QATAR CENTRAL BANK

Department of Economic Policies

Twenty Seventh Annual Report

2003

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In the name of God
The Most Merciful,
The Most Compassionate

Preface

I have the pleasure to present Qatar Central Bank's (QCB) Twenty Seventh Annual Report on the performance of Qatars' economy in general and its banking sector in particular, during 2003.

The year 2003 has been a prolongation of the strong performance of the Qatari economy over the previous five years. Although the realized nominal growth rate in 2003 has been moderate at 3.6%, it has complemented the very strong annual growth rate of 15.8% over the period 1999-2003. Per capita income over this period has steadily increased to stand among the highest in the world. The current account has recorded a surplus in 2003 for the fifth consecutive year where its surplus ratio to GDP amounted to 27.2% in 2003. Likewise, the state budget has recorded a surplus for the fourth year in a row.

On the monetary policy front, QCB pursued its general policy in stabilizing the value of the Qatari Riyal and increased its currency reserve by 271.8% in 2003. Thus, its capital and reserve balance rose to QR 5324.6 million. The inflation rate though increased to 2.3% in 2003, the highest-level since 1999, is still considered among the lowest worldwide.

QCB has pursued its keen efforts to maintain the soundness and stability of the banking system, which witnessed high growth rates and profit during 2003, via the application of prudent regulations and policies and the implementation of banking supervision according to the highest international standards.

This report addresses these developments in five major parts; the first of which contains the financial accounts of QCB and its external auditor report of the year 2003. Other parts of the report address the key economic indicators; GDP, CPI, public finance, labor force, foreign trade, balance of payments, monetary policy, banking sector, and Doha Securities Market.

QCB is honored to pay great thanks with highest respect to his highness the Amir, His Highness the Heir Apparent and His Highness the Prime Minister for their extended support to QCB.

QCB thanks all government agencies, banks, and financial companies in the State of Qatar, in appreciation for their contributions to the issuance of this report.

Governor

Abdullah Bin Khalid Al-Attiah

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QATAR CENTRAL BANK

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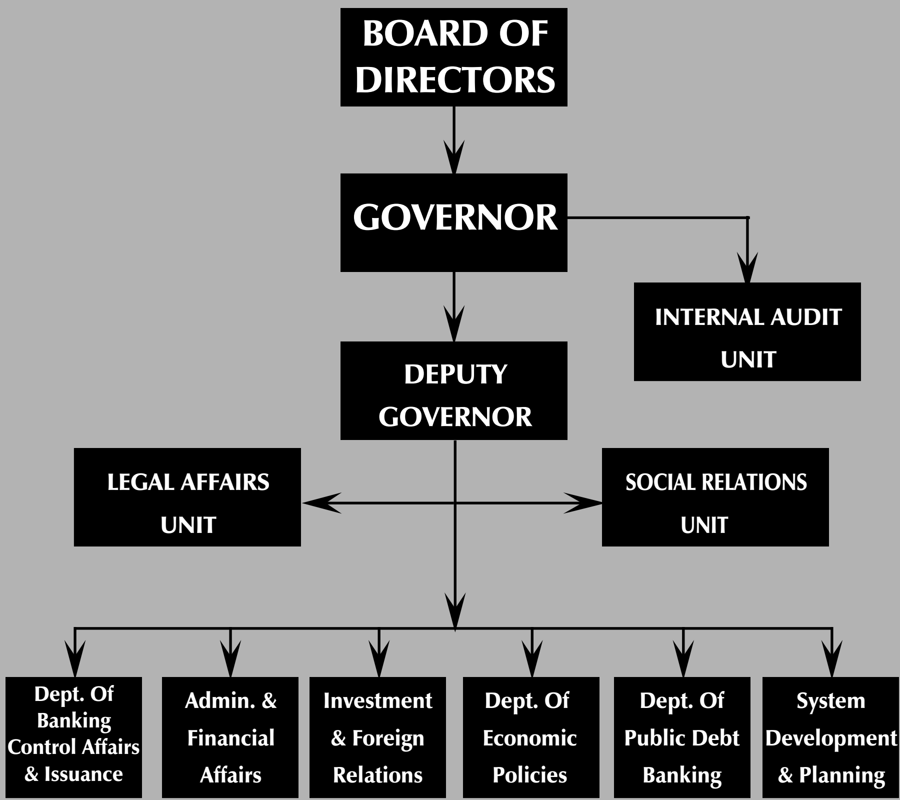


QATAR CENTRAL BANK

QCB Objective:

To establish a monetary and banking system to achieve the QCB goals.

QCB Goals:

1- Securing stability of the Qatari riyal exchange rate and its free convertibility to other foreign currencies.

2- Securing stability of the domestic price levels.

3- Securing financial stability.

4- Contributing to achieve other macroeconomic targets conditional on the above QCB goals.

QCB Functions:

1- To manage and carry out operations associated with the conduct of the exchange rate policy.

2- The making of, implementing, following up and evaluating the conduct of monetary policy.

3- Exercise the privilege of issuance and circulation of the domestic currency.

4-To supervise and control banks, exchange houses, investment companies and financial units.

5- To manage pubic debt of bonds and treasuries inside Qatar.

6- To contribute to policies of financial stability.

7- Act as a bank for all the banks operating in the State.

8- Maintain and employ the reserved funds.

9- Organize and manage bank clearing operations.

10- Conduct studies and research work related to domestic as well as to world economy.

11- Extend economic advice to the government.

12- Promote the development of the banking system.

13- Promote the development of the financial markets and contribute to enhance their efficiency.

14- Any other functions falling within its responsibilities.

REPORT OF THE AUDITORS

To

H.H. The Governor

Qatar Central Bank

Doha

State of Qatar

We have audited the accompanying financial statements of the Qatar Central Bank set out on pages 6 to 8 as of and for the year ended 31 December 2002.

Respective responsibilities of the bank's management and auditors

These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with international Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Qatar Central Bank as at 31 December 2002, and the results of its operations and its cash flows for the year then ended in accordance with the Decree Law No. (15) of 1993.

Other matters

In addition, in our opinion, the Bank has maintained proper books of account and the financial statements are in agreement therewith. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

A.Hakim Al Adharmy

KPMG Peat Marwick

Qatar Auditors' Registry No. 105

QATAR CENTRAL BANK

Balance Sheet on December 31st 2002 and December 31st 2003

(QR Thousands)

Assets	2003	2002
Current & Call Accounts	14664	14517
Cash & Placements with Banks	102596	32367
Deposits with Banks	1680077	798693
Investment Securities	8133009	4123619
Gold	28902	24331
Other Assets	163514	176581
SDR Deposit with IMF	121696	102604
State's Share in IMF	356720	326364
State's Share in AMF	162268	148460
State's Share in IBCD	3188	3249
Fixed Assets (net)	72865	76199
Ministry of Finance: Current Account	15975	135145
Total Assets	**10855474**	**5962129**

Liabilities		
Due to Banks	1997019	1732601
Currency in Circulation	2600231	2266619
Provision for diminution in the Value of Investment	16370	1800
Foreign Currencies Revaluation Reserve	791039	294311
Gold Revaluation Reserve	9691	5120
IMF: Current Account	4369	4369
AMF: Current Account	3245	2969
SDR Value Provision - IMF	69351	63450
Other Liabilities	39705	32130
Total Liabilities	**5531020**	**4403369**
Capital	1000000	1000000
General Reserves	4324454	558760
Capital and Reserves	**5324454**	**1558760**
Total Liabilities, Capital and Reserves	**10855474**	**5962129**

QATAR CENTRAL BANK

Balance Sheet for the Fiscal Years Ending
31st of December 2002 and 31st of December 2003

(QR Thousands)

Income	**2003**	**2002**
Interest Received	227161	174661
Other Income	47516	29480
Restored Investment Value Provision	-	6852
Total Revenues	**274,677**	**210993**
Expenses		
Cost of Repos' Operations	(121)	(237)
Managerial and General Expenses	(112,452)	(62504)
Investment Securities Provision	(14,570)	
Provisions for Doubtfull Placement	(21,840)	(21840)
Total Expenses	**(148,983)**	**(84581)**
Year's Net Allocatable Profits	**125694**	**126412**
Allocations	125694	126412
Transferred To The General Reserve	125694	126412

QATAR CENTRAL BANK

Statement of Cash Flows
For the Year Ended 31 December 2003

(QR Thousands)

	2003	2002
Cash flows from operating activities		
Net profit as per profit and loss account before adjustments	125,694	126,412
Adjustment for :		
Provision for diminution in the value of investment securities	14570	(6,852)
Deprecitation	4,252	4,398
Provision for doubtful placements	21,840	21,840
Gain on sale of fixed assets	(153)	(54)
Amortisation	-	2,766
Cost of printing currency	43,385	-
Operating profit before changes in operating assets and liabilities	**209.588**	**148,510**
Decrease / (increase) in operating assets:		
(Increase) in placements with banks.	(151,815)	(267,327)
(Increase) in investment securities	(4,009,390)	(789,582)
(Increase) /decrease in other assets	2,516	(115,749)
Decrease/ (increase) in balaces with IMF	(49,447)	35,279
Decrease/ (increase) in IBCD	61	
(Increase)/decrease in balance with AMF	(13,808)	(11,225)
(Increase) in Ministry of Finance account	119,170	(11,498)
Increase/ (decrease) in operating liabilities:		
Increase in due to banks	201,681	100,885
Increase in currency issued	333,612	218,502
Increase/(decrease) in foreign currency revaluation reserve	496,728	173,517
Increase/(decrease) in IMF balance	-	654
Increase/(decrease) in AMF balance	276	224
Increase/(decrease) allocation of SDRs	5,902	4,798
(Decrease) in Ministry of Finance account	-	(114,266)
Transfer from Minestry of Finance	3,640,000	-
Increase/ (decrease) in other liabilities	7,574	17,673
Net cash (used in) / from operating activites	**792,648**	**(616,457)**
Cash flows from investing activities		
Payments to acquire Property and equipment	(2,726)	(6,861)
Proceeds from sale of fixed assets	1,960	181
Currency printing cost incurred	(32,864)	(5,868)
Net cash used on investing activities	**(33,600)**	**(12,548)**
Net (decrease)/ increase in cash and cash equivalents	759,048	(629,005)
Cash and cash equivalents at beginning of the year	(15,329)	613,676
Cash and cash equivalents at end of the year (note 25)	**743,719**	**(15,329)**

Part Two

The Economic Report

Chapter One

DOMESTIC ECONOMY

- GROSS DOMESTIC PRODUCT
- PRICE LEVELS
- LABOR FORCE
- PUBLIC FINANCE

GROSS DOMESTIC PRODUCT

Gross Domestic Product (GDP) at current prices, increased in 2003 by 3.6%, or about QR 2618 million, to reach to QR 74351 million. GDP increase was a result of notable increases by 5.2% in the product of oil and gas sector and a modest increase by 1.7% in the product of other sectors as shown in table no. (1).

1- Oil & Gas Sector

The realized GDP growth in the oil and gas sector in 2003 can be attributed to the rise in both oil prices and the produced quantities of oil and gas. Qatar Land crude price increased by 13.6% to reach to $ 28.05 per barrel in average, compared with $24,69 per barrel in 2002, whereas, the price of LNG exported to Chobo in Japan decreased by 10.1% to reach $ 4.69 per million Btu.

Meanwhile, the production of crude oil increased by 3.8% in 2003 to reach 720.5 thousand barrels per day, compared with 694 thousand b/d in 2002. The production of LNG increased by 5.7% from 14.34 million tons in 2002 to 15.16 million ton in 2003. In the same time, 128 thousand b/d of the condensate has been produced in 2003, compared with 148.4 thousand b/d in 2002. Accordingly, the product of oil and gas sector in 2003 increased by 5.2% or QR 2100 million to reach to QR 42817 million compared with QR 40717 million in 2002. Consequently, the relative importance of this sector in terms of the GDP increased from 56.8% in 2002 to reach 57.6% in 2003. It is worth mentioning that the annual rate of growth in the oil and gas sector product has averaged 31.6% over the 1999-2003 period. The corollary of such high growth rate had been the increase of its relative share in the GDP from 45.8% in 1999 to 57.6% in 2003.

Box (1)
Oil Prices During 2003

Several factors have led to increases in the prices of oil during 2003, as compared to their levels at the end of 2002. The main factor was the stoppage of Iraqi oil production entirely for several months before returning back partially up to the end of the year. Second factor was the increase in world oil demand, especially in USA and China due to economic growth; to reach to 78 million b/d. Third factor was the decline of oil reserve in USA to their lowest level in 27 years. The price of the OPEC basket increased in 2003 to $30.45 compared with $24.32 p/b in 2002, an increase of 25.2%.

The Average Price for OPEC Crude's Basket during The Period 1999-2003

Year	$ Per Barrel
1999	17.47
2000	27.60
2001	23.12
2002	24.32
2003	30.45

Source: OPEC Annual Statistical Bulletin.

2- Non-Oil Sectors:

The GDP of the non-oil sectors witnessed a moderate increase by 1.7% in 2003. Developments in the individual sectors are briefly addressed in what follows:

A. The services sector came second to the oil & gas sector in terms of its share in the GDP. It comprises of government services, social services and household services. It contributed the sum of QR 9336 million and 12.6% of the GDP, while the rate of growth was 2.5% during 2003.

B. The finance, insurance and real estate occupied the third rank in terms of its share in the GDP, where its product reached to QR 5748, as this sector grew by 0.4% in 2003 with an annual average of 5.1% during the period from 1999-2003, and its relative importance in the GDP decreased from 10.3% in 1999 to 7.5% in 2003.

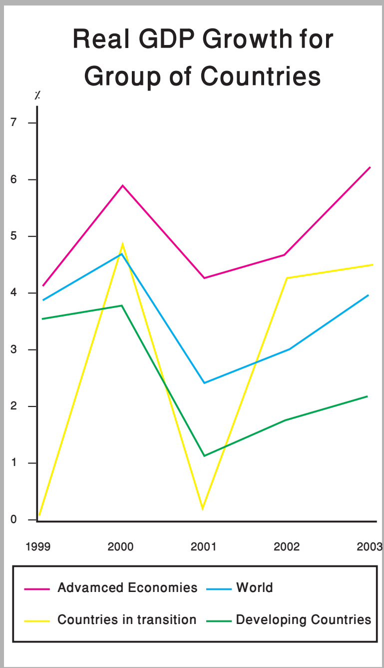
C. The manufactured industries ranked forth in terms of its share in GDP. The importance of this sector increased from 6.4% in 1999 to 6.9 in 2003. The sector product grew by 0.5% in 2003 and by 12.3% per year in the previous five years to reach QR 5100 million

D. The trade, restaurants and hotels sector came fifth in terms of its share in GDP. The sector contributed the sum of QR 4030 million in GDP, with a 3.8% rate of growth in 2003. However, it is noted that the relative importance of this sector decreased from 7.4% in 1999 to 5.4% in 2003 despite an annual growth of 5.2% recorded during the above-mentioned period.

E. The construction sector occupied the sixth rank in the GDP

Box (2)
World Economic Growth

World economy recorded a 3.9% rate of real growth in 2003 compared with 3.0% in 2002 and 2.4% in 2001. The USA economy grew by 3.1% compared with 2.2% in 2002. The economy of Japan reversed its trend and grew by 2.7% in 2003 compared with –0.3% in 2002. The Euro zone economy continued it's slowing growth for the fourth year consecutively and grew in 2003 by 0.4%, compared with 0.9% in 2002 and 1.6% in 2001. The Developing countries as a whole realized an average rate of economic growth of 6.1% in 2003, compared with 4.6% in 2002. The other regional groups in Asia, Africa, South America and the Middle East recorded notable increases in their rates of economic growth as show in the table below.



World Real GDP Growth Rates (1999-2003)

(%)

State	1999	2000	2001	2002	2003
World	3.7	4.7	2.4	3.0	3.9
Advanced Economies	3.5	3.8	1.1	1.7	2.1
USA	4.4	3.7	0.5	2.2	3.1
Japan	0.2	2.8	0.4	-0.3	2.7
Euro Zone	2.8	3.5	1.6	0.9	0.4
Developing Countries	4.0	5.9	4.1	4.6	6.1
Africa	2.7	3.0	3.8	3.5	4.1
Asia	6.2	6.7	5.6	6.4	7.8
The Middle East	2.1	5.9	4.3	4.2	5.4
Western Hemisphere	0.4	3.9	0.4	-0.1	1.7
Converted Economies	0.4	4.8	0.3	4.4	4.5
Middle and Eastern Europe	6.3	10.0	5.1	4.7	7.3
Russia	5.1	9.1	6.4	5.1	7.6
Commonwealth Independent States					

Source: IMF, World Economic Outlook, April 2004.

with a total product of QR 3600 million. The sector product grew slightly by 0.2% in the year 2003, but grew by 6.8% in average of the 1999-2003 period. Its relative importance in GDP decreased from 5.3% in 1999 to 4.8% in 2003.

F. The transport and communication sector occupied the seventh rank in terms of the GDP as its product reached Q.R 2540 million, achieving 2 % rate of growth in 2003. However, the growth average of this sector reached to 6.4% per year for the period 1999-2003, while its relative importance decreased from 4.2% in 1999 to 3.4 % in the year 2003.

G. The electricity and water sector ranked the eighth with a product value of Q.R 980 million accounting 1.3 % of the GDP in 2003. The product of this sector grew in average by 10.4 % per year for the period 1999-2003.

H. The agriculture and fishing sector came last with a product of QR200 million. The sector product grew by 10.5% in 2003, but it declined by 4.0% in average the period 1999-2003.

Table (1)

Gross Domestic Product by Economic Sectors (1999-2003)

(Value in QR Million)

Economic Sectors	1999			2000			2001			2002			2003			Aver. Ann. Rate of Change 1999 - 2003
	Value	Rel. Import.	Rate of Change	Value	Rel. Import.	Rate of Change	Value	Rel. Import.	Rate of Change	Value	Rel. Import.	Rate of Change	Value	Rel. Import.	Rate of Change	
1- Oil and Gas Sector	**20644**	**45.8**	**58.7**	**39065**	**60.4**	**89.2**	**36812**	**57.0**	**-5.8**	**40717**	**56.8**	**10.6**	**42817**	**57.6**	**5.2**	**31.6**
2-Non-Oil Sectors	**24467**	**54.2**	**0.6**	**25581**	**39.6**	**4.6**	**27767**	**43.0**	**8.5**	**31016**	**43.2**	**11.7**	**31534**	**42.4**	**1.7**	**5.4**
Agriculture & Fishing	263	0.6	2.7	241	0.4	-8.4	240	0.4	-0.4	181	0.3	-24.6	200	0.3	10.5	-4.0
Manufacturing	2869	6.4	-2.3	3515	5.4	22.5	3909	6.1	11.2	5075	7.1	29.8	5100	6.9	0.5	12.3
Electricity & Water	730	1.6	19.5	780	1.2	6.8	975	1.5	25.0	966	1.3	-0.9	980	1.3	1.4	10.4
Building & Construction	2409	5.3	-11.5	2330	3.6	-3.3	2938	4.5	26.1	3593	5.0	22.3	3600	4.8	0.2	6.8
Trade, Restaurants & Hotels	3339	7.4	5.6	3750	5.8	12.3	3.918	6.1	4.5	3882	5.4	-0.9	4030	5.4	3.8	5.1
Transports & Communications	1909	4.2	2.2	2006	3.1	5.1	2223	3.4	10.8	2489	3.5	12.0	2540	3.4	2.0	6.4
Finance, Insurance& Real Estate	4627	10.3	2.7	4703	7.3	1.6	5116	7.9	8.8	5723	8.0	11.9	5748	7.5	0.4	5.1
Other Services	8321	18.4	0.7	8256	12.8	-0.8	8448	13.1	2.3	9107	12.7	7.8	9336	12.6	2.5	2.5
TOTAL	**45111**	**100**	**20.8**	**64646**	**100**	**43.3**	**64579**	**100**	**-0.1**	**71.733**	**100**	**11.1**	**74.35[illegible]**	**100**	**3.6**	**15.8**

■ Preliminary data.

Source: Planning Council: Department of Statistics.

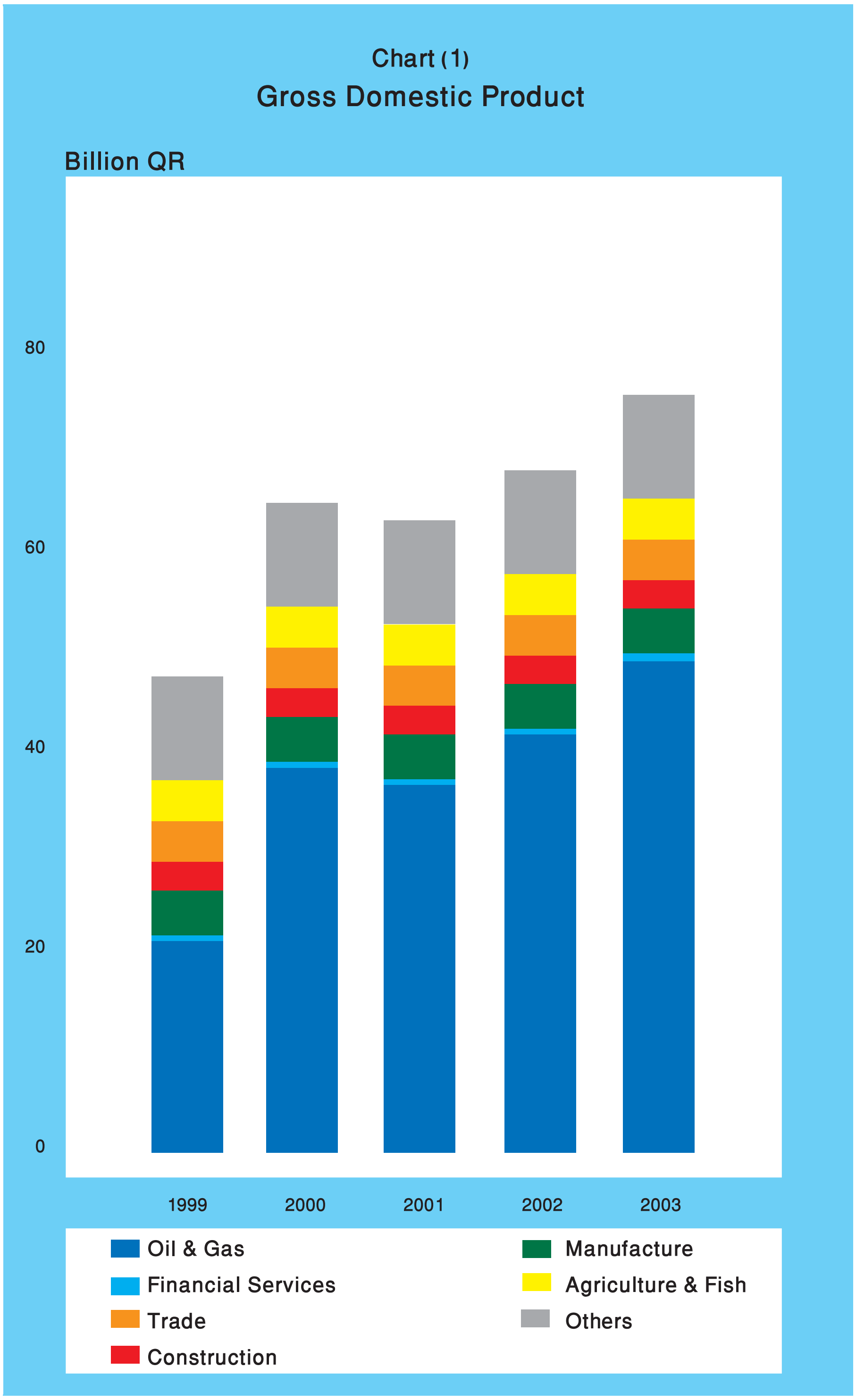
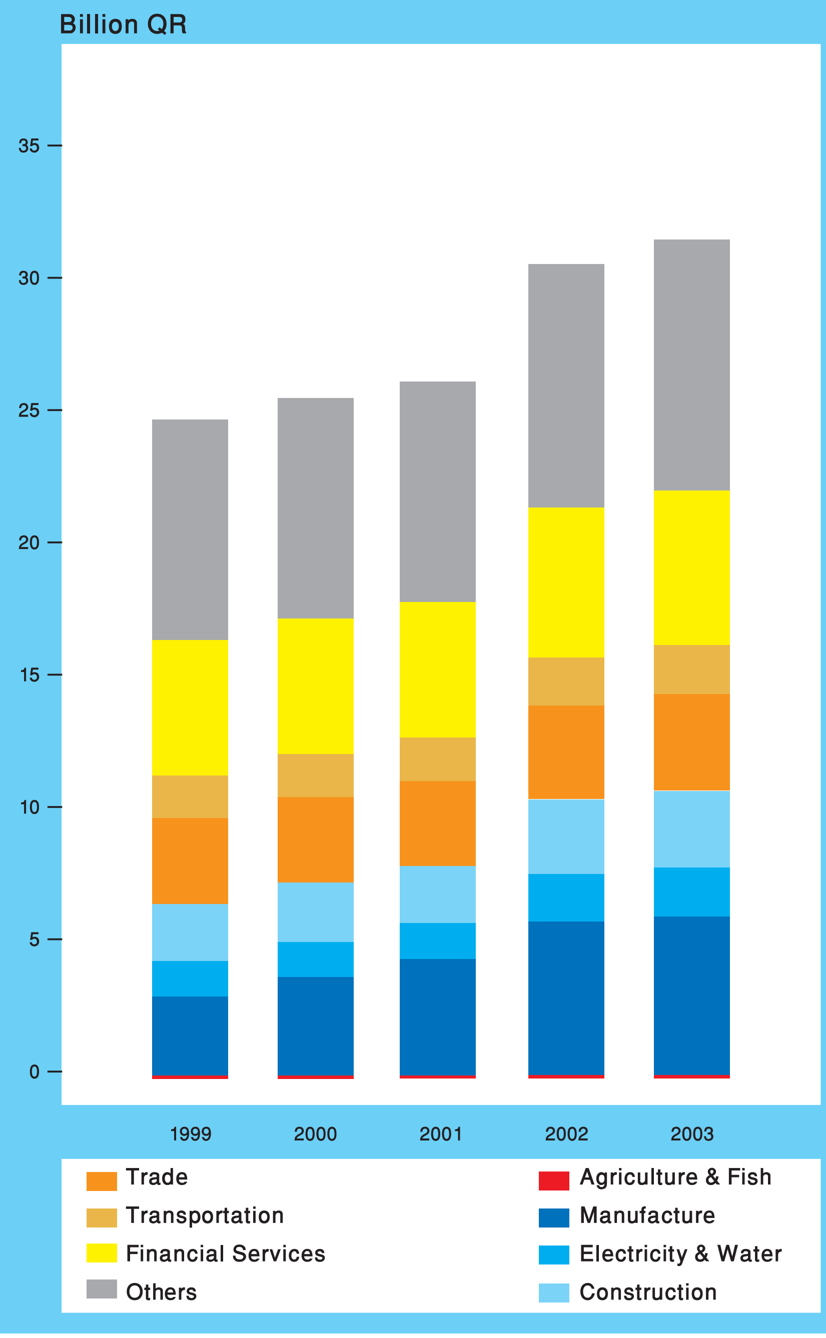


Chart (1)
Gross Domestic Product
Billion QR
80
60
40
20
0
1999
2000
2001
2002
2003
Oil & Gas
Financial Services
Trade
Construction
Manufacture
Agriculture & Fish
Others

Chart (2)

Non-Oil Gross Domestic Product



PRICE LEVELS

The rate of inflation witnessed a notable increase in 2003 for the first time in more than six years. The jump in price levels was due to various factors; such as, the increase in import prices, as a result of Q.R exchange rate depreciation against non-dollar currencies, the increase of the domestic demand because of the monetary expansion and the growth of the Qatari economy. Moreover, the consumer price index (CPI) rose to 103 points in December 2003 compared with 99.79 points in December 2002.

The annual average of the CPI was at 102.51 points, compared with 100.24 points in 2002 and 100 points in 2001.

The data in table no. (2) indicates that three of the groups that constitute the CPI mainly, food, clothes & footwear and communication & transportation have recorded a decline in their prices, whereas the prices of the other groups have increased. A brief elaboration on the performance of the price levels for the major commodity groups is presented in what follows:

1) Food Beverages & Tobacco:

The index of this group declined in 2003 by 0.35% compared with an increase of 1.2 % in the year 2002. It is well known that the prices of food and beverages are exposed for a lot of fluctuations everywhere. This group represents 18.12% of the goods and services basket of the CPI.

2) Clothing & Footwear:

The index for this group declined in the year 2003 by a 1.59% after a similar decline by a 1.7% in the year 2002. The decline of the prices of this group in the last two years is referred to the increase of competition and the plenty and variety of the exhibited goods. Most of the items of this group used to be imported from the neighboring Arab and Asian countries, whose exchange rates; such as, the Egyptian pound, Turkish lira and the Indian rupee depreciated against the QR in 2003. This group represents 8.05% of the goods and services basket that constitute the CPI.

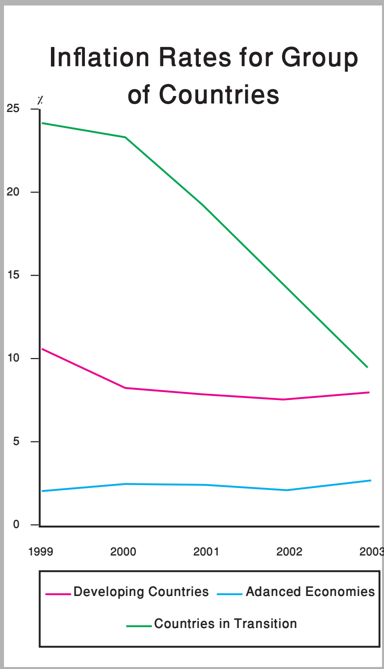
3) Housing & supplements:

The index of the housing group jumped by 18% in the year 2003 compared with a 1.8% increase in 2002. This jump came as a result of soaring demand for the real estate due to the expansion in government expenditure on infrastructure projects, the increase of the domestic liquidity and the limitation of other fields for investment. In addition, the index of this group increased as a result of higher prices for lands and construction materials costs. This group represents 20.72% of the CPI basket.

Box (3)
The World Inflation Rates

The world inflation rate rose in 2003 for the first year in four. It reached in average to 1.8% in the advanced economies compared with 1.5% in 2002. The inflation rates in the major countries were as follows: 2.3% in USA, 2.1% in the Euro zone and 2.7% in Canada. The rate in Japan continued to be negative for the fifth year consecutively, though it rose in 2003 to –0.2% from –0.9% in 2002.

The average inflation rate in the developing countries increased in 2003 to 6.1%, compared with 6.0% in 2002. The inflation rates varied from group to another where it was low or 2.7% in Asia, high or 10.6% in the Western Hemisphere, 10.3% in Africa and 8.6% in the Middle East. In the contrary, the inflation rates in the Converted economies continued their contraction in 2003 and reached to 9.2% in the Middle & Eastern Europe, to 12.1% in the Commonwealth independent states, and to 13.7% in Russia.



World Inflation Rates (1999-2003) (%)

State	1999	2000	2001	2002	2003
Advanced Economies	1.4	2.1	2.1	1.5	1.8
USA	2.2	3.4	2.8	1.6	2.3
Japan	-0.3	-0.9	-0.8	-0.9	-0.2
Euro Zone	1.1	2.0	2.4	2.3	2.1
UK	1.4	0.8	1.2	1.3	1.4
Canada	1.7	2.7	2.5	2.3	2.7
Developing Countries	10.4	7.3	6.8	6.0	6.1
Africa	11.5	13.0	11.8	9.6	10.3
Asia	2.5	1.9	2.7	2.0	2.7
The Middle East	11.0	8.5	7.1	7.5	8.6
Western Hemisphere	7.2	6.6	6.0	8.9	10.6
Middle and Eastern Europe	23.3	23.0	19.6	14.8	9.2
Russia	85.7	20.8	21.6	15.8	13.7
Commonwealth Independent States	69.6	24.5	20.4	13.8	12.1

Source: IMF, World Economic Outlook, April 2004.

4) Furniture & Household Supplies

The index of furniture and household supplies increased by 1.52% in 2003 after a 2.9% decline in the previous year. The increase in the prices of this group came in parallel with the increase in the rents and the real estate prices, and as a result of the depreciation in QR exchange rates against the non-dollar currencies. The index of this group constitutes 9.62% of CPI basket.

5) Health Services:

The index of health services witnessed an increase of 2.6% in the year 2003 after a decline by 2.2% in 2002. The increase in the prices of this group was due to increases in drugs and medical equipment prices. This group represented 2.29% of the CPI basket.

6) Transport & Communication:

The index of the transport & communication declined by 8.4% in 2003, after an increase by 1.1% in 2002. The decline can be referred to deductions on Qtel services rates and travel fares. This group constitutes 23.37% of the CPI basket.

7) Entertainment & Culture:

The index of the entertainment and culture group increased by 3.6% in 2003, after a decline of 4.1% in 2002. This group represents 11.29% of the CPI basket.

8) Miscellaneous Goods & Services:

The index of the miscellaneous goods & services group slightly increased by 0.7% in 2003, after an increase of 5.2% in the year 2002. This group constitutes 6.51% of the CPI basket.

Table (2)

Consumer's Price Index by Major Commodity Groups (1999-2003)

Commodity Groups	Relative Weight %	Index Number					Rate of Change					Average Ann.Rate of Change
		1999	2000	2001	2002	2003	1999	2000	2001	2002	2003	
Food, Beverage & Tobacco	1812.40	99.7	100.2	100.0	101.2	100.9	-0.1	0.4	-2.0	1.2	-0.3	1.1
Clothing & Footwear	804.60	93.8	97.5	100.0	98.3	96.8	2.8	3.9	2.6	-1.7	-1.6	3.2
Housing Serv.	2072.00	100.5	98.5	100.0	101.8	120.1	2.4	-2.0	1.5	1.8	18.0	19.5
Furniture & household Goods	965.20	96.7	98.7	100.0	97.1	98.6	2.0	2.0	1.4	-2.9	1.5	1.9
Transport & Communication	229.20	96.2	98.9	100.0	97.8	100.4	2.2	0.1	1.1	-2.2	2.6	4.3
Medical Care	2337.10	93.8	93.9	100.0	101.1	92.6	10.6	2.8	6.5	1.1	-8.4	-1.3
Education, Culture & Entertainment	1128.60	94.1	95.6	100.0	95.9	99.4	1.6	1.6	4.6	-1.4	3.6	5.6
Other Goods & Services	650.90	95.5	99.1	100.0	105.2	106.0	-11.0	3.8	0.9	5.2	0.7	11.0
General Index	**10000.00**	**97.0**	**98.6**	**100.0**	**100.2**	**102.5**	**2.2**	**1.7**	**1.4**	**0.2**	**2.3**	**5.7**

Source: The Planning Council,: Department of Statistics.
Figures for the year 2002 are adjusted to the base year 1988 figures.
The relative weights for 2001 and 2002 have been changed.

Chart (3)

Consumer Price Index

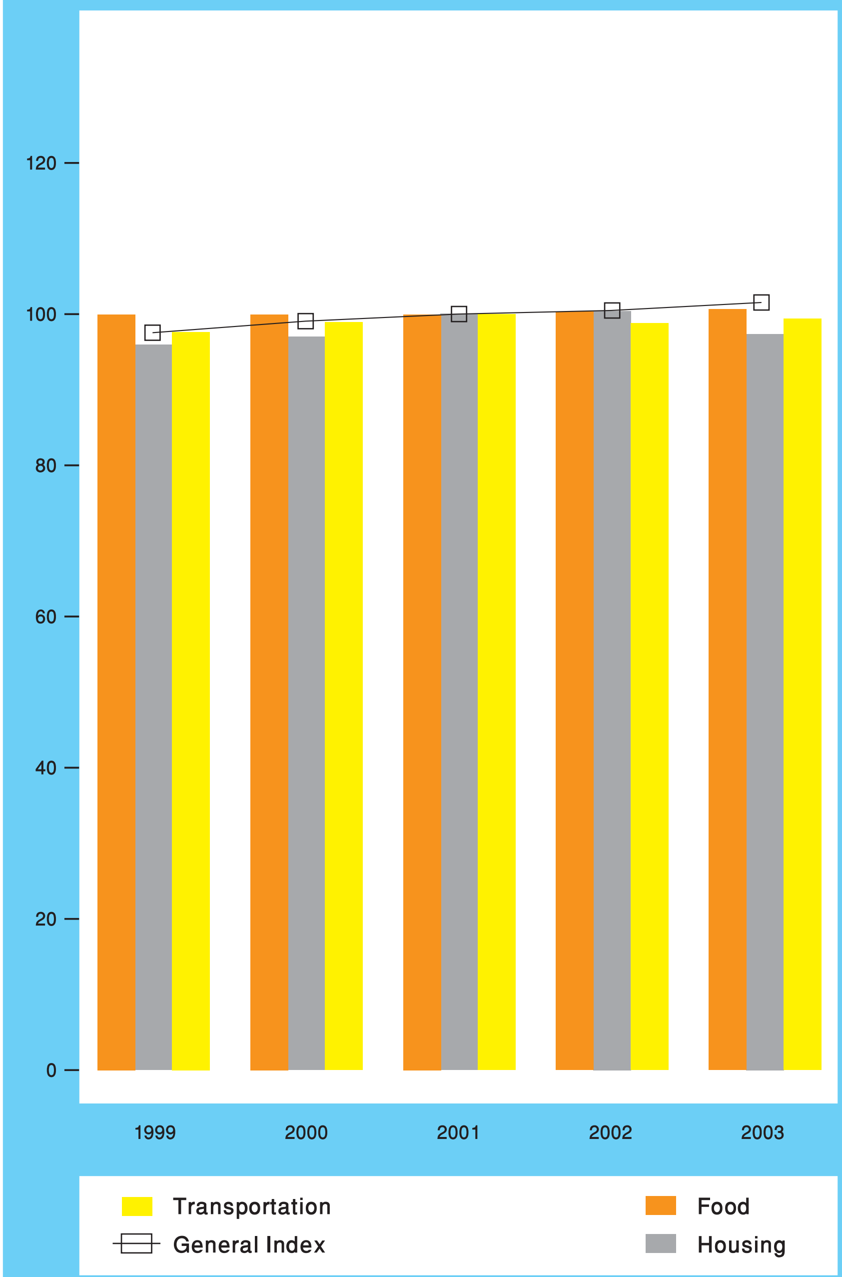
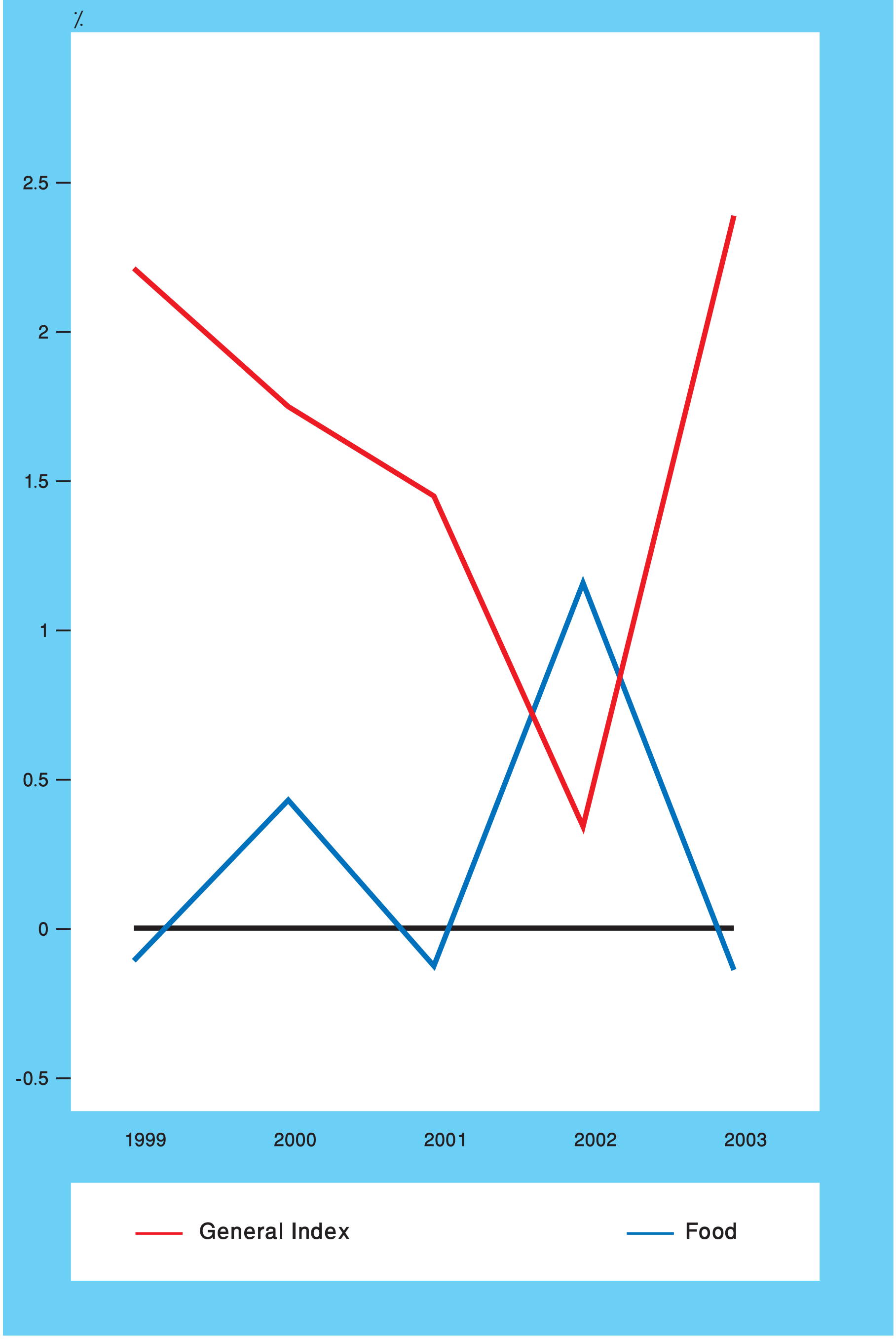


Chart (4)

Food Price Index



THE LABOR FORCE

The general population census conducted in Qatar in April 2004 revealed an estimate of 743 thousands compared with 522 thousands in 1997.

Published official data about the labor force in Qatar does not cover all the economic sectors. Yet the annual official bulletins provide statistics of the labor force in government, public sector companies, mixed sector and a part of the private sector includes financial sector and hotels.

Based on the available labor force data table no. (3), the total number in the above mentioned sectors amounted to 74530 workers by the end of December 2002. The Qatari nationals accounting 44.7% of the total or equivalent to 33283 workers, among them 19678 male or 59.1%, and 13605 female or 40.9%. While the Qatari labor force as a total has grown by 23.7% during the period from 1999-2002, the Qatari male's number has increased by 19.7% and the Qatari female's number by 29.8%. In addition, the total number the Qatari working in the government sector by the end of 2002 amounted to 23406, which constitutes 66% of the total workers of the government sector.

The ratio of the Qatari workers in the government authorities and companies amounted to 31.9% of the total workers of this sector, whereas in the mixed sector, the ratio amounted to 19.2%. In the private sector, which covers only banks, insurance companies, financial brokerages and hotels, the ratio amounted to 10.6%.

Data in table no. (3) reveals that the year 2002 has witnessed an increase of 5.03% in the number of workers in the government sector, 7.96% in the government enterprises and companies, and 19.36% in the mixed sector. Furthermore, the available data indicates that the government enterprises and companies were more interested in employing the Qatari workers than other establishments, as their number increased by 13.74% above the year 2001,

Box (4)
Rates of Unemployment in the Industrial Countries

Unemployment rates in some of the industrial countries continued their increases in 2003. The rate increased to 6.0% in the USA compared to 5.8% in 2002. It increased to 8.8% in the Euro zone from 8.3% in 2002. In other countries, such as Japan and UK, the rate of unemployment decreased to 5.3% in Japan and 5% in UK. As a result, the average rate of unemployment in the industrial countries rose in 2003 by 0.2% to reach 6.6%, compared to 6.4% in 2002.

Rates of Unemployment
In the Major Industrial Countries (1999-2003)

(%)

State	1999	2000	2001	2002	2003
Industrial countries	6.4	5.9	5.9	6.4	6.6
USA	4.2	4.0	4.8	5.8	6.0
Japan	4.7	4.7	5.0	5.4	5.3
Euro Zone	9.4	8.4	8.0	8.3	8.8
UK	6.0	5.5	5.1	5.2	5.0
Canada	7.6	6.8	7.2	7.6	7.6

Source: IMF, World Economic Outlook, April 2004.

Table (3)

Labor Force by Sector, Nationality and Sex

Year	Nationality	Gov. Sector	Gov. Companies	Mixed Sector	Private Sector (Banks/ Insur.)	Total		
						Male	Female	Total
1999	Qatari	21118	4054	1459	286	16436	10481	26917
	Non-Qatari	13889	10865	6835	2160	28915	4834	33749
	Total	35007	14919	8294	2446	45351	15315	60666
2000	Qatari	22387	4766	1779	367	17678	11621	29299
	Non-Qatari	13486	11584	7678	2196	29452	5492	34944
	Total	35873	16350	9457	2563	47130	17113	64243
2001	Qatari	22388	6238	1974	386	18581	12405	30986
	Non-Qatari	11395	14332	8249	2270	29854	6392	36246
	Total	33783	20570	10223	2656	48435	18797	67232
2002	Qatari	23406	7095	2339	443	19678	13605	33283
	Non-Qatari	12075	15113	9863	4196	33783	7464	41247
	Total	35481	22208	12202	4639	53461	21069	74530
change (%)	Qatari	4.55	13.74	18.49	14.77	5.90	9.67	7.41
during	Non-Qatari	5.97	5.45	19.57	84.85	13.16	16.77	13.80
2002	Total	5.03	7.96	19.36	74.66	10.38	12.09	10.85

Source: The Planning Council: Department of Statistics.

while the number of non-Qatari workers increased by 5.45% only. In the government sector, the number of Qatari workers increased by 4.55% compared with 5.97% for the non-Qatari. As for the mixed sector, which grows rapidly due to the vast expansion in the industrial field, the number of the Qatari workers increased by 18.49% compared with 19.57% for the non-Qatari workers in 2002. Moreover, the hotels' labor force data were added to the components of the private sector in 2002, which makes the comparison with the year 2001 is illogical.

PUBLIC FINANCE

Public expenditure have been; and continued to be, the main source of the domestic liquidity, and a vital resource for the economic and social development projects in Qatar economy. Accordingly, despite the large increase in the public expenditure, the fiscal deficits phenomena of the nineties were eliminated and replaced by surpluses in the last four years.

It is well known that the public revenue in Qatar are mainly achieved from oil and gas sector, followed by the investment revenue and then from the taxes and other fees. The Public expenditure are distributed upon wages & salaries, services & supplies, loan interest payments and the main infrastructure projects. In the following, we will shed light upon the most important features of the public budget for the fiscal year 2003/2004 as well as the estimate numbers for the 2004/2005 budget.

1- Public Budget for 2003/2004

a. Public Revenue:

The relevant data in table no. (4) reveals that the preliminary figures of the actual public revenue increased in the fiscal year 2003/2004 by 2.3% above the actual revenue of the previous year to reach to QR 29165 million. In addition, the actual revenue of 2003/2004 were 35.1% above the budget estimates of the mentioned year. The rise in the actual revenue in 2003/2004 was the outcome of a twin increase in oil and gas proceeds (thanks to rising oil prices and increasing oil and LNG shipments), not to forget the increase of investment revenue.

Table (4)
State Budget of Qatar: Actual and Preliminary Estimates
Fiscal Years 2002/2003-2003/2004

(QR million)

Items	Pleliminary Estimates			Actuals		
	01/02	02/03	03/04	01/02	02/03	03/04
Total Revenues	**18057**	**18208**	**21586**	**22755**	**28514**	**29165**
Oil & Gas Revenues	10511	10366	12110	15557	18159	18487
Investment Income	6184	6369	6851	4244	8618	8061
Other Revenues	1362	1473	2625	2954	1737	2617
Total Expenditures	**17560**	**20026**	**23312**	**20504**	**22800**	**25214**
Recurrent Expenditures	**14400**	**15636**	**17158**	**17383**	**18345**	**20732**
Salaries & wages	5345	5692	6056	5706	5997	5923
Interest Payments	1400	1700	1450	2764	2236	1928
Supplies & Services	1173	976	1148	818	1615	1836
Others	6482	7268	8504	8095	8497	11045
Capital Expenditures	**3160**	**4391**	**6154**	**3121**	**4455**	**4482**
Surplus or Deficit (-)	**496**	**-1819**	**-1726**	**2251**	**5714**	**3951**

■ Preliminary estimates.
Source: Ministry of Finance, Department of Public Finance.

Furthermore, actual oil and gas revenue during the fiscal year 2003/2004 rose to reach to Q.R 18487 million, accounting for 63.4% of the total revenue. These are to be compared with actual oil and gas revenue of QR18159 million in the previous year. On the other hand, investment revenue stood at QR 8061 million during the year 2003/2004, accounting for 27.6% of the total revenue. The actual investment revenue in the previous year was QR 8618 million, accounting for 30.2% of the total revenue.

b. Public Expenditure:

The actual public expenditure in the fiscal year 2003/2004 increased by 10.6% above the previous year to reach to QR 25214 million. Thus, public budget did enjoy a surplus of QR 3951 million in the fiscal year 2003/2004, but represented a decrease of 30.9% if compared with the realized surplus of QR 5714 million in 2002/2003. Tables (4)-(5) show the distribution of the public expenditure between the current and capital expenditure. It is noted that the current expenditure amounted QR 20732 million, while the development projects amounted QR 4482 million. This means that 82.2% were allocated for the current expenditure and 17.8% were allocated for the development projects. The main chapters of the public expenditure are described as follows:

1- Wages & Salaries: During the fiscal year 2003/2004, wages & salaries declined by 1.2% below the previous year to reach QR 5923 million. The expenditure of this chapter constituted 23.5% of the total public expenditure.

2- Supplies & Services: Supplies & services increased in 2003/2004 by 13.7% above the previous year to reach QR 1836 million. It thus represented 7.3% of the total expenditure.

3- Interest Payments: The interest payments against the domestic and external loans decreased in the year 2003/2004 by 13.8% below the previous year to reach to QR 1928 million. Interest payments represented 7.6% of the public expenditure.

4- Other Current Expenditure: The expenditure of this chapter jumped in 2003/2004 by 30% above the previous year to reach QR 11045 million. It represented a 43.8% of the public expenditure.

5- Development Expenditure: The development expenditure increased slightly from QR 4455 million in 2002/2003 to QR 4482 million in 2003/2004.

Chart (5)

Government Budget

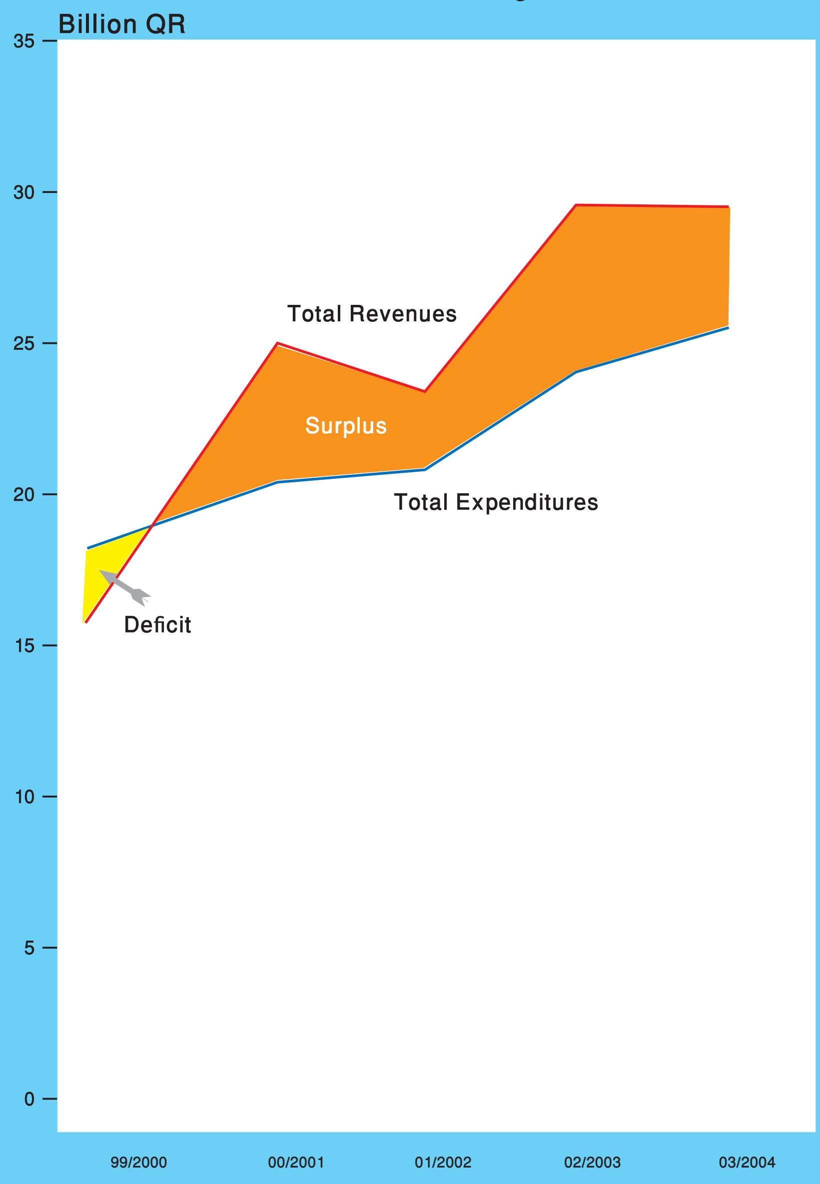


Table (5)
Relative Importance of Expenditures
2000/2001-2002/2003

(%)

Items	2001/2002	2002/2003	2003/2004
Total Expenditures	**100.0**	**100.0**	**100.0**
Recurrent Expenditures	**84.8**	**80.5**	**82.2**
Salaries & wages	27.8	26.3	23.5
Interest Payments	13.5	9.8	7.6
Supplies & Services	4.0	7.1	7.3
Others	39.5	37.3	43.8
Capital Expenditures	15.2	19.5	17.8

■ The state budget begins by the first day of April, and ends by the end of March of the next year.

Source: Ministry of finance: Department of Public Finance.

2- State Budget Estimates for the year 2004/2005:

The ministry of finance imputation of the oil and gas export revenue was based on $ 19 per barrel for the fiscal year 2004/2005. Accordingly, the public revenue have been estimated at QR 26192 million, a decrease of 10.2% below the actual revenue of the previous year.

In the other side, the total expenditure for the year 2004/2005 have been estimated to increase by 12.4% above the actual expenditure to reach to QR 28352 million. Consequently, the state budget estimates encompassed fiscal deficit estimated at QR 2160 million, compared with an actual surplus of QR 3951 million in the year 2003/2004.

The estimated current expenditure increased by 13.5% to reach to QR 19469 million in 2004/2005, table no. (6).

Most of the increase in public expenditure, or 44.3% of it have occurred in the development expenditure where it is estimated to reach QR 8883 million, compared with Q.R 6154 million in the 2003/2004 budget.

Table (6)

Preliminary Estimates for the State Budget

2003/2004-2004/2005

(QR million)

Items	**2003/2004 Actuals**	**2003/2004 Estimated**	**2004/2005 Estimated**
Total Revenues	**29165**	**21586**	**26192**
Oil and Gas Revenues	18487	12110	14456
Investment Revenues	8061	6851	8153
Other Revenues	2617	2625	3583
Total Expenditures	**25214**	**23312**	**28352**
Recurrent Expenditures	**20732**	**17158**	**19469**
Salaries & wages	5923	6056	6273
Interest Payments	1928	1450	1200
Supplies & Services	1836	1148	1172
Others	11045	8504	10824
Capital Expenditures	**4482**	**6154**	**8883**
Surplus or Deficit (-)	**3951**	**-1726**	**-2160**

Source: Ministry of finance: Department of Public Finance.

It is noted that land acquisitions had increased by 18.2% above the previous year, amounting to QR 1300 million in 2004/2005. Moreover, the social services gained about QR 1300 million and the roads QR 1160 million, table no. (7).

In addition, the interest payments allocation decreased by 17.2% below the previous year to reach to QR 1200 million.

Table (7)
The Distribution of Capital Expenditures by Economic Sectors 2004/2005

Items	Allocated Expenditures QR Millions	Relative Importance (%)
Health Care	591	6.7
Education and Youth Welfare	540	6.1
Housing and Public Buildings	872	9.8
Roads	1160	13.1
Communications	757	8.5
Social Services	1300	14.6
Land and Land Acquisitions	1300	14.6
Others	2363	26.6
Total	**8883**	**100.0**

Chapter Two

FOREIGN SECTOR

FOREIGN TRADE AND BALANCE OF PAYMENT

Due to the big surplus in Qatar trade balance, overall balance of payment has maintained in surplus for the consecutive fifth year since 1999. The deficit in current account items - except the trade balance - was offset by the surplus in the trade balance. and left the overall balance in surplus. Also, the deficit in capital and financial accounts have notably declined.

The surplus in the trade balance accounted 42.3% of the GDP per year in average of the previous five years. The rise in oil price was the main factor in maintaining the surplus during the period as the oil exports represent 50% of the total exports. In addition, the LNG exports have grown and accounted 35% of the total exports. The following is a brief analysis of the balance of payment components in the year 2003.

The Balance of Payment **(Millions of QR)**

Items	**1999**	**2000**	**2001**	**2002**	**2003***
Current Account	**7903**	**16655**	**15113**	**13919**	**20253**
Trade Balance	18062	31538	27247	26673	32156
Services	-5002	-4646	-3743	-3966	-4380
Income	-433	-5094	-2562	-3266	-1516
Transfers	-4724	-5143	-5829	-5522	-6007
Capital & Financial Account	**5923**	**-69**	**-3839**	**-6233**	**-2754**
Capital Account	0	0	0	-1357	-1160
Financial Account	5.923	-69	-3839	-4876	-1594
Surplus or Deficit	**8946**	**9797**	**9555**	**6511**	**15399**

*Preliminary estimates.

First: The current account

The surplus in current account jumped by 45.5%, or QR 6334 million in 2003 to reach QR 20253 million, compared with QR 13919 million in 2002. Thus, the ratio of the current account balance to GDP increased to 27.2% in 2003, which is the highest level in the previous five years. The main points of the current account were as follows:

The trade balance was in surplus in 2003 by QR 32156 million compared with QR 26673 million in 2002, an increase of QR 5483 million or 20.6% above 2002.

The income account deficit in 2003 largely decreased by QR 1750 million or 53.6% below 2002 to reach QR 1516 million, the lowest deficit since 2000.

The service account deficit increased in 2003 by QR 414 million or 10.4% to reach QR 4380 million, compared with QR 3966 million in the previous year.

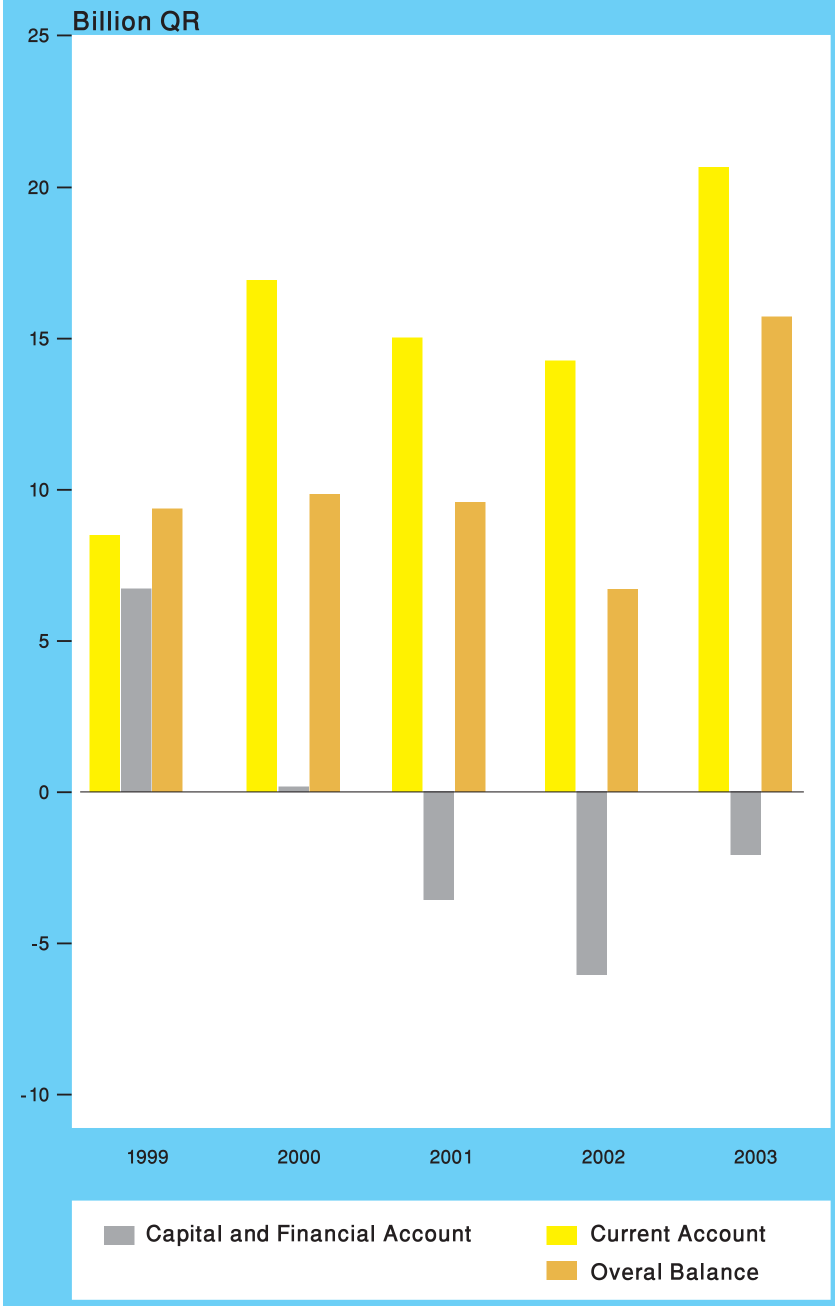
Trade Balance **(Millions of QR)**

Items	**1999**	**2000**	**2001**	**2002**	**2003***
Exports (FOB)	**26258**	**42202**	**39571**	**39960**	**48021**
Oil	14612	23979	20422	20488	24449
Natural Gas	8000	14060	14921	12756	16952
Others	3091	3546	3625	5963	5930
Re-export	555	617	603	753	960
Imports (FOB)	**-8196**	**-10664**	**-12324**	**-13287**	**-15865**
Trade Balance.	18062	31538	27247	26673	32156

* Preliminary estimates.

Chart (6)

Balance of Payments



The current transfers deficit increased in 2003 by QR 485 million or 8.8% to reach QR 6007 million, compared with QR 5522 million in 2002. In what follows, the balance of payments are investigated in more details.

1- Trade balance:

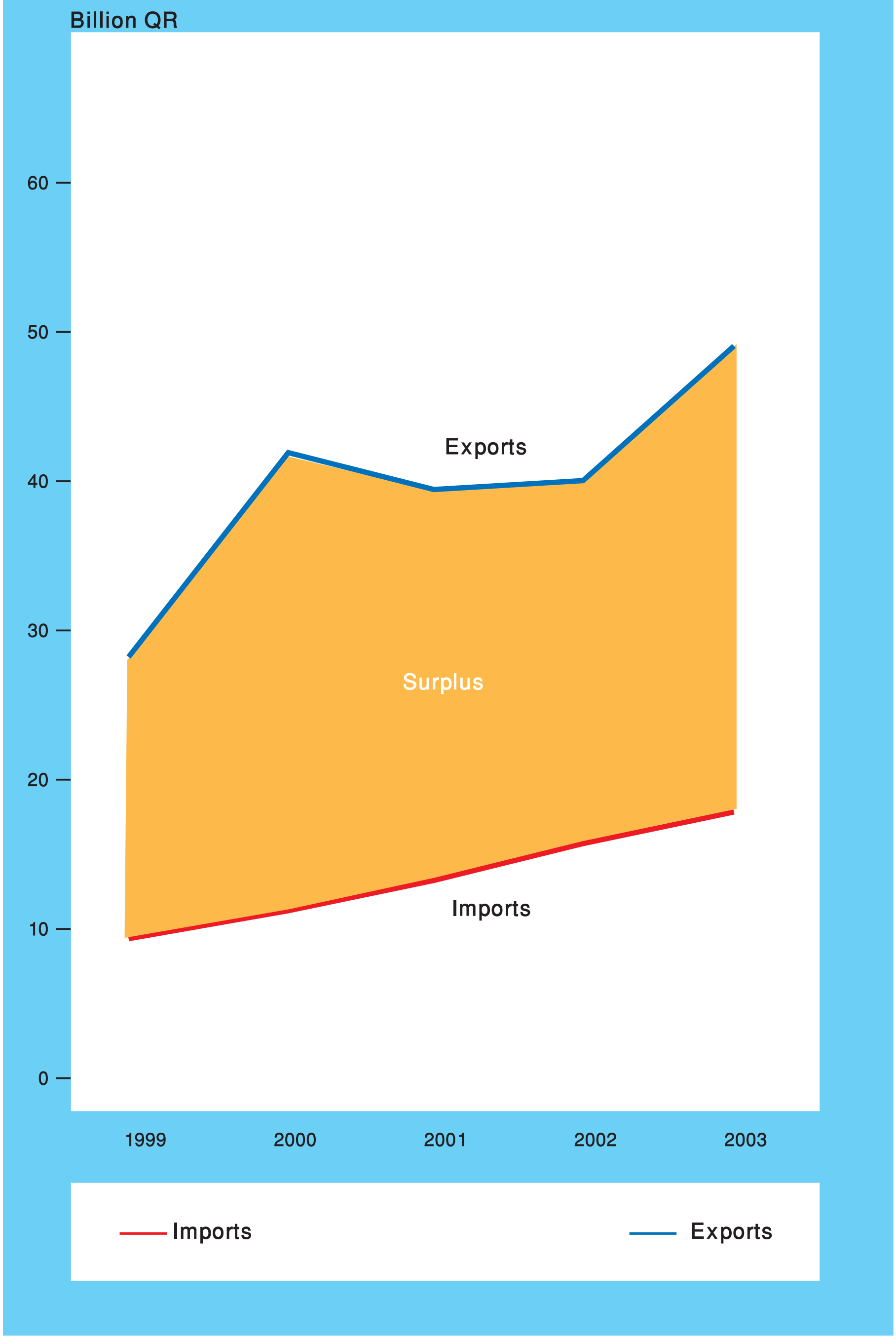
The increase in trade balance in 2003 to QR 32156 million came as a result of an increase in export (fob) by 20.2% and fewer increase in imports(fob) by 19.4%. The surplus in trade balance offset the deficit in other current accounts and left the overall balance in surplus. The trade balance accounted 43.2% of the GDP in 2003 compared with 37.2% in 2002.

a- Exports (fob):

Total exports (fob) soared to a new record in 2003 due to an increase by 19.3% in oil export and by 32.9% in LNG export. Other exports slightly declined by 2% and total exports reached to QR 48021 million. Oil exports represented 50.9% of total exports in 2003 and it grew by QR 3961 million or 19.3% above 2002 to reach QR 24449 million, compared with QR 20488 million. LNG export ranked second and represented 35.3% of total exports. It increased in 2003 by QR 4196 million or 32.9% to reach QR 16952 million compared with QR 12756 million in 2002. Other exports, mainly iron & steel and petrochemicals, slightly decreased in 2003 by QR 33 million or 1% to QR 5930 million compared to QR 5963 million in 2002. Manufacture industries accounted 12.3% of total exports in 2003. Re-export declined by 0.8% in 2003 to reach QR 690 million, compared with QR 753 million in 2002. It represented 1.4% of the total exports.

Chart (7)

Trade Balance



b- Imports:

Total imports increased in 2003 by QR 2578 million or 19.4% to reach QR 15865 million compared with QR 13287 million in 2002. The record level of imports came as a result of large investments in all economic fields especially, in LNG industry and infrastructure projects. Imports value grew by 18.7% in the average of the previous four years.

Imports (CIF) according to Economical groups:

Gulf Council Countries (GCC):

Imports from GCC in 2003 came third next to imports from European Union and the Non-Arab Asian countries, and represented 14.9% of the total imports. It slightly declined in 2003 to reach to QR 2660 million compared with QR 2267 million in 2002, and the trade balance with GCC was in deficit by QR 301 million.

Arab Countries:

Imports from Non-Gulf Arab Countries in 2003 occupied the seventh rank, and represented 1.8% of the total imports. It slightly increased in 2003 to reach to QR 323 million compared with QR 313 million in 2002, and the trade balance with Non-Gulf Arab countries was in deficit by QR 18 million.

European Union:

The European Union (EU) is considered the main trade partner to Qatar in terms of imports. Imports from EU rose in 2003 by 21.8% to reach to QR 6208 million, compared with QR 5098 million in 2002. The increase in imports came mostly as a result of Euro appreciation against US $. Trade balance with EU was in deficit in 2003 by QR 5225 million.

Other European Countries:

Imports from Other European Countries in 2003 occupied the fifth rank. It increased by QR 150 million in 2003 to reach to QR 474 million compared with QR 324 million in 2002. The trade balance with Other European countries was in deficit by QR 435 million.

Non-Arab Asian countries:

Imports from Non-Arab Asian countries rose in 2003 by QR 948 million or 22.7% to reach to QR 5121 million, compared with QR 4173 million in 2002. It came in the second rank next to imports from EU in 2003, but with huge surplus of QR 35167 million in favor of Qatar.

North American Countries:

Imports from North American Countries in 2003 occupied the fourth rank. It increased by QR 251 million in 2003 to reach to QR 2290 million compared with QR 2039 million in 2002. The trade balance with North American countries was in deficit by QR 1468 million.

Other American Countries:

Imports from Other American countries in 2003 occupied the sixth rank in terms of Qatar imports. It increased by 50.8% or QR 123 million in 2003 to reach to QR 365 million compared with QR 242 million in 2002. The trade balance with Other American countries was in deficit by QR 341 million.

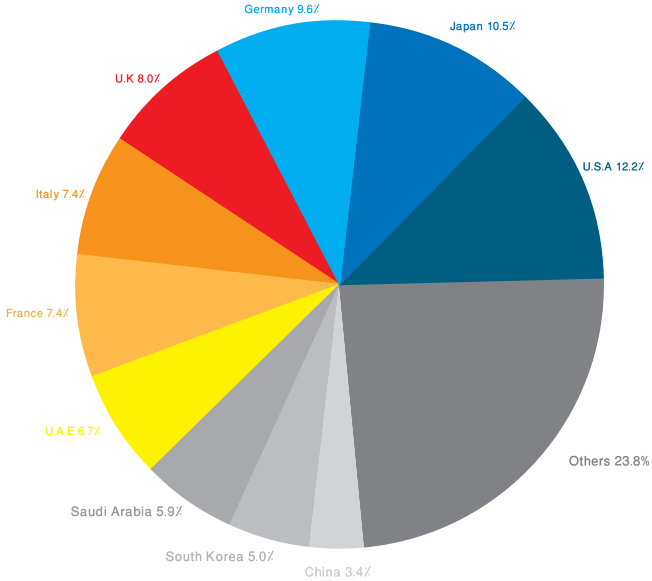
Ocean Countries:

Imports from Ocean countries rose in 2003 by QR 83 million to reach to QR 317 million. It occupied the eighth rank in 2003 in terms of Qatar imports, with a small surplus of QR 72 million in favor of Qatar.

Chart (8)

Geographical Distribution of Imports

2003



Non-Arab African countries:

Imports from Non-Arab African countries rose by QR 19 million in 2003 to reach to QR 67 million. It occupied the ninth rank in 2003, with surplus of QR 251 million in favor of Qatar.

Table (8)

Geographical Distribution of Trade Balance

(Millions of QR)

Items	Imports	Exports	Re-exports	Trade balance
GCC countries	2660	1906	453	-301
Arab Countries	323	256	49	-18
European Union countries	6208	904	79	-5225
Other European Countries	474	36	3	-435
Non- Arab Asian countries	5121	40251	38	35167
North American countries	2290	766	56	-1468
Other American countries	365	22	2	-341
Ocean countries	317	384	5	72
Non-Arab African countries	67	312	6	251
Others	-	3184	-	3184

2- Services Account:

The deficit in Services account rose in 2003 to reach to QR 4380 million, compared with QR 3966 million in 2002. The increase in deficit was due to increases in the debit side of the travel, transportation and other services by 11.4%, 20.8% and 41.7% respectively. Despite bigger increases by 29.4%, 102.4% and 26.6% respectively in the credit side of the above-mentioned services, the deficit in Services account did not improve. Furthermore, no any surplus was recorded in the Services account in the previous years due to the small size of services that Qatar affords to the world. Items of the Services account are examined below in more details:

Services Account **(Millions of QR)**

Items	1999	2000	2001	2002	2003*
Services (Credit)	**868**	**1323**	**2495**	**2572**	**4141**
Travel	445	465	991	1037	1342
Transportation	302	479	1357	1129	2285
Other Services	121	109	147	406	514
Services (Debit)	**-5870**	**-5969**	**-6238**	**-6538**	**-8521**
Travel	-1164	-1117	-1331	-1538	-1713
Transportation	-820	-1067	-1231	-1329	-1606
Other Services	3886	-3785	-3676	-3671	-5202
Services Account Balance	**-5002**	**-4646**	**-3743**	**3966**	**-4380**

Travel:

The primary data denotes to a decline in Travel services deficit in 2003 to QR 371 million, compared with QR 501 million in 2002. The decline was a result of an increase by QR 305 million in the credit side of the Travel service, and a less increase of QR 175 million in the debit side.

Transportation:

The Transportation service recorded a surplus in 2003 for the second time in the previous five years. According to the preliminary data, the credit side of the Transportation service increased in 2003 by 201.4% to reach to QR 2285 million, compared with QR 1129 million in 2002. The debit side of the Transportation service increased by 20.8% and thus, its net balance was in surplus in 2003 by QR 679 million compared with QR 200 million in 2002. The big increase in 2003 surplus compared with the first one in 2001 reflects the size of the growth in this sector especially in LNG transportation service.

Other Services:

Preliminary data reveals that the debit side of the Other services soared in 2003 to a record or QR 5202 million, an increase of QR 1531 million above the QR 3671 million in 2002. Meanwhile, the credit side increased in 2003 by 26.6% to reach to QR 514 million. Thus the Other services recorded a deficit of QR 4688 million, an increase of 43.6% above the QR 3265 million deficit in 2002.

3- Income Account:

The deficit in Income account declined in 2003 to reach to QR 1516 million, compared with QR 3266 million in 2002. The decrease in deficit was an outcome of an increase in the credit side of the Income account by 90.8%, and a less increase in the debit side by 10.2%. Thus, the performance of the Income account proved to be the best in the previous four years.

Income Account **(Millions of QR)**

Items	1999	2000	2001	2002	2003
Income (Credit)	426	779	3.231	2.582	4.927
Income (Debit)	-859	-5.873	-5.793	-5.848	-6.443
Income Account Balance	-433	-5.094	-2.562	-3.266	-1.516

4- Current Transfers:

The deficit in Current Transfers account increased in 2003 by 8.8% to reach to QR 6007 million, compared with QR 5522 million in 2002. The remittances of expatriate workers increased by 7.5% to reach to QR 5802 million compared with QR 5398 million in 2002, and the other transfers increased in 2003 by 65.3% to reach to QR 205 million.

Current Trarsfers Account

(Millions of QR)

Items	1999	2000	2001	2002	2003
Workers remittances	-4584	-4932	-5485	-5398	-5802
Other Transfers (net)	-140	-211	-344	-124	-205
Current Transfers balance	**-4724**	**-5143**	**-5829**	**-5522**	**-6007**

Second: The Capital and Financial Account:

The deficit in the Capital and Financial account plunged in 2003 by 55.8% to reach to QR 2754 million, compared with QR 6233 million in 2002. Most of the improvement came in the Financial account where its deficit declined by 67.3% to reach to QR 1594 million, compared with QR 4876 million in 2002. The deficit in the Capital account decreased in 2003 by 14.5% to reach to QR 1160 million.

Capital and Financial Account (Millions of QR)

Items	1999	2000	2001	2002	2003
Capital Account	0	0	0	-1357	-1160
Financial Account (net)	5923	-69	-3839	-4876	-1594
Capital & financial account balance	**5923**	**-69**	**-3839**	**-6233**	**-2754**

Third: The Overall Balance of Payments (OBOP):

The primary data reveals a surge in the surplus of the OBOP in 2003 by 137% to reach to QR 15399 million, compared with QR 6511 million in 2002. The record surplus was an outcome of QR 20253 million surplus in the Current account and a deficit in the Capital and Financial account to QR 2754 million, compared with QR 6233 million in 2002.

Table (9)
The Balance of Payment (1998-2002)

(Millions of QR)

Country	1999	2000	2001	2002	2002
First: Current Account Balance	**7903**	**16655**	**15113**	**13919**	**20253**
Trade Balance	**18062**	**31538**	**27247**	**26673**	**32156**
Exports (FOB)	**26258**	**42202**	**39571**	**39960**	**48021**
Oil	14612	23979	20422	20.488	24449
Natural Gas	8000	14060	14921	12.756	16952
Other Exports	3091	3546	3625	5963	5930
Re-exports	555	617	603	753	960
Imports (FOB)	**-8196**	**-10664**	**-12324**	**-13287**	**-15865**
Services Account	**-5002**	**-4646**	**-3743**	**-3966**	**-4380**
Services (Credit)	**868**	**1323**	**2495**	**2572**	**4141**
Travel	445	465	991	1037	1342
Transportation	302	749	1357	1129	2285
Other services	121	109	147	406	514
Services (Debit)	**-5870**	**-5969**	**-6238**	**-6538**	**-8521**
Travel	-1164	-1117	-1331	-1538	-1713
Transportation	-820	-1067	-1231	-1329	-1606
Other services	-3886	-3785	-3676	-3671	-5202
Income Account	**-433**	**-5094**	**-2562**	**-3266**	**-1516**
Income (Credit)	**426**	**779**	**3231**	**2582**	**4927**
Income (Debit)	**-859**	**-5873**	**-5793**	**-5848**	**-6443**
Current Transfers Account	**-4724**	**-5143**	**-5829**	**-5522**	**-6007**
Workers remittances	4584	-4932	-5485	-5398	-5802
Other transfers (net)	-140	-211	-344	-124	-205
Second: Capital and financial Account	**5.923**	**-69**	**-3839**	**-6233**	**-2754**
Capital Account	**0**	**0**	**0**	**-1357**	**-1160**
Financial Account (net)	**5923**	**-69**	**-3839**	**-4876**	**-1594**
Net errors and omissions	**-4880**	**-6789**	**-1719**	**-1175**	**-2100**
Third: Surplus/ Deficit in Balance of **Payments**	**8946**	**9797**	**9555**	**6511**	**15399**
Change in reserves (increase)	**-8946**	**-9797**	**-9555**	**-6511**	**-15399**

Source: Planning Council: Department of Statistics.

Table (10)
Geographic Distribution of Imports (1999-2003)

(Millions of QR)

Country	1999	2000	2001	2002	2003
Arab Countries	**1,802.2**	**1,976.8**	**1,868.0**	**2,590.1**	**2,983.7**
U.A.E	726.3	819.9	711.0	1,039.4	1,187.5
Saudi Arabia	642.2	666.9	727.2	917.6	1,060.0
Bahrain	125.7	145.4	80.1	122.5	235.0
Jordan	45.9	43.9	55.3	72.2	54.4
Lebanon	28.8	28.0	34.2	36.2	48.8
Kuwait	56.6	61.9	56.2	105.1	74.8
Syria	80.8	90.9	79.0	120.3	92.8
Egypt	30.2	41.5	30.8	56.9	105.6
Oman	50.1	65.3	70.9	91.9	103.6
Others	15.6	13.1	23.3	28.0	21.2
Asian Countries	**2,451.5**	**3,593.3**	**3,663.0**	**4,173.0**	**5,120.9**
Japan	933.5	1304.2	1298.0	1,552.6	1,866.4
India	238.5	334.9	316.6	440.3	560.9
South Korea	204.7	633.9	598.7	528.2	883.1
China	268.2	353.9	389.4	467.3	604.9
Hong Kong	41.4	66.7	65.6	133.7	54.5
Taiwan	97.9	117.4	113.4	113.4	108.8
Malaysia	105.7	150.0	183.9	215.2	215.3
Iran	81.6	83.4	89.8	68.5	65.6
Indonesia	98.8	112.8	132.7	156.3	160.1
Pakistan	118.2	119.7	116.3	104.5	116.4
Thailand	103.0	126.7	118.1	127.0	151.7
Singapore	51.6	50.3	96.8	122.2	155.2
Turkey	42.1	65.4	66.2	90.7	106.6
Philippines	25.8	33.7	39.3	27.6	28.9
Others	40.5	40.3	36.2	25.5	42.5

Source: Planning Council: Department of Statistics.

Table (10) Continued
Geographic Distribution of Imports (1999-2003)

(Millions of QR)

Country	1999	2000	2001	2002	2003
European Countrirs	**3314.74**	**4491.0**	**5478.8**	**5422.2**	**6681.7**
United Kingdom	1047.7	919.3	1094.6	1123.7	1430.4
Germany	560.7	967.1	1248.7	1032.3	1719.7
Italy	429.0	795.7	1333.8	1333.0	1326.4
France	428.6	648.3	606.3	614.2	592.1
Holland	232.8	284.9	315.8	338.2	339.4
Switzerland	127.6	214.5	200.3	189.2	225.0
Belgium	63.8	113.1	133.9	170.7	192.9
Sweden	107.8	135.3	80.0	84.0	127.8
Spain	106.2	151.7	146.9	184.5	220.4
Denmark	42.7	47.3	62.2	65.7	72.4
Austria	34.1	37.2	51.2	58.0	75.3
Ireland	44.9	56.8	62.1	60.3	74.3
Greece	10.6	33.1	27.1	20.9	15.0
Norway	11.8	16.7	18.3	20.2	31.3
Romania	17.4	7.9	6.2	13.0	27.2
Others	48.7	62.1	91.4	114.3	212.1
American Countries	**1282.8**	**1507.0**	**2216.0**	**2281.1**	**2655.5**
U.S.A.	1037.6	1220	1876.7	1922.9	2170.9
Brazil	131.7	113	128.4	144.6	164.8
Canada	62.7	103	83.6	115.7	119.6
Argentina	12.7	22	37.3	35.5	47.7
Mexico	24.6	37	64.4	43.7	48.5
Others	13.5	12	25.6	18.7	104.0
Ocean Caunlries	**213.2**	**237.7**	**284.6**	**234.0**	**317.1**
Astralia	198.9	22.4	266.6	216.4	293.9
Newzealand	14.3	13.7	18.0	17.6	23.2
African Cauntris	**33.1**	**30.1**	**46.1**	**48.3**	**67.3**
Nat Speafie	**1.2**	**2.1**	**121.8**	**0.7**	**0.1**
Total	**9098.4**	**11838.0**	**13678.3**	**14749.4**	**17826.3**

Source: Planning Council: Department of Statistics.

Table (11)

Geographic Distribution of Exports (2001-2003)

(Millions of QR)

Country	2001	2002	2003
Arab Countries	**1391.0**	**3200.1**	**2162.7**
U.A.E	702.5	1353.9	1124.6
Saudi Arabia	416.5	575.9	599.8
Bahrain	36.8	69.4	96.6
Jordan	43.9	39.0	18.6
Lebanon	19.9	36.2	10.7
Kuwait	45.9	66.3	59.4
Syria	27.4	13.2	97.4
Egypt	38.8	953.0	84.5
Oman	17.7	26.7	26.1
Yemen	27.2	27.4	7.3
Others	14.4	39.1	37.7
Asian Countries	**34655.3**	**31847.4**	**40250.6**
Japan	20174.8	18628.1	22412.5
India	559.7	364.8	535.5
South Korea	7803.5	6320.6	9018.5
China	1190.4	421.4	937.9
Hong Kong	38.5	19.8	0.2
Taiwan	84.3	99.4	316.7
Malaysia	149.4	15.5	16.5
Iran	14.4	86.8	28.5
Indonesia	71.5	42.5	10.7
Pakistan	43.4	54.5	57.1
Thailand	936.0	1365.8	1451.8
Singapore	2677.9	3696.7	4628.2
Turkey	17.5	20.1	19.4
Philippines	698.4	461.5	577.1
Others	195.6	249.9	240.0

Source: Planning Council: Department of Statistics.

Table (11) Continued
Geographic Distribution of Exports (2001-2003)

(Millions of QR)

Country	2001	2002	2003
European Countries	**300.8**	**660.5**	**940.4**
U.K.	17.7	3.0	101.2
Germany	0.6	0.9	1.7
Italy	0.0	373.5	34.7
France	29.6	0.0	25.6
Holland	39.5	186.1	160.2
Belgium	9.4	9.4	16.8
Spain	203.9	80.4	546.7
Austria	0.0	0.0	36.2
Ireland	0.0	0.7	3.9
Greece	0.0	5.1	12.7
Others	0.1	1.4	0.7
American Countries	**1437.9**	**1014.6**	**787.9**
U.S.A.	1378.9	1009.6	764.7
Brazil	0.0	0.0	14.8
Canada	25.5	1.1	1.5
Chile	7.5	2.0	2.3
Peru	3.1	1.3	2.1
Others	22.9	0.6	2.5
Ocean Countries	**787.7**	**363.4**	**383.5**
Australia	623.1	198.2	143.2
Newzealand	164.6	165.2	240.3
African Countries	**364.9**	**232.4**	**312.1**
Not Specified	**31.0**	**1888.5**	**3187.1**
Total	**38968.6**	**39206.9**	**48021.3**

Source: Planning Council: Department of Statistics.

Chapter Three

THE MONETARY POLICY

- **The Qatari Riyal Exchange Rate.**
- **The Monetary Policy Instruments.**
- **Developments of Banking Supervision Procedures.**
- **Domestic Liquidity & Factors Affecting It.**
- **Reserves Money and Contra Assets.**

The Monetary Policy

I. Introduction

Since established in 1993, the Qatar Central Bank (QCB) has inherited the monetary strategy of exchange rate targeting. The fixed parity between the United States dollar (USD) and the Qatari riyal (QR) at the rate of QR 3.64 per dollar was the inherited nominal anchor. An Amiri decree issued in July of 2001 has de jure authorized the de facto exchange rate targeting monetary policy regime as well as the target peg. The heritage has been constantly honored and the target peg has always been highly credible. Equally, QCB monetary policy has had to be subordinated to its exchange rate policy, where sustaining equilibrium in the domestic USD exchange market at the fixed exchange rate is the primary objective of the monetary policy drawn and implemented by the QCB. Thus, QCB monetary policy is necessarily accommodative. Appropriately, the QCB endeavors to strengthen the monetary stability in the country via stabilizing domestic interest rates. Therefore, QCB utilizes alternative monetary instruments at its disposal to maintain short-run QR rates within a corridor determined by QCB such that changes in domestic interest rates are synchronized with developments in the rates on the USD and the other major currencies in major global financial markets. Within this policy framework, the QCB endeavors to regulate primary liquidity in the banking system so as to maintain monetary stability and the stability of domestic price levels.

Throughout 2003, the QCB continued to uphold its monetary policy of securing the stability of the QR/USD exchange rate, free convertibility of the Qatari currency, and the stability of domestic price levels; along with overseeing the banking and financial systems. With regard to the drawing and/or the implementation of its monetary policy, the QCB has continued constant reviews of developments in the levels and trends in the domestic liquidity, the domestic interest rates on the QR and on foreign currencies in the domestic market, and the interest rates on the major currencies; the US dollar in particular. The Federal Reserve's overnight lending rate had come down to a new low near the end of the second quarter, reaching its level in 1958 of 1%. While the new USA Federal rate was sustained till the end of 2003, the euro rate came down to 2.75%, and the rate on the Japanese yen continued around zero percent.

Dedicated to keep changes in the domestic interest rates in association with the developments in interest rates on the major currencies, the QCB reduced the repurchase transactions (Repo) rate to 1.93% in June, then to 1.53% in July 2003 (as against 2% by the end of 2002). The rates on the QCB credit and banks' deposits with QCB within the Qatari Money Market standing facilities were also reduced. The banks' deposits rate came down to 1.23% in January 2003 while the lending rate was cut down to 1.53% in January, then to 1.33% in July 2003. The objectives of this monetary policy had been to regulate domestic liquidity and influence the domestic exchange markets on one hand, and stimulate investments and promote economic growth on the other. Such policy came along the lines of the QCB perseverance to indefatigably react to developments in the domestic economy and objectives of the general economic policy. Regarding the QR exchange rate policy, QCB had successfully sustained equilibrium in the domestic US dollar exchange market at the target rate throughout the year. Besides effectively keeping the domestic short-term interest rates in tandem with the rates on major currencies, particularly the USD rates, the QCB continued to conduct its successful intervention operations on both sides of the foreign exchange market in 2003.

In the framework of its role in the supervision and oversight of the banking and money exchangers units, the QCB continued to ascertain the soundness of the financial positions of these units, their compliance with the supervisory instructions and their adherence to sound banking and financial practices. Efforts expended in this regard included alternative methods of supervision and inspection along lines of the latest worldwide developments and advances in regulatory systems and instruments. The QCB continued to monitor compliance of the local banks and exchange companies with the various supervisory instructions. Meanwhile, it has issued a number of circulars with instructions to keep abreast with the developments in the activity of local banks. The most important of these instructions related to the limits on credit concentration for banks and financial units, credits for investments in Doha stock exchange and the ratios of real estate financing.

This chapter is structured as follows: Section II starts with brief portray of the environment surrounded the money supply process in the Qatari economy during 2003; then perceives the significant key developments in the monetary aggregates; and briefly discusses the repercussions of these developments for the Qatari economy during 2003. Section III reviews the QCB policy of interest rates, appraises QCB interest rates management and the management of primary liquidity during 2003. Section IV summarizes QCB exchange rate policy; its monetary actions taken to implement such policy; and discusses the main implications of the USD weakening position for the Qatari economy. Section V summarizes the major developments in QCB banking supervision and oversight during 2003.

II. Money Supply and the Domestic Liquidity:

Three major factors contribute to the determination of the money supply and the domestic liquidity in the Qatari economy: (1) The domestic public spending the government expenditures arte financed by sales of foreign exchange against QR; therefore, fiscal actions have immediate monetary consequences and are mirrored in the high-powered money, hence, in the money supply and domestic liquidity. (2) The behavior of the banking sector, where the additional bank liabilities enable the commercial banks to extend credit to the private sector; consequently reinforces the process of money creation. (3) The net operations of the private sector with the rest of the world; that is, the position of the private sector's balance of payments. The first two factors are expansionary representing sources of the domestic liquidity; the third is contractionary representing a liquidity leakage outlet abroad in forms of financing imports of goods and services, expatriate's remittances private sector’s income transfers abroad and/or private capital outflows.

Due to free trade and free convertibility of the Qatari currency on the one hand and the fixed exchange rate regime on the other hand, domestic monetary aggregates are highly sensitive to different channels of liquidity leakage. They are particularly sensitive to capital flows, and most sensitive to portfolio capital flows. Such capital flows into and/or out of the Qatari economy are highly influenced by regional as well as worldwide economic developments, the developments in global financial markets, the security of overseas investments and the economic implications of regional and/or international geopolitical developments. By the by, it is worth indicating that, prior to the events of September the eleventh of 2001, the private surplus capitals (beyond the absorptive capacity of the non-oil economy) out-flowing in search for better productive investment outlets had been attracted to overseas investment opportunities in the west, particularly in USD nominated assets; inside and outside the United States. Such great attraction had been mainly due to an almost perfectly secured capital and financial markets environments. Nevertheless, these environments have changed dramatically following the September events. The most important relevant factors affected the money supply process in the Qatari economy during 2003 have been:

(1) Sluggish recovery of the US economy: By late 2000, the US economy started to slow down passing through a recession that had ended in an unusually sluggish recovery. The Fed began to cut interest rates in 2001 in an effort to fight recession and stimulate recovery. The Fed continued its highly accommodative monetary policy stance throughout 2003 with the federal funds rate coming down to its lowest in more than forty five years, reaching its level in 1958 of 1% near the end of the second quarter, and holding steady. Coupled with an expansionary budget and a policy of weak US dollar, the

expansionary policy mix has failed, up to the end of 2003, to invoke a strong recovery. In the mean time, the US has been witnessing a growing record setting trade deficit since the late nineties. In 2003 the worsening trade deficit had reached historically unprecedented level of five percent of GDP, hence dramatically increasing the US borrowing and international debt. The US net international liabilities rose to 25% of GDP; hence increasing the degree of vulnerability in the US external financial situation. Continuous decline in the federal funds rate to unprecedented low levels has contributed to drive policy interest rates in the main industrial countries very low. Such low rates have been "push" factors that encouraged investors to search for yield in emerging markets. Net private portfolio capital inflows have surged into several emerging market economies during 2003, according to the IMF and the BIS reports.

(2) Growingly unsecured investment environment: Most of the private capitals channeled to outflow in search of more productive investment outlets, prior to the events of September 11 2001, were attracted by and enjoyed a heavenly secured political as well as economic environments in the western world. Most capitals where mostly allocated to investments in real or financial assets denominated in USD. Yet, investment opportunities have been immensely narrowed following the events of September 2001, where capital and financial markets have increasingly grown politically insecure for Moslem investors in the United States in particular and in most other western countries in general. A prime economic

implication has been great reluctances on behalf of Qatari and other GCC investors to channel their surplus capital to outflow to these markets, preferring to invest in domestic portfolios, thus reducing the liquidity leakages out of their domestic economies. Further, the Qatari as well as the non-Qatari (GCC) private investments abroad have been, at least partly, flowing back home through 2003 seeking more secured investment environment; hence injecting the domestic liquidity.

(3) Sky hiking oil prices: Nominal oil prices have been continuously on the rise right through 2003, particularly after the USA invasion of Iraq in March. In addition to growing weakness of the USD and increasing world demand for oil, the escalating deterioration of the geopolitical conditions in the region have been a determining factor. The state of constant fear of oil supply interruptions resulted in a continuous market panic translating into incessantly rising prices. Since government expenditures in Qatar are characterized by cyclicality, coupled with increases in oil and gas production and exports, escalating prices have led to increasing domestic public spending and, consequently, greater domestic liquidity.

While the new environment of vanishing security, high political risk and record low policy interest rates in the orthodox investment opportunity land presented “push” factors for the Arab (mostly GCC) investments, the status of sustained political stability and fast growing economy Qatar has been enjoying has presented strong “pull” factors that have very much attracted the Qatari and non-Qatari capitals reluctant to outflow and/or flowing back home. Under the highly credible fixed exchange rate regime, net capital inflow, twinned with expanding government expenditures due to rising oil revenues (in USD), have had two important implications: On the one hand, they have resulted in an upward shift in the demand for money narrowly as well as broadly defined; On the other hand, they have manifested their selves under conditions of the accommodative monetary policy of QCB, in augmenting the foreign exchange reserves component of the monetary base. In a nutshell, the high-powered money was increased by 19.1%; the narrowly defined money supply (M1) had grown at the rate of 38.79% and the domestic liquidity defined as broad money (M2) had grown by 17%. In what follows, developments in the monetary aggregates are analyzed and discussed starting with the monetary base (M0).

II.1 The Monetary Base (M0):

The monetary base represents the quantity of money potentially available to the banking system as the basis for creating bank deposits. On the liabilities side of the central bank's financial statement, the monetary base is viewed as the net monetary liabilities of the central bank held by the public (currency in circulation) and by commercial banks (commercial banks deposits with the central bank plus banks' vault cash). These are the uses of the base. On the assets side of the central bank's financial statement, the monetary base is decomposed into foreign reserves and central bank credit (discounts, advances to banks, open market portfolio and various other net central bank credit assets). These are the sources of the base. Yet, regardless the monetary base is

Table (12)
Reserve Money & Counterpart Assets
(2002-2003)

(QR millions)

Items	**2002**	**2003**	**Change**	
			Value	**%**
Currency Issued	2266.62	2600.23	333.61	14.72
Banks' Balances with QCB	1424.76	1796.40	371.64	26.08
Reserve Money (Monetary Base)	**3691.38**	**4396.63**	**705.25**	**19.10**
Net Foreign Assets	**5443.60**	**10412.88**	**4969.28**	**91.30**
Foreign Assets	5451.8	10424.87	4973.06	91.22
Gold	24.33	28.90	4.57	18.78
Foreign Securities	4123.62	8133.01	4009.39	97.23
Certificate Of Deposits	874.90	1784.55	909.65	103.97
Other Foreign Assets	428.95	478.41	49.46	11.53
Foreign Liabilities	8.21	11.99	3.78	46.00
Net Domestic Assets	**-1752.22**	**6016.25**	**-4264.03**	**(243.35)**
Net claims on Gvernment	135.14	15.97	-119.17	(88.18)
Net Claims on domestic banks	-176.10	-26.43	149.67	84.99
Net Other Items	-1793.18	-6026.46	-4233.28	(236.08)

computed on the assets side or on the liabilities side of the central bank's balance sheet, the total is the same. Yet, computations made on the uses side of the QCB financial statement do not help identify factors determining the base money, while those on the sources side do. Therefore, computations on the assets side of the QCB balance sheet are of more relevance to arguments made in this chapter. Detailing and rearranging the items on the balance sheet of the QCB, table (13) computes changes in the sources of the monetary base and table (14) computes changes in its uses.

A- Sources of the Monetary Base:

Under the QCB fixed exchange rate regime, four factors tend to influence the high-powered money: the government domestic expenditures out of its foreign exchange proceeds; the private sector's Balance of Payments position; the QCB monetary policy actions, and changes in other net assets of the QCB. The first two alter QCB foreign reserves; hence represent the foreign sources of changes in the money base. The third (affecting credit creation in the economy) and the fourth present the domestic sources of the base. Sources of the base are labeled as monetary and non-monetary.

Foreign Monetary Sources of the Monetary Base: Data classifications in table (13) pertain to the IMF definition of monetary authorities' foreign reserves as: monetary gold, special drawing rights, the state's share with IMF and the authorities' foreign exchange monetary assets. The difference between foreign reserves so defined and the corresponding non-monetary liabilities gives the foreign sources of the monetary base. The increase in the foreign sources of the QCB base money amounted to the equivalent of QR 807.5 million. This increase in foreign sources of the monetary base came as the net result of the QCB intervention operations in the domestic US dollar exchange market, right through 2003, defending the exchange rate peg. On different occasions throughout the year, QCB had conducted a number of USD sale and purchase operations so as to alleviate pressures in the exchange market. On balance, the QCB came up a net purchaser of the amount of USD 223.1 million. All of the intervention operations were conducted through the local banks. Hence, changes in the source base are directly

Table (13)
Source of Monetary Base

(QR Millions)

Items	2002	2003	Change
First: Monetary Source			
1- Foreign Monetary source	**5078.92**	**5886.43**	**807.51**
- Foreign Monetary Assets	**5451.81**	**10424.87**	
Gold	24.33	28.90	
Special Drawing Rights	102.60	121.69	
Demand Deposits	14.52	14.66	
Interest due from Banks	57.34	84.08	
Due from other Central Banks	4.35	5.73	
Deposits with Foreign Banks & CDs	798.69	1680.08	
Securities Portfolio	4123.62	8133.01	
Share of Qatar in IMF	326.36	356.72	
- Minus: Foreign liabilities	**372.89**	**4538.44**	
Due to other Central Banks	3.84	7.62	
IMF current Account	4.37	4.37	
General Reserves to Support QR Exchange Rate	0.00	3640.00	
Revaluation Reserves	299.43	800.73	
SDR & Investments' Provisions	65.25	85.72	
2- Domestic Monetary Source	**(140.83)**	**(80.15)**	
- Qatar Money Rate Market (QMR)	**(304.00)**	**(99.00)**	**205.00**
Borrowings	00.00	94.00	
Deposits	304.00	193.00	
- Repurchase Agreement (Repos')	**00.00**	**00.00**	
- Others	**163.17**	**18.85**	**(144.32)**
Due to Domestic Banks	27.90	2.57	
Cash In Vault	0.12	0.30	
Ministry of Finance Account	135.15	15.98	

Table (13) Continued
Source of Monetary Base

(QR Millions)

Items	2002	2003	Change
Second: Non- Monetary Source	**1246.71**	**(1409.65)**	**162.94**
1- Foreign Non-Monetary source	148.74	162.21	
Share of Qatar in AMF	148.46	162.27	
Share of Qatar in The WB	3.25	3.19	
Minus: AMF Current Account	2.97	3.25	
2- Domestic Non-Monetary source	**163.31**	**112.59**	
Long TERM loans to domestic bank	100.00	70.00	
Fixed Assets (Net)	76.20	72.87	
Other Assets	19.24	9.43	
Minus: Other Liabilities	32.13	39.71	
3- Capital & Reserves	**(1558.76)**	**(1684.45)**	
Capital	1000.00	1000.00	
General Reserves	558.76	684.45	
(Except Reserve to Support QR Exchange Rate)			
Total Source OF Monetary Base	**3691.38**	**4396.63**	**705.25**

translated into changes in the banks' excess reserves and, citrus paribus, into the corresponding changes in the monetary aggregates and the aggregate domestic credit according to the multiplier of each.

It is worth indicating that the difference of QR 4161.78 million between the increase in the net foreign reserves (QR 4969.28 million) and the increase in the foreign sources of the monetary base (QR 807.5 million) includes a support fund of QR 3640 million (the equivalent of US $ 1 billion) for the QR exchange rate, provided by the government of Qatar, as well as augmentations of the value of foreign assets due to assets revaluation. The consequences of such changes in foreign reserves on the monetary base are automatically neutralized via changes in corresponding non-monetary QCB liabilities. Specifically an increase of QR 3640 million in the general reserve, an increase of QR 501.3 million in gold and foreign currencies revaluation reserve and an increase of 20.47 million in the SDR value and the investments value provisions.

Domestic Monetary Sources of the Monetary Base:

For analytical purposes, domestic sources of the monetary base with QCB are classified into QCB credit and it's other net assets. The Qatar Central Bank utilizes two types of refinancing instruments: a refinancing standing facilities, where QCB offers renewable (rollover) overnight funds at a pre-announced rate that is flexibly changeable over the course of the day in accordance with certain mechanism specified by the QCB; and the money market instrument of repurchase transactions (Repos); to inject primary liquidity in the banking system. Besides, the QCB utilizes deposits standing facilities, where it allows the local banks to lend their surplus liquidity to the central bank, for renewable overnight maturity, at a pre-announced rate that can be flexibly changed over the course of the day according to certain mechanism specified by QCB, as its major monetary instrument to mope the local banks' surplus liquidity. Standing facilities extended by the QCB are subject to ceilings determined by the central bank. There were absolutely no Repo transactions throughout 2003.

QCB Standing Facilities: The QCB credit extended to local banks under its refinancing standing facilities had registered

QR 94 million on the last day of 2003 vis a vis none on the last day of 2002. Meanwhile, the deposits standing facilities registered QR 193 million by the end of 2003 vis a vis QR 304 by the end of 2002. Nevertheless, these numbers should not mean much because, since the maturity of both facilities ends overnight, these represent the magnitudes of flow rather than stock variables. Therefore, the net contribution of the standing facilities of QR 205 million to changes in the source base could be considerably misleading. Hence, such results should not be taken at its face value. Since daily averages are by definition stock variables, working with daily averages makes better economic sense than working with the end of period results in the present context.

The cumulative credit extended under the standing refinancing facility amounted to QR 6915.5 million implying an average of QR 26.6 million per working day throughout 2003, to be compared with an average of QR 9.0 million for 2002. Similarly, the cumulative local banks' deposits with QCB under the deposits standing facility amounted to QR 67238.5 million implying an average of QR 258.6 million per working day during 2003, to be compared with an average of roughly QR 157 million for 2002. Thus, the net average QCB credit extended to the local banks under its standing facilities (average credit extended minus average deposits accepted) had amounted to a negative of QR 232 million over 2003 against a negative of QR 148 million over 2002. Therefore, the average contribution of the QCB standing facilities to the change in the domestic sources of the monetary base has been about QR –84 million. That is the QCB had absorbed, rather than injected, primary liquidity.

The Other Net QCB Assets: As indicated in table ( ), changes in other net domestic monetary assets with QCB had contributed the negative of about QR 144 million to changes in the source bas while the joint contribution of changes in foreign and domestic non-monetary assets had amounted to the negative of about QR 163 million.

To sum up, when the stock of the high-powered money is compared by the end of the years 2002 and 2003, the overall change in the sources of the monetary base seems to have amounted to an increase of QR 705.25 million or 19.1%. This change in the source base can be attributed to an increase of about QR 868.2 in the monetary sources of the base and a reduction of about QR 162.9 million in its non-monetary sources. That is the effect of the changes in the monetary sources had been expansionary while that of the non-monetary sources had been contractionary.

B- Uses of the Monetary Base:

The uses of the monetary base represent the net monetary liabilities of a central bank. Table (14) shows the components of the QCB monetary base, viewed on the liabilities side of the balance sheet as the uses of the base, and indicates changes in those uses between the end of 2002 and the end of 2003. The money base had increased by the sum of QR 705.25 million or 19.1%. Such growth in the high-powered money has had unambiguous expansionary effects on the monetary aggregates and aggregate credit in proportion to the size of the multiplier of each.

The increase in the money base is decomposed into an increase of QR 226.42 million or 11.78% in the currency in circulation (from QR 1921.38 million to QR 2147.8 million);

Table (14)
Uses of Monetary Base

(QR millions)

Items	2002	2003	Value
Currency Issued	**2266.62**	**2600.23**	**333.61**
Currency In Circulation	1921.38	2147.80	226.42
Cash in Vault with Banks	345.24	452.43	107.19
Banks Total Reserves	**1424.76**	**1796.40**	**371.64**
Required Reserves	1242.12	1443.80	201.68
Excess Reserves	182.64	352.60	169.96
Total = Monetary Base	**3691.38**	**4396.63**	**705.25**

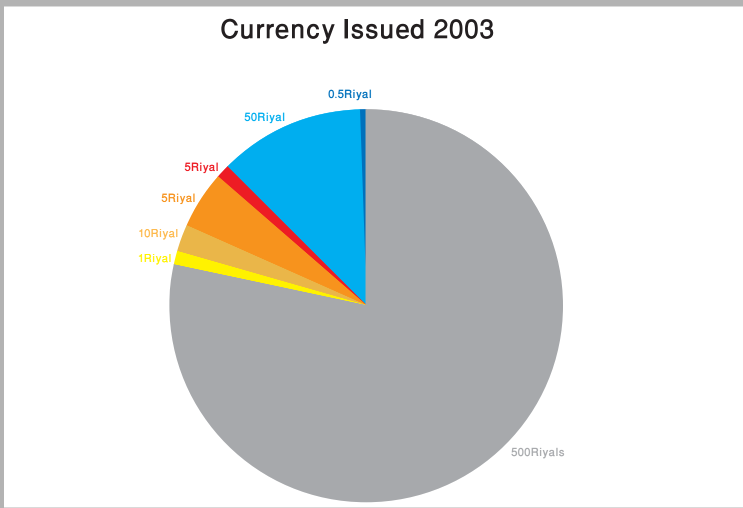
an increase of QR 201.68 million or 16.24% in the required reserves (from QR 1242.12 million to QR 1443.8 million); an increase of QR 107.29 or 31.1% in the vault cash (from QR 345.24 million to QR 452.43 million); and an increase of QR 169.96 million or 93.06% in the excess reserves held at QCB (from QR 182.64 million to QR 352.6 million). Thus, while the currency issued increased by QR 333.61 million constituting 47.3% of the total increase in the monetary base, the increase in the required reserves constituted 28.6% of the total increase in the monetary base and the increase the excess reserves held with the QCB constituted or 24.1% of the total increase in the monetary base.

Given that the demand deposits have grown at the rate of 47.15%, then the ratio of the vault cash to the demand deposits had declined by about 11% (from 5.56% by the end of 2002 to 4.96% by the end of 2003). Hence, indicates an overall lower expected deposits outflow on behalf of local banks. Meanwhile, the ratio of the excess reserves held at QCB to total deposits had increased from 0.61% by the end of 2002 to 1.0% by the end of 2003; a growth of about 65% whilst the ratio of those excess reserves to total demand deposits had increased from 0.02% by the end of 2002 to 0.031% by the end of 2003; a growth of 55%. In view of the fact that the required reserve ratio is applied at a flat rate (2.75%) to all types of banks' customers' deposits, such disproportionate increase in the ratio of excess reserves should indicate an overall surplus primary liquidity within the banking system.

BOX (5)
Currency Issued
(1999-2003)

(Millions of QR)

Items	1999	2000	2001	2002	2003
Bank-Notes					
500	**1711.351**	**1481.296**	**1561.86**	**1746.598**	**2043**
100	285.672	247.13	258.802	284.08	307
50	92.223	102.973	102.214	111.973	122
10	50.932	59.92	59.107	56.637	59
5	23.71	25.466	28.231	28.274	29
1	21.925	25.303	26.734	27.126	27
Total Bank-Notes	**2185.813**	**1969.088**	**2036.948**	**2254.688**	**2.588**
Coins					
50	6.446	6.853	7.444	7.985	8.39
25	3.128	3.226	3.488	3.709	3.78
10	0.148	0.151	0.151	0.151	0.15
5	0.079	0.08	0.081	0.081	0.08
1	0.005	0.005	0.005	0.005	0.01
Total Coins	9.806	10.315	11.169	11.931	12.40
Grand Total	**2195.619**	**1979.403**	**2048.117**	**2266.619**	**2.600**



II.2 The Domestic Liquidity:

The measurement and analysis of changes in the base money point to the main direction of developments in the monetary aggregates. Further, with the aid of precise estimates of the monetary and credit multipliers, overall aggregate changes in the money supply, domestic liquidity and domestic credit are computable. However, the follow-up and analyses of changes in domestic liquidity, the developments in its components (namely, currency in circulation and the private sector's deposits with local banks) and the determination of factors influencing these components provide important indicators for scrutinizing monetary conditions of the domestic economy in general and determining the changes in levels of domestic liquidity in particular. Specifically, the follow up of the developments in the monetary aggregates provides insights into the role played by QCB monetary policy in regulating domestic liquidity and promoting monetary stability in the economy. Developments in monetary aggregates and their components might echo different consequences of changing foreign economic and/or geopolitical conditions and their implications for the domestic economy.

Available data indicate that domestic liquidity (money supply broadly defined, M2) had increased, during 2003, by the sum of QR 5410 million reaching QR 37223 million by the end of the year, as against QR 31813 million by the end of 2002. That is an annual growth rate of 17%. Such growth in M2 is unprecedented since 1984, whence it had grown by 22%; and exceed double the compound growth rate over the period since then. In what follows, we examine the aggregate

Table (15)
Monetary Survey of the Banking System
2002 - 2003

(QR Millions)

Items	2002	2003	Change 2002 - 2003	
			Value	%
A - Liabilities				
Money supply (M1)	**8126.06**	**11277.93**	**3151.87**	**38.79**
Currency in Circulation	1921.38	2147.80	226.42	11.78
Demand Deposids in QR	6204.68	9130.13	2925.45	47.15
Quasi Money	**23687.24**	**25945.40**	**2258.16**	**9.53**
Time and saving Deposits in QR	17064.86	17958.11	893.25	5.23
Demand Deposits in FX	2713.94	2316.29	-397.65	(14.65)
Time and saving Deposits in FX	3908.44	5671.07	1762.63	45.10
Domestic Liquidity (M2)	**31813.30**	**37223.33**	**5410.03**	**17.00**
B- Assets				
Net Foreign Assets	**17628.92**	**25674.12**	**8045.20**	**45.64**
With QCB	5443.60	10412.88	4969.28	91.29
With banks	12185.32	15261.24	3075.92	25.2
Net Domestic Assets	**14184.38**	**11549.21**	**-2635.17**	**(18.58)**
Net Claims on Government	**6722.69**	**5907.71**	**-814.98**	**(12.12)**
Credit Facilities	15866.95	18452.05	2585.10	16.3
Government Securities	6449.48	5065.46	-1384.02	(21.46)
Government Deposits (-)	15593.74	17609.80	2016.06	12.9
Claims on private Sector	**21165.44**	**27107.93**	**5942.49**	**28.1**
Credit Facilities to private Sector	19096.78	23357.16	4260.38	22.3
Credit Facilities to Semi Govert,	965.09	1479.43	514.34	53.3
Investment in Domestic Stocks	1103.57	2271.34	1167.77	105.8
Net Other Items	**-13703.75**	**-21466.43**	**-7762.68**	**(56.64)**

monetary position of the QCB and the local banks (Table) in an effort to scrutinize the developments in the monetary aggregates and analyze the sources of changes in their components.

II.2.1 Components of The Domestic Liquidity:

Concerning developments in the components of domestic liquidity defined as the broad money supply (M2), the data in part (A) of table ( ) indicate that all components of M2 had increased, though at different paces. We now examine these progresses:

The Currency in Circulation: The currency in circulation increased from QR 1921.38 million by the end of 2002 to QR 2147.80 million by the end of 2003; an augmentation of 11.78% or QR 226.42 million. Assuming non-decreasing velocity of circulation, such increase designates growing small consumers transactions where fiat money and coins are used to perform.

The QR Demand Deposits: Demand deposits in Qatari riyals with the local banks expanded at the unparalleled rate of 47.15% to reach QR 9130.13 million by the end of 2003 as against QR 6204.68 million at the end of 2002; an escalation of QR 2925.45 million. This increase came as the outcome of an increase of QR 2817.67 million in private sector's deposits and an increase of QR 107.78 million in semi governmental enterprises' deposits. This increase in the QR demand deposits had constituted about 54.1% of the total increase in the domestic liquidity in 2003.

The conventional interpretation of an increase in the stock of demand deposits in local currencies has been that there must be a corresponding expansion in private sector's economic activities; since this type of money is the major medium of exchange used to conduct business transactions. Though this argument is generally valid under normal circumstances, it aught to be taken with a grain of salt (and a piece of lemon) under the geopolitical and economic conditions prevailed during 2003; where the direction of capital flows was reversed, thus injecting rather than draining primary liquidity in the banking system. During 2003, as will be soon discussed, these developments have primarily impacted on the real estate and the stock markets.

The Money Supply Narrowly Defined M1:

Adding up the increase in the currency circulated and the increase in the QR demand deposits gives the increase of QR 3151.87 million in M1 to reach QR 11277.93 million by the end of 2003 as against QR 8126.06 million at the end of 2002. That is an unmatched growth of 38.79% since 1981. Such high rise escalation in the money supply resulted –among other things- in a substantial elevation in banking credit extended to the private sector from QR 20061.86 million by the end of 2002 to QR 24836.59 million by the end of 2003; a rise of 23.8% as against 9.5% in 2002. Likewise, the claims of local banks on the private sector rose from QR 21165.44 by the end of 2002 million to QR 27107.93 million by the end of 2003, at the rate of 28.1% as against 11.26% in 2002.

The Quasi Money: Quasi money is composed of saving and time deposits in Qatari riyal, demand deposits in foreign currencies, and savings and time deposits in foreign currencies. As part (A) of table( ) shows, the quasi money had increased by QR 2258.16 million or 9.5% to reach QR

25945.4 million by the end of 2003 as against QR 23687.24 by the end of 2002. The rise in Quasi-Money was the outcome of the following changes in its components:

Time deposits of the private sector (not including semi-government enterprises), in Qatari riyal, had declined by the sum of QR 1352.22 million while its savings deposits increased by the sum of QR 999.27 million. In the meantime, the QR time deposits of semi-government enterprises had increased by the sum of QR 1095.84 million and its savings deposits in QR increased by the sum of QR 51.35 million. That is, a net increase of 5.23% or QR 893.25 million in the total QR time and savings deposits of the private sector, including the semi-government enterprises, to reach QR 17958.11 million by the end of 2003 against QR 17064.86 million by the end of 2002 (table 15).

The demand deposits in foreign currencies by the private sector (not including semi-government enterprises) had decreased by the sum of QR 358.92 million while demand deposits in foreign currencies by the semi-government enterprises had decreased by the sum of QR 38.73 million; a total decline of 14.65% or QR 397.65 million in the sum of demand deposits in foreign currencies by the private sector including semi-government enterprises to reach QR 2316.29 million by the end of 2003 against QR 2713.94 million by the end of 2002 (table 15).

The time deposits in foreign currencies by the private sector (not including semi-government enterprises) had increased by the sum of QR 1773.86 million while its savings deposits in foreign currencies had decreased by the sum of QR 74.56 million. Meanwhile the time deposits of the semi-government enterprises, in foreign currencies, had increased by the sum of QR 65.89 million while their savings deposits in foreign currencies had decreased by the sum of QR 2.56 million. That is, a net increase of 45.1% or QR 1762.63 million in the total foreign currencies time and savings deposits by the private sector including semi-government enterprises to reach QR 5671.07 million by the end of 2003 against QR 3908.44 million by the end of 2002 (table 15).

II.2.2 Sources of the Changes in Domestic Liquidity:

A careful analysis of developments on the assets side of the aggregate monetary position of QCB and local banks can identify the main factors that affected changes in the domestic liquidity throughout 2003. These are signified by changes in the elements of both net foreign assets and net domestic assets of those bodies. Available data indicate that the increase of QR 8045 million (or 45.64%) in the net foreign assets and the decrease of QR 2635 million (or 18.85%) in net domestic assets have contributed the denoted increase of QR 5410 million or 17%, in the domestic liquidity (specified as broad money, M2) by the end of 2003. Changes in the assets portfolio of local banks had reflected the impact of the accommodative QCB monetary policy stance driven by capital inflows on the one hand and growing expansionary fiscal policy stance, on the other hand. We report on the growth in the different sources of domestic liquidity on the assets side of the aggregate monetary position of the QCB and local banks as follows:

A- Net Foreign Assets:

There has been an increase of QR 4969.28 million in the net foreign assets position of the QCB by the end of 2003; a growth of 91.3% compared to its level of QR 5443.6 million by the end of 2002. There has also been an increase of QR 3075.92 million in the net foreign assets position of the local banks by the end of 2003; a growth of 25.2% compared to its level of QR 12185.32 million by the end of 2002. Hence, there has been growth of QR 8045.2 million or 45.64% in the net balance of foreign assets with the banking system; from QR 17628.92 million constituting 55.41% of the total sources of domestic liquidity by the end of 2002 to QR 25674.12 million constituting 68.97% of the total sources of domestic liquidity by the end of 2003 (part B of table 15).

QCB: In this regard, it is worth remembering what alluded to earlier, that the increase in the net foreign reserves assets of QR 4969.28 million with QCB included the sum of QR 3640 million (the equivalent of USD 1 billion) provided by the government of Qatar as a support fund for the QR exchange rate, as well as increases in the value of foreign assets due to assets revaluation. The effects of such changes in foreign reserves on the monetary base are automatically neutralized via changes in the matching non-monetary liabilities. Specifically an increase of QR 3640 million in the general reserve, an increase of QR 501.3 million in the gold and foreign currencies revaluation reserve and an increase of 20.47 million in SDR value and investment value provisions. Such changes in the non-monetary liabilities reflect on net domestic assets reported in part B of table (15). Hence, the increase in QCB net foreign reserves not owing to its monetary policy actions did not influence the magnitude of the domestic liquidity.

Local Banks: The local banks have accumulated the sum of QR 3075.92 million (or 25.2%) in newly added net foreign assts right through 2003; a slightly lower than the sum of QR 3172 million that they had accumulated throughout 2002. The realized increase in net foreign assets came as the result of an increase of QR 4511.4 million in the gross foreign assets and a corresponding increase of 1435.48 million in foreign liabilities of local banks. Of the increase in foreign assets, QR 1914.9 million were allocated to the portfolio of foreign financial assets, QR 2094 million to increased balances with foreign banks and the remainder was allocated to: long-term investments abroad, credit facilities to non-residents and vault cash in foreign currencies. Of the increase in the portfolio of foreign financial assets, the sum of QR 775.3 million was allocated to the Islamic securities issued overseas by the state of Qatar. The increase in foreign liabilities was the outcome of an increase of QR 1441.28 in balances due to foreign banks and a reduction of QR 5.8 million in the deposits by non-residents.

B- Net Domestic Assets:

While the foreign reserves assets sources of domestic liquidity had grown at 25.2% impacting expansionary effects, the net domestic assets sources had realized negative growth at the rate of 18.58%, or a decline of QR 2635.17 from QR 14184.38 million by the end of 2002 to 11549.21 million by the end of 2003, impacting contractionary effects on domestic liquidity. Net domestic assets had contributed about 31.3% to the sources of domestic liquidity by the end of 2003 against

44.49% by the end of 2002. The fall down in net domestic assets with the banking system during 2003 was the outcome of the reduction of QR 814.98 millions in claims on government (net), a rise of QR 5942.49 million in local banks net claims on the private sector, and the reduction of QR 7762.68 millions in other items (net). The following is a brief elaboration on the three major factors influencing the net domestic assets position of the banking system: total credit facilities the local banks extended to the domestic economy, government deposits with local banks, and other unclassified net assets of the banking system.

Domestic Credit Facilities: The total domestic credit facilities had grown at the rate of 20.48%, from QR 35928.82 million by the end of 2002 to QR 43288.64 million by the end of 2003. Hence, continued its expansionary feedback influence on the money supply for the third consecutive year contributing QR 7359.82 million to the augmentation of domestic liquidity by the end of 2003. Of this increase, a portion of 64.88% or QR 4774.7 million was extended to private sector including semi-government enterprises, a growth of 23.8% above its previous level of QR 20061.87 million by the end of 2002. The remainder of 35.12% or QR 2585.1 million was extended to the government and governmental enterprises, a growth of 16.3% above its previous level of QR 15866.95 million by the end of 2002.

Net Investments in Domestic Assets: Local banks investments in domestic government securities were reduced from about QR 6450 million to about QR 5065 million, a reduction of QR 1384 million or 21.47%. On the other hand, local banks' investments in other domestic assets were increased from about QR 1103.6 million to about QR 2271.3 million, a rise of QR 1167.7 million or 105.82%. This comes to the net decline of QR 216.25 million or 2.86%, having a contractionary impact of the same magnitude on the domestic liquidity, by the end of 2003.

Government Deposits: The Qatari government keeps its deposits accounts with the commercial banks rather than with the central bank. Hence the effects of changes in government deposits on domestic liquidity are not automatically sterilized. Therefore, as non-monetary liabilities, changes in government deposits negatively influence domestic liquidity. Government deposits had been on the rise since 1995, hence, impacting negatively on domestic liquidity for the ninth year in a row. A realized increase of about QR 2016 million, by the end of 2003, in the government deposits, was the outcome of a reduction in government deposits in foreign currencies by the equivalent of QR 1169.4 million and a rise of QR 3185.9 million in its deposits in Qatari riyal.

Net Domestic Credit Measures: Defining the 'net bank credit extended to the government (including the government enterprises) (NBCG)', as the local banks' credit facilities extended to the government minus the government's deposits; then the NBCG registered QR 842.25 million by the end of 2003 against QR 273.21 million by the end of 2002; copious growth of about QR 569 million or 208.3%. Defining the 'net bank credit (NBC)' as 'total credit facilities extended to the domestic economy minus the public sector's deposits' then the NBC grew by 14.87% or QR 5343.75 million throughout 2003.

Other Assets (Net): The item 'other net assets' had continued its negative (contractionary) impact on domestic liquidity for the fourth consecutive year. This contractionary effect had increased by the sum of QR 7762.68 million, superpassing the expansionary effect of the increase in the net bank credit (NBC) by QR 2418.9 million as by the end of 2003.

To Sum Up: Net foreign assets and net domestic credit facilities had been the injection sources of domestic liquidity right through 2003, having the expansionary impacts of QR 8045.2 million and QR 5343.75 million respectively; a total of QR 13388.95 million. On other hand, local banks investments in domestic assets and the other net assets with the banking system were liquidity leakage outlets having the contractionary impacts of QR 216.25 million and QR 7762.68 million, respectively; a total of QR 7978.93 million. The net change in the sources of the domestic liquidity had, therefore, amounted to QR 5410.02 million by the end of 2003.

II.3 Implications of the Growth in Domestic Liquidity:

As alluded to earlier, the record growth in the money supply and domestic liquidity occurred during 2003 was generated by shifting portfolio capital flows-highly influenced by recent developments in overseas investments security environment and strongly implicated by the more recent regional and international geopolitical developments-; by occurrences in the global financial markets owing to record low policy interest rates in the USA and Europe; and by the growing government expenditures owing to rising oil prices and the growing absorptive capacity of the domestic economy. Due to the narrowness of the domestic production base and the lack of non-oil well developed and/or well-diversified real sectors, the abundant liquidity was channeled to viable investment opportunities in real estate and stock markets.

Doha Stock Exchange: Significant portion of the excess liquid monetary assets available to the domestic economy during 2003 was routed to share trading in the domestic stock market. It has been phenomenal that the traded volume on the Doha Stock Exchange had increased from about 79.6 million shares during 2002 to about 190 million shares during 2003; a growth of nearly 138.7% against 56% and nearly 62% by the end of 2002 and 2001, respectively. Likewise, the traded value had risen from QR 3.215 billion by the end of 2002 to QR 11.722 billion by the end of 2003; a growth of 265% against 113.8% during 2002 and 73% during 2001. Furthermore, market capitalization had increased from QR 38.475 billion by the end of 2002 to QR 97.222 billion by the end of 2003; a growth of 153% against 29.45% over 2002. The market general index had escalated from 2323.84 points by the end of 2002 to 3946.70 by the end of 2003; a growth of almost 70% against 37.33% during 2002 and 37.21% during 2001. Such phenomenal improvements in the different indicators of the stock market reveals that traded financial assets turned highly liquefied.

Most credit facilities extended by the local banks to financing share-trading activities in the stock market have been channeled as personal loans. Though the QCB instructed local banks restricting credit facilities for the purposes of shares purchases to 40% of their market value “A large portion of the expansion in the credit extended to the personnel sector can be attributed to financing share purchases in the Doha stock market." Available data indicate that personal loans reached QR 11503 million by the end of 2003, hence were increased by the sum of QR 2428 million at the rate of 26.8% compared to their level of QR 9075 million at the end of 2002.

The Real Estate Market: While a significant portion of the excess liquid monetary assets available to the domestic economy was routed to trading activities in the domestic stock market during 2003, most of that liquidity was channeled to the housing and construction industry as well as lands and real estate trading activities; attracted by highly positive expectations of yield on such investments. Such buoyant expectations have been, to a great extent, generated by a noticeable excess demand in the residential housing and constructions markets attributable to: (1) an abrupt sizeable shortage in the supply of residential housing owing to the demolitions of considerable numbers of homes and residential compounds in a number of sections of the capital city within newly executed infrastructure and/or construction plans to renovate the capital city of Doha; reinforced by (2) increasing demand for residential units owing to the increasing numbers of new expatriates working in the new projects.

Duly, local banks had been keen to utilize good portion of their excess liquidity into land and real estate financing. Loans extended to finance the housing and construction sector were increased from QR 246.5 million by the end of 2002 to QR 1433 million throughout 2003; a fabulous growth of 481.6% against a significant reduction of 65.65% during 2002. Besides, credit facilities extended to finance the lands sector continued on the high rise for the second consecutive year from QR 1040.7 million by the end of 2002 to QR 1893.5 million right through 2003; a remarkable growth of 81.4% next to 150.77% during 2002. Adding up, credit facilities extended to both sectors had been expanded by QR 2040 million at the elevated rate of 158.5% against an expansion of 13.63% all-through 2002. Such outstanding expansion in the credit facilities intended for both sectors is to be compared with the growth of 20.49% and 22.31% in the aggregate domestic credit and credit facilities directed to the entire private sector, respectively.

III. The Domestic Interest Rates:

Within the framework of its monetary strategy of fixed exchange rate for the Qatari riyal against the United States dollar, the QCB monetary policy has had to be subordinated to its exchange rate policy, where sustaining equilibrium in the domestic USD exchange market at the fixed exchange rate is the overriding objective of such policy. Thus, the monetary policy drawn and implemented by QCB is necessarily accommodative. Therefore,

The QCB appropriately endeavors to strengthen the monetary stability in the country through stabilizing the domestic interest rates rather than attempting to control money growth. Accordingly, QCB utilizes alternative monetary instruments at its disposal to maintain short-run QR interest rates within a controlled corridor such that changes in the domestic interest rates are synchronized with developments in the rates on the USD and other major currencies in key global financial markets. Within this policy framework, the QCB endeavors to regulate primary liquidity in the banking system so as to maintain the monetary stability and the stability of domestic price levels in line with developments in domestic economic conditions; and effectively direct credit policies of the local banks. These goals constitute the major objectives of the QCB monetary policy.

In its efforts in pursuing the realization of its policy objectives, the QCB carries out constant reviews of domestic interest rates on the Qatari riyal, and incessantly follows up international developments in interest rates on the major currencies, particularly the US dollar. Whenever necessary, QCB adopts apposite monetary actions so as to ensure the contribution of the QR interest rates to developments in the domestic economic activities and their alignment with changes in the rates prevailing in major international financial centers.

Table (16)

QMR Interest Rates and Repos' Rate during 2003

(%)

End of Period	Deposits	Lending	REPO Rate
January	1.23	1.53	2
February	1.23	1.53	2
March	1.23	1.53	2
April	1.23	1.53	2
May	1.23	1.53	2
June	1.23	1.53	2
July	1.23	1.33	1.93
August	1.23	1.33	1.53
September	1.23	1.33	1.53
October	1.23	1.33	1.53
November	1.23	1.33	1.53
December	1.23	1.33	1.53

The QCB utilizes two indirect market-oriented monetary instruments to influence domestic interest rates on the Qatari riyal and modulate market liquidity: The Qatar money market rate mechanism (QMR), that was first operationalised by the beginning of the second quarter of 2002; and the repurchase operations transactions in government securities (Repo), first operationalised the beginning of the second quarter of 2000.

III.1 The Qatar Money Market Rates (QMR):

Under the QMR mechanism, QCB extends overnight funds to, and accepts overnight deposits from local banks subject to formal ceilings and interest rates determined by QCB. Both borrowings and deposits are extendable to next day–rollover where transactions are electronically executed. QCB sets initial interest rates on lending and deposits transactions at the beginning of each business day. Henceforth, the path of each rate over the course of the day is influenced by the evolving conditions of the primary liquidity in the banking system. As such, the QMR mechanism is a flexible standing facilities instrument where QCB offers both lending and deposits standing facilities. These facilities are characterized by: (1) they are used at the initiative of the individual banks; and (2) carry preannounced interest rates (thought flexibly adjustable).

Having held adequate stock of foreign exchange reserves during 2003 (USD 2.86 billions), QCB was in a position so to respond appropriately to the new reductions in the interest rates on the United States dollar by the US Federal Reserve and in major international financial markets. Hence, to keep domestic interest rates in tandem with declining USD rates, continue the accommodative stance of its monetary policy in order to motivate and encourage domestic investment and preserve a confirmatory growth rate, the QCB utilized the QMR monetary instruments to carry out reductions in the domestic interest rates on the Qatari riyal: the QMR deposits standing facilities rate was reduced beginning January 2003 to a low of 1.23% from its level of 1.28% by the end of 2002; the QMR lending standing facilities rate was reduced beginning January 2003 to 1.53% from its level of 1.58% at the end of 2002, then to 1.33 in July 2003 (table 16).

III.2 The Repurchase Transactions (Repo):

Repurchase operations take the form of purchase and resale transactions (Repos). These comprise the purchase of financial assets by the central bank under a contract providing for their resale at a specified price on a given future date and are used to supply reserves. This monetary market instrument was adopted by the QCB starting 2000 for the purposes of influencing liquidity levels within the banking system, hence influencing interest rates on deposits and credit facilities.

Repurchase transactions are conducted by QCB in domestic securities, that is, loans backed by domestic assets. Repurchase transactions' rate is the implicit interest rate determined by QCB for local banks to repurchase the government securities that they have previously sold to QCB with pre-commitment to repurchase by the end of the repurchase period (limited to two weeks or one month in accordance with circular no. 49 for 2002).

Strictly speaking, the repurchase transactions are classified as indirect money market monetary instrument; as those operations are initiated by central banks, operate through market mechanisms, and serve to manage the global amount of liquidity in the system. Nevertheless, though the QCB sets the rate and duration for the repurchase agreements (a characteristic of money market instruments), the Repo rate is known in advance and the amount and timing of the repurchase transactions implemented by QCB are rather initiated by the local banks (a characteristic of money market instruments). The QCB is keen to harmonize the Repo rate with the rates on the USD and other major currencies. Accordingly, QCB had reduced the Repo rate twice during 2003 to reach 1.53% by the year-end against 2% at the end of 2002. The rate was reduced to 1.93% in June 2003, then to 1.53% in July of the same year.

The repurchase operations transactions declined from 412 transactions totaling QR 10.583 billion during 2000 to 190 transactions totaling about QR 4.437 billion during 2001, to 39 transactions during 2002 totaling QR 591.7 million, to only 3 transactions totaling QR 108 million during 2003. Given they are individually conducted at the initiative of local banks, the persistent decline in numbers and volumes of the repurchase transactions has been due to two reasons: the abundant liquidity available with local banks on the one hand; and that the interest rate on the QMR lending facilities has been lower than the Repo rate. Such unrelenting decline in the Repo activities is consistent with the growth of local banks' deposits with QCB via the QMR deposits standing facilities over the last two years. Both phenomena are coherent with the phenomenon of excess primary liquidity owing to the growing public expenditures and the reluctances of private capital outflows (if not net private capital inflow).

III.3 The Interest Rate Management:

Although there are major differences among monetary strategies central banks adopt, the monetary policy frameworks central banks design, and the manner in which central banks implement their monetary policies, the money market interest rates are a universal important target for the daily monetary operations. In this context, the QMR standing facilities and the repurchase operations transactions in domestic securities, adopted by the QCB as its primary indirect monetary instruments, play the essential role in the QCB interest rate management; where:

The initial interest rate on the QMR lending facilities is the key rate used by QCB as the main indicator to convey signals, to the market, revealing the stance of its monetary policy. Changes in this rate manifest a shift in the orientation of the QCB monetary policy; cuts indicate easing, and raises indicate tightening of the monetary policy stance. Hence, play a key role in guiding the money market rates helping to regulate the overall level of market rates.

The QMR deposits standing facilities interest rate and the Repo rate provide a “corridor” for interbank market interest rates. The rate on QMR deposits standing facilities provides the lower bound for short-term interbank rates. The repurchase rate serves as an upper bound for interbank market rates.

The QCB extends the QMR standing facilities beyond official working hours as funding facilities for the purposes of financing end-of-day imbalances at penalty rates on both types of QMR facilities.

III.4 The Management of Overall Primary Liquidity:

Under the Qatari fixed exchange rate regime, the QCB stands ready to by or sell whatever amount of US dollars needed to equilibrate the domestic USD exchange market at the official rate. As will be detailed below (section IV.1), throughout 2003, the QCB had conducted several open market sale and purchase operations in the domestic exchange market for the USD and came up on balance a net purchaser of about $223.1 million; the equivalent of about QR 811 million. Yet, QCB often wishes to offset the impact of such exchange market interventions on the monetary base to prevent changes in international reserves from having secondary effects on the domestic monetary conditions via their influence on the primary liquidity in the system. Nevertheless, QCB is unequipped with conventional monetary instruments necessary to effectively sterilize foreign exchange market interventions:

There is no well-developed market for domestic public debt securities, besides public debt is far under-securitized; hence no feasible open market operations in domestic securities.

There is no well-developed deep and active forward market for the QR; hence no feasible foreign exchange swaps under the current fixed parity exchange rate regime.

There is no government deposits held at QCB; hence government deposits are not available for monetary management.

For that, QCB needed a flexible instrument to mop up or inject liquidity in the system to offset direct monetary consequences of its foreign exchange market operations. The standing facilities under the QMR mechanism have been quite effective in meeting such requirement of regulating the overall primary liquidity (defined as total local banks' excess reserves over and above the cash required reserves stipulation) within the banking system via the injection of reserves through its lending standing facilities and the absorbance of excess reserves through its standing deposits facilities.

Within the framework of the QMR standing facilities mechanism, QCB lending to local banks increases the QCB monetary assets, hence increases the monetary sources of the monetary base (on the assets side of the QCB balance sheet) and injects primary liquidity into the banking system (precisely increases banks' excess reserves with QCB). Meanwhile, local banks' QMR deposits with QCB increases the non-monetary liabilities of the QCB (on the liabilities side of the QCB balance sheet) while reduces the QCB's monetary liabilities (namely banks' excess reserves with QCB); hence moping primary liquidity. Evidently, the effects on primary liquidity of local banks' QMR deposits with and their borrowings from QCB do offset each other. Defining 'Net QMR Balance (QMRNB)' as the difference between local banks' QMR borrowings from and their QMR deposits with QCB; a positive QMRNB indicates injection of primary liquidity; a negative QMRNB indicates absorption of primary liquidity.

Within the QMR deposits standing facilities mechanism, the cumulative daily banks' deposits had amounted to QR 67238.5 million by the end of 2003 averaging QR258.61 million per QMR working day. In the meantime, cumulative daily banks' borrowings via QMR lending standing facilities mechanism amounted to QR 6915.5 million by the end of 2003 averaging QR 26.6 million per QMR working day. The cumulative monthly QMRNB had been negative all throughout 2003 and amounted to QR (-)60323 million by the end of the year averaging QR (-)232 million per QMR working day; hence indicating that QCB has been successfully absorbing primary liquidity (local banks' excess reserves) throughout the year.

To help appreciate the effectiveness of the QMR standing facilities in regulating primary liquidity under the expansionary pressures of capital inflow and the trend increasing government expenditures we compare the daily average of QMRNB with the expansionary increase in the foreign exchange reserves source of the money base. Such contrast immediately reveals that the QMR standing facilities had effectively neutralized the monetary consequences of about 28.6% of the increase in the QCB foreign exchange reserves during 2003. Undoubtedly, this had been a significant contribution towards the QCB objective of monetary stability in the Qatari economy.

IV. The QR Exchange Rate:

As pointed to in the introduction, since the QCB was established in 1993, it has inherited the monetary strategy of exchange rate targeting. The fixed parity between the United States dollar (USD) and the Qatari riyal (QR) at the rate of QR 3.64 per dollar was the inherited nominal anchor for the monetary policy. The heritage has been constantly honored and the peg has always been highly credible. The monetary policy regime as well as the target peg has been authorized by an Amiri decree, issued in July of 2001, substituting the policy of pegging the QR to the Special Drawing Rights unit (SDR) that was in effect since 1975. It is worthy to indicate, in this regard, that although the QR was officially pegged to the SDR unit, it was practically hard pegged to the USD since June of 1980. Within the framework of its monetary strategy aiming at the enhancement of monetary stability and promoting the credibility of its policies, the QCB continued to implement its exchange rate policy of hard pegging the QR to the USD at the average price of QR 3.64 per dollar.

The commercial banks domestically trade USD on the basis of the price determined by QCB. Nonetheless, commercial banks add a small margin of 0.24% to the QCB fixed price when dealing with the public. Otherwise, commercial banks trade other currencies based on the QCB determined USD exchange rate against the QR and the market determined exchange rate of a given currency against the USD.

Developments in 2003: Within framework of this monetary strategy, the QCB is keen to adopt apt procedures and take monetary actions pertinent to ensure the alignment of domestic QR interest rates with the changes in interest rates prevailing in the major international financial centers on the US dollar in particular, and on the major currencies in general. During 2003, the QCB had utilized the QMR standing facilities to carry out reductions in both the lending and deposits rates. As indicated before, both rates were reduced in January 2003 to a low of 1.53% and 1.23%, respectively; and the lending rate was further reduced to 1.33% on July of the same year. The QCB had also reduced the repurchase transactions rate to 1.93% in June 2003, then to 1.53% in July of the same year.

Table (17)
Exchange Rates of Some Major Currencies Against the Qatari Riyal (1999-2003)

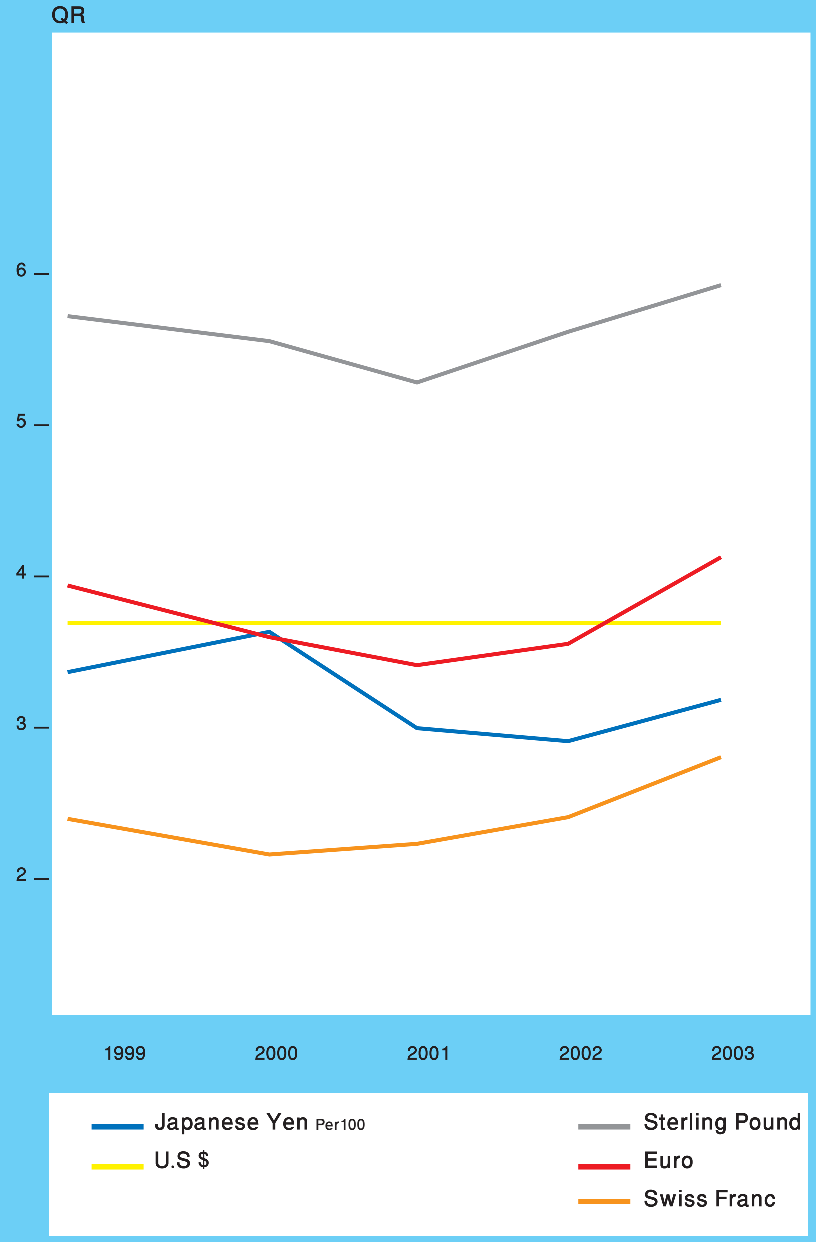
(Qatari Riyal)

Currency	**Period**	**1999**	**2000**	**2001**	**2002**	**2003**
Euro	Average	3.8780	3.3536	3.2573	3.4256	4.1084
	End	3.6567	3.3870	3.2079	3.8171	4.5960
Japanese Yen (100)	Average	3.1955	3.3776	2.9951	2.9029	3.1397
	End	3.5616	3.1680	2.7618	3.0359	3.3987
Swiss franc	Average	2.4231	2.1554	2.1569	2.3354	2.7023
	End	2.2756	2.2243	2.1702	2.6247	2.9426
Sterling Pound	Average	5.5736	5.5186	5.2416	5.4647	5.9478
	End	5.8837	5.4316	5.2795	5.8670	6.4974
Annual Rate of Change %						
Euro	Average	-	15.6	3.0	-4.9	-16.6
	End	-	8.0	5.6	-16.0	-16.9
Japanese Yen (100)	Average	-13.0	-5.4	12.8	3.2	-7.5
	End	-11.6	12.4	14.7	-9.0	-10.7
Swiss franc	Average	3.6	12.4	-0.1	-7.6	-13.6
	End	16.2	2.3	2.5	-17.3	-10.8
Sterling Pound	Average	8.2	1.0	5.3	-4.1	-8.1
	End	2.9	8.3	2.9	-10.0	-9.7

Source: IFS monthly reports.

Chart (9)

Exchange Rate of Qatari Riyal Against Major Foreign Currencies (Period Average)



Within the same framework, QCB had conducted several open market sale and purchase operations in the domestic exchange market for the USD. The sales operations totaled about $257.7 million and the purchase operations totaled about $480.8 million. Consequently, on balance, the QCB came up net purchaser of about $223.1 million. Hence, adding to its holdings of foreign exchange reserves and subsequently expanding the monetary base by the equivalent of about QR 811 million. Ceteris paribus, such increase in the high-powered money has multiplicative expansionary effects on the money supply M1, domestic liquidity M2, and the domestic banking credit proportional to the multiplier of each.

An important development evidenced in 2003 was the augmentation of the QCB foreign exchange reserves by the amount of one billion US dollars presented by the government of Qatar in support of the QR exchange rate fund. In consequence, the QCB net foreign monetary assets had reached the equivalent of QR 10412.88 million, thus, heaving the ratio of the stock of foreign monetary assets to the stock of currency issued to a high 400.46% against 240.2% by the end of 2002. Such augmentation of the QCB foreign monetary assets undoubtedly strengthens the credibility of the exchange rate arrangement.

The Strong US Dollar: More than tow decades of implementation, the exchange rate policy of hard pegging to the USD has proved markedly successful in accomplishing and maintaining monetary stability and the stability of domestic price levels at remarkable low inflation rates in the Qatari economy. Hence, has contributed to enhancing the performance of the domestic economy via alleviating imported inflationary pressures and abolishing USD exchange rate risks. Thanks to the fixed parity between QR and the US dollar, inflation rates have moved almost Pari passu with the USA rates. Noticeably, the state of Qatar has recorded among the lowest inflation rates within emerging markets over the period 1999-2001.

The implications, of fixing to the US dollar for the domestic economy, had been the favorable consequences of the strength of the USA economy, particularly during the ″new economy″ boom, whence the USA economy enjoyed six consecutive years of rapid growth with low inflation (1995-2000). As well, the USD strength was, to a great extent, the mirror image of the sever weakness of other major currencies due to the weaknesses of their economies, whence most of the rest of the world was relatively stagnant. On other hand, the Asian financial crisis and other financial turmoil in other countries (from Russia to Argentina) had contributed to the USD strength. Generally speaking, the effectiveness of the QCB fixed USD/QR exchange rate policy has been marked during periods of sharp fluctuations in oil prices and over periods of major adjustments in emerging market economies; particularly under conditions of war times prevailed over the two decades preceding the September eleventh events of 2001.

The Weakening US Dollar: Yet, after reaching a new peak in early 2002, the USD had been falling hastily since. Floating with the weakening USD and impacted by its performance in the international financial markets as against other major currencies, the Qatari riyal continued depreciating against all other major currencies throughout 2003. Data in table (17) show that, considering year's average exchange rates, the QR depreciated at the annual rates of 16.6%, 8.1%, 13.6% and 7.5% (16.9%, 9.7%, 10.8% and 10.7%, considering the end of year rates) against the Euro, the Pound sterling, the Swiss franc and the Japanese yen, respectively.

Implications of The Weakening US Dollar:

Qatar is a small excessively open oil-based economy. Oil and gas have not been practically far from being the only natural resources available to the country, where oil and gas production dominates the domestic economic activities. Furthermore, the domestic services sectors (basically producing nontradables) have dominated the none-oil GDP. Hence, narrowness of the production base and lack of non-oil well developed and diversified real sectors, and thus, heavy dependence on imports to meet the domestic demand -public and privet- for capital, intermediate, and consumer goods and services.

It is well known that imports are non-competitive in the domestic GCC markets in the sense that the prices of domestically produced import substitutes do not considerably affect the domestic prices of imported commodities; the Qatari are markets no anomalies. Hence, the latter can hardly deviate from their international levels. Furthermore, the structure of import tariffs has not been protective. That is, the domestic prices of imported commodities are given as their foreign prices in terms of foreign currencies multiplied by the exchange rate of the specific currency against the Qatari riyal. In consequence, while foreign suppliers mark-up their costs to price their exports, domestic prices of imported commodities would be exposed to complete exchange rate pass-through. Thus, changes in the domestic prices of imported merchandise can be entirely explained by changes in their foreign prices and the changes in the relevant exchange rates. Consequently, domestic prices are expected to be very sensitive to imported inflation. Indeed, published work on GCC economies suggests that imported inflation and money growth have been the major sources of domestic inflation.

As indicated above, the observed lowness of inflation rates over the past two decades has been due to anchoring the QR to the USA dollar. The credible pegs anchored inflation expectations to inflation in the anchor country of USA, so have encouraged the private sector to anticipate low domestic inflation rates and set prices accordingly. Since inflation has been low in USA and other industrialized countries, pegged QR exchange rate has contributed to keeping imported (thus domestic) inflation under control. On the other hand, since Qatar has a major share of imports in its consumer's price index, inflation targeting and targeting of the exchange rate have been cognate.

Nevertheless, the US dollar is expected to continue depreciating against the other major currencies for the foreseeable future so long as USA twin deficit continue to sky-hike, which is likely to be so. Keeping the fixed parity between the QR and the USD is to keep the QR floating with the USD against other major currencies. Therefore, continuous erosion of the US dollar value would result in continuous pounding of the Qatari riyal, which would continue to depreciate against the non-USA Qatar's trading and financial partners' currencies. Meanwhile, the Euro-land has been the most important exporter trade partner of Qatar

(37.48% of the Qatari imports in 2003); Asia comes second in terms of its share in Qatari imports (28.7% of the Qatari imports in 2003); whilst the USA is lagging far behind in terms of origin of imports (12.18% of the Qatari imports in 2003). Therefore, the steady recoil of the USA dollar against other major currencies is expected to result in continually rising domestic prices of the Qatari imports, hence lifting up imported inflation. The permanency of the historically high oil prices would reinforce such effect.

Furthermore, rising political and economic risks surrounding the Arabs investments in the USD denominated assets have lead to massive capital inflows owing to partial repatriation of the Qatari accumulated foreign assets into domestic assets. As indicated elsewhere, such phenomenal return home of migrated capitals has resulted in phenomenal increase in domestic liquidity that has been reflecting on the stock market and the real estate sector as well. New investment flows should be expected to continue to, at least partially, be channeled into home assets.

V. Developments of Bank Supervision Procedures

Qatar Central Bank is resolute to ascertain the soundness and the financial reputation of the local banks in accordance with international liquidity and capital adequacy standards, along with assessing the adequacy and efficiency of their internal control systems. Therefore, QCB uses standard criteria such as liquidity sufficiency ratio, the ratio of credit facilities to deposits, the ratio of net domestic credit to total deposits the ratio of overdrafts to credit facilities and the capital adequacy ratio.

Within the framework of its role in the supervision and oversight of the banking and money exchangers units, the QCB continued to ascertain the soundness of the financial positions of these units, their compliance with the supervisory instructions and their adherence to sound banking and financial practices. Efforts expended in this regard included alternative methods of supervision and inspection along lines of the latest worldwide developments and advances in regulatory systems and instruments. In that the QCB has continued to monitor the compliance of the local banks and exchange companies with various supervisory instructions. Meanwhile, in its continual endeavor to enhance its role in the supervision and oversight of the banking system, the QCB issued, during 2003, several instructions and regulations imbedded in a number of circulars the most important of which are:

Circular no. 23/2003 a propos upper limits for credit concentration.

Circular no. 29/2003 regulating credits facilities in the form of overdrafts.

Circular no. 41/2003 regulating extended credit facilities for investing in financial securities.

Circular no. 80/2003 concerning adjustments to ceilings of banks' financial investments.

Circulars no. 89/2003, 101/2003, and 114/2003 concerning banks' financial statements and related rules of disclosure.

Circular no. 102/2003 regulating banks' stockbrokerage in the Doha stock market.

Circular no. 113/2003 regulating real estate financing ratios.

Circular no. 115/2003 concerning instructions regarding restricted deposits and unclaimed balances.

Circular no. 36/2003 and 117/2003 regarding the electronic momentary clearing system.

BOX NO. (6)
THE MONETARY UNION AMONG THE GCC MEMBER STATES

The building up by the GCC countries towards the full monetary union has continued throughout 2003 via meetings of the monetary union technical committee charged to carry out the necessary studies and draw up plans required for establishing the monetary union and the launching of the unified currency by the start of 2010. Alternative economic indicators viable as convergence criteria to be adopted by GCC members to qualify for membership of the new monetary union were thoroughly discussed over four committee meetings held in the state of Qatar during the year. The committee has unanimously agreed to develop certain criteria on fiscal convergence such as the ratios of budget deficit and public debt to the GDP. Besides, the committee has discussed the sufficiency of foreign exchange reserves to support the unified currency exchange rate, inflation rates and interest rates as criteria for monetary convergence. The start of 2005 was determined as the deadline to reach the final agreement on the convergence criteria that must be adopted by GCC members to qualify for membership of the monetary union; as the American dollar was officially adopted as the common peg for all the GCC currencies since the start of 2003. The committee is expected to discuss institutional issues related to the establishment of the union and the monetary institutions that will be responsible the making and the conduct of the unified monetary policy.

Expected Gains of a Unified Currency:

First: Economic Gains:

1- Enhancing the regional intra-trade between GCC countries via:
   (a) The cessation of the prevailing state of uncertainty and instability owing to the fluctuations in and the volatility of the GCC currencies cross exchange rates;
   (b) The evaporation of transactions costs such as those associated with currency exchanges and/ the formation of exchange rates expectations.
2- enhancing the credibility of the GCC union’s monetary policy and exerting fiscal discipline.
3- Enhancing the GCC non-oil exports competitiveness. Establishing an economic union between GCC countries would result in the new union contributing more than 1% of the global GDP. Its share in global exports would come to more than 2.5%. More, in establishing the GCC economic union as a preliminary step for the monetary union, the GCC countries would be in a better position to evade the deterioration in their terms of trade.
4- Increasing prices transparency.
5- stimulates foreign direct investments.
6- gives more weight and influence for the GCC countries in the international forums and/or organizations such as the International Monetary Fund and the alike.

Second: Political Gains:

The monetary union is a symbol of the political unity and a practical intermediate step towards political integration and political unification.

Third: Social Gains:

The monetary union between the GCC countries will generate a feel of high spirit and social pride among GCC societies as well as create a feel of belonging to a greater society. The monetary will, therefore, fulfill the shared hopes of all GCC peoples.

Chapter Four

THE BANKING & FINANCIAL SYSTEM

- The Aggregate Balance Sheet of Commercial Banks.
- Net Foreign Assets .
- Banks Memoranda Accounts .
- Industrial Development Bank .
- Indicators of Banks' Performance .
- Money Exchange Houses .
- Financing Companies .
- Investment Companies.
- Doha Securities Market .

The Banking and Financial System For The Year 2002

QCB

Insurance Companies

	Established
Qatar Insurance	1964
Qatar General Insurance & Reinsurance	1978
Al Khaleeg Insurance	1978
Qatar Islamic Insurance	1994
Doha Insurance	2001
Atlas Insurance Company	1966
Arabian Insurance Company	1966
Lebanon-Suisse Insurance Company	1966
The National Insurance Co. of Egypt	1969

Exchange Houses

Commercial Banks

Branches	Bank	Established
23	Qatar National Bank	1965
12	Commercial bank of Qatar	1975
12	Doha Bank	1979
7	Qatar Islamic Bank	1983
7	Al-Ahli Bank of Qatar	1984
5	Qatar International Islamic Bank	1991
-	Grindlays Qatar Bank	2000
2	Arab Bank Limited	1957
1	Mashreq Bank	1971
3	HSBC Bank Middle East	1954
-	United Bank limited	1970
-	Saderat Iran Bank	1970
-	P.N.B. Paribas	1973

Specialized Banks	Established
Qatar Industrial Development Bank	1997

Investment Companies

Investment Companies	Established
Qatar Ladies Investment Company	1999
The International Investor	2000
Investment House	2001

Financing Companies	Established
First Finance	2000

Branches	Exchange Houses	Established
2	Al-Fardan Exchange Company	1970
9	Lary Exchange Company	1975
9	Trust Exchange Company	1976
2	Gulf Exchange Company	1977
-	Al-Zaman Exchange Company	1978
-	Doha Exchange Company	1979
-	Global Exchange Company	1979
-	National Exchange Company	1979
-	Al Mana Exchange Company	1979
-	Eastern Exchange Establishment	1979
-	City Exchange Company	1979
2	Habib Qatar International Exchange Ltd. Co.	1978
-	Arabian Exchange Company	1979
-	Islamic Exchange Company	1979
-	Al Sadd Exchange Company	1997
-	Union Exchange Company	1998

Commercial Banks

The Aggregate Balance Sheet of Commercial Banks:

Table (18) shows the developments in the elements of the aggregate balance sheet of the commercial banks at the end of the year for the period 1999-2003. Chart (12) illustrates the growth in the collective financial position of the commercial banks for the same period. Financial data on the elements of the aggregate balance sheet of the commercial banks (table 18) reveal that local banks continued to achieve steady growth in terms of resources and uses of funds. Hence, indicate continual improvement in the performance of the commercial banks as demonstrated by the realized high rates of growth in their collective financial position. The total aggregate balance sheet of the commercial banks reached QR 75764 million by the end of 2003 compared to QR 62356 million at the end of 2002. That is it had recorded an increase of QR 13408 million or 21.5% in 2003 over its 2002 level compared to an increase of QR 5264 million or 9.2% in 2002 over its level in 2001. The most important developments on both the assets and liabilities sides of the aggregate balance sheet of the commercial banks are highlighted in what follows:

First: The Assets Side:

The increases in the items of 'total credit facilities' by QR 7555 million (20.9% of its 2002 level), 'claims on other banks and financial institutions' by QR 2962 million (24.3% of its 2002 level), and the 'securities portfolio' by QR 1579 million (15.9% of its 2002 level), had accounted for the major portion of the increase on the assets side of the aggregate balance sheet of the commercial banks in 2003. The increase in the total credit facilities had accounted for most of the total increase on the assets side (56.35%) while the increase in claims on other banks and financial institutions contributed approximately 22.1% and the increase in

Table (18)

The Aggregate Balance Sheet of Commercial Banks

1999-2003

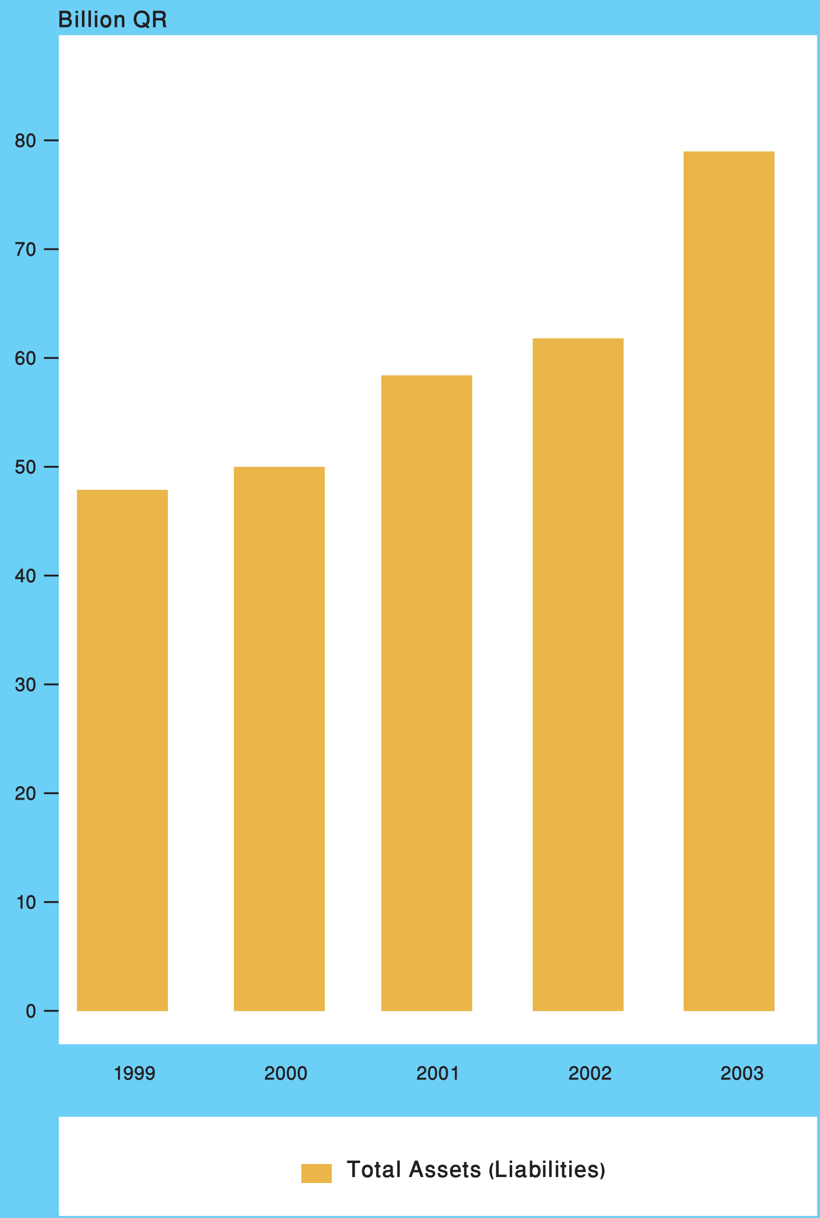
(QR millions)

Items	1999	2000	2001	2002	2003	Change (2002-2003) Value	%
Cash and Balances with QCB	1234	1382	1732	2115	2492	377	17.8
Collectable Cheques	41	54	72	78	179	101	129.5
Securities Portfolio	7065	7664	8888	9901	11480	1579	15.9
Due From banks & financial Instit.	8055	10401	9726	12170	15132	2962	24.3
Total Credit Facilities	**29542**	**29091**	**35466**	**36175**	**43730**	**7555**	**20.9**
In Qatar	28527	27890	33981	35928	43289	7361	20.5
Abroad	1015	1201	1485	247	443	196	79.4
Others Assets	1467	1372	1208	1917	2751	834	43.5
ASSETS = LIABILITIES	**47404**	**49964**	**57092**	**62356**	**75764**	**13408**	**21.5**
Due to Qatar Central Bank	94	140	79	22	98	75	340.9
Due to Banks and Financial Instit.	6426	2675	2633	3062	5538	2476	80.9
Customers Deposits	30808	36345	42518	45770	52964	7194	15.7
Provisions	2577	2294	3016	3688	3916	228	6.2
Other Liabilities	2273	2400	2384	2691	4558	1867	69.4
Shareholders Equity	5226	6110	6463	7123	8690	1567	22.0
Memoranda Accounts	**20900**	**16243**	**24883**	**23638**	**38845**	**15207**	**64.3**

the securities portfolio contributed just about 11.78% of the total increase on the assets side of the aggregate balance sheet of the commercial banks in 2003. The change in the total credit facilities in 2003 is decomposed into an increase of QR 7361 million in domestic credit facilities and a rise of QR 196 million in credit facilities outside Qatar. The following is a brief elaboration on developments in some important elements on the assets side of the aggregate balance sheet of the commercial banks in 2003:

Chart (10)

Total Assets (Liabilities) with Commercial Banks



1- Domestic Credit Facilities:

The outstanding balance of utilized credit facilities extended by the commercial banks to domestic economic sectors represented 57.1% of the total commercial banks' assets at the end of 2003 compared to 57.6% at the end of 2002. Domestic credit facilities stood at QR 43289 million by the end of 2003 against QR 35928 million at the end of 2002; an increase of QR 7361 million or 20.5%.

A- The Distribution of the Domestic Credit Facilities by Currency type:

Domestic credit facilities in terms of domestic currency amounted to QR 27058 million by the end of 2003 surpassing its balance of QR 22995 million at the end of 2002 by the sum of QR 4063 million or 17.7%; hence constituting 62.5% of the total domestic credit facilities by the end of 2003 as against 64% by the end of 2002. Concomitantly, the domestic credit facilities in foreign currencies amounted to QR 16231 million by the end of 2003 surpassing its balance of QR 12933 million at the end of 2002 by the sum of QR 3298 million or 25.5% (table 19) and constituting 37.5% of the total domestic credit facilities by the end of 2003. The observed difference between the increase in domestic credit facilities in terms of domestic and foreign currencies might be attributable to the lower interest rates on credit facilities granted in foreign currencies as compared to interest rates charged for credit facilities granted in terms of domestic currency.

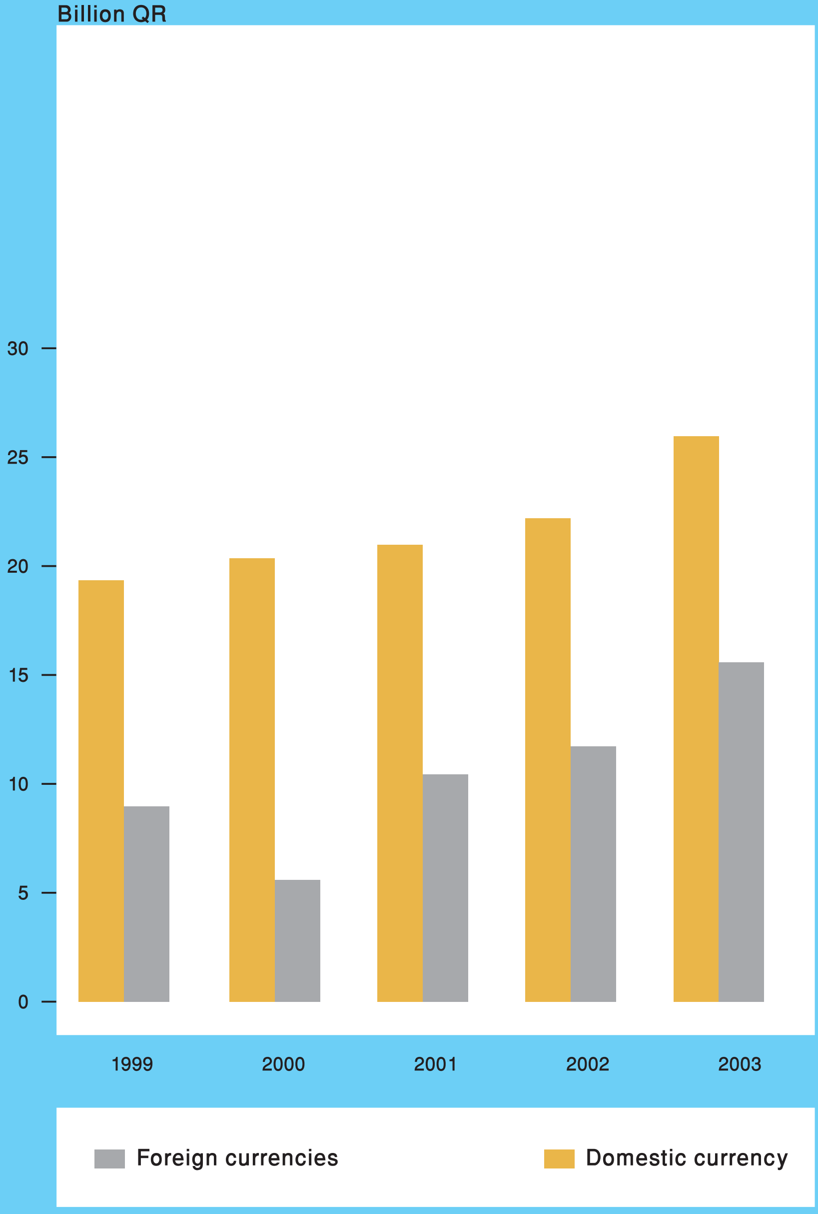
Table (19)
The Distribution of Domestic Credit Facilities By Type of Currency (1999-2003)

(QR millions)

Items	1999	2000	2001	2002	2003	Change	
						Value	%
Domestic Currency	19477	21012	22368	22995	27058	4063	17.7
Foreign Currencies	9050	6878	11613	12933	16231	3298	25.5
Total Credit Facilities	**28527**	**27890**	**33981**	**35928**	**43289**	**7361**	**20.5**
Ratio to Total Assets	60.2%	55.8%	59.5%	57.6%	57.1%	-	-

Chart (11)

Distribution of Domestic Credit Facilities
by Currencies



B- The Distribution of the Domestic Credit Facilities by Economic Sectors:

The Public Sector: By the end of 2003, domestic credit facilities extended to the public sector has amounted to QR 19931 million, constituting 46.04% of the total domestic credit facilities. At this level, it surpassed its previous level of QR 16832 million at the end of 2002 by the sum of QR 3099 million or 18.4%. This is to be compared to a much smaller increase of QR 302 or 1.8% by the end of 2002 over its 2001 level. As shown in table (20), the increase in the domestic credit facilities extended to the public sector has constituted 42.1% of the total increase in the domestic credit facilities.

The largest portion (92.58%) of the total credit facilities extended to the public sector during 2003, QR 18452 million, was directed to the government and the governmental enterprises against QR 15867 million as of the end of 2002. However, the share of the credit facilities extended to the government sector in 2003 was slightly lower than its level of 94.4% during 2002.

Concurrently, domestic credit extended to semi-governmental enterprises amounted to QR 1479 million or 7.42% of the total credit facilities extended to the public sector during 2003 as against QR 965 million or 5.73% of the total credit facilities extended to the public sector during 2002; an increase by QR 514 million or 53.26.

The Private Sector: Credit facilities extended to the private sector continued to constitute the larger portion of 54% of the total domestic credit facilities as of the end of 2003. Local banks have expanded their credit facilities extended to the private sector during 2003 to reach QR 23357 million by the end of 2003 against QR 19097 million by the end of 2002. Thus, realizing an increase of QR 4261 million at the rate of 22.3% compared with an increase of QR 1646 million during 2002, at the rate of 9.43%. Most of the increase in the credit facilities extended to the private sector during 2003 was allocated to the following major items:

A- Personal loans were increased by the sum of QR 2428 million at the rate of 26.8% from QR 9075 million at the end of 2002 to reach QR 11503 million by the end of 2003, hence comprising about 26.6% of total credit facilities extended within the domestic economy. The personnel sector sustained its second position next to the government sector in terms of its share of the credit facilities extended to the domestic economy. A large portion of the expansion in the credit extended to the personnel sector can be attributed to financing share purchases in the Doha stock market. To control such phenomenon, the QCB issued a circular on the nineteenth of April 2004 specifying rules to extend credit facilities for the purposes of financing the purchase of shares.

B- Loans extended to the trade sector were increased by the sum of QR 810 million at the rate of 17.2% from QR 4722 million at the end of 2002 to reach QR 5532 million by the end of 2003, comprising about 12.78% of the total credit facilities extended within the domestic economy.

C- Loans extended to finance the purchases of land and real estate were, noticeably, increased by the sum of QR 712 million at the rate of 60.3% from QR 1181 million at the end of 2002 to reach QR 1894 million by the end of 2003. Such increase is due to the currently witnessed expansions in the residential and commercial projects in the country.

D- Credit facilities extended to the services sector were increased by the sum of QR 476 million at the rate of 34.3% from QR 1389 million at the end of 2002 to reach QR 1865 million by the end of 2003.

E- Credit facilities extended to the industrial sector declined by the sum of QR 205 million at the rate of 22.8% from QR 898 million at the end of 2002 to reach QR 693 million by the end of 2003.

Table (20)
The Distribution of Domestic Credit Facilities
By Economic Sectors.
(1999-2003)

(QR millions)

Items	1999	2000	2001	2002	2003	Change	
						Value	%
Public Sector	**12901**	**10660**	**16530**	**16832**	**19931**	**3099**	**18.4**
Gov. & Gov. Enterprises	12728	10372	16294	15867	18452	2585	16.3
Semi Gov. Enterprises	173	288	236	965	1479	514	53.3
Private Sector	**15626**	**17230**	**17451**	**19097**	**23358**	**4261**	**22.3**
General trade	4575	4507	4047	4722	5532	810	17..2
Industry	391	397	577	898	693	-205	-22.8
Construction	851	733	718	1452	1434	-18	-1.2
Real state	208	487	415	1181	1894	712	60.3
Personnel	7892	9181	8882	9075	11503	2428	26.8
Services	470	489	1071	1389	1865	476	34.3
Others Sector	1239	1436	1741	380	437	58	15.3
Total domestic credits Facilities	**28527**	**27890**	**33981**	**35928**	**43289**	**7361**	**20.5**

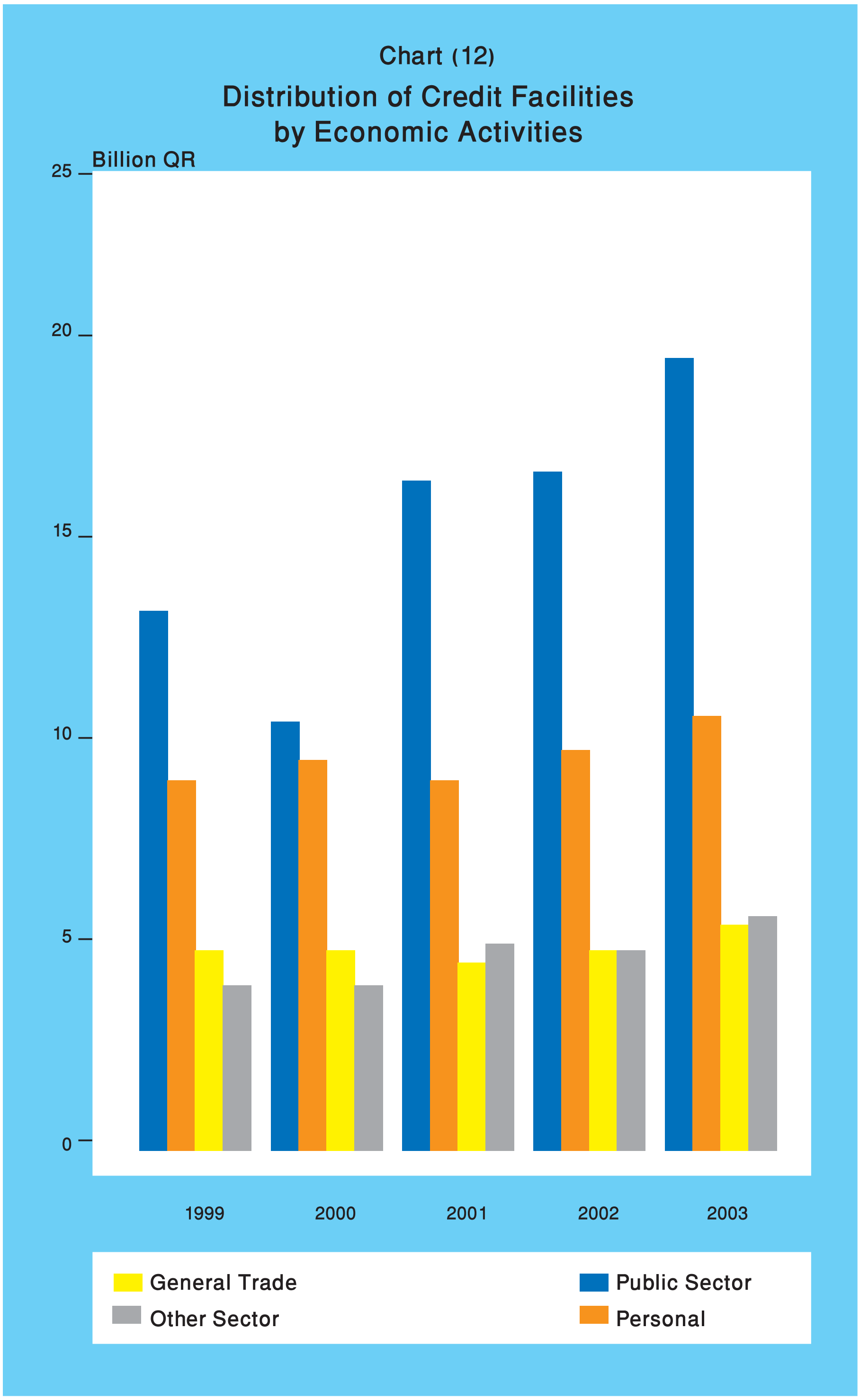


Chart (12)
Distribution of Credit Facilities
by Economic Activities
Billion QR
25
20
15
10
5
0
1999
2000
2001
2002
2003
General Trade
Other Sector
Public Sector
Personal

2- Portfolio of Financial Assets:

Table (21) indicates that the value of the portfolio of securities with local banks had increased in 2003 to reach QR 11480 million, composing 15.15% of their total assets by the end of the year. Compared with a value of QR 9901 million comprising 15.88% of the total assets at the end of 2002, the value of securities had increased by the sum of QR 1579 million at the rate of 15.95%, while its share in local banks total assets had slightly declined. The increase in the value of securities portfolio is decomposed into:

A- An increase of QR 1915 million or 71.5% in investments in foreign financial assets, of which QR 1661 million was allocated to foreign government securities and QR 249 million, was allocated to non-government securities.

Table (21)
Financial Assets Portfolio

(QR millions)

Items	2002	2003	Change	
			Value	%
Domestic Financial Assets	**7224**	**6888**	**-336**	**-4.7**
Government Securities	6452	5066	-1386	-21.5
Shares	772	1822	1050	136
Foreign Financial Assets	**2677**	**4592**	**1915**	**71.5**
Government Securities	1800	3461	1661	92.3
Other Bonds	656	905	249	38
Shares	51	36	-15	-29.4
Others	170	190	20	11.8
Total	**9901**	**11480**	**1579**	**15.9**
Financial assets / Total Assets	**15.9**	**15.2%**		

B- A reduction of QR 336 million or 4.7% in the investments in domestic financial assets, that was the outcome of an increase of QR 1050 million in investments in domestic shares, a growth of 136%; and a reduction of QR 1386 million in domestic government, a negative growth of 21.5%.

3- Cash Assets:

The sum of the cash in vault and balances with the QCB at the end of 2003 amounted to QR 2492 million, i.e. QR 377 million more (17.8% higher) than its level of QR 2115 million at the end of 2002. This increase is compared with an increase of QR 383 million a rate of 22.2% during 2002. Noticeably, the ratio of the cash balances to the total assets has been on the rise for five years reaching 3.4% by the end of 2002 against 3.3% by the end of 2003. The rise in the cash assets and balances with the QCB, during 2003, was accounted for by:

1- An increase of QR 116 million or 29.5% in the vault cash to reach QR 509 million by the end of 2003 against QR 393 million at the end of 2002.

2- An increase of QR 261 million in the balances of local banks with QCB from QR 1722 million to QR 1983 million at the rate of 15.2%. Out of this increase was an increase of QR 201 million in the required cash reserves with QCB due to the realized increase in the total deposits with the commercial banks (the required reserve ratio is an 2.75% flat rate imposed on all types of customers deposits with the local banks). The required reserves comprised 72.8% of the total banks' balances with QCB by the end of 2003 against 72.1% in the

Table (22)
Banks' Cash Assets

(QR millions)

Items	1999	2000	2001	2002	2003	Change	
						Value	%
Cash	547	320	361	393	509	116	29.5
Balances with QCB	687	1062	1371	1722	1983	261	15.2
Total Cash assets	**1234**	**1382**	**1732**	**2115**	**2492**	**377**	**17.8**
Cash Assets to Total Assets	2.6%	2.8%	3.0%	3.4%	3.3%		

Second: The Liabilities Side:

The increases in the items of 'total customers deposits', 'due to banks and other financial institutions', 'shareholders equity' and 'provisions' by QR 7194 million (15.7% of its 2002 level), QR 2476 million (80.9% of its 2002 level), QR 1567 million (69.4% of its 2002 level), and QR 228 million (6.2% of its 2002 level), respectively, have accounted for the major portion of the increase on the liabilities side of the aggregate balance sheet of the commercial banks in 2003. The most important developments on the liabilities side of the aggregate balance sheet of the commercial banks are briefly highlighted in what follows:

1- Customers' Deposits:

The balances of customers' deposits with local banks, governmental and otherwise, increased during 2003 even though the domestic interest rates, on both the QR deposits and the deposits in foreign currencies continued declining below their level in 2002. The balance of total deposits reached QR 52964 million by the end of 2003 recording an increase of QR 7194 million or 15.7% over its level of QR 45770 million at the end of 2002. Though is an unparalleled increase throughout the last five years, the relative share of the total deposits in total liabilities had fallen from 73.4% in 2001 to 69.9% in 2002.

A- The Distribution of Total Customers' Deposits by Maturity and Currency type:

Maturity: The balances of the total demand deposits with local banks increased by QR 4082 million during 2003 over its level of QR 11234 million at the end of 2002, to reach QR 15316 million by the end of the year, recording a growth rate of 36.3%. Besides, the figures in table (23) indicate that the demand deposits had comprised 28.9% of the total deposits by the end of 2003 against 24.5% by the end of 2002. Such ample growth in the stock of demand deposits can be mostly attributed to the surge in levels of trade activities and the value of transactions in the Doha stock market, which required the traders to hold large amounts of checkable accounts. Consequently, the increase in time deposits might be accredited to private capital inflow looking for more secured investment environment in the Qatari economy.

Regarding the time deposits with local banks, it had increased during 2003 to reach QR 37648 million by the end of the year recording an increase of QR 3112 million or 9% over its level of QR 34536 at the end of 2002. It is worth indicating, in this regard, that this increase is noticeable since it had realized notwithstanding the downward trend, for three consecutive years, in the domestic interest rates on both the QR deposits and the deposits in foreign currencies. Furthermore, time deposits had been partly transferred into demand deposits to meet customers' requirements for transactions in Doha stock market.

Type of Currency: On the subject of the distribution of total customers' deposits by types of currencies, it is worthy to note that deposits in Qatari riyal continue to represent the main bulkiness of the deposits with local banks comprising 67.92% of its entirety. The balances of QR deposits increased during 2003 to reach QR 35974 million by the end of the year, recording an increase of QR 7012 million or 24.2% over its level of QR 28962 million at the end of 2002. On other hand, the deposits in foreign currencies increased slightly during 2003 to reach QR 16990 million by the

Table (23)

Distribution of Deposits by Maturity and Type of Currency

(QR Millions)

Items	1999	2000	2001	2002	2003	Change	
						Value	%
Total Deposits	**30809**	**36345**	**42518**	**45770**	**52964**	**7194**	**15.7**
Demand	2928	3246	4067	11234	15316	4082	36.3
Time	27880	33099	38452	34536	37648	3112	9.0
In Domestic Currency	**19492**	**23885**	**26385**	**28962**	**35974**	**7012**	**24.2**
Demand	2674	3051	3767	7588	11050	3462	45.6
Time	16818	20834	22619	21374	24924	3550	16.6
In Foreign Currencies	**11317**	**12460**	**16133**	**16808**	**16990**	**182**	**1.1**
Demand	254	195	300	3646	4266	620	17.0
Time	11063	12265	15833	13162	12724	-438	-3.3
Ratio to Total Liabilities	**65.0%**	**72.7%**	**74.5%**	**73.4%**	**69.9%**	**-**	**-**

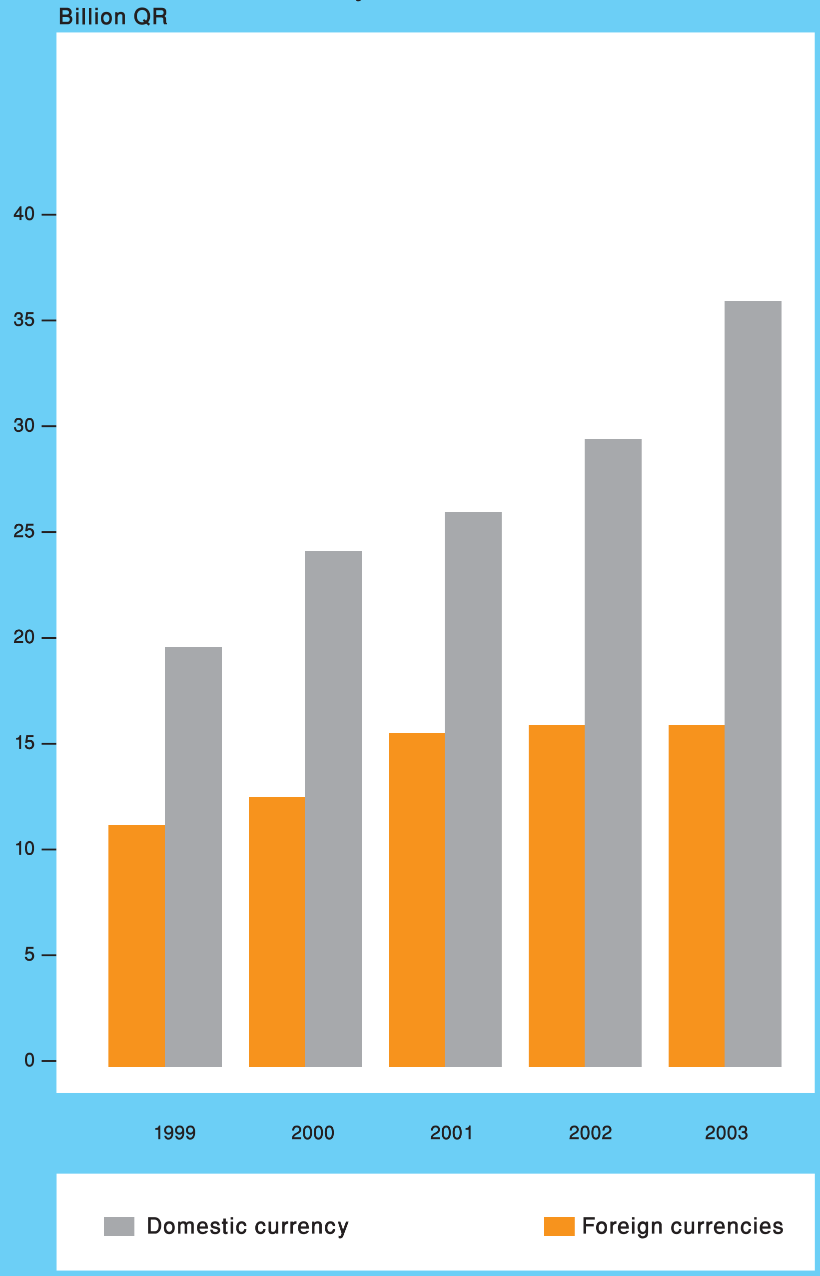
end of the year, recording an increase of QR 182 million or 1.1% over its level of QR 16808 million at the end of 2002. Besides, foreign currencies deposits constituted 32.08% of the total deposits by the end of 2003.

B- The Distribution of Total Customers' Deposits by Economic Sector:

Government Sector: Government and governmental enterprises' deposits have increased significantly by QR 2016 million during 2003 or 12.9% to reach QR 17610 million by the end of the year compared to its level of QR 15593 million at the end of 2002. The interpretation of the insignificant increase in the government deposits rests with the partial sale (privatization) of the government share in Qatar Industrial Manufacturing in the last quarter of 2003. Besides, the figures in table (24) reveal that the governmental deposits had comprised about 33.25% of the total deposits by the end of 2003. Deposits of the semi-governmental enterprises increased by QR 1280 million or 41.5% to reach QR

Chart (13)

Distribution of Deposits
by Currencies



4366 million by the end of 2003 against QR 3086 at the end of 2002.

Personnel Sector: Available data included in table (24) reveal that the personal deposits continue to comprise the bulkiness of total deposits. By the end of 2003, personal deposits has amounted to QR 23010 million, constituting 43.44% of the total deposits with local banks. At this level, it has surpassed its previous level of QR 20380 million at the end of 2002 by the sum of QR 2630 million or 12.9% (of this increase there is a rise of QR 1338 million in the demand deposits of that sector). The increase in personnel sector deposits constituted about 36.5% of the increase in total deposits in 2003. Most of this increase may be due to active trading in the stock market throughout the year. Such phenomenon can be attributed to the limitedness of domestically available financial investment outlays where the shares traded on the Doha Stock Market is the only available financial channel that might provide for higher rates of returns.

Private Companies: Deposits by private sector companies has amounted to QR 7979 million by the end of 2003 surpassing its previous level of QR 6710 million at the end of 2002 and recording an increase of QR 1269 million or 18.9%.

Table (24)
Distribution of Deposits By Economic Sectors

(QR millions)

Items	1999	2000	2001	2002	2003	Change 2002-2003	
						Value	%
Public Sector	**9003**	**11871**	**18028**	**18680**	**21975**	**3295**	**17.6**
Government & government Enterprises	6541	9263	15505	15593	17610	2016	12.9
Semi government Enterprises	2463	2609	2524	3086	4366	1280	41.5
Privte Sector	**21806**	**24474**	**24490**	**27090**	**30989**	**3898**	**14.4**
Privte Sector Enterprises	5066	6120	5719	6710	7979	1269	18.9
Personnel	16740	18354	18771	20380	23010	2629	12.9
Total Deposits	**30809**	**36345**	**42518**	**45770**	**52964**	**7194**	**15.7**

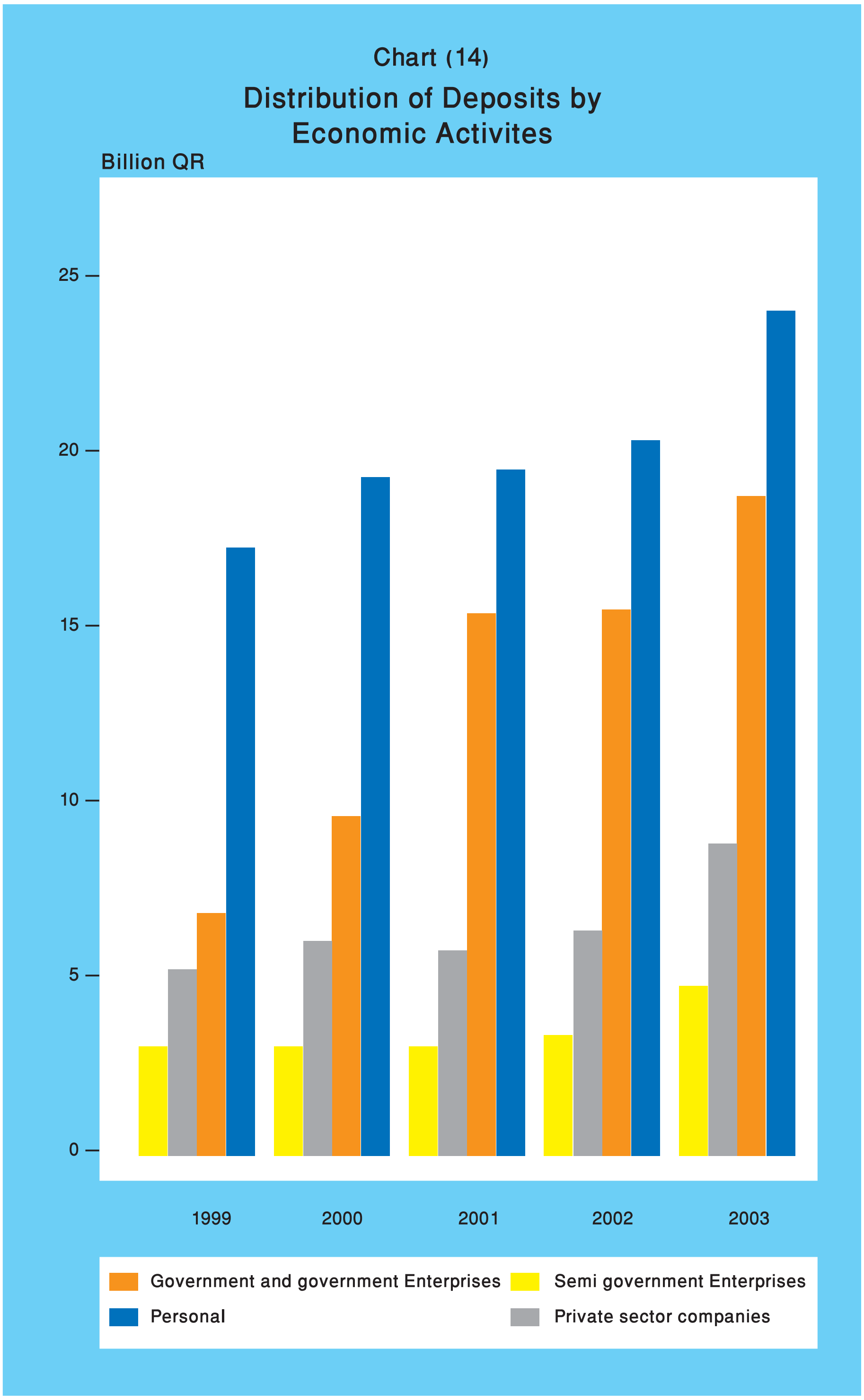


Chart (14)
Distribution of Deposits by
Economic Activites
Billion QR
25
20
15
10
5
0
1999
2000
2001
2002
2003
Government and government Enterprises
Semi government Enterprises
Personal
Private sector companies

2- Shareholders' Equity:

Shareholders' equity came next to total customers' deposits embracing the second position in terms of relative importance in the structure of total liabilities. The shareholders' equity amounted to QR 8689.5 million by the end of 2003 surpassing its previous level of QR 7122.4 million at the end of 2002, hence recording an increase of QR 1567.1 million or 22%. Besides, the figures in table (25) indicate that the shareholders' equity had comprised 11.5% of the total liabilities by the end of 2003.

The unrelenting large increase in the shareholders' equity reflects the persistent effort on the behalf of local banks to improve their financial position. The increases in 'reserves' by QR 1184 million or 27% accounted for the major portion (75.6%) of the total increase in shareholders' equity in 2003. Meanwhile, the increase in capital by QR 217.4 million or 10.1% comes next, accounting for 13.87% while the increase in retained profits by QR 165.1 million has accounted for 10.55% of the total increase in shareholders' equity.

Table (25)
Shareholders' Equity (1999-2003)

(QR Millions)

Items	1999	2000	2001	2002	2003	Change 2002-2003	
						Value	%
Capital	1773.2	2088.3	2110.3	2149.9	2367.3	217.4	10.1
Legal Reserves	1337.1	1561.9	1517.9	1562.6	1971.5	408.9	26.2
Other Reserves	1860.4	2184.9	2409.6	2823.5	3599.0	775.5	27.5
Retained Profits	255.2	274.9	424.8	586.4	751.7	165.3	28.2
Total Shareholders' Equity	**5225.9**	**6110.0**	**6462.6**	**7122.4**	**8689.5**	**1567.1**	**22.0%**
Shareholders' Equity/Total Liabilities	**11.0%**	**12.2%**	**11.3%**	**11.4%**	**11.5%**	**-**	**-**

Such large increases in shareholders' equity should indicate clear persistence on behalf of the local banks to reinforce their capitals and reserves in order to strengthen their financial positions with the intentions of meeting the criteria of the Basel Accord 2.

Net Foreign Assets:

The item of 'net foreign assets' represents the net balance of the local banks' transactions, on both sides of sources and uses of funds, with foreign banks and/or foreign financial institutions and other non-residents. These transactions encompass all operations relating to the uses of funds in the form of holding foreign assets, including credit facilities extended to non-residents, as well as operations a propose generating sources of funds through acquiring foreign liabilities, including lines of credit opened with foreign banking and financial units.

The commercial banks in Qatar continued to realize high rates of growth in their net foreign assets for the second year in a row throughout 2003. Net foreign assets increases by QR 3095 million at the rate of 25.23% to reach QR 15361 million by the end of the year against QR 12266 million at the end of 2002 (table 26). Such large increase was the outcome of:

1- An increase of QR 4530 million or 30.3% in foreign assets to reach QR 19465 million by the end of 2003. This increase was the result of local banks increasing their deposits with foreign banks and/or financial institutions at the rate of 18.1% by the sum of QR 2094 million on the one hand and increasing their investments in foreign securities at the rate of 71.5% by the amount of QR 1915 million on the other.

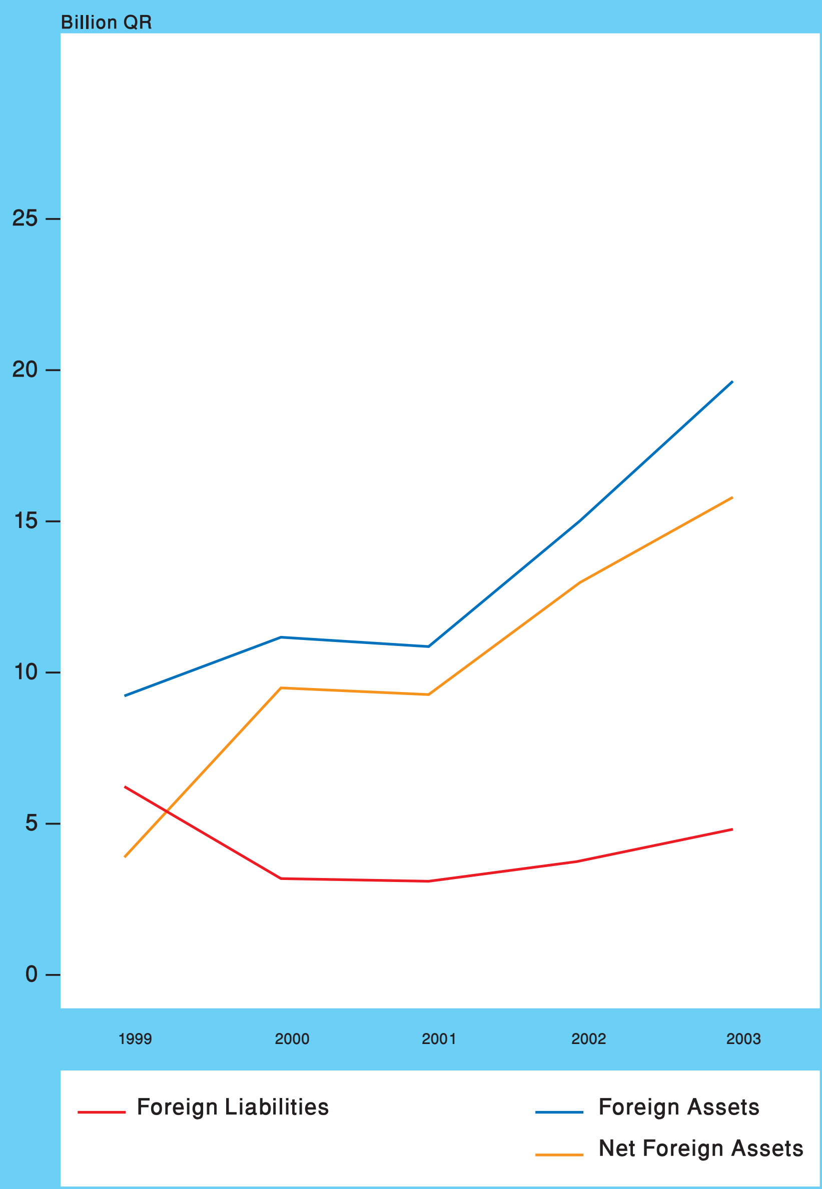
Table (26)

Banks' Net Foreign Assets (1999-2003)

(QR millions)

Items	**1999**	**2000**	**2001**	**2002**	**2003**	**Change**	
						Value	**%**
Foreign Assets	8938	11623	11515	14935	19465	4530	30.3
Foreign Liabilities	5844	2225	2136	2669	4104	1435	53.8
Net Foreign Assets	**3094**	**9398**	**9379**	**12266**	**15361**	**3095**	**25.2**

Chart (15)
Development of Net Foreign Assets with Banks



2- An increase of QR 1435 million or 53.8% in the foreign liabilities to reach QR 4104 million by the end of 2003. Most of this increase was concentrated in claims by foreign banking and financial institutions.

Memoranda Accounts of Commercial Banks:

Memoranda accounts include letters of credit, letters of guarantee, deferred contracts, etc (table 27). The balance of memoranda accounts amounted to QR 38845 million by the end of 2003 versus QR 23938 million at the end of 2002. That is an increase of QR 15207 million or 64.3%. Such high rise is owed to a disproportional expansion of QR 11363 million, or 291%, in the differed contracts and derivatives account that constituted 39.3% of the memoranda accounts. On other hand, the letter of guarantees, amounting to QR 10018 million, had accounted for the second largest portion (25.79%) of memoranda accounts by the end of 2003. The unutilized portion of the credit facilities increased by QR 2103 million or 56.3% to reach QR 5836 million by the end of 2003.

Table (27)
Memoranda Accounts: 1999 - 2003

(QR millions)

Items	1999	2000	2001	2002	2003	Change 2001 - 2002	
						Value	%
Letters of Credits	2539	2002	2959	3358	4498	724	19.2
Letters of Guarantee	7408	7303	8086	9291	10018	727	7.8
Differed Contracts	7063	1737	7688	2039	15264	11363	291.2
Unused Credit Facilities	2258	2581	3809	3733	5836	2103	56.3
Others	1632	2620	2341	5517	3228	291	9.9
Total	**20900**	**16243**	**24883**	**23938**	**38845**	**15207**	**64.3**

Qatar Industrial Development Bank (QIDB)

The Qatar Industrial Development Bank was established in June of 1997. The main objective of the bank is to contribute to the development of the industrial sector in the state of Qatar via financing small and medium size industries, extending consultant service to investors in the industrial sector and the evaluation and monitoring of the new industrial projects.

Available data indicates that the financial position of the bank has continued to realize high growth rates; due to continuous expansion in its investment activities and in financing industrial projects. The total balance sheet of the bank increased during 2003 to reach QR 337.3 million by the end of the year, recording an increase of QR 47.3 million or 16.3% over its level of QR 290

Table (28)
Qatar Industrial Development Bank's Balance Sheet
1999-2003

(QR millions)

Items	1999	2000	2001	2002	2003	Change 2002 - 2003	
						Value	%
Cash and balances with QCB	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Assets Portfolio	2.5	78.4	79.5	116.6	139.0	22.4	19.2
Balances with Banks & Financial Institutions	227.3	175.4	122.4	114.2	115.1	0.9	0.8
Credit Facilities	13.4	23.6	30.1	38.6	57.4	18.8	48.7
Other assets	2.9	3.0	8.8	20.6	25.8	5.2	25.2
Total assets = Liabilities	**246.1**	**280.4**	**240.8**	**290.0**	**337.3**	**47.3**	**16.3**
Due to QCB	0.0	0.0	0.0	0.0	0.0		
Due to banks and financial Institutions	74.3	47.5	2.4	14.3	18.8	4.5	31.5
Customers' deposits	0.8	0.3	0.3	0.3	0.2	-0.1	-33.3
Provisions	1.0	1.3	1.9	4.2	5.8	1.6	38.1
Other liabilities	6.5	11.4	12.3	9.3	9.4	0.1	1.1
Capital and Reserves	163.5	219.9	223.9	261.9	303.1	41.2	15.7

million at the end of 2002. The main developments on both the assets and liabilities sides of the bank's balance sheet over the last five years (1999-2003) are summarized in table (28). The following is a brief summary of these developments:

1. Assets:

1- The QIDB continued, for the second year in arrow, to allocate most of its financial resources to its portfolio of financial assets as its major use of funds. The portfolio have grown at the rate of 19.2% during 2003 to reach QR 139 million by the end of the year (about 41.21% of the total assets), recording a rise of QR 22.4 million above its level of QR 116.6 million at the end of 2002.The increase in the portfolio was allocated as:
   - An increase of QR 13 million in the QIDB investment in industrial projects (a growth of 12.3%) to reach QR 41.4 million by the end of 2003.
   - An increase of QR 10.4 million in the QIDB investment in government securities (a growth of 12.7%) to reach QR 96.2 million by the end of 2003.

2- The total loans extended to the industrial sector was increased during 2003 to reach QR 57.4 million by the end of the year, recording an increase of QR 18.8 million or 48.7% more than its level of QR 38.6 million at the end of 2002, compared to its previous increase of QR 8.5 million or 28.2%.

3- The total bank's deposits with commercial banks and financial institutions had very slightly increased by QR 0.9 million during 2003 or 0.8% to reach QR 115.1 million by the end of the year (about 34.1% of the total assets).

The expansion in the QIDB investments and financing industrial projects over 2003 is in tandem with current developments of the growing economy and is backed by the surplus liquidity available to the bank; hence is expected to be sustained in future years too.

2. Liabilities:

1- The QIDB continued its reliance on the shareholders' equity as the main source of funds to finance its activities within the industrial sector. The shareholders' equity was augmented QR 41.2 million during 2003 (an increase of 15.7%) to reach QR 303.1 million by the end of the year (and constitute about 89.9% of the financial position of the bank) compared to its level of QR 261.9 million at the end of 2002 (table 29).

Table (29)
Shareholders' Equity (1999 - 2003)

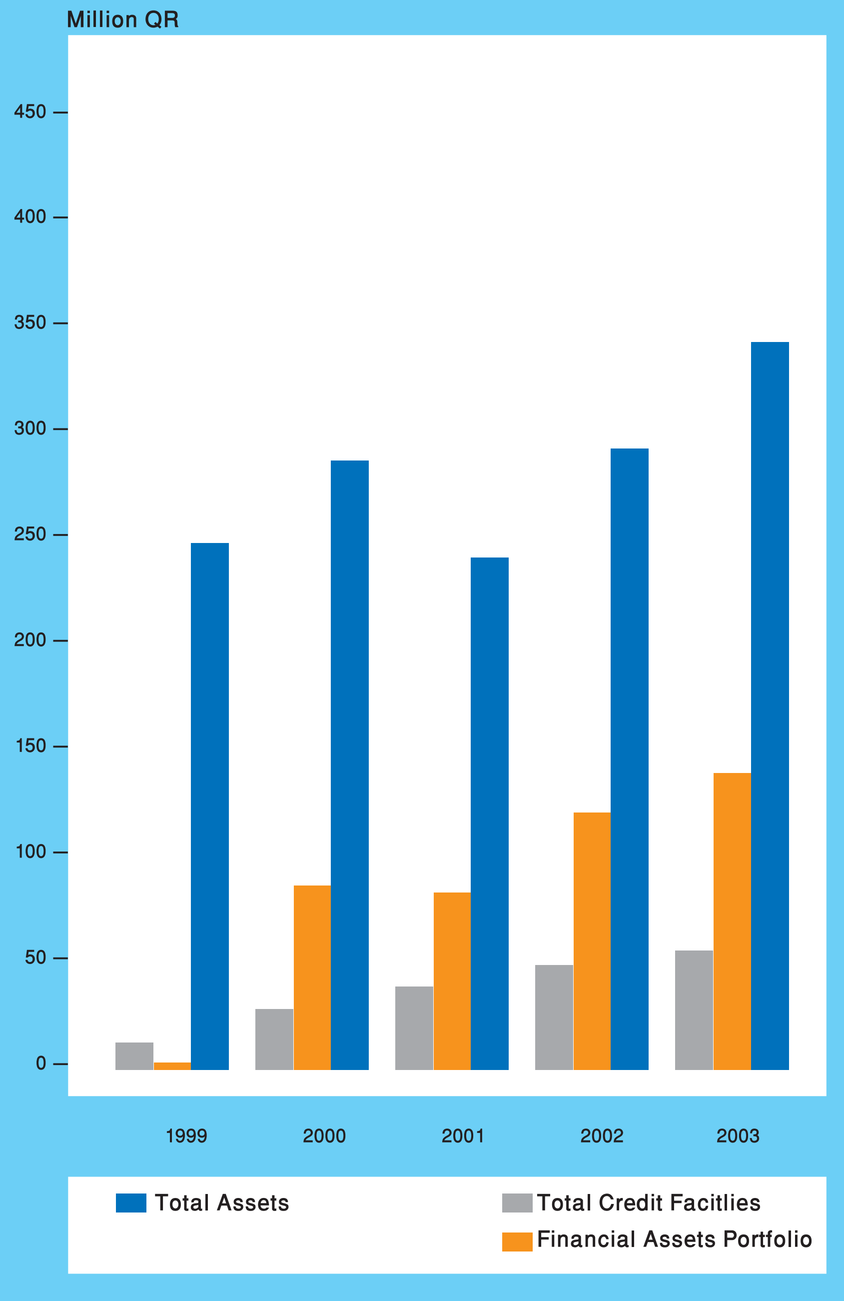
(QR millions)

Items	1999	2000	2001	2002	2003	Change 2002 - 2003 Value	%
Capital	150	200	200	200	200	0	0.0
Legal Reserves	2.2	3.1	4.8	6.8	7.9	1.1	16.2
Other reserves	6	11	11	39	74.4	35.4	90.8
Retained Profits	5.3	5.8	8.1	16.1	20.8	4.7	29.2
Total Shareholders' Equity	163.5	219.9	223.9	261.9	303.1	41.2	15.7
Shareholders' Equity / Total Liabilities	66.4%	78.4%	93.0%	90.3%	89.9%	-	-

2- The outstanding balances of 'due to banks and financial institutions' increased during 2003 to reach QR 18.8 million by the end of the year, recording an increase of QR 4.5 million or 31.5% compared to its level of QR 14.3 million at the end of 2002.

Chart (16)

Distribution of Balance sheet Items of QIDB



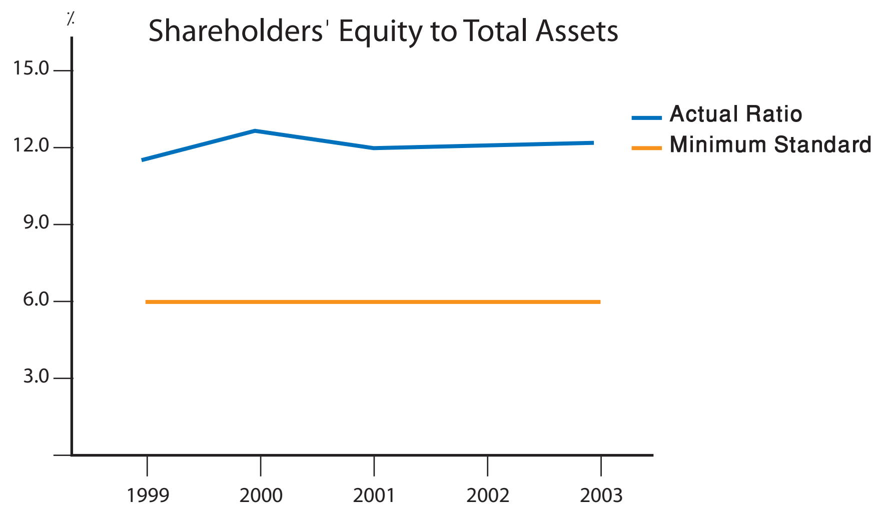
Indicators of Banks' Performance

Table (30) includes some financial indicators pertinent to the performance of the Qatari banking system. These indicators signify financial ratios computed on basis of information provided by financial statements of the local banks for the period 1999-2003. The following is a brief analysis of the developments of reported indicators:

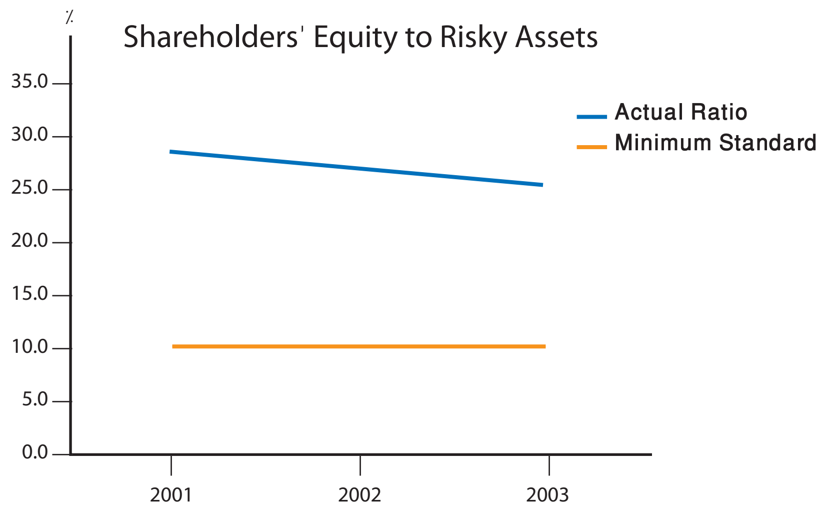
1- Capital Adequacy Standards

These standards measure the (extent of) protection against risks facing bank's assets, provided for by the shareholders' equity. The development of these indicators shows:

a) A slight increase in the ratio of shareholders' equity to total assets from 11.8% in 2002 to 11.9% by the end of 2003, which is higher than the minimum of 6.0% determined by QCB.



b) Meanwhile, the ratio of shareholders' equity to risky assets decreased for the second year consecutively from 26% in 2001 to 25% by the end of 2002 to 24% by the end of 2003. The decline in this ratio is due mainly to the speedy pace of expansion in extended credit facilities; hence a growth of risky assets higher than the growth in shareholders' equity. Nonetheless, though decreasing is higher than the minimum of 10.0% determined by QCB.



2- Assets Quality Standards

This group of standards measures the extent of protection against risks, facing certain asset items, provided for by provisions held for such specific coverage. The development of these indicators shows an increasing trend in the ratio of loans' provisions to total loans up to 2002 whence reached 8.7% by the end of that year. However, it decreased by 1.1 percentage points to reach 7.6% by the end of 2003. Likewise, the ratio of total provisions to total assets declined from 5.9% in 2002 to 5.2% by the end of 2003. The reduction in these ratios owes to the increase in their denominators: total loans and total assets. The first owing to fast expanding credit facilities, particularly to individuals collateralizing their salaries, so risk is minimal; and the second is due to allocating more investments to financial securities, particularly the high quality Islamic securities issued by the state of Qatar.

3- Profitability Standards

This group of standards measures the banks' efficiency in using the available financial resources to enhance their reserves and financial positions and, hence realize higher rates of return on shareholders' funds. The developments of these indicators demonstrate rising trends over the last four years. The ratio of net profits to the average shareholders' equity increased to 20.8% by the end of 2003 against 19.4% by the end of 2002; The ratio of net profits to average assets increased to 2.5% by the end of 2003 against 2.3% by the end of 2002; Likewise, the ratio of total net interest to average assets increased from 2.4% in 2002 to 3.2% by the end of 2003. However, the ratio of other incomes to average assets had stabilized around 1.7%.

4- Liquidity Standards

These criteria measure the capacity of local banks to fulfill their obligations, particularly towards their depositors, through holding appropriate portions of their assets in a highly liquid form. Table (30) includes four criteria of banks' liquidity. The development of these indicators shows that the cash standard had been increasing over the years 1999-2002 to reach 3.4% by the end of 2002 then decreased to 3.2% by the end of 2003; likewise the ratio of financial assets' portfolio/total assets had been increasing over the years 1999-2002 to reach 16% by the end of 2002 then declines to 15.3% by the end of 2003. The decline in these two ratios can be explained by the growth of total assets at much higher rate in 3003 (21.5%) than in 2002 (9.3%). On other hand, the ratio of total loans to total deposits increased from 79.1% to 82.7% and the ratio of total loans/total assets declined from 57.8 to 57.5 as between the end of 2002 and 2003, respectively.

5- Standards of Use

This group of standards encompasses several financial ratios that measure the capability of local banks to use their available financial resources in income-generating uses. Uses of funds include financial as well as non-financial investments in addition to uses of funds in money market operations through inter-bank deposits lent to local and foreign banks. These indicators are calculated by means of financial ratios relating certain uses to their financing sources. Table (30) reports four criteria of uses; all of them designate progress in the capabilities of local banks to utilize their available financial.

The developments of these indicators show that all ratios had increased by the end of 2003 as compared to 2002. Hence, reflecting expansionary credit policy on behalf of local banks. Such easy credit resulted in lower liquidity standards. Such high rates owed to local banks increasing their uses of funds in the forms of foreign financial portfolio assets, particularly Qatar's issued Islamic securities where local banks had contributed QR 775.3 million;

and expanding credit facilities, particularly to individuals customers.

6- General Indicators

These are the growth rates of the most important components of the local banks' aggregate financial position: total assets, total deposits, total credit facilities, and total financial securities. Examining these indicators reveals that the local banks continued to realize high growth rates in these aggregates in general; and in total assets and total credit facilities in particular where they grew at 21.5% and 20.9%, respectively. This has been generally due to an increase of QR 2.4 billion in credit facilities extended to individuals at the rate of 26.8%.

Table (30)
Indicators of Banks' Performance
(1999 - 2003)

(Percentage)

Item	1999	2000	2001	2002	2003
1- Capital adequacy					
Shareholders' equity/Total assets	11.3	12.6	11.7	11.8	11.9*
Shareholders' equity/Risky assets	-	-	26.0	25.0	24.0*
2- Standards of Assets' quality					
Loan's provisions/Total loans	5.6	6.4	7.1	8.7	7.6
Total provisions/Total assets	5.4	4.6	5.3	5.9	5.2
3- Profitability Standards					
Net profits/Shareholders' equity	18.5	12.0	15.8	19.4	20.8
Net profits/Total assets	2.1	1.4	1.9	2.3	2.5
Net interests/Total assets	2.5	1.7	2.0	2.4	3.2
Other income/Total assets	1.0	1.6	1.8	1.7	1.7
4- Liquidity Standards					
Cash and balances with QCB/Total assets	2.6	2.8	3.0	3.4	3.2
Total loans/Customers' deposits	95.9	80.1	83.5	79.1	82.7
Total loans/Total assets	62.0	57.9	61.9	57.8	57.5
Financial Assets' portfolio/Total assets	14.8	15.4	15.6	16.0	15.3
5- Uses Standards					
Credit facilities extended to private sector/ Private sector deposits	71.7	75.4	77.4	70.7	76.2
Loans to private sector/Total loans	52.9	63.4	53.4	52.9	53.5
Domestic credit/ (Total deposits + Shareholders' equity)	78.8	65.4	69.1	67.7	70.0
Total foreign assets/Foreign liabilities	114.5	137.6	138.6	150.6	168.3
6- General Ratios					
Growth Rate of Total Assets	12.1	5.4	14.1	9.3	21.5
Growth Rate of Total Customers' Deposits	13.8	18.0	17.0	7.6	15.7
Growth Rate of Total Credit Facilities	-1.2	-1.5	21.9	2.0	20.9
Growth Rate of Financial Assets Portfolio	142.0	9.6	15.8	11.7	16.0

* Preliminary estimates.

Exchange Companies

The aggregate balance sheet of the exchange companies continued to register high rates of growth for the third consecutive year. Available data on the exchange companies (Table 31) indicate that their aggregate balance sheet totaled QR 356.3 million by the end of 2003, i.e. a remarkable increase of QR 118.6 million or 49.9% above its level of QR 237.7 million at the end of 2002; against an increase of QR 47.7 million or 25.1% by the end of 2002. These developments are addressed in the following:

1- Assets

The exchange companies continued to allocate most of their financial resources to investments in domestic financial assets. Most of the increase on the assets side of the aggregate balance sheet was the result of increasing this type of investments to reach QR 213 million by the end of 2003, recording an ample increase of QR 114.4 million or 116% above its level of QR 98.6 million at the end of 2002; and comprising about 59.8% of total assets. The largest portion of the increase in financial investments owed to:

a) The revaluation of the companies' portfolio of domestic shares consequential to the high rise of 69.8% in the Doha Stock Market's general price index throughout 2003; which resulted in a corresponding rise in the values of these shares by QR 83.8 million or about 73.5% of the tatal increase in financial investments.

b) The augmentation of the companies' investments in financial securities by the amount of QR 30.5 million in 2003.

Increasing balances due from banks by the sum of QR 6.7 million at the rate of 9.5% to reach QR 77.4 million and constitute 21.7% of total assets by the end of 2003; against a decline of QR 14 million or 16.5% over 2002.

2- The Liabilities Side:

a) Increases on the liabilities side of the aggregate balance sheet were concentrated in the shareholders' equities (capitals and reserves) as the main source of funds to finance the companies' activities. These sources had been increased to reach QR 262.2 million by the end of 2003, constituting 73.5% of the total liabilities. Hence, recording an increase of QR 122.1 million or 87.2% above its level of QR 140.1 million at the end of 2002. This increase was due to the exchange companies continuing to use their capital gains resultant from revaluating their portfolios of domestic shares and other income realizations to augment their reserves.

b) On other hand, balances due to banks had decreased by the sum of QR 4.9 million or 8.2% below its level at the end of 2002 to reach QR 55.1 million by the end of 2003 against QR 60 million at the end of 2002.

Table (31)
Aggregate Balance Sheet of Money Exchange Houses
(1999-2003)

(QR millions)

Items	1999	2000	2001	2002	2003	Change 2002 - 2003	
						Value	%
Cash	37.9	31.5	36.5	41.8	39.4	-2.4	-5.7
Due From banks	88.4	90.5	84.9	70.7	77.4	6.7	9.5
Balances with money exchangers & branches	5.7	3.6	1.8	9.2	9.2	-	-
Financial investments	-	14.7	53.5	98.6	213.0	114.4	116.0
Fixed assets	7.1	6.3	5.7	5.9	5.3	-0.6	-10.2
Other assets	29.2	7.2	7.6	11.5	12.0	0.5	4.3
Assets = Liabilities	**168.3**	**153.8**	**190.0**	**237.7**	**356.3**	**118.6**	**49.9**
Due to banks	61.9	48.8	60.5	60.0	55.1	-4.9	-8.2
Other liabilities	47.8	33.9	32.1	37.6	39.0	1.4	3.7
Capital and Reserve	58.6	71.1	97.4	140.1	262.2	122.1	87.2

Financing Companies

The balence sheet of the financing company operating in Qatar had totaled QR 662.3 million by the end of 2003, a marked increase of QR 162.5 million or 32.5% above its level of QR 499.8 million at the end of 2002. These developments are briefly addressed in the following (See Table 32):

1- Assets

a) The company has continued expanding its basic Islamic financing activity that constituted about 89.4% of its total assets or QR 591.9 million by the end of 2003 compared to QR 451 million at the end of 2002. Hence recording an increase of QR 140.9 or 31.2% vis a vis a rise of QR 257.8 million or 133.4% by the end of the previous year.

b) Cash in vault and balances with local banks were decreased to reach QR 24.6 million by the end of 2003, recording a fall of QR 9.3 million or 27.4% compared to its level of QR 33.9 million at the end of 2002.

c) After liquidating all of its financial investments in 2002, the company reallocated the amount of QR 5.5 million to that use of funds by the end of 2003.

2- Liabilities

a) The shareholders' equity increased to reach QR 141.2 million by the end of 2003, recording an increase of QR 29.8 million or 26.8% above its level of QR 111.4 million at the end of 2002.

b) In addition to shareholders' equity, the company continued to rely on borrowings as the principle source of funds to finance its activities. The total borrowings from financial institutions amounted to QR 369.2 million by the end of 2003 against QR 276.4 million by the end of 2002. Hence, recording an increase of QR 92.8 million at the rate of 33.6%, and constituting 55.7% of total liabilities.

Table (32)
The balance sheet of the Financing Company

(QR Millions)

Items	**2001**	**2002**	**2003**	**Change 2002 - 2003**	
				Value	**%**
Cash and balances with banks	12.1	33.9	24.6	-9.3	-27.4
Debtors	193.2	451	591.9	140.9	31.2
Investments	15.3	0.0	5.5	5.5	0.0
Other Assets	14.4	14.9	40.3	25.4	170.5
Total Assets = Total Liabilities	**235**	**499.8**	**662.3**	**162.5**	**32.5**
Shareholders' Equity	101.2	111.4	141.2	29.8	26.8
Borrowings from financial Institutions	115	276.4	369.2	92.8	33.6
Other Liabilities	18.8	112	151.9	39.9	35.6

Investment Companies

The investment companies operating in Qatar had noticeably expanded main their activities of investment and managing of investments portfolios throughout 2003. The aggregate balance sheet of these companies totaled QR 79.8 million by the end of 2003, an increase of QR 8.3 million or 11.6% above its level of QR 71.5 million at the end of 2002. The most important developments in the aggregate balance sheet of the investment companies are briefly addressed in the following (See Table 33):

Table (33)
The aggregate Balance Sheet of the Investment Companies

(QR Millions)

Items	2001	2002	2003	Change 2002 - 2003	
				Value	%
Assets					
Cash and balances with Banks	30.3	43.8	33.8	-10.0	-22.8
Debtors	3.9	5.6	1.8	-3.8	-67.9
Investments	16.8	11.6	31.6	20.0	172.4
Other Assets	18.1	10.5	12.6	2.1	20.0
Total Assets = Total Liabilities	69.1	71.5	79.8	8.3	11.6
Liabilites					
Shareholders' Equity	61.8	65	77.8	12.8	19.7
Short-term Borrowings	1.2	3.8	0.5	-3.3	-86.8
Other Liabilities	6.1	2.7	1.5	-1.2	-44.4

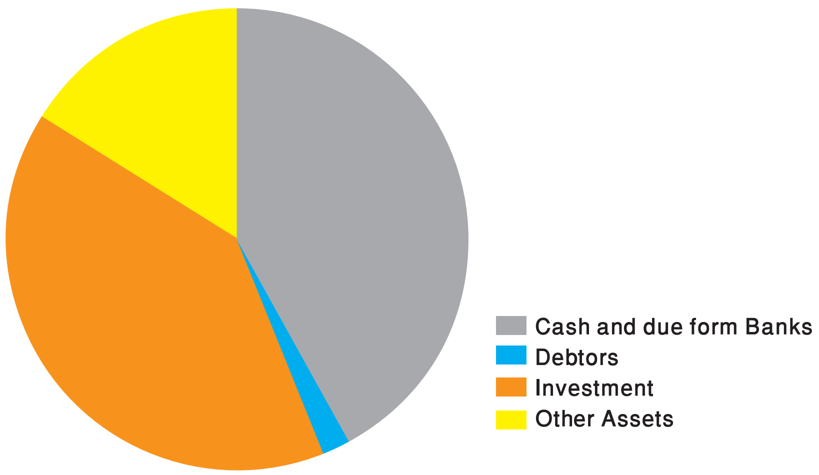
1- Assets

At the level of QR 31.6 million, financial investments had constituted about 39.6% of total assets of the investment companies as of the end of 2003, realizing a plentiful increase of QR 20 million or 172.4% above its level at the end of 2002. Such bountiful increase came as the outcome of:

a) The revaluation of the tradable financial assets at their fair values according to the criterion no. 39 of the international accounting standards produced an increase of QR 12 million that made up 60% of the total increase in financial assets.

b) A portion of QR 6 million of the cash balances and balances with local banks (liquid assets) was allocated to investments in financial securities.

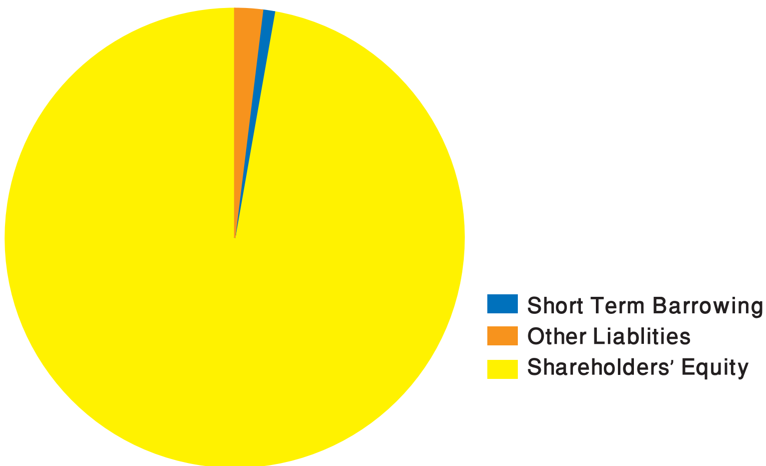
Details of Investment Companies' Assets in 2003



2- Liabilities

Shareholders' equity continued to be the principle source of funds that the investment companies rely on in financing its investments activities. The shareholders' equity increased to reach QR 77.8 million by the end of 2003, recording an increase of QR 12.8 million or 19.7% above its level at the end of 2002 of QR 65 million. This increase came as the result of increasing the fair value reserves by the sum of QR 12 million. Shareholders' equity had comprised about 97.5% of the total liabilities of these companies by the end of 2003.

Details of Investment Companies' Liablilties in 2003



The Doha Stock Exchange

The Doha stock exchange had witnessed an extraordinary high trading activities and rising prices. Several factors contributed to this phenomenon; the most important of which are:

a) The fall down of the QR interest rates to their unprecedented historical low in two decades.

b) The expansionary fiscal policy stance maintained throughout the recent years via increasing public expenditures.

c) The realization of high rates of profits due to companies' investments in local shares and real estate.

d) The monetary expansion owing to substantial capital inflow.

e) The establishment of three new companies that were listed on the stock market.

Prices and The General Price Index :

The Doha Stock Exchange (DSE) general price index had been on the rise throughout the year 2003, but the period from mid August to the start of October, where it had fallen due profit collections sales. By the end of the year, the index had reached 3946.7 points, hence realizing an increase of 1622.86 points or 69.8% above its level of 2323.84 points at the end of 2002.

Available data on the performance of companies listed on the DSE in 2003 indicate different rates of increase in the share prices of different companies. Qatar Islamic Insurance did lead by a 211.9% increase in the price of its share to reach QR 131. Qatar Navigation came second leader at the rate of 153% where the price of its share reached QR 62.5. Prices of the shares of all listed banks registered over 100% increase but Qatar National Bank whose share price increased by 54.4% to reach QR 126.9 (table 37). Prices of other companies, shares had realized increases ranging from a minimum of 9.3% for Qatar Flour Mills to a maximum of 72.9% for Doha Insurance. Salam International Investment ltd was the only listed company to have its share price to fall (by 18.2%).

Trading :

During 2003, the DSE had witnessed highly intensive trading activities; where the volume of traded shares increased by 138.6%, above its 2002 level, to reach 189.97 million share compared to 79.6 million shares in the previous year; and the total traded value amounted to QR 11.7 billion surpassing its previous level by 264.6%. Meanwhile, the number of executed contracts rose by 352.2% to reach 134.7 thousand against 29.79 thousand throughout 2002.

Regarding the value of traded shares, the industry sector held the lead of 34% of the total, followed by the services sector accounting for 33.9%, then the banking sector accounting for 29.2% of the total value of traded shares during 2003.

The number of companies listed on the DSE increased to 29 companies after listing the new shareholding companies of Qatar Industrial Manufacturing, with QR 500 million of capital, Qatar Technical Inspection with QR 40 million of capital, and National Leasing with QR 150 million of capital. The market capitalization of the shares of listed companies on the DSE increased by 152% to reach QR 97.2 billions by the end of 2003 against a value of QR 38.5 billions at the end of 2002.

Table (34)
Doha Stock Exchange:
Closing Prices for Listed Companies.
29/12/2002

Sector	Company	Closing Price in QR		Relative change %
		2002	2003	
Banks	Al-Ahli Bank of Qatar	36.0	79.6	121.1
	Commercial bank of Qatar	75.5	157.1	108.1
	Qatar International Islamic Bank	61.5	123.9	101.5
	Qatar Islamic Bank	44.0	104.5	137.5
	Qatar National Bank	82.8	126.9	54.4
	Doha Bank	83.0	168.2	102.6
Insurance	Qatar Islamic Insurance	42.0	131.0	211.9
	Al Khaleej Insurance	50.0	76.9	53.8
	Doha Insurance	24.0	41.5	72.9
	Qatar General Insurance	100.0	160.5	60.5
	Qatar Insurance	84.5	117.6	39.2
Industry	Qatar National Cement Company	134.0	185.5	38.4
	Qatar Industrial Manufacturing	32.0	41.5	29.7
	Qatar German Medical Co.	21.5	31.2	45.1
	Qatar Flour Mills	27.0	29.5	9.3
	Industries Qatar	-	59.10	-
	United Development	-	29.90	-
Services	Al-Ahli Hospital	25.5	38.1	49.4
	Qatar Leisure & Tourism Development	6.5	-	-
	Salam International Investment ltd	12.1	9.9	-18.2
	Qatar Cinema & Film Distribution	32.5	40.0	23.1
	Qatar Real Estate Investment Co.	29.0	39.0	34.5
	Qatar National Navigation & Transport	94.8	127.7	34.7
	Qatar Shipping Co.	24.7	62.5	153.0
	Qatar Fuel Company	28.1	40.8	45.2
	Qatar Telecom	108.5	158.4	46.0
	Qatar Electricity & water	30.9	46.1	49.2
	National Leasing	-	28.50	-
	Qatar Technical Inspection	-	84.20	-
	General Index	**2323.84**	**3946.7**	**69.8**

Table (35)

Doha Stock Exchange: Traded Shares.

(Value in QR Millions; Quantity in 1000 Shares)

Items	2002	2003	Change 2001 - 2002	
			Value	%
Banking Sector				
Value of Shares	1467.0	3418.0	1951	133.0
Quantity of Shares	30110.1	38983.4	8873.3	29.5
Number of Deals	8127	15050	6923	85.2
Insurance				
Value of Shares	165.0	344.2	179.2	108.6
Quantity of Shares	3967.6	6684.0	2716.4	68.5
Number of Deals	1766	3318	1552	87.9
Services				
Value of Shares	1348.0	3968.1	2620.1	194.4
Quantity of Shares	38312.5	72372.6	34060.1	88.9
Number of Deals	16057	56424	40367	251.4
Industry				
Value of Shares	235.0	3991.7	3756.7	1598.6
Quantity of Shares	7207.1	71932.5	64725.4	898.1
Number of Deals	3837	59904	56067	1461.2
Total				
Value of Shares	3215.0	11722.1	8507.1	264.6
Quantity of Shares	79597.4	189972.5	110375.1	138.7
Number of Deals	29787	134696	104909	352.2