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**FOR IMMEDIATE RELEASE**

**Business optimism moderates in Q4 2018**  
*Construction Sector remains downbeat in Q4 2018*  
 - Singapore Commercial Credit Bureau

**Singapore, 11 September 2018** – Local business sentiment has moderated slightly for the final quarter of 2018 following the uptrend for the past three consecutive quarters. According to Singapore Commercial Credit Bureau (SCCB)'s Business Optimism Index study, BOI eased moderately from +10.58 percentage points in Q3 2018 to +9.19 percentage points in Q4 2018. On a year-on-year (y-o-y) basis, BOI increased significantly from +2.60 percentage points in Q4 2017 to +9.19 percentage points in Q4 2018.

For Q4 2018, 5 of six indicators are expansionary – as compared to all 6 indicators in Q3 2018.

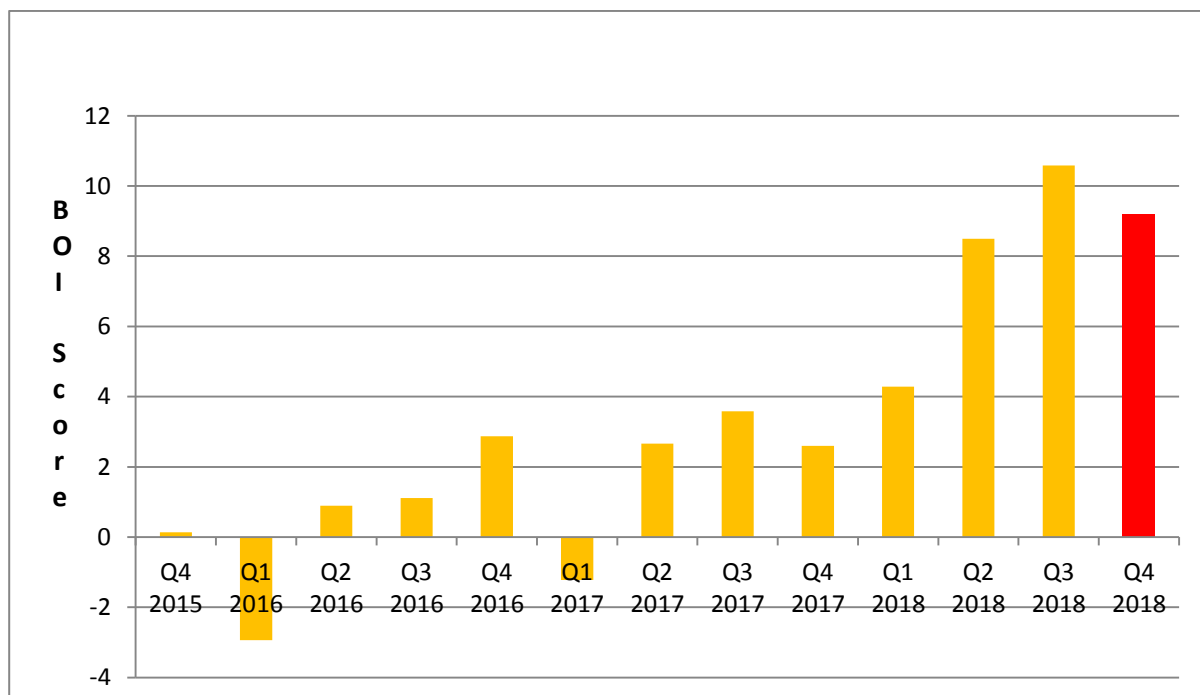


Figure 1. Overall Business Optimism Score, Q4 2015 – Q4 2018

**Point Commentary**

According to SCCB, only 2 of six indicators have risen as compared to three in Q3 2018 on a q-o-q basis.

- ❖ Volume of sales has risen from +10.0 percentage points in Q3 2018 to +16.59 percentage points in Q4 2018.
- ❖ Net profits has inched up slightly from +7.5 percentage points in Q3 2018 to +8.78 percentage points in Q4 2018.
- ❖ Selling price fell into the contractionary zone from +4.5 percentage points in Q3 2018 to -0.98 percentage points in Q4 2018.
- ❖ New orders moderated downwards from +16.0 percentage points in Q3 2018 to +12.68 percentage points in Q4 2018.
- ❖ Inventory levels slipped from +16.5 percentage points in Q3 2018 to +13.66 percentage points in Q4 2018.
- ❖ Employment levels dropped from +9.0 percentage points in Q3 2018 to +4.39 percentage points in Q4 2018.

On a y-o-y basis, 5 of six indicators have improved for Q4 2018.

- ❖ Volume of sales increased from +5.34 percentage points in Q4 2017 to +16.59 percentage points in Q4 2018.
- ❖ Net profits rose from +2.48 percentage points in Q4 2017 to +8.78 percentage points in Q4 2018.
- ❖ Selling price fell into negative territory from +2.91 percentage points in Q4 2017 to -0.98 percentage points in Q4 2018.
- ❖ New orders climbed from +7.28 percentage points in Q4 2017 to +12.68 percentage points in Q4 2018.
- ❖ Inventory levels rebounded from -5.83 percentage points in Q4 2017 to +13.66 percentage points in Q4 2018.
- ❖ Employment levels increased from +3.40 percentage points in Q4 2017 to +4.39 percentage points in Q4 2018.

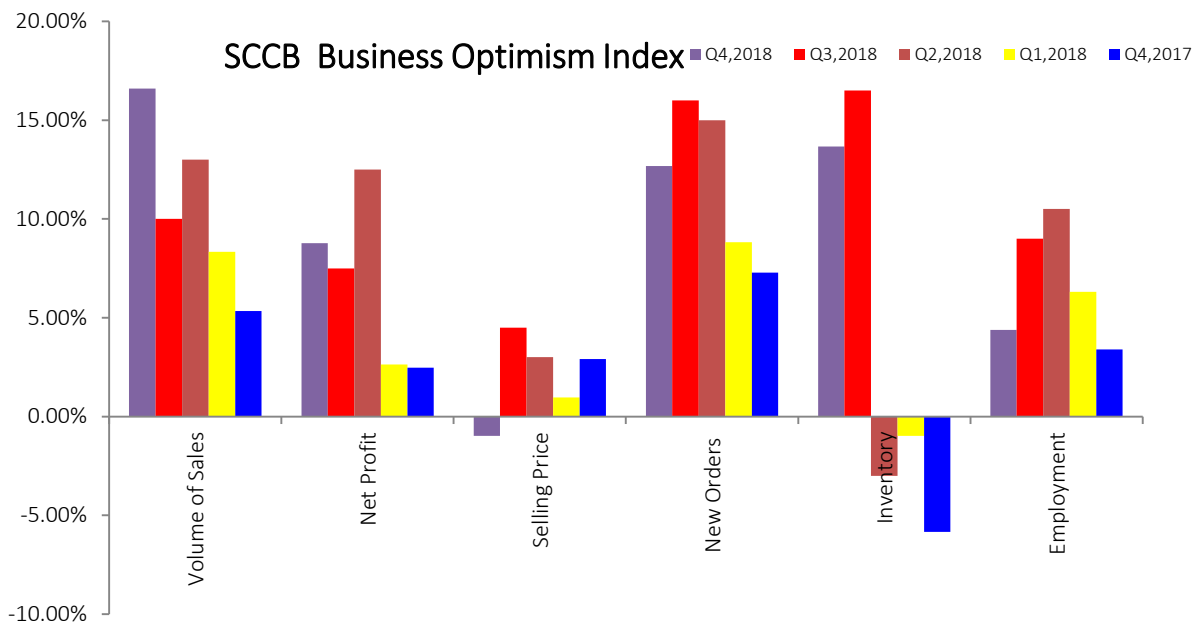


Figure 2. SCCB Optimism Index of Business Indicators, Q4 2017 – Q4 2018

### **Key Highlights for Q4 2018 Sectoral Outlook**

As with the previous quarter, both services and manufacturing have emerged as the most optimistic sectors with 6 indicators in the positive region for Q4 2018.

#### **Manufacturing**

Sentiments among manufacturers continue to remain upbeat owing to the continued growth across all sub-sectors including electronics, biomedical manufacturing and transport engineering. All 6 indicators are in positive territory for Q4 2018.

- ❖ Both volume of sales and net profits jumped from +10.0 percentage points in Q3 2018 to +17.5 percentage points in Q4 2018.
- ❖ New orders climbed marginally from +12.5 percentage points in Q3 2018 to +15.0 percentage points in Q4 2018.
- ❖ Inventory levels rose significantly from +12.5 percentage points in Q3 2018 to +22.5 percentage points in Q4 2018.
- ❖ Both selling price and employment levels fell from +7.5 percentage points in Q3 2018 to +2.5 percentage points in Q4 2018 and from +17.5 percentage points in Q3 2018 to +7.5 percentage points in Q4 2018 respectively.

#### **Services**

The services sector has also remained optimistic with all 6 indicators in expansionary zone for Q4 2018. However, majority of the indicators have eased downwards due to moderations in growth within the information and communications, and corporate services sub-sectors.

- ❖ Volume of sales declined from +19.18 percentage points in Q3 2018 to +12.33 percentage points in Q4 2018.
- ❖ Net profits fell from +16.44 percentage points in Q3 2018 to +9.59 percentage points in Q4 2018.
- ❖ Selling price, new orders and inventory levels each dropped from +16.44 percentage points in Q3 2018 to +8.22 percentage points in Q4 2018.
- ❖ Employment levels have remained unchanged at +9.59 percentage points in Q4 2018.

#### **Wholesale**

Owing to robust growth in the wholesale trade of machinery, equipment and supplies, the sector saw an upturn in sentiments with 5 indicators in positive territory in Q4 2018. This stands in contrast to Q3 2018 when only 2 indicators were in the positive zone.

- ❖ Net profit rebounded from the negative territory from -10.71 percentage points in Q3 2018 to +17.86 percentage points in Q4 2018.
- ❖ New orders climbed slightly from +25.0 percentage points in Q3 2018 to +32.14 percentage points in Q4 2018.
- ❖ Inventory levels rose from +28.57 percentage points in Q3 2018 to +35.71 percentage points in Q4 2018.
- ❖ Selling price has remained in the contractionary zone, rising from -7.14 percentage points in Q3 2018 to -3.57 percentage points in Q4 2018.
- ❖ Volume of sales jumped significantly from 0 percentage point in Q3 2018 to +21.43 percentage points in Q4 2018.
- ❖ Employment levels climbed from 0 percentage point in Q3 2018 to +7.14 percentage points in Q4 2018.

### **Construction**

Following moderate improvements in the previous quarter, sentiments within the construction sector deteriorated visibly with improvements seen in only 2 of six indicators.

- ❖ Both volume of sales and net profits each jumped from +9.09 percentage points in Q3 2018 to +27.27 percentage points and +18.18 percentage points respectively in Q4 2018.
- ❖ Selling price, inventory and employment levels fell into the negative zone.
- ❖ Selling price and inventory levels each fell from 0 percentage point in Q3 2018 to -36.36 percentage points and -18.18 percentage points in Q4 2018 respectively.
- ❖ Employment levels plunged into the negative zone from +9.09 percentage points in Q3 2018 to -45.45 percentage points in Q4 2018.
- ❖ New orders remained contractionary, falling from -9.09 percentage points in Q3 2018 to -36.36 percentage points in Q4 2018.

### **Transportation**

The outlook for the transportation sector has also moderated compared to the previous quarter with only 3 of six indicators in expansionary zone. This is due to a slight contraction in overall growth of the sector in recent months.

- ❖ Both volume of sales and employment levels rose from +20.0 percentage points in Q3 2018 to +30.0 percentage points in Q4 2018 and from +5.0 percentage points in Q3 2018 and +10.0 percentage points in Q4 2018 respectively.
- ❖ New orders fell from +20.0 percentage points in Q3 2018 to +5.0 percentage points in Q4 2018.
- ❖ Net profit, selling price and inventory levels fell into the contractionary zone.
- ❖ Net profit declined from +20.0 percentage points in Q3 2018 to -50.0 percentage points in Q4 2018.
- ❖ Selling price dropped from 0 percentage point in Q3 2018 to -20.0 percentage points in Q4 2018.
- ❖ Inventory levels plunged from +20.0 percentage points in Q3 2018 to -5.0 percentage points in Q4 2018.

### **Financial**

Sentiments within the financial sector have remained relatively upbeat with a total of 3 indicators in positive territory for Q4 2018. However, there are signs of easing compared to the previous quarter with 4 indicators in expansionary zone.

- ❖ Both volume of sales and net profits each rose from +16.67 percentage points in Q3 2018 to +27.78 percentage points in Q4 2018.
- ❖ New orders jumped from +11.11 percentage points in Q3 2018 to +22.22 percentage points in Q4 2018.
- ❖ Inventory levels fell from +5.56 percentage points in Q3 2018 to 0 percentage point in Q4 2018.
- ❖ Selling price and employment levels have remained unchanged at 0 percentage point in Q4 2018.

“We maintain our cautious stance on the outlook of local businesses in the coming months. This is due largely to the potential weakening of global trade flows and negative spillovers brought about by recent retaliatory tariffs between US and China. For Q4 2018, we are seeing the downward moderation of majority of the indicators. However, we expect the outlook for the manufacturing and services sectors to remain relatively upbeat. The construction sector will see sustained weakness for the rest of the year due to muted activities within the public building segment.” commented Ms. Audrey Chia, SCCB’s Chief Executive Officer.

The Ministry of Trade and Industry (MTI) has maintained its GDP growth forecast for 2018 to be between 2.5 to 3.5 per cent.

**Overview of Business Indicators**

**Volume of Sales**

Volume of sales has increased to +16.59 percentage points (compared to +10.0 percentage points in Q3 2018). As with Q3 2018, the transportation sector (net +30.0 percentage points) is most upbeat, followed by financial (net +27.78 percentage points), construction (net +27.27 percentage points), wholesale (net +21.43 percentage points), manufacturing (net +17.50 percentage points) and services (net +12.33 percentage points). The mining sector (net -40.0 percentage points) is pessimistic about volume of sales while the agricultural sector (net 0 percentage point) has expected volume of sales to remain unchanged.

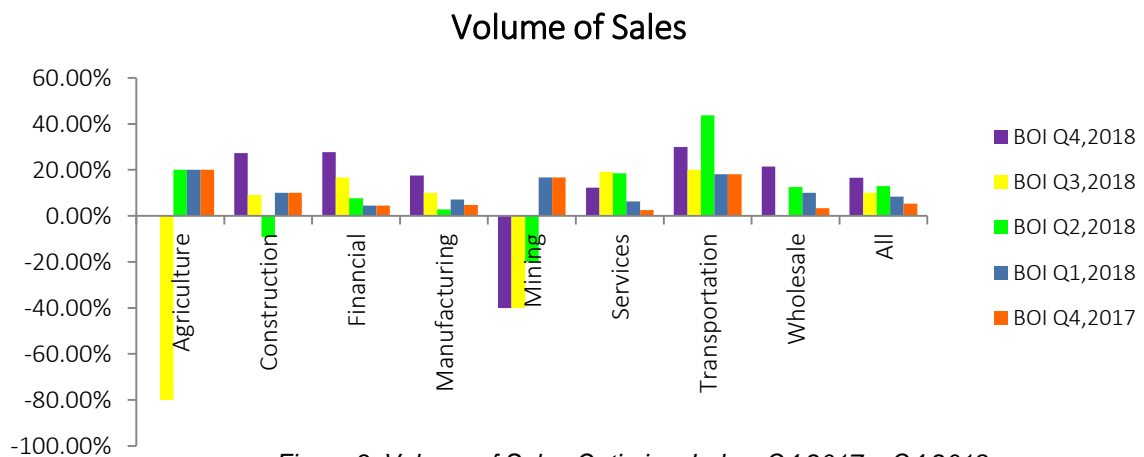


Figure 3. Volume of Sales Optimism Index, Q4 2017 – Q4 2018

**Net Profit**

Net profit has inched upwards to +8.78 percentage points (compared to +7.5 percentage points in Q3 2018). The agricultural sector (net +80.0 percentage points) is most upbeat, followed by financial (net +27.78 percentage points), construction (net +18.18 percentage points), wholesale (net +17.86 percentage points), manufacturing (net +17.5 percentage points) and services (net +9.59 percentage points). Both mining (net -40.0 percentage points) and transportation (net -50.0 percentage points) are downbeat about net profit.

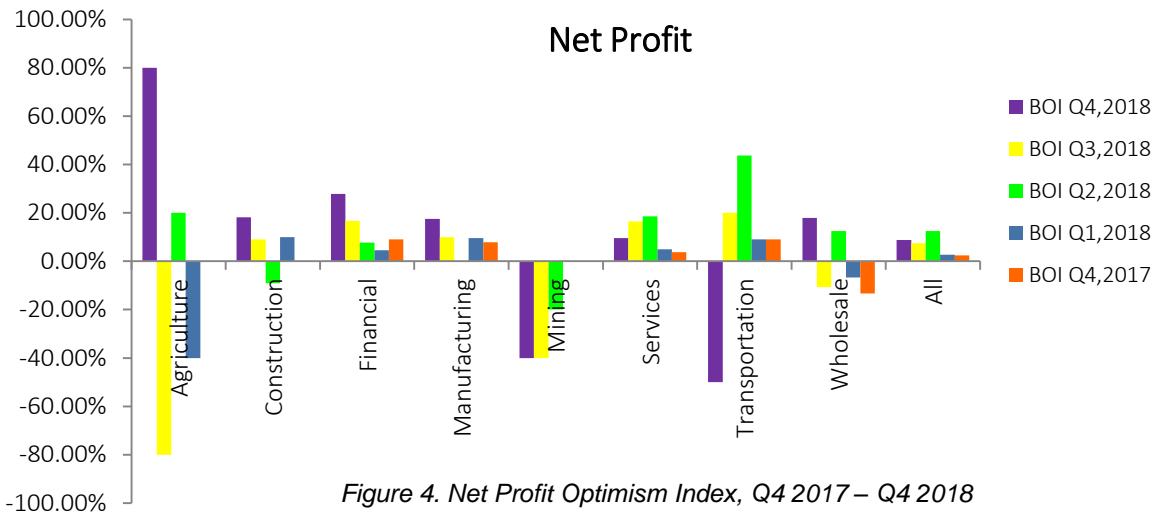


Figure 4. Net Profit Optimism Index, Q4 2017 – Q4 2018

**Inventory Levels**

Inventory levels have moderated slightly to -13.66 percentage points (compared to +16.5 percentage points in Q3 2018). The agricultural sector (net +80.0 percentage points) is most upbeat, followed by mining (net +40.0 percentage points), wholesale (net +35.71 percentage points), manufacturing (net +22.5 percentage points) and services (net +8.22 percentage points). The financial sector (net 0 percentage point) has anticipated inventory levels to remain unchanged. Both transportation (net -5.0 percentage points) and construction (net -18.18 percentage points) are downbeat about inventory levels.

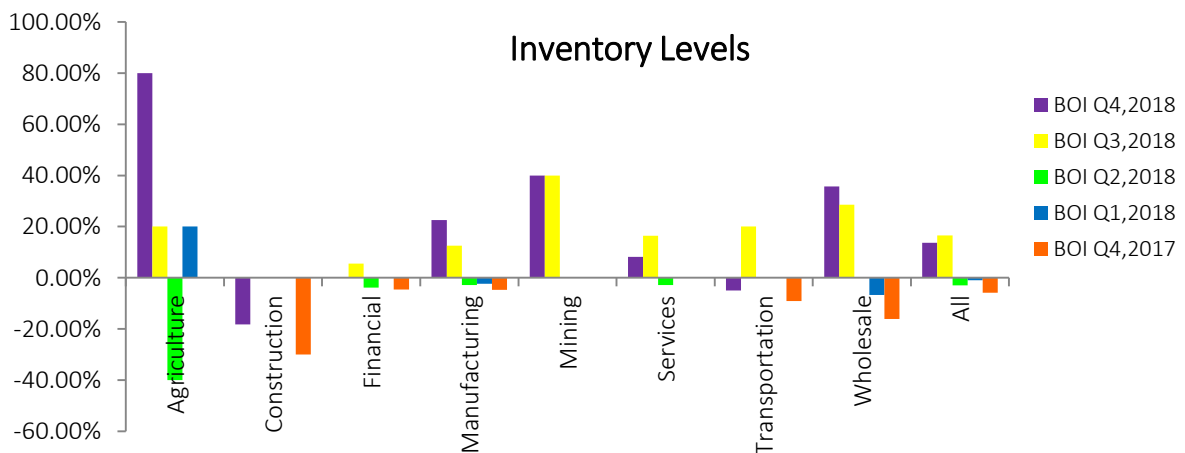


Figure 5. Inventory Levels Optimism Index, Q4 2017 – Q4 2018

**Selling Price**

Selling price fell into the contractionary zone to -0.98 percentage points (compared to net +2.91 percentage points in Q3 2018). The services sector (net +8.22 percentage points) is most optimistic, followed by manufacturing (net +2.5 percentage points). The majority of the sectors have anticipated selling price to remain unchanged – agricultural, financial and mining (net 0 percentage point). The remaining sectors are downbeat about selling price - wholesale (net -3.57 percentage points), transportation (net -20.0 percentage points) and construction sectors (net -36.36 percentage points).

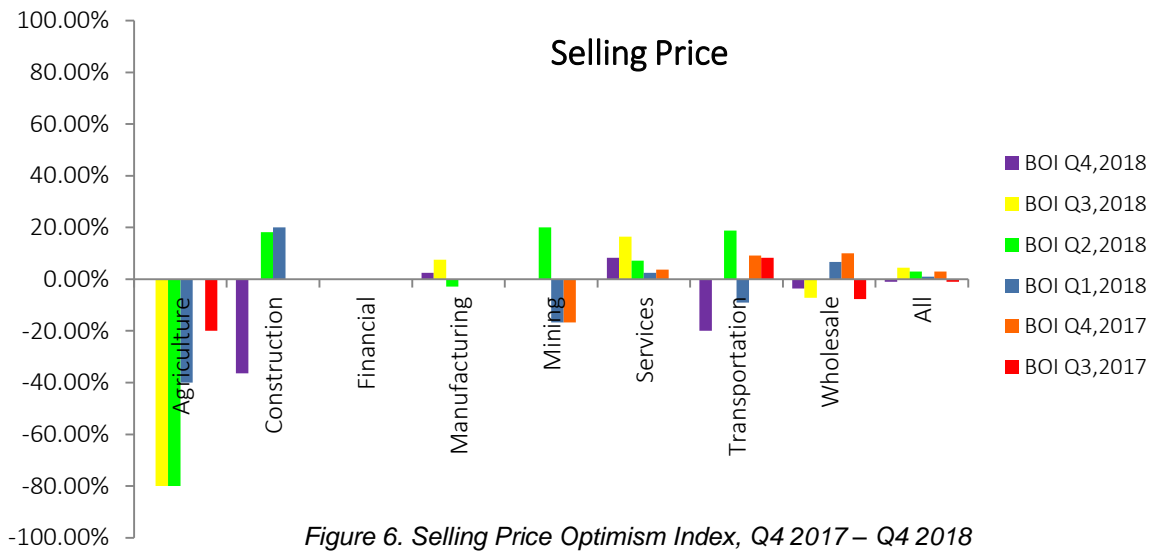


Figure 6. Selling Price Optimism Index, Q4 2017 – Q4 2018

**New Orders**

New orders moderated downwards to +12.68 percentage points (compared to +16.0 percentage points in Q3 2018). The agriculture sector (net +80.0 percentage points) is most upbeat, followed by wholesale (net +32.14 percentage points), financial (net +22.22 percentage points), manufacturing (net +15.0 percentage points), services (net +8.22 percentage points) and transportation (+5.0 percentage points). The mining sector (net 0 percentage points) has expected new orders to remain unchanged. The construction sector (net -36.36 percentage points) is most downbeat.



Figure 7. New Orders Optimism Index, Q4 2017 – Q4 2018

**Employment**

Employment levels have moderated further to +4.39 percentage points (compared to net +9.0 percentage points in Q3 2018). The transportation sector (net +10.0 percentage points) is most optimistic, followed by services (net +9.59 percentage points), manufacturing (net +7.5 percentage points) and wholesale (net +7.14 percentage points). The agriculture, financial and mining sectors (net 0 percentage point) has anticipated employment to remain unchanged. The construction sector (net -45.45 percentage points) is downbeat about employment.

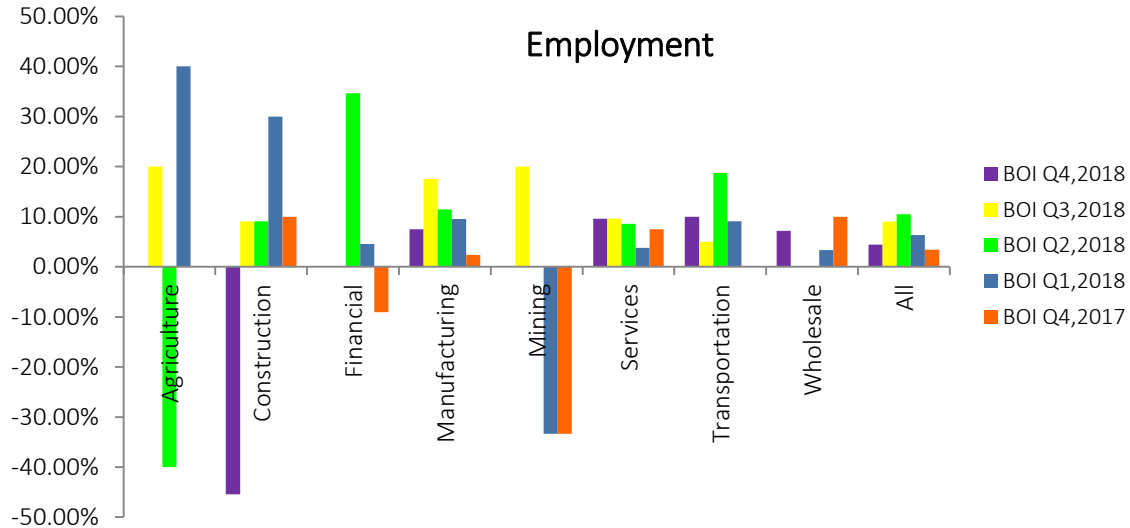


Figure 8. Employment Optimism Index, Q4 2017 – Q4 2018

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



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