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Local business confidence rises slightly in Q1 2020
Mixed outlook among firms for expansion plans in 2020
- Singapore Commercial Credit Bureau

Singapore, 03 December 2019 – Business sentiment among local firms has risen slightly for Q1 2020. According to Singapore Commercial Credit Bureau (SCCB)'s Business Optimism Index study, BOI has risen slightly from +4.82 percentage points in Q4 2019 to +5.31 percentage points in Q1 2020. On a year-on-year (y-o-y) basis, BOI fell moderately from +7.19 percentage points in Q1 2019 to +5.31 percentage points in Q1 2020.

As with Q4 2019, 5 of six indicators are expansionary for Q1 2020.

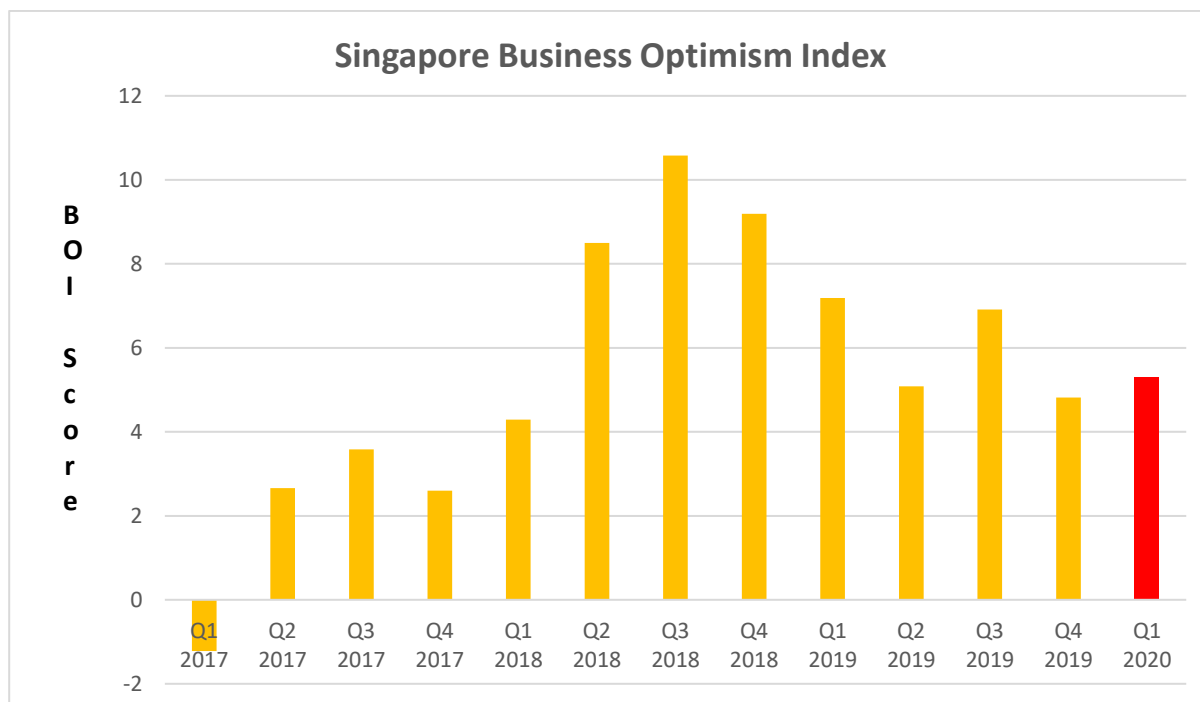


Figure 1. Overall Business Optimism Score, Q1 2017 – Q1 2020

Point Commentary

According to SCCB, 3 of six indicators have fallen in Q1 2020 on a q-o-q basis.

- ❖ Volume of sales has increased from +4.88 percentage points in Q4 2019 to +6.97 percentage points in Q1 2020.
- ❖ Net profits rose from +4.44 percentage points in Q4 2019 to +9.45 percentage points in Q1 2020.
- ❖ Selling price rebounded from -3.33 percentage points in Q4 2019 to +8.96 percentage points in Q1 2020.
- ❖ New orders moderated from +4.44 percentage points in Q4 2019 to +3.98 percentage points in Q1 2020.
- ❖ Inventory levels dipped from +2.22 percentage points in Q4 2019 to -0.50 percentage points in Q1 2020.
- ❖ Employment levels moderated downwards from +14.44 percentage points in Q4 2019 to +2.99 percentage points in Q1 2020.

On a y-o-y basis, 3 of six indicators have improved for Q1 2020.

- ❖ Volume of sales increased from +3.68 percentage points in Q1 2019 to +6.97 percentage points in Q1 2020.
- ❖ Net profit rebounded from -2.63 percentage points in Q1 2019 to +9.45 percentage points in Q1 2020.
- ❖ Selling price rose from +6.84 percentage points in Q1 2019 to +8.96 percentage points in Q1 2020.
- ❖ New orders moderated from +14.15 percentage points in Q1 2019 to +3.98 percentage points in Q1 2020.
- ❖ Inventory levels decreased from +14.74 percentage points in Q1 2019 to -0.50 percentage points in Q1 2020.
- ❖ Employment levels fell from +5.26 percentage points in Q1 2019 to +2.99 percentage points in Q1 2020.

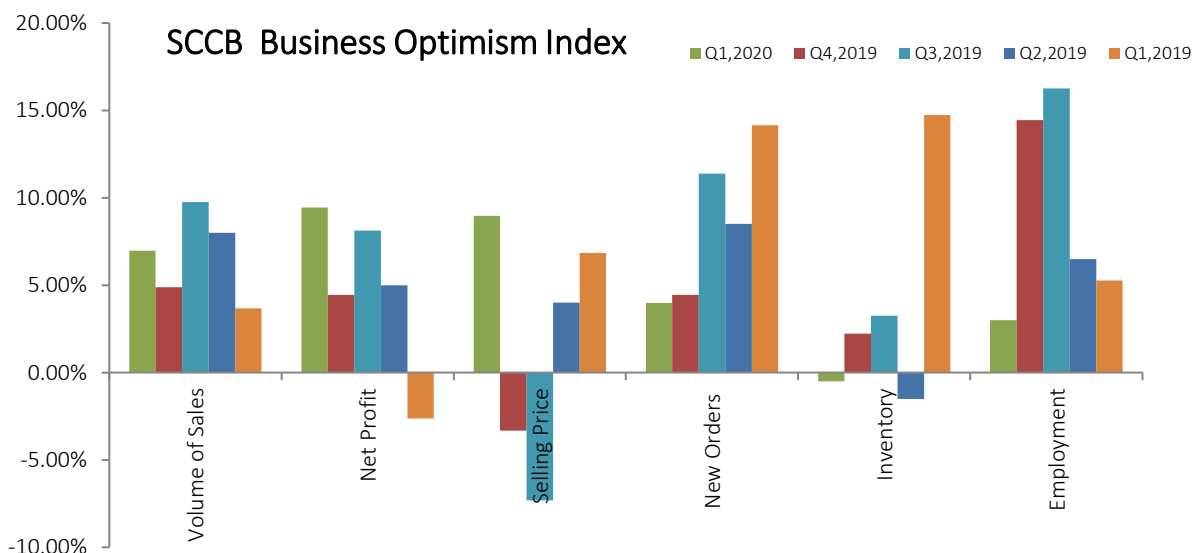


Figure 2. SCCB Optimism Index of Business Indicators, Q1 2019 – Q1 2020

Key Highlights for Q1 2020 Sectoral Outlook

Services

The services sector has emerged as the most optimistic sector with 6 indicators in the positive region for Q1 2020. 5 of six indicators have risen in the first quarter of 2020.

- ❖ Both volume of sales and net profit each rose from 0 percentage point and +3.23 percentage points in Q4 2019 to +54.84 percentage points in Q1 2020.
- ❖ Selling price rebounded from -12.90 percentage points in Q4 2019 to +29.03 percentage points in Q1 2020.
- ❖ New orders increased from +3.22 percentage points in Q4 2019 to +19.36 percentage points in Q1 2020.
- ❖ Inventory levels rose from +3.22 percentage points in Q4 2019 to +12.90 percentage points in Q1 2020.
- ❖ Employment levels fell from +12.90 percentage points in Q4 2019 to +6.56 percentage points in Q1 2020.

Financial

The financial sector has also remained upbeat with 5 indicators in the positive region for Q1 2020. 4 of six indicators have risen in the final quarter.

- ❖ Volume of sales moderated from +66.67 percentage points in Q4 2019 to +50.0 percentage points in Q1 2020.
- ❖ Net profit rose from +16.67 percentage points in Q4 2019 to +100.0 percentage points in Q1 2020.
- ❖ Selling price climbed from 0 percentage point in Q4 2019 to +16.67 percentage points in Q1 2020.
- ❖ Both new orders and inventory levels each increased from +33.33 percentage points in Q4 2019 to +50.0 percentage points in Q1 2020.
- ❖ Employment levels moderated from +50.0 percentage points in Q4 2019 to 0 percentage point in Q1 2020.

Transportation

The outlook for the transportation sector has moderated downwards for Q1 2020 with 3 of six indicators in the positive region.

- ❖ Both volume of sales and net profits increased from 0 percentage point in Q4 2019 to +28.57 percentage points in Q1 2020.
- ❖ Selling price fell from +57.14 percentage points in Q4 2019 to +14.29 percentage points in Q1 2020.
- ❖ New orders fell into the contractionary zone from +28.57 percentage points in Q4 2019 to -57.14 percentage points in Q1 2020.
- ❖ Inventory levels dropped from 0 percentage point in Q4 2019 to -14.29 percentage points in Q1 2020.
- ❖ Employment levels fell from +28.57 percentage points in Q4 2019 to -14.29 percentage points in Q1 2020.

Manufacturing

Sentiments within the manufacturing sector remain muted for Q1 2020 with 3 indicators in the negative zone. However, 5 of six indicators have risen for the first quarter of 2020.

- ❖ Both volume of sales and net profits each increased from -15.0 percentage points in Q4 2019 to -10.0 percentage points and -5.0 percentage points respectively in Q1 2020.
- ❖ Selling price rebounded from -5.0 percentage points in Q4 2019 to +15.0 percentage points in Q1 2020.
- ❖ New orders rebounded from -10.0 percentage points in Q4 2019 to +15.0 percentage points in Q1 2020.
- ❖ Inventory levels plunged from 0 percentage point in Q4 2019 to -40.0 percentage points in Q1 2020.
- ❖ Employment levels rose from +5.0 percentage points in Q4 2019 to +15.0 percentage points in Q1 2020.

Construction

The construction sector saw a deterioration in outlook for Q1 2020 with 4 indicators in the contractionary zone.

- ❖ Volume of sales and net profits each fell from +50.0 percentage points in Q4 2019 to -10.0 percentage points and -20.0 percentage points respectively in Q1 2020.
- ❖ Selling price rebounded from 0 percentage point in Q4 2019 to +30.0 percentage points in Q1 2020.
- ❖ New orders remained in the contractionary zone at -20.0 percentage points in Q1 2020.
- ❖ Inventory levels rose from -30.0 percentage points in Q4 2019 to +10.0 percentage points in Q1 2020.
- ❖ Employment levels fell from +20.0 percentage points in Q4 2019 to -10.0 percentage points in Q1 2020.

Wholesale Trade

The wholesale trade sector remained downbeat with only 2 of six indicators in positive territory.

- ❖ Volume of sales has remained contractionary at -18.18 percentage points in Q1 2020.
- ❖ Net profits plunged further from -18.18 percentage points in Q4 2019 to -36.36 percentage points in Q1 2020.
- ❖ Selling price rose from -18.18 percentage points in Q4 2019 to -9.09 percentage points in Q1 2020.
- ❖ New orders remained unchanged at 0 percentage point in Q1 2020.
- ❖ Inventory and employment levels each climbed -9.09 percentage points in Q4 2019 to +9.09 percentage points and +18.18 percentage points respectively in Q1 2020.

The Ministry of Trade and Industry (MTI) has estimated the GDP growth forecast for 2020 to be between 0.5 per cent to 2.5 per cent.

“Despite the muted outlook among local firms for most of 2019, we expect a slight turnaround in sentiments moving into Q1 2020. The services and financial sectors will remain key pillars of growth while manufacturing and construction sectors will see a softer outlook in the coming months. Global uncertainties and decelerated growth in China will continue to weigh on sentiments in externally-oriented sectors such as wholesale trade. Hence, we expect the overall business optimism to remain lukewarm for the first quarter of 2020.” said Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“For 2020, firms are mixed about their investments for expansion plans compared to the previous year. The expected increase in investments is most marked within the services sector as compared to manufacturing and construction.” added Ms. Chia.

Compared to 2019, local firms have a mixed outlook about their investments for 2020. According to SCCB, the proportion of firms expecting an increase in investments rose from 14 per cent in 2019 to 17 per cent in 2020. On the other hand, the proportion of firms expecting a decrease in investments have also inched up slightly from 7 per cent in 2019 to 10 per cent in 2020. Meanwhile, majority of local firms have expected investments to remain unchanged at 73 per cent in 2020.

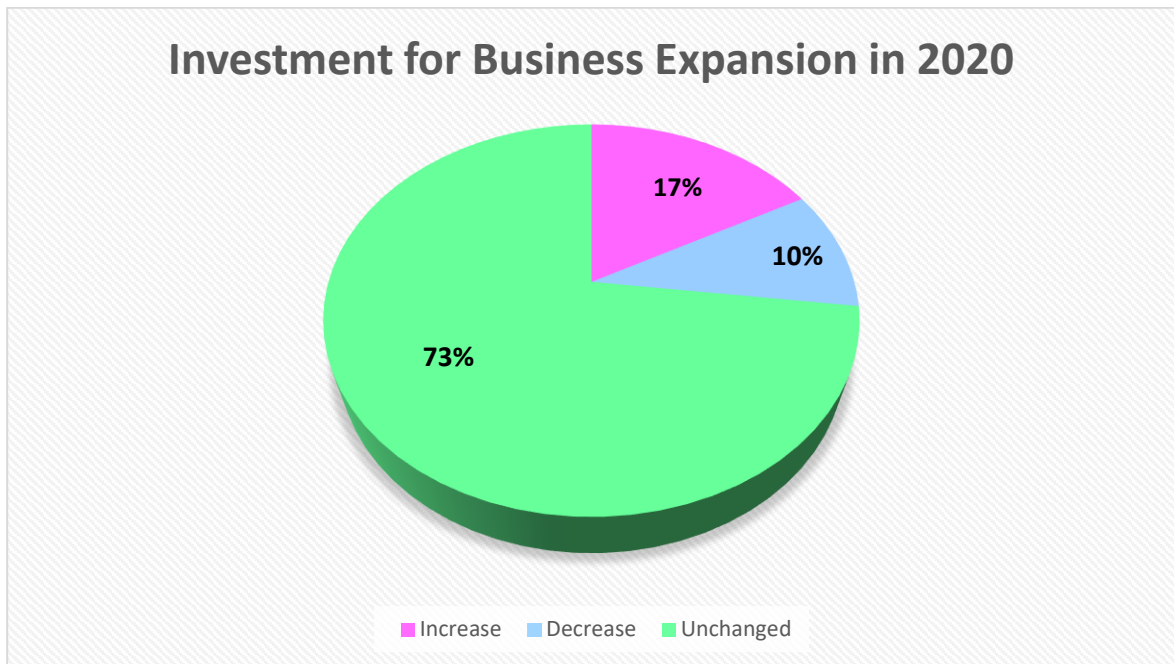


Figure 3. Investments for Business Expansion in 2020

- ❖ SCCB notes the top two most important areas of investment for 2020 are Information Technology (39%) and machinery and capital equipment (24%).
- ❖ Skills Upgrading of Employees (17%) are the third most important area of investment for 2020.
- ❖ New Product Development (10%), Market and Brand Development (7%) Intellectual Property (1%) and Research and Development (1%) are important areas of investment which have been highlighted by local firms.

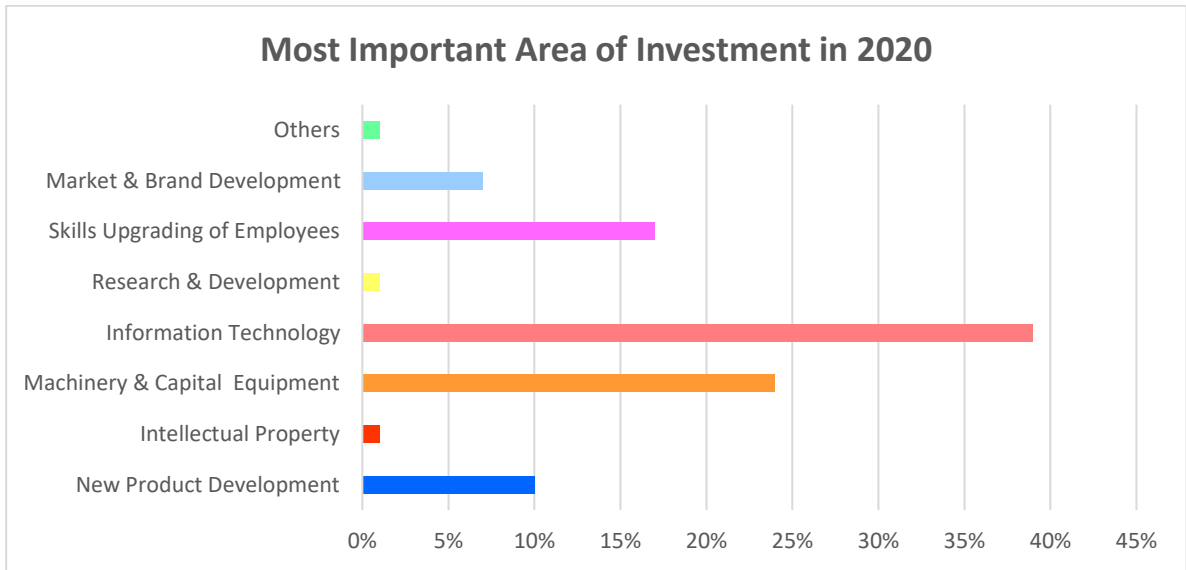


Figure 4. Most Important Area of Investment for 2020

- ❖ In terms of technological investments, majority of firms are expecting to invest in software and subscription-based ICT services (52%).
- ❖ Upskilling of staff for ICT training programmes such as data analytics and cyber security (25%) and ICT infrastructure and network (23%) are also key technological investments in 2020.

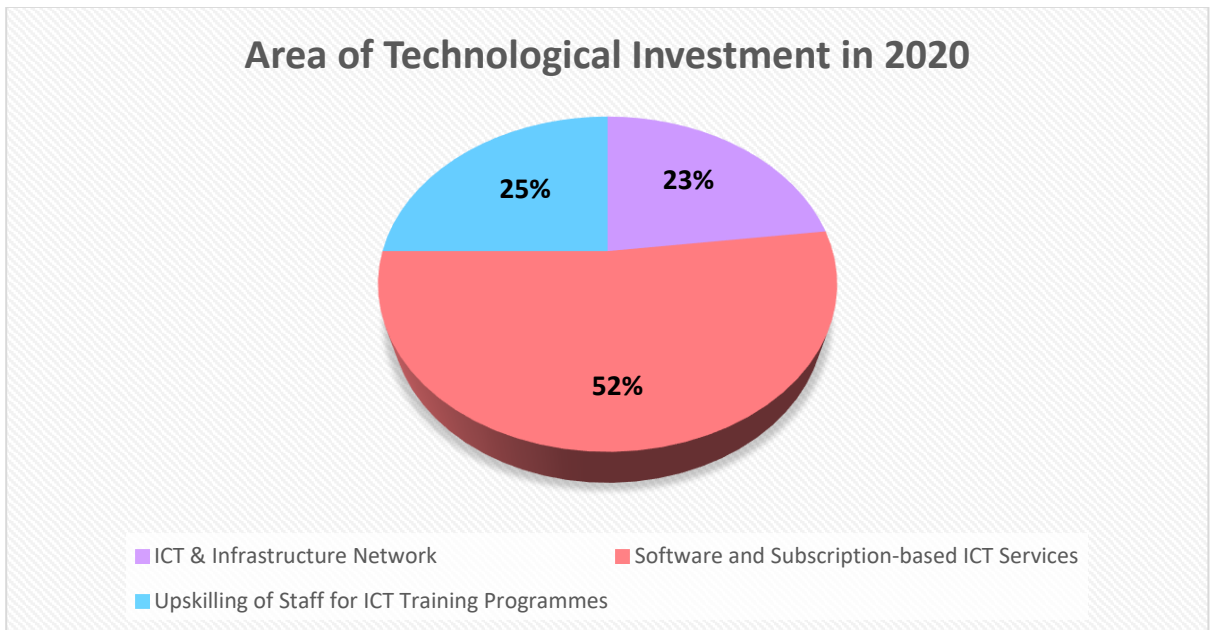


Figure 5. Area of Technological Investment in 2020

- ❖ Global economic uncertainties (35%), increased competition (24%) and rising business costs (23%) remain the top three key challenges for 2020.
- ❖ Other key challenges include lack of access to financing (11%), foreign labour issues (6%) and others (1%).

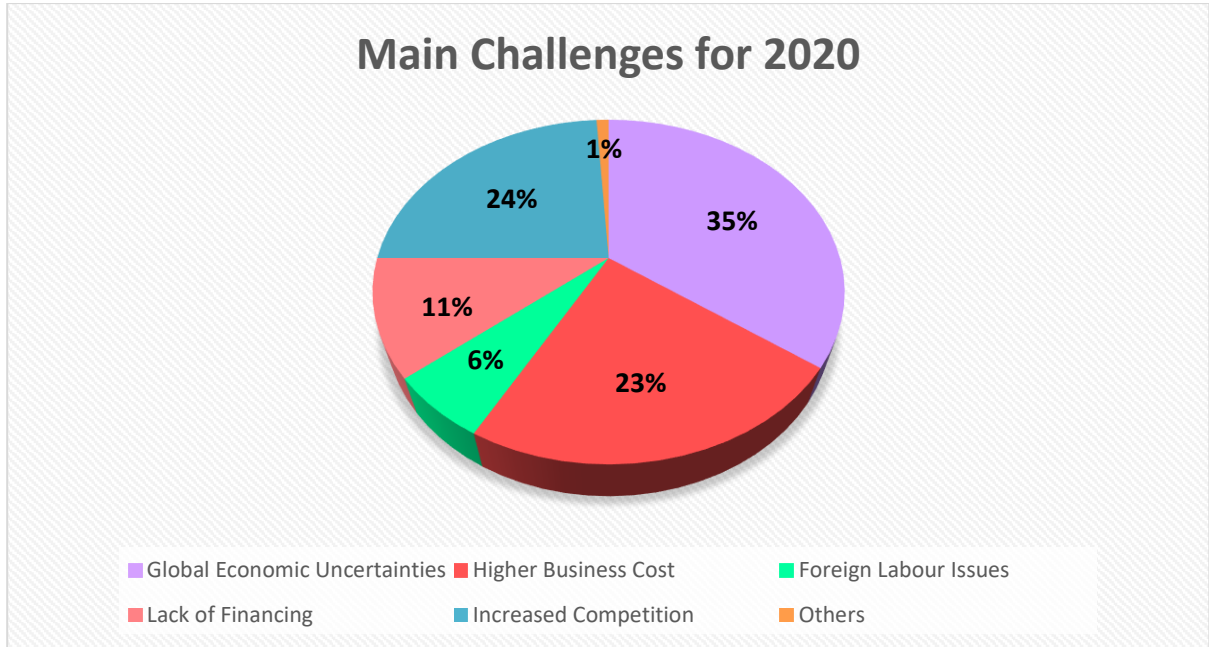


Figure 6. Main Challenges for 2020

Overview of Business Indicators

Volume of Sales

Volume of sales increased to +6.97 percentage points (compared to +4.88 percentage points in Q4 2019). The services sector (net +54.84 percentage points) is most upbeat, followed by financial (net +50.0 percentage points), agricultural (net +33.33 percentage points) and transportation (net +28.57 percentage points). The remaining sectors – construction (net -10.0 percentage points), manufacturing (net -10.0 percentage points), mining (net -200.0 percentage points) and wholesale (net -18.18 percentage points) are downbeat about volume of sales.

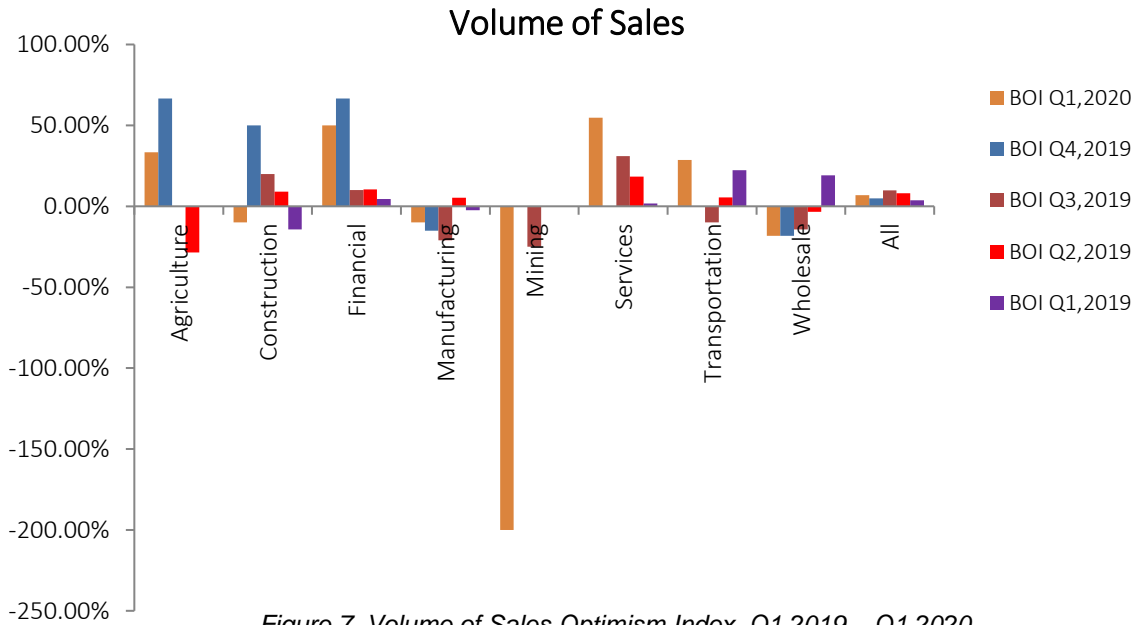


Figure 7. Volume of Sales Optimism Index, Q1 2019 – Q1 2020

Net Profit

Net profit climbed to +9.45 percentage points (compared to +4.44 percentage points in Q4 2019). The financial (net +100.0 percentage points), services (net +54.84 percentage points), transportation (net +28.57 percentage points) and agriculture sectors (net +33.33 percentage points) are optimistic about net profit. The mining sector has anticipated an unchanged outlook (net 0 percentage point). The remaining sectors are downbeat about net profit – manufacturing (net -5.0 percentage points), construction (net -20.0 percentage points) and wholesale (net -36.36 percentage points).

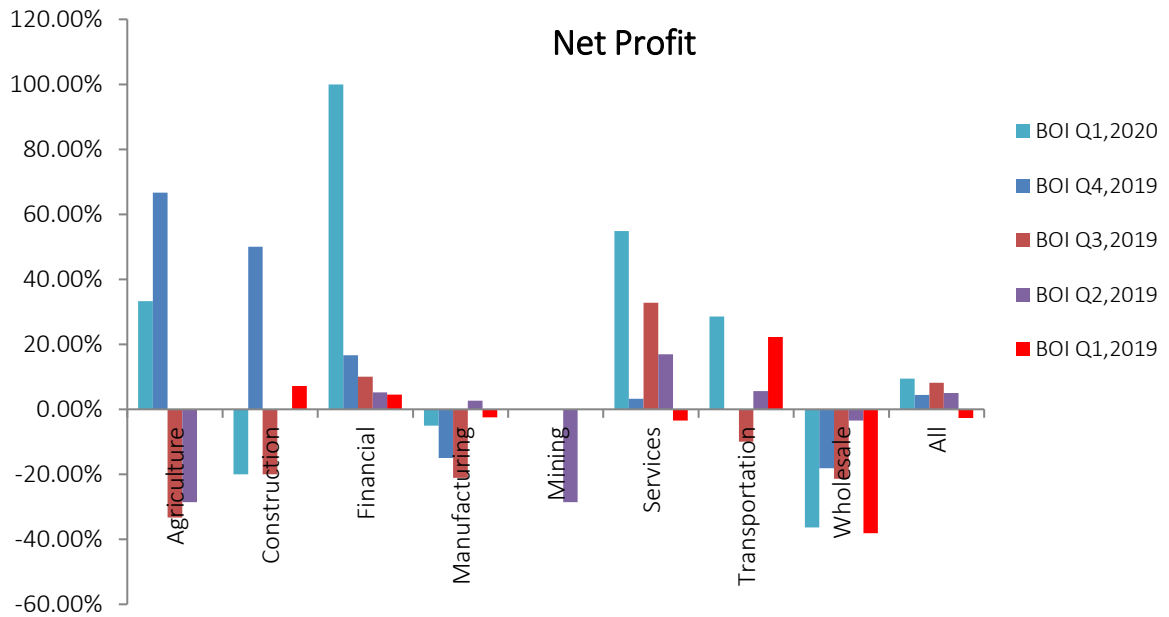


Figure 8. Net Profit Optimism Index, Q1 2019 – Q1 2020

Inventory Levels

Inventory levels have moderated downwards to -0.50 percentage points (compared to +2.22 percentage points in Q4 2019). The financial sector (net +50.0 percentage points) is most upbeat, followed by services (net +12.90 percentage points), construction (net +10.0 percentage points) and wholesale (net +9.09 percentage points). The agricultural (net -33.33 percentage points), transportation (net -14.29 percentage points) and manufacturing (net -40.0 percentage points) are downbeat about inventory levels. The mining sector (net 0 percentage point) has anticipated an unchanged outlook.

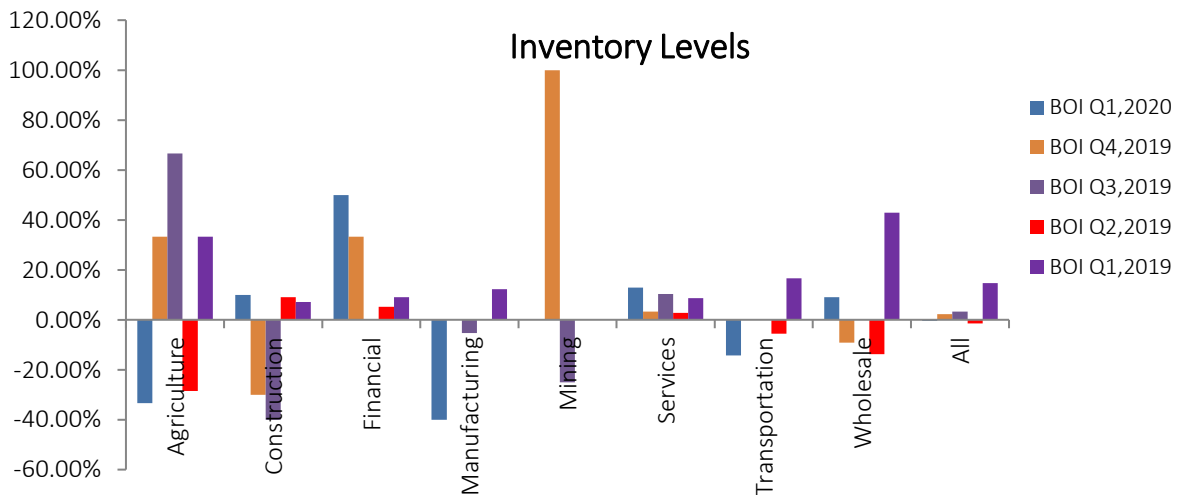


Figure 9. Inventory Levels Optimism Index, Q1 2019 – Q1 2020

Selling Price

Selling price rebounded to +8.96 percentage points (compared to -3.33 percentage points in Q4 2019). The mining sector (net +100.0 percentage points) is most upbeat, followed by construction (net +30.0 percentage points), services (net +29.03 percentage points), financial (net +16.67 percentage points), manufacturing (net +15.0 percentage points) and transportation (net +14.29 percentage points). The agriculture sector (net 0 percentage point) has anticipated selling price to remain unchanged. The wholesale sector (net -9.09 percentage points) is downbeat about selling price.

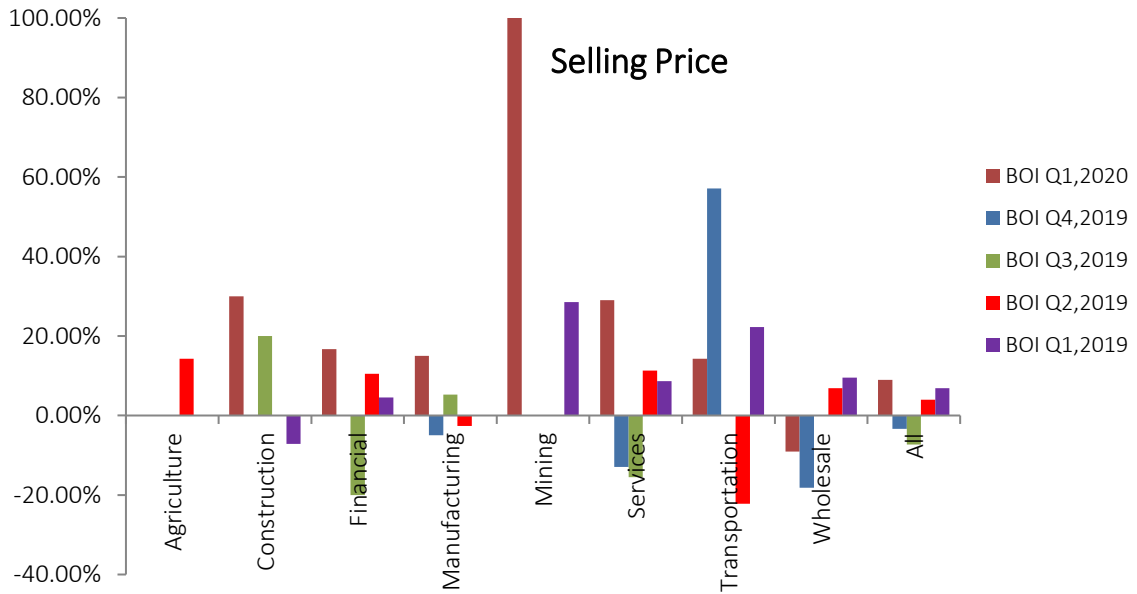


Figure 10. Selling Price Optimism Index, Q1 2019 – Q1 2020

New Orders

New orders inched upwards to +3.98 percentage points (compared to +4.44 percentage points in Q4 2019). The mining sector (net +100 percentage points) is most upbeat, followed by financial (net +50.0 percentage points), services (net +19.36 percentage points) and manufacturing (net +15.0 percentage points). The agriculture sector (net 0 percentage point) has expected an unchanged outlook while both construction (net -20.0 percentage points) and transportation (net -57.14 percentage points) are downbeat about new orders.

New Orders (All Sectors)

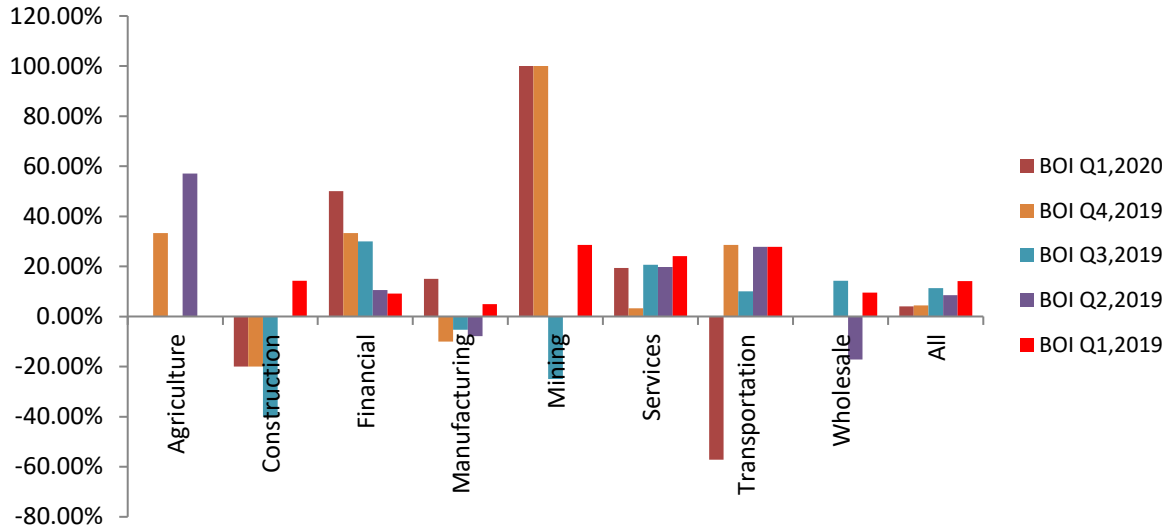


Figure 11. New Orders Optimism Index, Q1 2019 – Q1 2020

Employment

Employment levels have moderated downwards to +2.99 percentage points (compared to +14.44 percentage points in Q4 2019). The agricultural sector (net +33.33 percentage points) is most upbeat, followed by wholesale (net +18.18 percentage points), manufacturing (net +15.0 percentage points) and services (net +6.56 percentage points). Both financial and mining sectors (net 0 percentage point) have anticipated employment to remain unchanged. Construction (net -10.0 percentage points) and transportation (net -14.29 percentage points) are pessimistic about employment.

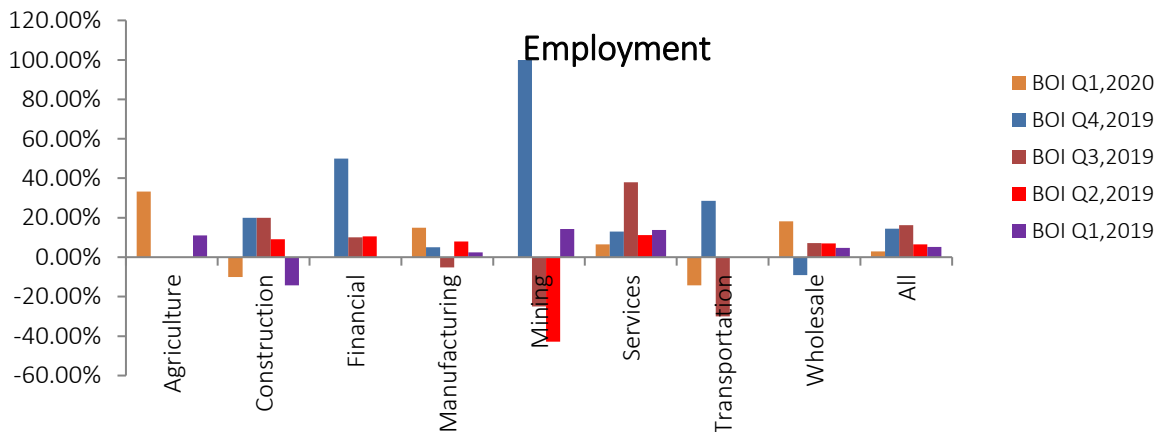


Figure 12. Employment Optimism Index, Q1 2019 – Q1 2020

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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