

BT-SUSS Business Climate Survey 2019Q4¹

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 25th year. This report covers the performance of Singapore firms in 2019Q4 and business prospects for the next six months (January-June 2020). Of the 131 firms that responded to the mail survey (conducted 19th December 2019–17th January 2020), 81 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 improved in 2019Q4 after six quarters of worsening performance. The contraction in sales, profits and orders/new business was reduced. Pessimism over business prospects in the next six months has diminished substantially. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -26% for sales (+10% points);
- -32% for profits (+8% points);
- -26% for orders/new business (+14% points); and
- -8% for business prospects in the next six months (+37% points).

Firms are asked the destinations for company expansion of activities (production/services) in the next six months. Three-fifths (62%) of the firms indicated expansion abroad, little different from a year ago (60%). The top countries remain Vietnam, Indonesia, China and Malaysia (*Table 1*). For all firms, Indonesia has become less attractive, resulting in Vietnam taking the first spot. Similarly Malaysia is slightly less popular than in the previous year.

Whereas there were only a few lower proportions a year ago, there were only a few higher proportions in 2020. Specifically, Vietnam and Indonesia are favored more than a year ago by firms in the commerce sector. And financial & business services firms are more attracted to China.

In short, the total proportion of firms with expansion plans has remained unchanged from a year ago but the proportions captured by the top countries have mostly declined. This reflects that firms are expanding to more non-top destinations compared to the previous year.

Table 1: Top Destinations for Company Expansion

Percentage of Firms with Expansion

2020	Vietnam	Indonesia	China	Malaysia
All Companies (80)	35.0%	32.5%	28.8%	27.50%
Manufacturing (24)	20.8%	12.5%	25.0%	37.5%
Construction (9)	33.3%	22.2%	11.1%	33.3%
Commerce (20)	55.0%	50.0%	20.0%	20.0%
Transport & Communications (12)	33.3%	41.7%	33.3%	16.7%
Financial & Business Services (15)	33.3%	40.0%	53.3%	26.7%
2019	Indonesia	Vietnam	Malaysia	China
All Companies (95)	40.0%	36.8%	32.6%	26.3%
Manufacturing (25)	40.0%	36.0%	36.0%	40.0%
Construction (15)	33.3%	46.7%	20.0%	6.7%
Commerce (25)	36.0%	44.0%	36.0%	16.0%
Transport & Communications (15)	60.0%	20.0%	13.3%	26.7%
Financial & Business Services (15)	33.3%	33.3%	53.3%	26.7%

(#Firms) Green cell denotes higher value than in 2019. Pink cell denotes lower value than in 2018.

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

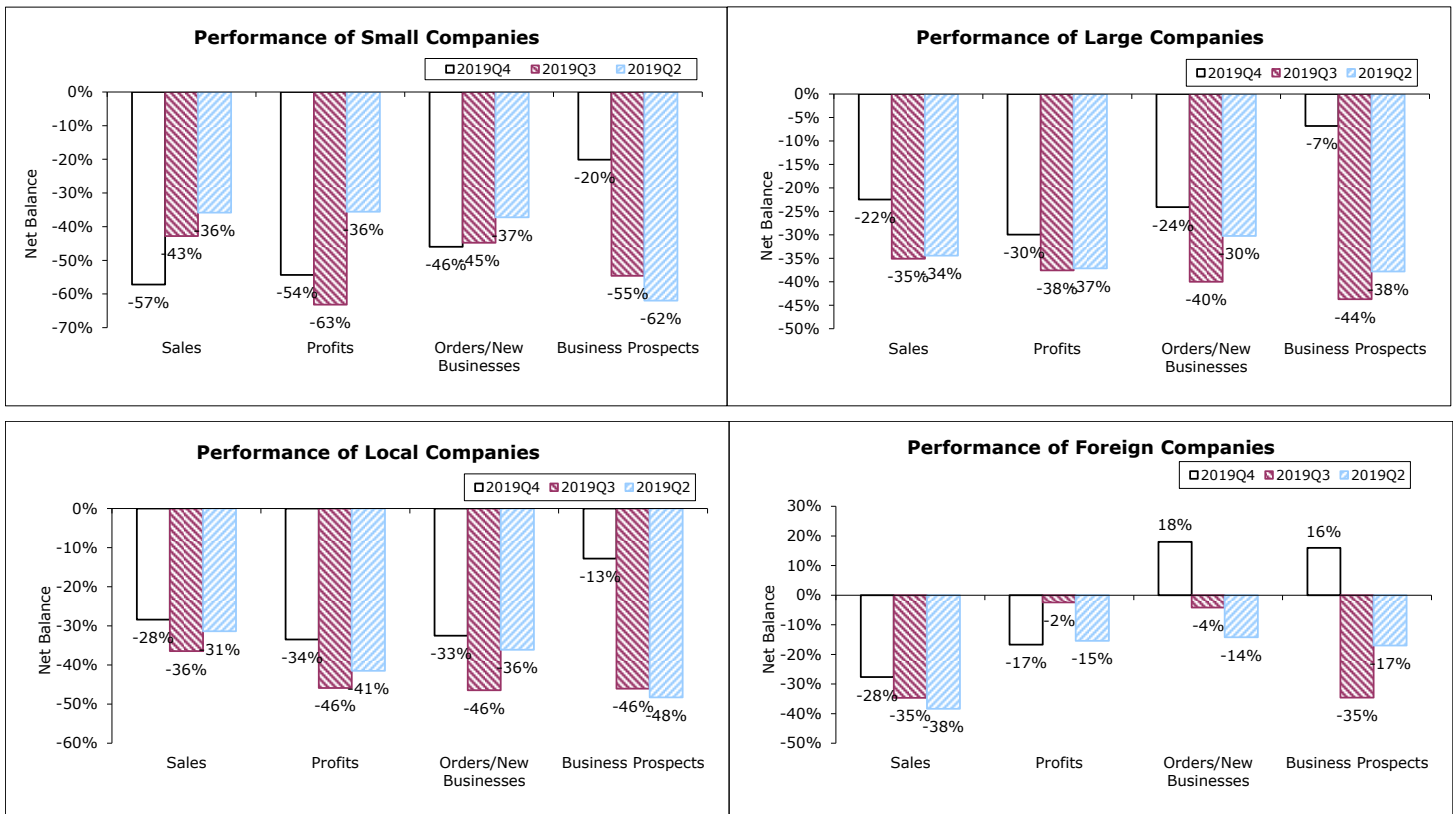
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

Performance Differential

Small firms suffered more contraction in sales in 2019Q4, but are less pessimistic owing to improvement in profits and stabilized orders/new business (Chart 1). Large firms obtained less contraction in the three performance indicators and are much less pessimistic on business prospects in the next six months. The performance gap between small and large firms narrowed in profits but widened in the other three indicators.

Local firms obtained better results than a quarter ago and are much less pessimistic. Foreign firms were badly hit by more contraction in profits but attained expansion in orders/new business and have become optimistic over business prospects. The performance gap between local and foreign firms narrowed in profits, widened in orders/new business and business prospects, and unchanged in sales.

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 was the star performer in 2019Q4, holding the top spots in profits and orders/new business. It shared the least pessimistic slot with manufacturing. The best performance in sales was captured by financial & business services. The construction sector, which topped the best business prospects in the past three quarters, has more firms viewing unchanged business prospects than a quarter ago. Compared to the previous quarter, there was less dominance of the star sector as all four other sectors captured top positions. This suggests a wider spread of improved performance.

Outlook

An analysis of the regression results of lagged net balances and quarterly GDP growth rates points to a likely GDP growth in the range of **1.9% - 2.6% in 2020Q1** on a year-on-year basis. This is in view of the biennial air show in February and stronger manufacturing activities in many countries, barring any serious negative impact of the Wuhan virus.

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

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