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FOR IMMEDIATE RELEASE

Local business confidence off to a cautious start as BOI plunges into near-contractionary levels in Q1 2015 *- Singapore Commercial Credit Bureau*

Singapore, 12 January 2015 – Local business optimism is off to a cautious start for 2015 amid mounting concerns of an intensification of global political headwinds and softer regional demand in the external-oriented sector. According to Singapore Commercial Credit Bureau (SCCB)'s latest quarterly Business Optimism Index (BOI) study, BOI tumbled significantly from +10.79 percentage points in Q4 2014 to +1.11 percentage points in Q1 2015. The latest BOI reading marks the second lowest BOI score in 2 years since Q1 2013 when BOI fell into the contractionary region at -0.82 percentage points. On a year-on-year (y-o-y) basis, overall BOI score fell sharply from +13.13 percentage points in Q1 2014 to +1.11 percentage points in Q1 2015.

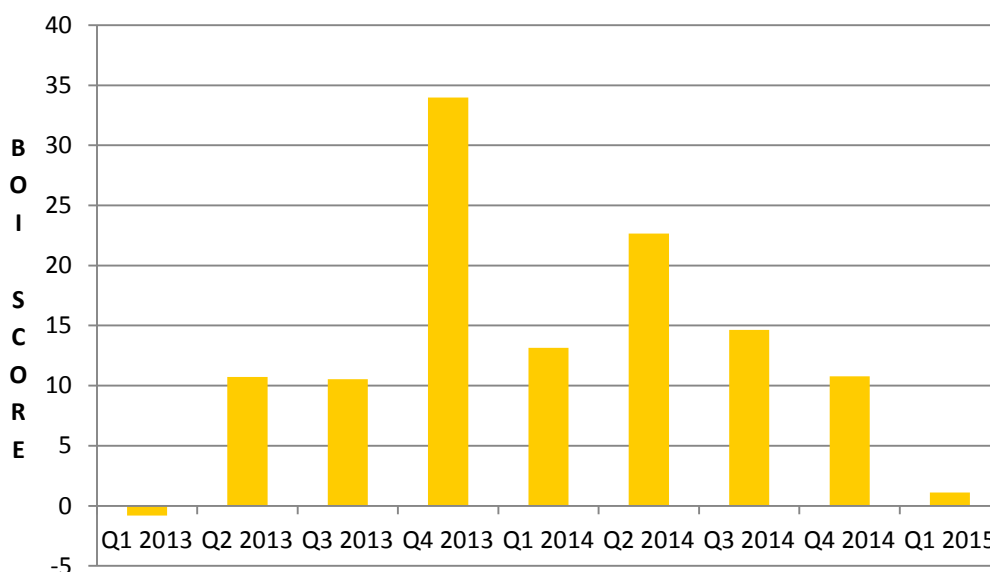


Figure 1. Overall Business Optimism Score, Q1 2013 – Q1 2015

This quarter, only 3 of six indicators have remained in the expansionary region, which stands in strong contrast to the previous quarter when 5 business indicators were in the expansionary region. Overall y-o-y business confidence has worsened with 5 of six business indicators in the contractionary region.

For the first time in nearly two years, volume of sales and net profits have both fallen into the contractionary region. According to SCCB, both volume of sales and net profits were the hardest hit as optimism levels deteriorated from +22.14 percentage points to -5.71 percentage points and +17.14 percentage points to -5.00 percentage points respectively. On a y-o-y basis, both volume of sales and net profits have also experienced the steepest decline from +20.30 percentage points to -5.71 percentage points and +17.50

percentage points to -5.00 percentage points respectively. Inventory levels are expected to moderate markedly from +3.57 percentage points in Q4 2014 to +1.43 percentage points in Q1 2015. This also marks the lowest inventory level in nearly two years. Inventory levels registered a previous low at +1.46 percentage points in Q2 2014. Y-o-y, inventory levels plummeted from +11.90 percentage points in Q1 2014 to +1.43 percentage points in the current quarter. Meanwhile, selling prices have remained unchanged at +4.29 percentage points. According to the Monetary Authority of Singapore (MAS), rising cost pressures will likely persist and filter through to prices of goods and services in the months ahead.

Despite remaining in the contractionary region, new orders have improved slightly from -13.04 percentage points in Q4 2014 to -9.52 percentage points in Q1 2015. While overall performance of the manufacturing sector has remained subdued, the biomedical manufacturers are anticipating slightly better quarter ahead as output within the sector expanded. According to a recent report by the Economic Development Board (EDB), manufacturing output rose by 0.2 percent in October 2014.

Hiring sentiments have remained positive in Q1 2015 driven mainly by strong hiring intentions among domestically-oriented local firms. According to SCCB, optimism levels in employment have edged upwards further from +10.71 percentage points in Q4 2014 to +12.14 percentage points in Q1 2015. On a y-o-y basis, employee levels are expected to increase from +10.50 percentage points in Q1 2014 to +12.14 percentage points in Q1 2015.

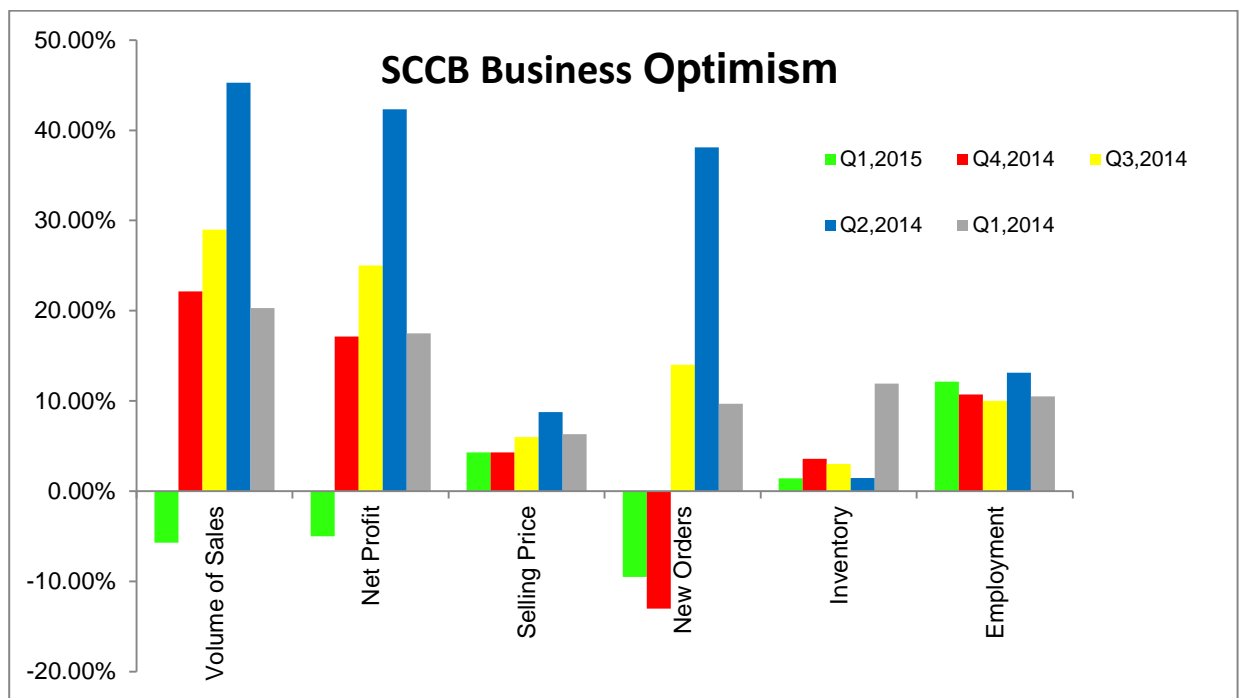


Figure 2. SCCB Optimism Index of Business Indicators, Q1 2014 – Q1 2015

For Q1 2015, both services and agriculture sectors ranked atop as the two most optimistic sectors with at least four business indicators in the expansionary region. Driven by positive spillovers in the year-end festive season sales and supportive demand in the corporate service, food and accommodation sectors, the services industry is expecting the outlook to remain positive. As compared to a year ago in Q1 2014, sentiments within the services industry have improved with 3 of five business indicators moving upwards.

According to SCCB, net profits, selling prices and hiring levels are expected to increase from the previous year when net optimism previously registered +10.40 percentage points, +2.10 percentage points and +4.20 percentage points respectively. Business expectations within the agriculture industry have also taken

a turn for the better, compared to the previous quarter when none of the business indicators were in the expansionary region.

This quarter, sentiments within the mining sector has improved markedly with 3 of six business indicators in the expansionary region, as compared to only 1 in the previous quarter. As Singapore looks set to become an international hub for mining transactions, firms within the sector are anticipating better prospects in the upcoming quarter. Mining firms are most optimistic about volume of sales, selling prices and employment registering +16.67 percentage points, +16.67 percentage points and +33.33 percentage points respectively.

Following a slight deterioration in business sentiments last quarter, the construction sector continues to experience a decline in optimism with only 3 of five business indicators in the expansionary region. This is primarily due to a slowdown in public sector projects and muted growth. This quarter, both volume of sales and net profits are expected to drop significantly to -7.69 percentage points each.

After registering as the most optimistic sector in Q4 2014, business expectations within the wholesale sector have taken a turn for the worse with all five business indicators moderating downwards, owing largely to a deceleration in growth within the sector. SCCB notes that volume of sales, net profits and inventory levels have all fallen into the contractionary region at -18.75 percentage points, -50.0 percentage points and -6.25 percentage points respectively.

Meanwhile, the transportation sector emerged as the least optimistic sector with 4 of five business indicators in the contractionary region. Q-o-q, Volume of sales, net profits, selling price and inventory levels registered a further contraction at net -18.18 percentage points, -13.64 percentage points, -13.64 percentage points and -4.55 percentage points respectively while employee levels remained unchanged. The poor showing comes amid a strong moderation in growth and pull-back in the water and air transport sub-sectors.

“In line with the slow pace of global economic recovery, local business outlook continues to remain modest following the previous quarter’s decline in BOI. It is clear that global adverse developments have roiled business confidence as BOI slides further, hovering just above contractionary levels this quarter. However, whether the downward trend will persist into the next few quarters remain to be seen as the statistics point towards a mixed performance by the different industries. On one end of the spectrum, we have the services and agricultural industries which are more upbeat compared to their manufacturing and transportation counterparts on the other end of the spectrum.” said Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“For the new year ahead, we can expect a significantly higher proportion of firms maintaining their current level of investments for business expansion both domestically and externally. The good sign is that local firms are not exactly cutting back on investments and are more likely to shift their investments towards keeping their business lean, nimble and productive. This may involve skills upgrading of employees or the upgrading of machineries and capital equipment.” added Ms. Chia.

According to SCCB, 81 per cent of the local firms surveyed were anticipating an unchange in status of investment for business expansion, while the remaining firms are expecting investments to increase or decrease at 17 per cent and 2 percent respectively.

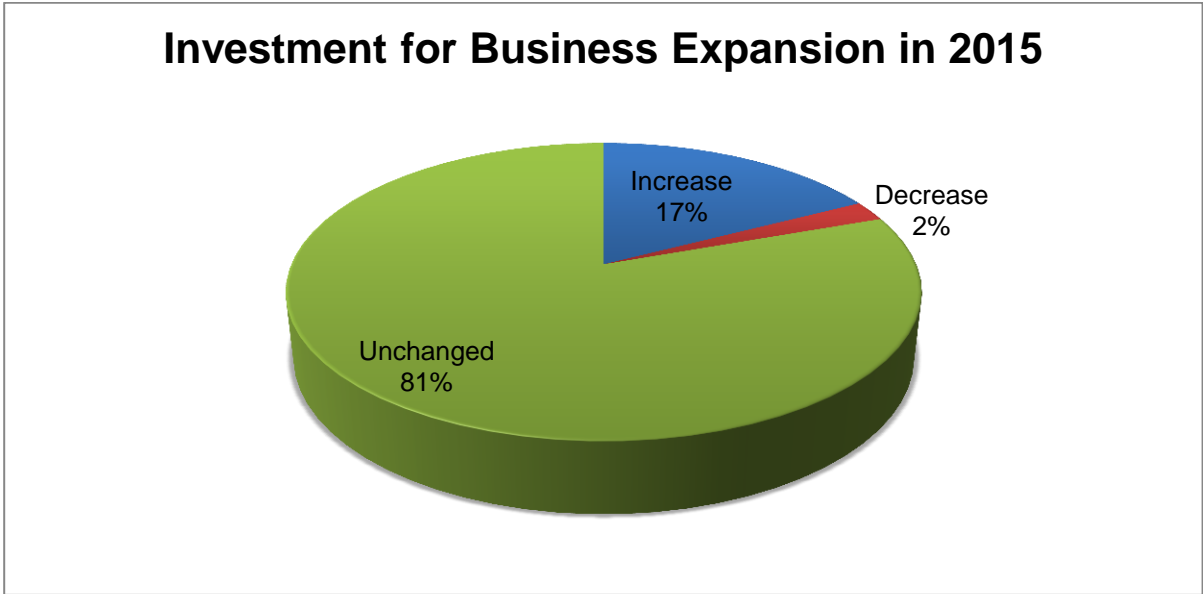


Figure 3. Investment for Business Expansion in 2015

The study further revealed that the two most important areas of investment for 2015 are machinery and capital equipment and skills upgrading of employees at 42 per cent and 35 per cent respectively. 12 per cent of the firms have indicated IT infrastructure and 4 per cent of firms have indicated research and development as the most important area of investment (illustrated in Figure 4 below).

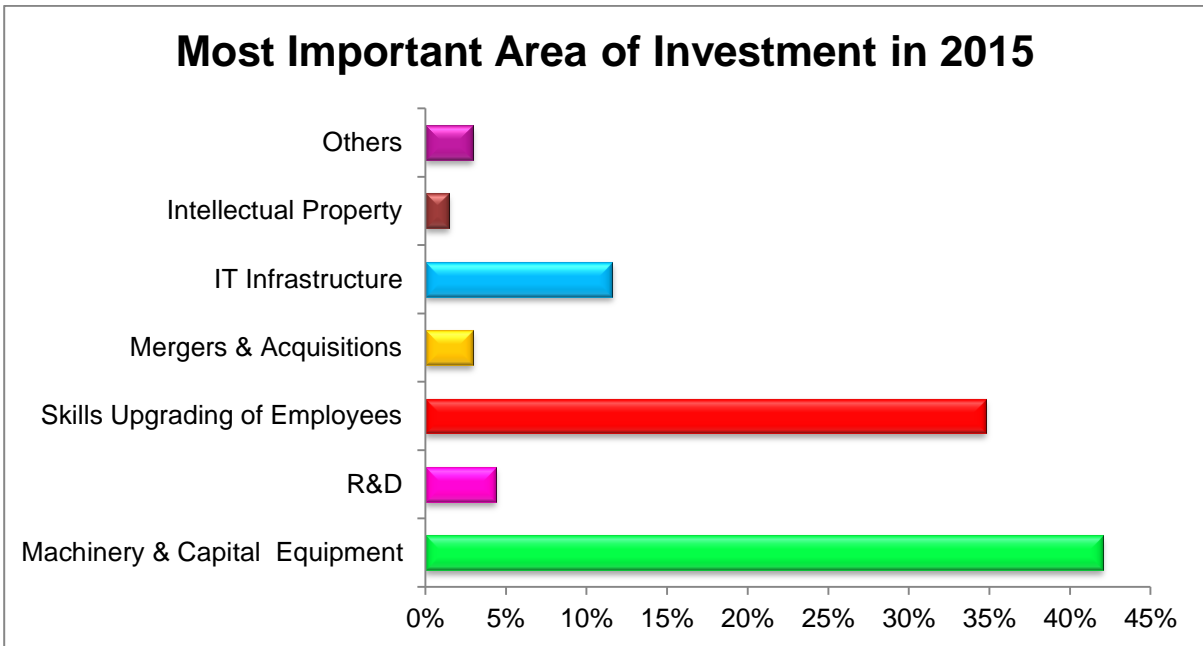


Figure 4. Most Important Area of Investment for local firms in 2015

Local firms have also identified higher business costs as the main challenge for 2015 (48 per cent), followed by global economic uncertainties (22 per cent), foreign labour issues (14 per cent), reduced sales (12 per cent), lack of financing (2 per cent) and others (2 per cent).

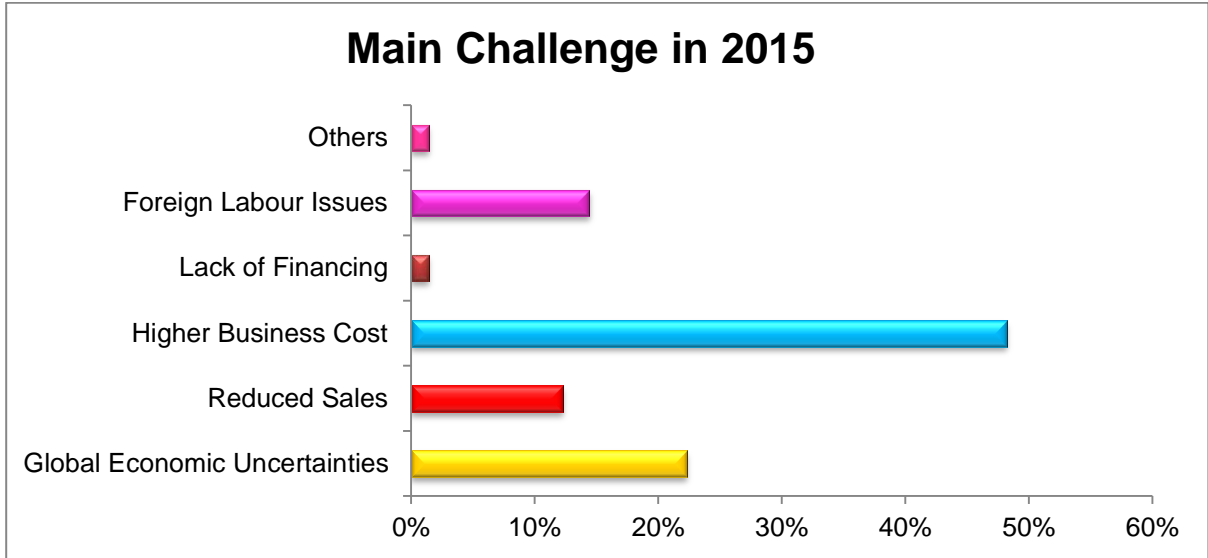


Figure 5. Main Challenge in 2015

Overview of Business Indicators

Net Profits

Net profits are expected to decline significantly to net optimism of -5.00% (compared to Q4 2014 net +17.14%). The wholesale sector is the least optimistic about net profits registering net -50.00%, followed by transportation (net -13.64%), mining (-16.67%) and construction (-7.69%). Both financial and manufacturing sectors have anticipated net profits to remain unchanged at 0.0 % each respectively. The agriculture and services sectors are the only two sectors which are optimistic about net profits at +16.67% and +10.42% respectively.

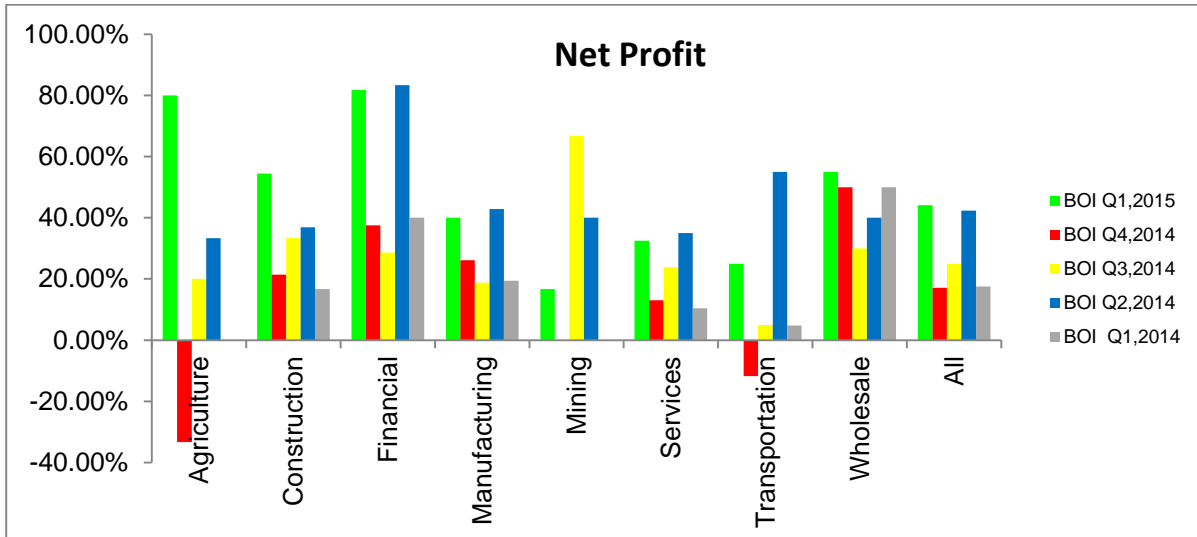


Figure 6. Net Profits Optimism Score, Q1 2014 – Q1 2015

Volume of Sales

As with net profits, volume of sales plummeted into the contractionary region, registering a net optimism index of -5.71% (compared to Q4 2014 net +22.14%). The manufacturing sector is least optimistic about volume of sales, posting a net optimism of -23.81%, followed by wholesale (net -18.75%), transportation (-18.18%) and construction (net -7.69%). The financial sector is anticipating volume of sales to remain

unchanged at net 0.0%. The agriculture, mining and services sectors are the only sectors optimistic about volume of sales at +16.67%, +16.67% and +6.25% respectively.

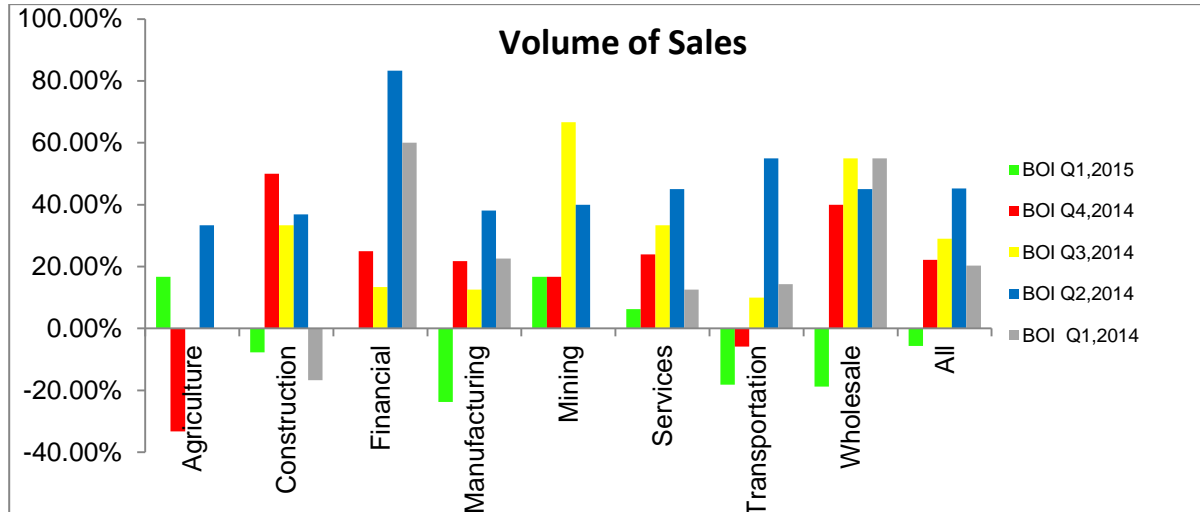


Figure 7. Volume of Sales Optimism Score, Q1 2014 – Q1 2015

Inventory Levels

Inventory levels have decreased marginally to net +1.43% (down from Q4 2014 net +3.57%). Both agriculture and construction sectors are most optimistic at net +33.33% and +15.39% respectively. The financial, manufacturing, mining and services sectors are anticipating unchanged levels of inventory at net 0.0%. The wholesale and transportation sectors are least optimistic at -6.25% and -4.55% respectively.

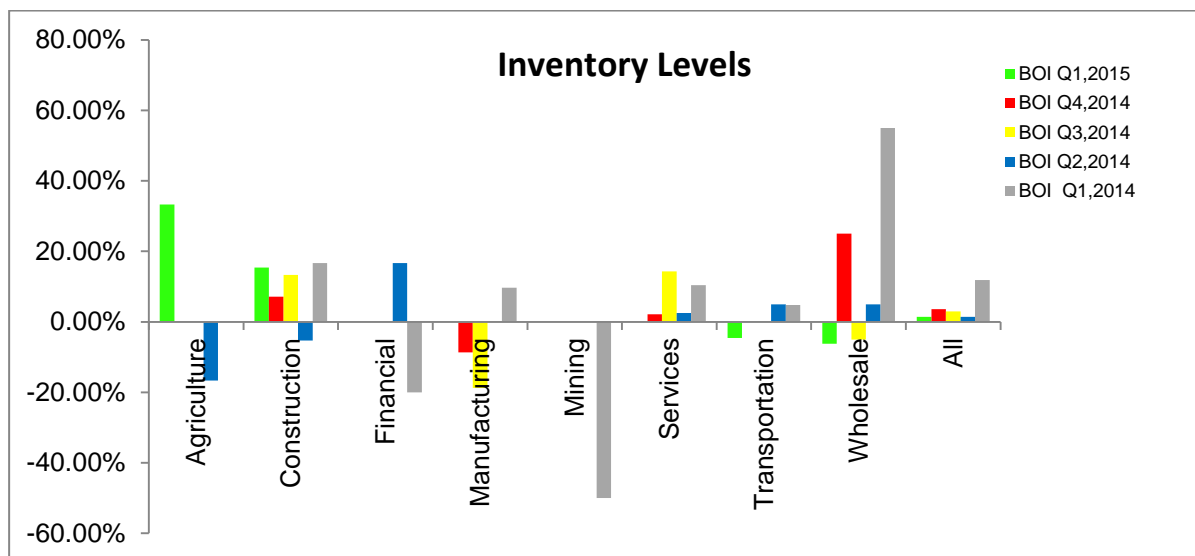


Figure 8. Inventory Levels Optimism Score, Q1 2014 – Q1 2015

Selling Prices

Selling prices are expected to maintain at the same level of optimism at net +4.29% (compared to Q4 2014 net +4.29%). The mining sector is most upbeat about selling price at net +16.67%, followed by construction (net +15.39%), manufacturing (net +14.29%) and services (net +10.42%). Both agriculture and wholesale sectors are expecting selling prices to remain unchanged at 0.0%. The financial and transportation sectors are the only two sectors which are least upbeat about selling prices at net -25.00% and -13.64% respectively.

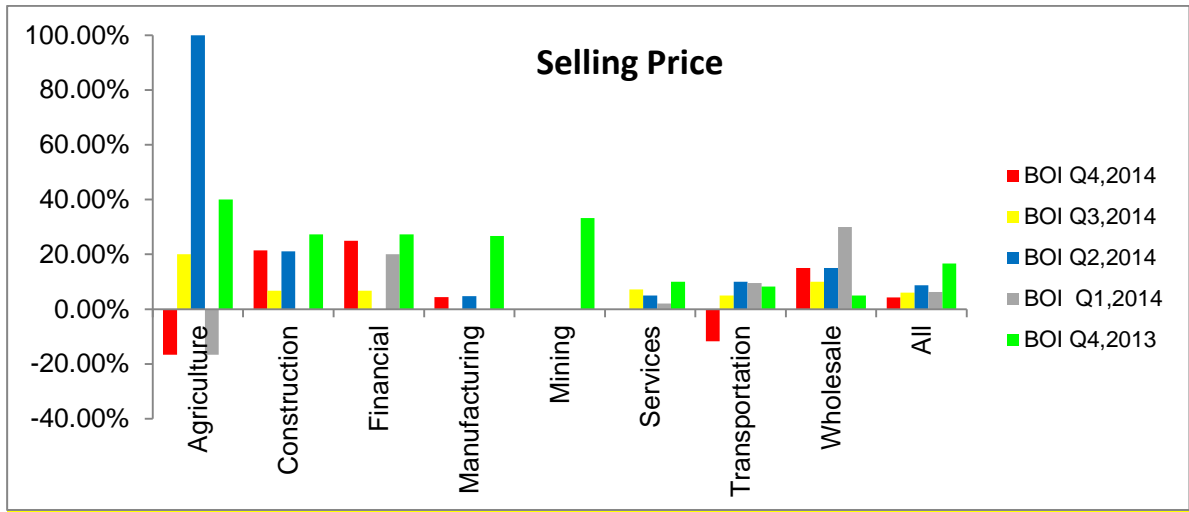


Figure 9. Selling Prices Optimism Score, Q1 2014 – Q1 2015

New Orders

New Orders for the manufacturing industry remain in the contractionary region at net -9.52% (compared to Q4 2014 net -13.04%).

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

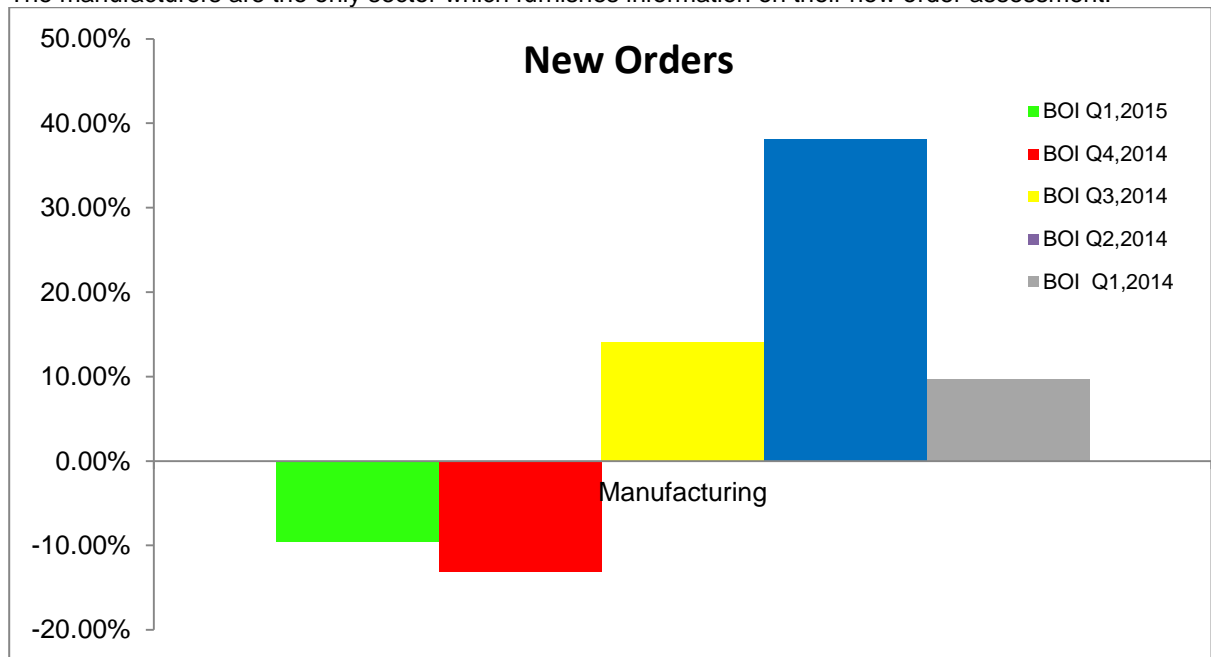


Figure 10. New Orders Optimism Score, Q1 2014 – Q1 2015

Employment

Employment levels are expected to remain moderately positive with a net optimism of +12.14% (compared to Q4 2014 net +10.71%). The agriculture sector is most optimistic (net +50.00%), followed by mining (net +33.33%), services (net +20.83%), construction (net +7.69%) and wholesale (net +6.25%). The remaining sectors – Financial, Manufacturing and Transportation—are expecting hiring levels to remain unchanged at net 0.0%.

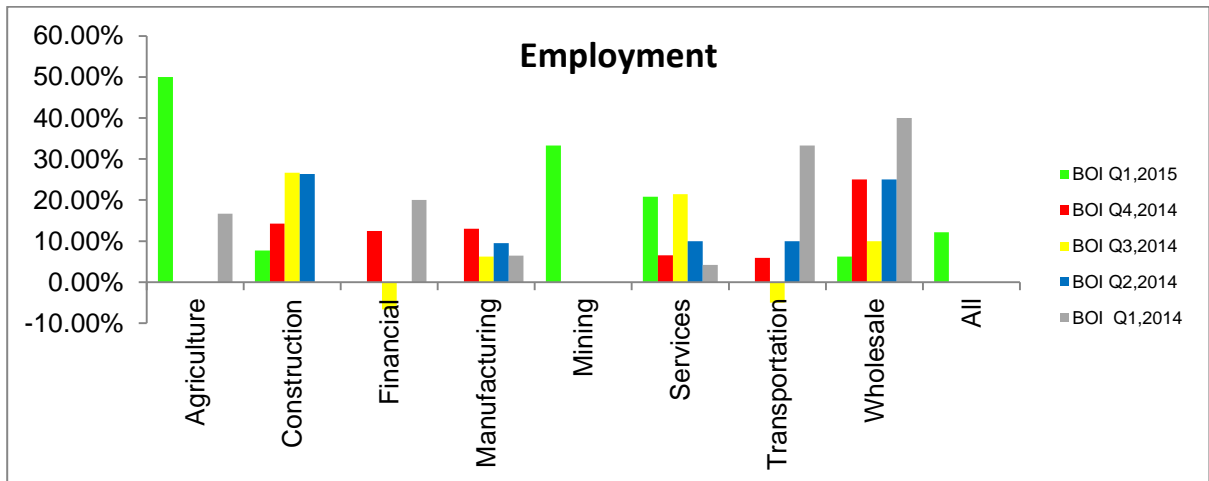


Figure 11. Employment Optimism Score, Q1 2014 – Q1 2015

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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