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**FOR IMMEDIATE RELEASE**

## **Local business sentiment rises for the second consecutive quarter in Q2 2018**

### ***Outlook for Services and Transportation sectors most upbeat in Q2 2018 - Singapore Commercial Credit Bureau***

**Singapore, 05 March 2018** – Local business sentiments rose for the second consecutive quarter in Q2 2018. According to Singapore Commercial Credit Bureau (SCCB)'s Business Optimism Index study, BOI jumped visibly from +4.29 percentage points in Q1 2018 to +8.5 percentage points in Q2 2018. On a year-on-year (y-o-y) basis, BOI climbed from +2.66 percentage points in Q2 2017 to +8.5 percentage points in Q2 2018.

As with Q1 2018, 5 indicators are expansionary and 1 indicator is contractionary.

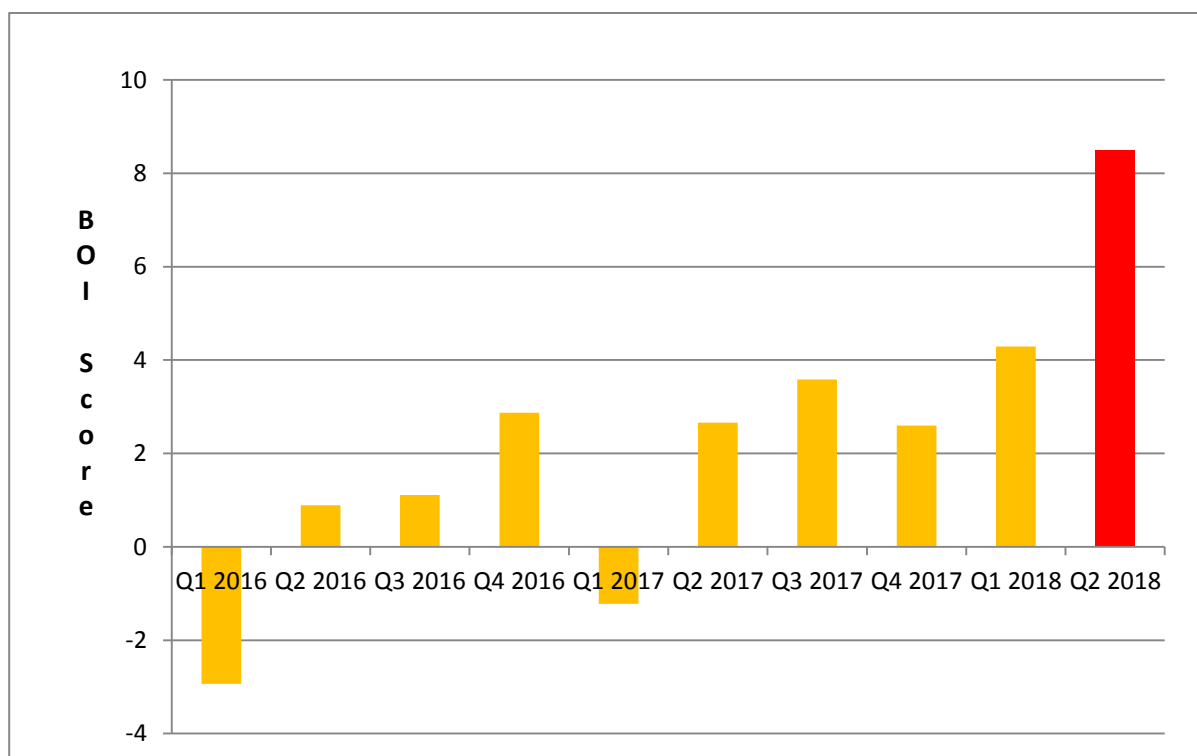


Figure 1. Overall Business Optimism Score, Q1 2016 – Q2 2018

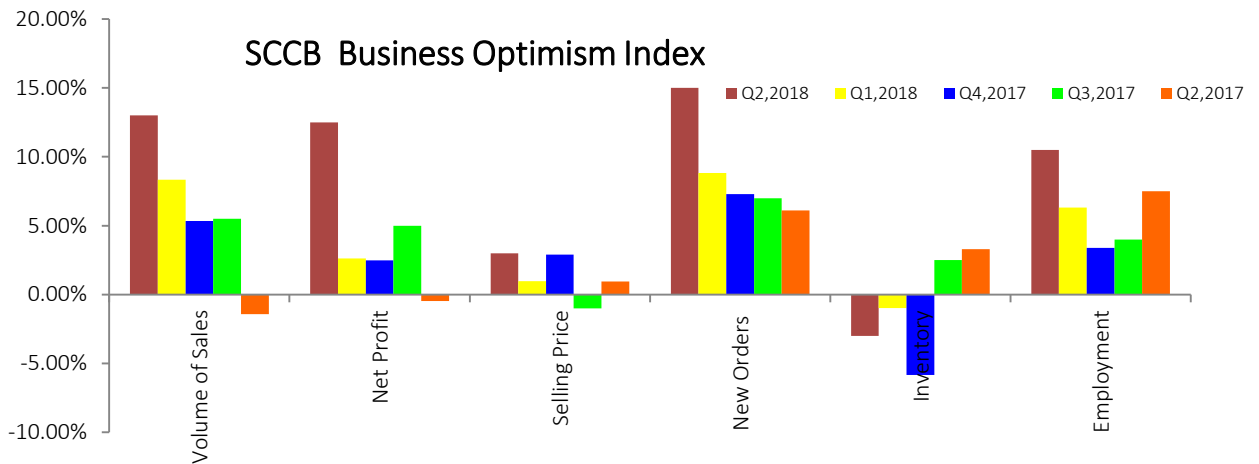
**Point Commentary**

According to SCCB, 5 of six indicators have risen for Q2 2018 on a q-o-q basis.

- ❖ Volume of sales has climbed from +8.33 percentage points in Q1 2018 to +13.0 percentage points in Q2 2018.
- ❖ Net profits jumped significantly from +2.63 percentage points in Q1 2018 to +12.5 percentage points in Q2 2018.
- ❖ Selling price edged upwards slightly from +0.97 percentage points in Q1 2018 to +3.0 percentage points in Q2 2018.
- ❖ New orders rose moderately from +8.82 percentage points in Q1 2018 to +15.0 percentage points in Q2 2018.
- ❖ Employment levels rose from +6.31 percentage points in Q1 2018 to +10.5 percentage points in Q2 2018.
- ❖ Inventory levels remained contractionary, dipping further from -0.97 percentage points in Q1 2018 to -3.0 percentage points in Q2 2018.

On a y-o-y basis, 5 of six indicators have improved for Q2 2018.

- ❖ Volume of sales and net profits have rebounded into positive territory.
- ❖ Volume of sales jumped from -1.41 percentage points in Q2 2017 to +13.0 percentage points in Q2 2018.
- ❖ Net profits rebounded from -0.47 percentage points in Q2 2017 to +12.50 percentage points in Q2 2018.
- ❖ New orders rose from +6.10 percentage points in Q2 2017 to +15.0 percentage points in Q2 2018.
- ❖ Employment levels increased from +7.51 percentage points in Q2 2017 to +10.5 percentage points in Q2 2018.
- ❖ Selling price climbed from +0.94 percentage point in Q2 2017 to +3.0 percentage points in Q2 2018.
- ❖ Inventory levels dipped into negative territory from +3.29 percentage points in Q2 2017 to -3.0 percentage points in Q2 2018.



*Figure 2. SCCB Optimism Index of Business Indicators, Q2 2017 – Q2 2018*

**Key Highlights for Q2 2018 Sectoral Outlook**

For Q2 2018, both transportation and services have emerged as the most optimistic sectors with 5 indicators in the positive region.

**Transportation**

Owing to growth within the water transport and air transport segments, the transportation sector is one of the most optimistic sectors with improvements seen in 5 indicators.

- ❖ Volume of sales rose from +18.18 percentage points in Q1 2018 to +43.75 percentage points in Q2 2018.
- ❖ Net profits rose from +9.09 percentage points in Q1 2018 to +43.75 percentage points in Q2 2018.
- ❖ Selling price rebounded into the expansionary zone from -9.09 percentage points in Q1 2018 to +18.75 percentage points in Q2 2018.
- ❖ Employment levels rose from +9.09 percentage points in Q1 2018 to +18.75 percentage points in Q2 2018.
- ❖ New orders jumped visibly from +18.18 percentage points in Q1 2018 to +37.5 percentage points in Q2 2018.
- ❖ Inventory levels remained unchanged at 0 percentage point in Q2 2018.

**Services**

Sentiments within the services sector have remained upbeat with 5 indicators in positive zone for Q2 2018. This was attributed to growth across most services sub-sector including information and communication, business services, accommodation and food services.

- ❖ Both volume of sales and net profits each rose from +6.25 percentage points and +5.0 percentage points in Q1 2018 to +18.57 percentage points in Q2 2018.
- ❖ New orders jumped from +6.25 percentage points in Q1 2018 to +22.86 percentage points in Q2 2018.
- ❖ Selling price increased from +2.5 percentage points in Q1 2018 to +7.14 percentage points in Q2 2018.
- ❖ Inventory levels slipped into the contractionary zone from 0 percentage point in Q1 2018 to -2.86 percentage points in Q2 2018.
- ❖ Employment levels climbed from +3.75 percentage points in Q1 2018 to +8.57 percentage points in Q2 2018.

**Financial**

The outlook for the financial sector remains optimistic with 4 indicators in positive territory for Q2 2018. This was largely due to stellar growth within the financial intermediation and insurance sectors.

- ❖ Both volume of sales and net profits rose from +4.55 percentage points in Q1 2018 to +7.69 percentage points in Q2 2018.
- ❖ Selling price remains unchanged at 0 percentage point in Q2 2018.
- ❖ New orders moderated downwards from +9.09 percentage points in Q1 2018 to +3.85 percentage points in Q2 2018.
- ❖ Inventory levels dipped from 0 percentage point in Q1 2018 to -3.85 percentage point in Q2 2018.
- ❖ Employment jumped from +4.55 percentage points in Q1 2018 to +34.62 percentage points in Q2 2018.

### **Wholesale**

Sentiments within the wholesale trade sector moderated slightly with 3 indicators in positive territory for Q2 2018. This was due to improvements in the wholesale trade of petroleum, telecommunications, computers and electronic components.

- ❖ Volume of sales, net profits and new orders rose to +12.5 percentage points in Q2 2018.
- ❖ Volume of sales inched upwards from +10.0 percentage points in Q1 2018 to +12.5 percentage points in Q2 2018.
- ❖ Net profits rebounded into positive territory from -6.67 percentage points in Q1 2018 to +12.5 percentage points in Q2 2018.
- ❖ New orders rose from +10.0 percentage points in Q1 2018 to +12.5 percentage points in Q2 2018.
- ❖ Selling price, inventory levels and employment remained unchanged at 0 percentage point in Q2 2018.

### **Manufacturing**

Due to a slowdown in growth by the transport engineering and biomedical manufacturing sectors, overall optimism within the manufacturing sector weakened in Q2 2018 with 3 indicators in positive territory (compared to 4 indicators in Q1 2018).

- ❖ Volume of sales moderated downwards from +7.14 percentage points in Q1 2018 to +2.86 percentage points in Q2 2018.
- ❖ Net profits slipped from +9.52 percentage points in Q1 2018 to 0 percentage point in Q2 2018.
- ❖ Selling price fell into negative zone from 0 percentage point in Q1 2018 to -2.86 percentage points in Q2 2018.
- ❖ Inventory levels remained in negative territory slipping from -2.38 percentage points in Q1 2018 to -2.86 percentage points in Q2 2018.
- ❖ New orders moderated from +11.91 percentage points in Q1 2018 to +5.71 percentage points in Q2 2018.
- ❖ Employment levels rose slightly from +9.52 percentage points in Q1 2018 to +11.48 percentage points in Q2 2018.

### **Construction**

The construction sector was one of the least optimistic sectors with 2 indicators in the positive region due to muted growth within the private building segment.

- ❖ Both volume of sales and net profits each fell into the negative zone from +10.0 percentage points in Q1 2018 to -9.09 percentage points in Q2 2018.
- ❖ Selling price dipped slightly from +20.0 percentage points in Q1 2018 to +18.18 percentage points in Q2 2018.
- ❖ Employment levels dropped from +30.0 percentage points in Q1 2018 to +9.09 percentage points in Q2 2018.
- ❖ New orders and inventory levels remained unchanged at 0 percentage point in Q2 2018.

"We expect the growth outlook to be relatively positive although downside risks will still prevail in 2018. The transportation and service-oriented sectors will be the key pillars of growth for 2018. However, the outlook for the construction sector is expected to remain lacklustre due to muted construction activities in the coming months." commented Ms. Audrey Chia, SCCB's Chief Executive Officer.

“Innovation, technological adoption and plugging gaps in skill sets would be the key areas which firms should focus on to remain relevant. To this end, the government has announced several new schemes and initiatives to help firms transform and deepen their capabilities.” added Ms. Chia.

The Ministry of Trade and Industry (MTI) has maintained its GDP growth forecast for 2018 to be between 1.5 to 3.5 per cent.

**Overview of Business Indicators**

**Volume of Sales**

Volume of sales is expected to inch upwards to +13.0 percentage points (compared to +8.33 percentage points in Q1 2018). The transportation sector (net +43.75 percentage points) is most optimistic, followed by agriculture (net +20.0 percentage points), services (net +18.57 percentage points) and wholesale (net +12.50 percentage points). The financial (net +7.69 percentage points) and manufacturing (net +2.86 percentage points) sectors are moderately optimistic. Both construction (net -9.09 percentage points) and mining (net -20.0 percentage points) are downbeat about volume of sales.

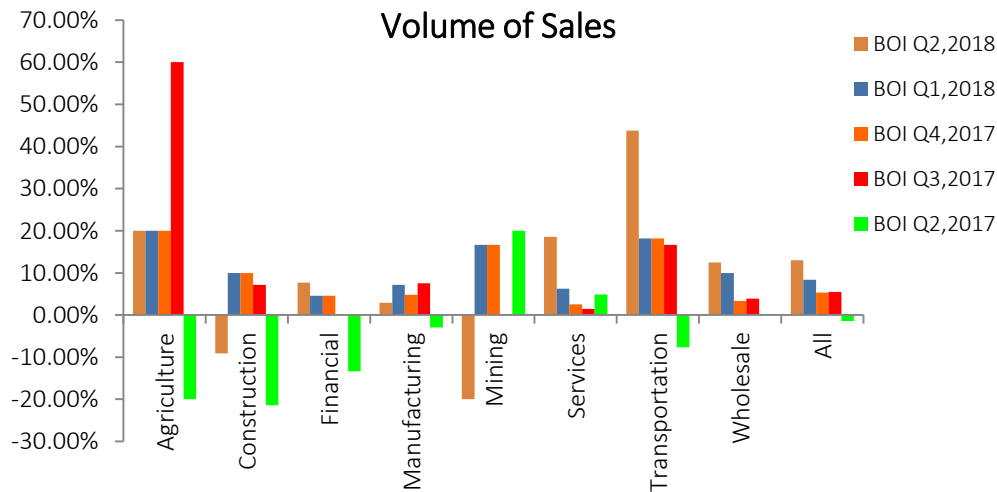


Figure 3. Volume of Sales Optimism Index, Q2 2017 – Q2 2018

**Net Profit**

Net profit has jumped significantly to +12.5 percentage points (compared to +2.63 percentage points in Q1 2018). The transportation sector (net +43.75 percentage points) is most optimistic, followed by agriculture (net +20.0 percentage points), services (net +18.57 percentage points), wholesale (net +12.5 percentage points) and financial (net +7.69 percentage points). The manufacturing sector (net 0 percentage point) has anticipated net profit to remain unchanged. Both construction (net -9.09 percentage points) and mining (net -20.0 percentage points) are pessimistic about net profit.

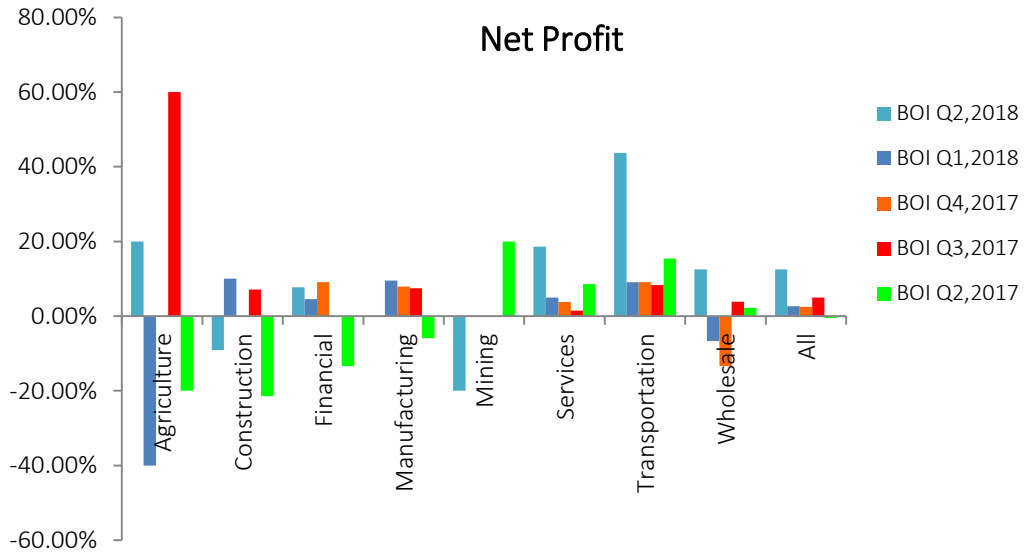


Figure 4. Net Profit Optimism Index, Q2 2017 – Q2 2018

**Inventory Levels**

Inventory levels have remained contractionary for the third consecutive quarter at -3.0 percentage points (compared to -0.97 percentage points in Q1 2018). The agricultural sector (net -40.0 percentage points) is most pessimistic about inventory levels, followed by financial (net -3.85 percentage points), manufacturing (net -2.86 percentage points) and services (net -2.86 percentage points). The remaining sectors have expected inventory levels to remain unchanged at 0 percentage point.

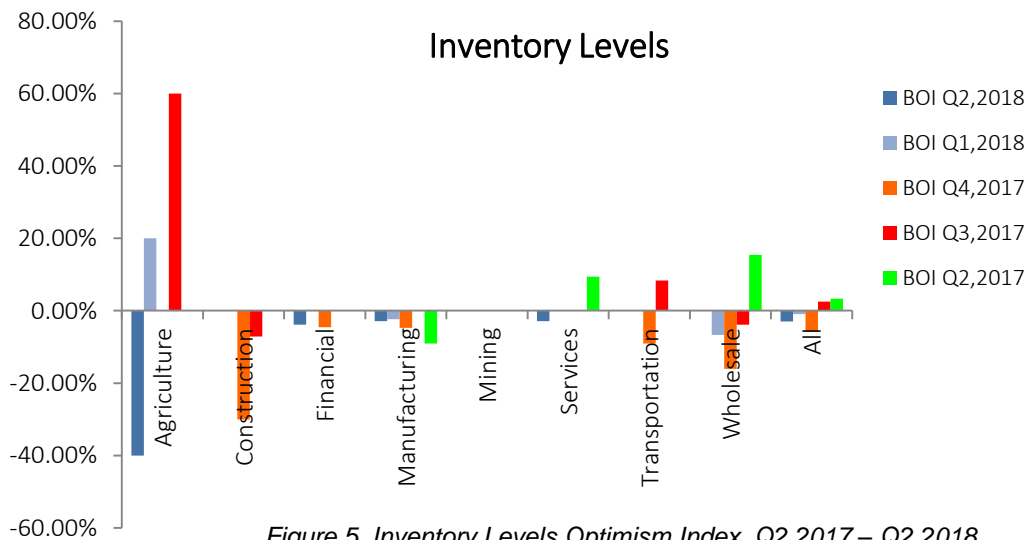


Figure 5. Inventory Levels Optimism Index, Q2 2017 – Q2 2018

**Selling Price**

Selling price climbed moderately to +3.0 percentage points (compared to net +0.97 percentage points in Q1 2018). The mining sector (net +20.0 percentage points) is most upbeat about selling price, followed by transportation (net +18.75 percentage points), construction (net +18.18 percentage points) and services (net +7.14 percentage points). Both financial and wholesale sectors (net 0 percentage point) have anticipated selling price to remain unchanged. Both manufacturing (net -2.86 percentage points) and agricultural (net -80.0 percentage points) sectors are downbeat about selling prices.

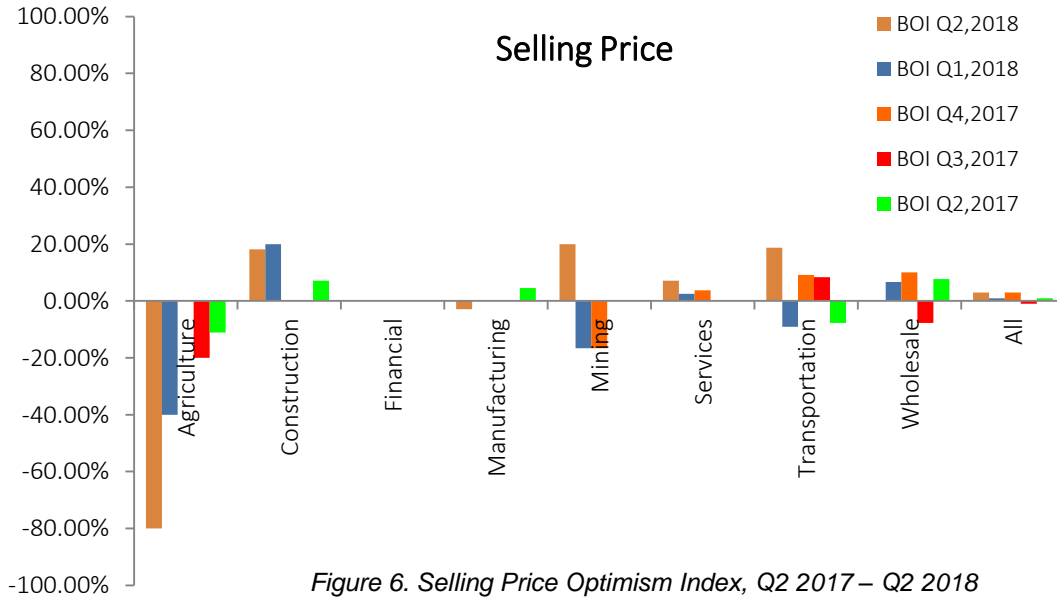


Figure 6. Selling Price Optimism Index, Q2 2017 – Q2 2018

**New Orders**

New orders have increased to +15.0 percentage points (compared to +8.82 percentage points in Q1 2018). The transportation sector (net +37.5 percentage points) is most optimistic, followed by services (net +22.86 percentage points), agriculture (net +20.0 percentage points) and wholesale (net +12.5 percentage points). Both manufacturing (net +5.71 percentage points) and financial (net +3.85 percentage points) are moderately optimistic about new orders. The remaining sectors – construction and mining (net 0 percentage point) are expecting new orders to remain unchanged.

## New Orders (All Sectors)

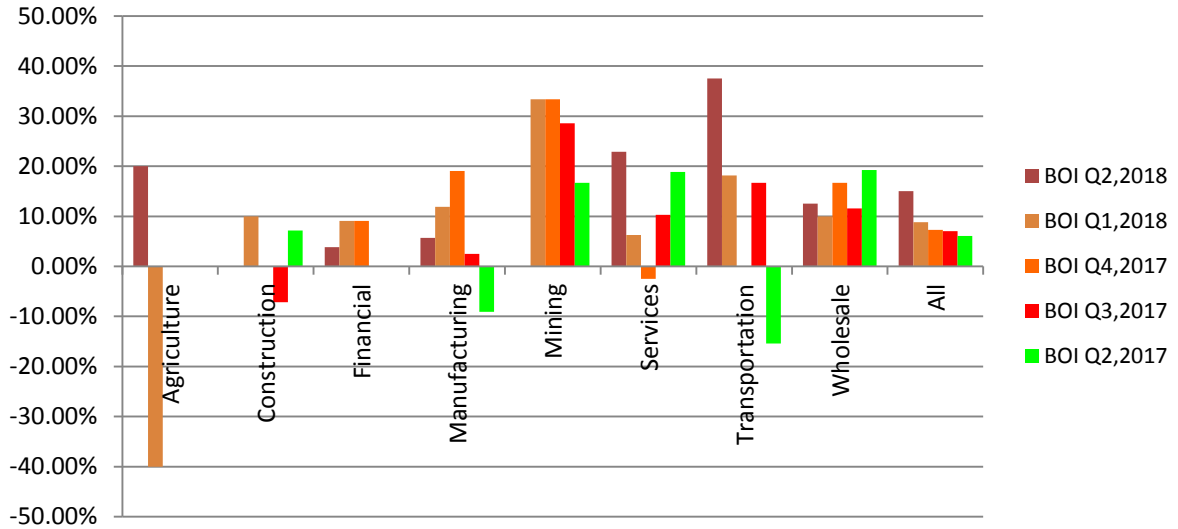


Figure 7. New Orders Optimism Index (All Sectors), Q2 2017 – Q2 2018)

### Employment

Employment levels have increased to +10.5 percentage points (compared to net +6.31 percentage points in Q1 2018). The financial sector (net +34.62 percentage points) is most upbeat, followed by transportation (net +18.75 percentage points), manufacturing (net +11.43 percentage points), construction (net +9.09 percentage points) and services (net +8.57 percentage points). Both mining and wholesale (net 0 percentage point) have expected employment to remain unchanged. The agricultural sector (net -40.0 percentage points) is the only sector which is pessimistic about employment.

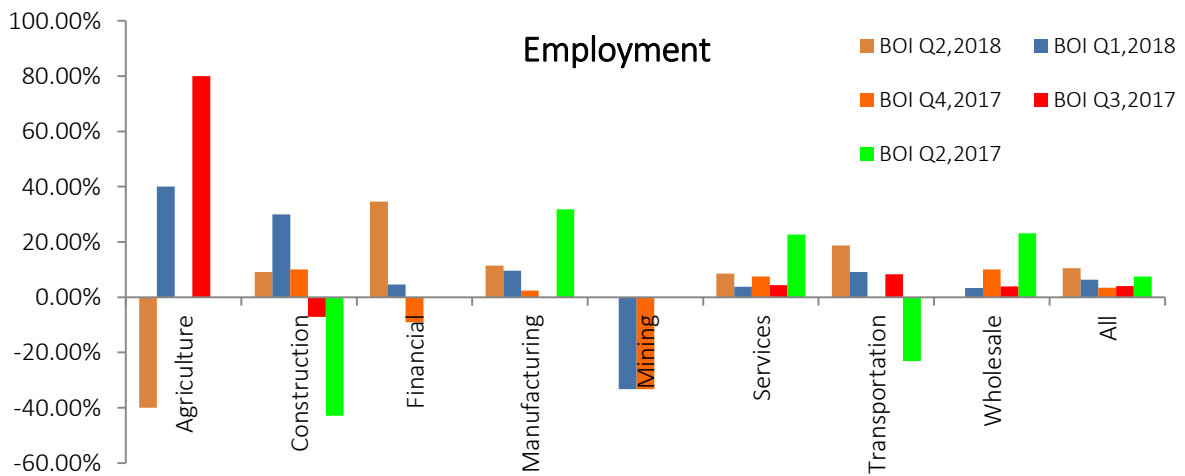


Figure 8. Employment Optimism Index, Q2 2017 – Q2 2018



**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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