

Executive Summary

- Qatar’s population grew a seasonally-adjusted 10.5% in August 2013, in line with our forecast for population growth of 10.9% in 2013, as the government ramps up infrastructure investment and creates new jobs
- Qatar posted a trade surplus of QR32.1bn on higher hydrocarbon export receipts
- Qatar had the fastest growing banking sector in the GCC in Q2 with asset growth of 18.4% at end-June 2013

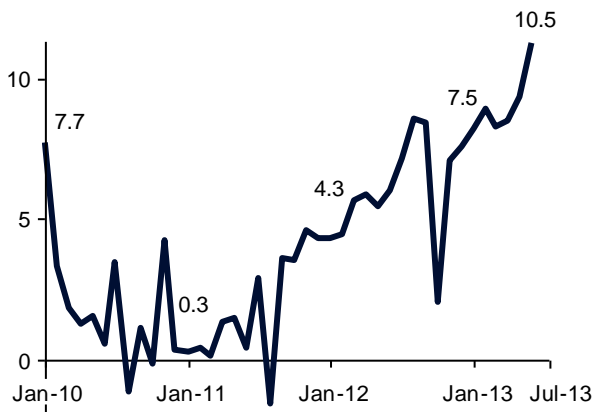
Qatar’s population reaches a record high in August

Qatar’s population grew by a seasonally-adjusted 10.5% in August 2013 year-on-year (yoy). This is the fastest population growth rate in the world. The total population of Qatar now stands at a record 1.96m as of August 2013.

Population growth in recent months has been driven up by the large infrastructure investment program in preparation for the 2022 World Cup. This will create an estimated 120k new jobs this year in Qatar. As a result, we expected the total population to reach 2.03m.

Population continues to surge

Population (% change, yoy), Seasonally Adjusted

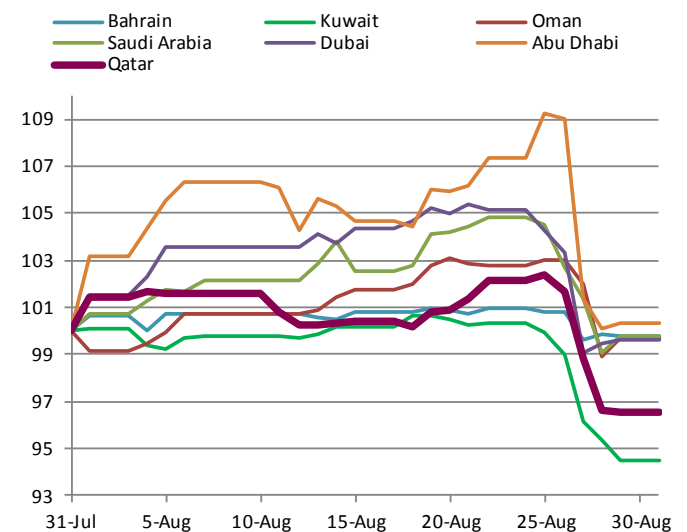


Source: Qatar Statistics Authority (QSA); People in Qatar

QNB Economics Weekly Commentary

- [Emerging Market Crisis May Derail Global Economic Recovery](#)
- [Top Ten GCC Banks Have Demonstrated Strong Growth And Are Well Insulated From The Turmoil Facing Emerging Markets](#)
- [How to Get the Indian Tiger to Roar Again](#)
- [A European Banking Union Could Go a Long Way in Fixing Europe’s Financial Architecture](#)

Stockmarket Indices (rebased with 31 Jul 2013 = 100)



The GCC markets experienced relatively heightened volatility and ended in the red for the month of August 2013.

Kuwait’s benchmark index was the worst performer, declining 5.4% month-on-month (mom). The second worst performing market was Abu Dhabi, declining 2.9% mom. Other regional indices also declined in the range of 0.6% to 2.5% during the month. Oman was the only exception, where the benchmark index went up 0.7% mom.

UAE Economic Insight 2013



QNB Group will shortly be publishing the UAE Economic Insight 2013, providing an overview of UAE’s economy, with historical data, in-depth analysis and forecasts.

The report will be available on the QNB [website](#) along with the recently published [Qatar Economic Insight 2013](#).

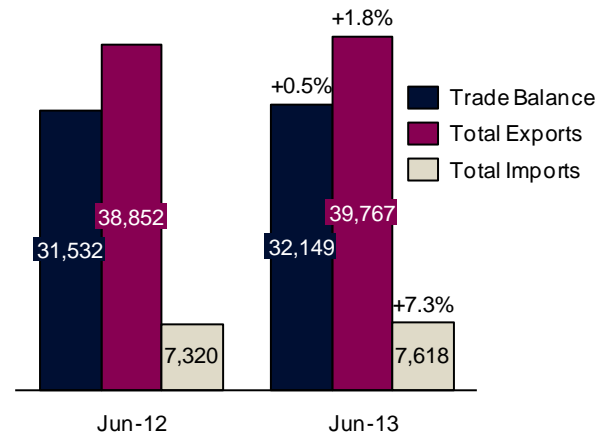
Qatar foreign merchandise trade surplus rises to QR32.1bn in June 2013

Qatar posted a trade balance of QR32.1bn in June, up 2.0% year-on-year owing to higher export receipts, primarily crude oil. Total exports in June stood at QR39.8bn and imports QR7.6bn. Japan topped the export destination in June and accounted for 28% of Qatar's exports followed by South Korea (18%) and India (11%).

Among Qatar's major import items in May were **motor cars and other vehicles, aircraft spares and telephone sets**. The US was the major exporter to Qatar in May (13%) followed by China (11%) and the UAE (8%).

Higher export growth drives wider trade balance

Trade Balance (QAR Millions, and % change yoy)



Source: QSA

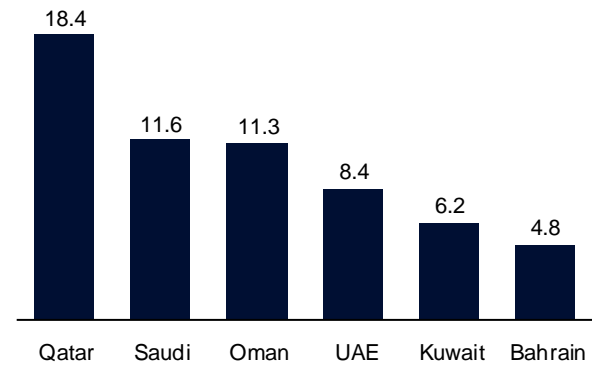
Qatar has the fastest growing banking sector in the GCC with dominant local banks

Robust asset growth (18.4% in June 2013) has made Qatar's banking sector the third largest in the GCC. Growth has mainly been driven by credit facilities and investment. Conventional banks account for the largest share of banking assets (72%) and were largely responsible for the strong growth with their balance sheets. The contribution of the banking sector to the economy continues to expand, with the ratio of total banking assets to GDP increasing from 97% in 2008 to 127% in June 2013. Asset quality is strong with non-performing loans (NPLs) expected to remain at about 1.7% of gross loans during 2013.

With real GDP expected to grow by 6.5% in 2013 and 6.8% in 2014, banks are projected to see lending growth around 20% during the same period as the contribution of the banking sector the Qatar economy grows.

GCC Banking Sector Asset Growth

% Growth (year-on-year)



Source: QSA. People in Qatar.

Qatar inflation stabilizes at 3.1% despite rising rents

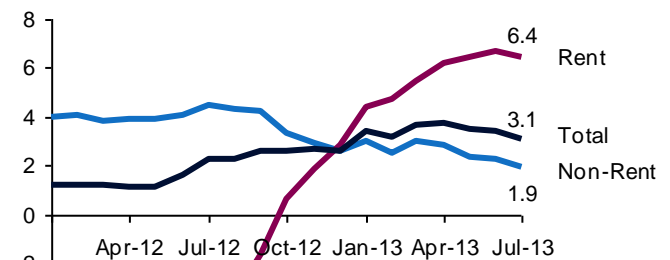
Inflation stabilized at 3.1% yoy in July 2013. Rent, Fuel and Energy group, which is the most influential and carry the maximum weight of 32.2% in the CPI basket, saw its index fall slightly to 6.4% y-o-y in July, but the index was up 0.10% from the previous month's level.

Among the other sectors, the highest inflation was witnessed in **Entertainment, Recreation and Culture**, which carries a weight of 10.9% in the CPI basket, as its group index rose up 9.3% compared to July 2012 (it was up 1.2% from June 2013).

The latest data is in line with our forecast for inflation of 3.5% for 2013 as a whole. We expect the further pickup in population growth to drive consumer demand and push inflation up to around 3.8% in 2014. There is an upside risk for inflation if the rollout of major infrastructure projects runs into capacity constraints.

Slower non-rent inflation counteracts higher rents

CPI Inflation (% YoY)



Source: Qatar Central Bank (QCB), QSA

Economic News

- **Building material demand to rise in Qatar –** According to a survey conducted by the Ministry of Development Planning & Statistics, Qatar's construction sector is set to see a record demand of primary building materials over the next few years. In the run up to the 2022 FIFA World Cup, the highest projected demand would be for limestone, gabbro and spoil removal & disposal. The demand for these materials would reach a record peak during 2014-2016. The survey showed that for the 2012-22 period, at 515mn tons, limestone was the material with the highest demand, followed by Gabbro at 264mn tons. The spoil removal & disposal demand is expected to reach 166mn tons during the period. (Peninsula Qatar)
- **Qatar largest LNG exporter to South Korea –** South Korean Prime Minister Chung Hong-won said that Qatar is the largest exporter of LNG to South Korea (30%) and the third exporter of crude oil (11%). He said that South Korea and Qatar are important trading partners to each other on the basis of their complementary industrial structure, adding that trading volume between the two countries has more than doubled from USD123bn in 2010 to USD262bn in 2012. Moreover, he said Korea's crude oil imports from Qatar have increased from 64mn barrels in 2010 to 103mn barrels in 2012. (Gulf-Times.com)
- **Consumer confidence high in Qatar –** According to the findings of the MasterCard Index of Consumer Confidence, consumers in Qatar are extremely optimistic on employment, economy, regular income and stock market. The findings showed that consumers are more optimistic about employment (99.4 currently versus 98.1 previous), economy (98 vs 97) and quality of life (97.2 vs 96.2). They are also very optimistic about regular income (95.7 vs 99.3) and stock market (91.7 vs 92), despite a slight decrease in the score compared to the previous edition of the index. (Gulf-Times.com)
- **QCB to issue QR4bn T-bills on September 3 –** The Qatar Central Bank (QCB) is set to issue treasury bills with a maturity period of 91 days, 182 days and 273 days on September 3, 2013. The total amount of issuance is QR4bn. (QCB)
- **Qatar's current account surplus widens to QR71.3bn in 1Q2013 –** According to the data released by the Qatar Central Bank (QCB), Qatar's current account surplus has widened to QR71.3bn in 1Q2013, which is 38.5% of the GDP. The data also showed that Qatar had a surplus of QR49.6bn in 4Q2012, which was 27.4% of the GDP. In 1Q2013, trade balance stood at QR103.0bn as compared to QR92.6bn in 4Q2012. Exports were up to QR129.8bn in 1Q2013, while imports declined to QR26.8bn in 1Q2013. Meanwhile, according to the forecast of analysts polled by Reuters in April, Qatar would post a current account surplus of 25.5% of GDP in 2013 and 20.0% in 2014. (Reuters)
- **FDI outflow from Qatar slips by 8.5% in 2012 –** According to the annual World Investment Report 2013 of the United Nations Conference on Trade & Development (UNCTAD), FDI outflows from Qatar to other countries declined by 8.5% to USD1.8bn in 2012. UNCTAD's country fact sheet on Qatar's cross-border merger & acquisitions shows the country's net purchases reached USD4.61bn in 2012. Meanwhile, Qatar's inward fund flow saw a marginal increase of 0.6% to USD327mn. (Peninsula Qatar)
- **Qatar sees 75,000 visitors from GCC during Eid-al-Fitr holiday –** According to the Qatar Tourism Authority, nearly 75,000 visitors from the GCC region had chosen Qatar as their destination of choice for the Eid-al-Fitr holiday. Tourists joined celebrations across the country in programs at Doha Exhibition Center, Katara Cultural Village, Souq Waqif, malls, museums, Aquapark, The Pearl Qatar and other locations. (AME Info)
- **Qatar's QR45bn highway project to be completed by end of 2017 –** Qatar's ambitious country-wide highway road project launched in July 2010 is expected to be completed by 4Q2017. The highway program includes some 900 kilometers of roads with multiple lanes on both directions and around 240 major intersections. The overall cost for the construction and infrastructure of the projects is estimated to be QR45bn. Meanwhile, another report said the Public Works Authority is expected to complete the work of the East Industrial Area Road within a few months at an estimated cost of QR226mn. It includes portion of a ring road that would connect the port at Al-Shammal with the Mesaieed port in the south. It is around 3.5 kilometers long with three lanes on each direction. (Gulf-Times.com)
- **Ashghal launches USD474mn sanitation project –** The Public Works Authority (Ashghal) has announced a planned USD474mn sanitation project in the northern area of Doha. This project involves designing and building a major wastewater pumping station, a pipeline network as well as a lifting station in order to improve sanitation in new Doha. Ashghal has also completed the expansion work of the second phase of the USD190mn Doha south wastewater treatment plant. The plant's capacity is now 180,000 cubic meters per day, up from 106,000 cubic meters. Moreover, Ashghal is expected to complete the development works on Muntazah Street by the last quarter of 2014. The project will connect the Industrial Area and F-Ring Road with Abu-Hamor Central Market Road and Mesaimer St, with an easy access to Barwa city as well. (Gulf-Times.com)
- **Dukhan highway project nears completion –** The ongoing phase of the Dukhan highway project worth QR1.4bn is expected to be completed by the end of 2013. The phase starts from the Al Wajba intersection and covers a 15-kilometer dual carriage way with four lanes on each side. (Peninsula Qatar)

Private Sector News

Finance

- Kahramaa tests its first underground substation –** Kahramaa has successfully completed and tested the substation at Msheireb Downtown Doha, the flagship development of Msheireb Properties. The 66 Kilovolt substation is the first energized underground substation in Qatar. (AME Info)
- Kahramaa floats tender for water project –** Qatar General Electricity & Water Corporation (Kahramaa) has floated a tender for key water lines project, which is part of the corporation's plans to develop the water sector in the country. The tender pertains to contracts for material supply and the construction and commissioning of water lines and channels between Umm Baraka and Rawdat Rashid. (Gulf-Times.com)
- Kahramaa to install smart meters –** Qatar General Electricity & Water Corporation (Kahramaa) is executing a new project, which will install smart meters in all the buildings in the country by 2016. As part of this project, QEWS has recently connected a set of meters in a building in Al Sadd with a temporary monitoring center in the customer service building in the Al Hilal area. These meters work through a remote monitoring and reading system connected to a central facility. (Gulf-Times.com)
- SIIS earns QR48mn net profit from land sale –** Salam International Investment Limited (SIIS) announced that two land plots among its real estate investments have been sold, in addition to the land sold previously. SIIS has achieved a net profit of QR48mn from the latest sale. Thus, the gross net profit achieved from the recent and the previous land sale deals stood at QR73mn. The results for these deals will be visible in the company's semi-annual financial statements for 2013. (QE)
- Qafac's QR291mn carbon recovery plant to be ready by 2014-end –** Qatar Fuel Additives' (Qafac) General Manager Nasser Jeham al-Kuwari said the company's carbon dioxide recovery (CDR) plant worth QR291mn is more than 50% complete and is set for commissioning by the end of 2014. The plant located at Mesaieed will meet a two-pronged objective for Qafac of both reducing emissions as well as stepping up methanol production. He also said that the plant, when operational, will recover 500 tons per day of carbon dioxide (a greenhouse gas) from its methanol reformer stack and will inject it back into its existing process to enhance the methanol production. Further, he said that the company is looking at an additional production of 100,000 tons per year of methanol. Meanwhile, Qafac has opened its new headquarters at the Bay Tower 2 in The Gate Mall. (Gulf-Times.com)
- QCB sends draft on Basel III rules to banks –** The Qatar Central Bank (QCB) has sent a draft circular on the new Basel III capital rules to conventional and Islamic banks in Qatar. These new capital rules include the requirements for issuing instruments such as hybrid bonds. QCB said this is a consultative circular and the final version is slated to be completed once a quantitative impact study is undertaken for national banks. The hybrid debt, which has equity-like characteristics allowing it to be counted toward banks' core capital ratios, can include perpetual debt and Islamic bonds. (GulfBase.com)
- Qatar monthly banking update for July 2013 –** Deposits decreased by 4.8% MoM (+11.1% YTD), while loans increased by 2.3% MoM (+9.1% YTD) in July 2013. However, the banking sector's loan-to-deposit ratio (LDR) rose to 109% in July 2013 versus 102% at the end of June 2013. (QCB)
- S&P affirms rating for DHBK's subsidiary with Stable outlook –** S&P has affirmed the rating for Doha Bank Assurance Company's (Doha Bank's (DHBK) subsidiary) counterparty credit and insurer financial strength at BBB with a Stable outlook. (Gulf-Times.com)
- Qatar leads MENA M&A deals in 1H2013 –** According to a report by E&Y, Qatar led the Middle East & North Africa (MENA) region with four out of the top 10 merger & acquisition (M&A) deals by value, followed by the UAE during 1H2013. The largest sovereign wealth fund (SWF) deal was the Qatar Foundation's acquisition of 5% stake in India-based Bharti Airtel Ltd for USD1.26bn. The majority of SWF and private equity activities were in the telecommunications sector. The value of disclosed inbound deals in the MENA region increased from USD5.1bn in 1H2012 to USD10.6bn in 1H2013, indicating a rise of 108%. However, outbound deals dropped by 37% from USD10.5bn in 1H2012 to USD6.6bn in 1H2013. (Peninsula Qatar)
- RasGas completes offshore drilling in Barzan Gas project –** RasGas Company Limited has successfully completed offshore drilling for 30 development wells worth USD10.3bn in Barzan Gas Project. This paves the way for subsequent phases of the project to proceed for connecting the wells to subsea pipelines that will bring the gas to shore.. (AME Info)
- Qatar real estate transactions double in July –** According to a report by Ezdan Holding, real estate transactions in Qatar grew by 103% YoY in July to reach QR5.5bn despite the onset of the summer season and Ramadan holidays. The report said that Qatar's real estate sector has benefited from the boom in projects related to Qatar's National Vision 2030 strategy and also due to the commencement of mega projects for the 2022 FIFA World Cup. Further, the award of tenders for Doha Metro by Qatar Rail has created a positive impact, stimulating the real estate sector. The report referred to the sales growth in The Pearl Qatar during 2Q2013, which continues to attract investors interested in the luxury residential sector. (Peninsula Qatar)
- Markhiya infrastructure upgrade gathers steam –** Several infrastructure projects are being implemented in Markhiya as part of the Central Municipal Council's plans to upgrade public services and facilities in the area. The Central Municipal Council's Member for Markhiya constituency, Dr Mohamed Jassim al-Mislimani said several projects have been completed as

part of Hazm Al Markhiya's infrastructure development undertaken at an estimated cost of QR400mn. These projects include constructing new streets, providing adequate lighting, paving and other road works, developing a water and sanitation grid, and building cycling tracks and public gardens. (Gulf-Times.com)

- **Es'hailSat, ARABSAT sign strategic partnership agreement** – Es'hailSat Qatar Satellite Company and Arab Satellite Communications Organization (ARABSAT) have signed a strategic partnership agreement to promote cooperation and strengthen the reach of TV broadcasting in Qatar. Under this agreement, Es'hailSat will acquire the rights to 500MHz of premium Ku-band bandwidth at the 26 degrees East TV broadcasting hot-spot. Es'hailSat's second satellite, Es'hail 2, will use these frequencies and will be designed to provide DTH and other telecommunications services from this hot spot. This will significantly increase Es'hailSat's capacity, and will strengthen Es'hailSat's in-orbit back-up capability when both Es'hail 1 and Es'hail 2 are operational. (AME Info)
- **QA to extend its network to Delhi and Bangalore** – Qatar Airways (QA) is planning to extend its Boeing 787 Dreamliner network to the Indian cities of Delhi and Bangalore starting from September 1, 2013. (AME Info)
- **QE-listed companies report QR20.99bn net profit in 1H2013** – The 41 companies listed on the Qatar Exchange (QE) (except Vodafone) have reported a combined net profit of QR20.99bn as of June 30, 2013, reflecting an increase of 13.59% YoY. (QE)
- **ZHCD reports QR45mn net profit in 2Q2013** – ZAD Holding Company (ZHCD) has reported a net profit of QR45mn in 2Q2013, indicating a QoQ decrease of 0.7% (+103.4% YoY). However, the company's net profit in 1H2013 was up 41.7% YoY to QR90.4mn. EPS stood at QR4.20 in 1H2013 as compared to QR2.96 in 1H2012. Total revenues increased by 11.7% QoQ (+39.1% YoY) to QR206.6mn in 2Q2013, while it was up by 21.9% YoY to QR391.5mn in 1H2013. (QE)
- **Fitch affirms QGTS senior and subordinated bond ratings; outlook "Stable"** – Fitch has affirmed Qatar Gas Transport Company's (QGTS) USD850mn series A senior secured bonds due 2033 at "A+" with a "Stable" outlook and USD300mn series A subordinated second priority secured bonds due 2033 at "A-" with a "Stable" Outlook. The rating affirmations reflect the project's stable operating and financial performance. (GulfBase.com)
- **Qatar lines up plans to augment water and electricity production capacity** – According to a report released by the General Secretariat of the Council of

Ministers, Qatar is set to augment its water and electricity production capacity by launching new projects and enhancing existing infrastructure. The report revealed that government agencies have signed agreements to meet production and distribution targets of the utilities by 2016. The report further stated that a separate study is underway to boost production of the utilities in order to meet the projected demand in 2030. A feasibility study on linking Qatar's water network with the GCC region is also underway. Moreover, the report indicated that Qatar Water & Electricity Corporation (Kahramaa) has completed its consulting services with agencies ahead of distributing power to its major subscribers in North Doha, Barwa Village, Barzan and Lusail as well as at the New Doha International Airport. (Peninsula Qatar)

- **Tasweeq offers to sell jet fuel cargo** – Qatar International Petroleum Marketing Company Limited (Tasweeq) has offered to sell 40,000 metric tons per month A-1 jet fuel cargoes from Ras Laffan for the September-December period and 30,000 metric tons of 97-RON gasoline from Mesaieed for September 29-30 delivery. Further, Tasweeq has also offered to sell six cargoes of Al-Shaheen crude totaling 3.6mn barrels for October loading. (Bloomberg)
- **New Economic Zones to spur non-hydrocarbon growth in Qatar** – Qatar's ongoing policy to diversify its economy into non-hydrocarbon sector is expected to get a huge boost with the opening of three proposed Economic Zones scheduled in 2016-2017. The three economic zones coming up in various locations will be mainly dedicated to the start-ups, innovations and SMEs in the non-hydrocarbon sectors. (Peninsula Qatar)
- **DIA starts work on two-storey car parking facility at arrival terminal** – The Doha International Airport (DIA) has announced that it has started work on a new two-storey car parking facility at the arrival terminal. This project aims to ease the parking space problems faced by people and also provide quality services despite the space constraints. DIA further added the new parking lot would be completed in October and would have adequate facilities to park vehicles. (Gulf-Times.com)
- **Hamad International Airport to offer two 100-room hotels** – According to sources, the Hamad International Airport (HIA), which is currently being developed at an estimated cost of USD15.5bn, will feature two 100-room luxury transit hotels and a range of leisure facilities. (Gulf-Times.com)

Nominal GDP (QR bn)	2009	2010	2011	2012	Q1 13	YoY%	QoQ%
Total	0.0	0.0	0.0	0.0	185.4	6.1%	2.5%
Oil & Gas	159.5	239.7	370.2	404.7	106.8	1.5%	5.1%
Non-Oil	196.5	215.7	254.0	295.6	78.6	13.2%	-0.8%
Agriculture and Fishing	0.4	0.5	0.6	0.6	0.2	9.1%	4.2%
Industry	0.0	0.0	0.0	0.0	26.9	14.0%	-4.5%
Manufacturing	33.6	40.8	56.7	68.9	17.1	11.6%	-12.3%
Electricity, Gas and Water	1.8	2.1	2.4	2.6	0.5	14.1%	-15.0%
Construction	25.5	27.5	28.3	31.0	9.1	19.0%	15.3%
Services	132.1	140.9	162.1	188.1	50.7	13.0%	1.3%
Trade, Restaurants and Hotels	29.8	31.5	35.6	39.5	9.6	13.2%	-10.3%
Transport and Communications	16.2	18.1	21.0	23.4	6.3	8.5%	4.5%
Financial and Business Services	58.1	60.3	65.6	71.2	19.9	8.4%	6.7%
Social Services	4.1	4.5	5.0	5.7	1.5	14.1%	4.0%
Government Services	32.1	37.4	46.2	60.9	16.5	17.5%	0.9%
Household Services	1.8	1.9	2.0	2.3	0.7	19.3%	7.7%
Imputed Bank Service Charges	-10.2	-12.7	-13.4	-14.8	-3.9	1.8%	0.0%
Import Duties	3.1	3.8	3.9	4.3	1.0	3.9%	-4.0%

Source: QSA

Real GDP (% change, YoY)	2009	2010	2011	2012	Q4 12	Q1 13	QoQ%
Total	12.0	16.7	13.0	6.2	6.6	6.2	1.6
Oil & Gas	4.5	28.9	15.7	1.7	0.1	0.8	2.2
Non-Oil	17.6	8.6	10.8	10.0	11.8	10.6	1.1
Agriculture and Fishing	-17.0	19.7	5.4	4.5	7.2	5.9	3.0
Industry	6.1	23.4	14.0	4.6	14.3	11.9	3.5
Manufacturing	13.7	17.6	10.4	11.8	18.0	12.5	1.6
Electricity, Gas and Water	-0.4	13.5	7.9	10.5	12.5	8.6	-15.2
Construction	6.9	9.5	10.5	10.6	11.5	11.7	6.3
Services	21.9	6.9	10.3	9.2	10.6	10.1	-0.2
Trade, Restaurants and Hotels	15.7	2.5	12.9	7.7	8.9	10.5	-11.0
Transport and Communications	22.7	10.2	12.4	12.1	14.2	7.9	2.5
Financial and Business Services	25.8	7.4	6.3	6.7	7.2	10.5	5.8
Social Services	21.5	1.9	3.0	7.9	9.0	9.3	2.3
Government Services	23.6	8.7	13.1	11.5	11.9	9.4	0.2
Household Services	4.3	2.2	0.8	6.0	5.6	8.5	5.2
Imputed Bank Service Charges	1.0	3.3	16.4	8.0	4.5	4.9	1.3
Import Duties	-11.3	17.8	-1.1	13.7	4.1	1.0	-4.7

Source: QSA

Balance of Payments

Balance of Payments (USD bn)	2009	2010	2011	2012	Q1 13	QoQ%	YoY%
Current Account Balance	6.4	24.0	52.0	61.6	16.5	43.6%	31.6%
Trade Balance (Goods)	25.6	54.0	87.4	102.2	28.3	11.3%	11.1%
Exports	48.0	75.0	114.3	133.0	35.7	7.8%	7.2%
Imports	-22.5	-20.9	-26.9	-30.8	-7.4	-3.7%	-5.7%
Invisibles	-19.2	-30.1	-35.4	-40.6	-11.8	0.0%	10.5%
Services	-3.9	-5.8	-9.5	-14.0	-4.0	0.0%	28.4%
Income	-9.4	-12.9	-13.3	-12.1	-3.5	0.0%	0.2%
Transfers	-5.8	-11.4	-12.7	-14.5	-4.2	0.0%	5.6%
Capital & Financial Account Balance	0.6	-10.7	-62.6	-44.5	-13.9	-21%	44%
Capital Account	-1.8	-2.1	-3.6	-6.2	-2.0	0%	16%
Financial Account	2.4	-8.6	-59.0	-38.3	-15.6	0%	95%
Direct Investment (outwards)	-3.2	-1.9	-6.0	-1.8	-2.4	0%	-225%
Direct Investment (into Qatar)	8.1	4.7	-0.1	0.3	-0.5	0%	818%
Portfolio investment (net)	-	-	-	2.8	-2.3	0%	-156%

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

Top 5 Export Destinations (USD bn)	2009	2010	2011	2012	Q1 13	QoQ%	YoY%
Japan	14.5	19.7	27.4	32.6	9.2	-19.3%	-12.0%
Korea	7.6	10.8	18.9	23.2	7.0	-7.5%	3.7%
India	3.7	5.6	10.3	14.8	2.8	24.2%	58.9%
European Economic Community (EEC)	4.0	9.1	17.0	11.9	2.5	5.6%	-30.7%
China	1.2	2.2	4.3	7.0	2.0	-28.5%	-2.5%

Top 5 Import Sources (USD bn)	2009	2010	2011	2012	Q1 13	QoQ%	YoY%
European Economic Community (EEC)	8.1	7.1	6.6	7.4	2.2	21.1%	31.8%
United States	3.1	3.5	3.1	3.9	1.6	159.2%	85.4%
United Arab Emirates	1.8	2.3	3.0	3.2	0.8	0.0%	6.3%
Saudi Arabia	1.3	1.7	2.2	2.4	0.6	0.0%	6.3%
United Kingdom	1.1	1.4	1.5	1.8	0.5	6.5%	67.6%

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

Crude oil (USD / barrel)	2009	2010	2011	2012	Jul-13	MoM%	YoY%
Oil production ('000 bpd)	781.0	733.0	734.0	733.7	722.0	0.1%	0.4%
Qatar average price	62.0	77.7	108.4	111.2	104.8	-0.1%	5.7%
Dukhan	62.6	78.4	109.7	111.8	105.7	-0.6%	5.9%
Marine	61.6	77.2	107.5	110.6	104.4	0.0%	5.6%

Source: OPEC (Direct communications), Reuters

Budget, Population, Money & Prices

Government Budget	2008/09	2009/10	2010/11	2011/12	Q1 13	QoQ%	YoY%
Balance	41.3	47.7	12.3	45.0	15.0		
% of GDP	9.8%	13.4%	2.7%	7.7%	0.0%		
Revenue	141.2	169.3	156.1	219.3	79.6	54%	47.4%
Expenditure	100.0	121.6	143.8	174.4	64.6	49.0%	44.4%

Population (m people in Qatar)	2009	2010	2011	2012	Aug-13	MoM%	YoY%
Total	1.64	1.72	1.73	1.83	1.86	-0.8%	10.5%
Male	1.27	1.30	1.30	1.37	1.42	-0.8%	11.0%
Female	0.37	0.42	0.43	0.46	0.45	-1.0%	9.0%
Total (Seasonally Adjusted)	1.61	1.66	1.67	1.77	1.96	0.7%	10.5%

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

Inflation (% ch, 12mth average YoY)	2009	2010	2011	2012	Jul-13	MoM%	YoY%
Overall (weights shown below)	-4.9	-2.4	1.9	1.9	3.0	0.0	3.1
Food, beverages & tobacco (13.2%)	1.3	2.1	4.3	3.7	3.1	-0.8	1.9
Clothing & footwear (5.8%)	-4.5	-1.3	7.5	2.8	1.0	0.4	0.3
Rents, water & maintenance (32.2%)	-12.0	-12.8	-4.8	-3.3	3.4	0.1	6.4
Furniture, textiles & appliances (8.2%)	-2.0	4.1	2.9	4.9	3.7	0.3	1.4
Health care (2.0%)	1.7	3.5	2.6	1.5	1.9	0.2	2.4
Transport & communication (20.5%)	-4.4	2.6	6.4	2.2	1.8	0.2	0.7
Entertainment, leisure & culture (10.9%)	-1.2	2.9	2.0	6.0	7.2	1.2	9.3
Miscellaneous goods & services (7.2%)	7.3	4.7	5.6	4.8	0.8	-1.3	-3.2

Source: QSA

Money Supply (QR bn)	2009	2010	2011	2012	Jul-13	MoM%	YoY%
Broad money (M2)	215.1	264.7	310.0	381.1	438.8	-4.9%	16.0%
M1	53.1	68.3	81.8	90.9	107.9	-2.6%	26.1%
Quasi-money	162.0	196.4	228.1	290.1	331.0	-5.7%	13.1%

Interest rates (% , end period)	2009	2010	2011	2012	Jul-13	MoM bp	YoY bp
QCB deposit	2.00	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	2.01	1.39	0.74	0.77	0.77	11.5	-0.1
Demand deposit	1.99	1.34	0.62	0.65	0.66	4.6	-1.5
Overdraft	8.75	8.19	7.42	6.63	5.89	-35.7	-144.5
Credit card	20.00	19.92	10.69	9.11	8.25	-3.6	-89.6

Source: QCB

Banking Sector Snapshot : July 2013

Review and Outlook

Deposits declined by 4.8% MoM (+11.1% YTD) while loans ticked up by 2.3% MoM (+9.1% YTD) in the month of July 2013.

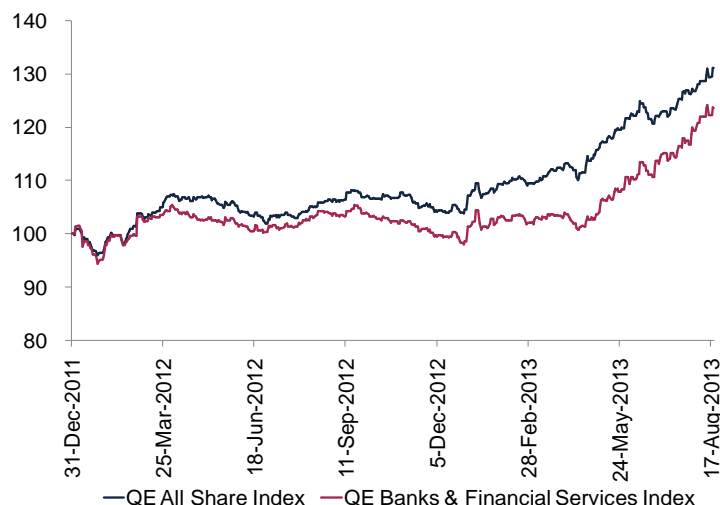
Hence, the banking sector's loan-to-deposit ratio (LDR) rose to 109% in July 2013 versus 102% at the end of June 2013. Furthermore, the domiciled LDR for the sector followed suit and stood at 101% versus 93% in June. Liquidity remains healthy when compared to 2Q2012 (current LDR of 109% versus the 2012 high of 124% in April 2012). We forecast loan growth of about 15% for 2013. NIMs were under some pressure throughout 1H2013. However, we expect NIMs to stabilize during 2H2013.

The public sector witnessed a steep decline in deposits in the month of July. Delving into segment details, public sector deposits contracted by 6.5% MoM (+13.5% YTD). The government institutions segment (represents ~63% of public sector deposits) declined by 8.1% MoM (+24.7% YTD). Moreover, the semi-government institutions segment also contracted by 7.2% MoM (+5.8% YTD). Further, the government segment was relatively flat, down 0.6% MoM (-7.0% YTD). On the other hand, private sector deposits exhibited a relatively less decline of 3.4% MoM (+12.2% YTD). The consumer segment slightly decreased by 1.3% MoM (+13.4% YTD), while the companies & institutions segment declined by 5.4% MoM (+11.0% YTD). Net-net, total deposits (including deposits outside of Qatar) declined by 4.8% MoM (+11.1% YTD). It should be noted that most of the growth in deposits during 2012 was realized in May and July of last year.

The overall loan book ticked up by 2.3% MoM (+9.1% YTD). Total domestic public sector loans improved by 2.2% MoM (+5.8% YTD). The improvement was on the back of government and semi-government institution segments. The government segment increased by 7.9% MoM (+5.4% YTD). On the other hand, the government institutions segment (represents ~65% of public sector loans) was flattish MoM (-0.3% MOM but +8.1% YTD). We continue to expect growth in public sector loans to pick up in the coming months and then grow thereafter as project mobilizations pick up. It should be noted that public sector loans expanded by 26% QoQ in 2Q2012. Private sector loans increased by 2.9% MoM (+8.2% YTD). **Consumption and others** (contributes ~30.6% to private sector loans) loans grew by 5.5% MoM. On the other hand, **real estate segment** inched up by 2.2 MoM (-5.7% YTD) and **general trade** posted a 1.0% MoM (+1.7% YTD) growth in loan book.

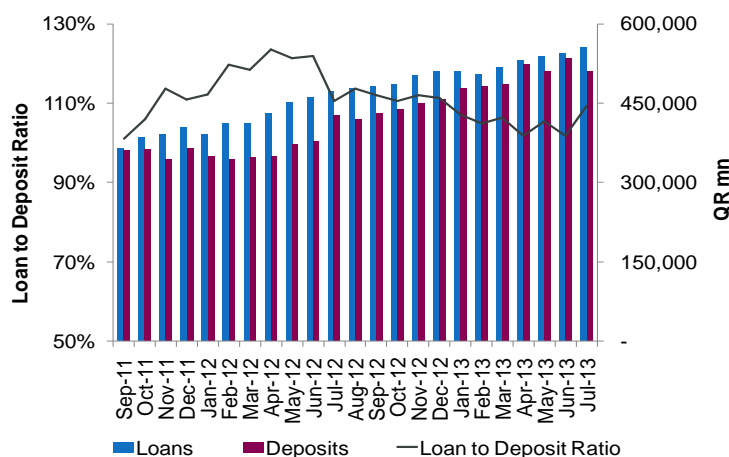
Specific loan-loss provisioning rested at 1.3% of average trailing 12-months loans vs. 1.3% in June 2013.

Banking Sector Index vs. QE All Share Index



Source: Bloomberg

Banking Sector - Loan to Deposit (LDR)



Source: Qatar Central Bank (QCB)

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Banking Sector – Key Stats

Banks	Closing Price	Change YTD (%)	EPS 2013E (QR)	P/E 2013E (x)	P/B (x)	Dividend Yield 2013 (%)
QE Banks & Financial Services Index	2,442.77	25.32	N/A	N/A	2.0	4.3
Al Ahli Bank (ABQK)	54.50	11.22	3.7	14.6	2.1	5.5
Al Khaliji Bank (KCBK)*	18.26	7.47	1.5	11.9	1.2	5.5
Commercial Bank of Qatar (CBQK)	70.00	(1.27)	8.2	8.6	1.2	7.3
Doha Bank (DHBK)*	56.00	20.79	5.3	10.5	1.7	6.7
Masraf Al Rayan (MARK)*	30.00	21.02	2.1	14.0	2.3	3.7
Qatar International Islamic Bank (QIIK)*	56.40	8.46	4.8	11.7	1.8	6.6
Qatar Islamic Bank (QIBK)*	69.50	(7.33)	6.3	11.0	1.5	6.5
Qatar National Bank (QNBK)	178.10	36.06	13.0	13.0	2.6	3.0

Source: QNBFS estimates (*), Bloomberg estimates and data

Banking Sector Indicators

(In QR mn)	2011	2012	Jan-13	1Q-13	2Q-13	Jul-13	Change MoM	Change YTD
Total Assets	694,301	820,512	828,418	848,293	878,862	876,140	-0.3%	6.8%
Total Credit (Loans)	403,563	510,048	511,162	517,690	543,834	556,219	2.3%	9.1%
Total Deposits	363,612	458,066	477,512	486,662	534,802	508,984	-4.8%	11.1%
Loan to Deposit Ratio	111%	111%	107%	106%	102%	109%	N/A	N/A
Credit Facilities (Geographic)					0.180			
Total Domestic Credit	376,695	478,305	478,652	479,776	499,441	512,182	2.6%	7.1%
Total International Credit	26,867	31,743	32,510	37,914	44,394	44,037	-0.8%	38.7%
Domestic Credit Facilities - Public Sector								
Government	40,801	51,746	55,203	49,964	50,559	54,552	7.9%	5.4%
Government Institutions	90,619	139,585	134,555	137,306	151,387	150,875	-0.3%	8.1%
Semi-Government Institutions	17,750	27,222	26,762	20,004	24,323	25,731	5.8%	-5.5%
Total Domestic Public Sector Credit	149,170	218,553	216,520	207,274	226,269	231,158	2.2%	5.8%
Domestic Credit Facilities - Private Sector								
General Trade	26,855	33,280	34,052	33,337	33,515	33,835	1.0%	1.7%
Industry	6,534	9,339	9,332	9,703	10,166	10,710	5.4%	14.7%
Contractors	16,220	16,546	16,877	17,434	18,493	20,226	9.4%	22.2%
Real Estate	76,220	85,562	87,615	86,245	78,955	80,663	2.2%	-5.7%
Consumption & Others	71,986	78,587	76,850	87,127	81,632	86,123	5.5%	9.6%
Services	29,709	36,438	37,407	38,657	50,411	49,468	-1.9%	35.8%
Total Domestic Private Sector Credit	227,525	259,752	262,132	272,502	273,172	281,025	2.9%	8.2%
Deposit Details (Geographic)								
Resident Deposits	343,777	417,337	435,269	444,944	494,432	470,720	-4.8%	12.8%
Non-resident Deposits	19,835	40,729	42,243	41,718	40,370	38,264	-5.2%	-6.1%
Deposits - Public Sector (Domestic)								
Government	40,825	44,557	46,773	36,666	41,704	41,446	-0.6%	-7.0%
Government Institutions	57,351	104,378	112,029	121,899	141,533	130,122	-8.1%	24.7%
Semi Government Institutions	27,700	31,794	31,763	26,123	36,247	33,639	-7.2%	5.8%
Total Public Sector Deposit	125,876	180,729	190,565	184,688	219,484	205,208	-6.5%	13.5%
Deposits - Private Sector (Domestic)								
Personal	103,093	116,257	116,831	126,938	133,674	131,884	-1.3%	13.4%
Companies & Institutions	114,809	120,350	127,873	133,317	141,274	133,629	-5.4%	11.0%
Total Private Sector Deposit	217,902	236,607	244,704	260,255	274,948	265,512	-3.4%	12.2%

Source: QCB

Qatar Exchange Monthly Performance

Company Name	Price (August 29)	% Change 5-Day	% Change Monthly	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	167.50	(5.42)	(5.37)	117,205	13.1	2.5	3.6
Qatar Islamic Bank	69.80	(5.42)	1.31	16,493	14.6	1.5	5.4
Commercial Bank of Qatar	68.40	(2.43)	(0.15)	16,925	8.4	1.2	8.8
Doha Bank	53.70	(3.94)	5.92	13,875	9.3	1.6	7.7
Al Ahli Bank	55.00	0.92	3.58	6,989	13.5	2.1	5.5
Qatar International Islamic Bank	55.50	(6.88)	2.59	8,401	11.9	1.7	6.3
Masraf Al Rayan	28.90	(3.83)	2.85	21,675	13.5	2.2	3.5
Al Khaliji Bank	18.49	(2.99)	9.67	6,656	12.3	1.3	5.4
National Leasing	34.20	(5.79)	(3.25)	1,692	10.0	1.3	5.8
Diala Holding	19.26	(8.81)	(9.19)	428	N/M	2.0	N/A
Qatar & Oman Investment	12.45	(5.68)	(4.67)	392	20.5	1.2	4.0
Islamic Holding Group	38.80	(4.20)	(4.20)	155	24.8	3.0	2.9
Banking and Financial Services				210,887			
Zad Holding	63.00	(5.12)	5.00	824	8.8	1.1	6.3
Qatar German Co. for Medical Devices	14.40	(4.26)	(8.57)	166	N/M	0.9	N/A
Salam International Investment	12.48	2.97	(0.48)	1,427	23.6	0.9	5.6
Medicare Group	47.95	(6.35)	3.34	1,350	22.7	1.8	3.8
Qatar Cinema & Film Distribution	49.10	(2.00)	(6.12)	280	29.7	2.1	4.1
Qatar Fuel	282.90	(2.11)	5.56	18,380	16.1	3.3	3.5
Qatar Meat and Livestock	52.70	(5.89)	(12.02)	949	14.4	4.1	7.6
Al Meera Consumer Goods	131.50	(2.45)	(3.31)	2,630	17.3	2.1	6.1
Consumer Goods and Services				26,005			
Qatar Industrial Manufacturing	48.10	(3.80)	(6.24)	1,905	11.2	1.5	6.1
Qatar National Cement	102.20	(1.26)	2.71	5,018	11.5	2.1	5.9
Industries Qatar	153.50	(4.66)	(3.40)	92,868	10.3	3.1	5.0
Qatari Investors Group	28.05	(9.95)	(1.06)	3,487	17.5	1.7	2.7
Qatar Electricity and Water	158.00	(3.30)	(3.66)	15,800	11.0	3.0	4.6
Mannai Corp.	84.00	(3.45)	(3.23)	3,832	8.8	1.7	5.7
Aamal	14.60	(4.82)	2.10	8,760	13.7	1.3	N/A
Gulf International Services	48.00	(3.81)	0.31	7,136	12.7	2.6	3.1
Industrials				138,806			
Qatar Insurance	60.00	(1.64)	(2.28)	7,706	9.3	1.6	3.4
Doha Insurance	26.00	1.56	4.00	669	12.2	1.3	3.5
Qatar General Insurance & Reinsurance	51.30	(3.21)	(8.06)	2,957	3.5	0.9	1.7
Al Khaleej Takaful Insurance	40.50	(1.94)	0.87	692	14.5	1.2	2.1
Qatar Islamic Insurance	57.40	(2.71)	(4.65)	861	14.5	3.3	6.1
Insurance				12,885			
United Development	21.40	(6.02)	(4.80)	7,217	9.5	0.7	4.7
Barwa Real Estate	24.50	(5.95)	(6.67)	9,534	15.9	0.8	6.1
Ezdan Real Estate	17.44	(2.35)	2.29	46,260	N/M	1.7	0.7
Mazaya Qatar Real Estate Development	11.33	(5.98)	(1.05)	1,133	17.0	1.0	5.3
Real Estate				64,143			
Qatar Telecom	139.00	(4.66)	(0.57)	44,524	13.2	1.8	3.6
Vodafone Qatar	9.02	(3.84)	(0.33)	7,626	N/M	1.3	N/A
Telecoms				52,150			
Qatar Navigation (Milaha)	78.00	(6.92)	2.63	8,933	9.2	0.8	4.8
Gulf Warehousing	39.75	(5.36)	(4.22)	1,891	19.6	2.5	N/A
Qatar Gas Transport (Nakilat)	19.29	(5.90)	5.99	10,802	14.4	3.4	5.2
Transportation				21,626			
Qatar Exchange				526,501			

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:

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