

Saudi Business Optimism Index

3Q2013 Saudi Business Optimism Index (BOI)

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Executive Summary

- Composite BOI for the hydrocarbon sector gains 8 points to stand at 39, up from 31 in Q2 2013
- Although the Composite BOI for the non-hydrocarbon sector witnesses a cyclical decline of 6 points to 49 from 55 in Q2 2013, yet Y-o-Y comparison reveals higher BOI levels in Q3, 2013 when compared with the same period last year.
- Majority of the respondents in the non-hydrocarbon sector (61%) and hydrocarbon sector (67%) do not foresee any negative factors which could impact business operations in Q3 2013
- Investment outlook of Saudi businesses remains steady with a majority (51%) of respondents planning to invest in business expansion.

Said A. Al Shaikh
Group Chief Economist
s.alshaikh@alahli.com

Sharihan Al-Manzalawi
MIS/Finance Officer
s.almanzalawi@alahli.com

Prepared by:



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Hydrocarbon sector

The IMF has cut its forecast for global growth due to a slowdown in the world's emerging nations and poor economic performance in the Euro zone. The IMF has reduced its projected growth for 2013 to 3.1%, from a forecast of 3.3% in April, while the forecast for 2014 has been lowered to 3.8%, an amendment from its earlier prediction of 4%. The world economy remains in a three-speed mode with emerging markets still growing relatively rapidly compared to other parts of the world, steady recovery in the US, but with much of Europe continuing to struggle. The US economy has undergone significant adjustment, with the combination of a repaired financial system and revival in confidence driving growth. Private sector demand is stabilizing, house prices are rebounding and employment is growing, adding to the confidence. Other major economies are lagging behind the US, however, which could limit the strength of global growth. The challenges are especially difficult in Europe, where growth is being held back by weak confidence, still rising unemployment and continued banking sector and fiscal restructuring. Recession in the 17-country Euro zone has contributed to the lack of demand, while the manufacturing PMI has been below the 50 mark dividing growth from contraction for 21 of the last 22 months.

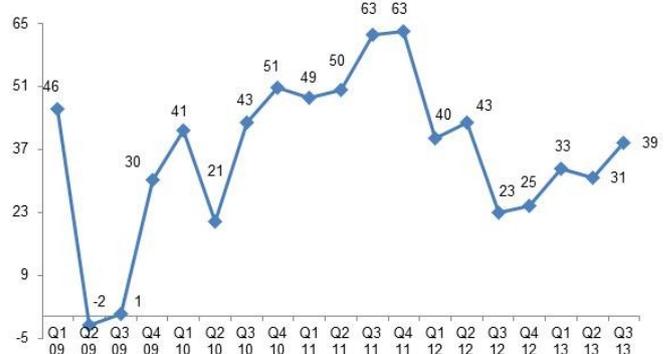
The divergence in growth paths between countries and regions reflects the uneven progress made toward recovery from the economic crisis. These multiple speeds reflect different paths towards self-sustained growth, with each path carrying its own mix of risks. While high-income countries continue to face challenges, GDP growth in emerging and developing countries continues to remain firm with less volatile external conditions. The outlook for the global economy continues to be surrounded by considerable uncertainty. Risk factors include the possibility of weaker than expected global demand, spill over from slow or insufficient implementation of structural reforms in the Euro area, geopolitical issues and imbalances in major industrialized countries.

The price of crude declined in Q2 2013 compared to Q1. The price of the OPEC basket averaged under US\$ 101 per barrel in the second quarter compared to US\$ 109.49 per barrel in the first quarter. The recent decrease in oil prices was due to a combination of lower than expected demand prospects and seasonal factors, against a background of ample supply owing to the increase in US shale oil production. Higher crude prices have made technologies economically viable and spurred large increases in North American oil and natural gas production and large increases in African oil production. Recent developments have also been influenced by the recovery of production in Middle East countries such as Libya and Iraq. But demand suppression has also been at work. Weak economic data out of China, the US and Europe have triggered renewed concerns surrounding global growth, and consequently,

demand for crude in key consuming countries. As well, stimulus measures announced by central banks, particularly the Bank of Japan, have helped to lift the greenback, which weighs on commodities priced in US Dollars. Meanwhile, inventories have been building for oil, suggesting that these markets are oversupplied. After the significant decline of commodity prices in April, the momentum stabilised somewhat in May and June. There have been tentative signs that the slowdown in the global economy might have ended and that slightly higher growth could be expected in the second half of this year.

In 2012, the Kingdom pumped record levels of oil during the first half of the year to offset weaker output from sanction hit countries. Conversely during the second half of 2012 and mainly towards Q4, output started to decline on account of higher supply from North America and Iraq, coupled with a sluggish global demand. OPEC data shows that production declined from 9.76 million bpd in 2012 to 9.11 million bpd in Q1 2013. Production started increasing in Q2, rising to 9.31 million bpd in April 2013 and 9.66 million bpd in May 2013. Within the context of a slowdown in oil production and stagnation in prices, the Kingdom's real GDP is expected to slowdown in 2013 compared to 2012.

Hydrocarbon sector - Composite BOI



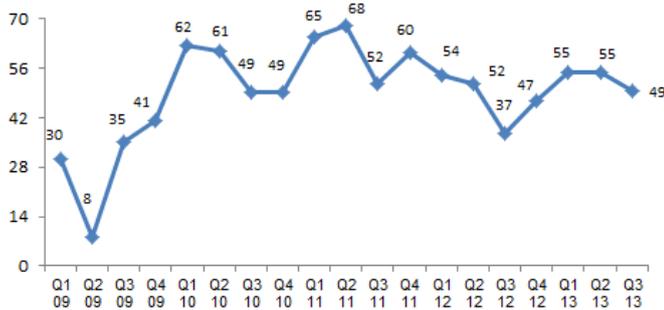
The BOI survey reveals an improved business outlook for Saudi Arabia's hydrocarbon sector in Q3 2013 compared with last quarter. All three parameters have registered an uptrend. The BOI for the Net Profits parameter has jumped by 11 points to 48 from 37 in Q2 2013 as a majority (66%) of the businesses do not see any negative factors impacting businesses in Q3, which is a steep increase from the previous quarter's tally of 48%. The hydrocarbon sector firms are optimistic about their selling prices as the BOI has gained 7 points to 30 from Q2's level of 23. The index for the New Employees parameter has gained 6 points to 46 in Q3 from 40 in the previous quarter. 46% of the business units expect their sales volumes to increase in Q3 2013, 49% do not foresee any change whereas only 5% foresee a decline in Q3 2013. In terms of challenges facing business operations in Q3 2013, availability of skilled labour and government regulations are

leading concerns for 15% and 10% of the sector respondents respectively. Low demand for goods & services and increasing labour cost are leading concern for 5% and 3% of the hydrocarbon sector respondents.

Non-Hydrocarbon sector

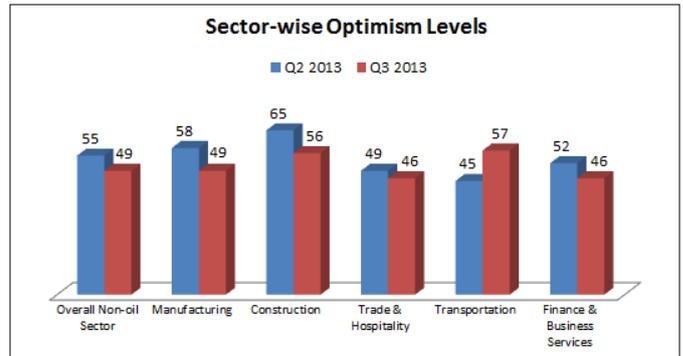
After a significantly strong growth in 2012 as a result of high government and consumer spending and pickup in oil output, Saudi Arabia's GDP is expected to slow down to 4.4% (IMF estimate) in 2013 due to a decline in oil output. The non-oil sector is forecasted to grow at a strong rate, supported by buoyant private non-oil activity, high oil revenues and corollary state spending as well as strong consumer spending growth. The government is continuing to invest in the infrastructure of the economy as well as education and healthcare. High international oil prices, combined with elevated oil production and surging petrochemicals and plastic exports are keeping the trade balance and current account in surplus. The current account balance is expected to stand at 19.2% of GDP in 2013. Saudi Arabia's HSBC manufacturing PMI for the month of May pointed to a further strengthening of operating conditions in the Kingdom's non-oil producing private sector. The degree of improvement eased, however, and the headline index posted a six-month low of 57.3, down from April's 58.0. The weaker growth rate was driven by generally slow market conditions.

Non Hydrocarbon sector - Composite BOI



Saudi Arabia's non-hydrocarbon BOI score shows an upward trend, an improvement of 12 points, reaching 49 points on a Y-o-Y basis. On a quarterly basis, the BOI in Q3 has turned down moderately, due to cyclical decline, as most parameters have moved lower from their previous quarter's levels. The composite BOI has tipped lower by 6 points to stand at 49 in Q3. The BOI for the Volume of Sales and New Orders stand at 52 and 53 respectively, which are 13 and 9 points below the Q2 levels in the same order. The profitability outlook has moderated as well, the BOI score has declined by 5 points to 51 from 56 in Q2 2013. The Level of Stock parameter stands at 45 in the current quarter, up from 34 in the previous quarter. The low demand and profitability scenario has dampened the hiring outlook; the BOI for Number of Employees stands at 47,

down from 54 points in Q2 2013. The sector holds a positive outlook for selling prices even as the demand and new orders show weaker outlook remains uncertain. The Level of Selling Prices BOI has gained 8 points from 36 in Q2 2013 to stand at 44 in Q3.



Reflecting the cyclical downward trend in the current quarter BOI scores, only one (Transportation sector) among the five non-hydrocarbon sectors has witnessed an improvement in its optimism level. The construction sector, which was the most optimistic in the previous quarter, has shown a decline in its composite BOI by 9 points along with the manufacturing sector index, which has also shed 9 points from the previous quarter's level. The Trade & Hospitality and Finance & Business Services sectors hold the least optimistic outlook for Q3 2013.

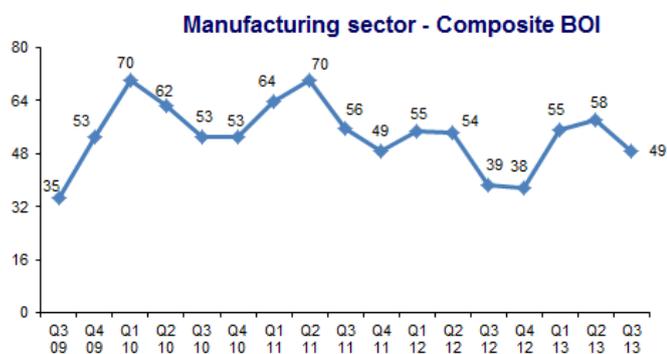
61% of the non-hydrocarbon sector respondents have said that they do not anticipate any negative factors to affect business operations in Q3 2013, a significant increase from the previous quarter's 54%. Availability of skilled labour and delays due to government regulations are cited as factors impacting businesses by 9% of the respondents in each category. 8% of the business units surveyed foresee competition as a challenge whereas 6% have indicated that low demand for their products and services pose a challenge for their business operations in Q3 2013. 2% of the survey respondents foresee increasing cost of transport as a challenge. Availability of finance, availability of raw materials, increasing cost of labour and cost of raw materials are cited as business challenges in Q3 2013 by 1% of the respondents in each category.

Investment plans have evinced a trend similar to the previous quarter, a majority (51%) of the respondents plan to invest in business expansion in Q3 2012. 25% have said that they will not, while the remaining 24% are unsure about expansionary activities in Q3 2013.

Sector Analysis

Manufacturing sector

The JPMorgan Global Manufacturing PMI held steady at 50.6 in June, holding above the 50 mark that divides growth and decline for the sixth month. However, the rate of growth signalled by the headline PMI remained only moderate and weaker (on average) over the second quarter of the year than during the first quarter. Solid rates of expansion were signalled by the PMIs for the US, Japan, the UK, Russia, Switzerland and Mexico. Meanwhile, the downturn in the Euro zone continued to ease. China, Taiwan, South Korea and Vietnam also reported contractions during the latest survey period.

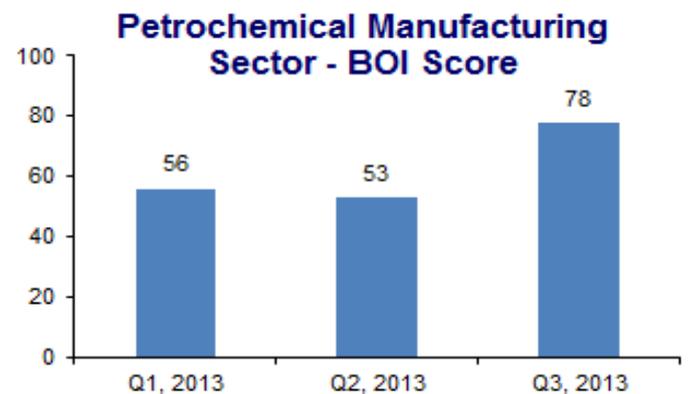


The BOI survey for Q3 2013 reveals that the manufacturing sector outlook has weakened compared to the previous quarter as the composite BOI shows a 9 points retreat from 58 in Q2. However, at 49 points the BOI score is 10 points higher when compared on a Y-o-Y basis. The quarterly decline is mainly on account of a drop in the sales and new orders outlook; the BOI for the Volume of Sales parameter has slid 19 points to 54 in Q3 2012 from 73 in the previous quarter, while that for the New Orders parameter has dipped 20 points to 55 from 75 in Q2 2013. The BOI for Level of Selling Prices has improved by 12 points to 39 in Q3 2013 from 27 in Q2, while the profitability index has moderated by 5 points to 50 in Q3 2013. Considering the retreat in sales, new orders and profitability in Q3 2013, the hiring outlook has also weakened. The BOI for the Number of Employees parameter stands at 47 in Q3 2013 compared to 60 in the previous quarter. The BOI for the Level of Stock parameter stands at 46 compared to 35 in Q2 2013.

A majority of the manufacturing respondents (62%) do not anticipate any negative factors to impact their businesses, while 11% have cited availability of skilled labour as a challenge. Low demand for products & services and government regulations are each a leading concern for 6% of the respondents. 5% of the businesses expect competition to affect businesses the most. 4% of the businesses have highlighted cost of raw material as a major concern for their businesses. 2% of the respondents have polled availability of fi-

nance as a challenge. 51% of businesses plan to invest in business expansion in Q3 2013. Only 24% have responded that they do not plan to invest in business expansion, while 25% are undecided.

The Composite BOI score for the petrochemical manufacturing sector has jumped 25 points to 78 in Q3 from 53 in Q2 2013. The BOI for the Volume of Sales parameter has risen to 89 in Q3 compared to 68 in the previous quarter, while the BOI for the New Orders parameter has gained 9 points to 86 from 77 in Q2. The index of profitability outlook has witnessed a 38 point gain to 93 in Q3 2013 compared to 55 in the previous quarter. Sales price expectations too have improved as the score for the Level of Selling Prices parameter is at 57 in Q3 compared to 29 in Q2. The BOI for the Level of Stock parameter stands at 50 in Q3 compared to 35 in Q2. The Number of Employees parameter is recorded at 64 in Q3 2013 compared to 42 points in Q2.



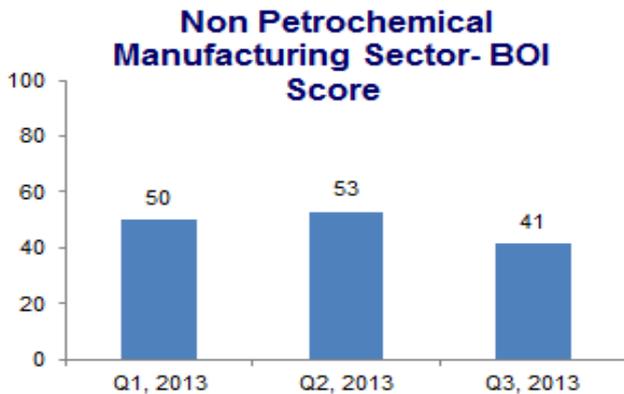
67% of the petrochemical manufacturing sector respondents do not foresee any negative factors impacting their business operations in Q3 2013, a substantial increase from 42% in the previous quarter. Low demand for products & services and increasing raw material costs each are a concern for 7% of the sector respondents, whereas 11% of the respondents are concerned about availability of skilled labour. Increasing competition and availability of raw materials are identified as key concerns by 4% of the respondents in each category.

Only 50% of the sector respondents plan to invest in business expansion in Q3 compared to 61% in Q2 2013.

Non-petrochemical Manufacturing

The Composite BOI score for the non-petrochemical manufacturing sub sector stands at 41 compared to 53 in Q2 2013. The BOI for the Volume of Sales parameter for this sector has dropped by 30 points to 44 in Q3 2013 compared to 74 in the previous quarter. The BOI for the New Orders parameter too has retreated by 28 points to 46 in Q3 2013 from 74 in Q2, whereas the

index for profitability stands at 40 compared to 56 in Q2 2013. The Number of Employees parameter is recorded at 42 compared to 64 in Q2, while the BOI score for the Level of Stock parameter stands at 43, 8 points higher than Q2's score of 35. The selling price index has evinced an upward trend, where the BOI stands at 35 points compared to 26 in Q2 2013.



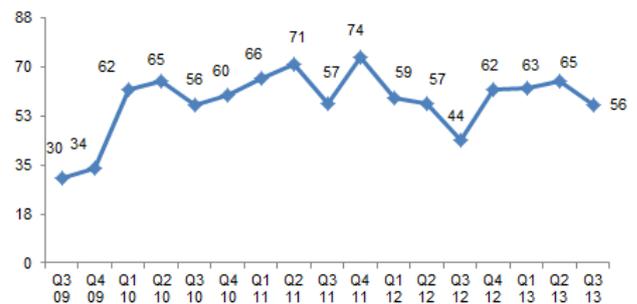
A majority 60% of the respondents in this sub sector expect no impact from negative factors on their business in Q3 2013, compared to 54% in the previous quarter. 12% of the respondents have expressed concerns over availability of skilled labour, while 7% are concerned about government regulations. Low demand for products & services and competition are a leading concern for 5% each of the respondents. Availability of finance and increasing raw material costs are a concerning factor for 3% of the sector respondents in each category.

52% of the non-manufacturing petrochemical sector respondents plan to invest in business expansion compared to 67% in the previous quarter.

Construction sector

Restrained growth is forecast for the global construction industry in 2013. The Asian construction markets are expected to exhibit healthy construction spending growth in 2013. Japan is forecast to make significant increases in construction spending in the next three to five years, spurred on by the new Prime Minister and his pro-growth platform. China is experiencing slower growth since a great problem that is facing China is the housing and commercial office space bubble; there are literally tens of thousands of empty homes and office facilities, waiting to find buyers. The European sovereign debt crisis and the overall economic slow-down will continue to hinder the European construction sector in 2013. The construction industry in the US will benefit from the recovery process as well as the recent major shale oil and gas discoveries.

Construction sector - Composite BOI



On yearly basis, Construction sector optimism levels have increased by 12 points reaching a score of 56 points. However, quarterly optimism levels have witnessed a slight decline in Q3 2013, the composite BOI stands at 56 in Q3 2013 compared to 65 in Q2. All parameters have recorded lower scores compared to Q2. The Level of Selling Prices BOI, which stands at 48 has weighed the least on the Composite BOI score. The BOIs for Volume of Sales and New Orders have declined 15 and 6 points, respectively to 60 and 61 from 75 and 67 in Q2 2013. A weaker selling price outlook coupled with uncertain demand has weighed on profitability expectations, the BOI for the Net Profits parameter has dipped to 57 from 70 in Q2 2013. The Number of Employees BOI for Q3 2013 stands at 56 compared to 62 in Q2.

50% of construction businesses do not foresee any negative factors affecting business operations. 19% have indicated government regulations as a key challenge, 14% foresee competition to impact business operations while 9% are concerned about availability of skilled labour. Demand for products & services and cost of labour are a challenge to each by 3% of the construction sector respondents. 2% of the businesses are concerned about raw material costs in Q3 2013.

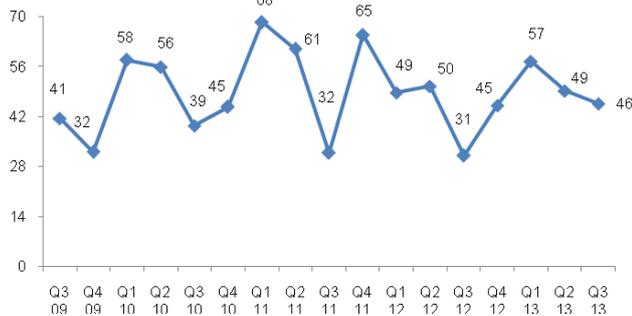
55% of the respondents plan to invest in business expansion and 17% are undecided about the same for the current quarter. The balance 28% has stated that they will not invest in business expansion in Q3 2013.

Trade and Hospitality sector

As developed markets face flat or anaemic growth, developing markets are sources of important growth for retailers. South and Latin America are significant growth markets for retailers with seven countries (Brazil, Chile, Uruguay, Peru, Panama, Colombia and Mexico) ranked in the 2013 A.T. Kearney Global Retail Development Index. Brazil tops the list thanks to continued expansion investments, organic growth, infrastructure improvements in advance of the 2014 FIFA World Cup and the 2016 Olympics, and a rise in consumer confidence. Sub-Saharan Africa is emerging as a market for regional and global wholesalers and retailers are seeking high-growth opportunities. The

population is young and fast growing and GDP is growing steadily as well. China remains one of the top markets for retail with double-digit sales growth, rising consumer demand, and a dynamic retail environment.

Trade & Hospitality sector - Composite BOI



The composite BOI for the trade & hospitality sector has moderated to 46 points in Q3 2013, albeit the score is significantly higher when compared on yearly basis (31 points in Q3, 2012). The quarterly decline is attributed to lower expectation of hospitality companies whereas trading companies hold steady optimism levels. The BOI for the Volume of Sales parameter has declined 15 points to 50 from 65 in Q2, whereas the New Orders BOI stands steady at the previous quarter's level of 45. The Level of Selling Prices BOI has gained 9 points to 46 from 37 in Q2 2013. The Net Profits BOI has retreated by 11 points to 49 from 60 in the previous quarter. The sector's hiring outlook too has moderated, the BOI for the Number of Employees parameter stands at 38 compared to 39 in Q2 2013. The BOI for the Level of Stock parameter has increased by 14 points to 46 from 32 in Q2 2013.

67% of the businesses in the trade & hospitality sector do not foresee any negative factors to impact business operations in the third quarter of 2013, which is higher than the previous quarter's proportion of 59%. Government regulations is cited by 8% of the respondents, while high competition and low demand for products & services pose a challenge to 7% of the respondents in each category. 6% of the trade & hospitality sector respondents are concerned about availability of skilled labour.

47% of the firms in the trade and hospitality sector plan to undertake business expansion in Q3 2013, a substantial increase from the previous quarter's 31%. 25% are undecided on business expansion plans and 29% have indicated that they are not planning investment in Q3.

Wholesale & Retail Trade:

Wholesale & Retail Trade Sector - BOI score



The Composite BOI for the wholesale & retail trade sub sector has inched higher by 2 points to 51 in Q3 compared to 49 in the previous quarter. The parameters in this sub sector show a mixed trend, the BOI for the Volume of Sales parameter stands at 57 compared to 69 in Q2, whereas the New Orders parameter has gained 13 points to 54 from 41 in Q2 2013. Selling price expectations of the sector have improved as the parameter index is recorded at 48, 17 points above the previous quarter's score of 31. The index for profitability has moderated by 4 points to 57 from 61 in Q2 2013, whereas the Level of Stock parameter has gained 7 points to 49 from 42 in Q2 2013. The BOI for the Number of Employees stands at 40 compared to 42 in Q2 2013.

A majority 62% of the sub-sector respondents do not foresee any negative factors influencing business operations in Q3 2013, similar to the previous quarter's score of 61%. 12% of the respondents foresee government regulations as a challenge facing their businesses in Q3 2013, while 9% of the respondents are concerned about availability of skilled labour. Demand for products & services and competition are a major challenge for 7% each of the respondents in this sub-sector. Availability of raw materials, increasing cost of labour and high transportation costs are a key challenge for 1% of the respondents in each category.

49% of the respondents in the wholesale & retail trade subsector plan investments in business expansion, up from 28% in Q2 2013.

Hospitality:

Hotel & Restaurants sector - BOI score



The Composite BOI for the hotels & restaurants sub sector has declined by 19 points to 31 from 50 in Q2 2013. The Volume of Sales BOI has shed 27 points to 30 in Q3 2013 from 57 in Q2 whereas that for the New Orders parameter has slipped 32 points from 54 in Q2 to 22 in Q3 2013. The BOI for Level of Selling Prices has declined to 40 from 50 in Q2 2013. There is a down trend in the profitability index too, the BOI for the Net Profits parameter has slumped by 27 points to 30 from 57 in Q2 2013. The hiring outlook for the sub sector remains almost steady at the previous quarter's level, the BOI for the Number of Employees parameter stands at 33 compared to 31 in Q2 2013.

78% of the respondents have indicated that there are no negative factors affecting their businesses this quarter compared to 54% in Q2. Low demand for products & services and high competition each are a concern for 7% of the sector respondents whereas availability of raw material and high labour cost each are a concern for 4% of the respondents in this sub sector.

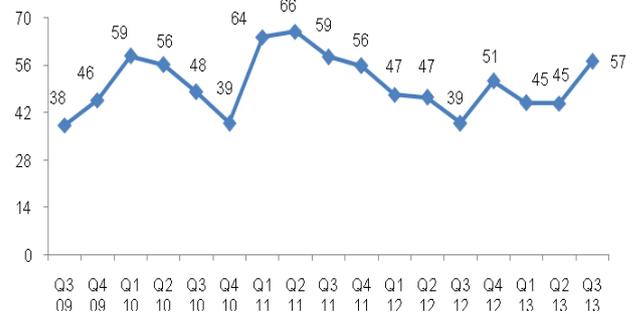
48% of the respondents plan to invest in business expansion in Q3 2013 compared to 38% in Q2.

Transportation Sector:

Global trade growth has recently been broadly aligned with GDP growth, in contrast with the pre-crisis period in which trade grew more rapidly than GDP. In part this reflects natural disasters in Japan and elsewhere, and subdued capital investment. This is reflected in the global transport industry. The global shipping slump is expected to last well into 2013 as a glut of vessels and a growing credit squeeze will challenge even the toughest companies in the seaborne sector, according to Moody's. Shipping companies, especially in the oil tanker and dry bulk sectors, already hit by worsening economic turmoil, weak earnings and oversupply ordered in the good times now face tighter financing as banks cut their exposure to risky and Dollar denominated assets such as ship finance to meet tougher

capital rules. Soaring fuel costs, falling US crude oil imports and declining European demand have also added to pressures faced by ship owners.

Transportation sector - Composite BOI



The BOI for the transportation sector reveals an improvement in the optimism level in Q3 2013 compared to the previous quarter while the optimism is significantly higher (up by 18 points) when compared with the same period last year. The quarterly scores show that this sector is also the most optimistic among all non-hydrocarbon sectors surveyed. The Composite BOI for the transportation sector stands at 57, which is 12 points higher than the previous quarter's score of 45. The BOI for the Volume of Sales parameter has gained 16 points to 64 in Q3 2013 from 48 in Q2. The BOI for the New Orders parameter stands at 60, 8 points above the Q2 2013 score of 52. The Level of Selling Prices parameter has also strengthened by 16 points to 53 from 37 in Q2 2013. Improved selling prices along with a strong sales and demand outlook have boosted profitability expectations of the sector, the BOI for the Net Profits parameter has soared by 18 points to 60 from 42 in Q2 2013. The sector's hiring outlook too has improved; the Number of Employees BOI has climbed 4 points to 49 from 45 in Q2 2013.

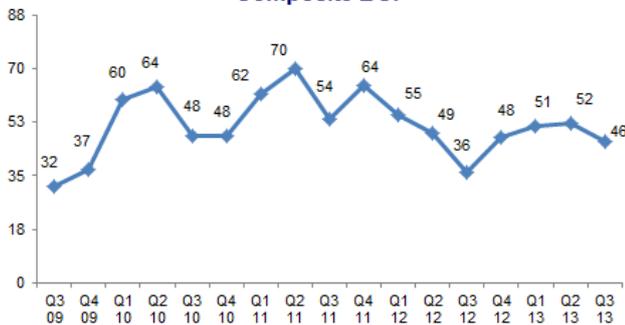
68% of the businesses in this sector do not foresee any negative factors impacting their business operations in Q3 2013, higher than the previous quarter's 57%. 8% each have indicated availability of skilled labour and government regulations as chief concerns, while 4% have cited high transportation cost as a concern in Q3 2013. 6% of the transportation sector respondents are concerned about competition and low demand for goods & services in Q3 2013.

42% of the respondents said that they will invest in business expansion in the current quarter, 33% quoted that they were unsure, while the remaining said that they will not.

Finance & Business Services sector:

Global financial and market conditions have improved appreciably in the past six months, providing additional support to the economy and prompting a sharp rally in risk assets. These favourable conditions reflect a combination of deeper policy commitments, renewed monetary stimulus, and continued liquidity support. Together, these actions have reduced tail risks, enhanced confidence, and bolstered the economic outlook. Recently, the Federal Reserve Chairman said that the US central bank could taper its monthly US\$ 85 bn in asset purchases later this year if the economy continues to improve as expected. Global shares slumped after the Federal Reserve signalled that it will stop pumping money into the world economy. However, an eventual fading out of QE in the US is on balance good news, since it means that the Federal Reserve has concluded that growth in the US, and the labour market performance, are strong enough to warrant a gradual return to normal monetary conditions. This should be good for the global economy and, eventually also for equity markets.

Finance & Business Services sector - Composite BOI



Overall business sentiments of the finance & business services sector indicate a less optimistic business outlook for Q3 2013, while the outlook remains better when compared with the same period last year. The Composite BOI for the sector has dipped by 6 points to 46 from 52 in Q2 2013, however it is 10 points higher in comparison with Q2, 2012. On a quarterly level, all parameters other than selling prices have registered a downward trend. The lower optimism for the sector is largely on account of reduced optimism among business services sector, while the finance sector optimism has witnessed an increase. The BOI for the Volume of Sales parameter stands at 43, 15 points lower than the Q2 2013 score of 58, while the New Orders parameter has slipped to 52 points from 61 in Q2 2013. The business units foresee an increase in their selling prices, the BOI has gained 4 points to 39 from 35 in Q2 2013. The uncertain demand outlook has slightly dented profitability expectations, the BOI for Net Profits stands at 46 compared to 49 in Q2 2013. Businesses in the finance & business services sector have moderated their hiring outlook, the BOI is recorded at 50, down from 58 in Q2 2013.

65% of the businesses in the finance & business services sector do not foresee any negative factors impacting business operations in Q3 2013, compared to 50% in Q2. Government regulations and competition are concerning factors for 8% of the respondents each, while 7% of the respondents foresee availability of skilled labour as a challenge in Q3 2013. Low demand for products & services is a chief challenge for 6% of the respondents.

The sector is the most optimistic among all non-hydrocarbon sectors in terms of investment in business expansion. 56% of the sector respondents have said that they will invest in business expansion in the current quarter, 23% quoted that they will not, while the balance said that they were unsure.

Finance:

Finance Sector - BOI Score



The Composite BOI for finance & insurance businesses has gained 9 points to 64 in Q3 2013 from 55 in the previous quarter. The BOI for the Volume of Sales parameter stands at 60 in Q3 compared to 62 in Q2 2013. The BOI for the New Orders parameter has declined by 15 points to 60 in Q3 2013 from 75 in Q2, while that for Level of Selling Prices has moderated by 3 points to 60 in Q3 2013. The BOI for Net Profits and Number of Employees are recorded at 60 and 80, respectively.

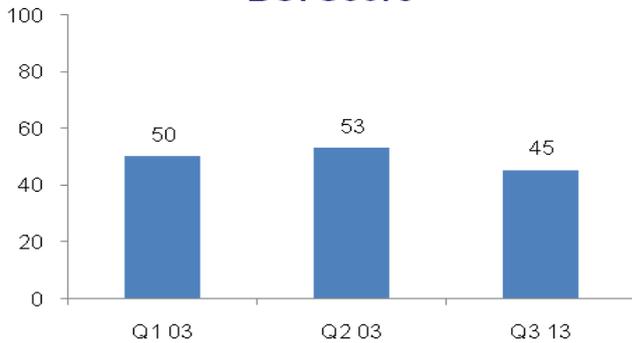
60% of the respondents in this sub sector do not foresee any factors impacting their business operations negatively; the proportion is lower than the previous quarter's tally of 75%. Low demand for products & services and high competition each are a leading concern for 20% of the respondents. A majority (80%) are planning investments in business expansion in Q3 2013 compared to 63% in Q2.

Business Services:

The BOI for the business services sector is recorded at 45, down from 53 in Q2 2013. The BOI for the Volume of Sales parameter stands at 43 in Q3 2013 compared

to 59 in Q2, logging a 16 points drop. The BOI for New Orders has declined 10 points to 51 from 61 in Q2. The profitability outlook too has dented slightly, the BOI for the Net Profits parameter stands at 46 compared to 52 in Q2. The Number of Employees parameter has slid to 49 from 61 in Q3 2013. The Level of Selling Prices parameter is the sole gaining index with a score of 38 in Q3 2013 compared to 33 in Q2.

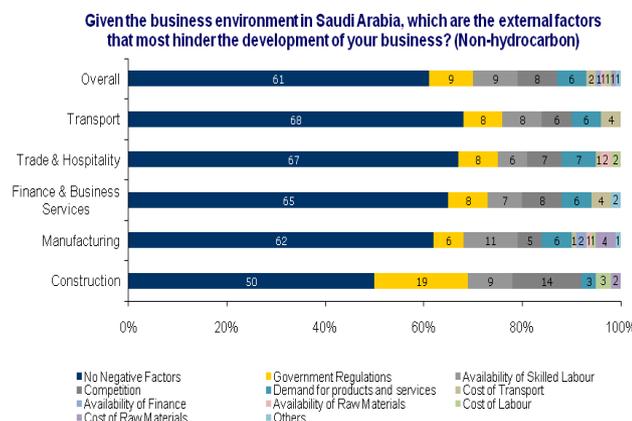
Business Services Sector - BOI Score



63% of the businesses in the business services sector do not foresee any negative factors impacting business operations in Q3 2013, compared to 45% in Q2. Government regulations is a concerning factor for 9% of the respondents, while 8% of the respondents each foresee availability of skilled labour and rising competition as challenges in Q3 2013. Low demand for products & services and rising transportation cost are key concerns for 6% and 4% of the sub sector respondents, respectively.

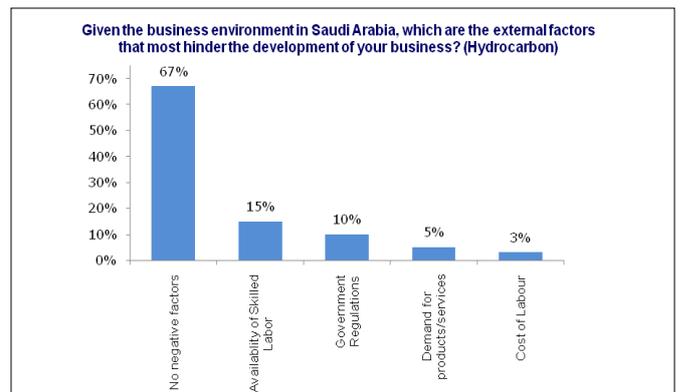
55% of the sector respondents said that they will invest in business expansion in the current quarter, 23% quoted that they will not, while the balance said that they were unsure of expansion investment.

Business Challenges:



In the non-hydrocarbon sector, 61% of the respondents do not foresee any negative factors impacting their business operations in Q3 2013. Availability of

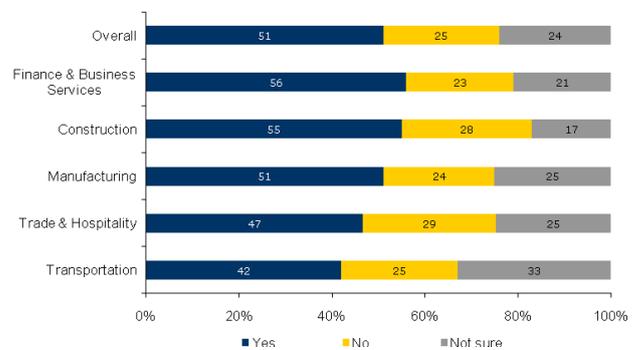
skilled labour and delays due to government regulations are cited as factors impacting businesses by 9% of the respondents in each category. 8% of the business units surveyed foresee competition as a challenge, whereas 6% have indicated that low demand for their products and services pose a challenge for their business operations in Q3 2013. 2% of the survey respondents foresee increasing cost of transport as a challenge. Availability of finance and raw materials, increasing cost of labour and cost of raw materials are cited as business challenges in Q3 2013 by 1% of the respondents in each category.



67% of the hydrocarbon sector respondents have indicated that there are no negative factors impacting their business operations in Q3 2013. Availability of skilled labour is cited as a chief concern by 15% of the respondents, while 10% of the respondents are concerned about government regulations. Low demand for products and services and increasing cost of labour are a concern for 5% and 3% each of the sector respondents, respectively.

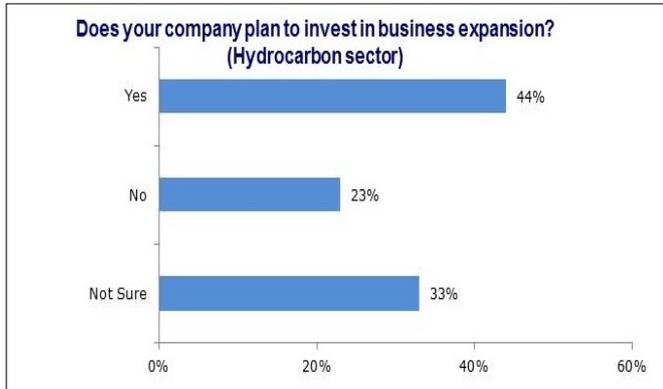
Investment plans:

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



Investment plans have evinced a trend similar to the previous quarter, a majority (51%) of the respondents plan to invest in business expansion. 25% have said that they will not, while the remaining 24% are unsure about expansionary activities.

44% of the respondents in the hydrocarbon sector plan investment in business expansion, 23% do not plan any investments, while 33% are unsure.



Appendix

Hydrocarbon Sector

Volume of Sales

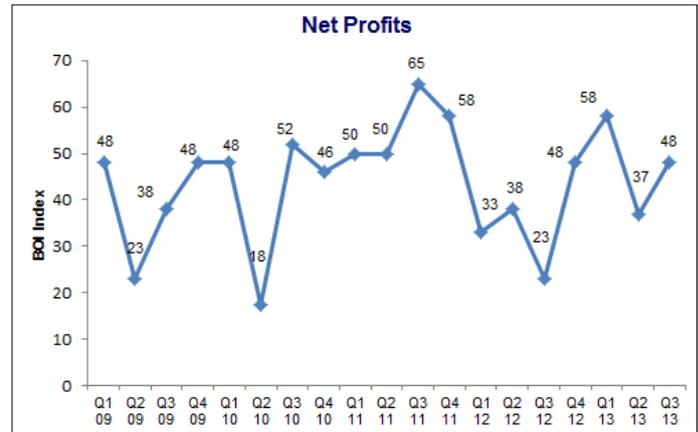
The BOI for the Volume of Sales parameter has retreated to 41 points in Q3 2013 from 57 in Q2. The respondents are divided in terms of their sales outlook for Q3 2013; 49% do not foresee any change, 46% anticipate an increase, while only 5% expect a decline in sales volumes.

Level of Selling Prices



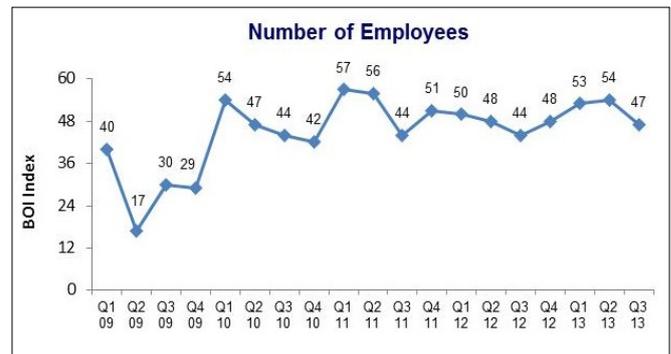
The BOI for selling prices has increased 7 points to 30 in Q3 2013 compared to 23 in the previous quarter. A majority (64%) of the respondents do not foresee any change in selling price levels, 33% expect prices to increase, while 3% expect a decline in Q3 2013.

Net Profits



The BOI for the Net Profits parameter stands at 48 compared to 37 in Q2 2013. 51% of the respondents foresee an increase in their net profits, while 46% of the respondents expect no change and the remaining 3% foresee a decrease in Q3 2013.

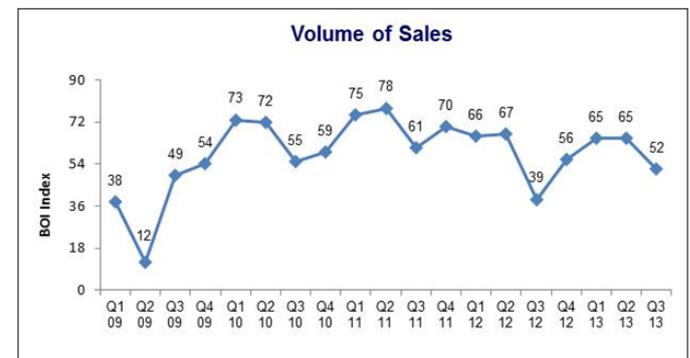
Number of Employees



The BOI for the Number of Employees for the hydrocarbon sector has gained 6 points to 46 from 40 in the previous quarter. A majority 54% of the respondents do not foresee any change, while the balance 46% anticipates an increase in employee numbers in Q3 2013.

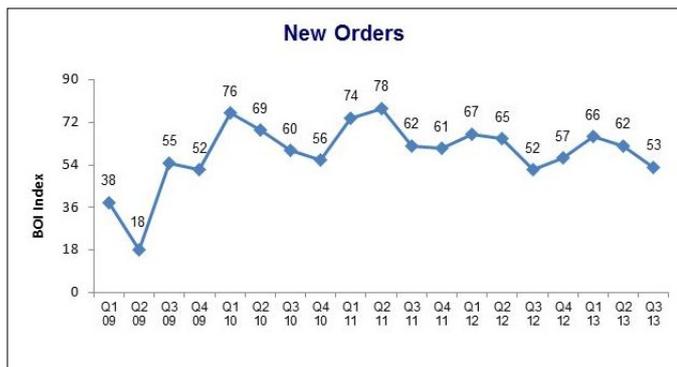
Non-hydrocarbon Sector

Volume of Sales



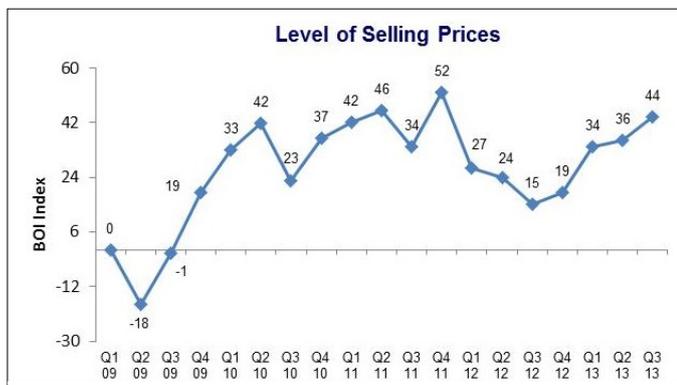
The BOI of the Volume of Sales parameter is down by 13 points to 52 in Q3 2013 from 65 in the previous quarter. A majority (65%) of the respondents anticipate an increase in their sales volumes, 22% foresee no change, while the remaining 13% expect sales to decline in Q3 2013.

New Orders



The BOI of the New Orders parameter stands at 53 in Q3 2013, which is 9 points lower than the previous quarter's score. A majority (62%) of the respondents anticipate an improvement in their order book status, 29% foresee no change, while the remaining 9% expect new orders to decline in Q3 2013.

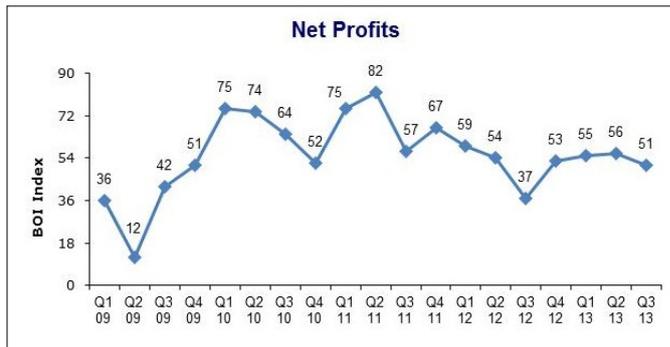
Level of Selling Prices



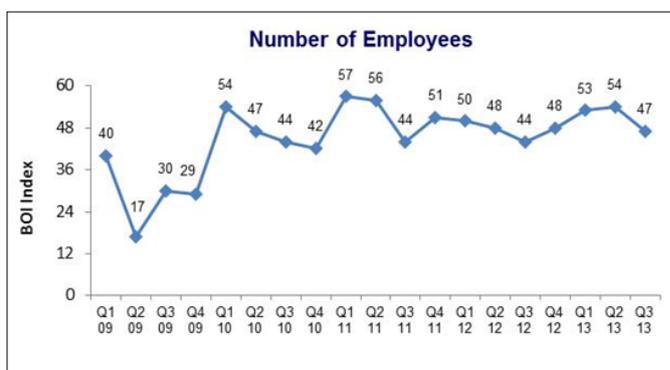
At 44, the BOI for Level of Selling Prices has gained 8 points from the previous quarter's level of 36. The sector respondents hold a diverse outlook in terms of selling price expectations for Q3 2013; 48% of the respondents foresee an increase in selling prices in Q3 2012, while the same percentage do not anticipate any change and the remaining 4% of respondents foresee a decrease in selling prices.

Net Profits

The Net Profits BOI for the non-hydrocarbon sector has moderated 5 points to 51 from 56 in the previous quarter. 64% of the respondents foresee an improvement in the profit levels, 24% expect no change while 12% anticipate a decrease.



Number of Employees



The BOI for the Number of Employees parameter has slipped by 7 points to 47 in Q3 2013 from 54 in Q2 2013. 52% of the respondents will up their head count, 43% said that they will maintain the level of employment as that in the previous quarter, while 5% expect the headcount to decrease.

Level of Stock



The BOI of the Level of Stock parameter stands at 45, 11 points higher than the previous quarter's level of 34. 49% of the respondents expect an increase in their inventory levels, 47% foresee no change while 4% foresee a decline in stock levels in Q3 2013.

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 (140 units)
- Construction (70 units)
- Trade, restaurants & hotels (80 units)
- Transport & communications (60 units)
- Finance, insurance, real estate & business services (110 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.



Economics Department

The Economics Department Research Team

Head of Research

Said A. Al Shaikh, Ph.D

Group Chief Economist

s.alshaikh@alahli.com

Macroeconomic Analysis

Tamer El Zayat, Ph.D

Senior Economist/Editor

t.zayat@alahli.com

Majed A. Al-Ghalib

Senior Economist

m.alghalib@alahli.com

Yasser Al-Dawood

Economist

y.aldawood@alahli.com

Sector Analysis/Saudi Arabia

Albara'a Alwazir

Senior Economist

a.alwazir@alahli.com

Mai AlSwayan

Economist

m.swayan@alahli.com

Shahrazad A. Faisal

Economist

s.faisal@alahli.com

Management Information System

Sharihan Al-Manzalawi

Financial Planning & Performance

s.almanzalawi@alahli.com

To be added to the NCB Economics Department Distribution List:

Please contact: Mr. Noel Rotap

Tel.: +966-2-646-3232

Fax: +966-2-644-9783

Email: n.rotap@alahli.com

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