

SHUAA Capital Issues Research Report 'Qatar is Still Booming'

May 18, 2009 9:05 AM ET

Dubai - 18 May 2009: SHUAA Capital, the leading financial services institution in the GCC, today announces the publication of its latest research report on Qatar entitled "Qatar is still booming". The report provides an in-depth analysis of the economy with a special focus on the banking and petrochemical sectors.

Dr Mahdi Mattar, Head of Research and Chief Economist, SHUAA Capital said: "The Qatari economy has seen remarkable growth over the last few years with an estimated real growth rate of 18.4% in 2008, one of the World's fastest growing economies. Going forward we expect growth of 10.2% in 2009 and 12% in 2010. When this is compared to emerging and developing economies of 1.6% and 4% for 2009 and 2010 and world economy growth rates of -1.3% and 1.9% for the same periods, it really shows the fundamental strength of the Country. "

"It is not surprising that 'Qatar is booming' is often used as a common slogan. The Country enjoyed one of the highest levels of GDP growth in 2008, expanding by almost 44% to USD 102.3bn (QAR 372.4bn)."

On the equity markets, Dr Mattar commented: "This strong economic backdrop will provide the main support for the Qatari equity market despite the persistent headwinds from the global economic slowdown which were manifested by tight liquidity, local real estate correction, and cautious investors' sentiment. We expect the Qatari equity market to record gains of c.20% over the next 12 months thereby taking the QSI index towards the 8,000 mark and the SHUAA Capital Qatar Index towards 6,000."

Dr Mattar continued: "The Qatari market represents a persuasive investment case when compared to other emerging markets. We believe that as the Qatari story obtains more traction from its impressive economic growth figures and the Doha Securities Market will be bound for further upside in the medium term, especially given its depressed valuation compared to its own historical levels. Our belief is reinforced by the DSM's sound fundamentals and attractive relative valuation in comparison to its peers."

SECTOR REVIEW

Banking

Over the past few years, the Qatari banking sector, the fastest growing in the GCC, has been capitalising on a virtuous economic cycle backed by ample petro dollar liquidity, high GDP per capita, and a massive public expenditure program. Apart from a buoyant domestic operating environment, one of the main strengths of the industry is the support it enjoys from the government, which, in early March 2009, decided to provide relief to local banks by buying back their local equity exposure. While we acknowledge the Qatari banking sector as a strong top-down play, we cannot ignore the fact that tightening liquidity, a general business slowdown and fairly concentrated loan portfolios (especially to consumer loans and real estate industry) pose threats to the banking industry in the short to medium term.

Petrochemical

The abundant availability of natural gas in Qatar is being provided to the domestic petrochemical industry players at levels well below world market prices. Combined with a material capacity expansion, this has enabled the Qatari petrochemical companies to improve their global share - a trend we expect to continue in the next few years. We believe any improved outlook for the Qatari petrochemical industry is linked to, among other things, improved pricing and demand levels. In this regard, improved demand levels are highly dependant upon global economic activity.