Decide with Confidence

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

Q1 2015

Key Highlights

- The composite BOI for the non-hydrocarbon sector has gained 4 points, both on a y-o-y and q-o-q basis to reach 53 in Q1, 2015, on the back of strong expectations of an increase in demand and rise in the number of new projects
- The hydrocarbon sector composite BOI has advanced by 5 points to reach 15 in Q1, 2015, owing to a strong outlook on profitability and hiring
- The trade & hospitality sector has recorded an all-time high BOI score of 57, driven by strong gains in the hospitality sub-segment. It is also the most optimistic among the key sectors of the economy
- The finance, real estate & business services sector has registered the strongest optimism level since Q1, 2011, with positive gains on all five parameters
- The business environment outlook has moderated significantly in both sectors. 22% of the firms in the hydrocarbon sector and 23% in the non-hydrocarbon segment do not expect any obstacles to their operations during the first quarter of 2015 compared to 48% and 47% respectively in Q4, 2014
- Competition is the leading concern for Qatari businessmen and its impact appears to be gaining prominence. The other key factor impacting the non-hydrocarbon segment is delay in payments, while the hydrocarbon firms cite 'falling oil prices' as the second most concerning factor after competition
- 36% of the non-hydrocarbon sector firms have planned capacity expansion investments during Q1, 2015. For the hydrocarbon sector, only 15% of the firms have indicated plans for investment in capacity expansion during the first quarter

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 outlook for the global economy continues to remain moderate and uneven. The IMF has projected that the world economy would expand by 3.5% this year and 3.7% next year, picking up from 3.3% in 2014, but lower than its previous estimates. In October 2014, it had predicted global growth for this year and the next at 3.8 and 4%, respectively and pointed out that economic boost from lower oil prices would be undermined by other setbacks, while growth from a stronger-than-expected US economy would not offset slowing growth in the rest of the world. There are only a few large economies exhibiting growth momentum, with the US at the top of a short list. Most countries, such as the UK, Canada and Australia are reporting moderate economic gains. In contrast, there are an increasing number of nations where output growth is losing momentum. This is evident in the Asia-Pacific region, where the moderation in China's economic growth is being compounded by continuing weakness in Japan. A number of Latin American countries are being squeezed by the softening conditions in the Far East and the ongoing slump in prices of commodity and energy exports. Renewed slowdowns in Germany, France, and Italy have further reduced activity in the Euro zone. Significant downside economic pressures are building in many oil-producing countries/regions in Russia, Africa, Latin America, and the Middle East. Elevated geopolitical risks continue to add to the uncertain outlook, undercutting confidence, spending and investment.

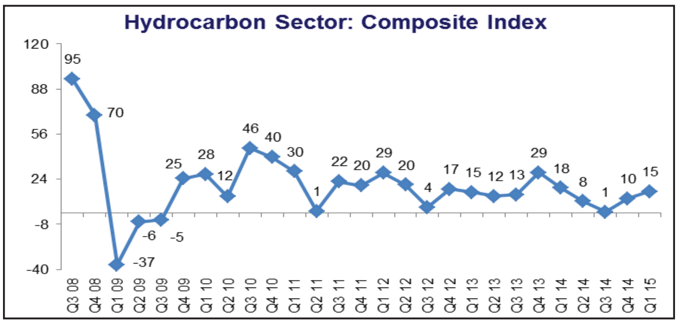
The underlying fundamentals remain supportive of a gradual but discernible improvement in global activity going forward. First, the global economy will get a much-needed jumpstart from the sharp slide in the price of crude oil. Additionally, the US economy is gearing up and should deliver real growth above 3% over the next couple of years. Further, borrowing costs are likely to remain around historically low levels that are supportive of stronger economic activity.

Hydrocarbon Sector

Oil prices have witnessed a sharp drop since June 2014 when Brent topped US$ 115 per barrel amid fears that the IS insurgency would threaten Iraq's oil supplies to under US$ 58 per barrel on 30th December 2014. The significant fall in prices is attributed to weak market fundamentals, amid slow demand growth and a US shale oil boom which has increased supply. Additionally, the return of sizeable Libyan oil supplies after a year-long absence has led to a glut of crude in international markets, putting pressure on prices. Prices have continued to plunge as it may take some time for supply and demand to respond to the price rout. The drop in prices escalated as Saudi Arabia slashed the price of the crude that it sells to Asia and the US. A strengthening US Dollar has also been a key contributing factor. Recently, the IEA cut its forecast for global oil demand growth this year on the expectation of lower fuel consumption. Global confidence was also undermined after the ECB warned that the Euro zone economy was experiencing a massive weakening.

Crude prices were further weighed down after OPEC restated its determination not to cut output, despite a global fuel glut as the cartel is worried that any reduction in its output would have little impact on price and could instead lead to reduction in market share. Saudi Arabia and the GCC exporters were especially averse to the idea of unilateral cuts in production without similar cuts being undertaken by non-OPEC producers such as Russia, Mexico and the US, with the combined output from these three countries approaching OPEC's share of global production.

The steep drop in oil prices is not likely to have as large an impact on Qatar's economy as some of its neighbors, since most of the country's LNG is sold on long-term contracts. Qatar is less sensitive to oil price moves, as around half of its hydrocarbon revenues come from the gas sector and LNG exports. The steep decline in oil prices seen in recent months will however affect fiscal revenues. Whereas flat gas production and receding oil output are seen checking overall expansion in 2014, the commissioning of production from Barzan in 2015 is set to support higher economic growth in 2015–2016. Qatar's oil production has declined in recent months owing to conservative management of maturing oil fields, however, Train 1 of the US$ 10.3 billion Barzan Gas Project is almost complete and is rapidly ramping up for the first production of clean-burning natural gas in the first quarter of 2015. Once Train 2 is complete in the middle of 2015, Barzan will produce about 22,000 bpd of field condensate, 6,000 bpd of plant condensate, 34,000 bpd of ethane, 10,500 bpd of propane and 7,500 bpd of butane.



The BOI survey for Qatar shows an uptrend in outlook for the hydrocarbon sector. After reaching a three year low of 1 in Q3, 2014, the composite BOI has risen to 15 for the first quarter of 2015, facilitated by a gain in all three parameters comprising the index. When compared on a y-o-y basis, the composite index is modestly lower than a year ago. Optimism of volume of sales is stronger compared to the previous quarter, with the BOI at 35 in Q1, 2015 compared to 25 in Q4, 2014 as 48% firms anticipate stronger sales due to expectations of new projects. However, 13% of the oil & gas firms are not hopeful of getting new projects and expect their sales to decline, while 39% expect similar levels as in the last quarter.

With prices being set by contracts already signed, 77% of the participants in the hydrocarbon sector do not expect any changes in their selling prices during Q1, 2015. 10% foresee a decline due to stiff competition and the remaining expect higher prices to cover rising production costs. The BOI for selling prices stands at 3 in Q1, 2015 versus 0 in the last quarter and has remained in single digits for the last five quarters. Expectations of higher sales during the first quarter have led to an improvement in optimism for profitability; the BOI is up from 23 in Q4, 2014 to 30. With new projects requiring additional manpower, the outlook for employment is stronger in Q1, 2015. The BOI has advanced by 7 points from 18 in the previous quarter to 25 for the first quarter of 2015. While 40% of the survey participants expect to hire employees during Q1, 2015, 15% foresee some lay-offs because of fewer projects and declining requirements.

Despite an improvement in the BOI scores, the business environment appears to be getting tougher, with just 22% of the firms indicating that they will not encounter any hindrances to their operations during Q1, 2015 compared to 48% in the previous quarter. The biggest concern is competition as cited by 38% of the respondents. Another 12% have said that declining oil prices will be a cause for business concern.

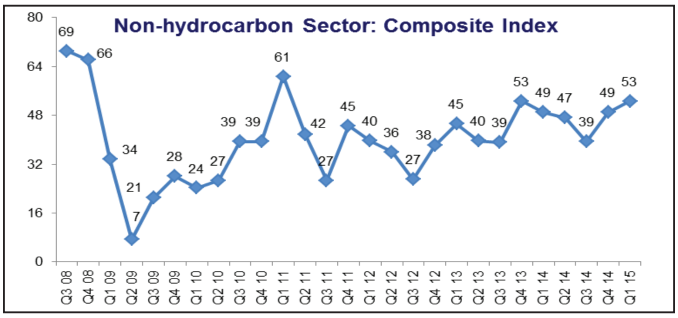
50% of the firms have said that they will not invest in business expansion during Q1, 2015, the same proportion as in the last quarter. A modest 15% of the participants have indicated that they will undertake such investments compared to 28% in Q4, 2014.

Non-hydrocarbon sector

The Ministry of Development Planning and Statistics recently released the Qatar Economic Outlook 2014–2016 Update, which confirms its forecast of a real GDP growth of 6.3% in 2014 and 7.7% in 2015 despite the pressure on oil prices; driven by strong momentum within the non-hydrocarbon economy. Additionally, the non-hydrocarbon sector's share of GDP will overtake that of oil and gas and continue rising in 2016 and beyond. According to the update, the government's continuation of its expansionary fiscal policy and vast investment spending in conjunction with a rapidly growing population will drive growth in the non-hydrocarbon sector. The services sector is expected to be the largest contributor to growth, propelled by investment in large infrastructure projects and property development as well as an increase in demand from the growing population and an increasing influx of tourists into the country. The construction sector will benefit from the rollout of planned public investment projects, including local roads and expressways, the Doha metro and rail, drains and sanitation projects as well as new health centers and education facilities.

The real GDP of the non-hydrocarbon sector in Q3, 2014 showed a growth of 12% y-o-y; the q-o-q growth was 5.5%. The strong y-o-y growth in Q3, 2014 was the result of a double digit rise seen in construction (18.5%), trading (13.7%), transport & communication (10.5%) and financial sectors (13.7%). The 7% jump in the country's population in Q3, 2014 was another factor contributing to this growth.

Qatar's non-hydrocarbon sector has revealed a stronger outlook for Q1, 2015 when compared to the last quarter as well as last year, led by an improvement in sentiments with respect to the level of selling prices, profitability and hiring. Stronger sentiments are based on increased optimism regarding new projects and new clients from a growing market and a booming economy boosted by robust infrastructure growth.



The composite BOI for the non-hydrocarbon sector has advanced from 49 in Q1, 2014 to 53 in Q1, 2015 on the back of a growing economy which in turn has given rise to new projects and clients. Demand indicators are almost at the same level observed in the last quarter, reflecting strong sentiments. At 63, the BOI for Volume of Sales is just 3 points short of the score in Q4, 2014, with 68% of the firms expecting higher sales and 27% anticipating "no change" in the parameter. The BOI for New Orders has tracked sideways from 65 in Q4, 2014 to 64 in Q1, 2015, as two-thirds (67%) of the respondents have indicated that they expect to see an improvement in their order book status. A marginal 3% foresee a decline in orders. Selling prices are expected to be higher in Q1, 2015 bolstered by the rising costs of raw materials and labor stemming from higher demand. The BOI for selling prices has increased from 18 in Q4, 2014 to 26 in Q1, 2015. New orders and projects have boosted the profitability outlook as reflected by a rise in the BOI from 55 in Q4, 2014 to 60 in Q1, 2015. As a consequence, there is a visible increase in the requirement for manpower, which has led to an improvement in optimism for hiring; the BOI for Number of Employees has advanced by 9 points from 41 in Q4, 2014 to 50 in Q1, 2015.

The outlook on the business environment has been dented by rising competition. 39% of the firms have indicated that growing competition will be an obstacle to their operations during the first quarter, while 10% anticipate being impacted by government laws and regulations and another 13% by delays in payments/receivables. 23% of the respondents have indicated that they do not expect to face any hindrances during Q1, 2015, a proportion that is much lower than 47% in the last quarter.

Business expansion decisions remain steady; 36% of the participants plan to undertake such capital investments in Q1, 2015 as compared to 38% last quarter, while 44% of the participants do not plan to undertake any investments in Q1, 2015.

SME v/s Large Company

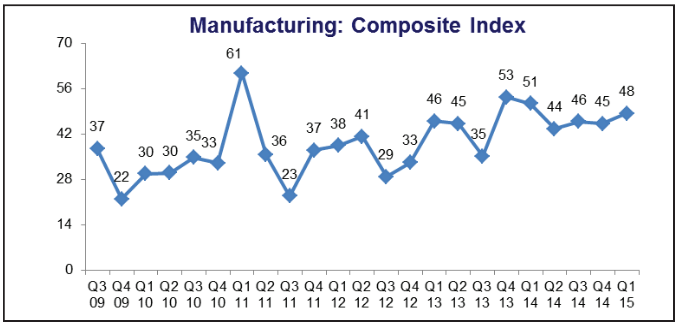
The survey shows that large companies have a stronger outlook than SMEs in terms of volume of sales, new orders, net profits and number of employees. SMEs are more optimistic with respect to their selling prices.

- The BOIs for Volume of Sales and New Orders for SMEs are 63 and 64 respectively compared to 71 and 68 for large companies.
- 75% of large companies expect higher profits (BOI of 71) during Q1, 2015 compared to 66% of SMEs (BOI of 59).
- The index for number of employees stands at 58 for large companies compared to 49 for SMEs.
- 33% of SMEs foresee higher selling prices in Q1, 2015 versus 25% of large companies. This is also reflected in the profitability index reading of 27 and 23 for SMEs and large companies respectively.

SMEs are more optimistic about the business environment; 24% firms indicated that they do not anticipate negative factors to hamper operations in Q1, 2015, while for large companies the corresponding number is 13%.

Manufacturing sector

Global manufacturing activity expanded at its weakest pace in more than a year at the end of 2014, with the JPMorgan's Global Manufacturing PMI, falling to 51.6 in December 2014 from November's 51.8. The index posted its lowest level since August 2013. North America remained the prime driver for manufacturing growth, with the both the Euro zone and Asia, being relatively muted. Among the Asian manufacturing economies, Indonesia and South Korea reported contraction in production, while China stagnated. India continued to perform strongly, with growth hitting a two-year peak, and a modest expansion was also seen in Japan. Solid growth in Ireland, Spain and the Netherlands, alongside mild expansions in Germany, Austria and Greece were partly offset by accelerated rates of contraction in France and Italy.



The outlook for the manufacturing sector has shown a modest rise for Q1, 2015, with the composite BOI increasing from 45 in Q4, 2014 to 48 in Q1, 2015. While optimism for new orders has increased by 8 points to stand at 67, the BOI for Volume of Sales is lower by 5 points to 59. 70% of the manufacturing firms expect to get new orders in the first quarter of 2015, while a marginal 3% are anticipating a decline. The robust optimism is driven by rising market demand and a growing economy, introduction of new products and machinery and expectations of new projects. Growing demand in association with rising raw materials and labor costs has led to a rise in the selling prices optimism; the index is up by 6 points to 18 on a q-o-q basis.

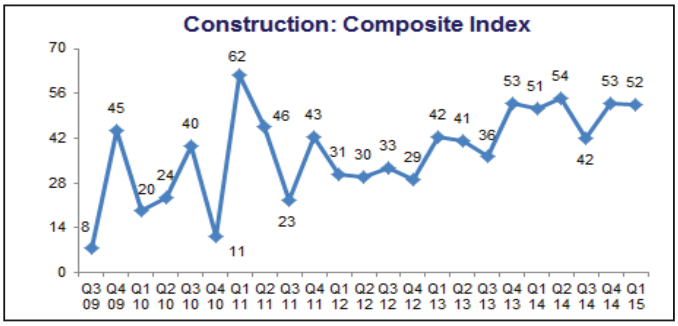
Profitability expectations are also higher with 69% respondents anticipating a rise compared to 10% that expect a decline. The index has improved from 50 in Q4, 2014 to 59 in Q1, 2015. The hiring outlook is relatively steady with the index sliding marginally by 2 points to 39. 41% of the participants expect to hire new staff versus 2% that anticipate cutting down their employee numbers.

The business environment outlook has moderated significantly as 27% of the firms do not expect any negative factors to hinder their business operations during Q1, 2015 compared to 49% participants in the previous quarter. Competition appears to have intensified as a concern with 35% of the firms citing it as an obstacle during Q1, 2015 versus 21% in Q4, 2014. The other key concerns cited by sector participants include a delay in payments (17%) and the impact of government laws and regulations (5%).

The survey also shows some moderation in the investment outlook with 32% of the firms indicating their intention to invest in expansion versus a corresponding 38% in the previous quarter.

Construction sector

One of the most important trends for builders is the global move toward urbanization as city population is surpassing rural population around the world. While most of the world's fastest-growing cities are in Africa and Asia, North America will not escape the effects of the urbanization trend. A related trend is a need for renewed investments in infrastructure to support projected economic growth. Infrastructure development is under enormous stress and significant investments are required just to keep up with increasing demand. Emerging markets continue to drive the global construction industry, with big infrastructure projects in China and India set to lead the way. However, with considerable uncertainty surrounding global economic growth and oil prices suffering a steep decline, the overall impact on the global construction industry is relatively uncertain in 2015.



Business sentiments for the construction sector are steady with respect to the last quarter and last year. The composite BOI stands at 52 for Q1, 2015 compared to 53 in Q4, 2014 and 51 in Q1, 2014. While the outlook for demand and selling prices is modestly lower, the indices for profitability and hiring have improved. The BOI for Volume of Sales has declined by 4 points to 61, while the index for new orders has decreased by 11 points to stand at 53. Albeit the modest decline, 64% firms still expect higher volumes during Q1, 2015 based on firm optimism related to winning new projects from both the government and private sectors.

The index for selling prices is marginally lower and has declined from 35 in Q4, 2014 to 32 in Q1, 2015. While majority (60%) of the firms expect stability on the parameter, 36% of the construction firms hope to increase their selling prices on the back of booming construction activity as well as to cover rising input costs.

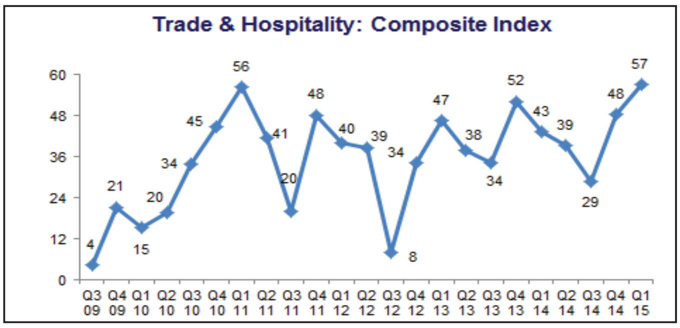
The profitability outlook is much stronger for Q1, 2015 compared to the last quarter; the index has jumped by 10 points to 56, highlighting the growing construction sector. In line with the growing requirements of new projects, there is an increase in the demand for labor; 63% of the construction firms expect to hire staff during Q1, 2015.

The most striking concern for the construction sector is the growing competition in the market. 40% firms anticipate that their operations will get impacted by this factor, while another 16% will be hindered by late payments. Government laws and regulations are cited as becoming an obstacle for another 14%. Around 11% of the participants have indicated that they will not face any hindrances during the first quarter of 2015 compared to 34% of the firms in Q4, 2014.

Business expansion plans are steady for the sector; 33% plan to carry out investments during Q1, 2015 compared to 35% in the previous quarter.

Trade & Hospitality sector

The weak global economy in 2014 left many consumers financially constrained thereby impacting retail sales. The forecast for the global economy for 2015 is expected to be modestly better; therefore, the success of the global retail sector in 2015 is contingent on stabilizing economic conditions, particularly in the large economies. With a sense of uncertainty surrounding the economic environment, consumer discretionary incomes are likely to be impacted and price pressures are expected to arise from lower consumer confidence. China, the Euro zone as well as a few key emerging economies had a particularly tough 2014. Comparatively, the US and British economies continue to do well, with indicators pointing towards the likelihood of strong growth in 2015 and possibly beyond,



in these regions. Additionally, the expanding middle class in emerging markets is likely to provide a strong boost to retail sales.

The composite index for the trade & hospitality segment has recorded its highest score, reaching 57 for Q1, 2015. A booming economy with a multitude of new projects, higher tourist inflows during the winter and large number of sporting and business events during the quarter have contributed towards an optimistic outlook. The surge in sentiments is supported by a rise in all five parameters constituting the index. Of the two sub-segments, the hospitality sector has shown a very strong rise in sentiments due to the impact of seasonal gains.

The indices related to volume of sales and new orders are up by 2 points each compared to the last quarter. The BOI for Volume of Sales stands at 69 as a result of a 20 point gain in the score for the hospitality segment (BOI of 74) compared to a 10 point decline for the trade segment (BOI of 66). Similarly, while the BOI for New Orders for the hospitality sector is up by 17 points to 67, the index for the trading sector is down by 8 points to 74. For the overall sector, the BOI stands at 72.

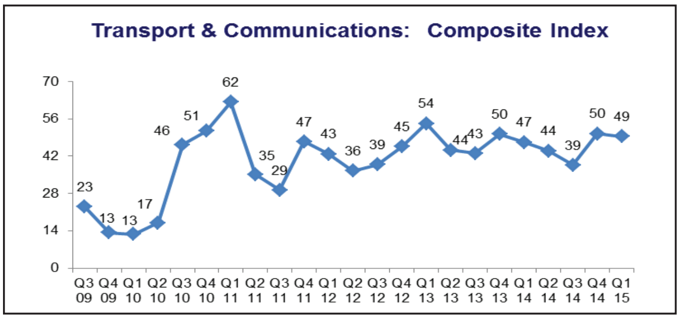
Optimism with respect to selling prices has improved further and now stands at the highest level since Q1, 2011. The BOI for selling prices is at 26, with 30% of the firms expecting an increase in the parameter on account of higher demand and costs, while a marginal 4% expect a decline. The profitability parameter is up by 5 points to 65, supported by a stronger demand and selling prices outlook. The BOI for Number of Employees stands at 54, an all-time high for the index as firms are responding to the booming business conditions in the economy.

Stiff competition in the market has impacted the business environment outlook for the trade and hospitality firms. 40% have indicated that competition will hinder their operations during Q1, 2015 compared to 17% last quarter. Government laws and regulations are envisaged to hamper operations for another 15%. The percentage of firms citing no obstacles to their businesses has declined from 54% in Q4, 2014 to 28% in Q1, 2015.

Investment plans have also moderated slightly 39% of the respondents intend to invest in capacity expansion compared to 48% in Q4, 2014.

Transport & Communications sector

According to the IATA, global air freight markets grew 4.2% in November 2014 compared to November 2013, while capacity grew by 3.3%. The most significant growth was recorded by carriers in the Asia-Pacific and Middle East regions, at 5.9% and 12.9%, respectively. Carriers in these regions captured the vast majority of the global increase. An important development emerged at the end of 2014: a strong growth trend in cross-border trade over the second half of 2014, which had a positive impact on air cargo volumes. More goods are being traded internationally and that is fueling the growth in air freight. In 2015, air freight markets are expected to expand by 4.5%, outpacing projected growth in world trade (4.0%). However, this optimism is tempered by a multitude of macro-economic and political risks that continue to impact trade flows.



The composite BOI for the transport & communications sector stands at almost the same level as the last quarter, with a score of 49 for Q1, 2015 versus 50 for Q4, 2014. The five parameters constituting the index have shown a mixed trend; the demand and profitability indices have recorded declines, while the selling prices and hiring BOIs have posted gains. The BOI for Volume of Sales has dropped by 6 points to 63 in Q1, 2015. The new orders index stands at 64, which is 3 points lower than the score of 67 in Q4, 2014. The BOI for selling prices has recorded a gain of 10 points to reach 22 in Q1, 2015 with respondents citing rising costs of fuel and freight as well as growing demand as the prime reasons for price increase. Profitability expectations have moderated for Q1, 2015; the BOI score has declined from 66 in Q4, 2014 to 55 in Q1, 2015. Hiring optimism has also risen, compared to the previous quarter with the BOI gaining 5 points to stand at 43 in Q1, 2015.

Reflecting the overall trend in the economy, competition has gained prominence as a factor impacting business operations. 33% firms expect competition to influence operations during Q1, 2015 compared to 17% in Q4, 2014. This has led to a moderation in the business environment outlook, with 30% of the participants expecting no hindrances during the first quarter of 2015 versus 58% in the previous quarter.

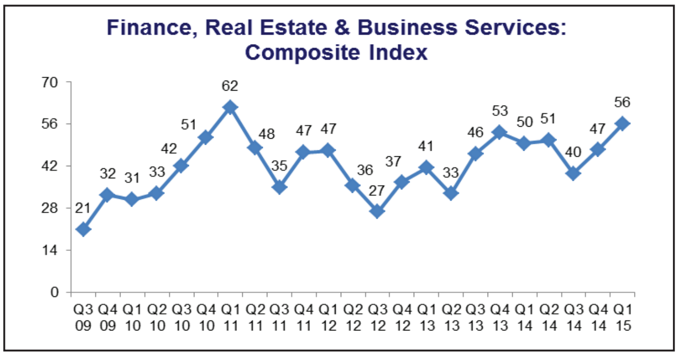
Investment plans related to capacity expansion have firmed up, as 43% firms have indicated plans to expand capacity in Q1, 2015 versus 34% in the fourth quarter of 2014.

Finance, Real Estate & Business Services sector

World financial markets entered 2015 with a series of potential triggers for instability and turbulence. 2014 ended with Greece back in the spotlight following the calling of an early general election, which will determine the bailout and austerity agreement with the IMF, the ECB and the EC.

Another potential source of instability is the divergence between the policies of the world's major central banks. In 2015, the US Federal Reserve is expected to begin the process of interest rates tightening; on the contrary the ECB and the Bank of Japan are expected to continue with the process of quantitative easing. Rising US interest rates are likely to have a strong impact in emerging markets where Dollar denominated debt has risen sharply.

While the US economy has witnessed a steady uptick, the worsening situation in the rest of the world, that is, continuing stagnation in Europe, recession in Japan and lower growth in China coupled with financial instability in emerging markets could adversely impact global markets in the near future.



The composite BOI for the finance, real estate & business services sector has registered the highest score since Q1, 2011, supported by all five parameters comprising the index. As in the previous quarter, the services segment is much more optimistic on all parameters compared to the finance & insurance segment.

Both demand indicators, volume of sales and new orders, are up by 3 points each, with the rise in optimism stemming from new projects, a robust economy and positive seasonal demand. The BOI for Volume of Sales stands at 67 in Q1, 2015 (72% of the firms are anticipating an increase), while the index for new orders has reached 68 (71% of the firms expect an improvement in their order book status).

Rising labor costs and growing sales have led to a strong gain in selling prices expectations; the BOI has surged by 15 points q-o-q to 29. Consequently, profitability expectations are also stronger: the BOI has registered an 8 point increase to stand at 66 in Q1, 2015. The hiring outlook has strengthened considerably with 53% of the firms expecting to add to their employee count in Q1, 2015. The BOI for Number of Employees stands at 50 in Q1, 2015 versus 36 in the last quarter of 2014.

The business environment outlook has moderated with 21% of the firms indicating no negative factors in Q1, 2015 compared to 47% in Q4, 2014. Competition remains the most important challenge and its influence has become more widespread with 45% of the firms expecting to be impacted by it in the first quarter of 2015 compared to 14% in Q4, 2014. Delay in payments (12%) and government regulations (10%) are the other important concerns for this sector.

The investment outlook has improved modestly; 37% expect to invest in business expansion this quarter compared to 35% last quarter.

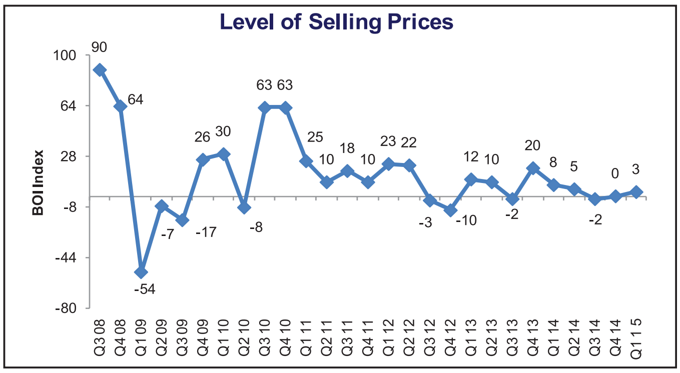
Appendix

Hydrocarbon Sector

Volume of Sales

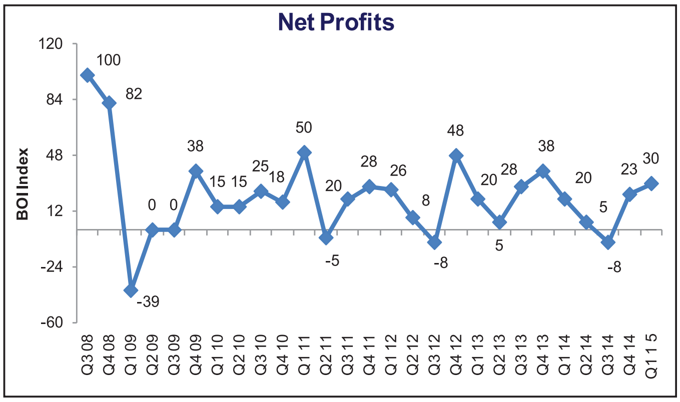
The BOI for the Volume of Sales parameter has gained 10 points to 35 in Q1, 2015 from 25 in the previous quarter, as 48% of the respondents expect an increase in sales volumes on the back of new projects. 39% expect volumes to remain steady while the remaining 13% foresee a decline in the same.

Level of Selling Prices



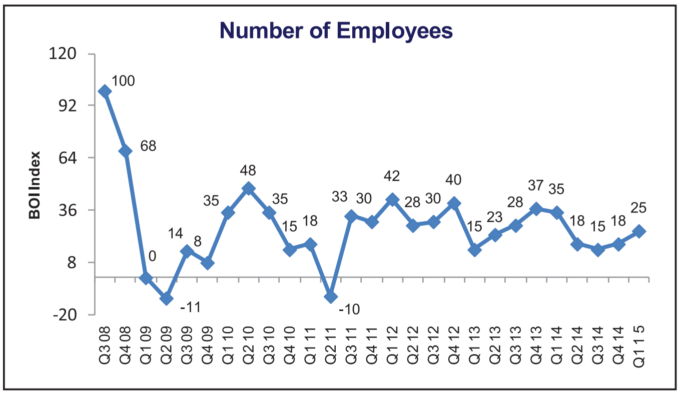
The BOI for the Level of Selling Prices parameter moved upwards to 3 this quarter from 0 in Q4, 2014. A substantial (77%) of the sector respondents cited stability in their pricing levels, with prices being set by contracts already signed. 13% of respondents plan to increase their selling prices to tide over rising production costs, while the remaining proportion expect to decrease prices due to market competition.

Net Profits



The BOI for the Net Profits parameter continued to gain this quarter to stand at 30, up from 23 in Q4, 2014. Most (48%) of the hydrocarbon sector respondents expect an increase in their profit levels backed by increasing sales volumes complemented with steady pricing. While 34% expect stability in this parameter, 18% foresee a decline in profitability.

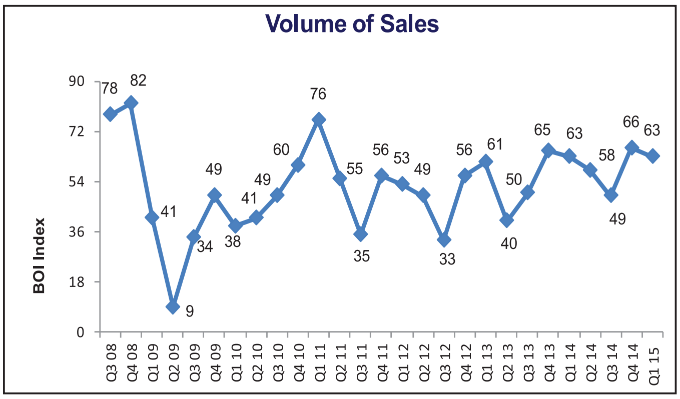
Number of Employees



The hiring expectations in the hydrocarbon sector is expected to continue its hiring trend; the BOI for the Number of Employees parameter stands at 25 in Q1, 2015 up from 18 in Q4, 2014. 40% of the respondents expect to increase their employee count due to new projects, while 45% plan to keep their headcount numbers unchanged as they are sufficiently staffed to meet current requirements.

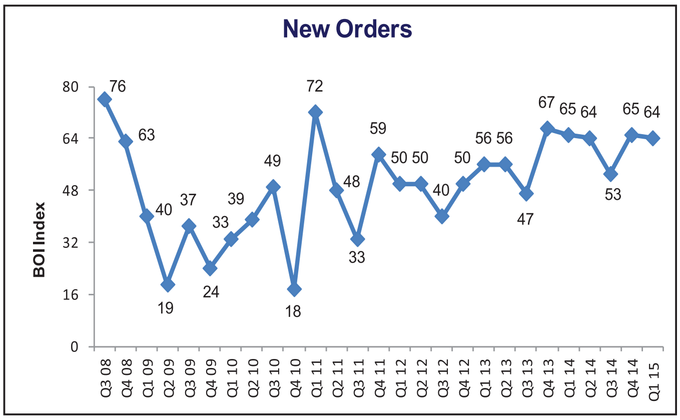
Non-hydrocarbon Sector

Volume of Sales



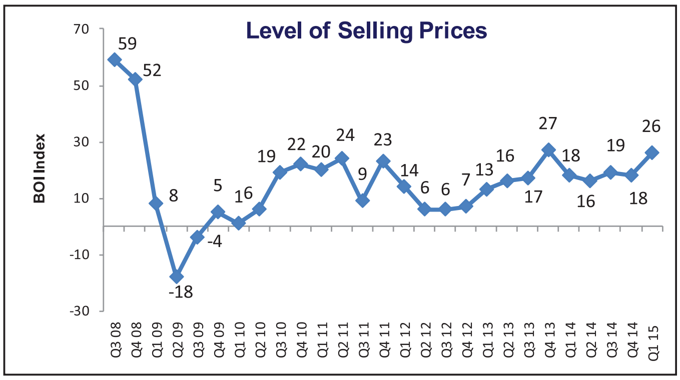
The BOI for the Volume of Sales parameter for the non-hydrocarbon sector is marginally lower by 3 points to stand at 63 in Q1, 2015. A substantial 68% of the respondents anticipate an increase in their sales volumes due to new orders, more projects, companies foraying into new business segments, booming economy and an increase in infrastructure development projects. On the other hand, 27% anticipate a decline in sales volumes due to competition while the remaining participants foresee stability in operations in Q1, 2015.

New Orders



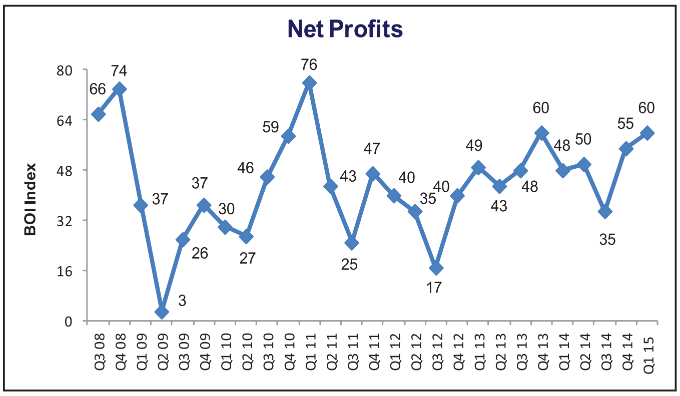
The BOI for the New Orders parameter tracked sideways to stand at 64 in Q1, 2015. Majority (67%) of the surveyed participants foresee an increase in their order book status due to more projects, conducive market conditions and more business from their existing client base. 30% of the respondents expect this parameter to remain stable.

Level of Selling Prices



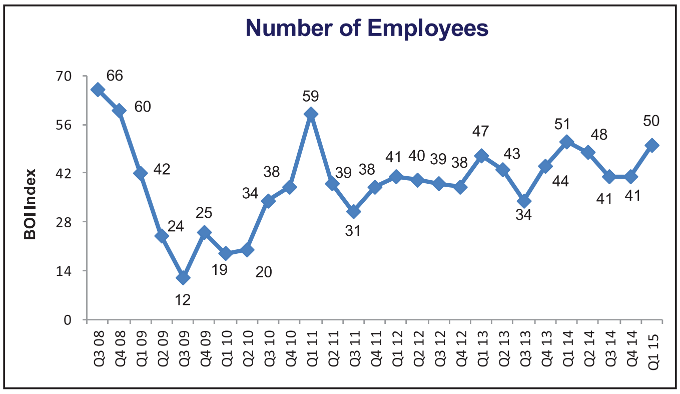
The BOI for the Level of Selling Prices gained from the fourth quarter of 2014 to stand at 26 in Q1, 2015. Majority (62%) of the non-hydrocarbon sector respondents cited stability in their selling price levels due to market competition, while 32% of the firms plan to increase their selling prices due to rising raw material costs, overheads and other expenses.

Net Profits



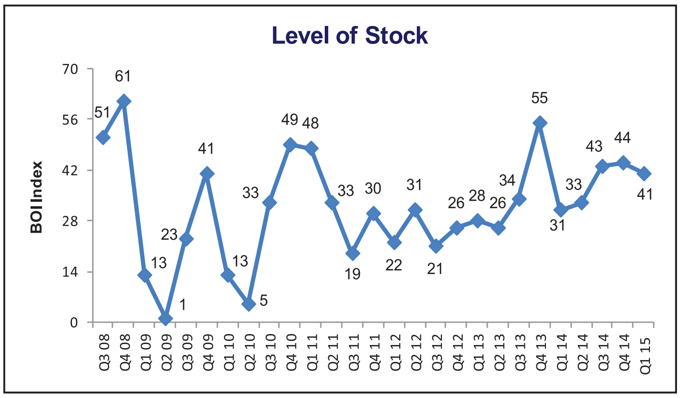
The BOI for the Net Profits parameter climbed 5 points higher to stand at 60 in Q1, 2015. A significant proportion (67%) of the respondents expect an increase in their profit levels due to higher sales volumes, business expansion plans and new orders. 26% of the surveyed participants anticipate stability in profitability while 7% foresee a decline in this parameter.

Number of Employees



The BOI for the Number of Employees has climbed to 50 in Q1, 2015. 52% of the respondents stated that they will increase their employee count to tackle increased workload stemming from new projects and business expansion plans. On the other hand, 46% of firms plan to keep headcount numbers intact as they are satisfied with their current manpower count.

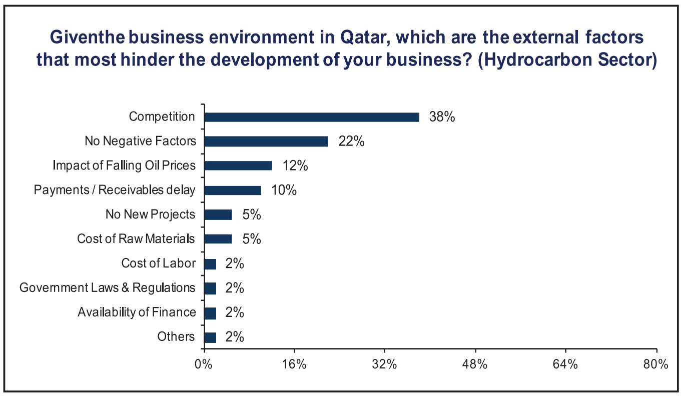
Level of Stock



The BOI for the Level of Stock parameter has tracked sideways to 41 in Q1, 2015 from 44 in the previous quarter. 51% of the respondents plan to keep their stock levels intact, while 45% will increase the same due to increased work from business expansion plans and new projects.

Business Challenges

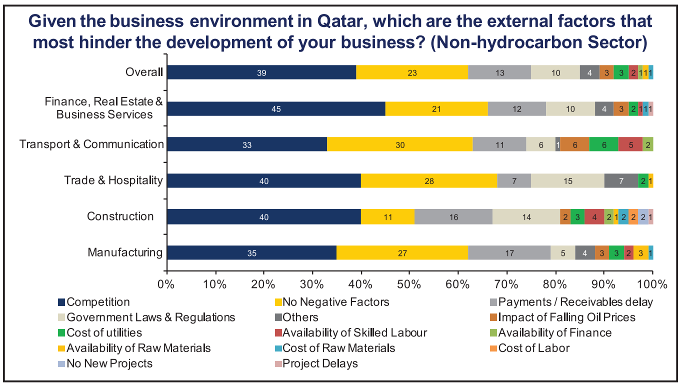
Hydrocarbon sector



For the first time, participants have highlighted that competition is the topmost factor affecting business operations; 38% of the surveyed respondents cited this as a concern in Q1, 2015 compared to 19% in the previous quarter. Meanwhile, 22% reported no negative factors affecting operations this quarter compared to 48% in Q4, 2014, while another 12% of the respondents are impacted by declining oil prices.

Non-hydrocarbon sector

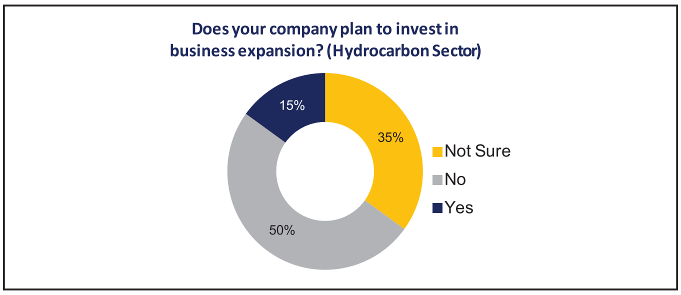
Like the hydrocarbon sector, 39% of the respondents cited competition as the main challenge in Q1, 2015 compared to 19% in the previous quarter. The proportion of non-hydrocarbon respondents citing no negative factors reduced to 23% in Q1, 2015 compared to 47% last quarter, due to the challenging business environment. Other key concerns include delays in payments/receivables (13%), government laws & regulations (10%) and other hindrances (4%).



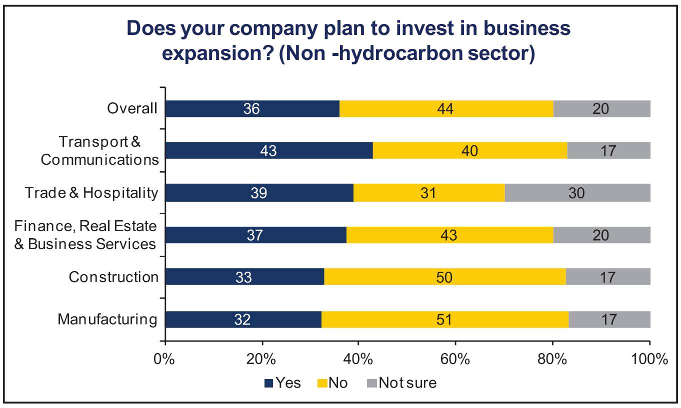
Investment plans

Hydrocarbon sector

Sentiments in the hydrocarbon sector are less optimistic as 50% of the respondents do not plan to invest in business expansion (compared to 28% in Q4, 2014). Only 15% of the respondents have plans to invest in business expansion during Q1, 2015.



Non-hydrocarbon sector



In terms of expansionary plans in the non-hydrocarbon sector, 36% in Q1, 2015 (compared to 38% in the previous quarter) of the respondents are positive in terms of investment in business expansion during Q1, 2015. The transport & communications sector is the most optimistic as 43% plan to invest in expansionary activities, followed by the trade & hospitality sector (39%).

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