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Strong moderation in local business sentiment for Q1 2019
More firms to increase technological investments in 2019
- Singapore Commercial Credit Bureau

Singapore, 18 December 2018 – Business sentiment among local companies has shown visible signs of moderation for the second consecutive quarter in Q1 2019. According to Singapore Commercial Credit Bureau (SCCB)'s Business Optimism Index study, BOI slid further from +9.19 percentage points in Q4 2018 to +7.19 percentage points in Q1 2019. On a year-on-year (y-o-y) basis, BOI jumped from +4.29 percentage points in Q1 2018 to +7.19 percentage points in Q1 2019.

As with Q4 2018, 5 of six indicators are expansionary for Q1 2019.

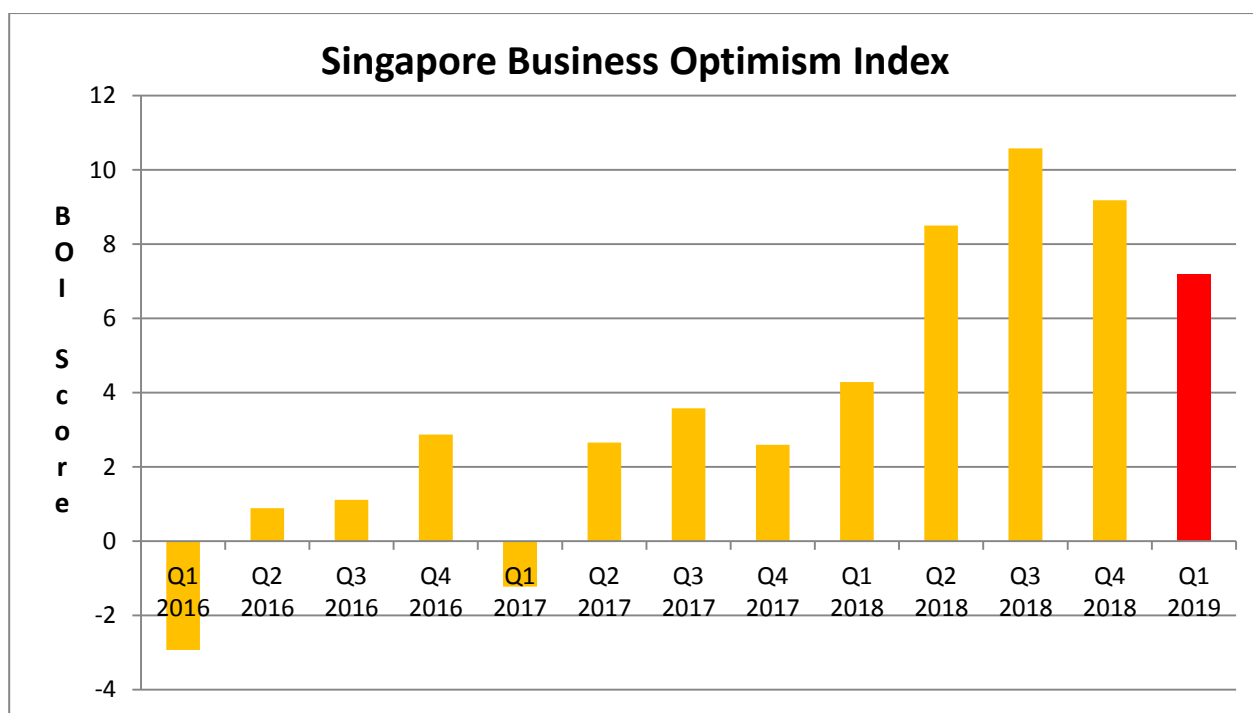


Figure 1. Overall Business Optimism Score, Q1 2016 – Q1 2019

Point Commentary

According to SCCB, 4 of six indicators have risen in Q1 2019 on a q-o-q basis.

- ❖ Volume of sales has fallen from +16.59 percentage points in Q4 2018 to +3.68 percentage points in Q1 2019.
- ❖ Net profits has slid into the contractionary zone from +8.78 percentage points in Q4 2018 to -2.63 percentage points in Q1 2019.
- ❖ Selling price rebounded into the expansionary zone from -0.98 percentage points in Q4 2018 to +6.84 percentage points in Q1 2019.
- ❖ New orders increased slightly from +12.68 percentage points in Q4 2018 to +14.15 percentage points in Q1 2019.
- ❖ Inventory levels inched up from +13.66 percentage points in Q4 2018 to +14.74 percentage points in Q1 2019.
- ❖ Employment levels rose slightly from +4.39 percentage points in Q4 2018 to +5.26 percentage points in Q1 2019.

On a y-o-y basis, 3 of six indicators have improved for Q1 2019.

- ❖ Volume of sales has fallen from +8.33 percentage points in Q1 2018 to +3.68 percentage points in Q1 2019.
- ❖ Net profits has slid into the contractionary zone from +2.63 percentage points in Q1 2018 to -2.63 percentage points in Q1 2019.
- ❖ Selling price rose from +0.97 percentage points in Q1 2018 to +6.84 percentage points in Q1 2019.
- ❖ New orders jumped from +8.82 percentage points in Q1 2018 to +14.15 percentage points in Q1 2019.
- ❖ Inventory levels rebounded from -0.97 percentage points in Q1 2018 to +14.74 percentage points in Q1 2019.
- ❖ Employment levels dropped slightly from +6.31 percentage points in Q1 2018 to +5.26 percentage points in Q1 2019.

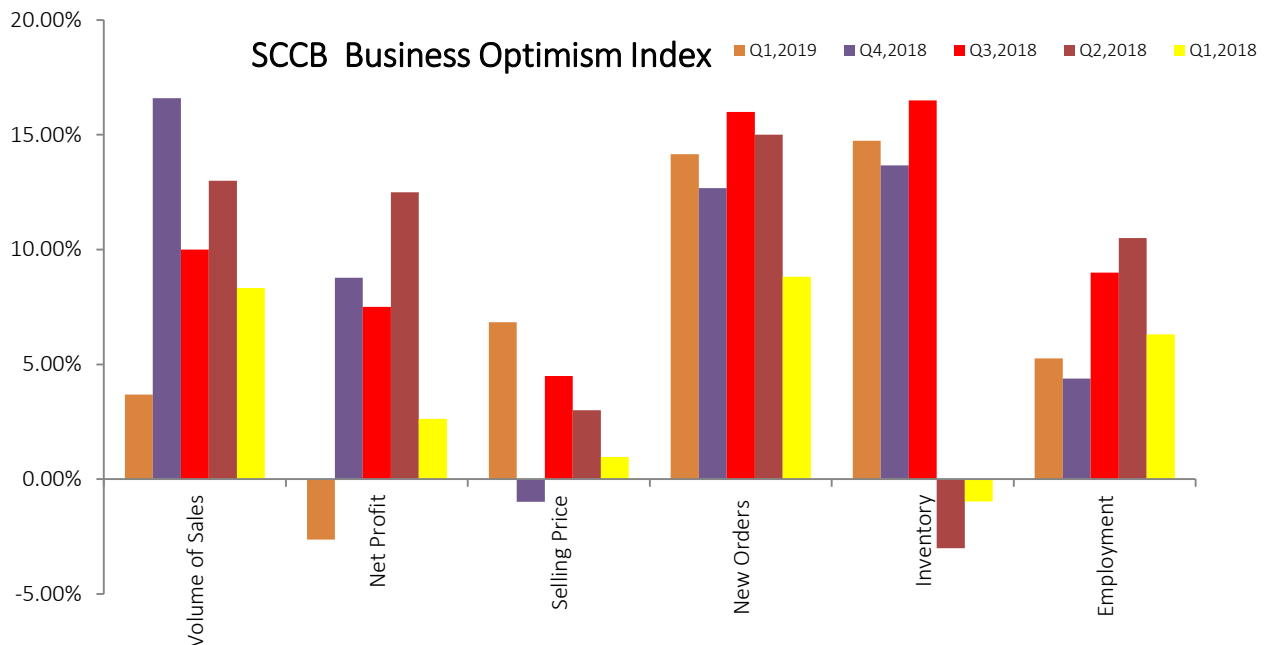


Figure 2. SCCB Optimism Index of Business Indicators, Q1 2018 – Q1 2019

Key Highlights for Q1 2019 Sectoral Outlook

Services, transportation and wholesale have emerged as the most optimistic sectors with 5 indicators in the positive region for Q1 2019.

Services

The services sector is one of the most optimistic with 5 indicators in expansionary zone for Q1 2019. Compared to the previous quarter, majority of the indicators have inched upwards due to growth within the information and communications as well as the education, health and social services sectors.

- ❖ Volume of sales moderated strongly from +12.33 percentage points in Q4 2018 to +1.72 percentage points in Q1 2019.
- ❖ Net profits plunged from +9.59 percentage points in Q4 2018 to -3.45 percentage points in Q1 2019.
- ❖ Selling price and inventory levels each jumped from +8.22 percentage points in Q4 2018 to +8.62 percentage points in Q1 2019.
- ❖ New orders rose significantly from +8.22 percentage points in Q4 2018 to +24.14 percentage points in Q1 2019.
- ❖ Employment levels increased slightly from +9.59 percentage points in Q4 2018 to +13.79 percentage points in Q1 2019.

Wholesale

Driven by expansionary growth in the wholesale trade of machinery, equipment and supplies, the sector has remained relatively optimistic for Q1 2019. However, 4 of six indicators saw strong signs of moderation.

- ❖ Volume of sales moderated from +21.43 percentage points in Q4 2018 to +19.05 percentage points in Q1 2019.
- ❖ Inventory levels increased from +35.71 percentage points in Q4 2018 to +42.86 percentage points in Q1 2019.
- ❖ Net profit dived into the contractionary zone from +17.86 percentage points in Q4 2018 to -38.10 percentage points in Q1 2019.
- ❖ Selling price rebounded into positive territory from -3.57 percentage points in Q4 2018 to +9.52 percentage points in Q1 2019.
- ❖ New orders moderated from +32.14 percentage points in Q4 2018 to +9.52 percentage points in Q1 2019.
- ❖ Employment levels dipped from +7.14 percentage points in Q4 2018 to +4.76 percentage points in Q1 2019.

Transportation

The outlook for the transportation sector has improved with 5 of six indicators in expansionary zone as opposed to 3 of six indicators in Q4 2018. This is due to growth within the air and water transportation sub-segments.

- ❖ Both net profits and selling price rebounded from the contractionary zone each from -50.0 percentage points and -20.0 percentage points in Q4 2018 to +22.22 percentage points in Q1 2019.
- ❖ Inventory levels also rose from -5.0 percentage points in Q4 2018 to +16.67 percentage points in Q1 2019.
- ❖ New orders jumped from +5.0 percentage points in Q4 2018 to +27.78 percentage points in Q1 2019.

- ❖ Both volume of sales and employment levels moderated from +30.0 percentage points in Q4 2018 to +22.22 percentage points and from +10.0 percentage points in Q4 2018 to 0 percentage points in Q1 2019 respectively.

Manufacturing

The manufacturing sector has seen a visible moderation in sentiments due to slower growth within the printing and miscellaneous industries sub-segments. 3 of six indicators are in positive territory for Q1 2019 as compared to 6 indicators in Q4 2018.

- ❖ Both volume of sales and net profits each fell from +17.50 percentage points in Q4 2018 to -2.44 percentage points in Q1 2019.
- ❖ Selling price dropped from +2.50 percentage points in Q4 2018 to 0 percentage points in Q1 2019.
- ❖ New orders, inventory levels and employment fell visibly from +15.0 percentage points in Q4 2018 to +4.88 percentage points in Q1 2019, from +22.50 percentage points in Q4 2018 to +12.20 percentage points in Q1 2019 and from +7.50 percentage points in Q4 2018 to +2.44 percentage points in Q1 2019 respectively.

Construction

Compared to the previous quarter, the outlook for the construction sector saw visible improvements for Q1 2019 with 3 indicators in the positive region.

- ❖ New orders and inventory levels rebounded into positive territory from -36.36 percentage points in Q4 2018 to +14.29 percentage points in Q1 2019 and from -18.18 percentage points in Q4 2018 to +7.14 percentage points in Q1 2019.
- ❖ Employment levels rose from -45.45 percentage points in Q4 2018 to -14.29 percentage points in Q1 2019.
- ❖ Selling price remained contractionary, rising from -36.36 percentage points in Q4 2018 to -7.14 percentage points in Q1 2019.
- ❖ Net profits moderated from +18.18 percentage points in Q4 2018 to +7.14 percentage points in Q1 2019.
- ❖ Volume of sales fell into the contractionary zone from +27.27 percentage points in Q4 2018 to -14.29 percentage points in Q1 2019.

The Ministry of Trade and Industry (MTI) has projected its GDP growth forecast for 2019 to be between 1.5 to 3.5 per cent.

“Moving into Q1 2019, we expect visible signs of moderation in the outlook for local firms, particularly within the manufacturing sector in light of muted global demand and softer growth within the region. The services and financial sectors will continue to remain the key sectors for growth in the new year. While the construction sector is one of the least optimistic, we are seeing signs of green shoots with the surprising rebound in optimism levels.” commented Ms. Audrey Chia, SCCB’s Chief Executive Officer.

“For 2019, firms have anticipated higher investments for business expansion compared to the previous year. This is particularly in the area of technological investments in software, infrastructure and upskilling of employees for ICT training programmes.” added Ms. Chia.

Compared to 2018, firms are more optimistic about investments in business expansion for 2019. The proportion of firms expecting an increase in investments rose from 9 per cent in 2018 to 14 per cent in 2019. However, the proportion of firms expecting investments to decrease has risen from 4 per cent in 2018 to 7 per cent for 2019. Majority of local firms had anticipated investments to remain unchanged at 79 per cent.

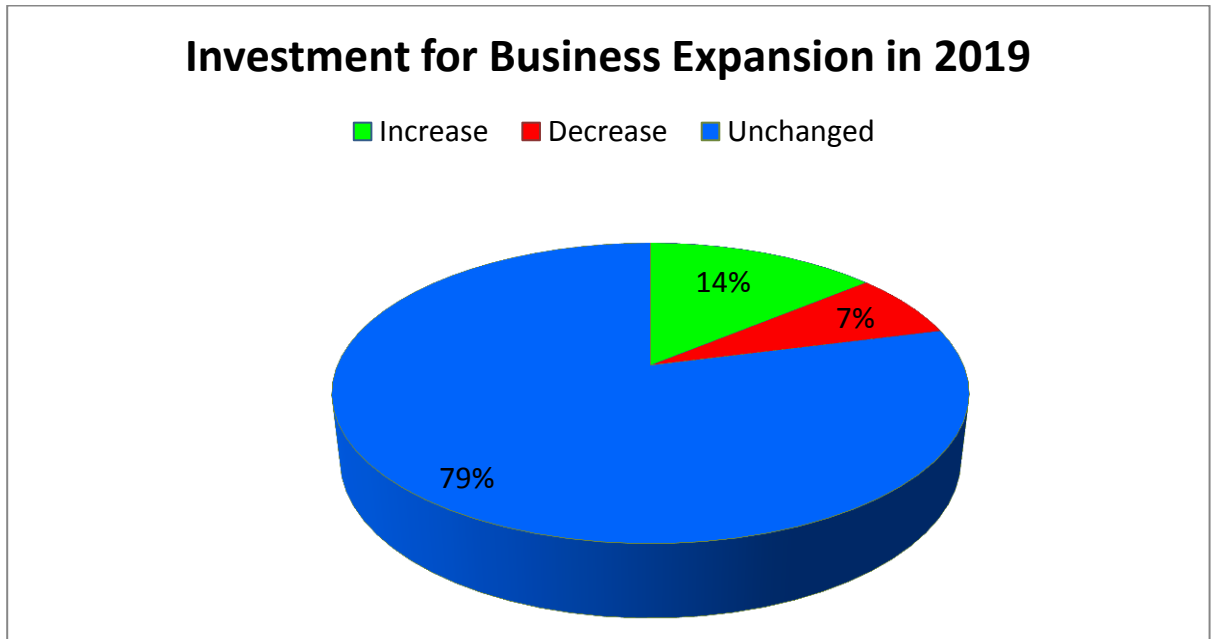


Figure 3. Investment for Business Expansion in 2019

- ❖ SCCB notes the top two most important areas of investment for 2018 are machinery and capital equipment (40%) and Information Technology (36%).
- ❖ Investments in Skills Upgrading of Employees (13%) are the third most important area of investment for 2019.
- ❖ New Product Development (9%), Intellectual Property (1%) and Research and Development (1%) are important areas of investment which have been highlighted by local firms.

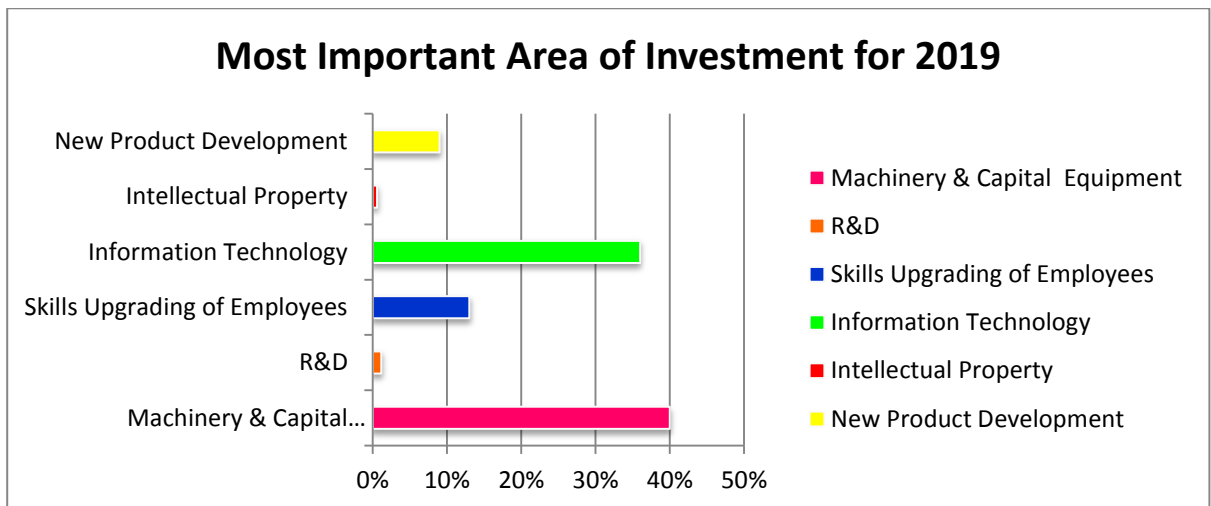


Figure 4. Most Important Area of Investment for 2019

- ❖ In terms of technological investments, majority of firms are expecting to invest in software (40%).

- ❖ This is followed by investments in ICT infrastructure and network (38%) and Upskilling of Staff for ICT training programmes (22%).

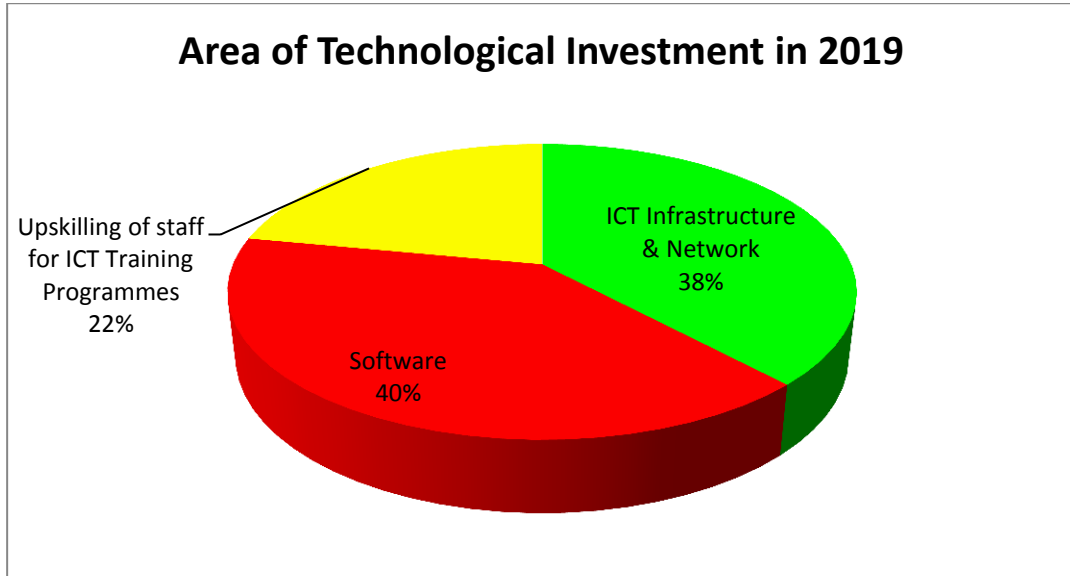


Figure 5. Area of Technological Investment in 2019

- ❖ Global economic uncertainties (32 per cent) have been highlighted as the main challenge for 2019.
- ❖ This is followed by higher business costs (26%) and increased competition (22%).
- ❖ Other key challenges include access to financing (10%), foreign labour issues (8%) and others (2%).

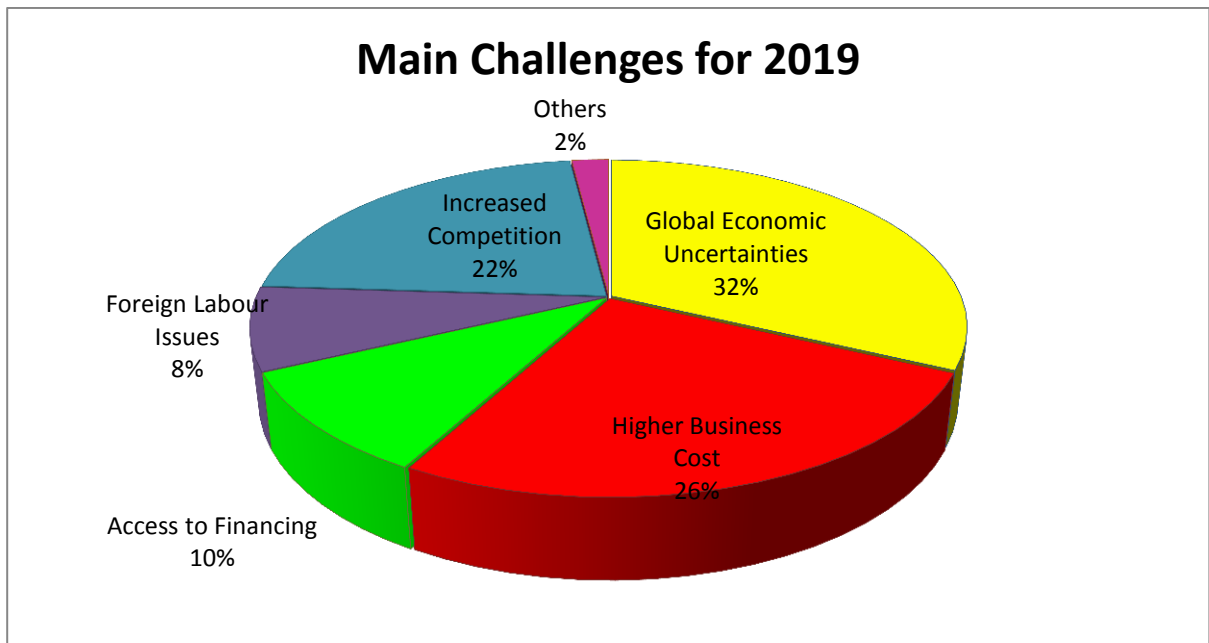


Figure 6. Main Challenges for 2019

Overview of Business Indicators

Volume of Sales

Volume of sales has moderated to +3.68 percentage points (compared to +16.59 percentage points in Q4 2018). As with Q4 2018, the transportation sector (net +22.22 percentage points) is most upbeat, followed by wholesale (net +19.05 percentage points), financial (net +4.55 percentage points) and services (+1.72 percentage points). The mining and agriculture sectors (net 0 percentage point) have expected volume of sales to remain unchanged. Both construction (net -14.29 percentage points) and manufacturing (net -2.44 percentage points) are pessimistic about volume of sales.

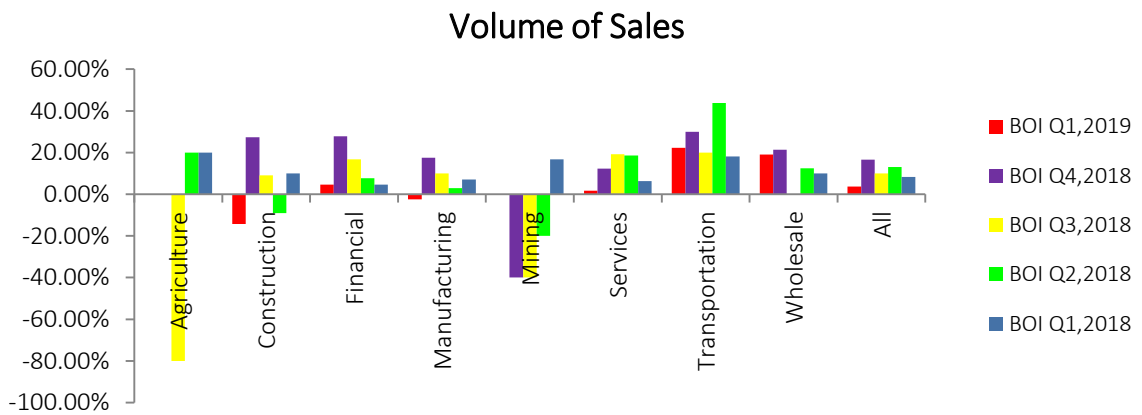


Figure 7. Volume of Sales Optimism Index, Q1 2018 – Q1 2019

Net Profit

Net profit has fallen into the negative zone to -2.63 percentage points (compared to +8.78 percentage points in Q4 2018). The transportation sector (net +22.22 percentage points) is most upbeat, followed by construction (net +7.14 percentage points) and financial (net +4.55 percentage points). Both agriculture and mining (net 0 percentage point) sectors have remained unchanged. The remaining sectors – manufacturing (-2.44 percentage points), services (-3.45 percentage points) and wholesale (net -38.10 points) are most downbeat about net profit.

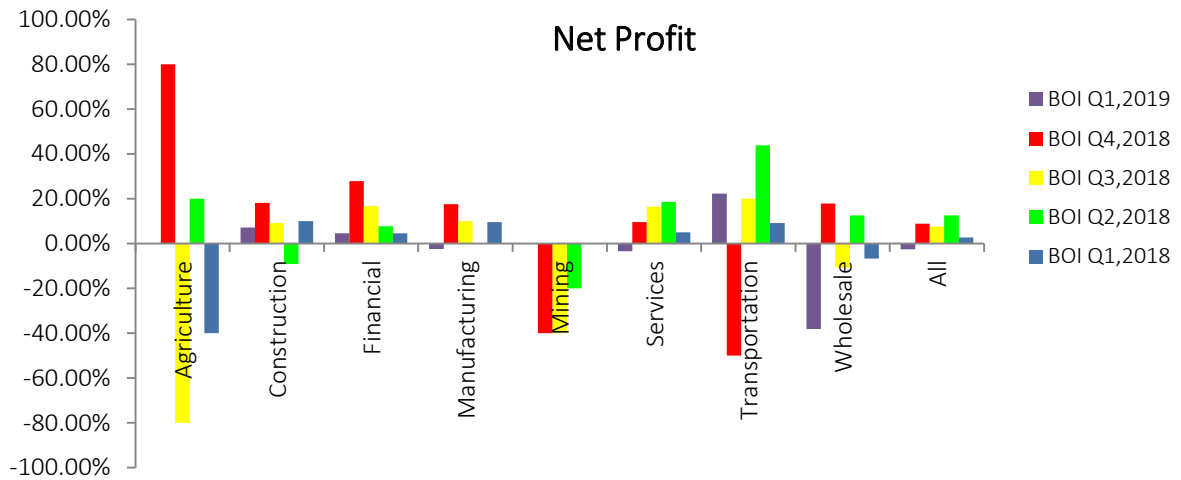


Figure 8. Net Profit Optimism Index, Q1 2018 – Q1 2019

Inventory Levels

Inventory levels have rebounded to +14.74 percentage points (compared to +13.66 percentage points in Q4 2018). The wholesale sector (net +42.86 percentage points) is most upbeat, followed by agriculture (net +33.33 percentage points), transportation (net +16.67 percentage points) and manufacturing (net +12.20 percentage points). The services (net +8.62 percentage points), financial (net +9.09 percentage points) and construction (net +7.14 percentage points) are marginally upbeat. The mining sector (net 0 percentage point) has anticipated inventory to remain unchanged.

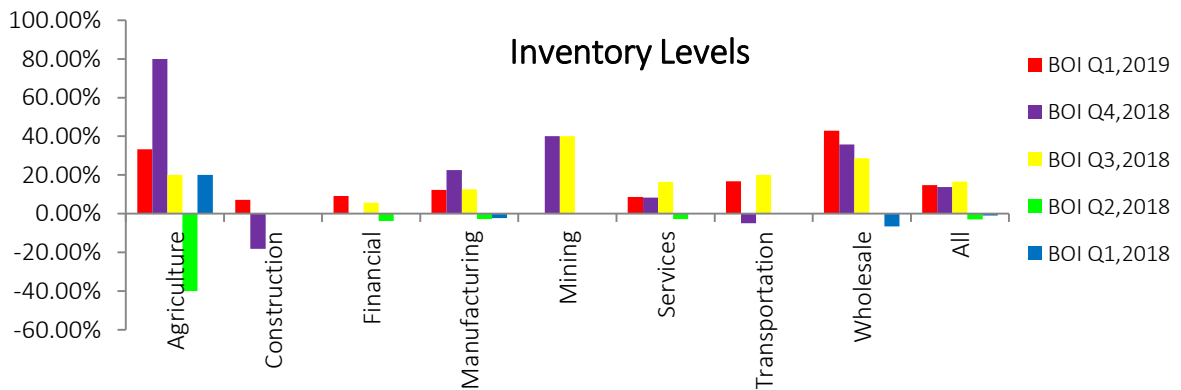


Figure 9. Inventory Levels Optimism Index, Q1 2018 – Q1 2019

Selling Price

Selling price rose to the positive zone to +6.84 percentage points (compared to net -0.98 percentage points in Q4 2018). The mining sector (net +28.57 percentage points) is most optimistic, followed by transportation (net +22.22 percentage points), wholesale (net +9.52 percentage points), services (net +8.62 percentage points) and financial (net +4.55 percentage points). Both agriculture and manufacturing sectors (net 0 percentage point) have anticipated selling price to remain unchanged. The construction sector (net -7.14 percentage points) is the only sector which is downbeat about selling price.

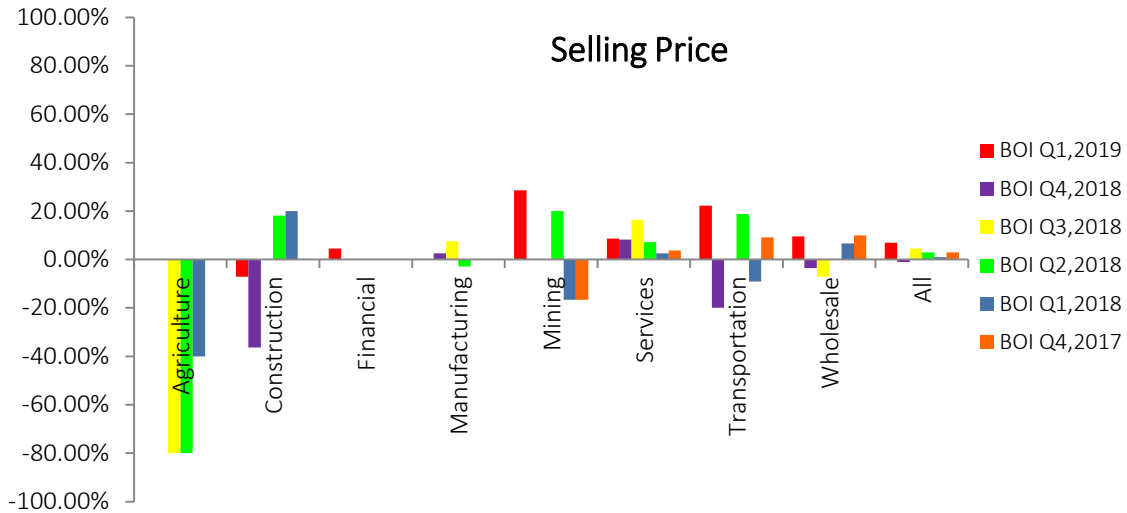


Figure 10. Selling Price Optimism Index, Q1 2018 – Q1 2019

New Orders

New orders increased to +14.15 percentage points (compared to +12.68 percentage points in Q4 2018). The mining sector (net +28.57 percentage points) is most upbeat, followed by transportation (net +27.78 percentage points), services (net +24.14 percentage points). The construction (net +14.29 percentage points), financial (net +9.09 percentage points), wholesale (net +9.52 percentage points) and manufacturing (net +4.88 percentage points) are moderately optimistic. The agriculture sector (net 0 percentage points) has anticipated new orders to remain unchanged.

New Orders (All Sectors)

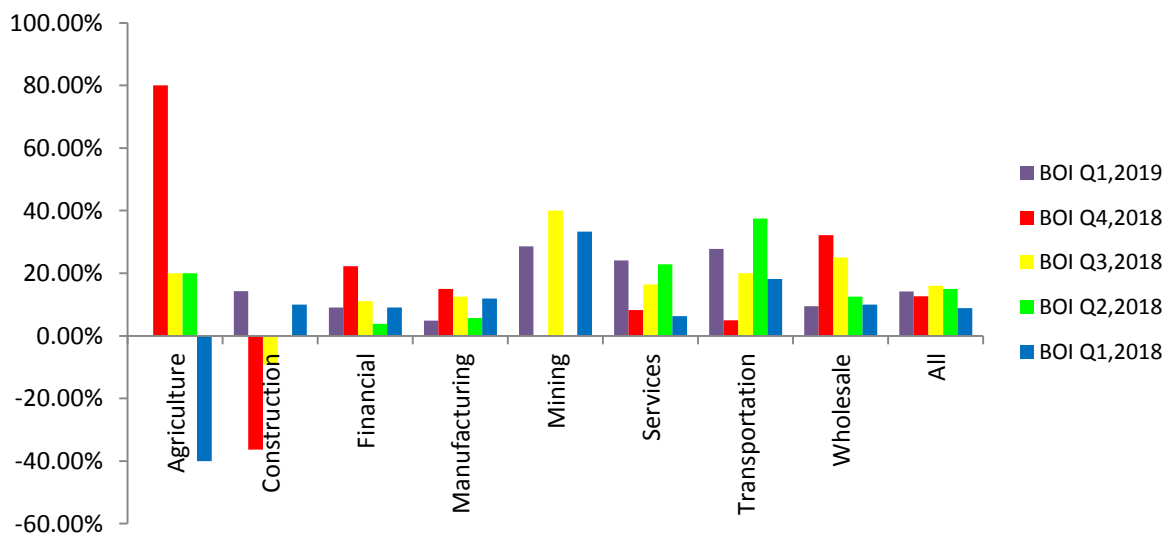


Figure 11. New Orders Optimism Index, Q1 2018 – Q1 2019

Employment

Employment levels have increased to +5.26 percentage points (compared to net +4.39 percentage points in Q4 2018). The mining sector (net +14.29 percentage points) is most optimistic, followed by services (net +13.79 percentage points), agriculture (net +11.11 percentage points), wholesale (net +4.76 percentage points) and manufacturing (net +2.44 percentage points). Both transportation and financial (net 0 percentage point) have anticipated employment to remain unchanged. The construction sector (net -14.29 percentage points) is downbeat about employment.

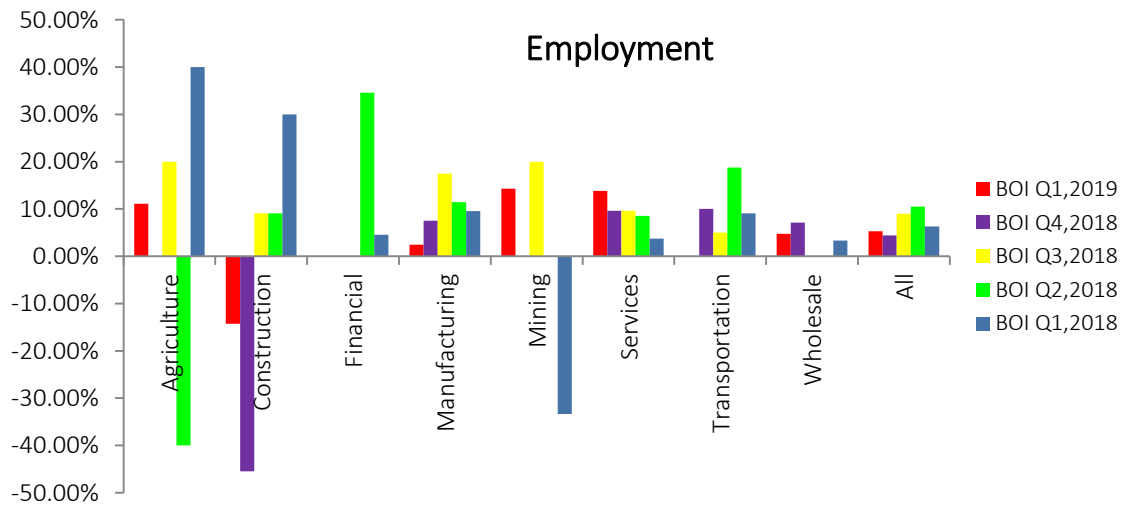


Figure 12. Employment Optimism Index, Q1 2018 – Q1 2019

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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