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## Malaysian business sentiments remain optimistic in Q3 2017

*Outlook for majority of sectors have eased slightly for Q3 2017*

D&B Malaysia Quarterly Business Optimism Index

**Kuala Lumpur, 10 July 2017** – Business confidence in Malaysia has remained marginally optimistic for Q3 2017. According to Dun & Bradstreet (D&B) Malaysia’s Business Optimism Index (BOI) study, overall BOI inched slightly from +3.07 percentage points in Q2 2017 to +3.40 percentage points in Q3 2017. On a year-on-year (y-o-y) basis, BOI eased from +4.42 percentage points in Q3 2016 to +3.40 percentage points in Q3 2017.

The six business indicators under the quarterly BOI study include volume of sales, net profits, selling price, inventory level, employees and new orders. This is the 18<sup>th</sup> D&B BOI study being released in Malaysia.

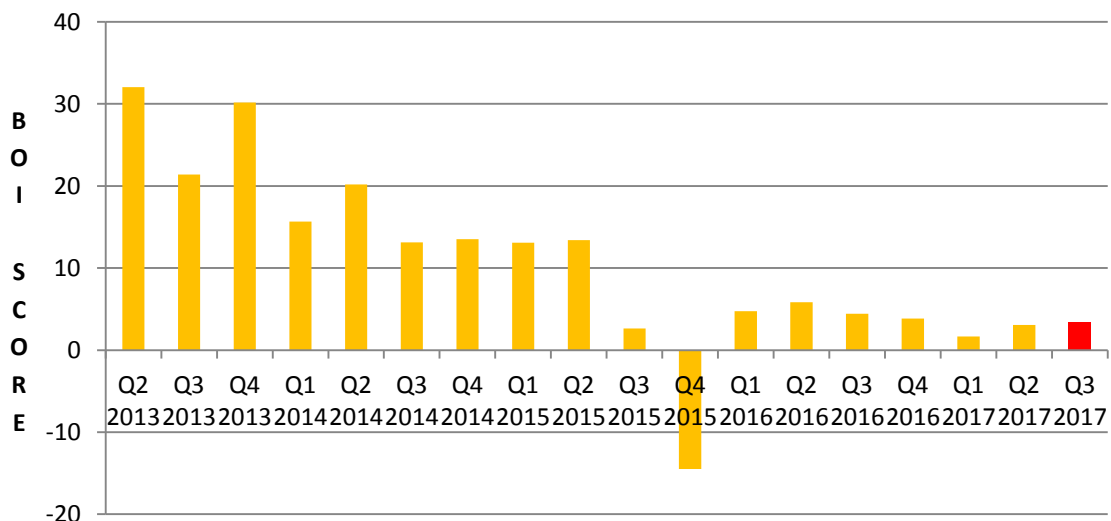


Figure 1. Overall Business Optimism Index (Q2 2013 – Q3 2017)

## **Point Commentary**

According to D&B Malaysia, 3 of six indicators have moderated upwards on a quarter-on-quarter (q-o-q) basis.

- ❖ Volume of sales rose from +2.99 percentage points in Q2 2017 to +3.88 percentage points in Q3 2017.
- ❖ Net profits have remained in the contractionary zone, moderating downwards from -3.48 percentage points in Q2 2017 to -3.88 percentage points in Q3 2017.
- ❖ Selling price has tumbled from +10.95 percentage points in Q2 2017 to +2.91 percentage points in Q3 2017.
- ❖ New orders rose from +3.48 percentage points in Q2 2017 to +8.74 percentage points in Q3 2017.
- ❖ Inventory levels have moderated downwards from +4.98 percentage points in Q2 2017 to +4.85 percentage points in Q3 2017.
- ❖ Employment levels have rebounded into the expansionary zone from -0.49 percentage points in Q2 2017 to +3.88 percentage points in Q3 2017.

On a year-on-year (y-o-y) basis, 3 of six business indicators have improved for Q3 2017.

- ❖ Selling price increased moderately from +0.5 percentage points in Q3 2016 to +2.91 percentage points in Q3 2017.
- ❖ Inventory levels climbed from +1.5 percentage points in Q3 2016 to +4.85 percentage points in Q3 2017 while employment levels jumped from +3.0 percentage points in Q3 2016 to +3.88 percentage points in Q3 2017.
- ❖ Volume of sales dropped from +6.0 percentage points in Q3 2016 to +3.88 percentage points in Q3 2017.
- ❖ New orders fell slightly from +9.0 percentage points in Q3 2016 to +8.74 percentage points in Q3 2017.
- ❖ Net profits fell into the contractionary zone from +6.50 percentage points in Q3 2016 to -3.88 percentage points in Q3 2017.

## **Sectoral Outlook**

3 sectors have emerged as the most optimistic with 5 indicators each in the positive region. According to D&B Malaysia, the services, transportation and agricultural sectors were most upbeat for Q3 2017.

### ***Services***

Despite the optimistic outlook for the services sector, 4 of six indicators have moderated downwards.

- ❖ Volume of sales slipped from +6.49 percentage points in Q2 2017 to +5.13 percentage points in Q3 2017.
- ❖ Selling price eased from +3.90 percentage points in Q2 2017 to +1.28 percentage points in Q3 2017.
- ❖ New orders dropped from +15.58 percentage points in Q2 2017 to +7.69 percentage points in Q3 2017.
- ❖ Inventory levels moderated downwards from +6.49 percentage points in Q2 2017 to +3.85 percentage points in Q3 2017.
- ❖ Employment levels jumped from +1.30 percentage points in Q2 2017 to +5.13 percentage points in Q3 2017.
- ❖ Net profits remained contractionary climbing from -5.20 percentage points in Q2 2017 to -1.28 percentage points in Q3 2017.

### ***Transportation***

The outlook for the transportation sector has also eased off slightly with 5 indicators moderating downwards.

- ❖ Volume of sales and inventory levels have both slipped from +5.0 percentage points in Q2 2017 to +4.76 percentage points in Q3 2017.
- ❖ Selling price and employment levels have each fallen from +10.0 percentage points in Q2 2017 to +9.52 percentage points in Q3 2017.
- ❖ Net profits have tumbled into the contractionary zone from +15.0 percentage points in Q2 2017 to -19.05 percentage points in Q3 2017.
- ❖ New orders have increased from +5.0 percentage points in Q2 2017 to +9.52 percentage points in Q3 2017.

### ***Agriculture***

2 of six indicators have moderated downwards for the agricultural sector in Q3 2017.

- ❖ Inventory levels have declined from +80.0 percentage points in Q2 2017 to +60.0 percentage points in Q3 2017.
- ❖ Employment levels tumbled from +80.0 percentage points in Q2 2017 to 0 percentage point in Q3 2017.
- ❖ Volume of sales, net profits and new orders are expected to maintain the same optimism level at +40.0 percentage points in Q3 2017.
- ❖ Selling price is expected to register at +80.0 percentage points.

Both mining and construction sectors have emerged as the least optimistic sectors for Q3 2017.

### ***Construction***

The construction sector has emerged as the least optimistic sector with only 1 indicator in the positive zone in Q3 2017.

- ❖ Volume of sales has declined from +25.0 percentage points in Q2 2017 to +11.11 percentage points in Q3 2017.
- ❖ Net profits are expected to remain unchanged at 0 percentage point.
- ❖ Selling price, new orders and inventory levels have each fallen from +12.50 percentage points in Q2 2017 to 0 percentage point in Q3 2017.
- ❖ Employment levels have tumbled into the contractionary zone from +12.50 percentage points in Q2 2017 to -11.11 percentage points in Q3 2017.

### ***Mining***

3 indicators are expected to be contractionary for Q3 2017.

- ❖ Selling price plunged into the negative territory from +20.0 percentage points in Q2 2017 to -25.0 percentage points in Q3 2017.
- ❖ Inventory levels fell from -20.0 percentage points in Q2 2017 to -25.0 percentage points in Q3 2017 while employment levels declined from -40.0 percentage points in Q2 2017 to -25.0 percentage points in Q3 2017.
- ❖ Both volume of sales and net profits rebounded into positive territory from -40.0 percentage points in Q2 2017 to +25.0 percentage points in Q3 2017; and from -60.0 percentage points in Q2 2017 to +25.0 percentage points in Q3 2017 respectively.
- ❖ New orders are expected to rise from -20.0 percentage points in Q2 2017 to 0 percentage point in Q3 2017.

### **Supporting Quotes**

“The continued optimism displayed by Malaysian businesses in Q3 2017, particularly in the services sector was largely due to the spurt in private investment growth, firmer private consumption and higher government spending, which in turn have fueled domestic demand. Credit growth has remained buoyant with manufacturing and transportation sectors recording the fastest growth. However, some measure of fiscal restraint will weigh on the Malaysian economy in the coming quarters as the government strives to keep its budget deficit target to 3% of GDP for FY2017.”

“The recent downward moderation of commodity prices has also posed downside risks to the growth outlook given that Malaysia is a large net oil exporter and producer of other commodities. Hence, we anticipate sentiments within the mining sector to remain muted.”

#### **Ms. Audrey Chia**

Chief Executive Officer

Dun & Bradstreet (Malaysia) Sdn. Bhd.

## Overview of Business Indicators

### Net Profits

Net profits have remained contractionary for the third consecutive quarter registering -3.88 percentage points (net -3.48 percentage points in Q2 2017). The agricultural sector is most optimistic (net +40.0 percentage points), followed by mining (net +25.0 percentage points), wholesale (net +15.0 percentage points) and finance (net +5.88 percentage points). Meanwhile, the construction sector (0 percentage point) has expected net profits to remain unchanged. The remaining sectors are pessimistic about net profits for Q3 2017 – Manufacturing (net -19.23 percentage points), Transportation (net -19.05 percentage points) and Services (-1.28 percentage points).

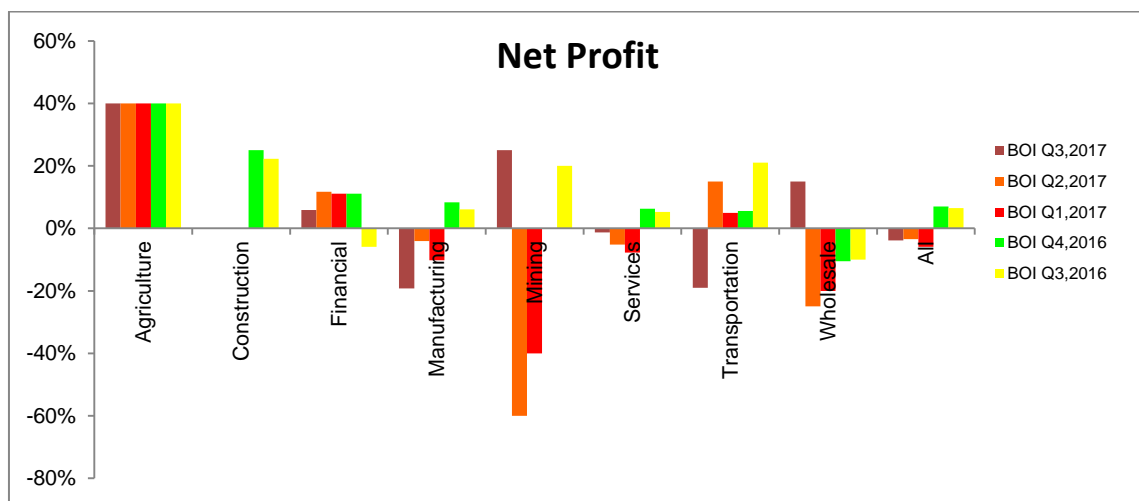


Figure 1. Net Profits Optimism Score, Q3 2016 – Q3 2017

### Volume of Sales

Volume of sales climbed to +3.88 percentage points in Q3 2017 (net +2.99 percentage points in Q2 2017). The agricultural sector is most optimistic (net +40.0 percentage points), followed by mining (net +25.0 percentage points), wholesale (net +20.0 percentage points) and construction (net +11.11 percentage points). Both services (net +5.13 percentage points) and transportation (net +4.76 percentage points) are moderately optimistic. The remaining sectors – finance (net -5.88 percentage points) and manufacturing (net -7.69 percentage points) are pessimistic about volume of sales.

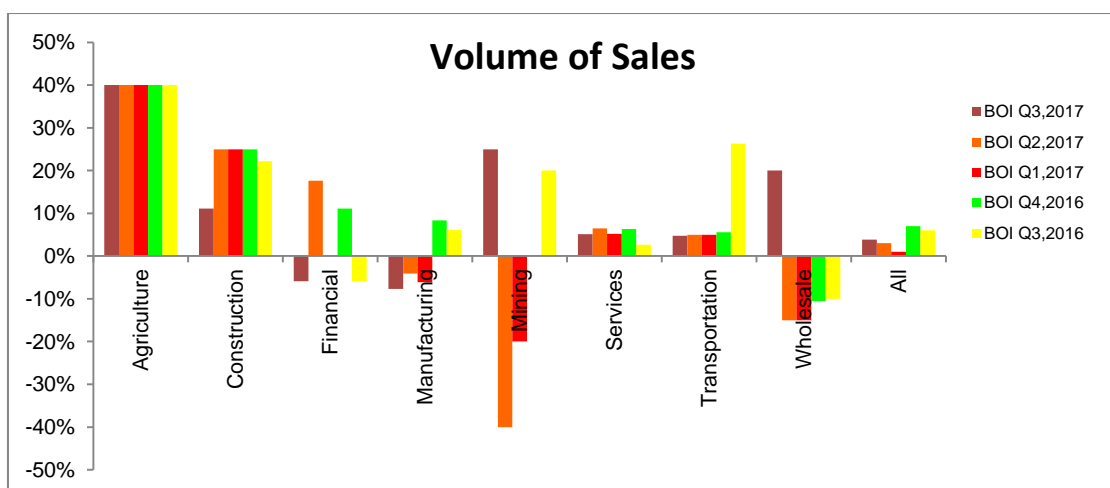


Figure 2. Volume of Sales Optimism Score, Q3 2016 – Q3 2017

### Selling Prices

Selling prices have tumbled to +2.91 percentage points in Q3 2017 (net +10.95 percentage points in Q2 2017). The agricultural sector is most optimistic (net +80.0 percentage points), followed by wholesale (net +10.0 percentage points), transportation (net +9.52 percentage points) and services (net +1.28 percentage points). Both construction and finance sectors (net 0 percentage point) have anticipated selling prices to remain unchanged. Both mining (net -25.0 percentage points) and manufacturing (net -3.85 percentage points) sectors are downbeat about selling prices.

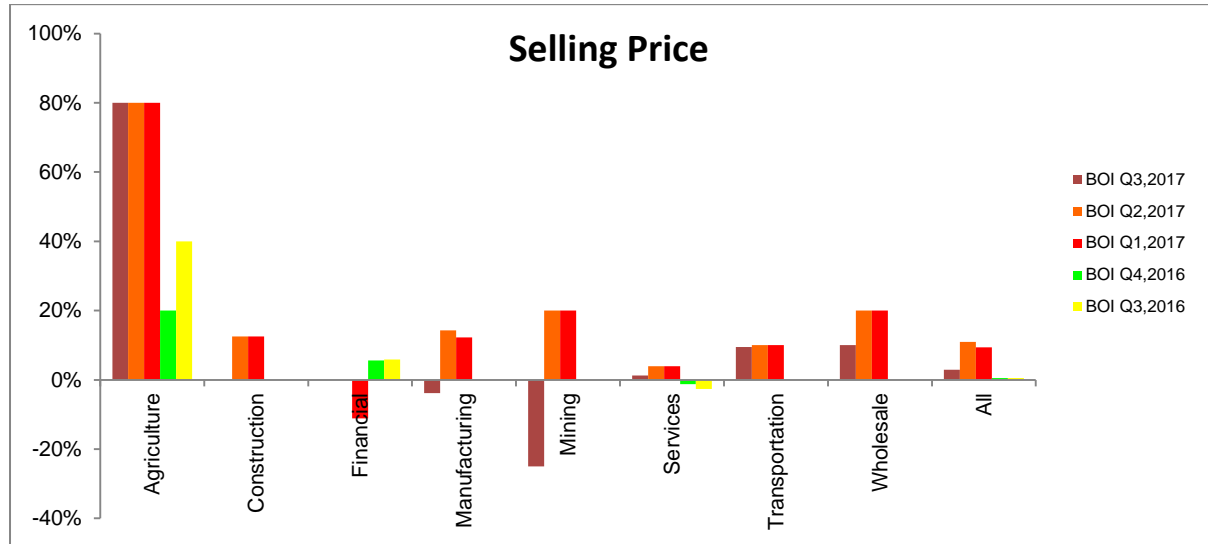


Figure 3. Selling Price Optimism Score, Q3 2016 – Q3 2017

### New Orders

New orders have risen to +8.74 percentage points in Q3 2017 (net +3.48 percentage points in Q2 2017). The agricultural sector (net +40.0 percentage points) is most upbeat, followed by wholesale (net +20.0 percentage points), transportation (net +9.52 percentage points), services (net +7.69 percentage points) and manufacturing (net +7.69 percentage points). The remaining sectors have anticipated new orders to remain unchanged – Construction, Finance and Mining.

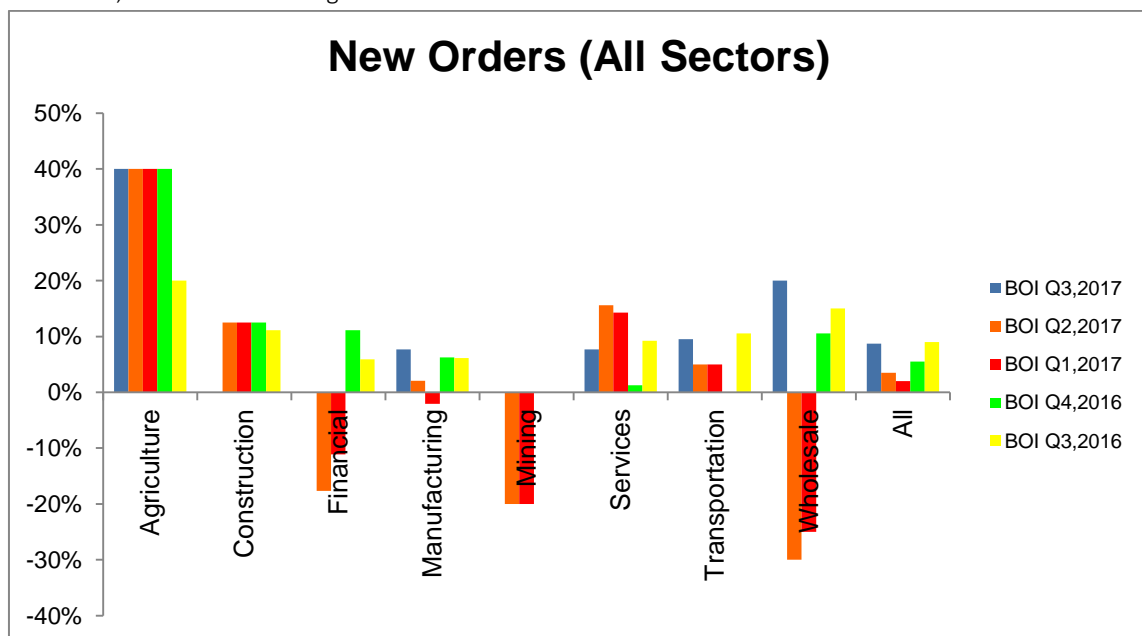


Figure 4. New Orders (All Sectors) Optimism Score, Q3 2016 – Q3 2017

### Inventory

Inventory levels have moderated slightly downwards to +4.85 percentage points in Q3 2017 (net +4.98 percentage points in Q2 2017). The agricultural sector (net +60.0 percentage points) is most optimistic, followed by wholesale (net +10.0 percentage points), manufacturing (net +5.77 percentage points), transportation (net +4.76 percentage points) and services (net +3.85 percentage points). The construction sector (0 percentage point) has anticipated inventory levels to remain unchanged. Both finance (net -5.88 percentage points) and mining (net -25.0 percentage points) sectors are downbeat about inventory levels.

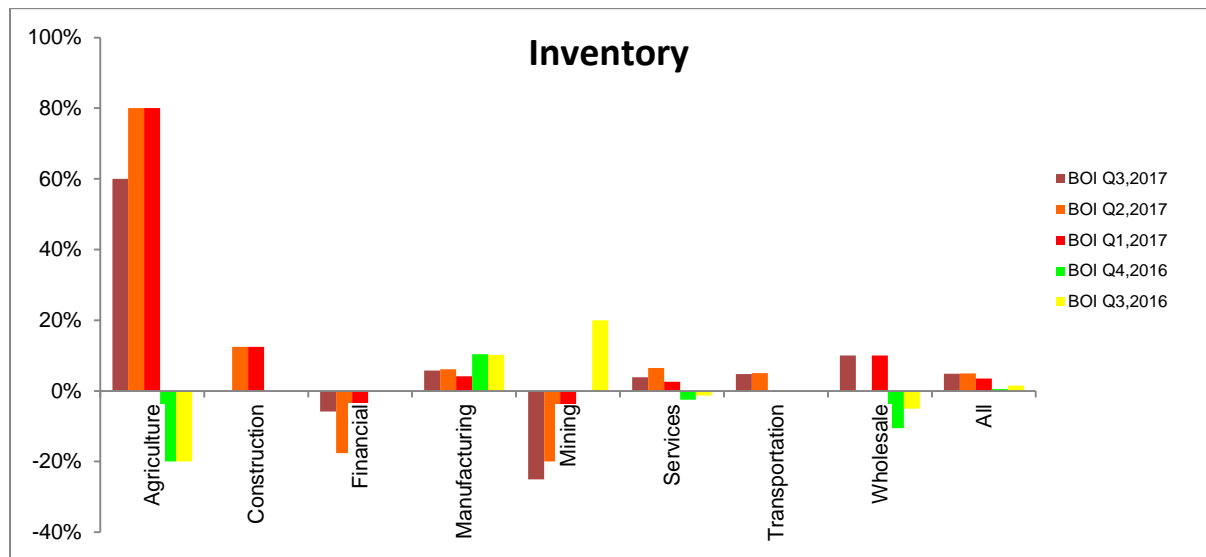


Figure 5. Inventory Optimism Score, Q3 2016 – Q3 2017

### Employment

Employment levels rebounded into the expansionary zone to +3.88 percentage points in Q3 2017 (net -0.49 percentage points in Q2 2017). The transportation sector (net +9.52 percentage points) is most optimistic about employment, followed by manufacturing (net +7.69 percentage points), finance (net +5.88 percentage points) and services (net +5.13 percentage points). The agricultural sector (0 percentage point) has expected employment to remain unchanged. The remaining sectors are pessimistic about employment levels – Wholesale (net -5.0 percentage points), Construction (-11.11 percentage points) and Mining (net -25.0 percentage points).

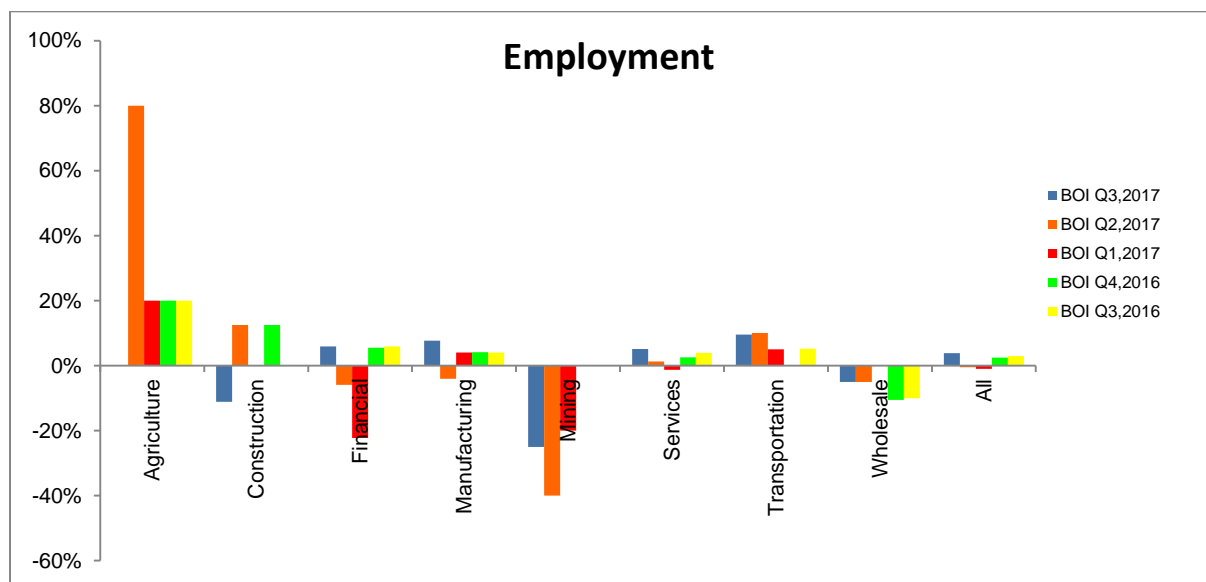


Figure 6. Employment Optimism Score, Q3 2016 – Q3 2017

## **Commentary**

D&B Business Optimism Index (BOI) was first released in Malaysia in April 2013. This is the 18<sup>th</sup> D&B Business Optimism Index (BOI) being released in Malaysia.

The D&B 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**

D&B Malaysia conducts latest Business Expectations Surveys every quarter. Each quarter, 200 business owners and senior executives representing major industry sectors across Malaysia 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 Dun & Bradstreet Malaysia**

Dun & Bradstreet Malaysia grows the most valuable relationships in business. By uncovering truth and meaning from data, we connect customers with the prospects, suppliers, clients and partners that matter most, and have since 1841. Nearly ninety percent of the Fortune 500, and companies of every size around the world, rely on our data, insights and analytics. For more information about Dun & Bradstreet Malaysia, please visit [www.dnb.com.my](http://www.dnb.com.my).

## **About Dun & Bradstreet Worldwide Network**

The Dun & Bradstreet Worldwide Network is an unrivalled alliance of Dun & Bradstreet and leading business information providers across the globe. Through this network, customers grow their most valuable relationships with prospects, customers and partners through data. For nearly two centuries of helping businesses understand this dynamic, we have honed the expertise of how data and analytics forge the relationships that lead to industry-leading performance. To activate these capabilities, we build – or co-develop with partners – solutions tailored to marketing, sales, finance, supply, compliance or information technology. And we deliver this content however a customer wants to consume it.

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