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FOR IMMEDIATE RELEASE

Business optimism slips into 1-year low in Q4 as global uncertainties cast pall over local firms *- Singapore Commercial Credit Bureau*

Singapore, 29 Sep 2014 – As global economic growth falters in light of the ongoing geopolitical uncertainties around the world, local business confidence slips further, rounding off the final quarter of the year with a 1-year low. According to Singapore Commercial Credit Bureau (SCCB)'s latest quarterly Business Optimism Index (BOI) study, overall BOI score declined further for the second consecutive quarter from +14.65 percentage points to +10.79 percentage points in Q4 2014. This also marks the lowest BOI score registered in a year since Q3 2013 when BOI posted +10.53 percentage points. Compared to a year ago, overall BOI score plummeted sharply from +33.98 percentage points in the same quarter last year to +10.79 percentage points in Q4 2014.

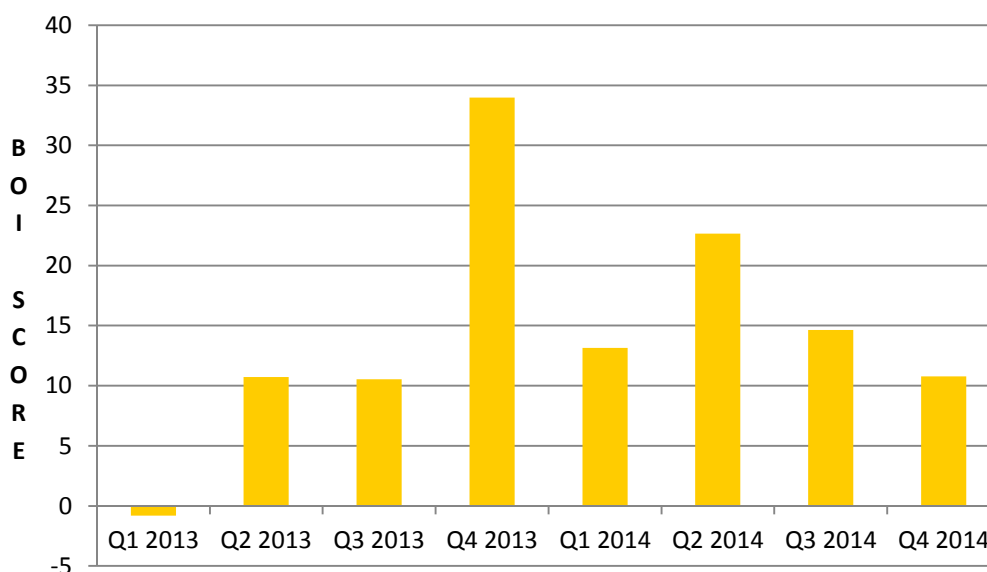


Figure 1. Overall Business Optimism Score, Q1 2013 – Q4 2014

For Q4, only 5 of six business indicators have remained in the expansionary region. This stands in contrast to the previous quarter when all six business indicators were in the expansionary region. According to SCCB, 4 of six business indicators have moderated further with only two indicators experiencing higher optimism levels. Optimism levels for volume of sales and net profits have deteriorated in Q4 from +29.0 percentage points to +22.14 percentage points and +25.0 percentage points to +17.14 percentage points respectively. Selling price also experienced a marginal decline from +6.0 percentage points in Q3 to +4.29 percentage points in Q4. In a recent report by MAS, inflation is likely to ease for the rest of 2014 despite the passing through of business cost increases to consumer prices.

Meanwhile, hiring sentiments have held relatively steady this quarter albeit a deceleration in job creation and a tight labour market. Employment levels are expected to improve slightly as optimism levels edged up from +10.0 percentage points in Q3 to +10.71 percentage points in Q4. Local firms have also anticipated higher inventory levels in Q4 as optimism levels inched up from +3.0 percentage points to +3.57 percentage points.

Weighed down by a sharp contraction in the manufacturing sector, new orders have experienced a marked decline as optimism levels fell into the contractionary region for the first time since Q1 2012 from +14.0 percentage points in Q3 to -13.04 percentage points in Q4. According to the Singapore Institute of Purchasing & Materials Management, local Purchasing Managers' Index (PMI) fell below the 50 mark in August, registering a reading of 49.7.

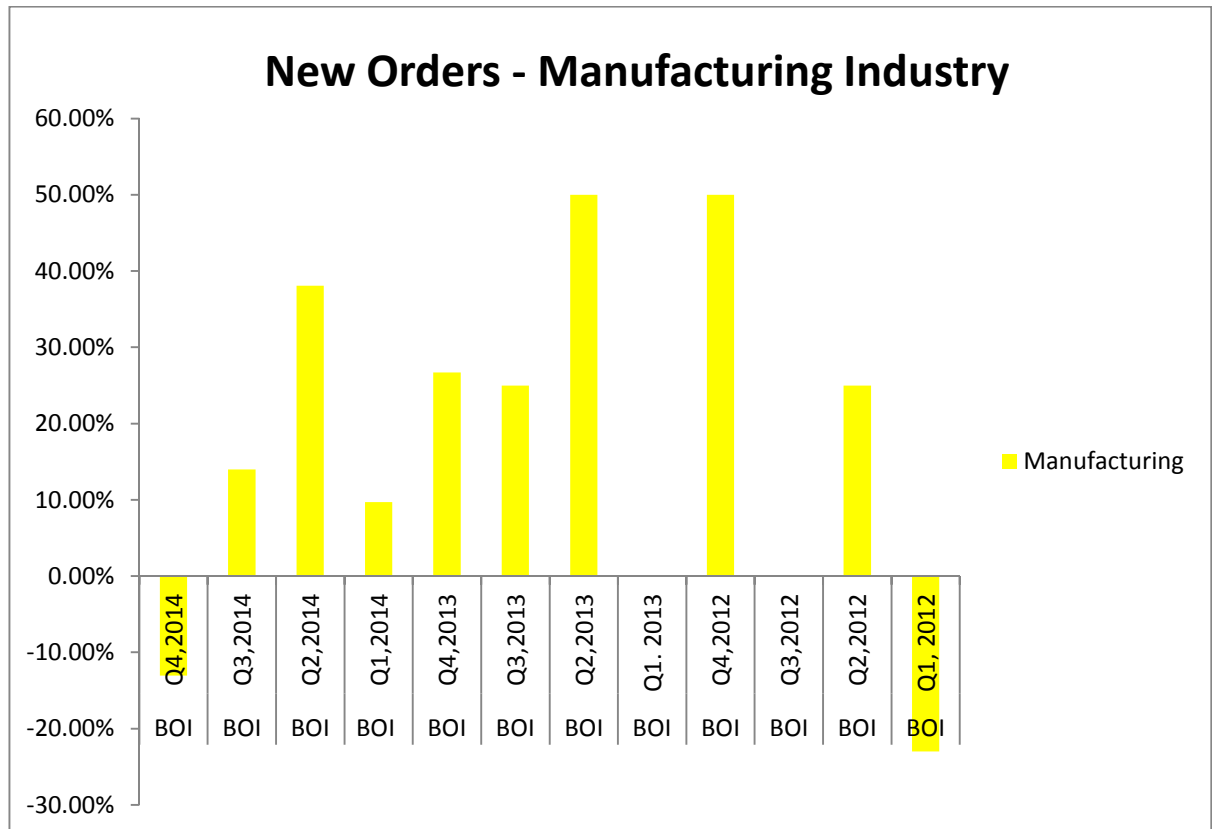


Figure 2. New Orders by Manufacturing Industry, Q1 2012 – Q4 2014

Overall business confidence has moderated strongly year-on-year (y-o-y) with all six business indicators experiencing a decrease in optimism levels in Q4. This stands in contrast to the previous quarter with only 2 of six business indicators experiencing a y-o-y decrease in net optimism levels. Volume of sales, net profits and inventory levels experienced the highest y-o-y deceleration from +50.8 percentage points to +22.14 percentage points, +44.1 percentage points to +7.14 percentage points and +29.2 percentage points to +3.57 percentage points. Employment levels, selling prices and new orders have previously registered +30.0 percentage points, +16.7 percentage points and +26.7 percentage points respectively.

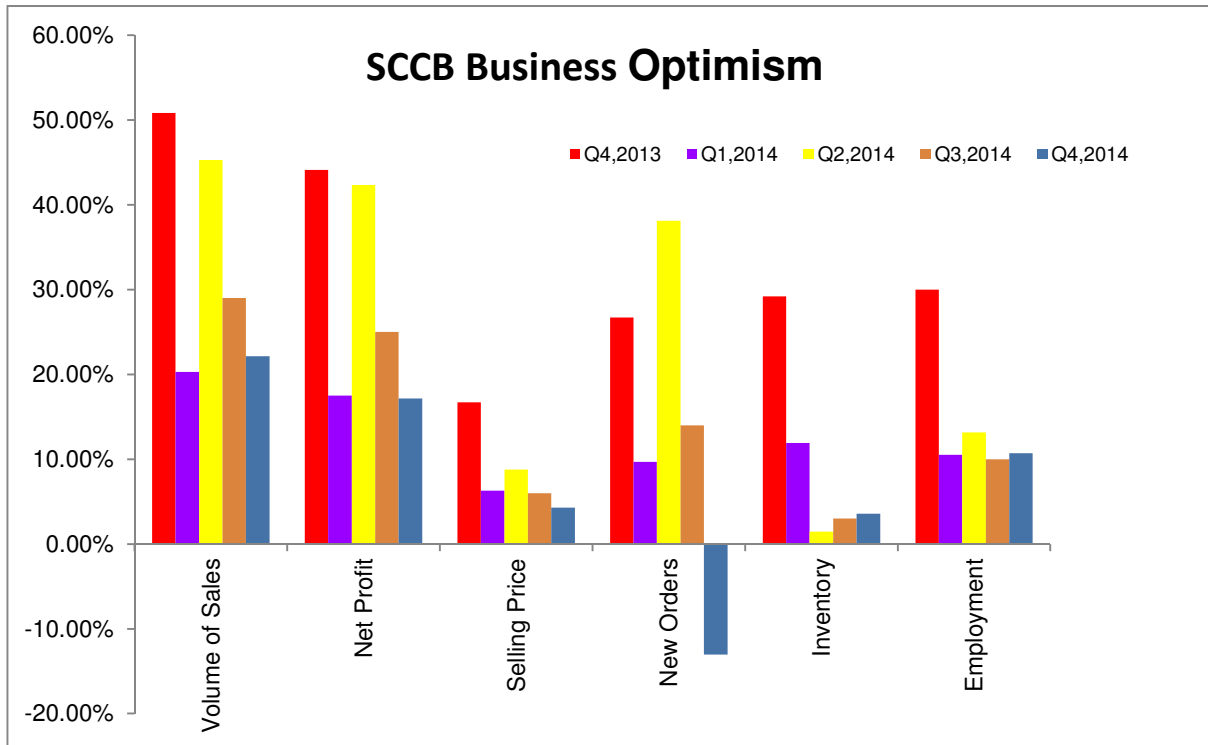


Figure 3. SCCB Optimism Index of Business Indicators, Q4 2013 – Q4 2014

For Q4, both wholesale and construction sectors ranked atop as the most optimistic sectors with at least five business indicators in the expansionary region. Business sentiments within the wholesale sector took a turn for the better with 4 of five business indicators climbing upwards compared to only one business indicator. Despite the upbeat sentiments, business confidence within the construction sector continues to dampen further as 3 of six indicators moderated downwards. The muted sentiments are likely to be attributed to the cooling private residential market. The financial industry ranked third with 4 of five business indicators in the expansionary region. Due to an uptick in performance of the financial intermediation cluster, optimism levels within the financial sector improved markedly with 4 of five business indicators moving upwards.

Meanwhile, the services industry took a tumble from the top to become the fourth most optimistic sector, with all five business indicators moderating downwards. This is due largely to a fall in tourist arrivals in light of the recent spate of aviation disasters. Due to a large decline in both electronics and transport engineering clusters, business outlook among manufacturers also remains weak with new orders declining into the contractionary region for the first time since Q1 2012. As a result of negative spillovers in the transport engineering cluster, the transportation industry has become the 2nd least optimistic sectors with 3 of five business indicators in the contractionary region.

“We are seeing a return of business optimism back to similar levels experienced in both second and third quarter last year when BOI score was marginally positive. Recent market volatilities and political instability in various parts of the world have weighed on the sentiments of local firms with sizeable global and regional footprints. On the other hand, we have the domestically-oriented SMEs and small business owners who continue to contend with rising cost pressures and manpower issues.” said Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“However, the situation is not all that bleak. While growth within certain sectors such as services and manufacturing have remained subdued, optimism levels within the financial and wholesale trade sectors have made marked improvements. This is likely attributed to the strong performance of the financial intermediation cluster and a turnaround in regional tradeflows.” added Ms. Chia.

The Monetary Authority of Singapore (MAS) has recently revised its GDP growth forecast downwards from 3.8 per cent to 3.3 per cent for 2014.

Overview of Business Indicators

Net Profits

Net profits are expected to experience a modest increase to net optimism of +17.14% (compared to Q3 2014 net +25.0%). The wholesale and financial sectors are most optimistic about net profits at net +50.0% and +37.5% respectively. With the exception of agricultural (net -33.33%) and transportation (net -11.77%) industries, the remaining sectors have anticipated either an increase or unchanged status in net profits – Manufacturing (net +26.09%), Construction (net +21.43%), Services (net +13.04%) and Mining (net 0.0%).

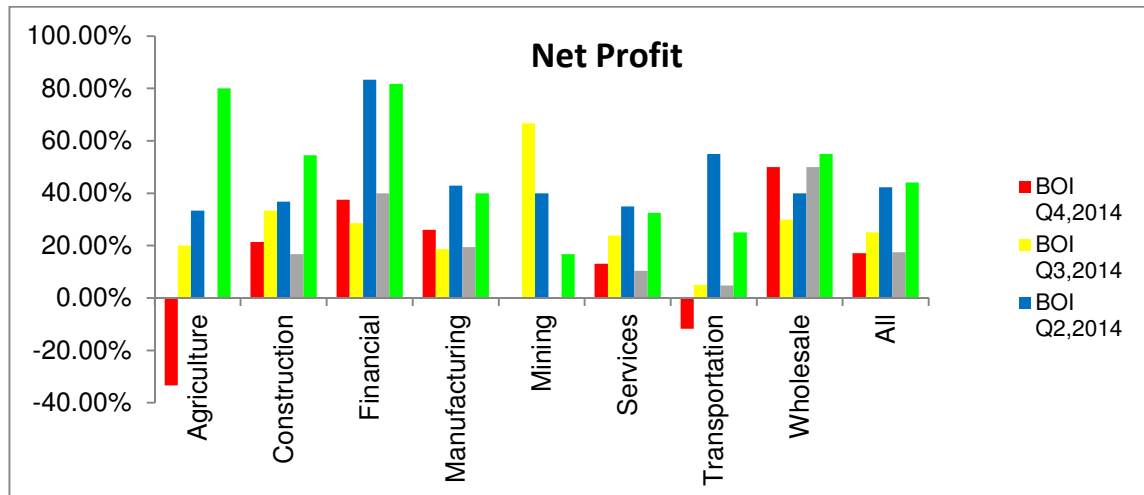


Figure 4. Net Profits Optimism Score, Q4 2013 – Q4 2014

Volume of Sales

As with net profits, volume of sales is projected to increase modestly to a net optimism index of +22.14% (compared to Q3 2014 net +25.0%). Both construction and wholesale sectors have expressed the highest optimism levels at +50.0% and +40.0% respectively. These are followed by the financial (net +25.0%), services (net +23.91%), manufacturing (net +21.74%) and mining (+16.67%) sectors respectively. Both agricultural and transportation sectors are pessimistic about volume of sales at net -33.33% and -5.88% respectively.

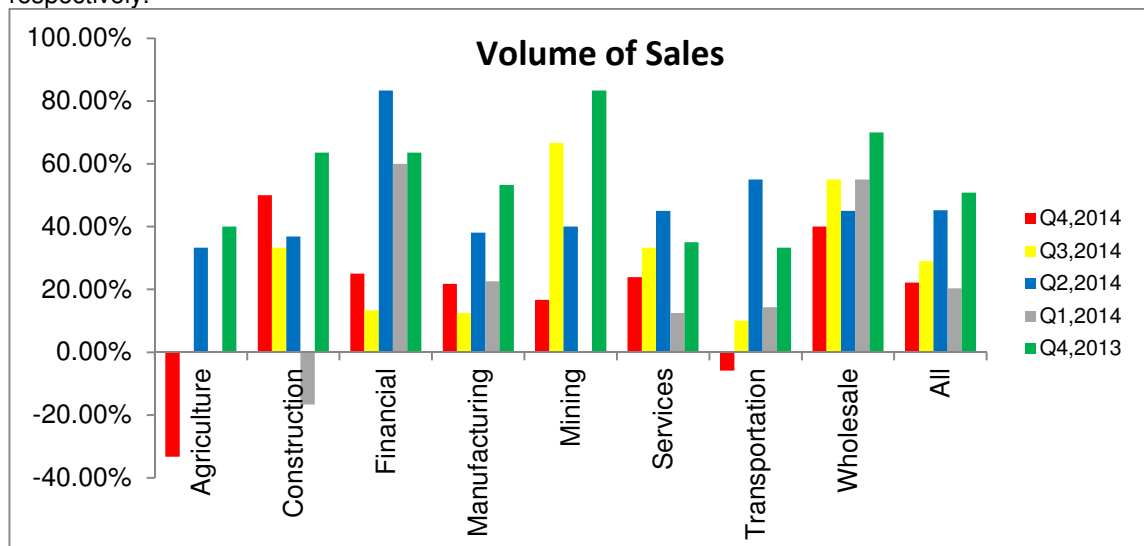


Figure 5. Volume of Sales Optimism Score, Q4 2013 – Q4 2014

Inventory Levels

Inventory levels have increased marginally to net +3.57% (compared to Q3 2014 net +3.0%). The wholesale sector is most optimistic at net +25.0%, followed by construction (net +7.14%) and services (net +2.17%). The manufacturing sector is the least optimistic about inventory levels at net -8.7% while the remaining sectors – agricultural, financial, mining and transportation- are anticipating an unchanged status.

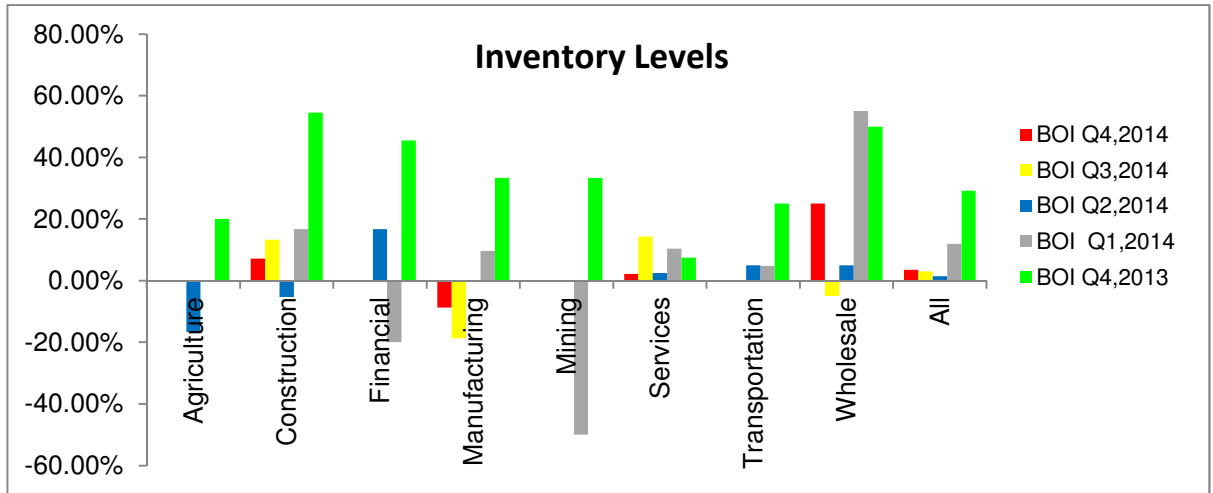


Figure 6. Inventory Levels Optimism Score, Q4 2013 – Q4 2014

Selling Prices

Optimism levels in selling price experience a marginal increase to net +4.29% (compared to Q3 2014 net +6.0%). The financial and construction sectors are most upbeat about selling prices at net +25.0% and 21.43% respectively. These are followed by the wholesale (net +15.0%) and manufacturing (net +4.35%) sectors. The remaining sectors are anticipating either an unchanged in status or a decrease in selling prices for Q4 – Mining and Services (net 0.0% each), Agricultural (net -16.67%) and Transportation (net -11.77%).

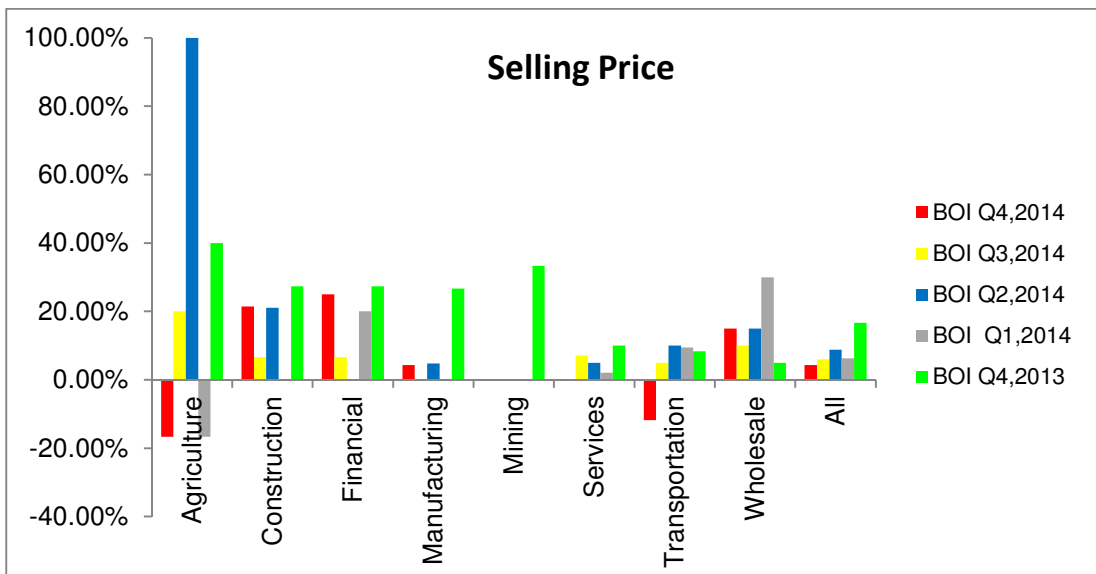


Figure 7. Selling Prices Optimism Score, Q4 2013 – Q4 2014

New Orders

New Orders for the manufacturing industry are expected to dive into the contractionary region from net +14.0% in Q3 2014 to net -13.04% in Q4.

The manufacturers are the only sector which furnishes information on their new order assessment.

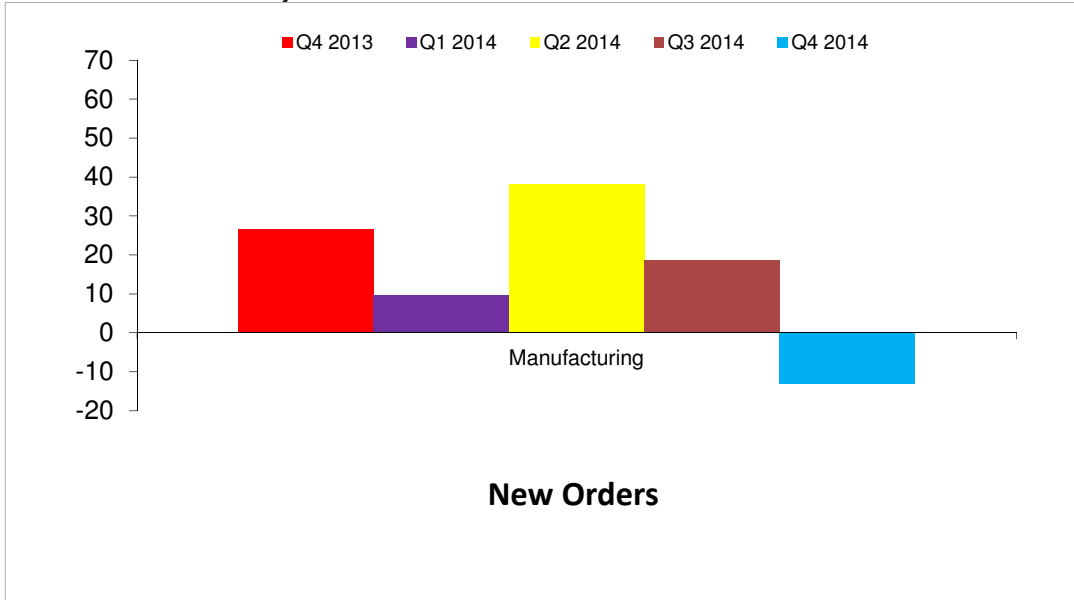


Figure 8. New Orders Optimism Score, Q4 2013 – Q4 2014

Employment

Employment levels are expected to hold steady with an overall net optimism of +10.71% (compared to Q3 2014 net +10.0%). As with net profits and inventory levels, the wholesale sector is the most optimistic about employment at net +25.0%. The construction, manufacturing and financial sectors have also expressed positive sentiments for employment, registering net +14.29%, +13.04% and +12.5% respectively. The services and transportation sectors are anticipating a marginal increase in optimism levels at net +6.52% and net +5.88% respectively. Both agricultural and mining sectors are expecting an unchanged status in employment in Q4, each at net 0.0% respectively.

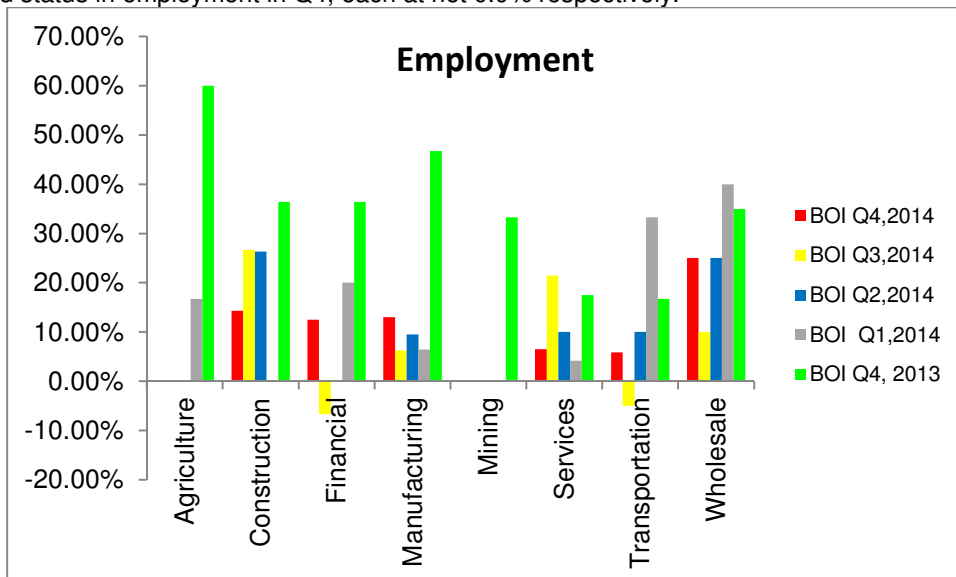


Figure 8. Employment Optimism Score, Q4 2013 – Q4 2014

Commentary

The SCCB Business Optimism Index (BOI) is a measure of business confidence in the economy. Released quarterly, it is based on a business sentiment survey that is designed to capture business expectations and is one of the most effective ways to track how the business community perceives the business environment, and where they think it is moving. This is commonly used, worldwide, to assist in analyzing major trends and issues concerning the business community through tracking business parameters including net profits, selling prices, new orders, inventory levels, and employee count.

About the Survey

Singapore Commercial Credit Bureau conducts latest Business Expectations Surveys every quarter. Each quarter, 200 business owners and senior executives representing major industry sectors across Singapore are asked if they expect increases, decreases or no changes in their upcoming quarterly Sales, Profits, Employment, New Orders, Inventories and Selling Prices.

Note: The index figures used in the survey represent the net percentage of survey respondents expecting higher sales, profits, etc., compared with the same quarter of the previous year. The indices are calculated by subtracting the percentage of respondents expecting decreases from the percentage expecting increases.

About Singapore Commercial Credit Bureau

Established in 2005, Singapore Commercial Credit Bureau (SCCB) operates a database of local enterprises and their credit history to provide clients with the insight needed to build trust and improve the quality of business relationships with their customers, suppliers and business partners. SCCB operates under D&B Singapore. For more information, please visit, www.sccb.sg.

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