

Contact:  
Eugene Z., Marcom & Product Development  
Eugene.tan@dnb.com.sg  
+65 6439 6670  
+65 9478 5568

**FOR IMMEDIATE RELEASE**

## **Business pessimism reigns as BOI dips to a historical low in Q1 2016 amid global downside risks - Singapore Commercial Credit Bureau**

**Singapore, 01 December 2015** – Local business optimism slipped into the contractionary zone for the first time in 3 years after taking a turn for the worse in Q4 2015. According to Singapore Commercial Credit Bureau (SCCB)'s latest quarterly Business Optimism Index (BOI) study, BOI hit a historical low as it fell into negative territory from +0.14 percentage points in Q4 2015 to -2.93 percentage points in Q1 2016. On a year-on-year (y-o-y) basis, BOI slid from +1.11 percentage points in Q1 2015 to -2.93 percentage points in Q1 2016.

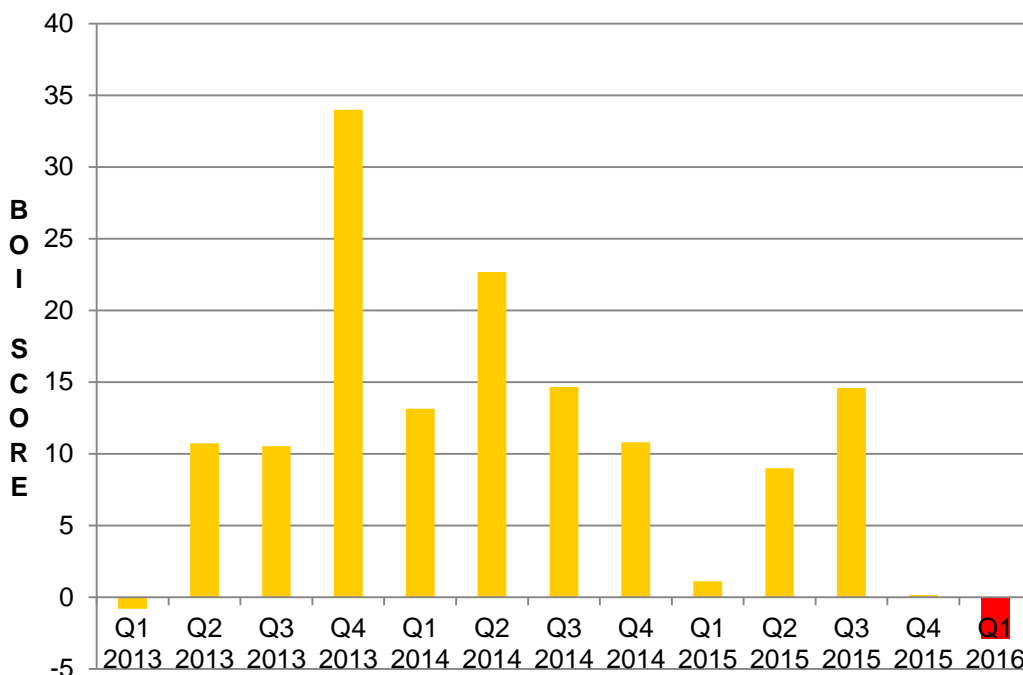


Figure 1. Overall Business Optimism Score, Q1 2013 – Q1 2016

For Q1 2016, only 1 of six indicators are in positive territory, compared to 2 of six indicators in Q4 2015.

- According to SCCB, both volume of sales and net profits have deteriorated further in Q1 2016.
- Overall volume of sales contracted further from -4.29 percentage points in Q4 2015 to -7.04 percentage points in Q1 2016 while net profits have similarly fallen from -0.71 percentage points in Q4 2015 to -5.63 percentage points in Q1 2016.

- Selling price is the only indicator which is expansionary, climbing from -6.43 percentage points in Q4 2015 to +4.93 percentage points in Q1 2016.
- Meanwhile, both employment and inventory levels also fell into the contractionary zone for Q1 2016. Employment levels took a dive from +15.0 percentage points in Q4 2015 to -4.93 percentage points in Q1 2016 while inventory levels slipped from +1.43 percentage points in Q4 2015 to -2.82 percentage points in Q1 2016.
- New orders for manufacturers remains contractionary, plunging further from -22.22 percentage points in Q4 2015 to a historical low of -56.0 percentage points in Q1 2016. On the overall, new orders for all sectors were contractionary at -2.11 percentage points in Q1 2016.

A y-o-y comparison further reveals that 3 of six indicators were expansionary in Q1 2015.

- Both volume of sales and net profits fell from -5.71 percentage points in Q1 2015 to -7.04 percentage points in Q1 2016 and -5.0 percentage points in Q1 2015 to -5.63 percentage points in Q1 2016 respectively.
- Selling price increased marginally from +4.29 percentage points in Q1 2015 to +4.93 percentage points in Q1 2016.
- Meanwhile, employment and inventory levels deteriorated y-o-y from +12.14 percentage points in Q1 2015 to -4.93 percentage points in Q1 2016 and +1.43 percentage points in Q1 2015 to -2.82 percentage points in Q1 2016 respectively.
- New orders for manufacturers dived significantly from -9.52 percentage points in Q1 2015 to -56.0 percentage points in Q1 2016.

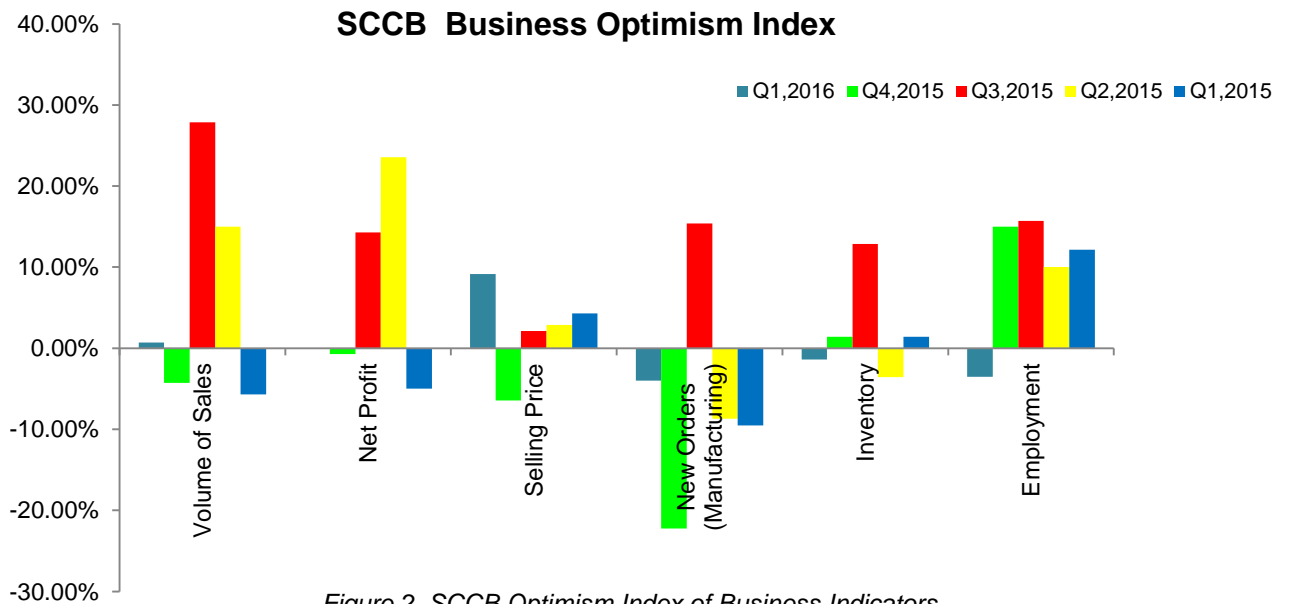


Figure 2. SCCB Optimism Index of Business Indicators, Q1 2015 – Q1 2016

The services sector emerged as the most optimistic sector with five business indicators in the expansionary region for the first quarter of 2016.

- As with Q4 2015, the services sector has anticipated the outlook to remain relatively upbeat on the back of increased tourist arrivals in recent months.
- With the exception of employment and inventory levels, all remaining business indicators made slight improvements in optimism levels.

- Both volume of sales and net profits have increased moderately within the sector. Volume of sales rose from +7.14 percentage points in Q4 2015 to +10.87 percentage points in Q1 2016 while net profits inched slightly upwards from +9.52 percentage points in Q4 2015 to +13.04 percentage points in Q1 2016.
- Meanwhile, selling price jumped from +4.76 percentage points in Q4 2015 to +13.04 percentage points in Q1 2016.
- New orders within the sector are expected to be relatively upbeat at +21.74 percentage points.
- The improved sentiments are largely due to the continued resilience within the corporate services and information & communications sub-sectors.

Owing to an upturn in the air and land transport segments, the transportation sector emerged as the second most optimistic sector with 4 indicators in the expansionary region for Q1 2016.

- Volume of sales, net profit and selling price have all rebounded into the expansionary zone.
- Net profits within the sector saw the most significant improvement, rising from -21.43 percentage points in Q4 2015 to +29.41 percentage points in Q1 2016.
- Volume of sales rose from -28.57 percentage points in Q4 2015 to +5.88 percentage points in Q1 2016 while selling price climbed from -7.14 percentage points in Q4 2015 to +23.53 percentage points in Q1 2016.
- However, both inventory and employment levels have remained flat. Despite rebounding from the contractionary zone, inventory levels rose from -7.14 percentage points in Q4 2015 to 0 percentage points in Q1 2016. On the other hand, employment levels moderated downwards from +14.29 percentage points in Q4 2015 to 0 percentage points in Q1 2016.
- According to SCCB, the transportation sector is most optimistic about new orders among all sectors, registering +29.41 percentage points in Q1 2016.

Business confidence within the construction sector has taken a turn for the worse after emerging as one of the least optimistic sectors in Q4 2015. 5 of six business indicators were expected to be contractionary for Q1 2016 as compared to none in Q4 2015. The weaker showing was largely attributed to muted public building activities.

- Net profits plunged from +30.77 percentage points in Q4 2015 to -8.33 percentage points in Q1 2016.
- Both inventory and employment levels dived into contractionary zone from +46.15 percentage points in Q4 2015 to -8.33 percentage points in Q1 2016 and +61.54 percentage points in Q4 2015 to -16.67 percentage points in Q1 2016 respectively.
- Meanwhile, both selling price and volume of sales dropped moderately from +7.69 percentage points in Q4 2015 to -8.33 percentage points in Q1 2016 and +15.39 percentage points in Q4 2015 to 0 percentage points in Q1 2016 respectively.
- New orders within the construction sector are expected to be contractionary for Q1 2016 at -8.33 percentage points.

As with the previous quarter, the manufacturing sector emerged as the least optimistic sectors with all six business indicators in the contractionary region. This is largely due to a sustained decline in manufacturing output, most notably in the transport engineering, electronics and precision engineering segments.

- Both volume of sales and net profits have deteriorated further. Optimism levels for volume of sales fell from -22.22 percentage points in Q4 2015 to -56.0 percentage points in Q1 2016. Meanwhile, net profits fell from -25.93 percentage points in Q4 2015 to -48.0 percentage points in Q1 2016.
- Selling price remained contractionary, moving up from -18.52 percentage points in Q4 2015 to -4.0 percentage points in Q1 2016.

- New orders fell to a historical low from -22.22 percentage points in Q4 2015 to -56.0 percentage points in Q1 2016.
- Inventory levels rose slightly but remains contractionary, from -25.93 percentage points in Q4 2015 to -20.0 percentage points in Q1 2016
- Employment for manufacturers has fallen into the negative zone from +3.70 percentage points in Q4 2015 to -8.0 percentage points in Q1 2016.

“We are seeing greater pessimism among local firms due primarily to constrained consumer demand globally as well as prolonged weakness and flat growth seen in sectors such as manufacturing and wholesale for the most of 2015. While domestically-oriented industries will continue to be important pillars of growth, we are already seeing some signs of easing within certain sectors such as construction. Our findings revealed that the outlook for construction firms has dampened for Q1 2016.” commented Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“Firms have lowered their expectations in terms of business expansion plans moving into 2016. Given that global risks are likely to be skewed to the downside, we anticipate optimism levels to remain muted in the months ahead.” added Ms. Chia.

The Ministry of Trade and Industry (MTI) expects GDP growth forecast for 2016 to be within the range of 1.0 to 3.0 percent in recent report released in November this year.

According to SCCB, 90 per cent of the local firms surveyed had anticipated investments for business expansion to remain unchanged. This marks an increase from last year when 81 per cent of local firms expected investments to remain unchanged. Meanwhile, the remaining firms are expecting investments to increase or decrease at 6 per cent and 4 per cent respectively.

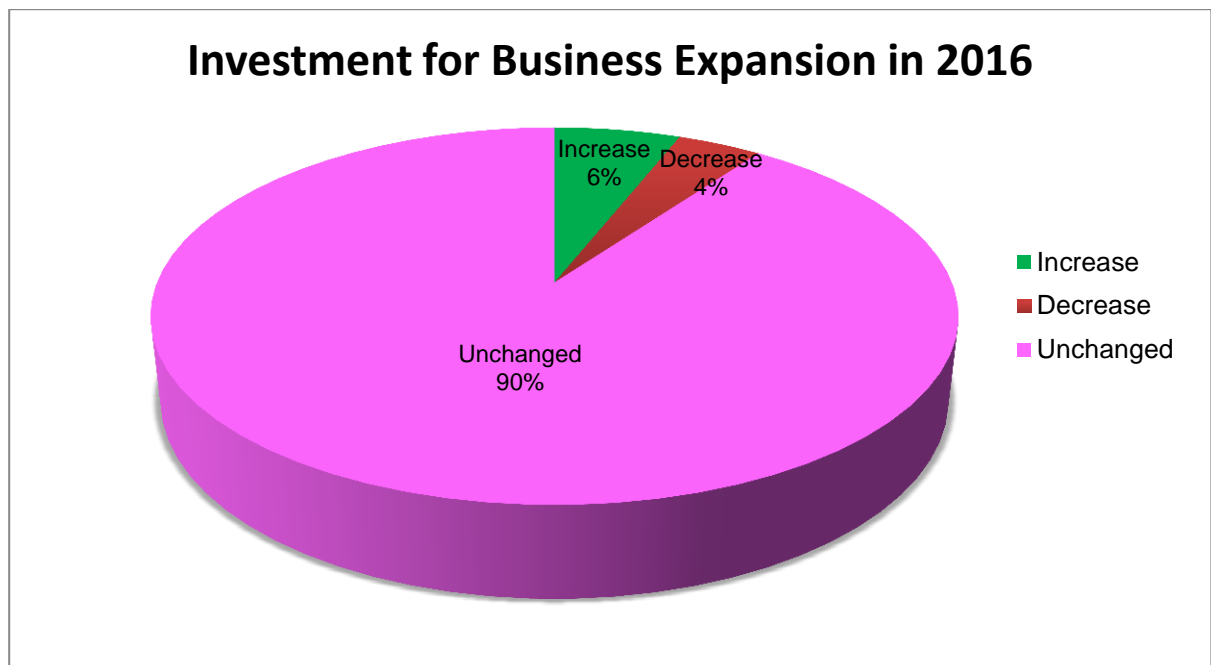


Figure 3. Investment for Business Expansion in 2016

- SCCB notes further that the most important area of investment for 2015 is skills upgrading of employees at 38 per cent, rising slightly from 34 per cent last year.
- Firms also expect investments in machinery and capital equipment, research and development and IT infrastructure to be reduced in 2016
- Investments in machinery & capital equipment dipped from 42 per cent in 2015 to 37 per cent in 2016.
- The proportion of firms which have indicated IT infrastructure and Research & Development as the most important areas of investment have also fallen slightly compared to the previous year - from 12 per cent to 9 per cent and 4 per cent to 2 per cent respectively.
- Investments in mergers & acquisition activities are expected to increase from 2 per cent in 2015 to 7 per cent in 2016 while investments in intellectual property are expected to dip slightly from 2 per cent to 1 per cent.

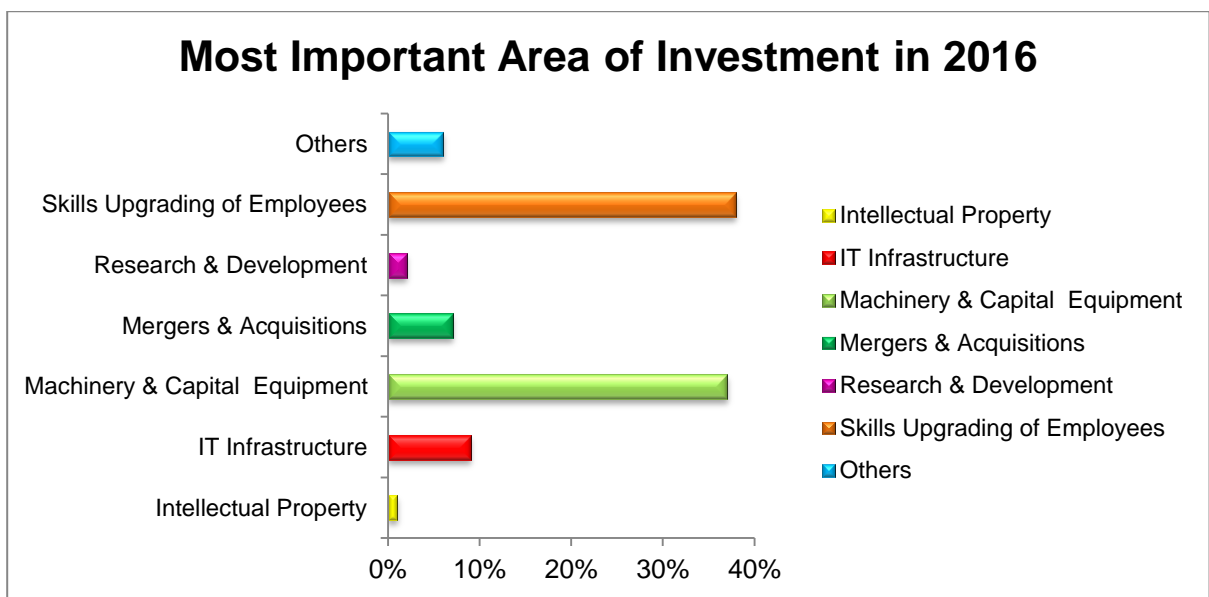


Figure 4. Most Important Area of Investment for 2016

- Compared to the previous year, the proportion of local firms which have indicated global economic uncertainties as the main challenge in 2016 has increased significantly from 22 per cent in 2015 to 56 per cent in 2016.
- The proportion of local firms which have identified reduced sales as the main challenge has also increased slightly from 12 per cent in 2015 to 16 per cent in 2016.
- While rising business costs and foreign labour issues continue to plague local firms, the proportion of those which have indicated these to be main challenges have reduced from 2015. Foreign labour issues fell from 14 per cent in 2015 to 5 per cent in 2016 while higher business costs plunged from 48 per cent in 2015 to 21 per cent in 2016.
- Only 2 per cent of firms have identified lack of financing as the main challenge in 2016.

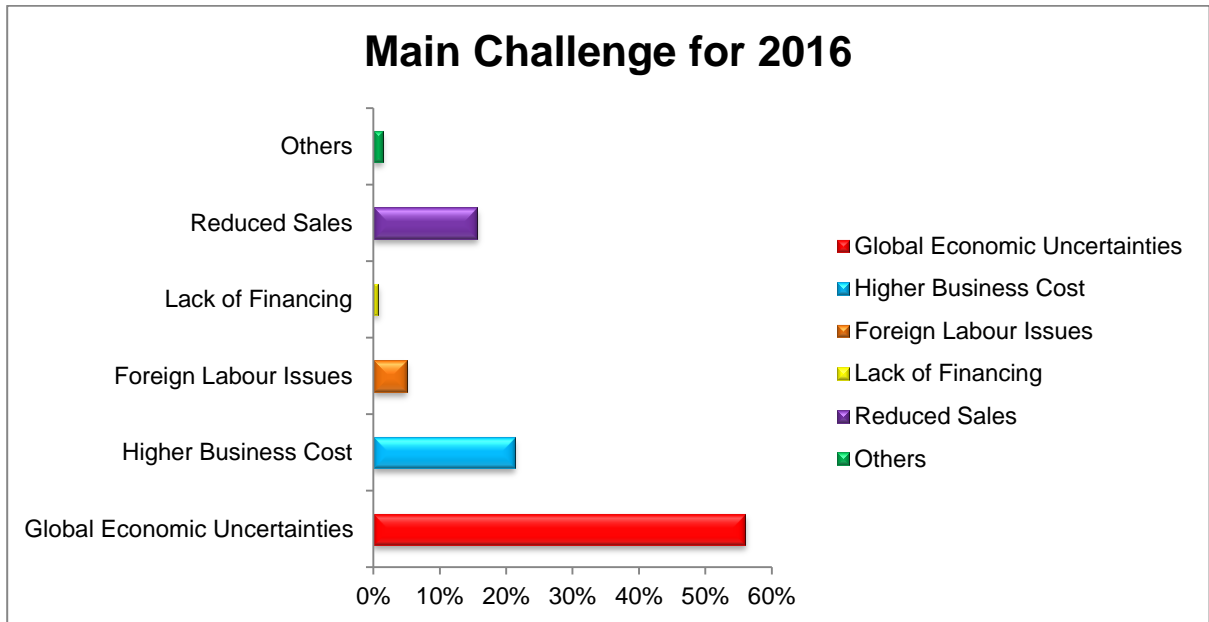


Figure 5. Main Challenge in 2016

**Overview of Business Indicators**

**Volume of Sales**

Volume of sales slipped further within the contractionary zone, registering -7.04% (compared to net -4.29% in Q4 2015). The services sector is most optimistic (net +10.87%), followed by financial (net +8.33%) and the transportation (net +5.88%) sector. Meanwhile, both agriculture and construction sectors have anticipated volume of sales to remain unchanged (net 0%) while the remaining two sectors – manufacturing (net -56.0%) and mining (net -50.0%) – are pessimistic about volume of sales.

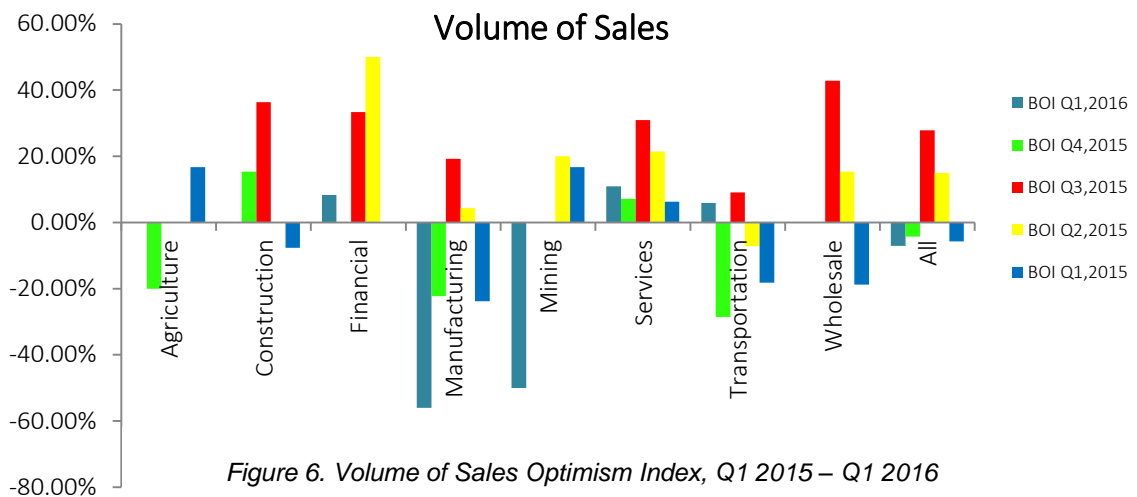


Figure 6. Volume of Sales Optimism Index, Q1 2015 – Q1 2016

**Net Profit**

Net profit deteriorated further to net -5.63% (compared to net -0.71% in Q4 2015). The transportation (net +29.41%) and service (net +13.04%) sectors are the only two sectors which are optimistic about net profits. Both agriculture and wholesale sectors have anticipated net profits to remain unchanged (net 0%) while the remaining sectors - construction (net -8.33%), financial (net -16.67%), manufacturing (net -48.0%) and mining (net -66.67%) - are downbeat about net profit.

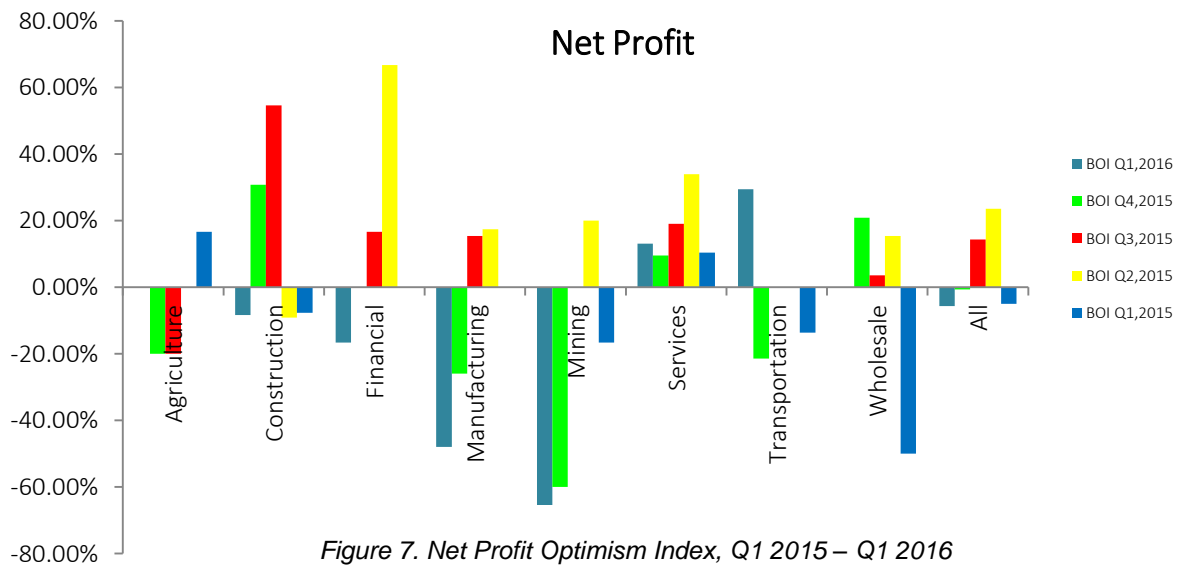


Figure 7. Net Profit Optimism Index, Q1 2015 – Q1 2016

**Inventory Levels**

Inventory levels slipped into the contractionary zone at net -2.82% (compared to net +1.43% in Q4 2015). The services sector (net +8.70%) is the only sector which is most optimistic. The majority of the sectors have anticipated inventory levels to remain unchanged (net 0%) –agriculture, transportation and wholesale. The remaining sectors are pessimistic about inventory levels – construction (net -8.33%), financial (net -16.67%) and manufacturing (net -20.0%).

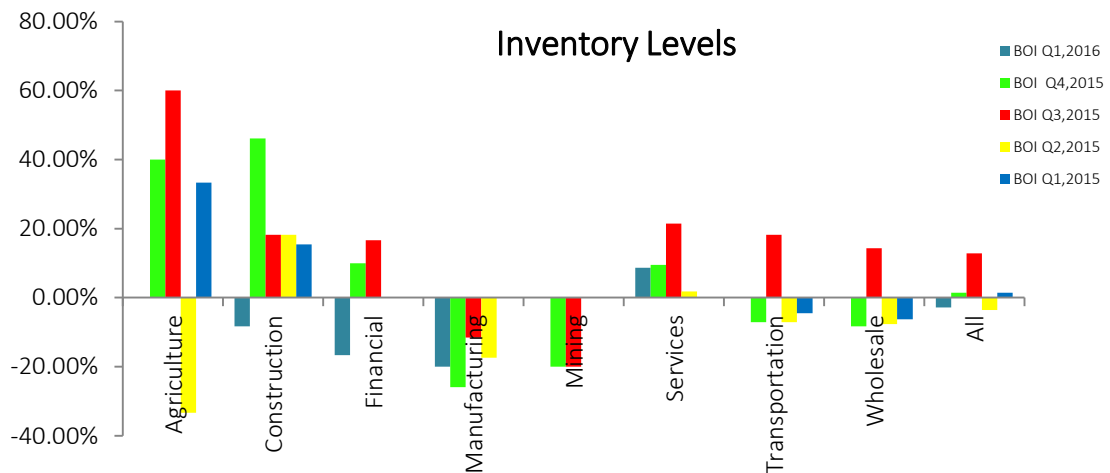


Figure 8. Inventory Levels Optimism Index, Q1 2015 – Q1 2016

**Selling Price**

Selling price rebounded from the contractionary zone at net +4.93% (compared to net -6.43% in Q4 2015). The transportation sector (net +23.53%) is most optimistic, followed by services (net +13.04%) and the financial sector (net +8.33%). Both agricultural and wholesale sectors have anticipated selling price to remain unchanged (net 0%). The remaining sectors are pessimistic about selling price – manufacturing (net -4.0%), construction (net -8.33%) and mining (net -33.33%).

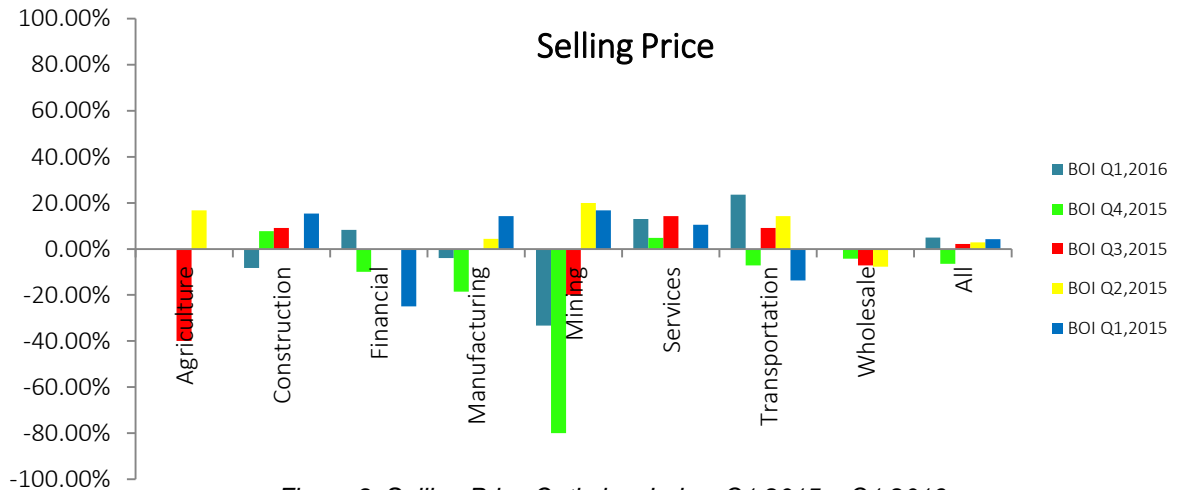


Figure 9. Selling Price Optimism Index, Q1 2015 – Q1 2016

**New Orders**

New orders are expected to be contractionary at net -2.11% for Q1 2016. The transportation (net +29.41%) and services (net +21.74%) sectors are the only two sectors which are optimistic about new orders for Q1 2016. Both agricultural and financial sectors have anticipated new orders to remain unchanged (net 0%). The remaining sectors are pessimistic about new orders – wholesale (net -5.26%), construction (net -8.33%), mining (net -33.33%) and manufacturing (net -56.0%).

Compared to Q4 2015, new orders for the manufacturing sector deteriorated further within the contractionary zone in Q1 2016 at net -56.0% (compared to net -22.22% in Q4 2015).

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



### New Orders (All Sectors)

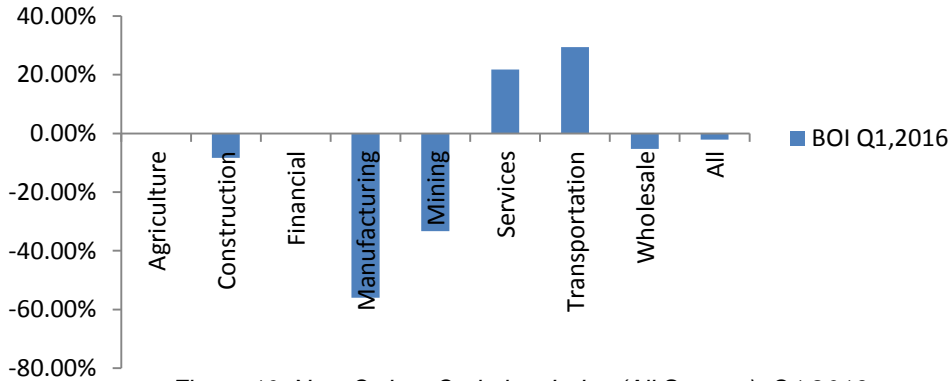


Figure 10. New Orders Optimism Index (All Sectors), Q1 2016

### New Orders (Manufacturing)

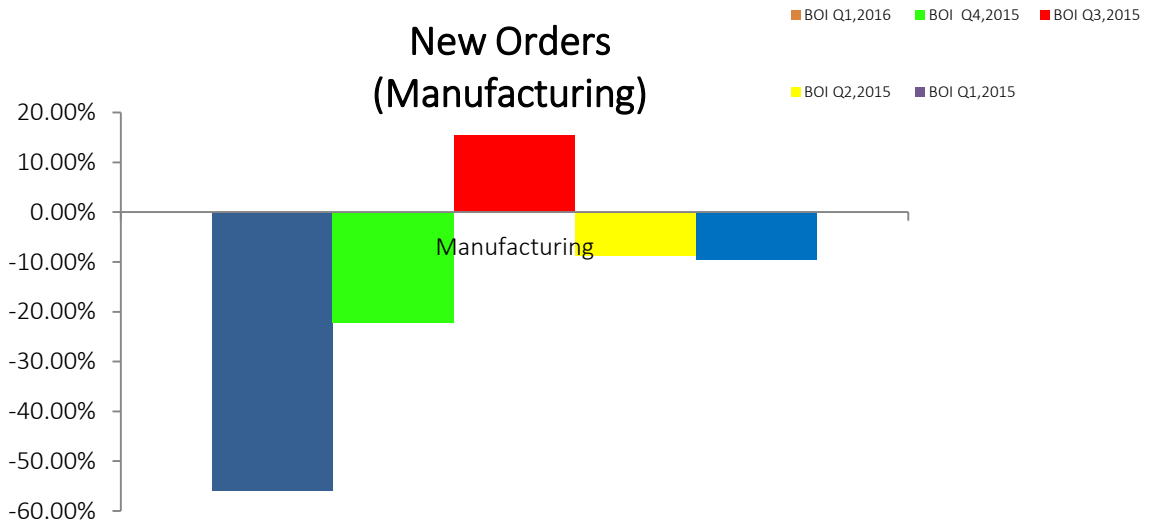


Figure 11. New Orders Optimism Index (Manufacturing), Q1 2015 – Q1 2016

**Employment**

Employment levels are expected to fall into the contractionary zone at net -4.93% (compared to net +15.0% in Q4 2015). The financial sector (net +8.33%) is the only sector which is most optimistic about employment. As with inventory levels, the majority of the sectors have anticipated employment levels to remain unchanged (net 0%) – agriculture, transportation and wholesale. The remaining sectors are downbeat about hiring sentiments – services (net -2.17%), manufacturing (net -8.0%), construction (net -16.67%), mining (net -50.0%).

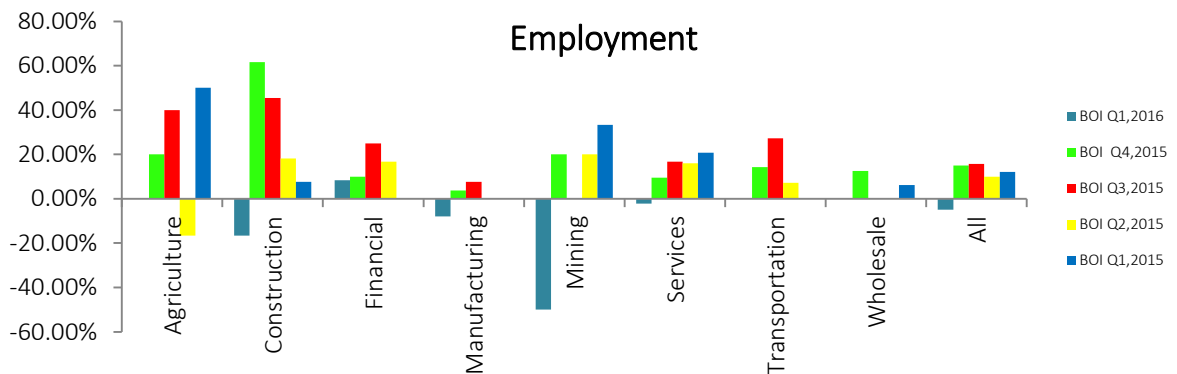


Figure 12. Employment Optimism Index, Q1 2015 – Q1 2016

**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).

**Contact Information**

**Eugene Z.**  
**Marcom & Product Development**  
**DID: +65 6439 6670**  
**HP: +65 9478 5568**  
**Email: Eugene.Tan@dnb.com.sg**