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FOR IMMEDIATE RELEASE

Business sentiment remains downbeat in Q4 2020
Construction and Transportation are the most pessimistic sectors
- Singapore Commercial Credit Bureau

Singapore, 08 September 2020 – Business sentiment among local firms remains pessimistic in Q4 2020, albeit a slight turnaround compared to the previous quarter. According to Singapore Commercial Credit Bureau (SCCB)'s Business Optimism Index study, BOI remained in the contractionary zone, inching up slightly from -5.16 percentage points in Q3 2020 to -4.97 percentage points in Q4 2020. On a year-on-year (y-o-y) basis, BOI plunged from +4.82 percentage points in Q4 2019 to -4.97 percentage points in Q4 2020.

Compared to Q3 2020, 5 of six indicators are contractionary for Q4 2020.

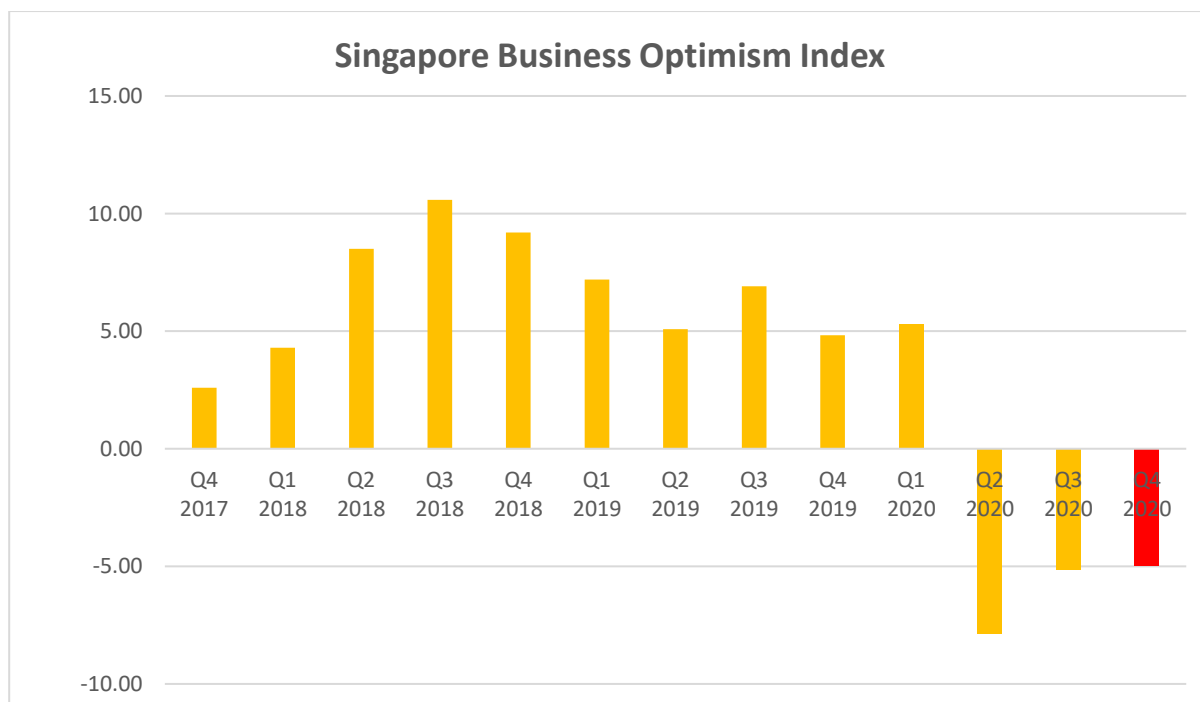


Figure 1. Overall Business Optimism Score, Q4 2017 – Q4 2020

Point Commentary

According to SCCB, 3 out of six indicators have experienced declines on a q-o-q basis as compared two of six indicators in Q4 2020.

- ❖ Volume of sales inched up slightly from -3.33 percentage points in Q3 2020 to -1.11 percentage points in Q4 2020.
- ❖ Net profits increased from -8.89 percentage points in Q3 2020 to -5.56 percentage points in Q4 2020.
- ❖ Selling price dropped from -10.0 percentage points in Q3 2020 to -17.78 percentage points in Q4 2020.
- ❖ New orders jumped from -4.44 percentage points in Q3 2020 to +8.89 percentage points in Q4 2020.
- ❖ Inventory levels fell from -3.26 percentage points in Q3 2020 to -8.70 percentage points in Q4 2020.
- ❖ Employment levels dropped from -3.29 percentage points in Q3 2020 to -13.19 percentage points in Q4 2020.

On a y-o-y basis, 5 of six indicators have also deteriorated in Q4 2020.

- ❖ Volume of sales declined from +4.88 percentage points in Q4 2019 to -1.11 percentage points in Q4 2020.
- ❖ Net profits tumbled from +4.44 percentage points in Q4 2019 to -5.56 percentage points in Q4 2020.
- ❖ Selling price dipped from -3.33 percentage points in Q4 2019 to -17.78 percentage points in Q4 2020.
- ❖ New orders increased from +4.44 percentage points in Q4 2019 to +8.89 percentage points in Q4 2020.
- ❖ Inventory levels fell from +2.22 percentage points in Q4 2019 to -8.70 percentage points in Q4 2020.
- ❖ Employment levels plunged from +14.44 percentage points in Q4 2019 to -13.19 percentage points in Q4 2020.

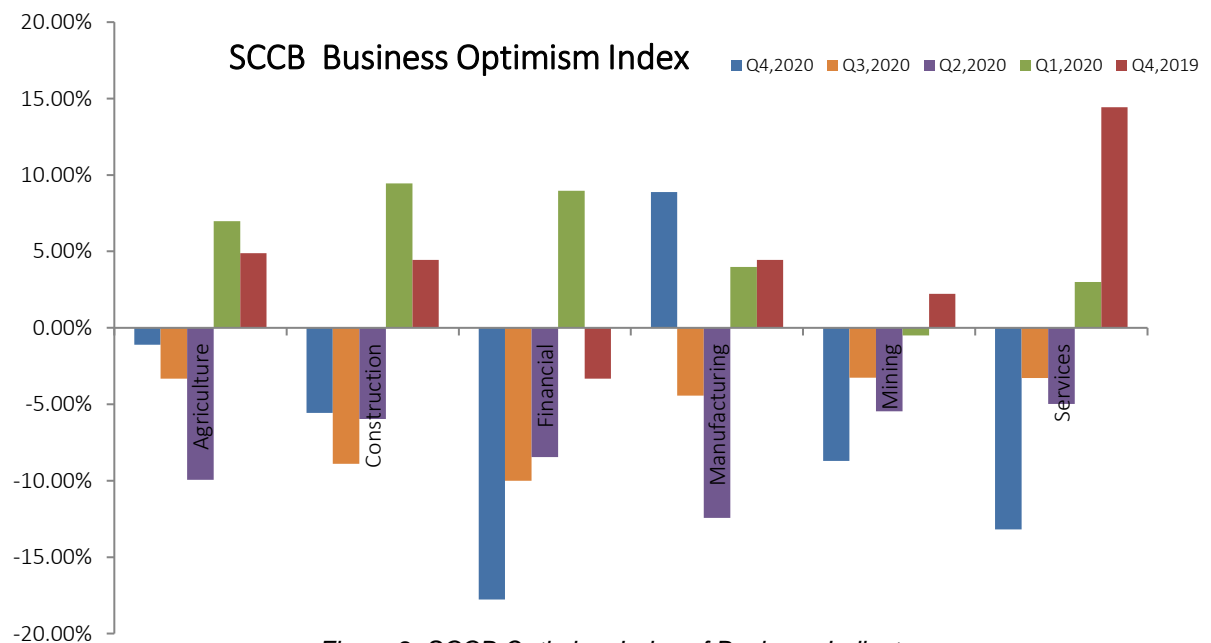


Figure 2. SCCB Optimism Index of Business Indicators, Q4 2019 – Q4 2020

Key Highlights for Q4 2020 Sectoral Outlook

The financial, manufacturing and services sectors anticipated a slightly better outlook while sentiments among the remaining sectors remained muted.

Financial

As with Q3 2020, sentiments within the financial sector has improved slightly with 3 indicators in positive territory.

- ❖ Volume of sales remained expansionary at +33.33 percentage points in Q4 2020.
- ❖ Net profit increased from 0 percentage point in Q3 2020 to +33.33 percentage points in Q4 2020.
- ❖ Selling price rebounded from -100.0 percentage points in Q3 2020 to 0 percentage point in Q4 2020.
- ❖ New orders fell from +66.67 percentage points in Q3 2020 to 0 percentage point in Q4 2020.
- ❖ Inventory levels increased from 0 percentage point in Q3 2020 to +25.0 percentage points in Q4 2020.
- ❖ Employment levels plunged from +33.33 percentage points in Q3 2020 to -33.33 percentage points in Q4 2020.

Manufacturing

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

- ❖ Volume of sales dropped visibly from +29.41 percentage points in Q3 2020 to +11.76 percentage points in Q4 2020.
- ❖ Net profit jumped from 0 percentage point in Q3 2020 to +11.76 percentage points in Q4 2020.
- ❖ Selling price remained unchanged at 0 percentage point.
- ❖ New orders rose from +11.76 percentage points in Q3 2020 to +41.18 percentage points in Q4 2020.
- ❖ Inventory levels dived into the contractionary zone from +5.88 percentage points in Q3 2020 to -17.65 percentage points in Q4 2020.
- ❖ Employment levels fell from 0 percentage point in Q3 2020 to -29.41 percentage points in Q4 2020.

Services

The outlook for the services sector has improved slightly with 3 of six indicators in positive territory, as compared to five indicators in the previous quarter.

- ❖ Volume of sales rebounded into the positive zone, rising from -6.25 percentage points in Q3 2020 to +18.75 percentage points in Q4 2020.
- ❖ Net profits jumped from -9.38 percentage points in Q3 2020 to +18.75 percentage points in Q4 2020.
- ❖ Selling price remained contractionary at -9.38 percentage points in Q4 2020.
- ❖ New orders rebounded from -6.25 percentage points in Q3 2020 to +6.25 percentage points in Q4 2020.
- ❖ Inventory levels plunged from +3.03 percentage points in Q3 2020 to -24.24 percentage points in Q4 2020.
- ❖ Employment levels dived from -3.03 percentage points in Q3 2020 to -12.12 percentage points in Q4 2020.

Construction

Sentiments within the construction sector remained relatively downbeat with all 5 of six indicators in the contractionary zone.

- ❖ Both volume of sales and net profit declined further from -20.0 percentage points in Q3 2020 to -80.0 percentage points in Q4 2020.
- ❖ Selling price rebounded from -20.0 percentage points in Q3 2020 to 0 percentage point in Q4 2020.
- ❖ New orders increased from -60.0 percentage points in Q3 2020 to 0 percentage point in Q4 2020.
- ❖ Inventory levels rose from -60.0 percentage points in Q3 2020 to -20.0 percentage points in Q4 2020.
- ❖ Employment levels climbed from -60.0 percentage points in Q3 2020 to -40.0 percentage points in Q4 2020.

Transportation

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

- ❖ Volume of sales rose from -30.0 percentage points in Q3 2020 to +10.0 percentage points in Q4 2020.
- ❖ Net profit remained contractionary at -30.0 percentage points in Q4 2020.
- ❖ Selling price remained unchanged at 0 percentage point in Q4 2020.
- ❖ Both new orders and inventory levels climbed from -30.0 percentage points in Q3 2020 to -10.0 percentage points in Q4 2020.
- ❖ Employment levels fell into the negative territory, down from 0 percentage point in Q3 2020 to -30.0 percentage points in Q4 2020.

The Ministry of Trade and Industry (MTI) has recently narrowed the GDP growth forecast for 2020 to be between -7.0 per cent to -5.0 per cent.

“On the overall, business sentiments in Singapore are expected to remain downbeat for the final quarter of 2020. With heightened global geo-political tensions, a protracted re-opening of international borders and delayed resumption in activities locally for certain sectors such as construction, there are still no clear prospects of recovery in sight within the short-term. However, we are seeing pockets of strength in certain sectors such as the professional and IT services, manufacturing and financial services sectors which have all anticipated a slightly better outlook as compared to Q3 2020.” said Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“As COVID-19 has accelerated the digital transformation among local firms, businesses which have been able to pivot their business models were better able to shore up their operations quickly to keep their businesses going during these challenging times. While the support measures from the government has helped firms deal with short-term business challenges, it is critical for firms to also address the strategic long-term needs to ensure that their business remains sustainable.” added Ms. Chia.

Overview of Business Indicators

Volume of Sales

Volume of sales increased to -1.11 percentage points (compared to -3.33 percentage points in Q3 2020). The financial (net +33.33 percentage points), services (net +18.75 percentage points), manufacturing (net +11.76 percentage points) and transportation (net +10.0 percentage points) are most upbeat. The remaining sectors are relatively downbeat – mining (net -100.0 percentage points), construction (net -80.0 percentage points), agriculture (net -50.0 percentage points) and wholesale (net -17.65 percentage points).

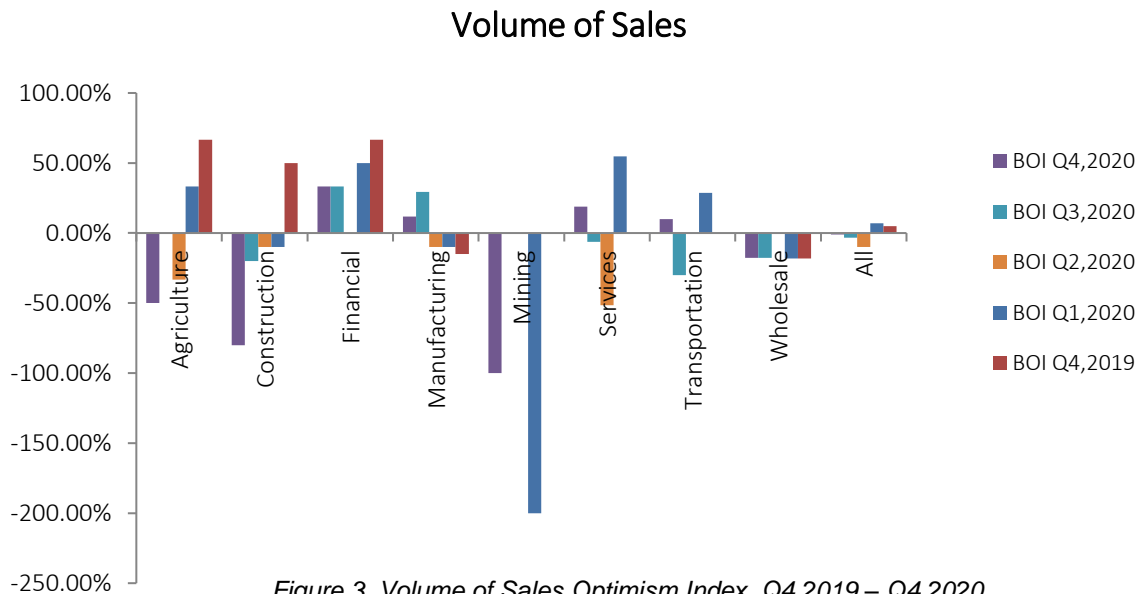


Figure 3. Volume of Sales Optimism Index, Q4 2019 – Q4 2020

Net Profit

Net profit inched up to -5.56 percentage points (compared to -8.89 percentage points in Q3 2020). The financial (net +33.33 percentage points) is the most upbeat, followed by services (+18.75 percentage points) and manufacturing (+11.76 percentage points). The remaining sectors are downbeat – mining (net -100.0 percentage points), construction (net -80.0 percentage points), agriculture (net -50.0 percentage points), transportation (net -30.0 percentage points) and wholesale (net -17.65 percentage points).

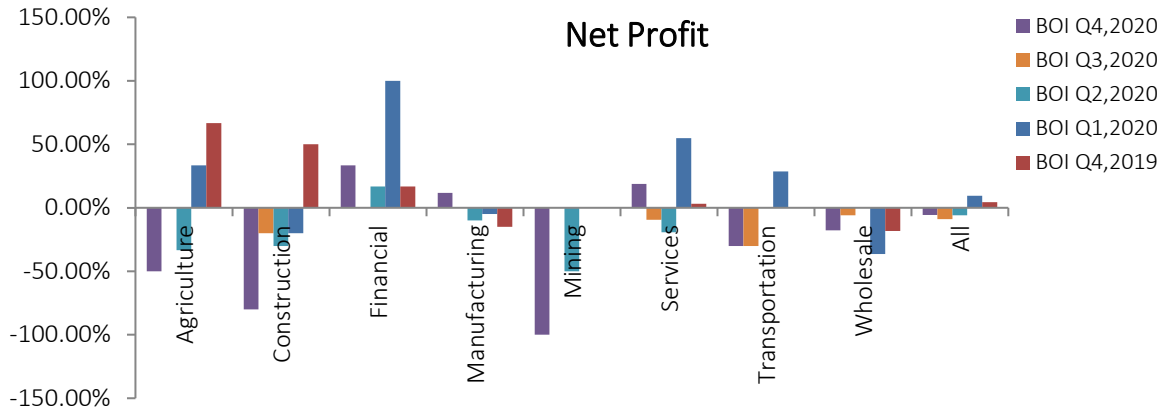


Figure 4. Net Profit Optimism Index, Q4 2019 – Q4 2020

Inventory Levels

Inventory levels have decreased to -8.70 percentage points (compared to -3.26 percentage points in Q3 2020). Both agriculture and financial (net +25.0 percentage points) are most upbeat, followed by wholesale (net +17.65 percentage points). The mining sector (net 0 percentage point) has anticipated inventory to remain unchanged. The remaining sectors – services (net -24.24 percentage points), construction (net -20.0 percentage points), manufacturing (net -17.65 percentage points) and transportation (net -10.0 percentage points) are most downbeat about inventory levels.

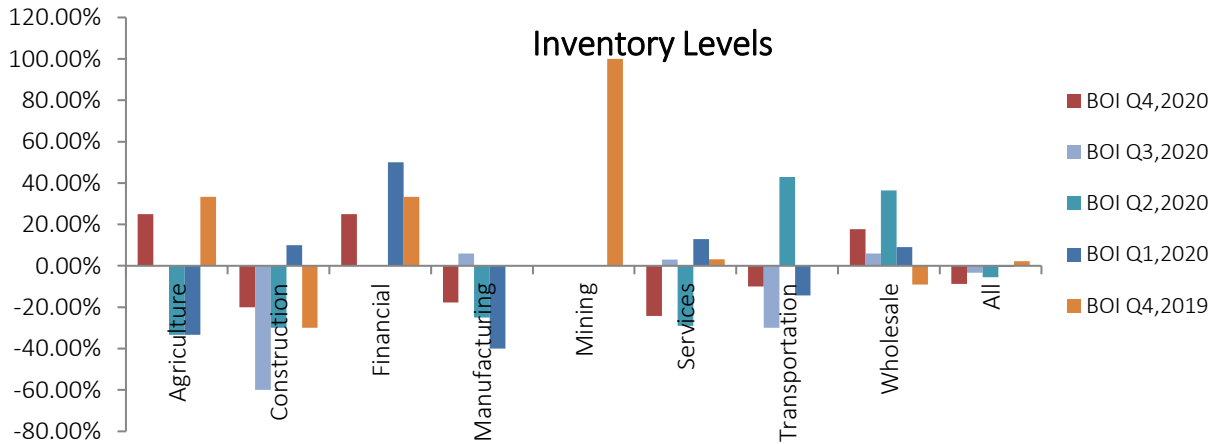


Figure 5. Inventory Levels Optimism Index, Q4 2019 – Q4 2020

Selling Price

Selling price dipped further to -17.78 percentage points (compared to -10.0 percentage points in Q3 2020). The agricultural (net -75.0 percentage points), mining (net -50.0 percentage points), wholesale (net -11.77 percentage points) and services (net -9.38 percentage points) are most downbeat. The remaining sectors have anticipated selling price to remain unchanged – construction, financial, manufacturing and transportation (net 0 percentage point).

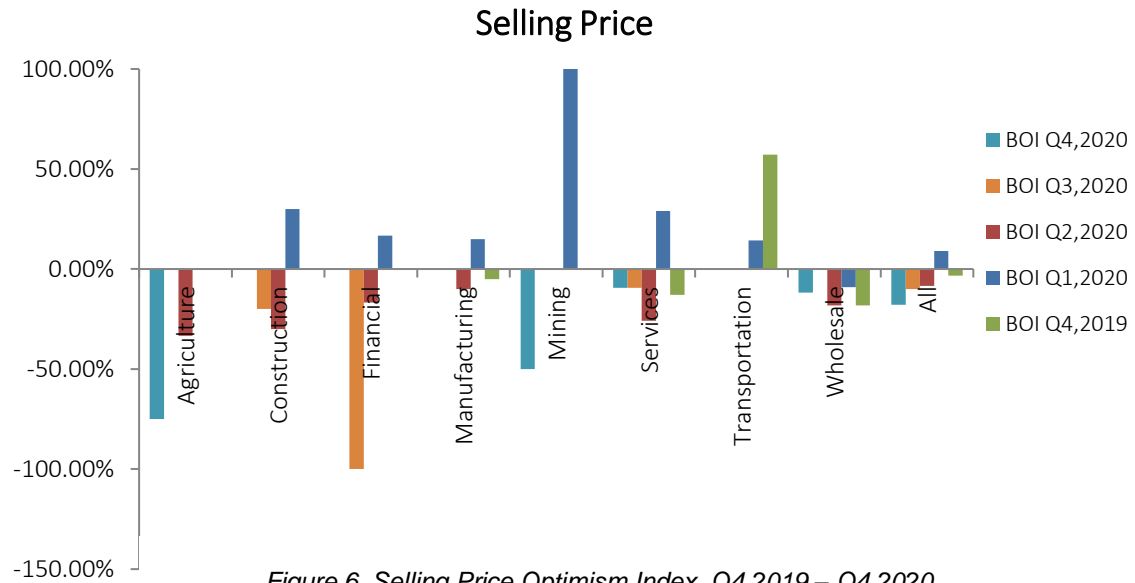


Figure 6. Selling Price Optimism Index, Q4 2019 – Q4 2020

New Orders

New orders rose to +8.89 percentage points (compared to -4.44 percentage points in Q3 2020). The manufacturing sector (net +41.18 percentage points) is most upbeat, followed by wholesale (net +11.77 percentage points) and services (net +6.25 percentage points). Both construction and financial sectors (net 0 percentage point) have anticipated new orders to remain unchanged. The remaining sectors are downbeat about new orders – mining (net -50.0 percentage points), agriculture (net -25.0 percentage points) and transportation (net -10.0 percentage points).

New Orders (All Sectors)

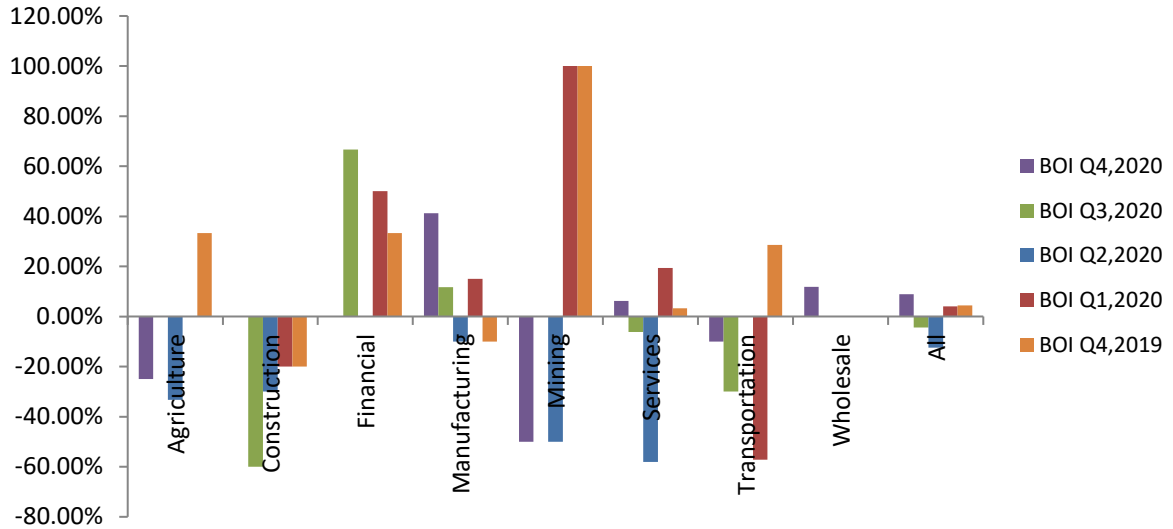


Figure 7. New Orders Optimism Index, Q4 2019 – Q4 2020

Employment

Employment levels have fallen to -13.19 percentage points (compared to -3.29 percentage points in Q3 2020). The construction (net -40.0 percentage points), financial (net -33.33 percentage points), transportation (net -30.0 percentage points), manufacturing (net -29.41 percentage points) and services (net -12.12 percentage points) are downbeat about employment levels. Both agricultural and mining sectors (net 0 percentage point) have anticipated employment to remain unchanged. The wholesale sector (net +17.65 percentage points) is the only sector which is upbeat about employment.

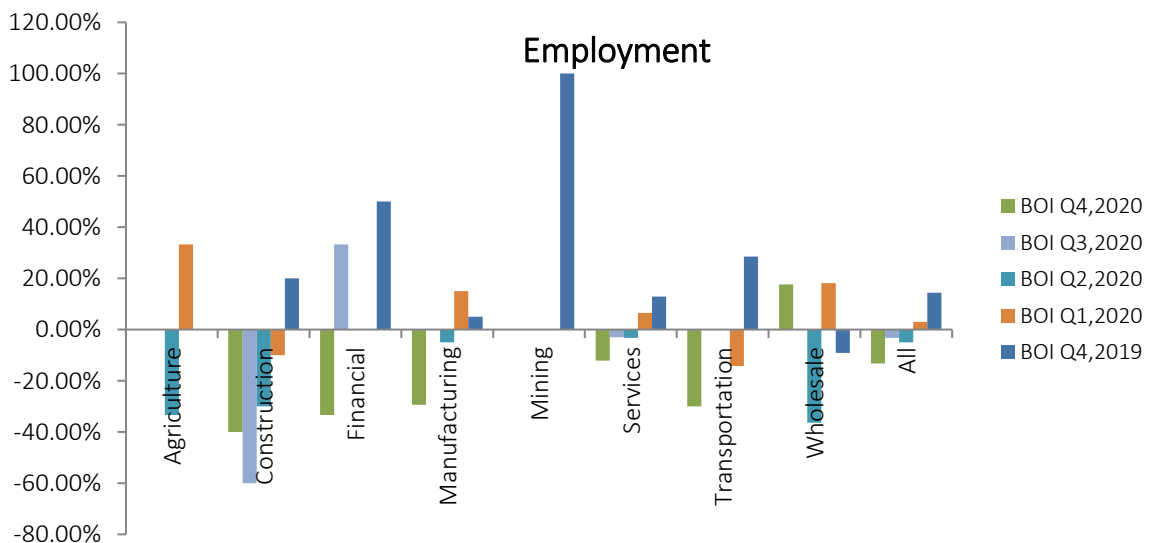


Figure 8. Employment Optimism Index, Q4 2019 – Q4 2020

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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