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## Malaysian business sentiments hit a new peak in Q1 2018

*Services and Transportation Sectors emerged as the most optimistic sectors*

D&B Malaysia Quarterly Business Optimism Index

**Kuala Lumpur, 08 January 2018** – Business optimism among Malaysian companies hits a new peak in Q1 2018 as growth momentum continues to pick up. According to Dun & Bradstreet (D&B) Malaysia’s Business Optimism Index (BOI) study, overall BOI jumped visibly from +5.52 percentage points in Q4 2017 to +7.25 percentage points in Q1 2018. On a year-on-year (y-o-y) basis, BOI rose from +1.65 percentage points in Q1 2017 to +7.25 percentage points in Q1 2018.

The six business indicators under the quarterly BOI study include volume of sales, net profits, selling price, inventory level, employees and new orders. This is the 20<sup>th</sup> D&B BOI study being released in Malaysia.

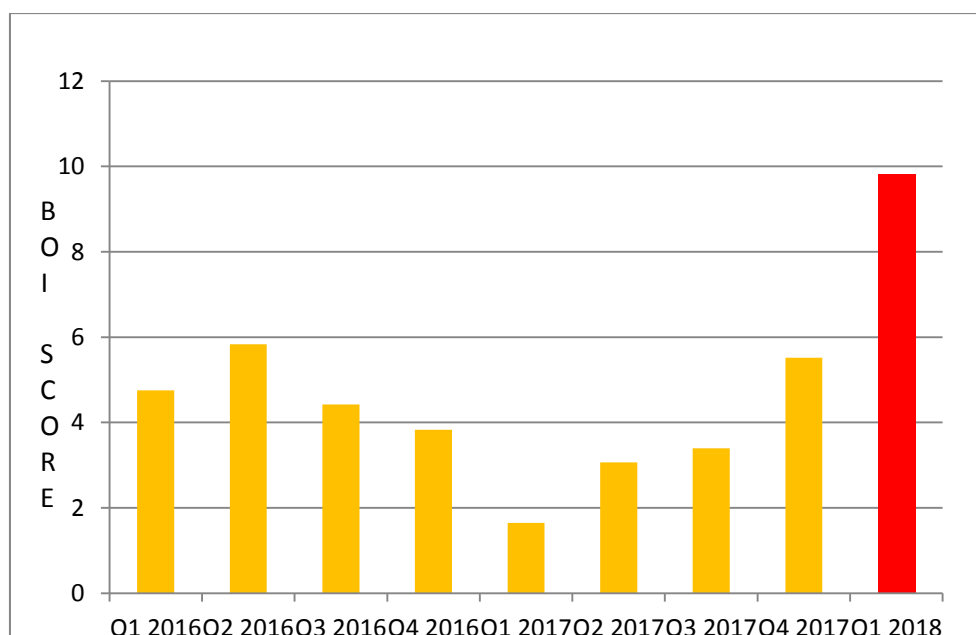


Figure 1. Overall Business Optimism Index (Q2 2013 – Q1 2018)

### **Point Commentary**

According to D&B Malaysia, 4 of six indicators have risen upwards on a quarter-on-quarter (q-o-q) basis.

- ❖ Volume of sales rose from +5.03 percentage points in Q4 2017 to +9.0 percentage points in Q1 2018.
- ❖ Selling price climbed from +4.52 percentage points in Q4 2017 to +5.5 percentage points in Q1 2018.
- ❖ Inventory levels increased from +6.53 percentage points in Q4 2017 to +8.0 percentage points in Q1 2018.
- ❖ Employment levels jumped from +4.0 percentage points in Q4 2017 to +8.0 percentage points in Q1 2018.
- ❖ Both net profit and new orders dipped marginally from +5.53 percentage points in Q4 2017 to +5.50 percentage points in Q1 2018 and from +7.54 percentage points in Q4 2017 to +7.50 percentage points in Q1 2018 respectively.

On a year-on-year (y-o-y) basis, 5 of six business indicators have improved for Q1 2018.

- ❖ Volume of sales jumped significantly from +0.99 percentage points in Q1 2017 to +9.0 percentage points in Q1 2018.
- ❖ New orders rose from +1.98 percentage points in Q1 2017 to +7.5 percentage points in Q1 2018.
- ❖ Inventory levels climbed from +3.47 percentage points in Q1 2017 to +8.0 percentage points in Q1 2018.
- ❖ Employment levels rebounded from -0.99 percentage points in Q1 2017 to +8.0 percentage points in Q1 2018.
- ❖ Net profits rose from -5.94 percentage points in Q1 2017 to +5.5 percentage points in Q1 2018.
- ❖ Selling price moderated downwards from +9.41 percentage points in Q1 2017 to +5.5 percentage points in Q1 2018.

### **Sectoral Outlook**

Both services and transportation emerged as the two most optimistic sectors with all 6 indicators in positive territory.

#### ***Services***

The services sector continues to ride on the uptrend from the previous quarter with improvements seen in 5 indicators.

- ❖ Volume of sales rose visibly from +1.13 percentage points in Q4 2017 to +6.82 percentage points in Q1 2018.
- ❖ Net profit and selling price have climbed from +2.30 percentage points in Q4 2017 to +5.68 percentage points in Q1 2018.
- ❖ New orders increased from +2.30 percentage points in Q4 2017 to +5.45 percentage points in Q1 2018.
- ❖ Inventory levels climbed from +1.15 percentage points in Q4 2017 to +5.55 percentage points in Q1 2018.
- ❖ Employment levels moderated downwards from +6.82 percentage points in Q4 2017 to +3.41 percentage points in Q1 2018.

#### ***Transportation***

The outlook for the transportation sector has displayed further optimism with improvements in 4 indicators from the previous quarter.

- ❖ Both volume of sales and net profit rose from 0 percentage point in Q4 2017 to +33.33 percentage points in Q1 2018.
- ❖ New orders climbed from +2.30 percentage points in Q4 2017 to +5.45 percentage points in Q1 2018.
- ❖ Inventory levels jumped from +1.15 percentage points in Q4 2017 to +5.55 percentage points in Q1 2018.
- ❖ Selling price fell from +16.07 percentage points in Q4 2017 to 0 percentage point in Q1 2018.

- ❖ Employment levels dropped from +6.82 percentage points in Q4 2017 to +3.41 percentage points in Q1 2018.

### ***Manufacturing***

The manufacturing sector is also relatively upbeat with 5 indicators in the positive region for Q1 2018.

- ❖ Volume of sales, net profit and new orders registered +7.27 percentage points, +3.64 percentage points and +5.45 percentage points respectively, maintaining the same optimism levels as Q4 2017.
- ❖ Inventory levels rose from +1.82 percentage points in Q4 2017 to +7.27 percentage points in Q1 2018.
- ❖ Employment levels climbed from +1.82 percentage points in Q4 2017 to +9.09 percentage points in Q1 2018.
- ❖ Selling price moderated from +5.45 percentage points in Q4 2017 to 0 percentage point Q1 2018.

### ***Financial***

The financial sector saw the most marked improvements with 5 indicators rising on a q-o-q basis.

- ❖ Volume of sales rose from 0 percentage point in Q4 2017 to +18.18 percentage points in Q1 2018.
- ❖ Net profit climbed from 0 percentage point in Q4 2017 to +27.27 percentage points in Q1 2018.
- ❖ Both inventory and employment levels jumped from +9.09 percentage points in Q4 2017 to +27.27 percentage points in Q1 2018.
- ❖ Selling price rebounded from -9.09 percentage points in Q4 2017 to +18.18 percentage points in Q1 2018.
- ❖ New orders moderated downwards from +9.09 percentage points in Q4 2017 to 0 percentage point in Q1 2018.

### ***Construction***

The construction sector is least optimistic with only 2 indicators in expansionary zone for Q1 2018.

- ❖ Volume of sales has fallen from +28.57 percentage points in Q4 2017 to 0 percentage point in Q1 2018.
- ❖ New orders moderated downwards from +28.57 percentage points in Q4 2017 to +14.29 percentage points in Q1 2018.
- ❖ Inventory levels dropped from +42.86 percentage points in Q4 2017 to +28.57 percentage points in Q1 2018.
- ❖ Net profit, selling price and employment levels fell into the contractionary zone.
- ❖ Both selling price and employment levels slipped from +14.29 percentage points in Q4 2017 to +14.29 percentage points in Q1 2018.
- ❖ Net profit plunged from +14.29 percentage points in Q4 2017 to -28.57 percentage points in Q1 2018.

Compared to 2017, firms are more optimistic about investments in business expansion for 2018. There is a visible increase in firms expecting investments to increase from 8 per cent in 2017 to 18 per cent in 2018. Meanwhile, the proportion of firms expecting investments to decrease fell from 21 per cent in 2017 to 15 per cent for 2018. Majority of local firms had anticipated investments to remain unchanged at 67 per cent.

## Investment for Business Expansion in 2018

■ Increase ■ Decrease ■ Unchanged

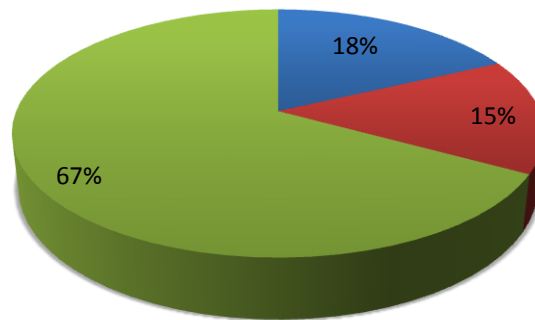


Figure 2. Investment for Business Expansion in 2018

- ❖ D&B Malaysia notes that the most important area of investment for 2018 is in machinery and capital equipment which accounts for 40 per cent of surveyed companies. This marks an increase from 31 per cent in 2017.
- ❖ Investments in Information Technology have emerged as the second most important area of investment for 2018 at 28 per cent.
- ❖ Skills upgrading of employees accounts for the third most important area of investment for 2018 at 12 per cent.
- ❖ Firms have also highlighted new product development (10 per cent), research and development (9 per cent) and intellectual property (1 per cent) as important areas of investments in 2018.

## Most Important Area of Investment in 2018

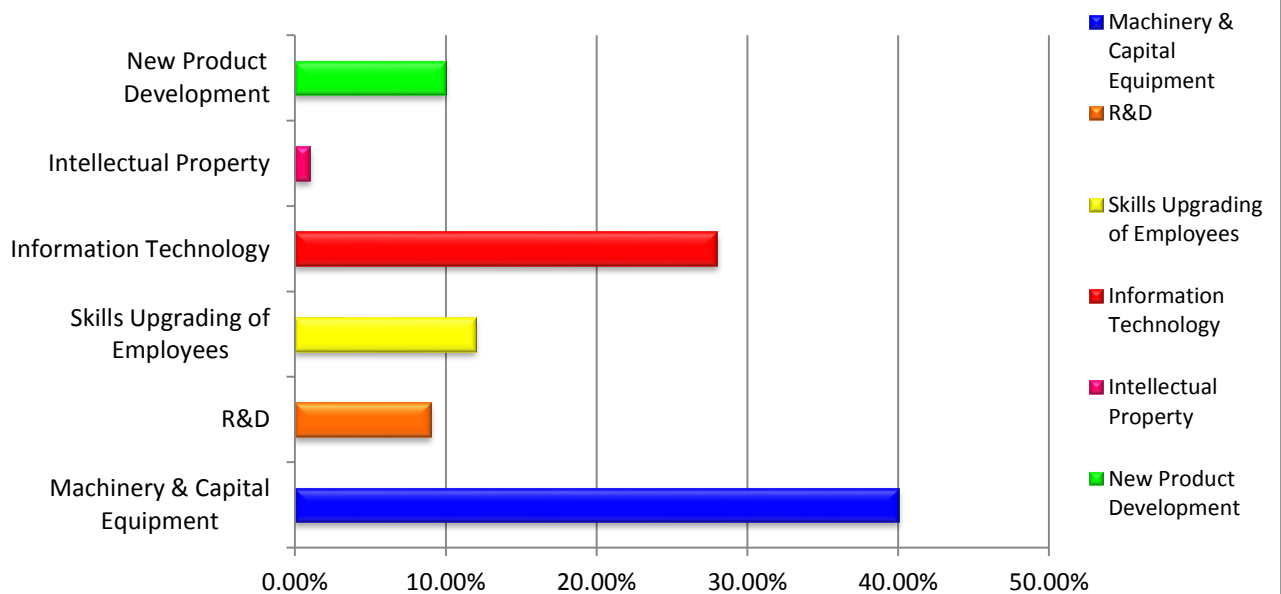


Figure 3. Most Important Area of Investment in 2018

- ❖ Global economic uncertainties have been highlighted as the main challenge in 2018 facing local firms, accounting for 31 per cent of the firms being surveyed.
- ❖ Higher business costs accounted for the second major challenge for businesses at 27 per cent.
- ❖ Increased competition was the third main challenge for 2018 at 25 per cent.
- ❖ Firms have also expected foreign labour issues (10 per cent) and lack of access to financing (7 per cent) to be key challenges in 2017.

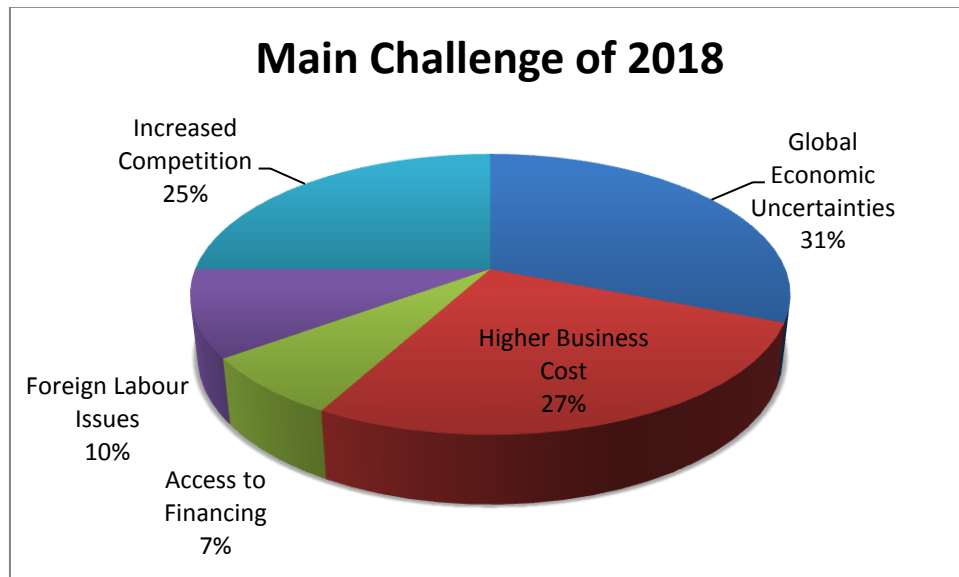


Figure 4. Main Challenge of 2018

#### Supporting Quotes

“The overall positive outlook bodes well for the business community in Malaysia for Q1 2018. Both services and transportation sectors have benefited from strong private consumption and government spending in public infrastructure. We expect the manufacturing sector to be boosted by sustained global demand for semiconductors and stronger export growth.”

“Moving into 2018, we are expecting Malaysian businesses to be more optimistic about investments in business expansion. Besides global economic uncertainties and rising business costs, increased competition is one new area which has been identified as a key challenge for Malaysian companies.”

#### **Ms. Audrey Chia**

Chief Executive Officer

Dun & Bradstreet (Malaysia) Sdn. Bhd.

## Overview of Business Indicators

### Net Profits

Net profits continue to be in positive territory for the second consecutive quarter registering +5.5 percentage points (net +5.53 percentage points in Q3 2017). Both agriculture and transportation sectors (net +33.33 percentage points) are most upbeat, followed by financial (net +27.27 percentage points), services (net +5.68 percentage points) and manufacturing (net +3.64 percentage points). The wholesale sector (net 0 percentage point) has anticipated net profits to remain unchanged. Both mining (net -25.0 percentage points) and construction (net -28.57 percentage points) are pessimistic about net profits.

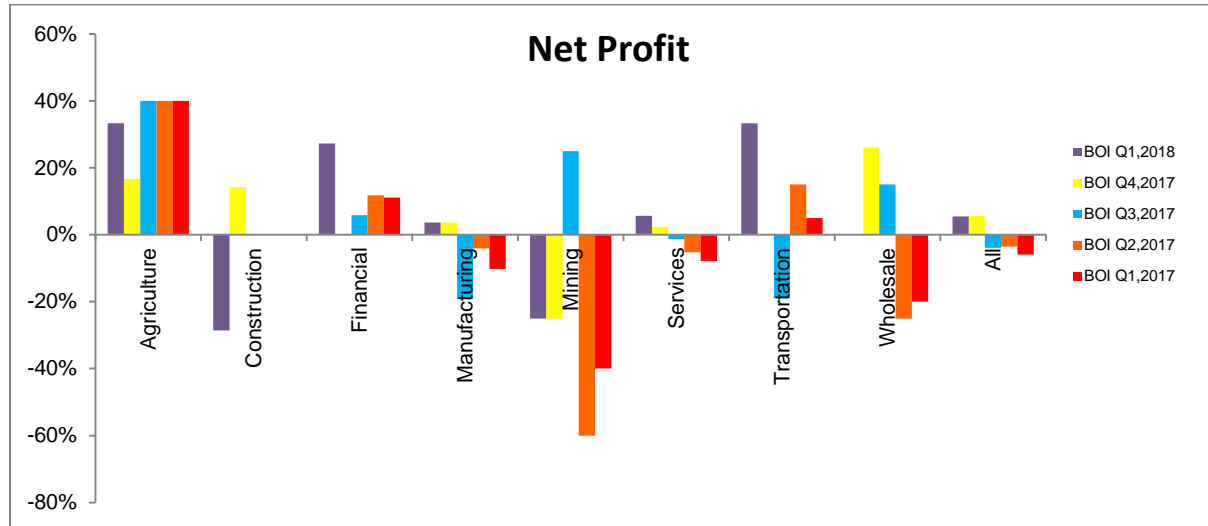


Figure 5. Net Profits Optimism Score, Q1 2017 – Q1 2018

### Volume of Sales

Volume of sales rose steadily to +9.0 percentage points (net +5.03 percentage points in Q4 2017). Both agriculture and transportation (net +33.33 percentage points) are most optimistic, followed by financial (net +18.18 percentage points), wholesale (net +8.40 percentage points), manufacturing (net +7.27 percentage points) and services (net +6.82 percentage points). The construction and mining sectors (net 0 percentage point) have anticipated volume of sales to remain unchanged.

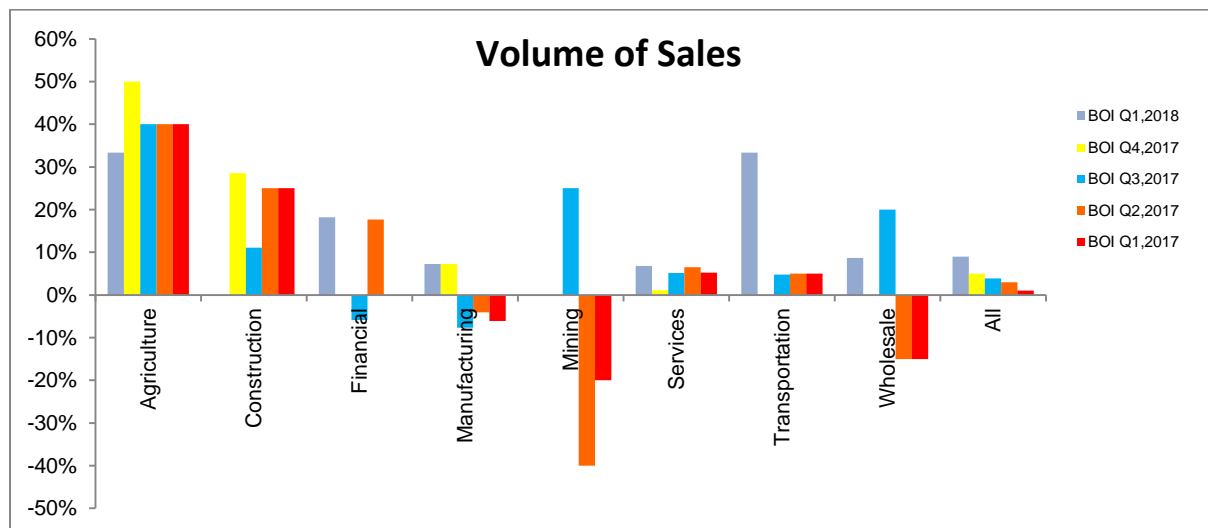


Figure 6. Volume of Sales Optimism Score, Q1 2017 – Q1 2018

### Selling Prices

Selling prices climbed to +5.50 percentage points (net +4.52 percentage points in Q4 2017). The agriculture sector (net +33.33 percentage points) is most optimistic, followed by mining (net +25.0 percentage points), financial (net +18.18 percentage points, wholesale (net +8.70 percentage points) and services (net +5.68 percentage points) sectors. Both manufacturing and transportation sectors (0 percentage point) have anticipated selling prices to remain unchanged. The construction sector (net -14.29 percentage points) is the only sector which is pessimistic about selling prices.

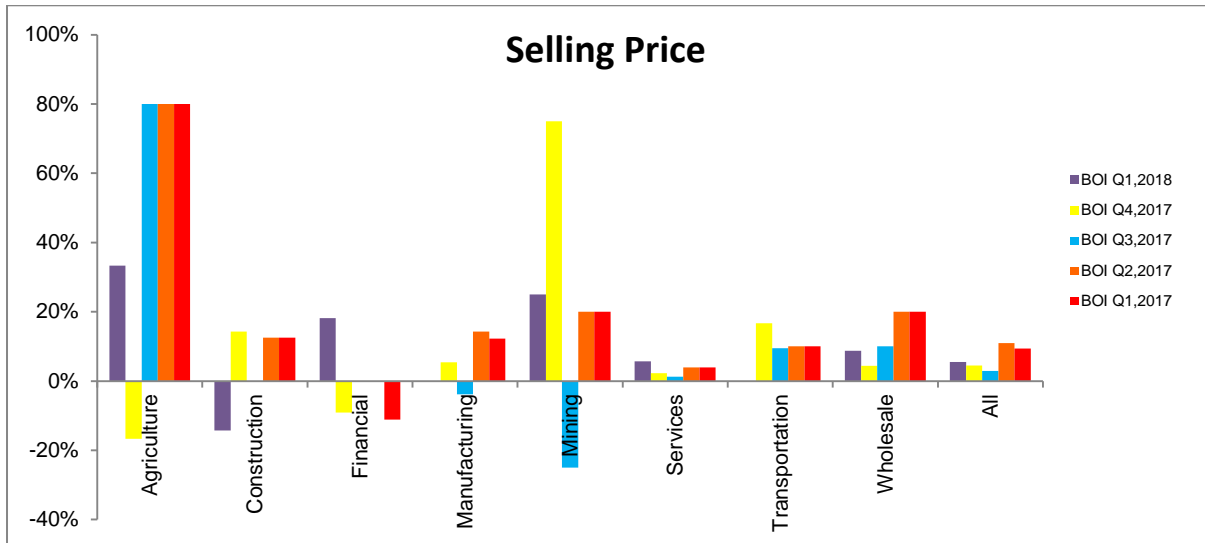


Figure 7. Selling Price Optimism Score, Q1 2017 – Q1 2018

### New Orders

New orders have moderated downwards slightly to +7.5 percentage points (net +7.54 percentage points in Q4 2017). Both agriculture and transportation sectors (net +33.33 percentage points) are most optimistic, followed by mining (net +25.0 percentage points), construction (net +14.29 percentage points), wholesale (net +8.70 percentage points), manufacturing and services (net +5.45 percentage points) sectors. The financial sector (net 0 percentage point) has anticipated new orders to remain unchanged.

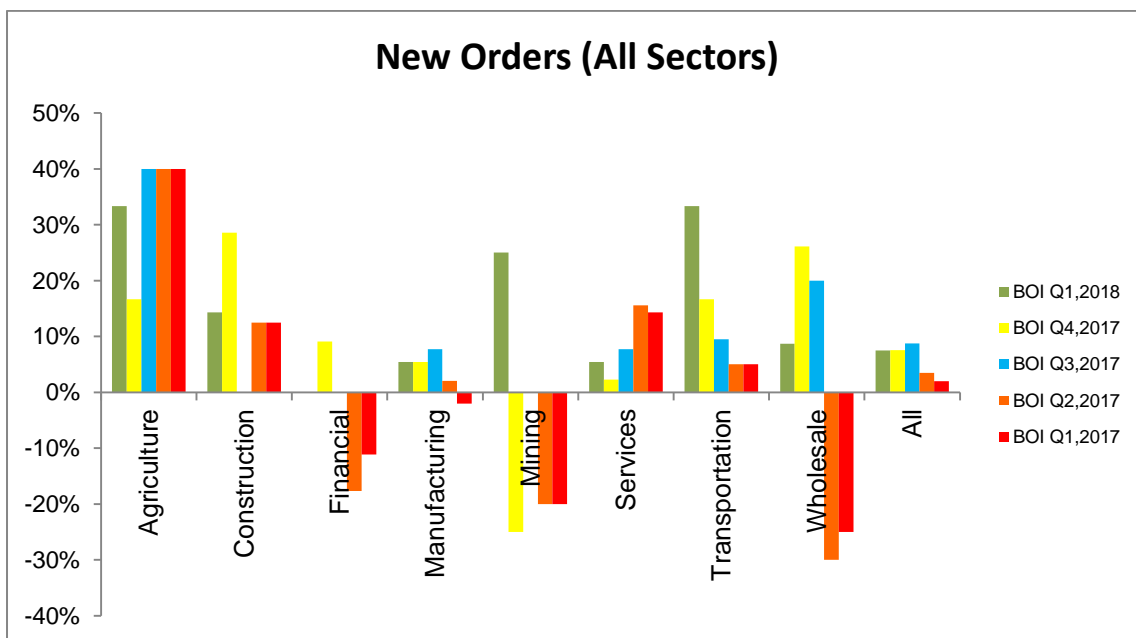


Figure 8. New Orders (All Sectors) Optimism Score, Q1 2017 – Q1 2018

### Inventory

Inventory levels climbed to +8.0 percentage points (net +6.53 percentage points in Q4 2017). The transportation sector (net +33.33 percentage points) is most optimistic, followed by construction (net +28.57 percentage points), financial (net +27.27 percentage points), mining (net +25.0 percentage points), manufacturing (net +7.27 percentage points) and services (net +5.55 percentage points). Both agriculture and wholesale sectors (net 0 percentage point) have anticipated inventory to remain unchanged.

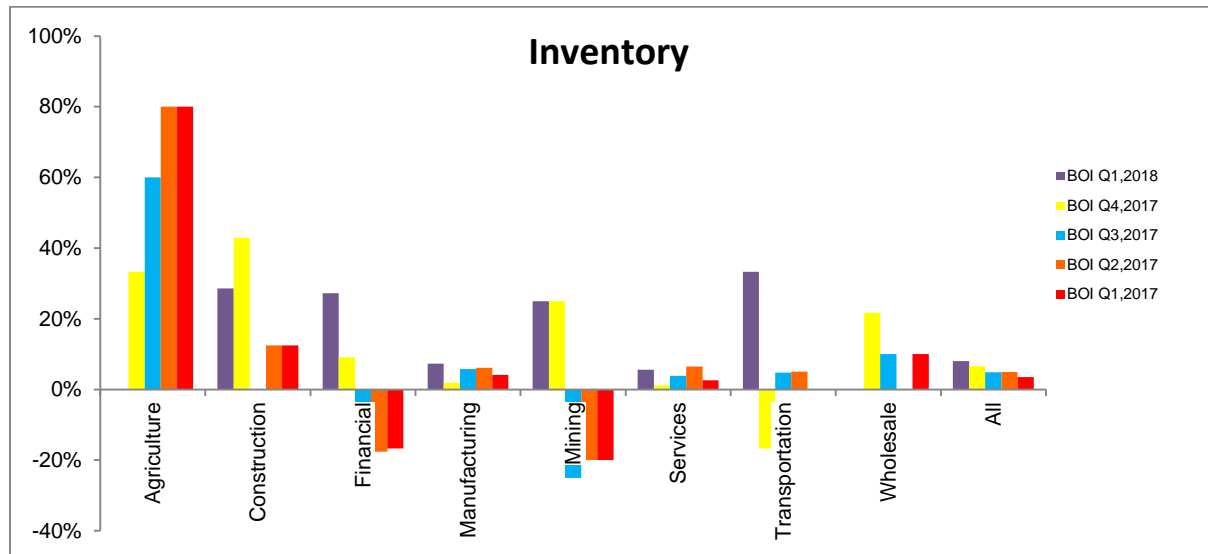


Figure 9. Inventory Optimism Score, Q1 2017 – Q1 2018

### Employment

Employment levels jumped to +8.0 percentage points (net +4.0 percentage points in Q4 2017). The agriculture sector (net +33.33 percentage points) is most optimistic, followed by financial (net +27.27 percentage points), mining (net +25.0 percentage points), transportation (net +16.67 percentage points), manufacturing (net +9.09 percentage points), wholesale (net +8.70 percentage points) and services (net +3.41 percentage points) sectors. The construction sector (net -14.29 percentage points) is the only sector which is downbeat about employment.

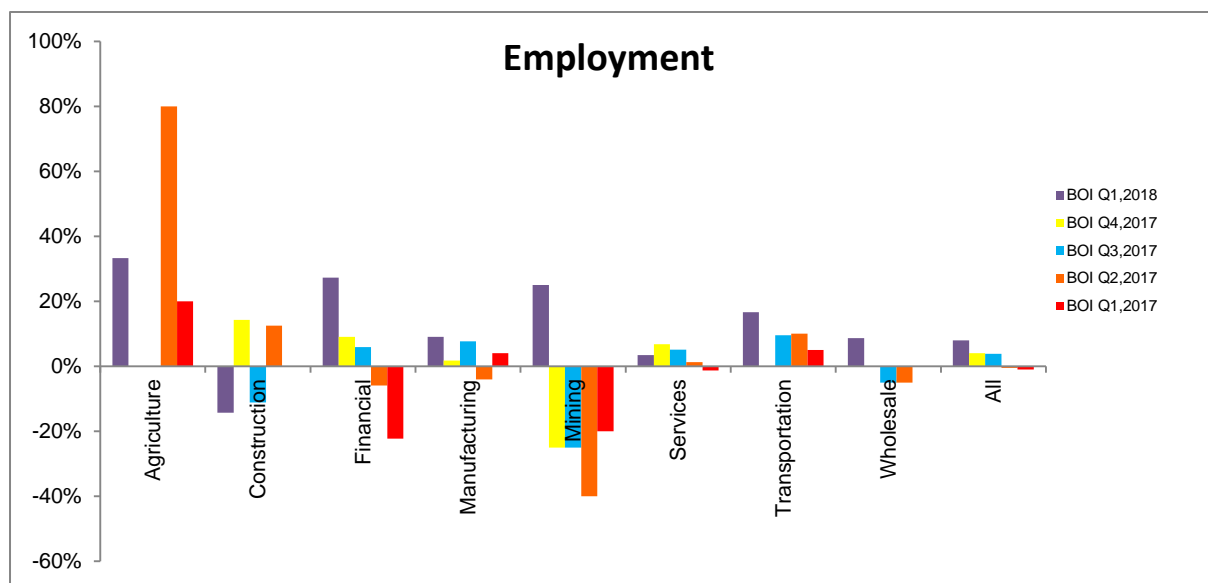


Figure 10. Employment Optimism Score, Q1 2017 – Q1 2018



## **Commentary**

D&B Business Optimism Index (BOI) was first released in Malaysia in April 2013. This is the 20<sup>th</sup> D&B Business Optimism Index (BOI) being released in Malaysia.

The D&B 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**

D&B Malaysia conducts latest Business Expectations Surveys every quarter. Each quarter, 200 business owners and senior executives representing major industry sectors across Malaysia 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 Dun & Bradstreet Malaysia**

Dun & Bradstreet Malaysia grows the most valuable relationships in business. By uncovering truth and meaning from data, we connect customers with the prospects, suppliers, clients and partners that matter most, and have since 1841. Nearly ninety percent of the Fortune 500, and companies of every size around the world, rely on our data, insights and analytics. For more information about Dun & Bradstreet Malaysia, please visit [www.dnb.com.my](http://www.dnb.com.my).

## **About Dun & Bradstreet Worldwide Network**

The Dun & Bradstreet Worldwide Network is an unrivalled alliance of Dun & Bradstreet and leading business information providers across the globe. Through this network, customers grow their most valuable relationships with prospects, customers and partners through data. For nearly two centuries of helping businesses understand this dynamic, we have honed the expertise of how data and analytics forge the relationships that lead to industry-leading performance. To activate these capabilities, we build – or co-develop with partners – solutions tailored to marketing, sales, finance, supply, compliance or information technology. And we deliver this content however a customer wants to consume it.

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