



الأمانة العامة للتخطيط التنموي
General Secretariat for Development Planning

Economic News Highlights

(Covering major economic news from 25 Oct to 05 Nov 2009)

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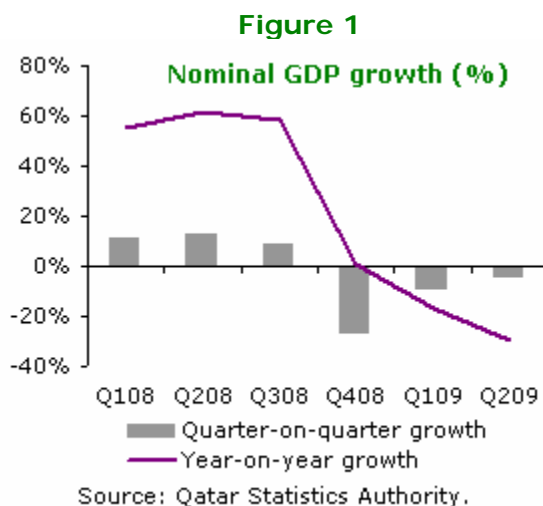


On Qatar

Q2 nominal GDP growth declines

“Provisional estimates of nominal GDP for Q2 2009 recorded a quarterly decrease of 4.3%. GDP declined by 29.7% when compared to the second quarter of 2008. The highlights for the second quarter of 2009 were: (1) the average price of crude oil rose from \$44 per barrel to \$60 per barrel and production remained virtually unchanged; (2) LNG prices declined by an overall 31% in line with international pressures on the LNG industry as a result of the 2008 financial crisis; (3) Oil price recovery offset the decline through raised prices for condensates; (4) manufacturing declined 4.7%, again due largely to the effects of the 2008 financial crisis; (5) electricity generation increased significantly—15.6% (quarter-on-quarter)—due to demand from major projects; and (6) construction activity continued its growth with the sector recording a 2.6% (q-o-q) increase due to the ongoing investment in Qatar in major projects.”
(QSA press release, 8 Nov)

Figure 1 shows the decreasing trend in nominal GDP growth since second half of 2008.



Investment law amended

“Qatar has fully thrown open three sectors to foreign investors. An amendment to the investment law for non-Qataris by the Council of Ministers allows foreign investors to hold 100% stake in consultative and technical work services, the information and technology sector, and distribution services. The amendment also empowers the respective ministers to relax the law on foreign investment in nine key sectors including agriculture, industry, health, education, tourism and natural resources’ development. However, the amendment prohibits non-Qataris from investing in the banking and insurance sectors. But it authorizes the Council of Ministers to look into in some exceptional cases. The foreign investment will be allowed in compliance with the country’s National Development Strategy.”
(*The Peninsula*, 31 Oct)

Consumer protection law to be amended

“Qatar’s consumer protection law, which was issued last year, will be amended to enable the Ministry of Business and Trade to intervene in time of crises or when goods



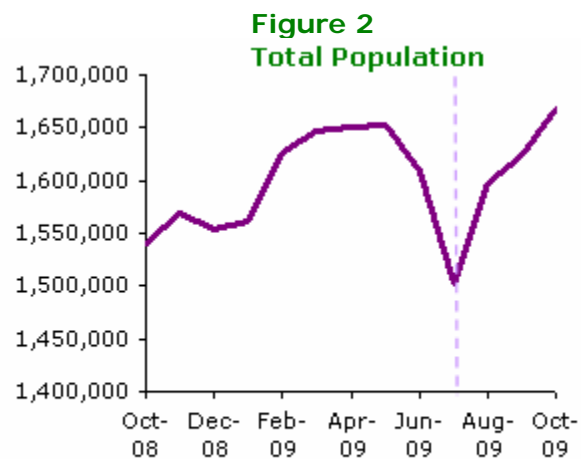
prices soar to unjustified levels, said Sheikh Jassim bin Jabor al-Thani, the head of the Consumer Protection Department (CPD) at the Ministry of Business and Trade. The proposed changes to the law will empower the CPD to curb the sudden price hikes. Sheikh Jassim added that cabinet had earlier approved the formation of a committee that will be in charge of keeping prices hike under check." (*Gulf Times*, 5 Nov)

Lower corporate tax rate for foreign companies planned

"Qatar plans to slash corporate tax on foreign companies to a flat 10% starting next year as part of efforts to attract more foreign investments. "There is a (new) tax bill and once promulgated it will bring down the (tax) rate to 10%. It would be implemented as of 2010," Finance Minister HE Yousef Hussein Kamal said. At present, Qatar's corporate tax rate has seven brackets: incomes up to QR100,000 having no tax; QR101,000-500,000 (10%); QR501,000 to less than QR1mn (15%); QR1mn-1.5mn (20%); QR1.5mn-QR2.5mn (25%); QR2.5mn-QR5mn (30%); and, over QR5mn (35%). (*Gulf Times*, 5 Nov)

Total population increasing

The Ministry of Interior reported monthly preliminary figures on total population as of 31 October 2009. At end October, Qatar's population is estimated at 1.67 million persons, up from September's figure of 1.62 million and surpassing the peak of 1.65 million reached in May. Total population has been on an uptrend since July (**Figure 2**).



Source: QSA.

Qatar's IMD ranks high in quality of life criterion

The quality of life ranking in the World Competitiveness Yearbook (WCY) shows that Qatar is among the top 20, placing 17th among 57 economies. The World Competitiveness Yearbook (WCY), published by the Institute for Development Management (IMD), analyzes and ranks the ability of economies to create and maintain an environment that sustains the competitiveness of enterprises. Evaluations are made on the national environment of a participating country, which are divided into four main factors: (1) economic performance; (2) government efficiency; (3) business efficiency; and (4) infrastructure. Each factor is further subdivided into sub-factors, measured by more than 300 criteria which highlight every facet of the national environment. (*IMD's World Competitiveness Center*)

To view the quality of life ranking, visit the link:

<http://www.imd.ch/uupload/dm/images/WCY/Quality%20of%20life.pdf>.

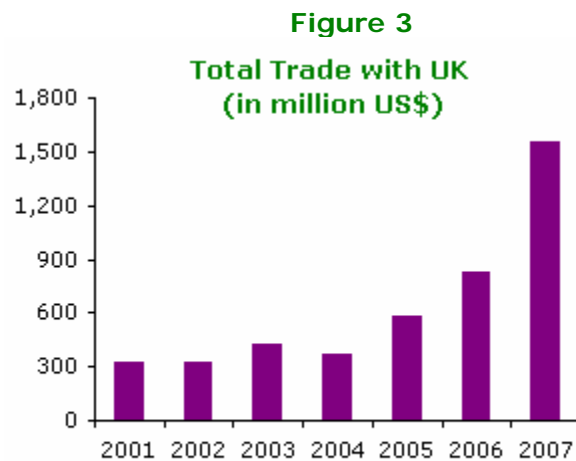


Bilateral trade relations strengthen

"HE the Minister of State for International Co-operation and Acting Minister of Business and Trade Dr Khalid bin Mohamed al-Attiyah and Prince Andrew, the Duke of York and UK's Special Representative for International Trade and Investment, signed an agreement to protect investments between Qatar and the United Kingdom. The signing of the agreement is a bid to encourage investments and protect projects between the two countries. The agreement supports the investments in both countries especially in the sectors of oil and gas." (*Gulf Times, 28 Oct*)

"A round of official talks was held at the Emiri Diwan yesterday between HH the Emir Sheikh Hamad bin Khalifa al-Thani and President Mikhail Saakashvili of Georgia. Following the talks, HH the Emir and President Saakashvili attended the signing of an agreement between the governments of Qatar and Georgia on visa exemption for holders of diplomatic passports and private passports." (*Gulf Times, 5 Nov*)

Figure 3 shows Qatar's total trade (exports plus imports) with UK has been increasing in recent years, reaching about US\$1.6 billion in 2007. (There is currently no trade data on Georgia.)



Source: IMF Directions of Trade.

The Region

Regional debt issuance increases

"New debt issuances in the GCC touched US\$36.9 billion by end-3Q09, a 64% rise over 2008. Conventional debt instruments accounted for 87% of the total. The 128% rise in conventional issues until 3Q09 is in stark contrast to the 25% fall the segment experienced in 2008. GCC sovereigns led this recovery by raising US\$20 billion worth conventional debt during 1Q09–3Q09, a bulk of it coming from Dubai (US\$10 billion), Abu Dhabi (US\$3 billion) and Qatar (US\$3 billion). Sukuk markets, by contrast, remain subdued this year, mainly due to a fall in issuances in the UAE, whose share in total GCC sukuk issuances fell from 63% in 2008 to a mere 9% this year. The region experienced a 44% fall in sukuk issuances this year until 3Q09 despite Saudi Electric



Company's USD1.86bn issue, the largest in the world." (*Gulfbase from NCB Capital GCC Debt Market Tracker report, 3 Nov*)

Saudi policy rate kept steady

"The Saudi Central Bank kept interest rates unchanged in the third quarter, viewing a further rate cut as unlikely to spur lending while a rate hike was unnecessary given tepid inflation. The Saudi Arabian Monetary Agency (SAMA) said it held its main rate at 2% because of declining inflation and a need to support lending in the banking sector hit by debt restructuring concerns in family firms. The reverse repo rate stayed at 0.25%. The bank does not announce interest rate changes publicly, but communicates them directly to commercial banks in the kingdom. It has slashed its benchmark lending rate by 200 basis points over the past year as an oil price collapse sent the top Arab economy into a downturn and inflation fell from record highs." (*The Peninsula, 3 Nov*)

Global Environment

US policy rate unchanged

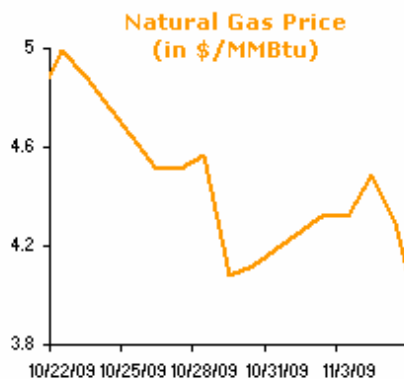
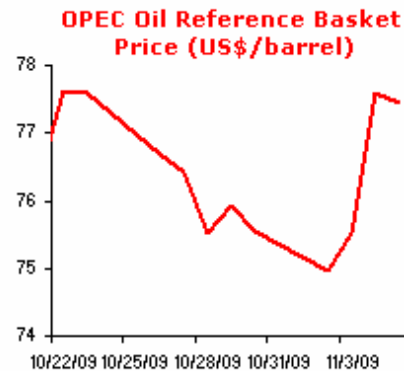
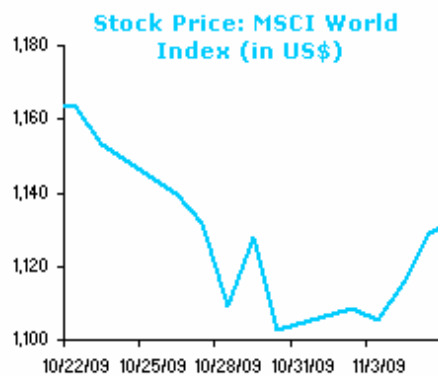
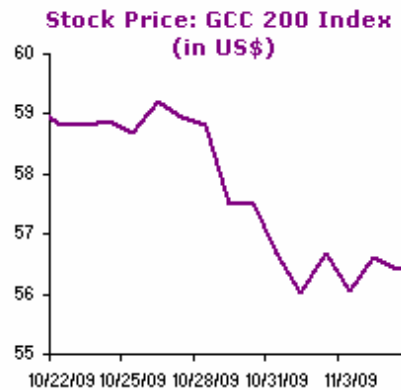
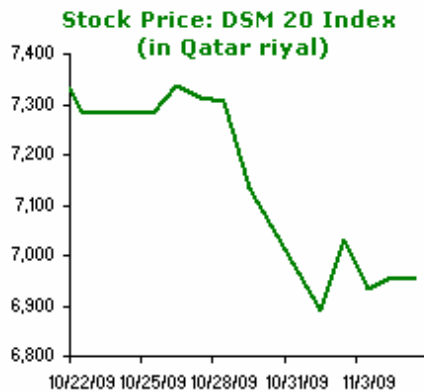
"Information received since the Federal Open Market Committee met in September suggests that economic activity has continued to pick up. In these circumstances, the Federal Reserve will continue to employ a wide range of tools to promote economic recovery and to preserve price stability. The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period." (*FOMC press release, 4 Nov*)

Japan's retail sales recover

"Japan's retail sales fell less than forecast in September, adding to signs that consumers may be becoming confident about the resilience of the recovery. Sales slid 1.4% from a year earlier, the Trade Ministry said. It is the smallest drop in 10 months." (*Bloomberg, 28 Oct*)



Market Movements



Notes:

¹ **DSM 20 Index** is a capitalization weighted index of the 20 most highly capitalized companies traded on the Qatar Exchange (formerly Doha Securities Market).

² **Bloomberg GCC 200 Index** is a capitalization weighted index of the top 200 equities in the GCC region based on market capitalization and liquidity.

³ **MSCI World Index** is free-float weighted equity index of developed markets.

⁴ **OPEC Oil Reference Basket Price** is the price of twelve crudes, namely: Saharan Blend (Algeria), Girassol (Angola), Oriente (Ecuador), Iran Heavy (Islamic Republic of Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (Libya), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (UAE) and Merey (Venezuela).

⁵ **Henry Hub Spot price** is used as the benchmark price for the natural gas market.

Sources:

Bloomberg LP and OPEC websites.

The performance of the local stock price index was generally subdued during last two weeks ending 5 November. Risk reduction and broad profit taking in other equity markets—both in advanced and emerging—fed into the domestic market. The same downward trends in the benchmark regional and advanced market stock indexes illustrate this point, albeit, the latter ending on an uptrend in the last week. Oil prices remained on the rise, averaging US\$76 a barrel during the last two weeks. There was a reversal in the price trend for natural gas as news reports indicate (abstracting from a soon-to-be released report by the International Energy Agency) that the world faces a natural gas glut that will cool prices.