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FOR IMMEDIATE RELEASE

Business outlook remains uncertain in Q3 2020 amid gradual reopening of economy
Manufacturing and Financial Services sectors anticipate slightly better outlook ahead
- Singapore Commercial Credit Bureau

Singapore, 09 June 2020 – Business sentiment among local firms remains downbeat in Q3 2020 after hitting an all-time low in the preceding quarter. According to Singapore Commercial Credit Bureau (SCCB)'s Business Optimism Index study, BOI has remained contractionary, inching up slightly from -7.88 percentage points in Q2 2020 to -5.16 percentage points in Q3 2020. On a year-on-year (y-o-y) basis, BOI fell significantly from +6.91 percentage points in Q3 2019 to -5.16 percentage points in Q3 2020.

As with Q2 2020, all six indicators are contractionary for Q3 2020.

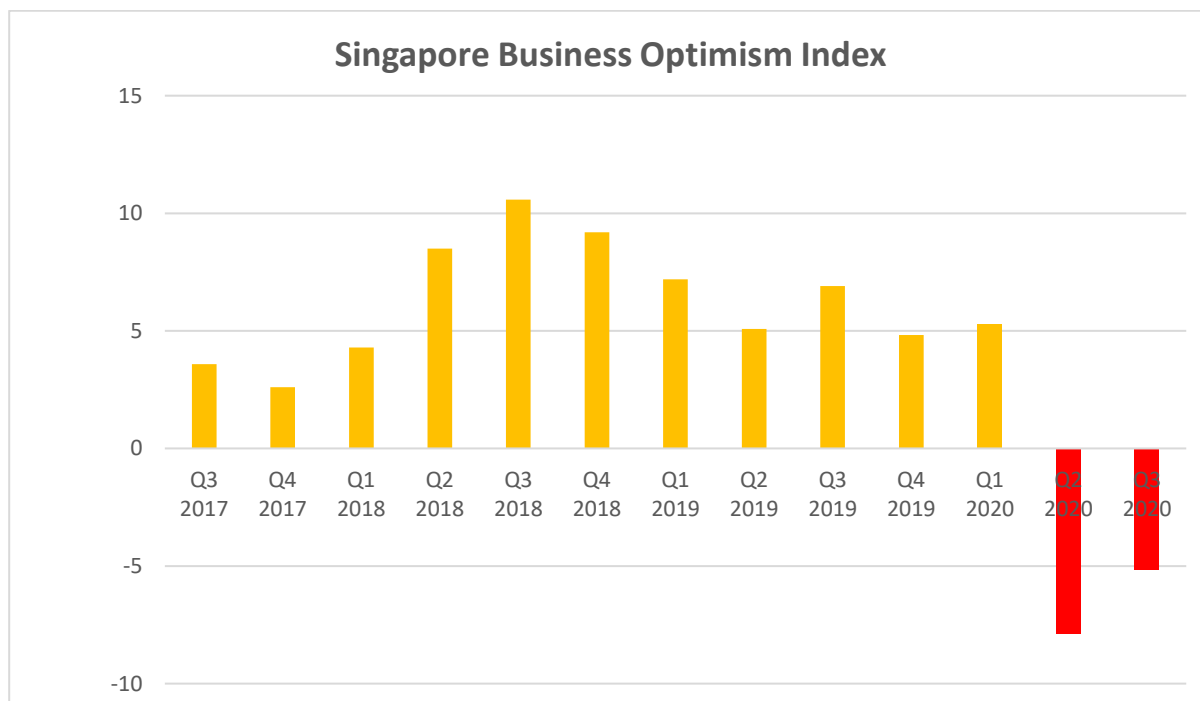


Figure 1. Overall Business Optimism Score, Q3 2017 – Q3 2020

Point Commentary

According to SCCB, 2 out of six indicators have experienced declines on a q-o-q basis as compared to all six indicators in Q2 2020.

- ❖ Volume of sales rose from -9.95 percentage points in Q2 2020 to -3.33 percentage points in Q3 2020.
- ❖ Net profits fell from -5.97 percentage points in Q2 2020 to -8.89 percentage points in Q3 2020.
- ❖ Selling price dropped from -8.46 percentage points in Q2 2020 to -10.0 percentage points in Q3 2020.
- ❖ New orders rose from -12.44 percentage points in Q2 2020 to -4.44 percentage points in Q3 2020.
- ❖ Inventory levels inched upwards from -5.47 percentage points in Q2 2020 to -3.26 percentage points in Q3 2020.
- ❖ Employment levels inched up from -4.98 percentage points in Q2 2020 to -3.29 percentage points in Q3 2020.

On a y-o-y basis, all six indicators have also deteriorated in Q3 2020.

- ❖ Volume of sales declined from +9.76 percentage points in Q3 2019 to -3.33 percentage points in Q3 2020.
- ❖ Net profits tumbled from +8.13 percentage points in Q3 2019 to -8.89 percentage points in Q3 2020.
- ❖ Selling price dipped from -7.32 percentage points in Q3 2019 to -10.0 percentage points in Q3 2020.
- ❖ New orders dived from +11.38 percentage points in Q3 2019 to -4.44 percentage points in Q3 2020.
- ❖ Inventory levels fell from +3.25 percentage points in Q3 2019 to -3.26 percentage points in Q3 2020.
- ❖ Employment levels plunged from +16.26 percentage points in Q3 2019 to -3.29 percentage points in Q3 2020.

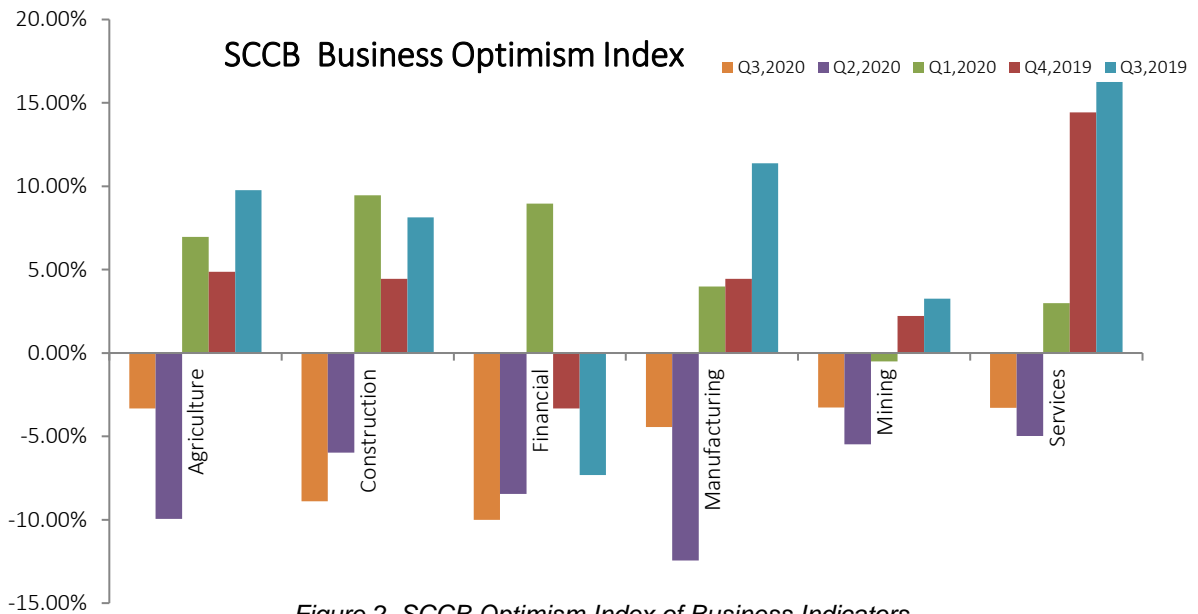


Figure 2. SCCB Optimism Index of Business Indicators, Q3 2019 – Q3 2020

Key Highlights for Q3 2020 Sectoral Outlook

The construction, services and transportation are the least optimistic while manufacturing and financial sectors have anticipated a slight uptick in sentiments from the previous quarter.

Construction

Sentiments within the construction sector remained bleak with all six indicators in the contractionary zone.

- ❖ Volume of sales declined from -10.0 percentage points in Q2 2020 to -20.0 percentage points in Q3 2020.
- ❖ New orders, inventory and employment levels have each fallen from -30.0 percentage points in Q2 2020 to -60.0 percentage points in Q3 2020.
- ❖ Net profit and selling price each remained in the contractionary zone, up from -30.0 percentage points in Q2 2020 to -20.0 percentage points in Q3 2020.

Services

The services sector is expected to experience a contractionary outlook with five indicators in the negative zone despite a slight increase in all six indicators.

- ❖ Volume of sales rose moderately from -51.61 percentage points in Q2 2020 to -6.25 percentage points in Q3 2020.
- ❖ Net profits climbed from -19.36 percentage points in Q2 2020 to -9.38 percentage points in Q3 2020.
- ❖ Selling price increased slightly from -25.81 percentage points in Q2 2020 to -9.38 percentage points in Q3 2020.
- ❖ New orders remain contractionary, up from -58.06 percentage points in Q2 2020 to -6.25 percentage points in Q3 2020.
- ❖ Inventory levels climbed from -29.03 percentage points in Q2 2020 to +3.03 percentage points in Q3 2020.
- ❖ Employment levels inched up from -3.23 percentage points in Q2 2020 to -3.03 percentage points in Q3 2020.

Transportation

The outlook for the transportation sector has deteriorated with 4 of six indicators in the negative territory.

- ❖ Both volume of sales and net profits moderated downwards from 0 percentage point in Q2 2020 to -30.0 percentage point in Q3 2020.
- ❖ Selling price and employment levels remain unchanged at 0 percentage point in Q3 2020.
- ❖ New orders plunged from 0 percentage point in Q2 2020 to -30.0 percentage points in Q3 2020.
- ❖ Inventory levels dived in the contractionary zone from +42.86 percentage points in Q2 2020 to -30.0 percentage points in Q3 2020.

Wholesale

Sentiments among firms in the wholesale trade industry has remained weak with 2 of six indicators in the negative territory.

- ❖ Volume of sales plunged from 0 percentage point in Q2 2020 to -17.65 percentage point in Q3 2020.
- ❖ Net profit dipped from 0 percentage point in Q2 2020 to -5.88 percentage points in Q3 2020.
- ❖ Selling price increased from -18.18 percentage points in Q2 2020 to 0 percentage point in Q3 2020.
- ❖ New orders remain unchanged at 0 percentage point in Q3 2020.

- ❖ Inventory levels moderated from +36.36 percentage points in Q2 2020 to +5.88 percentage points in Q3 2020.
- ❖ Employment levels rose from -36.36 percentage points in Q2 2020 to 0 percentage point in Q3 2020.

Manufacturing

The manufacturing sector is moderately upbeat with 3 of six indicators in the positive territory.

- ❖ Volume of sales rebounded from the contractionary zone, up from -10.0 percentage points in Q2 2020 to +29.41 percentage points in Q3 2020.
- ❖ Both net profit and selling price rose from -10.0 percentage points in Q2 2020 to 0 percentage point in Q3 2020.
- ❖ New orders rebounded from -10.0 percentage points in Q2 2020 to +11.76 percentage points in Q3 2020.
- ❖ Inventory levels increased from -25.0 percentage points in Q2 2020 to +5.88 percentage points in Q3 2020.
- ❖ Employment levels rose from -5.0 percentage points in Q2 2020 to 0 percentage point in Q3 2020.

Financial

Sentiments within the financial sector has also improved slightly with 3 indicators in positive territory.

- ❖ Volume of sales jumped from 0 percentage point in Q2 2020 to +33.33 percentage points in Q3 2020.
- ❖ Net profit dipped from +16.67 percentage points in Q2 2020 to 0 percentage point in Q3 2020.
- ❖ Selling price dived from -16.67 percentage points in Q2 2020 to -100.0 percentage points in Q3 2020.
- ❖ New orders increased from 0 percentage point in Q2 2020 to +66.67 percentage points in Q3 2020.
- ❖ Inventory levels remain unchanged at 0 percentage point in Q3 2020.
- ❖ Employment levels increased from 0 percentage point in Q2 2020 to +33.33 percentage points in Q3 2020.

The Ministry of Trade and Industry (MTI) has recently revised the GDP growth forecast for 2020 to be between -4.0 per cent to -7.0 per cent.

“With the easing of the Circuit Breaker measures and gradual reopening of the economy, we are seeing some silver lining and a slightly improved outlook among firms here. While it is still too early to ascertain if a V-shaped recovery can be expected, there are some signs of green shoots in certain sectors such as manufacturing, professional and IT services. However, high levels of uncertainties still remain given the threat of a second wave of infections, continued global social unrests and trade tensions between US and China.” said Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“The outlook for majority of the sectors still remain uncertain with construction emerging as the most downbeat as a result of the temporary halt in construction activities by foreign labour. As it will take some time for firms to return operating at full capacity during pre-COVID times, we foresee that the overall sentiment will remain dampened in the months ahead.” added Ms. Chia.

Overview of Business Indicators

Volume of Sales

Volume of sales increase to -3.33 percentage points (compared to -9.95 percentage points in Q2 2020). The transportation (net -30.0 percentage points) and construction (net -20.0 percentage points) are most pessimistic, followed by wholesale (net -17.65 percentage points) and services (net -6.25 percentage points) which are moderately pessimistic. Both financial (net +33.33 percentage points) and manufacturing (net +29.41 percentage points) are most upbeat while agriculture and mining (net 0 percentage point) have anticipated volume of sales to remain unchanged.

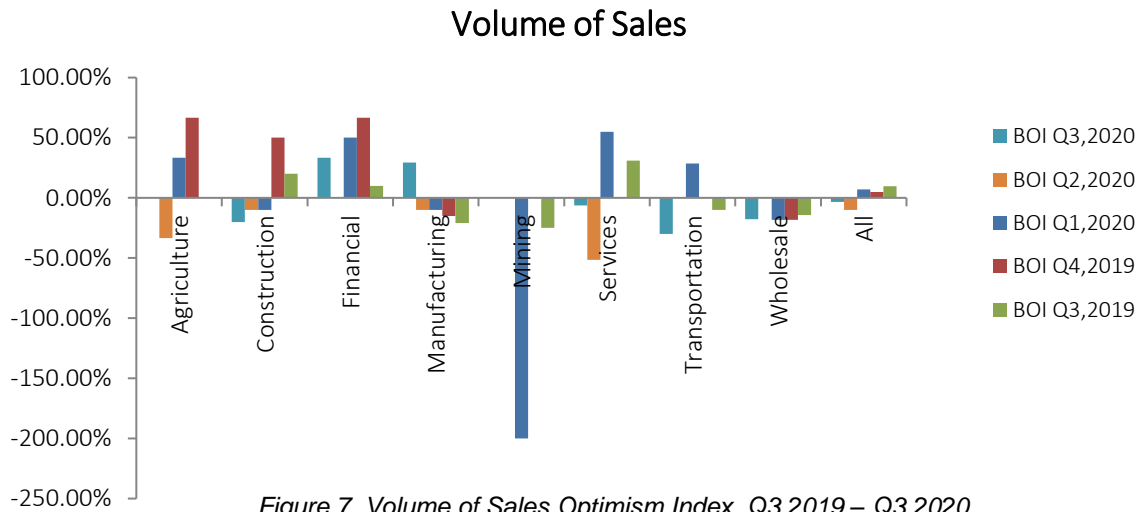


Figure 7. Volume of Sales Optimism Index, Q3 2019 – Q3 2020

Net Profit

Net profit dived to -8.89 percentage points (compared to -5.97 percentage points in Q2 2020). The transportation (net -30.0 percentage points) and construction (net -20.0 percentage points) are most downbeat, followed by services (net -9.38 percentage points) and wholesale (net -5.88 percentage points). The remaining sectors have anticipated net profits to remain unchanged - agriculture, financial, manufacturing and mining (net 0 percentage point).

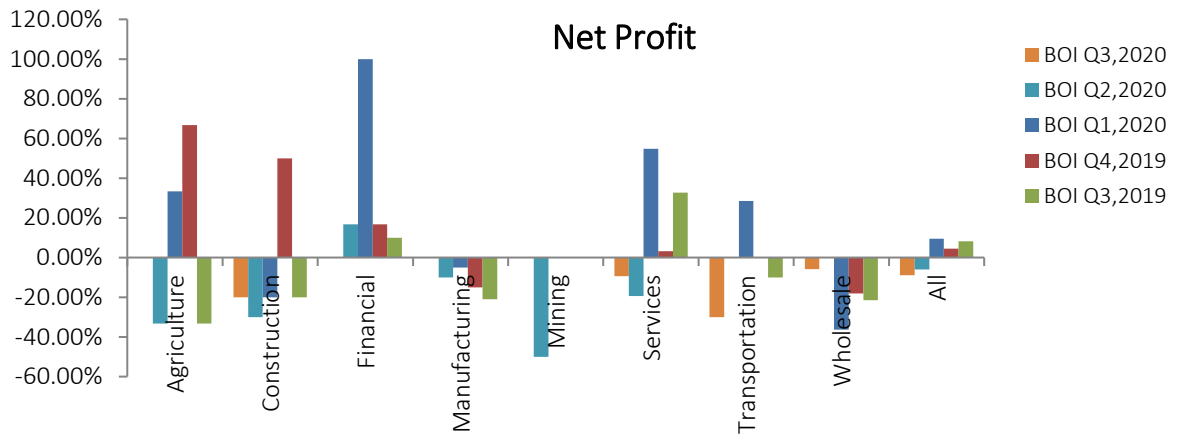


Figure 8. Net Profit Optimism Index, Q3 2019 – Q3 2020

Inventory Levels

Inventory levels have increased to -3.26 percentage points (compared to -5.47 percentage points in Q2 2020). The construction (net -60.0 percentage points) and transportation (net -30.0 percentage points) sectors are most pessimistic. Both manufacturing and wholesale (net +5.88 percentage points) are upbeat about inventory levels. The services sector (net +3.03 percentage points) is moderately optimistic. The remaining sectors – agriculture, financial and mining (net 0 percentage point) have anticipated inventory levels to remain unchanged.

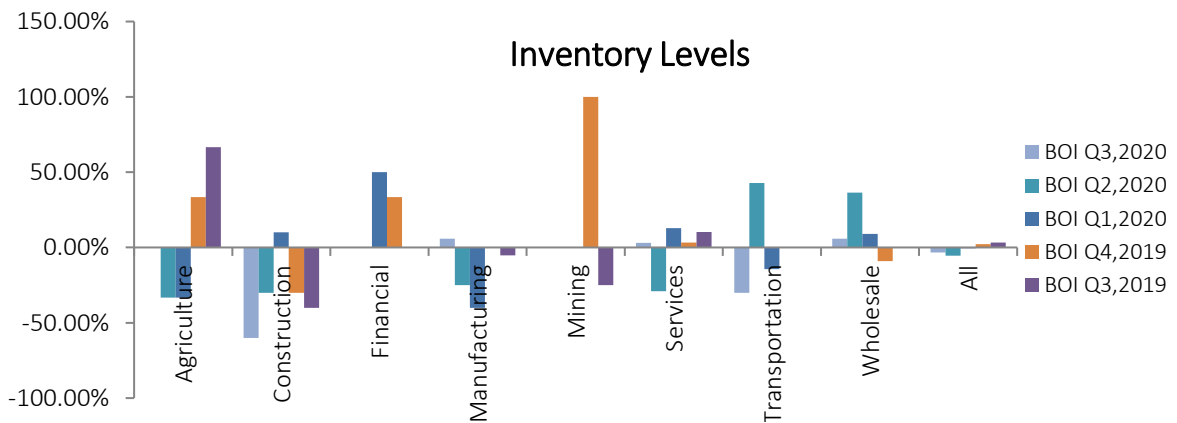


Figure 9. Inventory Levels Optimism Index, Q3 2019 – Q3 2020

Selling Price

Selling price dipped further to -10.0 percentage points (compared to -8.46 percentage points in Q2 2020). The financial sector (net -100.0 percentage points) is most downbeat, followed by construction (net -20.0 percentage points) and services (net -9.38 percentage points). The remaining sectors – agriculture, manufacturing, mining, transportation and wholesale (net 0 percentage points) have expected selling price to remain unchanged.

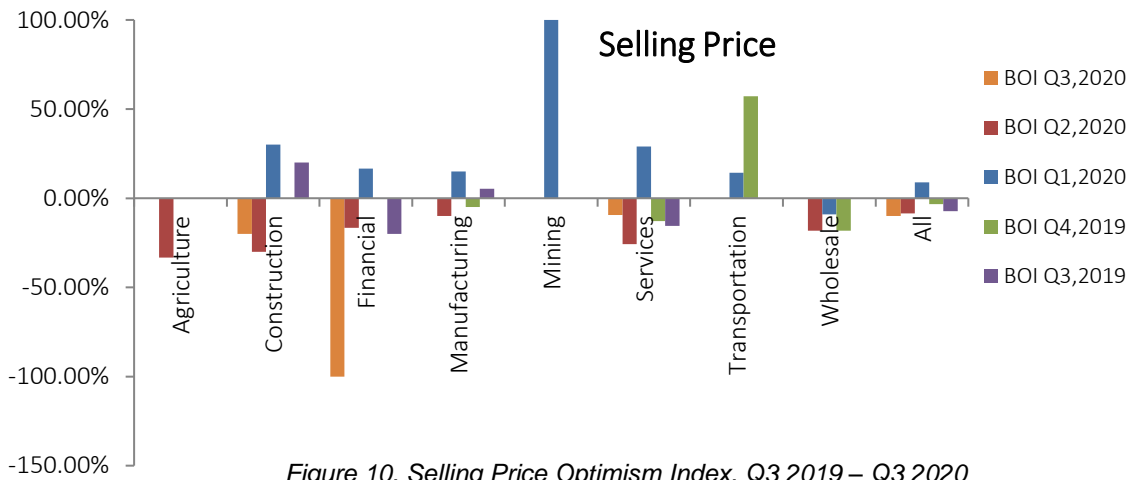


Figure 10. Selling Price Optimism Index, Q3 2019 – Q3 2020

New Orders

New orders rose to -4.44 percentage points (compared to -12.44 percentage points in Q2 2020). Both construction (net -60.0 percentage points) and transportation (net -30.0 percentage points) are least optimistic, followed by services (net -6.25 percentage points) which is moderately downbeat. Both financial (net +66.67 percentage points) and manufacturing (net +11.76 percentage points) are most upbeat. The remaining sectors – agriculture, mining and wholesale (net 0 percentage point) have anticipated new orders to remain unchanged.

New Orders (All Sectors)

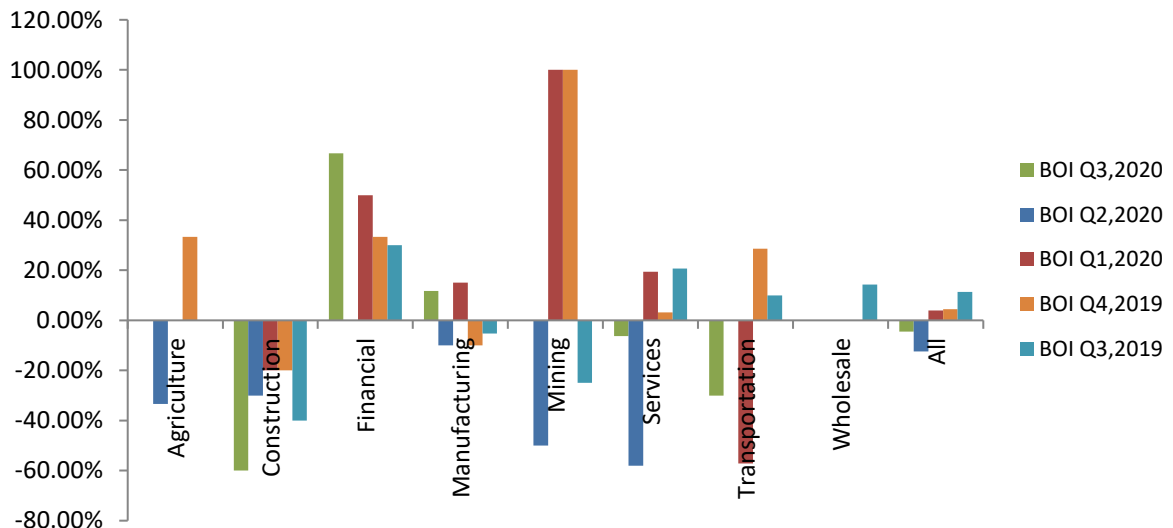


Figure 11. New Orders Optimism Index, Q3 2019 – Q3 2020

Employment

Employment levels have inched up to -3.29 percentage points (compared to -4.98 percentage points in Q2 2020). The construction sector (net -60.0 percentage points) is most pessimistic, followed by services (net -3.03 percentage points). The financials sector (net +33.33 percentage points) is most upbeat while the remaining sectors – agriculture, manufacturing, mining, transportation and wholesale (net 0 percentage point) have expected employment to remain unchanged.

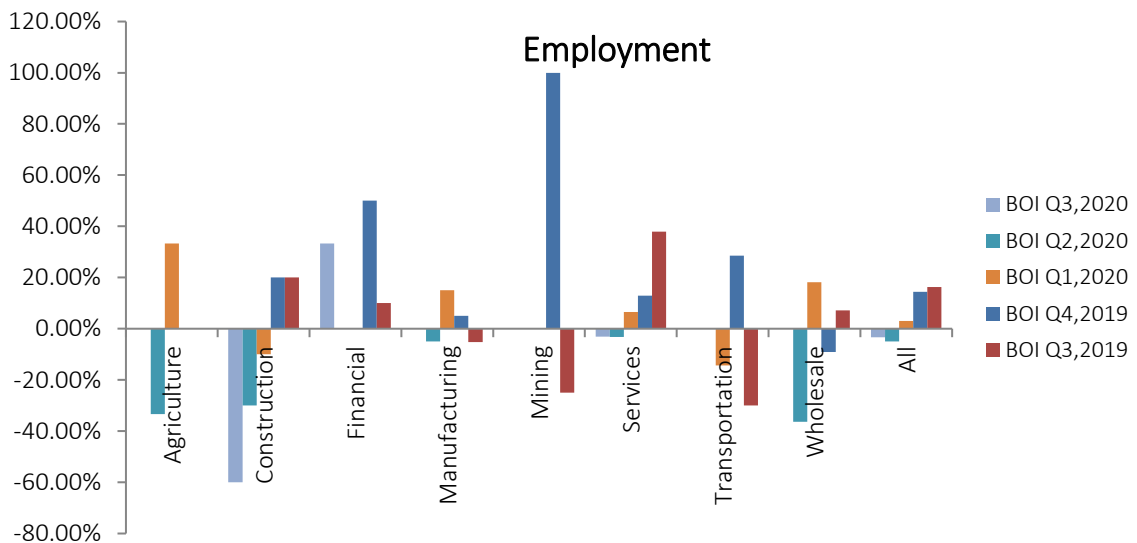


Figure 12. Employment Optimism Index, Q3 2019 – Q3 2020

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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