

## BT-SUSS Business Climate Survey 2024Q2<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 is in its 29<sup>th</sup> year. This report covers the performance of firms in Singapore in 2024Q2 and business prospects for the next six months (July-December 2024). Of the 110 firms that responded to the mail survey (conducted 12<sup>th</sup> June–16<sup>th</sup> July 2024), 67 or 61% indicated overseas business, higher than a quarter ago (50%). The survey respondents are from all major economic sectors.

#### Singapore Business Climate

Business conditions strengthened further in 2024Q2. Sales improved to minimal contraction. Profits and orders/new business contracted less again, albeit at slower pace than a quarter ago. Firms have become slightly optimistic over business prospects in the next six months. The net balances, with changes over a quarter ago in parentheses, are as follows:<sup>2</sup>

- -2% for sales (+16% points vs -2% points in 2024Q1);
- -10% for profits (+11% points vs +15%);
- -9% for orders/new business (+11% points vs +13%); and
- 8% for business prospects in the next six months (+5% points vs +13%).

On the likely change in company sales in 2024, 39% of firms expected higher sales and 41% lower sales from a year ago. This gives an improved net balance of -2%, compared to -19% in 2023. All sectors, except manufacturing, indicated positive net balances. By contrast in 2023, transport & communications was the only sector expecting sales growth.

An attempt to relate sales change to GDP growth involves quantifying the responses by size of firms and expected rate of sales change. Sales in 2024 are estimated to increase by 2.2%. Since sales change has been below GDP rate, underestimates are applied to forecast GDP growth. In view of GDP growth in Q1-Q2 of 3%, the underestimates of 2022 (1%) and 2019 (1.7%) are adopted. This gives a forecast for Singapore economic growth in 2024 at 3.2%-3.9%, implying higher expansion in the second half of the year.

**Table 1: Net Balances in Sales Change, 2016-2024**

<b>1</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>All Companies</b>	-2%	-19%	21%	3%	-86%	-32%	6%	-24%	-51%
<b>Size and Ownership</b>									
Small	-48%	-36%	9%	-47%	-87%	-59%	-50%	-62%	-65%
Large	9%	-14%	25%	21%	-86%	-27%	18%	-14%	-47%
Local	-3%	-23%	25%	-3%	-84%	-32%	10%	-29%	-46%
Foreign	4%	-4%	10%	30%	-94%	-31%	-9%	-3%	-66%
<b>Sector</b>									
Manufacturing	-37%	-33%	32%	21%	-71%	-38%	22%	12%	-55%
Construction	12%	-10%	28%	-24%	-97%	-22%	-21%	-35%	-47%
Commerce	11%	-45%	-10%	0%	-95%	-27%	-3%	-49%	-58%
Transport & Communications	6%	21%	19%	-9%	-76%	-29%	11%	-21%	-38%
Financial & Business Services	9%	-14%	27%	27%	-89%	-38%	18%	-32%	-49%
<b>Estimated Sales Change</b>	2.2%	-(5 -2.4)%**	2.8%	5.2%	-12.8%	-0.3%	3.3%	1.4%	-5.7%
<b>GDP growth rate</b>	1%-3% <sup>@</sup>	1.1%	3.8%	9.7%	-3.9%	1.4%	3.5%	4.5%	3.6%
<i>Underestimate</i>	1.0%-1.7%*	6%*-4%**	1.0%	4.5%	8.9%	1.7%	0.2%	3.1%	9.3%
<b>Predicted GDP growth</b>	<b>3.2%-3.9%</b>	<b>1.0% - 1.6%</b>	@ as of 23May2024		*Generated by H2O AutoML				

**Highest value**

\*Underestimates in 2022 and 2019

\*\*From two sets of rates

\*\*Average of underestimates 2016-2022

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

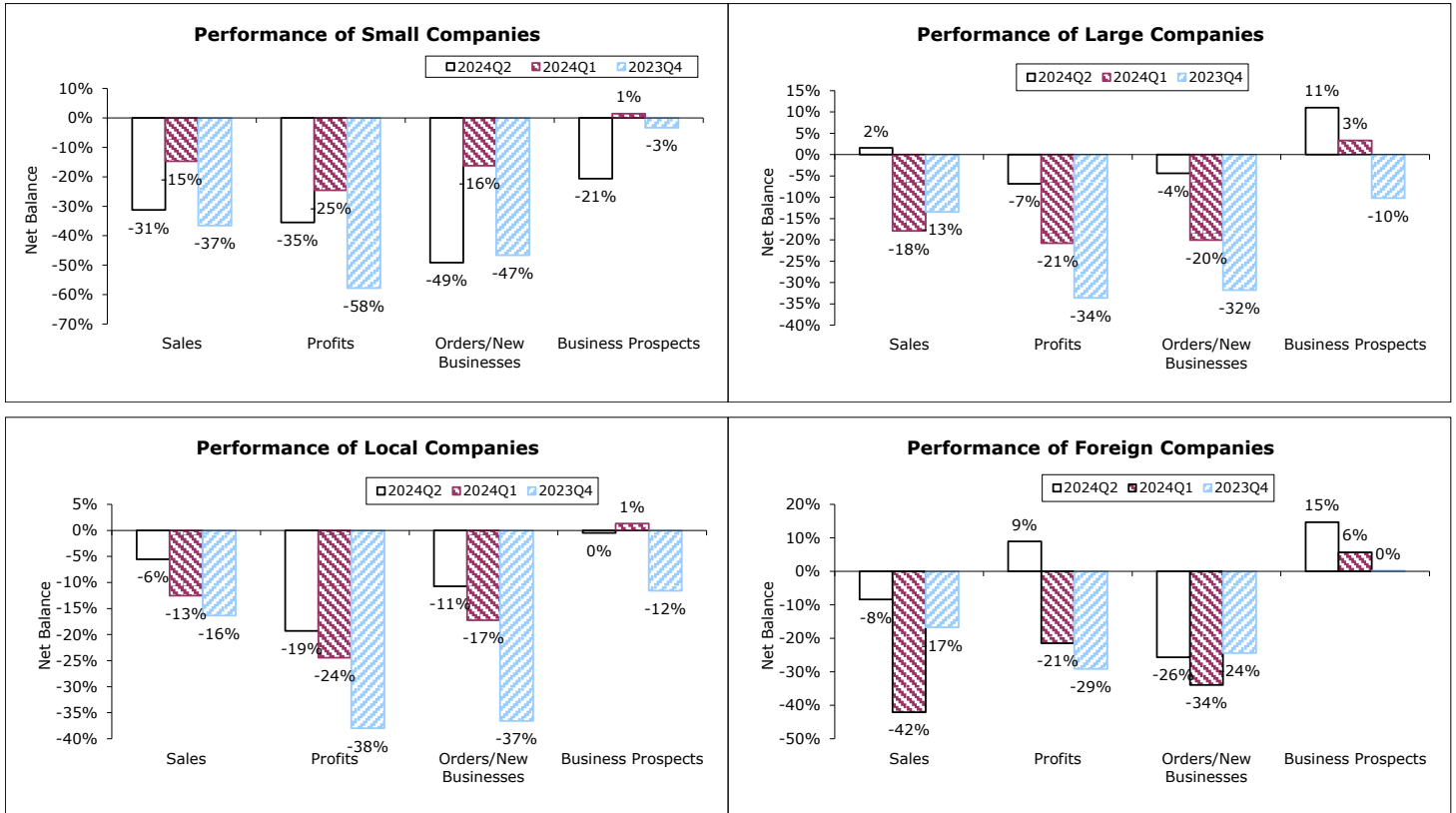
<sup>2</sup> A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion; a negative balance reflects contraction.

**Performance Differential**

In 2024Q2, small firms performed worse than a quarter ago. Sales, profits and orders/new business contracted further. And small firms have become pessimistic over business prospects in the next six months. By contrast, large firms achieved better results across the board with sales no longer contracting. Large firms have turned optimistic over business prospects for the next half of 2024. Compared to the previous quarter, the performance gap between small and large firms has widened in the four indicators.

Local firms posted the second consecutive quarter of improved results for the three performance indicators.in 2024Q2. Local firms have stayed neutral over business prospects with the net balance bordering on the zero level. Foreign firms obtained less contraction in sales and orders/new business and were no longer hit by profit contraction in 2024Q2. The performance gap between foreign and local firms has narrowed for sales but widened for profits and business prospects. The gap in orders/new business has practically remained the same as a quarter ago.

**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.

In 2024Q2, the transport & communications sector took the star performer status, capturing 10 of the 20 top positions. For all firms, it posted the highest expansion in sales and orders/new business. It shared the top spot in profits with the financial & business services sector. It is the third most optimistic sector, superseded by construction and commerce. Large and foreign firms in manufacturing have become optimistic. An expansion index (compiled from positive net balances by sector, across groups of firms and indicators) rose to 42% from 37% a quarter ago. This is the 4<sup>th</sup> straight increase in business activities from the trough in 2023Q2.

**Outlook**

From an analysis of the regression predictions of quarterly GDP growth rates by lagged net balances and a business cycle leading index, Singapore could grow at **3.1% - 3.8% in 2024Q3**. This implies a growth rate that is slightly higher than in 2024Q2 (2.9% MTI advance estimate), in view of continued political tensions and rivalry.

-----  
 We thank the company respondents for giving their time and support to the survey.  
 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.  
 © Copyright 2024 The Business Times and SUSS.

26July2024