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Business Optimism Index – Saudi Arabia Q3 2012

Highlights

- The Composite Business Optimism Index for the non-hydrocarbon sector stands at 37 compared to 52 in Q2 2012
- All non-hydrocarbon sectors reveal a drop in optimism levels because of expectations of slowdown in economic activity due to summer vacations and uncertain global conditions
- Composite Business Optimism Index for the hydrocarbon sector drops to 23; selling prices weigh

Hydrocarbon sector

The outlook for the global economy for the second half of 2012 has become highly uncertain. After a gradual deceleration during 2011, especially in Q4, global growth had started to show some signs of dynamism in the first quarter of 2012. This was due to stronger growth in Asia including Japan as well as Latin America and a modest but sustained growth in the US. In Europe, investor sentiment was calmed by the Greek debt swap as well as the EUR 1 trillion worth of long-term refinancing operations provided by the European Central Bank. Additionally, monetary policy easing in some developing countries contributed to a firming of real economic activity in many countries. But this momentum seems to be fading and the world economy now faces significant challenges in the near term, and is expected to grow by 3.5% this year compared to 3.9% in 2011 (IMF estimates).

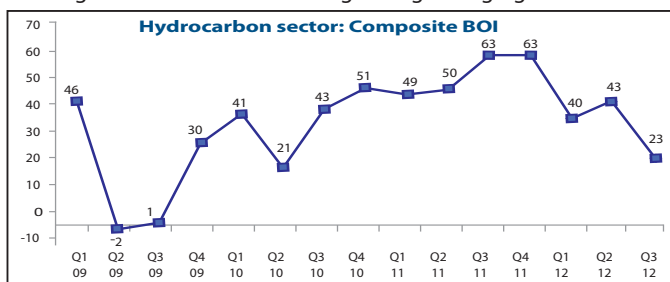
The European debt crisis problem does not seem to go away and the second quarter saw developments that added fuel to the crisis. Political uncertainty increased after the elections in Greece and France as it raised concerns regarding the ability and willingness of the new governments to implement fiscal austerity measures; while on the financial side, several banks were downgraded and the government of Spain requested a bailout of EUR 100 billion. Surveys of both the manufacturing and service sectors in the Euro zone showed contraction in activity for the months of April and May, while the unemployment rate stood at an all-time high of 11% in April 2012. Deteriorating conditions in the Euro zone will have an even greater impact on trade and credit flows internationally, which will contribute to a further moderation in global growth. In the US and China, growth is forecast to be slower in 2012. As several debt-ridden advanced economies are cutting back on spending, they are creating headwinds for the faster growing emerging economies.

Concern over slowing global growth and little progress by the Euro zone in dealing with its financial challenges have pulled down riskier assets such as commodities. There has been disappointment among investors that the Federal Reserve did not move to support the US economy through more aggressive monetary policy easing, which has triggered a further correction in oil prices in June. The average monthly OPEC basket declined from US\$ 118.18 per barrel in April to US\$ 108.07 in May and fell further to US\$ 94.03 per barrel in June. Going into the third quarter, demand side fears are set to persist as growth rates are downgraded and as markets now face a more ample supply. The oil market has been well supplied as Saudi Arabia has kept production high to prevent high oil prices from derailing a fragile world economy. However, as oil prices have already dropped substantially in recent weeks, they are not expected to fall further, based on a combination of tightening oil fundamentals and renewed ensuing tensions between Iran and the West. On the other hand, continued weaker oil demand growth could prove to be a downside risk to prices.

Saudi Arabia saw its oil sector grow 7.17% in the first three months of the year, compared to a year earlier, according to the Central Department of Statistics & Information. Overall exports from the Kingdom rose by 22.94% to SAR 384 billion on the back of high oil prices and energy production in the same period. Oil production increased from 9.736 million bpd in Q4 2011 to 9.883 million bpd in Q1 2012 and increased further to 10.102 million bpd in April 2012, to ease pressures on global oil prices and make up for supply disruptions from South Sudan, Syria, Yemen and the North Sea.

The BOI survey reveals that Saudi Arabia's hydrocarbon sector optimism has weakened in Q3 2012. The overall BOI composite score for the sector is 23, down 20 points from the score in Q2 2012, mainly due to a steep decline in the index for selling prices. The parameter score for Level of Selling Prices has dipped 35 points to 8 in Q3 2012 from 43 points in the previous quarter.

A majority i.e. 72% of the respondents in the sector anticipate no change in prices, while 18% expect prices to rise further and a modest 10% expect a further decline in prices in Q3 2012. Consequently, the Net Profits expectations of industry players have also lowered in the current quarter, the corresponding BOI for which is recorded at 23, compared to 38 points in the last quarter. The view on increasing workforce in the next quarter has remained steady, with the BOI





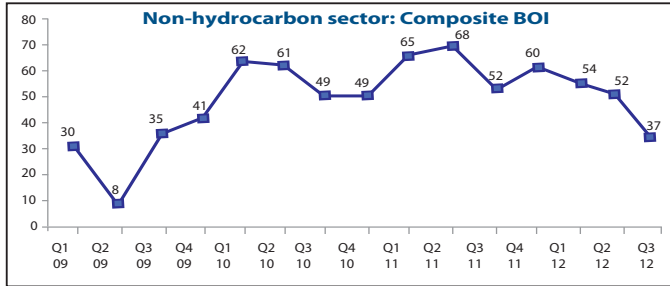
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value for Number of Employees witnessing a slight increase to 53 points in Q3 from a value of 48 in Q2.

Non-hydrocarbon sector



The index revealing sentiments of the Saudi business community has weakened in Q3 2012 compared to the previous quarter. The composite index for the non-hydrocarbon sector stands at 37 points compared to 52 in the previous quarter. The Saudi economy's performance has been exceptionally robust and the economy is expected to remain resilient in the current year despite the weak global economic scenario. Preliminary estimates of the GDP for Q1 2012 by the Statistics Authority have confirmed the IMF's buoyant outlook for the Kingdom. GDP grew 5.94% in the first quarter of this year over the same period a year ago. Growth was well supported by the non-oil sector, which grew at 5.71% in the same period.

The construction sector recorded one of the strongest growths among all sectors at 9.11%, followed by the transport, storage & communication sector at 8.97% and the manufacturing sector at 8.36%. The non-oil sector's GDP growth is projected at 6.5% this year (IMF estimate). Acceleration in non-oil activity has been bolstered by increased government spending coupled with accommodative monetary policy measures. High oil revenues will continue to boost the Kingdom's budgetary and current account surplus position as well as overall consumer and investor confidence. The IMF has projected a current account surplus of US\$ 182 billion (27.9% of GDP) for 2012.

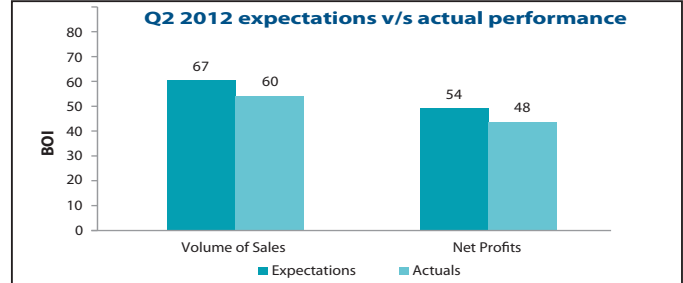
The BOI survey reveals that all six parameters have declined for Q3 2012. The BOI for the Volume of Sales parameter has registered a value of 39 points compared to 67 in Q2 2012, while the BOI for the New Orders parameter is recorded at 52 compared to 65 in Q2. The BOI for Level of Selling Prices stands at 15 in Q3 2012, compared to 24 points in the last quarter.

The inflation rate in Saudi Arabia was recorded at 5.4% in February 2012. There is expectation of a relative stability or a slight decline in the inflationary pressures in the coming period due to a combination of decline in world food prices and price stability within the domestic market. Profitability expectations have also weakened from the previous quarter. The BOI for the Net Profits parameter is recorded at 37 corresponding to Q3 2012, down from 54 points commensurate with Q2, 2012. The BOI for Number of Employees remains almost steady, dropping marginally by 4 points from 48 in the last quarter. Respondents are slightly less optimistic with respect to inventories compared to Q2 2012; the BOI for Level of Stock stands at 29 points in Q3 2012, down from 33 in the previous quarter.

All the sectors surveyed have registered lower optimism levels in relation to the previous quarter. The construction sector holds the most optimistic outlook among the various sectors surveyed whereas the trade & hospitality sector holds the least optimistic outlook among all sectors.

However the outlook on factors impacting business operations and the investment outlook for business expansion reflects strengthened optimism. A higher percentage of respondents feel their businesses are insulated from any kind of adverse influence in Q3 2012. 45% of the respondents do not anticipate any negative factors coming into play in the third quarter of 2012, compared to 33% in the previous quarter. Additionally, around 62% of firms plan to invest in business expansion in Q3 2012 compared to around 40% in the previous quarter.

Around 30% of the respondents have identified business environment factors such as slowdown in trade due to uncertain global demand, ambiguity due to the Euro region debt debacle, slowdown due to global financial meltdown, etc. as impacting factors. 11% of the respondents continue to cite shortage of skilled labor as a factor that could impact operations during Q3 2012. Only 3% of the respondents are concerned about availability of finance in Q3 2012.



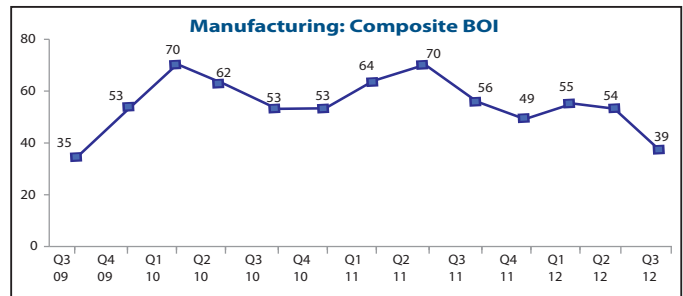
The BOI quarterly survey is a gauge to measure business expectations across various sectors of the economy. To measure the alignment between actual performance and forward looking sentiments relevant to Q2, 2012, businesses were questioned on their current quarter performance results. In this regard, the survey inferences reflect that the actual business performance results are a true representation of expectations of the Kingdom's industry players. The resultant BOI for the actual performance for Q2 is observed to be in line with the expectations or forecasts made by business respondents. During the survey of business expectations in March 2012 for the composite BOI for Volume of Sales stood at 67, while the actual current quarter performance related to the Volume of Sales BOI stands at 60 points.

Sector Analysis

Manufacturing sector

Global manufacturing contracted at the fastest pace in three years, as shown by the JPMorgan Global Manufacturing PMI. The index fell from 50.6 in May to 48.9 in June, which came in below the neutral 50.0 mark. The index dropped below 50.0 for the first time since November 2011, and recorded its lowest reading since June 2009. The US, Japan, China, Germany, UK, France, Italy, Brazil, and South Korea are now all in a manufacturing contraction phase, resulting in a plunging Global Manufacturing PMI for June 2012. These are 9 of the top 11 manufacturing countries in the world and represent 69.6% of the Global PMI. The Euro zone remained the main source of weakness for the global manufacturing sector. A consequence of the downshift in manufacturing was a fall in demand for raw materials, leading to a decline in input prices for the first time in seven months.

The BOI survey reveals that the manufacturing sector outlook has weakened in the third quarter of 2012 as five out of the six parameters recorded a lower score from the previous quarter. The composite BOI for Q3 2012 stands at 39 compared to 54 points in the previous quarter. Though the strength in optimism related to sales volume has moderated, as reflected in the corresponding index lowering from 72 in Q2 to 48 in Q3, a substantial 64% of the respondents still foresee expansion in sales volumes given a pick-up in outlook on new projects. Only 16% of the respondents in the



manufacturing sector foresee a decline mainly due to a slowdown in activity during the summer vacations and Ramadan. Similarly, while the BOI for New Orders stands at 52 corresponding to Q3, as compared to 68 in the previous quarter; a majority i.e. 61% respondents still foresee an improvement in their order books, given favorable market conditions and potential for winning new contracts. The Level of Selling Prices parameter stands at 8 points; 66% of the sector respondents anticipate no change in selling price levels as they do not foresee an increase in raw material prices or market conditions leading to a change in prices. Lower demand and price expectations have resulted in a weaker profitability outlook. The BOI for Net Profits has gone down to 42 in Q3 2012 from 52 in the previous quarter. The BOI for Number of Employees has moderated by 4 points to 43 in Q3 2012 from 47 in the previous quarter. The Level of Stock parameter stands at 34 in Q3 2012 compared to 29 points in the previous quarter.

39% of the firms in the manufacturing sector do not expect business operations to get impacted by adverse factors in Q3 2012 compared to a corresponding 26% in Q2. Availability of skilled labor is a key concern for 16% of the firms while availability of finance is a concern for only 3% of the respondents.

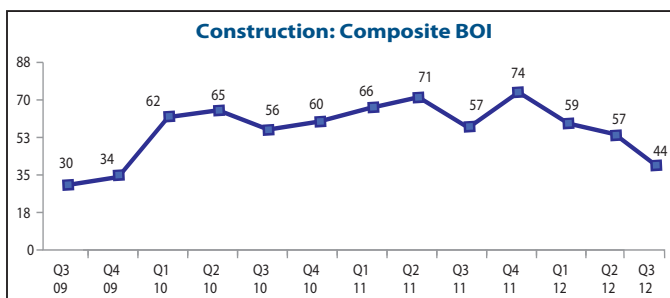
66% of the respondents plan to invest in business expansion in Q3 2012, compared to 42% in the previous quarter.

■ Construction sector

The outlook for the global construction sector 2012 is looking slightly more pessimistic compared to 2011, as the developing economies responsible for much of the growth in the recent past are starting to slowdown. This is because their developed country export markets are continuing to decline. Construction spending in Western Europe has been the most affected with the most significant falls occurring in Portugal, Ireland, Italy, Greece and Spain. The continuing sovereign debt problems and Euro zone crises suggest that Western Europe will continue to struggle in the near term. In the US too, construction spending will be stagnant as the economy is struggling to sustain momentum. China was the largest construction market in 2011 and will remain so in 2012. In the Middle East, moderate construction spending growth is expected in 2012, led by increases in infrastructure construction spending.

The composite index for the construction sector has lowered in Q3 2012 as most parameters have registered a decline from the previous quarter; the composite BOI stands at 44 in Q3 compared to 57 points corresponding to Q2. Although the strength in optimism levels corresponding to Q3 has declined vis-à-vis Q2 the outlook for Q3 still remains robust. Even though the BOI for Volume of Sales has dropped from 73 in Q2 to 46 in Q3, 60% of the respondents anticipate an increase in volumes due to expectations of getting new projects.

14% of the respondents that foresee a decline attribute this mainly to the slowdown experienced during the summer vacations and Ramadan and / or because of completion of current projects in hand. Although the BOI for New Orders is down from 64 in Q2 to 56 points, 66% of the respondent firms are expecting new orders in Q3. The index value related to the Level of Selling Prices parameter has added a point to its previous quarter's value of 26, as 34% of the respondent firms plan on increasing their prices to take into account



higher cost of raw materials or due to increasing demand. In line with the drop in the BOI score for volumes, the BOI for Net Profits has slipped to 34 compared to 54 in Q2 2012. The BOI for Number of Employees too reveals a lower score at 56 points compared to the score of 67 in Q2 2012. The BOI for the Level of Stock parameter stands at 18 compared to 35 in Q2 2012.

47% of the respondents do not expect any negative factors affecting business operations as opposed to 37% in the previous quarter. Factors such as the global financial meltdown, the Euro region crisis, currency fluctuations, etc. contributing towards adverse pressures in the overall business environment are impacting operations, as elicited by 29% of the sector respondents. 10% of the respondents were found to be concerned about availability of skilled labor and 4% about availability of credit in Q3 2012.

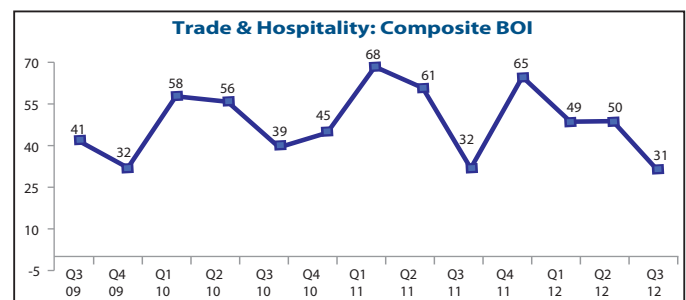
56% of the firms plan to invest in business expansion as opposed to 36% in the previous quarter.

■ Trade & Hospitality sector

The retail forecast is directly dependent on the overall economic forecast and hence faces challenging times in the current year. Reduced consumer spending and weak credit market conditions are the key challenges being faced by the global retail industry as many developed countries face economic uncertainties and anemic growth prospects in 2012. In light of the high unemployment rates in these countries, buyers have become more price conscious and careful about the purchases they make. The Euro zone retail sector remained in contraction in June for the eighth successive month; while in the US, retail sales in May declined by 0.2%.

As a result of weakening sales in these markets, retailers will continue to look to enter new markets like Asia Pacific, Africa and South America due to higher growth prospects in these regions. The continued strength of the retail sector in the GCC is confirmed by A.T. Kearney's 2012 index of top ranked emerging markets for global retail expansion. Four GCC countries rank in the top 20: UAE (7), Oman (8), Kuwait (12), and Saudi Arabia (14).

The composite BOI for the trade & hospitality sector has dropped in Q3 2012 as all parameters have registered a lower score; the composite BOI stands at 31 in Q3 compared to 50 in Q2 2012. Despite the drop in the degree of optimism levels corresponding to Q3, relative to the last quarter; business units in the Kingdom's trade & hospitality sector are still deemed optimistic overall. Towards sales, more than half of the survey respondents anticipate an increase in revenues on account of new projects and improvement in demand.



The BOI for Volume of Sales is at 28 for Q3 2012. The composite score for New Orders has moved downwards to 48 in Q3 from 64 points in Q2. Around 63% of the respondents foresee improvement in their order books as rising demand; favorable market conditions and new projects boost confidence.

In terms of selling price expectations, the optimism level has moderated slightly by 8 points to 15 in Q3 as 65% of the respondents anticipate no change in prices in consideration of the competitive pressures, prevalent in the industry. Optimism score for the Net Profit parameter stands at 29 compared to Q2's 56 points; 50% of the sector respondents anticipate higher profits mainly attributable



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to increase in demand and fresh orders. In the case of the 21% of respondents who foresee a decline, this is mainly due to a slowdown in business activity during the summer vacations. The BOI for Number of Employees is recorded at 35 compared to 39 in Q2 2012, while that for Level of Stock is at 29 compared to 37 in the previous quarter.

In line with the overall business community, 49% respondents in the Trade & Hospitality sector do not anticipate any negative factors to adversely impact business operations in Q3, as against a corresponding 28% in Q2.

Around 23% of the sector respondents, who do foresee overall business environment as a threat, attribute factors such as uncertain global growth prospects, the Euro region turmoil and its impact on trade linkages as key concerns. Only 5% of the respondents anticipate that shortage of skilled labor will be a key concern for their businesses in Q3 2012. Availability of finance is cited as a concern for around 6% of the respondent firms.

Around 64% of the firms interviewed plan to invest in business expansion during Q3 2012, as compared to a corresponding 45% in the previous quarter.

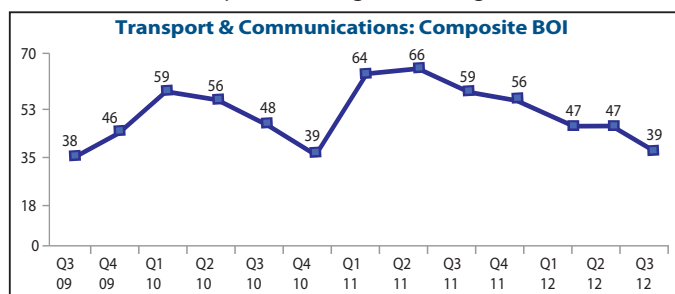
■ Transport & Communications sector

The global transportation industry is poised for a difficult 2012. Since the forecast for the global economy remains weak, the outlook for trade and transport is correspondingly not too optimistic. Weaker output growth expectations translate into downward revisions for the growth of global trade. The slowdown in growth hits trade-intensive sectors particularly hard as weak prospects in advanced economies dampens the demand for exports from emerging economies. According to the World Trade Organization, world merchandise trade expanded in 2011 by 5.0%, a sharp slowdown from the 2010 rebound of 13.8%, and this growth will slow further still to 3.7% in 2012. Low global trading levels accompanied by fleet additions across segments in 2012 will lead to unfavorable demand-supply dynamics in the global shipping industry.

The BOI survey reveals moderation in optimism levels in Q3 compared to the previous quarter. The composite index has posted a score of 39 in the third quarter of 2012 compared to 47 in Q2. The moderation in the score is mainly due to a dip in the parameter score for Volume of Sales which stands at 37 compared to 60 points in Q2 2012. In spite of the decline in score, the sector holds an optimistic sales outlook overall, with 55% of the respondents expecting higher sales on account of new projects in the pipeline. The BOI for New Orders has remained unchanged at 60; a majority 63% of the respondents foresee improvement in their order books considering new projects and expansion of existing contracts whereas only 3% anticipate a decline considering the summer holiday season. At 18 points, the BOI for the Level of Selling Prices has strengthened by 2 points. A majority i.e. 62% of the sector respondents anticipate no change in terms of selling prices, citing reasons such as fixed nature of their businesses, predetermined contract prices, inability to increase prices due to competition and fixed selling prices of their products in certain cases.

A smaller proportion constituting around 28% respondent firms said that they foresee an increase in prices based on improving market conditions, business expansion and higher sales. Though the overall profitability expectations are marginally lower in Q3 from Q2, 58% respondents foresee higher net profits as market conditions and sales numbers are improving. The BOI for Net Profits parameter stands at 43 in Q3 2012, compared to 52 points in Q2. Hiring plans reveal a moderation as the BOI score stands at 37, compared to 45 in the second quarter of 2012.

57% of the sector respondents (highest among all sectors) do not



foresee any negative factors impacting their operations in Q3 2012, as compared to a corresponding 37% in Q2. Factors pertaining to the overall business environment such as the impact of the global economic meltdown, disruptions in trade linkages due to uncertain demand, etc. are cited as concerns by around 32% of the business respondents interviewed. Around 3% of the respondents expect shortages of skilled labor as a challenge, while 2% are found to be concerned about availability of finance.

58% of the respondents in this sector plan to invest in business expansion during the third quarter of 2012 as opposed to 34% in Q2.

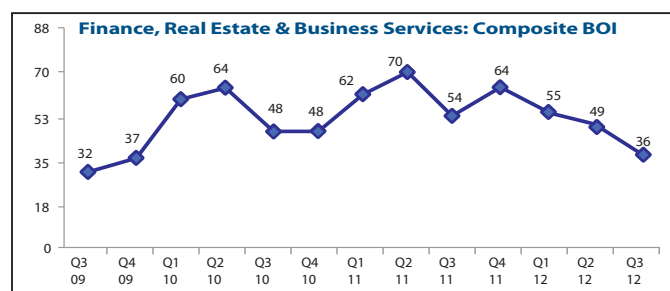
■ Finance, Real Estate & Business Services sector

The last quarter has witnessed increasing volatility in financial and currency markets. Despite successful European intervention in Q1 2012, that included the Greek debt swap as well as the calming of the market through EUR 1 trillion worth of long term refinancing operations provided by the European Central Bank, the second quarter saw developments that added fuel to the European crisis, including elections in Greece and France and the bailout of Spain. The measures have failed to hold the escalating financial requirements of economies and banks in the region. Investors are shifting from equities and commodities to debt and cash, from the affected countries in the southern Euro zone to their neighbors in the north, as well as the UK, Japan, and the US.

As long as uncertainties in the Euro zone persist, it will elevate downside risks to global growth, inflation, household income and spending, commodity prices, international trade, and business profitability and investment.

Respondents in Saudi Arabia's financial, real estate & business services sector expect a moderation in business outlook as compared to that recorded in Q2 2012. The composite BOI score for this sector stands at 36, 13 points lower from the previous quarter score. The BOI for Volume of Sales stands at 34. In spite of a drop in the parameter score for sales in comparison with the previous quarter's score, a majority i.e. 53% of the respondents still expect an increase in sales volumes due to expectations of getting new projects and increase in demand, whereas only 19% anticipate a decline due to slowdown in activity during the summer holidays. In line with sales volume, the BOI for the New Orders parameter stands at 47 in Q3 from 64 points in the previous quarter. Though the overall score has shown a downward trend, 60% of the respondents expect their order books to improve in Q3 2012.

In terms of selling price expectations, 69% of the sector respondents anticipate no change in selling prices due to high level of prevalent competition and fixed contractual pricing. Though the composite score for Net Profits has declined in Q3 from the previous quarter, a substantial 54% of the respondents foresee an increase in profitability as sales and demand increase and coupled with an easing of cost pressures. Hiring outlook has shown an uptrend; the BOI for Number of Employees is recorded at 49, up from 44 points in the last quarter.



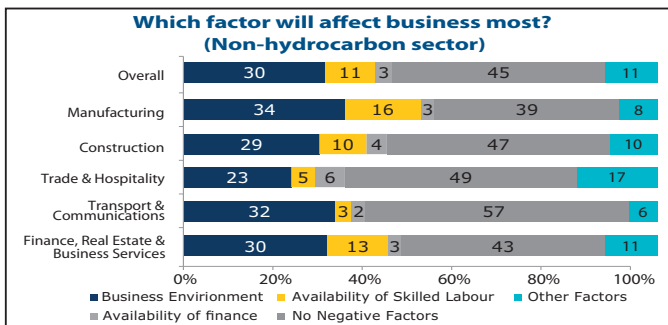
43% of the respondents in this sector do not anticipate that any negative factors will influence their business operations in the third quarter of 2012, in line with the previous quarter's 40%. 30% of the respondents foresee overall business environment such as impact of the global financial meltdown, uncertainties in the Euro region, etc. as concerning factors. 13% are concerned about availability of skilled labor and 3% are concerned about availability of finance.

64% of sector respondents commented that they will invest in business expansion during Q3 2012, as compared to only 39% in the second quarter of 2012.

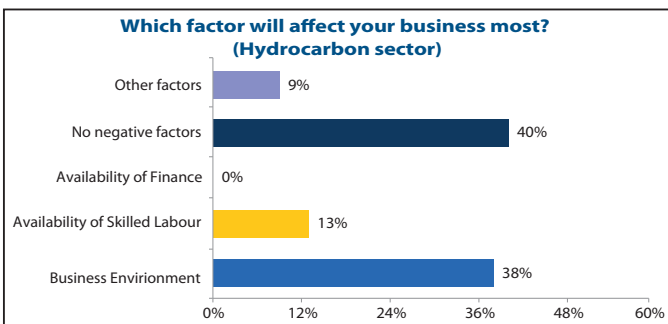
Business Issues

Factors impacting business

The expectations towards the overall business environment in Saudi Arabia have improved in Q3 2012 compared to the previous quarter. 45% of the respondents in the non-hydrocarbon sector have said that they do not expect any negative factors to influence their business operations in the third quarter of 2012 compared to 33% in the second quarter of 2012. 30% of the respondents feel that business environment such as the global economic downturn, Euro region crisis, etc. will impact business operations in Q3 2012. 11% of the businesses are concerned about availability of skilled labor and 3% are concerned about availability of finance.

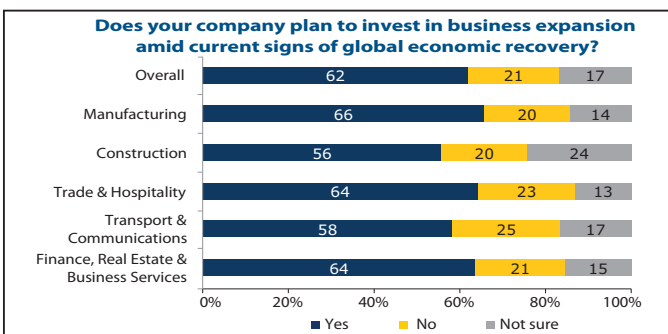


In the oil & gas segment, 40% of the firms do not anticipate adverse factors to impact business operations in Q3 2012 compared to 27% in Q2. Overall business environment is the other leading concern for 38% of the respondents in this sector.



Investment plans

Business expansion plans have strengthened in Q3 2012 vis-a-vis expectations in the last quarter. 62% of the non-hydrocarbon companies have said that they would invest in business expansion in Q3 2012 compared to 40% in the previous quarter.



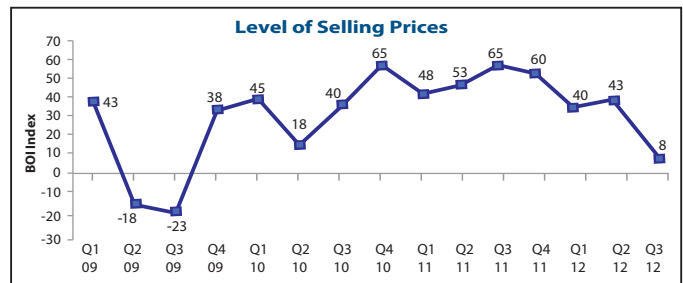
Appendix

Hydrocarbon Sector

Volume of Sales

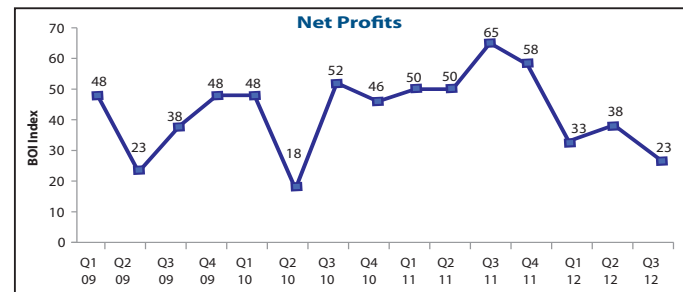
The BOI for the Volume of Sales parameter stands at 33 for Q3 2012. 50% of the respondents anticipate an increase in sales in Q3 2012 as the business units expect new projects & contracts, increase in demand and increase in the industry output. 33% of the respondents anticipate no change as their business output is predetermined and capacity is fixed in some cases. The remaining 17% foresee a decline in activity as they expect a slowdown.

Level of Selling Prices



The BOI for Level of Selling Prices has dropped by 35 points to 8 in Q3 2012. 18% of the respondents anticipate higher selling prices while 72% expect no change mainly on account of competition, fixed or predetermined cost of contracts and projects, and stagnation in business activity.

Net Profits



The BOI for the Net Profits parameter has dropped by 15 points to 23 in Q3 2012. 45% of the respondents in the hydrocarbon sector anticipate an improvement in profitability as new contracts and sales increase, whereas 33% expect no change due to fixed capacity.

Number of Employees



The BOI for the Number of Employees parameter has improved by 5 points to stand at 53 in the third quarter of 2012. 53% of the respondents expect to increase their head count as they foresee high demand and new contracts, whereas 47% anticipate no change as they said that they have sufficient manpower to fulfill all project requirements in Q3 2012.

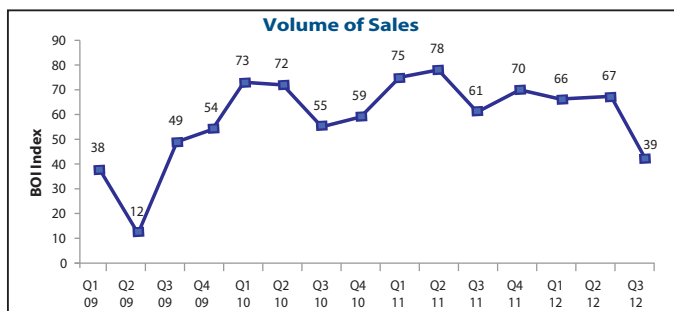


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Non-hydrocarbon sector

Volume of Sales



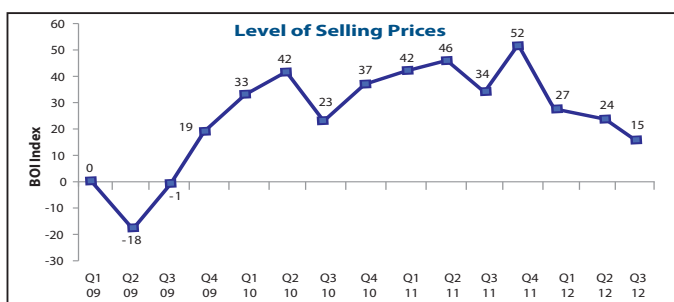
The BOI for Volume of Sales has registered a decline of 28 points in Q3 2012 to stand at 39. Overall, 57% of the non-hydrocarbon sector firms anticipate an increase in their sales due to increase in number of projects and expansion of demand.

New Orders



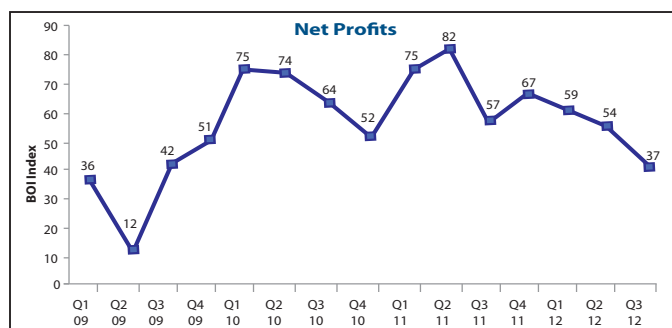
The BOI for the New Orders parameter has declined by 13 points in Q3 2012 to stand at 52. Out of the total respondents surveyed in the non-hydrocarbon sector, 62% expect an increase in their order book status owing to favorable market conditions, new contracts & projects and increase in sales while 10% are expecting a decline.

Level of Selling Prices



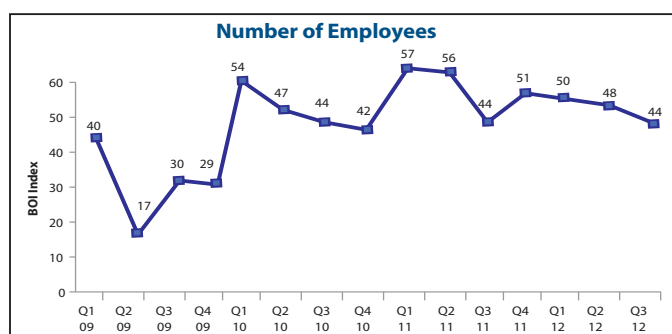
The BOI for Level of Selling Prices stands at 15 in Q3 2012, 9 points lower than the score in Q2 2012. Overall 25% of the respondents are expecting an increase in their Level of Selling Prices, while 10% expect to reduce their selling prices. The remaining 65% of the respondents expect price levels to stay intact given the market conditions, low raw material prices, competitive prices in the market, and predetermined prices of existing long term contracts.

Net Profits



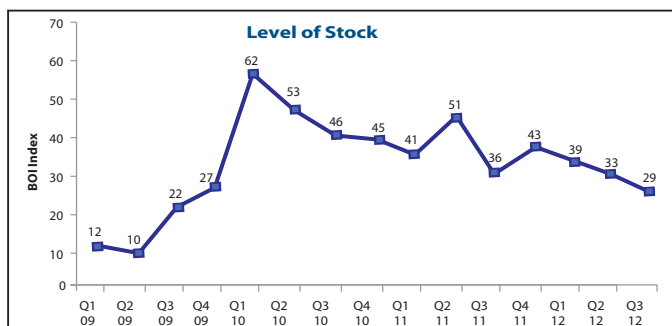
In line with the downward trend in demand, fresh orders and level of selling prices expectations, the BOI for Net Profits has decreased in Q3 2012, dropping by 17 to 37 points. 55% of the non-hydrocarbon sector respondents expect their profitability to improve considering favourable market and demand conditions, whereas 18% expect a decline in their Net Profits in Q3 2012.

Number of Employees



The BOI for Number of Employees has moderated by 4 points in Q3 2012. The BOI for this parameter is at 44 points. Out of the total respondents surveyed, 49% are expecting to up their headcount to ensure adequate employment levels for new projects and other expansion plans, whereas 46% are foreseeing no change in their number of employees as they feel they are adequately staffed in relation to their projects and expansion plans.

Level of Stock



The BOI for Level of Stock has tipped lower by 4 points in the third quarter. The BOI now stands at 29. Overall, 38% of the respondents are expecting their inventory levels to improve while 53% are expecting it to remain unchanged as they said they hold sufficient stock.

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Dun and Bradstreet South Asia Middle East Ltd.

Mr. Rajesh Mirchandani
Chief Executive Officer
Dubai International Financial Centre
PO.BOX-506511
Dubai, UAE
Tel: +971 4 3695700
Email: eag@dnbsame.com

About our partners

The National Commercial Bank

The National Commercial Bank was the first bank in Saudi Arabia, established under Royal Decree on the 26th of December 1953, and is the largest bank in terms of capital in the Arab world. The Bank's paid up capital at year-end 2007 was USD 4 billion. The Bank has been a pioneer in the Saudi banking industry, and was the first bank to offer mutual funds in the kingdom. Since the beginning of the 1990s the Bank has been one of the trailblazers in Islamic Banking, providing a wide range of innovative Islamic products and services. NCB has one of the largest branch networks in Saudi Arabia, and also operates 2 international branch offices in Beirut and Bahrain, and 3 representative offices in London, Seoul, and Singapore. True to its Islamic roots, the bank has a prominent role in the area of social responsibility through a range of social programs.

The National Commercial Bank

Ghassan Hussein Badkook
Manager, Corporate Public Relations
Tel: +96626463252
Email: g.badkook@alahli.com



Decide with Confidence



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 activities 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 Saudi Arabia's mining, oil and gas companies whereas the non-hydrocarbon segment encapsulates in its purview the following sectors:

- Manufacturing (125 units)
- Construction (70 units)
- Trade & Hospitality (86 units)
- Transport & Communications (70 units)
- Finance, Real Estate & Business Services (109 units)

The sample is a microcosmic representation of Saudi Arabia'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 in Q3 2010, D&B has further introduced composite indices for all sub-sectors in the non-hydrocarbon sector to allow one indicator to summarize optimism levels in each of these sub-sectors.