

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

FOR IMMEDIATE RELEASE

Moderate upturn in business confidence as BOI rebounds in Q2 2015 - Singapore Commercial Credit Bureau

Singapore, 30 March 2015 – Following three consecutive quarters of decline, business confidence has shown signs of improvement for the first time since Q3 2014. According to Singapore Commercial Credit Bureau (SCCB)'s latest quarterly Business Optimism Index (BOI) study, BOI made moderate gains, rising slightly from +1.11 percentage points in Q1 2015 to +9.0 percentage points in Q2 2015. The slight rebound in business optimism came amid recent reports of cautious economic growth projections. Despite the reverse in pessimism, the BOI registered marks the second lowest reading in two years since Q2 2013. On a year-on-year (y-o-y) basis, overall business confidence deteriorated as the BOI score plunged significantly from +22.66 percentage points in Q2 2014 to +9.0 percentage points in Q2 2015.

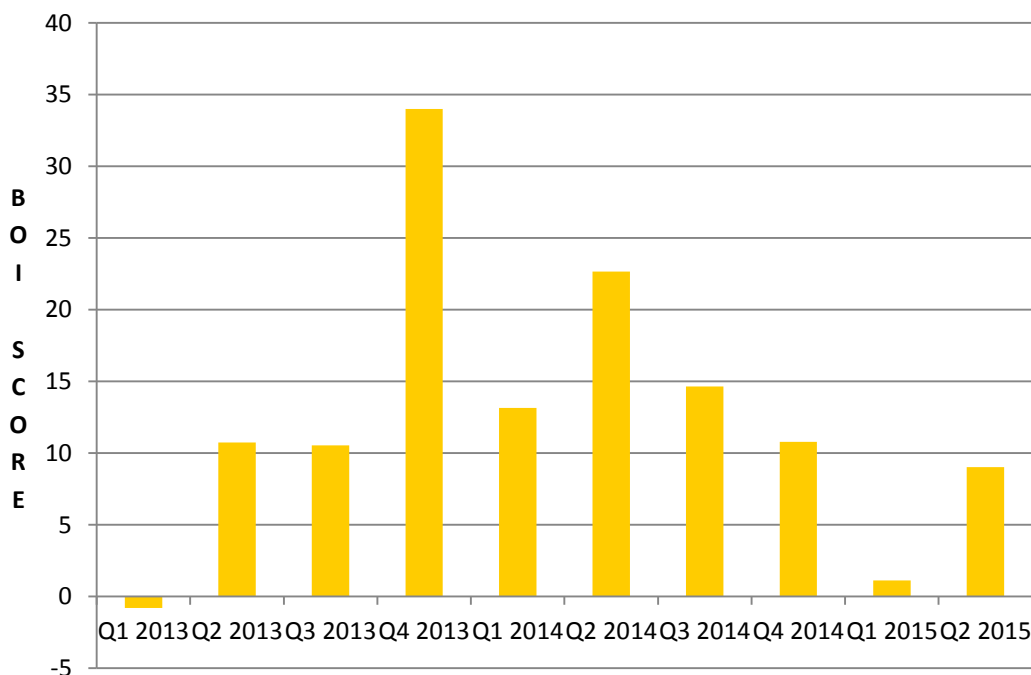


Figure 1. Overall Business Optimism Score, Q1 2013 – Q2 2015

SCCB notes that 4 of six indicators have remained in the expansionary region in Q2 2015, compared to Q1 2015 when only 3 of six indicators were expansionary. However, on a y-o-y basis, business sentiments have declined when all six business indicators were expansionary in Q2 2014.

Following a sharp deterioration in BOI readings, both volume of sales and net profits have rebounded markedly in Q2 2015. According to SCCB, overall volume of sales climbed from -5.71 percentage points in Q1 2015 to +15.00 percentage points in Q2 2015. Moving in a similar direction, net profits rose significantly from -5.00 percentage points in Q1 2015 to +23.57 percentage points in Q2 2015. However, y-o-y BOI readings for both indicators worsened as volume of sales fell from +45.26 percentage points in Q2 2014 to +15.00 percentage points in Q2 2015 while net profits slipped from +42.34 percentage points in Q2 2014 to +23.57 percentage points in Q2 2015.

This quarter, inventory levels fell into the contractionary region from +1.43 percentage points in Q1 2015 to -3.57 percentage points in Q2 2015. Y-o-y, inventory levels dropped from +1.46 percentage points in Q2 2014 to -3.57 percentage points in Q2 2015.

After two consecutive months of stagnation, selling prices continue to moderate downwards from +4.29 percentage points in Q1 2015 to +2.86 percentage points in Q2 2015. On a y-o-y basis, selling price has declined markedly from +8.76 percentage points in Q2 2014 to +2.86 percentage points in Q2 2015. Hiring sentiments have also moderated downwards from +12.14 percentage points in Q1 2015 to +10.00 percentage points in Q2 2015. Y-o-y, employment levels are expected to slip from +13.14 percentage points in Q2 2014 to +10.00 percentage points in Q2 2015.

Meanwhile, manufacturers are anticipating new orders to remain contractionary, inching upwards slightly from -9.52 percentage points in Q1 2015 to -8.70 percentage points in Q2 2015. On a y-o-y basis, new orders took a dive from +38.09 percentage points in Q2 2014 to -8.70 percentage points in Q2 2015. The pessimistic outlook is attributed mainly to a pullback in overall production activity. According to the Singapore Institute of Purchasing & Materials Management (SIPMM), Singapore’s Purchasing Managers’ Index contracted further to a reading of 49.7 points in February this year.

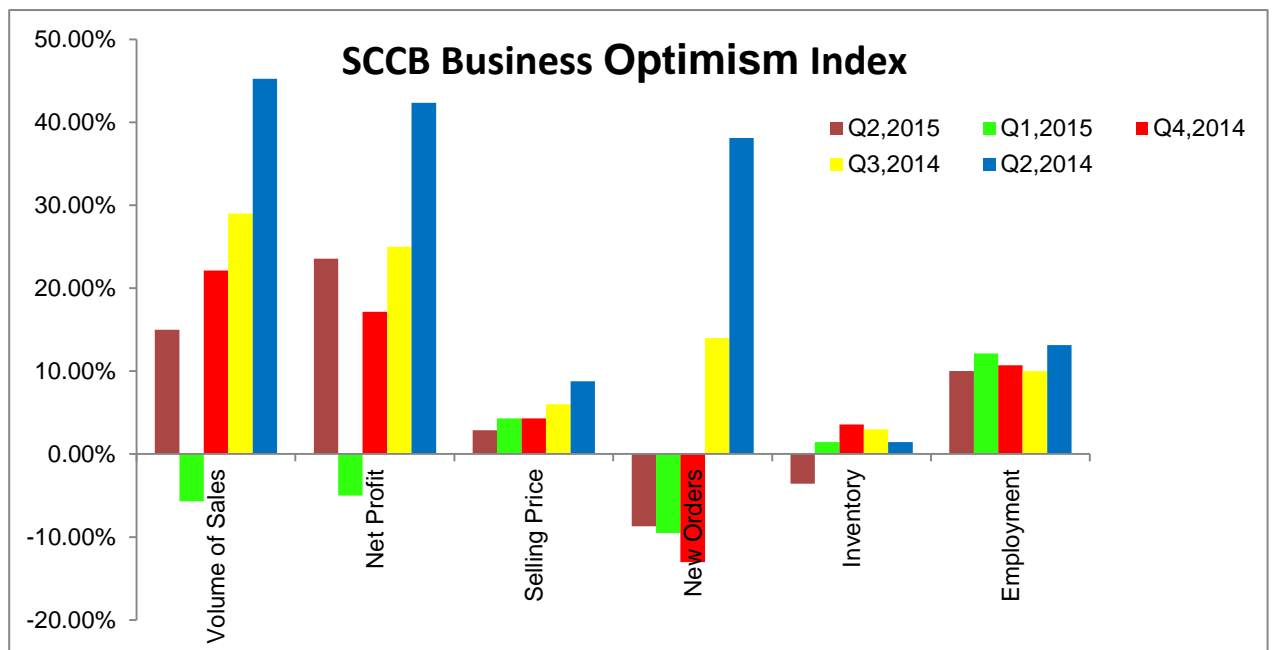


Figure 2. SCCB Optimism Index of Business Indicators, Q2 2014 – Q2 2015

For Q2 2015, the services sector has emerged as the most optimistic sector for the second consecutive quarter with 4 business indicators in the expansionary region. The services sector registered a similar performance in Q1 2015 when 4 business indicators were also expansionary. Despite moderated growth within the consumer services sub-sector, overall optimism has remained relatively upbeat owing to an upswing within the business services sub-sector. According to SCCB, volume of sales and net profits look set to increase in Q2 2015 from +6.25 percentage points in Q1 2015 to +21.43 percentage points in Q2 2015 and +10.42 percentage points in Q1 2015 to +33.93 percentage points in Q2 2015 respectively.

The financial sector saw the largest improvement as the second most optimistic sector with 3 business indicators in the expansionary region. This stands in sharp contrast to Q1 2015 when the sector was expecting an overall contraction with 4 business indicators in the negative region. Riding on the back of robust activity and gains within the fund management industry, overall optimism within the financial industry is expected to improve in Q2 2015. According to SCCB, volume of sales and net profits have registered a significant jump in net optimism, surging from 0 percentage points in Q1 2015 to +50.00 percentage points and +66.67 percentage points in Q2 2015 respectively. Hiring sentiments within the industry also took a positive turn as optimism levels increased from 0 percentage points in Q1 2015 to +16.67 percentage points in Q2 2015.

On the other end of the spectrum, both manufacturing and transportation sectors were least optimistic about the outlook for Q2 2015. The manufacturers are anticipating new orders and inventory levels to decline, registering -8.70 percentage points and -17.39 percentage points respectively. Hiring sentiments within the sector are expected to remain unchanged at 0 percentage points. On a y-o-y basis, all 5 business indicators have moderated downwards. Meanwhile, the outlook of the transportation sector remains bleak amid a contraction within the air transport segment and weak demand for maintenance, repair and operations activities. On a q-o-q basis, volume of sales and inventory levels both remained in the contractionary region at -7.14 percentage points. Y-o-y, 4 of five business indicators – Volume of sales, net profits, inventory and employment level have all moderated downwards. According to the Monetary Authority of Singapore (MAS), the transportation and storage sector contracted by 0.4% in Q4 2014.

“After three quarters of sustained declined, we are finally seeing a reversal in the downtrend of business optimism here. While the signs are encouraging, local businesses have yet to regain the same level of confidence a year ago when overall BOI was well above the 10 percentage point mark. With the exception of the financial and services sectors, the improvements in business optimism within the others sectors have been marginally visible. As companies have to contend with both external headwinds and the transitional frictions brought about by the restructuring of the domestic economy, we expect the outlook to remain cautiously optimistic in the coming months.” commented Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“We are moving into an era where managing growth has become ever more crucial. Firms can no longer rely on traditional business models but rethink their growth strategies to enable them to be competitive and yet remain sustainable at the same time. It is no longer just about cost management but rather a focus on demand creation which could potentially expand revenue sources for domestically-oriented companies. The recent Budget 2015 initiatives should serve as an impetus for local firms to further innovate and internationalize their business activities.” added Ms. Chia.

The MAS has recently revised its growth forecast for Singapore’s economy from 3.1 per cent to 2.8 per cent this year. The finance and insurance sector is the only industry which has reported an improved growth forecast.

Overview of Business Indicators

Volume of Sales

Volume of sales rebounded markedly to net optimism of +15.00% (compared to Q1 2015 net -5.71%). The financial sector displayed the greatest optimism, registering net +50.00%, followed by services (+21.43%), mining (net +20.00%) and wholesale (net +15.38%). The manufacturers have anticipated marginal optimism (net +4.35%) while both agriculture and construction sectors have expected volume of sales to remain unchanged at 0.0%. The transportation is the only sector which is least optimistic about volume of sales, registering -7.14% on the BOI.

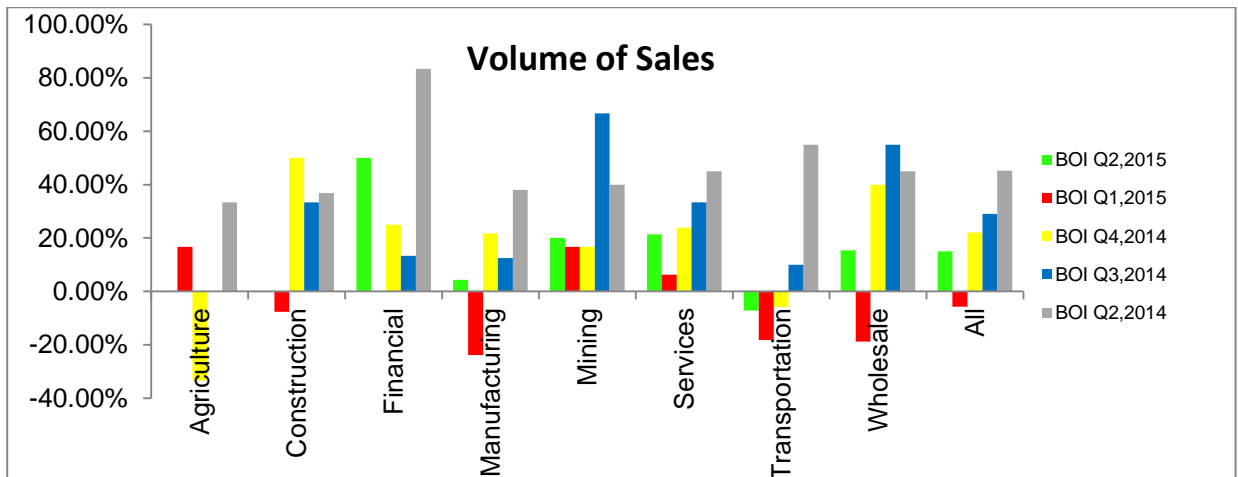


Figure 3. Volume of Sales Optimism Score, Q2 2014 – Q2 2015

Net Profits

As with volume of sales, net profits climbed into the expansionary region, posting a net optimism index of +15.0% (compared to Q1 2015 net -5.71%). The financial sector is most optimistic about net profits registering +66.67%, followed by services (net +33.93%), mining (net +20.00%), manufacturing (net +17.39%) and wholesale (net +15.38%). The agriculture and transportation sectors have anticipated an unchanged level of net profits (net 0.0%) while the construction sector is the only sector which expressed pessimism in net profits (net -9.09%).

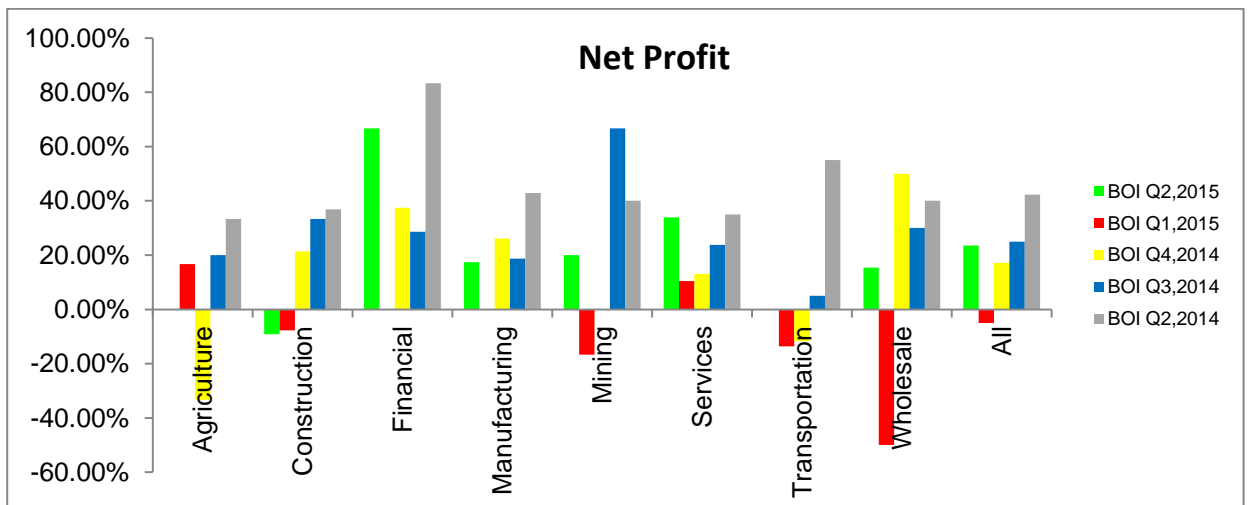


Figure 4. Net Profits Optimism Score, Q2 2014 – Q2 2015

Inventory Levels

Inventory levels fell markedly into the contractionary region to net -3.57% (compared to Q1 2015 net +1.43%). The agriculture, manufacturing, transportation and wholesale sectors are least optimistic at net -33.33%, -17.39%, -7.14% and -7.69% respectively. The financial and mining sectors are anticipating unchanged inventory levels at net 0.0%. The construction and services sectors are the only two sectors expecting an increase in inventory levels at net +18.18% and +1.79% respectively.

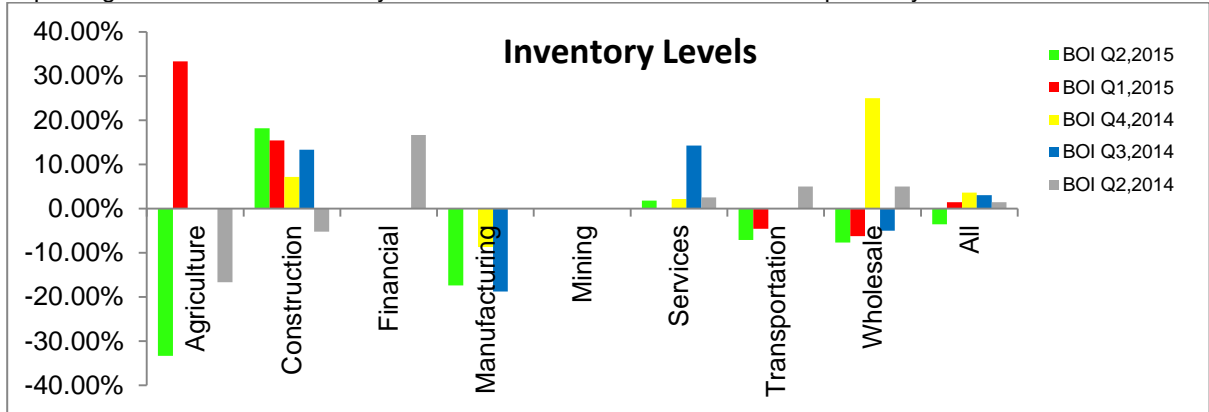


Figure 5. Inventory Levels Optimism Score, Q2 2014 – Q2 2015

Selling Price

Selling price experienced a slight moderation at net +2.86% (compared to Q1 2015 net +4.29%). The mining, agriculture and transportation sectors are most upbeat about selling price at net +20.00%, +16.67% and +14.29% respectively. The remaining industries are either anticipating an unchanged in status or a decrease in selling price – Construction, Financial and Services (net 0.0%) and Wholesale (net -7.69%).

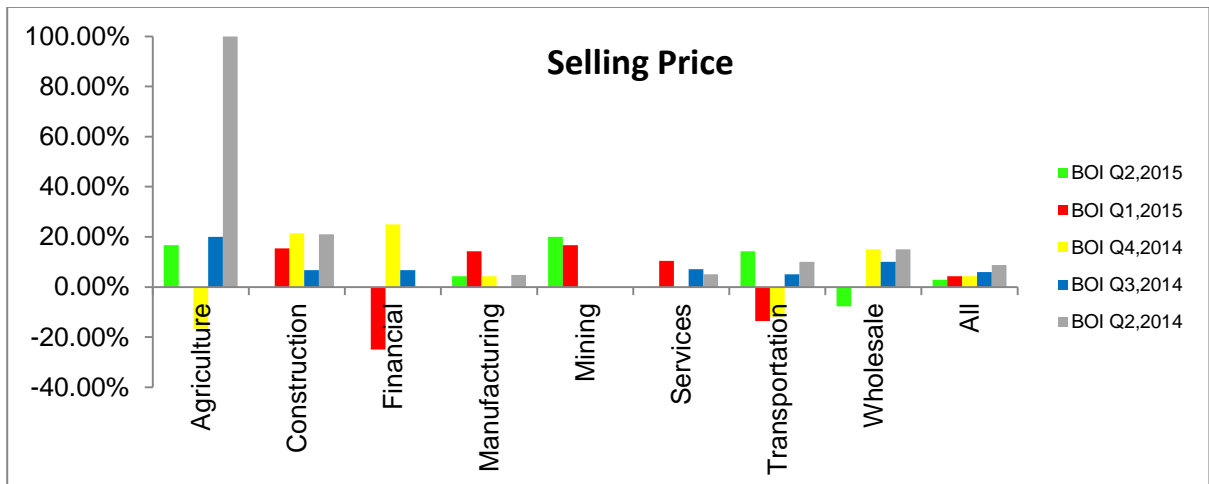


Figure 6. Selling Prices Optimism Score, Q2 2014 – Q2 2015

New Orders

New Orders for the manufacturing industry remain in the contractionary region at net -8.70% (compared to Q1 2015 net -9.52%).

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

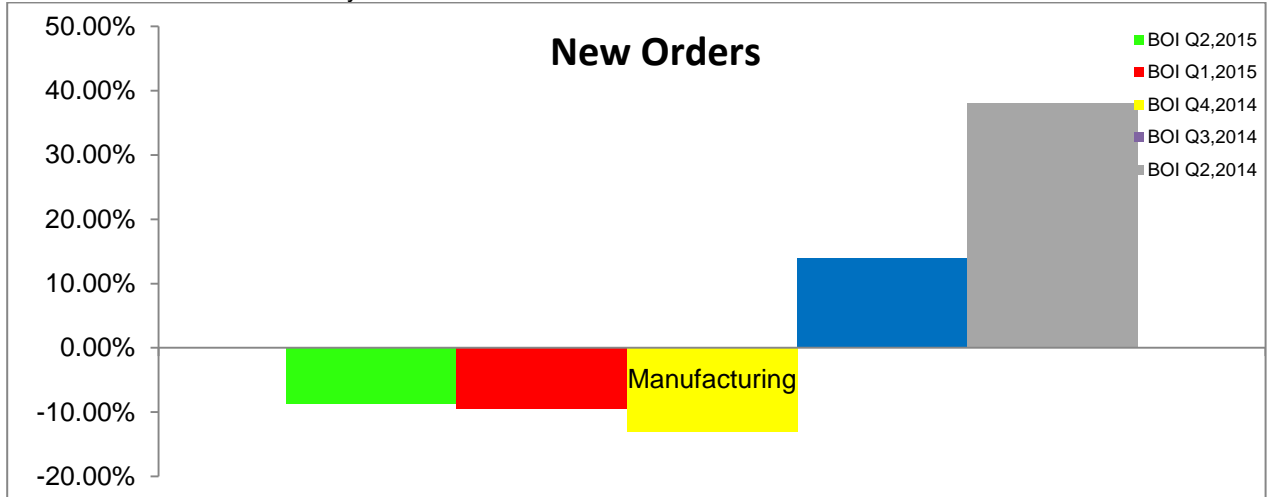


Figure 7. New Orders Optimism Score, Q2 2014 – Q2 2015

Employment

Employment levels are expected to plateau slightly as net optimism moderates to +10.00% (compared to Q1 2015 net +12.14%). The agriculture sectors is the only sector which is pessimistic about employment levels (net -16.67%). Both manufacturing and wholesale sectors are anticipating an unchanged status in employment levels (net 0.0%). The remaining sectors are optimistic about hiring sentiments – Mining (net +20.00%), Construction (net +18.18%), Financial (net +16.67%), Services (+16.07%) and Transportation (net +7.14%).

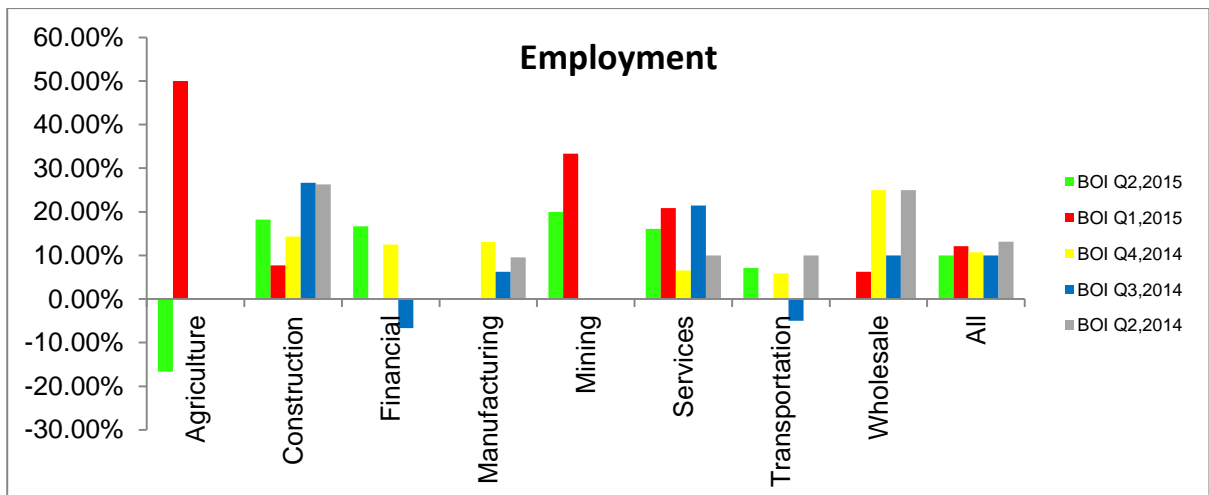


Figure 8. Employment Optimism Score, Q2 2014 – Q2 2015

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.

Contact Information

Eugene Z.

Marcom & Product Development

DID: +65 6439 6670

HP: +65 9478 5568

Email: Eugene.tan@dnb.com.sg