

## BT-SUSS Business Climate Survey 2018Q1<sup>1</sup>

### 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 23<sup>rd</sup> year. This report covers the performance of Singapore firms in 2018Q1 and business prospects for the next six months (April - September 2018). Of the 152 firms which responded to the mail survey (conducted 12<sup>th</sup> March–18<sup>th</sup> April 2018), 94 or 62% indicated overseas business. This is higher than in the previous quarter. The survey respondents are from all major economic sectors.

#### **Singapore Business Climate**

Business conditions continued to strengthen substantially in 2018Q1. Sales and orders/new business entered an expansion phase. The contraction in profits ended with a likelihood of profit expansion in the next quarter. Firms have remained optimistic over business prospects in the next six months. The net balances, together with their changes over a quarter ago in parentheses, are as follows:<sup>2</sup>

- 11% for sales (+17% points);
- -1% for profits (+26% points);
- 12% for orders/new business (+17% points); and
- 21% for business prospects in the next six months (-2 points).

Firms are asked to cite a country the economic performance of which will have the greatest impact on company sales in 2018. The most-cited country is Singapore, followed by China and Malaysia (*Table 1*). These three countries constitute four in seven (56%) of 150 responses. Compared to the previous year's share (65%) of the top-three countries, the dependence of Singapore-based companies for sales has become more wide-spread. This is also reflected in more countries in the 3<sup>rd</sup> most-cited position. Indonesia has been displaced narrowly by Malaysia in the overall top-three ranking, but is among the top-three regardless of size and ownership of firms, and among firms in commerce and transport & communications. The United States have remained a top-three impactful country for manufacturing firms and among foreign firms.

**Table 1: Country Most Impactful on Company Sales, 2018**

*Percentage of Firms with Expansion*

	Rank	Most Cited	2 <sup>nd</sup> Most Cited	3 <sup>rd</sup> Most Cited
<b>All Companies</b> (150)		Singapore 30%	China, Malaysia	13%
<b>Size of Companies</b>				
<b>Small</b> (28)		Malaysia 25%	Singapore 21%	Indonesia, USA 14%
<b>Large</b> (122)		Singapore 32%	China 16%	Indonesia 11%
<b>Ownership of Companies</b>				
<b>Local</b> (120)		Singapore 35%	Malaysia 13%	China, Indonesia 10%
<b>Foreign</b> (30)		China 27%	Indonesia 17%	S,, M, U, I 10%
<b>Sector of Companies</b>				
<b>Manufacturing</b> (40)		Malaysia 18%	China, USA	15%
<b>Construction</b> (26)		Singapore 65%	China 12%	M, A, J, My , SL, V 4%
<b>Commerce</b> (34)		Singapore 26%	Indonesia 24%	Malaysia, I 12%
<b>Transport &amp; Communications</b> (20)		Singapore 25%	Indonesia 15%	C, I, My, U, V 10%
<b>Financial &amp; Business Services</b> (30)		Singapore 30%	China 23%	Malaysia 17%

(Number of respondents) In cases of shared rank, the percentage share pertains to single country.

A=Australia C=China I=India J=Japan M=Malaysia My=Myanmar S=Singapore

SL=Sri Lanka U=USA V=Vietnam.

<sup>1</sup> Singapore University of Social Sciences (SUSS) is formerly SIM University (UniSIM).

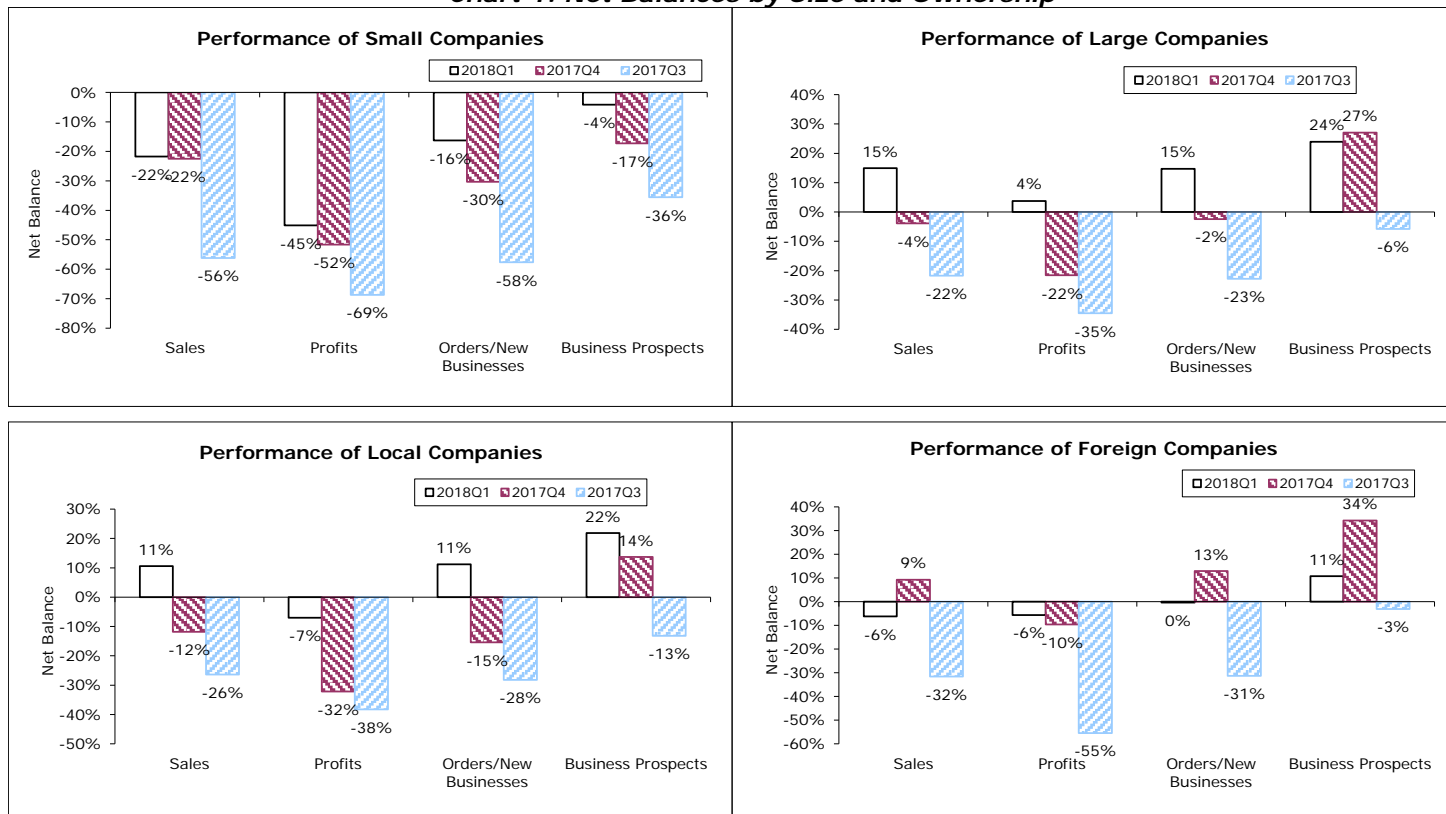
<sup>2</sup> A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance reflects more firms with higher sales/profits/orders/business prospects than those with lower sales/profits/orders/business 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 2018Q1 (*Chart 1*). Large firms achieved expansion in sales, profits and orders/new business and have remained optimistic over business prospects in the next six months. Small firms remained beset by contraction but are less pessimistic than a quarter ago owing to improved profits and orders/new business.

Local firms outperformed foreign firms in sales and orders/new business, and have become more optimistic than foreign firms. The performance gap between the two groups has narrowed for the four indicators. As foreign firms tend to be large firms, the lower net balance in business prospects of large firms in 2018Q1 is due to reduced optimism among 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 financial & business services sector achieved much improvement in performance in 2018Q1. It became the star performer for all firms for sales, profits and business prospects. The star performer in orders/new business was captured by manufacturing firms. Large and foreign firms in financial & business services posted the best results across all four indicators. Local firms in manufacturing obtained the best performance in sales, orders/new business and business prospects. Overall all firms, except those in construction, are optimistic over business prospects in the next six months.

### Outlook

An analysis of the regression results of lagged net balances and quarterly GDP growth rates point to a likely growth rate of 4.1%-5.4% in the next quarter. Taking into account the BCLI (Business Cycle Leading Index) results, the GDP growth rate could possibly be **4.6%-5.4% in 2018Q2**. Thus the Singapore economy could expand faster in 2018Q2 than in the previous quarter.

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