

BT-UniSIM Business Climate Survey 2016Q3

Summary Report

In January 1996, *The Business Times* of Singapore launched a quarterly survey on business activities to track Singapore business cycles and to ascertain any dichotomy in performance by size and ownership of companies. Currently, the small sample survey has entered its 21st year. This report covers the performance of Singapore firms in 2016Q3 and business prospects for the next six months (October 2016-March 2017). Of the 193 firms which responded to the mail survey (conducted 21st September – 15th October 2016), 105 or 54% indicated overseas business. This is lower than in the previous quarter but close to that in 2015Q3. The survey respondents are from all major economic sectors.

Singapore Business Climate

On the whole, business conditions have improved slightly in 2016Q3. The contraction in profits has diminished further, regardless of size and ownership of firms. Sales and orders/new business have remained at the same levels as in the previous quarter, but there were fewer firms with extreme declines in the two indicators. Pessimism over business prospects in the next six months has continued to decrease for the fourth consecutive quarter. The net balances, together with their changes over a quarter ago in parentheses, are as follows: ¹

- -39% for sales (unchanged);
- -40% for profits (+8% points);
- -44% for orders/new business (unchanged); and
- -48% for business prospects in the next six months (+2% points).

The special question asks each firm to indicate one country that offers the best business prospects in the next 12 months for its line of business. Almost two-fifths of the firms perceive Indonesia or Singapore (18% each) as holding the best prospects (*Table 1*). China is the third most cited. It has remained in a top-three position since 2006 when the question was launched but was displaced by Vietnam a year ago. At a disaggregated level, four other countries made it to a three most-cited spot, namely Vietnam, Malaysia, the United States and India. Notably, the United States and China are viewed as holding the best business prospects in the coming 12 months among manufacturing firms.

Table 1: Country with the Best Business Prospects in the Next 12 Months

Rank	Percentage of Respondents			
	Most Cited	2 nd Most Cited	3 rd Most Cited	
All Companies (180)	Indonesia, Singapore		18%	China 15%
Size of Companies				
Small (26)	Singapore 27%	China 19%	Malaysia 12%	
Large (154)	Indonesia 20%	Singapore 16%	China 14%	
Ownership of Companies				
Local (137)	Singapore 23%	Indonesia 18%	China 12%	
Foreign (43)	China 23%	Indonesia 16%	Vietnam 14%	
Sector of Companies				
Manufacturing (48)	China, USA		17%	Malaysia, Singapore 15%
Construction (35)	Indonesia, Singapore		26%	Vietnam 14%
Commerce (38)	Indonesia 21%	Singapore 16%	China 13%	
Transport & Communications (22)	Indonesia 27%	India, Singapore, Vietnam		14%
Financial & Business Services (37)	China 24%	Singapore 19%	Indonesia, Vietnam 11%	

Figure in parentheses denotes number of respondents.

In cases of shared rank, the percentage share pertains to single country.

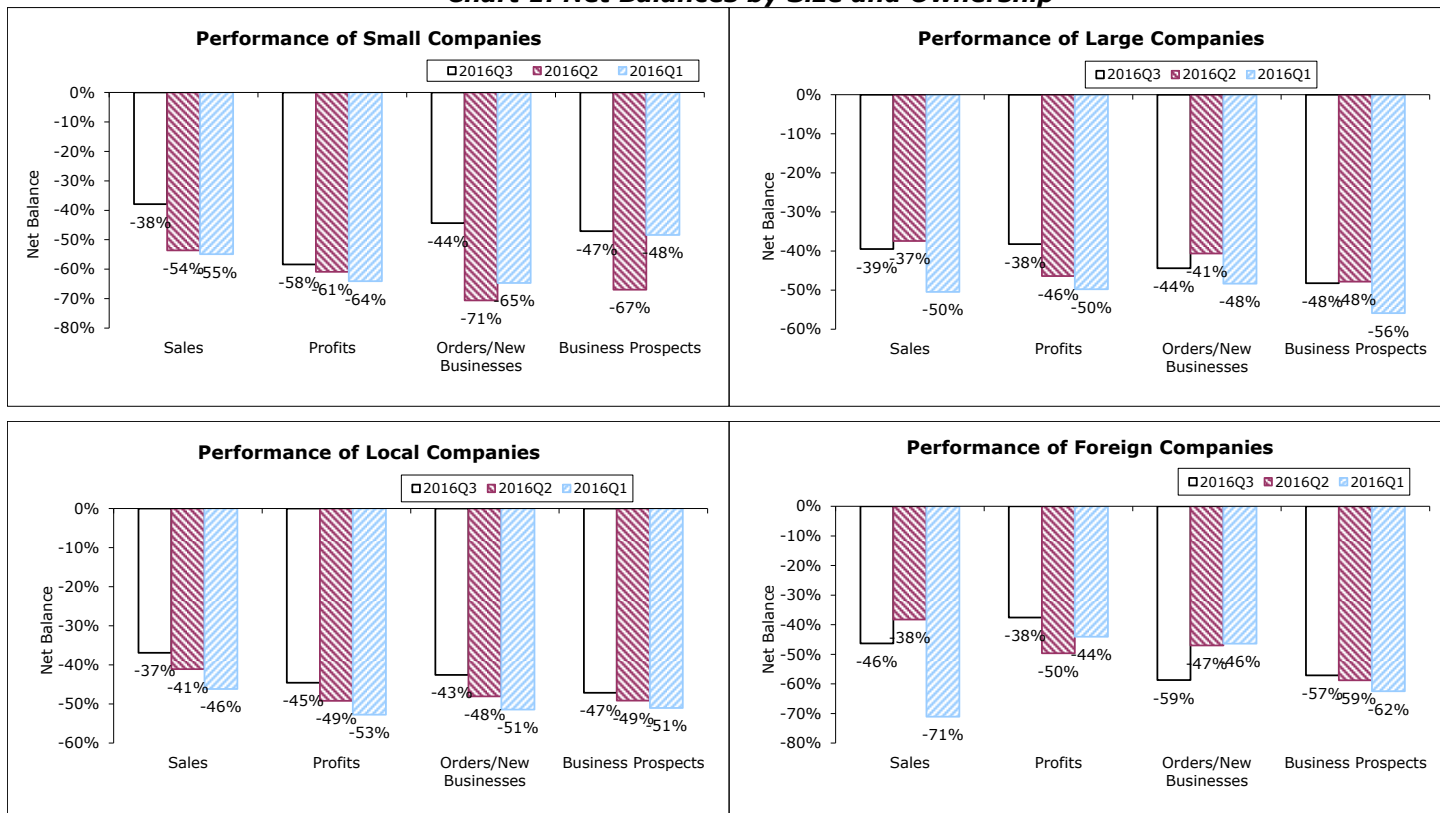
¹ A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance reflects more firms with higher sales/profits/orders/business prospects than those with lower sales/profits/orders/business prospects compared to a year ago. Positive net balances suggest an expansion phase of the business cycle while negative balances reflect a contraction phase.

Performance Differential

Of the four groups of firms, local firms registered the least contraction in sales and orders/new business, and are the least pessimistic in 2016Q3 (*Chart 1*). By contrast, foreign firms encountered the worst results in sales and orders/new business, and are the most pessimistic over business prospects in the next six months. Foreign firms, however, posted the best performance in profits and have thus outperformed local firms in this indicator.

Small firms were the hardest hit in profits but have become much less pessimistic owing to improvements in sales and orders/new business. Large firms suffered slight deterioration in sales and orders/new business, but posted improved profits. The performance gap in profits between the two groups has widened.

Chart 1: Net Balances by Size and Ownership



A small firm is one with sales of less than S\$10 million in a manufacturing industry or less than S\$5 million in a non-manufacturing industry.

The sector with the least contraction in 2016Q3 was manufacturing (with 10 top positions), followed by transport & communications (8) and construction (2). Manufacturing firms captured the “best” performance in sales and orders/new business, whereas transport & communications firms posted the best results in profits and are the least pessimistic over business prospects in the next six months. At the group level, foreign construction firms obtained the best performance in sales and profits.

Outlook

Sales have contracted for the 21st consecutive quarter as at 2016Q3. The current contraction phase is the longest (since the first survey of 1995Q4), and corresponds to the longest period of low quarterly GDP growth rates (below 5.0% since 2011Q4, except in 2013Q3-Q4). This anemic growth period is due to structural changes locally and a more turbulent and interdependent global economy.

From regression analysis of lagged net balances and quarterly GDP growth rates, the Singapore economy is likely to expand at 1.4%-2.2% in 2016Q4. BCLI (Business Cycle Leading Index) also points to higher growth in 2016Q4. Thus the Singapore economy in 2016 could likely expand between 1.7% and 1.9%, which is lower than in the previous year of 2%.

 We thank the company respondents for their support to the survey.
 The consultants for the project are Ms Chow Kit Boey (retired associate professor, NUS Business School, National University of Singapore) and Mr Chan Cheong Chiam (managing director, Web ilite Technology).
 The opinions, figures and estimates expressed in the report are the responsibility of the consultants, and do not constitute an endorsement by The Business Times nor UniSIM.
 © Copyright 2016 The Business Times and UniSIM.