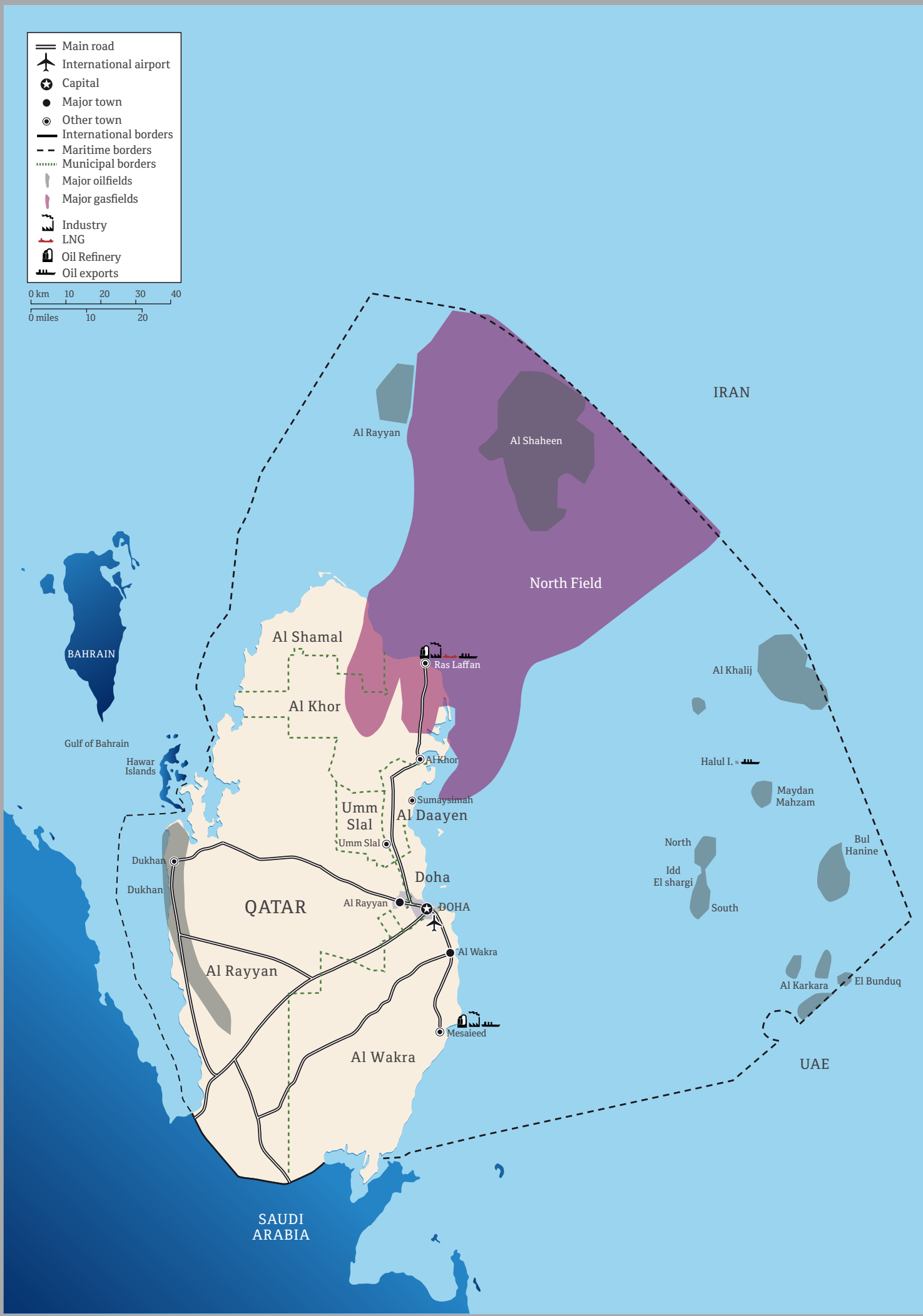
QNB

Qatar Economic Insight

2012


Main road
International airport
Capital
Major town
Other town
International borders
Maritime borders
Municipal borders
Major oilfields
Major gasfields
Industry
LNG
Oil Refinery
Oil exports
0 km 10 20 30 40
0 miles 10 20
IRAN
Al Rayyan
Al Shaheen
North Field
BAHRAIN
Al Shamal
Ras Laffan
Al Khor
Al Khalij
Gulf of Bahrain
Hawar Islands
Al Khor
Halul I.
Maydan Mahzam
Sumaysimah
Umm Slal
Al Daayen
Umm Slal
North
Idd El shargi
South
Bul Hanine
Dukhan
Doha
Dukhan
QATAR
Al Rayyan
DOHA
Al Wakra
Al Rayyan
Al Karkara
El Bunduq
Mesaieed
Al Wakra
UAE
SAUDI ARABIA

Economics Team
economics@qnb.com.qa

Mohamad Moabi
Assistant General Manager
+974 4453 4638
mohamad.moabi@qnb.com.qa

Justin Alexander
Senior Economist
+974 4453 4642
justin.alexander@qnb.com.qa

Roy Thomas
Senior Economist
+974 4453 4648
roy.thomas@qnb.com.qa

Rory Fyfe
Economist
+974 4453 4643
rory.fyfe@qnb.com.qa

Minko Markovski
Economist
+974 4453 4649
minko.markovski@qnb.com.qa

Hamda Al-Thani
Economist
+974 4453 4646
hamda.althani@qnb.com.qa

Editorial closing, 14th October 2012

Summary

- Qatar was the *world's fastest growing economy* from 2007-11 as it rapidly expanded LNG exports. It will rely on upstream and downstream hydrocarbons for 66% of GDP in 2012-13. Gas production could last for over 160 years at current extraction rates.

- *GDP per capita was around US$100k in 2011*, the highest in the GCC and one of the highest in the world. We expect it to reach US$107k in 2012 and US$111k in 2013.

- As hydrocarbon expansion plans are largely complete, *non-hydrocarbon sectors are expected to drive growth* in 2012-13. Overall, QNB Group forecasts real GDP growth of 5.4% in 2012 and 5.3% in 2013 with non-hydrocarbons growth of 7.8% and 6.6%, respectively.

- High inflows of hydrocarbon export revenue enable *strong government spending* on infrastructure, administration, and education and health, which stimulates non-hydrocarbon sectors and spurs diversification. Fiscal surpluses are expected to average 7.6% of GDP in 2012-13.

- An array of *major transport and real estate development projects are driving growth*, with spending on them running at around US$30bn a year.

- Qatar is leveraging its natural advantages of abundant hydrocarbons and low-cost energy by investing in manufacturing of *petrochemicals, fertilisers and metals*.

- Economic growth has drawn in *numerous foreign workers* and their families, who we expect to make up 85% of the 1.9m population in 2013. Services and construction should benefit from the expanding population.

- In 2012-13, we expect *trade surpluses totalling US$193bn*, almost half of which will be utilised for investments abroad, diversifying Qatar's future income streams.

- Oversupply of real estate has led to lower rents and kept the CPI down. *We expect inflation of 2.8% in 2012-13*.

- *Banking sector profits rose 16.1% in 2011*, driven by economic growth and public sector borrowing.

- The Qatar Exchange is the *second largest stockmarket in the GCC* and is being liberalised.

- *Qatar is the most competitive country in the GCC* according to World Economic Forum rankings.

Contents

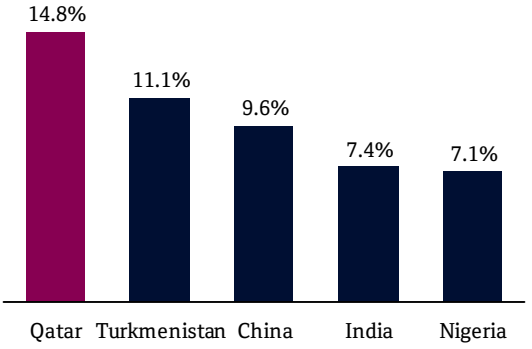
1. Overview and Demographics

A. Overview

Qatar was the world's fastest growing economy in 2007-11 as it expanded gas production

Qatar's real GDP grew at a CAGR[1] of 14.8% from 2007-11[2], a significantly higher rate than the next fastest growing country in the world (Fig 1.1).

Fig 1.1: Real GDP Growth for Selected Countries (2007-11)
(% CAGR)



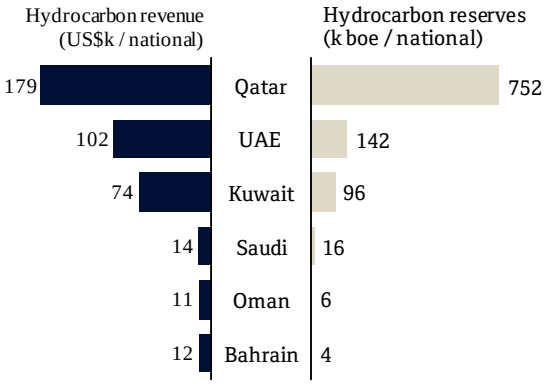
Source: Qatar Statistics Authority (QSA) for Qatar[3], IMF WEO (October 2012) for others, QNB Group analysis

Growth was driven by the development of Qatar's enormous reserves of natural gas, boosting nominal GDP to US$173bn in 2011, representing 13% of GDP in the GCC. Qatar has been the world's largest exporter of liquefied natural gas (LNG) since 2006 and accounted for 31% of global LNG exports in 2011. Qatar also has sizable reserves of crude oil and condensates. Including manufacturing, which is mainly downstream oil and gas products, the **hydrocarbon sector** accounted for an average of 62% of nominal GDP in 2007-11.

Qatar has the highest level of oil and gas reserves and revenue per national in the GCC

Qatar's **population** reached an estimated 1.7m in mid-2011[4], 3.7% of GCC population. Enormous hydrocarbon wealth and a small population give Qatar the highest GDP per capita in the world. Furthermore, hydrocarbon reserves and revenue per Qatari national are significantly higher than elsewhere in the GCC (Fig 1.2).

Fig 1.2: GCC Oil and Gas Wealth (2011)



Source: BP, national authorities and QNB Group analysis

The government plays a central role stimulating the economy by disbursing oil and gas revenue

Revenue from oil and gas exports accrues largely to the **government**, which disburses it throughout the economy. In the 2011/12 budget year, 81% of government revenue was hydrocarbons related, down from 94% in the 2002/03 budget. Government spending, through the national budget, averaged 28% of GDP per year from 2007/08 to 2011/12. In this way, the government plays the central role in supporting and stimulating economic activity.

The government aims to diversify the economy by leveraging Qatar's comparative advantages

Qatar's rapid economic growth is rooted in the success of its long term oil and gas investment programme, which has greatly raised export revenue. Oil and gas production is currently close to planned capacity and, consequently, real growth in the sector is expected to continue at a decelerating rate. Therefore, economic **diversification** away from raw hydrocarbon production is becoming increasingly important to deliver future growth.

[1] This is the compound annual growth rate (CAGR), which is a geometric growth mean. All multi-year growth rates mentioned in this report will be CAGRs, rather than arithmetic growth means.

[2] Throughout the report we refer to CAGRs for the period from 2007-11. This refers to a four-year CAGR using the figure for 2007 and 2011 to calculate the compound change between the two dates.

[3] The IMF figure for Qatar is 16.2% but this has not been updated to reflect the latest QSA data.

[4] About 15% of the Qatari population are nationals. This is a QNB Group estimate as official data on the number of nationals are not published.

To cater for this, Qatar has already invested in industries that leverage its comparative advantages in hydrocarbon feedstock and energy inputs. These include petrochemicals, fertiliser manufacturing and metal production.

Additionally, Qatari services sector companies, including renowned brands such as QNB, Qatar Airways and Qatar Telecom, are competing on the international stage. In the financial sphere, the Qatar Financial Centre (QFC) has been successful in attracting globally renowned companies[5]. This has helped expand the financial services sector, particularly in the areas of advisory services, insurance, asset management and wealth management.

Despite strong growth in the non-oil[6] sector (real growth of 14.4% in 2007-11), rising hydrocarbon prices and production have caused oil and gas GDP to grow even more strongly, lowering the overall share of non-oil sectors. Crude oil and raw gas accounted for 58% of GDP in 2011 versus 52% in 2007. This has clouded the success of Qatar's diversification efforts. Services were the main contributor to non-oil growth in 2007-11 while manufacturing and construction were also significant.

Investment in education and scientific research aims to support diversification

The government aims to push diversification and economic development forward by building a **knowledge-based economy** in Qatar. The aim is to boost the contribution of services to GDP and raise research and development spending to 2.8% of GDP. A key step in achieving this objective is the Qatar Science and Technology Park (QSTP), an initiative of Qatar Foundation (QF). QSTP hosted 48 companies with 800 staff at the end of 2011 and expects this to rise to 50 companies with 1,000 staff in 2012. The companies include global high-tech research leaders, such as Cisco, ConocoPhillips, ExxonMobil, Microsoft, Qatar Petroleum[7] (QP), Shell, Siemens, Total and Williams F1.

Even larger investments have gone into **education**, developing Qatar University and attracting top-class foreign universities to set up affiliates in Doha in QF's Education City campus. Six US universities have established affiliates in Qatar's Education City. These include Weill Cornell Medical College, Georgetown, and Northwestern as well as one UK institution, University College London. QNB Group estimates that public spending on education is currently around 3% of GDP, one of the highest in the GCC.

The goal of diversification and a knowledge economy is outlined in Qatar's long-term vision

Qatar's long-term goals were set out in 2008 in the **Qatar National Vision 2030 (QNV 2030)**, which is based on the principles of sustainable economic, social, environmental and human capital development. It will be implemented through a series of medium-term plans, beginning with the National Development Strategy 2011-16 (NDS 2011-16).

The NDS 2011-16 estimates that around US$225bn of investment will be executed during 2011-16. This is roughly in line with the US$243bn of projects that are currently underway and planned in Qatar, according to MEED Projects (Section 3C). The NDS 2011-16 estimates that the government will provide 42% of total investment, laying the foundations for the private sector to make up the remainder. The NDS 2011-16 is based on certain economic assumptions (Table 1.1).

Table 1.1: NDS 2011-16 Economic Baseline Scenario

Indicator	2011	NDS 2011-2016 Baseline
Average oil price (US$/barrel)	US$111	US$86
Average gas price (US$/mBTU)	US$11.6	US$9.6
Real GDP growth (%)	13.0%	6.9%
Non-oil and gas growth (%)	10.8%	9.1%
Real growth in GDP per capita (%)	11.8%	5.3%
Public fixed investment (% of GDP)	7.2%	10.4%
Services sector (% of GDP)	27%	40% by 2016

Source: GSDP[8], NDS 2011-16 forecasts, QNB Group analysis and estimates

[5] There are now 129 companies that are licensed under the QFC. These include Barclays Bank, Morgan Stanley, Deutsche Bank, Citibank, Goldman Sachs and JP Morgan Chase Bank.

[6] "Non-oil" is widely used as a shorthand for "non oil and gas production".

[7] QP is the national oil and gas company with operations throughout all levels of the oil, gas and industrial sectors.

[8] General Secretariat for Development and Planning, the state planning body.

Many infrastructure projects outlined within NDS 2011-16 are already underway. These investments in developing a first-class infrastructure will be accelerated as the country prepares to host the 2022 FIFA World Cup. The largest project is the metro and rail project, with an estimated cost in excess of US$35bn. It will be implemented in two phases, the first will be completed by 2020, ahead of the 2022 World Cup, and the second will be completed by 2029. Other focal areas include roads and motorways, mixed-use developments, a new airport and a new port.

Sovereign credit ratings are one of the highest in the GCC and in line with advanced economies

Qatar currently has the highest credit ratings[9] in the GCC, together with Kuwait (Table 1.2).

Table 1.2: Long-Term Ratings (2011)

Sovereign	S&P	Moody's	Fitch
Kuwait	AA	Aa2	AA
Qatar	AA	Aa2	Not Rated
UAE	Not Rated	Aa2	Not Rated
Saudi Arabia	AA-	Aa3	AA-
Oman	A	A1	Not Rated
Bahrain	BBB	Baa1	BBB
Germany	AAA	Aaa	AAA
Singapore	AAA	Aaa	AAA
US	AA+	Aaa	AAA
Japan	AA-	Aa3	AA

Source: S&P, Moody's, Fitch and QNB Group analysis

Qatar's rating also compares favourably with some of the most developed economies in the world. It is one of the very few global sovereigns that received a ratings upgrade in 2010 when Standard and Poor's (S&P) raised Qatar's sovereign long-term foreign and local currency ratings to AA from AA-. S&P mentioned that the upgrade was based on the strengthening of the fiscal and external accounts, and strong growth prospects from the completion of gas export projects.

[9] Credit ratings are assigned to issuers (countries, companies and their financial instruments) of debt securities. They express an opinion about the ability and willingness of the issuer to meet their financial obligations. The ratings are usually classified into three broad categories: investment grade, speculative and default. Qatar's ratings are investment grade owing to its strong macroeconomic environment and government finances. The principal rating agencies are S&P, Moody's and Fitch.

B. Demographics

Population

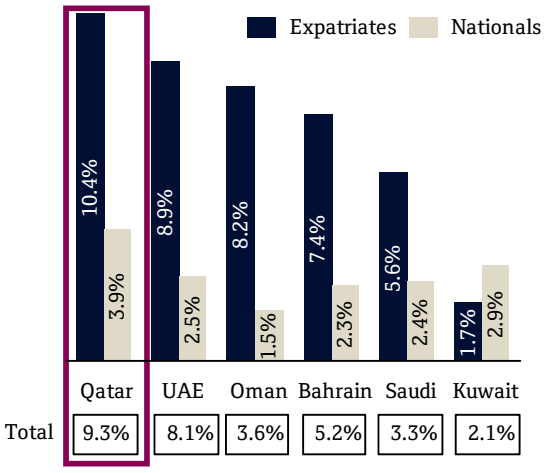
Population growth will slow as demand for expatriate labour moderates

The **total population** grew at 9.3% from 2007-11 to reach an estimated 1.7m. This was the fastest global population growth and compares with world population growth of around 1.2%. The UAE had the next fastest growing population with a rate of 8.1% from 2007-11. The World's largest economies grow at considerably slower rates such as the US (0.8%), Japan (0.0%) and China (0.5%).

Qatar's population growth has been driven by rapid economic growth, which has attracted expatriates. QNB Group expects that population growth will slow to 2.8% from 2011-16 as a stabilisation in project spending leads to less demand for expatriate labour. We forecast the population will be 2.0m in 2016.

Qatari nationals numbered around 250k, or 15% of the total population in mid-2011. The growth rate of the national population was around 3.9% from 2007-11, the fastest in the GCC (Fig 1.3). This is an extremely high rate of natural population growth and is faster than the overall population growth in all but three other countries in the world.

Fig 1.3: GCC Population Growth (2007-11)
(% CAGR)



Source: National statistical authorities, QNB Group estimates

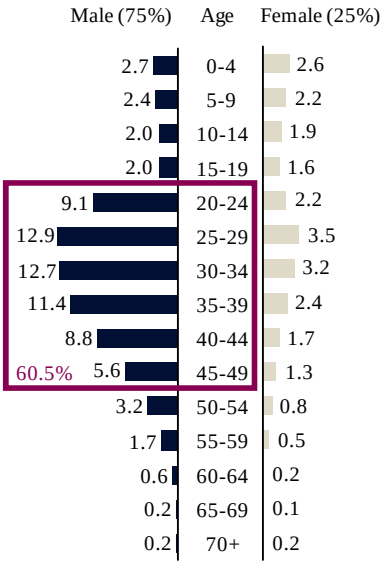
The **expatriate** population was an estimated 1.5m in mid-2011, representing 85% of the total. It grew at an estimated annual rate of 10.4% from 2007-11 when the growth of the expatriate population was driven by heavy government investment into major projects that required large numbers of workers.

Therefore, population growth is closely related to government expenditure growth, which is expected to ease. Consequently, the growth of the expatriate population will also decelerate. In 2012-13, we forecast that the population will grow at a more moderate rate of 4.0%[10].

The population is heavily skewed towards working age men and is concentrated in Doha

Males comprised 75% of the total population in 2010 as the majority of expatriates working in Qatar, especially in the construction and services sectors, are unaccompanied men. The age profile of the population is also skewed by the expatriate workforce. Around 60.5% of the population were in the male 20-49 age bracket in March 2010 (Fig 1.4).

Fig 1.4: Population by Age and Gender (March 2010)
(% share of population)



Source: Qatar Statistics Authority (QSA) and QNB Group analysis

[10] This is broadly in line with the latest monthly QSA data on the number of people in Qatar, taken from visas, resident permits and border agencies, which shows that the rolling average annual population has grown by 3.8% so far this year.

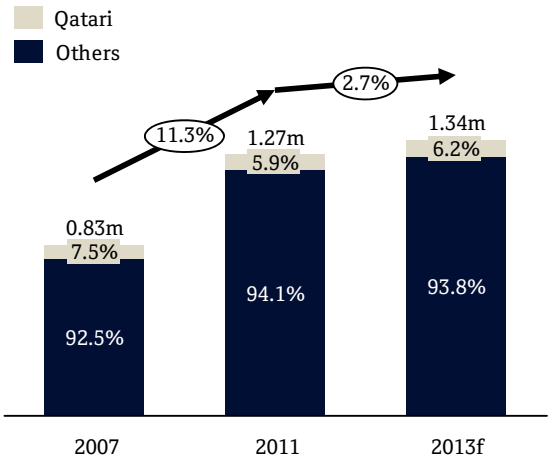
Doha, the capital city, and its neighbouring municipalities account for 86% of the population. The municipality of Doha accounts for 47% of the population and its neighbours (Al Rayyan, Al Wakra and Umm Salal) account for another 39%.

The largest municipality outside this area is Al Khor, 50 km north of Doha, which accounts for 11% of the population. There are 149 people per sq km in Qatar, which makes it one of the more densely populated countries in the GCC. The average density in Saudi Arabia, for example, is only about a tenth of this level.

Labour force

Expatriates account for 94.1% of the economically active population

Fig 1.5: Economically Active by Nationality (2007-13)
(CAGRs and % shares shown)



Source: QSA and QNB Group forecasts[11]

The **economically active**[12] population grew at a rate of 11.3% from 2007-11, driven by the inflow of expatriates to work in the burgeoning economy. A high proportion of expatriates work. Therefore, while they accounted for 85% of the overall population, they made up a higher proportion (94.1%) of the economically active

[11] For applicable years, we have used the letter "f" to indicate forecasts and the letter "e" to indicate estimates of past years data.

[12] QSA uses the term "economically active" to refer to the working age (15-64) population, excluding those who are economically inactive, who are mainly students and housewives, and those seeking work for the first time (only 6,371 people in 2011). It includes the unemployed who have had previous employment (only 829 people in 2011).

population in 2011. The number of economically active Qataris has also grown, rising from 61,707 in 2007 to 74,680 in 2011 (Fig 1.5).

Job growth for expatriates is forecast to slow while Qatari job growth accelerates

We forecast that the labour force will add around 68,800 jobs by the end of 2013, including 60,400 expatriate jobs. New projects and economic growth, especially in the job-intensive services sector, will drive job creation for expatriates. However, growth in the number of economically active expatriates is expected to drop to 2.5% from 2011-13, down from 11.8% in the period from 2007-11.

We expect 4,000 Qatari jobs to be added in 2012 and 4,400 in 2013, above the average annual number of jobs for nationals created in 2007-11 of 3,300, based on the strong natural growth of the local populace and the robust expansion expected in government services (the main employment area for locals). The recent increase in public sector salaries (Section 6B) will boost local government employment by providing an additional incentive for Qataris to join the workforce.

Construction drove employment growth until 2008

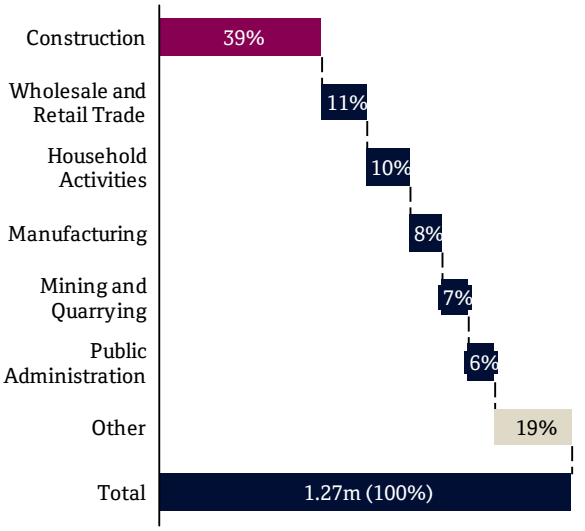
The **construction** sector is the largest employer in Qatar with 0.50m workers accounting for 39% of the labour market in 2011 (Fig 1.6).

Construction workers are almost exclusively male, which is the primary cause of the skewed gender profile of Qatar's population. Ongoing major infrastructure projects have given strong impetus to construction employment, which increased by more than fourfold from 2006-08. A number of construction projects were put on hold during the global economic slowdown and employment in the sector levelled off in 2009 before contracting slightly in 2010-11.

Mining and quarrying (crude oil and raw gas) only accounted for 7% of total jobs and 7% of jobs held by Qatari nationals, despite accounting for 58% of GDP in 2011. This illustrates a key challenge for Qatar: how to create jobs in an economy that is dependent on capital-intensive hydrocarbons production, which does not require a large numbers of workers.

The **services** sector has greater potential for job creation as it is more labour intensive. Consequently, its employment growth has been strong at 10.6% since 2007. Driving services job growth is burgeoning consumer demand, which has supported **wholesale and retail trade** services (40,317 additional jobs from 2007-11). In addition, high government expenditure has increased the number of jobs available in **public administration and defence** (23,559 additional jobs from 2007-11).

Fig 1.6: Jobs by Sector (2011)
(% share)



Source: QSA Labour Force Survey 2011 and QNB Group analysis

The **private sector**[13] accounted for 75% of jobs in 2011 and it has been the main driver of job growth, adding 348,427 jobs from 2007-2011, almost ten times the number of jobs added in the government and mixed sectors. Expatriates comprise 99% of the private sector workforce.

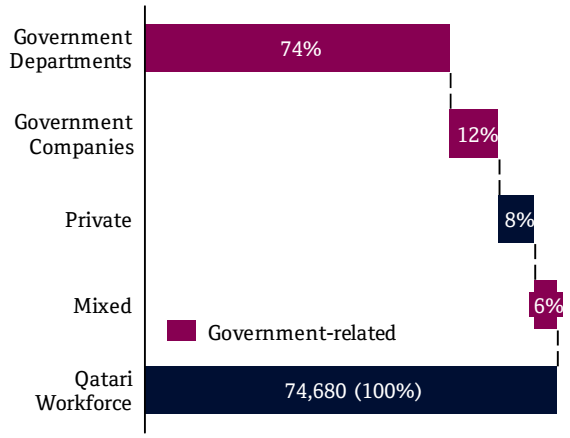
Pay, hours and job skill-levels provide little incentive for Qataris to enter the private sector

Public administration and defence is the largest public sector activity and accounts for 41% of government-related jobs. The government is a more stable and attractive employer as it tends to offer higher wages, more benefits and preferable working hours (shorter with more single rather than split shifts) than most private sector employers.

[13] This excludes domestic workers, owing to lack of data, and the mixed sector, which refers to public-owned and partially public-owned companies.

Consequently, Qataris tend to opt for government-related jobs and these employ 92% of the Qatari workforce (Fig 1.7), leaving only 8% working in the private sector.

Fig 1.7: Qatari Workforce by Sector (2011)
(% share)



Source: QSA Labour Force Survey 2011 and QNB Group analysis

The private sector has accounted for 20% of new Qatari jobs created since 2007, which suggests that it has been making some progress in attracting Qatari nationals to the labour force. However, public sector pay increases in 2011 may make it harder for the private sector to compete.

Equal incentives would accelerate Qatari participation in the private sector

The private sector provides opportunities for nationals to gain knowledge and skills from expatriates. This is central to establishing the new businesses and industries that are part of Qatar's long-term development goals of diversification and job creation (the government will not be able to provide the vast majority of Qatari jobs indefinitely).

Therefore, the NDS 2011-16 aims to increase the proportion of nationals in the private sector workforce to 15% by 2016. Solid progress has already been made with the proportion of Qatari workers in the private sector rising from 6.0% of the total local workforce in 2007 to 8.4% in 2011. The NDS 2011-16 proposes three strategies to further increase Qatari private sector participation.

Firstly, it aims to reduce barriers to the **employment of women** in the private sector. The number of Qatari women working in the private sector more than tripled from 2009 to 2011, representing 37% of Qataris in the sector. Qatari women are now proportionally better represented in the private sector than in the overall workforce.

The second strategy is to encourage **entrepreneurship**. The percentage of the local workforce that are either employers or self-employed increased from 2.5% in 2007 to 3.0% in 2011, indicating greater entrepreneurship.

The government has launched various entrepreneurship initiatives, such as Enterprise Qatar, which was established in 2008 to support the development of small- and medium-sized enterprises (SMEs). Its activities include facilitating access to capital for entrepreneurs and setting up projects to help young entrepreneurs, such as business incubation programmes.

Silatech is another initiative, launched in 2008, to connect young people, in Qatar and across the Arab world, with employment and enterprise activities. It hosts conferences, makes partnerships and helps raise funds for young entrepreneurs.

Another initiative is the Roudha Centre, which will be completed in 2015 and aims to provide support to female entrepreneurs.

The Qatar Development Bank (QDB) has launched the Al Dhameen programme to encourage banks to finance SMEs by providing guarantees of up to US$4.1m, to existing companies and startups with a lack of credit history. The programme focuses on industry, medical care, education, tourism and agriculture.

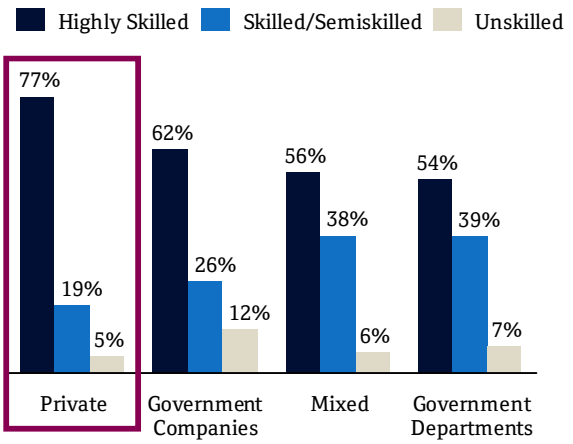
A junior stockmarket is also being planned, which would have lower capital and past performance requirements, encouraging smaller companies to list. The stock exchange and regulators are ready to launch the junior market and are just waiting for a critical mass of applicants.

The third, and most important, strategy is to level out the differences between the **pay and benefits** for nationals in the public and private sectors.

Government investment is helping to improve skill levels amongst nationals

Qatari nationals working in the private sector tend to be more highly skilled[14] than those in the public and mixed sectors (Fig 1.8).

Fig 1.8: Skill Level of Qataris by Sector (2009)
(% share of skilled workers in each sector)



Source: QSA and QNB Group analysis

This suggests that improving the skill level of the Qatari workforce would help increase their participation in the private sector. There are indications that this is taking place as the proportion of the Qatari workforce in the private sector has been increasing. At the same time, there has been a sharp increase in the number of Qatari university students of 10.0% between the 2009/10 and 2010/11 academic years.

The trend is even stronger amongst female Qataris. There were fewer female Qataris in the non-private sector in 2011 than in 2009, while their participation in the private sector tripled. Additionally, the number of female students increased by 11.2% from 2009/10 to 2010/11.

The government is investing heavily in education. Around 13% of total expenditure in the State budget for 2012/13 was allocated to education. A similar level of investment has been sustained for the last decade, raising the skill level of the national workforce.

The proportion of the Qatari labour force at the associate professional level, or higher, has risen from 54% in 2007 to 57% in 2011 and the number of Qataris engaged in elementary occupations has more than halved over the same period. The majority of skilled and highly skilled jobs are in the services sector and the government policy of investing in education and the knowledge economy should help create more skilled jobs for Qataris. Furthermore, the government's Qatarisation policies, which set quotas for employment of Qataris, is focused on services sectors.

A shortage of skilled jobs for the national workforce poses a challenge for policymakers

Overall in 2011, there were only 6,240 more skilled jobs in the total workforce than in 2007, an increase of 3.1% over five years. In contrast, 99% of the net jobs created over this period were low-skilled, mainly in the construction sector. Low-skilled construction workers accounted for 221,654, or 64%, of new private sector jobs from 2007-11 as they were needed to implement major infrastructure development projects. While the number of skilled workers is likely to continue to rise, it will be dwarfed by the increase in the number of low-skilled construction workers needed to carry out ambitious infrastructure development plans.

The Qatari workforce grew by just over 3,000 in 2011. With improving educational standards and higher job expectations, at least half of these new entrants will be hoping to join the skilled segment of the labour force. This is broadly equivalent with the number of skilled jobs that are being created. However, a significant proportion of new skilled jobs will be filled by expatriates with global experience and skills. Lack of job opportunities, followed by lack of suitable work, were the most commonly cited reasons for unemployment amongst Qataris in the 2011 Labour Survey.

This poses a two-pronged challenge for policymakers:

1. Development should target greater economic sophistication to provide a sufficient number of high-level jobs to meet the needs of an increasingly skilled national workforce
2. Skills shortages in certain technical areas need to be addressed within the national workforce. While demand for science and mathematics graduates is rising, fewer students are taking these subjects at secondary level and university

[14] We have assessed the skill levels of jobs according to their categorisation. Highly skilled jobs include: "Legislators, Senior Officials and Managers"; "Professionals"; and "Technicians and Associate Professionals". Skilled jobs include: "Clerks"; "Service Workers" and "Shop and Market Sales Workers"; "Craft and Related Trade Workers"; and "Plant and Machine Operators and Assemblers". Unskilled jobs include: "Elementary Occupations".

Unemployment

The unemployment rate for **Qatari** nationals was 3.9% based on the 2011 labour force survey. This is relatively low compared to other GCC countries because:

- The government is in a position to employ most nationals who are willing to work, or offer them further educational opportunities
- New government and semi-government agencies are being formed in various sectors and are in need of Qatari nationals
- The private sector is encouraged to employ Qataris by employment quotas, which vary by sector

Despite improving education, Qatari female unemployment is rising

Unemployment for Qatari nationals has risen from 2.2% recorded in the previous labour force survey in 2009, mainly as a consequence of an increase in the female unemployment rate from 3.2% in 2009 to 8.0% in 2011. There were 2,172 unemployed Qatari women in 2011, accounting for 72% of unemployed Qataris. Almost all unemployed Qatari women have not been previously employed and are seeking jobs for the first time. Additionally, over half are under 30.

Unemployment within the **expatriate** workforce is considerably lower, at 0.3%, as expatriates' residence permits are linked to their employment.

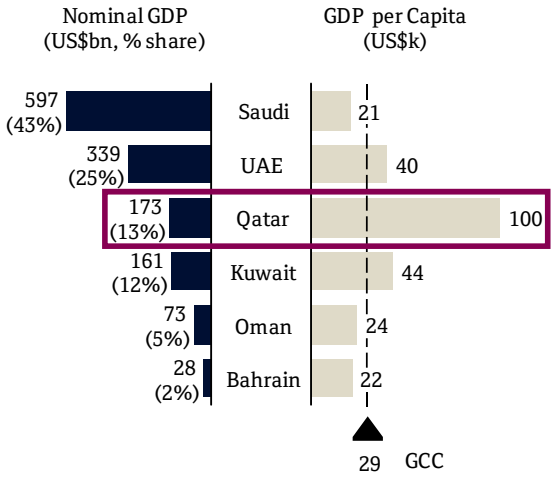
2. GDP

A. Structure

Qatar is the third largest economy in the GCC and the wealthiest in terms of GDP per capita

Qatar is the third largest economy in the GCC (Fig 2.1), accounting for 13% of the region's GDP in 2011.

Fig 2.1: GDP in the GCC (2011)



Source: National Statistical Authorities and QNB Group estimates

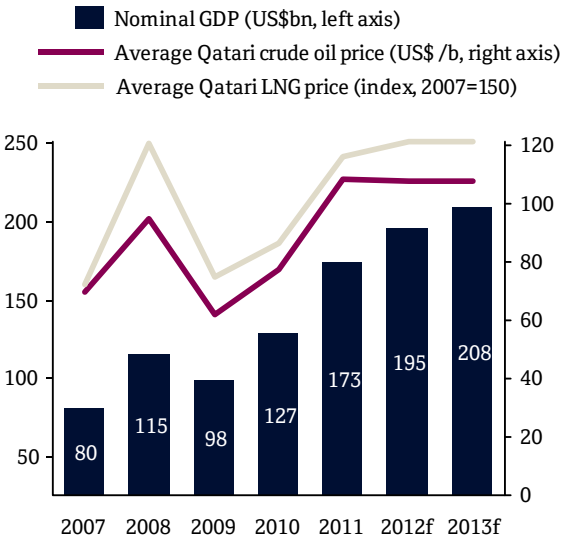
In terms of GDP per capita, Qatar is the wealthiest country in the GCC, by a large margin, and one of the wealthiest countries in the world. This is largely a result of its high level of oil and gas output relative to the small population.

Rising gas exports and high energy prices have been the main drivers of nominal GDP growth

The oil and gas sector accounted for an average of 62% of GDP in 2007-11, including the manufacturing sector, which is predominantly petroleum refining and hydrocarbons-based petrochemicals production. With the development of Qatar's gas fields, LNG and other gas-related products[15], the gas sector has become an increasingly important component of GDP. Gas-related exports have risen from around 40% of total exports in 2007 to an estimated 62% in 2011. LNG exports alone grew from US$9.5bn in 2007 to US$42bn in 2011.

LNG is largely sold through long-term supply contracts with index-linked prices. Around 60% of LNG exports under long-term contracts are linked to oil prices, with the rest linked to gas price indices. Additionally, spot LNG prices roughly track oil prices, although this can vary according to localised gas supply and demand factors. As a result, there tends to be a strong correlation between international oil prices and Qatar's average LNG sales price (Fig 2.2).

Fig 2.2: Nominal GDP and Oil and Gas Prices (2007-13)



Source: QSA and QNB Group forecasts

Nominal GDP is therefore heavily dependent on changes in oil and gas prices. Despite LNG capacity expansion, a drop in oil and gas prices in 2009 drove GDP down. Since then, rising oil and gas prices have boosted nominal GDP.

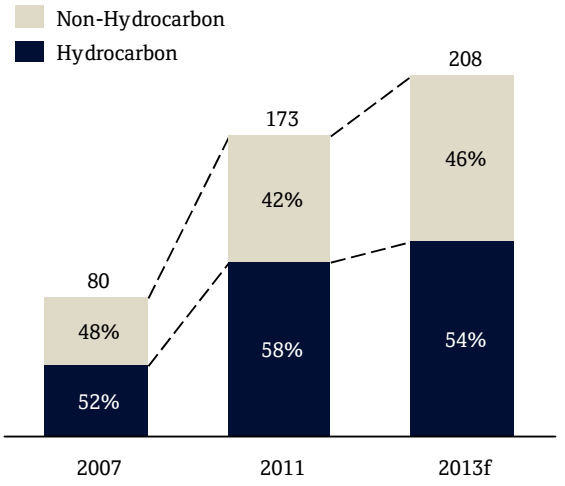
In the first eight months of 2012, Brent crude oil prices averaged around US$112/b. QNB Group anticipates that average oil prices will be slightly lower, on average, in the remainder of the year as an uncertain outlook for some advanced economies is expected to restrain oil demand and prices. Therefore, Brent crude is forecast to average US$110/b during 2012, and remain at that level in 2013. Average Qatari crude prices are expected to be about US$1/b higher than Brent.

[15] Gas-related products include not just LNG and piped gas, but also some condensates and natural gas liquids (NGL), which are extracted from raw gas, and the chemically processed gas-to-liquids (GTL). We exclude non-fuel products, such as fertilisers and petrochemicals, which are produced using natural gas as a feedstock.

Crude oil and raw gas production contributed 52% of GDP in 2007-11, on average

Rising oil prices, together with increased production, have ensured that the hydrocarbons sector extended its majority share in nominal GDP from 2007-11 (Fig 2.3).

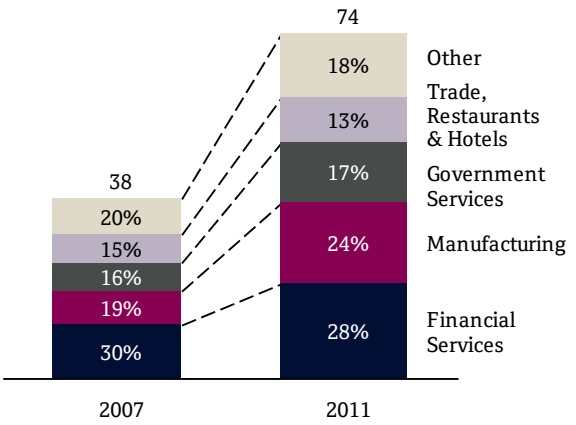
Fig 2.3: GDP by Main Economic Sectors (2007-13)
(US$bn, % shares shown)



Source: QSA and QNB Group analysis

No major oil and gas production increases are expected during 2012-13. However, with oil prices forecast to remain elevated at an average of around US$110/b, the share of the oil and gas sector should remain high at an average of 55% of nominal GDP in 2012-13.

Fig 2.4: Breakdown of Non-Hydrocarbon GDP by Sector (2007-11)
(US$bn)



Source: QSA and QNB Group analysis

The non-oil sector will be boosted by high revenue flowing into the economy from the oil and gas sector. The government uses hydrocarbons revenue to finance spending, particularly on major development projects, which supports the non-oil sector. Services account for the largest portion of the non-oil sector, particularly financial services and government services (Fig 2.4).

B. Growth

Qatar's nominal GDP grew by 21% from 2007-11 to reach US$173bn. This growth was driven by the expansion of LNG production and rising hydrocarbon prices. Crude oil and raw gas nominal GDP grew by 25% from 2007-11.

The non-oil sector has also exhibited remarkable nominal growth of 17.4% since 2007. Growth has primarily been driven by the manufacturing sector, which is heavily reliant on hydrocarbon inputs for its major sub-sectors, petroleum refining and GTL, petrochemicals and fertiliser production. Heavy investment, new facilities and capacity expansions have supported manufacturing growth.

Services have also been a key non-oil growth driver. Strong revenue from the oil and gas sector has supported the provision of government services to the rest of the economy. Financial services have benefited from robust activity across the economy, particularly from the rollout of major projects that have required financing.

The non-oil sector will take over as the main drivers of growth in 2012-13

QNB Group forecasts nominal GDP growth of 12.2% to US$195bn in 2012. The factors contributing to this are:

- Strong non-oil growth, of 18.0%, supported by an expansion in government spending and investment
- A small increase in oil prices by 2.9%
- Slightly higher hydrocarbons production, as LNG and GTL trains that were commissioned during 2011 operate for their first full year, and the second Pearl GTL train comes on-stream in 2012

In 2013, we forecast that nominal GDP growth will slow to 6.7%, with significant growth coming from the non-oil sector, particularly the services sector which is forecast to grow by 11.8%.

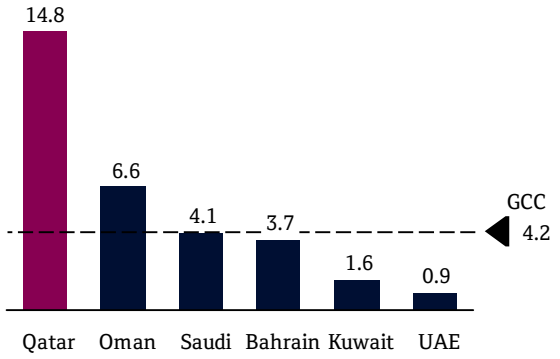
Given the high variability of oil prices, we have also looked at scenarios with Qatari crude oil prices averaging US$85/b and US$135/b in 2013. We would expect the low oil price scenario to lead to a contraction in nominal GDP of 11.7% and the high price scenario to

lead to growth of 24%. The biggest impact would be in the oil and gas and manufacturing sectors, while we would expect growth in services to be 2.5% with the lower prices and 17.0% with the higher prices.

In real terms, Qatar has expanded considerably faster than the rest of the GCC

From 2007-11, Qatar's real GDP growth was 14.8%, more than double the real growth recorded by Oman, the next fastest growing GCC economy (Fig 2.5).

Fig 2.5: GCC Real GDP Growth (2007-11)
(% CAGR)



Source: National sources, IMF and QNB Group estimates

Qatar's strong real GDP growth has been driven by a steady expansion in oil and gas production. The oil and gas sector expanded at a rate of 15.3% from 2007-11 as natural gas production more than doubled to feed additional LNG export capacity. LNG output rose at 28% from 2007-11.

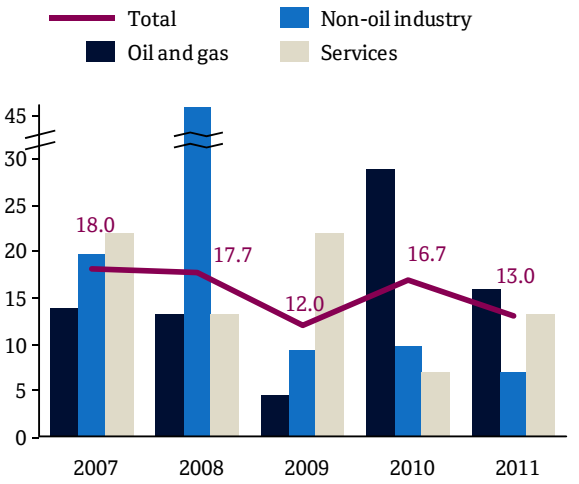
This has given impetus to the non-oil sector, as hydrocarbon revenue has been dispersed throughout the economy via the government, financial sector and private companies that provide goods and services to the hydrocarbons sector.

The government has a particularly strong role in this process with spending averaging 28% of GDP in 2007-11, supporting major infrastructure projects and boosting confidence in the economy. The non-oil sector grew at 14.4% in real terms from 2007-11.

Non-oil and gas growth compensated for a contraction in the oil and gas sector in 2009

In 2009, slower hydrocarbons expansion led to a slowdown in real GDP growth from 17.7% in 2008 to 12.0% (Fig 2.6).

Fig 2.6: Real GDP Growth by Major Sectors (2007-11)
(% change)



Source: QSA and QNB Group analysis

The growth slowdown was mainly because oil output was cut after OPEC[16] lowered the oil production targets of its members at the end of 2008. In the wake of the 2008 financial crisis, OPEC became concerned about falling oil prices and weak global demand. It therefore reduced the output targets for its members. Qatar has been compliant with OPEC output targets. In 2009 and 2010, crude oil production is estimated to have averaged 781k barrels/day (b/d) and 733k b/d, down from 843k b/d in 2008 and compared with an OPEC production target of 730k b/d.

Meanwhile, natural **gas** production continued to increase in 2009, rising by 18.3%, as the global financial crisis and recession had little impact on development plans that were nearing completion. This increase more than offset the fall in oil production, keeping total oil and gas GDP growth positive at 4.5%.

The global recession and the slowdown in the oil and gas sector precipitated a broader economic slowdown in the Qatari economy in 2009. The poor global economic outlook led to some investment restraint, although major projects continued to be implemented. The construction boom stuttered as real growth in the sector slowed. Overall, growth in the **non-oil industrial** sector,

[16] The Organisation of the Petroleum Exporting Countries (OPEC) is a grouping of 12 oil-exporting countries, which aims to coordinate policies between its member states in order to stabilise oil markets and ensure: a steady income for oil-producing nations; secure supply to oil-consuming countries; and a fair return for investors in the oil sector. OPEC members account for over 40% of world oil production and the organisation is therefore able to influence global oil markets by coordinating production adjustments and setting production targets for its members.

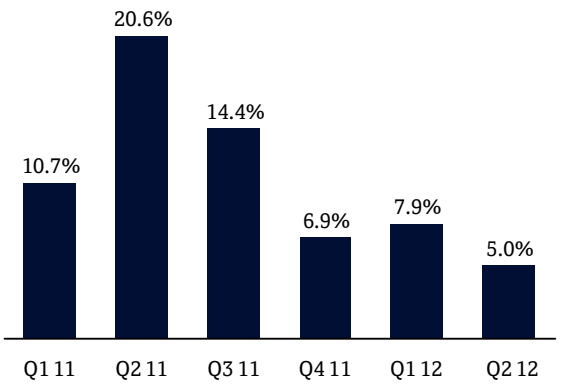
including construction, slowed from 19.6% in 2007 to 9.3% in 2009.

The **services** sector was less affected. Real growth was 22% in 2009, close to its historical average. Growth in the sector was boosted by an expansion in government services—public administration grew by 24% and social services by 22%—as the government continued to spend strongly and stepped in to support the real estate sector, boosting growth in financial services.

In 2010 and 2011 real GDP growth was 16.7% and 13.0% respectively, higher than 12.0% in 2009. Oil production picked up and new LNG capacity was brought online, boosting gas output, as well as a recovery in other sectors. Growth in non-oil industry sectors was held back by weakness in construction. The recovery has become increasingly services-driven with government services growing by 20% and financial services by 8.0% in 2011.

However, with the completion of major LNG projects, growth slowed during 2011 and early 2012 to a rate of 5.0% year on year in Q2 2012[17] (Fig 2.7).

Fig 2.7: Quarterly Real GDP (Q1 2011 to Q2 2012)
(% change from a year earlier)



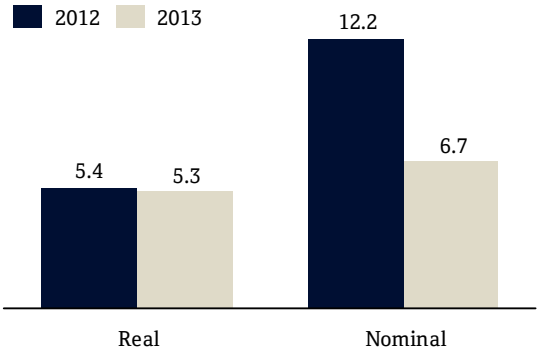
Source: QSA and QNB Group analysis

Real growth in hydrocarbons was 0.8% in the year to Q2 2012 as few production increases were made. Meanwhile, non-hydrocarbons grew by 8.5% as the services sector maintained strong growth of 8.2% and the construction sector expanded by 10.0%.

We forecast real GDP growth of 5.4% in 2012 and 5.3% in 2013

We forecast that real GDP growth will slow to 5.4% in 2012 and 5.3% in 2013 (Fig 2.8).

Fig 2.8: Nominal and Real GDP Growth Forecasts (2012-13)
(% change)



Source: QSA and QNB Group forecasts

This is more moderate than in recent years because the major capacity expansions in the hydrocarbon sector have been completed and also government spending is expected to ease slightly.

Non-hydrocarbons will, therefore, be the main driver of growth in 2012-13. We expect real growth in the non-oil and gas sector to slow from 10.8% in 2011 to 7.8% in 2012 and 6.6% in 2013. These growth levels remain relatively high in the current global economic climate. Factors underlying these forecasts include:

- High oil prices, which will continue to support government spending, which drives non-oil growth
- The population is expected to expand at 4.0% in 2012-13, which will also support non-oil growth, particularly in the services sector
- New projects in GTL, petrochemicals, fertilisers and metals production will boost the industrial sector.

[17] Q1, Q2, Q3 and Q4 refer to the first, second, third and fourth quarters of a year. Likewise, H1 and H2 refer to the first and second half of the year.

3. GDP by Sector

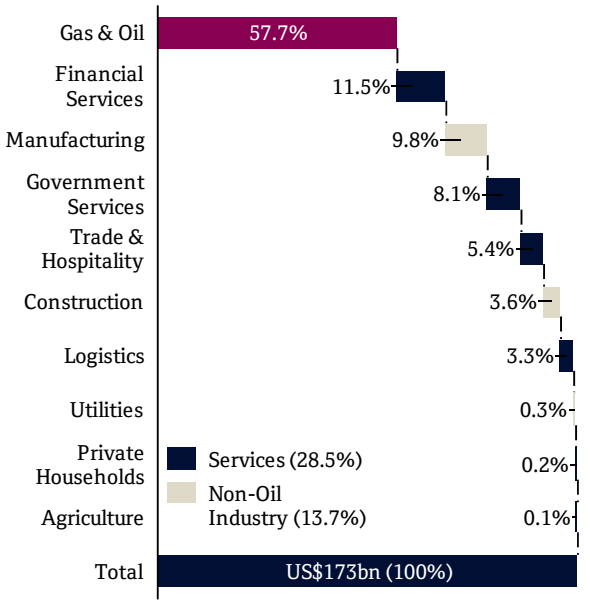
Gas and oil (Section A) was the largest component of nominal GDP, accounting for 57.7% in 2011 (Fig 3.1). It includes raw gas and crude oil production.

Manufacturing (Section B) accounts for 9.8% of GDP and is dominated by oil refining, GTLs, petrochemicals, fertilisers, steel and aluminium.

Construction (Section C) accounts for 3.6% of GDP and has been experiencing rapid growth owing to investments in large-scale development projects.

Services (Section D) accounted for 28.5% of GDP in 2011. It includes financial services, government services, wholesale and retail trade, and transport, storage and communications (logistics).

Fig 3.1: Breakdown of GDP by Sector (2011)
(US$bn and % share)



Source: QSA and QNB Group analysis

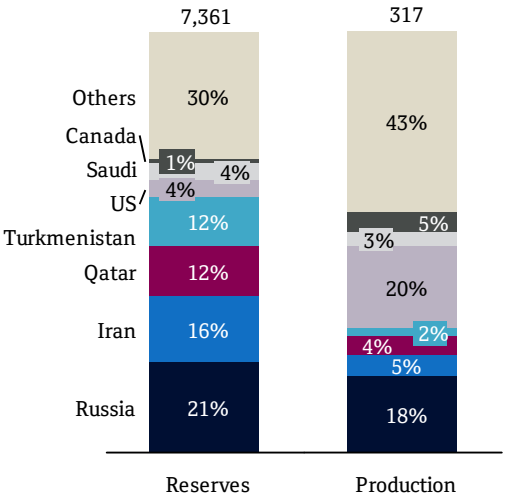
A. Gas and Oil

Natural Gas

At current production rates, gas reserves would last for around 160 years

Qatar had raw gas reserves totalling 885trn cubic feet (cf) at the end of 2011, giving it the third largest proven reserves of natural gas in the world after Russia and Iran (Fig 3.2).

Fig 3.2: World Proven Gas Reserves and Gas Production (2011)
(reserves, tn cf; production, bn cf/day; % shares shown)



Source: BP[18], QP and QNB Group analysis

At 2011 rates of production, these reserves would last for around 160 years. This reserve-to-production ratio will decline owing to some production increments over the next few years, but it seems likely that Qatar will be extracting gas well into the next century.

Qatar has only relatively recently discovered the full extent of its natural gas reserves. The offshore North Field was originally discovered in 1971, but its proven reserves did not rise above 300tn cf until 1995. It is now known to be the largest non-associated gas field in the world and accounts for around 99% of Qatar's gas

[18] BP Statistical Review of World Energy, June 2012.

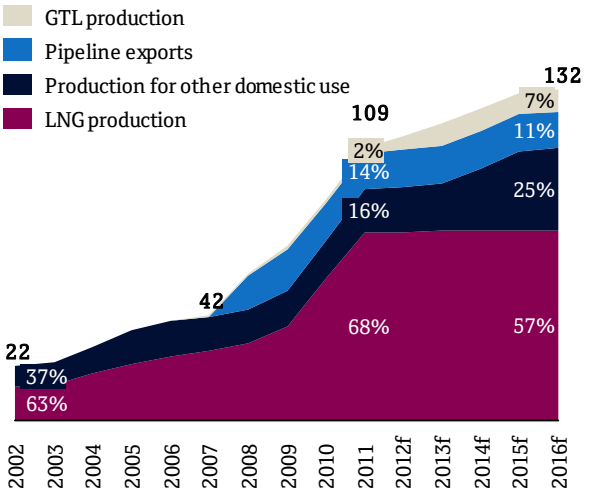
reserves. The remaining proven reserves are almost all associated gas[19] as they are extracted from oil fields.

Gas production increased at a rate of 27% from 2007-11, mainly for use in LNG exports

The large-scale projects in the North Field have led to major increases in gas production. Qatar ranks fifth in the world in terms of total production of raw natural gas[20]. Its share of global production is small relative to its reserves because significant development of reserves only began during the last decade. As it continues to develop its resources and as production from more mature gas fields in other countries declines, Qatar is likely to rise up the rankings of the world's largest gas producers.

Total natural gas production in Qatar has risen at 27% per year from 42m tonnes/year (t/y) in 2007 to an estimated 109m t/y in 2011. In 2011, around 68% of the gas was allocated to LNG production (Fig 3.3). We estimate that this proportion will fall slightly going forward as Qatar increases production in 2012 to feed new GTL facilities and to meet domestic demand from 2014.

Fig 3.3: Production of Gas by Usage (2002-16)
(m t/y, % shares shown)



Source: BP, Qatargas, QP, RasGas and QNB Group forecasts

Qatar exports the equivalent of 15m t/y of natural gas through the Dolphin project pipeline to the UAE. QNB Group estimates that a further 16% of raw natural gas production goes towards domestic uses, including:

- Power generation and water desalination
- Feedstock for petrochemical and fertiliser plants
- Household cooking gas

LNG production commenced in 1996 and by 2006 Qatar was the world's largest exporter

Through the 1990s and 2000s Qatar invested heavily in LNG production, with exports beginning in late 1996. Ten years later, Qatar was the world's largest exporter of LNG. Qatar Petroleum (QP), the national oil and gas company, is responsible for all phases of the oil and gas sector. It has two gas-sector subsidiaries, Qatargas and RasGas, which between them operate fourteen LNG export trains (an LNG "train" is the term for a liquefaction facility and the five largest trains in Qatar, each with 7.8m t/y capacity, are often called "supertrains") within seven joint-venture companies (Table 3.1).

Table 3.1: LNG Projects (2012)

LNG Project	Qatargas 1	Qatargas 2	Qatargas 3	Qatargas 4	RasGas 1	RasGas 2	RasGas 3	Total
Trains	3	2	1	1	2	3	2	14
Capacity (m t/y)	9.7	15.6	7.8	7.8	6.6	14.1	15.6	77
Start Dates	'96-'98	'09	'10	'11	'99-'00	'03-'06	'09-'10	
Ownership (%)								
QP	65	67	68	70	63	70	70	68
Foreign Partners	35	33	32	30	37	30	30	32
Exxon-Mobil (US)	10	24			25	30	30	20
Total (France)	10	8						3.0
Conoco-Phillips (US)			30					3.0
Shell (UK-Holland)				30				3.0
Mitsui (Japan)	8		2					1.1
Marubeni (Japan)	8							0.9
Itochu (Japan)					4			0.3
Kogas (Korea)					3			0.3
Minority Stakes					5			0.4

Source: Qatargas, RasGas, the International Group of LNG Importers (GIIGNL) and QNB Group analysis

[19] There is a small non-associated field in the Dukhan region.
[20] The four largest producers of natural gas are the US, Russia, Canada and Iran.

When Qatargas' seventh train was commissioned in February 2011, Qatar's LNG production capacity reached 77m t/y, nearly triple 2007 capacity of 27m t/y. Production is likely to run slightly below capacity each year owing to down time for maintenance and repairs.

The scale of investment is massive, the six trains commissioned since 2009 have cost around US$50bn, or about US$1bn per 1m t/y in capacity. Qatargas 4, the most recently completed train, was estimated to cost US$8bn and had a capacity of 7.8m t/y. Qatar has also invested in a fleet of over 70 LNG tankers to deliver its LNG cargoes around the world and has stakes in a number of re-gasification terminals, which receive LNG cargoes.

QP has developed the LNG sector through partnerships with international oil companies who have the technology and expertise to implement the projects. These partnerships help in the transfer of knowledge and skills to Qatar. They also entrench strategic synergies, as many of the foreign companies purchase LNG from the projects that they have invested in. For example, Total has an 8% stake in the Qatargas 2 project and also buys some of the LNG produced by these trains, selling it in France and the UK. The most important foreign partner is ExxonMobil, which has major stakes in all but two of Qatar's LNG projects, or a share of around 20% in overall LNG production capacity. The other partners have a further 12% share, with QP holding the remaining 68% share.

Rising demand and higher prices have encouraged a boost in sales on the spot market

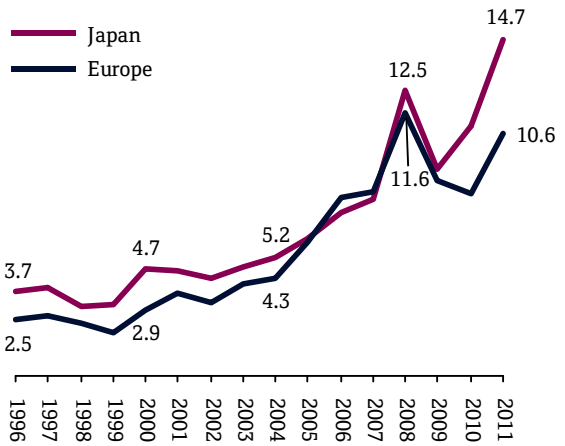
LNG exports are mainly sold through sales and purchase agreements (SPAs). The terms of the SPAs are not public (as they are negotiated bilaterally on a case by case basis) and could vary. In general, the SPAs tend to be long-term agreements that are linked to oil price benchmark indices. The long-term nature of the contracts provide Qatar, and other debt and equity partners in the LNG projects, with a degree of confidence that they will be able to recoup an appropriate financial return from the massive investment made in constructing LNG infrastructure. Recent high oil prices have boosted the revenue received through many of the SPAs.

With regard to the spot market, sales of individual LNG shipments have become increasingly important in the sector recently and prices have increased owing to strong demand in Asia.

As well as strong demand from developing countries, the global LNG market received a major boost in 2011 when Japan shut down most of its nuclear power plants in the aftermath of the tsunami which destroyed the Fukushima plant. Therefore, Japan needed to purchase additional LNG on the spot market to meet the electricity shortfall from nuclear plants, which had provided about a third of its electricity. Qatar was the main swing supplier able to meet this Japanese demand. This was sufficient to counteract a drop-off in demand from the US, where an increase in domestic gas supplies from newly exploited shale-gas deposits has reduced their need to import LNG.

Global re-gasification facilities for receiving LNG imports had a capacity of 638m tonnes at end-2011, compared with global LNG production capacity of 278m tonnes (Qatar accounts for 28% of this). This suggests that demand for LNG exceeds current output, which has led to a trend of increasing LNG prices in both Europe and Asia, Qatar's main markets (Fig 3.4).

Fig 3.4: LNG Benchmark Prices (1996-2011)
(US$ per mBtu)

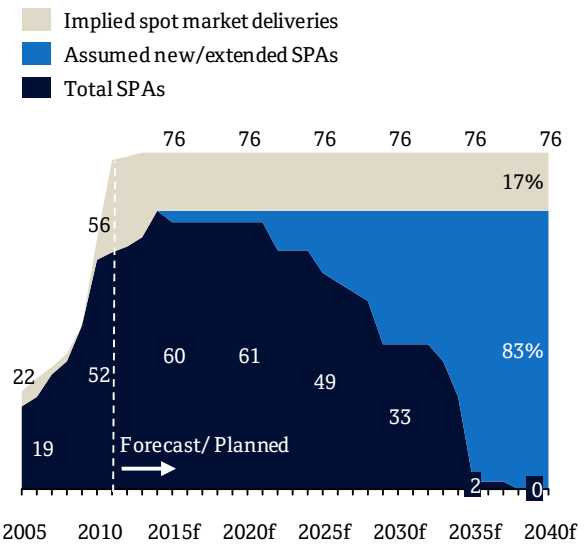


Source: BP and QNB Group analysis

Prices in Asia have been stronger than in Europe as faster economic growth has driven greater demand growth for energy in developing Asia, compared with stagnation in Europe. In addition, some of the key Asian markets such as Japan and South Korea don't have access to local gas or pipeline imports, whereas Europe has some domestic supplies as well as pipeline gas from Russia and Central Asia.

Therefore, since 2010, Qatar has sold increasing volumes of LNG on spot markets, particularly to Asia, to benefit from rising prices (Fig 3.5). Qatar has been able to divert deliveries to spot markets owing to the decline in US demand for LNG and a degree of flexibility that is built into some long-term contracts.

Fig 3.5: LNG SPAs and Spot-Market Deliveries (2005-2040)
(m t/y)



Source: GIIGNL, Qatargas, Rasgas and QNB Group forecasts

The expansion of global LNG infrastructure in recent years has also helped to develop the spot market. New storage facilities include the Fluxys terminal in Zeebruge, Belgium (which can store 0.14m tonnes of LNG, about three shiploads). Another terminal is under construction in Singapore with 0.25m tonnes of storage capacity.

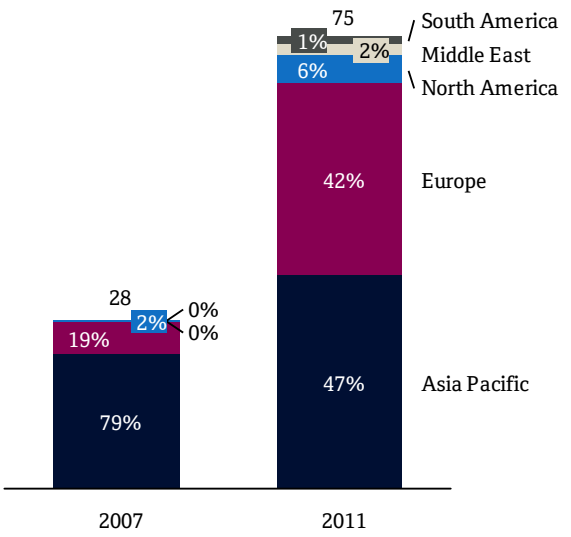
QP currently has SPA contracts covering around 80% of LNG production until 2020. It is likely that over time, new contracts will be signed to replace or extend existing contracts as their terms expire. There are currently a number of potential SPAs under discussion (see below).

LNG export destinations are becoming more diversified

Asia has been the primary destination for Qatar's LNG exports for some time (Fig 3.6) as the region is characterised by a shortage of hydrocarbon resources combined with rapidly rising demand for gas-fired power generation. The largest Asian destinations in 2011 were Japan (15.8m tonnes), India (13.0m) and South Korea (11.1m). These countries were also the major Asian importers in 2007.

However, Europe has taken an increasing share of Qatar's LNG exports, mainly as the UK has signed SPAs for 12.3m t/y a year and imported a total of 22m tonnes in 2011. The UK has increased imports from Qatar as production from its domestic North Sea reserves has declined. In general, Europe is looking to diversify its sources of gas imports owing to an overdependence on Russian supplies and to reduce carbon emissions by using gas instead of other, less clean, hydrocarbons in its energy mix. Notably, this has led to increasing exports to Italy (6.1m tonnes in 2011), Spain (4.8m) and France (3.2m). Belgium imported 6.1m tonnes in 2011, up from 2.8m in 2007, largely owing to the expansion of storage facilities at Zeebrugge, which aim to support the development of an LNG spot market.

Fig 3.6: LNG Exports by Destination (2007-11)[21]
(m t/y)



Source: BP and QNB Group analysis

Qatar has opened up new export destinations for its LNG over the last five years, including in the Middle East, with exports to the UAE and Kuwait, and to South America, with exports to Argentina, Brazil and Chile. Exports to Argentina are set to rise as an SPA for 5m t/y has been signed, starting in 2014.

There are a number of SPAs currently under discussion, including with: PTT (Thailand) for 1m t/y from Qatargas; Petronet (India) for 2-3m t/y from Qatargas; and Turkey for 2m t/y.

No major increases in gas production are expected until Barzan in 2014

Gas production is unlikely to increase significantly in 2012-13 as there is a moratorium on new gas export projects in place until at least 2014, while studies are

[21] Includes spot deliveries as well as actual (rather than contracted) deliveries under SPAs. It therefore will not match the SPAs.

carried out on the appropriate rate of sustainable extraction from the North Field. There may be some small increases to supply existing gas-fed projects, such as Pearl GTL, which is due to add 70k b/d of production in 2012.

The next substantial increase will come from the Barzan gas project, which is expected to add about 5m t/y to production from 2014 and a further 5m t/y from 2015. The gas is to be used domestically to feed power stations and industrial projects.

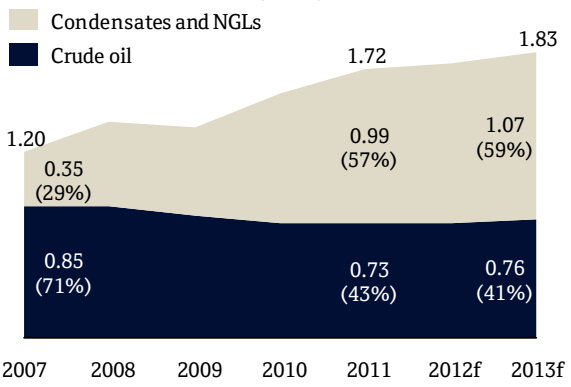
Oil

At current production rates, oil reserves are expected to last for around 39 years

Qatar's proven reserves[22] of crude oil, condensates[23] and natural gas liquids (NGLs)[24] were estimated at 25bn barrels at the end of 2011, about 1.5% of proven world oil reserves. Within this, proven crude oil reserves are estimated at around 2bn barrels. Total crude oil, condensates and NGL production in 2011 was around 1.72m b/d, of which 0.73m b/d was crude oil and the remainder condensates and NGLs (Fig 3.7). Qatar accounted for 1.8% of world oil production in 2011.

Fig 3.7: Liquid Fuels Production (2007-12)

(m b/d)



Source: OPEC, BP and QNB Group forecasts

According to BP, at current production rates, Qatar's reserves of crude oil, condensates and NGLs will last for 39 years.

[22] BP defines proven oil and other liquid reserves as: "those quantities that geological and engineering information indicates with reasonable certainty can be recovered in the future from known reservoirs under existing economic and operating conditions".

[23] Condensates are light hydrocarbons that exist as gases below ground but as liquids at normal surface temperatures and pressures. They usually have few contaminants and tend to be more valuable than crude oil.

[24] NGLs are liquids extracted from gas, mainly propane and butane.

New discoveries and revised estimates of recoverable reserves could boost production in the future. QP currently estimates that there are at least another 1bn barrels of "expected" crude reserves (Table 3.2).

Table 3.2: Crude Oil Reserves by Field (2010)

(m barrels)

Oil Field	Proven	Additional Expected	Total
Dukhan	558	314	872
Idd al-Shargi North & South	582	139	720
Al-Shaheen	412	185	597
Bul Hanine	439	122	560
Maydan Mahzam	131	135	265
Al Khalij	79	18	97
El-Bunduq	30	30	60
Al Karkara & A-Structure	20	21	41
Rayan	35	0	35
Total	**2,285**	**962**	**3,247**

Source: QP and QNB Group analysis

Redevelopment plans should boost crude oil output

Qatar has one onshore field at Dukhan in the west of the country, which produced around 230k b/d of crude oil in May 2012. The remainder of crude oil production is from offshore fields, particularly from Al-Shaheen[25], which is situated north of Ras Laffan and produces 300k b/d currently (Table 3.3).

Qatar produced at an average of 741k b/d in H1 2012, slightly below its potential capacity of 750k b/d[26] of crude oil and down from a peak annual average of 845k b/d in 2007, owing to OPEC quotas.

In its 2010-14 development plan, QP budgeted US$6.6bn for investment in crude oil projects. This followed the signing of a number of technical service agreements with international oil majors in 2008-09 to appraise fields and lay out development plans. As a result:

- A development plan has nearly been completed by ExxonMobil for the 230k b/d Dukhan field
- QP is preparing a multi-billion dollar tender for development of the 45k b/d Bul Hanine field

[25] The reserves at Al-Shaheen were revised down by over 60% in 2011, following a study by the operating company, Maersk Oil. Although it remains one of the largest fields, production may be cut back in line with the new reserves assessment.

[26] According to the IEA in its June oil market report.

- ConoccoPhilips is producing seismic data for the 25k b/d Maydan Mazam field
- Occidental is making a development plan for the 95k b/d Iddi al-Shargi field North and South Domes

Table 3.3: Production of Crude Oil by Field (May 2012)

Oil Field	Operator	Production (k b/d)
Al-Shaheen	Maersk	300
Dukhan	QP	230
Idd al-Shargi	Occidental	90
Bul Hanine	QP	45
Maydan Mahzam	QP	25
Al Khalij	Total	25
Rayan	Occidental	8
Al Karkara	QP	5
El-Bunduq	BOC[27]	5
Total		**733**
Capacity		**750**
QP Operated		41%
Foreign Operated		59%

Source: QP, IEA, Oil Companies and QNB Group analysis

QP manages its reserves conservatively and production is therefore being held back while the development plans and studies are carried out. As these studies are completed and development plans begin to be implemented over the next year or so, we expect to see production increase from current levels.

Production increments are likely to continue into the medium term as the benefits of investment and development programmes are realised. We therefore expect production to rise to an average of 755k b/d in 2013. We also expect capacity to increase along with production, returning to around 800k b/d.

Rising oil and gas production will support GDP growth despite flat prices in 2012-13

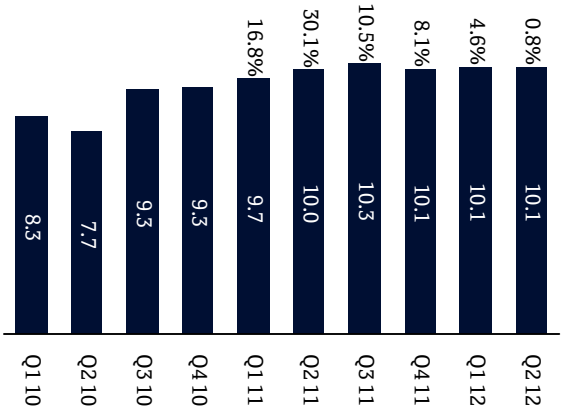
The average sale price of Qatar's crude oil was US$108/b in 2011, close to international benchmark prices. Based on our forecast for Brent oil of US$110/b in 2012-13, we expect sustained high oil and gas revenue (as LNG prices are somewhat linked to oil prices and also remain close to historical highs). Re-development of oil fields will drive higher oil production and gas production will rise to meet requirements for new GTL projects.

We forecast that nominal GDP within the oil and gas sector will grow by 8.0% and 4.1% in 2012 and 2013 owing to the combination of slightly higher oil and gas production and prices. We forecast that the share of oil and gas in nominal GDP will remain relatively constant at around 55% of GDP in 2012-13.

Real GDP in the oil and gas sector is forecast to expand by 2.6% and 3.7% in 2012 and 2013. The latest data shows that real GDP growth in the oil and gas sector slowed to 0.8% in Q2 2012 versus Q2 2011 (Fig 3.8) and we are expecting it to remain low during the rest of 2012 as new LNG facilities have been completed.

Fig 3.8: Oil and Gas Quarterly Real GDP (Q1 2010-Q2 2012)

(US$bn at 2004 prices and % change from a year earlier shown)



Source: QSA and QNB Group analysis

In the oil sector, we expect stable crude production from an average of 734k b/d in 2011 to 733k b/d in 2012 and 755k b/d in 2013 as redevelopment plans are implemented. Qatar is a member of OPEC, which currently has a total production target for its 12 members of 30m b/d of crude oil. In recent months actual production has been 1m-2m b/d higher than this, but we do not expect production cuts in Qatar as production has already been lowered.

The completion of new GTL facilities at the end of 2011 and during 2012 will result in higher production in 2012-13. Higher gas production to feed these facilities will lead to an increased output of condensates and NGLs, which we expect to rise from an average of 989k b/d in 2011 to 1.03m b/d in 2012 and 1.07m b/d in 2013. These liquids are not subject to OPEC quotas.

We estimate that gas production increased by 25% to 109m t/y in 2011 to meet demand for new LNG and GTL

[27] Bunduq Oil Producing Company (BOC), a joint venture with Abu Dhabi, established to develop the offshore El Bunduq oil field which is located on the border between the Emirate of Abu Dhabi and Qatar.

facilities. With a major downscaling in the size of projects being completed, we forecast that gas production will increase at 4.2% a year to 118m t/y in 2013.

Qatar's investments in international oil and gas projects are increasing

Qatar is expanding its involvement in the international oil and gas sector. Qatar Petroleum International (QPI) is a subsidiary of QP that was established in 2006 to make strategic investments across the energy value chain around the globe. It has signed various Memoranda of Understanding (MoU) with national and international oil companies and governments to explore potential energy investment opportunities. Its current holdings and activities include:

- A joint-venture LNG project in the Yamal Peninsula, in the Russian Arctic, together with Total
- A possible stake in Russian gas producer, Novatek
- A joint venture (JV) with the Egyptian General Petroleum Corporation to build a US$3.6bn refinery project in Greater Cairo
- Stakes in LNG regasification terminals, such as South Hook in the UK, Adriatic in Italy and Golden Pass in the US
- Petrochemical joint-ventures, including one with Shell in Singapore, the Long Son project in Vietnam and a planned complex in China
- A 20% stake in oil exploration in Mauritania, together with Total, with exploration currently underway
- MoU with Shell, Maersk and MOL (Hungarian oil and gas major) to jointly develop upstream and downstream international hydrocarbon and petrochemical projects

B. Manufacturing

Qatar leverages its hydrocarbon resources through the manufacturing sector, which is mainly focused on processing crude oil and raw gas into more sophisticated products (Table 3.5):

- Refined petroleum products, including GTLs
- NGLs
- Petrochemicals
- Fertilisers

Abundant hydrocarbon resources also give Qatar a competitive advantage in low-cost energy, which benefits energy-intensive industries, such as aluminium and steel production.

Heavy investment in these sub-sectors drove strong manufacturing nominal GDP growth of 24% in 2007-11, with the sector contributing 9.8% to overall GDP in 2011. Strong growth is expected to continue, driven by a number of ongoing expansion projects. An important industrial hub, which includes fertiliser and petrochemical plants, has been established in Mesaieed, south of Doha. Ras Laffan, on the northern coast, is the second industrial city.

Using 2011 export data we have estimated the relative importance of the sub-sectors in overall manufacturing as follows:

- NGLs, 37%
- Refined Petroleum products, including GTL, 32%
- Petrochemicals, 17%
- Metals, 8%
- Fertilisers, 6%

Refinery capacity is increasing, which will add value to exports

QP allocated US$4.1bn to refining and GTL projects in its five-year plan for 2010-14. There are currently two **refineries** in Qatar. The Mesaieed refinery has a capacity of 200k b/d and is capable of processing both crude oil and condensates. There is also a pure condensate refinery with a capacity of 146k b/d at Ras Laffan, which processes natural gas from the North Field to produce naptha, kerojet fuel, gasoil and liquefied petroleum gas (LPG). The plant became operational in 2009 and is 51% owned by QP.

Qatar has sufficient refining capacity to meet domestic demand with surplus left over for exports. However, QP is still investing in boosting its refining capacity. In August 2011, the initial design and engineering contract was issued for the expansion of the Ras Laffan refinery to further increase capacity by 292k b/d with completion expected in 2016.

Qatar is the largest producer of GTL in the world and is expanding production

Production of **GTL** is currently undergoing major expansion and Qatar is already the largest producer in the world. GTL enables Qatar to add value to its natural gas resources by transforming raw gas into globally marketable and easily transportable liquid fuels.

Oryx GTL, a US$1bn JV between QP and Sasol of South Africa, was the first GTL plant in Qatar. It became operational in 2006 and was the world's largest plant at the time. The plant converts 330m cf/day of natural gas

into 24k b/d of high grade diesel, 9k b/d of naptha and 1k b/d of LPG.

Pearl GTL is an even larger JV between QP and Shell. It completed the first 70k b/d GTL train in 2011. A second train will add another 70k b/d of capacity during 2012. In addition, the plant will produce 120k b/d of NGLs and ethane. The total cost of the project has been around US$19bn.

The petrochemicals sector is undergoing rapid expansion

Hydrocarbons are also used as a feedstock for the **petrochemicals** sector, which is an important component of manufacturing GDP. Raw hydrocarbons (natural gas, naphtha and LPG) go through various stages of processing at facilities in Qatar to create a range of chemical products, mainly plastics (Table 3.5).

Qatar's petrochemical industry currently produces around 2.6m t/y of ethylene, a crucial building block for more complex petrochemical products. It also produces 350k t/y of olefins, another key ingredient, produced by "cracking" natural gas and naphtha to form simpler chemical compounds with shorter carbon chains. Ethylene and olefins are then processed further to produce a range of final products (Table 3.4) with a total output of around 2.9m t/y.

QP has been investing heavily in the petrochemical sector and a number of expansions have recently been completed, which will add around 1m tonnes to production in 2012. In the longer term, a total of US$25bn of investment from the State is expected between 2012 and 2020, US$17bn in a first phase with completion expected by 2017 and US$8bn in a second phase of LPG products with completion expected by 2020. Around 1.6m tonnes of intermediate product capacity and 1.5m of final product capacity is expected to be added by 2017.

The expanding petrochemical sector has potential to further economic diversification by making a greater number of industrial raw inputs available in Qatar.

QP has major stakes in all petrochemical production in Qatar, either directly or through Industries Qatar (IQ, a publicly listed company which is 70% owned by QP). The largest petrochemicals producer is the Qatar Petrochemical Company (QAPCO), which is owned by IQ (80%) and Total Petrochemical (20%). QAPCO is one of the largest producers of low density polyethylene (LDPE) in the Middle East and currently produces 700k t/y, following the completion of a new 300k t/y LDPE facility in 2011. LDPE has a wide range of uses. It is most commonly used for the manufacture of plastic bags, bottles, tubing and computer components.

Table 3.4: Production of Major Petrochemical Facilities (2012)

Product	Existing Capacity (k t/y)	Expansions Underway (k t/y)
Ethylene	2,600	1,100
Alpha Olefins	350	300
Propylene		170
Intermediate products	**2,950**	**1,570**
HDPE	803	
Caustic Soda	730	
LDPE	700	
MTBE	610	
LLDPE	450	
Hexane	47	
Ethylene Glycol		1,500
Final products	**2,882**	**1,500**

Source: QAPCO, Q-Chem, QP, IQ[28] and QNB Group analysis

QAPCO also produces around 800k t/y of ethylene and 46k t/y of sulphur. To diversify and expand its downstream industrial base, QAPCO has set up a number of JVs. It has a 63% stake in QATOFIN, a plant that began operations in 2010 and has the capacity to produce 450k t/y of linear LDPE (LLDPE, a shorter-chain polyethylene than LDPE that is mainly used in the production of plastic bags and wrapping material).

In November 1997, Qatar Chemical Company (Q-Chem) was established as a JV between QP and Chevron Philips Chemical Company. Its US$1.2bn ethane cracker plant began operations in 2004 and has a capacity of 500k t/y of ethylene, 453k t/y of high-density polyethylene (HDPE, a stronger plastic than LDPE), 47k t/y of Hexane-1 and 36k t/y of Sulphur. A second US$1bn plant (Q-Chem II) was completed in 2010, boosting production by 350k t/y of Alpha Olefins, which is used to produce 350k t/y of HDPE. Q-Chem II was constructed at Ras Laffan in conjunction with an ethane cracker, with a capacity of 1.3m t/y of ethylene, some of which is being used as a feedstock for other Q-Chem II production.

In December 2011, QP and Shell agreed to develop a petrochemicals complex at Ras Laffan which will produce 1.1m t/y of ethylene and 170k of propylene,

[28] Industries Qatar (IQ) is the largest industrial company in Qatar, operating predominantly in the petrochemical, fertilisers and steel sector. It is 60% owned by QP.

another important basic petrochemical product. These products will be used as inputs to produce 1.5m t/y ethylene glycol, 0.3m t/y of alpha olefins and 0.25m t/y of alcohol. Shell will have a 20% stake in the project with QP taking the remainder. Front End Engineering and Design was initiated in July 2012 and completion is expected in 2016.

Qatar is moving up the value chain from basic petrochemicals to more complex products. QAPCO has a 32% stake in the Qatar Vinyl Company (QVC). QVC is a JV with foreign partners that has a current production capacity of 730k t/y of caustic soda. It also produces 180k t/y of ethylene dichloride and 300k t/y of vinyl chloride monomer, which are used in the production of caustic soda, and some polyvinyl chloride (PVC).

The Qatar Fuel Additives Company (QAFAC) is another important downstream JV, with IQ holding a 50% stake along with foreign partners. The plant became operational in 1999, costing US$650m, and produces 1.1m t/y of methanol, of which 600k t/y is exported and the remainder used for the production of 610k t/y of methyl tertiary butyl ether (MTBE). Methanol is produced from natural gas and has a wide variety of uses, apart from being a clean energy source. MTBE is produced by processing butane and methanol and it is used as a gasoline additive to reduce pollution. The majority of the methanol produced at QAFAC is exported to the Far East, Europe, India and the Gulf.

New steel and aluminium plants will ramp up production in 2012-13

The Qatar Steel Company (QASCO) is a wholly owned subsidiary of IQ based in Mesaieed. It was commissioned in 1978 as the first integrated steel plant in the GCC. QASCO currently produces:

- 1.5m tonnes of hot briquetted iron, also referred to as direct reduction iron
- 1.7m tonnes of steel billets
- 1.6m tonnes of reinforced steel bars
- 0.2m tonnes of steel coil

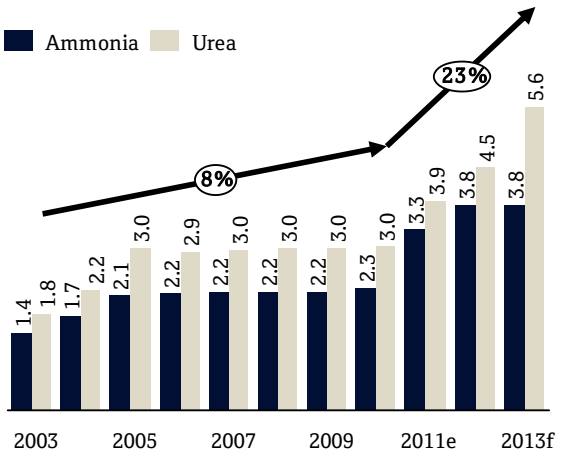
QASCO initiated expansion plans in March 2011 for the construction of a 1.1m t/y steel-making plant in Mesaieed. Completion of the plant is expected in 2013.

Qatalum, Qatar's first aluminium smelter plant began production in August 2010. The plant is a 50:50 JV between QP and Norsk Hydro and project costs were around US$6bn. The plant reached its full production capacity of 585k t/y in September 2011 and will boost growth in the manufacturing sector during 2012, which will be its first full year at capacity. Plans have been drawn up for a doubling of its capacity, but are not currently being implemented.

The expansion of fertiliser production facilities will be a key driver of growth

Qatar utilises its abundant stocks of natural gas for the production of **fertilisers**. Qatar Fertiliser Company (QAFCO) operates the largest single-site fertiliser production facility in the world, at Mesaieed. QAFCO is 75% owned by IQ. Its first plant became operational in 1973 and it currently has five trains, which use natural gas feedstock to produce ammonia and urea, with a capacity of 3.8m t/y and 4.3m t/y respectively. Most of the ammonia production is utilised to produce urea (Fig 3.9), as well as aqueous ammonia and melamine.

Fig 3.9: Fertiliser Production (2003-13)
(m t/y, Urea CAGR)



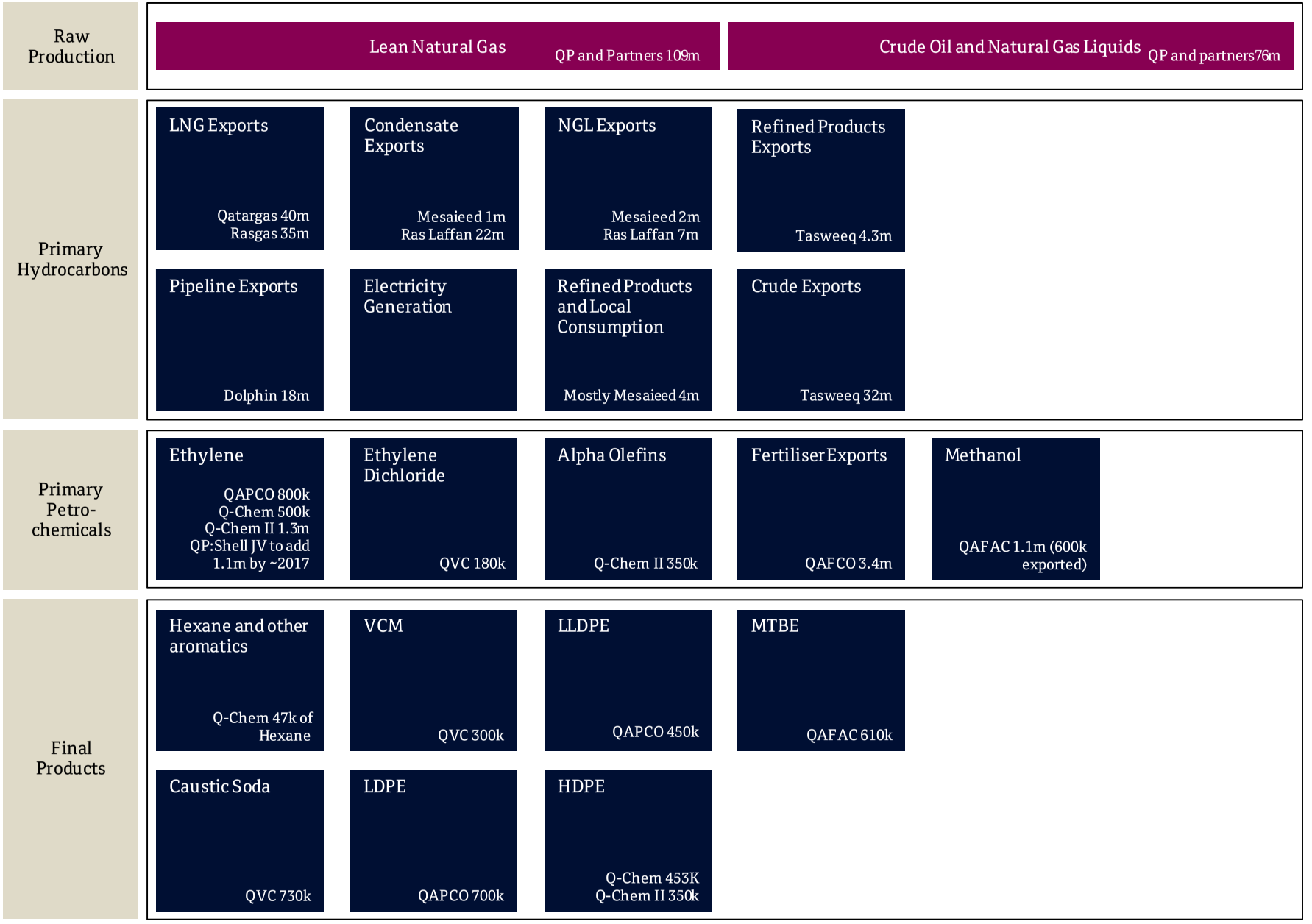
Source: QAFCO and QNB Group analysis

The most recent expansion, QAFCO 5, was completed in 2011, at a cost of US$3.2bn and added capacity of 1.6m t/y of ammonia production and 1.3m t/y of urea production. The project was a JV with Yara International (25%) of Norway and IQ.

A sixth train, which will produce a further 1.3m t/y of urea, is also under construction, with completion expected in 2012 and estimated costs of US$610m. Once this expansion is completed, capacity will reach 3.8m t/y of ammonia and 5.6m t/y of urea, 44% higher than estimated production in 2011.

QAFCO tends to export most of its end production as demand for fertilisers in Qatar is minimal. Key markets include South Africa, Australia, Thailand and the US.

Table 3.5: Hydrocarbon Value Chain (2011)
(Production companies and approximate volumes shown in tonnes of oil equivalent)

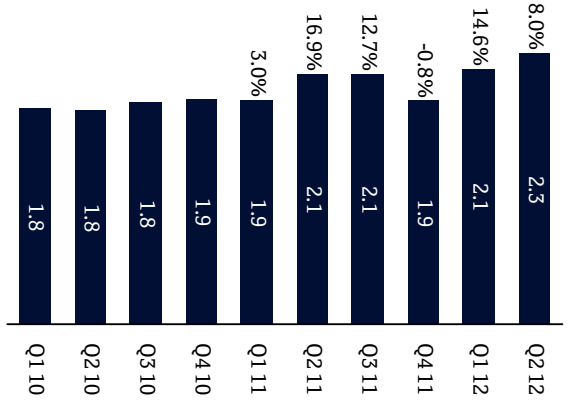


Source: Deutsche Bank, QSA, QP, BP, company websites and QNB Group analysis

New projects will boost growth in the manufacturing sector in 2012-13

Overall, the manufacturing sector grew at 15.6% from 2007-11 in real terms, peaking at a record 22% in 2010. However, growth slowed to 7.9% in 2011 as fewer new major projects were completed. With new production coming online in 2012 in the GTL and fertiliser sectors, we expect growth of 7.8% in real terms followed by 5.9% in 2013. Manufacturing real growth has been strong in Q1-Q2 2012 at 14.6% and 8.0% respectively, from the same periods a year earlier (Fig 3.10).

Fig 3.10: Manufacturing Real GDP (Q1 2010-Q2 2012)
(US$bn at 2004 prices and % change from a year earlier shown)



Source: QSA and QNB Group analysis

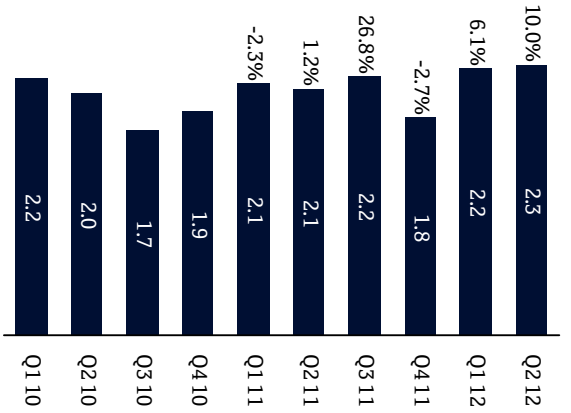
C. Construction

The construction sector grew at a remarkable rate of 43% from 2004-08

Construction accounted for an average of 5.6% of GDP in 2007-11. Up until the post-financial crisis slowdown, construction was the fastest growing sector in Qatar with real growth of 43% from 2004-08. The economic boom and rapidly expanding population led to a huge number of construction projects being implemented to provide the necessary housing and infrastructure. Many of the projects were backed by the government, which was well funded with rising hydrocarbon revenue. The construction sector was a major beneficiary of this rapid expansion and investment.

Since 2008, growth has slowed to 4.0%. However, construction has begun to stage a strong recovery, based on the latest quarterly GDP data, expanding by 10.0% in Q2 2012 versus Q2 2011 (Fig 3.11).

Fig 3.11: Construction Real GDP (Q1 2010-Q2 2012)
(US$bn at 2004 prices and % change from a year earlier shown)



Source: QSA and QNB Group analysis

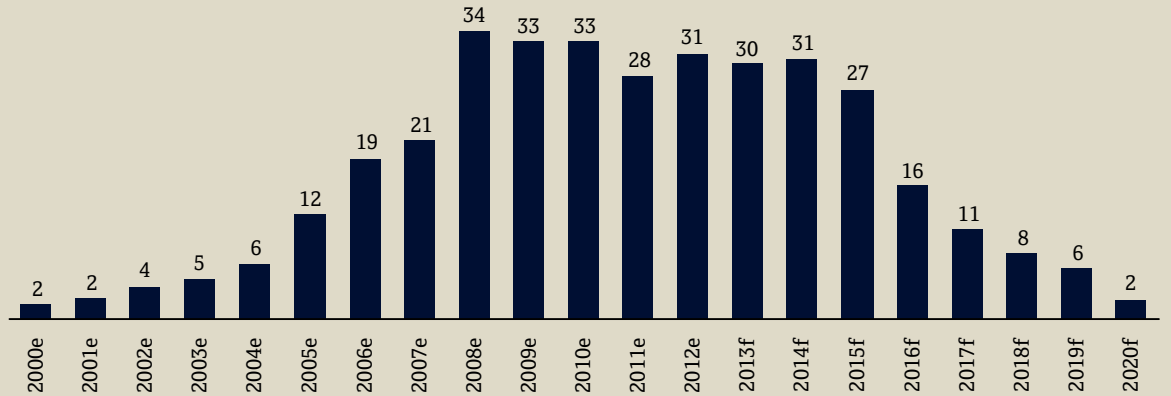
Projects

Qatar's development is underpinned by an array of projects, which have been crucial to driving economic growth. We estimate that project spending grew at a rate of 44% from 2000-08 (Fig 3.12), but has subsequently levelled off, at around US$30bn per year.

We forecast a drop-off in spending in 2016 on projects that are currently underway or announced, owing to project completion. However, it is likely that new projects will be initiated, which will boost project spending in the longer term. The total budgets of all projects currently underway in Qatar is US$243bn, counting all those that have been initiated, including those that are under study, being designed or in the tendering process, and also including medium to long-term spending plans.

Fig 3.12: Estimated Spending Budgets for Projects Completed or Underway (2000-20)

(US$bn)

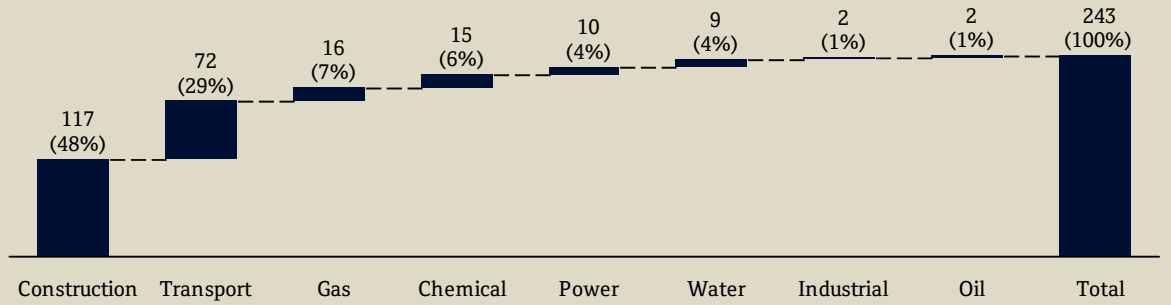


Source: MEED Projects and QNB Group analysis and forecasts based on current budgets

Most projects have a timeframe of 3-4 years, but a couple are much longer term, such as the rail network and port, which are not expected to be complete until the 2030s. Construction and transport projects make up 77% of the projects currently underway (Fig 3.13).

Fig 3.13: Estimated Current Project Spending Budgets (August 2012)

(US$bn)



Source: MEED Project and QNB Group analysis

While oil and gas projects accounted for 58% of completed projects during 2000-11, they only account for 8% of ongoing projects. This is a reflection of Qatar's development path, which focused first on a rapid expansion of its hydrocarbon resources and is now using the revenue from that sector to build up infrastructure in the construction and transport sectors.

The bulk of project budgets in the construction sector are for mixed-use real estate developments (US$75bn or 64%) while infrastructure is also important (US$16bn or 13%). Transport spending includes a range of road, rail, sea and air projects.

Few new major projects in the oil and gas sectors are likely to be initiated in the next few years owing to the moratorium on the North Field and a relatively stagnant oil sector. The bulk of new projects will therefore continue to be in infrastructural sectors such as construction, transport, power and water with key industrial sectors also being a focus, particularly petrochemicals and fertilisers.

The largest current project is the Lusail mixed-use development (Table 3.6).

Table 3.6: Major Projects

	US$bn	Sector	End	Comment
Lusail Mixed-Use Development	45.0	Construction	2015	Waterfront development to the north of Doha. The lead developer is Qatari Diar, a Qatar Investment Authority property investment fund. This phase includes an island, marina and residential, commercial and business districts.
Qatar Integrated Rail Network	35.0	Transport	2020	The project scope includes 300 km of rail, a metro and light rail network in Doha, a passenger and freight railway linking Ras Laffan and Messaieed via Doha, a high-speed rail link between the New Doha International Airport, Doha City Centre and Bahrain via a planned causeway and a freight rail to be linked to a planned GCC network. Phase I of the project, the core elements of the Doha metro and light rail link, is currently being tendered and involves US$12bn of spending, 62km of underground structures and 30km of elevated structures. The main contract for enabling works was awarded in July 2012.
New Doha International Airport	17.5	Transport	2013	The old airport has become inadequate to cater for Qatar's expansion. The new airport, much of it build on reclaimed land, will have six times the capacity. It will eventually handle 50m passengers and 2m tonnes of cargo each year by the time it is complete, although the initial phase opening in 2013 will only include capacity for 25m.
Roads and Associated Facilities	14.6	Construction	2016	The master developer for this project is Asghal, the public works authority. It includes a network of roads, utilities and infrastructure in North Doha (US$4.6bn), South Doha (US$3.9bn), West Doha (US$2.7bn), North Qatar (US$1.8bn) and South Qatar (US$1.6bn). The North Doha projects are at the execution stage while the other areas are at the pre-qualification stage.
Barzan Gas Development	10.3	Gas	2022	RasGas is developing this project to increase gas supply to the domestic market to meet rising demand for power as well as to supply ethane and propane to industry.
Barwa Mixed-Use Development	8.3	Construction	2015	This development to the south of Doha includes residential areas, schools, hospitals, hotels, a golf course, commercial facilities and recreational areas.
Doha, Lusail and Dukhan Highways	8.1	Transport	2016	This project is part of Ashgal's plans to develop a number of major motorways.
New Doha Port	7.0	Transport	2030	The new port will be built to the south of Doha, replacing the old port in central Doha. The project will be completed in five phases, taking total capacity to 12m 20-foot containers.
Education City	6.9	Construction	2014	Qatar Foundation's Education City project includes a university campus, schools, a science and technology park and associated facilities.
Ras Laffan Olefins Complex	6.4	Chemical	2017	A QP and Shell petrochemicals project that will produce downstream products such as ethylene glycol and alpha olefins.
Musheireb Mixed-Use Development	5.5	Construction	2016	A regeneration project in central Doha, balancing modern innovation with cultural heritage. The development will house over 27,000 residents and includes commercial, retail, cultural and entertainment areas.
Ras Laffan Petrochemical Complex	5.0	Chemical	2018	A QP and QAPCO project to increase production of ethylene and propylene, intermediate products in the petrochemical sector.
The Pearl Mixed-Use Development	5.0	Construction	2014	Ongoing development of a man-made island near West Bay, Doha's business district. It is the largest real estate development in the country and is the first to offer freehold to international investors.
2022 World Cup Stadiums	4.0	Construction	2019	Plans for nine new air-conditioned stadiums for the FIFA World Cup in 2022. Most of the stadiums will have a capacity of 40k-50k while the Lusail stadium will have a capacity of 86,250 and will host the opening and final matches.
Al Sidra Golf and Residential Development	3.5	Construction	2015	A golf and residential district within the Lusail development. The project is a JV between Arcapita and Barwa real estate development.

Source: MEED Project and QNB Group analysis

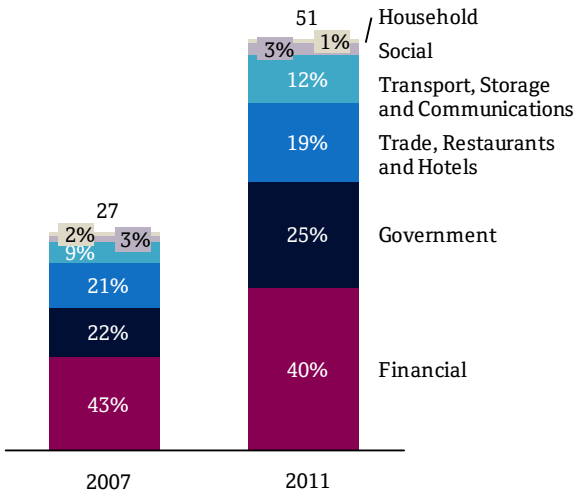
Major projects will drive growth in the construction sector

Projects are a critical driver of economic growth in Qatar, particularly in the construction sector. Based on data for initiated projects, spending should be US$31bn in 2012 and US$30bn in 2013. Sustained high energy prices will boost hydrocarbons revenue and ensure the government is able to continue backing the roll out of projects. It is also likely that new projects will be initiated. This will sustain the recovery in the construction sector, which we expect to grow at 8.0% in 2012-13, in real terms.

D. Services

The services sector is a key component of non-oil GDP. It accounted for 31% of GDP, on average, in 2007-11. Financial services account for 40% of the services sector (Fig 3.14).

Fig 3.14: Services Nominal GDP[29] (2007-11)
(US$bn)



Source: QSA and QNB Group analysis

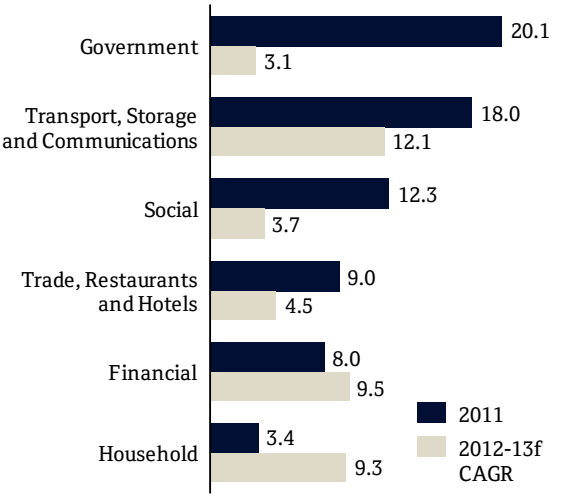
Government and financial services have driven rapid growth in the services sector

The services sector grew at 13.7% in real terms from 2007-11. The rapidly expanding population and strong growth in private consumption are important factors driving growth.

[29] This excludes financial intermediation services indirectly measured that are deducted from total services GDP in calculating overall GDP.

Services grew strongly in 2011 at 13.2%, driven by 20.1% growth in government services (Fig 3.15).

Fig 3.15: Real GDP Growth in Services Sub-Sectors (2011-13)
(% change or CAGR)



Source: QSA and QNB Group forecasts

In 2012-13, slowing overall GDP and population growth will lead to a commensurate slowdown in the services sector. QNB Group forecasts that real growth in the sector will be 7.0% in the next two years.

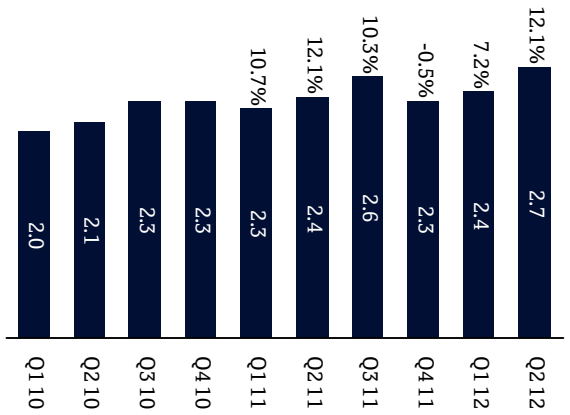
Financial services includes banking and insurance, which have benefited from the rapid growth in the rest of the economy, with lending activity boosted by financing for major public-backed projects. Financial services also include real estate, another sector that has benefited from major development projects and rapid population growth.

Financial services grew at 12.1% in the year to Q2 2012, recovering from a slowdown in Q4 2011 (Fig 3.16), which may have been a consequence of interest rate caps imposed by the central bank.

With a steady flow of major projects in the pipeline (Section 3C), we expect real growth in financial services to continue, but at slower rates of 9.7% in 2012 and 9.4% in 2013, compared with 12.2% in 2007-11. Projects will sustain activity for businesses and income for workers, supporting demand for financial services.

Fig 3.16: Financial Services Real GDP (Q1 2010-Q2 2012)

(US$bn at 2004 prices and % change from a year earlier shown)



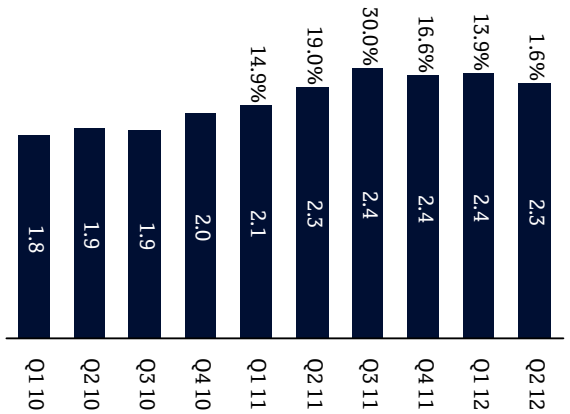
Source: QSA and QNB Group analysis

Government services, which includes public administration, healthcare and education, is the next largest services sub-sector, accounting for 25%. The government has been allocating significant resources to healthcare and education as well as to developing public services, leading to rapid real growth of 13.9% from 2007-11.

As the government has maintained spending growth, real GDP growth in the sector has continued to be strong at 20.1% in 2011, boosted by a 24% increase in spending in the 2010/11 budget outturn (the fiscal year runs April to March), an 11.3% increase in the 2011/12 budget outturn and a 60% salary increase for Qataris in the public sector from September 2011.

Fig 3.17: Government Services Real GDP (Q1 2010-Q2 2012)

(US$bn at 2004 prices and % change from a year earlier shown)



Source: QSA and QNB Group analysis

In 2012-13 government expenditure is expected to slow to 9.3%. Population growth is an important driver of growth in government services as the public sector is an important employer of nationals, and, as it provides services to the whole population. Solid population growth of 4.0% in 2012-13 should create a stable foundation for growth in government services, which we forecast will be 3.1% in the same period. In line with our forecast, growth slowed to 1.6% in Q2 2012 from a year earlier (Fig 3.17).

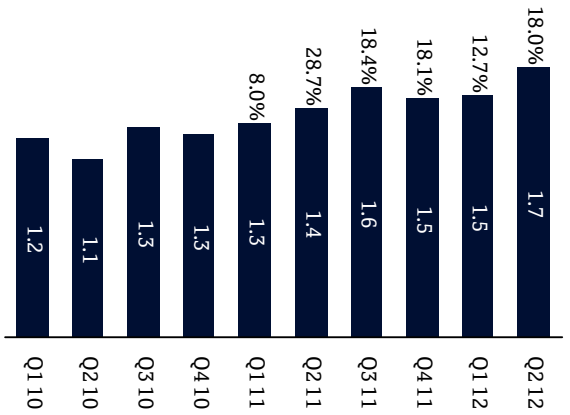
Transport and storage have grown rapidly to provide the necessary logistical backbone

Transport, storage and communications was the fastest growing services sub-sector from 2007-11 with real growth of 18.0%. With the economy and trade booming, transport and storage have grown rapidly to provide the necessary logistical backbone. Additionally, population growth, a vibrant automotive sector and heavy investment in transport and world-class telecommunications infrastructure have boosted the sector.

As a result, the sub-sector's contribution to services GDP has grown from 9% in 2007 to 12% in 2011. Real growth in the sub-sector has remained strong in early 2012, reaching 18.0% in the year to Q2 (Fig 3.18).

Fig 3.18: Transport, Storage and Communications Real GDP (Q1 2010-Q2 2012)

(US$bn at 2004 prices and % change from a year earlier shown)



Source: QSA and QNB Group analysis

We expect real growth in the transport, storage and communications sub-sector to slow in line with the rest of the economy to 15.4% in 2012 and 8.9% in 2013. The sector will continue to grow faster than other areas of the economy. Ongoing projects to expand airports, ports, railways and roads will continue to drive growth in transport. Meanwhile, population growth and the

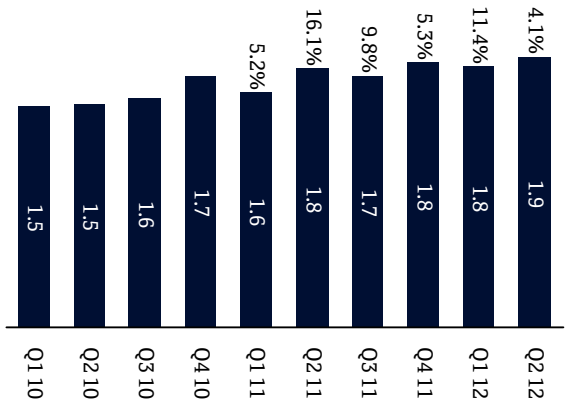
increasing penetration of smart phones will support an expansion in communications. The number of mobile users has continued to expand, despite already high penetration, with around 3m mobile subscriptions. Mobile penetration rose from 120% in 2009 to 182% in April 2012 and mobile broadband usage increased at a rate of 139% from 2008-10 to around 37,000.

The **trade, restaurants and hotels** sub-sector contributed 19% to services GDP in 2011. This sub-sector is dominated by wholesale and retail trade and recorded real growth of 10.0% in 2007-11. Qatar's increasingly affluent population has been driving growth in wholesale and retail trade and Doha's growing prominence as a business and tourist destination has supported hotel growth. Qatar aims to place itself strategically as a destination for art and culture, science and research and sport tourism. Investments in these areas are supporting growth in this sub-sector.

These trends are set to continue in 2012-13. Additionally, the public sector pay rises in 2011 are likely to be mirrored throughout the economy as other sectors need to compete for workers. This will stimulate consumer spending and support growth of 4.4% in 2012 and 4.6% in 2013. Real GDP growth in the sector was 4.1% in Q2 2012 year on year (Fig 3.19).

Fig 3.19: Trade, Restaurants and Hotels Real GDP (Q1 2010-Q2 2012)

(US$bn at 2004 prices and % change from a year earlier shown)



Source: QSA and QNB Group analysis

4. External Sector

A. Balance of Payments

The **balance of payments** tracks all international transactions, encompassing all payments and liabilities to and from foreigners. It includes transactions between governments, consumers and businesses. The balance of payments consists of the current account, capital account and official reserves.

The **current account** measures the net exchange of goods, services, investment income and unilateral transfers (regular payments that are not for exchange, such as companies repatriating profits or workers remitting income).

The **capital account** mainly measures the flow of funds for investment into and out of a country by citizens, businesses and governments in foreign assets. This includes investment in real assets as well as purchases of financial securities.

The **official reserves** are usually dominated by holdings of foreign currencies, but also include gold, IMF special drawing rights (SDRs), and other foreign assets held by the monetary authorities of the country.

It can be difficult to gather precise data on certain payments, which typically results in a residual **errors and omissions** line, accounting for the difference between the change in official reserves and the sum of the current and capital account balances.

The overall surplus averaged 2.4% of GDP in 2007-11, fluctuating with investment outflows

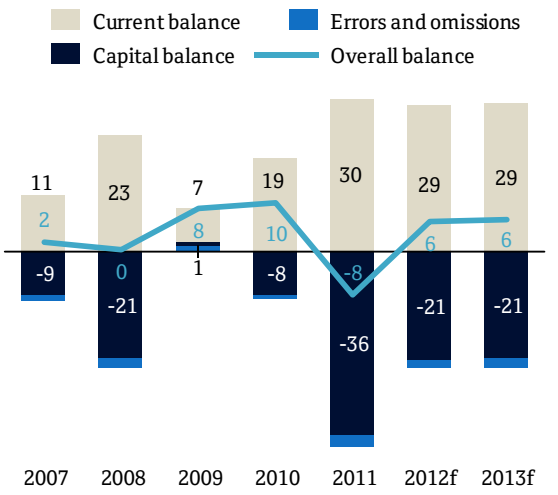
Qatar's balance of payments is dominated by a large and persistent current account surplus that is usually offset by net outflows in the capital account. This resulted in an average overall surplus equal to 2.4% of GDP in 2007-11 (Fig 4.1).

The current-account surplus (averaging 17.9% of GDP in 2007-11) is underpinned by Qatar's vast export earnings from oil and gas, which are partly offset by deficits in other components of the account, notably physical imports.

There is usually a sizable capital-account deficit (averaging 14.6% of GDP in 2007-11) as the government, individuals and businesses make investments abroad. These capital outflows can be highly volatile.

The different elements of the balance of payments are each discussed in detail below.

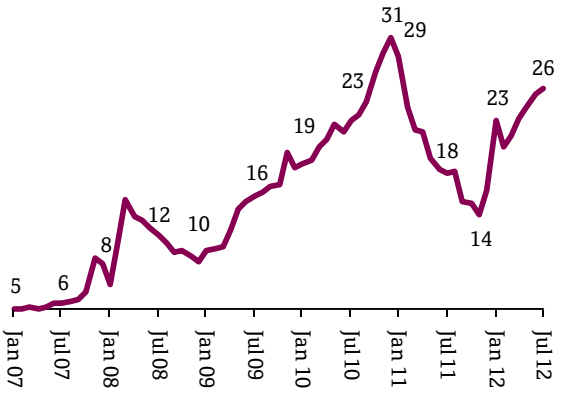
Fig 4.1: Balance of Payments (2007-13)
(% of GDP)



Source: QCB, QSA and QNB Group forecasts

The overall balance of payments represents the change in official reserves, which are mainly the **international reserves** of Qatar Central Bank (QCB). QCB's reserves grew almost five-fold from US$5bn in January 2007 to US$26bn in July 2012 (Fig 4.2).

Fig 4.2: International Reserves (Jan 2007-Jul 2012)
(US$bn)



Source: IMF and QNB Group analysis

Most of the increase in international reserves occurred in 2009-10 when difficulties in international financial markets meant that more oil and gas export revenue

than usual was held as reserves, rather than being invested abroad. As a result, reserves peaked at US$31bn at the end of 2010.

International reserves have risen sharply since a trough in November 2011

This trend reversed in 2011, and reserves fell sharply as capital outflows increased, declining to US$14bn at the end of November. This still represented about six months of import cover, more than the IMF's recommendation of over three months.

By July 2012, international reserves had increased to US$26bn, equating to around 10 months of import cover or 15.2% of 2011 GDP.

The drop in reserves in 2011 was mainly a consequence of massive investment overseas, mainly by the Qatar government, but also by individuals and businesses. It is unlikely that this flow of investment will be sustained and we therefore expect international reserves to continue their current upward trajectory, reaching US$42bn at the end of 2013.

In addition to QCB reserves, Qatar also has sizable holdings of foreign assets through the Qatar Investment Authority (QIA).

B. Current Account

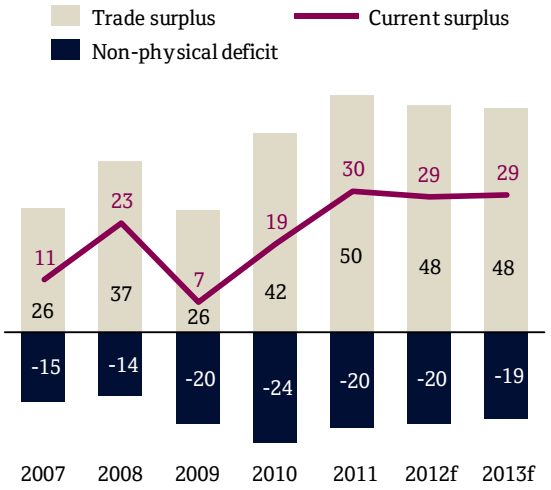
Higher production will keep the current-account surplus close to record levels

Qatar's current payments are dominated by the trade balance (exports and imports of physical goods), which consistently records a large surplus, mainly owing to hydrocarbon exports. The trade surplus averaged 36% of GDP in 2007-11 (Fig 4.3), reaching a record peak of 50% in 2011.

By contrast, the non-physical balance, which is composed of services, income and current transfer payments, generally records a sizable deficit, averaging 18% of GDP in 2007-11, partly offsetting the trade surplus.

In 2009, the current surplus fell to its lowest level in over a decade, in relative terms, at 7% of GDP. This was because of the sharp fall in oil prices. However, it recovered rapidly, reaching a record 30% of GDP in 2011, and we forecast that it will remain high at an average of 29% of GDP in 2012-13, as a result of steady oil prices and rising production of some export products such as GTL, petrochemicals and fertilisers.

Fig 4.3: Current Account (2007-13)
(% of GDP)



Source: QCB and QNB Group forecasts

Trade Balance

Hydrocarbon exports have boosted the trade surplus, which should stabilise in 2012-13

Surging exports and rising hydrocarbon prices since 2009 have driven the trade surplus higher (Fig 4.4).

Fig 4.4: Trade Balance (2007-13)
(% of GDP)

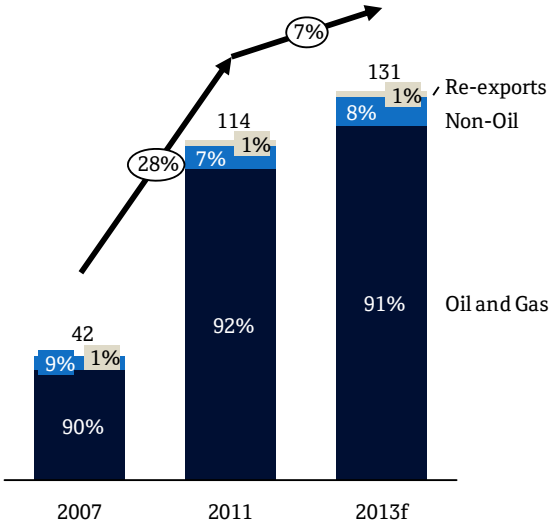
Source: QCB, QSA and QNB Group forecasts

We forecast that the trade surplus will stabilise during 2012-13 as hydrocarbon prices and production level off.

Oil and gas products account for around 92% of total exports

Goods exports nearly tripled from 2007-11, with oil- and gas-related goods comprising 92% of the total in 2011 (Fig 4.5).

Fig 4.5: Goods Exports (2007-13)
(US$bn, CAGRs shown)



Source: QSA and QNB Group forecasts

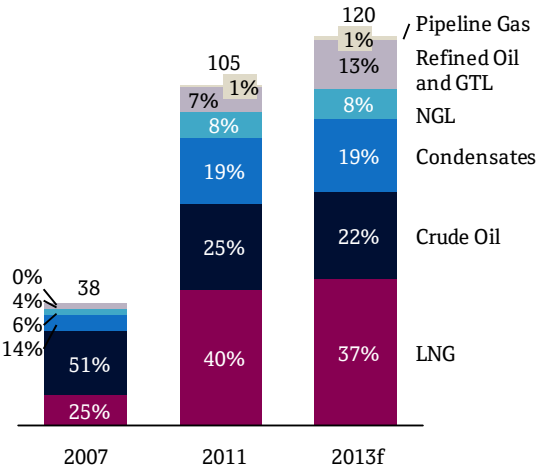
With new GTL and NGL capacity coming on-stream, as well as continued strong growth in non-oil sectors, total exports should grow to a forecast US$131bn in 2013.

LNG has taken over from crude oil as the prime source of export revenue

Qatar's industrialisation programme, harnessing the gas resources of the North Field, has led to gas-related products (LNG, most condensates, NGL, GTL and pipeline gas) accounting for the bulk of hydrocarbon exports (Fig 4.6). LNG alone represented 40% of hydrocarbon exports in 2011, compared with 25% for crude oil, a reversal of the split in 2007, when oil was predominant.

The gas-related component will continue to grow through to 2013, albeit at a slower rate, mainly owing to rising GTL production. In addition, rising gas production for domestic use will result in an increase in the amount of condensates extracted from the gas and then exported.

Fig 4.6: Oil and Gas Exports (2007-13)
(US$bn)

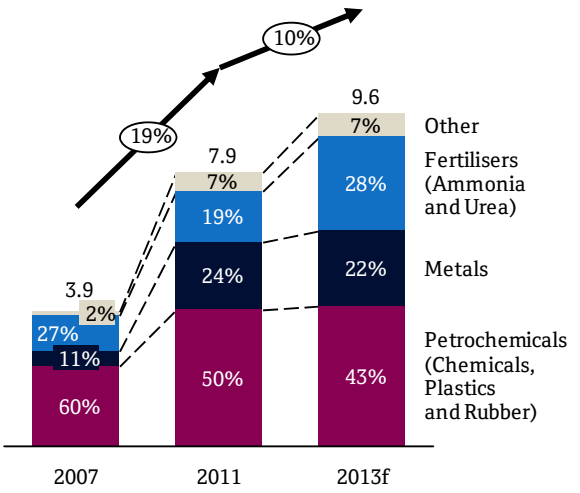


Source: QSA and QNB Group forecasts

Increases in industrial production capacity have led to a rapid increase in non-oil exports

The gas from the North Field has also been utilised as feedstock and as a power source for a range of industrial facilities whose exports, including petrochemicals, fertilisers and metals, are classified as non-oil. Non-oil export earnings increased rapidly from 2007-11 (Fig 4.7) as a result of major capacity expansions in both petrochemicals and aluminium production (Section 3B).

Fig 4.7: Non-Oil Exports (2007-13)
(US$bn, CAGRs shown)



Source: QSA and QNB Group forecasts

Substantial new capacity came online in the fertiliser sector in 2011-12, almost all of which will be exported (Section 3B). As a result, fertilisers are expected to account for 28% of non-oil exports in 2013, up from 19%

in 2011. Incremental increases of aluminium production, following the launch of a new facility in 2010, have driven up metals exports.

The value of almost all of Qatar's non-oil exports are still highly correlated with oil prices

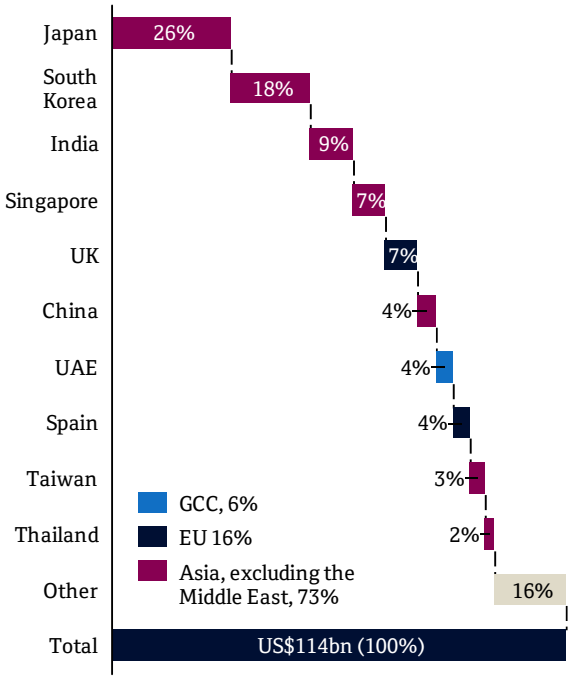
The bulk of Qatar's non-oil exports are, in fact, closely linked to oil prices. In 2009, when oil prices fell 37%, petrochemicals prices fell 36%, fertilisers 45% and metals 67% as the worldwide recession reduced global demand for commodities. Together with oil and gas, these sectors account for 99.5% of exports, making the economy highly dependent on oil prices.

However, since 2009 Qatar has benefited as the prices of key commodities have increased in line with oil prices. While oil prices rose 34% from 2009-11, petrochemicals rose 34%, fertilisers 33% and metals 72%.

Demand from Asia has been crucial to driving Qatar's export growth

Qatar's exports go all over the world, but Asia remains the most important region (Fig 4.8).

Fig 4.8: Export Destinations (2011)
(% of total exports indicated)



Source: QSA and QNB Group analysis

Above all, Japan has been the key market since the 1990s, when it purchased more than half of Qatar's exports. In 2011, exports to Japan increased by 39% as Qatar stepped in to supply LNG as an alternative fuel to meet Japan's energy needs after its tsunami and nuclear disaster.

Qatar's exports to its major Asian trade partners are almost exclusively oil and gas. Singapore is a regional hub for oil refining. Therefore, crude oil and condensates dominate exports there. Meanwhile, in other Asian countries crude oil, LNG, condensates and NGL all have a broadly equivalent importance. Exports to Asia, excluding the Middle East, have increased by 24% from US$36bn in 2007 to US$84bn in 2011 owing to rapidly rising demand for energy from the world's fastest-growing developing markets. Asia has therefore helped drive Qatar's export growth, particularly Japan and South Korea.

European countries, such as the UK and Spain, have become significant recipients of Qatari exports in recent years. They have signed long-term supply agreements for LNG from the new super-trains, and so should remain important export destinations.

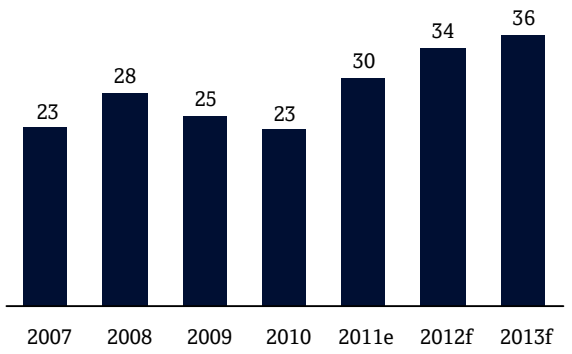
Qatar's exports to other GCC countries are a relatively small component of the total, only accounting for 6% in 2011. The main export is gas, through the Dolphin pipeline to the UAE and Oman, as well as LNG exports to Dubai and Kuwait.

Imports are dominated by items relating to major projects

Qatar's rapid economic growth drove sharp import growth of 31% from 2000-08. A number of factors led to a drop in imports in 2009-10 (Fig 4.9).

Firstly, a slowdown in economic growth in 2009 and lower population growth in 2009-10 reduced demand for imports. Secondly, a number of major projects completed in 2009-10, which reduced demand for machinery, equipment and building materials. Notably, six of Qatar's 14 LNG trains were completed in 2009-11.

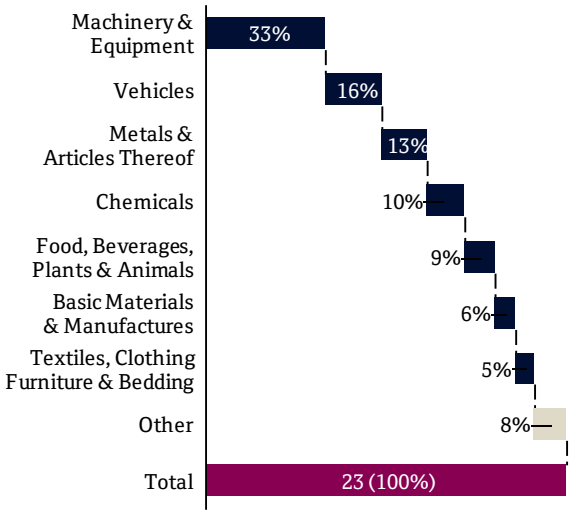
Fig 4.9: Imports[30] (2007-13)
(US$bn)



Source: QSA and QNB Group forecasts

Based on the 2010 breakdown of imports (the latest available data), Machinery and Equipment is the most important category of imports (Fig 4.10).

Fig 4.10: Breakdown of Imports (2010)
(US$bn, CAGR shown)



Source: QSA and QNB Group forecasts

Major construction projects underpin imports of Machinery and Equipment, Metals and Articles Thereof and Basic Materials and Manufactures, which together accounted for 52% of imports in 2010. Many components of these categories are key inputs for the construction industry:

- Machinery and Equipment mainly includes piping, cranes, pumps, air conditioning units and parts, electricity parts and cabling, as well as the telephones and computers that are needed to fit out offices and residential developments and drilling and processing equipment for the hydrocarbons sector
- Metals and Articles Thereof largely includes metal parts (mainly iron and steel) for building structures, scaffolding and pipes
- Basic Materials and Manufactures mainly includes cement and materials mixed with cement to make concrete, asphalt, alabaster and iron ore, used to make steel

Consumer spending is replacing infrastructure as the most important driver of imports

As the volume of projects being implemented has levelled off since 2008 (Section 3C), the shape of Qatar's import breakdown has shifted. Categories that relate mainly to major construction and oil and gas projects constituted 52% of the import bill in 2010, down from 64% in 2007. Meanwhile, categories that mainly relate to household spending (Vehicles, Food, Beverages, Plants and Animals and Textiles, Clothing, Furniture and Bedding) accounted for 30% of the import bill in 2010, up from 22% in 2007. This suggests that domestic demand is shifting from industry and major infrastructure projects to consumer spending.

The QSA has released an overall FOB[30] figure for imports in 2011 but no breakdown. We have used the QSA figure to estimate CIF imports, indicating an increase of 29% over 2010 to US$30bn. Given the recent trend for growing consumption versus a levelling off in project spending, we expect that most of this increase was driven by consumers.

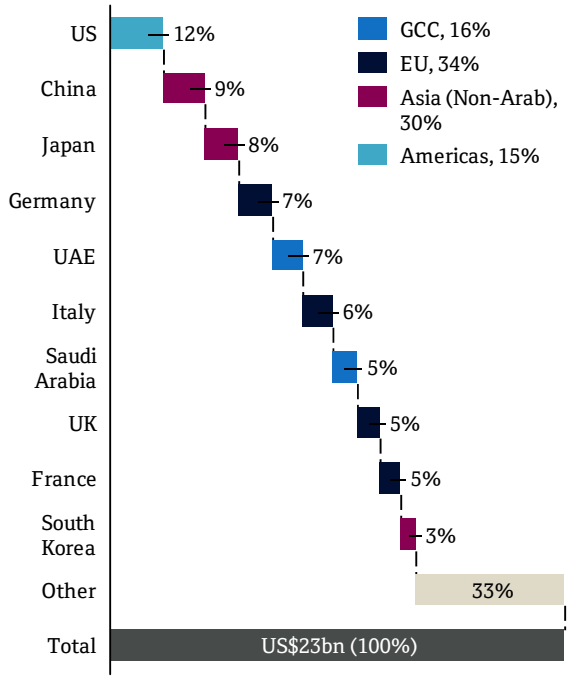
We expect imports to continue to grow in 2012-13. They are strongly correlated to nominal GDP and our expectations for strong services and consumer-driven GDP growth will be replicated in the import bill.

Advanced economies are the predominant suppliers of imports

Advanced economies are the most important sources of imports for Qatar as they are the main global sources of imports of machinery and equipment, vehicles and other manufactured items that top Qatar's import bill. The US and EU alone account for almost half of Qatar's imports (Fig 4.11).

[30] Imports are shown here at their CIF (cost, insurance and freight) values. These are about 11% higher than the FOB (free on board) value of the goods themselves. Within the balance of payments, the FOB figure for imports is included in the trade balance, while the insurance and freight costs are accounted for within the services component of the non-physical payments.

Fig 4.11: Import Sources (2010)
(% of total imports indicated)



Source: QSA and QNB Group analysis

The US has maintained its position as Qatar's predominant supplier, accounting for 12% of imports in 2010, marginally higher than 11% in 2007. Its main exports to Qatar are US$1.0bn vehicles, including US$654m of aircraft parts, and machinery and equipment (US$957m).

Other advanced economies have seen their shares of imports decline slightly. The EU accounted for 36% of imports in 2007 and 34% in 2010 and the third largest source of imports, Japan, accounted for 10% and 8% in the same years.

The sharpest rise in import share has come from China, which accounted for 6% in 2007, increasing to 9% in 2010, equating to US$2.1bn. The majority of imports from China are machinery and equipment (US$819m), clothing (US$189mm) and iron and steel (US$165m).

Other GCC countries provided 16% of imports in 2010, up from 14% in 2007, with almost half coming from the UAE, largely because of re-exports from Dubai's Jebel Ali Port, which acts as a trade hub for the region. The trade coming through the UAE is 40% basic materials and metals, mainly for major projects, 13% machinery and equipment and 7% precious stones and gems.

Saudi Arabia is the other main regional trade partner, exporting US$1.2bn of goods to Qatar in 2010, 28% of which is food and beverages, 18% iron and steel, 16% electrical goods and 8% plastics related to the petrochemical industry.

Concentrated sources of food imports have led to action on food security

Not only is almost all of Qatar's food imported, but also much of the supply of certain foods come from only a few countries, giving rise to concerns about food security:

- 42% of meat comes from Brazil
- 52% of dairy products and 33% of live animals come from Saudi Arabia
- 45% of cereals come from Pakistan
- 31% of live animals, 17% of cereals and 17% of meat come from Australia

To help tackle this issue, Hassad, an investor/developer in agriculture and livestock, has been established by the Qatari government. It aims to improve food security by investing abroad in a portfolio of agricultural land and production companies.

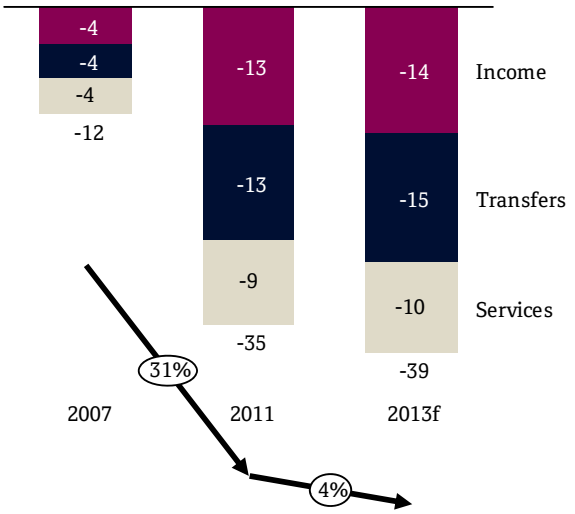
Another government institution working in this field is the Qatar National Food Security Programme (QNFSP), launched in 2008 to plan and coordinate action across all government bodies. One of its aims is to reduce reliance on food imports by increasing the water supply for agriculture through solar powered desalination. In addition, it is developing incentives and subsidies and supporting technologies to maximise the efficiency and usefulness of domestic agricultural production.

Non-Physical Balance

Payments to foreign companies and remittances offset trade surpluses

Qatar consistently records net deficits in the three categories of non-physical payments (Fig 4.12), which is typical for the region. The **income** deficit, which is usually the largest component of the overall non-physical deficit, mainly relates to profit repatriation by foreign companies operating in Qatar. Most of the payments are made by firms operating in the oil and gas sector, such as Maersk, ExxonMobil and Shell. Income debits also include dividend payments to foreign equity investors in Qatari companies.

Fig 4.12: Non-Physical Balances (2007-13)
(US$bn, CAGRs shown)



Source: QCB and QNB Group forecasts

Total income debits rose over threefold to US$19bn in 2011 from US$6bn in 2007, mainly owing to rising revenue in the hydrocarbon sector and a corresponding rise in payments to foreign oil and gas companies. In absolute terms, we expect the income deficit to increase slightly in 2012-13, as hydrocarbon income stabilises.

This deficit is partly offset by income credits from Qatari investments abroad, which increased sharply in 2011 to US$6bn from US$2bn in 2010. This was probably because more income was repatriated rather than being reinvested abroad, owing to the poor performance of international financial markets in 2011. It is likely that the majority of income earned on Qatari investments abroad is usually reinvested.

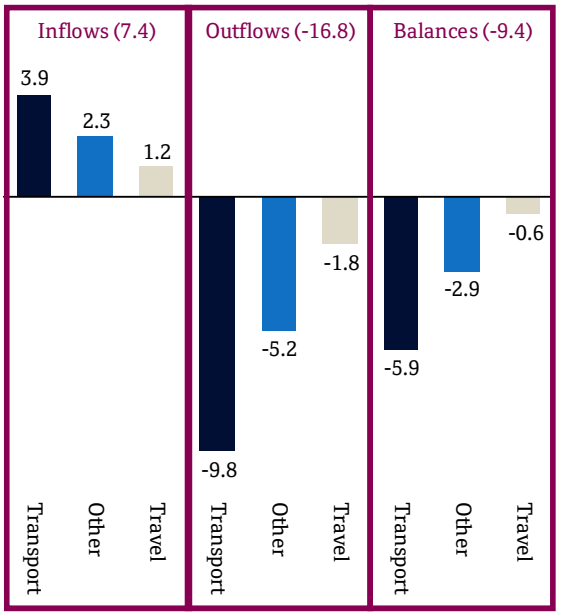
The **transfers** deficit is largely composed of remittances sent home by expatriate workers, who numbered 1.2m in 2011. Total remittances in 2011 were US$10bn, or US$8,621 per worker. The value of remittances has grown steadily from US$4bn in 2007 as the expatriate workforce and economy have expanded.

The services deficit is mainly comprised of transport charges for LNG exports

The **services** deficit is broken down into transport, travel and other services, with both credits and debits in all three categories (Fig 4.13).

The overall services deficit was US$9.4bn in 2011, or 5.5% of GDP, slightly higher than the average of 4.2% of GDP in 2007-10. **Transport** debits, which mainly relate to costs of exporting oil and LNG cargoes, dominate the services balance. The rapid increase in LNG production has led to transport debits almost doubling since 2007.

Fig 4.13: Services Balances (2011)
(US$bn, totals shown)



Source: QCB and QNB Group analysis

Transport credits have increased by 39% since 2007, which is probably mainly a consequence of the rapid growth in air carrier services provided by Qatar Airways, which aims to establish Doha as a global travel hub.

Going forward, a peaking of LNG production should lead to a levelling off in growth of transport debits. Meanwhile, credits are expected to continue to grow in line with the expansion of Qatar Airways, assisted by the opening of the new Doha airport in 2013. Therefore, we expect growth of the transport deficit to stabilise in 2012-13.

Other services include foreign exchange payments for professional and financial services provided by firms abroad and typically record a sizable deficit. International finance, accounting and legal firms are active in Qatar, supporting the country's economic development. Payments abroad for Other services have grown at a rate of 46% since 2007 and we expect growth to continue from 2012-13, albeit at a more moderate rate of 3.5%, as international professional services firms remain busy.

The **travel** category mainly relates to foreign exchange payments by tourists and other travellers and usually records a net deficit. Travel credits more than doubled in

2011 as a consequence of Doha's increasing prominence as a destination for sports and cultural tourism and conferences. Meanwhile, increasing wealth and consumer confidence led to Qatar's residents spending US$1.8bn abroad in 2011, more than three times as much as they spent in 2010.

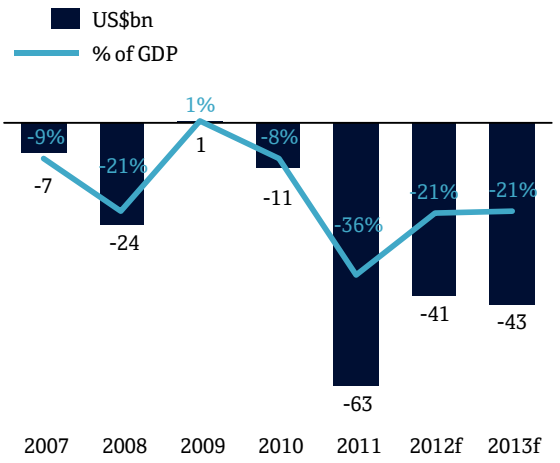
Overall, we expect the services deficit to stabilise in 2012-13. Growth in credits, particularly from Qatar Airways air carrier services, will offset increases in services debits, which will be lower than in recent years as the cost of transporting LNG cargoes levels out.

C. Capital Account

The capital account usually records a deficit as export earnings are invested in assets abroad

The capital account[31] is dominated by outflows, which are largely related to the investment of surpluses, from hydrocarbon exports, into foreign assets. These investments are made by the State (mainly through the QIA), companies and individuals. As a result, the capital account recorded an average deficit of 14.6% of GDP in 2007-11, although there was considerable variability in the size of the deficit (Fig 4.14).

Fig 4.14: Capital Account Balance (2007-13)



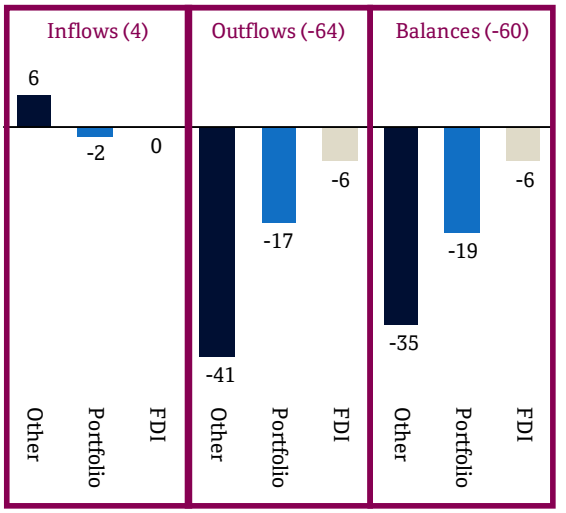
Source: QCB and QNB Group forecasts

A large increase in hydrocarbon receipts in 2011 led to a commensurate increase in the capital-account deficit to US$63bn (36% of GDP), from US$11bn (8% of GDP) in 2010.

The capital account is broken down into four categories: foreign direct investment (FDI)[32], portfolio investment, financial derivatives and other investment.

Other investment includes financial transactions such as loans, leases, repos, trade credits, currency trades and deposits. It was the largest component of the capital account in 2011, with US$41bn of outflows and US$6bn of inflows (Fig 4.15). This is most likely dominated by currency and deposits transferred abroad.

Fig 4.15: Investment Flows[33] (2011)
(US$bn, totals shown)



Source: QCB and QNB Group analysis

Portfolio investment, which includes all standard investments in tradable securities, particularly by the QIA, was another important element of the capital account with US$17bn of outflows in 2011. The balance of portfolio investment tends to be in deficit, although there was a brief change in direction in 2009. This was because the downturn in global equity markets resulted in some Qatari investments being liquidated and repatriated, producing a small surplus of US$5.9bn in that year.

[31] The QSA uses IMF definitions for its balance of payments data and the IMF refers to the "capital and financial account". In the IMF definition, investment flows are grouped within the financial account, while the capital account proper equates just to capital transfers (which includes transfers of non-financial assets). However, it is more common not to make this distinction, and simply to refer to all these flows as comprising the capital account and we follow this usage for simplicity.

[32] According to the IMF and UNCTAD, FDI is a stake in an enterprise that gives the investor an effective voice in the management of the enterprise. It is usually taken to be a stake of 10% or more.

[33] This excludes the capital account items: financial derivatives and non-financial transfers.

Inward FDI was resilient following the financial crisis owing to oil and gas investments

In 2007-10, Qatari inward **FDI** averaged US$5.5bn as foreign investment continued to pour into the oil and gas and manufacturing sectors. However, as a number of major projects were completed, inflows of FDI slowed. In 2011, inward FDI was slightly negative as investors divested from Qatar.

We estimate[34] that the current stock of inward FDI is around US$31bn, or 17.8% of GDP. This compares with a world average of 29% of GDP, 23% in MENA and 25% in the GCC. As Qatar is at a relatively early stage in its economic development and is growing strongly, we expect the FDI stock to increase as a share of GDP going forward.

Around half the stock of inward FDI is in the oil and gas sector with the bulk of the remainder in finance and real estate sectors. The US and Netherlands are the sources of around a quarter of the FDI stock, as a result of major investments in the oil and gas sectors from oil majors such as Exxon Mobil and Royal Dutch Shell.

We are expecting an increase in project activity in 2012-13, as Qatar begins to gear up for the 2022 World Cup, boosting inward FDI to a forecast US$4.3bn per year.

In 2007-10, outward FDI from Qatar averaged US$3.5bn per year. Greater receipts from the hydrocarbons sector and an increase in investment abroad boosted it to US$6bn in 2011.

Outward FDI stocks are set to grow substantially. Based on our forecasts we expect Qatar's trade surplus to remain strong, much of which will be funnelled into investments abroad, supporting outward FDI at around US$4.0bn per year, or 2.0% of GDP in 2012-13.

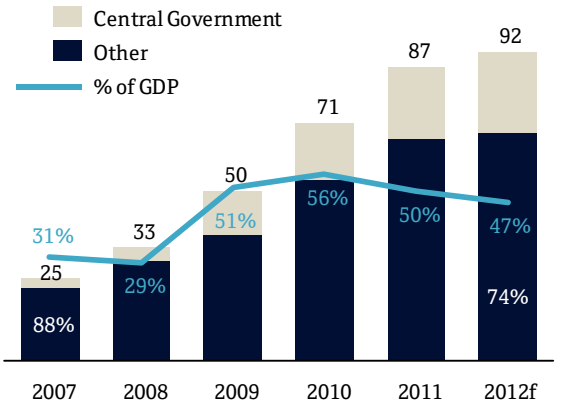
Around 70% of outward FDI is in the banking sector and most of the remainder is in the oil and gas sector. The largest stocks of Qatari outward FDI are in the US, UAE and UK.

D. Foreign Debt

External debt has grown substantially but is falling as a share of GDP

External debt has increased sharply in recent years, more than tripling from US$25bn in 2007 to US$87bn in 2011. However, as a percentage of GDP, external debt is falling (Fig 4.16).

Fig 4.16: External Debt[35] (2007-12)
(US$bn, % share shown in white for 2007 and 2012)



Source: IMF, IMF forecasts and QNB Group analysis

Much of the increase in external debt has been a result of rising central government borrowing. Central government borrowing mainly consists of bonds and loans from banks. Most of the increase in central government external debt since 2009 has been a consequence of new sovereign bonds. In 2009, the State of Qatar made its first bond issuances since 2000 and has issued further bonds subsequently, taking advantage of market conditions. The most recent issue was a US$4bn sukuk in July 2012 (Fig 4.17).

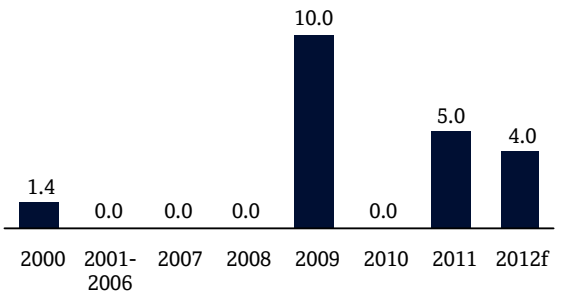
The State has been issuing bonds, despite its large fiscal surpluses, in order to provide a backbone to Qatar's capital markets through establishing a yield curve by creating benchmark debt instruments across a range of maturities. Increased borrowing also ensured that the government was well placed to provide strong support to the financial sector following the global financial crisis.

[34] We have estimated the FDI stock by adding 2011 FDI data to the QSA's 2010 Foreign Investment Survey.

[35] Excluding banks.

Fig 4.17: Sovereign Bond Issuance (2000-12)

(US$bn)



Source: QCB and QNB Group forecast

Non-central-government debt is mainly held by government-related companies (GRCs), which have borrowed to finance rapid expansion (Table 4.1).

Table 4.1: Government Guaranteed Major Outstanding External Debt (September 2012)

Company	Amount (US$bn)
QP and Subsidiaries	22.3
Nakilat	10.3
Others*	27.4
Total	**60.0**

Source: IMF and QNB Group analysis, * Includes a number of Qatari institutions that have accessed the capital market

A sizable part of external debt relates to financing the LNG supertrains. Overall, external debt is forecast to be around 47% of GDP at end-2012, a relatively moderate level of debt by regional and international standards, and only about 74% of expected export earnings in 2012. The new external borrowing of the government and GRCs will be more focused on downstream projects abroad and to finance foreign investments rather than to finance major domestic upstream oil and gas projects.

5. Money and Prices

A. Currency

The dollar peg provides stability, but limits the monetary policy tools available to the QCB

The Qatari Riyal (QR) has been pegged to the US dollar at a rate of QR3.64:US$1 since 1981. This limits the monetary policy tools at the disposal of the QCB (Section B). The other GCC currencies, aside from the Kuwaiti dinar, also have long-standing pegs to the dollar.

It is unlikely that the currency will be de-pegged or re-valued in the near future. The peg minimises the volatility of hydrocarbons export revenue, as oil and gas are priced in dollars. For foreign investors, the long-term stability of the peg removes some of the capital value risks that are usually associated with investment in countries with floating exchange rates. The dollar itself has been volatile in recent years, but even this has not prompted any moves towards changing the peg in Qatar or other GCC countries.

There are plausible scenarios that could lead to an adjustment to the peg in the long term

The peg could be adjusted in preparation for the launch of a GCC **monetary union**. There are plans for a single currency between at least four GCC countries: Saudi Arabia, Bahrain, Kuwait and Qatar (the UAE and Oman have withdrawn). A joint GCC Monetary Council was established in Riyadh in 2010 as the first step towards monetary union.

It is likely that a GCC currency would initially be pegged to the dollar, with the Qatari Riyal being converted to the new currency at this fixed rate. The peg might later be changed to a basket of currencies that better reflect the trade relationships of the GCC—along the lines of Kuwait's existing currency regime.

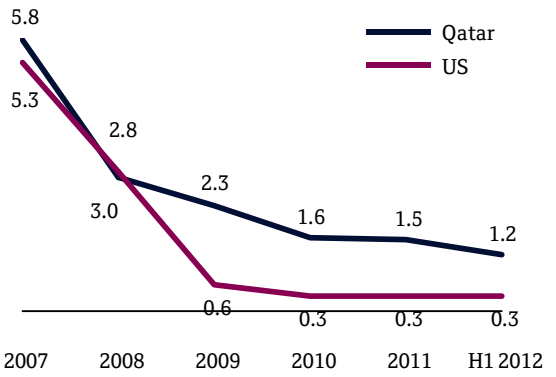
A less likely scenario would be an upward adjustment to the riyal's peg to help stave off imported **inflation**. In 2008, consumer price index (CPI) inflation spiked to 15% mainly due to an increase in housing costs of 20% (Section C). Some analysts argued for an upward revaluation in the riyal to slow inflation by lowering import costs. It would require a prolonged depreciation of the US dollar and significant imported inflation for Qatar to seriously consider adjusting its exchange rate and undermining the stability the long-term peg has created. Such a scenario is highly unlikely in the short to medium term. As long as the dollar remains central to the global financial system and continues to be used to price commodities, it will remain useful for the Qatari Riyal as a stability-enhancing peg.

B. Policy Tools and Money Supply

Qatar is unlikely to raise rates until 2015, taking its lead from the US Federal Reserve

The dollar peg requires Qatar's **interest rates** to broadly track US rates to deter major speculative capital flows seeking to arbitrage any interest-rate differential (Fig 5.1).

Fig 5.1: Three-Month Deposit Rates (2007 - June 2012)
(%, annualised)



Source: QCB, US Federal Reserve and QNB Group analysis

Therefore, in a series of cuts, the QCB reduced its overnight deposit rate to 0.75% in August 2011, down from 4% in early 2008. The final 25 basis point (bp)[36] cut came on 10th August 2011, the day after the US Federal Reserve announced its decision to keep its benchmark federal funds rate at 0.00-0.25% until 2013. At the same time, the QCB's overnight lending rate was cut by 50 bps to 4.5%.

In September 2012, the Federal Reserve announced an extension of its rate freeze to mid-2015. With US rates on hold, QNB Group does not expect any increase in Qatari interest rates until 2015 at the earliest.

[36] Basis points refer to percentage change where 1 bp = 0.01%. Therefore, 25 bp = 0.25%.

As the QCB's freedom to set interest rates is constrained by the peg, it mainly uses bank reserve requirements and lending limits as **monetary policy tools**:

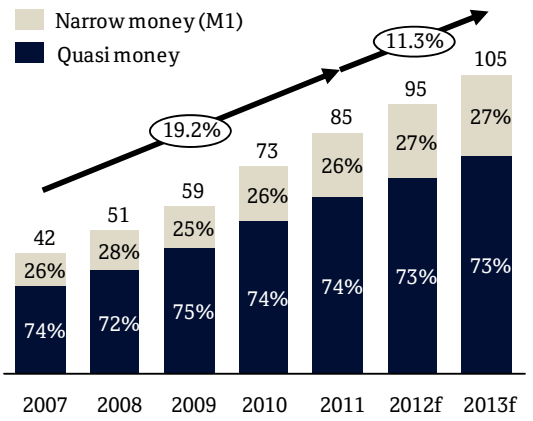
- Commercial banks are required to hold 4.75% of total deposits, including foreign deposits, as cash reserves
- The loan-to-deposit ratio of commercial banks is set at 90%
- Limits are set on the amounts and rates of loans made to individuals

QCB and Bloomberg jointly launched the Qatar Interbank Offered Rate (QIBOR) in May 2012. The move aims to provide a reference point, improve transparency and support liquidity in the interbank money market. The rates are reported every business day by nine panel banks for eight different tenors from overnight to one year.

Money supply has expanded with the economic boom, rising oil prices and growing credit

Broad **money supply** (M2, or narrow money (M1)[37] plus quasi money[38]) reached US$85bn (Fig 5.2), or 49% of GDP in 2011.

Fig 5.2: Money Supply (2007-13)
(US$bn, CAGRs shown, totals are broad money, or M2)



Source: QCB and QNB Group forecasts

Broad money supply grew at a rate of 27% from 2001-11, compared with 7.5% in the preceding decade. The acceleration in money supply growth was a result of the economic boom and high oil prices in the late 2000s, which enabled the government to increase its expenditure. Strong growth in domestic credit also encouraged the expansion of broad money supply.

A slowdown in domestic credit expansion and economic growth led to a weaker increase of 15.5% in money supply, at an annualised rate in the first half of 2012 versus 19.2% from 2007-11. We expect the slowdown to continue during the remainder of 2012 and in 2013 in line with slowing economic growth.

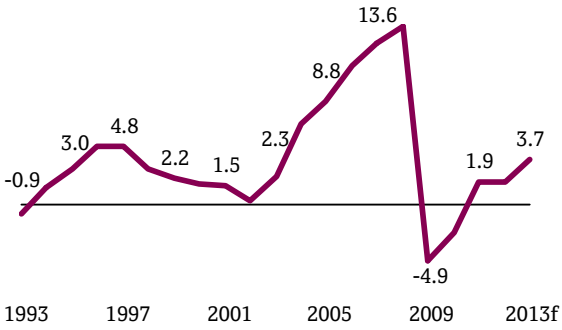
The proportion of deposits held in Qatari Riyal has increased from 66% of the total in January 2007 to 82% in June 2012. This is most probably a consequence of uncertainty about the exchange rates of major currencies following the financial crisis.

C. Inflation

Consumer Price Index

Historically, inflation in Qatar has been low. The **CPI** grew at 2.9% from 1993-2004. It picked up considerably to a rate of 12.3% from 2004-08 during the hydrocarbons boom, followed by 3.7% deflation, on average, during the global slowdown from 2008-10 (Fig 5.3).

Fig 5.3: CPI (1993-13)
(Annual % change)



Source: QSA and QNB Group forecasts

Until 2008, inflation was driven higher by rapid economic expansion, high hydrocarbon prices and strong government spending, all of which increased domestic demand. Qatar is also heavily dependent on imports of food and other goods and was, therefore, affected by imported inflation as international commodity and other prices rose.

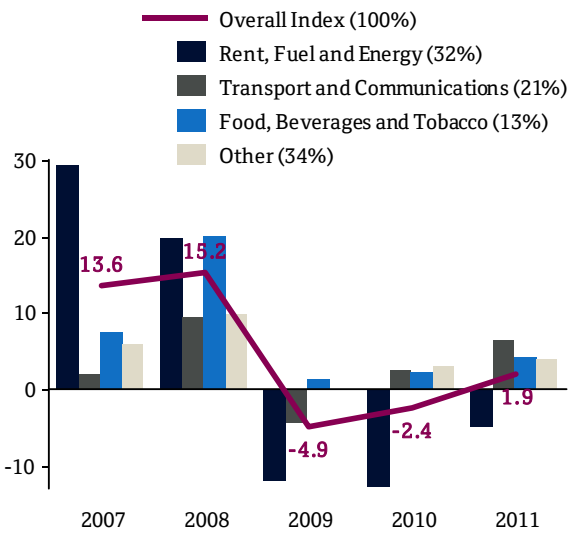
Falling rents dragged down inflation but they are stabilising

The **Rent, Fuel and Energy** category has the strongest weighting in Qatar's CPI basket, accounting for 32.2% of

[37] Narrow money (M1) includes currency in circulation and current deposits available on demand at banks.
[38] Quasi money refers to time deposits and deposits in foreign currencies.

the index. Rent alone accounts for 31.3% of the index. This category was the dominant driver of CPI inflation as rents increased in the boom years, up to 2008, as Qatar's population experienced double-digit growth and housing supply was tight. Thereafter, falling rents dragged inflation lower as the real estate market became oversupplied in 2009-11 (Fig 5.4).

Fig 5.4: CPI (2007-11)
(% change, index weighting in brackets)



Source: QSA and QNB Group analysis, *annualised

Rents rose during the 2000s, with the rate of increase peaking in H1 2008 when prime office rates were up by 36%, year on year, and four-bed residential villas by 22%[39]. Economic growth sparked a construction boom to meet demand from a massive influx of workers and businesses, driving rental inflation up by 29% in 2007 and 20% in 2008.

Since the end of 2008, rents fell in every quarter, although at a decelerating rate, until Q3 2012. With a number of major real estate projects being completed, the market has remained oversupplied, depressing prices. Therefore, we expect average year on year rental deflation of 3.6% for the full year 2012, down from 4.8% in 2011.

There are indications that rental deflation is turning a corner. In Q2 2012, real estate research indicated an uptick in residential rental rates, compared with the previous quarter, with waiting lists reported to be growing at the top-quality compounds[40] (Table 5.1). Meanwhile, office rents were said to be flat in Q2 2012.

[39] Based on data from an April 2011 real estate research report by DTZ, Property Times Qatar.
[40] Asteco Qatar Report, Q2 2012.

Overall, we expect rental deflation of 3.1% in 2012 with rents beginning to rise again in 2013 at a rate of 3.8%.

Table 5.1: Selected Rental Prices (Q1-Q2 2012)
(US$/month)

Property	Q1	Q2	change
Four-bed villa, West Bay Lagoon	6,044	6,456	6.8%
One-bed apartment, Najma	962	996	3.5%
Office space (m^2), West Bay	54	54	0.0%
Office space (m^2), Old Doha	29	29	0.0%

Source: Asteco and QNB Group analysis

In September 2012, month on month rental inflation increased by 0.9%, the third monthly increase in a row. These monthly increases are the first since a negligible rise in November 2011. This has helped annual rental deflation slow to 1.7% year-on-year in September 2012.

Inflation in **Transport and Communications**, which includes prices of cars, spare parts, fuel, air transport and telephone and internet services, has been moderate at 3.4% from 2007-11. It rose to 6.4% in 2011, partly as a result of a 25% increase in the price of fuel by the government. Additionally, salary increases for Qatari government employees were implemented from September 2011 and may have pushed up car prices. With these factors now priced in to the economy, we expect a slowdown in transport and communications inflation to 3.6% in 2012-13.

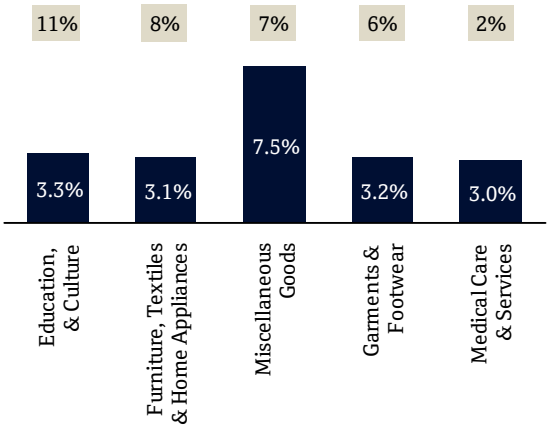
Imported food, education costs and luxury items are also important drivers of inflation

Food, Beverages and Tobacco inflation was 6.6% from 2007-11. The vast majority of food is imported, and therefore, inflation in this category was driven by international food prices. These prices spiked in 2007-08, dropped in 2009 and then rose again in 2010-11, impacting Qatari food prices. Annual food, beverages and tobacco inflation averaged 4.0% in the first nine months of 2012, slightly below the average of 4.3% for 2011. We expect food price inflation to average 4.6% over the whole of 2012, owing to some droughts, particularly in the US, and then to slow to 3.4% in 2013, assuming normal global harvests.

Other inflation was 4.1% from 2007-11. The subcategory with the largest weight is Education, Entertainment and Culture (Fig 5.5). Education, Entertainment and Culture annual inflation has averaged 6.1% in the first nine months of 2012, most probably because school fees have risen owing to strong demand and tight supply. With further hikes in school fees expected in October, we

forecast inflation of 5.1% for the full year 2012 in this category.

Fig 5.5: Other CPI Categories (2007-11)
(2007-11 CAGR, index weights shown)



Source: QSA and QNB Group analysis

Miscellaneous Goods inflation was rapid in 2007-11 at 7.5%, although it has slowed to 3.1% in the year to September 2012. It mainly consists of restaurants, cafes, hotels and other luxury items and has been boosted by increasing wealth and demand.

Current inflation would be significantly higher if rent was excluded

In the first nine months of 2012, year-on-year CPI inflation averaged 1.6%, including rent deflation of 4.9%. Excluding rents, inflation averaged 3.4%.

Non-rent inflation has slowed in relatively basic spending subcategories: transport, communication and food. Meanwhile, inflation picked up in bigger-ticket spending categories: Education, Entertainment and Culture and Furniture, Textiles and Home Appliances. This suggests that demand for expensive goods has increased, possibly indicating growing consumer confidence and rising disposable income.

Overall, we forecast inflation of 1.9% in 2012, picking up to 3.7% in 2013 as annual rent inflation stabilises, with other prices supported by strong government spending and population growth. Non-rent inflation is expected to slow marginally from 3.9% in 2012 to 3.7% in 2013.

Our forecast is based on average oil prices of US$110/b in each year. Oil prices are a fundamental underlying driver for all categories of CPI inflation, particularly rent and transport and communications.

Producer Price Index

The PPI is predominantly driven by changes in oil prices

In 2011, the QSA introduced a **Producer Price Index** (PPI) for the industrial sector (Fig 5.6).

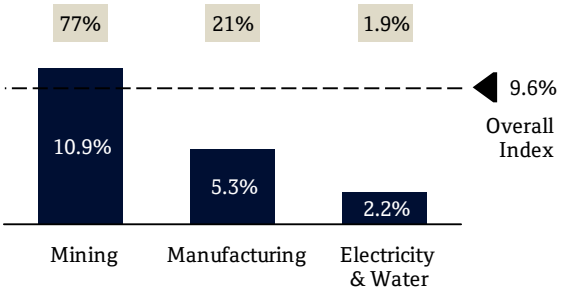
Fig 5.6: PPI (2008-13)
(Annual % change)

Source: QSA and QNB Group forecasts

Mining has a 77% weighting in the index (Fig 5.7) and is made up of raw hydrocarbons, including:

- Crude oil (39% weighting in the overall index)
- Natural Gas (24%)
- Condensates (14%)

Fig 5.7: PPI by Sector (2007-11)
(2007-11 CAGR, index weights shown)



Source: QSA and QNB Group analysis

Gas and condensate prices are closely related to oil and the index therefore tracks changes international crude oil prices.

Additionally, **Manufacturing** includes subcategories that are also closely related to hydrocarbon prices:

- Refined Petroleum Products (12% of the overall index)
- Basic Chemicals (5%)

Therefore, 94% of the PPI index can be said to be directly impacted by international crude oil prices and the correlation between the two in 2007-11 was 99%. This illustrates the importance of hydrocarbons to Qatar's industrial base.

Non-hydrocarbon manufacturing subcategories include metals and machinery, with inflation of 11.3% from 2007-11, and cement and glass products, with deflation of 4.2% over the same period. New domestic production of cement may have helped keep prices down while metal prices have been rising worldwide.

Electricity and Water prices are controlled by the State, meaning that they have been, and are likely to remain, relatively stable. Electricity inflation was 2.4% from 2007-11 and water inflation was 1.8%.

Based largely on our forecast for international oil prices of US$110 in 2012-13, we expect that PPI inflation will slow to 7.9% in 2012 and 1.2% in 2013. The relatively high rate of inflation in 2012 is mainly due to strong LNG prices, which have risen more than oil prices owing to tight international markets.

Wages

Salary and CPI data suggest that real wages have been rising at 1.8% per year

Based on labour surveys conducted by the QSA, average wages have risen from US$20,800 per year in 2007 to US$24,400 in 2011, equating to an annual increase of 4.0%. This compares with CPI inflation of 2.2%. Subtracting CPI inflation from nominal wage growth suggests that real wages have been rising at 1.8% per year.

There is a substantial difference between the top and bottom paid sectors (Table 5.2). Wages in Electricity, Gas and Air Conditioning were almost eight times higher on average than wages in Domestic Services. Wages in services sectors tend to be lower as Qatar attracts low-cost expatriate labour to carry out unskilled work.

Wages in the Mining and Quarrying sector have fallen 8.7% from US$55,279 in 2009, when it was the best paid sector. This is probably related to a number of major oil and gas projects nearing completion resulting in highly-paid expatriate project managers leaving the country.

In September 2011, the State announced a 60% increase in the salaries of Qatari nationals working in government departments, a 120% rise in the salaries of military officers and a 50% rise in the salaries of military personnel of other ranks. This will have had an impact on public administration average wages in 2011 and will boost them further in 2012. Most quasi-governmental and private companies have also raised wages for nationals, and so other sectors will also see an increase in average wages, depending on the proportion of nationals working in them.

Average wages for males were 29% higher than for females in 2011 but the differential has narrowed from 39% in 2007.

Table 5.2: Salaries by Sector (2011)

Sector	Average Annual Salary (US$)
Top Five	
Electricity, Gas and Air Conditioning	60,544
Regional and International Organisations	58,005
Financial Intermediation	53,736
Public Administration	52,556
Mining and Quarrying	50,473
Bottom Five	
Wholesale and Retail Trade and Repairs	17,951
Hotels and Restaurants	16,220
Construction	15,600
Agriculture and Fishing	10,385
Domestic Services	7,935

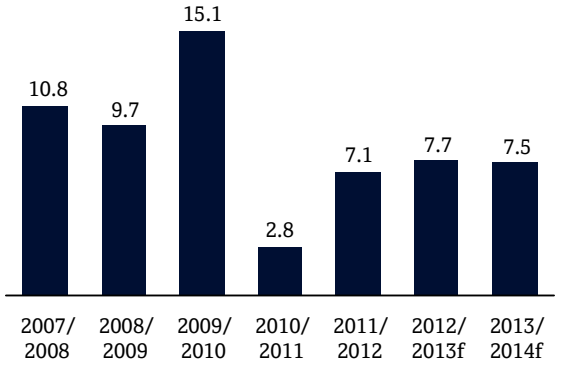
Source: QSA and QNB Group analysis

6. Public Finance

High oil prices have ensured strong fiscal surpluses

Qatar tends to record a strong fiscal surplus (Fig 6.1), as is common for hydrocarbon-exporting economies. The last time its budget fell into deficit was in 1999/2000[41].

Fig 6.1: Budget Balance (2007-2014)
(% of GDP)



Source: MOEF and QNB Group forecasts

The surplus averaged 9.1% of GDP, or US$10.0bn, in 2007/08 to 2011/12, according to the Ministry of Economy and Finance (MOEF), mainly due to high oil prices.

QNB Group forecasts that the budget surplus will be US$15.1bn (7.7% of GDP) in 2012/13 and US$15.6bn (7.5% of GDP) in 2013/14.

A. Revenue

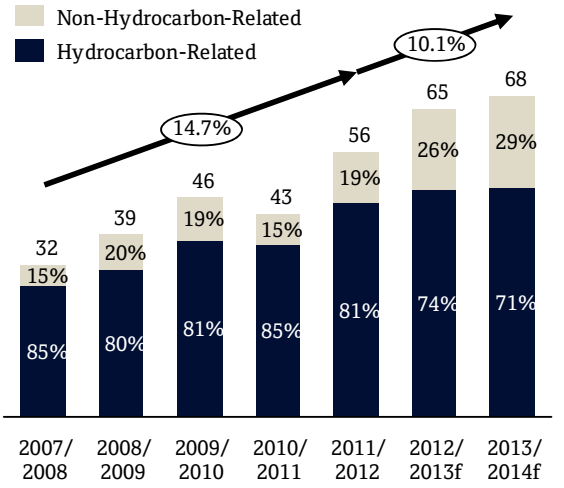
Hydrocarbons account for 81% of revenue, including income from the State's stake in QP

Government revenue is primarily derived through State-owned QP, which is responsible for all phases of the oil and gas industry in Qatar.

Revenue related to the hydrocarbon sector reached a record US$45bn in 2011/12, when it comprised 81% of total revenue. Budget revenue tends to fluctuate with oil and gas prices and production. As a result, it followed an upward trajectory in 2007/08 to 2011/12 (Fig 6.2).

[41] Qatar's fiscal year runs from 1st April to 31st March. 2011/12 therefore refers to the fiscal year from 1st April 2011 to 31st March 2012.

Fig 6.2: Fiscal Revenue (2007/08 to 2013/14)
(US$bn, % shares shown)



Source: MOEF and QNB Group forecasts

The government receives royalties and taxes from QP as follows:

- Royalties of 20% of the invoice value of crude oil and refined products exports
- Tax of 85% on profits from oil exports (after deductions for operations, depreciation, amortisation and royalties)
- Royalties at 12.5% of the invoice value of gas products exports
- Tax of 50% on profits from gas

Taxes, royalties and fees totalled US$31bn in 2011/12, and comprised the bulk of hydrocarbon revenue. The increasing importance of gas to Qatar's economy is demonstrated by the rapid rise in gas-related revenue, which increased from 15.2% of combined oil and gas revenue in 2007/8 to 46% in 2011/12.

In addition, the government receives a dividend from QP's residual profits, categorised as "**Investment**" revenue. Residual profits are what remains from oil and gas revenue after taxes, royalties, operating costs and revenue shares of private operating partners have been paid. It also includes profits from QP's wholly and partly-owned downstream businesses, including its 51% stake in IQ (from which it received in US$1.1bn in profit in 2011/12).

The size of the dividend can vary from year to year depending, in part, on how much of QP's profit is reinvested into the business. The investment revenue

was US$13.9bn in 2011/12, up 41% on 2010/11 owing to higher production of LNG and higher oil prices.

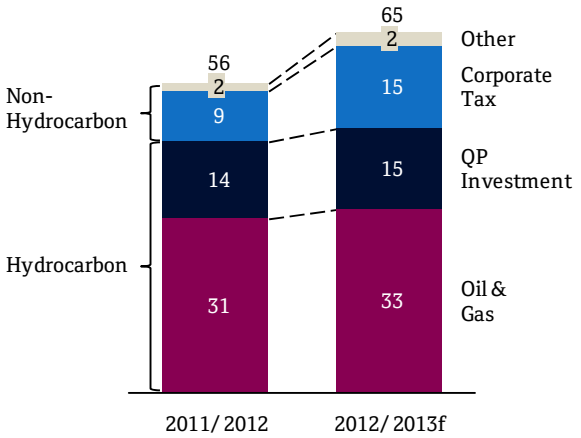
Revenue from **non-hydrocarbon** sectors is comprised predominantly of corporate taxes on foreign businesses (local companies do not pay corporate tax). A new flat tax rate of 10% (down from previous bands rising to 35%) became effective from the beginning of 2010, explaining the 33% drop in corporate taxes to US$4.0bn in 2010/11. However, corporate taxes more than doubled to US$9.0bn in 2011/12, suggesting that increased income from foreign businesses is being recorded in Qatar.

Non-hydrocarbon revenue also includes customs duties, investment revenue from government companies, aside from QP, and unclassified revenue. These other components totalled US$1.5bn in preliminary figures for 2011/12.

Revenue will be much higher than projected by the government in 2012/13

The MOEF has announced its budget for 2012/13 and expects non-hydrocarbon revenue to increase 52% to US$17bn (Fig 6.3). The MOEF also expects investment income to increase to US$15bn. We have kept these figures in our own forecasts.

Fig 6.3: Government Revenue Breakdown (2011/12 and 2012/13)
(US$bn)



Source: MOEF and QNB Group forecasts

However, as regards the oil and gas revenue, the budget projections are typically conservative, as is common practice for most Gulf countries. The MOEF has underestimated actual revenue by 49%, on average, over the last five years, and 2012/13 is based on a low oil price assumption[42]. We are therefore forecasting oil and gas revenue of US$33bn, based on our own price and production forecasts, compared with the government budget projection of US$25bn.

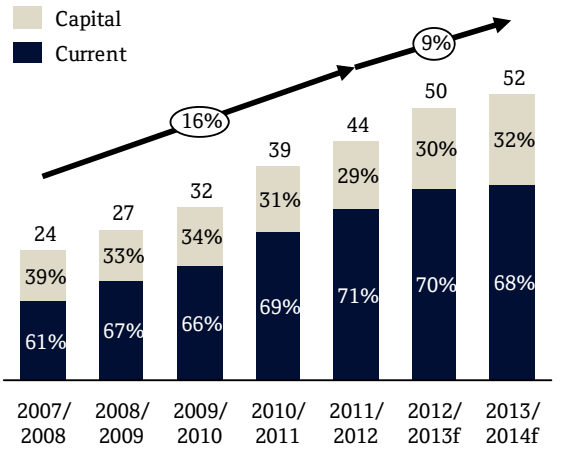
Therefore, we expect that actual overall revenue will rise by 15% to US$65bn in 2012/13. Based on our forecasts for slowing economic growth and flat hydrocarbons prices for 2013/14, we expect a lower 4% increase in revenue to US$68bn. The government will be able to leverage these resources to implement its expansive public spending programme.

B. Expenditure

Government expenditure growth will continue to be robust

Expenditure grew at 16% from 2007/08 to 2011/12 to reach US$44bn (Fig 6.4).

Fig 6.4: Government Expenditure (2007/08 to 2013/14)
(US$bn)

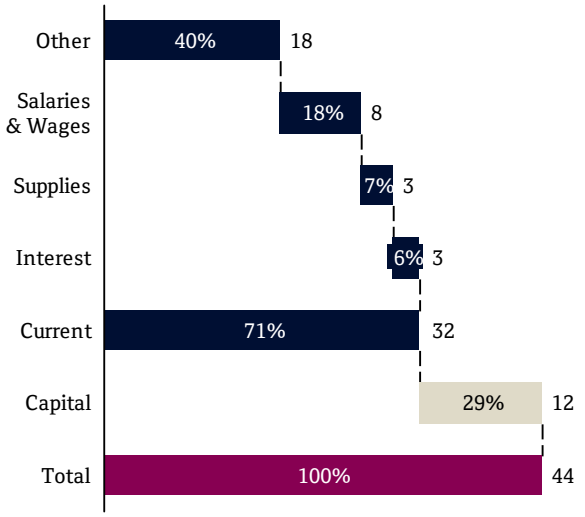


Source: MOEF and QNB Group forecasts

The government has announced planned expenditure for 2012/13 of US$49bn. Expenditure outturns usually exceed initial budgets and QNB Group forecasts that it will actually be marginally higher at US$50bn, up 14% on 2011/12, rising a further 4% to US$52bn in 2012/13. The bulk of expenditure is **current expenditure** (71% in 2011/12), with capital expenditure accounting for the remainder (Fig 6.5).

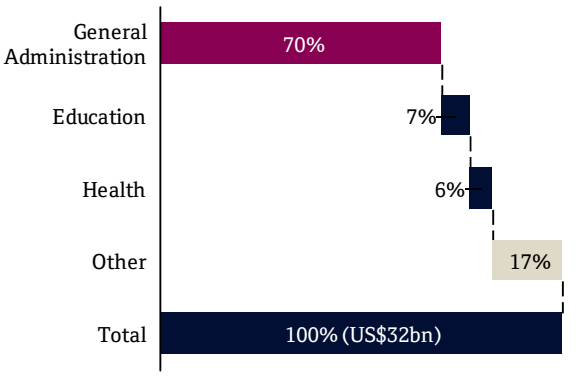
[42] Our oil price forecast is US$110/b for 2012/13, which compares with an MOEF oil price budget assumption of US$65/b. Oil prices have averaged US$108/b in the first five months of the current budget year.

Fig 6.5: Government Expenditure (2011/12)
(US$bn and % shares)



Source: MOEF and QNB Group analysis

Fig 6.6: Current Expenditure by Government Department (2011/12)
(% share)



Source: MOEF and QNB Group analysis

"**Other**" is the largest category of current expenditure. A breakdown for this category is not provided, but it is likely to mainly consist of the general costs of running government.

Salaries and Wages rose 28% from 2010/11 to 2011/12 following an increase in wages for Qataris in government departments and the military. The increase was implemented in September 2011 and, therefore, only impacted spending for half of the fiscal year. In total the salary increases are estimated to add about US$3bn to annual spending. The government is the main employer of new national entrants to the labour market, which will continue to drive growth in salaries and wages going forward.

Interest costs increased more than five times from the 2007/08 budget to the 2011/12 budget as a result of a sharp expansion in government debt (Section C).

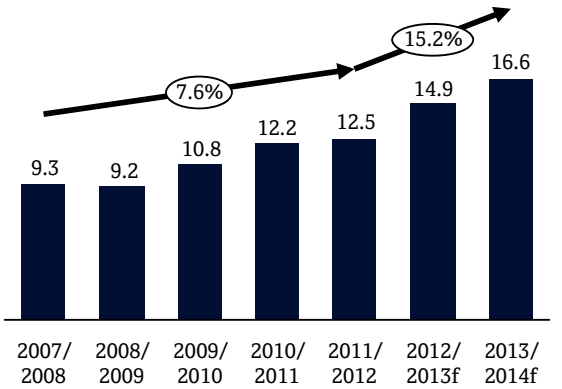
By department, the bulk of current expenditure is on general administration (Fig 6.6).

Overall, current expenditure has grown robustly at 21% since 2007/08. Much of this increase has been in General Administration, which grew at 24% from 2007/08 to 2011/12. Meanwhile, Education and Health spending increased at of 18.4% and 12.4% respectively.

With new and ongoing major projects, capital spending growth is likely to pick up

Capital expenditure has risen at 7.6% from 2007/08 to 2011/12 (Fig 6.7) as the government has remained committed to its development programme.

Fig 6.7: Capital Expenditure (2007/08 to 2013/14)
(US$bn)



Source: MOEF and QNB Group forecasts

The State restrained capital spending in the aftermath of the global financial crisis, leading to a small decrease during 2008/09. However, since then, capital spending has increased steadily by 10.8% a year.

Major capital projects currently underway include the Doha metro, road expansions, a new airport, a new port, Education City and Sidra hospital. We expect total project spending in Qatar to rise from US$28bn in 2011 to at least US$31bn in 2012, US$30bn in 2013 and

US$31bn in 2014, based on MEED projects data. Therefore, government capital spending growth is likely to remain strong from 2011/12 to 2013/14.

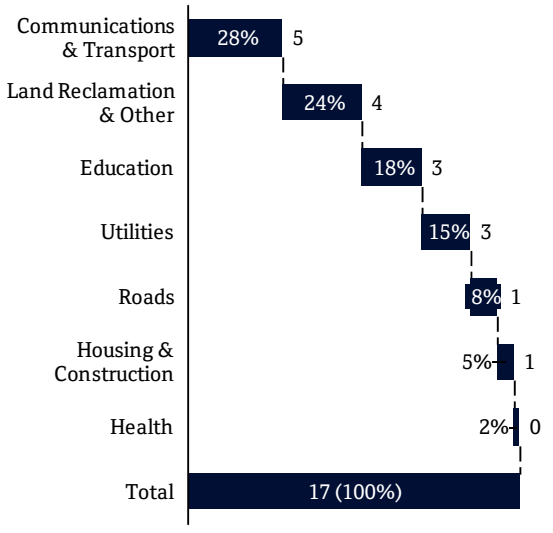
The MOEF has budgeted for capital spending of US$17bn in 2012/13. Our forecast for actual capital spending is slightly lower as the government has under-spent on capital spending by 3.3%, on average, since 2007/08.

In 2012/13, the major allocations for development expenditure can be subdivided as follows:

- 50% to **Infrastructure**, including completion of the New Doha International Airport, new Doha Port, roads, drainage, land reclamation and expansion of the electricity and water network
- 31% to **Education** and Youth Welfare, including the establishment of academic and school buildings and educational facilities
- 19% for **Healthcare**, including the completion of new hospitals and new health facilities

The MOEF has also given a breakdown of the capital spending budget by sector (Fig 6.8).

Fig 6.8: Capital Expenditure Budget by Sector (2012/13)
(US$bn, % shares shown)



Source: MOEF

The annual budgets are part of a five-year framework towards Qatar's 2030 vision

The annual budget is part of a broader six-year development planning framework, which is outlined in the government's NDS 2011-16 (Section 1A). The NDS 2011-16 aims to help direct the annual budgets towards achieving QNV 2030, which focuses on particular development areas:

- To mould modernization around the preservation of Qatari culture and traditions
- To balance the needs of this generation and those of future generations
- To manage growth and avoid uncontrolled expansion
- To match the size and quality of the expatriate labour force to the selected path of development
- To align economic growth with social development and environmental management

The NDS 2011-2016 builds on 14 sector strategy reports[43], which identify the priority areas and initiatives to meet the challenges. The 2012/13 budget is in line with the strategy and expected spending envisaged in the NDS 2011-16.

C. Public Debt

Debt provides financing and helps to build a domestic benchmark yield curve

Direct government debt[44] rose almost ten-fold from 2007/08 to 2011/12 (Fig 6.9).

The government has borrowed out of choice, rather than necessity as the combined fiscal surplus over the last five years was US$51bn.

A substantial part of the increase was a consequence of a large amount of debt issuance during 2009/10 to help establish a benchmark yield curve for the Qatari bond market, and also to fund the government's strong response to the financial crisis. In 2009/10, US$10.0bn of external sovereign bonds were issued and outstanding domestic bonds and T-Bills increased by US$9.2bn.

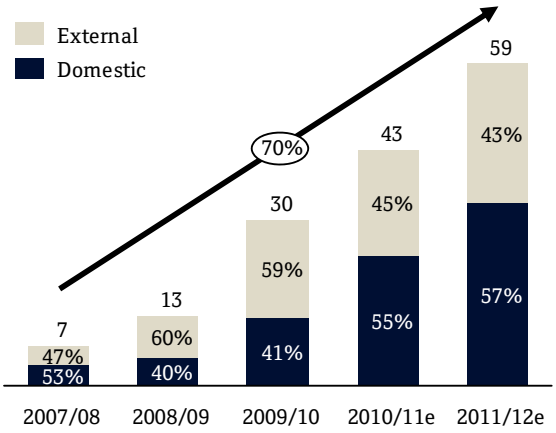
The bulk of new debt in recent years has been domestic. The increase in domestic debt has been achieved through tapping new forms of financing. Local bonds and T-Bills now account for the bulk of domestic government debt from zero in 2007/08. Domestic bond

[43] The sectors are culture, economic diversification and private sector development, economic infrastructure, economic management, education and training, environment, family cohesion and women's empowerment, national health, institutional development and modernisation, labour market, natural resource management, public safety and security, social protection, and sports.

[44] This does not include state guaranteed debt held by government related enterprises, such as Qatar Airways and Qatari Diar.

and T-bill issuance helps form the basis for a local interest-rate yield curve. T-bills are also used as a tool to absorb excess liquidity in the banking system.

Fig 6.9: Government Debt (2007/08 to 2011/12)
(US$bn, % shares shown)



Source: IMF and QNB Group analysis

For external debt, 32% is bank financing and 68% is bonds, a ratio that is broadly similar to 2007/08. External bonds provide benchmark pricing for international investors (Section 4D).

Total government debt was just 34% of GDP in 2011/12, which is easily manageable and low in comparison to debt in most other countries[45]. Additionally, government debt is falling as a percentage of GDP—it was 42% of GDP in 2010/11. Interest payments are also manageable at US$2.6bn in 2011/12, under 5% of revenue, and implying an average interest rate of around 4.6%.

Counterbalancing its debt, the government has significant resources invested abroad through the QIA, which are thought to be considerably larger than current debt levels.

[45] Gross government debt in Advanced and Emerging Economies averaged 105% and 36% of GDP in 2011, respectively.

7. Banking Sector

A. Overview

Currently, 18 banks operate in Qatar:

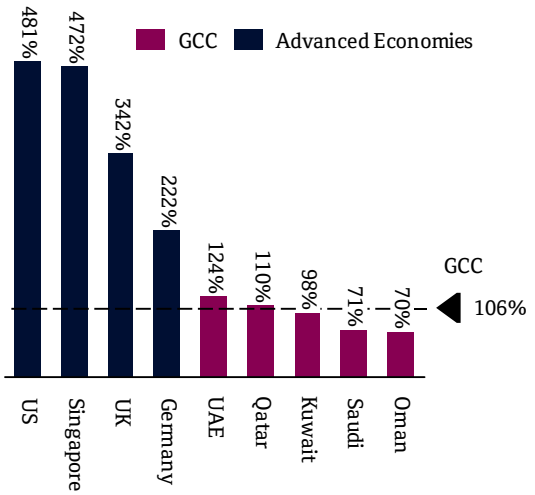
- Six local conventional banks
- Four local Islamic banks
- Seven foreign banks
- One specialised state-owned bank, QDB, which finances small- and medium-scale development projects and subsidised housing loans for Qatari nationals

There are also six finance and investment companies registered in Qatar under the QCB and 63 international banks and finance and investment companies registered at the QFC. The QFC provides business infrastructure and independent regulations to attract financial services institutions to Qatar.

Qatar's assets-to-GDP ratio is slightly above the GCC average

The ratio of Qatar's banking assets relative to GDP, which provide a measure of the importance of the sector to the overall economy, was 110% in 2011, slightly above the average level for the GCC. However, this is low when compared with countries that are major global financial centres (Fig 7.1).

Fig 7.1: Total Banking Assets to GDP (2011)
(Total Assets as % of GDP)



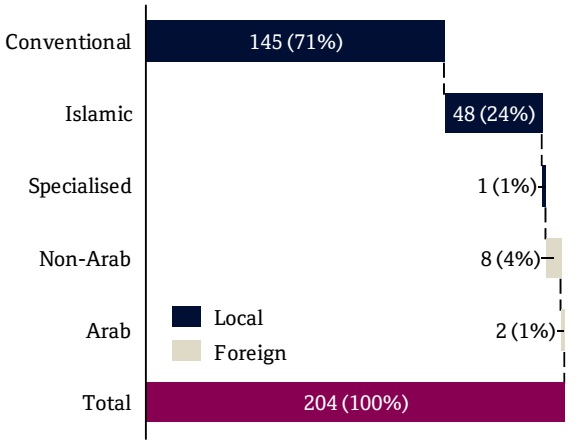
Source: Central banks and QNB Group analysis

Asset quality is high in Qatar with non-performing loans[46] (NPLs) at 1.7% of total loans at end-2011. The banking sector also has a high capital adequacy ratio of 20%, a strong indication of its safety.

B. Structure

As with the rest of the GCC, restrictions on foreign branches ensure that local banks dominate the sector, accounting for 95% of assets at the end of June 2012 (Fig 7.2).

Fig 7.2: Assets by Type of Bank (June 2012)
(US$bn, % shares shown)



Source: QCB and QNB Group analysis

New regulations have boosted the market share of Islamic banks

Assets of local Islamic banks grew by 29% from June 2011 to June 2012, faster than conventional bank assets, which also grew strongly at 18.4%. This raised the market share (by assets) of Islamic banks from 22% to 24%. A decree issued by QCB in February 2011 required conventional lenders to close down their Islamic operations by the end of 2011, helping to boost asset growth amongst the Islamic banks.

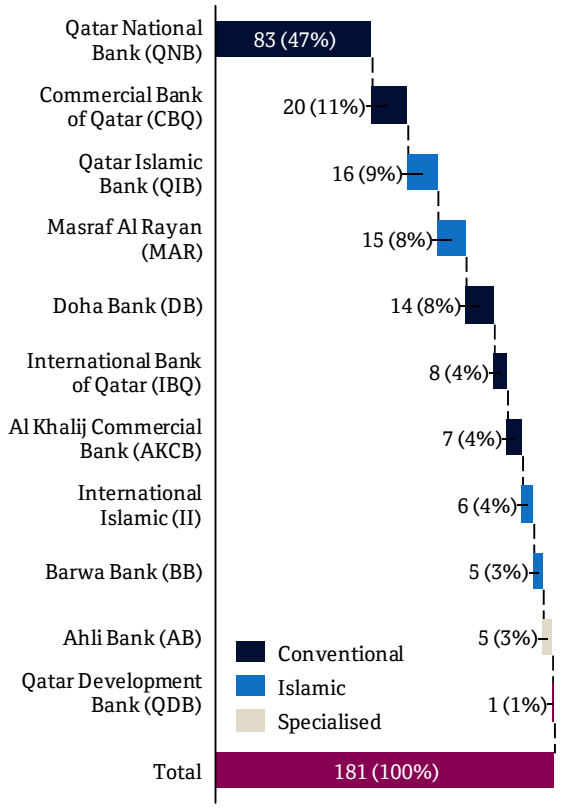
However, the impact on conventional banks has been minimal as traditional banks had the option to keep existing financing and deposit arrangements until they matured. Also, some customers chose to remain with their existing bank and shift their business from Islamic to conventional products.

[46] Defined as payments on loans that are 90 days past their due date, in line with international standards.

QNB dominates the sector with a 43% market share by assets

QNB is the largest bank in Qatar (and in the MENA region) in terms of total assets and profits (Fig 7.3 and Fig 7.4). It has a 47% share of local banks assets and a 43% of total banking sector assets.

Fig 7.3: Local Banks by Assets (2011)
(US$bn, % shares shown)

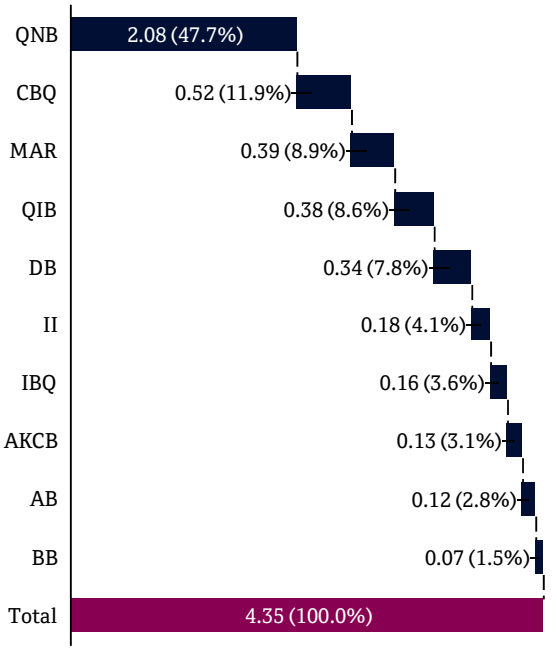


Source: Banks' financial statements and QNB Group analysis

Nine of the commercial banks are listed on the Qatar Exchange (QE). The exception is Barwa Bank, the most recently launched bank. It was formed by Barwa Real Estate, which retains a 37% stake, with the remainder held by a wide range of individual and corporate shareholders. It is expected that Barwa Bank will seek a listing on the QE in 2013.

The QIA has a 50% stake in QNB and has more recently taken stakes of up to 20% in most of the banks (Section D). Other large stakeholders in the sector include Ahli United Bank of Bahrain, which owns 33% of AB, and National Bank of Kuwait, which owns 30% of IBQ.

Fig 7.4: Local Banks by Profits (2011)
(US$bn, % shares shown)

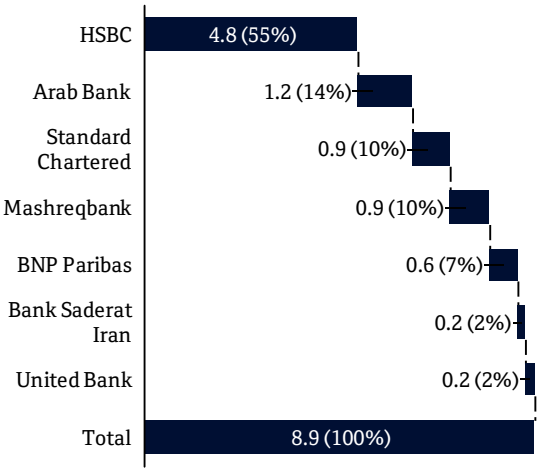


Source: Banks' financial statements and QNB Group analysis

The market share of foreign banks contracted in 2010-11

The seven **foreign banks** had US$8.9bn in total assets at the end of 2011, equivalent to 4.9% of the total banking sector (Fig 7.5); lower than their share in 2010 of 7.7%. Only HSBC's operations are of a scale that is on par with even the smallest of the local non-specialised banks.

Fig 7.5: Foreign Banks by Assets (2011)
(US$bn, % shares shown)



Source: Banks' financial statements and QNB Group analysis

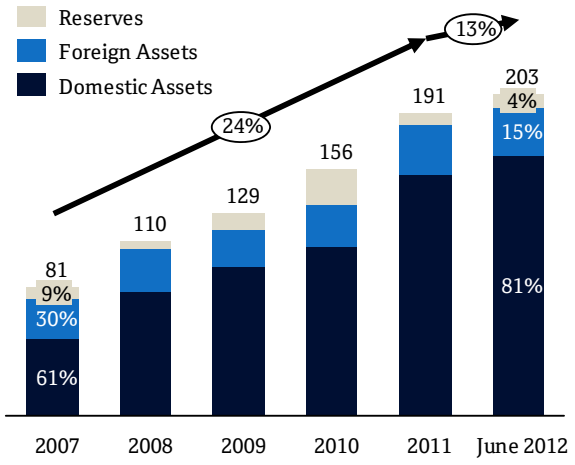
The loss in market share is a consequence of slower growth of foreign banks versus Qatari banks. The foreign banks have retrenched, owing to the current tough environment for global finance, while local banks continue to expand their activities.

C. Performance

Asset growth is the fastest in the GCC and the public sector's share of credit has risen sharply

Qatar's banking sector is the fastest growing in the GCC with asset growth of 24% from 2007-11 and annualised growth of 13% in the first half of 2012 (Fig 7.6).

Fig 7.6: Bank Assets (2007-June 2012)
(US$bn, % shares and CAGRs shown)

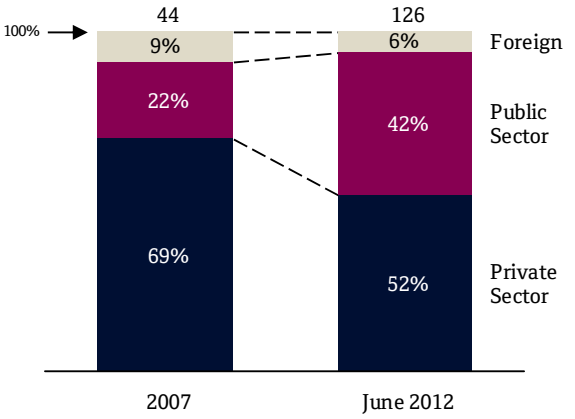


Source: QCB and QNB Group analysis

Domestic credit growth has driven the increase in bank assets. In particular, credit to the public sector has grown rapidly. The bulk of public sector borrowing (69%) is by government institutions, partly to finance spending on major infrastructure projects. Credit facilities at government institutions have grown at an annual rate of 52% since 2007. Credit to central government and semi-government institutions has also grown strongly. As a result, the public share of commercial bank credit increased to 42% in June 2012, from 22% in 2007 (Fig 7.7).

Additionally, an increase in domestic investments was driven by bank participation in an accelerated public debt programme, which involved increased issuance of government bonds and T-bills (Section 6C). Bank investment in government financial securities almost tripled during 2011 to US$29bn.

Fig 7.7: Bank Credit Facilities (2007-June 2012)
(US$bn, % shares shown)

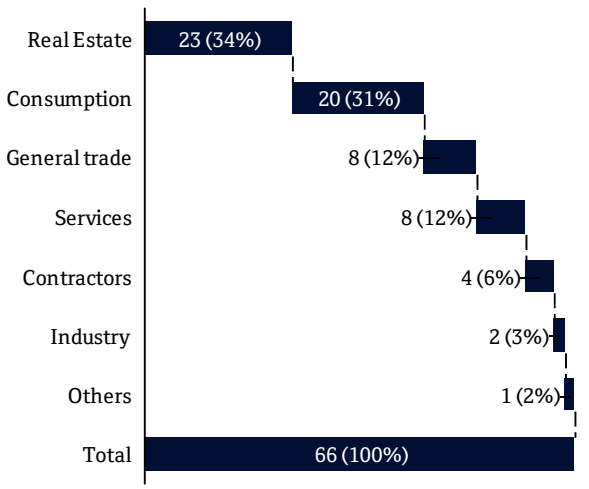


Source: QCB and QNB Group analysis

A construction boom has driven growth in credit to the private sector

Overall, credit to the domestic private sector reached US$66bn in June 2012, having grown at 18.8% since 2007. The real estate sector accounts for just over a third of credit to the private sector (Fig 7.8), having grown at 37% since 2007.

Fig 7.8: Credit to the Private Sector (June 2012)
(US$bn, % shares shown)



Source: QCB and QNB Group analysis

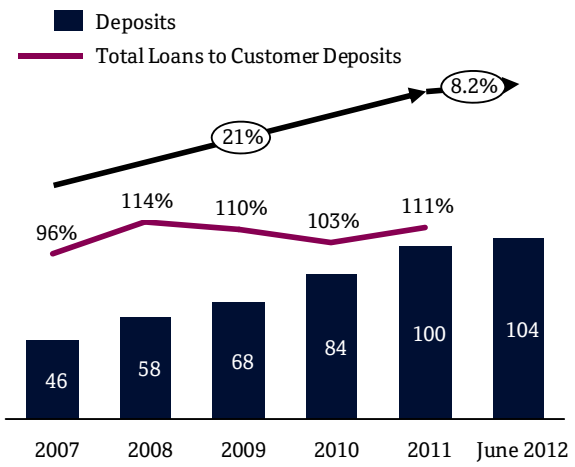
Credit to contractors also grew quickly, at 16.8% from 2007-11. Qatar's rapid economic growth precipitated a construction boom, which was fuelled by strong credit growth to contractors and the real estate sector.

Lending for consumption, which is mainly car and personal loans, accounts for almost a third of credit to the private sector. Rising affluence and a growing population supports growth in consumption credit.

Deposit growth has provided a firm basis for credit expansion

Deposits have also been driven higher by the growing population and economy, thereby supporting the expansion in credit. Deposit growth has only been slightly slower than loan growth at 21% from 2007-11 (Fig 7.9).

Fig 7.9: Bank Deposits (2007-June 2012)
(US$bn, CAGR of deposits shown)



Source: QCB and QNB Group analysis

The funding profiles of banks remain largely derived from customer deposits. The public sector accounts for 29% of deposits, split relatively evenly between the government, government institutions and semi-government institutions. However, increasingly banks are turning to the capital markets for funding by issuing debt instruments. Recent examples include:

- QNB's US$1.8bn syndicated facility with a three year maturity, completed in August 2012
- QNB issued US$1bn of bonds in February 2012 under its US$7.5bn euro medium-term note (EMTN) programme
- CBQ issued US$500m of bonds in April 2012 under its US$5bn EMTN programme
- Doha Bank completed US$500m of bond issues in March 2012 under its US$2bn EMTN programme
- QIB issued a US$750m sukuk in October 2012, followed by a US$700m sukuk from International Islamic in the same month

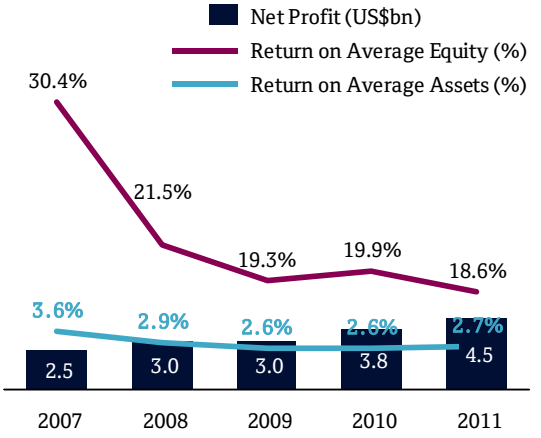
Accessing the capital markets benefits local banks. It widens and diversifies their investor base and lengthens the maturity profile of their liabilities. Longer-term sources of funding are better matched to Qatari banks' lending profiles, owing to the importance of long-term project financing. These debt instruments are part of the reason for the increase in Qatar's foreign debt discussed above (Section 4D).

Demand deposits accounted for 31% of total deposits as at end-June 2012 and time and savings deposits for 62% (the remaining 7% are the deposits of non-residents and are not classified according to their term). The bulk of deposits are local currency. The proportion of foreign currency deposits has fallen since 2007.

Banking sector profits have grown at 16.1% from 2007-11

Commercial banks' profits have grown at 16.1% from 2007-11 (Fig 7.10).

Fig 7.10: Banking Sector Profits and Returns (2007-11) [47]
(US$bn)



Source: QCB and QNB Group analysis

Qatari banks were able to maintain profit levels, even in 2009, a period when most global and regional banks suffered losses. Strong economic growth, an expanding population and rising public debt have supported credit growth and bank profits.

The decline in banking sector returns on average equity (ROAE) in 2009 to 19.3%, from a peak of 30.4% in 2007, can be attributed to the increasing equity base of Qatari

[47] Excludes Barwa Bank (BB), whose historical profits are not available before 2010.

banks (discussed below). Returns on average assets (ROAA) declined by a similar proportion.

In 2011, profits were up 19.1%. The strong macroeconomic environment, rising oil and gas revenue, growing affluence and public-sector salary increases helped drive credit growth and profits.

QIA injected US$1.5bn of capital into Qatari banks during 2011 and QNB carried out a US$3.5bn rights issue. This increase in equity drove ROAE down to 18.6%.

QNB was the most profitable MENA bank in the first half of 2012

During H1 2012, QNB achieved the strongest profits in the MENA region with US$1.1bn, up 17.1% compared with H1 2011[44]. It was followed by Al Rajhi (Saudi Arabia) whose profits had risen by 15.8% to US$1.1bn and National Commercial Bank (Saudi Arabia) whose profits had fallen 0.2% to US$1.0bn.

Amongst the QE-listed Qatari banks, net income rose 16.3% to US$1.7bn in H1 2012. Nonetheless, profit growth was strong as relatively robust GDP growth, high oil prices and rising government spending all helped to drive loan growth, boosting net interest income by 16.3% to US$2.4bn for the listed banks. This was the primary contributor to growth in operating income of 11.5% in H1 2012 to US$3.4bn. Although operating expenses (general and administration expenses and depreciation) increased by 13.4% to US$737m, provisions for bad loans fell from US$197m in H1 2011 to US$172m in H1 2012, helping boost the bottom line.

Prudent oversight has kept the banking sector well protected

QCB has taken a proactive role in the supervision of the banking sector to ensure that it remains well protected[45]. QCB has applied the Basel II Framework[46] since 2007 and is in the early stages of implementing the Basel III framework. The timeline for the formal implementation of different aspects of the Basel III framework falls between 2013 and 2019. However, after initial studies, QCB has said that it expects all banks will already be compliant with Basel III minimum capital requirements by the end of 2012.

Since 2008, QCB has required that banks hold 4.75% of total deposits as reserves and it also penalises any bank that exceeds a 90% loans-to-deposits ratio[47]. In April 2011, QCB also introduced maximum limits on the amount and maturity of loans secured against individual salaries:

- US$549,500 for six years for Qatari nationals
- US$110,000 for four years for expatriates

QCB also capped the interest that could be charged on these personal loans at 1.5% over its benchmark interest rate, currently at 4.5%. Furthermore, QCB does not permit the total credit and investment facilities provided to a single customer (and certain related persons or entities) to exceed 25% of a bank's capital and reserves.

There are also limits on lending to certain sectors. Real estate lending is restricted to the lesser of 150% of a bank's shareholders' equity or 15% of total deposits, subject to a minimum loan to value of 65%. Lending to single customers and related parties is restricted to 20% of shareholders' equity.

Qatar took a number of additional measures to protect the banking sector from the effects of the financial crisis in 2009-11:

- In January 2009, the government committed to buy 10%-20% of Qatari banks' listed equity (based on October 2008 prices). The initial 10% acquisition was completed in two stages, with the government taking a 5% stake in January 2009 for US$714m and a further 5% stake in January 2010 for US$741m. The government purchased a further 10% stake in Qatari banks in the first quarter of 2011 of around US$1.5bn. QNB, in which Qatar Holding already held a 50% stake, was excluded from the equity stake purchases
- In March 2009, QIA purchased all QE investment portfolios that the banks wanted to sell, amounting to US$1.8bn
- In June 2009, QIA implemented a program to purchase a part of the real estate loan portfolios and investments of the local banks, amounting to US$4bn

[44] Regional profit data is taken from Bankscope.

[45] The rating agency S&P assigns Qatar a Banking Industry Country Risk Assessment (BICRA) of 4, placing it level with Kuwait and Oman and ahead of all other MENA countries except Saudi Arabia. Additionally, the Qatari banking system received a stable outlook from the rating agency, Fitch, in December 2011. Fitch stated that rapid economic growth would generate significant business volumes and earnings for the banks.

[46] Basel II is a set of international banking recommendations for regulators to use as guidance for their risk and capital management requirements.

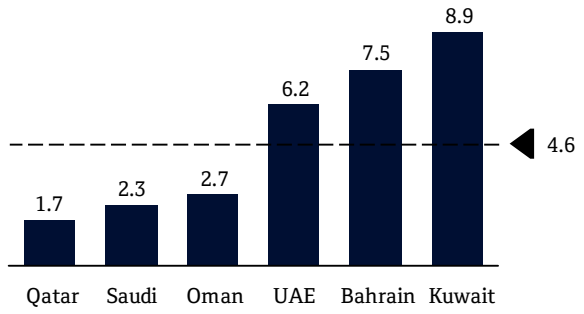
[47] The QCB loan to deposit ratio is calculated as bank credit and acceptances as a share of: deposits; borrowing from foreign banks; debt securities; Tier 1 capital; net fixed assets; and net investments. Therefore, it differs from the basic ratios shown in Fig 7.9.

These measures have helped ensure that the banking sector is well protected with strong capitalisation and ample liquidity. Qatar's banking sector risk-weighted capital adequacy ratio (CAR) has remained high in recent years. It reached 20% as of 30 June 2012, up from 16.1% in 2010, mainly as a consequence of a US$3.5bn rights issue conducted by QNB during 2011. The CAR is well above the QCB requirement of 10% and the Basel II minimum requirement of 8%.

Non-performing loan (NPL) ratios are the lowest in the region

NPLs have increased slightly following the financial crisis in 2008, as in most countries. However, the ratio of NPLs to total loans remains the lowest in the region (Fig 7.11) and fell in 2011 to 1.7% from 2.0% in 2010.

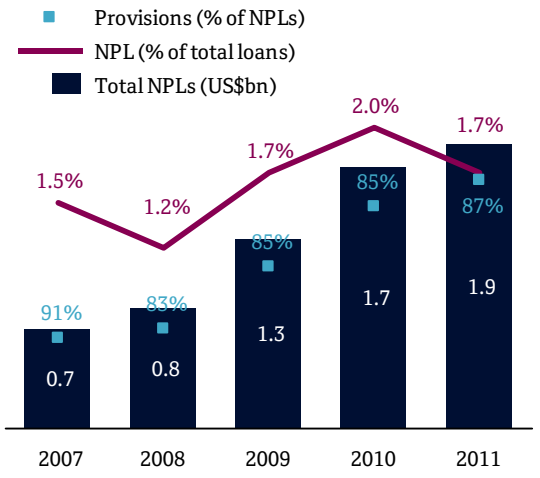
Fig 7.11: NPLs in the GCC (2011)
(% share of total loans)



Source: Central Banks, World Bank, IMF and QNB Group analysis

Provisions for loan losses as a percentage of total NPLs have remained above 80% and are rising (Fig 7.12).

Fig 7.12: NPL Values and Ratios (2007-11)



Source: QCB and QNB Group analysis

Provisions have remained relatively high as a percentage of NPLs. The QCB requires banks to set aside risk reserves of 1.5% of total private-sector credit and specific reserves of:

- 20% for loans that are 90 days overdue
- 50% for loans that are 180 days overdue
- 100% for loans that are 365 days overdue

The increase in NPLs in 2009 was a consequence of elevated credit losses in banks' consumer lending portfolios and loans extended to the real estate and construction sector[52]. The QCB actions described above helped to keep the NPLs down.

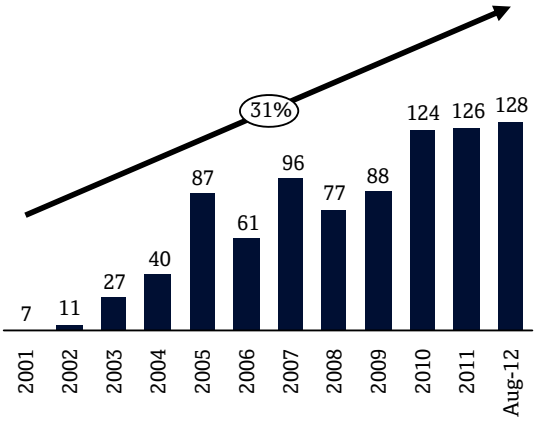
[52] Moody's banking sector outlook for Qatar, April 2010.

8. Equity Market

Market capitalisation has been volatile but remains firmly on a growth path

From 2001 to August 2012, Qatar's market capitalisation rose at a rate of 31% from US$7bn to US$128bn, driven by new listings (IPOs), capital increases or rights issues by existing companies and higher stock prices, as the economy and interest in the stockmarket grew (Fig 8.1).

Fig 8.1: Qatar Market Capitalisation (2001 to August 2012)
(US$bn, yearend, CAGR shown)



Source: Bloomberg and QNB FS analysis

The growth of the market did not follow a steady trend during this period. Market capitalisation reached US$87bn at the end of 2005, before a stockmarket crash in 2006 when market capitalisation declined by 30% to US$61bn. The partial opening up of the market to non-Qatari investors in early 2005 coincided with high levels of investor interest in the region. This, along with much increased participation by individuals has stretched valuations to high levels, with the price-to-earnings multiple (P/E) exceeding 29 times in 2005. This led to the sharp correction in 2006, which was followed by a boom in 2007 and a smaller bust in late 2008, when capitalisation fell by 20% to US$77bn as regional markets were hit by the impact of the global financial crisis.

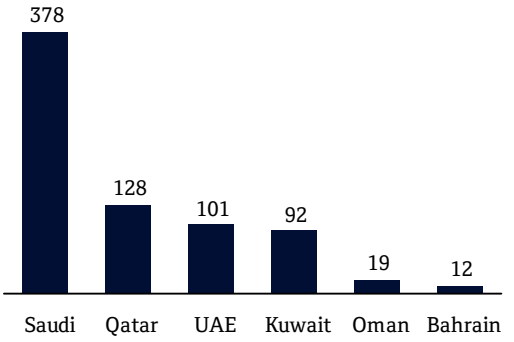
The market has recovered strongly since mid-2009, and has reached new capitalisation records in each subsequent year since then. Investors have been attracted by Qatar's high LNG-driven growth, and the market movements display some correlation with oil prices. The Qatari government also lent strong support to the banking sector during the financial crisis, making US$1.4bn of equity purchases and also purchasing some of their assets. The financial sector accounted for 35% of the average market capitalisation in 2008-10. Government support to the sector (Section 7D) was therefore an important factor in bolstering the stockmarket during this period.

Despite the recent growth, valuations remain reasonable, with the index trading at a P/E multiple of 9.0 at the end of August 2012, according to Bloomberg. This compared with P/E multiples of 14.7 in Saudi Arabia, 14.2 in Dubai and 10.2 in Bahrain. Moreover, the massive infrastructure spending associated with the 2022 FIFA World Cup will add further confidence to the market over the next decade.

The Qatari stockmarket is the second largest in the GCC

The Qatar Exchange (QE) is the second largest stockmarket in the GCC with market capitalisation of US$128bn at the end of August 2012, equivalent to 17.5% of the total regional capitalisation of US$730bn (Fig 8.2). The QE had the highest market capitalisation to GDP in the GCC at 68%.

Fig 8.2: GCC Market Capitalisation (August 2012)
(US$bn)



Source: Bloomberg and QNB FS analysis

The QE (initially called the Doha Securities Market) officially started operations in 1997. The bourse opened up to foreign investors in April 2005, limiting their participation to 25% of the free-floating, non-government held shares of listed companies. The equity market has grown from 17 listed companies at its inception to 42 at present. There is also an initiative underway to encourage smaller companies to list by establishing a parallel market with lower capital and past performance requirements. In addition, QE started listing treasury bills from late 2011.

New regulations in 2009 led to an increase in the number of brokerages in the market

Prior to 2006, banks were operating brokerages. However, between 2006 and 2009, banks were not permitted to operate brokerages and Dlala Brokerage was established to take over the banks' brokerage operations. This led to a Qatari brokerage market that was highly regulated with only seven active players.

In May 2009, the Qatar Financial Markets Authority (QFMA)[53] issued a new set of financial services regulations which, among other things, brought brokerage activities under purview and permitted banks to operate brokerages as separately licensed subsidiaries. QNB Financial Services (QNB FS) was the first incumbent to receive a license and set up operations. CBQ, Ahli Bank and Masraf al-Rayan have also launched brokerages. This has brought the total number of operational brokerages to 11 as at August 2012.

Aside from brokerage activities, the 2009 regulations also opening up the capital market to business areas such as asset management, custody, fixed income and research. All these activities will be licensed under the QFMA. This will add to the efficiency and sophistication of Qatar's capital markets.

The QE is attracting global investors and listing new products

In 2009, Qatar's aim to create a world class exchange moved forward through a strategic partnership between Qatar Holding (part of the QIA), which holds an 80% stake in the QE, and NYSE Euronext, which holds a 20% stake. This tie-up enabled the QE to benefit from the transfer of technology, personnel and intellectual property from NYSE Euronext. In 2010, a new trading system was launched, which will provide the basis for further expansion into the trade of new products such as bonds, derivates and exchange-traded funds.

T-bills were listed on the QE in late December 2011. With the necessary technological infrastructure already in place, the QE is ready to broaden its fixed-income offerings by listing government and corporate bonds in the coming months.

Other initiatives in the pipeline include security borrowing and lending (SBL), direct market access (DMA) and liquidity provisions, with margin financing to follow the launch of these products. In its initial stage, SBL will be only for failed trades, with gradual introduction of other features to follow. In DMA, as per international norms, investors will be able to directly trade through a registered member. Eventually, brokers will be able to act as market markers, enhancing market access for their clients.

The QE has also launched new market data products for investors that are designed to provide participants with greater market transparency; the new products allow for more accurate market tracking and encourage informed investment decisions.

New equity indices will facilitate the launch of new products

The QE Index is the Qatari bourse's primary index and consists of the top 20 major stocks in the exchange. On 1st April 2012, the QE announced the launch of a number of new equity indices to complement the existing QE Index. A total return version of the QE index along with an All Share Index was introduced for the broader market. On the sector front, seven primary sector indices have been introduced. These include:

1. Banks and Financial Services
2. Industrials
3. Transportation
4. Real Estate
5. Insurance
6. Telecoms
7. Consumer Goods and Services

The new indices will facilitate new product launches such as Exchange Traded Funds (ETFs).

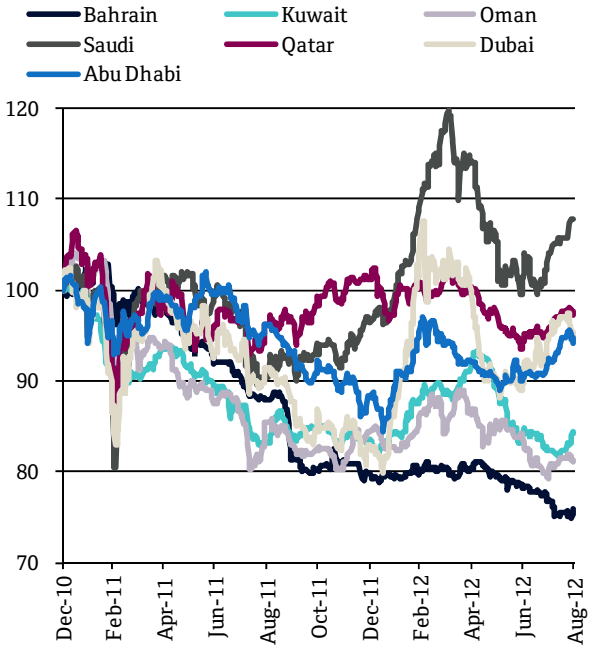
The QE Index is currently included in the MSCI Frontier Markets Index. For the QE to qualify for MSCI's Emerging Markets classification, foreign ownership limits will likely have to be relaxed for some key companies. At present, none of the GCC nations have MSCI Emerging Markets status, and only Egypt and Morocco do in the broader MENA region.

The QE Index was down 3.4% by end-Aug 2012 but the all-share total returns index was up 6.4%

Since December 2010, the performance of the QE Index has been mixed (Fig 8.3).

[53] The QFMA is an independent regulatory authority set up to supervise the QE and the securities market in Qatar. However, in mid-2012 news reports indicated that ultimate regulatory authority has been transferred to QCB.

Fig 8.3: GCC Stockmarket Performance (2010 to August 2012)
(monthly index, based to end-Dec 2010)

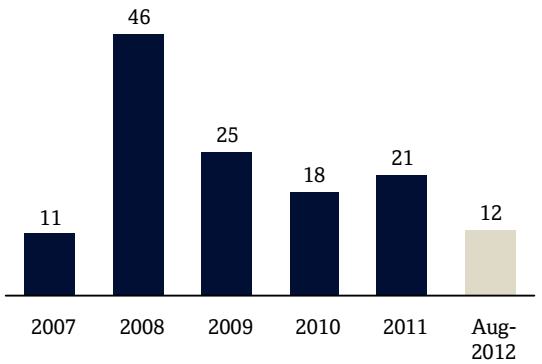


Source: Bloomberg and QNB FS analysis

In 2011, it was one of the few globally to make gains, rising by 1.1% on the back of strong economic growth. In the first eight months of 2012, the QE Index underperformed regional indexes, and was down 3.4%. However, including total returns (dividends), the overall equity market, including all 40 stocks, was up 6.4% in the year to August 2012.

Trading values have declined since 2008 due to muted IPO activity

Fig 8.4: Value of Shares Traded (2007-August 2012)
(US$bn)



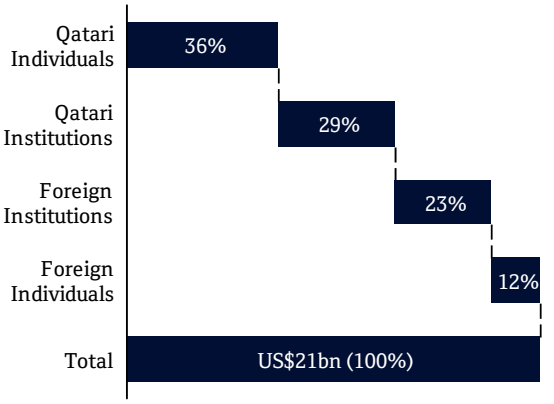
Source: Bloomberg and QNB FS analysis

The value of trading on the QE rose rapidly during 2001-08. Despite the stockmarket crash in 2006, traded value recovered strongly during 2007-2008 (Fig 8.4). However, after reaching an annual peak of US$46bn in 2008, it declined and has now stabilised at an annualised average of US$18.4bn in 2010 to August 2012.

There is a growing foreign institutional presence on the QE

The presence of retail investors in the market has been declining. In 2008, retail investors were responsible for 66% of the total traded value on the exchange. However, this figure declined to 48% in 2011 (Fig 8.5).

Fig 8.5: Traded Value by Type of Investor (2011)



Source: QE and QNB FS analysis

Despite increasing institutional investor participation, their presence is low in comparison to large mature bourses such as New York and London, where they are responsible for over 80% of the traded value. Restrictions on foreign investment have been a factor in limiting institutional presence on the QE. Companies listed on the QE are required to allow at least 25% foreign ownership of the free-float stock (excluding government ownership). Some listed companies allow even higher foreign ownership up to the legal maximum of 49%. Any future increases in permitted foreign ownership levels should boost the institutional presence in the bourse.

Market capitalisation is dominated by the Financial Services and Industrial sectors

The **Banks and Financial Services** sector possesses the largest market capitalisation on the QE, accounting for 40% of the total. QNB is the largest company by market capitalisation (Table 8.1), representing 20% of the total at the end of August 2012.

The **Industrial** sector is the second largest on the QE, representing 25% of total market capitalisation. IQ makes up most of the sector and was the second largest stock on the exchange as of August 2012 with 16% of total market capitalisation. The company has been boosted by a number of major industrial projects, particularly in the fertiliser and petrochemical sectors.

Of the ten largest companies:

- Five are banks (QNB, Masraf Al Rayan, Qatar Islamic Bank, Commercialbank, and Doha Bank)
- Two are Industrial companies (IQ and Qatar Electric and Water Company).
- The others come from Real Estate (Ezdan Real Estate), Telecoms (Qatar Telecom) and Consumer Goods and Services (Qatar Fuel).

Consumer Goods and Services and Telecoms have performed best so far in 2012

The **Consumer Goods and Services** index led the gains in 2012, up 38% at the end of August 2012. It was followed by the Telecom Index with a gain of 16.6%. On the other hand, the **Transportation** and **Real Estate** indices were in the red. The top five performing stocks, based on total returns[54] in 2012 (YTD), were as follows:

- Dlala Brokerage and Investment Holding (211%)
- Qatar Co. For Meat & Livestock Trading (118%)
- Qatari Investor Group (76%)
- Medicare Group (68%)
- Mazaya Qatar Real Estate Development (50%)

Table 8.1: Largest Companies by Market Capitalisation (August 2012)

Company	Market Cap (US$bn)
QNB	25.8
IQ	20.9
Ezdan Real Estate	14.9
Qatar Telecom	9.5
Masraf Al Rayan	5.6
Qatar Islamic Bank	5.1
Commercialbank	4.9
Qatar Fuel	3.8
Qatar Electricity & Water Co	3.7
Doha Bank	3.2

Source: Bloomberg

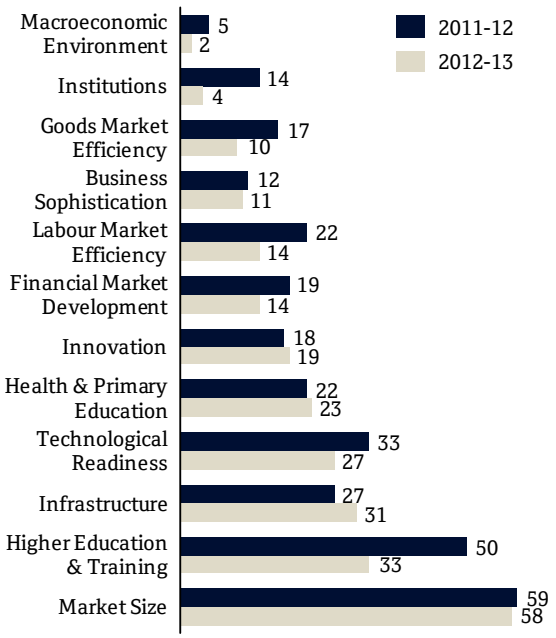
[54] Total returns are the gains from the movement of the share price plus dividends received as cash or bonuses.

9. Business Environment

Qatar is the most competitive country in the GCC according to WEF rankings

The Global Competitiveness Report 2012-2013, produced by the World Economic Forum (WEF), ranked Qatar **11th out of 144** countries. This was a significant improvement from 14th position out of 142 countries in 2011-12 and keeps Qatar at the top of the GCC. The improvement in Qatar's rankings was mainly a result of a higher score in the basic requirements category, including an improvement in ranking from 5th to 2nd for macroeconomic environment and from 14th to 4th for institutions (Fig 9.1).

Fig 9.1: Competitiveness Ranks by Category (2011-13)
(Rank)



Source: WEF and QNB Group analysis

The macroeconomic environment was underpinned by low inflation, strong government surpluses and a high gross national savings rate of 54% of GDP. The strong institutions ranking was a consequence of high scores for government services for improved business performance, and improved wastefulness of government spending, burden of regulation and cost to business of crime and violence.

In the WEF survey, access to finance was cited as the most problematic factor for doing business with 20% of responses. Restrictive labour laws appear to have become less problematic, only being cited by 17% of respondents versus 28% last year.

Qatar moved up two places in the World Bank's 2012 Doing Business rankings

Qatar moved up two places in the overall World Bank 2012 Ease of Doing Business rankings to 36th out of 183 countries, overtaking Bahrain to rank third in the GCC after Saudi Arabia (12th) and the UAE (33rd).

The World Bank index focuses mainly on regulatory issues, while the WEF carries out a more comprehensive assessment of the entire environment, taking account of factors such as education, infrastructure, the economy and efficiency.

Qatar introduced two reforms in 2011 that improved its business environment, according to the World Bank:

1. Starting a business was made easier by combining commercial registration and registration with the Chamber of Commerce and Industry through the creation of a "one-stop shop"
2. Access to credit was improved through better credit information systems as historical data was distributed and the minimum threshold for loans to be included in the credit database was eliminated.

Qatar ranked 2nd out of 183 countries for ease of paying taxes, behind the Maldives, following the introduction of a harmonised corporate tax rate of 10% in 2010, eliminating the bands that were in place previously.

Statistical Appendix

Key Indicators

	2007	2008	2009	2010	2011	2012f	2013f
Population							
Total (m, mid-year)	1.21	1.45	1.64	1.72	1.73	**1.82**	**1.87**
Change (%)	16.5	19.1	13.3	4.7	1.0	**5.0**	**3.1**
GDP							
Nominal GDP (US$bn)	79.7	115.3	97.8	127.3	173.3	**194.5**	**207.6**
Oil Sector (% share)	51.7	54.9	44.8	51.7	57.8	**55.6**	**54.2**
Non-Oil Sectors (% share)	48.3	45.1	55.2	48.3	42.2	**44.4**	**45.8**
Real GDP Growth (%)	18.0	17.7	12.0	16.7	13.0	**5.4**	**5.3**
Oil Sector Growth (%)	13.8	13.2	4.5	28.8	15.7	**2.6**	**3.7**
Non-Oil Sector Growth (%)	21.6	21.3	17.6	8.6	10.8	**7.8**	**6.6**
Public Finance (% of GDP)							
Revenue	40.5	33.5	47.4	33.6	32.2	**33.4**	**32.6**
Expenditure	29.7	23.8	32.3	30.8	25.2	**25.7**	**25.1**
Balance	10.8	9.7	15.1	2.8	7.1	**7.7**	**7.5**
Current Account (% of GDP)							
Balance (US$bn)	9.0	26.6	6.4	23.8	52.0	**55.9**	**60.4**
(as % of GDP)	11.3	23.1	6.5	18.7	30.0	**28.7**	**29.1**
Trade Balance	26.2	36.6	26.1	42.3	50.4	**48.3**	**47.7**
Exports	52.7	58.4	49.1	58.8	65.9	**64.0**	**63.1**
Imports	-26.5	-21.8	-23.0	-16.4	-15.5	**-15.7**	**-15.5**
Services Balance	-4.9	-3.3	-4.0	-4.5	-5.5	**-5.2**	**-4.9**
Income Balance	-5.3	-5.9	-9.6	-10.2	-7.7	**-7.1**	**-6.7**
Current Transfers Balance	-4.7	-4.4	-6.0	-8.9	-7.3	**-7.3**	**-7.0**
International Reserves	11.7	8.3	18.3	23.6	9.0	**14.2**	**19.7**
External Debt (US$bn)	24.8	33.5	50.3	70.8	87.4	**92.0**	**-**
Industry Indicators							
Oil Production (k b/d)	845.3	842.8	781.0	733.0	734.0	**733.2**	**755.0**
Brent Crude Oil Price (US$/b)	72.6	97.4	61.7	79.6	111.0	**110.0**	**110.0**
Raw Gas Production (bn cf/d)	6.5	7.9	9.1	11.9	16.3	**17.2**	**18.2**
Monetary Indicators (% change)							
Consumer Price Inflation	13.6	15.2	-4.9	-2.4	1.9	**1.9**	**3.7**
Foods and Beverages	7.3	19.9	1.3	2.1	4.3	**4.6**	**3.4**
Rent, Maintenance and Water	29.3	19.7	-12.0	-12.8	-4.8	**-3.1**	**3.8**
Broad Money Growth	73.4	19.7	16.9	23.1	17.1	**11.1**	**11.5**
Exchange Rate US$:QR	3.64	3.64	3.64	3.64	3.64	**3.64**	**3.64**

Source: QSA, QCB, IMF, **QNB Group estimates and forecasts.** Data as at: 14th October 2012.

Forecasting Methodology and Assumptions

Our forecasts draw on annual macroeconomic and financial annual data up to 2011, quarterly data up to September 2012 and monthly data up to September 2012. The historical data has been calibrated to check for consistency. We forecast future values based on the historical relationship between various series of historical data and certain assumptions about likely developments in future years. We use assumptions based on our best assessment of the future, taking expert opinion from a range of sources. If actual outcomes deviate from the assumptions that we have made, this will impact our forecasts.

The assumptions relate to: oil and gas prices; raw oil and gas production; manufacturing production in the energy, petrochemicals, fertiliser and metals sectors, based on expected completion of projects; expected global economic growth; US dollar exchange rates and interest rates; project budgeted spending; and government budget spending.

Population

	2007	2008	2009	2010	2011	2012f	2013f	CAGRs (%) 07-11	CAGRs (%) 11-13f
Population (m)	1.21	1.45	1.64	1.72	1.73	**1.82**	**1.87**	9.3	4.0
National	0.22	0.23	0.23	0.24	0.25	**0.26**	**0.27**	3.9	4.1
Expatriate	1.00	1.22	1.40	1.47	1.48	**1.56**	**1.60**	10.4	4.0
Male	0.91	1.11	1.27	1.30	1.30	**1.36**	**1.41**	9.4	4.1
Female	0.31	0.34	0.37	0.42	0.43	**0.45**	**0.47**	8.5	3.9
Labour Force (m)	0.83	1.17	1.26	1.27	1.27	**1.31**	**1.34**	11.3	2.7
National	0.06	0.07	0.07	0.07	0.07	**0.08**	**0.08**	4.9	5.5
Expatriate	0.77	1.10	1.19	1.20	1.20	**1.23**	**1.26**	11.8	2.5

Source: QSA, **QNB Group estimates and forecasts.** Data as at: 14th October 2012.

GDP

	2007	2008	2009	2010	2011	2012f	2013f	CAGRs (%) 07-11	CAGRs (%) 11-13f
Nominal GDP (US$bn)	79.7	115.3	97.8	127.3	173.3	**194.5**	**207.6**	21.4	9.4
Oil and Gas	41.2	63.3	43.8	65.9	100.1	**108.2**	**112.6**	24.8	6.0
Non-Oil	38.5	52.0	54.0	61.5	73.2	**86.4**	**95.0**	17.4	13.9
Agriculture and Fishing	0.1	0.1	0.1	0.1	0.2	**0.2**	**0.2**	16.2	3.8
Industry	12.2	20.4	16.7	20.7	24.5	**30.1**	**32.2**	18.9	14.6
Manufacturing	7.4	12.3	9.2	13.5	17.2	**21.3**	**22.6**	23.7	14.6
Electricity, Gas and Water	0.5	0.6	0.5	0.6	0.7	**0.8**	**0.9**	9.0	12.9
Construction	4.4	7.5	7.0	6.6	6.5	**8.0**	**8.6**	10.6	14.8
Services	25.1	30.5	36.3	39.5	47.6	**55.1**	**61.6**	17.4	13.8
Trade, Restaurants and Hotels	5.7	6.4	8.2	8.9	9.8	**11.1**	**12.8**	14.4	14.2
Transport and Communications	2.4	4.1	4.5	5.0	6.0	**6.8**	**7.4**	26.0	11.2
Financial and Business Services	11.5	14.2	16.0	17.1	20.3	**21.7**	**25.6**	15.1	12.3
Social Services	0.8	1.0	1.1	1.2	1.3	**1.5**	**1.6**	12.9	10.6
Government Services	6.0	7.2	8.8	9.8	12.8	**16.3**	**16.5**	20.8	13.3
Household Services	0.4	0.5	0.5	0.5	0.6	**0.7**	**0.8**	6.7	19.4
Imputed Bank Service Charges	-1.9	-2.8	-2.8	-3.0	-3.2	**-3.0**	**-3.1**	14.9	-1.4
Import Duties	1.1	1.0	0.9	1.1	1.0	**1.0**	**1.1**	-2.6	5.2
Real GDP (% change yoy)	18.0	17.7	12.0	16.7	13.0	**5.4**	**5.3**	14.8	5.4
Oil and Gas	13.8	13.2	4.5	28.8	15.7	**2.6**	**3.7**	15.3	3.2
Non-Oil	21.6	21.3	17.6	8.6	10.8	**7.8**	**6.6**	14.4	7.2
Agriculture and Fishing	10.0	36.7	-17.0	19.0	4.5	**2.9**	**3.0**	9.0	2.9
Industry	19.6	45.8	9.3	9.6	7.0	**8.5**	**6.7**	15.7	7.6
Manufacturing	6.8	18.9	13.7	22.4	7.9	**7.8**	**5.9**	15.6	6.9
Electricity, Gas and Water	3.4	12.3	-0.4	1.9	23.9	**12.7**	**8.7**	9.0	10.7
Construction	40.7	79.2	6.9	0.4	4.9	**8.8**	**7.3**	19.2	8.0
Services	21.9	13.2	21.9	7.0	13.2	**7.5**	**6.5**	13.7	7.0
Trade, Restaurants and Hotels	30.1	6.4	15.7	9.0	9.0	**4.4**	**4.6**	10.0	4.5
Transport and Communications	29.2	51.0	22.7	10.2	18.0	**15.4**	**8.9**	24.6	12.1
Financial and Business Services	24.1	8.9	25.8	7.2	8.0	**9.7**	**9.4**	12.2	9.5
Social Services	66.0	4.5	21.5	1.2	12.3	**2.6**	**4.9**	9.6	3.7
Government Services	7.6	8.9	23.6	4.1	20.1	**3.0**	**3.3**	13.9	3.1
Household Services	17.9	3.8	4.3	2.2	3.4	**11.6**	**7.1**	3.4	9.3
Imputed Bank Service Charges	20.4	35.6	1.0	3.3	4.3	**7.8**	**5.7**	10.2	6.7
Import Duties	35.2	-21.4	-11.3	33.6	-16.5	**7.2**	**5.6**	-6.1	6.4

Source: QSA, **QNB Group estimates and forecasts.** Data as at: 14th October 2012.

Balance of Payments

								CAGRs	
	2007	2008	2009	2010	2011	2012f	2013f	07-11	11-13f
Balance of Payments (US$bn)	1.4	0.4	8.3	12.2	-14.3	**11.9**	**13.3**	-	-
Current Account Balance	9.0	26.6	6.4	23.8	52.0	**55.9**	**60.4**	54.9	7.8
Trade Balance	20.9	42.2	25.6	53.9	87.4	**93.9**	**99.0**	43.0	6.4
Exports (FOB)	42.0	67.3	48.0	74.8	114.3	**124.5**	**131.1**	28.4	7.1
Crude Oil	19.2	25.8	15.7	20.2	26.4	**25.7**	**26.4**	8.3	0.1
Condensates	5.3	11.3	8.2	11.8	20.3	**21.7**	**22.6**	39.7	5.7
Gas (LNG + Piped)	9.5	18.3	14.0	24.2	42.3	**45.4**	**46.0**	45.4	4.3
Refined Oil and GTLs	1.6	1.9	1.6	5.6	7.4	**11.9**	**15.3**	45.8	44.2
NGLs	2.0	3.9	3.2	5.7	8.5	**9.0**	**9.2**	43.6	4.2
Petrochemicals	2.3	2.8	2.4	2.7	3.9	**4.1**	**4.1**	13.9	1.8
Fertilisers	1.0	1.7	0.9	1.0	1.5	**2.2**	**2.7**	10.0	34.4
Metals	0.4	0.4	0.6	1.3	1.9	**2.1**	**2.1**	45.4	5.0
Other	0.1	0.4	0.1	0.4	0.5	**0.6**	**0.6**	56.4	10.5
Re-Exports	0.5	0.9	1.2	2.0	1.5	**1.7**	**1.8**	30.4	8.9
Imports (FOB)	-21.1	-25.1	-22.5	-20.9	-26.9	**-30.6**	**-32.1**	6.3	9.2
Non-Physical Balance	-11.9	-15.6	-19.2	-30.1	-35.4	**-38.0**	**-38.5**	31.4	4.3
Services Balance	-3.9	-3.8	-3.9	-5.8	-9.4	**-10.0**	**-10.1**	25.1	3.1
Credits	3.6	3.4	2.0	3.0	7.4	**7.9**	**8.3**	19.8	6.1
Debits	-7.5	-7.2	-5.9	-8.8	-16.9	**-18.0**	**-18.4**	22.6	4.4
Income Balance	-4.2	-6.8	-9.4	-12.9	-13.3	**-13.8**	**-14.0**	33.0	2.6
Credits	1.4	1.6	1.0	2.4	6.2	**6.8**	**7.0**	45.7	6.9
Debits	-5.6	-8.3	-10.4	-15.3	-19.4	**-20.6**	**-21.0**	36.5	4.0
Transfers Balance	-3.8	-5.0	-5.8	-11.4	-12.7	**-14.2**	**-14.5**	35.2	7.1
Workers' Remittances	-4.5	-5.4	-7.1	-8.1	-10.3	**-11.1**	**-11.5**	23.3	5.6
Other (Net)	0.7	0.4	1.3	-3.2	-2.3	**-3.1**	**-3.0**	-	13.4
Capital Account Balance	-6.8	-24.0	0.6	-10.7	-62.6	**-41.3**	**-43.3**	74.1	-16.9
Direct Investment (Net)	-0.5	0.1	4.9	2.8	-6.1	**-0.2**	**0.8**	90.9	-
Direct Investment (Inward)	4.7	3.8	8.1	4.7	-0.1	**4.2**	**4.5**	-	-
Direct Investment (Outward)	-5.2	-3.7	-3.2	-1.9	-6.0	**-4.4**	**-3.6**	4.0	-22.2
Other Investment (Net)	-6.3	-24.1	-4.3	-13.5	-56.5	**-41.1**	**-44.1**	72.7	-11.6
Net Errors and Omissions	-0.8	-2.2	1.3	-0.9	-3.7	**-2.7**	**-3.8**	48.7	1.0

Source: QCB, QSA, **QNB Group estimates and forecasts.** Data as at: 14th October 2012.

Trade Directions

Top Ten Export Destinations (US$bn)	2007	2011	2007-11 CAGR (%)
Japan	17.1	29.8	15.0
South Korea	7.3	20.1	28.7
India	2.7	10.8	41.9
Singapore	4.8	8.2	14.5
UK	0.1	8.0	219.1
China	0.3	4.5	91.2
UAE	1.6	4.4	29.2
Spain	0.9	4.3	46.7
Taiwan	0.5	3.7	64.3
Thailand	1.9	2.4	5.8

Top Ten Import Sources (US$bn)	2007	2010	2007-10 CAGR (%)
US	2.6	2.7	1.4
China	1.4	2.1	15.5
Japan	2.4	1.8	-9.5
Germany	1.8	1.7	-2.5
UAE	1.6	1.6	-0.9
Italy	2.4	1.5	-14.7
Saudi Arabia	1.1	1.2	2.2
UK	1.1	1.2	1.3
France	0.8	1.1	10.0
South Korea	1.4	0.7	-20.1

Source: QSA, Data as at: 14th October 2012.

Money

	2007	2008	2009	2010	2011	2012f	2013f	CAGRs (%) 07-11	CAGRs (%) 11-13f
Money Supply, M2 (US$bn)	42.2	50.6	59.1	72.7	85.2	**94.6**	**105.5**	19.2	11.3
M1	11.2	14.0	14.6	18.8	22.5	**25.7**	**28.8**	19.1	13.2
Quasi Money	31.0	36.6	44.5	54.0	62.7	**68.8**	**76.6**	19.2	10.6
Interest Rates (%, End of Period)									
QCB Deposit	4.0	2.0	2.0	1.5	0.8				
QCB Lending	5.5	5.5	5.5	5.5	4.5				
Lending Rates									
Interbank (3-Month)	5.8	2.8	2.3	1.6	1.5				
Overdraft	7.9	8.8	8.8	8.2	7.4				
Loans from 1 to 3 Years	8.9	8.6	9.5	8.7	6.7				
Credit Cards	19.5	20.7	20.0	19.9	10.7				
Deposit Rates									
Demand	2.7	1.8	2.0	1.3	0.6				
Saving	1.7	1.5	2.0	1.6	1.1				
Time, over 1 Year	4.4	3.3	2.8	2.0	2.0				

Source: QCB, **QNB Group estimates and forecasts.** Data as at: 14th October 2012.

Prices

	2007	2008	2009	2010	2011	2012f	2013f	CAGRs (%) 07-11	CAGRs (%) 11-13f
CPI Inflation (% change)	**13.6**	**15.2**	**-4.9**	**-2.4**	**1.9**	**1.9**	**3.7**	2.2	2.8
Food, Beverages and Tobacco	7.3	19.9	1.3	2.1	4.3	**4.6**	**3.4**	6.6	4.0
Clothing and Footwear	12.6	11.8	-4.5	-1.3	7.5	**2.9**	**0.7**	3.2	1.8
Rent, Water and Housing Costs	29.3	19.7	-12.0	-12.8	-4.8	**-3.1**	**3.8**	-3.3	0.3
Furniture, Textiles and Home Goods	5.4	7.7	-2.0	4.1	2.9	**5.4**	**3.3**	3.1	4.4
Medical Care and Health Services	1.2	4.2	1.7	3.5	2.6	**1.4**	**2.7**	3.0	2.0
Transport and Communication	1.9	9.3	-4.4	2.6	6.4	**2.5**	**4.7**	3.4	3.6
Education, Recreation and Culture	4.9	9.9	-1.2	2.9	2.0	**5.1**	**3.7**	3.3	4.4
Miscellaneous Goods and Services	4.4	12.4	7.3	4.7	5.6	**4.7**	**4.5**	7.5	4.6
PPI Inflation (% change)	**-**	**33.9**	**-32.9**	**19.2**	**34.6**	**7.9**	**1.2**	9.6	4.5
Mining	**-**	**40.6**	**-35.0**	**18.8**	**39.1**	**9.5**	**1.3**	10.9	5.3
Crude Oil and Natural Gas	-	40.7	-35.0	18.8	39.2	**9.5**	**1.3**	10.9	5.3
Crude Oil	-	37.2	-33.5	23.7	39.0	**4.3**	**0.6**	11.9	2.4
Condensate	-	19.0	-36.8	33.5	34.7	**4.2**	**0.8**	7.8	2.5
Natural Gas	-	59.4	-36.4	5.1	42.1	**21.3**	**2.5**	10.9	11.5
Stone, Sand and Clay	-	-1.1	-0.9	-1.2	-1.5	**2.5**	**1.4**	-1.2	2.0
Electricity and Water	**-**	**5.9**	**0.2**	**4.0**	**-1.2**	**4.1**	**2.1**	2.2	3.1
Electricity	-	5.5	1.0	3.7	-0.5	**2.1**	**1.0**	2.4	1.5
Water	-	6.6	-1.2	4.5	-2.6	**7.9**	**4.2**	1.8	6.0
Manufacturing	**-**	**13.2**	**-26.6**	**22.0**	**21.2**	**1.3**	**0.9**	5.3	1.1
Dairy Product	-	11.7	2.8	2.0	-1.6	**4.4**	**2.3**	3.6	3.4
Grain Mill Products	-	28.0	1.2	-0.6	-0.5	**1.6**	**0.2**	6.4	0.9
Beverages	-	2.2	3.9	12.2	14.0	**0.4**	**1.0**	8.0	0.7
Refined Petroleum Products	-	11.5	-30.5	26.4	28.9	**1.8**	**0.8**	6.0	1.3
Basic Chemical	-	7.1	-27.1	25.9	17.3	**0.4**	**1.0**	3.6	0.7
Cement and Glass Products	-	10.4	-4.8	-14.3	-6.6	**0.2**	**0.8**	-4.2	0.5
Metal Products and Machinery	-	46.7	-19.7	21.3	7.5	**1.2**	**1.2**	11.3	1.2

Source: QSA, **QNB Group estimates and forecasts.** Data as at: 14th October 2012.

Public Finance

	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013f	2013/ 2014f	CAGRs (%) 07-11	11-13f
Balance (US$bn)	8.6	11.2	14.7	3.5	12.2	**15.1**	**15.6**	9.3	12.8
% of GDP	10.8	9.7	15.1	2.8	7.1	**7.7**	**7.5**	-	-
Revenue	32.3	38.6	46.4	42.7	55.9	**65.0**	**67.8**	14.7	10.1
Oil and Gas	27.6	30.9	37.4	36.4	45.3	**47.8**	**48.3**	13.2	3.2
Oil	16.4	16.7	16.9	16.0	16.9	**17.0**	**17.1**	0.8	0.6
Gas	2.9	5.2	5.8	10.5	14.5	**16.2**	**16.4**	49.0	6.4
Oil and Gas Investment	8.3	9.1	14.8	9.9	13.9	**14.6**	**14.8**	14.0	3.1
Non-Hydrocarbon	4.7	7.7	9.0	6.3	10.5	**17.2**	**19.4**	22.4	35.8
Expenditure	23.7	27.5	31.6	39.2	43.6	**49.9**	**52.2**	16.5	9.4
Current	14.4	18.3	20.8	27.1	31.1	**35.1**	**35.6**	21.3	6.9
Capital	9.3	9.2	10.8	12.2	12.5	**14.9**	**16.6**	7.6	15.2
Public Debt	7.1	12.9	30.3	43.0	58.9			69.9	-

Source: MOEF, **QNB Group estimates and forecasts.** Data as at: 14th October 2012.

Credit Facilities

	2007	2008	2009	2010	2011	2007-11 CAGR (%)
Total Credit (US$bn)	**44.1**	**66.7**	**74.3**	**86.4**	**110.9**	25.9
Domestic Credit	40.2	60.7	69.2	80.7	103.5	26.7
Public Sector	9.9	16.6	20.5	28.3	41.0	42.8
Private Sector	30.3	44.0	48.8	52.4	62.5	19.8
General Trade	4.9	6.0	6.8	6.8	7.4	10.6
Industry	1.0	1.5	1.5	1.8	1.8	17.2
Contractors	2.2	3.1	3.6	5.1	4.5	18.8
Real Estate	5.4	9.1	11.1	14.0	20.9	40.1
Consumption	12.9	15.6	14.6	15.6	18.7	9.6
Services	3.0	7.3	8.6	8.1	8.2	27.9
Others	0.8	1.3	2.6	1.0	1.1	9.3
Foreign Credit	3.9	6.0	5.1	5.6	7.4	17.1

Source: QCB, Data as at: 14th October 2012.

Quarterly Data

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	% change QoQ	% change YoY
GDP								
Nominal GDP (US$bn)	38.8	42.6	45.5	46.5	48.2	47.6	-1.1	11.9
Real GDP (% yoy)	10.7	20.6	14.4	6.9	7.9	5.0		
Balance of Payments (US$bn)	-8.8	-3.8	-2.8	1.1	4.9			
Current-Account Balance	10.4	15.1	13.8	12.7	9.9		-21.8	-5.1
% GDP	26.9	35.5	30.2	27.2	20.6			
Trade Balance	18.9	22.9	23.2	22.4	19.8		-11.5	5.0
Exports	24.9	29.0	30.3	30.1	27.6		-8.1	10.8
Imports	-6.1	-6.1	-7.1	-7.7	-7.8		1.8	29.1
Non-Physical Balance	-8.4	-7.8	-9.4	-9.7	-9.9		2.0	17.4
Capital-Account Balance	-15.9	-20.2	-14.2	-12.3	-3.8		-69.1	-76.2
Errors and Ommissions	-3.3	1.3	-2.4	0.7	-1.2		-271.2	-63.4
Government Budget Balance (US$bn)	-3.7	-0.6	11.6	1.4	2.5			
% GDP	-9.4	-1.4	25.5	3.0	5.3			
Revenue	11.2	8.9	21.4	15.3	14.8		-3.2	33.0
Expenditure	14.8	9.5	9.8	13.9	12.3		-11.9	-17.1

Source: QSA, QCB, MOEF. Data as at: 14th October 2012.

Monthly Data

	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
Population (% yoy)	3.6	3.5	4.6	4.3	4.3	4.4	5.6	5.9	5.4	6.0	7.1	8.6	8.4
Money Supply, M2 (US$bn)	86.8	87.5	82.3	85.2	83.4	82.1	83.4	83.7	90.1	91.5	103.9	101.4	
% yoy	26.7	18.9	12.7	17.1	10.8	8.5	12.1	4.6	10.8	5.3	12.1	21.1	
Interest Rates (%)													
QCB Deposit	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	
QCB Lending	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	
Interbank (3-month)	1.05	1.10	1.03	1.50	1.00	1.33	1.75	1.20	0.94	0.93	0.99	0.94	
CPI Inflation (% yoy)	2.2	2.5	2.2	2.1	1.2	1.2	1.2	1.1	1.1	1.6	2.2	2.2	2.6
Total Credit (US$bn)	100	106	108	111	108	113	113	118	124	126	130	131	
Domestic	94	99	101	103	100	106	106	110	116	118	122	123	
Public	34	39	39	41	38	43	42	47	52	53	54	55	
Private	60	61	63	63	62	63	64	63	64	66	68	68	
Foreign	6.2	6.4	6.2	7.4	7.4	7.5	7.6	7.7	7.6	7.8	7.8	8.1	

Source: QSA, QCB. Data as at: 14th October 2012.

QNB Group International Network

QNB International Branches and Representative Offices:

United Kingdom
51 Grosvenor Street,
London W1K 3HH
Tel: +44 207 647 2600
Fax: +44 207 647 2647
QNBLondon@qnb.com.qa

France
65 Avenue d'lena
75116 Paris
Tel: +33 1 53 23 0077
Fax: +33 1 53 23 0070
QNBParis@qnb.com.qa

Kuwait
Al-Arabia Tower, Ahmad Al-Jaber Street. Sharq Area
P.O. Box: 583
Dasman 15456 Kuwait
Tel:+965 2226 7023
Fax: +965 2226 7031
QNBKuwait@qnb.com.qa

Lebanon
Ahmad Shawki Street, Capital Plaza Building
Mina El Hosan, Solidere, Beirut
Tel: +961 1 762 222
Fax: +961 1 377 177
QNBLebanon@qnb.com.qa

Mauritania
Al-Khaima City Center
10, Rue Mamadou Konate
Tel: +222 4524 9651
Fax: +222 4524 9655
QNBMauritania@qnb.com.qa

Oman
Qatar National Bank Building
MBD Area - Matarah
opposite to Central Bank of Oman
P.O. Box: 4050
Postal Code: 112, Ruwi
Tel: +968 24783555
Fax: +968 24779233
QNBOman@qnb.com.qa

Sudan
Africa Road – Amarat Street No. 9
P.O. Box: 8134
Tel: +249 183-480000
Fax: +249 183-486666
QNBSudan@qnb.com.qa

South Sudan
Juba
P.O. Box: 587
QNBSouthSudan@qnb.com.qa

Singapore
One Temasek Avenue
22-03 Millenia Tower
Singapore 039192
Tel: +65 6499 0866
Fax: +65 6884 9679
QNBSingapore@qnb.com.qa

Yemen
Qatar National Bank Building
Al-Zubairi Street
P.O. Box: 4310 Sana'a -Yemen
Tel: +967 1 517517
Fax: +967 1 517666
QNBYemen@qnb.com.qa

Iran
Representative Office
6th floor Navak Building
Unit 14 Africa Tehran - Iran
Tel: +98 21 88 889 814
Fax: +98 21 88 889 824
QNBIran@qnb.com.qa

Libya
Representative Office
Burj Al Fatah – 19th Floor
P.O. Box: 91351 Tripoli - Libya
Tel: +218 213362131 / 2
Fax: +218 213362134
QNBLibya@qnb.com.qa

QNB Group International Network

QNB Subsidiaries / Associates:

Iraq
Mansour Bank
Associate Company
P.O. Box: 3162
Al Alawiya Post Office
Al Wihda District Baghdad - Iraq
Tel: +964 1 7175586
Fax: +964 1 7175514

Jordan
The Housing Bank for Trade
and Finance (HBTF)
Associate Company
P.O. Box: 7693
Postal Code 11118 Amman - Jordan
Tel: +962 6 5200400
Fax: +962 6 5678121

Qatar
Al Jazeera Finance Company
Associate Company
P.O. Box: 22310 Doha - Qatar
Tel: +974 44682812
Fax: +974 44682616

Switzerland
QNB - Switzerland
Subsidiary
3 Rue des Alpes, P.O. Box: 1785, 1211
Genève -1 Mont Blanc
Tel: +41 22 907 70 70
Fax: +41 22 907 70 71

Syria
QNB - Syria
Subsidiary
Baghdad Street
P.O. Box: 33000 Damascus
Tel: +963 11 2290 1000
Fax: +963 11 44 32221

Tunisia
Tunisian Qatari Bank
Associate Company
Rue de la cité des sciences
B.P 320 – 1080 Tunis Cedex
Tel: +216 71713555
Fax: +216 71713111
www.tqb.com.tn

UAE
Commercial Bank International p.s.c
Associate Company
P.O. Box: 4449, Dubai, Al Riqqa Street, Deira
Tel: +971 04 2275265
Fax: +971 04 2279038

Indonesia
QNB Kesawan
Subsidiary
Jl. Hayam Wuruk No. 33
Jakarta Pusat 10120 - Indonesia
Tel: +62 213 508 888
Fax: +62 2134 832 739
www.bankkesawan.co.id

QNB Branches and Offices

Head Office

P.O. Box 1000, Doha, State of Qatar
Tel. +974 4440-7407, Fax +974 4441-3753
Website www.qnb.com.qa, E-mail ccsupport@qnb.com.qa

Branches	
Air Force Base	Qatargas (Navigation Tower)
Al Gharafa	Vehicle Loan Centre
Al Khor	LandMark
Al Khor-Ladies	Mushaireb
Al Khraitiyat	Industrial Area
Al Rayyan	Mesaieed
Al Rowdha	Qatar Foundation
Al Sadd	Qatar Olympic Committee
Al Sadd-Ladies	Qatar University Men's Campus
Al Shahaniya	Qtel
Al Shamal	Ras Laffan Industrial City
Al Wakra	Salwa Road
C-Ring Road	Sheraton Doha Hotel & Resort
Cards Centre	The Mall
City Center-Doha	The Ritz-Carlton Doha
Customs	West Bay
Doha Marriot Gulf Hotel	Villaggio
Education City Community Housing	Mortgage Loan Centre
Exhibition Centre	Science & Technology Park
Grand Hamad	RasGas (Al Dana Tower)
Hamad Medical Hospital	Retirment & Pension Authority
Katara	Souq Waqif
Corporate Branches	
Ain Khalid	MBT
Head Office	Mesaieed
Industrial Area	Wakra
QNB First Branches	
Al Gharafa	University
Salwa	West Bay
Sharq Village & Spa	
Offices	
Doha International Airport	Qatar Petroleum - Head Office
Ministry of Education	Qatar University Ladies Campus
Qatargas (Laffan)	(Ras Gas Ras Laffan)
Qatar Petroleum - Al Sadd Plaza	Urban Planning
Q-Post	
3 Mobile Branches	

24-Hour Call Centre 4440 7777

Branches can be contacted through the Call Centre

Qatar National bank SAQ
P.O. Box 1000
Doha, Qatar

Tel: (+974) 4440 7407
Fax: (+974) 4441 3753

qnb.com.qa