

BT-SUSS Business Climate Survey 2021Q1¹

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 26th year. This report covers the performance of Singapore firms in 2021Q1 and business prospects for the next six months (April-September 2021). Of the 150 firms that responded to the mail survey (conducted 11th March–15th April 2021), 96 or 64% indicated overseas business. This is slightly higher than in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Business performance strengthened substantially in 2021Q1. Sales, profits and orders/new business contracted far less than a quarter ago with each indicator improving by over 40 points. Business prospects in the next two quarters are much brighter. Firms have become optimistic, only small firms are on the brink of optimism. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -14% for sales (+44% points);
- -6% for profits (+48% points);
- -14% for orders/new business (+47% points); and
- 29% for business prospects in the next six months (+41% points).

Firms are asked to cite a country/territory of which the economic performance will have the greatest impact on company sales in 2021. The most-cited country is Singapore (*Table 1*). Next is China, followed closely by both Indonesia and Malaysia. Singapore and China have retained their respective positions for the third straight year. Seven in ten firms are most dependent on one of these four countries for their sales in 2021.

With regard to firms with overseas sales, Singapore has overtaken China in the most-cited position from a year ago. The three top countries capture half (51%) of the overseas group's votes, compared to six-tenths (60%) for top-three countries among all firms. This reflects a wider spread of dependency on external economies for firms with overseas sales. Expectedly, Singapore has much less impact on firms with overseas sales (25% vs. 39%). Compared to the previous year, Singapore has become more important in 2021 sales, whereas China has lost some influence (as indicated in the highlighted cells). The United States has displaced China in the most-cited position for all manufacturing firms while retaining its top position among manufacturing firms with overseas sales.

Table 1: Most Impactful Country (All Firms vs Firms with Overseas Sales), 2021

	Rank	Most Cited	2 nd Most Cited	3 rd Most Cited
All Companies (147)		Singapore 39%	China 12%	Indonesia, Malaysia 9%
Overseas (96)		Singapore 25%	China, Indonesia	13%
Manufacturing (34)		USA 26%	Singapore 24%	China 18%
Manufacturing (29)		USA 28%	China, Singapore	21%
Construction (28)		Singapore 61%	China, Myanmar, UK	7%
Construction (9)		Singapore 44%	I, My, P, UAE, UK	11%
Commerce (28)		Singapore 21%	Indonesia 18%	Malaysia 14%
Commerce (23)		Indonesia 22%	India, Malaysia, Singapore	13%
Transport & Communications (25)		Singapore 44%	China 16%	Indonesia 12%
Transport & Communications (17)		Singapore 29%	Indonesia 18%	China 12%
Financial & Business Services (32)		Singapore 50%	China, Indonesia	9%
Financial & Business Services (18)		Singapore 33%	China, India, Indonesia	11%

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

Green cell denotes higher value and pink cell lower value than in 2020 (except marginal changes in # firms).
 I=Indonesia My=Myanmar P=Philippines UAE=United Arab Emirates UK=United Kingdom

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

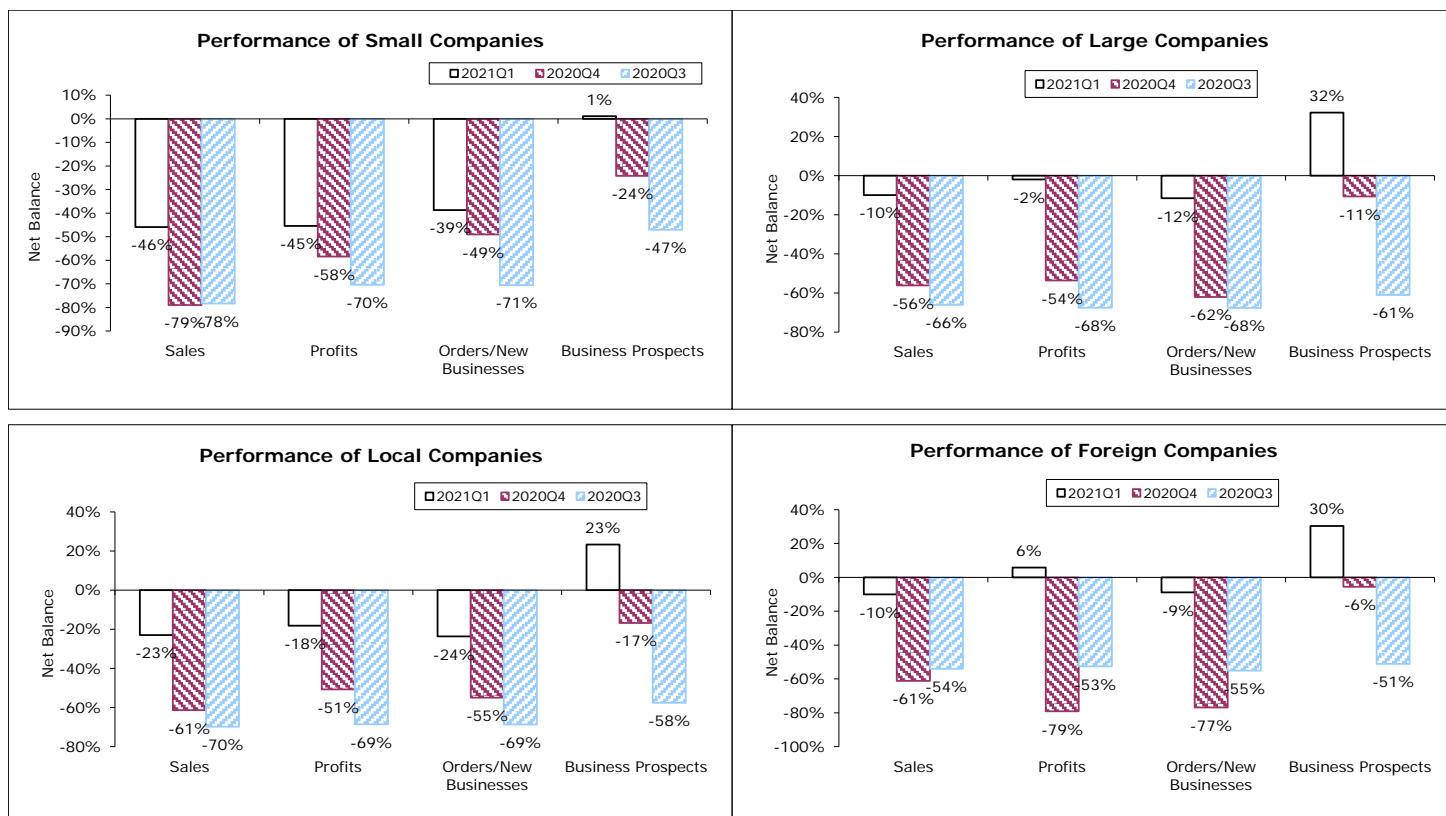
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

Performance Differential

All groups of firms in 2021Q1 achieved much improvement in the four indicators. Small firms experienced the least reduction in contraction and are no longer pessimistic (*Chart 1*). Large firms managed to reduce considerably the contraction in the three performance indicators, and have turned optimistic. The performance gap between small and large firms widened for all indicators.

Foreign firms fared very well with profits no longer contracting, and both sales and orders/new business approaching expansion. Local firms registered less extensive improvements than foreign firms owing to small firms in the group. The performance gap between foreign and local firms widened in sales, narrowed slightly in orders/new business, and little changed 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.

In 2021Q1, the commerce sector took the top spot in sales, profits and orders/new business, registering expansion in the three performance indicators. Manufacturing firms are the most optimistic on business prospects in 2021Q2-Q3. Firms in all other sectors have also turned optimistic. For the two groups of large and foreign firms, those in commerce and manufacturing recorded expansion in sales, profits and orders/new business and are optimistic. In contrast, no expansion occurred in 2020Q4.

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 economy could expand at **9.2%-14.7% in 2021Q2**. At the upper end of the range forecast, the growth rate will almost make up for the output loss a year ago, i.e. the GDP value in 2021Q2 will be almost the same as that in 2019Q2 (pre-pandemic).

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

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27April2021