

BT-SUSS Business Climate Survey 2022Q1¹

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 27th year. This report covers the performance of Singapore firms in 2022Q1 and business prospects for the next six months (April-September 2022). Of the 141 firms that responded to the mail survey (conducted 16th March–14th April 2022), 81 or 57% indicated overseas business. This is the same as in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Business performance in 2022Q1 was weaker than a quarter ago. Sales and profits were slightly lower, with negligible change in orders/new business. Firms are less optimistic over business prospects in the next six months. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- 10% for sales (-5% points);
- -10% for profits (-6% points);
- 11% for orders/new business (-2% points); and
- 22% for business prospects in the next six months (-23% points).

Firms are asked to indicate the likely impact on 2022 company sales from four situations: Ukraine crisis, weaker USA economy, weaker China economy, and inflation. Unsurprisingly, firms expecting lower sales outnumber those foreseeing higher sales, resulting in negative net balances across the board. The largest negative impact is from inflation. Firms perceiving much lower and lower sales outweigh those with higher sales by a large margin of 51% (*Table 1*). Weaker China is next (-49%), followed by weaker USA and Ukraine crisis (-38% and -37% respectively).

Small and local firms are worst hit by inflation whereas large and foreign firms are most impacted by a weaker China economy. This corresponds to the share of firms with overseas business in each group. Sector-wise, manufacturing firms are most impacted by weaker USA, followed closely by weaker China, reflecting their trade and investment relationships. Construction firms are badly affected by inflation and indirectly by the Ukraine crisis. Commerce firms are worst hit by inflation with a quarter of the firms reporting much lower sales. Transport & communications firms are vastly impacted by inflation (particularly high oil prices) and weaker China (trade and tourism). Financial & business services firms are greatly dependent on the economic health of USA.

Table 1: Likely Impact on Company Sales in 2022

*Net Balance of Firms**

	Ukraine Crisis	Weaker USA Economy	Weaker China Economy	Inflation
All Companies (141)	-37%	-38%	-49%	-51%
Size of Companies				
Small (31)	-45%	-39%	-48%	-68%
Large (110)	-35%	-37%	-49%	-46%
Ownership of Companies				
Local (115)	-40%	-41%	-46%	-52%
Foreign (26)	-23%	-23%	-62%	-46%
Sector of Companies				
Manufacturing (33)	-27%	-48%	-45%	-42%
Construction (30)	-50%	-30%	-43%	-50%
Commerce (27)	-30%	-26%	-41%	-52%
Transport & Communications (22)	-23%	-23%	-68%	-68%
Financial & Business Services (29)	-52%	-55%	-52%	-48%

*Percentage of firms with higher sales minus percentage of firms with lower sales.

Figure in parentheses denotes number of respondents.

The lowest net balance in each row is highlighted in pink

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

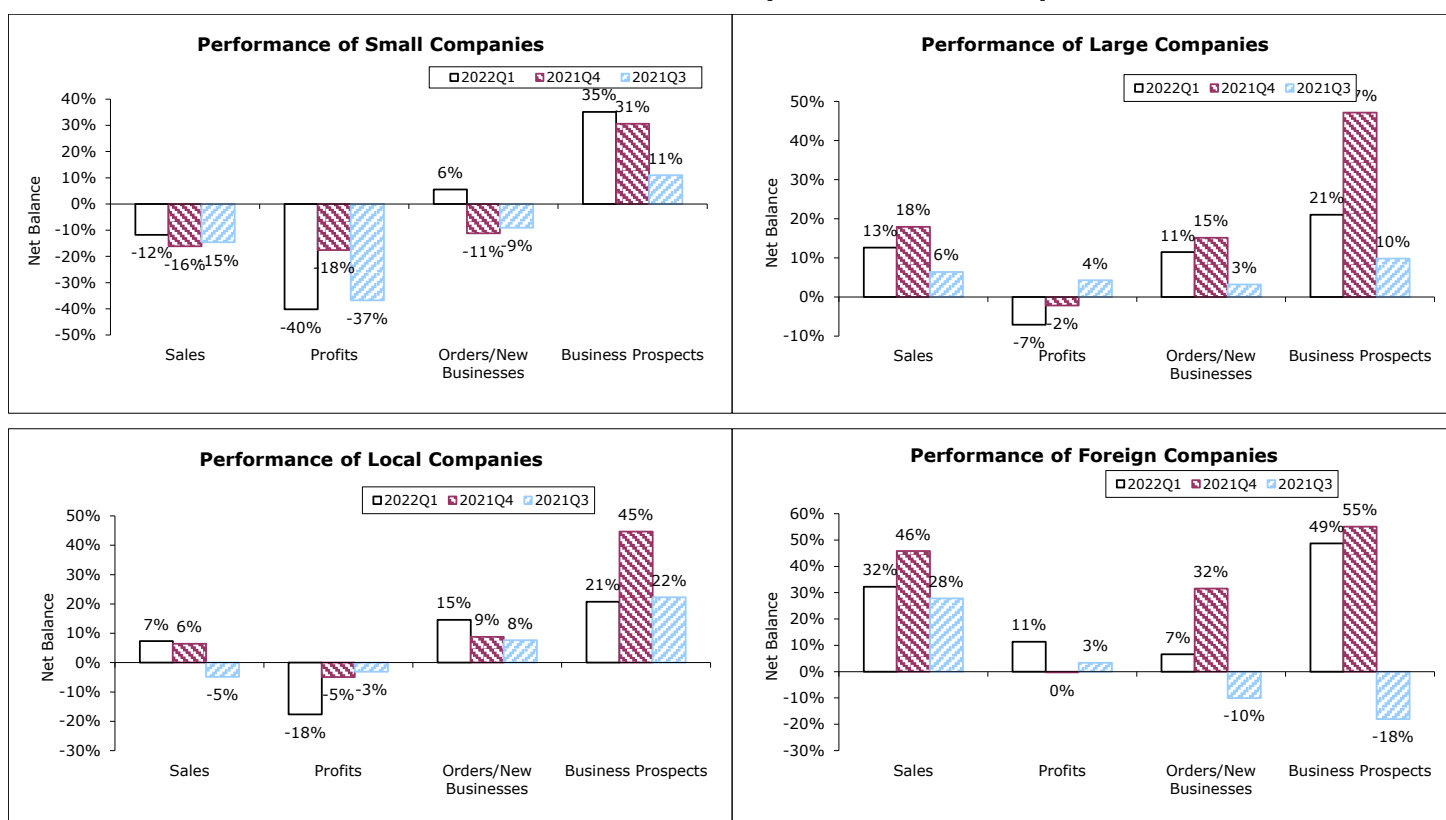
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

Performance Differential

In 2022Q1, small firms managed to obtain better orders/new business and keep sales unchanged, but encountered more loss. Optimism among small firms over business prospects in the next six months has remained as high as in the previous quarter (*Chart 1*). Large firms suffered slightly lower expansion in sales and orders/new business, and a slight decline in profits into loss. In contrast to small firms, large firms have become less optimistic. Compared to the previous quarter the performance gap has narrowed between small and large firms except in profits.

With profits entering into the positive region, foreign firms achieved expansion in all four indicators in 2022Q1. But sales and orders/new business were lower than a quarter ago. Optimism has stayed constant. Local firms received increased orders/new business and posted stable sales. However, local firms were hit by more loss and diminished optimism. The gap between foreign and local firms has narrowed in sales and orders/new business, but widened in profits and business prospects.

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 transport & communications sector became the star performer in 2022Q1. It was the best performer across the four indicators (sales, profits, orders/new business and business prospects) for all firms, sharing the top spot in profits with the manufacturing sector. In second place was manufacturing, followed by financial & business services. A tabulation of positive net balances, across groups of firms and indicators suggests that the expansion in 2022Q1 has spread to 62% of business activities, compared to 58% in 2021Q4.

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 GDP could reach **5.1% - 6.1% in 2022Q2** on a year-on-year basis. This implies a higher growth rate than in the previous quarter (3.4% MTI advance estimate for 2022Q1).

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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 project consultants are Ms Chow Kit Boey (ex-associate professor, NUS Business School) and Mr Chan Cheong Chiam (managing director, Web ilite Technology), assisted by Ms Shaw Wen Hui (executive, CFAR). 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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