



Qatar National Bank

Annual Report 1983



Contents

Board of Directors	4
Head Office and Branches	6
Chairman's Statement	8
	8
Statement of Income	9
Statement of Assets and Liabilities	11
Statement of Cash Flows	13
Statement of Changes in Financial Position	14
Notes to the Accounts	16
Qatar National Bank, S.A.Q.	17
Established 1965	17
<i>Nineteenth Annual Report of the Directors</i>	17
<i>and Balance Sheet for the year ended</i>	
<i>31st December 1983</i>	18
<i>The Banking Industry in 1983</i>	20

With the Compliments of
 The Chairman and Board of Directors
 of
Qatar National Bank, S.A.Q.
 DOHA - QATAR



Contents

Board of Directors	4
Head Office and Branches	5
Chairman's Statement	6
Report of the Board of Directors	8
The Auditors Report	9
Statement of Income and Retained Earnings	11
Balance Sheet	12
Statement of changes in Financial position	14
Notes to Financial Statements	16
The Economy of Qatar:	17
Government Spending in 1983	17
Government Revenue in 1983	17
Budget of the State of Qatar in 1404/1405	18
The Banking Industry in 1983	20



His Highness The Emir of Qatar



H. H. The Heir Apparent Minister of Defense



Board of Directors

Chairman

His Excellency Sheikh Abdul Aziz
Bin Khalifa Al-Thani
Minister of Finance & Petroleum

Members

Mr. Ahmad M. Suwaidi
Mr. Abdullah Abdulghani
Mr. Yousuf Jasem Darwoosh
Mr. Ahmad Mannai
Mr. Haider S Haider
Mr. Abdulkadir Qadi

General Manager

Mr. Hamdi Alami



Head Office & Branches

Head Office

P.O. Box 1002, Doha
Telegraphic Address Qatarbank
Telex 4636 Qbkgm Dh
4635 Qbkfex Dh
Telephone Number 423511 (10 Lines)

Qatar Branches

Doha

Main Branch
P.O. Box 1000, Doha
Telegraphic Address Qatarbank
Telex 4212 Qatbnk Dh
4357 Qatbnk Dh
4064 Qatbnk Dh
Telephone Number 413511 (10 Lines)

Mushaireb

P.O. Box 1818, Doha
Telegraphic Address Qatarbank
Telex 4845 Qatbnk Dh
Telephone Number 423464, 424077,
423643

Airport Road

P.O. Box 3252, Doha
Telegraphic Address Qatarbank
Telephone Number 328868, 328125,
435274

Al Sadd

P.O. Box 9366, Doha
Telegraphic Address Qatarbank
Telex 5080 Qatbnk Dh
Telephone Number 420450, 420424,
420425

Doha Airport

Telephone Number 425500

Gulf Hotel

Telephone Number 328606

Qatar University

Telephone Number 861633

Sheraton Hotel

Telephone Number 831104

Other Locations

Umm Said

P.O. Box 10050, Umm Said
Telegraphic Address Qatarbank, Umm Said
Telephone Number 771529, 771791

Al Khor

P.O. Box 20030, Al Khor
Telegraphic Address Qatarbank, Al Khor
Telephone Number 720127

Al Shamal

P.O. Box 130222, Al Shamal
Telegraphic Address Qatarbank, Al Shamal
Telephone Number 731246

Foreign Branches

London - City

135-141 Cannon Street
London EC4N 5AH
Telegraphic Address Qatarbank, London
Telex 889201 Qatbnk G
Telephone Number 01-283 3911

West End

36 Curzon Street
London W1Y 7AF
Telex 298698 Qnbcur G
Telephone Number 01-493 7411

Paris

17 Avenue Matignon
75008 Paris
Telegraphic Address Qatarbank, Paris
Telex 641344 Qatarbk
Telephone Number 359 5812



Chairman's Statement

I am pleased to present to you the Nineteenth Annual Report of your bank for the year ended December 31st 1983. The Report shows that the bank's performance in 1983 was consistent with your institution's record of steady growth and profitability.

The year 1983 witnessed important international economic developments which have had their repercussions on the economies of the Arabian Gulf States. The continuing recession in the economies of the Western industrial countries during 1982 resulted in the persistence of a lower demand for oil. In an effort to stimulate the demand for the oil exports of its members, the Organization of the Petroleum Exporting Countries decided in the Spring of 1983 to reduce the price per barrel of crude oil by five U.S. Dollars.

The hoped for increase in the demand for OPEC's oil did not materialise in 1983, due to the growth in the economies of the industrial countries of the West and Japan, particularly in the countries of Western Europe, being modest. It is however encouraging to note that the rate of inflation in the countries of this group especially the U.S.A. came down to a level not witnessed for many years. This suggests that the economies of these countries have established a solid base for faster growth in future years. This being the case, oil exports of OPEC countries should expand in coming years. The demand for oil by Western industrial countries and Japan is projected to rise by 2% in 1984.

The increase in the developing countries' indebtedness was not dealt with in 1983 in a manner which would ensure its elimination as a source of potential threat to the stability of the international credit and monetary systems. Those debts were only rescheduled at prevailing high market rates of interest combined with heavy rescheduling costs. A fundamental solution appears to be needed to resolve this critical problem. This may include an opening of the markets of the Western industrial countries to the developing countries in order to expand their exports. Establishing a ceiling for the cost of servicing the loans as well as rescheduling them in a manner more consistent with the needs of the economies of those countries, are further measures which appear to be desirable as a long term solution to this problem.

The decrease in crude oil prices which was accompanied by a contraction in the demand for oil brought about a considerable decline in the 1983 revenues of the Arab Gulf States, the predominant

source of their earnings. The State of Qatar has accordingly found its revenues for the year falling sharply by almost 40%. It was imperative for the State to curtail its spending in a manner which would reduce consumption, improve efficiency and contain the State's budget deficit. Despite the effect of those stringent measures on the economy, all possible efforts were taken by the State to mitigate the situation by the application of a number of economical procedures that brought about an easing of the situation and helped expedite a return to normal conditions.

Your institution was able, irrespective of the preceding developments, to pursue its record of past years in achieving sustained growth and profitability. Its profits for 1983 rose to an all time record of QR 81.1 million, and total assets at the end of the year have also grown to a new record of QR 6,107.2 million.

In 1983 credit supplied by your bank to the Qatari economy constituted the major share of credit provided by the banking industry to the economy. Notwithstanding the economic conditions which our region has encountered, the bank has in fact raised the volume and the ratio of its support to the economy. Your bank's share of total credit extended to the Qatari economy was 50% in 1983, compared with 46.8% in 1982. The growth in credit supplied by the bank was made despite the fact that its share of total public deposits rose only marginally in 1983 to 35.2% from 34.8% of those deposits in 1982.

I would like to take this opportunity to extend my sincere gratitude and appreciation to the Emir, His Highness Sheikh Khalifa Bin Hamad Al Thani, and the Heir Apparent, His Highness Sheikh Hamad Bin Khalifa Al Thani, for the steady support they extended to your bank, which contributed in large part to its continued growth and achievements.

I want also to express my appreciation to the members of the Board of Directors for their efforts in setting the bank's policies and for the active role they undertook in supporting its operations.

My thanks should also go to the bank's management and its staff for the dedication, efficiency and hard work they contributed to the bank's activities which helped maintain your bank's favourable record.

Abdul Aziz Bin Khalifa Al Thani
Chairman, Board of Directors



London City Branch



Paris Branch



Report of the Board of Directors

The Board of Directors is pleased to present to you the Bank's Nineteenth Annual Report including the Balance Sheet and the Profit & Loss Statement for the year ended December 31st, 1983.

International economic developments in 1983 had a profound impact on the economies of the Arabian Gulf States. As a result of the continued soft demand for crude oil on the world markets, the Organization of the Petroleum Exporting Countries (OPEC) decided in March 1983 to reduce the price of a barrel of crude oil by five U.S. dollars. The decline in crude oil prices along with the contraction in exports were responsible for the sharp drop in the oil revenues of the State of Qatar for the year. Hence, compared with 1982, the State's spending was curtailed in 1983 resulting in a noticeable slowdown in the economy.

Despite the drop in overall economic activity in the State during 1983, your institution was able to grow as well as to increase its profits. The rate of growth in profits was however lower than attained in previous years. The bank's profits in 1983 rose to QR 81.1 million from QR 78.5 million in 1982, an increase of 3.3%.

Balance Sheet figures have also grown, though at a faster pace. Total assets expanded from QR 5,693.5 million in 1982 to QR 6,107.2 million in 1983, rising by 7.3% as compared with 3.3% in 1982.

Though the bank's deposits were relatively stable throughout the year, your institution did not deviate from its policy of supporting the Qatari economy. Qatar Riyal deposits with the bank increased only marginally by 0.7% from QR 4,061.7 million in 1982 to QR 4,092.1 million in 1983. Its short-term credit facilities however expanded by 6.7% from QR 2,078.0 million in 1982 to QR 2,218.3 million in 1983.

Long-term credit facilities, on the other hand, grew more strongly. They rose from QR 485.4 million in 1982 to QR 569.0

million in 1983, an increase of 17.2%. It is worth noting that according to the data compiled by the Qatar Monetary Agency, the credit facilities supplied by Qatar National Bank amounted to 50% of total bank credit provided to the Qatari economy. According to the same data, deposits with the bank were only 35.3% of the total deposits with the banking system.

At the same time as it increased its support to the Qatari economy, the bank improved the liquidity of its assets. Cash and deposits with banks in 1983 were QR 3,109.1 million compared with QR 2,866.8 million in 1982. These figures represented 76.0% and 70.6% of customers' deposits in the years 1983 and 1982 respectively.

Shareholders' equity grew in 1983 to QR 538.8 million from QR 474.5 million in 1982, an increase of 13.6%. Total shareholders' equity represented 8.8% of total assets in 1983 as against 8.3% in 1982. These ratios are amongst the highest in the world for the banking industry.

Following the policies set by the Board of Directors and in view of the profits realised by your bank, it has been decided to declare a dividend for 1983 of 20% of paid-up capital, amounting to QR 16.8 million.

The Board of Directors would like to present its sincere appreciation and gratitude to the Emir, His Highness Sheikh Khalifa Bin Hamad Al Thani, and the Heir Apparent, His Highness Sheikh Hamad Bin Khalifa Al Thani, for their support and goodwill which are reflected in the bank's encouraging results.

The Board wishes also to thank the bank's management and its staff for the dedication and the efficiency with which they performed their duties, thus helping to produce the bank's commendable results.

Board of Directors



Qatar National Bank

The Auditor's Report

The Shareholders
Qatar National Bank - S.A.Q.
Doha - Qatar

We have examined the balance sheet of QATAR NATIONAL BANK - S.A.Q., Doha - Qatar, as at 31st December, 1983 and the related statement of income and retained earnings and statement of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our examination.

In our opinion, the financial statements referred to above present fairly the financial position of Qatar National Bank -

S.A.Q., Doha - Qatar, as at 31st December, 1983 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles as adapted by banking practices in Qatar, applied on a basis consistent with that of the preceding year, and give all the information required by the Law and the Bank's Bye-Laws. We are also of the opinion that proper books of account were kept by the bank and that the stocktaking was carried out in accordance with recognised principles. To the best of our knowledge and belief, and according to the information given to us, no contraventions of the Law or the Bank's Bye-Laws were committed during the financial year which materially affect the Bank's activities or its financial position.

Doha - Qatar
10th March, 1984.

SABA & CO.
External Auditors



Abu Fontas Power Station



Chemical fertilizer factory



Statement of Income and Retained Earnings

for the year ended 31st December, 1983

	1983	1982
Income:		
Interest earned, commission received, profit on exchange and other income	QR 596,626,100	QR 653,086,651
Expenses:		
Interest paid, general and administrative expenses, provisions and other expenses	515,552,200	574,586,216
Net income for the year	QR 81,073,900	QR 78,494,435
Retained earnings at 1st January after adjustments	496,826	202,301
Net income available for appropriation	QR 81,570,726	QR 78,696,826
Transfer to statutory reserve	QR 28,000,000	QR -
Transfer to bonus shares reserve	-	28,000,000
Proposed cash dividends	16,800,000	11,200,000
Transfer to special reserve	36,000,000	39,000,000
Total proposed appropriations	QR 80,800,000	QR 78,200,000
Retained earnings at 31st December 1983	QR 770,726	QR 496,826

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT



Balance Sheet

as at 31st December 1983

Assets	1983	1982
Cash, current accounts and deposits with banks and financial institutions	QR 3,109,102,447	QR 2,866,772,227
Inter branch items in transit	—	20,383,795
Marketable securities (Net) (Note 1b)	109,852,461	122,981,177
Bills discounted	99,386,970	113,290,090
Advances (Net) and other debit balances	2,118,848,480	1,964,707,850
Interest receivable and pre-paid expenses	47,572,069	64,265,974
Long term loans (over one year)	568,952,795	485,439,352
Investments in related companies and others (Note 1c)	35,349,306	32,721,544
Property plant and equipment (at cost net of accumulated depreciation) (Notes 1a & 4)	18,122,555	22,973,806
Total Assets	QR 6,107,187,083	QR 5,093,535,815
Customers' liabilities on letters of guarantee, letters of credit, acceptances and forward currency contracts – contra	1,572,662,519	2,005,003,245
Total	QR 7,679,849,602	QR 8,359,139,060

Hamdi Alami
General Manager

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT



Liabilities and Shareholders' Equity	1983	1982
Liabilities:		
Current, savings, deposits and other accounts (including provision for contingencies)	QR 4,092,050,858	QR 4,061,734,370
Due to banks	1,362,767,109	1,064,930,954
Inter-branch items in transit	9,228,576	—
Proposed cash dividends	16,800,000	11,200,000
Provisions and accrued expenses	87,569,814	81,173,665
Total liabilities	QR 5,568,416,357	QR 5,319,038,989
Shareholders' Equity:		
Capital (840,000 common shares QR 100 par value)	QR 84,000,000	QR 56,000,000
Bonus share reserve	—	28,000,000
Statutory reserve	84,000,000	56,000,000
Special reserve	370,000,000	334,000,000
Retained earnings	770,726	496,826
Shareholders' Equity	QR 538,770,726	QR 474,496,826
Total Liabilities and Shareholders' Equity	QR 6,107,187,083	QR 5,693,535,815
Liabilities on letters of guarantee, letters of credit, acceptances and forward currency contracts – contra	QR 1,572,662,519	QR 2,665,603,245
Total	QR 7,679,849,602	QR 8,359,139,060

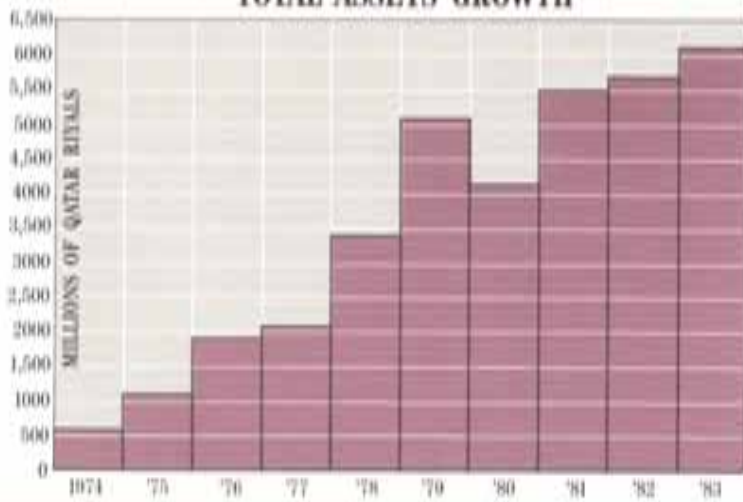
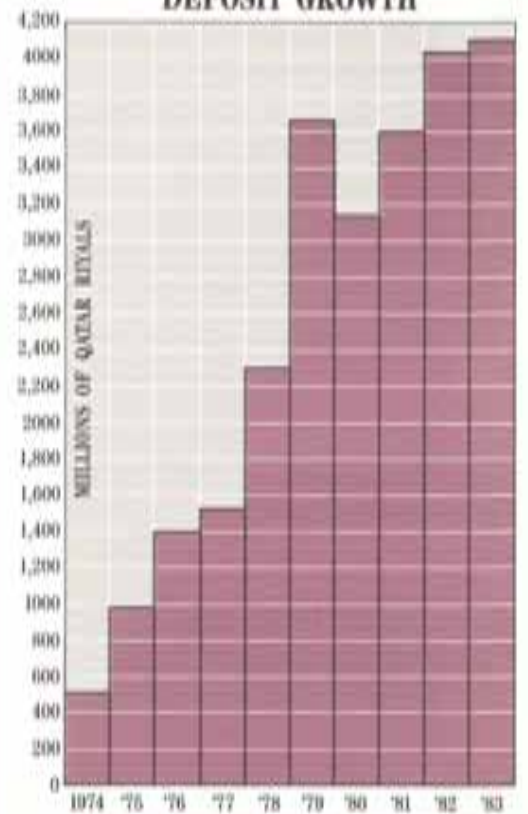
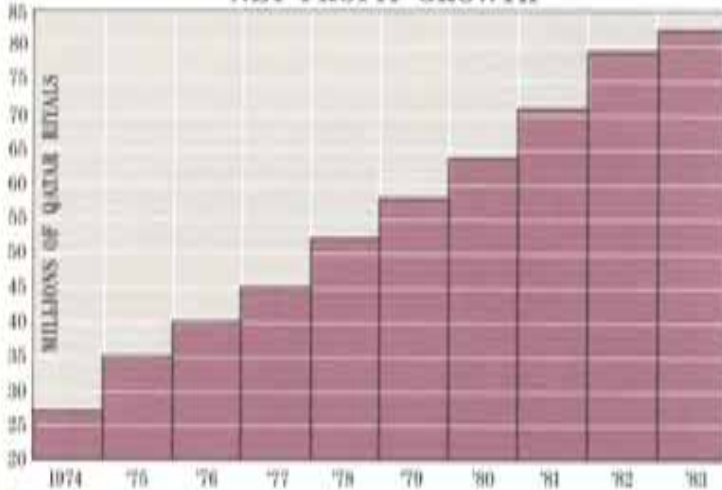
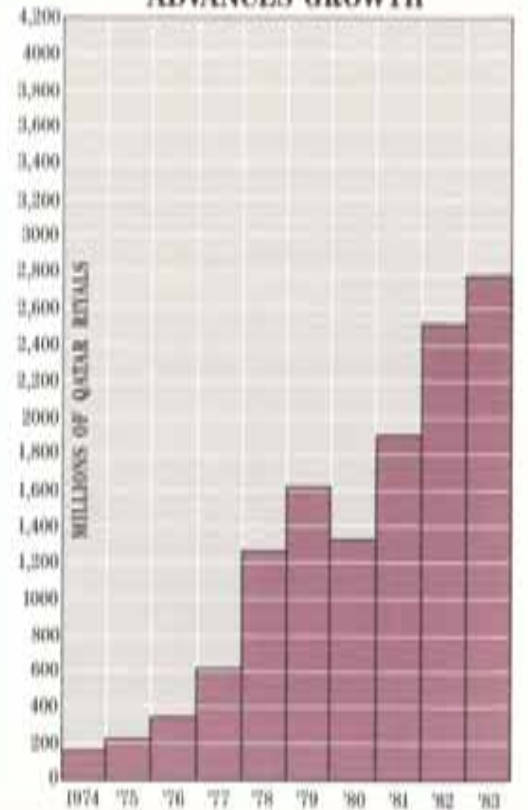
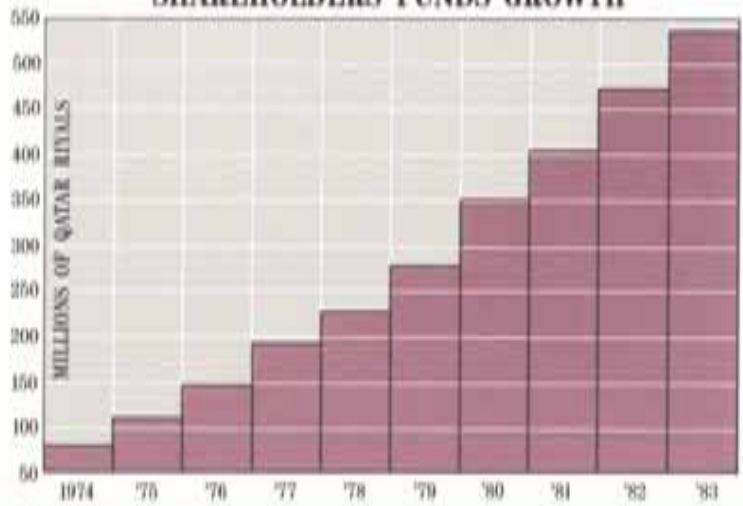
Abdul Aziz Bin Khalifa Al Thani
Chairman, Board of Directors



Statement of changes in financial position

	1983	1982
Funds provided by:		
Net income for the year	QR 81,073,900	QR 78,404,435
Items not requiring outlay of funds:		
Depreciation and amortization	5,425,640	5,185,770
Total provided from operations	QR 86,499,540	QR 83,630,305
Decrease in long-term loans	—	37,670,187
Total funds provided	QR 86,499,540	QR 121,303,392
Funds used for:		
Acquisition of property, plant and equipment	QR 574,389	QR 9,480,948
Dividends paid	11,082,610	11,840,700
Increase in investments in related companies and others	2,627,762	21,581,088
Increase in long-term loans (over one year)	83,513,443	—
Total funds used	QR 97,798,304	QR 36,911,736
Net (Decrease) increase in working capital	QR (11,298,664)	QR 84,391,656
Analysis of changes in working capital		
Cash, current accounts and deposits with banks and financial institutions	QR 242,330,320	QR (391,372,822)
Marketable securities	(13,128,716)	(41,677,942)
Inter-branch items in transit	(29,612,371)	20,383,795
Bills discounted	(13,903,120)	20,042,082
Advances and other debit balances	154,140,630	638,759,308
Interest receivable and prepaid expenses	(16,693,905)	(27,294,103)
Current, savings, deposits and other accounts	(30,199,098)	(458,428,859)
Due to banks	(297,836,155)	329,131,309
Provisions and accrued expenses	(6,396,149)	748,088
Net (Decrease) increase in working capital	QR (11,298,664)	QR 84,391,656

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THIS STATEMENT

TOTAL ASSETS GROWTH**DEPOSIT GROWTH****NET PROFIT GROWTH****ADVANCES GROWTH****SHAREHOLDERS FUNDS GROWTH**



Notes to Financial Statements

for the year ended 31st December, 1983

1. Significant Accounting Policies:

- (a) Property, plant and equipment are stated at cost less accumulated depreciation computed on the straight-line method over their estimated useful lives.
- (b) Investments in marketable securities are stated at the lower of aggregate cost or market.
- (c) Investments in related companies are stated at equity, other investments are stated at cost.
- (d) Assets and liabilities in foreign currencies at the year end are translated into Qatari Riyals at the lowest exchange rates for those currencies at that date. Gains and losses arising thereon are taken to current income.

2. The Financial Statements:

- (a) The accompanying combined financial statements include all the assets, liabilities and results of operations of all the Bank branches in Qatar, United Kingdom and France.
- (b) All material inter branch profits, transactions and balances are eliminated.

3. Income Tax Exemption:

The bank has been exempted from income tax in Qatar, for the five years commencing 23rd March, 1981 in accordance with the cabinet decision No. 2 of 1982.

4. Property, Plant and Equipment:

The cost of property, plant and equipment does not include the value of lands on which the central office and certain branches buildings are erected. Those lands were granted to the Bank by the Government of Qatar free of charge.

5. Bills for Collection:

Bills for collection amounted to QR 21,913,108 as at 31st December, 1983.

6. Comparative Financial Statements:

Certain items of financial statements for 1982 were reclassified to correspond with the presentation followed in the current year.



The Economy of Qatar

Government Spending in 1983

Economic conditions in the State of Qatar were strongly influenced during 1983 by global economic developments. Due to the moderate growth in the year in the economies of the industrialized countries of Western Europe, Japan and the United States, the demand for crude oil remained soft. The decline in the international demand for crude oil resulted in lower prices and exports of oil for the OPEC countries. Accordingly, the State of Qatar encountered during 1983 a sharp fall in its crude oil revenues, the primary source of its foreign exchange earnings.

Faced with the rapid contraction in its earnings, the State of Qatar curtailed in 1983 its spending in all areas of economic activity. The following table gives a breakdown of the actual revenue and expenditure of the State for the years 1979-1983.

Table (1)

Revenue and Expenditure of the State of Qatar for the Years 1979-1983
(In Millions of Qatar Riyals)

Particulars	1983	1982	1981	1980	1979
Total Revenue	10,680	16,432	18,818	19,651	14,106
Crude Oil Revenue	8,595	14,131	16,712	17,970	13,114
Other Revenue	2,085	2,301	2,106	1,681	992
Total Expenditure	11,246	15,165	14,811	11,658	8,857
Recurring Expenditure	8,496	10,980	11,105	8,404	6,238
First Chapter (Salaries & Wages)	(3,704)	(3,874)	(2,871)	(2,275)	(1,706)
Second Chapter (Services)	(3,353)	(5,141)	(5,062)	(4,729)	(3,946)
Third Chapter (Minor Capital Expenditure)	(1,439)	(1,965)	(2,572)	(1,400)	(586)
Capital Expenditure Fourth Chapter (Major Projects)	2,750	4,185	3,706	3,254	3,619

The decrease in the State's revenues has strongly influenced the level of its spending. Whereas total government expenditure amounted to QR 15,165 million in 1982, it fell to QR 11,246 million in 1983, a reduction of 25.8%. Government spending in all economic sectors was accordingly cut.

Reductions in government spending have however varied according to the State's ability to curtail it. Spending on Capital Projects has received the largest cut. It fell by 34.3% from QR 4,185 million in 1982 to QR 2,750 million in 1983.

Spending on Recurring Expenditure Chapters was reduced from QR 10,980 million in 1982 to QR 8,496 million in 1983, a reduction of 22.6%. There were however wide differences in the cuts among the three Chapters of Recurring Expenditure, apparently depending on the degree of restraint the State was able to apply in each case within a relatively short period. The highest rate of reduction was made in the Second Chapter (Services) which went down by 34.8% from QR 5,141 million in 1982 to QR 3,353 million in 1983. Spending under the First Chapter (Salaries and Wages) was reduced the least by 4.4%. Its figures were QR 3,874 million and QR 3,704 million in 1982 and 1983 respectively. In between those two ratios came the Third Chapter (Minor Capital Expenditure), whose spending was reduced by 26.8%, falling to QR 1,439 million in 1983 from QR 1,965 million in 1982.

Government Revenue in 1983

As stated above, OPEC decided in March 1983 to reduce the price of its crude oil. The price was lowered by five U.S. dollars from 34 to 29 U.S. dollars per barrel. OPEC also set a ceiling for the total exports of crude oil for its members in 1983 amounting to 17.5 million barrels per day.



The Economy of Qatar

Continued

The decline in crude oil prices as well as the cut in its exports resulted in a marked decrease in the revenues of the State of Qatar as Table (1) indicates. Total Qatari revenue in 1983 fell to QR 10,680 million compared with QR 16,432 million in 1982, a fall of 35.0%.

The contraction in the State's revenue was more pronounced for crude oil. Its revenues were QR 14,131 million and QR 8,595 million for the years 1982 and 1983 respectively showing a decrease of 39.2%. Total State's other revenues fell by 9.4% from QR 2,301 million in 1982 to QR 2,085 million in 1983. As a consequence of this large decline in its revenues, the State of Qatar faced a budget deficit of QR 566 million in 1983, its first since crude oil prices started to appreciate markedly in 1973.

We have stated above that Qatari crude oil exports fell significantly in 1983. The following Table gives production and exports of Qatari crude oil for the period 1979-1983.

Table (2)

**Production and Exports of Crude Oil of The State of Qatar for the Years 1979-1983
(In Millions of Barrels)**

Year	Production				Exports			
	Light Crude (onshore)	Heavy Crude (offshore)	Bunduq	Total	Onshore	Offshore	Bunduq	Total
1983	60.1	47.2	0.3	107.6	55.6	46.4	—	102.0
1982	62.7	57.0	—	119.7	58.3	59.5	—	117.8
1981	77.5	70.3	—	147.8	74.0	68.7	—	142.7
1980	84.4	88.1	—	172.5	81.3	89.0	—	170.3
1979	84.2	100.6	0.6	185.4	80.4	100.2	0.7	181.3

The Table points to a trend since 1979 of persistent decline in Qatari production and exports of crude oil. Qatari production which was 119.7 million barrels in 1982 fell by 10.1% to 107.6 million barrels in 1983. Compared with 1979, Qatari production of crude oil has contracted by 42.0%.

As long as local consumption of crude oil was modest, the decline in production was clearly reflected in the levels of crude oil exports. Qatari exports of crude oil which amounted to 117.8 million barrels in 1982 fell by 13.4% in 1983 to 102.0 million barrels. In comparison with 1979, 1983 exports were 43.7% down.

Budget of the State of Qatar 1404/1405⁽¹⁾

In the second half of 1983, Qatari crude oil exports increased remarkably, which resulted in an improvement in the State's revenues during that period. Accounting for this promising market outlook has apparently been the basis for the wide variation in the State's estimated revenues in the fiscal years 1403/1404 and 1404/1405 as the following Table illustrates.

⁽¹⁾ The Lunar (Hijri) fiscal year of the State of Qatar corresponds with the Gregorian period of 1.1.1984 to 19.3.1985.

Table (3)

**Budget Estimates of the State of Qatar for the Years 1401-1404/5
(In Millions of Qatar Riyals)**

Particulars	Final Estimates	Preliminary Estimates		
	1404/1405	1403/1404	1402	1401
Total Revenue	11,971	8,911	18,083	30,254
Crude oil revenue	10,349	6,654	15,924	18,686
Other revenue	1,622	2,257	2,159	1,568
Total Expenditure	15,653	14,261	16,107	16,814
Recurring expenditure	11,584	10,411	10,920	11,678
First chapter (Salaries and Wages)	(4,470)	(4,331)	(3,830)	(2,891)
Second chapter (Services)	(5,262)	(4,492)	(5,081)	(5,938)
Third chapter (Minor Capital Expenditure)	(1,852)	(1,588)	(2,009)	(2,849)
Capital Projects Fourth chapter	4,069	3,850	5,187	5,136

The Table indicates that estimated crude oil earnings of the State of Qatar for the year 1404/1405 will rise to QR 10,349 million compared with QR 6,654 million in the preceding year, an increase of 55.5%.

Other earnings were nonetheless estimated to decrease in the year by 28.1%. They were estimated at QR 1,622 million and QR 2,257 million for the fiscal years 1404/1405 and 1403/1404 respectively. On the other hand, total revenues for the two years respectively were estimated at QR 11,971 million and QR 8,911 million growing by 34.3%.

Estimates of the State's expenditures, which were cut in the past two fiscal years, were set to rise in the new fiscal year. While the estimate of total government spending was reduced by 11.5% from QR 16,107 million in 1402 to QR 14,261 million in 1403/1404, it rose by 9.8% to QR 15,653 million in 1404/1405.

The increases in the estimates of government spending went mostly to recurring current spending budgetary chapters. Estimated spending under these chapters rose by 11.3% from QR 10,411 million in 1403/1404 to QR 11,584 million in 1404/1405. The major growth in estimated spending under these chapters was allocated to Chapters Two and Three, while the increase under Chapter One was moderate. Spending under Chapter One (Salaries and Wages) was estimated to expand by 3.2% from QR 4,331 million in 1403/1404 to QR 4,470 million in 1404/1405. Estimated spending under Chapter Two was earmarked to rise by 17.1% from QR 4,492 million in 1403/1404 to QR 5,262 million in the current fiscal year. Spending allocated under Chapter Three (Minor Capital Expenditure) was projected to rise by 16.6% from QR 1,588 million in 1403/1404 to QR 1,852 million in 1404/1405.

Spending under the Fourth Chapter (Capital Projects) was estimated to rise however by a modest 5.7% rate to QR 4,069 million in 1404/1405 as against QR 3,850 million in 1403/1404. It is worthy of note that the estimated growth in spending under this Chapter was hardly equal to the increase in the State's cost of living, which would leave that spending relatively unchanged in real terms. If compared with the overall estimated growth in government appropriations, spending under the Fourth Chapter was 4.1% below that level. This confirms the view stated above that the rise in government allocated disbursements in the current fiscal year was mostly directed to meet current spending.

Table (3) also shows that the State of Qatar was faced with large budget deficits in the fiscal years 1403/1404 and 1404/1405. The deficit in the current fiscal year was nevertheless smaller than that of the previous year. These deficits amounted to QR 5,350 million and QR 3,682 million for each of the fiscal years respectively.



The Banking Industry in 1983

The Qatar Monetary Agency (QMA) did not introduce any changes in the State's monetary policies during 1983. In this respect, interest rates payable and receivable by the banks operating in Qatar were maintained during the year at the levels previously set by QMA of 7.0% and 9.5% respectively. Accordingly, the ability to attract deposits in Qatar Riyals was hindered by the much higher rates of interest payable on some foreign currencies, particularly the U.S. Dollar.

Although interest rates payable on the U.S. Dollar were lower in 1983 than in 1982, they were still highly competitive when compared with the Qatar Riyal rates. The average three months dollar deposit rates were 13.2% and 9.6% for the years 1982 and 1983 respectively. The latter rate was still 2.6% higher than the rates payable on Qatar Riyal deposits. This situation resulted in the persistent flow of Qatari investment funds into the U.S. Dollar in particular and other foreign currencies in general as the following Table illustrates.

Table (4)

Sources and Uses of Funds for the Commercial Banks Operating in Qatar 1979 - 1983
(In Millions of Qatar Riyals)

Particulars	1983	1982	1981	1980	1979
Sources of Funds:					
Total deposits	7,874.8	7,852.6	7,032.5	5,061.0	4,209.5
Total private deposits	7,419.3	7,415.7	6,483.6	4,469.0	3,706.2
Demand deposits	2,556.1	2,643.5	2,411.6	1,466.0	1,776.4
Time and saving deposits	2,047.3	1,807.9	1,766.0	2,020.0	1,595.4
Foreign currency deposits	2,816.0	2,964.3	2,306.0	983.0	424.4
Foreign currency deposits as a ratio of total private deposits	38.0%	40.0%	35.6%	22.0%	11.2%
Government deposits	455.5	436.9	548.9	592.0	473.3
Shareholders' equity	859.1	699.7	571.8	562.5	385.7
Shareholders' equity as a Ratio of total deposits	10.9%	8.9%	8.1%	11.1%	9.0%
Uses of Funds:					
Total assets	11,430.0	10,961.2	9,031.6	6,661.1	5,475.0
Credit to private sector	6,056.3	5,575.8	4,507.3	3,693.2	3,278.5
Net foreign assets	2,721.1	3,734.5	3,656.3	1,900.2	1,523.8
Cash assets	278.0	184.6	195.7	335.0	275.9
Cash assets as a ratio of total deposits	3.5%	2.4%	2.8%	6.6%	6.5%

The Table shows that private sector foreign currency deposits in 1983 amounted to QR 2,816.0 million or 38% of total private deposits. Though this rate was lower than the 1982 rate of 40%, it remained considerably higher than rates prevailing when the present cycle of higher U.S. dollar deposit rates started in 1979. In that year deposits in foreign currencies were 11.2% of total private sector deposits. The 1983 rate was therefore equal to 339.3% the 1979 rate.

The persistent flow of Qatari investment funds into foreign currencies has continued to exert a heavy strain on the ability of the banking system to supply the needed credit for the growth of the Qatari economy. This strain will not apparently subside in the foreseeable future, as it appears that high interest rates on the U.S. dollar will stay with us for some years to come.



Table (4) points to the slowdown of the Qatari economy in 1983, as indicated by total deposits with banks which were relatively unchanged during the year. Whereas this total stood at QR 7,852.6 million in 1982, it was QR 7,874.8 million in 1983, growing by a meagre 0.3%. Total private deposits were also relatively stable at QR 7,415.7 million and QR 7,419.3 million in the years 1982 and 1983 respectively. This indicates the very close relationship between money and economic activity. If we take into account the rate of inflation in Qatar which amounted to 6.6% in 1982, we may come to the conclusion that the level of economic activity in Qatar has noticeably contracted in 1983.

The Uses of Funds section in Table (4) shows that net foreign assets of the banks in Qatar have significantly declined in 1983. These assets fell by 27.1% to QR 2,721.1 million from QR 3,724.5 million in 1982. The section also reflects the slow growth in bank credit extended to the private sector during the year. It rose to QR 6,056.3 million in 1983 compared with QR 5,575.8 million in 1982 at a rate of 8.6%, a rate which was considerably lower than the rate of 23.7% realised in 1982. These figures give a further confirmation of the slowdown in the State's economy in 1983.

Despite the slower growth referred to above, the banking industry in the State has maintained, during 1983, its profitability and stability. Capital and reserves of the banks grew to QR 859.1 million in 1983 as against QR 699.7 million in 1982. Measured against total deposits, banks' shareholders' equity amounted to 10.9% in 1983. This rate was the highest for the banking industry in Qatar since 11.1% was achieved in 1980.

The liquidity of the banking system has also improved in 1983. Cash held by banks rose to QR 278.0 million at the end of the year compared with QR 184.6 million in 1982. Measured against total deposits, cash held by the banks was 3.4% and 3.5% for the years 1982 and 1983 respectively.

