



NATIONAL BUSINESS SURVEY 2016/2017

SUMMARY REPORT



■ Sailing In Rough Waters

Chairman's Foreword



S S Teo
Chairman
Singapore Business Federation

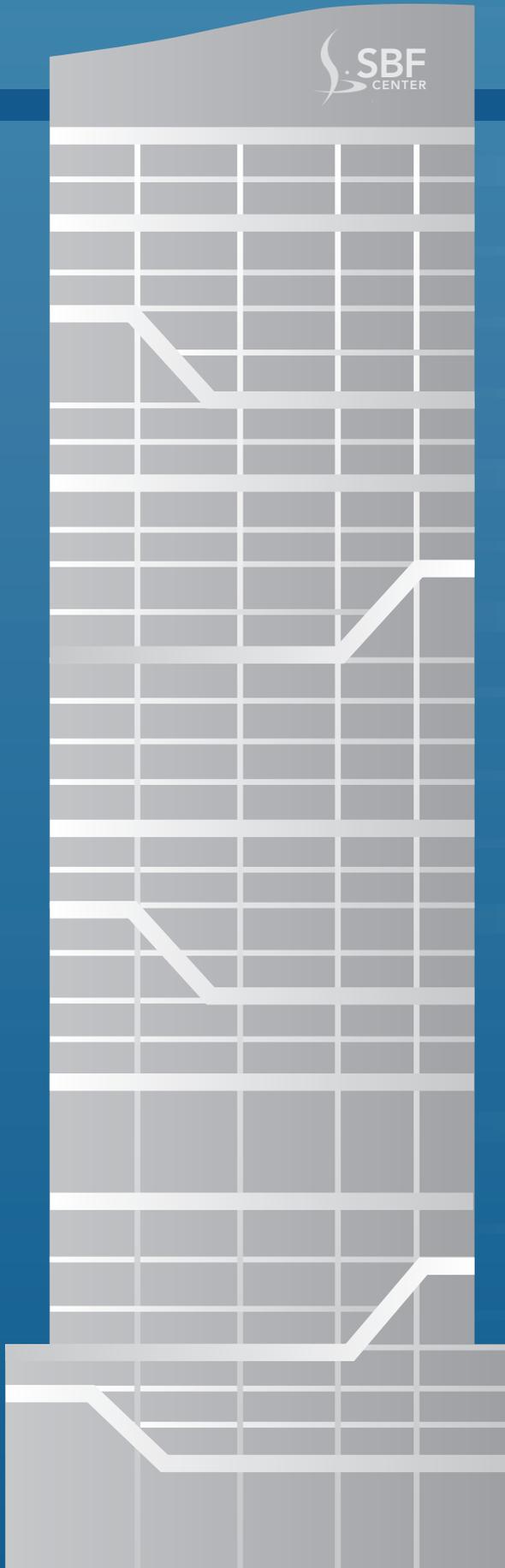
The National Business Survey is a key survey conducted annually by the Singapore Business Federation (SBF) that provides insights on the business community's sentiments regarding the economy and the business environment. The survey also identifies the priorities, challenges and future plans of businesses, and highlights the areas where attention and assistance are required. In addition, the survey seeks views for the coming year's Singapore Budget. The findings of the survey are shared with the Government.

This year's National Business Survey 2016/2017 is the 9th annual survey conducted by SBF. The survey was carried out in collaboration with local research firm Blackbox Research Pte Ltd, and collected views from over 1,100 SBF members (1,131) across all major industries, trades and services. The survey touched on a wide range of areas including government compliance, economic transformation and overseas expansion. The data was collected from 10 October to 23 November 2016.

We are pleased to share with you this summary report of the National Business Survey 2016/2017 findings. From the findings, it is evident that businesses are still facing challenging times, and they expect rough waters in 2017. We continue to urge the Government to assist businesses to overcome the near-term economic headwind. At the same time, we encourage companies to transform and innovate to succeed in the new business landscape, whereby developments in external markets and changes in technology are occurring at a much greater pace and scale than ever before. Companies should continue to pursue internationalisation as an avenue for new growth opportunities.

We hope that the findings from the survey will be insightful and useful to you. I would like to acknowledge all our member companies who have participated in this year's survey. We have heard you. SBF stands ready to help our members navigate the challenges ahead.

SBF
CENTER





NATIONAL BUSINESS SURVEY 2016/2017

SUMMARY REPORT

Sailing In Rough Waters

The Singapore Business Federation (SBF) commissioned local research agency, Blackbox Research, to conduct its National Business Survey 2016/2017.

- The survey collected the views of over 1,100 members (1,131) across all major industries.
- This is the 9th annual survey conducted by SBF.

The National Business Survey 2016/2017 lends a voice to businesses, that have recently been sailing through rough waters. The business climate has been on the decline, and many, especially smaller businesses, are hoping to see additional support measures from the Singapore Government.

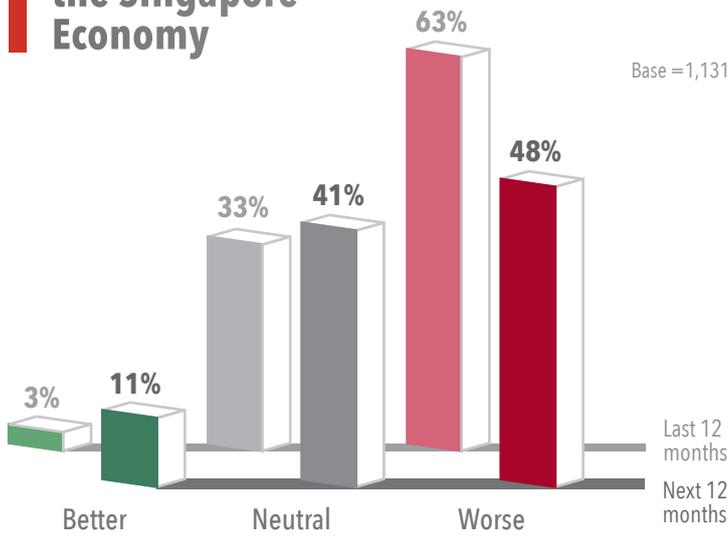


Businesses Expect Rough Waters In 2017

Business Outlook

Looking ahead to 2017, the findings paint a pessimistic picture, with nearly half of all businesses expecting conditions to worsen further in 2017. The three industries with the most negative outlook were Real Estate, Retail Trade, as well as Construction and Civil Engineering.

Sentiments on the Singapore Economy



Percentages do not add up to 100% due to rounding.

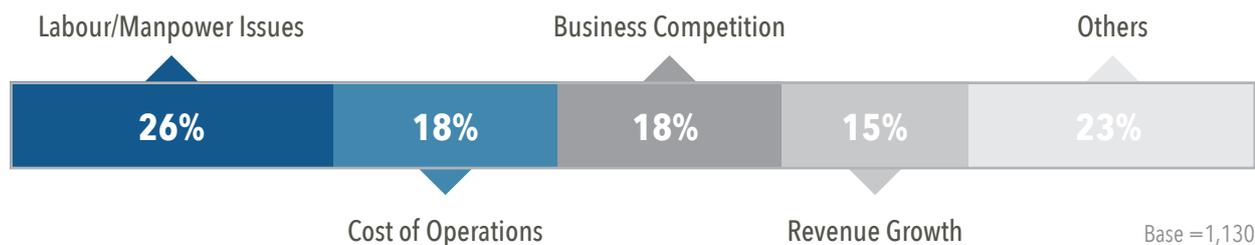
➤ Last year had seen a worsening business environment, with two thirds of businesses stating that the business/economic environment had worsened over the last twelve months.

➤ Nearly half (48%) of all businesses believe that 2017 will see a further deterioration of economic conditions.

➤ Businesses also identify rising compliance costs and already high operating costs as major issues.

➤ Companies in the Real Estate industry have the most negative outlook for 2017, with 69% expecting further decline, followed by those in the Retail Trade (54%) and the Construction and Civil Engineering industry (52%).

Main Challenge for Businesses in Singapore¹



¹ Response when businesses were asked to identify only one main challenge when operating in Singapore.

➤ In the midst of the tepid economic climate, operating costs (68%) and manpower issues (66%) remain the biggest challenges for businesses². Key manpower issues faced are rising labour costs, manpower rules and regulations, as well as attracting and retaining younger workers. For many companies, attracting and retaining younger workers make for a volatile and expensive HR environment. Companies with more than 25 employees find difficulty sourcing for blue collar workers.

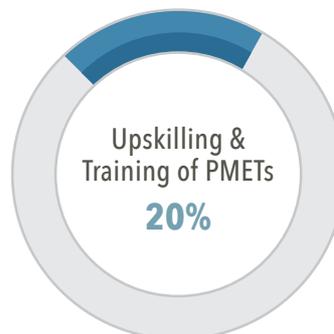
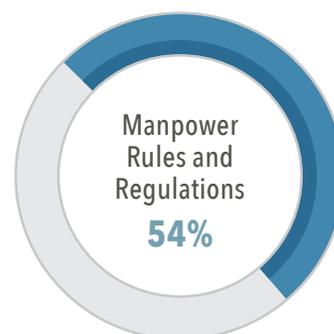
➤ In particular, the Logistics/Transportation, Manufacturing and Hospitality industries faced serious challenges in sourcing blue collar workers.

➤ Apart from rising labour costs, businesses also face challenges in filling their demand for manpower. High worker levies and tough controls on foreign worker numbers in addition to a limited supply of skilled local workers represent significant manpower-specific challenges to businesses.

➤ Looking ahead to 2017, companies are hoping that the Government will ease the burden on manpower by reviewing existing policies and supporting schemes for struggling companies.

² When businesses were asked to identify their key challenges when operating in Singapore, not confined to one challenge.

Specific Manpower Challenges



Base =747

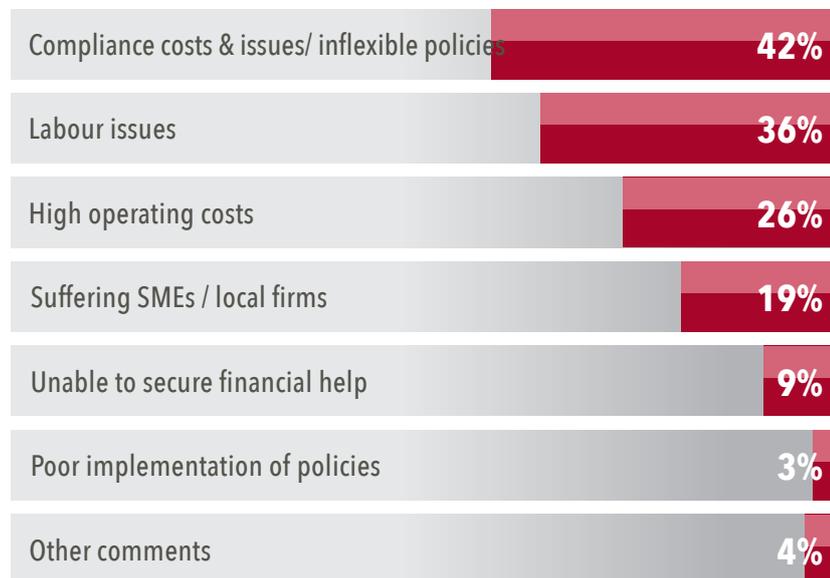
Percentages do not add up to 100% due to multiple responses being permitted

Business Policies In 2016 Seen With A Critical Perspective – Measures Not Sufficient To Weather The Worsening Conditions

The Singapore Government prides itself on being pro-business. Despite this, businesses rate compliance and bureaucracy as their most pressing reason for dissatisfaction.

Businesses primarily feel that the focus of Budget 2017 should be on measures to assist with manpower issues, lower Government compliance cost, fees and taxes, and changes to Government regulations to be more pro-business.

Reasons for Dissatisfaction



No. of companies who provided comments
n=219

Businesses appear to be looking for more help from the Government. Only 28% express satisfaction with current business policies. This is lower amongst SMEs (only 27% satisfaction compared to 39% among large companies).

Businesses are most concerned (42%) about navigating through increasingly complex and expensive compliance issues (e.g. in the areas of health and safety). Excessive bureaucracy for making use of grant/incentive schemes was also highlighted as an additional barrier.

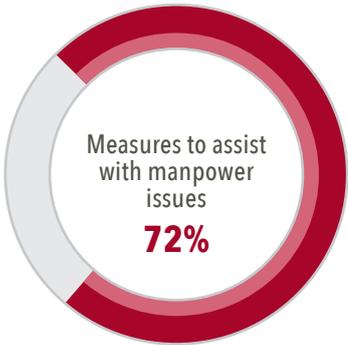
Apart from manpower challenges which appear to affect large companies to a greater degree, SMEs are feeling strong pressures in the areas of operating costs, compliance, and financing, leaving little capacity to take on significant restructuring or attempt to drive innovation within their businesses.

➤ SMEs are struggling to find funding from local banks as economic conditions worsen. The Government has already introduced various financing schemes via SPRING. Despite this, most SMEs think that the Government is not doing enough to support their growth opportunities.

➤ Unsurprisingly, measures to assist manpower issues and lower Government compliance costs top businesses' priority list for the Government's 2017 Budget.

➤ When it comes to weathering difficult economic conditions, only 13% of businesses believe that the Government's efforts in 2016 have been sufficient. Businesses are convinced that immediate measures to counteract the worsening economic conditions should be one of the Government's main objective next year. More support for home-grown companies and SMEs in their scale-up operations, as well as incentives for adaptation to technological change were also seen as important.

**Percieved
Priorities for SG
Budget 2017**



Base = 1,131

"Audit fees are too high, commercial vehicles COE is too high, medical coverage for staff is too high."

Respondent from SBF National Business Survey 2016/2017

Businesses Not Yet Embracing The Push For Economic Transformation

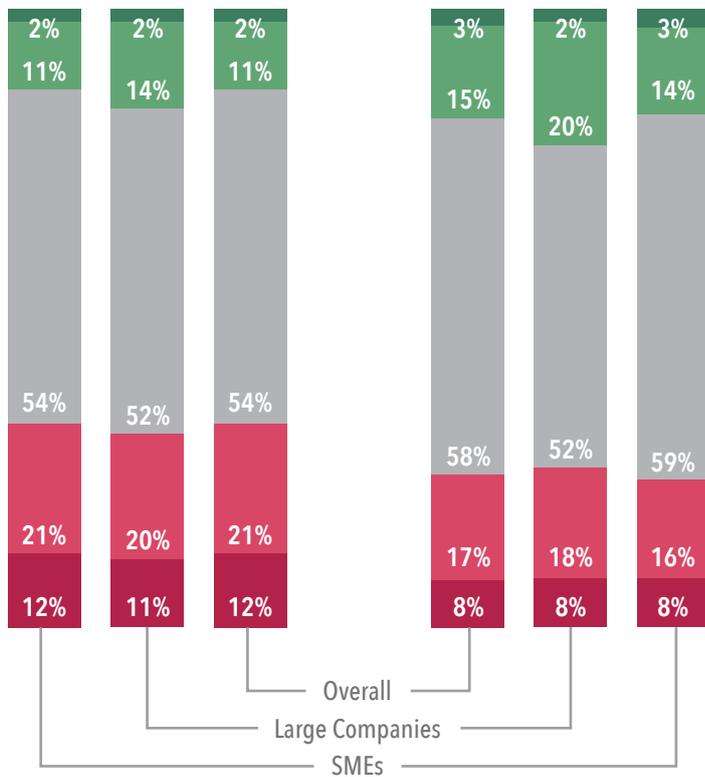
Businesses, especially SMEs, do not resonate with the Government's push for economic transformation. In fact, a large portion of businesses feel that adapting to a slowing economy, as well as new technology, is unnecessary. Only a small proportion of businesses would describe the Government's recent steps in Budget 2016 to assist companies with the slowing economic growth and technological change and disruption as sufficient.

Adequacy of Government's Support for Transformation

To assist in adapting to

Slowing economic growth

Technological change & disruption



➤ In recent times, the Government has been pushing businesses to embrace economic transformation. This move, designed to keep businesses relevant in a globalised world, has been met with mixed enthusiasm by both large companies and SMEs.

➤ Amongst SMEs, only 15% strongly agree with the need to transform to counter slowing economic growth as well as technological change.

➤ Amongst large companies, the message to transform resonates twice as strong. 36% strongly agree that they have to transform in order to adapt to the changing economic landscape.

- Sufficient
- Somewhat Sufficient
- Neutral
- Somewhat Insufficient
- Insufficient

Base = 1,131

Percentages do not add up to 100% due to rounding.

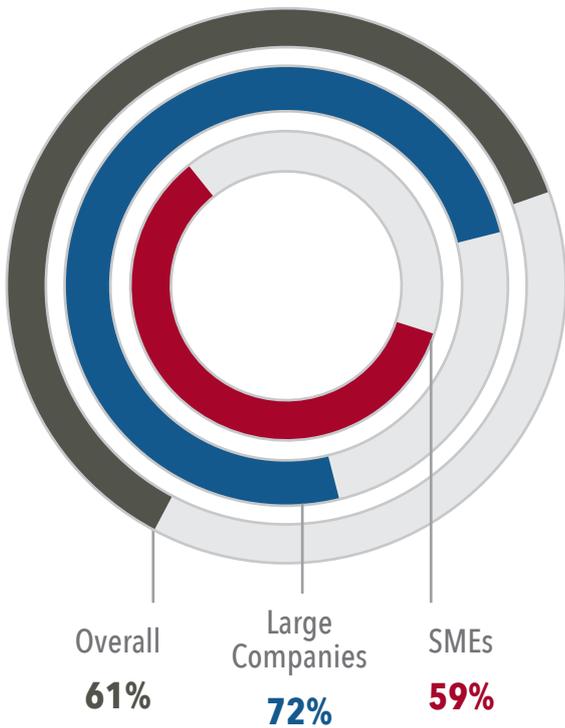
SMEs Less Enthusiastic About Transformation

➤ More can be done to mobilise companies in their preparation for further economic transformation. Only 13% of businesses described the Government's recent steps in Budget 2016 to assist companies with the slowing economic growth as sufficient. About six in ten SMEs have yet to make significant adjustments to adapt to slowing economic growth (58%), as well as technological change and disruption (64%).

➤ Less than half (39%) of all businesses in Singapore claim to have embarked on any form of technological change or adaptation in 2016, despite technological disruption being a major economic force.

➤ Only 18% of businesses express satisfaction with the Government's efforts to assist them with technological change in 2016.

➤ While 49% of large businesses (25 employees or more) would like to see increased support for technological change in the 2017 Budget, this number drops to 35% amongst smaller companies (less than 25 employees).



Base = 1,131

"Technology is constantly changing and businesses need not just the knowledge of new advances but also the ability to afford the advances to increase productivity. Many SMEs typically have insufficient working capital for such investment."

Respondent from SBF National Business Survey 2016/2017

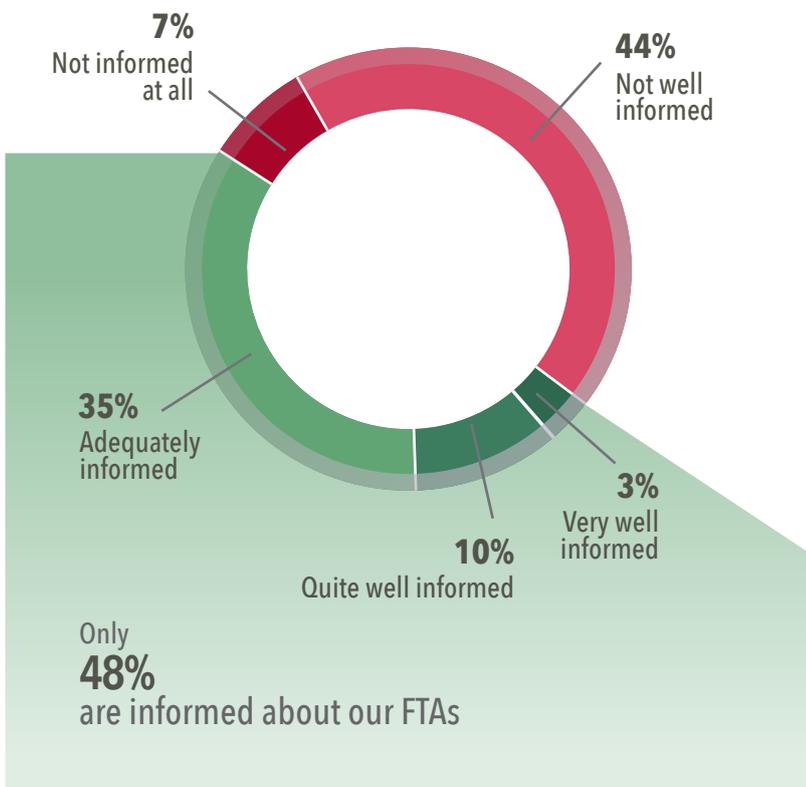
International Expansion: Businesses Keen To Expand, But The Lack Of Know-How Is A Major Barrier

There is great interest in overseas expansion, with 78% of companies keen to venture into ASEAN. Despite this, businesses are unaware of the potential benefits to be gained from Free Trade Agreements (FTAs), and few feel that they have benefited from the changes brought about by the ASEAN Economic Community (AEC).

"More information on importation regulations in the overseas market and possible FTAs that can be utilised for business with these overseas markets."

Respondent from SBF National Business Survey 2016/2017

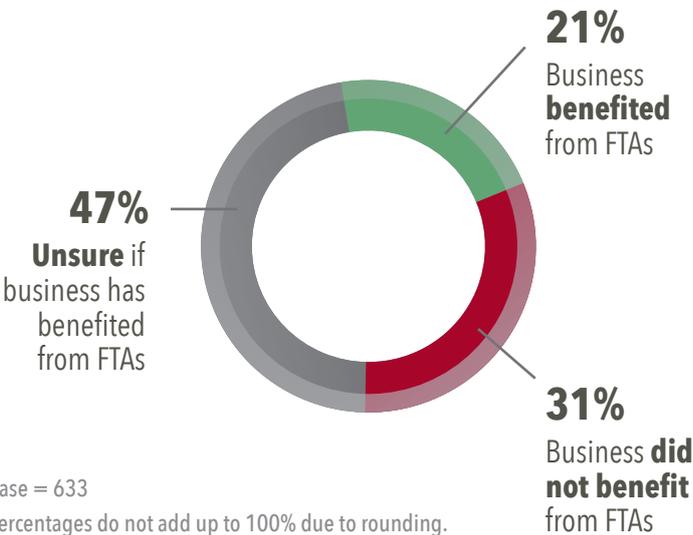
Lack of Awareness on FTA Benefits across the Board



Base = 885

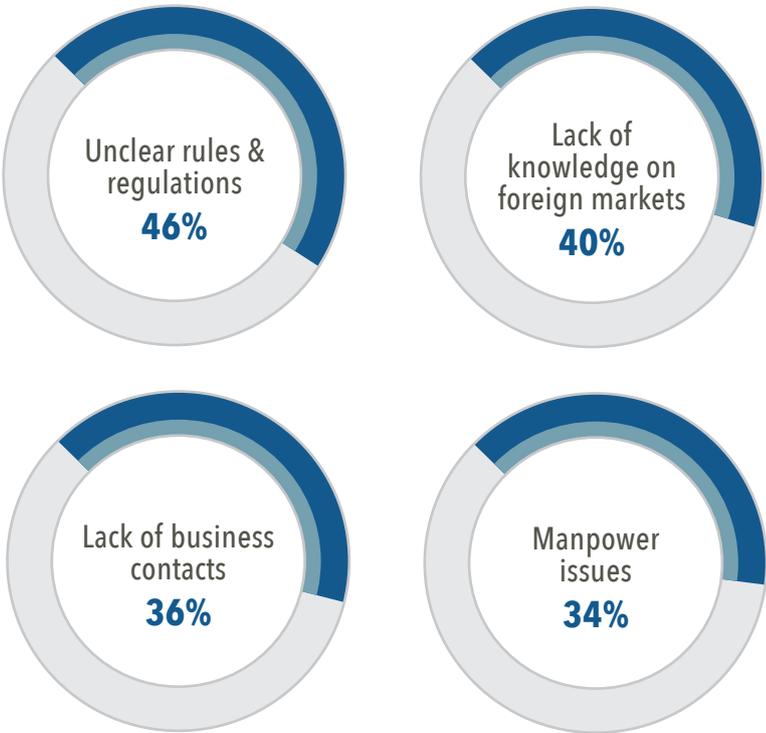
Percentages do not add up to 100% due to rounding.

- Although businesses are keen to expand overseas, efforts are being hampered by a lack of knowledge regarding opportunities and requirements.
- Eight out of ten companies are keen to expand across ASEAN markets, but only 22% have identified specific opportunities since AEC's launch.
- Only one in five businesses (21%) claim to have benefited from our FTAs, whilst over half (52%) feel less informed about the benefits of the FTAs.



Perceived Impact of Singapore's FTAs

➤ The overwhelming majority of businesses either do not know or do not think that FTAs gave them any benefits or advantages. Only one in five companies with overseas business activities have benefited from our FTAs.



Main Obstacles to International Expansion

➤ Businesses cite that the main obstacles that they face in expanding overseas are unclear rules and regulations (46%), a lack of knowledge on foreign markets (40%), and a lack of business contacts (36%).

Conclusions

SBF urges the Government to consider implementing new measures in the upcoming Budget 2017 to assist businesses in overcoming the near-term economic headwinds. Despite the need to consider longer-term strategies for Singapore's economy, the local business environment is expected to remain lacklustre at least in the short term, and will thus need support. Developments in external markets and changes in technology are occurring at a much greater pace and on a much greater scale than ever before, which will require adaption and transformation from businesses in order to survive and succeed in the new business landscape.

Due to its open and outward-orientated economy, Singapore is susceptible to the impact of the current subdued global demand and trade opportunities. Domestically, high operating costs and the constraints imposed by our foreign worker policies continue to affect businesses. Businesses find operating under this persistently tepid global and domestic economy challenging. Looking ahead to another economically challenging year, businesses will look to the Government for support measures, in order to weather the slow growth environment. SBF's National Business Survey has shown that measures to date were not seen as impactful enough.

Both SMEs and large companies report significant challenges in achieving business success in 2016. Apart from facing difficulties with manpower requirements, Government regulations (31%) appear to be another key challenge for businesses, ahead of issues such as access to finance, as well as technological change and disruption. The survey findings suggest that the costs and burden of compliance are perceived to be on the rise. Whilst Singapore continues to rank within the top

of international business rankings, this is an area to watch closely in light of Singapore's reputation for business efficiency.

Going forward in the short to medium term, companies have voiced expectations for the Government to prioritise passing new measures that will counteract the worsening economic conditions. Last year's push for economic transformation and restructuring to adapt to the changing business landscape has yet to be fully embraced. SMEs find it especially difficult to embark on costly restructuring projects amidst the challenge to keep their businesses profitable. Having said that, the majority of companies agree that there is a need to transform in order to adapt to slowing economic growth as well as technological change and disruption. The Government will have to consider where and how it can further assist companies in identifying ways to initiate that transformation beyond the measures put into place in 2016.

On the international expansion front, businesses are keen to expand overseas, but efforts are

SBF commissioned local research agency, Blackbox Research, to conduct its National Business Survey 2016/2017. The findings paint a picture of some misalignment between the Government's push and business needs. SBF stands ready to help.

limited by the lack of understanding of the opportunities available and requirements needed to be fulfilled to do so. ASEAN is the preferred region for overseas expansion, with eight in ten companies indicating that they are keen to venture within the region. However, only 22% of businesses have identified opportunities in the new business landscape after the launch of AEC 2015, and 74% do not think the AEC has benefitted their company. This clearly leaves the door open for more companies to leverage the new opportunities arising under AEC in the future.

The survey findings also suggest that there is a significant gap of knowledge and awareness about the benefits of our FTAs. Somewhat surprisingly, only one in five companies indicated that they have benefitted from our FTAs. In order to encourage more businesses to take advantage of opportunities abroad, it will be critical to support companies with training and assistance in this area.

Companies can, and must, transform to find new ways of doing things whilst continuing to offer innovative products and services. SBF encourages

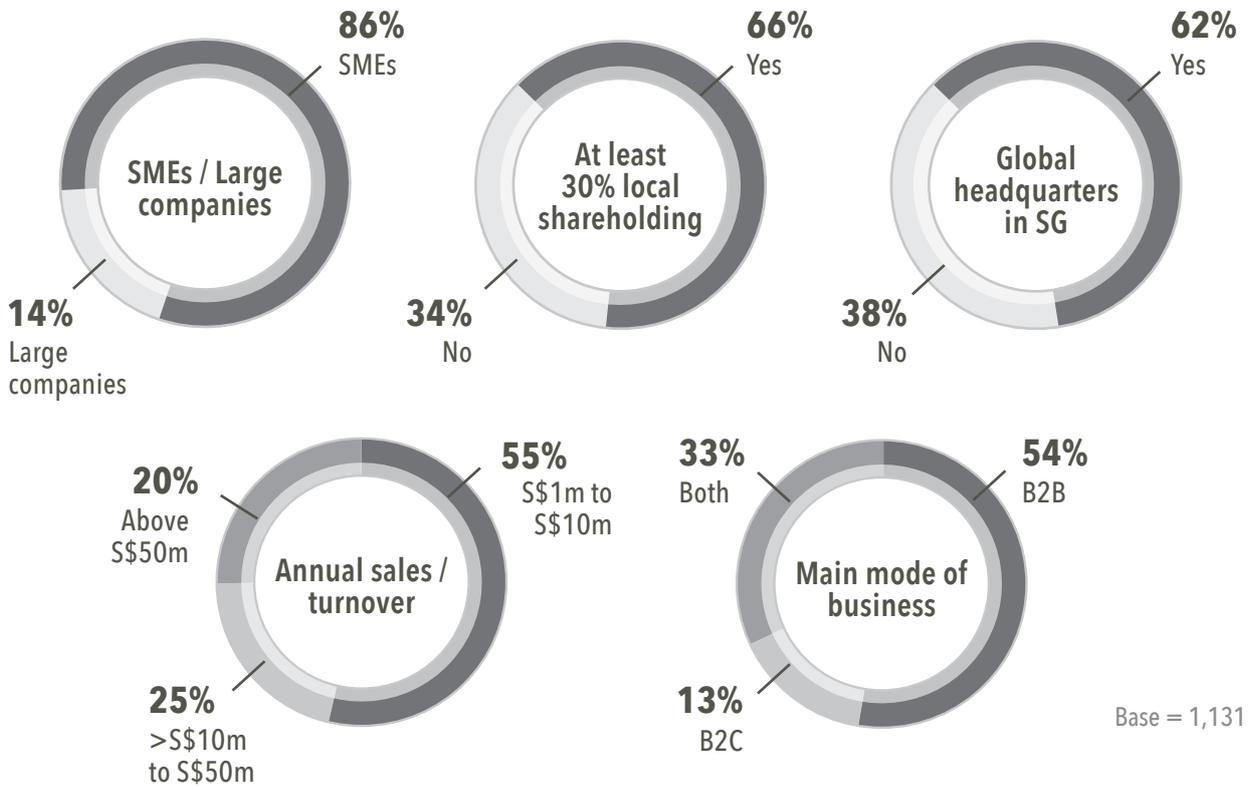
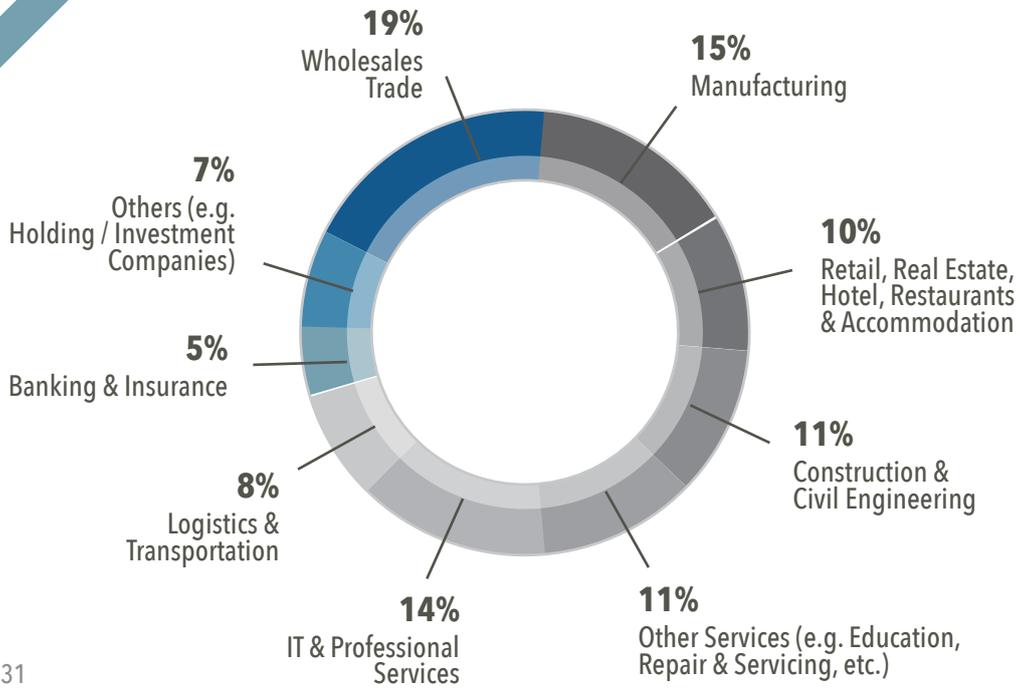
businesses to expand to serve overseas markets. The current technological disruption that we are witnessing has lowered the barriers for companies to do so quickly and successfully. SBF stands ready to support our members in their efforts.

"We devote too much of our time and resources to ensure compliance instead of growing the business."

Respondent from SBF National Business Survey 2016/2017

National Business Survey 2016/2017

Company Characteristics



About SBF

SBF is the apex business chamber championing the interests of the Singapore business community in the areas of trade, investment and industrial relations. It represents 24,200 companies, as well as key local and foreign business chambers.

In July 2001, the Minister for Trade and Industry introduced a Bill in Parliament to establish the SBF Act, which was passed by Parliament and became law on 5 Oct 2001. The Federation was established on 1 April 2002, with the aim of representing the business community's interests both locally and overseas. Under the SBF Act, all Singapore-registered companies with share capital of S\$0.5 million and above are members of SBF.

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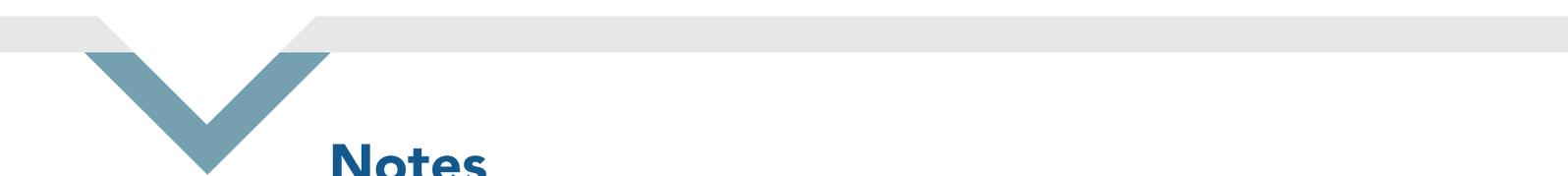
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In collaboration with:
Blackbox Research



If you need any clarifications,
kindly contact
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