

## Executive Summary

- Qatar ranked 16<sup>th</sup> out of 144 countries in the 2014-15 World Economic Forum Global Competitiveness Index
- Overall headline inflation rose to 3.1% in July 2014 – rising rents are being offset by declining food prices; we forecast inflation to accelerate to 3.4% in 2014 and 3.5% in 2015
- International reserves reached an all-time high at end-July 2014; we forecast them to continue rising further on large current-account surpluses for the remainder of 2014 and 2015

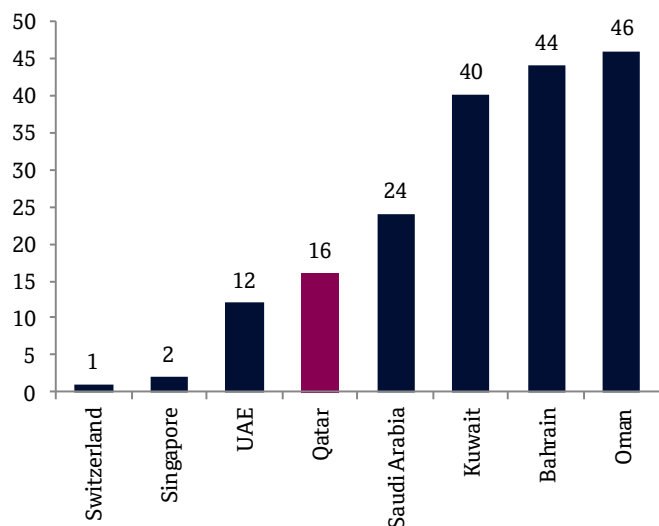
## Qatar continues to rank high in the Global Competitiveness Index Rankings

The 2014-15 World Economic Forum Global Competitiveness Index ranked Qatar 16<sup>th</sup> out of 144 countries. Switzerland topped the ranking as the most competitive economy in the world, followed by Singapore. Qatar ranked 2<sup>nd</sup> amongst the GCC countries, behind the United Arab Emirates.

In the sub-components, Qatar ranked 2<sup>nd</sup> for macroeconomic environment and 4<sup>th</sup> for economic institutions and goods market efficiency. It fared less well for primary (28<sup>th</sup>) and tertiary education (38<sup>th</sup>), technological readiness (31<sup>st</sup>) and market size (59<sup>th</sup>).

## Global Competitiveness Index Rankings (2014-15)

(Rank 1 = highest score; Ranking out of 144 countries)

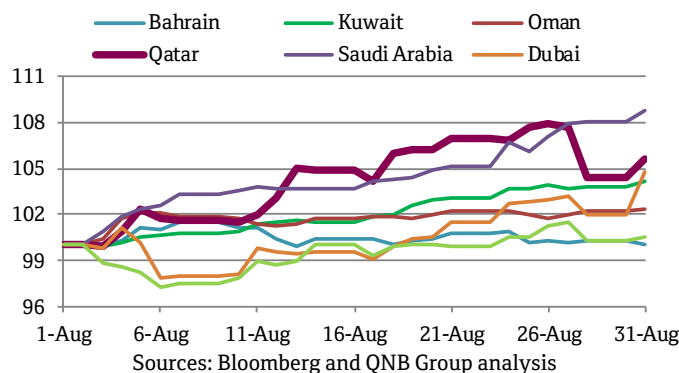


Sources: WEF and QNB Group analysis

## QNB Economics Weekly Commentary

- [Weaker EM Capital Flows Suggest Fundamental Vulnerabilities](#)
- [Qatar's Real Estate Prices Still Remain Within Fundamentals](#)
- [Declining Food Prices Increase the Risk of Global Deflation](#)
- [The Economics of Hosting a World Cup](#)
- [The Global Economy Continues to Stumble Along](#)

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



All the GCC markets exhibited positive performance in the month of August 2014. Saudi Arabia's benchmark index (TASI) was the top performer, surging 8.8% month-on-month. This positive performance was due to news on the upcoming liberalization of the stock market for foreign institutional investors. The second best performing index was Qatar's benchmark index (QE index), rising 5.6% month-on-month on the rebalancing of the MSCI Emerging Market Index in favor of Qatari stocks and persistent buying from foreign institutions. The top three contributors to the QE Index's gains were Industries Qatar (IQCD), QNB Group (QNBK) and Qatar Islamic Bank (QIBK).

Dubai's DFMGI has been the best performing regional index so far in 2014 with a gain of 52.6% year-to-date (YTD), followed by the QE Index (+32.0% YTD). The DFMGI benchmark index rose 4.8% month-on-month.

## Qatar Economic Insight Report 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](#).

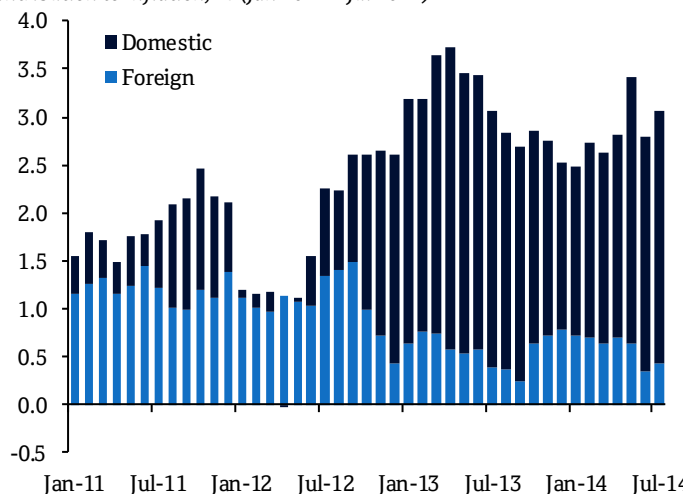
## Overall headline inflation rose 3.1% in July 2014 on higher rents offset by declining food prices

**Qatar's Consumer Price Index (CPI) for July 2014 rose 3.1% year-on-year.** On a month-on-month bases, it increased 0.3% relative to June 2014. The moderation in food prices was the key factor behind the slowdown in recent months, declining by -1.0% on a month-on-month basis (2.5% year-on-year). Housing and rents (the largest component of overall inflation with a 32.2% share) rose 0.3% month-on-month and 7.6% year-on-year in July 2014.

**We forecast overall CPI inflation to accelerate further in the second half of 2014 to reach 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 investments 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.

## Headline inflation rose slightly to 3.1% in July 2014

Contribution to Inflation, % (Jan 2011 – Jul 2014)



*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-July 2014

**Qatar's international reserves rose USD0.8bn to reach an all-time high of USD43.0bn at end-July 2014.** This compares to a level of USD35.6bn at end-July 2013. The large increase reflects the strong current account surplus Qatar is enjoying on high gas and oil prices. The latest data show that the import cover stood at 8.1 months at end-July 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 continue rising in 2014 and 2015 on continued high current account surpluses.

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

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



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

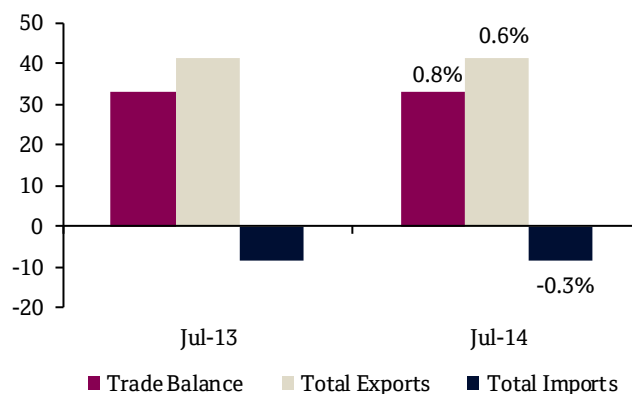
## Foreign merchandise trade balance registered a surplus of QAR33.2bn in July 2014

Qatar's foreign merchandise trade balance registered a surplus of QAR33.2bn in July 2014. The surplus increased 0.8% year-on-year, primarily on a rise in petroleum gases and other gaseous hydrocarbons (+1.2 year-on-year). Meanwhile, merchandise imports fell 0.3% year-on-year.

Total exports in July stood at QAR41.5bn and imports at QAR8.3bn. Japan topped the export destination in April, accounting for 26% of Qatar's exports, followed by South Korea (16%) and India (12%). The UAE was the largest exporter to Qatar in July (13%), followed by China (9%) and the USA (8%).

## The trade balance registered another large surplus in July 2014

(bn QAR, % year-on-year)



Sources: MDPS and QNB Group analysis

## Economic News

- New Port set to be operational by 2016-end** – The first phase of the QAR27bn worth new port project is set to be operational by 2016-end with an initial capacity to accommodate 2mn containers. The port would accommodate 4mn containers in 2018 and 6mn containers when completed in 2020. HE the Prime Minister and Interior Minister Sheikh Abdullah bin Nasser bin Khalifa Al-Thani attended a ceremony marking the final step of building the wall of the new port's basin in northern Mesaieed's industrial zone. Officials briefed the Premier on the progress of construction work of the 26 square kilometer project. The new port has divisions like the economic zone, the commercial port and the naval base. The port's first phase is set to be completed by the end of December 2016. The Prime Minister while expressing his happiness over the work progressing as per the timeframe set by the government voiced his optimism that the project would conclude ahead of schedule. HE the Minister of Transport Jassim Seif Ahmed Al Sulaiti said that the project was progressing ahead of schedule and that the port's full operation was pushed forward by 10 years from 2030 to 2020. (Gulf-Times.com)
- MDPS: Monthly industrial PPI rises by 4.1% in June** – Higher prices for crude, natural gas, basic chemicals and refined petroleum goods led a 4.1% YoY rise in Qatar's Producer Price Index (PPI) in June 2014. The Ministry of Development Planning & Statistics (MDPS) released the PPI for the industrial sector, which measures average

changes in prices received by domestic producers for their output. The PPI for mining (carries a weight of 77% in the PPI basket), surged 4.2% in June due to a 4.2% increase in the price of crude petroleum and natural gas and 1% in stone, sand and clay. The manufacturing sector, (21% weight), reported 3.9% rise in June, driven by a 9.2% increase in the price of basic chemicals, 2.5% in refined petroleum products, 1.3% in grain mill & other products and 1.1% in cement & other non-metallic products. However, beverages prices fell 3.2% and dairy products by 1.4%. The electricity & water group, which has a 2% weight in the PPI basket, saw its index shrink 3.3% in June. Water and electricity prices fell 4.1% and 1.8%, respectively. (Gulf-Times.com)

- The loan book fell by 1.0% month-on-month (up 5.0% YTD) while deposits declined by 2.7% month-on-month (+4.9% YTD) in the month of July 2014.** After posting a growth of 1.9% month-on-month in June 2014 (primarily due to pick-up in credit off-take from the international and private segments), loans fell by 1.0% month-on-month with public sector declining by 4.4% month-on-month. On the other hand, deposits also declined by 2.7% with public sector deposits declining by 3.8% month-on-month. Thus, the LDR climbed to 106% vs. 104% in June. 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. (QNBFS Research)

- **Ezdan: Combined value of Qatar realty transactions reach QAR6.8bn in July** - According to Ezdan Holding Group's (ERES) monthly report, Qatar leads the real estate growth among the six GCC states. Qatar's combined value of transactions and mortgages during July 2014 reached QAR6.8bn, witnessing a record increase of 70% as compared to June when it stood at QAR4bn. Ezdan Holding Group said that the Qatari real estate sector witnessed a strong performance during July in terms of real estate transactions and mortgages, despite the usual stagnation that accompanies the

summer holiday and Ramadan, pointing out that the sector spearheaded the growth among the GCC markets. The monthly report predicted the overall GCC real estate sector to grow even further later this year with the implementation of more projects. According to the Real Estate Registration Department's weekly bulletins, the value of transactions during the first week of July (from June 29 to July 3, 2014) reached QAR914.7m, while transactions achieved about QAR1.86bn in the second week (from July 6-10, 2014), and then in the third week (13-17) reached QAR1.31bn, while the fourth and last week of July (20-24) had a major rise in transactions with a value of QAR2.76bn. (Peninsula Qatar)

## Private Sector News

- **ORDS launches Myanmar telecom network** – Ooredoo (ORDS) has launched its telecommunications services in Myanmar. The company will take on two rivals who are also rolling out networks in a country that has only 10% mobile penetration. More than 90 companies and consortia submitted expressions of interest after the government issued a tender for the two licenses in 2013. ORDS' voice & 3G internet services will initially be available in Myanmar's three main cities of Yangon, Mandalay and the capital, Naypyitaw. The network will cover 25mn of Myanmar's approximately 60mn people by the end of 2014 and 97% of the population within five years. (Reuters)
- **ORDS' Myanmar coverage to reach 68 cities by August 15** – Ooredoo's (ORDS) coverage in Myanmar will rapidly extend beyond the three main cities of Mandalay, Nay Pyi Taw and Yangon to include some 68 cities and towns by August 15. ORDS has announced the availability of its "crystal clear" voice calls and fast internet services in three of Myanmar's major cities, Mandalay, Nay Pyi Taw and Yangon, as part of the final preparations for the commercial launch later this month. Initially, ORDS will provide free of charge in a kick-off promotion. In another first, not only for Myanmar but globally, Ooredoo is rolling out a next generation, purely UMTS900 network with some of the most advanced 3G technology in the world. The benefits of this technology include a stronger signal, crystal clear sound and fast Internet. (Gulf-Times.com)
- **CBQK appoints new executive general manager** – Commercial Bank of Qatar (CBQK) has appointed Mr. Colin Macdonald as Executive General Manager, Business Enablement. Mr. Colin will play a leading role in driving business performance and strategic

initiatives, supporting and advising the CEO and the CBQK leadership team. Mr. Colin has wide banking experience, including extensive experience in the Middle East, built over 26 years. (Zawya)

- **MSCI lifts weights of some Qatar stocks on foreign ownership reform** – Global index compiler MSCI has increased the weightings of three Qatari companies in its emerging market index, citing changes in the way Qatar calculates ceilings on foreign ownership of its firms. The QNB Group (QNBK) will have its foreign inclusion factor raised to 0.13 from 0.06, Industries Qatar (IQCD) to 0.13 from 0.06, and Qatar Islamic Bank (QIBK) to 0.25 from 0.21. The changes, effective at the end of August 2014, will raise Qatar's total weight in the benchmark index to 0.59% from 0.47%, investment bank EFG Hermes estimated, basing its calculation on data from MSCI. EFG Hermes added that given this new development the new weight for Qatar in the MSCI EM Index will rise and the resulting passive inflows will be \$100mn, mainly into QNBK and IQCD. The MSCI upgraded Qatar and the UAE in May 2014 and also applied an adjustment factor of 0.5 to stocks in both countries, citing accessibility issues to international institutional investors. The MSCI repeated in its statement recently that it might consider a review in November whether to raise Qatar's adjustment factor to 1. EFG Hermes said it expected this to happen in November, which would raise the country's weight to 0.8% in the emerging market index and attract an additional \$185mn of passive funds. We note that these weights (Reuters)
- **MPHC: no contractual relations with MSCI** – Mesaieed Petrochemical Holding Company (MPHC) – a subsidiary of Qatar Petroleum (QP) – has issued a clarification

statement advising shareholders of the statement issued by MSCI Inc. MSCI Inc. through their press release issued on August 13, 2014, included MPHC in their MSCI Emerging Market Index and MSCI ACWI Growth Index. MSCI Inc. through their press release issued on August 14, 2014 mentioned that MPHC will not be added to their Index contrary to what was stated earlier by MSCI Inc. In this regard, MPHC would like to confirm that it has no contractual relationship with MSCI Inc. nor does MSCI Inc coordinate with MPHC on any of its matters. MPHC is therefore not responsible for any of MSCI Inc's decisions. (Peninsula Qatar)

- **QE set to see listings of GCC and MENA companies** – Companies from the GCC as well as the MENA region may list their stocks on the Qatar Exchange (QE) putting in place an appropriate environment to attract global fund managers and encourage local savings & investments. During the third phase of development, the QE could see the IPOs from the GCC/MENA region and their listings. According to sources, the dual listings of products and companies are also on the anvil. The exchange has embarked on a three-phase development program to make it an attractive investment destination and since then has initiated major reforms, which include the introduction of delivery-versus-payment in the first phase, which is expected to be completed soon. Moreover, the exchange is all geared up to introduce securities lending and borrowing, margin trading, omnibus accounts and a central counterparty as part of its measures to further enhance operational efficiency and attract foreign investors. The proposed three-layered investor structure – Qatari, regional and foreign, may also lend tacit strength and support to the proposed move to allow GCC and MENA companies to list their stocks on the QE. (Gulf-Times.com)

- **GWCS launches phase 4 operations at Logistics Village** – Gulf Warehousing Company (GWCS) announced the launch of operations at its Phase 4 expansion in the Logistics Village in Qatar. This expansion has added 81 thousand square meters of storage and distribution infrastructure to the facility. The company stated that these facilities and logistics structures is available to the public from August 26, 2014. It must be noted that the majority of the available spaces at the Phase 4 expansion has been reserved by GWCS' current client base. (QE)
- **MERS to open 9 new outlets** – Al Meera Consumer Goods Company's (MERS) Deputy CEO Dr. Mohammed Nasser Al Qahtani stated that the company is working at full capacity to complete a workshop on building new complexes with the advent of 4Q2014 and intends to open 9 new branches after obtaining the required approvals from the competent authorities. Dr. Al-Qahtani said that the new branches will be opened in Al-Wakra, Al-Thumamah, Al-Wajbah, Muaither, Al-Aziziyah, Al-Zakhira, Al-Mereikh and Jaryan Nijaimah. In addition, a branch will be rented at the Gulf Mall, which will open soon. (Bloomberg)
- **AM Best assigns rating to DOHI** – Doha Insurance Company's (DOHI) Chairman HE Sheikh Nawaf Bin Nasser Bin Khaled Al-Thani announced that AM Best Rating Services Limited has assigned a financial strength rating of A- (Excellent) and an issuer credit rating of "a-" to DOHI. The outlook assigned to both ratings is stable. He added that this new rating achieved reflects DOHI's robust risk-adjusted capitalization, good operating performance and strong position within the Qatari insurance market. He noted that Standard & Poor's (S&P) Rating Services announced recently that it had raised DOHI's rating to A- with stable outlook. (QE)

## National Accounts

Nominal GDP (QAR bn)	2010	2011	2012	2013	Q1 14	YoY%	QoQ%
<b>Total</b>	<b>455.4</b>	<b>618.1</b>	<b>691.4</b>	<b>736.9</b>	<b>192.4</b>	<b>2.6%</b>	<b>2.1%</b>
Oil & Gas	239.7	359.2	392.7	401.2	102.6	-4.5%	2.9%
Non-Oil	215.7	258.9	298.7	335.7	89.8	12.3%	1.1%
Agriculture and Fishing	0.5	0.6	0.6	0.7	0.2	9.3%	6.8%
Industry	40.8	56.7	70.2	72.1	30.2	8.3%	5.4%
Manufacturing	40.8	56.7	70.2	72.1	18.2	1.0%	0.2%
Electricity, Gas and Water	2.1	2.4	3.4	3.8	0.8	15.9%	-22.2%
Construction	27.5	28.3	31.2	35.9	11.0	22.4%	18.7%
Services	140.9	162.1	188.6	218.4	58.4	14.5%	-0.8%
Trade, Restaurants and Hotels	31.5	35.6	39.1	45.5	11.6	21.8%	-11.7%
Transport and Communications	18.1	21.0	23.5	25.9	7.0	10.2%	4.0%
Financial and Business Services	60.3	65.6	74.7	88.3	23.8	18.1%	-1.3%
Social Services	4.5	5.0	5.8	6.4	1.8	12.3%	10.2%
Government Services	37.4	46.2	60.1	69.8	18.5	8.5%	3.4%
Household Services	1.9	2.0	2.3	2.7	0.8	18.0%	5.6%
Imputed Bank Service Charges	-12.7	-13.4	-16.8	-20.2	-5.1	17.3%	-5.5%
Import Duties	3.8	3.9	4.6	4.8	1.2	10.0%	-5.4%

Source: MDPS

Real GDP (% change, YoY)	2009	2010	2011	2012	2013	Q1 14	QoQ%
<b>Total</b>	<b>12.0</b>	<b>16.7</b>	<b>13.0</b>	<b>6.1</b>	<b>6.5</b>	<b>6.2</b>	<b>2.3</b>
Oil & Gas	4.5	28.9	15.6	1.3	0.1	-1.2	1.8
Non-Oil	17.6	8.6	10.9	10.1	11.4	11.5	2.5
Agriculture and Fishing	-17.0	19.7	5.4	4.5	6.9	7.9	5.4
Industry	6.1	23.4	13.9	4.2	3.3	11.1	7.3
Manufacturing	13.7	17.6	10.4	10.7	5.6	0.6	1.6
Electricity, Gas and Water	-0.4	13.5	7.9	10.6	6.4	5.9	-14.7
Construction	6.9	9.5	10.5	10.6	13.6	19.6	12.9
Services	21.9	6.9	10.3	10.8	13.1	11.8	0.0
Trade, Restaurants and Hotels	15.7	2.5	12.9	6.7	12.8	19.0	-11.3
Transport and Communications	22.7	10.2	12.4	12.4	9.7	9.0	3.0
Financial and Business Services	25.8	7.4	6.3	11.4	14.3	14.6	-0.3
Social Services	21.5	1.9	3.0	9.2	6.7	11.6	10.1
Government Services	23.6	8.7	13.1	12.8	15.1	7.5	3.4
Household Services	4.3	2.2	0.8	6.0	10.3	9.2	1.8
Imputed Bank Service Charges	1.0	3.3	16.4	21.2	18.2	15.3	-8.4
Import Duties	-11.3	17.8	-1.1	20.5	1.7	11.3	-5.6

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	Jul-14	MoM%	YoY%
Oil production ('000 bpd)	733.0	734.0	733.7	724.0	734.0	0.7%	1.7%
Qatar average price	77.7	108.4	111.2	108.2	107.2	-2.0%	2.3%
Dukhan	78.4	109.7	111.8	108.8	108.5	-2.0%	2.6%
Marine	77.2	107.5	110.6	107.6	106.6	-2.0%	2.1%

Source: OPEC (Direct communications), Reuters

## Budget, Population, Money & Prices

Government Budget (% of GDP) /1	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	Aug-14	MoM%	YoY%
Total	1.72	1.73	1.83	2.03	2.08	8.2%	11.4%
Male	1.30	1.30	1.37	1.41	1.58	5.9%	11.6%
Female	0.42	0.43	0.46	0.62	0.49	16.2%	10.7%

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	Jul-14	MoM%	YoY%
Overall (weights shown below)	-2.4	1.9	1.9	3.1	2.8	0.3	3.1
Food, beverages & tobacco (13.2%)	2.1	4.3	3.7	2.3	1.2	-1.0	-0.8
Clothing & footwear (5.8%)	-1.3	7.5	2.8	0.2	1.6	1.5	2.2
Rents, water & maintenance (32.2%)	-12.8	-4.8	-3.3	5.8	6.2	0.3	7.6
Furniture, textiles & appliances (8.2%)	4.1	2.9	4.9	3.1	4.0	0.8	5.4
Health care (2.0%)	3.5	2.6	1.5	2.3	1.5	0.3	0.7
Transport & communication (20.5%)	2.6	6.4	2.2	1.4	1.5	0.5	1.8
Entertainment, leisure & culture (10.9%)	2.9	2.0	6.0	7.3	4.0	0.7	0.8
Miscellaneous goods & services (7.2%)	4.7	5.6	4.8	-2.5	-2.8	-0.3	1.3

Source: MDPS

Money Supply (QAR bn)	2010	2011	2012	2012	Jul-14	MoM%	YoY%
Broad money (M2)	264.7	310.0	381.1	455.7	477.6	-1.3%	8.8%
M1	68.3	81.8	90.9	105.9	125.6	-1.3%	16.4%
Quasi-money	196.4	228.1	290.1	349.8	351.9	-1.3%	6.3%

Interest rates (% end period)	2010	2011	2012	2013	Jul-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	0.66	8.3	-10.9
Demand deposit	1.34	0.62	0.65	0.58	0.59	0.2	-7.6
Overdraft	8.19	7.42	6.63	6.10	5.51	8.6	-37.6
Credit card	19.92	10.69	9.11	8.13	8.46	9.3	21.3

Source: QCB

1/ Fiscal year data ending March 31.



## Banking Sector Snapshot : July 2014

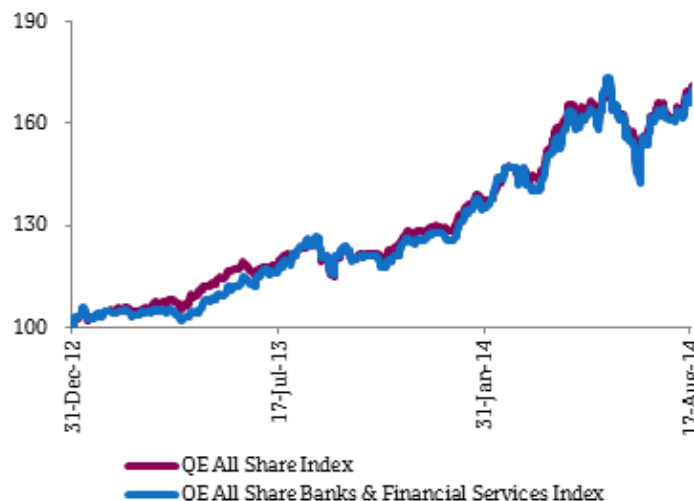
### Review and Outlook

The loan book fell 1.0% month-on-month (up 5.0% YTD) while deposits declined 2.7% month-on-month (+4.9% YTD) in the month of July 2014. After posting a growth of 1.9% month-on-month in June 2014 (primarily due to pick-up in credit off-take from the international and private segments), loans fell 1.0% month-on-month, with public sector declining by 4.4% Month-on-month. On the other hand, deposits declined 2.7%, with public sector deposits falling 3.8% month-on-month. Thus, the loan to deposit ratio (LDR) climbed to 106% vs. 104% in June. Going forward, 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 led the decline in deposits for the month of July 2014.** Public sector deposits fell 3.8% month-on-month (+1.3% YTD 2014). Delving into segment details, the government institutions' segment (represents ~55% of public sector deposits) improved 0.2% month-on-month (+2.2% YTD 2014). On the other hand, the semi-government institutions' segment posted a decline of 6.5% month-on-month (down 23.7% YTD 2014). Moreover, the government segment decreased 8.7% month-on-month (+13.2% YTD). Private sector deposits declined 1.8% month-on-month (+9.0% YTD 2014). On the private sector front, the companies & institutions' segment declined 2.1% month-on-month (+8.3% YTD 2014) while the consumer segment receded 1.5% month-on-month (+9.7% YTD 2014).

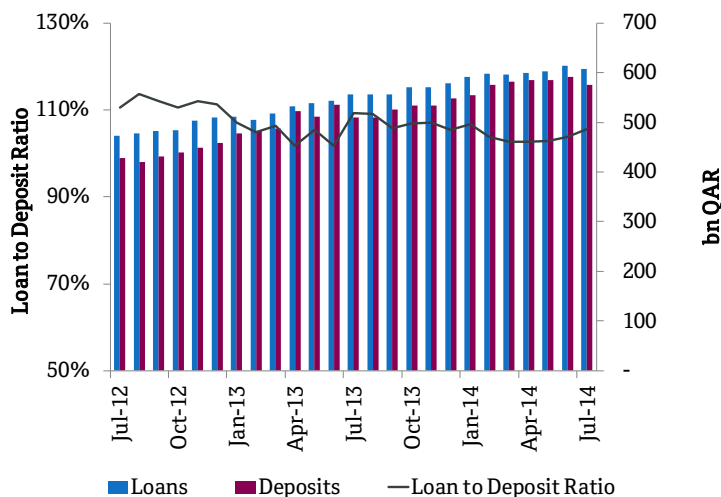
**The overall loan book declined 1.0% month-on-month after a growth of 1.9% month-on-month in June 2014.** International credit, the primary driver of the month-on-month growth in June, increased 1.1% month-on-month (+35.8% YTD 2014). Total domestic public sector loans declined 4.4% month-on-month, down 4.2% YTD. The government segment's loan book declined 9.3% month-on-month (down 1.8% YTD 2014). Moreover, the government institutions' segment (represents ~60% of public sector loans) declined 3.8% month-on-month, down 9.0% YTD. However, the semi-government institutions' segment expanded 2.2% month-on-month (+15.3% YTD). Private sector loans gained 1.1% month-on-month and are up 8.2% YTD. Consumption & Others (contributes ~30% to private sector loans) increased 3.8% month-on-month (+11.6% YTD). Furthermore, the Real Estate segment (contributes ~27% to private sector loans) grew 1.2% month-on-month (+0.5% YTD). However, the Services segment posted a decline of 3.7% month-on-month and is up 13.8% in the first seven months of 2014. Overall, Contractors (+14.6% YTD) and Services (+13.8% YTD) segments are the best performing segments in the private sector.

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



Source: Bloomberg

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



Source: QCB

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Banking Sector – Key Stats						
Banks	Closing Price	Change YTD (%)	EPS 2014E (QAR)	P/E 2014E (x)	P/B 2014(x)	Dividend Yield 2014 (%)
QE Banks & Financial Services Index	3,330.12	36.27	N/A	N/A	2.4	3.5
Al Ahli Bank (ABQK)	52.50	24.09	3.6	14.7	2.1	5.7
Al Khalij Commercial Bank (KCBK)	21.96	9.85	1.4	15.3	1.3	4.6
Commercial Bank of Qatar (CBQK)	68.00	15.25	6.6	10.4	1.3	2.9
Doha Bank (DHBK)	60.00	3.09	5.5	11.0	1.6	7.5
Masraf Al Rayan (MARK)	55.80	78.27	2.6	21.6	3.7	3.1
Qatar International Islamic Bank (QIIK)	84.40	36.79	5.4	15.6	2.3	5.3
Qatar Islamic Bank (QIBK)	116.20	68.41	6.2	18.8	2.2	3.9
Qatar National Bank (QNBK) *	197.30	14.71	15.0	13.2	2.6	3.4

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

Banking Sector Indicators									
(In QR mn)	2010	2011	2012	2013	Mar-14	Jun-14	Jul-14	Change MoM	Change YTD
<b>Total Assets</b>	567,482	694,301	820,512	915,911	952,148	961,850	946,902	-1.6%	3.4%
<b>Total Credit (Loans)</b>	314,481	403,563	510,048	577,976	596,344	613,500	607,141	-1.0%	5.0%
<b>Total Deposits</b>	306,788	363,612	458,066	548,384	581,000	591,397	575,445	-2.7%	4.9%
<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>Credit Facilities (Geographic)</b>									
<b>Total Domestic Credit</b>	293,920	376,695	478,305	535,657	550,417	556,628	549,672	-1.2%	2.6%
<b>Total International Credit</b>	20,561	26,867	31,743	42,319	45,927	56,872	57,469	1.1%	35.8%
<b>Domestic Credit Facilities - Public Sector</b>									
<b>Government</b>	36,303	40,801	51,746	56,549	67,288	61,191	55,507	-9.3%	-1.8%
<b>Government Institutions</b>	50,452	90,619	139,585	152,516	150,361	144,287	138,758	-3.8%	-9.0%
<b>Semi-Government Institutions</b>	16,303	17,750	27,222	30,679	28,617	34,624	35,372	2.2%	15.3%
<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>-4.4%</b>	<b>-4.2%</b>
<b>Domestic Credit Facilities - Private Sector</b>									
<b>General Trade</b>	24,875	26,855	33,280	36,011	39,610	38,774	39,107	0.9%	8.6%
<b>Industry</b>	6,648	6,534	9,339	11,592	10,440	10,828	11,352	4.8%	-2.1%
<b>Contractors</b>	18,411	16,220	16,546	23,331	26,458	26,309	26,739	1.6%	14.6%
<b>Real Estate</b>	51,042	76,220	85,562	85,388	85,113	84,804	85,832	1.2%	0.5%
<b>Consumption &amp; Others</b>	60,345	71,986	78,587	87,020	89,049	93,637	97,156	3.8%	11.6%
<b>Services</b>	29,541	29,709	36,438	52,570	53,480	62,174	59,848	-3.7%	13.8%
<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>1.1%</b>	<b>8.2%</b>
<b>Deposit Details (Geographic)</b>									
<b>Resident Deposits</b>	277,107	343,777	417,337	514,804	550,048	558,245	543,364	-2.7%	5.5%
<b>Non-resident Deposits</b>	29,681	19,835	40,729	33,579	30,952	33,153	32,081	-3.2%	-4.5%
<b>Deposits - Public Sector (Domestic)</b>									
<b>Government</b>	18,486	40,825	44,557	68,459	76,856	84,935	77,522	-8.7%	13.2%
<b>Government Institutions</b>	32,277	57,351	104,378	124,390	135,485	126,889	127,155	0.2%	2.2%
<b>Semi Government Institutions</b>	21,309	27,700	31,794	37,283	25,341	30,429	28,452	-6.5%	-23.7%
<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>-3.8%</b>	<b>1.3%</b>
<b>Deposits - Private Sector (Domestic)</b>									
<b>Personal</b>	90,828	103,093	116,257	145,841	162,317	162,406	159,920	-1.5%	9.7%
<b>Companies &amp; Institutions</b>	114,207	114,809	120,350	138,833	150,048	153,585	150,314	-2.1%	8.3%
<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>-1.8%</b>	<b>9.0%</b>

Source: QCB

## Qatar Exchange Monthly Performance

Company Name	Price (August 28)	% Change 5-Day	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	202.00	3.86	17.44	141,345	14.4	2.7	3.5
Qatar Islamic Bank	119.00	(3.88)	72.46	28,119	19.8	2.4	3.4
Commercial Bank of Qatar	68.10	0.89	15.42	20,221	12.6	1.2	2.4
Doha Bank	61.00	0.33	4.81	15,761	11.0	1.4	7.4
Al Ahli Bank	53.00	1.73	25.27	8,755	15.7	2.3	N/A
Qatar International Islamic Bank	87.40	0.69	41.65	13,230	16.8	2.6	4.3
Masraf Al Rayan	52.00	(9.41)	66.13	39,000	21.8	3.8	2.9
Al Khaliji Bank	21.70	(2.16)	8.55	7,812	15.0	1.4	4.6
National Leasing	28.25	(2.08)	(6.30)	1,398	33.6	1.1	5.3
Dlala Holding	63.00	4.13	185.07	1,399	17.8	5.1	N/A
Qatar & Oman Investment	17.11	(2.23)	36.66	539	21.9	1.6	3.5
Islamic Holding Group	97.00	7.78	110.87	388	31.9	6.5	1.8
<b>Banking and Financial Services</b>				<b>277,967</b>			
Zad Holding	90.00	(1.64)	29.50	1,177	10.8	1.5	3.9
Qatar German Co. for Medical Devices	13.71	(1.86)	(1.01)	158	N/M	0.9	N/A
Salam International Investment	19.71	(5.24)	51.50	2,253	15.7	1.4	5.1
Medicare Group	129.00	(6.52)	145.71	3,631	29.0	4.5	1.4
Qatar Cinema & Film Distribution	50.00	(3.47)	24.69	285	24.4	2.1	N/A
Qatar Fuel	220.00	(1.48)	0.67	18,581	15.6	3.0	3.5
Qatar Meat and Livestock	60.80	(0.16)	17.60	1,094	19.5	4.4	3.5
Al Meera Consumer Goods	187.20	(1.47)	40.44	3,744	14.5	2.9	4.3
<b>Consumer Goods and Services</b>				<b>30,924</b>			
Qatar Industrial Manufacturing	46.90	0.75	11.23	2,229	11.0	1.5	N/A
Qatar National Cement	143.00	(0.69)	20.17	7,021	16.0	2.8	4.2
Industries Qatar	193.50	2.93	14.56	117,068	18.7	3.9	5.7
Qatari Investors Group	59.00	(0.84)	35.01	7,335	32.1	3.4	1.3
Qatar Electricity and Water	171.00	(8.56)	3.41	18,810	12.9	3.2	4.0
Mannai Corp.	112.00	0.27	24.58	5,109	9.1	2.6	4.9
Aamal	16.29	(0.67)	8.60	9,774	18.3	1.4	N/A
Gulf International Services	117.20	(3.54)	140.16	21,781	25.7	6.7	1.4
Mesaieed Petrochemical Holding	33.45	(2.48)	N/A	42,024	N/A	3.1	1.0
<b>Industrials</b>				<b>231,151</b>			
Qatar Insurance	100.00	3.73	87.97	16,054	16.4	3.0	2.0
Doha Insurance	30.25	(5.76)	21.00	1,513	10.5	1.5	6.6
Qatar General Insurance & Reinsurance	46.00	(2.13)	15.24	3,182	2.2	0.7	2.7
Al Khaleej Takaful Insurance	47.00	(3.49)	67.40	1,043	12.2	1.6	N/A
Qatar Islamic Insurance	86.00	(4.44)	48.53	1,290	15.4	4.5	4.4
<b>Insurance</b>				<b>23,082</b>			
United Development	29.15	(2.35)	35.37	10,322	20.8	1.0	3.3
Barwa Real Estate	39.10	(6.90)	31.21	15,215	11.7	1.1	5.1
Ezdan Real Estate	18.70	(5.41)	10.00	49,602	38.4	1.7	1.7
Mazaya Qatar Real Estate Development	24.50	1.24	119.14	2,450	13.7	2.1	3.1
Real Estate				<b>77,588</b>			
Qatar Telecom	114.30	(7.00)	(16.69)	36,613	14.6	1.5	3.5
Vodafone Qatar	19.34	(10.59)	80.58	16,350	N/M	2.8	0.9
<b>Telecoms</b>				<b>52,963</b>			
Qatar Navigation (Milaha)	89.00	(7.77)	7.23	10,193	11.3	0.8	5.6
Gulf Warehousing	50.50	1.00	21.69	2,402	20.5	3.0	3.0
Qatar Gas Transport (Nakilat)	23.50	(4.24)	16.05	13,160	16.0	3.5	4.7
<b>Transportation</b>				<b>25,755</b>			
<b>Qatar Exchange</b>				<b>719,429</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:

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