

**BT-SUSS Business Climate Survey 2021Q2<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 26<sup>th</sup> year. This report covers the performance of Singapore firms in 2021Q2 and business prospects for the next six months (July-December 2021). Of the 131 firms that responded to the mail survey (conducted 24<sup>th</sup> June –16<sup>th</sup> July 2021), 77 or 59% indicated overseas business. This is lower than in the previous quarter. The survey respondents are from all major economic sectors.

**Singapore Business Climate**

On the whole, business performance has improved further in 2021Q2, albeit at a slower rate than in the previous quarter. Sales and orders/new business started to expand. But profits weakened, resulting in slightly lower optimism over business prospects in the next six months. Indications are that 2021Q3 could show stronger sales from better orders/new business in 2021Q2. The net balances, with changes over a quarter ago in parentheses, are as follows:<sup>2</sup>

- 9% for sales (+23% points);
- -14% for profits (-8% points);
- 3% for orders/new business (+17% points); and
- 27% for business prospects in the next six months (-2% points).

Firms are asked to estimate the likely change in company sales in 2021. Firms predicting sales growth (45%) outnumber those expecting sales decline (42%), giving a net balance of 3% (*Table 1*). All the net balances show improved sales over 2020 with some indicating sales expansion (positive net balance).

A quantitative estimate of sales change is derived from the responses weighted by size of firm. An estimated 5.2% sales increase in 2021 is obtained. There has been a tendency for the sales estimates to be below GDP growth rates. Thus, the sales estimate is first adjusted by the average of underestimates in the two years prior to 2020 (i.e. 2018 and 2019). A secondly adjusted sales change is done with the average of underestimates in the past seven years (excluding two outliers i.e. large ones in 2016 and 2020). Hence, GDP growth in 2021 is forecast to range from 6.1% to 7.4%. This is above the official forecast of 4.0% to 6.0%.

**Table 1: Net Balances in Sales Change, 2014-2021**

	2021	2020	2019	2018	2017	2016	2015	2014
<b>All Companies</b>	3%	-86%	-32%	6%	-24%	-51%	-30%	-5%
<b>Size and Ownership</b>								
Small	-47%	-87%	-59%	-50%	-62%	-65%	-47%	-17%
Large	21%	-86%	-27%	18%	-14%	-47%	-26%	-2%
Local	-3%	-84%	-32%	10%	-29%	-46%	-27%	-5%
Foreign	30%	-94%	-31%	-9%	-3%	-66%	-41%	-6%
<b>Sector</b>								
Manufacturing	21%	-71%	-38%	22%	12%	-55%	-21%	3%
Construction	-24%	-97%	-22%	-21%	-35%	-47%	-15%	-11%
Commerce	0%	-95%	-27%	-3%	-49%	-58%	-41%	-18%
Transport & Communications	-9%	-76%	-29%	11%	-21%	-38%	-24%	35%
Financial & Business Services	27%	-89%	-38%	18%	-32%	-49%	-42%	-26%
<b>Estimated Sales Change</b>	<b>5.2%</b>	<b>-12.8%</b>	<b>-0.3%</b>	<b>3.3%</b>	<b>1.4%</b>	<b>-5.7%</b>	<b>-1.7%</b>	<b>2.7%</b>
<b>GDP growth rate</b>	<b>4.0 to 6.0%*</b>	<b>-5.4%</b>	<b>0.7%</b>	<b>3.4%</b>	<b>4.3%</b>	<b>3.2%</b>	<b>3.0%</b>	<b>3.9%</b>
<i>Underestimate</i>	<i>0.9 - 2.2%**</i>	7.4%	1.6%	0.2%	3.1%	9.0%	4.7%	1.2%
<b>Predicted GDP growth</b>	<b>6.1 to 7.4%</b>							

Highest Net Balance shaded green. \*Official GDP growth forecast as of July 2021.

\*\*Sales change adjusted by the average of underestimates of GDP respectively in 2018-19 and in 2014-19 (without 2016).

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

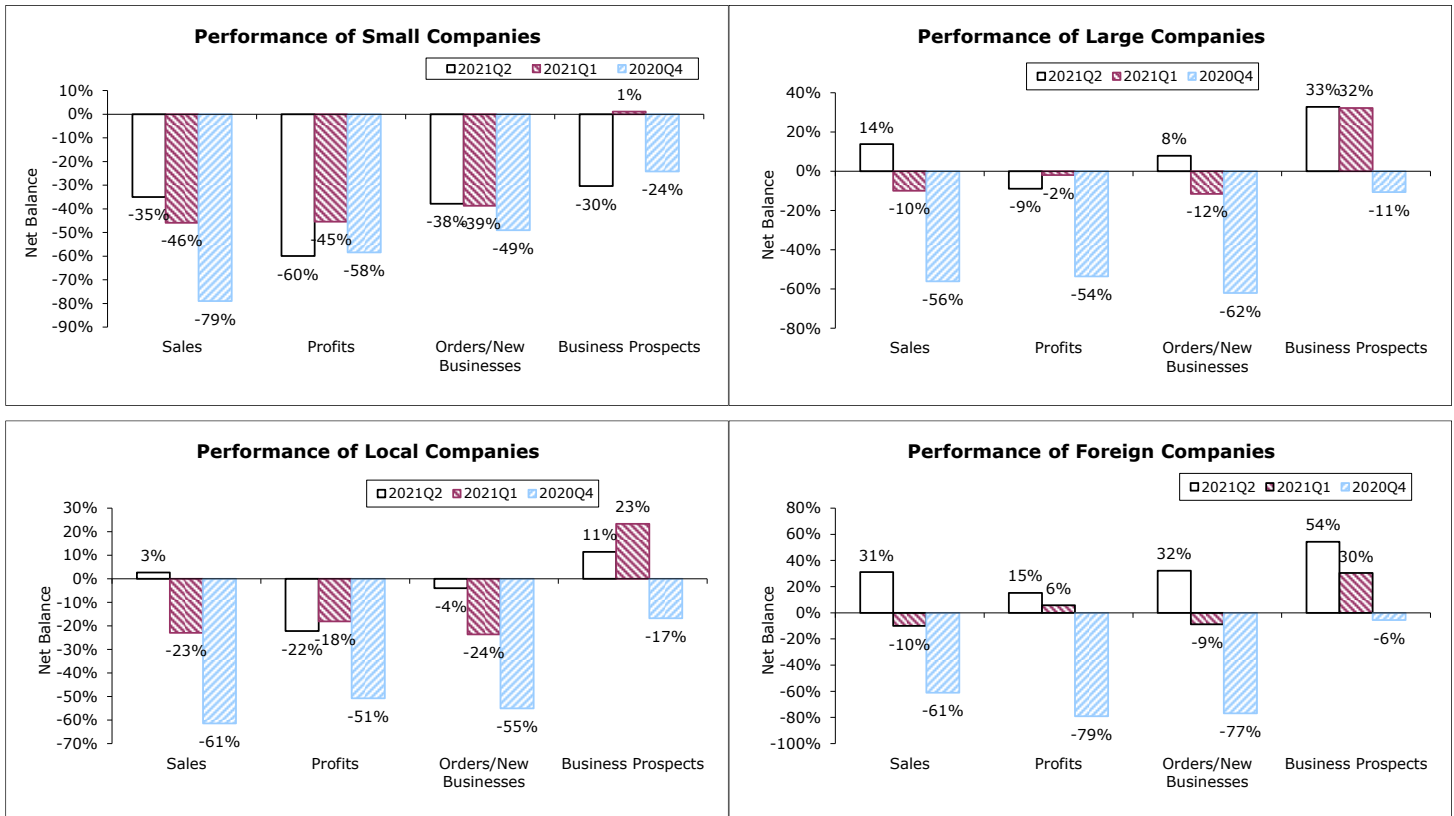
<sup>2</sup> A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

**Performance Differential**

Small firms were hit badly by lower profits in 2021Q2 and have turned pessimistic over business prospects in the next six months (Chart 1). Large firms obtained expansion in sales and orders/new business and remained optimistic though profits contracted further. The performance gap widened between small and large firms across the four indicators.

Foreign firms posted improved performance in 2021Q2 and became the most optimistic of the four groups of firms. By contrast, local firms have become less optimistic with lower profits though sales and orders/new business registered better performance. The performance gap between local and foreign firms widened for 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.

The financial & business services sector was the star performer in 2021Q2. It took the top position in sales, profits and business prospects. But the best orders/new business was posted by the manufacturing sector, owing partly to local manufacturing firms registering an expansion in orders/new business from a contraction situation a quarter ago. The construction sector encountered worse performance than in the previous quarter, and have turned pessimistic over business prospects. On the other hand, firms in transport & communications are more optimistic than a quarter ago.

**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 **9.7% - 11.3% in 2021Q3** on a year-on-year basis.

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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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