

BT-SUSS Business Climate Survey 2017Q3¹

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 22nd year. This report covers the performance of Singapore firms in 2017Q3 and business prospects for the next six months (October 2017 - March 2018). Of the 164 firms which responded to the mail survey (conducted 20th September – 17th October 2017), 91 or 55% indicated overseas business. This is lower than in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

In 2017Q3, business conditions were almost unchanged from that in the previous quarter. Sales weakened slightly while profits and orders/new business were virtually unchanged from a quarter ago. Firms view business prospects in the next six months at the same level as previously. The net balances, together with their changes over a quarter ago in parentheses, are as follows: ²

- -25% for sales (-4% points);
- -38% for profits (+1% point);
- -26% for orders/new business (-1% point); and
- -9% for business prospects in the next six months (unchanged).

Firms are asked to name one country that offers the best business prospects in the next 12 months in the company's line of business. One-sixth of the firms perceive China (17%) as holding the best prospects, followed by Singapore and Indonesia (*Table 1*). The three most-cited countries account for slightly over two-fifths (43%) of the total responses. This proportion is lower than in 2016 (51%), implying economic growth is relatively more wide-spread in the next 12 months than a year ago.

China has re-emerged as the top country after an absence of five years. It is one of the three most-cited countries across size, ownership and sector of firms. Business prospects have dimmed somewhat in Singapore, compared to a year ago. Singapore has lost its top-three positions among manufacturing and commerce firms. Similarly business prospects in Indonesia have dipped slightly from the previous year. Indonesia is no longer in the top-three positions among construction firms. However, Indonesia is seen more favorably by small firms and by firms in financial & business services than a year ago. It has continued to hold the brightest prospects among firms in commerce and transport & communications.

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

Percentage of Respondents

	Rank	Most Cited	2 nd Most Cited	3 rd Most Cited
All Companies (156)		China 17%	Singapore 14%	Indonesia 12%
Size of Companies				
Small (24)		Malaysia, Singapore 17%		China, Indonesia, Thailand 13%
Large (132)		China 18%	Singapore 14%	Indonesia 11%
Ownership of Companies				
Local (124)		China 16%	Singapore 15%	Indonesia 11%
Foreign (32)		China 22%	Indonesia, USA 13%	
Sector of Companies				
Manufacturing (43)		China, USA 21%		Malaysia 16%
Construction (29)		Singapore 24%	Vietnam 21%	China 17%
Commerce (39)		China, Indonesia 15%		Vietnam 13%
Transport & Communications (19)		Indonesia 16%	Australia, China, Malaysia, Singapore, USA 11%	
Financial & Business Services (26)		China, Indonesia, Singapore 19%		

Figure in parentheses denotes number of respondents.

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

¹ Singapore University of Social Sciences (SUSS) is formerly SIM University (UniSIM).

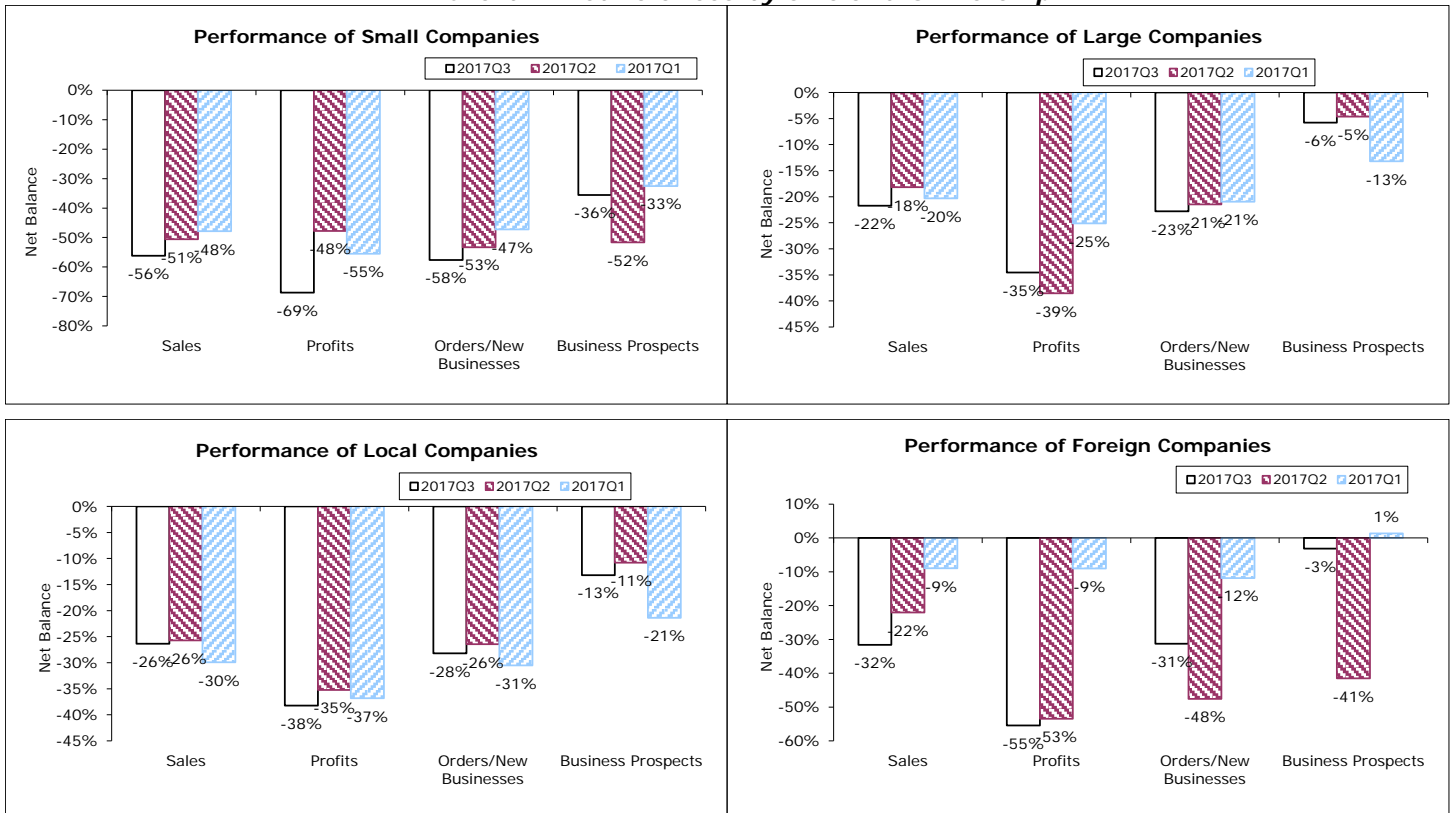
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance reflects more firms with higher sales/profits/orders/business prospects than those with lower sales/profits/orders/business 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

Large firms have continued to outperform small firms in all indicators in 2017Q3 (Chart 1). The slight improvement in profits of large firms was almost off-set by the fall in profits of small firms, as implied in the change in overall net balance in profits (+1 point).

Foreign firms posted better orders/new business in 2017Q3 and are much less pessimistic over business prospects than a quarter ago. In contrast, there were negligible changes in the performance of local firms. Local firms outperformed foreign firms in the three performance indicators, but are more pessimistic than foreign firms.

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 manufacturing sector retained its best performing status in 2017Q3 for the sixth consecutive quarter. It became a predominant star performer, capturing 90% of the top positions. For all firms, the manufacturing sector registered the best performance across all four indicators. Manufacturing sales were no longer contracting (0% net balance), while orders/new business expanded and business prospects have turned to an optimistic mood. However, manufacturing profits remained contracting but to a smaller extent than in the previous quarter.

Outlook

From regression analysis of lagged net balances and quarterly GDP growth rates, the Singapore economy is likely to expand at **3.5%-4.6% in 2017Q4**. BCLI (Business Cycle Leading Index) also points to a high growth of 4.4% in the fourth quarter of 2017. The predictions suggest that the Singapore economy could for the whole year expand at 3.4%-3.7% in 2017.

We thank the company respondents for their support to the survey.
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