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FOR IMMEDIATE RELEASE

Business optimism remains in near-contractionary zone for the 4th consecutive quarter in Q3 2016 *- Singapore Commercial Credit Bureau*

Singapore, 31 May 2016 – Business sentiments remain muted despite inching upwards slightly in Q3 2016. According to Singapore Commercial Credit Bureau (SCCB)'s latest quarterly Business Optimism Index (BOI) study, BOI remained in the near-contractionary zone for the fourth consecutive quarter as it edged upwards from +0.89 percentage points in Q2 2016 to +1.11 percentage points in Q3 2016.

Year-on-year (y-o-y) BOI has moved in the opposite direction, diving significantly from +14.60 percentage points in Q3 2015 to +1.11 percentage points in Q3 2016.

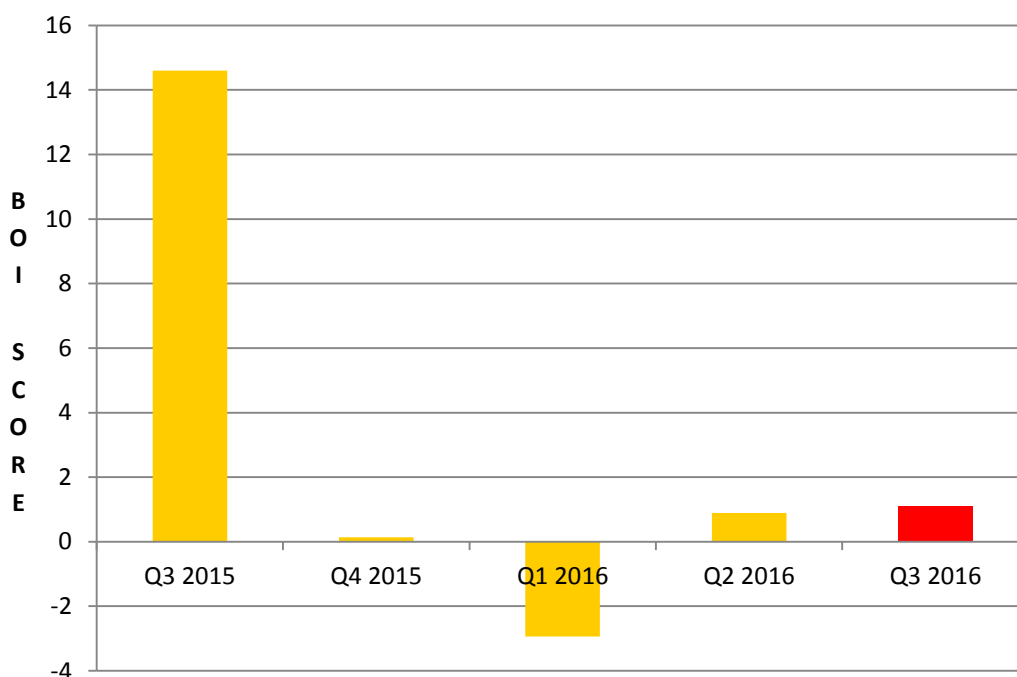


Figure 1. Overall Business Optimism Score, Q3 2015 – Q3 2016

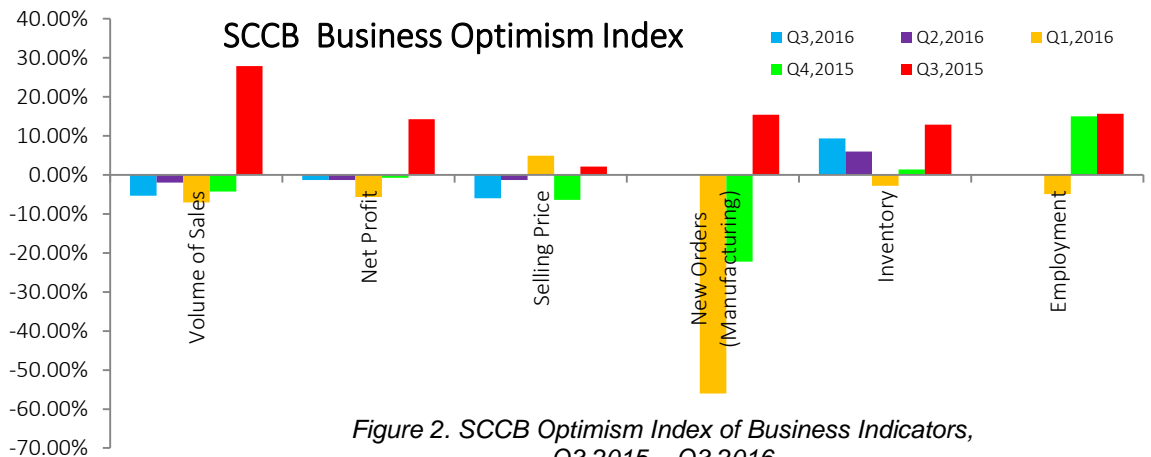
Overall business confidence of local firms remains flat despite the marginal uptick. For Q3 2016, the number of indicators in the positive territory remains unchanged as compared to Q2 2016. Of the six indicators, 2 indicators were expansionary, 3 indicators were contractionary and 1 indicator remained unchanged.

According to SCCB, volume of sales and net profits remained contractionary for the fourth consecutive quarter for Q3 2016.

- Volume of sales deteriorated further from -1.99 percentage points in Q2 2016 to -5.33 percentage points in Q3 2016.
- As with Q2 2016, net profits remained marginally contractionary at -1.33 percentage points in Q3 2016.
- Selling price slipped from -1.33 percentage points in Q2 2016 to -6.0 percentage points in Q3 2016.
- New orders rose markedly from +2.0 percentage points in Q2 2016 to +10.0 percentage points in Q3 2016
- Inventory levels increased for the second consecutive quarter from +6.0 percentage points in Q2 2016 to +9.33 percentage points in Q3 2016
- Employment levels remained unchanged for the second consecutive quarter at 0 percentage point in Q3 2016

On a y-o-y basis, business confidence deteriorated markedly with only 2 of six indicators in the expansionary region, as compared to 6 indicators in Q3 2015.

- Both volume of sales and net profits fell into the contractionary zone from +27.86 percentage points in Q3 2015 to -5.33 percentage points in Q3 2016; and +14.29 percentage points in Q3 2015 to -1.33 percentage points in Q3 2016 respectively.
- Selling price declined from +2.14 percentage points in Q3 2015 to -6.0 percentage points in Q3 2016.
- New orders for manufacturers plunged from +15.39 percentage points in Q3 2015 to 0 percentage points in Q3 2016.
- Inventory levels moderated downwards slightly from +12.86 percentage points in Q3 2015 to +9.33 percentage points in Q3 2016.
- Employment levels fell from +15.71 percentage points in Q3 2015 to 0 percentage point in Q3 2016.



Key Highlights for Q3 2016 Sectoral Outlook

Construction

Due to the expected increase in public construction contracts being awarded in the upcoming months, the construction sector emerged as the most optimistic sector for the second consecutive quarter, with 4 indicators in the expansionary region for Q3 2016.

- With the exception of net profit and selling price, all remaining business indicators were expansionary.
- Net profit and selling price are expected to remain unchanged at 0 percentage points in Q3 2016.
- Inventory levels increased from +20.0 percentage points in Q2 2016 to +30.0 percentage points in Q3 2016.
- Both new orders and employment levels remained expansionary at +10.0 percentage points and +20.0 percentage points respectively.
- Meanwhile, volume of sales moderated slightly from +30.0 percentage points in Q2 2016 to +20.0 percentage points in Q3 2016.

Financial

The financial sector emerged as the second most optimistic sector with 3 indicators in the expansionary region for Q3 2016, owing to robust activities within the insurance and banking segments.

- Both volume of sales and net profits are expected to improve visibly from +10.0 percentage points in Q2 2016 to +25.0 percentage points in Q3 2016; and +20.0 percentage points in Q2 2016 to +37.5 percentage points in Q3 2016 respectively.
- Despite being expansionary, new orders within the sector moderated downwards from +40.0 percentage points in Q2 2016 to +25.0 percentage points in Q3 2016.
- Meanwhile, selling price, inventory levels and employment are expected to remain unchanged in Q3 2016 at 0 percentage point.

Wholesale

Meanwhile, the wholesale sector has also emerged as one of the most optimistic sectors with 3 indicators in the expansionary region for Q3 2016 due largely to an expected increase in commercial demand. However, the overall outlook for the sector remains cautiously optimistic in light of the marginal improvements made for the majority of the indicators.

- Volume of sales remained contractionary for the second consecutive quarter, inching upwards from -4.0 percentage points in Q2 2016 to -3.71 percentage points in Q3 2016.
- Selling price slipped into negative territory from 0 percentage point in Q2 2016 to -7.41 percentage points in Q3 2016.
- Net profit is expected to remain flat at 0 percentage point, up from -4.0 percentage points in Q2 2016.
- Inventory levels rose marginally from +16.0 percentage points in Q2 2016 to +18.52 percentage points in Q3 2016.
- Meanwhile, new orders are expansionary for the first time in three quarters, rising from -12.0 percentage points in Q2 2016 to +14.81 percentage points in Q3 2016.
- Employment levels rose from 0 percentage point in Q2 2016 to +7.41 percentage points in Q3 2016.

Services

Business sentiments within the services sector deteriorates as retail activities within consumer-facing segments are expected to remain weak. According to SCCB, 3 of six business indicators declined into the contractionary region for Q3 2016.

- Volume of sales and net profits declined markedly from +7.84 percentage points in Q2 2016 to -8.89 percentage points in Q3 2016; and net profits fell from +1.96 percentage points in Q2 2016 to -6.67 percentage points in Q3 2016.
- Selling price continues a downward path, declining from 0 percentage point in Q2 2016 to -8.89 percentage points in Q3 2016.
- Inventory levels moderated downwards slightly from +9.80 percentage points in Q2 2016 to +6.67 percentage points in Q3 2016.
- Meanwhile, new orders and employment are the only two indicators which improved. New orders rose from 0 percentage point in Q2 2016 to +8.89 percentage points in Q3 2016 while employment levels rebounded from the contractionary region from -1.96 percentage points in Q2 2016 to +2.22 percentage points in Q3 2016.

Manufacturing

In light of a sustained slowdown in regional and global demand, the manufacturing sector is expected to remain downbeat, with 3 of six business indicators in the contractionary region. However, SCCB notes marginal improvements in 3 of six business indicators.

- Volume of sales, net profits and employment levels are expected to improve marginally despite remaining contractionary.
- According to SCCB, volume of sales increased from -27.78 percentage points in Q2 2016 to -9.09 percentage points in Q3 2016 while net profits rose from -16.67 percentage points in Q2 2016 to -9.09 percentage points in Q3 2016.
- Employment levels edged slightly upwards from -5.56 percentage points Q2 2016 to -4.55 percentage points in Q3 2016.
- Selling prices and new orders are expected to remain unchanged at 0 percentage point in Q3 2016, similar to Q2.
- Inventory levels remained at -27.78 percentage points in Q3 2016, similar to Q2.

“The overall outlook for local businesses remains weak across most sectors. With the softening of retail activities in Singapore, we are expecting sentiments within the consumer-facing services sector to be dampened. At the same time, the influence of global downside risks on export-oriented sectors, such as the potential Brexit from the Eurozone as well as China’s emphasis on lower imports and higher domestic production, are likely to persist into 2H 2016.” said Ms. Audrey Chia, SCCB’s Chief Executive Officer.

The Ministry of Trade and Industry (MTI) has maintained its GDP growth forecast for 2016 at 1.0 to 3.0 per cent.

Overview of Business Indicators

Volume of Sales

Volume of sales remained in the contractionary zone at -5.33% (compared to net -1.99% in Q2 2016) with majority of the sectors anticipating a pessimistic outlook. The mining sector is the least optimistic (net -100.0%), followed by agriculture (net -30.0%), manufacturing (net -9.09%), services (net -8.89%) and wholesale (net -3.70%). The financial (net +25.0%), construction (net +20.0%) and transportation (net +6.67%) sectors are the only sectors which are optimistic about volume of sales.

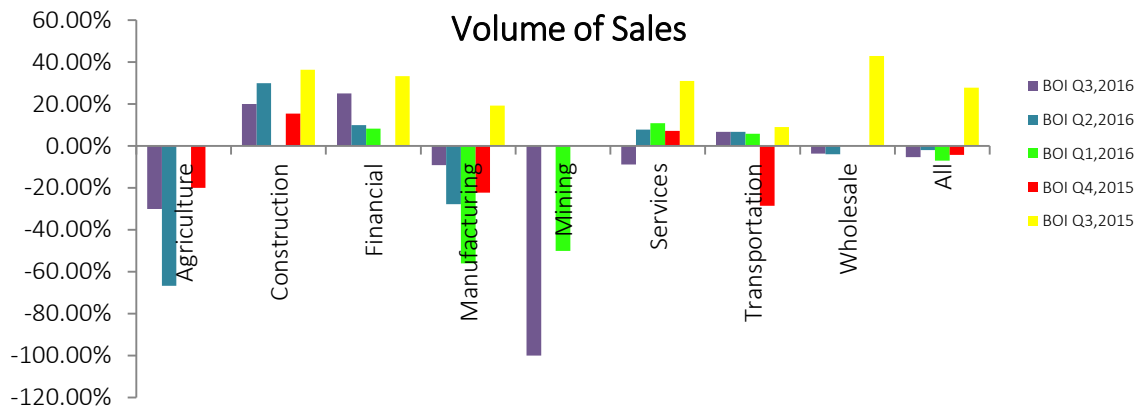


Figure 3. Volume of Sales Optimism Index, Q3 2015 – Q3 2016

Net Profit

Net profit remained contractionary at net -1.33% (compared to net -1.33% in Q3 2016). The agriculture sector is least optimistic (net -30.0%), followed by mining (net -20.0%), manufacturing (net -9.09%) and services (net -6.67%) sectors. Meanwhile, the construction and wholesale sectors have anticipated net profit to remain unchanged (net 0%). The remaining sectors – financial (net +37.50%) and transportation (net +6.67%) are the only sectors optimistic about net profit.

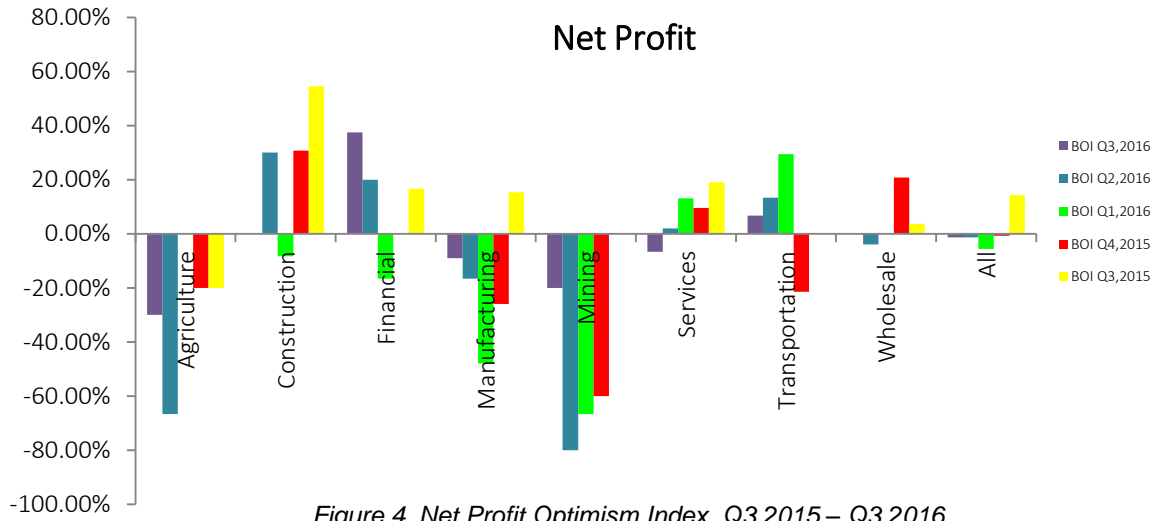


Figure 4. Net Profit Optimism Index, Q3 2015 – Q3 2016

Inventory Levels

Inventory levels continue to be in the expansionary zone for the second consecutive quarter at +9.33% (compared to net +6.00% in Q2 2016). The construction (net +30.00%), manufacturing (net +27.27%), agriculture (net +20.00%), and wholesale (net +18.52%) sectors are optimistic about inventory levels. Services (net +6.67%) sector remains marginally optimistic. Meanwhile, the mining, transportation and financial sectors have anticipated inventory levels to remain unchanged (net 0%).

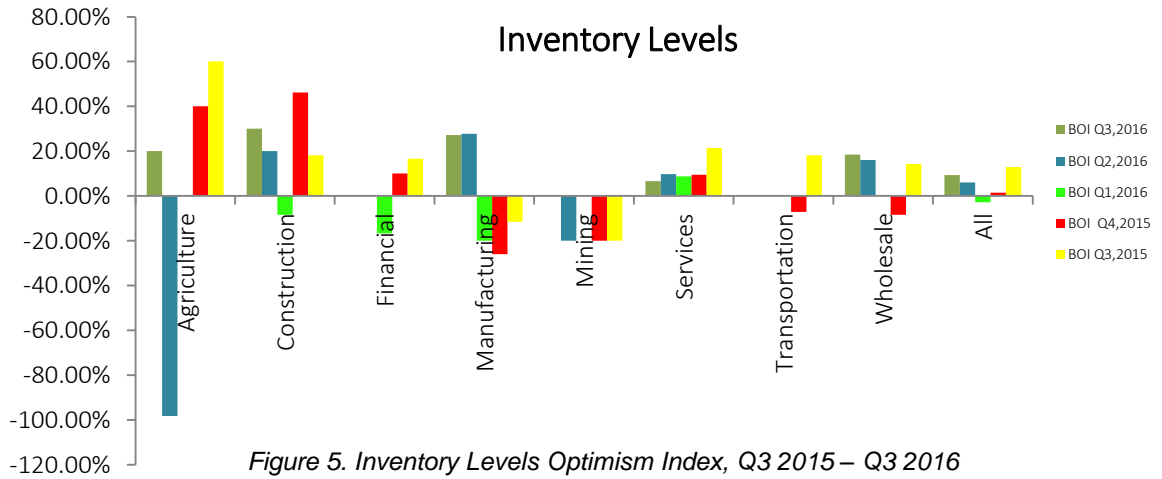


Figure 5. Inventory Levels Optimism Index, Q3 2015 – Q3 2016

Selling Price

Selling price fell deeper into the contractionary zone at net -6.00 % (compared to net -1.33% in Q2 2016). The agriculture, construction, financial and manufacturing sectors anticipated selling price levels to remain unchanged (net 0%). Meanwhile, mining (net -20.00%), transportation (net -13.33%), services (-8.89%), and wholesale (-7.41%) remains pessimistic about selling price.

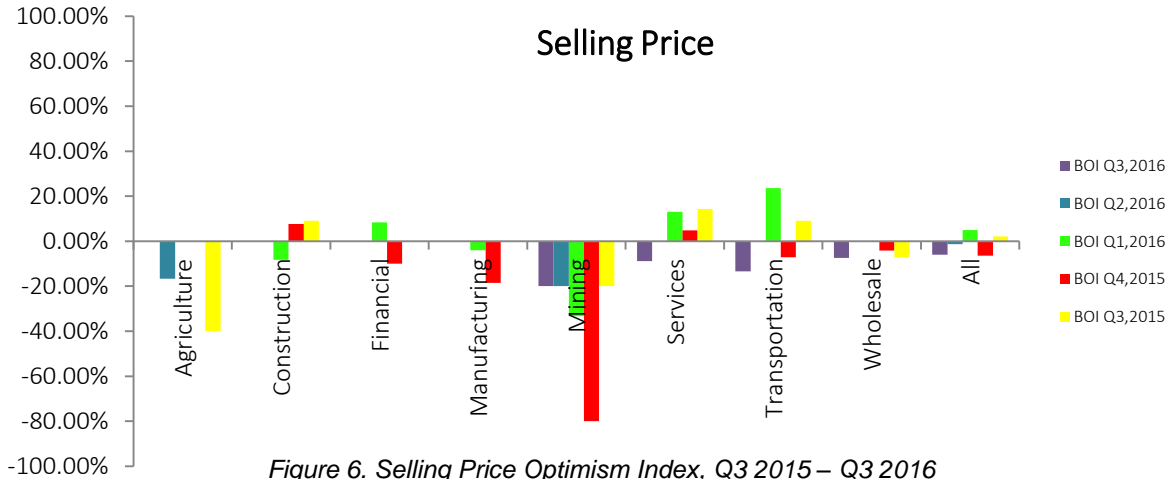


Figure 6. Selling Price Optimism Index, Q3 2015 – Q3 2016

New Orders

New orders are expected to continue increase at net +10.00% (compared to net +2.00% in Q2 2016). The agriculture (net +50.0%), financial (net 25.00%), wholesale (net +14.81%), construction (net +10.00%), and services (net +8.89%) sectors are optimistic about new orders for Q3 2016. Manufacturing (net 0%) sector anticipated new orders to remain unchanged. Meanwhile, the mining (net -20.00%), and transportation (-13.33%) sectors are downbeat about new orders for Q3 2016.

New Orders (All Sectors)

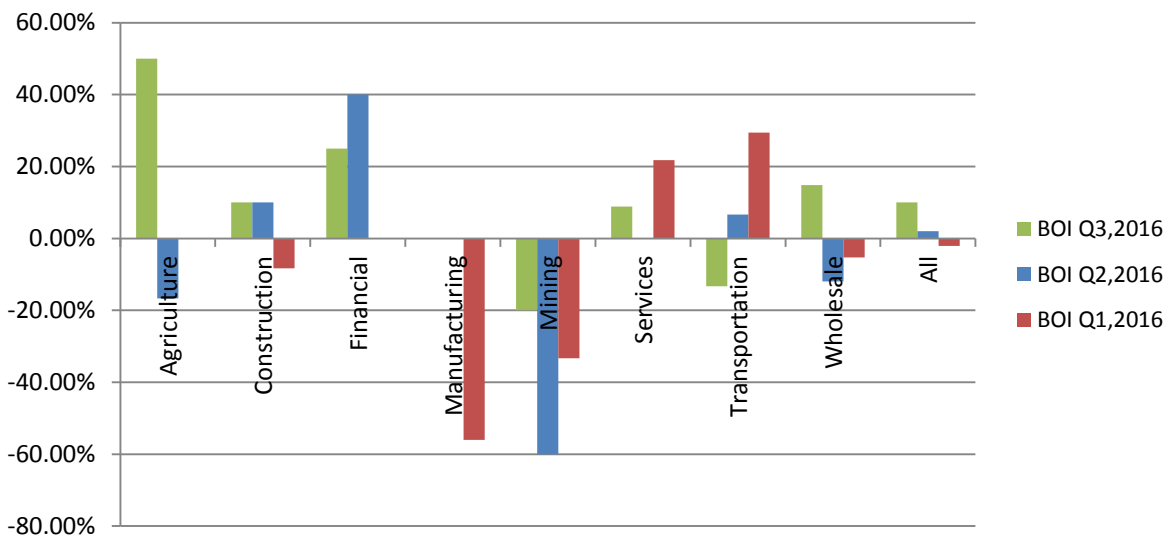


Figure 7. New Orders Optimism Index (All Sectors), Q1 2016 – Q3 2016

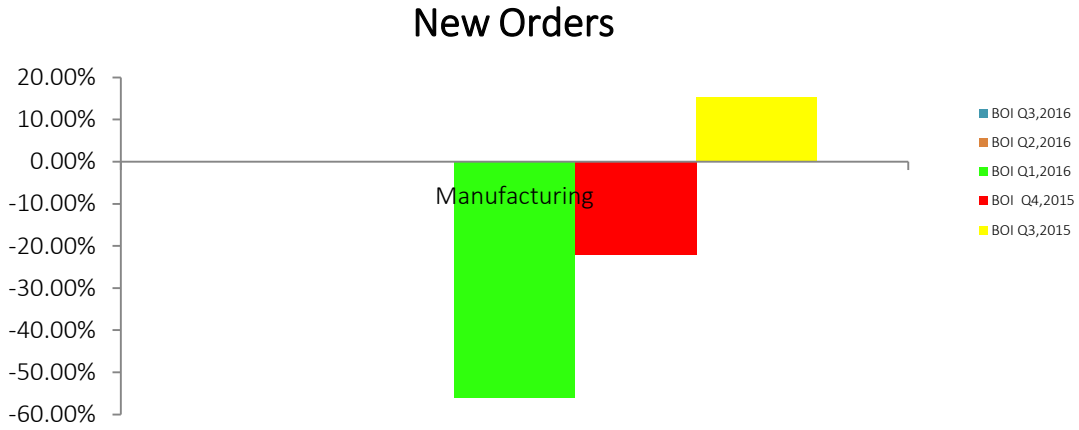


Figure 8. New Orders Optimism Index (Manufacturing), Q3 2015 – Q3 2016

Employment

Employment levels remains unchanged at net 0% for Q3 2016, similar to Q2 2016. The construction (net +20.00%), wholesale (net +7.41%), and services (net +2.22%) sectors are most upbeat about employment while mining (net -60.00%), transportation (net -6.67%) and manufacturing (net -4.55%) sectors have anticipated employment to decline in Q3 2016. Both agriculture and mining (net 0%) have anticipated hiring to remain unchanged.

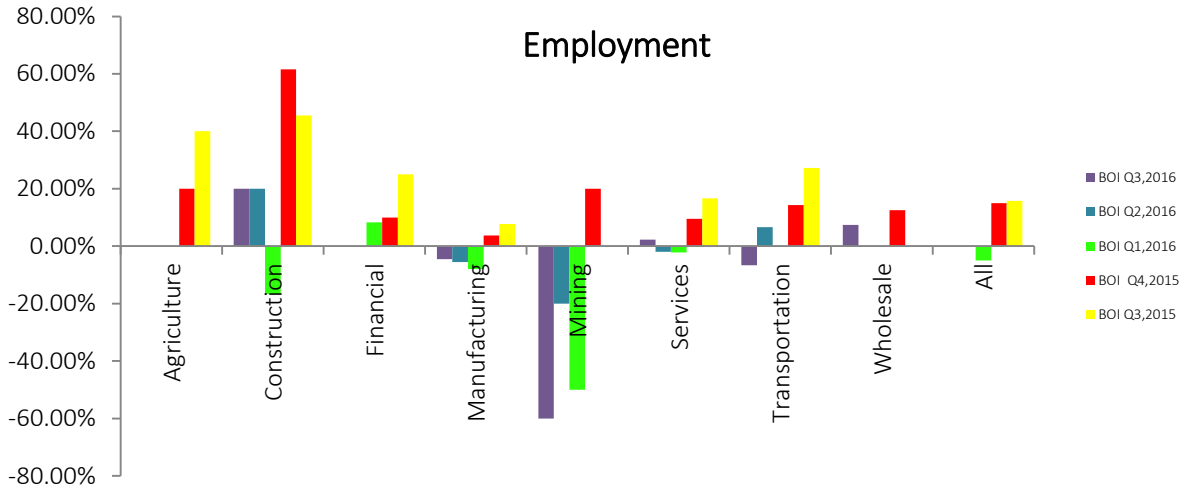


Figure 9. Employment Optimism Index, Q3 2015 – Q3 2016

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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