

BT-SUSS Business Climate Survey 2023Q4¹

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 begins its 29th year. This report covers the performance of firms in Singapore in 2023Q4 and business prospects for the next six months (January-June 2024). Of the 119 firms that responded to the mail survey (conducted 13th December 2023–18th January 2024), 68 or 57% indicated overseas business, lower than a quarter ago (61%). The survey respondents are from all major economic sectors.

Singapore Business Climate

Business conditions improved in 2023Q4. Sales, profits and orders/new business contracted less than a quarter ago, at double-digit points. Hence firms are much less pessimistic over business prospects in the first half of 2024. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -16% for sales (+19% points vs -10 points in 2023Q3);
- -36% for profits (+14% points vs -12%);
- -33% for orders/new business (+11% points vs -6%); and
- -10% for business prospects in the next six months (+24 points vs -16%).

The special topic covers destinations of company expansion in production/services in the next six months. Slightly more companies are expanding overseas in 2024 than a year ago (58% vs 53%). Among those with expansion, two-fifths (42% of 69) indicated expansion to one destination only (single-expansion). Coincidentally, the proportions of single- and multiple-expansion are the same as in 2023 (42% single and 58% multiple).

The three most cited destinations in 2024 are the same as a year ago (*Table 1*). Indonesia, which was ranked top in 2023, has lost some votes, resulting in little difference among the top-3 countries. There are only a few notable changes in 2024. Indonesia is less attractive among small and foreign firms, as well as firms in manufacturing and transport & communications. Malaysia is also less attractive to foreign firms, and has become less popular among commerce firms. BY contrast, Vietnam is more popular to foreign firms and among manufacturing firms; but lost some shine for firms in construction and transport & communications. The top-three countries remain, as attractive as a year ago, to firms in financial & business services. China and Thailand are cited by more firms expanding to one destination only, compared to a year ago.

Table 1: Top-Three Destinations for Company Expansion in 2024

Percentage of Firms with Expansion

	Indonesia	Malaysia	Vietnam
All Companies (69)	33.3%	34.8%	34.8%
Size of Companies			
Small (10)	20.0%	50.0%	10.0%
Large (59)	35.6%	32.2%	39.0%
Ownership of Companies			
Local (52)	38.5%	38.5%	30.8%
Foreign (17)	17.6%	23.5%	47.1%
Sector of Companies			
Manufacturing (22)	13.6%	40.9%	45.5%
Construction (6)	50.0%	33.3%	16.7%
Commerce (14)	50.0%	21.4%	35.7%
Transport & Communications (11)	36.4%	27.3%	27.3%
Financial & Business Services (16)	37.5%	43.8%	31.3%

(Number of firms). Higher than in 2023 by at least 10%. Lower than in 2023 by at least 10%.

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

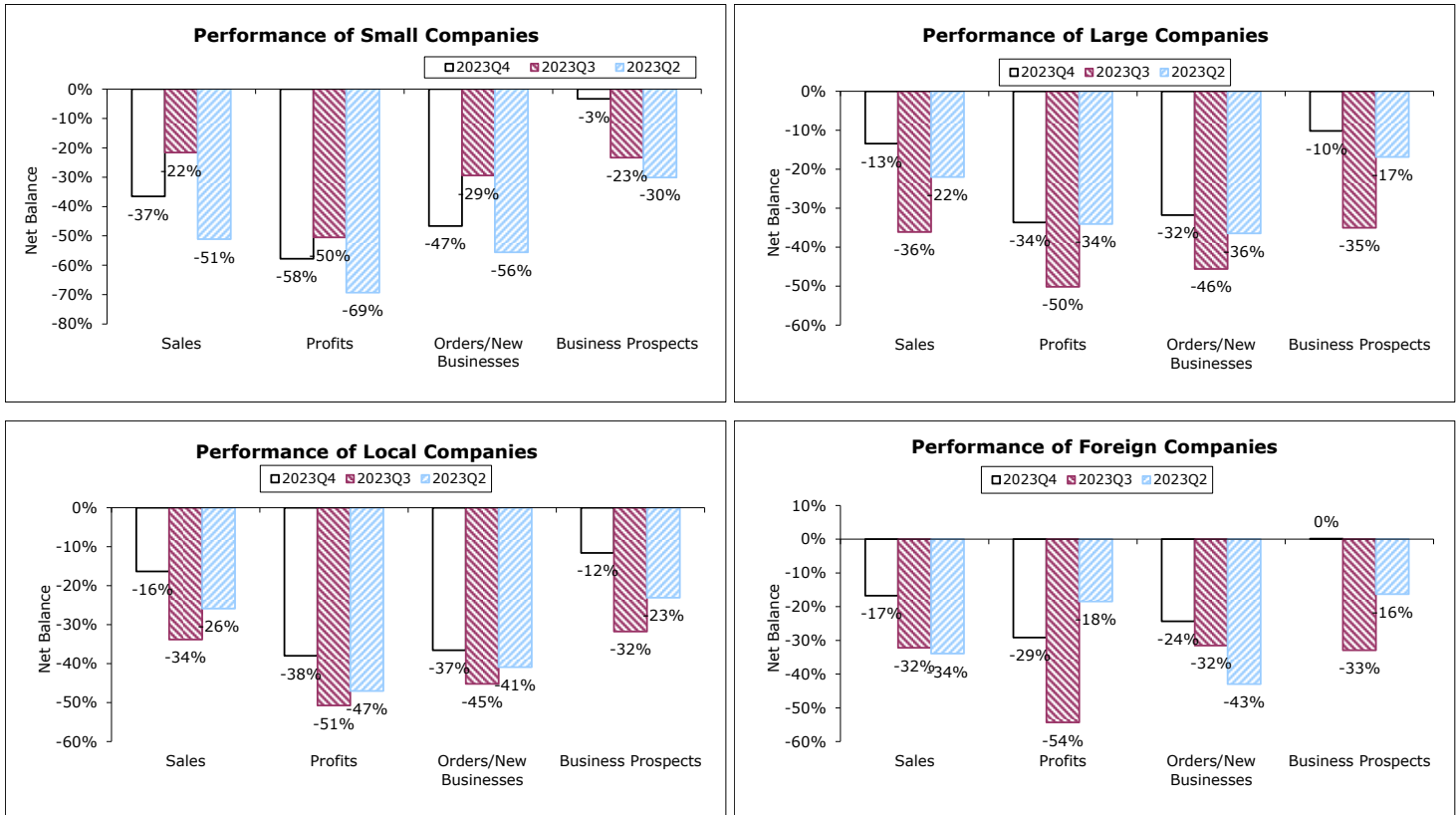
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion; a negative balance reflects contraction.

Performance Differential

Small firms were hit by weaker sales and orders/new business in 2023Q4 (Chart 1). Profits were practically unchanged. Small firms are no longer pessimistic, as reflected in a negligible negative net balance in business prospects. In contrast, large firms posted reduced contraction in the three performance indicators, but have remained gloomy, albeit at a reduced pessimism level. Compared to the previous quarter, the performance gap between small and large firms has narrowed in business prospects, widened in sales and profits, and virtually unchanged in orders/new business.

Both local and foreign firms achieved better results across the four indicators in 2023Q4. Foreign firms posted bigger improvements in profits and business prospects, resulting in wider gaps between foreign and local firms. There was no difference in the magnitude of change in sales and orders/new business between foreign and local firms. Hence the performance gap was unchanged between foreign and local firm.

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 was the star performer in 2023Q4 for the second consecutive quarter. It captured 16 of the 20 top positions, including the top spots for all firms across the four indicators. The other four top positions were taken by the financial & business services sector. An expansion index (compiled from positive net balances by sector, across groups of firms and indicators) rose to 34% from 21% a quarter ago. This corresponds to GDP rates of 2.8% (advance estimate) and 1% respectively.

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 **3.7% - 4.3% in 2024Q1**. This implies a strong start for 2024, and the likelihood of higher growth in the next two quarters, barring a major world-wide crisis.

We thank the company respondents for their support to the survey, and the CFAR team at SUSS for the admin work. The project consultant is Ms Chow Kit Boey (former associate professor and CBRD director, NUS Business School). The opinions, figures and estimates expressed in the report are the responsibility of the consultant, and do not constitute an endorsement by The Business Times nor SUSS.

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