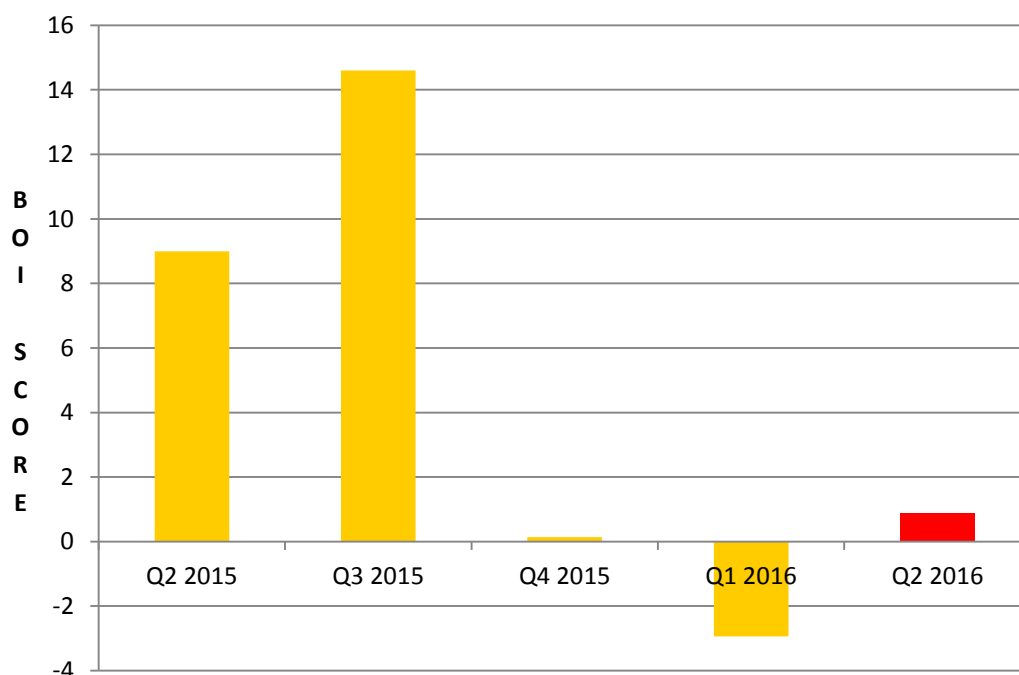


Contact:  
Eugene Z., Marcom & Product Development  
Eugene.tan@dnb.com.sg  
+65 6439 6670  
+65 9478 5568

**FOR IMMEDIATE RELEASE**

## **Marginal rebound in local business sentiments for Q2 2016** *- Singapore Commercial Credit Bureau*

**Singapore, 29 February 2016** – Local business confidence rebounds slightly into the expansionary zone after hitting a historical low in the first quarter of 2016. According to Singapore Commercial Credit Bureau (SCCB)'s latest quarterly Business Optimism Index (BOI) study, BOI is marginally positive as it inches up from -2.93 percentage points in Q1 2016 to +0.89 percentage points in Q2 2016. On a year-on-year (y-o-y) basis, BOI fell from +9.0 percentage points in Q2 2015 to +0.89 percentage points in Q2 2016.



*Figure 1. Overall Business Optimism Score, Q2 2015 – Q2 2016*

Despite the slight improvement in BOI, business confidence remains weak. For Q2 2016, 2 of six indicators are in marginally positive territory, as compared to just 1 of six indicators in Q1 2016.

According to SCCB, volume of sales, net profits and selling price are in the contractionary zone for Q2 2016.

- Overall volume of sales and net profits remained contractionary for the third consecutive quarter. Volume of sales climbed from -7.04 percentage points in Q1 2016 to -1.99 percentage points in Q2 2016 while net profits inched up moderately from -5.63 percentage points in Q1 2016 to -1.33 percentage points in Q2 2016.
- Selling price dipped after a slight rebound in Q1 2016, falling from +4.93 percentage points to -1.33 percentage point in Q2 2016.
- Meanwhile, overall employment levels are expected to remain unchanged in Q2 2016 after falling into the contractionary region the quarter before.
- New orders for manufacturers are also expected to remain unchanged after two consecutive quarters of decline. On the overall, new orders for all sectors were marginally expansionary, rising from -2.11 percentage points in Q1 2016 to +2.0 percentage points in Q2 2016.
- Inventory levels are expected to be expansionary, rising from -2.82 percentage points in Q1 2016 to +6.0 percentage points in Q2 2016.

A y-o-y comparison further reveals that only 2 of six indicators were expansionary in Q2 2016 compared to 4 indicators in Q2 2015.

- Both volume of sales and net profits fell severely from +15.0 percentage points in Q2 2015 to -1.99 percentage points in Q2 2016; and +23.57 percentage points in Q2 2015 to -1.33 percentage points in Q2 2016.
- Selling price dropped from +2.86 percentage points in Q2 2015 to -1.33 percentage points in Q2 2016.
- Meanwhile, inventory levels rose from -3.57 percentage points in Q2 2015 to +6.0 percentage points in Q2 2016.
- New orders for manufacturers climbed from -8.70 percentage points in Q2 2015 to 0 percentage points in Q2 2016.
- Employment levels fell from +10.0 percentage points Q2 2015 to 0 percentage point in Q2 2016.

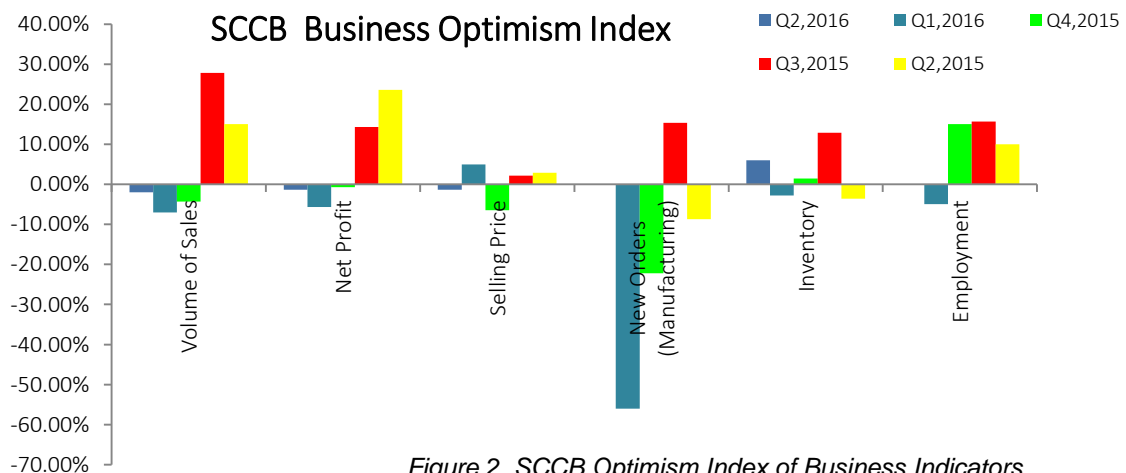


Figure 2. SCCB Optimism Index of Business Indicators, Q2 2015 – Q2 2016

The construction sector emerged as the most optimistic sector with 5 indicators in the expansionary region in Q2 2016.

- The improved outlook within the sector is due to an anticipated increase in public sector construction demand in the coming months.
- With the exception of selling price, all remaining business indicators were expansionary, improving visibly from the previous quarter.
- Both volume of sales and net profits experienced marked increases compared to the previous quarter. Volume of sales rose from 0 percentage points in Q1 2016 to +30.0 percentage points in Q2 2016 while net profits climbed from -8.33 percentage points in Q1 2016 to +30.0 percentage points in Q2 2016.
- Meanwhile, the remaining indicators have rebounded from the contractionary region.
- Selling price increased from -8.33 percentage points in Q1 2016 to 0 percentage points in Q2 2016.
- New orders climbed from -8.33 percentage points in Q1 2016 to +10.0 percentage points in Q2 2016.
- Inventory increased from -8.33 percentage points in Q1 2016 to +20.0 percentage points in Q2 2016 while employment level rose from -16.67 percentage points in Q1 2016 to +20.0 percentage points in Q2 2016.

As with Q1 2016, the transportation sector emerged as the second most optimistic sector with 4 indicators in the expansionary region for Q2 2016. However, SCCB notes signs of moderation in 3 of six business indicators.

- Net profits, selling price and new orders are expected to moderate strongly in Q2 2016.
- Net profits fell from +29.41 percentage points in Q1 2016 to +13.33 percentage points in Q2 2016 while new orders plunged from +29.41 percentage points in Q1 2016 to +6.67 percentage points in Q2 2016.
- Selling price is expected to remain unchanged, falling from +23.53 percentage points in Q1 2016 to 0 percentage points in Q2 2016.
- Volume of sales rose slightly from +5.88 percentage points in Q1 2016 to +6.67 percentage points in Q2 2016 while employment levels increased from 0 percentage points in Q1 2016 to +6.67 percentage points in Q2 2016.
- Inventory levels are expected to remain unchanged at 0 percentage points for Q2 2016.

Meanwhile, the services sector is the third most optimistic with 3 indicators in the expansionary region for Q2 2016. However, as with the transportation sector, SCCB notes signs of moderation in 4 of six business indicators.

- The moderation in optimism is partly due to the anticipated decline in sales following brisk business during the festive season in the first quarter of 2016.
- Volume of sales has moderated slightly from +10.87 percentage points in Q1 2016 to +7.84 percentage points in Q2 2016.
- Net profits have moderately strongly from +13.04 percentage points in Q1 2016 to +1.96 percentage points in Q2 2016.
- Both new orders and selling price are expected to remain unchanged – the former taking a plunge from +21.74 percentage points in Q1 2016 to 0 percentage point in Q2 2016 while the latter slips from +13.04 percentage points in Q1 2016 to 0 percentage points in Q2 2016.
- Employment size remained in the contractionary zone, inching slightly from -2.17 percentage points in Q1 2016 to -1.96 percentage points in Q2 2016.

The manufacturing sector remained downbeat about the outlook due largely to the continued contraction within the electronics and transport engineering sub-sectors and a dent in industrial production.

- According to SCCB, 3 of six business indicators have remained in the contractionary region.
- Volume of sales and net profits were still in the negative zone despite moderating upwards in Q2 2016. Volume of sales climbed from -56.0 percentage points in Q1 2016 to -27.78

percentage points in Q2 2016 while net profits rose from -48.0 percentage points in Q1 2016 to -16.67 percentage points in Q2 2016.

- Employment levels have inched upwards slightly from -8.0 percentage points in Q1 2016 to -5.56 percentage points in Q2 2016.
- Both selling price and new orders for manufacturers are expected to remain unchanged.
- Inventory level is the only positive indicator, rising from -20.0 percentage points in Q1 2016 to +27.78 percentage points in Q2 2016.

Decimated by a global commodity slump, the outlook for the mining sector remained bleak with 5 of six business indicators in the contractionary region.

- Net profits, new orders and inventory levels have deteriorated further in Q2 2016.
- According to SCCB, net profits fell from -66.67 percentage points in Q1 2016 to -80.0 percentage points in Q2 2016 while new orders dropped from -33.33 percentage points in Q1 2016 to -60.0 percentage points in Q2 2016.
- Inventory level dropped from 0 percentage point in Q1 2016 to -20.0 percentage points in Q2 2016.
- Volume of sales is expected to remain unchanged, rising from -50.0 percentage points in Q1 2016 to 0 percentage point in Q2 2016.
- Hiring sentiments remain muted as employee level rose from -50.0 percentage points in Q1 2016 to -20.0 percentage points in Q2 2016.

“With the lacklustre global economic growth posing a drag on the local economy, the outlook for the business community will remain subdued in the coming months. It is quite unlikely we will see any significant improvement in the BOI anytime soon. For Q2, the services industry, in particular, has anticipated cautious optimism for the second quarter ahead due largely to the effects of weaker demand following brisk festive sales during the months before.” commented Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“As both global risks and domestic constraints will continue to weigh on sentiments in the coming months, it would be prudent for firms to re-look into their business models and focus on value creation to stay competitive. Instead of struggling to keep afloat, businesses should up their game and embrace a new curve, whether this be in the form of innovations, new corporate strategies and operating models which represent shifts from the old ways of running their business.” added Ms. Chia.

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 for the third consecutive quarter, registering -1.99% (compared to net -7.04% in Q1 2016). The construction sector is most optimistic (net +30.0%), followed by finance (net +10.0%), services (net +7.84%) and transportation (net +6.67%). The mining sector anticipated volume of sales to remain unchanged (net 0%). The agriculture (net -66.67%), manufacturing (net -27.78%) and wholesale (net -4.0%) sectors are pessimistic about volume of sales.

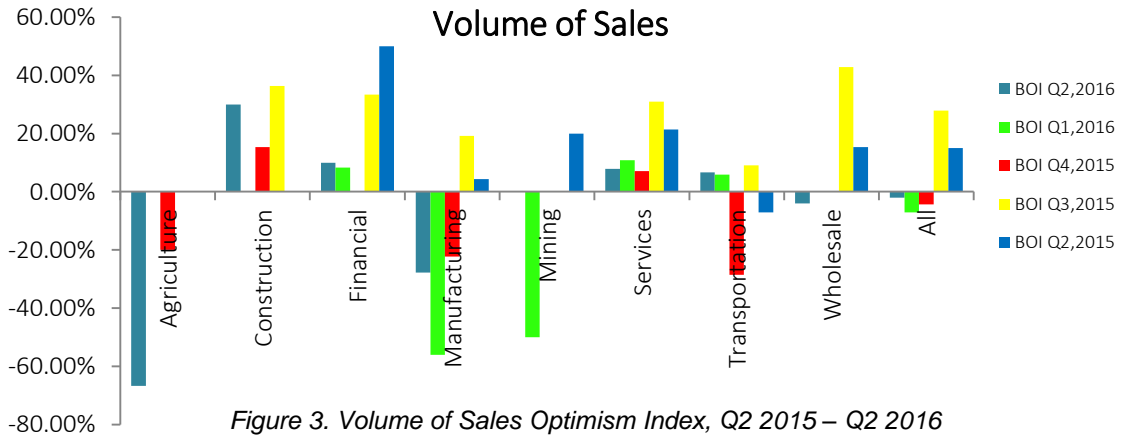


Figure 3. Volume of Sales Optimism Index, Q2 2015 – Q2 2016

**Net Profit**

As with volume of sales, net profit remained contractionary at net -1.33% (compared to net -5.63% in Q1 2016). The construction (net +30.0%), finance (net +20.0%) and transportation (net +13.33%) sectors are most optimistic. Meanwhile, the services (net +1.96%) sector is marginally optimistic while the remaining sectors are pessimistic about net profit – Wholesale (net -4.0%), Manufacturing (net -16.67%), agriculture (net -66.67%) and mining (net -80.0%).

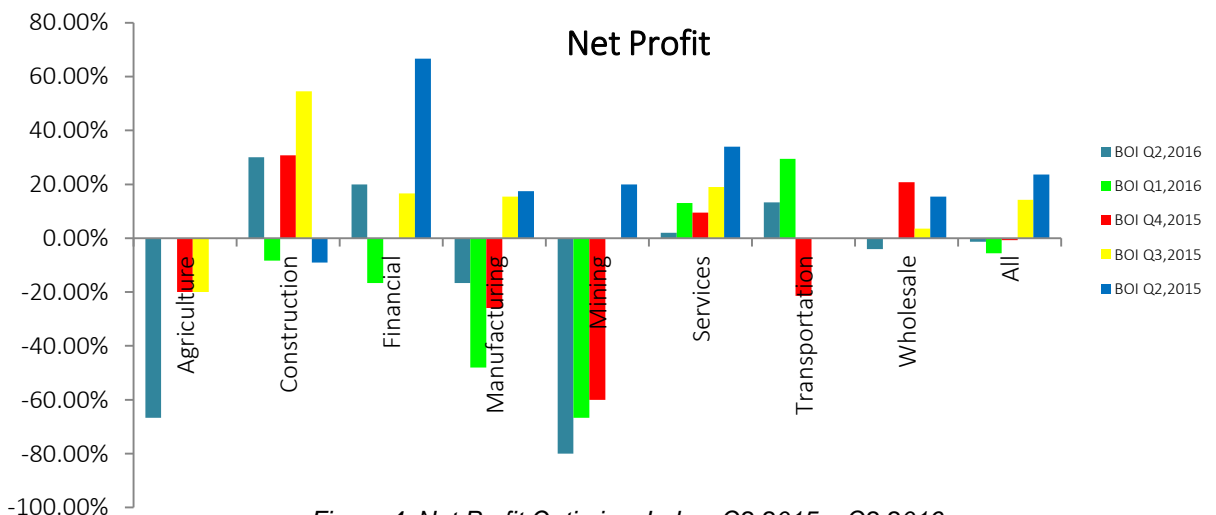


Figure 4. Net Profit Optimism Index, Q2 2015 – Q2 2016

**Inventory Levels**

Inventory levels rebound back into the expansionary zone at +6.0% (compared to net -2.82% in Q1 2016). The manufacturing (net +27.78%), construction (net +20.0%), wholesale (net +16.0%) and services (net +9.80%) sectors are optimistic about inventory levels. Meanwhile, the transportation and finance sectors have anticipated inventory levels to remain unchanged (net 0%). Both mining (net -20.0%) and agricultural (net -100.0%) sectors are pessimistic about inventory levels.

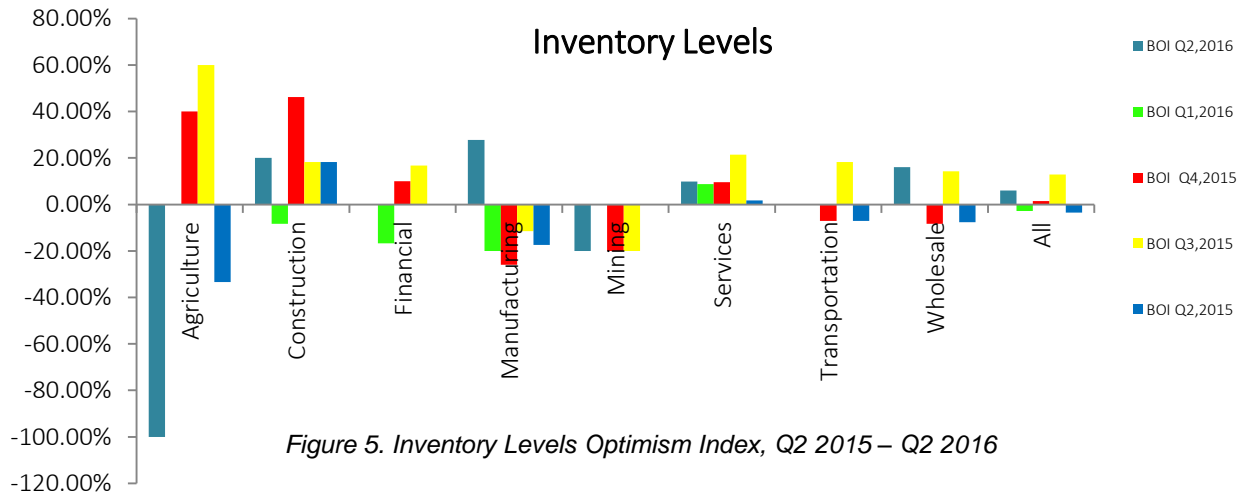


Figure 5. Inventory Levels Optimism Index, Q2 2015 – Q2 2016

**Selling Price**

Selling price fell into contractionary zone at net -1.33 % (compared to net +4.93% in Q1 2016). With the exception of the agricultural (net -16.67%) and mining (net -20.0%) sectors, the remaining sectors have expected selling price to remain unchanged (net 0%) – Construction, Finance, Manufacturing, Services, Transportation and Wholesale.



Figure 6. Selling Price Optimism Index, Q2 2015 – Q2 2016

**New Orders**

New orders are expected to rebound marginally into positive territory at net +2.0% (compared to net -2.11% in Q1 2016). The finance (net +40.0%), construction (net +10.0%) and transportation (net +6.67%) sectors are the only sectors which are upbeat about new orders for Q2 2016. Meanwhile, new orders for both manufacturing and services sectors expected to remain unchanged (net 0%). The remaining sectors are downbeat about new orders –wholesale (net -12.0%), agriculture (net -16.67%) and mining (net -60.0%).

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

**New Orders (All Sectors)**

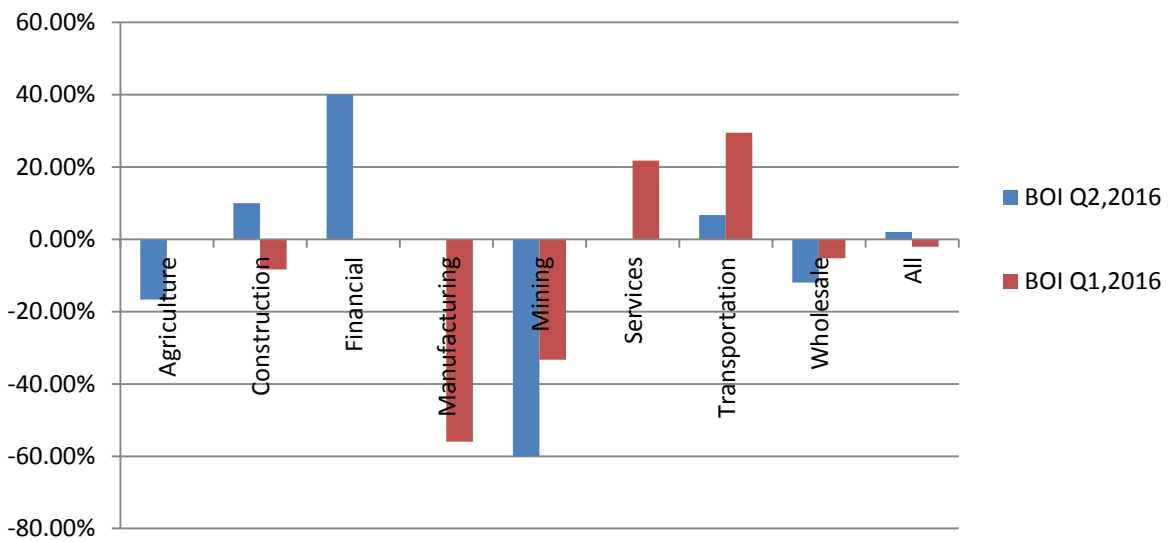


Figure 7. New Orders Optimism Index (All Sectors), Q1 2016 – Q2 2016

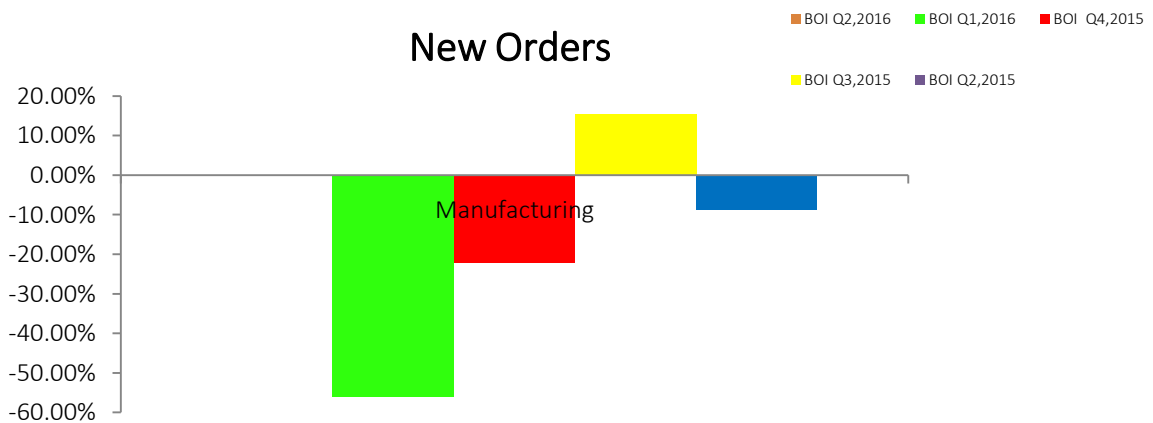


Figure 8. New Orders Optimism Index (Manufacturing), Q2 2015 – Q2 2016

**Employment**

Employment levels are expected to remain unchanged for Q2 2016 (compared to net -4.93% in Q1 2016). The construction (net +20.0%) and transportation (net +6.67%) sectors are most upbeat about employment while services (net -1.96%), manufacturing (net -5.56%) and mining (net -20.0%) have anticipated employment to decline in Q2 2016. The remaining sectors have expected hiring to remain unchanged (net 0%) – Agriculture, Finance and Wholesale.

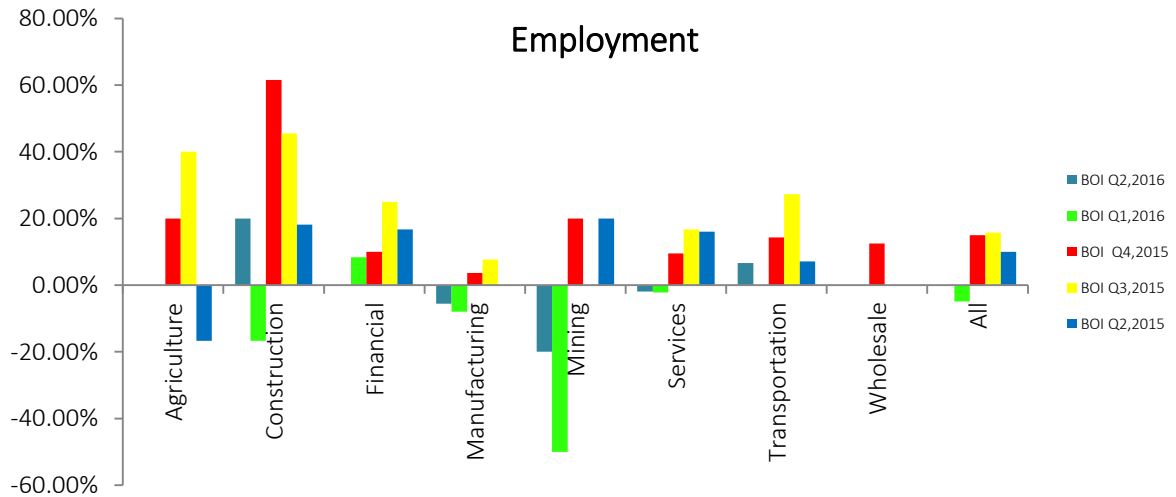


Figure 9. Employment Optimism Index, Q2 2015 – Q2 2016

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



**Contact Information**

**Eugene Z.**

**Marcom & Product Development**

**DID: +65 6439 6670**

**HP: +65 9478 5568**

**Email: Eugene.Tan@dnb.com.sg**