

## BT-UniSIM Business Climate Survey 2016Q1

### 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 21<sup>st</sup> year. This report covers the performance of Singapore firms in 2016Q1 and business prospects for the next six months (April-September 2016). Of the 190 firms which responded to the mail survey (conducted 21<sup>st</sup> March – 15<sup>th</sup> April 2016), 116 or 61% indicated overseas business. The survey respondents are from all major economic sectors.

#### Singapore Business Climate

The contraction in sales, profits, and orders/new business has spread to more firms in 2016Q1, regardless of size and ownership of firms. However, pessimistic sentiments have diminished slightly except among foreign firms. The net balances, together with their changes over a quarter ago in parentheses, are as follows: <sup>1</sup>

- -51% for sales (-8% points);
- -51% for profits (-10% points);
- -50% for orders/new business (-12% points); and
- -55% for business prospects in the next six months (+3% points).

Firms are asked to cite a country the economic performance of which will have the greatest impact on company sales in 2016. China is the most-cited country for all firms, followed by Malaysia, Indonesia and the United States (USA). This group of three-most cited countries represents two-thirds of the total responses of 168 companies (*Table 1*). Hence, the economic growth of these four countries will have the most impact on the sales of two in three Singapore firms. Three other countries (Australia, India and Vietnam) made it to the 2<sup>nd</sup> and 3<sup>rd</sup> top positions in the sectors of construction, commerce and transport & communications respectively.

China has remained the most-cited country for all companies since 2012 when the question was first introduced in the survey. Its impact has increased in 2016, as for the first time, it is one of top-three most-cited countries irrespective of size, ownership and sector of firms. Also it has maintained its highest share of votes (27%) as in the previous year.

**Table 1: Country Most Impactful on Company Sales, 2016**

	Rank	Most Cited	2 <sup>nd</sup> Most Cited	3 <sup>rd</sup> Most Cited
<b>All Companies</b> (168)		China 27%	Malaysia 14%	Indonesia, USA 13%
<b>Size of Companies</b>				
<b>Small</b> (26)		China 31%	Malaysia 23%	Indonesia 15%
<b>Large</b> (142)		China 27%	USA Indonesia, Malaysia 13%	
<b>Ownership of Companies</b>				
<b>Local</b> (133)		China 26%	Indonesia, Malaysia 14%	
<b>Foreign</b> (35)		China 31%	USA 17%	Malaysia 14%
<b>Sector of Companies</b>				
<b>Manufacturing</b> (43)		China 28%	USA 26%	Malaysia 16%
<b>Construction</b> (22)		China 36%	Australia, Indonesia, Malaysia 14%	
<b>Commerce</b> (39)		China 28%	Indonesia 18%	India, Malaysia 10%
<b>Transport &amp; Communications</b> (28)		Indonesia 25%	China 21%	Malaysia, USA, V 11%
<b>Financial &amp; Business Services</b> (36)		China 25%	Malaysia 19%	USA 17%

Figure in parentheses denotes number of respondents.

V = Vietnam

In cases of shared rank, the percentage share pertains to single country.

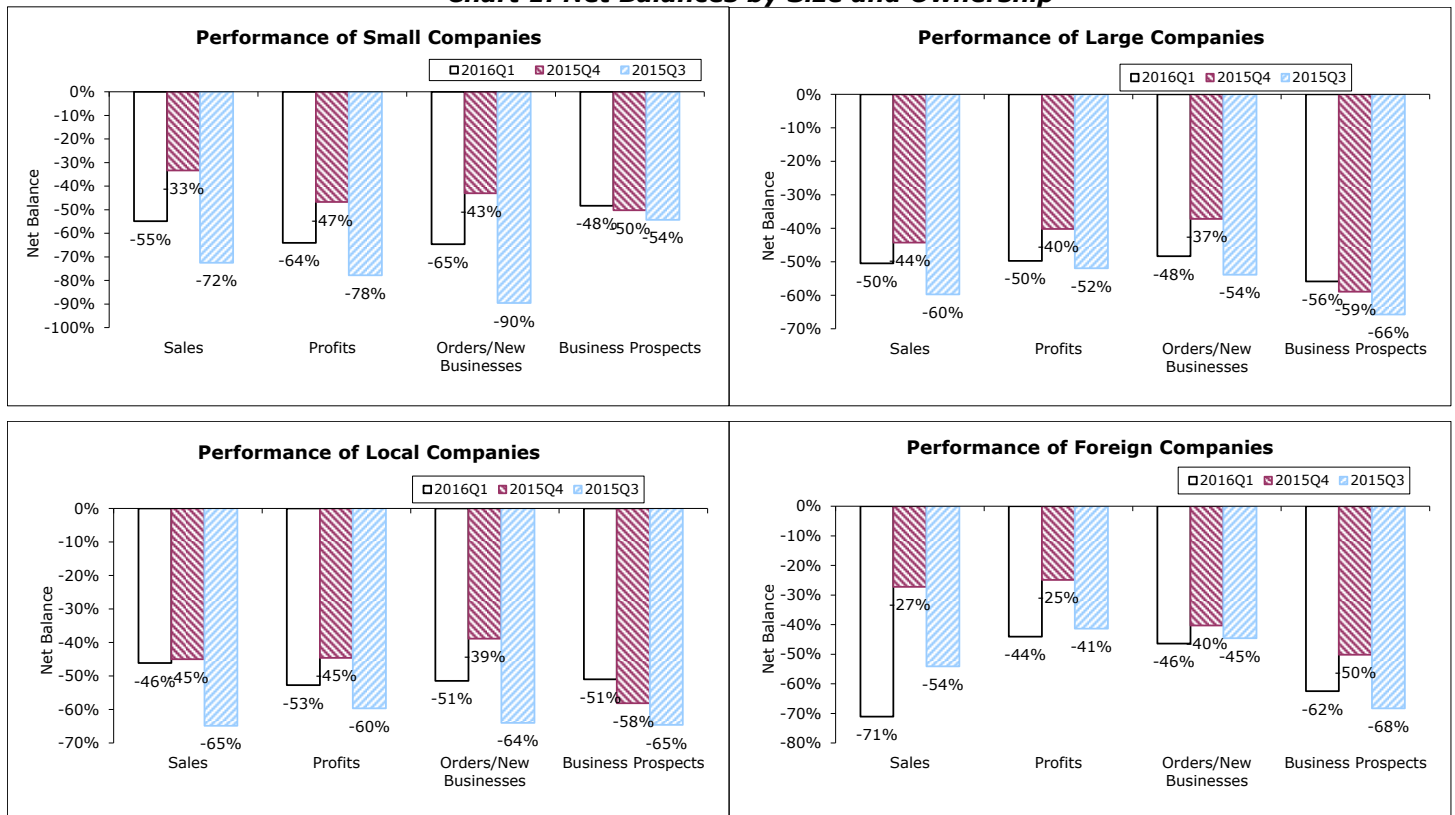
<sup>1</sup> A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance reflects more firms with higher sales/profits/orders/business prospects than those with lower sales/profits/orders/business 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**

The contraction in profits and orders/new business of small firms in 2016Q1 was the most extensive, resulting in wider performance gaps between small and large firms (*Chart 1*). Large firms, however, remain more pessimistic than small firms over business prospects in the next six months.

Foreign firms encountered more worsening contraction in sales and profits than local firms. Thus foreign firms have become more pessimistic over business prospects whereas local firms are less pessimistic than in the previous quarter. Local firms outperformed foreign firms in sales and business prospects.

**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 sector with the least contraction in 2016Q1 was financial & business services, same as in the previous quarter. It obtained 11 out of 20 least contraction positions. For all firms, financial & business services registered the smallest contraction in sales, profits and orders/new business (shared with transport & communications). But for business prospects in the next six months, the least pessimistic firms are engaged in transport & communications activities.

**Outlook**

Sales have contracted for the 19<sup>th</sup> consecutive quarter as at 2016Q1. The current contraction phase is the longest (since the first survey of 1995Q4), and corresponds to the longest period of low quarterly GDP growth rates below 5.5% since 2011Q4. This anemic growth period is due to structural changes locally and frequently turbulent events abroad.

The Business Cycle Leading Index indicates that the Singapore economy in 2016Q2 would likely expand at around the same rate as in the past four quarters of 1.7%-1.8%. From regression analysis of the lagged net balances, the prediction for GDP growth in 2016Q2 is 1.6% - 2.1% on a year-on-year basis.

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

The consultants for the project are Ms Chow Kit Boey (retired associate professor, NUS Business School, National University of Singapore) and Mr Chan Cheong Chiam (managing director, Web ilite Technology).

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