

INSTITUTE OF
CERTIFIED
PUBLIC
ACCOUNTANTS
OF SINGAPORE



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BUSINESS
CONFIDENCE
INDEX
Q22009



Institute of
Certified Public Accountants
of Singapore

 **CPA**
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ABOUT ICPAS

ESTABLISHED IN 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 PROFESSION.

The *Certified Public Accountant Singapore (CPA Singapore)* is a professional in accountancy, finance and business who has the relevant work experience in addition to a recognised accountancy qualification. *CPAs Singapore* serve every corner of the world in every industry. Many of them helm some of the most prominent local and international corporations.

CPA Singapore is a distinctive brand valued by employers and members. Employers recognise the designation as the definitive standard for measuring competence and excellence in the fields of accounting, finance and business.

ICPAS accords the *CPA Singapore* designation. Working closely alongside businesses, ICPAS connects its membership to an unmatched range of information resources, events, professional development and networking opportunities. Presently, there are more than 20,000 members making their strides in businesses across all industries in Singapore and around the world.

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

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 5,000 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.

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Globally, there have been mixed views about the economic outlook.

In its survey results released on 22 April, the International Monetary Fund states that with strong policies, it expects a slow recovery for the global economy. In recent weeks, at the time of this report, there has also been mixed results - banks belted out strong numbers, developers reported poor sales, 276 companies posted a total of \$4.6 billion in net profit for the first quarter ended March 31 and so forth. There has also been "green shoots" talk that the global crisis is beginning to bottom out.

According to Martin Feldstein, a top economist who advises US President Barack Obama, "a few glimmers do not make a recovery" and "the recent stock market rebound and positive bank news are 'temporary'" (The Business Times, 18 May).

Singapore's Prime Minister, Mr Lee Hsien Loong, also played down the possibility of the Singapore economy beginning to show 'green shoots', a phrase that has cropped up of late among analysts and investors who share the view that the worst of the global recession is over.

Since our last quarterly report, the economy has stabilised somewhat but this does not imply good times. Similarly, while the accounting professionals' outlook has improved in this quarter's survey, they remain cautious.

While there is some optimism seeping in, sales growth and collection continue to weigh on the minds of accounting professionals, with high costs and consumer confidence gaining focus.

As with last quarter, confidence is lowest for the manufacturing, wholesale and retail trade as well as finance services. However, the healthcare as well as information and communications industries are expected to be able to perform respectably despite all odds.

We saw wage cuts, hiring freezes and even retrenchments in the first quarter. The trends of hiring freeze and retrenchments are expected to continue with a majority of the respondents (64 per cent) indicating that their companies are looking at maintaining headcounts while 28 per cent are looking at reducing it. Indeed, we can expect the improvement in employment to be gradual. On 17 May, Singapore's Ministry of Manpower released a statement announcing that they have issued a revised set of guidelines on managing excess workers, in a move to further help them cut costs and save jobs amid fears of a prolonged recession.

As for how long do CPAs Singapore and accounting professionals expect the economy to recover, a majority (65 per cent) of them stated that the recovery will occur in the coming two years.

So, it does not look like the current turmoil will abate anytime soon judging from the second quarter results of the *CPA Singapore Business Confidence Index* (Index).

SURVEY FINDINGS

ACCOUNTING PROFESSIONALS MORE OPTIMISTIC ABOUT ECONOMIC OUTLOOK

Accountants are more optimistic about the economic outlook now compared to the first quarter of 2009.

72 per cent of respondents rate the current Singapore economic conditions as less favourable now compared to three months ago. In the same survey conducted in the first quarter, an overwhelming 95 per cent of the respondents rated the condition as less favourable. Besides, only seventeen per cent rate the condition as substantially worse, whereas in the earlier survey conducted in Q1, 36 per cent deemed the economic outlook as substantially worse.

Seventeen per cent of the respondents think the economic outlook has remained the same. This is another improvement compared to only three per cent who thought so in the Q1 survey. Eleven per cent expect the economy to improve whereas only two per cent indicated so in the Q1 survey.

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

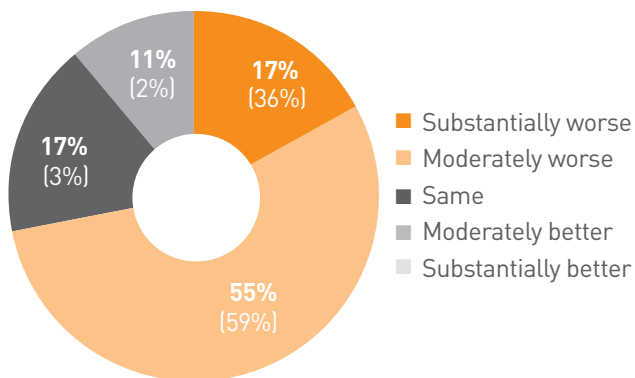
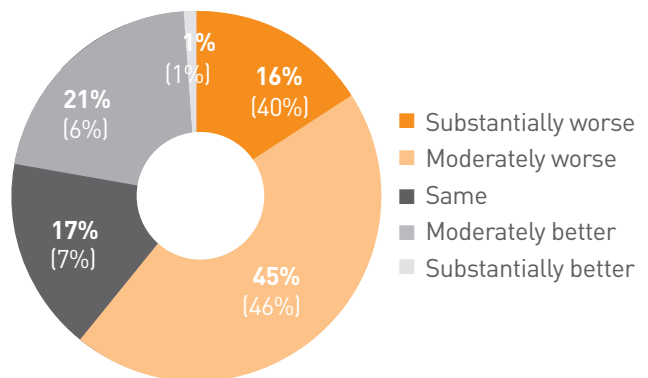


FIGURE 2
Expectations of Singapore economy in the next six months



* Only one respondent graded the present economy of Singapore as substantially better than that of three months ago.

() Figures within brackets are statistics from the CPA Singapore Business Confidence Index Q1 2009

SURVEY FINDINGS

The outlook for the next six months is not as dim as last quarter's as well, with 61 per cent expressing pessimism as compared to 86 per cent a quarter ago. 22 per cent of the respondents actually believe that the economy may improve in the next six months, a big jump from the previous quarter's figure of only seven per cent. Further, seventeen per cent think the economy will remain the same while only seven per cent thought so when surveyed in the previous quarter.

IMPROVED OUTLOOK FOR BUSINESSES FOR THE NEXT SIX MONTHS

The outlook for businesses for the next six months has also improved.

Slightly over half of the respondents (52 per cent) expect businesses to worsen by varying degrees. This is an improvement as compared to the first quarter Index, which saw 75 per cent expressing their negative view of how things would be like for their businesses.

Thirty per cent expect their businesses to remain the same, as compared to the first quarter results where only eighteen per cent of the respondents thought so.

The number of those who expect their businesses to improve in the next six months is more significant too (eighteen per cent), as compared to the figures in the previous survey (seven per cent).

SALES GROWTH REMAINS THE TOP CONCERN FOR BUSINESSES

The top three concerns for businesses remain to be sales growth, accounts receivable/collection and high costs. Consumer confidence has moved up two notches to be in the fourth place this time round.

Attracting talent, which was the least worry of accountants a quarter ago, now takes the fifth place. This echoes the findings of Robert Half Global Financial Employment Monitor, where employers continue to report difficulties in finding qualified accounting and finance professionals despite the economic downturn and weak job market. According to the survey, eighty per cent of a total of 179 respondents in Singapore claimed to have difficulty finding skilled accounting and finance candidates, and this figure is higher than the global average of 68 per cent and only a slight decrease from the 87 per cent reported by Singapore managers last year.

FIGURE 3
Business outlook in the next six months

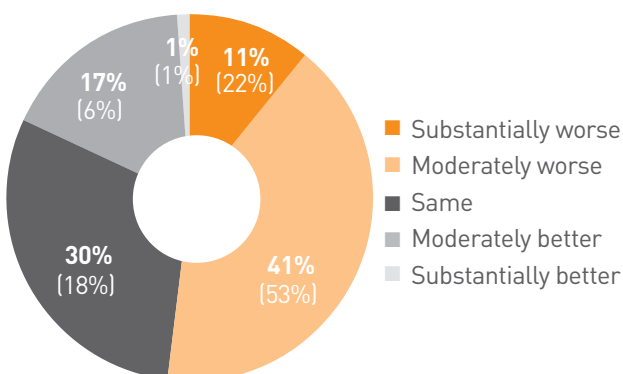
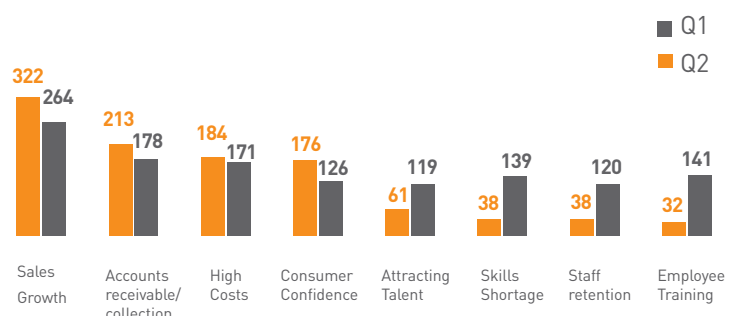


FIGURE 4
Top concerns for businesses*



* Results are expressed in absolute numbers.

SURVEY FINDINGS

On the other hand, staff retention remained one of the least worries of businesses for now, alongside skills shortage and employee training.

Other common issues of concern raised by accounting professionals include cash flow management, difficulties in securing funds and loans, the overall economic situation, and low staff confidence and morale.

COMPANIES ARE NOT INVESTING STILL

Half of the respondents share that their companies would be maintaining the current level of investment. 33 per cent indicate that they would be reducing their investments. This is a slight improvement compared to a quarter ago, where 42 per cent of the respondents indicated a reduction. Only seventeen per cent expect to increase investment.

BEST AND WORST PERFORMING SECTORS

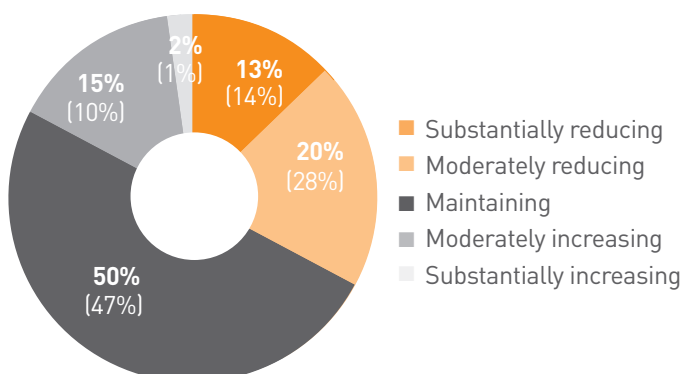
The healthcare sector is deemed to be one of the better performing sectors in this economic downturn. It leads in the better performing category, as voted by almost 93 per cent of respondents.

The outlook for the information and communications industry is looking bright too, and not just according to 75 per cent of respondents who believe the sector will grow or stay resilient. According to research firm Gartner, IT spending in the region is set to increase despite the downturn.

Respondents have apparently become more positive towards the business services sector, as there is a significant increase in the number of respondents, from 39 per cent the previous quarter to seventy per cent this quarter, who believe that this sector will improve or at least remain as is.

Financial services, hotels and restaurants, manufacturing as well as wholesale and retail sectors continue to score low on the optimism scale as per last quarter. The hotel, restaurants and retail sectors are partly affected by the drop in tourist arrivals, which is down 15.2 per cent in February⁷ – its worst on-year drop in six years. Manufacturing, a key pillar for Singapore's trade-reliant economy, is expected to shrink by as much as five per cent this year⁸.

FIGURE 5
Investment climate



⁷ Channel NewsAsia, 26 March 2009

⁸ Channel NewsAsia, 26 March 2009

SURVEY FINDINGS

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INFLATION LIKELY TO FALL

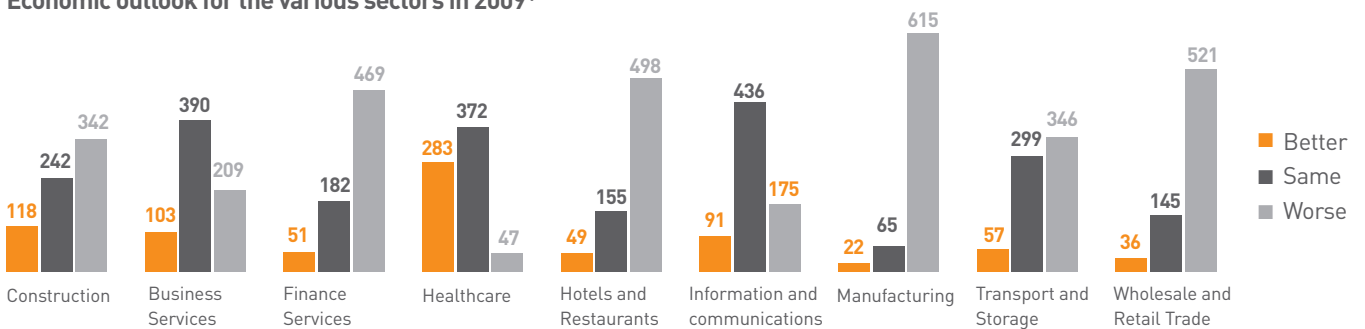
Overall, the respondents' viewpoints for inflation remain almost the same as compared to the first quarter, as reflected in the small changes in the figures.

56 per cent of respondents indicate that the inflation rate would most probably drop in the next six months. Indeed, the Monetary Authority of Singapore expects inflation in Singapore to temporarily turn negative in some parts of 2009

but overall, it is forecasted to stay unchanged at minus one to zero per cent. They must also have taken a leaf from economists who said inflation is likely to ease this year as Singapore faces what could be its worst recession since independence because of the global economic downturn⁹. 24 per cent of the respondents feel that the inflation rate would remain largely the same going forward while twenty per cent believe it would actually increase.

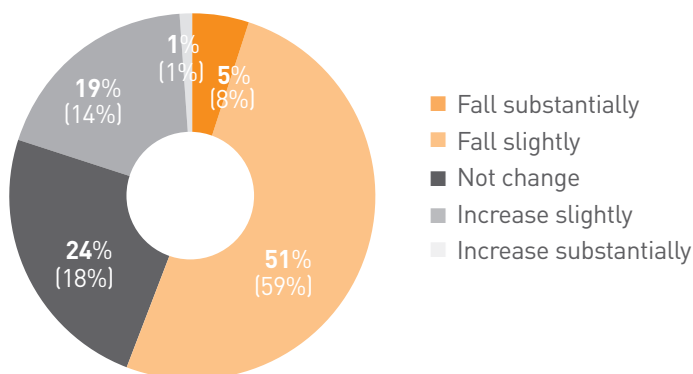
⁹ Channel NewsAsia, 23 March 2009

FIGURE 6
Economic outlook for the various sectors in 2009*



* Results are expressed in absolute numbers.

FIGURE 7
Expectation of inflation rate in the next six months



SURVEY FINDINGS

HIRING CONTINUES TO FALL

Headcounts are not expected to increase by a lot in the next six months or so. The trend for hiring has remained more or less the same, with 64 per cent of respondents indicating that their companies are looking at a hiring freeze. Eight per cent of the respondents believe that their companies may actually increase headcounts in the next six months, only a slight improvement in comparison to the six per cent last quarter. Retrenchment rate continues to remain almost the same (28 per cent) from the first quarter (24 per cent).

These results are not very far from those of Hudson's survey released in April, which indicated that hiring expectations in Singapore, while low, fell less sharply than in previous quarters. According to the survey, twenty per cent of employers said they would add staff. The majority (61 per cent) said they would keep headcount steady while nineteen per cent said they would cut manpower.

RECOVERY EXPECTED IN TWO YEARS

A majority of respondents (65 per cent) indicate that the economy in Singapore would get back on track within the next two years. Fifteen per cent are more optimistic, believing that the Singapore economy would rebound within 2009. Seventeen per cent believe the economy would recover in the next three years and three per cent indicate it would take five years to recover.

FIGURE 8
Employment decisions in the next six months

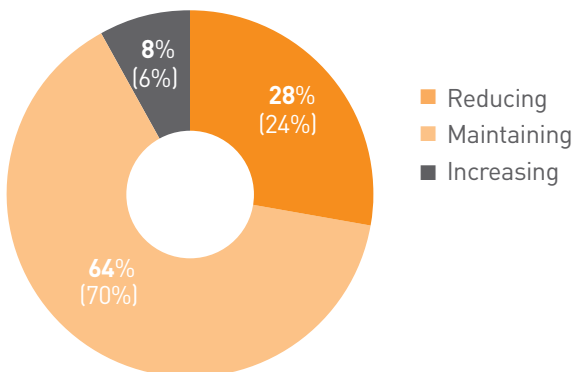
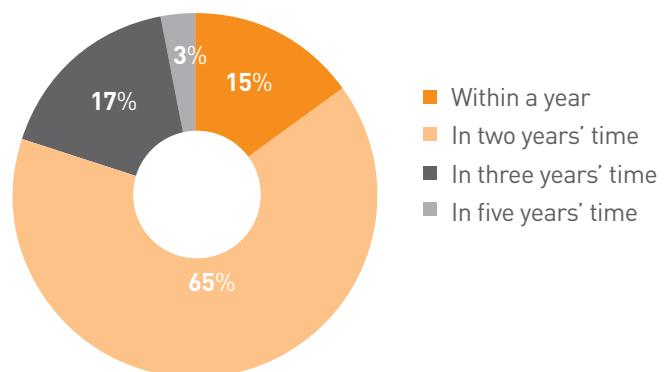


FIGURE 9
Recovery timeframe

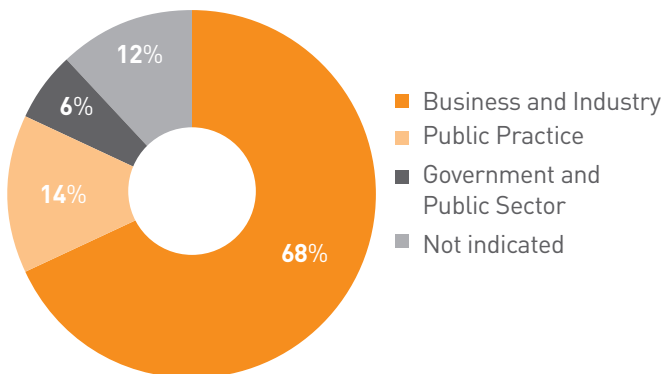


PROFILE OF PARTICIPANTS

The sample size of 17,166 was generated from the total number of ICPAS members with email accounts. 702 respondents took part in the survey, making the response rate 4.09 per cent.

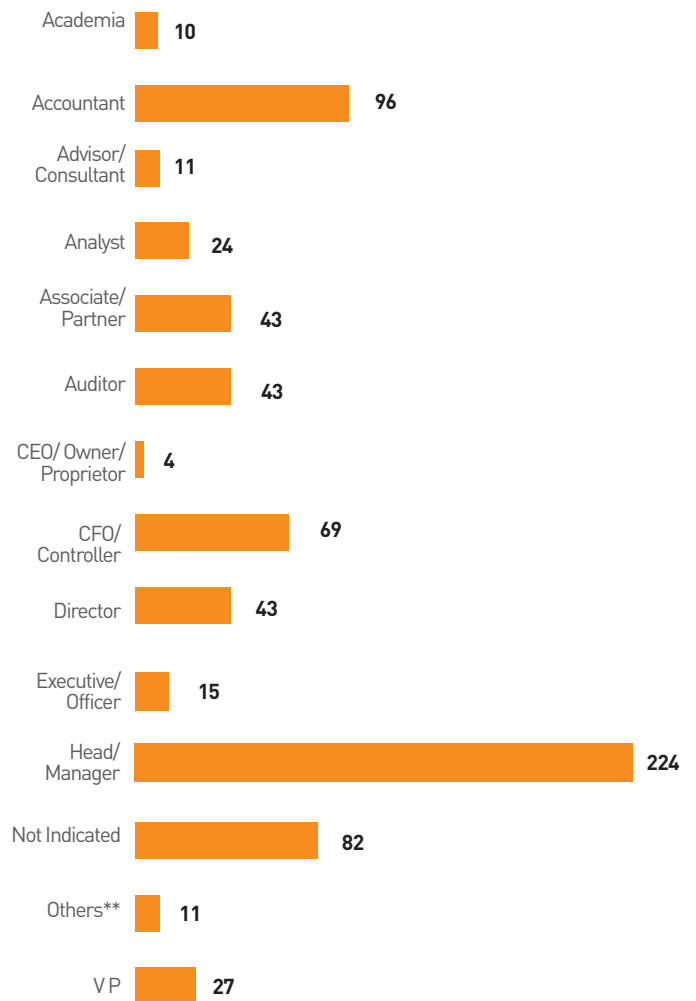
The respondents comprised business leaders in the directorial or managerial level, academics as well as accounting and finance professional. Representing an extensive range of firms from various industries, they are able to offer a realistic outlook on the economy based on their industrial and personal experience.

Organisation Type*



*Three respondents are not reflected in this pie chart – one is unemployed, another is retired and another is self-employed.

Positions Held Within the Company*



*Results are expressed in absolute numbers.

**Others include one bursar, one civil servant, one engineer, one finance specialist, one intern, two remisiers, two trading representative, and two trainers.

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 1 and 17 April 2009, with the online survey questionnaire comprising nine 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 nine questions, the respondents had to choose one of the alternatives in the seven multiple-choice questions (Questions 1 to 3, 5 and 7 to 9) and 2 ordinal questions (Questions 4 and 6). These questions focused on the forecasting of business conditions for the six months ahead 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 3.6 per cent error level. This means that if we were to conduct the same survey one hundred times, the results would be within +/-3.6 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 five per cent error level, which this survey has managed to achieve.

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

QUESTIONNAIRE

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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 and 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

9. When do you expect the economy to recover?

- a. Within a year
- b. In two years' time
- c. In three years' time
- d. In five years' time

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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 will not 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 this survey will not be disseminated, in any form, to the public.

