

Executive Summary

- Qatar continues to experience a large influx of expatriate workers with population reaching 2.16m in April 2014
- Qatar's non-hydrocarbon business optimism index stands at second highest in three years
- The Qatar Central Bank's (QCB) Real Estate Price Index rises 7.2% quarter-on-quarter in Q1 2014
- Headline inflation edged down slightly to 2.6% in March 2014 owing to both lower domestic and foreign inflation
- Qatar's foreign merchandise trade balance registered another large surplus in March 2014
- Strong fundamentals continue to keep Qatar's CDS Spreads at historic lows in April 2014

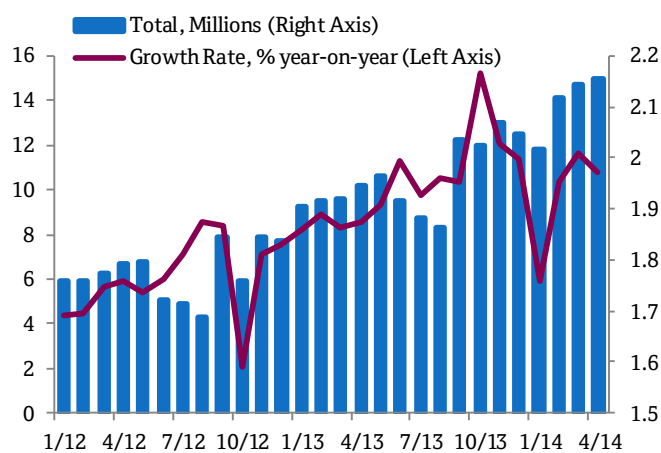
Qatar continues to experience a large influx of expatriate workers

Qatar's population grew 10.8% year-on-year in April 2014 to reach 2.16m. Population growth has been driven up by an influx of expatriate workers pulled in by the large ramp up in infrastructure spending in preparation for the 2022 FIFA World Cup.

The latest population figures for April are in line with QNB Group's forecast of 10.1% average population growth for 2014 – one of the world's highest. The rapid expansion of the population is driving a second round effect on growth, notably housing, real estate and services, including finance, hotels and restaurants as well as trade and transportation.

Population growth surged in April 2014

Population within the country at the end of the month

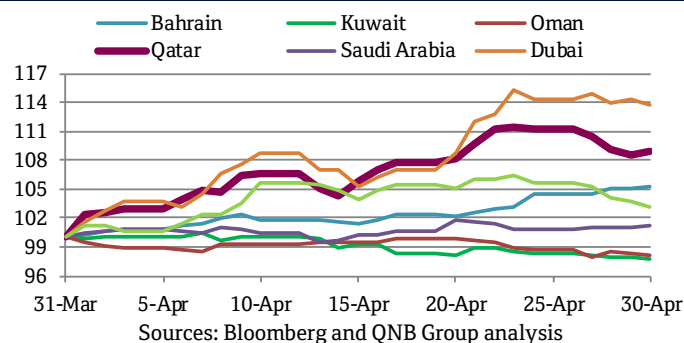


Sources: Ministry of Development Planning and Statistics (MDPS) and QNB Group analysis

QNB Economics Weekly Commentary

- [The US Economy Is On a Tight Rope Between Recovery and Policy Tightening](#)
- [The Rise of the Chinese Consumer](#)
- [Calm in Emerging Markets but Underlying Vulnerabilities Remain](#)
- [Qatar's Economic Growth To Accelerate on Strong Investment Spending and Higher Population](#)

Stockmarket Indices (rebased with 31 Mar 2014 = 100)



The GCC markets posted a mixed bag of returns in the month of April 2014. Dubai's benchmark index (DFMGI) was the top performer, surging 13.7% month-on-month. The second best performing index was the Qatar Exchange (QE) Index rising 8.9% month-on-month, 22.1% year-to-date (YTD).

In March 2014, the QE Index witnessed a decline on the back of annual cash dividends. Past the annual dividend season, the index posted an impressive 8.9% increase month-on-month, taking the YTD performance to 22.1%. Foreign institutional investors remained bullish for the month. In April 2014, QE witnessed net foreign portfolio investment inflows of USD275.3m, and USD1.1bn YTD, as foreign investors increase their exposure to Qatar ahead of the MSCI Emerging Market reclassification.

Qatar Economic Insight Report 2014



QNB Group has recently published the Qatar Economic Insight 2014 providing an overview of Qatar's economy, with historical data, in-depth analysis and forecasts. The report will be available on the [QNB website](#) along with the recently published [Jordan Economic Insight 2014](#).

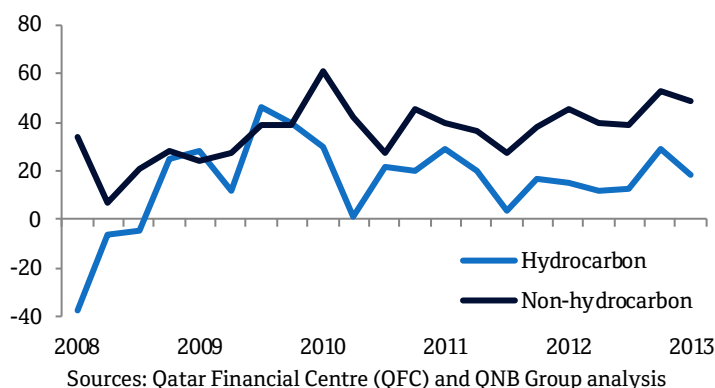
Qatar's Business Optimism Index in the non-hydrocarbon sector stands at the second highest in three years

Qatar's Business Optimism Index (BOI) for Q1 2014 in the non-hydrocarbon sector stands at the second highest level in three years at 49. Meanwhile, hydrocarbon sector sentiment has moderated in Q1 2014 from the previous quarter, mainly weighed down by expectations of a stable hydrocarbon production level.

The BOI employment indicator is at the highest level in three years for the non-hydrocarbon sector, with construction having the most positive outlook on hiring. Both large and small and medium-size enterprises (SMEs) are optimistic regarding selling prices and hiring going forward.

Optimism grows in Qatar's non-hydrocarbon sector

(Composite index, rebased Q1 2009 = 100)



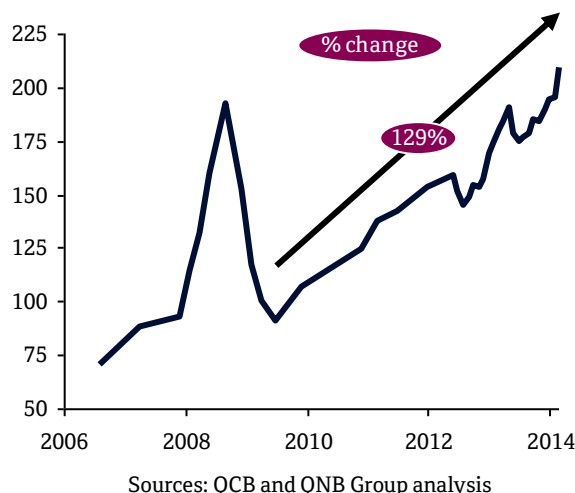
QCB's Real Estate Price Index shows a 7.2% rise in Q1 2014

The QCB produces a Real Estate Price Index, which comprises prices for land, villas and residential buildings. This index shows that real estate prices peaked in 2008, before collapsing in 2009 as the ripple effects from the global financial crisis spread around the world. Following the crisis, Qatar's real estate prices recovered steadily, rising 129% from July 2009 to March 2014. Specifically, the index rose 7.2% quarter-on-quarter in Q1 2014 reflecting a rise in residential properties.

We expect real estate prices to continue rising in the near term. As the non-hydrocarbon sector continues its double-digit expansion and population grows, this is likely to put upward pressure on real estate prices going forward.

QCB's Qatar Real Estate Price Index

(Index, Aug 2006 – Mar 2014)



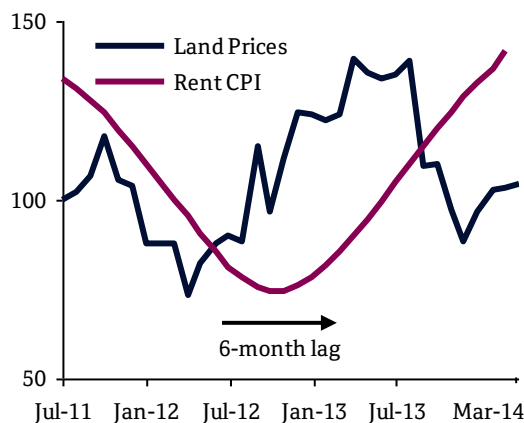
Rising land prices could reverse the slowdown in rent inflation by mid-2014

Rent inflation has slowed in recent months in line with QNB Group projections, tracking movements in the underlying price of land. QNB Group has analyzed data purely on land transactions in Qatar, based on weekly statistics published by the Ministry of Justice. Land prices are a fundamental driver of rent inflation in Qatar with a six-month lag.

A recovery in land prices between last December and March 2014 is expected to increase rents later this year. Counterbalancing this, foreign inflation is expected to decline in 2014 as international commodity prices remain flat on weak global demand and record food harvests.

Qatar land prices and rental inflation

(Indices, 12-month rolling averages, Jul 2011 – Mar 2014)

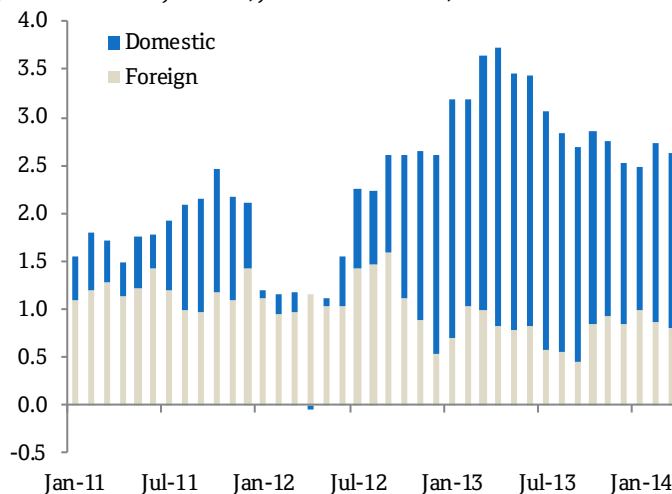


Overall headline inflation edged down in March to 2.6% owing to both lower domestic and international prices

Qatar's Consumer Price Index (CPI) for March 2014 decreased to 2.6% year-on-year, from 2.7% in the previous month. Domestic prices increased 2.7% year-on-year (from 2.8% year-on-year in February) owing primarily to higher rents, which have been rising since mid-2012 (see above). Indeed, the housing and rent component of the CPI rose 5.7% year-on-year in March 2014 on the back of the continued large influx of expatriate workers, which is inevitably putting pressure on domestic prices. Additionally, record harvests as well as large food stockpiles drove down foreign inflation to 2.2% year-on-year in March 2014 (from 2.6% year-on-year in February).

We expect the continued double-digit growth in population to drive consumer demand, leading to a moderate rise in inflation to 3.4% in 2014 (from 3.1% in 2013). Planned heavy investments in major projects in 2014 are likely to accelerate growth, which could lead to certain supply bottlenecks, pushing up prices.

(Contribution to Inflation %, Jan 2011 – Mar 2014)



Domestic inflation includes: Houses rent, Water Charges and House Maintenance + Medical Care and Health Services + Entertainment, Recreation and Culture + Miscellaneous Goods and Services

International inflation includes: Food, Beverages and Tobacco + Clothing and Footwear + Furniture, Textiles and Home Appliances

Sources: QCB, MDPS and QNB Group analysis

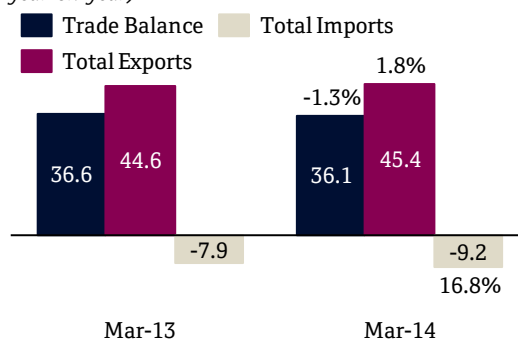
Foreign merchandise trade balance registered a surplus of QAR36.1bn in March 2014

Qatar's foreign merchandise trade balance registered a surplus of QAR36.1bn in March 2014. The surplus decreased 1.3% compared with the same period in 2013, primarily owing to a large increase (16.3%) in merchandise imports, reflecting the strong growth in the economy.

Total exports in March stood at QAR45.4bn and imports at QAR9.2bn. South Korea topped the export destination in March and accounted for 27% of Qatar's exports, followed by Japan (24%) and India (9%). The US was the largest exporter to Qatar in March (13%), followed by China (9%) and the UAE (8%).

Foreign merchandise trade continues to remain in surplus

(bn QAR, % year-on-year)



Sources: MDPS and QNB Group analysis

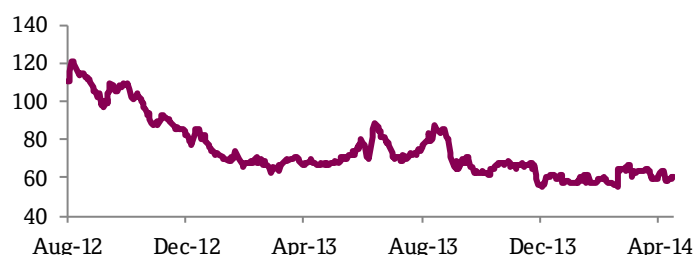
Strong fundamentals keep Qatar's CDS Spreads at historic lows in April 2014

Strong economic and fiscal fundamentals keep Qatar's Credit Default Swap (CDS) spreads to historic lows in April 2014. Qatar CDS spreads are amongst the lowest regionally (61 bps at the end of April) as they are supported by the country's robust economic growth and resource-driven wealth as well as its strong external and fiscal positions.

Going forward, QNB Group expects CDS spreads to fall on improved geopolitical conditions in the region.

Qatar CDS spreads continues on stable path

(Basis points above US Treasuries for a 5yr bond)



Sources: Bloomberg and QNB Group analysis

Economic News

- **Qatar to invest QR664bn in infrastructure in 5 years –** The Minister of Economy & Trade, HE Sheikh Ahmed bin Jassim Al Thani, said that Qatar will invest around QR664bn on infrastructure projects, excluding projects in oil & gas sector, over the next five years. The minister stated that there are 432 building materials manufacturing companies in Qatar worth \$10.4bn. These companies employ roughly 37,000 people in the areas of cement, gypsum, sand, stones, glass and fibre glass used in building materials and plastic materials, which has assumed significance in Qatar in light of the unprecedented boom in the construction and real estate sector. (GulfBase.com)
- **Fitch: Qatar's non-oil growth to pick up in 2014 –** According to Fitch Ratings, Qatar's non-oil economic growth is forecast to pick up in 2014. The rating agency added that Qatar's high government capital spending and population growth should sustain double-digit non-hydrocarbon growth. The country's planned huge project spending brings management challenges and overcapacity risks. However, benign external environment is keeping its inflation under control despite rising rents. Fitch said the average sovereign ratings of energy exporters and importers in the Middle East & North Africa region (MENA) have further diverged in 2014. Credit fundamentals across all energy exporters are expected to remain strong, driven by triple digit oil prices. Fitch forecasts that Brent crude will average \$105 per barrel in 2014 and \$100 per barrel in 2015. As a result, all energy exporters are expected to record external surpluses and all (except Bahrain – 'BBB') are forecast to post fiscal surpluses in 2014 and 2015. Fitch assumes that economic performance would improve in most energy importers as well in 2014 due to greater external financial support, a recovery in the Eurozone and improved political stability in some cases. We note QNB Group expects Qatar's real GDP to grow by 6.8% in 2014. (Peninsula Qatar)
- **Qatar's FY2014/15 budget focuses on balancing revenues and expenditures to promote sustainable development -** Projections of total revenues in FY 2014/2015 budget amount to QR225.7 billion (bn) compared to QR218.0 billion in the previous budget with a QR7.7bn increase of 3.5%. Projections of total expenditures amount to QR218.4 billion compared to QR210.6 billion in the last FY budget with a QR7.8bn increase of 3.7%. A budget surplus of QR7.3bn is expected to be achieved. The overall budget aims to provide strong support for the private sector's participation in the development process. Also effective measures to control inflationary pressures have been considered in the budget. The framework of the budget was drawn up clearly aiming that it would help translate the key pillars of Qatar National Vision 2030 into reality (Ministry of Finance Press Release, Gulf-Times.com)
- **MDPS: Qatar's labor force tops 1.5mn in 4Q2013 -** According to the Labor Force Sample Survey released by the Ministry of Development Planning & Statistics (MDPS), the number of economically active people in Qatar rose to 1.545mn in 4Q2013, up from the 1.482mn registered in 3Q2013. Economic dependency amounted to 32% in 4Q2013, marking a slight decrease from the 34% recorded in 3Q2013. Qatar had a working-age population (15 years+) of 1.8mn people in 4Q2013, of which 1.4mn of them were males. The Qatari working-age population was 181,000 individuals, comprising 10% of the total working-age population. Of the 1.545mn economically active people, 87% were males. The Qatari labour force had 96,000 economically active people, 67% of whom were males. The labor force's total economic participation was 88%, of which the 25-34 age group registered the highest participation rate at 93%, while youth (15-24 years) participation was 73%. According to the survey, the monthly average salary for the total working population stood at QR10,000 for males, while it was QR8,000 for females. Unemployment among all individuals participating in the labor force was just 0.2%, but among Qatari nationals, it was 1.5%. (Gulf-Times.com)

Private Sector News

Finance

- QGTS expands LNG fleet with 3 new joint venture vessels; deal falls in line with our thesis** – Qatar Gas Transport Company (QGTS) has added three new LNG vessels to its fleet through Maran Nakilat Co. Ltd., its joint venture with Greek shipping company Maran Ventures Inc. These vessels, which would be used in international trade, will take Maran Nakilat's total fleet from 8 vessels to 11. Due to this, QGTS' LNG fleet will increase from 58 vessels to 61. Maran Nakilat closed \$807.4mn worth of refinancing provided by Qatar Islamic Bank and Barwa Bank in order to complete this deal. This deal is in line with our view on Nakilat. We have previously stated, "We note Nakilat retains the ability to further expand its fleet targeting international customers without expending substantial capex (much like the Maran Nakilat deal, which allows QGTS to double JV fleet size to 8 LNG tankers, while upping its stake to 40% through a \$1.33bn refinancing). We view this recent deal positively and it falls in line with our thesis. (QNBFS Research, QGTS Press Release)
- Ezdan Holding buys 20.16% of Widam shares** – Ezdan Holding Group announced the acquisition of 20.16% shares of Widam Food Co (previously Mawashi), in a step to promote the group's investments and diversification strategy. Sheikh Abdullah bin Thani bin Abdullah Al Thani, Deputy Chairman of the Board of Directors, said that the group's strategy in the coming years will be to gradually dissociate from the real estate sector and allocate the group's returns in other sectors through the purchase of shares of companies listed on Qatar Exchange. (Peninsula Qatar)
- DHBK to buy HSBC Oman's India business** – Doha Bank (DHBK) Chairman Sheikh Fahad bin Mohamed bin Jabor al-Thani said the bank has entered into an agreement with HSBC Bank Oman, to purchase HSBC Oman's banking business in India. He stated that all staff working in this operation would be transferred to DHBK as a part of the purchase. The business being acquired consists of HSBC Oman's two branches and gross assets of \$58mn as on December 31, 2013. Sheikh Fahad also stated that the transaction was subject to approvals from regulatory authorities in Qatar, India, Oman and Jersey. (Gulf-Times.com)
- QE amends foreign ownership limit for CBQK** – The Qatar Exchange has announced that the ownership limit of non-Qatari investors for the Commercial Bank of Qatar (CBQK) would be 25% with effect from April 13, 2014. (QE)
- ETFs to debut on QE, to boost liquidity** – According to sources, exchange traded funds (ETFs) are set to make their debut next week (April 23) on the Qatar Exchange (QE) as the bourse enters the MSCI 'emerging' market grouping by June. As part of QE's measures to enhance liquidity in the market, foreign debt-based and general index-based ETFs are set to be launched initially, which will be followed by Islamic-index based ETFs by the end of summer. (Gulf-Times.com)
- DHBK to inject \$25mn to expand in India** – Doha Bank (DHBK) will initially invest \$25mn into its India operations and is set to invest heavily into trade finance, corporate banking and treasury services. DHBK's CEO R Seetharaman said the lender would initially operate as a branch for which it got a license. After opening its first branch in Mumbai, the bank will further expand into South India, probably in the state of Kerala to start with, where most of the expatriates from the Gulf are stationed. In addition, the lender would like to be present in cities with trade links with GCC countries such as the states of Tamil Nadu, Gujarat and others. DHBK has an exposure of around \$1bn in India and expects to take it to around \$5bn over the next two to three years. (Bloomberg)
- Barwa eyes global expansion, but focus remains on Qatar** – Barwa Real Estate Group (BRES) has plans to expand its operations internationally in 2014, although its top priority is to focus on its investments in Qatar. BRES' board of director Mohamad Abdulaziz Saad al-Saad said the majority of its investments will be made in Qatar, although there are other international projects in the pipeline. Al-Saad said the second part is dedicated for international expansion, although it is going to be much smaller in size as compared to its local plans. However, international expansion is still an important tool in the company's continued operations, particularly from a diversification perspective. Al-Saad added that the company will not compete with smaller industry players. BRES elected a new set of board of directors. The new board members are Sheikh Khalid bin Khalifa al-Thani, representing Milaha (QNNS), Mohamed Ibrahim Mohamed Yaqoub al-Sulaiti, Mohamed Abdulaziz Saad al-Saad, and Abdullah Abdulaziz Nasir al-Atiyya, representing Aludaid Real Estate Investment Company (Gulf-Times.com, Gulf-Base.com)
- QGRI signs a leasing contract with QP for WTCT** – Qatar General Insurance & Reinsurance Company (QGRI) has signed a leasing contract with Qatar Petroleum (QP), allowing QP to lease the entire World

Trade Centre Tower (WTCT) owned by QGRI located at the Cornish of Doha. (QE)

- **GISS to acquire JDC's 30% share in GDI at net book value** – Gulf International Services (GISS) has signed a share purchase agreement (SPA) with Japan Drilling Company (JDC) to acquire all of JDC's 30% share in Gulf Drilling International (GDI). GISS shall own all of JDC's shares in GDI starting May 1, 2014, making GDI a wholly owned subsidiary of GISS. Further, GDI and JDC also signed a letter of intent for the exchange of technical cooperation between the two companies and the promotion of mutually beneficial business opportunities. Now established as a world-class drilling contractor, GDI is in the process of doubling the size of its total fleet (offshore, onshore, lift boats, barges, etc), from 9 to 18, over 2012-2014. With its share of GDI's results increasing from 70% to 100%, GISS will enjoy substantially higher earnings from GDI in the future by having a larger share of a bigger operation. GISS Chief Coordinator, Mr. Ebrahim Al Mannai advised that consolidated revenue for the GISS group is projected to reach QR3.5bn in 2014 due to the GDI acquisition. Mr. Al Mannai added that the fundamentals of the GISS investment to increase its stake in GDI were favorable. The price of JDC's 30% stake will be valued at 30% of GDI's net book value as of 30 April 2014, pursuant to the joint venture agreement between GISS and JDC, while the fair market value of GDI's assets, with the majority of its rigs on multiyear contracts and utilization at 100%, is well above that value. The net

book value and acquisition cost is approximately \$160mn, subject to change due the final account settlements on the acquisition date. Meanwhile, the fair market value is estimated to be QR1.2bn. Moreover, expected additional revenue in 2014 from the acquisition is expected to reach QR445mn with additional net profit of QR150mn. (QE, GISS Press Release)

- **IQCD to focus on maximizing current operating assets, explore international opportunities** – Industries Qatar's (IQCd) Chairman and HE the Minister of Energy & Industry, Dr. Mohamed bin Saleh Al-Sada said that the company is expecting minimal organic expansion in the coming five years and will focus on maximizing its current operating assets as well as exploring international opportunities and selective products diversification. Al-Sada added that with the conclusion of a QR12.8bn capital expenditure & investment program in 2012 and the nascent stage of IQ's most-recently announced projects, its profits will be primarily determined by international product prices and facility utilization rates. He stated that during this intervening period, before the launch of IQ's next phase of major projects in Algeria and Qatar, it will continue to focus on maximizing the value of its current operating assets, exploring opportunities to replicate its existing business model beyond Qatar and diversifying into specialized products on a selective basis. (Gulf-Times.com, Bloomberg)

National Accounts

Nominal GDP (QAR bn)	2010	2011	2012	2013	Q4 13	YoY%	QoQ%
Total	455.4	624.2	691.4	736.9	188.5	5.8%	2.3%
Oil & Gas	239.7	370.2	392.7	401.2	99.7	2.0%	0.8%
Non-Oil	215.7	254.0	298.7	335.7	88.8	10.5%	4.0%
Agriculture and Fishing	0.5	0.6	0.6	0.7	0.2	9.2%	0.4%
Industry	40.8	56.7	70.2	72.1	28.6	1.7%	1.0%
Manufacturing	40.8	56.7	70.2	72.1	18.1	-5.1%	0.0%
Electricity, Gas and Water	2.1	2.4	3.4	3.8	1.0	11.2%	-8.8%
Construction	27.5	28.3	31.2	35.9	9.3	16.7%	4.4%
Services	140.9	162.1	188.6	218.4	58.9	15.4%	5.5%
Trade, Restaurants and Hotels	31.5	35.6	39.1	45.5	13.2	23.7%	6.7%
Transport and Communications	18.1	21.0	23.5	25.9	6.7	10.7%	-1.8%
Financial and Business Services	60.3	65.6	74.7	88.3	24.1	22.0%	10.0%
Social Services	4.5	5.0	5.8	6.4	1.6	5.7%	-1.0%
Government Services	37.4	46.2	60.1	69.8	17.9	7.0%	2.1%
Household Services	1.9	2.0	2.3	2.7	0.7	20.4%	0.7%
Imputed Bank Service Charges	-12.7	-13.4	-16.8	-20.2	-5.4	24.9%	3.9%
Import Duties	3.8	3.9	4.6	4.8	1.3	7.4%	4.8%

Source: MDPS

Real GDP (% change, YoY)	2010	2011	2012	2013	Q3 13	Q4 13	QoQ%
Total	16.7	13.0	6.2	6.5	6.9	5.6	0.6
Oil & Gas	28.9	15.7	1.2	0.1	1.4	-1.1	-2.8
Non-Oil	8.6	10.8	10.3	11.4	10.9	10.3	3.0
Agriculture and Fishing	19.7	5.4	4.5	0.0	8.5	4.9	0.8
Industry	23.4	14.0	4.1	0.0	8.1	9.0	1.3
Manufacturing	17.6	10.4	10.7	0.0	2.5	2.0	-1.1
Electricity, Gas and Water	13.5	7.9	10.6	0.0	6.1	5.4	-24.7
Construction	9.5	10.5	10.6	0.0	13.0	15.0	5.4
Services	6.9	10.3	10.8	0.0	12.9	11.2	3.9
Trade, Restaurants and Hotels	2.5	12.9	6.7	0.0	11.2	19.3	5.4
Transport and Communications	10.2	12.4	12.4	0.0	12.1	8.4	-1.2
Financial and Business Services	7.4	6.3	11.4	0.0	14.1	18.1	9.0
Social Services	1.9	3.0	9.2	0.0	6.4	1.9	-0.7
Government Services	8.7	13.1	12.8	0.0	16.9	5.7	1.8
Household Services	2.2	0.8	6.0	0.0	10.2	12.9	5.3
Imputed Bank Service Charges	3.3	16.4	21.2	0.0	21.1	25.8	5.7
Import Duties	17.8	-1.1	20.5	0.0	3.2	8.1	6.7

Source: MDPS

Balance of Payments

Balance of Payments (USD bn)	2010	2011	2012	2013	Q4 13	QoQ%	YoY%
Current Account Balance	23.8	52.0	62.0	62.6	14.1	-2.9%	2.4%
Trade Balance (Goods)	53.9	87.4	102.2	105.5	25.3	-2.7%	-0.4%
Exports	74.8	114.3	133.0	136.9	33.2	-2.5%	0.4%
Imports	-20.9	-26.9	-30.8	-31.5	-7.9	-1.8%	3.0%
Invisibles	-30.1	-35.4	-40.2	-42.9	-11.3	-4.3%	-3.3%
Services	-5.8	-9.5	-14.0	-16.3	-4.1	-1.0%	2.0%
Income	-12.9	-13.3	-12.1	-11.3	-3.3	8.6%	-5.9%
Transfers	-11.4	-12.7	-14.1	-15.2	-3.9	-15.8%	-6.2%
Capital & Financial Account Balance	-10.7	-62.6	-44.4	-54.5	-12.1	5.6%	-31.0%
Capital Account	-2.1	-3.6	-6.1	-4.8	-1.3	5.9%	-31.8%
Financial Account	-8.6	-59.0	-38.3	-49.7	-10.8	5.6%	-30.9%
Direct Investment (outwards)	-1.9	-6.0	-1.8	-8.0	-2.0	-30.5%	-17.1%
Direct Investment (into Qatar)	4.7	-0.1	0.3	-0.8	-0.4	1.1%	-18.5%
Portfolio investment (net)	-	-	-	-14.3	-1.7	-59.1%	-25.6%

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

Top 5 Export Destinations (USD bn)	2009	2010	2011	2012	Q3 13	QoQ%	YoY%
Japan	14.5	19.7	27.4	32.6	8.2	-9.3%	5.0%
Korea	7.6	10.8	18.9	23.2	4.9	-23.0%	-8.4%
India	3.7	5.6	10.3	14.7	3.3	26.6%	-9.0%
European Economic Community (EEC)	4.0	9.1	17.0	12.0	2.3	17.1%	-3.6%
China	1.2	2.2	4.3	7.0	1.9	-12.1%	-0.4%

Top 5 Import Sources (USD bn)	2009	2010	2011	2012	Q3 13	QoQ%	YoY%
European Economic Community (EEC)	8.1	7.2	6.6	7.5	1.8	-11.5%	23.1%
United States	3.1	3.5	3.1	3.9	1.4	-23.6%	151.3%
United Arab Emirates	1.8	2.3	3.0	3.2	0.8	0.0%	0.8%
Saudi Arabia	1.3	1.7	2.2	2.4	0.6	0.0%	0.8%
United Kingdom	1.1	1.4	1.5	1.8	0.4	-23.3%	28.0%

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

Crude oil (USD / barrel)	2009	2010	2011	2012	Mar-14	MoM%	YoY%
Oil production ('000 bpd)	781.0	733.0	734.0	733.7	710.0	-3.3%	-1.4%
Qatar average price	62.0	77.7	108.4	111.2	105.7	-1.4%	-1.4%
Dukhan	62.6	78.4	109.7	111.8	107.3	-1.6%	-1.3%
Marine	61.6	77.2	107.5	110.6	105.0	-1.4%	-1.4%

Source: OPEC (Direct communications), Reuters

Budget, Population, Money & Prices

Government Budget	2010	2011	2012	2013	Q3 13	QoQ%	YoY%
Balance	13.4	2.7	7.7	11.9	49.7		
% of GDP	2.7	7.7	11.9	9.9	27.0		
Revenue	34.3	35.7	40.5	38.5	101.4	494%	-25.1%
Expenditure	31.6	27.9	28.5	28.6	51.7	24.6%	26.9%

Population (m people in Qatar)	2010	2011	2012	2013	Apr-14	MoM%	YoY%
Total	1.72	1.73	1.83	2.03	2.16	0.5%	10.8%
Male	1.30	1.30	1.37	1.41	1.61	0.6%	11.8%
Female	0.42	0.43	0.46	0.62	0.55	0.3%	8.0%

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

Inflation (% ch, 12mth rolling average YoY)	2010	2011	2012	2013	Mar-14	MoM%	YoY%
Overall (weights shown below)	-2.4	1.9	1.9	3.1	2.9	0.3	2.6
Food, beverages & tobacco (13.2%)	2.1	4.3	3.7	2.3	2.0	-0.2	0.9
Clothing & footwear (5.8%)	-1.3	7.5	2.8	0.2	0.9	0.6	3.5
Rents, water & maintenance (32.2%)	-12.8	-4.8	-3.3	5.8	6.0	0.6	5.7
Furniture, textiles & appliances (8.2%)	4.1	2.9	4.9	3.1	3.0	0.1	3.7
Health care (2.0%)	3.5	2.6	1.5	2.3	2.1	0.0	1.4
Transport & communication (20.5%)	2.6	6.4	2.2	1.4	1.4	0.6	1.6
Entertainment, leisure & culture (10.9%)	2.9	2.0	6.0	7.3	6.0	-0.2	2.1
Miscellaneous goods & services (7.2%)	4.7	5.6	4.8	-2.5	-3.3	0.7	-2.1

Source: MDPS

Money Supply (QAR bn)	2010	2011	2012	2012	Mar-14	MoM%	YoY%
Broad money (M2)	264.7	310.0	381.1	455.7	483.2	-0.1%	15.9%
M1	68.3	81.8	90.9	105.9	117.7	4.1%	18.5%
Quasi-money	196.4	228.1	290.1	349.8	365.5	-1.3%	15.1%

Interest rates (% end period)	2010	2011	2012	2013	Feb-14	MoM bp	YoY bp
QCB deposit	1.50	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	1.39	0.74	0.77	0.85	0.40	-25.4	-35.7
Demand deposit	1.34	0.62	0.65	0.58	0.57	0.9	-11.0
Overdraft	8.19	7.42	6.63	6.10	5.67	-8.5	-76.8
Credit card	19.92	10.69	9.11	8.13	8.77	87.0	22.9

Source: QCB

Banking Sector Snapshot : March 2014

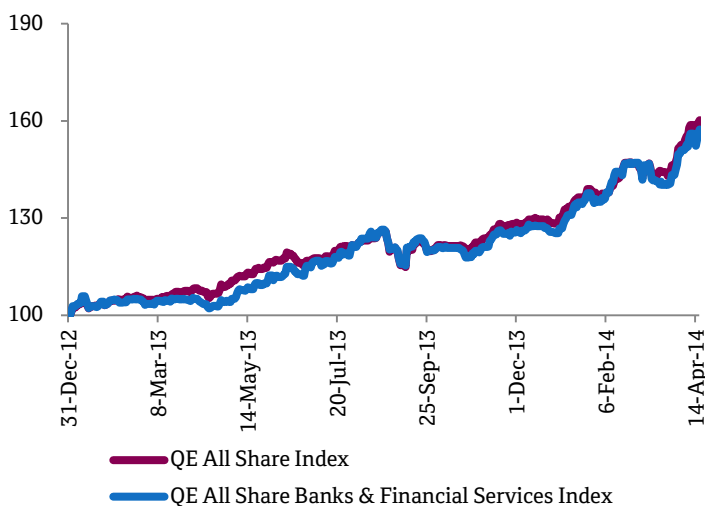
Review and Outlook

Deposit growth outpaced loan growth in the month of March 2014. Loans posted a flat performance, down 0.1% month-on-month in March 2014. This is after a relatively solid performance of 1.0% month-on-month in February 2014. However, deposits expanded by 1.0% month-on-month in the month of March 2014 (+3.9% month-on-month in February 2014). Hence, the banking sector's loans-to-deposits ratio (LDR) decreased to 103% at the end of March 2014 vs. 104% in February 2014. Going forward, we expect the public sector, in addition to large corporate loan growth, will be the primary driver of the overall loan book in 2014 followed by the SMEs and consumer lending. Our view is based on the expected uptick in project mobilizations in the coming months.

Private sector led the deposit growth along with strong participation from the public sector. Public sector deposits grew by 0.9% month-on-month (up 4.7% month-on-month in February 2014). Delving into segment details, the government institutions' segment (represents 57% of public sector deposits) improved significantly by 5.1% month-on-month vs. a 3.3% month-on-month growth in the previous month. Further, the government segment increased 9.7% month-on-month vs. a 10.5% month-on-month increase in the previous month. However, the semi-government institutions' segment posted a 30.7% month-on-month decline, continuing its trend as it declined 0.6% month-on-month in February 2014. Private sector deposits gained another 1.2% month-on-month (+4.1% month-on-month in February 2014). On the private sector front, the companies & institutions' segment declined 0.9% month-on-month (+4.7% month-on-month in February 2014) and the consumer segment expanded 3.3% month-on-month (+3.6% month-on-month in February 2014). Overall, deposits are up 5.9% YTD in 2014.

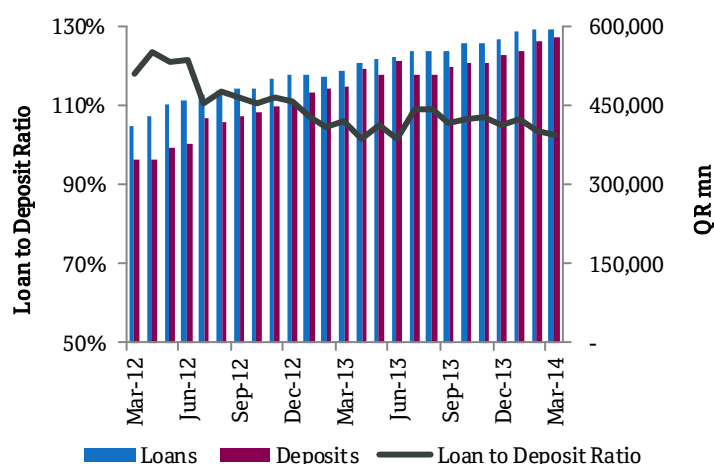
The overall loan book exhibited flat performance in March 2014. Total domestic public sector loans declined 0.7% month-on-month vs. a 1.8% month-on-month growth in February 2014. The government segment's loan book grew 5.5% month-on-month after an 8.2% month-on-month growth in February 2014. However, government institutions' segment (represents 61% of public sector loans) declined 0.8% month-on-month vs. a 1.6% month-on-month decline in February 2014. Private sector loans declined 0.3% month-on-month vs. a growth of 0.5% month-on-month in February 2014. The contractor segment posted the biggest growth, in percentage terms, up 2.5% month-on-month, while the general trade segment (contributes 13% to private sector loans) loan book grew 0.3% month-on-month. Real estate (contributes 28% to private sector loans) inched up 0.3% month-on-month. Overall, loans are up 3.2% YTD in 2014. Specific loan-loss provisioning stood at 1.4% of average trailing 12-months' loans vs. 1.4% in February 2014.

Banking Sector Index vs. QE All Share Index



Source: Bloomberg

Banking Sector - Loan to Deposit (LDR)



Source: QCB

Shahan Keushgerian shahan.keushgerian@qnbfs.com.qa
Abdullah Amin, CFA abdullah.amin@qnbfs.com.qa
Saugata Sarkar saugata.sarkar@qnbfs.com.qa

Banking Sector – Key Stats						
Banks	Closing Price	Change YTD (%)	EPS 2014E (QR)	P/E 2014E (x)	P/B (x)	Dividend Yield 2014 (%)
QE Banks & Financial Services Index	3,048.76	24.76	N/A	N/A	2.2	3.7
Al Ahli Bank (ABQK)	52.20	23.38	3.6	14.7	2.5	5.7
Al Khalij Commercial Bank (KCBK)	23.19	16.01	1.6	14.1	1.4	4.7
Commercial Bank of Qatar (CBQK)	68.70	16.44	6.2	11.2	1.3	2.9
Doha Bank (DHBK)	62.90	8.08	5.4	11.6	1.7	7.6
Masraf Al Rayan (MARK)	44.60	42.49	2.6	17.3	3.0	3.9
Qatar International Islamic Bank (QIIK)	82.00	32.90	5.8	14.1	2.2	5.5
Qatar Islamic Bank (QIBK)	81.70	18.41	6.2	13.2	1.6	5.5
Qatar National Bank (QNBK) *	194.00	24.76	15.1	12.9	2.3	3.5

Sources: QNBFS estimates (*), Bloomberg estimates and dataSource: QNBFS estimates (*), Bloomberg estimates and data (as of February 20, 2014)

Banking Sector Indicators

(In QR mn)	2010	2011	2012	2013	Jan-14	Feb-14	Mar-14	Change MoM	Change YTD
Total Assets	567,482	694,301	820,512	915,911	937,334	945,262	952,148	0.7%	4.0%
Total Credit (Loans)	314,481	403,563	510,048	577,976	591,424	597,112	596,344	-0.1%	3.2%
Total Deposits	306,788	363,612	458,066	548,384	554,007	575,351	581,000	1.0%	5.9%
Loan to Deposit Ratio	103%	111%	111%	105%	107%	104%	103%		
Credit Facilities (Geographic)									
Total Domestic Credit	293,920	376,695	478,305	535,657	547,400	553,163	550,417	-0.5%	2.8%
Total International Credit	20,561	26,867	31,743	42,319	44,024	43,949	45,927	4.5%	8.5%
Domestic Credit Facilities - Public Sector									
Government	36,303	40,801	51,746	56,549	58,930	63,785	67,288	5.5%	19.0%
Government Institutions	50,452	90,619	139,585	152,516	153,988	151,515	150,361	-0.8%	-1.4%
Semi-Government Institutions	16,303	17,750	27,222	30,679	30,868	32,795	28,617	-12.7%	-6.7%
Total Domestic Public Sector Credit	103,058	149,170	218,553	239,745	243,786	248,095	246,266	-0.7%	2.7%
Domestic Credit Facilities - Private Sector									
General Trade	24,875	26,855	33,280	36,011	38,282	39,477	39,610	0.3%	10.0%
Industry	6,648	6,534	9,339	11,592	11,808	10,801	10,440	-3.3%	-9.9%
Contractors	18,411	16,220	16,546	23,331	24,218	25,814	26,458	2.5%	13.4%
Real Estate	51,042	76,220	85,562	85,388	84,338	84,833	85,113	0.3%	-0.3%
Consumption & Others	60,345	71,986	78,587	87,020	90,817	89,073	89,049	0.0%	2.3%
Services	29,541	29,709	36,438	52,570	54,151	55,070	53,480	-2.9%	1.7%
Total Domestic Private Sector Credit	190,862	227,525	259,752	295,912	303,614	305,068	304,151	-0.3%	2.8%
Deposit Details (Geographic)									
Resident Deposits	277,107	343,777	417,337	514,804	521,335	544,061	550,048	1.1%	6.8%
Non-resident Deposits	29,681	19,835	40,729	33,579	32,672	31,291	30,952	-1.1%	-7.8%
Deposits - Public Sector (Domestic)									
Government	18,486	40,825	44,557	68,459	63,407	70,061	76,856	9.7%	12.3%
Government Institutions	32,277	57,351	104,378	124,390	124,740	128,850	135,485	5.1%	8.9%
Semi Government Institutions	21,309	27,700	31,794	37,283	36,789	36,566	25,341	-30.7%	-32.0%
Total Public Sector Deposit	72,071	125,876	180,729	230,131	224,935	235,477	237,682	0.9%	3.3%
Deposits - Private Sector (Domestic)									
Personal	90,828	103,093	116,257	145,841	151,728	157,145	162,317	3.3%	11.3%
Companies & Institutions	114,207	114,809	120,350	138,833	144,672	151,438	150,048	-0.9%	8.1%
Total Private Sector Deposit	205,036	217,902	236,607	284,673	296,400	308,583	312,366	1.2%	9.7%

Source: QCB

Qatar Exchange Monthly Performance

Company Name	Price (May 01)	% Change 5-Day	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	191.50	(3.04)	11.34	133,998	13.7	2.7	3.7
Qatar Islamic Bank	87.20	(1.47)	26.38	20,605	15.0	1.8	4.6
Commercial Bank of Qatar	68.50	(2.56)	16.10	20,340	12.5	1.3	2.4
Doha Bank	65.00	(3.85)	11.68	16,794	11.8	1.5	6.9
Al Ahli Bank	53.00	0.00	25.27	8,755	16.2	2.3	N/A
Qatar International Islamic Bank	84.40	(1.63)	36.79	12,776	16.6	2.6	4.4
Masraf Al Rayan	47.45	(2.47)	51.60	35,588	20.5	3.6	3.2
Al Khaliji Bank	22.60	(2.59)	13.06	8,136	15.4	1.5	4.4
National Leasing	28.75	(12.08)	(4.64)	1,423	16.3	1.1	5.2
Dlala Holding	33.30	(5.80)	50.68	739	N/M	3.3	N/A
Qatar & Oman Investment	14.75	(2.64)	17.81	465	23.4	1.4	4.1
Islamic Holding Group	72.00	2.13	56.52	288	29.1	4.9	2.4
Banking and Financial Services				259,906			
Zad Holding	79.00	3.27	13.67	1,033	12.0	0.8	4.4
Qatar German Co. for Medical Devices	14.19	(7.86)	2.45	164	N/M	0.9	N/A
Salam International Investment	14.25	(3.06)	9.53	1,629	14.3	1.0	7.0
Medicare Group	89.00	4.71	69.52	2,505	25.2	3.3	2.0
Qatar Cinema & Film Distribution	41.00	(3.53)	2.24	234	20.5	1.6	N/A
Qatar Fuel	245.90	(3.15)	12.52	20,769	17.2	3.5	3.1
Qatar Meat and Livestock	60.50	(2.42)	17.02	1,089	20.3	4.4	3.5
Al Meera Consumer Goods	185.80	(1.64)	39.38	3,716	16.9	3.0	4.3
Consumer Goods and Services				31,139			
Qatar Industrial Manufacturing	46.60	(4.02)	10.51	2,214	10.7	1.6	N/A
Qatar National Cement	143.00	(0.69)	20.17	7,021	15.7	2.7	4.2
Industries Qatar	182.40	(1.41)	7.99	110,352	15.7	3.8	6.0
Qatari Investors Group	66.00	(1.64)	51.03	8,206	36.3	3.9	1.1
Qatar Electricity and Water	183.30	(1.45)	10.85	20,163	13.6	3.5	3.7
Mannai Corp.	105.40	(13.54)	17.24	4,808	9.5	2.2	5.2
Aamal	16.22	(18.98)	8.13	9,732	19.3	1.4	N/A
Gulf International Services	89.30	(0.78)	82.99	16,596	22.8	5.6	1.8
Mesaieed Petrochemical Holding	34.60	(3.22)	N/A	43,469	N/M	3.2	1.0
Industrials				222,561			
Qatar Insurance	75.40	(3.33)	41.73	12,105	15.0	2.3	2.7
Doha Insurance	24.27	(7.37)	(2.92)	625	9.1	1.1	8.2
Qatar General Insurance & Reinsurance	43.00	(5.49)	7.72	2,975	1.4	0.6	2.9
Al Khaleej Takaful Insurance	38.00	(5.00)	35.34	844	12.8	1.4	N/A
Qatar Islamic Insurance	74.20	(5.60)	28.15	1,113	17.5	4.0	5.1
Insurance				17,661			
United Development	25.65	5.12	19.12	9,082	19.6	0.9	3.7
Barwa Real Estate	38.15	(1.68)	28.02	14,845	10.0	1.1	5.2
Ezdan Real Estate	29.80	(40.76)	75.29	79,044	N/M	2.7	1.0
Mazaya Qatar Real Estate Development	20.23	(5.91)	80.95	2,023	15.1	1.7	3.7
Real Estate				104,995			
Qatar Telecom	147.00	(0.68)	7.14	47,087	17.7	1.9	2.7
Vodafone Qatar	16.79	(6.51)	56.77	14,194	N/M	2.4	N/A
Telecoms				61,281			
Qatar Navigation (Milaha)	97.00	(3.96)	16.87	11,109	11.6	0.9	5.2
Gulf Warehousing	56.30	1.26	35.66	2,678	24.3	3.5	2.7
Qatar Gas Transport (Nakilat)	24.59	3.10	21.43	13,770	17.9	3.8	4.5
Transportation				27,557			
Qatar Exchange				725,099			

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:

QNB Economics
QNB Group
Tel: (+974) 4453 4642
economics@qnb.com.qa

Saugata Sarkar
Head of Research, QNBFS
Tel: (+974) 4476 6534
saugata.sarkar@qnbfs.com.qa

Keith Whitney
Head of Sales, QNBFS
Tel: (+974) 4476 6533
keith.whitney@qnbfs.com.qa

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