

BT-SUSS Business Climate Survey 2022Q4¹

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 entering its 28th year. This report covers the performance of Singapore firms in 2022Q4 and business prospects for the next six months (January- June 2023). Of the 138 firms that responded to the mail survey (conducted 15th December 2022–13th January 2023), 80 or 58% indicated overseas business, same as in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Business conditions in 2022Q4 worsened further, compared to a quarter ago. Sales, profits and orders/new business deteriorated with weaker results outweighing stronger performance. Firms have turned pessimistic over business prospects in the next six months. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -5% for sales (-16% points);
- -18% for profits (-11% points);
- -16% for orders/new business (-15% points); and
- -11% for business prospects in the next six months (-16% points).

Firms are asked the destinations for company expansion of activities in the first half of 2023. Fewer firms indicated expansion abroad than in 2019Q4 (53% vs pre-pandemic 61%). Also single-destination expansion has increased (58% of expanding firms vs pre-pandemic 39%). This reflects a more cautious expansion mood than before the pandemic. The three most favoured countries are Indonesia, Malaysia and Vietnam (*Table 1*). Indonesia and Malaysia have become more attractive, whereas Vietnam has lost some shine for company expansion.

Indonesia is cited by more firms almost across the board; the exceptions are in the commerce and financial & business services sectors. Compared to two years ago, the three top countries have become more popular destinations among foreign firms and firms in transport & communications.

Table 1: Top-Three Destinations for Company Expansion in 2023

Percentage of Firms with Expansion

	Indonesia	Malaysia	Vietnam
All Companies (73)	41.1%	37.0%	32.9%
Size of Companies			
Small (11)	54.5%	45.5%	9.1%
Large (62)	38.7%	35.5%	37.1%
Ownership of Companies			
Local (54)	42.6%	33.3%	31.5%
Foreign (19)	36.8%	47.4%	36.8%
Sector of Companies			
Manufacturing (24)	25.0%	41.7%	20.8%
Construction (7)	57.1%	28.6%	42.9%
Commerce (15)	46.7%	33.3%	40.0%
Transport & Communications (17)	52.9%	35.3%	41.2%
Financial & Business Services (10)	40.0%	40.0%	30.0%

Figure in parentheses denotes number of respondents.
Green cell denotes higher value than in 2020.

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

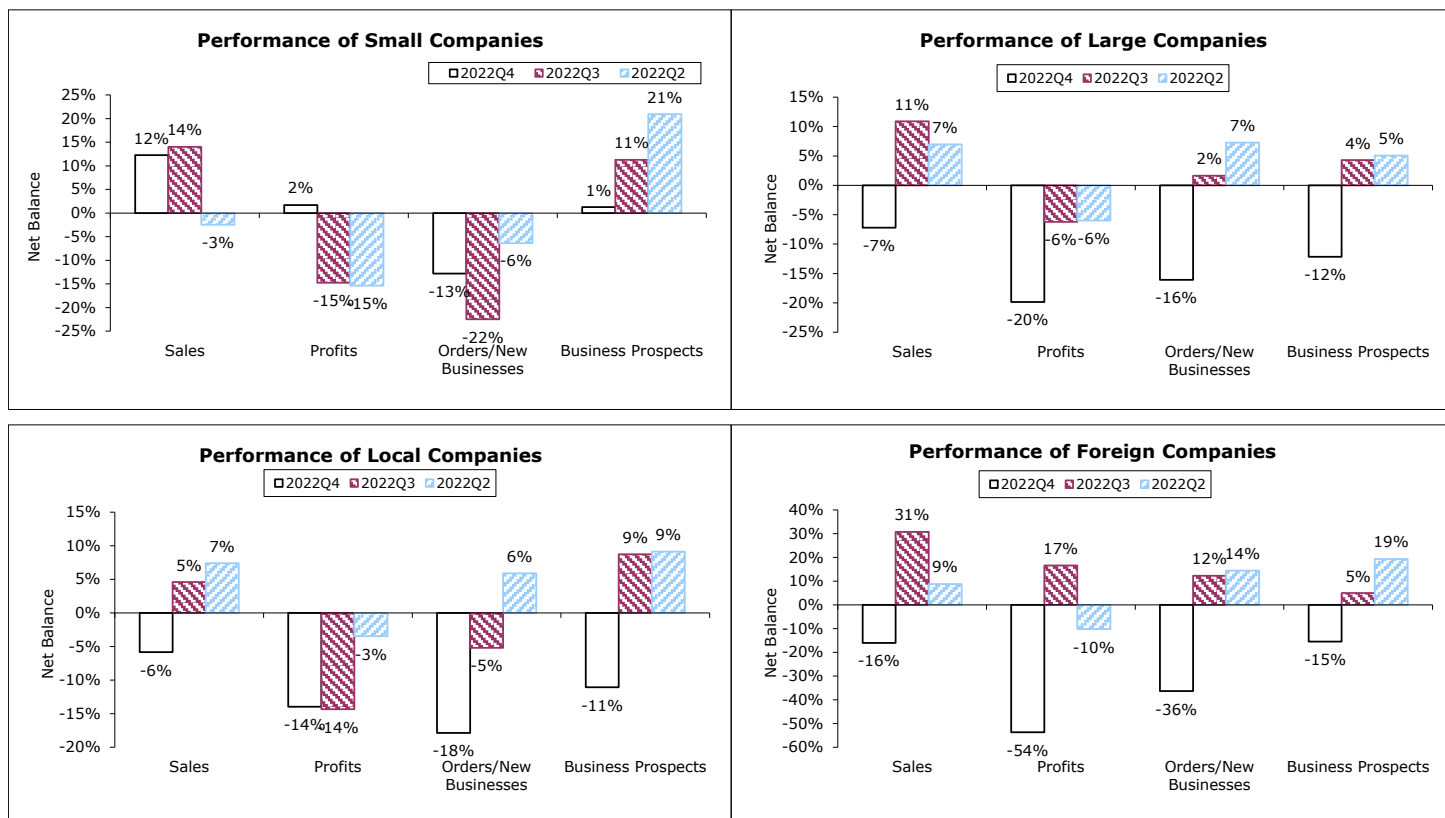
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion; a negative balance reflects contraction.

Performance Differential

In 2022Q4, small firms continued to record sales expansion, and ended negative profit (*Chart 1*). Contraction in orders/new business improved. Small firms have become neither optimistic nor pessimistic. In contrast, large firms encountered declines in all indicators. Compared to the previous quarter, the performance gap between small and large firms widened except for orders/new business. Small firms outperformed large firms (negligibly in orders/new business).

Both local and foreign firms were hit by worse results, except for local firms' profits. Both groups of firms have turned pessimistic. The gap between foreign and local firms has narrowed in sales but widened in profits (unchanged in orders/new business and business prospects). Local firms outperformed foreign firms in all 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 transport & communications sector attained the star performer status in 2022Q4, capturing 8.5 of the 20 top positions. Among all firms, those in transport & communications took the top position in sales and are the most optimistic on business prospects in the next six months. Firms in financial & business services achieved a small profit. Construction firms recorded a slight increase in orders/new business. There was less dominance of the star performer than a quarter ago. All the five sectors reached a top position in 2022Q4. A tabulation of positive net balances by sector, across groups of firms and the four indicators, reveals a reduced number of sectors with expansion and more sectors with no contraction. This reflects a weaker performance in 2022Q4 than a quarter ago in terms 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 **1.8% - 2.7% in 2023Q1**. The magnitude of change reveals moderate worsening of net balances as less than 5% of the firms indicated extreme declines.

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.

© Copyright 2023 The Business Times and SUSS. 6February2023