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

QFC
مركز قطر للمال

Q2 2015

Key Highlights

- The hydrocarbon sector outlook has moderated significantly; the composite BOI has dropped from 15 in Q1, 2015 to 5 in Q2, 2015 with declines in all three parameters comprising the index
- Sentiments in the non-hydrocarbon sector have also weakened; the composite BOI stands at 41 in Q2, 2015 versus 53 in Q1, 2015
- As a result of the downward pull of both the hydrocarbon and non-hydrocarbon sectors, the composite BOI has experienced a y-o-y decline
- Among the non-hydrocarbon sub-sectors, the finance, real estate & business services sector is the most optimistic with the finance & insurance sub-segment emerging as relatively more confident with respect to volumes, new orders and profits
- Within the trade & hospitality sector, the hospitality sub-sector continues to be slightly more optimistic than the trade sub-sector, due to stronger expectations in volumes, prices, profits and hiring
- Despite a decline in the composite BOI, the outlook for the overall business environment has firmed up. 27% firms in the hydrocarbon sector and 39% in the non-hydrocarbon segment expect no negative factors to impact business operations in Q2, 2015, compared to 22% and 23% respectively in the previous quarter
- While the impact of falling oil prices is the major concern for firms in the hydrocarbon sector, competition continues to be the leading concern for firms in the non-hydrocarbon sector
- In the hydrocarbon sector, 33% firms have planned expansion investments during Q2, 2015 compared to only 15% in Q1, 2015. The trend has remained stable for non-hydrocarbon firms as 36% intend on taking up expansionary activities in the current quarter, the same level as in Q1, 2015

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 growth is expected to remain moderate in 2015 at around 3.5%, mirroring the 3.4% growth achieved in 2014. The steep drop in global oil prices that started in the summer of 2015 should positively support global GDP; however, the impact is likely to vary across geographies depending on whether a country is a net exporter or net importer of crude. The insipid performance reflects the continuing sub-par pace of activity in many parts of the world, weak commodity markets, emerging deflationary conditions in some countries and regions, as well as the dampening effect caused by structural reforms in a number of nations. Expectations remain high that the US economy will continue to generate improved growth, driven mainly by private consumption and business activity and a strong Dollar lifting demand for imports from around the world. In Japan, growth continues to be subdued even though the economy has rebounded from a recession as consumer and business spending remains weaker than expected. Growth in the Euro zone is gaining traction but is forecasted to be modest, despite lower energy prices and monetary easing policies due to several structural limitations. The Chinese economy is expected to post a decline in its GDP growth with a shift in focus away from exports and government financed investments structured to incorporate a more balanced promotion of domestic consumption. Emerging economies in Asia, particularly India and Indonesia, have a positive outlook for the current year owing to increased investments and a positive impact of a fall in global energy prices. However, Russia and Brazil are facing strong headwinds; Russia in the form of sharply reduced oil prices and economic sanctions and Brazil due to a severely deteriorating fiscal situation.

The moderate global growth projections for 2015 still face several downside risks including geo-political tensions and conflicts. While growth in oil exporting countries is expected to be impacted by lower commodity prices, a rise in US interest rates will fuel capital outflows and currency weakness in several emerging and developing markets. Additionally, the effectiveness of ECB's monetary stimulus program is uncertain and the impact of lower oil prices may be subdued if households chose to use their higher real incomes for savings rather than consumption.

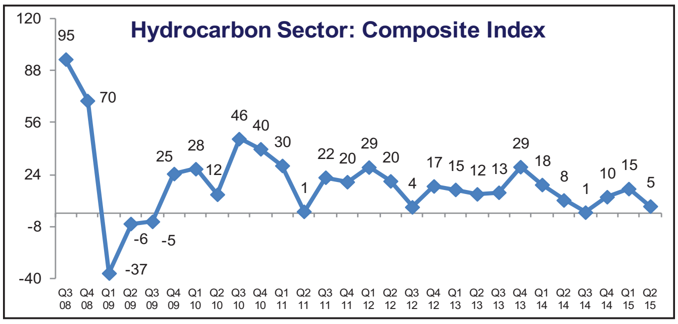
Hydrocarbon Sector

From a peak of US$ 115 per barrel in June 2014, Brent oil price had fallen to below US$ 50 in January 2015. Brent crude oil prices increased ~ US$ 10 per barrel from January to reach an average of US$ 58 per barrel in February. The rebound in crude prices during February was supported by reports that the number of US rigs drilling for oil was decreasing and several large oil companies announced cuts in capital expenditures, which raised expectations that the supply of oil would fall faster than expected in response to the drop in prices. Further, global oil supply was impacted due to a reduction in Libyan oil output and Iraqi crude exports. Oil prices came under pressure again in March due to a stronger US Dollar, increasing supply glut, storage constraints in the US and subdued demand.

Going forward, the price of oil in the near term would depend on multiple factors: strength of the US Dollar which in turn would be determined by the Federal Reserve's interest rate decision, refineries shut-down for maintenance in the US, Europe & Asia, oil supplies from Libya and Iran, oil production in the US and non-OPEC countries such as Russia, Mexico, Columbia and Brazil, strength of China's growth which would impact oil demand, and geo-political tensions.

The fall in oil prices has impacted Qatar's export revenues in recent months. The foreign merchandise trade balance registered a surplus of QAR 18.2 bn in February 2015, which was a decline of 47.5% y-o-y partly as a result of lower international crude oil prices, which reduced total exports by 36%. Qatar is one of the best placed GCC countries to weather the current fall in oil prices, but is not completely immune to the downward trend and the inherent challenges that remain. The recent decline in the price of oil has led to the cancellation of some major downstream petrochemical projects.

A global oil market with sustained low levels of demand for energy could negatively impact Qatar's external account position, budget and growth outlook since the price of Qatar's LNG is partially linked to the price of crude. Oil production in Qatar is expected to remain flat with declining production levels to be offset with growing investment in field redevelopment and enhanced oil recovery. Additionally, as the country focuses its economic strategy on diversification, there will be reduced investment in its oil and gas sector over the following years, with the majority of upstream investment focused on oil field redevelopments.



The business optimism survey for the second quarter of 2015 reveals a weakening of optimism of the hydrocarbon sector, both on a quarterly and annual basis. Weighed down by lower scores for all three parameters, the Composite BOI for the hydrocarbon sector stands at 5 in Q2, 2015, versus 15 in the previous quarter and 8 in the comparable quarter a year ago. The BOI for Volume of Sales stands at 28 in the current quarter, down from 35 in Q1, 2015. 52% of the respondents expect their Sales Volumes to remain unchanged during Q2, 2015, while 38% anticipate a rise on account of new projects and higher orders both from new and existing customers.

A majority 69% of the participants anticipate ensuing stability in their Selling Prices for Q2, 2015, 18% foresee a decline due to lower oil prices while 13% foresee an increase. The BOI for Selling Prices has weakened to -5 in Q2, 2015 from 3 in Q1, 2015 and 5 in Q2, 2014. In line with the softening in outlook for Sales Volumes and Selling Prices, the BOI for Net Profits has declined q-o-q but is slightly higher when compared y-o-y; it stands at 8 in Q2, 2015, compared to 30 in Q1, 2015 and 5 in Q2, 2014. While 42% respondents anticipate stability in profits during Q2, 2015, 25% expect a decrease due to lower sales and higher expenses. In terms of hiring, 64% of the hydrocarbon sector respondents foresee no change in headcount numbers, while 28% expect to increase their employee numbers, backed by new projects and contracts. The BOI for Number of Employees is recorded at 20 in Q2, 2015 versus 25 in the previous quarter.

Despite a weaker composite BOI reading, respondents are modestly more optimistic regarding the business environment outlook. 27% of the survey participants expect no negative factors to impact their business operations in Q2, 2015 compared to a corresponding 22% in the previous quarter. The impact of declining oil prices is a key concern with 41% of the respondents citing this as a key concern followed by competition (9%) and delays in payment/receivables (7%).

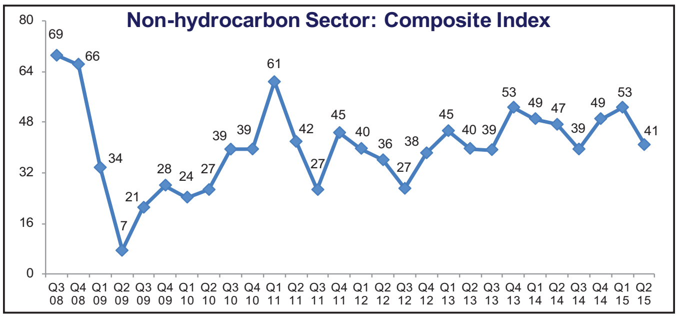
A higher proportion i.e. 58% of the hydrocarbon sector firms indicated no plans to invest in business expansions during Q2, 2015, compared to 50% in the previous quarter. 33% reported that they will invest in such activities while the remaining 9% are unsure.

Non-hydrocarbon sector

Qatar's economy is expected to grow 7.1% in 2015 following a pace of 6.1% in 2014, according to the most recent IMF estimates, signalling that it expects very little disruption from the oil price plunge which is worrying many energy exporters. The non-hydrocarbon sector has witnessed huge investments in major infrastructure projects and is increasingly becoming the catalyst for economic growth in the country. The non-hydrocarbon sector is expected to post a growth of 10.7% in 2015 (IMF), bolstered by strong performances by the construction and services sectors. Fast population growth has been driven by inflows of expatriate workers required to execute the expansive infrastructure plans. This in turn has a 'ripple effect' on other allied sectors such as hospitality and trade, which compliment this expansion and population growth. According to the Ministry of Development Planning and Statistics, the non-hydrocarbon sector's share of GDP will overtake that of oil and gas during 2015, and continue rising in 2016 and beyond.

Qatar's manufacturing sector grew 5.0% y-o-y in Q4, 2014, driven by higher volumes of production of basic chemicals, some petrochemicals and other non-metallic mineral products. During the same period, the construction sector grew 17.7%, supported by rising production volumes and major public investments in this sector especially in infrastructure related projects. The 12.8% y-o-y growth seen in the trade & hospitality sector has resulted from the increasing business activity owing to the steep increases in population as well as the influx of leisure and business tourists. The transport sector has posted a growth of

10.4%, while the finance, insurance, real estate & business services grew at 9.2%.



The Composite BOI for the non-hydrocarbon sector has witnessed a drop in Q2, 2015 vis-à-vis the previous quarter and the same quarter a year ago, as all the parameters constituting the index have declined. The index stands at 41 in the current quarter, down from 53 in Q1, 2015 and 47 in Q2, 2014. The BOI for Volume of Sales is lower by 13 points to 50 in Q2, 2015 compared to 63 in Q1, 2015. However, even despite the falling BOI trend, a majority 60% of the sector respondents expect an increase in Sales Volumes on the back of rising demand, new orders and upcoming projects. The BOI for New Orders is moderately lower on a q-o-q basis; at 58 in Q2, 2015 versus 64 in Q1, 2015. 64% of the participants anticipate an increase in their order book status on account of more projects and the ensuing peak demand season, while a marginal 6% foresee a decline. Selling price expectations have also weakened; the BOI is lower by 14 points q-o-q to 12 in Q2, 2015. 70% of the respondents expect stability in their pricing levels while 21% expect a marginal price increase to cover rising overheads. In tandem with lower expectations for sales volumes and pricing, the profitability parameter has declined considerably; the BOI for Net Profits is down 20 points and stands at 40 in Q2, 2015 against 60 in the previous quarter. While 54% foresee an increase in their profitability levels, 32% predict no change. In terms of hiring, 48% anticipate an increase in headcount numbers to handle upcoming projects and workload, while the same proportion of respondents expect to keep their employee count at current levels; the BOI for Number of Employees stands at 44 in Q2, 2015 versus 50 in Q1, 2015 and 48 in Q2, 2014.

Despite the overall weakening in the non-hydrocarbon sector outlook a higher proportion of respondents anticipate no negative factors affecting them this quarter. 39% respondents this quarter as compared to 23% in Q1, 2015 have indicated that they do not foresee any hindrances to their business operations. Competition and delays in payments/receivables continue to be the top concerns affecting businesses as cited by 22% and 8% of the respondents respectively.

In terms of decisions related to business expansion plans, the trend has remained the same over the last quarter. 36% of the sector respondents intend on taking up expansionary activities compared to 44% who plan not to and the remaining 20% who are unsure of such plans.

SME v/s Large Company

The current quarter's survey shows that SMEs have a stronger outlook than large companies in terms of Selling Prices and Number of Employees. Large companies are more optimistic with respect to New Orders and Net Profits. Both SMEs and large companies have a similar outlook in terms of Volume of Sales.

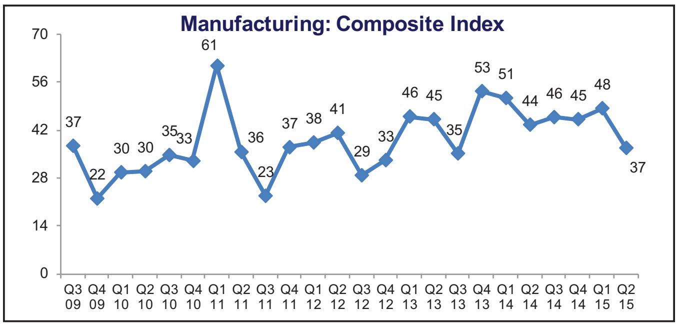
- The BOIs for Volume of Sales and Level of Selling Prices for SMEs are 51 and 12 respectively compared to 50 and 9 for large companies.
- 49% of SMEs expect an increase in the Number of Employees (BOI of 45) during Q2, 2015 compared to 40% of large companies (BOI of 36).
- The index for New Orders stands at 57 for SMEs compared to 65 for large companies.
- 67% of large companies foresee higher profits in Q2, 2015 compared to 52% of SMEs; the profitability index stands at 56 and 38 for large companies and SMEs respectively.

SMEs continue to be more optimistic about the business environment as 42% firms indicated that they do not anticipate negative factors to hamper business operations in Q2, 2015, compared to a corresponding 26% proportion of large companies.

Manufacturing sector

Despite some challenges, the global economy continues to expand modestly. Activity in the world's factories picked up in February, growing at the fastest rate since last October 2014. The JPMorgan Global Manufacturing

PMI indicated that the global manufacturing sector continued to make steady progress; the PMI stood at 51.8 in March from 51.9 in February, marking the twenty-eighth consecutive month of expansion. Faster rates of expansion in production and new orders helped the US PMI to rise to a five-month high in March. Mexico also reported a fast pace of expansion in its manufacturing sector. Across Europe, expansions in Germany, Italy, Spain, the Netherlands led to the Euro zone PMI climbing to a ten month high of 52.2. There were solid improvements in the business conditions in the UK and Ireland as well. However, manufacturing activity in some Asian countries was subdued, with PMI readings below the 50 point mark in China, South Korea and Indonesia, while India and Vietnam reported PMI readings above the 50 mark.



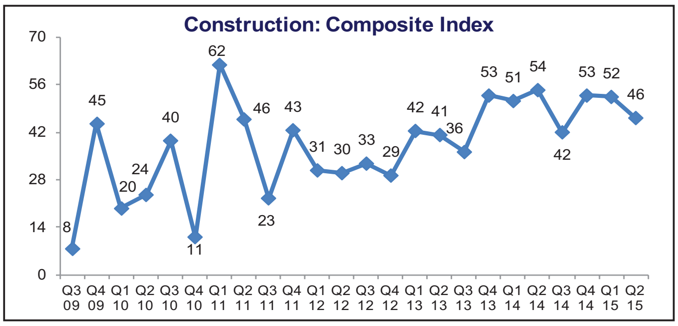
Mirroring the outlook of the overall Qatari economy for Q2, 2015 as shown by the current survey, the forecast for the country's manufacturing sector has weakened both on a quarterly and yearly basis. At 37, the composite BOI is 11 points lower than in the previous quarter and 7 points down from the same quarter last year. Demand expectations have declined noticeably. The BOI for the Volume of Sales parameter stands at 40 in Q2, 2015 versus 59 in the previous quarter; 49% of manufacturing firms anticipate higher sales volumes fuelled by new projects, customer acquisitions and increasing market demand, while 42% foresee stability. The BOI for New Orders has declined to 51 in the current quarter from 67 in Q1, 2015. The selling price parameter has moderated with a BOI score of 16 in Q2, 2015 compared to 18 in the previous quarter. The score is however 4 points higher when compared to Q2, 2014 (BOI of 12). 60% of the manufacturing firms indicated stability in this parameter while 12% expect to increase prices to cover the rise in production and raw material costs. The BOI for Net Profits is recorded at 36 in the current quarter against 59 in Q1, 2015 and 47 in the comparable quarter of 2014. Participants are slightly upbeat about their hiring plans; the BOI for Number of Employees is up 2 points to 41 in Q2, 2015, and observed to be at the same level as in Q2, 2014. 53% of the firms expect to keep their employee count unchanged, while 44% expect to increase their headcount to handle the increasing workload stemming from upcoming new projects. The Level of Stock parameter has tracked sideways on a q-o-q basis from 37 in Q1, 2015 to 33 in Q2, 2015.

The outlook for the business environment has firmed up as 37% of the manufacturing companies do not expect to face any hurdles to their business operations during Q2, 2015 compared to 27% in the previous quarter. The leading challenge for manufacturing firms is competition as cited by 28% of the respondents, followed by the availability/ cost of raw materials and the impact of declining oil prices as indicated by 8% in each case.

There is an improvement in the outlook regarding investment in business expansions; 41% firms plan to invest in business expansion in Q2, 2015 (compared to 32% in the previous quarter), while 32% do not plan to undertake such activities.

Construction sector

The global construction market is expected to gain strength in 2015, with emerging markets forecasted to experience a higher pace of growth compared to advanced economies. Growth is anticipated to be strongest in China, India and the US. Additionally, Asian countries such as Indonesia, Vietnam and the Philippines are becoming increasingly attractive for export-oriented manufacturing and represent a huge construction market, growing at more than 6% annually. Construction markets in the Middle East and Africa are expected to overtake Asia-Pacific markets in terms of growth rates over the next few years. Huge construction spending in the Middle East is being driven by the continuation of high levels of investment in social infrastructure to service the growing population, investment in economic diversification and event-linked construction (FIFA 2022 in Qatar and the Expo 2020 in Dubai). Whether the recent weakness in oil prices has a short or medium-term impact on construction spending plans will become clearer during 2015.



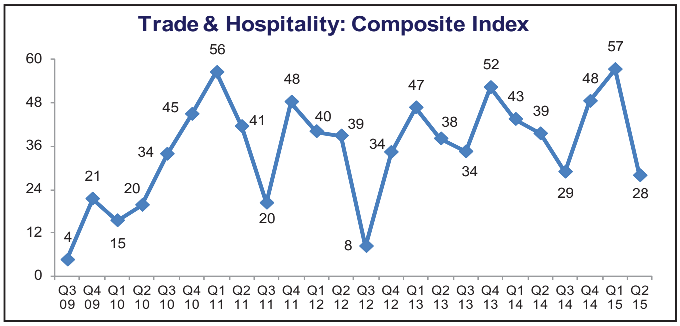
The current quarter's survey reveals a slight moderation in the outlook of the construction sector. The composite score stands at 46 in Q2, 2015 which is 6 points lower on a q-o-q basis and down 8 points on a y-o-y basis. The BOI for the Volume of Sales parameter stands at 54 in Q2, 2015 compared to 61 in Q1, 2015; 62% of the respondents anticipate an increase in sales volumes due to more projects and a strong Qatari economy while 30% anticipate no change. The BOI for the New Orders parameter has registered a 10 point gain to stand at 63 in Q2, 2015 with 67% respondents expecting an increase in their order book status backed by higher demand and a large clientele base, while a marginal 4% foresee a decline due to lack of new projects. 67% of construction sector firms anticipate stability in their pricing levels; the BOI for the Level of Selling Prices parameter is at 23 in Q2, 2015 against 32 in Q1, 2015. The BOI for Net Profits stands at 43 in the current quarter compared to 56 in Q1, 2015, with 54% of the respondents anticipating an increase in profits and 11% foreseeing a decline. The hiring outlook has also weakened; the BOI for the Number of Employees parameter is 12 points lower at 48 in Q2, 2015 versus 60 in the previous quarter.

39% of the firms in the construction sector reported that that they do not anticipate any hindrances during the second quarter of 2015 compared to 11% in the previous quarter. Competition continues to be a key concern as indicated by 18% of the respondents, followed by delays in payments/receivables (11%) and the impact of declining oil prices (9%).

Business expansion plans remain steady; 31% plan to invest in business expansion during Q2, 2015 compared to 33% in the previous quarter.

Trade & Hospitality sector

The global retail market is expected to witness steady growth this year. Plummeting energy prices and lower import costs are certainly providing the required tailwind for economic growth. According to estimates by eMarketer, global retail sales (both in-store and internet) will grow at 6.4% during 2015 to reach US$ 23.9 tn, with the US and China leading as key markets. In the US, the retail industry is forecasted to post healthy growth with a pick-up in employment numbers, steady growth in GDP and buoyant consumer sentiment resulting from gains in the equity and housing markets. However downside risks exist in the form of recent developments in major economies such as the last quarter's decline in Japan's GDP and weaker growth in the Euro zone and China. Emerging market economies remain a bright spot for the retail sector, boosted by a large and growing middle class, with rising disposable incomes.



The composite index for the trade & hospitality segment has plummeted from last quarter's high of 57 to reach a value of 28 in the current quarter, largely due to double digit declines in all the parameters constituting the index. Of the two sub-segments, the hospitality sector is slightly more optimistic than the wholesale & retail trade segment due to comparatively stronger expectations in volumes, prices, profits and hiring. The BOIs for the Volume of Sales and New Orders parameters are down 27 points each, to 42 and 45 in Q2, 2015 respectively. The Volume of Sales index is lower as a result of a 26 point decline in the score for the trade segment (BOI of 40) compared to an 18 point fall for the hospitality segment (BOI of 46). Similarly, while the BOI for New Orders for the trading sector is down by 28 points to 46, that of the hospitality sub-sector is down by 23 points to 44.

Optimism with respect to selling prices is lower both on a q-o-q and y-o-y basis; the BOI for Level of Selling prices is at -7 versus 26 in the previous quarter. 71% of the firms expect "no change" in this parameter while 18% expect to decrease prices due to stiff market competition. In line with the overall decline in expectations, the profitability parameter is down by 45 points to 20. The BOI for Number of Employees stands at 39, lower from the all-time high of 54 in the previous quarter.

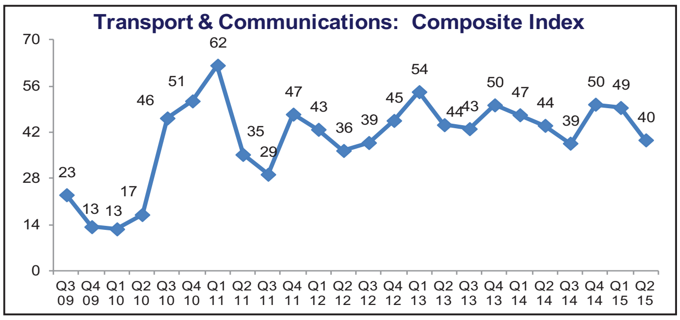
The percentage of firms foreseeing improved business conditions have improved with 47% firms expecting no hurdles to their business operations in the current quarter versus 28% in Q1, 2015. Market competition (16%) and low demand (10%) are envisaged to be the key business challenges impacting this sector during Q2, 2015, followed by government rules & regulations and delays in payments/receivables as cited by 7% of the respondents in each case.

Investment plans continue to be moderate with 36% respondents expressing an interest to invest in capacity expansion compared to 39% in Q1, 2015.

Transport & Communications sector

The global transportation industry's outlook for 2015 is expected to be positive but tempered due to sluggish growth across several countries and due to the adverse impact of geopolitical conflicts. If oil prices continue to stay low and the global economy continues to grow at a steady pace, demand for passenger and freight transport can be expected to be robust. According to WTO estimates, world trade is expected to post a slow recovery and expand by 3.3% this year compared to 2.8% last year. Additionally, exports growth is projected to be strongest in Asia (5%), followed by North America (4.5%), while the weakest growth will be in South America (0.2%). In the aviation segment, the number of passengers is set to increase by 6.5% in 2015 over the 2014 figure, while freight tonnage is projected to rise by 4% during the same period (IATA estimates).

The transport & communications sector's outlook has weakened compared to the last quarter, with the composite BOI tracking lower by 9 points to 40 in Q2,



2015. The demand and hiring parameters have weighed on the composite score. The BOI for Volume of Sales has dropped by 13 points to 50 in Q2, 2015, with 15% of the respondents anticipating a decrease due to drying up of projects, impact of competition and seasonal decline.

The New Orders index is recorded at 56, which is 8 points lower than the score of 64 in Q1, 2015. The BOI for Level of Selling Prices has dropped by 10 points to 12 in Q2, 2015; a significant 78% foresee stability in their prices, while 17% expect to increase selling prices due to increase in transport costs and other expenses. The BOI for profitability has declined from 55 in Q1, 2015 to 37 in Q2, 2015. Hiring optimism is steady at last quarter's score of 43.

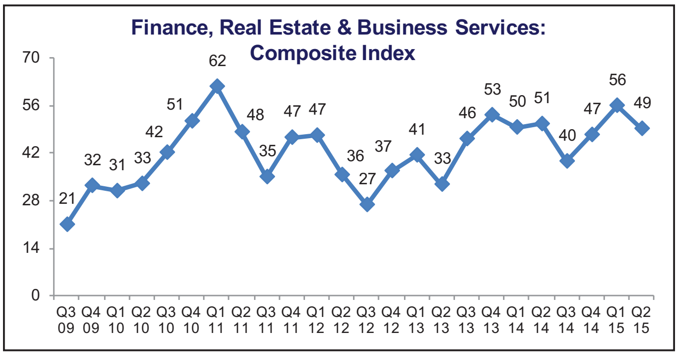
The outlook for the business environment has improved, as 38% participants expect no hindrances impacting their operations during Q2, 2015, compared to 30% in the previous quarter. Competition is a key cause for concern for the sector as indicated by 19% respondents. Another 11% cited delays in payments/receivables, while 8% indicated that government rules & regulations to be key challenges impacting their operations in Q2, 2015.

Investment plans related to capacity expansion have been pulled back. Around 35% firms indicated plans to expand capacity in the current quarter, versus a corresponding 43% in Q1, 2015.

Finance, Real Estate & Business Services sector

In its most recent report on global financial stability, the IMF has said that risks have risen over the past six months and are shifting from advanced countries to emerging markets. The Fund has said that though the recent decline in oil prices is supportive of growth, it has created several challenges for countries and companies that export oil. Several oil and gas businesses in Argentina, Brazil, South Africa and Nigeria are facing debt repayment issues. Governments reliant on oil revenues are also facing similar concerns. Additionally, divergent monetary policies and growth rates in the US versus Europe have added to stress in the global financial system, causing volatility in exchange rates and interest rates.

Volatility in currency markets is impacting some emerging markets. The strengthening of the US Dollar has increased the debt repayment burden of several governments and firms that have borrowed in the American currency. Some of these markets have also witnessed significant outflows of capital. There is a concern that if the US Federal Reserve starts to increase its interest rates sooner than anticipated, it might lead to additional volatility in global financial markets and escalate the burden on emerging countries.



The finance, real estate & business services sector has displayed moderately weaker sentiments for Q2, 2015, with the composite BOI softening by 7 points to 49. The survey revealed that the finance & insurance segment is comparatively more optimistic than the real estate & business services sub-segment with respect to Sales Volumes, New Orders and Net Profits.

The BOI for Volume of Sales is marginally lower by 5 points to 62, but expectations remain strong. 67% of the firms foresee volumes to increase on account of higher demand and more business stemming from both new and existing customers. The New Orders BOI is up by a point to stand at 69 in the current quarter (72% of the firms expect an improvement in their order book status). Expectations with respect to Selling Prices have weakened with a lower BOI score of 10; a majority 76% of the firms anticipate stability in this parameter. In line with the overall trend, profitability expectations have declined; the BOI for the Net Profits parameter stands 9 points lower than the score of 57 in Q1, 2015. The hiring outlook is steady with 52% of the firms expecting stability in Q2, 2015. The BOI for Number of Employees stands at 48 in Q2, 2015 versus 50 in the previous quarter.

Despite a lower composite BOI score, the business environment outlook has strengthened with 39% of the firms indicating no negative factors in the current quarter, compared to 21% in Q1, 2015. Competition (26%), government regulations (10%) and the impact of oil prices (6%) are the topmost concerns expected to impact respondents in Q2, 2015.

Business expansions plans remain steady as 38% expect to invest in such activities this quarter compared to 37% in Q1, 2015.

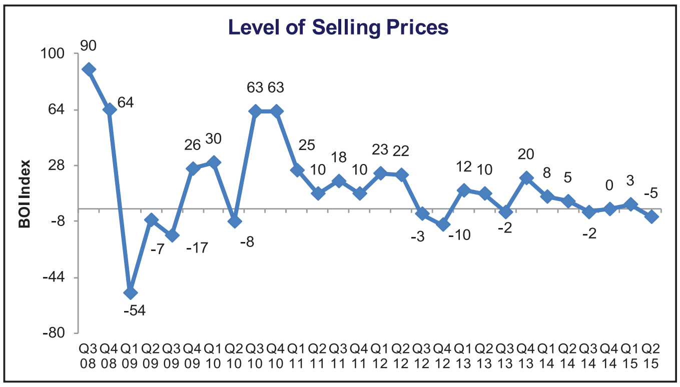
Appendix

Hydrocarbon Sector

Volume of Sales

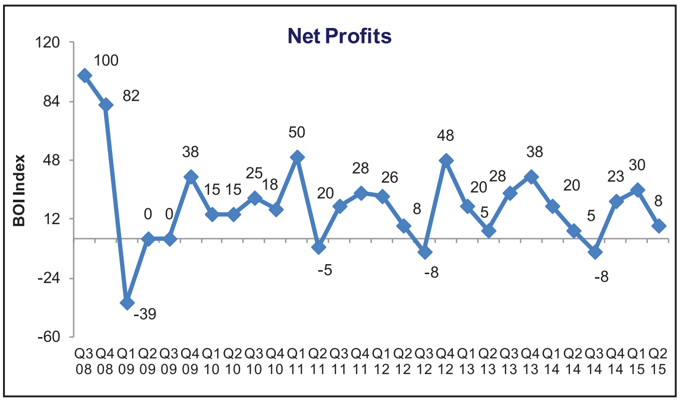
The BOI for Volume of Sales slipped 7 points to stand at 28 in Q2, 2015 from 35 in the previous quarter. A majority 52% of the firms in the sector foresee volumes to remain unchanged, while 38% expect an increase on the back of more business from new projects and existing clients.

Level of Selling Prices



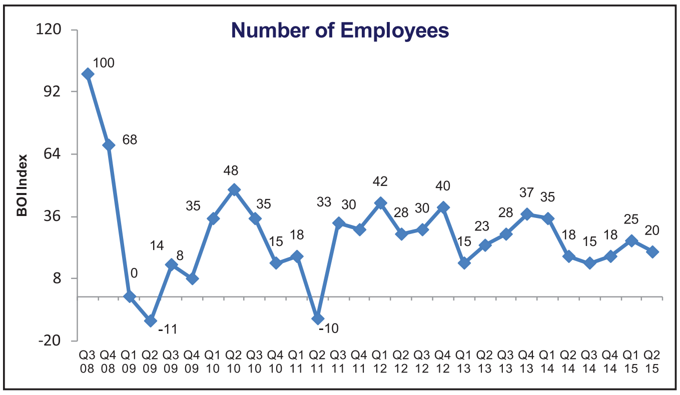
The BOI for the pricing parameter declined into the negativity territory to -5 in the current quarter down from 3 in Q1, 2015. A substantial (69%) proportion expect stability in their Selling Prices, while 18% of the respondents foresee a decrease due to a decline in oil prices.

Net Profits



In line with a drop in Sales Volumes and Selling Prices, the BOI for the Net Profits parameter has plummeted to 8 in Q2, 2015 from 30 in the previous quarter. Although the score is lower on a q-o-q basis, it is higher than the level seen in the same period a year ago (5 in Q2, 2014). Most (42%) of the sector respondents foresee stability in their profit levels, while 33% have indicated that profits will increase backed by higher sales and selling prices.

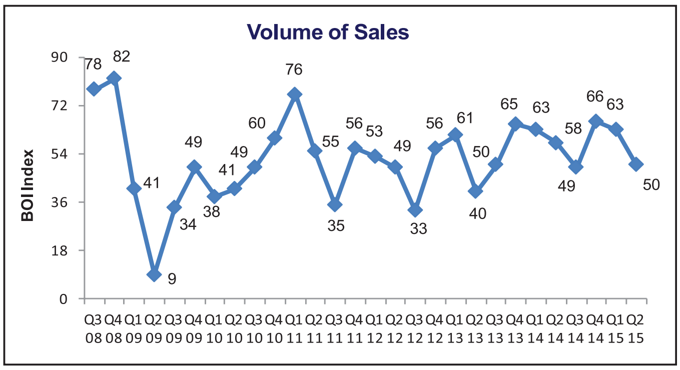
Number of Employees



Although the BOI for the hiring parameter is slightly lower at 20 in the current quarter compared to Q1, 2015, it is marginally higher than the score seen in the same period a year ago. A significant proportion (64%) of the firms in this sector expect to keep their staff count intact, while 28% plan to marginally increase their headcount to execute new projects and contracts and to handle new business stemming from expansion plans.

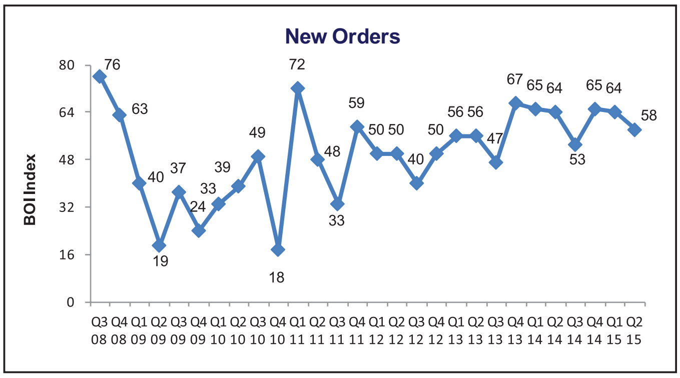
Non-hydrocarbon Sector

Volume of Sales



The BOI for the Volume of Sales parameter stands at 50 in Q2, 2015 against 63 in Q1, 2015. A significant 60% of the non-hydrocarbon sector respondents anticipate an increase in Sales Volumes in the current quarter on the back of a growing Qatari economy, upcoming new projects and orders, while 30% cited stability in this parameter.

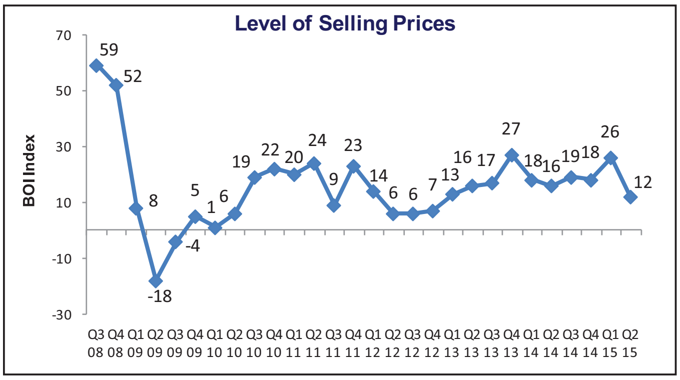
New Orders



The New Orders index is lower by 6 points both on a quarterly and yearly basis to record 58 in Q2, 2015. While 64% foresee an increase in their order book status on account of conducive market conditions, larger clientele base and more customers, 30% expect no change in New Orders.

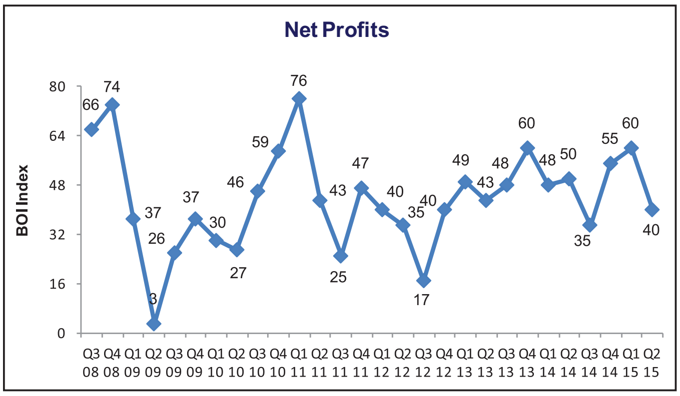
Dun & Bradstreet's
Business Optimism Index – Qatar

Level of Selling Prices



The BOI for the Level of Selling Prices parameter stands at 12 in Q2, 2015, down from 26 in Q1, 2015. A substantial 70% of the survey participants cited stability in the pricing parameter, while 21% plan to increase their Selling Prices to factor in the rise in raw material costs and other overheads.

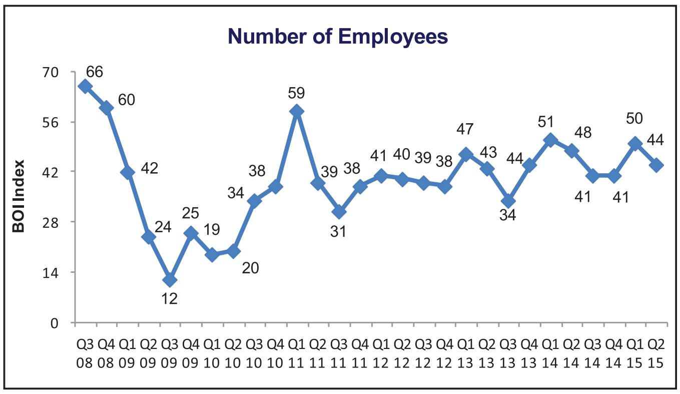
Net Profits



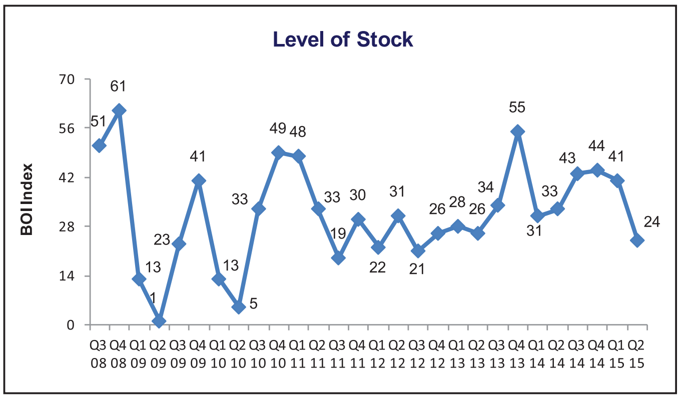
In line with lower expectations for the demand parameters, the BOI for Net Profits declined to 40 in Q2, 2015 from 60 in the previous quarter and 50 in the same quarter a year ago. 54% anticipate profits to increase due to the growing size of the business and upcoming projects, while 32% foresee stability in this parameter.

Number of Employees

The index for the hiring parameter is marginally lower; 44 in Q2, 2015 compared to 50 in Q1, 2015. While 48% plan to increase their headcount to manage additional workload from new projects from business expansion plans, the same proportion expect to keep their manpower count stable in the current quarter.



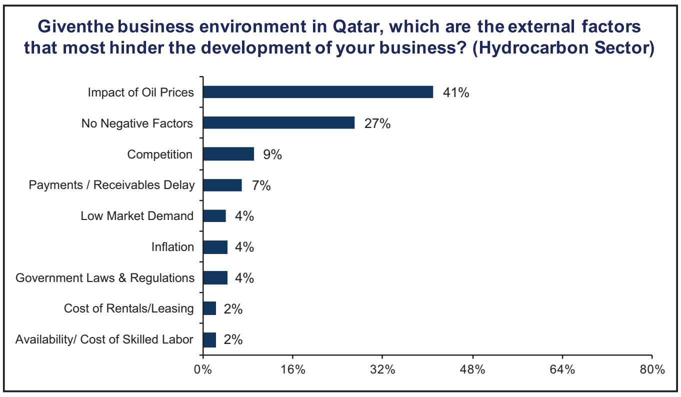
Level of Stock



The BOI for the Level of Stock parameter has declined 17 points q-o-q and 9 points y-o-y to record 24 in Q2, 2015. A majority 56% expect no change in their stock levels, while 34% intend to increase the same on account of new orders.

Business Challenges

Hydrocarbon sector

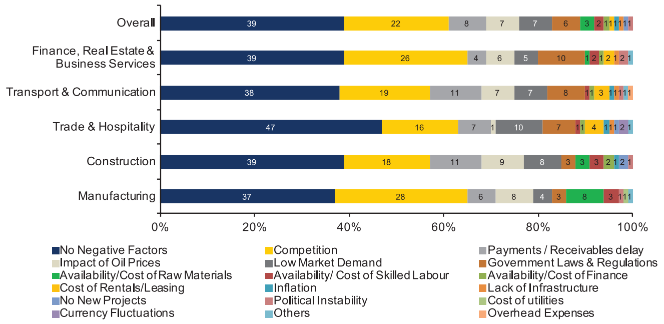


Respondents in the hydrocarbon sector have cited that the impact of declining oil prices is the chief concern this quarter as highlighted by 41% of the firms. The proportion of firms indicating no hindrances to business operations rose to 27% in Q2, 2015 from 22% in Q1, 2015. Competition is the next most prominent challenge as cited by 9% of the survey participants (vis-à-vis 38% in the previous quarter), followed by delays in payments (7%).

■ Non-hydrocarbon sector

The proportion of non-hydrocarbon respondents citing no hindrances this quarter increased to 39% in Q2, 2015 from 23% in the previous quarter. 22% of the participants in the sector indicated that competition is the main challenge during Q2, 2015 compared to a corresponding 39% in Q1, 2015. Other key concerns include delays in payments/ receivables (8%), impact of declining oil prices and low market demand (7% in each case).

Given the business environment in Qatar, which are the external factors that most hinder the development of your business? (Non-hydrocarbon Sector)

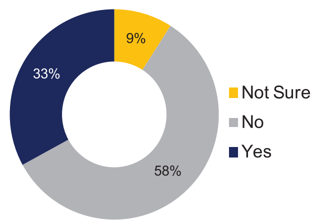


Investment plans

■ Hydrocarbon sector

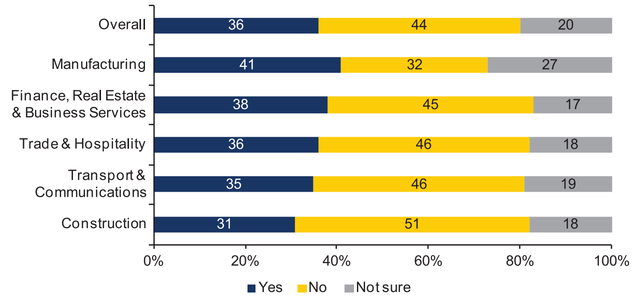
Respondents in the hydrocarbon sector are more optimistic in terms of their investment plans for Q2, 2015. The proportion of respondents who cited affirmative plans to invest in capacity expansion has risen from 15% (related to Q1, 2015) to 33% (related to Q2, 2015); however a majority (58%) are observed to hold back on business expansion plans.

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



■ Non-hydrocarbon sector

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



Sentiments in the non-hydrocarbon sector are stable when compared to the previous quarter. While 36% of the sector respondents plan to invest in business expansion activities (same proportion in Q1, 2015), 44% do not plan to do so in Q2, 2015. On a sector wise comparison basis, manufacturing respondents are the most optimistic in terms of investment in expansion.

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About Qatar Financial Centre

The QFC is a fully onshore business and financial centre located in Doha, and provides an excellent platform for firms to incorporate and do business in Qatar and the region. It offers its own legal, regulatory, tax and business infrastructure, which allows 100% foreign ownership, unlimited repatriation of profits, no restrictions on the currency used for trading, and charges a competitive rate of 10% corporate tax on locally sourced profits.

These foundations have helped to foster Doha's world-class business environment. Qatar is currently ranked as the 16th most business-friendly country in the world (Economic Forum Global Competitiveness Report 2014-2015) and within the top 20 financial centres worldwide (Global Financial Centre Index March 2015).

The QFC has recently undertaken several legal and structural enhancements, together with process improvements, to encourage a broader range of professional and business services firms to be licensed, facilitated by streamlined processes, significantly shortening the turnaround time for applications.

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