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FOR IMMEDIATE RELEASE

Business sentiment among local firms plunges to all-time low in Q2 2020

Construction, Manufacturing and Services sectors hardest hit by COVID-19 Outbreak

- Singapore Commercial Credit Bureau

Singapore, 10 March 2020 – Business sentiment among local firms have dived to an all-time low in Q1 2020. According to Singapore Commercial Credit Bureau (SCCB)’s Business Optimism Index study, BOI has plunged into the contractionary zone from +5.31 percentage points in Q1 2020 to -7.88 percentage points in Q2 2020. On a year-on-year (y-o-y) basis, BOI dipped strongly from +5.08 percentage points in Q1 2019 to -7.88 percentage points in Q1 2020.

All six indicators are contractionary for Q2 2020.

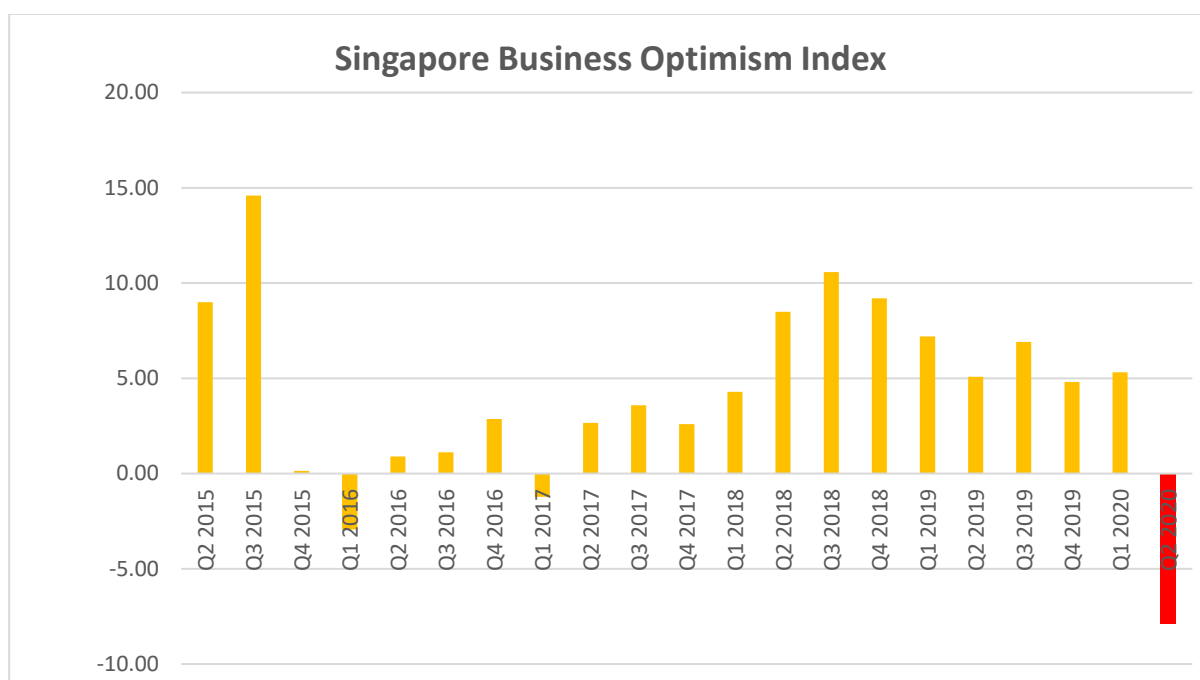


Figure 1. Overall Business Optimism Score, Q2 2017 – Q2 2020

Point Commentary

According to SCCB, all six indicators have fallen in Q2 2020 on a q-o-q basis.

- ❖ Volume of sales dropped from +6.97 percentage points in Q1 2020 to -9.95 percentage points in Q2 2020.
- ❖ Net profits plunged from +9.45 percentage points in Q1 2020 to -5.97 percentage points in Q2 2020.
- ❖ Selling price dived from +8.96 percentage points in Q1 2020 to -8.46 percentage points in Q2 2020.
- ❖ New orders fell from +3.98 percentage points in Q1 2020 to -12.44 percentage points in Q2 2020.
- ❖ Inventory levels dipped further in the contractionary zone from -0.50 percentage points in Q1 2020 to -5.47 percentage points in Q2 2020.
- ❖ Employment levels tumbled from +2.99 percentage points in Q1 2020 to -4.98 percentage points in Q2 2020.

On a y-o-y basis, all six indicators have also deteriorated in Q2 2020.

- ❖ Volume of sales declined from +8.0 percentage points in Q2 2019 to -9.95 percentage points in Q2 2020.
- ❖ Net profits tumbled from +5.0 percentage points in Q2 2019 to -5.97 percentage points in Q2 2020.
- ❖ Selling price fell from +4.0 percentage points in Q2 2019 to -8.46 percentage points in Q2 2020.
- ❖ New orders dived from +8.50 percentage points in Q2 2019 to -12.44 percentage points in Q2 2020.
- ❖ Inventory remained contractionary, down from -1.50 percentage points in Q2 2019 to -5.47 percentage points in Q2 2020.
- ❖ Employment levels fell from +6.50 percentage points in Q2 2019 to -4.98 percentage points in Q2 2020.

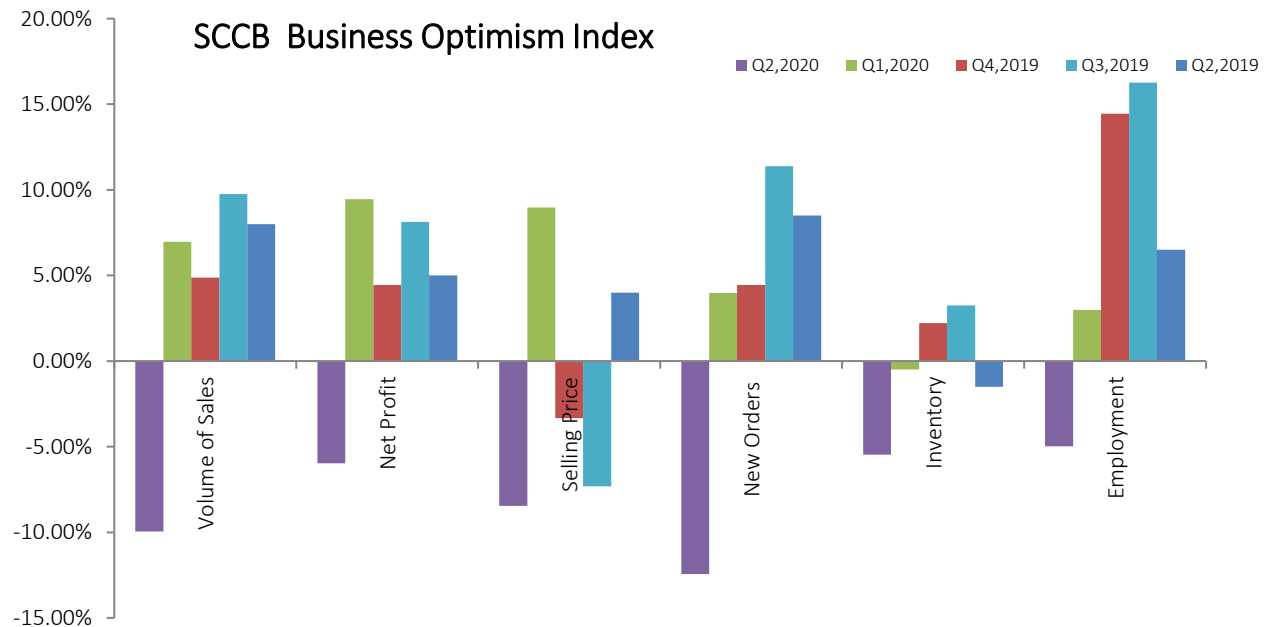


Figure 2. SCCB Optimism Index of Business Indicators, Q2 2019 – Q2 2020

Key Highlights for Q2 2020 Sectoral Outlook

The construction, services and manufacturing sectors are the least optimistic with all six indicators in the contractionary zone.

Construction

- ❖ Volume of sales remained contractionary at -10.0 percentage points in Q2 2020.
- ❖ Both net profits and new orders each dipped from -20.0 percentage points in Q1 2020 to -30.0 percentage points in Q2 2020.
- ❖ Employment levels fell from -10.0 percentage points in Q1 2020 to -30.0 percentage points in Q2 2020.
- ❖ Both inventory levels and selling price plunged into the contractionary zone. Inventory levels fell from +10.0 percentage points in Q1 2020 to -30.0 percentage points in Q2 2020. Selling price dropped from +30.0 percentage points in Q1 2020 to -30.0 percentage points in Q2 2020.

Services

- ❖ Both volume of sales and net profit each dived into the contractionary zone from +54.84 percentage points in Q1 2020 to -51.61 percentage points and -19.36 percentage points in Q2 2020 respectively.
- ❖ Selling price dropped from +29.03 percentage points in Q1 2020 to -25.81 percentage points in Q2 2020.
- ❖ New orders dived from +19.36 percentage points in Q1 2020 to -58.06 percentage points in Q2 2020.
- ❖ Inventory levels decreased visibly from +12.90 percentage points in Q1 2020 to -29.03 percentage points in Q2 2020.
- ❖ Employment levels dipped from +6.56 percentage points in Q1 2020 to -3.23 percentage points in Q2 2020.

Manufacturing

- ❖ Selling price and new orders each fell into the contractionary zone from +15.0 percentage points in Q1 2020 to -10.0 percentage points in Q2 2020.
- ❖ Employment levels dropped from +15.0 percentage points in Q1 2020 to -5.0 percentage points in Q2 2020.
- ❖ Volume of sales remained contractionary at -10.0 percentage points in Q2 2020.
- ❖ Net profits dipped from -5.0 percentage points in Q1 2020 to -10.0 percentage points in Q2 2020.
- ❖ Inventory levels increased from -40.0 percentage points in Q1 2020 to -25.0 percentage points in Q2 2020.

Transportation

The outlook for the transportation sector remained downbeat with only 1 of six indicators in the positive territory.

- ❖ Both volume of sales and net profits moderated downwards from +28.57 percentage points in Q1 2020 to 0 percentage point in Q2 2020.
- ❖ Selling price fell from +14.29 percentage points in Q1 2020 to 0 percentage point in Q2 2020.
- ❖ New orders rebounded from -57.14 percentage points in Q1 2020 to 0 percentage point in Q2 2020.
- ❖ Both inventory levels and employment levels each increased from -14.29 percentage points in Q1 2020 to +42.86 percentage points and 0 percentage point in Q2 2020 respectively.

Financial

Sentiments within the financial sector has also deteriorated with only 1 indicator in positive territory.

- ❖ Volume of sales, new orders and inventory levels have moderated downwards from +50.0 percentage points in Q1 2020 to 0 percentage point in Q2 2020.
- ❖ Employment levels have remained unchanged at 0 percentage point in Q2 2020.
- ❖ Net profits dropped significantly from +100.0 percentage points in Q1 2020 to +16.67 percentage points in Q2 2020.
- ❖ Selling price fell into the contractionary zone from +16.67 percentage points in Q1 2020 to -16.67 percentage points in Q2 2020.

The Ministry of Trade and Industry (MTI) has recently revised the GDP growth forecast for 2020 to be between -0.5 per cent to 1.5 per cent.

“The negative spillover effects of heightened global health risks posed by the surge of COVID-19 cases internationally, slowing Chinese demand and disruption of supply chains have caused optimism levels to fall to an all-time low for the second quarter of 2020. The construction, services and manufacturing sectors have emerged as the most downbeat sectors with all six indicators in the contractionary zone.” said Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“The recent Budget 2020 measures such as the Stabilisation and Support Package to help businesses tide through the COVID-19 outbreak will to some extent provide some short-term relief to firms in managing their cash flow and manpower. However, with so many uncertainties in the trajectory and development of the spread of COVID-19, the downside risks and potential disruptions are real. Firms will have to brace for tougher times and continued uncertainties ahead.” added Ms. Chia.

Overview of Business Indicators

Volume of Sales

Volume of sales decreased to -9.95 percentage points (compared to +6.97 percentage points in Q1 2020). The services sector (net -51.61 percentage points) is most pessimistic, followed by agriculture (net -33.33 percentage points), construction and manufacturing (net -10.0 percentage points). The remaining sectors – financial, mining, transportation and wholesale (net 0 percentage point) – have anticipated volume of sales to remain unchanged.

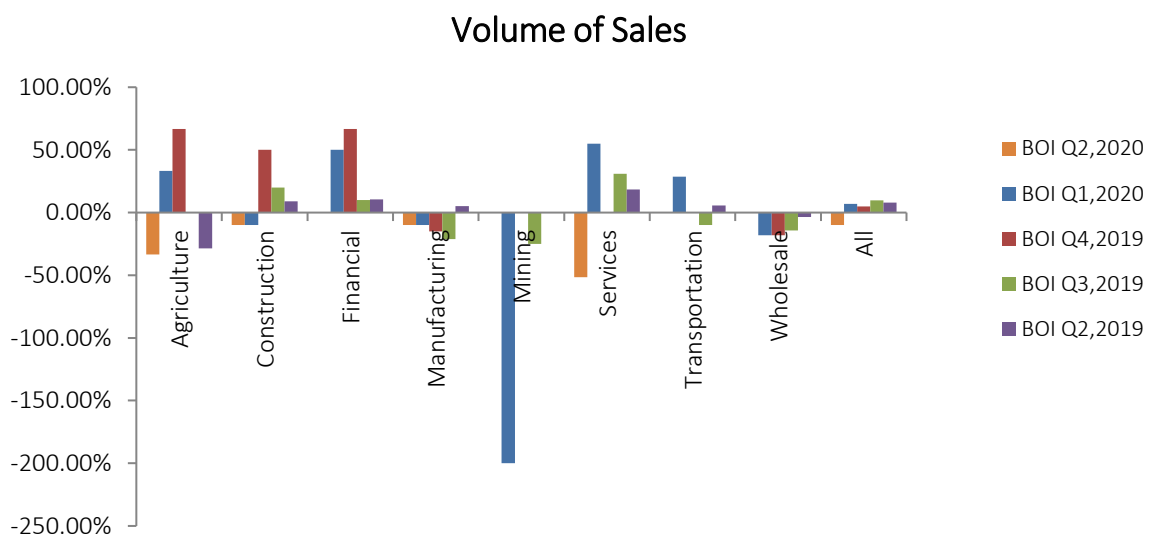


Figure 3. Volume of Sales Optimism Index, Q2 2019 – Q2 2020

Net Profit

Net profit plunged to -5.97 percentage points (compared to +9.45 percentage points in Q1 2020). The mining sector (net -50.0 percentage points) is most downbeat, followed by agriculture (net -33.33 percentage points), construction (net -30.0 percentage points), services (net -19.36 percentage points) and manufacturing (net -10.0 percentage points). The financial sector remains upbeat (net +16.67 percentage points) while both transportation and wholesale (net 0 percentage point) have anticipated net profit to remain unchanged.

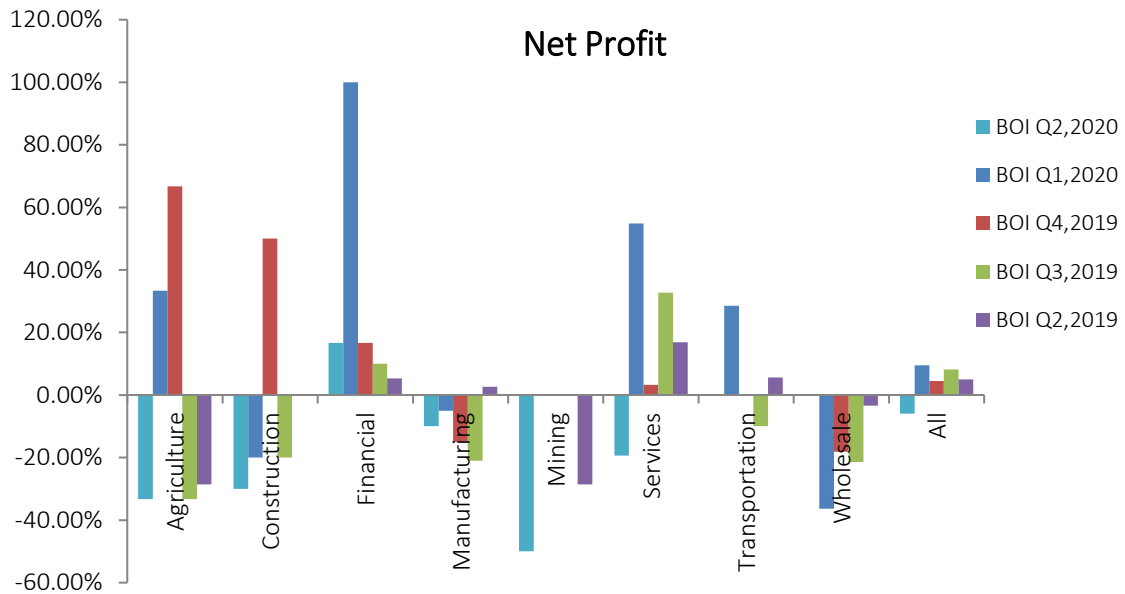


Figure 4. Net Profit Optimism Index, Q2 2019 – Q2 2020

Inventory Levels

Inventory levels have dipped to -5.47 percentage points (compared to -0.50 percentage points in Q1 2020). The agriculture sector (net -33.33 percentage points) is most downbeat, followed by construction (net -30.0 percentage points), services (net -29.03 percentage points) and manufacturing (net -25.0 percentage points). Both financial and mining sectors (net 0 percentage point) have expected inventory levels to remain unchanged. The remaining sectors – transportation (net +42.86 percentage points) and wholesale (net +36.36 percentage points) are upbeat about inventory levels.

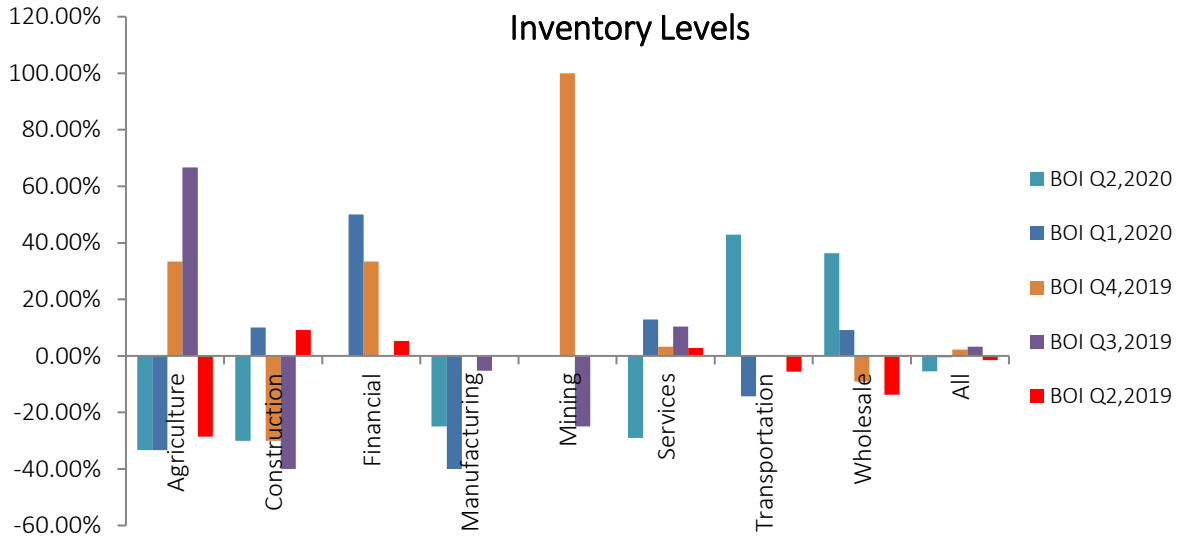


Figure 5. Inventory Levels Optimism Index, Q2 2019 – Q2 2020

Selling Price

Selling price fell to -8.46 percentage points (compared to +8.96 percentage points in Q1 2020). The agriculture sector (net -33.33 percentage points) is most downbeat, followed by construction (net -30.0 percentage points), services (net -25.81 percentage points), wholesale (net -18.18 percentage points), financial (net -16.67 percentage points) and manufacturing (net -10.0 percentage points). Both mining and transportation sectors (net 0 percentage point) have anticipated selling price to remain unchanged.

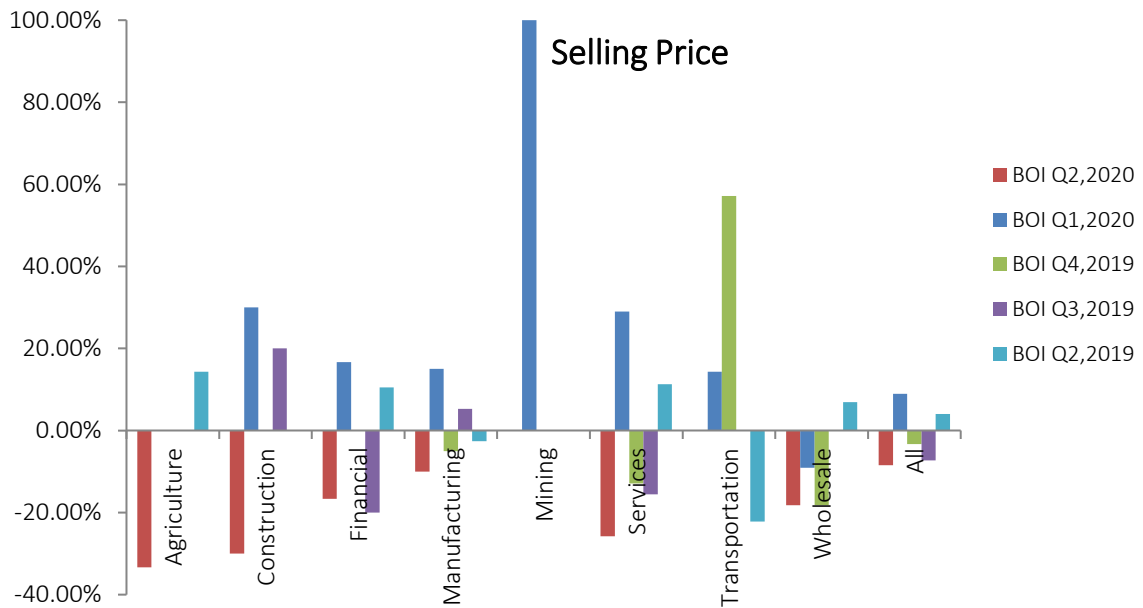


Figure 6. Selling Price Optimism Index, Q2 2019 – Q2 2020

New Orders

New orders dived to -12.44 percentage points (compared to +3.98 percentage points in Q1 2020). The services sector (net -58.06 percentage points) is most downbeat, followed by mining (net -50.0 percentage points), agriculture (-33.33 percentage points), construction (net -30.0 percentage points) and manufacturing (net -10.0 percentage points). The remaining sectors – financial, transportation and wholesale (net 0 percentage point) have anticipated new orders to remain unchanged.

New Orders (All Sectors)

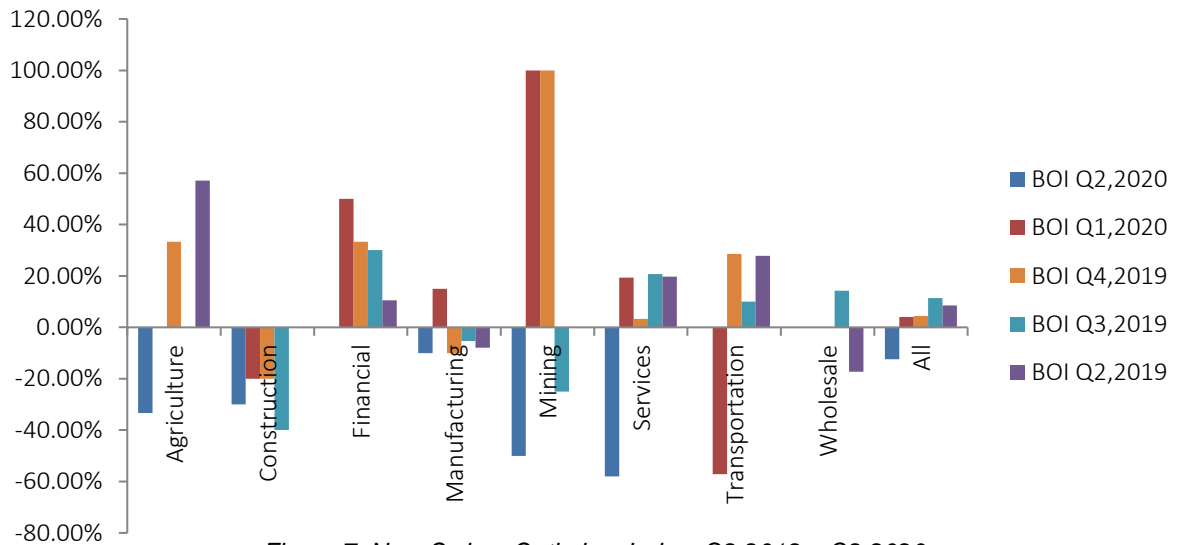


Figure 7. New Orders Optimism Index, Q2 2019 – Q2 2020

Employment

Employment levels have decreased further to -4.98 percentage points (compared to +2.99 percentage points in Q1 2020). The wholesale sector (net -36.36 percentage points) is most downbeat, followed by agriculture (net -33.33 percentage points), construction (net -30.0 percentage points), manufacturing (net -5.0 percentage points) and services (net -3.23 percentage points). The remaining sectors – financial, mining and transportation (net 0 percentage point) – have expected employment to remain unchanged.

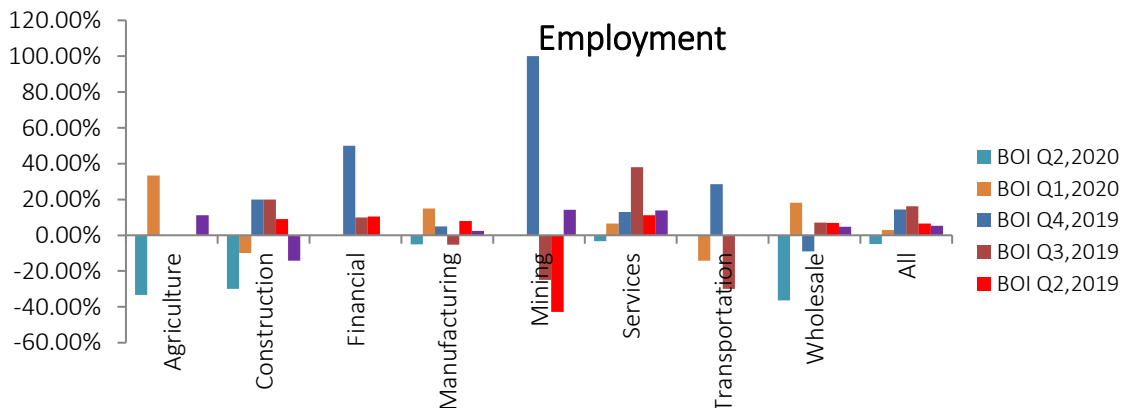


Figure 8. Employment Optimism Index, Q2 2019 – Q2 2020

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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