

BT-SUSS Business Climate Survey 2021Q3¹

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 26th year. This report covers the performance of Singapore firms in 2021Q3 and business prospects for the next six months (October 2021-March 2022). Of the 135 firms that responded to the mail survey (conducted 15th September –15th October 2021), 83 or 61% indicated overseas business. This is higher than in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

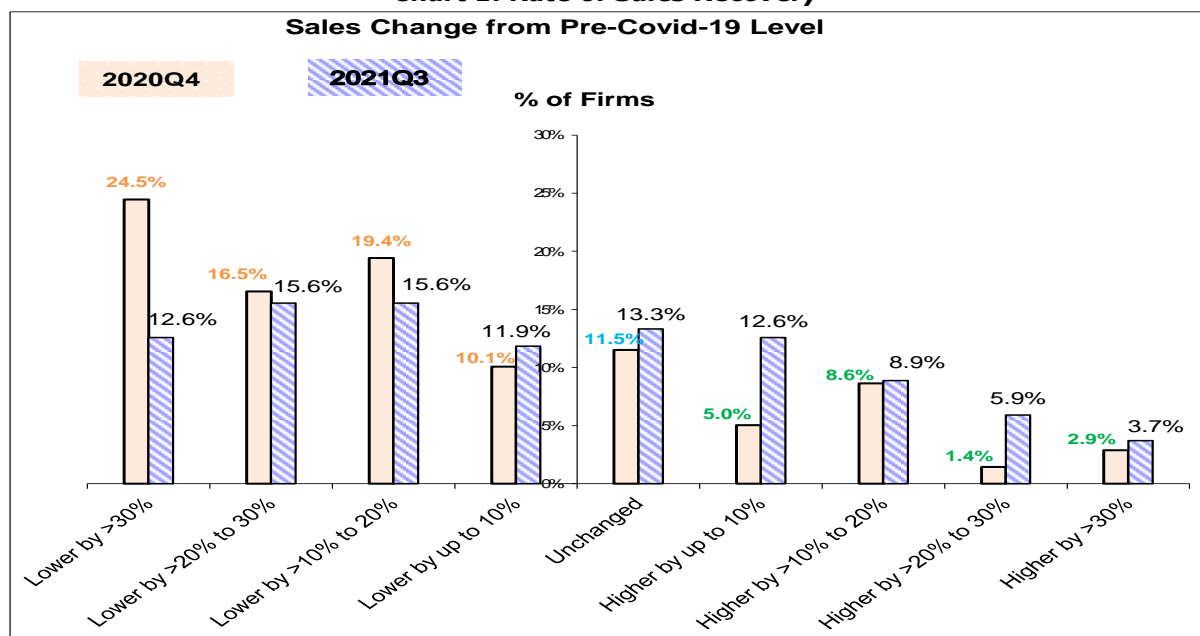
On the whole, business performance has weakened slightly in 2021Q3 compared to a quarter ago. Fewer firms posted sales expansion while orders/new business was virtually unchanged. Profits, however, were no longer contracting. Optimism over business prospects in the next six months fell owing to weaker sales and the spread of Covid-19 infections. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- 4% for sales (-5% points);
- 0% for profits (+14% points);
- 2% for orders/new business (-1% point); and
- 10% for business prospects in the next six months (-17% points).

On the likely change in 2021Q3 sales from pre-Covid-19 level of 2019Q3, firms reporting sales growth (31%) are outnumbered by those with sales decline (56%), resulting in a net balance of -24%. In comparison, the net balance in 2020Q4 was -53%. Sales in 2021Q3 have improved regardless of size, ownership and sector of firms but have remained below pre-Covid-19 levels except for manufacturing and commerce firms indicating recovery to pre-pandemic levels.

Chart 1 shows sales recovery in 2021Q3 and 2020Q4 from pre-pandemic levels. Firms with above pre-pandemic sales in 2021Q3 outnumber those in 2020Q4 in the four categories of sales growth and in the unchanged group (i.e. same as pre-pandemic level). In particular, the proportion of firms with up to 10% higher sales than pre-pandemic, and that with above 20% to 30% are much larger in 2021Q3 than in 2020Q4. Another indicator of the recovery rate in 2021Q3 is seen in fewer firms with below pre-pandemic sales in 2021Q3 than in 2020Q4. The biggest improvement is in firms with sales that are over 30% lower than before pandemic. Almost half of these firms have better sales performance as reflected by the reduced proportion of firms in 2021Q3 (12.6%) from that in 2020Q4 (24.5%).

Chart 1: Rate of Sales Recovery



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

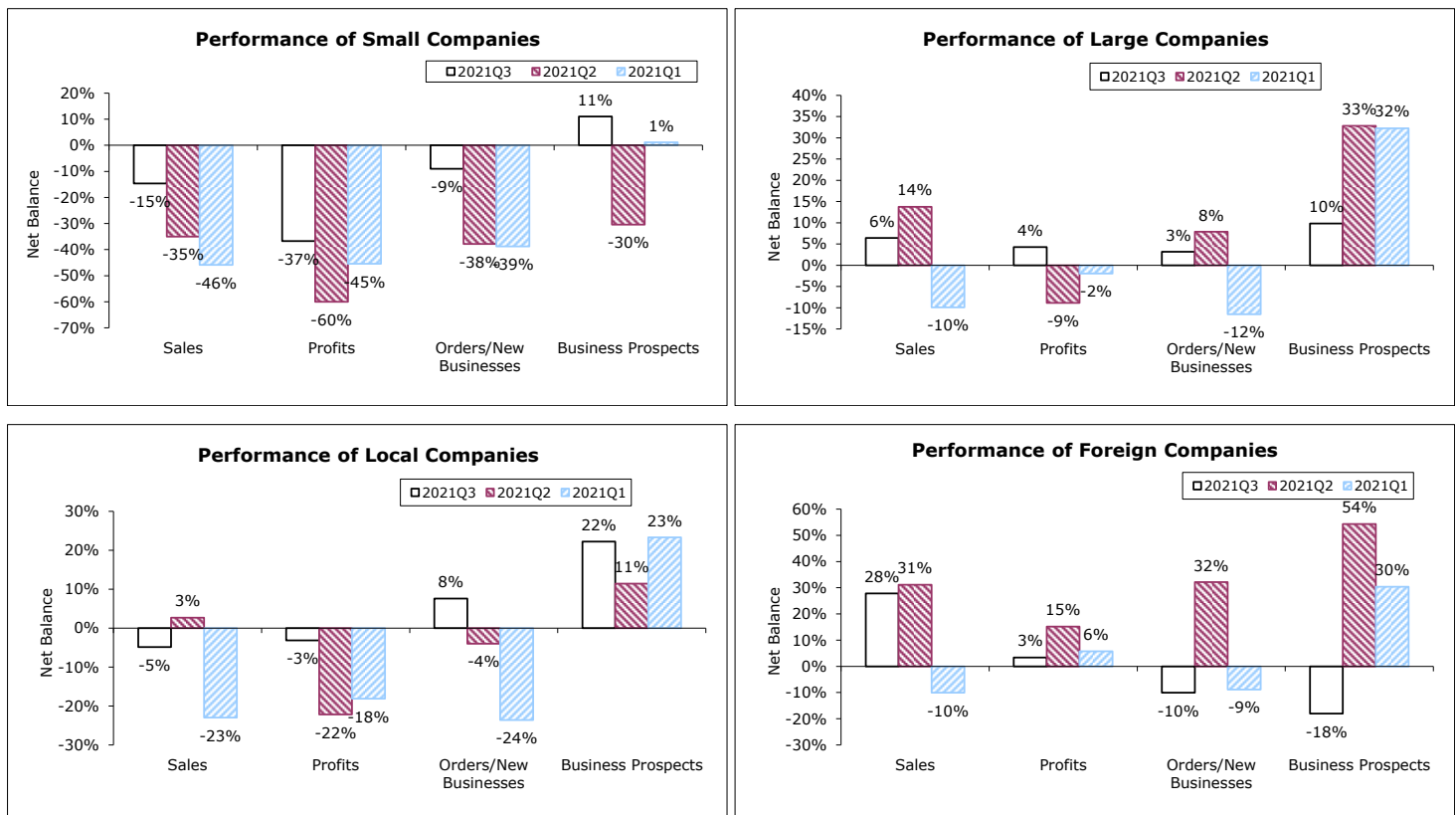
² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

Performance Differential

Small firms made the largest gains in performance in 2021Q3 and have turned optimistic over business prospects in the next six months (Chart 1). Large firms were affected by lower sales and orders/new business, but profits became positive. Large firms have become less optimistic. The performance gap narrowed between small and large firms across the four indicators, compared to the previous quarter.

Foreign firms encountered weaker performance in 2021Q3 and have become pessimistic. Local firms are more optimistic with expanded orders/new business and less contraction in profits. The performance gap between local and foreign firms widened in sales and narrowed in the other three indicators from a quarter ago.

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 manufacturing sector was the star performer in 2021Q3. On the whole, it registered the best expansion in sales, profits and orders/new business, and posted the highest optimism on business prospects. Unlike in the previous quarter, all sectors are represented in the top positions, owing to construction attaining a top spot among foreign firms. Moreover, there were more sectors in expanding mode in 2021Q3 than a quarter ago. This implies that the recovery from the Covid-19 pandemic has spread more widely.

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 grow at **7.1% - 8.3% in 2021Q4** on a year-on-year basis. Singapore could thus attain a 7.6%-7.9% growth rate in 2021. This represents an increase of 1.8%-2.1% in GDP over the pre-pandemic year of 2019.

We thank the company respondents for their support to the survey, and the CFAR team at SUSS for the admin. The consultants for the project are Ms Chow Kit Boey (retired associate professor, NUS Business School, National University of Singapore) and Mr Chan Cheong Chiam (managing director, Web ilite Technology). 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.