



BANKING ON KNOWLEDGE

Qatar Stock Exchange initiatives are aiding SMEs in attracting capital

By Dr R Seetharaman

In its October 2019 report, the International Monetary Fund (IMF) has raised concerns over global economic growth. The report raises flags on momentum in manufacturing activity and rising trade and geopolitical tensions dampening the prospects of global trade. Global growth is forecast at 3.0% for 2019, its lowest level since 2008-09 and a 0.3% downgrade from the April 2019 World Economic Outlook. Growth is projected to pick up to 3.4% in 2020 (a 0.2% downward revision compared with April). IMF expects Qatar's real GDP growth at 2% in 2019 and 2.8% in 2020 respectively. The current account balance is expected to be in surplus at 6% and 4.1% of GDP in 2019 and 2020 respectively. The Mena region is expected to grow by 0.1% and 2.7% in 2019 and 2020 respectively. The Qatar Stock Exchange (QSE) has



taken initiatives in increasing foreign ownership limits to 49%, most of which had previously been set at 25%, drawing a flood of cash that helped to boost the main index by more than 20% in 2018. Immediately following the changes to

foreign ownership limits for a number of listed companies, there was an influx of foreign capital of up to \$2.2bn. The reforms have focused on deepening and increasing efficiency and liquidity in the markets.

The QSE has expanded co-operation with Asian exchanges. It has created suitable climate to attract foreign investments. It has also boosted product diversification and service innovation to attract and support the needs of both local and global investors. It has managed to increase the number of issuers on the Qatar Stock Exchange, promoting all privatisation efforts through the exchange. It has enhanced FinTech and transformed Qatar into a regional hub in financial IT applications.

The QSE has introduced two Exchange Traded Funds (ETFs), it has introduced securities lending and borrowing and covered short selling, but will also look to increase the number of exchange-traded



funds and introduce other fund-based products, such as real estate investment funds. All these initiatives are designed to attract foreign investors.

In May 2019, MSCI Index added Wogod, Mesaieed Petrochemical Holding Company (MPHC) and Qatar Aluminum Manufacturing Company (Qamco). The Qatar Financial Market Authority announced a stock split of companies listed on the QSE in June 2019. Effective from October 1, 2019, Qatar will be introducing a mandatory rules-based framework for Investor Relations; the rules reflect best-practice and should in any case be standard for listed companies in today's regulatory capital markets' environment.

Qatar witnessed the highest valued IPO in 2018 in the Mena region with the listing of Qamco on the QSE, raising \$745.6mn in Q4, 2018.

Qatar dairy company Baladna Food Industries (BFI) aims to raise around \$392mn in IPO. Baladna is now Qatar's largest dairy and beverage company, and its herd of cows has grown to approximately 18,000, housed in two farms spread over a total area of more than 2mn square metres. In the IPO, the company plans to sell 75% of its share capital on the local stock exchange and the proceeds will be used to strengthen the company's balance sheet, it said in a statement. Strategic investors including the General Retirement and

Social Insurance Authority and local food companies have committed to buying 23%, while the Qatari public will have access to the balance. The IPO offering is currently open and closes on November 7, 2019. It will list in the month of December 2019.

The Small & Medium Enterprises (SME) financing environment in Qatar is somewhat unique. Currently, equity finance is not the preferred method of funding, as bank loans and family money are abundant and easier to access. The QSE is very keen to attract family companies and SMEs to the exchange, and has an active outreach programme to encourage them to list. It also has partnerships and agreements with other institutions, such as the Qatar Development Bank, to support their SME development activities. The reforms undertaken by the QSE has facilitated in attracting capital for SMEs.

■ The author is Group CEO of Doha Bank.