

Qatar Economic Report

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1. Summary

After languishing for much of the last century as a sleepy British protectorate, Qatar is now surging ahead in all spheres of activity. The country has moved swiftly in recent years to develop its huge offshore natural gas reserves which once dismissed as practically worthless because of the difficulty of transporting gas to distant markets. The same natural gas reserves have made fortunes for Qatar.

Qatar is witnessing the boom in all spheres of the economy resulting in an influx of labours from Asia and professionals across the globe. As per the latest census figures, the total population of Qatar stood at 744,029 at the end of 2004, representing a growth of 42.5% over the previous census (1997) figure of 522,023. The year 2004 represents a compounded annual growth rate of 5.2% for the last eight years while during the period 1986 to 1997 CAGR was 3.2%. The rapid rise in population is in consonance with the booming economic activity in the country which requires large scale labour and other professional staff. The data from the planning council indicates that Doha and Al-Rayyan together accounted for 82.4% of the total population of the country. In 2004, male population of the country increased marginally to 66.7% or 496,382 of the total population. The construction sector has the largest concentration of work force accounting for about 26.8% of the total active population.

The Qatari economy is one of the most rapidly growing economies in the world. During the last five years (2000 - 2004), it achieved high annual growth rate of up to 18.9%. During the year FY2005, nominal GDP of the country grew by 33.8% and stood at QR154.6bn. However, the pace of economic growth seems to have taken a breather during the first quarter of the financial year 2006. At the end of Q1 2006, GDP grew by a modest 3.4% and stood at QR43.6bn. In FY2005, due to higher oil prices throughout the year, oil sector contribution to the total GDP of the country rose to 59.6% or QR92.1bn. During Q1 FY2006, contribution of the oil sector again rose to 62.2%. Services sector which comprise government services, bank service charges and other services was the largest contributor to the non-oil GDP of the country till 2004. However, it lost its prominent position in 2005 as its contribution to the GDP was down sharply to 7.4% from 10.7% recorded during the previous year. Services sector share in the total GDP was QR11.5bn in 2005. Building, construction and real estate sector contributed QR14.5bn or 9.4% to the total GDP of the country, which was the highest non-oil contribution to the

GDP in 2005. Gross fixed capital formation contributed 33.6% to the total GDP of Qatar in 2005. Qatar had a per capita GDP of QR194,100, which is the highest in the Middle East and one of the highest in the World.

The oil and gas sector is the only major source of revenue for the government accounting for around 66.7% of the total revenue in 2005-06. Preliminary data released by the Ministry of Finance for 2005/06 State Budget indicates that revenue increased modestly by 11.4% from the preceding budget and stood at QR61.5bn. Oil and gas contributed 66.7% to the total revenue followed by investment income with a share of 24.7%. Total expenditure in 2005/06 was QR46.8bn representing an increase of 31.5% over the previous year.

During the past five years, Qatar reported a phenomenal growth in its exports. Exports grew at a CAGR of 24.1% during the last five years and stood at QR93.8bn as at the end of 2005. In 2005, export growth was robust as it grew by 37.9% over 2004. Oil and gas accounted for 86.7% of the total value of goods exported in 2004, which was followed by chemicals and related products with its share of just 9.5% to the total exports. In line with its robust increase in exports, Qatar's imports also rose at a tremendous pace. Imports registered a CAGR of 25.3% during the period 2000 to 2005. Qatar's import increased by 22.6% in 2004 to reach QR21.9bn, from QR17.8bn recorded in 2003. As per the provisional figures available from Planning Council, Qatar's imports stood at QR36.6bn in 2005, recording a jump of 67.6% over 2004. Trade balance increased by around 25.8% to QR60.8bn in 2005 over that of 2004. Current account rose from QR15.1bn in 2000 to QR38.9bn in 2005, thus reporting a CAGR of 22.2% during the same period. Qatar reported a Balance of Payments surplus of QR16.1bn as compared to QR14.3bn in 2004.

For the period ended June 2006, M1 stood at QR27bn, representing a jump of over 21% over 2005. The high increase in M1 resulted from an increase in demand deposits, which rose by 21.6% (62.4% in 2005) to reach QR23.7bn (QR19.5bn in 2005). Savings and time deposits increased by 26.4% to reach QR26.1bn in 2005, while foreign currency deposits increased by 64.3% to reach QR15.8bn. At the end of June 2006, M2 was at QR77.8bn, recording a growth of 21.1% over that of Dec 2005. Qatar recorded inflation of 8.81% in 2005 while in Q1 2006 inflation was a modest 0.7%. The main inflation driver in 2005 was the housing sector, which witnessed a steep increase by 26.2%, after an increase by 16.2% in 2004 and a rise by 18.0% in 2003.

Global oil demand in 2005 is estimated to have grown by 1 mb/d or 1.2% to average 83.2 mb/d. OECD oil demand growth for 2005 contributed only 19% of total world oil demand growth. Developing countries dominated demand growth in 2005, accounting for 85% of incremental world oil demand. China's demand appears to have risen by around 0.2% in sharp contrast to a GDP growth rate of nearly 10%. In 2006, non-OPEC oil supply is expected to average 51.1 mb/d, representing an increase of 1.1 mb/d over 2005.

Qatar's oil reserves as at December 2005 stood at 27 billion barrels. Qatar's oil reserves have substantially risen over the past seven years, from 3.7 billion barrels in 1999 to 27 billion barrels as at December 2005. Given an average production of 715,000 barrels per day (bpd) over the past five years, proven reserves would last for over 100 years. Qatar Petroleum has embarked upon an investment programme with the intention of expanding oil production from its onshore and offshore fields. Crude oil production of Qatar increased from 681,000 bpd in 2001 to 834,000 bpd in 2005. By the end of 2008, Qatar plans to increase its production capacity to 900,000 bpd and by the decade-end Qatar plans to boost its oil production capacity to one million barrels per day (bpd) from the existing 834,000 bpd. Qatar exports its crude oil to number of countries however Asian region dominates the export market. Asia accounted for around 96% of the total oil exports in 2005.

Qatar's North Gas Field, is the largest non-associated gas field in the world, with proven reserves currently estimated at over 910 trillion cubic feet (tcf), which is equivalent to about 164 billion barrels of oil. Expansion of LNG facilities through RasGas II, Qatargas II, RasGas III, and Qatargas III is being pursued to meet additional export opportunities. Sales and Purchase Agreements (SPA) have been reached with a number of countries, which at their peak in 2011 will reach 59.4mn tonnes per annum (mtpa). Several agreements have also been signed, and should these turn into confirmed orders, total LNG exports would reach about 77.2mtpa by 2012. QP has allocated QR122bn in its five-year plan, starting 2005, for LNG and piped natural gas projects. Government expects that the LNG production in the country is set to rise from a projected 20mn tonnes in 2005 to 77mn tones per annum in 2012; production capacity is set to touch just over 25 mtpa by the end of this year, making Qatar the second largest producer in the world.

The consolidated asset size of the banking system stood at QR151.7bn at the end of the first half of 2006. The asset size of the banking system is growing strongly. The total asset size of all the banks in Qatar grew at a CAGR of 22.8% during the past five years. In terms of assets, QNB has a dominant presence in the domestic banking industry accounting for 43.8% of the total banking assets though its share has gone down from 47.9% in 2004. In terms of total deposits QNB's share was 45.2% in 2005 down from 49% in 2004. The bank held 47.9% market share of net loans & advances. Commercial Bank is the second largest bank in terms of asset base, customer deposits and loans & advances in 2005.

Total domestic credit in Qatar grew at a CAGR of 18.6% during the past five years while the total credit including credit outside Qatar grew at a CAGR of 18.4% during the same period. Except public sector and other smaller sectors, all the other sectors recorded double digit CAGR in their credit off-take. The booming land, housing and construction sector reported a CAGR of 70% during the past five years followed by industry with 41.3% and personal sector with 29.2% growth. During the first half of 2006, total credit facilities of the banking sector surged by 18.1% to QR82.4bn from QR69.7bn at the year end 2005.

Manufacturing sector grew at a CAGR of over 35.2% over the past five years. Contribution of the manufacturing sector to the total non-oil GDP of the country has also been rising steadily over the years as it increased from 18.7% in 2003 to 20.9% in 2005. The government of Qatar is eager to gradually diversify into the manufacturing sector. The government is developing huge infrastructure in the country to diversify its economic base and to become economic powerhouse in the region. Government intends to spend around US\$15bn on various infrastructure projects in the next few years.

Qatar is witnessing an exceptional boom in the real estate sector. Building, construction and real estate sector contributed QR14.5bn to the total GDP of the country in 2005. This sector grew at a compounded annual growth rate of 28.8% during the past five years. The building permits issued by the municipality grew at a CAGR of 9% for the period 2000 to 2004. In 2004, the growth in the number of building permits issued was 23.3%, which is the highest growth in building permits issued in recent years. Qatar has planned number of projects with billions of dollar investments straddling across various sectors.

Since the past five years (2001-2005), General Index of DSM recorded a robust growth and grew at a CAGR of impressive 59.9%. In 2005, the market continued its northward march reported a stellar performance and was up by a whopping 70.2% over 2004 to reach 11,053. Liquidity played a major role in pushing the market upwards. As at the end of June 2006, DSM has thirty four companies listed on its exchange.

In 2005, value of shares traded rose by over four-fold, jumping by a record 345% to reach QR102.8bn, compared to QR23.1bn in 2004. In 2005, the total value of shares traded in the services sector increased by 455% to reach QR44.6bn, representing 43.3% of the total market. During the first six months of 2006, total value of shares traded was down by a massive 95.7% to QR4.4bn. Highest decline in value of shares traded was witnessed in the industrial sector with a fall of 98.2% to QR479mn. During the first half 2006, volume of shares traded decline by 88% to 123.2bn. In 2005, total market capitalization of DSM more than doubled and stood at QR317.2bn, recording a growth of 115% over the previous year. With the meltdown in the market, market capitalization has also eroded as it declined by 20.9% to QR250.7bn as of September 7, 2006. During the first half of 2006, the market was down by around 31% over Dec 2005 level. The causes includes excessive valuations, with an average price/earnings multiple of more than 30x; unsophisticated investors paying no heed to fundamentals; a bearish regional contagion; and inopportune initial public offerings (IPOs) sucking liquidity from the secondary market at the wrong time.

Most of the companies in Qatar have reported excellent earnings in recent years. The major growth drivers for the corporate earnings have been the low interest rates, increased government spending and improved liquidity in the system. In 2005, corporates reported earnings growth of around 44.4% to QR11.4bn.

2. Qatar – A Brief Introduction

Map of Qatar



Geography of Qatar

Location:	Middle East, peninsula bordering the Persian Gulf and Saudi Arabia
Geographic coordinates:	25 30 N, 51 15 E
Area:	Total: 11,437 sq km
Land boundaries:	Total: 60 km Border countries: Saudi Arabia 60 km
Coastline:	563 km
Maritime claims:	Territorial sea: 12 nm Contiguous zone: 24 nm
Climate:	Arid; mild, pleasant winters; very hot, humid summers
Terrain:	Mostly flat and barren desert covered with loose sand and gravel
Elevation extremes:	Lowest point: Persian Gulf 0 m Highest point: Qurayn Abu al Bawl 103 m
Natural resources:	Petroleum, natural gas, fish
Land use:	Arable land: 1.64%, permanent crops: 0.27% Other: 98.1%
Irrigated land:	130 sq km
Natural hazards:	Haze, dust storms, sandstorms common

Political System of Qatar

Qatar is a traditional monarchy headed by an Emir. A new constitution came into force in 2005, providing for a 45-seat consultative council, two thirds of whose members would be elected and one third appointed by the emir. Elections are expected in 2007. The previous provisional constitution (1972) called for elections to the 35-seat advisory council (Shura), but none were held; council members were appointed by the ruling family. Qatar is a member of the Arab League, the United Nations, and the Organization of Petroleum Exporting Countries (OPEC).

3. Main Economic Indicators

(QR mn)	2003	2004	2005	2006	
				Q1*	Q2*
Population	717,766	756,486	796,186		
GDP	85,663	115,512	154,564	43,653	-
Growth Rate (%)	21.5	34.8	33.8	3.4	-
Oil Sector Share (%)	59.0	54.5	59.6	62.2	-
Growth Rate (%)	24.2	24.5	46.3	3.8	-
Non-Oil Sector Share (%)	41.0	45.5	40.4	37.8	-
Growth Rate (%)	18.0	49.8	18.8	2.7	-
GDP Per Capita (QR Thousand)	119.3	152.7	194.1	-	-
CPI - Inflation (%)	2.26	6.8	8.81	0.7	-
Public Finance					
Total Revenues	30,716	55,232	61,531	49,672	-
Total Expenditures	27,016	35,608	46,817	17,897	-
Deficit or Surplus	3,700	19,624	14,714	31,775	-
Deficit or Surplus / GDP (%)	4.3	17.0	9.5	72.8	-
Money & Banking					
QCB Rate (%)					
Deposits	1.23	2.5	4.4	4.65	5.15
Loan	1.33	2.6	4.5	4.75	5.25
Repo Rate (%)	1.53	3.15	5.1	5.35	5.85
Money Supply (M1)	11,278	14,598	22,362	24,921	27,056
Growth Rate (%)	79.3	29.4	53.2	11.4	8.6
Money Supply (M2)	37,223	44,865	64,291	71,526	77,834
Growth Rate (%)	15.8	20.5	43.3	11.3	8.8
Foreign Assets (Net)	25,821	31,812	47,789	50,398	57,495
Total Deposits	52,964	60,264	84,631	93,108	103,938
Private Deposits	35,076	42,271	61,405	68,368	74,479
Total Credit	43,346	48,294	67,366	71,128	76,462
Private Credit	23,415	29,824	48,716	53,356	58,207
Balance of Payment					
Trade Balance	32,846	48,321	60,781	-	-
Exports (FOB)	48,711	68,012	93,773	-	-
Imports (FOB)	(15,865)	(19,691)	(32,992)	-	-
Current Account	20,943	27,488	38,994	-	-
Current Account / GDP (%)	24.4	23.8	25.2	-	-
Capital & Financial Account	(5,544)	(13,194)	(14,765)	-	-
Overall Balance	15,399	14,294	16,122	-	-
Doha Securities Market					
Traded Volume (000)	189,973	305,386	1,033,082	246,894	366,550
Traded Value	11,722	23,094	102,842	17,299	18,042
Market Capitalisation	97,222	147,191	317,202	254,939	233,166
Index	3,947	6,494	11,053	8,939	7,628
Rate of Change (%)	69.8	64.5	70.2	(19.1)	(14.7)

Source: Qatar Central Bank, * Provisional

4. Population

Overview

As per the latest census, the total population of Qatar stood at 744,029 at the end of 2004, representing a growth of 42.5% over the previous census figure of 522,023. The population of Qatar as per the 1997 census was 522,023 representing a 41.4% increase from the 1986 census of 369,079. The year 2004 figure represents a compounded annual growth rate of 5.2% for the last eight years while during the period 1986 to 1997 CAGR was 3.2%. The rapid rise in population is in consonance with the booming economic activity in the country which requires large scale labour and other professional staff.

Total population of Qatar stood at 744,029 at the end of 2004.

Table 1: Population of Qatar as per the Census 1997 and 2004

	1997	2004	% Change
Population	522,023	744,029	42.5%

Source: The Planning Council

Geographical Distribution of Population

The data from the planning council indicates that the majority of the population of Qatar is concentrated in the capital city of Doha. Total population residing in Doha constituted around 45.7% of the total population. Despite the majority of the people residing in Doha, the percentage share has declined if we compare figures from 1997 census and to that of 2004 census. In 1997, around 50.6% of the population was residing in Doha. This indicates that the population is spreading in other municipalities of the country and this also shows the economic buoyancy in other parts of the country. Another reason for people moving away from the capital city is rising cost of living in addition to rising rents. Al-Rayyan municipality area has gained at the cost of Doha as its population increased from 32.5% in 1997 to 36.7% in 2004. Around 272,860 people resided in Al-Rayyan municipality area.

Doha and Al-Rayyan together accounted for 82.4% of the total population of the country. Other municipalities like Al Wakra, Umm Slal, and Al Khor are very small and comprised the rest of the population. Population in Doha increased by around 28.7% in 2004 over 1997 while that of Al-Rayyan jumped by 60.7% during the same period. The

highest jump was recorded by smaller municipality Al Khor as its population increased by 77.3% to 31,547.

Table 2: Geographical Distribution of Population

Municipality	1997 Census		2004 Census		% Change
	Population	% of total	Population	% of total	
Doha	264,009	50.6	339,847	45.7	28.7
AL Rayyan	169,774	32.5	272,860	36.7	60.7
AL Wakra	24,283	4.7	31,441	4.2	29.5
Umm Slal	18,392	3.5	31,605	4.2	71.8
AL Khor	17,793	3.4	31,547	4.2	77.3
Others	27,772	5.3	36,729	4.9	32.3
Total	522,023	100%	744,029	100%	42.5

Source: The Planning Council

Population by Gender

Population figures provided by the planning council indicate that around 65.6% of the total population was male in 1997. In 2004, male population of the country increased marginally to 66.7% or 496,382 of the total population. During the same period female population of the country declined from 34.4% of the total population to 33.3% in 2004. This major gender imbalance was due to the growing number of expatriates, largely represented by males.

Male population comprised 66.7% of the total population of the country.

Table 3: Population by Gender

	1997 Census		2004 Census		CAGR
	Population	% of total	Population	% of total	
Males	342,459	65.6%	496,382	66.7%	5.4%
Females	179,564	34.4%	247,647	33.3%	4.7%
Total	522,023	100.0%	744,029	100.0%	5.2%

Source: The Planning Council

During the census period from 1997 to 2004, male population of the country grew at a CAGR of 5.4% as compared to the female population which rose at CAGR of 4.7%. This

gender ratio is expected to remain in favour of male population because of increasing labour demand in the country.

Population by Age Groups

The working population between the age group 20 to 59 is economically active population and it comprised 514,716 or around 69.2% of the total population of Qatar. The age group population further shows gender imbalance in the population profile of the country. All the age groups have a higher percentage of males as compared to females. The percentage of male population between the age groups 30-39 is 71.4%, with the percentage of female population at 28.6%. The percentage of population below 20 years is 28.2%, numbering 209,809.

Population between the age group 20 to 59 comprised 69.2% of the total population of Qatar.

Table 4: Population by broad Age Groups

Age Groups	Males	Females	Total
0-4	30,059	28,489	58,548
4-9	28,420	27,814	56,234
10-14	26,687	26,149	52,836
15-19	22,187	20,004	42,191
20-24	39,896	19,671	59,567
25-29	59,477	24,576	84,053
30-34	66,976	27,833	94,809
35-39	61,624	23,773	85,397
40-44	56,617	19,260	75,877
45-49	46,488	12,631	59,119
50-54	29,738	7,615	37,353
55-59	15,771	4,104	19,875
60-69	9,573	3,863	13,436
70 and above	2,869	1,865	4,734
Total	496,382	247,647	744,029

Source: The Planning Council

The age group of 15-59, which is economically active age group, shows a considerably high ratio of males as compared to females. In this age group male population accounted

for 71.8% of the total population of this age group. This age group largely represents the working class population and hence comprised most of the expatriate's workforce.

Economically Active Population

Table 5: Economically Active Population by Gender & Employment Status

	1997 Census			2004 Census		
	Males	Females	Total	Males	Females	Total
Employer	1,438	39	1,477	2,932	61	2,993
Own Account	2,139	48	2,187	1,882	22	1,904
Employee	238,645	37,620	276,265	368,129	64,375	432,504
Other	163	30	193	160	-	160
Total	242,385	37,737	280,122	373,103	64,458	437,561

Source: The Planning Council

The economically active population increased by 56.2% in 2004 over 1997 and stood at 437,561 as compared to 280,122 in 1997. This increase was mainly because of the influx of expatriate laborers. Qataris accounted for about 11.5% of the total economically active population. Economically active male population comprised around 85.3% or 373,103 of the total economically active population while economically active female population stood at 14.7% in 2004 as compared to 13.5% in 1997.

Buoyant economy resulted in rapid growth in labour force in almost all the sectors of the economy. The construction sector has the largest concentration of work force accounting for about 26.8% of the total active population. The construction sector is flourishing with activity due to the booming real estate sector. Among the other sectors which witnessed growth in their labor force are wholesale/retail trade and real estate sectors.

Construction sector accounted for 26.8% of the total active population.

Table 6: Economically Active Population by Sector & Nationality

	1997	2004	% of total in 2004	CAGR (%)
Agriculture, Hunting and Forestry	9,044	10,200	2.3%	1.70%
Fishing	1,303	1,825	0.4%	4.90%
Mining & Quarrying	9,364	17,997	4.1%	9.80%
Manufacturing	24,143	40,038	9.2%	7.50%
Electricity, gas & water supply	3,206	4,364	1.0%	4.50%
Construction	56,106	117,049	26.8%	11.10%
Wholesale and retail, Repair of Motor Vehicles, Motorcycles and personal and household goods	30,622	54,438	12.4%	8.60%
Hotels & Restaurants	6,068	10,280	2.3%	7.80%
Transport, Storage & Communications	9,614	15,218	3.5%	6.80%
Financial Intermediation	3,094	4,766	1.1%	6.40%
Real Estate, Renting and Business Activities	4,644	11,858	2.7%	14.30%
Public Administration	49,873	53,438	12.2%	1.00%
Education	13,954	19,877	4.5%	5.20%
Health and Social work	5,434	11,554	2.6%	11.40%
Other Community, Social and Personal Services	7,663	10,130	2.3%	4.10%
Domestic Services	45,100	53,358	12.2%	2.40%
Regional and International Organizations and Bodies	595	1,171	0.3%	10.20%
Others	295	-	-	-
Total	280,122	437,561	100.0%	6.60%

Source: The Planning Council

Outlook

We believe that the population of Qatar will grow by more than 5% annually due to booming economy and demand from all sectors of the economy. The planning council estimates the population of Qatar to reach 1mn by the year 2017. However, if the economy grows at such a brisk pace this figure is expected to be achieved before that period.

5. Gross Domestic Product

The enormous expansion of LNG output from Qatar is only just getting underway, and so this is just the beginning of the economic boom for this small peninsula in the Persian Gulf. The Qatari economy is one of the most rapidly growing economies in the world. During the last five years (2000 - 2004), it achieved high annual growth rate of up to 18.9%; and it is expected to have grown further by a whopping 33.8% in 2005. Inflation rates were as low as 1.7% to 2.26% in the period from 2000 to 2004. In spite of 6.8% and 5.6% growth rates achieved in 2004 and in the first half of 2005 respectively, inflation remained within the economically acceptable boundaries in the light of the hikes made in the Gross Domestic Product (GDP).

Qatar's GDP rose at a rate of 18.9% during the past five years.

Table 7: Gross Domestic Product

	2003	2004	2005	Q1 2006*
GDP at Current Prices (Nominal) QR mn	85,663	115,512	154,564	43,653
GDP Growth Rate (%)	21.5	34.8	33.8	3.4
Oil Sector Share (%)	59	54.5	59.6	62.2
Growth Rate (%)	24.2	24.5	46.3	3.8
Non-Oil Sector Share (%)	41	45.5	40.4	37.8
Growth Rate (%)	18	49.8	18.8	2.7
GDP Per Capita (QR 000)	119.3	152.7	194.1	

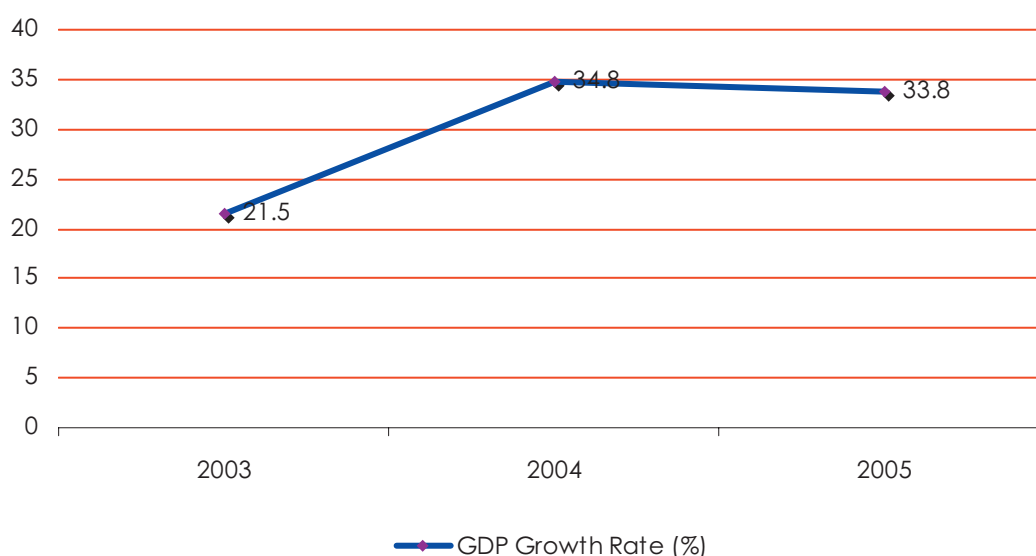
Source: Qatar Central Bank – Quarterly Statistical Bulletin, * preliminary estimates

Sharp increase in oil prices and continued expansion of production and export of liquefied natural gas during recent years has directly contributed in raising the level of GDP of the country. For FY2004 nominal GDP of the country stood at QR115.5bn, representing a growth rate of 34.8% on a y-o-y basis. Such growth rate in GDP is stupendous as rarely any country in the history has achieved such a high growth rate. For the year ended FY2005, Qatar continued its pace of economic growth and again reported a stellar performance in its GDP growth. During the year FY2005, nominal GDP of the country grew by 33.8% and stood at QR154.6bn. However, the pace of economic growth seems to have taken breather during the first quarter of the financial year 2006. At the end of Q1 2006, GDP grew by a modest 3.4% and stood at QR43.6bn. If we compare the growth rates with that of Q3 and Q4 of FY2005, Q1FY2006 growth seems to have

At the end of Q1 2006, GDP grew by a modest 3.4% and stood at US\$43.6bn.

declined sharply. During Q3 and Q4 of FY2005, GDP grew by 7.2% and 7.4% respectively. Qatar's economy is rising at such a rapid pace that within three years, GDP increased by almost 80%. Apart from the strong crude oil prices, the major factors behind this rapid GDP growth were increased exports of oil, LNG, petrochemicals and related industries.

Chart 1: GDP Growth Rate of Qatar



Source: Qatar Central Bank

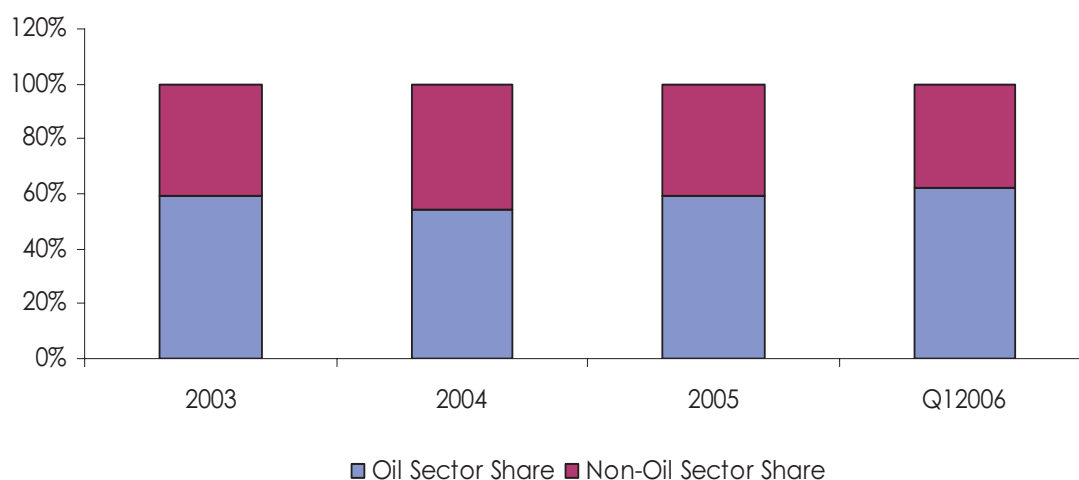
Oil sector highest contributor to the GDP

Oil sector contributed 59% or US\$50.5bn in the nominal GDP of the country in FY2003. The contribution of the oil sector reduced to 54.5% in the subsequent year while in FY2005, due to higher oil prices throughout the year, oil sector contribution to the total GDP of the country rose to 59.6% or US\$92.1bn. During Q1 FY2006, contribution of the oil sector again rose to 62.2%. Non-oil sector contributed 37.8% during Q1FY2006. This represents that Qatar's economy is depended heavily on oil and gas reserves. Oil sector growth rate rises continuously during the past three years as it grew by 24.2% in 2003 and 24.5% in 2004. During 2005, oil sector growth recorded a jump of a whopping 46.3%. Many of these sectors, foremost the downstream industries, had achieved high production growth rate of 32.2% in 2004, setting their production value to QR6.5bn as a result of the continued expansion in establishing industrial complexes that mainly depend on natural gas as feedstock for the production of petrochemicals, chemical fertilizers and other products. We believe that the contribution of the oil sector will remain at a higher

Oil sector contributed 62.2% to the nominal GDP of Qatar during the first quarter of 2006

level going forward. During the same time, non-oil sector growth rate remained volatile as it reported 18% growth in 2003 followed by a jump of massive 49.8% in 2004 only to come down to 18.8% in 2005.

Chart 2: Contribution of oil and non-oil sector to the GDP of Qatar



Source: Qatar Central Bank

Oil and gas sector plays a dominant role

Analysis of GDP by economic activity reveals that contribution of the oil and gas sector has been improving continuously since the past five years. It improved from 57.7% in 2001 to 59.6% in 2005. However, in 2004 there was a sharp dip in the contribution of oil to the total GDP as it falls to 54.5%, which was the lowest in the past five years. In FY2005, oil and gas contributed QR92bn to the GDP of Qatar. We believe that with the strong demand of oil and gas from the user countries, oil and gas prices will remain at a higher level thus contribution of oil is expected to sustain at this level in the near future.

In FY2005, oil and gas contributed QR92bn to the GDP of Qatar.

Non-oil and gas sector

With the contribution of the oil sector increasing, naturally contribution of non-oil sector to the GDP is declining since the past five years except in 2004. The contribution of non-oil sector to the GDP declined from 42.3% in 2001 to 40.4% in 2005.

Contribution of non-oil sector to GDP declined from 42.3% in 2001 to 40.4% in 2005.

Table 8: GDP by Economic Activity at Current Prices (2001-2005)

(in QR Mn)	2001	2002	2003	2004	2005*	CAGR %
Oil & Gas Sector	36,812	40,717	50,551	62,922	92,071	25.8%
Agriculture & Fishing	240	181	201	210	216	-2.6%
Manufacturing	3,909	5,076	6,553	11,995	13,042	35.2%
Electricity & Water	433	409	1,205	1,482	2,209	50.3%
Building, Construction & Real Estate	5,290	6,041	7,145	10,957	14,542	28.8%
Trade, Restaurants and Hotels	3,919	3,969	4,345	6,148	6,869	15.1%
Transport & Communications	2,223	2,489	2,911	4,020	5,114	23.2%
Finance, Insurance & Business Services	2,844	3,354	3,955	5,393	8,987	33.3%
Services	8,170	8,248	8,797	12,385	11,514	9.0%
Total Non-Oil GDP	27,028	29,767	35,112	52,590	62,493	23.3%
Total GDP	63,840	70,484	85,663	115,512	154,564	24.7%
% change	-1.2%	10.4%	21.5%	34.8%	33.8%	-

* Preliminary estimates by the Planning Council

Source: Qatar Central Bank

a) Services sector

Services sector which comprise government services, bank service charges and other services was the largest contributor to the non-oil GDP of the country till 2004. However, it lost its prominent position in 2005 as its contribution to the GDP was down sharply to 7.4% from 10.7% recorded during the previous year. Services sector share in the total GDP was QR11.5bn in 2005. This sector grew at a CAGR of 9% during the past five years.

b) Building, Construction and Real Estate

Building, construction and real estate sector has always been the largest contributor after services to the non-oil GDP and its contribution was in the range of 8.3% to 9.4%. It contributed QR14.5bn or 9.4% to the total GDP of the country, which was the highest non-oil contribution to the GDP in 2005. This sector grew at a CAGR of 28.8% during the past five years. Current development and construction activities and governments thrust on infrastructure projects will ensure that building; construction and real estate sector will contribute more to the total GDP of Qatar, going forward. This sector is also one of the largest contributor to the employment generation in the economy.

Building, construction and real estate sector was the largest contributor to the total non-oil GDP in 2005.

Table 9: Percentage Contribution of Important sector to the GDP at Current Prices (2001-2005)

	2001	2002	2003	2004	2005*
Oil & Gas Sector	57.7%	57.8%	59.0%	54.5%	59.6%
Agriculture & Fishing	0.4%	0.3%	0.2%	0.2%	0.1%
Manufacturing	6.1%	7.2%	7.6%	10.4%	8.4%
Electricity & Water	0.7%	0.6%	1.4%	1.3%	1.4%
Building, Construction & Real	8.3%	8.6%	8.3%	9.5%	9.4%
Trade, Restaurants and Hotels	6.1%	5.6%	5.1%	5.3%	4.4%
Transport & Communications	3.5%	3.5%	3.4%	3.5%	3.3%
Finance, Insurance & Business	4.5%	4.8%	4.6%	4.7%	5.8%
Services	12.8%	11.7%	10.3%	10.7%	7.4%
Total Non-Oil GDP	42.3%	42.2%	41.0%	45.5%	40.4%

Source: Qatar Central Bank, Planning Council and Global Research

c) Manufacturing

Manufacturing sector mainly comprises petroleum refining, industrial, chemicals, fertilizers and steel, cement, plastics, textiles and footwear, paints and other household's items. Manufacturing is the only sector whose contribution to the GDP has increased consistently during the period 2001 to 2004 though it decline again in 2005. Manufacturing sector contributed 8.4% to the total GDP of the country after contributing 10.4% during the previous year. Manufacturing sector also recorded second highest CAGR of 35.2% during the past five years. We believe that with the boom in economic activity in the country, manufacturing sector is expected to contribute more in the near future. The government is also interested in diversifying its revenue stream and hence has a strong interest in pursuing growth prospects in the manufacturing sector.

d) Electricity and Water

Electricity and water recorded highest CAGR of around 50% during the past five years though from a lower base. This sector contributed 1.4% or QR2.2bn to the total GDP of the country. Qatar's electricity generation capacity mainly comprises of gas turbines, which are fuelled by natural gas. Ras Abu Fontas-B Plant, Qatar's largest power and water desalination plant, became operational in 1996 with an installed capacity of 610mw. The completion of the Phase 1 expansion at Ras Abu Fontas-B has seen an addition of 380mw to Qatar's power grid. Phase 2 of the expansion will see the addition of 27-30 million gallons a day of desalination capacity.

In Qatar, there are number of large industrial companies which have their own captive power plants. Qatar's first independent water and power project (IWPP) became operational in March 2004 at Ras Laffan with a capacity of 750MW of power and 40 million gallons of water a day.

e) Finance, Insurance and Business Services

Finance, insurance and business services contributed QR8.9bn to the total GDP of Qatar, which represented around 5.8% of the GDP as of 2005. This sector grew at a CAGR of 33.3% during the past five years, which was the third highest growth recorded by the non-oil sector. Finance, insurance and business services mainly comprise of four sub-sectors such as banking, insurance, money exchange and business services.

f) Trade, Restaurants and Hotels

Trade, Restaurants and Hotels contributed QR6.87bn to the total GDP of the country at the end of 2005. Contribution of this sector has been going down consistently during the past five years with the exception of 2004 when its contribution has increased modestly. In 2001, contribution of this sector was 6.1% to the total GDP of the country, while in 2005 it has decline to a mere 4.4% or QR6.87bn. This sector grew at a CAGR of 15.1% during the past five years.

g) Transport & Communications

Transport & Communications contributed only 3.3% or QR5.11bn to the total GDP of the country. Its contribution to the total GDP has traditionally been in the range of 3.3% to 3.5% during the past five years. This sector grew at a CAGR of 23.2% during the past five years. Qatar Airways is the main player in aviation sector of Qatar while Qatar Telecom is the largest telecommunication entity in the state of Qatar.

h) Agriculture and Fishing

Agriculture and fishing recorded a negative growth of 2.6%. This in the only sector which recorded de-growth during the past five years. This sector has always played minor role in the entire economy. Cultivable land accounts for only 0.7% of the total surface land area of the country.

GDP by Type of Expenditure Activity

The planning council data on GDP by expenditure for the year 2004 and 2005 is available though its estimates and actual figures are still not released. During 2005, government final consumption expenditure increased by 7.8% and stood at QR18.4bn at the end of 2005. Government final consumption expenditure contributed 12% to the GDP by type of expenditure activity in 2005. Private final consumption expenditure rose by 17.2% in 2005 and stood at QR26.6bn, which represented a contribution of around 17.3% to the GDP. Increase in stocks represented a highest growth rate of 68.2% in 2005 and contributed QR2.95bn or 1.9% to the total GDP of the country.

Gross fixed capital formation, which is mainly the capital spending by the government and forms a large part of the domestic demand, grew at a whopping 63.4% in 2005. Gross fixed capital formation contributed 33.6% to the total GDP of Qatar in 2005. Exports of goods and services registered a growth rate of 42.3% to QR105.5bn while imports of goods and services jumped by 60.6% to QR51.7bn. The total trade balance was QR53.7bn in 2005 as compared to QR41.9bn in the previous year.

Table 10: GDP by Type of Expenditure Activity at Current Prices

QR mn	2004	2005	% Change
Government Final Consumption Expenditure	17,068	18,394	7.8%
Private Final Consumption Expenditure	22,692	26,592	17.2%
Increase in Stocks	1,756	2,953	68.2%
Gross Fixed Capital Formation	31,554	51,560	63.4%
Exports of Goods and Services	74,122	105,497	42.3%
Imports of Goods and Services	(32,199)	(51,706)	60.6%
Total	114,993	153,290	33.3%

Source: The Planning Council

Per Capita GDP - one of the highest in the world

The sharp growth in the GDP of Qatar boosted its per capita GDP to a record level. For the year ended 2005, Qatar had a per capita GDP of QR194,100, which is the highest in the Middle East one of the highest in the World. With this Qatar now ranks as one of the world's richest countries.

Qatar has one of the highest GDP per capita in the world.

Table 11: Per capita GDP of Qatar – Historical Trend

(in QR Thousand)	2003	2004	2005
GDP Per capita	119.3	152.7	194.1

Source: Qatar Central Bank

Outlook

We believe that Qatar is on a higher growth trajectory and is expected to repeat its performance in 2006 as well underpinned by the following factors:

- The governments thrust on developmental activities and diversifying its revenue stream will ensure buoyant economy.
- Huge investment on infrastructure spending by the government and increasing participation of the private sector entrepreneurs.
- The price of Qatar's oil increased by 46.9% in 2005, averaging US\$51.7 per barrel from US\$35.2 per barrel in 2004.
- Qatar's crude oil production averaged 779,000 bpd in 2005, compared to 759,000 bpd in 2004.
- LNG export reached 22.9 million tons in 2005 and is expected to remain higher in 2006.

6. Public Finance

The oil and gas sector is the only major source of revenue for the government accounting for around 66.7% of the total revenue in 2005-06. Most of the oil and gas is exported from the country and is primarily done by Qatar Petroleum. In addition to oil and gas receipts, government also generates revenues from investments, in the form of dividends from banks and other companies such as Industries Qatar, QNCC, QEWC, Q-TEL etc. Other sources of government revenues comprise customs duties, taxes and charges. The major components of government expenditures are salaries & wages of the public sector, interest payments on borrowed funds and other current and capital expenditures. The government has always recorded budget surplus during the past six years and is increasing rapidly.

Brief Overview - Budget for 2003/04

The actual figures of government revenues and expenditures from the Ministry of Finance for the fiscal year 2003/2004, indicates that the total revenue was QR30.7bn, with total expenditure at QR27bn, resulting in a surplus of QR3.7bn. Total revenues witnessed a slight increase by 4.3% from the preceding budget, mainly as a result of oil prices remaining high, increased oil and natural gas production, and investment income. Total expenditures increased by 15.2% to QR27bn, with current expenditures rising by 15.9% and capital expenditures increasing by 12.5% respectively.

Table 12: State Budget

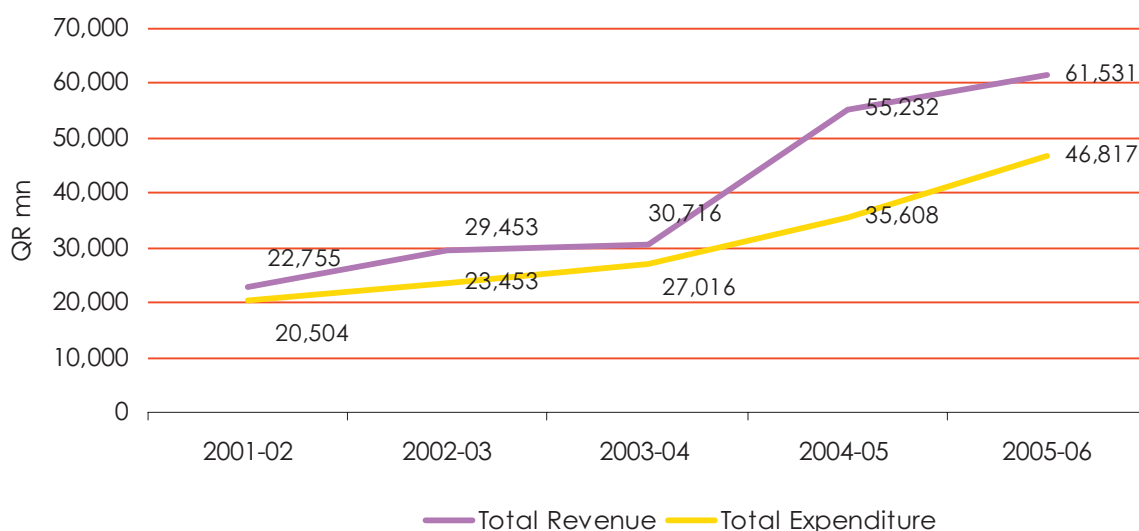
(in QR mn)	2001-02 (Actual)	2002-03 (Actual)	2003-04 (Actual)	2004-05 (Actual)	2005-06*
Total Revenue	22,755	29,453	30,716	55,232	61,531
Oil & Gas	15,557	19,059	19,759	36,319	41,069
Investment	4,244	8,618	8,062	13,880	15,208
Others	2,954	1,776	2,895	5,033	5,254
Total Expenditure	20,504	23,453	27,016	35,608	46,817
Current expenditure	17,383	18,792	21,771	27,810	30,676
Salaries & Wages	5,706	5,999	6,294	7,538	6,632
Interest Payment	2,764	2,236	1,942	1,873	1,415
Supplies & Services	818	1,672	1,941	1,549	721
Others	8,095	8,885	11,594	16,850	21,908
Development Expenditure	3,121	4,661	5,245	7,798	16,141
Surplus/ (Deficit)	2,251	6,000	3,700	19,624	14,714

Source: Ministry of Finance, *Preliminary Data

Brief Overview - Budget for 2004/05

Actual figures released by the Ministry of Finance for the fiscal year 2004/05, reveals that total revenues increased by a whopping 79.8% to reach QR55.2bn, while total expenditures increased by 31.8% to reach QR35.6bn, resulting in a huge surplus of QR19.6bn. Oil prices averaged US\$38.5 p/b for the fiscal year 2004/05, compared to US\$28.1 p/b during the fiscal year 2003/04, while oil production averaged 776,000 bpd during the fiscal year 2004/05. The year 2004/05 was a record year in the history of Qatar economics as the budget surplus recorded huge growth of a massive 430.4% over the previous year.

Chart 3: Total Revenue and Expenditure of the Government



Source: Ministry of Finance

Brief Overview - Budget for 2005/06

Preliminary data released by the Ministry of Finance for 2005/06 State Budget indicates that revenue increase modestly by 11.4% from the preceding budget and stood at QR61.5bn. Oil and gas contributed 66.7% to the total revenue followed by investment income with a share of 24.7%. Total expenditure in 2005/06 was QR46.8bn representing an increase of 31.5% over the previous year. Qatar reported a surplus of QR14.7bn in 2005/06, which was a decline of 25% over the previous year. Surplus to GDP ratio in 2005/06 was 9.5% as compared to 17% in 2004/05.

Table 13: Indicators

	2001-02 (Actual)	2002-03 (Actual)	2003-04 (Actual)	2004-05 (Actual)	2005-06*
Oil Revenue / Total Revenue	68.4	64.7	64.3	65.8	66.7
Salaries & Wages / Total Expenditures	27.8	25.6	23.3	21.2	14.2
Surplus / GDP	3.5	8.4	4.3	17.0	9.5

*Preliminary Data

Source: Ministry of Finance

Brief Overview - Budget for 2006/07

The government unveiled the State Budget for 2006/07 in April 2006. It is the most ambitious budget in the history of Qatar. The budget forecasts a surplus of QR2.3bn. This is the second fiscal year in which the State Budget shows a surplus, and is primarily indicative of the continued strength and outlook for the oil, gas and petrochemical sectors. Despite the ambitious nature of the budget, we believe that budget is still conservative in nature as most of the targets in budget are already achieved in 2005/06.

The 2006/07 budget forecasts total revenues of around QR56.9bn, while actual revenues in budget 2005/06 was QR61.5bn. The budget forecasts total expenditures to increase to QR54.6bn. The oil price assumption for the 2006/07 budget is US\$36 p/b, compared to \$27 p/b in the previous budget estimates. The 2006/07 State Budget allocations for major public projects have increased to reach QR20bn. The State is committed to keeping on track with allocations for major public projects, and as such has established a stabilisation fund in this regard.

The 2006/07 budget forecasts total revenues of around QR56.9bn.

Outlook

We believe that Qatar is on a threshold of higher growth trajectory and its economy is expected to thrive with strong demand for oil and gas across the globe. Qatar is expected to exceed its budgetary targets for the year 2006/07 owed to the higher oil and gas prices. Despite the heavy dependency on oil revenues, the government is expected to diversify its revenue stream going forward.

7. Current Account

Exports

During the past five years, Qatar reported a phenomenal growth in its exports. Exports grew at a CAGR of 24.1% during the last five years and stood at QR93.8bn as at the end of 2005. In 2005, export growth was robust as it grew by 37.9% over 2004. The increase in exports indicates that the diversification efforts of the government over the years are bearing fruits, with increased export revenues coming in from natural gas, chemicals and related products, and iron and steel. Qatar's exports have grown by over 61% during the six year period 2000-2005, to reach QR93.8bn in 2006, from QR42.2bn in 2000. The Balance of Payments situation has been equally impressive, with consecutive surpluses being recorded since 1999.

Table 14: Major Export Items of Qatar

(In QR mn)	2000	2001	2002	2003	2004
1. Oil & Gas and products	38,814	36,020	36,083	44,335	58,935
a) Petroleum & Related Products	24,754	21,099	22,482	27,384	35,417
b) Gas	14,060	14,921	13,601	16,951	23,518
LNG	12,785	13,769	12,756	15,447	21,467
Propane	798	842	685	1,089	1,450
Butane	230	228	152	415	601
Ethylene, Propylene & others	247	82	8	-	-
2. Chemical & related items	1,700	1,675	1,800	2,253	6,444
3. Iron & Steel and related articles	457	688	842	996	1363
4. Cement	25	19	-	-	-
5. Apparel & Clothing Accessories	513	496	388	311	141
6. Others	76	70	94	127	280
7. Re-Exports	617	603	753	690	850
Total Exports	42,202	39,571	39,960	48,712	68,012

Source: The Planning Council

Qatar's principal export items were mineral fuels and products which include oil, gas and other related products. Oil and gas accounted for 86.7% of the total value of goods exported in 2004, which was followed by chemicals and related products with its share of just 9.5% to the total exports. Thus, oil and gas is the only major export item from Qatar as other items forms only a miniscule portion of the total exports. Contribution of oil and

gas to the total exports was as high as 92% in 2000 which came down to 86.7% in 2004 and as per the provisional figures available from planning council this figure increased marginally to 87.1% in 2005. Qatar exported goods worth QR93.8bn in 2005, representing a jump of a whopping 37.8% over the previous year. The strong increase in exports could be attributed to strong crude oil prices and also to the increased volume of petroleum and related products. The top five export destinations in 2005 for Qatar were Japan, South Korea, Singapore, UAE, and India. These five countries accounted for around 56.6% of the total export revenues of the country. Trade with Japan and South Korea has been increasing steadily over the years, which was primarily due to oil and gas shipments to these countries.

Imports

In line with its robust increase in exports, Qatar's imports also rose at a tremendous pace. Imports registered a CAGR of 25.3% during the period 2000 to 2005. Pearls and precious stones registered a highest CAGR of 260% followed by aircrafts and parts with a CAGR of 131% during the period 2000 to 2004. Qatar's import increased by 22.6% in 2004 to reach QR21.9bn, from QR17.8bn recorded in 2003. As per the provisional figures available from Planning Council, Qatar's imports stood at QR36.6bn in 2005, recording a jump of 67.6% over 2004. Planning Council figures shows that Qatar's main items of import in 2004 consists of aircraft, machinery and mechanical appliances, base metals, vehicles and transport equipment, and chemicals. The rapid expansion of Qatar Airways fleet has led to import item aircrafts reaching the top spot in 2004. Qatar continues to import substantial quantities of base metals, primarily iron and steel, to keep pace with the needs of the burgeoning construction industry.

In 2005, Qatar's imports stood at QR36.6bn, recording a jump of 67.6% over 2004

Qatar's imports have jumped by over 209% during the past six years, from QR11.8bn in 2000 to QR36.6bn in 2005. This increase was broad-based and will continue to be driven by the rapid industrial and infrastructure expansion. The top five import destinations in 2005 for Qatar were Japan, USA, Germany, Italy and Saudi Arabia. These five countries accounted for around 45.2% of the total imports of the country. Trade with Japan and UAS has been increasing steadily over the years.

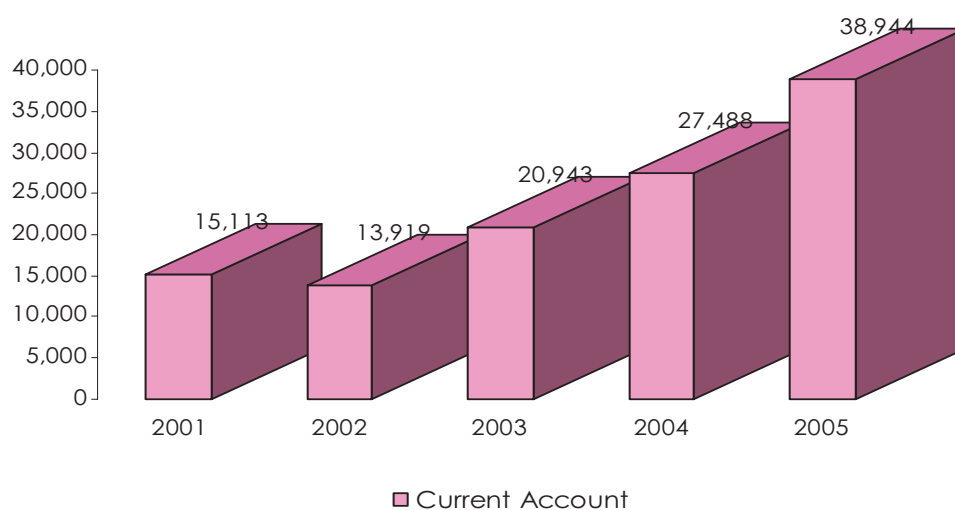
Table 15: Major Import Items of Qatar

(In QR mn)	2000	2001	2002	2003	2004
Aircrafts and Parts	216	323	398	489	6,136
Machinery and Mechanical Appliances	3,507	4,881	4,515	5,707	4,630
Base Metals and Articles of Base Metals	1,424	1,543	1,731	2,654	2,717
Vehicles and Other Transport Equipment	1,501	1,760	1,975	2,220	1,402
Chemicals and Related Products	641	861	961	1,031	1,010
Optical, Photographic and Measuring Equipments	424	399	478	695	700
Textiles and Textile Articles	198	223	620	645	632
Cement, Iron Ores, Earths and Stone	227	248	282	389	502
Plastics and Related Articles	114	239	271	302	410
Furniture	223	308	335	385	374
Pearls and Precious Stones	2	36	183	178	336
Others	3,361	2,857	3,001	3,131	3,007
Total	11,838	13,678	14,750	17,826	21,856

Source: The Planning Council

Current Account

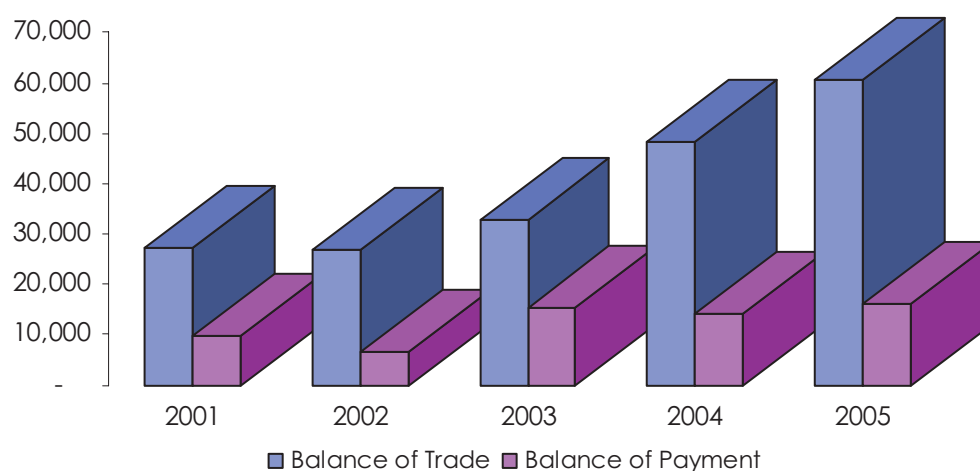
Qatar has always recorded trade balance during the past six years. Qatar's favourable trade balance has made significant gains over the past five years as a result of increased industrial exports in the form of oil, LNG, petrochemicals and fertilisers, with an accompanying rise in commodity prices.

Chart 4: Current Account Balance of Qatar (In QR mn)

Source: The Planning Council

Qatar's trade balance increased substantially by over 123% during the past six years and stood at QR60.8bn in 2005. Trade balance increased by around 25.8% in 2005 over that of 2004. With the rising trade balance, current account has also been rising steadily over the past six years. It rose from QR15.1bn in 2000 to QR38.9bn in 2005, thus reporting a CAGR of 22.2% during the same period. The net outflow of services remained more or less steady during the past six years. The net outflow from services in 2000 was QR3.74bn, which rose to QR4.47bn in 2004 only to fall in 2005 to QR3.36bn. The net outflow of private transfers has steadily increased over the years and in 2005 reached QR9.38bn. Workers remittance constituted around QR10.5bn in 2005. Workers remittance has been increasing rapidly over the years due to rising expatriate population in the country. Workers remittance grew at a CAGR of 18.9% and in 2005 it rose by 38.2% over 2004. Preliminary figures published by the Qatar Central Bank for the year 2005 indicates a current account surplus of QR38.9bn, compared to a surplus of QR27.5bn in 2004.

Chart 5: Position of Balance of Trade and Balance of Payment (In QR mn)



Source: The Planning Council

Table 16: Balance of Payments

(In QR mn)	2001	2002	2003	2004	2005
Current Account	15,113	13,919	20,943	27,488	38,944
Balance of Trade	27,247	26,673	32,846	48,321	60,781
Exports (FOB)	39,571	39,960	48,711	68,012	93,773
Crude Petroleum	20,422	20,488	24,449	31,046	54,203
Natural Gas & Liquid	14,921	12,756	15,447	23,497	27,535
Others	3,625	5,963	8,125	12,619	10,495
Re-export	603	753	690	850	1,540
Imports (FOB)	(12,324)	(13,287)	(15,865)	(19,691)	(32,992)
Services (Net)	(3,743)	(3,966)	(4,380)	(4,468)	(3,362)
Services (Credit)	2,495	2,572	4,141	6,110	11,723
Travel	991	1,037	1,342	1,812	2,768
Transportation	1,357	1,129	2,285	4,112	6,271
Others	147	406	514	186	2,684
Services (Debit)	(6,238)	(6,539)	(8,521)	(10,578)	(15,085)
Travel	(1,331)	(1,539)	(1,713)	(2,515)	(6,403)
Transportation	(1,231)	(1,329)	(1,606)	(1,969)	(6,324)
Others	(3,676)	(3,671)	(5,202)	(6,094)	(2,358)
Income	(2,562)	(3,266)	(1,516)	(8,160)	(9,045)
Transfers	(5,829)	(5,522)	(6,007)	(8,205)	(9,380)
Workers Remittance	(5,485)	(5,398)	(5,802)	(7,920)	(10,945)
Others	(344)	(124)	(205)	(285)	1,565
Capital & Financial Accounts	(3,839)	(6,233)	(2,754)	(4,861)	(14,765)
Capital Account	-	(1,357)	(1,160)	(2,004)	(2,742)
Financial Account	(3,839)	(4,876)	(1,594)	(2,857)	(12,023)
Net Errors and Omission	(1,719)	(1,175)	(2,790)	(8,333)	(8,107)
Overall Balance	9,555	6,511	15,399	14,294	16,122

Source: The Planning Council

Balance of Payment

Net capital transfers amounted to QR2.7bn in 2005, resulting in an overall Balance of Payments surplus of QR16.1bn as compared to QR14.3bn in 2004. The current trend in Balance of Payments surpluses is likely to continue in 2006 on the back of strong exports and relatively high commodity prices.

Table 17: Balance of Payment Indicators

Indicators	2001	2002	2003	2004	2005
Trade Balance / GDP	42.7%	37.8%	38.3%	41.8%	39.3%
Current Account Balance / GDP	23.7%	19.7%	24.4%	23.8%	25.2%
Capital & Financial Balance / GDP	-6.0%	-8.8%	-3.2%	-4.2%	-9.6%
Overall Balance / GDP	15.0%	9.2%	18.0%	12.4%	10.4%

Source: The Planning Council

Outlook

We believe that Qatar will continue to record strong trade surplus in 2006 as volumes of LNG and oil export are likely to increase due to the expected increase in production. Export revenue is also likely to remain strong as oil prices continue to move northwards. Oil prices might ease to some extent from its recent highs but we don't expect it go down drastically due to strong demand from across the world. In addition, increasing volumes of LNG and oil is also expected to boost Qatar's exports. Worker remittances and services outflow is expected to be in line with its historical trend. Overall, Qatar is expected to report record current account surplus in 2006. As a result balance of payment position is also expected to remain healthy.

8. Monetary Policy

Background

Qatar Central Bank (QCB) is the main authority to implement the monetary policy management in Qatar and is the central bank of the country. The main objective of the QCB is to regulate the monetary, credit and banking policies in accordance with the general plans of the government, in order to support the national economy and the stability of the currency. QCB has full powers over the monetary policies of the State, and supervises and controls banks and financial institutions. One of the most effective monetary policy tool implemented by the QCB is the imposition of minimum reserve requirements for commercial banks. In February 2000, QCB instructed banks to maintain cash reserves equal to 2.75% of total deposits (including foreign deposits) instead of 19% of total demand deposits, previously in effect. Another important monetary tool used by the QCB is the loans-to-deposit ratio limit applied to commercial banks, which is set at 90% of the total deposits base and any bank that exceeds this limit is penalized by the QCB.

Exchange Rate

Most of the currencies in the Gulf are pegged to the US dollar and Qatar is no exception to that. The Qatari Riyal is officially pegged to the US dollar at a rate of US\$1 = QR3.640. In 2005, the Qatari Riyal made moderate gains against most major currencies, further to the strengthening of the US dollar. QCB average exchange rate data for 2005 shows that the Qatari Riyal appreciated by 1.8% against the Japanese Yen, by 0.6% against the Sterling Pound, and by 0.1% against the Swiss Franc. The Qatari Riyal saw a marginal decline by 0.2% against the Euro in 2005.

Qatari Riyal is officially pegged to the US dollar at a rate of US\$1 = QR3.640.

Monetary Policy Goal

The main aim of the monetary policy in Qatar is to maintain the long term peg between the Qatari Riyal and the US Dollar at QR3.64:US\$1. This exchange rate peg is administered via automatic adjustments in interest rates mechanisms. Qatar Central Bank's monetary policy revolves around maintaining this long term peg between the Qatari Riyal and the US Dollar. Therefore, the central bank has to regularly adjust its rates depending on the moves by the Federal Reserve of the USA. Central bank sucks out

Qatari Riyal from the system by purchasing QR if the demand for QR declines and there exists an upward pressure on the exchange rate. This compresses liquidity in the system, which led to rise in interest rates. Northward movement in the interest rates lures foreign money and thus causes the increase in the foreign inflow. Similarly, if the demand for Qatari Riyal increases, central bank sells QR in the market, which led to the rise in liquidity in the system. The rise in liquidity further puts the downward pressure on the interest rates. A fall in QR interest rates against the US rates narrow interest rate differential and restrains capital inflow, thereby restoring exchange stability.

Interest Rate Policy

Central bank has been regularly adjusting its rates depending on the moves by the Fed Reserve. Till 1996, central bank imposed a ceiling on interest rates offered by commercial banks on credits and deposits. In February 2001, QCB removed its ceiling on interest rates for local currency deposits, freeing the banking system from all interest rate policy restrictions. In July 2001, QCB introduced a new monetary instrument called the "Qatar Monetary Rate" (QMR), which allows banks in Qatar to deposit or borrow from the QCB, overnight funds of an amount not less than QR2mn, at rates determined by the QCB, which are fixed on a daily basis.

As mentioned earlier short-term interest rates in Qatar follow closely to those prevailing in the US, with a slight positive differential. The US Federal Reserve raised interest rates seven times during the year 2005 and twice during the first quarter of 2006, and currently the US Federal Funds rate stood at 5.25%. The QCB raised interest rates eight times during the year 2005 and twice during the year 2006 upto the first week of April while in July 2006 QCB reduced its repo rate by 30 basis points to 5.65%. Going forward, further increases in the US Fed rates are unlikely and therefore the rates in Qatar are also not likely to go up sharply. However, domestic inflation remains a key concern for Qatar in recent years and additional policy manoeuvres could be likely in the short-medium term. QCB might squeeze the excess liquidity in the system by tapping the bond thereby keeping a check on any significant increase in the rate of inflation.

Short-term interest rates in Qatar follow closely to those prevailing in the US.

Money Supply

Narrow money supply (M1) has been increasing consistently since the past few years. The strong growth in M1 indicates that the consumption level in the economy has increased rapidly over the years. M1 grew at a CAGR of 43.5% during the period 2000 to 2005 backed by a robust CAGR of 53.6% in demand deposits. In 2005, narrow money supply (M1) increased by 53.2% to reach QR22.4bn, from QR14.6bn at year-end 2004. For the period ended June 2006, M1 stood at QR27bn, representing a jump of over 21% over 2005. The high increase in M1 resulted from an increase in demand deposits, which rose by 21.6% (62.4% in 2005) to reach QR23.7bn (QR19.5bn in 2005). Savings and time deposits increased by 26.4% to reach QR26.1bn in 2005, while foreign currency deposits increased by 64.3% to reach QR15.8bn. During the first half of 2005, savings and time deposits stood at QR27bn, while foreign currency deposits declined marginally and stood at QR15.7bn.

In 2005, narrow money supply (M1) increased by 53.2% to reach QR22.4bn.

Table 18: Money Supply

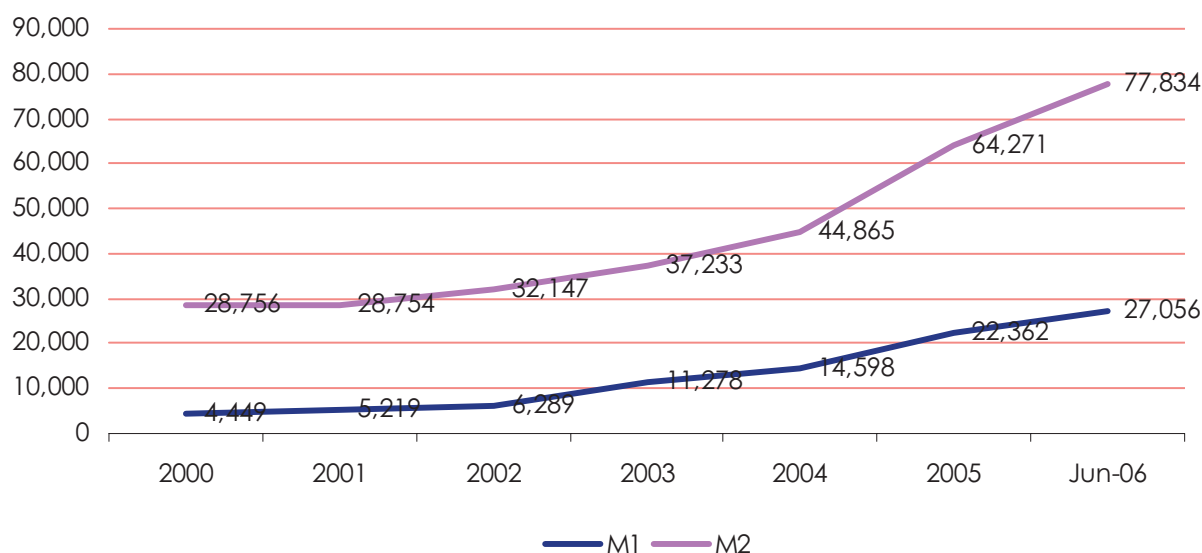
(in QR mn)	2000	2001	2002	2003	2004	2005	Jun-06
Currency in Circulation (1)	1,673.1	1,740.5	1,921.3	2,147.5	2,594.0	2,865.6	3,355.4
Demand Deposits (2)	2,775.7	3,478.5	4,367.7	9,130.2	12,004.4	19,496.6	23,700.1
Money Supply (M1) (3)=(1) + (2)	4,448.8	5,219.0	6,289.0	11,277.7	14,598.4	22,362.2	27,055.5
Time Deposits (4)	17,898.3	18,389.8	19,002.1	17,958.0	20,620.9	26,059.5	35,069.1
Deposit in Foreign Currencies (5)	6,408.9	5,145.6	6,855.9	7,987.3	9,645.7	15,849.2	15,709.7
Quasi Money (6)=(4) + (5)	24,307.2	23,535.4	25,858.0	25,945.3	30,266.6	41,908.7	50,778.8
Money Supply (M2) (7)=(3)+(6)	28,756.0	28,754.4	32,147.0	37,233.0	44,865.0	64,270.9	77,834.3

Source: Qatar Central Bank

Broad money supply (M2) grew at a CAGR of 22% during the period 2000 to 2005 on the back of a stupendous growth in narrow money M1. At the end of June 2006, M2 was at QR77.8bn, recording a growth of 21.1% over that of Dec 2005. Time deposits registered a growth of 14.4% to QR35bn from QR26bn in 2005. The reason behind the lower growth rate in time deposits as compared to demand deposits can be attributed to the preference of Qatari nationals to invest their funds in liquid assets. Deposits in foreign currencies actually declined by 0.9% in the first half of 2006 to QR15.7bn. The quasi money grew to QR50.8bn during the first half of 2006 from QR41.9bn in 2005,

registering a growth of 21.2%. The strong increase in recent times can be attributed to heavy investments in large scale projects and high oil and gas prices.

Chart 6: Trends in M1 and M2



Source: Qatar Central Bank

Domestic Government Bonds

The Government of Qatar started issuing domestic bonds since 1999 when it issued its first bond worth QR2bn, which matured in 2002. In the same year, the government issued two more bonds i.e. second and third series of issuance worth QR1bn and QR2bn, which were matured in 2004. During the year 2004, there were two bond issues, fifth and sixth series worth QR1bn and QR2bn respectively. Both the bonds have five years of maturity period. It seems that these bond issues were mainly aimed at replenishing the earlier bond issues which matured in the year 2004. The total size of the bonds matured in the year 2004 was also QR3bn. In the second quarter of 2005, the government raised QR2bn through five year bonds. This would be to replace the fourth issue, of the same size, matured in June 2005. With this issue the total outstanding domestic borrowing of the government was QR5bn.

The total outstanding domestic borrowing of the government was QR5bn.

Table 19: Domestic Government Bonds

Issuances	Value (QR Mn)	Outstanding Balance (QR Mn)	Date of Issue	Maturity Date	Interest Rate (%)
First Issue	2,000	-	30/06/1999	30/06/2002	7.75
Second Issue	1,000	-	20/12/1999	29/12/2004	8
Third Issue	2,000	-	26/12/1999	26/12/2004	5-7*
Fourth Issue	2,000	-	30/06/2002	30/06/2005	5-7*
Fifth Issue	1,000	1,000	20/12/2004	20/12/2009	5
Sixth Issue	2,000	2,000	26/12/2004	26/12/2004	5
Seventh Issue	2,000	2,000	30/06/2005	30/06/2010	5.5-7**
Total	12,000	5,000			

* Interest rates were the QCB rate plus 2% with min. of 5% and max. of 7%

** Interest rates will be the QCB rate plus 1% with min. of 5.5% and max. of 7%

Source: Qatar Central Bank

9. Inflation

Historically, inflation in Qatar stood in the range of 3% to 4% during the past decade. During the period 1996-2000 average inflation was around 3.3% while during the period 2001-2005 inflation in Qatar has witnessed a slight increase averaging 3.9%. This increase in inflation over the past few years can be primarily attributed to the sustained increase in housing costs and the weakness of the US dollar, to which the Qatari Riyal is pegged.

Table 20: Consumer Price Index (2001=100)

End of Period	2002	2003	2004	2005	Q1 2006
Food, Beverages & Tobacco	101.21	100.86	104.22	107.48	112.71
Clothing & Footwear	98.30	96.77	104.6	101.81	109.26
Rent, Fuel & Energy	101.75	120.07	139.55	176.19	198.27
Furniture & Furnishing	97.13	98.61	101.91	106.67	110.18
Medical Services	97.81	100.36	98.93	103.34	105.05
Transport & Communication	101.06	92.59	95.98	99.7	100.60
Education, Culture & Recreation	95.90	99.35	102.27	102.16	102.09
Miscellaneous Goods & Services	105.24	105.98	110.34	114.89	128.90
General Index	100.24	102.51	109.48	119.13	126.71

Source: The Planning Council

Planning Council figures indicate that there is consistent increase in the general index over the past few years. It increased by 2.3% in 2003 while in 2004 it jumped sharply by 6.8%. The sharp increase in inflation in 2004 is despite the fact that government gives subsidies and interfere the market with price controls mechanisms which restrict the rise in consumer prices to some extent. It is also highly likely that increased liquidity in the system led to a higher consumer spending in Qatar. In addition, the weakness of the US dollar in 2004 also played its role. Weakness of the US dollar in 2004 led to upward pressure on prices of imported goods and commodities.

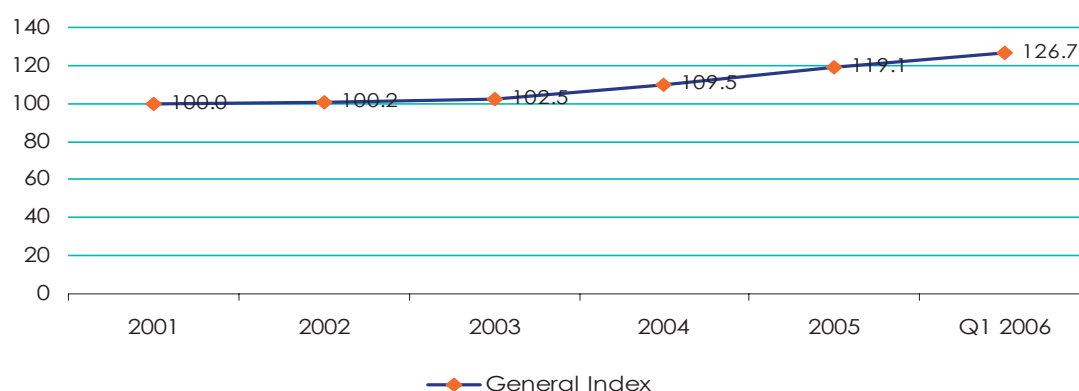
Table 21: Change in Consumer Price Index (2001=100)

End of Period	2003	2004	2005	Q1 2006
Food, Beverages & Tobacco	-0.3%	3.3%	3.1%	4.9%
Clothing & Footwear	-1.6%	8.1%	-2.7%	7.3%
Rent, Fuel & Energy	18.0%	16.2%	26.3%	12.5%
Furniture & Furnishing	1.5%	3.3%	4.7%	3.3%
Medical Services	2.6%	-1.4%	4.5%	1.7%
Transport & Communication	-8.4%	3.7%	3.9%	0.9%
Education, Culture & Recreation	3.6%	2.9%	-0.1%	-0.1%
Miscellaneous Goods & Services	0.7%	4.1%	4.1%	12.2%
General Index	2.3%	6.8%	8.8%	0.7%

Source: The Planning Council

In 2005, the general index reached further high as it recorded a jump of 8.81%. During the quarter ended March 2006, the general index increased marginally by 0.7%. The main inflation driver in 2005 was the housing sector, which witnessed a steep increase by 26.2%, after an increase by 16.2% in 2004 and a rise by 18.0% in 2003. The supply gap in building materials in recent years has led to a premium surcharge and has resulted in a huge increase in construction costs, which has subsequently partly triggered rent hikes. Among the other groups of commodities and services, the food, beverages and tobacco, which have a relatively high weight on the consumer price index, witnessed an increase of 3.1% in 2005, with the group medical care and medical services increasing by 4.5%. The group garments and footwear declined by 2.7% in 2005.

Qatar recorded inflation of 8.81% in 2005 while in Q1 2006 inflation was a modest 0.7%.

Chart 7: Consumer Price Index (2001=100)

Source: The Planning Council

Outlook

Inflation in Qatar is expected to remain high in the immediate future as the factors such as strong demand for housing, increased liquidity in the system due to higher oil and gas prices, growing domestic demand due to strong consumption and increasing expatriates population and costly imports will ensure that rate of inflation to keep on rising. However, the government will also try to ensure that inflation will not rise further and is expected to interfere in the market to stabilize the inflation rate. We also expects the price pressure to ease after Qatar hosts the December 2006 Asian Games, which pushed up rent and property prices.

10. Oil and Gas – Global Scenario

World Oil Demand

Global oil demand in 2005 is estimated to have grown by 1 mb/d or 1.2% to average 83.2 mb/d. OECD oil demand growth for 2005 contributed only 19% of total world oil demand growth. Developing countries dominated demand growth in 2005, accounting for 85% of incremental world oil demand. China's demand appears to have risen by around 0.2% in sharp contrast to a GDP growth rate of nearly 10%.

Global oil demand in 2005 average d 83.2 mb/d.

Table 22: World Oil Demand Forecast for 2006

(mb/d)	2005	1Q2006	2Q2006	3Q2006	4Q2006	2006	% Change 2006/2005
North America	25.46	25.11	25.30	25.85	25.93	25.55	0.36
Western Europe	15.48	15.74	14.93	15.57	15.75	15.50	1.12
OECD Pacific	8.59	9.31	7.91	8.12	9.02	8.59	-0.02
Total OECD	49.53	50.16	48.14	49.54	50.7	49.64	0.22
Other Asia	8.68	8.77	8.96	8.66	8.84	8.81	1.50
Latin America	5.07	4.99	5.19	5.30	5.23	5.18	2.20
Middle East	5.82	6.04	6.12	6.32	5.14	6.15	5.79
Africa	2.89	2.96	2.95	2.93	3.00	2.96	2.37
Total DCs	22.46	22.76	23.22	23.21	22.21	23.1	2.88
FSU	3.82	3.69	3.64	3.84	4.05	3.81	-0.31
Other Europe	0.88	0.97	0.90	0.88	0.88	0.91	2.36
China	6.54	7.09	7.27	6.84	7.10	7.08	8.20
Total "Other" Regions	11.24	11.75	11.81	11.56	12.03	11.8	4.85
Total world	83.23	84.67	83.17	84.31	84.94	84.54	1.56

Source: OPEC

World oil demand in 2006 is estimated to average 84.5 mb/d, representing a growth of 1.3 mb/d or 1.6%. Stronger than anticipated world economic growth has led to an upward revision of world GDP growth rate by number of institutions. As a result of the unexpected decline in oil demand in the OECD countries in the second quarter of 2006, world oil demand growth was revised down by 0.08 mb/d. Strong economic growth from China has boosted oil demand, particularly for light products such as naphtha, jet fuel and diesel as well as fuel oil. The economic boom in the Middle East makes the region the second-largest contributor to this year's oil demand growth after China. High oil prices have somewhat dampened oil demand growth, especially in some Asian countries. China and India are taking renewable energy serious, with pollution and energy costs as the main factors driving the renewable energy efforts in Asia.

World oil demand in 2006 is estimated to average 84.5 mb/d.

World Oil Supply

In 2006, non-OPEC oil supply is expected to average 51.1 mb/d, representing an increase of 1.1 mb/d over 2005. The adjustment primarily reflects lower production from the USA (Alaska), Canada and Norway. On a quarterly basis, non-OPEC supply is expected to average 50.6 mb/d, 50.4 mb/d, 51.2 mb/d, and 52.4 mb/d in the first, second, third and fourth quarters, respectively.

In 2006, non-OPEC oil supply is expected to average 51.1 mb/d.

Table 23: Non-OPEC Oil Supply in 2006

(mb/d)	2005	1Q2006	2Q2006	3Q2006	4Q2006	2006	% Change 2006/2005
North America	14.07	14.18	14.18	14.24	14.5	14.28	0.21
Western Europe	5.71	5.59	5.25	5.18	5.54	5.39	-0.32
OECD Pacific	0.58	0.48	0.50	0.56	0.63	0.54	-0.04
Total OECD	20.36	20.25	19.93	19.98	20.67	20.21	-0.15
Other Asia	2.63	2.67	2.66	2.71	2.71	2.69	0.06
Latin America	4.29	4.39	4.43	4.56	4.68	4.52	0.22
Middle East	1.87	1.83	1.82	1.81	1.81	1.82	-0.05
Africa	3.74	3.97	3.84	4.14	4.42	4.09	0.35
Total DCs	12.53	12.86	12.75	13.22	13.62	13.12	0.59
FSU	11.55	11.67	11.99	12.2	12.34	12.05	0.50
Other Europe	0.16	0.15	0.15	0.15	0.15	0.15	-0.01
China	3.62	3.68	3.7	3.73	3.71	3.71	0.09
Total "Other" Regions	15.33	15.50	15.84	16.08	16.20	15.91	0.58
Total Non-OPEC Production	48.22	48.61	48.52	49.28	50.49	49.24	1.02
Processing Gains	1.86	1.92	1.89	1.89	1.93	1.91	0.04
Total Non-OPEC Supply	50.08	50.53	50.41	51.17	52.42	51.15	1.07

Source: OPEC

Preliminary data for June 2006 puts total non-OPEC supply at around 50.3 mb/d, or 300,000 b/d lower than the previous month. The impact of unplanned shutdowns, maintenance and hurricane-related losses in the US Gulf of Mexico (GoM) affected a significant amount of supplies in the month. Total unplanned losses amounted to around 0.6 mb/d during the month, whilst Brazil, Norway, UK, and Canada had fields undergoing maintenance, the bulk of which should bounce back in coming months. Y-o-y, non-OPEC supply is estimated to have remained broadly flat versus June 2005.

OECD oil supply is expected to average 20.2 mb/d, representing a drop of 0.15 mb/d versus the previous year and 172,000 b/d lower compared to last month's report. The outlook for the USA, Canada, and Norway has been revised down. Unexpected losses at the giant Prudhoe Bay field in Alaska account for the bulk of the revision.

Demand – Supply Balance

The estimated demand for OPEC crude in 2006 is expected to average 29.1 mb/d, representing an upward revision of 0.2 mb/d versus last month. On a quarterly basis, the estimate shows that demand for OPEC crude is expected at 29.9 mb/d in the first quarter, 28.5 mb/d in the second, while the new forecast shows 28.8 mb/d in the third and 29.2 mb/d in the fourth. The estimated demand for OPEC has been revised up 0.2 mb/d in 3Q06 and 0.3 mb/d in 4Q06, driven by lower than expected non-OPEC supply.

Table 24: Demand Supply Balance for 2006

(mb/d)	2005	1Q2006	2Q2006	3Q2006	4Q2006	2006
World Oil Demand	83.23	84.67	83.18	84.30	85.95	84.53
Non-OPEC Supply	54.16	54.74	54.67	55.49	56.77	55.42
Difference	29.07	29.93	28.51	28.81	29.18	29.11
OPEC crude oil production	29.87	29.67	29.57	-	-	-
Balance	0.80	-0.26	1.05	-	-	-

Source: OPEC

Oil and Gas – Qatar

In a shift drawing historical comparisons to the takeoff of Saudi Arabia's oil industry several decades ago, Qatar has moved swiftly in recent years to develop its huge offshore natural gas reserves. These reserves were dismissed as practically worthless because of the difficulty of transporting gas to distant markets. However, technology helped Qatar to commercially exploit these reserves.

The cornerstone of Qatar's economy is the exploitation of its hydrocarbon resources. While considerable efforts are being made to diversify in order to lessen the dependence of the country on this natural resource, there is absolutely no doubt that the vast majority of Gross Domestic Product is generated by oil and gas and its associated industrial activities. Since mid 1980's, there has been a major breakthrough in the economic situation, with the discovery of the world's largest known non-associated offshore gas field in Qatari territory; placing the country third in terms of world natural gas reserves. Considerable resources have been invested in the development of facilities to exploit, process and export this invaluable resource. Additionally, the Government of Qatar has

taken various measures to boost the production of existing oil and onshore gas reserves to substantially increase their output.

By entering into a series of Production Sharing Agreements with foreign oil and gas companies, Qatar has been successful in attracting foreign investment into its hydrocarbon industries, paving the way for new growth and increased economic activity. Furthermore, with plans to liberalise business laws and attract private sector investment in a variety of economic activities, the country will consolidate and strengthen its economic base by diversification in a number of areas.

Oil and Gas – Revenue Driver

As mentioned earlier, oil and gas contributed substantially to the overall GDP of the country. In FY2005, oil sector contribution to the total GDP of the country rose to 59.6% or QR92.1bn as compare to 54.5% in 2004. The higher contribution in 2005 was due to higher oil prices throughout the year. During Q1 FY2006, contribution of the oil sector again rose to 62.2% or around QR27.2bn.

Oil Sector

Qatar's oil is produced from both onshore and offshore fields. Qatar Petroleum (QP) is responsible for the development of the oil and gas industry in Qatar and abroad. QP, established in 1974, is wholly owned by the Government of Qatar. Qatar conducts its principal oil operations through QP, which manages Qatar's oil, gas, fertiliser, petrochemicals and refining enterprises in Qatar and abroad. The Government's oil policy has the dual objective of replenishing proven reserves within currently producing fields and identifying additional new reserves. QP produces oil on its own from one onshore and two offshore fields and from other fields through Exploration/Development and Production Sharing Agreements with major international partners.

Qatar's oil is produced from both onshore and offshore fields.

Onshore - The largest reserves of crude oil are to be found onshore, at the Dukhan field. QP operates exclusively the Dukhan Field, which is Qatar's oldest and largest field. The field comprises of three reservoirs for crude oil and one reservoir for non-associated gas. Around 49% of Qatar's crude oil currently comes from this source, which is operated solely by QP. Production began here in 1949 and the present processing facilities -

separation of crude oil, gas and water - can handle up to 280,000 b/d of oil, 310 MBPD of gross liquid and 260 million standard cubic feet (MMSCFD) per day of gas. The Dukhan Field is Qatar's only onshore field and has estimated reserves in excess of 2 billion barrels of oil, equivalent to around 18 years' production at present production levels.

Dukhan crude, along with separated dry gas and raw condensate/NGLs is pumped via pipeline to Messai'eed. The crude oil is exported from there, while the gas is further processed to produce stabilised condensate and NGLs (for example propane, butane etc.). Dukhan also produces non-associated gas from its Khuff reservoir, which is used as both feedstock and fuel. QP is making every effort to maximise production at Dukhan, both through new discoveries of oil and gas, and through enhanced recovery techniques of existing supplies. Investment in new processing plants will augment both associated and non-associated gas production, which, in turn will assist in oil recovery procedures.

Offshore - Oil was first produced offshore in 1964. Most of Qatar's offshore oil is located to the East of the Peninsula, although Western waters are in the process of being explored. The area is divided into various fields, some of which are wholly operated by QP, while others are operated by a consortium of QP and foreign partners, via Production Sharing Agreements. QP also produces offshore crude oil for its own account from two fields within Qatar's territorial waters: Maydan Mahzam and Bul Hanine, which currently have production capacities of 35,000 bpd and 70,000 bpd. QP's oil production accounted for 53% of Qatar's total oil production as at December 2005.

Crude Oil Production Capacity

QP has embarked upon an investment programme with the intention of expanding oil production from its onshore and offshore fields from the current 834,000 bpd, to around 900,000 bpd by year-end 2008. Some of the major oilfield and their current and projected crude oil production is shown in the table below.

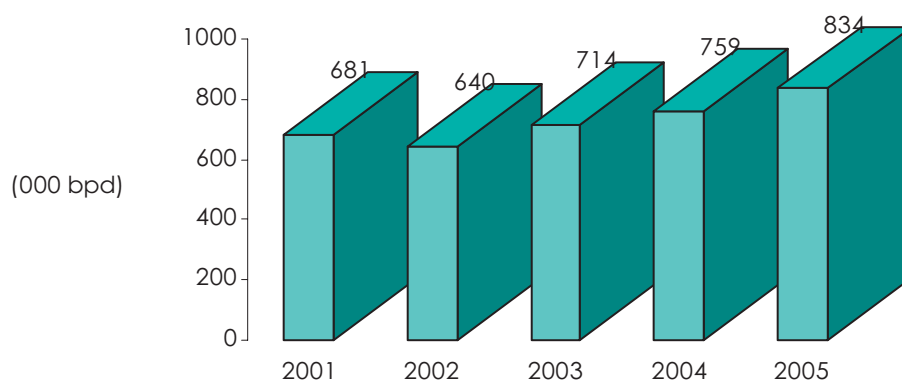
Table 25: Current and Projected Crude Oil Production of Qatar

Field (bpd)	Operator	Production Dec 2005	Projected Production Dec 2008
Dukhan	QP	340,000	350,000
Bul Hanine	QP	70,000	50,000
Maydan Mhzam	QP	35,000	35,000
Idd Al-Shargi North Dome	Occidental	90,000	105,000
Idd Al-Shargi South Dome	Occidental	10,000	15,000
Al Shaheen	Maersk Oil	220,000	270,000
Al Khaleej	TotalFinaElf	38,000	36,000
Al Rayyan	Anadarko	16,000	14,000
Al Karkara	QPD	-	10,000
El Bunduq	BOC	15,000	15,000
Total		834,000	900,000

Source: Qatar Petroleum

Crude oil production of Qatar has been increasing at a steady pace over the past five years. It increased from 681,000 bpd in 2001 to 834,000 bpd in 2005. By the end of 2008, Qatar plans to increase its production capacity to 900,000 bpd and by the decade-end Qatar plans to boost its oil production capacity to one million barrels per day (bpd) from the existing 834,000 bpd.

By the end of 2008, Qatar plans to increase its production capacity to 900,000 bpd

Chart 8: Crude Oil Production of Qatar

Source: MEES

Proven Oil Reserves

Qatar's oil reserves as at December 2005 stood at 27 billion barrels. Qatar's oil reserves have substantially risen over the past seven years, from 3.7 billion barrels in 1999 to 27 billion barrels as at December 2005. Given an average production of 715,000 barrels per day (bpd) over the past five years, proven reserves would last for over 100 years.

Qatar's oil reserves as at December 2005 stood at 27 billion barrels.

Table 26: Proven Oil Reserves of Qatar

Billion Barrels	Dec-05
Crude Oil	4.3
Condensates	22.7

Source: Qatar Petroleum

Five Year Plan of QP

Qatar Petroleum has drawn up its new five-year plan for the period 2006-2010. The plan has an overall budget of around QR204bn for projects in crude oil, natural gas, gas-to-liquids, refining, petrochemicals, industrial cities and others. The highest amount of QR122bn has been budgeted for natural gas.

Table 27: Five Year Plan of Qatar Petroleum (2006-10)

Projects	QR bn
Crude Oil	8.5
Natural Gas	122.0
GTL & Refining	40.0
Petrochemicals	17.0
Industrial Cities & Others	16.5
Total	204.0

Source: Qatar Petroleum

Crude Oil Export of Qatar

Qatar exports its crude oil to number of countries however Asian region dominates the export market. Asia accounted for around 96% of the total oil exports in 2005. Japan is

the largest recipient of Qatar's oil as Qatar exported 60% of its total crude oil to Japan. Singapore was the second highest recipient with 16%, followed by South Korea with 13%, Thailand with 3%, Taiwan with 2.0%, etc.

Table 28: Destination of Qatar's Crude Oil Export in 2005

Country	% Share
Japan	60
Singapore	16
South Korea	13
Thailand	3
Taiwan	2
Phillipines	2
Other Countries	4
Total	100

Source: Qatar Petroleum

Oil Exploration Area

Qatar's total oil exploration area is divided into eighteen "blocks" covering a total surface area of 46,840 square kilometres. Since the early 1990s, QP has entered into a number of Exploration / Development and production sharing agreements with foreign players including Occidental Petroleum, TotalFinaElf, and Anadarko Petroleum etc.

Gas Sector

Qatar's North Gas Field, is the largest non-associated gas field in the world, with proven reserves currently estimated at over 910 trillion cubic feet (tcf), which is equivalent to about 164 billion barrels of oil. These reserves are around 15% of the world's total reserves and will be sufficient to support planned production of natural gas for over 200 years. The North Field extends over an area of approximately 6,000 square kilometres, predominantly underlying the territorial waters of the State of Qatar. Associated gas reserves are currently estimated at 15 tcf. Within the Middle East, Qatar has the second highest proven gas reserves after Iran.

Qatar's North Gas Field has proven reserves currently estimated at over 910 tcf.

It's interesting to look at the gas history of Qatar. North Field was discovered by Royal Dutch/Shell in 1971 and considered useless because of the difficulties then in transporting natural gas. After few years technology helped unlock second-largest petroleum deposit in the world after the renowned Ghawar oil field in Saudi Arabia. Initially, the gas was exploited wholly by QP for local consumption. However, with a view to significantly increasing production and concentrating on export markets, QP entered into partnerships with overseas companies, forming two Qatari joint stock companies - Qatargas, formed in 1984 and RasGas formed in 1993.

Qatargas operates an offshore area of around 100 sq. kilometres and produces 1,200 MMSCFD. The upstream facilities supply the downstream liquefaction plant and are run by a consortium via a Development and Production Sharing Agreement. A three-train, 6 mtpa LNG plant at the industrial city of Ras Laffan processes the gas and condensates produced by the North Field. Additionally, Qatargas operates 10 LNG carriers, with a capacity of 135,00 cubic meters each, to export LNG from Ras Laffan.

Expansion of LNG facilities through RasGas II, Qatargas II, RasGas III, and Qatargas III is being pursued to meet additional export opportunities. Sales and Purchase Agreements (SPA) have been reached with a number of countries, which at their peak in 2011 will reach 59.4mn tonnes per annum (mtpa). Several agreements have also been signed, and should these turn into confirmed orders, total LNG exports would reach about 77.2mtpa by 2012. QP has allocated QR122bn in its five-year plan, starting 2005, for LNG and piped natural gas projects. Government expects that the LNG production in the country is set to rise from 20mn tonnes in 2005 to 77mn tones per annum in 2012; production capacity is set to touch just over 25 mtpa by the end of this year, making Qatar the second largest producer in the world.

Qatar's Major LNG Project

The Dolphin Project

The Dolphin Project is promoted by the UAE Government's Offsets Group (UOG). This project would create a pan-GCC pipeline in the region originating in Qatar. In June 2000, UOG announced the formation of a company 'Dolphin Energy Ltd' (DEL), to manage the project on its behalf. The ownership structure of the company is 51% UOG and

24.5% each by TotalFinaElf and Occidental Petroleum. France's TotalFinaElf and Occidental of the US were selected as strategic partners for the project, with TotalFinaElf responsible for the upstream part of the project and Occidental for the midstream and downstream marketing. The Dolphin Project has already received outline commitments from UAE for up to 2 billion cubic feet per day (bn cf/d) of gas.

The Dolphin Project is scheduled in two phases. The first phase of the project valued at US\$3.5bn involves a production and distribution of 2 bn cf/d of gas, through a sub-sea pipeline that will extend over 400-km from Qatar's North Field to Taweelah in Abu Dhabi and Jebel Ali in Dubai. Gas deliveries are expected to start by the first quarter of 2007. The second phase of the project involves increased volumes of piped gas to the UAE.

Dolphin project would create a pan-GCC pipeline in the region.

Al Khaleej Gas Project

Under the Al Khaleej Gas Project, additional North Field gas will be developed through a new upstream gas development. The major users are expected to be the power generation companies, the Oryx GTL project, and the Mesaieed Industrial Complex. The project is expected to cost US\$1.2bn and will have a capacity to produce 1.75 bn cf/d of gas.

Gas to Liquids Projects (GTL)

Qatar Petroleum has been trying to convert natural gas into globally marketable and more easily transportable liquid products. QP has allocated QR40bn in its five year plan, starting 2006 for GTL projects. There is a tremendous response for GTL project from across the world. QP and South Africa's Sasol Synfuels International (Sasol) signed a joint venture agreement to develop a GTL project at Ras Laffan. The project will convert natural gas into 34,000 bpd of high grade fuels from two trains. The GTL plant will use as feed-stock about 330 mn cf/d of gas from the Al-Khaleej Gas Project, and is projected to produce around 24,000 bpd of high purity diesel, 9,000 bpd of naphtha and 1,000 bpd of LPG. The project will get its power requirements from the Ras Laffan IWPP, and its cooling requirements from the Ras Laffan common sea water intake.

QP has allocated QR40bn in its five year plan, starting 2006 for GTL projects.

Pearl GTL Project

This plant will eventually have a capacity of 140,000 bpd. The project is estimated to cost around US\$5bn. The project is based on Shell's proprietary technology and is planned for a two-phase implementation, wherein the first phase will involve the construction of a plant with a 70,000 bpd capacity that will come on-stream by the end of 2009.

Outlook

It is expected that the greater natural gas and oil production should result in overall daily energy production equivalent to about five million barrels of oil a day by 2012, nearly half the daily oil output of Saudi Arabia. We believe that over the next five years Qatar is going to see an energy boom as significant as any other in the past. Oil and gas prices are also expected to remain relatively higher in near future as the demand from emerging countries is likely to be robust.

11. Banking Sector

Overview

The banking sector in Qatar comprises of a combination of national and foreign banks. Out of a total of 15 banks currently operating in Qatar, seven are Qatari owned institutions, including five commercial banks. The five commercial banks owned by Qatari's are Ahli Bank, Commercial Bank, Doha Bank, International Bank of Qatar, and Qatar National Bank. The two institutions which are owned by Qatari's are Islamic Institutions namely Qatar Islamic Bank and International Islamic. Banking system in Qatar also includes local branches of seven foreign banks including Arab Bank, Bank Saderat Iran, HSBC, Mashreq Bank, BNP Paribas, Standard Chartered, and United Bank. A specialised government owned institution – Qatar Industrial Development Bank, was established in 1997 and provides financing to small and medium scale industries.

Banking sector in Qatar is dominated by local banks though foreign banks are also trying hard to increase their market share. In recent years Islamic banking has become popular in the Gulf region and Qatar is no exception to this phenomenon. In 2005, Islamic banking made significant inroads into the domestic banking system due to its tremendous growth potential and popularity, with commercial banks getting approval from the QCB for the first time to set up fully compliant Islamic branches in Qatar. Qatar National Bank (QNB) was the first commercial bank to set up a fully compliant Islamic branch, followed by Commercial Bank and Doha Bank. Another significant development in domestic banking was the entry of a commercial bank into the mutual fund arena. QNB was the first bank in Qatar to establish a mutual fund for both locals and expatriates.

Consolidated Asset Size of the Banking System

The consolidated asset size of the banking system stood at QR151.7bn at the end of the first half of 2006. The asset size of the banking system is growing strongly. The total asset size of all the banks in Qatar grew at a CAGR of 22.8% during the past five years. Domestic assets comprised around 61.4% of the total balance sheet size of the banks at the end of June 2006. Domestic liabilities stood at around QR138bn at the end of June 2006 and it comprised the largest chunk of the total liabilities.

Consolidated asset size of the banking system stood at QR151.7bn at the end of 1H FY2006.

Table 29: Consolidated Assets & Liabilities of the Banking System

(in QR mn)	2003	2004	2005	Jun-2006
Cash in Q.R.	452.4	528.9	665.4	837.4
Due from QCB	1,982.5	2,868.1	4,516.1	5,999.0
Foreign Assets	19,464.9	27,756.4	41,647.5	51,679.5
Domestic Assets	54,201.8	60,872.8	83,471.6	93,175.3
Total Assets	76,101.6	92,026.2	130,300.6	151,691.2
Foreign Liabilities	4,103.9	8,169.2	10,407.2	13,643.4
Domestic Liabilities	71,997.7	83,857.0	119,893.4	138,047.8
Total Liabilities	76,101.6	92,026.2	130,300.6	151,691.2

Source: Qatar Central Bank

Trends in the Qatari Banking Sector

The banking sector in Qatar is growing rapidly as the economy is booming and there is excess liquidity in the system. To tap the banking sector in Qatar, most of the foreign banks have become active in recent years. As a result the banking sector is becoming highly competitive and dynamic. Some of the large banks in the region are entering the market and others are consolidating their positions in the domestic market. National Bank of Kuwait (NBK) became the international shareholder of the erstwhile Grindlays Qatar Bank which is now known as International Bank of Qatar (IBQ). NBK has 20% stake in the capital of IBQ. In another development, Bahrain's Ahli United Bank (AUB) acquired 40% stake in Al-Ahli Bank of Qatar and it has been renamed as Ahli Bank QSC. Apart from this, other regional banks such as Mashreqbank also plan to spread its operations in other GCC countries. We believe that with these the banking sector in Qatar will become more competitive and ultimately customer will be the main beneficiary.

Domestic banks in Qatar are also looking for opportunities elsewhere in the developed world. QNB acquired a London-based wealth management group. The £135mn deal acquired Ansbacher Holdings, a subsidiary of South Africa's FirstRand, the country's second largest bank by assets. The acquisition is a milestone for QNB as it became the first GCC bank to buy an international financial institution of the repute of Ansbacher.

Islamic Finance

Islamic finance has become more pervasive in the GCC region. No bank wanted to be left behind in this endeavour to provide Islamic banking services to the customers. Considering the growth potential of Islamic banking in the GCC region, many conventional banks are venturing into Islamic banking. We believe that this will further change the face of the banking sector in Qatar.

Market Share of Qatari Banks

Banking system in Qatar is dominated by large banks such as Qatar National Bank (QNB), Doha Bank and Commercial Bank (CB). These banks dominate the banking system in terms of their sheer balance sheet size, reach and coverage. The large banks also have competitive advantage over the smaller banks on account of their strong brand equity and wider acceptability among customers. There are currently six banks listed on the stock market.

Table 30: Total Assets & Customer Deposits of the Qatari Banks

(QR mn)	Total Assets			Customer Deposits		
	2003	2004	2005	2003	2004	2005
Qatar National Bank	34,789	39,548	50,060	24,100	29,614	36,457
Doha Bank	9,057	10,993	15,230	7,427	8,068	11,024
Commercialbank	8,785	12,940	22,181	6,272	8,304	13,056
Qatar Islamic Bank	5,598	7,742	9,552	4,763	5,817	6,866
ahlibank	2,545	4,286	6,181	1,796	2,744	4,530
International Islamic	3,907	4,998	6,336	3,465	4,360	5,077
International Bank of Qatar	1,335	2,009	4,660	1,130	1,509	3,586
Total	66,016	82,516	114,200	48,953	60,416	80,596
Foreign Banks	7,845	10,090	-	6,308	7,555	-

Source: Respective Banks

The banking sector in Qatar is dominated comprehensively by Qatar National Bank. However, it should be noted here that despite its dominant presence, its market share has been declining in recent years in all the major spheres of the banking system. The reason behind the declining market share of QNB was the aggressive strategies adopted by other players in the market. In terms of assets, QNB has a dominant presence in the domestic banking industry accounting for 43.8% of the total banking assets though its share has

QNB accounted for 43.8% of the total banking assets.

gone down from 47.9% in 2004. In terms of total deposits QNB's share was 45.2% in 2005 down from 49% in 2004. The bank held 47.9% market share of net loans & advances. Commercial Bank is the second largest bank in terms of size of asset base, customer deposits and loans & advances in 2005. Doha bank held third position in terms of all the three categories namely, total assets, deposits and net loans & advances with its market share at 13.3%, 13.7% and 12.6% respectively at the end of 2005.

Table 31: Market Share of Qatari Banks

	Assets		Loans & Advances		Customer Deposits		Net Profit	
	2004	2005	2004	2005	2004	2005	2004	2005
Qatar National Bank	47.9%	43.8%	55.3%	47.9%	49.0%	45.2%	40.4%	35.9%
Doha Bank	13.3%	13.3%	11.3%	12.6%	13.4%	13.7%	18.0%	18.4%
Commercialbank	15.7%	19.4%	14.0%	16.6%	13.7%	16.2%	16.9%	17.5%
Qatar Islamic Bank	9.4%	8.4%	8.9%	9.1%	9.6%	8.5%	14.4%	11.9%
ahlibank	5.2%	5.4%	3.0%	5.3%	4.5%	5.6%	4.2%	3.3%
International Islamic	6.1%	5.5%	5.5%	5.2%	7.2%	6.3%	4.3%	10.9%
International Bank of Qatar	2.4%	4.1%	2.1%	3.4%	2.5%	4.4%	1.8%	2.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Respective Banks

Table 32: Loans & Advances and Shareholders Equity of the Qatari Banks

(QR mn)	Loans and Advances			Shareholders Equity		
	2003	2004	2005	2003	2004	2005
Qatar National Bank	23,141	26,591	31,478	5,608	6,685	8,709
Doha Bank	4,827	5,437	8,295	1,120	1,594	2,401
Commercialbank	4,655	6,714	10,884	1,411	2,620	5,677
Qatar Islamic Bank	3,300	4,263	5,973	542	1,497	2,096
ahlibank	1,256	1,445	3,490	322	890	1,075
International Islamic	2,058	2,621	3,397	313	450	882
International Bank of Qatar	698	1,009	2,246	175	392	902
Total	39,935	48,080	65,763	9,491	14,128	21,742
Foreign Banks	3,979	4,972	-	875	1,217	-

Source: Respective Banks

Table 33: Share Capital and Net Profit of Qatari Banks

(QR mn)	Share Capital			Net Profit		
	2003	2004	2005	2003	2004	2005
Qatar National Bank	1,038	1,038	1,038	641.1	827.5	1,536.8
Doha Bank	240	408	693	214.6	368.4	789.9
Commercialbank	356	534	934	248.0	345.9	749.5
Qatar Islamic Bank	250	390	663	145.0	294.1	511.3
ahlibank	183	305	305	72.6	86.2	141.6
International Islamic	125	156	203	64.4	88.9	465.6
International Bank of Qatar	75	94	188	32.1	37.2	90.0
Total	2,267	2,925	4,024	1,417.8	2,048.2	4,284.7
Foreign Banks	110	120	-	222.0	276.9	-

Source: Respective Banks

Credit Off-take

Total domestic credit in Qatar grew at a CAGR of 18.6% during the past five years while the total credit including credit outside Qatar grew at a CAGR of 18.4% during the same period. Except public sector and other smaller sectors, all the other sectors recorded double digit CAGR in their credit off-take.

Credit off-take grew at a CAGR of 18.6% during the past five years.

Table 34: Trends in Credit Facilities of the Banking Sector

(QR mn)	2001	2002	2003	2004	2005	Jun-06
Public Sector	16,529.9	16,814.8	19,931.5	18,469.5	18,650.2	18,255.6
Merchandise	4,046.9	4,726.5	5,531.5	6,116.4	8,183.6	9,258.6
Industry	607.0	936.7	750.4	1,059.9	2,418.8	1,983.4
Land, Housing & Construction	1,132.8	1,287.2	3,327.2	5,711.7	9,540.9	12,000.0
Personal	8,881.9	9,639.9	11,503.1	14,085.3	24,730.9	29,769.8
Services	1,065.3	812.4	1,865.1	2,383.5	2,942.1	3,634.9
Others	1,746.7	1,749.9	437.2	467.5	899.8	1,560.0
Total Domestic Credits	34,010.5	35,967.4	43,346.0	48,293.8	67,366.3	76,462.3
Outside Qatar	1,485.9	246.6	441.5	1,189.1	2,367.5	5,909.3
Total	35,496.4	36,214.0	43,787.5	49,482.9	69,733.8	82,371.6

Source: Qatar Central Bank

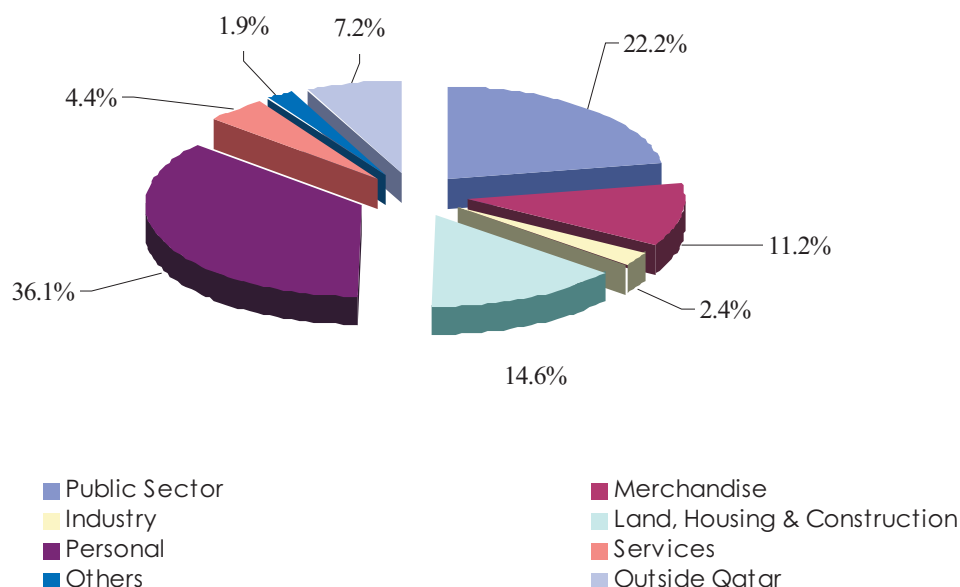
Land, housing & construction sector, industry, and personal sector witnessed highest growth during the past five years. The booming land, housing and construction sector reported a CAGR of 70% during the past five years followed by industry with 41.3% and

personal sector with 29.2% growth. Public sector remained laggard with a growth rate of just 3% while credit granted to 'others' declined significantly during this period.

During the first half of 2006, total credit facilities of the banking sector surged by 18.1% to QR82.4bn from QR69.7bn at the year end 2005. Breakdown of the distribution of credit facilities shows that, during first six months of 2006, the share of the public sector in the total credit facilities granted has declined to 23.9% from 27.7% at the year end 2005, which shows the diversification of lending to other businesses/sectors. The sector witnessed a decline of 2.1% in credit off-take to QR18.2bn over 2005 year end figure whereas over corresponding period of 2004 it declined by 12% which further points towards diversification of lending to other sectors of the economy. During the first half of 2006, lending to the industry decline substantially by 18% to QR1.98bn. Lending to the industry decline primarily in the month of June 2006 while till the month of May 2006, it actually reported a growth of 9% over 2005 figures.

Total credit facilities stood at QR82.4bn at the end of June 2006.

Chart 9: Distribution of Credit Facilities



Source: Qatar Central Bank

The personal segment has the highest share in the total credit off-take in recent years. The share of personal segment increased from 36.7% in 2005 to 38.9% in 2006. During the first half of 2006, credit off-take from the personal segment increased by around 20.4% to

QR29.8bn. For the last few years banks have witnessed a significant growth in credit off-take to personal segment due to the increased focus on consumer loans as part of their thrust on retail banking. We believe that personal segment is likely to witness strong credit off-take going forward as the banking system is flushed with liquidity.

Among the other sectors, merchandise and land, housing & construction sectors have also witnessed a significant growth in their credit off-take in recent years. During the first half of 2006, the external credit of the commercial banks grew by a robust 149.6% to QR5.9bn. The surge in credit outside Qatar was part of the diversification efforts of the lending portfolio of banks. Most of the banks in Qatar have increased their focus on regional lending by way of syndicated lending.

During 1H FY 2006, external credit of the commercial banks grew by 149.6% to QR5.9bn.

Outlook

The banking sector in Qatar is expected to remain buoyant buoyed by the fact that the economy is in robust growth phase. To tap the enormous opportunities in the banking sector number of regional and foreign banks are venturing into the Qatari banking sector. The local conventional banks are opening new vista and are entering into Islamic banking. At the same time some of the few large local banks have also started to spread their wings into foreign markets.

Retail banking will be the key growth driver for many banks as the appetite for banking services is likely to increase with the higher liquidity in the system. To tap the growing opportunities many banks have shored up their capital base in recent years. We expect the banks to further enhance their capital base as the need arises in view of the cross regional lending opportunities. Banks are also expected to increase their non-interest income by introducing innovative products and services to different segments of customers. In short, we remain bullish on the banking sector in Qatar as the opportunities exist beyond the Qatari shore.

12. Manufacturing

As mentioned earlier, oil and gas constitute the major revenue stream for the government. The government has been trying to diversify its revenue stream away from oil and gas though not very successful in the past. However, the government continued its efforts to develop other sectors of the economy and is relying heavily on manufacturing sector as future growth driver of the economy after oil and gas. Qatar has invested around US\$25bn during the past five years to develop its non-oil industrial base.

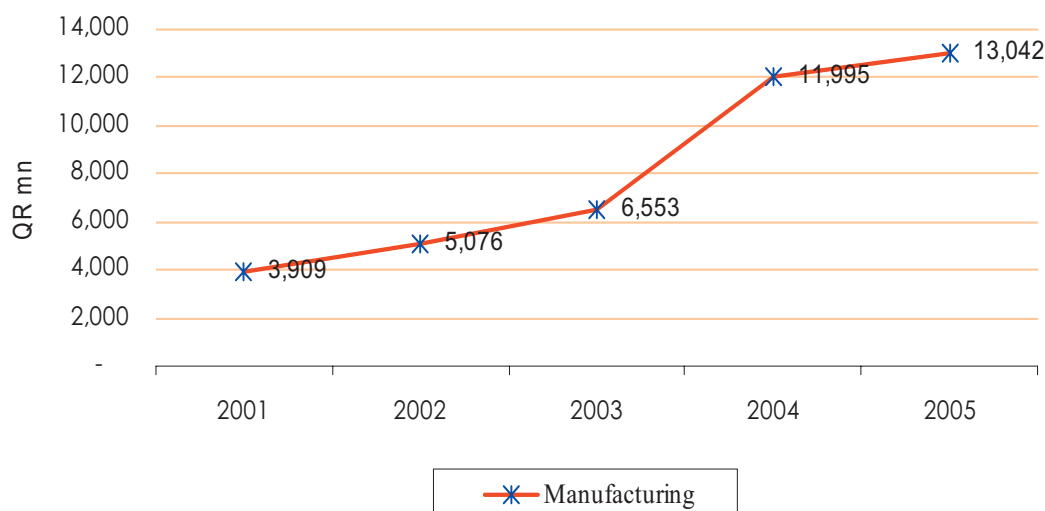
Qatar has invested around US\$25bn during the past five years to develop its non-oil industrial base.

Manufacturing Sector and the GDP

Manufacturing sector grew at a CAGR of over 35.2% over the past five years. This indicates the fact that the government is trying to push manufacturing sector into a higher growth trajectory. Contribution of the manufacturing sector to the total non-oil GDP of the country has also been rising steadily over the years as it increased from 18.7% in 2003 to 20.9% in 2005. Manufacturing sector contributed QR13bn in 2005 as compared to QR12bn in 2004 to the total GDP of the country, representing 8.4% of the total GDP of the country.

Manufacturing sector contributed QR13bn in 2005.

Chart 10: Contribution of Manufacturing Sector to the GDP



Source: Qatar Central Bank

Government's Initiatives

The government of Qatar is eager to gradually diversify into the manufacturing sector. As a result, number of gas based manufacturing projects are coming up in Qatar for catering to both domestic and export markets. The diversified projects aim at producing more value added products to effectively use Qatar's natural resources. The government promotes small and medium-scale industrial projects through two major financing institutions like Qatar Industrial Manufacturing Company (QIMCO) and Qatar Industrial Development Bank (QIDB). The government is also keen in promoting private investments in this sector and is coming out with liberal financing policies. It is also promoting Free Trade Zone, where the units will be exempted from various customs and tax duty over a period of next 20 years and beyond.

Privatisation

Privatisation has become buzzword in Qatar which may further boost manufacturing sector in the country. The government has identified some of the key corporations in the state-controlled energy sector for public participation. The government is also offering incentives to foreign capital to form JVs with their national counterparts. In addition, the government allows 100% ownership in certain sectors like agriculture, industry, health, education, tourism and the development and exploitation of natural resources or energy and mining.

Outlook

The government is keen to develop its manufacturing sector in a big way. There are number of manufacturing entities currently operating in the country. We believe that, going forward, manufacturing will become key sector of the economy after oil and gas as its contribution to the GDP is expected to go up further.

The stress on gas based manufacturing will certainly help the government to gain higher income on the more value added products like fertilizer, Ammonia and ethylene which finds large number of applications in many chemical industries. The continuing strength in export demand along with the recovery in domestic demand is expected to lead to a persistent growth in industrial production.

13. Infrastructure

As mentioned earlier, Qatar's economy is flourishing on the back of rising oil and gas prices. Huge liquidity arising out of the petro-dollars is being invested in different sector of the economy. In addition to this, the government is developing huge infrastructure in the country to diversify its economic base and to become economic powerhouse in the region. Government intends to spend around US\$15bn on various infrastructure projects in the next few years. We will touch upon number of important infrastructure projects currently under development in Qatar.

Government intends to spend around US\$15bn on various infrastructure projects in the next few years.

Asian Games - December 2006

One of the immediate motivation before the government to develop its infrastructure is Doha's plans to host the Asian Games for 2006. The Qatari government aims to re-develop all the roads and sewage networks in the country by December 2006. Qatar has developed Asian City at an estimated cost of around US\$750mn.

New International Airport

Qatar is in process of developing its brand new international airport. The airport is expected to be completed by 2015 and it will have a capacity to handle 50mn passengers a year. The new airport is to be built 4km east of the existing Doha International Airport on a 2,200-hectare site, half of which will be reclaimed from the sea. An international consortium comprising of companies from Belgium, US, Holland and Qatar have already began work on reclaiming land from the sea for the new Airport.

The airport will be completed in three phases. The first phase is to be completed by 2008 and will handle 12mn passengers annually. The first phase is expected to cost US\$2.5bn, while the total budget for the international airport is estimated to cost around US\$5.5bn. The airport will have two runways out of which one runway can handle Airbus 380-800 superjets; and the other runway can be use for VIP and strategic use. A cargo terminal, with a capacity of 750,000 tonnes per year, will be built alongside a three-storey passenger terminal.

Hospitality Projects

The government is promoting Qatar as a business hub and also as a tourist destination. As a result number of hospitality projects are coming up in the country. In recent times, there is over 80% occupancy level in the country. Going forward, with the flurry of activities Qatar is expected to see a surge in the number of tourists and business travelers flowing into the country. The tourism sector is growing rapidly and the rise in tourists has also lead to the growing demand of the hotels. The luxury hotel segment is expected to add around 1,800 rooms over next couple of years and by Dec 2006 Qatar will have around 5,500 rooms.

Some of the big names which have entered in the Qatari hospitality segment are 259-room Renaissance, 200-room Marriott Courtyard, 120-unit Marriott Executive Apartments, and 250-room Shangri-La. Apart from these, for 2006 La Cigale, Grand Hyatt and the Ramada are the big brands due to open; along with Qatar National Hotel's own Al Sharq Village Resort. There will also be three new hotels in the Pearl-Qatar, three at the new airport and three in the Education City; and 10 hotels on the North Beach after the existing Ritz-Carlton Doha. The Sharq Village & Spa is set to be a new local landmark in Doha when it opens later this year, just before the Asian Games. Over the next few years, Qatar is expected to invest around US\$10bn for tourism, leisure and cultural projects.

Ship Repair Yard Project

Qatar Gas Transport Company (Nakilat) is planning to build its estimated US\$450mn-500mn ship repair yard project at Ras Laffan. In March 2006, Nakilat signed a letter of intent with Singapore's Keppel Offshore & Marine to develop and manage the shipyard, which will cover an area of 43 hectares. The yard's initial development, covering phases 1 and 2, calls for the construction of: two dry docks – one 66 metres by 360 metres and the other 80 metres by 380 metres; a floating dock 36 metres by 230 metres; six wet berths with a total length of 2,300 metres; lay-down and fabrication areas; and workshops and offices. The project is to be completed by late 2009.

Electricity and Water Projects

In line with other sectors of the economy, the government has grand plans for electricity and water sector. The government has outlined four-year plan to carry out major infrastructure projects in the electricity and water sector. The total expenditure is set at US\$1.6bn for the period 2005-2009. The government has announced 55 new electricity stations across the country and various projects to develop water distribution networks in the country. These projects are to be undertaken by 2009. This will also involve an increase in the capacity of existing electricity sub-stations by 60%

The electricity sector accounts for the major chunk of the plan with a US\$1.1bn budget of which US\$675mn has been allocated to ongoing projects and US\$432mn for projects under study. Water sector has been allotted US\$424mn of which US\$310mn is for projects currently in progress, including the 88-kilometre Ras Laffan B water pipeline to areas such as Bani Hajjar, Gharafa, Duhail and the Salwa industrial zone.

Outlook

The Qatar Government is planning a huge escalation of investment over the next few years with upwards of US\$100bn in expenditure. Around US\$75bn for oil and gas projects, US\$15bn for infrastructure and US\$10bn for tourism, leisure and cultural projects. In a country where oil and gas is a predominant factor, the heavy investment in infrastructure projects is expected to diversify the economy in a longer term. This is also expected to create huge job opportunities for the nationals as well as for the expatriates.

14. Real Estate and Construction

Most of the markets in the Gulf region are witnessing economic boom driven by petrodollars. The economic boom has been percolated down to the real estate sector as well. Qatar is witnessing an exceptional boom in the real estate sector and there is an increase in investment opportunities in the construction sector.

The buoyancy in real estate market was due to number of factors. The main reason being increased liquidity in the system due to higher oil and gas prices. Other factors include genuine demand for housing from nationals as well as from expatriates. Qatar's population is growing at the rate of over 5% per annum. This places tremendous strain on the housing market. In addition, supply of housing is lagging behind the demand and this causes scarcity in the market. With the rise in investment opportunities, companies from the region and from across the world are setting up offices in Qatar. This resulted in higher demand for commercial office space and also for hotel rooms.

Real estate boom is driven by genuine demand from various segments.

The demand for residential and commercial units and hotel rooms is far greater than the supply. The economic roar and the increase in population have resulted in the rents going up by around 30% in some areas. The construction activity in the country is also flourishing and the sector was witnessing a shortage of cement. The cement shortage in the country was triggered by spiraling construction activities that saw old residential and commercial premises razed to make way for plush new ones. A huge demand for the building material also exists due to various infrastructural projects that are currently ongoing in the country as well as those for the Doha Asian Games 2006.

Due to the buoyant economic activity many global players have established their operations in the country. The governments major thrust to various segments of the economy such as health, education, housing and infrastructure is driving major boom in the country. This leads to robust demand for labour which in turn fuels demand for housing sector.

Rising Contribution to GDP

The recent pace of developments in the building and construction sector is quite palpable around Doha over the past few years. As a result, this sector continues to be a major

contributor to the GDP and employment of labour force. Building, construction and real estate sector contributed QR14.5bn to the total GDP of the country in 2005. This sector grew at a compounded annual average growth rate of 28.8% during the past five years. Building, construction and real estate sector contributed 9.4% to the total GDP of the country in 2005 as compared to 9.5% in 2004 and 8.3% in 2003. The contribution of this sector to the total non-oil GDP of the country in 2005 was around 23.3% as compared to 20.8% in 2004 and 20.3% in 2003. Thus, the contribution of this sector to the non-oil GDP of the country has been growing steadily over the past few years. We expect this sector to perform exceeding well going forward as the economic boom will have a positive impact on this sector.

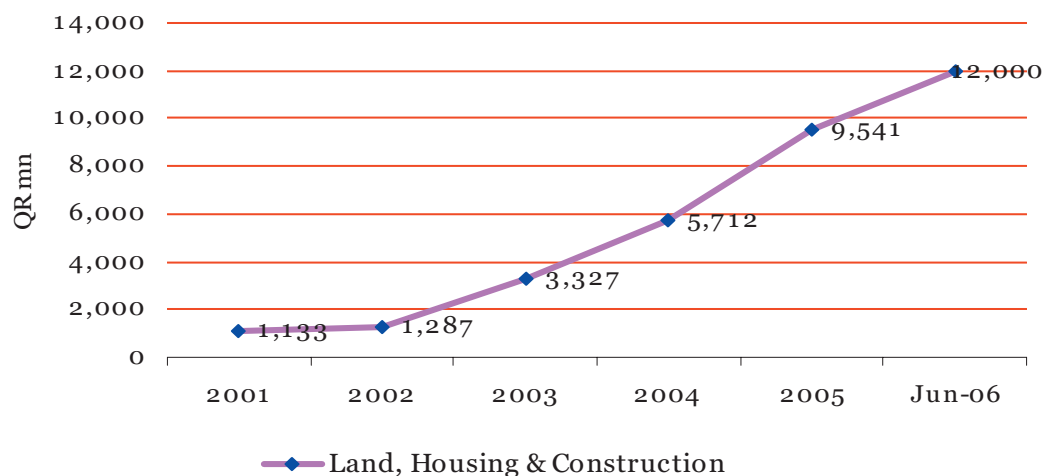
Credit Facilities

Table 35: Credit Facilities to the Real Estate Sector

(QR mn)	2001	2002	2003	2004	2005	Jun-06
Land, Housing & Construction	1,132.8	1,287.2	3,327.2	5,711.7	9,540.9	12,000.0

Source: Qatar Central Bank

Credit facilities extended by commercial banks to the land, housing and construction sector increased by around 25.8% during the first half of 2006 over 2005 to reach QR12bn. We expect that at the current pace this trend is likely to continue in the coming years. In 2005, credit extended by the banking system to the real sector was QR9.5bn, representing a growth of 67% over the previous year.

Table 11: Historical Trend of Credit Facilities to the Real Estate Sector

Source: Qatar Central Bank

Building Permits Issued – growing rapidly

Another major indicator showing the level of activity in the building and construction sector is the number of building permits issued. The building permits issued by the municipality have witnessed significant jump in recent years, mainly driven by strong demand for residential as well as commercial properties. The total permits issued by the government grew at a CAGR of 9% for the period 2000 to 2004. In 2004, the growth in the number of building permits issued was 23.3%, which is the highest growth in building permits issued in recent years. The year 2003, witnessed one of the lowest growth in building permits issued while in 2002 growth rate was around 8.9%. In 2004, total of 4,821 building permits were issued as compared to 3,911 in 2003. The commercial district of Doha accounted for 40% of the building permits issued followed by Al Rayyan with 36.1% in 2004. Thus, Doha and Al Rayyan together accounted for 76.1% of the total building permits issued in 2004.

In 2004, total of 4,821 building permits were issued as compared to 3,911 in 2003.

Table 36: Building Permits Issued by Municipality

Municipal Area	2000	2001	2002	2003	2004
Doha	1,445	1,545	1,579	1,581	1,930
AL Rayyan	1,184	1,305	1,418	1,372	1,741
Wakra	199	184	217	262	302
AL Khor	177	153	192	287	586
Umm Slal	363	369	468	409	262
Total	3,368	3,556	3,874	3,911	4,821

Source: The Planning Commission

In of the major move in June 2004, that will have a far reaching effect on the real estate market in Qatar, the government allowed non-Qataris to own real estate in three prestigious housing projects. The government allows Qatari's and non-Qataris to buy and own real estate in any of the three projects proposed - Pearl Island, West Bay Lagoon and Al Khor Resort. Non-Qatari buyers could own real estate at the above three locations for 99 years, and that would be extendable for another 99 years. The "freehold property owner" not only receives permanent residency but gets a provision for inheritance. The Government has a vision of transforming the State into a high quality destination for cultural tourism, beach resorts, shopping, lifestyle, business and sports events. This vision is supported by an ambitious construction programme involving an investment of billions of dollar by the Government and investment partners over the next few years.

Ambitious Projects

Qatar has planned number of projects with billions of dollar investments straddling across various sectors. The ambitious Pearl Qatar is estimated to have worth US\$2.5bn; Education City with investment of around US\$1bn, Hamad Medical City is expected to have investment of around US\$410mn are some of the projects being carried out by the government. In addition, the 2006 Asian Games Village is expected to cost US\$700mn. Asian Games are expected to be growth driver of property market in 2006. Apart from these projects number of commercial and residential construction projects are under way in the country.

Pearl Qatar project is estimated to have worth US\$2.5bn.

Outlook

Public expenditure is a very important factor affecting the prospects for the building and construction sector, and the realisation of budgetary surpluses during the last few years has increased the level of public spending. Allocation for major public projects in the 2005/06 budget increased by 32% to reach QR11.7bn, which covers the areas of public services, infrastructure, social and health services, and education and youth welfare. We believe that the public spending will rise but to the extent as witnessed in the past.

We believe that the emergence of other property investment opportunities in the GCC will lead to cooling down in prices in some areas. This does not imply that the buoyancy will disappear from the market, but this implies that the market will become mature and less speculative going forward.

15. Stock Market Performance

Over the last five years most of the stock markets in the Gulf region have witnessed bullish trends and the Doha Securities Market (DSM) was no exception to this phenomenon. The key reasons for the bullish sentiments in the DSM was strong economic growth led by higher crude oil and gas prices, excess liquidity in the system, low interest rates, higher credit off-take both from the corporates and the retail segment, and rapid growth in corporate sector profits. In addition, opening of the market for foreign investors also boosted the sentiments for the Qatari stocks.

Table 37: Doha Securities Market – Historical Trend

	2002	2003	2004	2005	Jun-06
No. of Listed Companies	25	28	30	32	34
Market Capitalisation (QR bn)	38.5	97.2	147.2	317.2	233.2
General Index	2,323.8	3,946.7	6,493.6	11,053.1	7,627.9
% Change	37.3%	69.8%	64.5%	70.2%	-31.0%

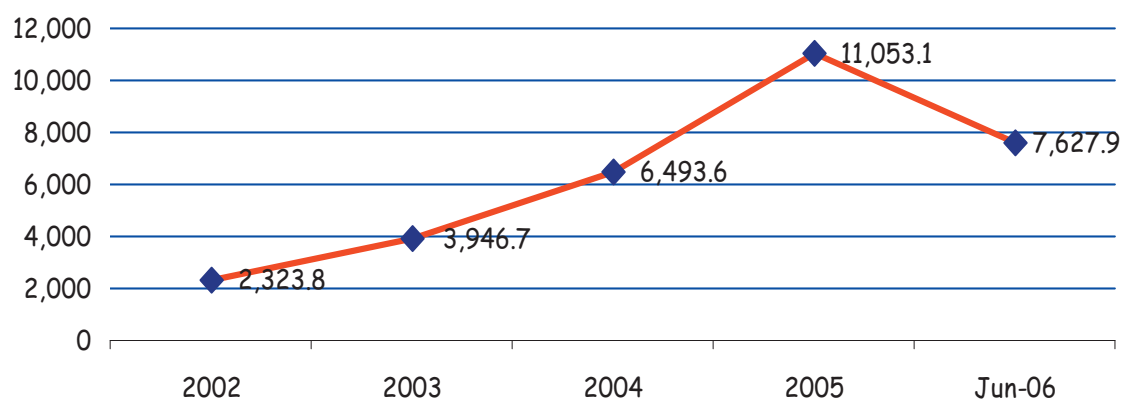
Source: Doha Securities Market

Since the past five years (2001-2005), General Index of DSM recorded a robust growth and grew at a CAGR of impressive 59.9%. In 2005, the market continued its northward march reported a stellar performance and was up by a whopping 70.2% over 2004 to reach 11,053. In 2005, the market reached its all time high and broke psychological barrier of 10,000. As mentioned earlier, liquidity played a major role in pushing the market upwards.

Since the past five years General Index of DSM grew at a CAGR of impressive 59.9%.

Foreigners are invited

In one of the significant move in the history of the Gulf stock markets, Doha Securities Market (DSM) was opened to foreign investors. In April 2005, expatriates were allowed for the first time to trade in up to 25% (share capital) of all DSM listed stocks. The DSM is the first GCC market to allow expatriate residents to trade in shares of all listed companies. Previously expatriates were allowed to own and trade only in shares of Qatar Telecom (Q-TEL) and Salam International Investment. Another significant development was the setting up of the Qatar Authority for Financial Markets in September 2005, which is primarily responsible for the supervision and control of the DSM.

Chart 12: General Index of Doha Securities Market

Source: Doha Securities Market

Number of Listed Companies rising steadily

As at the end of June 2006, DSM has thirty four companies listed on its exchange. In 2003, two companies were listed on the bourses. During the year 2004, two companies were listed namely The Meat & Live Stock Company and The Warehousing Company. The year 2005 witnessed mega IPO of Qatar Gas Transport Company (Naqilat) which closed with overwhelming response as the issue was over-subscribed by 9.5 times. The second IPO of the year was Dlala, a new brokerage and investment company. During the first half of 2006, two more companies listed on the market which took number of companies listed on the stock market to 34.

As at the end of June 2006, thirty four companies are listed on DSM.

Value of Shares Traded

With the rise in stock market, value and volume of shares traded also rose substantially. The total value of shares traded on the DSM has increased at a CAGR of around 217% during the period 2002 to 2005. In 2005, value of shares traded rose by over four-fold, growing by a record 345% to reach QR102.8bn, compared to QR23.1bn in 2004. The total value of shares traded in the services sector increased by 455% to reach QR44.6bn in 2005, representing 43.3% of the total market value. The value of shares traded in the banking sector increased by 207% in 2005 to reach QR28.4bn, and represented 27.7% of total value of shares traded on the DSM. The industry sector represented 26.6% of the total value of shares traded in 2005, while the insurance sector represented 2.4%.

Table 38: Value of Shares Traded on DSM

(In QR mn)	2002	2003	2004	2005	Jun-06
Industrial Sector	235.0	3,991.7	4,888.3	27,323.0	479.1
Services Sector	1,348.0	3,968.1	8,027.7	44,552.2	1,571.4
Insurance Sector	165.0	344.3	921.0	2,516.2	218.6
Banking Sector	1,467.0	3,418.0	9,257.6	28,451.4	2,110.0
Total Value of Shares (QR mn)	3,215.0	11,722.1	23,094.6	102,842.8	4,379.1

Source: Doha Securities Market

During the first half of 2006, value of shares traded declined substantially which was in line with the overall negative sentiment in the stock market. During the first six months of 2006, total value of shares traded was down by a massive 95.7% to QR4.4bn. Highest decline in value of shares traded was witnessed in the industrial sector with a fall of 98.2% to QR479mn. Services sector experienced a decline of 96.5% to QR1.57bn while the value of shares traded in the banking sector dipped by 92.6% to QR2.11bn.

During 1H FY2006, total value of shares traded was down by 95.7% to QR4.4bn.

Volume of Shares Traded

Volume of shares on DSM also rose significantly during the period under review. It recorded a CAGR of 135% during the period 2002 to 2005. The highest growth was recorded by industrial sector with a CAGR of 217% followed by services sector with 163%. For the year ended 2005, total 1,033bn shares traded hands, representing a jump of over 238% as compared to the previous year.

Table 39: Volume of Shares Traded on DSM

(In mn)	2002	2003	2004	2005	Jun-06
Industrial Sector	7,207.1	71,932.5	98,566.8	230,263.5	7,072.7
Services Sector	38,312.5	72,372.6	143,848.8	696,435.5	52,000.4
Insurance Sector	3,967.6	6,684.0	8,451.6	11,695.2	1,616.4
Banking Sector	30,110.1	38,983.4	54,883.5	94,687.0	62,541.0
Total No. of Shares	79,597.4	189,972.5	305,750.7	1,033,081.2	123,230.5

Source: Doha Securities Market

During the first half 2006, volume of shares traded decline drastically as the sentiments in the stock market took beating. Volume of shares traded decline by 88% to 123.2bn. All the sector recorded a substantial fall in volume of shares traded though industrial sector witnessed largest fall of 97% to 7bn. Banking and services sector dominate the volume of shares traded as they together comprised around 93% of the total volume of shares traded during the first half of 2006.

Market Capitalisation

As shown in the table, total market capitalization of DSM has been increasing at a rapid pace over the past few years. In 2005, total market capitalization of DSM more than doubled and stood at QR317.2bn, recording a growth of 115% over the previous year. With the meltdown in the market, market capitalization has also eroded as it declined by 20.9% to QR243.7bn as of September 21, 2006.

Market capitalization of DSM stood at QR250.7bn as of September 7, 2006.

Table 40: Market Capitalisation of DSM

(in QR mn)	2003	2004	2005	7-Sep-06
Banking Sector	28,419	55,859	120,649	111,559
Insurance Sector	3,523	8,633	13,595	9,394
Services Sector	34,108	35,918	94,399	72,692
Industrial Sector	31,172	46,780	88,559	57,126
Total Market	97,222	147,191	317,202	250,771

Source: Doha Securities Market

Market Meltdown

All the Gulf markets were on an upswing since the past few years. Qatari market was also up by around 69.8% in 2003. In 2004, the market further advanced by 64.5%. The market continued its positive momentum it witnessed during the past three years in 2005 as well as it was up by over 70%. However, the market started showing signs of bearishness during the last quarter of 2005. The market reached its peak in September 2005 and in October the market dipped by around 12% to reach 12,445 level. However, the real meltdown started from February 2006 when the market tanked by around 18.3% to 8,939. During the first half of 2006, the market was down by around 31% over Dec 2005 level.

During the first half of 2006, the market was down by around 31% over Dec 2005 level.

As elsewhere in the GCC region, Qatari investors hit hard by the abrupt end to the stock market rally. The causes have much in common with similar reversals in Saudi Arabia and the UAE. These includes excessive valuations, with an average price/earnings (PE) multiple of more than 30x; unsophisticated investors paying no heed to fundamentals; a bearish regional contagion; and an inopportune initial public offerings (IPOs) sucking liquidity from the secondary market at the wrong time. Small investors lured into the newly popular paid a heavy price particularly those joining late, when the DSM was at or close to its peak.

Government's Initiative

In May 2006, in an attempt to stem the share price slump at the DSM, the government announced plans to allow listed companies to buy back their shares. This initiative boosted the sentiments in the market and bounces back the stock market though it was short-lived. In June 2006, the market tanked further and was down by more than 31% since the beginning of the year. With the government having actively encouraged the creation of a shareholding culture through IPOs of state-owned companies such as Industries Qatar and Qatar Gas Transportation Company (Nakilat), government has been under pressure to act. The announcement on share buybacks was an attempt to buoy the market.

To prevent a further drain on liquidity, the planned multi-billion-riyal IPO of Al-Khaleej Bank, initially expected early in the second quarter, has been postponed pending more favourable market conditions. So far, investors' hunger for new stocks has been undiminished by the DSM's correction. IPOs of real estate firm Barwa, Al-Rayyan Bank and Gulf Cement Company closed many times oversubscribed. Qatar Central Bank fuelled investor hunger by waiving a ban on banks' lending towards stock market activities for the most recent IPOs.

Table 41: Stock Market Indicators of DSM

Company	Dividend yield %	P/BV Ratio (Times)	P/E Ratio (Times)	EPS (QR)	Book Value per Share (QR)
Qatar National Bank	2.15	4.49	18.69	14.93	62.19
Qatar Islamic Bank	1.12	6.47	20.33	6.09	19.16
Commercial Bank	2.35	3.04	18.35	6.18	37.26
Doha Bank	0.00	5.66	16.02	7.08	20.04
Al Ahli Bank	0.00	3.80	22.63	4.42	26.32
Qarae International Islamic Bank	0.00	6.16	11.15	13.98	25.32
Al Rayyan Bank	0.00	4.45	N/A	0.09	5.37
First Finance	0.00	3.54	38.76	1.24	13.53
Banks & Financial Inst. Sec.	1.19	4.50	21.06	3.82	17.88
Qatar Insurance Co.	2.87	1.98	15.44	7.53	58.68
Qatar General Insurance & Reinsurance Co.	4.55	2.17	15.34	2.87	20.29
Doha Insurance Co.	1.70	1.75	49.92	2.65	75.63
Al-Khaleej Insurance Co.	0.00	1.92	11.63	9.54	57.81
Qatar Islamic Insurance Co.	0.62	5.62	10.40	11.67	21.60
Insurance Sector	2.14	2.12	15.57	6.92	50.89
Qatar Industrial Manufacturing Co.	0.00	2.65	14.05	3.65	19.36
Qatar National Cement Co.	1.54	2.84	21.61	5.99	45.61
Qatar Flour Mills Co.	1.33	0.41	21.44	1.60	82.81
Industries Qatar	3.88	4.95	13.83	6.52	18.23
United Development Co.	0.00	1.99	18.76	1.93	18.21
Qatar German Medical Co.	0.00	1.77	-	-	9.94
Gulf Cement	0.00	2.41	N/A	N/A	10.00
Industry Sector	3.20	3.92	15.01	4.96	18.99
Qatar Telecommunications	3.58	5.82	16.18	14.69	40.79
Qatar Electricity & Water Co.	3.68	2.29	10.31	7.11	32.05
Qatar Shipping Co.	7.36	1.57	22.11	2.76	38.86
Qatar Real Estate Investment Co.	0.00	1.71	21.00	1.95	23.92
Salam International Investment	4.32	1.28	14.91	1.24	14.42
Ijarah	0.00	1.79	31.07	0.82	14.30
Qatar Navigation Co.	2.44	1.30	22.83	6.23	109.18
Medicare Group	0.00	1.15	-	-	16.65
Qatar Technical Inspection Co.	2.39	3.78	31.82	1.31	11.06
Qatar Cinema & Film Distribution Co.	2.65	2.18	14.92	4.22	28.96
Qatar Fuel Co.	2.97	3.86	9.82	10.30	26.20
Qatar Meat & Livestock Co.	3.50	2.53	*	0.64	5.66
Gulf Warehousing Co.	0.00	2.38	90.77	0.26	9.89
Qatar Gas Transport Co.	0.00	4.05	*	0.08	5.43
Dlala' Brokerage & Investment Holding Co.	0.00	3.83	0.00	0.00	9.38
Barwa	0.00	2.99	0.00	0.69	10.69
Service Sector	2.64	2.77	21.76	2.38	18.75
Market	2.10	3.58	19.23	3.58	19.24

Source: Doha Securities Market, *NA

Outlook

With the drastic fall in the market share valuations have become more reasonable. The market has to fall as the market is not expected to grow at such a rapid pace every year. Presently, the market is currently trading at P/Ex of around 19.2, and book value of 3.6x of its trailing four quarters which is more reasonable level to trade. We believe that in the medium term the nadir lies below the bourse's current level of about 7,600 points. The DSM is still volatile but there are now some very good picks.

We do not expect a significant expansion in the market capitalization in the medium term, though the direction of the DSM would be dictated by the earnings growth in the third quarter of 2006. Also, the interest rates have sharply gone up in 2005 and in 2006, which may suck up some of the liquidity in the system and may put pressure on the valuations, driving them down. We won't be surprised if the markets moved side-ways for the next few months or even see a good downward correction of a few hundreds of points.

With the loss of stock market confidence, we expect that the effects on the broader economy are expected to be limited. The main impact is likely to be a reduction in the demand for luxury goods. The other factor to worry is the potential damage to the asset quality of the local banking sector. However, we believe that the fallout will be manageable in view of the fact that the banking system in Qatar is robust.

16. Corporate Earnings

Most of the companies in Qatar have reported excellent earnings in recent years. The major growth drivers for the corporate earnings have been the low interest rate regime, increased government spending and improved liquidity in the system. The year 2004 witnessed a profit growth of 58% with collective net profits of the listed banks and companies stood at QR7.9bn. Corporates continued their growth momentum in 2005 as well and reported earnings growth of around 44.4% to QR11.4bn. However, the trend noticed here is that though the corporates are reporting stupendous growth, the rate of growth has been declining over the past few years. The rate of growth of earnings declined from 73% in 2003 to 44.4% in 2005.

Corporate earnings grew by 44.4% in FY2005 to QR11.4bn

Banking sector accounted for the highest share in the total profitability of the corporates. Share of the banking sector in the total earnings was 36.9% in 2005 followed by industrial sector with 32.4% and services sector with 25.1%. Insurance sector accounted for the lowest share and contributed a mere 5.6% to the total earnings of the corporates. Qatar National Bank has the dominant share in total earnings of the corporate with a share of around 13.5% in 2005.

The financial results for the first six months of the current year (2006) by most of the companies have not been very encouraging as compared to their previous performance. The collective net profit of the listed companies was QR6.7bn at the end of June 2006. The higher interest rates prevalent since the past few months could have contracted the earnings of corporates.

Outlook

The higher interest rate prevalent in the system might hurt some of the corporates. However, there exists tremendous opportunities as the economy is booming. In addition, with the government's thrust on spending on infrastructure and other civil projects there will certainly be further economic expansion which will drive almost all the economic sectors of the country. This is expected to improve the revenue and profitability of the companies who are most efficient and who can scale up their business model depending on the market conditions.

Table 42: Stock Market Indicators of DSM

	2002	2003	2004	2005	H1'06
Qatar National Bank	580.2	641.1	827.5	1,536.8	1,105.2
Doha Bank	121.0	214.6	365.6	789.9	437.5
Commercial Bank	158.8	248.8	346.8	749.5	443.1
Qatar Islamic Bank	100.9	145.0	298.2	511.3	471.2
Qatar International Islamic Bank	50.6	64.4	83.9	465.6	191.8
Al Ahli Bank	64.2	72.6	82.8	141.6	100.6
Al Rayyan Bank	-	-	-	-	69.1
First Finance	-	-	-	-	26.9
Banking Sector	1,075.7	1,386.5	2,004.8	4,194.7	2,845.6
Qatar Insurance Co.	80.7	98.2	124.1	285.0	163.3
Qatar General Insurance & Reinsurance Co.	36.2	39.8	108.8	104.4	17.7
Doha Insurance Co.	7.0	14.3	27.6	42.2	13.5
Al-Khaleej Insurance Co.	9.6	12.5	28.7	80.5	37.3
Qatar Islamic Insurance Co.	3.3	9.9	27.1	123.3	18.5
Insurance Sector	136.8	174.7	316.3	635.4	250.3
Qatar National Cement Co.	110.5	153.5	170.8	173.8	88.1
Qatar Industrial Manufacturing Co.	41.1	50.0	66.7	101.4	88.1
Qatar Flour Mills Co.	10.7	12.2	12.2	9.9	2.3
Qatar German Medical Co.	3.7	3.2	(5.2)	1.8	(3.3)
Industries Qatar	-	1,128.5	2,498.3	3,217.2	1,579.9
United Development Co.	0.2	9.8	31.7	185.0	101.4
Industry Sector	166.2	1,357.2	2,774.5	3,689.1	1,856.5
Qatar Telecommunications	956.3	1,148.8	1,457.2	1,093.5	825.9
Qatar Electricity & Water Co.	272.0	384.9	751.2	651.7	277.6
Qatar Navigation Co.	127.4	181.4	163.1	286.2	165.1
Qatar Shipping Co.	80.9	187.6	223.1	413.9	122.5
Qatar Real Estate Investment Co.	45.3	53.2	56.2	112.5	69.2
Qatar Cinema & Film Distribution Co.	3.8	4.9	4.4	7.7	3.2
Medicare Group	(0.2)	(1.4)	(10.4)	(53.9)	-
Salam International Investment	19.6	23.7	31.4	-	49.0
WOQOD	-	71.1	90.4	238.5	192.1
Qatar Technical Inspection Co.	(3.6)	2.9	4.6	5.1	3.0
National leasing	-	12.0	9.5	24.0	12.9
Meat & Livestock	-	-	(0.8)	22.6	2.1
Warehousing	-	-	3.0	11.7	(2.0)
Nakilat	-	-	-	45.4	28.4
Service Sector	1,501.5	2,069.1	2,782.9	2,858.9	1,749.1
Market	2,880.2	4,987.5	7,878.5	11,378.1	6,701.5

Source: Doha Securities Market

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