Singapore

International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance[1] of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent. Meanwhile, PHBs in Singapore are still as optimistic about 2008 (+84 per cent) as they were about 2007 (+84 per cent).

Optimism amongst businesses in East Asia[2] is in line with the global average, although levels of optimism do vary throughout the East Asian economies. Overall optimism has fallen since 2007. This year +39 per cent of all East Asian businesses are positive about their economy compared to a balance of +54 per cent in 2007. However, East Asia continues to present a very mixed picture with optimism/pessimism balances ranging from +95 per cent in the Philippines to -49 per cent in Japan.

1 the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.
2 for the purposes of IBR, the term 'East Asia' refers to those East Asian economies covered by our survey – mainland China, Hong Kong, Japan, Malaysia, the Philippines, Singapore, Taiwan, Thailand and Vietnam

The Singaporean economy

The Singaporean economy boomed in 2007, but the first signs of a slowdown emerged towards the end of the year. While the consumer recovery continues apace, booming investment has been the key, as the authorities target the shortage in commercial property. The volume of exports, whilst still growing strongly, have slowed from the double-digit rates seen in 2003-06. Strong domestic demand has meant that while the economy revolves around foreign trade, the sector is no longer such a driver of growth from an accounting standpoint. Strong investment in infrastructure and capital goods is sucking in imports.

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Business expectations/revenue

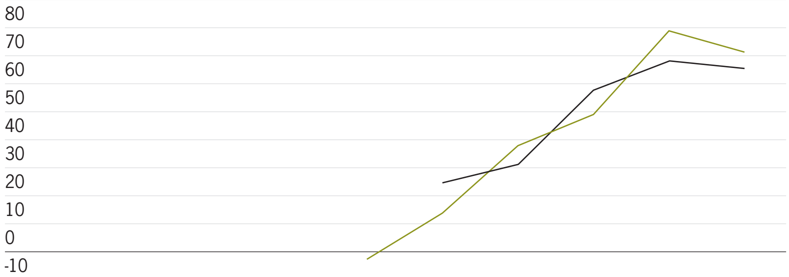
- PHBs in Singapore are less optimistic about revenue prospects (+71 per cent) compared to 2007 (+79 per cent).
- Their levels of optimism regarding revenue performance are also above both the East Asian regional average (+65 per cent) and the global average (+63 per cent).
- The level of optimism in investments in new buildings is just 11 per cent, far below the East Asian (20 per cent) and global (25 per cent) averages.

Employment

- Expected employment growth in Singapore has fallen from +38 per cent in 2007 to +31 per cent in 2008.
- Businesses in East Asia are now less optimistic with regard to employment growth than Singaporean businesses.
- Actual reported employment growth in Singapore has risen from a balance of +48 per cent in 2006 to a balance of +57 per cent in 2007, this is above the East Asian average of 40 per cent.

Figure 1: Revenue expectations for Singapore and the East Asian average 2003-2008

Percentage balance of businesses indicating optimism against those indicating pessimism

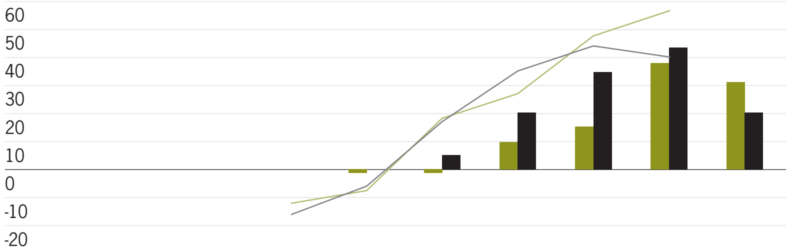


	2003	2004	2005	2006	2007	2008
Singapore	-3	13	38	49	79	71
East Asia	–	24	31	58	68	65

Source: Grant Thornton IBR 2008

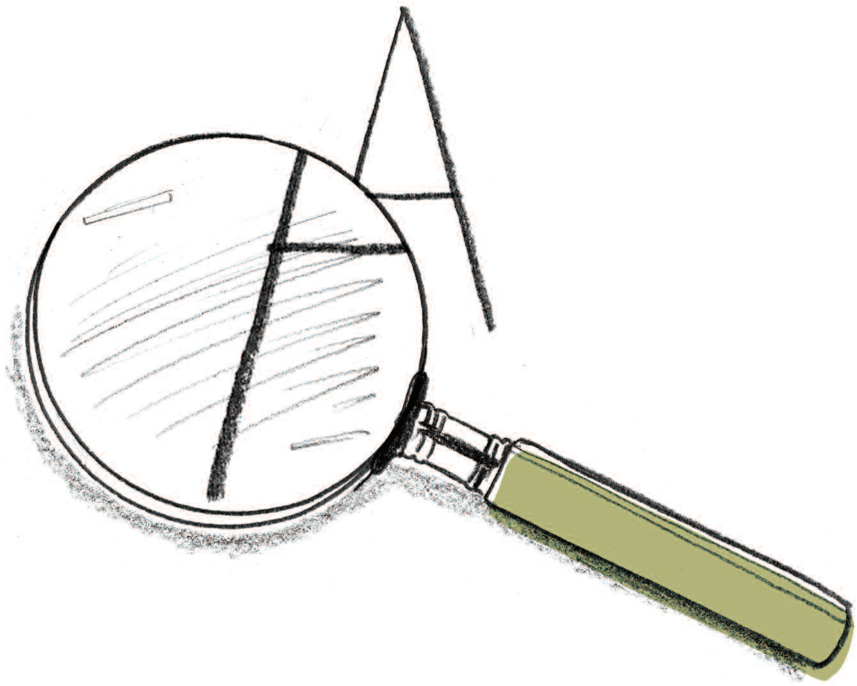
Figure 2: Employment history of Singapore and the East Asian average 2002-2008

Percentage balance of businesses indicating optimism against those indicating pessimism



	2002*	2003	2004	2005	2006	2007	2008**
Expected Singapore	–	-1	-1	10	16	38	31
Expected East Asia	–	–	5	20	35	44	20
Actual Singapore	-12	-7	18	27	48	57	–
Actual East Asia	-17	-6	17	35	44	40	–

*no data available
**2008 data will be documented in IBR 2009
Source: Grant Thornton IBR 2008



Constraints

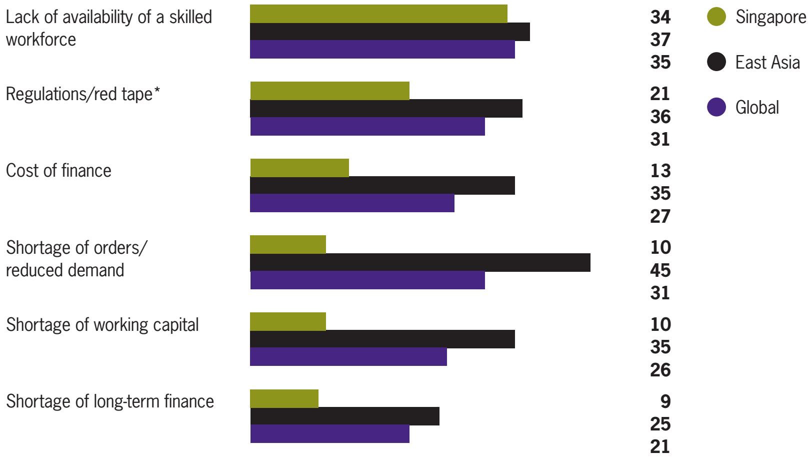
- The lack of availability of a skilled workforce is the constraint restricting expansion, cited most by businesses in Singapore (34 per cent).
- All these factors are more of an issue for businesses in East Asia and globally than for Singaporean businesses.
- Just ten per cent of businesses in Singapore cite shortage of orders/demand as a constraint, compared to 45 per cent of all East Asian businesses.

Emerging markets

- The most important factor to Singaporean businesses, when determining whether to invest internationally, is political and economic stability; cited by 78 per cent of Singaporean businesses.
- The number of Singaporean businesses which export (60 per cent) was much higher than the global average (39 per cent) and up ten per cent from 2007.
- 65 per cent of Singaporean businesses import which is far above the global average of 39 per cent.
- More than half of Singaporean businesses see their main competition as being local, as opposed to just over a third of all businesses.

Figure 3: Largest constraints on growth for Singapore businesses compared to the East Asian and the global average

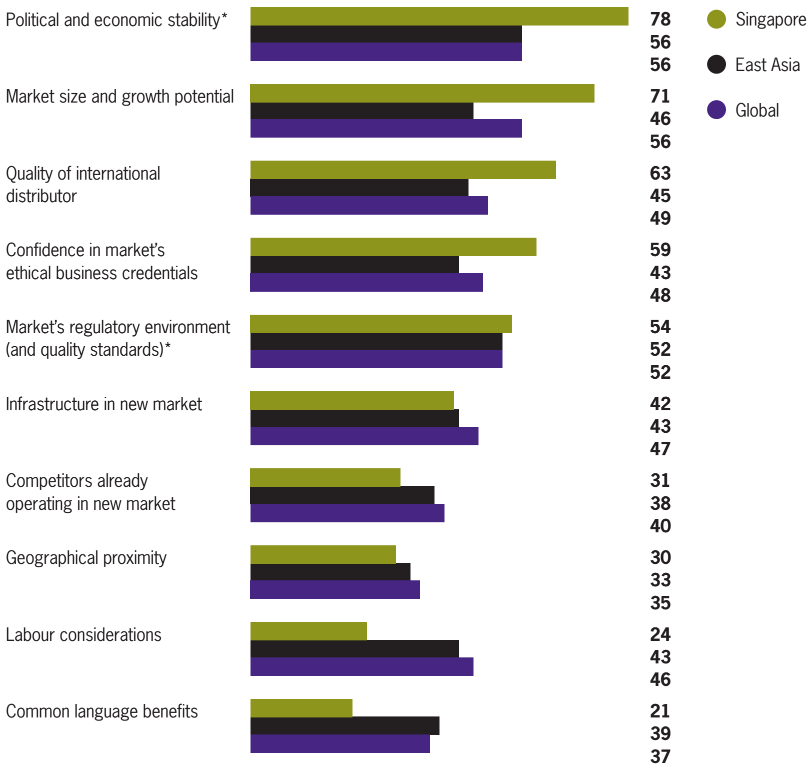
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



*excluding mainland China
Source: Grant Thornton IBR 2008

Figure 4: Importance of factors determining foreign investment

Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



*excluding mainland China
Source: Grant Thornton IBR 2008

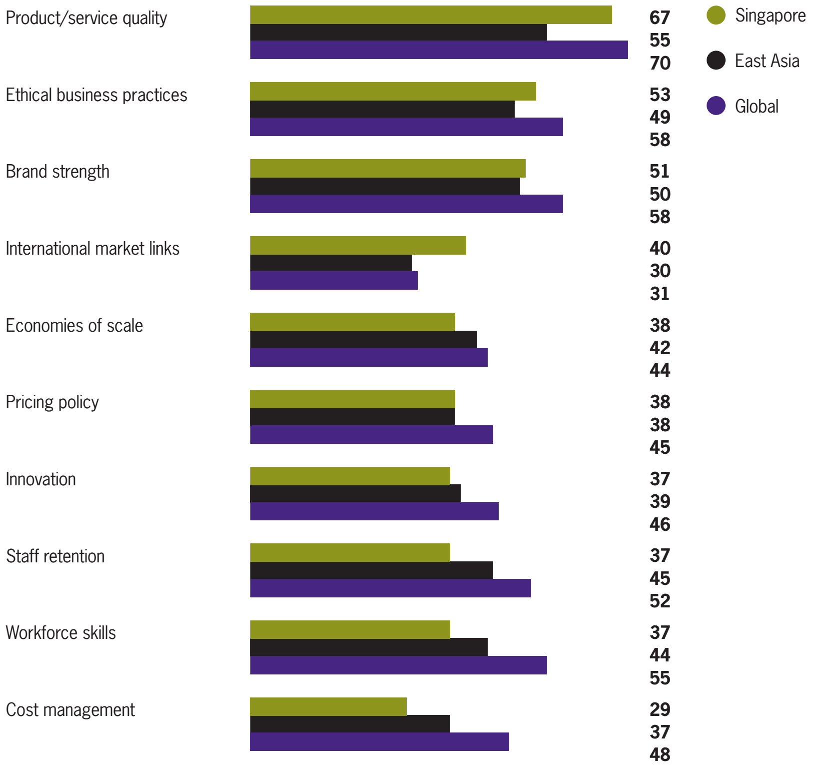
Competitiveness

- Singaporean PHBs see their greatest source of competitive advantage as product service quality (67 per cent), as is true of global businesses (70 per cent).
- 53 per cent of Singaporean businesses see adherence to ethical business practices as a source of competitive advantage, which is slightly lower than the global business average of 58 per cent.
- Cost management is cited by 48 per cent of businesses globally but by just 29 per cent of Singaporean businesses.

Corporate social responsibility (CSR)

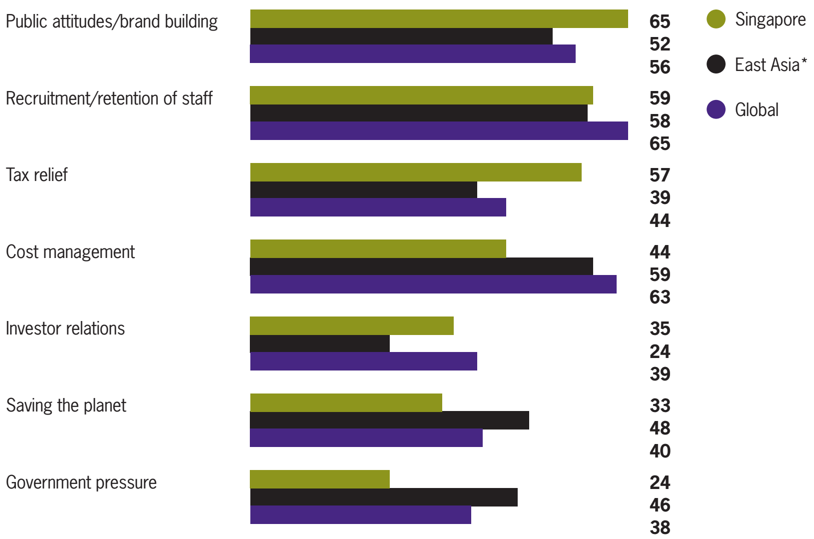
- Public attitudes/building brands is viewed as the biggest driver towards more ethical practices by Singaporean businesses (65 per cent), this is higher than the East Asian (52 per cent) and global (56 per cent) averages.
- 56 per cent of Singaporean businesses donated to community causes/charities in the past year, which is higher than the East Asian average of 49 per cent.
- 49 per cent of Singaporean businesses have incorporated their policies in to a written CSR document, this is significantly lower than the East Asia average (61 per cent).

Figure 5: Main sources of competitive advantage for Singapore businesses compared to the East Asian and the global average
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

Figure 6: Importance of drivers to more ethical practices for Singapore businesses compared to the East Asian and the global average
Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important

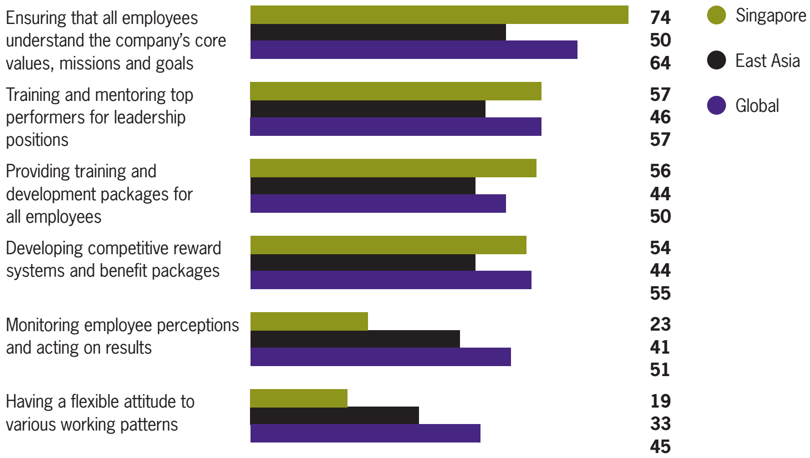


*excluding mainland China
Source: Grant Thornton IBR 2008

Recruitment and retention

- The balance of Singaporean businesses more focused on retention than those one year ago is 30 per cent, up from 16 per cent in 2005, a similar rise to businesses globally.
- 74 per cent of Singaporean businesses ensure that all employees understand the company's core values, mission and goals to aid recruitment/retention, this is higher than the global average of 64 per cent.
- Cited by 36 per cent of Singaporean businesses, increased operating costs are viewed as the major problem staff retention issues have caused.
- It is costing 78 per cent of Singaporean businesses significantly more to pay their staff than it was 12 months ago, this is above both the East Asian (68 per cent) and global (63 per cent) averages.

Figure 7: Usage of recruitment and retention tools for Singapore businesses compared to the East Asian and the global average
Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

Outlook for the Singaporean economy

While indicators of domestic demand remain healthy in early 2008, export-led industries are taking the brunt of the sharp Singaporean slowdown. Industrial production slowed sharply in late 2007.

Over the next two years domestic demand will be the main driver of growth, especially investment, which is being boosted by measures to address the shortage of commercial property. Trade will still play an important role, even if its net contribution to growth is in different modes. That points out the major risk to the outlook: a sharper slowdown in global growth. This would hit export volumes and would likely dampen consumer spending growth. Investment would be affected, but less so, as several of the major projects have already been funded with work having already begun.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit www.internationalbusinessreport.com.

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

Participating economies

Argentina
Armenia
Australia
Belgium
Botswana
Brazil
Canada
Mainland China
Denmark
France
Germany
Greece
Hong Kong
India
Ireland
Italy
Japan
Malaysia
Mexico
Netherlands
New Zealand
Philippines
Poland
Russia
Singapore
South Africa
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