

BT-SUSS Business Climate Survey 2017Q2¹

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 2017Q2 and business prospects for the next six months (July-December 2017). Of the 174 firms which responded to the mail survey (conducted 20th June – 18th July 2017), 110 or 63% indicated overseas business. This is higher than in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

In 2017Q2, sales improved marginally while orders/new business were virtually unchanged from a quarter ago. Profits, however, weakened among large and foreign firms. Nevertheless pessimism over business prospects in the next six months has continued to diminish, albeit at a slower rate. The net balances, together with their changes over a quarter ago in parentheses, are as follows: ²

- -21% for sales (+2% points);
- -39% for profits (-11% points);
- -25% for orders/new business (-1% point); and
- -9% for business prospects in the next six months (+6% points).

Firms are asked to indicate the likely change in sales in 2017 from the previous year's sales. The proportion of firms expecting sales decline has continued to outstrip that predicting sales growth (net balance of -24%) (*Table 1*). Pessimism on sales growth has emerged since 2012. Compared to the previous year (net balance of -51%), 2017 would be another year of relatively weak economic performance but with signs of improvement. Specifically, the manufacturing sector shows a positive net balance. The total sales change is estimated at 1.4%. Given the tendency for expected sales change to be underestimates of GDP growth, we derive a prediction for GDP growth in 2017 at 2.3%.

Table 1: Net Balances in Sales Change

	<i>Percentage of Respondents</i>							
	2017	2016	2015	2014	2013	2012	2011	2010
All Companies	-24%	-51%	-30%	-5%	-18%	-7%	10%	30%
Size of Companies								
Small	-62%	-65%	-47%	-17%	-14%	-30%	3%	21%
Large	-14%	-47%	-26%	-2%	-19%	-2%	13%	33%
Ownership of Companies								
Local	-29%	-46%	-27%	-5%	-15%	-7%	9%	28%
Foreign	-3%	-66%	-41%	-6%	-38%	-10%	17%	41%
Sector of Companies								
Manufacturing	12%	-55%	-21%	3%	-17%	-23%	21%	52%
Construction	-35%	-47%	-15%	-11%	-15%	25%	31%	33%
Commerce	-49%	-58%	-41%	-18%	-35%	-26%	15%	37%
Transport & Communications	-21%	-38%	-24%	35%	0%	0%	-4%	0%
Financial & Business Services	-32%	-49%	-42%	-26%	-13%	5%	-19%	17%
Estimated Sales Change	1.4%	-5.7%	-1.7%	2.7%	-3.8%	-2.8%	3.6%	12.4%
<i>Underestimation of GDP growth</i>		7.7%	3.6%	0.9%	8.8%	6.7%	2.6%	2.8%
GDP growth rate	2.3%⁺	2.0%	1.9%	3.6%	5.0%	3.9%	6.2%	15.2%

⁺ Predicted GDP growth from estimated sales change adjusted by 2014 underestimate in view of past pattern.
Shaded green cell marks the highest Net Balance.

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

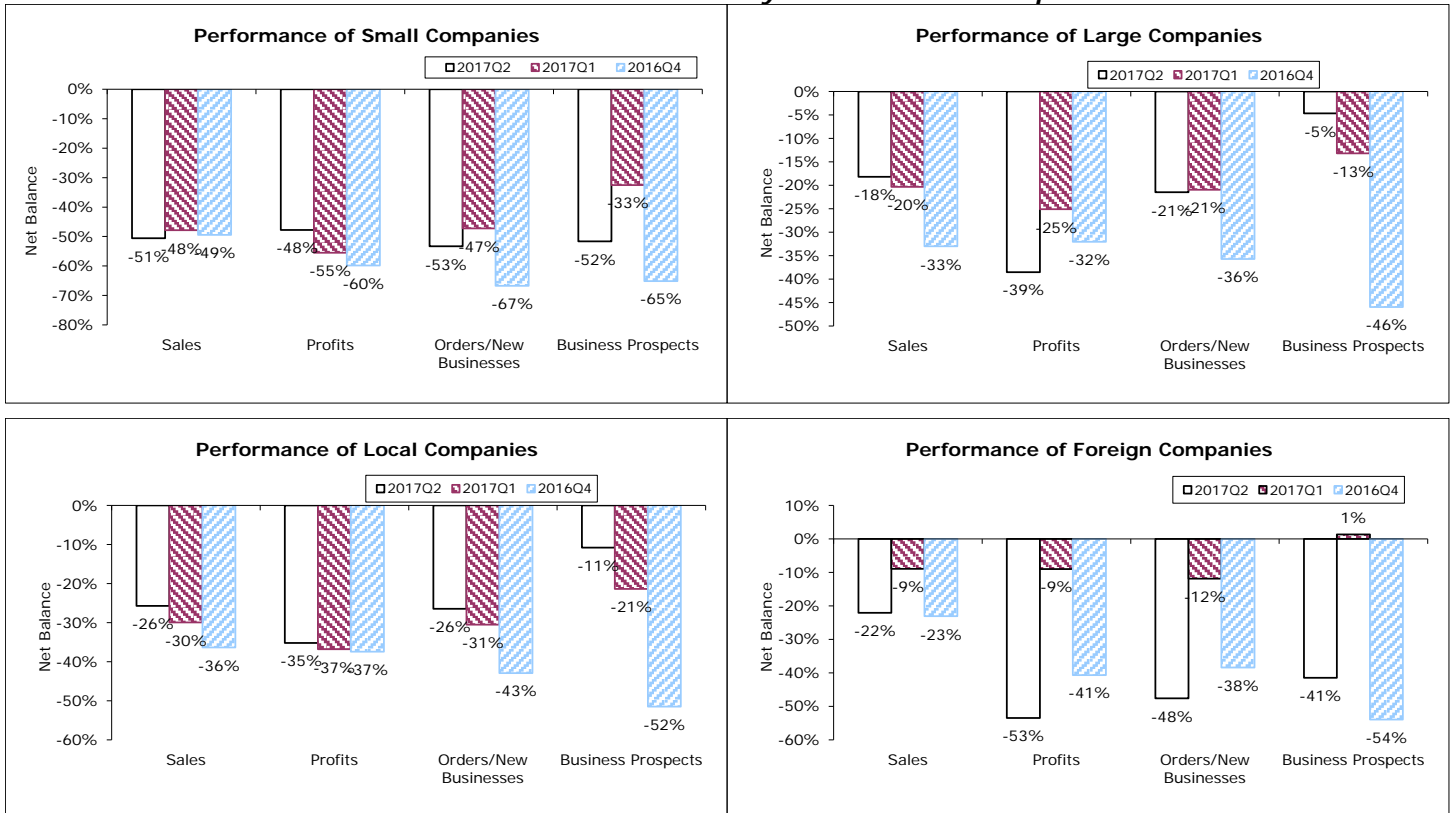
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance reflects more firms with higher sales/profits/orders/business prospects than those with lower sales/profits/orders/business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

Whereas small firms obtained slight improvement in profits, large firms posted worse profit results in 2017Q2. Small firms registered increased contraction in orders/new business and are more pessimistic over business prospects in the next six months. Large firms, on the other hand, had improved sales performance and are less pessimistic. The performance gap between large and small firms widened except in profits.

Foreign firms were hit by increased contraction in sales, profits and orders/new business and have turned pessimistic over business prospects. This was in great contrast to a quarter ago. Local firms performed better and are less pessimistic than a quarter ago. The performance gap between large and foreign firms narrowed except in 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 manufacturing sector retained its best performing status in 2017Q2 for the fifth consecutive quarter. It became a more dominant star performer, capturing three-quarters of the top positions. For all firms, the manufacturing sector registered the best performance across all four indicators. In terms of size and ownership, manufacturing firms posted the best results for three out of four indicators. The construction sector was the top performer in profits and jointly with manufacturing in sales for foreign firms; and in orders/new business for small firms. The transport & communications sector performed the best in profits for large firms and holds the best business prospects for local firms.

Outlook

Sales have contracted for the 24th consecutive quarter as at 2017Q2. The current contraction phase is the longest and corresponds to the longest period of low quarterly GDP growth. This 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 at **2.7%-3.1% in 2017Q3**. BCLI (Business Cycle Leading Index) also points to higher growth in the third quarter of 2017.

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