

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 26th year. This report covers the performance of Singapore firms in 2020Q4 and business prospects for the next six months (January-June 2021). Of the 139 firms that responded to the mail survey (conducted 11th December 2020–15th January 2021), 84 or 60% indicated overseas business. This is slightly lower than in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

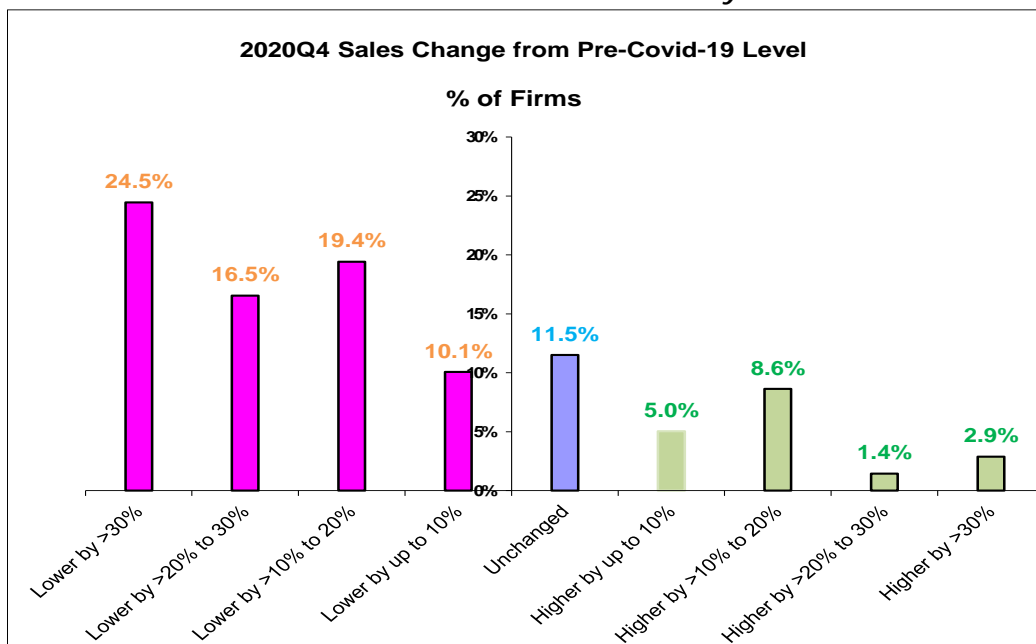
Business performance improved further in 2020Q4. Sales and orders/new business contracted less than a quarter ago but at a slower rate. The contraction in profits diminished further at a higher rate than a quarter ago. Firms are substantially less pessimistic over business prospects in the next six months, implying a likely turnaround to optimism in the next quarter. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -58% for sales (+9% points vs +12 points in 2020Q3);
- -54% for profits (+14% points vs +4 points);
- -61% for orders/new business (+7% points vs +14 points); and
- -12% for business prospects in the next six months (+48% points vs +18 points).

Firms are asked to compare company sales in 2020Q4 to that of pre-Covid-19 level. One in ten firms (12%) has sales at the same level as pre-Covid (*Chart 1*). Almost two in ten (18%) have higher sales. Thus three-tenths of firms have recovered or have not been affected adversely by the pandemic. This proportion is higher than a finding in the previous quarter pertaining to two-tenths of firms expecting sales to reach pre-Covid levels by 2021Q1. This implies that the economy has strengthened more in the last two quarters of 2020 than foreseen earlier.

On the other hand, seven in ten firms have lower sales with the largest proportion hit by sales decline of over 30%. Construction firms are the hardest hit (83% with lower sales). Firms in wholesale & retail trade (commerce) are relatively the least affected (55% with lower sales). An estimate of sales change by size of firms indicates that total company sales as at 2020Q4 are almost 11% below pre-Covid level.

Chart 1: Rate of Sales Recovery



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

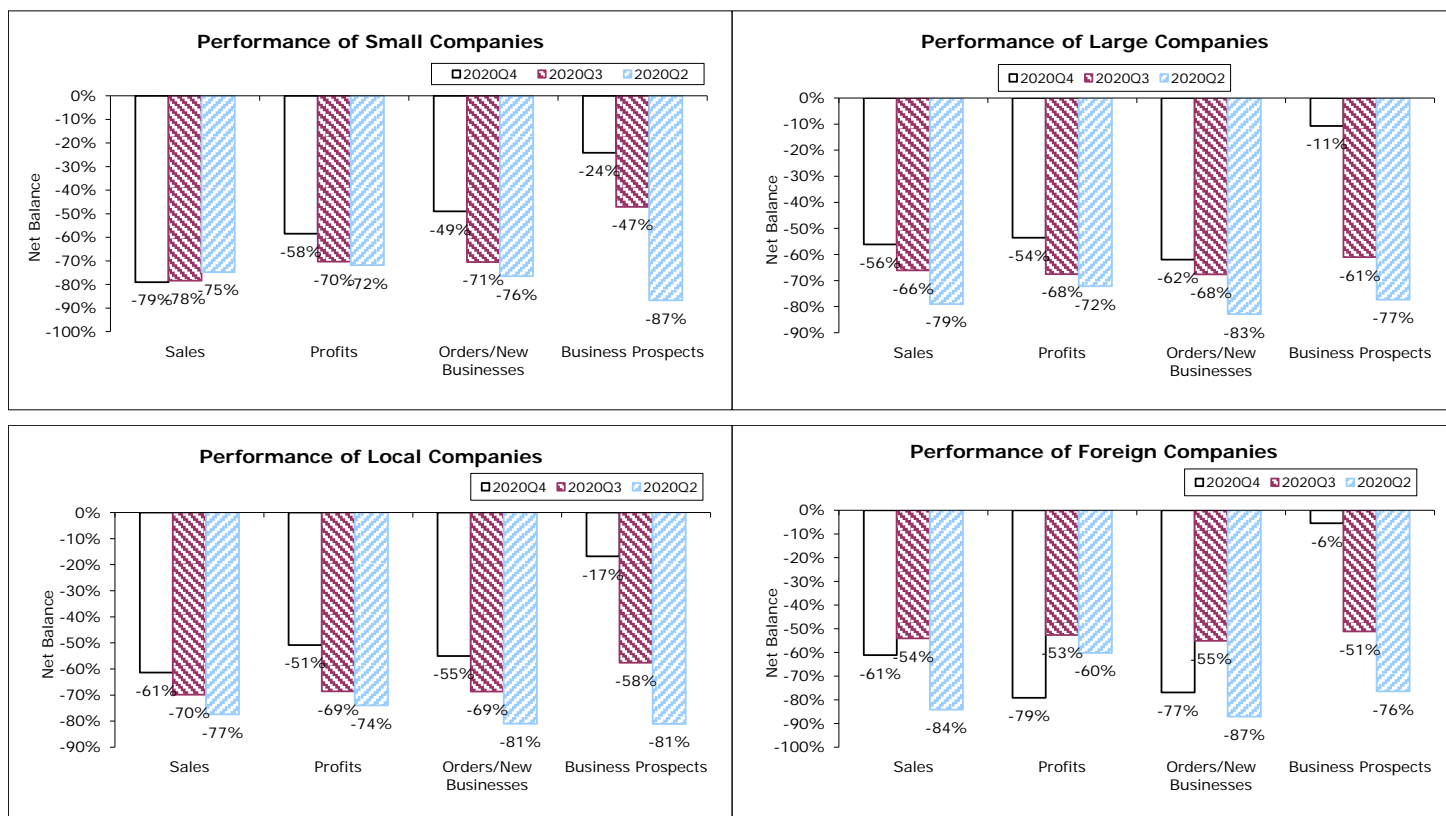
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

Performance Differential

Small firms managed to reduce the contraction in profits and orders/new business in 2020Q4 (Chart 1). Large firms continued to achieve smaller contraction in the three performance indicators. Both groups of firms are less pessimistic on business prospects in the next six months. The performance gap between small and large firms widened in sales and orders/new business.

Foreign firms fared poorly in 2020Q4. Contracting profits and orders/new business spread to more firms while sales contraction stagnated. By contrast, local firms registered less contraction in the three performance indicators. Both groups have become less pessimistic. The performance gap between foreign and local firms widened in profits, orders/new business and business prospects, but narrowed in sales.

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 2020Q4, the commerce sector took the top position in sales, profits and orders/new business, registering the least contraction in the three performance indicators. The top position in business prospects is held for the second consecutive quarter by firms in the financial & business services sector. Financial & business services firms are no longer pessimistic (but have not turned optimistic) on business prospects in the next six months. Notably in the 2020Q3 survey, commerce firms indicated the fastest recovery to pre-Covid-19 level. One quarter of commerce firms expected recovery in 2020Q4, followed by financial & business services and manufacturing in 2021Q1

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 begin to expand at **1%-3.4% in 2021Q1**.

We thank the company respondents for their support to the survey.

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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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