

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 25th year. This report covers the performance of Singapore firms in 2020Q3 and business prospects for the next six months (October 2020-March 2021). Of the 156 firms that responded to the mail survey (conducted 17th September–16th October 2020), 100 or 64% indicated overseas business. This is marginally higher than in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Business conditions improved in 2020Q3. The contraction in sales, profits and orders/new business was reduced after reaching record lows in the previous quarter. Pessimism over business prospects in the next six months has diminished regardless of size and ownership of firms. The previous quarter’s observation that 2020Q3 could show better performance has been realized. Thus 2020Q2 marked the trough in the current contraction phase of the cycle. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -67% for sales (+12% points);
- -68% for profits (+4% points);
- -68% for orders/new business (+14% points); and
- -60% for business prospects in the next six months (+18% points).

Firms are asked to indicate the likely quarter that company sales will recover to pre-Covid-19 level. On the whole, one quarter of firms will be able to recover in twelve months’ time (2021Q2) and another one quarter in the next three months (*Table 1*). Subsequently, the pace of recovery will be slower. It will take 2½ years (2022Q4) for recovery to reach 90% of firms. Recovery among manufacturing firms will be one quarter ahead at the start and at the end. Construction firms will also reach recovery earlier at the end. Commerce firms will recover faster at the beginning. Firms in financial & business will recover faster at the early three stages, but slower in the final stage.

Firms with 2019 sales in the brackets of \$50 million-<\$100 million and \$500 million & above will have the fastest recovery. Those with recovery pre-2020Q3 include firms that are not affected by the pandemic. These two fastest groups will reach 100% recovery by 2022Q3 and 2022Q2 respectively, as against post-2023 for all firms.

Table 1: Sales Recovery to Pre-Covid-19 Level

	Pace in Sales Recovery			
	25%	50%	75%	90%
All Companies (151)	2021Q2	2021Q3	2022Q1	2022Q4
Sector of Companies				
Manufacturing (42)	2021Q1	2021Q3	2021Q4	2022Q3
Construction (32)	2021Q2	2021Q3	2022Q1	2022Q3
Commerce (26)	2020Q4	2021Q2	2022Q1	2022Q4
Transport & Communications (26)	2021Q2	2021Q3	2022Q1	2022Q4
Financial & Business Services (25)	2021Q1	2021Q2	2021Q3	2023Q1

Size of Firm (2019 Sales)	Pace of Sale Recovery by Firm Size					
	10%	25%	50%	75%	90%	100%
\$10 million - <\$50 million (53)	2021Q1	2021Q2	2021Q3	2022Q1	2022Q4	post-2023
\$50 million - <\$100 million (17)	pre-2020Q3	2021Q2	2021Q3	2022Q1	2022Q2	2022Q3
\$100 million - <\$500 million (24)	2020Q3	2021Q2	2021Q3	2022Q1	2023Q1	post-2023
\$500 million & above (10)	pre-2020Q3	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2
Total (151)	2020Q4	2021Q2	2021Q3	2022Q1	2022Q4	post-2023

Earliest recovery shaded green.

Figure in parentheses denotes number of respondents

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

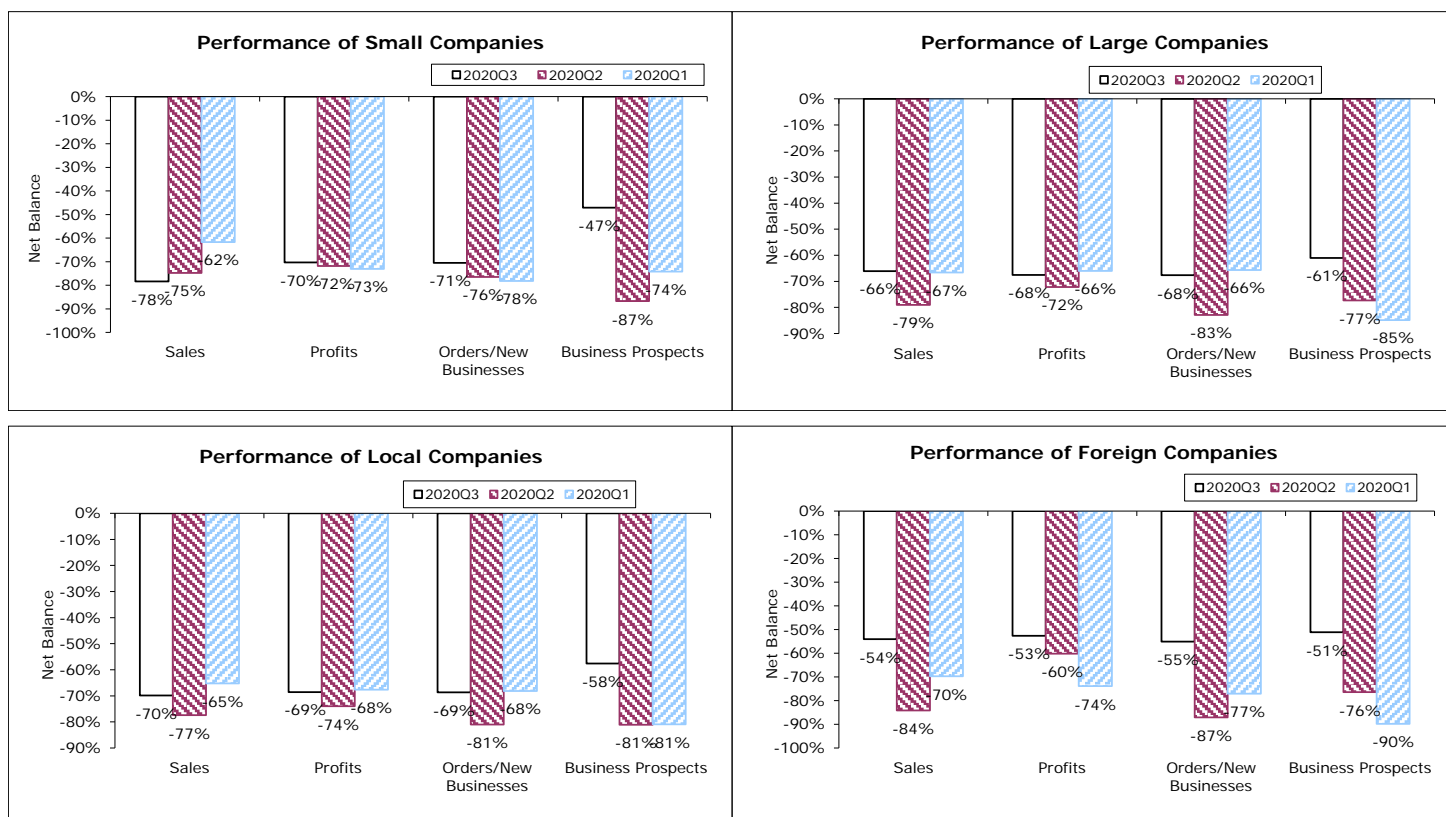
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

Performance Differential

In 2020Q3, small firms had practically unchanged sales, profits and orders/new business from that in the previous quarter (*Chart 1*). Because of the absence of worsening results, small firms' pessimism over business prospects in the next six months has diminished considerably. Large firms encountered less contraction in the three performance indicators and have continued to reduce their pessimism over business prospects. The gap between small and large firms widened in sales and business prospects.

Foreign firms posted less contraction in the three performance indicators and are again less pessimistic than a quarter ago. Local firms also obtained better performance (but less extensively than foreign firms) and have become less gloomy over business prospects. The gap between local and foreign firms widened in the three performance 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.

In 2020Q3, there was less dominance of a least contracting sector. On the whole, the commerce sector emerged as the least affected by contraction in sales (jointly with manufacturing) and in profits. The minimum contraction in orders/new business was captured by firms in transport & communications. Firms in financial & business services are the least pessimistic over business prospects in the next six months. The worst performing sector is construction for the second straight quarter.

Outlook

From an analysis of the regression predictions on quarterly GDP growth rates by lagged net balances and a business cycle leading index, Singapore GDP could contract between **-2.4% and -0.4% in 2020Q4** on a year-on-year basis. Thus the full year GDP rate could range from **-5.8% to -5.3% in 2020**, the lowest in the five decades since 1960.

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

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