

## Executive Summary

- The non-hydrocarbon sector in Qatar continues to drive economic growth, with real GDP accelerating to 5.7% in Q2 2014
- Inflation rose 3.8% in August 2014, primarily as a result of rising rents; we forecast inflation to average 3.4% in 2014 and 3.5% in 2015
- International reserves reached an all-time high of USD43.5bn at end-August 2014; we forecast reserves to continue rising further on large current-account surpluses for the remainder of 2014 and 2015
- Qatari oil prices continued to decline on weaker global demand while production recovered from its low in Q2 2014

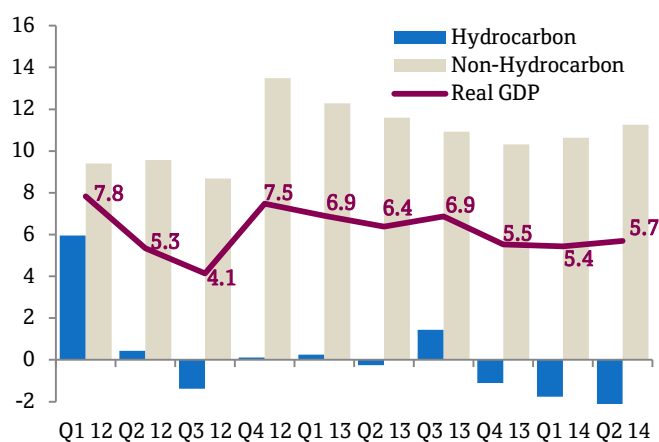
## Qatar non-hydrocarbon sector continues to drive economic growth

The non-hydrocarbon sector in Qatar continues to drive economic growth, supporting the diversification of the economy. Real GDP growth accelerated to 5.7% in Q2 2014, from a revised 5.4% in the previous quarter. Rapid growth in the non-hydrocarbon sector (11.3%) was spurred by large investments in major infrastructure projects and by the fast-growing population. On the other hand, the hydrocarbon sector declined 2.2% year-on-year as a result of lower crude oil production and temporary gas production shutdowns due to maintenance.

Looking ahead, large scale infrastructure spending and population growth is expected to drive growth in construction, manufacturing and transportation, while hydrocarbon production is expected to recover.

### Qatar Real GDP Growth by Sector

% change year-on-year

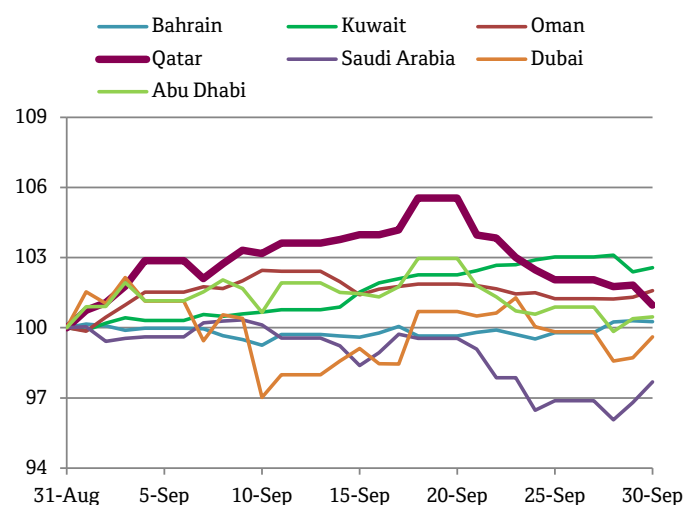


Sources: Ministry of Development Planning and Statistics and QNB Group analysis

## QNB Economics Weekly Commentary

- [Nigeria Presents Major Opportunities for Foreign Investors](#)
- [Qatar's Non-Hydrocarbon Sector Continues to Drive Economic Growth](#)
- [Indonesia's Economy Continues to Slow](#)
- [Higher Land Prices Accelerate Qatar's Rent Inflation](#)

## Stockmarket Indices (rebased with 31 August 2014 = 100)



Sources: Bloomberg and QNB Group analysis

The GCC markets posted mixed returns in the month of September 2014. Kuwait's stock market was the top performer, surging 2.6% month-on-month. The second best performing index was Oman's MSM rising 1.6% month-on-month. On the other hand, Saudi Arabia's benchmark index (SASEIDX) was down 2.3% month-on-month, while Dubai's benchmark index (DFMGI) declined 0.4% month-on-month.

Following a strong performance in August 2014 (5.6% month-on-month), the Qatar Exchange (QE) Index rose 1.0% in the month of September 2014.

## Qatar Economic Insight Report September 2014



QNB Group has recently published the Qatar Economic Insight September 2014 report, providing an overview of the Qatari economy, with in-depth analysis and forecasts. The report is available on the [QNB website](#) along with the recently published [China Economic Insight 2014](#).

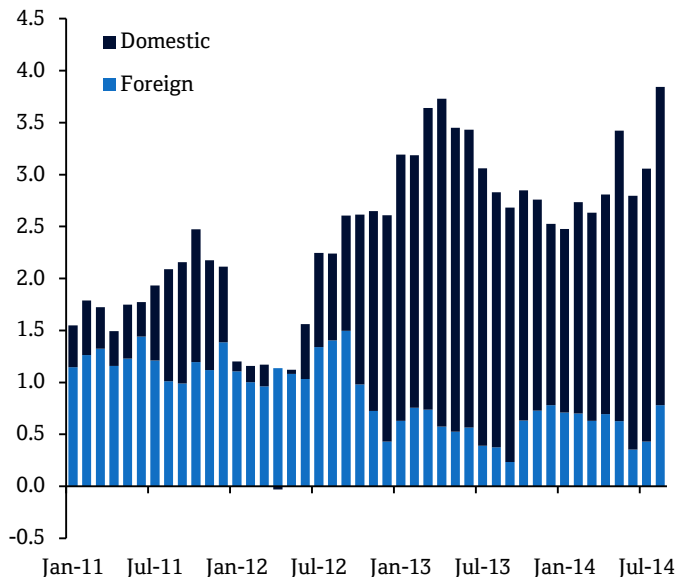
## Inflation rose 3.8% in August 2014, primarily as a result of rising rents

Qatar's Consumer Price Index (CPI) for August 2014 rose 3.8% year-on-year. On a month-on-month bases, it increased 0.8% relative to July 2014. Housing and rents (the largest component of overall inflation with a 32.2% share) rose 0.6% month-on-month (7.9% year-on-year) in August 2014 leading to an acceleration of domestic inflation. Counterbalancing these domestic inflationary pressures, foreign inflation has been on a downward trend this year as international food prices have been falling on record global food harvests and large stockpiles. Domestic food prices rose in August 1.7% month-on-month (1.2% year-on-year) owing to seasonal effects, raising foreign inflation to 2.7%, an eight month high.

We forecast overall CPI inflation to accelerate further in the remaining months of 2014 and average 3.4% in 2014 and 3.5% in 2015. Domestic inflation will mainly be driven by rising rents in response to the growing population. Lower international food prices are likely to keep foreign inflation low, thus partly offsetting the rise in domestic inflation. However, there is a risk that large investment spending and the growing population could lead to supply bottlenecks owing to limited domestic capacity. This could push up domestic prices more than expected in our baseline forecasts.

## CPI Inflation rose to 3.8% in August 2014

Contribution to Inflation, %



*Domestic inflation includes:* Houses rent, Water Charges and House Maintenance + Medical Care and Health Services + Entertainment, Recreation and Culture + Miscellaneous Goods and Services

*International inflation includes:* Food, Beverages and Tobacco + Clothing and Footwear + Furniture, Textiles and Home Appliances

Sources: QCB, MDPS and QNB Group analysis

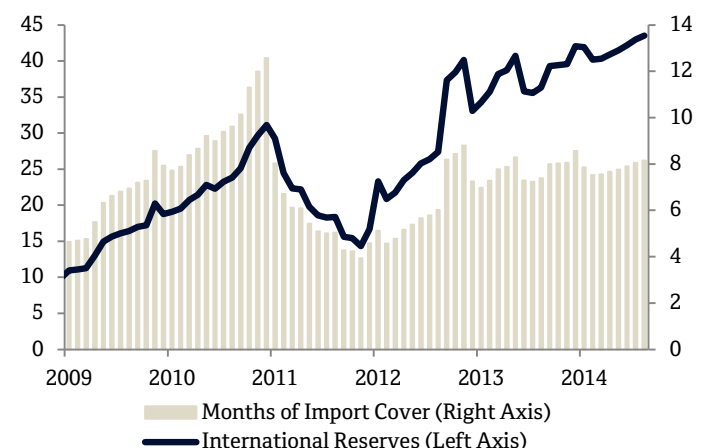
## International reserves reached an all-time high at end-August 2014

Qatar's international reserves rose USD0.5bn to reach an all-time high of USD43.5bn at end-August 2014. This compares to a level of USD36.3bn at end-August 2013. The large increase reflects the strong current account surplus Qatar is enjoying on relatively high hydrocarbon prices. The latest data show that the import cover stood at 8.2 months at end-August 2014, well above the IMF-recommended level of 3 months for pegged exchange rates.

Qatar's international reserves have been steadily rising over the years on large current account surpluses. Going forward, QNB Group expects international reserves to rise further in 2014 and 2015 on continued high current account surpluses.

## International reserves reached an all-time high at end-August 2014

(bn USD, left axis; Months of import cover, right axis)



Sources: Qatar Central Bank (QCB) and QNB Group analysis

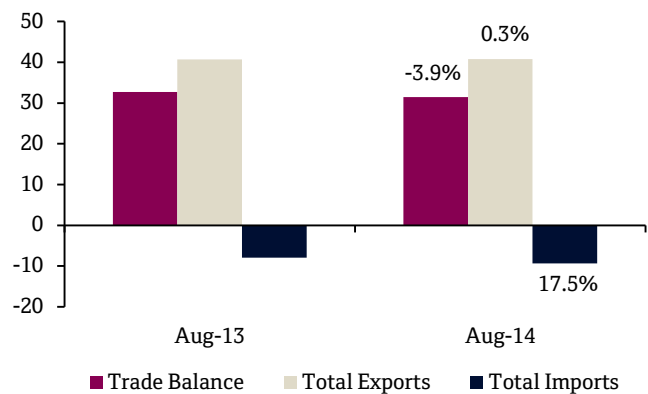
## Foreign merchandise trade balance registered a surplus of QAR31.5bn in August 2014

**Qatar's foreign merchandise trade balance registered a surplus of QAR31.5bn in August 2014.** The surplus however decreased 3.9% year-on-year, primarily on a strong rise in imports (17.5% year-on-year) related to the growing population and large investment spending. Total exports rose 0.3% year-on-year in August 2013 on a recovery of oil production.

**Total exports in August stood at QAR40.8bn and imports at QAR9.3bn.** Japan topped the export destination in August, accounting for 24.8% of Qatar's exports, followed by South Korea (14.8%) and India (13.6%). China was the largest exporter to Qatar in August (11.8%), followed by the UAE (8.3%) and the USA (8.0%).

## The trade balance registered a large surplus in August 2014

(bn QAR, % year-on-year)



Sources: MDPS and QNB Group analysis

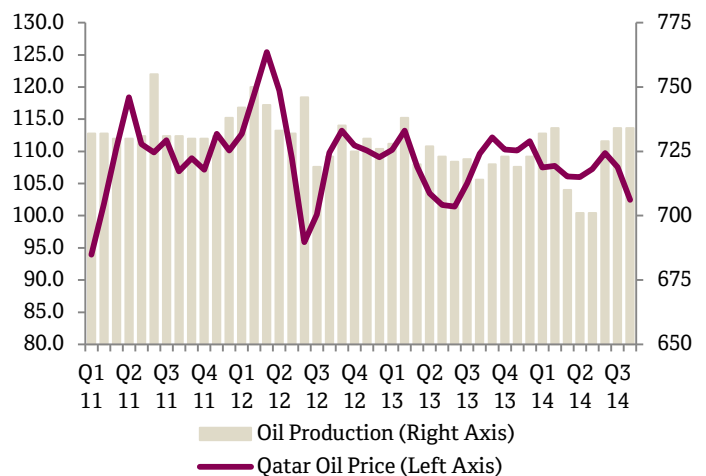
## Qatari oil prices continued to decline on weaker global demand while production recovered from its low in Q2 2014

**Qatari oil prices fell in August 2014 owing to weaker global demand.** The stagnant Eurozone economy, the large Q2 contraction in Japan and the slowdown in Emerging Markets are contributing to the weakness in hydrocarbon demand and putting downward pressure on international oil prices.

**Qatar's crude oil production has been on a general decline, but redevelopment plans should stabilize output.** In recent years, Qatar Petroleum (QP) has implemented a redevelopment program to steady production at its oil fields. This heavy investment in existing oil fields such as Bul Hanine, Al Shaheen and Dukhan, should lead to a stabilization of oil production of about 700k b/d.

## Oil prices continued to decline on a weaker global economy

(USD/b, left axis; Oil production (000's b/d), right axis)



Qatar oil prices are calculated as the unweighted average of land and marine prices

Sources: Bloomberg and QNB Group analysis

## Economic News

- GDI signs QR825mn rig deal with Keppel FELS** – Gulf Drilling International (GDI), a wholly-owned subsidiary of Gulf International Services (GISS), has signed a construction pact with Singapore-based Keppel FELS for a new jack-up drilling rig ‘Halul’ at an estimated cost of QR825mn. The new jack-up drilling rig is scheduled for delivery in 1Q2016. Halul will have accommodation facilities for 150 persons and a cantilever outreach of 70 feet and be rated for 300 feet water depth and a drilling depth of 30,000 feet. The rig will be enabled by an offline stand building and comes equipped with all the features, facilities and equipment. Halul will become the fifth KFELS B Class designed rig in GDI’s fleet. Upon delivery in 2016, it will join Qatar Petroleum’s offshore operation as the fourth jack-up rig supplied by GDI. (Gulf-Base.com)
- BOI: Qatar businesses remain optimistic for 3Q2014, hydrocarbons sector optimism drops** – According to the Business Optimism Index (BOI), prepared by Dun & Bradstreet for the Qatar Financial Centre, the composite BOI for Qatar’s non-hydrocarbon sector stands at 39 for 3Q2014, the same as for 3Q2013. However, it is 8 points lower than in 2Q2014, primarily because of the expected seasonal downturn in business activity during summer and the holy month of Ramadan. Within the non-hydrocarbon sector, manufacturing is the most optimistic for 3Q2014, backed by demand from new projects, an overall strong economy and a rising population. In the finance, real estate & business services sector, finance and insurance firms continue to have a stronger outlook than the real estate and business services segments. However, seasonal factors are the main cause for a sharp fall in the sector’s index. Overall, 61% of firms in the finance, real estate & business services sector expect an increase in sales, 64% expect an increase in orders and 40% expect to invest in business expansion in 3Q2014. Meanwhile, BOI showed that optimism in the hydrocarbon sector was on the decline in 3Q2014 and stood at 1, which was seven points lower than that in 2Q2014, due to escalating raw materials and labor costs. (Bloomberg, Gulf-Times.com)
- BOI: Qatar SMEs more optimistic than larger entities** – According to the Business Optimism Index, Qatar’s small & medium enterprises (SMEs) are more optimistic than the larger entities in terms of the current business environment in the country. The BOI, prepared by Dun & Bradstreet for the Qatar Financial Centre, found that 53% of SMEs do not foresee any hindrances to their operations in 3Q2014, while it was only 45% for large companies. Dun & Bradstreet’s Associate Director Prashant Kumar said that it is important to note that SMEs are more optimistic than large companies, given their importance to the development of the overall economy. The survey found that demand expectations for both SMEs and larger companies are quite similar, but in terms of sales volume, the index for SMEs stood at 49 versus 51 for the larger companies. Large companies are more confident about profitability, while SMEs hold a stronger outlook with respect to number of employees. In addition, the index for net profits for large companies is higher at 41 as compared to 35 for SMEs, while 45% of SMEs plan to increase their headcount in 3Q2014 as compared to 39% among large companies. (Gulf-Times.com)

## Private Sector News

- Qatar Exchange on index methodology** – The Qatar Exchange (QE) would like to announce that given the changes in the market dynamics since the inclusion of Qatar into the MSCI and S&P Dow Jones Emerging Market indices, starting October 2014, its management will enter into consultation with the market participants and issuers on improving liquidity in the market. Following those consultations, the Index Committee chaired by Dr. Saif Saeed Al Suwaidi, comprising independent members, brokers and representatives of listed companies along with an observer representing the Qatar Financial Markets Authority (QFMA) will review the index methodology applied to QE indices and publish during November, 2014 any changes that will be effective from January 1, 2015. The QE highlighted that there was no change in the index review announced on September 17. As announced the review will be applied as of October 1 and until the implementation of adopted changes on the methodology. (Bloomberg)
- S&P Dow Jones upgrades set to put QE on a higher orbit** – Standard & Poor’s Dow Jones will place the Qatar Exchange (QE) in a higher orbit of ‘emerging market’ from Monday, following the local bourse’s upgrade from frontier status. S&P’s decision to re-classify Qatar as an emerging market was announced last October following a consultation with clients; and it comes after similar moves by Morgan Stanley Composite Index

(MSCI). S&P Dow Jones said the weight of the Qatari market in the international BMI index for emerging markets would be 0.9%. QE's CEO Rashid bin Ali Al-Mansoori termed this announcement as a positive step that would improve the visibility and performance of the stock market in Qatar. (Gulf-Times.com)

- **IQCD completes CO2 recovery plant** – Industries Qatar (IQCD) announced that the construction work at the QR145.5mn carbon dioxide (CO2) recovery plant in its fuel additive joint venture, Qafac has been completed. The plant is the largest of its kind in the world, which is designed to capture over 500 MT per day of CO2 and utilize it for methanol production. The plant is expected to not only reduce Qafac's greenhouse gas emissions, but also boost the group's production of methanol by around 46,000 MT per annum. Meanwhile, IQCD confirmed that it has put its Al Sejeel Petrochemical Complex project on hold and is instead studying a new downstream petrochemical project, which is expected to yield better economic returns. (QE)
- **MARK transfers ownership of Al Rayan Partners** – Masraf Al Rayan (MARK) announced to its shareholders that the process of transferring the ownership of Al Rayan Partners company from Al Rayan Investment LLC to be owned by MARK has been completed in accordance with the MARK's Board Decision and its plan to restructure its group companies. MARK's Board of Directors saw it suitable that Al Rayan Investment (which is fully owned by MARK) to focus on its core business: investment and financial advisory activities. Accordingly, the decision was made to transfer the ownership of Al Rayan Partners to MARK, where its engineering department will manage Al Rayan Partners operations as it has the expertise. Meanwhile, MARK's management is also studying the potential to convert the ownership of its share in Linc Facility Services company to the ownership of Al Rayan Partners due to the similar nature of their activities. (QE)
- **Qatar Re sees 60% jump in gross premiums to \$550mn in 2014** – Qatar Re, a wholly-owned subsidiary of Qatar Insurance Company (QATI), which is slated to become a global multi-line reinsurer, is expecting its gross premiums to grow more than 60% to \$550mn by the end of 2014. The company is expanding into liability and facultative property lines of business and is growing its presence in the Americas and Asia. At present, agriculture, credit and surety, energy, marine, aviation and engineering businesses account for about a third of the company's portfolio. Property (17%), motor liability (30%) and Lloyd's third-party capacity (20%) complete the company's well-diversified book of business. Geographically, Qatar Re has built a far more balanced portfolio. As of June 30, 2014, its European business accounted for more than 50% of the company's portfolio, followed by the Americas (25%), Asia (17%), Africa (3%) and Oceania (3%). (Gulf-Times.com)
- **NDSQ hopes to double its workforce** – Nakilat Damen Shipyards Qatar's (NDSQ) Managing Director Jan-Wim Dekker stated the company hopes to double the number of its workers from 900 to about 1,800 in the coming years in order to cope with the expanding maritime industry in Qatar. According to Dekker, the company recently completed building new 22 vessels and has done 14 refits on its yards. NDSQ also built two 16-meter long mooring boats for towage operator Nakilat-SvitzerWijismuller (NSW). These vessels will work on a long-term charter for Qatar Petroleum and will be part of the growing fleet of NSW vessels in the Port of Ras Laffan. (Gulf-Times.com)
- **Qatar Exchange plans to raise volume of shares 10 times** – Qatar Exchange's (QE) CEO Mr. Rashid bin Ali Al-Mansoori told reporters at a conference in Doha that the Value of each share traded on the QE will be reduced to 1/10 of the current value in order to compensate for volume increase. The change in share volume is being studied as a measure to increase liquidity. The implementation is expected next year. (Bloomberg)
- **QE participates in joint workshop on empowering SMEs in Qatar, QE venture market to begin early 2015** – Qatar Exchange (QE) participated in the workshop, entitled "Empowering SMEs", which was hosted by the Doha Bank (DHBK) and held in Doha on September 8, 2014 at the Doha Bank auditorium. The workshop was attended by CEOs and top management officials from QE, DHBK, Qatar Development Bank (QDB), Enterprise Qatar (EQ), Qatar Business Incubation Centre (QBIC) and UK Trade Investment center, who met together to discuss and highlight opportunities for SMEs to grow and flourish. Meanwhile, QE's CEO, Mr. Rashid bin Ali Al-Mansoori said that Qatar's venture or junior stock market listing small & medium-sized enterprises (SMEs) is all set to be operational by early 2015. He said that to begin with, five SMEs will be listed on the Qatar Exchange (QE) Venture Market, while several others are in the process of getting approval from the authorities concerned. (QE, Peninsula Qatar)
- **MERS to open eight new malls** – Al Meera Consumer Goods Company (MERS) is planning to open eight new malls by the end of 2014. The retailer also plans to roll out nine new branches in and outside Doha during 4Q2014. The new branches will be opened in Jeryan Nejaima, Al Wakra, Al Thumama, Al Wajba, Muaither, Al Azizia, Zakhira, Al Muraikh and at Gulf Mall. MERS

said that the company is working to its full potential to finalize the construction phase of new malls to achieve a wider spread that satisfies its customers. MERS will open its branches as soon as it obtains permits and approvals from the authorities. According to the company, the construction of the Jeryan Nejaima branch is expected to be completed soon. Facing the Lekhwiya Stadium, the branch will meet the needs of consumers in the area by offering all products they may need. The branch spreads over an area of 5,526 square meters, of which 1,207 square meters goes to the supermarket. The Jeryan Nejaima branch will include 19 stores offering a variety of services to visitors as well as four restaurants. (Peninsula Qatar)

- **ABS to start work on Qatar's first liftboat** – Nakilat-Keppel Offshore & Marine (N-KOM) has selected ABS, a US-based provider of classification services to the global offshore industry, to build the first self-elevating unit ever to be built in Qatar. The project will also be the first

offshore new build project undertaken by the shipyard. Customized for the Middle East & North Africa region, the LB310S will be a four-legged liftboat capable of field transit and elevated operations in water depths up to 65 meters. (Bloomberg)

- **Q-Chem, Gasal sign long-term pipeline network agreement** – Qatar Chemical Company (Q-Chem) and Gasal have signed a long-term pipeline network pact – a strategic deal by which Gasal will supply the necessary nitrogen for the Ras Laffan Olefins Company's (RLOC) ethylene cracker in Ras Laffan Industrial City. Gasal, a JV involving Qatar Intermediate Industries Company (Alwaseeta), Qatar Industrial Manufacturing Company (QIMD), and the French industrial gas company Air Liquide, has been supplying nitrogen to RLOC since 2009 using a dedicated unit situated at the RLOC premises. According to the new signed agreement, Gasal will connect RLOC through its pipeline network. (Gulf-Times.com)

## National Accounts

Nominal GDP (QAR bn)	2010	2011	2012	2013	Q2 14	YoY%	QoQ%
<b>Total</b>	<b>455.4</b>	<b>618.1</b>	<b>691.4</b>	<b>737.7</b>	<b>189.7</b>	<b>6.6%</b>	<b>-2.2%</b>
Oil & Gas	239.7	359.2	392.7	401.2	96.7	0.8%	-6.3%
Non-Oil	215.7	258.9	298.7	336.5	92.9	13.5%	2.5%
Agriculture and Fishing	0.5	0.6	0.6	0.7	0.2	9.2%	0.5%
Industry	40.8	56.7	70.2	72.1	31.3	11.9%	3.0%
Manufacturing	40.8	56.7	70.2	72.1	19.4	7.2%	4.5%
Electricity, Gas and Water	2.1	2.4	3.4	3.8	1.1	9.9%	56.4%
Construction	27.5	28.3	31.2	35.9	10.5	22.0%	-2.9%
Services	140.9	162.1	188.6	219.2	60.9	14.5%	2.2%
Trade, Restaurants and Hotels	31.5	35.6	39.1	45.5	11.6	11.1%	-0.3%
Transport and Communications	18.1	21.0	23.5	25.9	6.5	13.6%	-3.2%
Financial and Business Services	60.3	65.6	74.7	88.8	27.5	21.3%	4.7%
Social Services	4.5	5.0	5.8	6.4	1.7	9.9%	3.4%
Government Services	37.4	46.2	60.1	69.8	18.9	10.0%	2.0%
Household Services	1.9	2.0	2.3	2.7	0.8	21.2%	3.4%
Imputed Bank Service Charges	-12.7	-13.4	-16.8	-19.9	-6.1	21.2%	2.1%
Import Duties	3.8	3.9	4.6	4.8	0.8	4.1%	0.7%

Source: MDPS

Real GDP (QAR bn)	2010	2011	2012	2013	Q2 14	YoY%	QoQ%
<b>Total</b>	<b>284.2</b>	<b>321.2</b>	<b>340.9</b>	<b>362.8</b>	<b>93.9</b>	<b>5.7%</b>	<b>-0.2</b>
Oil & Gas	126.1	145.8	147.7	147.9	35.9	-2.2%	-2.5
Non-Oil	158.1	175.4	193.2	215.0	58.0	11.3%	1.2
Agriculture and Fishing	0.4	0.5	0.5	0.5	0.1	9.5%	1.5
Industry	185.0	210.8	219.6	226.8	21.7	9.7%	0.9
Manufacturing	25.5	28.2	31.2	32.9	8.5	3.4%	2.9
Electricity, Gas and Water	2.3	2.5	2.7	2.9	0.9	11.6%	54.3
Construction	31.0	34.3	37.9	43.1	12.2	14.5%	-2.9
Services	105.9	116.9	129.5	146.5	35.3	12.2%	1.4
Trade, Restaurants and Hotels	21.7	24.5	26.1	29.5	7.5	11.1%	-0.2
Transport and Communications	18.0	20.2	22.7	24.9	6.1	11.8%	-4.8
Financial and Business Services	32.3	34.3	38.2	43.7	13.1	16.6%	4.4
Social Services	3.5	3.6	3.9	4.2	1.2	9.6%	3.1
Government Services	28.9	32.7	36.9	42.5	11.5	9.3%	2.0
Household Services	1.5	1.5	1.6	1.7	0.5	11.3%	2.6
Imputed Bank Service Charges	-8.5	-9.9	-12.0	-14.4	-4.5	13.5%	0.1
Import Duties	2.7	2.7	3.3	3.3	0.9	10.2%	1.4

Source: MDPS

N.B. Data which is new or revised this month is shown in red.

## Balance of Payments

Balance of Payments (USD bn)	2010	2011	2012	2013	Q1 14
<b>Current Account Balance</b>	<b>24.0</b>	<b>52.0</b>	<b>62.0</b>	<b>62.6</b>	<b>17.2</b>
Trade Balance (Goods)	54.0	87.4	102.2	105.5	28.8
Exports	75.0	114.3	133.0	136.9	36.8
Imports	-20.9	-26.9	-30.8	-31.5	-7.9
Invisibles	-30.1	-35.4	-40.2	-42.9	-11.6
Services	-5.8	-9.5	-14.0	-16.3	-5.0
Income	-12.9	-13.3	-12.1	-11.3	-2.4
Transfers	-11.4	-12.7	-14.1	-15.2	-4.2
<b>Capital &amp; Financial Account Balance</b>	<b>-10.7</b>	<b>-62.6</b>	<b>-44.4</b>	<b>-54.5</b>	<b>-18.2</b>
Capital Account	-2.1	-3.6	-6.1	-4.8	-1.5
Financial Account	-8.6	-59.0	-38.3	-49.7	-16.8
Direct Investment (outwards)	-1.9	-6.0	-1.8	-8.0	-1.8
Direct Investment (into Qatar)	4.7	-0.1	0.3	-0.8	0.4
Portfolio investment (net)	-	-	-	-14.3	-2.9

Sources: QCB, MDPS, UNCTAD; Note: Not all Balance of Payment lines are shown in the table

Top 5 Export Destinations (USD bn)	2009	2010	2011	2012	2013
Japan	14.5	19.7	27.4	32.6	33.6
Korea	7.6	10.8	18.9	23.2	23.5
India	3.7	5.6	10.3	14.7	13.1
European Union	4.0	9.1	17.0	12.0	10.6
China	1.2	2.2	4.3	6.6	7.7

Top 5 Import Sources (USD bn)	2009	2010	2011	2012	2013
European Union	8.1	7.2	6.6	7.5	8.0
United States	3.1	3.5	3.1	3.9	5.5
United Arab Emirates	1.8	2.3	3.0	3.2	3.1
Saudi Arabia	1.3	1.7	2.2	2.4	2.4
United Kingdom	1.1	1.4	1.5	1.8	1.9

Source: IMF Direction of Trade Statistics - sometimes differ from MDPS

Crude oil (USD / barrel)	2010	2011	2012	2013	Aug-14	MoM%	YoY%
Oil production ('000 bpd)	733.0	734.0	733.7	724.0	734.0	0.0%	2.8%
Qatar average price	77.7	108.4	111.2	108.2	102.2	-2.0%	2.3%
Dukhan	78.4	109.7	111.8	108.8	103.2	-2.0%	2.6%
Marine	77.2	107.5	110.6	107.6	101.7	-2.0%	2.1%

Source: OPEC (Direct communications), Reuters



## Budget, Population, Money & Prices

Government Budget (% of GDP) <sup>1</sup>	2010	2011	2012	2013
Balance	2.7	7.8	11.4	15.6
Revenue	34.3	36.0	41.1	47.0
Expenditure	31.6	28.2	29.7	31.4

Population (m people in Qatar)	2010	2011	2012	2013	Sep-14	MoM%	YoY%
Total	1.72	1.73	1.83	2.03	2.19	5.3%	7.5%

Source: MDPS; Monthly data based on number of people in Qatar and annual data based on residency

Inflation (% ch, 12mth rolling average YoY)	2010	2011	2012	2013	Aug-14	MoM%	YoY%
<b>Overall</b> (weights shown below)	<b>-2.4</b>	<b>1.9</b>	<b>1.9</b>	<b>3.1</b>	<b>2.9</b>	<b>0.8</b>	<b>3.8</b>
Food, beverages & tobacco (13.2%)	2.1	4.3	3.7	2.3	1.1	1.7	1.2
Clothing & footwear (5.8%)	-1.3	7.5	2.8	0.2	1.9	1.0	3.3
Rents, water & maintenance (32.2%)	-12.8	-4.8	-3.3	5.8	6.3	0.6	7.9
Furniture, textiles & appliances (8.2%)	4.1	2.9	4.9	3.1	4.3	0.2	5.1
Health care (2.0%)	3.5	2.6	1.5	2.3	1.3	0.0	0.7
Transport & communication (20.5%)	2.6	6.4	2.2	1.4	1.7	0.2	2.5
Entertainment, leisure & culture (10.9%)	2.9	2.0	6.0	7.3	3.4	0.4	1.2
Miscellaneous goods & services (7.2%)	4.7	5.6	4.8	-2.5	-2.4	1.1	1.6

Source: MDPS

Money Supply (QAR bn)	2010	2011	2012	2013	Aug-14	MoM%	YoY%
Broad money (M2)	264.7	310.0	381.1	455.7	489.8	2.6%	13.5%
M1	68.3	81.8	90.9	105.9	122.0	-2.9%	21.7%
Quasi-money	196.4	228.1	290.1	349.8	367.7	4.5%	11.1%

Interest rates (% , end period)	2010	2011	2012	2013	Aug-14	MoM bp	YoY bp
QCB deposit	1.50	1.50	0.75	0.75	0.75	0.0	0.0
QCB lending	5.50	5.50	4.50	4.50	4.50	0.0	0.0
Interbank overnight	1.39	0.74	0.77	0.85	0.68	1.7	-13.6
Demand deposit	1.34	0.62	0.65	0.58	0.57	-1.6	-9.0
Overdraft	8.19	7.42	6.63	6.10	5.46	-4.8	-45.3
Credit card	19.92	10.69	9.11	8.13	8.64	18.5	23.4

Source: QCB

1/ Fiscal year data ending March 31.

## Banking Sector Snapshot : August 2014

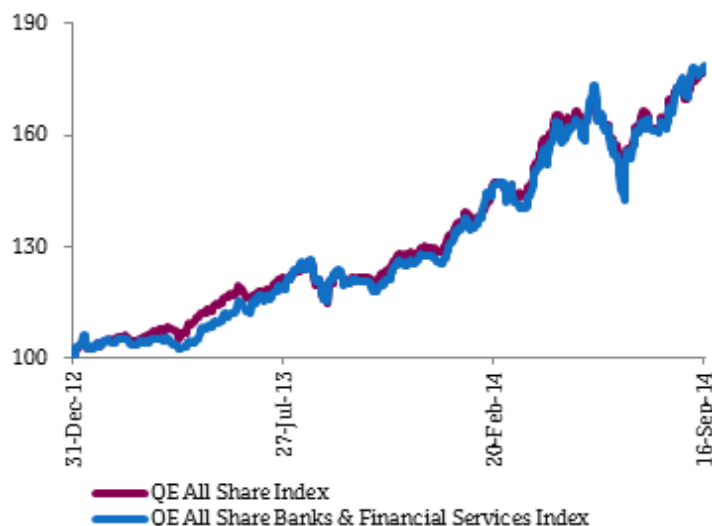
### Review and Outlook

The loan book increased 0.8% month-on-month (up 5.9% year-to-date) while deposits increased 1.3% month-on-month (6.3% year-to-date) in the month of August 2014. After posting a decline of 1.0% month-on-month in July 2014 (primarily due to Ramadan and summer lull, public sector declined by 4.4% month-on-month in July 2014), loans increased 0.8% month-on-month with private sector growing 2.4% month-on-month. Deposits also increased 1.3% month-on-month (deposits declined 2.7% month-on-month in July, with public sector deposits declining 3.8% month-on-month). Thus, the LDR declined to 105% vs. 106% in July. Going forward, post the summer lull, we expect increased activity in the sector. We expect improvement in the public sector, in addition to large corporate loan growth to be the primary drivers of the overall loan book in 2014 followed by the SMEs and consumer lending. Our view is based on the expected uptick in project mobilizations in the coming months.

The public sector deposits increased 0.7% month-on-month (2.0 year-to-date 2014) for the month of August 2014. Delving into segment details, the government institutions' segment (represents ~58% of public sector deposits) improved 6.2% month-on-month (+8.5% year-to-date 2014). Moreover, the semi-government institutions' segment posted a growth of 5.6% month-on-month (down 19.4% year-to-date 2014). On the other hand, the government segment decreased 10.1% month-on-month (+1.8% year-to-date). Private sector deposits grew 1.4% month-on-month (+10.5% year-to-date 2014). On the private sector front, the companies & institutions' segment increased 4.1% month-on-month (+12.7% year-to-date 2014) while the consumer segment receded 1.1% month-on-month (+8.4% year-to-date 2014).

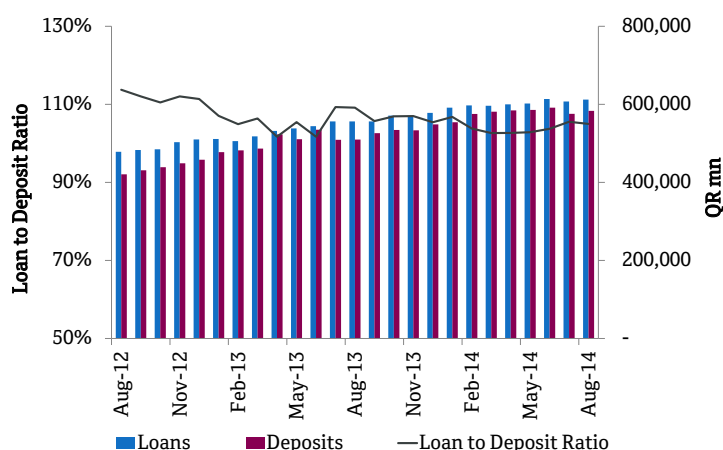
The overall loan book increased 0.8% month-on-month after a decline of 1.0% month-on-month in July 2014. International credit decreased by 6.6% month-on-month (+26.8% year-to-date 2014). Total domestic public sector loans grew 0.5% month-on-month and is down 3.7% year-to-date. The government segment's loan book grew 1.1% month-on-month (down 0.8% year-to-date 2014). Moreover, the government institutions' segment (represents ~61% of public sector loans) grew 0.7% month-on-month and is down 8.4% year-to-date. However, the semi-government institutions' segment declined 1.3% month-on-month (+13.8% year-to-date). Private sector loans gained 2.4% month-on-month and are up 10.8% year-to-date. Services segment also posted a growth of 7.8% month-on-month and is up 22.7% in the first eight months of 2014. Consumption & Others (contributes ~30% to private sector loans) increased 2.0% month-on-month (+13.9% year-to-date). Furthermore, the Real Estate segment (contributes ~26% to private sector loans) grew 0.9% month-on-month (+1.4% year-to-date). Overall, Services (+22.7% year-to-date) and Contractors (+17.1% year-to-date) segments are the best performing segments in the private sector year-to-date.

### Banking Sector Index vs. QE All Share Index



Source: Bloomberg

### Banking Sector - Loan to Deposit (LDR)



Source: QCB

**Shahan Keushgerian**  
[shahan.keushgerian@qnbfs.com.qa](mailto:shahan.keushgerian@qnbfs.com.qa)

**Abdullah Amin, CFA**  
[abdullah.amin@qnbfs.com.qa](mailto:abdullah.amin@qnbfs.com.qa)

**Saugata Sarkar**  
[saugata.sarkar@qnbfs.com.qa](mailto:saugata.sarkar@qnbfs.com.qa)

Banking Sector – Key Stats						
Banks	Closing Price	Change YTD (%)	EPS 2014E (QR)	P/E 2014E (x)	P/B 2014(x)	Dividend Yield 2014 (%)
QE Banks & Financial Services Index	3,527.80	44.36	N/A	N/A	2.5	3.3
Al Ahli Bank (ABQK)	54.00	27.64	3.6	15.2	2.2	5.6
Al Khalij Commercial Bank (KCBK)	22.90	14.56	1.4	14.0	1.4	4.8
Commercial Bank of Qatar (CBQK)	73.80	25.08	6.6	12.0	1.4	2.7
Doha Bank (DHBK)	62.60	7.56	5.5	11.5	1.7	7.2
Masraf Al Rayan (MARK)	57.40	83.39	2.6	22.3	3.8	3.0
Qatar International Islamic Bank (QIIK)	94.60	53.32	5.4	16.3	2.5	4.8
Qatar Islamic Bank (QIBK)	120.00	73.91	6.2	19.4	2.2	3.8
Qatar National Bank (QNBK) *	213.00	23.84	15.0	14.2	2.8	3.2

Source: QNBFS estimates, Bloomberg estimates (\*) and data (as of September 18, 2014)

Banking Sector Indicators										
(In QR mn)	2010	2011	2012	2013	Mar-14	Jun-14	Jul-14	Aug-14	Change MoM	Change YTD
<b>Total Assets</b>	567,482	694,301	820,512	915,911	952,148	961,850	946,902	954,816	0.8%	4.2%
<b>Total Credit (Loans)</b>	314,481	403,563	510,048	577,976	596,344	613,500	607,141	612,146	0.8%	5.9%
<b>Total Deposits</b>	306,788	363,612	458,066	548,384	581,000	591,397	575,445	583,075	1.3%	6.3%
<b>Loan to Deposit Ratio</b>	<b>103%</b>	<b>111%</b>	<b>111%</b>	<b>105%</b>	<b>103%</b>	<b>104%</b>	<b>106%</b>	<b>105%</b>		
<b>Credit Facilities (Geographic)</b>										
Total Domestic Credit	293,920	376,695	478,305	535,657	550,417	556,628	549,672	558,495	1.6%	4.3%
Total International Credit	20,561	26,867	31,743	42,319	45,927	56,872	57,469	53,651	-6.6%	26.8%
<b>Domestic Credit Facilities - Public Sector</b>										
Government	36,303	40,801	51,746	56,549	67,288	61,191	55,507	56,122	1.1%	-0.8%
Government Institutions	50,452	90,619	139,585	152,516	150,361	144,287	138,758	139,740	0.7%	-8.4%
Semi-Government Institutions	16,303	17,750	27,222	30,679	28,617	34,624	35,372	34,909	-1.3%	13.8%
<b>Total Domestic Public Sector Credit</b>	<b>103,058</b>	<b>149,170</b>	<b>218,553</b>	<b>239,745</b>	<b>246,266</b>	<b>240,102</b>	<b>229,637</b>	<b>230,771</b>	<b>0.5%</b>	<b>-3.7%</b>
<b>Domestic Credit Facilities - Private Sector</b>										
								0.61		
General Trade	24,875	26,855	33,280	36,011	39,610	38,774	39,107	38,799	-0.8%	7.7%
Industry	6,648	6,534	9,339	11,592	10,440	10,828	11,352	11,359	0.1%	-2.0%
Contractors	18,411	16,220	16,546	23,331	26,458	26,309	26,739	27,310	2.1%	17.1%
Real Estate	51,042	76,220	85,562	85,388	85,113	84,804	85,832	86,581	0.9%	1.4%
Consumption & Others	60,345	71,986	78,587	87,020	89,049	93,637	97,156	99,146	2.0%	13.9%
Services	29,541	29,709	36,438	52,570	53,480	62,174	59,848	64,529	7.8%	22.7%
<b>Total Domestic Private Sector Credit</b>	<b>190,862</b>	<b>227,525</b>	<b>259,752</b>	<b>295,912</b>	<b>304,151</b>	<b>316,526</b>	<b>320,035</b>	<b>327,724</b>	<b>2.4%</b>	<b>10.8%</b>
<b>Deposit Details (Geographic)</b>										
Resident Deposits	277,107	343,777	417,337	514,804	550,048	558,245	543,364	549,335	1.1%	6.7%
Non-resident Deposits	29,681	19,835	40,729	33,579	30,952	33,153	32,081	33,740	5.2%	0.5%
<b>Deposits - Public Sector (Domestic)</b>										
Government	18,486	40,825	44,557	68,459	76,856	84,935	77,522	69,661	-10.1%	1.8%
Government Institutions	32,277	57,351	104,378	124,390	135,485	126,889	127,155	134,990	6.2%	8.5%
Semi Government Institutions	21,309	27,700	31,794	37,283	25,341	30,429	28,452	30,051	5.6%	-19.4%
<b>Total Public Sector Deposit</b>	<b>72,071</b>	<b>125,876</b>	<b>180,729</b>	<b>230,131</b>	<b>237,682</b>	<b>242,253</b>	<b>233,129</b>	<b>234,702</b>	<b>0.7%</b>	<b>2.0%</b>
<b>Deposits - Private Sector (Domestic)</b>										
Personal	90,828	103,093	116,257	145,841	162,317	162,406	159,920	158,148	-1.1%	8.4%
Companies & Institutions	114,207	114,809	120,350	138,833	150,048	153,585	150,314	156,485	4.1%	12.7%
<b>Total Private Sector Deposit</b>	<b>205,036</b>	<b>217,902</b>	<b>236,607</b>	<b>284,673</b>	<b>312,366</b>	<b>315,991</b>	<b>310,234</b>	<b>314,633</b>	<b>1.4%</b>	<b>10.5%</b>

Source: QCB

## Qatar Exchange Monthly Performance

Company Name	Price (October 02)	% Change 5-Day	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	207.90	2.41	20.87	145,474	14.8	2.8	3.4
Qatar Islamic Bank	114.50	1.33	65.94	27,056	19.1	2.3	3.5
Commercial Bank of Qatar	72.50	1.54	22.88	21,528	13.4	1.3	2.3
Doha Bank	59.00	0.17	1.37	15,244	10.7	1.4	7.6
Al Ahli Bank	53.10	(0.75)	25.51	8,772	15.7	2.3	N/A
Qatar International Islamic Bank	89.60	(0.99)	45.22	13,563	17.2	2.6	4.2
Masraf Al Rayan	55.80	(0.18)	78.27	41,850	23.4	4.1	2.7
Al Khaliji Bank	22.20	(0.05)	11.06	7,992	15.3	1.4	4.5
National Leasing	27.70	(1.07)	(8.13)	1,371	32.9	1.1	5.4
Dlala Holding	61.80	0.32	179.64	1,372	17.4	5.1	N/A
Qatar & Oman Investment	17.88	(0.11)	42.81	563	22.9	1.7	3.4
Islamic Holding Group	124.20	3.85	170.00	497	40.7	8.3	1.4
<b>Banking and Financial Services</b>				<b>285,280</b>			
Zad Holding	88.40	(1.78)	27.19	1,156	10.7	1.5	4.0
Qatar German Co. for Medical Devices	13.69	(1.16)	(1.16)	158	N/M	0.9	N/A
Salam International Investment	19.84	(0.70)	52.50	2,268	15.9	1.4	5.0
Medicare Group	130.70	0.15	148.95	3,678	29.4	4.5	1.4
Qatar Cinema & Film Distribution	46.00	(5.15)	14.71	263	22.4	1.9	N/A
Qatar Fuel	227.40	1.47	4.05	19,206	16.1	3.1	3.4
Qatar Meat and Livestock	62.70	(1.88)	21.28	1,129	20.1	4.6	3.3
Al Meera Consumer Goods	186.20	2.03	39.68	3,724	14.4	2.9	4.3
<b>Consumer Goods and Services</b>				<b>31,582</b>			
Qatar Industrial Manufacturing	47.30	(0.73)	12.17	2,248	11.1	1.5	N/A
Qatar National Cement	141.70	(0.56)	19.08	6,958	15.9	2.8	4.2
Industries Qatar	190.00	(0.52)	12.49	114,950	18.3	3.8	5.8
Qatari Investors Group	58.70	0.34	34.32	7,298	31.9	3.4	1.3
Qatar Electricity and Water	190.10	0.58	14.96	20,911	14.3	3.5	3.6
Mannai Corp.	115.50	1.32	28.48	5,269	9.4	2.7	4.8
Aamal	15.70	(0.57)	4.67	9,420	17.6	1.3	N/A
Gulf International Services	122.40	(1.77)	150.82	22,747	26.8	7.0	1.3
Mesaieed Petrochemical Holding	33.30	(0.75)	N/A	41,835	N/A	3.1	1.1
<b>Industrials</b>				<b>231,636</b>			
Qatar Insurance	100.50	2.34	88.91	16,134	16.5	3.0	2.0
Doha Insurance	33.00	(4.35)	32.00	1,650	11.5	1.6	6.1
Qatar General Insurance & Reinsurance	44.30	(3.80)	10.98	3,064	2.1	0.6	2.8
Al Khaleej Takaful Insurance	47.00	(0.84)	67.40	1,043	12.2	1.6	N/A
Qatar Islamic Insurance	86.70	(1.48)	49.74	1,301	15.5	4.6	4.3
<b>Insurance</b>				<b>23,193</b>			
United Development	28.90	(0.34)	34.21	10,233	20.6	1.0	3.3
Barwa Real Estate	41.45	1.34	39.09	16,129	12.4	1.2	4.8
Ezdan Real Estate	20.60	4.20	21.18	54,641	42.3	1.9	1.5
Mazaya Qatar Real Estate Development	24.05	(0.62)	115.12	2,405	13.5	2.0	3.1
<b>Real Estate</b>				<b>83,409</b>			
Qatar Telecom	132.90	(3.63)	(3.13)	42,571	17.0	1.7	3.0
Vodafone Qatar	21.45	(0.42)	100.28	18,134	N/M	3.2	0.8
<b>Telecoms</b>				<b>60,704</b>			
Qatar Navigation (Milaha)	95.80	(0.52)	15.42	10,972	12.2	0.9	5.2
Gulf Warehousing	52.00	0.00	25.30	2,473	21.1	3.1	2.9
Qatar Gas Transport (Nakilat)	24.37	(0.33)	20.35	13,647	16.6	3.7	4.5
<b>Transportation</b>				<b>27,092</b>			
<b>Qatar Exchange</b>				<b>742,896</b>			

Source: Bloomberg, \* Trailing Twelve Months

This report is produced by QNB Group's Economics Team in collaboration with QNB Financial Services. Past issues are available online at <http://tinyurl.com/QatarMonitor>. For questions, or to receive it by email each month, please contact:

QNB Economics  
 QNB Group  
 Tel: (+974) 4453 4642  
[economics@qnb.com.qa](mailto:economics@qnb.com.qa)

Saugata Sarkar  
 Head of Research, QNBFS  
 Tel: (+974) 4476 6534  
[saugata.sarkar@qnbfs.com.qa](mailto:saugata.sarkar@qnbfs.com.qa)

**DISCLAIMER:** This publication has been prepared by Qatar National Bank ("QNB") and QNB Financial Services SPC ("QNBFS"), a wholly-owned subsidiary. QNB is regulated by the Qatar Central Bank, QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange. This publication expresses the views and opinions of QNB Group and QNBFS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that are believed to be reliable, we have not independently verified all such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, no warranties are provided as to the accuracy and completeness of the information it may contain, and any liability in that respect is declined. QNB/QNBFS reserve the right to amend the views and opinions expressed in this publication at any time. They may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

**COPYRIGHT:** This report is distributed on a complimentary basis to valued business partners of QNB. It may not be reproduced in whole or in part without permission.