



## Media Release

*For Immediate Release*

### SBF National Business Survey 2022/2023

## Manpower and Increased Costs are Core Challenges for Businesses in 2023

- Business sentiments in Singapore are more positive compared to last year, with 52% of businesses satisfied with the current business climate compared to 37% in 2021. However, there is a greater sense of cautiousness, with 26% of businesses expecting a worsening of the economy in the next 12 months, compared to 13% last year.
- 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.
- Companies continue to remain committed to business transformation (96%) in growing their businesses. They are also incorporating Environmental, Social and Governance (ESG) initiatives as part of their company activities and have started preparing for the transition towards a low carbon environment.

**Tuesday, 10 January 2023 [Singapore]** – Singapore businesses are approaching 2023 with greater caution as manpower challenges and increased costs emerge as key areas of concern. According to SBF's latest National Business Survey (NBS) 2022/2023, almost all businesses report facing manpower issues, especially those related to manpower costs and foreign manpower. Wages pose the biggest cost challenge to companies as they compete to attract and retain talent.

2 The survey, conducted between 29 August and 23 November 2022, reflected responses from 931 companies across all key sectors and covered a wide range of topics including current business sentiment, the impact of inflation and supply chain disruptions, current challenges, business priorities, digitalisation, transformation, internationalisation, and issues related to ESG. Of the 931 companies, 73% were small and medium-sized enterprises (SMEs) and 27% were large companies.

*Current sentiments are more positive but there is a greater sense of cautiousness in the year ahead*

3 For the second consecutive year since the pandemic, business sentiments have continued to rise, from 23% in 2020 to 37% in 2021 and 52% in 2022.

4 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 2021), while 26% of businesses think it will worsen (up from 13% in 2021). In line with the cautious sentiments, 97% of businesses expect current inflationary pressures to continue into 2023.

5 Despite expecting inflationary pressures to persist, 80% of businesses remain confident in the resiliency of their operations in the next 12 months, with large companies (89%) being somewhat 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.

*On top of manpower issues, increasing cost is the top challenge faced by Singapore businesses*

6 96% of businesses continue to face manpower issues, especially those related to manpower costs and foreign manpower. These issues are multi-faceted, including 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%).

7 Businesses' top cost challenges are those related to wages (79%), logistical costs (52%), overall cost pass through (48%), procurement costs (48%), and utilities (45%).

8 Looking ahead, companies plan to increase salaries (40%), invest more in new technologies (32%) and staff training (27%), re-engineer business and operational processes (28%), as well as diversify their supply chains to build resiliency (27%). Top priorities for businesses are growing revenue (66%), reducing costs (43%) and ensuring positive cash flow (42%).

*Singapore businesses are committed in driving business transformation and incorporating Environmental, Social and Governance (ESG) as part of their company activities*

9 Businesses remain committed in driving business transformation, and this is primarily done through operational process (71% indicating it as very important), customer service (70%) and products & services innovation (70%).

10 Their commitment to digital transformation is strengthened by the benefits that business transformation and digitalisation have brought, which include increased

productivity (54%), greater scope in optimising operations (48%), and reducing operational costs (44%).

11 Confidence in the prevention of cyber-attacks remains high, with 74% of businesses confident that their security measures can protect against cyber threats. Their biggest concern is the risk originating from third-party service providers (61%), employees' lack of awareness of cyber security (45%) and suppliers or multiple cloud services (41%).

12 For ESG, 75% of businesses have implemented at least one ESG area, with the top ESG areas implemented being 'Employee health & safety' (81%), and 'Fair and equitable employee pay & rewards policies' (71%). 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.

### Budget 2023 wish list and key areas of support needed

13 In the face of inflationary pressures and manpower challenges, Singapore businesses hope that the Singapore Budget 2023 will support them in addressing costs (74%), manpower challenges (57%) and assistance in cash flow management (48%). Other areas of support required include help with the transformation and deepening of enterprise capabilities (38%), support in obtaining credit (33%) and helping businesses to internationalise (29%), amongst others. Overall, the focus is on building financial resilience to weather the global economic uncertainties.

14 "While business sentiments are generally on an upward trajectory post-pandemic, most Singapore businesses are approaching 2023 with greater caution on the back of heightened cost pressures and continued manpower challenges. Despite these, it is heartening to note that businesses remain committed to transforming and growing their business. SBF will continue to help businesses build resilience and tap on emerging opportunities such as those in ESG," said Mr Albert Tsui, Executive Director, Advocacy & Policy Divisions, SBF.

15 Further details of the findings of the SBF National Business Survey 2022/2023 will be shared at SBF's Seminar on 2023 Business Outlook that will be held on 18 January 2023.

## **Annex A: Infographic on SBF NBS 2022/2023**

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### **About Singapore Business Federation (新加坡工商联合总会)**

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 the government in Singapore to create a conducive business environment. Internationally, SBF represents the business community in bilateral, regional and multilateral fora for trade expansion and business networking. For more information, please visit our website: [www.sbf.org.sg](http://www.sbf.org.sg)

### **About the National Business Survey**

The Singapore Business Federation (SBF) conducts the National Business Survey (NBS), an annual survey that provides insights on the prevailing state of affairs in the business environment. Every year, the survey includes a variety of topics and issues covering business sentiment and key business topics. For NBS 2022/2023, 931 businesses, comprising 73% small and medium-sized enterprises (SMEs) and 27% large companies across all major industries participated in the survey, which was carried out from 29 August to 23 November 2022.