

# Focus on: Singapore

## International Business Report 2010 – Country focus series

### The recovery

Singapore's economy showed strong growth in Q1 that surpassed the 4.1 per cent observed in the previous quarter, led by strong performance in manufacturing, wholesale and retail trade and financial services. Conditions in the labour market have also improved as employment grew by 34,000 in the first three months of the year.

The key indicators<sup>1</sup> are highlighted below:

- Singapore posted 16.1 per cent year-on-year GDP growth (at current market prices) in the first quarter of 2010, this follows 4.1 per cent growth reported in Q4 2009
- trade continues to recover; merchandise exports grew by 9.2 per cent in the three months to March 2010, an increase of 28.2 per cent year-on-year
- meanwhile, imports of merchandise grew by 8.8 per cent in Q1 2010 from the previous quarter, up from the decreases observed in the previous four quarters
- inflation was up 0.9 per cent year-on-year in Q1, and 1.1 per cent compared to the previous quarter.

### Impact on businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of 7,400 privately held businesses (PHBs) in over 36 economies around the world. This report focuses on Singapore, the experiences and attitudes of its businesses and how they have been affected by the economic crisis along with how they are dealing with the recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in Singapore are considerably more optimistic as regards the outlook for the economy over the next 12 months this year, and over half expected to see an upturn in the global economy by the end of 2010. Revenue and profitability expectations are even more optimistic than last year, but a shortage of orders/reduced demand remains a major constraint on potential expansion.



<sup>1</sup> source: International Monetary Fund, The Economist and Experian.

## Looking ahead

Household consumption and business investment have shown good signs of recovery, supported by labour market stabilisation and improving business conditions. Consequently, Singapore's economy is expected to expand by more than five per cent per annum over the next three years, strengthened by recovery in the United States, and other key Asian economies.

However, there seems to be increased anxiety over a sovereign debt default in Europe; although policy interventions may have reduced risk in the near term, there remains uncertainty over future developments. Singapore's economy also faces a threat from monetary tightening and sharp asset price correction from China.

As the economy exits recession, all businesses will face new challenges and will need to take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.

Talk to us to find out how we can help you deal with the challenges of a new world economic order.

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Figure 1: Key indicators for businesses: 2008-2010

Singapore compared to the Asia Pacific average	2008 Sing	2009 Sing	2010 Sing	2010 Asia Pacific
<b>Outlook for the economy over the next 12 months</b>				
Balance of optimists over pessimists	+84%	+11%	+62%	+33%
<b>Change in employment levels</b>				
Balance of PHBs expecting an increase over those expecting a reduction	+31%	-7%	+36%	+33%
<b>Constraints on expansion</b>				
Availability of a skilled workforce	34%	33%	27%	26%
Shortage of orders/reduced demand	10%	40%	27%	44%

Source: Grant Thornton IBR 2010



# International Business Report results

The Grant Thornton IBR 2010 reveals that businesses in almost all countries are more optimistic about economic prospects for the year ahead. Businesses in Singapore are considerably more optimistic about prospects for 2010; their optimism/pessimism balance<sup>2</sup> has almost increased six-fold, rising from +11 per cent in 2009 to +62 per cent in 2010.

For the first time in six years, India has been overtaken as the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy – compared to a balance of -16 per cent in 2009.

## Optimism/pessimism

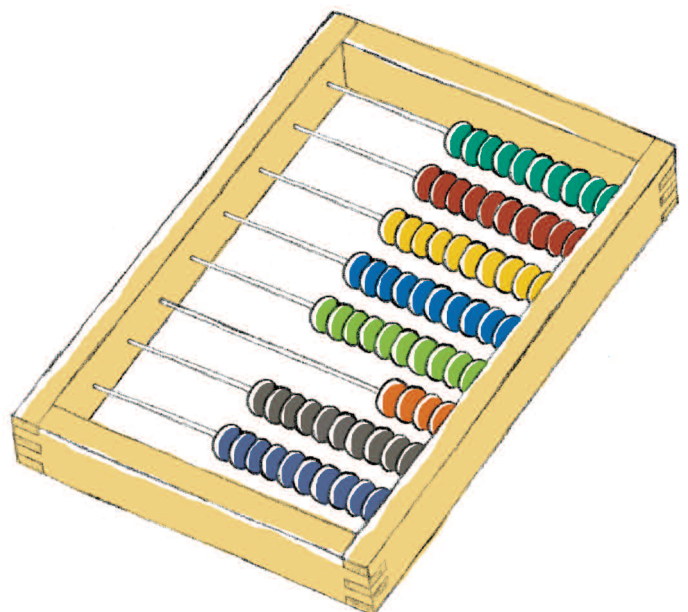
- businesses in Singapore are considerably more optimistic about their economy this year (+62 per cent) compared with 2009 (+11 per cent)
- this is almost double the Asia Pacific<sup>3</sup> average of +33 per cent
- optimism amongst businesses in the Asia Pacific region has risen by 31 percentage points this year, from just +2 per cent in 2009 to +33 per cent.

**Figure 2: Outlook for the economy over the next 12 months: 2003-2010**

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010



<sup>2</sup> the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

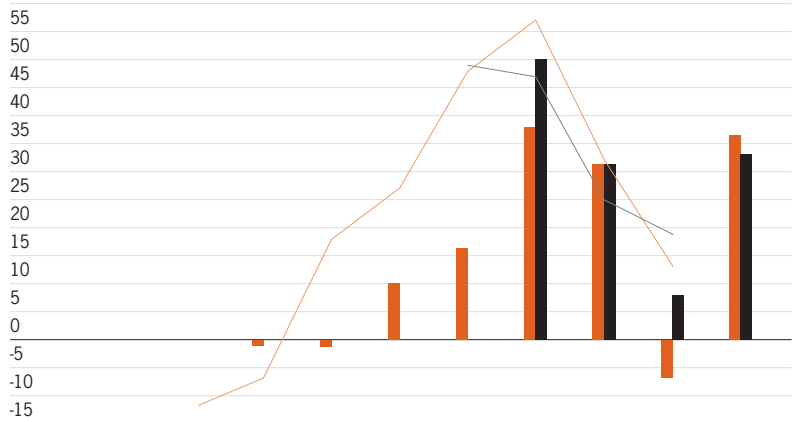
<sup>3</sup> for the purposes of IBR, the term 'Asia Pacific' refers to those Asia Pacific economies covered by our survey – Australia, mainland China, Hong Kong, India, Japan, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam.

### Employment

- a balance of +36 per cent of businesses in Singapore expect employment to grow in 2010, compared to -7 per cent in 2009
- the Asia Pacific average has risen by 25 percentage points, from +8 per cent in 2009 to +33 per cent
- actual employment growth reported by businesses in Singapore for 2009 (+13 per cent) was better than expected 12 months previously (-7 per cent).

**Figure 3: Employment history: 2002-2010**

Percentage balance of businesses indicating an increase against those indicating a decrease



	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Exp. Singapore	-	-1	-1	10	16	38	31	-7	36
Expected APAC	-	-	-	-	-	50	31	8	33
Actual Singapore	-12	-7	18	27	48	57	32	13	-
Actual APAC	-	-	-	-	49	47	25	19	-

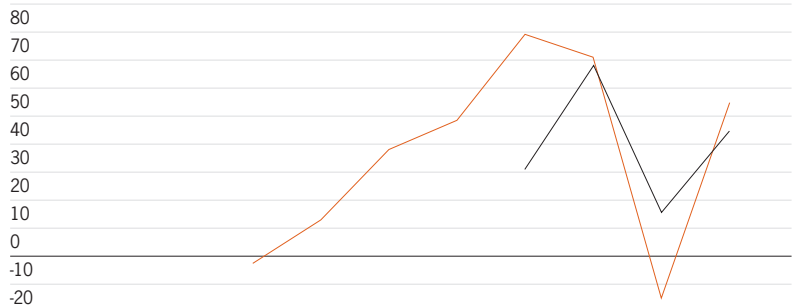
\*actual 2010 data will be documented in IBR 2011  
Source: Grant Thornton IBR 2010

### Revenue expectations

- expectations for revenue prospects have risen by 70 percentage points to +55 per cent this year, from -15 per cent in 2009
- this is more optimistic than the Asia Pacific average of +45 per cent
- the Asia Pacific average has also risen, although not as steeply, by 29 per cent from +16 per cent last year to +45 per cent this year.

**Figure 4: Revenue expectations: 2003-2010**

Percentage balance of businesses indicating an increase against those indicating a decrease



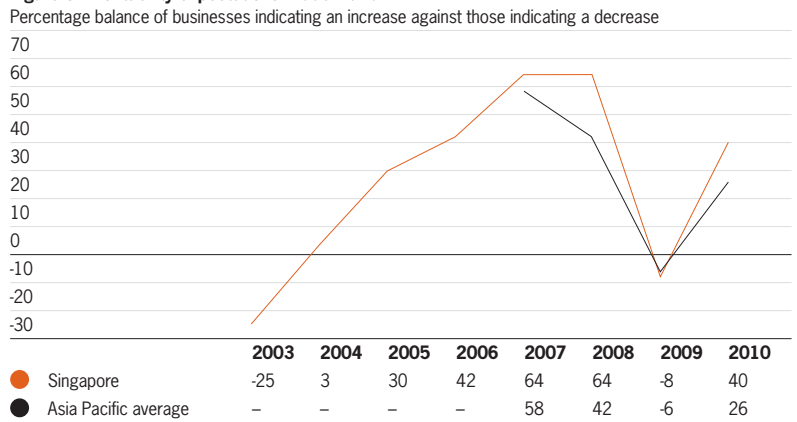
	2003	2004	2005	2006	2007	2008	2009	2010
Singapore	-3	13	38	49	79	71	-15	55
Asia Pacific average	-	-	-	-	31	68	16	45

Source: Grant Thornton IBR 2010

### Profitability expectations

- the balance of businesses expecting to increase profits in Singapore has also risen this year, by 48 percentage points to +40 per cent in 2010 (-8 per cent in 2009)
- this is also higher than the Asia Pacific average (26 per cent)
- the Asia Pacific average has risen by 32 percentage points to +26 per cent.

**Figure 5: Profitability expectations: 2003-2010**

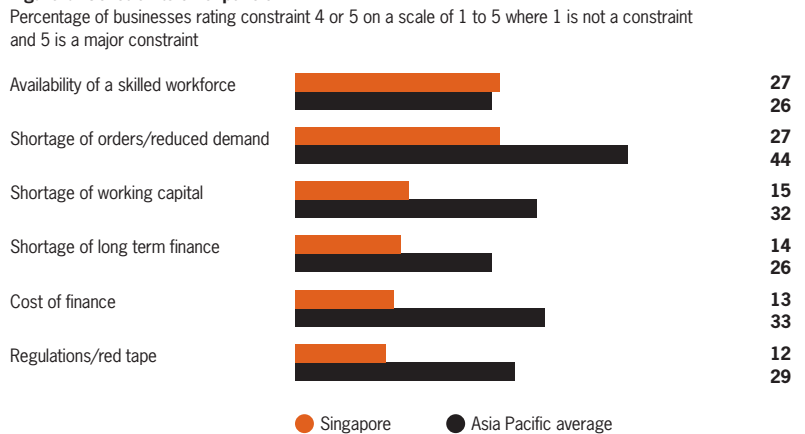


Source: Grant Thornton IBR 2010

### Constraints

- the availability of a skilled workforce and a shortage of orders/reduced demand are cited as the most pressing constraints on expansion by businesses in Singapore this year (both 27 per cent)
- a shortage of orders/reduced demand is cited as the greatest constraint by businesses in the Asia Pacific region as a whole (44 per cent)
- with the exception of the availability of a skilled workforce, all of the constraints are of less concern for businesses in Singapore compared to the Asia Pacific average.

**Figure 6: Constraints on expansion**

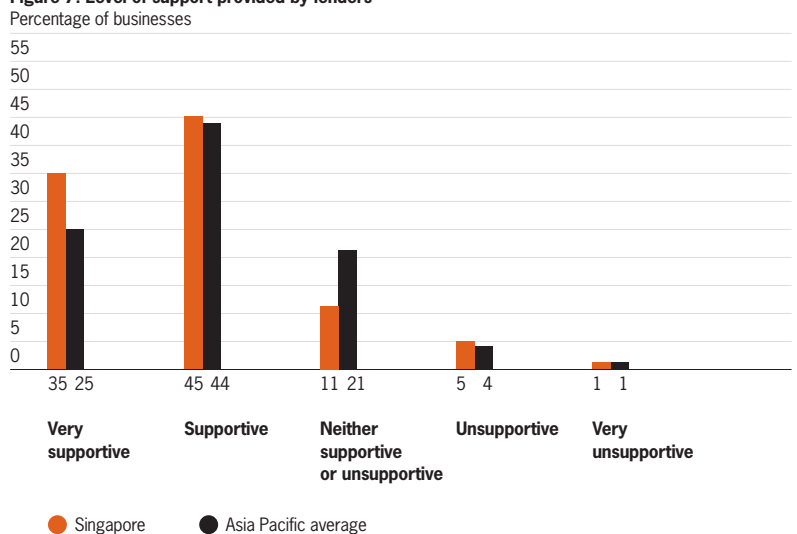


Source: Grant Thornton IBR 2010

### Support of lender

- four-fifths of businesses in Singapore are happy with the level of support provided by lenders; 80 per cent class lenders as supportive or very supportive towards their business
- this compares with 69 per cent of businesses in the Asia Pacific region as a whole
- six per cent of businesses in Singapore believe that lenders are unsupportive or very unsupportive of their business, compared to five per cent across the Asia Pacific region.

**Figure 7: Level of support provided by lenders**

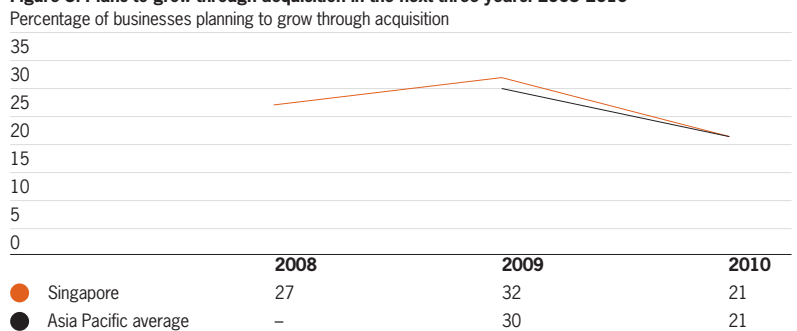


Source: Grant Thornton IBR 2010

### Mergers & acquisitions

- the proportion of businesses in Singapore planning to grow through acquisition this year has fallen, from 32 per cent in 2009 to 21 per cent; this follows a rise of five per cent observed the previous year
- the Asia Pacific average has dropped this year, from 30 per cent in 2009 to 21 per cent.

**Figure 8: Plans to grow through acquisition in the next three years: 2008-2010**

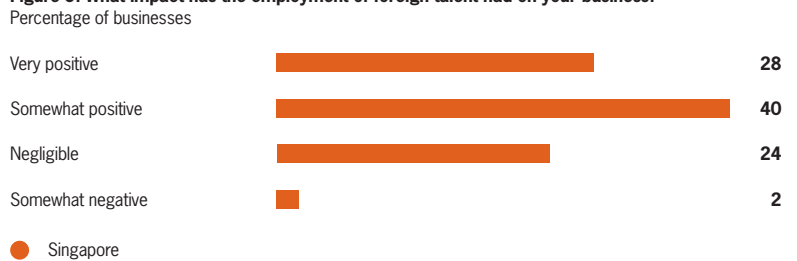


Source: Grant Thornton IBR 2010

### Foreign talent

- two-fifths of businesses in Singapore (40 per cent) believe that the employment of foreign talent has had a somewhat positive impact on business
- two thirds of businesses (68 per cent) believe that employing foreign talent has had a positive impact on their operations
- whilst just two per cent felt that the impact was somewhat negative.

**Figure 9: What impact has the employment of foreign talent had on your business?**

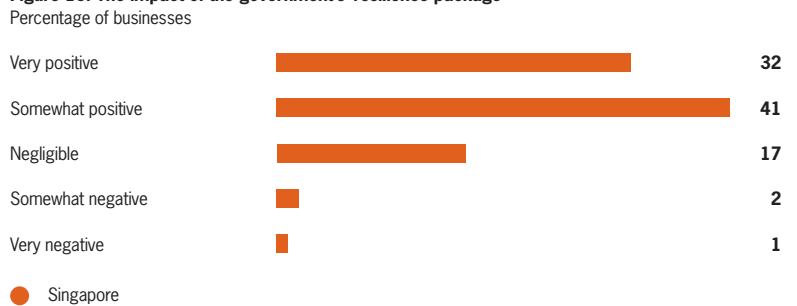


Source: Grant Thornton IBR 2010

### The government's 'resilience package'

- almost three quarters of businesses (73 per cent) believe that the government's resilience package has had a positive effect on their operations
- 17 per cent believe the impact has been negligible
- whilst just three per cent believe that the impact has been somewhat negative or very negative.

**Figure 10: The impact of the government's 'resilience package'**



Source: Grant Thornton IBR 2010

The Grant Thornton International Business Report (IBR) is an annual survey of the views of senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries the report now surveys over 7,400 PHBs in 36 economies providing insights on the economic and commercial issues affecting a segment often described as the 'engine' of the world's economy. In Singapore 150 PHBs were surveyed and these businesses ranged from medium to large in size with total employees of between 50 and 399.

To find out more about IBR and to obtain copies of reports and summaries visit: [www.internationalbusinessreport.com](http://www.internationalbusinessreport.com). The site also allows users to complete the survey and benchmark their results against all other respondents by territory, industry type and size of business.

**Participating economies**

- |                |                |
|----------------|----------------|
| Argentina      | Japan          |
| Armenia        | Malaysia       |
| Australia      | Mexico         |
| Belgium        | Netherlands    |
| Botswana       | New Zealand    |
| Brazil         | Philippines    |
| Canada         | Poland         |
| Chile          | Russia         |
| Mainland China | Singapore      |
| Denmark        | South Africa   |
| Finland        | Spain          |
| France         | Sweden         |
| Germany        | Taiwan         |
| Greece         | Thailand       |
| Hong Kong      | Turkey         |
| India          | United Kingdom |
| Ireland        | United States  |
| Italy          | Vietnam        |



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