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FOR IMMEDIATE RELEASE

Modest outlook for local businesses for the 5th straight quarter in Q4 2016
- Singapore Commercial Credit Bureau

Singapore, 01 September 2016 – Business sentiments remained cautious in Q4 2016, despite peaking in 2016. According to Singapore Commercial Credit Bureau (SCCB)’s latest quarterly Business Optimism Index (BOI) study, BOI grew modestly from +1.11 percentage points in Q3 2016 to +2.87 percentage points in Q4 2016. Despite the slight uptick, overall commercial sentiments have remained dampened for the final quarter of 2016.

Year-on-year (y-o-y) BOI moved upwards, climbing marginally from a paltry +0.14 percentage points in Q4 2015 to +2.87 percentage points in Q4 2016.

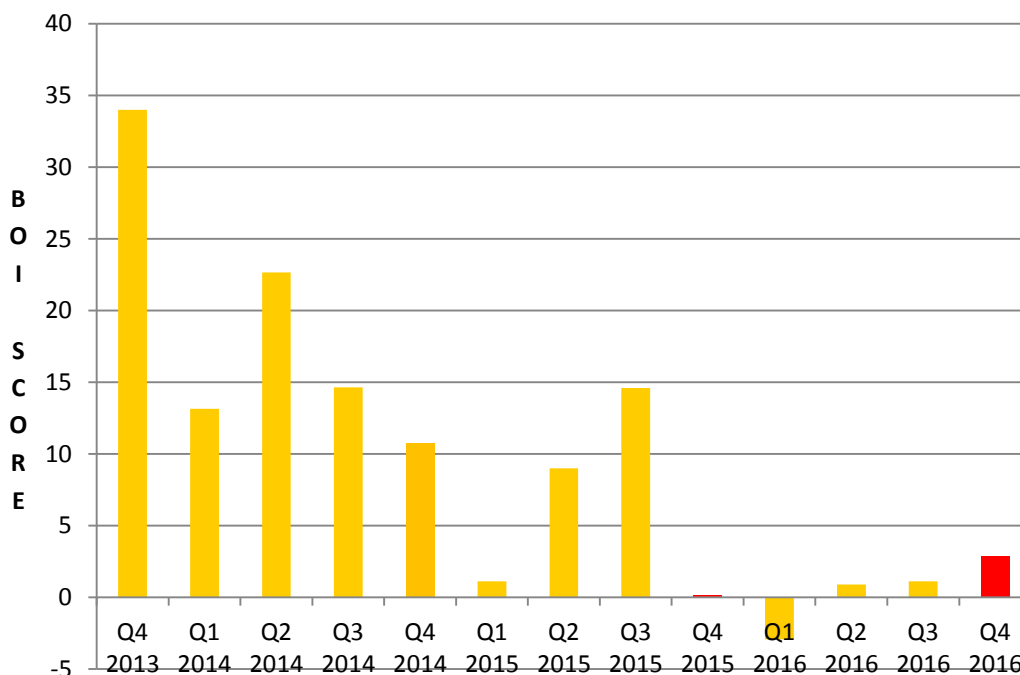


Figure 1. Overall Business Optimism Score, Q4 2013 – Q4 2016

For Q4 2016, the number of indicators in the positive territory increased as compared to Q3 2016. Of the six indicators, 4 indicators were expansionary, 1 indicator was contractionary and 1 indicator remained unchanged.

According to SCCB, despite a slight improvement in volume of sales, the overall figures remained contractionary for the fifth consecutive quarter for Q4 2016.

- Volume of sales inched upwards from -5.33 percentage points in Q3 2016 to -2.65 percentage points in Q4 2016.
- Net profits sprung into the expansionary zone from -1.33 percentage points in Q3 2016 to +2.65 percentage points in Q4 2016.
- Selling price rose from -6.00 percentage points in Q3 2016 to 0 percentage point in Q4 2016.
- New orders moderated slightly from +10.0 percentage points in Q3 2016 to +7.28 percentage points in Q4 2016.
- Inventory levels slid marginally from +9.33 percentage points in Q3 2016 to +8.61 percentage points in Q4 2016
- Employment levels rose into positive territory for the first time since Q1 2016 from 0 percentage point in Q3 2016 to +3.31 percentage points in Q4 2016.

On a y-o-y basis, business confidence improved with 4 of six indicators in the expansionary region for Q4 2016, as compared to only 2 indicators in Q4 2015.

- Volume of sales remained in the contractionary zone at -2.65 percentage points despite rising from -4.29 percentage points in Q4 2015.
- Net profits rose visibly into the expansionary zone from -0.71 percentage points in Q4 2015 to +2.65 percentage points in Q4 2016.
- Selling price remained unchanged at 0 percentage point in Q4 2016, rising from -6.43 percentage points in Q4 2015.
- New orders for manufacturers jumped from -22.22 percentage points in Q4 2015 to 0 percentage point in Q4 2016.
- Inventory levels increased from +1.43 percentage points in Q4 2015 to +8.61 percentage points in Q4 2016.
- Employment levels moderated strongly from +15.00 percentage points in Q4 2015 to +3.31 percentage points in Q4 2016.

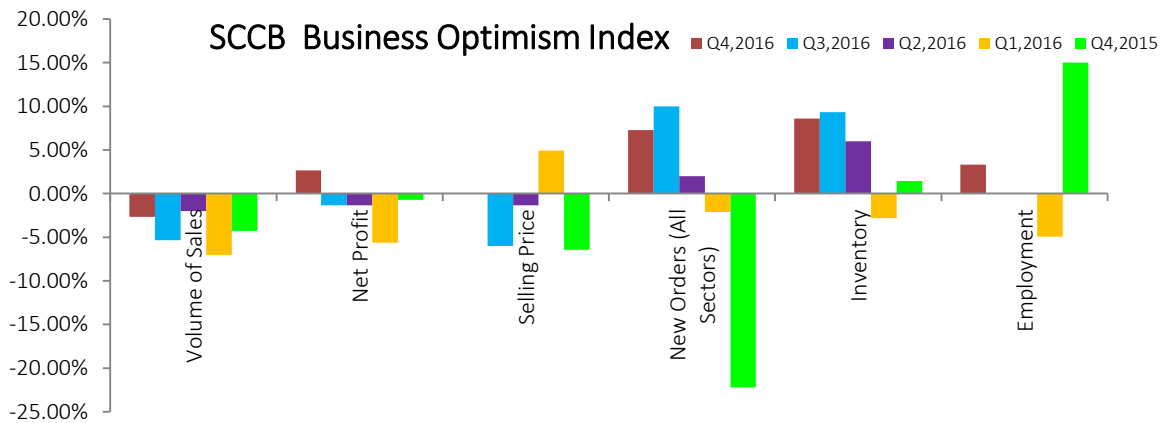


Figure 2. SCCB Optimism Index of Business Indicators, Q4 2015 – Q4 2016

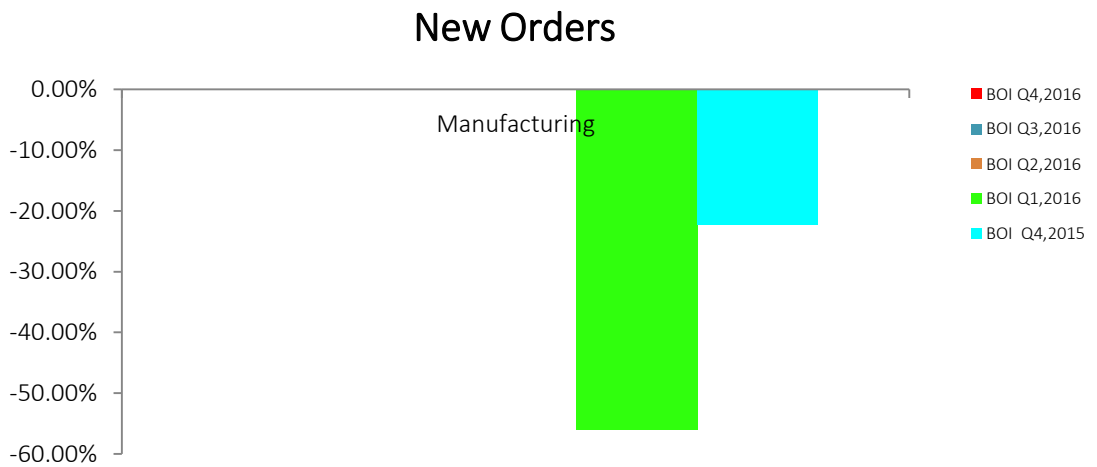


Figure 3. New Orders Optimism Index (Manufacturing), Q4 2015 – Q4 2016

Key Highlights for Q4 2016 Sectoral Outlook

Services

The services sector remains upbeat for Q4 2016 with 4 of six indicators in the expansionary region. The optimistic outlook is likely to be attributed to an expected uptick in tourist arrivals, improved performance in the hotels and accommodation, as well as positive growth within health and social services.

- Net profits are expected to climb from -6.67 percentage points in Q3 2016 to 0 percentage point in Q4 2016.
- Selling price rebounded into the expansionary zone from -8.89 percentage points in Q3 2016 to +2.22 percentage points in Q4 2016.
- New orders jumped markedly from +8.89 percentage points in Q3 2016 to +20.0 percentage points in Q4 2016.
- Both inventory levels and employment have also increased from +6.67 percentage points in Q3 2016 to +8.89 percentage points in Q4 2016 and from +2.22 percentage points in Q3 2016 to +4.44 percentage points in Q4 2016 respectively.
- However, volume of sales has deteriorated slightly from -8.89 percentage points in Q3 2016 to -11.11 percentage points in Q4 2016.

Manufacturing

The outlook for the manufacturing sector has made some marked improvements on the back of modest growth within the electronics and biomedical manufacturing clusters. 3 of six indicators were expansionary in Q4 2016 as compared to only 1 in Q3 2016.

- Volume of sales rebounded from -9.09 percentage points in Q3 2016 to 0 percentage point in Q4 2016.
- Employment levels rose from -4.55 percentage points in Q3 2016 to +4.76 percentage points in Q4 2016.
- Selling prices have improved moderately, rising from 0 percentage point in Q3 2016 to +4.76 percentage points in Q4 2016.
- New orders have remained unchanged at 0 percentage point in Q4 2016.

- Meanwhile, inventory levels have moderated strongly from +27.27 percentage points in Q3 2016 to +4.76 percentage points in Q4 2016.
- Net profits have remained contractionary at -4.76 percentage points for Q4 2016.

Financial

Business sentiments within the financial sector have dipped slightly with 3 indicators in the expansionary region for Q4 2016. This was due largely to a slowdown in bank loan growth as well as lacklustre performance in the insurance sector.

- Both volume of sales and new orders have moderated downwards visibly from +25.0 percentage points in Q3 2016 to +12.5 percentage points in Q4 2016.
- Net profits are anticipated to remain expansionary at +37.5 percentage points for Q4 2016.
- Meanwhile, selling price, inventory levels and employment are expected to remain unchanged at 0 percentage point.

Construction

Due to a decline in private building projects, the outlook for the construction has moderated strongly with only 1 indicator in the expansionary region for Q4 2016.

- Volume of sales fell markedly from +20.0 percentage points in Q3 2016 to 0 percentage point in Q4 2016.
- Both new orders and employment levels have also moderated downwards from +10.0 percentage points and +20.0 percentage points respectively in Q3 2016 to 0 percentage point in Q4 2016.
- Inventory levels dropped from +30.0 percentage points in Q3 2016 to +20.0 percentage points in Q4 2016.
- Both net profits and selling price deteriorated into the contractionary zone from 0 percentage point in Q3 2016 to -20.0 percentage points in Q4 2016.

“Despite the slight uptick in business optimism for Q4 2016, overall commercial sentiments have by far been muted and downbeat for the most of 2016. While there were signs of a pick-up in certain sectors such as manufacturing in the previous months, we anticipate overall growth prospects to remain stagnant and settle into a much slower pace for the final quarter of 2016.” commented Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“Our findings revealed that majority of the sectors were experiencing a contraction in at least 1 business indicator. Volume of sales, have in particular been the weakest indicator as it has remained in the negative territory for the fifth straight quarter since Q4 2015. Given the sluggish global economic conditions, external demand will remain weak. However, seasonal demand from year-end festivities may provide some reprieve to certain segments such as the consumer-facing services sector in the coming months.” added Ms. Chia.

The Ministry of Trade and Industry (MTI) has further narrowed its GDP growth forecast for 2016 at 1.0 to 2.0 per cent.

Overview of Business Indicators

Volume of Sales

Volume of sales remained in the contractionary zone at -2.65% (compared to net -5.33% in Q3 2016) with slightly more than half of the sectors anticipating a pessimistic outlook. As with Q3 2016, the mining sector is the least optimistic (net -20.0%) followed by services (net -11.11%) and wholesale (net -3.57%) sectors. Both financial (net +12.5%) and transportation (net +6.25%) were the most upbeat. The remaining sectors have anticipated unchanged volume of sales – agriculture, construction and manufacturing (net 0%).

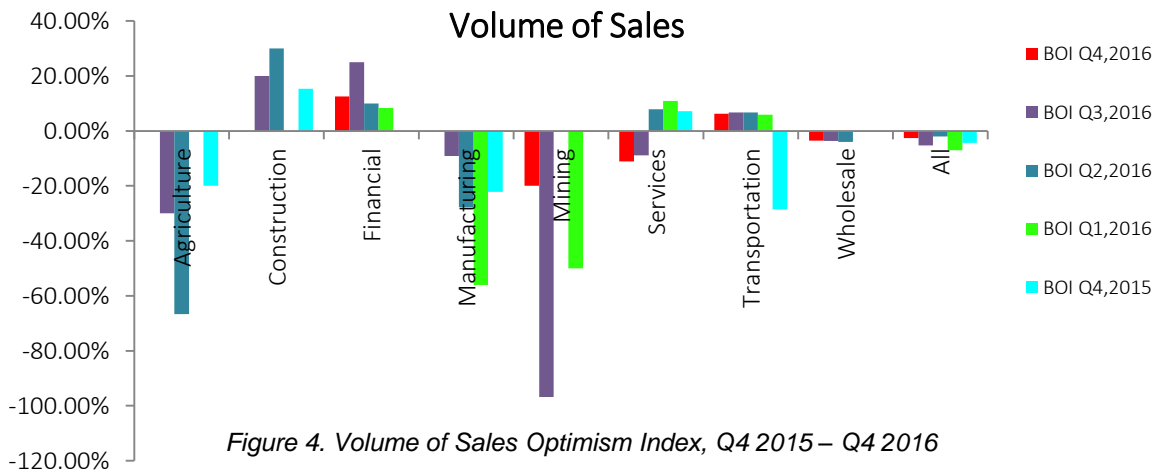


Figure 4. Volume of Sales Optimism Index, Q4 2015 – Q4 2016

Net Profit

Net profit rebounded into the expansionary zone at +2.65% (compared to net -1.33% in Q3 2016). The financial sector is most optimistic (net +37.5%), followed by agriculture (net +10.0) and transportation (net +6.25%). Meanwhile, the construction (net -20.0%), mining (net -20.0%) and manufacturing (net -4.76%) sectors are pessimistic. Both services and wholesale sectors have expected net profit to remain unchanged (net 0%).

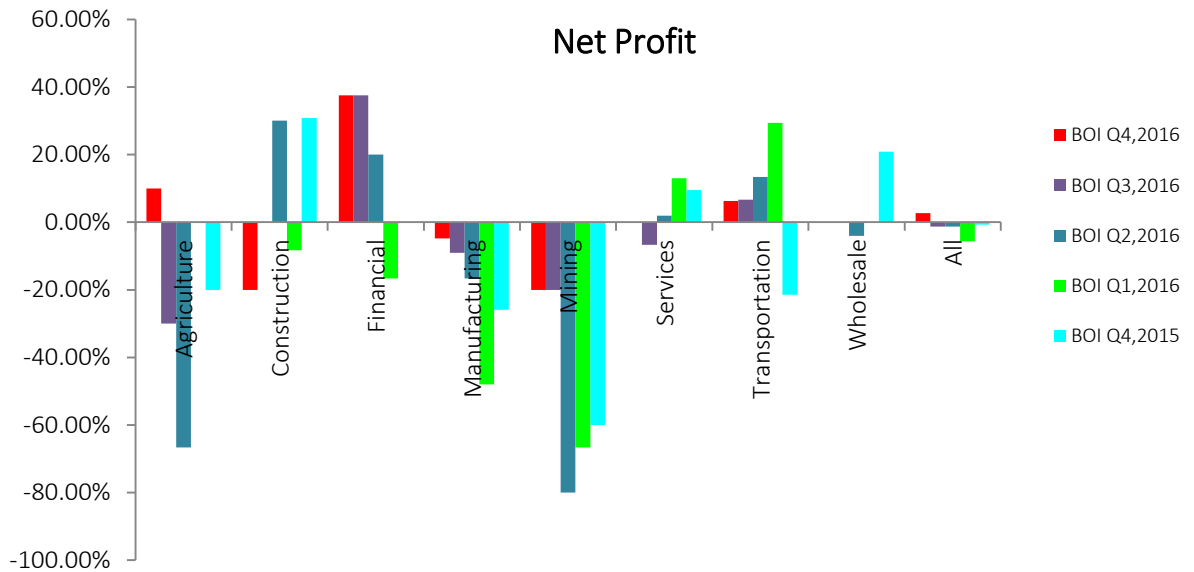


Figure 5. Net Profit Optimism Index, Q4 2015 – Q4 2016

Inventory Levels

Inventory levels continue to be in the expansionary zone for the third consecutive quarter at +8.61% (compared to net +9.33% in Q3 2016). The construction (net +20.0%), agriculture (net +10.0%), services (net +8.89%), wholesale (net +7.14%) and manufacturing (net +4.76%) sectors are optimistic about inventory levels. Meanwhile, the financial, mining and transportation sectors have anticipated inventory to remain unchanged (net 0%).

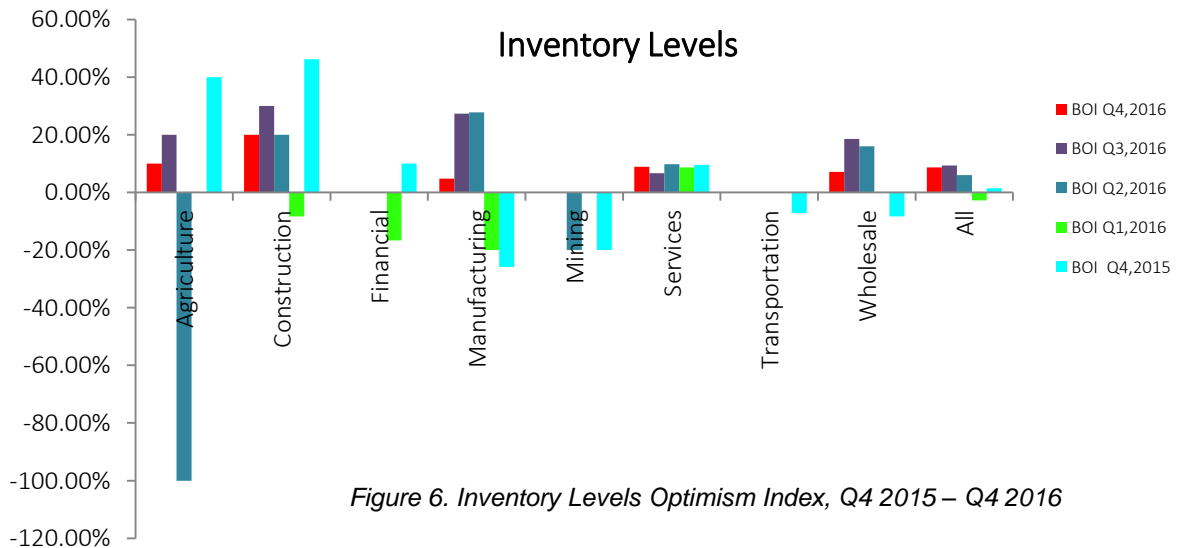


Figure 6. Inventory Levels Optimism Index, Q4 2015 – Q4 2016

Selling Price

Selling price remained unchanged at net 0% (compared to net -6.00% in Q3 2016). The agriculture sector is most optimistic (net +10.0%), followed by manufacturing (net +4.76%) and services (net +2.22%). Meanwhile, the financial, mining and transportation sectors expected selling price to remain unchanged (net 0%). Both construction (net -20.0%) and wholesale (net -3.57%) sectors are pessimistic about selling price.

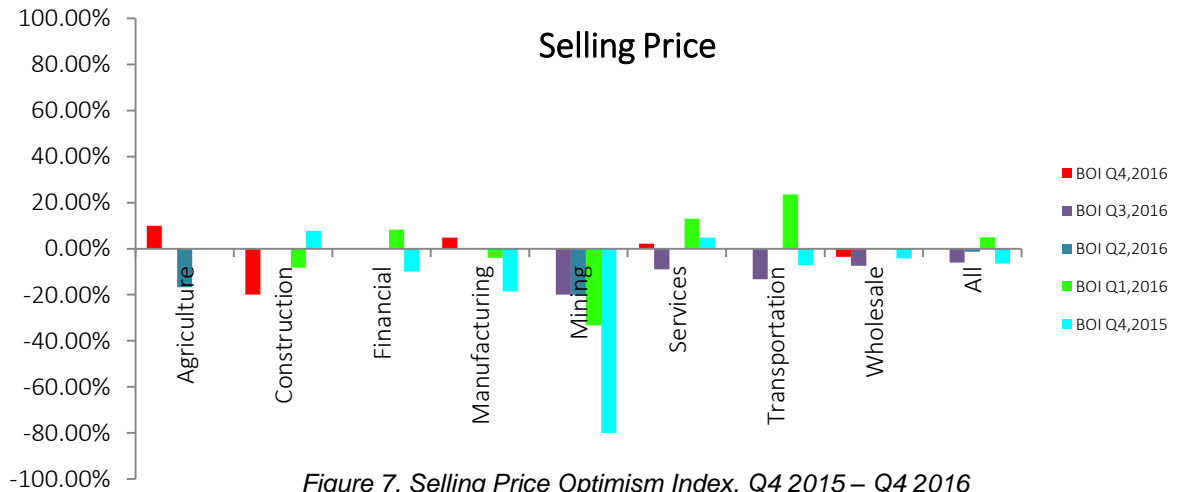


Figure 7. Selling Price Optimism Index, Q4 2015 – Q4 2016

New Orders

New orders are expected to moderate to net +7.28% (compared to net +10.00% in Q3 2016). The services (net +20.0%) and financial (net +12.50%) sectors are most optimistic about new orders. The remaining sectors have expected new orders to remain unchanged – agriculture, construction, mining, transportation, manufacturing and wholesale (net 0%).

New Orders (All Sectors)

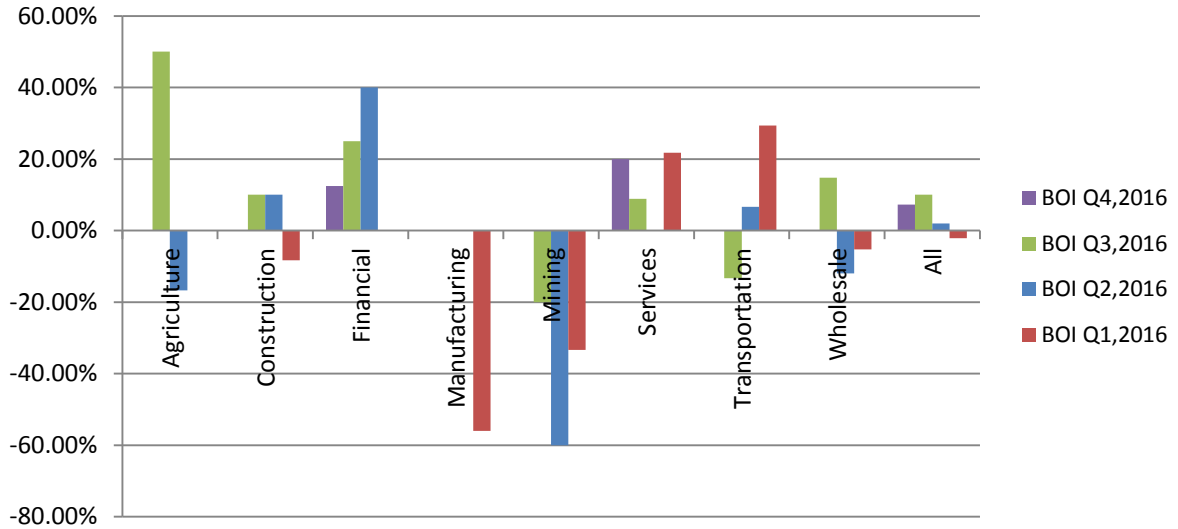


Figure 8. New Orders Optimism Index (All Sectors), Q1 2016 – Q4 2016

New Orders

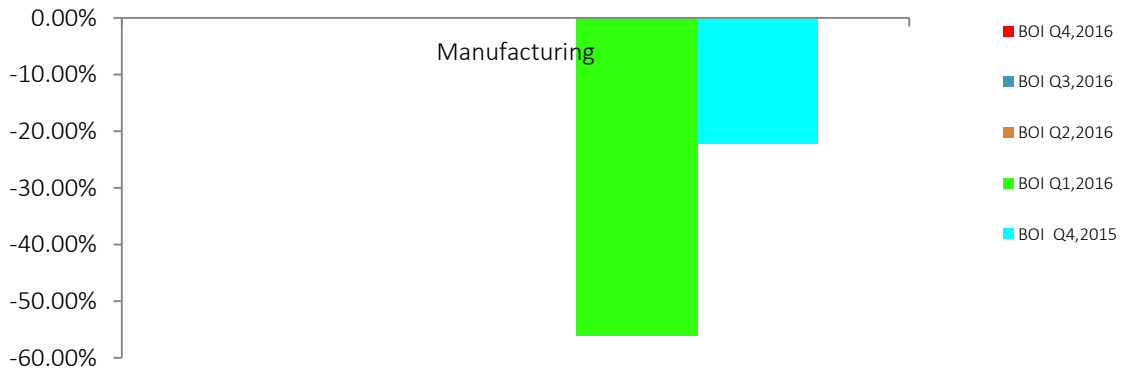


Figure 9. New Orders Optimism Index (Manufacturing), Q4 2015 – Q4 2016

Employment

Employment levels are expected to increase to net +3.31% (compared to 0% in Q3 2016). The wholesale sector (net +7.14%) is most optimistic, followed by transportation (net +6.25%), manufacturing (net +4.76%) and services (net +4.44%). Meanwhile, the agriculture, construction and financial (net 0%) sectors have anticipated employment to remain unchanged while the mining (net -20.0%) sector is the only sector which is downbeat about employment.

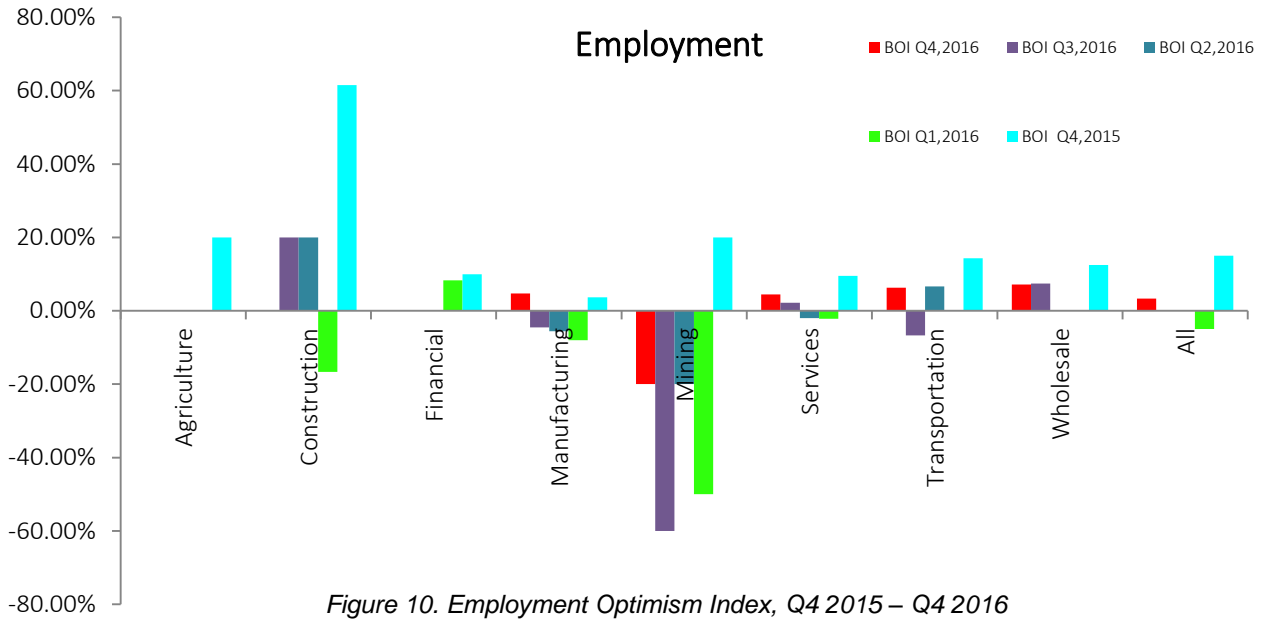


Figure 10. Employment Optimism Index, Q4 2015 – Q4 2016

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

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