



NATIONAL BUSINESS SURVEY 2020/2021

SUMMARY REPORT



Finding a Pathway to the Future







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FOREWORD



Lim Ming Yan
Chairman
Singapore Business Federation



We are pleased to share with you this summary report on the findings of the latest National Business Survey 2020/2021 conducted by the Singapore Business Federation.

Every year, we conduct this flagship survey that provides insights on the sentiments of our Singapore business community on topics that include, amongst others, business confidence, the economic climate and the business environment. This survey identifies the priorities, challenges and future plans of action of our business community. The survey also calls attention to areas where companies require greater assistance, including their wish list for the coming Singapore Budget. These perspectives are shared with our Government.

Our current National Business Survey is now into its 13th annual edition. The data for this survey was collected from 9 October to 28 November 2020 and drew responses from 1,075 companies across all key industries operating in Singapore. The survey touched on a wide range of topics including the impact of COVID-19 on businesses, sentiments regarding economic recovery, priorities and challenges for companies, Government Budget and support, digitalisation and transformation, and internationalisation. This year's survey was conducted in collaboration with local consultancy, Blackbox Research Pte Ltd.

The results of this year's survey revealed that about 2 in 3 companies (63%) reported being negatively impacted by the COVID-19 pandemic, experiencing an average revenue decline of 31%. Nonetheless, the impact was uneven across industries. The Construction & Civil Engineering (79%), Retail, Real Estate, Hotels, Restaurants & Accommodations (73%) and Manufacturing (64%) sectors had the highest proportion of companies reporting being negatively impacted. Conversely, the Logistics & Transportation (62%) and IT & Professional Services (46%) sectors had a higher proportion of companies reporting positive or no impact from the pandemic.

For business outlook over the next 12 months, there are bright spots of recovery and cause for optimism, though sentiments remain uneven across industries. Overall, about one-third of companies (31%) expect the business and economic climate to get better over the next 12 months, which is a significant improvement from the 8% in last year's survey. However, an almost equal proportion (32%) of companies expect it to worsen. Amongst businesses that have been negatively affected, most (70%) expect full business recovery to occur only in 2022 or beyond. Despite the challenges faced, 69% of companies reported confidence in sustaining their business over the next 12 months.

On the bright side, COVID-19 gave a strong push for business transformation, digitalisation, and manpower training and development. Over 8 in 10 (84%) business reported having accelerated their digital transformation due to COVID-19, by an average of 2 years. 39% of companies reported having increased their IT budgets, by an average of 29%. This is encouraging and bodes well for the future as it means companies are building capabilities to emerge stronger.

There was also greater emphasis on manpower training and development, with 48% reporting that training and developing staff has become more important, with another 49% saying that it remains equally important.

Even as the economic climate ahead continues to look uncertain, we urge our businesses to forge ahead by pressing on with business transformation and manpower development to build up core capabilities and emerge stronger.

We hope that the findings from this survey will be insightful and useful. I would like to acknowledge all our member companies that have participated in this year's survey and the Trade Associations and Chambers that supported the survey.





NATIONAL BUSINESS SURVEY 2020/2021

SUMMARY REPORT



Finding a Pathway to the Future

The National Business Survey (NBS) is the flagship survey of the Singapore Business Federation (SBF). The survey provides a good sense of the state and sentiments of the Singapore business community and its key concerns. This is the 13th annual edition of the survey and it was carried out from 9 October to 28 November 2020. The survey drew responses from 1,075 companies across key industries. 85% of the responses were from SMEs and 15% of the responses were from large companies. This survey was carried out in collaboration with local research firm, Blackbox Research Pte Ltd.

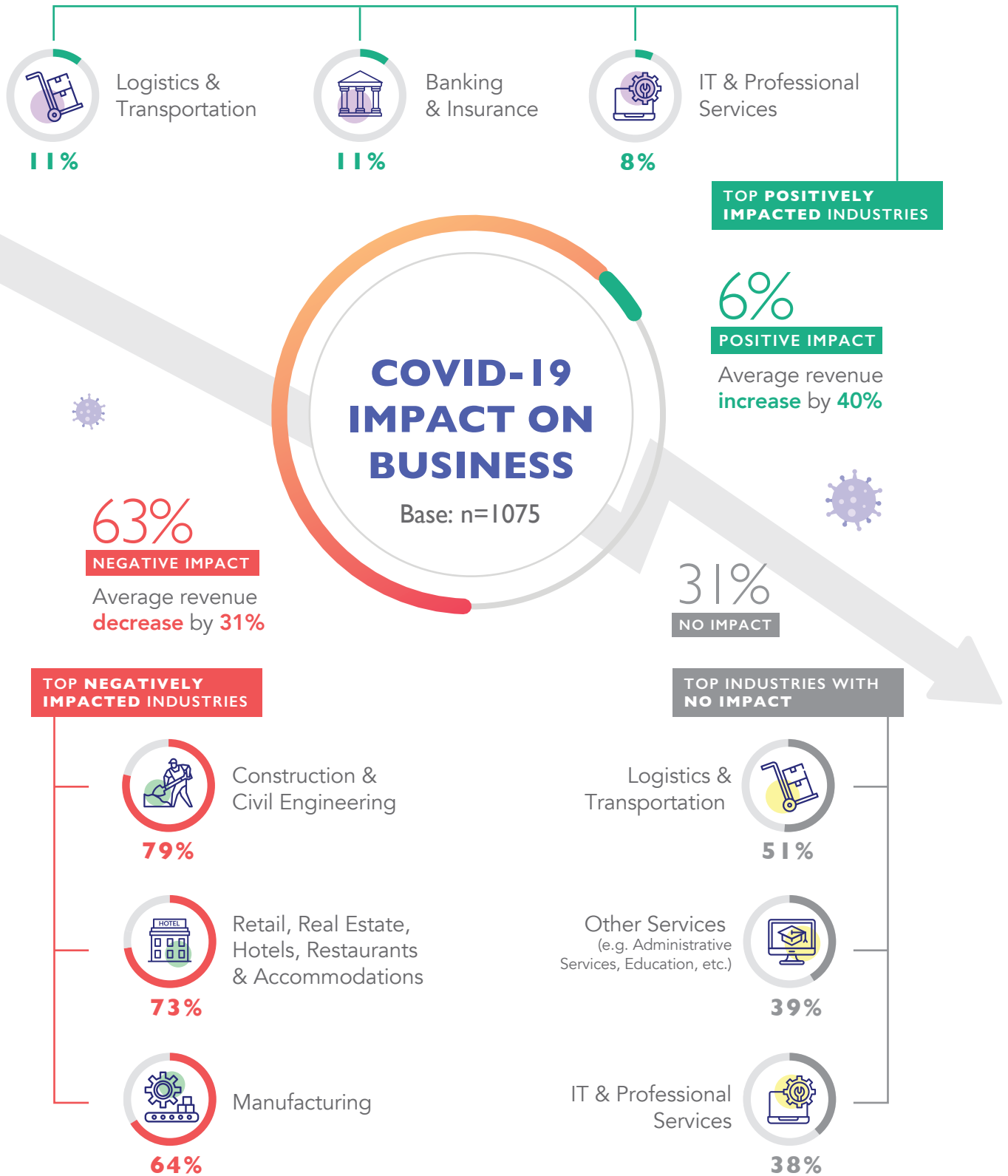
The National Business Survey 2020/2021 shows that two in three companies (63%) have been negatively affected by COVID-19, though the impact of the pandemic was uneven across industries. Nearly a third of businesses (31%) expected business and economic climate to improve in the next 12 months, with an almost equal proportion (32%) expecting it to worsen. Majority (70%) of businesses that have been negatively impacted by COVID-19 predict that they are likely to fully recover after 12 months or more. This sentiment is consistent across both SMEs and large companies.

To emerge stronger from this crisis, Singapore businesses believe a three-pronged approach of focusing on workforce, technology and finances will be vital. Many businesses have devoted investments in training their workforce, as well as accelerated their progress up the digital transformation ladder. Targeted support from the government is also critical for a successful recovery from these difficult moments.

On the international front, businesses have seen a contraction in their overseas presence compared to previous years, largely attributed to the COVID-19 situation. Over half of businesses believe overseas markets will take about 1-2 years to fully recover.

IMPACT OF COVID-19

COVID-19 has taken a major toll on local businesses, as two in three companies have been negatively affected by the pandemic. The economic impact, however, was uneven across industries, with some more distressed than others. Firms in Construction & Civil Engineering (79%) and Retail, Real Estate, Hotels, Restaurants & Accommodations (73%) sectors were worst hit, while top sectors reporting positive or no impact from the pandemic included the Logistics & Transportation (62%) and IT & Professional Services (46%) sectors.



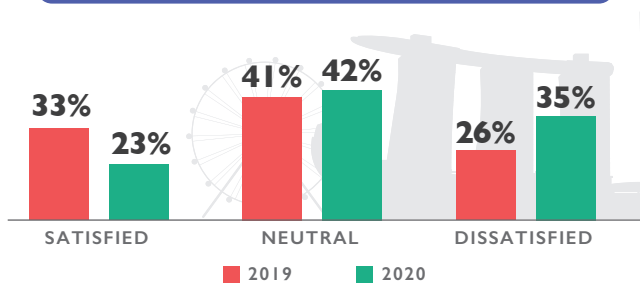
BUSINESS SENTIMENTS

Compared with 2019, the business climate has worsened in 2020, undoubtedly affected by the COVID-19 pandemic. More businesses feel concerned about the situation, as 49% are dissatisfied with the business climate at the global level and 44% at the regional level. In Singapore, we see similar perceptions reflected by 35% of businesses.

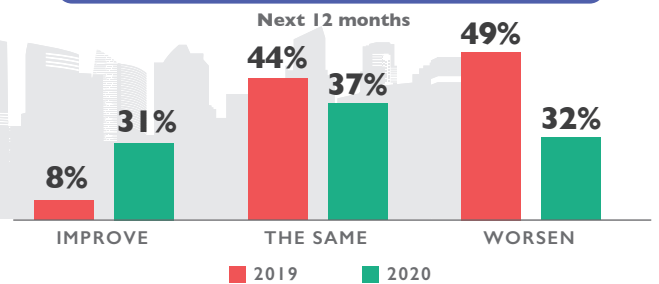
Overall, about a third of Singapore businesses (31%) expect the business and economic climate to improve in the next 12 months, with an almost equal proportion (32%) predicting worsening conditions.

Despite the negative sentiments, two in three companies (69%) are confident that they can sustain their businesses in the next 12 months. More than half of businesses (70%) believe full recovery will take 1-2 years.

CURRENT BUSINESS CLIMATE IN SINGAPORE

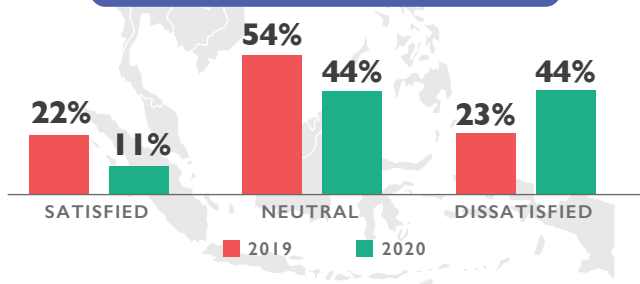


SINGAPORE ECONOMY

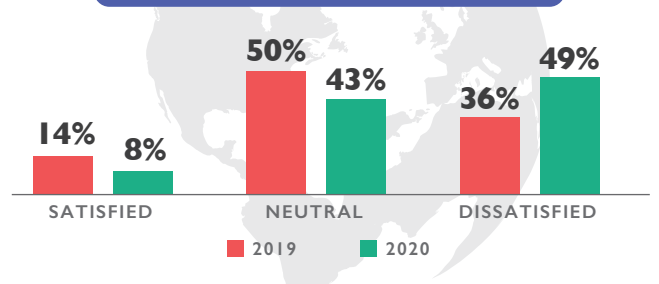


Base: 2019 n=1018 | 2020 n=1075
Decimal points have been rounded up. The total may not add up to 100%.

CURRENT ASEAN BUSINESS CLIMATE

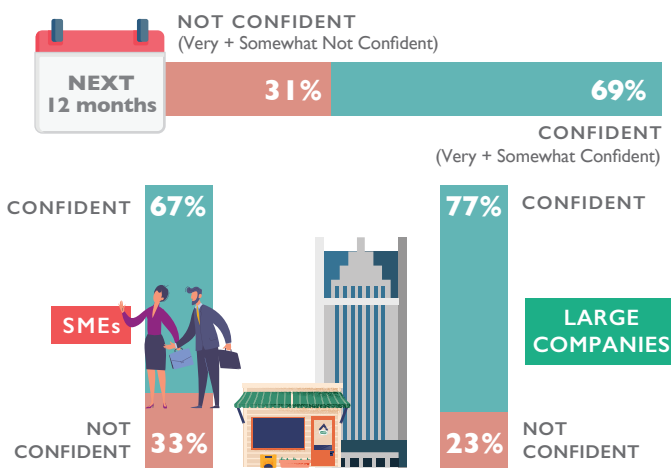


CURRENT GLOBAL BUSINESS CLIMATE



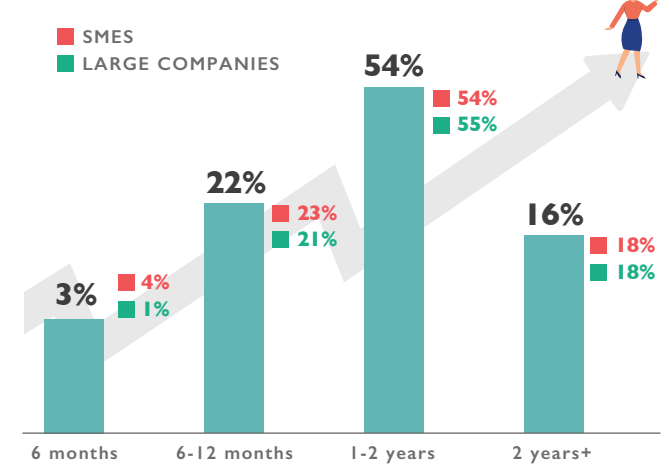
Base: 2019 n=1018 | 2020 n=1075
Decimal points have been rounded up. The total may not add up to 100%.

CONFIDENCE IN SUSTAINING BUSINESS



Base: n=1075 | SMEs n=916 | Large Companies n=159

MY BUSINESS WILL FULLY RECOVER IN...



Base: Companies that have been negatively impacted, n=676

BUSINESS OUTLOOK: PRIORITIES & CHALLENGES

Business priorities in this troubling period continue to revolve around basic fundamentals such as raising revenue, building cashflow and lowering costs. This trend is consistently observed amongst SMEs and large companies.

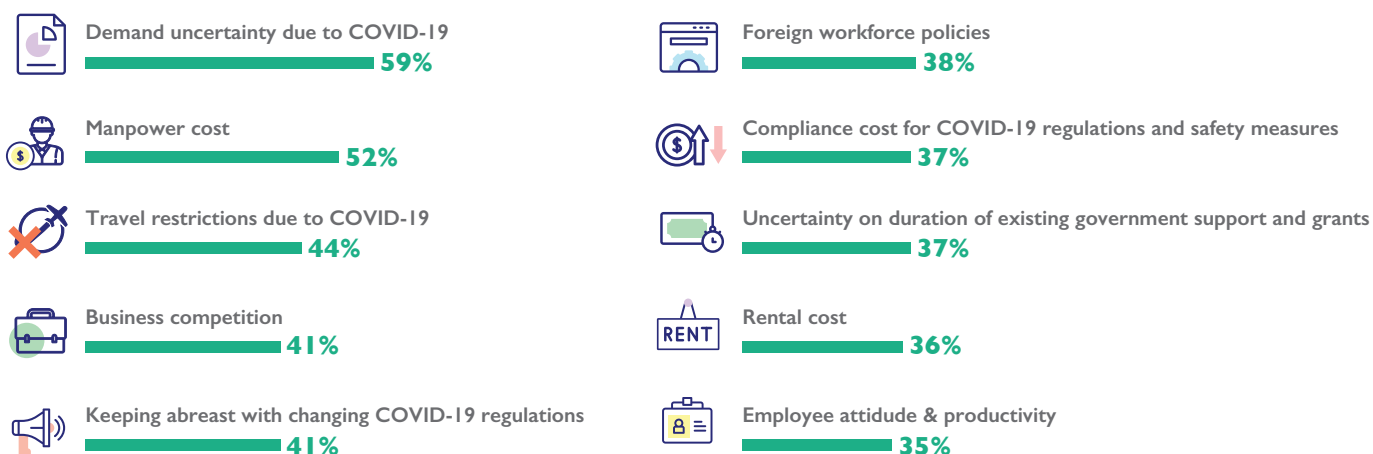
TOP BUSINESS PRIORITIES IN THE NEXT 12 MONTHS



Base: n=1075

COVID-19 has brought about new challenges to businesses in Singapore. Dealing with uncertain demand for business services or products is the most difficult challenge (59%), followed by persistently high manpower costs (52%) and new travel restrictions related to the pandemic (44%).

KEY CHALLENGES IN THE INDUSTRY



Base: n=1075



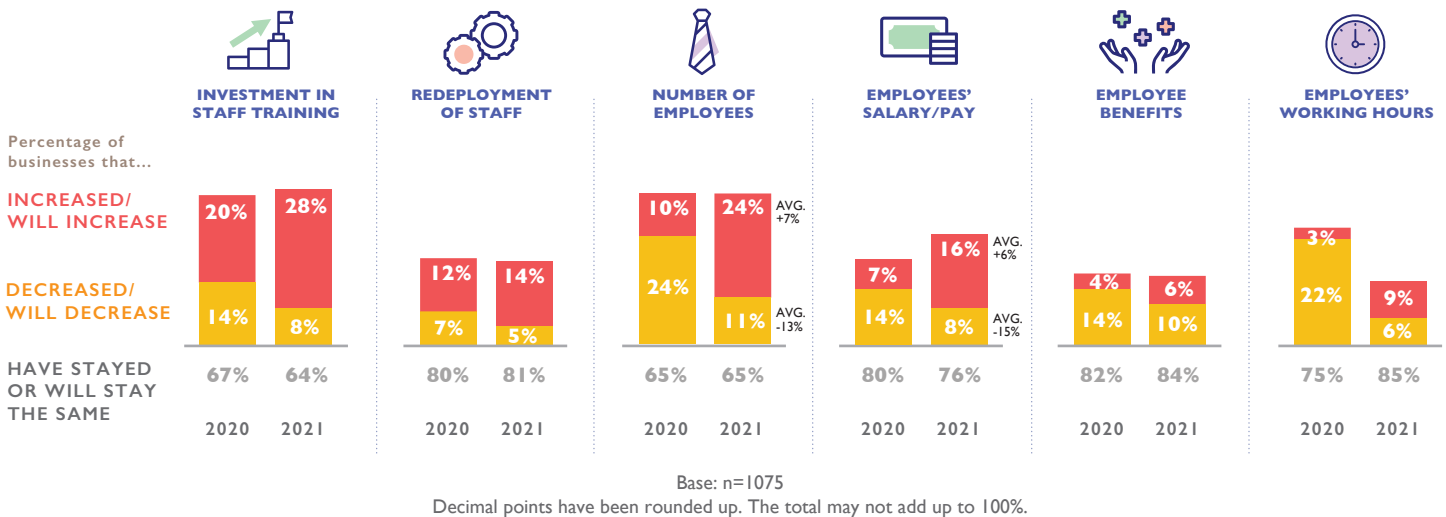
EMERGING FROM THE CRISIS

Singapore businesses are prepared to outlast the pandemic and many believe a three-pronged approach of focusing on workforce, technology and finances will be core in helping themselves emerge stronger from this crisis.

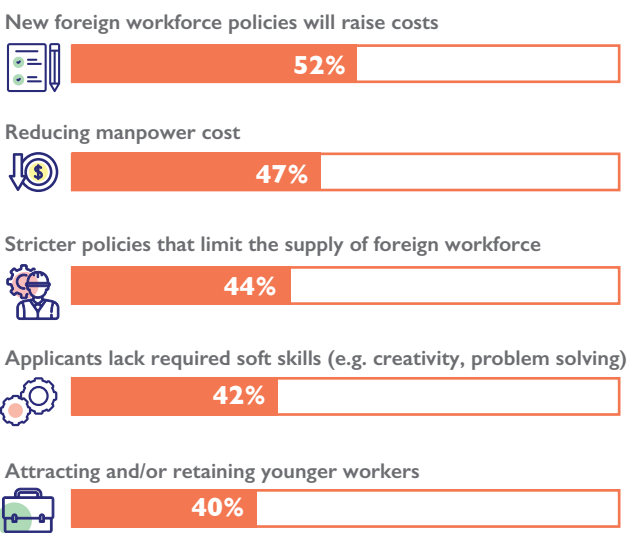
A Stronger Workforce

Manpower challenges have troubled Singapore businesses over the past three years and 2020 is no exception. This year, firms continue to grapple with the rising cost of hiring foreigners (52%), overall manpower costs (47%) and stricter policies with regards to hiring foreigners (44%).

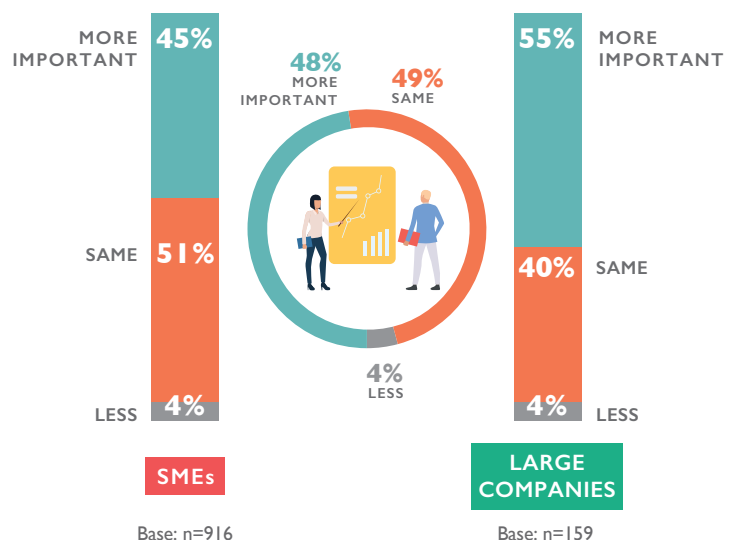
As a result, staff training has become much more important for 48% of Singapore companies during COVID-19. 28% of firms have reported an increase in staff training investments, while 24% are reportedly hiring more employees. These steps taken reflect a positive mindset as companies look to strengthen their workforce, which many believe will be critical to business recovery.



TOP 5 MANPOWER CHALLENGES FOR BUSINESSES



HAS STAFF TRAINING BECOME MORE IMPORTANT DURING COVID-19?



EMERGING FROM THE CRISIS

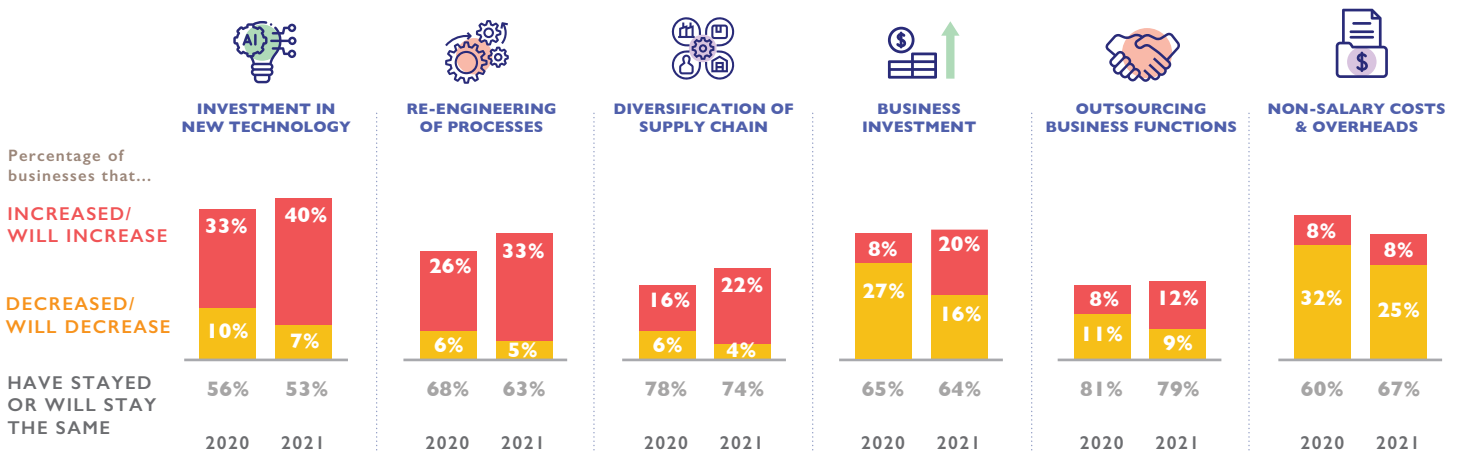
Singapore businesses have embarked on a digital transformation journey over the past three years. COVID-19 has not stopped this movement, but rather, acted as a catalyst to hasten its progress.

COVID-19 has Accelerated Digital Transformation

COVID-19 has accelerated digital transformation efforts for 84% of businesses, with 40% reporting an increase in investments in new technology. Some of the digitalisation steps involve raising productivity using collaborative technology (45%), streamlining operations and automating processes (44%) and using data analytics to help with decision-making (38%).

Companies that report a higher level of industry transformation (72%) are also more confident in sustaining their businesses through 2021.

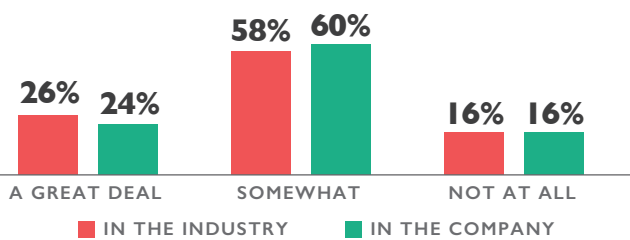
BUSINESS TRANSFORMATION STEPS TAKEN IN VIEW OF COVID-19: 2020 VS 2021



Base: n=1075

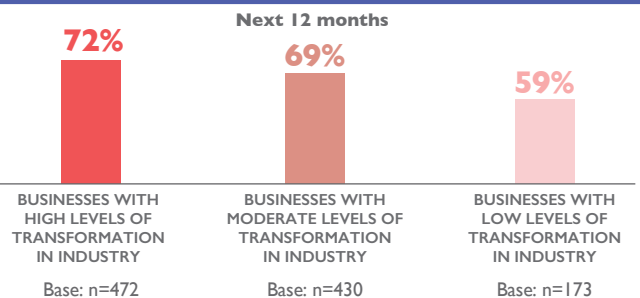
Decimal points have been rounded up. The total may not add up to 100%.

HAS COVID-19 ACCELERATED DIGITAL TRANSFORMATION?



Base: n=1075

% CONFIDENT IN SUSTAINING BUSINESS



Base: n=472

Base: n=430

Base: n=173

DIGITALISATION STEPS TAKEN DURING COVID

Collaborative technology and tools to increase productivity



Technology to streamline operations & automate processes



Enhance data & analytics capabilities to help with business decision-making



Monitor shifts in customer demands through enhanced data & analytics capabilities



Adopting cybersecurity solutions to minimise digital risks



E-commerce to sell products locally and overseas



Base: n=1075

EMERGING FROM THE CRISIS

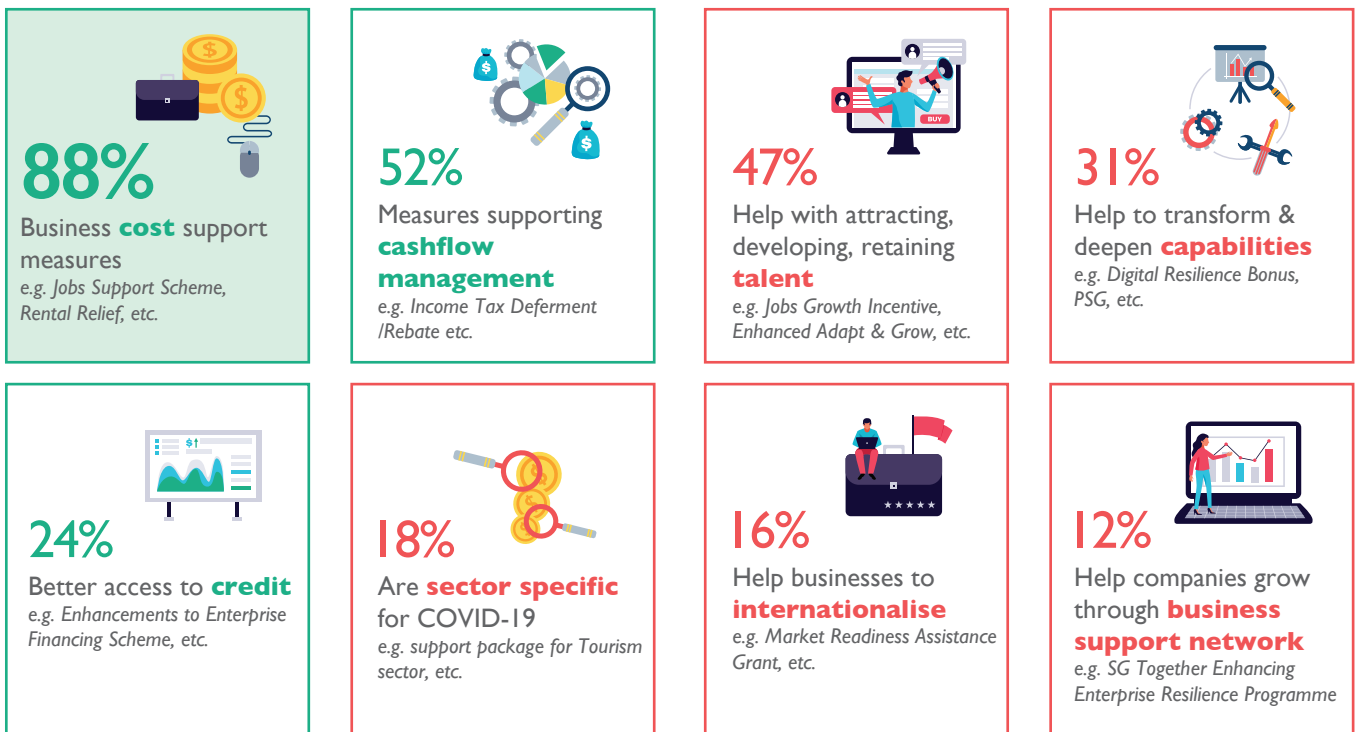
Government support has played a huge role to help businesses throughout 2020 and their evolving approach will remain critical in the next 12 months. Businesses are looking forward to more targeted help as they devote their efforts to endure these difficult times.

Government Support remains Vital

Without a doubt, cost support measures are most well-received by majority of the local businesses (88%), especially when it helps to cover the costs of paying salaries, rental and other expenses. Cost, cashflow and credit schemes are most pertinent to SMEs, while large companies find schemes related to talent, enterprise development as well as sector-specific support to be more relevant and useful.

Beyond that, businesses are adopting a medium-term perspective and hope to receive targeted help for digital transformation (43%), financial management (33%) and brand development (31%).

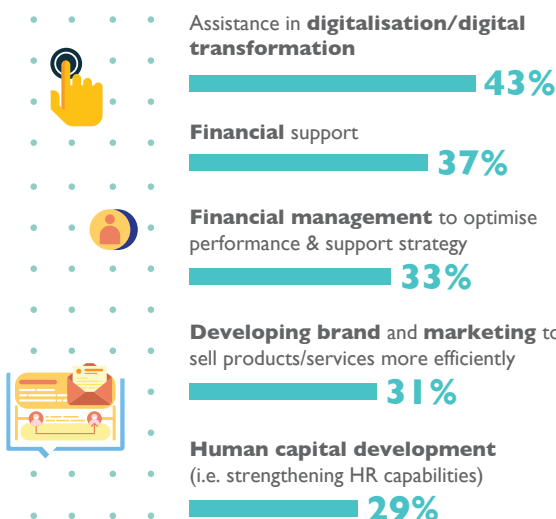
SCHEMES THAT ARE THE MOST RELEVANT/USEFUL



Base: n=1075

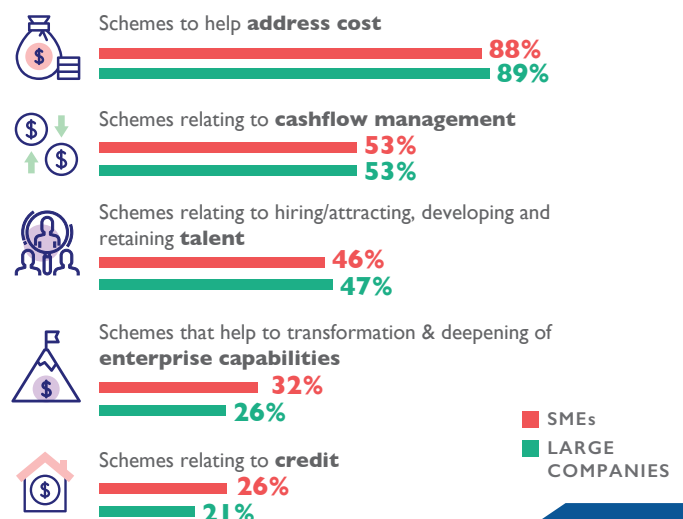
■ COST-RELATED ■ OTHERS

SUPPORT NEEDED TO EMERGE STRONGER



Base: n=1075

SUPPORT NEEDED TO EMERGE STRONGER

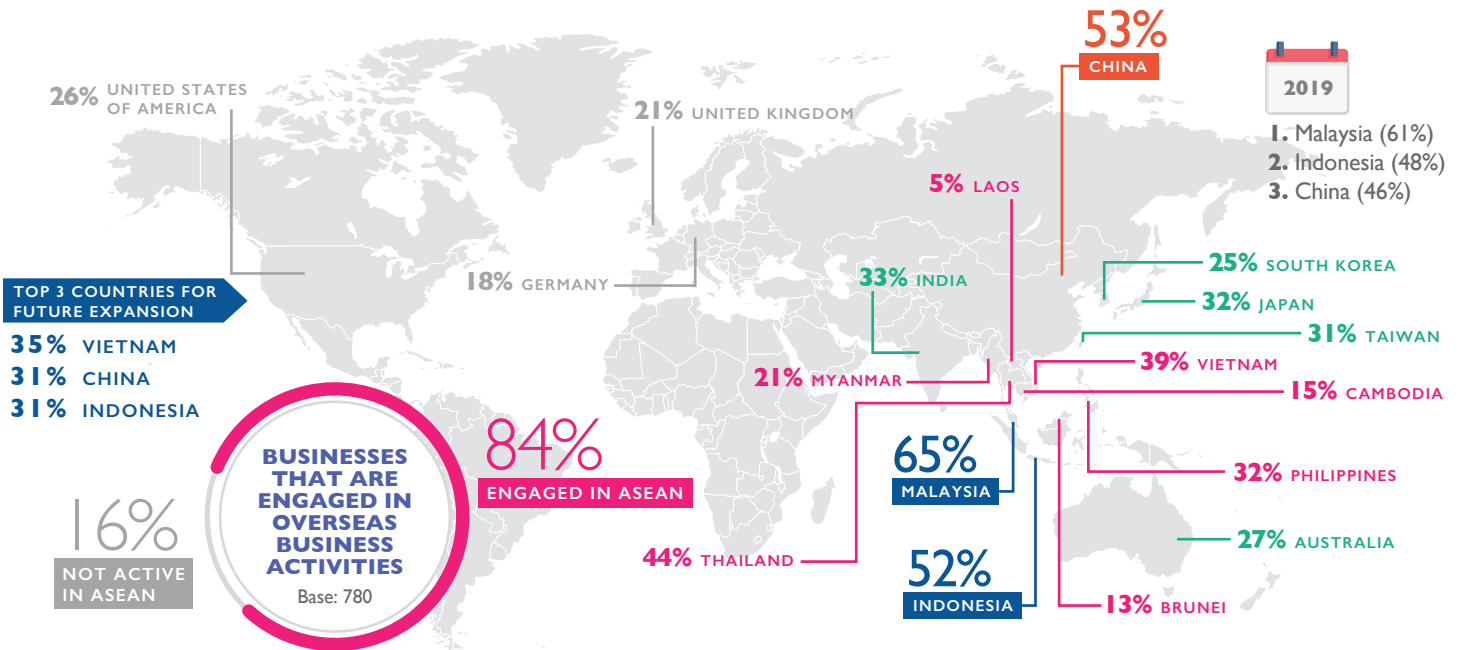


Base: n=1075

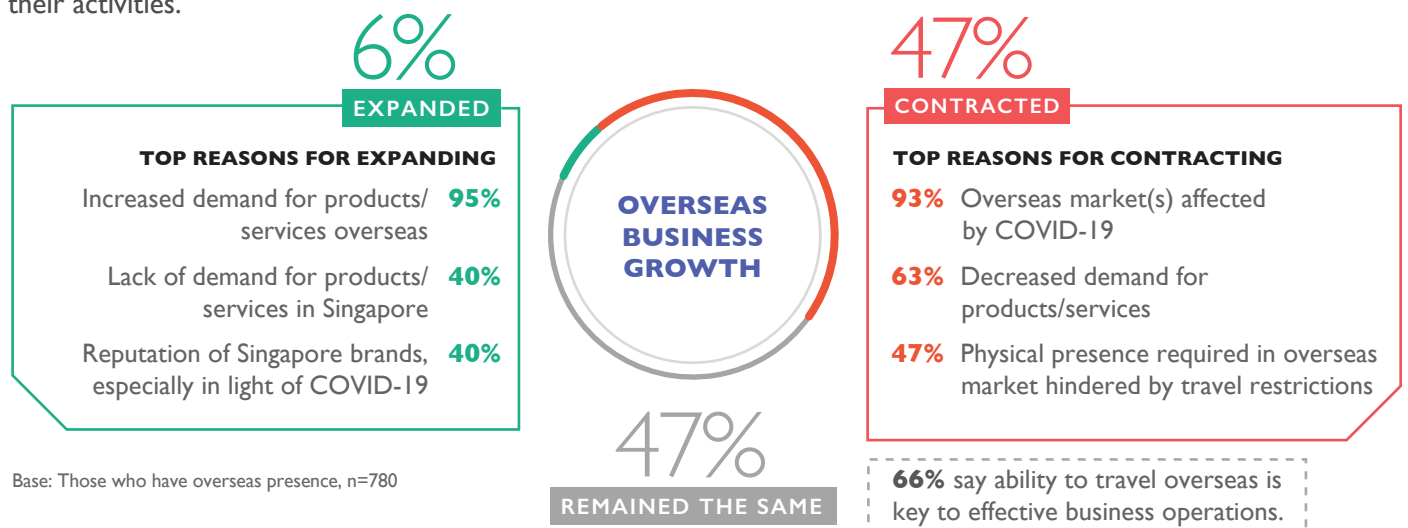
■ SMEs
■ LARGE COMPANIES

INTERNATIONALISATION

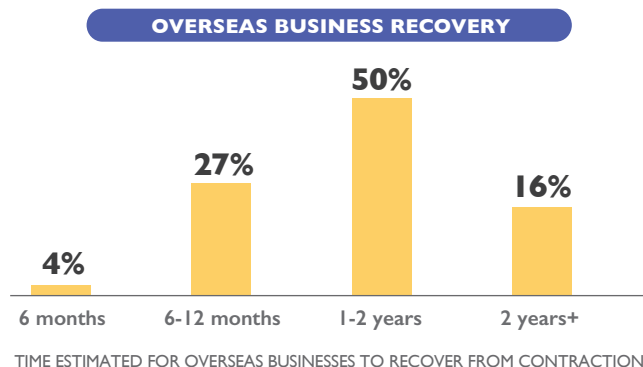
COVID-19 has resulted in a reduction in overseas business presence by 7% on a year-on-year basis. Seven in ten businesses report a presence in at least one overseas market, down from eight in ten from 2019.



Among businesses with an existing overseas presence, 47% of the companies' business performance have declined, with an overwhelming majority of 93% attributing it to COVID-19's negative effects on overseas markets. 63% of businesses point to a drop in demand for their products/services and 47% say travel restrictions have hindered their activities.



Over half of businesses are hopeful of recovery in overseas markets within a period of 1-2 years.



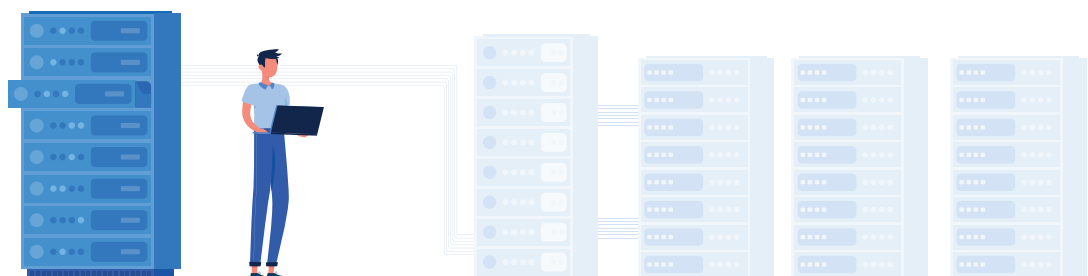
RECAP OF KEY SURVEY FINDINGS

- ▶ **1.** COVID-19 has taken a major toll on local businesses, as two in three companies say they have been negatively affected by the pandemic. The economic impact, however, was uneven across industries, with some more distressed than others. Firms in Construction & Civil Engineering (79%) and Retail, Real Estate, Hotels, Restaurants & Accommodations (73%) sectors were worst hit, while top sectors reporting positive or no impact from the pandemic included the Logistics & Transportation (62%) and IT & Professional Services (46%) sectors.
- ▶ **2.** Nearly a third of Singapore businesses (32%) predict worsening conditions in the next 12 months. One in three firms are uncertain about the future and whether their businesses can remain sustainable in the next 6-12 months. Despite the negative sentiments, 31% of businesses are hanging on to a sliver of optimism that the economy will improve in the next 12 months.
- ▶ **3.** Business priorities in this troubling period continue to revolve around basic fundamentals such as raising revenue, building cashflow and lowering costs. Dealing with uncertain demand for business services or products is the most difficult challenge (59%), followed by persistently high manpower costs (52%).
- ▶ **4.** Singapore businesses are prepared to outlast the pandemic and many believe a three-pronged approach of focusing on workforce, technology and finances will be core in helping themselves emerge stronger from this crisis.



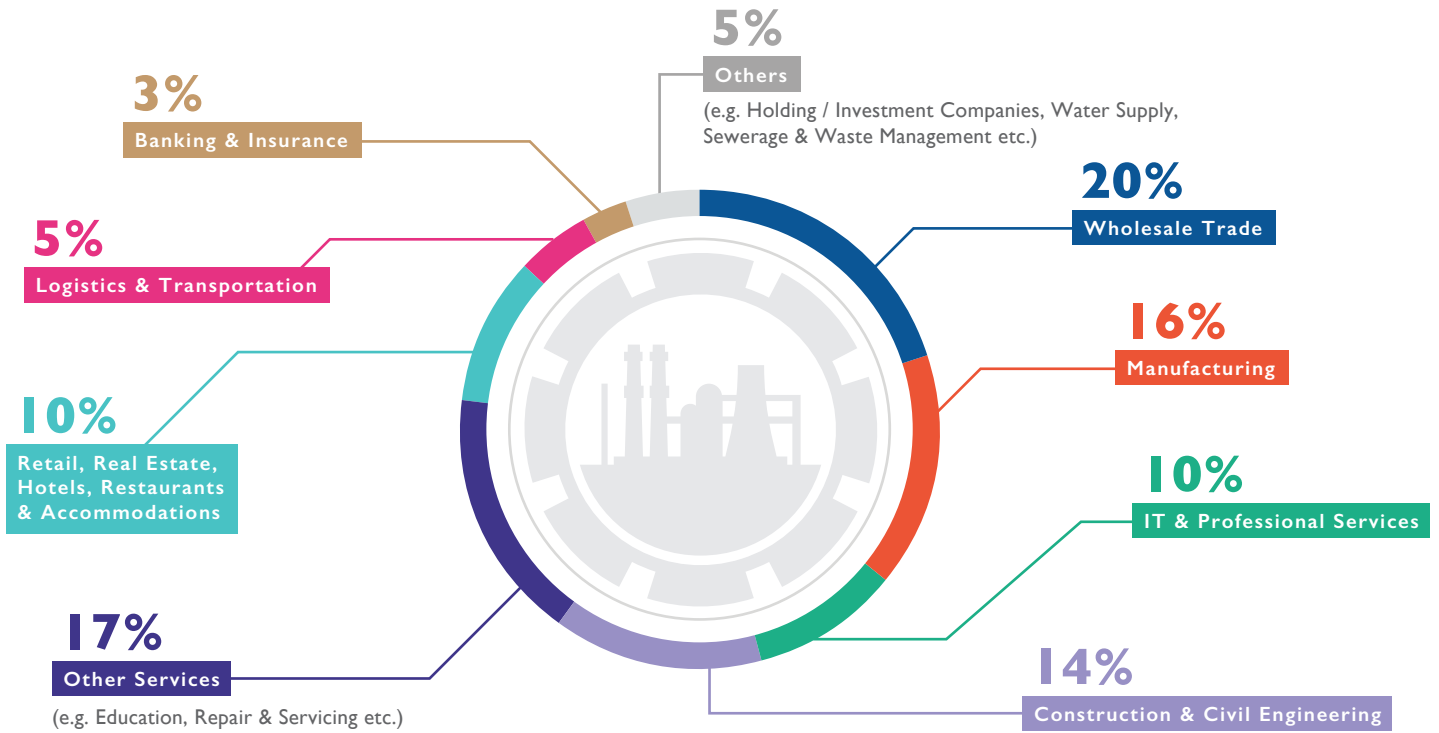
RECAP OF KEY SURVEY FINDINGS

- ▶ **5.** Manpower challenges have troubled Singapore businesses over the past three years and 2020 is no exception. This year, firms continue to grapple with the rising cost of hiring foreigners (52%), overall manpower costs (47%) and stricter policies with regards to hiring foreigners (44%). As a result, staff training has become much more important for 48% of Singapore companies during COVID-19. 28% of firms have reported an increase in staff training investments.
- ▶ **6.** Singapore businesses have embarked on a digital transformation journey over the past three years. COVID-19 has not stopped this movement, but rather, acted as a catalyst to hasten its progress. 84% of businesses say COVID-19 has accelerated digital transformation efforts, with 40% reporting an increase in investments in new technology.
- ▶ **7.** Government support has played a huge role to help businesses throughout 2020 and their evolving approach will remain critical in the next 12 months. Without a doubt, cost support measures are most well-received by a majority of local businesses (88%), especially when it helps to cover the costs of paying salaries, rental and other expenses. Beyond that, businesses are adopting a medium-term perspective and hope to receive targeted help for digital transformation (43%), financial management (33%) and brand development (31%).
- ▶ **8.** COVID-19 has resulted in a reduction in overseas business presence by 7% on a year-on-year basis. Seven in ten businesses report a presence in at least one overseas market, down from eight in ten from 2019.



ABOUT THE SURVEY

SECTORS



CURRENT STAGE OF DEVELOPMENT



MAIN MODE OF BUSINESS



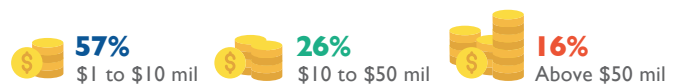
COMPANY SIZE



MINIMUM LOCAL SHAREHOLDING OF 30%



ANNUAL SALES



Base: n=1075 | 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 fora 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 2021/2022, please indicate your interest via email to research@sbf.org.sg.

For more information about SBF, visit www.sbf.org.sg.

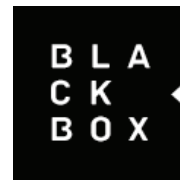






Survey conducted by
Strategy & Development Division, Research & Publishing,
Singapore Business Federation

In collaboration with
Blackbox Research Pte Ltd



Supporting Organisations



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