Decide with Confidence

Dun & Bradstreet's
Business Optimism Index – Qatar
Sponsored by the Qatar Financial Centre Authority

Q1 2014

Key Highlights

- With the composite index at 49, the business sentiment in Qatar's non-hydrocarbon sector stands at the second highest level in three years
- Hydrocarbon sector optimism has moderated to 18 from the previous quarter, mainly weighed down by expectations of stability in all parameters
- The indicator for employment, Number of Employees, is at the highest level in three years for the non-hydrocarbon sector. Construction sector has the most optimistic outlook on hiring
- 48% of the non-hydrocarbon sector respondents do not anticipate any negative factors impacting business operations in Q1 2014 compared to 72% in Q4 2013
- Rising competition and slow demand are key challenges impacting non-hydrocarbon firms
- Large companies are more optimistic than SMEs with respect to sales volumes, new orders and profitability outlook
- The investment outlook of companies has improved in Q1, 2014 - 53% of hydrocarbon firms (vs. 33% in Q4, 2013) and 47% of non-hydrocarbon sector companies (vs 35% in Q4, 2013) will invest in business expansion in Q1, 2014

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

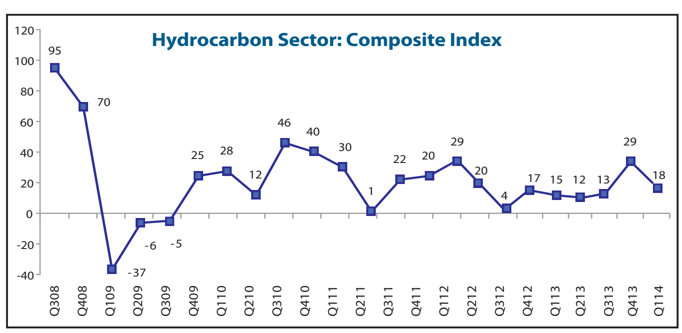
The world economy experienced subdued growth for another year in 2013, with underperformance observed across almost all regions and major economic groups. Most developed economies continued struggling in an uphill battle against the lingering effects of the financial crisis, grappling in particular with the challenges of taking appropriate fiscal and monetary policy actions. A number of emerging economies, which had already experienced a notable slowdown in the past two years, encountered new headwinds during 2013 on both international and domestic fronts. However, signs of improvements have shown up more recently: the Euro area has finally come out of a protracted recession, with GDP for the region as a whole returning to growth; a few large emerging economies, including China, seem to have backstopped a further slowdown and are poised to strengthen. In the US, fiscal tightening and a series of political gridlocks over budgetary issues last year weighed heavily on growth. However, US GDP is expected to grow stronger in 2014. According to the IMF, the US economy will grow at a faster pace than previously expected. In an update to its World Economic Outlook, the IMF has predicted global economic growth of 3.7% in 2014, an upgrade on the 3.6% growth it forecast last October, attributing the rise to improving conditions in advanced economies. In many emerging market and developing economies, stronger external demand from advanced economies will lift growth, although domestic weaknesses remain a concern.

Hydrocarbon Sector

The International Energy Agency said in December that the upbeat outlook for the US and Europe and economic recovery in other advanced economies is expected to lift global oil demand. Oil consumption in the OECD group of countries grew between April and June for the first time after eight consecutive quarters of contraction and accelerated in the third quarter. However, despite the stronger than expected performance by the world's richest economies, it is the non-OECD economies which are still forecast to continue leading oil demand growth. According to the IEA, demand will increase by 1.2 million bpd, or 1.3%, to 92.4 million bpd in 2014. On the supply side, disruptions continued. Libyan oil production fell to just 220,000 bpd in November, the lowest since the 2011 war, while there was also lower output in Nigeria, Kuwait, the United Arab Emirates and Venezuela.

The average monthly OPEC basket eases from US$ 108.73 per barrel in September to US$ 106.69 per barrel in October and US$ 104.97 per barrel in November due to easing of tensions in the Middle East. Negotiations between the West and Iran surrounding the latter's nuclear program reduced the political factors that had elevated oil prices this year. This followed the US backing-off from military intervention in Syria in the previous month. After dipping sharply in early November, crude oil prices rallied through the rest of the month and averaged US$ 107.67 per barrel in December, regaining all of the previously lost ground due to a slew of encouraging economic data, particularly in developed countries, which boosted the prospect of global oil demand. In addition, crude found support from global factors, including the disruptions to supply in key producers such as Libya, Iraq and Iran.

In Qatar, the higher production of natural gas in the third quarter of 2013 was the primary cause of real GDP growth for the mining and quarrying sector. LNG facilities came back to full operational capacity after some downtime for maintenance over the last year. However, crude oil production declined from 724,000 bpd in the second quarter to 719,000 bpd in the third quarter. The constant price GDP of this sector in Q3, 2013 has been estimated at QAR 38.19 bn, which shows a growth of 1.8% over the estimate of Q3, 2012. The oil and gas sector will continue to have a limited impact on the country's GDP as the government does not plan to lift the moratorium in 2014, when it had originally been expected to be reviewed. The IMF forecast in November that Qatar's oil GDP, adjusted for inflation, would grow just 0.4% in 2013 and decline by 1.1% in 2014 after a 1.7% rise in 2012.

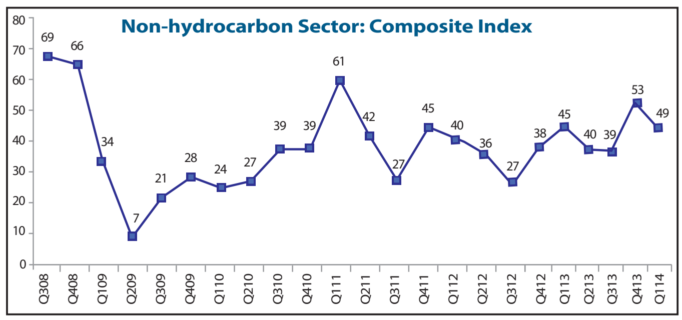


The BOI survey reveals that the composite BOI for Qatar's hydrocarbon sector has moderated to 18 from 29 in Q4 2013. Y-o-Y comparisons suggest that the optimism levels have tracked sideways in Q1 2014. Though the overall optimism levels indicated by the composite scores are impacted by a down trend across all parameters, a majority of the respondents foresee no change in Q1 2014 with respect to individual parameters indicating stability. 72% of the hydrocarbon sector respondents do not foresee a change in selling prices in Q1 2014 and only 10% foresee a decline. With respect to sales expectations, 49% of the respondents do not foresee any change in sales levels in Q1 2014 as they have secured long term contracts in the previous quarters. In terms of profitability outlook, 44% of the respondents do not anticipate any change in profitability in Q1 2014 whereas 38% expect profitability to increase due to reducing costs and improving business conditions. The hiring outlook for non-hydrocarbon sector is stable; 59% of the sector respondents do not plan any change in their workforce in Q1 2014 as they do not foresee any major change in production levels.

The intensity of challenges being faced by hydrocarbon companies has increased in this quarter; 57% of the respondents foresee negative factors impacting business operations in Q1 2014 compared to 40% in Q4 2013. Weak demand for products and services and increasing competition are concerning factors for 15% and 10% of the respondents respectively while 5% have identified other factors such as lack of good infrastructure and high operational costs impacting their business operations. Despite the moderation in the BOI index scores, the investment outlook of companies in the hydrocarbon sector has improved with 53% of the respondents planning to invest in business expansion in Q1 2014 compared to 33% in Q4 2013.

Non-hydrocarbon sector

Qatar's economy will continue to display solid growth in 2014 on the back of implementation of large infrastructure projects and the fast-growing population which will bolster domestic demand. The country's economic growth accelerated to 6.2% y-o-y in the third quarter from 6% in Q2 spurred by double-digit growth in trade, restaurants and hotels; construction; transport and communication; financial, real estate, and business services; as well as domestic services. The non-hydrocarbon sector grew 9.5% year-on-year in the third quarter of 2013. The transport and communication sector grew at 13.9% y-o-y, driven by the Ramadan festival, which boosted travel and tourism, as well as higher mobile subscribers, which is a key characteristic of the stronger growth in private consumption boosted by a growing population. The finance, real estate, and business services sector grew 10.5% y-o-y, as real estate services were boosted by the growing population, while the construction sector, grew at 13% as Qatar's infrastructure development program is gathering momentum. A new wave of expatriate workers is coming into Qatar in response to higher labour demand for infrastructure projects, which will continue to drive economic growth by boosting domestic demand, services as well as investment in housing and other infrastructure.



Qatar's non-hydrocarbon sector composite BOI for Q1 2014 has tracked sideways compared to the previous quarter as well as in comparison with the same period in the previous year, reflecting a stable business outlook. The BOI for the Volume of Sales parameter stands at 63 compared with 65 in Q4 2013; a majority 68% of the sector respondents foresee an increase in sales volumes in Q1 2014 as they expect market conditions to improve and expanding demand to bring in more business opportunities. The New Orders parameter stands at 65 versus 67 in the previous quarter. The pricing outlook has moderated as a majority (68%) of the non-hydrocarbon sector respondents do not foresee any change in their pricing considering high level of competition in the market; the BOI for the Level of Selling Prices parameter stands at 18 compared to 27 in the previous quarter. Though the sales and new orders expectations evince an optimistic trend, a lid on pricing has weighed on the profitability expectations for the sector; the BOI for the Net Profits parameter stands at 48 compared to 60 in the previous quarter. The hiring outlook has improved as indicated by the uptrend in the parameter for Number of Employees BOI which stands at 51 compared to 44 in the previous quarter; 53% of the respondents plan to increase their workforce considering expansion business activities. The Level of Stock parameter stands at 31 compared to 55 in the previous quarter; a majority (61%) of the sector respondents do not anticipate any change in their inventory levels in Q1 2014 as they are holding appropriate stock levels to support their businesses.

48% of the non-hydrocarbon sector respondents have said that they do not anticipate any negative factors to affect business operations in Q1 2014 compared to 72% in the previous quarter. Rising competition is a leading challenge identified by 12% of the sector respondents similar to the previous quarter's score of 10%. 10% of the non-hydrocarbon sector respondents are concerned about challenges due to low demand for products and services. Delays in payment receivables are a concern for 8% of the non-hydrocarbon sector respondents while 5% are concerned about government regulations (visa and labour policies, import-export regulations). Inflation and availability of finance and availability of labour each are a challenge for 3% of the respondents.

Optimism levels with respect to investment plans in Q1 2014 have improved compared to the previous quarter; 47% of the sector respondents plan investment in business expansion versus 35% in Q4 2013. 35% of the respondents do not plan investments and 18% are unsure about their investment plans.

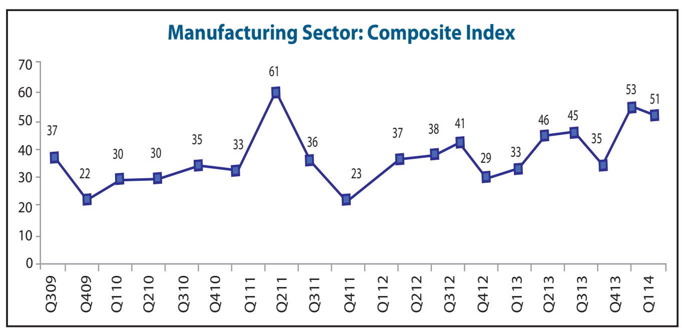
SME v/s Large Company

A comparison between large companies and SMEs shows that large companies are more optimistic than SMEs with respect to sales volumes, new orders and profitability. However, both groups hold a similar business outlook towards selling prices and hiring. With respect to Volume of Sales, 78% of large companies expect an increase in sales compared to 66% of SMEs. In terms of prices, though the BOI shows an identical score, a higher percentage of SMEs (26%) anticipate an increase in selling prices compared to large companies (20%).

With respect to investment in business expansion, large companies are slightly more optimistic than the SMEs; 51% of the large companies foresee investment in business expansion in Q1 2014 compared to 46% of the SMEs.

Manufacturing sector

The global economy appears to be gaining momentum. The December survey of global manufacturing showed a strong gain, with the total index reaching its highest level in 32 months. The J.P. Morgan Global Manufacturing PMI rose to 53.3 in December, up from 53.1 in November. The average reading of the headline PMI through 2013 as a whole (51.5) was better than the stagnation signalled over 2012 (50.0). The rate of expansion registered for the final quarter of 2013 was the best since Q2 2011. Output growth was again led by the G7 developed nations in December, as robust expansions in the US, Japan, Germany, the UK (which registered the highest Output PMI reading of all countries) and Italy offset the ongoing contraction in France and a sharp growth slowdown in Canada. Among the larger emerging nations, rates of increase for production eased in China, India and Russia.



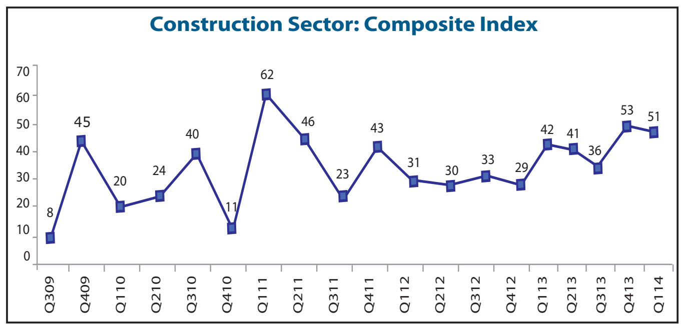
The composite BOI for the manufacturing sector in Qatar has tracked sideways in Q1 2014, indicating a stable business outlook. The sector's sales outlook is very optimistic. The Volume of Sales parameter stands at 73 compared to 69 in Q4 2013 and a majority (74%) of the business units anticipate an increase in sales levels in Q1 2014 on growing market demand, new projects and contracts while some expect growth in sales considering the seasonal expansion of demand. The New Orders outlook too has evinced a strong trend with 72% of the sector respondents expecting an increase in New Orders as business units plan business expansion considering the growth in market demand and improving business conditions. The Level of Selling Prices parameter has moderated to 15 from 27 in the previous quarter though the pricing expectations are stronger when compared Y-o-Y. 69% of the sector respondents do not foresee any change in pricing in Q1 2014 given high competition and competitive prices in the market. Considering steady prices, business expectations in terms of profitability for Q1 2014 have moderated; the composite score for the Net Profits parameter has dropped 10 points to 52 from 62 in Q4 2013. The hiring outlook of the sector has improved when compared to the previous quarter, the BOI for the Number of Employees parameter stands at 49 compared to 44 in Q4 2013; 50% of the business units plan to increase their headcount considering growth in business activity and in anticipation of increased workflow while 49% of the respondents do not plan any change in employee numbers as they have sufficient employee strength to support the growing business activity. The BOI for the Level of Stock parameter stands at 34 compared to 51 in the previous quarter, as a majority (58%) of the respondents do not foresee any change in inventory levels in Q1 2014 as most of the business units plan to utilize the existing stock for fulfilling orders.

47% of the business units do not foresee any factors negatively impacting business operations in Q1 2014 compared to 71% in the previous quarter. 19% foresee competition impacting business operations. Low demand for products and services is a concern for 10% of respondents while 9% anticipate delays in payment receivables as a factor impacting their business operations in Q1 2014.

The manufacturing sector is the most optimistic in terms of business expansion plans in Q1 2014 as 52% (highest among all sectors) of the sector respondents plan to invest in business expansion.

Construction sector

According to a recent research conducted by Timetric, the global construction industry is confident on revenue growth in 2014, with increased investments in IT infrastructure, public and private-sector construction projects, and growing demand for sustainable construction likely to be key growth drivers. Emerging regions of the world continue to perform particularly well, thanks to heavy investment in energy and infrastructure. Other countries associated as primary expanding markets are US, Canada, Singapore, Australia and the UK. Every region of the world apart from Europe is expected to see robust growth in their construction markets. While there is general optimism across the construction industry, there are still barriers to growth as the industry is heavily reliant on the national governments' infrastructure plans for future growth.



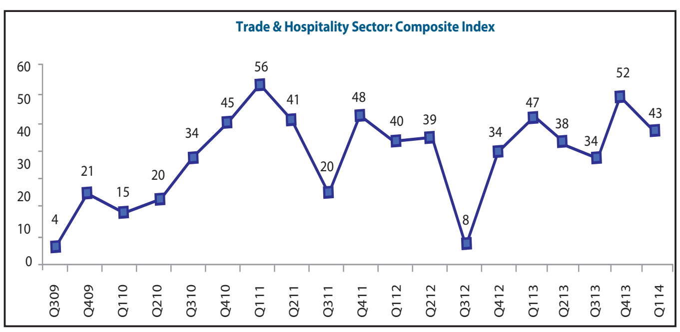
Overall optimism levels in the construction sector has remained almost the same in Q1 2014 compared to the previous quarter but the levels are higher when compared Y-o-Y. The BOI for the Volume of Sales parameter stands at 62, as a majority (65%) of the sector respondents foresee an increase in sales in Q1 2014 as they anticipate market conditions to improve, demand to expand and more projects to commence in Q1 2014. The New Orders BOI stands at 67 compared to 63 in Q4 2013; 69% of the sector respondents foresee an increase in new orders in the first quarter of 2014 in anticipation of new contracts and improving business conditions. The selling price optimism has moderated slightly from 30 to 23 in Q1 2014; 67% of the sector respondents do not anticipate any change in selling prices. The Net Profits parameter has dropped by 12 points to 45 in Q1 2014 from 57 in the previous quarter. The Number of Employees parameter stands at 59 compared to 52 in Q4 2013; 62% of the respondents plan to increase their workforce to support their expanding business activities.

A majority (50%) of the construction sector respondents do not foresee any negative factors impacting business operations in Q1 2014. 11% of the respondents are concerned about slow demand for products and services (delays in projects), while 7% each of the respondents have identified payment delays and availability of finance as a challenge. Competition is a challenge for 6% of the respondents while government regulations and inflation are a concern for 5% each of the sector respondents.

Construction sector companies are upbeat on business investments, 47% of the sector respondents plan to invest in business expansion compared to 39% in the previous quarter.

Trade & Hospitality sector

There are two basic factors impacting global retail demand. While high-end consumers are back, the middle class largely remains in frugality mode. In terms of retailer performance it has led to the creation of a structure in which luxury retailers are doing well at one end of the spectrum and discounters are doing well at the other. The other big factor impacting retailer growth is the impact of e-commerce. The continued growth of e-commerce is changing the buying patterns of consumers and is radically shifting the way that many retailers look at their real estate portfolios. An improved economic forecast for the US and some other economies should guide retailers to greater profitability in 2014.



The survey reveals a moderation in the outlook of Qatar's trade and hospitality sector for the first quarter of 2014; however optimism levels still remain quite strong. The composite index for Q1 2014 stands at 43, which is 9 points lower than the index in Q4 2013 and 4 points lower in a y-o-y comparison. All parameters except number of employees have registered a drop. While the trading sector expectations are robust, the overall lower optimism is primarily due to expectations of Hospitality firms. Respondents in the hospitality sector focusing on business tourists foresee reduced demand due to a limited number of conferences and events in Q1, 2014. Overall, 63% of the trade & hospitality firms expect an increase in sales volume in Q1 2014 (BOI for sales volume at 55 versus 67 in Q4 2013) on the back of better economic conditions, higher seasonal demand and new projects. 59% expect to receive new orders stemming from business from new clients (BOI for new orders at 55 in Q1 2014 versus 71 in Q4 2013). Selling prices expectations remain steady with the BOI at 20 compared to 21 in the previous quarter. Profitability outlook has moderated, in line with the demand and price expectations; 54% expect higher profits and 37% do not foresee any change. The hiring outlook has however improved with the BOI at 42 compared to 36 in Q4 2013. The BOI for level of stock has dropped by 10 points from 39 in Q4 2013 to 29 in Q1 2014.

52% of the respondents in this sector do not foresee any negative factors impacting their business operations in Q1 2014; the corresponding number for Q4 2013 stood at 74%. Competition remains a prime challenge for 16% of the respondents while 11% are challenged by slow demand for products and services. Delays in payment receivables and other factors such as lack of supportive infrastructure and high operational costs are a concern for 4% each of the respondents.

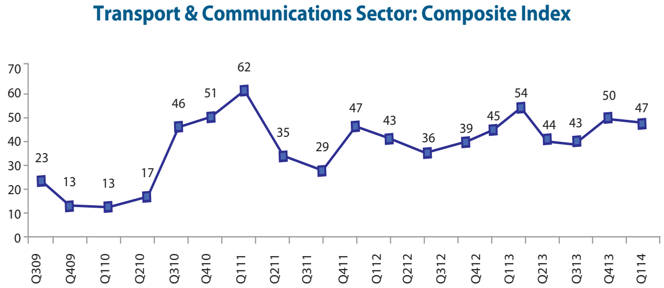
The survey shows that investment plans for the trade and hospitality sector have improved; 50% plan investments in Q1 2014 versus 32% in Q4 2013.

Transport & Communications sector

According to the International Transport Forum freight data through September 2013, the overall picture for global freight shows no major improvement. Total external trade by sea (in tons) continues to stagnate below pre-crisis levels in the US (-8%) and EU27 (-3%). Exports and imports transported by sea display increasingly diverging trends. Total exports remain above pre-crisis levels (EU27 28%, United States 19%) while imports decline further

(EU27 -15%, US -24%). This reinforces the observation of a rebalancing trade and transport flows, mainly driven by weak performance of the advanced economies. Air freight, considered a lead indicator, suggests continued uncertainty. US external trade by air stagnates below pre-crisis levels. However, EU trade by air rebounds above the pre-crisis peak (+3%), indicating a potential improvement of the economic outlook. Exports to BRICS, and more specifically to China and India, have been the locomotive of European and North American growth since the crisis of 2008. However, the trade data indicates a slowing down.

Transport & Communications Sector: Composite Index



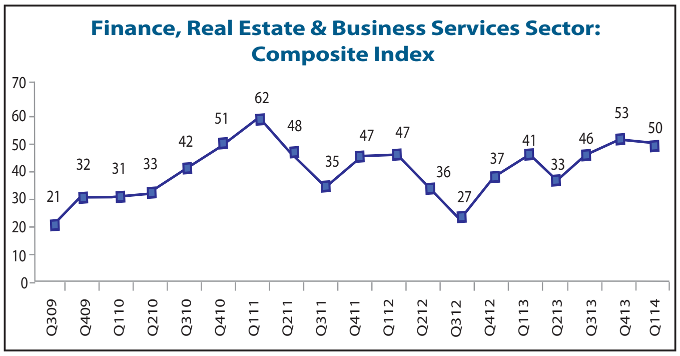
Business sentiments among the transport & communication sector companies are steady for Q1 2014 compared to the previous quarter. The composite index for this sector stands at 47, which is comparable to the BOI score of 50 in Q4 2013. The BOI for Volume of Sales stands at 59 versus 64 in Q4 2013, with 71% of the respondents citing an increase in sales volumes due to higher demand for transportation services from the construction sector (transportation of building materials). High demand expectations are on the back of transportation requirements for on-going infrastructure projects. The New Orders BOI stands at 66 compared to the previous quarter's 68, with a maximum (68%) of the respondents reporting an increase in their order book status. The outlook for selling prices has however moderated from 22 in Q4 2013 to 11 in Q1 2014 with a substantial 83% of the respondents indicating no change in their selling prices. The corresponding outlook for profitability has also retreated, with the BOI at 45 in Q1 2014 compared to 62 in Q4 2013. The hiring outlook has improved significantly; the BOI stands at 55 in Q1 2014 compared to 35 in Q4 2013 with more than half (57%) of the respondents citing that they will up their headcount due to increase in business operations.

The percentage of transportation sector respondents facing business challenges have more than doubled in this quarter. 55% of the respondents foresee negative factors impacting their businesses in Q1 2014 compared to 19% in Q4 2013. Delay in payments/receivables is the prime concern for 17% of the businesses in this sector, while 8% each are concerned about slow demand for their products/services and government regulations. 6% are concerned about competition and another 5% are impacted by the unavailability of labour.

This sector holds the lowest optimism level for business expansion activity in Q1 2014. 34% of the respondents do not plan investment in business expansion while 26% have said that they will invest in expansionary activities in Q1 2014 and the remaining 40% are unsure.

Finance, Real Estate & Business Services sector

Free money from the US Federal Reserve allowed Turkey, South Africa, India, Brazil, and Indonesia and others to run deficits as their higher interest rates created a demand for their bonds and currencies. So far the markets seem to have taken the US Federal Reserve's 'taper' of its quantitative easing program in its stride. Financial conditions in advanced economies have eased with little change since the announcement by the US Federal Reserve on December 18, 2013 that it will begin tapering its quantitative easing measures this month. This includes further declines in risk premiums on government debt of crisis-hit Euro area economies. But there could be challenges going ahead. The emerging markets, which for the past five years did so much to pull the world back from the brink, are beginning to weaken. China is experiencing uncomfortable tremors in its financial system. For emerging markets, one of the main impacts will be with their currencies because one of the many things they have in common is deficits. While the Indian Rupee has strengthened a bit from its September bottom, the Brazilian Real has not. The Indonesian Rupiah and the South African Rand are declining and the Turkish Lira has hit a record low. Falling currencies will result in rising inflation and then rising interest rates, which potentially translates into slower growth.



The survey reveals stability in optimism levels for the finance, real estate & business services sector in Q1 2014 compared to the previous quarter but is an improvement compared to the same quarter a year ago. The composite index for the sector stands at 50 compared to 53 in Q4 2013 and 41 in Q1 2013. The slight q-o-q moderation is particularly due to lower expectations of Real Estate & Business Services firms. Among all the firms in this sector, Finance & Insurance firms are the most upbeat about Q1, 2014 in terms of sales and profits. Overall, the BOI for Volume of Sales has trended sideways with the index at 64 in Q1 2014 versus 65 in Q4 2013 (70% of the respondents foresee an increase in their sales volumes on the back of higher demand from new projects). The New Orders parameter is slightly lower; the BOI stands at 65 compared to 71 in Q4 2013. Selling prices expectations have moved back; the BOI is at 17 compared to 28 in Q4 2013. Profitability expectations remain strong although slightly lower compared to the previous quarter; the BOI stands at 52 in Q1 2014 versus 58 in Q4 2013. The hiring outlook has become stronger compared to Q4 2013; the BOI stands at 50 in Q1 2014 compared to 44 in Q4 2013. Reflecting the optimism for new orders, 51% of the respondents will increase their employee numbers to cater to new projects and expansion plans.

49% of the respondents in this sector do not foresee any challenges facing business operations in Q1 2014 compared to 71% in the previous quarter. 14% are concerned about competition, 9% about slow demand for products and services, while 8% face operational challenges related to government regulations (visa & labour policies, delays in government approvals).

The survey data reveals that the investment outlook of finance, real estate and business services firms have improved. 47% of the sector respondents plan to invest in business expansion in Q1 2014 as compared to 35% in the previous quarter.

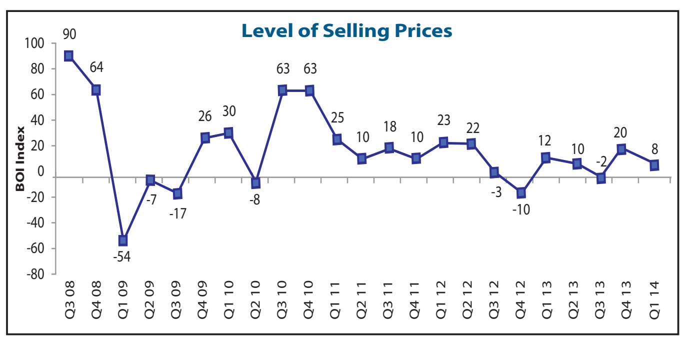
Appendix

Hydrocarbon Sector

Volume of Sales

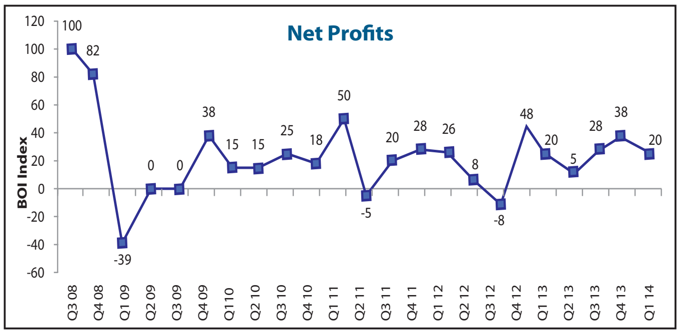
The BOI for the Volume of Sales parameter stands at 25 compared to 50 in Q4 2013. Though the composite score for the optimism level of the hydrocarbon sector has dropped, almost half of the sector respondents do not foresee any change in the sales outlook as they expect new contracts to come in after March 2014 whereas only 13% foresee a decrease in sales.

Level of Selling Prices



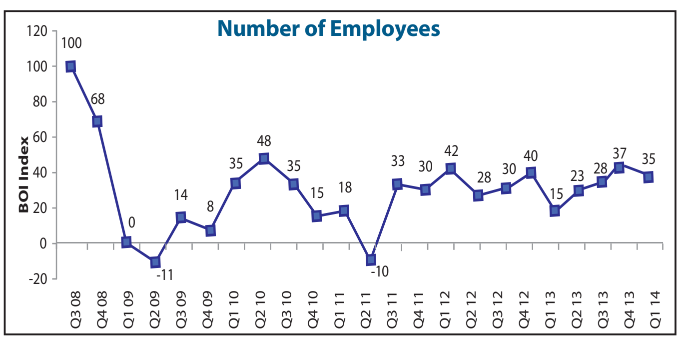
A majority (72%) of the respondents do not foresee any change in selling prices as they do not expect any major change in business conditions. In addition, some businesses have pre-determined contracts with pre-determined prices. 18% of the respondents expect prices to increase whereas 10% expect a decline in Q1 2014. The composite BOI for Level of Selling Prices has declined 12 points to 8 in Q1 2014 from 20 in Q4 2013.

Net Profits



The BOI for the Net Profits parameter stands at 20 in Q1 2014 compared to 38 in Q4 2013. 44% expect no change in the profitability levels considering that there will be no major change in sales and pricing while 38% of the respondents foresee an increase and only 18% anticipate a decline in profitability in Q1 2014.

Number of Employees

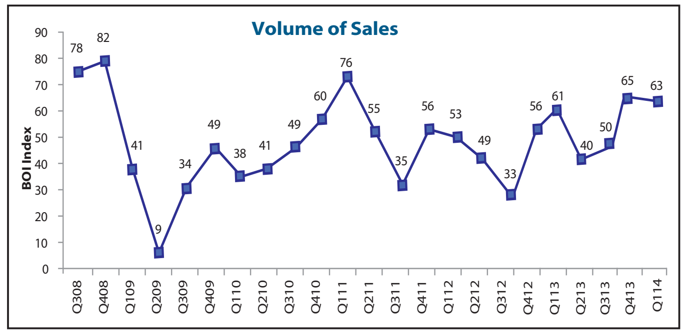


The BOI for Number of Employees for the hydrocarbon sector has remained almost unchanged at 35 compared to 37 in Q4 2013. A majority (59%) of the respondents do not foresee any change as they hold sufficient staff to support current sales and do not anticipate any new orders, while 38% anticipate an increase in employee numbers in Q1 2014. Only 3% of the respondents anticipate a decrease in employee count in Q1 2014.

Non-hydrocarbon Sector

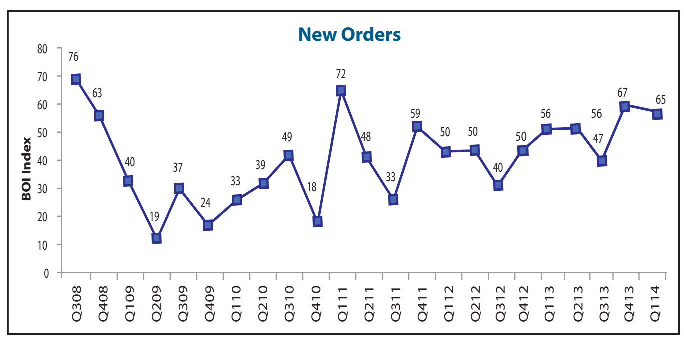
Volume of Sales

The BOI for the Volume of Sales parameter remained



almost unchanged at 63 in Q1 2014 from 65 in the previous quarter. However, the survey indicates increased optimism levels as a majority (68%) of the sector respondents foresee an increase in sales volumes on the back of new projects stemming from Qatar's win of the 2020 FIFA World Cup and better economic conditions. 27% do not foresee any change in sales while only 5% anticipate sales to decline in the current quarter. The BOI score for this quarter is a marginally higher than that recorded in the same quarter last year.

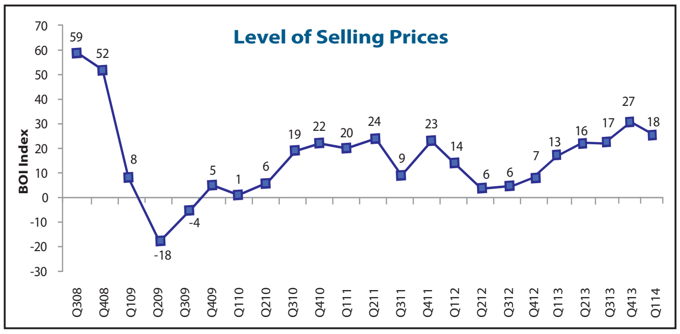
New Orders



The BOI for the New Orders parameter stands at 65 in Q1 2014 tracking sideways from the score in the previous quarter, however on a Y-o-Y basis the BOI for the New Orders parameter is 9 points higher.

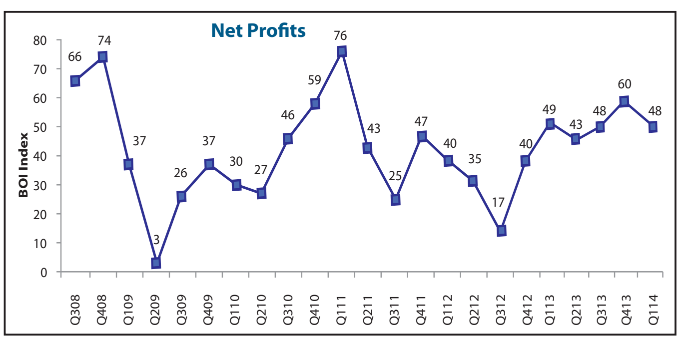
A majority (67%) of the respondents anticipate an improvement in their order book status as a result of new projects and clients. 31% foresee no change while the remaining 2% of the respondents expect new orders to decline.

Level of Selling Prices



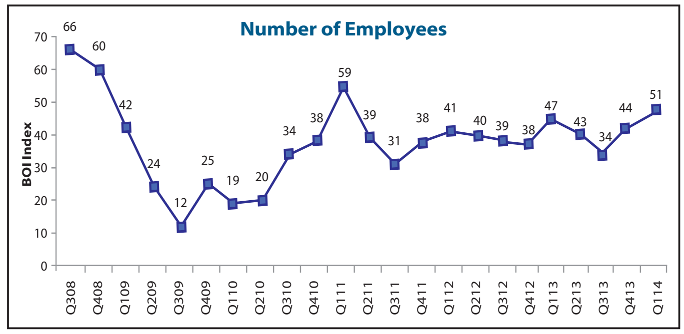
The BOI for the Level of Selling Prices declined to 18 in the current quarter compared to 27 in the previous quarter. A majority (68%) of the respondents in the non-hydrocarbon sector cited no changes in their selling prices in Q1 2014 on the back of competition and regulation of prices. 25% cited that they will increase prices in the current quarter on the back of higher demand and increased cost of raw materials, while the remaining 7% will reduce their selling prices.

Net Profits



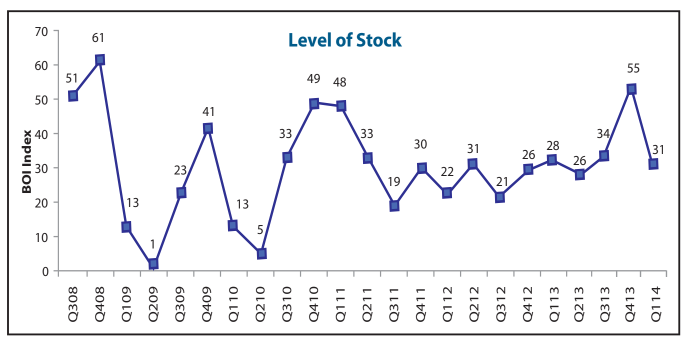
In line with a moderation in the Volume of Sales and Level of Selling Prices parameters, the BOI for the Net Profits parameter has declined to 48 in Q1 2014 and stands at the same score seen in Q3 2013. More than half of the respondents (59%) expect higher profits backed by an increase in sales volumes, selling prices and expansion of business operations in Q1 2014. While 30% of the sector respondents do not foresee any change in their profit levels, 11% expect net profits to decline in the current quarter.

Number of Employees



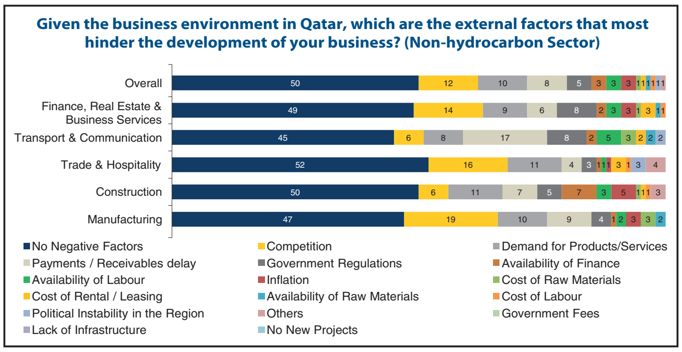
The BOI for the Number of Employees parameter has gained 7 points to 51 in Q1 2014; this is the only parameter which has gained this quarter and has witnessed a cyclical upward movement typically seen in the first quarter for the past three years. 53% of the respondents will increase their headcount (compared to 47% in the last quarter) as companies have new projects in the pipeline and due to an increase in new orders. 45% reported no change in employment numbers while 2% expect numbers to decline.

Level of Stock



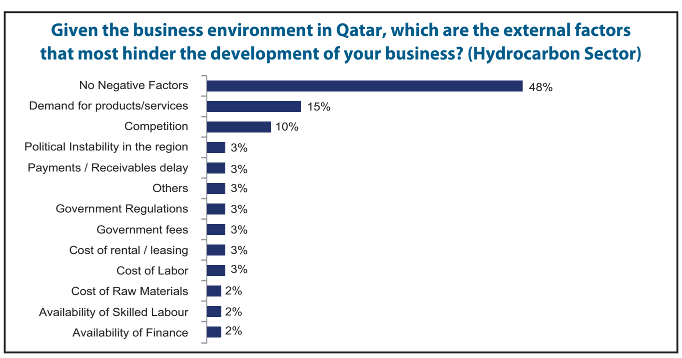
The BOI for the Level of Stock parameter declined more than 20 points to 31 in Q1 2014 compared to the previous quarter's score of 55. Around 60% of the respondents anticipate no change in their inventory levels as companies stock up as per orders and do not maintain any buffer stock. 35% of the respondents expect an increase in their inventory levels while 4% foresee a decline in stock levels in Q1 2014.

Business Challenges



50% of the non-hydrocarbon sector respondents do not anticipate any negative factors to affect business operations in Q1 2014 compared to 72% in the previous quarter.

The intensity of certain key challenges impacting business operations in Qatar has increased in the current quarter. Rising competition is a leading challenge identified by 12% of the sector respondents; marginally higher than the previous quarter's tally of 10%. Slow demand is another challenge impacting 10% of the businesses, up from 3% last quarter. Issues with delays in receiving payments are key concerns for 8% of respondents. 5% of the businesses are concerned with Government regulations while 3% each are affected by availability of finance, skilled labour and inflation.

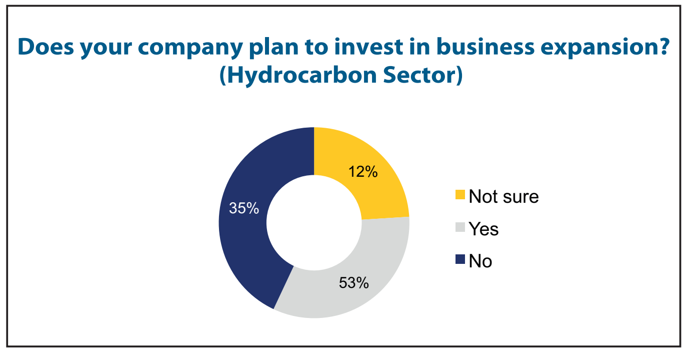


With respect to the hydrocarbon sector's outlook on the business environment, a majority 48% of the respondents do not foresee any negative factors impacting business operations in Q1, 2014 as compared to 60% in Q4, 2013. 15% of the respondents have cited slow demand for products and services as the key business challenge, while competition is a concern to 10% of the respondents.

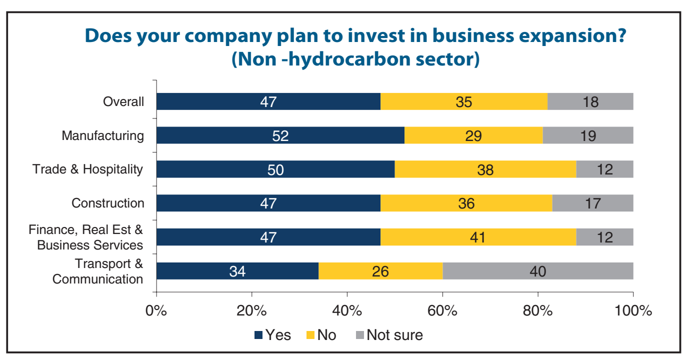
Investment plans

The investment outlook of firms in Qatar has improved significantly as companies continue to see opportunities for business expansion.

More than half of the hydrocarbon companies (53%) plan to invest in business expansion in Q1, 2014 as compared to 33% in the previous quarter.



47% of the non-hydrocarbon respondents have plans to invest in business expansion in Q1, 2014 compared to 35% in the previous quarter. Manufacturing firms are the most optimistic on their business expansion plans with 52% of such firms planning to expand their business in the coming months. On the other hand, transportation & storage sector firms are least optimistic on business expansion plans.



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