

Focus on: Singapore

International Business Report 2012 – Economy focus series

The economy

Having slipped into recession in 2009, following the global financial crisis, Singapore rebounded with double-digit rebound in 2010. The pace of expansion has been more sedate this year, but growth remains robust, particularly in comparison with Western economies. Singapore's open economy could be very vulnerable to the economic storm brewing into the eurozone threatening which is threatening throw the global economy back into recession.

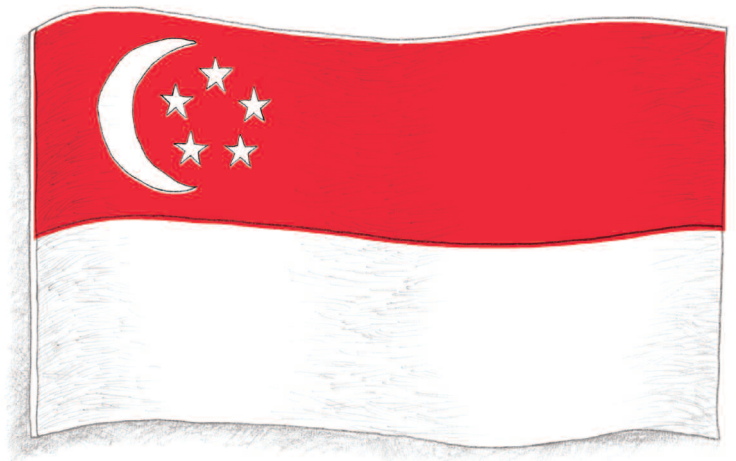
The key indicators¹ are highlighted below:

- the economy expanded 1.9% in the three months to September over the previous quarter, growth of 5.9% compared with the same period in 2010
- manufacturing production climbed by 24.4% from 12 months previously in October, following revised growth of 11.3% in September
- weaker demand from the US and EU saw export growth slide to 2% in October, down from 7% in September
- the seasonally-adjusted overall unemployment rate declined marginally, from 2.1% in June 2011 to 2.0% in September 2011 while preliminary estimates show that total employment grew by 32,300 in the third quarter
- inflation moderated slightly to 5.4% in October as easing transport costs offset rising housing and food prices.

The business perspective

The Grant Thornton International Business Report (IBR) surveys over 11,500 businesses in 40 economies around the world. This report focuses on the experiences of businesses in Singapore and their expectations for the next 12 months, as illustrated in figure 1.

The IBR survey tells us that businesses have lost confidence in the economic outlook over the next 12 months. Business expectations for revenue are in line with those of last year but expectations for profitability have fallen and a lack of skilled workers remains a constraint on potential expansion.



¹ source: International Monetary Fund, The Economist and Experian.

The outlook

The regular balance of the economy – high investment and export levels with budget and current account surpluses – were restored in 2010 as the global economic cycle progressed and Singapore’s key export industries flourished. This year, the economy is expected to expand by 5.1%, decelerating slightly to 4.8% in 2012-16. A full meltdown in the Eurozone is a major downside risk to this forecast.

Higher consumer market growth will increase import demand and reduce the growth contribution of net trade. Furthermore, productivity gains are unlikely to match recent rates and the government will look to replenish its reserves with higher taxes.

Equally important, the longer-term demographic profile shows an eventual fall in the working-age population, which will also constrain growth. Productivity growth will depend on sustained investment (much of it from abroad), especially in the newer production industries and high value services. Employment growth, even at much lower levels from 2013, will depend on raising labour force participation rates.

With half of exports accounted for by the pharmaceutical and electronics industries, the economy’s narrow industrial base will remain a key medium- and longer-term risk. Accordingly, the government’s plans to develop the IT, bio-medical and tourism sectors will be a priority.

Talk to us to find out how we can help you deal with the challenges your business is facing today.

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Figure 1: Key indicators for MLEs

Singapore compared to the Asia-Pacific average	2009	2010	2011	2011
	Sing	Sing	Sing	APAC
Outlook for the economy over the next 12 months				
Net optimism	+11%	+62%	-4%	-9%
Change in employment levels				
Net hiring	-7%	+36%	+33%	+34%
Constraints on expansion				
A lack of skilled workers	33%	27%	26%	37%
Shortage of orders/reduced demand	2%	27%	18%	47%

Source: Grant Thornton IBR 2011



International Business Report results

The Grant Thornton IBR results reveal that global business optimism dipped again in the fourth quarter. Businesses sentiment in Singapore fell sharply from 37% in Q3, to -4% in Q4.

The sovereign debt crisis is weighing heavily on businesses confidence in Europe; business optimism across the European Union dropped to -17% in Q4. However confidence in the BRIC economies ticked upwards to 34%.

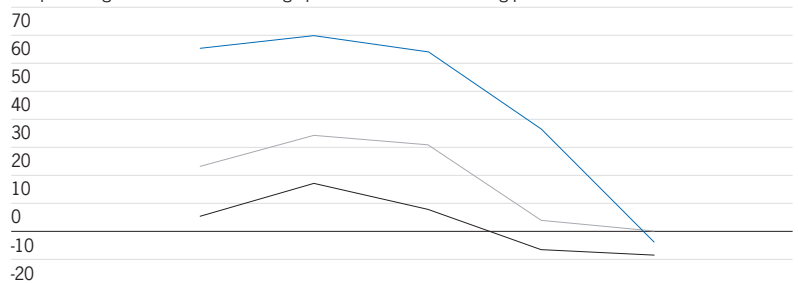
Year-on-year optimism amongst businesses has declined slightly from net 22% in 2010, to net 16% across 2011.

Optimism/pessimism

- businesses optimism in Singapore declined again in Q4, dropping from net 37% to net -4%, down from 64% in Q2
- optimism fell again in the Asia Pacific region, remaining negative at -9%
- globally, business sentiment dropped by 3 percentage points in Q4 to stand at 0% indicating a balance between those optimistic and those pessimistic about 2012.

Figure 2: Outlook for the economy over the next 12 months: 2010-2011

Net percentage of businesses indicating optimism less those indicating pessimism



	Q4-2010	Q1-2011	Q2-2011	Q3-2011	Q4-2011
● Singapore	65	70	64	37	-4
● Asia-Pacific	5	17	8	-7	-9
● Global	23	34	31	3	0

Source: Grant Thornton IBR 2011



² the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

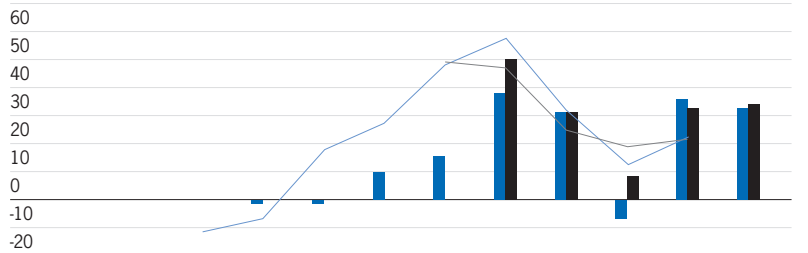
³ for the purposes of IBR, the term 'Asia-Pacific' refers to those Asia-Pacific economies covered by our survey – Australia, mainland China, Hong Kong, India, Japan, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam.

Employment

- net 33% of businesses in Singapore expect employment to grow in 2011, compared with 34% of businesses across the Asia-Pacific region
- actual employment growth reported by businesses in Singapore over the past 12 months (32%) was slightly lower than expected this time last year (36%).

Figure 3: Employment history: 2002-2011

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



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
Exp. Singapore	-	-1	-1	10	16	38	31	-7	36	33
Exp. Asia-Pacific	-	-	-	-	-	50	31	8	33	34
Act. Singapore	-12	-7	18	27	48	57	32	13	32	-
Act. Asia-Pacific	-	-	-	-	49	47	25	19	31	-

*actual 2011 data will be documented in IBR 2012

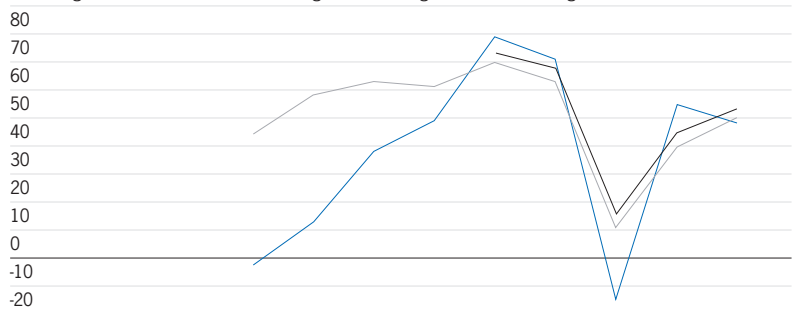
Source: Grant Thornton IBR 2011

Revenue expectations

- expectations for increasing revenues across the year have fallen slightly compared with 2010, down from net 55% to 48%
- the Asia-Pacific business average has risen by 8 percentage points, from 45% last year to 53% this year
- globally, expectations rose from 40% in 2010 to 50% in 2011.

Figure 4: Revenue expectations: 2003-2011

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



	2003	2004	2005	2006	2007	2008	2009	2010	2011
Singapore	-3	13	38	49	79	71	-15	55	48
Asia-Pacific	-	-	-	-	73	68	16	45	53
Global	44	58	63	61	70	63	11	40	50

Source: Grant Thornton IBR 2011

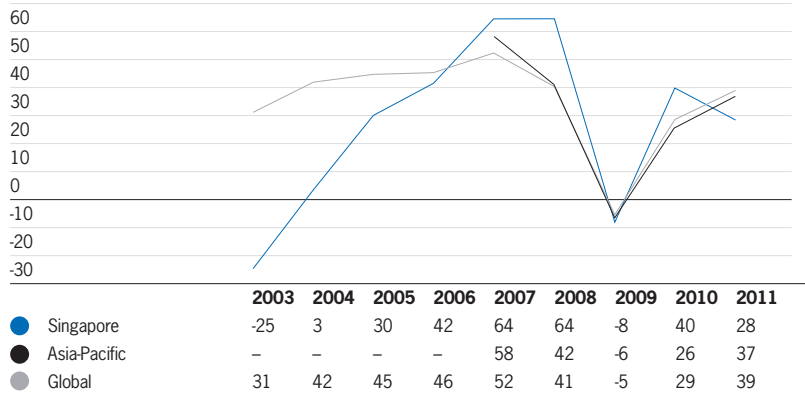


Profitability expectations

- businesses expectations for increasing profits in Singapore has fallen over the past 12 months
- across 2011 net 28% of businesses in Singapore expected their profits to rise compared with 40% in 2010
- the Asia-Pacific and global business averages both rose by 11 percentage points to 37%.

Figure 5: Profitability expectations: 2003-2011

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



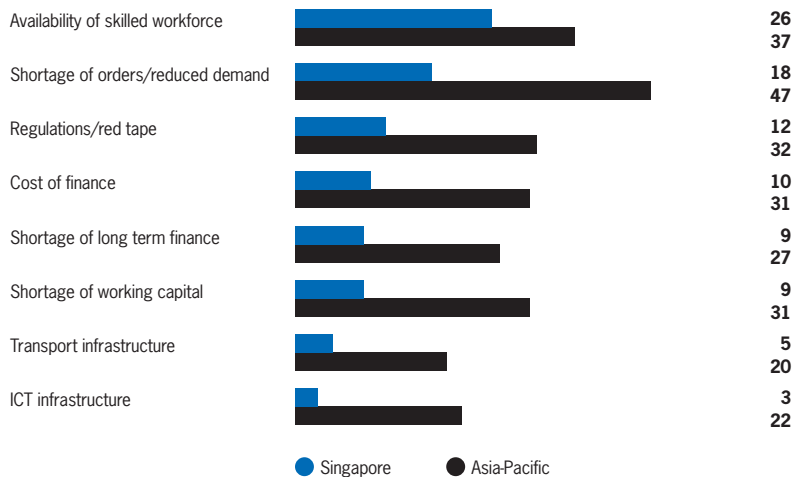
Source: Grant Thornton IBR 2011

Constraints

- the availability of skilled workers (26%) is cited as the most pressing constraint on expansion by businesses in Singapore this year, although this is well below the Asia-Pacific business average (37%)
- overall, businesses in Singapore face far fewer constraints than peers across the Asia-Pacific region.

Figure 6: Constraints on expansion

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



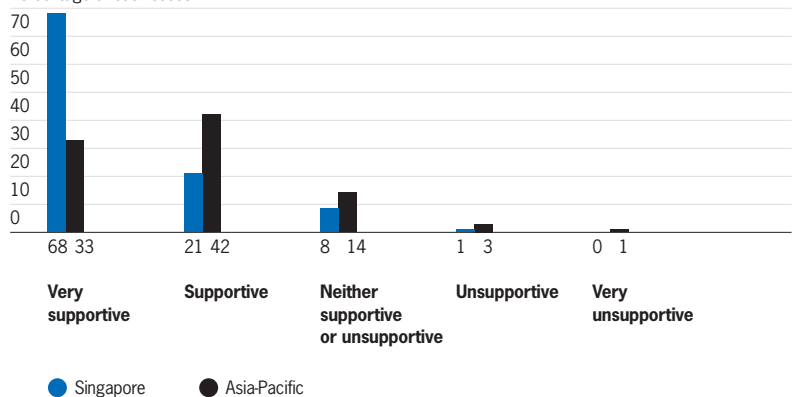
Source: Grant Thornton IBR 2011

Support of lender

- the majority of businesses in Singapore are happy with the level of support provided by lenders; 89% class lenders as supportive or very supportive towards their business
- this compares with 75% of businesses in the Asia-Pacific region as a whole
- just 1% of businesses in Singapore believe that lenders are unsupportive business.

Figure 7: Level of support provided by lenders

Percentage of businesses



Source: Grant Thornton IBR 2011

The Grant Thornton International Business Report (IBR) is a quarterly survey of around 2,800 senior executives in privately-held and listed businesses all over the world. Launched in 1992 in nine European countries the report now surveys more than 11,500 businesses leaders in 40 economies on an annual basis providing insights on the economic and commercial issues affecting companies globally.

In Singapore, 200 businesses were surveyed across all industry sectors. These businesses ranged from medium to large in size with total employment between 50 and 399. Data for this report were drawn from interviews conducted between January and December 2011.

To find out more about IBR and to obtain copies of reports and summaries visit: 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	Malaysia
Armenia	Mexico
Australia	Netherlands
Belgium	New Zealand
Botswana	Peru
Brazil	Philippines
Canada	Poland
Chile	Russia
Mainland China	Singapore
Denmark	South Africa
Finland	Spain
France	Sweden
Georgia	Switzerland
Germany	Taiwan
Greece	Thailand
Hong Kong	Turkey
India	United Arab Emirates
Ireland	United Kingdom
Italy	United States
Japan	Vietnam



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