

UOB Business Outlook Study 2024



(SMEs & Large Enterprises)

UOB conducted a Business Outlook Study in Singapore covering 800 business owners and key executives from SMEs and Large Enterprises.

The Business Outlook Study, now in its fifth year since inception, provides a comprehensive understanding of the current business sentiment, inflation impact and outlook among businesses across various sectors in Singapore.

By capturing robust insights around key themes such as Overseas Expansion, Supply Chain Management, Digitalisation, and Sustainability, this study can help Singapore businesses better understand the current environment they are operating in and plan for future opportunities and challenges.



Singapore

▶ WHAT



15-minute online survey



Total of 800 interviews



Data collection:
Late-December 2023 to mid-January 2024

▶ WHO



Businesses with revenue less than SGD 300 million



Covers both SMEs and Large Enterprises across key industry verticals



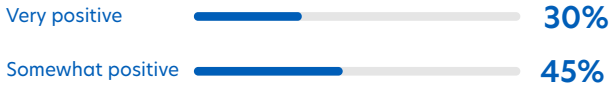
Owners/C-suite/Management level who are involved with business decision making



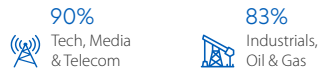
Classification of businesses:
Small Enterprises - annual turnover < SGD 10 million
Medium Enterprises - annual turnover SGD 10 million to < 300 million

Industries	Sample
Tech, Media & Telecom	132
Consumer Goods	127
Manufacturing & Engineering	106
Construction & Infrastructure	105
Wholesale Trade	59
Real Estate & Hospitality	56
Business Services	55
Industrials, Oil & Gas	54
Community & Personal	53
Professional Services	53
Total	800

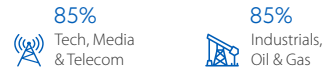
Business sentiment



Most positive sectors



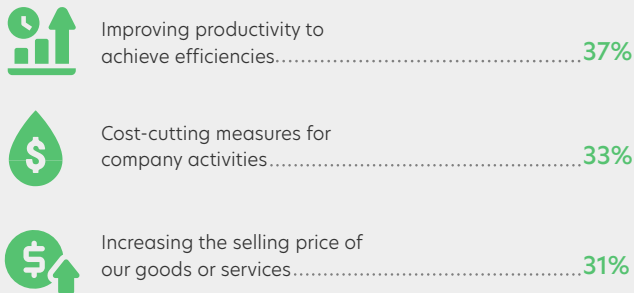
Most improved sectors



Inflation and its impact



Ways to combat inflation



Most affected sectors



Areas affected by inflation



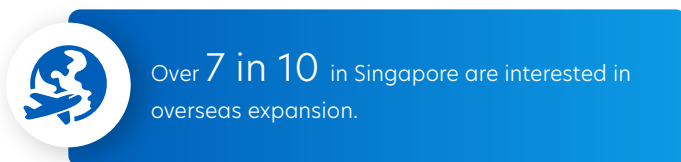
Most impacted by higher cost of operations



Most impacted by higher cost of raw materials



Overseas expansion interest



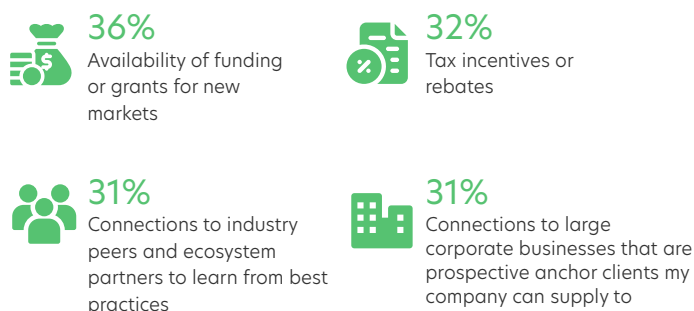
Most interested sectors



Least interested sectors



Support measures for overseas expansion



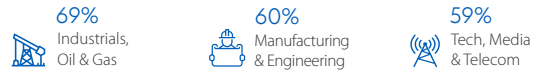
Key motivators for overseas expansion



► Supply chain management (SCM) and its challenges

1 in 2 businesses in Singapore claim current Geopolitical tensions impacted their supply chain.

Most impacted sectors



Challenges faced by businesses



Key trading needs among businesses

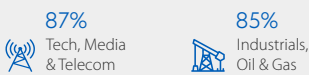


► Digital adoption

Current state

Over **7 in 10** businesses in Singapore have digitalised one or more departments.

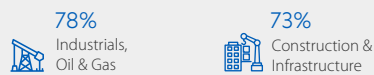
Most digitalised sectors



Expected spending in 2024

2 in 3 businesses expect to spend more on digitalisation in 2024, with most budgeting an increase of 10% to 25%.

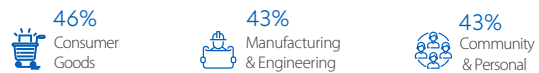
Higher spending sectors



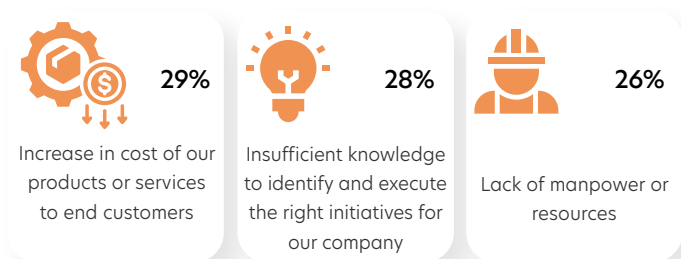
► Sustainability adoption

Over **7 in 10** businesses in Singapore believe sustainability is important to their business. Yet, adoption level has remained stagnant since 2022.

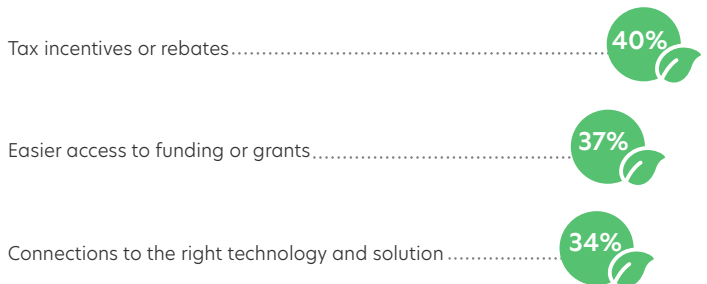
Higher adoption sectors



Challenges faced by businesses



Support measures to drive sustainability adoption



Business environment in 2023

3 in 10 businesses in Singapore say the current business environment is very positive.



Most positive sectors

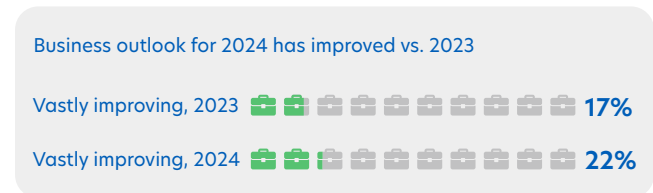
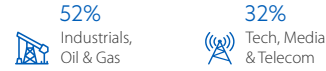


Business outlook for 2024

Nearly **1 in 4** businesses in Singapore expect a vastly improved business performance in 2024.

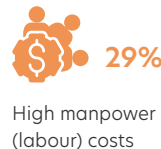
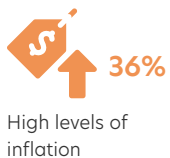


Most improved sectors



Top factors that have impacted businesses in 2023

Inflation, rising operational costs, high manpower costs and interest rates were the top factors that impacted businesses. Top factors varied across different sectors.



Business priorities for next 1-3 years



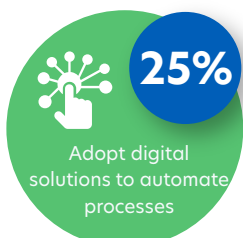
High inflation and rising operational cost are leading to many businesses looking to reduce costs in the next 1-3 years.

Developing new sources of revenue and sourcing for new customer base are less of a priority this year for businesses in Singapore.



How businesses plan to achieve their priorities

To achieve their business priorities many businesses are looking to adopt digital solutions, invest in training, extend range of products or services.



► Extent of inflation impact



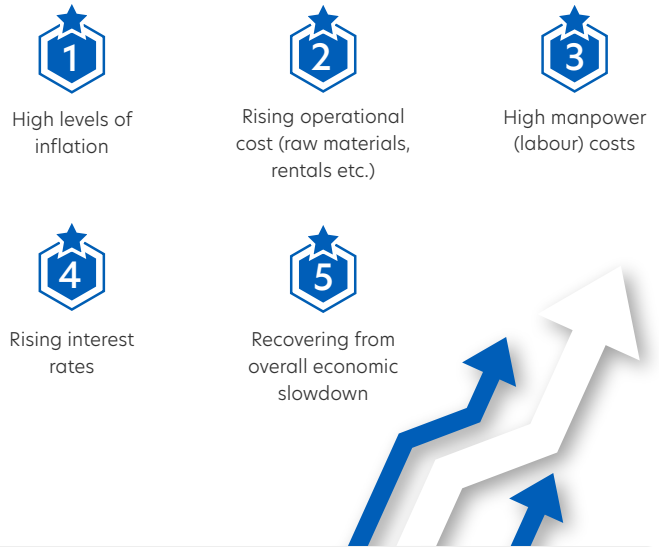
Most impacted by sector



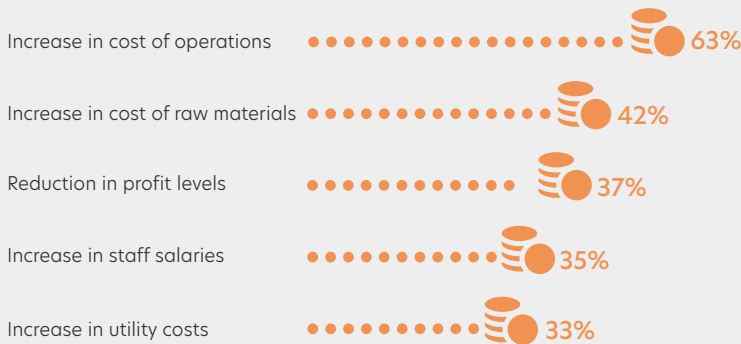
Differences by business turnover



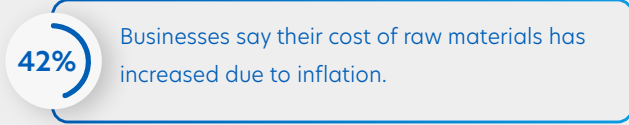
► Macro factors impacting business in 2023



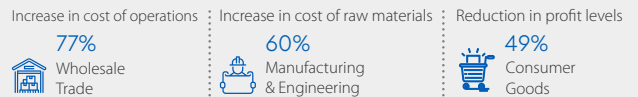
► How inflation has impacted businesses



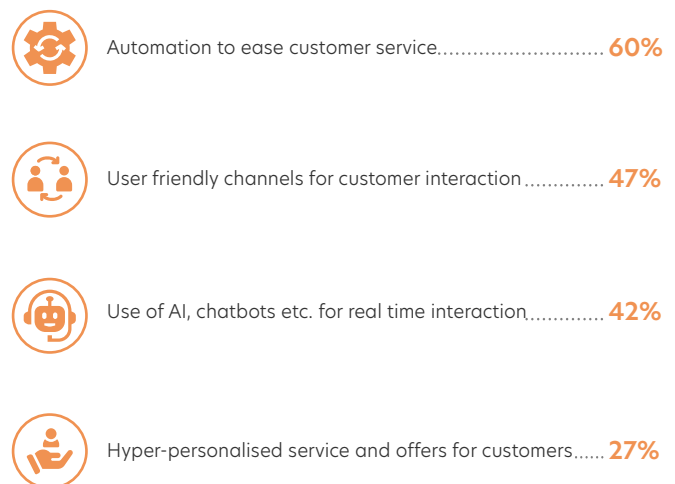
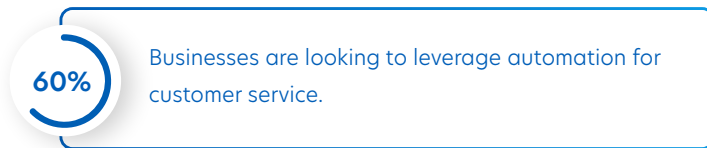
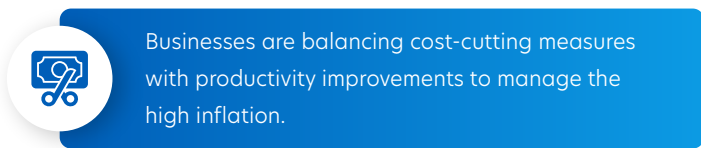
The impact across sectors has not been uniform. More Wholesale Trade businesses have seen an increase in their cost of operation while more in Manufacturing & Engineering sector have been impacted by rising cost of raw materials.



Most affected sectors



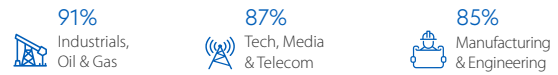
► Ways to combat inflation



Interest in overseas expansion

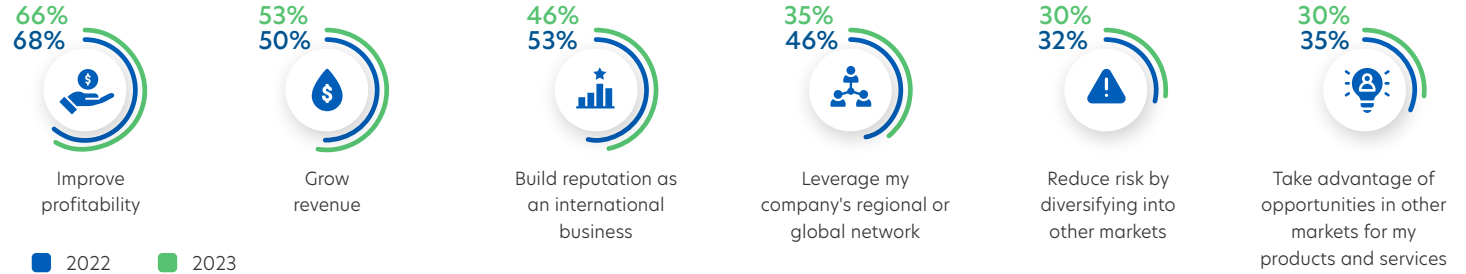
Over **7 in 10** businesses in Singapore are interested in overseas expansion.

Most interested sectors



Key motivation for businesses to expand overseas

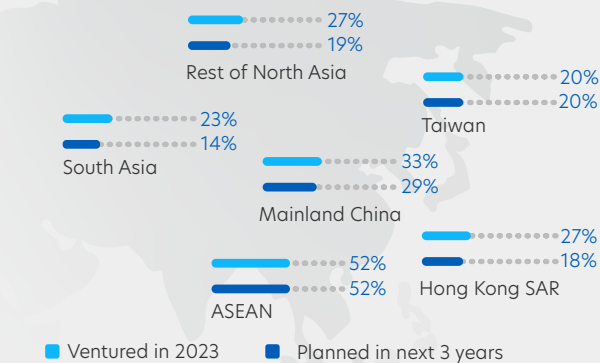
More businesses are now looking to expand to take advantage of opportunities in other markets for their products and services.



■ 2022 ■ 2023

Key markets on the radar for overseas expansion

ASEAN and Mainland China are the top two regions that businesses have expanded in 2023 and will continue to expand in the next 3 years.



Business Services has ASEAN on its radar for future expansion. Within ASEAN region Malaysia and Indonesia, the two largest domestic markets attracts businesses the most.

Barriers for overseas expansion

42% Businesses struggle to find the right partner to work with in the overseas market.

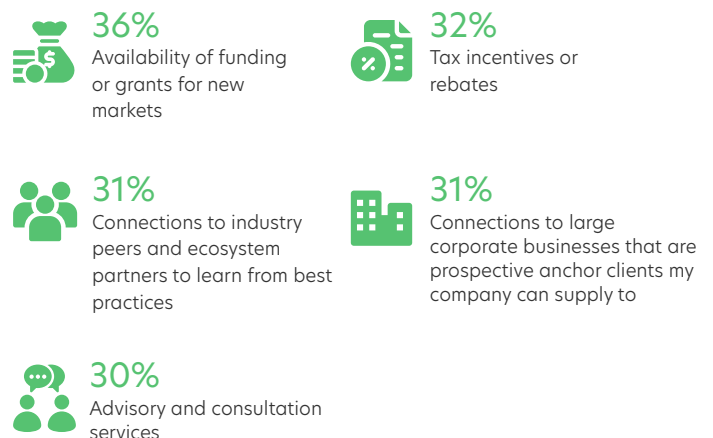
Over **1 in 3** businesses get inadequate financial support and struggle to find customers in the overseas market.

Difficulty in finding the right partners is by far the biggest challenge for services sector (Professional services, and Real estate/Hospitality).

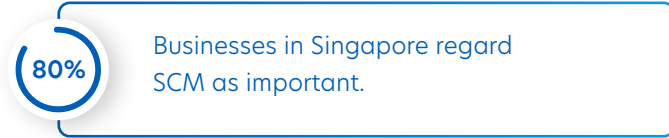


Support measures for overseas expansion

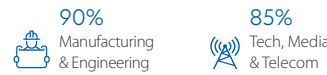
Financial support through funding or tax incentives and non-financial support through helping build local connections are expected to be most effective.



Importance of Supply chain management



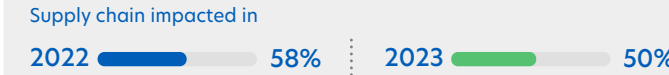
Sectors where SCM is more important



Differences by turnover



Impact of geopolitical tensions on supply chain



1 in 2 businesses in Singapore say that Geopolitical tensions have affected their supply chain. However, fewer businesses are affected now than a year ago.

Most impacted sectors



Least impacted sectors



Supply chain challenges faced

Inflation, rising costs and interest rates are the top 3 supply chain challenges businesses faced.

Rising supply costs due to high inflation are especially challenging for businesses in the Consumer Goods, Construction & Infrastructure sectors.



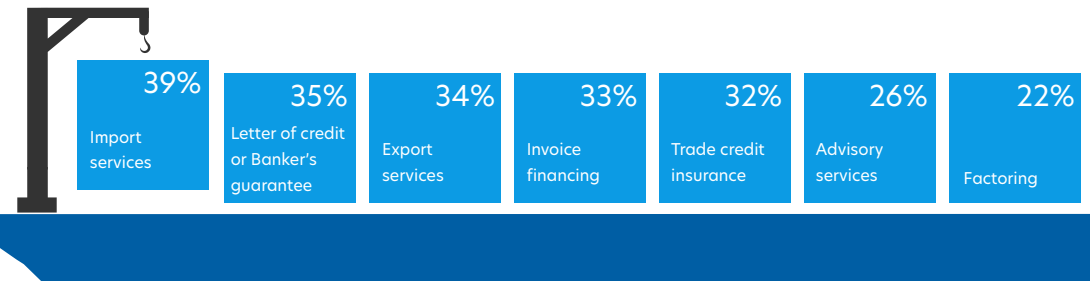
Current practices in SCM

Businesses are taking three key actions to manage supply chain challenges - better inventory management, stronger supplier relationships and data driven insights.

Manufacturing & Engineering businesses are most active in sourcing for alternative raw materials and sourcing from neighbouring countries to shorten the supply chain.



Key trading needs among businesses

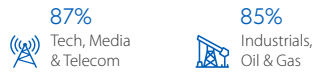


Import services, LC or bankers guarantee and Export services are the top three trading support services sought by businesses.

► Current state of digitalisation

Over 7 in 10 businesses in Singapore have digitalised one or more departments, 24% claiming digitalisation has happened across the business.

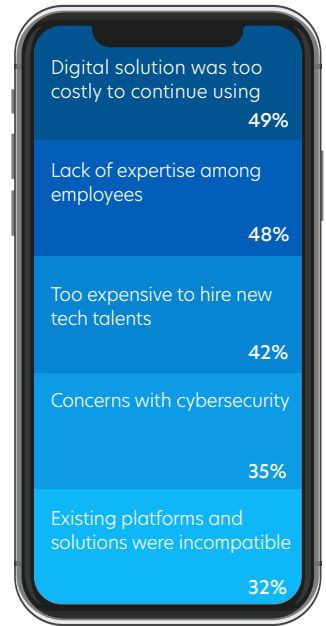
Most digitalised sectors



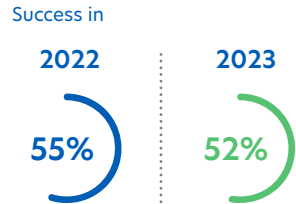
Less digitalised sectors



High cost of digital solutions, lack of expertise among employees, and high cost of employing tech talent are key reasons why digitalisation efforts are less successful for some businesses.

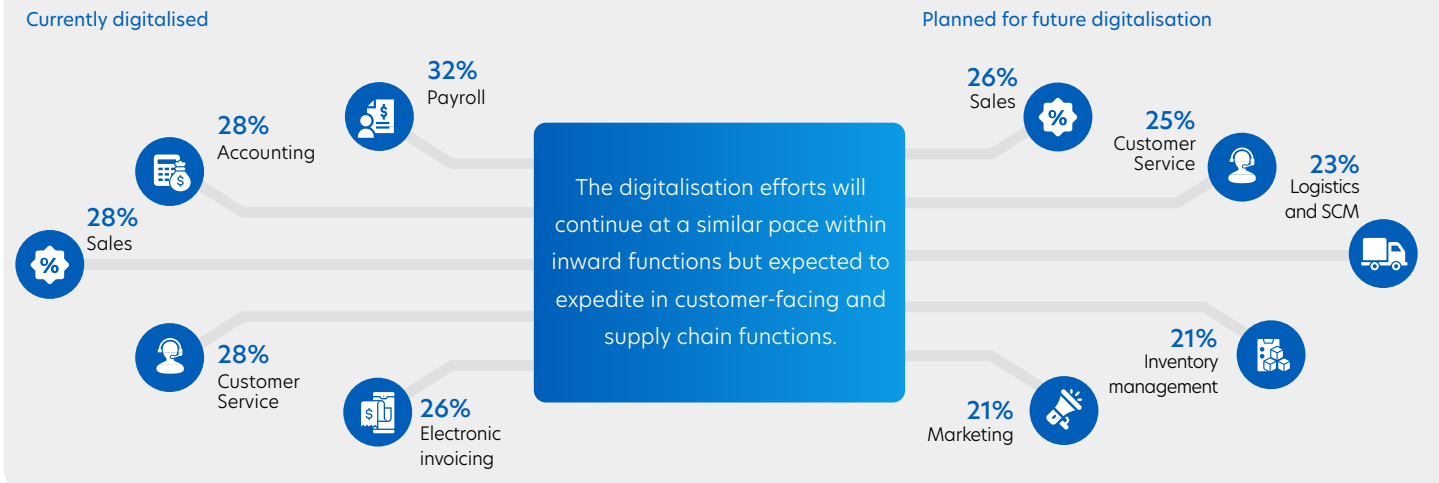


While over **1 in 2** businesses in the region have seen success from their digitalisation efforts, the number of businesses that succeeded has declined from the previous year.



► Business functions digitalised

In future, businesses plan to prioritise digitalisation of functions like sales, customer service, logistics and SCM.



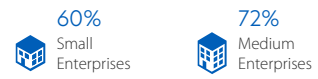
► Expected spending on digitalisation in 2024

2 in 3 businesses expect to spend more on digitalisation in 2024, with most budgeting an increase of 10% to 25%.

Higher spending sectors



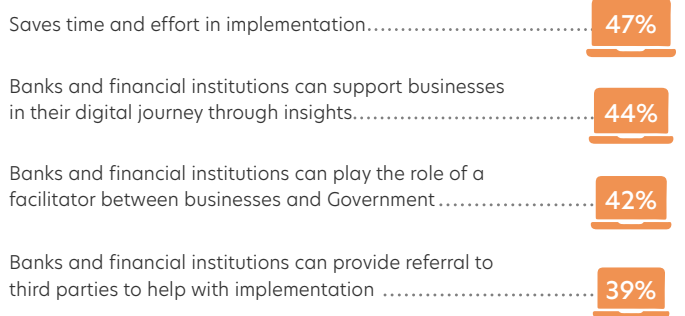
Differences by business turnover



► Banks and Financial Institutions (FIs) have a key role in digitalisation

1 in 2 businesses believe they save time and effort in implementation when supported by banks and FIs in their digitalisation journey.

Over **4 in 10** of businesses feel banks and FIs can provide insights support and be a facilitator between businesses and Government.



► Current state of sustainability

74% of businesses consider sustainability important to their business. Just 38% of businesses have implemented sustainable practices in 2023. Same as those who had implemented in 2022. Adoption in Singapore is lower than regional average of 44%.

Highest implementation by sector

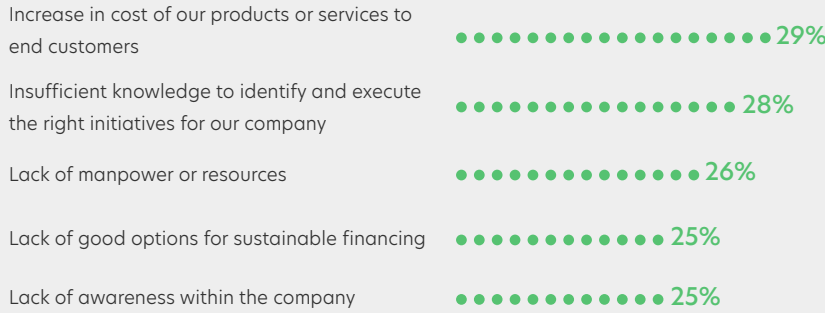


Differences by business turnover



► Top barriers to sustainability

Concerns over higher cost to customers, and lack of knowledge to identify and execute the right initiatives is hampering wider adoption of sustainable practices in Singapore.



Most concerned about increasing cost by sectors

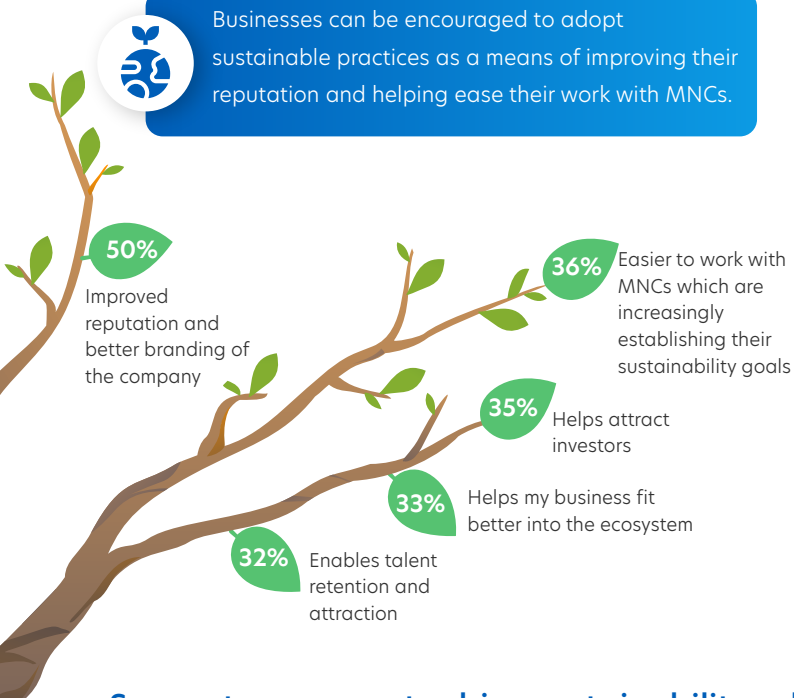


Differences by business turnover



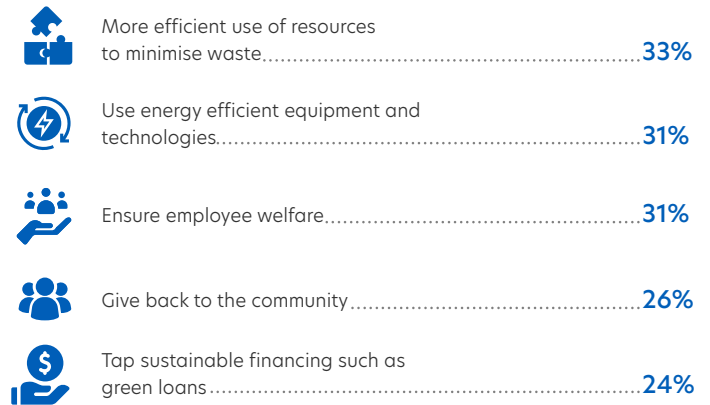
► Ways to encourage sustainable practices

Businesses can be encouraged to adopt sustainable practices as a means of improving their reputation and helping ease their work with MNCs.

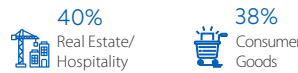


► Sustainability practices prioritised

Sustainability practices that deliver direct cost-savings through efficient use of resource or energy saving equipment or technologies are prioritised for implementation.



Higher prioritisation of efficient resources



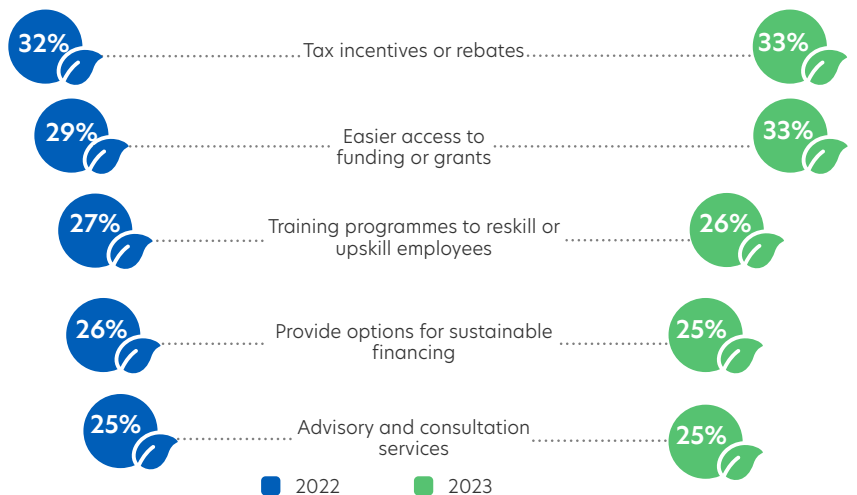
Higher prioritisation of energy efficient equipment



► Support measures to drive sustainability adoption

Financial measures are the key to drive greater sustainability adoption in Singapore. Businesses can also benefit from training to reskill or upskill their employees, and availability of sustainable financing options.

A sectorial approach can also be adopted to offer relevant support measures to sectors that are in more need for it. For example, Professional Services sector seek more tax incentives while Manufacturing & Engineering firms seek easier access to funding.



■ 2022 ■ 2023