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**FOR IMMEDIATE RELEASE**

**Business optimism rebounds into positive territory in Q2 2017**  
*Outlook for Wholesale Trade and Manufacturing sees most significant improvements*  
 - Singapore Commercial Credit Bureau

**Singapore, 01 March 2017** – Business sentiments have rebounded into the expansionary zone for Q2 2017 following a pessimistic outlook in the preceding quarter. According to Singapore Commercial Credit Bureau (SCCB)'s latest quarterly Business Optimism Index (BOI) study, BOI rose slightly from -1.22 percentage points in Q1 2017 to +2.66 percentage points in Q2 2017. On a year-on-year (y-o-y) basis, BOI has increased marginally from +0.89 percentage points in Q2 2016 to +2.66 percentage points in Q2 2017.

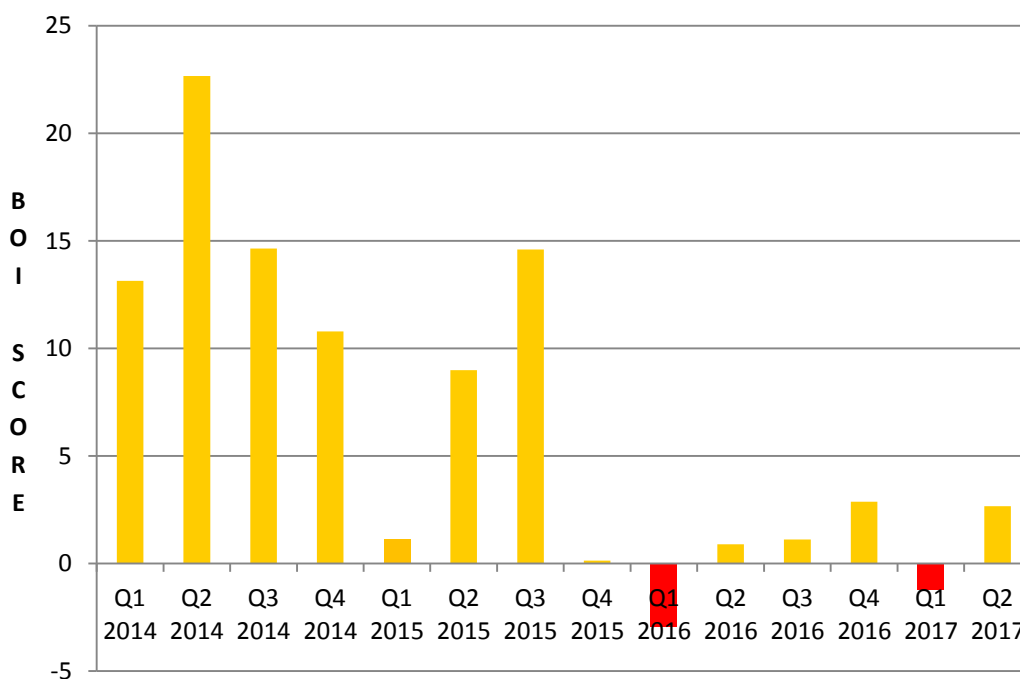


Figure 1. Overall Business Optimism Score, Q1 2014 – Q2 2017

For Q2 2017, the number of negative indicators have fallen on a quarter-on-quarter (q-o-q) basis. Of the six indicators, 2 indicators were contractionary and 4 were expansionary. This stands in contrast to Q1 2017 with 3 contractionary, 2 expansionary and 1 unchanged indicator.

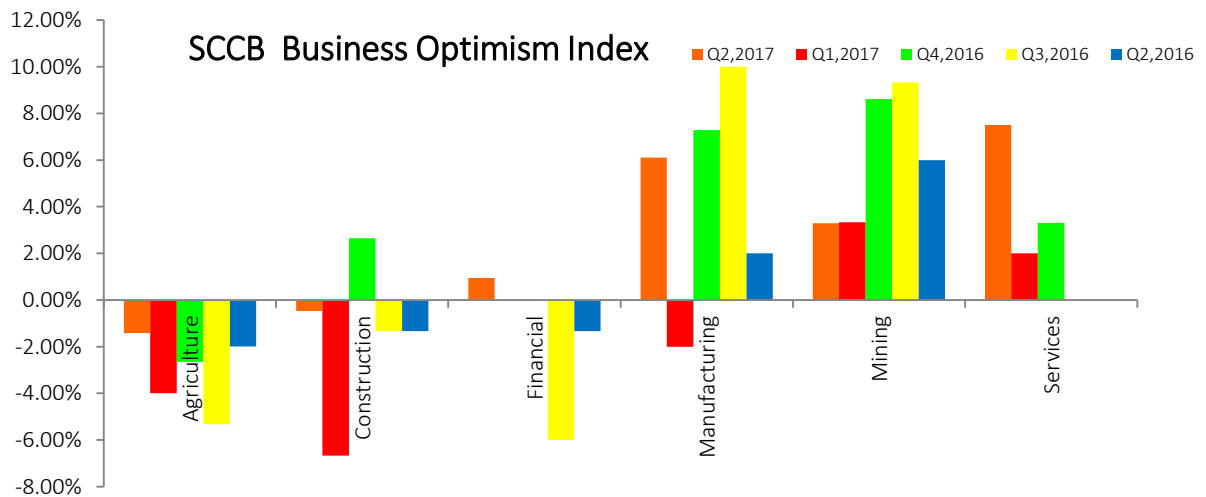
**Point Commentary**

According to SCCB, sentiments for five business indicators have improved in Q2 2017 on a q-o-q basis.

- ❖ Volume of sales inched slightly within the contractionary zone from -4.0 percentage points in Q1 2017 to -1.41 percentage points in Q2 2017.
- ❖ Net profits rose from -6.67 percentage points in Q1 2017 to -0.47 percentage points in Q2 2017.
- ❖ Selling price rebounded into positive territory from 0 percentage point in Q1 2017 to +0.94 percentage points in Q2 2017.
- ❖ New orders increased from -2.0 percentage points in Q1 2017 to +6.10 percentage points in Q2 2017.
- ❖ Inventory levels dipped slightly from +3.33 percentage points in Q1 2017 to +3.29 percentage points in Q2 2017.
- ❖ Employment levels jumped from +2.0 percentage points in Q1 2017 to +7.51 percentage points in Q2 2017.

On a y-o-y basis, 5 of six indicators have displayed signs of improvement for Q2 2017.

- ❖ Volume of sales climbed from -1.99 percentage points in Q2 2016 to -1.41 percentage points in Q2 2017.
- ❖ Net profits increased from -1.33 percentage points in Q2 2016 to -0.47 percentage points in Q2 2017.
- ❖ Selling price rebounded into positive territory from -1.33 percentage points in Q2 2016 to +0.94 percentage points in Q2 2017.
- ❖ New orders jumped from +2.0 percentage points in Q2 2016 to +6.10 percentage points in Q2 2017.
- ❖ Inventory levels moderated downwards from +6.0 percentage points in Q2 2016 to +3.29 percentage points in Q2 2017.
- ❖ Employment levels jumped from 0 percentage point in Q2 2016 to +7.51 percentage points in Q2 2017.



*Figure 2. SCCB Optimism Index of Business Indicators, Q2 2016 – Q2 2017*

## **Key Highlights for Q2 2017 Sectoral Outlook**

### **Services**

As with Q1 2017, the services sector emerged as the most optimistic sectors with 5 indicators in the expansionary region for Q2 2017. This was largely attributed to growth within the information and communications, education, health and social services segments. Following a moderation in the preceding quarter, SCCB notes that 5 of six indicators have improved visibly for Q2 2017.

- ❖ Volume of sales are expected to inch upwards from +3.77 percentage points in Q1 2017 to +4.88 percentage points in Q2 2017.
- ❖ Net profits and employment levels are anticipated to rise significantly from +1.89 percentage points in Q1 2017 to +8.54 percentage points in Q2 2017 and from +3.77 percentage points in Q1 2017 to +22.64 percentage points in Q2 2017 respectively.
- ❖ Both new orders and inventory are also expected to rise from +9.43 percentage points in Q1 2017 to +18.87 percentage points in Q2 2017 and from +3.77 percentage points in Q1 2017 to +9.43 percentage points in Q2 2017 respectively.
- ❖ Meanwhile, selling prices are expected to moderate from +5.66 percentage points in Q1 2017 to 0 percentage point in Q2 2017.

### **Wholesale Trade**

The wholesale trade sector has also emerged as one of the most optimistic sectors for Q2 2017 with 5 indicators in the positive territory owing to a pick-up in both electronic and non-electronic export segments.

- ❖ Volume of sales are expected to increase from -7.69 percentage points in Q1 2017 to 0 percentage point in Q2 2017.
- ❖ Net profits rose from -3.85 percentage points in Q1 2017 to +2.22 percentage points in Q2 2017.
- ❖ Both selling price and new orders are also expected to rebound into positive territory from -11.54 percentage points in Q1 2017 to +7.69 percentage points in Q2 2017 and from -11.54 percentage points in Q1 2017 to +19.23 percentage points in Q2 2017 respectively.
- ❖ Inventory levels have risen from 0 percentage point in Q1 2017 to +15.39 percentage points in Q2 2017.
- ❖ Employment levels climbed visibly from -3.85 percentage points in Q1 2017 to +23.07 percentage points in Q2 2017.

### **Manufacturing**

Sentiments within the manufacturing sector have improved significantly for Q2 2017 with visible increases seen in 5 indicators. This is due to a strong rebound in overall industrial output in the recent months.

- ❖ Volume of sales are expected to surge from -22.73 percentage points in Q1 2017 to -2.94 percentage points in Q2 2017.
- ❖ Net profits climbed from -31.82 percentage points in Q1 2017 to -5.88 percentage points in Q2 2017.
- ❖ Both selling price and employment levels have rebounded into positive territory.
- ❖ Selling price increased from -9.09 percentage points in Q1 2017 to +4.55 percentage points in Q2 2017.
- ❖ Employment levels jumped from -4.55 percentage points in Q1 2017 to +31.82 percentage points in Q2 2017.
- ❖ New Orders have climbed from -18.18 percentage points in Q1 2017 to -9.09 percentage points in Q2 2017.
- ❖ Inventory levels are expected to decline from +4.55 percentage points in Q1 2017 to -9.09 percentage points in Q2 2017.

### **Construction**

The outlook for the construction sector has deteriorated in Q2 2017 with all six indicators moderating downwards. SCCB notes that 3 indicators were in the contractionary region as opposed to 2 indicators in Q1 2017. This was largely attributed to a decline in private building projects.

- ❖ Employment levels have plunged significantly from +28.57 percentage points in Q1 2017 to -42.86 percentage points in Q2 2017.
- ❖ Both volume of sales and net profits have also deteriorated from -14.29 percentage points in Q1 2017 to -21.43 percentage points in Q2 2017.
- ❖ Selling price and new orders have also moderated downwards from +21.43 percentage points in Q1 2017 to +7.14 percentage points in Q2 2017.
- ❖ Inventory levels decreased from +35.71 percentage points in Q1 2017 to 0 percentage point in Q2 2017.

### **Financial**

Owing to an uptick in forex trading and security trading activities, sentiments within the financial sector have made slight improvements from the preceding quarter. According to SCCB, 5 of six indicators have moderated upwards with only 2 of the indicators remaining in negative territory as compared to 5 contractionary indicators in Q1 2017.

- ❖ Both volume of sales and net profits have each moderated upwards slightly from -14.29 percentage points in Q1 2017 to -13.33 percentage points in Q2 2017.
- ❖ New orders, inventory and employment levels have each risen from -28.57 percentage points in Q1 2017 to 0 percentage point in Q2 2017.
- ❖ As with Q2 2017, selling prices have remained unchanged at 0 percentage point.

“The uptick in business sentiments was led mainly by a surge in both wholesale trade and manufacturing activities in the recent months. The unprecedented surge in optimism within the wholesale trade sector reflects a recovering overall global demand which is expected to provide growth support to our local economy in the coming months. For the second quarter of 2017, optimism levels for the majority of indicators for the wholesale trade and manufacturing sectors have displayed the most significant improvements.” commented Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“While the recent measures announced in Budget 2017 such as the extension of both Wage Credit Scheme and corporate income tax rebates may provide some relief from rising cost pressures, we observed that the majority of new measures are aimed at supporting the internationalization plans and enhancing the technological capabilities of local firms. We expect such measures to benefit mainly larger-sized SMEs with growth plans in Singapore. It remains to be seen whether such measures have discernible impact on smaller-sized, cash-strapped SMEs in the near-term.” added Ms. Chia.

The Ministry of Trade and Industry (MTI) has maintained its GDP growth forecast for 2017 to be between 1.0 and 3.0 per cent.

**Overview of Business Indicators**

**Volume of Sales**

Volume of sales is expected to remain in the contractionary zone at -1.41 percentage points despite improving marginally (compared to net -4.0 percentage points in Q1 2017). The construction sector (net -21.43 percentage points) is the least optimistic, followed by agriculture (net -20.0 percentage points), financial (net -13.33 percentage points), transportation (net -7.69 percentage points) and manufacturing (net -2.94 percentage points). The services (net +4.88 percentage points) and mining (net +20.0 percentage points) sectors are the only two sectors which have expressed optimism in volume of sales. The wholesale sector has anticipated volume of sales to remain unchanged.

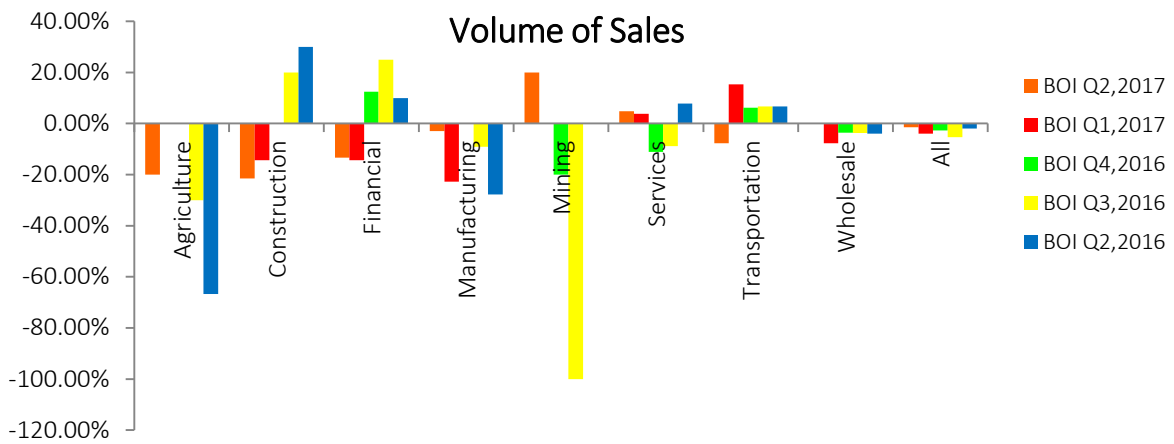


Figure 3. Volume of Sales Optimism Index, Q2 2016 – Q2 2017

**Net Profit**

Net profit has also remained in the contractionary zone at -0.47 percentage points (compared to net -6.67 percentage points in Q1 2017). As with volume of sales, the construction (net -21.43 percentage points), agriculture (net -20.0 percentage points) and financial (net -13.33 percentage points) sectors are the top three least optimistic sectors. The manufacturing sector (net -5.88 percentage points) has also expressed pessimism in net profits. Meanwhile, the mining (net +20.0 percentage points), transportation (net +15.39 percentage points), services (net +8.54 percentage points) and wholesale (net +2.22 percentage points) are optimistic about net profit.

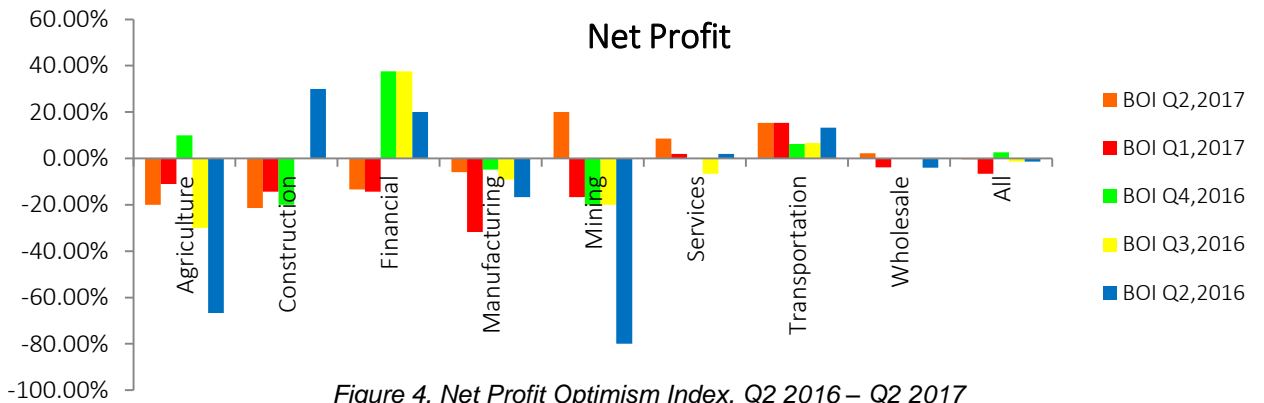


Figure 4. Net Profit Optimism Index, Q2 2016 – Q2 2017

**Inventory Levels**

Inventory levels have remained in the expansionary zone for the fifth consecutive quarter dipping slightly to +3.29 percentage points (compared to +3.33 percentage points in Q1 2017). The wholesale (net +15.39 percentage points) and services (net +9.43 percentage points) sectors are most optimistic about inventory levels. Majority of the sectors have anticipated inventory levels to remain unchanged – Agriculture, Construction, Financial, Mining and Transportation. Meanwhile, the manufacturing (net -9.09 percentage points) sector is the only sector which is downbeat about inventory levels.

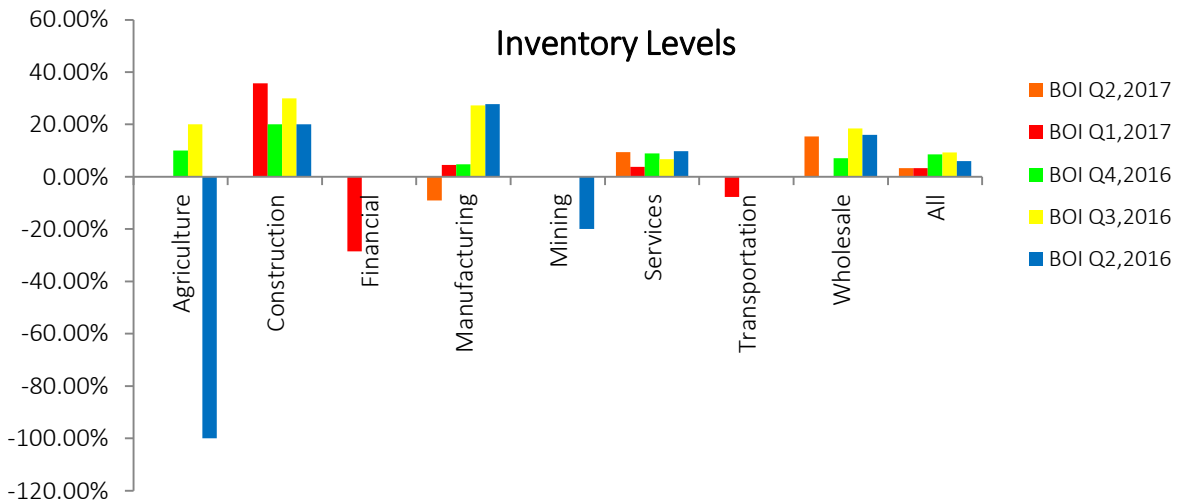


Figure 5. Inventory Levels Optimism Index, Q2 2016 – Q2 2017

**Selling Price**

Selling price has inched upwards slightly at net +0.94 percentage points (compared to net 0 percentage points in Q1 2017). The agricultural sector (net -11.11 percentage points) is most pessimistic about selling price, followed by transportation (net -7.69 percentage points). The wholesale sector (net +7.69 percentage points) is most optimistic about selling price, followed by construction (net +7.14 percentage points) and manufacturing (net +4.55 percentage points). The remaining sectors – Financial, Mining and Services- have expected selling price to remain unchanged (net 0 percentage point).

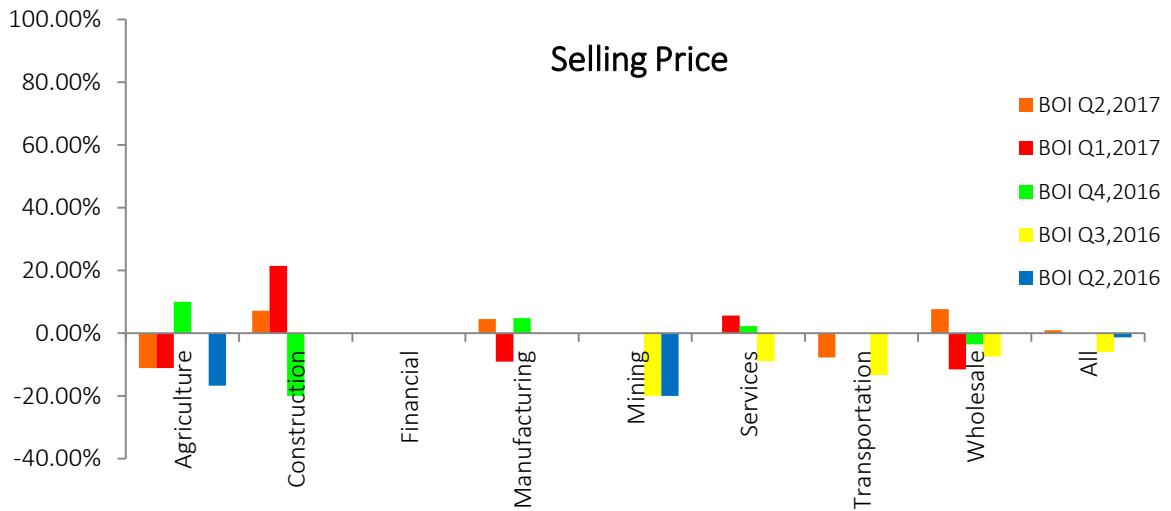


Figure 6. Selling Price Optimism Index, Q2 2016 – Q2 2017

**New Orders**

New orders have rebounded into the expansionary zone to net +6.10 percentage points (compared to -2.0 percentage points in Q1 2017). The wholesale (net +19.23 percentage points), services (net +18.87 percentage points), mining (net +16.67 percentage points) and construction (net +7.14 percentage points) sectors are optimistic about new orders. Meanwhile, both transportation (net -15.39 percentage points) and manufacturing (net -9.09 percentage points) are pessimistic about new orders. The agricultural and financial sectors (net 0 percentage point) have expected new orders to remain unchanged.

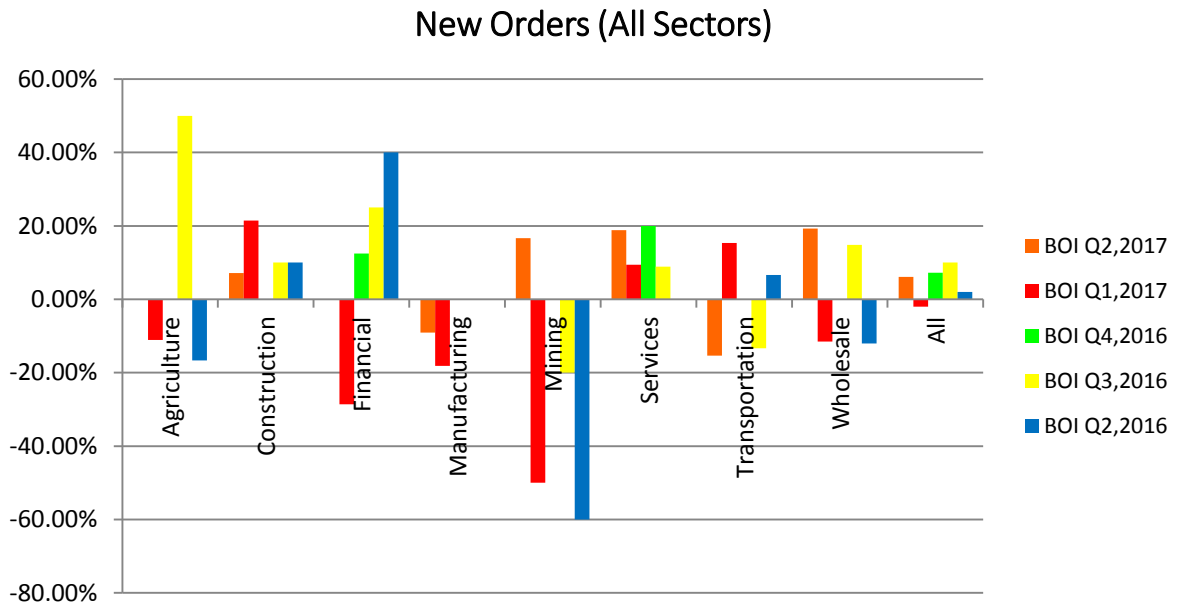


Figure 7. New Orders Optimism Index (All Sectors), Q2 2016 – Q2 2017

**Employment**

Employment levels are expected to increase moderately to net +7.51 percentage points (compared to net +2.0 percentage points in Q1 2017). The construction sector (net -42.86 percentage points) is most pessimistic about employment, followed by the transportation sector (net -23.07 percentage points). The manufacturing sector (net +31.82 percentage points) is most optimistic, followed by wholesale (net +23.07 percentage points) and services (net +22.64 percentage points) sectors. The agricultural, financial and mining sectors (net 0 percentage point) have anticipated employment to remain unchanged.

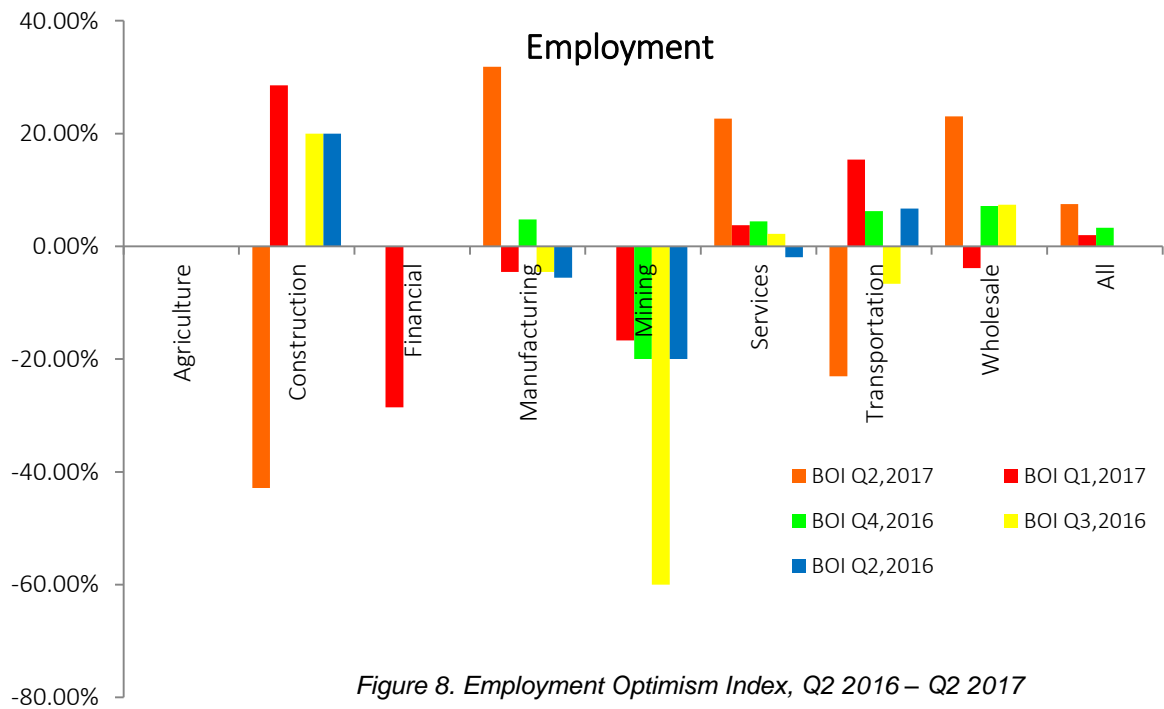


Figure 8. Employment Optimism Index, Q2 2016 – Q2 2017

**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](http://www.sccb.sg)

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