

Asian business sentiment improves in Q1, global worries continue to weigh
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Business sentiment among Asia's top companies edged up in the first quarter, as solid improvement in the Philippines and South Korea outweighed weakness in China, India and Australia amid persistent concerns over the global economy, a ThomsonReuters/Insead survey showed.

The ThomsonReuters/Insead Asia Business Sentiment Index snapped two consecutive quarterly declines and rose to 64 in the first quarter of this year from 62 in the fourth quarter of 2013. A reading above 50 indicates an overall positive outlook.

Uncertainty about the global economic outlook and rising costs remained the biggest risk factors for the region's firms, according to the survey, which also found sentiment in the autos, retail and resource sectors improved, while confidence among companies in the building sector tumbled.

Solid gains in Japan, South Korea and regional trading hub Singapore supported the index, but weaker sentiment from China, Australia and India underscored fragile prospects for an improvement in global demand.

China's exports unexpectedly dropped 18% in February, fuelling investor concerns over cooling growth in the world's second-biggest economy.

Chinese premier Li Keqiang said the economy faced "severe challenges" in 2014 and hinted Beijing would tolerate a slower expansion while it pushes through reforms aimed at providing more sustainable growth in the future.

"The sentiment (in China) is not great... There isn't a lot of transparency on what happens next," said Stephen Green, head of China research at Standard Chartered.

The poll, conducted by ThomsonReuters in association with Insead, a global management and business school, was compiled between March 3-14.

The index surveyed more than 200 of Asia's top companies in 11 economies across sectors including property, financials and tech. Companies participating in the survey included Hyundai Heavy Industries, Fast Retailing Co Ltd and International Container Terminal Services (Ictsi).

Of the 102 Asian companies that responded, 65% reported a neutral outlook, 31% were positive and 3.92% were negative in their prospects.

Corporate sentiment in the Philippines rebounded the most in the first quarter of 2014, with all 12 respondents reporting positive sentiment that pushed the sentiment index to 100, even as the majority of them were concerned about the uncertain global economy.

Most companies in the country reported higher new orders and employment levels as massive rebuilding efforts, including the government's US\$3.1 billion (RM10.15 billion) spending plan after a devastating typhoon in early November, are set to help sustain strong economic growth this year.

Overall sentiment in Southeast Asia's US\$15 trillion economy was mostly positive, with Thailand being the only country in negative territory due to the lingering political turmoil.

In export-reliant north Asia, Japan and South Korea showed a solid recovery as they reported increased orders. Yet, 14 out of 17 respondents in Japan were neutral on business sentiment as they brace for a hike in consumption tax from April, which may ease a recent recovery in domestic consumption.

By sector, the retail industry showed a big improvement, with half of the eight respondents neutral and the other half positive, taking the reading up 17 points to 75 from 58 in the fourth quarter of 2013.

In a sign of growing confidence in the sector, Asia's top apparel retailer, Japan's Fast Retailing Co is among global retailers expanding aggressively in Asia, with plans to boost sales in greater China by more than 30% this year.

"A recovering economy has contributed to the rosier performance of retailing in developed countries in Asia," said Euromonitor International analyst Honey Lim.

"In addition, the completion of new and revamped malls in the city centre and suburbs has supported value growth of retailing in Singapore in 2014. High rental costs, particularly in Singapore and Hong Kong, also drove prices upwards as retailers pass increasing costs to end-consumers."

Sentiment among Asian automakers also improved considerably, with all 11 respondents saying they were neutral on the outlook. The sector reported a reading of 50 in the first quarter compared to the 33 score it turned in the fourth quarter of 2013.

Despite the improvement, the survey showed that automakers were the least optimistic companies in Asia along with builders, with most respondents citing global economic uncertainty as the biggest business risk even though 64% of those surveyed reporting an increase in new orders and sales.

Sentiment among Asian builders, which were the most bullish last quarter, turned neutral, ending two consecutive quarters of gains. – Reuters, March 19, 2014.

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