

Macroeconomy

# Qatar: Hydrocarbon sector activity picked up in 2H16, liquidity constraints easing

> Fatema Akashah  
Economist

+965 2259 5352, fatemahakashah@nbk.com

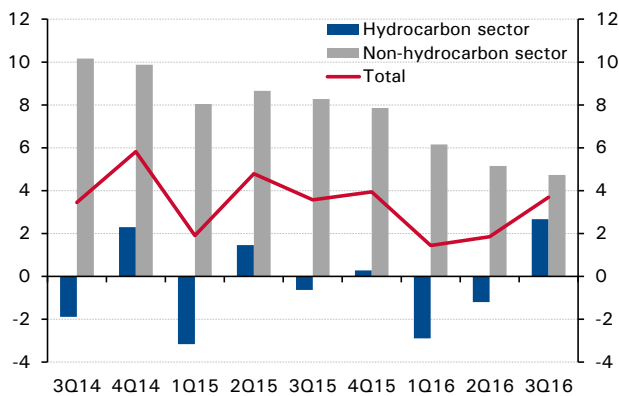
> Omar Al-Nakib  
Senior Economist

+965 2259 5360, omarnakib@nbk.com

- Economic growth rebounded in 3Q16 on strong hydrocarbon growth, driven by higher natural gas production.
- Activity in the projects market was weak in 2016, with the value of contracts awarded down 50% from 2015; project rationalization by the authorities, supply chain bottlenecks were the main reasons.
- Headline inflation continues to moderate (0.8% y/y in Feb), as housing and transport costs remain in deflation territory.
- Qatar's fiscal and current accounts have recorded deficits for 3 consecutive quarters in 2016 due to lower gas receipts.
- Bond issuance has proceeded apace as Qatar looks to finance its budget deficit without tapping its foreign reserves.
- Public sector credit growth recovers, improving overall credit growth to 12% y/y.
- The QE index has trended lower of late due to weaker sentiment and softer oil prices.

Chart 1: Real GDP

(% y/y, 2013 base year)

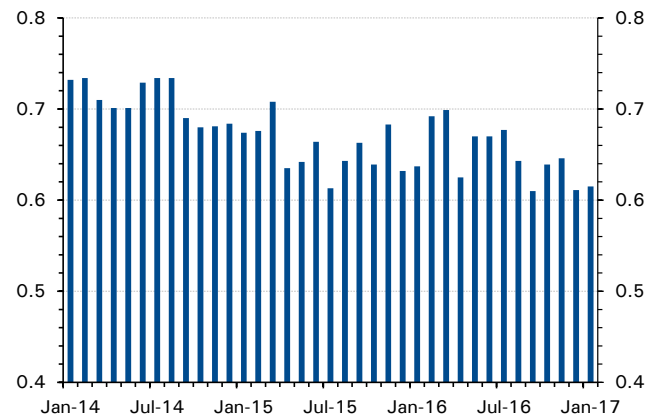


Output expanded by 3.7% y/y in 3Q16 thanks to hydrocarbon sector gains; manufacturing activity is weak, though.

Source: Ministry of Development Planning & Statistics (MDP&S)

Chart 2: Crude oil production

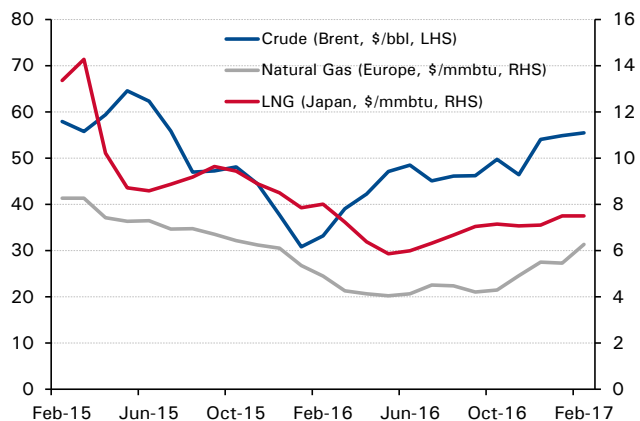
(mb/d)



Crude output has been declining due to maturing oil fields; Qatar agreed to reduce production as part of OPEC agreement.

Source: Joint Organizations Data Initiative (JODI), OPEC

Chart 3: Oil and gas prices

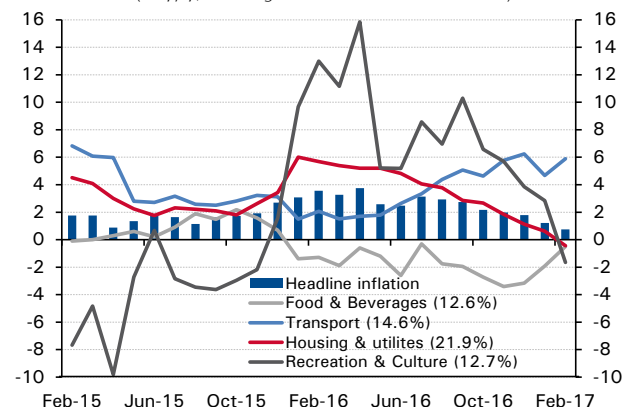


Oil and gas prices recover on OPEC output cuts in Feb, but rebounding US shale production may limit further rises.

Source: World Bank

Chart 4: Consumer price inflation

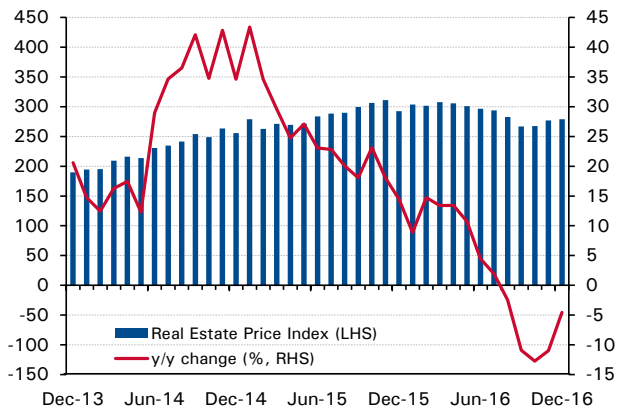
(% y/y; % weight of CPI basket in brackets)



Inflation eased to 0.8% y/y in Feb on moderating housing/rental price inflation and recreation price deflation.

Source: MDP&S

### Chart 5: Real estate price index (REPI)

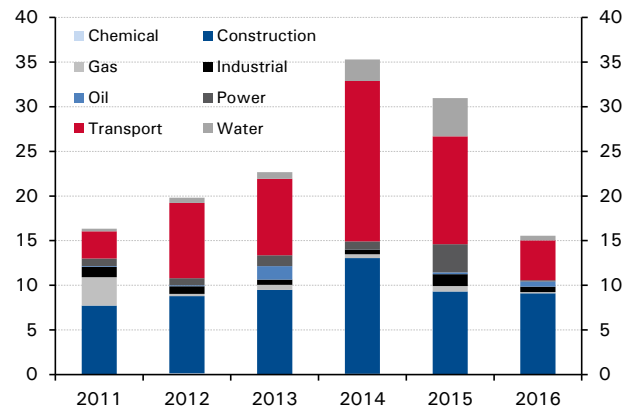


The rate of y/y decline in real estate prices slowed to 4.5% in Dec 2016 after bottoming out in Sept.

Source: Qatar Central Bank (QCB), Qatar Ministry of Justice (MO)

### Chart 6: Projects market

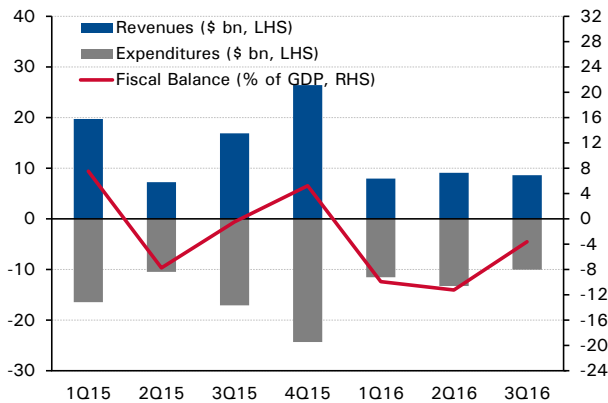
(\$ billion, value of awards for projects entering execution phase)



Contracts awarded (by value) declined by 50% in 2016 due to cutbacks in gov. capex and supply chain bottlenecks.

Source: MEED Projects, NBK

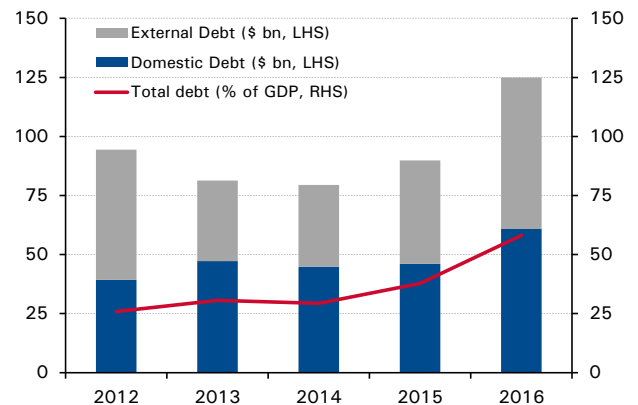
### Chart 7: Fiscal balance



The fiscal deficit narrowed to \$-1.4bn (-3.6% of GDP) in 3Q16 as government expenditures declined by \$473mn.

Source: QCB

### Chart 8: Central government debt (gross)

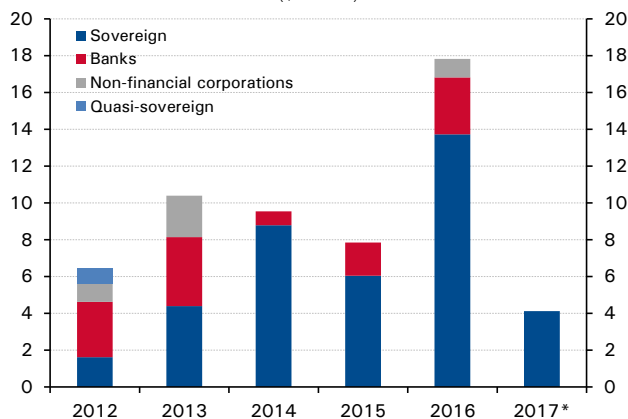


Public debt has risen 3 years in a row as the authorities issued more bonds to finance their spending plans.

Source: QCB

### Chart 9: Bond & sukuk issuances

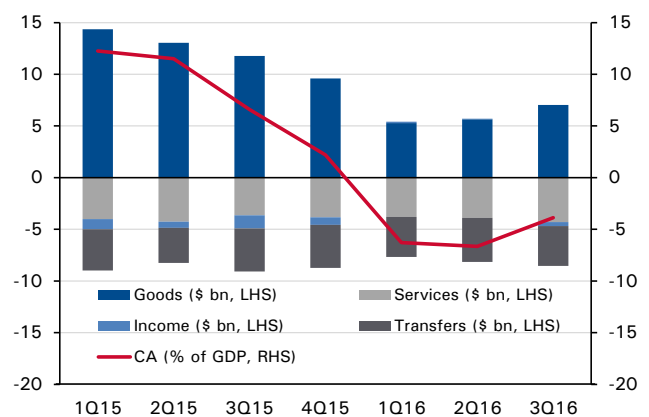
(\$ billion)



Almost \$14bn worth of sovereign debt has been issued in 2016, including a \$9bn USD-denominated bond in May.

Source: QCB, Thomson Reuters Zawiya; \* as of 1 March 2017

### Chart 10: Current account balance (CA)

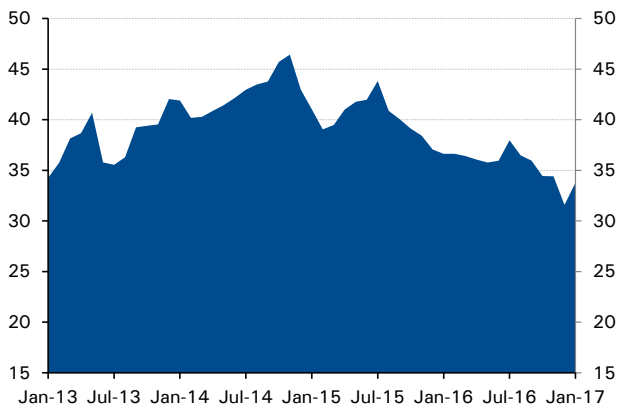


Qatar has posted a CA deficit for 3 quarters in a row (-3.9% of GDP in 3Q16) due to the decline in oil & gas export revenues.

Source: QCB

### Chart 11: Official foreign reserves (net)

(\$ billion)

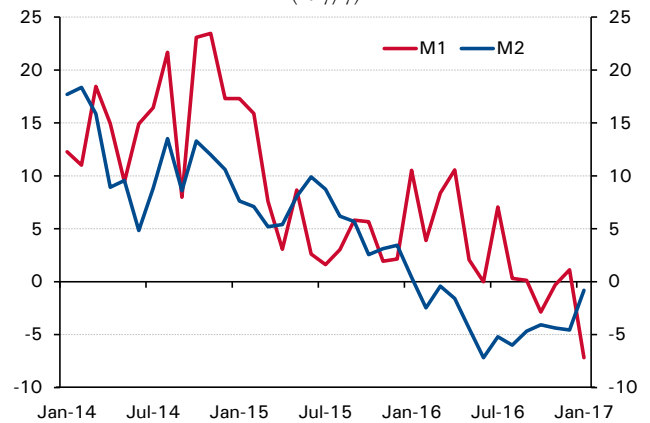


Reserves improved by 7% m/m to \$33.8bn in January, and still provide more than 6 months of import cover.

Source: QCB; Note: excludes the assets of sovereign wealth fund QIA.

### Chart 12: Money Supply

(% y/y)

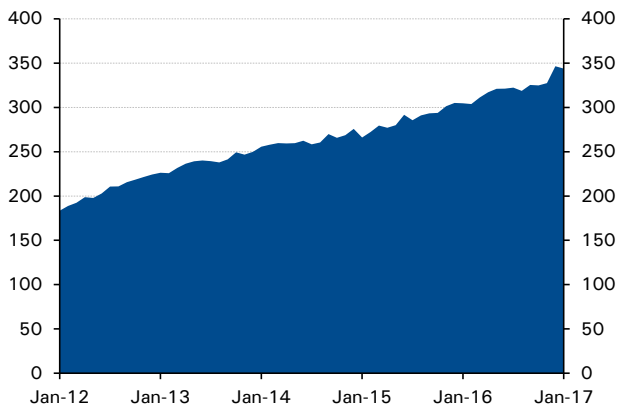


The contraction in broad money supply is easing; liquidity has improved thanks to higher energy prices/oil and gas receipts.

Source: QCB

### Chart 13: Commercial banks' assets

(\$ billion)

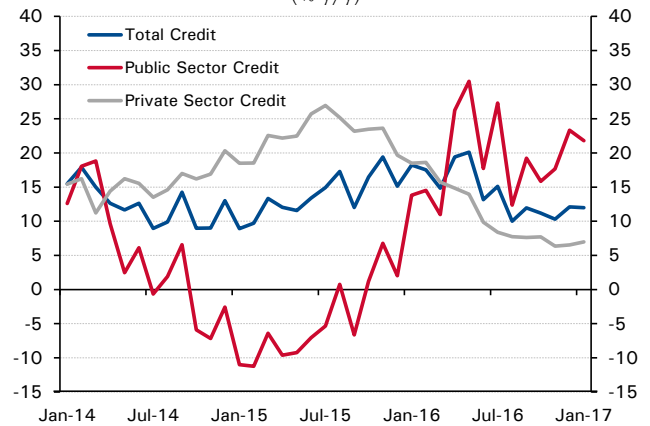


Bank assets reached \$343bn in January (220% of 2016 estimated GDP), driven by improved credit growth.

Source: QCB

### Chart 14: Bank credit

(% y/y)

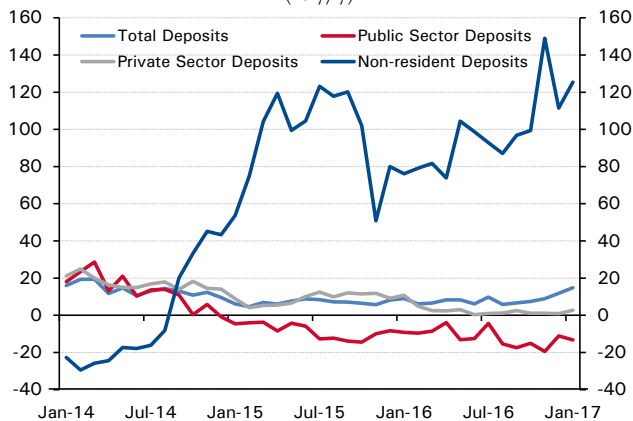


Despite weak private credit growth, total credit growth is steady at 12% y/y thanks to improved public sector activity.

Source: QCB

### Chart 15: Bank deposits

(% y/y)

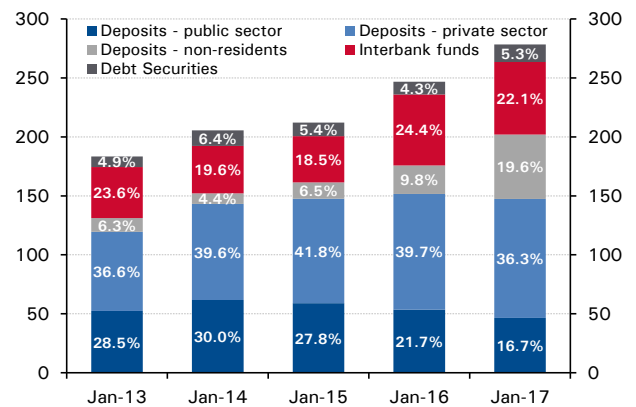


Non-resident deposits continue to rise dramatically, by 120% y/y; public sector deposits are still declining by -13% y/y.

Source: QCB

### Chart 16: Banks' source of funds

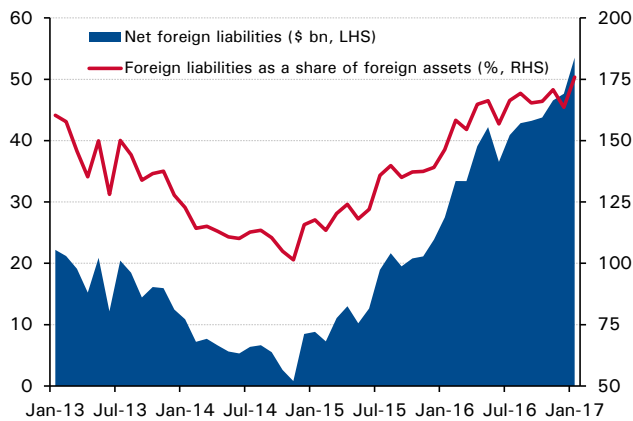
(\$ billion, % of total funds labeled within bars)



Non-resident deposits' share of banks' funds has doubled over the last year; banks are also engaging in more debt-financing.

Source: QCB

**Chart 17: Banks' foreign liabilities**



Foreign liabilities have surged as banks increase their reliance on non-resident deposits and overseas funds.

Source: QCB

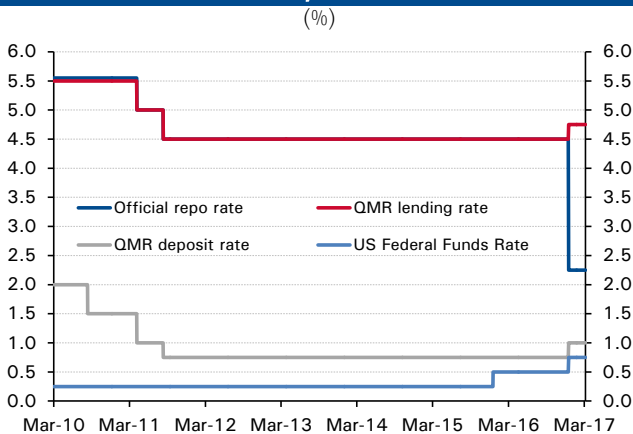
**Chart 18: Interbank rates (QIBOR)**



Rates remain elevated/bank liquidity tight despite a recent pickup in deposits; the QCB canceled its recent bond issuance.

Source: Thomson Reuters Datastream

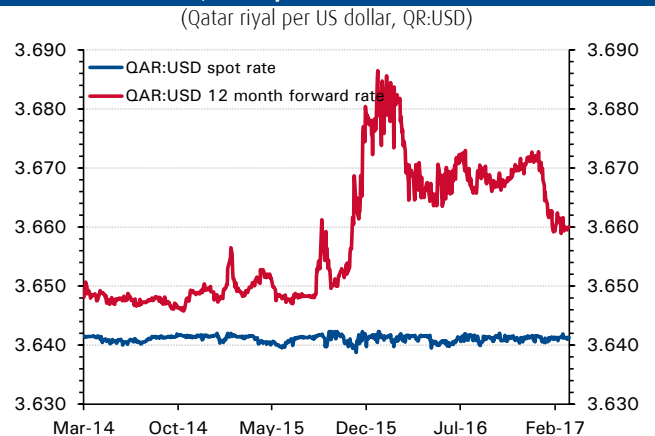
**Chart 19: Key interest rates**



The QCB raised its key lending and deposit rates to 4.75% and 1.00%, respectively, after the Fed's rate hike in Dec 2016.

Source: QCB

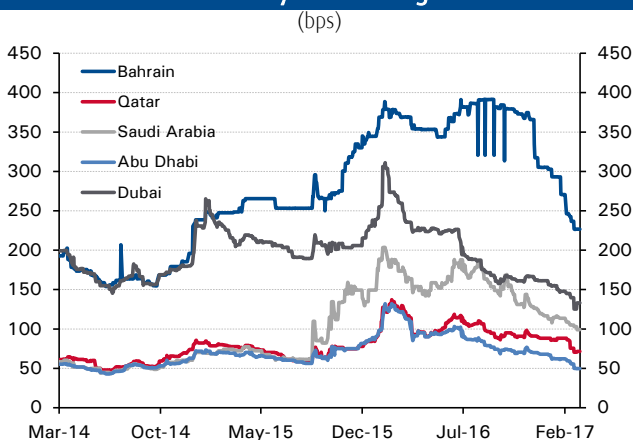
**Chart 20: Qatar riyal 12-month forward rate**



Forward rates have eased from 2016 highs, but concerns remain over Qatar's rising debt levels.

Source: Thomson Reuters Datastream

**Chart 21: 5-year sovereign CDS**



CDS's have eased since June as oil prices firmed and after OPEC indicated it would try to rein in supply.

Source: Thomson Reuters Datastream

**Chart 22: Qatar Exchange Index (QE)**



The QE Index closed at 10,314 on 14 March, down -1.1% ytd on weaker sentiment/lack of catalysts.

Source: Thomson Reuters Datastream

## Head Office

**Kuwait**  
National Bank of Kuwait SAKP  
Abdullah Al-Ahmed Street  
P.O. Box 95, Safat 13001  
Kuwait City, Kuwait  
Tel: +965 2242 2011  
Fax: +965 2259 5804  
Telex: 22043-22451 NATBANK  
[www.nbk.com](http://www.nbk.com)

## International Network

**Bahrain**  
National Bank of Kuwait SAKP  
Zain Branch  
Zain Tower, Building 401, Road 2806  
Seef Area 428, P. O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

National Bank of Kuwait SAKP  
Bahrain Head Office  
GB Corp Tower  
Block 346, Road 4626  
Building 1411  
P.O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

**United Arab Emirates**  
National Bank of Kuwait SAKP  
Dubai Branch  
Latifa Tower, Sheikh Zayed Road  
Next to Crown Plaza  
P.O.Box 9293, Dubai, U.A.E  
Tel: +971 4 3161600  
Fax: +971 4 3888588

National Bank of Kuwait SAKP  
Abu Dhabi Branch  
Sheikh Rashed Bin Saeed  
Al Maktoom, (Old Airport Road)  
P.O.Box 113567, Abu Dhabi, U.A.E  
Tel: +971 2 4199 555  
Fax: +971 2 2222 477

**Saudi Arabia**  
National Bank of Kuwait SAKP  
Jeddah Branch  
Al Khalidiah District,  
Al Mukmal Tower, Jeddah  
P.O Box: 15385 Jeddah 21444  
Kingdom of Saudi Arabia  
Tel: +966 2 603 6300  
Fax: +966 2 603 6318

**Jordan**  
National Bank of Kuwait SAKP  
Amman Branch  
Shareef Abdul Hamid Sharaf St  
P.O. Box 941297, Shmeisani,  
Amman 11194, Jordan  
Tel: +962 6 580 0400  
Fax: +962 6 580 0441

**Lebanon**  
National Bank of Kuwait  
(Lebanon) SAL  
BAC Building, Justinien Street, Sanayeh  
P.O. Box 11-5727, Riad El-Solh  
Beirut 1107 2200, Lebanon  
Tel: +961 1 759700  
Fax: +961 1 747866

**Iraq**  
Credit Bank of Iraq  
Street 9, Building 187  
Sadoon Street, District 102  
P.O. Box 3420, Baghdad, Iraq  
Tel: +964 1 7182198/7191944  
+964 1 7188406/7171673  
Fax: +964 1 7170156

**Egypt**  
National Bank of Kuwait - Egypt  
Plot 155, City Center, First Sector  
5th Settlement, New Cairo  
Egypt  
Tel: +20 2 26149300  
Fax: +20 2 26133978

**United States of America**  
National Bank of Kuwait SAKP  
New York Branch  
299 Park Avenue  
New York, NY 10171  
USA  
Tel: +1 212 303 9800  
Fax: +1 212 319 8269

**United Kingdom**  
National Bank of Kuwait  
(International) Plc  
Head Office  
13 George Street  
London W1U 3QJ  
UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7224 2101

National Bank of Kuwait  
(International) Plc  
Portman Square Branch  
7 Portman Square  
London W1H 6NA, UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7486 3877

**France**  
National Bank of Kuwait  
(International) Plc  
Paris Branch  
90 Avenue des Champs-Elysees  
75008 Paris  
France  
Tel: +33 1 5659 8600  
Fax: +33 1 5659 8623

**Singapore**  
National Bank of Kuwait SAKP  
Singapore Branch  
9 Raffles Place # 44-01  
Republic Plaza  
Singapore 048619  
Tel: +65 6222 5348  
Fax: +65 6224 5438

**China**  
National Bank of Kuwait SAKP  
Shanghai Representative Office  
Suite 1003, 10th Floor, Azia Center  
1233 Lujiazui Ring Road  
Shanghai 200120, China  
Tel: +86 21 6888 1092  
Fax: +86 21 5047 1011

## NBK Capital

**Kuwait**  
NBK Capital  
38th Floor, Arraya II Building, Block 6  
Shuhada'a street, Sharq  
PO Box 4950, Safat, 13050  
Kuwait  
Tel: +965 2224 6900  
Fax: +965 2224 6904 / 5

**United Arab Emirates**  
NBK Capital Limited - UAE  
Precinct Building 3, Office 404  
Dubai International Financial Center  
Sheikh Zayed Road  
P.O. Box 506506, Dubai  
UAE  
Tel: +971 4 365 2800  
Fax: +971 4 365 2805

## Associates

**Turkey**  
Turkish Bank  
Valikonagl CAD. 7  
Nisantasi, P.O. Box. 34371  
Istanbul, Turkey  
Tel: +90 212 373 6373  
Fax: +90 212 225 0353