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Business sentiment rebounds into expansionary zone in Q2 2021

*Outlook for Financial, Manufacturing and Wholesale sectors improved further
- Singapore Commercial Credit Bureau*

Singapore, 15 March 2021 – Local business sentiments have rebounded into the expansionary zone for Q2 2021, after four consecutive quarters of negative outlook. According to Singapore Commercial Credit Bureau (SCCB)'s Business Optimism Index study, BOI inched up for the third consecutive quarter from -1.03 percentage points in Q1 2021 to +3.94 percentage points in Q2 2021. On a year-on-year (y-o-y) basis, BOI jumped from -7.88 percentage points in Q2 2020 to +3.94 percentage points in Q2 2021.

For Q2 2021, 4 of six indicators are expansionary as compared to only 3 indicators in Q1 2021.

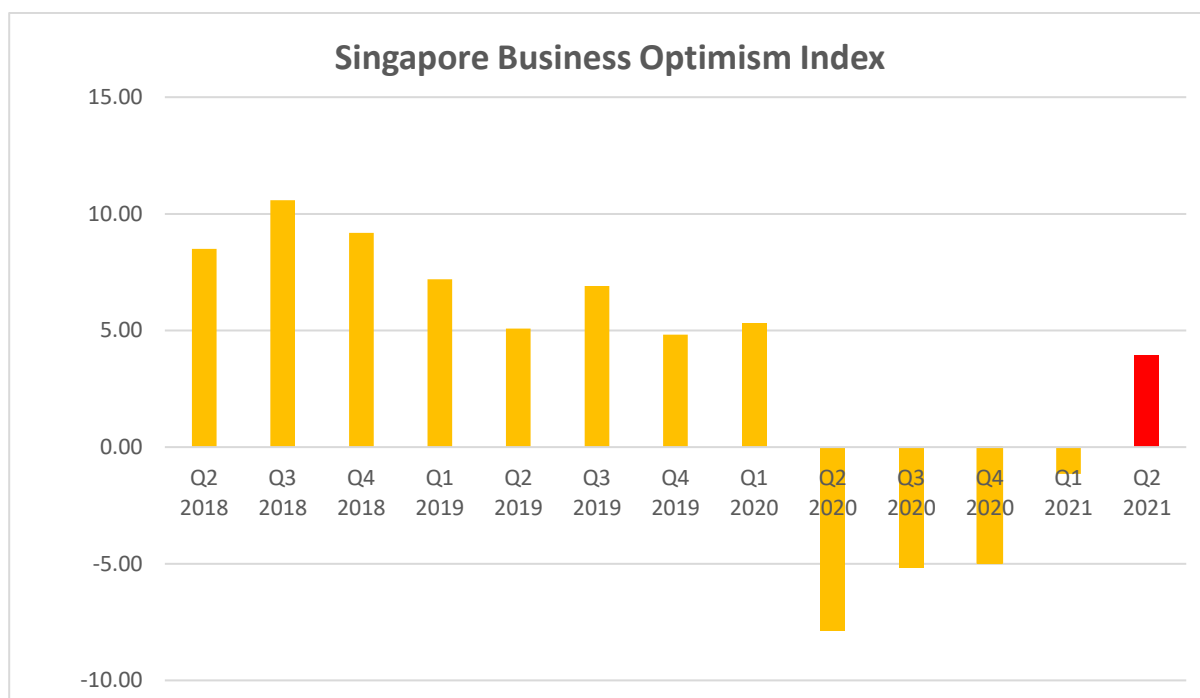


Figure 1. Overall Business Optimism Score, Q2 2018 – Q2 2021

Point Commentary

According to SCCB, all six indicators have experienced improvements on a q-o-q basis as compared to 3 indicators in Q1 2021.

- ❖ Volume of sales inched up from +8.46 percentage points in Q1 2021 to +9.92 percentage points in Q2 2021.
- ❖ Net profits rose from +3.85 percentage points in Q1 2021 to +9.92 percentage points in Q2 2021.
- ❖ Selling price rebounded from -8.46 percentage points in Q1 2021 to +1.53 percentage points in Q2 2021.
- ❖ New orders climbed from +7.69 percentage points in Q1 2021 to +9.92 percentage points in Q2 2021.
- ❖ Inventory levels rose from -10.0 percentage points in Q1 2021 to -7.64 percentage points in Q2 2021.
- ❖ Employment levels increased from -7.69 percentage points in Q1 2021 to 0 percentage point in Q2 2021.

On a y-o-y basis, 5 of six indicators have improved in Q2 2021.

- ❖ Volume of sales jumped from -9.95 percentage points in Q2 2020 to +9.92 percentage points in Q2 2021.
- ❖ Net profits rose visibly from -5.97 percentage points in Q2 2020 to +9.92 percentage points in Q2 2021.
- ❖ Selling price increased from -8.46 percentage points in Q2 2020 to +1.53 percentage points in Q2 2021.
- ❖ New orders increased from -12.44 percentage points in Q2 2020 to +9.92 percentage points in Q2 2021.
- ❖ Inventory levels fell from -5.47 percentage points in Q2 2020 to -7.64 percentage points in Q2 2021.
- ❖ Employment levels rose from -4.98 percentage points in Q2 2020 to 0 percentage point in Q2 2021.

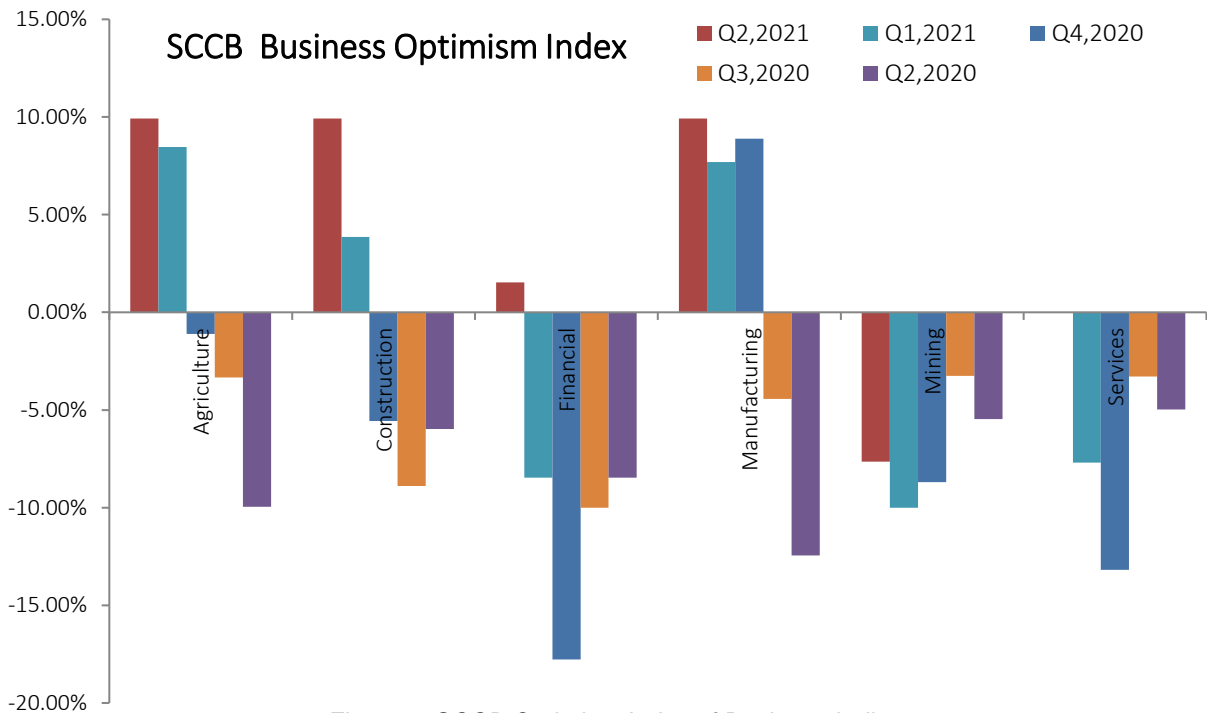


Figure 2. SCCB Optimism Index of Business Indicators, Q2 2020 – Q2 2021

Key Highlights for Q2 2021 Sectoral Outlook

The outlook for the financial, manufacturing and wholesale sectors continue to see further improvements while sentiments within the construction and transportation sectors remained muted.

Financial

As with the previous quarter, the outlook for the financial sector is most optimistic with all 6 indicators in positive territory.

- ❖ Both volume of sales and employment levels increased moderately from +27.27 percentage points in Q1 2021 to +36.36 percentage points in Q2 2021.
- ❖ Net profit jumped from +9.09 percentage points in Q1 2021 to +36.36 percentage points in Q2 2021.
- ❖ Selling price climbed from +18.18 percentage points in Q1 2021 to +27.27 percentage points in Q2 2021.
- ❖ New orders moderated from +36.36 percentage points in Q1 2021 to +27.27 percentage points in Q2 2021.
- ❖ Inventory levels remained at +9.09 percentage points in Q2 2021.

Manufacturing

The outlook for the manufacturing sector has also remained relatively optimistic with 5 of six indicators in the positive territory.

- ❖ Volume of sales rose from +3.57 percentage points in Q1 2021 to +7.14 percentage points in Q2 2021.
- ❖ Both net profit and selling price rebounded from -3.57 percentage points in Q1 2021 to +7.14 percentage points and 0 percentage point in Q2 2021 respectively.
- ❖ New orders jumped from +14.29 percentage points in Q1 2021 to +21.43 percentage points in Q2 2021.
- ❖ Inventory levels remained at +3.57 percentage points in Q2 2021.
- ❖ Employment levels increased from +14.29 percentage points in Q1 2021 to +17.86 percentage points in Q2 2021.

Wholesale

Sentiments within the wholesale sector is remains upbeat with 4 of six indicators in positive territory.

- ❖ Volume of sales moderated from +41.18 percentage points in Q1 2021 to +23.53 percentage points in Q2 2021.
- ❖ Net profit fell from +29.41 percentage points in Q1 2021 to +23.53 percentage points in Q2 2021.
- ❖ Selling price jumped from 0 percentage point in Q1 2021 to +5.88 percentage points in Q2 2021.
- ❖ New orders remained at +5.88 percentage points in Q2 2021.
- ❖ Inventory levels climbed from -41.18 percentage points in Q1 2021 to -29.41 percentage points in Q2 2021.
- ❖ Employment levels rose from -23.53 percentage points in Q1 2021 to -11.77 percentage points in Q2 2021.

Services

The outlook for the services sector remains expansionary with 3 of six indicators in positive territory.

- ❖ Both volume of sales and net profit climbed moderately from +15.91 percentage points in Q1 2021 to +18.18 percentage points in Q2 2021.
- ❖ Selling price rebounded from -6.82 percentage points in Q1 2021 to 0 percentage point in Q2 2021.
- ❖ New orders remained at +6.82 percentage points in Q2 2021.
- ❖ Inventory levels increased from -15.91 percentage points in Q1 2021 to -9.09 percentage points in Q2 2021.

- ❖ Employment levels rose from -13.64 percentage points in Q1 2021 to -9.09 percentage points in Q2 2021.

Construction

Sentiments within the construction sector has improved slightly albeit remaining downbeat with 4 indicators in the contractionary zone.

- ❖ Both volume of sales and net profit remained contractionary at -8.33 percentage points in Q2 2021.
- ❖ Selling price rose from -33.33 percentage points in Q1 2021 to +16.67 percentage points in Q2 2021.
- ❖ New orders climbed from -16.67 percentage points in Q1 2021 to 0 percentage point in Q2 2021.
- ❖ Inventory levels remained contractionary at -33.33 percentage points in Q2 2021.
- ❖ Employment levels climbed from -33.33 percentage points in Q1 2021 to -16.67 percentage points in Q2 2021.

Transportation

Sentiments within the transportation sector remained weak with 4 of six indicators in the negative territory.

- ❖ Both volume of sales and net profit rose from -36.36 percentage points in Q1 2021 to -18.18 percentage points in Q2 2021.
- ❖ Selling price remained contractionary at -18.18 percentage points in Q2 2021.
- ❖ New orders remain unchanged at 0 percentage point in Q2 2021.
- ❖ Inventory levels moderated from +27.27 percentage points in Q1 2021 to +9.09 percentage points in Q2 2021.
- ❖ Employment levels rose from -18.18 percentage points in Q1 2021 to -9.09 percentage points in Q2 2021.

The Ministry of Trade and Industry (MTI) has maintained the GDP growth forecast for 2021 to be between +4.0 per cent to +6.0 per cent.

“The outlook for local businesses has shown signs of further recovery as we enter into the second quarter of 2021. The financial services, wholesale trade and manufacturing sectors have in particular continued to experience sustained growth and demand both locally and globally. For the first time in four consecutive quarters, we have also seen business optimism rebounding into the expansionary zone.” said Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“The improvement in business sentiment is however uneven across different sectors, with both construction and transportation still experiencing a muted outlook from weakness in building activities and a slower pace of border re-opening amidst a global surge in COVID-19 cases and a more contagious strain of the virus.” added Ms. Chia.

Overview of Business Indicators

Volume of Sales

Volume of sales increased to +9.92 percentage points (compared to +8.46 percentage points in Q1 2021). Both financial (net +36.36 percentage points) and wholesale (net +23.53 percentage points) are most optimistic, followed by services (net +18.18 percentage points) and manufacturing (net +7.14 percentage points). The agriculture sector (net 0 percentage point) expected volume of sales to remain unchanged. The remaining sectors are downbeat – construction (net -8.33 percentage points), transportation (net -18.18 percentage points) and mining (net -50.0 percentage points).

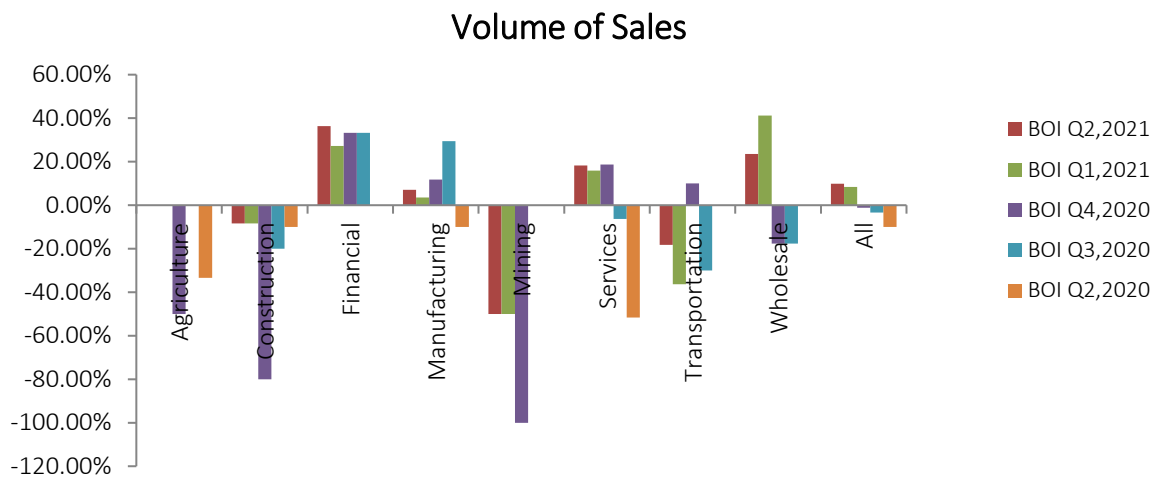


Figure 3. Volume of Sales Optimism Index, Q2 2020 – Q2 2021

Net Profit

Net profit increased to +9.92 percentage points (compared to +3.85 percentage points in Q1 2021). Both financial (net +36.36 percentage points) and wholesale (net +23.53 percentage points) are most optimistic, followed by services (net +18.18 percentage points) and manufacturing (net +7.14 percentage points). The agriculture sector (net 0 percentage point) expected volume of sales to remain unchanged. The remaining sectors are downbeat – construction (net -8.33 percentage points), transportation (net -18.18 percentage points) and mining (net -50.0 percentage points).

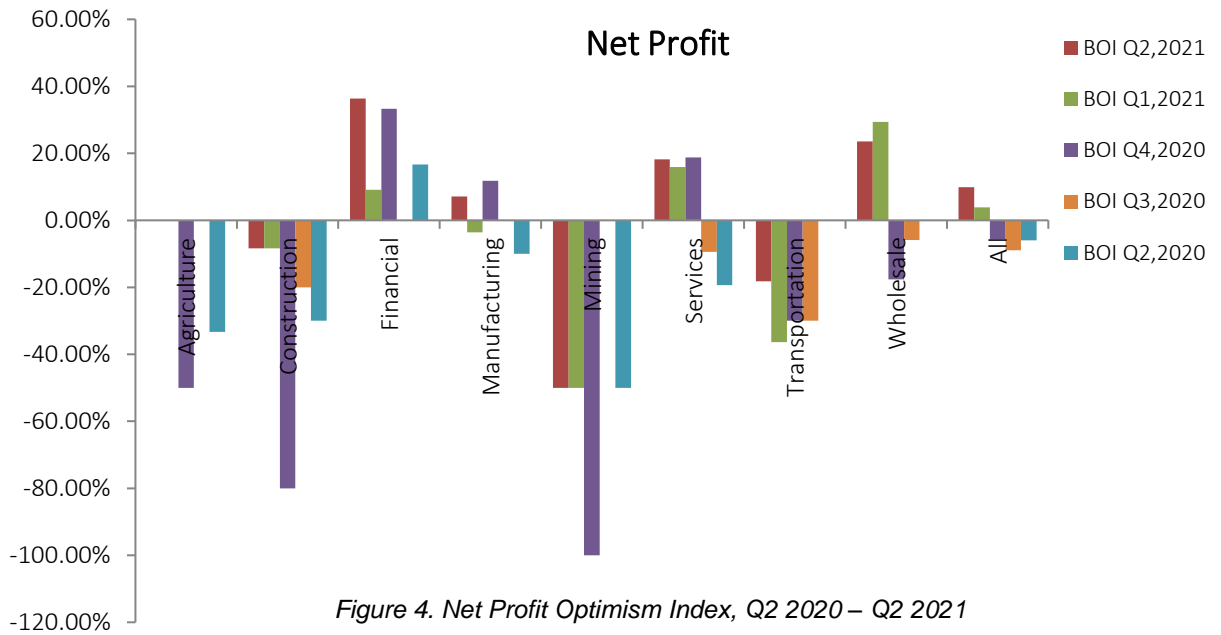


Figure 4. Net Profit Optimism Index, Q2 2020 – Q2 2021

Selling Price

Selling price increased to +1.53 percentage points (compared to -8.46 percentage points in Q1 2021). The financial (net +27.27 percentage points) is the most optimistic sector, followed by construction (net +16.67 percentage points) and wholesale (net +5.88 percentage points). Both agriculture (net -50.0 percentage points) and transportation (net -18.18 percentage points) are downbeat while the remaining sectors have anticipated selling price to remain unchanged – manufacturing, mining and services (net 0 percentage point).

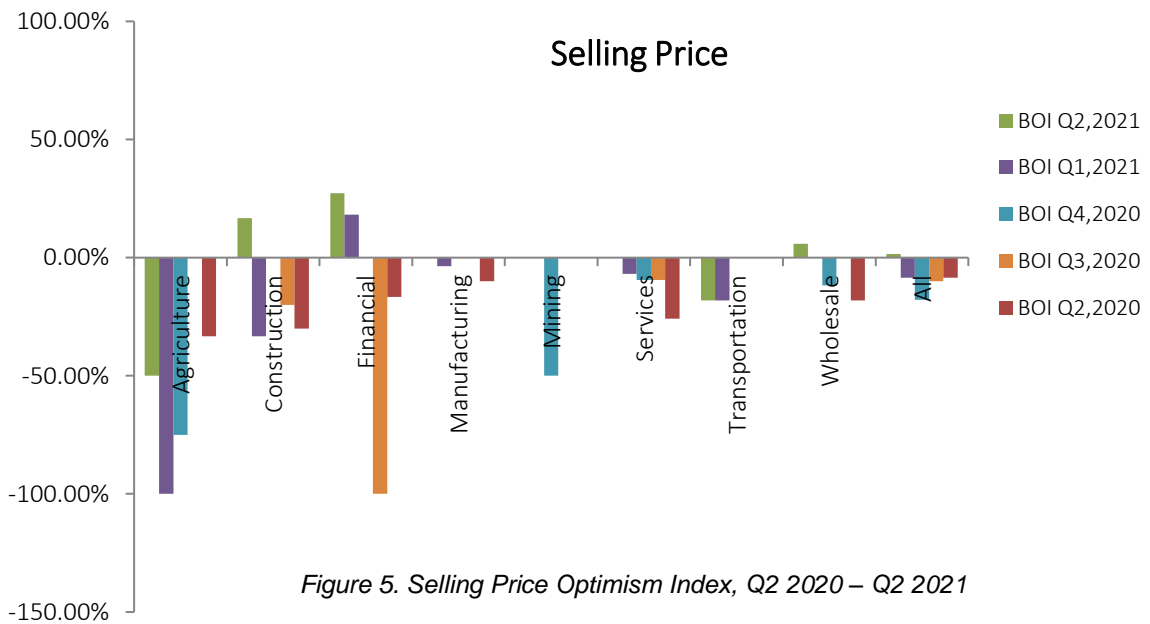


Figure 5. Selling Price Optimism Index, Q2 2020 – Q2 2021

New Orders

New orders inched upwards to +9.92 percentage points (compared to +7.69 percentage points in Q1 2021). The financial (net +27.27 percentage points), manufacturing (net +21.43 percentage points), services (net +6.82 percentage points) and wholesale (net +5.88 percentage points) are upbeat. The remaining sectors have anticipated new orders to remain unchanged – agriculture, construction, mining and transportation (net 0 percentage point).

New Orders (All Sectors)

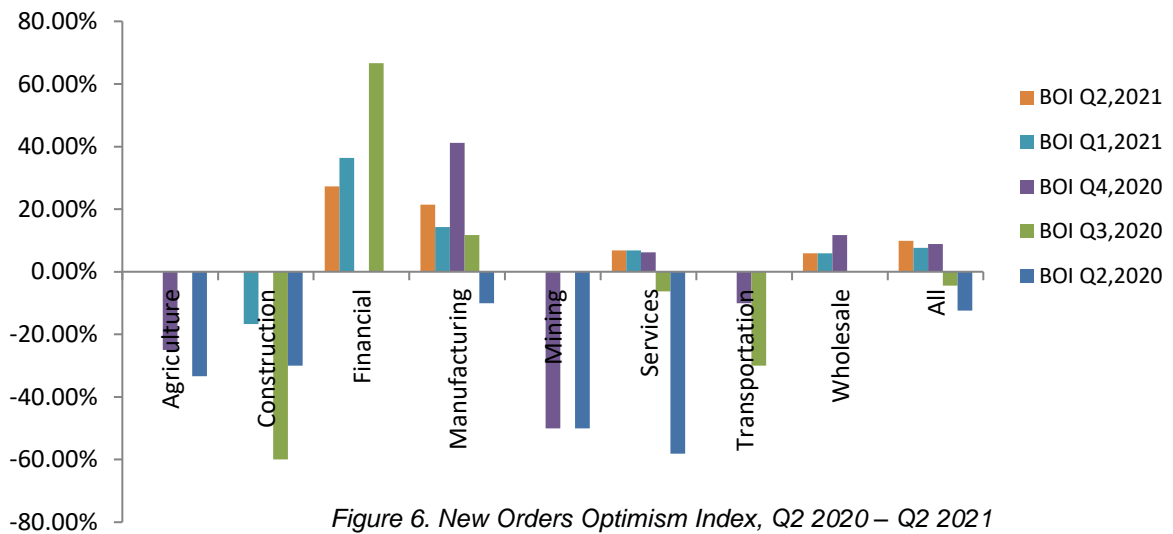


Figure 6. New Orders Optimism Index, Q2 2020 – Q2 2021

Inventory Levels

Inventory levels increased to -7.64 percentage points (compared to -10.0 percentage points in Q1 2021). Both financial and transportation sectors (net +9.09 percentage points) are most upbeat, followed by manufacturing (net +3.57 percentage points). The construction (net -33.33 percentage points), wholesale (net -29.41 percentage points) and services (net -9.09 percentage points) are most downbeat. Both agriculture and mining (net 0 percentage point) have expected inventory levels to remain unchanged.

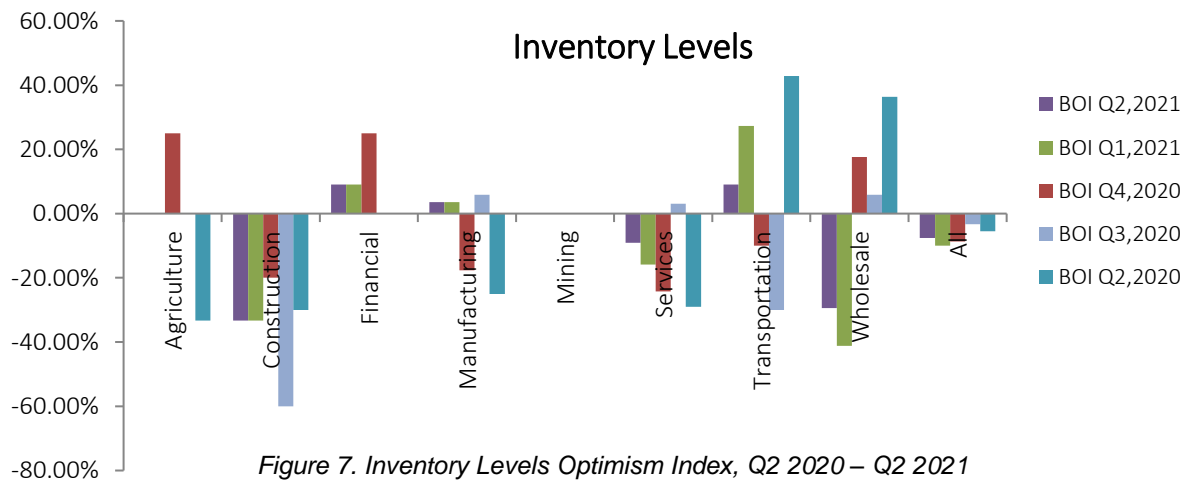


Figure 7. Inventory Levels Optimism Index, Q2 2020 – Q2 2021

Employment

Employment levels increased to 0 percentage point (compared to -7.69 percentage points in Q1 2021). The financial (net +36.36 percentage points) and manufacturing (net +17.86 percentage points) sectors are most upbeat while the agriculture and mining sectors (net 0 percentage point) expected employment to remain unchanged. The remaining sectors are downbeat – construction (net -16.67 percentage points), wholesale (net -11.77 percentage points), transportation (net -9.09 percentage points) and services (net -9.09 percentage points).

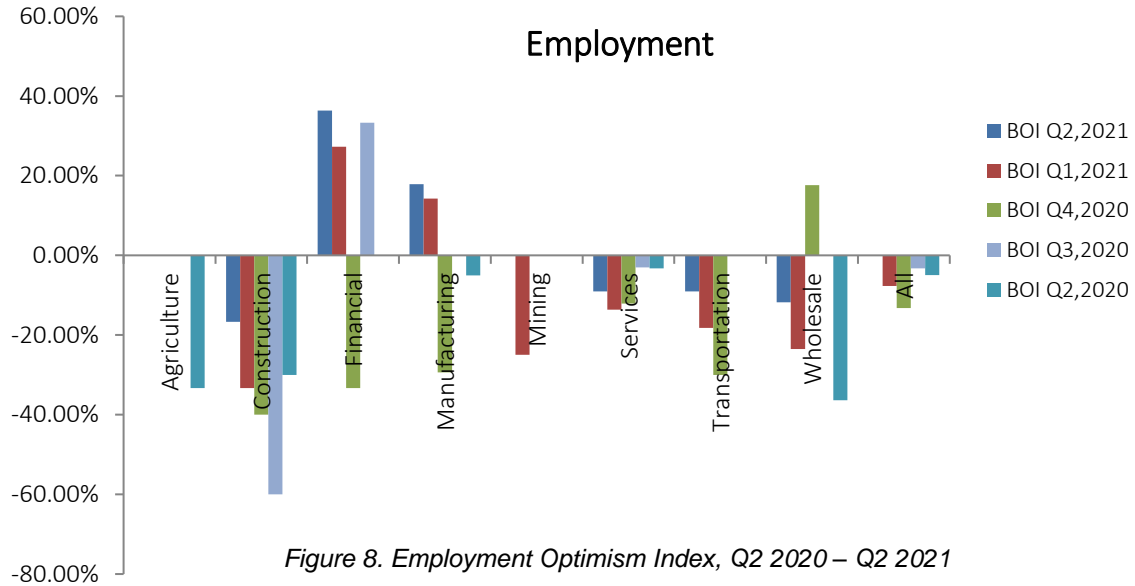


Figure 8. Employment Optimism Index, Q2 2020 – Q2 2021

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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