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FOR IMMEDIATE RELEASE

Business sentiments remain tepid for Q3 2019
Outlook for manufacturers deteriorate further
- Singapore Commercial Credit Bureau

Singapore, 10 June 2019 – Business sentiment among local firms has remained tepid for Q3 2019 despite a slight rebounded for the first time after three consecutive quarters of decline. According to Singapore Commercial Credit Bureau (SCCB)'s Business Optimism Index study, BOI has inched marginally upwards from +5.08 percentage points in Q2 2019 to +6.91 percentage points in Q3 2019. On a year-on-year (y-o-y) basis, BOI fell from +10.58 percentage points in Q3 2018 to +6.91 percentage points in Q3 2019.

As with Q2 2019, 5 of six indicators are expansionary for Q3 2019.

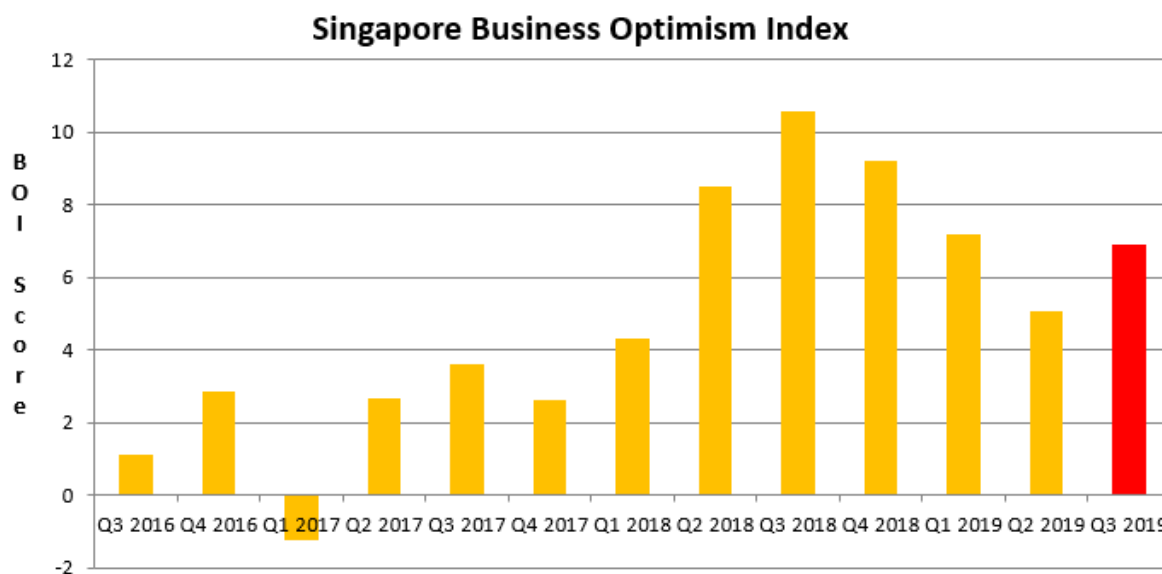


Figure 1. Overall Business Optimism Score, Q3 2016 – Q3 2019

Point Commentary

According to SCCB, 5 of six indicators have risen in Q3 2019 on a q-o-q basis.

- ❖ Volume of sales has increased from +8.0 percentage points in Q2 2019 to +9.76 percentage points in Q3 2019.
- ❖ Net profits rose from +5.0 percentage points in Q2 2019 to +8.13 percentage points in Q3 2019.
- ❖ New orders climbed upwards from +8.50 percentage points in Q2 2019 to +11.38 percentage points in Q3 2019.
- ❖ Employment levels increased significantly from +6.50 percentage points in Q2 2019 to +16.26 percentage points in Q3 2019.
- ❖ Inventory levels rebounded from the contractionary zone from -1.50 percentage points in Q2 2019 to +3.25 percentage points in Q3 2019.
- ❖ Selling price fell into the negative zone from +4.0 percentage points in Q2 2019 to -7.32 percentage points in Q3 2019.

On a y-o-y basis, only 2 of six indicators have improved for Q3 2019.

- ❖ Volume of sales slid from +10.0 percentage points in Q3 2018 to +9.76 percentage points in Q3 2019.
- ❖ Net profit inched up slightly from +7.50 percentage points in Q3 2018 to +8.13 percentage points in Q3 2019.
- ❖ Selling price fell into the contractionary zone from +4.50 percentage points in Q3 2018 to -7.32 percentage points in Q3 2019.
- ❖ New orders moderated from +16.0 percentage points in Q3 2018 to +11.38 percentage points in Q3 2019.
- ❖ Inventory levels plunged from +16.5 percentage points in Q3 2018 to +3.25 percentage points in Q4 2019.
- ❖ Employment levels increased from +9.0 percentage points in Q3 2018 to +16.26 percentage points in Q3 2019.

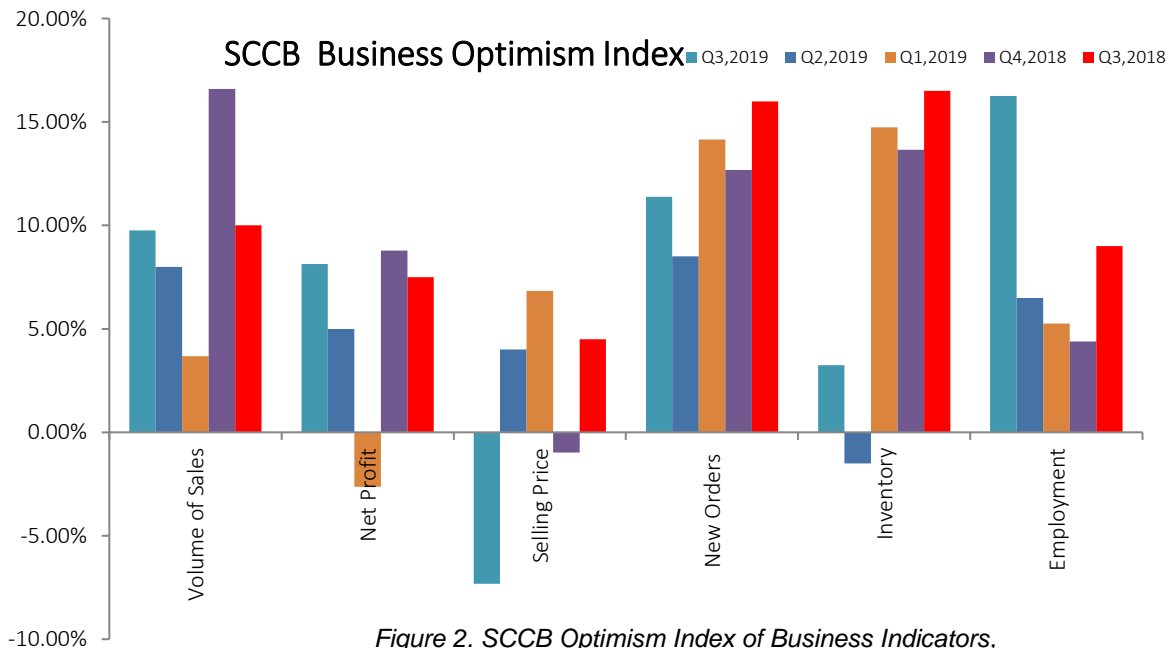


Figure 2. SCCB Optimism Index of Business Indicators, Q3 2018 – Q3 2019

Key Highlights for Q3 2019 Sectoral Outlook

The services sector has emerged as the most optimistic sectors with all 5 indicators in the positive region for Q3 2019.

Services

The services sector is the most optimistic with 5 indicators in expansionary zone for Q3 2019. 5 of six indicators have risen upwards.

- ❖ Volume of sales increased visibly from +18.31 percentage points in Q2 2019 to +31.03 percentage points in Q3 2019.
- ❖ Net profit jumped from +16.90 percentage points in Q2 2019 to +32.76 percentage points in Q3 2019.
- ❖ Selling price fell into the contractionary zone from +11.27 percentage points in Q2 2019 to -15.52 percentage points in Q3 2019.
- ❖ New orders inched up from +19.72 percentage points in Q2 2019 to +20.69 percentage points in Q3 2019.
- ❖ Inventory levels rose from +2.82 percentage points in Q2 2019 to +10.35 percentage points in Q3 2019.
- ❖ Employment levels increased from +11.27 percentage points in Q2 2019 to +37.93 percentage points in Q3 2019.

Financial

The financial services sector has emerged as the second most optimistic sector with 4 indicators in positive territory. 4 of six indicators have moderated downwards for Q3 2019.

- ❖ Both volume of sales and employment levels each fell from +10.53 percentage points in Q2 2019 to +10.0 percentage points in Q3 2019.
- ❖ Selling price plunged into the contractionary zone, from +10.53 percentage points in Q2 2019 to -20.0 percentage points in Q3 2019.
- ❖ Inventory levels dropped from +5.26 percentage points in Q2 2019 to 0 percentage point in Q3 2019.
- ❖ Net profits increased from +5.26 percentage points in Q2 2019 to +10.0 percentage points in Q3 2019.
- ❖ New orders jumped from +10.53 percentage points in Q2 2019 to +30.0 percentage points in Q3 2019.

Construction

Sentiments within the construction sector saw moderate improvements for Q3 2019 with 3 indicators in the expansionary zone.

- ❖ Both volume of sales and employment levels each rose from +9.09 percentage points in Q2 2019 to +20.0 percentage points in Q3 2019.
- ❖ Selling price climbed from 0 percentage point in Q2 2019 to +20.0 percentage points in Q3 2019.
- ❖ Both net profits and new orders dived into the negative zone from 0 percentage point in Q2 2019 to -20.0 percentage points and -40.0 percentage points in Q3 2019 respectively.
- ❖ Inventory levels dropped from +9.09 percentage points in Q2 2019 to -40.0 percentage points in Q3 2019.

Transportation

The transportation sector saw a downward moderation due mainly to a contraction within the water transport segment. 5 of six indicators have moderated downwards for Q3 2019.

- ❖ Both volume of sales and net profits each fell into the negative zone from +5.56 percentage points in Q2 2019 to -10.0 percentage points in Q3 2019.
- ❖ Employment levels plunged from 0 percentage point in Q2 2019 to -30.0 percentage points in Q3 2019.
- ❖ Both selling price and inventory levels each rebounded from -22.22 percentage points and -5.56 percentage points in Q2 2019 to 0 percentage point in Q3 2019.
- ❖ New orders moderated downwards from +27.78 percentage points in Q2 2019 to +10.0 percentage points in Q3 2019.

Manufacturing

The manufacturing sector is one of the least optimistic sectors due to a slowdown in the semiconductors sub-segment. For Q3 2019, 5 of six indicators are in negative territory.

- ❖ Both volume of sales and net profits each fell from +5.26 percentage points and +2.63 percentage points in Q2 2019 to -21.05 percentage points in Q3 2019.
- ❖ Inventory levels dropped from 0 percentage point in Q2 2019 to -5.26 percentage points in Q3 2019.
- ❖ Employment levels plunged into the contractionary zone from +7.89 percentage points in Q2 2019 to -5.26 percentage points in Q3 2019.
- ❖ Selling price rebounded from -2.63 percentage points in Q2 2019 to +5.26 percentage points in Q3 2019.
- ❖ New orders remained in the contractionary zone, climbing slightly upwards from -7.90 percentage points in Q2 2019 to -5.26 percentage points in Q3 2019.

The Ministry of Trade and Industry (MTI) has narrowed its GDP growth forecast for 2019 to be between 1.5 to 2.5 per cent.

“Despite the slight rebound in sentiments among local firms, we are cautious in our expectations for the next quarter. Downside economic risks are mounting with the ongoing trade tensions between the US and China and the growth outlook remains uncertain globally. On the domestic front, we are also expecting lukewarm sentiments among manufacturers as the sector faces continued headwinds, with market maturity and global trade issues posing particular challenges for the electronics and precision engineering sectors.” commented Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“The services sector will still remain a key pillar growth for 2019, driven largely by an expansion in the business services, information and communication sub-sectors.” added Ms. Chia.

Overview of Business Indicators

Volume of Sales

Volume of sales increased to +9.76 percentage points (compared to +8.0 percentage points in Q2 2019). The services (net +31.03 percentage points) is most upbeat, followed by construction (net +20.0 percentage points) and financial (net +10.0 percentage points). The agriculture sector has anticipated volume of sales (net 0 percentage point) to remain unchanged. The remaining sectors are downbeat about volume of sales – transportation (net -10.0 percentage points), wholesale (net -14.29 percentage points) and mining (net -25.0 percentage points).

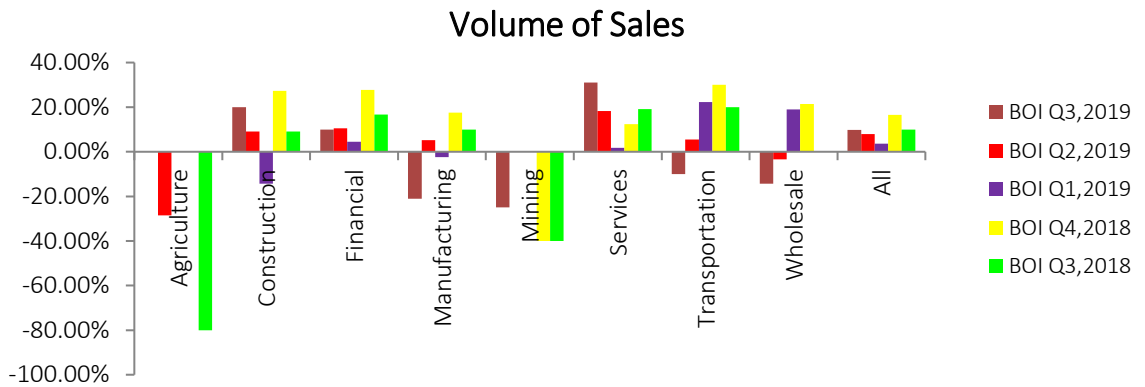


Figure 3. Volume of Sales Optimism Index, Q3 2018 – Q3 2019

Net Profit

Net profit has remained in the positive territory at +8.13 percentage points (compared to +5.0 percentage points in Q2 2019). The services sector is most upbeat (net +32.76 percentage points), followed by financial (net +10.0 percentage points). Majority of the sectors are downbeat about net profit – transportation (net -10.0 percentage points), construction (net -20.0 percentage points), manufacturing (net -21.05 percentage points), wholesale (net -21.43 percentage points) and agriculture (net -33.33 percentage points). The mining (net 0 percentage point) is the only sector which has expected net profit to remain unchanged.

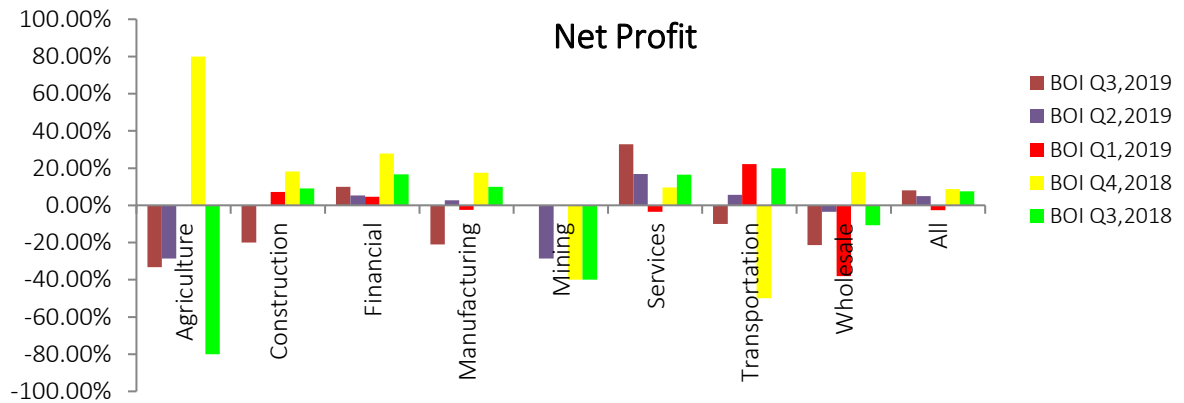


Figure 4. Net Profit Optimism Index, Q3 2018 – Q3 2019

Inventory Levels

Inventory levels have rebounded to +3.25 percentage points (compared to -1.50 percentage points in Q2 2019). The agriculture sector (net +66.67 percentage points) is most upbeat, followed by services (net +10.35 percentage points). The financial, transportation and wholesale sectors (net 0 percentage point) have anticipated inventory levels to remain unchanged. The remaining sectors are downbeat about inventory levels – construction (net -40.0 percentage points), manufacturing (net -5.26 percentage points) and mining (-25.0 percentage points).

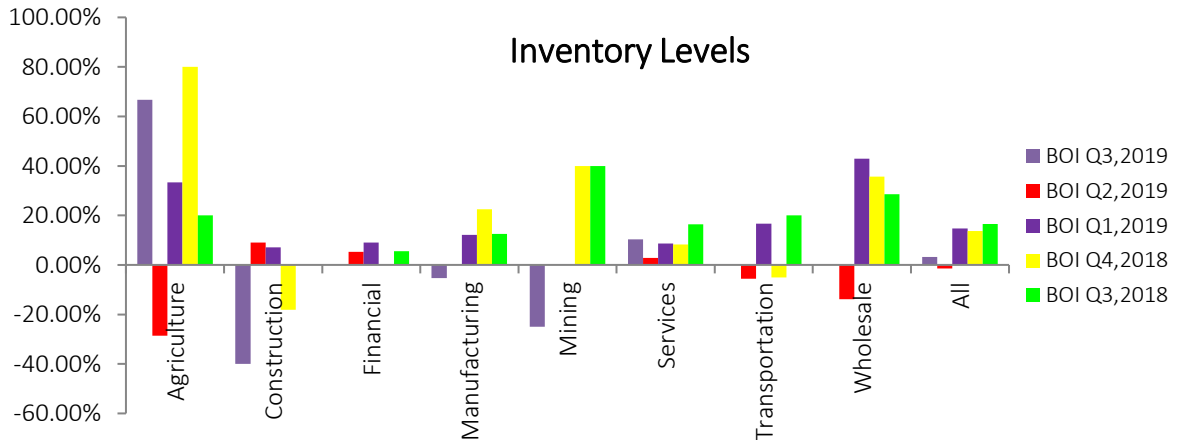


Figure 5. Inventory Levels Optimism Index, Q3 2018 – Q3 2019

Selling Price

Selling price fell into the negative zone to -7.32 percentage points (compared to +4.0 percentage points in Q2 2019). The construction sector (net +20.0 percentage points) is most upbeat followed by manufacturing (net +5.26 percentage points). The financial (-20.0 percentage points) and services (net -15.52 percentage points) sectors are most downbeat about inventory levels. The remaining sectors have anticipated selling prices to remain unchanged – agriculture, mining, transportation and wholesale (net 0 percentage point).

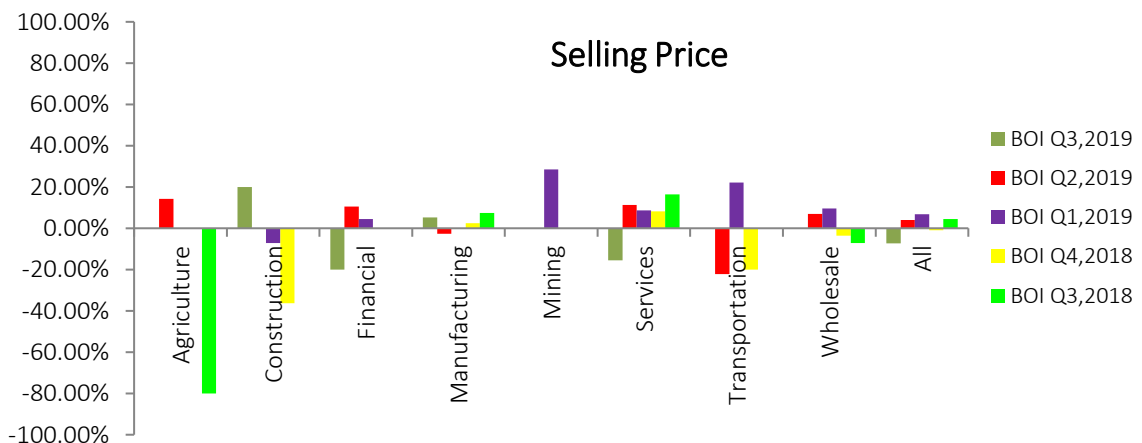


Figure 6. Selling Price Optimism Index, Q3 2018 – Q3 2019

New Orders

New orders fell to +11.38 percentage points (compared to +8.5 percentage points in Q2 2019). The financial sector is most upbeat (net +30.0 percentage points), followed by services (net +20.69 percentage points), wholesale (net +14.29 percentage points) and transportation (net +10.0 percentage points). The construction (net -40.0 percentage points), mining (net -25.0 percentage points) and manufacturing (net -5.26 percentage points) are pessimistic about new orders. The agriculture sector (net 0 percentage point) has anticipated new orders to remain unchanged.

New Orders (All Sectors)

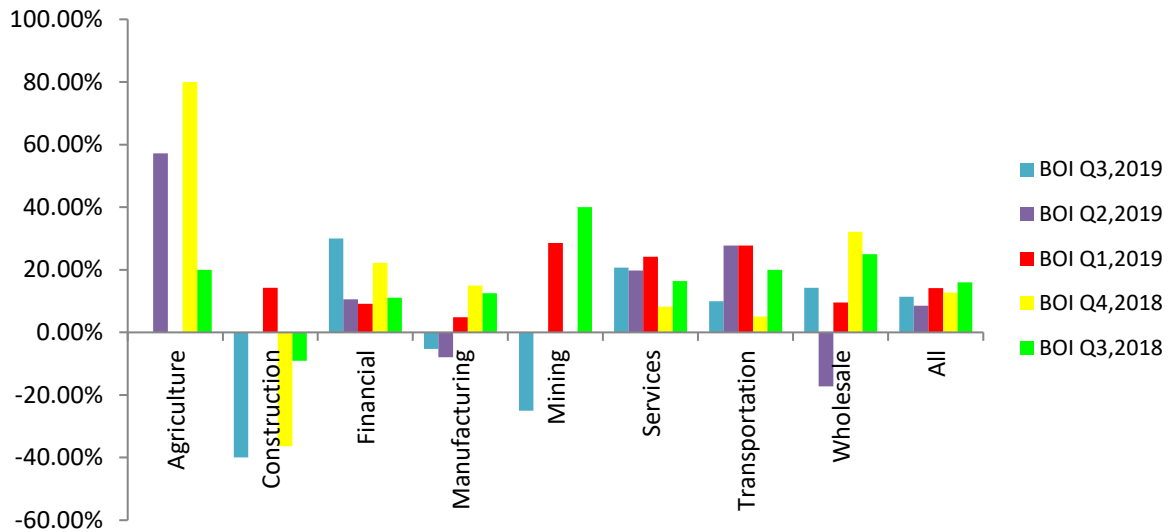


Figure 7. New Orders Optimism Index, Q3 2018 – Q3 2019

Employment

Employment levels have climbed upwards to +16.26 percentage points (compared to +6.5 percentage points in Q2 2019). The services sector (net +37.93 percentage points) is most upbeat, followed by construction (net +20.0 percentage points), financial (net +10.0 percentage points) and wholesale (net +7.14 percentage points). Both mining (net -25.0 percentage points) and transportation (net -30.0 percentage points) sectors are pessimistic about employment levels. The agriculture sector (net 0 percentage point) has anticipated employment to remain unchanged.

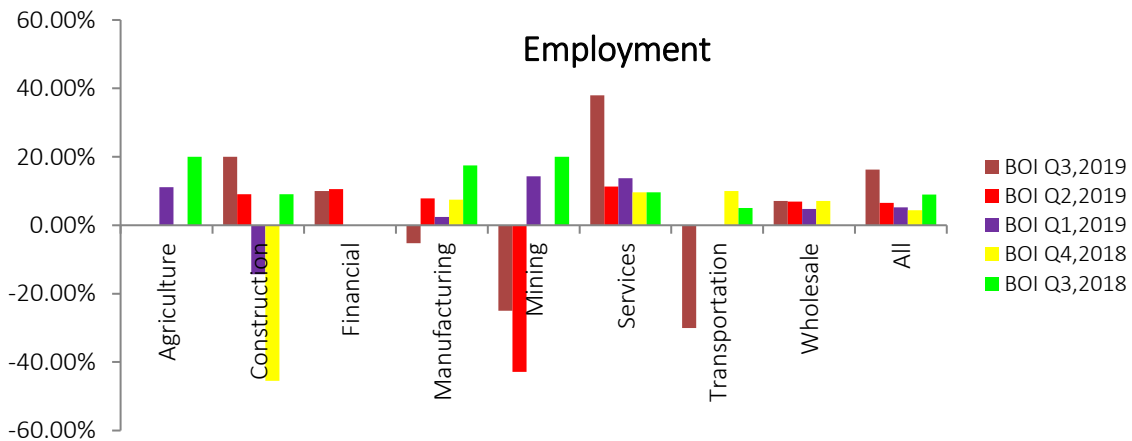


Figure 8. Employment Optimism Index, Q3 2018 – Q3 2019

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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