

BT-SUSS Business Climate Survey 2022Q3¹

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 is in its 27th year. This report covers the performance of Singapore firms in 2022Q3 and business prospects for the next six months (October 2022-March 2023). Of the 147 firms that responded to the mail survey (conducted 13th September–14th October 2022), 87 or 58% indicated overseas business. This is lower than in the previous quarter (64%). The survey respondents are from all major economic sectors.

Singapore Business Climate

Business performance in 2022Q3 was somewhat weaker than a quarter ago. Sales grew slightly and operating loss was unchanged. But orders/new business dropped close to contraction region. Hence, firms are a tad less optimistic over business prospects in the next six months. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- 11% for sales (+5% points);
- -7% for profits (unchanged);
- -1% for orders/new business (-7% points); and
- 5% for business prospects in the next six months (-2% points).

The special question is on a country/economy that holds the best business prospects in the next twelve months in the company's line of business. The most-cited country is Singapore, followed by Indonesia and Vietnam (*Table 1*). Six in ten firms view one of these top-three countries for best prospects. Singapore is most-cited almost across the board. Compared to pre-pandemic 2019Q3, more firms perceive Singapore as offering the best prospects. But Singapore is no longer in a top-three position for manufacturing firms.

Indonesia is a top-three country for business prospects regardless of firm size, ownership and sector. It is the most-cited by commerce firms, as in 2019Q3. Also more firms in financial & business services view Indonesia to hold best prospects. Vietnam has dropped to the third rank from a 2nd most-cited spot tied with Indonesia in 2019Q3. It has lost some shine in business prospects for local firms and in financial & business services. By contrast, China is seen by more firms in transport & communications to hold best prospects than in 2019Q3. And India has risen in prospects among commerce firms.

Table 1: Best Business Prospects in the Next 12 Months

	Rank	Most Cited	2 nd Most Cited	3 rd Most Cited
All Companies (140)		Singapore 32%	Indonesia 16%	Vietnam 11%
Size of Companies				
Small (30)		Singapore 43%	Indonesia 17%	India 10%
Large (110)		Singapore 29%	Indonesia 15%	Vietnam 14%
Ownership of Companies				
Local (109)		Singapore 39%	Indonesia 17%	Vietnam 9%
Foreign (31)		Vietnam 16%	China, Indonesia, Japan, Singapore, USA	10%
Sector of Companies				
Manufacturing (30)		USA 20%	Vietnam 13%	China, Indonesia 10%
Construction (28)		Singapore 61%	Indonesia, Vietnam	11%
Commerce (30)		Indonesia 27%	Singapore 23%	India 20%
Transport & Communications (25)		Singapore 44%	China 12%	I D V 8%
Financial & Business Services (27)		Singapore 30%	Indonesia 22%	Vietnam 15%

(# of respondents) Shared rank percentage pertains to single country. I D V=Indonesia, UAE (Dubai), Vietnam
 Green shaded cells indicate higher values than in 2019. Pink shaded cells indicate lower values than in 2019.
 Non-shaded cells indicate little difference in values between the two years given the sample size.

¹ Singapore University of Social Sciences (SUSS) is formerly SIM University (UniSIM).

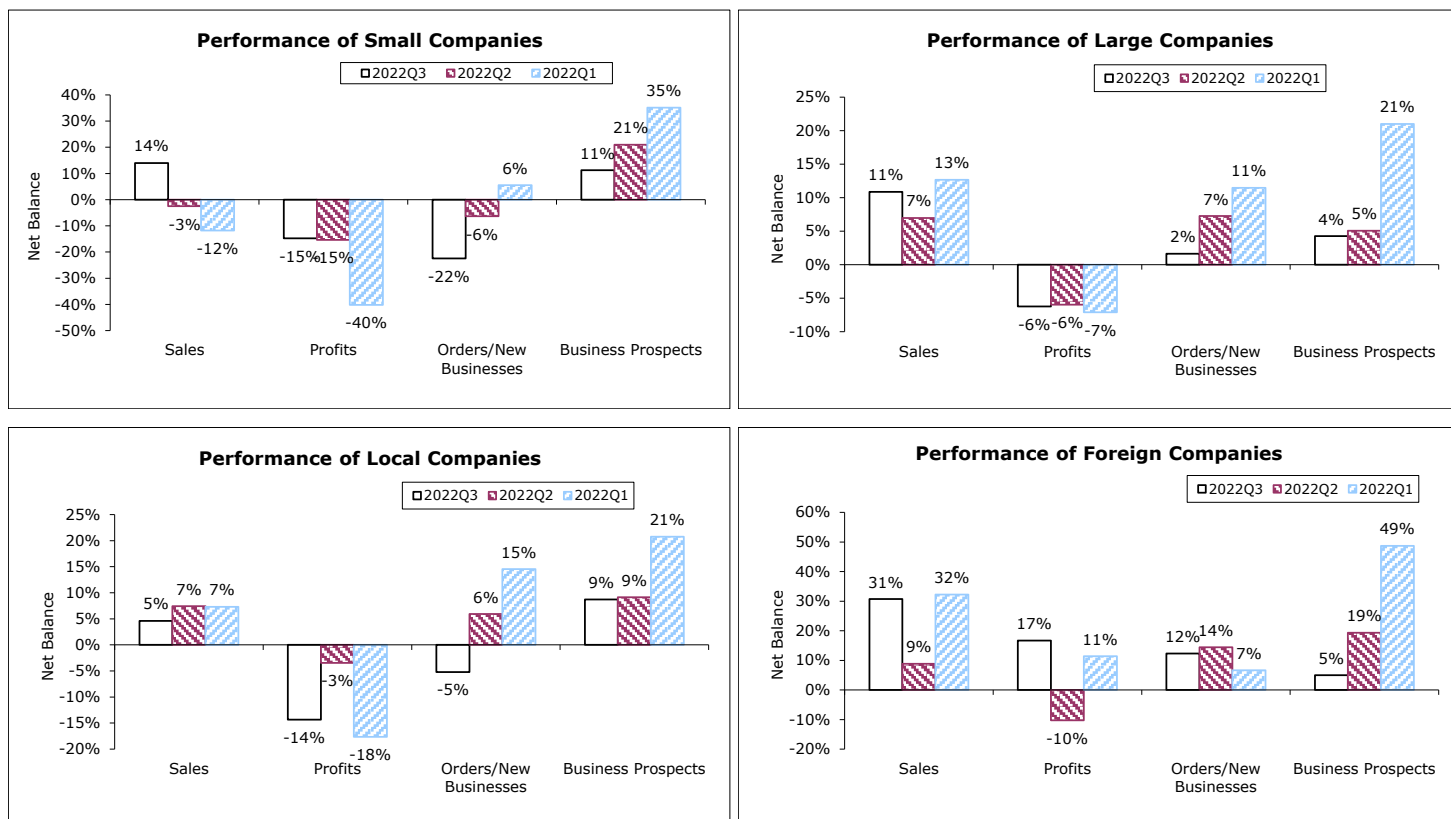
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion; a negative balance reflects contraction.

Performance Differential

In 2022Q3, sales of small firms turned into expansion, with negative profit unchanged (*Chart 1*). Orders/new business contracted further, resulting in lower optimism. Similarly, sales of large firms improved, with negative profit unchanged. Orders/new business of large firms fell further to nearly zero expansion. But optimism among large firms is little changed from a quarter ago. Compared to the previous quarter, the performance gap between small and large firms has narrowed in sales and business prospects, widened in orders/new business and unchanged in profits.

Foreign firms posted improved sales and profits, while local firms were hit by lower sales and more loss. While foreign firms had negligible change in orders/new business, local firms were hit by orders/new business falling into contraction. Optimism has declined among foreign firms, but is unchanged among local firms. The gap between foreign and local firms has narrowed in business prospects but widened in the three performance indicators.

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. Changes in the net balances of small and foreign firms involving less than 2 firms are negligible given their sample size.

The financial & business services sector was the star performer in 2022Q3. It was the top performer for all firms in sales, profits and orders/new business, whereas construction firms are the most optimistic over business prospects in the next six months for the second straight quarter. There was more dominance of the star performer than a quarter ago. A tabulation of positive net balances, across groups of firms and indicators, implies a weaker performance in 2022Q3 than a quarter ago in terms of number of expanding net balances but not the magnitude of change in expansion.

Outlook

From an analysis of the regression predictions on quarterly GDP growth rates by lagged net balances and a business cycle leading index, Singapore could grow at **3.9% - 4.7% in 2022Q4**. Higher consumer and inventory spending in 2022Q4 could occur prior to the GST increase in January 2023. Thus an annual GDP rate of **4.2% - 4.4% in 2022** could be expected.

We thank the company respondents for their support to the survey, and the CFAR team at SUSS for the admin. The project consultants are Ms Chow Kit Boey (ex-associate professor, NUS Business School) and Mr Chan Cheong Chiam (managing director, Web ilite Technology), assisted by Ms Shaw Wen Hui (executive, CFAR). 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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