

BT-SUSS Business Climate Survey 2017Q1¹

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 22nd year. This report covers the performance of Singapore firms in 2017Q1 and business prospects for the next six months (April-September 2017). Of the 178 firms which responded to the mail survey (conducted 16th March – 15th April 2017), 105 or 59% indicated overseas business. This is slightly higher than in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Business activities in 2017Q1 strengthened across all types of firms. There were wide-spread improvements in all four indicators. Pessimism over business prospects in the next six months has diminished substantially. And foreign firms are no longer pessimistic. The net balances, together with their changes over a quarter ago in parentheses, are as follows: ²

- -23% for sales (+12% points);
- -28% for profits (+7% points);
- -24% for orders/new business (+15% points); and
- -15% for business prospects in the next six months (+33% points).

Firms were asked to cite a country the economic performance of which will have the greatest impact on company sales in 2017. The most-cited country is Singapore, followed by China and Indonesia. These three countries constitute two-thirds (65%) of the total responses of 173 companies (*Table 1*). Other countries that are among the top-three places are Malaysia (for small firms), USA (manufacturing firms) and Australia (transport & communications firms).

Except among foreign firms and in the manufacturing sector, Singapore's economic growth is the strongest determinant on company sales for at least three in ten Singapore-based firms. Domestic demand is particularly important among construction firms. For foreign firms, China's economic health is most influential on sales, followed by Singapore and the United States. For manufacturing firms, the performance of the American economy is most impactful on sales, followed by that of China and Singapore.

Table 1: Country Most Impactful on Company Sales, 2017

	Rank	Most Cited	2 nd Most Cited	3 rd Most Cited
All Companies (173)		Singapore 37%	China 18%	Indonesia 10%
Size of Companies				
Small (29)		Singapore 31%	Indonesia 17%	Malaysia 10%
Large (144)		Singapore 38%	China 20%	Indonesia 9%
Ownership of Companies				
Local (132)		Singapore 41%	China 15%	Indonesia 11%
Foreign (41)		China 27%	Singapore 24%	USA 12%
Sector of Companies				
Manufacturing (39)		USA 23%	China 21%	Singapore 18%
Construction (30)		Singapore 67%	China, Malaysia 7%	
Commerce (42)		Singapore 31%	China 21%	Indonesia 14%
Transport & Communications (27)		Singapore 37%	Indonesia 19%	Australia 11%
Financial & Business Services (35)		Singapore 40%	China 29%	Malaysia 11%

Figure in parentheses denotes number of respondents.

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

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

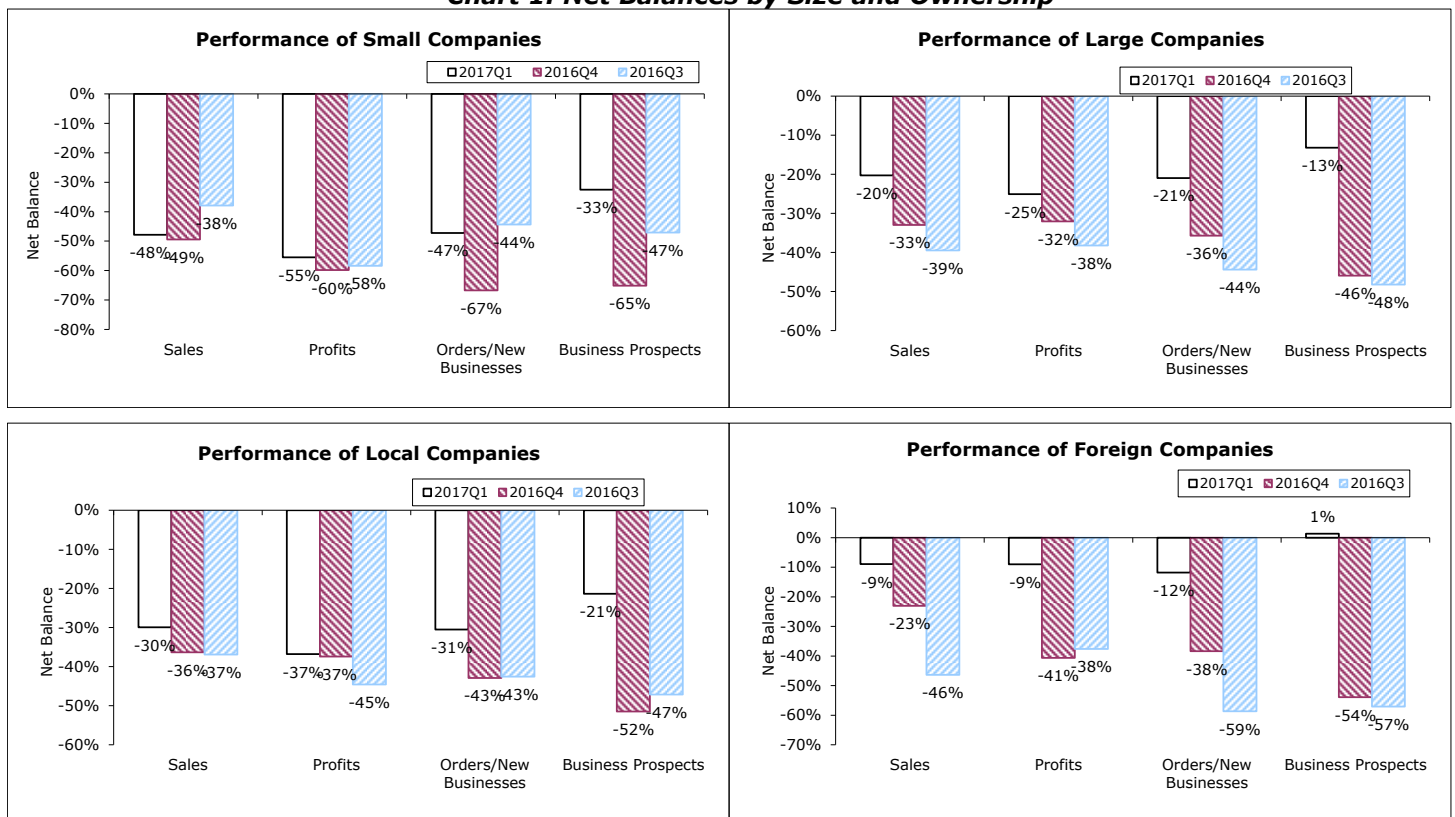
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance reflects more firms with higher sales/profits/orders/business prospects than those with lower sales/profits/orders/business 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

Regardless of firm size and ownership, there was no worsening of performance in 2017Q1. All the net balances recorded lower contraction or no change in level (*Chart 1*). Small firms have remained the worst hit in all the indicators, though improvements were made in profits, orders/new business and business prospects. Large firms obtained greater improvements in sales and profits than small firms. Thus the performance gap between small and large firms has widened in sales and profits.

Foreign firms achieved the biggest improvements in all four indicators, recording the least contraction in the three performance indicators and are no longer pessimistic over business prospects in the next six months. The performance gap between foreign and local firms has widened in all indicators.

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 retained its best performing status in 2017Q1 for the fourth consecutive quarter. Best performance was more widely spread than in the previous quarter. For all firms, the manufacturing sector registered the best performance in sales, profits and orders/new business. Firms in the transport & communications sector have turned optimistic over business prospects in the next six months whereas firms in other sectors have remained pessimistic. This could be due to improved trade and a recovery in freight rates. Also a substantial proportion of manufacturing firms perceive business prospects to be unchanged. A part of this unchanged view could be from firms that have remained optimistic.

Outlook

Sales have contracted for the 23rd consecutive quarter as at 2017Q1. The current contraction phase is the longest and corresponds to the longest period of low quarterly GDP growth. The period is due to structural changes locally, as well as a more turbulent and interdependent global economy.

From regression analysis of lagged net balances and quarterly GDP growth rates, the Singapore economy is likely to expand faster at **3.1%-3.3% in 2017Q2**. BCLI (Business Cycle Leading Index) also points to higher growth.

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