Qatar Monthly Monitor

Thursday, 06 December 2012

Contents

News Headlines

Economic News

- Fastest growing economy in GCC in 2013
- S&P maintains AA rating for Qatar
- KPMG: Qatar's prospects "bright" with gas abundance
- GCC insulated from future global shocks
- Budget slips into QR18.5bn deficit in Q2 2012
- Upsurge in project tenders due to World Cup preparations
- $140bn on infrastructure projects over next five years
- Inward FDI stock estimated at $31bn in Qatar
- $13.1bn investment in power over next eight years
- Emir approves setting up of public utilities panel
- The QCB issued QR4bn in treasury bills

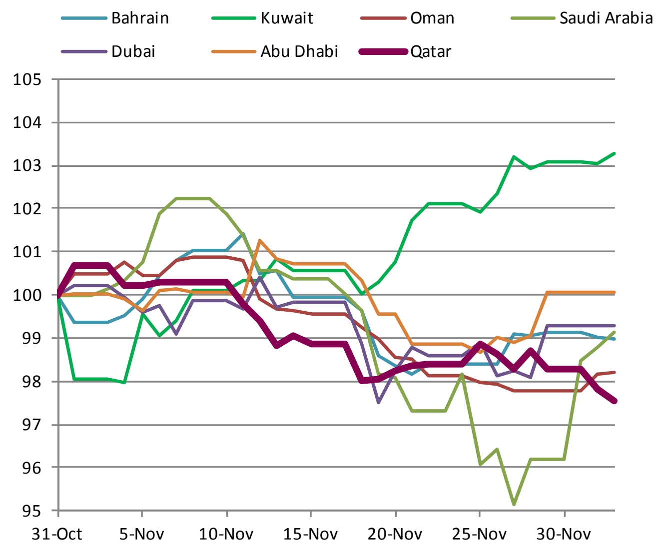
Public companies

- Qatar Holding asset management JV with Credit Suisse
- Qatar Holding cashes in on remaining Barclays warrants
- QP eyes shale gas opportunities in US
- Qatar to supply gas for Croatian LNG terminal
- QP and Total agree another 25 years of oil field operations
- QP and Shell's Al-Karaana project to be awarded in 2013

Private Sector

- Qatar may rival UAE financial crown
- Two Qatari companies in FT Top 500 list
- QNB Group raises $1bn to fuel expansion drive
- QNB offers competitive land financing rate
- Ahli Bank: Top shareholder to sell most of its stake
- EFSA: EFG-Hermes needs approvals for QInvest venture
- QInvest arranges Islamic syndicated facility for Mazaya
- Qatar Telecom signs $500mn debut Islamic finance deal
- Emir inaugurated QAPCO's QR2.2bn LDPE plant
- QP-QAPCO $7bn JV project on track for 2018 completion
- Qatar National Cement inks contract for clinker plant
- Qatar, Algeria in steel factory deal
- Algeria and Qatar to build fertilizer complex in Algeria
- Plans for tenders for railway coach manufacture
- Mowasalat builds more bus infrastructure for FIFA World Cup
- Al Meera Holding to acquire assets of Oman-based Safeer
- Gulf Warehousing Co opens branches in KSA and Dubai

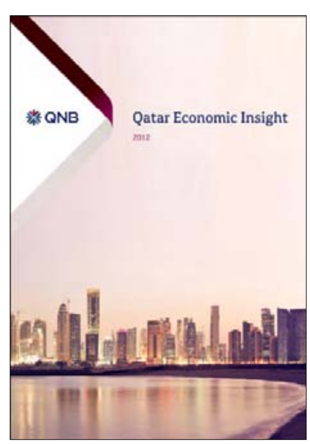
Stockmarket Indices (rebased with 31 Oct 2012 = 100)



The Qatar Exchange (QE) Index ended November in negative territory, declining 1.7%. All sectors declined across the board, with notable declines in the real estate, consumer and insurance sectors. However, the marginal 0.4% loss posted by the transportation sector, owing to the cancellation of Milaha's rights issue, limited the index's overall decline. It is worth mentioning that among the large caps, Doha Bank was the primary laggard due to its expected capital increase.

Elsewhere in the GCC, Kuwait was the only market to make convincing gains (up 3.1%) while Abu Dhabi was flattish. Kuwait's performance was helped by market chatter that the Kuwait Investment Authority (KIA) was intervening in the market after a drop of 3.6% in October (owing to political unrest). Other regional markets ended in negative territory. The looming US fiscal cliff along with political/social unrest in the MENA region has been a drag on the regional markets. The Saudi market was particularly impacted following weak corporate earnings expectations and speculation on the King's health.

Qatar Economic Insight 2012 Published



QNB's latest report provides a detailed overview of the Qatari economy and includes historical data, analysis and forecasts.

For further detail please see the full report. The printed report is available on request.

National Accounts

Nominal GDP (QR bn)	2008	2009	2010	2011	Q2-12	QoQ%	YoY%
Total	**419.6**	**356.0**	**463.5**	**630.9**	**173.4**	**-1.1%**	**11.9%**
Oil & Gas	230.3	159.5	239.7	364.5	96.8	-6.4%	8.2%
Non-oil	189.3	196.5	223.7	266.4	76.6	6.4%	16.9%
Agriculture and Fishing	0.5	0.4	0.5	0.6	0.1	-0.7%	1.4%
Industry	74.1	60.9	75.4	89.1	27.4	6.8%	15.0%
Manufacturing	44.9	33.6	49.2	62.7	19.4	5.4%	14.6%
Electricity, Gas and Water	2.1	1.8	2.1	2.6	0.7	23.1%	10.3%
Construction	27.2	25.5	24.1	23.8	7.1	9.6%	17.0%
Services	111.1	132.1	143.8	173.2	48.1	47.6%	18.2%
Trade, Restaurants and Hotels	23.4	29.8	32.3	35.7	10.0	9.4%	10.6%
Transport and Communications	14.8	16.2	18.3	21.9	6.3	14.2%	16.0%
Financial and Business Services	51.6	58.1	62.1	73.7	17.9	6.5%	6.2%
Social Services	3.5	4.1	4.3	4.9	1.4	4.9%	11.0%
Government Services	26.3	32.1	35.8	46.7	14.8	0.4%	39.0%
Household Services	1.7	1.8	1.9	2.0	0.6	8.2%	16.2%
Imputed Bank Service Charges	-10.1	-10.2	-11.0	-11.7	-2.8	4.1%	-5.0%
Import Duties	3.5	3.1	4.0	3.5	1.0	11.6%	13.0%

Source: QSA

Oil prices now look set to average US$ 111/barrel in 2012, versus our forecast (made in 2011) for US$ 110. We have marginally revised up our 2012 nominal GDP forecast to QR711 bn (12.7% growth with 8.8% in oil and gas sectors and 18.0% in non-oil)

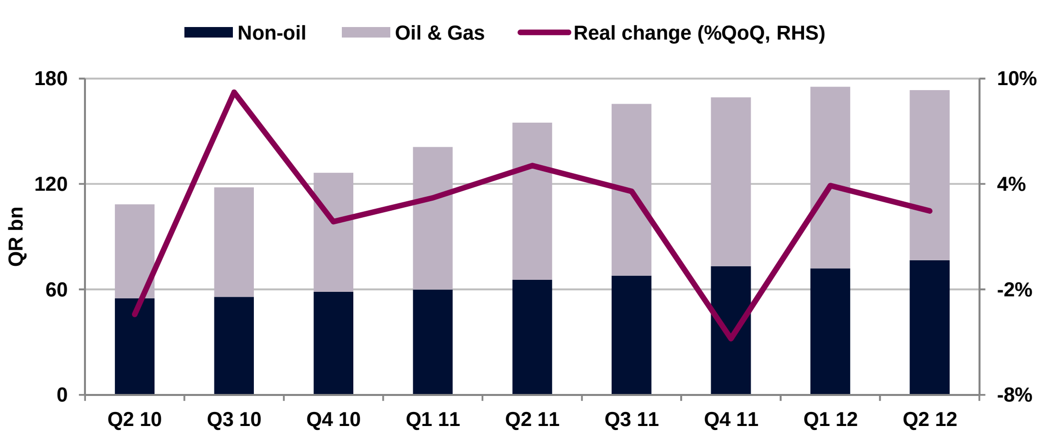
Government services is up 39% YoY due to the rise in salaries for Qatari nationals, by contrast in real terms the sector grew only 1.6%

Real GDP (% change, YoY)	2008	2009	2010	2011	2012F	Q2-12	QoQ%
Total	**17.7**	**12.0**	**16.7**	**13.0**	**5.6**	**5.0**	**2.5**
Oil & Gas	13.2	4.5	28.8	15.7	2.7	0.8	-0.1
Non-oil	21.3	17.6	8.6	10.8	8.0	8.5	4.5
Agriculture and Fishing	36.7	-17.0	19.0	4.5	3.3	1.8	-1.9
Industry	45.8	9.3	9.6	7.0	8.7	9.1	4.5
Manufacturing	18.9	13.7	22.4	7.9	8.2	8.0	6.0
Electricity, Gas and Water	12.3	-0.4	1.9	23.9	13.6	10.3	23.1
Construction	79.2	6.9	0.4	4.9	8.8	10.0	1.7
Services	13.2	21.9	7.0	13.2	7.6	8.1	4.4
Trade, Restaurants and Hotels	6.4	15.7	9.0	9.0	4.5	4.1	3.8
Transport and Communications	51.0	22.7	10.2	18.0	15.5	18.0	11.7
Financial and Business Services	8.9	25.8	7.2	8.0	9.8	12.1	10.2
Social Services	4.5	21.5	1.2	12.3	3.1	2.4	0.9
Government Services	8.9	23.6	4.1	20.1	3.0	1.6	-3.8
Household Services	3.8	4.3	2.2	3.4	12.3	11.1	5.8
Imputed Bank Service Charges	35.6	1.0	3.3	4.3	8.4	8.6	10.7
Import Duties	-21.4	-11.3	33.6	-16.5	7.8	8.3	10.1

Source: QSA and QNB Group Forecasts for 2012

Following the completion of most planned expansions in the gas sector, non-oil is now driving growth

We have slightly revised up our forecast for 2012 real GDP growth from 5.4% last month to 5.6%. This is owing to: oil prices being higher than expected; strong indications of non-oil activity, such as higher population growth and rising rent prices; higher imports; and an uptick in oil production

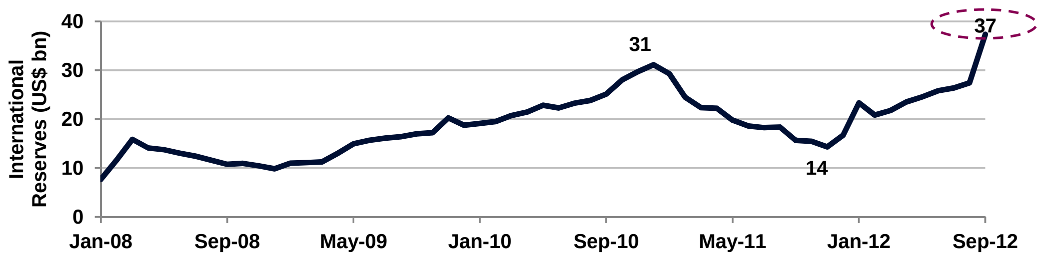


Balance of Payments and Trade

Balance of Payments (US$ bn)	2008	2009	2010	2011	Q2-12	QoQ%	YoY%
Current Account Balance	**26.6**	**6.4**	**23.8**	**52.0**	**9.6**	**-2.4%**	**-36.2%**
Trade Balance	42.2	25.6	53.9	87.4	18.5	-6.8%	-19.1%
Exports	67.3	48.0	74.8	114.3	27.3	-1.4%	-5.7%
Imports	-25.1	-22.5	-20.9	-26.9	-8.8	12.5%	45.1%
Invisibles	-15.6	-19.2	-30.1	-35.4	-8.9	-11.2%	14.1%
Services	-3.8	-3.9	-5.8	-9.5	-3.6	28.6%	55.9%
Income	-6.8	-9.4	-12.9	-13.3	-2.2	-36.5%	-8.6%
Transfers	-5.0	-5.8	-11.4	-12.7	-3.0	-17.2%	0.5%
Capital & Financial Account Balance	**-24.0**	**0.6**	**-10.7**	**-62.6**	**-5.2**	**36%**	**-75%**
Capital Account	-1.4	-1.8	-2.1	-3.6	-1.1	-10%	22%
Financial Account	-22.6	2.4	-8.6	-59.0	-4.1	56%	-79%
Direct Investment (outwards)	-3.7	-3.2	-1.9	-6.0	-2.1	-208%	-19%
Direct Investment (into Qatar)	3.8	8.1	4.7	-0.1	-0.2	244%	-9429%
Portfolio investment (net)	-	-	-	-18.9	-2.9	-171%	433%

The fall in exports in the last year is mainly a result of lower production of crude oil, which was compounded in Q2 2012 versus Q1 as crude oil prices were lower, however, these trends have now reversed

Strong growth in imports in Q2 has been driven by Machinery and Transport Equipment, an indication that project activity may be picking up



International reserves have rebounded from a low of US$14bn in Nov-11 to US$37bn in Sep-12

Source: QCB, plus UNCTAD for Direct Investment prior to 2011; Note: this is a simplified table and does not show all Balance of Payment lines

Top 5 Export Destinations (US$ bn)	2008	2009	2010	2011	Q2-12	QoQ%	YoY%
Japan	18.8	14.5	19.7	27.4	7.9	-10.5%	24.3%
Pending	12.0	7.6	10.8	18.9	5.9	1.7%	30.0%
European Economic Community (EEC)	3.1	4.0	9.1	16.9	3.2	-7.6%	-34.4%
India	2.9	3.7	5.6	10.3	4.1	22.8%	54.1%
Singapore	6.4	4.2	5.0	6.8	2.3	32.3%	33.6%

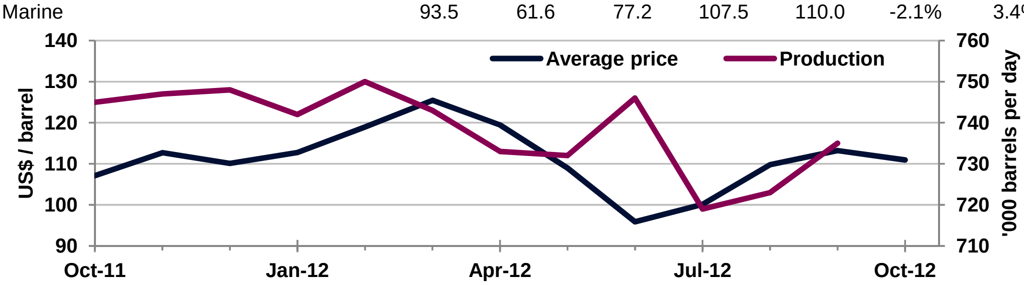
Exports to Japan have surged 24.3% YoY as additional LNG cargoes were dispatched to assist with its energy crisis following the closure of its nuclear plants

Top 5 Import Sources (US$ bn)	2008	2009	2010	2011	Q2-12	QoQ%	YoY%
European Economic Community (EEC)	9.3	8.1	7.1	6.6	1.5	-26.8%	12.5%
United States	2.5	3.1	3.5	3.1	0.5	-45.8%	-21.3%
United Arab Emirates	1.8	1.8	2.3	3.0	0.8	0.0%	3.0%
Saudi Arabia	1.4	1.3	1.7	2.2	0.6	0.0%	3.0%
Japan	2.7	1.8	1.3	1.1	0.4	-22.4%	40.3%

Source: IMF Direction of Trade Statisics; Note: the IMF's exports and imports by country differ slightly from QSA figures

Crude oil (US$ / barrel)	2008	2009	2010	2011	Oct-12	MoM%	YoY%
Oil production ('000 bpd)	842.8	781.0	733.0	734.0	735.0*	1.7%	-2.1%
Qatar average price	94.8	62.0	77.7	108.4	110.6	3.0%	4.1%
Dukhan	96.9	62.6	78.4	109.7	112.0	-1.9%	3.7%
Marine	93.5	61.6	77.2	107.5	110.0	-2.1%	3.4%

Crude production has been lower, on average, so far this year as maintenance work is required at some mature fields, however, it has ticked up in recent months



Source: OPEC (Direct communications), Reuters; Note: Monthly figures for 2011 have estimated based on downward revisions in OPEC annual figures; September 2012 figure

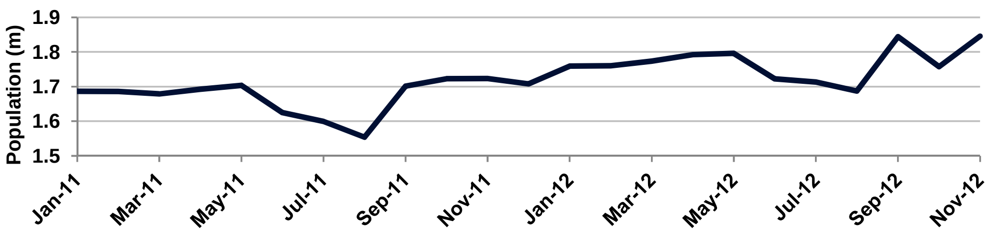
Budget and Population

Government Budget (QR bn)	2008/09	2009/10	2010/11	2011/12	Q2-12	QoQ%	YoY%
Balance	40.6	53.7	12.8	44.5	-18.5		
% of GDP	9.7%	15.1%	2.8%	7.1%	-10.7%		
Revenue	140.6	168.8	155.5	203.4	11.0	-79.6%	-65.9%
Expenditure	100.0	115.1	142.7	158.9	29.5	-34.0%	-14.4%

Revenue is seasonal and highly volatile. Q2 revenue is usually lower and it is likely to bounce back in H2

Population (m)	2008	2009	2010	2011	Nov-12	MoM%	YoY%
Total	1.45	1.64	1.72	1.73	1.85	5.0%	7.1%
Male	1.11	1.27	1.30	1.30	1.36	4.0%	6.7%
Female	0.34	0.37	0.42	0.43	0.48	7.9%	8.3%

Source: QSA; Monthly data is based on those physically in Qatar, based on entries and exits over the borders, while the annual series relates to residency



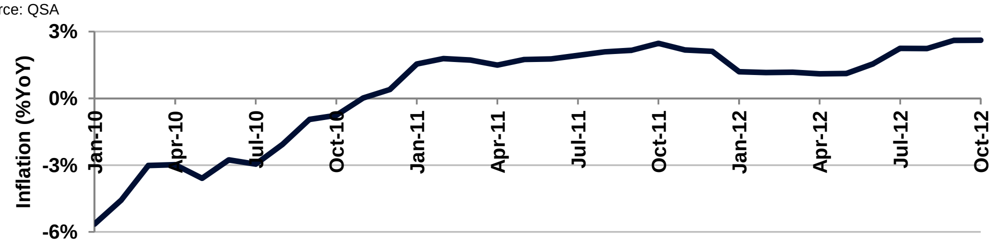
Population growth has accelerated, pointing to a pickup in activity. The average YoY population growth over the last 12 months was 5.9% compared with 1.2% in 2011. The growth in female expatriates is particularly strong

Money and Prices

Inflation (% ch, 12mth average YoY)	2008	2009	2010	2011	Oct-12	MoM%	YoY%
Overall (weights shown below)	**15.2**	**-4.9**	**-2.4**	**1.9**	**1.8**	**0.4**	**2.7**
Food, beverages & tobacco (13.2%)	19.9	1.3	2.1	4.3	4.0	-0.8	4.1
Clothing & footwear (5.8%)	11.8	-4.5	-1.3	7.5	3.5	0.9	3.0
Rents, water & maintenance (32.2%)	19.7	-12.0	-12.8	-4.8	-4.5	0.7	0.6
Furniture, textiles & appliances (8.2%)	7.7	-2.0	4.1	2.9	5.5	-0.8	3.1
Health care (2.0%)	4.2	1.7	3.5	2.6	1.8	0.7	1.0
Transport & communication (20.5%)	9.3	-4.4	2.6	6.4	2.9	-0.8	1.4
Entertainment, leisure & culture (10.9%)	9.9	-1.2	2.9	2.0	6.0	4.5	5.8
Miscellaneous goods & services (7.2%)	12.4	7.3	4.7	5.6	5.2	0.4	4.3

Rents have increased for four consecutive months and are positive YoY for the first time since 2008, confirming the reversal of the downward trend in rent inflation

Source: QSA



The increases are probably related to an increase in immigration and point to a pickup in overall economic activity

Money Supply (QR bn)	2008	2009	2010	2011	Sep-12	MoM%	YoY%
Broad money (M2)	184.0	215.1	264.7	310.0	374.7	1.5%	18.5%
M1	50.9	53.1	68.3	81.8	90.1	4.4%	24.7%
Quasi-money	133.1	162.0	196.4	228.1	284.6	0.6%	16.7%

Interest rates (%, end period)	2008	2009	2010	2011	Sep-12	MoM bp	YoY bp
QCB deposit	2.0	2.0	1.5	0.8	0.8	0	0
QCB lending	5.5	5.5	5.5	4.5	4.5	0	0
Interbank overnight	2.0	2.0	1.4	0.7	0.8	2	29
Demand deposit	1.8	2.0	1.3	0.6	0.6	14	2
Overdraft	8.8	8.8	8.2	7.4	6.9	-61	-95
Credit card	20.7	20.0	19.9	10.7	11.3	90	-195

Lending rates fell sharply following QCB action in 2011, but are now picking up marginally

Source: QCB

Feature analysis: QNB Group extends key forecasts to 2014

We have updated our key macroeconomic forecasts and extended our coverage to 2014. Energy prices and production are at the core of our forecast methodology, as government revenue from oil and gas determines activity in much of the economy. Our original forecast for 2012 Brent oil prices was US$110/barrel, which is very close to the annual average so far this year. We expect oil prices to weaken to US$108/b in 2013 and US$102/b in 2014. Important developments since our last forecasts include the stabilisation of rent prices, a pickup in population growth and more rapid growth in imports. All of this points to a pickup in project activity, as covered in our last monthly report.

As a result of these factors, we have slightly revised up our forecast for 2012 real GDP growth from 5.4% last month to 5.6%. This level remains well below the 13.0% growth of 2011 as major LNG expansion projects have been completed and as oil production was cut back in early 2012, though it has recently risen from mid-year lows.

Investment in the redevelopment of oil fields should yield higher production in 2013-14 and the launch of the second phase of the Pearl GTL project should boost gas production. The first stage of the Barzan gas project (a new project to supply the domestic market) should begin to come online in late 2014, further boosting growth in the oil and gas sector.

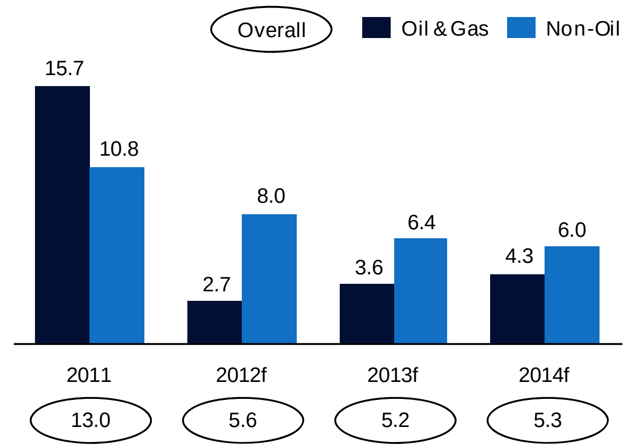
Growth has slowed in the non-oil sector from 10.8% in 2011 to a forecast 8.0% in 2012. There has been a lull in activity in early 2012 as the process of tendering major infrastructure projects has taken longer than expected. This is one reason why government expenditure was lower in the first half of 2012 than in the first half of 2011. This has had a particular impact on government services, which we expect to grow by 3.0% in 2012 versus 20.1% in 2011, and trade restaurants and hotels, which we expect to grow by 4.5% in 2012 versus 9.0% in 2011.

We forecast that non-oil growth will moderate further to 6.4% in 2013 and 6.0% in 2014. This is a slowdown from exceptionally strong growth in previous years, but it remains relatively high compared to other emerging and regional economies. Notably, we expect a moderation in manufacturing after some major capacity expansions in 2011-12.

We forecast a 5.4% increase in population in 2012, which is most probably related to an initial ramp up of expatriate workers being brought in to assist with the implementation of projects. We expect population growth to moderate to 3.1% in 2013 and 2.8% in 2014. This will lead to a broader deceleration in growth, particularly in transport, storage and communications, a sector that is closely linked to manufacturing and population growth.

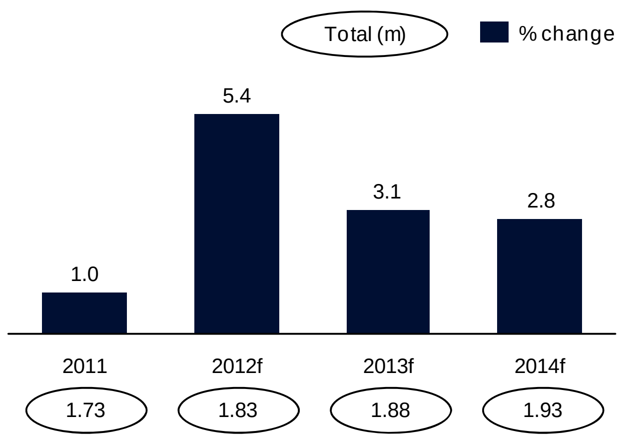
CPI inflation is set to average 2.0% in 2012. This is slightly higher than forecasted earlier in the year as rental prices have turned a corner quicker than expected (rent accounts for 32% of the CPI basket). Non-rent inflation is expected to be 4.0% in 2012. Prices of the following categories have all risen by over 4.0%: food, beverages and tobacco; furniture, textiles and home appliances; entertainment and culture; and miscellaneous goods (mainly education). While we expect non-rent inflation to moderate in 2013-14, a bounce back in rents (forecast to rise 3.7% in 2013 and 4.1% in 2014) will drive up overall inflation.

Real GDP (% change)



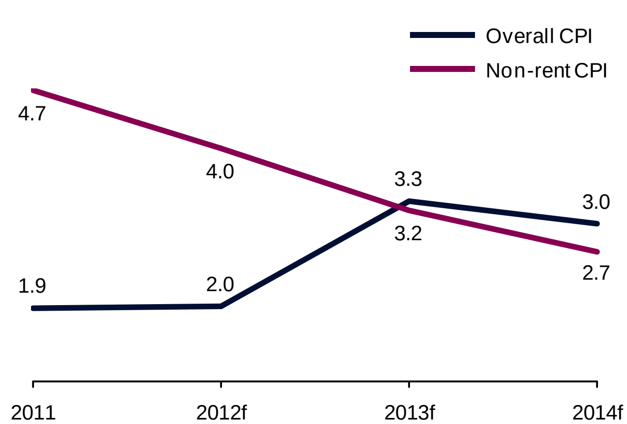
Source: QSA and QNB Group forecasts (f)

Mid-Year Population



Source: QSA and QNB Group forecasts

CPI Inflation (% change)



Source: QSA and QNB Group analysis

Economic News

- **Fastest growing economy in GCC –** According to a Fitch Ratings report, Qatar's economy will remain the fastest growing among all GCC economies in 2013, driven by the government's huge capital investment program. (Gulf-Times.com)
- **S&P maintains AA rating for Qatar –** Global ratings agency Standard & Poor's (S&P) has maintained its AA/Stable/A-1+ sovereign credit ratings for Qatar. The ratings reflect S&P's view of its high levels of economic wealth and strong fiscal and external balance sheets with modest levels of debt and large external liquidity. S&P expects Qatar to maintain a comfortable budget surplus of about 6% of GDP on average between 2012 and 2015. S&P expects the trade surplus to remain strong in 2012 because of oil prices. (S&P)
- **KPMG: Qatar's prospects "really bright" in view of its gas abundance –** KPMG International Chairman Michael Andrew said Qatar's prospects are really bright in view of the nation's abundant natural gas, which is the "energy source of future". He said Qatar is one of the "most efficient" producers of gas in the world. However, Andrew stressed Qatar needed to change its ownership rules if it is to succeed in tapping foreign investment, which is key to diversifying the national economy. He also hailed Qatar's efforts towards realizing a knowledge-based economy over the next few years. (Gulf-Times.com)
- **GCC insulated from future global shocks –** According to a QNB report, the GCC region is "insulated" from potential shocks, despite the gloomy outlook for world economy. The IMF estimates that 1% lower real GDP in either the US or euro Area would lead to 0.4% lower GDP in the GCC a year later, while a 1% fall in China's growth would lead to a 0.1% fall in the GCC. In Qatar and Kuwait, the breakeven oil price rose by just over $15 a barrel from 2008-12 to around $40 and $50 respectively. In Oman, Saudi Arabia and the UAE the breakeven price is around $80. Although this remains below oil prices of over $100 per barrel, the QNB report says that a sustained drop in oil prices could prompt some GCC countries to implement fiscal consolidation, which may lead to softer growth in the non-oil economy. QNB expects that oil prices will fall slightly to $108 in 2013. (QNB)
- **Budget slips into QR18.5bn deficit in Q2 2012 –** According QCB data, Qatar's government budget slipped into a deficit of QR18.5bn in the first quarter of its fiscal year 2012-13, equivalent to 10.7% of GDP. Qatar's budget usually faces a deficit in the first quarter, which begins in April, and then bounces back to a surplus during the rest of the year mainly owing to the timing of revenue flows. (Reuters)
- **Upsurge in project tenders due to World Cup preparations** – According to MEED Events, Qatar is set to see an upsurge in project tenders in the next two years, as the country enters the crucial phase of its preparations for the 2022 FIFA World Cup. New tenders, bidding and awards are expected to reach $30bn a year from 2013-2014. (MEED)
- **Qatar to invest $140bn on infrastructure projects over next five years** – According to Qatar's Economy and Finance Minister, HE Yousef Hussein Kamal, Qatar will investment US$140bn in 2013-17 on large infrastructure projects including the first phase of railway development, as well as education and social development sectors' plans, in an effort to put its long-term investment strategy into action. (Gulf-Times.com)
- **Inward FDI stock estimated at $31bn in Qatar –** Inward foreign direct investment (FDI) into Qatar has been resilient on the back of oil & gas investments. QNB estimated the current stock of inward FDI to be around $31bn, accounting for 17.8% of the country's GDP. Around half of inward FDI was towards the oil & gas sector and the remainder in the finance and real estate sectors. (QNB)
- **$13.1bn investment in power over next eight years –** mainly in the transmission and distribution segments. Driven by high GDP growth rates and population explosion, power consumption in Qatar has increased at a compound rate of 9.3% during the 2001-2011 period. (Peninsula Qatar)
- **Emir approves setting up of public utilities panel –** HH the Emir Sheikh Hamad bin Khalifa Al Thani ratified the cabinet's decision for setting up a coordinating committee to manage services and public utilities. The panel is being set up to help the Public Works Authority (Ashghal) to remove hurdles in executing pubic projects by coordinating with various state and non-government agencies, including private sector companies. (Peninsula Qatar)
- **The QCB issued QR4bn in treasury bills –** In early November, the Qatar Central Bank (QCB) issued treasury bills worth QR4bn with maturities of 91, 182 and 273 days. (QCB)

Public Companies News

- **Qatar Holding creates asset management JV with Credit Suisse –** Credit Suisse and Qatar Holding are establishing an asset management JV, Aventicum Capital Management. The JV will operate out of two divisions including a Doha-based business focused on investment strategies in the Middle East, Turkey and other frontier markets, as well as an international business, based outside of the region. The Doha-based division will be launched in early 2013, followed by the launch of the international business later in the year. The Doha-based division will be licensed and regulated by the Qatar Financial Center. (Gulf-Times.com)
- **Qatar Holding cashes in on remaining Barclays warrants –** Its remaining holding of 379m units of Barclays warrants – instruments that convert into shares – have been monetized as part of its active portfolio management, without affecting its 6.65% stake in the bank. In a separate statement, Deutsche Bank AG and Goldman Sachs Group Inc said they would sell up to 303.3m Barclays ordinary shares in relation to the monetization of the warrants by Qatar. (Reuters)
- **QP eyes shale gas opportunities in US –** Qatar Petroleum (QP) is exploring opportunities in upstream US shale gas projects that would enable it to export LNG. The company is considering partnerships with one or more shale gas players to participate in such a project. (Bloomberg)
- **Qatar to supply gas for Croatian LNG terminal –** According to Croatian Economy Minister Radimir Cacic, Qatar will supply gas for the proposed Croatian LNG terminal on the island of Krk for the next 25 years. He said Qatar may also invest in further developing the terminal. (Bloomberg)
- **QP and Total agree to continue operations on Al Khalij oil field for another 25 years –** QP and Total have signed an agreement extending their operations at the Al Khalij field for another 25 years. Under the new agreement, QP holds 60% operating interest, while Total holds the remainder. (Bloomberg)
- **QP and Shell's Al-Karaana project to be awarded in 2013 –** The front-end engineering design (FEED) contract for the Al-Karaana Petrochemicals Project at Ras Laffan is expected to be awarded in early 2013. The project, being set up jointly by Qatar Petroleum (QP) and Shell, would produce cost-competitive products to be sold worldwide. (Gulf-Times.com)

Private Sector News

- **Qatar may rival UAE financial crown –** The UAE's financial community has warned that competition from Qatar may create a powerful rival to the Dubai International Financial Center if its market law is not developed further. New market regulations for onshore fund management issued by the UAE Securities and Commodities Authority have substantially increased the regulatory burden on fund managers. The new regime is unpopular among firms based in Dubai, which could persuade them to establish themselves elsewhere. In the meantime, the nearby Qatar Financial Centre appears increasingly competitive. (Gulfbase.com)
- **Two Qatari companies in FT Top 500 list –** Two Qatari companies, QNB Group and Industries Qatar, remain in the Financial Times' (FT) list of the top 500 global companies based on market capitalization as at the end of September 2012. Market capitalization for QNB and Industries Qatar rose 5% and 15%, respectively, in the year up to September 2012. QNB's rise comes on the back of strong financial results. (Gulf-Times.com)
- **QNB Group raises $1bn to fuel expansion drive –** A QNB bond sale raised $1bn. The bonds, priced to yield 145 basis points above the mid-swap rate, offer a coupon of 2.125% and mature in February 2018. QNB's order books reached $3bn ahead of the bond launch. HSBC Holdings, Deutsche Bank, Mitsubishi UFJ Securities, Standard Chartered and QNB Capital arranged the transaction under the bank's euro Medium-Term Note program. (Bloomberg)
- **QNB offers competitive land financing rate –** a new campaign aims to provide the lowest interest rate of 4.5% to Qatari customers who seek land financing from the bank. Further, QNB offers zero payments and interest for the first six months to those customers who hold or will hold salary accounts with QNB. Additionally, self-employed customers are also eligible for the offer. (Gulf-Times.com)
- **Ahli Bank: Top shareholder to sell most of its stake –** Ahli Bank announced its strategic partner, Bahrain's Ahli United Bank, would sell nearly all its stake in the Qatari bank. QCB is reviewing the proposed sale. (Reuters)
- **EFSA: EFG-Hermes needs more approvals for QInvest Venture –** According to the Egyptian Financial Supervisory Authority (EFSA), EFG-Hermes Holding SAE, which seeks to create an investment bank with QInvest, needs to get further approvals from the Egyptian Exchange and EFSA for the deal. (Bloomberg)
- **QInvest arranges $106.7m Islamic syndicated project finance facility for Mazaya Qatar –** QInvest has arranged a dual-currency 8-year syndicated facility worth $106.7mn for Mazaya Qatar Real Estate Development to finance the development of the Sidra Village Residential Project. QInvest acted as a financial advisor and the sole bookrunner for the facility. (Gulfbase.com)
- **Qatar Telecom signs $500mn debut Islamic finance deal –** Qatar Telecom has signed its debut Islamic financing facility worth $500mn. The deal, which runs for 18 months and is structured as a revolving murabaha facility, was provided by Qatar Islamic Bank in its capacity as the sole mandated lead arranger. Qatar Telecom had sent out requests for proposals to banks for a syndicated loan of up to $1bn. (Reuters)
- **Emir inaugurated QAPCO's QR2.2bn LDPE plant –** HH the Emir Sheikh Hamad bin Khalifa al Thani inaugurated Qatar Petrochemical Company's (QAPCO) QR2.2bn new low-density polyethylene plant (LDPE) at the Mesaieed Industrial City on November 20. (Qatar Tribune)
- **QP-QAPCO $7bn JV project on track for 2018 completion –** The petrochemical project being developed jointly by QP and QAPCO at Ras Laffan has reached the engineering phase. The project is expected to be completed by 2018. (Gulf-Times.com).
- **Qatar National Cement inks a consulting contract for clinker plant –** QNCC signed a consulting contract to build a clinker plant with a capacity of 5,000-7,500 tons/day. The tender for building the plant will be out in January 2013. The new plant is expected to start production in 2015 and will increase QNCC's annual output capacity to around 6m tons. (QE)
- **Qatar, Algeria in steel factory deal –** Qatar and Algeria have signed a MoU for establishing a steel factory in Algeria with a production capacity of 5mn tons a year. The factory, during its first phase, will produce 2mn tons, at an estimated investment cost of $2bn. (Gulf-Times.com)
- **Algeria and Qatar to build fertilizer complex in Souk Ahras –** Algeria and Qatar are planning to construct a phosphate fertilizer complex in Algeria through a partnership. The proposed project is expected to produce phosphate and nitrogen fertilizers. (Bloomberg)
- **Plans for tenders for railway coach manufacture –** Qatar has plans to float tenders for the manufacture and supply of rail coaches, and installation of control systems for its multi-billion dollar Greater Doha Metro project by the second quarter of 2013. Qatar Rail said a workshop will be held next month for prospective bidders—companies and contractors—to familiarize them with the tendering process, and safety aspects of the control systems. (Peninsula Qatar)
- **Mowasalat builds more bus infrastructure for FIFA World Cup –** Mowasalat is implementing major plans to provide better public transport facilities in the country due to the increased usage of public transport over the coming decade in the wake of Qatar's preparations for the 2022 FIFA World Cup. Plans include a hub in Doha city and new stations in West Doha, Al Khor and Al Wakrah and a servicing and maintenance facility in Ain Khalid. (Gulf-Times.com)
- **Al Meera Holding to acquire assets of Oman-based Safeer –** Al Meera Holding and Al Meera Development Company has signed a Sale & Purchase Agreement (SPA) to buy assets of Safeer stores based in the Sultanate of Oman. The two companies will have a total stake of 70% in a new subsidiary established to run the acquired business. (Peninsula Qatar)
- **Gulf Warehousing Co opens branches in Saudi Arabia and Dubai –** Gulf Warehousing Company has opened branches in Jeddah and Riyadh in Saudi Arabia and in Dubai. Further, the company plans to open another branch soon in Bahrain after the formalities are processed by the end of 2012. (QE)

Banking Sector Snapshot – end-November 2012

Review and Outlook

Liquidity for the Qatari banking system improved with deposits for the month of October up by 1.8% MoM versus a marginal increase of 0.4% MoM in the loan book. The sector loan-to-deposit ratio (LDR) declined to 110% in October versus 112% at the end of September 2012. Furthermore, the domiciled loan-to-deposit ratio for the sector followed suit and stood at 104% vs. 105% in September. Liquidity has significantly improved throughout the year (current LDR of 110% vs. the 2012 high of 124% in April). We forecast loan growth in excess of 20% for 2012 and expect NIMs to contract by approximately 10bps.

The public sector led deposit growth in the month of October. Scrutinizing the segment details, public sector deposits expanded 4.6% and 32.4%, MoM and YTD, respectively. As is generally the case, government institutions contributed to the bulk of the growth. This segment grew by 9.3% MoM (83.4% YTD). The government and semi-government institutions segments were negative contributors to growth, declining by 2.5% and 2.9% MoM, respectively. On the other hand, private sector deposits ended October flat. The companies/institutions segment shed 1.4% MoM. This decline was mitigated by a 1.4% growth in deposits from consumers. Consequently, total system deposits inched up by 1.8% MoM (20.6% YTD). It should be noted that most of the growth in deposits was realized in May and July.

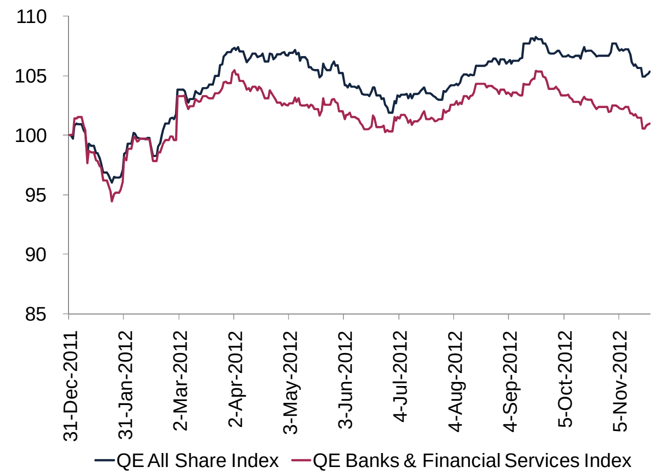
The overall loan book witnessed flat growth of 0.4% MoM (20.1% YTD). Total domestic public sector loans were down by 2.2% MoM (+35.0% YTD). The driver behind this drop was mainly the government segment, which contracted by 11.1% MoM (-7.9% YTD). The drop from this segment was mitigated by the government and semi-government institutions, which witnessed flat growth MoM (+54.8% and +32.7% YTD, respectively). It should be noted that government institutions represent 70% of total public sector loans. Moreover, a significant portion of the growth in public sector loans took place in the second quarter, which witnessed a 26% QoQ expansion. Private sector loans gained some traction and registered a 2.6% increase MoM (11.0% YTD).

Consumption loans ended October flat (+5.8% YTD). All of the other sub-segments under private sector loans gained across the board, most notably **real estate** (+1.1% MoM, +8.2% YTD) **services** (+12.8% MoM, 18.3% YTD), **contractors** (3.1% MoM, 3.3% YTD) **and general trade** (2.4% MoM and 26.4% YTD).

Specific loan loss provisions rested at 1.3% of average trailing 12-months loans (October: 1.3%), indicating minimal growth in provisions. We expect 2012 provisions to be in the range of 1.3% to 1.5%.

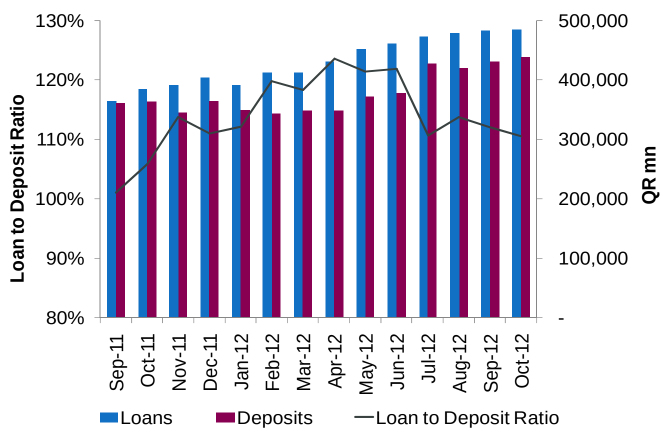
NIMs expected to come under pressure. Interbank rates (3M and 6M), have been trending lower in recent months.

Banking Sector Index vs. QE All Share Index



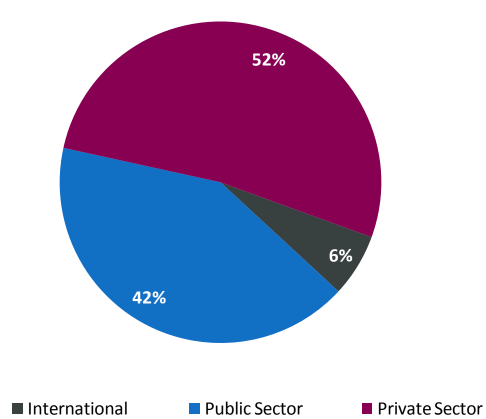
Source: Bloomberg

Banking Sector - Loan to Deposit (LTD)



Source: Qatar Central Bank (QCB)

Loan Pie



Source: QCB (as of end October 2012)

Banking Sector Indicators

(In QR mn)	2010	2011	1Q-12	2Q-12	Sep-12	Oct-12	Change MoM	Change YTD
Total Assets	567,482	694,301	700,546	742,817	789,456	799,856	1.3%	15.2%
Total Credit (Loans)	314,481	403,563	412,247	460,946	482,719	484,667	0.4%	20.1%
Total Deposits	306,788	363,612	348,356	378,254	430,938	438,686	1.8%	20.6%
Loan to Deposit Ratio	**103%**	**111%**	**118%**	**122%**	**112%**	**110%**	**-1.4%**	**-0.5%**
Credit Facilities (Geographic)								
Total Domestic Credit	293,920	376,695	384,622	432,472	452,086	454,051	0.4%	20.5%
Total International Credit	20,561	26,867	27,625	28,475	30,634	30,615	-0.1%	13.9%
Domestic Credit Facilities - Public Sector								
Government	36,303	40,801	32,235	31,967	42,258	37,578	-11.1%	-7.9%
Government Institutions	50,452	90,619	105,268	136,992	140,125	140,298	0.1%	54.8%
Semi-Government Institutions	16,303	17,750	15,100	23,199	23,558	23,557	0.0%	32.7%
Total Domestic Public Sector Credit	**103,058**	**149,170**	**152,603**	**192,158**	**205,941**	**201,433**	**-2.2%**	**35.0%**
Domestic Credit Facilities - Private Sector								
General Trade	24,875	26,855	27,590	29,610	33,149	33,951	2.4%	26.4%
Industry	6,648	6,534	5,755	6,883	8,070	8,142	0.9%	24.6%
Contractors	18,411	16,220	16,532	15,195	16,249	16,757	3.1%	3.3%
Real Estate	51,042	76,220	80,113	81,976	81,624	82,488	1.1%	8.2%
Consumption & Others	60,345	71,986	76,386	79,210	75,881	76,130	0.3%	5.8%
Services	29,541	29,709	25,643	27,439	31,171	35,151	12.8%	18.3%
Total Domestic Private Sector Credit	**190,862**	**227,525**	**232,019**	**240,314**	**246,144**	**252,618**	**2.6%**	**11.0%**
Deposit Details (Geographic)								
Resident Deposits	277,107	343,777	327,183	351,575	400,441	407,569	1.8%	18.6%
Non-resident Deposits	29,681	19,835	21,174	26,679	30,497	31,117	2.0%	56.9%
Deposits - Public Sector								
Government	18,486	40,825	31,352	26,354	33,842	33,009	-2.5%	-19.1%
Government Institutions	32,277	57,351	46,679	54,822	96,268	105,205	9.3%	83.4%
Semi Government Institutions	21,309	27,700	23,039	26,679	29,277	28,428	-2.9%	2.6%
Total Public Sector Deposit	**72,071**	**125,876**	**101,070**	**107,855**	**159,387**	**166,642**	**4.6%**	**32.4%**
Deposits - Private Sector								
Personal	90,828	103,093	111,843	117,147	117,470	119,106	1.4%	15.5%
Companies & Institutions	114,207	114,809	114,270	126,574	123,584	121,821	-1.4%	6.1%
Total Private Sector Deposit	**205,036**	**217,902**	**226,113**	**243,721**	**241,054**	**240,927**	**-0.1%**	**10.6%**

Qatar Exchange Market Performance

Company Name	Price (November 29)	% Change 5-Day	% Change Monthly	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	130.60	(0.99)	(2.46)	91,385	10.8	2.0	2.8
Qatar Islamic Bank	75.00	(1.83)	(2.22)	17,722	12.6	1.6	6.0
Commercial Bank of Qatar	73.50	1.10	2.23	18,187	9.4	1.3	8.2
Doha Bank	50.80	(2.31)	(7.13)	10,500	8.1	1.4	8.9
Al Ahli Bank	52.00	(3.70)	(2.80)	5,831	12.7	2.0	N/A
Qatar International Islamic Bank	52.50	0.00	0.19	7,947	11.7	1.6	6.7
Masraf Al Rayan	26.30	(0.19)	(0.38)	19,725	13.3	2.1	1.9
Al Khaliji Bank	16.90	1.20	(2.31)	6,084	12.0	1.1	5.9
National Leasing	45.00	(1.96)	(2.91)	2,227	8.2	1.7	6.8
Dlala Holding	35.35	2.32	2.17	707	19.1	3.0	2.8
Qatar & Oman Investment	12.49	(0.79)	(2.65)	393	19.5	1.2	4.0
Islamic Holding Group	37.50	0.00	(1.32)	150	23.0	3.4	2.7
Banking and Financial Services				**180,858**			
Zad Holding	57.80	(0.17)	(5.56)	756	7.2	0.6	N/A
Qatar German Co. for Medical Devices	13.72	(2.49)	(9.74)	158	40.2	0.8	N/A
Salam International Investment	12.64	(2.84)	(3.29)	1,445	12.8	0.9	7.2
Medicare Group	39.70	(1.00)	(1.98)	1,117	24.3	1.5	2.8
Qatar Cinema & Film Distribution	58.00	4.50	(0.51)	331	17.0	2.4	2.4
Qatar Fuel	276.00	(1.18)	(1.08)	14,345	12.6	2.7	2.9
Qatar Meat and Livestock	60.50	(4.42)	(18.46)	1,089	12.8	4.2	5.0
Al Meera Consumer Goods	157.30	(0.44)	(2.60)	1,573	15.7	5.8	4.5
Consumer Goods and Services				**20,815**			
Qatar Industrial Manufacturing	51.00	(3.77)	(3.23)	2,020	10.1	1.6	5.9
Qatar National Cement	100.60	(0.98)	(1.37)	4,940	11.3	2.2	6.0
Industries Qatar	152.30	1.20	0.20	83,765	10.0	2.9	4.9
Qatari Investors Group	22.90	(2.14)	(7.29)	2,847	21.6	1.4	2.2
Qatar Electricity and Water	130.50	(0.08)	(2.03)	13,050	10.6	4.1	5.0
Mannai Corp.	90.50	(4.74)	(5.63)	3,096	10.2	2.4	5.5
Aamal	15.15	0.26	(2.88)	8,249	15.8	1.2	N/A
Gulf International Services	29.25	(0.85)	(2.66)	4,349	10.5	1.7	4.0
Industrials				**122,315**			
Qatar Insurance	67.00	0.00	(2.90)	5,976	10.9	1.7	5.0
Doha Insurance	29.70	4.95	(3.88)	695	11.3	1.5	N/A
Qatar General Insurance & Reinsurance	48.00	2.35	(3.03)	2,406	15.7	0.9	2.4
Al Khaleej Takaful Insurance	44.70	1.59	(2.30)	636	9.9	1.2	6.7
Qatar Islamic Insurance	58.00	1.75	(1.36)	870	17.7	3.3	5.2
Insurance				**10,583**			
United Development	17.10	0.12	(4.26)	5,767	1.7	0.6	N/A
Barwa Real Estate	28.10	0.72	(2.43)	10,934	9.1	0.9	3.6
Ezdan Real Estate	18.45	(0.70)	(2.12)	48,939	N/M	1.8	0.8
Mazaya Qatar Real Estate Development	10.55	0.38	(9.29)	1,055	23.7	1.0	N/A
Real Estate				**66,695**			
Qatar Telecom	104.20	(0.19)	(1.33)	33,377	11.6	1.3	1.6
Vodafone Qatar	8.35	(3.91)	(7.22)	7,059	N/M	1.1	N/A
Telecoms				**40,437**			
Qatar Navigation (Milaha)	65.00	3.17	0.93	7,444	9.7	0.7	5.4
Gulf Warehousing	40.95	(0.85)	2.38	1,623	21.4	2.4	3.7
Qatar Gas Transport (Nakilat)	15.18	(0.07)	(2.00)	8,501	10.9	7.3	5.6
Transportation				**17,568**			
Qatar Exchange				**459,270**			

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/QatarMonthly. For questions, or to receive it by email each month, please contact:

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