

BT-SUSS Business Climate Survey 2018Q4¹

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 24th year. This report covers the performance of Singapore firms in 2018Q4 and business prospects for the next six months (January- June 2019). Of the 159 firms which responded to the mail survey (conducted 17th December 2019–18th January 2019), 98 or 62% indicated overseas business. This is the same as the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Performance in 2018Q4 was weaker than in the previous quarter. Sales started contracting while orders/new business contracted further but at a slower pace than a quarter ago. Profit contraction was unchanged. Thus firms have become more pessimistic over business prospects in the next six months. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -7% for sales (-6% points);
- -16% for profits (+1% point);
- -16% for orders/new business (-8% points); and
- -21% for business prospects in the next six months (-18% points).

Firms are asked the destinations for company expansion of activities (production/services) in the next six months. Three-fifths of the firms indicated expansion abroad; lower than in the past two years owing to uncertainty of economic growth worldwide. The three most-cited countries are Indonesia, Vietnam and Malaysia (*Table 1*). China has been displaced from the top-3 positions for the first time since the topic started in 2010Q4.

Compared to a year ago, proportionately more companies in most sectors are keen to expand to the top-3 countries. In particular, manufacturing and transport & communications firms are more interested to expand in Indonesia, while commerce and construction firms are keener to enter the Vietnam market. Financial & business services firms favor Malaysia the most.

On the other hand and reflecting more global turbulence and tensions, substantially more firms in two sectors indicated no expansion. Almost six-tenths of financial & business services firms are not expanding, double the proportion in the previous year. Four-tenths of manufacturing firms have no expansion plans, almost double that a year ago.

Table 1: Top Three Destinations for Company Expansion

<i>Percentage of Firms with Expansion</i>			
2019	Indonesia	Vietnam	Malaysia
All Companies (95)	40.0%	36.8%	32.6%
Manufacturing (25)	40.0%	36.0%	36.0%
Construction (15)	33.3%	46.7%	20.0%
Commerce (25)	36.0%	44.0%	36.0%
Transport & Communications (15)	60.0%	20.0%	13.3%
Financial & Business Services (15)	33.3%	33.3%	53.3%
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%

Figure in parentheses denotes number of respondents. Pink cell denotes lower value in 2019.

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.

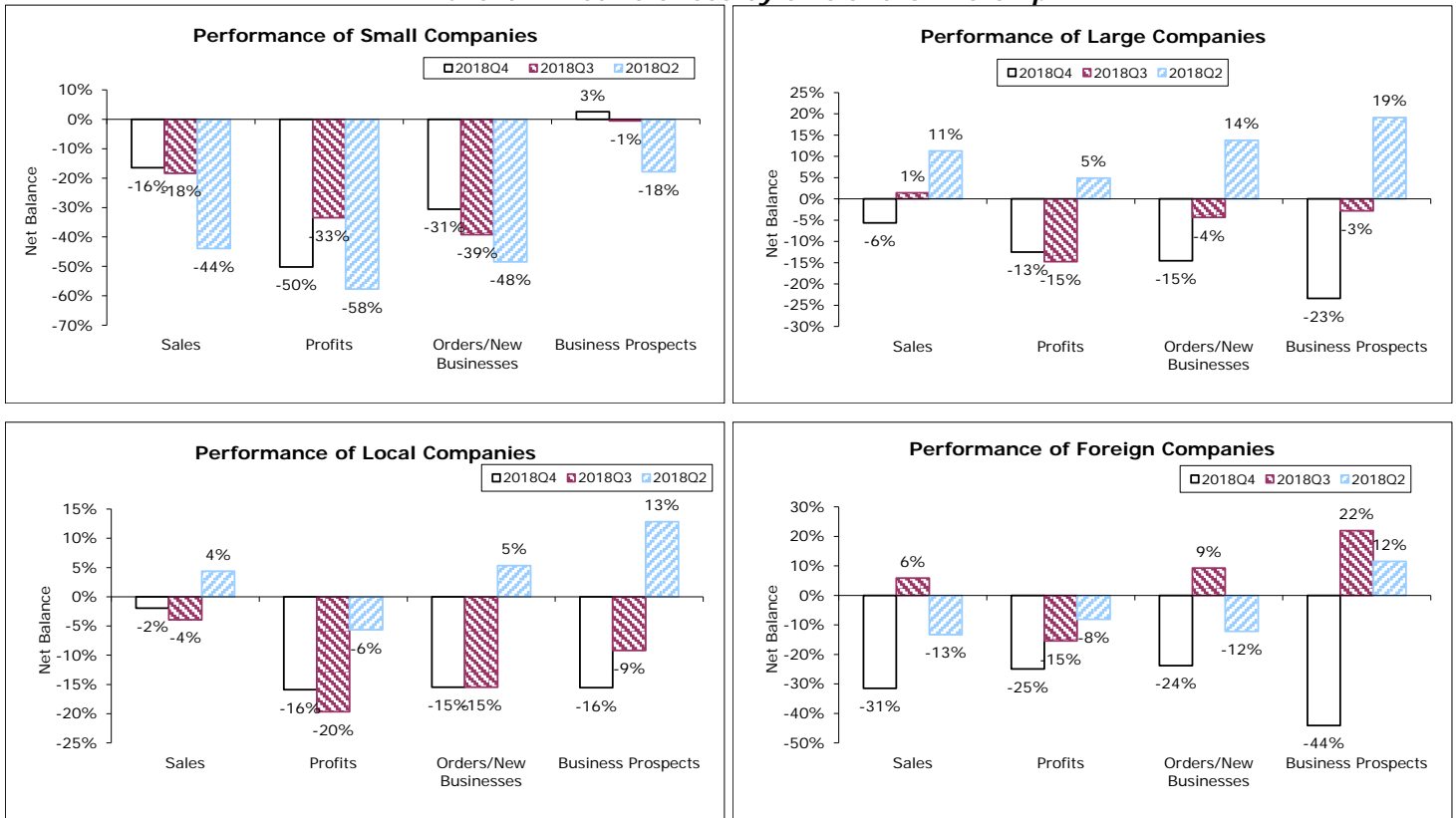
Performance Differential

The performance of small firms in 2018Q4 did not worsen except for profits (Chart 1). In contrast, large firms encountered weaker performance except in profits (marginally lower). The performance gap between small and large firms has narrowed in sales and orders//new business for the second consecutive quarter.

Foreign firms fared poorly in all indicators while local firms posted little change in net balances except for business prospects. Local firms outperformed foreign firms in all indicators. The performance gap has widened for sales and profits.

As foreign firms are mostly large firms and local firms include small firms, the “best” performance is posted by large, local firms in 2018Q4.

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.

After three quarters of weak performance, the commerce sector posted the best results in 2018Q4 in three indicators and the lowest level of pessimism. This reflects a revival of activity from a low base in the commerce sector. On the other hand, manufacturing activities have plateaued after several quarters of expansion. Expectedly, there were fewer positive net balances in 2018Q4 compared to the first three quarters of the year.

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%-2.3% in 2019Q1**. The BCLI (Business Cycle Leading Index) implies a GDP growth rate of 1.1%-2.1% in 2019Q1. Thus, the Singapore economy is most likely to slow down further given the unfavorable global conditions and a high base a year ago (4.5% growth in 2018Q1).

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