

BT-SUSS Business Climate Survey 2020Q1¹

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 has entered its 25th year. This report covers the performance of Singapore firms in 2020Q1 and business prospects for the next six months (April-September 2020). Of the 151 firms that responded to the mail survey (conducted 13th March –15th April 2020), 96 or 64% indicated overseas business. This is similar to that in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Business conditions worsened much in 2020Q1, more than wiping out the improved performance in the previous quarter. The contraction in sales, profits and orders/new business spread widely, with net balances close to those in 1998Q2, in which GDP fell to -2.4%. Pessimism over business prospects in the next six months has become very widespread. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -66% for sales (-40% points);
- -67% for profits (-35% points);
- -67% for orders/new business (-41% points); and
- -84% for business prospects in the next six months (-76% points).

Firms are asked to cite a country/territory of which the economic performance will have the greatest impact on company sales in 2020. The most-cited country is Singapore, followed by China and Malaysia (*Table 1*). Singapore and China have retained their respective positions as a year ago. Malaysia has regained its third position from Indonesia. However, Indonesia is a top-three impactful country for firms in commerce, transport & communications, and financial & business services.

Among firms with overseas sales, China and Singapore are the most cited, followed by Indonesia and Malaysia. The three top spots capture half (52%) of the overseas group's votes, as compared to three-tenths (63%) for all firms. This reflects a wider spread of dependency on economic performance among firms with overseas sales. As expected, Singapore has much less impact on firms with overseas sales (20% vs. 32%) while China has a slightly greater influence (21% vs. 19%).

Table 1: Most Impactful Country (All Firms vs Firms with Overseas Sales)

Percentage of Firms/Firms with Overseas Sales

	Rank	Most Cited	2 nd Most Cited	3 rd Most Cited
All Companies (145)		Singapore 32%	China 19%	Malaysia 12%
<i>Overseas</i> (92)		<i>China</i> 21%	<i>Singapore</i> 20%	<i>Indonesia, Malaysia</i> 11%
Sector of Companies				
Manufacturing (38)		China 24%	USA, Malaysia	21%
<i>Manufacturing</i> (32)		<i>China, USA</i> 25%	<i>Malaysia</i>	<i>16%</i>
Construction (29)		Singapore 45%	China 17%	Malaysia 10%
<i>Construction</i> (12)		<i>Singapore</i> 25%	<i>China</i> 17%	<i>A, I, J, P, My, UAE, U</i> 6%
Commerce (27)		Singapore 26%	China, Indonesia	19%
<i>Commerce</i> (20)		<i>Indonesia, Singapore</i>	<i>20%</i>	<i>China</i> 15%
Transport & Communications (27)		Singapore 37%	China 19%	Indonesia 11%
<i>Transport & Communications</i> (17)		<i>China, Singapore</i>	<i>24%</i>	<i>Indonesia</i> 18%
Financial & Business Services (24)		Singapore 54%	China 17%	Indonesia, Malaysia 13%
<i>Financial & Business Services</i> (11)		<i>Singapore</i> 45%	<i>China, Indonesia, Malaysia</i>	<i>18%</i>

(#Firms) In cases of shared rank, the percentage share pertains to single country.

For All Companies, green cell denotes higher value and pink cell lower value than in 2019.

A=Australia I=India J=Japan P=Philippines My=Myanmar UAE=UAE, Dubai U=USA

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

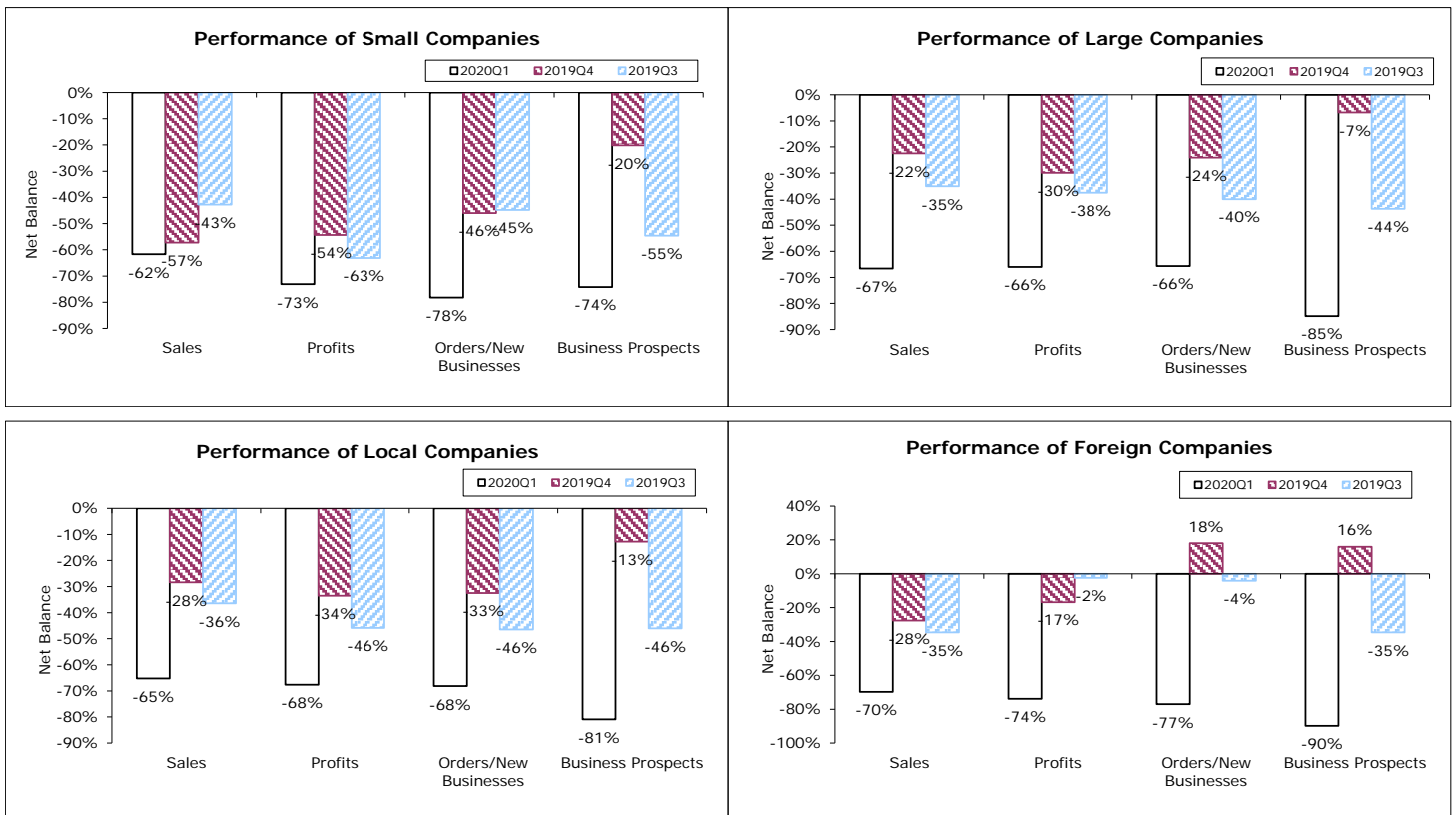
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

Performance Differential

The spread of contraction in the three performance indicators was across the board in 2020Q1, resulting in increased pessimism over business prospects in April-September irrespective of firm size and ownership (Chart 1). Compared to the previous quarter, the contraction in sales, profits and orders/new business of large firms in 2020Q1 worsened more than that of small firms. Large firms have become more pessimistic than small firms. The performance gap between small and large firms widened in business prospects but narrowed in the other three indicators.

Foreign firms were hit by contracting orders/new business in 2020Q1, as opposed to an expansion a quarter ago. Hence foreign firms have turned pessimistic. All the net balances of foreign firms were worse than that of local firms. The performance gap between local and foreign firms widened in sales, but narrowed in the other three indicators.

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.

The transport & communications sector registered the least contraction in sales in 2020Q1 and posted the least pessimism over business prospects in the next six months. The least contraction in profits was captured by construction firms. And the least contraction in orders/new business was recorded by firms in the manufacturing sector. The deterioration in business in 2020Q1 was across the board and varied substantially by size, ownership and sector of firms.

Outlook

Based on an analysis of the regression results of lagged net balances and quarterly GDP growth rates, the Singapore economy would be hit by a contraction between **-4.3% and -5.0% in 2020Q2** on a year-on-year basis. The Business Cycle Leading Index points to a GDP rate of -5.4% in 2020Q2.

We thank the company respondents for their support to the survey.

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