

BT-SUSS Business Climate Survey 2023Q3¹

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 28th year. This report covers the performance of firms in Singapore in 2023Q3 and business prospects for the next six months (October 2023-March 2024). Of the 121 firms that responded to the mail survey (conducted 13th September–13th October 2023), 74 or 61% indicated overseas business, similar to the previous quarter (62%). The survey respondents are from all major economic sectors.

Singapore Business Climate

Business conditions in 2023Q3 indicated weaker performance than in 2023Q2 (which showed some signs of improvement). Sales and profits contracted more from a quarter ago. However, orders/new business deteriorated less than in the previous quarter. Firms are more pessimistic over business prospects for October 2023-March 2024. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -35% for sales (-10% points vs unchanged in 2023Q2);
- -50% for profits (-12% points vs -1%);
- -44% for orders/new business (-6% points vs -17% points); and
- -34% for business prospects in the next six months (-16% points vs +7% 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. Singapore is most cited but its share has dropped to one quarter from one third a year ago (*Table 1*). Indonesia has remained in the second place, retaining its share of one-sixth. China and Malaysia are seen as more impactful, emerging in third position, displacing Vietnam. Among small firms, Malaysia has overtaken Singapore as offering the best business prospects. Foreign firms perceive higher prospects in China, Dubai and USA than a year ago, while Indonesia reaches the top position shared with China.

Indonesia remains a top-three country for business prospects across firm size, ownership and sector. It is the most-cited by commerce firms, in the latest three years of the survey (2022, 2023 and 2019). However, its business prospects have dimmed among firms in financial & business services. By contrast more financial & business services firms view Malaysia, China and Thailand to hold best prospects. India and Malaysia have gained higher prospects among manufacturing firms, while USA and Indonesia remain in a top spot. Apparently, Vietnam has continued to lose business prospects as it retained only two top slots (in construction and commerce).

Table 1: Best Business Prospects in the Next 12 Months

	Rank	Most Cited	2 nd Most Cited	3 rd Most Cited
All Companies (114)		Singapore 24%	Indonesia 15%	China, Malaysia 11%
Size of Companies				
Small (22)		Malaysia 36%	Singapore 27%	Indonesia 23%
Large (92)		Singapore 23%	China, Indonesia	13%
Ownership of Companies				
Local (88)		Singapore 28%	Indonesia 15%	Malaysia 14%
Foreign (26)		China, Indonesia	15%	UAE (Dubai) & USA 12%
Sector of Companies				
Manufacturing (29)		USA 17%	India, Indonesia, Malaysia	14%
Construction (23)		Singapore 57%	Indonesia, Vietnam	9%
Commerce (21)		Indonesia 24%	China 19%	Vietnam 14%
Transport & Communications (17)		Malaysia 24%	China, Indonesia, Singapore	18%
Financial & Business Services (24)		Singapore 25%	Malaysia 17%	China, Indonesia, Thailand 13%

(# of respondents) Shared rank percentage pertains to single country.

Green shaded cells indicate higher values than in 2022. Pink shaded cells indicate lower values than in 2022.

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.

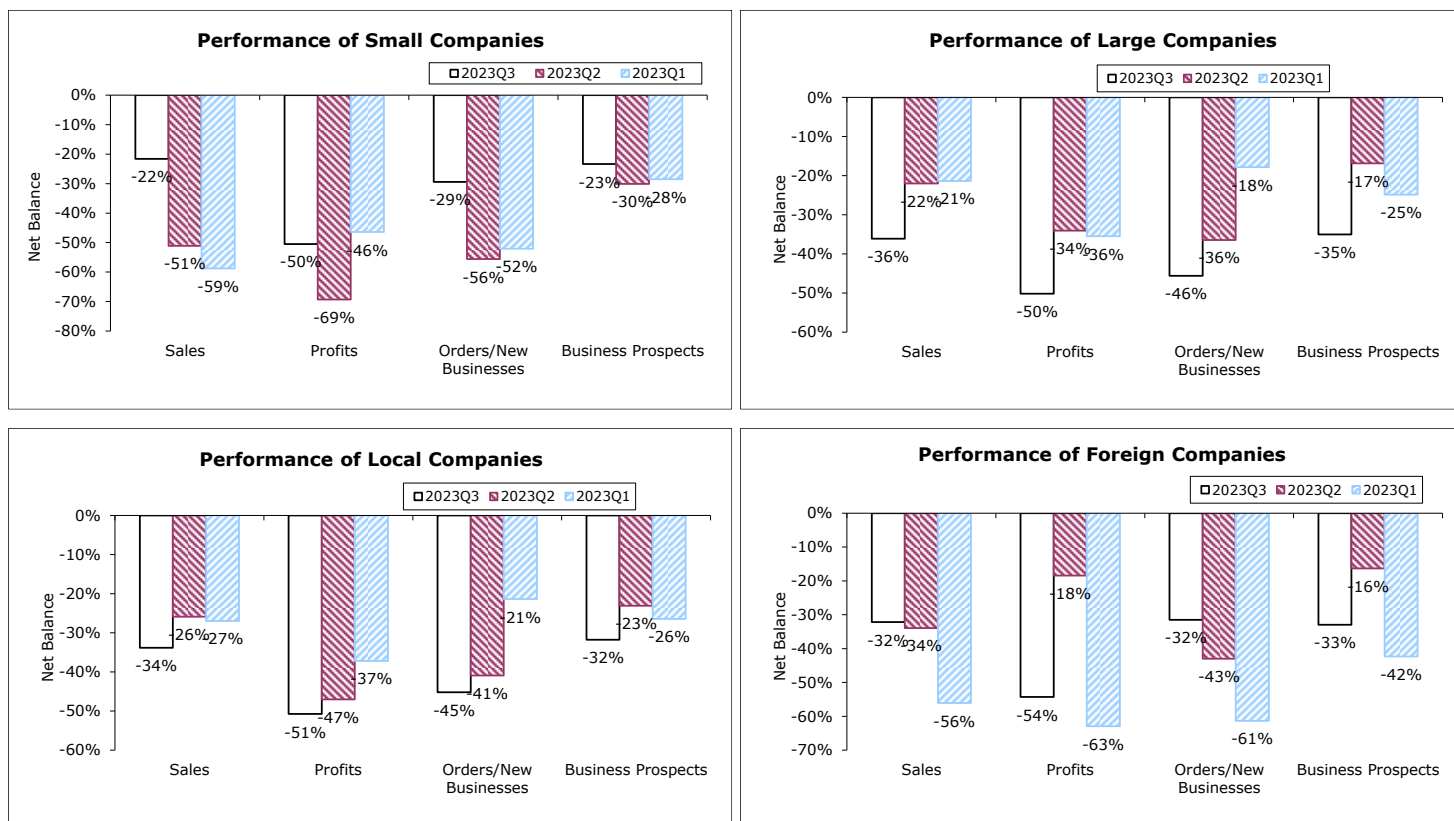
Non-shaded cells indicate little difference in values between the two years given the sample size.

Performance Differential

Small firms registered improved performance in 2023Q3. There was less contraction in sales, profits and orders/new business (Chart 1). Pessimism was little changed. On the other hand, large firms encountered more contraction in the three performance indicators and have become more pessimistic over business prospects in the next six months. In contrast to the previous two quarters, small firms have outperformed large firms except in profits. Compared to the previous quarter, the performance gap between small and large firms has narrowed in sales and orders/new business, reduced to zero in profits, and unchanged in business prospects.

The performance of local firms weakened slightly in 2023Q3. Foreign firms posted much worse profit contraction, slightly reduced contraction in orders/new business, and unchanged sales contraction. Foreign firms outperformed local firms in orders/new business, resulting in a wider gap. Otherwise there is negligible difference in performance between the two groups of firms.

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 construction sector became the star performer in 2023Q3. It captured 15¹/₃ of the 20 top positions. The strong dominance of the star sector is also reflected in the absence of commerce in a top spot. The construction sector was the top performer in sales, profits, orders/new business and business prospects for all firms and for small, large and local firms. Foreign firms in transport & communications took the top slots in sales, profits and business prospects, while financial & business services was top in orders/new business. An expansion index (compiled from positive net balances by sector, across groups of firms and indicators) rose to 21.0% from 13.5% a quarter ago. This corresponds to GDP rates of 0.7% (advance estimate) and 0.5%.

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% in 2023Q4**. Thus Singapore GDP annual rate could be **0.9% - 1% in 2023**.

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

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24October2023