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FOR IMMEDIATE RELEASE

Business optimism hits new peak in more than 2 years for Q1 2018
Increase in firms expecting a rise in investments for business expansion in 2018
- Singapore Commercial Credit Bureau

Singapore, 05 December 2017 – Business confidence among local firms have hit a new peak in 2 years for the first quarter of 2017. According to Singapore Commercial Credit Bureau (SCCB)'s Business Optimism Index study, BOI has climbed slightly from +2.60 percentage points in Q4 2017 to +4.29 percentage points in Q1 2018. On a year-on-year (y-o-y) basis, BOI rose from -1.22 percentage points in Q1 2017 to +4.29 percentage points in Q1 2018.

As with Q4 2017, 5 indicators are expansionary and 1 indicator is contractionary.

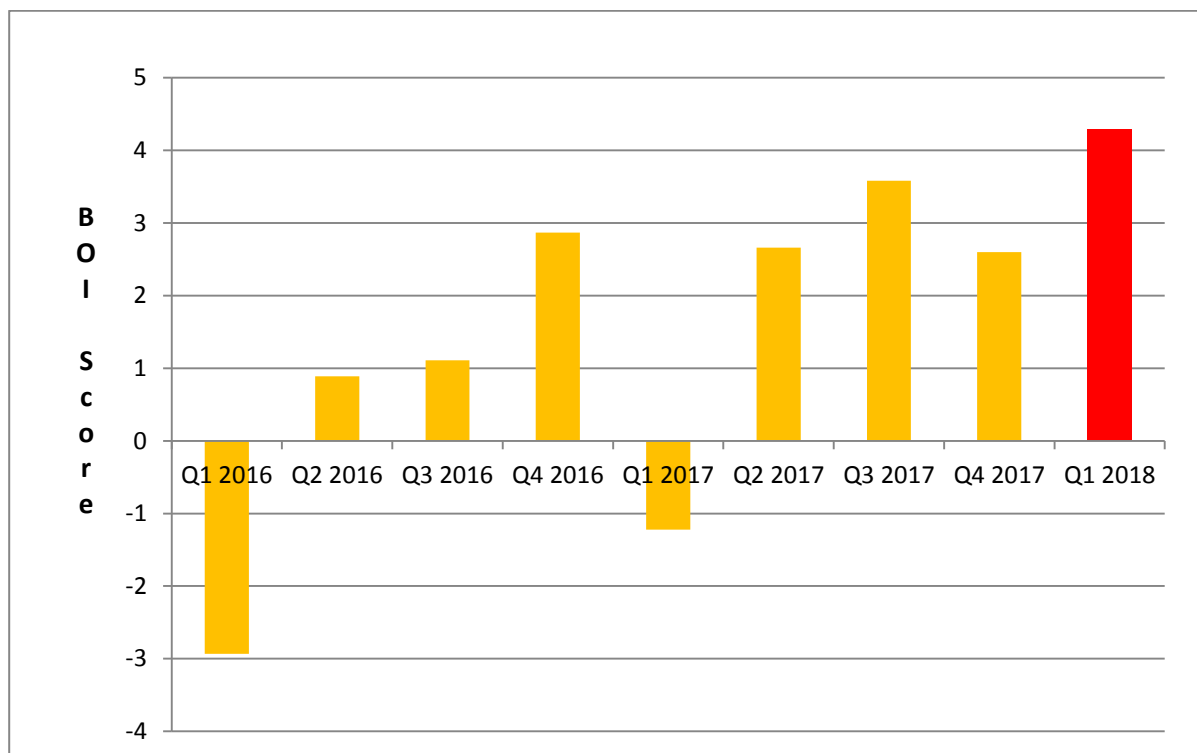


Figure 1. Overall Business Optimism Score, Q1 2015 – Q1 2018

Point Commentary

According to SCCB, 5 of six indicators have risen for Q1 2018 on a q-o-q basis.

- ❖ Volume of sales has increased from +5.34 percentage points in Q4 2017 to +8.33 percentage points in Q1 2018.
- ❖ Net profits have edged upwards from +2.48 percentage points in Q4 2017 to +2.63 percentage points in Q1 2018.
- ❖ New orders inched upwards slightly from +7.28 percentage points in Q4 2017 to +8.82 percentage points in Q1 2018.
- ❖ Employment levels climbed moderately from +3.40 percentage points in Q4 2017 to +6.31 percentage points in Q1 2018.
- ❖ Inventory levels remained contractionary, rising from -5.83 percentage points in Q4 2017 to -0.97 percentage points in Q1 2018.
- ❖ Selling price moderated downwards slightly from +2.91 percentage points in Q4 2017 to +0.97 percentage points in Q1 2018.

On a y-o-y basis, 5 of six indicators have improved for Q1 2018.

- ❖ Volume of sales, net profits and new orders have rebounded into positive territory.
- ❖ Volume of sales jumped from -4.0 percentage points in Q1 2017 to +8.33 percentage points in Q1 2018.
- ❖ Net profits climbed from -6.67 percentage points in Q1 2017 to +2.63 percentage points in Q1 2018.
- ❖ New orders rose from -2.0 percentage points in Q1 2017 to +8.82 percentage points in Q1 2018.
- ❖ Employment levels increased from +2.0 percentage points in Q1 2017 to +6.31 percentage points in Q1 2018.
- ❖ Selling price inched upwards from 0 percentage point in Q1 2017 to +0.97 percentage points in Q1 2018.
- ❖ Inventory levels fell into contractionary zone from +3.33 percentage points in Q1 2017 to -0.97 percentage points in Q1 2018.

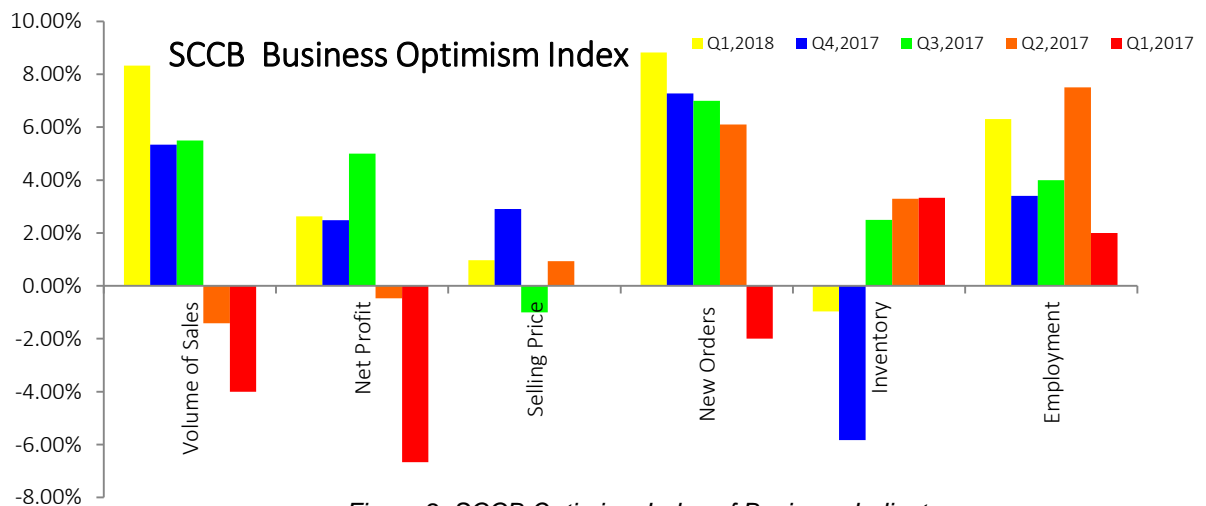


Figure 2. SCCB Optimism Index of Business Indicators, Q1 2017 – Q1 2018

Key Highlights for Q1 2018 Sectoral Outlook

For Q1 2018, the services sector has emerged as the most optimistic sectors with 5 indicators in the positive region.

Services

Optimism levels within the services sector have improved with 5 indicators in positive territory for Q1 2018. This was due to healthy growth within the hotels and accommodation, information and technology, and public services sub-sectors.

- ❖ Volume of sales rose from +2.5 percentage points in Q4 2017 to +6.25 percentage points in Q1 2018.
- ❖ Net profits climbed moderately from +3.75 percentage points in Q4 2017 to +5.0 percentage points in Q1 2018,
- ❖ Both selling price and employment levels moderated downwards.
- ❖ Selling price decreased from +3.75 percentage points in Q4 2017 to +2.5 percentage points in Q1 2018.
- ❖ Employment levels dropped from +7.5 percentage points in Q4 2017 to +3.75 percentage points in Q1 2018.
- ❖ New orders rebounded into the positive zone from -2.50 percentage points in Q4 2017 to +6.25 percentage points in Q1 2018.
- ❖ Inventory levels remain unchanged at 0 percentage point in Q1 2018

The majority of the remaining sectors are also relatively upbeat about the outlook for Q1 2018 with 4 indicators each in expansionary zone.

Manufacturing

Buoyed by strong global demand for electronics and growth in semiconductor production, sentiments among manufacturers have remained with an improvement in 4 indicators for Q1 2018.

- ❖ Volume of sales has increased from +4.76 percentage points in Q4 2017 to +7.14 percentage points in Q1 2018.
- ❖ Net profits climbed moderately from +7.89 percentage points in Q4 2017 and +9.52 percentage points in Q1 2018.
- ❖ Selling prices have remained unchanged at 0 percentage point in Q1 2018.
- ❖ Employment levels increased from +2.38 percentage points in Q4 2017 to +9.52 percentage points in Q1 2018.
- ❖ Inventory levels remained contractionary, rising slightly from -4.76 percentage points in Q4 2017 to -2.38 percentage points in Q1 2018.
- ❖ New orders have moderated downwards from +19.05 percentage points in Q4 2017 to +11.91 percentage points in Q1 2018.

Transportation

As with Q4 2017, the transportation sector is expecting an upbeat outlook for Q1 2018 with improvements in 3 indicators. This was attributed mainly to an increase in container throughput and sea cargo over the recent quarters.

- ❖ Both new orders and employment levels have risen from 0 percentage point in Q4 2017 to +18.18 percentage points and +9.09 percentage points respectively in Q1 2018.
- ❖ Inventory levels rebounded from negative zone from -9.09 percentage points in Q4 2017 to 0 percentage point in Q1 2018.
- ❖ Volume of sales and net profits have remained at +18.18 percentage points and +9.09 percentage points respectively in Q1 2018.
- ❖ Selling price fell into the contractionary zone from +9.09 percentage points in Q4 2017 to -9.09 percentage points in Q1 2018.

Wholesale

The wholesale trade sector has seen slight improvements in 3 indicators for Q1 2018 on the back of a slight pickup in global trade.

- ❖ Volume of sales rose from +3.33 percentage points in Q4 2017 to +10.0 percentage points in Q1 2018.
- ❖ Both net profits and inventory levels remained contractionary. Net profits rose from -13.33 percentage points in Q4 2017 to -6.67 percentage points in Q1 2018.
- ❖ Inventory levels climbed from -16.07 percentage points in Q4 2017 to -6.67 percentage points in Q1 2018.
- ❖ Selling price, new orders and employment levels have moderated downwards.
- ❖ Selling price dropped from +10.0 percentage points in Q4 2017 to +6.67 percentage points in Q1 2018.
- ❖ New orders fell from +16.67 percentage points in Q4 2017 to +10.0 percentage points in Q1 2018.
- ❖ Employment levels moderated from +10.0 percentage points in Q4 2017 to +3.33 percentage points in Q1 2018.

Construction

The construction sector saw the most significant improvements with 5 indicators moving upwards, due to a rebound in public infrastructure and building projects.

- ❖ Net profits, selling price and new orders climbed from 0 percentage points in Q4 2017 to +10.0 percentage points, +20.0 percentage points and +10.0 percentage points in Q1 2018 respectively.
- ❖ Employment levels increased from +10.0 percentage points in Q4 2017 to +30.0 percentage points in Q1 2018.
- ❖ Inventory rebounded from negative territory from -30.0 percentage points in Q4 2017 to 0 percentage point in Q1 2018.
- ❖ Volume of sales remained at +10.0 percentage points in Q1 2018.

“Moving into Q1 2018, we expect overall business sentiments to be positive with both manufacturing and services sectors to continue leading the growth outlook in the coming months. The construction sector has also anticipated a surprising rebound in optimism levels, especially new building contracts and potential projects. However, key challenges such as global uncertainties, rising business costs and increased competition will remain. While a higher proportion of firms are expecting to increase their investments for business expansion in 2018, a large majority will likely put their expansion plans on hold amid downside risks.” commented Ms. Audrey Chia, SCCB’s Chief Executive Officer.

The Ministry of Trade and Industry (MTI) has narrowed its GDP growth forecast for 2017 to be between 3.0 and 3.5 per cent.

Compared to 2017, firms are more optimistic about investments in business expansion for 2018. There is a moderate increase in proportion of firms anticipating an increase in investments from 6 per cent in 2017 to 9 per cent in 2018. Meanwhile, the proportion of firms expecting investments to decrease fell from 9 per cent in 2017 to 4 per cent for 2018. Majority of local firms had anticipated investments to remain unchanged at 86 per cent.

Investment for Business Expansion in 2018

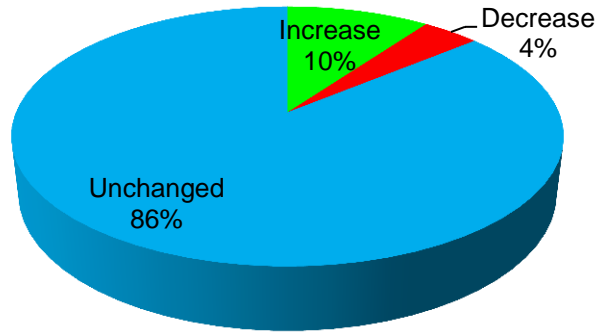


Figure 3. Investment for Business Expansion in 2018

- ❖ SCCB notes the top two most important areas of investment for 2018 are machinery and capital equipment (35%) and skills upgrading of employees (34%).
- ❖ Investments in Information Technology (20%) are the third most important area of investment for 2018.
- ❖ New Product Development (7%), Intellectual Property (2%) and Research and Development (2%) are important areas of investment which have been highlighted by local firms.

Most Important Area of Investment for 2018

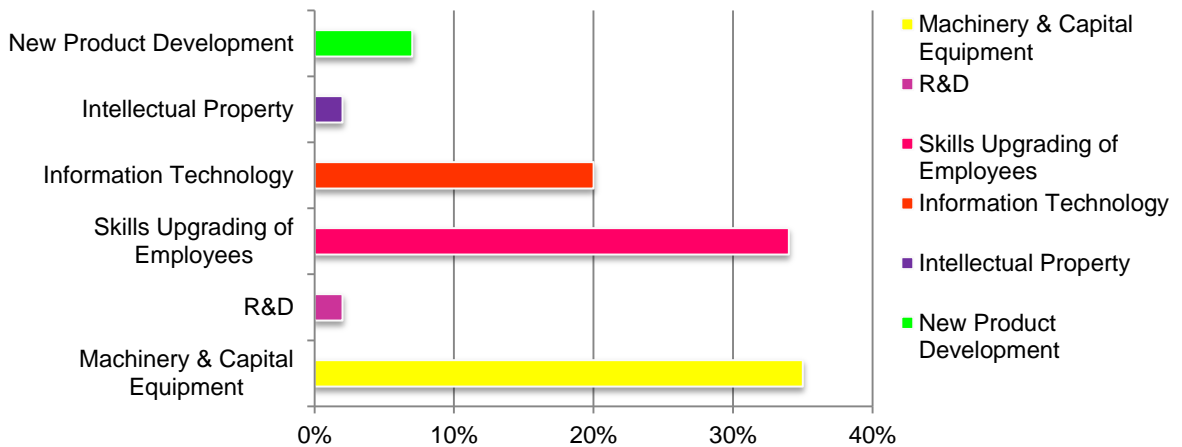


Figure 4. Most Important Area of Investment for 2018

- ❖ Global economic uncertainties (40 per cent) have been highlighted as the main challenge for 2018.
- ❖ Compared to 2016, the proportion of firms which have identified higher business costs and increased competition has risen from 10 per cent in 2017 to 28 per cent in 2018 and from 4 per cent in 2017 to 16 per cent in 2018 respectively.
- ❖ Access to financing remains a key challenge for 10 per cent of respondents.

❖ Meanwhile, only 4 per cent of firms identified foreign labour issues as the main challenge in 2018.

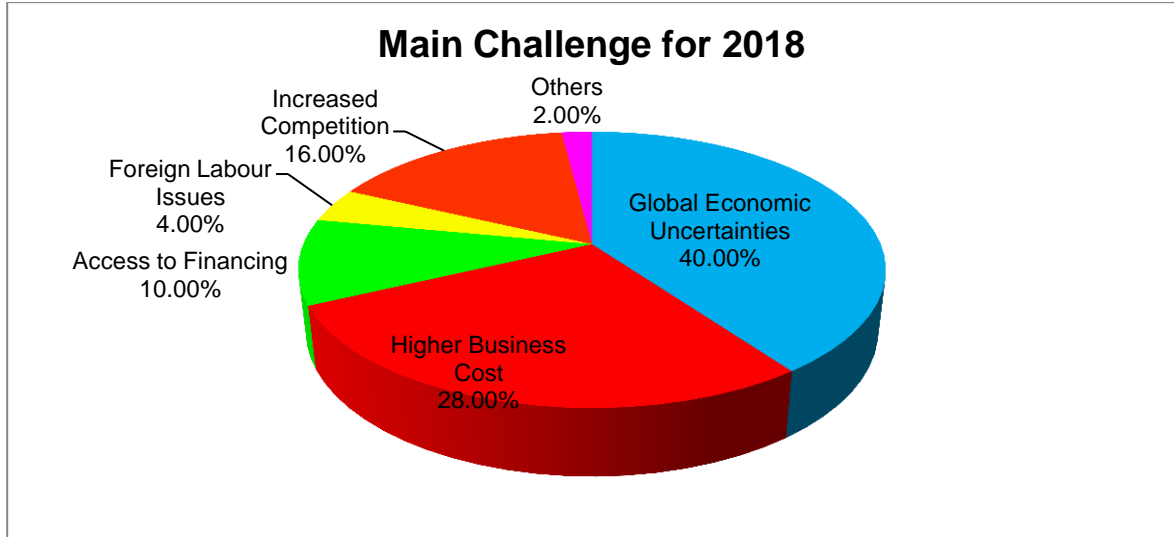


Figure 5. Main Challenge in 2018

Overview of Business Indicators

Volume of Sales

Volume of sales is expected to jump to +8.33 percentage points (compared to +5.34 percentage points in Q4 2017). The agriculture (net +20.0 percentage points) is most optimistic, followed by transportation sector (net +18.18 percentage points), mining (net +16.67 percentage points), construction (net +10.0 percentage points) and wholesale (net +10.0 percentage points). The remaining sectors are marginally optimistic –manufacturing (net +7.14 percentage points) and services (+6.25 percentage points) and financial (net +4.55 percentage points).

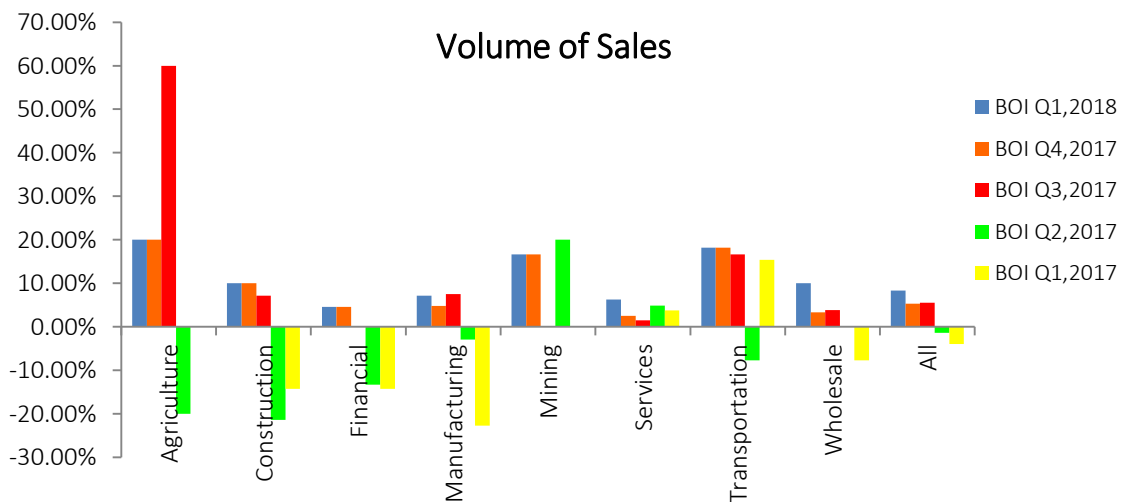


Figure 6. Volume of Sales Optimism Index, Q1 2017 – Q1 2018

Net Profit

Net profit has climbed moderately to +2.63 percentage points (compared to net +2.48 percentage points in Q4 2017). Most sectors are marginally optimistic – construction (net +10.0 percentage points), manufacturing (+9.52 percentage points), transportation (net +9.09 percentage points), services (net +5.0 percentage points) and financial (+4.55 percentage points). Both agriculture (net -40.0 percentage points) and wholesale (net -6.67 percentage points) sectors are pessimistic. Meanwhile, the mining sector (net 0 percentage point) has anticipated net profit to remain unchanged.

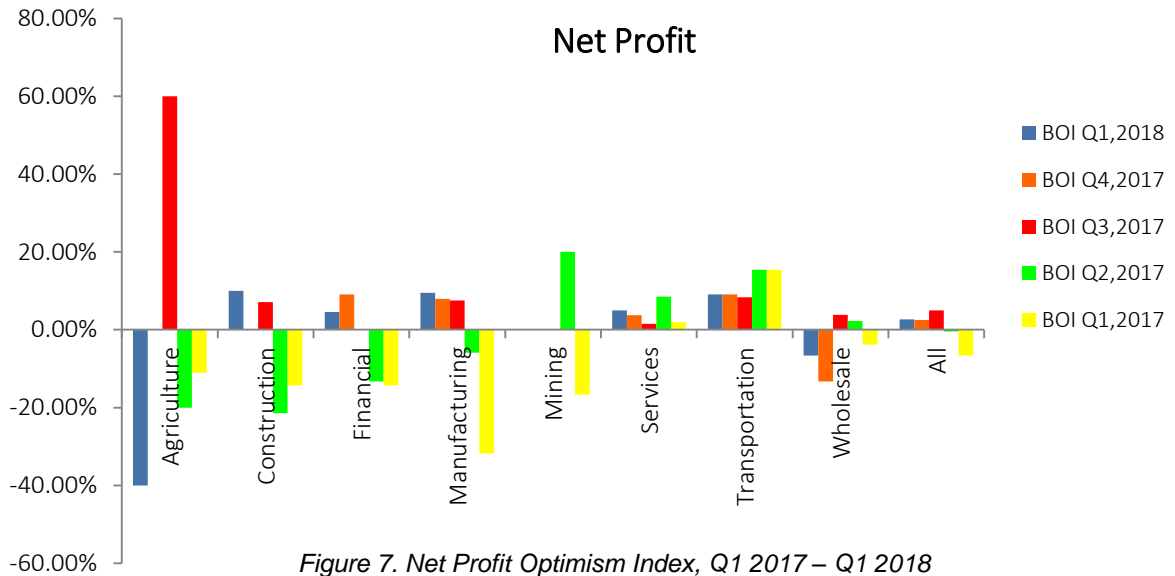


Figure 7. Net Profit Optimism Index, Q1 2017 – Q1 2018

Inventory Levels

Inventory levels remains marginally contractionary for the second consecutive quarter at -0.97 percentage points (compared to -5.83 percentage points in Q4 2017). Agriculture (net +20.0 percentage points) is the only optimistic sector. Majority of the sectors have anticipated inventory to remain unchanged – construction, financial, mining, services and transportation (net 0 percentage point). Both manufacturing (net -2.38 percentage points) and wholesale (net -6.67 percentage points) sectors are downbeat about inventory.

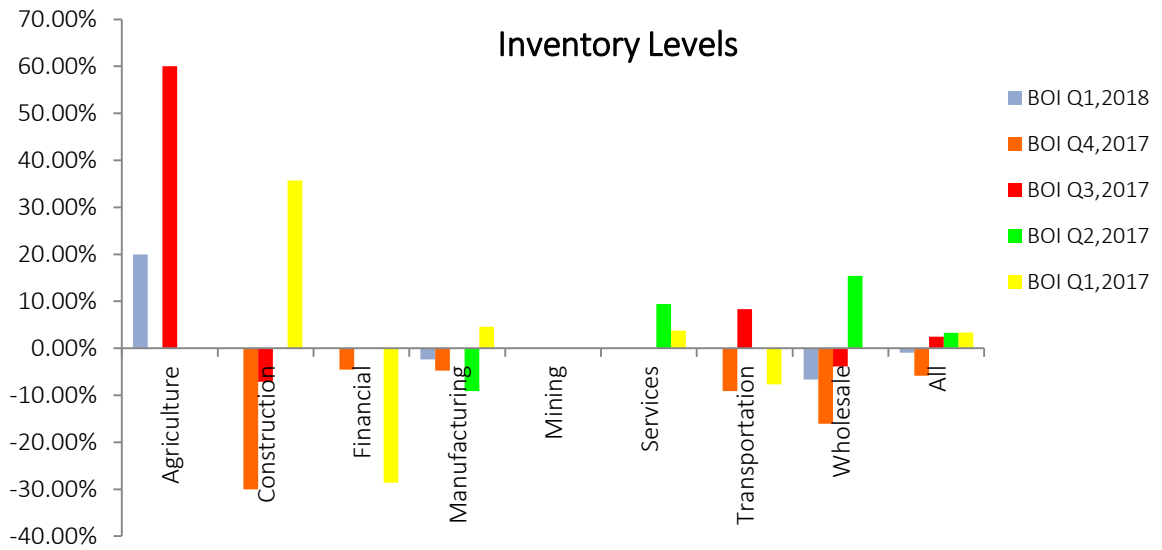


Figure 8. Inventory Levels Optimism Index, Q1 2017 – Q1 2018

Selling Price

Selling price moderated downwards slightly to +0.97 percentage points (compared to net +2.91 percentage points in Q4 2017). The construction (+20.0 percentage points) is most upbeat, followed by wholesale (net +6.67 percentage points) and services (net +2.50 percentage points). Both financial and manufacturing (net 0 percentage point) sectors have anticipated selling price to remain unchanged. Both agriculture (net -40.0 percentage points) and mining (net -16.67 percentage points) are pessimistic about selling price.

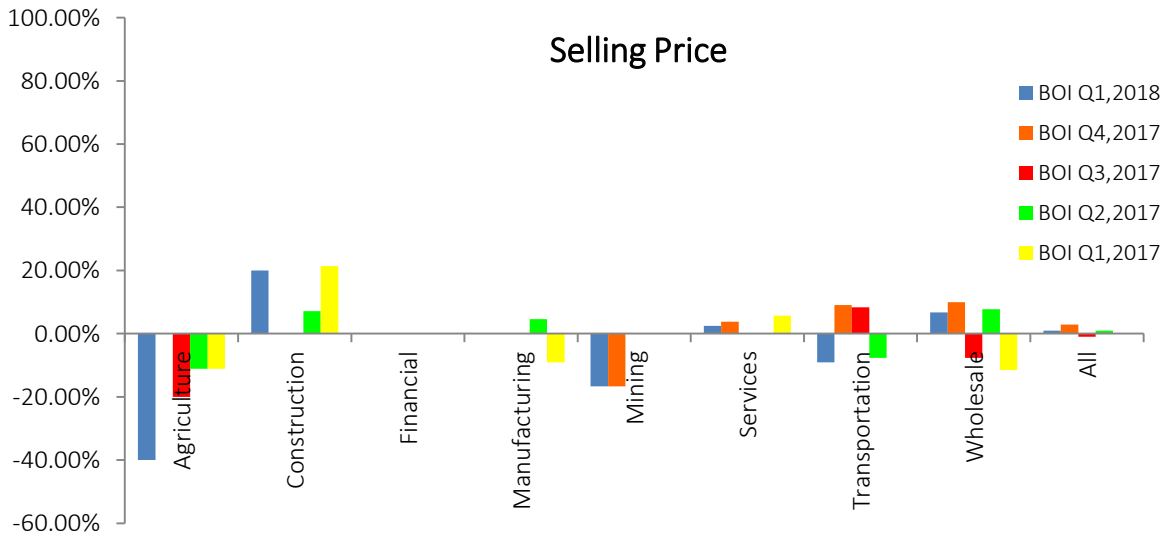


Figure 9. Selling Price Optimism Index, Q1 2017 – Q1 2018

New Orders

New orders have edged upwards to +8.82 percentage points (compared to +7.28 percentage points in Q4 2017). The mining sector (net +33.33 percentage points) is most optimistic about new orders, followed by transportation (net +18.18 percentage points), manufacturing (net +11.91 percentage points), construction (net +10.0 percentage points) and wholesale (net +10.0 percentage points). Both financial (net +9.09 percentage points) and services (net +6.25 percentage points) are moderately optimistic. Agriculture (net -40.0 percentage points) is the only sector which is downbeat about new orders.



Figure 10. New Orders Optimism Index (All Sectors), Q1 2017 – Q1 2018

Employment

Employment levels have risen to +6.31 percentage points (compared to net +3.40 percentage points in Q4 2017). Both agriculture (net +40.0 percentage points) and construction sectors (net +30.0 percentage points) are most upbeat about employment levels. Majority of the remaining sectors are marginally upbeat – manufacturing (net +9.52 percentage points), transportation (net +9.09 percentage points), financial (net +4.55 percentage points), services (net +3.75 percentage points) and wholesale (net +3.33 percentage points). Mining (net -33.33 percentage points) is the only pessimistic sector.

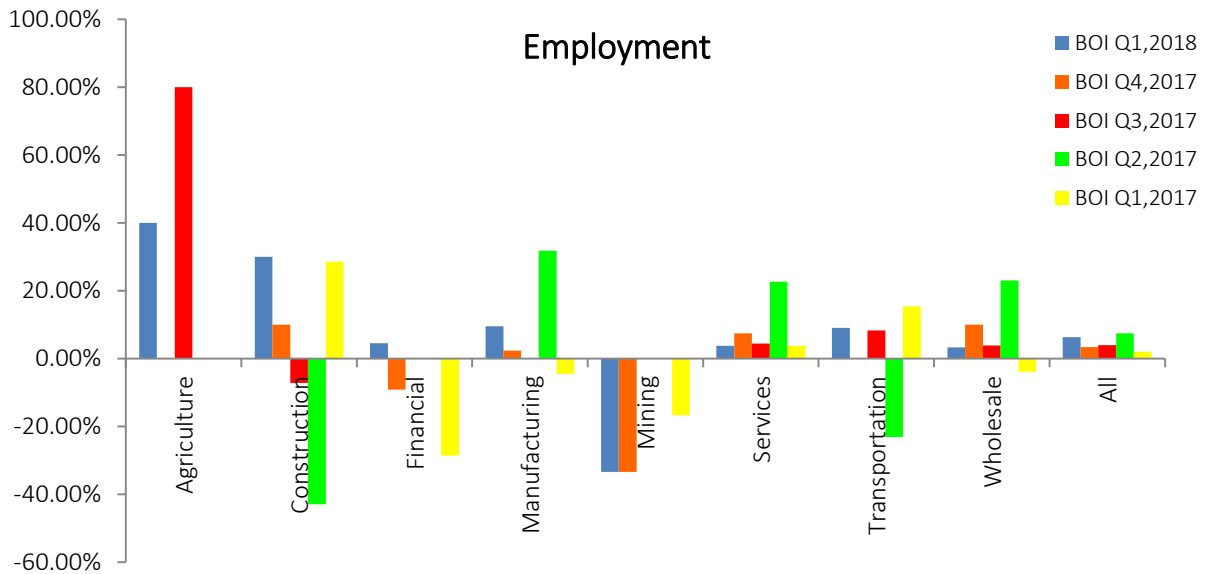


Figure 11. Employment Optimism Index, Q1 2017 – Q1 2018

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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