

BT-SUSS Business Climate Survey 2019Q3¹

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 is in its 24th year. This report covers the performance of Singapore firms in 2019Q3 and business prospects for the next six months (October 2019-March 2020). Of the 155 firms that responded to the mail survey (conducted 19th September –17th October 2019), 88 or 57% indicated overseas business. This is lower than in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Business conditions have continued to weaken in 2019Q3 for the sixth consecutive quarter. But the spread in contraction was at lower rates than a quarter ago except for orders/new business. Sales stagnated, while profits worsened slightly. Orders/new business contracted more at a moderately low rate. Pessimism over business prospects in the next six months has increased slightly. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -36% for sales (-1% points);
- -40% for profits (-3% points);
- -40% for orders/new business (-9% points); and
- -45% for business prospects in the next six months (-5% points).

Firms are asked to name one country/economy that holds the best business prospects in the next 12 months in the company's line of business. Singapore is the most-cited country for the second year, with Indonesia and Vietnam sharing the second position (*Table 1*). These top-three countries account for one-half (48%) of the total responses of 145 companies.

At the detailed level, Singapore is a top-three country across the board, except for foreign and commerce companies. Indonesia has consistently been among the top-three countries during 2008-2017, but was perceived with less business prospects in 2018. Currently, it holds the best business prospects among commerce firms. Moreover, Indonesia has captured the 2nd or 3rd most-cited positions from all other groups of firms save foreign and manufacturing firms. In contrast, Vietnam attained a top-three rank previously only in 2015 and 2018. Currently it is ranked second or third except among small and construction firms. China has been the top business prospects country since 2006, except in 2015 and 2019 when Vietnam barely surpassed it in both years. In the current survey, construction firms voted China second after Singapore. Transport & communications firms perceive India marginally ahead in the top position. Manufacturing firms view USA as the top business prospects while foreign firms see Thailand to hold the top prospects.

Table 1: Best Business Prospects in the next 12 months

	Rank	Most Cited	2 nd Most Cited	3 rd Most Cited
All Companies (145)		Singapore 21%	Indonesia, Vietnam	14%
Size of Companies				
Small (23)		Singapore 22%	Indonesia, Malaysia	17%
Large (122)		Singapore 20%	Vietnam 14%	Indonesia 13%
Ownership of Companies				
Local (120)		Singapore 24%	Indonesia 15%	Vietnam 13%
Foreign (25)		Thailand 21%	USA, Vietnam	16%
Sector of Companies				
Manufacturing (44)		USA 18%	Singapore 14%	Vietnam 11%
Construction (28)		Singapore 39%	China 18%	Indonesia 11%
Commerce (27)		Indonesia 26%	Vietnam 19%	India, Malaysia 11%
Transport & Communications (16)		India 19%	Indonesia, Singapore, Thailand, Vietnam	13%
Financial & Business Services (30)		Singapore 30%	Vietnam 20%	Indonesia 13%

(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).

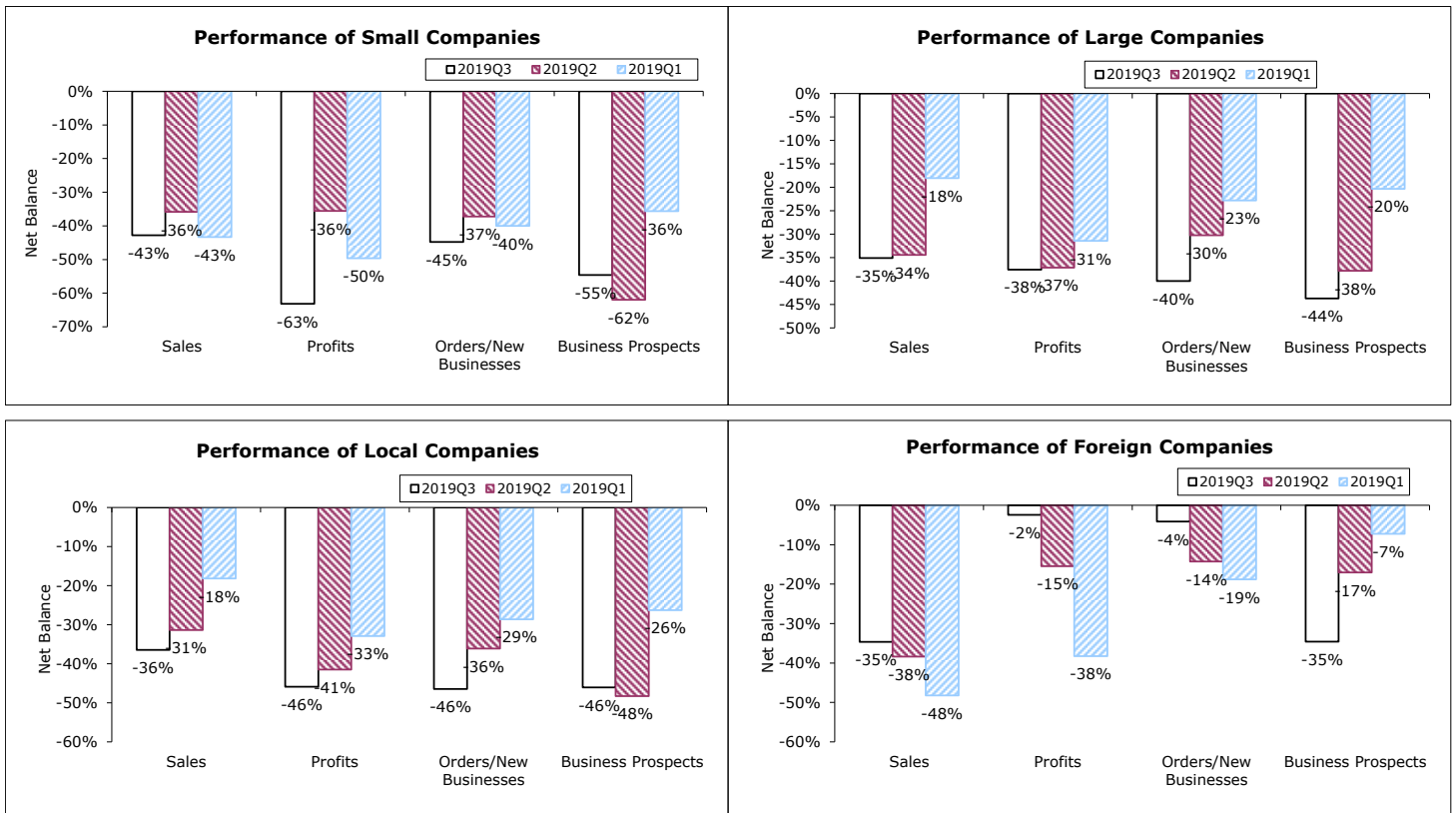
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

Performance Differential

Small firms performed poorly in 2019Q3, particularly in profits but are much less pessimistic over business prospects in the next six months (Chart 1). Large firms encountered weaker orders/new business and are more pessimistic. The performance gap between small and large firms has widened in sales and profits but narrowed in orders/new business and business prospects.

Local firms suffered worse results than a quarter ago, particularly in orders/new business, and yet have become marginally less pessimistic. Though foreign firms recorded better performance in profits and orders/new business, they are more pessimistic over business prospects, probably due to stagnating sales. The performance gap between local and foreign firms has widened in profits and orders/new business, but narrowed 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.

With the least contraction in performance indicators, the manufacturing sector resurfaced as the star performer in 2019Q3. It captured the top positions in sales, profits and orders/new business. The least pessimistic firms are in the construction sector for the third consecutive quarter. Compared to the previous quarter, there was more dominance of the star sector. The results signal an imminent turnaround in manufacturing and continuing expansion in the construction sector.

Outlook

An analysis of the regression results of lagged net balances and quarterly GDP growth rates points to a likely GDP growth between **-0.1% and 1.7% in 2019Q4** on a year-on-year basis. The BCLI (Business Cycle Leading Index) implies a GDP rate ranging from -0.4% to 1.3% in 2019Q4. Thus, the Singapore economy could expand at **0.3% to 0.8% in 2019**. This would be the slowest growth since the contraction in 2009 (-0.6%) due to the last global financial crisis.

 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).
 The opinions, figures and estimates expressed in the report are the responsibility of the consultants, and do not constitute an endorsement by The Business Times nor SUSS.
 © Copyright 2019 The Business Times and SUSS.