

## Executive Summary

- Qatar’s real GDP expanded at 5.6% year-on-year in Q4 2013; for 2013 as a whole, real GDP grew 6.5%, in line with QNB Group’s forecast on strong investment and higher population
- Qatar continues to experience an influx of expatriates with population reaching 2.14m in March 2014 (11.6% growth)
- Overall headline inflation rose slightly to 2.7% in February 2014 owing to higher housing and rental prices; QNB Group analysis suggests that rent inflation tend to track movements in the underlying price of land with a six-month lag – a recovery in land prices between December and March is expected to increase rents further this year
- International reserves continued to remain at near record levels in February 2014 reflecting a strong current account surplus and lower capital outflows

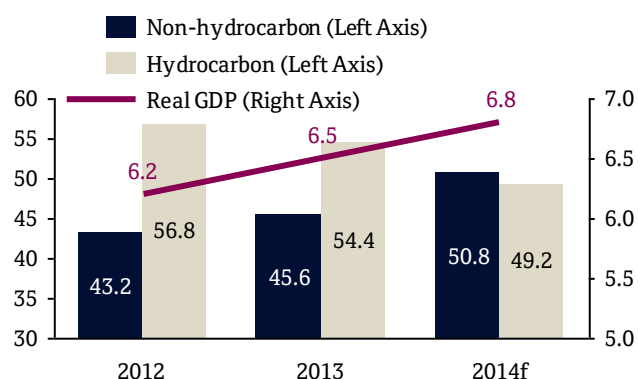
## Qatar’s Real GDP growth accelerated to 6.5% in 2013

Qatar’s real GDP expanded at a buoyant 5.6% (year-on-year) in the last three months of 2013, spurred by double-digit growth in construction, wholesale trade and hospitality, and financial, real estate, and business services. For 2013 as a whole, real GDP grew 6.5%, in line with QNB Group’s forecast (see [Qatar Economic Insight report](#)).

QNB Group expects real GDP growth to accelerate in 2014 to 6.8% as the implementation of large infrastructure projects accelerates and the fast-growing population boosts domestic demand. Large infrastructure projects, like the Lusail real estate development, the new Doha Port, the Hamad International Airport and the Doha Metro Rail project will support growth going forward. Thus, the key driver of growth will continue to be the non-hydrocarbon sector which is expected to grow from 46% of nominal GDP in 2013 to more than 50% this year.

## Diversification into non-hydrocarbon continues

(% change year-on-year and share of sectors in total GDP, 2012 – 2014)

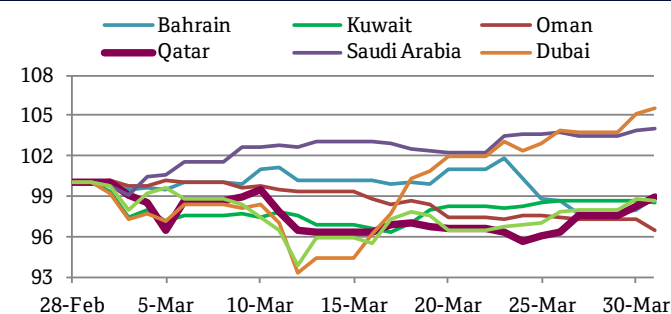


Sources: Ministry of Development Planning and Statistics (MDPS) and QNB Group analysis

## QNB Economics Weekly Commentary

- [The Eurozone Takes A Final Step Toward a Banking Union](#)
- [Foreign Ownership of Debt is an Important Indicator of Vulnerability to the Emerging Market Crisis](#)

## Stockmarket Indices (rebased with 28 Feb 2014 = 100)

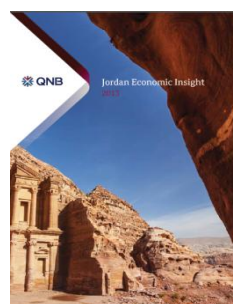


Sources: Bloomberg and QNB Group analysis

The GCC markets posted a mixed bag of returns in the month of March 2014. Dubai’s benchmark index (DFMGI) was the top performer, surging 5.5% month-on-month. The DFMGI is the best performing regional index so far in 2014 with a gain of 32.1% year-to-date. On the other hand, all the other regional indices ended in negative territory with Kuwait remaining the worst performing market, up only 0.3% year-to-date.

After a strong performance in February 2014 (+5.5% month-on-month), the Qatar Exchange (QE) Index witnessed a decline as key stocks went ex-dividend. It is important to note that the QE Index is not adjusted for cash dividends. Foreign institutional investors remained bullish – in the first month of 2014, the Qatar Exchange witnessed net foreign portfolio investment inflow of USD532.4m, followed by USD188.1m in February 2014 and USD96.0m in March 2014.

## Jordan Economic Insight Report 2014



QNB Group has recently published the [Jordan Economic Insight 2014](#), providing an overview of Jordan’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](#).

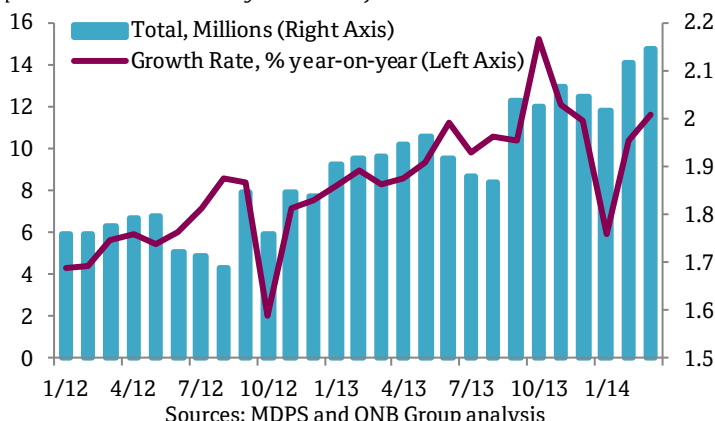
## Qatar continues to experience a large influx of expatriates with double digit population growth

Qatar's population grew 11.6% year-on-year in March 2014 to reach 2.14m. Population growth in recent months has been driven up by the large ramp up in infrastructure spending in preparation for the 2022 FIFA World Cup.

The latest population figures for March are in line with QNB Group's forecast of 10.1% average population growth for 2014 – one of the world's highest population growth rates. In turn the larger population will feed into higher economic growth by boosting aggregate demand and investment in housing and services.

### Population continued to surge in March 2014

Population within the country at the end of the month



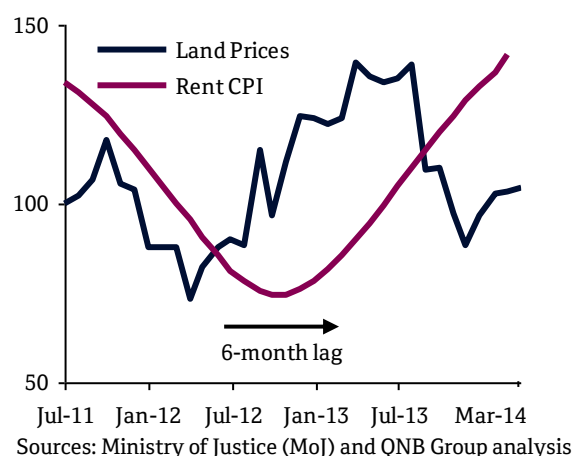
## Rising land prices could reverse the slowdown in rent inflation by mid-2014

Rent inflation has slowed in recent months in line with QNB Group projections, tracking movements in the underlying price of land. QNB Group has analyzed data purely on land transactions in Qatar, based on weekly statistics published by the Ministry of Justice. Land prices are a fundamental driver of rent inflation in Qatar with a six-month lag.

A recovery in land prices between last December and March 2014 is expected to increase rents later this year. Counterbalancing this, foreign inflation is expected to decline in 2014 as international commodity prices remain flat on weak global demand and record food harvests. Overall, we expect inflation to pick up to 3.8% in 2014.

### Qatar land prices and rental inflation

(Indices, 12-month rolling averages, Jul 2011 – Mar 2014)



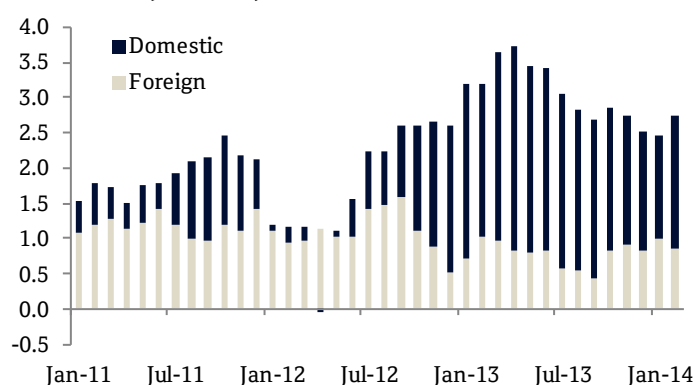
## Overall headline inflation rose slightly to 2.7% in February 2014 owing to higher housing and rental prices

Qatar's Consumer Price Index (CPI) for February 2014 increased to 2.7% year-on-year, from 2.3% in the previous month. Domestic prices increase 2.8% year-on-year owing primarily to a rise in housing and rents which has been steadily rising since last December (see above). Indeed, housing and rents increased by 5.8% year-on-year in February 2014 on the back of large influx of the expatriate workforce which is inevitably putting upward pressure on domestic prices. Meanwhile, rising clothing and footwear as well as food costs drove up international prices in February 2014.

We expect the continued double-digit growth in population to drive consumer demand, leading to a modest rise in inflation. Indeed, planned heavy investments in major projects in 2014 are likely to accelerate growth, which could lead to certain supply bottlenecks, pushing up prices.

### Headline inflation rose to 2.7% in February 2014

Contribution to Inflation, % (Jan 2011 – Feb 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: Qatar Central Bank (QCB), MDPS and QNB Group analysis

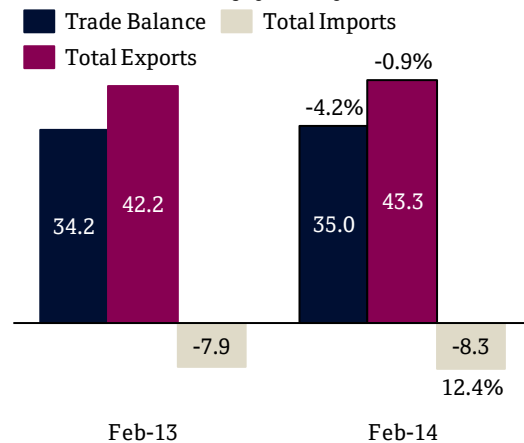
## Foreign merchandise trade surplus was QAR35.0bn in February 2014

**Qatar's merchandise trade balance showed a surplus of QAR35.0bn in February 2014 (2.2% increase year-on-year).** The surplus increased as compared with the same period in 2013 primarily owing to higher hydrocarbon export receipts.

**Total exports in February stood at QAR43.3bn and imports at QAR8.3bn.** Japan topped the export destination in November and accounted for 29% of Qatar's exports, followed by South Korea (24%) and India (12%). Among Qatar's major import items in September were motor vehicles, aircraft spare parts and telephone sets. The USA was the largest exporter to Qatar in February (11%), followed by China (also at 11%) and the UAE (8%).

## Trade balance continues to remain in surplus

Trade Balance (bn USD, and % change year-on-year)



Sources: MDPS and QNB Group analysis

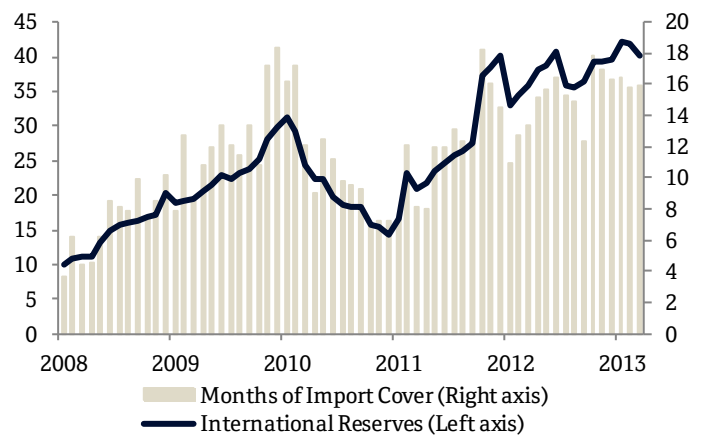
## International reserves continued to remain at near record levels in February 2014

**Qatar's international reserves rose by USD4.4bn to stand at USD40.2bn in February 2014 from 34.3bn in the same period last year, reflecting a strong current account surplus and lower capital outflows.** The current account recorded a healthy surplus in 2013 at 30.9% of GDP, on high hydrocarbon exports. This more than offset the import bill, which expanded on robust domestic demand. As a result, the latest available information suggests that the import cover stands at 15.9 months, 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.

## International reserves remained robust in February 2014

(bn USD on left axis; months of import cover on right axis)



Sources: QCB and QNB Group analysis

## Economic News

- **Qatar public spending jumps 33% in first half of FY2014** – Qatar’s government spending rose nearly 33% to QAR93.2bn in the first half of FY2014, speeding up after a slow start to the FIFA World Cup 2022 projects. Expenditure in the April-September period accounts for a little over 44% of the record QAR210.6bn that Qatar plans to spend in FY2014. The IMF said that certain big-ticket projects in Qatar such as the metro, port, and airport have been divided into phases to reduce the risk of economic overcapacity. (Gulf-Times.com)
- **Deposit growth outpaced loan growth in the month of February 2014** – Loans climbed by 1.0% month-over-month in February 2014. This is after a strong performance of 2.3% month-over-month in January 2014. However, deposits expanded by 3.9% month-over-month in the month of February 2014 (+1.0% month-over-month in January 2014). Hence, the banking sector’s loan-to-deposit ratio (LDR) decreased to 104% at the end of February 2014 vs. 107% in January 2014. Going forward, we expect activity in the banking sector to pick up in the coming months with the public sector leading the way. (QCB, QNBFS Research)
- **MEED: Tenders for 10 new stadiums to be issued in 2014** – Qatar, whose projects market witnessed a 21% growth in 2013 and is slated to see new deals worth USD140bn-150bn in 2014, will soon invite tenders for some 10 projects related to hosting the 2022 World Cup. According to the MEED Insight Report, with an average yearly USD16bn outlay during 2008-13, Qatar accounted for 12% (USD96bn) of the total projects awarded in the GCC region. Yasser al-Mulla, Project Manager at Al-Rayyan Precinct for Supreme Committee for Delivery & Legacy said Qatar will issue some 10 tenders in 2014 for project managers and design consultants on the stadiums being built for the games. Doha expects to spend an additional USD4bn for building stadiums and related sporting infrastructure for the World Cup. The largest new stadium planned is ‘Lusail Iconic’, which will have a capacity of around 86,000 people and is to be used for the opening match and the finals. (Gulf-Times.com)
- **Qatar issues USD2.2bn tender for Doha Metro phase one** – Qatar has issued a new tender for phase one of the Doha Metro, a key infrastructure project in the Gulf country as it prepares to host the 2022 World Cup. According to sources, the tender, issued earlier this month, is for the rolling stock, systems, depot facilities, track work and other aspects of Doha Metro. The tender, which could cross USD2.2bn, would be the final one for the metro’s phase one and the contract is expected to be awarded in the next five months. Last year, Qatar awarded four design & build contracts worth about USD8.2bn for phase one of the Doha Metro. (Gulf-Times.com)
- **QCB: Qatar to sign construction projects worth USD50bn** – The QCB Governor HE Sheikh Abdullah bin Saud Al Thani said that Qatar’s government is expected to sign various contracts for construction projects worth as much as USD50bn in 2014 as it builds infrastructure needed to host the soccer World Cup in 2022. HE Sheikh Abdullah said that these projects will be in transport, energy and other sectors. He stated that this reflected the rapid development of the Qatari economy and the extended growth expected in the next few years for achieving the Qatar National Vision (QNV) 2030. He mentioned that in order to achieve the QNV 2030 goals, various QCB initiatives, including the strategy of supervisory and regulatory bodies have been launched. (Gulf-Times.com, Peninsula Qatar)
- **New Port Project set for early completion** – According to a top official, quick progress is being made in the construction of the New Port Project (NPP) and more than 35% of the work has been completed as of now. The project consists of the new port, a naval base for the Emiri Naval Force and Qatar Economic Zone 3. Situated 24 kilometers south of Doha, the entire cost for the project is estimated at QAR27bn. With an area of 26.5 square kilometer, a major part of the project is reclaimed land. (Gulf-Times.com)

## Private Sector News

### Finance

- QE upgrade to bring in QAR3bn funds, reflects global confidence** – The Qatar Exchange’s (QE) upgrade to emerging market status by both MSCI and Standard & Poor’s Dow Jones is likely to see as much as QAR3bn foreign funds inflow, reflecting global investment institutions’ growing confidence in the bourse. The QE’s Chief Executive Rashid bin Ali al-Mansoori said these upgrades are likely to enhance the trustworthiness of the market and consequently attract large foreign portfolios. Both MSCI and S&P Dow Jones decided to upgrade the QE to emerging market from the current frontier status, effective from June 2014 and September 2014 respectively. (Gulf-Times.com)
- Qatar First Bank (QFB) gets approval for hiking foreign ownership limit to 25%** – QFB which is planning to list on the local bourse, has received approval from its shareholders to raise the foreign ownership limit to 25% from the present 20%. QFB has also received approval to enhance the authorized capital by 25% to QAR2.5bn, which will facilitate further growth in its assets base and position it for the full operations of commercial banking. (Gulf-Times.com)
- Al Meera Consumer Goods Company’s (MERS) eyes strong growth with 15 new malls** – MERS Chairman HE Abdullah bin Khalid al-Qhtani stated that the completion of nine malls this year reflects MERS’ strong expansion growth as it plans to build another 15 malls within the next two to five years. Al-Qahtani, who is also the Minister of Public Health & Secretary General of the Supreme Council of Health, said besides the nine malls currently under construction, MERS is also building one leased store, which is also set for completion this year. (Gulf-Times.com)
- Nakilat Damen Shipyards Qatar (NDSQ) to deliver 8 more Qatar-built vessels in 2014** – NDSQ, a JV of Nakilat and Damen Shipyard Group, will deliver 12 indigenously-built vessels to its Qatari and foreign customers in 2014. NDSQ’s Managing Director Jam-Wim Dekker said that the company has already delivered four vessels and eight more vessels will be delivered to its customers by the end of 2014. He said the company’s manufacturing units in Ras Laffan have the capacity to build 25 vessels in a year. (Qatar Tribune)
- Ezdan Holding Group (ERES) acquires 20% of IHGS shares** – ERES has acquired more than 20% of the Islamic Holding Group’s (IHGS) shares from the Qatar Exchange. IHGS mainly invests in shares and bonds, and providing brokerage services on the Qatar Exchange based on Shari’ah principles and done through Islamic Finance Securities Company. IHGS owns many companies, which will enhance the profitability of Ezdan Holding Group. ERES’ Chairman Sheikh Dr Khalid bin Thani bin Abdullah al-Thani said the deal comes within the framework of the group’s keenness to diversify its investment portfolio and demonstrate professionalism in the market. (Gulf-Times.com)
- QCB Governor: Economic boom, spending drive augur well for Qatari insurance** – Qatar’s financial regulator said that the country’s positive medium-term economic prospects and huge project spending augur well for the insurance and reinsurance industry. The Qatar Central Bank’s (QCB) Governor and Qatar Financial Market Authority’s Chairman HE Sheikh Abdullah bin Saud al-Thani said that economic prospects in Qatar are quite positive in the medium term. He said overall there has been positive economic momentum, particularly in the non-oil segment. HE Sheikh Abdullah said that insurance and reinsurance were important partners as Qatar has embarked on mammoth infrastructure projects ahead of its preparations to host the 2022 FIFA World Cup. (Gulf-Times.com)
- Al Khaliji to finance QAR117mn greenfield recycling project in Qatar** – Al Khalij Commercial Bank (Al Khaliji) is financing one of the largest greenfield projects for recycling materials in Qatar, estimated to cost QAR117mn. The funding initiative comes as part of the Generation Green Program at Al Khaliji, which is the first incentive-driven loan initiative for green projects by a bank in Qatar. (Gulf-Times.com)
- Doha Bank to acquire bank branches in India** – Doha Bank’s (DHBK) Group CEO R. Seetharaman said that the bank is exploring opportunities to buy branches of foreign and Indian banks operating in India. Shareholders of Doha Bank authorized its board of directors to acquire branches of foreign and Indian banks in India at the bank’s ordinary general meeting. Seetharaman said instead of taking the organic route, the bank is planning to take the investment route to grow its operations in India. In the first phase of DHBK’s expansion in India, the bank will aim at acquiring the branches of only foreign banks operating in India. In the second-phase, the bank will look at acquiring the branches of Indian banks. (Qatar Tribune)

## National Accounts

Nominal GDP (QAR bn)	2009	2010	2011	2012	Q4 13	YoY%	QoQ%
<b>Total</b>	<b>356.0</b>	<b>455.4</b>	<b>624.2</b>	<b>691.4</b>	<b>188.5</b>	<b>5.8%</b>	<b>2.3%</b>
Oil & Gas	159.5	239.7	370.2	392.7	99.7	2.0%	0.8%
Non-Oil	196.5	215.7	254.0	298.7	88.8	10.5%	4.0%
Agriculture and Fishing	0.4	0.5	0.6	0.6	0.2	9.2%	0.4%
Industry	33.6	40.8	56.7	70.2	28.6	1.7%	1.0%
Manufacturing	33.6	40.8	56.7	70.2	18.1	-5.1%	0.0%
Electricity, Gas and Water	1.8	2.1	2.4	3.4	1.0	11.2%	-8.8%
Construction	25.5	27.5	28.3	31.2	9.3	16.7%	4.4%
Services	132.1	140.9	162.1	188.6	58.9	15.4%	5.5%
Trade, Restaurants and Hotels	29.8	31.5	35.6	39.1	13.2	23.7%	6.7%
Transport and Communications	16.2	18.1	21.0	23.5	6.7	10.7%	-1.8%
Financial and Business Services	58.1	60.3	65.6	74.7	24.1	22.0%	10.0%
Social Services	4.1	4.5	5.0	5.8	1.6	5.7%	-1.0%
Government Services	32.1	37.4	46.2	60.1	17.9	7.0%	2.1%
Household Services	1.8	1.9	2.0	2.3	0.7	20.4%	0.7%
Imputed Bank Service Charges	-10.2	-12.7	-13.4	-16.8	-5.4	24.9%	3.9%
Import Duties	3.1	3.8	3.9	4.6	1.3	7.4%	4.8%

Source: MDPS

Real GDP (% change, YoY)	2009	2010	2011	2012	Q3 13	Q4 13	QoQ%
<b>Total</b>	<b>12.0</b>	<b>16.7</b>	<b>13.0</b>	<b>6.2</b>	<b>6.9</b>	<b>5.6</b>	<b>0.6</b>
Oil & Gas	4.5	28.9	15.7	1.2	1.4	-1.1	-2.8
Non-Oil	17.6	8.6	10.8	10.3	10.9	10.3	3.0
Agriculture and Fishing	-17.0	19.7	5.4	4.5	8.5	4.9	0.8
Industry	6.1	23.4	14.0	4.1	8.1	9.0	1.3
Manufacturing	13.7	17.6	10.4	10.7	2.5	2.0	-1.1
Electricity, Gas and Water	-0.4	13.5	7.9	10.6	6.1	5.4	-24.7
Construction	6.9	9.5	10.5	10.6	13.0	15.0	5.4
Services	21.9	6.9	10.3	10.8	12.9	11.2	3.9
Trade, Restaurants and Hotels	15.7	2.5	12.9	6.7	11.2	19.3	5.4
Transport and Communications	22.7	10.2	12.4	12.4	12.1	8.4	-1.2
Financial and Business Services	25.8	7.4	6.3	11.4	14.1	18.1	9.0
Social Services	21.5	1.9	3.0	9.2	6.4	1.9	-0.7
Government Services	23.6	8.7	13.1	12.8	16.9	5.7	1.8
Household Services	4.3	2.2	0.8	6.0	10.2	12.9	5.3
Imputed Bank Service Charges	1.0	3.3	16.4	21.2	21.1	25.8	5.7
Import Duties	-11.3	17.8	-1.1	20.5	3.2	8.1	6.7

Source: MDPS

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

## Balance of Payments

Balance of Payments (USD bn)	2009	2010	2011	2012	Q3 13	QoQ%	YoY%
<b>Current Account Balance</b>	<b>6.4</b>	<b>23.8</b>	<b>52.0</b>	<b>61.6</b>	<b>14.8</b>	<b>-6.1%</b>	<b>-20.9%</b>
Trade Balance (Goods)	25.6	53.9	87.4	102.2	26.0	0.9%	-4.0%
Exports	48.0	74.8	114.3	133.0	34.1	1.4%	1.2%
Imports	-22.5	-20.9	-26.9	-30.8	-8.0	2.9%	22.8%
Invisibles	-19.2	-30.1	-35.4	-40.6	-11.3	7.2%	27.4%
Services	-3.9	-5.8	-9.5	-14.0	-4.1	-6.6%	32.4%
Income	-9.4	-12.9	-13.3	-12.1	-3.1	27.5%	13.9%
Transfers	-5.8	-11.4	-12.7	-14.5	-4.0	10.4%	34.5%
<b>Capital &amp; Financial Account Balance</b>	<b>0.6</b>	<b>-10.7</b>	<b>-62.6</b>	<b>-44.5</b>	<b>-11.5</b>	<b>-33%</b>	<b>53%</b>
Capital Account	-1.8	-2.1	-3.6	-6.2	-1.2	13%	20%
Financial Account	2.4	-8.6	-59.0	-38.3	-10.2	-36%	57%
Direct Investment (outwards)	-3.2	-1.9	-6.0	-1.8	-2.9	0%	-492%
Direct Investment (into Qatar)	8.1	4.7	-0.1	0.3	-0.4	-9%	-137%
Portfolio investment (net)	-	-	-	2.8	-4.2	7%	-206%

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	Q3 13	QoQ%	YoY%
Japan	14.5	19.7	27.4	32.6	8.2	-9.3%	5.0%
Korea	7.6	10.8	18.9	23.2	4.9	-23.0%	-8.4%
India	3.7	5.6	10.3	14.7	3.3	26.6%	-9.0%
European Economic Community (EEC)	4.0	9.1	17.0	12.0	2.3	17.1%	-3.6%
China	1.2	2.2	4.3	7.0	1.9	-12.1%	-0.4%

Top 5 Import Sources (USD bn)	2009	2010	2011	2012	Q3 13	QoQ%	YoY%
European Economic Community (EEC)	8.1	7.2	6.6	7.5	1.8	-11.5%	23.1%
United States	3.1	3.5	3.1	3.9	1.4	-23.6%	151.3%
United Arab Emirates	1.8	2.3	3.0	3.2	0.8	0.0%	0.8%
Saudi Arabia	1.3	1.7	2.2	2.4	0.6	0.0%	0.8%
United Kingdom	1.1	1.4	1.5	1.8	0.4	-23.3%	28.0%

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

Crude oil (USD / barrel)	2009	2010	2011	2012	Feb-14	MoM%	YoY%
Oil production ('000 bpd)	781.0	733.0	734.0	733.7	734.0	0.3%	-0.5%
Qatar average price	62.0	77.7	108.4	111.2	107.2	0.3%	-5.0%
Dukhan	62.6	78.4	109.7	111.8	109.0	0.0%	-4.5%
Marine	61.6	77.2	107.5	110.6	106.5	0.4%	-5.2%

Source: OPEC (Direct communications), Reuters

## Budget, Population, Money & Prices

Government Budget	2008/09	2009/10	2010/11	2011/12	Q3 13	QoQ%	YoY%
Balance	41.3	47.7	12.3	45.0	49.7		
% of GDP	9.8%	13.4%	2.7%	7.7%	27.0		
Revenue	141.2	169.3	156.1	219.3	101.4	494%	-25.1%
Expenditure	100.0	121.6	143.8	174.4	51.7	24.6%	26.9%

Population (m people in Qatar)	2009	2010	2011	2012	Mar-14	MoM%	YoY%
Total	1.64	1.72	1.73	1.83	2.14	1.3%	11.6%
Male	1.27	1.30	1.30	1.37	1.60	1.5%	12.2%
Female	0.37	0.42	0.43	0.46	0.55	0.7%	10.0%

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

Inflation (% ch, 12mth rolling average YoY)	2009	2010	2011	2012	Feb-14	MoM%	YoY%
<b>Overall</b> (weights shown below)	<b>-4.9</b>	<b>-2.4</b>	<b>1.9</b>	<b>1.9</b>	<b>3.0</b>	<b>0.5</b>	<b>2.7</b>
Food, beverages & tobacco (13.2%)	1.3	2.1	4.3	3.7	2.1	0.7	1.8
Clothing & footwear (5.8%)	-4.5	-1.3	7.5	2.8	0.6	0.9	2.4
Rents, water & maintenance (32.2%)	-12.0	-12.8	-4.8	-3.3	5.9	1.0	5.8
Furniture, textiles & appliances (8.2%)	-2.0	4.1	2.9	4.9	3.1	0.2	3.9
Health care (2.0%)	1.7	3.5	2.6	1.5	2.2	0.0	1.4
Transport & communication (20.5%)	-4.4	2.6	6.4	2.2	1.4	-0.1	1.6
Entertainment, leisure & culture (10.9%)	-1.2	2.9	2.0	6.0	6.6	0.4	3.2
Miscellaneous goods & services (7.2%)	7.3	4.7	5.6	4.8	-3.2	0.7	-3.2

Source: MDPS

Money Supply (QAR bn)	2009	2010	2011	2012	Feb-14	MoM%	YoY%
Broad money (M2)	215.1	264.7	310.0	381.1	483.5	3.5%	18.4%
M1	53.1	68.3	81.8	90.9	113.0	7.0%	11.0%
Quasi-money	162.0	196.4	228.1	290.1	370.5	2.5%	20.8%

Interest rates (% end period)	2009	2010	2011	2012	Feb-14	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	0.00	0.0	0.0
Demand deposit	1.99	1.34	0.62	0.65	0.00	0.0	0.0
Overdraft	8.75	8.19	7.42	6.63	0.00	0.0	0.0
Credit card	20.00	19.92	10.69	9.11	0.00	0.0	0.0

Source: QCB



## Banking Sector Snapshot : February 2014

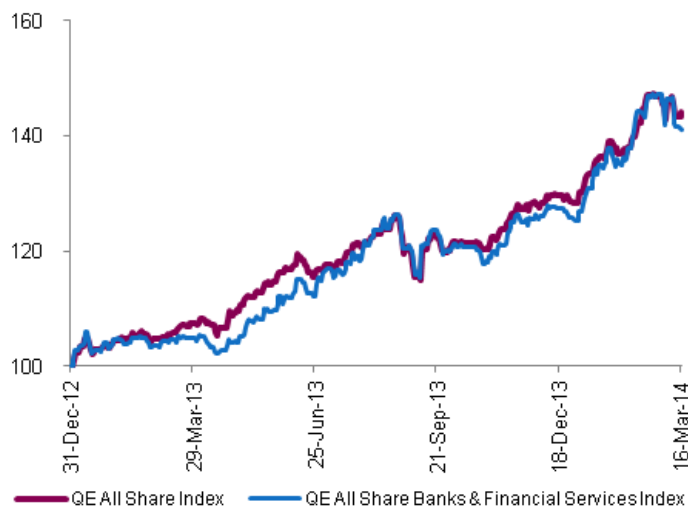
### Review and Outlook

**Deposit growth outpaced loan growth in the month of February 2014.** Loans climbed 1.0% month-over-month in February 2014. This is after a strong performance of 2.3% month-over-month in January 2014. However, deposits expanded 3.9% month-over-month in the month of February 2014 (+1.0% month-over-month in January 2014). Hence, the banking sector's loan-to-deposit ratio (LDR) decreased to 104% at the end of February 2014 vs. 107% in January 2014. Going forward, we expect activity in the banking sector to pick up in the coming months with the public sector leading the way.

**Public sector led the deposit growth along with strong participation from the private sector.** Public sector deposits grew 4.7% month-over-month (down 2.3% month-over-month in January 2014). Delving into segment details, the government institutions' segment (represents ~55% of public sector deposits) improved significantly by 3.3% month-over-month vs. a flat performance in the previous month. Further, the government segment increased 10.5% month-over-month vs. a 7.4% month-over-month decrease in the previous month. However, the semi-government institutions' segment posted a 0.6% month-over-month decline continuing its trend as it declined by 1.3% month-over-month in January 2014. Private sector deposits gained another 4.1% month-over-month (+4.1% month-over-month in January 2014). On the private sector front, the companies & institutions' segment expanded by 4.7% month-over-month (+4.2% month-over-month in January 2014) and the consumer segment expanded 3.6% month-over-month (+4.0% month-over-month in January 2014). Overall, deposits are up 4.9% year-to-date in 2014.

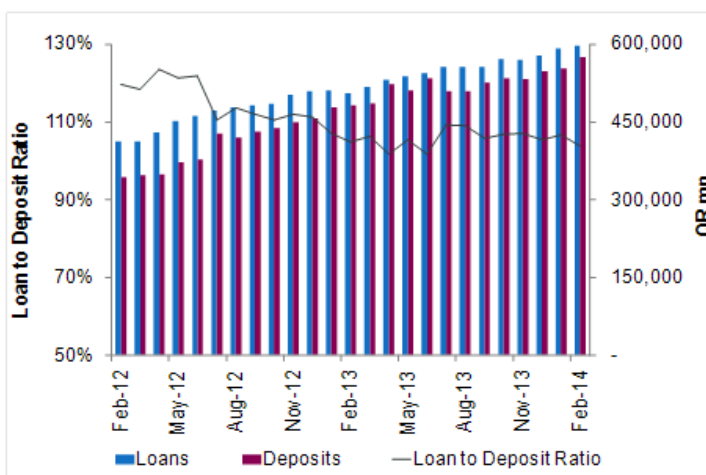
**The overall loan book exhibited slight improvement in the second month of 2014.** Total domestic public sector loans picked up 1.8% month-over-month after a 1.7% month-over-month growth in January 2014. The government segment's loan book grew 8.2% month-over-month after a 4.2% month-over-month growth in January 2014. However, government institutions' segment (represents ~61% of public sector loans) declined 1.6% month-over-month vs. a 1.0% month-over-month growth in January 2014. We maintain our view that the public sector loan growth will be the primary driver of the overall loan book in 2014. Our assumption is based on the expected uptick in project mobilizations in the coming months. Private sector loans ticked up 0.5% month-over-month vs. a 2.6% month-over-month growth in January 2014. The Contractor segment posted the biggest growth, in percentage terms, up 6.6% month-over-month, while the General Trade segment (contributes ~13% to private sector loans) loan book grew 3.1% month-over-month. Real Estate (contributes ~28% to private sector loans) inched up 0.6% month-over-month. Overall, loans are up 3.3% year-to-date in 2014. Specific loan-loss provisioning stood at 1.4% of average trailing 12-months' loans vs. 1.4% in January 2014.

### 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 (x)	Dividend Yield 2014 (%)
QE Banks & Financial Services Index	2,735.41	11.94	N/A	N/A	2.0	4.2
Al Ahli Bank (ABQK)	50.50	19.36	3.3	15.3	2.3	5.9
Al Khalij Commercial Bank (KCBK)*	20.77	3.90	1.7	12.3	1.3	5.3
Commercial Bank of Qatar (CBQK)*	61.00	3.39	6.5	9.4	1.1	3.3
Doha Bank (DHBK)*	57.20	(1.72)	5.4	10.7	1.3	8.3
Masraf Al Rayan (MARK)*	37.60	20.13	2.4	15.6	2.7	4.7
Qatar International Islamic Bank (QIIB)*	71.50	15.88	5.9	12.1	2.0	5.6
Qatar Islamic Bank (QIBK)*	73.10	5.94	6.2	11.8	1.5	6.2
Qatar National Bank (QNBK)	179.10	4.13	15.3	11.7	2.4	3.7

Sources: QNBFS estimates (\*), Bloomberg estimates and dataSource: QNBFS estimates (\*), Bloomberg estimates and data (as of March 18, 2014)

## Banking Sector Indicators

(In QR mn)	2010	2011	2012	2013	Jan-14	Feb-14	Change MoM	Change YTD
<b>Total Assets</b>	567,482	694,301	820,512	915,911	937,334	945,262	0.8%	3.2%
<b>Total Credit (Loans)</b>	314,481	403,563	510,048	577,976	591,424	597,112	1.0%	3.3%
<b>Total Deposits</b>	306,788	363,612	458,066	548,384	554,007	575,351	3.9%	4.9%
<b>Loan to Deposit Ratio</b>	<b>103%</b>	<b>111%</b>	<b>111%</b>	<b>105%</b>	<b>107%</b>	<b>104%</b>		
<b>Credit Facilities (Geographic)</b>								
<b>Total Domestic Credit</b>	293,920	376,695	478,305	535,657	547,400	553,163	1.1%	3.3%
<b>Total International Credit</b>	20,561	26,867	31,743	42,319	44,024	43,949	-0.2%	3.9%
<b>Domestic Credit Facilities - Public Sector</b>								
<b>Government</b>	36,303	40,801	51,746	56,549	58,930	63,785	8.2%	12.8%
<b>Government Institutions</b>	50,452	90,619	139,585	152,516	153,988	151,515	-1.6%	-0.7%
<b>Semi-Government Institutions</b>	16,303	17,750	27,222	30,679	30,868	32,795	6.2%	6.9%
<b>Total Domestic Public Sector Credit</b>	<b>103,058</b>	<b>149,170</b>	<b>218,553</b>	<b>239,745</b>	<b>243,786</b>	<b>248,095</b>	<b>1.8%</b>	<b>3.5%</b>
<b>Domestic Credit Facilities - Private Sector</b>								
<b>General Trade</b>	24,875	26,855	33,280	36,011	38,282	39,477	3.1%	9.6%
<b>Industry</b>	6,648	6,534	9,339	11,592	11,808	10,801	-8.5%	-6.8%
<b>Contractors</b>	18,411	16,220	16,546	23,331	24,218	25,814	6.6%	10.6%
<b>Real Estate</b>	51,042	76,220	85,562	85,388	84,338	84,833	0.6%	-0.7%
<b>Consumption &amp; Others</b>	60,345	71,986	78,587	87,020	90,817	89,073	-1.9%	2.4%
<b>Services</b>	29,541	29,709	36,438	52,570	54,151	55,070	1.7%	4.8%
<b>Total Domestic Private Sector Credit</b>	<b>190,862</b>	<b>227,525</b>	<b>259,752</b>	<b>295,912</b>	<b>303,614</b>	<b>305,068</b>	<b>0.5%</b>	<b>3.1%</b>
<b>Deposit Details (Geographic)</b>								
<b>Resident Deposits</b>	277,107	343,777	417,337	514,804	521,335	544,061	4.4%	5.7%
<b>Non-resident Deposits</b>	29,681	19,835	40,729	33,579	32,672	31,291	-4.2%	-6.8%
<b>Deposits - Public Sector (Domestic)</b>								
<b>Government</b>	18,486	40,825	44,557	68,459	63,407	70,061	10.5%	2.3%
<b>Government Institutions</b>	32,277	57,351	104,378	124,390	124,740	128,850	3.3%	3.6%
<b>Semi Government Institutions</b>	21,309	27,700	31,794	37,283	36,789	36,566	-0.6%	-1.9%
<b>Total Public Sector Deposit</b>	<b>72,071</b>	<b>125,876</b>	<b>180,729</b>	<b>230,131</b>	<b>224,935</b>	<b>235,477</b>	<b>4.7%</b>	<b>2.3%</b>
<b>Deposits - Private Sector (Domestic)</b>								
<b>Personal</b>	90,828	103,093	116,257	145,841	151,728	157,145	3.6%	7.8%
<b>Companies &amp; Institutions</b>	114,207	114,809	120,350	138,833	144,672	151,438	4.7%	9.1%
<b>Total Private Sector Deposit</b>	<b>205,036</b>	<b>217,902</b>	<b>236,607</b>	<b>284,673</b>	<b>296,400</b>	<b>308,583</b>	<b>4.1%</b>	<b>8.4%</b>

Source: QCB

Qatar Exchange Monthly Performance								
Company Name	Price (Mar 27)	% Change 5-Day	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield	
Qatar National Bank	181.50	2.54	5.52	127,001	13.4	2.4	3.9	
Qatar Islamic Bank	74.50	2.19	7.97	17,604	13.2	1.5	5.4	
Commercial Bank of Qatar	62.80	4.67	6.44	18,648	11.6	1.2	2.7	
Doha Bank	60.90	4.28	4.64	15,735	10.6	1.4	7.4	
Al Ahli Bank	50.50	0.20	19.36	8,342	15.9	2.3	N/A	
Qatar International Islamic Bank	71.40	(0.28)	15.72	10,808	14.4	2.0	5.3	
Masraf Al Rayan	38.60	0.26	23.32	28,950	17.0	2.8	3.9	
Al Khaliji Bank	21.50	2.67	7.55	7,740	14.0	1.4	4.7	
National Leasing	29.20	3.91	(3.15)	1,445	16.6	1.1	5.1	
Dlala Holding	23.00	0.61	4.07	511	N/M	2.3	N/A	
Qatar & Oman Investment	11.76	(5.16)	(6.07)	370	18.7	1.1	5.1	
Islamic Holding Group	72.50	17.12	57.61	290	32.1	4.9	2.3	
<b>Banking and Financial Services</b>				<b>237,443</b>				
Zad Holding	71.30	(6.18)	2.59	933	9.5	0.7	5.6	
Qatar German Co. for Medical Devices	13.37	(1.69)	(3.47)	154	N/M	0.8	N/A	
Salam International Investment	11.95	(0.91)	(8.15)	1,366	12.0	0.8	8.4	
Medicare Group	69.00	6.15	31.43	1,942	31.6	2.5	2.6	
Qatar Cinema & Film Distribution	42.95	(2.28)	7.11	245	32.8	1.8	4.7	
Qatar Fuel	246.50	(0.60)	12.79	20,819	17.1	3.3	3.1	
Qatar Meat and Livestock	45.95	0.99	(11.12)	827	15.1	3.3	8.7	
Al Meera Consumer Goods	151.00	(6.44)	13.28	3,020	14.7	2.2	5.3	
<b>Consumer Goods and Services</b>				<b>29,307</b>				
Qatar Industrial Manufacturing	43.00	(0.12)	1.98	2,043	10.1	1.4	5.8	
Qatar National Cement	119.30	(0.17)	0.25	5,858	13.4	2.3	5.0	
Industries Qatar	183.00	2.29	8.35	110,715	13.8	3.3	6.0	
Qatari Investors Group	55.20	(0.72)	26.32	6,863	31.1	3.2	1.4	
Qatar Electricity and Water	170.50	(0.29)	3.11	18,755	13.6	3.1	4.0	
Mannai Corp.	90.00	(14.37)	0.11	4,106	9.3	1.9	6.1	
Aamal	14.98	4.39	(0.13)	8,988	17.8	1.3	N/A	
Gulf International Services	77.40	(2.03)	58.61	14,384	21.3	4.7	2.1	
Mesaieed Petrochem. Holding Co.	36.95	5.57	N/A	46,421	N/A	N/A	N/A	
<b>Industrials</b>				<b>218,133</b>				
Qatar Insurance	63.50	(2.16)	19.36	10,194	12.5	2.0	3.1	
Doha Insurance	23.05	1.99	(7.80)	593	8.9	1.1	8.7	
Qatar General Insurance & Reinsurance	41.90	4.75	4.97	2,898	1.4	0.6	3.0	
Al Khaleej Takaful Insurance	32.45	(0.04)	15.58	720	10.9	1.2	2.0	
Qatar Islamic Insurance	62.50	0.00	7.94	938	14.7	3.4	6.0	
<b>Insurance</b>				<b>15,344</b>				
United Development	20.48	(6.27)	(9.42)	7,252	21.4	0.7	4.9	
Barwa Real Estate	36.25	2.69	21.64	14,106	12.0	1.0	4.1	
Ezdan Real Estate	15.94	(0.06)	(6.24)	42,281	N/M	1.5	0.8	
Mazaya Qatar Real Estate Development	13.75	8.95	22.99	1,375	10.3	1.1	4.4	
<b>Real Estate</b>				<b>65,013</b>				
Qatar Telecom	139.00	(0.57)	1.31	44,524	17.3	1.8	3.6	
Vodafone Qatar	12.00	(1.64)	12.04	10,145	N/M	1.7	N/A	
<b>Telecoms</b>				<b>54,669</b>				
Qatar Navigation (Milaha)	90.70	(2.47)	9.28	10,387	10.9	0.8	5.5	
Gulf Warehousing	41.60	(1.19)	0.24	1,979	19.5	2.5	3.6	
Qatar Gas Transport (Nakilat)	20.10	1.72	(0.74)	11,256	15.2	2.6	5.5	
<b>Transportation</b>				<b>23,622</b>				
<b>Qatar Exchange</b>				<b>643,531</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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