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The State of Small and Medium Businesses Singapore 2025

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Singapore is home to more than 300,000 SMBs that account for about 99% of all enterprises, contributing significantly to employment and GDP.¹



¹ As of 2024; based on data from the Singapore Department of Statistics

Foreword

Small and medium businesses (SMBs) are the heartbeat of Singapore's economy, powering innovation, supporting families, and giving each neighbourhood its unique character. From traditional kopi stalls to trendy cafes, creative agencies to tech start-ups, SMBs form the everyday backbone of the nation.

While every business is on the lookout for growth and revenue opportunities, there is no doubt that they are operating in an environment that challenges them every day, whether it's rising operating costs, shifting consumer demands or a volatile and uncertain macroeconomic landscape.

Polling over 500 SMBs in Singapore, Xero set out to get a pulse check on these businesses, to understand their growth ambitions, wage and hiring trends, and challenges when it comes to ensuring financial resilience.

We found that despite a challenging economic climate, Singapore's SMB community remains remarkably resilient. It's a sentiment that speaks to the grit and adaptability long associated with Singapore's SMB owners, but it's also one that may soon be tested. These findings were captured before ongoing global tariff actions, which have disrupted global supply chains and led the Singapore government to revise its [2025 GDP growth forecast](#) and establish a new [task force](#) in response.

In light of this, financial health is more vital than ever. When cash flow is unpredictable and payment terms are stretched, SMBs can quickly find themselves in a tight spot. For SMBs, many of whom operate with limited buffers, late invoices or delayed payments can have a significant impact.

Encouragingly, our findings reveal that nearly two-thirds (63%) of SMBs reported revenue growth over the past year, driven by new products, bold market moves, increased customer demand, and the relentless drive typical of Singapore's enterprising spirit. Moreover, more than three-quarters (77%) reported wage increases within their business, while nearly half (47%) increased headcount in the past year, mainly to support business expansion (69%). And while 61% are feeling the heat from inflation and rising costs, a striking 76% of business owners say they feel positive about the future.

Key findings from the report include:

- Cost pressures, cash flow issues, and compliance remain ongoing concerns
- Singapore's SMBs remain growth-focused despite economic headwinds
- SMBs are investing in talent and wage growth to stay competitive
- SMBs are turning to digital tools to unlock new efficiencies

As a long-term partner to Singapore's small and medium businesses, Xero continues to tap into the needs of SMBs and help support this journey. This report provides a timely snapshot of the state of play, celebrating the tenacity of local SMBs, unpacking the challenges they face, and highlighting how better financial management and smart technology adoption can empower them to make more confident decisions and thrive, no matter what lies ahead.

Koren Wines,
Managing Director, Xero Asia

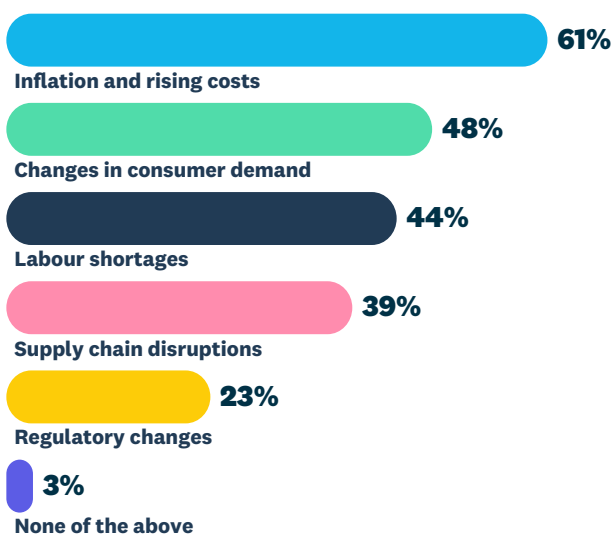


Trend #1: SMBs face economic pressures on multiple fronts

SMBs in Singapore across all industries surveyed are contending with economic and operational challenges. Inflation and rising costs emerged as the top external challenge for six in ten (61%) businesses, highlighting a need for cost management, price adjustments, or operational efficiency strategies.

Rounding off the top three external challenges faced by local businesses are changes in consumer demand (48%) and labour shortages (44%).

External challenges experienced by businesses



Q: Has your business been impacted by any of the following external factors? [Respondent could choose multiple] (Base size: Total - 504)

The findings align with [data](#) from the Singapore Business Federation, which highlighted rising business costs as a key challenge for local businesses. Inflation and rising costs are likely to have been a result of global economic uncertainty that can have an impact on investment levels, consumer spending, employment, and supply chains, which in turn lead to increased costs.

Several sectors also appear to be facing unique pressures. While inflation and rising costs are affecting the most number of businesses overall, changes in consumer demand were most likely to impact businesses in Wholesale Trade and Financial and Insurance Services, suggesting that consumers may be spending more cautiously.

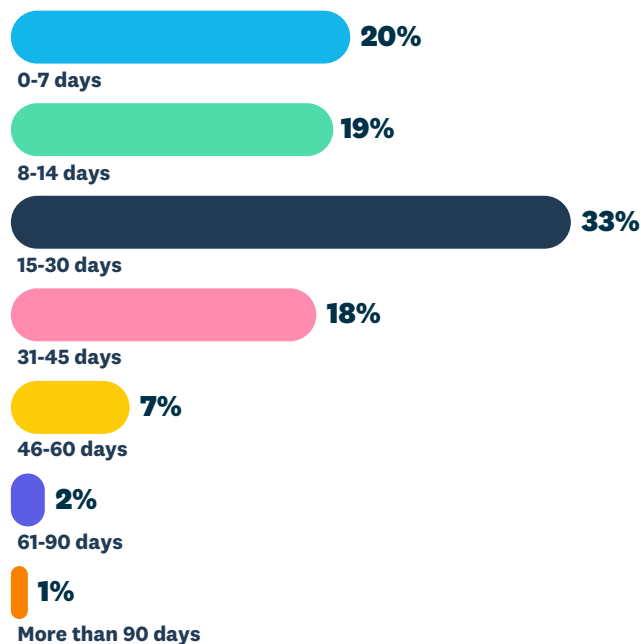
Labour shortages are most acutely experienced by businesses in Wholesale Trade, as well as among

businesses with 21-50 employees. This could also indicate a potential avenue for automation, upskilling, or alternative resourcing strategies, especially among firms with a smaller pool of employees.

Payment timelines weighing on cash flow

Findings indicate that 90% of customer payments arrive within an average of 45 days. While there is no official standard for payment timelines, 15-30 days is the most common timeframe, reported by 33% of businesses. However, nearly a fifth (18%) are receiving payments in 31-45 days, with timelines stretching to 46-60 days for 7% of businesses surveyed.

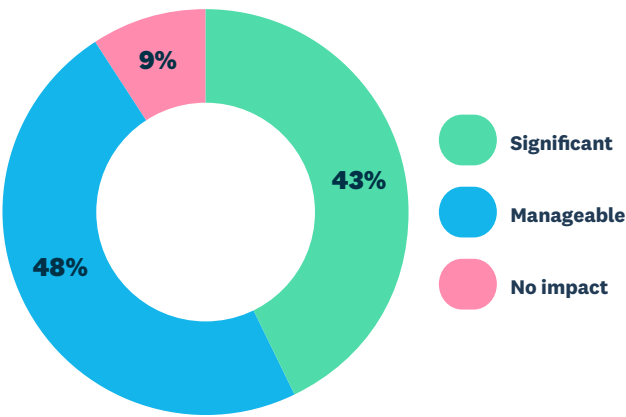
Average customer payment timeframe



Q: What is the average time it takes for your business to receive payments from customers? (Base size: Total - 504)

Ensuring prompt payment within agreed timelines is crucial for sustained cash flow, especially for SMBs. Due to their limited resources, lengthy payment timelines or late transactions can have a direct impact on their operational stability and growth potential. The repercussions of late payments on the business were acknowledged by nine in ten (91%) respondents, with four in ten (43%) indicating that the impact is significant.

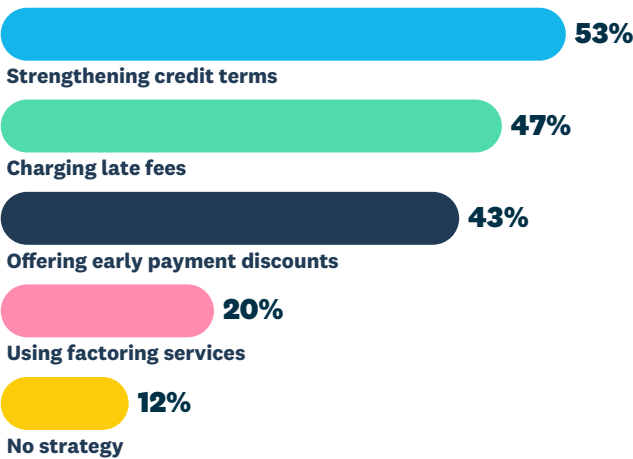
Impact of delayed payments



Q: Have delayed payments from customers impacted your business?
(Base size: Total - 504)

To mitigate risks to business continuity, measures are being adopted to ensure timely payments. The top three tactics used by SMBs include strengthening credit terms (53%), charging late fees (47%), and offering early payment discounts (43%). The latter may suggest that SMBs are willing to absorb a minor discount in order to maintain a healthy cash flow.

Measures undertaken to ensure timely payment



Q: What measures do you take to ensure timely payments from customers? [Respondent could choose multiple] (Base size: Total - 504)

Financial reports are essential, but obstacles exist

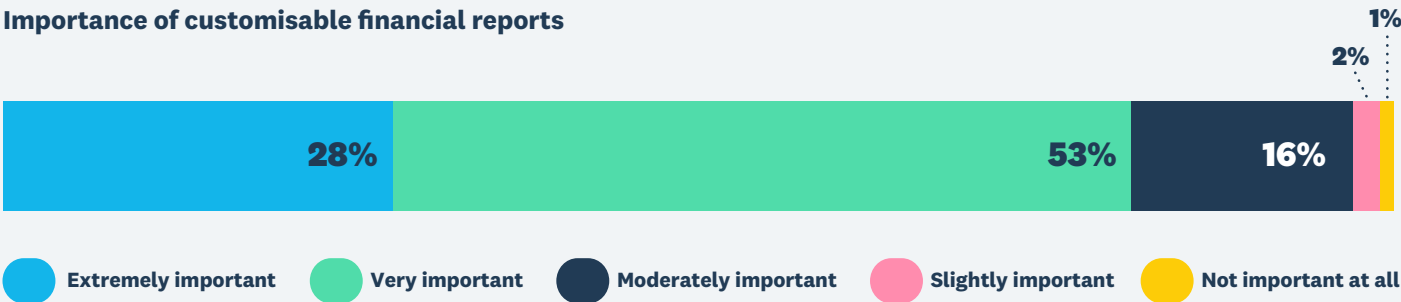
Customisable financial reports are highly valued by Singapore businesses, with eight in ten (81%) considering them extremely or very important. These reports are likely to be valued for their ability to empower businesses with tailored insights into their performance, enabling informed decision-making and strategic adjustments for sustainable growth.

However, several key obstacles remain in generating such reports, with many appearing to be data-related. About half are citing a lack of real-time

access to financial information (52%) and difficulty consolidating data from various sources (49%), with a fifth (21%) also contending with inadequate staff training on financial reporting software.

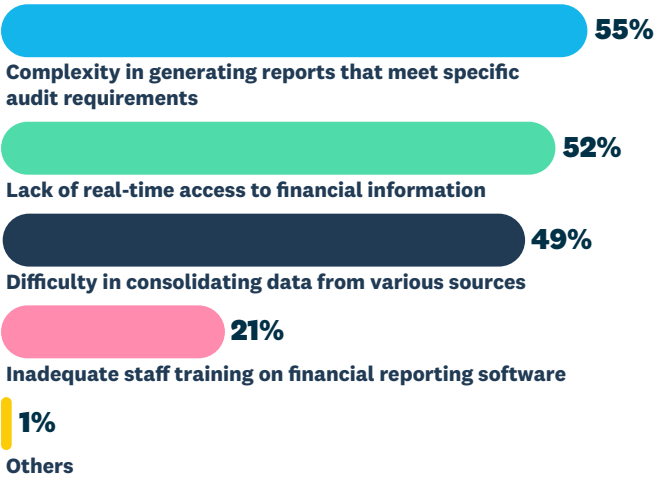
These challenges may have led to difficulties generating reports that meet specific audit requirements, experienced by 55% of businesses. This could have contributed to regulatory changes becoming a challenge faced by nearly a quarter of businesses surveyed.

Importance of customisable financial reports



Q: How important is the ability to generate customisable financial reports for your SMB's internal audit and regulatory compliance?
(Base size: Total - 504)

Challenges with financial reporting



Q: What are the primary challenges your business faces when generating financial reports? [Respondent could choose multiple]
(Base size: Total - 504)

Digitalisation to power business adaptability and resilience

With ongoing economic pressures, SMBs cannot afford to operate with inefficiencies. This has made digitalisation a mission critical pillar for SMBs. The implementation of technologies such as AI – especially for data-intensive tasks - can unlock new levels of efficiency and productivity for SMBs, driving strategic growth and resilience for the long haul.

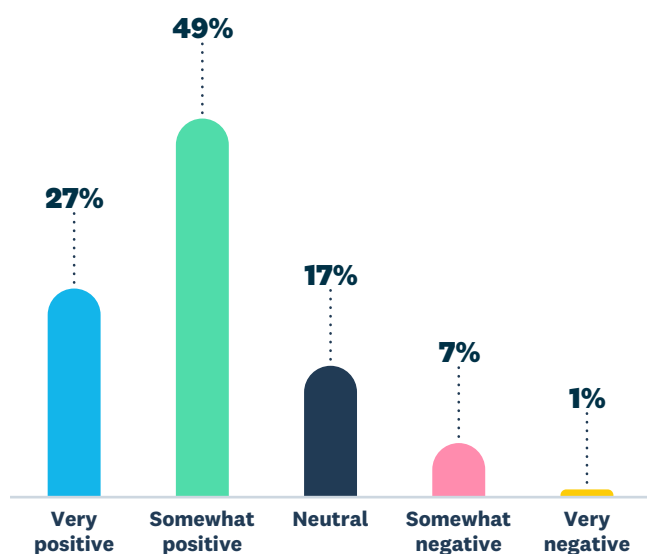


Trend #2: Despite economic headwinds, Singapore's SMBs are betting on growth

Singapore's SMBs have long been a symbol of resilience and this year is no different. Despite global economic uncertainty, mounting inflation, and evolving trade dynamics, local SMBs are pressing ahead with ambition, innovation, and a strong belief in their ability to grow.

Despite uncertain times, encouragingly, over three-quarters of businesses in Singapore (76%) told us they have a positive outlook for the future of their business. This aligns with recent [findings](#) that many more Singapore businesses expect to grow and innovate this year.

Economic outlook among Singapore businesses

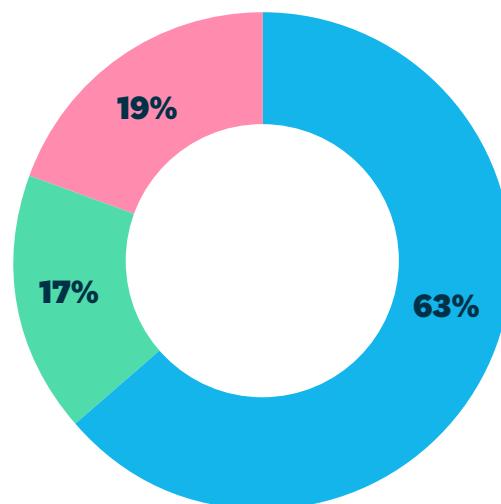


Q: Which of the following best describes the current economic outlook for your business? (Base size: Total - 504)

The most positive outlooks were recorded in the Information, Media & Telecommunications - IMT (82%), Manufacturing (82%), Accommodation and Food Services (81%), and Retail (81%) sectors. Notably, the IMT sector continues to be a key driver of national growth, bolstered by Singapore's [Smart Nation](#) initiative and the country's role as a leading regional technology hub.

A clear majority of SMBs in Singapore (63%) reported revenue growth over the past year. The top three drivers of growth provide interesting insight: over half (56%) of businesses pointed to new offerings, 49% saw gains from stronger customer demand, and 48% attributed growth to market expansion. This suggests that many of Singapore's SMBs are not only innovating, but also looking beyond the city state's shores—or to untapped segments at home—to diversify and grow.

Revenue trends

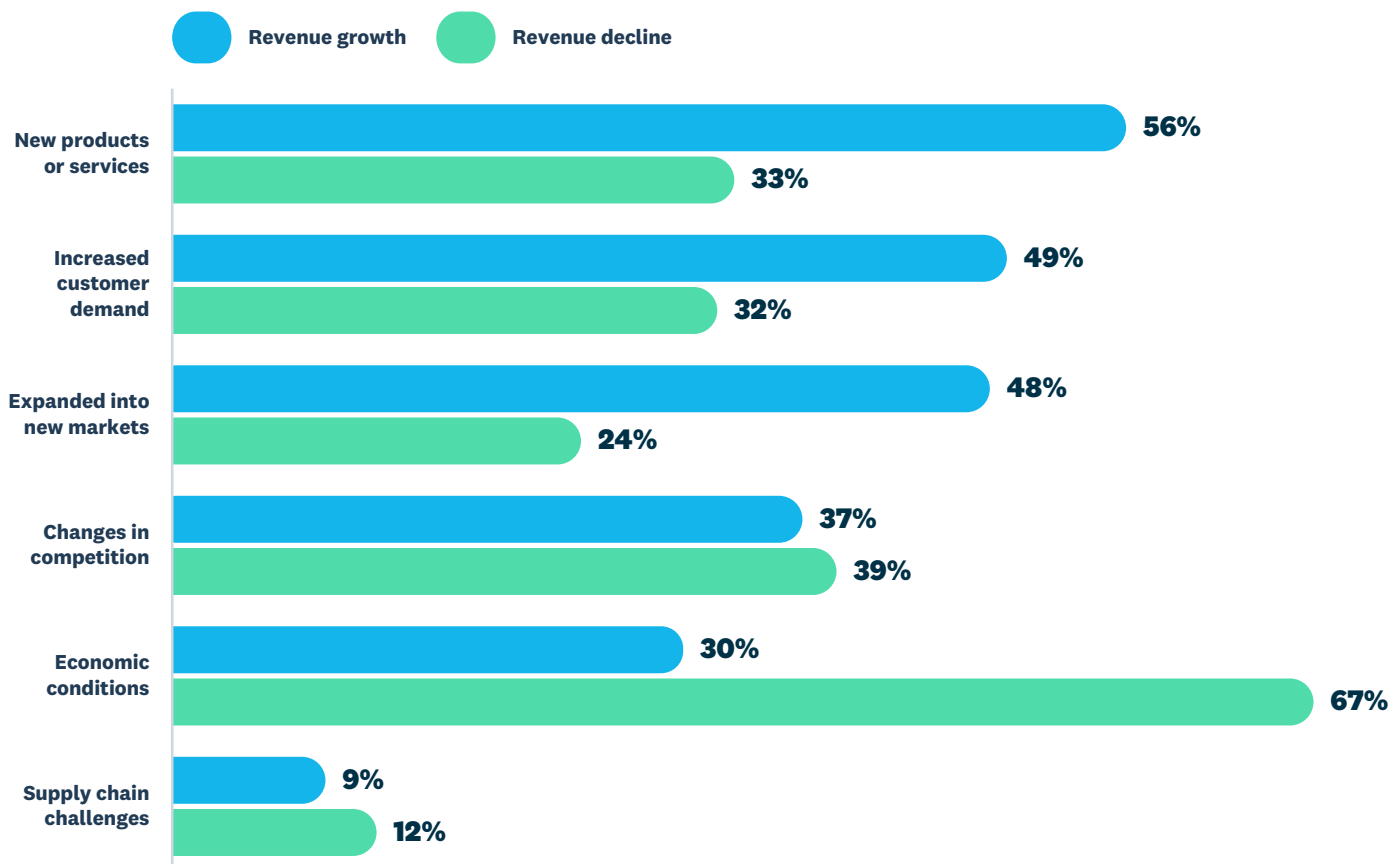


Revenue increased Revenue remained stable Revenue decreased

Q: How has your business's revenue changed in the past 12 months? (Base size: Total - 504)



Factors driving revenue changes



Q: What are the main drivers of revenue changes in your business? [Respondent could choose multiple]
 (Base size: Those who experienced revenue increase - 320; Those who experienced revenue decline - 98)

It's a trend echoed by the [Singapore Business Federation](#), which reported in 2024 that more firms are earning a meaningful chunk of their revenue from overseas markets. It is also reflective of ongoing [government support](#) to help local SMBs explore global opportunities through grants or access to international networks.

That said, it's not smooth sailing for everyone; around one in five businesses (19%) experienced revenue decline, hinting at potential underlying operational or financial strain that warrant closer attention. Several factors appear to be contributing to these revenue dips. Unsurprisingly, broader economic conditions topped the list, with 67% of affected businesses citing the tough macro environment as a key pressure point.

Interestingly, increased customer demand was also mentioned by 32% of respondents. On the surface, that sounds like a positive development for a business, but in reality, it can expose cracks in capacity or service delivery. For example, businesses may struggle to meet surging demand due to manpower shortages, supply chain bottlenecks, or outdated systems.

Preparing for what's next

Singapore's SMBs are showing remarkable optimism and adaptability in the face of uncertainty. But growth brings complexity, and ambition must be matched with agility. As businesses launch new offerings, expand into fresh markets, and respond to rising demand, maintaining financial clarity and operational control is more important than ever - especially as global economic conditions remain volatile.

In a fast-moving environment, a business' success depends on having real-time visibility into its finances, the ability to pivot quickly, and access to the right digital tools. With strong systems and the right support in place, SMBs can not only navigate economic challenges but turn them into opportunities for long-term growth.

Trend #3: SMBs are committing to talent development and wage growth to meet market pressures

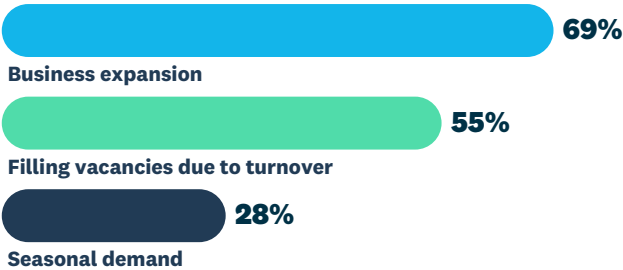
The data shows that it’s not just revenue that’s growing, jobs are too. Nearly half (47%) of SMBs increased headcount in the past year¹, mainly to support business expansion (69%) and to fill long-standing vacancies (55%). This hiring momentum is indicative of a resilient SMB sector that’s preparing for future demand, even as the broader economic outlook remains mixed.

At the same time, about 41% of businesses kept headcount steady, possibly indicative of a “wait and see” approach to market demands or simply, that their current teams are meeting demand. While employers remain cautiously optimistic about hiring in early 2025, talent shortages persist per the latest [ManpowerGroup Global Talent Shortage Survey](#), especially in skilled roles across IT & data, engineering, and operations and logistics. These gaps are likely placing upward pressure on wages and making recruitment more competitive than ever.

According to Xero’s findings, a smaller group (12%) downsized, most commonly due to declining sales or the need to cut costs. Interestingly, about a quarter (23%) of those who reduced staff did so as part of broader automation or efficiency upgrades—a reminder that digital transformation remains an active force.

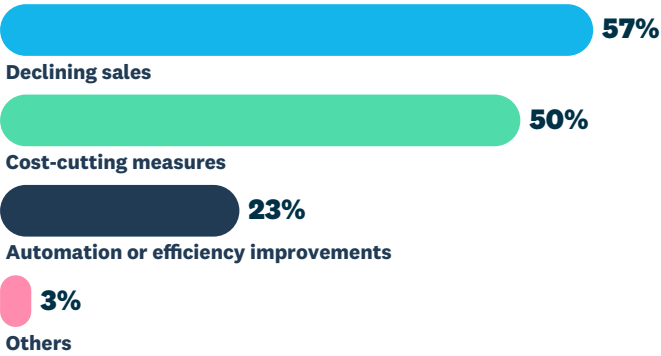
¹ Q: How has your business’s total number of employees changed in the past year? (Base size: Total - 504)

Reasons for increasing headcount



Q: If you hired new employees, what was the main reason? [Respondent could choose multiple] (Base size: Those who increased headcount - 239)

Reasons for reducing headcount

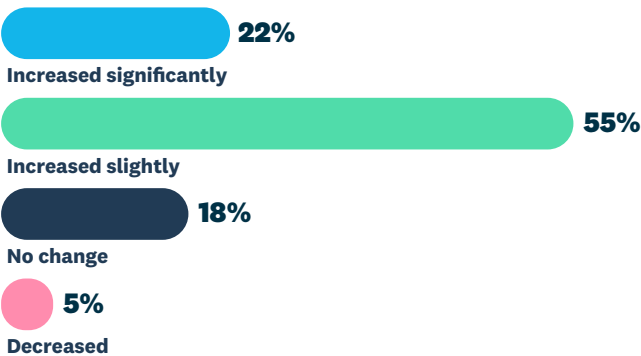


Q: If you reduced staff, what was the primary reason? [Respondent could choose multiple] (Base size: Those who decreased headcount - 60)

Wages growth a response to retention, inflation, and competitiveness

On the wage front, most businesses are leaning in - 77% gave their teams a pay bump last year, with nearly a quarter (22%) offering significant increases, pointing to strong competition for talent and a desire to retain people in a tight labour market.

Wage changes over the past year



Q: How have wages in your company changed over the past 12 months? (Base size: Total - 504)

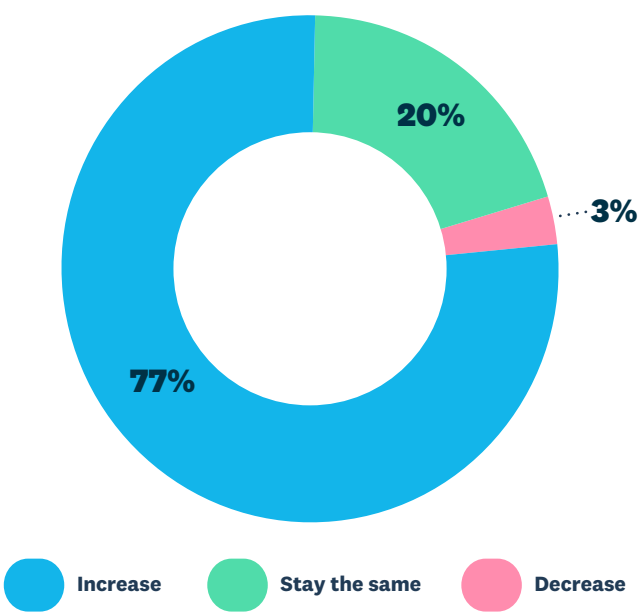
Factors influencing wage increase



Q: What factors influenced wage changes in your business?
[Respondent could choose multiple; Chart does not display those who indicated “Others”.] (Base size: Those that increased wages - 387)

This momentum is set to continue: another 77% of SMBs expect to raise wages in the next 12 months. While some of these increases may be modest, they are indicative of a continued shift toward more proactive talent management and better alignment with employee expectations in a cost-sensitive environment.

Wage expectations in the next 12 months



Q: How do you expect wages to change in the next 12 months?
(Base size: Total - 504)

Smarter workforce investment

In Singapore’s dynamic business environment, SMBs that prioritise talent development are positioning themselves for long-term success. Whether it’s hiring to meet new demand, retaining experienced staff, or offering competitive wages to attract talent in a tight labour market, people investment has become a strategic imperative.

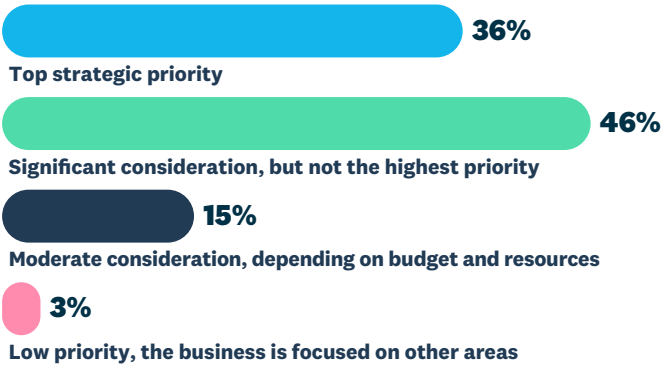
But with rising wage pressures, higher operating costs, and growing competition for skilled workers, these investments need to be grounded in financial clarity. For SMB owners, this means going beyond gut feel and ensuring every staffing decision aligns with broader financial goals. Real-time visibility into cash flow, the ability to model wage increases or headcount changes, and forward-looking financial insights have become essential to staying agile and resilient.



Trend #4: SMBs are embracing digital tools to power the next phase of growth

In one of the world’s most digitally connected societies, it’s no surprise that technology plays an increasingly vital role in how businesses operate and grow. The findings revealed that Singapore’s SMBs are increasingly turning to digital tools to fuel their next wave of growth. More than eight in ten (82%) respondents to our survey say digital adoption is a top or significant business consideration — a clear signal that technology is viewed as essential to competitiveness and continuity.

Views on digital tools adoption



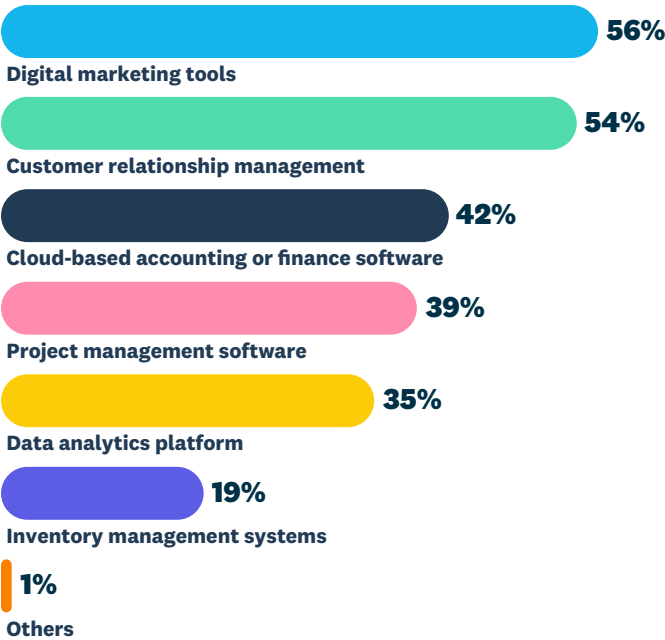
Q: Which of the following best reflects the priority of adopting new digital tools for your business in the next 12 months? (Base size: Total - 504)

This strong orientation towards digital transformation is no accident. It reflects years of government-led initiatives, such as the [Productivity Solutions Grant](#) and the [Enterprise Compute Initiative](#), that have laid the foundation for digitalisation across the economy. In Singapore, policy often provides the blueprint for business direction and this has been particularly evident in the tech enablement of the SMB sector.

While digital comfort levels are generally high (89% are comfortable or very comfortable) — especially among businesses in Information Media and Telecommunications (96%), Financial and Insurance Services (95%), Construction (92%), and Retail (92%) — not all sectors have translated this confidence into rapid adoption. For many, digitalisation remains an important but non-urgent priority, with competing pressures around cost, compliance, and workforce management often taking precedence.

However, where digital tools have been adopted, they are making a meaningful impact. Digital marketing platforms (56%), customer relationship management (CRM) systems (54%), and cloud-based accounting or finance software (42%) are the most widely used tools. These solutions enable businesses to strengthen customer engagement, manage financial performance, and improve resilience in a volatile environment.

Types of digital tools/solutions used



Q: Which of the following types of digital tools or solutions, if any, are currently being used within your business? [Respondent could choose multiple] (Base size: Total - 504)



Motivations for using digital tools



Q: What are the main motivations driving your adoption of digital tools? [Respondent could choose multiple; Chart does not display those who indicated "Others".] (Base size: Total - 504)

Importantly, the appetite for innovation remains strong. A resounding 99% of SMBs see digital tools as essential to their business¹; 99% say they are comfortable experimenting with or adopting new technologies².

This openness may well be attributed to the Singapore Government's early and continued investment in emerging technologies, including artificial intelligence and machine learning. These efforts have helped normalise the use of advanced digital solutions even among traditionally non-tech sectors.

Technology as a business multiplier

These trends reinforce the broader view of technology as a business force multiplier — one that improves productivity, drives operational efficiencies, and empowers smarter, data-informed decision-making.

Adopting the right digital tools is increasingly becoming a make-or-break factor for long-term success, where technologies like AI and advanced analytics not only automate routine tasks, but also deliver real-time insights that support faster, more confident decision-making.

However, digital tools must solve a core business problem. Whether it's boosting efficiency through cost savings or driving productivity to increase revenue, every implementation should have a clear and measurable purpose. For SMBs, this could mean gaining financial visibility through cloud accounting to then inform business expansion, or improve hiring decisions - all essential layers for staying profitable and competitive.

¹Q: How essential do you consider the digital tools currently in use to be for your business's growth and resilience? (Base size: Total - 504)

²Q: How comfortable is your company with experimenting with and adopting emerging technologies (e.g., AI, automation, blockchain)? (Base size: Total - 504)



Xero: a strategic growth partner for Singapore's SMBs

Singapore's SMBs continue to shine in today's uncertain climate with their adaptability, ambition, and entrepreneurial grit. The findings in this report reveal a sector that remains confident about the future, yet recognises that long-term success will require greater focus on operational and financial resilience.

To stay competitive and future-ready, SMBs should consider the following actions:

1. Prioritise business resilience planning

While confidence remains high, ongoing economic pressures require businesses to actively plan for volatility. Scenario planning, cost management, and maintaining healthy cash buffers will be essential.

2. Strengthen financial visibility and control

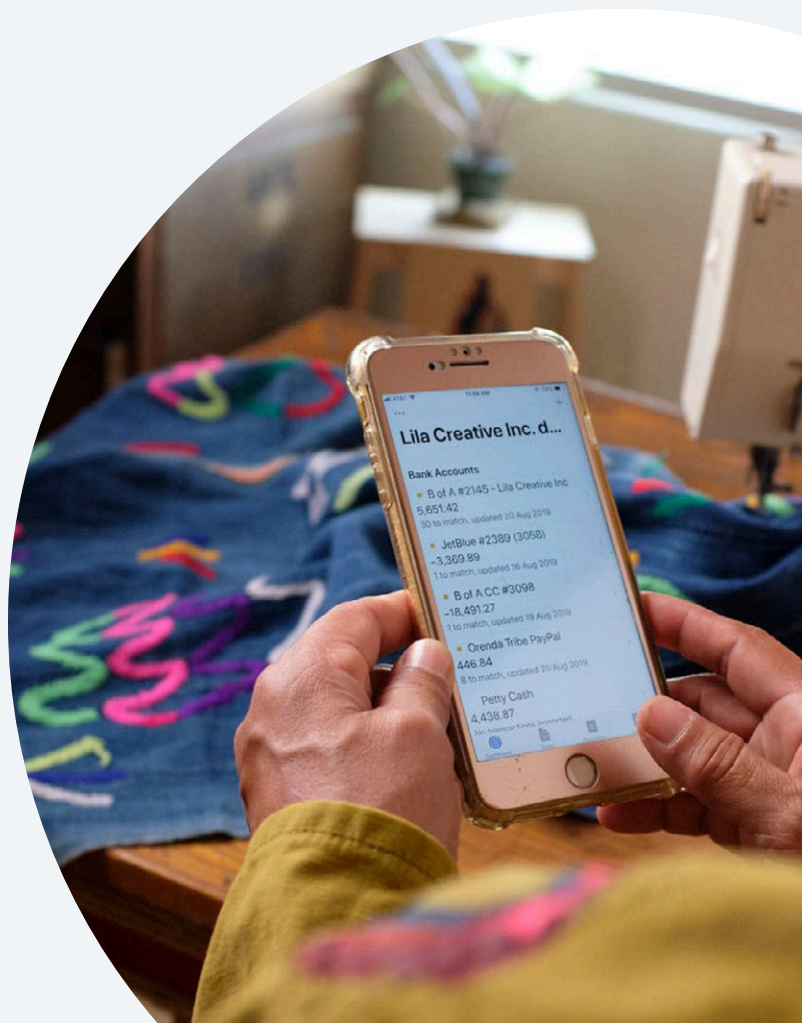
Effective cash flow management and timely financial reporting are critical. Businesses should invest in tools and processes that provide real-time insights, enabling better budgeting, forecasting, and decision-making.

3. Embrace digital tools as core business enablers

Digital adoption is no longer optional. Tools such as cloud accounting, CRM systems and marketing automation platforms are essential to driving efficiency, productivity, and sustainable growth. Adoption should be intentional, addressing specific pain points and supporting business growth strategies.

To navigate change and unlock growth opportunities, SMBs need reliable partners. Xero is here to support Singapore's small and medium business community every step of the way.

More than just accounting software, Xero's cloud-based platform enables SMBs to simplify their operations, gain critical financial insights, and lay the groundwork for future growth.



Appendix

Notes to editors

- Answers may not total 100% due to rounding.
- Survey options may have been edited for readability.
- Where specific industries (e.g. Wholesale Trade) or business sizes (e.g. 21-50 employees) are mentioned, base size is 45 or more.
- Past year refers to the past 12 months at the time of survey fieldwork.

The information and commentary in this report is only a guide and should not be taken as taxation, financial or legal advice. We recommend you check with an independent expert that what you're doing is right for you and your business.

Methodology

This report is based on research commissioned by Xero and conducted by Pureprofile. The data was collected through an online survey of 504 independently recruited business owners and senior decision-makers from small to medium-sized businesses (fewer than 200 employees and annual revenue of not more than S\$100 million) in Singapore. The survey included 25 questions and was carried out between 27 March and 4 April 2025.

About Pureprofile

Pureprofile is a global data and insights organisation providing industry-leading online research solutions to agencies, marketers, researchers and brands and businesses. Founded in 2000 and based in Surry Hills, Australia, they operate in North America, Europe and APAC and have delivered solutions for over 850 clients.



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