Decide with Confidence

Dun & Bradstreet's Business Optimism Index – Qatar

Sponsored by the Qatar Financial Centre Authority

Q2 2014

Key Highlights

- Qatar's non-hydrocarbon sector displays a buoyant outlook for the second quarter of 2014 with the composite BOI at 47; posting a 7 points gain on a y-o-y basis; although there is a marginal decline compared to Q1 2014 due to seasonal factors
- Continuing the trend in the previous quarter, Hydrocarbon sector expectations retreat with a BOI score of 8 due to lower optimism on all the three constituent parameters of the index: selling prices, net profits and hiring
- The construction sector remains the most optimistic amongst all the non-hydrocarbon sectors, with the expectations driven by the government's infrastructure development plans and the planned projects for 2022 World Cup
- The score for the Finance, Real Estate & Business Services sector was 18 points higher than in Q2 2013. Within the Finance, Real Estate & Business Services sector, the outlook for finance and insurance firms was stronger than for real estate and business services firms on volumes, new orders and profits. Real estate and business services, however, were more optimistic about selling prices and hiring
- The trade & hospitality sector has the weakest outlook, with expectations weighed down by the hospitality sub-segment due to the oncoming summer season
- 49% of the non-hydrocarbon sector respondents do not anticipate any negative factors to impact their business operations in the second quarter of 2014
- Competition and slow demand are the key challenges for hydrocarbon as well as non-hydrocarbon firms; delays in payment receivables is another critical challenge impacting the non-hydrocarbon sector
- The survey shows a moderation in the investment outlook: 31% of hydrocarbon firms and 41% of non-hydrocarbon firms plan to invest in business expansion in Q2 versus corresponding proportions of 53% and 47% firms in Q1

Methodology

The D&B Business Optimism Index

The D&B Business Optimism Index is recognized as a product that measures the pulse of the business community and serves as a reliable benchmark for investors. The D&B Business Optimism Index is arrived at on the basis of a quarterly survey of business expectations. It is conducted in various countries that D&B operates in. Over time, the quarterly survey has emerged as a leading indicator of turning points in economic activity in these countries.

A random sample is selected from Dun & Bradstreet's commercial database for conducting this survey. This sample is divided into hydrocarbon and non-hydrocarbon segments to eliminate the dominance of the former over the latter and understand their dynamics individually. The hydrocarbon segment includes Qatar's mining, oil and gas companies whereas the non-hydrocarbon segment encapsulates in its purview the following sectors:

- Manufacturing (90 units)
- Construction (110 units)
- Trade & Hospitality (80 units)
- Transport & Communications (65 units)
- Finance, Real Estate & Business Services (115 units)

The sample is a microcosmic representation of Qatar's business community. The survey respondents are asked if they expect an increase, decrease or no change regarding the following parameters: Volume of Sales, Net Profits, Level of Selling Prices, New Orders received, Level of Stock, and Number of Employees.

The individual indices for each of the above parameters are then calculated by subtracting the percentage of respondents expecting decrease from those expecting increase.

Additional poll questions are asked relating to the current economic scenario and are aimed at gauging the business sentiments with regards to several key current issues.

For the purpose of the survey, Q1 is the period between January and March, Q2 is the period between April and June, Q3 is the period between July and September, and Q4 is the period between October and December each year.

Composite Business Optimism Index

The purpose of the Composite Business Optimism Index is to capture the aggregate weighted behavior of all the six individual indices in the non-hydrocarbon sector. Beginning Q3 2009, D&B has introduced composite indices for all sub-sectors in the non-hydrocarbon segment to allow one indicator to summarize optimism levels in each of these sub-sectors.

Global Economic Outlook

Global economic activity has largely strengthened and is expected to improve further in 2014-15, according to the latest IMF World Economic Forecast, with much of the impetus for growth coming from advanced economies. The global economy is forecasted to grow by 3.6% this year and an even better rate of 3.9% in 2015. Despite challenges that include market jitters about the US Federal Reserve's bond-buying slowdown and global tensions over Ukraine, policymakers now believe that there is a foundation for sustained growth that can provide work for millions of jobless people. The US recovery is expected to gradually gain momentum as pent-up demand is unleashed and fiscal restraint reduced. US GDP growth is pegged at 2.8% this year and 3.0% in 2015. The UK growth forecast for 2014 is being revised to 2.9% up from a January estimate of 2.4% on the basis that the current recovery momentum is becoming more broad-based. The outlook also continues to improve in the Euro area with growth expected at 1.2% in the current year, although conditions in many parts remain fragile.

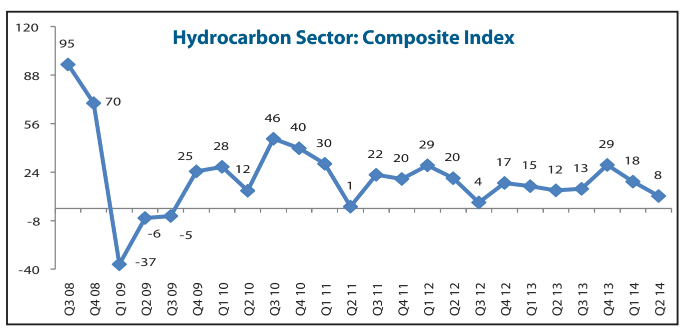
This strength in the advanced economies is helping to offset slower growth in some of the major emerging markets, such as China; although emerging economies are still powering ahead at rates well ahead of developed nations.

Hydrocarbon Sector

The International Energy Agency (IEA) recently projected that the global oil demand will rise less than the previous forecasts for 2014, due to a lower outlook for Russia's economic growth, following its annexation of Crimea. Global demand growth is forecasted to average 1.29 million bpd in 2014, which is 60,000 bpd lower than its previous forecast. The agency also reduced its forecast for non-OPEC supply this year (supply from non-OPEC countries is forecasted to rise by 1.5 million bpd this year, 250,000 bpd less than the previous projections), which will increase the need for higher crude supply from the OPEC. Accelerated rates of decline at older Russian oilfields accounted for part of the reduced supply forecast as did a lower estimate for Kazakhstan, where the giant Kashagan oilfield may fail to restart this year.

The average monthly OPEC basket inched up from US$ 104.71 per barrel in January to US$ 105.38 per barrel in February as cold weather, supply disruptions and geopolitical factors helped to push oil markets higher. The OPEC Reference Basket dipped below US$ 105 per barrel in March to average US$ 104.15 per barrel as the global crude market slowed over the month, impacted by concerns over China's economic growth, lower refinery demand and ample availability, outweighing ongoing supply outages and geopolitical tension in Ukraine. Crude prices fell in most regions, as northern hemisphere temperatures rose and refineries entered maintenance, while the situation between Russia and the Ukraine did not lead to any immediate energy supply losses. However, international prices could come under pressure towards the latter half of 2014 with additional supply from Libya possibly combined with gains from North American supply.

Qatar's output from the oil and gas sector (real GDP) fell 1.1% year-on-year in the fourth quarter of 2013 compared to a 1.4% rise in the previous three months. The fall in production of crude oil and closing down of few LNG trains for maintenance in the third quarter 2013 is the primary cause of this decline. Qatar's current account recorded a surplus of 32% of GDP in 2012 and a high surplus is also expected for 2013, reflecting sustained high prices of LNG, crude oil, and condensates exports. LNG prices in Qatar's main export markets in Asia have so far remained largely unaffected by the rapid growth in the US unconventional gas and oil production. However, fiscal and external balances are projected to taper down significantly over time due to flat LNG production, falling crude oil output from mature fields, expected lower hydrocarbon prices, and growing nominal expenditures.



The Q2 2014 business optimism survey reflects that the hydrocarbon sector outlook has weakened significantly, with the composite BOI dropping from 18 in Q1 to 8 in Q2 due to lower optimism on all the three constituent parameters of the index: selling prices, net profits and hiring. Expectations for the hydrocarbon sector mirror the flat GDP growth in the sector. With respect to sales expectations, the BOI has tracked sideways from a score of 25 in Q1 to 26 in Q2. 44% of respondents do not foresee any change in sales levels since they are working on old contracts with limited new projects expected in the second quarter, while a marginally higher number of firms compared to the last quarter (41% in Q2 versus 38% in Q1) are expecting an increase in sales volumes.

The BOI for selling prices has moderated from 8 in Q1 2014 to 5 in Q2 2014, since a slightly higher number of firms plan to reduce their prices due to higher competition. However, the predominant sentiment with respect to selling prices continues to be tilted towards stability, with 69% of the firms intending to maintain their selling prices at current levels, inspite of an increase in operational costs.

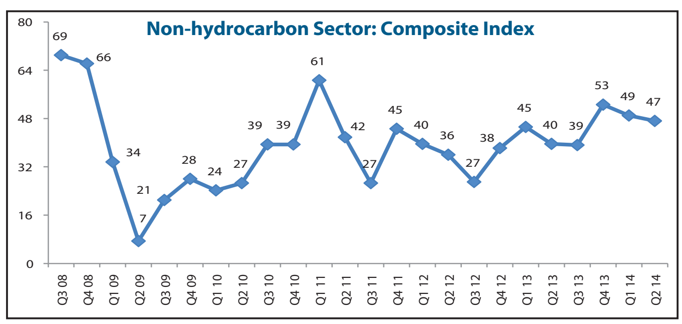
With respect to net profits, 36% of the oil & gas firms expect an increase; however a high proportion of firms compared to the last quarter (31% firms in Q2 vis-a-vis 18% in the previous quarter) foresee a decline in their margins due to rising operational costs combined with stability in prices. The hiring outlook for the hydrocarbon sector reflects stability; 66% of the sector respondents do not plan any change in their workforce (as compared to 59% in Q1) as they do not foresee any major change in production levels.

Despite the decline in the composite BOI, participants are indicating an improvement in the business environment. 60% of the firms do not anticipate any hindrances to their business operations in Q2 compared to 48% in Q1. However, the degree of competition has become more pronounced, with 18% of the respondents citing it as challenge in Q2 compared to 10% in Q1. For another 10% of the respondents, slow demand for products/services is expected to be an obstacle.

Reflecting the moderation in the composite BOI, plans to invest in business expansion have back pedalled. 31% of the companies have plans to incur such investments in Q2 compared to 53% in Q1. 38% indicated that they will not undertake business expansion in Q2.

Non-hydrocarbon Sector

Qatar's macroeconomic performance has remained strong, driven by a double digit expansion in the non-hydrocarbon sector, particularly construction, transport, communications, and finance. The non-hydrocarbon sector now accounts for almost half of the economy. According to the Ministry of Development, Planning & Statistics, the quarterly GDP in Q4 2013, at constant prices grew at 5.6% y-o-y; driven by a 10.4% growth in the non-mining & quarrying sectors (15% y-o-y growth in construction, 19.3% in trading & hospitality and 18.1% in finance, insurance, real estate & business services). The construction industry has benefited from the high number of infrastructure projects sanctioned by the government under the National Development Strategy, which is expected to accelerate over the next two years. The trade and finance sectors have also been aided by the associated arrival of migrant workers. The IMF has raised its GDP forecasts for Qatar to 5.9% from the previous forecast of 5% for the current year, on the basis of large public investment program to advance economic diversification and to prepare for the 2022 soccer World Cup. Qatar's budget for the fiscal year 2014-15 includes expenditure of QAR 218.4 bn, with a higher outlay for infrastructure upgrade (the budget has set apart QAR 75.6 bn for infrastructure projects, a 22% increase compared to the previous financial year) and enhanced allocations for the health, education and transport sectors.



The BOI for Qatar's non-hydrocarbon sector for the second quarter of 2014 has tracked sideways compared to the previous quarter; however it has increased by 7 on a y-o-y basis. The q-o-q decline is attributable to a slight moderation in business sentiments for volumes, selling prices and hiring. Even though the BOI for Volume of Sales is down by 5 points from 63 in Q1 to 58 in Q2, it is still indicative of strong expectations. A majority (65%) of the sector respondents expect an increase in sales volumes in Q2 owing to a growing economy and demand emerging from new projects (residential, commercial as well as infrastructural developments).

The BOI for New Orders is almost steady; it stands at 64 in Q2 versus 65 in Q1. Businesses expect continued strength in new orders due to a rising population and associated demand from construction projects. The selling prices outlook has tracked sideways to stand at 16 in Q2 compared to 18 in Q1. A majority of the firms continue to expect "no change" in prices on account of stiff competition, pre-determined contracts and stable raw materials costs. Despite a moderate dip in expectations for demand and prices, the outlook for net profits has witnessed a slight improvement. The BOI for Net Profits has increased by 2 points q-o-q to 50 in Q2, with 59% of the firms expecting higher profits. Following a retreat in the outlook for demand, hiring expectations have also witnessed a marginal decline; the BOI for Number of Employees stands at 48 in Q2 compared to 51 in Q1. Almost half (48%) of the businesses have said that they will maintain their existing work force because it is sufficient for their current projects.

Almost half of the firms (49%) have indicated that they do not anticipate any obstacles to their business operations in Q2. For the remaining firms, competition has intensified as a challenge with 12% of the participants having identified it as a hindrance in Q1 and this number increased to 16% for Q2. 8% each of the respondents have indicated slow demand for their products/services and delays in payments/receivables as the other leading challenges for the second quarter of 2014. Additionally, 7% are concerned about government regulations and policies.

The outlook for investment in expansion activities has retreated; 41% of the participants plan to invest in expansion in Q2 compared to 47% in the previous quarter. 40% of the respondents have indicated that they will not undertake such investments in Q2 and 19% are unsure about their investment plans.

SME v/s Large Company

The present survey shows that large companies are more confident about sales volumes as compared to the SMEs (a BOI of 64 for large companies versus 58 for SMEs) and profitability (a BOI of 66 for large companies versus 48 for SMEs).

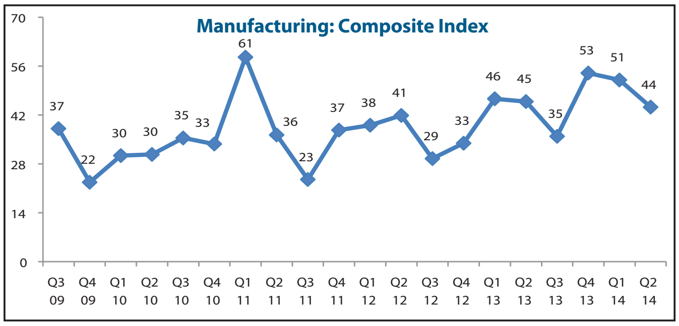
On the other hand, SMEs are now more optimistic about new orders, selling prices and employment. The BOI for new orders for SMEs stands at 64, while for the large companies it stands at 59. With respect to selling prices, 26% of SMEs expect an increase and 8% anticipate a decrease (BOI at 18), whereas for large companies the corresponding figures are 13% and 11% (BOI at 2). Even though SMEs have reported a stronger index for hiring (BOI of 48 for SMEs versus 44 for large companies), none of the large companies plan to reduce their staff (56% intend to leave their employee numbers unchanged and 44% plan to increase it). In the case of SMEs, 46% intend to leave it unchanged, while 51% plan to add to their current head count.

The outlook for investment in business expansion is stronger among SMEs; 42% of SMEs foresee such investments in Q2 compared to 31% of the large companies.

Manufacturing Sector

The upturn in the global manufacturing sector lost some traction at the end of the first quarter of 2014. At 52.4 in March, down from 53.2 in February, the J.P. Morgan Global Manufacturing PMI fell to a five-month low, but remained above its average for the current 16 month sequence of expansion. Weakness in China and Russia weighed heavily on manufacturing activity figures for emerging markets.

Nonetheless, outside of China and Russia, the picture for emerging markets was somewhat more positive. Several countries continued to experience modest growth rates, albeit with a slower pace than the month before in some cases. In all of Europe, manufacturers reported slow-but-steady progress. The Markit Eurozone Manufacturing PMI has now expanded for nine consecutive months, an encouraging sign after the deep two-year recession.



Qatar's manufacturing sector composite BOI has retreated to 44 in Q2 from 51 in Q1 due to a decline in all the parameters constituting the index. Although a majority (68%) of manufacturing firms expect an increase in sales volumes in the second quarter, BOI for the parameter has slipped by 14 points q-o-q to 59 due to a rise in the number of firms expecting a decline in volumes from 1% in Q1 to 9% in Q2. These firms are anticipating a decline due to competition and the absence of new projects that would demand their products in the coming months. The BOI for new orders parameter has dropped by 9 points to 59, which is attributable to a higher number of companies (33% in Q2 versus 24% in Q1) expecting stability on the parameter compared to Q1. Selling prices are projected to be stable, with 70% of the respondents predicting "no change" on the parameter.

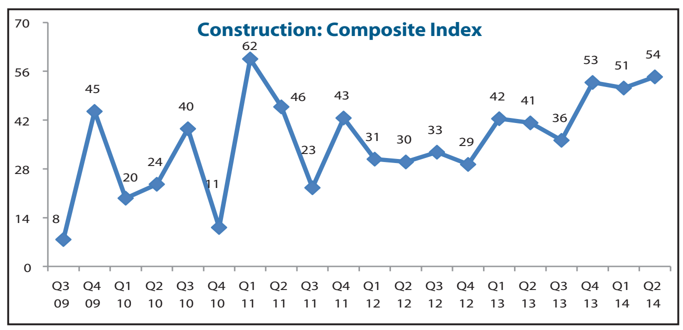
Weaker sentiments with respect to demand and an increase in raw materials costs have weighed on profitability expectations; BOI for net profits has moderated from 52 in Q1 to 47 in Q2. In line with these softening expectations, the hiring outlook has also been dented. The BOI for Number of Employees has shed 8 points from the score of 49 in Q1 to 41 in Q2, although a majority (57%) of the manufacturing firms intend to keep their head count unchanged in Q2. The level of stock parameter holds steady at 34.

The manufacturing sector has indicated an improvement in the overall business environment as 53% of the companies do not expect any hurdles to impact their operations in Q2 compared to 47% in the previous quarter. Competition remains the leading challenge, with 21% of the respondents citing it as a concern. The second most important hindrance is delay in payments/receivables (as indicated by 10% of the participants).

The outlook regarding investment in business expansion has retreated considerably with 36% of the manufacturing firms planning to invest in expansion in Q2 compared to 52% in the previous quarter.

Construction Sector

Many analysts believe that that the global outlook for construction is the most positive since the financial crisis. Projections for 2014 indicate growth gaining traction. The American Institute of Architects predicts that non-residential construction in the US will grow as the economy stabilizes. In the commercial segment, the hotel and retail projects sub-segment is expected to witness the largest advances in construction spending. However, the industry faces some challenges in the form of rising construction costs, shortage of skilled labour, and bank credit standards that have not eased up enough to keep pace with the strong demand for construction financing. In Qatar, the government's five-year development plan for the country and the 2022 World Cup are the key drivers for the construction sector.



The construction sector in Qatar has displayed the strongest optimism among all the non-hydrocarbon sectors. The composite BOI for this sector stands at 54, the highest level in the last three years. The uplift in outlook is due to higher scores for selling prices, net profits and hiring. The volume of sales parameter has gained 17 points on a y-o-y basis; although it has moderated by three points on a q-o-q basis. A high optimism with respect to sales volumes is driven by expectations for new projects from government (infrastructure projects) as well as private sector (commercial as well as residential projects). BOI for New Orders has edged lower by a single point to 66, with 69% of the firms expecting an increase on this parameter (same as the last quarter)

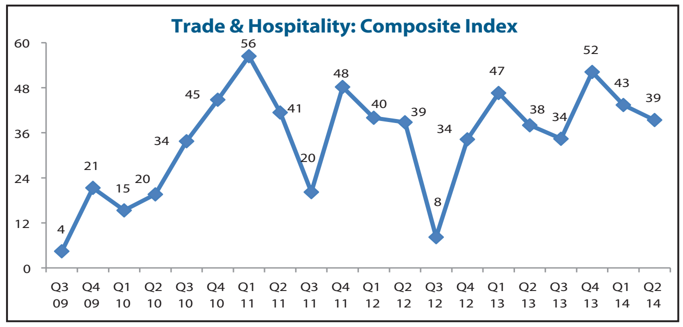
The optimism of construction firms with respect to selling prices is much higher in Q2 as compared to Q1 (BOI stands at 34 in Q2 vis-a-vis a corresponding score of 23 in Q1). While 56% of the participants anticipate prices to remain stable, 39% of the construction firms (higher than all the non-hydrocarbon sectors) expect to increase their selling prices since they foresee a high demand and a rise in raw material and labour costs. Anticipation of new projects and demand has bolstered the profitability outlook on a q-o-q as well as y-o-y basis (BOI for net profits stands at 52 in Q2 2014 compared to 45 in Q1 2014 and 37 in Q2 2013). Hiring expectations have also firmed up with BOI for Number of Employees increasing from 59 in Q1 2014 and 51 in Q2 2013 to 61 in Q2 2014. Overall, 63% of the respondents plan to increase their employee strength in the second quarter.

Approx. 48% (50% in the last quarter) of the construction firms do not anticipate any obstacles to impact their business in Q2. For the remaining firms, competition is a growing concern, with the number of firms citing this as a hindrance to their operations increasing from 6% in Q1 to 14% in Q2. Delay in payments/receivables has been indicated as a hurdle by 11% of the participants. 9% of the respondents are concerned about government regulations & policies, while another 7% have indicated availability of labour as a key challenge for their business operations in Q2.

Firms in the construction sector remain the most positive among all other sectors on business expansion investments; 49% plan to invest in business expansion in Q2 compared to 47% in Q1.

Trade & Hospitality Sector

The global retail industry is expected to grow at a steady pace in 2014, driven by an improving global economy. However, continued high unemployment and slow economic recovery in many advanced countries, particularly Europe, has kept growth rates at modest levels. The hospitality sector, too, is witnessing a revival after the financial crisis. According to the World Travel & Tourism Council, the global travel & tourism industry's total contribution to the world's GDP in 2013 grew by 3.0%, outperforming overall GDP growth for the third consecutive year. Additionally, this sector's GDP grew faster than the global manufacturing, retail and financial & public services sectors in 2013. The outlook for 2014 remains strong, but there could be some downside risks, such as the situation in Crimea which may have far reaching economic repercussions due to sanctions imposed by the US and Europe on Russia; impact from the US Federal Reserve raising interest rates sooner than expected and a slowdown in China.



Qatar's trade and hospitality sector has indicated a moderation in expectations for the second quarter of 2014, weighed down by a marginal decline in optimism with respect to sales volumes, prices, profits and hiring parameters. The composite BOI for this sector has moderated by 4 points from the Q1 score of 43; however it is almost at the same level as the score for Q2 2013 (BOI was 38 in Q2 2013 and now stands 39 in Q2 2014). Following the last quarter's trend, the outlook of the trading sub-sector is much more optimistic than that of the hospitality firms on all the parameters.

The BOI for Volume of Sales for the overall sector has dropped by 11 points to 44, primarily pulled down by lower expectations on sales volumes by the hospitality sub-sector due to summer being a lean season for tourists and conferences. On the other hand, Trading firms are optimistic owing to demand coming from a growing population and increased construction activity (particularly for building materials trading firms). With respect to new orders, the BOI is 7 points higher than the previous quarter with 65% of the firms expecting an increase on this parameter.

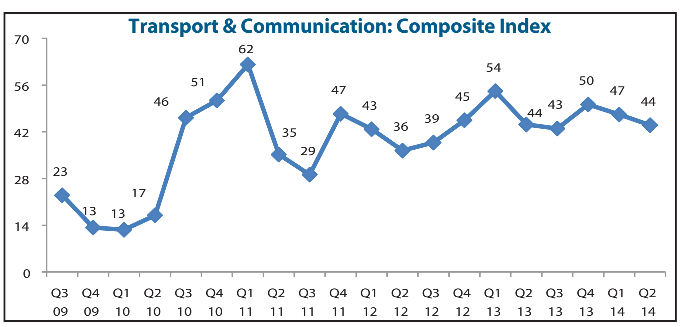
The selling prices outlook continues to be stable with a majority (70%) of the respondents expecting their selling prices to remain unchanged in Q2. Lower expectation for volumes has led to a moderation in the profitability outlook; the BOI stands at 40 in Q2 compared to 45 in Q1. The hiring outlook has also moderated; the BOI has lost 7 points to stand at 35 in Q2.

The survey shows that the business environment is moderately weaker, as 47% of the respondents do not anticipate any obstacles to their business operations in Q2 2014 compared to the Q1 figure of 52%. Competition, slow demand for products & services and delays in payment receivables remain the top three challenges for this sector with 17%, 13% and 8%, respectively, of the participants indicating them as concerning factors.

The survey shows that investment plans for the trade and hospitality sector have moderated significantly; 33% plan investments in Q2 versus 50% in Q1.

Transport & Communications Sector

According to IMF, Global trade increased by 2.8% in 2012, 3.0% in 2013 and is expected to rise by 4.3% in 2014. This has led to a 3.6% gain in air freight in the first two months of 2014 compared to the same period a year ago and significantly above the overall growth of 1.4% in 2013, according to the IATA. Additionally, the strongest growth figures are being posted by Middle Eastern airlines, which continue to increase their capacity and network reach. European airlines have been displaying steady gains in air freight demand since mid-2013, in line with the region's return to positive economic growth. The outlook for air freight remains broadly positive, in line with the improved global economic outlook. However, even though the US and European economies are gaining traction, there is some slow-down in China and other emerging market economies, which will moderate the air freight growth. Other modes of transportation are also expected to return to growth in 2014 on the back of a stronger world economy and growth in trade.



The composite BOI for the transport & communication sector tracked sideways to stand at 44 in Q2 2014, which is the same score as observed in the second quarter of 2013. The BOI for Volume of Sales remains unchanged at 59 compared to the previous quarter, with 66% companies expecting an increase in sales, primarily due to demand emerging from the on-going and planned infrastructure projects and a growth in trading activity. The forecast for new orders remains strong despite a drop of 5 points q-o-q to 61 in Q2, with 68% of the participants expecting an improvement in their order book.

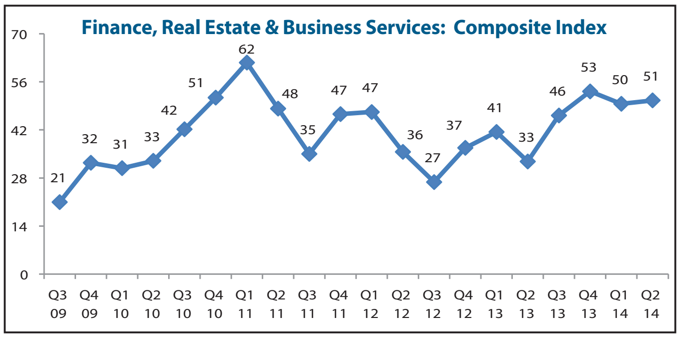
Although, a majority (67%) have indicated that they do not expect any change in their selling prices, the BOI for the parameter stands at 5, the lowest in two years as 14% of the companies plan to reduce their prices due to increased competition in the market. Driven by an expected increase in sales volumes, the BOI for Net Profits increased by 4 points to stand at 49 in Q2 compared to 45 in Q1. Although, more than 50% of the firms intend to hire in the upcoming quarter due to planned business expansions and increase in sales volumes, expectations with respect to hiring have moderated as compared to the previous quarter (the BOI now stands at 46 compared to 55 in the previous quarter).

The proportion of transportation firms anticipating no hindrances to their operations increased from 45% in Q1 to 55% in Q2 indicating an improvement in the business environment. Competition is the leading concern for the remaining firms, as indicated for 15% of the respondents. The other key obstacles are slow demand for products/services (10%) and delay in payments/receivables (5%).

Optimism regarding investment in business activity has strengthened considerably; 46% have said that they will invest in expansionary activities in Q2 compared to 26% in Q1.

Finance, Real Estate & Business Services Sector

The IMF says in its Global Financial Stability Report that global finances are getting stronger, however risks remain due to the US exit from easy liquidity, an economic slowdown in China, disruption in emerging markets, and geopolitical risks. The global financial system has come a long way from the financial crisis. The firming up of recovery in the US has allowed the Federal Reserve to begin scaling back monetary stimulus. The report also says that a normalization of US monetary policy is supporting the improvement, but the change is also causing disturbance, closing the tap of easy money, as a result capital outflow from emerging economies will have the biggest impact on countries that lack policy credit and have poor fundamentals. On the other hand, a stronger European banking sector and sustained growth in emerging economies are contributing to the stability.



The finance, real estate & business services sector has once again displayed a strong and steady outlook. The composite BOI for the sector increased marginally by 1 point q-o-q and by 18 points y-o-y to stand at 51 in Q2 2014. The survey shows that while the finance & insurance firms hold a stronger outlook than the real estate & business services firms on volumes, new orders and profits, the latter are more optimistic about selling prices and hiring.

For the overall sector, the Volume of Sales BOI has increased by 3 points to 67, while the BOI for New Orders has inched up by a point to 66. The bullish outlook amongst the Finance & Insurance firms is backed by a booming economy, increase in insurance demand for new constructions, as well as improvement in saving and investment behaviour of the growing population. An expected rise in the construction activity is acting as a driver for Real Estate and Business services firms that provide services to the construction sector, for instance Architecture & Engineering Consulting firms, building material testing firms, manpower supply firms, etc. Additionally, growth in number of companies setting up their offices in Qatar is leading to a high optimism amongst business services firms that deal with corporates, such as IT, advertising, auditing firms, etc.

However, selling prices expectations have retreated, with the BOI dropping from 17 in Q1 to 10 in Q2. This is because higher proportion (74% in Q2 vis-a-vis 67% in Q1) of participants anticipate stability in their selling prices.

A strong demand outlook has bolstered profitability expectations; the BOI for Net Profits has increased from 52 in Q1 to 58 in Q2, as 64% of the firms in this sector predict higher profits in Q2. The hiring outlook has modestly firmed up as indicated by a BOI of 52 in Q2 compared to 50 in Q1.

48% of the firms have indicated that they do not expect any negative factors to impact their business in the second quarter versus 49% in the previous quarter. The leading hindrances to business operations as cited by the remaining respondents in this sector are: competition (12%), slow demand for products/services (11%), government regulations & policies (8%) and delay in payments/receivables (6%).

The investment outlook has softened amongst finance, real estate and business services firms; 41% of these firms (vis-a-vis a corresponding 47% firms in Q1) plan to invest in business expansion in Q2.

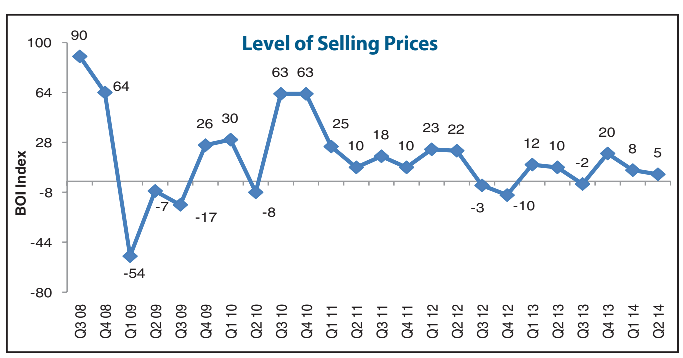
Appendix

Hydrocarbon Sector

Volume of Sales

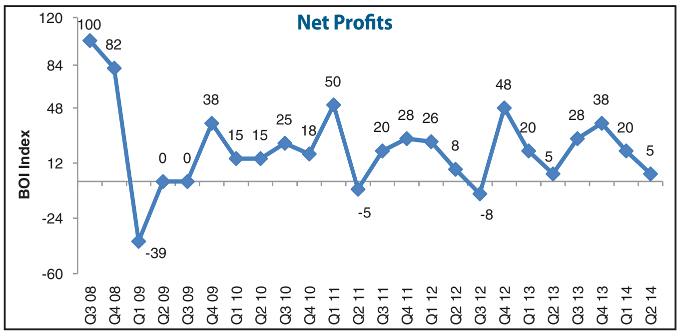
The BOI for the Volume of Sales parameter has steadied to 26 in Q2 (BOI score was 25 in Q1); with 44% of the respondents not expecting any change in the sales volumes. Another 41% of the sector respondents expect an increase in sales due increase in projects from the government sector.

Level of Selling Prices



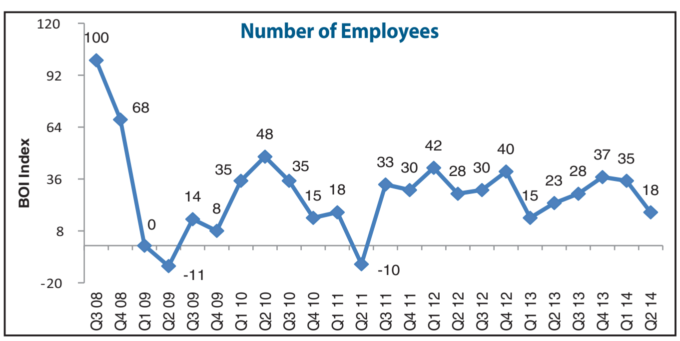
Continuing the downward trend from the first quarter, the BOI for the Level of Selling Prices parameter has inched lower to 5 from 8 in Q1 2014. Inspite of this downward trend, a majority (69%) of the respondents expect prices to remain intact due to slow market conditions, while 18% expect prices to increase to cover rising costs of raw materials and overheads.

Net Profits



The BOI for the Net Profits parameter stands at 5 in Q2 2014, representing a 15 point drop from the previous quarter. This is due to significantly higher number of respondents (31% in Q2 versus 18% in Q1) expecting profits to decline in the second quarter because of rising costs of labour, raw materials and other overheads.

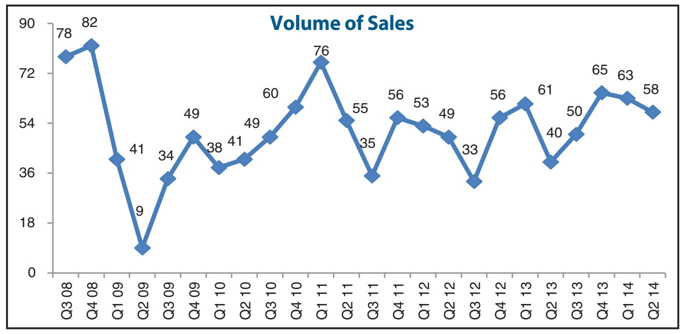
Number of Employees



Hiring trends in the hydrocarbon sector have also declined significantly; the BOI for the Number of Employees parameter is recorded at 18 in Q2 lower than the Q1 figure of 35. This is due to the fact that a lower proportion of respondents (26% in Q2 versus 38% in Q1) are planning to increase their headcount in Q2while 66% businesses are planning to keep their employee count intact (versus 59% in Q1).

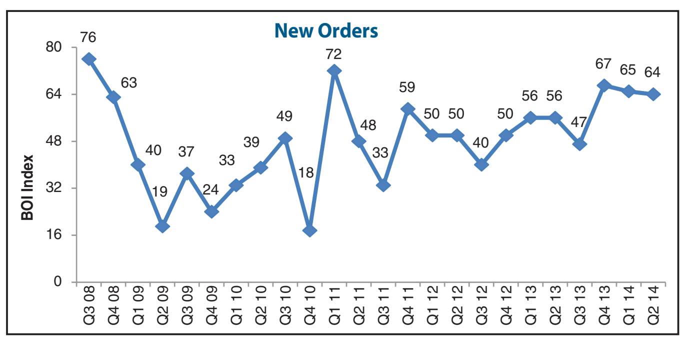
Non-hydrocarbon Sector

Volume of Sales



In the non-hydrocarbon sector, the BOI for the Volume of Sales parameter has moderated by 5 points to 58 in Q2 2014 from 63 in Q1 2014. Although the BOI for the sales parameter has moderated, a y-o-y comparison of the same indicates an 18 point increase. Despite the marginal downtrend q-o-q, sales expectations are strong as 65% of the respondents expect an increase in sales the second quarter on the back of a booming economy and introduction of new projects.

New Orders

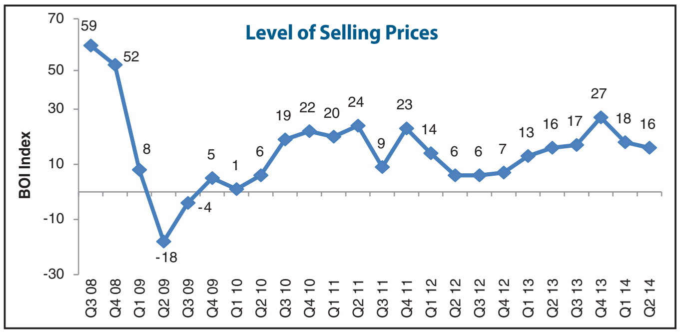


The BOI for the New Orders parameter tracked sideways from the score in the previous quarter to stand at 64 in Q2, which is 8 points higher on a y-o-y basis. 67% of the non-hydrocarbon sector respondents anticipate an increase in their order book status due to new construction and infrastructure projects in the pipeline, conducive market conditions and new clientele base. Another 30% respondents do not anticipate any change in their new orders.

Decide with Confidence

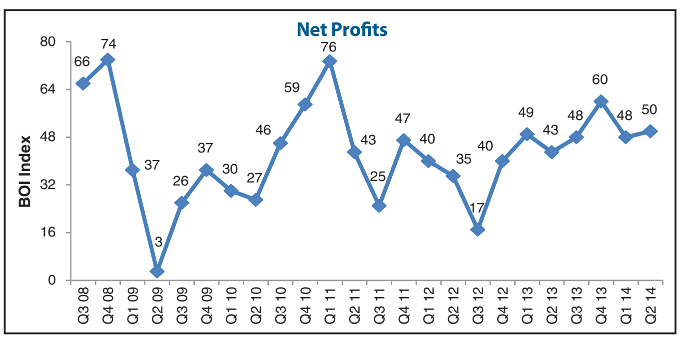
Dun & Bradstreet's
Business Optimism Index – Qatar

Level of Selling Prices



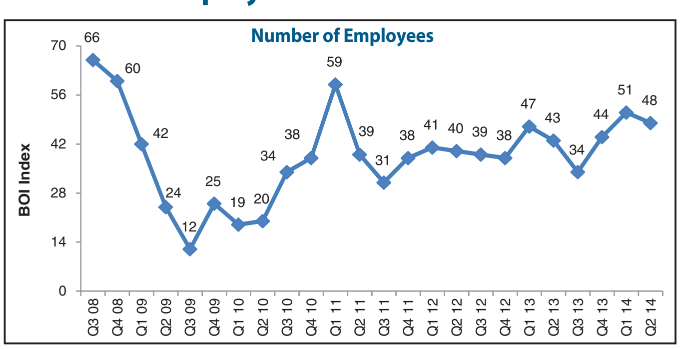
The BOI for the Level of Selling Prices tracked sideways from 18 in Q1 2014 to 16 in Q2 2014. A majority (68%) of the respondents have highlighted that they will be keep prices stable in the second quarter. 24% have indicated that they will increase prices on the back of more demand for goods and services during the summer season, and higher cost of raw materials and overheads.

Net Profits



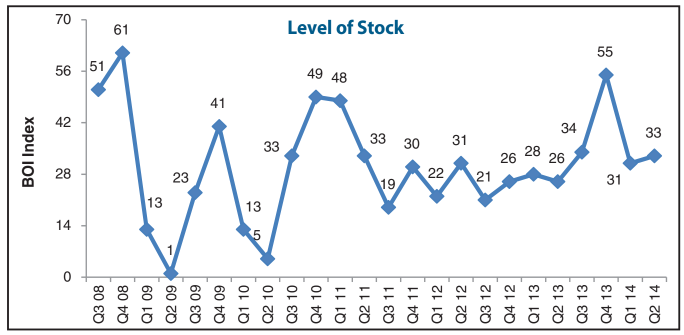
Reversing last quarter's downward trend, the BOI for the Net Profits parameter has gained 2 points to 50 in Q2 2014, with 59% of the respondents citing expectations of higher profits due to more revenues from business expansion and new projects.

Number of Employees



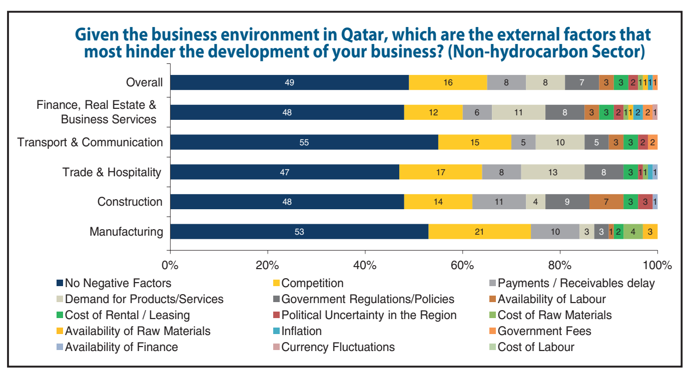
The hiring trend is more or less steady with only a marginal 3 point drop in the BOI for this parameter. Respondents stand divided with 50% planning to increase their employee strength on the back of more projects and contracts while 48% planning to keep the employee count at its current level.

Level of Stock



The Level of Stock BOI has inched up marginally to 33 in Q2 2014 from 31 in the previous quarter. A maximum number of respondents (57%) cited that they are satisfied with current stock levels, while 38% will increase the same on the back of increased sales volumes, business expansion plans and new projects.

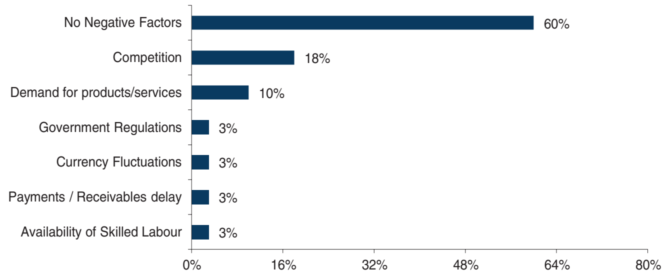
Business Challenges



49% of the non-hydrocarbon sector respondents do not anticipate any negative actors to impact their business in the second quarter.

The top three challenges affecting businesses in this sector include competition (cited by 16% of the respondents), followed by delays in payment receivables and slow demand for goods and services (each factor pointed by 8% of the respondents).

Giventhe business environment in Qatar, which are the external factors that most hinder the development of your business? (Hydrocarbon Sector)

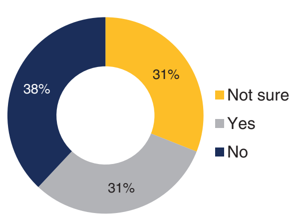


The hydrocarbon sector firms are more optimistic for Q2 with respect to the business environment as compared to the last quarter. In Q2 2014, 60% of the respondents indicated that they do not foresee any negative factors impacting business operations in Q2, as compared to 48% in the previous quarter. However, the intensity of competition as a factor hindering operations has increased as 18% pointed this as a challenge compared to 10% in the previous quarter. Other important concerns impacting this sector include slow demand for products and services (indicated by 10% of respondents) while government regulations, currency fluctuations, delay in payment receivables and lack of skilled labour are concerns for 3% of respondents each.

Investment plans

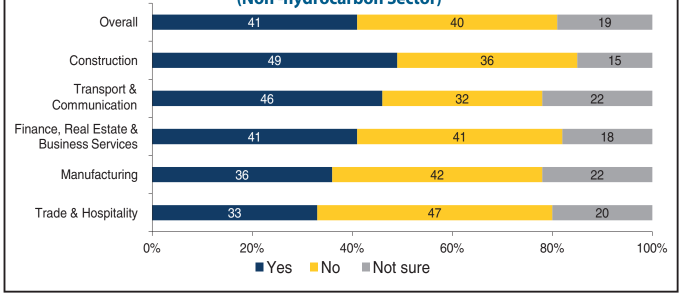
Sentiments of the hydrocarbon sector business firms in terms of the investment outlook has moderated as only 31% of the respondents plan to undertake business expansionary activities compared to 53% in Q1 2014.

Does your company plan to invest in business expansion? (Hydrocarbon Sector)



The investment outlook of the non-hydrocarbon sector has also weakened with 41% of the businesses planning on business expansions compared to 47% in the previous quarter. Construction sector companies are the most optimistic among others with 49% planning on expanding operations in the upcoming quarter. On the other hand, the trade & hospitality sector have indicated the least optimism with 33% planning to invest in expansionary activities in Q2 2014.

Does your company plan to invest in business expansion? (Non -hydrocarbon Sector)



Decide with Confidence

About Dun and Bradstreet (D&B)

Established in 1841, D&B is the world's leading source of business information, research insight & advisory; enabling companies to Decide with Confidence®. D&B's global commercial database contains more than 230 million business records. Through the D&B Worldwide Network – an unrivalled alliance of D&B and leading business information providers around the world – customers gain access to the world's largest and highest quality global commercial business information.

Dun and Bradstreet South Asia Middle East Ltd. offers a suite of information solutions across the region. D&B services are used extensively by Banks, Financial Institutions, Government Departments, Multinationals, Corporate Entities, Small and Medium sized Enterprises, Exporters and Importers.

For more information on D&B's publications & services visit www.dnbsame.com

About our partners

About Qatar Financial Centre

Established by the Government of Qatar in 2005, the Qatar Financial Centre ("QFC") is an on-shore centre which has become an integral part of Qatar's economy and rapid growth story and is fulfilling its mandate to help build a world-class financial and business environment in Qatar, providing a platform for domestic, regional and international growth. The QFC comprises four independent bodies: the QFC Authority; the QFC Regulatory Authority; the Civil and Commercial Court (First Instance and Appellate Divisions); and the Regulatory Tribunal.

The QFC Authority is the commercial and strategic arm of the QFC; it is responsible for developing and ensuring compliance with the QFC regulations and rules comprising the QFC's legal and tax environments; it is responsible for the administration of the Companies Registration, Employments Standards and Immigration Offices respectively; and it is also responsible for the licensing of all firms applying to conduct non-regulated permitted activities. The QFC continues to attract a broad range of leading regulated and non-regulated firms, both domestic and international.

QFC-licensed firms benefit from an environment which operates to international standards, with a legal system based on English Common Law, regulation which is risk and principles-based and a competitive tax regime. Business can be carried out in or from the QFC, in local or foreign currency. Uniquely, this allows businesses to operate both locally and cross-border. Furthermore, the QFC allows 100% ownership by foreign companies and all profits can be remitted outside of Qatar.

Dun and Bradstreet South Asia Middle East Ltd.
Mr. Rajesh Mirchandani
Chief Executive Officer
National Bank of Fujairah Building
PO Box-72478
Dubai, UAE
Tel: +971 4 7027300
Email: eag@dnbsame.com

Qatar Financial Centre Authority
QFC Tower, 20th floor, West Bay
Tel: +974 4496 7777
Fax: +974 4496 7676
Email: info@qfc.com.qa
Website: www.qfc.com.qa
P.O. Box: 23245, Doha
Qatar