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Overseas credit searches fell amid decline in trade activities in 2019

*Deterioration in Credit Quality of Local Firms over the past year
-Singapore Commercial Credit Bureau*

Singapore, 24 Mar 2020 – Overseas credit searches by Singapore firms have declined for the first time after 7 consecutive years of increase. According to Singapore Commercial Credit Bureau (SCCB), overseas credit searches by local businesses have fallen significantly by 24.06 per cent in 2019. In a recent report released by Enterprise Singapore (ESG), total merchandise trade and non-oil domestic exports (NODX) fell by 3.2 per cent and 9.2 per cent respectively in 2019 due to a fall in oil trade and reduced shipments in electronics and non-electronic products.

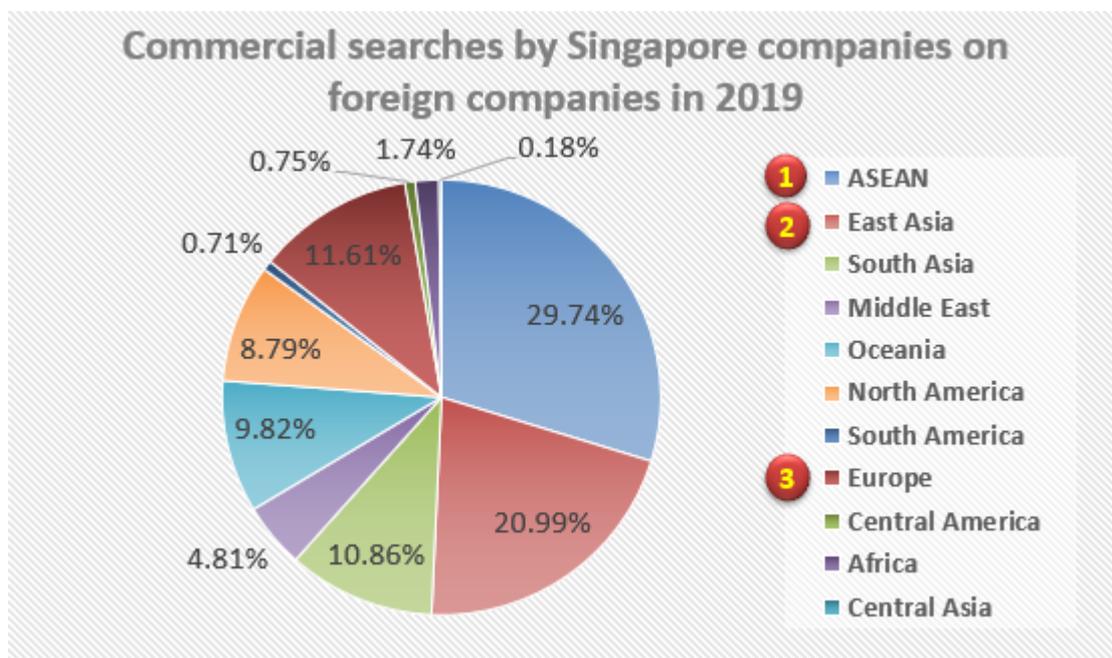


Figure 1. Regional Breakdown of Overseas Commercial Searches by Singapore Companies in 2019

The ASEAN region accounted for the highest proportion of overseas credit searches by Singapore firms for the seventh consecutive year, followed by East Asia and Europe. The proportion of credit searches on ASEAN countries has increased slightly compared to 2018. According to SCCB, the proportion of credit searches made on ASEAN companies inched up from 27.70 per cent in 2018 to 29.74 per cent in 2019. Malaysia, Indonesia and Vietnam recorded the most credit searches within ASEAN by Singapore firms. According to Enterprise Singapore’s recent trade statistics, Malaysia, Indonesia and Vietnam were among Singapore’s top ASEAN trading partners, including Thailand for 2019.

Credit Searches on East Asian companies dipped visibly, down from 26.91 per cent in 2018 to 20.99 per cent in 2019. As with 2019, China, Hong Kong and Japan were the most searched countries within East Asia by Singapore firms. Statistics from Enterprise Singapore also revealed that the three countries were among Singapore’s top trade destinations within East Asia.

Meanwhile, credit searches on Europe fell last year, down from 12.94 per cent in 2018 to 11.61 per cent in 2019. As with 2018, United Kingdom, Germany and Switzerland were the top three most searched European countries by local firms.

Top 20 Most Searched Foreign Markets by Singaporean Companies in 2019



Figure 2. Singapore’s Top 20 Most Searched Countries & Top Exporting Partners in 2019

A comparison between Enterprise Singapore’s latest trade annual trade figures and SCCB’s findings showed that 7 of the ten most searched countries matched those in Enterprise Singapore’s list of top 10 exporting countries with a further 3 countries matching the top 20 most searched countries for 2018.

Credit searches made by foreign companies on local firms have fallen by 11.25 per cent, which marked the first decline since 2014.

Europe registered the highest proportion of credit searches done on Singapore companies, followed by North America and East Asia.

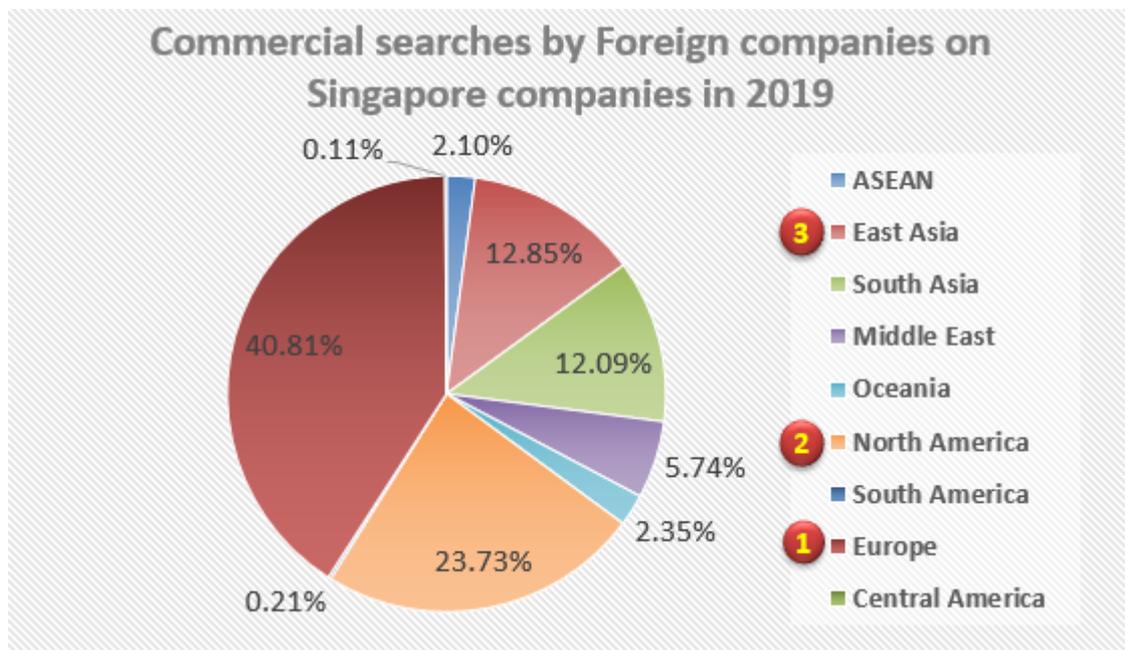


Figure 3. Regional Breakdown of Credit Searches by Overseas Companies on Singapore Companies in 2019

According to SCCB, credit searches by European companies have dipped slightly from 39.47 per cent in 2018 to 36.20 per cent in 2019. As with 2019, the United Kingdom, Germany and Netherlands have remained as the top European countries which accounted for the highest proportion of searches done on Singapore firms. Credit searches by North American companies accounted for the second highest proportion of searches, increasing marginally from 23.54 per cent in 2018 to 23.73 per cent in 2019. East Asian companies registered the third highest proportion of credit searches, declining from 15.43 per cent in 2018 to 12.85 per cent in 2019. Japan, Hong Kong and the Republic of Korea were the top 3 East Asian countries which accounted for the highest number of searches on Singapore firms.

Top 20 Most Searched by Foreign Markets on Singaporean Companies in 2019

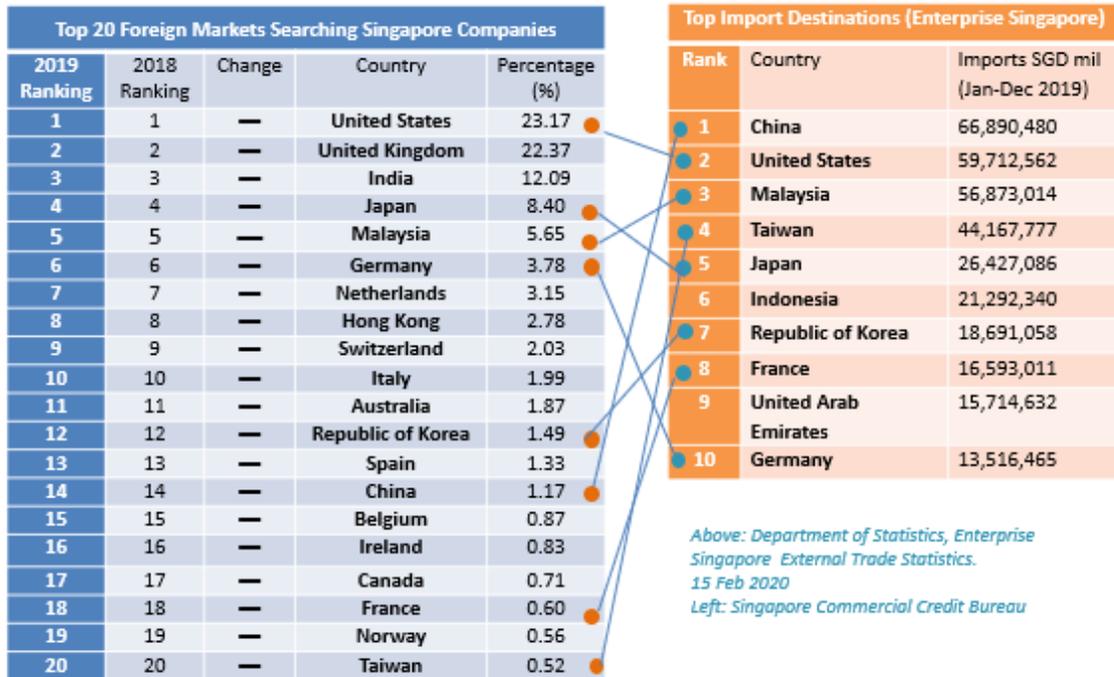


Figure 4. Top 20 Countries doing searches on Singapore firms & Top Importing Partners in 2019

The findings also revealed significant correlation between Singapore’s top import partners and countries conducting the most searches on Singapore companies. A comparison between Enterprise Singapore’s latest import figures and SCCB’s findings showed that 4 of the top 10 most searched countries matched those in Enterprise Singapore’s list of top 10 import destinations, with a further 4 matching the top 20 for 2019.

“The fall in overseas credit searches was caused by tepid trade activities in 2019. With the exception of ASEAN, credit searches on overseas companies have fallen across the majority of regions, with East Asia and Europe registering the largest decline in credit searches.” commented Singapore Commercial Credit Bureau’s Chief Executive Officer, Ms. Audrey Chia.

“The credit quality of Singapore firms has taken a turn for the worse over the past year given the macroeconomic headwinds, heightened growth risks and volatilities. While the financial strength of firms has experienced a slight deterioration, the more worrying trend is the increase in proportion of firms with higher risk standing.” added Ms. Chia.

As with the previous three years, majority of Singapore firms have experienced an unchanged credit rating in 2019. The credit rating comprises of both financial strength and risk indicator components. According to SCCB, the proportion of firms which saw an unchanged status in financial strength climbed from 63.76 per cent in 2018 to 64.54 per cent in 2019. In the meantime, the proportion of firms with unchanged risk standing dipped from 62.52 per cent in 2018 to 61.27 per cent in 2019.

On the overall, risk standing of local firms has deteriorated. The proportion of firms which experienced a decline in risk standing has jumped from 21.36 per cent in 2018 to 22.18 per cent in 2019. The proportion of firms seeing improvements in risk standing has remained relatively unchanged, inching up slightly from 16.12 per cent in 2018 to 16.56 per cent in 2019.

The financial strength of local firms has also deteriorated over the past year. The proportion of firms which saw an improvement in financial standing decreased from 24.13 per cent in 2018 to 23.15 per cent in 2019 while those which saw a deterioration increased from 12.11 per cent in 2018 to 12.31 per cent in 2019.

Financial Strength	2019 %	2018 %	2017 %	Risk Indicator	2019 %	2018 %	2017 %
▼ (Deteriorated)	12.31%	12.11%	30.04%	▼ (Deteriorated)	22.18%	21.36%	15.13%
▲ (Improved)	23.15%	24.13%	10.14%	▲ (Improved)	16.56%	16.12%	23.70%
◄► (Unchanged)	64.54%	63.76%	59.82%	◄► (Unchanged)	61.27%	62.52%	61.17%

Table 1. Credit Quality of Singapore Firms (2016 -2019)

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.

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