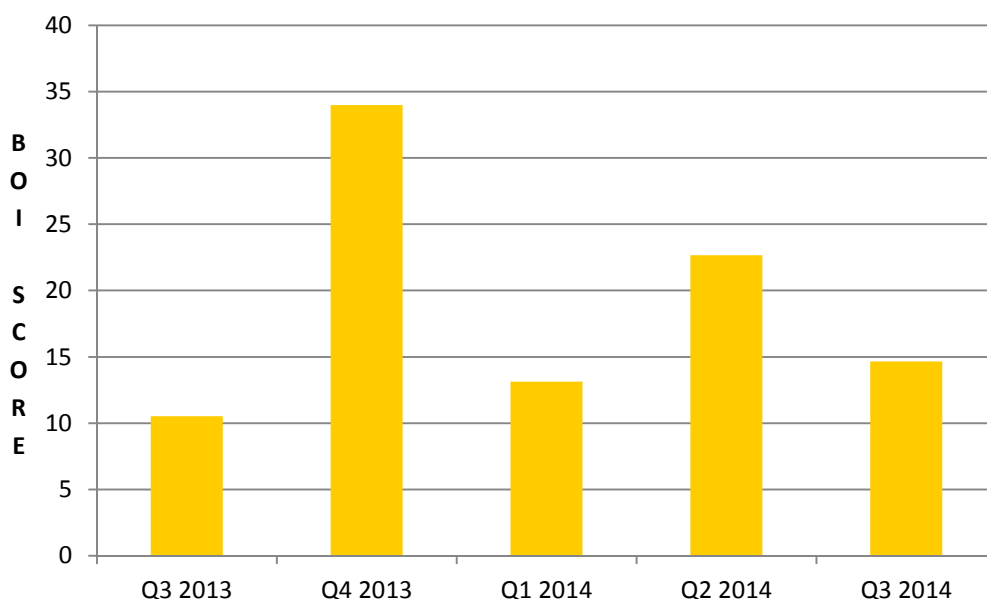


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**FOR IMMEDIATE RELEASE**

## **Business confidence eases slightly in Q3 2014 amid lukewarm economic growth** *- Singapore Commercial Credit Bureau*

**Singapore, 30 June 2014** – After staging a strong rebound in business optimism in Q2, local business optimism eased slightly in Q3 2014. Owing to a slight pullback in regional demand and renewed uncertainties and fiscal headwinds in the global economy, local businesses have expressed cautious optimism for the third quarter of 2014. According to Singapore Commercial Credit Bureau (SCCB)'s latest quarterly Business Optimism Index (BOI) study, overall BOI score slid from +22.66 percentage points in Q2 2014 to +14.65 percentage points in Q3 2014. This stands in contrast to the surge in business optimism seen in Q2 2014 when BOI increased from +13.13 percentage points to +22.66 percentage points. Compared to a year ago, overall BOI score improved slightly from +10.53% in the same quarter last year to +14.65% in Q3 2014.



*Figure 1. Overall Business Optimism Score, Q3 2013 – Q3 2014*

As with the previous quarter, all six business indicators have remained in the expansionary region in Q3 2014. However, strong signs of moderation were evident as 5 of six business indicators experienced a decrease in optimism levels. According to SCCB, both net profits and volume of sales have declined in Q3 as quarter-on-quarter(q-o-q) optimism levels fell markedly from +43.34 percentage points to +25.0 percentage points and +45.26 percentage points to +29.0 percentage points respectively. Hiring sentiments have also declined as optimism levels fell marginally from +13.14 percentage points in Q2 to +10.0 percentage points in Q3. This comes amid a major tightening in foreign worker policy measures by the government and a slowdown in job creation earlier this year. Selling prices are also expected to

decrease as optimism levels slipped from +8.76 percentage points in Q2 2014 to +6.0 percentage points in Q3 2014.

Meanwhile, local firms are anticipating higher inventory levels as net optimism increased marginally from +1.46 percentage points to +3.0 percentage points. Following a pullback in manufacturing activities in May, local manufacturers are less optimistic about new orders compared to the previous quarter. According to SCCB, new orders fell from a net optimism level +38.09 percentage points to +14.0 percentage points. The Singapore Institute of Purchasing & Materials Management reported a decline in the Purchasing Managers' Index (PMI) reading from 51.1 in April to 50.8 in May.

Overall business sentiments have improved year-on-year (y-o-y) with 4 of six business indicators experiencing an increase in net optimism levels compared to Q3 2013. Local firms have expressed higher optimism for volume of sales, net profits, selling prices and inventory levels, previously registering 18.3 percentage points, 18.3 percentage points, 0.0 percentage points and 2.5 percentage points respectively. Corporate leaders here are however cautiously about new orders and employment levels compared to a year ago, registering +25.0 percentage points and +12.5 percentage points previously.

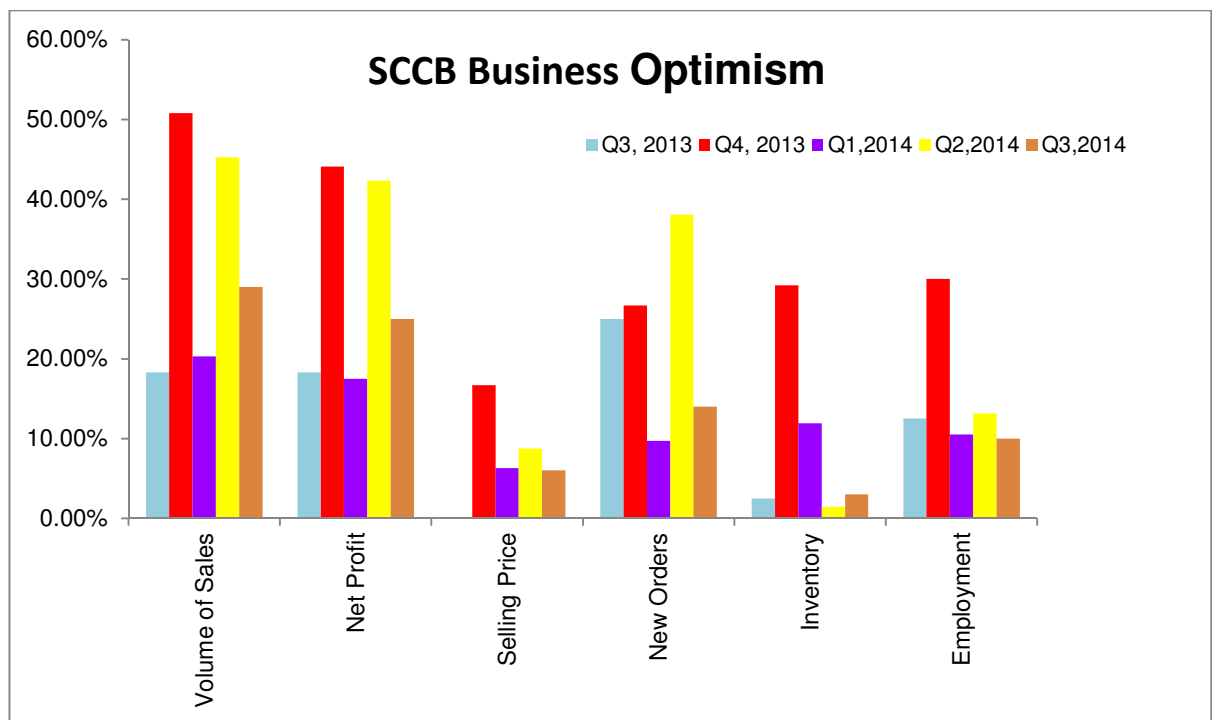


Figure 2. SCCB Optimism Index of Business Indicators, Q3 2013 – Q3 2014

Both services and construction sectors ranked atop as the most optimistic sectors with at least five business indicators in the expansionary region. Owing to higher retail sales volume, gains in the food and beverage industry and a pickup in discretionary spending on electronic gadgets, watches and jewellery, the service industry has anticipated its volume of sales and net profits to remain at healthy levels. Business sentiments within the construction sector are also relatively upbeat as public sector construction activities continued apace. Despite being one of the most optimistic sectors, optimism levels within the construction industry have declined with 4 of five business indicators moderating downwards. This may be attributed to weaker private sector construction activities and a tightening foreign worker policy to limit the influx of foreign workers which have slightly dampened expectations within the sector

Meanwhile, the manufacturing sector ranked third with 4 of five business indicators in the expansionary region. The healthy showing comes after strong gains in both pharmaceutical and petrochemicals sub-sectors in Q1 2014. Despite the robust performance, overall business sentiments within the manufacturing sector have dampened. SCCB notes that the all five business indicators have moderated downwards strongly with volume of sales, net profits and new orders experiencing the largest declines.

After emerging as the most optimistic sector last quarter, the transportation sector experienced a reversal in business optimism as it took a tumble to become the 3<sup>rd</sup> least optimistic sector with only 3 of five business indicators in the expansionary region. This stands in contrast to Q2 when all five business indicators were in the expansionary region. The transportation sector is anticipating an unchanged status in inventory levels while employment levels are expected to fall into the contractionary region at -5.0 percentage points. Due to a slowdown in activities within the sentiment-sensitive clusters and fresh uncertainties in the global financial markets, the finance sector is relatively less upbeat with only 3 of five business indicators in the expansionary region.

“Overall business confidence has held its ground despite the lukewarm reading for the third quarter of 2014. While dips in business sentiments are noticeable, modest growth still remains within sight for the local economy in the months ahead. Recent reports of a contractionary shock in the US economy may have dampened business sentiments here slightly. However, the overall BOI reading remains healthy and reflects positively on the resilience of SMEs against external risks and uncertainties.” said Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“The healthy BOI reading over the first three quarters this year bodes well for businesses here. This may be indicative of a rising number of firms tapping on government grants such as the Innovation and Capability Voucher (ICV) scheme and other loan financing schemes to boost productivity, streamline business processes and offset any capital cost which help keep their business lean, profitable and competitive in the near-term.” added Ms. Chia.

According to SCCB, the BOI registered in Q3 was marginally higher than that registered earlier in Q1 where net optimism posted +13.13 percentage points.

The Monetary Authority of Singapore (MAS) has recently revised Singapore’s growth forecast to be between 2-4% in 2014.

**Overview of Business Indicators**

**Net Profits**

Net profits are expected to increase markedly to a net optimism index of +25.0% (compared to Q2 2014 net +42.34%). The mining, construction and wholesale sectors are most upbeat about the outlook for net profits at net +66.67%, +33.33% and +30.0% respectively. The remaining sectors have also remained moderately optimistic about net profits – Finance (net +28.57%), Services (net +23.81%), Agriculture (net +20.0%), Manufacturing (net +18.75%) and Transportation (net +5.0%).

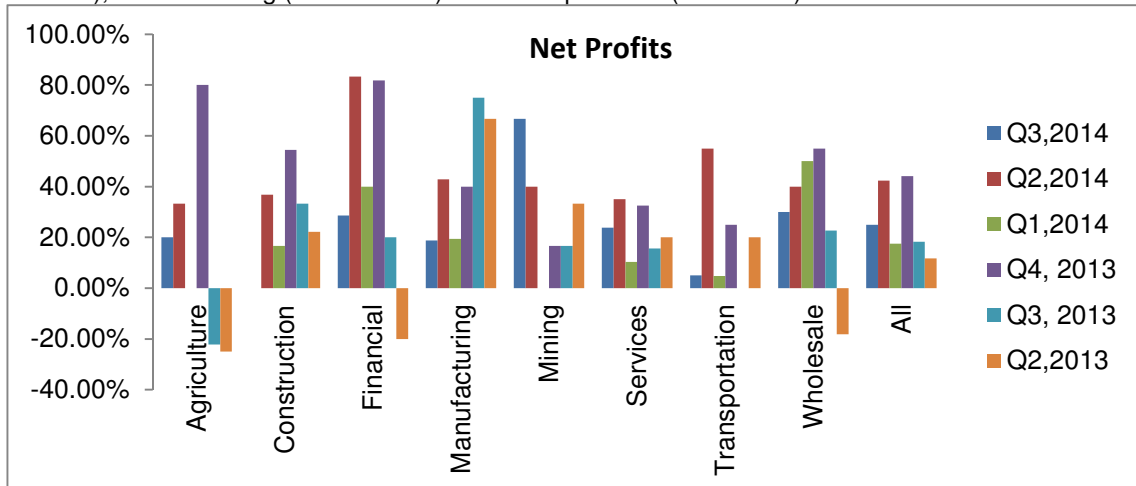


Figure 3. Net Profits Optimism Score, Q3 2013 – Q3 2014

**Volume of Sales**

Volume of sales is projected to increase sharply to a net optimism index of +29.0% (compared to Q2 2014 net +45.26%). As with net profits, the mining and wholesale sectors have expressed the highest optimism levels at net +66.67% and net +55.0% respectively. These are followed by the construction and services sectors both at net +33.33%. The remaining sectors are also upbeat about the 3<sup>rd</sup> quarter – Finance (net +13.33%), Manufacturing (net +12.5%) and Transportation (net +10.0%). The agricultural sector is the only sector anticipating an unchanged status in volume of sales (net +0.0%).

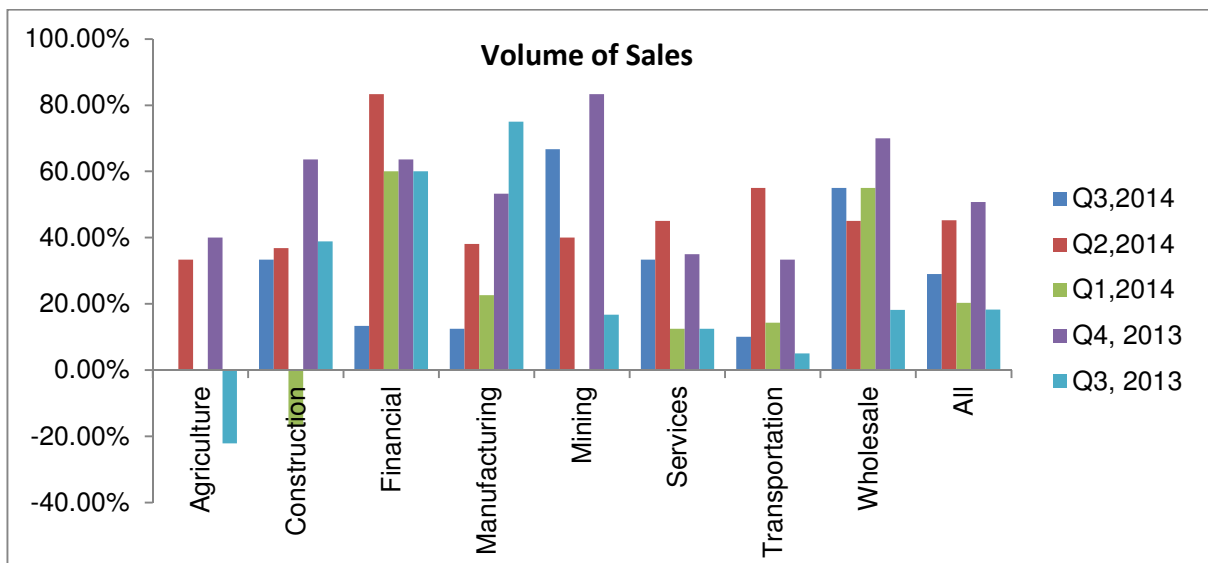


Figure 4. Volume of Sales Optimism Score, Q3 2013 – Q3 2014

**Inventory Levels**

Net optimism for inventory has increased marginally to net +3.0% (compared to Q2 2014 net +1.46%). The services and construction sectors are the only two sectors which are optimistic about inventory levels (net +14.29% and net +13.33% respectively). The agricultural, construction, mining and transportation sectors are anticipating an unchanged status in inventory levels (net 0.0%). The manufacturing and wholesale sectors have expressed pessimism in inventory levels (net -18.75% and net -5.0% respectively).

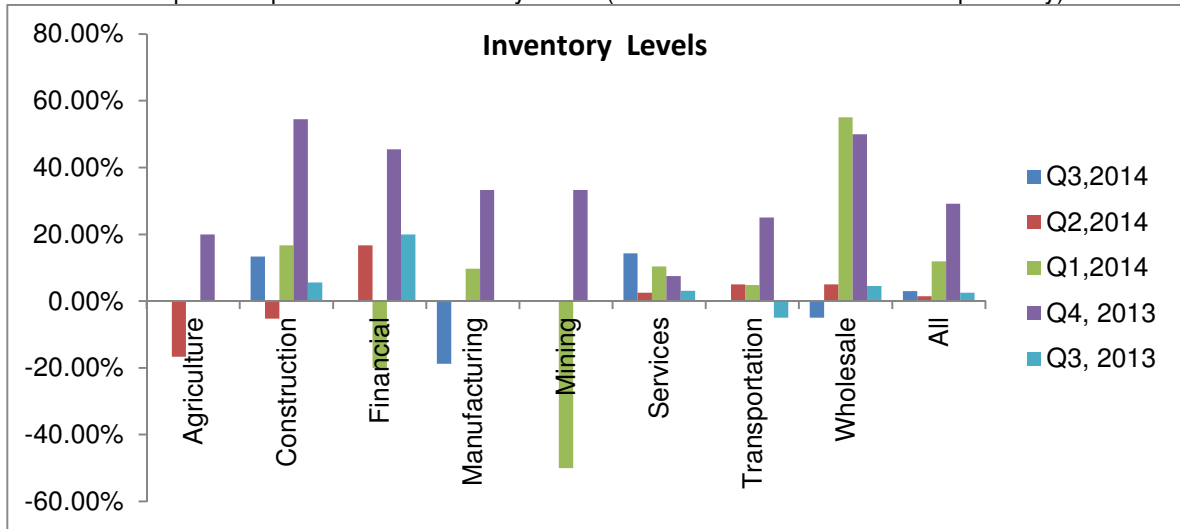


Figure 5. Inventory Levels Optimism Score, Q3 2013 – Q3 2014

**Selling Prices**

Selling prices are expected to rise to net +6.0% (compared to Q2 2014 net +8.76%). The agricultural, wholesale and services sectors have expressed the highest optimism about selling prices at net +20.0%, net +10.0% and net +7.14% respectively. These are followed by the construction, financial and transportation sectors at net +6.67%, net +6.67% and net +5.0% respectively. The manufacturing and mining sectors are the only two sectors anticipating an unchanged status in selling prices (net 0.0%).

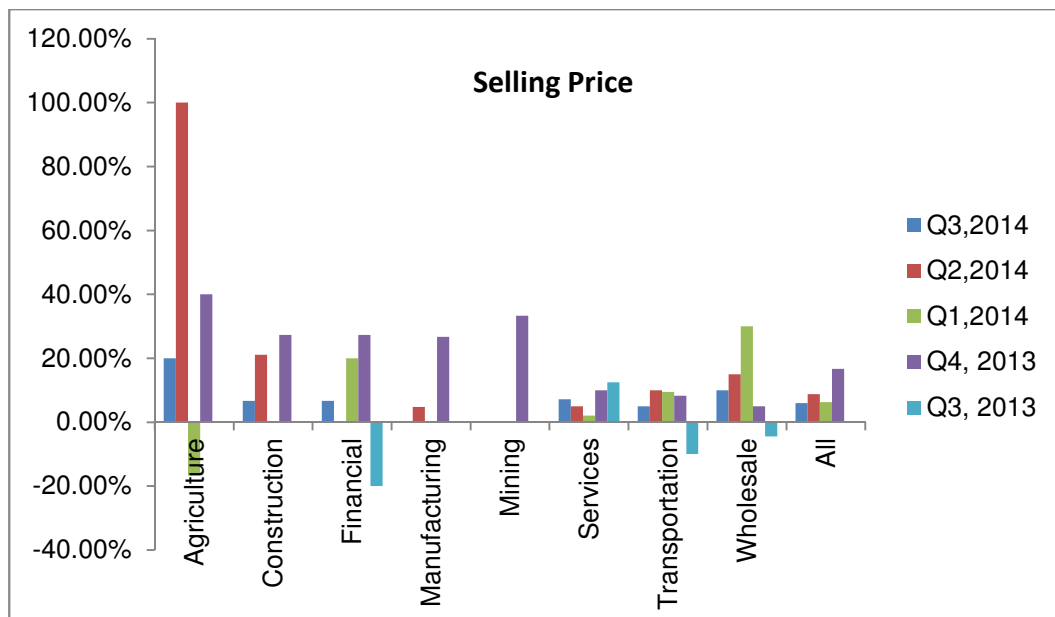


Figure 6. Selling Prices Optimism Score, Q3 2013 – Q3 2014

**New Orders**

New Orders for the manufacturing industry are expected to increase moderately to net +14.0% from the previous quarter when net optimism surged to net +38.09%.

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

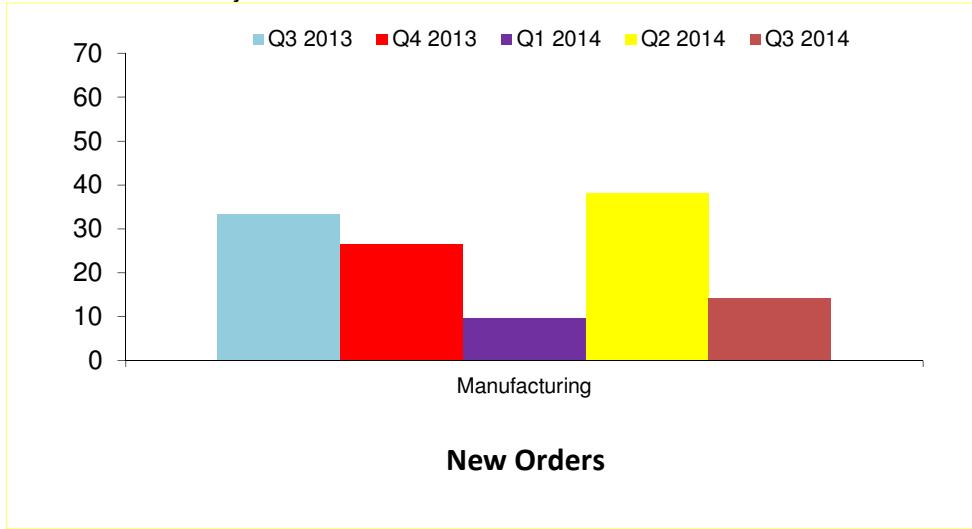


Figure 7. New Orders Optimism Score, Q3 2013 – Q3 2014

**Employment**

Employment levels are expected to increase to an overall net optimism of +10.0% (compared to Q2 2014 net +13.14%). As with inventory levels, the construction and wholesale sectors are most optimistic about employment at net +26.67% and +21.43% respectively. The wholesale and manufacturing sectors have expressed moderate optimism at net +10.0% and net +6.25% respectively. The remaining sectors have anticipated either an unchanged status or pessimism in employment – Mining (net 0.0%), Agriculture (net 0.0%), transportation (net -5.0%) and finance (-6.67%).

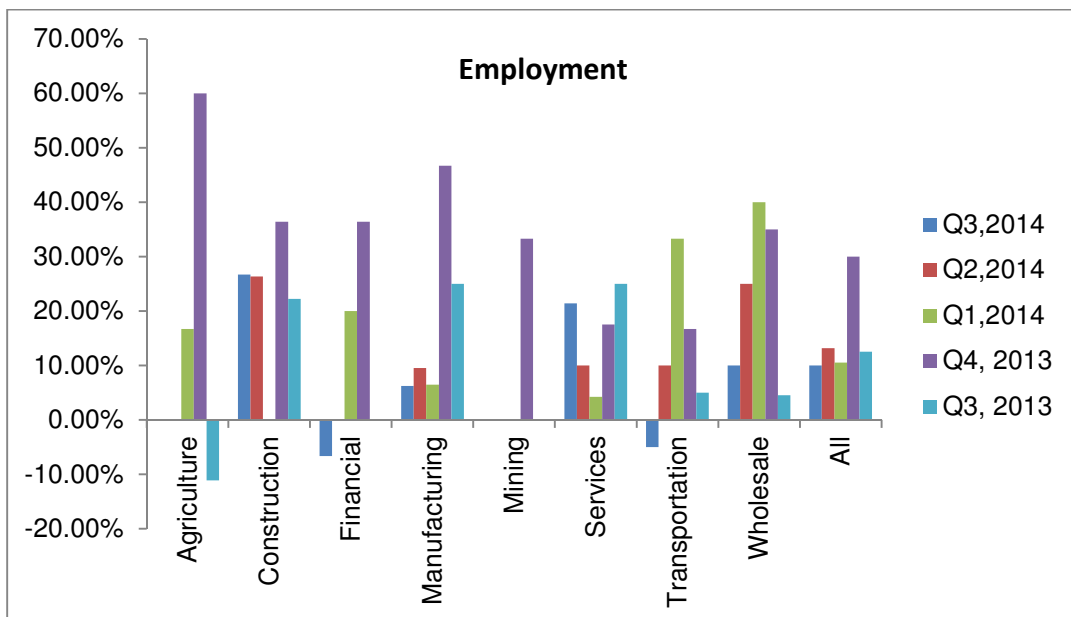


Figure 8. Employment Optimism Score, Q3 2013 – Q3 2014

**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](http://www.sccb.sg).

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