

Executive Summary

- Qatar continued to experience high population growth in November reflecting a strong expatriate inflow
- Inflation moderated to 3.0% in October 2014, notwithstanding higher rent inflation
- The foreign merchandise trade surplus narrowed to QAR26.0bn in October 2014
- International reserves reached an all-time high of USD45.7bn at end-October 2014
- Qatari oil prices continued to decline on weaker global demand while production fell in October 2014

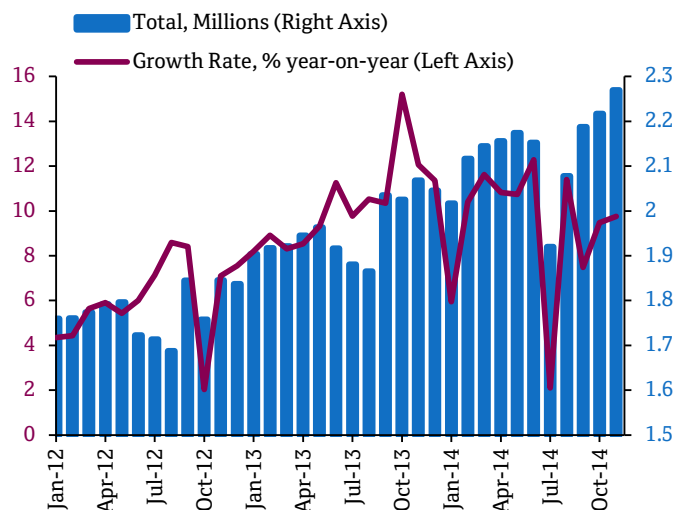
Qatar continued to experience high population growth in November reflecting a strong expatriate inflow

Qatar's population grew by 9.7% year-on-year in November 2014 to reach 2.27m. An additional 202k people joined the population over the last twelve months. 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 November 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.

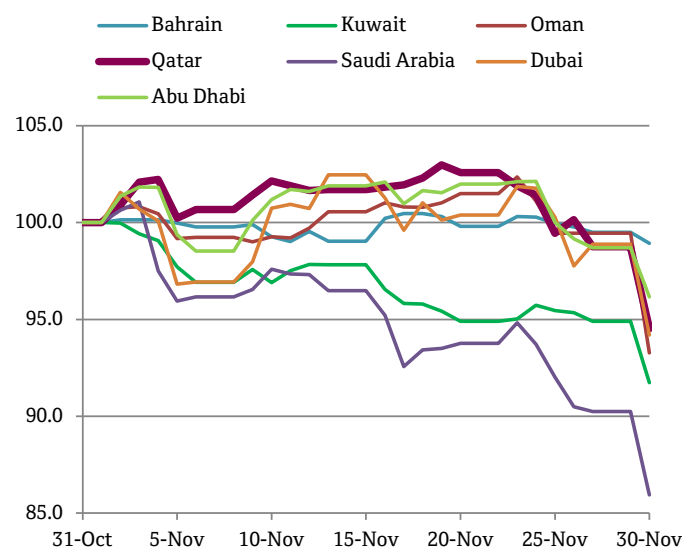
Population growth surged in November 2014 to 9.7%

Population within the country at the end of the month



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

Stockmarket Indices (rebased, 31 October 2014 = 100)



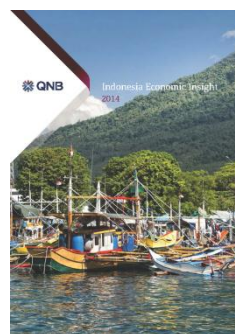
Sources: Bloomberg and QNB Group analysis

Declining oil prices continue to negatively impact investor sentiment. Overall, all regional markets ended in negative territory in the month of November 2014, as investors preferred to book profits. Saudi's Tadawul All-Share TASI Index was the worst performer during November, shedding 14.1% (+1.0% YTD). Kuwait was the second worst, dropping by 8.3% month-on-month, followed by Oman which fell 7.4% month-on-month. Dubai fell 7.3% month-on-month, whilst Qatar fell 5.5% month-on-month. Meanwhile, Abu Dhabi fell 5.1% month-on-month. Bahrain was the best performing market in the GCC only dropping 1.1% month-on-month.

QNB Economics Weekly Commentary

- [Deflation Poses Risks to Global House Prices](#)
- [Lower Oil Prices Change the Risk Profile in Emerging Markets](#)
- [Is Abenomics Working?](#)
- [Searching for Diamonds in Sub-Saharan Africa](#)
- [Qatar's investment program would be sustainable at much lower oil prices](#)

Indonesia Economic Insight Report 2014



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

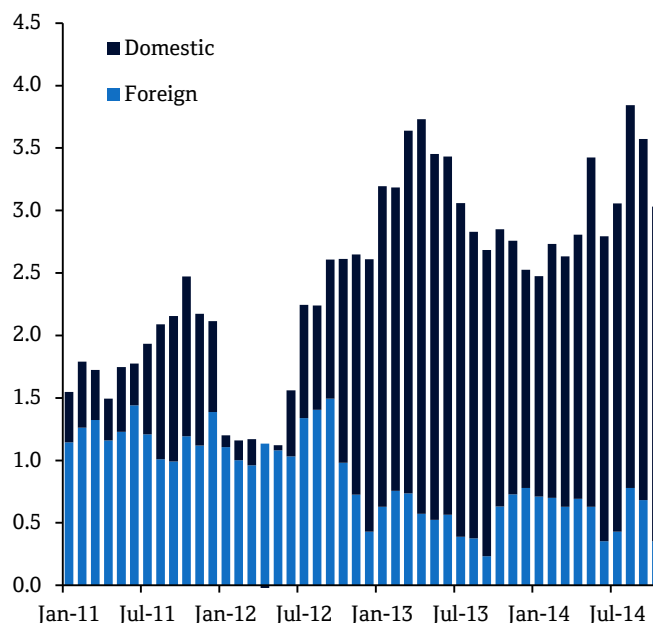
Inflation moderated to 3.0% in October 2014, notwithstanding higher rent inflation

Qatar's Consumer Price Index (CPI) inflation for October 2014 moderated to 3.0% year-on-year (from 3.6% year-on-year in the previous month). On a month-on-month basis, inflation edged up 0.1% relative to September 2014. Housing and rents (the largest component of overall inflation with a 32.2% share) rose 8.1% year-on-year in October 2014, leading to an acceleration of domestic inflation to 3.7%. Counterbalancing these domestic inflationary pressures, foreign inflation moderated to 1.3% in October as lower international commodity prices feed through into lower domestic prices. In particular, food prices were down 0.6% year-on-year in October.

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

CPI Inflation rose to 3.0% in October 2014

Contribution to Inflation, %



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

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

Sources: MDPS and QNB Group analysis

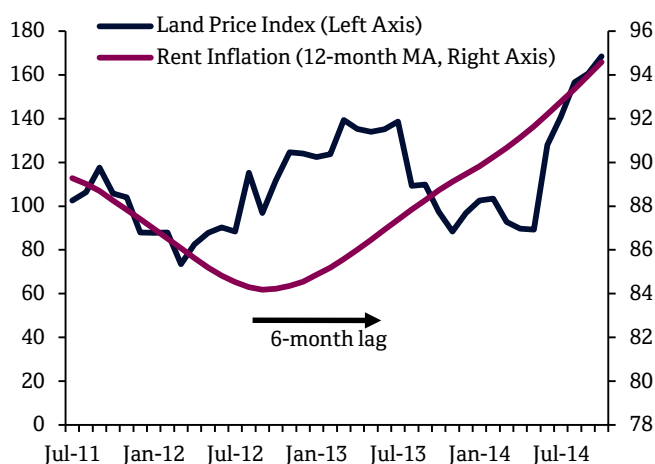
Higher land prices continue to put upward pressure on Qatar's rent inflation

Rent inflation has accelerated in recent months in line with QNB Group projections, tracking movements in the underlying price of land. According to the latest Ministry of Justice data, land prices increased by 73.0% year-on-year in October 2014. This continues to put upward pressure on rent inflation with a six-month lag.

The combination of rapid population growth and higher GDP per capita are leading to a strong increase in the demand for housing, pushing up real estate prices (see our [Qatar Economic Insight September 2014 report](#)). As the population expands and per capita income rises, both a base and an income effect push land prices higher. This is likely to continue over the coming years, in line with the favorable outlook for the Qatari economy.

Qatar land prices and rent inflation

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



Sources: Ministry of Justice (MOJ) and QNB Group analysis

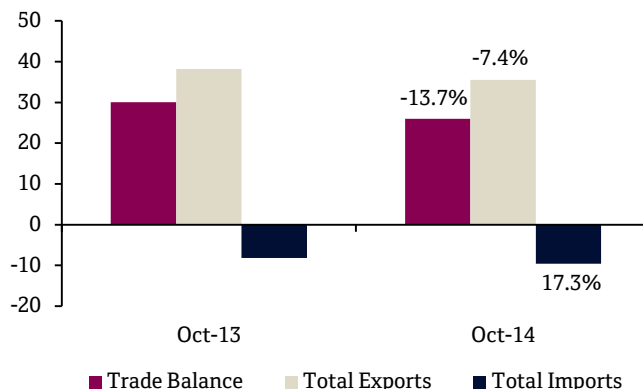
The foreign merchandise trade surplus narrowed to QAR26.0bn in October 2014

Qatar's foreign merchandise trade balance registered a surplus of QAR26.0bn in October 2014. The surplus decreased 13.7% year-on-year, primarily on a strong rise in imports (17.3% year-on-year) related to the growing population and large investment spending. Total exports decreased 7.1% year-on-year in October 2014 on lower oil prices and production.

Total exports in October stood at QAR35.5bn and imports at QAR9.6bn. Japan topped the export destination in October, accounting for 22.9% of Qatar's exports, followed by South Korea (15.8%) and India (12.5%). The USA was the largest exporter to Qatar in October (10.4%), followed by China (9.8%) and Japan (8.2%).

The trade surplus narrowed in October 2014

(bn QAR, % year-on-year)



Sources: MDPS and QNB Group analysis

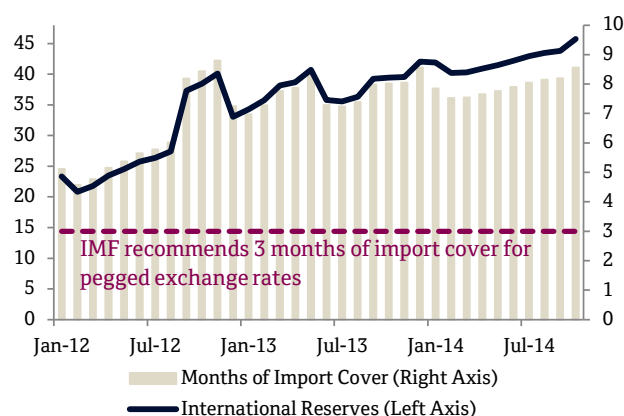
International reserves reached an all-time high of USD45.7bn at end-October 2014

Qatar's international reserves reached an all-time high of USD45.7bn at end-October 2014. This compares to a level of USD39.4bn in October 2013. The large increase reflects the strong current account surplus Qatar is enjoying on relatively high hydrocarbon prices. The import cover stood at 8.6 months at end-October 2014, well above the IMF-recommended level of 3 months for pegged exchange rates.

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

International reserves reached an all-time high in October

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



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

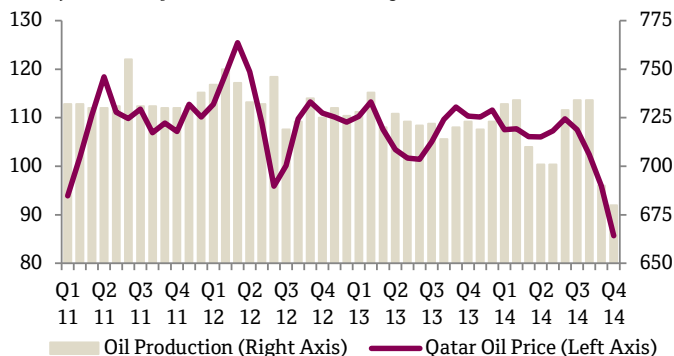
Qatari oil prices continued to decline on weaker global demand and production fell in October 2014

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

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

Oil prices continued to decline on a weaker global economy

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



Qatar oil prices are calculated as the unweighted average of land and marine prices
 Sources: Bloomberg and QNB Group analysis

Economic News

- MDPS: Industrial PPI declines 7.6% YoY in September –** According to the Ministry of Development Planning & Statistics (MDPS), the monthly Producer Price Index (PPI) of the industrial sector for September 2014 stood at 158.4, showing a decline of 3.4% month-on-month and a decrease of 7.6% on a YoY basis. The index, which covers mining, electricity & water and manufacturing activities, is a measure of the average selling prices received by domestic producers for their output. The mining group's PPI (77% weight) showed a decline of 4% month-on-month (-8.8% on a YoY basis). The manufacturing group's PPI (21% weight) registered a negligible fall of 0.6% month-on-month (-2.5% on a YoY basis). The PPI of electricity and water (2% weight) declined 0.2% month-on-month (-4.5% on a YoY basis). (Peninsula Qatar)
- Emir endorses Cabinet decisions on expropriation of real estate –** HH the Emir Sheikh Tamim bin Hamad Al-Thani endorsed Cabinet decision No. 60 of 2014 expropriating some real estate for public interest. The decision stipulated that real estate necessary for the implementation of the project explained in the decision of the Minister of Municipality & Urban Planning No. 67 of 2014 shall be expropriated for public interest. The Emir also endorsed the following laws and Cabinet decisions on expropriating real estate for public interest: Law Nos 61, 63, 64, and 65 of 2014. The decisions stipulated that real estate necessary for the implementation of the projects explained in the decision of the Minister of Municipality & Urban Planning Nos 70, 83, 84 and 85 of 2014 shall be expropriated for public interest. The Cabinet endorsed decision Nos 66, 67, 68 and 69 of 2014 expropriating some real estate for public interest. The decisions stipulated that real estate necessary for the implementation of the project explained in the decision of the Minister of Municipality and Urban Planning No 86, 91, 97 and 98 of 2014 shall be expropriated for public interest. The decisions stipulated that the measures included in law No. 13 of 1988 for paying damages to the owners of the expropriated real estate are to be taken in accordance with this decision. The decisions are to go into force from the date of issue in the official gazette. The Emir also endorsed Cabinet Decision No. 71 of 2014 reforming the Committee of Trustees of the State Encouragement Award. (Gulf-Times.com)
- PM: Solid fundamentals bolster Qatar's sustainability –** Despite turbulent global market conditions, HE the Prime Minister and Minister of Interior Sheikh Abdullah bin Nasser bin Khalifa Al-Thani has reassured the economic sustainability of Qatar, which is anchored on solid economic fundamentals. He said that the economic growth of Qatar is well-connected with the development of the global economy and therefore the country is concentrating on following-up these developments and the potential consequences. He was referring to big-ticket projects that form part of the Qatar National Vision 2030 in the areas of infrastructure, economic growth, and building Qatari human capital. According to the Prime Minister, financial activities pave the way for more participation of the private sector in the economic environment. He emphasized that Qatar is constantly supporting the non-hydrocarbon sector through the expansion of industrial areas and by increasing the capacity of storage as well as the growth of small and medium-sized enterprises (SMEs). (Gulf-Times.com)
- QCB Governor reaffirms strength of Qatar banking sector –** The Qatar Central Bank (QCB) Governor, HE Sheikh Abdullah bin Saud Al-Thani, said that Qatar's banking sector has performed outstandingly despite the challenges faced by the global financial sector. He said that such an outstanding performance reflects the strength of QCB's supervisory and regulatory role in ensuring the compliance of all banks operating in the country with laws and legislation governing the local and international financial sectors, including the calculation of bank capital adequacy based on the Basel Committee III requirements and QCB directives, which are being implemented since the beginning of 2014. He further added that QCB's supervisory role aims to ensure banks' compliance with laws on combating terrorism funding and money laundering so as to enhance the performance of the entire banking sector. (QNA)
- Qatar to expand public transport, to ply 2,000 buses by 2020 –** Qatar has set an ambitious five-year plan starting from 2015 to develop its public transport sector in a big way. HE the Minister of Transport Jassim Seif Ahmed Al-Sulaiti said that the plan would see at least 2,000 public transport buses on the roads by 2020. The minister said the country was preparing well to meet the travel requirements of not only the large number of visitors expected for the 2022 FIFA World Cup, but was also committed toward putting in place a vastly developed public transport infrastructure for residents. He further pointed out that the country's authorities are committed toward building about 2,500 kilometers of Expressways by 2030. The minister said the Doha Metro network, for which work is going on at a fast pace, will see the laying of 84 kilometers of railway lines and have 38 stations by 2019. Separately, the Lusail Light Rail

would have a length of 35 kilometers with 32 stations. (Gulf-Times.com)

- **Emir announces series of steps for private sector, EQ and QDB to be merged** – In a major decision to support the growth of country's private sector, the Qatar government will restrict state-funded companies from entering into direct competition with private firms. The Emir HH Sheikh Tamim bin Hamad Al Thani announced that the government had issued a circular directing public sector entities not to establish companies or engage in economic activities in sectors, where private players are active, without prior permission from the Office of the Prime Minister. He said the government has initiated a series of other steps to help the private sector play a proactive role in the Qatari economy. The Emir said the falling oil prices will not impact Qatar's economy. The country's budget is based on very conservative estimates of oil prices. However, those responsible for handling the state funds must not mishandle funds and indulge in extravaganza. In another major announcement, Emir said the government is in the process to merge Enterprise Qatar (EQ) and Qatar Development Bank (QDB) to further strengthen the private sector. Directives have been issued to the government to ensure all the major projects of the country are completed in a time-bound manner. The Office of the Prime Minister has been asked to prepare plans with a practicable timetable to solve issues related to the establishments of warehouses, development of logistic zones, economic zones, industrialization plans and issuing licenses to new factories. Directives have also been issued to the government to make sure the economic zones and the New Port Project are completed within a specific time frame. The country's financial sector and capital markets are undergoing a series of reforms. Steps are also afoot to launch the country's first

Food and Agriculture Project. The country's innovative tourist projects will be completed over the next two years. (Peninsula Qatar)

- **Sheikh Abdullah bin Hamad al-Thani appointed Deputy Emir of Qatar** – Qatar's HH the Emir Sheikh Tamim bin Hamad Al-Thani issued Emiri order No. 4 of 2014 appointing HH Sheikh Abdullah bin Hamad Al-Thani as Deputy Emir of the State of Qatar. HH the Emir issued Emiri order No. 5 for 2014 appointing HE Sheikh Khalid bin Khalifa bin Abdul Aziz Al-Thani as Chief of the Emiri Diwan. (Gulf-Times.com)
- **Qatar, China sign key agreements; trade volume hits USD11.5bn in 2013** – Qatar and China signed a slew of agreements for further strengthening bilateral relations. A memorandum of understanding (MoU) was signed on promoting cooperation in the construction of the Silk Road Economic Belt and the Maritime Silk Road. The first executive program in the education field for the Educational & Cultural Cooperation Agreement between governments of Qatar and China was also signed. Another MoU was signed between the Qatar Central Bank and the People's Bank of China for cooperation in financial services activities between Qatar and China. Meanwhile, the volume of trade between Qatar and China during 2008-2013 rose by 345% to reach USD11.5bn in 2013. (Gulf-Times.com)
- **China appoints ICBC Doha as yuan clearing bank** – The Industrial & Commercial Bank of China's (ICBC) Doha Branch has been designated as the Chinese yuan clearing bank in Doha. After being mandated as the yuan clearing bank, ICBC's Doha Branch stated that it will strictly adhere to the regulations under the direction of authorities of both China and Qatar, and commit to providing an efficient RMB clearing service. (Gulf-Times.com)

Private Sector News

- **CBQK Group CEO resigns and joins the board as advisor** – The Commercial Bank of Qatar (CBQK) announced that Andrew C. Stevens has been appointed as an adviser to the board of directors. Mr. Stevens has resigned as the Group Chief Executive Officer with an immediate effect to assume his new role, after spending 25 years with the bank. His new responsibilities will include advising the board as well as representing CBQK on the board committees of its subsidiaries and associate banks, such as Alternatifbank in Turkey, United Arab Bank in the UAE and the National Bank of Oman. Mr. Stevens' current responsibilities across the group will be assumed

by CBQK's CEO Mr. Abdulla Saleh Al Raisi and the executive team. (QSE)

- **QATI eyes QAR910m from convertible notes** – Qatar Insurance Company (QATI), a leading risk provider, is raising QR910mn by issuing convertible notes to the General Retirement & Social Insurance Authority (GRSA), as part of its efforts to shore up the capital base and strengthen the solvency regime. QATI's Vice Chairman Abdullah bin Khalifa Al-Attiya said as per the solvency and capital adequacy reviews, the company needs to increase its capital by the end of 2015 or during 2016, to be in line with the projected future expansion

plans. Based on the reviews, QATI's board has resolved to issue convertible notes totaling QR910mn with a maturity of five years and annual coupon, which is yet to be agreed upon. The notes, which could be converted any time after three years of issuance and priced at a premium once converted, will not exceed 8mn shares, which represent only 5% of the current share capital. (Gulf-Times.com)

- **DHBK CEO: Surge in loan growth boosts GCC banking industry** – Doha Bank Group's (DHBK) CEO Dr. R. Seetharaman stated while the GCC banking sector has got regulated in line with the global financial architecture after the financial crisis, infrastructural development and capital market reforms are going to provide immense opportunities for the sector. Seetharaman said banks in the UAE have been the prime beneficiaries of a revival in which the country's economy grew around 4%. Loan growth in the UAE is set to jump at least by 8% by 2014-end. Similarly, private sector lending in Saudi Arabia has grown by more than 11% till September 2014, while public sector lending went up by nearly 9%. In Oman credit off-take was close to 9%, while bank lending to the private sector in Kuwait grew close to 4%. Qatar has seen a massive lending growth of more than 10% till September 2014. (Zawya)
- **QNBK wins two awards** – QNB Group (QNBK) has secured two prestigious recognitions at The Global Investor/ISF Middle East Summit Awards 2014 ceremony held recently in Dubai. QNB Asset Management was the recipient of "Regional Asset Manager of the Year" Award, whilst QNB Financial Services (QNBFS), a subsidiary of the QNB Group specializing in the provision of brokerage services, won "The Best Broker in Qatar" Award. The achievements continue QNB's domination of these particular Award categories in recent years and the success is greatly valued by all concerned within the respective business lines. (QNB Group Press Release)
- **VFQS partners with QNBK to install SSMs across Qatar** – Vodafone Qatar (VFQS) has partnered with QNB Group to rollout self-service machines (SSMs) across its stores in Qatar. Twenty five SSMs will be installed in 19 locations. Under the first phase, 19 machines have been set up in 14 locations including City Center Mall,

Industrial Area, Ezdan Mall, Al Meera West Bay, Msheireb, Landmark Mall, Al Wakrah, Al Khor, Al Furosiyah, Al Nasr, Al Shafi Street, Al Gharrafah, Old Airport, and Lulu Hypermarket on D-Ring Road. The second phase will see SSMs being rolled out in Villaggio Mall, Lulu Al Gharrafah, Hyatt Plaza, and Lulu Al Khor Mall. These SSMs will allow VFQS' post-paid customers to settle their monthly bills through cash or credit card, and prepaid customers to recharge. (Gulf-Times.com)

- **MSCI adds GISS to its EM Index; increases Qatar's weight** – As expected, MSCI removed the 0.5x limiting factor for QNBK, IQCD, CBQK and DHBK. Moreover, as rumored MSCI also added GISS to its EM Index. Given the new changes, Qatar's weight in the EM Index is expected to increase to 0.92% from 0.63%. These changes will be effective as of November 25, 2014. (Reuters, Bloomberg)
- **Al-Mansoori: QSE keen to support listing of family-owned companies** – The Qatar Stock Exchange (QSE) CEO Rashid bin Ali Al-Mansoori disclosed that the QSE is keen to encourage family-owned and privately-held companies, some of which are extremely large, to list their shares, as part of its strategy to enhance the corporate sector's contribution to the national economy. (Gulf-Times.com)
- **QFMA issues new rules on margin trading, Venture Market listing, functioning of BoD** – Qatar will allow margin trading in its booming capital markets as the emerging market marches toward modernizing its financial infrastructure. The Qatar Financial Market Authority (QFMA) has issued several new regulatory legislations, including that on margin trading and the issue offering and listing of securities on the junior bourse – Venture Market for small & medium enterprises (SMEs). A QFMA spokesman said that margin trading means those transactions where a financial services company funds a percentage of the securities' market value purchased for its client, pursuant to the agreement governing the relation between them. Further, QFMA issued new rules to regulate the functioning of Board of Directors (BoD) of QE-listed companies. The rules aim to enhance transparency in the functioning of BoD, eliminate conflict of interest and misuse of insider information. (Gulf-Times.com)

National Accounts

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

Source: MDPS

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

Source: MDPS

Balance of Payments

Balance of Payments (USD bn)	2010	2011	2012	2013	Q2 14
Current Account Balance	24.0	52.0	62.0	62.6	14.9
Trade Balance (Goods)	54.0	87.4	102.2	105.5	26.0
Exports	75.0	114.3	133.0	136.9	33.8
Imports	-20.9	-26.9	-30.8	-31.5	-7.8
Invisibles	-30.1	-35.4	-40.2	-42.9	-11.1
Services	-5.8	-9.5	-14.0	-16.3	-4.6
Income	-12.9	-13.3	-12.1	-11.3	-1.9
Transfers	-11.4	-12.7	-14.1	-15.2	-4.6
Capital & Financial Account Balance	-10.7	-62.6	-44.4	-54.5	-12.3
Capital Account	-2.1	-3.6	-6.1	-4.8	-1.4
Financial Account	-8.6	-59.0	-38.3	-49.7	-10.8
Direct Investment (outwards)	-1.9	-6.0	-1.8	-8.0	-2.8
Direct Investment (into Qatar)	4.7	-0.1	0.3	-0.8	0.2
Portfolio investment (net)	-	-18.9	2.8	-14.3	-4.3

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	15.5	21.5	29.9	36.9	39.9
Korea	6.9	12.0	20.1	24.7	24.6
India	4.0	6.4	10.9	14.6	14.3
European Union	4.4	10.1	18.2	13.1	12.7
China	0.9	2.2	4.5	6.8	8.9

Top 5 Import Sources (USD bn)	2009	2010	2011	2012	2013
European Union	8.1	7.4	6.7	6.8	7.3
United States	3.1	2.7	2.6	2.8	3.2
United Arab Emirates	1.8	1.6	1.8	2.0	2.0
Saudi Arabia	1.3	1.2	1.2	1.2	1.2
United Kingdom	1.1	1.2	1.1	1.1	1.3

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

Crude oil (USD / barrel)	2010	2011	2012	2013	Oct-14	MoM%	YoY%
Oil production ('000 bpd)	733.0	734.0	733.7	724.0	680.0	-1.4%	-5.9%
Qatar average price	77.7	108.4	111.2	108.2	85.4	-10.6%	-22.2%
Dukhan	78.4	109.7	111.8	108.8	86.5	-10.8%	-22.4%
Marine	77.2	107.5	110.6	107.6	84.9	-10.6%	-22.2%

Sources: Organization of the Petroleum Exporting Countries, Reuters

Note: Data which is new or revised this month is shown in red.

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	Nov-14	MoM%	YoY%
Total	1.72	1.73	1.83	2.00	2.27	2.4%	9.7%

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	Oct-14	MoM%	YoY%
Overall (weights shown in brackets below)	-2.4	1.9	1.9	3.1	3.0	0.1	3.0
Food, beverages & tobacco (13.2%)	2.1	4.3	3.7	2.3	0.9	-0.4	-0.6
Clothing & footwear (5.8%)	-1.3	7.5	2.8	0.2	2.4	0.2	2.9
Rents, water & maintenance (32.2%)	-12.8	-4.8	-3.3	5.8	6.6	0.8	8.1
Furniture, textiles & appliances (8.2%)	4.1	2.9	4.9	3.1	4.6	-0.2	3.6
Health care (2.0%)	3.5	2.6	1.5	2.3	1.1	0.4	0.8
Transport & communication (20.5%)	2.6	6.4	2.3	1.4	1.9	-0.7	1.7
Entertainment, leisure & culture (10.9%)	2.9	2.0	6.0	7.3	2.3	0.9	1.0
Miscellaneous goods & services (7.2%)	4.7	5.6	4.8	-2.5	-1.6	-0.7	-0.1

Source: MDPS

Money Supply (QAR bn)	2010	2011	2012	2012	Oct-14	MoM%	YoY%
Broad money (M2)	264.7	310.0	381.1	455.7	497.0	1.5%	13.3%
M1	68.3	81.8	90.9	105.9	120.8	1.4%	23.1%
Quasi-money	196.4	228.1	290.1	349.8	376.3	1.5%	10.5%

Interest rates (% , end period)	2010	2011	2012	2013	Oct-14
QCB deposit	1.50	1.50	0.75	0.75	0.75
QCB lending	5.50	5.50	4.50	4.50	4.50
Interbank overnight	1.39	0.74	0.77	0.85	0.70
Demand deposit	1.34	0.62	0.65	0.58	0.55
Overdraft	8.19	7.42	6.63	6.10	5.50
Credit card	19.92	10.69	9.11	8.13	9.81

Source: QCB

1/ Fiscal year data ending March 31.

Banking Sector Snapshot : October 2014

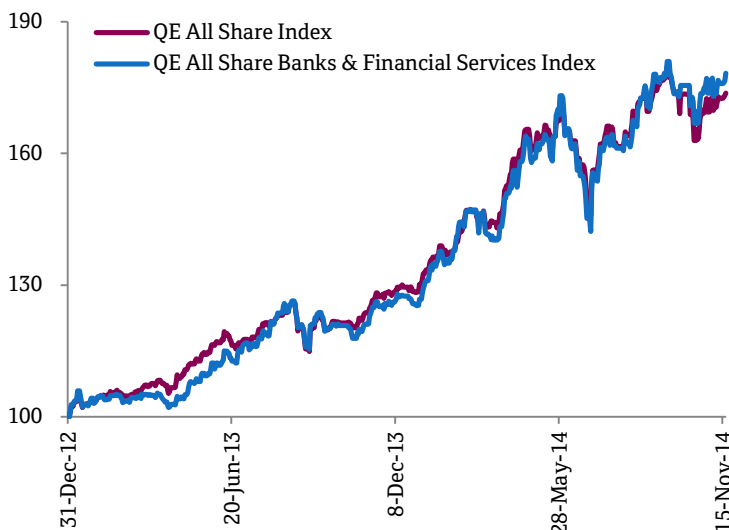
Review and Outlook

The loan book decreased by 2.0% month-on-month (up 7.9% YTD) while deposits declined by 0.3% month-on-month (+8.0% YTD) in the month of October 2014. Public sector (down 5.7% month-on-month in October) was the primary driver of the overall decline in the loan book (public sector loans were up 3.9% month-on-month in September). Moreover, deposits also fell slightly by 0.3% month-on-month (deposits increased by 1.9% month-on-month in September). Thus, the LDR declined to 105% vs. 107% in September. *Going forward, we expect increased activity in the sector. We continue to expect improvement in the public sector, in addition to large corporate loan growth followed by the SMEs and consumer lending, to be the primary drivers of the overall loan book in 2014 and 2015.*

The public sector deposits decreased by 3.3% month-on-month (+6.3% YTD 2014) for the month of October 2014. Delving into segment details, the government institutions' segment (represents 57% of public sector deposits) improved by 0.5% month-on-month (+11.4% YTD 2014). Moreover, the semi-government institutions' segment posted a growth of 10.1% month-on-month (up 0.1% YTD 2014). However, the government segment decreased by 15.4% month-on-month (+0.3% YTD). On the other hand, private sector deposits increased by 1.0% month-on-month (+9.1% YTD 2014). On the private sector front, the companies & institutions' segment increased by 1.0% month-on-month (+8.1% YTD 2014) while the consumer segment posted a growth of 1.1% month-on-month (up 10.1% YTD).

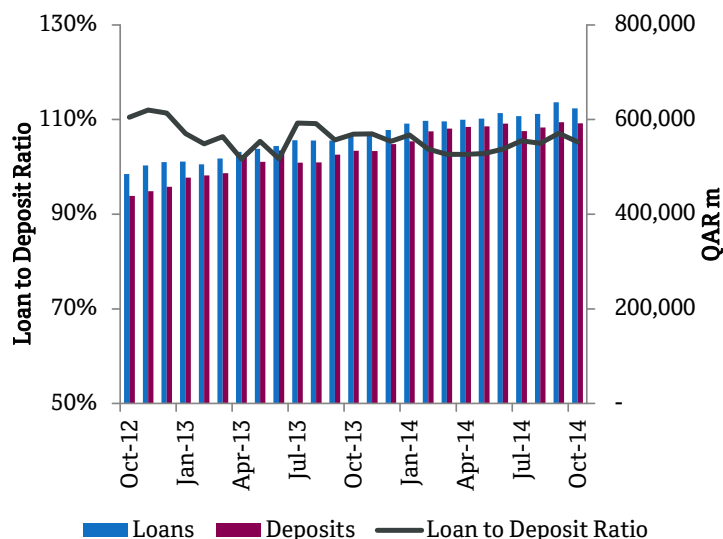
The overall loan book declined by 2.0% month-on-month vs. a 4.0% growth month-on-month in September 2014. Total domestic public sector loans decreased by 5.7% month-on-month (also down 5.7% YTD). The government segment's loan book went down by 16.8% month-on-month (up 1.6% YTD 2014). Moreover, the government institutions' segment (represents 59% of public sector loans) declined by 1.5% month-on-month and is down 11.8% YTD. Furthermore, the semi-government institutions' segment declined by 0.5% month-on-month (+11.4% YTD). Hence, all the three public sector segments pulled the overall loan book down for the month of October 2014. Private sector loans gained by 0.3% month-on-month and are up 13.8% YTD. Consumption & Others (contributes ~30% to private sector loans) increased by 0.9% month-on-month (+16.9% YTD). Furthermore, the Real Estate segment (contributes ~27% to private sector loans) grew by 2.1% month-on-month (+5.7% YTD). However, the Services segment posted a decline of 7.2% month-on-month but is still up 11.8% in the first ten months of 2014. Overall, the segments representing General Trade (+27.1% YTD) and Contractors (+23.0% YTD) are the best performing segments in the private sector YTD. On the other hand, the Industry segment is flat YTD.

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 (QR)	P/E 2014E (x)	P/B 2014(x)	Dividend Yield 2014 (%)
QE Banks & Financial Services Index	3,475.32	41.9			2.4	3.2
Al Ahli Bank (ABQK)	54.10	27.9	3.6	15.2	2.2	5.5
Al Khalij Commercial Bank (KCBK)	22.59	13.0	1.4	16.1	1.4	4.4
Commercial Bank of Qatar (CBQK)	73.50	24.6	6.6	11.1	1.4	2.7
Doha Bank (DHBK)	59.70	2.6	5.4	11.0	1.6	7.5
Masraf Al Rayan (MARK)	50.00	59.7	2.6	19.4	3.3	3.5
Qatar International Islamic Bank (QIIK)	87.10	41.2	5.8	15.0	2.3	5.2
Qatar Islamic Bank (QIBK)	111.00	60.9	6.2	17.9	2.1	4.1
Qatar National Bank (QNBK) *	230.10	33.8	15.0	15.3	2.8	3.0

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

Banking Sector Indicators										
(In QR mn)	2010	2011	Jan-12	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Change MoM	Change YTD
Total Assets	567,482	694,301	667,992	961,850	946,902	954,816	989,349	974,106	-1.5%	6.4%
Total Credit (Loans)	314,481	403,563	392,075	613,500	607,141	612,146	636,348	623,557	-2.0%	7.9%
Total Deposits	306,788	363,612	349,613	591,397	575,445	583,075	594,192	592,202	-0.3%	8.0%
Loan to Deposit Ratio	103%	111%	112%	104%	106%	105%	107%	105%		
Credit Facilities (Geographic)										
Total Domestic Credit	293,920	376,695	365,307	556,628	549,672	558,495	575,576	562,902	-2.2%	5.1%
Total International Credit	20,561	26,867	26,768	56,872	57,469	53,651	60,772	60,655	-0.2%	43.3%
Domestic Credit Facilities - Public Sector										
Government	36,303	40,801	33,611	61,191	55,507	56,122	69,023	57,436	-16.8%	1.6%
Government Institutions	50,452	90,619	86,605	144,287	138,758	139,740	136,462	134,448	-1.5%	-11.8%
Semi-Government Institutions	16,303	17,750	17,732	34,624	35,372	34,909	34,351	34,186	-0.5%	11.4%
Total Domestic Public Sector Credit	103,058	149,170	137,948	240,102	229,637	230,771	239,836	226,070	-5.7%	-5.7%
Domestic Credit Facilities - Private Sector										
General Trade	24,875	26,855	26,534	38,774	39,107	38,799	43,257	45,755	5.8%	27.1%
Industry	6,648	6,534	6,467	10,828	11,352	11,359	11,440	11,576	1.2%	-0.1%
Contractors	18,411	16,220	16,182	26,309	26,739	27,310	28,504	28,702	0.7%	23.0%
Real Estate	51,042	76,220	79,261	84,804	85,832	86,581	88,392	90,290	2.1%	5.7%
Consumption & Others	60,345	71,986	74,237	93,637	97,156	99,146	100,794	101,737	0.9%	16.9%
Services	29,541	29,709	24,678	62,174	59,848	64,529	63,353	58,773	-7.2%	11.8%
Total Domestic Private Sector Credit	190,862	227,525	227,358	316,526	320,035	327,724	335,740	336,832	0.3%	13.8%
Deposit Details (Geographic)										
Resident Deposits	277,107	343,777	328,182	558,245	543,364	549,335	560,378	555,215	-0.9%	7.8%
Non-resident Deposits	29,681	19,835	21,431	33,153	32,081	33,740	33,814	36,987	9.4%	10.1%
Deposits - Public Sector (Domestic)										
Government	18,486	40,825	31,914	84,935	77,522	69,661	81,169	68,674	-15.4%	0.3%
Government Institutions	32,277	57,351	51,709	126,889	127,155	134,990	137,862	138,553	0.5%	11.4%
Semi Government Institutions	21,309	27,700	29,589	30,429	28,452	30,051	33,894	37,331	10.1%	0.1%
Total Public Sector Deposit	72,071	125,876	113,212	242,253	233,129	234,702	252,925	244,558	-3.3%	6.3%
Deposits - Private Sector (Domestic)										
Personal	90,828	103,093	104,738	162,406	159,920	158,148	158,837	160,586	1.1%	10.1%
Companies & Institutions	114,207	114,809	110,232	153,585	150,314	156,485	148,615	150,070	1.0%	8.1%
Total Private Sector Deposit	205,036	217,902	214,970	315,991	310,234	314,633	307,452	310,656	1.0%	9.1%

Source: QCB

Qatar Exchange Monthly Performance								
Company Name	Price (November 27)	% Change 5-Day	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield	
Qatar National Bank	229.00	(1.12)	33.14	160,238	15.4	2.9	3.1	
Qatar Islamic Bank	105.60	(3.12)	53.04	24,953	16.9	2.1	3.8	
Commercial Bank of Qatar	73.00	(3.31)	23.73	21,676	12.0	1.3	2.3	
Doha Bank	59.20	(2.31)	1.72	15,296	10.7	1.3	7.6	
Al Ahli Bank	54.10	(3.39)	27.87	8,937	15.7	2.2	N/A	
Qatar International Islamic Bank	84.60	(3.64)	37.12	12,806	15.9	2.4	4.4	
Masraf Al Rayan	48.25	(5.02)	54.15	36,188	19.3	3.3	3.1	
Al Khaliji Bank	22.00	(2.61)	10.06	7,920	14.1	1.4	4.5	
National Leasing	23.24	(8.14)	(22.92)	1,150	28.7	0.9	6.5	
Dlala Holding	55.10	(3.33)	149.32	1,223	15.4	4.0	N/A	
Qatar & Oman Investment	16.25	(3.85)	29.79	512	20.3	1.3	3.7	
Islamic Holding Group	203.90	13.47	343.26	816	57.7	12.7	0.8	
Banking and Financial Services				291,714				
Zad Holding	89.00	(3.26)	28.06	1,164	10.8	1.5	3.9	
Qatar German Co. for Medical Devices	11.82	(1.50)	(14.66)	137	N/A	0.8	N/A	
Salam International Investment	17.00	(3.41)	30.67	1,943	26.5	1.2	5.9	
Medicare Group	126.50	(7.66)	140.95	3,560	23.9	4.2	1.4	
Qatar Cinema & Film Distribution	44.50	(7.00)	10.97	254	21.4	1.7	N/A	
Qatar Fuel	220.30	(3.38)	0.81	18,606	16.2	2.8	3.5	
Qatar Meat and Livestock	66.00	(5.71)	27.66	1,188	22.1	4.6	3.2	
Al Meera Consumer Goods	212.00	(6.03)	59.04	4,240	15.7	3.1	3.8	
Consumer Goods and Services				31,093				
Qatar Industrial Manufacturing	47.15	(2.18)	11.82	2,241	11.4	1.4	N/A	
Qatar National Cement	139.40	(0.29)	17.14	6,845	15.4	2.6	4.3	
Industries Qatar	191.00	(2.30)	13.08	115,555	18.1	3.6	5.8	
Qatari Investors Group	45.00	(3.85)	2.97	5,595	26.3	2.5	1.7	
Qatar Electricity and Water	190.00	(1.55)	14.90	20,900	13.5	3.2	3.6	
Mannai Corp.	107.30	(2.90)	19.35	4,895	9.2	2.4	5.1	
Aamal	14.20	(3.40)	(5.33)	8,520	15.7	1.2	N/A	
Gulf International Services	109.00	(10.14)	123.36	20,257	20.3	5.6	1.5	
Mesaieed Petrochemical Holding	31.80	(0.63)	N/A	39,951	N/A	2.9	1.1	
Industrials				224,757				
Qatar Insurance	90.70	(6.97)	70.49	14,561	14.5	2.5	2.2	
Doha Insurance	34.90	(1.69)	39.60	1,745	12.4	1.6	5.7	
Qatar General Insurance & Reinsurance	45.60	(1.94)	14.24	3,154	2.1	0.5	2.7	
Al Khaleej Takaful Insurance	51.90	(5.64)	84.85	1,152	13.1	1.6	N/A	
Qatar Islamic Insurance	86.00	(1.15)	48.53	1,290	15.7	4.3	4.4	
Insurance				21,902				
United Development	25.90	(7.50)	20.28	9,171	24.4	0.9	3.7	
Barwa Real Estate	48.30	(7.47)	62.08	18,795	13.7	1.4	4.1	
Ezdan Real Estate	18.02	(4.25)	6.00	47,798	35.5	1.5	1.7	
Mazaya Qatar Real Estate Development	21.90	(4.87)	95.89	2,190	10.2	1.8	3.4	
Real Estate				77,954				
Qatar Telecom	116.90	(3.23)	(14.80)	37,445	14.7	1.5	3.4	
Vodafone Qatar	17.70	(6.45)	65.27	14,964	N/A	2.7	1.0	
Telecoms				52,409				
Qatar Navigation (Milaha)	101.50	(0.49)	22.29	11,624	11.6	0.9	4.9	
Gulf Warehousing	59.00	(6.94)	42.17	2,806	21.7	3.3	2.5	
Qatar Gas Transport (Nakilat)	23.98	(1.48)	18.42	13,429	15.3	3.6	4.6	
Transportation				27,859				
Qatar Exchange				727,688				

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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