

National Business Survey 2023/2024

Businesses are Adopting a More Cautious Outlook

Summary Report





Table of Contents

Forward	4
Report Overview	6
Business Sentiments	7
Core Challenges	8
Business Priorities	10
Business Transformation and Trends	11
Environmental, Social & Governance (ESG)	13
International Business Landscape	14
Government Budget & Support	14
Recap of Key Findings	15
About The Survey	17
About SBF	18



Forward



Lim Ming Yan

Chairman
Singapore Business
Federation

We are pleased to share with you the summary report on the findings for the National Business Survey (NBS) 2023/2024 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 related to business confidence, the operating environment and the economic outlook. 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 16th annual edition of the NBS was collected from 14 September to 12 November 2023 and the survey drew responses from 1,056 companies across all key industries operating in Singapore. 82% of the responses were from SMEs, while 18% were from large companies.

This year's results show that business sentiment in Singapore has weakened, with only 25% of businesses confident that the economy will improve in the next 12 months, compared to 41% a year ago. Amidst economic uncertainties, more SMEs (30%) compared to large companies (22%) believe that the economy will worsen in the next 12 months. Businesses in the IT & Professional Services (32%) and Manufacturing (31%) sectors have a more bearish outlook, while those in the Construction & Civil Engineering (30%), Banking & Insurance (29%) and Logistics & Transportation (28%) sectors are more optimistic about the economy in the next 12 months.

Increase in business cost remained the top challenge for businesses although the proportion of businesses that cited it has decreased from 66% in NBS 2022/2023 to 58% in NBS 2023/2024. The 3 key components of cost increase are wages, pass-through from suppliers and electricity costs. Over 8 in 10 businesses are impacted by interest rate hikes and increase in cost of funding in the past year. Close to 1 in 2 businesses (46%) faced between a slight to severe credit crunch with the proportion of those that do not have sufficient cash to operate increasing from 6% to 11%. Businesses in the

Construction & Civil Engineering (63%), Wholesale Trade (49%) and the Retail, Real Estate, Hotels, Restaurants & Accommodations (47%) sectors are most affected by the credit crunch, while the Logistics & Transportation sector has seen the largest improvement in credit conditions from 48% to 70%.

Following increase in business costs (58%), manpower related issues such as availability (53%), retention (42%) and foreign manpower policies (39%) are the next 3 current key challenges faced by businesses. Close to 6 in 10 businesses (58%) face foreign manpower challenges, with the top foreign manpower challenges being changes to S Pass qualifying salary (70%) and Employment Pass (EP) qualifying salary (65%).

To attract and retain local talents, businesses are prioritising the provision of competitive salary and benefits packages (72%), professional development and training (43%), as well as providing hybrid work options (35%).

9 in 10 businesses acknowledge the importance of business transformation but the top challenges faced in technology adoption were high cost (64%), expensive licensing payments (31%), upskilling of staff to keep up with new technologies (29%) and lack of management expertise (29%). Cybersecurity (45%), emerging technologies such as Artificial Intelligence (AI) (35%) and increased expectations on Environmental, Social and Governance (ESG) (34%) were the top 3 business trends of concerns.

76% of businesses have overseas presence, a slight increase of 2%-points from NBS 2022/2023. However, the proportion of businesses with future overseas plans declined by 8%-points from 65% in NBS 2022/2023 to 57%. Compared to measures such as growing revenue (76%), reducing costs (62%) and ensuring positive cash flow (59%), expanding to overseas markets (25%) was not among the top business priorities for the next 12 months.

On the sustainability front, 76% of businesses are ready to adapt to the demands of a low carbon economy, but 41% do not know how or where to start in their alignment with the Singapore Green Plan 2030. Top areas of support required include access to funding for ESG transformation (68%), improved clarity and consistency on ESG metrics for reporting (66%) and availability of technology to measure and track ESG initiatives (62%).

We hope that the findings from NBS 2023/2024 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). Now into its 16th edition, NBS 2023/2024 offers a snapshot of concerns, perceptions, and sentiments within Singapore's business community. The survey was carried out from 14 September to 12 November 2023 and drew responses from 1,056 companies across key industries. 82% of the responses were from SMEs and 18% of the responses were from large companies.

The National Business Survey 2023/2024 shows that business outlook has weakened, with fewer businesses expecting the economy to improve in the next 12 months, declining from 41% in the previous survey to 25% this year. SMEs are more cautious in business outlook: more SMEs (30%) compared to large companies (22%) believe that the economy will worsen in the next 12 months.

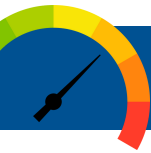
Increase in business cost remains the top challenge for businesses, although it impacts a lower proportion of businesses this year (58%, when compared with 66% in NBS 2022/23). In terms of cost of financing, 83% of businesses are impacted by interest rate hikes and increase in cost of funding in the past year.

Manpower challenge is another key theme in NBS 2023/24. Businesses need to tackle issues around availability (53%), retention (42%) and foreign worker policies (39%). To attract/retain local talent, offering a competitive salary and benefits package continues to be the primary method (72%) favoured by businesses.

9 in 10 businesses acknowledge the importance of business transformation, and businesses' key focuses are operational processes (70%), products/services (68%) and customer experience/service (66%). It is noted that investment in Research & Development (R&D) was ranked lowest at 39%, which may pose a potential downside to the future competitiveness of SMEs.

In terms of internationalisation, 76% of businesses have overseas presence, a slight increase of 2%-points from NBS 2022/2023. Nevertheless, reflecting the current cautious economic outlook, expanding to overseas market (25%) is not among the top business priorities for the next 12 months, when compared with measures such as growing revenue (76%), reducing costs (62%) and ensuring positive cash flow (59%).



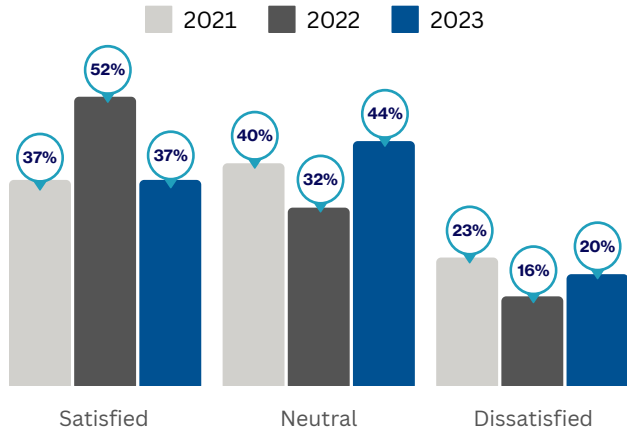


Business Sentiments

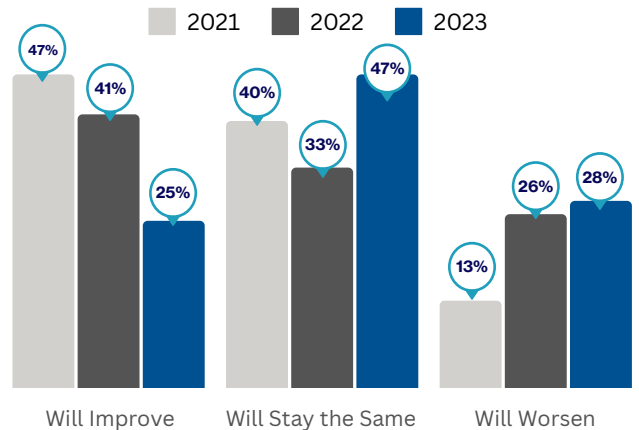
Businesses in Singapore are Adopting a More Cautious Outlook

Business outlook has weakened with proportion of businesses expecting the economy to improve in the next 12 months, declining from 41% in NBS 2022/2023 to 25% this year.

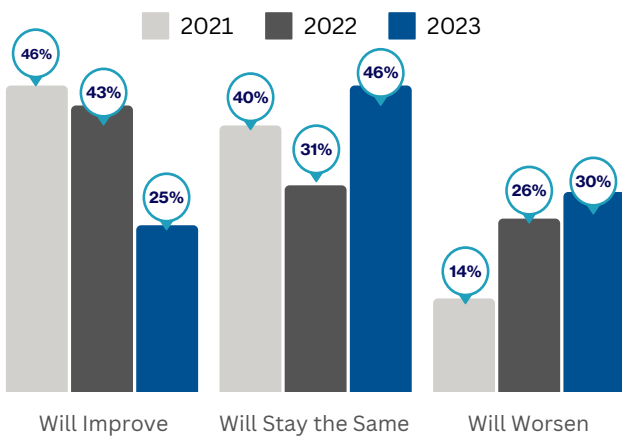
Current Business Climate in Singapore



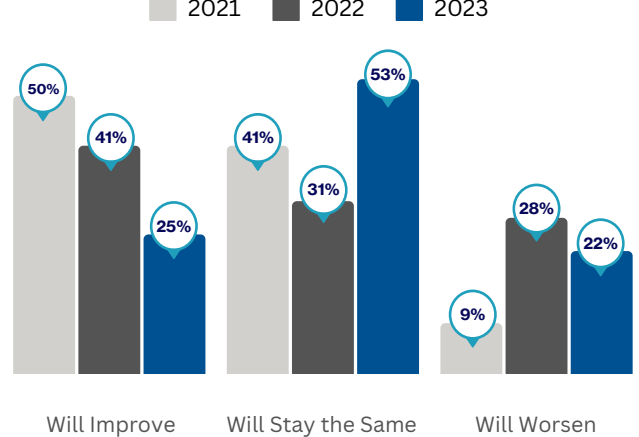
Singapore Economy - Next 12 Months



Singapore Economy - Next 12 Months - SME



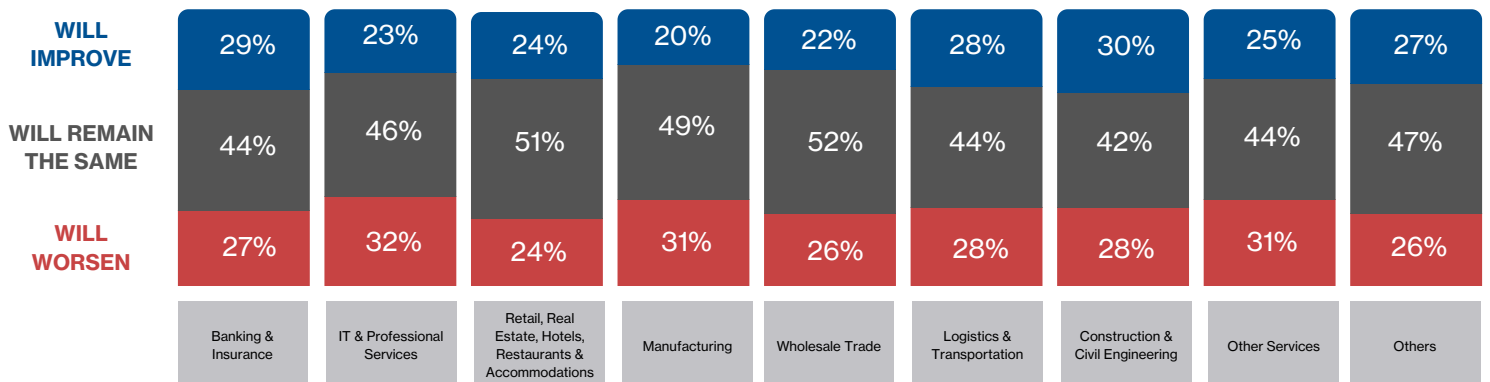
Singapore Economy - Next 12 Months - Large Company



Business Outlook from Industry Sectors Vary

Businesses in the IT & Professional Services and Manufacturing sectors have a more bearish outlook, while those in the Construction & Civil Engineering, Logistics & Transportation, and the Banking & Insurance sectors are more optimistic about the economy in the next 12 months.

Singapore Economy - Next 12 Months



Base: n=1,056

Core Challenges

Current Challenges - Key Themes: Business Cost and Manpower

Increase in business cost remains as the top challenge for businesses, although the proportion of businesses citing this has decreased from 66% in NBS 2022/2023 to 58% in NBS 2023/2024. Manpower related issues such as availability (53%), retention (42%) and foreign workforce policies (39%) are the next 3 current key challenges faced by businesses.



Despite current cost pressures, businesses recognise the necessity to continually invest in manpower to maintain a competitive edge.

42% Businesses plan to increase employees' salaries in the next year

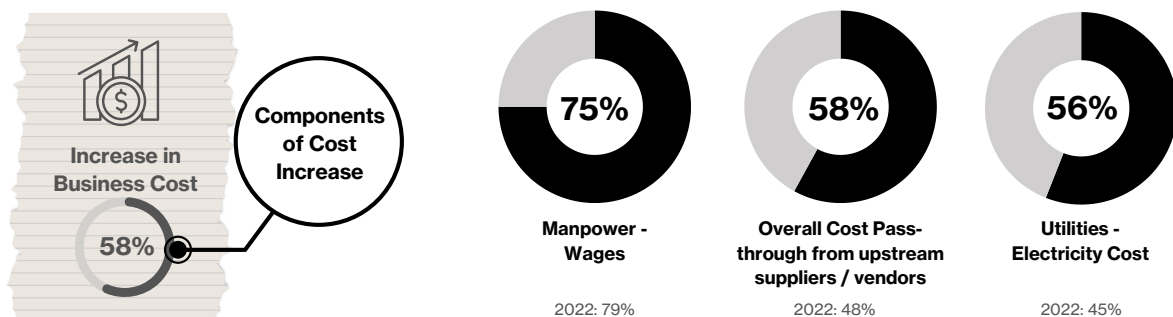
26% Businesses plan to expand their workforce in the next year

Base: n=1,056

Core Challenges: Increase in Business Cost

Key Components of Cost Increase: Wages, Upstream Costs, and Utility Costs

The 3 key components of cost increase most cited in NBS 2023/2024 are wages (75%), pass-through from suppliers (58%) and electricity costs (56%). These were also among the top cost components in NBS 2022/2023. While the proportion which cited wages have decreased by 4%-points (from 79%), the proportion for pass-through from suppliers have increased by 10%-points (from 48%) and 11%-points for electricity costs (from 45%).



Base: n=1,056

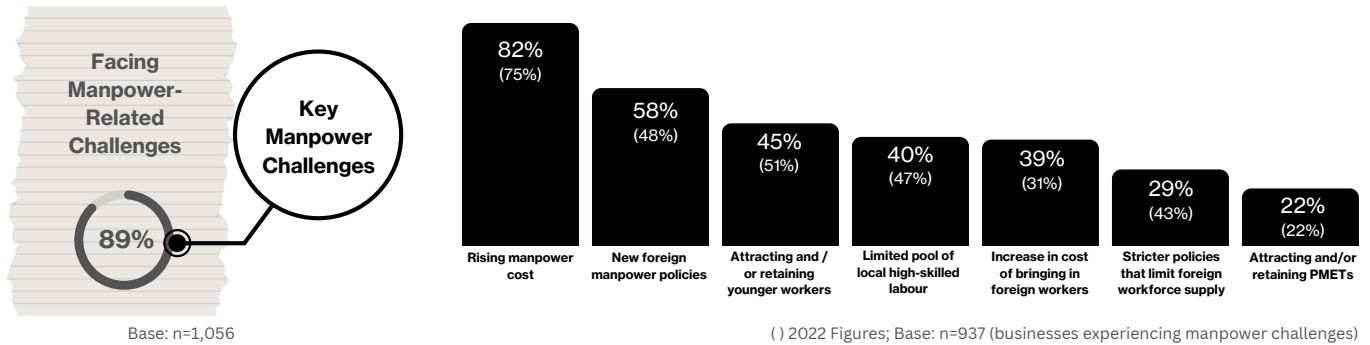
Base: n=615 (businesses experiencing business cost increase)



Core Challenges: Manpower

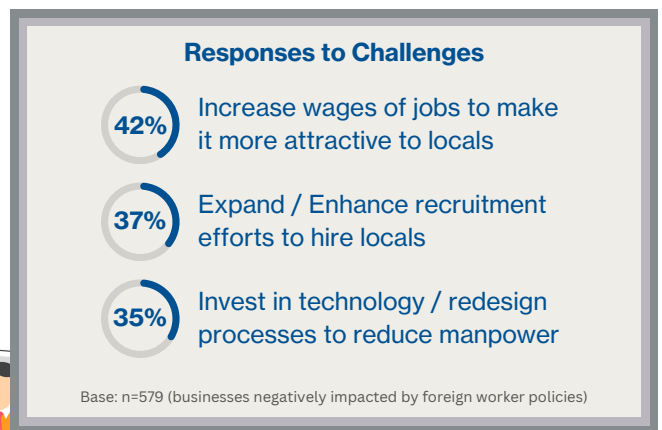
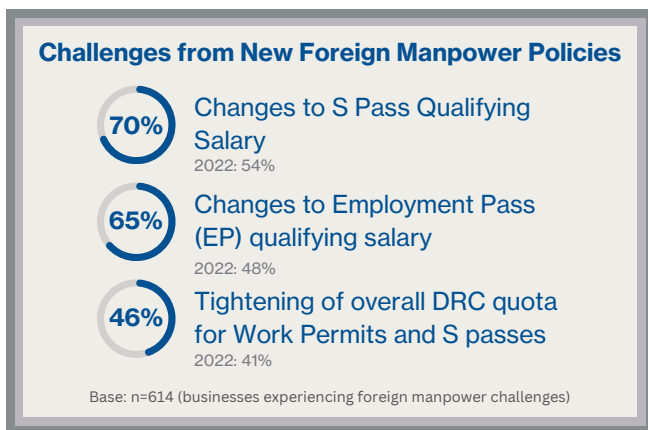
Nine out of Ten Businesses are Currently Grappling with Manpower-Related Issues

Among manpower challenges, three have seen increases in business concerns – rising manpower cost by 7%-points (from 75% to 82%), new foreign manpower policies by 10%-points (from 48% to 58%) and increase in cost of bringing in foreign workers by 8%-points (from 31% to 39%); and three have seen decreases in business concerns – attracting/retaining younger workers by 6%-points (from 51% to 45%), limited pool of local high-skilled workers by 7%-points (from 47% to 40%) and stricter policies that limit the supply of foreign workers by 14%-points (from 43% to 29%).



Among the foreign manpower challenges, the top 2 challenges are changes to S Pass qualifying criteria (increased from 54% in NBS 2022/2023 to 70%) and changes to EP qualifying salary (increased from 48% in NBS 2022/2023 to 65%).

To overcome the impact of foreign workforce policies, the top preferred measures are increase wages to make jobs attractive to locals (42%), expand recruitment efforts to hire locals (37%) and invest in technology to reduce manpower needs (35%).





Business Priorities

Improving Profit Margin is a Key Business Priority in the Next 12 Months

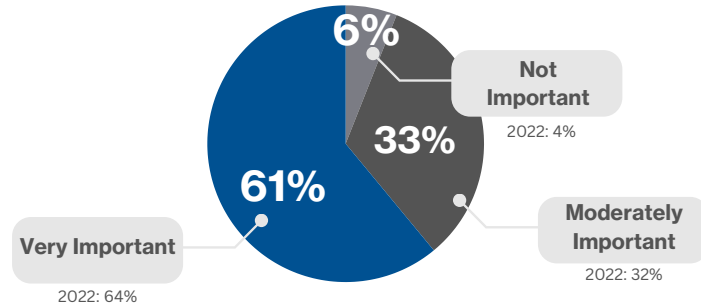
When weathering economic uncertainties, businesses prioritise growing revenue and reducing costs, over market growth through internationalisation and offering new products and services.



Business Transformation and Trends

Importance of Business Transformation is Acknowledged

Over 90% of businesses consider business transformation moderately important or very important. Such sentiments are consistent for both SMEs and large companies.



In prioritising business transformation, companies focus more on refining operational processes, advancing product/service innovation, and elevating customer experiences. However, the low prioritisation of Research & Development (R&D) may pose a potential downside to the future competitiveness of SMEs.

Operational Processes



Products or Services



Customer Experience / Service



Business Models



Information Technology (IT) System



Expanding Overseas



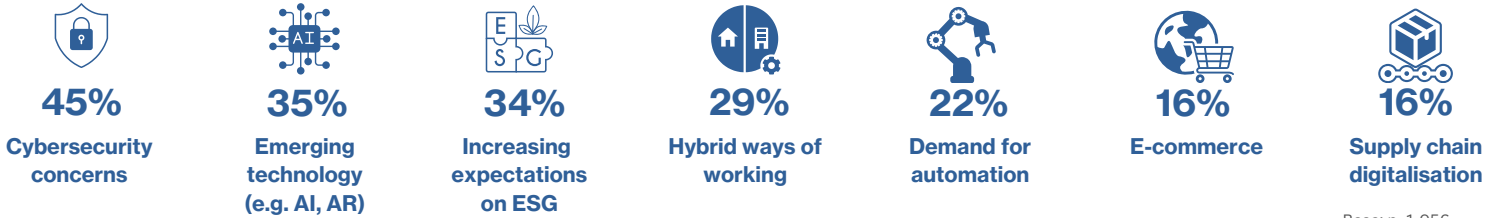
Research & Development



Base: n=1,056

Key Business Trends are Related to Technology and ESG

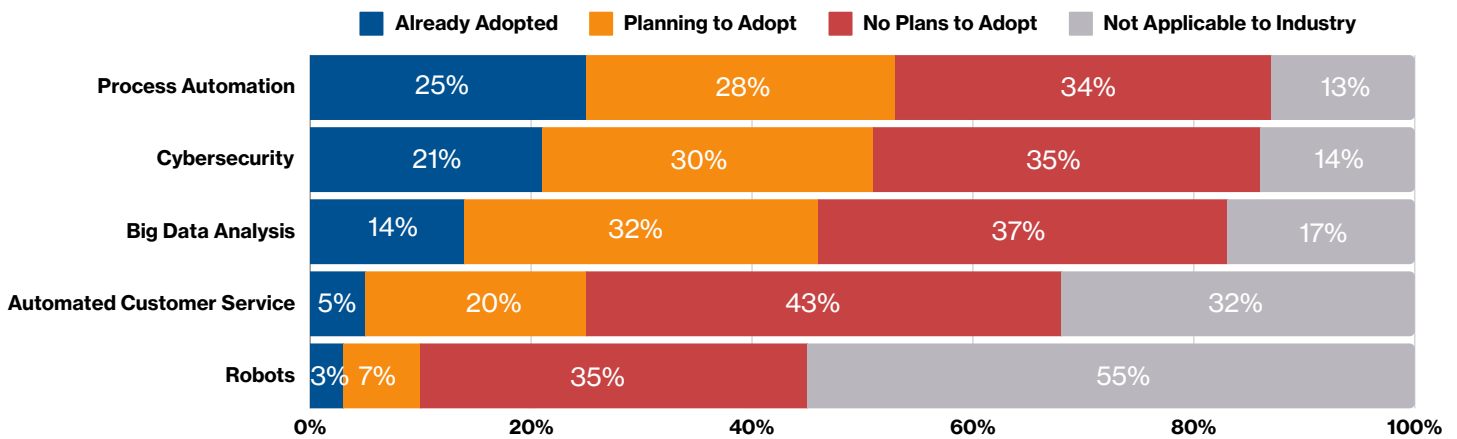
Cybersecurity concerns (45%), emerging technology (35%), and increasing expectations on ESG (34%) are the key new trends that businesses perceive will impact them the most in the next 12 months.



Base: n=1,056

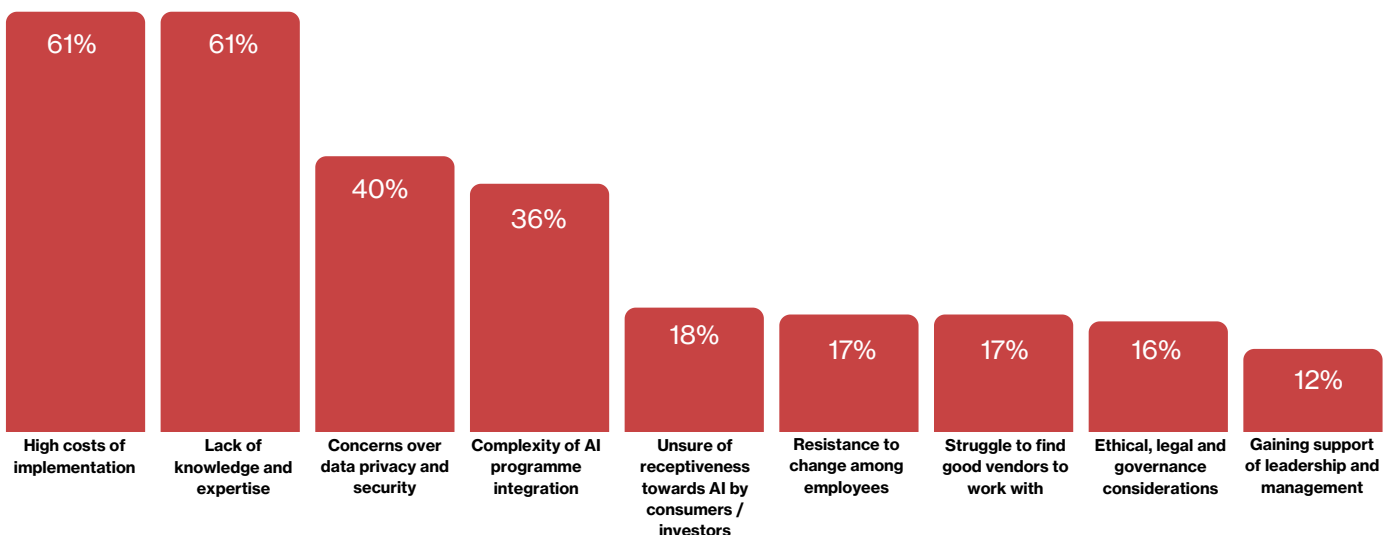
Riding on Trends in Artificial Intelligence Technology

About 1 in 2 companies are planning or have adopted Artificial Intelligence (AI) in their businesses with process automation in operations (53%) and cybersecurity (51%) as the most preferred areas.



Base: n=1,056

The top 3 challenges in AI adoption are high costs (61%), lack of knowledge (61%) and concerns over data privacy and security (40%).

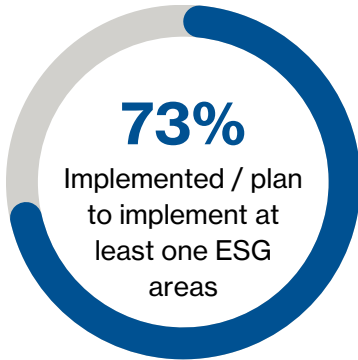


Base: n=1,056

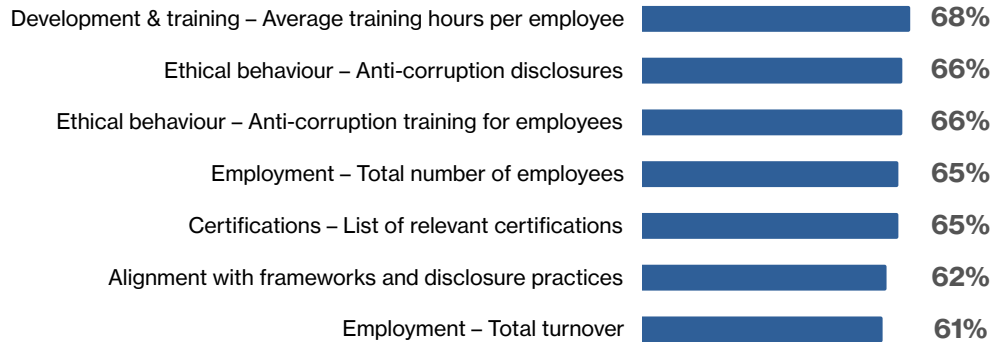
Environmental, Social & Governance (ESG)

Top Among Initiatives Businesses Implemented or Plan to Implement: Training and Ethical Practices

With increases in customer/employee expectations on ESG as one of top 3 business trends, 73% of businesses have implemented or plan to implement at least one of the ESG areas.



Base: n=1,056

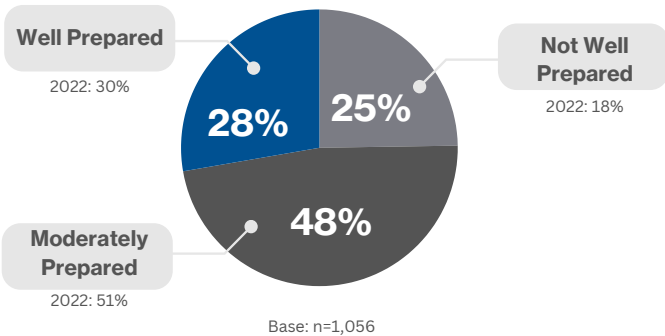


Base n=768 (Companies that implemented / plan to implement at least 1 ESG area)

Businesses are Ready to Adapt to Low Carbon Business Environment

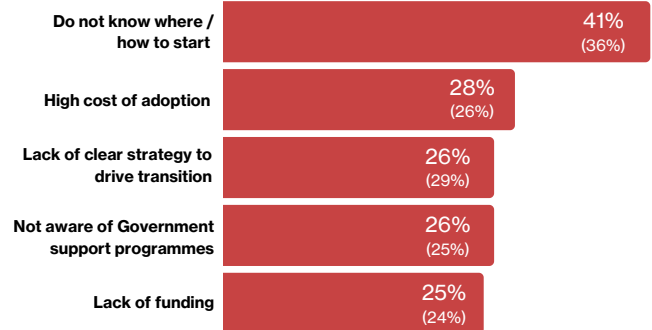
Nearly 80% of businesses are ready to adapt to the national goal of a low carbon business environment. To align with Green Plan 2030, businesses continue to seek direction to kickstart the transition (41%), and are concerned about the potential high cost of adoption (28%).

Preparedness in low carbon business environment



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

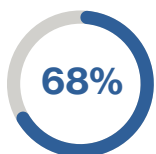
Challenges in alignment with Green Plan 2030



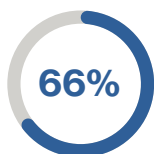
() 2022 Figures; Base: n=1,056

Businesses Look for Support in Funding, Clarity in Compliance, and Technology to Achieve ESG Goals

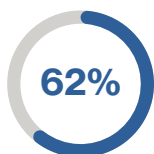
The top support that businesses seek are easy access to ESG funding (68%), greater clarity and consistency on ESG metrics for reporting (66%), and technology to track ESG initiatives.



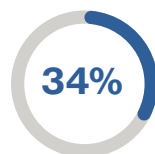
Easy access to funding for ESG transformation



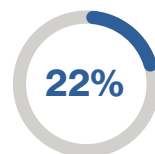
Improve clarity and consistency on ESG metrics for reporting



Availability of technology to measure and track ESG initiatives



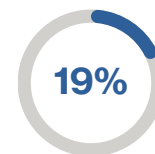
Access to ESG expertise



Encourage workplace policies for greater social mobility



Communicate ESG story



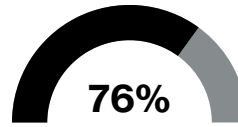
Improve ESG on supply chains



International Business Landscape

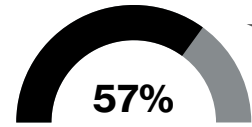
More Cautious When Venturing Offshore

76% of businesses have overseas presence, a slight increase of 2%-points from NBS 2022/2023. The top 3 countries were Malaysia (64%), China (50%) and Indonesia (47%). However, the proportion of businesses with future overseas plans declined by 8%-points from 65% in NBS 2022/2023 to 57%. Those with plans indicated Malaysia (29%), Vietnam (28%) and Indonesia (28%) as the top favoured countries.



SME	74%
Large Company	85%

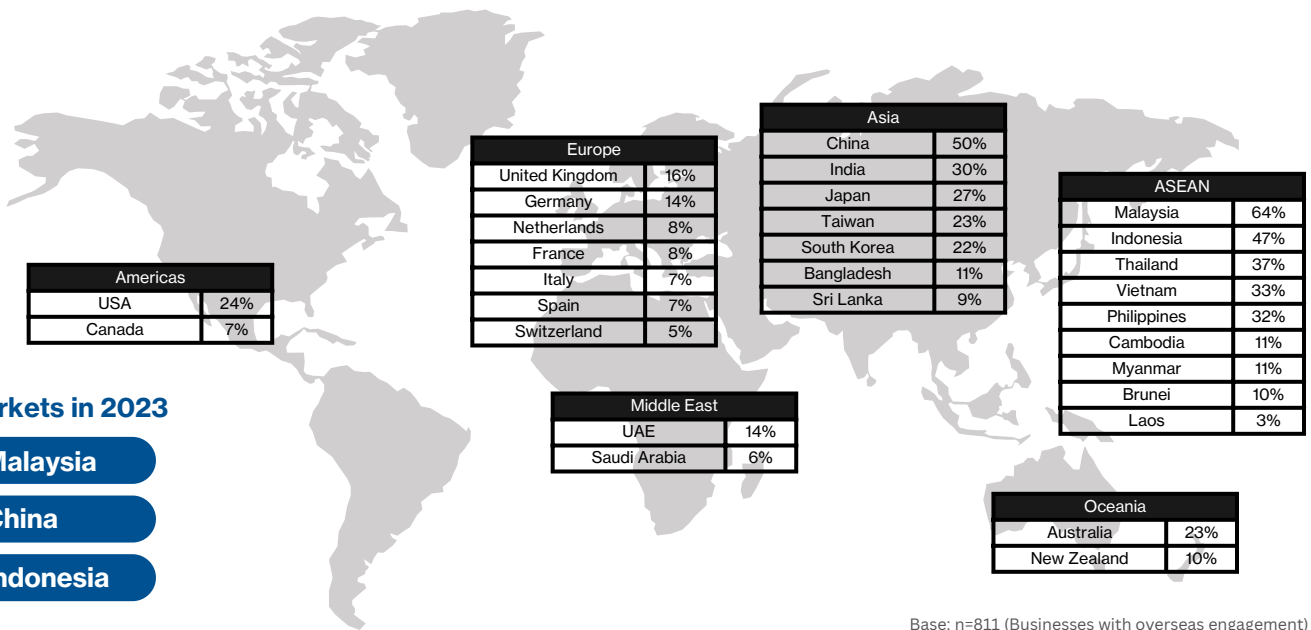
2022: 74%



SME	58%
Large Company	52%

2022: 65%

Base: n=1,056



Base: n=811 (Businesses with overseas engagement)

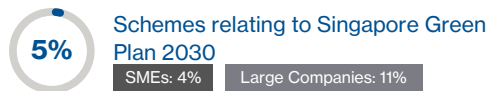
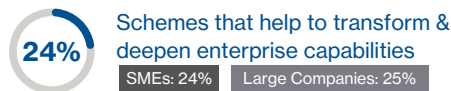
Top Markets in 2023

- 1 Malaysia
- 2 China
- 3 Indonesia

Government Budget & Support

Businesses' Need for Support Echoes the Current Core Challenges They Face

86% of businesses cite schemes to help address cost as being top on their wish list for Budget 2024, up from 74% last year. Other schemes in the top 3 wish list include those related to cash flow and talent management.



Base: n=1,056

Recap of Key Findings

Business Sentiments

Businesses outlook has weakened with proportion of businesses expecting the economy to improve in the next 12 months, declining from 41% in NBS 2022/2023 to 25% this year. More SMEs (30%) compared to large companies (22%) believe that the economy will worsen in the next 12 months. Businesses in the IT & Professional Services and Manufacturing sectors have a more bearish outlook, while those in the Construction & Civil Engineering, Logistics & Transportation, and the Banking & Insurance sectors are more optimistic about the economy in the next 12 months.

Increase in Business Cost

Increase in business cost remained the top challenge for businesses although the proportion of businesses who cited it has decreased from 66% in NBS 2022/2023 to 58% in NBS 2023/2024. The sectors most affected are Construction & Civil engineering (69%) and Manufacturing (65%). The 3 key components of cost increase most cited in NBS 2023/2024 are wages (75%), pass-through from suppliers (58%) and electricity costs (56%). These were also among the top cost components in NBS 2022/2023. While the proportion who cited wages have decreased by 4%-points (from 79%), the proportion for pass through from suppliers have increased by 10%-points (from 48%) and 11%-points for electricity costs (from 45%).

Cost of Financing

Over 8 in 10 businesses (83%) are impacted by interest rate hikes and increase in cost of funding in the past year. 46% faced slight to severe credit crunch, similar to NBS 2022/2023, but the proportion of those that indicated that they do not have sufficient cash to operate has increased from 6% to 11%. Businesses in the Construction & Civil Engineering (63%), Wholesale Trade (49%) and the Retail, Real Estate, Hotels, Restaurants & Accommodations (47%) sectors are most affected by credit crunch. The Logistics & Transportation sector has seen the largest improvement in credit conditions compared to last year, with the proportion of businesses indicating no credit crunch having increased by 22%-points from 48% to 70%. To address liquidity and working capital needs, the top 4 measures are minimising non-essential outflows (54%), assessing customer credit risk to boost collection capability (32%), hold/delay outflows (30%) and delay investment plans (27%). To address interest rate hikes, the top 2 measures are reviewing current variable rate loans (45%) and scaling down business plans (39%).

Manpower Challenges

Following increase in business costs (58%), manpower related issues such as availability (53%), retention (42%) and foreign worker policies (39%) are the next 3 current key challenges faced by businesses. The top 4 sectors citing availability of manpower as challenge are Construction & Civil Engineering (68%), Logistics & Transport (68%), Manufacturing (58%) and IT & Professional Services (58%). The top 3 sectors citing retention of manpower as challenge are Construction & Civil Engineering (51%), IT & Professional Services (51%) and Logistics & Transport (48%). Foreign workforce policies affect businesses in Construction & Civil Engineering (60%) and Manufacturing (49%) the most.

Among manpower challenges, three have seen increases in business concerns – rising manpower cost by 7%-points (from 75% to 82%), new foreign worker policies by 10%-points (from 48% to 58%) and increase in cost of bringing in foreign workers by 8%-points (from 31% to 39%); and three have seen decreases in business concerns – attracting/retaining younger workers by 6%-points (from 51% to 45%), limited pool of local high skilled workers by 7%-points (from 47% to 40%) and stricter policies that limit the supply of foreign workers by 14%-points (from 43% to 29%).

Among the foreign manpower challenges, the top 2 challenges are changes to S Pass qualifying criteria (increased from 54% in NBS 2022/2023 to 70%) and changes to EP qualifying salary (increased from 48% in NBS 2022/2023 to 65%). The sectors most affected by changes in S Pass qualifying salary are Construction & Civil Engineering (83%) and Manufacturing (79%). The sectors most affected by changes in EP qualifying salary are IT & Professional Services (88%) and Banking & Insurance (85%).

To attract/retain local talent, offering a competitive salary and benefits package continues to be the primary method (72%) favoured by businesses. Providing professional development and training (43%) and providing hybrid work options (35%) are also considered important. To overcome the impact of foreign worker policies, the top preferred measures are increase wages to make jobs attractive to locals (42%), expand recruitment efforts to hire locals (37%) and invest in technology to reduce manpower needs (35%).

1 in 3 businesses cited employee attitude, skills and productivity as key challenges. These challenges are faced more acutely by businesses in the Construction & Civil Engineering and IT & Professional Services. While the top 3 challenges to staff training are the same in NBS 2022/2023, the proportion of businesses have decreased – limited manpower resources to cover staff going for training by 9%-points (from 54% to 43%), high costs of training by 9%-points (from 48% to 39%) and training programmes do not offer practical applications by 7%-points (from 41% to 34%).

Business Transformation & Trends

9 in 10 businesses acknowledged the importance of business transformation. The top 3 focus of transformation are operational processes (70%), products/services (68%) and customer experience/service (66%). Investment in R&D was ranked lowest at 39% which saw a 6%-points decline from 45% in NBS 2022/2023. The top 4 challenges in technology adoption were high cost (64%), expensive licensing payments (31%), upskilling of staff to keep up with new technologies (29%) and lack of management expertise (29%).

Cybersecurity (45%), emerging technologies such as AI (35%) and increased expectations on ESG (34%) were the top 3 business trends of concerns. More businesses (increase of 6%-points from 74% to 80%) have expressed confidence in their measures against cyber threat. The top 3 cybersecurity challenges faced were risk from third party service providers (67%), employees lack of cybersecurity awareness (45%) and security of multiple cloud services (44%). About 2 in 3 companies are planning or have adopted AI in their businesses with process automation in operations (53%) and cybersecurity (51%) as the most preferred areas. The top 3 challenges in AI adoption are high costs (61%), lack of knowledge (61%) and concerns over data privacy and security (40%).

Internationalisation

76% of businesses have overseas presence, a slight increase of 2%-points from NBS 2022/2023. The top 3 countries were Malaysia (64%), China (50%) and Indonesia (47%). 54% of these businesses have >40% of its revenue contributed by overseas operations. However, the proportion of businesses with future overseas plans declined by 8%-points from 65% in NBS 2022/2023 to 57%. Those with plans indicated Malaysia (29%), Vietnam (28%) and Indonesia (28%) as the top favoured countries.

Compared to measures such as growing revenue (76%), reducing costs (62%) and ensuring positive cash flow (59%), expanding to overseas market (25%) was not among the top business priorities for the next 12 months. Similarly, in terms of focus in business transformation, expanding overseas (41%) was also not a priority area for most businesses. Satisfaction with economic/business climate in ASEAN and Global have declined by 6%-points from 31% in NBS 2022/2023 to 25% and by 3%-points from 19% in NBS 2022/2023 to 16% respectively. Key challenges to internationalisation include the unpredictability of overseas market demand (52%), the complexities of the geopolitical landscape (46%), and the expenses associated with overseas expansion (40%).

Environmental, Social & Governance (ESG)

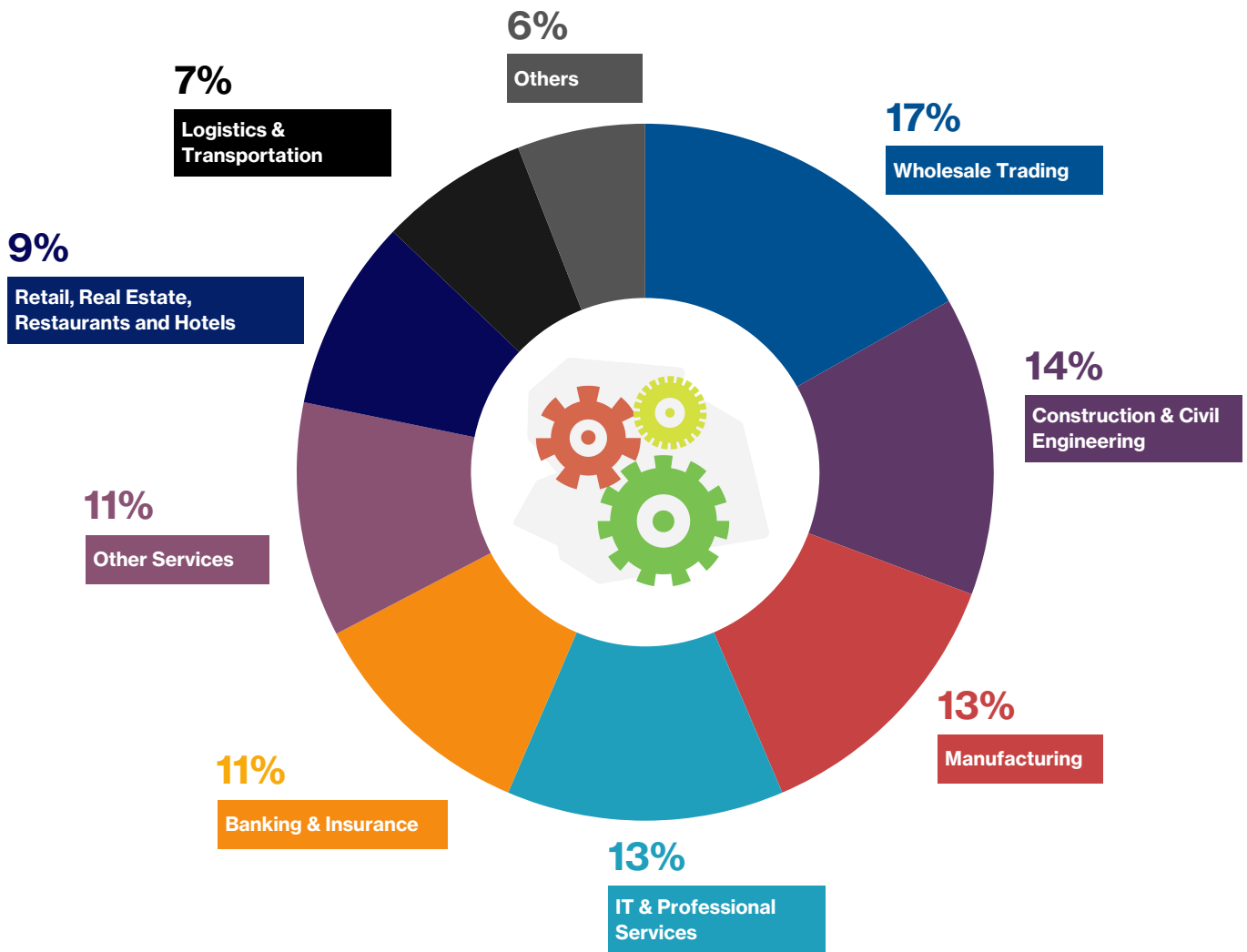
With increases in customer/employee expectations on ESG as one of top 3 business trends, 73% of businesses have implemented or plan to implement at least one of the ESG areas. While 76% of businesses indicated that they are moderately to well prepared to operate in a low carbon business environment, the proportion of businesses who cited not knowing where/how to start as the top challenge increased by 5%-points from 36% to 41%. Easy access to funding (68%), improve clarity and consistency on ESG metrics for reporting (66%) and availability of technology to measure and track ESG initiatives (62%) were the top 3 support businesses ask from government and the industry ecosystem.

Budget 2024

More businesses (12%-points increase from 74% to 86%) have cited schemes to help address business cost as their #1 wish for Budget 2024. Schemes related to cash flow management have displaced those related to hiring/developing/retaining talent as the #2 on the wish list. The proportion of businesses requesting schemes for cash flow management increased by 17%-points from 48% to 65%, while the proportion requesting schemes related to manpower declined by 4%-points from 57% to 53%. Businesses in wholesale trade has the highest proportion asking for cash flow management support (71%) while those in retail, real estate, hotels & restaurants (62%) and logistics and transportation (66%) have the highest proportion asking for manpower related schemes.

About The Survey

Sectors



Stage of Development

Start-Up (First 3 Years)	4%
Accelerating Growth (>10% p.a.)	15%
Moderate Sales Growth (<10% p.a.)	36%
Mature	35%
Decline	10%

Company Size



82%

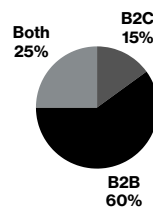
SMEs



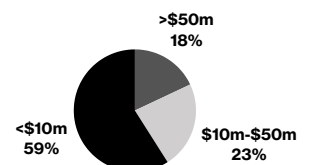
18%

Large Companies

Business Mode



Annual Sales 2022



Minimum Local Shareholding of 30%

66% YES



34% NO



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, please indicate your interest via email to research@sbf.org.sg.

For more information about SBF National Business Survey, visit <https://www.sbf.org.sg/business-advocacy/sbf-research-reports#NBS>



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

In collaboration with
Acorn Marketing & Research
Consultants (Group) Pte Ltd



Supporting Organisations

