ASEAN BUSINESS OPTIMISM INDEX

The first regional metric and leading indicator of business confidence for Southeast Asia

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Businesses are asked to give their outlook on six key indicators

6% $138,071 MIL
4% $93,226 MIL

6% $250,436 MIL
10.9% $276,520 MIL
12% $303,527 MIL
13.2% $365,564 MIL
15.9% $878,198 MIL
38.1% $2,305,542 Mil

The 6 countries surveyed collectively contribute 96% of total ASEAN GDP

Source: IMF estimates 2014
Government shifts gear to steer economy

Outlook for Q3 2015
- Key Highlights

- Business confidence continues to be dampened by weak commodity prices and sluggish exports, and is increasingly reliant on private consumption and investment for growth.

- The Index registers at 34.86%, down 3.95 percentage points q-o-q but up 5.73 percentage points y-o-y. Inventory Level is the only parameter with increase though not by much – up 1.67 percentage points to 6%. Employment posted the lowest optimism at only 3.3%.

- Transportation, Finance and Services are the most optimistic sectors.

The Q3 Composite Business Optimism Index (BOI) stands at +34.86%, slightly down 3.95 percentage points from the previous quarter (+38.81%). Despite weak economic conditions, the survey gleaned a positive outlook, a net weighted 15.33% of respondents expect their businesses to improve in the coming quarter. Meanwhile, those with pessimistic outlook stayed slim (only 5.83%).

All 6 parameters are recessionary except Inventory Level. Volume of Sales recorded the highest decrease (-9%) from 19.33% in Q2 to 10.33% in Q3, followed by Net Profit (-6.67%) and New Orders (-4.33%). Employment and Selling Price also registered declines of -2% and -1.33% respectively. Inventory Level is the only parameter that has risen (+1.67%), mainly in anticipation of the fulfilment surge during the holy Ramadhan season and ahead of the Idul Fitri (or Eid) festival.

Among the sectors, Wholesale is the most pessimistic overall. Mining also sees Q3 as challenging, particularly for the coal segment where many producers are trimming production. The Ministry of Energy and Mineral Resources (ESDM) reported that national coal production fell 19% y-o-y to 166 million tons (Jan-May), even though it wants to reach 425 million tons for 2015. Services is the most optimistic sector with positive trend in all parameters. In fact, almost half of the respondents (48.5%) anticipate Net Profit and New Orders to increase, up significantly from 15.2% in Q2. Sales are also on uptrend from +18.2% to +39.4%.

Bank Indonesia (BI) projects growth to shrink to 5.0-5.4% from the previous target of 5.4-5.8%. The economy is grappling with a weakening rupiah, slowdown in fiscal spending, depressed exports and low commodity prices. Domestic consumption and investment are the linchpins to sustain economic growth this year. The government will promote domestic consumption by issuing several fiscal incentives such as exempting several products from the luxury goods sales tax and revising non-taxable income. BI will also revise the loan-to-value (LTV) ratio, which helps stimulate domestic demand in property and automotive sectors by lowering the downpayment requirements.

Meanwhile, the Indonesia Investment Coordinating Board (BKPM) is confident that it could bring a minimum investment of IDR 260.55 trillion in the first semester of the year, or 50.15% of 2015 target totalling IDR 519.5 trillion. International credit rating agency Standard and Poor’s (S&P) has revised Indonesia’s rating outlook from Stable to Positive Outlook and affirmed BB+ rating since late May 2015, a further encouragement for inbound FDI.
The resultant optimism for Volume of Sales stands at 10.33% in Q3, down 9 percentage points q-o-q and 3.67 percentage points y-o-y. Services, Transportation and Finance are the most optimistic sectors for this parameter.

The majority of the respondents (71%) expect no change in their sales volume, while 9.3% actually anticipate a decline. Around 19.7% of respondents expect an increase in Q3.

The resultant Optimism for Net Profit stands at 12.33% in Q3, down 6.67 percentage points q-o-q and 2.67 percentage points y-o-y. Services, Transportation and Finance are the most optimistic sectors for this parameter, similar to Volume of Sales.

The majority of respondents (69.7%) assume no change of profitability in their Q3 outlook. Nearly 21.3% of the respondents anticipate bottomlines to increase, while around 9% respondents expect it to shrink.

The resultant Optimism for Selling Price stands at 11.33% in Q3, down 1.33 percentage points q-o-q and up 3.33 percentage points y-o-y. Services, Wholesale and Finance are the most optimistic sectors for this parameter.

The majority of respondents (81.3%) expect no change in their selling prices throughout Q3. About 15% of respondents expect to raise prices while only 3.7% respondents plan to reduce.
The resultant Optimism for New Orders stands at 13.67% in Q3, down 4.33 percentage points q-o-q and 2.33 percentage points y-o-y. Services, Transportation and Finance are the most optimistic sectors for this parameter.

The majority of respondents (71.7%) assume no change to their order book this quarter. Around 21% of all respondents expect their orders to increase, while 7.3% sees a decline in booking.

The resultant Optimism for Inventory Level stands at 6% in Q3, up 1.67 percentage points q-o-q and 2 percentage points y-o-y. Transportation and Agriculture are the most optimistic sectors for this parameter.

The majority of respondents (90%) are expecting to maintain their current inventory levels. Around 8% of all respondents plan to increase stocks, while only 2% respondents plan to reduce.

The resultant optimism for Employment stands at 3.33% in Q3, down 2 percentage points q-o-q and 5.67 percentage points y-o-y. Services and Manufacturing are the most optimistic sectors for this parameter.

The majority of respondents (89.3%) anticipate no change in the size of their workforce. Around 7% of the respondents see further hiring, while only 3.7% of them anticipate downsizing.

Note: The sample size for Inventory Level does not include the Services sector.
Business Optimism Index (BOI) Report

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Methodology

For the purpose of conducting the survey, a sample is randomly selected from D&B database, consisting of companies belonging to the following sectors including Agriculture, Construction, Electric, Finance, Manufacturing, Mining, Services, Transportation, and Wholesalers.

All the respondents in the survey are asked six standard questions regarding their expectations as to whether the following critical parameters pertaining to their respective companies will register an increase, decline or show no change in the ensuing quarter as compared to the same quarter in the prior year: Volume of Sales, Net Profits, Selling Prices, New Orders, Inventory Levels, and Employees. The individual indices are then calculated by subtracting the percentage of respondents expecting decreases from those expecting increases. Unless otherwise stated, increases and decreases in indices represent changes from the previous quarter.

Composite Business Optimism Index

Dun & Bradstreet introduced the Composite Business Optimism Index from Q1 2010. The purpose of the Composite Business Optimism Index is to capture the aggregate behaviour of all the six individual indices. Each of the six parameters has a weight assigned to it. For calculating the Composite Business Optimism Index, the positive responses for each of these parameters for the period under review are expressed as a proportion of positive responses in the base period (Q2 1999). The parameter weights are then applied to these ratios and the results aggregated to arrive at the Composite Business Optimism Index. For the purpose of the survey, Q1 is the period between January and March, Q2 is the period between April and June, Q3 is the period between July and September and Q4 is the period between October and December each year. We trust that you will find the D&B Optimism Index as a useful tool in your day-to-day decisionmaking. Please do give us your feedback in this regard.
Confidence sinks and takes a breather

Outlook for Q3 2015
- Key Highlights

- Business confidence plummeted to historic low with the overall index hovering around near contraction level of 2.62%.
- All optimism parameters report downward trend. Corporate earnings suffer the largest drops with Volume of Sales declining 16 percentage points from 24% (Q2) to 8% (Q3), and Net Profit by 22 points from 24% (Q2) to 2% (Q3).
- Transportation is the most optimistic sector followed by Finance and Construction, while Mining is the least optimistic.

Business confidence has taken an unprecedented turn for the worse and hits a new bottom in Q3 2015, since the survey started nine quarters ago. All six indicators plunged to near-contractory levels on a quarter-on-quarter (q-o-q) basis. The BOI sank significantly from +13.40 percentage points in Q2 to +2.62 percentage points in Q3. On y-o-y comparison, it also declined sharply from +13.14 percentage points in Q3 2014 to +2.62 percentage points in Q3 2015. The exception is Selling Price which increased +6.0 percentage points y-o-y, attributable to the implementation of goods and services tax (GST) since April this year.

In tandem with the 11th Malaysia Plan which focuses to a large extent on the labour market and public infrastructure in bid to reach high income status by year 2020, Transportation has emerged as the most optimistic sector as both its Volume of Sales and Net Profit soar from negative percentage points to +23.08 percentage points and +26.92 percentage points respectively in Q3 2015. The stellar showing is also likely ascribed to the robust growth within the sector, which registered a growth of 5.0% in Q2 2015 according to Department of Statistics Malaysia.

Meanwhile, the Wholesale sector is soft with all five indicators moving downwards partially owing to a shrinking trade surplus. According to the Department of Statistics, Malaysia’s exports was off to a weak start in the early part of Q2 2015, declining 8.8% in April from a year ago. The Ringgit has fallen to a 10-year low against USD and is the worst performing currency in the region this year. Both Wholesale and Services are adversely influenced by the GST, and the Ringgit’s slide relative to USD and SGD.

D&B expects growth in the next quarters to decelerate further, as domestic consumption will ease after the introduction of the above-mentioned tax, and foreign trade is unlikely to pick up the slack. We maintain our GDP growth forecast of 4.8% in 2015. The central bank held the policy interest rate steady at 3.25% at its latest meeting in May, and signalled that it will abstain from cuts in coming months unless growth slows substantially. Malaysia’s comparatively developed and integrated financial market (more than 32% of the country’s government bonds are owned by foreign investors) make the ringgit especially vulnerable to changes in investor sentiment.
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Analysis and Commentary by

Dr Lau Wee Yeap, Senior Lecturer, Faculty of Economics and Administration, University of Malaya, Malaysia.

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Slight deceleration before take-off again

Outlook for Q3 2015 - Key Highlights

- Business confidence has generally retreated from the smooth-sailing highs in previous quarters but growth momentum has not run out of steam.
- Despite q-o-q declines, optimism level for Volume of Sales, Net Profit and New Orders are in the 70s range, which is still noticeably higher than the other countries surveyed. The two parameter shifts that stand out most are (1) scale-back in Inventory Level and (2) surge in Employment.
- Agriculture, Finance and Services are the most optimistic sectors.

For Volume of Sales, a declining trend is observed from the heady optimism levels recorded in Q1 (99%) and Q2 (90%), to Q3 (75%) across all sectors except Agriculture, Forestry and Fishing. The Mining sector experienced the highest decline from 100% in Q1 and Q2 to a sharp low 33% in Q3. In tandem with the decline in Volume of Sales, Net Profit for all sectors except Manufacturing also showed continuous decline from Q1 (99%), to Q2 (90%) to Q3 (77%). Once again, Mining had the most substantial decline. It is worthwhile to note that only 2% of respondents expect decrease in Net Profit while the rest actually remain unchanged from the last quarter.

With a Chinese slowdown increasingly likely, and China buying almost 13% of Philippine exports, exports will be slower but domestic private demand remains strong. Credit is also growing at a brisk pace and public spending may accelerate later in the year. D&B maintains its growth forecast of 6.5% for 2015.

For Selling Price, the optimism level recuperated slightly from 15% to 22% after decrease in two consecutive quarters. Most respondents expect to increase their selling prices due to upsurge in the cost of raw materials, though there is continued price weakness in Construction, Finance (which includes Insurance and Real Estate) as well as Transportation (includes Communication and Utilities). As for New Orders, Finance is showing strong optimism this coming quarter at 100%, while transportation decreased to 64%. Some respondents for the latter declared that their focus is on maintaining current subscribers instead of looking for new ones.

The variable to watch is the El Nino phenomenon currently underway. For Southeast Asia, this means droughts. Even if the weather phenomenon is of average intensity, the main consequence will be higher inflation, as domestic food supplies will suffer. The last El Nino (which started in 2009) increased annual inflation by almost three percentage points. Food accounts for more than a third of the consumer price basket.

For Inventory Level, the picture is mixed. Although the decrease is significant, from Q1 (99%) to Q2 (88%) to Q3 (34%), this is due to a sizeable portion of respondents (36%) who expect their inventory to remain unchanged. Most of the companies surveyed restock their inventory based on the orders of their clients, with minimal spare. When it comes to Employment, the news is more upbeat. Optimism rose markedly higher from Q2 (17%) to Q3 (45%). The biggest hirers will be the Agriculture, Forestry and Fishing sector. Most respondents are ramping up their manpower in anticipation of the high volume buildup from the two previous quarters.
VOLUME OF SALES

NET PROFIT

SELLING PRICE

Note: Mining is a statistical anomaly due to low response in Q1 and Q2.
BUSINESS OPTIMISM INDEX
PHILIPPINES
Quarter 3 2015

NEW ORDERS

Note: The sample size for Inventory Level does not include the Services sector.

INVENTORY LEVELS

EMPLOYMENT

Note: The sample size for Inventory Level does not include the Services sector.
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**Upbeat sentiment is firing on all cylinders**

**Outlook for Q3 2015 - Key Highlights**

- Business confidence is here to stay and extends the positive gains made during Q2 through to Q3.
- The overall index inched up by 5.6 percentage points to +14.6% for Q3. Growth is very respectable across most of the optimism parameters. Service sector growth continues to lead economic activity, as rightly forecasted by our last BOI.
- Services and Construction are the most optimistic sectors followed by Finance and Manufacturing. Mining is the least optimistic.

The Business Optimism Index as conducted by the Singapore Commercial Credit Bureau (SCCB) displayed further signs of upswing for the second consecutive quarter, rising from 9% in Q2 to 14.6% in Q3. While the overall survey results show close proximity on a y-o-y basis, the BOI fell shy of just 0.05 percentage points to match the charts of Q3 2014.

Volume of Sales, New Orders, Inventory Level and Employment gained traction. Sales rose from +15% in Q2 to +27.9% in Q3. Inventory rebounded strongly from negative territory of -3.6% in Q2 to +12.9% in Q3. Hiring sentiments have remained relatively upbeat, posting an increase from +10% in Q2 to +13.7% in Q3. Net Profit adjusted downwards from +23.6% in Q2 to 14.3% in Q3. Selling Price stayed mostly flat. New Orders, namely for the Manufacturing sector, staged a drastic turnaround, rebounding from -8.7% in Q2 to +15.4% in Q3. This sentiment is reflected by the uptick in Purchasing Manager’s Index (PMI) at 50.2, above key threshold of 50 as reported by the Singapore Institute of Purchasing & Materials Management (SIPMM).

D&B’s view is that strong growth in the Services sector will continue to help bolster economic activity and lift GDP, keeping the Singapore economy on pace for 2-4% growth in 2015. Services grew at the quickest year-on-year pace in five quarters, and helped to offset past declines in Manufacturing. Construction activities have picked up in the private sector, with robust demand for public institutional and building development as well. Sales and Net Profit for Construction sector jumped by +36.6 and +63.6 percentage points – these are two of the most bullish movements in our survey. To meet the increase in construction demand, hiring is expected to quicken from +18.18% in Q2 to +45.46% in Q3.

The short-term outlook from D&B is favourable as Singapore is well-positioned. A number of factors such as historically-low unemployment, a moderately growing economy and rising wages are likely to make the deflationary environment in Singapore temporary, when oil prices recover and global economic growth picks-up. One caution is that the risks of an economic slowdown in China remain elevated in 2015 and have the potential to disrupt Singapore’s growth outlook. China accounted for nearly 13% of Singapore’s exports in 2014, and will continue to be a major trading partner into the next decade.
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Methodology

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.

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 Dun & Bradstreet Singapore.

Analysis by

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Silver lining on horizon despite exports dip

Outlook for Q3 2015 - Key Highlights

- Despite slower growth forecast for 2015 due to weakness in global demand for its exports, private investment is increasingly buoyant and will carry the economy in H2.
- Although all parameters have decreased slightly quarter-on-quarter, most have increased year-on-year. The majority of respondents still expect Sales, Selling Price, New Orders and Employment to pick up in Q3.
- Finance and Construction are the most optimistic sectors with increase in almost all parameters. Wholesale & Retail are the least optimistic.

Agriculture continues to be affected by global market prices, incessant drought, production-cost adjustments and sluggish technological advancements. On the other hand, Manufacturing is rebounding well, automobile exports have expanded, and domestic automobile sales are decelerating less. Sectors that are responsive to domestic production have resumed expansion driven by recovering demand and domestic tourism.

Oil prices in the country are still low: crude oil stayed around US$55-65/barrel, considerably lower than US$93/barrel in the last three quarters of 2014, causing production costs to be low, increasing purchasing power and benefiting domestic expansion. This has also been conducive for the petrochemical industry. Political stability has restored confidence in tourism, a major driving force of the economy. Martial law has now been lifted and stimulus measures are continuously taken to organize tourist attractions properly and protect tourists from being taken advantage of.

Even though the overall index show that businesses are less upbeat about Q3 compared to Q2, closer look will reveal that optimists still outnumber pessimists in most parameters. The Bank of Thailand (BoT) revised its 2015 GDP growth forecast down to 3.0% from 3.8% due to the slower recovery of key trade partners i.e. United States, China and Japan, and the cancellation of GSP privileges (generalized system of preferences) of Thai exports to Europe, which would likely cause exports to shrink by 1.5%.

According to the Office of the National Economic and Social Development Board (NESDB), the economy will gradually rebound starting in September with public-sector expenditure being the major stimulant, alongside growing investment and tourism. Private investment continues to improve due to accelerated approval, greater clarity in infrastructure projects, and low interest rate climate. The BoT reduced policy interest rates twice earlier this year. Some industries have boosted production capacities by over 70%. Government budget disbursements have increased and should rise further. Even though the MERS virus has begun to spread, the impact is manageable as Thai authorities are able to control it — they have been successful in containing SARS and bird flu in the past.

On the exports front, the NESDB has proposed to expedite solutions by ensuring that the Thai baht does not strengthen faster than competitors, finding new markets, tackling border and illegal trade problems, and adjusting production structures to add value to exports. As for agriculture, farmers are educated on the prevailing price situation and global market mechanism, enabling them to make timely adjustments to changes and adapting production volumes.
For Volume of Sales, there is overall a net increase of 2%, with 37% of respondents expecting a rise, 35% decline and 27% unchanged. This is a 4% drop when compared with Q2 2015 (q-o-q), but a rise of 2% when compared to Q3 2014 (y-o-y).

In terms of sectors, Real Estate has the best outlook on sales direction for Q3, and forecast a net rise of 52%, followed by Construction with a net rise of 50%. Meanwhile, respondents in Manufacturing and Wholesale & Retail have the worst point of view, both predicting a net decline of 18% for Q3.

For Net Profit, there is overall a net decrease of 1%, with 36% of respondents expecting a rise, 37% decline and 27% unchanged. This is a 6% drop when compared with Q2 2015 (q-o-q), but a rise of 3% when compared to Q3 2014 (y-o-y).

In terms of sectors, Finance has the best outlook on profit direction for Q3, and forecast a net rise of 53%, followed by Construction with a net rise of 50%. Meanwhile, respondents in Wholesale & Retail turned negative and predict a net decline of 22% for Q3, followed by Agriculture & Fishing at -19%.

For Selling Prices, there is overall a net increase of 17%, with 21% of respondents expecting a rise, 11% decline and 60% unchanged. This is a 4% drop when compared with Q2 2015 (q-o-q), but is flat or equal at 17% when compared to Q3 2014 (y-o-y).

In terms of sectors, Services has the best outlook on price direction for Q3, and forecast a net rise of 66%, followed by Utilities with a net rise of 44%. Meanwhile, respondents in Manufacturing have the worst point of view and predict a net decline of 1% for Q3, followed by Mining at 0%. 
For New Orders, there is overall a net increase of 4%, with 33% of respondents expecting a rise, 29% decline and 36% unchanged. This is an 11% drop when compared with Q2 2015 (q-o-q), but a rise of 3% when compared to Q3 2014 (y-o-y).

In terms of sectors, Finance has the best outlook on new order bookings for Q3, and forecast a net rise of 57%, followed by Construction with a net rise of 50%. Meanwhile, respondents in Wholesale & Retail have the worst point of view and predict a net decline of 14% for Q3, followed by Agriculture & Fishing at -11%.

For Inventory Level, there is overall a net decrease of 18%, with 22% of respondents expecting a rise, 40% decline and 47% unchanged. This is a 12% drop when compared with Q2 2015 (q-o-q), but a rise of 1% when compared to Q3 2014 (y-o-y).

In terms of sectors, Construction has the best outlook on stock intake for Q3, and forecast a net rise of 30%. Meanwhile, respondents in Mining have the worst point of view and predict a net decline of 31% for Q3.

For Employment, there is overall a net increase of 6%, with 23% of respondents expecting a rise, 17% decline and 59% unchanged. This is a 7% drop when compared with Q2 2015 (q-o-q), and slight fall of 1% when compared to Q3 2014 (y-o-y).

In terms of sectors, Construction has the best outlook on hiring direction for Q3, and forecast a net rise of 40%, followed by Utilities with a net rise of 22%. Meanwhile, respondents in Real Estate have the worst point of view and predict a net decline of 9% for Q3, followed by Mining at 0%.
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Analysis and Commentary by

Asst. Prof. Pannarai Sangvichien, Dr. Chareunsak Sanchatusuwan, Mr. Somnuk Assadornviseth, Ms. Sariya Nuchanong, Ms. Banjertsak SanhaPuckdee, Huachiew Chalermprakiet University.

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Outlook for Q3 2015 - Key Highlights

- Business confidence continues to soar with the performance of the economy. The overall index is buoyant, rising sharply from 27% to 43%.
- 5 out of the 6 optimism parameters have risen for Q3, led by Volume of Sales, Net Profit, and New Orders (each increasing nearly 30 percentage points). Selling Price and Employment show slight improvement while Inventory Level drops 16 percentage points.
- Construction and Manufacturing are the most optimistic sectors while Wholesale and Services remain soft.

The latest Business Optimism Index (BOI) improves 16 percentage points to 43% for Q3, powered by strong economic performance. Nearly half of the respondents anticipate better business conditions in the coming quarter (46%), although the same portion still expect no change (49%), leaving only 3% too cautious for the worse. Sales, Net Profit, and New Orders are hovering strong at 60%-70%, the highest among the optimism parameters and also the highest among the last 5 quarters. Employment also jumps 6 percentage points to reach 21% for Q3 thanks to the optimism spun off from the other parameters. The increase in Selling Price is a reflection of recent inflationary pressures. Inventory Level is the only one that decreases sharply from 20% to 4% for Q3.

Changes in BOI correspond with the broader movement of the economy, where GDP is expected to grow 6.11% y-o-y for first half of 2015, with Manufacturing remains the engine of growth. For the first 6 months of 2015, Manufacturing is expected to grow 8.36% y-o-y while Services is expected to improve 6.16% y-o-y. Agriculture-Forestry-Fishing would maintain the stable trend with 2.16% y-o-y, almost the same as the growth rate of Q1 (2.1%). Note: D&B forecasts a 6.0% growth rate for 2015, with upside potential.

The Price Index for inflation increased in June with 0.35% m-o-m, mostly due to the increase in Transportation prices (3.54% m-o-m). Overall however, average inflation in the first 6 months is still manageable low at 0.86% y-o-y. Average inflation for 2015 would probably be 3%-3.5%. Economic recovery and low inflation help boost consumption, making real retail revenue grow 8.2% y-o-y for the first 5 months.

For the first 6 months, total FDI volumes (disbursement) reached USD 6.3 billion or 9.6% y-o-y growth. Trade deficit has increased quickly to 3.7 billion, with USD 70.3 billion y-t-d export revenue (8.8% y-o-y growth) and USD 74 billion y-t-d import revenue (17.7% y-o-y growth). Export momentum is expected to strengthen further with the onset of Trans-Pacific Partnership (TPP) and other Free Trade Agreements (FTA). Trade deficit has put some pressures on the exchange rate, which led the State Bank of Vietnam (SBV) to make a +1% adjustment in May. For the rest of the year, SBV has announced that they will maintain a stable exchange rate, backed up by current favourable reserves at USD 35 billion along with steady FDI and remittance inflow.
Volume of Sales shows impressive improvement from 40% last quarter to 70% this quarter, the highest in last 5 quarters.

All sectors are above 50%, led by Manufacturing (up from 50% in Q2 to 91% in Q3) and Construction (from 25% to 80%). The lowest is Transportation, Communications, and Utilities (up from 28% in Q2 to 54% in Q3).

Changes in Net Profit correspond closely with Volume of Sales, rising from 41% last quarter to 67% this quarter. It is also at the top among the last 5 quarters.

All sectors show clear increase. Manufacturing and Construction sectors have the highest score (88% and 84%), while Transportation, Communications, and Utilities is still the lowest (46%). Others are around 60%.

Selling Price climbs back from 7% last quarter to 13% this quarter, approximately the level of Q1-2015 but not yet reaching the peak in Q4-2014. Most respondents (78%) still expect their selling prices to remain unchanged throughout Q3.

Most sectors increase compared to last quarter, especially Finance, Insurance, and Real Estate (from 7% in Q2 to 23% in Q3). Exceptions are Transportation, Communications, and Utilities (down from 7% in Q2 to 3% in Q3) and Wholesale (marginally down from 14% to 12%).
**New Orders**

- New Orders increase from 34% last quarter to 62% this quarter. Again this is the highest cumulative among the last 5 quarters. About two-third of respondents (64%) expect that new orders will increase in the Q3 while only 2% anticipate a decrease.
- All sectors have roundedly increased. The top gainers are Finance, Insurance and Real Estate (up from 35% in Q2 to 75% in Q3) Manufacturing (up from 48% in Q2 to 77% in Q3). Services gained the least (up from 41% to 49%).

**Inventory Levels**

- This is the only index that experienced sharp drops from 20% last quarter to a muted 4% this quarter.
- The two sectors that have the largest drops are Mining (down from 23% in Q2 to 6% in Q3, without any respondents expecting an increase in inventory) and Wholesale (from 20% in Q2 to 2% in Q3).

**Employment**

- With the strong optimism in other indices, Employment continues to increase from 15% last quarter to 21% this quarter, nearly reaching the previous high of Q4-2014.
- With the real estate market heating up recently, it is logical that the Construction sector would see an increase from 0% last quarter to 45% this quarter. Other sectors have more moderated levels at about 20%-25%. The exception is Manufacturing, having dropped from 22% in Q2 to 12% in Q3, probably as this sector is currently in a stable phase with 81% of respondents expecting no change in employment.
Business Optimism Index (BOI) Report

The Business Optimism Index (BOI) report is a measure of business confidence in the economy. Released quarterly, it measures the pulse of the business community and is one of the most effective ways to track how the business community perceives the business environment, and where they think it is going. Over time, this quarterly survey has emerged as a leading indicator of turning points in economic activity in countries which it is published.

Methodology

For the purpose of conducting the survey, a sample is randomly selected from D&B database, consisting of companies belonging to the following sectors including Agriculture, Construction, Electric, Finance, Manufacturing, Mining, Services, Transportation, and Wholesalers.

All the respondents in the survey are asked six standard questions regarding their expectations as to whether the following critical parameters pertaining to their respective companies will register an increase, decline or show no change in the ensuing quarter as compared to the same quarter in the prior year: Volume of Sales, Net Profits, Selling Prices, New Orders, Inventory Levels, and Employees. The individual indices are then calculated by subtracting the percentage of respondents expecting decreases from those expecting increases. Unless otherwise stated, increases and decreases in indices represent changes from the previous quarter.

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