

Structural Transformation and Economic Resilience: A High-Dimensional Econometric Assessment of Qatar's Post-2022 Diversification Trajectory

Rodrigo Bochner

RBCH, Researcher, Rio de Janeiro, Brazil

rodrigobochner0565@gmail.com

ABSTRACT

This study provides a comprehensive econometric assessment of Qatar's economic diversification trajectory following the 2022 FIFA World Cup, employing dynamic factor models and structural break analysis to evaluate sectoral transformation and resilience. Using quarterly data from 2017–2024, we test three formally derived hypotheses concerning structural breaks in economic composition, sectoral resilience to external shocks, and the effectiveness of diversification policies. Our findings reveal a statistically significant structural break in Q4 2022, with non-hydrocarbon sector growth accelerating while exhibiting lower volatility relative to hydrocarbon sectors, consistent with the hypothesis of a sustained legacy effect rather than a purely transitory construction boom. Tourism, financial services, and logistics demonstrate the strongest resilience to external shocks, while construction exhibits persistent fiscal-cycle vulnerability. The estimated diversification elasticity suggests moderate but incomplete progress toward reducing oil-revenue dependence. Policy simulations indicate that current trajectories may approach, yet require acceleration to comfortably achieve, Qatar National Vision 2030 targets. Findings contribute to the broader literature on mega-event legacies and structural transformation in resource-rich economies.

Keywords: *Economic diversification, structural transformation, high-dimensional econometrics, resource curse, Qatar economy.*

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1. INTRODUCTION:

The resource curse paradox, whereby natural resource abundance correlates negatively with economic growth and institutional quality, remains one of the most persistent challenges in development economics (Sachs and Warner, 2001; Ross, 2012). For Gulf Cooperation Council (GCC) states, hydrocarbon dependency creates structural vulnerabilities manifested through revenue volatility, limited employment opportunities for nationals, and constrained productive capacity in non-resource sectors (Hvidt, 2013; Malik and Awadallah, 2013). Qatar, despite possessing the world's third-largest natural gas reserves and achieving the highest GDP per capita globally in recent decades, confronts these fundamental diversification imperatives with renewed urgency in the post-2022 World Cup era.

The 2022 FIFA World Cup represented not merely a sporting mega-event but a strategic catalyst intended to accelerate structural transformation aligned with Qatar National Vision 2030 (QNV 2030). This vision articulates ambitious targets: reducing hydrocarbon contribution to GDP below 45%, expanding non-oil exports to 20% of total exports, and establishing knowledge-intensive service sectors as primary growth engines (National Planning Council, 2023). However, empirical assessment of progress toward these objectives remains limited, with existing studies predominantly employing descriptive statistics or simple growth accounting frameworks that inadequately capture the multidimensional nature of structural transformation.

This paper addresses three fundamental research questions: First, has Qatar experienced statistically significant structural transformation in its economic composition since 2022? Second, how resilient are emerging non-hydrocarbon sectors to external shocks? Third, what econometric evidence exists regarding the effectiveness of diversification policies relative to QNV 2030 targets?

1.1 Formal Research Hypotheses

Drawing directly from the theoretical mechanisms outlined in Section 2, specifically the resource curse transmission channels, the mega-event legacy framework, and the role of institutional quality in mediating diversification outcomes, we derive three testable hypotheses:

H1 (Structural Break Hypothesis): Consistent with the mega-event legacy literature (Preuss, 2007; Rose and Spiegel, 2011) and the enabling-infrastructure mechanism proposed in Section 2.2, the 2022 World Cup generated a statistically significant structural break in Qatar's non-hydrocarbon GDP growth, sustained beyond the construction phase. Formally, we test H_0 : no break at 2022Q4 against H_1 : structural break with regime shift in mean growth and variance.

H2 (Resilience Differentiation Hypothesis): Drawing from the complexity literature (Hausmann et al., 2014) and the institutional quality mechanism (Mehlum et al., 2006), sectors with higher human-capital intensity and lower direct hydrocarbon linkage will exhibit greater shock-absorption capacity. Formally, the interaction coefficient between shock magnitude and sector-level human capital intensity is expected to be positive and statistically significant.

H3 (Policy Effectiveness Hypothesis): Following the investment-diversification channel in our conceptual framework (Section 3.1) and the empirical evidence on industrial policy (Cherif and Hasanov, 2019), public investment in non-hydrocarbon sectors and institutional quality

improvements generate statistically and economically significant increases in the non-hydrocarbon dependence ratio, net of energy price movements and global demand conditions.

Our contribution is threefold. Methodologically, we develop a parsimonious high-dimensional econometric framework, centered on dynamic factor analysis, structural break detection, and time-varying parameter estimation, to capture the multifaceted nature of economic diversification while maintaining transparency in identification. Theoretically, we formalize the transmission mechanism through which mega-event infrastructure investment, institutional development, and global connectivity catalyze structural change, deriving testable predictions that are directly embedded in the empirical specifications. Empirically, we provide a rigorous assessment of Qatar's post-2022 diversification trajectory using comprehensive data, while carefully distinguishing World Cup-attributable effects from concurrent confounders including post-COVID recovery, the 2022 energy price surge, and LNG capacity expansion.

The paper proceeds as follows. Section 2 reviews the theoretical and empirical literature. Section 3 develops our econometric methodology and identification strategy. Section 4 describes data sources and variable construction. Section 5 presents empirical results. Section 6 discusses policy implications and scenario projections. Section 7 concludes.

2. LITERATURE REVIEW

2.1 Theoretical Foundations of Economic Diversification

The theoretical literature on economic diversification in resource-rich economies has evolved through three distinct phases. Classical development economics, exemplified by Hirschman (1958) and Chenery (1960), emphasized backward and forward linkages from resource extraction to manufacturing as natural diversification pathways. This optimistic view assumed resource revenues would finance industrialization through import substitution strategies. However, empirical failures of such approaches, particularly in Latin America and Africa, prompted reconsideration.

The resource curse literature, initiated by Sachs and Warner (1995, 2001), identified systematic negative correlations between resource abundance and growth. Proposed mechanisms include Dutch disease effects (Corden and Neary, 1982), whereby resource booms appreciate real exchange rates and erode manufacturing competitiveness; rent-seeking behavior that diverts entrepreneurial talent from productive activities (Tornell and Lane, 1999); and institutional degradation as resource revenues reduce accountability pressures (Ross, 2001). Gylfason (2001) demonstrated that resource-abundant countries exhibit lower human capital investment, while Papyrakis and Gerlagh (2004) showed resource dependence negatively affects growth through corruption, investment, and education channels.

Contemporary theoretical work has nuanced these perspectives, recognizing heterogeneity in resource curse manifestations. Mehlum et al. (2006) demonstrated that institutional quality mediates resource curse effects, with producer-friendly institutions converting resource wealth into development opportunities. Robinson et al. (2006) developed a political economy model where resource booms differentially affect growth depending on initial institutional quality. Recent work emphasizes the role of economic complexity, the knowledge embedded in productive structures, as a mediating factor, with high-complexity economies better positioned to leverage resource wealth (Hausmann et al., 2014; Hidalgo and Hausmann, 2009).

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For GCC economies specifically, theoretical models must incorporate unique structural features: small populations with large expatriate majorities, absence of taxation, extensive welfare states, and state capitalism models where governments dominate economic activity (Beblawi and Luciani, 1987). Gray (2011) developed a framework for analyzing rentier state diversification, identifying credibility gaps between announced policies and implementation as fundamental challenges. Hertog (2010) emphasized segmented business communities and limited private sector dynamism as structural constraints.

2.2 Empirical Evidence on Diversification Strategies

The empirical literature provides mixed evidence on diversification success in resource-rich economies. Gelb et al. (2014) examined 33 resource exporters from 1995–2010, finding limited progress in economic diversification despite widespread policy commitments. They attribute failures to insufficient attention to business climate, infrastructure quality, and human capital development. Cherif and Hasanov (2019) analyzed export diversification in 196 countries over 50 years, concluding that successful diversification requires sophisticated industrial policy beyond macroeconomic stability and openness.

GCC-specific studies have documented diversification attempts with varying assessments. Hvidt (2013) examined Dubai's transformation into a service hub, highlighting tourism, trade, and financial services growth but questioning sustainability given competitive pressures and limited technological capabilities. Tok et al. (2016) analyzed Qatar's knowledge economy initiatives, finding substantial investment in education and research infrastructure but limited commercialization outcomes and private sector engagement.

Recent econometric studies have employed more sophisticated methodologies. Alsweilem (2015) used panel data techniques to analyze Saudi Arabia's diversification efforts, finding that despite decades of policy emphasis, hydrocarbon dependence persists with limited structural transformation. Shaikh et al. (2022) used vector error correction models to examine long-run relationships between oil revenues and non-oil GDP across GCC states, finding limited decoupling except in UAE and Bahrain.

The literature on mega-events and structural transformation remains nascent. Preuss (2007) developed a theoretical framework for mega-event legacy effects, distinguishing between hard infrastructure, soft infrastructure (knowledge and networks), and image impacts. Empirical evidence from Sydney (2000), Beijing (2008), and London (2012) suggests positive but modest long-term effects, primarily through tourism and urban regeneration (Müller, 2015). For developing economies, Rose and Spiegel (2011) found that hosting announcements signal economic openness and increase trade, though actual hosting generates minimal additional effects. No rigorous econometric study has yet examined the 2022 World Cup's impact on Qatar's structural transformation, a gap this paper addresses. Critically, however, 2022 coincides with a confluence of confounding factors, post-COVID demand recovery, a historic energy price surge, and LNG capacity expansion that must be explicitly controlled for before attributing observed structural shifts to the tournament.

2.3 High-Dimensional Econometric Methods in Macroeconomic Analysis

Recent advances in high-dimensional econometrics enable richer characterization of complex economic systems. Dynamic factor models (DFMs), pioneered by Geweke (1977) and Sargent and Sims (1977), extract common components from large datasets, with applications to business cycle analysis (Stock and Watson, 2002), inflation forecasting (Giannone et al., 2008), and financial market dynamics (Ludvigson and Ng, 2007). These methods assume observed variables reflect underlying latent factors plus idiosyncratic components:

$$X_t = \Lambda F_t + \epsilon_t$$

where X_t is an $N \times 1$ vector of observables, F_t is a $K \times 1$ vector of common factors ($K \ll N$), Λ is the factor loading matrix, and ϵ_t represents idiosyncratic shocks.

For structural change analysis, Bai and Perron (1998, 2003) developed tests for multiple structural breaks, allowing endogenous break-point estimation. Recent extensions incorporate high-dimensional settings (Baltagi et al., 2017). Time-varying parameter (TVP) models, estimated via Bayesian methods, capture smooth structural evolution (Primiceri, 2005; Cogley and Sargent, 2005).

Resilience measurement has employed various approaches. Fingleton et al. (2012) defined resilience as resistance to shocks and recovery speed, estimating these components through impulse response functions. Martin et al. (2016) developed multi-dimensional resilience indices for regional economies. We extend these methodologies to Qatar's diversification context through our integrated framework, as detailed in Section 3.

3. METHODOLOGY

3.1 Conceptual Framework and Identification Strategy

We conceptualize economic diversification as a multidimensional process encompassing structural transformation (sectoral composition changes), complexity enhancement (knowledge intensity increases), and resilience building (shock absorption capacity). Our core identification challenge is to separate World Cup-attributable structural change from three major concurrent shocks: (i) global post-COVID demand recovery (2021–2022), (ii) the 2022 energy price surge, and (iii) Qatar's LNG capacity expansion. We address this challenge through three complementary strategies:

1. **Structural break dating:** if breaks are specific to Q4 2022, rather than distributed across 2021–2023 as one would expect from purely energy-price or COVID effects, this provides evidence of a tournament-specific mechanism.
2. **Difference-in-differences:** using UAE as a comparator economy exposed to the same regional shocks but not hosting the World Cup, we isolate tournament-attributable growth.
3. **IV estimation:** instrumenting investment in non-hydrocarbon sectors with lagged oil revenues (fiscal capacity) and regional policy initiatives (peer effects), we address endogeneity in the policy effectiveness equation.

Formally, let the economy consist of S sectors, with output in sector s at time t given by:

$$Y_{st} = A_{st} K_{st}^{\alpha} L_{st}^{1-\alpha}$$

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where A_{st} represents total factor productivity, K_{st} is capital, and L_{st} is labor. Aggregate output is $Y_t = \sum_{s=1}^S Y_{st}$.

The **Non-Hydrocarbon Dependence Ratio (NHDR)** is:

$$NHDR_t = \frac{Y_t^{NH}}{Y_t}$$

with the QNV 2030 target $NHDR_{2030} \geq 0.55$.

The **Diversification Index**, adapted from the standard Herfindahl concentration measure, as widely used in the diversification literature (Hvidt, 2013), is:

$$DI_t = 1 - \sum_{s=1}^S \left(\frac{Y_{st}}{Y_t} \right)^2$$

This index is not an original construction; it is a standard Herfindahl-based measure applied to Qatar's eight-sector output data. We extend it through a quality-adjusted variant DI_t^* , which incorporates sector-level weights for productivity growth, wage quality, export intensity, and output volatility:

$$DI_t^* = \sum_{s=1}^S w_s \frac{Y_{st}}{Y_t}$$

$$w_s = \gamma_1 \frac{\Delta A_s}{\bar{A}} + \gamma_2 \frac{W_s}{\bar{W}} + \gamma_3 \frac{X_s}{Y_s} - \gamma_4 \sigma_s$$

The weights w_s are estimated from the data using the factor loadings in Section 5.1, making DI_t^* the authors' primary original contribution to measurement.

Our **methodological core** consists of three techniques, (1) dynamic factor analysis, (2) Bai-Perron structural break tests, and (3) TVP-VAR estimation, directly mapped to H1, H2, and H3. Two additional approaches, IV estimation and difference-in-differences, serve identification. CGE-based policy simulations in Section 6.3 are presented as illustrative projections rather than structural estimates, given the sample-size limitations acknowledged in Section 7.1.

3.2 Dynamic Factor Model Specification

Given N economic indicators observed quarterly from $t=1, \dots, T$, we estimate a dynamic factor model:

$$X_t = \Lambda(L)F_t + \Psi(L)\epsilon_t$$

where F_t follows a VAR(p) process:

$$F_t = \Phi_1 F_{t-1} + \dots + \Phi_p F_{t-p} + u_t, \quad u_t \sim N(0, Q)$$

Idiosyncratic components follow AR(q) processes:

$$\epsilon_{it} = \rho_{i1}\epsilon_{i,t-1} + \dots + \rho_{iq}\epsilon_{i,t-q} + v_{it}, \quad v_{it} \sim N(0, \sigma_i^2)$$

Estimation proceeds via principal component analysis. The number of factors K is determined by the BIC-type criterion of Bai and Ng (2002):

$$IC_2(K) = \ln \left(V(K, \hat{F}^K) \right) + K \left(\frac{N+T}{NT} \right) \ln \left(\frac{NT}{N+T} \right)$$

All series are tested for stationarity using the Im–Pesaran–Shin panel unit root test prior to estimation. Non-stationary levels are converted to log-differenced growth rates before PCA is applied, ensuring stationarity consistency across the panel.

3.3 Structural Break Detection

To test H1 directly, we implement the Bai-Perron methodology for multiple breaks on non-hydrocarbon GDP growth and sectoral output shares. Consider the regression:

$$y_t = x_t' \beta + z_t' \delta_j + u_t, \quad t = T_{j-1} + 1, \dots, T_j$$

for $j=1, \dots, m+1$ regimes. Break dates $T_1, \dots, T_m$ are estimated by minimizing the sum of squared residuals. We test the null hypothesis of no structural breaks against alternatives of $k=1, \dots, K$ breaks using the sup-F statistic, with minimum segment length $h=0.15T$.

Two potential confounding breaks are explicitly incorporated into the specification: 2020Q1 (COVID-19 onset, proxied by the stringency index) and 2022Q2 (energy price peak, proxied by Brent crude). A break specifically at 2022Q4, net of these controls, is required to support H1.

We apply structural break tests to: (1) non-hydrocarbon GDP growth; (2) sectoral GDP shares; (3) export composition; (4) employment by sector; and (5) foreign direct investment flows.

3.4 Time-Varying Parameter Model

To capture smooth structural evolution and test H2, we estimate a TVP-VAR:

$$y_t = B_t x_t + \epsilon_t, \quad \epsilon_t \sim N(0, H_t)$$

where y_t contains key macro variables (non-oil GDP, oil GDP, inflation, interest rate), and coefficients evolve as random walks:

$$B_t = B_{t-1} + \eta_t, \quad \eta_t \sim N(0, Q)$$

Stochastic volatility in error terms:

$$\ln \sigma_{it}^2 = \ln \sigma_{i,t-1}^2 + \xi_{it}, \quad \xi_{it} \sim N(0, \omega_i^2)$$

Estimation uses Bayesian methods with MCMC sampling (20,000 iterations, 10,000 burn-in). Given our limited sample ($T=32$), we adopt informative priors scaled from pre-sample OLS estimates to regularize time-varying coefficients and mitigate overfitting:

$$B_0 \sim N(\hat{B}_{OLS}, 4 \times V(\hat{B}_{OLS})), \quad Q \sim IW(Q, T_0), \quad \omega_i^2 \sim IG(2, 0.01)$$

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The tightness of priors on Q is varied in robustness checks to assess sensitivity to prior specification.

3.5 Resilience Estimation

We measure sectoral resilience to shocks (testing H2) through panel regression:

$$\Delta y_{st} = \alpha_s + \beta_1 Shock_t + \beta_2 (Shock_t \times HumanCap_s) + \gamma X_{st} + \epsilon_{st}$$

where Δy_{st} is sector s growth, $Shock_t$ captures exogenous disturbances (oil price changes, global demand shifts, geopolitical events), and $HumanCap_s$ is sector-level human capital intensity (proxied by average wages). Controls X_{st} include investment rates, labor force changes, and credit growth. A positive and significant β_2 supports H2.

Resilience coefficients from TVP-VAR generalized impulse responses (GIR) are computed as:

$$\rho_s(h) = \frac{GIR_s(h)}{GIR_s(1)}$$

A resilient sector exhibits $\rho_s(h) \rightarrow 0$ rapidly as h increases.

3.6 Policy Effectiveness and IV Estimation

To test H3, we estimate the following reduced-form equation via instrumental variables (2SLS):

$$\Delta NHDR_t = \alpha + \beta_1 \Delta Invest_t + \beta_2 \Delta HumanCap_t + \beta_3 \Delta Institutions_t + \gamma Controls_t + \epsilon_t$$

where *Invest* captures public investment in non-hydrocarbon sectors, *HumanCap* proxies human capital, and *Institutions* reflects governance reforms. Controls include lagged oil prices and global GDP growth. Instruments are lagged oil revenues (fiscal capacity, $t-2$ and $t-3$) and regional diversification policy initiatives; first-stage F-statistics exceeding 15 confirm instrument relevance. Hansen J-statistics assess validity.

Counterfactual analysis uses synthetic control methods (Abadie et al., 2010), constructing a synthetic Qatar from weighted combinations of comparator countries (UAE, Kuwait, Bahrain, Brunei, Norway) to isolate policy-attributable diversification beyond regional trends.

3.7 Policy Simulation Framework

To evaluate trajectories toward QNV 2030 targets, we develop a CGE-econometric hybrid model combining sectoral interdependencies with TVP-VAR projections. Given the small sample, these simulations should be interpreted as illustrative scenario analyses rather than structural forecasts; confidence intervals are reported throughout to convey parameter uncertainty.

Four scenarios are compared: (1) Baseline (current policies); (2) Acceleration (+20% non-hydrocarbon investment annually); (3) Innovation (+1% annual TFP growth); (4) Combined (acceleration plus innovation).

4. DATA

4.1 Data Sources and Coverage

Our analysis employs quarterly data spanning Q1 2017 to Q4 2024 (32 observations). Primary data come from Qatar’s **National Planning Council** (NPC), including National Accounts at constant 2013 prices, Labor Force Surveys, and External Trade Statistics. Financial data derive from Qatar Central Bank (QCB) quarterly bulletins. International sources include IMF International Financial Statistics (IMF IFS), World Bank Global Economic Monitor (World Bank GEM), and OECD Tourism Statistics. Energy market data come from the U.S. Energy Information Administration (EIA) and BP Statistical Review. For 2024, we use NPC preliminary estimates; this limitation is assessed through robustness checks excluding 2024 data (Section 5.6).

A COVID-19 stringency index (Oxford COVID-19 Government Response Tracker) is included to control for pandemic-related disruptions, a critical consideration given that the 2020–2022 period otherwise conflates pandemic, recovery, energy price, and pre-tournament dynamics.

4.2 Variable Construction and Source Crosswalk

Our dataset contains 47 variables organized into eight categories. **Table 1** provides the complete crosswalk documenting each variable, its primary source, and the transformation applied before estimation. All nominal variables are deflated using the all-items CPI. Growth rates are computed as log-differences ($\Delta \ln X_t \times 100$). Stationarity of all series is confirmed via Im–Pesaran–Shin panel unit root tests prior to PCA. Missing observations (< 3% of data points) are interpolated using cubic splines.

Table 1: Variable–Source Crosswalk (47 Indicators, 2017Q1–2024Q4)

#	Variable	Category	Primary Source	Transformation
1	Real GDP, total	Aggregate Output	NPC National Accounts	Log-diff $\times$ 100
2	Real GDP, hydrocarbon	Aggregate Output	NPC National Accounts	Log-diff $\times$ 100
3	Real GDP, non-hydrocarbon	Aggregate Output	NPC National Accounts	Log-diff $\times$ 100
4	GDP growth rate, total	Aggregate Output	NPC (derived)	Year-on-year % change
5	GDP growth rate, non-hydrocarbon	Aggregate Output	NPC (derived)	Year-on-year % change
6	Mining and quarrying (oil and gas)	Sectoral Composition	NPC National Accounts	Log-diff $\times$ 100
7	Manufacturing	Sectoral Composition	NPC National Accounts	Log-diff $\times$ 100
8	Electricity, gas, water and waste	Sectoral Composition	NPC National Accounts	Log-diff $\times$ 100

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#	Variable	Category	Primary Source		Transformation
9	Construction	Sectoral Composition	NPC	National Accounts	Log-diff $\times$ 100
10	Wholesale and retail trade	Sectoral Composition	NPC	National Accounts	Log-diff $\times$ 100
11	Transportation and storage	Sectoral Composition	NPC	National Accounts	Log-diff $\times$ 100
12	Accommodation and food services	Sectoral Composition	NPC	National Accounts	Log-diff $\times$ 100
13	Financial and insurance activities	Sectoral Composition	NPC	National Accounts	Log-diff $\times$ 100
14	Merchandise exports, total	External Sector	NPC	External Trade Statistics	Log-diff $\times$ 100
15	Merchandise exports, hydrocarbon	External Sector	NPC	External Trade Statistics	Log-diff $\times$ 100
16	Merchandise exports, non-hydrocarbon	External Sector	NPC	External Trade Statistics	Log-diff $\times$ 100
17	Merchandise imports	External Sector	NPC	External Trade Statistics	Log-diff $\times$ 100
18	Trade balance	External Sector	NPC	External Trade Statistics	Level (% of GDP)
19	Tourism receipts	External Sector	OECD	Tourism Statistics / NPC	Log-diff $\times$ 100
20	Current account balance	External Sector	QCB / IMF	IFS	Level (% of GDP)
21	Total employment	Labor Market	NPC	Labor Force Survey	Log-diff $\times$ 100
22	Employment, Qatari nationals	Labor Market	NPC	Labor Force Survey	Log-diff $\times$ 100
23	Employment, non-Qatari	Labor Market	NPC	Labor Force Survey	Log-diff $\times$ 100
24	Unemployment rate	Labor Market	NPC	Labor Force Survey	Level (%)
25	Labor productivity (GDP per employed)	Labor Market	NPC	(derived: GDP/employment)	Log-diff $\times$ 100

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#	Variable	Category	Primary Source	Transformation
26	Wages and salaries (total compensation)	Labor Market	NPC	Log-diff $\times$ 100
27	CPI, all items	Prices and Monetary	QCB / IMF IFS	Year-on-year % change
28	Core inflation	Prices and Monetary	QCB	Year-on-year % change
29	Policy interest rate	Prices and Monetary	QCB	Level (%)
30	Money supply, M2	Prices and Monetary	QCB	Log-diff $\times$ 100
31	Credit to private sector	Prices and Monetary	QCB	Log-diff $\times$ 100
32	Government revenue	Fiscal Variables	NPC / QCB	Log-diff $\times$ 100
33	Government expenditure	Fiscal Variables	NPC / QCB	Log-diff $\times$ 100
34	Budget balance	Fiscal Variables	NPC / QCB	Level (% of GDP)
35	Hydrocarbon revenue share	Fiscal Variables	NPC / QCB (derived)	Level (%)
36	Gross fixed capital formation	Investment	NPC	Log-diff $\times$ 100
37	FDI inflows	Investment	QCB / IMF IFS	Log-diff $\times$ 100
38	Investment, construction sector	Investment	NPC	Log-diff $\times$ 100
39	Investment, manufacturing sector	Investment	NPC	Log-diff $\times$ 100
40	Investment, services sector	Investment	NPC	Log-diff $\times$ 100
41	Investment, other sectors	Investment	NPC	Log-diff $\times$ 100
42	Brent crude oil price	Exogenous	EIA	Log-diff $\times$ 100
43	Natural gas price, LNG Japan	Exogenous	World Bank GEM	Log-diff $\times$ 100

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#	Variable	Category	Primary Source	Transformation
44	Global GDP growth (G7)	Exogenous	IMF IFS / World Bank GEM	Year-on-year % change
45	GCC aggregate GDP	Exogenous	IMF IFS	Log-diff $\times 100$
46	Geopolitical risk index	Exogenous	Caldara & Iacoviello (2022)	Level (index)
47	COVID-19 stringency index	Exogenous	Oxford COVID-19 Gov. Response Tracker	Level (0–100); 2020Q1–2022Q2 only

Note: NPC = National Planning Council of Qatar; QCB = Qatar Central Bank; EIA = U.S. Energy Information Administration; IMF IFS = IMF International Financial Statistics; World Bank GEM = World Bank Global Economic Monitor. All nominal variables (variables 1–3, 14–19, 26, 30–34, 36–41) deflated using the all-items CPI (variable 27). Log-diff transformations computed as $\Delta \ln X_t \times 100$, interpreted as approximate quarterly year-on-year percentage changes. Stationarity confirmed via Im–Pesaran–Shin panel unit root test for all log-differenced series. Missing values (<3% of observations) interpolated using cubic splines.

4.3 Key Variable Definitions and Provenance

Diversification Index (DI): Standard Herfindahl-based concentration measure applied to eight NPC sectoral output series. *This is an adapted measure, not an original construction.*

Quality-Adjusted Diversification Index (DI*): Extension of the Herfindahl index incorporating estimated sector-level desirability weights derived from our factor model. *This weighting scheme constitutes the authors' original contribution to measurement.*

Non-Hydrocarbon Dependence Ratio (NHDR): Ratio of non-hydrocarbon to total GDP from NPC national accounts. *Compiled directly from NPC; not author-constructed.*

Export Diversification Index (EDI): Standard Herfindahl-based index computed from 15 commodity export groups from NPC trade statistics. *Adapted from the literature; not an original construction.*

Sectoral Volatility (σ): Standard deviation of quarterly year-on-year sectoral growth rates, computed by the authors from NPC data.

Geopolitical Risk Index: Obtained directly from Caldara and Iacoviello (2022). *Compiled, not constructed.*

4.4 Descriptive Statistics

Table 2 presents summary statistics for key variables. Average annual real GDP growth was approximately 2.8% over 2017–2024, with non-hydrocarbon sectors outpacing hydrocarbon sectors. Non-hydrocarbon GDP share increased from 48.2% (2017) to 52.1% (2024), suggesting

modest diversification progress. However, the simple trend masks significant sub-period heterogeneity, detailed in the structural break analysis (Section 5.2).

Table 2: Descriptive Statistics of Key Variables (2017Q1–2024Q4)

Variable	Mean	Std. Dev.	Min	Max
Real GDP Growth (%)	2.84	4.72	−8.31	9.42
Non-Hydrocarbon GDP Growth (%)	3.91	4.18	−6.12	11.24
Hydrocarbon GDP Growth (%)	1.43	7.84	−15.22	14.35
Non-HC Share of GDP (%)	50.12	2.14	48.20	52.10
Diversification Index (DI)	0.64	0.03	0.61	0.67
Export Diversification Index	0.28	0.02	0.26	0.31
HC Exports/Total Exports (%)	81.05	1.86	79.70	84.10
Construction Growth (%)	5.23	14.12	−28.45	32.17
Financial Services Growth (%)	4.61	3.21	−1.82	10.34
Tourism Growth (%)	3.74	18.92	−42.31	38.65
Manufacturing Growth (%)	2.47	2.83	−2.14	7.21
Employment Growth (%)	2.18	3.94	−4.72	8.31
Labor Productivity Growth (%)	1.87	3.12	−3.45	6.89
Brent Oil Price (\$/barrel)	68.42	18.73	19.33	123.70
Current Account/GDP (%)	8.21	4.32	−1.24	16.78

Note: Growth rates are quarterly year-on-year percentage changes. Sample period: 32 observations (2017Q1–2024Q4). Sources: NPC, QCB, EIA. For complete variable definitions and transformations, see Table 1.

Sectoral growth exhibits high variance. Construction averaged 5.2% growth but with a standard deviation of 14.1%, reflecting boom-bust dynamics around World Cup preparations. Financial services grew steadily at 4.6% ($\sigma = 3.2\%$), demonstrating relative stability. Tourism-related sectors contracted sharply during COVID-19 (2020–2021) but rebounded strongly post-2022. External sector indicators reveal persistent concentration, with hydrocarbon exports declining only marginally as a share of total exports. Labor market data indicate limited structural transformation in employment composition, with Qatari nationals concentrated in government and public enterprises. Labor productivity growth averaged approximately 1.9% annually, below regional peers.

5. EMPIRICAL RESULTS

5.1 Factor Analysis

Principal component analysis, applied to the stationarity-transformed 47-variable dataset, identifies four common factors explaining 78.3% of total variance. The scree analysis and the Bai-Ng IC_2 criterion both select $K=4$ factors.

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Table 3: Factor Loadings from Principal Component Analysis

Variable Category	Factor 1	Factor 2	Factor 3	Factor 4
Aggregate Output				
Total GDP	0.89	0.32	0.18	0.12
Hydrocarbon GDP	0.93	−0.08	0.21	0.04
Non-Hydrocarbon GDP	0.41	0.87	0.23	0.19
Sectoral Output				
Manufacturing	0.28	0.52	0.14	0.08
Construction	0.34	0.26	0.84	0.11
Trade	0.52	0.61	0.38	0.15
Transportation	0.48	0.58	0.31	0.42
Accommodation/Food	0.21	0.34	0.27	0.82
Financial Services	0.31	0.74	0.19	0.23
External Sector				
Hydrocarbon Exports	0.91	0.14	0.22	0.07
Non-HC Exports	0.38	0.67	0.28	0.31
Tourism Receipts	0.18	0.29	0.24	0.87
Fiscal Variables				
Government Revenue	0.88	0.31	0.24	0.11
HC Revenue Share	0.82	−0.42	0.18	0.09
Investment				
Total Investment	0.61	0.47	0.72	0.21
FDI Inflows	0.34	0.68	0.38	0.29
Variance Explained (%)	48.2	15.7	8.9	5.5

Note: Loadings > 0.50 in bold indicate primary factor association. Factors extracted via PCA with varimax rotation, applied to stationarity-corrected (log-differenced) series. Source: Authors' calculations based on NPC, QCB, and international data (see Table 1 for full variable sources).

Factor interpretations emerge directly from loading patterns, linking back to H1–H3:

Factor 1 (48.2% variance) – Hydrocarbon Cycle: Loaded on aggregate GDP, hydrocarbon output, and government revenue, capturing oil/gas price fluctuations transmitted through public finances. This factor is central to the confounding-shock analysis in H1 and to the resilience tests in H2.

Factor 2 (15.7% variance) – Diversification: High loadings on non-hydrocarbon GDP, private-sector credit, and non-hydrocarbon exports, directly measuring progress in non-resource sector development and serving as the primary empirical correlate of H3.

Factor 3 (8.9% variance) – Investment Cycle: Loaded on construction, real estate, and investment variables, capturing boom-bust dynamics in capital formation, particularly pronounced around World Cup preparations.

Factor 4 (5.5% variance) – Tourism and Events: Associated with visitor arrivals, accommodation revenue, and cultural activities, relevant to the post-tournament legacy analysis in H1.

Table 4: Common Factor Trajectories by Period (Standardized Values)

Period	F1 (Hydrocarbon)	F2 (Diversification)	F3 (Investment)	F4 (Tourism)
2017Q1– 2019Q4	0.32	−0.45	0.28	0.15
2020Q1– 2020Q4	−1.24	−0.82	−0.54	−2.18
2021Q1– 2021Q4	1.87	0.34	1.92	−0.67
2022Q1– 2022Q3	2.14	0.58	1.45	0.32
2022Q4– 2023Q4	0.74	1.38	−0.76	1.94
2024Q1– 2024Q4	0.52	1.67	0.18	1.82

Note: Period averages of standardized factor scores (mean = 0, SD = 1). Negative values indicate below-average performance relative to the full sample. Source: Authors' calculations based on data described in Table 1.

Notably, Factor 2 (Diversification) accelerated in 2022Q4–2023Q4 precisely as Factor 1 (Hydrocarbon) declined from its 2022Q1–Q3 peak, and Factor 3 (Investment/Construction) turned negative, consistent with a structural shift rather than a purely energy-price or construction-boom story.

5.2 Structural Break Analysis

Bai-Perron tests detect multiple structural breaks across key series. For non-hydrocarbon GDP growth, we identify two breaks: 2020Q1 (COVID-19 onset) and 2022Q4 (post-World Cup transition). Critically, the 2022Q4 break persists after controlling for the concurrent energy price peak (entered as an exogenous regressor) and LNG capacity expansion, supporting H1. The sup-F statistic for no breaks versus two breaks is 18.7 ($p < 0.01$), strongly rejecting stability.

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Table 5: Structural Break Analysis for Non-Hydrocarbon GDP Growth

Regime	Period	Mean Growth (%)	Std. Dev. (%)	Observations	Break Test
1	2017Q1–2019Q4	3.21	2.76	12	–
2	2020Q1–2022Q3	1.68	5.14	11	F = 12.4***
3	2022Q4–2024Q4	4.82	2.09	9	F = 18.7***

Note: ** $p < 0.01$. Break dates determined via Bai-Perron sequential test with minimum segment length $h = 0.15T$. F-statistics test equality of means across adjacent regimes. Energy price peak (2022Q1–Q3) and COVID stringency index (variable 47, Table 1) included as exogenous controls. Source: Authors' calculations based on NPC data.*

Regime 3 exhibits significantly higher mean growth with substantially lower volatility. Because this break occurs in Q4 2022, after the energy price peak subsided and concurrent with the tournament itself, and because the UAE comparator does not exhibit a structural break at the same date (see Section 5.6), we attribute Regime 3's emergence in part to tournament-related legacy effects, while acknowledging that post-COVID normalization and LNG expansion contributed to the improved growth environment.

Sectoral breaks vary. Financial services show no breaks (consistent with H2's prediction of high resilience). Construction breaks at 2021Q4 (completion phase) and 2023Q2 (adjustment phase). Tourism breaks at 2020Q1 (pandemic) and 2022Q4 (post-World Cup surge). Manufacturing exhibits no breaks but persistent slow growth, indicating limited structural transformation in this dimension. Export composition breaks significantly in 2022Q4, with the non-hydrocarbon export share increasing from approximately 19.8% to 21.0%, attributable to petrochemical expansion, services exports, and re-export trade via enhanced logistics infrastructure.

5.3 Time-Varying Parameter Estimation

TVP-VAR results reveal evolving relationships between oil GDP, non-oil GDP, inflation, and credit growth. **Table 6** reports posterior means and 68% credible intervals.

Table 6: Time-Varying Coefficients from TVP-VAR Model

Relationship	2017 Estimate	2022 Estimate	2024 Estimate	Change
Oil GDP → Non-Oil GDP	0.45 (0.38, 0.52)	0.34 (0.28, 0.41)	0.28 (0.21, 0.35)	−0.17***
Non-Oil GDP resilience to oil shock	−0.38 (−0.45, −0.31)	−0.26 (−0.33, −0.19)	−0.19 (−0.26, −0.12)	+0.19***
Credit → Non-Oil GDP	0.12 (0.06, 0.18)	0.17 (0.11, 0.23)	0.21 (0.15, 0.27)	+0.09***

Relationship	2017 Estimate	2022 Estimate	2024 Estimate	Change
Non-Oil GDP → Inflation	0.31 (0.24, 0.38)	0.22 (0.15, 0.29)	0.14 (0.07, 0.21)	−0.17***

*Note: 68% credible intervals in parentheses. Changes are differences between 2024 and 2017 posterior means; ** indicates non-overlapping credible intervals at 1% level. Stochastic volatility estimated jointly. Prior sensitivity reported in robustness checks (Section 5.6). Source: Authors' calculations.**

Oil-to-non-oil spillover declined from 0.45 (2017) to 0.28 (2024), suggesting partial but incomplete decoupling, consistent with moderate progress toward H3. **Non-oil resilience** improved substantially: the same oil GDP shock generates a smaller non-oil GDP response in 2024 than in 2017, supporting H2. **Credit-growth linkage** strengthened, indicating deeper financial intermediation. **Inflation dynamics** weakened, potentially reflecting competitive trade pressures in emerging service sectors.

Table 7: Variance Decomposition of Non-Hydrocarbon GDP (% of Forecast Error Variance)

Horizon (Quarters)	Oil GDP Shock	Non-Oil Shock	Own Credit Shock	Inflation Shock
1	42.3	38.1	12.4	7.2
2	38.7	41.2	13.8	6.3
4	33.5	46.8	14.2	5.5
8	28.1	51.4	15.3	5.2
12	26.8	52.7	15.1	5.4

Note: Generalized variance decomposition from TVP-VAR, averaged over post-2022 period. Source: Authors' calculations.

The declining share of variance attributable to oil GDP shocks at longer horizons, alongside the rising share attributable to non-oil own dynamics, provides additional evidence consistent with gradual structural decoupling.

5.4 Sectoral Resilience Estimation

Panel regression results test H2. Three shock categories are considered: energy price shocks, global demand shocks (proxied by G7 GDP growth, variable 44, Table 1), and geopolitical risk shocks (Caldara and Iacoviello, 2022; variable 46, Table 1).

Table 8: Sectoral Resilience to External Shocks (Panel Regression)

Sector	Energy Shock	Price Shock	Global Demand Shock	Geopolitical Risk	Resilience Score
Mining/Quarrying	0.84*** (0.09)		0.42*** (0.11)	−0.28** (0.13)	0.31
Manufacturing	0.23* (0.12)		0.34** (0.14)	−0.19 (0.15)	0.58
Construction	0.58*** (0.08)		0.21 (0.16)	−0.31** (0.14)	0.42

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Sector	Energy Shock	Price	Global Shock	Demand	Geopolitical Risk	Resilience Score
Trade	0.31** (0.14)		0.67*** (0.09)		−0.24* (0.13)	0.64
Transportation	0.28** (0.13)		0.71*** (0.08)		−0.22* (0.12)	0.68
Accommodation /Food	−0.21** (0.09)		0.38*** (0.12)		−0.52*** (0.11)	0.56
Financial Services	−0.08 (0.11)		0.18 (0.15)		0.15* (0.09)	0.82

Note: Dependent variable is quarterly sectoral growth rate. Robust standard errors in parentheses. ** $p < 0.01$, * $p < 0.05$, * $p < 0.10$. Resilience score is a composite measure (higher = more resilient) based on shock coefficients and impulse response recovery speed. Controls include lagged investment, employment changes, and credit growth. The interaction term between energy price shock and human capital intensity (sector-average wages, variable 26, Table 1) is positive and statistically significant ($\beta_2 = 0.23$, $p < 0.01$), supporting H2. Source: Authors' calculations based on NPC and QCB data.*

Financial services demonstrate the highest resilience, confirming H2's prediction for high human-capital sectors. Construction exhibits high vulnerability, consistent with its fiscal-cycle dependence. Financial services' positive association with geopolitical risk reflects Qatar's positioning as a neutral regional financial intermediary, an institutionally rooted advantage consistent with the Mehlum et al. (2006) framework.

Table 9: Sectoral Recovery Speed from Oil Price Shock (Resilience Coefficients ρ)

Sector	Quarter 2	Quarter 4	Quarter 8	Pre-2022 (Q4)	Post-2022 (Q4)
Financial Services	0.18	0.12	0.05	0.21	0.03
Tourism	0.42	0.28	0.14	0.42	0.14
Manufacturing	0.85	0.71	0.58	0.76	0.68
Construction	0.92	0.78	0.65	0.84	0.72
Trade	0.51	0.36	0.19	0.44	0.28
Transportation	0.48	0.32	0.17	0.41	0.23

Note: $\rho(h) = GIR(h)/GIR(1)$; lower values indicate faster recovery (higher resilience). Pre/post-2022 columns represent time-varying $\rho(h = 4)$ evaluated at respective sub-period means. Source: Authors' TVP-VAR calculations.

Recovery speeds improved across all sectors post-2022, with the most dramatic improvement in financial services, now essentially shock-proof within one quarter, and a notable improvement in

tourism, attributable to diversified infrastructure investments that reduce dependence on volatile business travel.

5.5 Diversification Policy Effectiveness

This section presents IV estimation results testing H3. The reduced-form specification is defined in Section 3.6.

Table 10: Diversification Policy Effectiveness (IV Estimation)

Dependent Variable: Δ Non-Hydrocarbon Dependence Ratio	Coefficient (Std. Error)
Δ Investment in Non-HC Sectors	0.312*** (0.084)
Δ Human Capital Index	0.187** (0.092)
Δ Institutional Quality	0.234** (0.098)
Lagged Oil Price	-0.142* (0.076)
Global GDP Growth	0.089 (0.067)
Constant	1.243** (0.521)
Diagnostics	
Observations	30
First-stage F-statistic	18.34
Hansen J-statistic	0.187 (p = 0.665)
R-squared	0.673

*Note: Two-stage least squares with instruments: lagged oil revenues (t-2, t-3) and regional policy initiatives. Robust standard errors. ** p < 0.01, * p < 0.05, * p < 0.10. Results support H3. Coefficients reflect partial correlations net of energy price and global demand controls. Source: Authors' calculations.**

A 10% increase in non-hydrocarbon investment is associated with approximately a 3.1 percentage-point increase in NHDR over two years (H3 supported). Human capital and institutional quality effects are statistically significant with expected signs, consistent with the Mehlum et al. (2006) institutional mediation mechanism. The oil price coefficient is negative and significant, confirming the importance of controlling for energy price dynamics when interpreting post-2022 structural shifts.

These coefficients represent reduced-form composites reflecting investment effects, institutional changes, and fiscal dynamics simultaneously. While this limits structural interpretation, the IV design provides credible evidence of policy-attributable diversification net of endogeneity concerns, as confirmed by strong first-stage results and valid exclusion restrictions.

Synthetic control analysis suggests Qatar's NHDR increased approximately 6.2 percentage points (2020–2024), compared with roughly 3.8 percentage points for synthetic Qatar, implying approximately 2.4 percentage points of policy-attributable acceleration. This modest but statistically meaningful effect decomposes primarily into infrastructure investment (World Cup–

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related and beyond), with smaller contributions from education reforms, business climate improvements, and financial sector development.

5.6 Robustness Checks

Several robustness exercises are conducted. First, alternative factor specifications ($K = 3$ or $K = 5$) yield qualitatively similar conclusions. Second, structural break tests with minimum segment lengths ranging from $h = 0.10T$ to $h = 0.20T$ consistently identify the 2022Q4 break. Third, prior sensitivity analysis for TVP-VAR confirms that tighter priors on Q reduce coefficient variation but do not alter the directional findings. Fourth, difference-in-differences analysis using UAE as a comparator, exposed to identical regional shocks but not hosting the World Cup, finds Qatar's post-2022 non-hydrocarbon growth exceeded UAE's by approximately 2.1 percentage points annually ($p < 0.05$), supporting a tournament-attributable interpretation. Fifth, restricting the sample to 2017-2023 (excluding preliminary 2024 data) yields qualitatively unchanged results with slightly smaller magnitudes. Sixth, re-estimation with alternative shock measures (VIX for global uncertainty, regional conflict indicators) confirms sectoral resilience rankings.

6. DISCUSSION AND POLICY IMPLICATIONS

6.1 Interpretation of Findings

Our results document meaningful but insufficient structural transformation in Qatar's economy post-2022. The accelerated non-hydrocarbon growth in Regime 3, while faster than preceding periods, remains below the pace required for comfortable achievement of QNV 2030 targets. Simple arithmetic illustrates the challenge: achieving a 55% non-hydrocarbon GDP share by 2030 requires sustained non-hydrocarbon growth of approximately 5.8% annually, above current trajectories.

The estimated diversification elasticity (Section 5.5) indicates structural rigidities limiting transformation speed. These likely reflect limited absorptive capacity constraining effective investment deployment, labor market segmentation with nationals concentrated in the public sector, insufficient technological capabilities for high-value manufacturing and services, and regional competitive pressures. Factor analysis reveals diversification occurring primarily through construction, trade, and tourism rather than knowledge-intensive sectors. While these contribute to employment and income, they offer limited productivity dynamism. Modest manufacturing growth is particularly concerning given the sector's potential for technological spillovers and export competitiveness (Rodrik, 2016).

Resilience improvements represent the most unambiguously positive finding, consistent with H2. Enhanced shock absorption in financial services and tourism reflects successful development of competitive advantages, Qatar's strategic positioning as a regional Islamic finance and wealth management hub, and infrastructure investments creating diverse tourist attractions. Construction vulnerability remains a policy concern; the sector's boom-bust volatility suggests incomplete transition from investment-driven to productivity-driven growth.

6.2 Policy Recommendations

Based on empirical findings, five policy priorities emerge.

1. Accelerate productivity-driven growth in non-hydrocarbon sectors. Current transformation relies excessively on capital accumulation, with manufacturing TFP growth insufficient for competitiveness. Policies should emphasize technology adoption, R&D subsidies, FDI targeting knowledge-intensive activities, and quality upgrading in services.

2. Implement active labor market policies addressing segmentation. Qatari nationals' concentration in the public sector creates fiscal burdens and limits private sector dynamism. Gradual transition requires wage subsidies encouraging private sector hiring, mandatory training programs, reduced public-private wage gaps, and entrepreneurship support. UAE's Emiratization provides a partial, if imperfect, model.

3. Develop targeted sectoral strategies beyond generic diversification. Strategic focus should prioritize sectors exhibiting comparative advantage, knowledge intensity, and export potential: logistics and aviation (capitalizing on geographic centrality and Hamad Port and Airport capacity), financial technology (regulatory sandbox, Islamic fintech attraction), knowledge services (Education City commercialization, medical tourism), and sustainable energy (hydrogen, solar manufacturing, regional consulting).

4. Enhance fiscal sustainability through revenue diversification. Corporate income tax implementation at modest initial rates, coordinated VAT within the GCC framework, property taxation, and expanded user fees could meaningfully increase the non-hydrocarbon revenue share by 2030.

5. Institutionalize diversification through governance reforms. Sustaining transformation requires institutional frameworks preventing policy reversals during high oil-price periods: sovereign wealth fund rules limiting fiscal drawdown on hydrocarbon revenues, independent diversification monitoring councils, performance-based budgeting, and public communication strategies building societal consensus.

6.3 Scenario Analysis and Projections

Table 11: Policy Scenario Projections for Non-Hydrocarbon GDP Share (2030)

Scenario	Non-HC 2030 (%)	Share	90% Confidence Interval	Avg. Annual NH Growth (%)	Additional Investment Required (\$bn/yr)
Baseline (current policies)	56.2		(52.8, 59.1)	4.9	0
Acceleration (investment +20%)	58.4		(55.1, 61.3)	5.6	8.0
Innovation (TFP +1% annually)	59.1		(56.2, 61.8)	5.8	3.5
Combined (acceleration + innovation)	62.3		(59.1, 65.2)	6.7	11.5
QNV 2030 Target	55.0		—	—	—

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Note: Projections based on TVP-VAR dynamics integrated into CGE scenario framework. These are illustrative scenario analyses, not structural forecasts; wide confidence intervals reflect parameter uncertainty from the short sample. Baseline assumes continuation of current policies. Source: Authors' calculations.

The baseline scenario marginally exceeds the 55% target, but with substantial uncertainty (90% CI spanning approximately 6 percentage points). The combined scenario offers the most comfortable margin but faces absorptive capacity constraints; model simulations indicate diminishing returns above a 24% investment rate, favoring a balanced approach emphasizing both capital accumulation and TFP enhancement. Under pessimistic external assumptions, even the combined scenario does not guarantee target achievement, highlighting that diversification success depends partly on global growth conditions beyond Qatar's control.

7. CONCLUSION

This study provides a rigorous econometric assessment of Qatar's economic diversification trajectory following the 2022 FIFA World Cup, employing dynamic factor models, structural break analysis, and time-varying parameter estimation across 47 quarterly indicators and testing three formally derived hypotheses. We document significant but incomplete structural transformation. Non-hydrocarbon sector growth accelerated following Q4 2022 with reduced volatility, supporting H1, an effect that persists after controlling for concurrent confounders including post-COVID recovery, the 2022 energy price surge, and LNG capacity expansion. Financial services and tourism demonstrate strong resilience, with high human-capital sectors absorbing shocks more effectively, supporting H2. Public investment in non-hydrocarbon sectors and institutional quality improvements generate statistically significant diversification gains, supporting H3, though their magnitude remains modest relative to QNV 2030 ambitions.

Our theoretical contribution lies in formalizing the mega-event legacy transmission mechanism and deriving testable predictions that are directly embedded in the empirical specifications. Methodologically, we demonstrate that a parsimonious combination of dynamic factor analysis, structural break detection, and time-varying parameter estimation can characterize diversification dynamics while remaining tractable given the available sample. Empirically, we provide the first rigorously identified assessment of Qatar's post-2022 diversification, carefully separating tournament-attributable effects from concurrent confounders.

7.1 Limitations

Several limitations warrant acknowledgment. The sample contains only 32 quarterly observations, constraining the precision of structural break estimation and TVP-VAR inference; we address this through informative priors and robustness checks, but parameter uncertainty remains substantial. Firm-level data, unavailable for this study, would enable deeper analysis of productivity dynamics and innovation. The CGE-econometric simulations adopt simplifying assumptions about production functions and substitution elasticities; results should be interpreted as directional scenario analyses. Post-2022 attribution remains challenging despite our identification strategies: the difference-in-differences design relies on UAE's comparability, and confounders cannot be perfectly orthogonalized. Welfare analysis, distribution, environmental costs, social impacts, is

absent from the GDP-based framework. Finally, technological disruptions or geopolitical shifts could alter estimated structural relationships in ways our projections cannot anticipate.

7.2 Future Research Directions

These limitations suggest several productive extensions. Firm-level analysis could illuminate micro-foundations of structural transformation. Comparative GCC panel studies would reveal which policies prove most effective in similar institutional contexts. Detailed sectoral studies (finance, logistics, education) would provide more actionable policy insights. Incorporating environmental and social dimensions would address sustainability, critical given climate-driven transitions in global energy markets. Machine learning approaches may improve forecasting accuracy, while regression discontinuity designs exploiting tournament bid outcomes could sharpen causal identification of hosting effects.

7.3 Closing Remarks

Qatar's diversification journey reflects broader challenges confronting resource-rich economies globally. Our analysis demonstrates that mega-events, when coupled with coherent long-term strategies, can catalyze meaningful structural change, though mega-events alone are neither necessary nor sufficient for transformation. The 2022 World Cup provided enabling infrastructure, global visibility, and institutional momentum that accelerated non-hydrocarbon diversification beyond construction-phase effects.

Yet acceleration from a low base differs fundamentally from sustained transformation. Progress over the sample period represents meaningful movement but not revolutionary change. Achieving genuine economic resilience requires decades of consistent policy implementation, continuous adaptation to technological and market dynamics, and cultivation of human capital and institutions that support innovation and entrepreneurship. The broader lesson extends to resource-rich economies confronting the long-run decline of fossil fuel demand: our methodological framework and empirical findings offer a replicable template for rigorous diversification assessment, while the policy insights reinforce that transformation succeeds through patient capital, productivity focus, and institutional commitment.

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