

## Media Release

*For Immediate Release*

### SBF-DP SME Index

# SMEs Stay Positive on Market Outlook as Regional Opportunities Outweigh Trade Tensions

*Business expansion and investment still positive amid  
reduced turnover and profitability outlook*

- *Latest survey of 3,600 Singapore-based SMEs by SBF and DP Info shows cautious, but still optimistic, business outlook for next six months*
- *Easing of turnover, profitability and capacity utilisation expectations, with tempered business expansion, hiring and capital investment*
- *Retail and F&B stands out as one of the sectors with strongest outlook due to upcoming festive period and rise of online delivery platforms*

**Singapore, 08 October 2018** – Singapore SMEs still expect to continue to expand as they move into 2019, but with slightly greater caution than before, according to the latest SBF-DP SME Index (the Index).

The Index – a joint initiative of the Singapore Business Federation (SBF) and DP Information Group (DP Info), part of Experian – measures the business sentiment of over 3,600 SMEs for the next six months (October 2018 to March 2019). The Index comprises inputs from SMEs on their expectations in seven key areas – Turnover, Profitability, Business Expansion, Capital Investment, Hiring, Capacity Utilisation and Access to Financing.

Compared to the last quarter's index of 51.5, the latest overall outlook for SMEs is slightly moderated, decreasing 1% quarter-on-quarter to 51.0. A score above 50 indicates an expectation of growth, while a score below 50 signals a possible contraction.

Overall Index (out of 100) / Forecast Periods / Sectors	1Q16 – 2Q16	2Q16 – 3Q16	3Q16 – 4Q16	4Q16 – 1Q17	1Q17 – 2Q17	2Q17 – 3Q17	3Q17 – 4Q17	4Q17 – 1Q18	1Q18 – 2Q18	2Q18 – 3Q18	3Q18 – 4Q18	4Q18 – 1Q19	QoQ Change (%) by Sector
Commerce / Trading	51.1	50.9	51.7	49.9	49.6	50.1	50.5	50.6	51.0	52.0	51.2	50.5	▼ 1.5
Construction / Engineering	51.7	51.1	52.0	50.1	49.4	50.2	50.4	49.9	50.4	50.8	51.0	50.8	▼ 0.4
Manufacturing	50.6	49.6	50.5	49.2	48.8	49.7	50.1	50.4	51.0	51.7	51.5	50.4	▼ 2.1
Retail / F&B	50.9	50.1	50.9	50.1	49.7	50.3	51.3	50.4	50.6	51.3	52.0	51.3	▼ 1.3
Business Services	53.5	51.4	52.4	50.3	50.5	50.8	51.6	51.3	52.1	52.1	52.3	51.6	▼ 1.4
Transport / Storage	53.1	50.8	51.9	49.7	49.2	49.6	50.8	50.5	50.7	51.9	51.2	50.9	▼ 0.6
<i>Overall</i>	<b>51.1</b>	<b>50.0</b>	<b>51.9</b>	<b>50.2</b>	<b>49.8</b>	<b>50.4</b>	<b>50.9</b>	<b>50.6</b>	<b>51.2</b>	<b>51.8</b>	<b>51.5</b>	<b>51.0</b>	
Percentage change QoQ (%)	▼ 1.5	▼ 2.2	▲ 3.8	▼ 3.3	▼ 0.8	▲ 1.2	▲ 1.0	▼ 0.6	▲ 1.2	▲ 1.2	▼ 0.6	▼ 1.0	

SMEs have become more watchful about turnover and profitability. Despite this, SMEs appear to remain cautiously optimistic and continue to proceed with capital investments and business expansion plans, albeit at a slightly contracted rate than in the previous quarter.

### Trade tensions affect SME turnover and profitability

At 5.22<sup>1</sup> (down 2.97%), SMEs' expectations of overall turnover are still expansionary (above 5.0), although this is slightly less optimistic than before. Every sector surveyed reported a decrease in growth outlook. The sector leading this downward shift is Manufacturing, while the least affected sector is Retail/F&B. This is likely due to upcoming seasonal effects of Christmas and Chinese New Year.

<sup>1</sup> For Turnover Expectations, Profitability Expectations, Business Expansion Expectations, Capital Investment Expectations, Hiring Expectations and Access to Financing Expectations, a reading above 5 signals growth / expansion while a reading below 5 signals contraction. For Capacity Utilisation Expectations, a reading above 7 signals over capacity, a reading of 7 signals companies are at optimal capacity while a reading below 7 signals companies are below capacity.

Likewise, SMEs' outlook on profitability growth has decreased slightly to 5.19 (down 1.89%). Manufacturing again leads this shift because of fears of increased input costs<sup>2</sup>. The exception to this trend is the Transport/Storage sector which expects to grow slightly due to increased intra-regional trade especially within ASEAN.

Key sector movements:

- Manufacturing turnover: Down 6.51% to 5.03
- Retail / F&B turnover: Down 1.65% to 5.37
- Manufacturing profitability: Down 6.06% to 4.96
- Transport / Storage profitability: Up 0.77% to 5.25

**SMEs continue searching for growth opportunities**

Key scores for business expansion and capital investment expectations show SMEs continue to have an appetite for expansion, with some sectors being more optimistic than others.

Business Expansion Expectations scored 5.45 overall (down 0.91%), against a backdrop of mixed sentiments from the different sectors. With the festive season in sight, Retail/F&B leads the growth outlook while the Commerce/Trading sector pulls down the average with its less positive outlook because of increased uncertainty as demand slows.

Despite this, almost all sectors continue to see increased optimism for growth in capital investment expectations, scoring 5.21 overall (up 0.77%). The Construction/Engineering sector leads this shift as smaller firms appear to increase their investments in pace with productivity and collaboration initiatives introduced by the Building and Construction Authority. Only the Retail/F&B sector maintains its previous outlook at a score of 5.18, indicating that companies may be increasingly tapping on online delivery platforms to meet the ecommerce trend rather than doing so through their own capital investments.

*Key sector movements:*

- Retail / F&B Business Expansion Expectations: Up 3.42% to 5.75
- Commerce / Trading Business Expansion Expectations: Down 5.26% to 5.22
- Construction / Engineering Capital Investment Expectations: Up 1.15% to 5.28
- Retail / F&B Capital Investment Expectations: Flat at 5.18

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<sup>2</sup> <https://phys.org/news/2018-05-companies-price-hikes-material.html>

## **SMEs march onward on hiring**

The outlook on adding talent to businesses remains positive with hiring expectations scoring 5.20 (down 0.19%). This is largely unchanged from the previous quarter.

Digital transformation has resulted in the demand for talent with skillsets to drive change. This has led SMEs in the Retail/F&B sector having the highest expectations as they need a mix of customer service personnel and also those with expertise in online platforms.

The Construction/Engineering sector is the least optimistic in hiring outlook as the sector prepares for an expected slowdown, however its reading remains in growth.

### *Key sector movements:*

- Retail/F&B Hiring Expectations: Down 0.74% to 5.33
- Construction/Engineering Hiring Expectations: Down 0.58% to 5.13

“Singapore SMEs are currently in a growth-conducive environment, and they continue to make plans toward capital investments and business expansion. Confidence in global trade remains key to the strategic goals of many SMEs in sectors such as Manufacturing and Commerce/Trading. The outlook of these 2 sectors leans to a cautious and moderated optimism, given ongoing trade tensions which may affect an open trading economy such as Singapore,” said James Gothard, General Manager, Credit Services & Strategy, Southeast Asia, Experian.

“It is understandable that our SMEs are cautiously optimistic, given the on-going global trade tensions. The trade war between the US and China will have an impact on the global economy. But therein also lies opportunities. Our SMEs should be quick to spot and leverage the opportunities that arise due to the diversion of trade and re-shuffling of global supply chains. At the same time, they should also re-look their business strategies to diversify their markets and sources of inputs, to diversify risks. I strongly encourage our SMEs to tap on Singapore’s extensive network of Free Trade Agreements to strategically mitigate the impact of the increasing international trade tensions, as these agreements are legally binding documents that secure predictability in trade amongst countries. SMEs should also make use of their proximity to the growth markets in ASEAN for future expansion,” said Mr Ho Meng Kit, CEO of the Singapore Business Federation.

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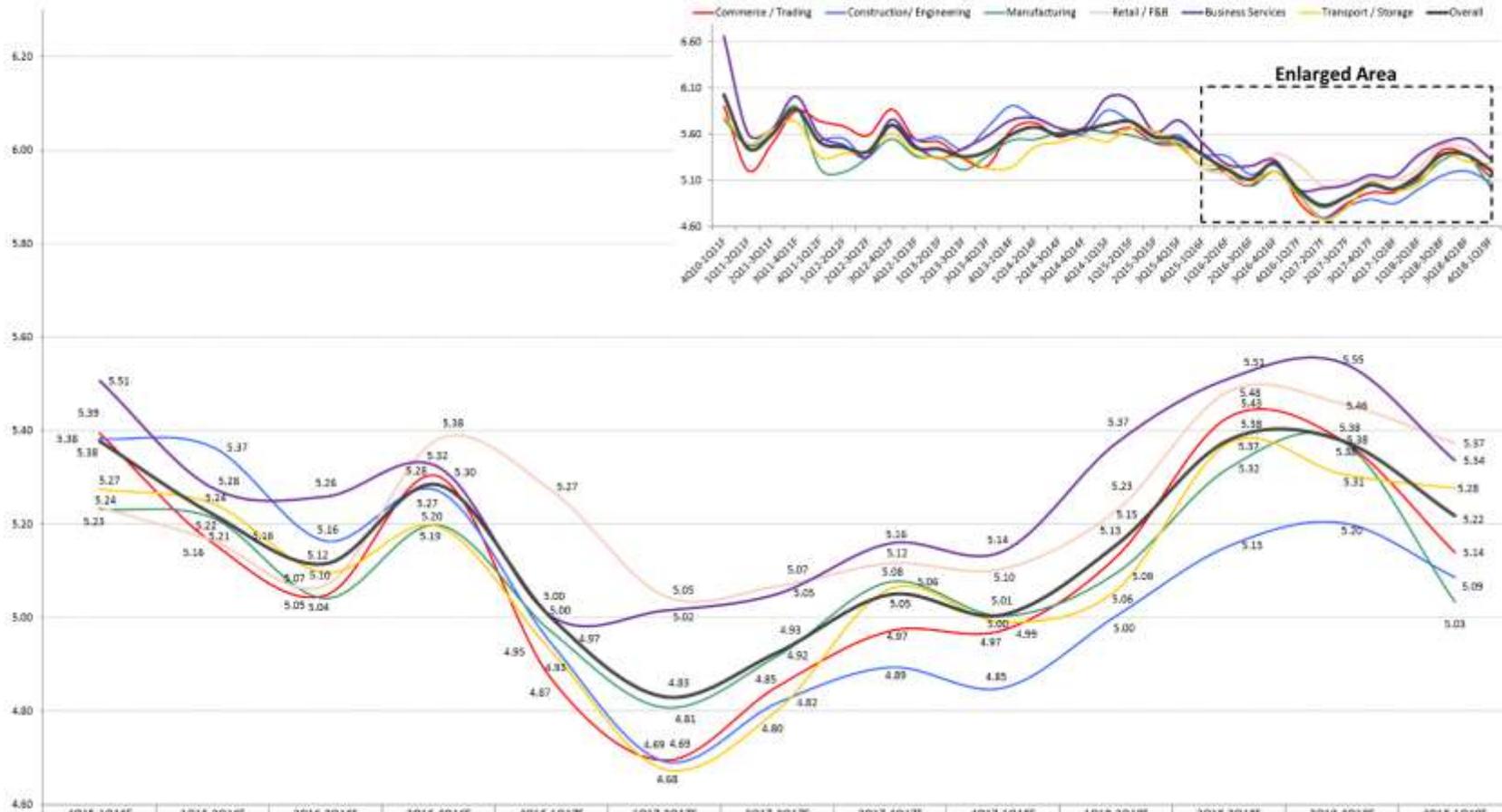
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# (A) Turnover Expectations

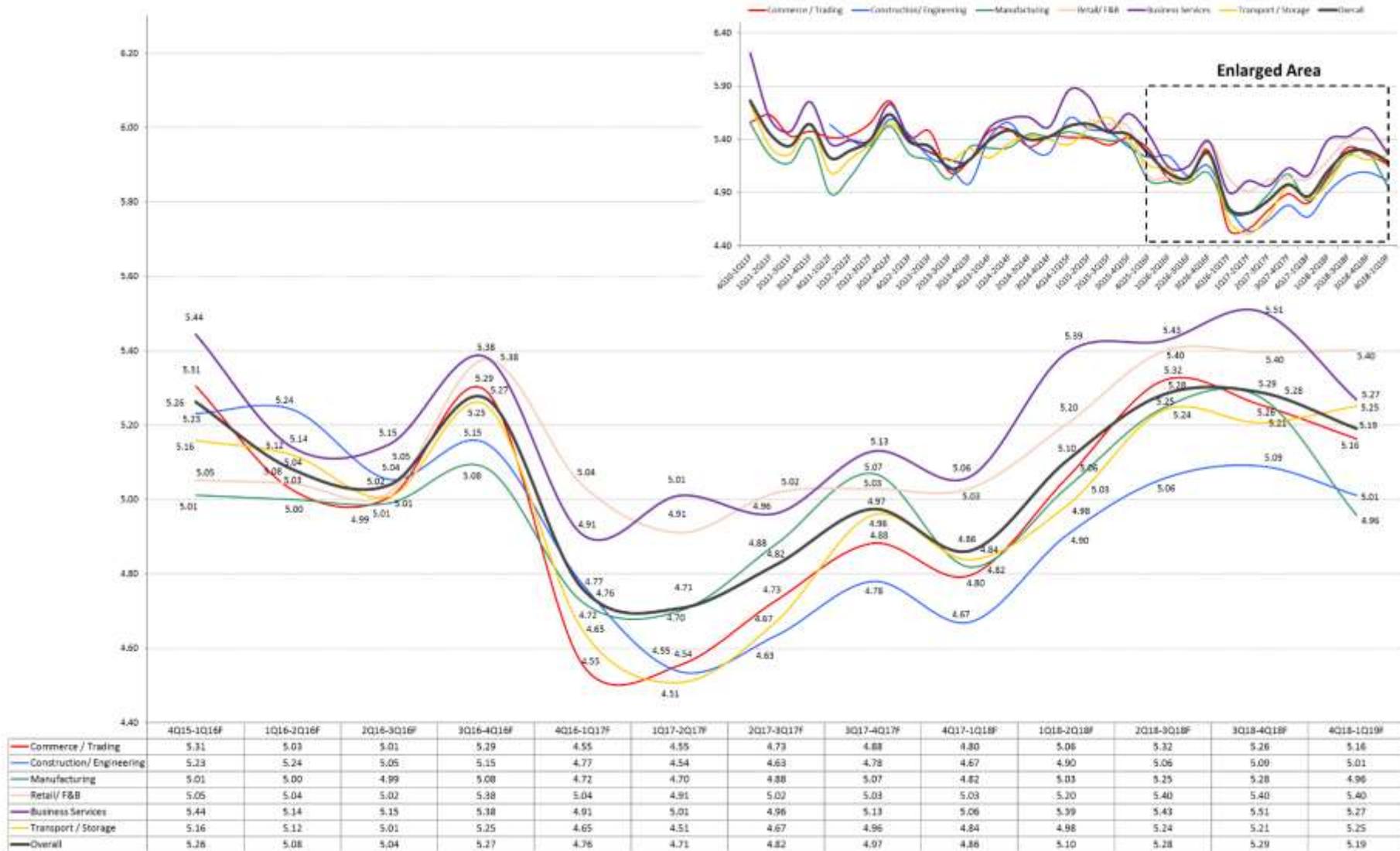
Chart 1: Turnover Expectation in the next 6 months



	4Q15-1Q16F	1Q16-2Q16F	2Q16-3Q16F	3Q16-4Q16F	4Q16-1Q17F	1Q17-2Q17F	2Q17-3Q17F	3Q17-4Q17F	4Q17-1Q18F	1Q18-2Q18F	2Q18-3Q18F	3Q18-4Q18F	4Q18-1Q19F
Commerce / Trading	5.38	5.16	5.05	5.30	4.87	4.68	4.85	4.97	4.97	5.13	5.43	5.38	5.14
Construction/ Engineering	5.38	5.37	5.16	5.27	4.95	4.69	4.82	4.89	4.85	5.00	5.15	5.20	5.09
Manufacturing	5.23	5.21	5.04	5.20	4.97	4.81	4.92	5.08	5.00	5.09	5.32	5.38	5.03
Retail / F&B	5.24	5.16	5.07	5.38	5.27	5.05	5.07	5.12	5.10	5.23	5.48	5.46	5.37
Business Services	5.51	5.28	5.26	5.32	5.00	5.02	5.05	5.16	5.14	5.37	5.51	5.55	5.34
Transport / Storage	5.27	5.24	5.19	5.19	4.93	4.68	4.80	5.06	4.99	5.06	5.37	5.31	5.28
Overall	5.38	5.22	5.12	5.38	5.00	4.83	4.93	5.05	5.01	5.15	5.38	5.38	5.22

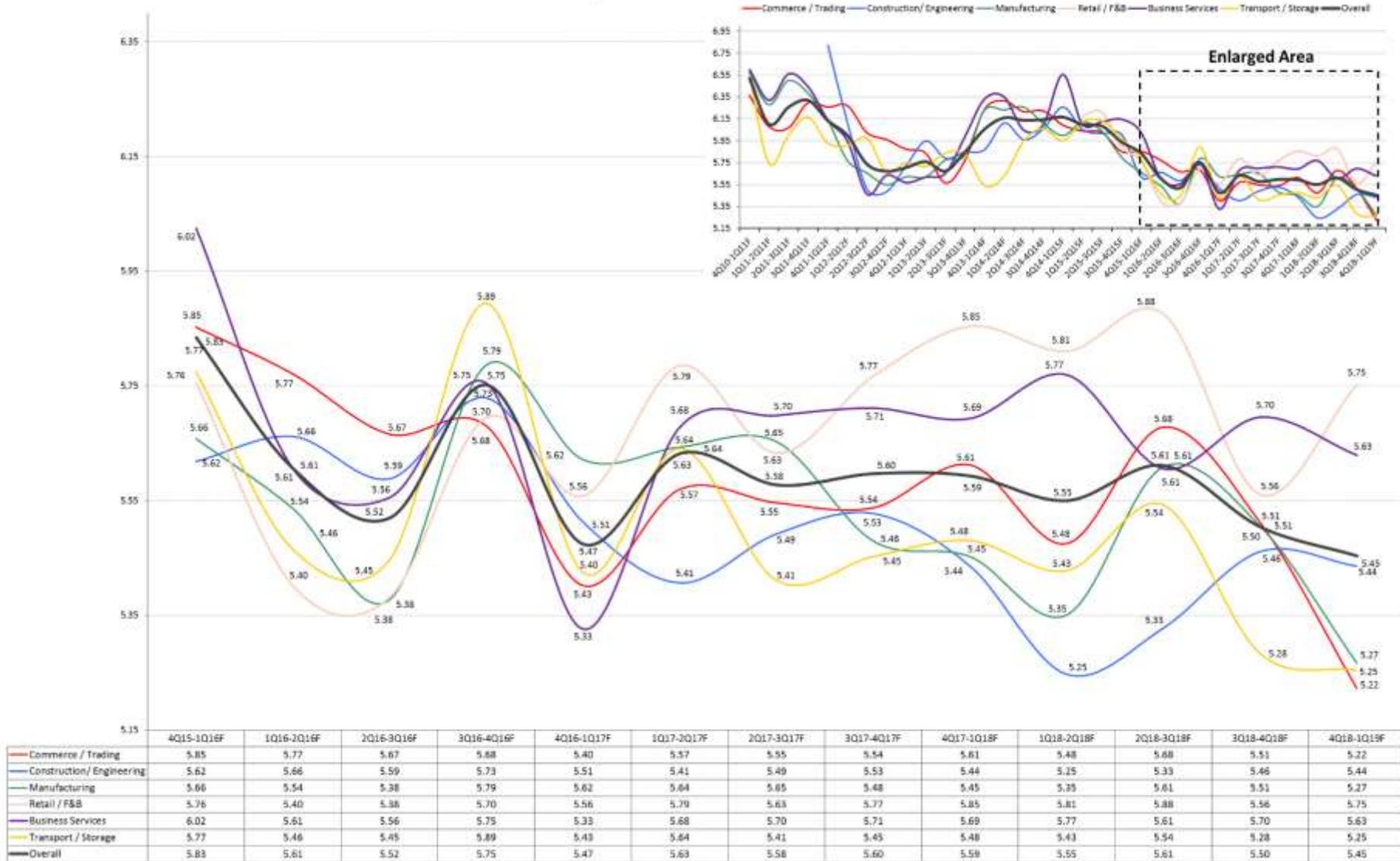
## (B) Profitability Expectations

Chart 2: Expectation on Profitability in the next 6 months



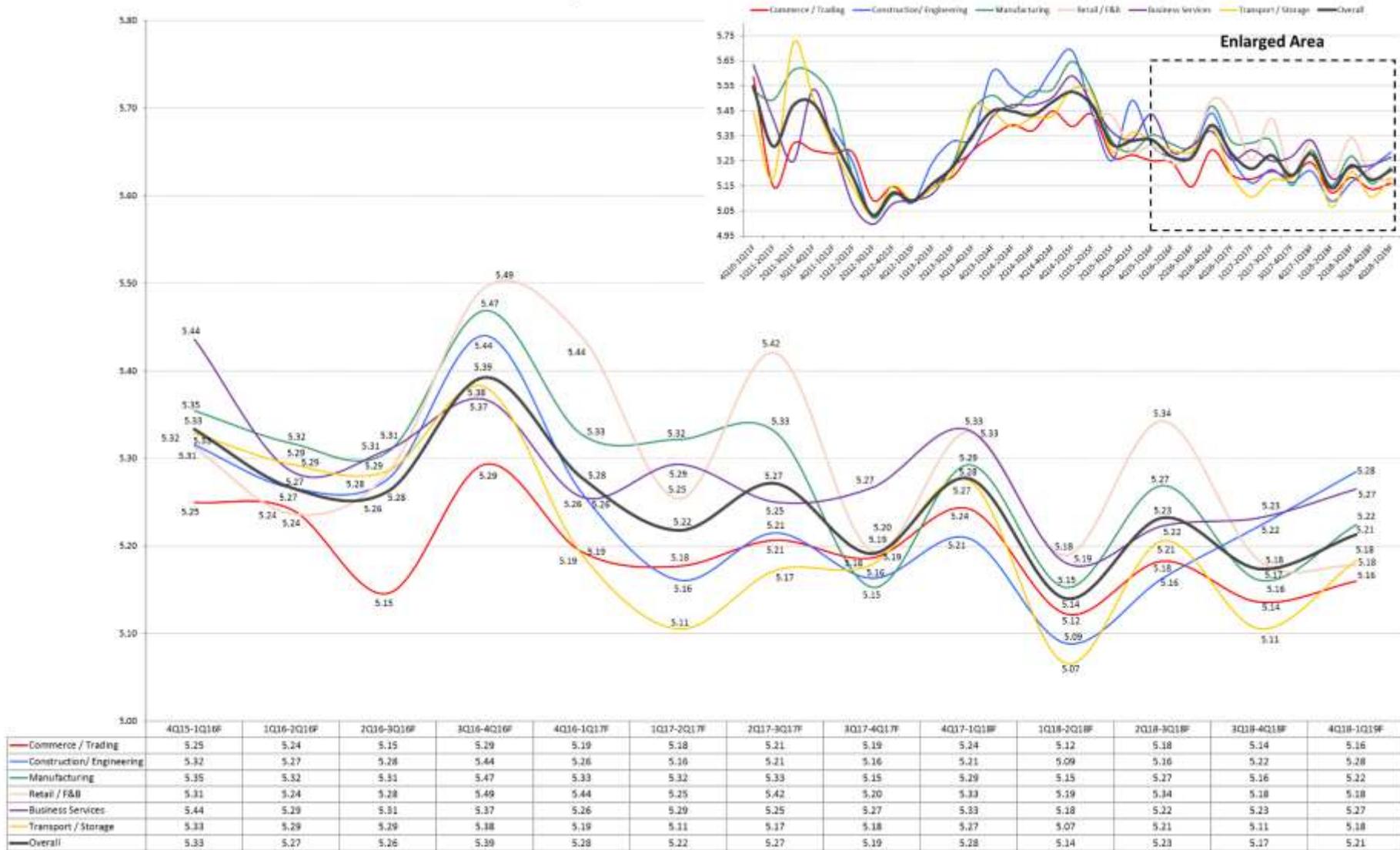
### (C) Business Expansion Expectations

Chart 3: Business Expansion in the next 6 months



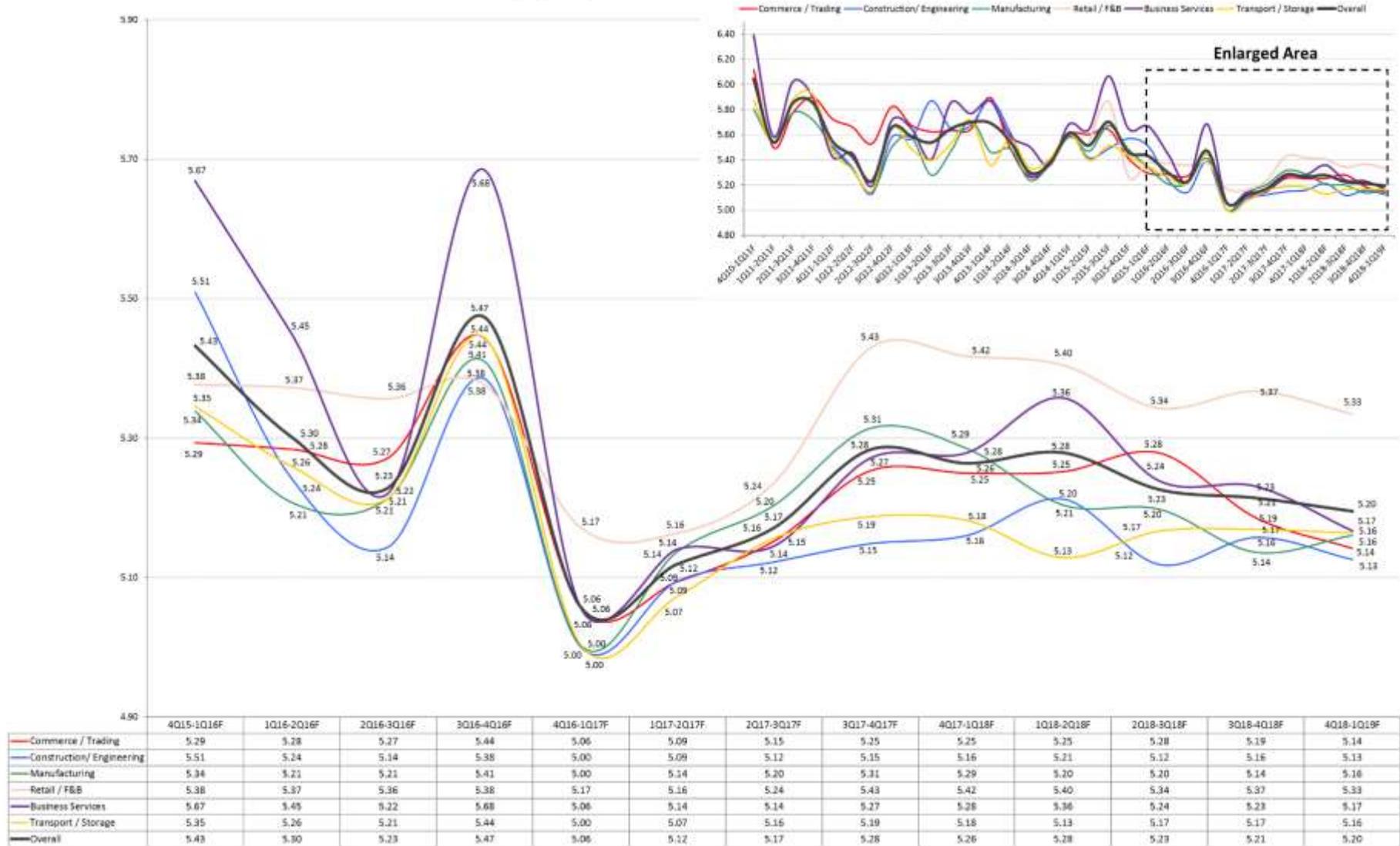
## (D) Capital Investment Expectations

Chart 4: Capital Investment in the next 6 months



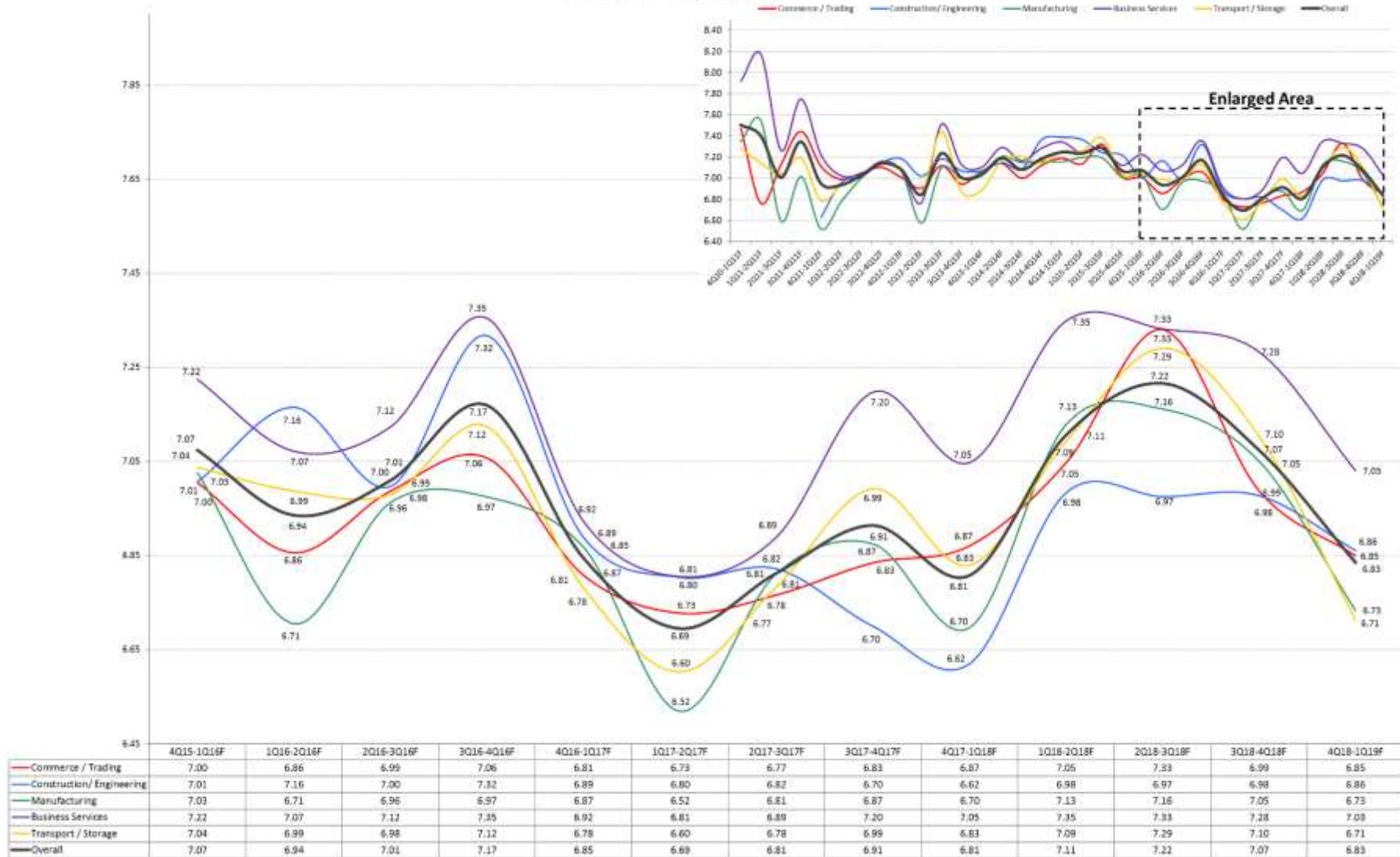
# (E) Hiring Expectations

Chart 5: Company's Hiring activities in the next 6 months



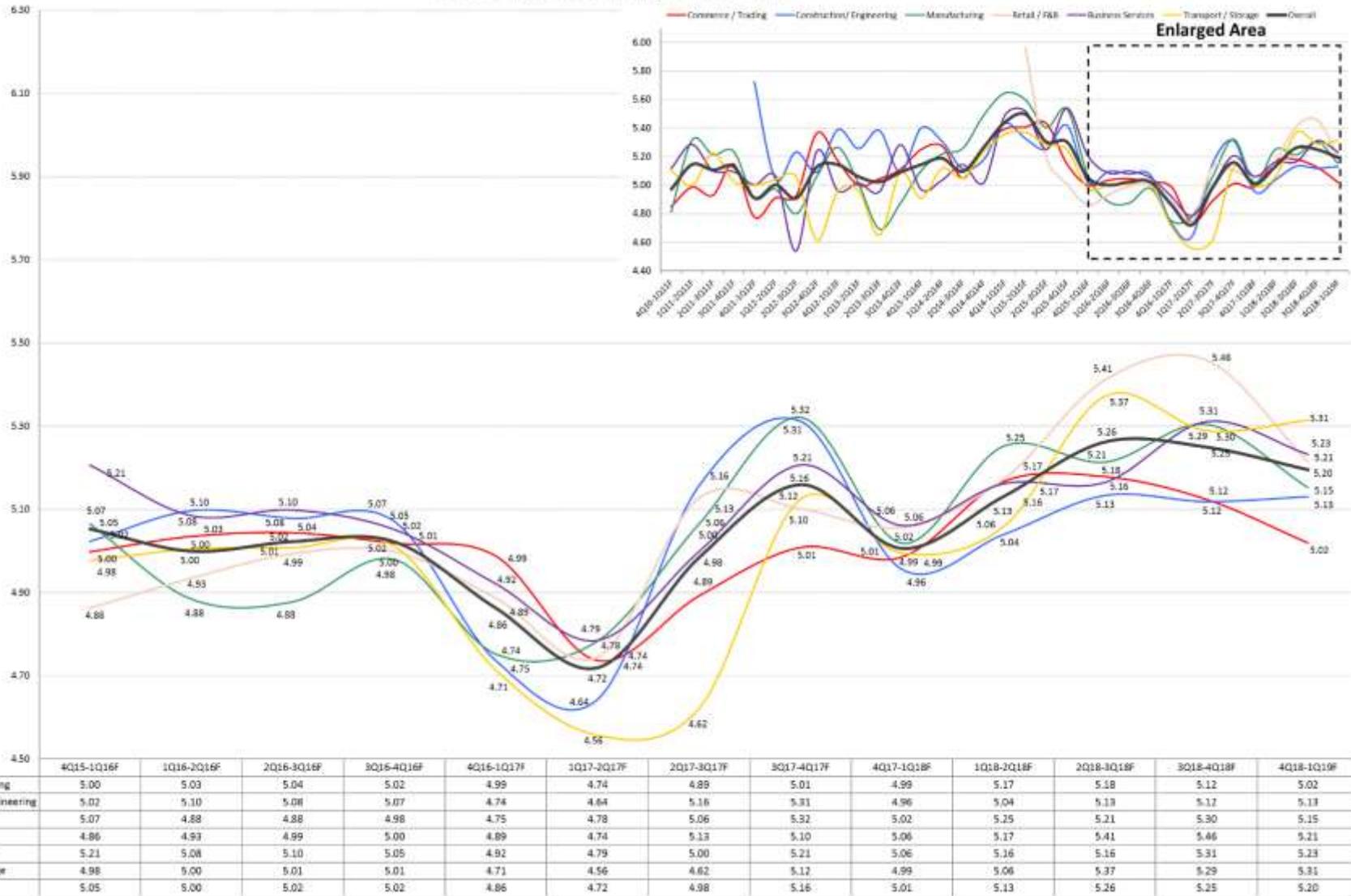
## (F) Capacity Utilisation Expectations

Chart 6: Operational Capacity of SME



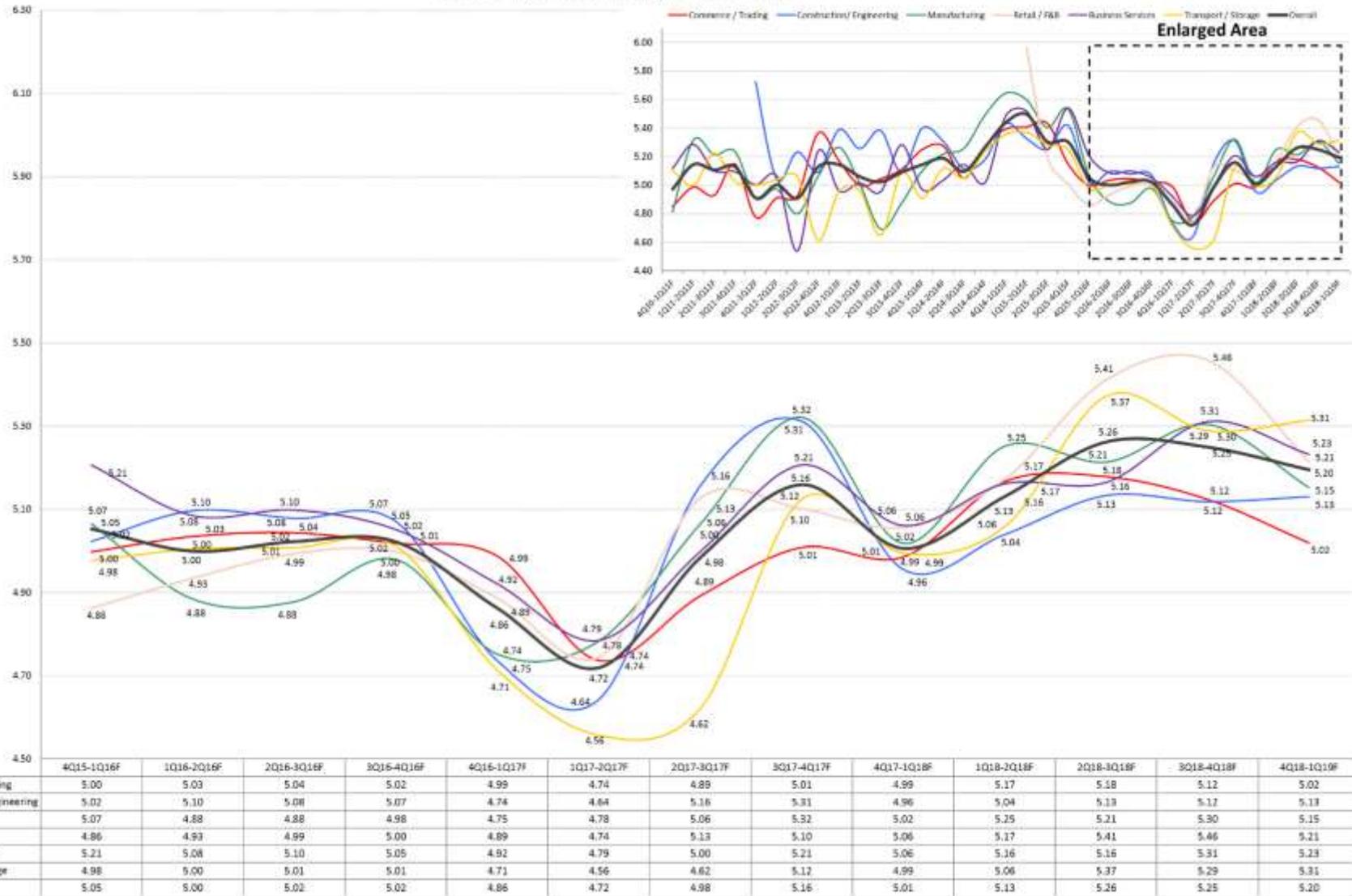
**(G) Access To Financing Expectations**

**Chart 7: Ability to Access Financing in the next 6 months**



## (H) Access To Financing Expectations

Chart 7: Ability to Access Financing in the next 6 months



### **ABOUT THE SBF-DP SME INDEX**

DP Information Group (DP Info) has partnered with the Singapore Business Federation (SBF) since 2009 to conduct quarterly studies on business sentiments amongst Singapore SMEs. Objective of the index is to provide a 6-month outlook of the SME community in relation to external economic conditions and activities.

The SBF-DP SME index uses a weighted qualitative and quantitative approach to track movements in SME's expectations on important business aspects, including turnover, profitability and capacity utilization etc.

With more than 90 percent of corporations in Singapore belonging to the SMEs community, such insights serve as a strong prediction of the local economic performance and any impending strategies SMEs are looking at.

DP Info further segments the index into six industries to draw deeper insights on the confidence level and concerns each industry faces. These are Commerce / Trading, Construction / Engineering, Manufacturing, Retail / F&B, Business Services, and Transport / Storage.

### **ABOUT THE SINGAPORE BUSINESS FEDERATION (新加坡工商联合总会)**

As the apex business chamber, the Singapore Business Federation (SBF) champions the interests of the business community in Singapore, in trade, investment and industrial relations. Nationally, SBF acts as the bridge between the government and businesses in Singapore to create a conducive business environment. Internationally, SBF represents the business community in bilateral, regional and multilateral fora for the purpose of trade expansion and business networking. For more information, please visit our website: [www.sbf.org.sg](http://www.sbf.org.sg)

### **ABOUT DP INFORMATION GROUP**

DP Information Group (DP Info) is Singapore's leading provider of information, analysis and intelligence on the Singapore corporate sector. With an unparalleled database on the performance of local companies and access to the world's best analytical services, DP Info uncovers the meaning and significance in data and gives its customers the knowledge they need to make better business decisions.

Part of Experian, the world's leading global information services company, DP Info offers a range of powerful tools for assessing the credit worthiness and financial health of both companies and individuals. DP Info's key services include:

- QuestNet – An online information portal used by Singapore's leading financial institutions and law firms
- DP Credit Ratings – a proprietary credit rating model that reliably predicts the probability of company default
- DP SME Commercial Credit Bureau – a member-based platform where the payment records of each members' clients and suppliers are shared
- SME Advisory Bureau – Singapore's one-stop business advisory centre for entrepreneurs and business owners
- DP Credit Bureau – which analyses the credit records of millions of Singaporeans to assist financial institutions make lending decisions
- The Singapore 1000 Family of Awards – Singapore's most prestigious definitive corporate awards, honouring the nation's best performing companies

For more information, visit [www.dpgroup.com.sg](http://www.dpgroup.com.sg)

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