

INSTITUTE OF
CERTIFIED
PUBLIC
ACCOUNTANTS
OF SINGAPORE



BUSINESS CONFIDENCE SURVEY 2008



Institute of
Certified Public Accountants
of Singapore

 **CPA**
SINGAPORE

ABOUT ICPAS

ESTABLISHED IN JUNE 1963, THE 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 close to 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, the 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 the SAA, with students from Singapore, China, Vietnam, Myanmar, Indonesia, Philippines, and other Asia Pacific region.

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The investment mood so far for this year is certainly not for the risk-averse.

*While the banks continued to write off billions of dollars of bad debt tied to the US housing market, some feel the worst may have been over. In April, the US stock market posted its best start to a second quarter in 70 years after Lehman Brothers Holdings and UBS AG said they are raising SGD\$26.2 billion to replenish capital. The change of mood boosted the US dollar, which in turned pushed oil back down towards US\$100 a barrel. Just recently, markets in Asia surged, Japan and Hong Kong both soared over 4% with Singapore's Straits Times Index rising 2.5%.

*Yet other reports point to the worsening of the US economy. The Wall Street Journal, for example, reported on 4 April that the three months of job decline is pointing to recession. The unemployment rate rose to 5.1% from 4.8% in February. This is the worst jobs figure since March of 2003. In Singapore, retailers reported 1.3% dip in revenue amidst inflation that hits 26-year high and worries over world economy and oil has recently breached the US\$100 level again.

So are we really seeing the light at the end of the tunnel or is the rebound a mere short-lived happiness?

Amidst these volatilities, the Institute of Certified Public Accountants of Singapore (ICPAS) surveyed its members on what they think of the business climate in Singapore. The Business Confidence scoreboard is constructed from responses to a survey of CPAs Singapore and accounting professionals. It offers an insight into what the significant players in the business community are thinking.

The outlook for the rest of 2008 has somewhat dimmed. The escalating living costs and uncertainty about the economy seem to be weighing on the minds of CPAs Singapore and accounting professionals.

Indeed, the economic outlook expressed by 64% of the respondents ranged from neutral to pessimistic. This lack of enthusiasm for the state of the economy among the CPAs Singapore and accounting professionals echoes the general business and consumers sentiments. All the respondents think that the local economy would be affected by the credit market turmoil and probable US recession to some extent. This is a strong signal from CPAs Singapore and accounting professionals serving in business who think the local economy would be directly impacted and slowed down.

The survey also points to risks such as inflationary pressures and cost of labour. 9 out of 10 respondents ranked inflationary pressures as the top challenge for the economy. 79% of the respondents worry rising food prices would push the pressure further.

The outlook for the hotels and restaurants, construction, healthcare as well as business services sectors remain strong, suggesting that the downturn may not be as deep as some may fear. However, confidence slips in manufacturing, wholesale and retail trade as well as transport and storage sectors.

SURVEY FINDINGS

ACCOUNTING PROFESSIONALS NOT CONFIDENT ABOUT THE ECONOMIC OUTLOOK

Optimism about the Singapore economy amongst CPAs Singapore is declining, according to the ICPAS Business Confidence Survey.

The survey was conducted between 12 March and 24 March 2008, a period that witnessed more subprime and credit-related write-downs in the global financial sector and major US financial institutions seeking capital infusions.

The US Federal Reserve's aggressive reduction of a lending rate also signalled towards a growing global credit crisis. At the same time, the Asian stock market nosedived on 17 March to its lowest since August 2007, following the dollar's plunge to a 13-year low against the yen. To make matters worse, OPEC predicted that the price of oil could stay as high as US\$110 a barrel for the rest of the year, spurred by investors seeking to hedge themselves against the weakening US dollar.

The string of setbacks has undoubtedly affected the overall results. Only 38% of respondents rated the current Singapore economy as optimistic now compared to six months ago. The two-thirds majority are neutral or pessimistic about the economy.

Of those who chose either optimistic or very optimistic, up to 92% are non-practising members. This means that only 1 out of 5 practising CPA Singapore is still feeling upbeat about the Singapore economy.

When asked about how their views have changed from the previous quarter about the economy, more than half of the respondents (62%) are feeling less confident. Again, the practising CPAs Singapore unanimously voted slightly less confident or much less confident. Only 13% of the practicing CPAs Singapore feel as confident as before. None of them are actually feeling more confident as compared to the previous quarter. The remaining respondents of 38% who are non-practising members show varying degrees of confidence.

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

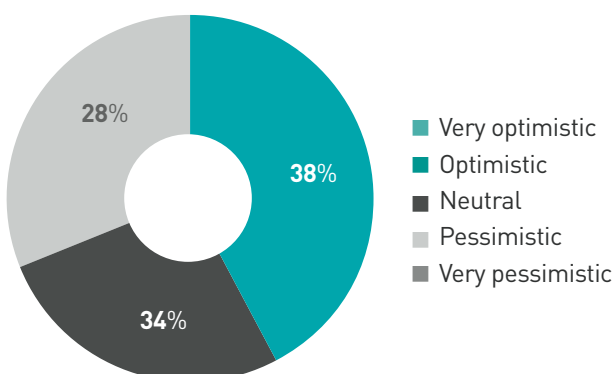
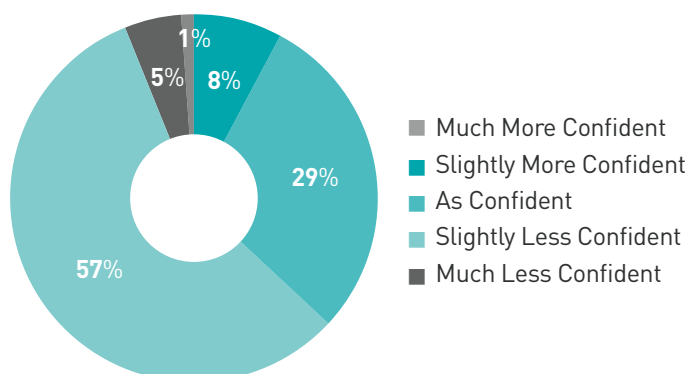


FIGURE 2
Level of confidence on Singapore economic conditions compared to previous quarter



* Only 1 respondent (0.005%) rated the economy as "very optimistic" or "very pessimistic"

As for the economic outlook for Singapore for the rest of 2008, 36% expressed optimism whereas the majority at 64% expressed opinions that ranged from neutral to pessimistic. Respondents who felt optimistic and projected a positive outlook for the year ahead are those who have remained confident or became more confident about the economy compared to 6 months ago.

LOCAL ECONOMY WOULD BE AFFECTED BY THE CREDIT MARKET TURMOIL

All the respondents think that the local economy would be affected by the credit market turmoil and probable US recession, to varying degrees – 15 % thinks it would be substantial, 65% thinks it would be moderate and 20% thinks the impact would be slight. This should not come as a surprise since some have dubbed the credit market turmoil as the most severe crisis for banks in 30 years, surpassing Black Monday in 1987, the Asia currency crisis and the burst of the dotcom bubble.

FIGURE 3
Economic outlook for 2008

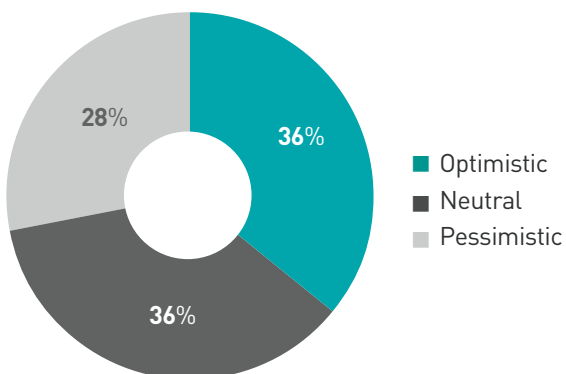
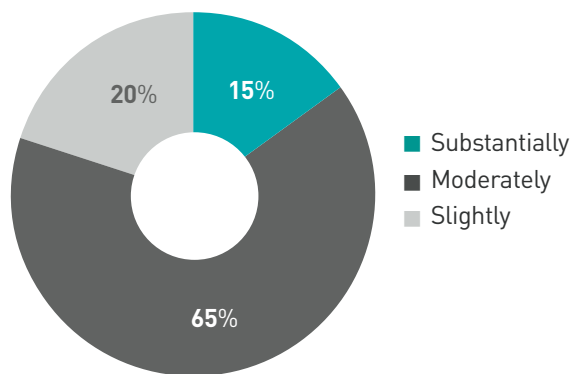


FIGURE 4
The extent to which the local economy would be affected by the credit market turmoil and probable US recession



* None of the respondents think the local economy would be unaffected by the credit market turmoil and probable US recession.

SURVEY FINDINGS

INFLATIONARY PRESSURES WOULD BE THE TOP CHALLENGE FOR THE ECONOMY IN 2008

However, inflationary pressures and not the credit market turmoil, would be the top challenge for the economy in 2008, according to the response.

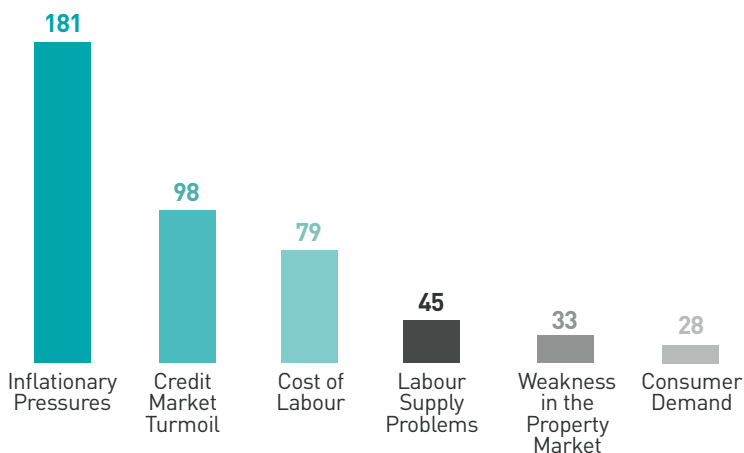
9 out of 10 respondents (90%) ranked inflationary pressures as the top challenge for the economy, followed by credit market turmoil at 49%. Third on the list is the cost of labour with 39% of respondents choosing this as an impediment towards economy growth.

Other factors in the ranking are labour supply problems (22%), weakness in the property market (16%) and consumer demand (14%). One respondent cited another challenge for the local economy would be a majority of the businesses at the lower end of the knowledge ladder would find it difficult to survive in this increasingly competitive marketplace.

RISING COST OF FOOD WOULD HAVE THE GREATEST IMPACT ON THE INFLATIONARY PRESSURE

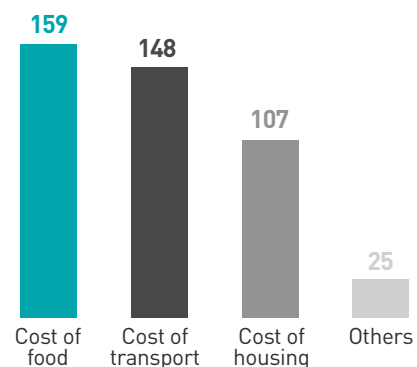
The biggest worry for inflationary pressure turned out to be the rising cost of food, an opinion shared by 79% of the respondents. Cost of transport came in a close second at 73% while worry for cost of housing measured at 53%. One other common inflationary pressure factor mentioned is rising commodity prices, especially that of crude oil.

FIGURE 5
Top challenges for the economy in 2008*



* Results are expressed in absolute numbers.

FIGURE 6
Factors that will impact on inflationary pressure*



INFLATIONARY PRESSURES WOULD CONTINUE TO AFFECT THE ECONOMY

It is evident that the rising cost of living is the agenda on everyone's mind since all the respondents think that inflationary pressures would continue to impact on the economy to some extent, with close to half (46%) the respondents expecting the impact to be substantial. Some of the inflationary factors mentioned include uncontrolled necessities' prices and increased taxes like the Goods & Service Tax and Electronic Road Pricing.

WEAK EMPLOYMENT OUTLOOK

Respondents do not expect much growth in employment either. 69% of the respondents expect no change in employment or less employment while the remaining 31% expect more employment.

FIGURE 7
How much will inflationary pressure continue to impact on the economy

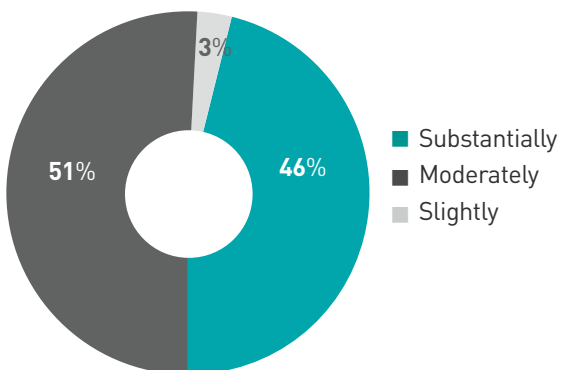
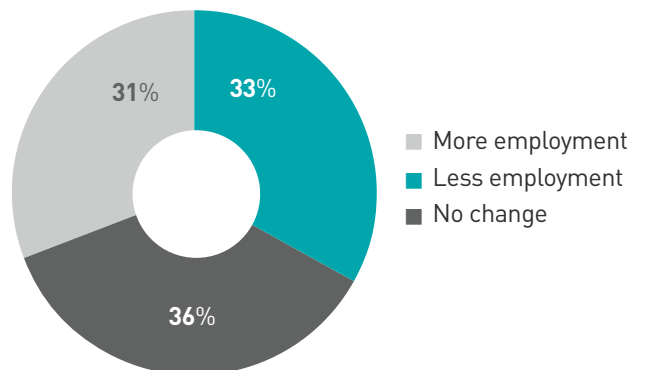


FIGURE 8
Employment situation for the rest of the year



* None of the respondents think the economy would be unaffected by inflationary pressure.

SURVEY FINDINGS

BEST AND WORST PERFORMING SECTORS FOR 2008

Respondents are most optimistic about the hotel and restaurants (67%), construction (62%) and healthcare (58%) sectors. The results could be attributed to the exciting tourism-related developments in the next few years with Singapore hosting the F1 Grand Prix in September this year, the upcoming integrated resorts that are being built as well as the nation's recent win in its bid for the inaugural 2010 Youth Olympics. According to

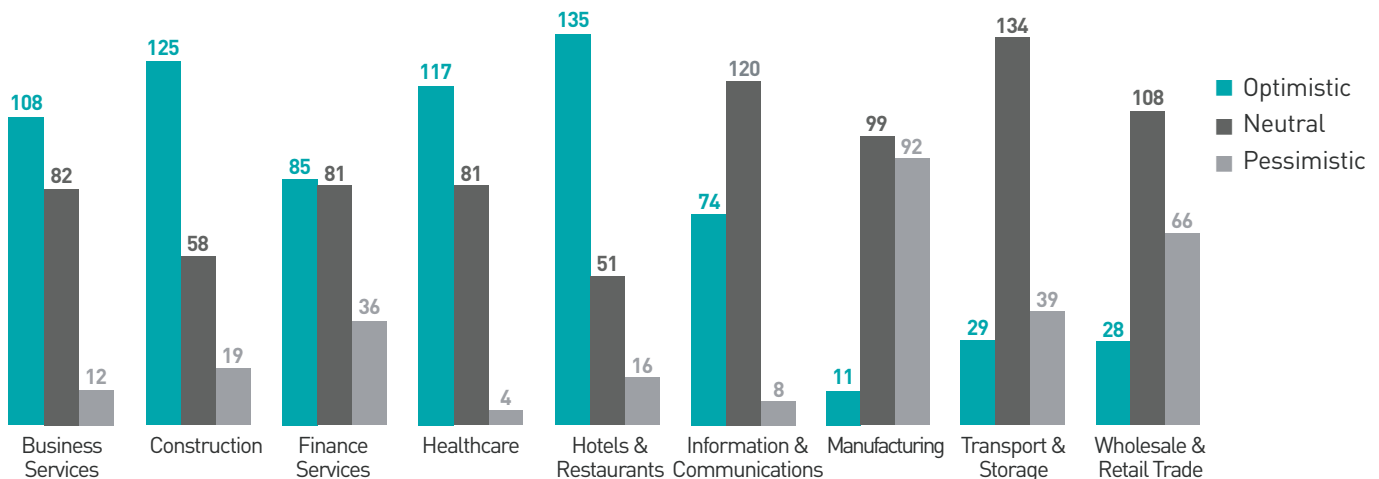
the Singapore Tourism Board's Tourism 2015 objectives, the tourism industry is expected to employ more than 250,000 people by 2015.¹

On the other hand, manufacturing, wholesale and retail trade as well as transport and storage sectors scored the lowest on the optimism scale.

Interestingly, professional business services (which includes accounting) is rated the 4th most optimistic sector and one of the least pessimistic (6%).

¹ Singapore Tourism 2015: <http://app.stb.gov.sg/asp/abo/abo08.asp>

FIGURE 9
Economic outlook for the various sectors in 2008*



* Results are expressed in absolute numbers.

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

The data for the construction of Business Confidence Survey is derived from the responses received from ICPAS members and/or CPAs Singapore between 12 to 24 March 2008. The online survey questionnaire comprised of 8 close-ended questions. The questionnaire is appended in the next section.

The survey utilises online research methodologies to ensure speed of response. An online survey is used because it is cost effective, timely, user-friendly and the survey can be completed in a matter of minutes.

In answering these 8 questions, the respondents had to choose one of the alternatives in the 8 multiple-choice questions (Question 1 – 8 except 7) and 1 ordinal question (Question 7). These questions focused on the forecasting of business conditions for the rest of the year and the current status as compared to the previous quarter. In analysing the survey results, 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% 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 would we expect to get similar results. Based on the accuracy calculator by CustomInsight², a company that provides web-based survey software and tools, our survey yielded 95% confidence with a 5.3% error level. This means that if we were to conduct the same survey 100 times, the results would be within +/- 5.3% of the first time we ran the survey 95 times out of 100. A good rule of thumb is to aim for 95% confidence with a 5% error level, which this survey has managed to achieve.

² CustomInsight Survey Random Sample Calculator: <http://www.customerinsight.com/articles/random-sample-calculator.asp>

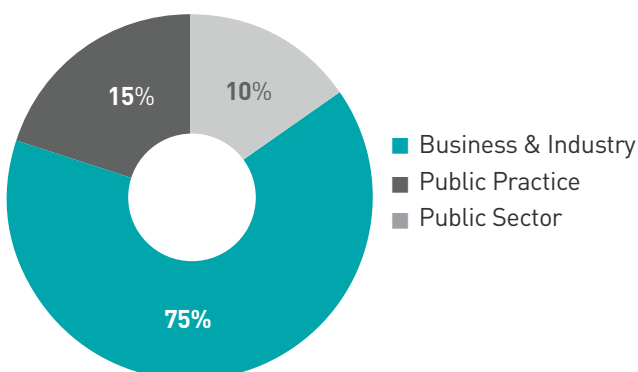
PARTICIPANTS' PROFILE

The sample size of 500 was randomly selected from ICPAS practising and non-practising members with email accounts.

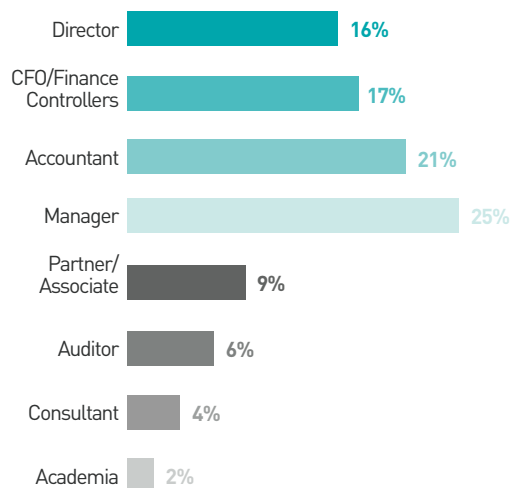
A total of 202 respondents took part in the survey out of which 30 are practising members and 172 are non-practising members. This makes the response rate a high of 40.4%.

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

Organisation Type



Positions Held Within the Company



QUESTIONNAIRE

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ICPAS BUSINESS CONFIDENCE SURVEY 2008

1. How would you rate the Singapore economic conditions now compared to 6 months ago?

- a. Very optimistic
- b. Optimistic
- c. Neutral
- d. Pessimistic
- e. Very pessimistic

2. How has your view changed from the previous quarter?

- a. Much more confident
- b. Slightly more confident
- c. As confident
- d. Slightly less confident
- e. Much less confident

3. How would you rate your view for the economic outlook for Singapore for 2008?

- a. Optimistic
- b. Neutral
- c. Pessimistic

4. To what extent do you think the local economy would be affected by the credit market turmoil and probable US recession?

- a. Substantially
- b. Moderately
- c. Slightly
- d. Unaffected

5. Which of the following do you expect to be the top challenges for the economy in 2008?

Please rank in terms of importance.

- a. Credit market turmoil
- b. Inflationary pressures
- c. Cost of labour
- d. Consumer demand
- e. Weakness in the property market
- f. Labour supply problems
- g. Others, please specify: _____

QUESTIONNAIRE

6. Singapore's annual inflation rate hit a 25-year high of 6.6 percent in January this year.

- a. Which of the factors do you think will continue to impact on inflationary pressures?
- i. Cost of housing
 - ii. Cost of food
 - iii. Cost of transport
 - iv. Others, please specify: _____
- b. How much do you think inflationary pressures will continue to affect the economy?
- i. Substantially
 - ii. Moderately
 - iii. Slightly
 - iv. Unaffected

7. Please select the rating that best describes your view for the economic outlook for Singapore for 2008.

	Optimistic	Neutral	Pessimistic
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"/>

8. What do you think the employment situation would be over the next year?

- a. Less employment
- b. No change
- c. More employment

CONFIDENTIALITY STATEMENT, DISCLAIMER, ICPAS PRIVACY POLICY

CONFIDENTIALITY STATEMENT

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DISCLAIMER

The ICPAS Business Confidence Survey 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.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF SINGAPORE (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.

