

Executive Summary

- International reserves rose to their highest level on record at end-2013; we forecast international reserves to continue to rise gradually on large current-account surpluses in 2014
- Qatar’s population growth slowed at end-January 2014 from double digit growth in 2013; we expect higher population growth for the remainder of 2014
- Rent inflation has slowed in recent months in line with QNB Group projections, tracking movements in the underlying price of land with a six-month lag; a recovery in land prices in December and January could reverse the slowdown in rent inflation by mid-2014

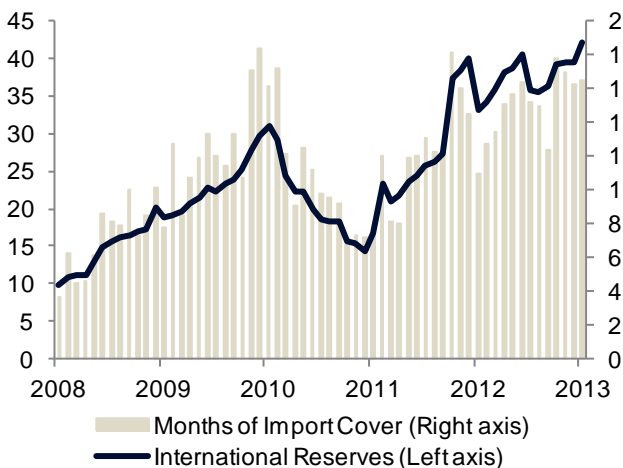
International reserves rose to their highest level on record at end-2013

Qatar’s international reserves rose USD9.0bn since end-2012 to stand at USD42.1bn at end-2013, reflecting a strong current account surplus and lower capital outflows. While the data for 2013 have not yet been released, the current account surplus is expected to have registered a strong surplus due to large hydrocarbon exports offsetting growing imports. As a result, import cover stood at 16.5 months of import cover at end-2013, 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 gradually in 2014.

International reserves surge in December 2013

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

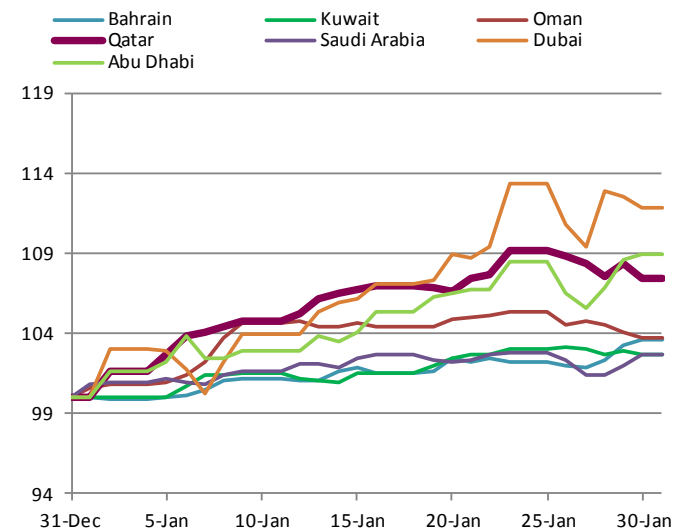


Sources: Qatar Central Bank (QCB), and QNB Group analysis

QNB Economics Weekly Commentary

- [Emerging Markets Continue to Suffer from QE Tapering](#)
- [WTO Must Harness Innovation for Global Growth](#)
- [Could Sub-Saharan Africa Be the Next China?](#)
- [Global integration could raise MENA growth prospects](#)
- [Qatar’s Economic Growth is Expected to Continue Accelerating](#)
- [Where the Global Economy Is Heading in 2014](#)

Stockmarket Indices (rebased with 31 Dec 2013 = 100)

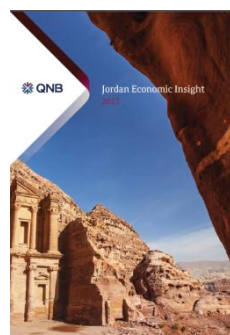


Sources: Bloomberg and QNB Group analysis

GCC markets started the year on a positive note with all regional indices posting strong performance during January 2014. Dubai’s benchmark index (DFMGI) was the top performer, surging by 11.9% month-on-month. It is worth noting that DFMGI was the best performing regional index in 2013 with a gain of 107.7%.

After a strong performance in 2013 (24.2% year-on-year), the Qatar Exchange (QE) Index exhibited another strong performance in January 2014 (7.5% month-on-month). Furthermore, foreign investors remained bullish. In the first month of 2014, the Qatar Exchange witnessed net foreign portfolio investment inflow of USD532.2m vs. USD1,057m for the full year of 2013.

Jordan Economic Insight Report 2014



QNB Group will be publishing the Jordan Economic Insight 2014 shortly, 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](#).

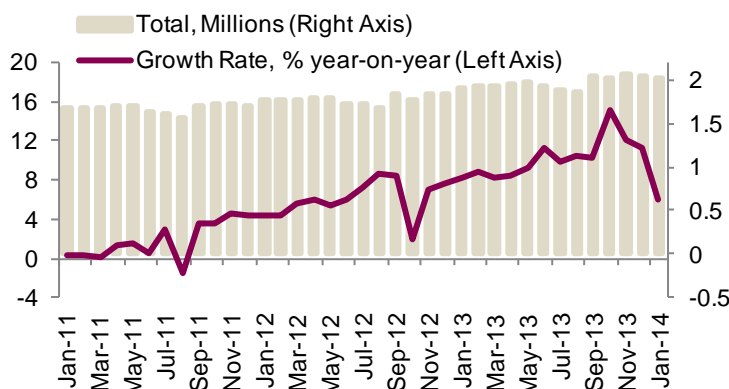
Qatar's population growth slowed at end-January 2014, but is still expected to reach double-digit for the year

The number of people in Qatar grew by 5.9% year-on-year at end-January 2014 to reach 2.01m. The January figure represents a slowdown from the double-digit population growth reached in 2013, driven up by the large ramp up in infrastructure spending in preparation for the 2022 FIFA World Cup.

QNB Group forecasts an average growth in the resident population of 10.1% for 2014. The larger population will lead to higher economic growth by boosting aggregate demand and investment in housing and services.

Population growth continues to remain above 2m

People in Qatar



Source: QCB and QNB Group analysis

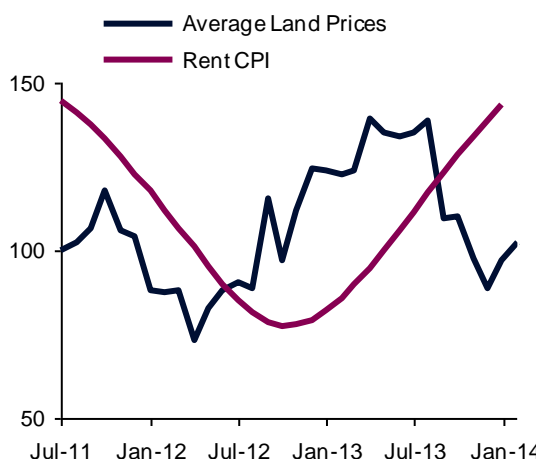
Rising land prices could reverse the slowdown in rent inflation by mid-2014

Rent inflation has slowed in recent months in line with QNB Group projections, tracking movements in the underlying price of land. However, a recovery in land prices in December and January could reverse the slowdown in rent inflation by mid-2014.

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 rents in Qatar with a six-month lag. Falling land prices in the second-half of 2013 are likely to slow rent inflation over the next few months. However, this is expected to come to an end by mid-2014, when rental inflation is likely to accelerate again. 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 – Dec 2013)



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

Slowing rental prices kept overall headline inflation in check in December

The slowdown in rental inflation (up 4.8% year-on-year, its slowest pace in eleven months) has helped keep overall CPI down at 2.7% year-on-year in December 2013. Food, beverage and tobacco prices (13% of the overall inflation basket), rose 3.1% year-on-year, and up 0.2% month-on-month. Overall inflation registered a 3.1% pace in 2013, up from 1.9% in 2012.

We expect a further pickup in population growth to drive consumer demand, leading to a rise in inflation. Indeed, planned heavy investments in major projects in 2014 are likely to accelerate economic growth, which could lead to supply bottlenecks pushing up prices.

Headline inflation stabilized at 2.7% in December 2013

Contribution to Inflation (% , Jan 2012 – Dec 2013)*



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

Economic News

- **Qatar PPI falls 0.3% in October 2013 on lower crude, LNG prices** – According to data released by the Ministry of Development Planning & Statistics (MDPS), lower prices for crude, natural gas, basic metals and refined petroleum goods resulted in Qatar’s producer price index (PPI) to fall 0.3% in October from the previous month. The PPI for mining, which carries the maximum weight of 77% in the basket, was down 0.4% in October, mainly due to a 0.4% fall in the price of crude petroleum and gas. However, the manufacturing sector, with a weight of 21% in the PPI basket, reported 0.3% gain in October over September 2013 due to a 2.5% rise in the price of basic chemicals. However, basic metals prices were lower by 1%; refined petroleum products, beverages, dairy products and grain mill products by 0.3% each, and glass and glass products by 0.1%. The electricity and water group, which has a 2% weight in the PPI basket, saw its index fall 0.4% in October against September 2013. Electricity prices decreased 1.6%, while water prices rose 1.7%. (Gulf-Times.com)
- **Qatar plans to complete New Doha Port soon** – Qatar is planning to advance the completion of its mammoth QAR27bn New Doha Port coming up near Mesaieed by 2020 rather than the original deadline of 2030, as the country prepares to host the FIFA World Cup in 2022. HE the Transport Minister Jassim Seif Ahmed al-Sulaiti stated that attempt is being made to merge the first and second phases of the project with an aim to complete the third phase of a total container capacity of 6mn twenty-foot equivalent units (TEUs) containers by 2020 itself. As per the original plan, the first phase was slated to become operational by 1Q2016 with a capacity of 2mn TEUs, 2mn TEUs expected to be operational by 2022 and another 2mn TEUs by 2030. (Gulf-Times.com)
- **QNB Group: USD30bn Qatar spend, mega GCC region projects to drive Gulf growth in 2014** – According to a report by QNB Group, Qatar’s project spending estimated at USD30bn this year and large-scale projects across the GCC will drive the region’s growth in 2014. In the short term, the GCC region will drive the MENA region’s growth, mainly through heavy spending on infrastructure. In the GCC region, many countries including Saudi Arabia and Kuwait have huge project spending outlay this year. Dubai’s successful bid for the World Expo 2020 and a number of new real estate developments will boost project spending in the UAE. The Saudi government alone is spending in excess of USD50bn on infrastructure projects through its budget, which excludes significant project spending by the private sector and state-owned companies. The report also said greater integration into the global economy of the MENA region (ex-GCC region) through increased trade openness and enhanced competitiveness could raise long-term growth prospects. QNB Group estimates that real GDP growth in the GCC region stood at 3.7% in 2013, compared with 1.2% in the rest of MENA. This is relatively sluggish compared with the historical average MENA growth of around 5% or higher. (Gulf-Times.com)
- **MDPS: 208,000 expats came to Qatar in 2013** – According to the data released by the Ministry of Development Planning & Statistics (MDPS), a record high number of around 208,000 foreign workers, including family members, arrived in the country last year. The figure should be higher considering that around 23,000 people left the country last month. A vast majority of these people could have travelled overseas on winter holiday break, as over 18,500 of them were women. The country’s population stood at 2.04mn on December 31, 2013 as against 1.83mn by 2012-end. (Peninsula Qatar)

Private Sector News
Finance

- **Qatar tops frontier markets for first time** – Qatar has secured Bloomberg Markets' top ranking in the "most promising emerging and frontier markets for investors in 2014" category. The magazine's March 2014 issue will reveal its third annual ranking for this category, which shows the UAE and Saudi Arabia in the lead besides Qatar jumping to the top among the frontier markets for the first time. The surge of the three Gulf nations has been led by their respective construction and retail sectors. Qatar will be spending USD180bn for building infrastructure to host the FIFA World Cup in 2022. (Gulf-Times.com)
- **MPHC raises QAR3.2bn in Qatar's first IPO since 2010** – Qatar Petroleum's (QP) unit Mesaieed Petrochemical Holding Company (MPHC) has raised QAR3.2bn in the first IPO in Qatar since 2010. All the 323.19mn shares offered, representing 25.7%, have been successfully sold. QP said the stock would start trading on the market next month. (Reuters)
- **QE best performer among Arab stock markets since 2009** – The Qatar Exchange (QE) has posted the strongest recovery among all the Arab stock markets since March 2009, recording a surge of 139.39% in its index during 2009-2013. QE is followed by the Dubai Financial Market with an increase of 117.59%, the Saudi stock exchange (93.35%), the Egyptian Exchange (85.96%), the Abu Dhabi Securities Market (75.25%), and the Kuwait Stock Exchange (18.12%). During the 2009-2013 period, the QE Total Return index increased by 206.94% and QE Al Rayyan Islamic Index rose by 267.97% (both including dividends). Furthermore, QE's main benchmark QE Index rose by 24.17% in 2013, while the QE Al Rayyan Islamic Index rose by 22%. The market capitalization of all shares traded in QE reached QAR555.6bn at the end of 2013 as against QAR459.9bn at the end of 2012, while the total value of shares traded during 2013 rose 6% to reach QAR74.9bn versus QAR70.7bn during 2012. (QE)
- **QNB Group's net profit rises 13.7% YoY in 2013** – QNB Group has reported a net profit of QAR9.5bn in 2013, reflecting an increase of 13.7% YoY. EPS was QAR13.5 in 2013 as compared to QAR11.9 in 2012. Net interest income increased by 26.3% YoY to reach QAR11.6bn. Total assets stood at QAR443bn at the end of December 2013, up by 20.9% from December 2012. Net loans & advances rose by 24.3% from 2012 to reach QAR311bn, while total customer deposits were up by 24.3% from 2012 to reach QAR336bn. QNB Group has been able to maintain the ratio of non-performing loans to gross loans at 1.6%, a level considered one of the lowest among banks in the Middle East and Africa. Meanwhile, the group's board has recommended the distribution of a cash dividend of 70% of the nominal share value (QAR7.0 per share) to its shareholders. (QE, QNB Group press release)
- **QFC amends rules on insolvency, SFOs & SCs; to make firms more flexible** – The Qatar Financial Centre (QFC) has issued amendments related to regulations on insolvency, single family offices (SFO) and special companies (SC) in an attempt to improve the QFC's legal architecture. These amendments aim to simplify procedures and give QFC firms more flexibility in their operations, improve legislative certainty and align QFC regulations with best practices elsewhere. The amended regulations enable the creation of a register of insolvency practitioners and sets out how insolvency practitioners can qualify to appear on the register. The rules also allow a company to voluntarily apply to be struck off the register of companies under certain conditions. (Qatar Tribune)
- **MPHC's shareholders to get 4 month profit share** – HE the Minister of Finance, Ali Shareef Al Emadi said that Mesaieed Petrochemical Holding Company's (MPHC) shareholders will soon be eligible for a profit share for the first four months since the firm's establishment in September 2013. The profits will be distributed after MPHC's results are announced in March or April. HE Ali Shareef Al Emadi said that the company earned a net profit of around QAR1.6bn in 2012. MPHC, a wholly-owned subsidiary of Qatar Petroleum and an umbrella entity for Q-Chem I, Q-Chem II and Qatar Vinyl Company, is offering 323.19mn ordinary shares (26% stake) at QAR10.2 a piece (including QAR0.2 listing fees). (Gulf-Times.com)
- **Qatar's mega water plant to be ready by June 2015** – Qatar's mega water distribution system will be ready by the middle of 2015. Eversheds, the global law firm that advised Qatar General Electricity & Water Corporation (Kahramaa) on the 25-year supply deal with Qatar Electricity & Water Company (QEWS), announced that the 36mn imperial gallons per day plant will deliver the first pail of water in June 2015. The law firm also assisted Kahramaa in the financial close of its USD500mn Independent Water Plant (IWP). (Peninsula Qatar)
- **QPI takes 15% stake in Total E&P Congo** – France-based oil major Total said that Qatar Petroleum International (QPI) has purchased a 15% stake in Total E&P Congo through a share capital increase following a framework agreement signed in May. Total said that the USD1.6bn increase of Total E&P Congo's capital will consolidate its financial capacity at a time when the development of the Moho Nord deep offshore project is progressing. This deal is part of a wider agreement signed by the two companies in March 2010 to cooperate on their projects in Africa. (Peninsula Qatar)
- **FLSmidth to supply cement production line to for Al Khalij Cement** – Denmark-based FLSmidth & Company has received an order worth 515m Danish krone from Al Khalij Cement Company for the supply of a complete cement production line at the company's plant in Umm Bab. This production line will be similar to the existing line, which was supplied by FLSmidth in 2007. This production line is being supplied in cooperation with CNBM International Engineering,

which is part of China National Building Materials (CNBM). (Bloomberg)

- **Ooredoo Maldives expands 3G+ coverage** – Ooredoo (ORDS) Maldives has announced the expansion of its 3G+ network across the island nation. First launched on eight islands, Ooredoo Maldives' service is expected to reach at least 28 islands by the year-end. The telecom operator said that the coverage is now available on 166 islands. It aims to cover 84% of the population by year-end. (Bloomberg)
- **Barwa Bank participates in finance facility for QPI unit** – Barwa Bank has announced its participation of USD123mn in a finance facility for Qatar Petroleum International Upstream OPC, a fully owned subsidiary of

Qatar Petroleum International Limited (QPI). This facility will be utilized to part finance Qatar Petroleum International Upstream OPC for its investment in Total's operations in Congo. The investment is through a share capital increase in Total E&P Congo resulting in QPI holding a 15% share of the company. (Gulf-Times.com)

- **GDI to become a wholly owned subsidiary of GISS** – Gulf International Services (GISS) has entered into discussions with the foreign partner in its joint venture, Gulf Drilling International (GDI), regarding the acquisition of its 30% stake in the capital of GDI in order for GDI to become a wholly owned subsidiary of Gulf International Services. (Company Press Release)

National Accounts

Nominal GDP (QAR bn)	2009	2010	2011	2012	Q3 13	YoY%	QoQ%
Total	356.0	455.4	624.2	700.3	185.3	6.4%	3.3%
Oil & Gas	159.5	239.7	370.2	404.7	101.1	3.1%	2.0%
Non-Oil	196.5	215.7	254.0	295.6	84.2	10.7%	4.8%
Agriculture and Fishing	0.4	0.5	0.6	0.6	0.2	9.2%	0.4%
Industry	33.6	40.8	56.7	68.9	27.2	4.0%	1.3%
Manufacturing	33.6	40.8	56.7	68.9	17.7	0.5%	1.9%
Electricity, Gas and Water	1.8	2.1	2.4	2.6	0.8	9.2%	10.8%
Construction	25.5	27.5	28.3	31.0	8.5	11.2%	-0.7%
Services	132.1	140.9	162.1	188.1	55.8	14.5%	6.7%
Trade, Restaurants and Hotels	29.8	31.5	35.6	39.5	12.4	14.2%	16.7%
Transport and Communications	16.2	18.1	21.0	23.4	7.0	11.1%	17.6%
Financial and Business Services	58.1	60.3	65.6	71.2	20.7	19.7%	0.2%
Social Services	4.1	4.5	5.0	5.7	1.7	16.5%	2.2%
Government Services	32.1	37.4	46.2	60.9	17.7	12.0%	4.2%
Household Services	1.8	1.9	2.0	2.3	0.7	13.4%	0.7%
Imputed Bank Service Charges	-10.2	-12.7	-13.4	-14.8	-4.4	22.8%	2.8%
Import Duties	3.1	3.8	3.9	4.3	1.1	5.8%	1.5%

Source: MDPS

Real GDP (% change, YoY)	2009	2010	2011	2012	Q2 13	Q3 13	QoQ%
Total	12.0	16.7	13.0	6.2	5.7	6.2	4.3
Oil & Gas	4.5	28.9	15.7	1.7	0.0	1.8	3.5
Non-Oil	17.6	8.6	10.8	10.0	10.1	9.5	4.8
Agriculture and Fishing	-17.0	19.7	5.4	4.5	6.2	7.4	1.6
Industry	6.1	23.4	14.0	4.6	9.0	8.3	0.3
Manufacturing	13.7	17.6	10.4	11.8	6.4	3.1	0.1
Electricity, Gas and Water	-0.4	13.5	7.9	10.5	5.7	6.1	12.6
Construction	6.9	9.5	10.5	10.6	11.4	13.0	-0.4
Services	21.9	6.9	10.3	9.2	11.4	10.4	7.8
Trade, Restaurants and Hotels	15.7	2.5	12.9	7.7	9.4	11.1	16.6
Transport and Communications	22.7	10.2	12.4	12.1	11.2	13.1	16.8
Financial and Business Services	25.8	7.4	6.3	6.7	15.4	10.5	0.7
Social Services	21.5	1.9	3.0	7.9	6.7	6.4	1.9
Government Services	23.6	8.7	13.1	11.5	9.6	9.6	3.1
Household Services	4.3	2.2	0.8	6.0	9.7	10.3	1.2
Imputed Bank Service Charges	1.0	3.3	16.4	8.0	11.6	13.9	2.5
Import Duties	-11.3	17.8	-1.1	13.7	-8.8	4.4	1.3

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%
Current Account Balance	6.4	23.8	52.0	61.6	15.1	-6.1%	-17.6%
Trade Balance (Goods)	25.6	53.9	87.4	102.2	26.3	0.5%	-2.9%
Exports	48.0	74.8	114.3	133.0	34.1	0.6%	1.2%
Imports	-22.5	-20.9	-26.9	-30.8	-7.7	0.9%	18.6%
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%
Capital & Financial Account Balance	0.6	-10.7	-62.6	-44.5	-11.4	-33%	52%
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	Dec-13	MoM%	YoY%
Oil production ('000 bpd)	781.0	733.0	734.0	733.7	723.0	0.6%	-0.4%
Qatar average price	62.0	77.7	108.4	111.2	111.1	-0.1%	-0.1%
Dukhan	62.6	78.4	109.7	111.8	112.9	-0.2%	0.3%
Marine	61.6	77.2	107.5	110.6	110.3	-0.1%	-0.3%

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	55.9		
% of GDP	9.8%	13.4%	2.7%	7.7%	30.2		
Revenue	141.2	169.3	156.1	219.3	115.0	574%	-15.0%
Expenditure	100.0	121.6	143.8	174.4	59.2	42.6%	45.2%

Population (m people in Qatar)	2009	2010	2011	2012	Jan-14	MoM%	YoY%
Total	1.64	1.72	1.73	1.83	2.02	-1.4%	5.9%
Male	1.27	1.30	1.30	1.37	1.53	-0.3%	8.6%
Female	0.37	0.42	0.43	0.46	0.49	-4.7%	-1.5%

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	Dec-13	MoM%	YoY%
Overall (weights shown below)	-4.9	-2.4	1.9	1.9	3.1	0.0	2.7
Food, beverages & tobacco (13.2%)	1.3	2.1	4.3	3.7	2.3	0.2	3.1
Clothing & footwear (5.8%)	-4.5	-1.3	7.5	2.8	0.2	0.2	0.9
Rents, water & maintenance (32.2%)	-12.0	-12.8	-4.8	-3.3	5.8	0.2	4.8
Furniture, textiles & appliances (8.2%)	-2.0	4.1	2.9	4.9	3.2	-0.1	4.1
Health care (2.0%)	1.7	3.5	2.6	1.5	2.3	0.0	2.1
Transport & communication (20.5%)	-4.4	2.6	6.4	2.2	1.4	-0.2	1.6
Entertainment, leisure & culture (10.9%)	-1.2	2.9	2.0	6.0	7.3	0.1	5.2
Miscellaneous goods & services (7.2%)	7.3	4.7	5.6	4.8	-2.5	-0.8	-5.3

Source: QSA

Money Supply (QAR bn)	2009	2010	2011	2012	Dec-13	MoM%	YoY%
Broad money (M2)	215.1	264.7	310.0	381.1	455.7	1.5%	19.6%
M1	53.1	68.3	81.8	90.9	105.9	6.2%	16.5%
Quasi-money	162.0	196.4	228.1	290.1	349.8	0.1%	20.6%

Interest rates (% , end period)	2009	2010	2011	2012	Dec-13	MoM bp	YoY bp
QCB deposit	2.00	1.50	0.75	0.75	0.75	0.0	0.0
QCB lending	5.50	5.50	4.50	4.50	4.50	0.0	0.0
Interbank overnight	2.01	1.39	0.74	0.77	0.85	-0.6	8.0
Demand deposit	1.99	1.34	0.62	0.65	0.58	-20.3	-7.7
Overdraft	8.75	8.19	7.42	6.63	6.10	1.1	-53.4
Credit card	20.00	19.92	10.69	9.11	8.13	-39.8	-97.9

Banking Sector Snapshot : December 2013

Review and Outlook

Growth in loans and deposits improved in the month of December. Loans climbed by 1.3% month-over-month (MoM) and finished up 13.3% for 2013. Deposits also expanded by 2.8% MoM (+19.7% YoY) in the month of December 2013. *Going forward, we expect activity in the banking sector to pick up in the coming months.*

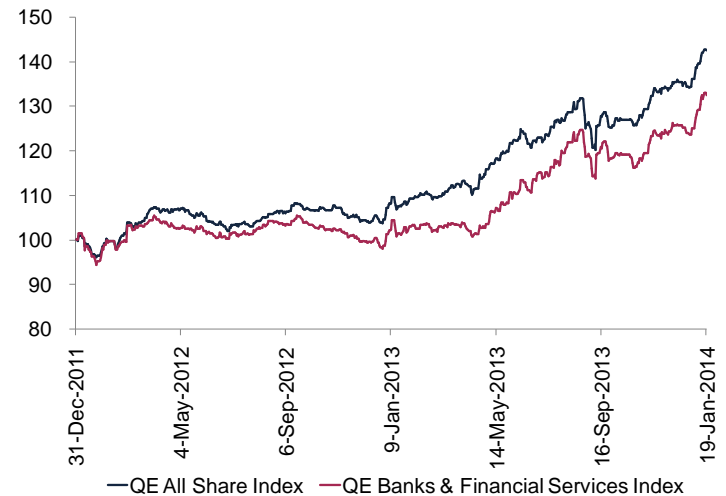
The banking sector's loan-to-deposit ratio (LDR) decreased to 105% at the end of December 2013 vs. 107% in November 2013. *Going forward, some banks will be issuing Tier 1 bonds. The Commercial Bank of Qatar (CBQK) raised QAR2 billion (bn) in Tier 1 notes at the end of December while Doha Bank (DHBK) announced it will be raising QAR2bn in Tier 1 bonds in 1Q2014 to improve its capital adequacy ratio (CAR) as well as provide additional funds aiding loan book growth.*

Public sector deposits receded by 0.6% MoM (+27.3% YoY), while private sector deposits gained by 4.5% MoM (+20.3% YoY). Delving into segment details, the government institutions' segment (represents ~54% of public sector deposits) retreated by 6.6% (+19.2% YoY) vs. a 1.4% increase in the previous month. However, the government segment expanded by 6.6% MoM (+53.6% YoY) vs. a 16.4% drop in the previous month. The semi-government institutions' segment followed in the footsteps of the government segment growing by 9.2% MoM (+17.3% YoY). On the private sector front, the companies & institutions' segment expanded by 7.3% MoM (+15.4% YoY) and the consumer segment ticked up by 2.0% MoM (+25.4% YoY).

The overall loan book exhibited improved performance in the month of December. Total domestic public sector loans marginally picked up by 0.9% MoM after a weak performance in November. On a YoY basis, public sector loans grew by 9.7% in 2013. The government segment's loan book grew by 2.8% MoM (+9.3% YoY). On the other hand, the government institutions' segment (represents ~64% of public sector loans) declined by 2.5% MoM (+9.3% YoY). *We believe 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 by 1.5% MoM (+13.9% YoY). The **Industry** segment posted the biggest growth, up 15.8% MoM (+24.1% YoY), while the **Consumption and others'** (contributes ~29% to private sector loans) loan book retreated by 2.4% MoM (+10.7% YoY). **Real Estate** (also contributes ~29% to private sector loans) rebounded 3.0% MoM (flat YoY).

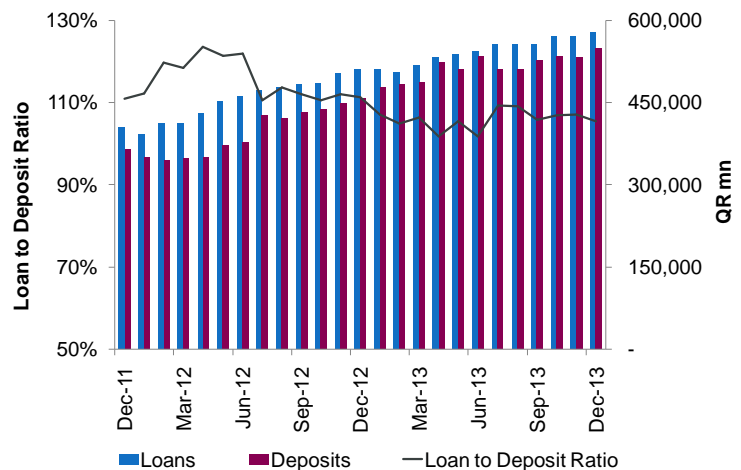
Specific loan-loss provisioning stood at 1.4% of average trailing 12-months' loans vs. 1.4% in November 2013.

Banking Sector Index vs. QE All Share Index



Source: Bloomberg

Banking Sector - Loan to Deposit (LDR)



Source: Qatar Central Bank (QCB)

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Banking Sector – Key Stats

Banks	Closing Price	Change YTD (%)	EPS 2013E (QAR)	P/E 2013E (x)	P/B (x)	Dividend Yield 2013 (%)
QE Banks & Financial Services Index	2,617.74	7.12	N/A	N/A	2.0	4.4
Al Ahli Bank (ABQK)	65.70	19.45	4.1	15.9	2.3	N/A
Al Khalij Commercial Bank (KCBK)*	21.15	5.80	1.4	14.8	1.4	4.7
Commercial Bank of Qatar (CBQK)*	75.10	6.07	7.0	10.8	1.3	7.3
Doha Bank (DHBK)*	64.50	10.82	5.5	11.7	1.8	5.4
Masraf Al Rayan (MARK)*	35.15	12.30	2.3	15.6	2.6	3.1
Qatar International Islamic Bank (QIIK)*	69.00	11.83	4.6	14.9	2.1	5.1
Qatar Islamic Bank (QIBK)*	73.60	6.67	5.7	13.0	1.5	5.4
Qatar National Bank (QNBK)	178.10	3.55	13.5	13.2	2.4	3.9

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

Banking Sector Indicators

(In QR mn)	2010	2011	2012	1Q-13	2Q-13	3Q-13	Nov-13	Dec-13	Change MoM	Change YTD
Total Assets	567,482	694,301	820,512	848,293	878,882	883,767	902,851	915,911	1.4%	11.6%
Total Credit (Loans)	314,481	403,563	510,048	517,690	543,834	555,975	570,494	577,976	1.3%	13.3%
Total Deposits	306,788	363,612	468,066	498,662	534,802	525,963	533,266	548,384	2.8%	19.7%
Loan to Deposit Ratio	103%	111%	111%	106%	102%	106%	107%	105%		
Credit Facilities (Geographic)										
Total Domestic Credit	293,920	376,696	478,305	479,776	499,441	511,128	529,168	536,667	1.2%	12.0%
Total International Credit	20,561	26,867	31,743	37,914	44,394	44,848	41,328	42,319	2.4%	33.3%
Domestic Credit Facilities - Public Sector										
Government	36,303	40,801	51,746	49,964	50,559	48,938	54,996	56,549	2.8%	9.3%
Government Institutions	50,452	90,619	139,585	137,308	151,387	151,676	156,409	152,516	-2.5%	9.3%
Semi-Government Institutions	16,303	17,750	27,222	20,004	24,323	24,474	26,319	30,679	16.6%	12.7%
Total Domestic Public Sector Credit	103,058	149,170	218,553	207,274	226,269	225,088	237,723	239,745	0.9%	9.7%
Domestic Credit Facilities - Private Sector										
General Trade	24,875	26,855	33,280	33,337	33,515	35,562	34,593	36,011	4.1%	8.2%
Industry	6,648	6,534	9,339	9,703	10,166	10,472	10,014	11,592	15.8%	24.1%
Contractors	18,411	16,220	16,546	17,434	18,493	20,209	22,392	23,331	4.2%	41.0%
Real Estate	51,042	76,220	85,662	86,245	78,956	82,642	82,940	85,388	3.0%	-0.2%
Consumption & Others	60,345	71,986	78,587	87,127	81,632	88,216	89,194	87,020	-2.4%	10.7%
Services	29,541	29,709	36,438	38,657	50,411	48,939	52,312	52,570	0.5%	44.3%
Total Domestic Private Sector Credit	190,862	227,626	259,752	272,502	273,172	286,039	291,446	295,912	1.5%	13.9%
Deposit Details (Geographic)										
Resident Deposits	277,107	343,777	417,337	444,944	494,432	497,800	503,936	514,804	2.2%	23.4%
Non-resident Deposits	29,681	19,835	40,729	41,718	40,370	28,163	29,329	33,579	14.6%	-17.6%
Deposits - Public Sector (Domestic)										
Government	18,488	40,825	44,557	36,666	41,704	55,840	64,217	68,459	6.6%	53.6%
Government Institutions	32,277	57,351	104,378	121,899	141,533	138,023	133,153	124,390	-6.6%	19.2%
Semi Government Institutions	21,309	27,700	31,794	26,123	36,247	34,117	34,140	37,283	9.2%	17.3%
Total Public Sector Deposit	72,071	125,876	180,729	184,688	219,484	227,979	231,510	230,131	-0.6%	27.3%
Deposits - Private Sector (Domestic)										
Personal	90,828	103,093	116,257	126,938	133,674	131,241	143,047	145,841	2.0%	25.4%
Companies & Institutions	114,207	114,809	120,350	133,317	141,274	138,579	129,379	138,833	7.3%	15.4%
Total Private Sector Deposit	205,036	217,902	236,607	260,255	274,948	269,820	272,426	284,673	4.5%	20.3%

Source: QCB

Qatar Exchange Monthly Performance								
Company Name	Price (Jan 30)	% Change 5-Day	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div.	Yield
Qatar National Bank	184.50	(1.86)	7.27	129,100	13.6	2.4		3.3
Qatar Islamic Bank	74.90	(0.93)	8.55	17,698	13.3	1.5		5.0
Commercial Bank of Qatar	71.90	(3.10)	1.55	17,791	10.2	1.3		8.3
Doha Bank	64.00	(1.84)	9.97	16,536	11.1	1.5		6.5
Al Ahli Bank	63.80	(2.74)	16.00	8,107	15.4	2.3		4.7
Qatar International Islamic Bank	67.70	(4.38)	9.72	10,248	13.7	1.9		5.2
Masraf Al Rayan	34.70	(1.00)	10.86	26,025	15.3	2.6		2.9
Al Khaliji Bank	20.45	(3.31)	2.30	7,362	13.4	1.3		4.9
National Leasing	30.95	1.81	2.65	1,531	17.6	1.2		6.5
Diala Holding	22.60	(1.14)	2.26	502	N/M	2.2		N/A
Qatar & Oman Investment	12.60	(1.56)	0.64	397	26.4	1.2		4.0
Islamic Holding Group	45.95	(0.76)	(0.11)	184	20.3	3.1		2.5
Banking and Financial Services				235,482				
Zad Holding	72.00	2.71	3.60	942	9.6	0.7		5.6
Qatar German Co. for Medical Devices	14.20	1.07	2.53	164	N/M	0.9		N/A
Salam International Investment	13.50	2.66	3.77	1,543	12.0	0.9		5.2
Medicare Group	53.00	(0.19)	0.95	1,492	24.3	1.9		3.4
Qatar Cinema & Film Distribution	43.00	7.23	7.23	246	32.8	1.8		4.7
Qatar Fuel	287.00	(0.31)	1.02	18,646	15.6	3.1		3.5
Qatar Meat and Livestock	51.00	(4.32)	(1.35)	918	15.3	3.8		7.8
Al Meera Consumer Goods	146.70	1.52	10.05	2,934	20.1	2.3		5.5
Consumer Goods and Services				26,884				
Qatar Industrial Manufacturing	51.80	(2.45)	2.37	2,051	9.7	1.5		5.8
Qatar National Cement	117.00	(1.68)	(1.68)	5,745	13.2	2.3		5.1
Industries Qatar	179.80	(0.88)	6.45	108,779	13.4	3.4		4.3
Qatari Investors Group	48.15	(0.62)	10.18	5,986	25.7	2.8		1.6
Qatar Electricity and Water	181.50	(0.82)	(0.22)	18,150	12.0	3.2		4.0
Mannai Corp.	98.00	7.69	9.01	4,471	9.7	1.9		4.8
Aamal	14.73	0.07	(1.80)	8,838	14.0	1.3		N/A
Gulf International Services	75.50	2.30	23.77	11,225	18.5	3.9		2.0
Industrials				165,245				
Qatar Insurance	78.10	4.83	17.44	10,031	12.3	1.9		2.6
Doha Insurance	30.00	0.17	20.00	772	11.5	1.4		3.0
Qatar General Insurance & Reinsurance	45.00	1.12	(6.05)	2,594	3.0	0.8		1.9
Al Khaleej Takaful Insurance	39.10	(1.01)	7.12	668	13.9	1.1		2.1
Qatar Islamic Insurance	62.40	(1.42)	7.77	936	14.7	3.4		5.6
Insurance				15,000				
United Development	22.61	(2.71)	0.00	7,625	9.3	0.7		4.4
Barwa Real Estate	31.25	(2.50)	4.87	12,160	17.8	0.9		4.8
Ezdan Real Estate	16.80	(0.88)	(1.18)	44,562	N/M	1.6		0.8
Mazaya Qatar Real Estate Development	12.20	0.33	9.12	1,220	18.4	1.1		4.9
Real Estate				65,567				
Qatar Telecom	149.00	(5.64)	8.60	47,728	18.1	1.9		3.4
Vodafone Qatar	11.42	(1.13)	6.63	9,654	N/M	1.6		N/A
Telecoms				57,382				
Qatar Navigation (Milaha)	88.00	(3.08)	6.02	10,078	10.3	0.8		4.3
Gulf Warehousing	43.20	5.37	4.10	2,055	20.2	2.5		N/A
Qatar Gas Transport (Nakilat)	20.82	(1.05)	2.81	11,659	15.3	3.3		4.8
Transportation				23,792				
Qatar Exchange				589,352				

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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