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Q3

2 0 1 9

- Sentiment index 58 in Q3 vs 53 in Q2
- Companies cite global recession as chief risk to six-month outlook
- Hiring, business activity mostly seen flat or falling

# Thomson Reuters/INSEAD Asian Business Sentiment Survey



# Asian firms' sentiment bounces from low but recession fears grow

An employee works at a production line of lithium ion batteries in a factory in Dongguan, China, October 16, 2018. **REUTERS/JOYCE ZHOU**

BY TOM WESTBROOK

Confidence among companies in Asia lifted slightly in the September quarter from 10-year lows, but most firms do not plan on hiring or expect business to pick up as they see a risk of a global recession looming, a Thomson Reuters/INSEAD survey found.

The Thomson Reuters/INSEAD Asian Business Sentiment Index tracking firms' six-month outlook rose five points to 58 in the survey.

A reading above 50 means optimistic respondents outnumbered pessimists.

The latest showing, though, means the index has not risen above the mid-60s for a year and is one of the seven weakest readings since the 2008-2009 global financial crisis.

"We are in a state of almost permanent uncertainty, which is not leading yet to a crisis but I think at some point we are going to see the cost of it," said Antonio Fatas, a Singapore-based economics professor at global business school INSEAD.

"Some investments are going to be

postponed, some investments are going to be stopped and little by little the engine of growth is going to slow down."

Respondents rated a global recession as the top risk, overhauling trade-war fears which had topped the table for the previous six quarters.

A total of 102 companies from a range of sectors responded to the survey, conducted in 11 Asia-Pacific countries where 45% of the world's population lives and almost a third of global gross domestic product is generated.

Participants included firms from automaking to technology such as Canon, SoftBank Group and Hero MotoCorp.

**WAIT AND SEE**

The survey was conducted from Aug. 30 to Sept. 13, as global markets rallied on signs of a thaw in U.S.-China trade tensions.

The trade war has also proven a boon for some, as businesses relocate from China to Southeast Asia and elsewhere to avoid tariffs.

However, cool responses on hiring plans and the sales outlook suggest that any optimism is muted, and unlikely to be solid enough to drive investment and spending.

More than two-thirds of respondents plan on cutting staff or at best holding numbers steady in the next six months. Only 39% expect their sales volumes to rise.

“It’s about not over-committing on expansion plans...it’s about being prudent,”

said Suresh Sidhu, chief executive officer of edotco Group, a telecoms infrastructure firm headquartered in Kuala Lumpur, with business across south and southeast Asia.

“I don’t see people stopping, I just see people thinking about stopping. We definitely have not scaled up very aggressive plans...in times of great complexity and unpredictability, people generally don’t spend.”

Economic indicators also suggest a gloomy outlook.

Rising global protectionism could shave 0.8% from the world’s economic output next year, the International Monetary Fund said last week.

Flagging demand has already flayed Asian firms such as Samsung Electronics, whose profit halved for the June quarter, and automakers from Japan’s Mazda Motor to India’s Tata Motors.

And data released this month showed China’s economic woes deepened in August, with growth in industrial production at its

weakest in more than 17 years, while U.S manufacturing also shrank.

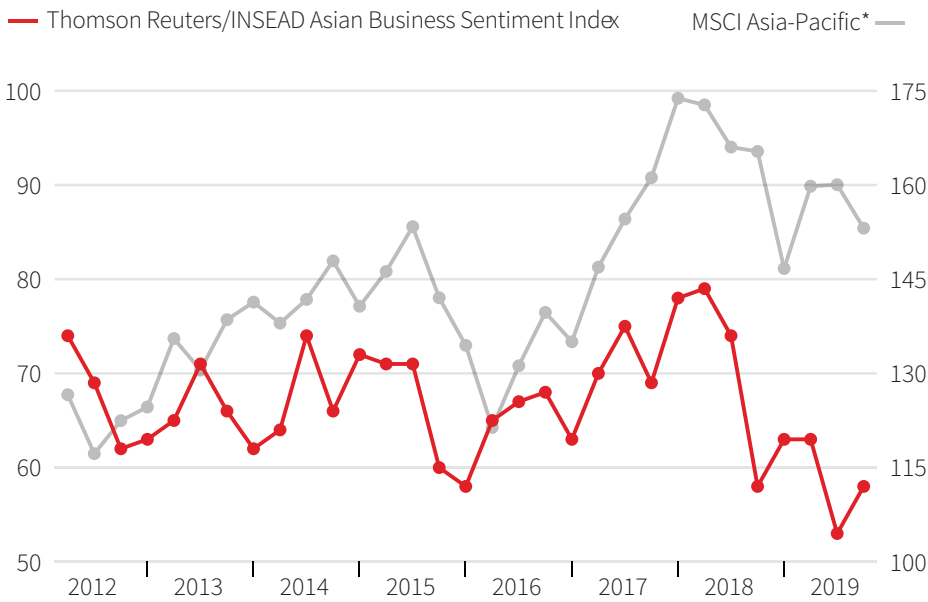
Alvin Liew, senior economist at Singapore’s United Overseas Bank, said the trade war is the biggest driver of the slow-down that will probably deepen unless a breakthrough in negotiations can recharge business confidence and investment.

“I don’t think anybody has the kind of delusion that both countries will come to a full-scale agreement and the world will turn into a better place after that,” he said.

“But there’s still some hope holding out and some optimism that they could do an interim trade deal...something to put some certainty back,” Liew said. “At the end of the day both sides know that this is not good overall.”

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

**Business sentiment index**



Source: Thomson Reuters/INSEAD

\*MSCI International All Country Asia Pacific Price Index USD monthly

**Biggest perceived risks to business outlook**

By number of responses



Note: Total no. of valid responses = 97. Poll conducted Aug. 30-Sep. 13, 2019

\*Includes competition, Brexit, etc

Source: Thomson Reuters/INSEAD



# Links

## Previous surveys

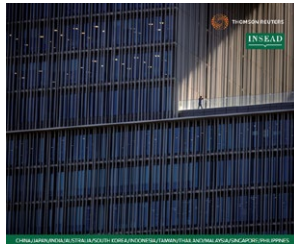


**Q3**  
2 0 1 8

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

Thomson Reuters/INSEAD  
Asian Business Sentiment Survey

September 2018



**Q4**  
2 0 1 8

- Sentiment index 63 in Q4 vs 58 in Q3
- Companies cite 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

December 2018



**Q1**  
2 0 1 9

- 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

March 2019



**Q2**  
2 0 1 9

- Sentiment index 53 in Q2 vs 63 in Q1
- Sino-U.S. trade war top risk to companies' six-month outlook
- Business activity orders slowing as supply chains disrupted
- Trade tensions unlikely to be resolved in 2019 - BNP Paribas

Thomson Reuters/INSEAD  
Asian Business Sentiment Survey

June 2019

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COVER PHOTO: Chinese and U.S. flags flutter near The Bund in Shanghai, China, July 30, 2019.

REUTERS/ALY SONG



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