

BT-SUSS Business Climate Survey 2022Q2¹

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 2022Q2 and business prospects for the next six months (July-December 2022). Of the 135 firms that responded to the mail survey (conducted 16th June–15th July 2022), 87 or 64% indicated overseas business. This is higher than in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Business performance in 2022Q2 was slightly weaker than a quarter ago. Sales and orders/new business were lower, but operating loss improved a tad. 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

- 6% for sales (-4% points);
- -7% for profits (+3% points);
- 6% for orders/new business (-5% points); and
- 7% for business prospects in the next six months (-15% points).

The special question is on the likely change in company sales in 2022. Firms predicting sales increase (53%) outnumber those expecting sales decline (31%), giving a net balance of 21% (*Table 1*). In comparison, the net balance was 3% in 2021. All sectors, excluding commerce, record positive net balances, with at least half of the firms indicating higher sales. On the whole, a year of good economic performance in 2022 can be expected.

A quantitative estimate of sales change is derived from the responses weighted by size of firm. An estimated 2.8% sales increase in 2022 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 2019 and 2021 (i.e. pre- and post-pandemic). 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 2022 is forecast to range from 4.7% to 5.2%. The official forecast is 3.0% to 5.0%.

Table 1: Net Balances in Sales Change, 2015-2022

	2022	2021	2020	2019	2018	2017	2016	2015
All Companies	21%	3%	-86%	-32%	6%	-24%	-51%	-30%
Size and Ownership								
Small	9%	-47%	-87%	-59%	-50%	-62%	-65%	-47%
Large	25%	21%	-86%	-27%	18%	-14%	-47%	-26%
Local	25%	-3%	-84%	-32%	10%	-29%	-46%	-27%
Foreign	10%	30%	-94%	-31%	-9%	-3%	-66%	-41%
Sector								
Manufacturing	32%	21%	-71%	-38%	22%	12%	-55%	-21%
Construction	28%	-24%	-97%	-22%	-21%	-35%	-47%	-15%
Commerce	-10%	0%	-95%	-27%	-3%	-49%	-58%	-41%
Transport & Communications	19%	-9%	-76%	-29%	11%	-21%	-38%	-24%
Financial & Business Services	27%	27%	-89%	-38%	18%	-32%	-49%	-42%
Estimated Sales Change	2.8%	5.2%	-12.8%	-0.3%	3.3%	1.4%	-5.7%	-1.7%
GDP growth rate	3.0 - 5.0%*	7.6%	-4.1%	1.1%	3.7%	4.7%	3.6%	3.0%
<i>Underestimate</i>	<i>1.9 - 2.4%**</i>	<i>2.4%</i>	<i>8.7%</i>	<i>1.4%</i>	<i>0.4%</i>	<i>3.3%</i>	<i>9.3%</i>	<i>4.7%</i>
Predicted GDP growth	4.7 - 5.2%							

Highest Net Balance shaded green.

*Official GDP growth forecast as of July 2022.

**Underestimate range = the average of underestimates of 2019 & 2021, and of 2014-2021 (excluding 2016 and 2020).

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

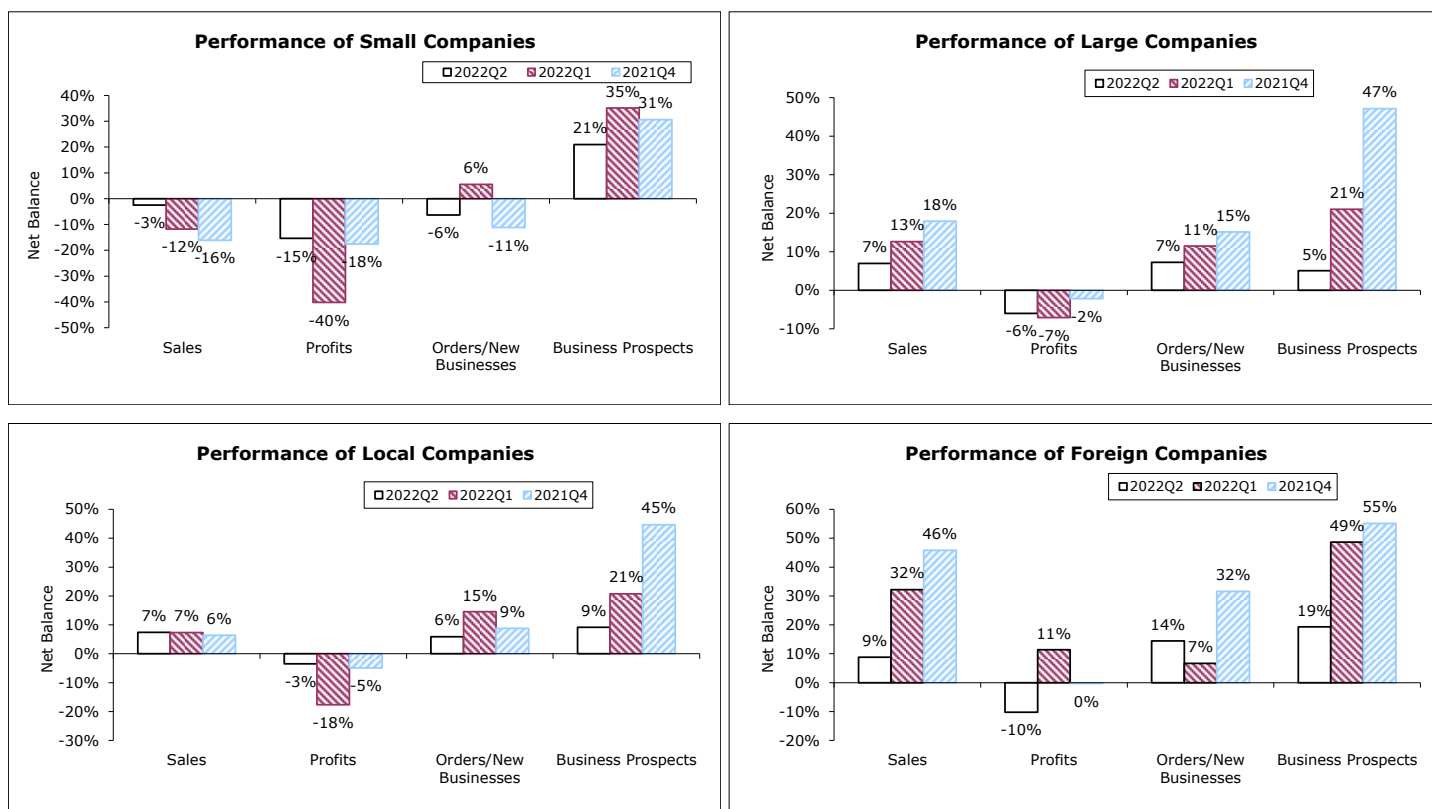
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

Performance Differential

In 2022Q2, sales of small firms improved further, resulting in lower profit loss (Chart 1). Orders/new business fared worse, returning to slight contraction. Expectations over business prospects in the next six months declined, but small firms have remained more optimistic than large firms. In contrast, large firms suffered lower expansion in sales with loss practically unchanged. Orders/new business of large firms fell but remained in expansion mode. Large firms have also become less optimistic. Compared to the previous quarter, the performance gap has narrowed between small and large firms in sales and profits, widened in orders/new business and virtually unchanged in optimism.

Foreign firms were hit by worsening sales and a return to a loss in profit, while local firms posted stable sales and reduced loss. But orders/new business improved for foreign firms whereas deteriorated for local firms. The gap between foreign and local firms has narrowed across the indicators, except for orders/new business that remained the same.

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 manufacturing sector was the star performer in 2022Q2. It was the top performer for all firms in sales and orders/new business. Financial & business services took the top spot in profits and construction holds the best business prospects in the next six months. In contrast to a quarter ago, there was less dominance of the star performer. A tabulation of positive net balances, across groups of firms and indicators, reflect an expanding economy in the first half of 2022 as more than half of the net balances were in expansion mode, albeit some sectors (e.g. commerce) weakened in 2022Q2.

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 **4.8% - 5.3% in 2022Q3**. (MTI advance estimate for 2022Q2 is 4.8%).

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.