

UOB Business Outlook Study 2026

(SMEs & Large Enterprises)

H1 2026

 Singapore



Introduction

The UOB Business Outlook Study, now in its seventh year, provides a comprehensive view of Singapore's business landscape, covering both SMEs and Large Enterprises.


From 2026 onwards, the survey is being conducted every six months to better capture rapid geopolitical and economic shifts and provide timely insights for decision-makers.

This H1 2026 report features core and pulse topics. Core topics include Business Sentiment, Sustainability, Digitalisation, Supply Chain Management, and Overseas Expansion, which are tracked over time to gauge evolving conditions and how businesses respond to them.

Pulse topics such as AI Adoption, Energy Management, and Supply Chain Resilience focus on emerging areas that are expected to grow in significance for businesses. They offer a forward-looking view, helping firms anticipate their needs and better equip themselves in the future.

By examining these areas, the study aims to equip businesses with the insights needed to navigate challenges and seize opportunities in the years ahead.

What

 Total of 381 interviews, 15 mins online interviews conducted in January 2026


Classification


 **Small Enterprises**
Annual turnover of < SGD 30m

 **Medium Enterprises**
Annual turnover of SGD 30m to <100m

 **Large Enterprises**
Annual turnover > SGD100m

Who

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

 Small Enterprises, Medium Enterprises, Large Enterprises

Coverage

 Manufacturing, Engineering & Industrials

 Construction & Real Estate

 Professional & Business Services

 Consumer Goods & Wholesale Trade

 Health, Community & Personal Services

 Tech, Media & Telecom



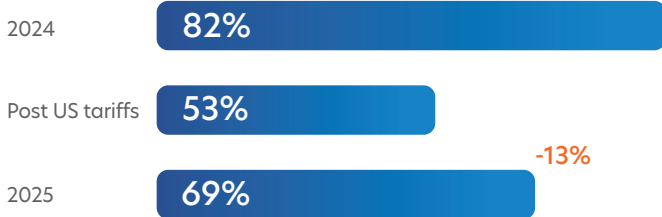
"Businesses are operating in an increasingly challenging environment, with geopolitical tensions and rising costs intensifying since 2024 and with outlooks softening, companies are looking beyond short-term cost pressures. The growing demand for digitalisation and sustainability capabilities signals clear intent by business to build resilience and position for sustainable growth amid continued uncertainty."

Eric Lian

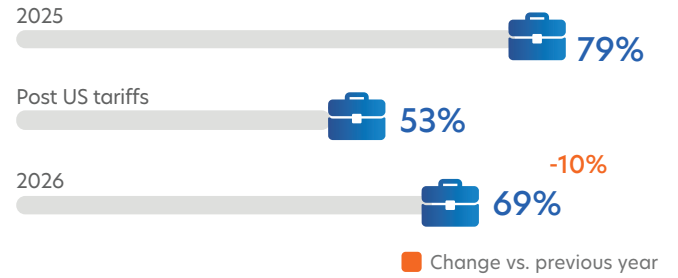
Head, Group Commercial Banking, UOB

Business sentiment and outlook have rebounded from the impact of last year's US tariffs, but remain at relatively low levels

Positive about current business environment



Positive about business outlook



Businesses prioritise digitalisation and skills for growth, alongside sustainability, expansion and supply chain diversification

Top business priorities in next 1-3 years



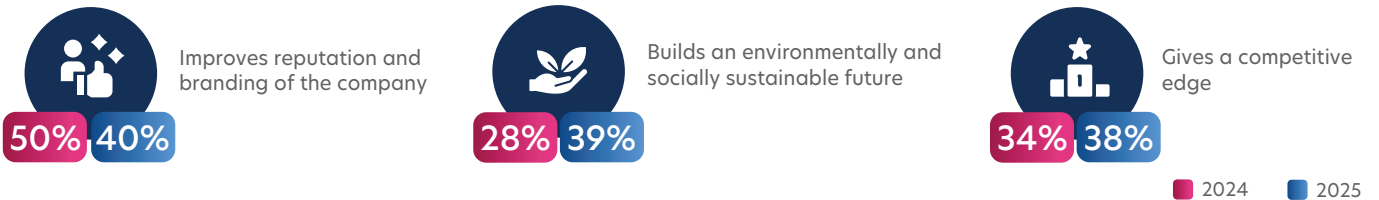
Digitalisation is delivering by enhancing productivity, improving customer experience and strengthening data protection

Impact of digitalisation



Sustainability has now become less about reputation and more about sustainable future and competitive edge

Top reasons for sustainability importance



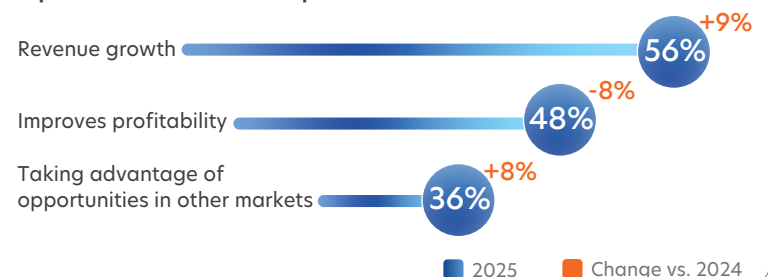
6 in 10 companies expect to grow their supplier network over the next 12 months

Supplier diversification plans



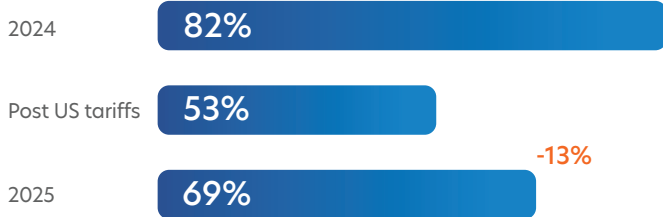
Revenue, profitability, and access to opportunities are the primary drivers of overseas expansion

Top drivers for overseas expansion

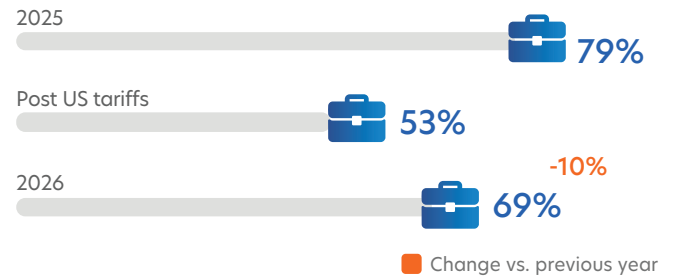


Business sentiment and outlook have rebounded from the impact of last year's US tariffs, but remain at relatively low levels

Positive about current business environment



Positive about business outlook



At the same time, businesses are grappling with rising operational and manpower costs and heightened geopolitical tensions

Top macro factors impacting businesses in 2025



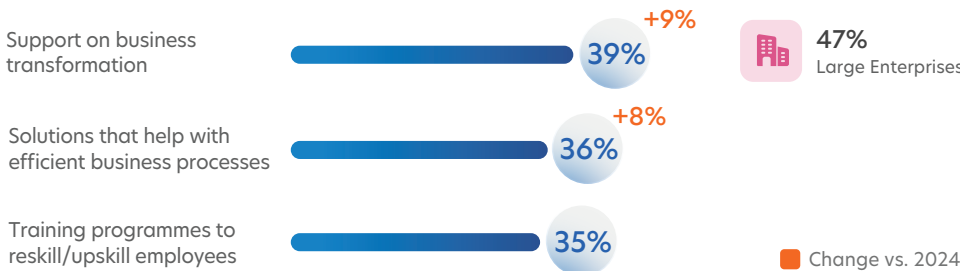
In response, businesses are prioritising digitalisation and workforce upskilling to drive future growth

Top business priorities in next 1-3 years

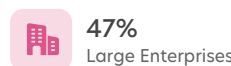


Major need emerges for business efficiency solutions and business transformation

Support sought for business success in 2026 and beyond



Higher in



Larger businesses with multiple business lines are more impacted by trade shifts and geopolitical challenges leading to seeking more transformation support in 2026



Stronger digital adoption among larger businesses as they stand to benefit more from it with fewer small businesses digitalising their companies



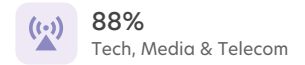
Most businesses have already gone digital, with 8 in 10 adopting digital tools in at least one department

Digital adoption



Top adopters

By sector

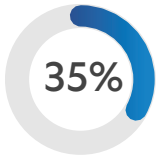


By business size



Digitalisation is delivering by enhancing productivity, improving customer experience and strengthening data protection

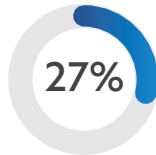
Impact of digitalisation



Increases productivity and efficiency

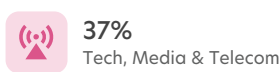
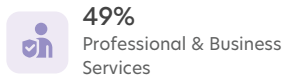


Improves customer experience



Gives better data protection and data security

Higher in



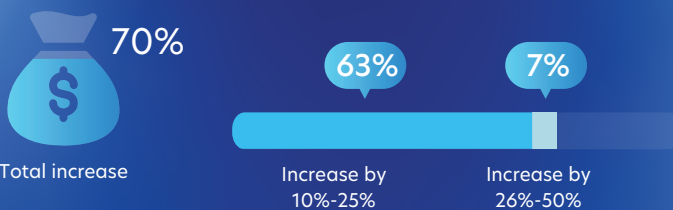
“Digital adoption has stabilised, though larger firms continue to lead and many businesses are still early in translating investments into real outcomes. Today, companies are already using digital tools in at least one part of their operations, and seven in 10 plan to do more to lift productivity and develop new offerings. Digitalisation is increasingly being used as a strategic lever to lower costs in the longer term by achieving operational efficiency and raising productivity. Beyond banking, we invest in practical digital solutions so SMEs can strengthen their day-to-day operations, improve efficiency, and build resilience – making it easier for them to access capabilities and growth opportunities.”

Kavita Bedi

Head, Group SME Banking, UOB

Encouraged by these results, 7 in 10 businesses have planned increased digital investments in 2026 vs. 2025

Future expenditure on digital solutions in 2026 vs. 2025



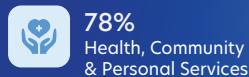
Total increase

Increase by 10%-25%

Increase by 26%-50%

Top spenders

By sector



By business size



6 in 10 businesses have adopted AI solutions, but most remain in the early stages, with Large Enterprises leading overall adoption

AI adoption



49%

Early adoption



10%

Advanced adoption



59%

Total adoption

Higher in

Total adoption



70%

Large Enterprises

Advanced adoption



23%

Professional & Business Services

Advanced adoption is taking place among businesses with direct or hands-on leadership by top management

Top management involvement



41%

Early AI adopters



72%

Advanced AI adopters



46%

Total AI adopters



Top management provides a more direct or hands-on involvement among the Professional & Business Services sector (70%) and Large Enterprises (51%)

"AI is no longer a future capability but a current imperative. Organisations that embed AI into their operations will be better positioned to enhance decision-making, strengthen resilience, and stay competitive in an increasingly digital economy. Realising these outcomes anchors on critical elements, including leadership that walks the talk - aligning mindset and commitment, sustaining investment in infrastructure, and executing with discipline."

Alvin Eng

Head of Enterprise AI, UOB

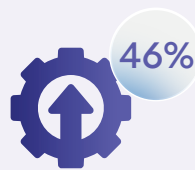
Businesses are seeing clear ROI for AI adoption through cost reduction, productivity gain and customer engagement

Expected ROI from AI deployment



47%

Cost reduction



46%

Productivity gains



46%

Improved customer satisfaction and customer engagement

Higher in



72%

Health, Community & Personal Services

Confident of the positive outcomes, most businesses have higher AI budgets in 2026

AI budget planned for 2026

Net increase



81%

Increase upto 25%



47%

Increase more than 25%



34%

Sustainability adoption has stagnated since 2024

Sustainability implementation



Small Enterprises lag in sustainability adoption at 37%, compared with 61% among Large Enterprises



"Sustainability remains firmly on the agenda, even as momentum moderates amid macro uncertainty and concerns over energy and resource security. Many ASEAN businesses are recalibrating their approach, shifting focus from ambition to business impact, with energy efficiency emerging as a practical starting point to manage costs, strengthen energy resilience and stay competitive. We partner businesses with practical, fit-for-purpose sustainable finance approaches that help them understand, unlock and sustain the economic value of sustainability through cycles, supporting steady and credible long-term growth."

Adrian Ow

Head, ESG Strategy, UOB

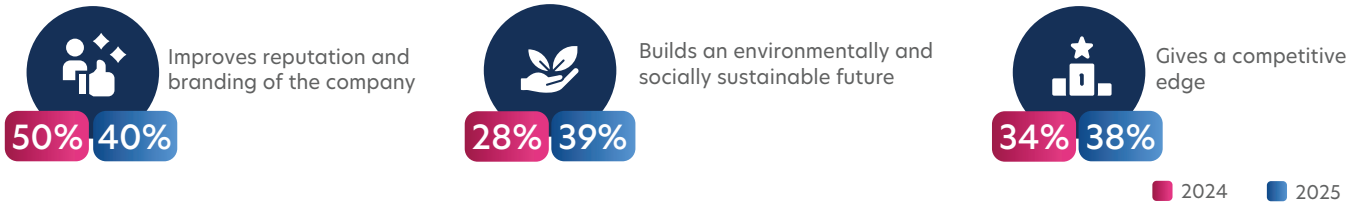
Importance of sustainability has declined, slipping back to nearly 2023 level

Importance of sustainability



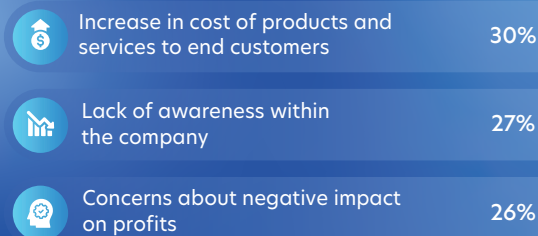
Sustainability has now become less about reputation and more about sustainable future and competitive edge

Top reasons for sustainability importance



Adoption continues to be constrained by cost and profitability concerns, compounded by limited awareness

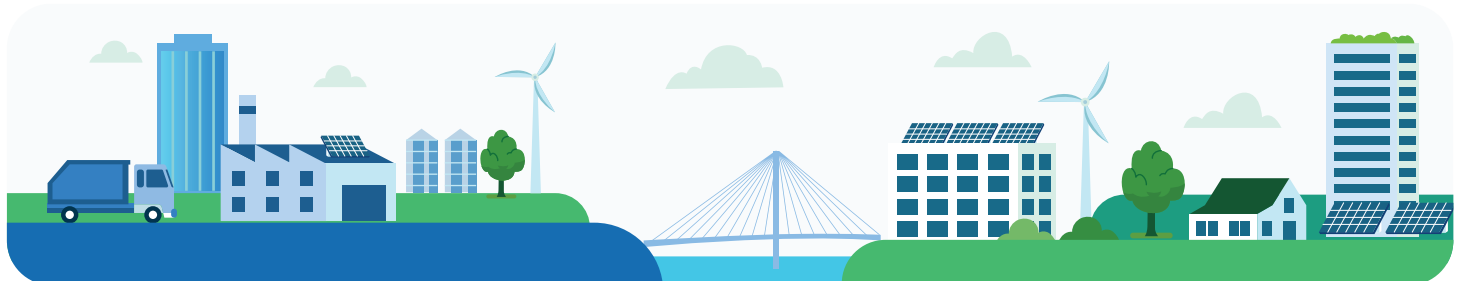
Top barriers



Higher for

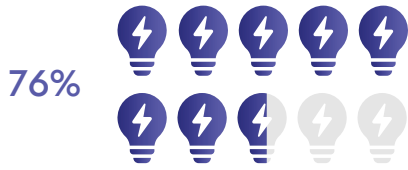


Larger businesses with multiple business lines struggle with sustainability, leading to increased costs to end customers



Energy management is important to 3 in 4 businesses, with higher interest among medium and large businesses

Very or somewhat important

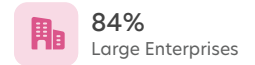
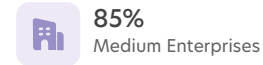


Higher importance

By sector



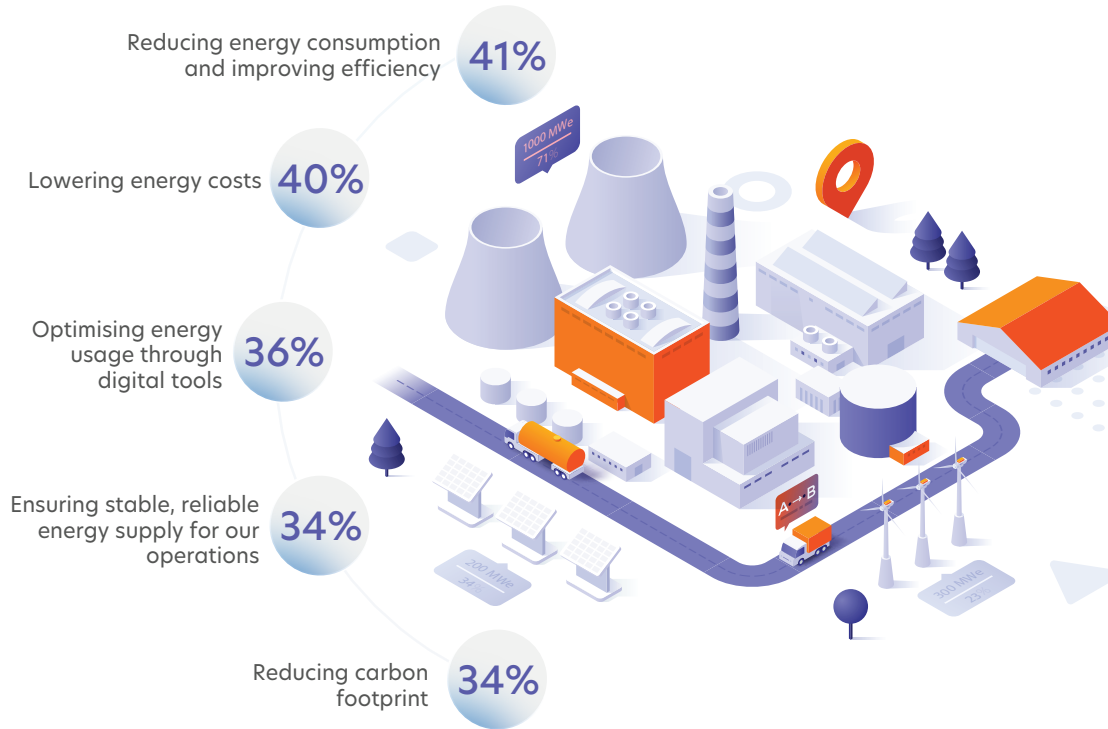
By business size



Reducing consumption and lowering costs are key energy priorities for 2 in 5 businesses

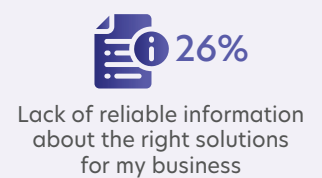
Top interest areas

In addition to energy savings, businesses are interested in digital energy optimisation and securing stable power for operations



Energy management goals are held back for 1 in 3 businesses due to high upfront costs and lack of expertise

Top barriers

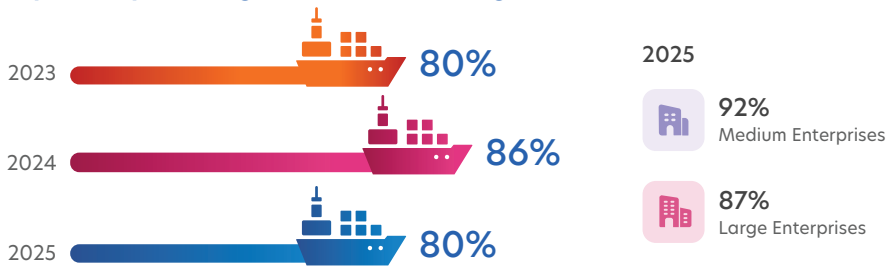


A good mix of technological, policy and reporting support is needed to enable businesses meet their energy management goals

Top support areas



The importance of supply chain management remains high especially among medium and large businesses



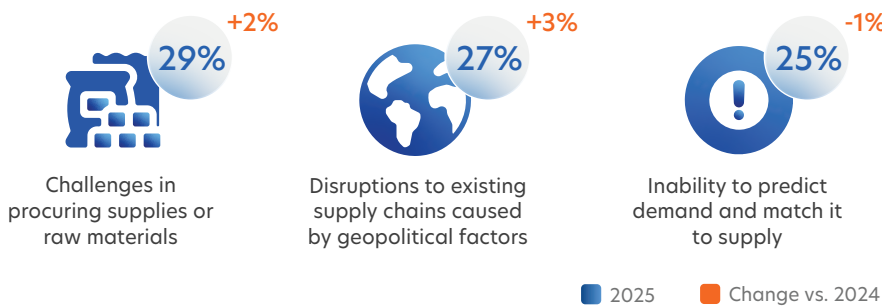
"Businesses are seeing fewer immediate supply chain disruptions, reflecting efforts to diversify suppliers, regionalise sourcing and manage inventory shocks. However, rising regulatory complexity around local content and country-of-origin rules is creating new friction.

Today's supply chain must be agile, digitally enabled, sustainable and fit-for-purpose in a complex and volatile environment. This is where we partner business to strengthen their supply chain ecosystem through our digital systems and structured advisory, enhancing efficiency across their working capital financing cycle to build resilient supply chains across the region."

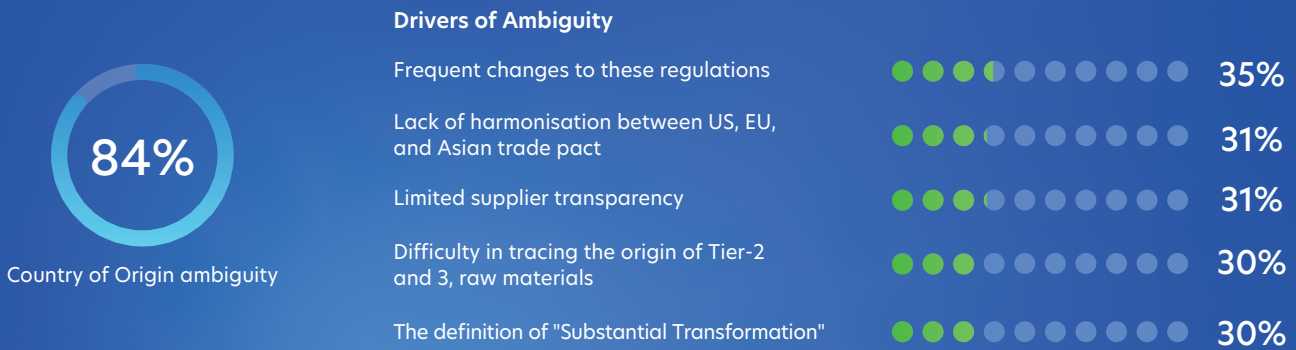
Ng Poh Yee

Head, Trade/ Financial Supply Chain Management Sales, UOB

Procurement and inventory management remain the top challenges in supply chain management



Ambiguity about local content and origin rules presents another challenge, driven by evolving regulations, limited harmonisation, and low supplier transparency



Supplier diversification and tighter inventory practices are key measures adopted by businesses to enhance supply chain stability

Steps to stabilise supply chain management



6 in 10 companies expect to grow their supplier network over the next 12 months

61%
Supplier diversification plans



Primary goal of expansion

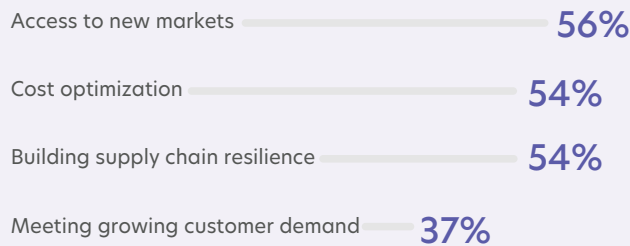
61%
More regional suppliers within the ASEAN region

23%
More suppliers within the country

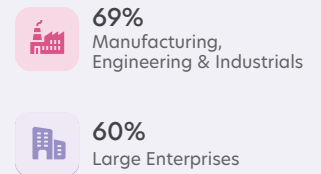
Cost optimisation and access to new markets are the primary drivers for supply chain expansion

MFG, Engg. & Industrials and Large Enterprises are more cost sensitive and therefore stand to benefit more from supply chain expansion

Reasons for supply chain expansion

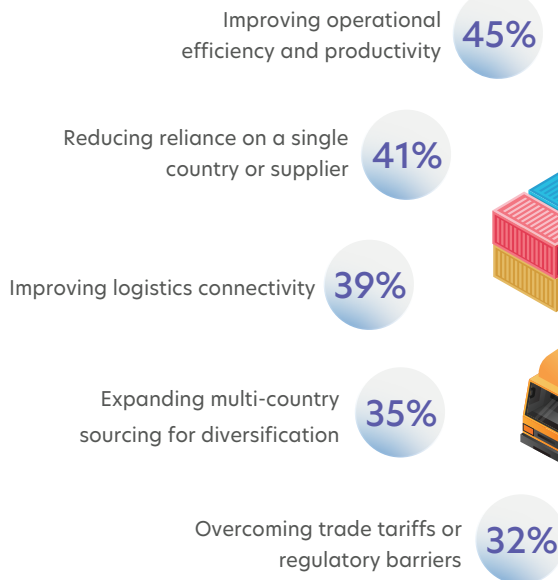


Cost optimization



Hence, supply chain resilience efforts are increasingly centred on efficiency and connectivity improvements

Top supply chain resilience strategies



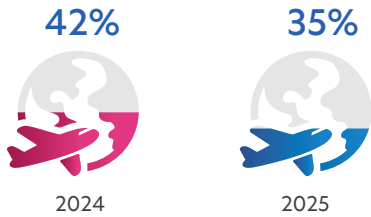
Solving technology integration challenges can drive further digital innovation among businesses leading to greater supply chain resilience

Top challenges in building supply chain resilience

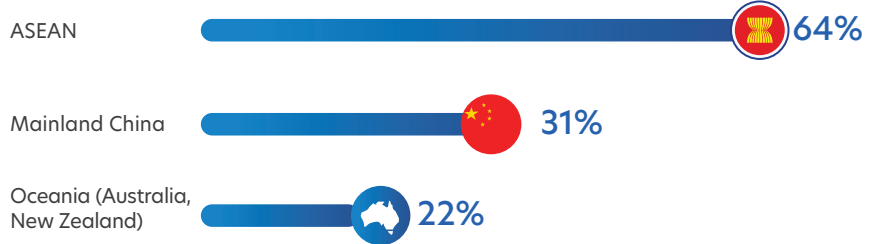


A third of businesses have expanded overseas in 2025, with ASEAN being the most dominant destination

Overseas expansion

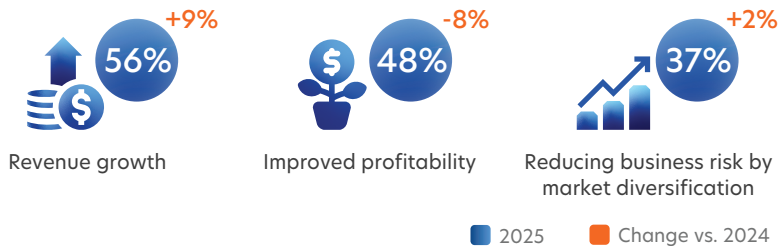


Markets expanded into



Revenue, profitability, and access to opportunities are the primary drivers of overseas expansion

Top drivers for overseas expansion

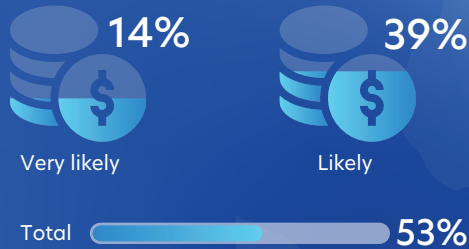


"ASEAN is firmly in the spotlight as businesses prioritise the region as their primary growth market. This study notes that expansion across ASEAN is being driven by the pursuit of topline growth, closer access to customers and the need to de-risk supply chains. As this region emerges as a key FDI destination, businesses are committing significant capital as they position themselves closer to demand and build more diversified, resilient operating models."

Sam Cheong
Head, Group FDI Advisory, UOB

More than half businesses intend to invest overseas, with ASEAN being a primary FDI destination

FDI plans



Markets



Proximity to customers and China+1 strategy for diversification are the top drivers for FDI

Reasons for FDI

