

BT-SUSS Business Climate Survey 2023Q2¹

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 2023Q2 and business prospects for the next six months (July-December 2023). Of the 116 firms that responded to the mail survey (conducted 14th June-14th July 2023), 72 or 62% indicated overseas business, lower than in the previous quarter (66%). The survey respondents are from all major economic sectors.

Singapore Business Climate

Business conditions in 2023Q2 showed signs of improving results. Sales and profits were unchanged from a quarter ago. Though orders/new business deteriorated further, firms are less pessimistic over business prospects in July-December 2023. This implies a bottoming of deteriorating performance that may lead to expansion in the near future. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -25% for sales points (unchanged vs -20% points in 2023Q1);
- -38% for profits (-1% point vs -19% points);
- -38% for orders/new business (-17% points vs -5% points); and
- -18% for business prospects in the next six months (+7% points vs -14% points).

On the likely change in 2023 company sales, 36% of firms reported higher sales and 55% lower sales with 9% indicating unchanged sales from a year ago. This gives a net balance of -19%, which expectedly is lower than the previous year's 21% (Table 1). Only the transport & communications sector maintains a positive net balance, whereas the other sectors foresee lower sales as shown in the negative net balances.

An attempt to relate sales change to GDP growth involves quantifying the responses by size of firms and applying two sets of rates for sales change. Sales in 2023 are estimated to decline by 2.4% or 5%. Since sales change has been below GDP rate, underestimates are applied to forecast GDP growth. The first underestimate (6%), obtained from an AI program, adjusted sales change (-5%) to derive a GDP growth of 1%. The second underestimate (3.96%), representing the average of underestimates in the past seven years, produces a GDP growth of 1.6%. Hence, the forecast for Singapore economic growth is 1% - 1.6% in 2023.

Table 1: Net Balances in Sales Change, 2016-2023

	2023	2022	2021	2020	2019	2018	2017	2016
All Companies	-19%	21%	3%	-86%	-32%	6%	-24%	-51%
Size and Ownership								
Small	-36%	9%	-47%	-87%	-59%	-50%	-62%	-65%
Large	-14%	25%	21%	-86%	-27%	18%	-14%	-47%
Local	-23%	25%	-3%	-84%	-32%	10%	-29%	-46%
Foreign	-4%	10%	30%	-94%	-31%	-9%	-3%	-66%
Sector								
Manufacturing	-33%	32%	21%	-71%	-38%	22%	12%	-55%
Construction	-10%	28%	-24%	-97%	-22%	-21%	-35%	-47%
Commerce	-45%	-10%	0%	-95%	-27%	-3%	-49%	-58%
Transport & Communications	21%	19%	-9%	-76%	-29%	11%	-21%	-38%
Financial & Business Services	-14%	27%	27%	-89%	-38%	18%	-32%	-49%
Estimated Sales Change	-5.0% to -2.4%*	2.8%	5.2%	-12.8%	-0.3%	3.3%	1.4%	-5.7%
GDP growth rate	0.5% - 2.5%**	3.6	8.9%	-3.9%	1.3%	3.6%	4.5%	3.6%
<i>Underestimate</i>	6.0%+ 3.96%++	0.8%	3.7%	8.9%	1.6%	0.3%	3.1%	9.3%
Predicted GDP growth	1.0% - 1.6%							

Green=highest value. * From two sets of rates within the brackets in the questionnaire. ** Official forecast, July 2023
⁺Underestimate generated using H2O AutoML. ⁺⁺Average of underestimates in 2016-2022.

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

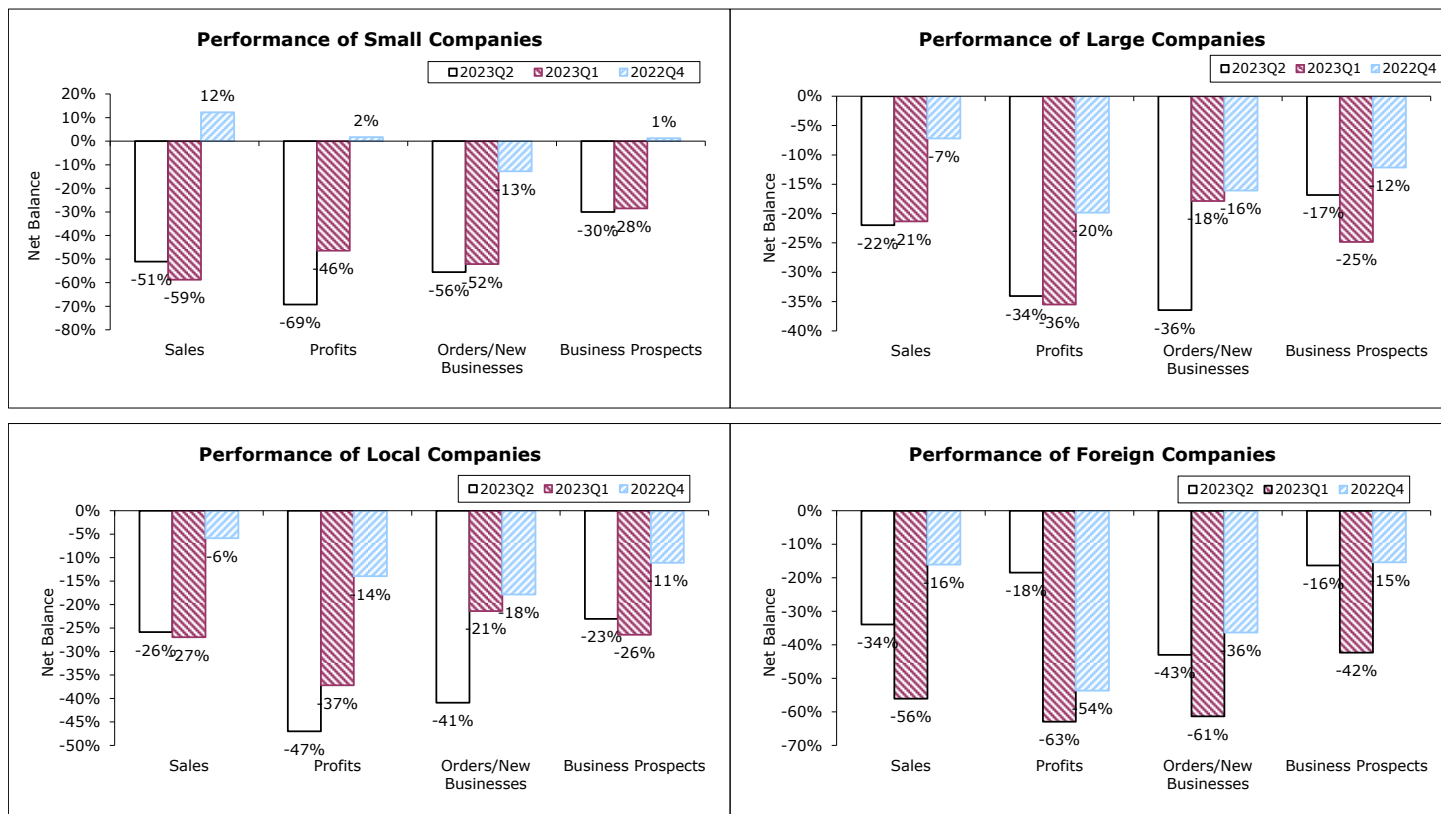
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion; a negative balance reflects contraction.

Performance Differential

In 2023Q2, small firms suffered more contraction in profits. Contracting sales and orders/new business and pessimism were practically unchanged (*Chart 1*). Large firms encountered more contraction in orders/new business with unchanged contraction in sales and profits. But large firms have become less pessimistic over business prospects in the second half of the year. Large firms have again outperformed small firms in all indicators. Compared to the previous quarter, the performance gap between small and large firms has narrowed in sales and orders/new business, but widened in profits and business prospects.

Local firms encountered more contraction in profits and orders/new business with little change in sales contraction. Local firms have remained as pessimistic as a quarter ago. By contrast, foreign firms registered reduced contraction in all three performance indicators and are less pessimistic. Unlike in the past two quarters, local firms outperformed foreign firms only in sales and orders/new business. The gap between foreign and local firms has narrowed except in profits (negligible difference).

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 2023Q2, the transport & communications sector was the star performer for the third consecutive quarter. It took only 13 of the 20 top positions, signalling less dominance than a quarter ago. The remaining top positions were captured by the other four sectors. Overall, transport & communications firms reported the least contraction in sales, profits and orders/new business and have remained optimistic over business prospects. But compared to the previous quarter, the star sector faced weaker results with expansion turning into contraction and lower optimism. An expansion index, compiled from positive net balances by sector, across groups of firms and indicators, fell to 13.5% in 2023Q2. The index has been decreasing since 54.5% in 2022Q2. The declining expansion index corresponds to decreasing GDP growth rates in the period 2022Q2-2023Q2.

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 **1.1% - 1.8% in 2023Q3** In view of further stimulus measures in China, and signs of Singapore’s manufacturing contraction bottoming.

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