

INSTITUTE OF  
CERTIFIED  
PUBLIC  
ACCOUNTANTS  
OF SINGAPORE



CPA SINGAPORE

# BUSINESS CONFIDENCE INDEX Q1 2009



 **CPA**  
SINGAPORE

## ABOUT ICPAS

**ESTABLISHED IN JUNE 1963, INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF SINGAPORE (ICPAS) IS THE NATIONAL ACCOUNTANCY BODY THAT DEVELOPS, SUPPORTS AND ENHANCES THE INTEGRITY, STATUS AND INTERESTS OF THE ACCOUNTANCY PROFESSION IN SINGAPORE.**

Today, the Institute has over 20,000 members and/or Certified Public Accountants Singapore (CPAs Singapore) working and making their mark worldwide, which makes the *CPA Singapore* a designation with international recognition.

*CPA Singapore* is a professional in accountancy, finance and business who has the relevant work experience in addition to a recognised accountancy qualification. They are highly versatile and well sought after as business leaders beyond the accountancy, banking and finance industries.

ICPAS' international outlook and connections are reflected in its membership of regional and international professional organisations like the ASEAN Federation of Accountants (AFA), the Asia-Oceania Tax Consultants' Association (AOTCA) and the International Federation of Accountants (IFAC).

The Institute also caters for the training and professional development of its members through regular courses conducted by its training arm, Singapore Accountancy Academy (SAA). The Academy was established in 1985 with a vision to service and foster the needs of the accountancy industry. It has trained thousands of individuals to upgrade their education and career needs through various academic and continuing professional education programs. There are currently more than 3,000 part time and full time students studying at SAA, with students from Singapore, China, Vietnam, Myanmar, Indonesia, Philippines, and other countries in the Asia Pacific region.

# CONTENTS

**2**

EXECUTIVE OVERVIEW

**3**

SURVEY FINDINGS

**8**

PROFILE OF PARTICIPANTS

**9**

METHODOLOGY

**10**

QUESTIONNAIRE

**12**

CONFIDENTIALITY STATEMENT,  
DISCLAIMER, ICPAS PRIVACY POLICY

The past six months have seen unprecedented volatilities in the financial markets, with major financial institutions being bailed out by the U.S. and European governments. Many strategists have expressed the possibility of a repeat of the 1929 to 1932 economic scenario as experienced in the Great Wall Street crash during that period leading to the Great Depression.

Year 2009 started off on shaky ground as we continue to experience the impact of the financial crisis. What at first seemed to be a banking crisis rapidly spread from Wall Street to main street, plummeting corporate America and expectedly, the rest of the world.

Singapore is facing the country's worst slump since independence as Asian economies continue to fall. Growth in China's economy slowed sharply in the last quarter of 2008 to just 6.8 per cent. Japan warned that it was facing a two-year recession and South Korea saw a 5.6 per cent contraction, quarter-on-quarter, in the final three months of 2008.

The outlook for Singapore for the rest of 2009 is indeed gloomy. According to Forbes (2009), a Morgan Stanley report in October 2008 predicted the economy will slide further down, with the deceleration in the services becoming more severe. The brokerage also said that Phase I has already panned out in a significant way for sectors with trade linkages and asset market linkages, while Phase II will unfold as the external linkages spill over to the inner core of the economy. This protracted downturn, with continued contraction in the first quarter of 2009, cannot be ruled out.

The weak market sentiment is also reflected in the *CPA Singapore Business Confidence Index* for the first quarter of 2009. 95 per cent of the

accounting professionals who responded to the survey conducted in January 2009 think the Singapore economic condition has worsened compared to six months ago. 86 per cent of them expect the local economy to worsen in the next six months.

Sales growth, collection as well as consumer confidence seem to be weighing on the minds of accounting professionals.

Confidence is lowest for manufacturing, wholesale and retail trade as well as finance services. In comparison, healthcare, construction as well as information and communications are expected to perform better.

While the labour market is bracing itself for wage cuts and more retrenchments, the indication from accounting professionals does not seem as daunting. A majority of the respondents (seventy per cent) indicated that their companies are looking at maintaining headcount while 24 per cent are looking at reducing it.

At the time of this report, the Singapore Government has also announced that it is dipping into Singapore's official reserves for the first time to help businesses and Singaporeans to cope with the downturn. The aggressive Budget include tax, cost reduction, financing and cash in the hands of businesses. However, given the depth and breadth of the financial crisis, no one really knows how the situation will pan out and it remains to be seen how businesses will be able to ride out this storm.

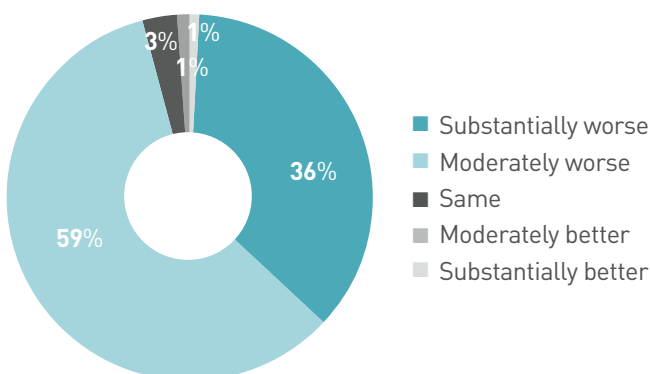
## ACCOUNTING PROFESSIONALS NOT CONFIDENT ABOUT THE ECONOMIC OUTLOOK

Optimism about the Singapore economy amongst accounting professionals has declined. An overwhelming 95 per cent of respondents rated the current Singapore economic conditions as less favourable now compared to six months ago.

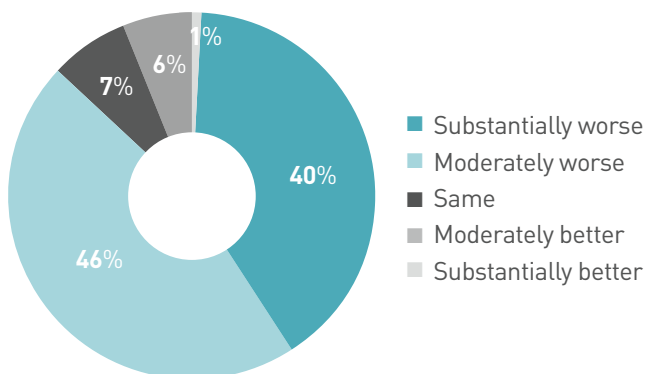
Weaker than expected retail sales, unemployment and industrial production in the U.S. and Europe and falling Asian exports forced the Government to rethink its expectations for this year. As such, Singapore slashed its 2009 growth forecast for a second time in January, saying the economy could shrink as much as five per cent, as the city-state reels from plunging demand for its exports. Singapore's gross domestic product is now expected to contract between two per cent and five per cent this year, according to Ministry of Trade and Industry on 21 January.

The outlook for the next six months is still dim as 86 per cent still expressed pessimism, expecting the economy to worsen. A minority expects the economy to remain the same (seven per cent) or to improve (seven per cent).

**FIGURE 1**  
View on Singapore economic conditions now compared to 6 months ago



**FIGURE 2**  
Expectations of Singapore economy in the next six months



## OUTLOOK FOR BUSINESS WORSENS

The outlook for businesses for the next six months is bleak, with 75 per cent expressing their negative view of how things will be like for their companies looking at the short term. Eighteen per cent indicated that their businesses would remain the same while seven per cent expects the situation to improve despite all odds.

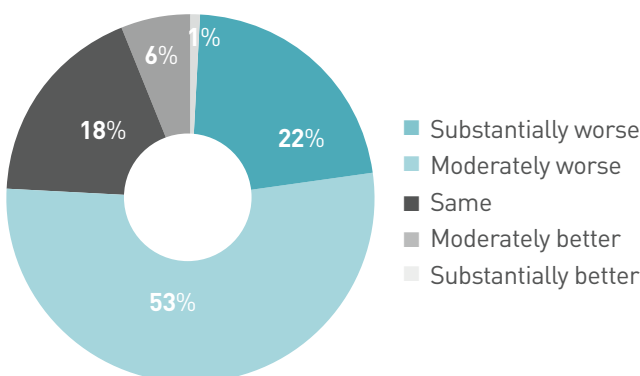
## SALES GROWTH THE TOP CONCERN FOR BUSINESSES

Sales growth is the top concern for businesses under the current economic climate, followed by Accounts Receivable. High costs ranked third.

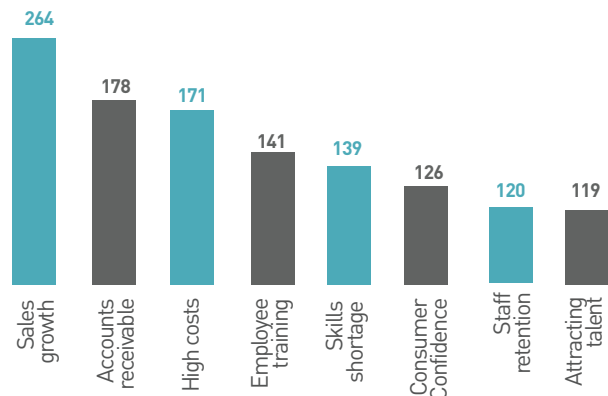
Attracting talent and staff retention are the least worries of businesses under the current climate. However, businesses are concerned with employee training, which ranked fourth on the top concerns.

Earlier in January 2009, ICPAS cautioned that cutting back on training during economic downturn may have long-term negative consequences to businesses. Since training motivates people, a cutback on this would reduce morale especially during these uncertain times. Staff who are not kept up to date with the latest developments are unable to effectively help the company stay competitive. Moreover, staff who update their skills through continued training during a downturn will be able to take advantage of the changing economy when it picks up.

**FIGURE 3**  
Business outlook for 2009



**FIGURE 4**  
Top concerns for businesses\*



\* Results are expressed in absolute numbers.

Other common issues of concern raised by accounting professionals are cash flow management and difficulties in securing funds and loans.

Under Singapore's Budget 2009, the Government has rolled out measures to help cash-strapped firms. Amongst others, the two major measures are the cut in corporate tax from eighteen per cent to the current seventeen per cent as well as Special Risk-Sharing Initiatives (SRI). Under SRI, the Government will share eighty per cent of the risk of new bank lending to all local businesses and foreign SMEs from 1 February for one year. Loans up to S\$5 million and up to four years maturity qualify, including the refinancing of existing loans.

### INVESTMENT WILL BE REDUCED OR REMAIN STAGNANT

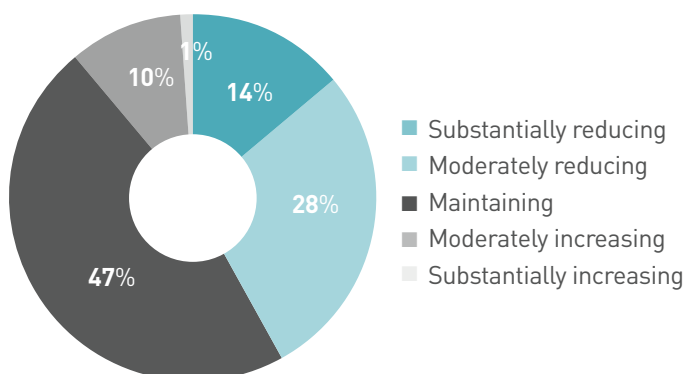
In this deteriorating financial situation, almost half (47 per cent) of respondents shared that their companies will be maintaining the level of investment. 42 per cent believed that businesses will reduce investment while only eleven per cent expect investment to grow. This is reflective of the current market sentiment.

### BEST AND WORST PERFORMING SECTORS

As for the economic outlook by industry sectors, the healthcare sector, that is seemingly recession-proof, leads in the better performing category, as voted by ninety per cent of respondents. This sentiment mirrors a report by The Straits Times, which quoted industry watchers that despite the economic gloom, 46 per cent of healthcare providers plan to hire in the coming months for positions such as sales, marketing and clinical trials, indicating that this sector remains strong.

The outlook for the information and communications industry is looking bright too, and not just according to almost seventy per cent of respondents who believe the sector will grow or stay resilient. Singapore Infocomm Technology Federation (SITF)'s recent study of 86 infocomm firms in Singapore has shown that sixty per cent were forecasting positive growth in 2009, with half of the 49 local firms surveyed expecting to expand overseas and one third of the 37 multinational groups considering taking on more staff.

**FIGURE 5**  
Investment climate



Financial services, hotels and restaurants, manufacturing, and wholesale and retail sectors scored the lowest on the optimism scale.

Indeed, Singapore's tourism industry missed its target for 2008 by some 700,000 visitors and Singapore Tourism Board expects 2009 to be a challenging year too as the global economic recession curtails consumer spending and holiday plans.

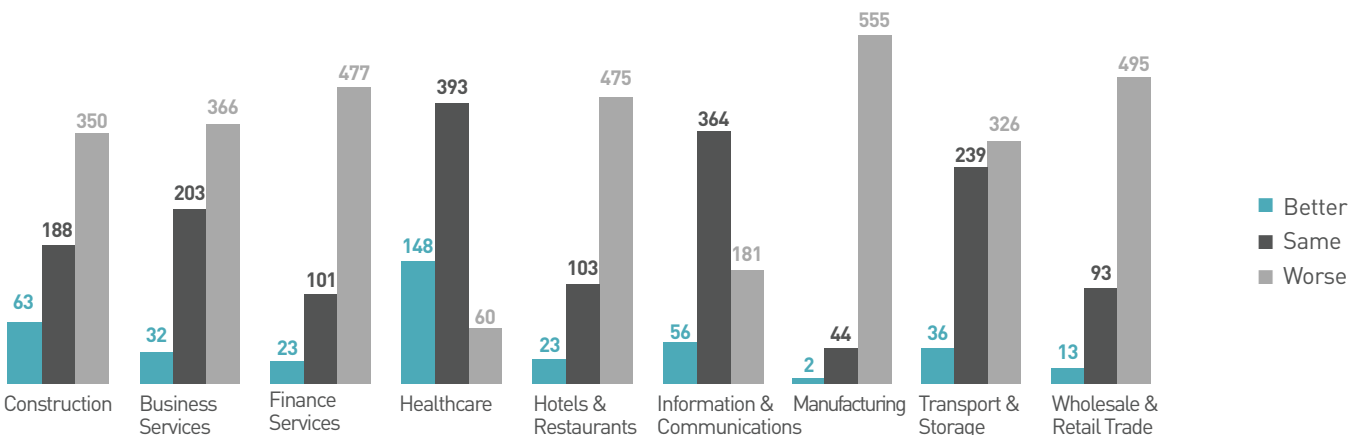
Financial Times<sup>1</sup> also reported that all of Singapore's manufacturing industries are suffering, with the exports of electronics falling for a twentieth consecutive month in November 2008. The Ministry of Trade and Industry also announced on 21 January that manufacturing fell 13.5 per cent in December 2008 from the same month the year before and dropped eleven per cent from the previous month.

## INFLATION LIKELY TO FALL

67 per cent of respondents expect the inflation rate to drop in the next half a year, taking in the fact that Singapore's inflation rate fell to an eleven-month low in November 2008, as plunging oil prices lowered gasoline costs, according to data released by Statistics Singapore (2009).

The Government also lowered its inflation forecast for this year, now expecting a range between no change in prices and a one per cent drop from an earlier estimate of prices rising between one per cent and two per cent. According to the statistics department, prices fell 0.6 per cent in December 2008 and rose 4.3 per cent in 2007.

**FIGURE 6**  
Economic outlook for the various sectors in 2009\*



\* Results are expressed in absolute numbers.

<sup>1</sup> Financial Times, 22 December 2008

## HIRING EXPECTED TO FALL

Following the economic meltdown in late September 2008, the first two weeks of December 2008 alone saw announcements of planned cuts at companies from across industries including Development Bank of Singapore, Neptune Orient Lines, Philips and Yahoo.

In January 2009, Ministry of Manpower said that more retrenchments are expected at the end of the month, and it will be white-collar workers or PMETs (professionals, managers, executives and technicians) who will take the biggest hit. In a signal that a wave of retrenchments may be on the way, the number of unionised workers told to go on a shorter work week or to clear their leave has risen drastically since the new year began. In the second week alone, there was a 25 per cent jump from 12,000 as at end-December 2008, according to National Trades Union Congress.

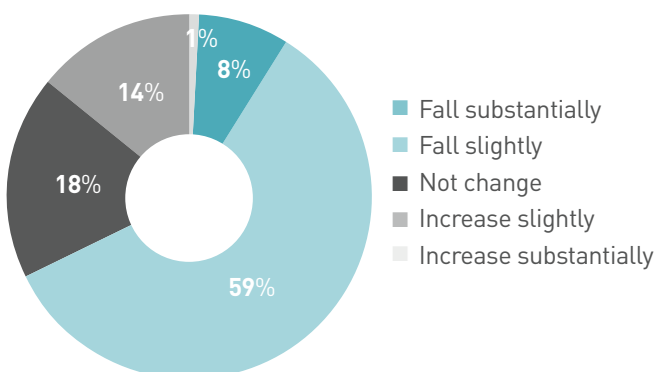
Undoubtedly, manpower makes up a significant portion of a company's total expenditure, and total wages could form a quarter of total spending for capital-intensive companies and about seventy per cent for service-related ones. So when companies think of cost-cutting, hiring and retrenchment are considered big ticket items.

Keeping this in mind, seventy per cent of respondents believe that their companies will adopt a hiring freeze. In a separate survey by Watson Wyatt in end-2008, it found that local companies would consider freezing salaries rather than axing staff when dealing with the financial crisis.

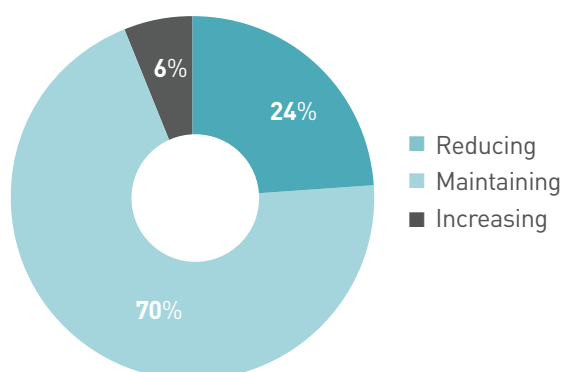
24 per cent of respondents think their organisations will embark on a retrenchment exercise. Just six per cent of the respondents think that hiring will increase. This could possibly be the hiring of fresh graduates, as indicated in a recent survey of some 120 firms by National University of Singapore, which showed that ninety per cent of these companies will still take in new blood.

The overall results can be interpreted as heartening, compared to the Government projected unemployment rate for 2009 of 4.5 per cent or higher. In fact, based on a survey by TNS and Gallup International, just thirty per cent of Singaporean workers think there is a chance they might join the ranks of the unemployed this year, and Channel NewsAsia<sup>2</sup> reported in January that Singapore firms are keen to keep and retrain their staff so as to prepare for the eventual rebound.

**FIGURE 7**  
Expectation of inflation rate in the next six months



**FIGURE 8**  
Employment decisions in the next six months



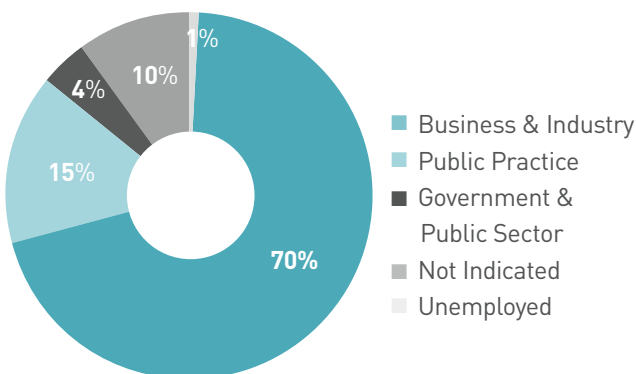
<sup>2</sup> Channel NewsAsia, 5 January 2009

# PROFILE OF PARTICIPANTS

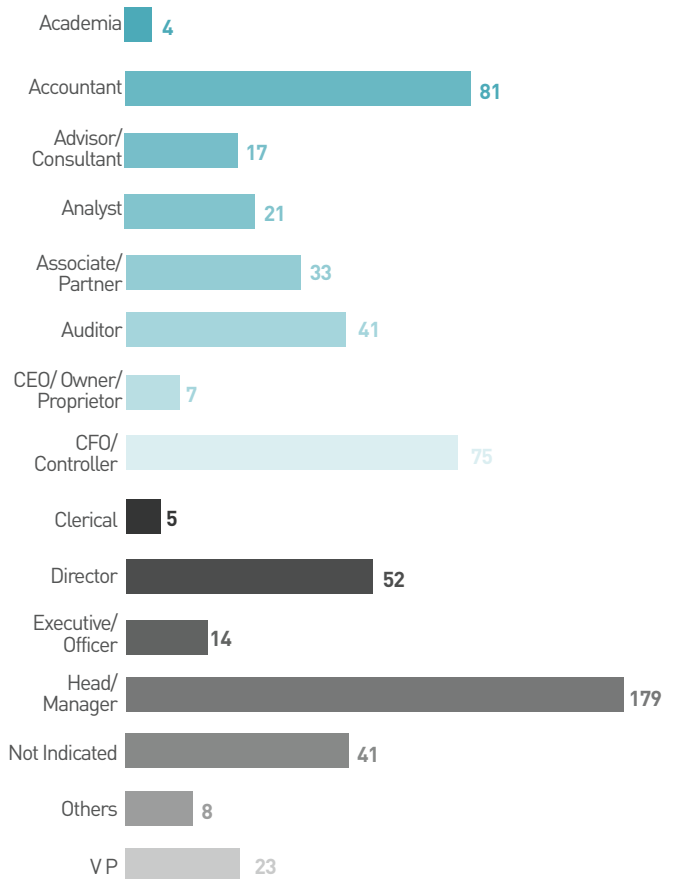
16,418 ICPAS members and/or CPAs Singapore are invited to participate in the survey via email. A total of 601 respondents took part in the survey, making the response rate of 3.7 per cent.

The respondents included business leaders in the managerial or directorial level, academics and accounting and finance professionals who are able to provide a convincing outlook on the economy based on their personal and industrial experience. They represented an expansive range of firms from an array of industries.

Organisation Type



Positions Held Within the Company



\* Results are expressed in absolute numbers.

The objective of the survey is to find out how ICPAS members and/or CPAs Singapore perceive the present and future business climate in Singapore. It also provides information on what the key players in the business community are thinking.

The data for the construction of the survey is derived between 2 to 15 January 2009, with the online survey questionnaire comprising eight close-ended questions.

This survey utilises online research methodologies to ensure the speed of response. An online survey was used because it is cost effective, timely and user-friendly.

In answering these eight questions, the respondents had to choose one of the alternatives in the seven multiple-choice questions (Questions 1 to 3, 5 and 7 to 8) and two ordinal questions (Questions 4 and 6). These questions focused on the forecasting of business conditions for the rest of the year and the current status as compared to the previous six months. In analysing the survey data, the results are presented in percentage values, unless otherwise specified.

In order to determine how accurate the survey results are, we have estimated the error and confidence level. Error measures how sure we are that our results have an error of no more

than X per cent while confidence determines what we feel towards the error level.

Expressed as a percentage, it is the same as saying if we were to conduct the survey multiple times, how often we would expect to get similar results. Based on the accuracy calculator by *CustomInsight\**, a company that provides web-based survey software and tools, our survey yielded 95 per cent confidence with a 3.9 per cent error level. This means that if we were to conduct the same survey one hundred times, the results would be within +/-3.9 per cent of the first time we ran the survey 95 times out of one hundred. A good rule of thumb is to aim for 95 per cent confidence with a 5 per cent error level, which this survey has managed to achieve.

\* CustomInsight Survey Random Sample Calculator: <http://www.customerinsight.com/articles/random-sample-calculator.asp>

# QUESTIONNAIRE

10

ICPAS BUSINESS CONFIDENCE INDEX Q1 2009

1. **How would you rate the Singapore economic conditions now compared to six months ago?**
  - a. Substantially worse
  - b. Moderately worse
  - c. Same
  - d. Moderately better
  - e. Substantially better
  
2. **What are your expectations of the Singapore economy in the next six months?**
  - a. Substantially worse
  - b. Moderately worse
  - c. Same
  - d. Moderately better
  - e. Substantially better
  
3. **In the next six months, do you think your business situation will be**
  - a. Substantially worse
  - b. Moderately worse
  - c. Same
  - d. Moderately better
  - e. Substantially better
  
4. **The top issues concerning your business are (Please rank in terms of importance):**
  - a. Attracting talent
  - b. Accounts receivable / collection
  - c. Consumer confidence
  - d. Employee training
  - e. High costs
  - f. Sales growth
  - g. Skills shortages
  - h. Staff retention
  - i. Others, please specify: \_\_\_\_\_
  
5. **In the next six months, in terms of investment, your business is looking at**
  - a. Substantially reducing investment
  - b. Moderately reducing investment
  - c. Maintaining investment
  - d. Moderately increasing investment
  - e. Substantially increasing investment

# QUESTIONNAIRE

**6. Please select the rating that best describes your view for the economic outlook for Singapore for 2009.**

	Better	Same	Worse
a. Construction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Business Services (Accounting, Architectural and Engineering, Consultancy, Legal, Real Estate)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Finance Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Healthcare	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Hotels and Restaurants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Information and Communications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Manufacturing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Transport and Storage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Wholesale & Retail Trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**7. For the next six months, inflation rate in Singapore will**

- a. Fall substantially
- b. Fall slightly
- c. Not change
- d. Increase slightly
- e. Increase substantially

**8. In terms of employment in the next six months, your company is looking at**

- a. Reducing headcounts
- b. Maintaining headcounts
- c. Increasing headcounts

# CONFIDENTIALITY STATEMENT, DISCLAIMER, ICPAS PRIVACY POLICY

## CONFIDENTIALITY STATEMENT

The *CPA Singapore Business Confidence Index* is confidential and copyrighted. The survey information may only be used within the recipients' own organisation, unless otherwise advised by ICPAS. Recipients are not allowed to print, copy or reproduce by any method, the results of the report, or part thereof, without the Institute's permission.

## DISCLAIMER

The *CPA Singapore Business Confidence Index* is designed to provide information on members' outlook on the current and future status of the Singapore economy and as such does not claim to be conclusive and should not be instructional. This report has been produced using members' opinions on the economy and hence should not be used as a guide. ICPAS will bear no responsibility or be liable for any loss or damage experienced by any persons or party in regard of the reliance on, or use of, the content in this report.

## ICPAS PRIVACY POLICY

The data collected by ICPAS from this survey is kept confidential and secure. ICPAS respects the privacy of its members and the information entrusted to it by respondents. Personal information given in the survey will not be disseminated, in any form, to the public.



