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Local business confidence dives to near-contractionary levels in Q4 2015
ASEAN business outlook remains lacklustre in the final quarter of 2015
per inaugural Dun & Bradstreet - Singapore Commercial Credit Bureau's
ASEAN Business Optimism Index

Singapore, 06 October 2015 – Following two consecutive quarters of increase since Q2 2015, business optimism levels plunged to near-contractionary levels in the final quarter of 2015. According to Dun & Bradstreet-Singapore Commercial Credit Bureau (SCCB)'s latest quarterly Business Optimism Index (BOI) study, BOI took a dive from +14.60 percentage points in Q3 2015 to +0.14 percentage points in Q4 2015. Compared to the same quarter in 2014, BOI has declined significantly from +10.79 percentage points in Q4 2014 to +0.14 percentage points on a year-on-year (y-o-y) basis in Q4 2015.

The latest BOI reading is the second lowest in nearly 3 years when BOI hit a historical low of -0.82 percentage points in Q1 2013. A similar deterioration of business confidence was also noted earlier in Q1 2015 when BOI fell to near contractionary levels, albeit registering slightly higher on the index at +1.11 percentage points.

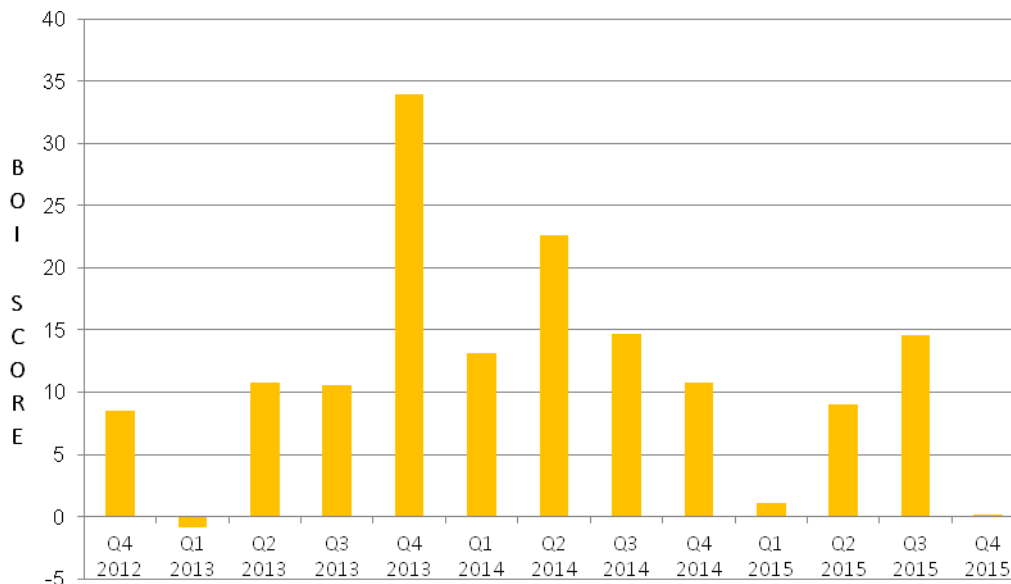


Figure 1. Overall Business Optimism Score, Q4 2012 – Q4 2015

For Q4 2015, only 2 of six indicators are in the expansionary region, which stands in sharp contrast to Q3 2015 when all six indicators were expansionary.

- Both volume of sales and net profits have plunged significantly into the contractionary zone for the first time since Q1 2015.
- Overall volume of sales tumbled from +27.86 percentage points in Q3 2015 to -4.29 percentage points in Q4 2015. Moving in the similar direction, net profits declined +14.29 percentage points in Q3 2015 to -0.71 percentage points in Q4 2015.
- Following two consecutive quarters of downward moderation, selling prices have fallen into the contractionary zone from +2.14 percentage points in Q3 2015 to -6.43 percentage points in Q4 2015.
- Meanwhile, inventory levels have decreased markedly to just slightly above the expansionary zone from +12.86 percentage points in Q3 2015 to +1.43 percentage points in Q4 2015.
- Hiring sentiments have moderated slightly from +15.71 percentage points in Q3 2015 to +15.0 percentage points in Q4 2015.
- Meanwhile, manufacturers have anticipated new orders to fall back into the contractionary zone in Q4 2015, after a reverse in a downtrend in Q3 2015. According to SCCB, new orders are expected to decline from +15.39 percentage points in Q3 2015 to -22.22 percentage points in Q4 2015.

A y-o-y comparison further reveals that 5 of six business indicators were expansionary in Q4 2014.

- Both volume of sales and net profits have experienced steep declines from +22.14 percentage points in Q4 2014 to -4.29 percentage points in Q4 2015 and from +17.14 percentage points in Q4 2014 to -0.71 percentage points in Q4 2015 respectively.
- Selling prices experienced a steeper decline from +4.29 percentage points in Q4 2014 to -6.43 percentage points in Q4 2015.
- Inventory declined marginally from +3.57 percentage points in Q4 2014 to +1.43 percentage points in Q4 2015.
- Employment levels have increased markedly from +10.71 percentage points in Q4 2014 to +15.0 percentage points in Q4 2015.
- New orders for manufacturers have declined further from -13.04 percentage points in Q4 2014 to -22.22 percentage points in Q4 2015. In a recent report released by the Singapore Institute of Purchasing & Materials Management (SIPMM), the Purchasing Manager's Index (PMI) fell for the second consecutive month in August, posting a reading of 49.3, following a further contraction in new orders and production output domestically, and decline in new export orders overseas.

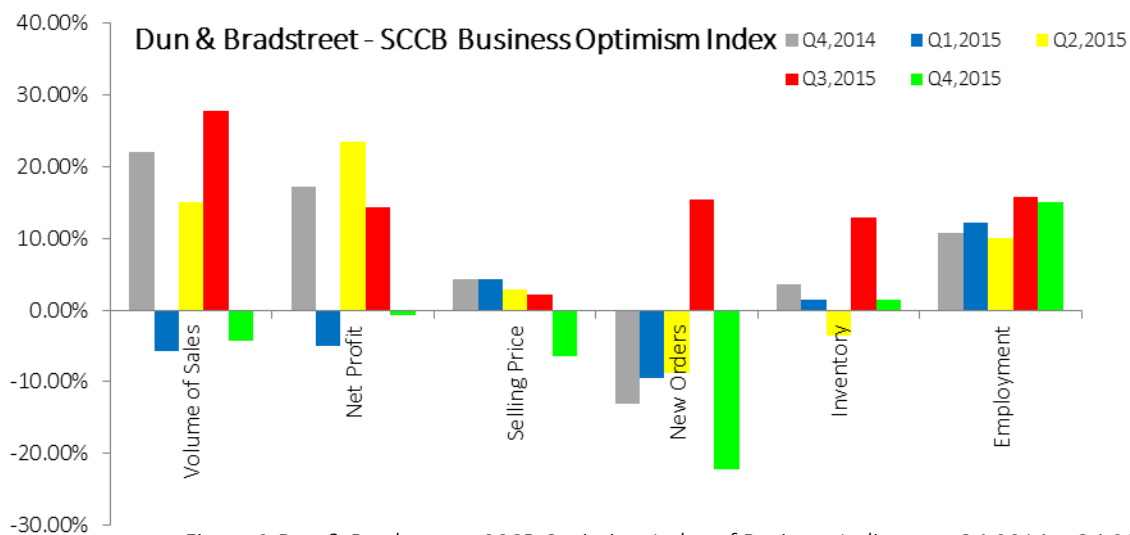


Figure 2. Dun & Bradstreet - SCCB Optimism Index of Business Indicators, Q4 2014 – Q4 2015

As with the previous quarter, both construction and services sectors ranked atop as the most optimistic sectors with all five business indicators in the expansionary region for the final quarter of 2015.

- Driven by an expansion in the information and communications sub-sector, the services industry is expecting the outlook to remain relatively upbeat.
- However, SCCB notes that all five indicators have displayed signs of strong moderation.
- Volume of sales tumbled significantly from +30.95 percentage points in Q3 2015 to +7.14 percentage points in Q4 2015 while net profits also declined from +19.05 percentage points in Q3 2015 to +9.52 percentage points in Q4 2015.
- This is partly due to a relatively subdued outlook for the accommodation and food services sub-sector as well as slower growth within the corporate services sub-sector.

In line with a pick-up in public sector projects, the construction sector has also anticipated the overall business outlook to remain optimistic.

- However, the sector also displayed some signs of downward moderation as volume of sales declined from +36.36 percentage points in Q3 2015 to +15.39 percentage points in Q4 2015, net profits fell from +54.55 percentage points in Q3 2015 to +30.77 percentage points in Q4 2015 while optimism levels in selling price decreased from +9.09 percentage points in Q3 2015 to +7.69 percentage points in Q4 2015.
- SCCB notes that both inventory and employment levels were the only two indicators which experienced an increase in optimism levels compared to the previous quarter.
- Inventory levels rose significantly from +18.18 percentage points in Q3 2015 to +46.15 percentage points in Q4 2015, while employment levels climbed from +45.46 percentage points in Q3 2015 to +61.54 percentage points in Q4 2015.

Following a moderation in business optimism within the financial sector in Q3 2015, optimism levels are expected to moderate further in Q4 2015 with all five business indicators moving downwards.

- For Q4 2015, two business indicators are in the expansionary region, as opposed to four business indicators in Q3 2015.
- According to SCCB, the financial sector has expected an unchange in both volume of sales and net profits in Q4 2015, with volume of sales declining markedly from +33.33 percentage points in Q3 2015 to 0 percentage points in Q4 2015 and net profits slipping from +16.67 percentage points in Q3 2015 to 0 percentage points in Q4 2015.
- Selling price has fallen into the contractionary zone from 0 percentage points in Q3 2015 to -10.0 percentage points in Q4 2015.
- Despite remaining in the expansionary zone, both inventory levels and employment have experienced a fall in optimism, both registering +10.0 percentage points on the index.

Owing to a significant pullback in the water transportation segment, the transportation sector emerged as one of the least optimistic sectors for Q4 2015.

- All five business indicators have moderated strongly downwards, with 4 of five indicators falling into the contractionary zone.
- According to SCCB, volume of sales fell from +9.09 percentage points in Q3 2015 to -28.57 percentage points in Q4 2015 while net profits declined from 0 percentage points in Q3 2015 to -21.43 percentage points in Q4 2015.
- Selling prices and inventory levels are both expected to decline to -7.14 percentage points in Q4 2015 respectively.
- Employment levels are expected to remain expansionary despite moderating from +27.27 percentage points in Q3 2015 to +14.29 percentage points in Q4 2015.

Meanwhile, the manufacturing sector is also ranked as the least optimistic sector with 5 of six business indicators in the contractionary zone.

- The weaker showing stands in contrast to Q3 2015 when only one indicator was in the contractionary zone.
- Weighed down by a decline in both biomedical manufacturing and the transport engineering segment volume of sales have tumbled significantly, from +19.23 percentage points in Q3 2015 to -22.22 percentage points in Q4 2015 while net profits have declined significantly from +15.39 percentage points in Q3 2015 to -25.93 percentage points in Q4 2015.
- Following two consecutive quarters of moderation, selling price has fallen from 0 percentage points in Q3 2015 to -18.52 percentage points in Q4 2015.
- Inventory levels have also remained in the contractionary zone for the third consecutive quarter, slipping further from -11.54 percentage points in Q3 2015 to -25.93 percentage points in Q4 2015.
- Employment levels have remained expansionary, moderating from +7.69 percentage points in Q3 2015 to +3.70 percentage points in Q4 2015. According to MTI, the manufacturing sector contracted by 4.9 per cent year-on-year.

The Monetary Authority of Singapore has recently trimmed growth forecast for Singapore from 2.7 per cent in June to 2.2 percent in September this year.

ASEAN Business Optimism Index

Overall business optimism for ASEAN in Q4 2015 is expected to be lackluster. Prevailing global economic uncertainty continues to weigh on expectations of the ASEAN business community. The blunted growth trajectory of China, the third largest trading partner for ASEAN, has also cast shadows on the region.

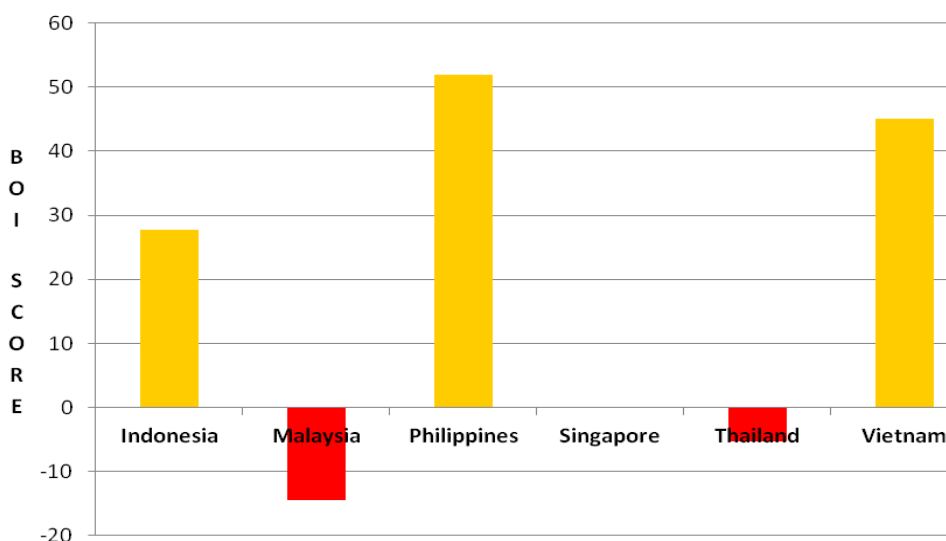


Figure 3. ASEAN Business Optimism Score, Q4 2015

- Among the 6-ASEAN member states surveyed by Dun & Bradstreet, Philippines, the fastest growing economy in ASEAN this year, ranks atop as the most optimistic. Business confidence is likely to remain sturdy as external downside risks for the country appear to be indirect and are less vulnerable to adverse developments in China. BOI eased slightly from +57.09 percentage points in Q3 2015 to +51.60 percentage points in Q4 2015.

- Vietnam emerged as the second most optimistic, driven largely by the services, transportation and wholesale sectors. BOI rose from +43 percentage points in Q3 2015 to +45 percentage points in Q4 2015 as businesses tread cautiously ahead.
- Following a continuous slide since the beginning of 2015, Indonesia BOI weakened from +34.86 percentage points in Q3 2015 to +27.82 percentage points in Q4 2015.
- Malaysia recorded its first negative quarter since the BOI survey started in 2013. Sharp drops were observed in volume of sales and net profit. The compound effects of a slowdown in domestic consumption, inflationary pressures and low energy prices have all taken a toll. Its BOI plunged from +2.62 percentage points in Q3 2015 to -14.49 percentage points in Q4 2015.
- Business confidence in Thailand, already dampened by declining exports and private consumption, is aggravated by the negative impact of the recent bomb attack. BOI plunged from +2.48 percentage points in Q3 2015 to -5.3 percentage points in Q4 2015.

Supporting Quotes

"The compound effects of an overall global and regional economic slowdown as well as mounting credit risks emanating from parts of Asia-Pacific such as China have dampened business sentiments significantly for the final quarter across the ASEAN region. With the exception of the Philippines which is relatively less vulnerable to external downside risks from China, deteriorating global conditions has taken a toll on the business confidence on the other ASEAN economies. Both the Malaysian and Thai economies have, in particular, displayed increased pessimism as overall BOI slipped into contractionary levels this quarter."

"On the home front, we are also seeing a challenging quarter ahead with BOI deteriorating to a 3-year low to near contractionary levels. Both manufacturing and transportation sectors have taken a severe beating. The outlook for local manufacturers has been particularly bleak for the most part of 2015 in light of a slowdown in manufacturing activities both globally and regionally. We are anticipating a challenging quarter ahead for businesses here as there has been a general decline in optimism levels across most sectors, even in the more optimistic construction and services sectors."

Attribute to:

Ms. Audrey Chia

Chief Executive Officer

Dun & Bradstreet (Singapore) Pte Ltd

About Business Optimism Index

The Dun & Bradstreet-Singapore Commercial Credit Bureau ASEAN Business Optimism Index (BOI) is a measure of business confidence in the ASEAN-6 economies – Singapore, Malaysia, Indonesia, Philippines, Thailand and Vietnam. It is the first business optimism report for Southeast Asia, one of the world's largest economic regions, which will establish the ASEAN Economic Community (AEC) in December 2015.

Each quarter, 200 business owners and senior executives representing major industry sectors across the ASEAN-6 nations are asked if they expect increases, decreases or no changes in their upcoming quarterly Sales, Profits, Employment, New Orders, Inventories and Selling Prices.

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. Over time, this quarterly survey has emerged as a leading indicator of turning points in economic activity in countries which it is published.

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.

About Dun & Bradstreet®

Dun & Bradstreet grows the most valuable relationships in business. By uncovering truth and meaning from data, we connect customers with the prospects, suppliers, clients and partners that matter most, and have since 1841. Nearly ninety percent of the Fortune 500, and companies of every size around the world, rely on our data, insights and analytics. For more information about Dun & Bradstreet, please visit www.dnb.com.

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