

Executive Summary

- 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
- Higher hydrocarbon production boosted exports and the current account in Q1 2013 while lower investment outflows led to a smaller deficit in the financial account
- CPI inflation has stabilized at around 3.5% in line with our 2013 forecast, as non-rent inflation has slowed counteracting rising rents

News Headlines

Economic News

- The new emir has reshuffled a number of ministries and the cabinet
- Efforts to lift foreign ownership limit in listed companies
- Qatar, UAE upgraded to emerging markets
- QCB sets cap for bank investments in securities
- QE introduces QCB bonds for trading
- Petrochemical production reaches 16.8mn tons in 2012
- Real estate transactions drop by 15%
- QCB: T-bill yields lowest since October 2012
- QSA: Population reaches highest level
- QCB says currency stability will not last forever
- Porr signs €1.9bn Doha metro deal

Private Sector News (Finance)

- QNB Group named Best Bank in Qatar and Middle East
- QNB Group signs MoU with Attijariwafa Bank, Morocco
- Al Khaliji's board approves EMTN program

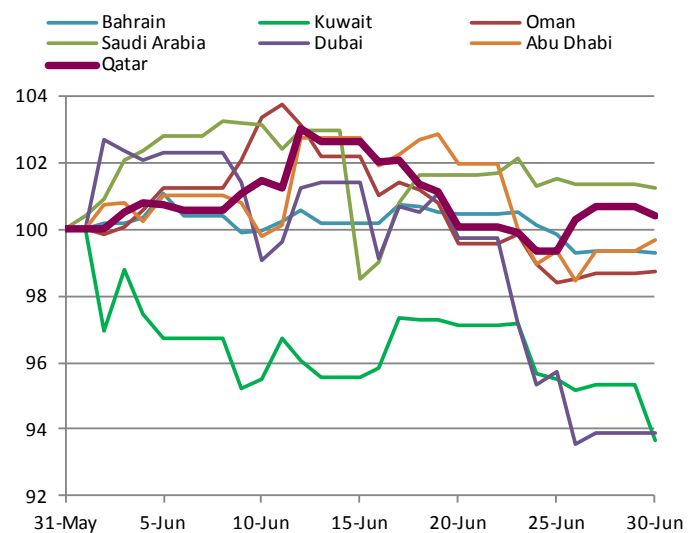
Private Sector News (Other Sectors)

- QAPCO secures QR1.1bn facility from Barwa Bank
- Ooredoo withdraws bid for stake in Maroc Telecom
- Ooredoo to spend QR1bn on fiber connection by 2014
- Ooredoo Myanmar wins license
- QDVC bags two contracts
- Commercialbank and Qatar Islamic Bank to raise foreign ownership limits
- Industries Qatar to invest QR6bn by 2017
- Barwa Real Estate Company (BRES) announces impending sale of assets worth QR26bn to Qatari Diar
- QGTS signs USD917mn refinancing deal with QNB
- QPI signs QR1.7bn contracts for drilling rig services
- GWCS signs logistics MoU with Al Othman (Saudi)

QNB Economics Weekly Commentary

- [Why Gas Prices Are Likely to Continue to Outperform Oil Prices](#)
- [Ample GCC Liquidity Will Continue to Finance Growth](#)
- [MENA's Economic Outlook Remains Strong](#)
- [US Economy Shows Signs of Slowing Again](#)

Stockmarket Indices (rebased with 31 May 2013 = 100)



Most GCC stockmarkets were broadly unchanged. They began the month extending this year's rally, but suffered from concerns about QE tapering, which knocked global markets and led to some capital flight from emerging markets. Dubai had performed strongly in the year to June and was most acutely impacted by capital outflows. In Kuwait, the parliament was annulled leading to considerable uncertainty and a drop in share prices.

Kuwait Economic Insight 2013



QNB Economics has published Kuwait Economic Insight 2013, providing an overview of Kuwait's economy, with historical data, in-depth analysis and forecasts.

The report is available on the QNB [website](#) along with the recently published [Qatar Economic Insight 2013](#).

Real GDP grows in line with QNB Economics forecasts 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.

Manufacturing was the fastest growing sector over the last 12 months (12.5%) boosted by production from the new Pearl Gas-To-Liquids facilities.

Construction picked up (6.3%) in Q1 2013 alone — a further indication that the roll out of Qatar’s infrastructure development program is gathering steam.

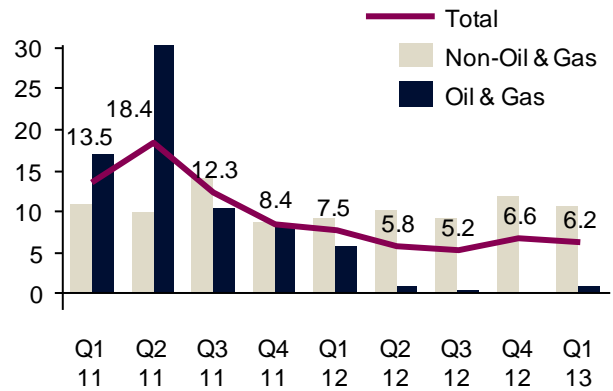
Financial Services benefited from the strong performance across the economy with a sharp increase in Q1 2013 to 5.8% quarter-on-quarter.

Trade, Restaurants and Hotels grew strongly, boosted by an influx of people required to implement major projects.

Nominal GDP grew 6.1% in the 12 months to March 2013 to QR185bn (USD51bn). It was kept down by falling commodity prices. The Q1 data is in line with our full-year forecasts for nominal GDP of about USD200bn in 2013.

Oil and gas picked up

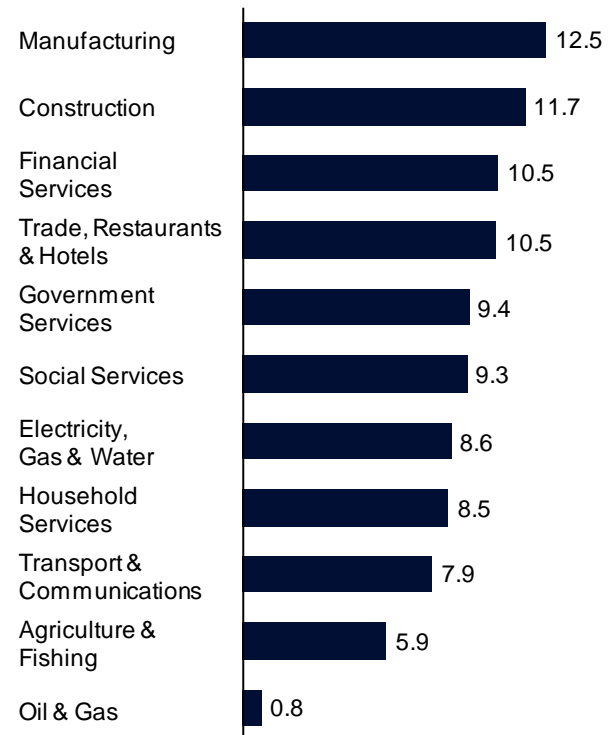
Real GDP growth (% YoY)



Source: Qatar Statistics Authority (QSA)

Manufacturing & construction sectors grew fastest

Real GDP growth (% YoY)



Source: QSA

Higher hydrocarbon production boost exports while outflows related to non-hydrocarbon sectors slow

The current-account surplus rose to 38% of GDP in Q1 2013 as goods exports grew 11% reflecting the increase in oil and gas production.

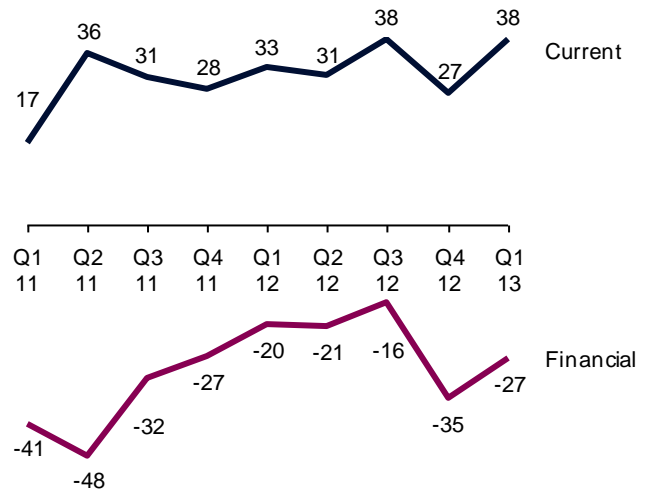
We expect a small moderation in the current account surplus to 35% of GDP for the full-year 2013 as outflows pick up with increased economic activity, and exports fall with lower average oil prices.

The financial account deficit narrowed in Q1 2013 as outflows of investment slowed sharply from USD16bn in Q4 2012 to USD9bn in Q1 2013.

We expect the financial account deficit to narrow further in 2013. Lower FDI and portfolio outflows will contribute to a smaller deficit.

Current and financial account balances improve

External Balances (% GDP)



Source: QSA

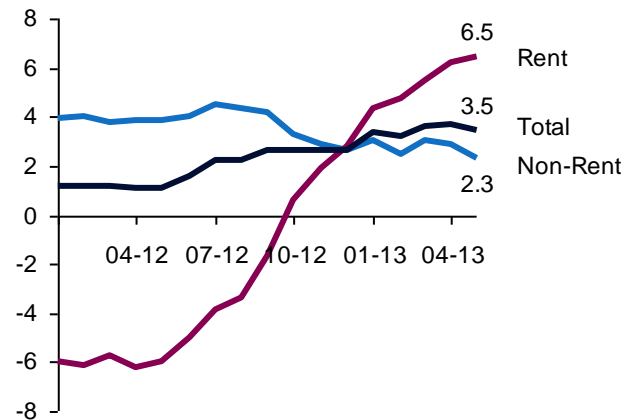
Inflation stabilizes at about 3.5% despite rising rents

Inflation stabilized at about 3.5% YoY in May 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.

The latest data is in line with our forecast for inflation of 3.5% for 2013 as a whole. We expect a 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 causes overheating.

Slower non-rent inflation counteracts higher rents

CPI Inflation (% YoY)



Source: QSA

Economic News

- New Emir restructures ministries and cabinet** – A new Ministry of Economy and Trade has been carved out of the Ministry of Finance with the Minister of Finance being replaced by the former CEO of QNB. Additionally, new ministries have been created, the Ministry of Development Planning and Statistics and the Ministry of Transport.
- Efforts to increase foreign ownership limit in Qatari listed companies** – The outgoing Minister of Economy & Finance and the Chairman of the Financial Markets Development Committee, HE Yousef Hussain Kamal, said the committee is making extensive efforts to provide an attractive investment environment for foreign investors by encouraging several listed companies to increase their maximum ownership percentage allocated for non-Qataris. (QE)
- Qatar, UAE upgraded to emerging markets** – MSCI has upgraded Qatar and the UAE to emerging-market status from their frontier market classification. The index provider has downgraded Morocco to a frontier market and lowered Greece to emerging market from developed market status. The reclassification of Qatar and the UAE will coincide with the May 2014 semi-annual index review, while the status lowering of both Greece and Morocco will coincide with the November 2013 semi-annual index review. Meanwhile, MSCI said it is monitoring Egyptian markets, with a particular concern over the recent shortage of foreign currency in the domestic foreign exchange market. (Bloomberg, Reuters)
- QCB sets cap for bank investments in securities** – Qatar Central Bank (QCB) has set the cap for bank investments in equity and debt securities at 25% of their capital and reserves (including no more than 5% in an individual company, 10% in unlisted securities and 5% in foreign securities). Debt instruments issued by the Qatari government, the central bank, and licensed national banks are excluded from these limits.
- QCB sets limits on Islamic bank investments** – Islamic banks have been limited to property investments at 10% of capital, reserves, and limits on investments in associates is set at 35%, including investments, financing, all risk exposure and limit on investment in single associate company at 25%.
- QE introduces QCB bonds for trading** – The Qatar Exchange (QE) has introduced government bonds issued by the Qatar Central Bank (QCB) for trading on the exchange commencing on June 20, 2013. The trading of treasury-bills, which was launched in December 2011. At the launch, four bonds will be available for trading and it is expected that future quarterly issues will also be listed on the market. (QE)
- Qatar forecasts** – real GDP is forecast to grow 5.3% in 2013 according to the latest estimates from Qatar's General Secretariat for Development Planning, up from 4.8% projected in December 2012. Consumer prices are expected to increase by 3.6% in 2013 with a record fiscal surplus of 8.1% of nominal GDP in 2013. Meanwhile, the QNB Group has said Qatar's real GDP growth is expected to reach 6.5% in 2013 and 6.8% in 2014, on the back of strong non-oil sector performance. QNB expects CPI inflation to be 3.5% in 2013 and 3.8% in 2014. (Gulf-Times.com)
- Petrochemical production reaches 16.8mn tons in 2012** – This makes Qatar the second largest petrochemical producer in the GCC, after Saudi Arabia. One of the key projects that came on-stream last year was Qatar Petrochemical Company's (Qapco) new low density polyethylene (LDPE-3) plant, which increased its polyolefin production capacity to 1.15mn tons per annum. This plant has the highest polyolefin production capacity in a single location anywhere in the world. (Peninsula Qatar)
- Real estate transactions drop by 15%** – The value of real estate transactions in Qatar dropped by 15% YoY during January-May 2013 to QR17.5bn. The total transaction value in January 2013 dropped by a huge 46.5% compared to January 2012. February also saw a drop in the transaction value compared to February 2012. The transactions picked up in all the remaining months but failed to exceed the total value posted during the corresponding period in 2012. (Peninsula)
- QCB: T-bill yields lowest since October 2012** – According to the data published by the Qatar Central Bank (QCB), yields in Qatar's Treasury bill auction fell to their lowest level since October 2012. (Reuters)
- QCB Governor: Decades of currency stability will not last forever** – The Qatar Central Bank (QCB) Governor Sheikh Abdullah bin Saud al Thani said that decades of currency stability endured till now will not last forever. He said the country Qatar might one day need a more flexible currency, though it is not currently considering any change to the Qatari riyal's peg to the US dollar. (Qatar Tribune)
- Porr signs €1.9bn Doha metro deal** – Austrian construction firm Porr has signed €1.9bn contract to build one of Doha's new metro lines, as part of a consortium with two Qatari partners – SBG and HBK. Porr is responsible for 50% of the overall project, representing an order volume of around €945mn for the Group. (Gulf-Times.com)

Private Sector News

Finance

- QNB Group named Best Bank in Qatar and Middle East** – QNB Group has been awarded the "Best Bank in the Middle East" by The Banker magazine. In addition it was awarded the "Best Bank in Qatar" title for the third consecutive year.
- QNB Group signs MoU with Attijariwafa Bank of Morocco** – QNB Group has signed a MoU with Attijariwafa Bank of Morocco to focus on mutual business in various areas such as capital markets, trade finance and investment flows between Qatar and Morocco. (QNB Group Press Release)
- KCBK's board approves EMTN program** – Al Khalij Commercial Bank's (KCBK) board of directors has approved the new euro medium term note (EMTN) program. (QE)
- QAPCO secures QR1.1bn facility from Barwa Bank** – The Qatar Petrochemical Company (QAPCO) has secured a QR1.1bn loan from Barwa Bank, which will support its working capital and enhance expansion activities. (Gulf-Times.com)
- CBQK, QIBK to raise foreign ownership limits** – Commercial Bank of Qatar (CBQK) and Qatar Islamic Bank (QIBK) have asked the Qatar Exchange to increase the number of their shares available to foreign investors to 25% of their market capitalization. These changes are expected to be implemented over the next six to nine months. (Reuters)

Other sectors

- Ooredoo withdraws bid for Vivendi stake in Maroc Telecom** – Ooredoo (formerly QTEL) has withdrawn its bid for Vivendi's 53% stake in Moroccan telecom operator, Maroc Telecom, leaving Etisalat of the UAE as the only remaining bidder.
- Ooredoo to spend QR1bn on nationwide fiber connection by 2014** – Ooredoo is planning to spend QR1bn to ensure that all households in Qatar are connected to a nationwide fiber optic network by the end of 2014. To start with, Ooredoo is set to launch its "Business Fibre" network in 3Q 2013,

targeting businesses in Qatar and SMEs in particular. (Qatar Tribune, Gulf-Times.com)

- **Ooredoo Myanmar wins license after saying it plans to invest USD15bn**– Ooredoo (formerly QTEL) won one of two telecoms licenses in Myanmar. The company had said it would invest USD15bn in rolling out a telecommunications network across Myanmar. He added that Ooredoo would roll out a 3G data network across the country, reaching 90% of the population within two years. (Bloomberg)
- **QDVC bags two contracts; Ashghal gives road contract to Egis** – Qatar Rail awarded Qatari Diar Vinci Construction (QDVC) a tender of QR7.4bn. Moreover, QDVC was awarded two projects; to build the car park and Sheraton project valued at around QR2bn. (Gulf-Times.com)
- **Industries Qatar plans QR6bn capital expenditure by 2017** – Industries Qatar’s (IQCD) 5-year business plan forecasts accumulated capital spending and investments of around QR6bn, including for the Ras Laffan Petrochemical Complex. Industries Qatar owns 16% of that project, which is budgeted at QR18.2bn. The plant is tentatively slated to open in 2018. Moreover, IQCD is set to start its EF5 steel plant in 3Q2013, but said it is facing a 2 year delay to decommissioning its old EF1, EF2 steel plants. (Bloomberg, Peninsula Qatar)
- **Barwa Real Estate Company (BRES) announces the impending sale of assets worth QR26bn to parent Qatari Diar** – BRES announced that it is in the process of selling assets amounting to roughly QR26bn to its strategic shareholder Qatari Diar, which holds 45% of its outstanding issued shares. According to the company, the Qatari Diar initiative is mainly to secure the remaining shareholders rights and reduce overall debt costs. This sale is expected to be completed this year and among the assets to be sold are: Barwa Commercial Avenue, Barwa Al Sadd, Barwa City and certain assets of the company’s Investment portfolio. (QE)
- **QGTS signs USD917mn refinancing deal with QNB Group** – Nakilat Inc., a wholly owned subsidiary of Qatar Gas Transport Company Ltd. (Nakilat), has successfully arranged refinancing amounting to USD917 million with Qatar National Bank (QNB). Nakilat Inc. established its Program Financing structure to fund the construction of a fleet of 25 LNG vessels, each of which is subject to a 25-year time charter. These vessels serve as part of the floating pipeline carrying LNG for Qatargas and RasGas, which together produce over 77 MTA of LNG. (QE)
- **QPI signs QR1.7bn contracts for drilling rig services** – Qatar Petroleum International (QPI) has signed two contracts worth QR1.7bn with Gulf Drilling International Ltd (a JV of GISS) for using the offshore drilling rigs – Al-Doha and Al-Zubarah – (GDI) in QPI’s offshore fields. The contracts are for a five-year extension of both offshore rigs’ existing contracts, which will end in 2018. (QE)
- **GWCS signs MoU with Saudi-based Al Othman to establish logistics village** – The Gulf Warehousing Company (GWCS) has signed a MoU with Saudi-based Al Othman Holding Company to establish a limited liability company in Saudi Arabia for the construction of a logistics village similar to the Logistics Village in Qatar. This partnership will offer GWCS a 49% stake in the newly formed company, with Al Othman Holding taking the remaining 51% stake. Meanwhile, GWCS along with Al Othman Holding is currently undertaking a feasibility study for the project in order to draft the final contract for the intended company. (QE)

National Accounts

| Nominal GDP (QR bn) | 2009 | 2010 | 2011 | 2012 | Q1 13 | YoY% | QoQ% |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Total | 356.0 | 455.4 | 624.2 | 700.3 | 185.4 | 6.1% | 2.5% |
| 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% |
|---------------------------------|-------------|-------------|-------------|------------|------------|------------|------------|
| Total | 12.0 | 16.7 | 13.0 | 6.2 | 6.6 | 6.2 | 1.6 |
| 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

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 | Q1 13 | QoQ% | YoY% |
|--|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Current Account Balance | 6.4 | 23.8 | 52.0 | 62.3 | 19.6 | 43.3% | 24.4% |
| Trade Balance (Goods) | 25.6 | 53.9 | 87.4 | 102.9 | 28.3 | 11.1% | 7.5% |
| Exports | 48.0 | 74.8 | 114.3 | 133.7 | 35.7 | 7.7% | 4.5% |
| 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% |
| Capital & Financial Account Balance | 0.6 | -10.7 | -62.6 | -44.5 | -13.9 | -21% | 44% |
| 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 (USD 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 | 14.7 | 4.1 | 24.9% | 58.9% |
| European Economic Community (EEC) | 4.0 | 9.1 | 16.9 | 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 (USD 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% | 31.8% |
| 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 (USD / barrel) | 2009 | 2010 | 2011 | 2012 | May-13 | MoM% | YoY% |
|---------------------------|-------|-------|-------|-------|--------|-------|-------|
| Oil production ('000 bpd) | 781.0 | 733.0 | 734.0 | 733.7 | 723.0 | -0.6% | -1.2% |
| Qatar average price | 62.0 | 77.7 | 108.4 | 111.2 | 101.4 | -1.6% | -6.8% |
| Dukhan | 62.6 | 78.4 | 109.7 | 111.8 | 102.4 | -1.9% | -6.4% |
| Marine | 61.6 | 77.2 | 107.5 | 110.6 | 101.0 | -1.5% | -7.0% |

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 | May-13 | MoM% | YoY% |
|--|-------------|-------------|------------|------------|------------|-------------|------------|
| Overall (weights shown below) | -4.9 | -2.4 | 1.9 | 1.9 | 2.8 | -0.1 | 3.5 |
| Food, beverages & tobacco (13.2%) | 1.3 | 2.1 | 4.3 | 3.7 | 3.4 | 0.2 | 2.4 |
| Clothing & footwear (5.8%) | -4.5 | -1.3 | 7.5 | 2.8 | 1.4 | 0.3 | 0.7 |
| Rents, water & maintenance (32.2%) | -12.0 | -12.8 | -4.8 | -3.3 | 1.6 | 0.0 | 6.5 |
| Furniture, textiles & appliances (8.2%) | -2.0 | 4.1 | 2.9 | 4.9 | 4.4 | -0.2 | 1.8 |
| Health care (2.0%) | 1.7 | 3.5 | 2.6 | 1.5 | 1.7 | 0.0 | 2.5 |
| Transport & communication (20.5%) | -4.4 | 2.6 | 6.4 | 2.2 | 2.2 | 0.2 | 1.9 |
| Entertainment, leisure & culture (10.9%) | -1.2 | 2.9 | 2.0 | 6.0 | 6.8 | -0.1 | 7.0 |
| Miscellaneous goods & services (7.2%) | 7.3 | 4.7 | 5.6 | 4.8 | 1.9 | -1.2 | -1.2 |

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 : April 2013

Review and Outlook

Deposits dropped 2.4% MoM (+11.5% YTD) while loans increased 1.2% MoM (+5.5% YTD) in the month of May 2013.

Hence, the sector loan-to-deposit ratio (LDR) climbed to 105% in May 2013 versus 102% at end-April 2013 (111% in December 2012). Furthermore, the domiciled LDR for the sector followed suit and stood at 98% versus 94% in April. Liquidity remains healthy when compared to 2Q2012 (current LDR of 105% versus the 2012 high of 124% in April 2012). We forecast loan growth in the range of 15-20% for 2013. However, we expect NIMs to remain under some pressure throughout 1H 2013 with some stabilization expected during 2H2013.

The public sector witnessed a contraction in deposits in the month of May.

Delving into segment details, public sector deposits dropped by 7.4% MoM (+7.7% YTD). The semi-government institutions segment gained by 5.9% MoM (+0.4% YTD). However, the government segment experienced a contraction of 22.7% MoM (-13.3% YTD). Further, the government institutions segment (represents 64% of public sector deposits) also receded by 4.6% MoM (+18.9% YTD). On the other hand, private sector deposits outpaced the public sector and inched up by 1.4% MoM (+15.9% YTD). The consumer segment grew modestly by 2.7% MoM (+15.8% YTD), while the companies & institutions segment exhibited flat performance MoM (+16.0% YTD). Overall, total deposits (including deposits outside of Qatar) slipped by 2.4% MoM (+11.5% YTD). It should be noted that most of the growth in deposits during 2012 was realized in May and July of last year.

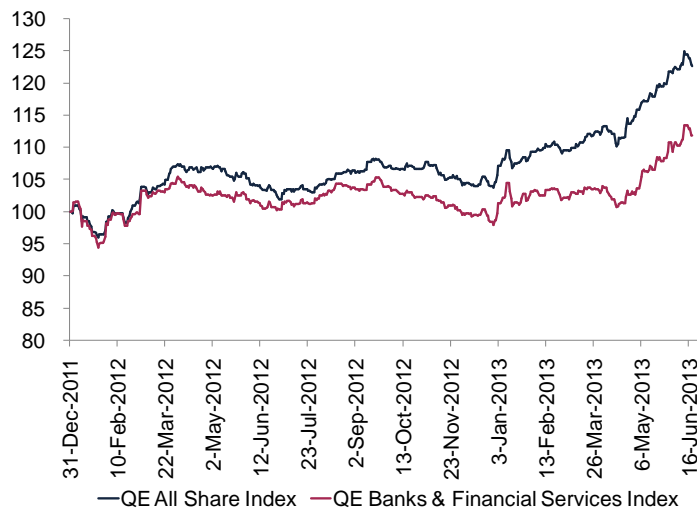
The overall loan book ticked up by 1.2% MoM (+5.5% YTD).

Total domestic public sector loans grew monthly across the board by 4.7% MoM (+6.2% YTD). This growth was driven by all the public sector sub-segments. The semi-government institutions segment grew by 5.6% MoM (-9.8% YTD). Also, the government institutions segment (represents 65% of public sector deposits) climbed by 3.7% MoM (+8.7% 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 slipped by 1.0% MoM (+3.2% YTD).

Consumption and others (contributes 30.1% to private sector loans) and **services** loans contracted MoM; the former sub-segment receded by 1.2% MoM but was up 2.5% YTD, while the latter contracted by 7.8% MoM but is still up 25.3% YTD. On the other hand, **real estate** was flat MoM (-7.4% YTD) and **general trade** increased 3.7% MoM (+3.9% YTD).

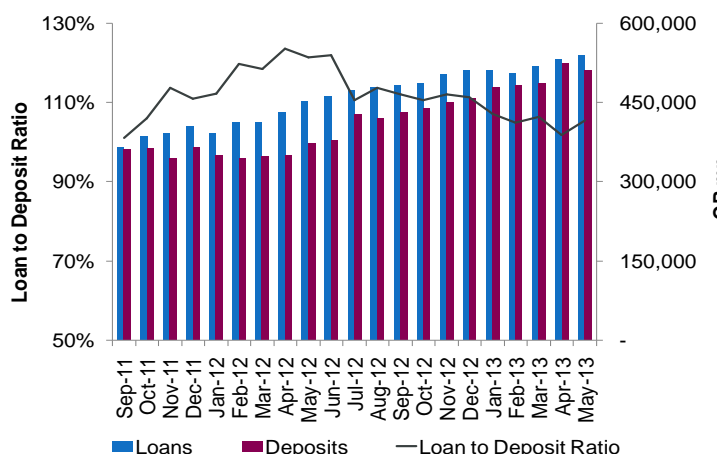
Specific loan-loss provisioning rested at 1.3% of average trailing 12-months loans vs. 1.4% in April, indicating improvement.

Banking Sector Index vs. QE All Share Index



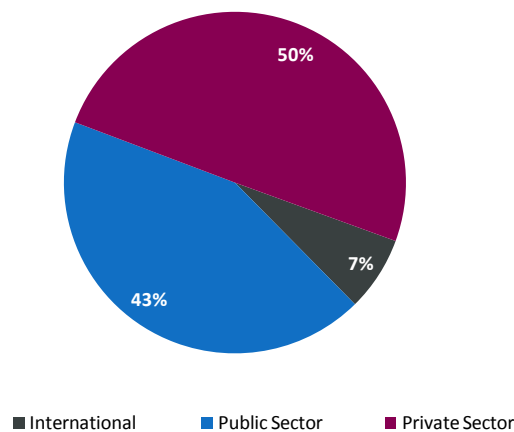
Source: Bloomberg

Banking Sector - Loan to Deposit (LTD)



Source: Qatar Central Bank (QCB)

Loan Pie (April 2013)



Source: QCB

Banking Sector Indicators

| (In QR mn) | 2012 | Jan-13 | Feb-13 | 1Q-13 | Apr-13 | May-13 | Change MoM | Change YTD |
|--|----------------|----------------|----------------|----------------|----------------|----------------|--------------|--------------|
| Total Assets | 820,512 | 828,418 | 826,556 | 848,293 | 865,125 | 875,192 | 1.2% | 6.7% |
| Total Credit (Loans) | 510,048 | 511,162 | 505,599 | 517,690 | 531,663 | 538,241 | 1.2% | 5.5% |
| Total Deposits | 458,066 | 477,512 | 481,987 | 486,662 | 522,883 | 510,531 | -2.4% | 11.5% |
| Loan to Deposit Ratio | 111% | 107% | 105% | 106% | 102% | 105% | N/A | N/A |
| Credit Facilities (Geographic) | | | | | | | | |
| Total Domestic Credit | 478,305 | 478,652 | 471,794 | 479,776 | 492,512 | 500,233 | 1.6% | 4.6% |
| Total International Credit | 31,743 | 32,510 | 33,805 | 37,914 | 39,151 | 38,007 | -2.9% | 19.7% |
| Domestic Credit Facilities - Public Sector | | | | | | | | |
| Government | 51,746 | 55,203 | 48,021 | 49,964 | 52,143 | 55,887 | 7.2% | 8.0% |
| Government Institutions | 139,585 | 134,555 | 135,628 | 137,306 | 146,258 | 151,697 | 3.7% | 8.7% |
| Semi-Government Institutions | 27,222 | 26,762 | 26,490 | 20,004 | 23,259 | 24,566 | 5.6% | -9.8% |
| Total Domestic Public Sector Credit | 218,553 | 216,520 | 210,139 | 207,274 | 221,660 | 232,150 | 4.7% | 6.2% |
| 0.653 | | | | | | | | |
| Domestic Credit Facilities - Private Sector | | | | | | | | |
| General Trade | 33,280 | 34,052 | 33,971 | 33,337 | 33,330 | 34,566 | 3.7% | 3.9% |
| Industry | 9,339 | 9,332 | 10,128 | 9,703 | 9,679 | 10,080 | 4.1% | 7.9% |
| Contractors | 16,546 | 16,877 | 17,531 | 17,434 | 17,806 | 17,982 | 1.0% | 8.7% |
| Real Estate | 85,562 | 87,615 | 86,732 | 86,245 | 78,984 | 79,223 | 0.3% | -7.4% |
| Consumption & Others | 78,587 | 76,850 | 78,278 | 87,127 | 81,532 | 80,563 | -1.2% | 2.5% |
| Services | 36,438 | 37,407 | 35,014 | 38,657 | 49,520 | 45,669 | -7.8% | 25.3% |
| Total Domestic Private Sector Credit | 259,752 | 262,132 | 261,655 | 272,502 | 270,852 | 268,084 | -1.0% | 3.2% |
| 0.3005 | | | | | | | | |
| Deposit Details (Geographic) | | | | | | | | |
| Resident Deposits | 417,337 | 435,269 | 437,644 | 444,944 | 480,701 | 468,915 | -2.5% | 12.4% |
| Non-resident Deposits | 40,729 | 42,243 | 44,343 | 41,718 | 42,183 | 41,616 | -1.3% | 2.2% |
| Deposits - Public Sector (Domestic) | | | | | | | | |
| Government | 44,557 | 46,773 | 37,503 | 36,666 | 49,977 | 38,640 | -22.7% | -13.3% |
| Government Institutions | 104,378 | 112,029 | 120,391 | 121,899 | 130,148 | 124,134 | -4.6% | 18.9% |
| Semi Government Institutions | 31,794 | 31,763 | 32,710 | 26,123 | 30,142 | 31,919 | 5.9% | 0.4% |
| Total Public Sector Deposit | 180,729 | 190,565 | 190,604 | 184,688 | 210,267 | 194,693 | -7.4% | 7.7% |
| Deposits - Private Sector (Domestic) | | | | | | | | |
| Personal | 116,257 | 116,831 | 118,006 | 126,938 | 131,054 | 134,658 | 2.7% | 15.8% |
| Companies & Institutions | 120,350 | 127,873 | 129,035 | 133,317 | 139,379 | 139,564 | 0.1% | 16.0% |
| Total Private Sector Deposit | 236,607 | 244,704 | 247,040 | 260,255 | 270,434 | 274,222 | 1.4% | 15.9% |

Source: QCB

| Qatar Exchange Market Performance | | | | | | | | |
|---------------------------------------|--------------------|-------------------|---------------------|---------------------------|---------|-----|------|-------|
| Company Name | Price (June 30) | % Change 5-Day | % Change Monthly | Market Cap. QR Million | TTM P/E | P/B | Div. | Yield |
| Qatar National Bank | 157.40 | (1.01) | 0.00 | 110,137 | 13.0 | 2.4 | | 3.8 |
| Qatar Islamic Bank | 68.10 | (0.44) | 0.00 | 16,092 | 14.1 | 1.5 | | 5.5 |
| Commercial Bank of Qatar | 69.70 | 0.29 | 0.00 | 17,247 | 8.4 | 1.2 | | 8.6 |
| Doha Bank | 46.90 | (0.53) | 0.00 | 12,118 | 8.0 | 1.1 | | 8.8 |
| Al Ahli Bank | 57.00 | 0.00 | 0.00 | 7,243 | 13.9 | 2.3 | | 5.3 |
| Qatar International Islamic Bank | 53.90 | 1.13 | 0.00 | 8,159 | 11.8 | 1.7 | | 6.5 |
| Masraf Al Rayan | 27.60 | (0.36) | 0.00 | 20,700 | 13.3 | 2.2 | | 3.6 |
| Al Khaliji Bank | 16.90 | 1.50 | 0.00 | 6,084 | 11.7 | 1.1 | | 5.9 |
| National Leasing | 37.10 | (0.67) | 0.00 | 1,836 | 8.9 | 1.4 | | 5.4 |
| Dlala Holding | 26.75 | (0.74) | 0.00 | 594 | 23.1 | 2.5 | | N/A |
| Qatar & Oman Investment | 13.69 | 1.33 | 0.00 | 431 | 21.9 | 1.4 | | 3.7 |
| Islamic Holding Group | 43.10 | 0.00 | 0.00 | 172 | 27.7 | 4.1 | | 2.6 |
| Banking and Financial Services | | | | 200,813 | | | | |
| Zad Holding | 59.60 | 0.00 | 0.00 | 780 | 7.4 | 0.6 | | 6.7 |
| Qatar German Co. for Medical Devices | 16.07 | 1.13 | 0.00 | 186 | N/M | 1.0 | | N/A |
| Salam International Investment | 13.00 | 0.00 | 0.00 | 1,486 | 21.8 | 0.9 | | 5.4 |
| Medicare Group | 42.30 | 0.00 | 0.00 | 1,190 | 25.8 | 1.5 | | 4.3 |
| Qatar Cinema & Film Distribution | 55.00 | 0.00 | 0.00 | 314 | 27.5 | 2.4 | | 3.6 |
| Qatar Fuel | 253.00 | 0.40 | 0.00 | 16,437 | 14.3 | 3.1 | | 4.0 |
| Qatar Meat and Livestock | 63.40 | (0.16) | 0.00 | 1,141 | 15.1 | 4.0 | | 6.3 |
| Al Meera Consumer Goods | 136.60 | 0.89 | 0.00 | 2,732 | 17.7 | 2.3 | | 5.9 |
| Consumer Goods and Services | | | | 24,266 | | | | |
| Qatar Industrial Manufacturing | 54.00 | 5.88 | 0.00 | 2,138 | 10.9 | 1.7 | | 5.6 |
| Qatar National Cement | 104.00 | 5.05 | 0.00 | 5,106 | 12.0 | 2.3 | | 5.8 |
| Industries Qatar | 157.60 | (0.57) | 0.00 | 95,348 | 10.5 | 3.4 | | 4.9 |
| Qatari Investors Group | 26.85 | (0.56) | 0.00 | 3,338 | 19.5 | 1.7 | | 2.8 |
| Qatar Electricity and Water | 158.90 | 1.15 | 0.00 | 15,890 | 11.8 | 3.3 | | 4.6 |
| Mannai Corp. | 88.00 | 0.00 | 0.00 | 4,014 | 8.5 | 1.9 | | 5.4 |
| Aamal | 14.41 | (0.07) | 0.00 | 8,646 | 14.1 | 1.3 | | N/A |
| Gulf International Services | 41.10 | (1.32) | 0.00 | 6,110 | 12.0 | 2.4 | | 3.6 |
| Industrials | | | | 140,592 | | | | |
| Qatar Insurance | 61.00 | 0.00 | 0.00 | 7,834 | 9.0 | 1.2 | | 3.3 |
| Doha Insurance | 25.55 | (1.73) | 0.00 | 658 | 10.9 | 1.4 | | 3.6 |
| Qatar General Insurance & Reinsurance | 46.60 | (2.31) | 0.00 | 2,686 | 14.7 | 1.0 | | 1.9 |
| Al Khaleej Takaful Insurance | 44.50 | 0.00 | 0.00 | 760 | 10.2 | 1.4 | | 1.9 |
| Qatar Islamic Insurance | 62.20 | 0.00 | 0.00 | 933 | 15.8 | 3.9 | | 5.6 |
| Insurance | | | | 12,871 | | | | |
| United Development | 23.00 | (0.43) | 0.00 | 7,756 | 9.7 | 0.8 | | 4.3 |
| Barwa Real Estate | 26.55 | (0.93) | 0.00 | 10,331 | 12.6 | 0.8 | | 5.6 |
| Ezdan Real Estate | 17.49 | 0.00 | 0.00 | 46,392 | N/M | 1.7 | | 0.7 |
| Mazaya Qatar Real Estate Development | 11.32 | (0.18) | 0.00 | 1,132 | 20.7 | 1.0 | | 5.3 |
| Real Estate | | | | 65,612 | | | | |
| Qatar Telecom | 120.80 | 0.25 | 0.00 | 38,695 | 12.2 | 1.6 | | 4.1 |
| Vodafone Qatar | 9.10 | 0.44 | 0.00 | 7,693 | N/M | 1.2 | | N/A |
| Telecoms | | | | 46,388 | | | | |
| Qatar Navigation (Milaha) | 72.00 | 0.14 | 0.00 | 8,246 | 9.2 | 0.8 | | 5.2 |
| Gulf Warehousing | 41.15 | (1.44) | 0.00 | 1,957 | 22.4 | 2.7 | | N/A |
| Qatar Gas Transport (Nakilat) | 18.30 | 0.05 | 0.00 | 10,248 | 13.2 | 6.0 | | 5.5 |
| Transportation | | | | 20,451 | | | | |
| Qatar Exchange | | | | 510,993 | | | | |

Source: Bloomberg, * Trailing Twelve Months

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