

National Business Survey 2022/2023

Manpower and increased costs are core challenges for businesses in 2023.

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Summary Report

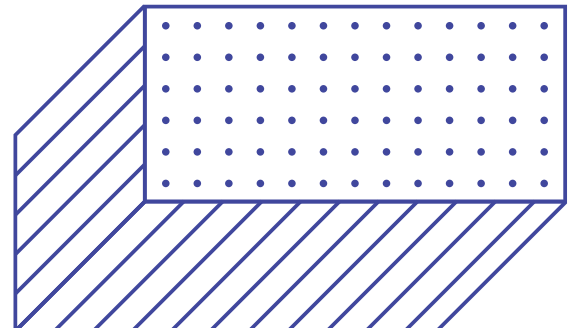






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Foreword

We are pleased to share with you the summary report on the findings for the National Business Survey (NBS) 2022/2023 conducted by the Singapore Business Federation (SBF).

Every year, we conduct this flagship survey to uncover insights on the sentiments of our Singapore business community on a wide range of topics including business confidence, economic outlook and operating environment. The survey also identifies the priorities, challenges, and future plans of our business community. Calling attention to areas where companies require greater assistance, the survey informs SBF's advocacy efforts, including presenting our recommendations to the government agencies for the Budget.

The data for this 15th annual edition of the NBS was collected from 29 August to 23 November 2022 and the survey drew responses from 931 companies across all key industries operating in Singapore. The results touched on top-of-mind concerns such as the impact of inflationary pressures and supply chain disruptions on businesses, digitalisation and transformation, internationalisation, and the green transition towards sustainability.

This year's results show that business sentiments in Singapore are more positive compared to last year, with 52% of businesses being satisfied with the current business climate compared to 37% in 2021. Looking ahead to the next 12 months, there is a greater sense of cautiousness. 40% of businesses expect the local economy to improve in 2023 (down from 47% in the last survey), while 26% of businesses think it will worsen (up from 13%). In line with the cautious sentiments, 97% of businesses expect the current inflationary pressures to continue into 2023.

Despite expecting inflationary pressures to persist, 80% of businesses remain confident in the resilience of their operations in the next 12 months, with large companies (89%) being slightly more confident compared to SMEs (77%). To mitigate inflationary risks, implementing cost saving measures (55%), increasing price of products/services (42%), and renegotiation of financial terms with suppliers and customers (38%) are the top 3 strategies adopted by businesses.

Increase in business costs (66%), availability of manpower (52%) and retention of manpower (47%) have emerged as the top three business challenges this year. These challenges are faced by both SMEs and large companies alike.



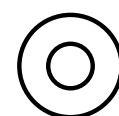
Lim Ming Yan

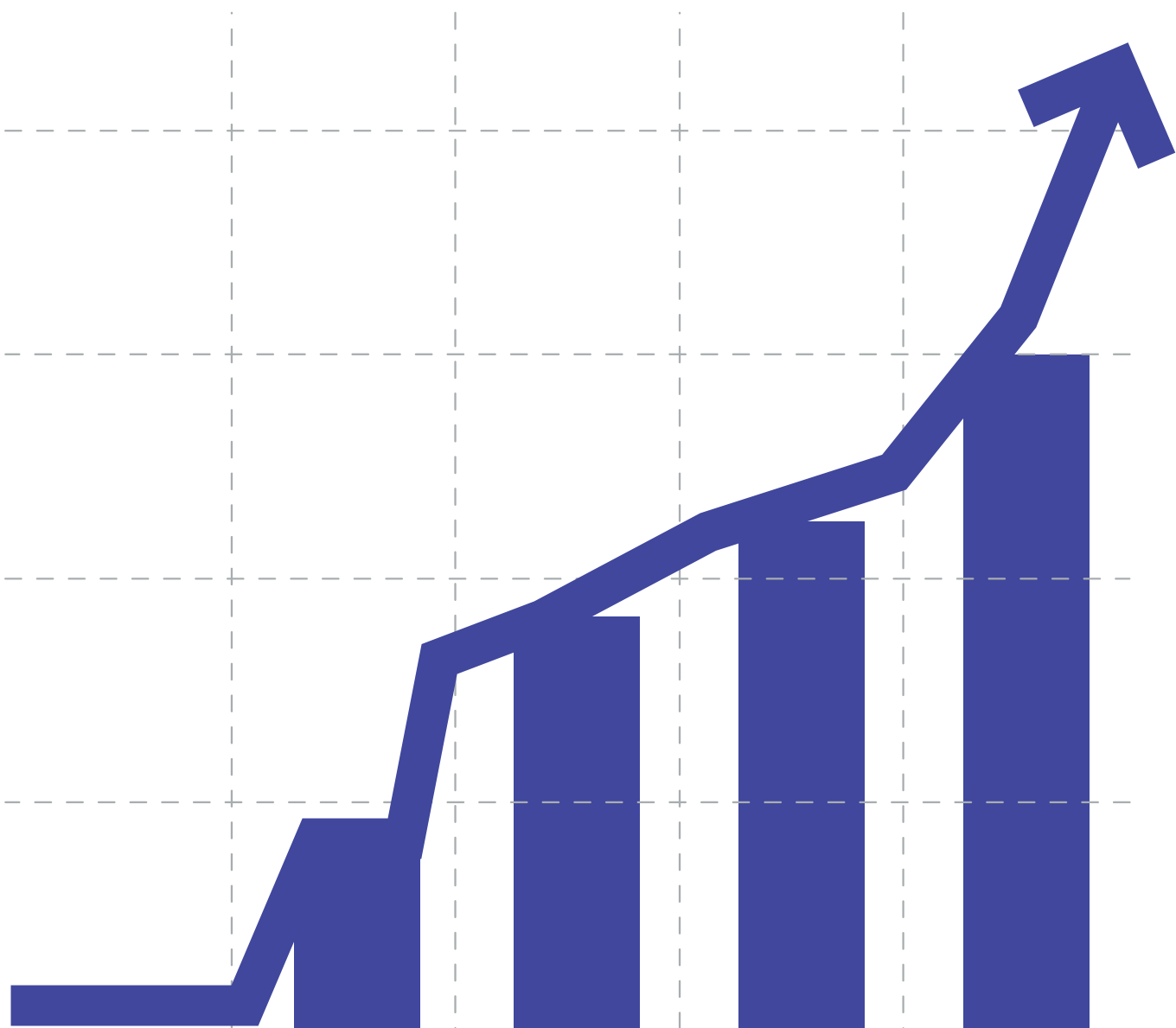
Chairman
Singapore Business Federation

To cope with these challenges, businesses hope that the Singapore Budget 2023 will have schemes that help support cost (74%) and schemes that help to attract, develop and retain talent (57%). Businesses are also adopting strategies such as providing competitive employee salary and benefits package (81%), strengthening employer brand (49%) and articulating clear progression prospects leading to key leadership positions (46%) to attract and/or retain staff.

Almost all businesses continue to remain committed to transformation in growing their businesses (96%), while a majority have also incorporated at least one Environmental, Social and Governance (ESG) initiative as part of their company activities (75%).

We hope that the findings from NBS 2022/2023 will be insightful and useful. I would also like to acknowledge all our member companies that have participated in this year's survey and the Trade Associations and Chambers (TACs) that have supported us.





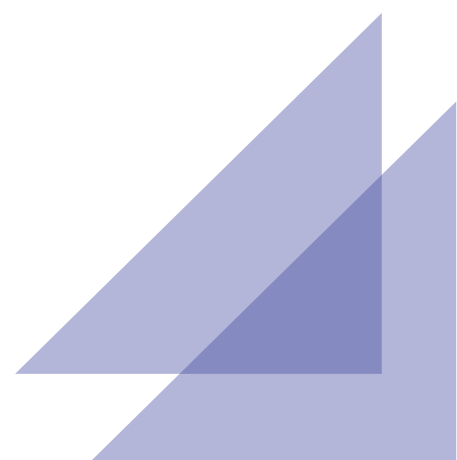
Report Overview

The National Business Survey (NBS) is the flagship survey of the Singapore Business Federation (SBF). The NBS is currently into its 15th annual edition. This survey seeks to gather feedback from our member companies on the prevailing state of affairs and understand their unique business challenges. The survey was carried out from 29 August to 23 November 2022, and drew responses from 931 businesses across key industries. 73% of the responses were from SMEs and 27% of the responses were from large companies.

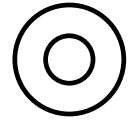
Business sentiments in Singapore are more positive now compared to last year, with 52% of the businesses being satisfied with the current business climate in Singapore compared to 37% in 2021. Looking ahead, there is greater caution, with 26% of businesses forecasting a worsening of the economy in the next 12 months, compared to 13% in last year's survey. While cautious, businesses remain hopeful, with 40% forecasting an improvement and 33% forecasting a stable economy in the next 12 months.

Singapore businesses' top challenges are the increase in overall business costs and manpower issues. These challenges are faced by both SMEs and large companies alike. Businesses' top cost challenge is related to wages. This is followed by logistical costs, overall cost pass-through and procurement costs. There is also some concern on utilities cost. Almost all businesses face manpower issues, especially those related to manpower costs and foreign manpower. The top 3 manpower challenges are rising manpower cost (75%), attracting and/or retaining younger workers (51%), and the new foreign manpower policies (48%). In the face of an inflationary climate and ongoing manpower issues, businesses hope that the Singapore Budget 2023 will support them in addressing costs and manpower challenges.

Businesses remain committed to driving business transformation, with 96% rating it as either very important or somewhat important. More than half of businesses believe that business transformation initiatives are very important for "Operational Process" (71%), "Customer Service" (70%) and "Products & Services" (70%).



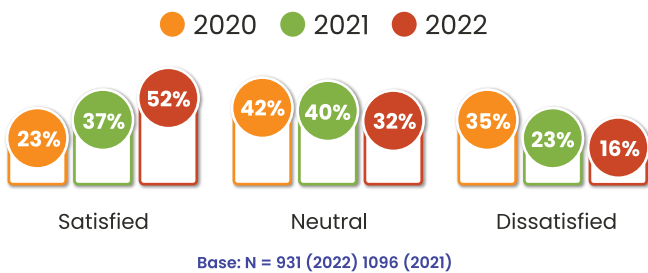
Business Sentiments



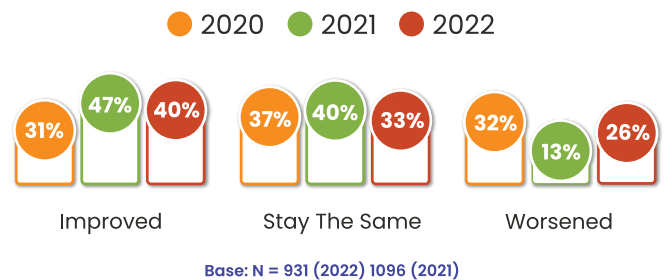
01. Business Sentiment has Improved

Business sentiments are more positive now compared to last year. Looking ahead, businesses remain cautiously optimistic about the Singapore economy.

Current Business Climate in Singapore



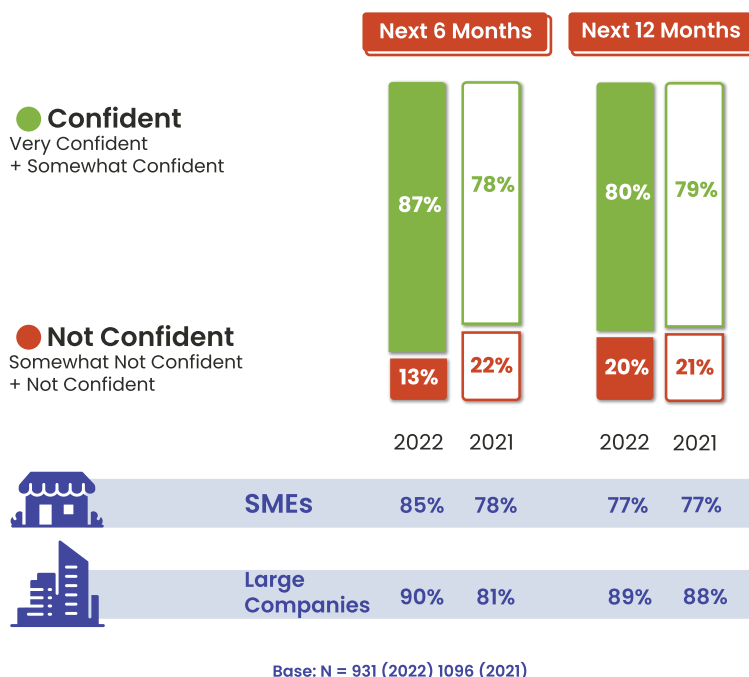
Singapore Economy – Next 12 Months



02. Confidence Level has Risen

While there is high level of confidence in sustaining operations over the next 6 months, businesses are nonetheless more cautious over the longer term. Large companies are relatively more confident compared to the SMEs.

Confidence in Sustaining Business

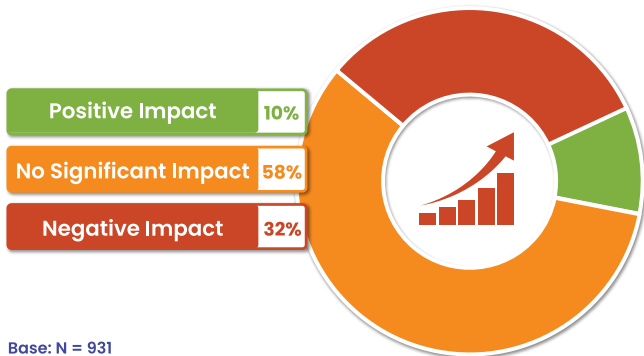


Mitigating Business Risks

03. Inflationary Pressures

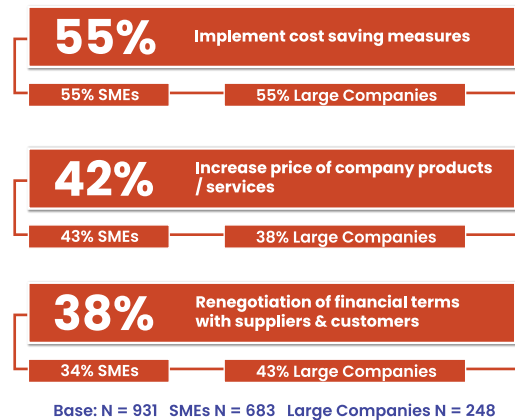
Businesses remain impacted by inflation and most expect the current inflationary climate to continue into 2023.

Impact of Inflationary Climate



04. Actions Taken to Manage Inflationary Risks

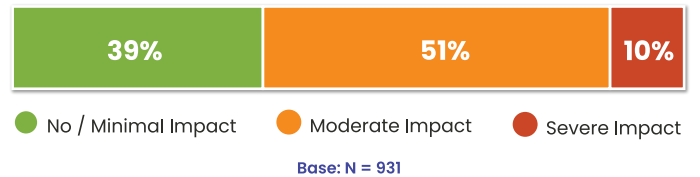
Top 3 strategies adopted by businesses to mitigate inflationary risks include implementing cost saving measures, increasing price of products or services and renegotiation of financial terms with suppliers and customers.



05. Supply Chain Disruptions

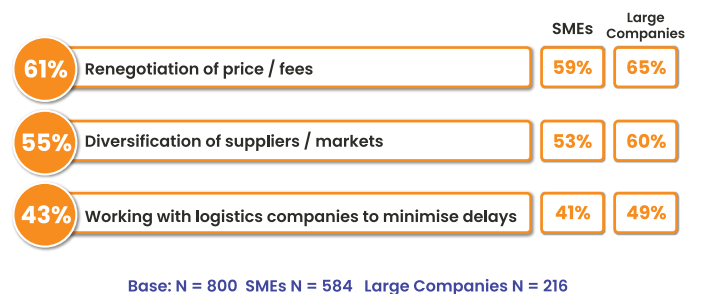
Most businesses have been moderately impacted by supply chain disruptions in the past 12 months, while 10% of them experienced severe impact.

Key Challenges in Adopting Technology



06. Actions Taken to Mitigate Supply Chain Risks

Primary strategies to mitigate supply chain risks are price renegotiation (61%), diversification of suppliers or markets (55%) and minimising delays with logistics companies (43%). The top 3 actions taken are similar for both the SMEs and large companies.



Business Priorities & Challenges

07. Key Business Challenges

The two primary categories of challenges faced by Singapore businesses are largely related to the increase in overall business costs and manpower.

Key Challenges for Businesses (%)



Base: N = 931

08. Top Manpower Challenges

The top 3 manpower challenges are rising manpower cost (75%), attracting and/or retaining younger workers (51%), and the new foreign manpower policies (48%). These concerns are felt by both SMEs and large companies.

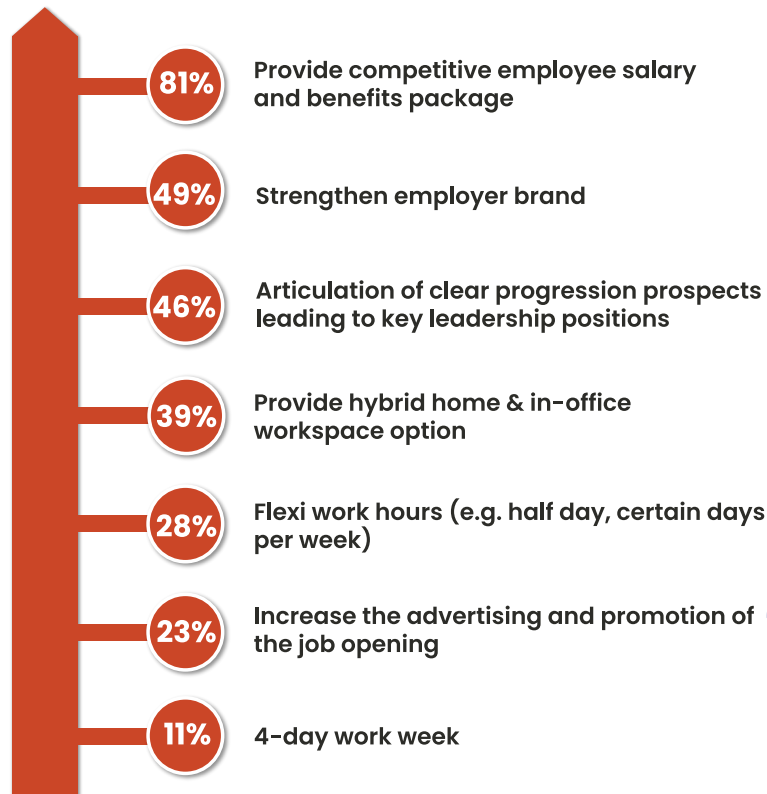
Key manpower challenges	Total (%)
Rising manpower cost	75
Attracting and / or retaining younger workers	51
New foreign manpower policies will raise costs	48
Limited pool of local high-skilled labour	47
Stricter policies that limit the supply of foreign workforce	43

Base: N = 894

Business Priorities & Challenges

09. Ways to Attract & Retain Staff

Companies' key approach to attract and retain staff include providing competitive salary and benefits (81%), strengthening employer brand (49%) and articulation of clear career progression prospects (46%).



Base: N = 253

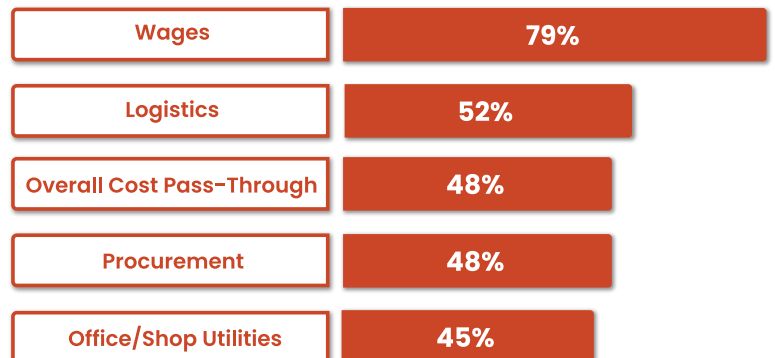


10. Wage is the Biggest Cost Challenge

Businesses' top cost challenges are those related to wages. This is followed by logistical costs, overall cost pass-through and procurement costs. There is also some concern on utilities cost.



Areas that Businesses Faced Increased Operating Costs



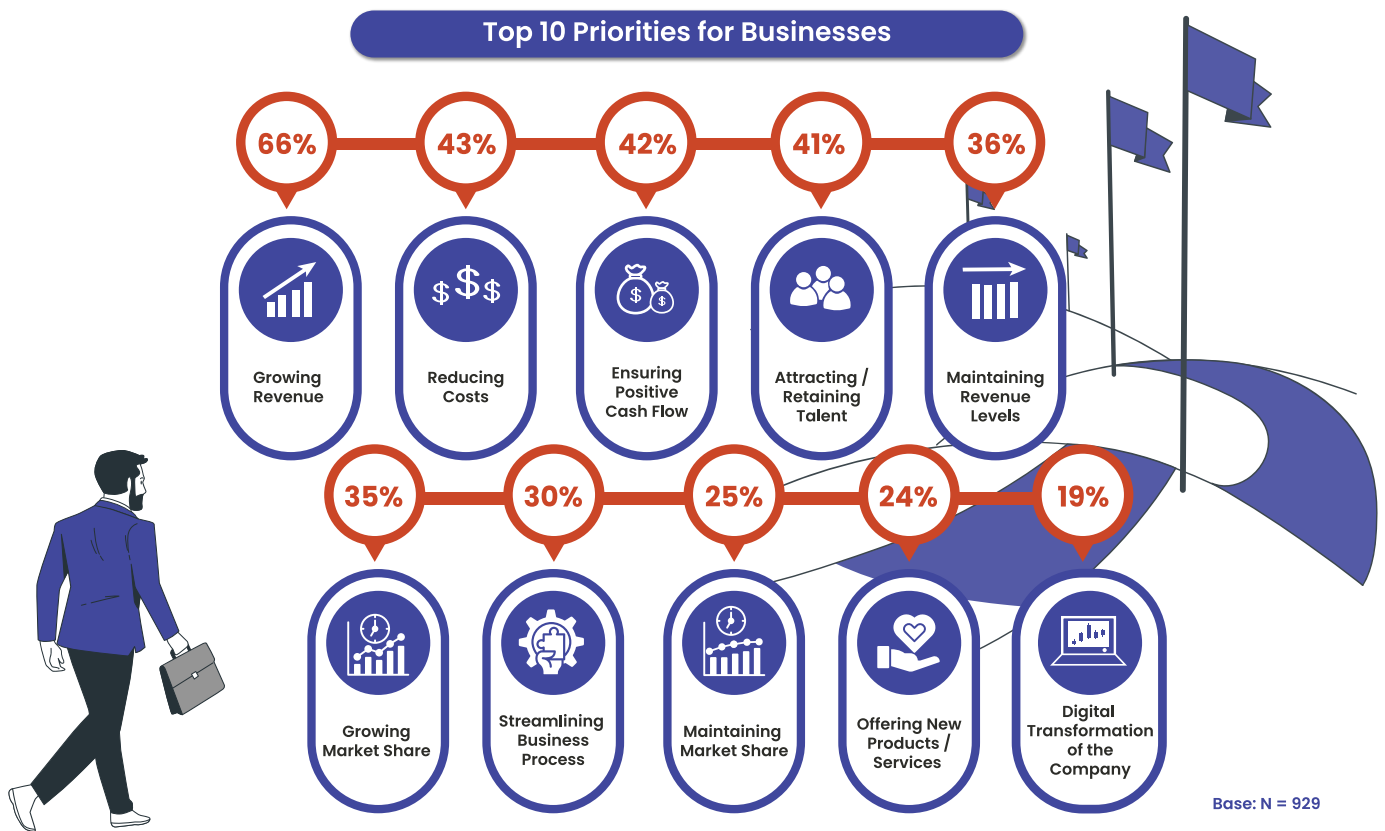
Base: N = 618

Note: Examples of overall cost pass-through include expenses for insurance, security and cleaning, property tax and other business expenses.

Business Priorities & Challenges

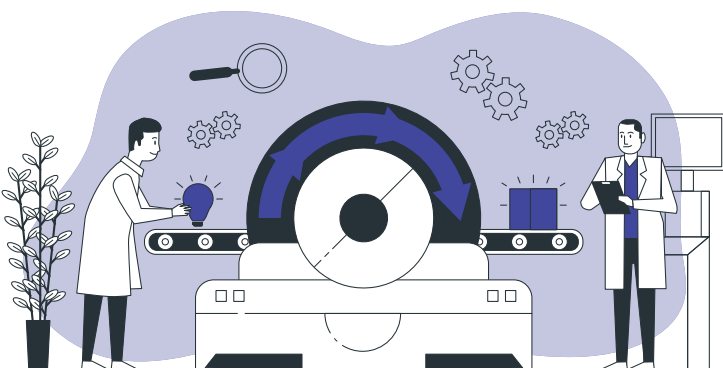
11. Priorities of Singapore Businesses

Businesses are focused on building financial resiliency and strengthening business continuity.



12. Business Plan for Next Year

Businesses are more likely to push ahead with offering new products or services and collaborating with other companies.

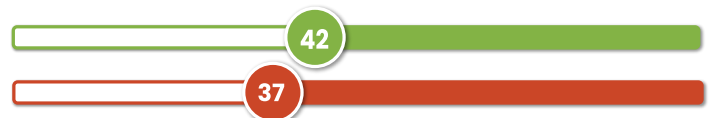


● Currently Doing (%) Base: N = 483
 ● Planning To Do Next Year (%) Base: N = 466

Offer new products / services



Collaboration with Other Companies



Obtain Loans to Meet Cash Flow Needs

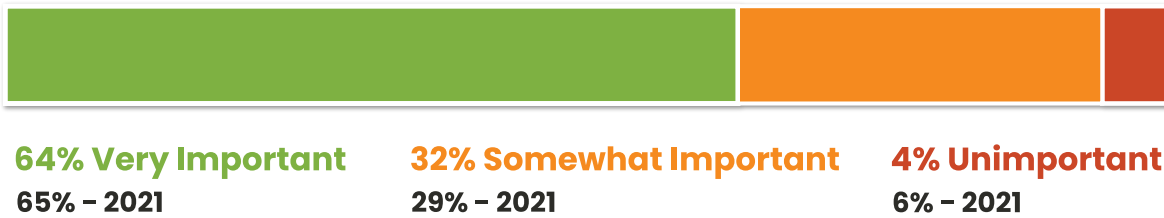


Business Transformation

13. Business Transformation Continues

Businesses remain committed to driving business transformation, with 96% rating it as either very important or somewhat important. This focus cuts across all businesses, including SMEs (94%) and large companies (98%).

Importance of Business Transformation

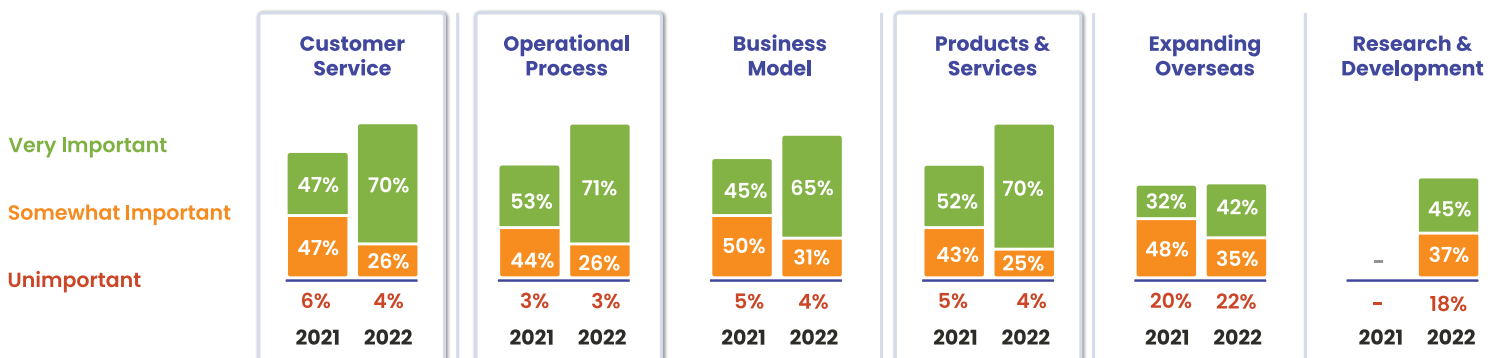


Base: N = 931 (2022) 1096 (2021)

14. Key Business Transformation Areas

More than half of businesses believe that business transformation initiatives are very important for "Operational Process" (71%), "Customer Service" (70%) and "Products & Services" (70%).

Business Transformation Areas: 2021 vs 2022

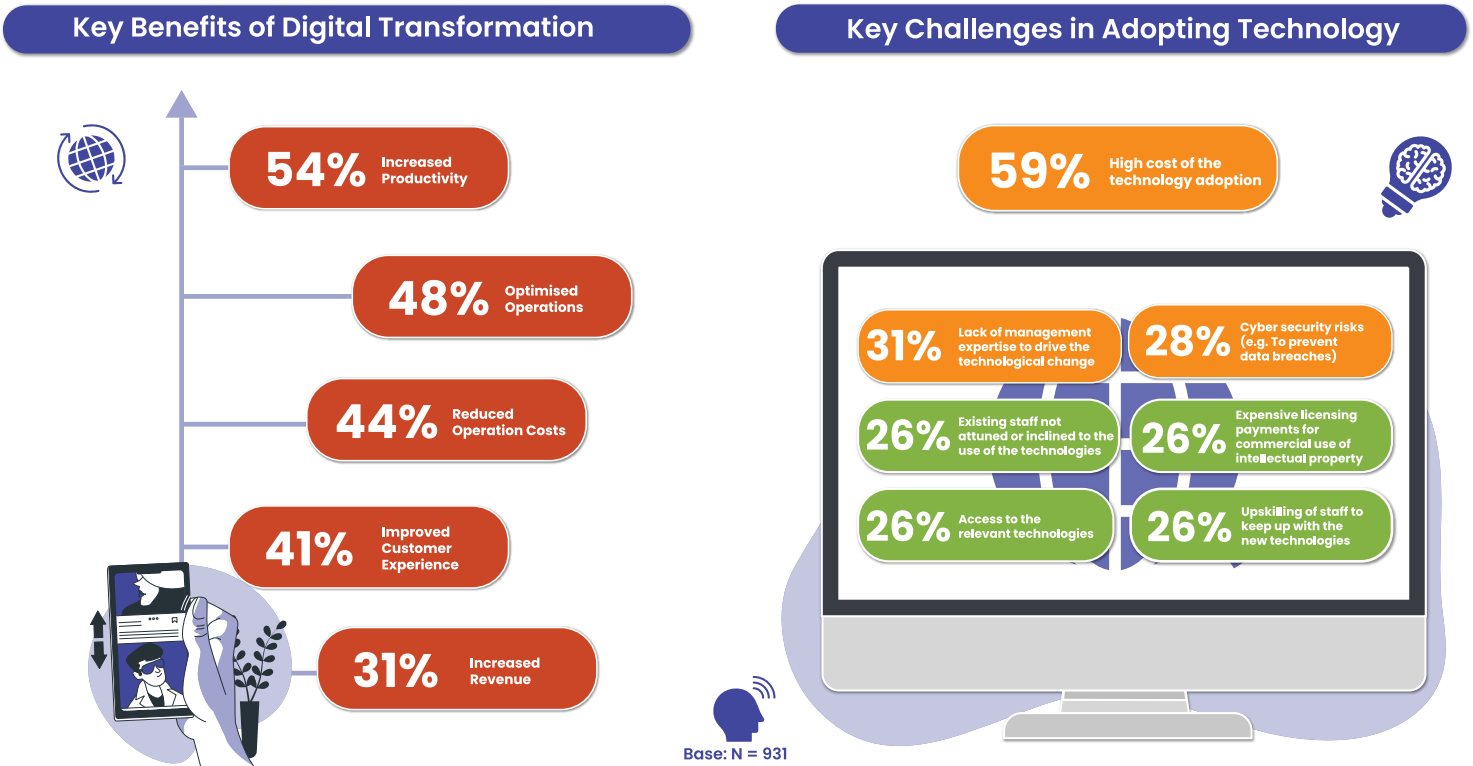


Base: N = 931 (2022) 1096 (2021)

Decimal points have been rounded up. The total may not add up to 100%.

15. Benefits and Challenges of Digital Transformation

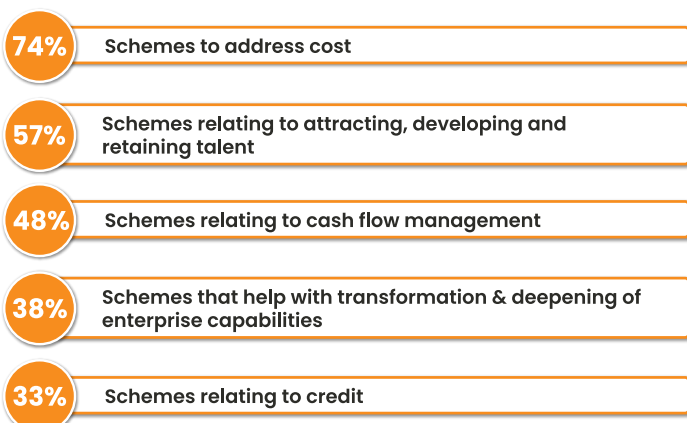
Digital transformation has led to an increase in productivity (54%), optimisation of operations (48%) and reduction in operation costs (44%). The top challenge to technology adoption is the high cost (59%).



Government Budget & Support

16. Businesses' Wishlist for Singapore Budget 2023

In the face of an inflationary climate and ongoing manpower issues, businesses hope that the Singapore Budget 2023 will support them in addressing costs and manpower challenges.



17. Key Areas of Support Needed

To enhance business resilience, companies require assistance in financial management (41%), business strategy development advisory (41%) and financial support (33%).



Green Transition of Businesses

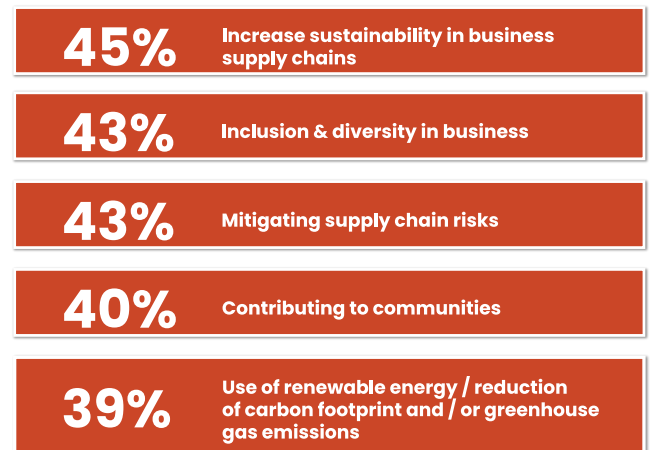
18. Top Environmental, Social & Governance (ESG) Areas Implemented

Singapore businesses are incorporating ESG as part of their company activities, with 75% having implemented at least one ESG area.



19. Top ESG Areas that Companies Plan to Implement

The drive to incorporate ESG into their businesses continues, with a focus on sustainability and contribution to communities.

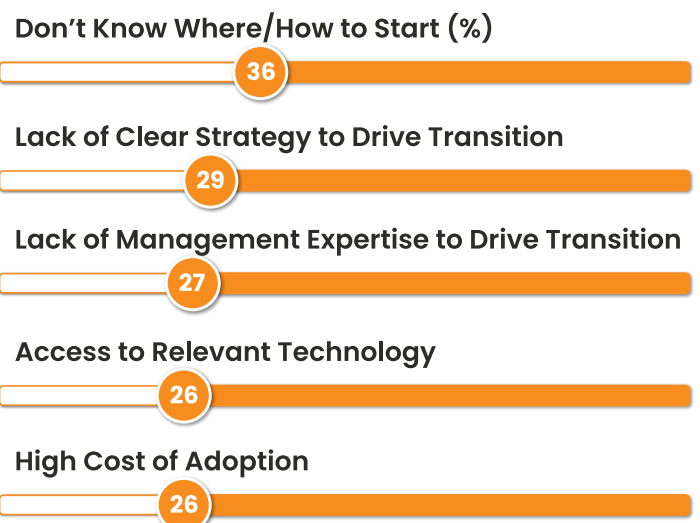


20. Challenges Encountered in "Green" Transition

The top challenges faced by businesses include not knowing how to kick-start the process, lack of clear strategy to drive transition and lack of management expertise to drive transition.

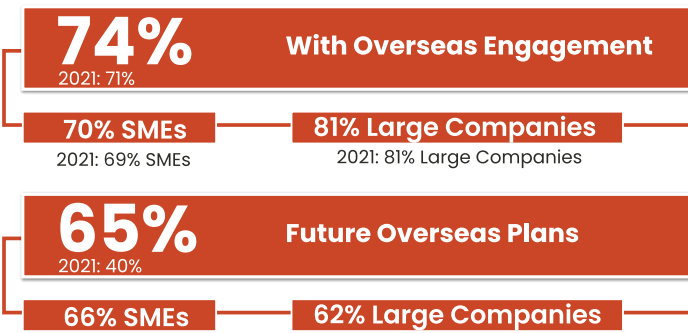


Base: N = 931



Venturing Overseas

21. Businesses are Increasing Their Presence Overseas



Total Base: N = 931 (2022) 1096 (2021)

22. ASEAN and China Remain the Top Regions for Overseas Expansion

Singapore businesses' current overseas ventures remain focused on ASEAN, with Malaysia and Indonesia being top destinations. Beyond ASEAN, China is another popular region for overseas expansion.



Americas		Europe / Middle East		Asia		ASEAN		Pacific	
USA	24%	UK	17%	China	46%	Malaysia	57%	Australia	24%
		Germany	17%	India	28%	Indonesia	40%	New Zealand	13%
		France	12%	Japan	28%	Thailand	38%		
		UAE	12%	South Korea	23%	Philippines	32%		
		Netherlands	10%	Taiwan	21%	Vietnam	27%		
						Myanmar	16%		
						Laos	13%		
						Brunei	12%		
						Cambodia	12%		



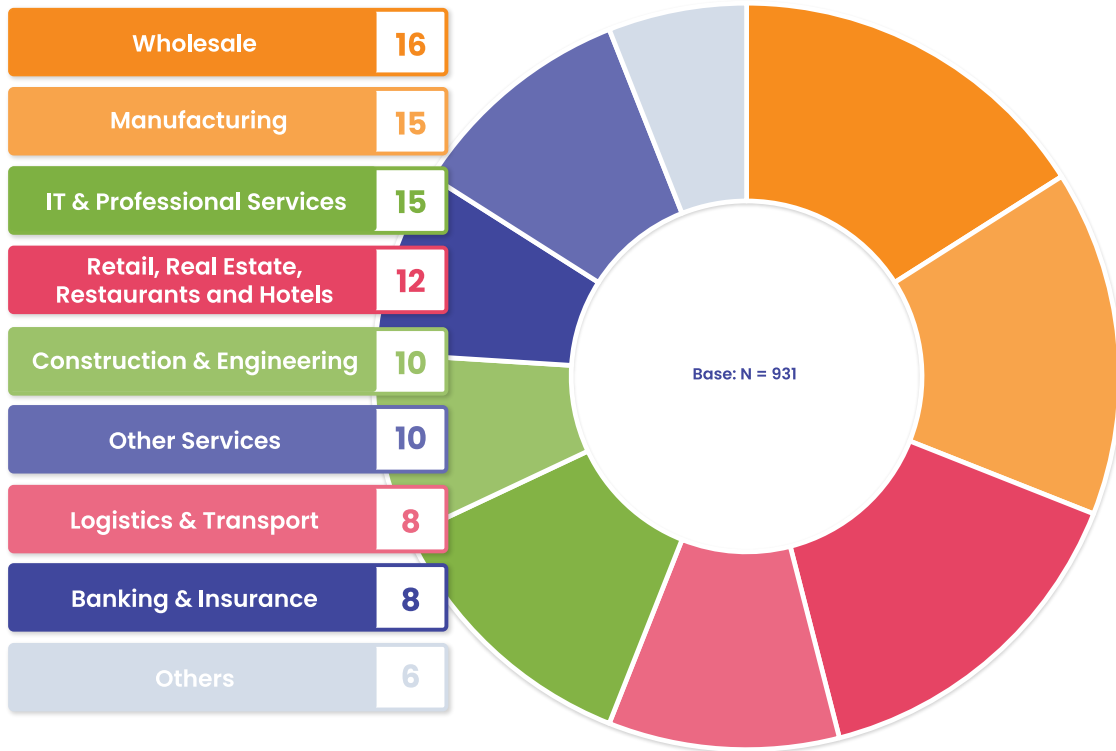
Total Base: N = 690 (2022) 770 (2021)

Recap of Key Findings

- 1 Current business sentiments in Singapore are more positive compared to last year, with 52% of businesses being satisfied, compared to 37% in 2021.
- 2 Looking ahead to the next 12 months, there is a greater sense of cautiousness. 40% of businesses forecast that the local economy will improve in 2023 (down from 47% in 2021), while 26% of businesses think it will worsen (up from 13% in 2021). In line with the cautious sentiments, 97% of businesses expect the current inflationary pressures to continue into 2023.
- 3 Despite expecting inflationary pressures to persist, 80% of businesses remain confident in the resiliency of their operations in the next 12 months.
- 4 Implementing cost saving measures (55%), increasing price of products/services (42%), and renegotiation of financial terms with suppliers and customers (38%) are the top 3 strategies adopted by businesses to mitigate inflationary risks.
- 5 Top business challenges are increase in overall business cost (66%), availability of manpower (52%), and retention of manpower (47%). The top 3 business challenges are similar for SMEs and large companies.
- 6 Businesses' top cost challenges are those related to wages (79%), logistical costs (52%), overall cost pass-through (48%), procurement costs (48%), and utilities (45%). 'Wages' is the biggest cost challenge as companies compete to attract and retain talent.
- 7 Key manpower challenges include rising manpower cost (75%), attracting and/or retaining younger workers (51%), new foreign manpower policies raising costs (48%), limited pool of local high-skilled labour (47%) and stricter policies that restrict the supply of foreign workers (43%).
- 8 To cope with these challenges, businesses hope that the Singapore Budget 2023 will have schemes that help support cost (74%) and schemes that help to attract, develop and retain talent (57%). Businesses are also adopting strategies such as providing competitive employee salary and benefits package (81%), strengthening employer brand (49%) and articulating clear progression prospects leading to key leadership positions (46%) to attract and/or retain staff.
- 9 Businesses remain committed in driving business transformation, with 96% rating it as either very important or somewhat important. This is primarily done through operational process (71% indicating it as very important), customer service (70%) and products & services innovation (70%).
- 10 Businesses continue to benefit from digital transformation, citing increased productivity (54%), operational optimisation (48%) and reduction in operational costs (44%) as the core benefits.
- 11 For ESG, 75% of businesses have implemented at least one ESG area, with the top ESG areas implemented being 'Employee health & safety' (81%), 'Fair and equitable employee pay & rewards policies' (71%), 'Documenting, monitoring and reporting business governance, risks and compliance' (57%), 'Transparency in corporate reporting' (57%) and 'Inclusion & diversity in business' (50%). The top 4 ESG areas implemented are similar for both SMEs and large companies.
- 12 Looking ahead, companies are planning to do more in ESG areas such as 'Increasing sustainability in business supply chain' (45%), 'Mitigating supply chain risks' (43%), 'Inclusion & diversity in business' (43%), and 'Contributing to communities' (40%), amongst others.

About The Survey

Respondents by Sectors (%)



73% SMEs

27% Large Companies

30% Local Shareholding

68% Yes

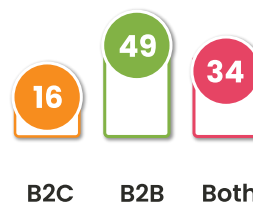
32% No

Stage of Development (%)



- Start-up (First 3 Years)
- Accelerating Sales (>10% p.a.)
- Moderate Sales (Up to 10% p.a.)
- Mature
- Decline

Business Mode (%)



B2C B2B Both

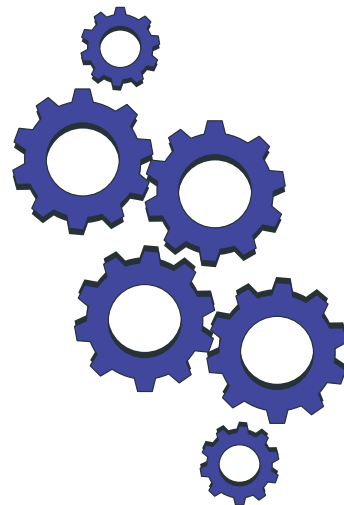
Annual Sales 2021 (%)



58 Up to \$10 Million
21 \$10 to \$50 Million
20 Above \$50 Million

Base: N = 931
Decimal points have been rounded up. The total may not add up to 100%.

About SBF



As the apex business chamber, the Singapore Business Federation (SBF) champions the interests of the business community in Singapore in trade, investment and industrial relations. Nationally, SBF acts as the bridge between businesses and government in Singapore to create a conducive business environment. Internationally, SBF represents the business community in bilateral, regional and multilateral for the purpose of trade expansion and business networking. For more information, please visit our website: www.sbf.org.sg.



If you would like to contribute to the SBF National Business Survey 2023/2024, please indicate your interest via email to research@sbf.org.sg.

For more information about SBF National Business Survey, visit www.sbf.org.sg/what-we-do/advocacy-policy/sbf-research-reports#NBS



Survey conducted by
Research & Publishing
Advocacy & Policy Division
Singapore Business Federation



If you require any clarifications,
kindly contact research@sbf.org.sg.

Supporting Organisations

