



Media Release

For Immediate Release

SBF National Business Survey 2023/2024

Singapore business sentiment weakens amidst economic uncertainties, tightening credit, cost increases and manpower challenges

- Local business sentiment has weakened with only 25% of businesses confident that the economy will improve in the next 12 months, compared to 41% a year before.
- The top challenge faced by businesses is an increase in business cost (58%) with manpower cost cited as the key component (75%) followed by cost pass-through from upstream suppliers (58%) and higher utilities cost (56%). Over 8 in 10 businesses (83%) have been impacted by interest rate hikes and an increase in the cost of funding over the past year. Despite cost challenges, businesses continue to invest in their workforce with 42% of businesses planning to increase employee salaries and 26% planning to expand headcount next year.
- For Budget 2024, aside from support in managing costs, businesses would like the Government to provide more support for ESG transformation, AI technology adoption and to help mitigate risks associated with overseas expansion.

Friday, 5 January 2024 [Singapore] – 2024 is expected to be a more challenging year for Singapore companies as they brace themselves to face headwinds both domestically and internationally. These were the findings of SBF's latest National Business Survey (NBS) 2023/2024.

2 The survey, conducted from 14 September to 12 November 2023, drew responses from 1,056 companies across all key sectors and covered a wide range of topics including business sentiment, challenges, and priorities. Of the 1,056 companies surveyed, 82% were small and medium-sized enterprises (SMEs) and 18% were large companies.

Local business outlook for the year ahead has weakened

3 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.

Business cost and manpower remain the top challenges faced by Singapore businesses.

4 Increase in business costs is the top challenge businesses are navigating, with manpower cost (75%), cost pass-through from upstream suppliers (58%) and utilities cost (56%) as the top components. The Construction & Civil Engineering (69%) and Manufacturing (65%) sectors are the top sectors most impacted by the increase in business cost.

5 Over 8 in 10 businesses (83%) 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 (39%) 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%.

6 Manpower challenges such as availability of manpower (53%), retention of manpower (42%) and foreign worker policies (39%) continue to be a concern. 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%). The top sectors impacted by the changes in S Pass qualifying salary are Construction & Civil Engineering (83%) and Manufacturing (79%), while the top sectors impacted by the changes to EP qualifying salary are the IT & Professional Services (88%) and Banking & Insurance (85%).

7 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%).

8 Despite cost challenges on the manpower front, businesses see the need to invest in a competitive workforce, by increasing their employees' salaries (42%) and expanding their headcount (26%) next year. The top priorities for businesses for the next 12 months are growing revenue (76%), reducing costs (62%) and ensuring positive cash flow (59%).

Businesses require support with Digitalisation, Internationalisation and Sustainability challenges.

9 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%). Businesses were also concerned about cybersecurity (45%), emerging technologies such as AI (35%) and increased expectations on ESG (34%).

10 While the level of overseas business presence has increased slightly (76% vs 74% in 2022), businesses have scaled back on future international expansion plans, with 57% of businesses keen on future overseas expansion plans, down from 65% a year ago. The top 3 countries that businesses plan to expand into are Malaysia (29%), Vietnam (28%) and Indonesia (28%). Top internationalisation concerns include unpredictability of overseas market demand (52%) and complexities of the geopolitical landscape (46%).

11 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 Environmental, Social and Corporate Governance (ESG) transformation (68%), improved clarity and consistency on ESG metrics for reporting (66%) and availability of technology to measure and track ESG initiatives (62%).

Singapore Budget 2024 wish list – Businesses require support to navigate key challenges in business cost, cash flow management and manpower.

12 In the face of increased cost and manpower challenges, more Singapore businesses hope that the Singapore Budget 2024 will support them in addressing cost (86%) and cash flow management (65%) challenges. Businesses would also like to have support in hiring/attracting, developing, and retaining talent (53%).

13 Mr Kok Ping Soon, CEO, SBF said, “It is no longer business-as-usual for companies as they navigate new challenges in an uncertain economic climate. Many are approaching 2024 with greater caution on the back of heightened cost pressures, tightening credit situation, continued manpower challenges and an unfavourable external environment. Nonetheless, it is heartening to note that 9 in 10 businesses acknowledged the importance of transformation to stay competitive and capture new opportunities in AI and the transition to a net-zero economy. Government support for companies to address today’s cost challenges while equipping them with required capabilities in digitalisation, internationalisation and ESG will be needed for businesses to be competitive and future-ready.”

Annex A: SBF National Business Survey 2023/2024 Report

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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

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 2023/2024, 1,056 businesses, comprising 82% small and medium-sized enterprises (SMEs) and 18% large companies across all major industries participated in the survey, which was carried out from 14 September to 12 November 2023.

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