

**Executive Summary**

- **CPI inflation stabilized at 3.4% in June 2013 in line with our forecast, as non-rent inflation slowed counteracting rising rents**
- **Real GDP growth reached 6.2% year-on-year in the first quarter of 2013, which we expect to accelerate during the remainder of 2013 as infrastructure development projects are rolled out**
- **Qatar posted a trade balance of QR31.3bn in May, up 0.5% year-on-year owing to export receipts**

**Qatar inflation stabilizes at 3.4% despite rising rents**

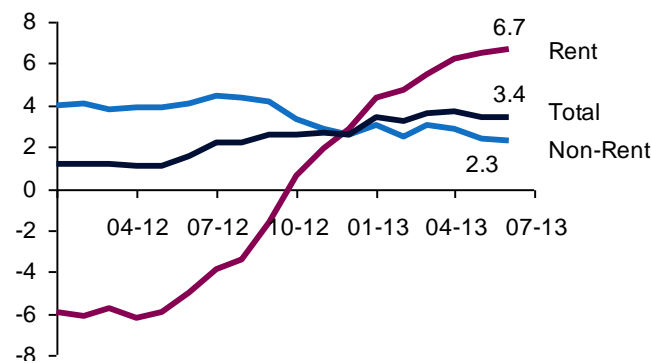
**Inflation stabilized at 3.4% YoY in June 2013.** Rents are 32% of the CPI basket and have increased every month since June 2012, reversing the previous downward trend. However, as rental increases slow and non-rent inflation has fallen, overall inflation has levelled off.

There was a **marginal decline of 0.1% in headline inflation in June over May** primarily due to a 2% reduction in prices of miscellaneous goods and services.

**The latest data is in line with our forecast for inflation of 3.5% for 2013 as a whole.** We expect a further pickup in population growth to drive consumer demand and push inflation up to around 3.8% in 2014. There is an upside risk for inflation if the rollout of major infrastructure projects runs into capacity constraints.

**Slower non-rent inflation counteracts higher rents**

CPI Inflation (% YoY)

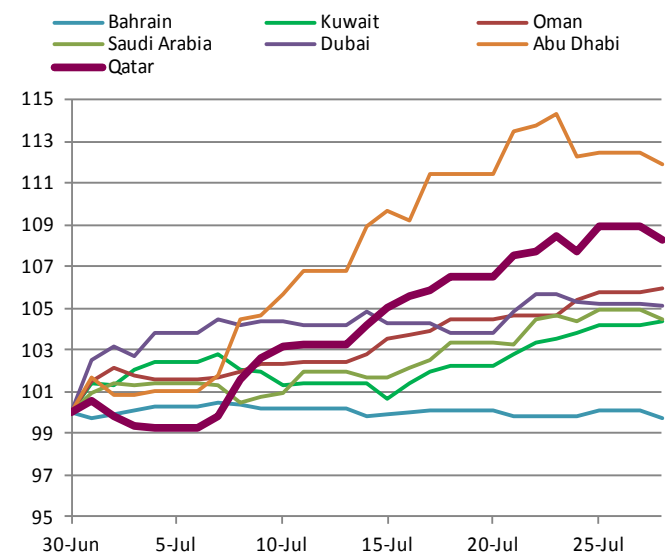


Source: Qatar Statistics Authority (QSA)

**QNB Economics Weekly Commentary**

- Emerging Markets Enter a Difficult Period of Weaker Growth, Capital Flight, and Tighter Monetary Policy
- Credit Squeeze May Dampen Economic Growth in China
- Recent Data Show Continued Strength in the Qatar Economy
- Why Gas Prices Are Likely to Continue to Outperform Oil Prices

**Stockmarket Indices (rebased with 30 Jun 2013 = 100)**



**All GCC stockmarkets bar Bahrain rose in the month of July.** Concerns about QE tapering have receded, which boosted regional markets. Abu Dhabi was the best performing market followed by Qatar, with the banking space being the top sectoral performer in both markets. In Bahrain, the downgrade by Moody's in late June has clearly dampened investor confidence and thus the market was broadly flat last month.

**UAE Economic Insight 2013**



QNB Group will shortly be publishing the UAE Economic Insight 2013, providing an overview of UAE'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](#).

**Real GDP grew in line with QNB Group forecasts in Q1 2013 as oil and gas production picks up**

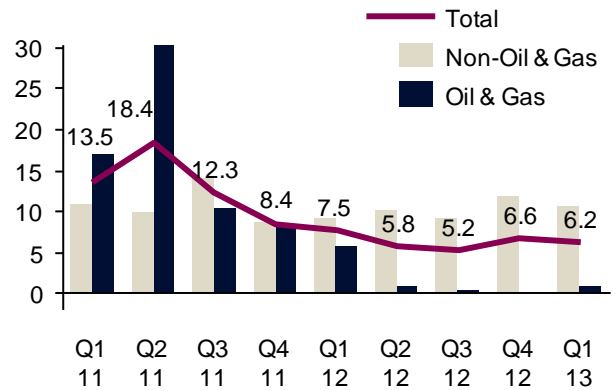
Real GDP growth was in line with our 2013 forecasts at **6.2% year-on-year (YoY) in Q1 2013**. Growth in the Oil & Gas sector (which accounts for 44% of real GDP) was 0.8% in the 12 months to Q1 2013, compared with a 0.1% in the twelve months to Q4 2012. This was related to maintenance downtime at LNG facilities in Q4 2012 and some fluctuation in oil production. Although the non-oil sector growth slowed slightly, it remains the most important driver of growth, expanding by 10.6% in the year to Q1 2013.

We maintain our forecast for real growth for 2013 at **6.5%** as we expect non-oil growth to continue to accelerate as major infrastructure projects are rolled out.

We expect growth to pick up further to **6.8%** in 2014 as the project pipeline intensifies.

**Oil and gas picked up**

Real GDP growth (% YoY)



Source: Qatar Statistics Authority (QSA)

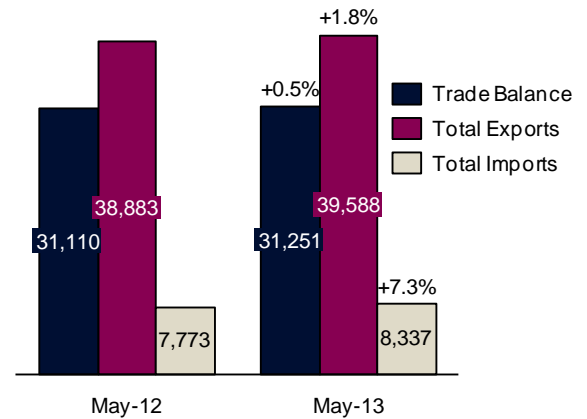
**Qatar foreign merchandise trade surplus rises to QR31.3bn in May 2013**

Qatar posted a trade balance of **QR31.3bn in May, up 0.5% year-on-year** owing to higher export receipts. Total exports in May stood at QR39.6bn and imports QR8.3bn. Total exports rose in May despite a drop in exports of some hydrocarbon commodities. Japan topped the export destination in May and accounted for 29% of Qatar's exports followed by South Korea (16%) and India (10%).

Among Qatar's major import items in May were **motor cars and other vehicles, and aircraft spares**. The US was the major exporter to Qatar in May (15%) followed by China (10%) and the UAE (7%).

**Higher export growth drives wider trade balance**

Trade Balance (QAR Millions, and % change YoY)



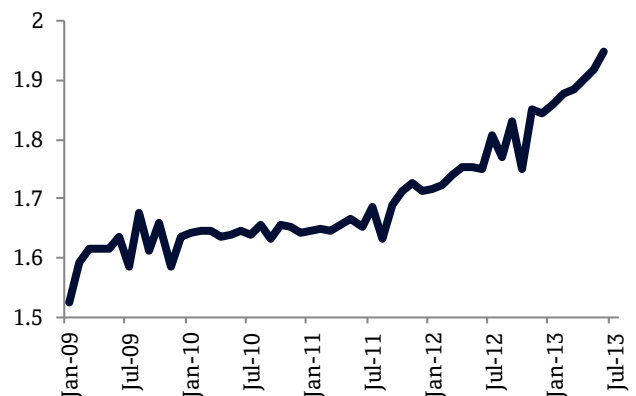
Source: Qatar Statistics Authority (QSA)

**Qatar's population growth reaches a record high in June 2013**

Qatar's population grew by **1.6% in June 2013 from the previous month, on a seasonally adjusted basis**. The total population of Qatar now stands at a record 1.95m, a growth rate of 11.3% in the twelve months to June 2013. This is the fastest global population growth and compares with world population growth of around 1.2%.

Population growth in recent years has been driven by **huge investments in the gas sector and infrastructure**, which has led to rapid growth and a large inflow of expatriate workers. Expatriates accounted for 86% of the total population in 2012, an increase of 6.5 percentage points from 2008-12. Qatari nationals were estimated at around 265k as of end-2012.

**Population continues to surge**  
Population (millions), Seasonally Adjusted



Source: Qatar Statistics Authority (QSA). People in Qatar.

**Economic News**

- **Emir issues amended decree to form SCEAI –** Qatar's Emir HH Sheikh Tamim bin Hamad Al-Thani has issued an amended Emiri decree to establish the Supreme Council for Economic Affairs & Investment (SCEAI). Meanwhile, he also issued an Emiri decision restructuring the board of directors of Qatar Investment Authority (QIA). He has named HE Sheikh Abdullah bin Hamad bin Khalifa Al-Thani as Vice-Chairman of the QIA. Furthermore, Ahmed Al-Sayed, Managing Director of Qatar Holdings has been appointed as Executive Chairman of the QIA. (Bloomberg, Gulf-Times.com, Qatar Tribune)
- **Qatar Ministry to launch economic surveys –** Qatar's Ministry of Development Planning & Statistics is set to launch a set of annual economic surveys for 2013. These surveys will cover all large establishments and a sample of small establishments of various economic sectors including public, mixed, private, domestic and foreign. (Peninsula Qatar)
- **Qatar lifts 2013 GDP growth forecast to 5.3% in 2013 –** According to a report released by the General Secretariat for Development Planning (GSDP), Qatar's real GDP growth in 2013 is forecasted to increase to 5.3% from the earlier 4.8%, citing changes to its expected output of oil & gas. Further, the report indicated that 4.5% growth is predicted for 2014. The report said the country's pipeline gas production will rise in 2013 and unscheduled shutdowns, which limited the energy output in 2012, are unlikely to be repeated. The report also said that in 2014, upstream oil & gas is expected to reduce as output from maturing oil fields tapers off and gas production hits installed-capacity limits. The GSDP said the Qatar government's fiscal surplus is expected to drop to 4.7% of GDP in 2014 from an upwardly revised 8.1% in 2013. The GSDP also said that the overall surplus is expected to narrow down in 2014 in the wake of the substantial increases in capital spending needed to keep Qatar's infrastructure projects on track. The inflation is expected to be at 3.6% in both 2013 and 2014, up from 1.8% in 2012. Meanwhile, according to a report released by the Ministry of Development Planning & Statistics (MDPS), Qatar's GDP at constant prices (inflation-adjusted GDP) is estimated at QR88.4bn in 1Q2013, which shows an increase of 6.2% YoY (+1.6% QoQ). The report showed that the constant price gross value added (GVA) of the Mining & Quarrying sector in 1Q2013 has been estimated at QR37.6bn, indicating an increase of 0.8% YoY. The report also showed that the GVA estimate of non-mining & quarrying sectors, totaled QR50.9bn, showing 10.6% YoY increase in 1Q2013. (Peninsula Qatar, GulfBase.com)
- **QCB issues QR4bn T-bills –** Qatar Central Bank (QCB) has issued treasury bills worth QR4bn on July 2, 2013. Total bids fell to QR6.2bn for all three maturities combined versus QR11.1bn in June 2013. According to the data published by the QCB, yield on 91-day T-bills remained unchanged at 0.82%, while yield for 182-day T-bills went down to 0.97% from 0.98% and for 273-day notes, it went down to 1.01% from 1.04%. (QSA)
- **Qatar's PPI in 1Q2013 rose 4.3% QoQ –** According to the data released by the Qatar Statistics Authority (QSA), the Producer Price Index (PPI) for 1Q2013 stood at 177.6, showing an increase of 4.3% QoQ. In the "mining" group, the PPI has increased by 4.8%, primarily due to the overall price rise seen in crude oil & natural gas. The PPI for "manufacturing" group increased by 1.8% QoQ due to rising prices in iron & steel products (11.0% QoQ), basic chemicals (3.6%) and cement products (0.2%). On the other hand, a slight reduction has been noticed in grain mill products, beverages and refined petroleum products. The data also showed that the PPI for "electricity & water" showed an increase of 6.4% QoQ, affected by price rise of 11.1% QoQ in water. On a YoY basis, QSA said the PPI for 1Q2013 has shown overall price stability as it registered a marginal increase of 0.1%. (QSA)
- **Al Sada: Qatar's petrochem exports to hit 23mn tons by 2020 –** The Minister of Energy & Industry HE Dr Mohammed bin Saleh Al Sada said Qatar's chemical and petrochemical industry's investments will further increase the sector's export portfolio to 23mn tons per year by 2020. This growth will position Qatar among the top exporters in the globe. (Peninsula Qatar)
- **Settlement cycle change to boost QE bond market –** The Qatar Exchange (QE) Program Manager Roger Warnock said the proposed change in the settlement cycle from T+3 to T+1 for government securities will spur the debt market in Qatar. (Peninsula Qatar)
- **Qatar Rail project to benefit local private sector –** According to a report by Qatar Rail, when implemented, the Doha Metro will provide numerous investment opportunities for the country's private sector in construction, operations and maintenance. The project will boost private sector activities in the national GDP by 0.7%. Overall, the country's nominal GDP will see an increase of 0.3% in view of the investment opportunities in the mega project. Further, the rail project is expected to create thousands of job opportunities for nationals in particular. (Gulf-Times.com)
- **Qatar monthly banking update –** Deposits increased by 4.8% MoM (+16.8% YTD), while loans increased by 1.0% MoM (+6.6% YTD) in June 2013. However, the banking sector's loan-to-deposit ratio (LDR) fell to 102% in June 2013 versus 105% at the end of May 2013. (QCB)



**Private Sector News**
**Finance**

- **QNB Group's 1H2013 net profit rises by 15.1% YoY** – The QNB Group has reported a net profit of QR4.7bn in 1H2013, representing an increase of 15.1% YoY. Earnings per share stood at QR6.8 in 1H2013 as compared to QR5.9 in 1H2012. Total assets rose 30.4% YoY to QR431bn in 1H2013, while loans & advances rose 26.3% YoY to QR296bn. Customer deposits increased by 32.7% to QR326bn. This led to the group's loan-to-deposit ratio to stand at 91%. The ratio of non-performing loans to gross loans has been maintained at 1.5%. Meanwhile, the group's conservative policy on provisioning continued with the coverage ratio reaching 118% in June 2013. The total equity rose by 10.3% from June 2012 to reach QR49bn as on June 30, 2013. The 1H2013 results include that of NSGB in Egypt as well, in which the group had acquired a controlling stake of 97.12% during the first quarter of 2013. (QNB Press Release)
- **QNB Group's Indian subsidiary to commence in 3Q2013** – The QNB Group said its fully-owned subsidiary in India will commence operations in 3Q2013, as it seeks to expand its presence and take on competition in leading markets. Further, the group said that it has received all regulatory approvals to open a representative office in China as well. (Gulf-Times.com)
- **QNB Group announces HE Ali Shareef Al-Emadi as its BoD chairman** – The QNB Group announced that HE Minister of Finance Ali Shareef Al-Emadi has been appointed as the Chairman of its Board of Directors. (QE)
- **QNB Group appoints new Acting Group CEO** – The QNB Group's Board of Directors has appointed Mr. Ali Ahmed Al Kuwari as its new Acting CEO for the Group. Mr. Ali Al Kuwari enjoys over 25 years of extensive experience in all aspects of Business: Strategic Planning, Sales & Marketing, Finance, Operations, Credit, Human Resources Development, Information Systems, Systems Analysis and Design, Programming, Business & Customer Partnership, and Business & Product Development. He has held several executive positions with QNB, where he occupied the post of Executive General Manager – Chief Business Officer with responsibility for Corporate, Retail, Assets & Wealth Management, Treasury and International Divisions. (QNB Press Release)
- **MSCI seeks to limit potential reverse turnover for Qatar, UAE** – Morgan Stanley Capital International (MSCI) has intended not to implement any changes in MSCI Qatar, MSCI UAE indices as part of regular index reviews preceding their reclassification to emerging markets status. MSCI also intends to implement only deletions from MSCI Qatar, MSCI UAE caused by either low foreign room, low liquidity or prolonged suspension. Moreover, MSCI intends to defer implementation of corporate events not requiring price adjustment factor such as placements, block sales, recapitalizations and sizable IPOs, and to exceptionally freeze potential migrations due to corporate events until the May 2014 semi-annual index review. MSCI intends to continue implementing corporate events that require price adjustment factors such as stock splits and consolidations, as well as deletions resulting from delistings, bankruptcies and M&As at the time of the event. (Bloomberg)
- **MSCI Qatar Index assigns provisional weight on Qatari firms** – MSCI said the QNB Group's (QNBK) provisional closing weight is set at 21.68% in the MSCI Qatar Index. Further, the provisional closing weight for Industries Qatar (IQCD) has been set at 18.59%, Masraf Al Rayan's (MARK) at 16.48%, Ooredoo's (ORDS) at 15.78%, Qatar Electricity & Water Company's (QEWS) at 6.44%, Commercial Bank of Qatar's (CBQK) at 5.68%, Qatar Islamic Bank's (QIBK) at 5.53%, Doha Bank's (DHBK) at 4.94% and Vodafone Qatar's (VFQS) at 4.87%. The list of Qatari stocks expected to be included in the index falls right in line with our expectations. (Bloomberg, QNBFS Research)
- **QE CEO: MSCI upgrade will attract QR3bn to QE** – The Qatar Exchange's (QE) CEO Rashid Bin Ali Al Mansoori said the recent MSCI upgrade of the Qatar market to an Emerging-Markets status will attract QR3bn to QE. (Bloomberg)
- **Ooredoo to spend \$15bn on Myanmar phone network** – Ooredoo's Business Development & Strategy Director Nicholas Swierzy said the company is planning to spend \$15bn in Myanmar to expand the nation's mobile-phone network. He added that the company is planning to use local partners for distribution. This amount is likely to be spent over the 15-year duration of the license. (Bloomberg)
- **QTEL changed to ORDS** – According to the Qatar Exchange, effective Wednesday 10 July 2013, Qatar Telecom (QTEL) will be renamed Ooredoo (ORDS). (QE)
- **Oxy Qatar signs QR273mn deal with GDI for drilling services** – Occidental Petroleum of Qatar (Oxy Qatar) has signed a contract worth QR273mn with Gulf Drilling International (GDI) to provide drilling services through the continued use of 'Al Rayyan' rig. This contract is for a two-year period until March 2015. Oxy Qatar is continuing its use of two drilling rigs, 'Al Rayyan' and 'Al Wajba' for its extensive development programs in the Idd Al Shargi and Al Rayyan fields. (Gulf-Times.com)
- **Qatar plans to spin off QP** – According to Reuters, Qatar plans to spin-off Qatar Petroleum (QP) from the Energy Ministry to allow it to grow more quickly abroad at a time of rising rivalry from new producers. Industry sources say Qatar believes that the spinoff will speed up decision making. (Reuters)
- **IHGS collects 93% of its paid-up capital** – Islamic Holding Group (IHGS) announced the results of collecting the remaining 25% portion of the company's paid-up capital. The company has so far collected payment for 3.7mn shares from a total of 4mn shares. (QE)

- S&P: Qatar in net external creditor position of around \$50bn** – According to a report by the ratings agency S&P, Qatar is in a “net external creditor” position of about \$50bn despite the country’s total external debt rising steadily in recent years. S&P said Qatar’s total external debt was estimated at \$166bn in 2012. However, this debt is more than offset by the external assets accumulated by the Qatar Investment Authority. S&P has associated Qatar’s current account balance and external debt position with limited vulnerability as the country has posted extremely strong current account surpluses fuelled by hydrocarbon exports. S&P also expects the trade surplus to remain strong in 2013 due to high oil & gas prices, which will more than compensate the expected higher debt service from rising gross external debt. Moreover, S&P said it considers Qatar’s economy to be in an expansionary phase with a real GDP growth of 6% in 2012. Credit growth in the banking sector has been exceptionally strong over the past five years, growing at 30% in 2011 and 21% in 2012. This growth was mainly driven by borrowing by government and quasi-government institutions, which rose by 45% and 47% in 2011 and 2012 respectively. (Gulf-Times.com)
- S&P: Exposure of real estate, aggressive expansion plans “weaknesses” of Qatar’s banking sector** – According to a report by S&P, severe exposure to real estate market and aggressive expansion plans are the key weaknesses for Qatar’s banking sector, despite its high stability and strong profitability. S&P expects the country’s real estate market to recover from its sharp decline since 2009, but the commercial segment remains more vulnerable than the housing segment. S&P said this is one of the main risks faced by Qatari banking sector given its high concentration on lending to cyclical sectors such as real estate & construction. S&P also said that lending concentration in the real estate & construction sectors is high at 20% of total loans at year-end 2012. In addition, foreign currency lending has recently increased dramatically and accounted for 51% of total loans at the end of 2012. However, the ratings agency said economic risks for the Qatari banking sector remain average in a global comparison. (Peninsula Qatar)

#### Other sectors

- QGTS’ JV gets \$662.4mn refinancing to expand fleet** – The Qatar Gas Transport Company (QGTS) said its JV with Angelicoussis Shipping Group Ltd, “Maran Nakilat Company” has obtained \$662.4mn in refinancing to expand its fleet of LNG carriers. Maran Nakilat has signed an Islamic refinancing agreement with the Qatar Islamic Bank (QIBK) and Barwa Bank. This refinancing will help Maran Nakilat to expand its LNG fleet the current four vessels to six, which are expected to be delivered in early 2014. Meanwhile, QGTS has increased its ownership stake in Maran Nakilat. (Bloomberg)
- CBQK receives BRSA regulatory approval to acquire Alternatifbank** – The Commercial Bank of Qatar (CBQK) has received the regulatory approval from the Banking Regulation & Supervision Agency (BRSA) for the acquisition of 70.84% shareholding in

Alternatifbank from AnadoluEndustri Holding. The final transactions related to the share transfer will be conducted subject to the approval from the Capital Markets Board. (QE)

- Ooredoo announces date to pay interest to bondholders** – Ooredoo’s subsidiary, Qtel International Finance Limited (QIFL) will pay interest payments to its global medium term note (GMTN) holders on July 31, 2013. Ooredoo will pay \$11.3mn to its \$500mn note-holders due on January 31, 2043 and \$9.7mn to its \$500mn note-holders due on January 31, 2028. (ADX)
- Nakilat’s 2Q2013 results come in below our estimate; maintain Market Perform rating with QR18.10 price target.** Nakilat reported lower-than-expected 2Q2013 results with: (1) Revenue from wholly-owned vessels falling 4% short of our estimate at QR742mn (almost -1% QoQ, flattish YoY) with the sequential decline driven by lower recoupment of operating costs (sequentially, overall operating costs declined by ~QR12mn vs. ~QR4mn decline in revenue). (2) EBITDA of QR581mn also fell below our estimate of QR600mn. (3) Adjusted EBITDA of QR668mn (flat QoQ, -4% YoY) was 5% below our estimate of QR704mn driven primarily by lower-than-expected EBITDA and interest, vessel sub-chartering and other income. (4) Net income of QR182mn (+3% QoQ, -11% YoY) was also impacted by QR3mn in losses from derivative instruments in JVs, which we do not model. Excluding this, net income was 13% softer than our estimate of QR212mn. Given the company’s 1H2013 financial performance, we are likely to revise our 2013 full year estimates downward. (QE, QNBFS Research)
- QIBK’s 2Q2013 net profit broadly in line with our expectations.** Qatar Islamic Bank (QIBK) posted a net profit (to equity) of QR338.9mn in 2Q2013 vs. our estimate of QR335.2mn (Bloomberg consensus: QR328mn). Net income increased 16.4% QoQ but slipped by 2.9% YoY. Profitability was driven by net financing income (+3.3% QoQ). Moreover, income from investing activities (QR202.7mn) expanded by 6.1% and 15.7% QoQ and YoY, respectively. Fees & commissions expanded by 46.5% QoQ. Furthermore, a 28.4% QoQ drop in provisions for financial investments significantly aided the bank in achieving growth in 2Q2013. The loan book and deposit book expanded QoQ. QIBK’s loan book expanded by 9.3% QoQ (-4.1% YTD). Equity of unrestricted investment account holders followed suit and gained by 7.5% QoQ (-3.2% YTD). We maintain our estimates for 2013 and our target price remains at QR74.96. We expect the bank to post EPS of QR6.32 and QR6.71 for 2013 and 2014, respectively. On the DPS front, we expect the bank to pay a cash DPS of QR4.50 and 4.75 for 2013 and 2014, respectively. (QE, QNBFS Research)
- QIHK 2Q2013 results right in line with our estimates.** QIHK (Qatar International Islamic Bank) posted a net profit QR180.3mn vs. our estimate of QR180.8mn in 2Q2013, a decline of 2.7% QoQ. However, on a YoY basis, the bottom-line grew by 9.6%. The QoQ drop in earnings was mainly due to the absence of income from associates and a 90% increase in foreign exchange loss on translation of investment in associates. On a

positive note, income from financing and investing activities expanded by 11% QoQ (+24.3% YoY) and provisions for financing activities contracted by 65.7% QoQ. QIHK's loan book grew by 6.6% QoQ (+13.7% YTD), while total deposits inched up by 3.5% QoQ (+7.5% YTD). (QE, QNBFS Research)

- **ABQK reports QR135.7mn net profit in 2Q2013** – Al Ahli Bank (ABQK) has reported a net profit of QR135.7mn in 2Q2013, reflecting an increase of 10.7% YoY (+0.5% QoQ). The bank's net profit rose by 12.4% YoY in 1H2013 to QR270.7mn. ABQK's net interest income increased by 30.7% YoY (+6.5% QoQ) to QR166.5mn in 2Q2013, while in 1H2013, it rose by 27.1% YoY to QR322.8mn. EPS stood at QR2.13 in 1H2013 as compared to QR2.02 in 1H2012. Total assets at the end of June 2013 stood at QR24.7bn over QR20.6bn in December 2012. Loans & advances rose by 13.1% YTD to QR15.9bn, while customer deposits were up by 25.5% YTD to QR17.5bn. (QE)
- **BRES' subsidiary wins QR61mn ruling against two Bahraini firms** – Barwa Real Estate Company's (BRES) subsidiary, Barwa International has won a ruling worth QR61mn in the Bahrain Chamber of Dispute Resolution (BCDR) against the Bahraini companies: Inovent and Al Khaleeji Development Company. BRES has now obtained the attachment order from the Bahraini courts and will present it to the Central Bank of Bahrain (CBB) to instruct all banks in the country to freeze accounts of the defendants to the amount of the judgment awarded to BRES. In June 2012, BRES had filed a case in the BCDR against an investment product promoted by Inovent in 2008, prior to Inovent obtaining an appropriate license from the CBB. (Gulf-Times.com)

### National Accounts

Nominal GDP (QR bn)	2009	2010	2011	2012	Q1 13	YoY%	QoQ%
<b>Total</b>	<b>356.0</b>	<b>455.4</b>	<b>624.2</b>	<b>700.3</b>	<b>185.4</b>	<b>6.1%</b>	<b>2.5%</b>
Oil & Gas	159.5	239.7	370.2	404.7	106.8	1.5%	5.1%
Non-Oil	196.5	215.7	254.0	295.6	78.6	13.2%	-0.8%
Agriculture and Fishing	0.4	0.5	0.6	0.6	0.2	9.1%	4.2%
Industry	60.9	70.4	87.4	102.5	26.9	14.0%	-4.5%
Manufacturing	33.6	40.8	56.7	68.9	17.1	11.6%	-12.3%
Electricity, Gas and Water	1.8	2.1	2.4	2.6	0.5	14.1%	-15.0%
Construction	25.5	27.5	28.3	31.0	9.1	19.0%	15.3%
Services	132.1	140.9	162.1	188.1	50.7	13.0%	1.3%
Trade, Restaurants and Hotels	29.8	31.5	35.6	39.5	9.6	13.2%	-10.3%
Transport and Communications	16.2	18.1	21.0	23.4	6.3	8.5%	4.5%
Financial and Business Services	58.1	60.3	65.6	71.2	19.9	8.4%	6.7%
Social Services	4.1	4.5	5.0	5.7	1.5	14.1%	4.0%
Government Services	32.1	37.4	46.2	60.9	16.5	17.5%	0.9%
Household Services	1.8	1.9	2.0	2.3	0.7	19.3%	7.7%
Imputed Bank Service Charges	-10.2	-12.7	-13.4	-14.8	-3.9	1.8%	0.0%
Import Duties	3.1	3.8	3.9	4.3	1.0	3.9%	-4.0%

Source: QSA

Real GDP (% change, YoY)	2009	2010	2011	2012	Q4 12	Q1 13	QoQ%
<b>Total</b>	<b>12.0</b>	<b>16.7</b>	<b>13.0</b>	<b>6.2</b>	<b>6.6</b>	<b>6.2</b>	<b>1.6</b>
Oil & Gas	4.5	28.9	15.7	1.7	0.1	0.8	2.2
Non-Oil	17.6	8.6	10.8	10.0	11.8	10.6	1.1
Agriculture and Fishing	-17.0	19.7	5.4	4.5	7.2	5.9	3.0
Industry	6.1	23.4	14.0	4.6	14.3	11.9	3.5
Manufacturing	13.7	17.6	10.4	11.8	18.0	12.5	1.6
Electricity, Gas and Water	-0.4	13.5	7.9	10.5	12.5	8.6	-15.2
Construction	6.9	9.5	10.5	10.6	11.5	11.7	6.3
Services	21.9	6.9	10.3	9.2	10.6	10.1	-0.2
Trade, Restaurants and Hotels	15.7	2.5	12.9	7.7	8.9	10.5	-11.0
Transport and Communications	22.7	10.2	12.4	12.1	14.2	7.9	2.5
Financial and Business Services	25.8	7.4	6.3	6.7	7.2	10.5	5.8
Social Services	21.5	1.9	3.0	7.9	9.0	9.3	2.3
Government Services	23.6	8.7	13.1	11.5	11.9	9.4	0.2
Household Services	4.3	2.2	0.8	6.0	5.6	8.5	5.2
Imputed Bank Service Charges	1.0	3.3	16.4	8.0	4.5	4.9	1.3
Import Duties	-11.3	17.8	-1.1	13.7	4.1	1.0	-4.7

Source: QSA



## Balance of Payments

Balance of Payments (US\$ bn)	2009	2010	2011	2012	Q1 13	QoQ%	YoY%
<b>Current Account Balance</b>	<b>6.4</b>	<b>23.8</b>	<b>52.0</b>	<b>62.3</b>	<b>19.6</b>	<b>43.6%</b>	<b>31.6%</b>
Trade Balance (Goods)	25.6	53.9	87.4	102.9	28.3	11.3%	11.1%
Exports	48.0	74.8	114.3	133.7	35.7	7.8%	7.2%
Imports	-22.5	-20.9	-26.9	-30.8	-7.4	-3.7%	-5.7%
Invisibles	-19.2	-30.1	-35.4	-40.6	-8.7	-26.1%	-18.4%
Services	-3.9	-5.8	-9.5	-14.0	-3.2	-20.3%	2.2%
Income	-9.4	-12.9	-13.3	-12.1	-2.7	-25.0%	-24.8%
Transfers	-5.8	-11.4	-12.7	-14.5	-2.9	-32.5%	-28.8%
<b>Capital &amp; Financial Account Balance</b>	<b>0.6</b>	<b>-10.7</b>	<b>-62.6</b>	<b>-44.5</b>	<b>-13.9</b>	<b>-21%</b>	<b>44%</b>
Capital Account	-1.8	-2.1	-3.6	-6.2	-1.0	-50%	-41%
Financial Account	2.4	-8.6	-59.0	-38.3	-12.9	-17%	62%
Direct Investment (outwards)	-3.2	-1.9	-6.0	-1.8	-0.2	-91%	-112%
Direct Investment (into Qatar)	8.1	4.7	-0.1	0.3	0.3	-162%	-669%
Portfolio investment (net)	-	-	-	2.8	-4.5	99%	-212%

Source: QCB, QSA, UNCTAD; Note: Not all Balance of Payment lines are shown in the table

Top 5 Export Destinations (US\$ bn)	2009	2010	2011	2012	Q4 12	QoQ%	YoY%
Japan	14.5	19.7	27.4	32.6	7.1	-19.3%	-12.0%
Korea	7.6	10.8	18.9	23.2	5.5	-7.5%	3.7%
India	3.7	5.6	10.3	14.8	4.1	24.2%	58.9%
European Economic Community (EEC)	4.0	9.1	17.0	11.8	2.6	0.1%	-34.3%
China	1.2	2.2	4.3	7.0	1.5	-28.5%	-2.5%

Top 5 Import Sources (US\$ bn)	2009	2010	2011	2012	Q4 12	QoQ%	YoY%
European Economic Community (EEC)	8.1	7.1	6.6	7.4	2.1	21.1%	31.7%
United States	3.1	3.5	3.1	3.9	1.8	159.2%	85.4%
United Arab Emirates	1.8	2.3	3.0	3.2	0.8	0.0%	6.3%
Saudi Arabia	1.3	1.7	2.2	2.4	0.6	0.0%	6.3%
United Kingdom	1.1	1.4	1.5	1.8	0.4	6.5%	67.6%

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

Crude oil (US\$ / barrel)	2009	2010	2011	2012	Jun-13	MoM%	YoY%
Oil production ('000 bpd)	781.0	733.0	734.0	733.7	721.0	-0.3%	-3.4%
Qatar average price	62.0	77.7	108.4	111.2	101.2	-0.1%	5.7%
Dukhan	62.6	78.4	109.7	111.8	101.8	-0.6%	5.9%
Marine	61.6	77.2	107.5	110.6	101.0	0.0%	5.6%

Source: OPEC (Direct communications), Reuters



**Budget, Population, Money & Prices**

Government Budget	2008/09	2009/10	2010/11	2011/12	Q4 12	QoQ%	YoY%
Balance	41.3	53.7	13.2	37.6	8.2		
% of GDP	10.0%	15.2%	3.0%	8.7%	0.0%		
Revenue	140.6	168.8	155.5	203.4	51.5	-62%	-7.7%
Expenditure	99.2	115.0	142.4	165.8	43.3	6.3%	-14.6%

Population (m people in Qatar)	2009	2010	2011	2012	Jun-13	MoM%	YoY%
Total	1.64	1.72	1.73	1.83	1.92	-2.4%	11.3%
Male	1.27	1.30	1.30	1.37	1.44	-0.7%	10.6%
Female	0.37	0.42	0.43	0.46	0.48	-7.1%	13.3%

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

Inflation (% ch, 12mth average YoY)	2009	2010	2011	2012	Jun-13	MoM%	YoY%
<b>Overall (weights shown below)</b>	<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>3.4</b>
Food, beverages & tobacco (13.2%)	1.3	2.1	4.3	3.7	3.2	0.8	2.3
Clothing & footwear (5.8%)	-4.5	-1.3	7.5	2.8	1.3	0.1	0.5
Rents, water & maintenance (32.2%)	-12.0	-12.8	-4.8	-3.3	2.5	0.2	6.7
Furniture, textiles & appliances (8.2%)	-2.0	4.1	2.9	4.9	4.1	0.3	2.6
Health care (2.0%)	1.7	3.5	2.6	1.5	1.8	0.0	2.5
Transport & communication (20.5%)	-4.4	2.6	6.4	2.2	2.0	1.3	1.1
Entertainment, leisure & culture (10.9%)	-1.2	2.9	2.0	6.0	6.9	0.9	8.1
Miscellaneous goods & services (7.2%)	7.3	4.7	5.6	4.8	1.4	-1.0	-2.0

Source: QSA

Money Supply (QR bn)	2009	2010	2011	2012	May-13	MoM%	YoY%
Broad money (M2)	215.1	264.7	310.0	381.1	439.4	-0.1%	34.0%
M1	53.1	68.3	81.8	90.9	106.4	2.7%	26.2%
Quasi-money	162.0	196.4	228.1	290.1	333.0	-0.9%	36.8%

Interest rates (% , end period)	2009	2010	2011	2012	May-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	0.66	-4.2	-10.5
Demand deposit	1.99	1.34	0.62	0.65	0.64	-2.9	-5.4
Overdraft	8.75	8.19	7.42	6.63	6.70	13.5	-56.4
Credit card	20.00	19.92	10.69	9.11	8.35	-1.1	-84.8

Source: QCB

## Banking Sector Snapshot : July 2013

### Review and Outlook

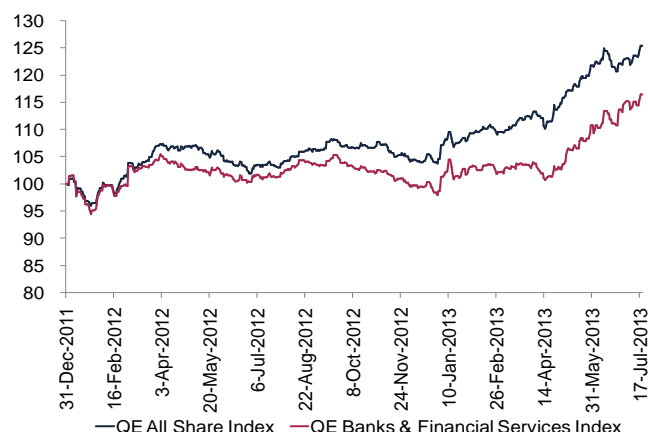
**Deposits grew by 4.8% MoM (+16.8% YTD) while loans ticked up by 1.0% MoM (+6.6% YTD) in the month of June 2013.** Hence, the sector loan-to-deposit ratio (LDR) dropped to 102% in June 2013 versus 105% at the end of May 2013 (111% in December 2012). Furthermore, the domiciled LDR for the sector followed suit and stood at 93% versus 98% in May. Liquidity remains healthy when compared to 2Q2012 (current LDR of 102% versus the 2012 high of 124% in April 2012). We forecast loan growth of about 15% for 2013. However, we expect NIMs to remain under some pressure throughout 1H2013 with some stabilization expected during 2H2013.

**The public sector witnessed a surge in deposits in the month of June.** Delving into segment details, public sector deposits expanded by 12.7% MoM (+21.4% YTD). The government institutions segment (represents 65% of public sector deposits) surged by 14.0% MoM (+35.6% YTD). Moreover, the semi-government institutions segment also expanded by 13.6% MoM (+14.0% YTD). Further, the government segment gained by 7.9% MoM (-6.4% YTD). On the other hand, private sector deposits exhibited flat performance of 0.3% MoM (+16.2% YTD). The consumer segment slightly decreased by 0.7% MoM (+15.0% YTD), while the companies & institutions segment inched up by 1.2% MoM (+17.4% YTD). Net-net, total deposits (including deposits outside of Qatar) climbed by 4.8% MoM (+16.8% YTD). It should be noted that most of the growth in deposits during 2012 was realized in May and July of last year.

**The overall loan book ticked up by 1.0% MoM (+6.6% YTD).** Total domestic public sector loans receded monthly by 2.5% MoM (+3.5% YTD). This drop was driven by all the public sector sub-segments. The government segment contracted by 9.5% MoM (-2.3% YTD). On the other hand, the government institutions segment (represents 65% of public sector deposits) was flattish MoM (-0.2% MoM but +8.5% YTD). We continue to expect growth in public sector loans to pick up in the coming months and then grow thereafter as project mobilizations pick up. It should be noted that public sector loans expanded by 26% QoQ in 2Q2012. Private sector loans increased by 1.9% MoM (+5.2% YTD). **Consumption and others** (contributes 29.9% to private sector loans) and **services** loans grew MoM; the former sub-segment inched up by 1.3% MoM (+3.9% YTD), while the latter expanded by 10.4% MoM (38.3% YTD). On the other hand, **real estate** was flat MoM (-7.7% YTD) and **general trade** dropped by 3.0% MoM (+0.7% YTD).

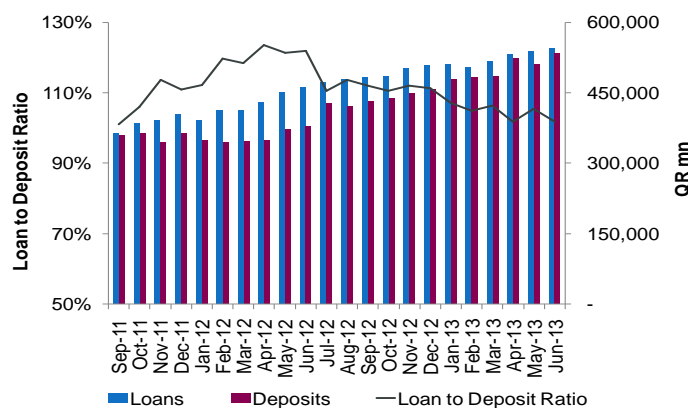
**Specific loan-loss provisioning rested at 1.4%** of average trailing 12-months loans vs. 1.3% in April.

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



Source: Bloomberg

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



Source: Qatar Central Bank (QCB)

### Banking Sector – Key Stats

Banks	Closing Price	Change YTD (%)	EPS 2013E (QR)	P/E 2013E (x)	P/B (x)	Dividend Yield 2013 (%)
QE Banks & Financial Services Index	2,294.78	17.72	N/A	N/A	1.8	4.6
Al Ahli Bank (ABQK)	56.00	14.29	3.7	15.0	2.2	5.4
Al Khaliji Bank (KCBK)*	16.78	(1.24)	1.5	10.9	1.1	6.0
Commercial Bank of Qatar (CBQK)	72.80	2.68	8.1	9.0	1.3	7.0
Doha Bank (DHBK)*	47.85	3.21	5.3	9.0	1.2	7.8
Masraf Al Rayan (MARK)*	27.60	11.34	2.1	12.9	2.2	4.0
Qatar International Islamic Bank (QIIK)*	54.50	4.81	4.8	11.3	1.7	6.9
Qatar Islamic Bank (QIBK)*	68.20	(9.07)	6.3	10.8	1.4	6.6
Qatar National Bank (QNBK)	164.50	25.67	13.7	12.0	2.4	3.3

**Banking Sector Indicators**

(In QR mn)	2010	2011	1Q-12	2Q-12	3Q-12	2012	1Q-13	2Q-13	Change MoM	Change YTD
Total Assets	567,482	694,301	700,546	742,817	789,456	820,512	848,293	878,862	0.4%	7.1%
Total Credit (Loans)	314,481	403,563	412,247	460,946	482,719	510,048	517,690	543,834	1.0%	6.6%
Total Deposits	306,788	363,612	348,356	378,254	430,938	458,066	486,662	534,802	4.8%	16.8%
Loan to Deposit Ratio	103%	111%	118%	122%	112%	111%	106%	102%	N/A	N/A
<b>Credit Facilities (Geographic)</b>										
Total Domestic Credit	293,920	376,695	384,622	432,472	452,086	478,305	479,776	499,441	-0.2%	4.4%
Total International Credit	20,561	26,867	27,625	28,475	30,634	31,743	37,914	44,394	16.8%	39.9%
<b>Domestic Credit Facilities - Public Sector</b>										
Government	36,303	40,801	32,235	31,967	42,258	51,746	49,964	50,559	-9.5%	-2.3%
Government Institutions	50,452	90,619	105,268	136,992	140,125	139,585	137,306	151,387	-0.2%	8.5%
Semi-Government Institutions	16,303	17,750	15,100	23,199	23,558	27,222	20,004	24,323	-1.0%	-10.6%
<b>Total Domestic Public Sector Credit</b>	<b>103,058</b>	<b>149,170</b>	<b>152,603</b>	<b>192,158</b>	<b>205,941</b>	<b>218,553</b>	<b>207,274</b>	<b>226,269</b>	<b>-2.5%</b>	<b>3.5%</b>
<b>Domestic Credit Facilities - Private Sector</b>										
General Trade	24,875	26,855	27,590	29,610	33,149	33,280	33,337	33,515	-3.0%	0.7%
Industry	6,648	6,534	5,755	6,883	8,070	9,339	9,703	10,166	0.8%	8.9%
Contractors	18,411	16,220	16,532	15,195	16,249	16,546	17,434	18,493	2.8%	11.8%
Real Estate	51,042	76,220	80,113	81,976	81,624	85,562	86,245	78,955	-0.3%	-7.7%
Consumption & Others	60,345	71,986	76,386	79,210	75,881	78,587	87,127	81,632	1.3%	3.9%
Services	29,541	29,709	25,643	27,439	31,171	36,438	38,657	50,411	10.4%	38.3%
<b>Total Domestic Private Sector Credit</b>	<b>190,862</b>	<b>227,525</b>	<b>232,019</b>	<b>240,314</b>	<b>246,144</b>	<b>259,752</b>	<b>272,502</b>	<b>273,172</b>	<b>1.9%</b>	<b>5.2%</b>
<b>Deposit Details (Geographic)</b>										
Resident Deposits	277,107	343,777	327,183	351,575	400,441	417,337	444,944	494,432	5.4%	18.5%
Non-resident Deposits	29,681	19,835	21,174	26,679	30,497	40,729	41,718	40,370	-3.0%	-0.9%
<b>Deposits - Public Sector (Domestic)</b>										
Government	18,486	40,825	31,352	26,354	33,842	44,557	36,666	41,704	7.9%	-6.4%
Government Institutions	32,277	57,351	46,679	54,822	96,268	104,378	121,899	141,533	14.0%	35.6%
Semi-Government Institutions	21,309	27,700	23,039	26,679	29,277	31,794	26,123	36,247	13.6%	14.0%
<b>Total Public Sector Deposit</b>	<b>72,071</b>	<b>125,876</b>	<b>101,070</b>	<b>107,855</b>	<b>159,387</b>	<b>180,729</b>	<b>184,688</b>	<b>219,484</b>	<b>12.7%</b>	<b>21.4%</b>
<b>Deposits - Private Sector (Domestic)</b>										
Personal	90,828	103,093	111,843	117,147	117,470	116,257	126,938	133,674	-0.7%	15.0%
Companies & Institutions	114,207	114,809	114,270	126,574	123,584	120,350	133,317	141,274	1.2%	17.4%
<b>Total Private Sector Deposit</b>	<b>205,036</b>	<b>217,902</b>	<b>226,113</b>	<b>243,721</b>	<b>241,054</b>	<b>236,607</b>	<b>260,255</b>	<b>274,948</b>	<b>0.3%</b>	<b>16.2%</b>

Source: QCB

### Qatar Exchange Monthly Performance

Company Name	Price (July 31)	% Change 5-Day	% Change Monthly	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	177.00	4.12	12.45	123,852	13.8	2.6	3.4
Qatar Islamic Bank	68.90	1.17	1.17	16,281	14.4	1.5	5.4
Commercial Bank of Qatar	68.50	(1.30)	(1.72)	16,950	8.4	1.2	8.8
Doha Bank	50.70	5.74	8.10	13,099	8.8	1.2	8.2
Al Ahli Bank	53.10	(5.18)	(6.84)	6,748	13.0	2.1	5.6
Qatar International Islamic Bank	54.10	0.00	0.37	8,189	11.6	1.7	6.5
Masraf Al Rayan	28.10	0.00	1.81	21,075	13.2	2.2	3.6
Al Khaliji Bank	16.86	0.06	(0.24)	6,070	11.2	1.1	5.9
National Leasing	35.35	(2.35)	(4.72)	1,749	8.5	1.4	5.7
Dlala Holding	21.21	(21.15)	(20.71)	471	N/M	2.2	N/A
Qatar & Oman Investment	13.06	(1.80)	(4.60)	411	21.5	1.3	3.8
Islamic Holding Group	40.50	(4.26)	(6.03)	162	25.9	3.9	2.8
<b>Banking and Financial Services</b>				<b>215,057</b>			
Zad Holding	60.00	(2.12)	0.67	785	7.4	0.6	6.7
Qatar German Co. for Medical Devices	15.75	(1.56)	(1.99)	182	N/M	1.0	N/A
Salam International Investment	12.54	(2.34)	(3.54)	1,434	21.0	0.9	5.6
Medicare Group	46.40	(4.43)	9.69	1,306	22.0	1.7	3.9
Qatar Cinema & Film Distribution	52.30	0.00	(4.91)	299	26.2	2.3	3.8
Qatar Fuel	268.00	0.94	5.93	17,412	15.2	3.1	3.7
Qatar Meat and Livestock	59.90	(5.97)	(5.52)	1,078	14.3	3.7	6.7
Al Meera Consumer Goods	136.00	(2.02)	(0.44)	2,720	17.7	2.3	5.9
<b>Consumer Goods and Services</b>				<b>25,215</b>			
Qatar Industrial Manufacturing	51.30	(0.39)	(5.00)	2,031	11.9	1.6	5.9
Qatar National Cement	99.50	(0.50)	(4.33)	4,886	11.2	2.2	6.0
Industries Qatar	158.90	(3.11)	0.82	96,135	10.7	3.2	4.9
Qatari Investors Group	28.35	(1.05)	5.59	3,525	20.6	1.8	2.7
Qatar Electricity and Water	164.00	(3.81)	3.21	16,400	12.2	3.4	4.5
Mannai Corp.	86.80	(0.12)	(1.36)	3,960	8.4	1.9	5.5
Aamal	14.30	0.14	(0.76)	8,580	13.4	1.3	N/A
Gulf International Services	47.85	4.02	16.42	7,114	12.7	2.8	3.1
<b>Industrials</b>				<b>142,630</b>			
Qatar Insurance	61.40	0.82	0.66	7,886	9.5	1.7	3.3
Doha Insurance	25.00	(5.66)	(2.15)	644	11.7	1.3	3.6
Qatar General Insurance & Reinsurance	55.80	20.00	19.74	3,217	3.8	1.0	1.6
Al Khaleej Takaful Insurance	40.15	(9.78)	(9.78)	686	14.4	1.2	2.1
Qatar Islamic Insurance	60.20	(0.17)	(3.22)	903	15.2	3.4	5.8
<b>Insurance</b>				<b>13,334</b>			
United Development	22.48	(5.94)	(2.26)	7,581	10.0	0.7	4.4
Barwa Real Estate	26.25	(2.78)	(1.13)	10,215	12.4	0.8	5.7
Ezdan Real Estate	17.05	0.35	(2.52)	45,225	N/M	1.6	0.8
Mazaya Qatar Real Estate Development	11.45	(0.87)	1.15	1,145	20.9	1.1	5.2
<b>Real Estate</b>				<b>64,165</b>			
Qatar Telecom	139.80	1.38	15.73	44,781	12.8	1.8	3.6
Vodafone Qatar	9.05	(1.09)	(0.55)	7,651	N/M	1.3	N/A
<b>Telecoms</b>				<b>52,432</b>			
Qatar Navigation (Milaha)	76.00	0.00	5.56	8,704	9.0	0.7	4.9
Gulf Warehousing	41.50	(2.35)	0.85	1,974	20.4	2.6	N/A
Qatar Gas Transport (Nakilat)	18.20	(0.27)	(0.55)	10,192	13.5	3.2	5.5
<b>Transportation</b>				<b>20,870</b>			
<b>Qatar Exchange</b>				<b>533,703</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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