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**Q1**

2019

- Sentiment index 63 in Q1 2019 vs 63 in Q4 2018
- Global trade war is chief risk to six-month outlook

Thomson Reuters/INSEAD  
Asian Business Sentiment Survey

# Asian business sentiment lingers near 3-year low as trade war drags



Office workers walk to the train station during evening rush hour in Singapore, March 9, 2015. **REUTERS/EDGAR SU**

BY CHOONSIK YOO

**C**onfidence among Asian companies held near three-year lows in the first quarter as a U.S.-China trade dispute dragged on, pulling down a global economy that is already on a downward path, a Thomson Reuters/INSEAD survey found.

The Thomson Reuters/INSEAD Asian Business Sentiment Index tracking firms'

six-month outlook was flat in the March quarter from the previous quarter's 63, compared with a near three-year low of 58 set in the September quarter.

A reading above 50 means optimistic respondents outnumbered pessimists, but the latest index still marks one of the five worst since the world started its recovery from the 2008-2009 global financial crisis.

"Things have not gotten worse but a lot of uncertainty is putting companies

in wait-and-see mode," Antonio Fatas, a Singapore-based economics professor at global business school INSEAD, said of U.S.-China talks on trade relations.

"In one week, it looks like they are promising and the week after it looks like they are going nowhere, and so there's a lot of wait-and-see attitude," he added, saying the uncertainty is forcing companies to put off investment decisions.

A global trade war was cited as the

chief business risk by respondents for the third quarter in a row, though by a smaller margin. Higher interest rates emerged as the second-biggest risk, outpacing a slowing Chinese economy.

A total of 100 companies from a range of sectors responded to the survey, conducted from March 1-15 in 11 Asia-Pacific countries where 45 percent of the world's population live and 32 percent of global gross domestic product is generated.

### RECESSION UNLIKELY, POLITICS A RISK

The United States and China have put on hold a planned escalation of their trade war pending negotiations, but the much-awaited conclusion of the latest round of talks has also been delayed even though remarks from the two sides have been optimistic.

Global agencies including the International Monetary Fund (IMF)

and the Organisation for Economic Co-operation and Development (OECD) have said failure to resolve trade tension could further slow a downward-trending global economy.

Regional powerhouses China, Japan and South Korea all saw exports fall last month, with China and South Korea suffering their worst annual declines in overseas sales in around three years.

The index staying above the neutral point of 50 suggests companies in Asia are not expecting an imminent global recession, but languishing near multi-year lows indicates companies are exerting caution.

"We don't see a global hard landing as a likely scenario when we look at economic factors such as inflation and credit conditions," said Young Sun Kwon, economist at Nomura in Hong Kong. "But there are big uncertainties in politics."

Lessons from the 2008-2009 global financial meltdown have forced countries

to strengthen economic defences, but factors such as Britain's planned exit from the European Union and the U.S. Federal Reserve's uncertain path are posing threats.

With less than two weeks before the March 29 divorce date, British Prime Minister Theresa May's government is still struggling to push a departure deal with the EU through the British parliament.

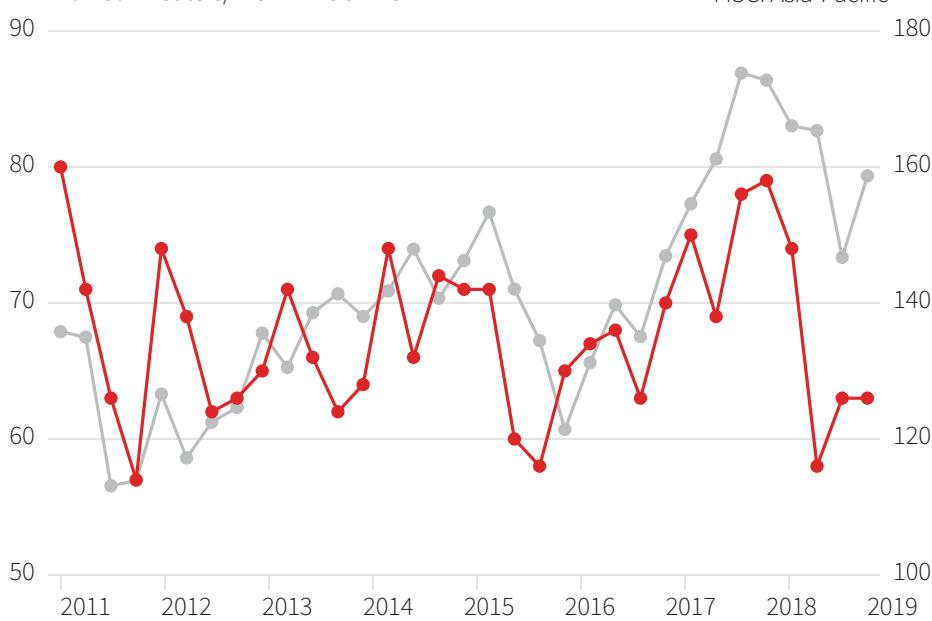
In the United States, the Fed has declared a pause in its tightening campaign, but economists foresee at least one more increase later this year despite increasing signs of slowdown in major economies.

Respondents to the survey included Canon, Suzuki Motor, Thai Beverage, Metropolitan Bank and Trust and Delta Electronics Thailand.

*Note: Companies surveyed can change from quarter to quarter.*

### Business sentiment index

— Thomson Reuters/INSEAD Asian BSI



Source: Thomson Reuters/INSEAD \*MSCI International All Country Asia Pacific Price Index USD

### Biggest perceived risks to business outlook

By number of responses



*Note: Total no. of valid responses = 75.  
Poll conducted March 1-15, 2019*

\*Includes increased competition, regulation, consumer confidence, etc.

Source: Thomson Reuters/INSEAD

# Links

## Previous surveys



**Q1**  
2018

- Sentiment index 79 in Q1 vs 78 in Q4; highest since Q3 2011
- Companies cite increasing trade friction as chief risk
- Thailand firms most positive; S Korea least
- Autos, retail & leisure sectors most positive, real estate least

Thomson Reuters/INSEAD  
Asian Business Sentiment Survey



**Q2**  
2018

- Sentiment index 74 in Q2 vs 79 in Q1
- Firms more optimistic in September 2018
- Companies cite mounting trade friction as chief risk
- Retail & leisure sector most positive

Thomson Reuters/INSEAD  
Asian Business Sentiment Survey



**Q3**  
2018

- Sentiment index 58 in Q3 vs 74 in Q2
- Companies cite trade war as chief risk to six-month outlook
- Tai firms most positive, Chinese least
- Metals & chemicals sector most positive, real estate least

Thomson Reuters/INSEAD  
Asian Business Sentiment Survey



**Q4**  
2018

- Sentiment index 63 in Q4 vs 58 in Q3
- Companies cite the trade war as chief risk to six-month outlook
- Philippines firms most positive, Taiwan least
- Financial sector most positive, metals & chemicals least

Thomson Reuters/INSEAD  
Asian Business Sentiment Survey

March 2018

June 2018

September 2018

December 2018

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COVER PHOTO: A vendor selling pomegranates looks on at a market in Srinagar, India, Feb. 1, 2019. **REUTERS/DANISH ISMAIL**



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