SINGAPORE UNIVERSITY OF SOCIAL SCIENCES

BT-SUSS Business Climate Survey 2019Q1[1]

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 2019Q1 and business prospects for the next six months (April-September 2019). Of the 144 firms which responded to the mail survey (conducted 20th March 2019–17th April 2019), 92 or 64% indicated overseas business. This is close to that in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Business conditions have continued to worsen in 2019Q1. Sales, profits and orders/new business contracted further. But firms are not more pessimistic over business prospects in the next six months than a quarter ago. This could signal an imminent end to deteriorating performance. The net balances, with changes over a quarter ago in parentheses, are as follows:[2]

- -21% for sales (-14% points);
- -33% for profits (-17% point);
- -25% for orders/new business (-9% points); and
- -22% for business prospects in the next six months (-1% negligible point).

Firms are asked to cite a country/economy of which the economic performance will have the greatest impact on company sales in 2019. For all firms, the three most-cited countries -- Singapore, China and Indonesia – account for slightly over half (57%) of all mentions (*Table 1*). For firms with overseas sales, the same three countries, in different rank order, capture almost half (49%) of the group's votes. This reflects a wider spread of dependency among firms with overseas sales. As expected, Singapore has much less impact on firms with overseas sales (14% vs 31% for all firms) while China has greater influence (21% vs 15%). The higher dependence on Singapore for all firms arises from firms producing for the domestic market. Nonetheless, Singapore's economic health is an important determinant on sales for firms with overseas activities.

At the sector level, China is slightly more impactful than the United States on manufacturing firms with overseas sales. The reverse is true for all firms. In the construction sector, a large proportion of the firms serves the domestic market and hence is much dependent on the Singapore economy. In commerce, there is little difference in the impact pattern between all firms and firms with overseas sales. By contrast to construction, Singapore is less important to firms with overseas sales in the transport & communications and financial & business services sectors.

Table 1: Most Impactful Country (All Firms vs Firms with Overseas Sales)

Percentage of Firms/Firms with Overseas Sales

Rank	Most Cited		2nd Most Cited		3rd Most Cited	
All Companies (140)	Singapore	31%	China	15%	Indonesia	11%
Overseas *(92)*	*China*	*21%*	*Indonesia*	*15%*	*Singapore*	*14%*
Sector of Companies						
Manufacturing (37)	USA	22%	China	19%	I, M, S	11%
Manufacturing *(29)*	*China*	*24%*	*USA*	*21%*	*Indonesia, Malaysia*	*10%*
Construction (26)	Singapore	69%	UAE (Dubai)	8%	C, J, Md, SL, T, UK	4%
Construction *(10)*	*Singapore*	*50%*	*UAE, Dubai*	*20%*	*C, SL, T*	*10%*
Commerce (29)	Singapore	28%	Indonesia	17%	Vietnam	14%
Commerce *(25)*	*Singapore*	*24%*	*Indonesia*	*20%*	*Vietnam*	*16%*
Transport & Communications (20)	China	25%	Indonesia, Singapore			20%
Transport & Communications *(14)*	*China*	*36%*	*Indonesia*	*29%*	*Thailand*	*21%*
Financial & Business Services (28)	Singapore	32%	China, Malaysia			18%
Financial & Business Services *(14)*	*China*	*29%*	*Malaysia*	*21%*	*Indonesia*	*14%*

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

C=China I=Indonesia J=Japan M=Malaysia Md=Maldives S=Singapore SL=Sri Lanka T=Thailand

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

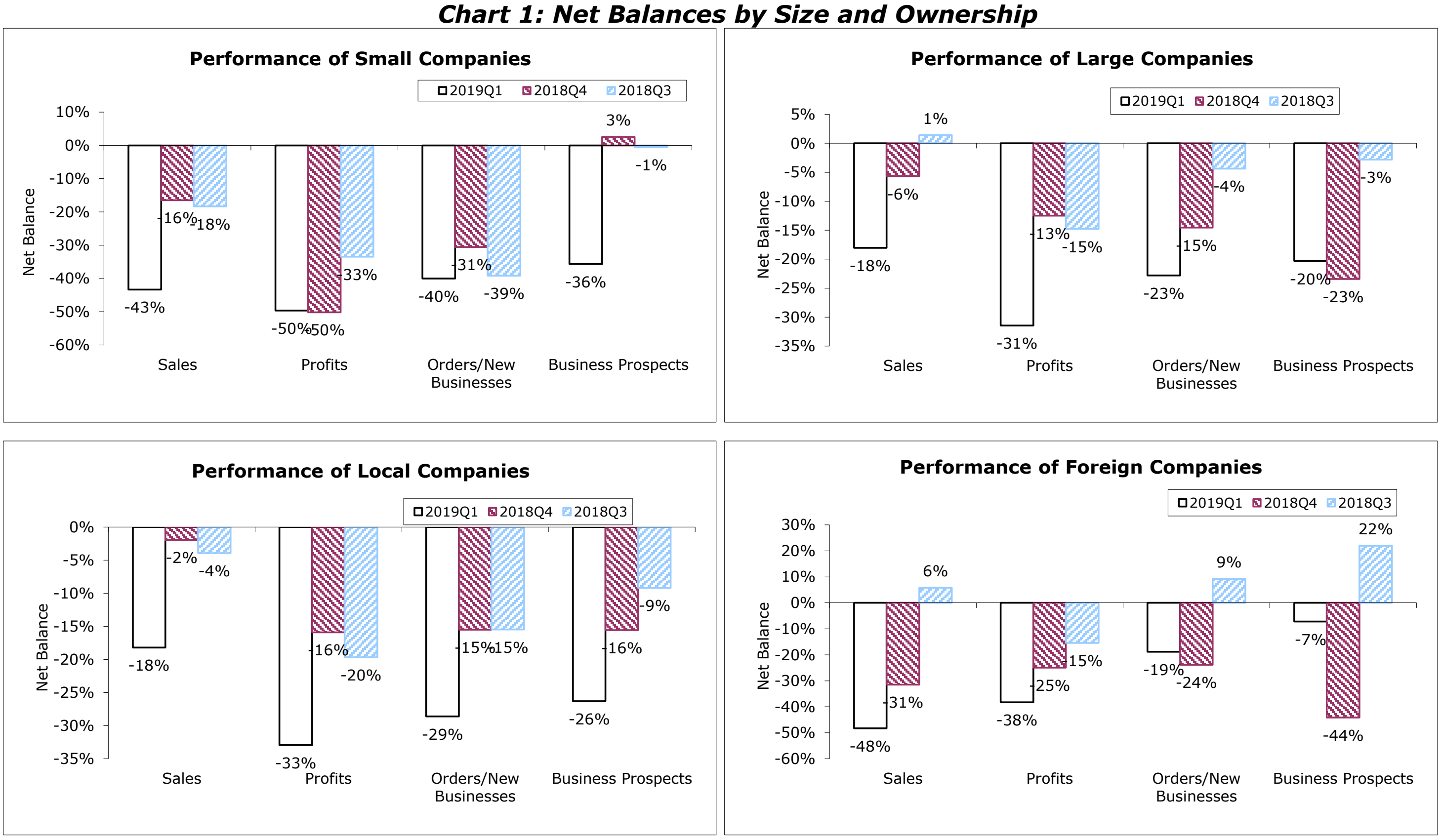
[2] A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

Performance Differential

Small firms were badly hit by sales contraction in 2019Q1 and have turned pessimistic over business prospects in the next six months *(Chart 1)*. Large firms encountered much weaker profits. Despite worsening sales and orders/new business, large firms are slightly less pessimistic than a quarter ago. This is attributable to foreign firms as they are mostly large firms. Foreign firms recorded less contraction in orders/new business and have become much less pessimistic.

The performance gap between small and large firms has narrowed in profits and business prospects while the gap between local and foreign firms has narrowed in business prospects. Local firms outperformed foreign firms in sales and profits for the second straight quarter.

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 transport & communications sector emerged as the star performer in 2019Q1. It posted the best results in three performance indicators (sales, profits and orders/new business) whereas the least pessimistic firms are in the construction sector. The contraction in sales and orders/new business of transport & communications firms in the previous quarter diminished completely, resulting in zero net balances, while profit contraction was reduced to the lowest level among the five sectors. Foreign and small firms in construction are optimistic over business prospects in the next six months. Compared to the previous quarter, there was a wider spread of sectors obtaining the best results in expansion or least contraction.

Outlook

An analysis of the regression results of lagged net balances and quarterly GDP growth rates point to a likely GDP growth of **1.2%-1.6% in 2019Q2.** The BCLI (Business Cycle Leading Index) implies a GDP growth rate of 0.9%-1.3% in 2019Q2**.** Thus, the Singapore economy is most likely to slow down further in 2019Q2 given continued external disruptions and a high base a year ago (4.2% in 2018Q2).

We thank the company respondents for their support to the survey.
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 29April2019