Bank Audi

QATAR ECONOMIC REPORT

MAY 2025

TABLE OF CONTENTS

CONTACTS

Research

Dr. Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Michèle Khoury Sakha
(961-1) 977102
michele.sakha@bankaudi.com.lb

Stephanie Bou Sleiman
(961-1) 952397
stephanie.bousleiman@bankaudi.com.lb

Elias G. Missi
(961-1) 959747
elias.missi@bankaudi.com.lb

NOTABLE PROGRESS IN DIVERSIFYING THE QATARI ECONOMY, EXCEEDING PRESET TARGETS

Non-hydrocarbon activities driving growth over the past year

Qatar has made notable progress in diversifying its economy, with strong growth in education, infrastructure, and tourism, which has exceeded the country's annual targets. According to the World Bank, Qatar's economy grew modestly, with real GDP rising 2.6% year-on-year in 2024. Non-hydrocarbon activities expanded more rapidly (by 3.7%), driven by education (+14.4%), accommodation and food services (+8.7%), arts and entertainment (+7.5%), and transportation (+5.4%).

External sector adversely affected by lower hydrocarbon exports, poised for medium-term improvement

Qatar's external sector performance has remained on a contractionary trend in 2024 on the back of diversification efforts leading to decreased hydrocarbon exports and revenues. This trend is set to contract further in 2025 and begin a reversal trend for the medium-term between 2026 and 2030.

Narrowing fiscal surplus amid weakened hydrocarbon revenues

Qatar recorded in 2024 its fourth consecutive fiscal surplus despite a sizable drop in total revenues, as authorities remained committed to continued broad fiscal prudence. Public revenues contracted by 16.2%, moving from QR 254.4 billion (or US$ 69.9 billion) in 2023 to QR 213.3 billion (or US$ 58.6 billion) in 2024, on the back of an 18.2% fall in oil and gas revenues. Public expenditures decreased by 1.7% (or QR 3.7 billion), moving from QR 211.4 billion in 2023 (or US$ 58.1 billion) to QR 207.7 billion (the equivalent of US$ 57.1 billion) as the Qatari government maintains fiscal prudence, including by continuing to wind down its infrastructure spending program. As such, Qatar ran a budget surplus of QR 5.6 billion in 2024 (the equivalent of US$ 1.5 billion) against a much larger budget surplus of QR 43.1 billion in 2023 (the equivalent of US$ 11.8 billion).

Qatar's inflation easing in line with global trends, FX buffers expanding further

Qatar witnessed receding inflationary pressures over the year 2024 and entered into a deflationary mode in the first quarter of 2025, mainly reflecting lower commodity and energy prices, while the Qatar Central Bank continued to move in tandem with the US Federal Reserve in cutting interest rates. Inflation in Qatar moderated from 3.0% in 2023 to 1.3% in 2024, mainly anchored by fuel and food subsidies, price controls, weakening of rent and recreation services prices and strong riyal peg to the US dollar. Yet, Qatar slipped into deflation in the first quarter of 2025, with consumer prices contracting by 0.3% on average relative to the first quarter of 2024, mainly due to lower food and energy prices.

Growth resilience, sound profitability, solid capitalization and satisfactory asset quality

Qatar's banking system is continuing to show growth resilience, sound profitability, solid capitalization and satisfactory asset quality. Measured by the total assets of Qatari banks, banking activity grew from US$ 541 billion in December 2023 to US$ 562 billion in December 2024 to US$ 570 billion in March 2025. This suggests a 3.9% activity growth in 2024 (against 3.4% in 2023), followed by a 1.3% growth in the first quarter of 2025. Deposits grew by 4.1% in 2024 and by 3.2% in the first quarter of 2025 to reach a total of US$ 291 billion in March 2025. As to credit facilities, they rose by 4.6% in 2024 and by 3.0% in the first quarter of 2025 to reach US$ 381 billion in March 2025.

Qatari equities plunging deeper into red, bonds on rise tracking US Treasuries move

Qatar's equity market plunged deeper into the red in the first four months of the year 2025, mainly hit by a confluence of bearish factors, including global growth concerns amid escalating trade war, OPEC+ decision to increase oil production and some downbeat corporate earnings. In contrast, the bond market registered upward price movements over the first 4 months of this year, mainly tracking US Treasuries move amid a flight to safe haven assets, as traders saw the new US tariff policy risking to slow global growth.

Growth forecasts supported by public investment, spillovers from the ongoing LNG expansion project, and strong tourism

Looking ahead, Qatar's real GDP growth is projected at 2.4% in 2025 according to the IMF, supported by public investment, spillovers from the ongoing LNG expansion project, and strong tourism. Medium-term growth is expected to accelerate to 4.75% on average, boosted by the significant LNG production expansion and initial gains from implementing reforms guided by the Third National Development Strategy.

Bank Audi sal - Group Research Department - Bank Audi Plaza - Bab Idriss - PO Box 11-2560 - Lebanon - Tel: 961 1 994 000 - email: research@bankaudi.com.lb

Bank Audi

Qatar has made notable progress in diversifying its economy, with strong growth in education, infrastructure, and tourism, which has exceeded the country's annual targets. According to the World Bank, Qatar's economy grew modestly, with real GDP rising 2.6% year-on-year in 2024. Non-hydrocarbon activities expanded more rapidly (by 3.7%), driven by education (+14.4%), accommodation and food services (+8.7%), arts and entertainment (+7.5%), and transportation (+5.4%). Qatar's tourism sector exceeded its annual visitor arrivals target of 4.79 million, achieving 5.08 million visitors—a strong step toward the official goal of 6 million visitors annually by 2030. Infrastructure upgrades, including smart city initiatives in Lusail, are creating opportunities for business expansion. The hydrocarbon sector grew modestly by 0.6% in 2024, as production remained stable in anticipation of the North Field expansion.

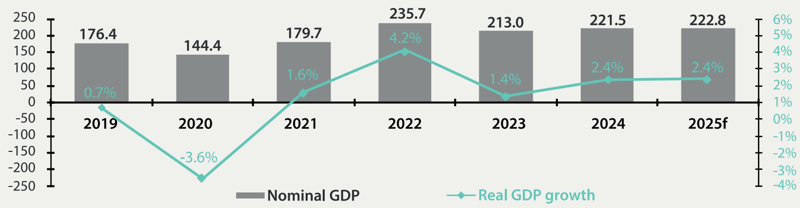
At the monetary level, the Central Bank reserves expanded from US$ 67.6 billion at end-2023 to US$ 70.1 billion at end-2024. The year 2024 did not witness significant money creation, with Money Supply (M1) expanding by US$ 159 million in 2024, while Quasi Money contracted by US$ 1,381 million over the year. Subsequently, inflation went down from 3.1% in 2023 to 1.1% in 2024.

With respect to public finances, the past year has seen a significant decline in public revenues, which, coupled with stable spending, has resulted in a decline in Qatar's fiscal surplus. In fact, while the ratio of public revenues to GDP decreased from 32.8% in 2023 to 26.5% in 2024, the ratio of public expenditures to GDP inched from 27.3% to 25.8% respectively. As a result, the fiscal surplus went down significantly from US$ 11.8 billion in 2023 (the equivalent of 5.6% of GDP) to US$ 1.5 billion in 2024 (the equivalent of 0.7% of GDP). In parallel, public debt to GDP declined from 43.7% in 2023 to 40.8% in 2024.

With respect to banking activity, Qatar's banking system is continuing to show growth resilience, sound profitability, solid capitalization and satisfactory asset quality. Measured by the total assets of Qatari banks, banking activity grew from US$ 541 billion in December 2023 to US$ 562 billion in December 2024 to US$ 570 billion in March 2025. This suggests a 3.9% activity growth in 2024 (against 3.4% in 2023), followed by a 1.3% growth in the first quarter of 2025. Deposits grew by 4.1% in 2024 and by 3.2% in the first quarter of 2025 to reach a total of US$ 291 billion in March 2025. As to credit facilities, they rose by 4.6% in 2024 and by 3.0% in the first quarter of 2025 to reach US$ 381 billion in March. Banks capital adequacy ratio is close to 20 percent and return on equity revolves around 14½ percent in the third quarter of 2024. The sector-wide NPL ratio remained broadly unchanged at slightly below 4% and the provisioning coverage ratio is relatively high at above 80%.

With respect to capital markets, equity markets have been on a relatively downward trend. The QE general index dropped by 2.4% in 2024 and by a further 1.1% in the first four months of 2025. This comes amid a lower trading volume, with total value traded declining from US$ 34.4 billion in 2023 to US$ 29.3 billion in

REAL GROWTH & NOMINAL GDP



Sources: IMF, Bank Audi's Group Research Department

Bank Audi

2024 and to US$ 8.8 billion over the first four months of 2025. Subsequently, the average price to Earnings of listed stocks declined from 13.6x in December 2023 to 12.5x in December 2024 and to 12.0x in April 2025. The average price to book value of listed stocks declined from 1.4x in December 2023 to 1.3x in December 2024 and to 1.3x in April 2025. As to debt markets, the 5-year CDS spread contracted from 46 basis points in December 2023 to 44 basis points in December 2024 and to 37 basis points in April 2025, thus reflecting a relative improvement in the market perception of sovereign risks.

The detailed developments in the real sector, external sector, public sector and financial sector are outlined in the sections that follow while the concluding remarks address Qatar's near and medium term economic outlook looking forward.

1. ECONOMIC CONDITIONS

1.1. REAL SECTOR

1.1.1 Hydrocarbon sector

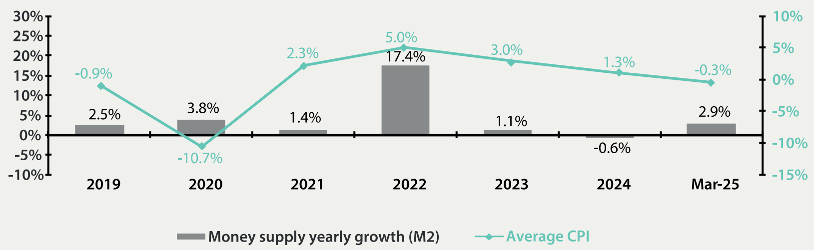
Continuous slowdown in Qatar's hydrocarbon sector amid diversification efforts

The Qatari's hydrocarbon sector contracted in its share relative to the economy, amid the authorities' commitment for long-term diversification strategy away from hydrocarbons sector, which focuses on sustainable economic growth. In fact, the country's hydrocarbon share out of total GDP fell from 38.5% in 2023 to 37.2% in 2024. Additionally, the contribution of hydrocarbons to the country's nominal GDP registered US$ 81.4 billion in 2024, down from US$ 83.7 billion in 2023, marking a 2.7% contraction.

Qatar's natural gas production declined in 2024 by 2.2% y-o-y to 168 billion cubic meters (bcm) from 172 bcm in 2023, as per Fitch Solution. Lower LNG exports are attributed to lower natural gas production. However, Qatar's natural gas production is expected to see substantial growth starting from 2026 when the North Field East (NFE) LNG project comes on stream.

In details, Qatar extracts natural gas from a limited number of onshore and offshore fields, predominantly the North Field, Dukhan, and Al Shaheen fields. Smaller volumes are produced from fields like Maydan Mahzam, Bul Hanine, Al Rayyan, Al Khalij, Al Karkara, and AStructures. QatarEnergy (QE) is currently implementing the North Field expansion project to supply feed gas for planned LNG projects. Other developments include the North Alpha project and ongoing production from North Field Bravo (NFB) and RasGas Alfa (RGA).

MONEY SUPPLY AND INFLATION



Sources: Central Bank of Qatar, Bank Audi's Group Research Department

Bank Audi

With plans to increase production from the North Field by 4.6 billion cubic feet per day (bcfd), Qatar aims to reinforce its status as a leading LNG exporter. This additional output would serve as feed gas for the North Field East (NFE) project, a critical component of Qatar's strategy to significantly enhance its LNG production capacity.

Given the strong export outlook, Qatar is implementing the Barzan Gas Diversion Project to reroute feed gas supplies to LNG production facilities. The Barzan processing plant, which started operation in 2020, have a combined capacity of 1.4 billion cubic feet per day. The Barzan gas plant was only addressing domestic needs, but as of currently it produces LPG and condensate for export, thereby diversifying Qatar's hydrocarbon revenue streams. These developments underscore Qatar's strategic approach to managing its extensive natural gas resources, ensuring a balanced allocation between domestic consumption and lucrative export markets through LNG and other gas-derived products.

In parallel, natural gas production from the Al Shaheen has been steadily rising with total production volumes growing by 5.6% y-o-y to 188 million standard cubic feet per day in 2024. Fitch expects natural gas output increase from the Al Shaheen gas field to gain momentum as the North Oil Company is ramping up drilling activities.

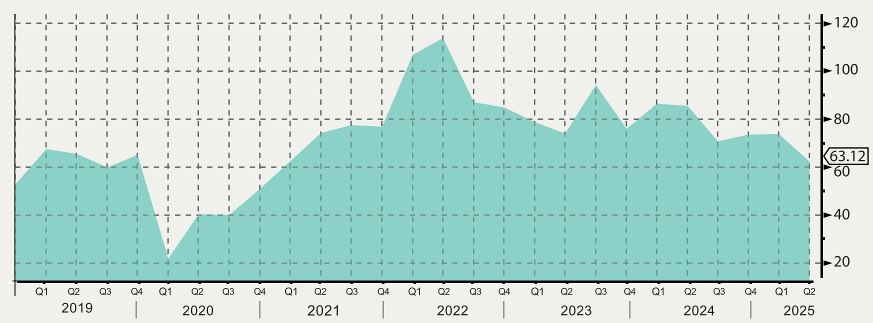
At the level of gas consumption, Qatar's natural gas consumption in 2024 increased by 1.5% to 55 bcm, as per Fitch Solutions. Aggregate natural gas consumption is forecasted to grow at a much slower rate of 1.0% in 2025, but consumption growth would accelerate between 2026 and 2030 driven by the petrochemical production capacity additions and the startup of the greenfield LNG projects. Robust demand from residential would also contribute to overall demand growth.

On another level, Qatar's crude oil, NGPL (Natural gas plant liquids) and other liquids production rose 0.6% y-o-y in 2024, down from a 1.2% y-o-y increase in the previous year, to reach a total production of 1,828.4 thousands b/d in 2024, as per Fitch Solutions. Qatar sustains significant production capacity, supported by strategic partnerships and technological advancements in its key oil fields including Dukhan, Al Shaheen, Idd El-Shargi, Maydan Mahzam and Bul Hanine.

While Qatar's crude oil production outlook hinges on the further development of the Al Shaheen oil project, Fitch projects Qatar's condensate production capacity to rise dramatically starting 2026, allowing it to become a dominant condensate producer. However, substantial increase in condensate supplies could put downward pressure on prices.

Finally, Qatar's emphasis on optimizing existing fields and fostering international collaborations underscores its commitment to maintaining crude oil as a viable revenue stream, while supporting broader economic diversification goals. Despite energy transition policies, Qatar is still seeking a resilience of its crude oil sector in the years to come.

CRUDE OIL PRICES (US$)



Sources: Bloomberg, Bank Audi's Group Research Department

Bank Audi

1.1.2 Manufacturing sector

Qatar's manufacturing sector maintains growth momentum

The progress of economic diversification under Qatar National Vision 2030 continues to promote the growth of Qatar's manufacturing sector, which accounted for 8.1% of GDP in 2024, as the government is seeking to diversify the economy away from the reliance on hydrocarbons with higher private sector investments, which increases demand for industrial space over the medium to long term.

The manufacturing sector (which has a weight of 15.85% in Qatar's Industrial Production index) reached 100.1 point in December 2024, indicating a 2.0% y-o-y expansion, as per data released by the Planning and Statistics Authority (PSA).

A closer look at sub-categories shows that "manufacture of basic metals" surged by 11.4% year-on-year, followed by "manufacture of food products" with +9.3%, "manufacture of refined petroleum products" by +7.2%, "manufacture of beverages" with +2.9%, "manufacture of rubber and plastics products" with +1.1% and "manufacture of chemicals and chemical products" with +1.1%. In contrast, a decline of 17.6% year-on-year was recorded in "manufacture of other non-metallic mineral products", followed by "printing and reproduction of recorded media" with -1.7%.

As to credit facilities, latest data shows that credit facilities allocated to the country's industrial sector constituted 1.0 % of total domestic credits in March 2025, slightly lower from its level at end-March 2024 of 1.2%.

Looking forward, Qatar's non-energy private sector growth showed an overall improvement in business conditions. The latest Purchasing Managers' Index (PMI) survey data showed that Qatar's PMI remained above the no-change mark of 50.0 for the sixteenth consecutive month in April 2025, signaling another improvement in business conditions in the non-energy private sector.

Based on the survey, overall business activity expanded in April 2025, reflecting growth in manufacturing, services and wholesale & retail. With total activity rising and outstanding business expanding for the seventh time in eight months, companies expanded their input inventories for the second month running by raising purchasing volumes. This was aided by the quickest improvement in suppliers' delivery times in eight months.

Concurrently, the Ministry of Commerce and Industry (MoCI) Strategy and Qatar National Manufacturing Strategy 2024-2030 was launched early 2025, which aims to enhance a resilient and diversified industrial future characterized by increased value, innovation, sustainable growth and strong private sector participation.

The manufacturing strategy, which includes 15 key initiatives encompassing 60 projects, aims to support strategic industries, including aluminum, plastics, advanced food and beverage industries, specialty medical products, and oil and gas support industries.

Some of the key strategic goals include increasing the added value of the manufacturing sector to QR 70.5 billion and boost non-hydrocarbon exports to approximately QR 49.1 billion with an annual growth rate of 2.5%, along with increasing the annual investments in the manufacturing sector to QR 2.75 billion with a CAGR of 3.1% by 2030.

Additionally, it aims to increase the percentage of highly skilled labor to 26.5% of the population and raise the percentage of Qatari factories adopting circular economy practices to 35% by 2030.

In parallel, the Ministry's strategy aims to accelerate the national economy and enhance the business environment in Qatar, achieving 100% digitalization of all services and increasing the number of patents with an annual growth rate of 20% until 2030.

Bank Audi

1.1.3 Construction

Outlook for the construction sector remains positive albeit slow amid market saturation

The outlook for Qatar's construction is expected to be positive albeit remaining below regional averages amid saturation in various sub-sectors. This can be seen through a Compound Annual Growth Rate (CAGR) estimated at circa 1.5% in the long-term value of the sector between 2025 and 2034. This long-term growth, while positive, has remained within the sluggish expansion trend noted since 2016 following a rapid boost in construction activity within Qatar in anticipation for the World Cup. Additionally affecting long-term outlook are Qatar's continually weak fundamental drivers for infrastructure demand such as population growth, which is forecast to remain timid. This weakness in fundamental drivers is set to affect long-term prospects for traditional infrastructure.

During 2025, construction sector GDP is estimated to reach QR 84.3 billion (US$ 23.1 billion) noting a year-on-year increase of 2.1% against the year prior. This expansion follows a decrease of 2.4% year-on-year between 2023 and 2024, reaching QR 82.6 billion (US$ 22.6 billion) in the latter.

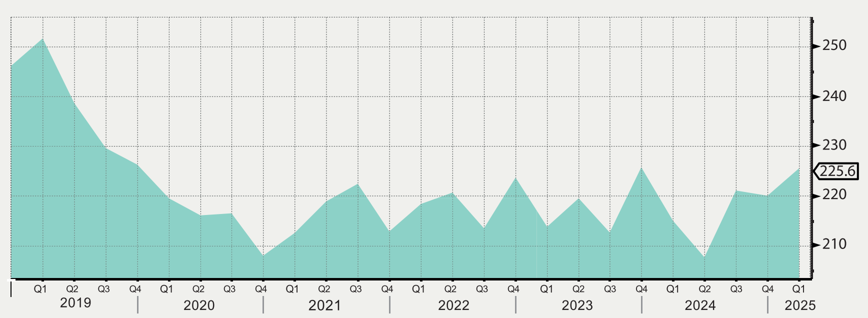
Supporting Qatar's construction sector expansion are expected increases in demand for retail, industrial and residential real estate along with various projects within the Qatar National Vision 2030. This program focuses on the diversification of the local economy away from hydrocarbons leading to a need for new infrastructure developments as well as business-related building development.

The Qatari realty sector has also posted a positive performance within 2024 as GDP from realty activities reached QR 51.4 billion (US$ 14.1 billion), up by 8.5% from QR 47.3 billion (US$ 13.0 billion) in the year prior. This expansion is set to be supported looking forward amid improving demand fundamentals.

Looking at the local investment environment, interest rates are currently favoring short-term credit and are relatively shifting away from a saving environment. In details, for deposits, interest rates on Saving Deposits have increased marginally by 6 basis points (bps) reaching 0.69% in March 2025, up from 0.63 at end-2024. On the other hand, interest rates on Time Deposits exceeding one year decreased by 20 bps during the period reaching 5.78%. Looking at interest rates for credits, Medium-to-Long Term Loans (three years and up) have noted a year-to-date jump by 46 bps to reach 6.23% while interest on Credit Cards dropped by 39 bps between end-2024 and March-2025 reaching 8.42%. In turn, these monetary factors are moving away from savings and long-term investments pushing the consumer into short-term consumptions. However, this is set to change as the Qatari Central Bank is expected to decrease its policy rate significantly in 2025 leading to a boost in credit demand.

Despite current credit facilities being unfavorable and pricey, real estate related credit facilities in Qatar grew by 1.5% in the first quarter (Q1) of 2025 reaching QR 190.2 billion (US$ 52.1 billion) at March 2025,

REAL ESTATE INDEX FOR THE STATE OF QATAR



Sources: Bloomberg, Bank Audi's Group Research Department

Bank Audi

up from QR 187.4 billion (US$ 51.3 billion) at end-2024. This increase comes following an increase of 9.0% in real estate credit facilities in Qatar between end-2023 and end-2024. This shows a solid and continuous increase in realty demand within the country.

At the level of office rentals within Qatar, the sub-sector has been noting a continued decrease in demand while supply remains moderate and excessive leading to a decrease in rent prices. In parallel, significant developments remain underway, which is set to further increase supply. However, the Qatari Central Bank's expected decrease of policy rate is set to increase demand within the sub-sector somewhat slowing price decreases down in parts of the country. In Doha, the average price of rent per sqm reached US$ 27.9/month showing a year-on-year decrease of 1.5% against prices in 2023, this decrease is set to accelerate in 2025 to contract by a further 2.0% year-on-year. Additionally, office rent prices per sqm in Al Wakra reached US$ 22.9/month in 2024, down by 0.2% from prices in 2023; this decrease is also set to accelerate in 2025 to contract by 0.7% year-on-year. However, prices of office rental per sqm in Al Khor is set to stabilize in 2025 following a 1.0% year-on-year decrease between 2023 and 2024.

Retail rentals in Qatar are noting increases in demand leading to some price pressures in the sub-sector. This increased level of demand comes amid favorable fundamentals in the sub-sector looking ahead such as an increase in disposable income as well as consumption spending. In Doha, the average retail rent price per sqm reached US$ 70.0/month in 2024, up by 0.3% from 2023 with prices set to increase by a further 0.5% during 2025. On the other hand, in Al Khor, retail rental prices per sqm noted a year-on-year increase of 0.5% with another increase expected in 2025 albeit more subdued of 0.2% year-on-year. Additionally, in Al Wakra, retail rental prices per sqm noted a year-on-year increase of 1.9% with another increase expected in 2025 albeit considerably subdued of 0.3% year-on-year.

Demand for industrial rentals in Qatar is set to increase in the medium-to-long term amid expansions in exports, imports and the wider non-oil economy. In Doha, the price of industrial rent per sqm reached US$ 12.0/month in 2024 showing a year-on-year increase of 2.4%. This increase in price is set to continue in 2025 with a year-on-year increase of 1.7% expected for the year.

Looking at the Residential & Non-Residential Building industry, the sector is expected to note an average increase of 0.7% per annum between 2025 and 2034. This increase comes on the back of an expected increase in demand for social infrastructure leading to an average annual increase in the Residential Building industry's value of 2.0% per annum during the period. However, the Non-Residential Building industry's value is set to partially offset this growth due to a relative stabilization in the sector during the period amid expected decreases in value between 2029 and 2034. This comes amid slowing commercial sector growth after 2022.

Looking forward, multiple threats and opportunities present themselves for the construction and realty sectors. At the level of threats, oversupply has forced landlords to provide incentives to retain & acquire tenants, a lack of project opportunities following the 2022 FIFA World Cup will weigh on construction growth, particularly in the non-residential & transport sectors, limited scope for investment and a lack of rail freight pose downward risks for the sectors. At the level of opportunities, growth in the tourism market, official support for manufacturing development and looser ownership law pose upward risks on the sectors. On the long-run, upside risks are expected to outweigh downside risks albeit being subdued leading to sluggish improvements.

1.1.4 Tourism

Qatar's tourism sector poised for substantial medium-term growth trend despite slow start in 2025

Qatar's tourism sector has been on a positive growth trend ever since 2021, following the end of COVID-19 and the lifting of the GCC blockade. Additionally, in 2022, the country hosted the FIFA World Cup bringing in tourists in mass. The country had prepared its tourism-related infrastructure for the accommodation of the event with continuous upgrades since 2010. These efforts led to Qatar's tourism-related infrastructure to become advanced and in turn has had positive effects on the overall tourism sector. Arrivals into the

Bank Audi

country reached 5.1 million tourists in 2024 and is set to increase by 3.5% in 2025 reaching 5.2 million tourists. On the medium-term, tourist arrivals are set to increase by an average of 9.4% per annum between 2025 and 2029 to reach circa 9.1 million in the latter, expected to remain in line with Qatar's national vision. Additionally, Tourism receipts are estimated at around QR 81.4 billion (US$ 22.3 billion) in 2024 and are forecasted to increase by 6.6% year-on-year to reach QR 86.9 billion (US$ 23.8 billion) in 2025. In the medium-term (2025-2029), tourism receipts are set to increase on average by 3.7% per annum.

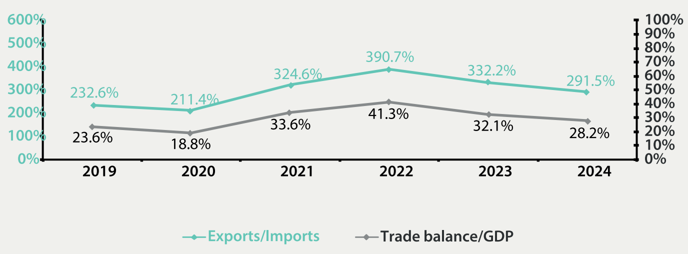
In details, according to the Qatari National Tourism Council (QNTC), the start of 2025 has so far noted a negative performance in both the tourism and hospitality sector. Tourism arrivals in the first four months (4M) of 2025 recorded 1.9 million individuals, down by 3.3% from 2.0 million individuals in the same period of 2024. However, this decrease comes solely on the back of a decrease of arrivals by land (weight of 33.5%) of 18.8%. On the other hand, arrivals by air (weight of 54.2%) and sea (weight of 12.3%) both noted year-on-year increases of 7.6% and 4.8% during the period.

At the level of evolution of arrivals into Qatar by tourist nationality, arrivals from Europe (weight of 27.7%) and Asia & Oceania (weight of 20.7%) noted year-on-year increases of 10.7% and 12.5% between 4M-2024 and 4M-2025. Additionally, arrivals from the Americas (weight of 6.6%) and Africa (weight of 2.3%) noted year-on-year increases of 20.4% and 48.3% during the period. On the other hand, arrivals from the GCC (weight of 35.6%) and non-GCC Arab Countries (weight of 7.1%) recorded year-on-year decreases of 20.7% and 10.8% between 4M-2024 and 4M-2025.

However, it is expected that arrivals from Saudi Arabia, India, the UK, Germany and the US will continue to boost arrivals in 2025 even though a slight decrease was recorded so far. Additionally, ongoing government investments in developing the sector is set to sustain the growth momentum looking forward. This is expected to boost arrivals to reach circa 5.8 million in 2025, up by 15.3% from 2024.

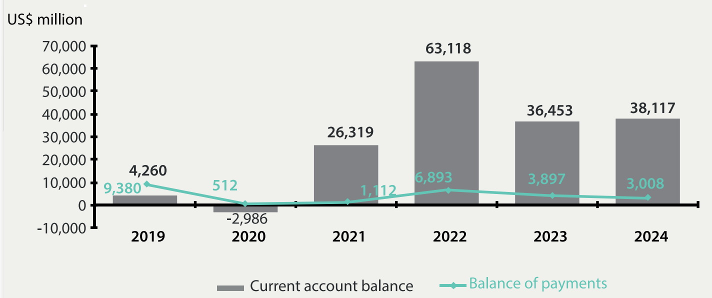
Looking at the hospitality sector, during the first quarter (Q1) of 2025, occupancy rate within Qatar's accommodations reached 71.3%, down by 3.9 percentage points (pps) from 75.2% in Q1-2024. Additionally, the Average Daily Rate (ADR) in Qatari accommodations reached QR 443.9 (US$ 121.6) per day in Q1-2025, noting a year-on-year decrease of 6.7% from QR 476.0 (US$ 130.4) per day in Q1-2024. In parallel, total room nights in Qatari accommodations recorded 2,598.9 thousand in Q1-2025, down from 2,632.4 thousand in Q1-2024 noting a year-on-year decrease of 1.3%. In turn, the average Revenue Per Available Room (RevPAR) of Qatari accommodations during Q1-2025 reached QR 323.9 (US$ 88.7) per available room, down by 11.3% from QR 365.2 (US$ 100.1) per available room in Q1-2024. However, despite this negative performance at the start of the year, the Gross Value Added (GVA) of the Accommodation & Food Service Activities is set to reach QR 8.0 billion (US$ 2.2 billion) in 2025, up from QR 7.4 billion (US$ 2.0 billion) in 2024 noting a year-on-year increase of 7.8%. On the medium-term (2025-2029), the GVA of Accommodation & Food Service Activities is set to record an average growth of 8.4% per annum.

FOREIGN SECTOR INDICATORS



Sources: Central Bank of Qatar, Bank Audi's Group Research Department

BALANCE OF PAYMENTS



Sources: Central Bank of Qatar, Bank Audi's Group Research Department

Bank Audi

This comes as total overnight stays in Qatar are set to increase by 4.5% year-on-year between 2024 and 2025 to reach 10,395.6 thousand. On the medium-term, an average growth of 2.4% per annum is forecasted for the metric. Additionally, occupancy rate is set to reach 70.4% in 2025, up from 68.9% in 2024. On the medium-term, an average yearly increase of 6.0% year-on-year is forecasted, reaching 88.7% by 2029.

Looking forward, Qatar's tourism sector is set for substantial growth on the medium-term with many opportunities available for sustainable development such as the development of medical tourism, development of green tourism, relaxation of visa & entry requirements, investment in tourist activities & attractions outside of Doha and the attraction of more international events. These developments should ensure that Qatar would reach its goals noted in its national vision by 2030. However, the growing status of other countries in the region as tourism hubs, over-saturation of tourist infrastructure, lack of geographical diversification and regional security instability continue to pose downside risks against the sustainability of tourism sector growth within the country.

1.2 External sector

Qatar's external sector remains adversely affected by lower hydrocarbon exports, poised for medium-term improvement

Qatar's external sector performance has remained on a contractionary trend in 2024 on the back of diversification efforts leading to decreased hydrocarbon exports and revenues. This trend is set to contract further in 2025 and begin a reversal trend for the medium-term between 2026 and 2030.

In details, Qatar's foreign trade figures revealed a contraction in exports by 2.8% alongside a 13.9% increase in imports in 2024 against figures from 2023. In turn, this led to a 10.7% decrease in the foreign trade surplus, according to the Planning & Statistics Authority (PSA). As such, Qatar's trade surplus decreased from QR 241.4 billion (US$ 66.3 billion) in 2023 to QR 215.6 billion (US$ 59.2 billion) in 2024.

Going further into details, Qatar's exports during 2024 recorded QR 346.0 billion (US$ 95.0 billion) noting a year-on-year decrease of 2.8% from QR 355.8 billion (US$ 97.8 billion) during the year prior. This decrease was mainly due to a decrease in hydrocarbon exports by 5.3% during the period to reach QR 291.5 billion (US$ 80.1 billion) in 2024. During 2024, the main country importing Qatari products was China accounting for 20.7% (US$ 19.7 billion) of total exports during the period. South Korea and India followed with contributions of 14.2% (US$ 13.5 billion) and 12.2% (US$ 11.6 billion) of the total respectively in 2024. Japan and Singapore came next with contributions of 7.5% (US$ 7.1 billion) and 7.4% (US$ 7.0 billion) of the total respectively in 2024. Other countries held a contribution of 38.1% (US$ 36.2 billion) of total exports during the period, as per data from Qatar's PSA.

Looking forward, according to the IMF, the volume of export of goods in Qatar is set to be reversed starting in 2025 and is set to continue increasing on the medium-term 2025-2029 with an average growth of 5.7% amid improving global economic conditions, the diversification of the economy in Qatar and an expected easing of inflationary pressures.

SELECTED PUBLIC FINANCE INDICATORS

US$ billion	2019	2020	2021	2022	2023	2024	Var 24/23
Public revenues	59.2	47.2	53.2	81.8	69.9	58.6	-16.2%
Public revenues/GDP	33.6%	32.7%	29.6%	34.7%	32.8%	26.5%	-6.4%
Public expenditures	57.3	50.1	52.8	57.3	58.1	57.1	-1.7%
Public expenditures/GDP	32.5%	34.7%	29.4%	24.3%	27.3%	25.8%	-1.5%
Fiscal balance	1.9	-2.9	0.4	24.5	11.8	1.5	-86.9%
Fiscal balance/GDP	1.1%	-2.0%	0.2%	10.4%	5.6%	0.7%	-4.9%

Sources: Central Bank of Qatar, Bank Audi's Group Research Department

Bank Audi

In parallel, Qatar's imports during 2024 recorded QR 130.3 billion (US$ 35.8 billion) noting a year-on-year increase of 13.9% against QR 114.4 billion (US$ 31.4 billion) in 2023. During 2024, the country from which Qatar imported the most products was China accounting for 15.1% (US$ 5.4 billion) of total imports into Qatar during the year. The United States of America and Italy followed with contributions of 12.6% (US$ 4.5 billion) and 5.7% (US$ 2.1 billion) of the total respectively in 2024. India and Japan came next with contributions of 5.6% (US$ 2.0 billion) and 5.1% (US$ 1.8 billion) of the total respectively in 2024. Other countries held a contribution of 56.0% (US$ 20.0 billion) of total imports into Qatar during the period, as per data from Qatar's PSA.

According to the IMF, the volume of Imports of goods in Qatar is set to increase by an average of 6.2% on the medium-term between 2025 and 2029. Looking ahead, the average annual growth forecasted for exports is outperformed by that of imports leading to an expected continuation of the downward trend for the balance of trade surplus albeit at a much lower degree.

Having said that, Qatar's Balance of Trade registered a 10.7% contraction between 2023 and 2024, reaching QR 215.6 billion (US$ 59.2 billion) in the latter.

On the other side of the external sector, Qatar's current account balance posted a 4.5% increase in surplus year-on-year between 2023 and 2024 driven mainly by a decrease in the Balance of Services deficit and Current Transfers deficit. The Balance of Services deficit dropped by 41.3% year-on-year between 2023 and 2024 while the Current Transfers deficit dropped by 27.3% year-on-year during the period. On the other hand, the Balance of Income deficit widened by 18.8% year-on-year between 2023 and 2024.

Looking forward, according to the IMF, the current account balance to GDP ratio is set to decrease by 6.4 percentage points between 2024 and 2025 before entering a trend of improvement between 2026-2030 by an average of 0.2 percentage points per annum to reach circa 11.8% in 2030.

Qatar reported a deficit in the Capital & Financial Balance of QR 121.8 billion (US$ 33.4 billion) in 2024, which shows a year-on-year widening of 2.5% from a deficit of QR 118.8 billion (US$ 32.5 billion) in 2023.

It is worth noting that in 2024, the net FDI into Qatar remained in a deficit registering QR 4.0 billion (US$ 1.1 billion), widening by almost four-folds from a deficit of QR 1.0 billion (US$ 274.0 million) in 2023.

In turn, the BOP recorded a surplus of circa QAR 11.0 billion (US$ 3.0 billion) in 2024 against a surplus of QR 14.2 billion (US$ 3.9 billion) in 2023, registering a drop of 22.8% year-on-year, according to the Central Bank of Qatar.

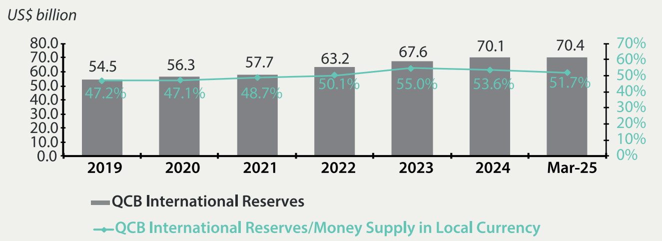
As such, looking forward, Qatar's external sector is set to remain in a contractionary trend in 2025 as Qatar's diversification efforts continue to weigh on exports and imports. However, on the medium-term (2026-2030), this trend is set to be reversed as benefits from diversification efforts start being noted within the

MONETARY SITUATION

Flows in millions of US$	20219	2020	2021	2022	2023	2024	Q1-25
Net foreign assets	**-18,034**	**-27,386**	**-17,064**	**24,162**	**11,197**	**-9,359**	**-7,289**
Foreign Assets	9,578	-856	6,416	10,811	8,195	7,384	-203
Foreign Liabilities	-27,612	-26,529	-23,480	13,351	3,002	-16,743	-7,086
Net Domestic Assets	**21,878**	**33,398**	**24,275**	**110**	**-8,951**	**8,137**	**12,946**
Claims on private sector	33,781	31,423	27,283	22,302	13,311	14,827	4,595
Net claims on public sector	4,548	-854	-620	-5,274	852	-1,327	3,400
Other Items (net)	-16,450	2,829	-2,388	-16,918	-23,114	-5,363	4,952
Broad Money (M2)	**3,845**	**6,012**	**7,210**	**24,272**	**2,246**	**-1,222**	**5,657**
Money Supply (M1)	1,546	5,977	511	3,416	-5,907	159	5,252
Quasi-Money	2,299	35	1,855	25,700	8,152	-1,381	405

Sources: Central Bank of Qatar, Bank Audi's Group Research Department

EXCHANGE MARKET INDICATORS



Sources: Central Bank of Qatar, Bank Audi's Group Research Department

Bank Audi

sector. These benefits are expected to reflect positively on the Current Account Balance as well as the Capital & Financial Balance through increased exports and investments.

1.3 Public sector

Narrowing fiscal surplus amid weakened hydrocarbon revenues

Qatar recorded in 2024 its fourth consecutive fiscal surplus despite a sizable drop in total revenues, as authorities remained committed to continued broad fiscal prudence.

Going into details, actual public revenues contracted by 16.2% in 2024 (against a contraction of 14.6% in 2023), moving from QR 254.4 billion (or US$ 69.9 billion) in 2023 to QR 213.3 billion (or US$ 58.6 billion) in 2024, on the back of an 18.2% fall in oil and gas revenues relative to 2023 level (constituting 81.0% of total public revenues). This is mainly explained by lower hydrocarbon export volume and lower natural gas production, with the latter declining from 172 billion cubic meters in 2023 to 168 billion cubic meters in 2024.

On the spending front, total public expenditures decreased by 1.7% in 2024 (or QR 3.7 billion), moving from QR 211.4 billion in 2023 (or US$ 58.1 billion) to QR 207.7 billion (the equivalent of US$ 57.1 billion) as the Qatari government maintains fiscal prudence, including by continuing to wind down its infrastructure spending program. In fact, the decline in public spending is mainly justified by an 18.2% contraction in "major projects" (the equivalent of QR 12.7 billion) in 2024, while "current expenditures" expanded by 8.2% (the equivalent of QR 5.9 billion), "wages and salaries" increased by 4.0% (the equivalent of QR 2.6 billion), and "secondary capital expenditures" rose by 10.6% (the equivalent of QR 588 million).

As a result, Qatar ran a budget surplus of QR 5.6 billion in 2024 (the equivalent of US$ 1.5 billion), against a much larger budget surplus of QR 43.1 billion in 2023 (the equivalent of US$ 11.8 billion). That being said, the IMF estimated a fiscal surplus at 0.7% of GDP in 2024, down from 5.5% of GDP in 2023, noting that the non-hydrocarbon primary balance to non-hydrocarbon GDP improved in 2024, indicating continued fiscal consolidation.

In parallel, given that Qatar continued to direct part of its fiscal surplus to pay off public debt obligations, the IMF estimated the general government debt at 40.8% of GDP in 2024, down from 43.7% in 2023 and 42.6% in 2022.

Finally, it is worth mentioning that Qatar approved in December 2024 the 2025 State Budget, with estimated total revenues of QR 197.0 billion, which marks a 2.5% decrease relative to the estimates of the 2024 State budget. The Qatari State continues to adopt a conservative approach in estimating oil prices, with the adopted oil price standing at US$ 60 per barrel for the year 2025, unchanged relative to the year 2024. Hydrocarbon revenues for the year 2025 are expected at QR 154.0 billion, compared to QR 159.0 billion in the 2024 budget, which represents a decrease of 3.1%, while non-hydrocarbon revenues are expected to remain stable at QR 43.0 billion. On the other hand, total spending is estimated at QR 210.2 billion for the year 2025, up from QR 200.9 billion in 2024 State budget, which marks an expansion of 4.6%. The distribution of expenditures by chapter shows that "current expenditures" in 2025 State budget represent 36% of the total, followed by "salaries and wages" with 32%, "major projects" with 28% and "minor capital expenditures" with 4% of the total. Accordingly, Qatar expects a budget deficit for the year 2025 of QR 13.2 billion compared to a budgeted surplus of QR 1.1 billion for the year 2024. The projected deficit would be addressed through a combination of domestic and external debt instruments, as needed.

In the coming period, the long-delayed implementation of Value-Added Tax, anticipated later in 2025, can help mitigate some reductions in hydrocarbon revenues from softer prices and potentially lower export volumes. The IMF sees that the positive outlook provides an opportunity to accelerate revenue diversification, enhance spending efficiency and gradually align domestic energy prices with export prices, and reorient spending to enable private sector-driven growth.

Bank Audi

1.4 Financial sector

1.4.1. Monetary Situation

Qatar's inflation easing in line with global trends, FX buffers expanding further

Qatar witnessed receding inflationary pressures over the year 2024 and entered into a deflationary mode in the first quarter of 2025, mainly reflecting lower commodity and energy prices, while the Qatar Central Bank continued to move in tandem with the US Federal Reserve in cutting interest rates.

Inflation in Qatar moderated from 3.0% in 2023 to 1.3% in 2024, mainly anchored by fuel and food subsidies, price controls, weakening of rent and recreation services prices and strong riyal peg to the US dollar. Yet, Qatar slipped into deflation in the first quarter of 2025, with consumer prices contracting by 0.3% on average relative to the first quarter of 2024, mainly due to lower food and energy prices.

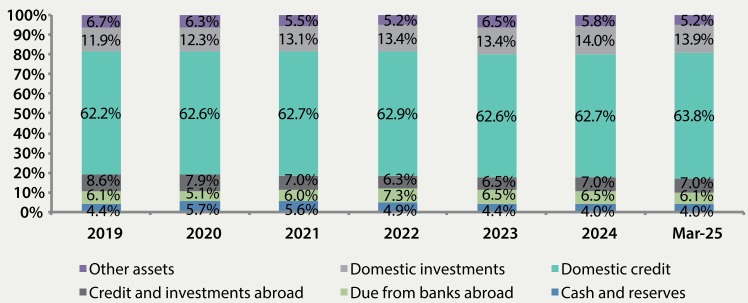
The major contributor to deflation in Qatar in the first quarter of 2025 was the housing, water, electricity and gas segment (with a weight of 21.2%) which contracted by 4.5% on average, followed by the food & beverages segment with -3.2% (with a weight of 13.5%), the "culture & recreation" segment with -2.7%, the furnishings and household equipment segment with -1.8% and the restaurants and hotels segment with -0.5%. In contrast, the "communication" segment posted a yearly price expansion of 16.5% on average in the first quarter of 2025, followed by the "education" segment with +1.7%, the clothing and footwear segment with +1.1%, and the transport segment with +0.4%. The medical services segment and the tobacco sector saw no price change over the covered period.

BANKING ACTIVITY

US$ million	2019	2020	2021	2022	2023	2024	Q1-24	Q1-25	Variation Q1/Q1
Var. Total assets	36,153	36,434	39,903	21,304	17,687	21,257	4,627	7,531	62.8%
% change	9.3%	8.6%	8.6%	4.2%	3.4%	3.9%	0.9%	1.3%	0.5%
Var. Total deposits	10,661	15,483	18,846	6,877	-3,615	11,197	12,376	9,013	-27.2%
% change	4.8%	6.6%	7.6%	2.6%	-1.3%	4.1%	4.6%	3.2%	-1.4%
Var. Total credit facilities	27,103	24,622	24,102	10,874	8,767	16,159	6,100	11,259	84.6%
% change	10.5%	8.6%	7.8%	3.3%	2.5%	4.6%	1.7%	3.0%	1.3%

Sources: Central Bank of Qatar, Bank Audi's Group Research Department

BANK ASSET COMPOSITION



Sources: Central Bank of Qatar, Bank Audi's Group Research Department

Bank Audi

With inflation rates easing, Qatar Central Bank pivoted to cutting policy rates in line with the US Federal Reserve's easing cycle, consistent with the peg to the US dollar. In fact, the Qatar Central Bank slashed the overnight deposit rate and lending rate three times over the second half of 2024 to reach a current level of 4.60% and 5.10% respectively. Concomitantly, the Qatar Central Bank cut the repo rate three times over the September-to-December 2024 period to reach a current level of 4.85%.

In parallel, Qatar Central Bank's international reserves and foreign currency liquidity reached US$ 70.4 billion at end-March 2025, up by US$ 333 million since year-end 2024. This followed a US$ 2.5 billion expansion in QCB's international reserves over the year 2024, which is mainly explained by a US$ 2.6 billion increase in the "gold" category, in addition to a US$ 1.7 billion rise in the "balances with foreign banks" category, while the "foreign securities" category contracted US$ 1.8 billion in 2024.

That being said, the QCB international reserves and foreign currency liquidity covered around 53.6% of money supply in local currency at end-2024, with this ratio retreating to 51.7% at end-March 2025. Within this context, it is worth mentioning that the QCB's reserve accumulation, however, was more modest compared to the significant current account surplus in 2024 (US$ 38.1 billion) as hydrocarbon windfalls were mainly invested abroad.

In parallel, the broader Money Supply (M2) expanded significantly by US$ 5.7 billion over the first quarter of 2025. This is mainly explained by a US$ 5.3 billion growth in the Money Supply (M1), while time deposits expanded by a shy US$ 167 million, and deposits in foreign currencies rose by US$ 229 million over the first quarter of 2025. This followed a US$ 1.2 billion contraction in the broader Money Supply (M2) in 2024.

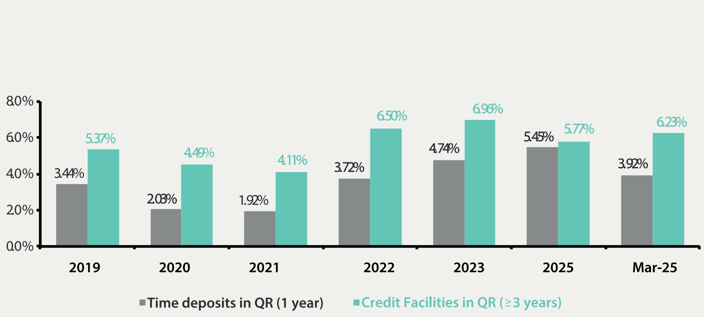
Looking forward, the IMF expects inflation to converge to 2% over the medium term, as monetary policy eases and growth strengthens. While the initial growth and inflation impact of VAT introduction is estimated by the IMF to be transitory and small, uncertainty in trade policy may pose some upside risks to consumer prices. In fact, the rising trade uncertainties could elevate global production costs and disrupt commodity markets, increasing the prices of imported goods, raw materials, and food products, which may contribute to higher inflation in Qatar, but the currency peg to the US dollar may play a stabilizing effect.

1.4.2. Banking Activity

Growth resilience, sound profitability, solid capitalization and satisfactory asset quality

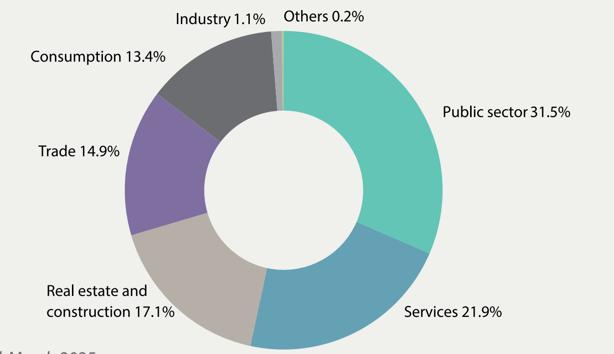
Qatar's banking system is continuing to show growth resilience, sound profitability, solid capitalization and satisfactory asset quality. Measured by the total assets of Qatari banks, banking activity grew from US$ 541 billion in December 2023 to US$ 562 billion in December 2024 to US$ 570 billion in March 2025. This suggests a 3.9% activity growth in 2024 (against 3.4% in 2023), followed by a 1.3% growth in the first

BANKING SECTOR INTEREST RATES IN QR



Sources: Central Bank of Qatar, Bank Audi's Group Research Department

CREDIT FACILITIES BREAKDOWN BY ECONOMIC ACTIVITY*



* End-March 2025

Sources: Central Bank of Qatar, Bank Audi's Group Research Department

Bank Audi

quarter of 2025. Deposits grew by 4.1% in 2024 and by 3.2% in the first quarter of 2025 to reach a total of US$ 291 billion in March. As to credit facilities, they rose by 4.6% in 2024 and by 3.0% in the first quarter of 2025 to reach US$ 381 billion in March 2025.

At the asset quality level, problem loans will rise to around 3.5% of total loans for the system by the end of 2025 according to Moody's from 3.0% at the end of September 2024 (4.1% excluding the largest bank in the system). Stage 2 loans stood at 10.9% for the system at the end of September 2024, from 10.6% at end 2021, but increased to 20.6% when excluding the largest bank in the system at the end of September 2024 from 16.1% at end 2021. Weakening loan performance largely reflects overcapacity in the real estate sector – a growth area for the banking sector loans, along with services and the public sector – and payment delays in the contracting sector. Real estate and contracting together account for around one fifth of bank lending, presenting significant concentration risk. However, recent policy measures should improve the monitoring and mitigation of some of these risks. Furthermore, Qatari banks benefit from significant lending to the low-risk Qatari government and public-sector organisations (29% of loan book in 2024), and personal loans (13% of loan book) are largely to Qatari nationals with high job security.

With respect to capital adequacy, capital buffers will remain solid. Moody's expects credit growth to be around 6% in 2025, which combined with Qatari banks' high profit retention policy will maintain the banks' capital ratios at current high levels. Tangible common equity was at a high 16.1% of riskweighted assets as of September 2024, and regulatory ratios remain well above central bank minimum requirements.

Profitability will remain sound as well. Moody's expects Qatari banks' net income to remain stable around 1.4% of tangible assets in 2025. Margins will be compressed by interest rate cuts in 2025, as rates on deposits and other funding costs fall more slowly than interests received from loans. Growth in fee and commission income will offset a drop in net interest income, keeping operating income broadly stable. Provisioning costs will remain high, as pressure on the real estate and contracting sectors persists. Further, Qatari banks' cost-to-income ratio remains the best among the Gulf Cooperation Council banking systems at 24% because the country's small and concentrated population allows banks to reach customers without need for extensive and costly branch networks. This high efficiency supports the banks' profitability despite costly investment in digital services and technology.

Reliance on confidence-sensitive foreign funding will remain high. Still elevated, though lower, oil prices will support flows of domestic deposits into the banking system, helping to compensate for prudential regulations aimed at curbing Qatari banks' overreliance on confidence-sensitive foreign funding. The banks' foreign liabilities were 36% of total liabilities in 2024, up from 34% in 2023 but down from a peak of 40% at the end of 2021. In addition, risks from volatility-prone foreign funding are partially offset by good diversification across regions and maturities. Further, as interest rates decline, banks should begin to shift toward longerterm funding structures. Lastly, Qatari banks maintain a sound and stable buffer of liquid assets, at around 24.2% of total assets as of September 2024, with most banks reporting high liquidity coverage ratios.

A very high likelihood of government support is continuously foreseen for Qatari banks. The government's strong willingness to provide a backstop is shown by the preemptive support it has extended to the banks in times of stress and the fact that it has never let a domestic bank default on its debt or deposit obligations. The government's capacity to support banks remains high, with the sovereign long-term issuer rating at Aa2 by Moody's.

Fitch Solutions recently undertook a SWOT analysis of the Qatari banking system. At the level of Strengths rise the following:
-Qatar's banks are actively diversifying their services and offerings, including Islamic banking, to cater to various customer needs.
-The country has a well-developed regulatory environment that ensures transparency, stability and investor protection.
-Qatar has the third highest concentration of millionaires in the world, which can generate high profits for banks from their investments and deposits.
-Qatar's banking sector is among the most stable in the Gulf Cooperation Council region.

Bank Audi

At the level of Weaknesses rise the following:
-Qatar's economy is heavily reliant on hydrocarbon resources, making it vulnerable banking sector to global oil and gas prices.
-While efforts are underway, the banking sector remains relatively less diversified compared to some global financial centres.
-The regional geopolitical environment impacts global investor sentiment and cross-border financial flows.

At the level of Opportunities rise the following:
-The increasing demand for digital banking services presents significant growth opportunities.
-Islamic banking is growing, presenting opportunities for diversification and new banks.
-The authorities are actively attempting to establish Qatar as a regional financial hub.

At the level of Threats rise the following:
-Ongoing geopolitical concerns in the Gulf area could harm the stability and attractiveness of Qatar's banking sector.
-Global economic changes can make Qatar's banking industry vulnerable, particularly given its reliance on foreign finance.
-Saudi Arabia and the UAE pose significant challenges to Qatar's banking sector, as large regional banks could threaten domestic competition.
-A dramatic decline in oil prices can cause economic downturns, perhaps forcing borrowers in energy-related companies to struggle with loan repayments.

1.4.3. Equity and Bond Markets

Qatari equities plunging deeper into red, bonds on rise tracking US Treasuries move

Qatar's equity market plunged deeper into the red in the first four months of the year 2025, mainly hit by a confluence of bearish factors, including global growth concerns amid escalating trade war, OPEC+ decision to increase oil production and some downbeat corporate earnings. In contrast, the bond market registered across-the-board upward price movements over the first four months of this year, mainly tracking US Treasuries move amid a flight to safe haven assets, as traders saw the new US tariff policy risking to slow global economic growth.

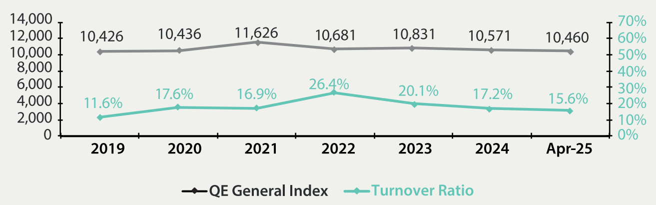
The Qatar Stock Exchange continued to follow a downward trajectory during the first four months of the year 2025, as reflected by a 1.1% fall in the Qatar Exchange general index to reach 10,459.88 at end-April, which followed a 2.4% contraction in 2024. Qatari equities were mainly pressured by fears that a multi-front US trade war could hurt global economic growth, and given an oil price slump after OPEC+ members decided early-April to raise oil production by 411,000 barrels per day in May 2025, and as Qatar's non-oil sector saw a slight dip in overall momentum in April 2025, with its PMI falling to 50.7 from 52.0 in March.

CAPITAL MARKETS INDICATORS

	2019	2020	2021	2022	2023	2024	Apr-25
Market Capitalization (US$ billion)	160.1	165.4	183.4	167.1	171.6	170.6	169.5
Total value traded (US$ billion)	18.6	29.1	31.0	44.1	34.4	29.3	8.8
Number of shares traded (million)	11,416	55,155	47,037	45,380	44,609	38,169	12,711
No. of listed companies	47	47	47	47	51	52	53
Change in QE general index	1.2%	0.1%	11.4%	-8.1%	1.4%	-2.4%	-1.1%
P/E ratio	14.8x	17.4x	16.8x	11.9x	13.6x	12.5x	12.0x
P/BV ratio	1.5x	1.3x	1.7x	1.4x	1.4x	1.3x	1.3x
Dividend yield	3.8%	3.4%	2.3%	4.0%	4.3%	4.6%	4.6%
Five-year CDS spreads (bps)	37	38	44	48	46	44	37

Sources: Qatar Stock Exchange, Bank Audi's Group Research Department

CAPITAL MARKETS PERFORMANCE



Sources: Qatar Stock Exchange, Bank Audi's Group Research Department

Bank Audi

Equity price falls on the Qatar Stock Exchange took place despite relatively attractive market pricing ratios as the P/E reached 12.0 times at end-April 2025 compared to 12.5 times at end-December 2024, and despite a 0.9% year-on-year expansion in net profits of all companies listed on the Qatar Stock Exchange during the first quarter of 2025.

The number of listed companies on the Qatar Stock Exchange rose from 52 companies at end-2024 to 53 companies at end-April 2025. On the backdrop of equity price falls and one new listing, the QSE market capitalization contracted by 0.6% during the first four months of 2025, moving from US$ 170.6 billion at end-December 2024 to US$ 169.5 billion at end-April 2025. This followed a similar contraction of 0.6% in 2024.

The total trading value on the QSE contracted by 20.5% year-on-year during the first four months of 2025 to reach US$ 8.8 billion. This followed a contraction of 14.9% in 2024. The total number of traded shares declined by 4.3% year-on-year, moving from 13,286 million shares during the first four months of 2024 to 12,711 million shares during the first four months of 2025, and the total number of trades rose by a shy 0.1% year-on-year during the first four months of 2025 to reach 1,339,861trades. That being said, the turnover ratio, measured by the annualized trading value to market capitalization, reached 15.6% during the first four months of 2025 as compared to 21.4% during the corresponding period of 2024.

At the level of the fixed income market, Qatari sovereign papers saw across-the-board upward price movements over the first four months of 2025, mainly tracking US Treasuries move after the US new tariff policy sent shockwaves across the globe, sparking fears of weakening global economic growth and on prospects of three rate cuts by the US Federal Reserve during the second half of 2025.

A closer look at individual bonds shows that Qatari sovereigns maturing in 2028, 2030, 2034 and 2040 registered price expansions ranging between 1.03 pt and 2.29 pts over the first four months of 2025. This followed contractions of up to 6.49 pts in 2024. Ooredoo'28 and '31 traded up by 1.88 pt and 2.79 pts respectively. This followed declines of up to 4.24 pts in 2024. As to papers issued by financial institutions, QNB'29 closed up by 1.69 pt over the first four months of 2025, following price retreats of 0.70 pt in 2024. Prices of Doha Bank'29 expanded by 1.82 pt, following a decrease of 0.34 pt in 2024.

As to the cost of insuring debt, Qatar's five-year CDS spread, which measures the market's perception of sovereign risk, contracted by seven basis points over the first four months of 2025 to reach 37 bps at end-April, one of the lowest in the MENA region.

As to credit ratings, Fitch Ratings affirmed in March 2025 Qatar's long-term foreign currency Issuer Default Rating at "AA" with a "stable" outlook. The "AA" rating reflects Fitch's expectation that additional gas production would strengthen public finances and a flexible public finance structure.

Also, S&P Global Ratings affirmed in November 2024 its "AA/A-1+" long-term and short-term foreign and local currency sovereign credit ratings on Qatar, with a "stable" outlook. The "stable" outlook reflects S&P's view that Qatar's fiscal and external buffers should continue to benefit from the country's position as one of the world's largest exporters of LNG over the next two years, further boosted by production increases through the NFE project over 2026-2030.

Finally, the Qatari authorities supported the IMF's call for deepening domestic capital markets, highlighting ongoing efforts in this area as part of the FSS3 implementation, including an initiative with the Ministry of Finance to build the domestic yield curve.

Bank Audi

2. CONCLUSION

Looking ahead, Qatar's real GDP growth is projected at 2.4% in 2025 according to the IMF, supported by public investment, spillovers from the ongoing LNG expansion project, and strong tourism. Medium-term growth is expected to accelerate to 4.75% on average, boosted by the significant LNG production expansion and initial gains from implementing reforms guided by the Third National Development Strategy.

Risks to the outlook are broadly balanced. Main downside risks stem from the global headwinds, including a sharper-than-expected global growth slowdown, increased volatility in global financial conditions and commodity prices, and further worsening of geopolitical tensions. The regional conflict has had limited impact on Qatar but adds further to the downside risks through lower tourism and capital inflows, and more volatile hydrocarbon prices. Domestic downside risk stems mainly from further weaknesses in the real estate sector, although strong tourism and policy measures introduced in 2023 could mitigate the risk. Over the medium and long term, supply in the global natural gas market is expected to expand significantly, potentially putting downward pressure on prices. On the upside, sustained high hydrocarbon prices and accelerated NDS3 reforms would strengthen the outlook.

At the monetary level, headline inflation will likely ease to 1.2% in 2025 and converge to around 2% over the medium term. The exchange rate peg continues to serve Qatar well. IMF says that, as conditions allow, strengthening the operational framework would further enhance monetary policy transmission.

At the external sector level, the current account surplus is projected at US$ 24.1 billion in 2025, the equivalent of 10.8% of GDP, down from 17.2% in 2024. Over the medium term, as Qatar's LNG production expands massively, both the current and fiscal accounts will likely remain in surpluses, albeit declining as a share of GDP, as hydrocarbon prices are projected to fall.

At the fiscal level, the IMF commended the authorities' commitment to continued fiscal prudence and called for accelerating fiscal reforms. It recommended adopting a medium-term fiscal anchor to help ensure intergenerational equity, and reiterated the need to accelerate revenue diversification, particularly by introducing the value-added tax. It highlighted the importance of improving spending efficiency and composition, particularly by enhancing public investment management. The IMF welcomed the ongoing efforts to strengthen fiscal institutions and adopt a full-fledged medium-term fiscal framework with enhanced fiscal risk management.

At the banking sector's level, Moody's says its outlook on the Qatari banking system remains stable, reflecting its expectation of slightly higher economic growth in 2025-26, as well as the banks' strong capital and liquidity buffers. The IMF supports the authorities' efforts to maintain financial stability and deepen domestic financial markets, while encouraging them to consider undertaking a Financial Sector Assessment Program update. They welcome the newly introduced risk-based supervision and recommended formalizing the financial safety net and continuing to adjust macro-prudential policies to mitigate potential macro-financial risks.The analysis of Qatar's short to medium term outlook actually requires a careful examination of strengths and opportunities relative to the threats and challenges. At the level of the former, we mention the exceptionally high per-capita income, the vast hydrocarbon reserves and the robust government net asset position. At the level of risks constraining the outlook, we mention the heavy economic and fiscal reliance on the hydrocarbon sector, the exposure to regional geopolitical tensions and the elevated external debt along with transparency shortcomings. Having said that, we firmly believe strengths and opportunities outpace threats and challenges at the horizon.

In its recent Article IV Consultation Mission report, the IMF welcomed Qatar's continued resilience to external shocks and its favorable medium-term outlook, driven by significant increases in LNG production and the reforms under the Third National Development Strategy. Directors agreed that maintaining prudent macroeconomic policies and accelerating reform efforts would further solidify macroeconomic stability and resilience to shocks while boosting prosperity. Directors supported the authorities' strategy to build a more diversified, private sector-led, and knowledge-based economy. They recommended fostering innovation and business efficiency and enhancing human capital by attracting and retaining more high-skilled expatriate workers, improving Qatari nationals' employment in the private sector, and further increasing female labor force participation at large.