

Saudi Business Optimism Index

4Q 2015 Saudi Business Optimism Index (BOI)

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Executive Summary

- At -4, the composite BOI for Saudi Arabia's hydrocarbon sector has slipped to the lowest level; the BOIs for Selling Prices and Net Profits are also in the negative territory.
- The non-hydrocarbon sector composite BOI has retreated by 3 points from the previous quarter to 33 in Q4, 2015 due to weaker forecasts for Selling Prices, Profits and Hiring.
- The trade & hospitality sector is most optimistic for the fourth quarter, while the transport sector is the weakest.
- Competition and impact of low oil prices are the chief concerns for Saudi Arabian firms.
- Non-hydrocarbon sector firms are more optimistic about investment in business expansion, whereas oil & gas firms have lowered their outlook.

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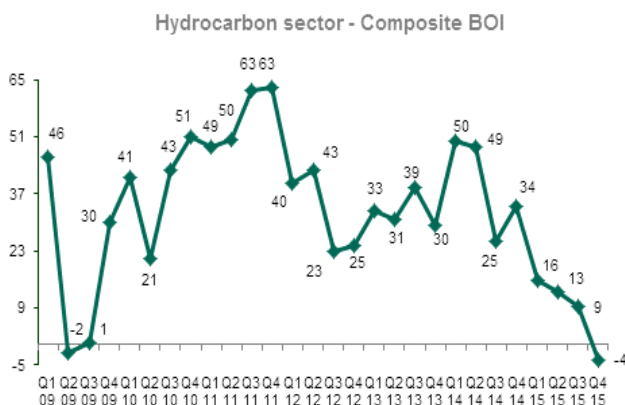


Saudi Arabia BOI Q4 2015

Hydrocarbon Sector

Crude oil prices are expected to remain flat during the fourth quarter, with the OPEC's decision to keep pumping to maintain its market share and lacklustre global demand. The IMF downgraded its global economic outlook once again, from its previous forecast of 3.3% to 3.1% for 2015. According to the IMF, a slowdown in emerging markets is pushing the world economy into its weakest expansion since the financial crisis. Modest growth in the US and a meagre recovery in the Euro zone, meanwhile, have not been able to offset falling output in emerging markets. Since the beginning of August, the OPEC basket has remained below US\$ 50 per barrel, pressured by various factors. Softening economic growth in China, highlighted by subdued PMI manufacturing numbers, the huge stock market sell-off and loss of confidence in its petroleum consumption have led to a bearish sentiment in the market. US crude oil inventories are near 80-year highs, with the commercial crude stock at over 454 million barrels. Additionally, improved drilling efficiencies and technologies have continued to keep US supplies at high levels, even though the number of drilling rigs in operation continues to decline each week. Another factor pressuring oil prices is the Iran Nuclear Deal and the new supply that will be coming into the market as a result, although the impact of the deal is still uncertain as estimates of Iran's production potential vary greatly.

Despite low oil prices, Saudi Arabia has maintained crude oil production above 10 million bpd as it hopes lower oil prices will stimulate Asian demand and hit rival production in the US that is expensive to produce. Also, Saudi Arabia recently made deep reductions to the prices it charges for its oil, hard on the heels of cuts made last month by rival producers in the Gulf. The decline in oil prices is resulting in substantially lower export and fiscal revenues for the government.



The survey for Q4, 2015 shows that oil & gas firms in Saudi Arabia are cautious about the outlook for the

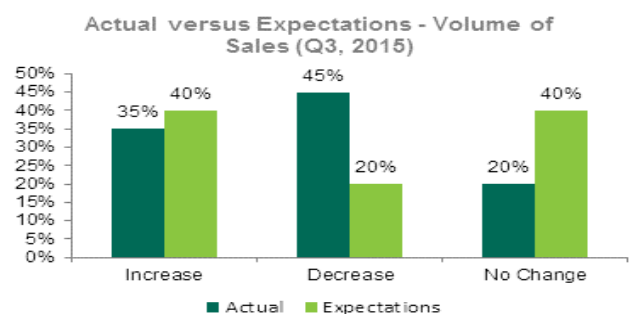
fourth quarter, with the composite BOI slipping into negative territory and recording the lowest level since the beginning of the series. The composite BOI for the hydrocarbon sector stands at -4 for Q4, 2015 compared to 9 in Q3, 2015 and 34 a year ago. While the indices for Selling Prices and Profitability are negative, the Employment outlook has firmed up compared to the previous quarter. 28% of the hydrocarbon sector respondents anticipate lower Selling Prices in Q4, 2015 due to competition, low demand or decline in oil prices. A fewer 13% expect their prices to increase, resulting in a BOI of -15. Lower Selling Price expectations have led to a decline in optimism for Net Profits, with the BOI dropping from 23 in Q3, 2015 to -8 in Q4, 2015. However, 28% of the survey participants hope to hire new employees during the fourth quarter in anticipation of new projects, while 5% foresee a decline in their staff count. The BOI for Number of Employees stands at 23 in Q4, 2015, compared to 20 in Q3, 2015 and 32 in Q4, 2014.

Despite the soft outlook for Selling Prices and profits, a sizeable proportion (49%) of the firms has indicated that they do not expect any factors that might impact their operations during Q4, 2015 against 53% in the last quarter. Impact of oil prices remains the foremost concern for this sector, as cited by 30% of the firms; 10% are concerned about competition and 5% expect the limited number of new projects to hurt their businesses.

30% of the firms intend to invest in business expansion in Q4, 2015 compared to 43% in the previous quarter.

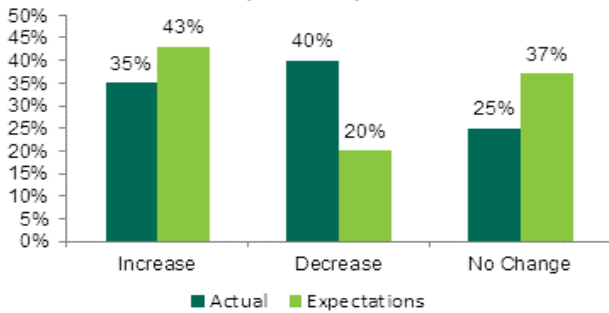
Actual versus Expected Performance in Q3, 2015

While optimism for Q3, 2015 was high, actual outcomes indicate a decline in economic activity. 40% of the firms had expected an increase in volumes and 20% a reduction for Q3, 2015. However, 45% of the firms experienced a decline in their volumes mainly due to limited number of new projects and the decline in oil prices, compared to 35% that posted an increase supported by new customers. Similarly, 20% of the firms had forecasted a decrease in their profits, while the actual outcome shows that 40% of the firms experienced a decline. The proportion of firms that anticipated an increase in profits was 43%, vis-à-vis 35% that reported an increase in Q3, 2015.



45% of the firms experienced a decline in their volumes due to limited number of new projects and the decline in oil prices, compared to 35% that posted an increase supported by new customers.

Actual versus Expectations - Net Profits (Q3, 2015)

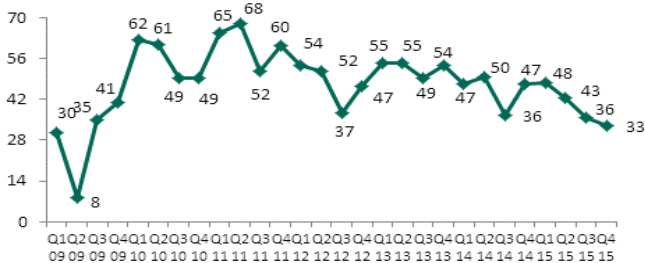


40% witnessed a decline in their profitability levels due to lower oil prices, while 35% cited an increase backed by higher market demand and sales.

Non-Hydrocarbon Sector

The uncertain medium-term outlook for the oil market could have implications for Saudi Arabia by impacting the country's oil revenue through changes in both the level of oil production and prices. This will pose fiscal challenges for the Kingdom since government spending is the primary channel through which the country's oil wealth is converted into economic outcomes and distributed for the benefit of the population. Cuts to public investment spending both this year and next, imply weaker non-oil growth performance. The IMF has projected a real GDP growth of 3.4% in 2015, which is projected to slow down to 2.21% in 2016.

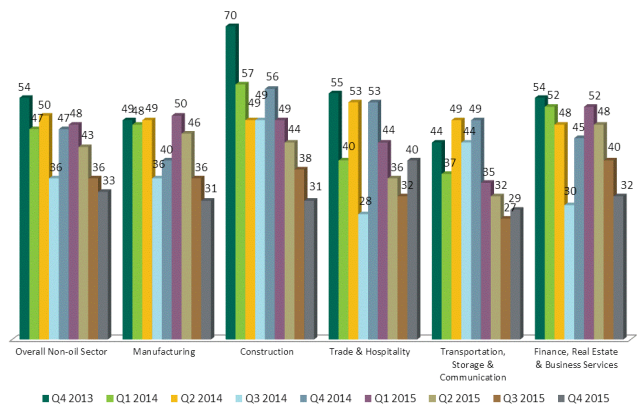
Non Hydrocarbon sector - Composite BOI



The current survey shows that the composite BOI for the non-hydrocarbon sector for Q4, 2015 (33) has retreated by 3 points when compared to the last quarter (36 in Q3, 2015) and by 14 points vis-à-vis the same quarter a year ago (47 in Q4, 2014). On an annual basis, all parameters have posted declines. On a quarterly basis, while the demand indicators (volume of sales and new orders) have advanced marginally, the indices for selling prices, profits and hiring are slightly lower. Expectations of new

projects and customers and higher demand from existing customers (including the seasonal increase in demand) have supported the stronger expectations for volumes and new orders. The BOI for volume of sales has advanced from 42 in Q3, 2015 to 43 in Q4, 2015 whereas the index for new orders has firmed up from 47 to 49 over the same period. The index for selling prices has retreated from 12 in Q3, 2015 to 4 in Q4, 2015 as a majority (72%) of the firms anticipate stability. The BOI for net profits has slipped from 39 in Q3, 2015 to 35 in Q4, 2015. The employment outlook is also weaker, with the BOI for number of employees decreasing from 38 in Q3, 2015 to 33 in Q4, 2015.

Sector-wise Optimism Levels



The survey also shows that the trade and hospitality segment is the most optimistic for Q4, 2015, while the transport sector holds the weakest outlook. The manufacturing, construction, and finance, real estate & business services sectors have posted a softer outlook for Q4, 2015 in comparison to Q3, 2015. On the other hand, the trade & hospitality and transport sectors are more optimistic for Q4, 2015 compared to Q3, 2015.

Consistent with the moderation in overall outlook, the share of firms in the non-hydrocarbon sector that are positive about the business environment has decreased. 54% anticipate no negative factors will pose an obstacle to their business operations in Q4, 2015 compared to 69% in Q3, 2015. Competition (11%), impact of oil prices (10%), availability/cost of skilled labor (5%) and government regulations (5%) have been cited as key hindrances for Q4, 2015.

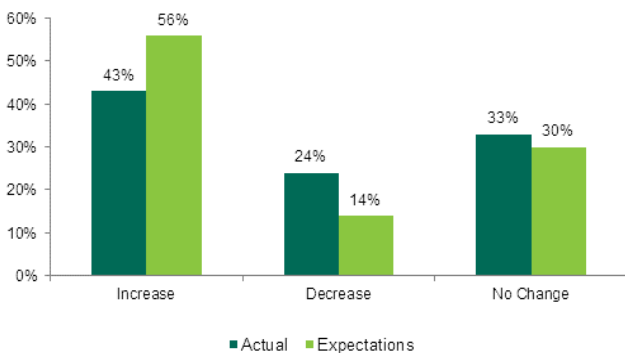
Business expansion plans have strengthened; 42% of the firms intend to undertake such investments in Q4, 2015 versus 37% in Q3, 2015.

Actual versus Expected Performance in Q3, 2015

Economic activity advanced in Q3, 2015 as shown by the higher proportion of firms that registered an increase in their volume of sales (43%), compared to the proportion that posted a decline (24%). However, this perfor-

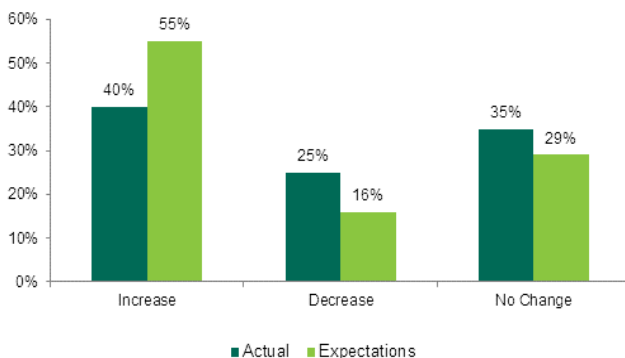
mance was significantly weaker than what businesses had expected: 56% had anticipated an increase in volumes and just 14% had expected a decline. With respect to net profits too, the performance during Q3, 2015 was positive but was not as strong as what firms had predicted. 55% had hoped for an increase in profits, while 16% had anticipated a decrease. The actual outcome shows that 40% of the firms registered an increase in profits and 25% recorded a decrease.

Actual versus Expectations - Volume of Sales (Q3, 2015)



24% of the firms experienced a decline in their volumes mainly due competition, low market demand and the political uncertainty prevailing in the region.

Actual versus Expectations - Net Profits (Q3, 2015)



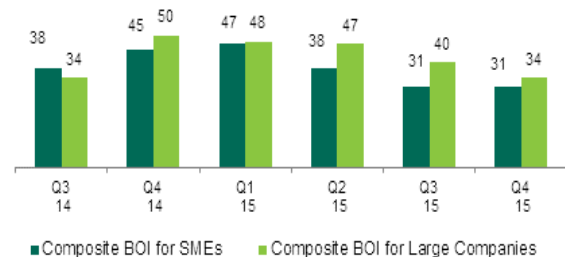
In terms of net profits, 40% of the respondents saw an increase in this parameter backed by higher market demand, more orders and new projects.

SME v/s Large Company

For Q4 2015, large companies are more optimistic than the SMEs, with composite BOI scores of 34 points and 31 respectively. Large companies are more optimistic than SMEs with respect to volumes, new orders, net profits and hiring. However, SMEs hold a stronger outlook with respect to selling prices.

With respect to volume of sales the BOI stands at 41 for SMEs and 45 for large companies. For new orders, the BOI for SMEs is at 45, which is lower than the BOI of 52 recorded for large companies.

Composite BOI - SME v/s Large Companies



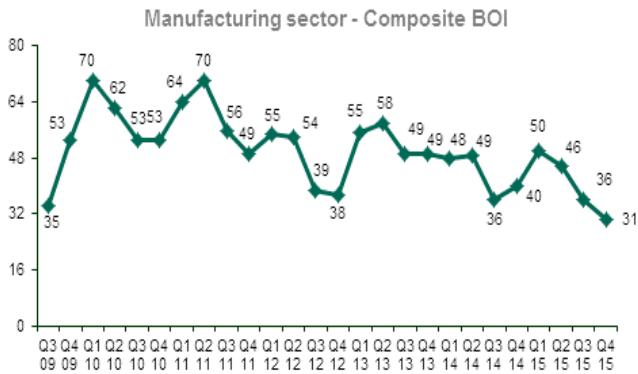
SMEs are more optimistic about their selling prices during Q4, 2015 with a BOI of 9 compared to the large companies' BOI of -2. Firmer demand expectations for large companies have resulted in a correspondingly stronger outlook for net profits and hiring. The BOIs for net profits and hiring for large companies stand at 38 and 39 respectively. For SMEs, the BOI for net profits is at 34 and that for hiring is 27.

Both groups have a similar outlook with respect to the business environment; 53% of the SMEs and 55% of the large companies indicating no expected hindrances to their operations during Q4, 2015. While the foremost concern for SMEs is competition, large companies are most concerned about the impact of oil prices.

Sector Analysis

Manufacturing Sector

The manufacturing sector's outlook for Q4, 2015 has moved back in comparison to the previous quarter's forecast and also with respect to the fourth quarter of 2014. The composite BOI stands at 31 points in Q4, 2015 against 36 in Q3, 2015 and 40 in Q4, 2014. The overall q-o-q retreat in outlook can be attributed to competition, lack of new projects and decline in oil prices. The BOI for volume of sales has however strengthened from 46 in Q3, 2015 to 48 in Q4, 2015 due to seasonal improvement in demand, new customers and expectations of new projects. The new orders parameter has declined from 54 in Q3, 2015 to 47 in Q4, 2015, but is almost at the same level as in Q4, 2014 (BOI of 48). The selling prices BOI stands at -9 and is lower in comparison to the index in Q3, 2015 (BOI of 4) and in Q4, 2014 (BOI of 10) due to competition and lower oil and raw material prices. The profitability indicator is softer both on a quarterly and yearly basis; the BOI for net profits stands at 33 in Q4, 2015 against 42 in Q3, 2015 and 51 in Q4, 2014. The BOI for number of employees is marginally weaker with the index at 34 in Q4, 2015 compared to 35 in Q3, 2015 and 39 in Q4, 2014.



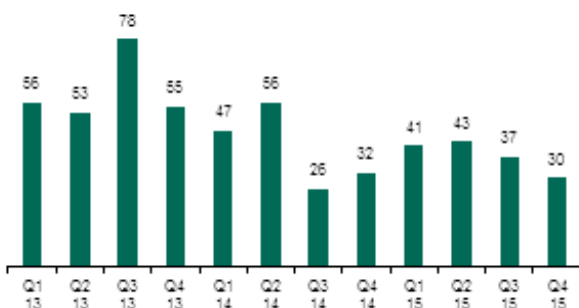
Manufacturing firms have forecast a weaker business environment outlook in Q4, 2015 compared to the previous quarter; 53% of them do not expect to face any hindrances to their business operations in Q4, 2015 compared to 76% in Q3, 2015. 13% are concerned about competition and another 10% have indicated that low oil prices may impact their businesses.

44% of the firms hope to invest in business expansion in Q4, 2015, compared to 34% in the previous quarter.

Petrochemical Manufacturing

The composite BOI for the petrochemical sub-sector has moderated from 37 in Q3, 2015 and 32 in Q4, 2014 to 30 in Q4, 2015. The weaker outlook is due to lower BOI scores for new orders, selling prices, net profits and hiring. However, the volume of sales index has improved both on a quarterly and yearly basis due to higher demand, better market conditions and new customers. The index for new orders has dropped marginally by 3 points from 53 in Q3, 2015 to 50 in Q4, 2015. Selling prices expectations have dropped significantly on account of low oil and raw material costs; the BOI has declined from 4 in Q3, 2015 to -16 in Q4, 2015. The net profits parameter has declined by 13 points to 24 in Q4, 2015. Hiring is also expected to be weaker in Q4, 2015 with the index dropping 10 points to stand at 40 in Q4, 2015.

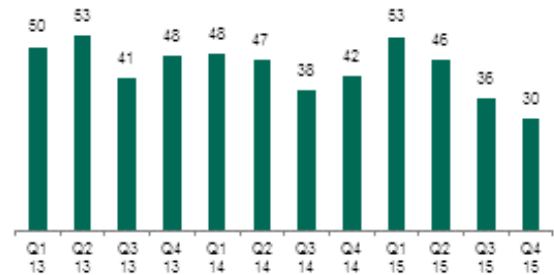
Petrochemical Manufacturing Sector - BOI Score



Non-Petrochemical Manufacturing

The non-petrochemical sub-segment outlook has turned lower both on a quarterly and yearly basis; the composite BOI has dropped from 36 in Q3, 2015 and 42 in Q4, 2014 to 30 in Q4, 2015. In comparison to Q3, 2015, the indices for new orders, selling prices and net profits have weakened leading to the lower composite score. The BOI for volume of sales remains at the same level as in Q3, 2015 at 46; while the BOI for new orders has scaled lower by 10 points to 45. The BOI for selling prices has decreased from 4 in Q3, 2015 to -7 in Q4, 2015. Accordingly, expectations for net profits have also moderated; the BOI has declined by 8 points to 36. The hiring index has edged up from 31 in Q3, 2015 to 32 in Q4, 2015.

Non Petrochemical Manufacturing Sector - BOI Score



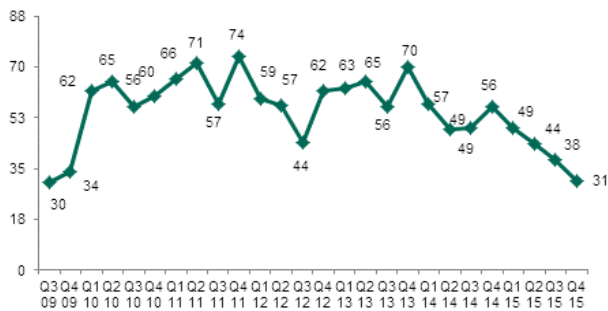
Construction Sector

The construction sector's composite BOI has dropped to 31, the lowest level in the series since Q3, 2009, when it stood at 30. The global slowdown in economic activity, competition and fewer government projects has adversely impacted the sector. While the BOI for volume of sales has dropped on a q-o-q basis by 18 points to 26 in Q4, 2015 the index for New Orders is up by 3 points to 52. The forecast for selling prices is steady, with the BOI at 19 in Q4, 2015 against 20 in Q3, 2015. Profitability expectations have been dented as shown by the 12 points decline in BOI from 38 in Q3, 2015 to 26 in Q4, 2015. The BOI for number of employees has dropped to 31, the lowest value for the index in the series.

The business environment outlook has also weakened compared to the previous quarter; 51% of the construction firms do not expect to face any hindrances in Q4, 2015 compared to 63% in Q3, 2015. The foremost concern for this sector is the impact of oil prices as cited by 19% of the firms, followed by concerns related to availability & cost of skilled labor (9%) and competition (8%). 43% of the firms intend to invest in business expansion in Q4, 2015 against 44% of the firms in Q3, 2015.



Construction sector - Composite BOI

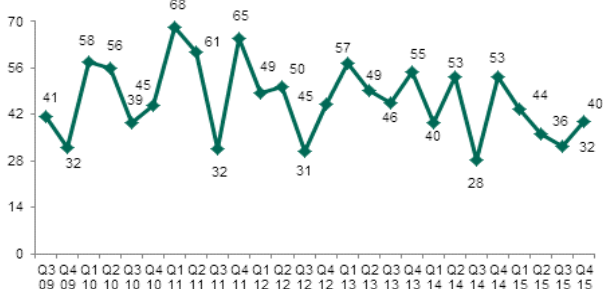


Trade and Hospitality Sector

The trade and hospitality sector's business outlook for Q4, 2015 has strengthened from the previous quarter, but is weaker when compared to the forecast a year ago; the composite BOI is at 40 in Q4, 2015 against 32 in Q3, 2015 and 53 in Q4, 2014. Both demand indicators have recorded an upswing; the BOI for volume of sales has improved by 9 points to 46 and the BOI for new orders is up by 19 points to 62. The outlook for selling prices remains steady, with the BOI at 10 in Q3, 2015 and Q4, 2015. Trade and hospitality firms have become more optimistic on the profitability front as shown by a 16 point increase in the BOI to 49 in Q4, 2015. The employment outlook has however slipped; the BOI has dropped from 38 in Q3, 2015 to 32 in Q4, 2015.

Despite the improvement in the composite BOI, the business environment optimism has weakened in Q4, 2015, with 53% of the trade & hospitality firms not expecting to face any obstacles to their operations versus 62% in Q3, 2015. Competition is the most important concern facing this sector as indicated by 17% of the respondents. 40% of the firms in the trade & hospitality sector plan to invest in business expansion in Q4, 2015 compared to 41% in Q3, 2015.

Trade & Hospitality sector - Composite BOI

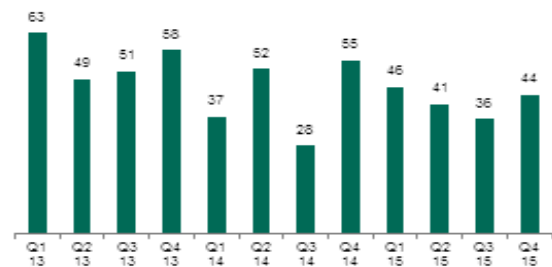


Wholesale & Retail Trade

The trade sub-segment is more optimistic in Q4, 2015 compared to the last quarter, but has displayed a weak-

er outlook in comparison to the fourth quarter of 2014; the composite BOI for Q4, 2015 stands at 44 compared to 36 for Q3, 2015 and 55 for Q4, 2014. The demand and net profits parameters have firmed up, while the hiring forecast has stepped back. The BOI for volume of sales has advanced by 7 points to 51, and that for new orders has increased by 18 points to stand at 68. Selling prices are largely expected to remain stable; with the BOI edging up from 10 in Q3, 2015 to 11 in Q4, 2015. A strong demand forecast has resulted in a firmer outlook for profits; the BOI has gained 19 points on a quarterly basis to stand at 55 in Q4, 2015. Hiring expectations have however pulled back with the BOI sliding from 41 in Q3, 2015 to 34 in Q4, 2015.

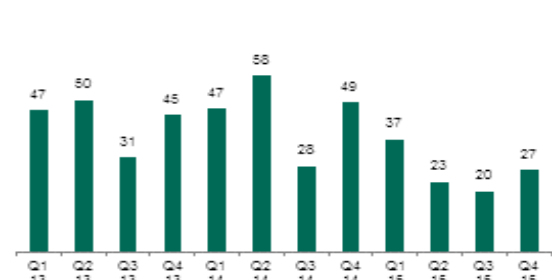
Wholesale & Retail Trade Sub-Sector - BOI score



Hospitality

The hospitality sub-segment forecast has improved q-o-q, but has weakened y-o-y, with the composite BOI at 27 in Q4, 2015 compared to 20 in Q3, 2015 and 49 in Q4, 2014. Demand expectations are higher than in the previous quarter; the BOI for volume of sales has increased by 10 points to 30 and the BOI for new orders has advanced by 20 points to 40. The outlook for selling prices has turned lower as shown by a 5 point decline in the BOI from 10 in Q3, 2015 to 5 in Q4, 2015. The profitability outlook has also strengthened; the BOI for net profits has increased from 20 in Q3, 2015 to 30 in Q4, 2015. The hiring BOI remains steady at the previous quarter's level of 30

Hotels & Restaurants Sub-sector - BOI score

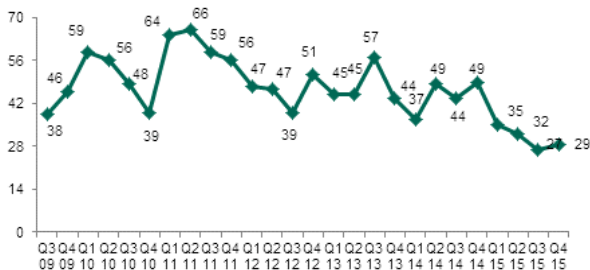


Transportation, Storage and Communication Sector

The composite BOI for the transport, storage & communications sector has posted a modest increase from 27 in Q3, 2015 to 29 in Q4, 2015, but remains significantly lower than the index score of 49 in Q4, 2014. On a quarterly basis, the indices for volumes, new orders, net profits and hiring have increased, but that for selling prices has dropped. The BOI for volumes has increased from 35 in Q3, 2015 to 40 in Q4, 2015 and that for new orders has edged up a single point to 35 in Q4, 2015. The BOI for selling prices has declined from 9 in Q3, 2015 to -2 in Q4, 2015 due to expectations of stability or decline arising from competition. Both the net profits and hiring parameters have increased from 28 in Q3, 2015 to 35 in Q4, 2015.

The business environment optimism has weakened from the level observed in Q3, 2015; 57% of the firms do not expect to get impacted by any negative factors during Q4, 2015 compared to 72% in Q3, 2015. The main concerns for transportation firms are competition (10%), impact of oil prices (8%), government rules & regulations (7%) and availability/cost of skilled labor (5%). Business expansion plans have firmed up; 40% of the respondents intend to undertake such investments in Q4, 2015 versus 32% in Q3, 2015.

Transportation, Storage and Communication sector - Composite BOI



Finance, Real Estate & Business Services Sector

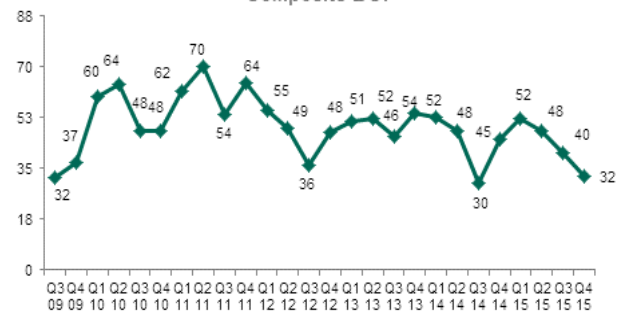
The forecast for the finance, real estate & business services sector has weakened both on a quarterly and annual basis. The composite BOI of 32 in Q4, 2015 is 8 points lower than the index in Q3, 2015 and 13 points below the index in Q4, 2014. The BOI for Volume of Sales is lower by 4 points from the last quarter to stand at 39 in Q4, 2015; while the BOI for New Orders is down by 2 points to 46 during the same period. The BOI for Selling Prices has declined by 12 points to 9 in Q4, 2015. The BOI for Net Profits has moderated from 46 in Q3, 2015 to 36 in Q4, 2015. The outlook for hiring is also

weaker; the BOI has slipped by 12 points to 32 in Q4, 2015.

59% of the firms in this sector have indicated that they do not expect any hindrances to their business operations during Q4, 2015; the corresponding proportion was 63% in Q3, 2015. Competition (9%), government rules & regulations (8%) and impact of oil prices (7%) are the important concerns for firms in this sector.

The business expansion outlook has improved; 40% of the respondents expect to undertake such investments, up from 35% in Q3, 2015.

Finance, Real Estate & Business Services sector - Composite BOI



Finance

The composite BOI for the finance sub-sector is almost at par with the outlook last quarter (39 in Q4, 2015 and 40 in Q3, 2015), but has improved compared to last year (36 in Q4, 2014). The BOI for volume of sales has increased from 40 in Q3, 2015 to 46 in Q4, 2015 while the BOI for new orders has dropped sharply by 20 points to 40. The BOI for selling prices has also posted a 20 points drop to 0 in Q4, 2015; however, the net profits indicator is up by 30 points to 70, while the BOI for employment is steady at 40.

Finance Sub-Sector - BOI Score

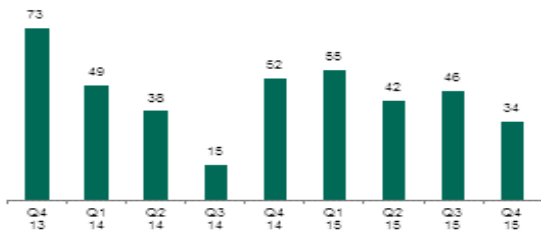


Real Estate

The composite BOI for the real estate sub-sector has weakened in comparison to the last quarter as well as last year. While hiring expectations have strengthened (BOI of 36 in Q3, 2015 to 44 in Q4, 2015), the other parameters have registered declines. The BOI for volumes

has dropped from 60 in Q3, 2015 to 32 in Q4, 2015, while that for new orders has declined from 48 to 32. Selling prices expectations have moderated with the BOI decreasing from 28 to 16. Firms are not as optimistic about net profits as they were a year ago; the BOI is down from 60 to 44.

Real Estate Sub-Sector - BOI Score



Business Services

The outlook for the business services sub-sector has also moderated both on a quarterly and annual basis mainly due to lower selling prices, profitability and hiring expectations. While the BOI for volume of sales is up by 5 points to 43, that for new orders is higher by 6 points to reach 52 (q-o-q increases). The forecast for selling prices is weaker; the BOI has declined from 20 to 8 in Q4, 2015. Expectations for net profits are also softer; the BOI has dropped by 12 points to 29. The optimism for hiring is also not as strong as in Q3, 2015; the BOI has registered a 21 point drop to stand at 27 in Q4, 2015.

Business Services Sub-Sector - BOI Score

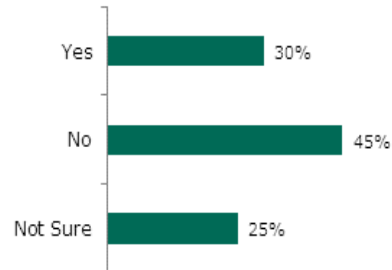


Investment Plans

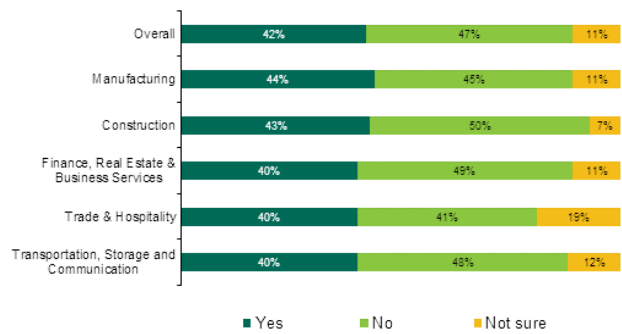
Hydrocarbon firms have lowered their expectations in terms of business expansion plans; 30% of the sector's respondents said that they will invest in expansionary activities compared to 43% in Q3, 2015. While 45% will not undertake such plans (versus 50% in the previous quarter), 25% are unsure of the same. In contrast, sentiments in the non-hydrocarbon sector are slightly more optimistic while investing in business expansion plans; 42% of the participants intend to undertake such plans compared to 37% in Q3, 2015. Man-

ufacturing firms (44%) are very optimistic in this regard, followed by the construction sector firms (43%).

Does your Company Plan to Invest in Business Expansion? (Hydrocarbon sector)



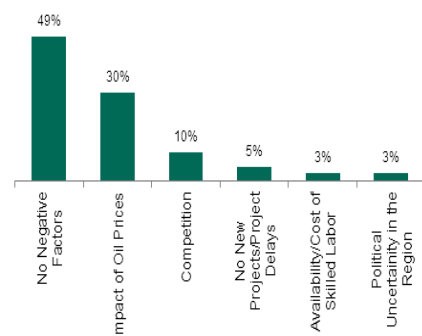
Does your Company Plan to Invest in Business Expansion? (Non-hydrocarbon)



Business Challenges

In terms of business challenges, respondents in the hydrocarbon sector are slightly less optimistic as 49% of the participants cited no negative factors in the final quarter of 2015 compared to 53% in Q3, 2015. The impact of fluctuating oil prices continues to be the topmost concern impacting business operations followed by competition (10%) and the lack of new projects/delays in executing projects (5%). 3% of the respondents in each case highlighted the lack of skilled labor and the regional political uncertainty as factors impacting their business.

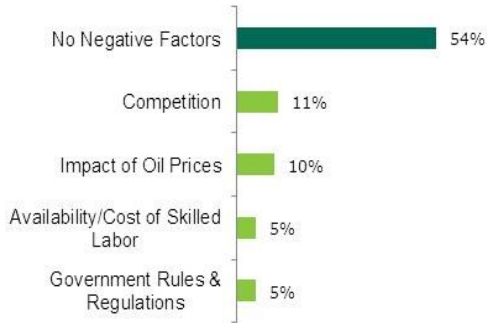
Given the business environment in Saudi Arabia, which are the external factors that most hinder the development of your business? (Hydrocarbon)



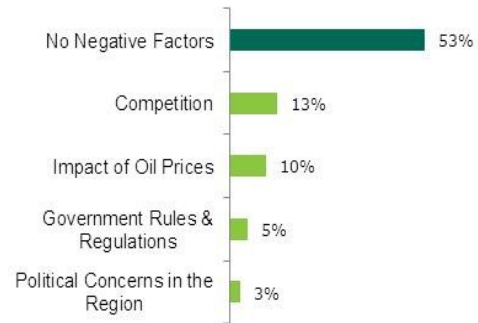


Top 5 External Factors that will Hinder the Development of Business

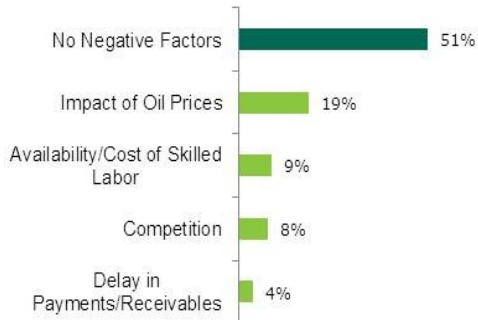
Overall Non-Hydrocarbon Sector



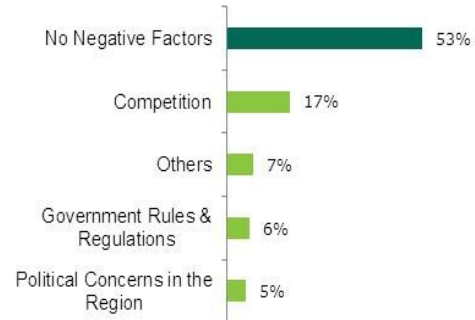
Manufacturing Sector



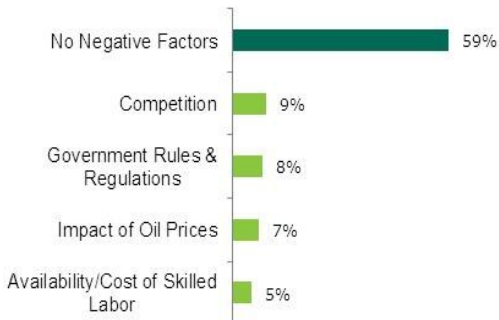
Construction Sector



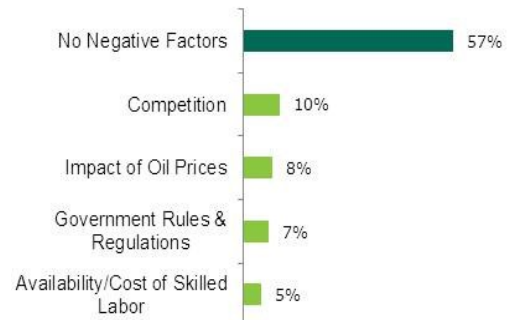
Trade & Hospitality



Finance, Real Estate & Business Services Sector



Transportation, Storage and Communication

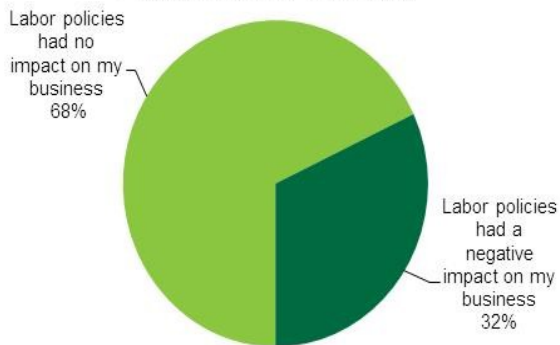


Impact of the Labor Policies on the Business Community

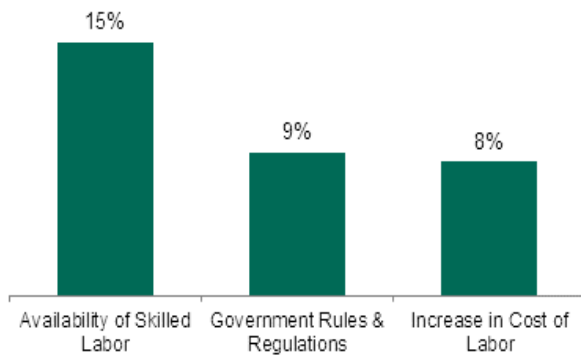
Sentiments with reference to the impact of the government's labour laws in the country have been examined in the Q4, 2015 survey.

A similar proportion of respondents (68%) cited that the labor policies will have no impact on their business operations compared to the previous quarter (67%).

What has been the Impact of Current Labor Policies on your Business?



Key Concerns Relating to Labor Policy



The topmost concerns affecting businesses due to the labor policies include:

Availability of Skilled Labor: A higher proportion of respondents (15%) cited that the availability of skilled labor will be a concern to their business operations this quarter compared to 7% in the last quarter.

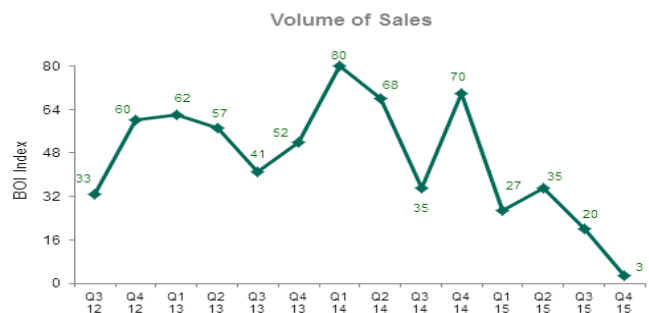
Government Rules & Regulations: 9% cited that government rules & regulations in the form of visa related concerns and Saudization will be a major concern versus 21% of the respondents in Q3, 2015.

Increase in Cost of Labor: 8% of the surveyed participants affirmed this as a concern compared to 5% in the previous quarter.

Appendix Hydrocarbon Sector

Volume of Sales

The BOI for the volume of sales parameter of the hydrocarbon sector has touched a series low of 3 in Q4, 2015 compared to 20 in the previous quarter. 38% of the participants will up their sales volumes on expectations of more projects, clients and customers, while 35% will lower volumes due to lower oil prices, competition and lack of demand/new projects.



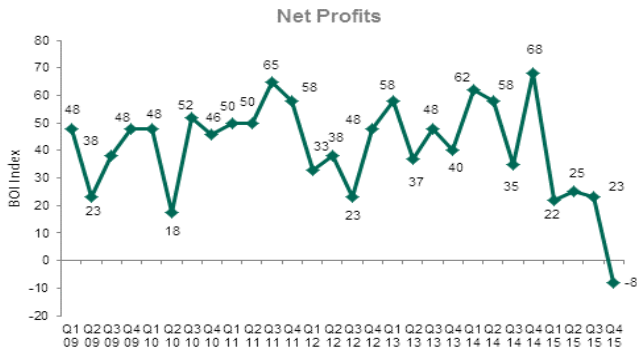
Level of Selling Prices

The BOI for the level of selling prices parameter followed a declining trend this quarter as the index skidded to -15 versus -3 in Q3, 2015. Despite the fall, a majority 59% of the respondents expect selling prices to stabilise while 28% will decrease prices on the back of competition and lack of market demand.



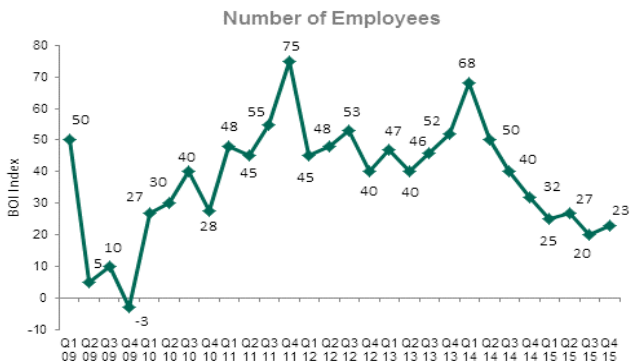
Net Profits

The BOI for the profitability parameter has turned lower to an all-time low of -8 mainly due to declining sales volumes and selling prices. While most - 38% of the sector's respondents foresee a dip in their profits due to higher overheads and lower market demand, 32% expect stability in this parameter.



Number of Employees

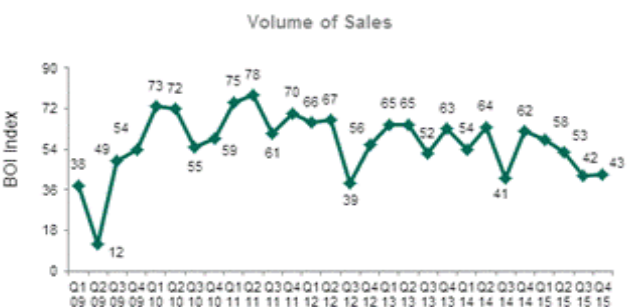
In a reversal of last quarter's trend, the BOI for the number of employees has inched up 3 points to stand at 23 in Q4, 2015. A significant 67% of the participants expect stability in their employee count, while 28% will up their headcount to take up more orders from new customers/projects and from expansionary activities.



Non-Hydrocarbon Sector

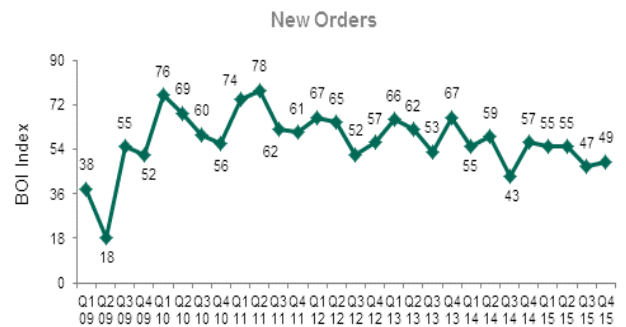
Volume of Sales

The BOI for the volume of sales parameter of the non-hydrocarbon sector reversed its declining trend and inched up marginally to 43 in Q4, 2015. A majority 56% of the survey participants expect volumes to increase on the back of higher demand, business expansion plans, new orders from new customers and upcoming new projects. On the other hand, 31% of firms expect this parameter to stabilise.



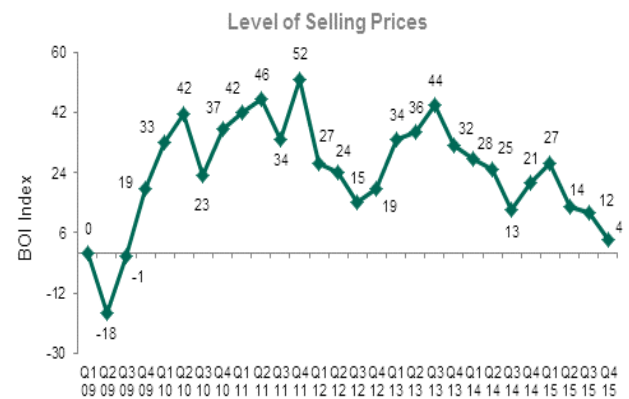
New Orders

After a brief downtrend in the last quarter, the BOI for the new orders parameter has stepped up to 49 in Q4, 2015 versus 47 in the previous quarter. While most 57% of the respondents expect their order levels to increase due to new projects, more number of orders from existing and new customers both in the government and private sectors, 35% anticipate stability in their new orders.



Level of Selling Prices

The BOI for the level of selling prices parameter continued to slip to a score of 4 in Q4, 2015 compared to 12 in the previous quarter. Despite this, a significant 72% of the non-hydrocarbon sector participants foresee stability in their pricing levels, while 12% anticipate a decline in the same due to competition, lack of new projects and market demand.

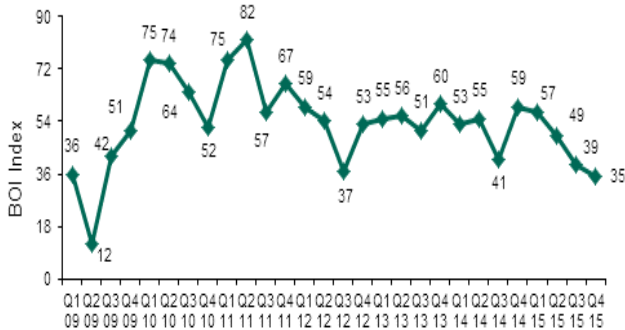


Net Profits

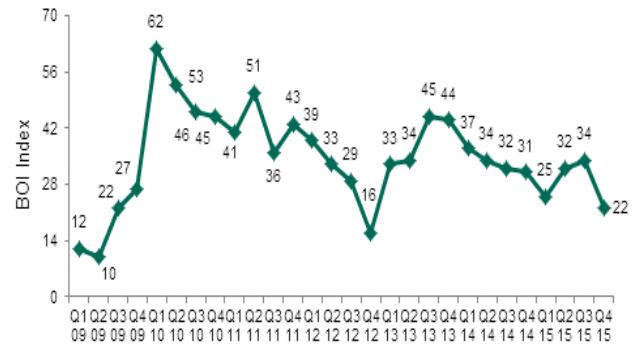
The BOI for the net profits parameter has tracked sideways to stand at 35 in the current quarter compared to 39 in Q3, 2015. Half of the respondents expect profits to increase due to higher sales volumes, better business prospects and new projects, while 35% of the firms expect stability in this parameter.



Net Profits



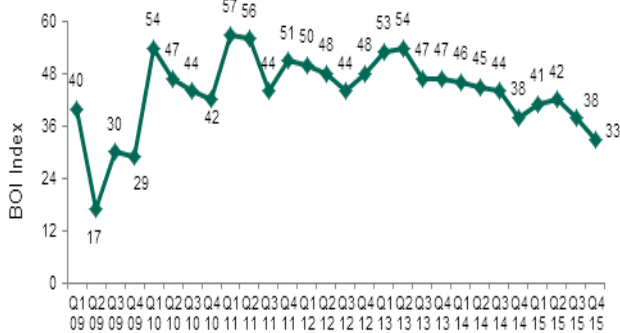
Level of Stock



Number of Employees

The BOI for the number of employees parameter is lower both on a quarterly and yearly basis; the BOI stands at 33 in Q4, 2015. A majority 59% of the respondents cited stability in their headcount numbers while 37% anticipate an increase in the same to handle new projects and more business stemming from various expansionary plans.

Number of Employees



Level of Stock

The BOI for the level of stock parameter dipped to 22 in the current quarter from 34 in the previous quarter. A substantial 52% of the participants do not intend to change their current stock levels, while 35% will increase their inventory to handle orders from higher demand/sales.

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