UOB Business Outlook Study 2023

(SME & Large Enterprises)

UOB conducted a Business Outlook Study in **Singapore** covering **823 business owners** and **key executives** from **SMEs and Large Enterprises**.

This study provides a comprehensive understanding of the current business sentiments, inflation impact and outlook among businesses across various sectors in Singapore. The study also captures insights around key themes such as Digitalisation, Sustainability, Overseas Expansion and Supply Chain Management.

Singapore

WHAT

- 15-minute online surveys
- Total of 823 interviews
- Data collection: 28 December 2022 - 20 January 2023

WHO

- Businesses with revenue less than SGD 300 million
- Covers SMEs and Large Enterprises across key industry verticals
- Owners/ chief executive level/ management level who are involved with business decision making

Classification of businesses:
Smaller: annual turnover SGD < 10m
Larger: annual turnover SGD 10m to < 300m

COVERAGE

Industries	Sample
Consumer Goods	125
Manufacturing & Engineering	125
Tech, Media & Telecom	122
Construction & Infrastructure	105
Wholesale Trade	75
Industrials, Oil & Gas	58
Business Services	57
Community & Personal	54
Real Estate & Hospitality	52
Professional Services	50
Total	823

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Business Sentiment

78% of businesses said the business environment in Singapore was positive in 2022

67% businesses have a positive outlook for 2023

Most positive sentiments (sectors)
- 89% Manufacturing & Engineering
- 86% Industrials, Oil & Gas
- 82% Tech, Media & Telecom

Most positive sentiments (by turnover)
- 90% SGD 50m to <100m
- 88% SGD 20m to <50m

Impact of inflation

86% of businesses in Singapore have been affected by high inflation

19% of businesses in Singapore are highly affected, less than those in ASEAN region

Most affected sectors
- 92% Construction & Infrastructure
- 90% Manufacturing & Engineering
- 90% Real Estate/ Hospitality

Most affected by turnover
- 93% SGD 20m to <50m
- 91% SGD 100m to <300m

Sustainability

38% of businesses in Singapore have started implementing sustainability practices

Businesses are looking for more support in
- 32% Tax incentives or rebates
- 27% Training programmes to reskill/ upskill employees
- 29% Easier access to funding or grants

Leading sectors
- 51% Wholesale Trade
- 46% Real Estate/ Hospitality
- 42% Professional Services

Leading by turnover
- 50% SGD 5m to <10m
- 42% SGD 100m to <300m

Digital adoption

State of digital adoption

Nearly 8 in 10 businesses in Singapore have adopted digitalisation in at least one department

Success with digitalisation

Over 1 in 2 businesses have seen success in their digitalisation efforts

Sectors leading in digital adoption
- 92% Manufacturing & Engineering
- 84% Consumer Goods
- 80% Tech, Media & Telecom

Businesses leading in digital adoption
- 96% SGD 100m to <300m
- 90% SGD 20m to <50m

Supply Chain Management (SCM)

83% of businesses in Singapore consider SCM important

58% of businesses say their supply chain has been impacted by geo-political issues

Most impacted sectors
- 72% Industrials, Oil & Gas
- 72% Wholesale Trade
- 66% Tech, Media & Telecom

Most impacted by turnover
- 80% SGD 100m to <300m
- 74% SGD 5m to <10m

Interest in overseas expansion

8 in 10 businesses are looking to expand overseas in the next 3 years

Businesses in the Industrials, Oil & Gas and Manufacturing & Engineering sectors in Singapore, are more interested in overseas expansion than others

Most interested sectors
- 84% Industrials, Oil & Gas
- 79% Manufacturing & Engineering
- 79% Construction & Infrastructure

Most interested by turnover
- 92% SGD 50m to <100m
- 89% SGD 100m to <300m

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Business environment in 2022

78% of businesses said the business environment in Singapore was positive in 2022

Businesses in Manufacturing & Engineering and Industrials, Oil & Gas sectors were more positive about their current business environment.

Most positive sentiments (sectors)

- 89% Manufacturing & Engineering
- 86% Industrials, Oil & Gas
- 82% Tech, Media & Telecom

Most positive sentiments (by turnover)

- 90% SGD 50m to <100m
- 88% SGD 20m to <50m

77% of businesses in Singapore have seen an increase in their revenue in 2022

Positive business sentiment is driven by strong revenue growth in 2022.

Larger businesses of size SGD 20 million to <100 million have seen more growth than smaller businesses.

Highest growth sectors

- 84% Industrials, Oil & Gas
- 83% Construction & infrastructure
- 81% Business Services

Highest growth by turnover

- 93% SGD 50m to <100m
- 88% SGD 20m to <50m

Factors that impacted businesses in 2022

- 32% High levels of inflation
- 29% Rising operational cost
- 29% Rising interest rates
- 22% Recovering from overall economic slowdown
- 21% Manpower shortages

High levels of inflation have impacted businesses in the Professional Services and Consumer Goods sectors the most.

Outlook for 2023

67% of businesses have a positive outlook for 2023

Larger businesses with turnover SGD 20m to <100m are more optimistic about the future. Sectors like Manufacturing & Engineering and Industrials, Oil & Gas have a more positive outlook.

Most positive sectors

- 82% Manufacturing & Engineering
- 78% Industrials, Oil & Gas
- 67% Tech, Media & Telecom

Most positive by turnover

- 84% SGD 50m to <100m
- 80% SGD 20m to <50m

Top future business priorities

To drive future growth, businesses are:

Businesses in sectors like Professional Services and Real Estate/Hospitality are at the forefront in digitalising their business model to drive growth.

- 34% Reducing costs
- 27% Tapping into new customer base
- 24% Re-skilling/upskilling existing talent
- 23% Digitalising their business model
- 22% Diversifying supply chains

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Inflation Impact & Mitigation

Impact of inflation

86% of businesses in Singapore have been affected by high inflation

Larger businesses (SGD 20m to <SGD 50m turnover and SGD 100m to < 300m turnover) have been more affected than smaller businesses (<SGD 10m turnover).

Extent affected by inflation

	Total	<SGD 10m turnover	SGD 10m to <300m turnover
Somewhat/ Highly affected:	86%	81%	90%
Highly affected	19%	20%	18%
Somewhat affected	67%	62%	73%

Most affected sectors

- 92% Construction & Infrastructure
- 90% Manufacturing & Engineering
- 90% Real Estate/ Hospitality

Most affected by turnover

- 93% SGD 20m to < 50m
- 91% SGD 100m to < 300m

Areas affected by high inflation

Increase in cost of operations	59%
Increase in cost of raw materials	37%
Reduction in profit levels	36%
Increase in staff salaries	36%
Difficulty in retaining talent	30%

6 in 10 businesses have seen an increase in cost of operations

4 in 10 businesses have seen an increase in cost of raw materials

Inflation is also impacting the profitability of businesses in Singapore, particularly in Construction & Infrastructure and Professional Services sectors.

Top measures to mitigate inflation

Around 1 in 2 businesses in Singapore are focused on improving productivity to tackle inflation

Improving productivity to save costs	45%
Taking advantage of government grants/ schemes	37%
Digitalise processes to drive cost savings	35%
Increasing the selling price of our goods/ services	34%
Cost cutting on company activities	26%
Stronger price negotiations with suppliers/ vendors	26%

Businesses in Industrials, Oil & Gas and Construction & Infrastructure sector are leading the way in improving productivity for cost saving.

Key channels/ capabilities to improve

6 in 10 businesses in Singapore are looking to improve automation to ease customer service and meet changing customer expectations

- 61% Automation to ease customer service
- 50% User-friendly channels for customer interaction
- 31% Use of AI, chatbots etc. for real-time interaction
- 20% Hyper-personalised service/offer for customers

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Sustainability

State of sustainability adoption

Importance of sustainability

76% of businesses in Singapore consider sustainability important

State of sustainability adoption

38% of businesses in Singapore have started implementing sustainability practices

	Unaware	Yet to implement	Implementing
Singapore	14%	48%	38%
SGD < 10m turnover	20%	40%	40%
SGD 10m to <300m turnover	9%	54%	37%

Leading sectors

- 51% Wholesale Trade
- 46% Real Estate/ Hospitality
- 42% Professional Services

Leading by turnover

- 50% SGD 5m to <10m
- 42% SGD 100m to <300m

Top sustainability drivers

Improved reputation/ better branding	47%
Easier to work with MNCs	43%
Helps fit better into the ecosystem	38%
Customers prefer or demand for it	36%
Enables talent retention/ attraction	35%

47% of businesses consider sustainability important as it improves their reputation/ branding

Businesses in Wholesale Trade and Industrials, Oil & Gas sectors find it more important to adopt sustainable practices to help improve their brand reputation

Top barriers in sustainability adoption

1 in 3 businesses are concerned about increase in cost of products/services to end customers

Increase in cost of products/ service to end customers	30%
Insufficient knowledge to identify and execute the right initiatives	27%
Lack of manpower/ resources	26%
Possible impact to revenues in the short term	25%
Concerns about negative impact on profits	25%

There are risks to continued sustainability adoption during times of economic uncertainty as many businesses believe that implementing sustainability practices can impact their revenues and profits.

Support required for sustainability adoption

1 in 3 businesses are looking for tax incentives or rebates as support measures for their sustainability plans

Training programmes and access to funding or grants are also sought after by businesses in Singapore to address some of the barriers in implementing sustainability within a business.

Tax incentives or rebates	32%
Easier access to funding or grants	29%
Training programs to reskill/ upskill employees	27%
Provide options for sustainable financing	26%
Develop sufficient renewable energy infrastructure	26%

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Digitalisation

State of digital adoption

Nearly **8 in 10** businesses in Singapore have adopted digitalisation in at least one department

A key challenge for digitalisation will be encouraging businesses who have just started their journey to continue with digitalisation, expanding it from one or a few departments into the entire business.

Sectors leading in digital adoption

- 92% Manufacturing & Engineering
- 84% Consumer Goods
- 80% Tech, Media & Telecom

Businesses leading in digital adoption, by size

- 96% SGD 100m to <300m
- 90% SGD 20m to <50m

Success with digitalisation

55% of businesses have seen success in their digitalisation efforts

64% of businesses foresee spending more on digitalisation in 2023

Success with digital adoption (sectors)

- 66% Wholesale Trade
- 65% Industrials, Oil & Gas
- 59% Tech, Media & Telecom

Success with digital adoption (by turnover)

- 68% SGD 5m to <10m
- 67% SGD 20m to <50m

Impact of digitalisation

- Higher productivity 31%
- Improve customer experience 27%
- Drive business performance 25%
- Better data protection 24%
- Increase customer outreach 24%
- Deliver better quality of products or services 23%

1 in 2 businesses have succeeded with digitalisation. On average, each business has benefitted in at least 3 ways.

Digitalisation is helping businesses to improve productivity and become more customer centric by improving their customer experience.

Challenges faced in digitalisation

Challenge	%
Expensive to implement	27%
Lack of digital skillset among employees	26%
Concerns over cyber security issues	25%
Insufficient funds to continue with it	23%
Hard to justify value of the investment	23%
Unsure about finding the best technology providers	22%

Over **1 in 4** businesses consider digitalisation expensive to implement and believe that employees lack the required digital skillsets

Support required for digitalisation

Nearly **2 in 5** businesses want easier access to funding or tax rebates to support their digitalisation journey

Support	%
Easier access to funding or grants	38%
Tax incentives or rebates	37%
Connections to the right technology providers	33%
Training programmes for employees	32%
Access to knowledge & expertise in the area	29%
Collaborate with industry, goverment-linked or large businesses	27%

Concerns over cyber security are a a key challenge for many businesses. They are likely to need support through connections to the right technology providers and employee training programmes to address these concerns as they embark on their digitalisation journey.

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Supply Chain Management (SCM)

> Importance of SCM

83%

of businesses in Singapore consider SCM important

> Impact of SCM on supply chain

58%

of businesses say their supply chain has been impacted by geo-political issues

Majority of businesses in Singapore have seen an impact on their supply chains. Sectors like Industrials, Oil & Gas and Wholesale Trade have been affected more than others.

Most impacted sectors

- 72% Industrials, Oil & Gas
- 72% Wholesale Trade
- 66% Tech, Media & Telecom

Most impacted by turnover

- 80% SGD 100m to <300m
- 74% SGD 5m to <10m

> Challenges in SCM

Over 4 in 10 businesses find challenges in rising supply costs as the main challenge in managing their supply chain

Challenge	%
Rising supply costs due to high inflation	43%
Procuring supplies/ raw materials	29%
Requirement of just-in-case supply	27%
Inability to predict demand/supply	26%
Lack of in-house expertise/ skill sets	24%

> Top actions taken for SCM

Nearly 1 in 4 businesses in Singapore are looking to have more diverse sources of suppliers to manage their supply chains better

Diverse sources of suppliers and from different markets	24%
Invest in stronger supplier relationships	24%
Adopt better inventory management practices	24%
Source from neighbouring countries to shorten supply chain	22%
Source for alternative raw materials to diversify risk	22%

> Top support measures for SCM

Tax incentives are a key support measure that businesses in Singapore need to manage their supply chains better

Businesses in Construction & Infrastructure and Industrials, Oil & Gas can benefit more from tax incentives

2 in 5 businesses are looking for tax incentives/rebates to help them with better SCM

Tax incentives or rebates	38%
Easier access to funding or grants	37%
Access to business analytics and insights	34%
Training programmes	33%
Connections to the right technology and solution providers	31%

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Cross-border Expansion

Interest in overseas expansion

8 in 10 businesses in Singapore are looking to expand overseas in the next 3 years

Businesses in the Industrials, Oil & Gas and Manufacturing & Engineering sectors in Singapore are more interested in overseas expansion than other sectors.

Most interested sectors

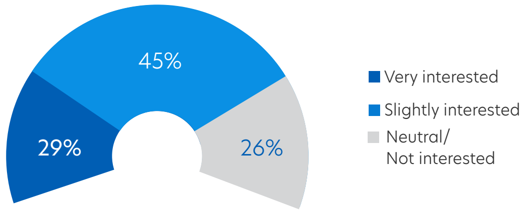
88%	82%	80%
Industrials, Oil & Gas	Manufacturing & Engineering	Tech, Media & Telecom

Most interested by turnover

92%	89%
SGD 50m to <100m	SGD 100m to <300m

Interest in cross-border digital trade platforms

The interest in overseas expansion is leading to higher interest in cross-border digital trade platforms. Nearly 3 in 10 businesses are 'Very Interested' in using such platforms.



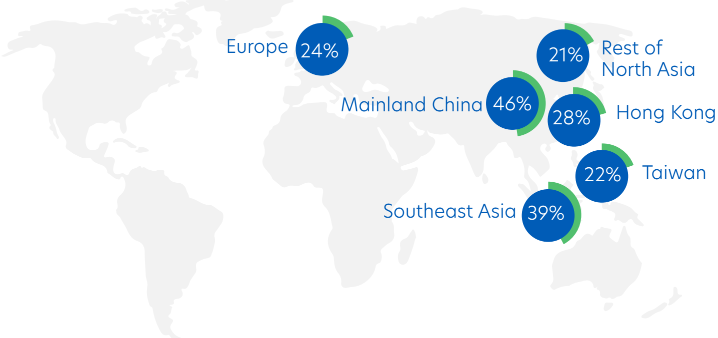
Top motivators for overseas expansion

Nearly **7 in 10** businesses are motivated to expand overseas to improve their profits

Sectors like Community & Personal Services and Construction & Infrastructure are more inclined to expand overseas to improve profits

- 68% Improve profitability
- 53% Build reputation as an international business
- 50% Grow revenue
- 46% Leverage my company's regional/ global network
- 35% Take advantage of government policies/ schemes to expand

Top locations for overseas expansion



Nearly **1 in 2** businesses in Singapore are eyeing Mainland China for their future expansion plans

2 in 5 businesses, particularly those in Consumer Goods and Community & Personal Services, are looking to expand into Southeast Asia

Malaysia, Indonesia and Thailand are the preferred Southeast Asia destinations for businesses in Singapore.

Key challenges in overseas expansion

Nearly **2 in 5** businesses in Singapore cite a difficulty in finding the right partners as their biggest challenge for overseas expansion

Challenge	%
Difficulty in finding the right partners to work with	38%
Lack of knowledge/access to information about the new market(s)	37%
Inadequate financial support or funds	34%
Lack of customers in the new market(s)	34%
Lack of opportunities to collaborate	34%

Lack of knowledge/ access to information is also a major challenge that businesses, particularly those in the Professional Services and Business Services, need to overcome when they look to expand overseas.

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