from non-regulated sectors

Chart 24: Non-regulated and regulated QFC companies employment impact, 2020

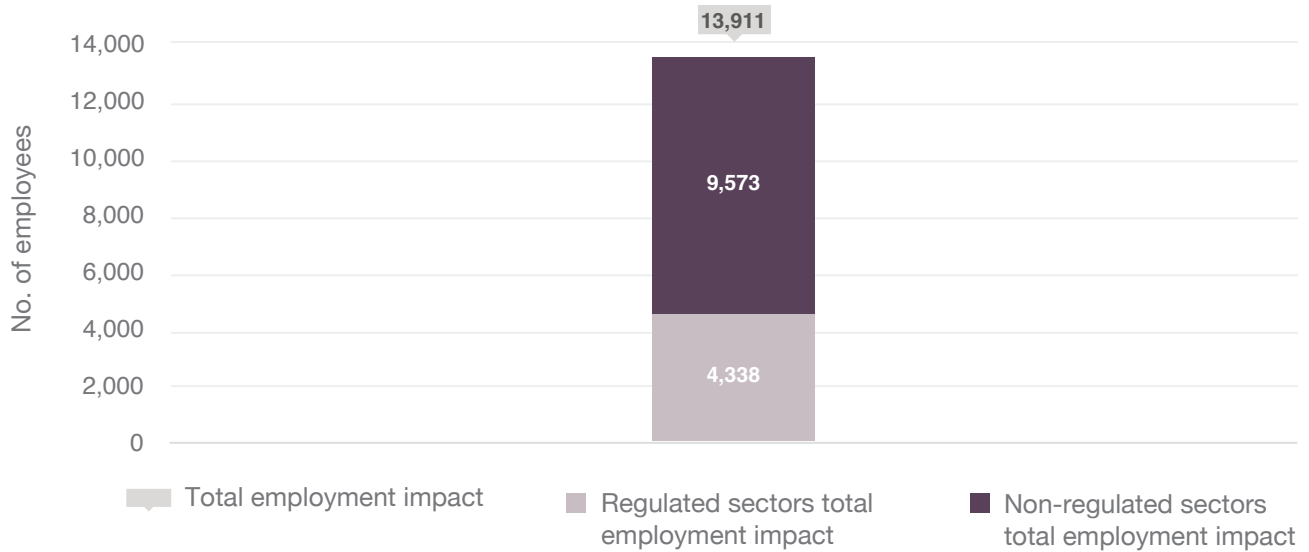
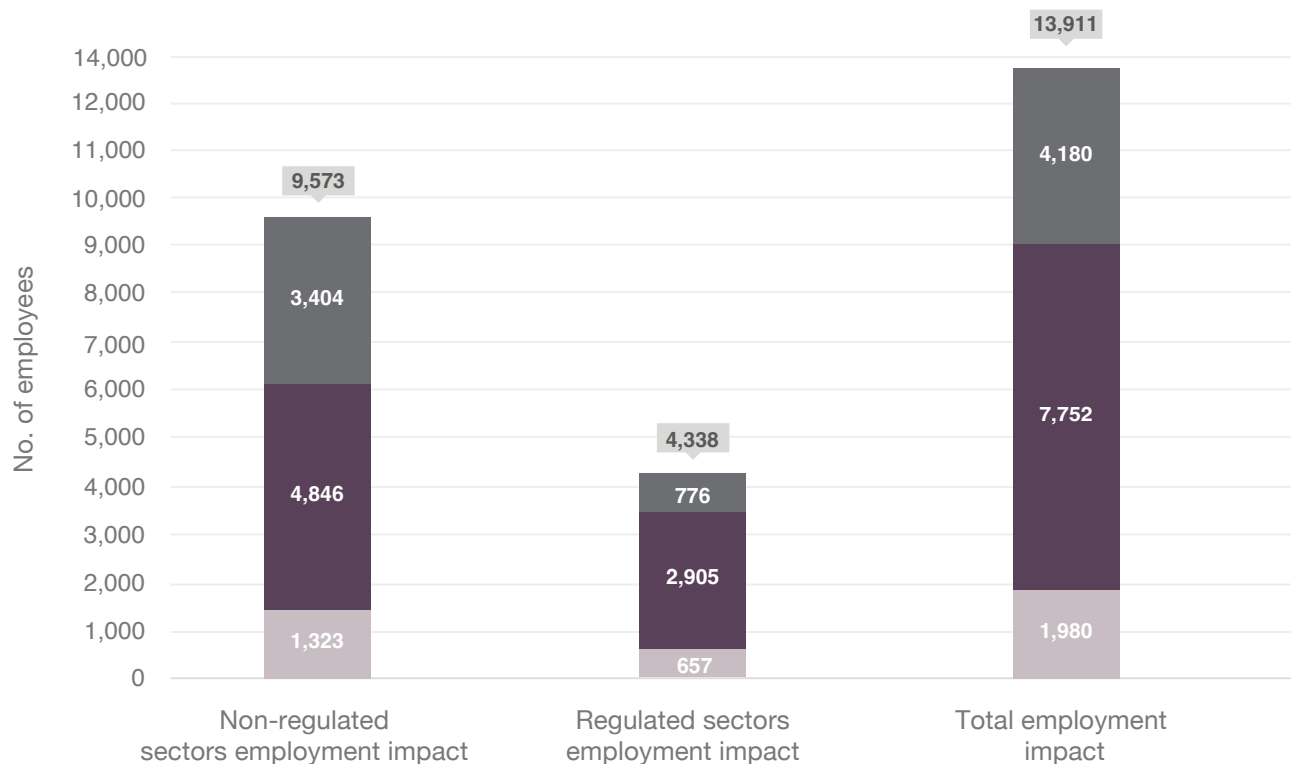


Chart 25: Breakdown of non-regulated and regulated QFC companies employment impact, 2020



Source: Analysis using QFCA, QFCRA and QFC companies financial statements. All companies estimates are based on 318 companies.

5.6 Employment impact – key takeaways

QFC supported a significant number of jobs indirectly in 2020; the total employment impact has increased by nearly 25% since 2018

In 2020, QFC’s activities supported a total of 15,574 jobs in Qatar. This comprised 4,421 jobs supported directly; 8,916 jobs supported through indirect impacts and 2,237 jobs supported via induced impacts. In total, the employment increased by 25% compared to 2018.

Key takeaways:

Consultancy Services sector was the leading contributor to direct employment:

The Consultancy Services sector was responsible for 30% of QFC companies’ direct employment in 2020. Together, the Management Office, Digital and Insurance sectors contributed a further 37% of the total employment impact.

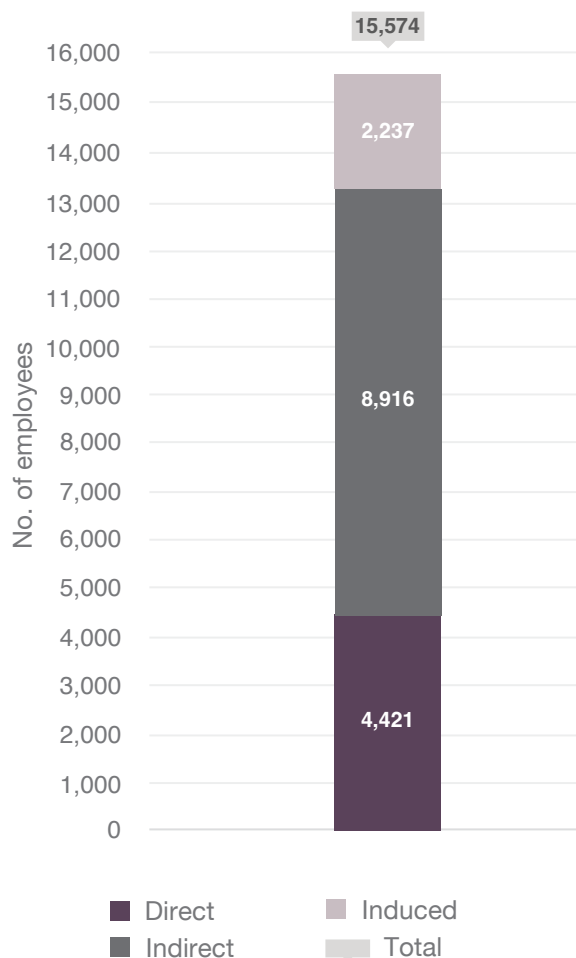
The majority of the employment impacts is from indirect contributions:

In 2020, QFC supported nearly 8,916 jobs through indirect impacts, over 57% of the total impact. The indirect impacts show the employment QFC’s activities support in the local supply chain, demonstrating QFC’s wider contribution to the local economy.

Significant increase in jobs supported since 2018:

QFC’s employment impact on Qatar has increased by 25% since 2018. The largest increase was in the Investment Services sector, in which the employment impact increased by 2,591 jobs (including direct, indirect and induced jobs). The Holding Company, Consultancy Services, Management Office and Sports sectors also saw considerable increases.

Chart 26: QFC total employment impact, 2020





6

Approach and methodology

6.1 Economic model

This study has used the Input-Output economic model to measure the economic contribution of QFC to Qatar

The Input-Output (IO) economic model has been used to estimate the economic impacts in this report. An IO table can be used to estimate sector multipliers that show how an initial economic stimulus in one sector (direct impact) creates economic value in the rest of the economy (indirect and induced impacts). These three types of economic impacts can be estimated for two distinct measures of economic impact: GVA and employment.

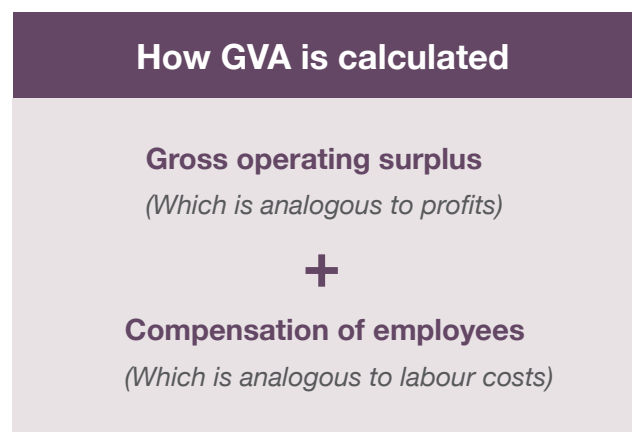
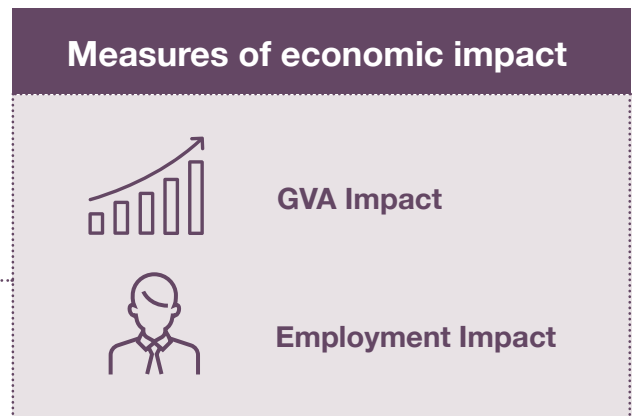
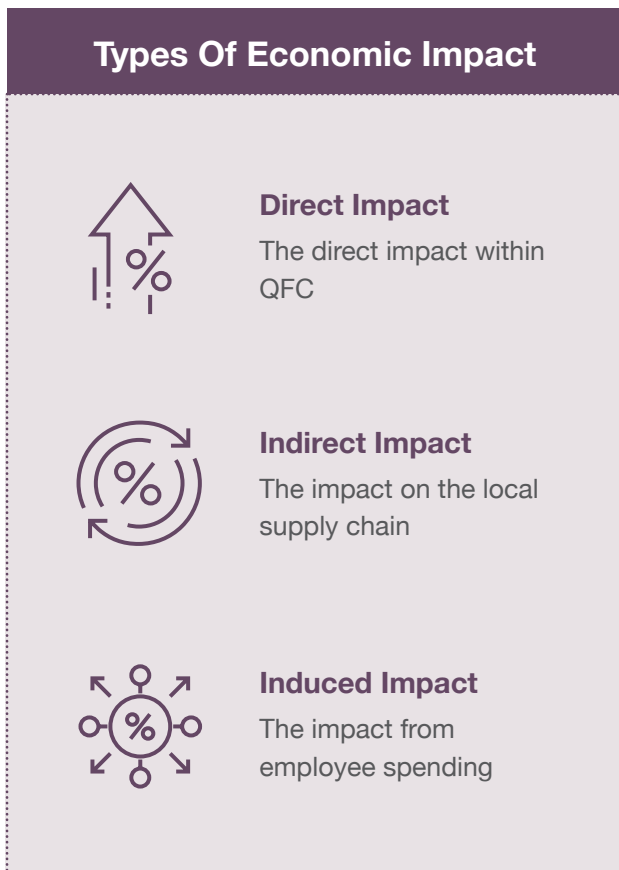
GVA is equal to the sum of Compensation of Employees (COE) and Gross Operating Surplus (GOS), which can be considered analogous to labour costs and profits respectively. GVA is also equal to the difference between economic Output and Intermediate Consumption (IC), where IC is roughly analogous to non-labour costs. Employment refers to full-time equivalent (FTE) employment.

Based on the above relationships, the calculation of economic impacts requires a number of data points, as follows:

1. Revenues
2. Profits
3. Labor costs
4. Local intermediate costs
5. Direct employment

Detail on the data sources used is provided on the next page, and the calculation approach is set out on the subsequent page.

Further detail on the IO model and the development of the sector multipliers is provided in the Appendix.



6.2 Data

Data for QFC entities has been provided by QFCA and QFCRA; data for QFC companies is primarily based on financial statements

QFC entities

Data for QFC entities comprises revenues, profits, salaries, local intermediate costs and total employment for each QFC entity for 2020. Data on revenues, profits and salaries was sourced entirely from audited financial statements provided by QFCA for QFCA and QICDRC and by QFCRA for QFCRA. Data on local intermediate costs and total employment were unavailable from the audited financial statements and hence were separately provided by QFCA and QFCRA.

QFC companies

Data for QFC companies comprises revenues, profits, salaries, local intermediate costs and total employment for each sector in QFC. This was mainly collected using a combination of financial statements and surveys carried out in 2016 and 2020 (for local cost proportions). This data covers the 318 QFC companies included in this analysis. Data on direct employment was provided by QFCA.

Macroeconomic data

The macroeconomic data comprises IO sector multipliers and a range of national and sectoral economic data for Qatar. The IO sector multipliers have been estimated based on the Kuwait IO table published by the Central Statistical Bureau (CSB), used as a proxy because an IO table for Qatar is not publicly available. Detail on the multipliers is provided in the Appendix.

The Qatari national and sectoral data has been sourced from the PSA and World Bank.

Table 4: QFC entities data sources

Data	Source
Revenues	QFCA and QFCRA
Profits	
Salaries	
Local intermediate costs by sector	
Direct employment	

Table 5: QFC companies data sources

Data	Source
Revenues	Financial statements
Profits	Financial statements
Salaries	Financial statements
Local intermediate costs	Financial statements, survey data from 2016 and 2020
Direct employment	QFCA

Table 6: Macroeconomic data sources

Data	Source
IO sector multipliersc	Analysis of CSB, World Bank data
Qatar GVA, output and Employment	PSA
Qatar household consumption data	World Bank
Qatar imports data	World Bank

6.3 Sector impacts calculation approach

The calculation approach is underpinned by transcription of financial statements, which are used as inputs for the economic impact model

The GVA impacts and indirect and induced employment impacts are based on modelling that uses companies financial statements data as the key inputs. The calculation approach set out opposite is based on a six step approach. The key inputs are derived from the transcription of financial statements. In total, financial statements of 318 QFC companies were transcribed for this study. These were used to obtain revenues, profits, labor costs and intermediate costs (including depreciation).

These inputs were then aggregated for the companies within each sector to obtain the total revenues, profits, labor costs and intermediate costs for each sector.

Next, local cost assumptions were developed for the intermediate costs in each sector. These were developed using survey data for QFC companies (from surveys carried out in 2016 and 2020 for the earlier economic impact assessments of QFC). These were applied to the intermediate costs in each sector.

The data was then consolidated by sector – revenues, profits, labor costs and local intermediate costs – and used as inputs for the economic impact assessment model. These were combined with macroeconomic data and sectoral multipliers to calculate the direct, indirect and induced GVA and indirect and induced employment estimates by QFC sector.

Direct employment was calculated based on employment data for available companies from QFCA.

1	Transcription of financial statements
2	Collation of financial inputs by company
3	Aggregation of financial inputs by QFC sector
4	Development of local cost assumptions
5	Consolidation of financial inputs and local costs by sector
6	Economic modelling using consolidated sector estimates

7

Concluding Marks



7.1 Summary of economic impacts

QFC contributed USD 1.89 billion to Qatar's GDP and supported 12,443 full time equivalent jobs in Qatar in 2018

GVA impact

In total, QFC contributed USD 2.77 billion to Qatar's GVA in 2020. This was segmented between direct impacts of USD 1.50 billion, indirect impacts of USD 1.03 billion and induced impacts of USD 0.23 billion. Compared to 2018, QFC's GVA impact has increased by 47% (unadjusted for inflation).

The GVA impacts show the contribution QFC made to Qatar's GDP in 2020 through the activity it directly created within QFC (i.e., the benefits accruing to QFC entities, companies and their employees) as well as the activity it created in the wider economy (i.e., the benefits to QFC's local suppliers and the companies on which employees spent a portion of their incremental wages and salaries to purchase goods and services).



\$2.77b
GVA impact

Employment impact

In summary, QFC supported 15,574 jobs in Qatar through direct, indirect and indirect induced impacts. This included 4,421 direct employees (QFC's workforce across entities and companies in 2020), a further 8,916 employees supported through indirect impacts and 2,237 employees supported via induced impacts. Compared to 2018, QFC's employment impact has increased by almost 25%.

The employment impacts demonstrate the significant contribution QFC makes to creating and supporting employment in the Qatar economy. The jobs created are primarily in the finance and business services sector, but the jobs supported cover a range of sectors, such as transport, retail, utilities and real estate.



15,574
Jobs

7.2 QFC contribution to Qatar GDP

QFC contributed 2.7% of Qatar's non-oil GDP and directly created 6.6% of the Qatar finance and business services sector's GDP

Contribution to total GDP and non-oil GDP

In 2020, QFC contributed 1.9% to Qatar's total GDP, meaning that 1.9% of Qatar's total economic activity in 2020 was either created or supported by QFC's activities. Looking at non-oil GDP only, this contribution rises to 2.7%, demonstrating QFC's role in helping to diversify the Qatari economy.



2.7%

Contribution to Qatar's non-oil GDP

Direct contribution to finance and business services sector

Eleven QFC sectors can be considered part of the finance and business services sector: Insurance, Insurance Administration, Insurance Intermediary, Investment Bank, Investment Services, Corporate Bank, Management Office, Holding Company, Consultancy Services, Legal Services and Other Professional Services. The total GVA contribution of these sectors was USD 1.32 billion, or 6.6% of the total Qatar finance and business services sector's GDP of USD 19.95 billion.



1.9%

Contribution to Qatar's total GDP

The total contribution includes impacts on sectors other than the directly impacted sectors. As such, the total contributions have been benchmarked to total non-oil GDP and total GDP, as they include impacts on sectors such as transport, retail and utilities, reflecting the spending of QFC companies on local suppliers and the spending of direct and indirect employees on goods and services in the Qatari economy (such as on malls, restaurants, cinemas etc.).



6.6%

Direct contribution to finance and business services GDP

7.3 QFC sector value added to revenue ratios

The Legal Services, Consultancy Services and Insurance sectors have the highest value added to revenue ratios

To assess which QFC sectors create relatively most economic value, a value added to revenue ratio has been developed. The metric divides each sector's total GVA impact by its revenues to obtain a ratio that can help understand to what extent the sector's impact is related to its size. Only sectors that recorded at least USD 50 million of revenues in 2018 have been included to ensure the comparison is not skewed by very small sectors.

As Table 7 sets out, the Other Professional Services sector has the highest value added to revenue ratio, whereas the Investment Bank sector has the lowest (negative value added).

Key takeaways

The value added to revenue ratio helps identify the sectors that generate the highest value added relative to their revenues. The three largest sectors by GVA contribution (Holding Company, Management Office and Consultancy Services) do not feature in the top three sectors by value added to revenue, suggesting that their GVA contributions are partly because of the size of the companies in their sectors.

The Digital sector – which as noted is one of QFC's key target sectors – has a healthy value added to revenue ratio, whilst also generating substantial revenues. This shows the sector has potential to be a large contributor to GVA.

The Investment Bank's negative ratio reflects its poor financial performance in 2018.

Table 7: QFC sectors value added to revenue ratios (minimum revenues of USD 50m)

QFC sector	Revenues in 2020 (USDm)	Total GVA in 2018 (USDm)	Value added to revenue ratio
Legal Services	71	76	1.07
Consultancy Services	329	340	1.03
Insurance	89	91	1.02
Digital	124	122	0.98
Corporate Bank	241	209	0.87
Management Office	244	210	0.86
Investment Services	744	605	0.81
Holding Company	1,196	869	0.73

7.4 QFC company impact concentration

QFC's economic impact is concentrated into a small number of companies – attracting these types of companies may enhance the impact, but also further increase the concentration of the impact

QFC's economic impact is driven by a small number of companies. In total, QFC companies produced a GVA impact of USD 2.66 billion in 2020. Out of this, the direct impact was USD 1.44 billion. However, USD 1.15 billion of the direct GVA contribution – equating to c.80% of the direct GVA contribution – came from just 20 companies.

Interestingly, only 7 of the top 20 companies in terms of direct GVA impact in 2020 were amongst the top 20 companies in 2018, showing that the composition of the 20 companies has changed over time.

Key takeaways

The concentration of the impact amongst a small group of companies demonstrates that QFC's economic impact is highly dependent on a group of very large and profitable companies.

From an economic impact measurement angle, it is therefore vital for these companies to be included in the analysis, in order to present the most comprehensive view of QFC's economic impact.

However, there is also a more strategic takeaway for QFC to consider here. The top 20 companies can enhance QFC's economic footprint by dint of their size, but simultaneously increase the level of concentration into a small group of companies. Integrating more small companies into QFC may not increase the impact as highly, but it may make the impact less concentrated.

GVA impact concentration in 2020

80%

Top 20 QFC firms direct GVA impact as a percentage of the total direct GVA impact

Appendix

A. Input/Output model assumptions

IO model – key assumptions and limitations

The IO model is based on a number of assumptions about an economy. Some of the key assumptions are set out below:

1. No supply side constraints are assumed;
2. Prices are assumed to be fixed;
3. Each sector has a fixed supplier profile;
4. Breakdown of economy by activity is assumed fixed;
5. No budget constraints are assumed;
6. Average rather than marginal changes are measured;
7. No allowance is made for technological change, behavioral changes and migration;
8. Population dynamics, growth and productivity effects are not covered by the model; and
9. Each company's suppliers are assumed to have the same linkages with other sectors as the national economy.

Other economic impact models, particularly Computable General Equilibrium (CGE) models, use fewer assumptions, but require more granular data for the results to be meaningful.

The direct GVA impact calculation (GOS plus COE) is a standard approach used by most national statistics agencies. The assumptions above limit the second round effects (indirect and induced impacts) but this is also a standard approach used in IO analysis.

B. Multipliers

Use of Kuwait IO table

This report has used Kuwait's 2010 IO table as this is publicly available; the IO table has not been amended (as only an IO table built bottom-up can robustly reflect all of the subtle differences within an economy).

Whilst it is possible to adjust the IO table based on approaches in the academic literature, the incremental value of such adjustments is small given the broad structure of the Kuwait and Qatar economies is largely similar. Whilst there are differences in consumption patterns, technology and tax regimes between the two countries (for example, Kuwait has a tax on the oil and gas sector, which is likely to have a negative impact on sector linkages), it is difficult to reflect all of these within the context of the IO framework without building the IO table for a country bottom-up.

Two key adjustments have been made to the Kuwait IO table:

- I. An estimate of the percentage of goods locally produced in Qatar has been used to ensure the multiplier effect captures only local supply chain activity and
- II. Qatar GVA/Output ratios have been used to estimate Qatar's GVA multipliers (the GVA/Output ratio shows the GVA produced per unit of Output in a sector and is used to estimate GVA multipliers from Output multipliers).

Application of multipliers

For both QFC companies and QFC entities, costs were first mapped to an economic sector. The associated sector multipliers for the national economy were then applied to estimate indirect and induced impacts. The key underlying assumption used in the application of multipliers, is that the supplier linkages for QFC companies and entities is consistent with the linkages at a national level.

C. Summary of transcriptions

The income statements and balance sheets of the 277 QFC companies included in this study were transcribed from hard copy or portable document format (PDF) into Microsoft Excel. Some companies did not have audited financial statements, and compliance to accounting standards has not been checked for these statements. A system of checks was put in place to ensure that profitability and balance sheet items in the transcribed statements reconciled with the source documents. Any statements reported in currencies other than USD were converted into USD using publicly available exchange rates from xe.com. This was done to ensure comparability and aggregation with other companies.

Below is a summary of transcribed statements by QFC sector.

QFC sector	No. of transcribed statements
Consultancy Services	97
Corporate Bank	15
Digital	40
Holding Company	21
Insurance	11
Insurance Administration	1
Insurance Intermediary	7
Investment Bank	2
Investment Services	11
Legal Services	23
Management Office	26
Media	9
CLG	17
Other Professional Services	34
Sports	4
Total	318



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