

SBF – DP SME Index **Fact Sheet**

INTRODUCTION

- SBF and DP Information Group (DP Info) had jointly developed a new tool, called SBF-DP SME index for tracking the outlook and level of economic activity of Singapore SMEs on quarterly basis.
- It was officially launched on 29 April 2010, after two successive sets of data were obtained for the last quarter of 2009 and 1st quarter 2010.
- The index will be released on a quarterly basis in January, April, July and October.

ABOUT THE INDEX

- Combining qualitative and quantitative factors, the index provides a forward looking and measurable gauge of Singapore's SMEs' business sentiments for the coming 6 months. The index can also be used as a measurement of the sustainability of SMEs over the next six months.
- The Index is based on interviews with business owners and management inquiring into their business outlook and prospects. More than 3,000 SMEs from the Commerce, Manufacturing, Services and Transport /Storage sectors were included. These four sectors were chosen as they contribute about 60% of Singapore's GDP.
- Qualitative Components covered by the interview include expectations for turnover and profit, employment levels in their industry, hiring intentions, access to funding, capital investment, and operational capacity.
- This forward-looking qualitative data set is combined with information on the actual financial performance of local SMEs obtained through DP Info's propriety databases. The quantitative components track movements in industry turnover and profits, time taken to pay debts, credit ratings and probability of default as well as investor sentiment towards smaller SMEs.

RESULTS

| Overall Index (out of 100) | 4Q09 | 1Q10 |
|-------------------------------|-----------|-----------|
| Commerce | 48 | 54 |
| Manufacturing | 47 | 55 |
| Services | 47 | 49 |
| Transport/Storage | 48 | 50 |
| Overall | 48 | 51 |

Reading the Index
Range from <30 to >70.

Index of 25: Outlook for next 6 months is very pessimistic, level of business activities expect to be nominal and business sustainability of SMEs expect to be small

Index of 65: Outlook for next 6 months is promising, level of business activities expect to be active and business sustainability of SMEs expect to be good

4Q2009 (Forecast period: 2Q10)

- At an Index of 48, the mood that prevails across the 4 sectors is subdued with pockets of cautious optimism.
- **Turnover Expectation & Profitability Expectation:** Amongst the 4 sectors, the Commerce sector is relatively more upbeat about their performance, with 40% expecting higher turnover and net profit for the next 6 months.
- **Operations Capacity:** 57% of the SMEs are operating at capacity. Manufacturing and Commerce sectors have a higher proportion of companies operating above capacity.
- **Capital Investment:** Overall, companies are more cautious with their investment plans, with 86% of respondents preferring to maintain status quo capital investments in the next 6 months.
- **Hiring Activities:** Of the 4 sectors, the Services sector has a higher proportion of companies (25%) that are planning to increase hiring activities.
- **Access to Funding:** Majority of the SMEs do not expect much improvement in accessibility to funding. Relatively more optimism is observed in the Commerce sector where higher proportion (26%) expects access to funding to be easier.

1Q2010 (Forecast period: 3Q2010)

- Singapore SMEs are increasingly positive about the next 6 months but remain cautious, with more companies working at higher capacities, which are set to lead to increased employment.
- At an index of 51, the SME business environment has improved compared to the previous quarter (Index of 48). This increase reflects the improved performance of the Singapore economy, with positive sentiment especially strong among Manufacturing companies, which recorded an 8-point jump (from 47 - 55) compared to the previous quarter. Overall sentiments suggest that the SMEs' level of sustainability remains stable.
- **Turnover Expectation:** In the next 6 months, higher turnover is expected for Manufacturing sector. In Commerce, Service and Transport/Storage sectors, expectation dipped slightly after 4Q2009.
- **Profitability Expectation:** The Profit level of Manufacturing and Services sectors are expected to improve over the next 6 months. For Commerce and Transport/Storage sectors, softer turnover expectations are expected to lead to lower profitability compared to 4Q09.
- **Operations Capacity:** All 4 sectors are operating at a higher capacity than previous quarters, with their "operational capacity" past 70%, largely attributed to recent pick-up in demand from Asian markets.
- **Capital Investment:** The intention to make capital investment has declined in the Commerce, Services and Transport/Storage sectors. Most are taking a 'wait and see' approach which is not surprising as the overall sentiments is one of 'cautious optimism'. The Manufacturing SMEs are looking to maintain their present capital investment in the next 6 months.
- **Hiring Activities:** For Commerce, Manufacturing and Services sectors, improving outlook is expected to drive employment level amongst these sectors as a whole. Hiring activities is expected to be flat in the Transport / Storage sector in the next 6 months.
- **Access to Funding:** Most SMEs expect access to funding to remain relatively similar over the next 6 months as that of their expectations of last quarter. In manufacturing, improving sales volumes mean more of these SMEs expect an easier access to funding.