

**BT-SUSS Business Climate Survey 2021Q4<sup>1</sup>**

**Summary Report**

In January 1996, *The Business Times* of Singapore launched a quarterly survey on business activities to track Singapore business cycles and to ascertain any dichotomy in performance by size and ownership of companies. Currently, the small sample survey has entered its 27<sup>th</sup> year. This report covers the performance of Singapore firms in 2021Q4 and business prospects for the next six months (January-June 2022). Of the 139 firms that responded to the mail survey (conducted 16<sup>th</sup> December 2021–14<sup>th</sup> January 2022), 80 or 58% indicated overseas business. This is lower than in the previous quarter. The survey respondents are from all major economic sectors.

**Singapore Business Climate**

Business performance strengthened in 2021Q4 compared to a quarter ago. Sales and orders/new business expanded to more firms. Profits, however, returned to a low loss, close to that in 2021Q1. Firms are more optimistic over business prospects in the first half of 2022. The net balances, with changes over a quarter ago in parentheses, are as follows:<sup>2</sup>

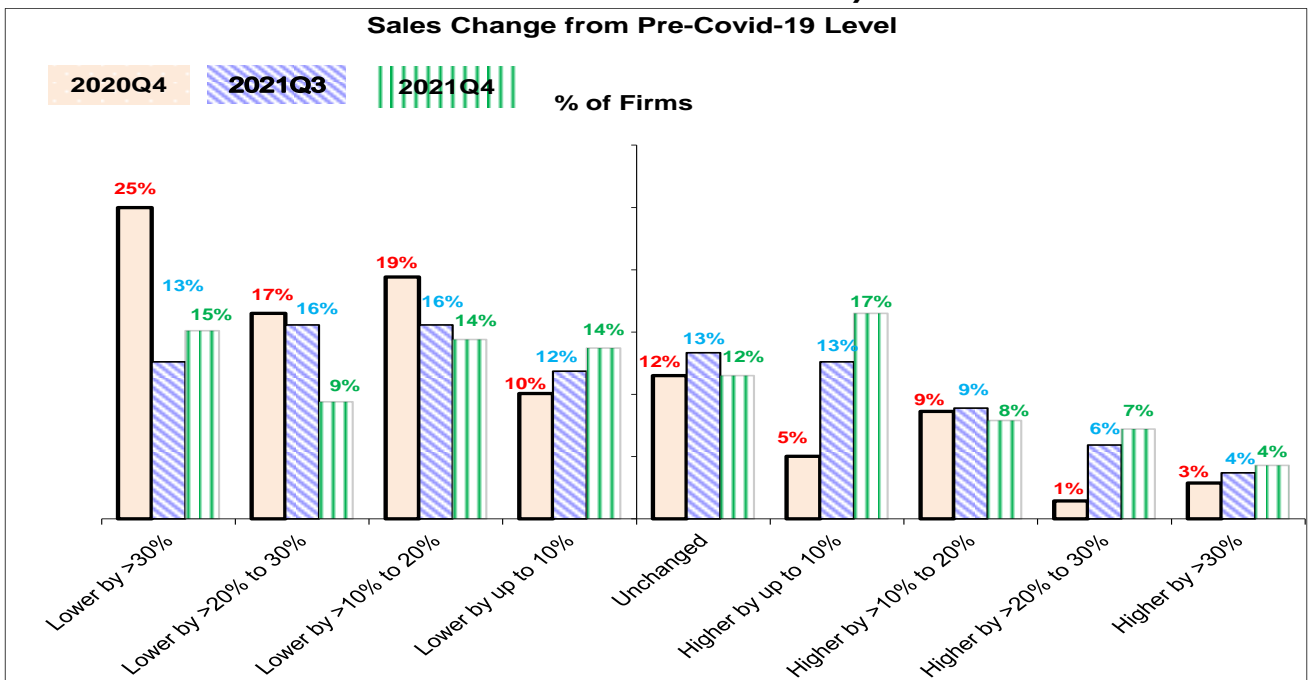
- 15% for sales (+11% points);
- -4% for profits (-4% points);
- 13% for orders/new business (+11% point); and
- 45% for business prospects in the next six months (+35% points).

On the likely change in 2021Q4 sales from pre-Covid-19 level of 2019Q4, firms reporting sales growth (36%) is lower than that of sales decline (53%), resulting in a net balance of -17%. In comparison, the net balance in 2021Q3 was -24% and 2020Q4 was -53%. The three periods covered represent the last quarter of economic contraction (2020Q4), one year after the circuit-breaker ended (2021Q3), and two years after the last pre-pandemic quarter (2021Q4).

*Chart 1* shows sales recovery in the three periods from pre-pandemic levels. In 2020Q4 the three largest proportions of firms had sales decline from the pre-pandemic level (from over 10% to over 30%) constituted a combined 61% of the total number of firms. In the subsequent periods, this proportion decreased to 45% in 2021Q3 and 38% in 2021Q4.

In 2020Q4, all sectors contracted; net balances ranging -23% (commerce) to -74% (construction). In 2021Q3, all the net balances improved with expansion in manufacturing and commerce. In 2021Q4, financial & business services registered expansion while transport & communications and construction posted less contraction. The construction sector remained the worst hit; net balance at -50%.

**Chart 1: Rate of Sales Recovery**



<sup>1</sup> Singapore University of Social Sciences (SUSS) is formerly SIM University (UniSIM).

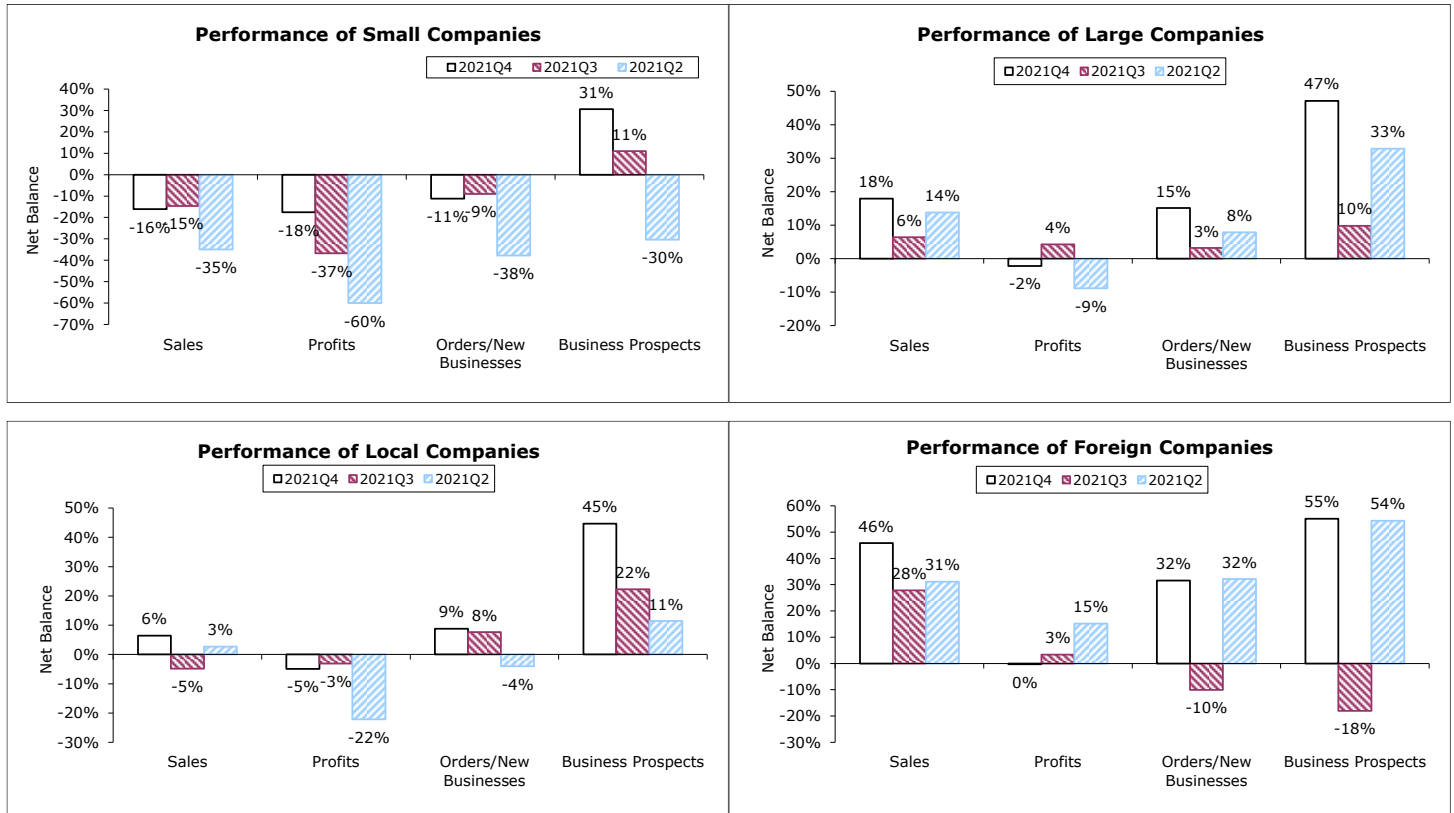
<sup>2</sup> A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

**Performance Differential**

Small firms managed to reduce losses in 2021Q4 with little change in sales and orders/new business, and are more optimistic over business prospects in the next six months (*Chart 1*). Large firms posted wider expansion in sales and orders/new business, but suffered a decline in profits. Large firms have become much more optimistic. Compared to the previous quarter the performance gap has widened between small and large firms except in profits.

Foreign firms achieved much stronger performance in 2021Q4 except in profits, and have become optimistic. Local firms performed less well than foreign firms across all indicators. The gap between foreign and local firms has widened from a quarter ago in sales and orders/new business, but narrowed in business prospects.

**Chart 1: Net Balances by Size and Ownership**



A small firm is one with sales of less than S\$10 million in a manufacturing industry or less than S\$5 million in a non-manufacturing industry.

In 2021Q4, the financial & business services sector regained the star performer status. It posted the best expansion in sales, profits and orders/new business, and the highest optimism on business prospects. Although the manufacturing sector did not attain a top position, an analysis of the net balances revealed that manufacturing activities have remained strong. Some manufacturing firms that achieved expansion a quarter ago have stabilized their activities in 2021Q4, thus more firms reported unchanged positions. The recovery from the Covid-19 pandemic has continued to spread more widely as evidenced in a higher number of sectors recording expansion than in the previous quarter across the four groups of firms.

**Outlook**

From an analysis of the regression predictions on quarterly GDP growth rates by lagged net balances and a business cycle leading index, the Singapore economy could grow at **6.8% - 7.3% in 2022Q1** on a year-on-year basis. This implies a higher growth rate than in the previous quarter (5.9% MTI advance estimate for 2021Q4).

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*We thank the company respondents for their support to the survey, and the CFAR team at SUSS for the admin. The consultants for the project are Ms Chow Kit Boey (retired associate professor, NUS Business School, National University of Singapore) and Mr Chan Cheong Chiam (managing director, Web ilite Technology). The opinions, figures and estimates expressed in the report are the responsibility of the consultants, and do not constitute an endorsement by The Business Times nor SUSS.*

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