

Qatar boosts food security

By Fahad Badar

Economic uncertainties in the Middle East have accelerated a strategic pivot by Qatar towards self-sufficiency – based on plans that had been under way since 2008

For a small nation to have achieved almost 100% supply security of essential food items, with over 40% self-sufficiency in basic vegetables, represents impressive progress towards self-reliance. For Qatar, which is almost a complete desert, it is remarkable. Its climate is one of the harshest from the point of view of cultivating food: Rain is rare and unpredictable; temperatures in the long summer can reach 50C.

Economic disruption since the global financial crisis of 2008 has enhanced the importance of food security, and much of the progress has been in the past five years. Until around 2016-17, around 80-90% of Qatar's food was imported, and some 40% of this was via land routes from Saudi Arabia.

The nation was potentially vulnerable but Qatar has progressively accelerated its diversification of supplies, and onshoring of food production, defying any assumption that domestic cultivation was impossible at scale. By October 2021, the director of the Food Security Department at the Ministry of Municipality, Dr Masoud Jarallah al-Marri, was able to report that the rate of self-sufficiency in five essential vegetables foodstuffs had reached 46%, was 100% for fresh



poultry, 70% for dates and 75% for fish. The country is now ranked as the 24th best in the world for food security.

The issue had become a strategic priority for the Qatari government since the 2000s, influenced in part by the global financial crisis of 2008. Qatar has a sovereign wealth fund of \$475bn for a population of around 320,000-350,000, so has had the resources for an ambitious strategic plan. There are four strands to the strategy, set out in a formal policy for the period 2018-2023: Diversifying trade routes; efficient transport with low waste; building storage, and efficient local cultivation.

An earlier investment strategy was to buy stakes in farms and agricultural businesses in other regions, such as Africa and Australia. This had mixed results. Where inward investment forced up the cost of land, including for local farmers, this provoked a backlash. Moreover, while the Qatari sovereign wealth fund may own a productive farm in another country, it is still bound by the laws of that country, which have included measures to bar or limit

exports when an over-riding need is food supplies for the local population. This is a perfectly understandable policy, of course, but it does diminish the value of the investment from the Qatari perspective.

In the 2010s, the investment strategy pivoted more strongly towards onshoring food production, to strengthen diversity and continuity of supply amid economic uncertainty. Advances in agricultural technology made this transition possible: Hydroponics, vertical farming, and artificial intelligence enable high productivity of a range of foods, requiring little land and using water efficiently, shielded from the desert sun.

Since the Qatar government began the policy of investing in onshoring production, global food inflation has risen, largely owing to the conflict in Ukraine. This further vindicates the policy, as onshoring helps curb inflationary pressures. In addition, the government has subsidised producers, which is the most efficient way of helping consumers cope with a rising cost of living, compared with wage rises or subsidising consumer incomes, because it has the additional benefit of maintaining supply.

Agriculture has been an area of success in policy terms in Qatar in recent years. The next article will feature some of the ingenious ways in which a variety of foodstuffs are being produced in Qatar, often with low environmental impact.

■ The author is a Qatari banker, with many years of experience in the banking sector in senior positions.

GCC banks' credit expansion remains strong in second quarter, says Kamco Invest

By Santhosh V Perumal
Business Reporter

Credit expansion in the Gulf Co-operation Council (GCC) banks remained strong during the second quarter (Q2) of 2023 despite higher interest rates, according to Kamco Invest, a regional economic think-tank.

Several new big-ticket projects and reform initiatives were announced in the GCC giving further boost to corporate lending, Kamco Invest said in a report.

Aggregate outstanding credit facilities in almost all the countries in the GCC showed sequential growth during the quarter mainly led by a robust projects market pipeline as well as government efforts to reduce the impact of higher interest rates, it said.

Manufacturing activity data from Bloomberg (Markit whole economy surveys) showed PMI (purchasing managers' index) figures stayed strong during the quarter above the growth mark of 50 for Dubai, Qatar, Saudi Arabia and UAE.

The manufacturing activity in Saudi Arabia remained robust with PMI at 59.6 points during June-2023 and remained elevated at during July-2023 at a slightly

lower mark of 57.7. The UAE and Qatar also boasted strong PMI figures of 56.9 and 53.8 during June-2023.

Data from the GCC central banks showed a growth in lending across the region during Q2-2023 although the rate of growth decelerated in several markets during the quarter. Saudi Arabia recorded the strongest growth in outstanding credit facilities during Q2-2023 at 2.5%; while growth in Kuwait, Qatar, Bahrain and Oman were below 1%.

The GCC banks continued to record growth in lending during Q2-2023 backed by growth in all markets in the GCC. Aggregate gross loans reached a new record high of \$1.91tn, up 1.9% quarter-on-quarter (q-o-q) and 6.5% year-on-year (y-o-y).

Saudi-listed banks reported the strongest q-o-q growth in lending at 2.7% to \$640bn at the end of Q2-2023. Bahrain-listed banks were next with a growth of 2.5% in gross loans that reached \$58bn; followed by UAE-listed banks with a growth of 2.1% to \$529bn. Banks in Kuwait, Qatar and Oman reported slightly smaller growth in gross loans during the quarter.

In terms of type of banks, conventional banks once again recorded a bigger growth in lending during the quarter with a growth

of 2.2% to \$1.3tn, while Islamic lender's lending grew at almost half that pace of 1.3% to \$596bn.

The trend in net loan growth was almost in line with gross loan with aggregate net loans at \$1.82tn at the end of Q2-2023 registering a q-o-q growth of 1.7%. The growth was led by higher net loans recorded in all GCC countries with Saudi Arabia recording the biggest growth of 2.8% q-o-q while that in Qatar was flat.

The aggregate net interest margin (NIM) reported by the GCC-listed banks increased for the third consecutive quarter during Q2-2023 to 3.2% compared to 3.1% the previous quarter.

The increase reflected elevated net interest income during the trailing twelve-month period adding additional rate hikes since the start of 2022. A smaller increase in earning assets also contributed to the growth in NIMs.

The q-o-q growth in NIM was seen across the GCC banking sectors barring Qatar which reported a marginal decline during Q2-2023.

The UAE-listed banks showed the biggest improvement in NIMs during the quarter with an increase of 16 bps to 3.44%, followed by Saudi Arabian banks at 3.23% and 3.05% by Qatari banks during Q2-2023.

QSE bull-run continues as index gains 22 points

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange (QSE) yesterday opened the week on a stronger note with its key index gaining 22 points, extending the bullish run for the second consecutive session.

Buying interests, especially in the telecom, transport, real estate, consumer goods and banking sectors led the 20-stock Qatar Index jump 0.21% to 10,386.51 points.

The foreign individuals were seen net buyers in the main market, whose year-to-date losses narrowed further to 2.76%.

About half of the traded constituents extended gains to investors in the main bourse, which touched an intraday high of 10,398 points.

The foreign institutions turned bullish in the main market, whose capitalisation added QR1.54bn or 0.25% to QR613.85bn with small and microcap segments gaining the most.

The Gulf funds continued to be net buyers but with lesser intensity in the main bourse, which saw a total of 1,845 exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.01mn changed hands across four deals.

The domestic institutions were seen increasingly into net profit booking in the main market, which saw no trading of sovereign bonds.



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The Islamic index underperformed the other indices in the main market, which saw no trading of treasury bills.

The Total Return Index rose 0.21%, All Share Index by 0.18% and Al Rayan Islamic Index (Price) by 0.13% in the main bourse, whose trade turnover and volumes were on the decline.

The telecom sector index soared 2.78%, transport (0.46%), real estate (0.39%), consumer goods and services (0.38%) and banks and financial services (0.28%); while

industrials and insurance declined 0.77% and 0.21% respectively.

Major gainers in the main market included Meeza, Widam Food, Ooredoo, Medicare Group, Doha Insurance, Qatar National Cement and Gulf Warehousing.

Nevertheless, Qatar General Insurance and Reinsurance, Qatar Islamic Insurance, Lesha Bank, Es-tithmar Holding, Industries Qatar, Imma Holding and Al Khaleej Takaful were among the losers in the main bourse.

In the venture market, Mahhar

Holding saw its shares depreciate in value. The foreign individuals turned net buyers to the tune of QR1.72mn compared with net sellers of QR6.51mn on August 24.

The foreign institutions were net buyers to the extent of QR0.42mn against net sellers of QR7.17mn last Thursday.

The local individuals' net selling declined perceptibly to QR5.83mn compared to QR10.64mn the previous trading day.

However, the domestic funds' net profit booking expanded considerably to QR13.64mn against QR1.21mn on August 24.

The Gulf institutions' net buying weakened noticeably to QR12.24mn compared to QR16.85mn last Thursday.

The Arab individual investors' net buying decreased considerably to QR4.82mn against QR8.02mn the previous trading day.

The Gulf individual investors' net buying eased marginally to QR0.27mn compared to QR0.66mn on August 24.

The Arab institutions had no major net exposure for the second straight session.

Trade volumes in the main market shrank 15% to 136.99mn shares, value by 24% to QR294.36mn and deals by 38% to 10,724.

The venture market saw a 30% contraction in trade volumes to 0.73mn equities and 30% in value to QR1.56mn but on 43% growth in transactions to 170.

Wall Street's zero-day options trade is coming to Europe

Bloomberg
Frankfurt

The zero-day options trade that has taken Wall Street by storm will finally arrive in Europe this week, in a fresh test for the region's long-struggling capital markets.

Starting today, Deutsche Boerse AG's Eurex will list Euro Stoxx 50 (SX5E) derivatives that expire every weekday, following US peers who introduced the now-booming contracts tied to the S&P 500 last year. Every trading session, investors in Europe will be able to buy and sell derivatives expiring the same day, known as zero-days-to-expiration contracts, or ODTE.

Their introduction unleashed a torrent of trading activity on the other side of the Atlantic, as retail and institutional investors used them as a tool for speculation and hedging.

At one point this month ODTE accounted for a record 55% of the trading volume for options tied to the S&P 500, according to data compiled by Nomura Securities International. The derivatives have grown so popular that some now fear they're swaying America's benchmark equity gauge itself.

In Europe, the level of demand for the contracts will

be closely watched by participants looking for signs of life in the moribund market. But amid the chronic underperformance of equity benchmarks, dwindling stock listings and stagnant volumes, the options face an uphill battle to have an impact.

"You don't have that same kind of pent-up demand," said Kieran Diamond, a London-based derivatives strategist at UBS Group AG. "And the S&P just has a very strong track record as the main global liquidity pool for equity volatility."

As of Tuesday, the daily notional amount of Euro Stoxx 50 options traded averaged \$45bn over the past month, data compiled by UBS show. For the US benchmark, the equivalent figure was nearly \$1.3tn.

Even before the addition of Tuesday and Thursday expirations last year – which made it possible to trade S&P 500 products expiring every weekday – weekly options had been growing in popularity in the US, Diamond noted. In contrast, activity in options tied to the SX5E is mainly focused on monthly contracts.

While the new expirations are unlikely to generate a frenzy to match the US, they may still lift volumes, with trading pros as the main users, according to Patrick Bonouvie, head of European index derivatives trading at Optiver BV.

Returns from junk bonds rally as investors brush off Fed

Bloomberg
New York

Credit investors have decided that they're more than willing to fight the Federal Reserve as the central bank vows to keep rates high.

Total returns from leveraged loans and CCC rated junk bonds have rallied strongly this year, outstripping their investment-grade counterparts in recent months as the risk of a severe recession fades. Those gains come even as Fed Chair Jerome Powell has signalled he's prepared to raise rates even further if he has to.

"The resiliency of the economy is certainly a story that has positively surprised a lot of investors," said Frank Ossino, a portfolio manager at Newfleet Asset Management. "The base case was a slowdown" for this year "and that hasn't been the case."

A soft landing in the economy would bolster corporate cash flows. But further rate hikes or an extended period of high interest rates would only suck up more of that cash, particularly for companies that borrowed heavily in

the leveraged loan market. Loans come with floating rates, which translates to companies facing higher interest payments as rates rise.

Strategists from Bank of America Corp to Pacific Investment Management Co have written in recent days about the rising likelihood that borrowing costs remain higher as the economy holds up. In early June, interest rate markets had expected rate cuts to begin later this year, but now envision the first cuts to come closer to May 2024.

Indeed, "it's not unthinkable to envision the Fed not only staying on hold, but announcing further rate hikes next year," Pimco economist Tiffany Wilding wrote. The higher-for-longer outlook is typically supportive of floating-rate assets like US leveraged loans, which have returned 8.8% so far this year through Friday's close. That's left the market feeling confident enough to bring several leveraged buyout loans to market in the coming weeks, helping to quench some of the deal supply drought. Deutsche Bank AG, for example, is preparing a \$550mn leveraged loan to fund Bain Capital Private Equity's purchase of Brazilian company Fogo de Chão.

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