



Qatar Economic Update

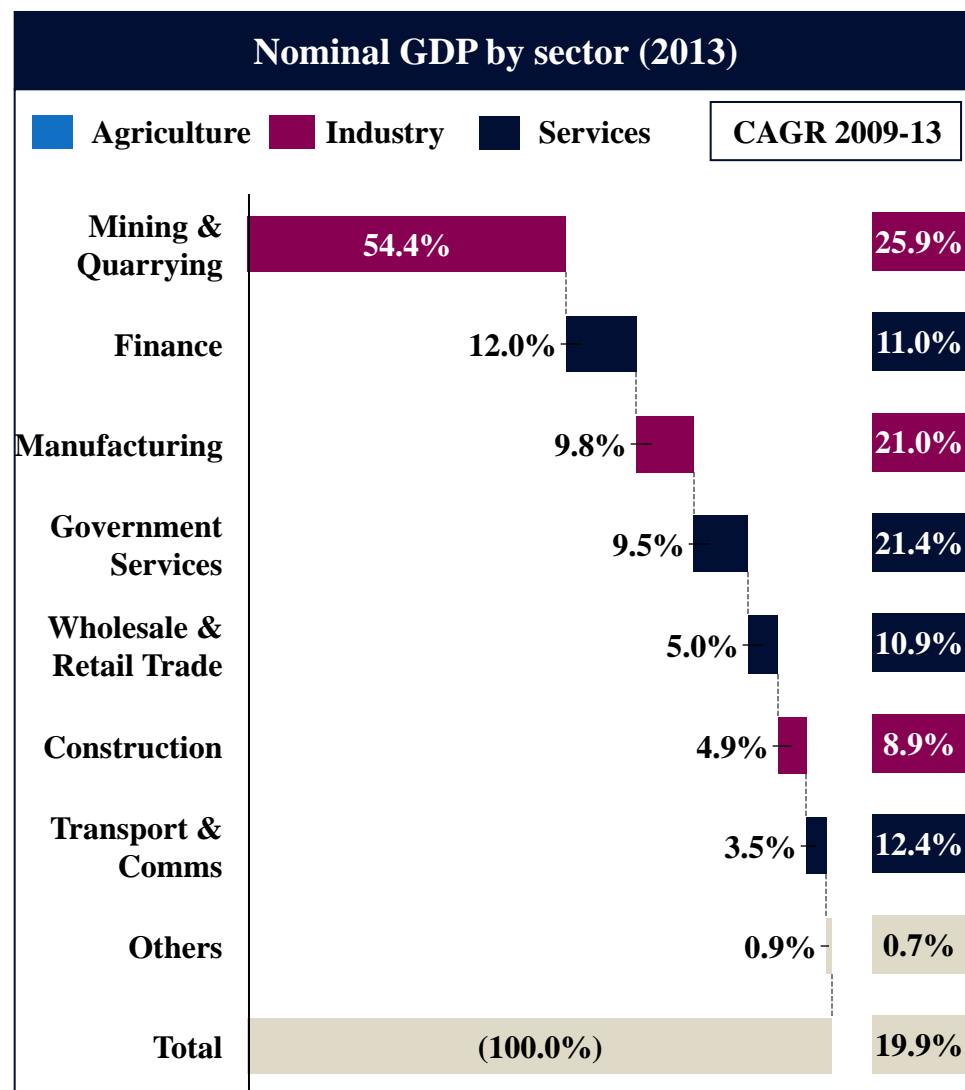
QNB Group

September 2014

Qatar – Overview

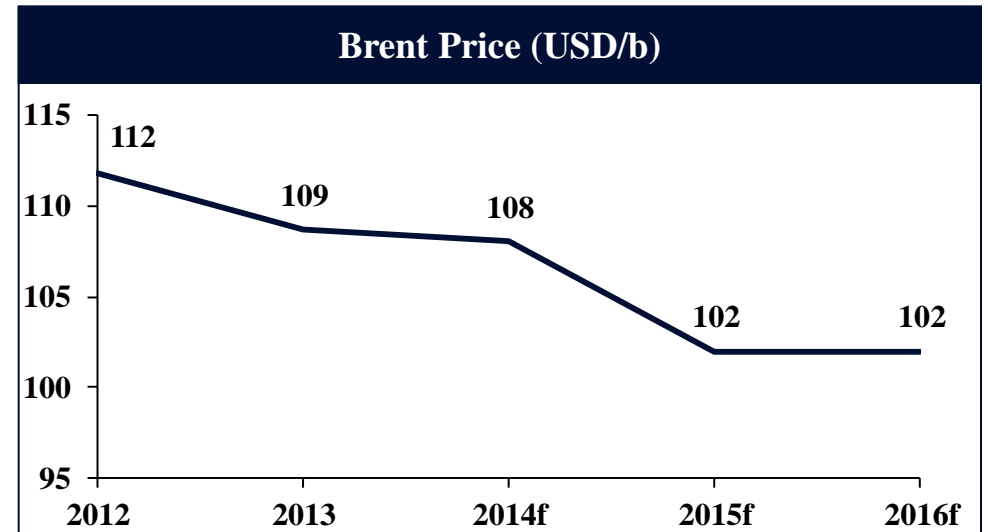
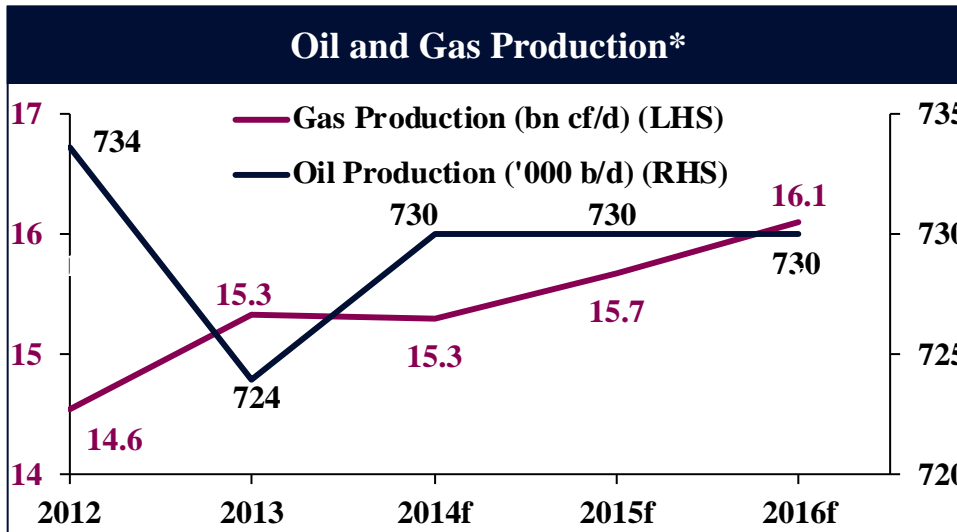
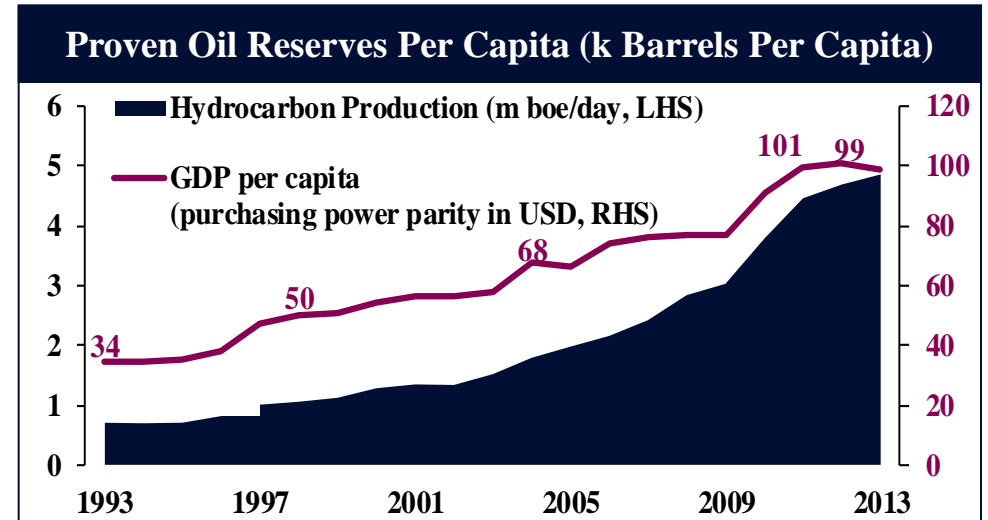
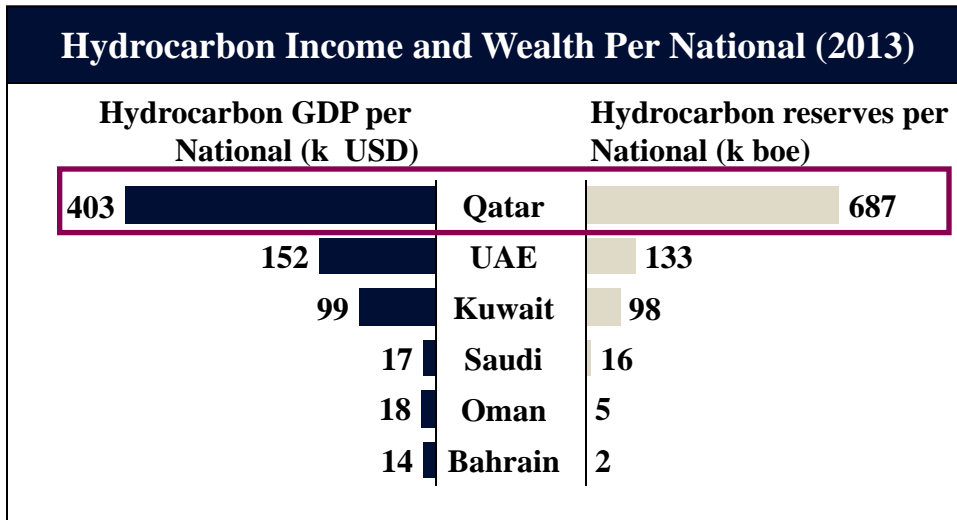
Qatar is the largest LNG exporter in the world, with the hydrocarbon sector accounting for 54.4% of GDP in 2013; it was the most competitive economy in the MENA region in 2013 and enjoyed the highest GDP per capita in the world

Overview Data (2013)	
GDP (bn USD)	202.5
% GDP related to Hydrocarbons	54.4
Real GDP Growth (%)	6.5
Per Capita GDP (k USD, PPP)	98.8
CPI Inflation (%)	3.1
Current Account Balance (% of GDP)	30.9
FX Reserves (mths prospective import cover, end-2013)	7.9
Exchange Rate (USD:QAR, end-2013)	3.64
Fiscal Balance (% of GDP)	15.6
Government Debt (% of GDP)	34.7
Broad Money Growth (M2, %)	19.6
Banking Assets (% of GDP)	124.3
3-Month Interbank Rate (%)	1.1
Population (m)	2.0
Population aged 15-64 Years (% share, 2008)	85.3
Population growth (%)	10.9
Unemployment (%)	0.2
Religion (% Muslim)	77.5
Doing Business Rank out of 189	48
Competitiveness Rank out of 148	13
Moody's Rating (Long-term FX debt)	Aa2



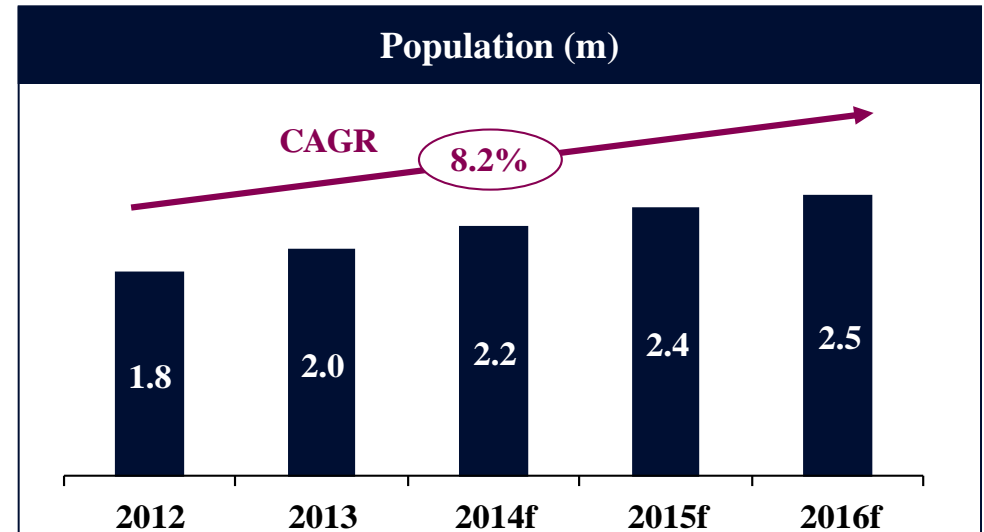
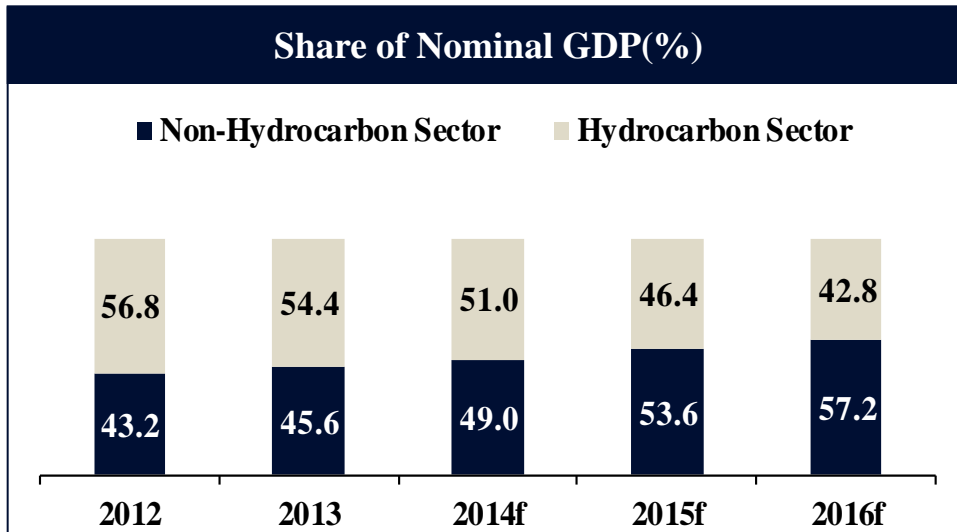
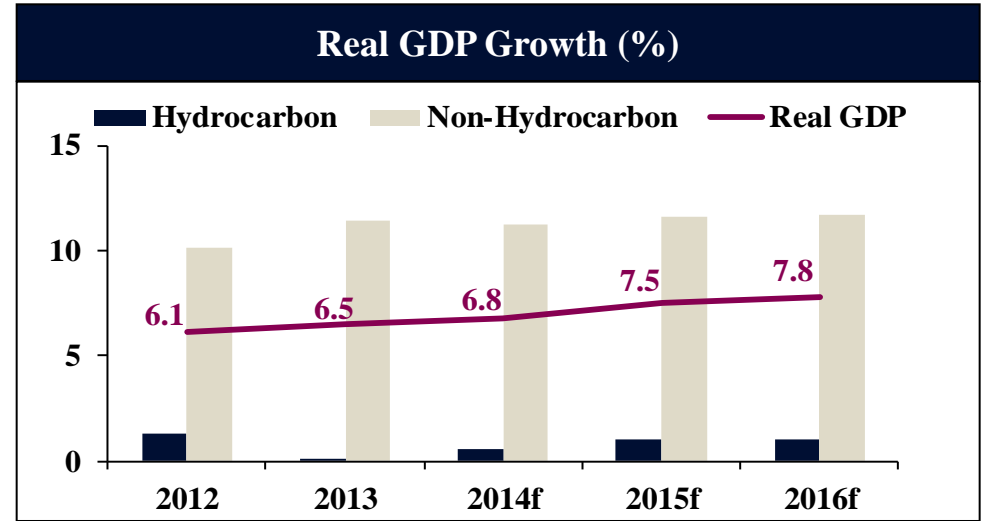
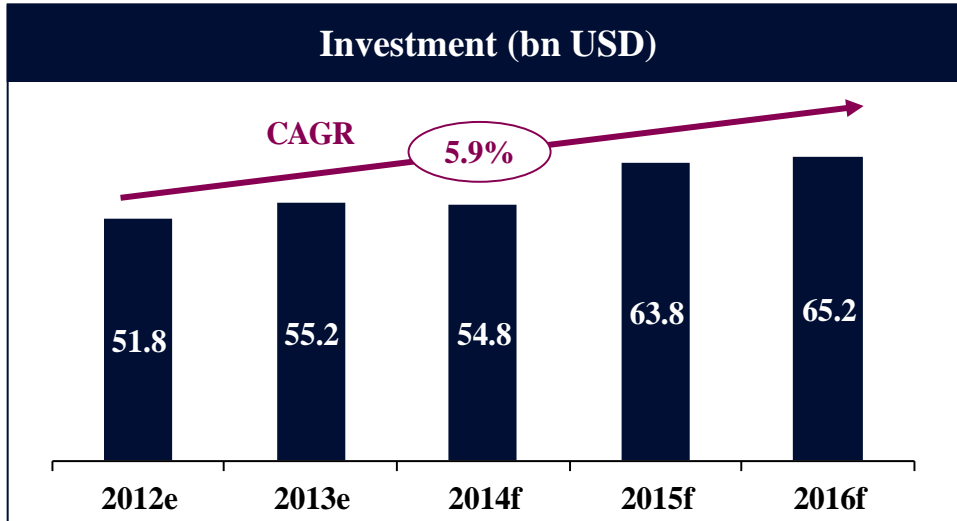
Qatar – Hydrocarbon Sector

With the largest reserves in the world per national, Qatar has developed its hydrocarbon sector over the latest 20 years; the sector has now plateaued as the authorities have applied a moratorium on further gas explorations, except for domestic use



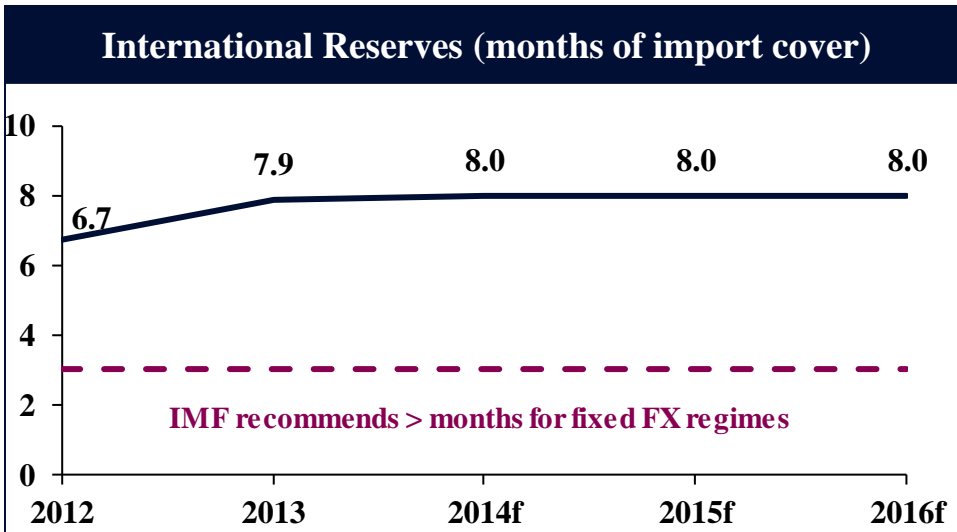
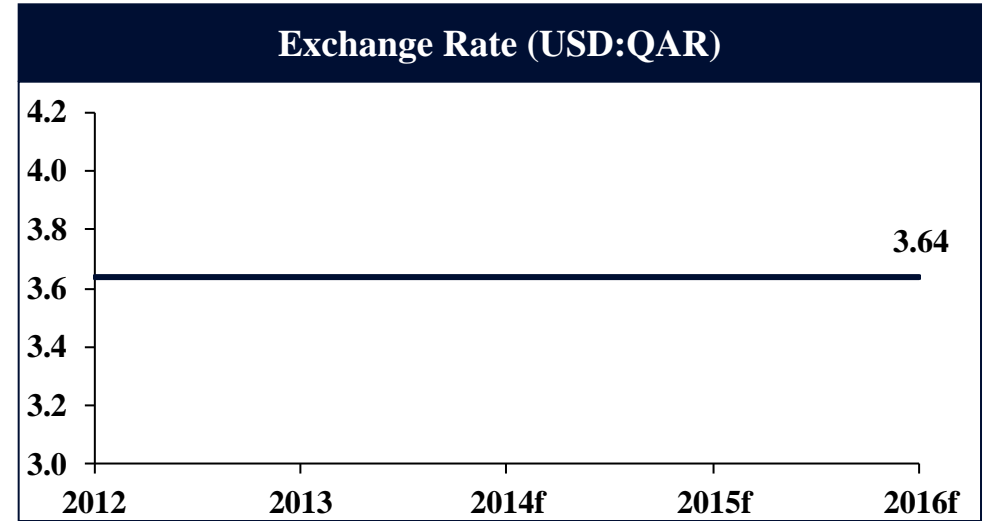
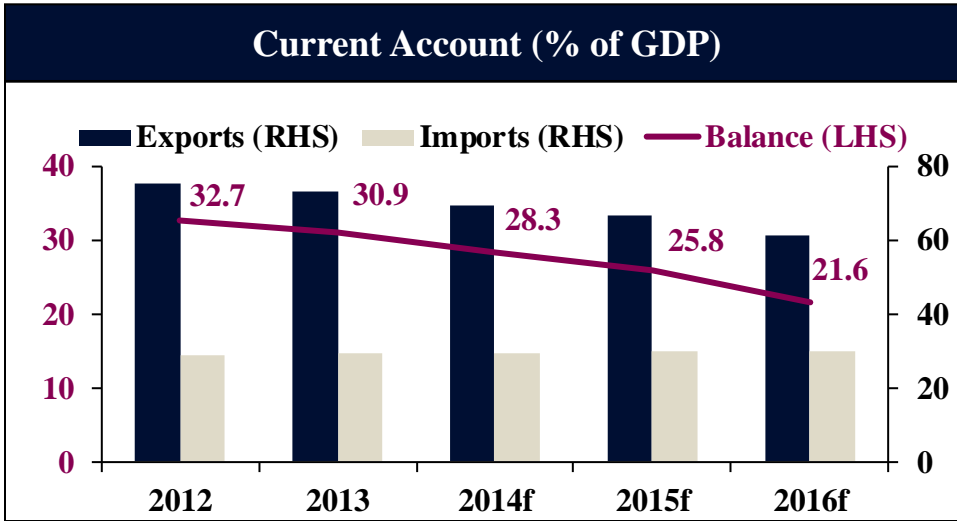
Qatar – GDP Growth

The economy is diversifying, driven by large investments in construction, services and transport; this is projected to result in overall GDP growth in the range of 6.8%-7.8% during 2014-16 and a non-hydrocarbon share to GDP of 57.2% by 2016



Qatar – Balance of Payments

The current account surplus is projected to narrow over the medium term on lower oil prices; with the fixed exchange rate to the USD, international reserves are projected to remain adequate; most of the oil and gas exports are destined to Asia

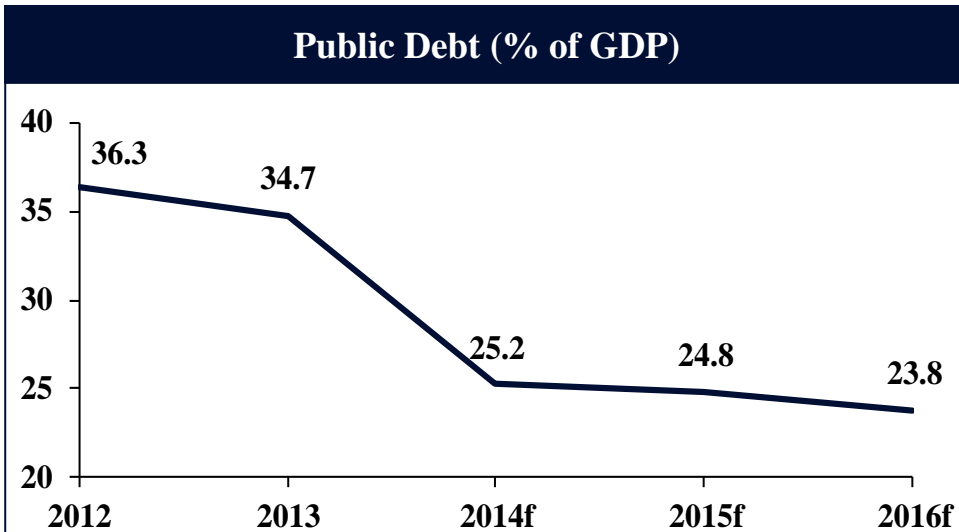
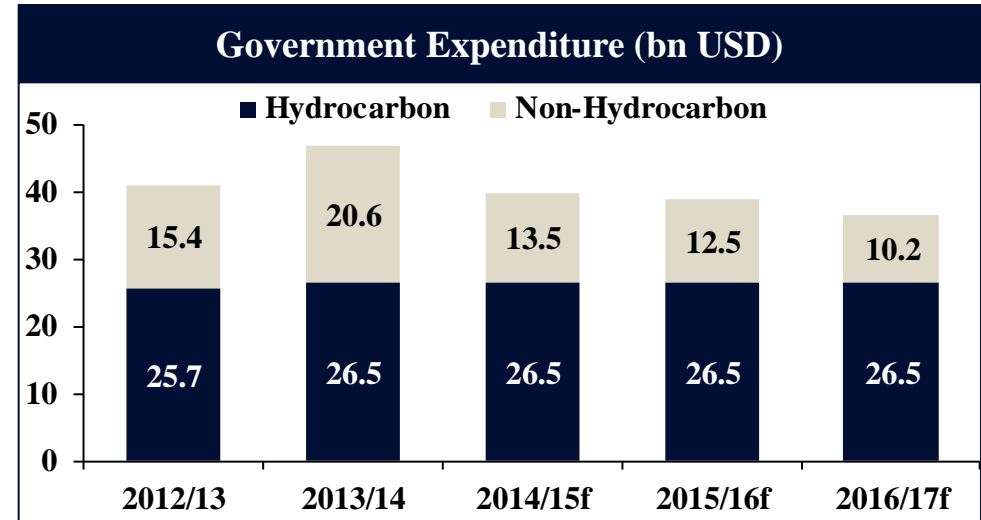
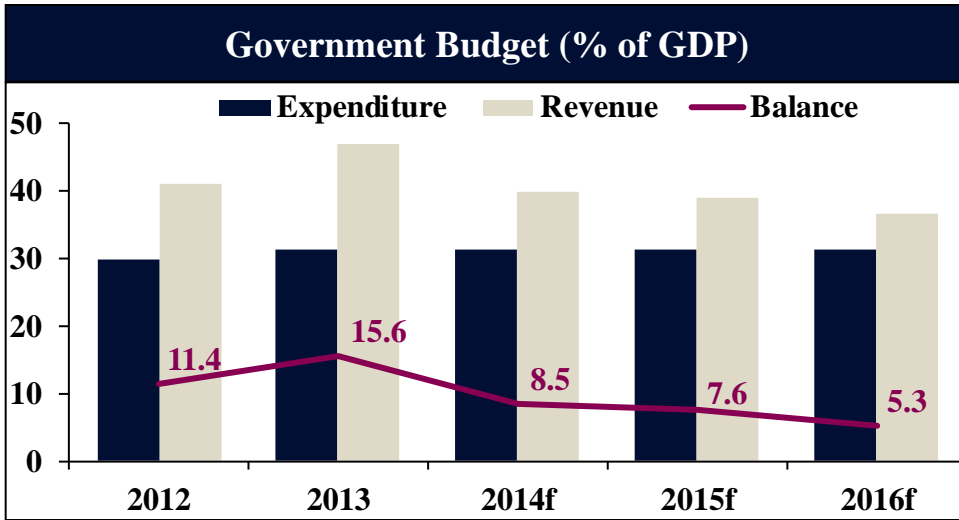


Directions of Trade (2013)

Exports		Imports	
Destination	(bn USD)	Source	(bn USD)
Japan	33.6	USA	5.5
Korea	23.5	UAE	3.1
India	13.1	Saudi Arabia	2.4
China	7.7	UK	1.9
Singapore	7.2	China	1.9

Qatar – Fiscal Policy

Fiscal policy aims to maintain budget surpluses while undertaking large infrastructure investments; the budget surplus is likely to moderate over the medium term on stable hydrocarbon revenues and higher infrastructure spending

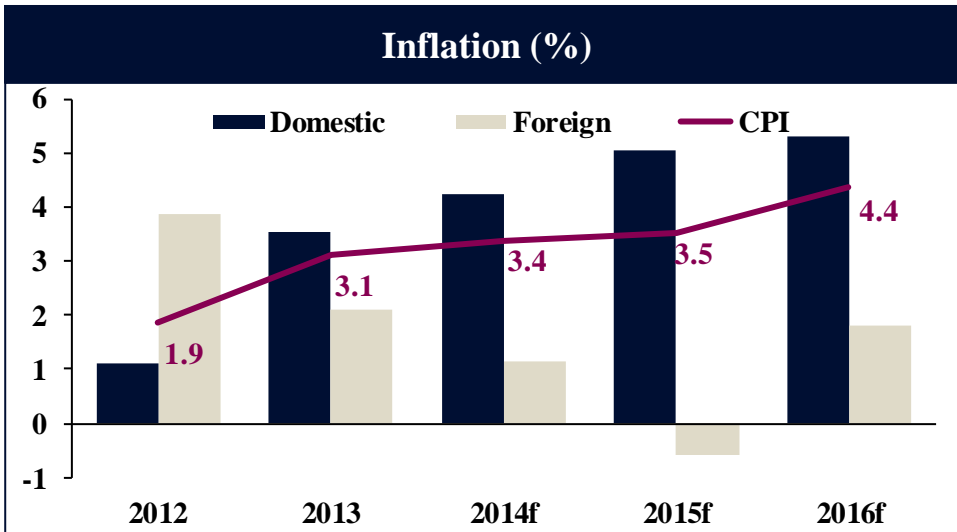
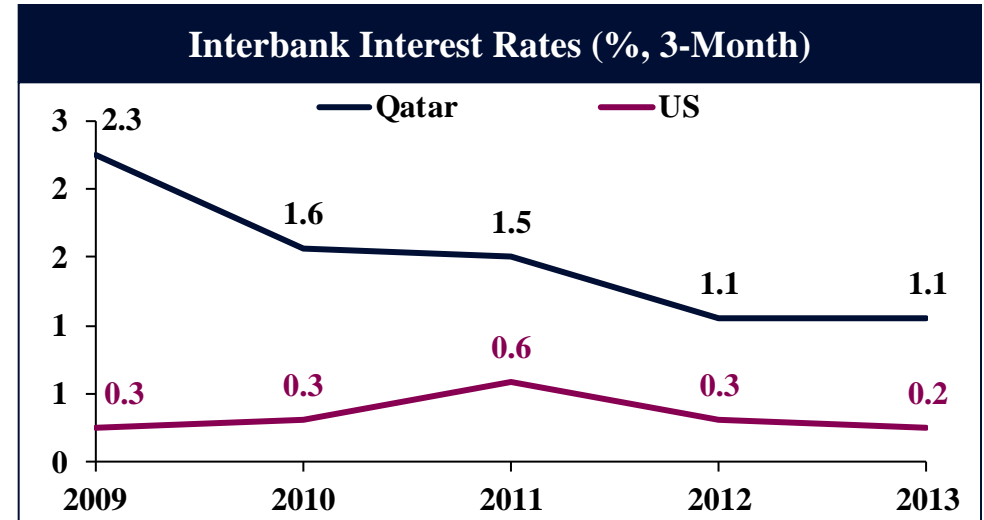
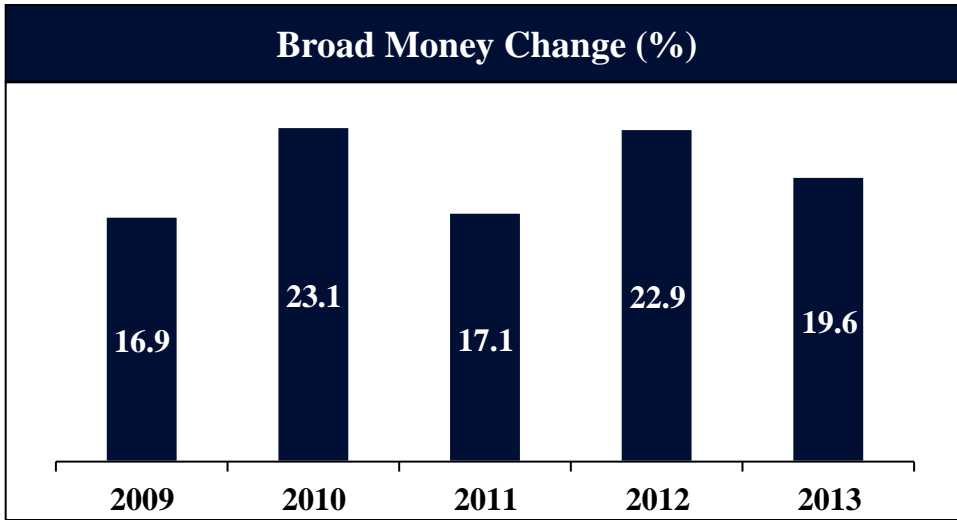


Fiscal Policy

- Fiscal policy aims to maintain budget surpluses while undertaking large infrastructure investments to enhance economic diversification
- The budget surplus is likely to moderate over the medium term on lower hydrocarbon revenues and higher infrastructure spending
- A growing share of revenue is coming from non-hydrocarbon resources through investment income and a 10% corporate tax
- Public debt is likely to fall over the medium term as the government relies more on its own resources to finance infrastructure spending

Qatar – Monetary Policy

Monetary policy aims to maintain the fixed exchange rate; broad money is likely to moderate while domestic interest rates move in line with US rates; inflation remains moderate on higher domestic inflation offset by lower foreign inflation

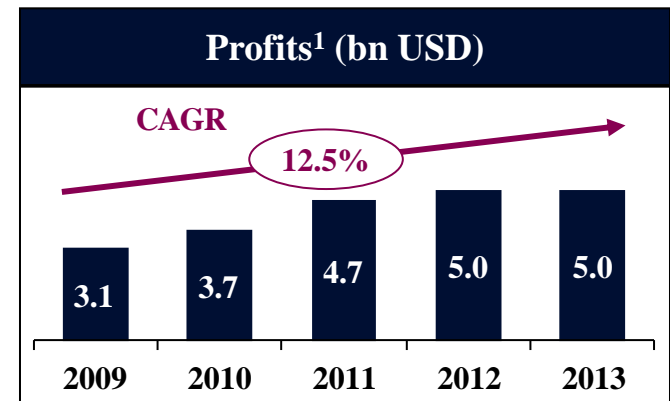
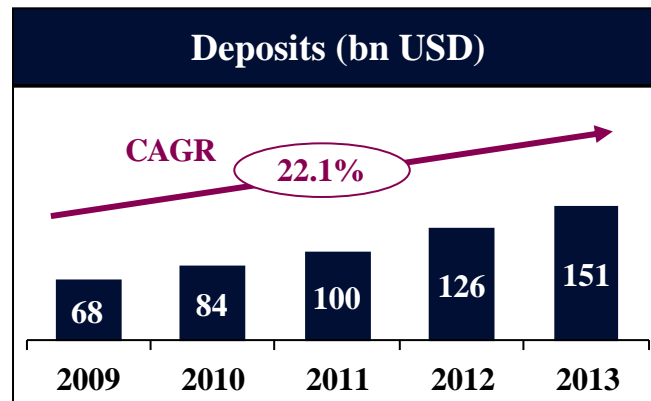
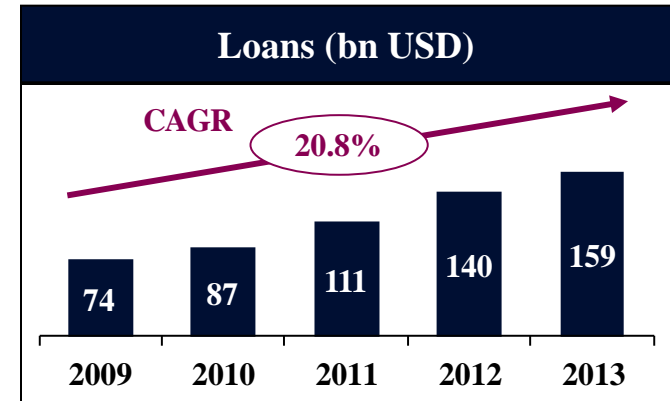
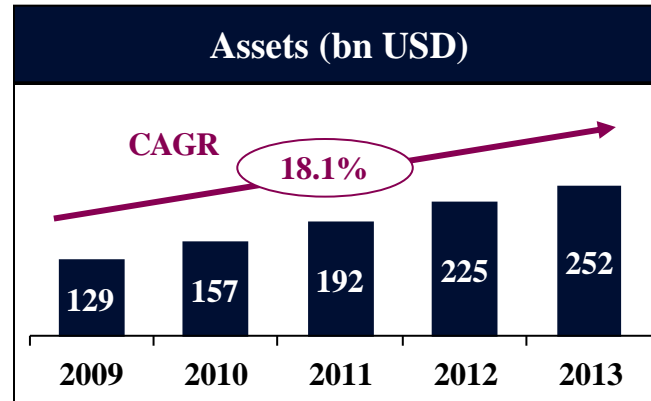
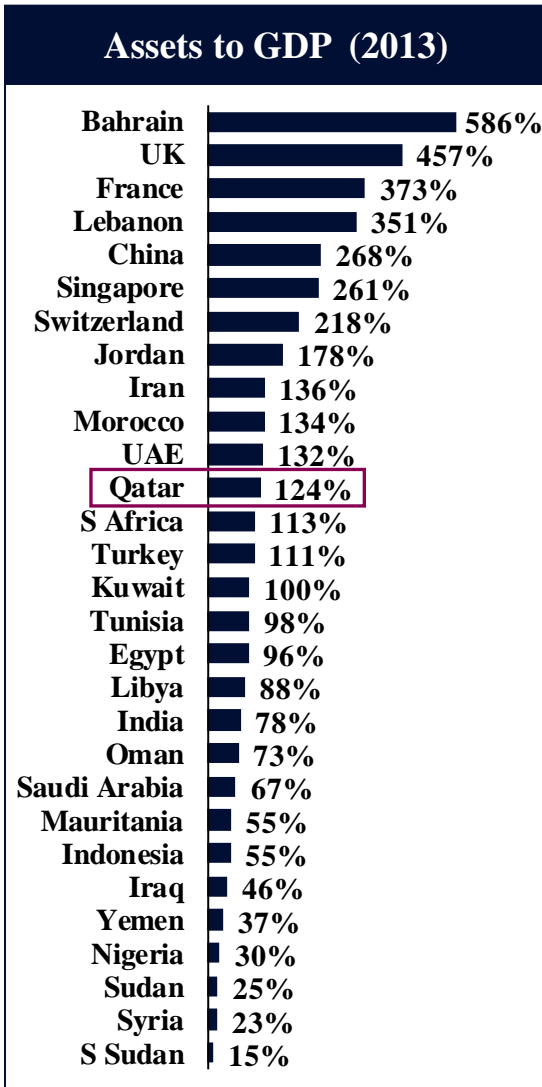


Monetary Policy

- Monetary policy aims to maintain the fixed exchange rate
- Broad money is expected to expand at a more moderate rate over the medium term in line with nominal GDP
- Domestic interest rates remain in line with US rates due to the QAR:USD peg
- Inflation is expected to remain moderate: while domestic inflation is likely to rise due to the large housing demand pushing up rents, this is projected to be offset by falling foreign inflation until 2016

Qatar – Banking Sector Overview

Asset penetration is high for the GCC region, but there is room for growth when compared to advanced economies; Qatar had the fastest asset growth in the GCC region in 2013, which is likely to continue through 2016

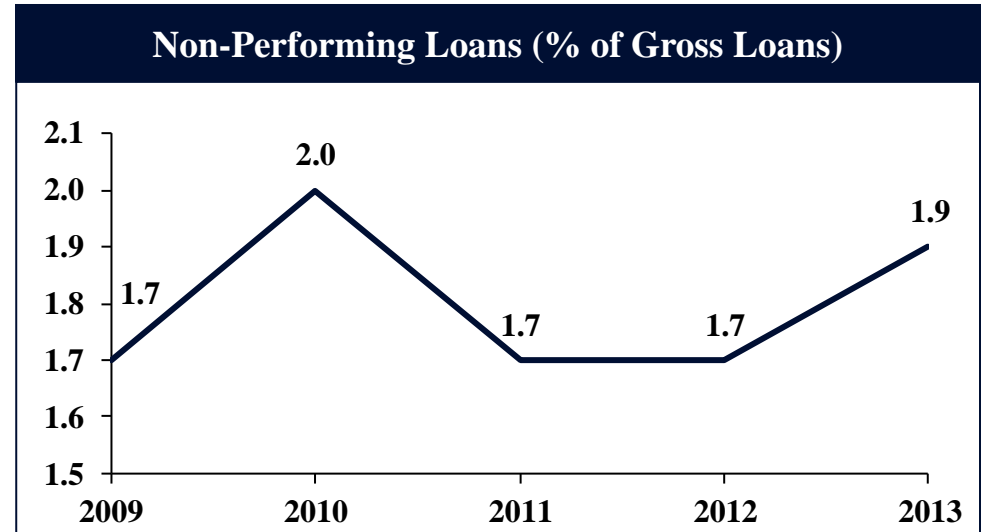
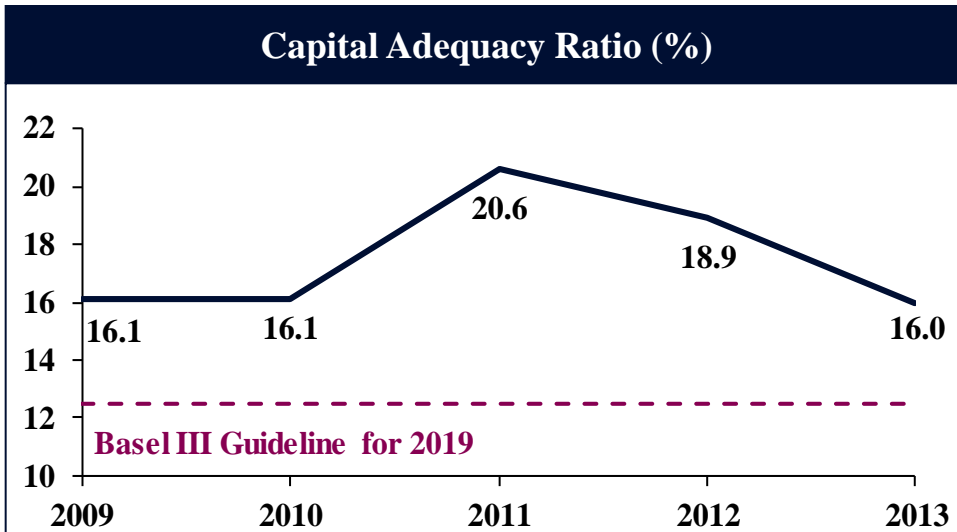
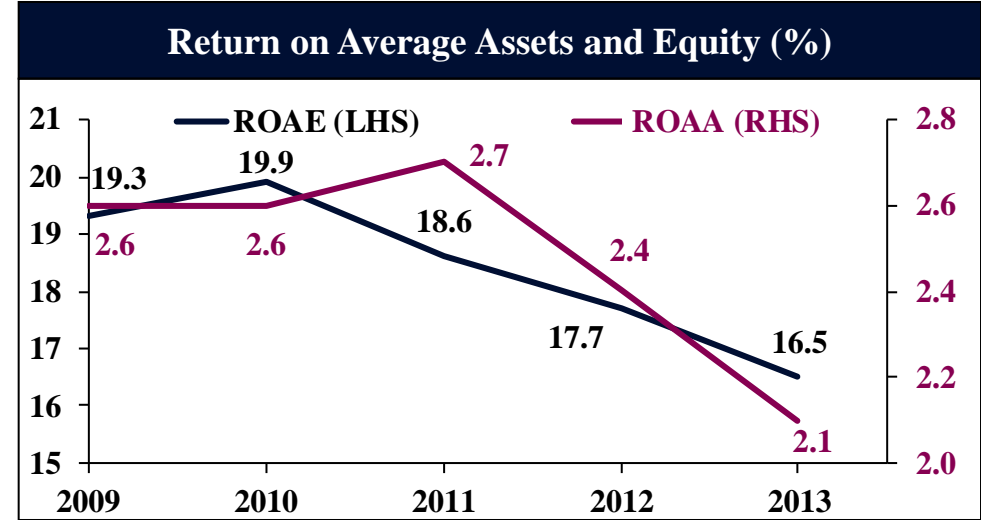
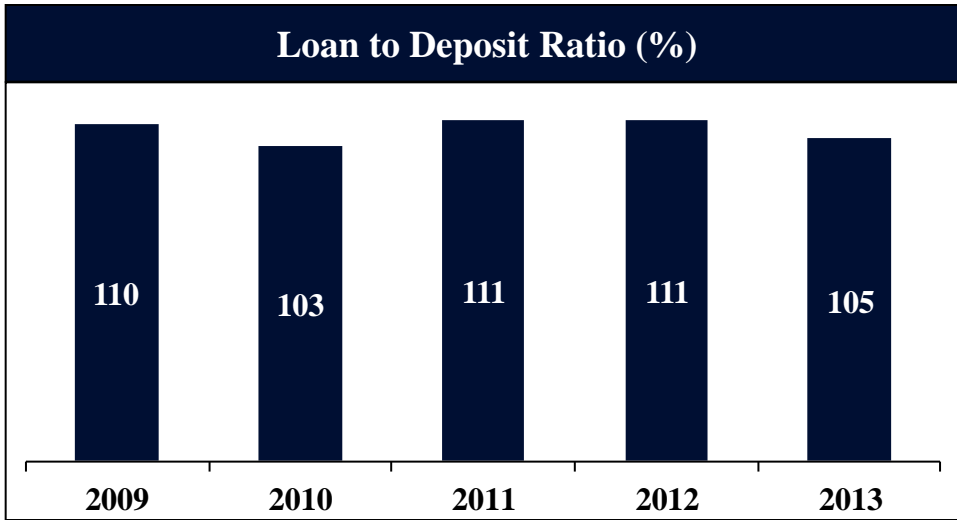


Analysis

- Growth in assets, loans, deposits and profits has been strong with lending to the government and population growth as key drivers
- Deposit growth is outpacing loan growth as government borrowing has recently slowed

Qatar – Banking Sector Ratios

The loan-to-deposit ratio has fallen in 2013 on lower government borrowing and improved liquidity, which has moderated returns on assets and equity; banks are well capitalized and the share of non-performing loans remains below 2%



Qatar – Banking Sector Competitor Analysis

The sector is highly concentrated with the top five banks accounting for 82.2% of banking sector assets; profitability has been strong with low non-performing loans

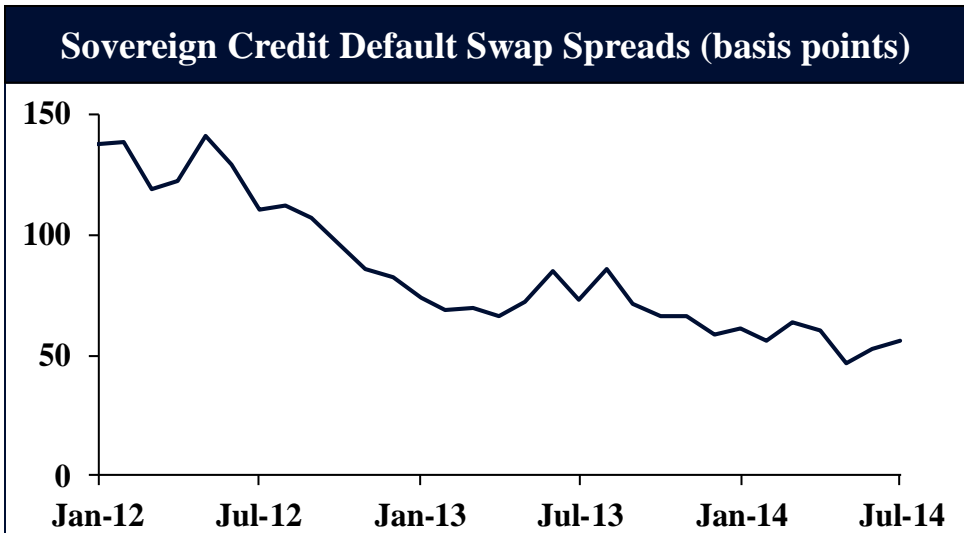
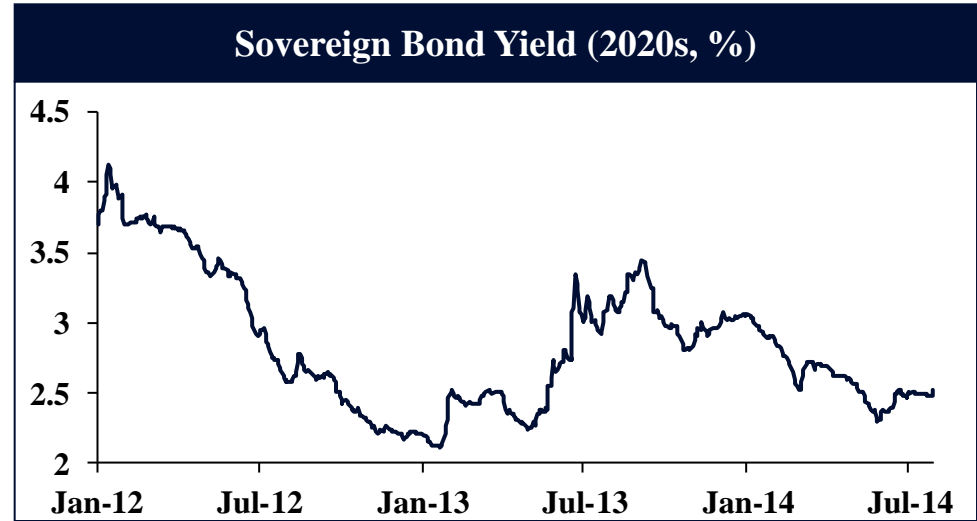
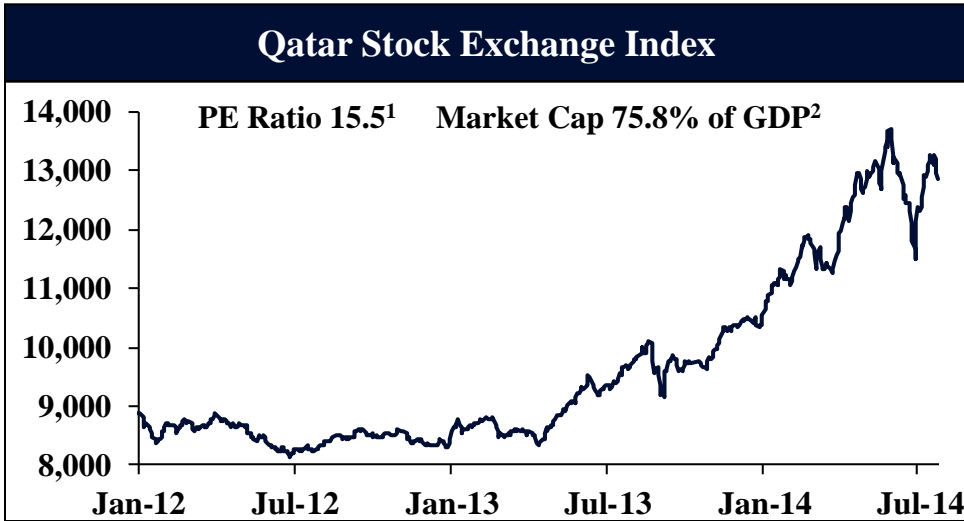
Financials for Top 5 Banks (2013)*								
	Market Share by Assets	Net Income	Equity	ROE	Assets	ROA	Loan to Deposit Ratio	Non-Performing Loans
	(%)	(bn USD)	(bn USD)	(%)	(bn USD)	(%)	(%)	(%)
QNB	47.5	2.6	14.8	18.8	122	2.4	94.5	1.6
CBQ	12.1	0.4	4.5	10.2	31	1.7	107.9	3.7
QIB	8.3	0.4	3.8	9.9	21	1.8	94.4	1.0
Doha Bank	7.2	0.4	3.1	14.0	18	2.2	99.6	3.0
Masraf Al Rayan	7.1	0.5	2.9	17.0	18	2.7	85.8	0.1

Analysis

- The top banks profitability metrics are strong with low non-performing loans
- Returns on equity have moderated in 2013 as the government has reduced its reliance on banks to finance ongoing projects
- QNB dominates the sector with 47.5% of banking assets (this is consolidated assets and includes overseas assets, based on domestic assets alone QNB has a market share of 43.6%) and an ROE of 18.8% at end-2013
- CBQ experienced high non-performing loans (NPLs) relative to its domestic peers at end-2013 owing to its international expansion in the Turkish market (acquisition of around 74% stake in Alternatifbank)
- QIB is the largest Islamic institution with a market share of 8% and an ROE of 9.9% at end-2013

Qatar – Financial Markets

The Qatar Exchange Index is up 24% since Jan-13 on strong dividend growth and the upgrade to MSCI emerging market status; sovereign yields and CDS spreads have eased on lower regional political risk while ratings remain strong



Sovereign Ratings (July 2014)

	Rating	Outlook
Moody's	Aa2	Stable
Standard & Poor's	AA	Stable
Capital Intelligence	AA-	Stable
Fitch	N/A	N/A

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