

NATIONAL BUSINESS SURVEY 2019/2020

SUMMARY REPORT

**New Roads Ahead: Transformation and
Internationalisation of Singapore Businesses**



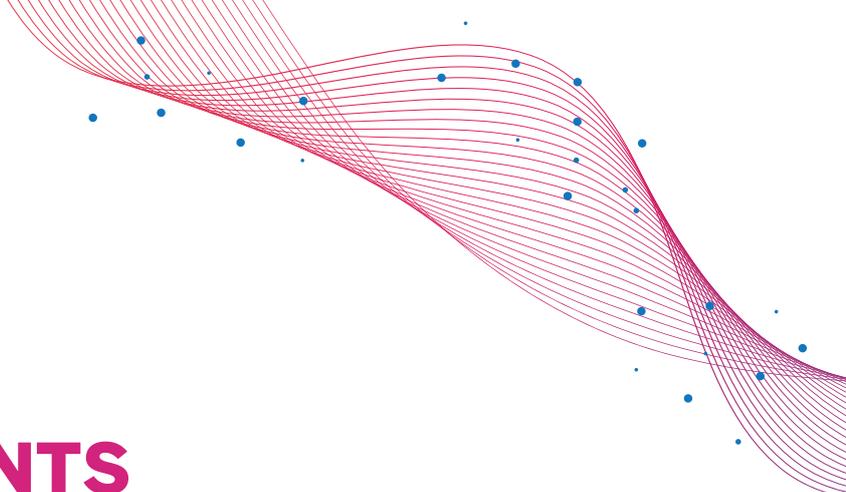


TABLE OF CONTENTS

| | |
|---------------------------------|----|
| Foreword | 4 |
| Overview | 6 |
| Business Sentiments | 7 |
| Business Transformation | 9 |
| Key Challenges for Businesses | 11 |
| Training | 13 |
| Key Business Priorities | 14 |
| Business Financing and Payments | 15 |
| Budget 2020 Wish List | 16 |
| Internationalisation | 17 |
| Re-cap of Key Survey Findings | 19 |
| Company Characteristics | 21 |
| About SBF | 22 |



FOREWORD



S S Teo

Chairman
Singapore Business Federation

We are pleased to share with you this summary report on the findings of our latest National Business Survey 2019/2020 conducted by the Singapore Business Federation (SBF).

Every year, we conduct this flagship survey that provides insights on the sentiments of our Singapore business community on topics that include, amongst others, business confidence, the economic climate and the business environment. This survey identifies the priorities, challenges and future plans of action of our business community. The survey also calls attention to areas where companies require greater assistance, including their wish list for the coming Singapore Budget. These perspectives are shared with our Government.

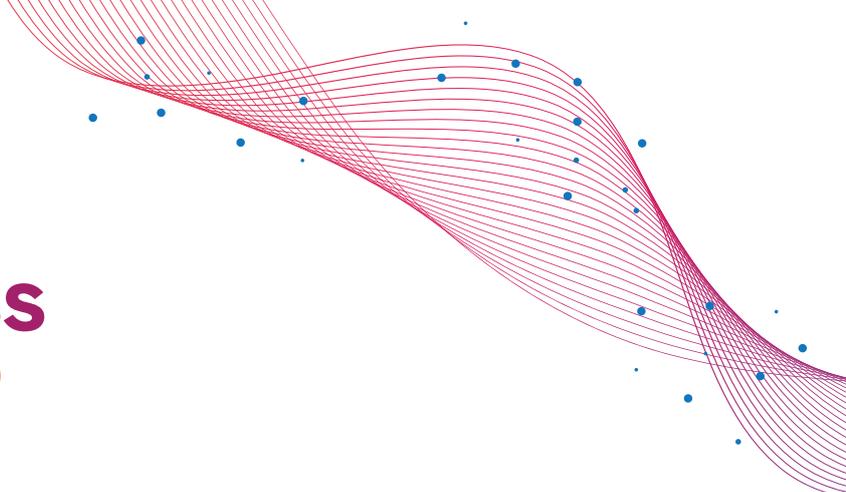
This year's National Business Survey is the 12th run of our survey. The data was collected from 26 August to 25 October 2019. This year's survey drew responses from 1,018 companies across all key industries operating in Singapore. The survey touched on a wide range of areas including business transformation, manpower challenges and international expansion. This year's survey was conducted in collaboration with local consultancy, Blackbox Research Pte Ltd.

The results of this year's survey show that the general sentiment for the current business climate locally and globally is softer compared to 2018, as challenges loom on the horizon. Despite the challenges facing Singapore businesses in an uncertain economic climate, business transformation is increasingly a priority for Singapore businesses. An overwhelming majority (94%) of Singapore businesses now recognise the importance of business transformation to stay competitive and relevant, given changing market dynamics. Nearly two in three (66%) Singapore companies also view technology adoption as fundamental in transforming their businesses.

Another encouraging key finding from this year's survey is the uptake of internationalisation amongst Singapore companies, with SMEs (78% versus 68% in 2018) expanding overseas at a greater rate than seen previously. Overall, eight in ten Singapore businesses reported having a presence overseas.

Even as the economic climate ahead seems uncertain, we urge our businesses to forge ahead by pressing on with business transformation, to stay ahead of the curve and continue to pursue, explore and exploit new growth opportunities offshore.

We hope that the findings from this survey will be insightful and useful. I would like to acknowledge all our member companies that have participated in this year's survey and the Trade Associations and Chambers (TACs) that have supported us.



NATIONAL BUSINESS SURVEY 2019/2020

SUMMARY REPORT

New Roads Ahead: Transformation and Internationalisation of Singapore Businesses

The National Business Survey is the flagship survey of the Singapore Business Federation (SBF). The survey provides a very good sense of the state and sentiments of the Singapore business community and its key concerns. This is the 12th annual edition of the survey and it was carried out from 26 August to 25 October 2019. The survey drew responses from more than 1,000 companies (1,018) across all major industries. 87% of the responses were from SMEs and 13% of the responses were from large companies. This survey was carried out in collaboration with local consultancy, Blackbox Research Pte Ltd.

The National Business Survey 2019/2020 shows that business sentiment in 2019 had remained soft, as economic uncertainties took hold partly in the shadow of the US-China trade dispute. Almost half of the business community anticipate that the Singapore business environment will be more challenging in the next 12 months.

Despite the challenges facing Singapore businesses, a majority now recognise the importance of business transformation to maintain competitiveness and competency. Adopting technology is now viewed as a fundamental step to achieve business transformation.

Internationalisation has also picked up pace among businesses, especially among SMEs. Businesses are also reporting a higher proportion of turnover originating from overseas, which is encouraging given the economic uncertainty.

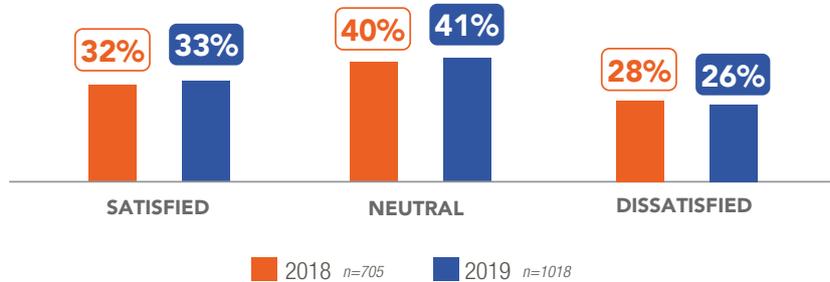
Manpower challenges, however, continue to affect Singapore businesses. These issues appear to be multi-layered, as businesses share their difficulties with rising labour costs, dealing with stricter foreign manpower policies and regulations, and competing to secure the best local talent.

With regard to the upcoming Budget 2020, tax reduction and rebates top the wish list of businesses, but they are also keen to see support in other areas.

BUSINESS SENTIMENTS

Current business sentiments uncertain as challenges loom on the horizon

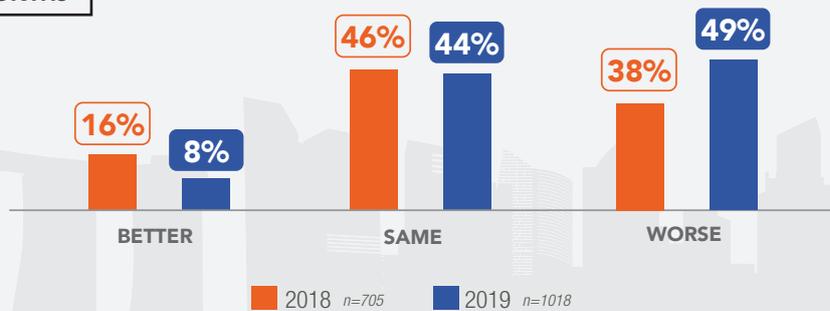
Current business sentiment remains soft, with businesses still reporting concern about current economic uncertainties. This outlook is largely consistent between large companies and SMEs.



Decimal points have been rounded up. The total may not add up to 100%.

SINGAPORE ECONOMY IN THE NEXT 12 MONTHS

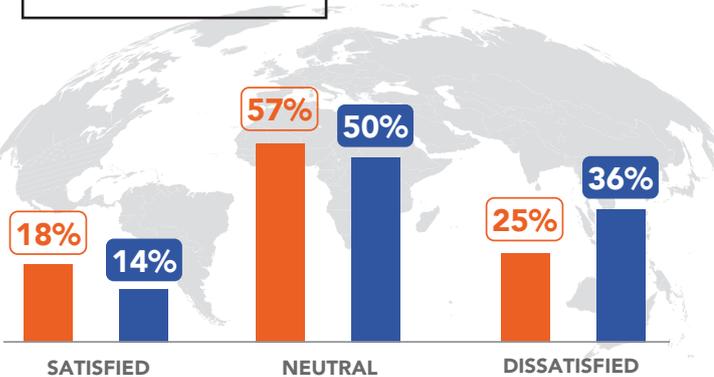
Sentiments towards the Singapore economy continue to decline, with almost half of all businesses anticipating 2020 to be a more challenging year than 2019.



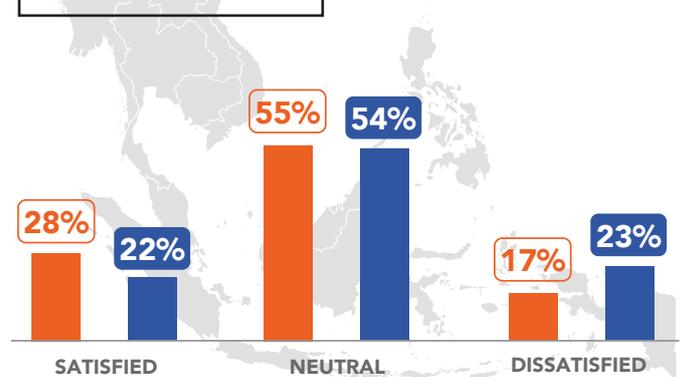
Decimal points have been rounded up. The total may not add up to 100%.

Dissatisfaction with the global business climate has risen by 11% from 2018 to 2019. More local businesses are optimistic about the business climate in the ASEAN region, but as in 2018, most remain neutral.

GLOBAL BUSINESS CLIMATE



ASEAN BUSINESS CLIMATE

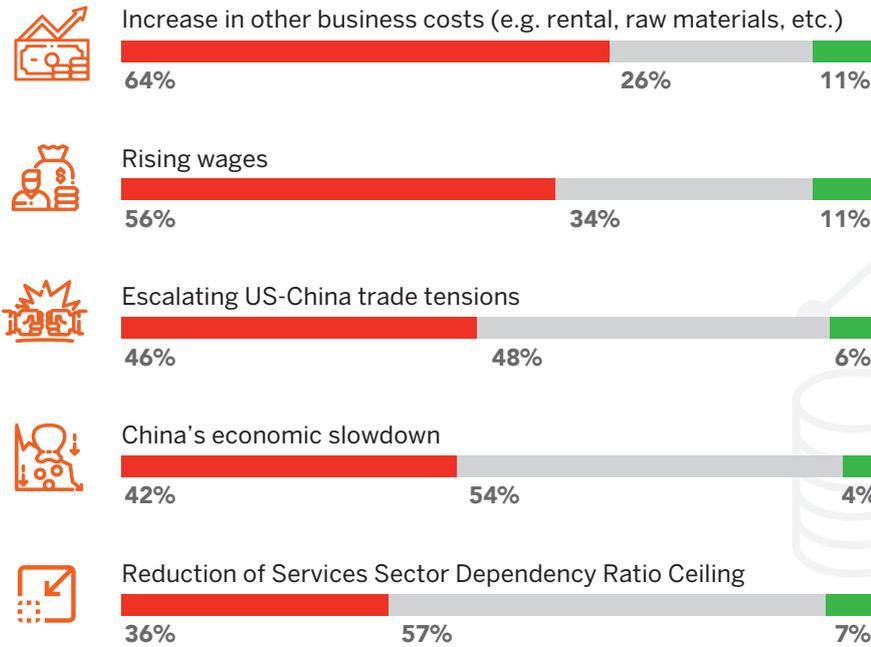


2018 n=705 2019 n=1018

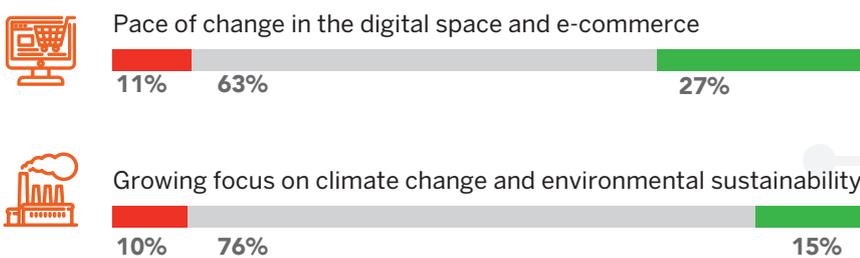
Decimal points have been rounded up. The total may not add up to 100%.

IMPLICATIONS OF EVENTS ON BUSINESSES

Rising business and wage costs are top worries for Singapore companies. Globally, the US-China trade tensions and China's economic slowdown are adding to business unease.



Businesses are optimistic about getting positive returns from digital/e-commerce transformation, and foresee sustainability as a new growth opportunity.



■ Negative Impact
 ■ Little/No Impact
 ■ Positive Impact
 n=1018

Decimal points have been rounded up. The total may not add up to 100%.

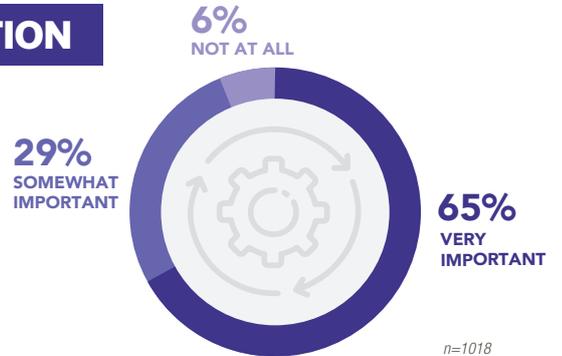
BUSINESS TRANSFORMATION

An overwhelming majority of Singapore businesses believe transformation is critical to stay relevant in today's environment.

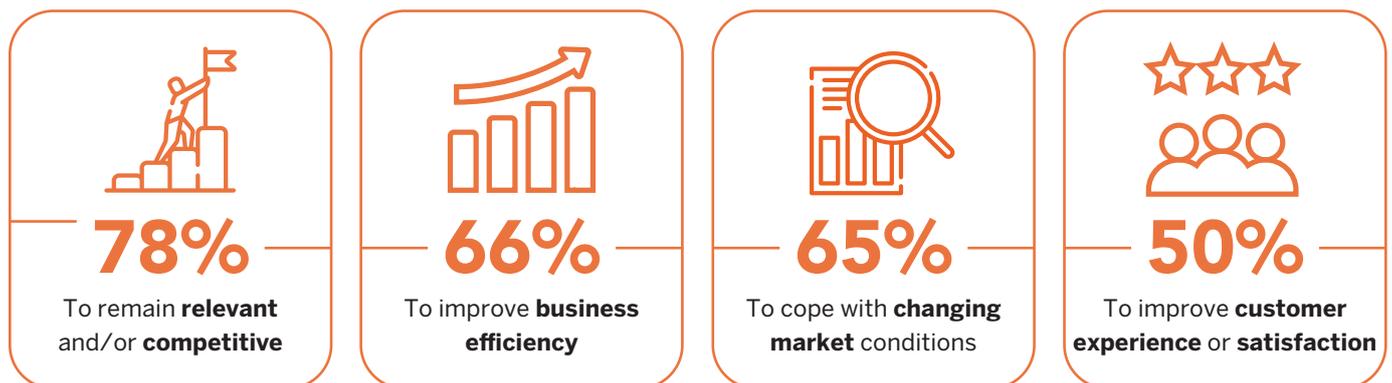
IMPORTANCE OF BUSINESS TRANSFORMATION

94%

of businesses recognise the importance of business transformation to stay competitive and relevant, given changing market dynamics, while 50% realise that transformation is essential to improve customer experience.

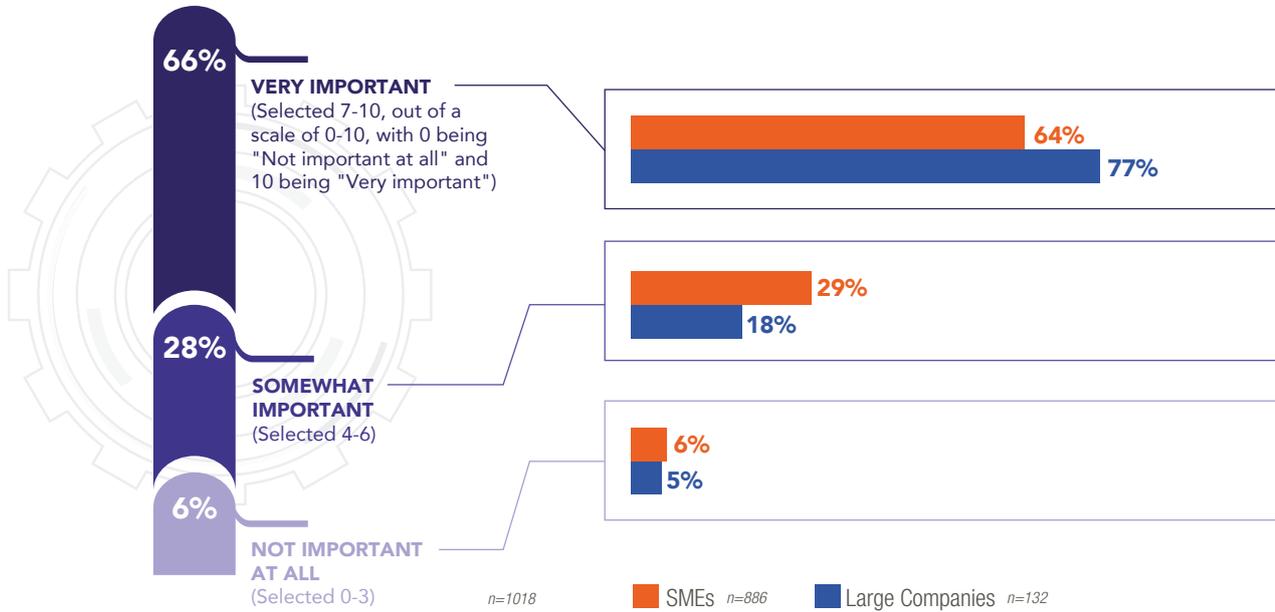


REASONS FOR BUSINESS TRANSFORMATION



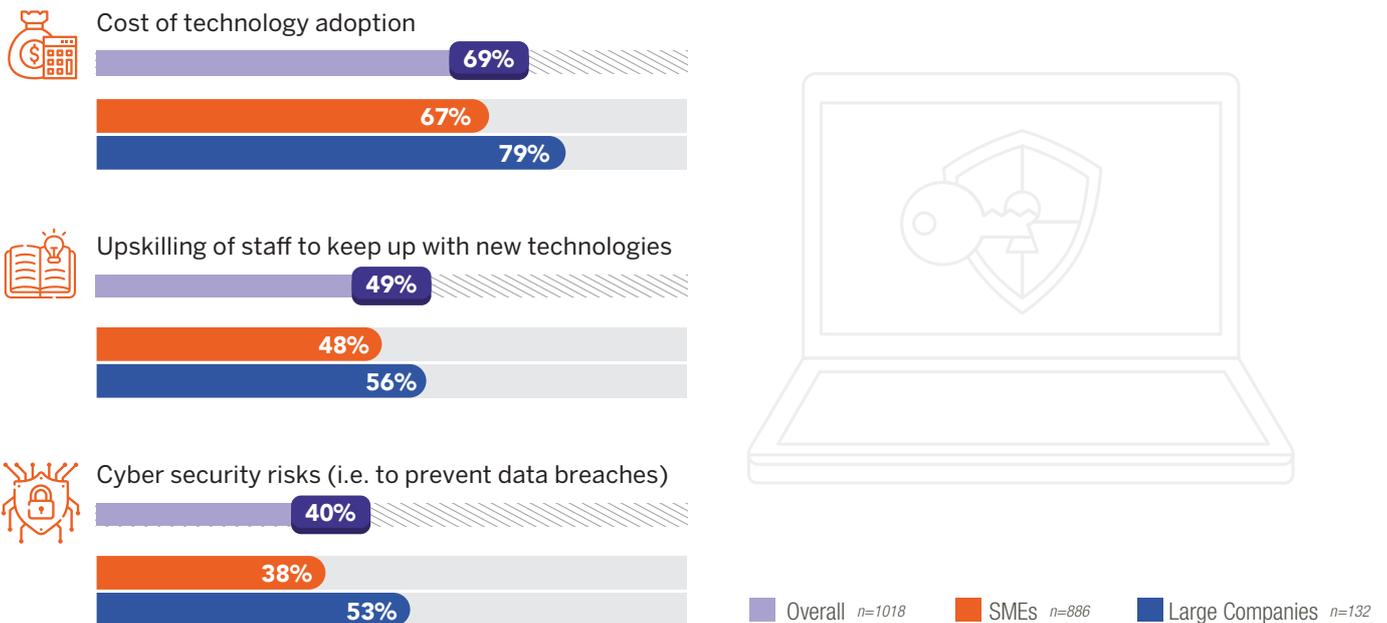
IMPORTANCE OF TECHNOLOGY ON BUSINESS TRANSFORMATION

2 in 3 businesses feel that technology adoption is fundamental in transforming their businesses.



BARRIERS TO ADOPTING TECHNOLOGY

Cost of technology adoption remains the biggest challenge, followed by internal challenges such as upskilling staff to keep up with new technologies and cyber security risks.

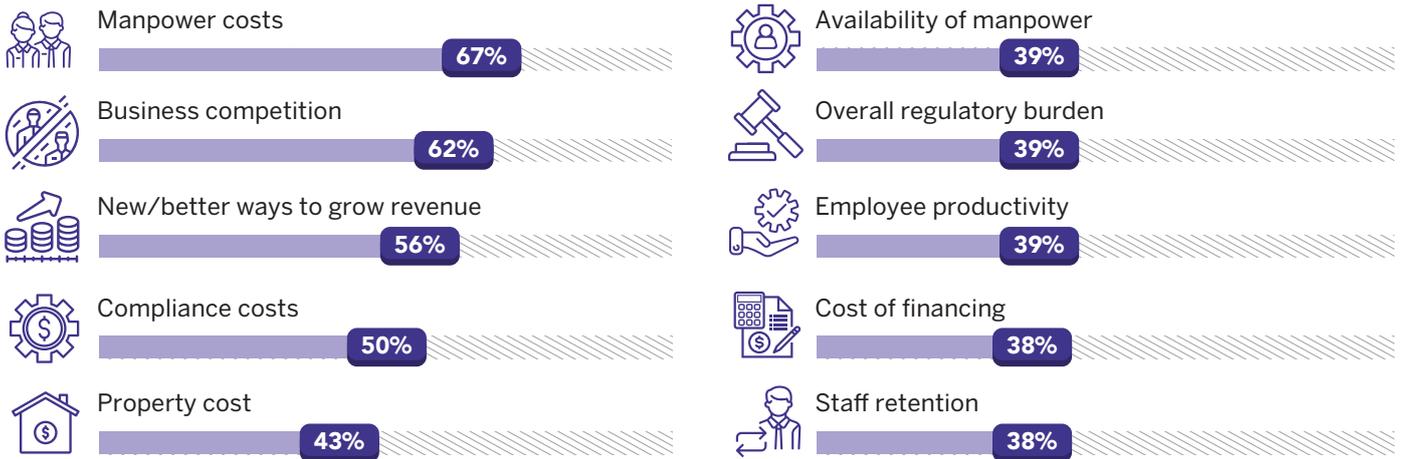


KEY CHALLENGES FOR BUSINESSES

Of the multiple challenges Singapore businesses face, manpower costs have emerged as the top issue.

KEY BUSINESS CHALLENGES

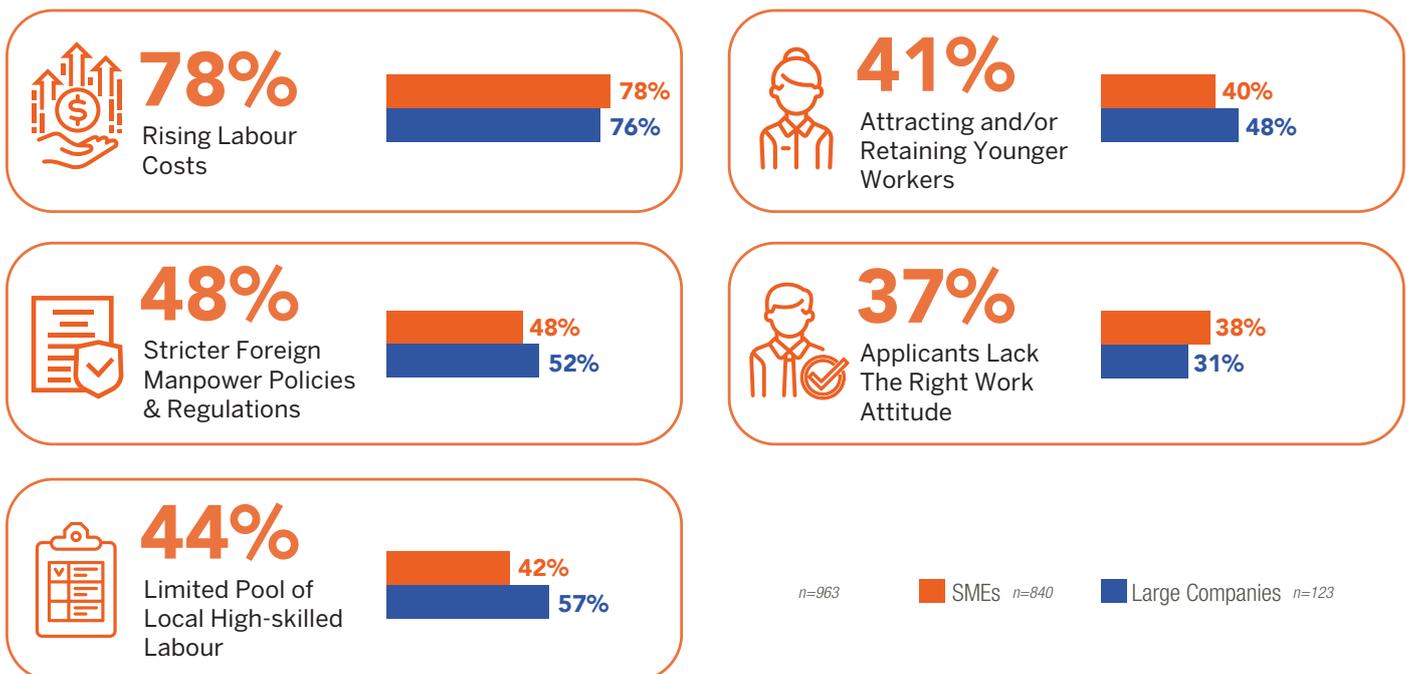
The top challenge is manpower costs, as businesses face greater competition and slower revenue growth.



n=1018

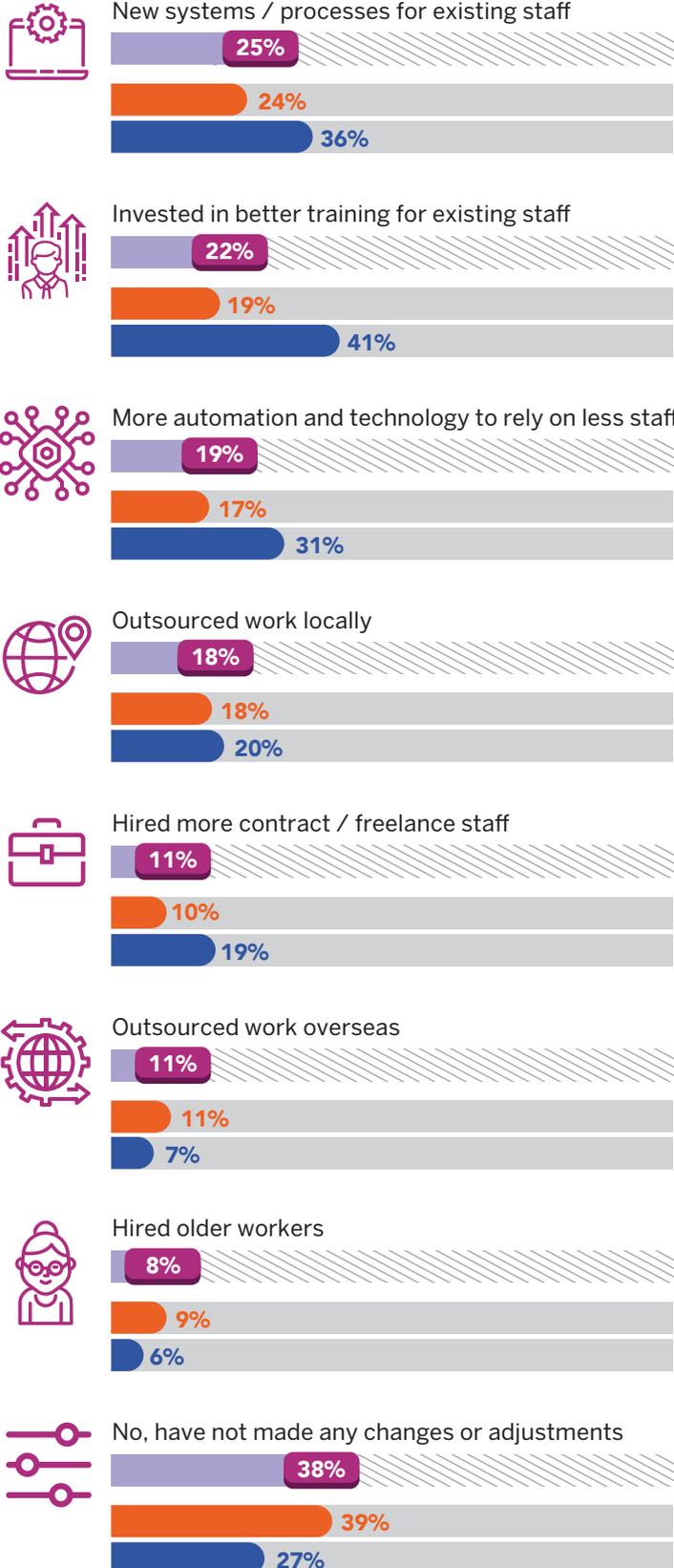
KEY STAFFING CHALLENGES

Mounting labour costs, stricter foreign manpower policies & regulations, and the local talent crunch are making it tough for local businesses to attract the best talents.



STEPS UNDERTAKEN TO MITIGATE MANPOWER CHALLENGES

To manage the issue, companies are investing more in the training of existing staff to learn new skills.



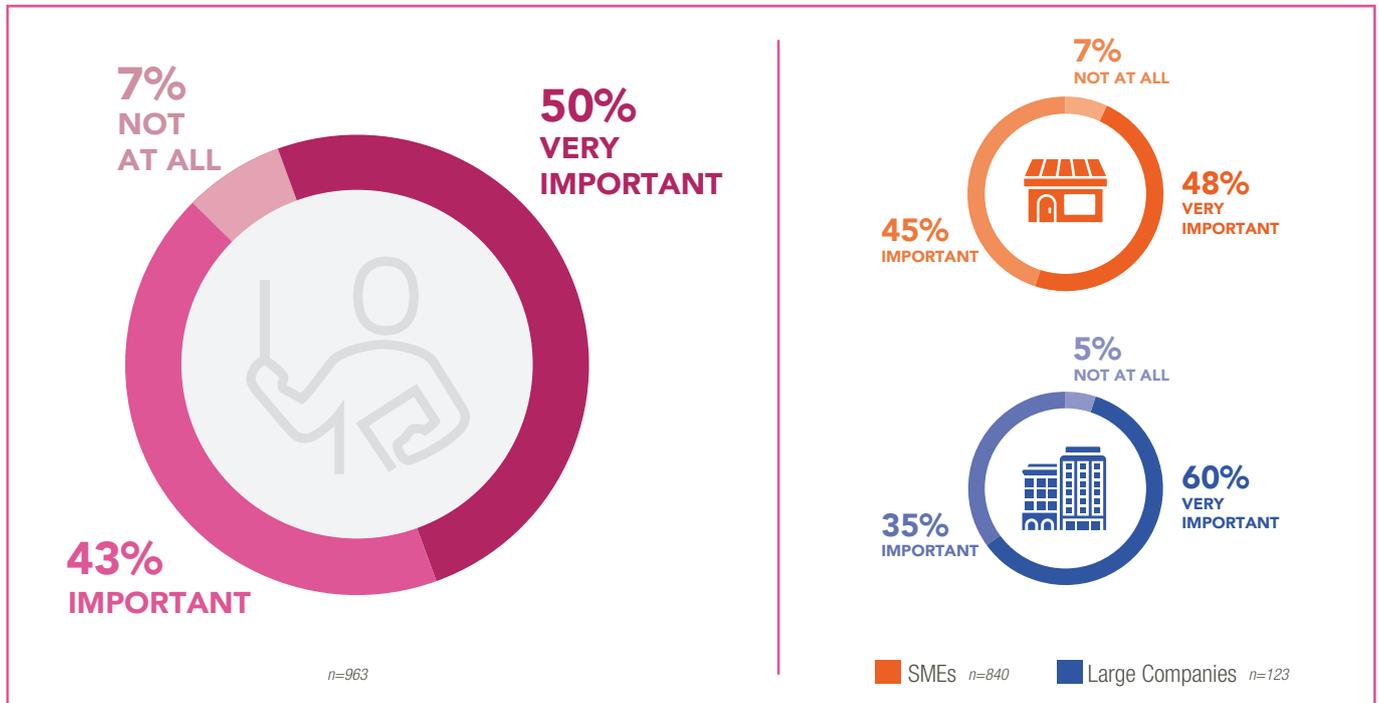
Overall *n*=963 SMEs *n*=840 Large Companies *n*=123



TRAINING

IMPORTANCE OF STAFF TRAINING

While 93% of companies consider staff training as critical, businesses are concerned about the bandwidth of their staff and the relevance of training programmes.



71%
have yet to invest in training for existing staff due to...

BARRIERS TO INVESTING IN STAFF TRAINING



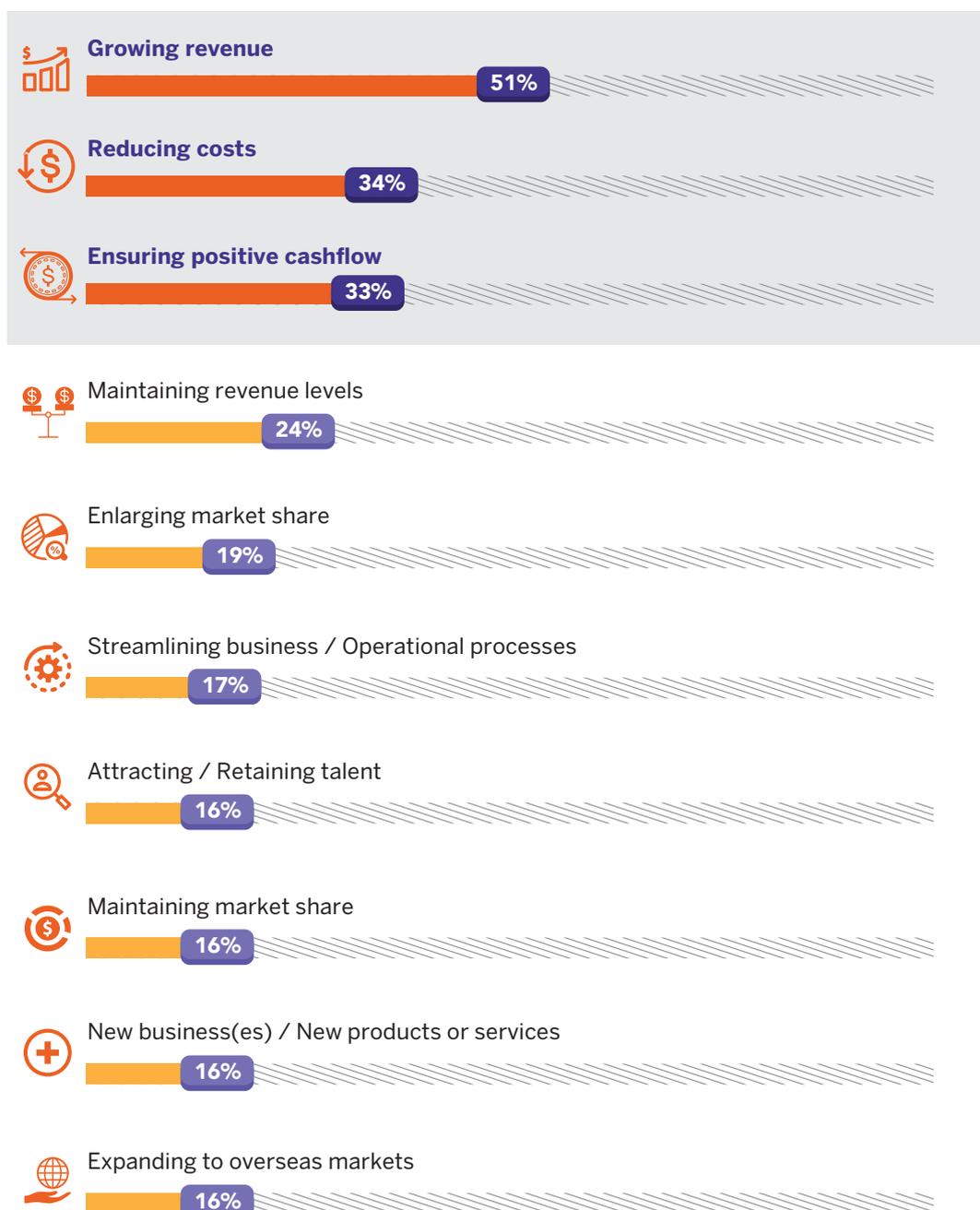
n=686

KEY BUSINESS PRIORITIES: REVENUES, COSTS AND CASHFLOW

Companies are reverting to the basic principles of business:
Growing revenues, Reducing costs and Sustaining cash flow.

TOP PRIORITIES FOR BUSINESSES IN NEXT 12 MONTHS

Given prevailing economic conditions, businesses are focused on staying afloat.

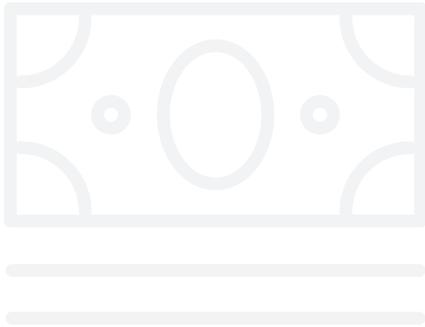


n=1018

BUSINESS FINANCING AND PAYMENTS

CREDIT / CASH CRUNCH

Maintaining a positive cash flow is vital, as 35% of businesses reported facing a credit crunch in the past few months.



| TOTAL | 35% |
|---|-----|
| Retail, Real Estate, Hotels, Restaurants & Accommodations | 43% |
| Construction & Civil Engineering | 38% |
| IT & Professional Services | 37% |
| Logistics & Transportation | 37% |
| Wholesale Trade | 34% |
| Manufacturing | 24% |
| Banking & Insurance | 21% |
| Other Services | 47% |
| Others | 27% |

n=1018

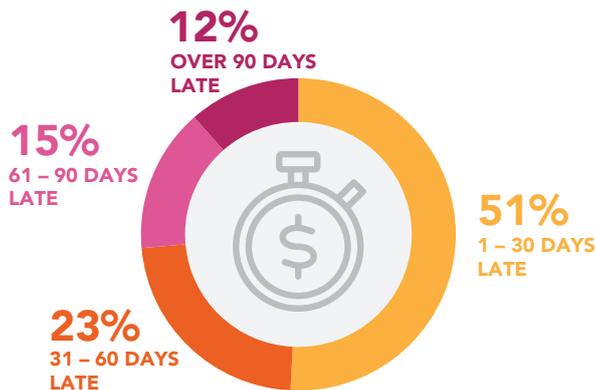
IMPACT OF LATE PAYMENTS

Of firms that offer credit terms to other businesses, 70% report that late payments are causing moderate to high cash flow issues. 1 in 4 businesses have late payments of over 2 months.



n=418

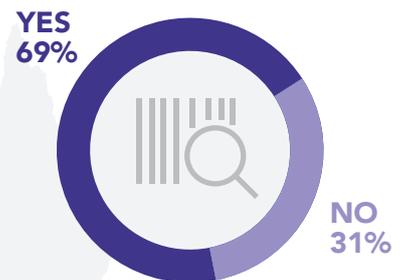
LATE PAYMENTS BY AGE



n=418

WILL A SUPPLIER PAYMENT CODE OF CONDUCT BE USEFUL?

A Supplier Payment Code of Conduct similar to that implemented in Australia, could help to mitigate the situation of late payments.



n=533

BUDGET 2020 WISH LIST

Tax reduction/rebates top the wish list, but businesses are also keen to see support in other areas.

BUDGET 2020: BUSINESSES' WISH LIST

55% | Corporate/Personal income **tax rate reduction**

55% | Corporate **tax rebates**

49% | Easier **access to info & resources** from govt. agencies

47% | Promote & incentivise more **industry-related training**

47% | More incentives for **corporate venturing**

45% | Medical insurance **subsidy for older workers**

39% | **Incentives to encourage investments** locally by companies

39% | Measures to help **increase the flow of cash** in the economy (for eg. lower interest rates, increased risk sharing for working capital loans, etc.)

37% | **Incentives to facilitate greater collaborations** amongst local companies

31% | Increased assistance in accessing new and critical tech



n=1018

MOST CRITICAL AREAS FOR EACH INDUSTRY

Businesses in different industries have different wish lists, though a majority are hoping for a reduction in corporate/personal income tax rate.

Corporate/Personal income tax rate reduction



Wholesale Trade



Manufacturing



IT & Professional Services



Retail, Real Estate, Hotels, Restaurants & Accommodations

Corporate tax rebates



Logistics & Transportation

More incentives for corporate venturing



Banking & Insurance

Increase cash flow in the economy

(for eg. lower interest rates, increased risk sharing for working capital loans, etc.)



Construction & Civil Engineering

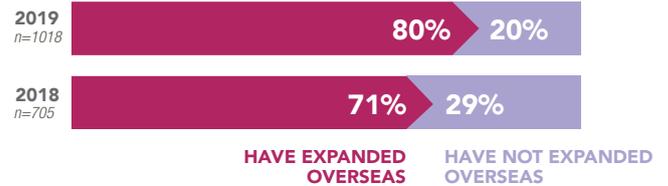
n=1018

INTERNATIONALISATION

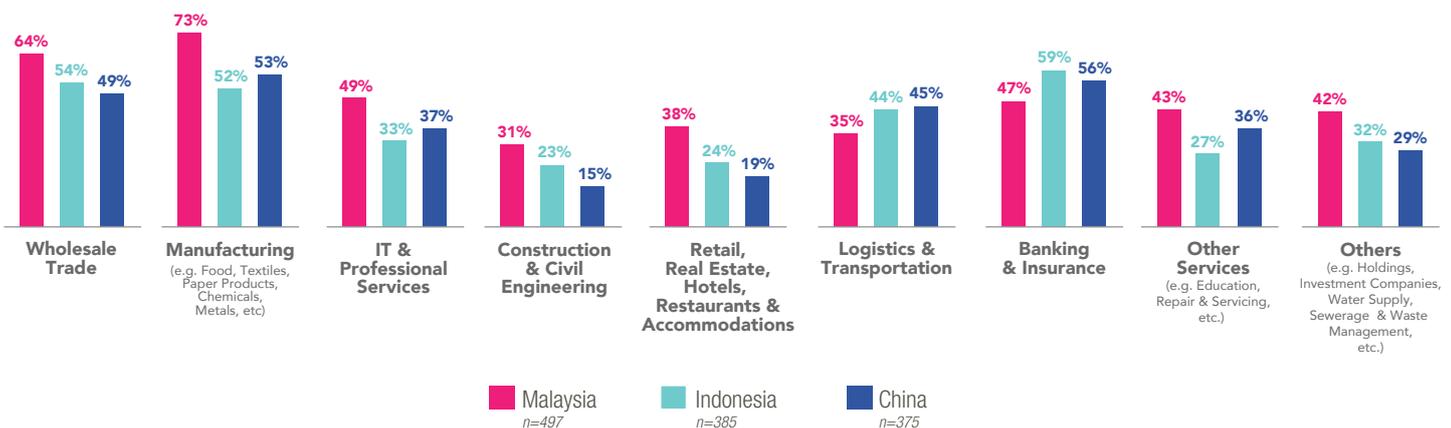
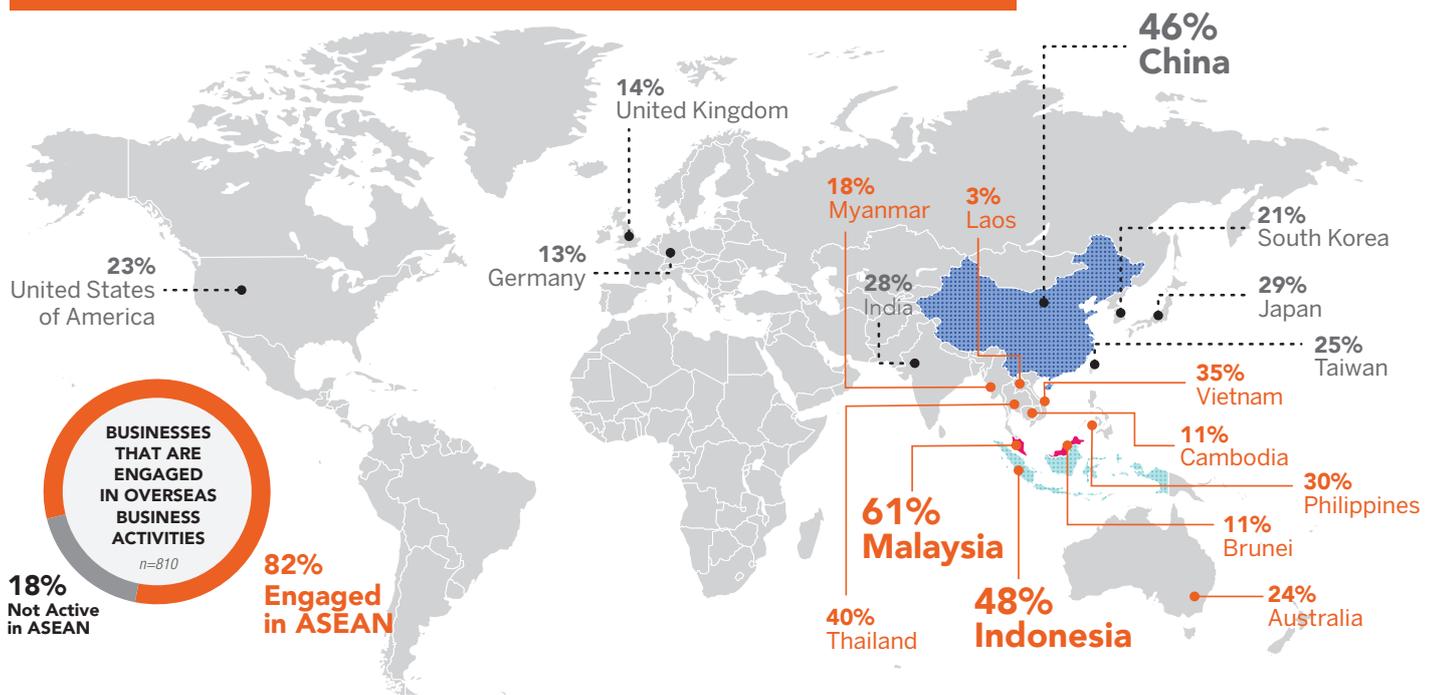
Despite uncertainties over the global business climate, businesses are increasing their presence overseas.

OVERSEAS BUSINESS PRESENCE

8 in 10 businesses report a presence in an overseas market in the past year, up from 7 in 10 last year.



COUNTRIES WHERE SINGAPORE BUSINESSES HAVE OVERSEAS VENTURES



REASONS FOR EXPANSION/CONTRACTION OF OVERSEAS PRESENCE

Increased demand for their products/services, Free Trade Agreements (FTAs) and low-cost labour are the top three reasons why businesses expanded their presence overseas. Those that reduced their presence overseas, however, point to lower demand, stronger competition and US-China trade tensions.

25% EXPANDED

| | |
|---|-----|
| Increased products / services demand | 98% |
| FTAs between Singapore and other markets | 75% |
| Availability of low-cost labour | 60% |
| Trade tensions between US and China | 30% |

21% CONTRACTED

| | |
|---|-----|
| Decreased demand for the products/services | 90% |
| Strong competition from other companies | 90% |
| Trade tensions between US and China | 55% |
| My business has been disrupted | 46% |

55% REMAINED THE SAME

Decimal points have been rounded up. The total may not add up to 100%. n=810

RE-CAP OF KEY SURVEY FINDINGS

1. ECONOMIC UNCERTAINTY WEIGHS ON BUSINESS SENTIMENT

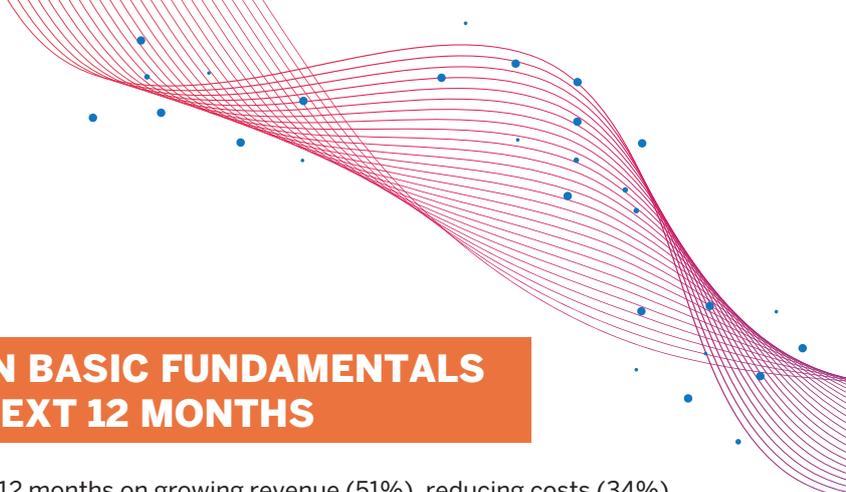
- ▶ Current business sentiment locally and globally remains soft, compared to 2018, as challenges loom on the horizon.
- ▶ Almost half of all businesses (49%) anticipate that the local business environment will worsen in the next 12 months.
- ▶ Local businesses are more optimistic about the business climate in ASEAN, compared to the global region.
- ▶ Businesses highlighted several key concerns, such as increasing business costs, rising wages, uncertainties created by the US-China trade tensions and China's economic slowdown.

2. BUSINESS TRANSFORMATION NOW SEEN AS CRITICAL TO STAY RELEVANT IN TODAY'S ENVIRONMENT

- ▶ More than nine in 10 (94%) Singapore companies affirmed the importance of business transformation.
- ▶ Transformation is now viewed as critical for the business to stay relevant and competitive (78%), improve business efficiency (66%), and cope with changing market conditions (65%). One in two (50%) businesses also see transformation as key to improving customer experience.
- ▶ Two in three (66%) businesses believe adopting new technology is fundamental to their own transformation, though the biggest roadblock is perceived cost.
- ▶ 27% of businesses feel optimistic about generating positive returns from their investment in digitalisation and e-commerce transformation.

3. MANPOWER ISSUES CONTINUE TO TROUBLE SINGAPORE BUSINESSES

- ▶ Of the key challenges facing Singapore businesses, manpower costs have risen to the top (67%).
- ▶ Manpower issues appear to be multi-layered, as businesses reported difficulties with rising labour costs (78%), dealing with tighter government policies on hiring foreigners (48%), and competing to secure the best local talent (44%). Four in 10 (41%) businesses also face challenges in attracting or retaining younger workers.
- ▶ To mitigate these challenges, 25% of Singapore businesses have turned to investing in new systems or processes, while 22% are investing in better training for existing employees.
- ▶ To reduce their dependence on new hires or training, some (19%) businesses are turning to automation and technology.



4. BUSINESSES WILL FOCUS ON BASIC FUNDAMENTALS TO STAY AFLOAT FOR THE NEXT 12 MONTHS

- ▶ Businesses are focusing their efforts in the next 12 months on growing revenue (51%), reducing costs (34%) and ensuring positive cash flow (33%), reflecting a return to business fundamentals.
- ▶ Sustaining a positive cash flow is viewed as vital, as 35% of businesses have faced a credit crunch in the past few months.
- ▶ 70% of firms that offer credit terms to other businesses have suffered moderate to high cash flow issues due to late payments.

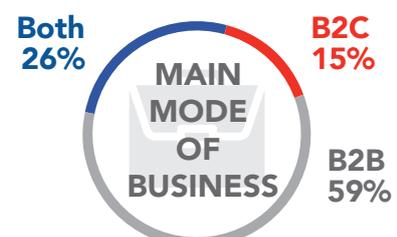
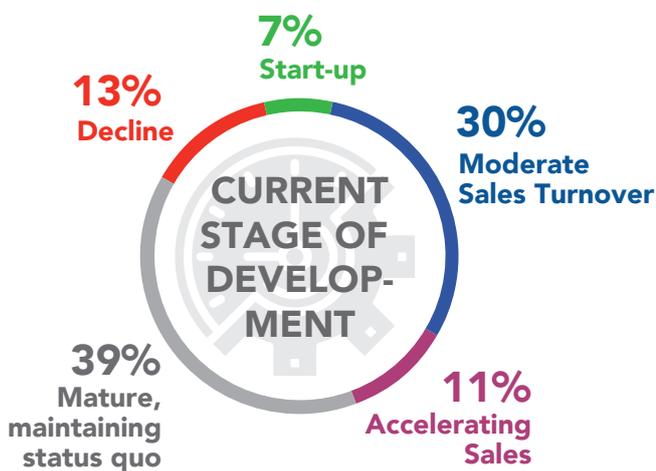
5. BUSINESS EXPANSION CONTINUES IN SPITE OF ECONOMIC UNCERTAINTIES

- ▶ Eight in 10 businesses now have an overseas presence. Compared to previous years, SMEs have picked up their pace of overseas expansion (78% in 2019 versus 68% in 2018). In addition, 41% of businesses reported that more than half of their sales turnover originates from overseas.
- ▶ ASEAN remains the most popular region for expansion. 82% of Singapore businesses report a presence in the region, with Malaysia (61%), Indonesia (48%) and Thailand (40%) as the three most popular ASEAN countries. China (46%), Japan (29%) and India (28%) are the top three countries outside of Southeast Asia.
- ▶ Amongst companies with an overseas presence, 25% indicated that they expanded in 2019. These companies point to increased demand for their products or services (98%), as well as the Free Trade Agreements (FTAs) that Singapore has secured with other countries (75%) as crucial to their overseas business growth.

6. TAX REDUCTION/REBATES TOP BUDGET 2020 WISH LIST

- ▶ Both large companies and SMEs rank tax reduction (55%) and rebate (55%) as the top two priorities for Budget 2020.
- ▶ Additionally, they are keen to see support in other areas such as easier access to information and resources from government agencies (49%), incentives for industry-related training (47%) and corporate venturing (47%).

COMPANY CHARACTERISTICS



Decimal points have been rounded up. The total may not add up to 100%.

n=1018

ABOUT SBF



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

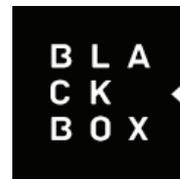
If you would like to contribute to the SBF National Business Survey 2020/2021, please indicate your interest via email to research@sbf.org.sg.

For more information about SBF, visit www.sbf.org.sg.



Survey conducted by
Strategy & Development Division, Research & Publishing,
Singapore Business Federation

In collaboration with
Blackbox Research



Supporting Organisations



If you require any clarifications, kindly contact research@sbf.org.sg.