

BT-SUSS Business Climate Survey 2018Q3¹

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 2018Q3 and business prospects for the next six months (October 2018 - March 2019). Of the 157 firms which responded to the mail survey (conducted 17th September–17th October 2018), 98 or 62% indicated overseas business. This is slightly lower than in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Performance in 2018Q3 was weaker than in the previous quarter. Sales expansion halted while orders/new business turned into contraction. Profit contraction spread to more firms. Consequently, firms have become slightly pessimistic over business prospects in the next six months. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -1% for sales (-7% points);
- -17% for profits (-16% points);
- -8% for orders/new business (-16% points); and
- -3% for business prospects in the next six months (-18% points).

Firms are asked to name one country that holds the best business prospects in the next twelve months in the company's line of business. The most-cited country is Singapore, followed by both China and Vietnam (*Table 1*). These top-three countries account for almost one-half (46%) of the total responses. Singapore has displaced China, capturing a top-three position across all types of firms except for transport & communications. A year ago, China was the most-cited country on the whole and a top-three country regardless of size, ownership and sector. Currently, it has retained a top-three position in all areas except for local firms and in financial & business services. Emerging in a joint 2nd rank, Vietnam is not cited in a top-three spot among small companies, and by manufacturing and financial & business services firms.

Compared to a year ago, Singapore and Vietnam are viewed with relatively better business prospects, while China and Indonesia are seen by fewer companies as holding best business prospects in the next 12 months. Manufacturing firms have ranked USA business prospects lower than a year ago. The perceived weaker business prospects in the USA and China are likely due to the ongoing trade war.

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 (148)		Singapore 20%	China, Vietnam	13%
Size of Companies				
Small (22)		China 23%	Malaysia 18%	Indonesia, Singapore 14%
Large (126)		Singapore 21%	Vietnam 13%	China 11%
Ownership of Companies				
Local (110)		Singapore 20%	Malaysia, Vietnam	13%
Foreign (38)		Singapore 21%	China 16%	Vietnam 13%
Sector of Companies				
Manufacturing (39)		Singapore 18%	China, Malaysia, USA	13%
Construction (32)		Singapore 41%	Vietnam 19%	China 13%
Commerce (27)		China 19%	Indonesia 15%	IMSV* 11%
Transport & Communications (18)		Indonesia, Vietnam	22%	China 17%
Financial & Business Services (32)		Singapore 22%	Malaysia 19%	Indonesia 16%

Figure in parentheses denotes number of respondents. *IMSV= India, Malaysia, Singapore, Vietnam.
In cases of shared rank, the percentage share pertains to single country.

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

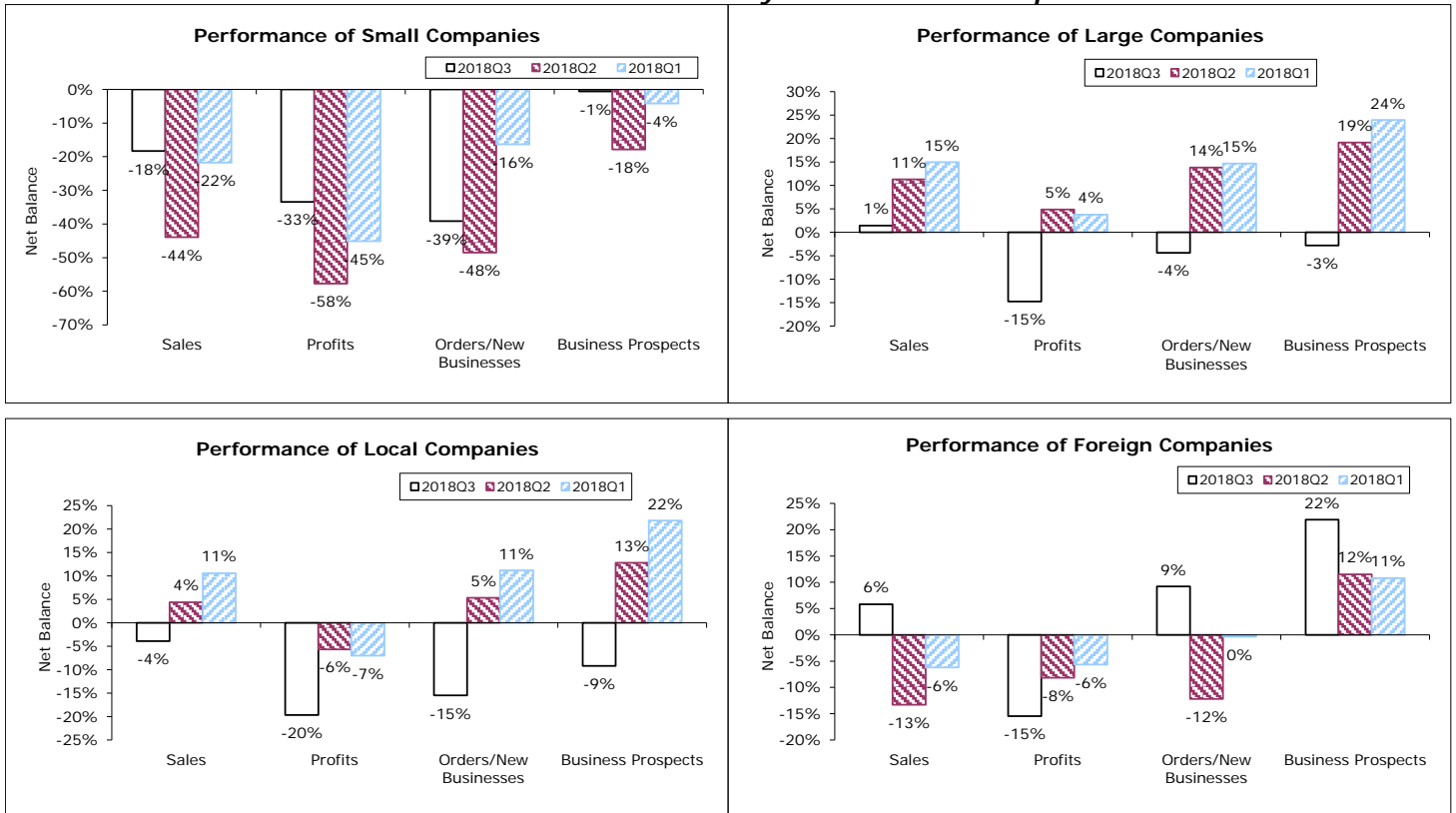
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

Performance Differential

Small firms achieved improvements in all indicators in 2018Q3 (*Chart 1*). In contrast, large firms encountered worse performance, with profits and orders/new business contracting and sales marginally expanding. Large firms have turned slightly pessimistic over business prospects in the next six months. The performance gap between small and large firms has narrowed in all indicators.

Foreign firms outperformed local firms in all indicators. While foreign firms obtained expansion in sales and orders/new business and are optimistic over business prospects, local firms were hit by sales and orders/new business falling into contraction and have turned pessimistic. The performance gap has widened for orders/new business and business prospects but narrowed for sales and profits.

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 was the star performer in 2018Q3. It posted the best performance in sales, profits, orders/new business for all firms. Manufacturing and transport & communications firms are the most optimistic over business prospects. Specifically, transport & communications firms are optimistic irrespective of size and ownership. On the other hand, small and foreign firms in manufacturing are not 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 GDP growth of **1.8%-2.5% in 2018Q4**. The BCLI (Business Cycle Leading Index) implies a GDP growth rate of 2.4%-2.7% in 2018Q4. Thus, the Singapore economy could expand at 3.3%-3.5% for the whole year of 2018.

 We thank the company respondents for their support to the survey.
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28October2018