

BT-SUSS Business Climate Survey 2017Q4¹

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 23rd year. This report covers the performance of Singapore firms in 2017Q4 and business prospects for the next six months (January - June 2018). Of the 176 firms which responded to the mail survey (conducted 12th December 2017– 15th January 2018), 104 or 59% indicated overseas business. This is higher than in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

In 2017Q4, business conditions strengthened considerably from that in the previous quarter. Sales and orders/new business improved to very low contraction levels, implying likely expansion in the next quarter. Profit contraction also diminished by double-digit points. Hence firms have turned optimistic over business prospects in the first half of 2018. The net balances, together with their changes over a quarter ago in parentheses, are as follows: ²

- -6% for sales (+19% points);
- -25% for profits (+13% points);
- -5% for orders/new business (+21% points); and
- 23% for business prospects in the next six months (+32 points).

Firms are asked the destinations for company expansion of activities (production/services) in the next six months. The three most-cited countries are Indonesia, China and Vietnam, each favored by almost one-third of the total number of companies that indicated expansion (*Table 1*). Compared to a year ago, commerce firms are more interested to expand in Indonesia, whereas firms in transport & communications and financial & business services are keener to enter the China market. Vietnam has gained more attention, particular from firms in the construction sector. There are 24 other countries cited, including destinations not included in 2017 (Mexico, New Zealand, Fiji, Laos and the Netherlands). In contrast, Europe has not been named in this round of the survey.

Table 1: Top Three Destinations for Company Expansion

	Percentage of Firms with Expansion		
2018	Indonesia	China	Vietnam
All Companies (124)	33.1%	33.1%	32.3%
Manufacturing (31)	25.8%	41.9%	22.6%
Construction (19)	21.1%	15.8%	42.1%
Commerce (33)	48.5%	30.3%	36.4%
Transport & Communications (17)	47.1%	29.4%	29.4%
Financial & Business Services (24)	20.8%	41.7%	33.3%
2017	Indonesia	Malaysia	China
All Companies (123)	36.6%	38.2%	31.7%
Manufacturing (39)	28.2%	43.6%	43.6%
Construction (19)	42.1%	36.8%	21.1%
Commerce (27)	33.3%	25.9%	37.0%
Transport & Communications (14)	64.3%	14.3%	21.4%
Financial & Business Services (24)	33.3%	58.3%	20.8%

Figure in parentheses denotes number of respondents. Green cell denotes higher value in 2018.

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

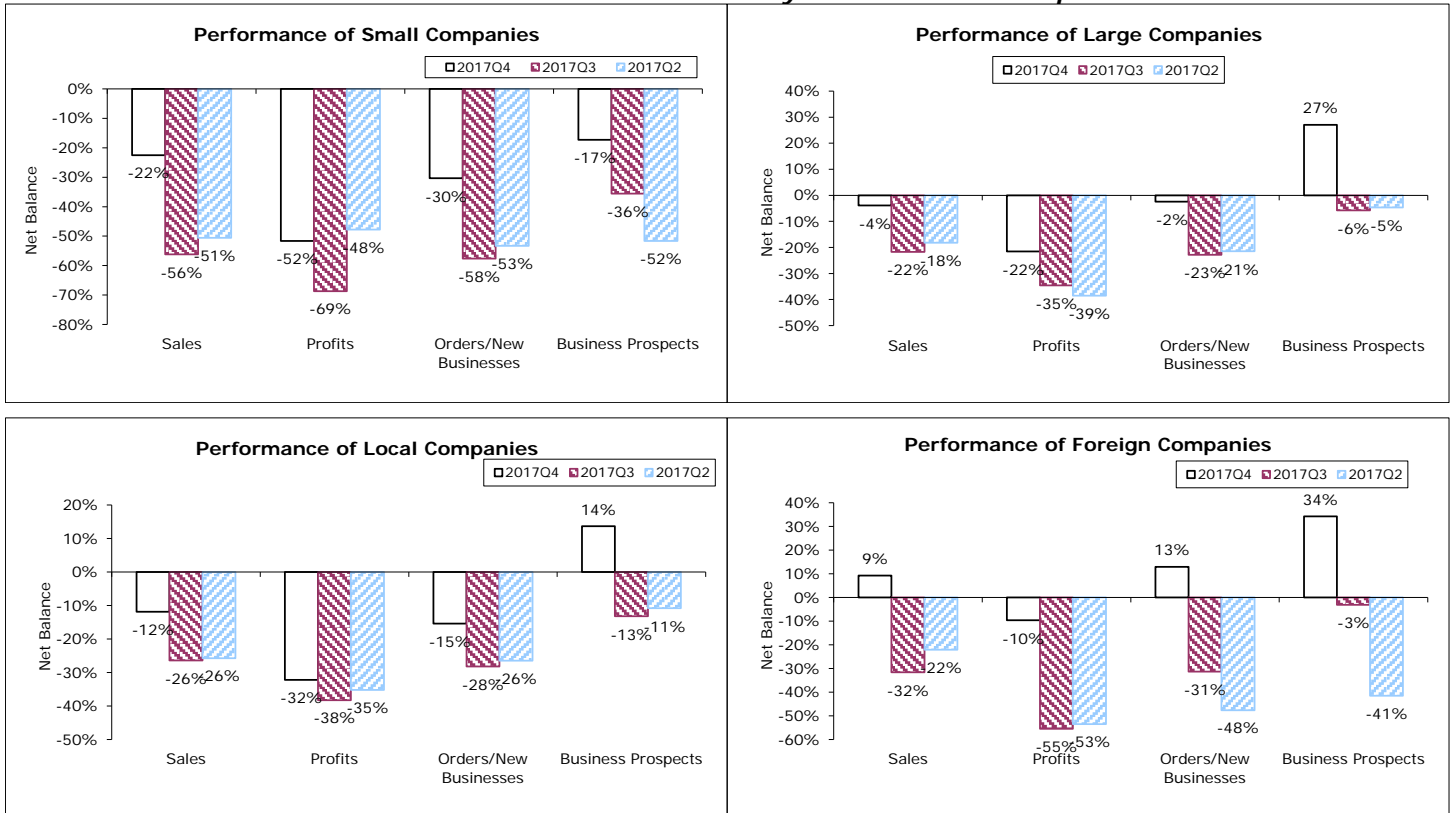
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance reflects more firms with higher sales/profits/orders/business prospects than those with lower sales/profits/orders/business 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 2017Q4 (Chart 1). This is in spite of small firms achieving larger improvements in sales, profits and orders/new business than large firms. Small firms are the only pessimistic group, whereas the other three groups of firms have become optimistic over business prospects in the first half of 2018.

Foreign firms posted the greatest improvements in all indicators in 2017Q4. Consequently, the group's sales and orders/new business turned into expansion mode. Foreign firms are the most optimistic over business prospects. And they have outperformed local firms, unlike in the past two quarters.

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 commerce sector has emerged as the star performer in 2017Q4, displacing the manufacturing sector which has occupied that status in the past six consecutive quarters. Compared to 2017Q3, there was less dominance by the star sector as other sectors (except construction) took up at least one top position. For all firms, the commerce sector attained the best performance in sales, profits and orders/new business. The best business prospects are jointly held by commerce and manufacturing firms. The cooling performance in manufacturing in 2017Q4 could be seen as a relative effect, given the high base. Manufacturing sales, profits and orders/new business were lower in 2017Q4 due to weaker performance of small manufacturing firms.

Outlook

From regression analysis of lagged net balances and quarterly GDP growth rates, the Singapore economy is likely to expand at **4.7%-5.3% in 2018Q1**. BCLI (Business Cycle Leading Index) also corresponds to a high growth of 4%-5% in the first quarter of 2018. Hence the Singapore economy could expand faster in 2018Q1 than in the previous quarter.

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