GLOBAL BUSINESS MONITOR 2017

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CONTENTS

INTRODUCTION

In 2016, Bibby Financial Services published its inaugural Global Business Monitor report, providing unique insight into the opportunities and challenges facing small and medium sized enterprises (SMEs) across Asia, Europe and North America.

Amid geopolitical change and rising economic uncertainty, the study highlighted specific issues facing such businesses, including rising input costs, the burden of government regulation and ongoing cashflow management.

Though issues keeping business owners awake were predominantly close to home, there was undoubtedly concern over the global economy following a series of events shifting the international tone towards isolationist and trade-restrictive policies.

Twelve months is a long time in economic terms and a year on, the only thing constant is change.

In July, the International Monetary Fund (IMF) maintained its earlier global growth forecast at 3.5% for 2017 and 3.6% for 2018. While its growth forecast remained the same, expected sources of growth were markedly different from previous estimates. The IMF asserted that improved growth in the Eurozone, China and Japan would compensate for slower growth in the UK and U.S.

In the first quarter of 2017, the UK and U.S. were the slowest growing G7 economies based on quarter-to-quarter GDP, expanding by 0.7% and 1.2% respectively. In contrast, during the same period, and powered by a buoyant energy sector, the Canadian economy expanded by 3.7%.

Growth in China has continued at a steady pace in 2017 with imports rising in August for the first time in two years. Japan, hot on the heels of its new trade deal with the European Union, has seen its longest economic expansion in more than a decade.

In the face of much political debate, the Eurozone has performed remarkably well. Unemployment has fallen and output has risen. As a result, GDP growth increased to 0.6% in the three months to June, representing the bloc's seventeenth consecutive quarter of growth.

Germany is no longer the sole driver of Eurozone growth. Instead, a combination of accelerated growth in Ireland, the Netherlands and Spain, and strong manufacturing output in Germany and France have contributed to this expansion.

Whether, as growth figures suggest, we are witnessing an economic changing of the guard remains to be seen. However, our Global Business Monitor for 2017 does reflect a changing mood among SMEs.

More than half (55%) are expecting sales to increase in the year ahead. While down from 95% in 2016, nine in ten (91%) SMEs still plan to invest in their business before the end of the year. Staff training and development, IT and recruitment form an almost unanimous top three in relation to investment intentions.

But despite green shoots of confidence, findings highlight age-old concerns that continue to hinder growth. Just 7% cite international trade as their greatest opportunity over the year ahead and one in five attribute this to concerns over managing currency fluctuation. Unlike their larger counterparts that are seen to embrace new technologies, just 5% of SMEs see digital technologies as their greatest growth opportunity.

Though payment times vary - ranging from 23 days in the U.S. to 45 days in Poland and Hong Kong - more than half (55%) cite issues surrounding the collection of payment from customers as a cause for concern. Furthermore, a third have suffered from bad debt due to customer non-payment or insolvency.

Findings of the study demonstrate important differences in relation to the types of challenges facing SMEs in different parts of the world. More importantly, however, the research highlights the intrinsic characteristics that bind SMEs together, irrespective of location.

The International Organization for Standardization (ISO) estimates than nine in ten of all businesses worldwide are SMEs. Such businesses are, therefore, a key barometer of past, present and future performance.

While confidence amongst SMEs seems to be in rude health, challenges persist that continue to threaten SMEs' true economic contribution.

As the world continues to shape itself following a time of extraordinary change, it is those economies that build a supportive and thriving environment for SMEs that will be best placed to grow in 2018 and beyond.

DAVID POSTINGS
Global Chief Executive
Bibby Financial Services
September 2017

RESEARCH HIGHLIGHTS

ECONOMY

German SMEs are most confident about the local economy with 81% saying their national economy is performing well

SMEs in Hong Kong (28%) and UK (22%) are least optimistic about the future performance of their local economy

BUSINESS SENTIMENT

SMEs in Hong Kong (46%) and Singapore (39%) are least positive, following a decline in sales over the past 12 months

Canadian SMEs are most confident about future sales, with 70% expecting growth

CHALLENGES AND OPPORTUNITIES

The greatest challenge for SMEs is a lack of skilled staff (49%)

19% of SMEs in Ireland see expanding domestically as their biggest opportunity

INTERNATIONAL TRADE

38% of businesses are exporting, while 30% are importing

Singapore is top for both import (62%) and export (61%)

PAYMENT PRACTICES

U.S. SMEs are paid almost three weeks quicker (24 days) than those in France (45 days)

Overall, a third (33%) of businesses have experienced bad debt

ACCESS TO FINANCE

Canadian SMEs are most likely to say the availability of finance is good or excellent (52%)

Just over one in ten (11%) SMEs are expecting to apply for external finance in the next 12 months

INTERNATIONAL ANALYSIS

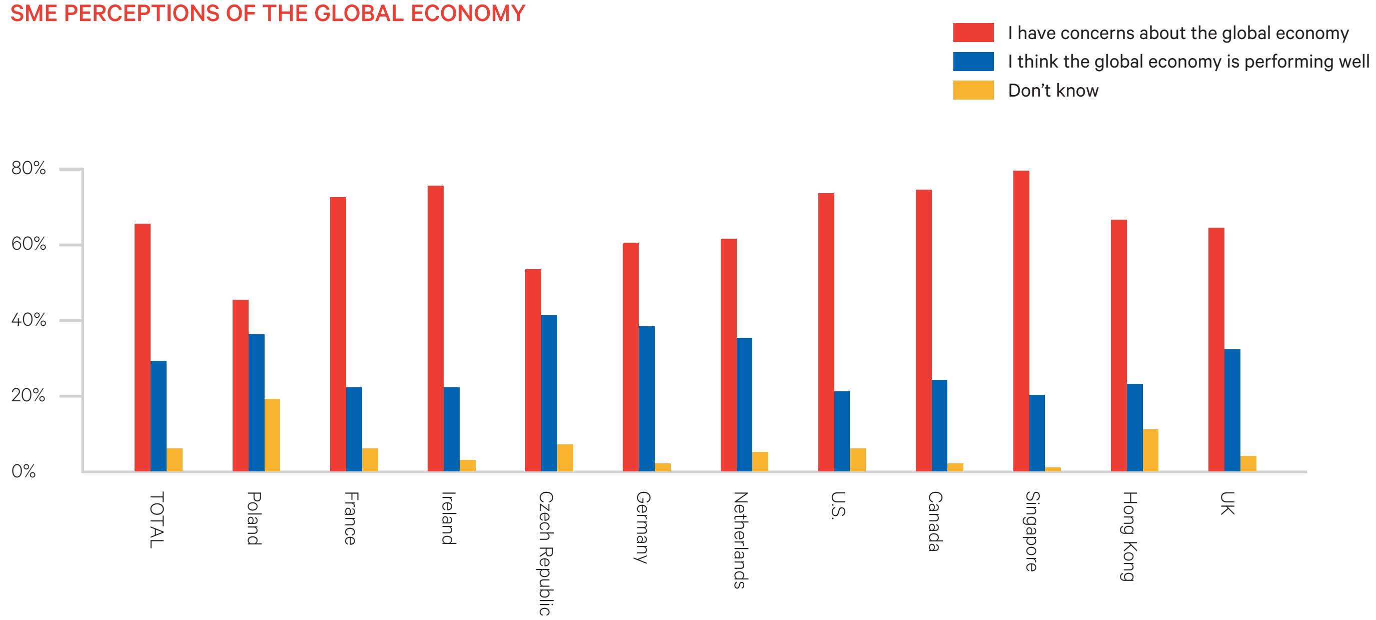
For a number of the countries that feature in the 2017 Global Business Monitor study, the political landscape has changed significantly over the past 12 months.

While the IMF has maintained its growth forecast for the year, global economic growth remains somewhat muted. However, though views on the global economy may reflect international uncertainty, SMEs across the world appear more upbeat about their domestic prospects.

ECONOMY

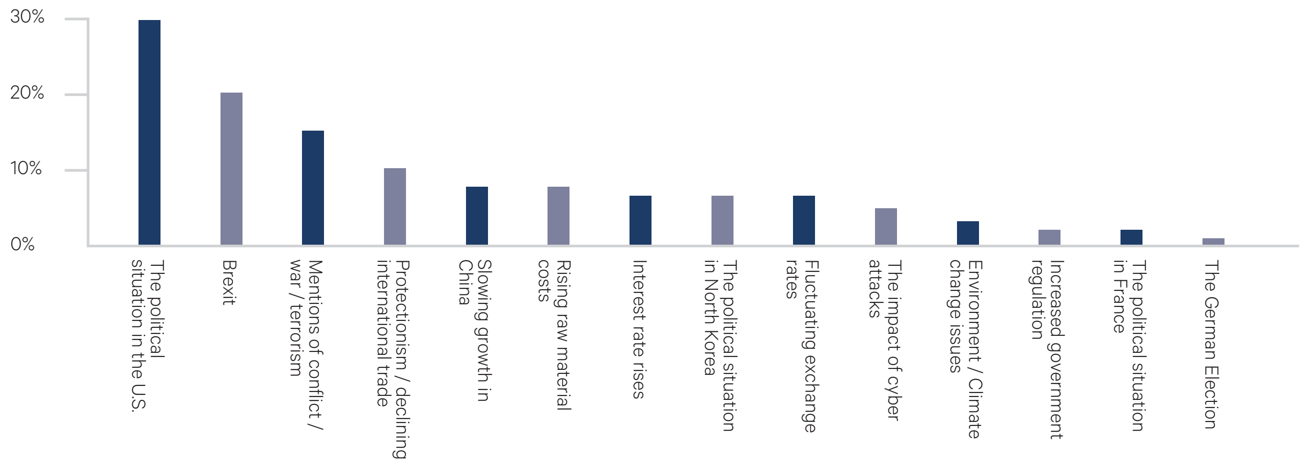
Almost two-thirds of respondents have concerns about the global economy; in contrast less than a third believe it is performing well (29%). SMEs in the Czech Republic (41%) and Germany (38%) are most likely to believe that the global economy is performing well, while those in Singapore (79%) and Ireland are most likely to have concerns.

SME PERCEPTIONS OF THE GLOBAL ECONOMY



Across the study, SMEs identified the current political situation in the U.S., Brexit and conflict, war or terrorism as the three key issues threatening global growth in 2017.

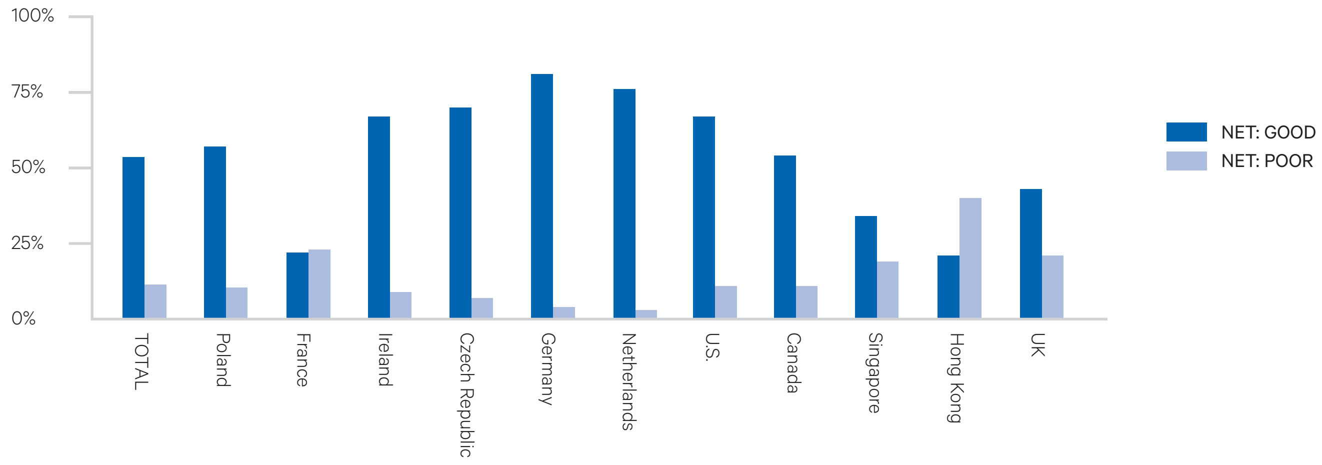
TOP THREATS TO GLOBAL ECONOMIC GROWTH IN 2017



German and Dutch SMEs are most confident about their respective economies, with businesses in Hong Kong (21%) and France (22%) least positive about the economic picture at home today.

SMEs in the Netherlands (56%) and France (47%) are most likely to believe that conditions in their domestic economies will improve over the next 12 months.

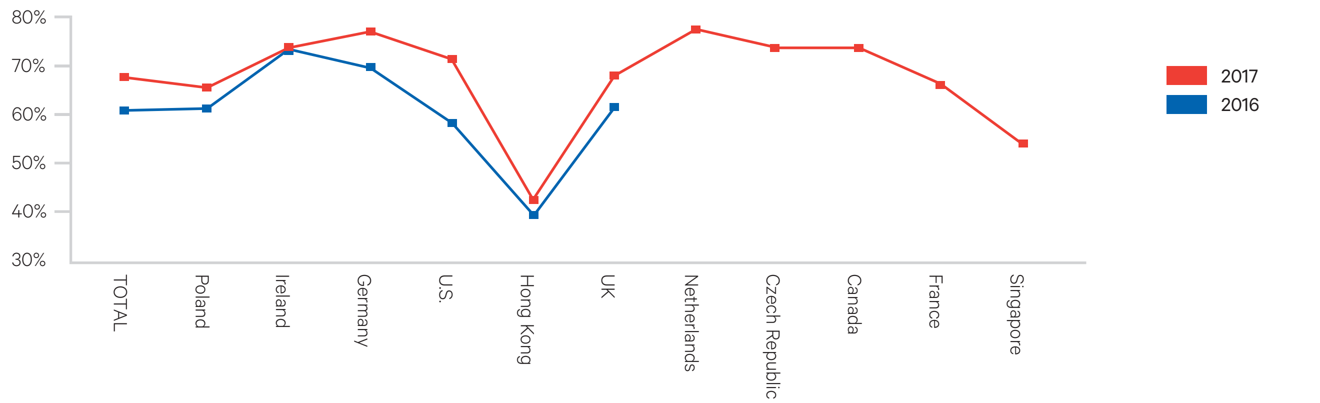
SME PERCEPTIONS OF THE DOMESTIC ECONOMY



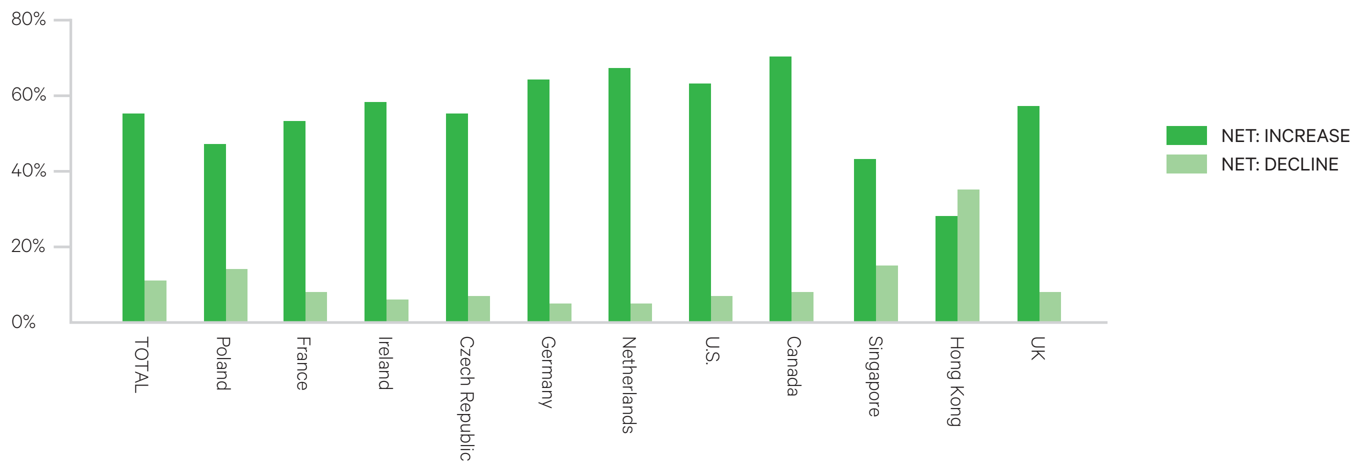
The Confidence Index is compiled by equally weighting SME sentiment on sales performance over the past 12 months, with expectations over the coming year ahead.

This composite Index shows confidence is highest amongst German, Dutch and Irish SMEs. Business owners in Hong Kong and Singapore are least confident in relation to historic and anticipated sales performance. Canadian businesses are most confident about sales prospects over the next 12 months, with 70% expecting volumes to increase.

CONFIDENCE INDEX



SALES EXPECTATIONS FOR THE YEAR AHEAD

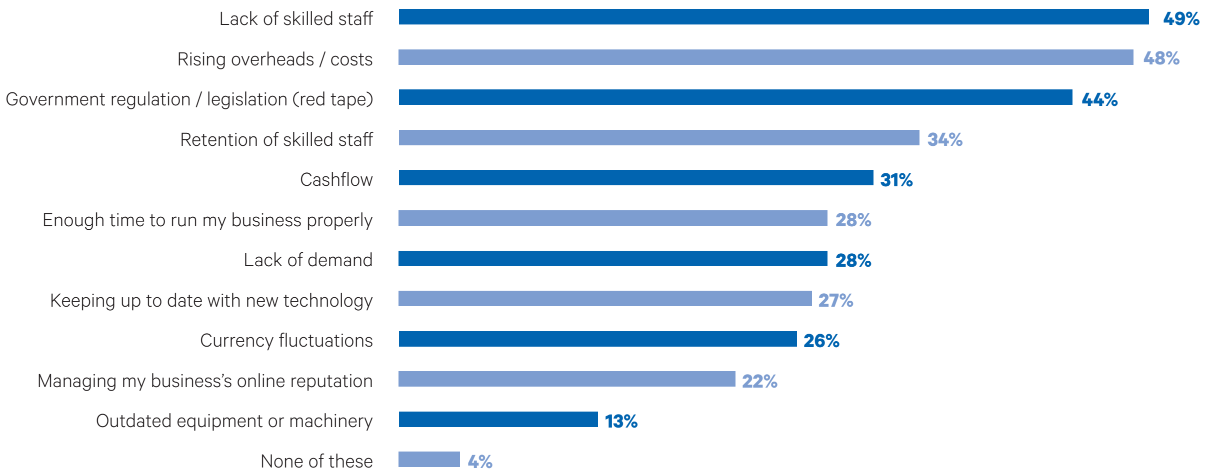


CHALLENGES AND GROWTH OPPORTUNITIES

CHALLENGES

Almost half of all SMEs see a shortage of skilled staff as the greatest challenge to their business today, followed closely by rising costs and government regulation.

GREATEST BUSINESS CHALLENGES IN 2017

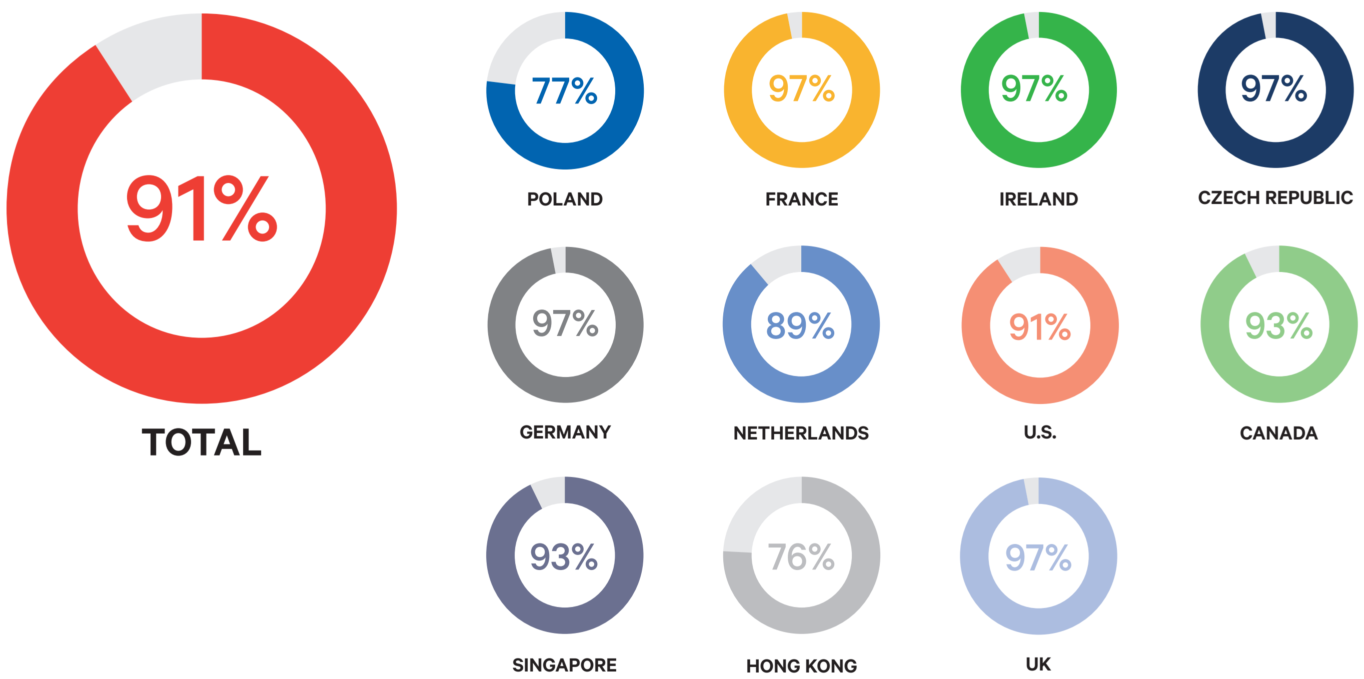


INVESTMENT INTENTIONS

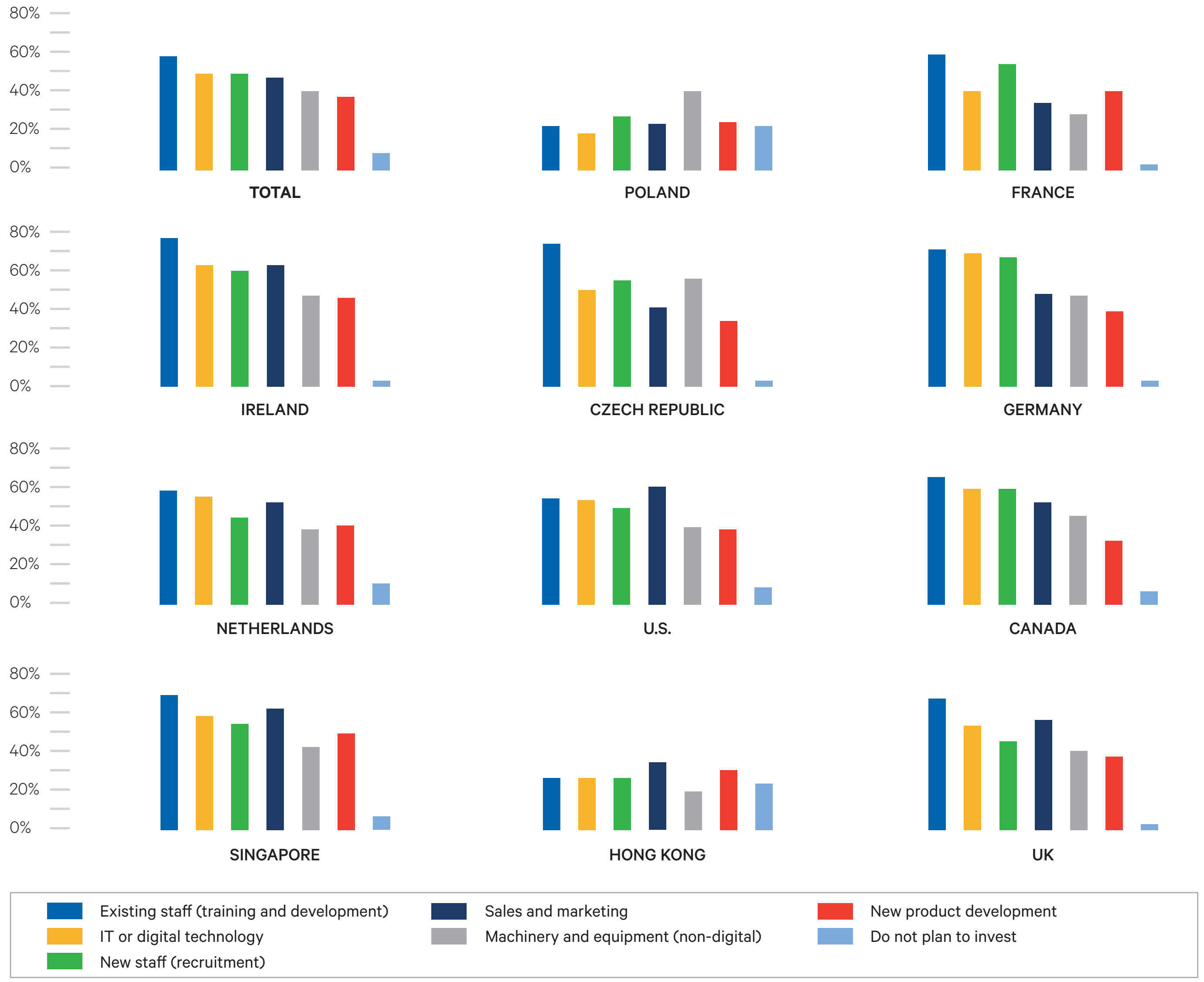
Nine in ten SMEs across the study intend to invest in their business over the next 12 months. In line with their more pessimistic view of the global economy, SME owners in Hong Kong are least likely to invest (76%).

Unsurprisingly, as the global economic picture unfolds, and in line with the key challenges today, SMEs are more likely to invest in training existing staff than recruitment. Alongside IT or digital technology, existing and new staff feature as the leading areas for investment over the year ahead.

PROPORTION OF SMEs PLANNING TO INVEST



INVESTMENT AREAS



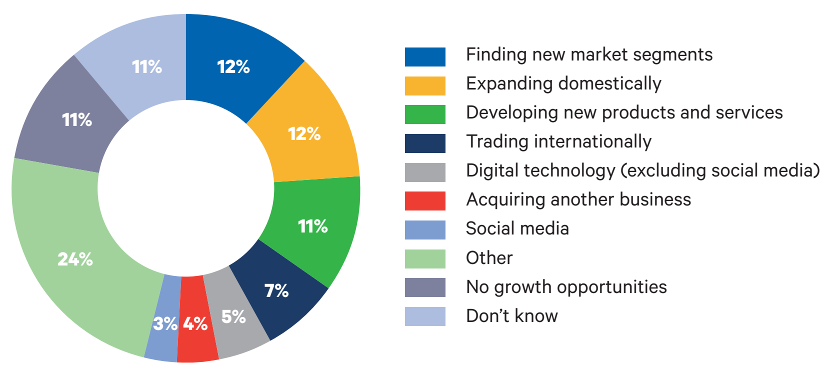
GROWTH OPPORTUNITIES

Finding new segments to market and sell goods and services to, alongside domestic expansion, are seen as the two key opportunities for growth amongst respondents. Interestingly, just 7% believe that international trade is a viable option to help their businesses grow.

TOP GROWTH OPPORTUNITIES

SINGAPORE	22% Finding new market segments
HONG KONG	19% Finding new market segments
FRANCE	14% Finding new market segments
GERMANY	14% Finding new market segments
U.S.	21% Expanding domestically
IRELAND	19% Expanding domestically
NETHERLANDS	14% Expanding domestically
CANADA	14% Expanding domestically
CZECH REPUBLIC	13% Expanding domestically
POLAND	34% Acquiring another business
UK	11% Developing new products and services

SME GROWTH OPPORTUNITIES

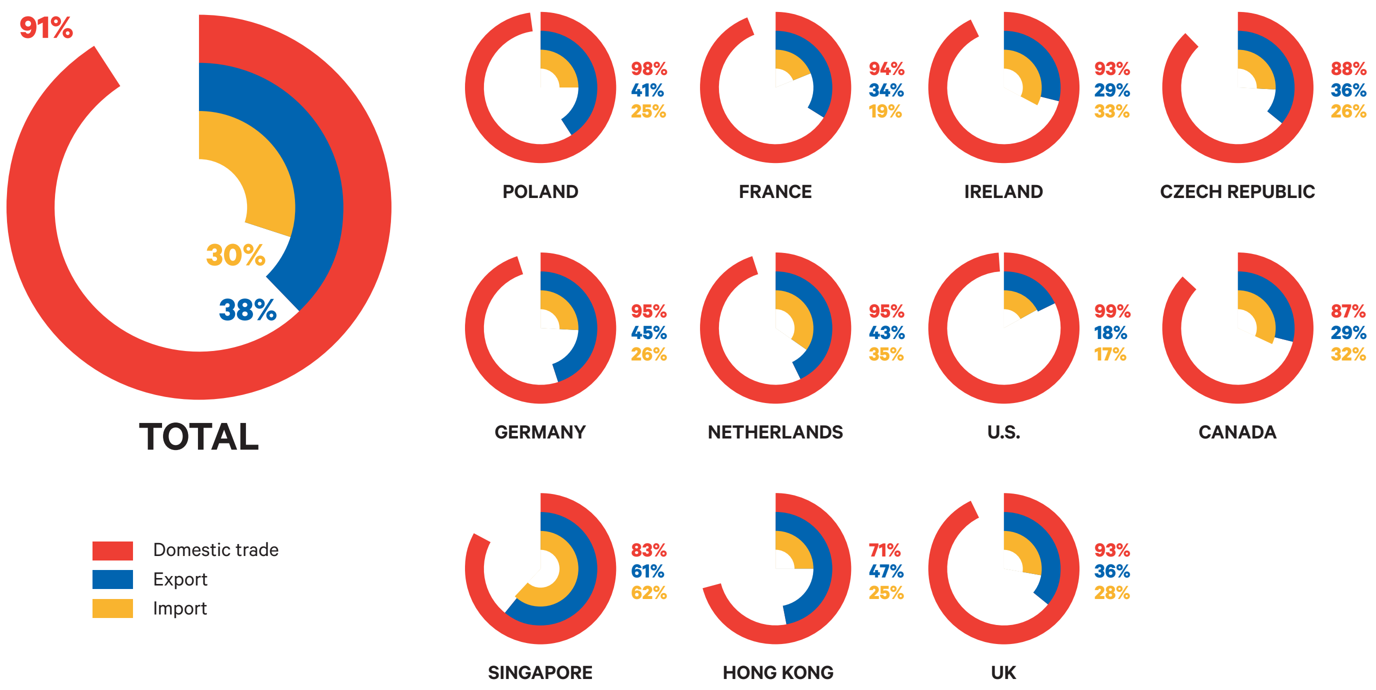


INTERNATIONAL TRADE

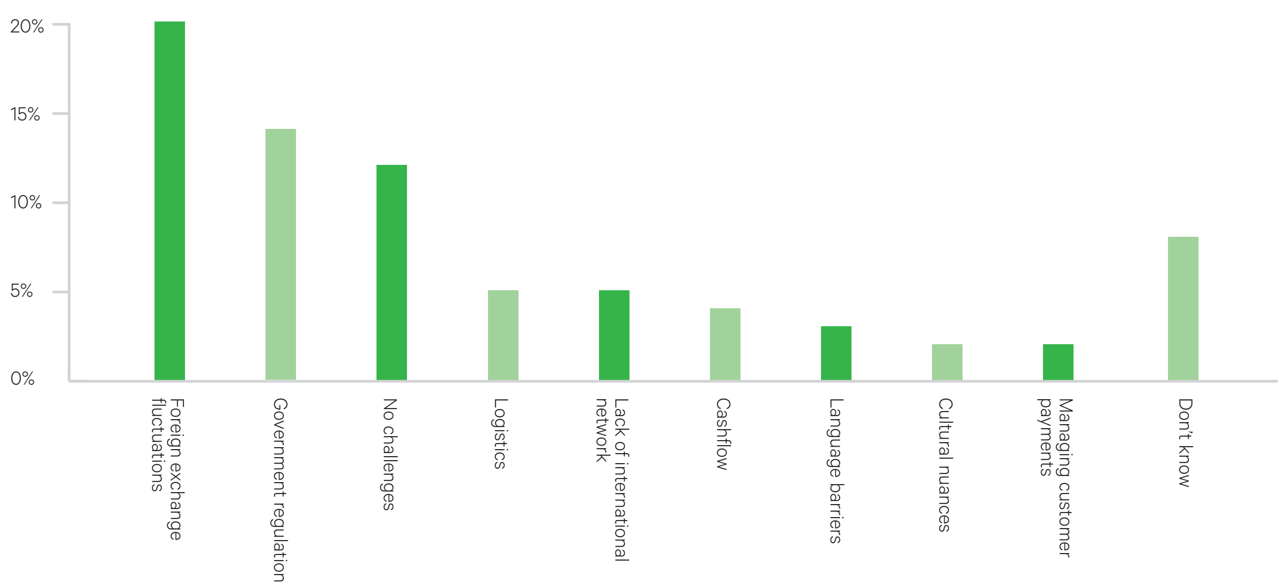
Over a third (38%) of respondents export goods and services, while 30% import from other countries. SMEs in Hong Kong and Singapore are – perhaps unsurprisingly – most likely to partake in international trade. Businesses in the U.S. are least likely to import (17%) or export (18%), with 99% focused on their domestic market.

While fewer than one in ten see international trade as a key means of business growth over the next 12 months, foreign exchange fluctuation is the greatest barrier to import/export, followed by government regulation.

INTERNATIONAL TRADE BREAKDOWN



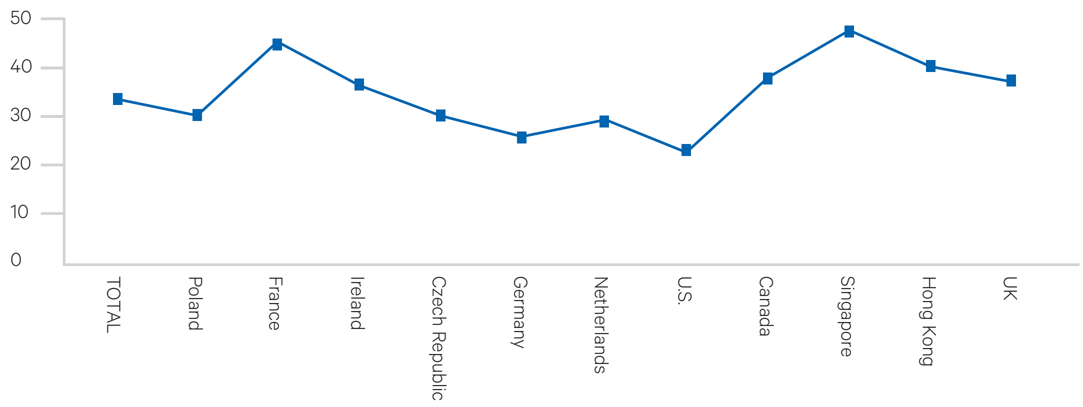
BARRIERS TO INTERNATIONAL TRADE



PAYMENT PRACTICES

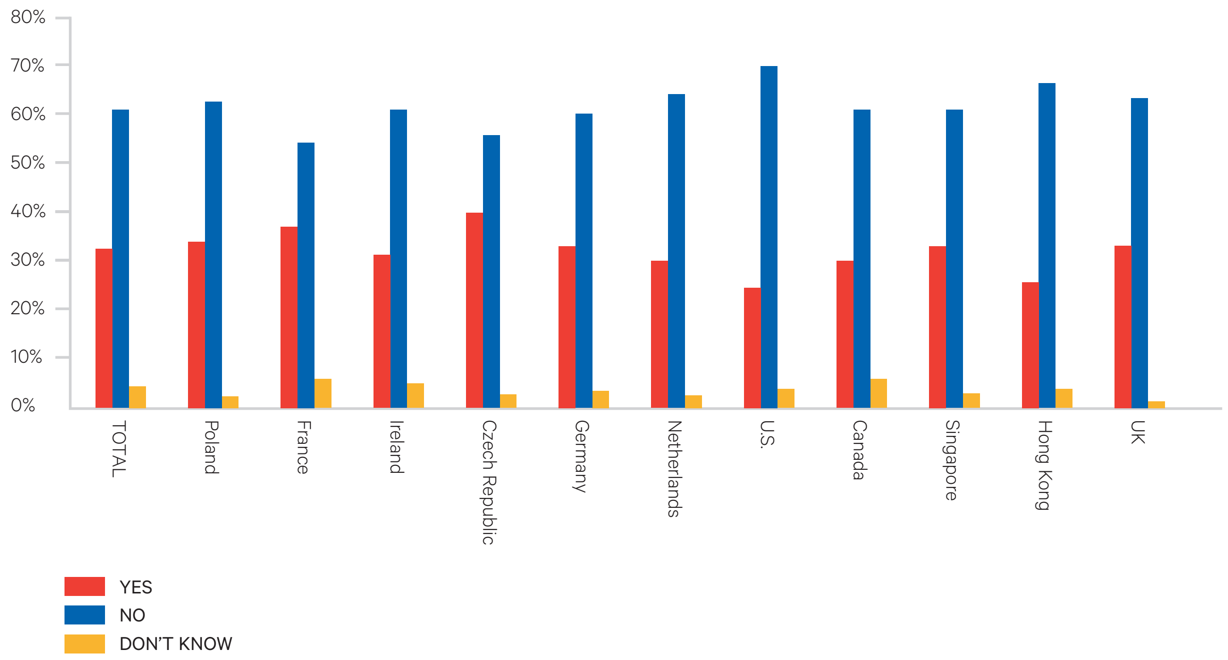
Late payment is a universal issue impacting businesses across the world. On average, SMEs wait around 34 days for payment from customers, though research highlights nuances in payment cultures in different parts of the world. While respondents in the U.S. wait just 23.5 days for payment, their counterparts in France and Singapore wait almost twice as long (45 days).

AVERAGE PAYMENT TIMES (DAYS)



Over a third of all respondents have suffered from bad debt in the past 12 months. SMEs in the Czech Republic are most likely to have written off money owed as bad debt, where two-fifths (41%) say they have suffered in the past year.

BAD DEBT OVER THE PAST 12 MONTHS

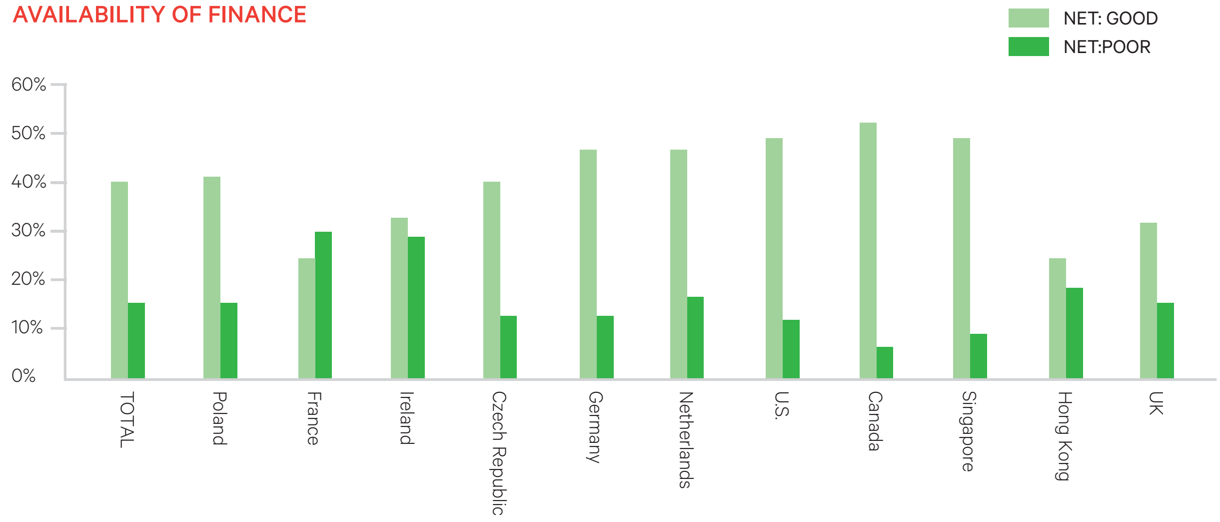


ACCESS TO FINANCE

Reinvestment of company profits is the leading source of funding for SMEs (43%) in 2017, while bank loans (13%) and private equity (4%) are the most commonly used sources of external finance. Just over one in ten (11%) SMEs are expecting to apply for external finance in the next 12 months.

When looking at businesses' access to finance, two-fifths (40%) say availability is good or excellent, while 16% say the availability of finance is poor. Canadian SMEs are most likely to perceive the availability of finance as good or excellent (52%), while French SMEs are most likely to say the availability of finance is poor (30%).

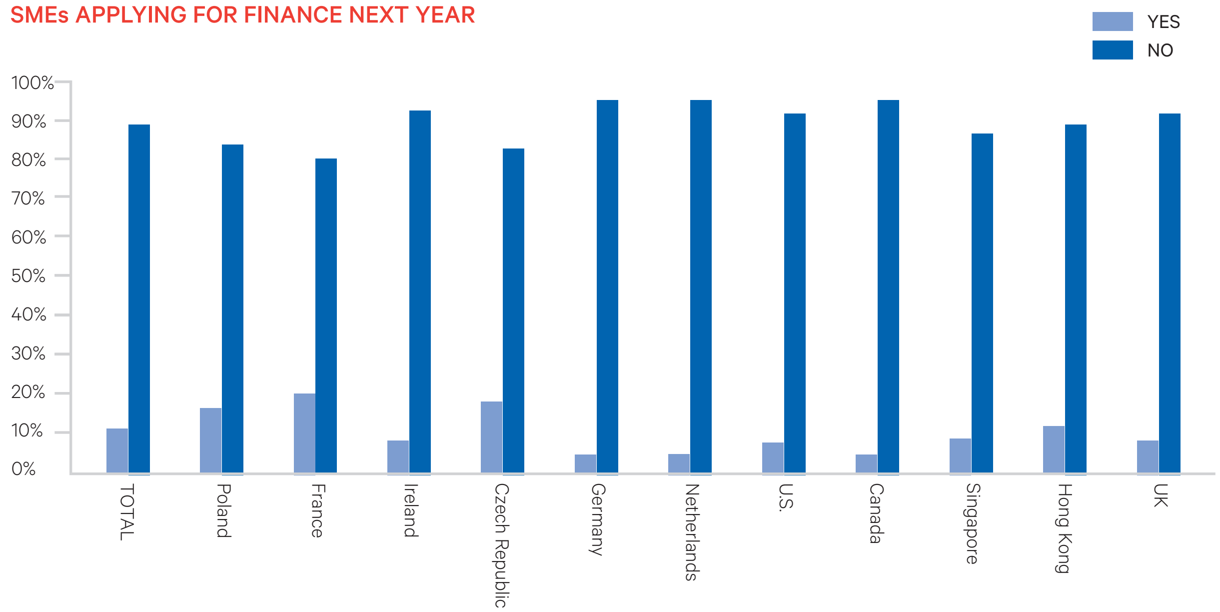
AVAILABILITY OF FINANCE



Almost a quarter (23%) of respondents in the Czech Republic say they have been rejected for finance in the past, in contrast to just 5% of UK SMEs.

One in five respondents say they will apply for finance for their businesses over the next year, compared with just 5% of SME owners in Germany, the Netherlands and Canada.

SMEs APPLYING FOR FINANCE NEXT YEAR



MARKET ANALYSIS: **CANADA**

POPULATION: **36.2M**

NUMBER OF BUSINESSES: **1.2M**

MARKET OVERVIEW

After two years of sluggish growth, Canada's economy has rebounded sharply in 2017. According to the International Monetary Fund (IMF), Canada is expected to have the fastest growing economy among the G7 countries in 2017, with real GDP growth forecasted to reach 2.5%.[1] Strong household consumption, job growth and the continued rebound in energy and natural resources are driving the resurgent economic performance. This is reflected in GDP growth which reached its highest level since the end of the dot-com boom in 2000 at the end of Q2, 2017. Even more promising is the news that this growth has been broadly spread across most sectors of the economy. Business investment, despite modest increases in capital spending by the energy sector, is forecasted to fall overall for the fourth year in a row. Export growth also remains lacklustre amid concerns about rising protectionism in key markets.

In July, the Bank of Canada raised its key benchmark interest rate for the first time in seven years citing the improving economy, while analysts anticipate additional rate increases in 2017 and 2018.[2] Gains in household consumption spending, which have been underpinned by an improving jobs market, low inflation and interest rates, and rising home values are expected to slow as interest rates and consumer debt levels rise. Canada's urban housing market, which the Organisation for Economic Co-operation and Development (OECD), among others, warned is "overheating" actually shows some signs of slowing down.[3] As a result, GDP growth is expected to fall back below 2% in 2018.[4]

Canada's vibrant small and medium sized enterprise (SME) sector is benefitting from the country's strong and broad-based economic growth and a sustained low-interest rate environment that has boosted household spending. SMEs comprise nearly 99.7% of Canada's 1.2 million businesses and employ 90% of private sector workers, according to Government of Canada statistics (December, 2015). Canadian SMEs benefit from the nation's entrepreneurial culture, a favourable small business tax regime relative to many peer countries and a broad range of support programmes for small businesses provided by federal and provincial governments.

Within the generally favourable SME environment, regulation remains a significant burden for many small businesses. The Canadian Federation of Independent Businesses estimates that it cost Can $37.1 billion in 2014 for Canadian businesses to comply with regulation costs, with the cost to small businesses four times greater than large businesses on a cost-per-employee basis. The Canadian government has introduced several measures to reduce the regulatory burden on businesses, including a "One-for-One" rule that requires regulators to offset any new rule or regulatory cost by removing regulations or reducing administrative costs elsewhere and by introducing the "Small Business Lens," which requires regulators to explicitly consider and seek to lessen the impact on small businesses in designing new regulations.

Geographic concentration also remains a challenge for some SMEs. Fewer than 12% of Canadian businesses export any of their goods or services and, of those that do, the overwhelming majority are heavily reliant on the U.S. market, potentially exposing them to less diversity in their customer base and greater risks in the current political environment.

CALUM WILLIAMSON
MANAGING DIRECTOR / PRESIDENT, BIBBY FINANCIAL SERVICES CANADA

ANALYSIS OF RESEARCH FINDINGS

The Global Business Monitor findings show Canadian businesses in a generally positive sentiment and amongst the most confident across the study.

SMEs in Canada are relatively upbeat about the domestic economy but are concerned about the global picture, particularly with regards to the political situation in the U.S. and the impact that it may have on Canada's largest trading relationship. Despite these concerns, 70% of survey respondents expect sales to increase over the next 12 months, making Canadian SMEs the most confident about their future prospects.

Over half (54%) of respondents describe the Canadian economy as performing positively, while 11% feel it is performing poorly. The vast majority of respondents expect the Canadian economy to maintain or improve on its current performance over the next 12 months. Only 15% expect the domestic economy to worsen.

Canadian views are far less positive on the global economy, with 74% expressing concern about the global economic outlook. Only 24% feel that the global economy is performing well. Foremost among their concerns is the political situation in the U.S., where the new administration has pledged to renegotiate the North American Free Trade Agreement (NAFTA).

In the face of those concerns, the confidence of survey respondents on their own business prospects may partly reflect their relatively low exposure to international markets. Less than a third (29%) of respondents engage in export or import and only 6% rank trading internationally as a significant growth opportunity in the current environment. Expanding domestically is the most frequently cited growth opportunity.

While sales remain strong, survey respondents see rising overheads/costs as the biggest challenge currently and over the next twelve months. Currency volatility, lack of skilled staff in a tightening labour market and government red tape were also widely cited challenges. Though only one in five respondents anticipate cashflow to be a challenge going forward, nearly half (48%) say that collecting payments from customers on time is the most problematic aspect of managing their cashflow.

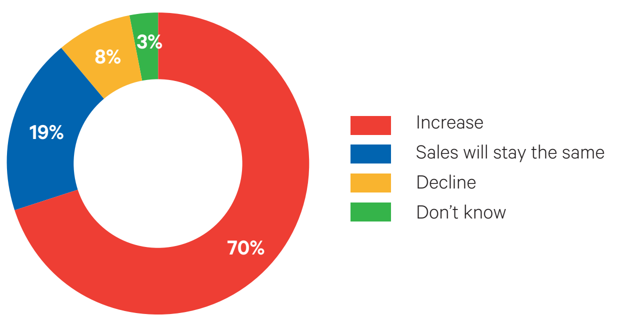
On average, customer payment times averaged 38 days for respondents and 31% say they've suffered bad debt over the past year with an average write-off of Can$49,000.

With the Bank of Canada increasing its benchmark interest rate in 2017 for the first time in seven years, more than 40% of respondents expressed concerns that higher interest rates could hinder their business growth either through the impact on customers or the cost of funding.

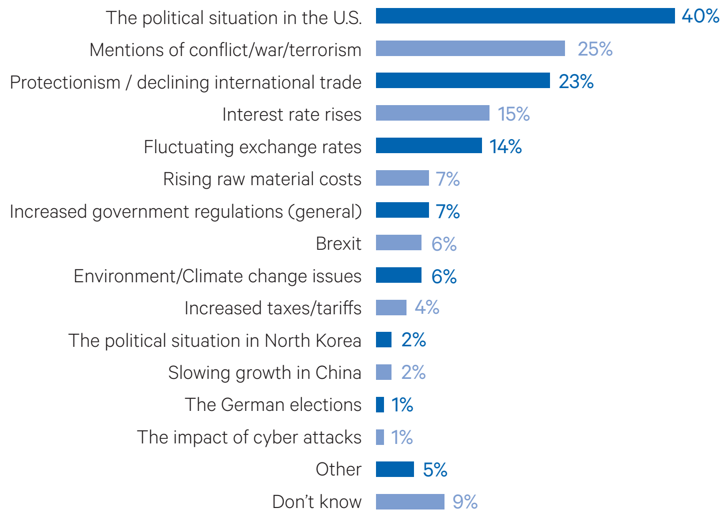
Nevertheless, Canadian SMEs continue investing in the attraction and retention of talent as a key priority. Two-thirds of respondents are investing in training and development for existing staff and 60% are investing in recruiting new staff, boosting their IT and digital capabilities.

Almost a third (30%) of SMEs currently use external finance with only 7% characterising availability of finance as poor. Over half of Canadian respondents (52%) believe the availability of finance is either good or excellent, making them the most positive about access to finance, when compared to SMEs in other countries. Just 7% have been rejected for external finance, below the study average of 12%.

SALES EXPECTATIONS OVER THE NEXT 12 MONTHS



TOP THREATS TO GLOBAL ECONOMIC GROWTH IN 2017



1 IMF 's World Economic Outlook
2 Bank of Canada, Bank of Canada increases overnight rate target to 3/4 per cent
3 OECD Canadian economic forecast summary, June 2017
4 www.oecd.org/economy/canada-economic-forecast-summary.htm
5 www.ic.gc.ca/eic/site/061.nsf/eng/h_02925.html

MARKET ANALYSIS: **CZECH REPUBLIC**

POPULATION: **10.5M**

NUMBER OF BUSINESSES: **1.4M**

MARKET OVERVIEW

The Czech economy is currently benefitting from favourable internal and external conditions. Strong household consumption is expected to continue throughout 2017, and this is being supported by high employment and growing wages, as well as high levels of consumer confidence.

Macroeconomic policies in the Czech Republic are generally positive. In April, the central bank ended an exchange rate policy that prevented appreciation of the Koruna against the Euro.[6] The Ministry of Finance of the Czech Republic recently increased its forecast for real GDP growth in 2017 from 2.5% to 3.1%, and from 2.5% to 2.9% in 2018, and an increase in foreign trade is thought to have had some impact on this.[7] The automotive industry, in particular, has seen a spike in international demand. In fact, the Czech Automotive Industry Association reported year-on-year production growth of 5.1% in the first half of 2017.[8]

There has been an acceleration in year-on-year growth of consumer prices above the inflation target of the Czech National Bank at the start of 2016 and in 2017. Pro-inflationary effects of rising wages, positive output gap and anti-inflationary effects resulting from tightening of monetary conditions, especially in the exchange rate component, should offset each other. This will lead to a slight decrease in the forecast of the average inflation rate in 2017 from 2.4% to 2.2%, and from 1.7% to 1.6% in 2018 as predicted by The Ministry of Finance of the Czech Republic.[9]

The growth in the Czech economy has led to persistent increases in the demand for labour. Employment growth has been exceeding 1% since the end of 2014, leading to a depletion in unutilised resources. The unemployment rate reached 3% in May 2017, the lowest in the EU since the beginning of 2016.[10] The unemployment rate for 2017 and 2018 is also forecasting an improvement - from 3.4% to 3.2% and from 3.2% to 2.9%, respectively.[11]

The economic upswing in the Czech Republic has benefitted small and medium sized enterprises (SMEs) as business sentiment is set to remain positive for the next 12 months. An acute shortage of labour highlights the contrasting side to economic growth, especially for those SMEs that are neighbouring with established industrial zones, as it is almost impossible to acquire skilled labour.

EU countries remain the most common export destinations for 99% of exporting SMEs according to research by IPSOS and the Association of Small and Medium Sized Enterprises and Crafts of the Czech Republic (AMSP).[12] Of those EU countries, Germany has grown steadily as an export market for Czech SMEs and is now the country's largest export territory.

Regulation, bureaucracy and – due to strong export performance - exchange rate fluctuations are viewed as the primary risks. The fear of exchange rate fluctuations has tied in with the ending of the aforementioned exchange rate policy that prevented appreciation of the Koruna against the Euro, as Czech SMEs now view the Koruna as unstable. Despite these challenges, forecasts for the Czech Republic are strong; the economy is in a good place and SMEs are looking positively towards the future.

MICHAL GABRIEL
MANAGING DIRECTOR, BIBBY FINANCIAL SERVICES
CZECH REPUBLIC

ANALYSIS OF RESEARCH FINDINGS

Business sentiment among Czech SMEs is generally positive and 70% believe that the economy is performing well. Three-fifths of respondents expect the domestic economy to stay the same over the next 12 months (60%), almost a quarter expect it to improve (22%) and 13% expect conditions to worsen.

Sales performance also appears to be strong for a majority of Czech SMEs. Over half of respondents say sales have grown over the last 12 months (57%) and a third believe sales have remained the same (32%). Equal with SMEs in the Netherlands, Czech businesses recorded the lowest level of declining sales in the past year across the entire study (11%).

When looking ahead to the next 12 months, 55% predict an increase in sales, in contrast to just 7% that expect a decline.

Czech SMEs are, however, less confident about the global outlook than their domestic economy. Over half have concerns about the performance of the global economy (53%), with 23% citing conflict, war and terrorism as the biggest threat to global economic growth in 2017. One in ten (10%) point to the political situation in the U.S. and 7% cite environmental issues as a key concern (above the study average of just 3%).

In line with wider economic indicators, a lack of skilled staff is cited by almost three-quarters of respondents (71%) as the biggest domestic challenge facing Czech businesses. This is followed by government regulation and legislation, which is cited by 53% of respondents. Such concerns also reflect the challenges SMEs see themselves facing in the next 12 months. A lack of skilled staff and government regulation and legislation are cited by 65% and 55% of respondents respectively.

The top three areas of planned investment expenditure are existing staff (74%), machinery and equipment (non-digital) (56%) and new staff recruitment (55%). Just 3% do not plan to invest in their businesses.

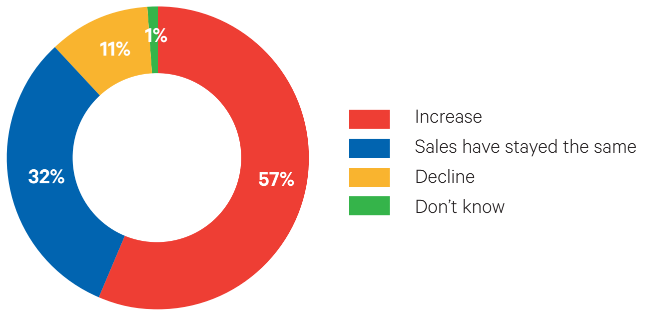
The use of external finance is evenly split among Czech SMEs. Half use external finance to fund their businesses, citing forms of finance such as bank loans, private equity and government grants. The other half do not use external finance, instead opting to re-invest company profits or self-fund.

Behind French SMEs, businesses in the Czech Republic are most likely to apply for finance over the next 12 months. One in five (18%) state that they are looking to explore external finance options in the next year.

Two-fifths (40%) feel that the availability of finance is excellent or good and 13% believe that availability is poor - less than the study average of 16%. Despite this, Czech SMEs are more likely to have been rejected for finance over the past 12 months, when compared to businesses in other countries. Almost a quarter (23%) say they have been rejected for finance (above a study average of 12%) and of this proportion, more than a third (37%) attribute this to having a poor credit rating.

The majority of SMEs in the Czech Republic are paid within 30 days (70%), with an average waiting time of 29 days. In the past 12 months, 41% of respondents have suffered from bad debt, and the average amount written off through customer non-payment or insolvency is 159,000 Kč.

SALES PERFORMANCE PAST 12 MONTHS



GREATEST SME CHALLENGES TODAY

6 www.oecd.org/eco/outlook/economic-forecast-summary-czech-republic-oecd-economic-outlook-june-2017.pdf
7 www.mfcr.cz/en/statistics/macroeconomic-forecast/2017/macroeconomic-forecast-july-2017-29290
8 www.autosap.cz/zakladni-prehledy-a-udaje/vyroba-a-odbyt-tuzemskych-vyrobcu-vozidel/#akt2017
9 www.mfcr.cz/en/statistics/macroeconomic-forecast/2017/macroeconomic-forecast-july-2017-29290
10 www.mfcr.cz/en/statistics/macroeconomic-forecast/2017/macroeconomic-forecast-july-2017-29290
11 www.mfcr.cz/en/statistics/macroeconomic-forecast/2017/macroeconomic-forecast-july-2017-29290
12 www.amsp.cz/uploads/dokumenty_2017/eNL/Ipsos_pro_AMSP_Exporteri_06_2017_.pdf

MARKET ANALYSIS: **FRANCE**

POPULATION: **66.9M**

NUMBER OF BUSINESSES: **3.75M**

MARKET OVERVIEW

In the thirty-year period leading up to the mid-1970s, France achieved unprecedented levels of economic growth. Affectionately referred to as "trente glorieuses" (thirty years of glory), this post-war period of prosperity and social change saw the French economy shift from a rural-based primary sector to urban-led manufacturing and service industries.

While the country has remained principally strong in economic terms since this time, in recent years, France has seen growth stagnate amid fiscal challenges.

However, while not immune to the global financial crisis – falling into recession in 2008 and again in 2012 – France was able to weather the storm better than other industrialised nations.

Today it is the fifth largest economy in the world. Services account for over 70% of GDP but France is also one of the global leaders in manufacturing in the automotive, aerospace and railway sectors.[13]

If, as the Financial Times suggests, the "euphoric Eurozone" has become the surprise economic story of 2017, France has contributed to this recovery.[14]

Following setbacks for Eurosceptic parties in Austria and the Netherlands, Emmanuel Macron's election as President of France in May signified a further retreat from 2016's protectionist undertones.

While Macron's popularity has seemingly declined since, temporarily or otherwise, some positive signs have emerged from the French economy during the first half of the year.

As it revised down forecasts for the U.S. and UK, the IMF revised up its forecast for France to 1.5%.[15]

Unemployment hit a five-year low in May[16] and GDP grew by 0.5% in the second quarter, representing the fourth consecutive quarter of growth.[17] Buoyed by a resurgence in world trade, French exports jumped 3.1% in Q2.

But while there have been some encouraging indicators in 2017, France remains far from the economic powerhouse it once was.

Economic growth remains sluggish and lagging behind many of its peers. It remains an expensive place to live and do business and in 2015, the country's ratio of tax revenue to GDP reached 47.9% – the highest in the Eurozone.[18]

Due to a heavy tax and regulatory environment, according to the World Bank, France's ranking in relation to ease of doing business dropped to 29 in 2017.[19]

Taxation and government red tape are in great need of reform if the economy is to provide an environment that fosters business and consumer confidence.

Still, with potential or existing political uncertainty in Germany, the U.S. and the UK – the country's top three export destinations by value – there could be further issues ahead.

Although some economic gauges have signalled an uptick in performance over recent months, typical hallmarks of the French economy, coupled with potential issues arising from the changing geopolitical landscape may still thwart France's return to economic glory.

RICHARD CARTER
CHIEF EXECUTIVE OFFICER, BIBBY FINANCIAL SERVICES EUROPE AND ASIA

ANALYSIS OF RESEARCH FINDINGS

Despite wider economic indicators showing rising business confidence in 2017, findings of France's first Global Business Monitor find a mixed mood among small and medium sized enterprises (SMEs).

While there is undoubtedly some uncertainty surrounding the global economic outlook today, there are signs that French SMEs expect conditions to improve over the year ahead.

Just one in five SME owners (22%) believe that the French economy is currently performing well. In contrast, 23% believe it is performing poorly, reflecting the least confident mood amongst respondents in Europe.

French concerns aren't limited to the domestic economy and 72% have concerns about the global outlook. Conflict, war or terrorism (38%), U.S. politics (17%) and protectionism/declining international trade (10%) are seen as the greatest threats to global growth.

While almost half (47%) have seen an increase in sales over the past 12 months, more than a quarter of respondents (27%) say that sales have declined – 5% higher than the research average.

Though SME owners do not believe the French economy is performing well today, almost half (47%) think conditions will improve over the next year. This positivity about the future of the domestic economy is bettered only by SMEs in Germany and significantly higher than the study average of 33%.

Confidence also improves among respondents when considering the future prospects of their own businesses. While moderate when compared with sales expectations in the Netherlands and Canada (where more than two-thirds expect performance to improve), 53% of French SMEs believe that sales will increase in the year ahead. Less than one in ten (8%) believe that sales will decline.

Almost two-thirds (62%) do not believe that government policy is currently favourable to businesses like theirs, perhaps validating President Macron's desire to reform policy, namely giving companies more flexibility on working hours and pay.

Aligning with this view, 60% say government red tape and regulation is the greatest challenge to their businesses, followed by a lacked of skilled staff (51%) and rising costs (47%).

Regarding cashflow, 69% say their biggest challenge is collecting payment from customers, followed by paying suppliers (23%) and paying tax on time (17%).

Slightly below the study average of 38%, a third of respondents (34%) say they export, whilst around one in five (19%) say they import. Mirroring volumes across France's total business population, Germany, the U.S., the UK and Italy (joint) featured as the top export destinations by value.

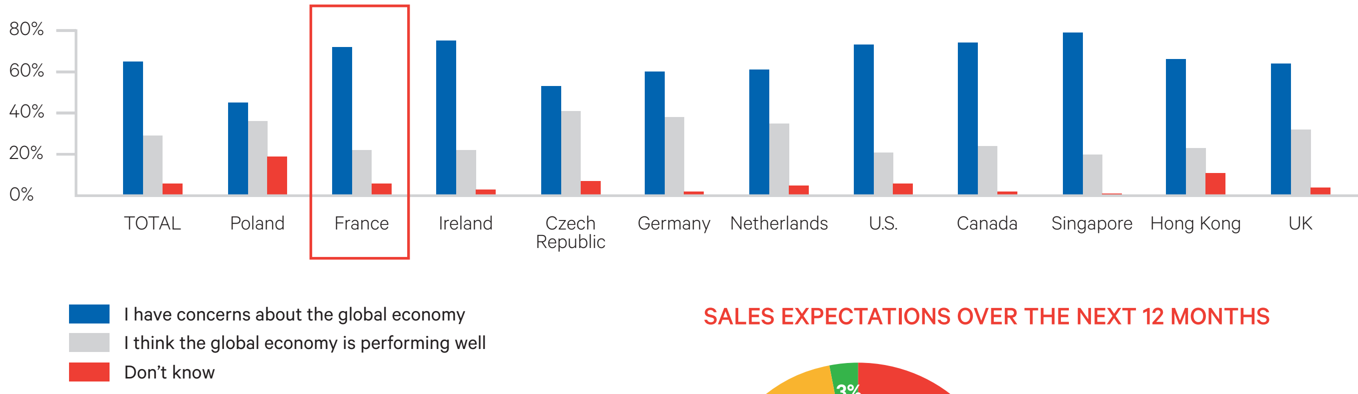
Interestingly, unlike the majority of respondents across the study, French SMEs do not see currency fluctuations as their main obstacle to trading overseas. Instead they see government red tape as the main issue (16%), followed by logistics management (7%).

French SMEs are ranked in the top five countries in relation to the proportion of businesses planning to invest over the coming year (97%). Existing staff training (60%) and recruitment (55%) are top investment priorities.

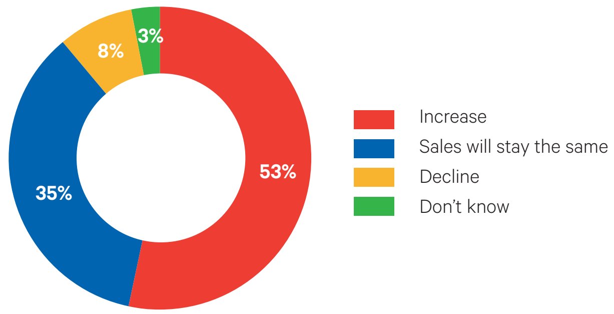
On average, French businesses wait 45.1 days for payment from customers - almost twice the number of days as SMEs in the U.S. and the highest in the study. They are also more likely to have suffered from bad debt in the past year than those in all but the Czech Republic. Almost two-fifths of French SMEs (38%) say they have written off money owed by customers, writing-off an average of €12,000.

Despite being most likely to describe the availability of finance as poor, a third currently use external finance (33%). One in five (20%) say they plan to apply for finance over the coming year, though 16% say they have been rejected for finance in the past.

CURRENT VIEW OF THE GLOBAL ECONOMY



SALES EXPECTATIONS OVER THE NEXT 12 MONTHS



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MARKET ANALYSIS: **GERMANY**

POPULATION: **82.6M**

NUMBER OF BUSINESSES: **2.5M**

MARKET OVERVIEW

The Germany economy is in a strong position, with the government expecting GDP to grow by 1.7% in 2017 and 2% in 2018.[20] This economic buoyancy has translated into record business confidence which reached its highest level[21] since German reunification in 1990, in July.

On a sector basis, growth increased for all but one sector in Q1, 2017 compared to Q1, 2016; the highest growth rates stem from the construction sector (4%), manufacturing (3.8%) and corporate services (2.6%); agriculture, forestry and fishery decreased (0.8%) for seasonal reasons.[22]

Industrial output has also expanded for five consecutive months – marking its best run of growth since before the start of the Eurozone's debt crisis in 2010.

German exports have also performed well in 2017. In the first quarter of the year, exports grew by 6.6% to €375.079bn. However, imports also increased by 5.6% to €316.495bn, which resulted in a trade surplus of €58.584bn.[23] However, in June the level of exports fell, its biggest drop for almost two years, which was attributed to the strength of the Euro.[24]

Employment is at a 27-year high, with 43.7m people registered as employed in Q1 2017. This corresponds to an increase of 1.5% or an additional 642,000 employed people in comparison to the same period last year.[25] This means that the adjusted unemployment rate stands at 3.9% or 1.77 million unemployed persons, reflecting a bright economic picture.

On the whole, the economy has benefitted from a strong domestic market and low unemployment, low interest rates and a growing global economy.

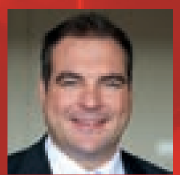
While the German engine continues to drive forward, it is nevertheless at risk from several economic challenges. Any macro-economic moves towards protectionism would impact German exports – particularly in the automotive sector.

Germany has been criticised on the world stage for maintaining a strong trade and current account surplus at the detriment to its weaker neighbours.[26] The country is going to the polls at the time of writing for the Federal Elections. This could see several changes to the business environment if Chancellor Merkel is to lose the election.

Germany is world famous for its strong middle market. These companies provide 61% of employment[27] in the country and account for 35% of net revenues.[28] German small and middle sized businesses are also strongly represented in international exports where a third of revenues are currently generated.[29] Optimism in the broader economy is also reflected in Mittelstand companies which are looking to further their economic development. Over a third (36%) expect growth for the period between 2016 and 2018, while only 15% expect a decrease.[30]

An important driver for the Mittelstand is innovation. A study commissioned by the German Ministry for Economics in October 2016 detects a huge decrease in innovation (innovation in products and processes, not spending in research and development). The so-called "innovator rate" hit its lowest point in 2014 – the last year of the research period.

Competition through increasing globalisation, the volatile global economy, political uncertainties, demographic issues and low risk appetite of banks fail to create an environment suitable for long term investments in innovation. SME spending in innovation increased slightly - by 33% in comparison to 1995, in total numbers from €25.7bn to €34.4bn in 2016 - while spending by large companies more than tripled – increasing by 349%, from €35.1bn to €122.7bn.[31]



ANDREAS DEHLZEIT
MANAGING DIRECTOR, BIBBY FINANCIAL SERVICES
GERMANY

ANALYSIS OF RESEARCH FINDINGS

In line with the 2016 Global Business Monitor results, respondents are positive about both the German economy and the growth prospects for their own businesses. Whilst a slight dip year-on-year, alongside their neighbouring counterparts in the Netherlands, German SMEs remain amongst the most upbeat businesses across the study.

The majority (81%) of respondents describe Germany's economic performance as good, up from 73% in 2016. However, while nearly a quarter (24%) expect the economy to improve within the next 12 months, more than two-thirds (68%) believe it won't change. Despite some bullishness over past performance, those expecting the economy to improve in the next year is lower than the study average of 33% and less than half of SMEs in the Netherlands (56%). This may point to some uncertainty and cautiousness surrounding the Federal Election in September 2017.

In spite of broadly positive views regarding the national economy, 60% are concerned about the global economy. When asked about the top three threats to global economic growth in 2017, respondents cite the political situation in the U.S. (56%), conflict/war/terrorism (35%) and Brexit (21%).

Almost two-thirds (65%) of respondents report that sales have risen over the past 12 months, representing the highest across the entire study and a significant increase on findings in 2016 (48%). Most German SMEs are also optimistic about their sales expectations for the upcoming 12 months. The share of companies expecting an increase in sales has increased by 7% to 64%.

For almost one-fifth (19%), the development of new products and services is seen as the most important growth opportunity for their business, followed by finding new market segments (14%). Asked about investment in 2017, the most common areas are training and development for existing staff (71%); IT or digital technology (69%) and new staff recruitment (67%).

With regard to international trade, 45% of respondents say they export, above the study average of 38%. Over a quarter (26%) say they import goods from other countries, slightly below the average (30%).

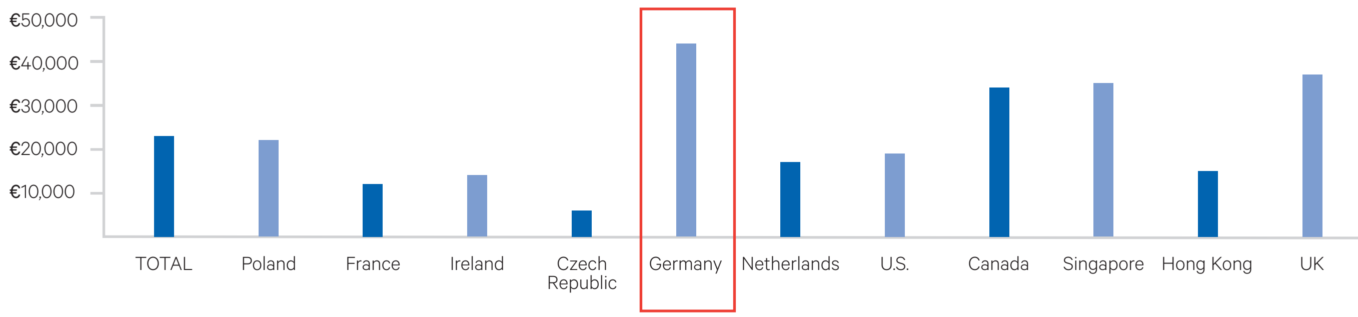
Almost three-quarters of the participants named a lack of skilled staff as the biggest challenge to their business right now and they also expect this to be the case over the next 12 months (70%). Concerning cashflow management, half of respondent business owners name collecting payment from customers on time as the most difficult challenge.

Aside from businesses in the U.S., German SMEs wait the least amount of time for customers to make payment (26 days). While this may point to a strong payment culture amongst German supply chains, more than a third have suffered from bad debt over the past 12 months and – on average – German businesses write-off more money as bad debt that any other country in the study (€44,000).

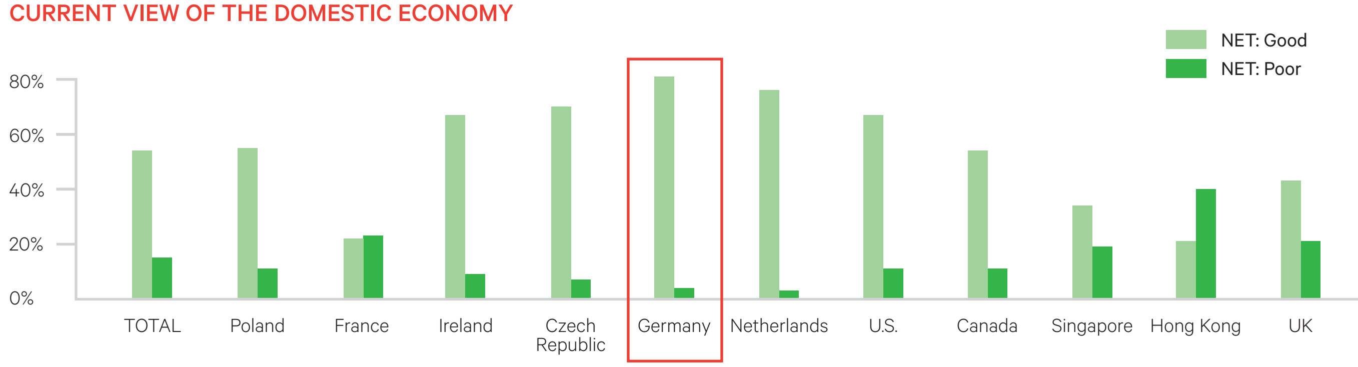
The main source of funding is reinvestment of company profits, according to 58% of participants and when it comes to external funding, 47% believe the availability of financial support in Germany is excellent or good. In fact, German SMEs are amongst the most positive in relation to the availability of finance.

One in ten SMEs say they have been rejected for finance and - alongside Canadian and Dutch businesses – German SMEs were least likely to apply for finance over the next year (just 5% respectively).

AVERAGE AMOUNT OF BAD DEBT WRITTEN OFF IN THE LAST 12 MONTHS



CURRENT VIEW OF THE DOMESTIC ECONOMY



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MARKET ANALYSIS: **HONG KONG**

POPULATION: **7.3M**

NUMBER OF BUSINESSES: **320,000**

MARKET OVERVIEW

This year marks the 20th anniversary of the transfer of sovereignty over Hong Kong from the United Kingdom to China, referred to as "the Handover" internationally or "the Return" in China, which took place on 1 July 1997. As one of the world's leading international financial centres, Hong Kong has developed into a modern, vibrant and cosmopolitan services economy, underpinning the role of the city as a global business hub. Hong Kong's economic strengths include a robust banking system, a strong legal system, rigorous anti-corruption measures and close ties with mainland China.

Hong Kong is an important banking and financial centre in Asia Pacific. According to the Bank for International Settlements, Hong Kong is the second largest foreign exchange market in Asia and the fourth largest in the world in 2016, with the net daily average turnover of forex transactions reaching US$437 billion.[32]

At the end of last year, there were 195 authorised institutions and 54 representative offices in Hong Kong.[33] Total loans provided by the authorised institutions to finance international trade and other loans for use outside Hong Kong totalled US$58.3 billion and US$305.5 billion respectively.[34] The Hong Kong Stock Exchange is the seventh largest in the world and has a market capitalisation of US$3.2 trillion as of December 2016.[35]

The four economic pillars of Hong Kong are: trading and logistics (22.3% of GDP in terms of value added in 2015), tourism (5%), financial services (17.6%), and professional services and producer services (12.3%).[36]

Additionally, there are six key industries where Hong Kong has opportunities for further development. These industries are cultural and creative, medical services, education, innovation and technology, testing and certification services and environmental industries. Combined, these accounted for 8.9% of GDP in 2015.[37]

Small and medium sized enterprises (SMEs) are a vital part of the local economy. As of March 2017, there were approximately 320,000 SMEs in Hong Kong accounting for over 98% of businesses and nearly 1.3 million jobs – almost half (46%) of total employment (excluding civil service roles).

The majority of SMEs operate in import/export sectors and wholesale industries, followed by the professional and business services industry. Such businesses account for about 50% of SMEs in Hong Kong and represent the same proportion of SME employment.

In the first half of 2017, Hong Kong's economic growth accelerated by 4% year-on-year in real terms, from 2% in 2016.[38] Additionally, the growth of private consumption expenditure quickened to 4.6% year-on-year for the first half of 2017, from 1.8% for 2016.[39]

Investment expenditure increased by 8% year-on-year for the second quarter of 2017, after a marginal decline of 0.3% in 2016.[40]

The growth of exports of goods accelerated considerably to 11.1% year-on-year with total export volume reaching HK$3.257 billion.[41] This growth was predominantly due to significant growth in exports to China and other major Asian countries, especially India, where exports increased by 38% year-on-year.

For the rest of 2017, the business environment is expected to improve further. In August 2017, the government maintained the forecast of Hong Kong's economic growth for 2017 at 3-4% according to the Census and Statistics Department, Hong Kong's Special Administrative Region.[42]

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MANAGING DIRECTOR, BIBBY FINANCIAL SERVICES
HONG KONG

ANALYSIS OF RESEARCH FINDINGS

The findings of this year's Global Business Monitor shed an interesting light on the views of SMEs in Hong Kong. Though a slight improvement year-on-year, across the entire study, SMEs in Hong Kong were least confident about past performance and future sales prospects. Hong Kong's relative dependency on international trade could play an important role in this downbeat mood. Almost half of respondents (47%) export - the second highest in the study behind Singapore and more than double the proportion of SMEs exporting in the U.S. (18%).

Two-fifths (40%) of business owners in Hong Kong feel their local economy is performing poorly and over a quarter (28%) expect it to worsen in the next 12 months – again, the highest in the study.

In relation to the global economy, key concerns surround war/terrorism/conflict (17%), rising interest rates (13%) and U.S. politics (13%).

SMEs are pessimistic about their own business performance, with under half (45%) recording a decline in sales over the last 12 months. Looking ahead to the next 12 months, over a third (35%) expect sales to remain the same, but the same proportion (35%) expect sales to decline.

According to more than half (52%), rising overheads pose the greatest challenge to their business now and over the next 12 months (50%). In addition to the rising costs of labour and raw materials, sky-high property prices are believed to be a major issue for businesses in Hong Kong. According to Knight Frank's Skyscraper Index, Hong Kong's US$278.50 per sq. ft. per annum office rental makes prime office rent the highest in the world by a significant margin.[43] In the past two years, office rents in Central (prime commercial area) have surged by 20%.

Three-fifths (62%) say government policy is not favourable to their business, with just one in five stating that business policies support SMEs in Hong Kong.

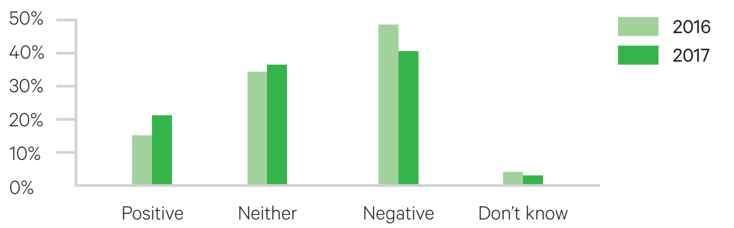
In terms of cashflow management, two-fifths (43%) say collecting payment from customers on time is the most problematic area. Results show that three-fifths (63%) of SME customers take 30 days or more to make payment. When compared with the other countries included in the study, SMEs in Hong Kong wait the third longest to receive payment from customers (41 days).

Over a quarter (27%) of SMEs have experienced bad debt over the past year and the same proportion say this negatively impacts their business growth and profits, with 2% of them even needing to make staff redundant. Despite declining sales and low confidence, only 16% of respondents currently use external finance, and just over one in ten (12%) have plans to apply for external finance in the next 12 months.

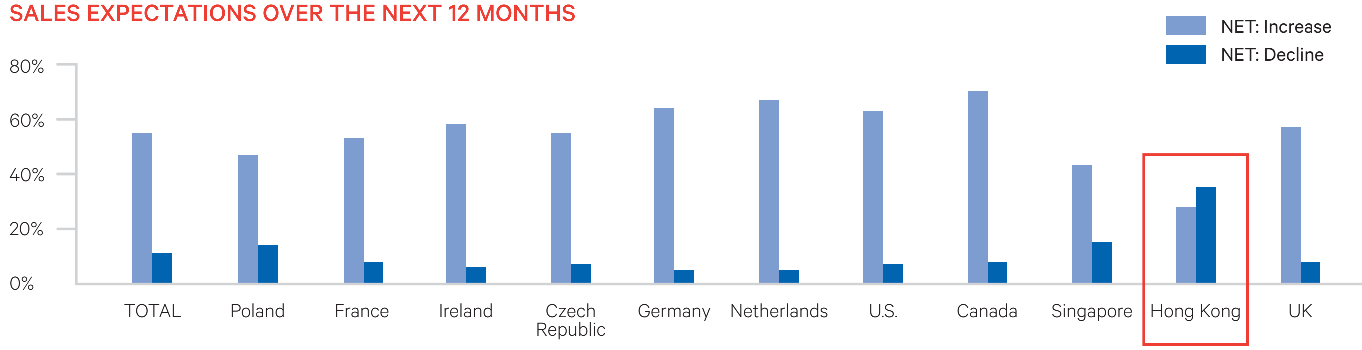
With regard to the availability of finance, SMEs in Hong Kong appear relatively content. Seven in ten say that the availability of finance for their business is either good or fair. One in five believe that the availability of SME finance is poor and two-fifths attribute documentation as the main barrier to accessing finance.

While the lowest across the study, three quarters of SMEs in Hong Kong plan to invest in their businesses throughout the remainder of 2017. The top three areas of planned investment are sales and marketing (35%), new product development (31%) and staff recruitment (27%).

VIEWS ON DOMESTIC ECONOMY 2016 VS 2017



SALES EXPECTATIONS OVER THE NEXT 12 MONTHS



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MARKET ANALYSIS: **IRELAND**

POPULATION: **4.7M**

NUMBER OF BUSINESSES: **238,000**

MARKET OVERVIEW

2016 marked the fourth calendar year of positive growth in both Irish GDP and employment, with Central Statistics Office (CSO) figures for the period placing real GDP growth at 5.1%.[44] While 2017 to date has witnessed a buoyant mood, there are undertones of caution due to an increasingly uncertain external environment.

The International Monetary Fund (IMF) bailout and recession now seem a distant memory as the Irish economy continues on its course to become the fastest growing Eurozone economy for the fourth year in a row. As the recovery matures and maintains momentum, economic forecasts continue to be upbeat, with further growth in GDP expected, albeit at a more moderate pace. Growth of 4% is forecast for 2017 compared to an estimated Eurozone growth of 1.7%; growth of 3.6% is forecast for 2018 against anticipated Eurozone expansion of 1.8%.[45]

The Irish labour market continues to exhibit strong growth in 2017, with unemployment at 6.3% in June of this year, down from a peak of 15% in 2012.[46] These improvements appear broad, across both region and sector, with almost all industries registering employment growth. The tightening of the labour market and positive projections for inflation should support moderate wage increases over the period. Moreover, the Economic and Social Research Institute (ESRI) forecasts the unemployment rate to show continued improvement, reducing to 6.1% in 2017 and 5.4% in 2018.[47]

Trade developments remain highly exposed to the activities of multinationals. Import activity increased sharply in 2016, particularly in Q4, while export growth slowed overall for the year, partly due to the fall in the value of GBP and the decline in 'contract manufacturing' by multinationals. Consequently, net exports had a negative impact on GDP growth in 2016. They are expected to contribute marginally to GDP growth in 2017 and 2018, as exports are expected to increase in line with global trade.

Another key performance indicator for the domestic economy is consumer spending. After increasing by 3.3% in 2016, consumer spending grew by 1.2% on a quarterly basis and by 1.8% in year-on-year terms in the first quarter of 2017. Consumer confidence levels remain at a 15-year high, while retail sales are also buoyant.

In terms of the economic outlook, primary risks to the Irish recovery are external. In particular, Brexit will have an, as yet, unknown long-term impact. For the moment, the main impact is via the value of Sterling. At the same time, there are positive developments externally, with the global economy, including the Eurozone, picking up momentum, which in turn is likely to boost Irish exports. The volume of exports is expected to rise by 5.2% in 2017.[48]

Although the process of Brexit will not actually occur until at least 2019, considerable uncertainty surrounding the final outcome of negotiations between the UK and the EU as well as potential changes to U.S. tax and trade policies, leave Ireland highly exposed.

The threat of a hard Brexit has somewhat reduced following the UK General Election, combined with the continued strength of recent Irish economic indicators. As the only EU country that shares a land border with the UK, and €1.2 billion of trade between Ireland and Britain each week,[49] the potential implications for jobs, economic growth and government finances, could be significant.

All economic indicators point to a strong market and one that is primed for additional growth throughout the remainder of 2017 and 2018, whatever challenges are encountered. In the face of global economic and political uncertainty, Ireland remains a stable, competitive and pro-business economy.

MARK O'ROURKE
HEAD OF BUSINESS, BIBBY FINANCIAL SERVICES
REPUBLIC OF IRELAND

ANALYSIS OF RESEARCH FINDINGS

Findings of the research echo wider economic indicators: Irish small and medium sized enterprises (SMEs) appear more confident in the strength of the domestic than the global economy. Over two-thirds (67%) described the Irish economy as performing well, compared to just 22% in relation to the global economy.

Brexit (69%), U.S. political uncertainty (55%) and global conflict or terrorism (21%) are seen as the top three threats to global economic growth amongst Irish SMEs in 2017.

Despite considerable uncertainty surrounding the final outcome of negotiations between the UK and the EU, as well as potential changes to U.S. tax and trade policies, nearly half (47%) of respondents are confident that the Irish economy will stay the same over next 12 months. Furthermore, over a third (38%) expect the local economy to improve in the year ahead.

Over half (58%) expect sales to increase over the same period, a modest increase of 1% on 2016. Those with higher turnovers (€1.2m+) signified the greatest optimism with regard to forecasted sales growth.

While the pace of growth is modest, the first half of 2017 has been notably less difficult than SMEs had envisaged. The rise they are seeing in their own business volumes, allied to better than expected news on the broader Irish economy, are translating into improving confidence with 97% planning to invest in their businesses over the year ahead. SMEs signalled that such investment in 2017 will focus on up-skilling existing staff, sales and marketing, IT and digital technology, and recruitment.

SMEs in the transport (56%), and hospitality and leisure (73%) sectors are most positive while larger businesses (50+ employees) (61%) also perceive the economy more favourably. Industries citing a decline in business performance over the past 12 months are mainly business services and manufacturing (21% and 22% respectively).

Brexit has no doubt influenced business confidence across all sectors, but adopting a 'wait and see approach' is not an option. SMEs in the wholesale and distribution industry are most pessimistic about the future, with 24% saying it will worsen over the next 12 months. Those businesses that manage their Brexit exposure in detail at a product, customer or supply chain level will be well placed to create the most competitive solutions which are fit for the post-Brexit world.

More than a third (37%) of Irish SMEs use external sources of finance for their businesses, but findings reinforce the difficulty many Irish SMEs encounter in accessing funding. Second only to France, 29% of Irish SMEs cite the availability of finance as poor. Conversely, however, less than one in ten (9%) have been rejected for finance in the past 12 months, below the study average of 12%.

Smaller Irish businesses (those turning over up to €300,000) are more likely to have been rejected for finance (13%).

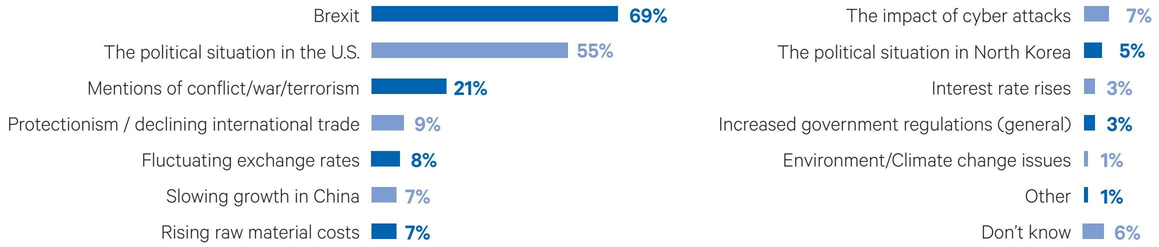
SMEs are anticipating challenges on the horizon: over half (57%) cited timely collection of customer payments as a real issue. Rising costs and a belief that interest rates will increase were also cited.

Almost a third of SMEs (32%) suffered from bad debt over the past 12 months, down from 41% in 2016 and slightly lower than the study average of 33%. The average amount written off by each business due to customer non-payment or insolvency stands at €13,780.

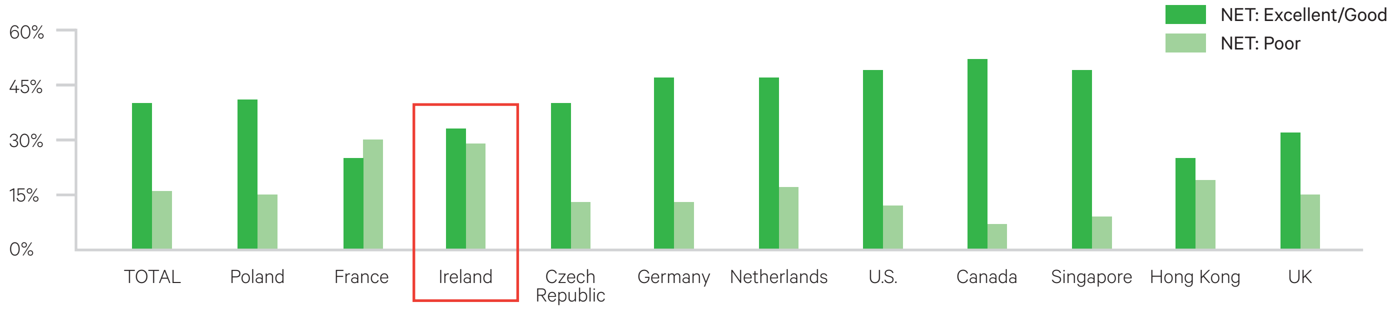
Of those Irish SMEs trading internationally, the UK, Germany and the U.S. represent the most value by way of exports. The UK also represents the greatest value in relation to imports and it's for these combined reasons that the drop in value of Sterling has had a differing impact across Irish businesses.

Perhaps unsurprisingly, therefore, in relation to international trade, the greatest challenge to Irish SMEs is currency fluctuations, cited by one in five as a key issue.

TOP THREATS TO GLOBAL ECONOMIC GROWTH IN 2017



AVAILABILITY OF FINANCE



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MARKET ANALYSIS: **NETHERLANDS**

POPULATION: **17M**

NUMBER OF BUSINESSES: **752,000**

MARKET OVERVIEW

Now a constitutional monarchy headed by King Willem-Alexander, the Netherlands, (literally meaning "lower countries", influenced by its flat geography), began as a republic in the 16th century, where it proceeded to become one of the world's foremost maritime trading nations.

Today, the Netherlands, the sixth-largest economy in the European Union,[50] plays an important role as a European transportation hub - Amsterdam Airport Schiphol is Europe's third busiest airport[51] and the Port of Rotterdam is the largest in Europe[52] - and is well established in a number of industries including food processing, chemicals, petroleum refining, and electrical machinery.[53] Moreover, the City of Eindhoven is home to Brainport Eindhoven – one of Europe's leading technology regions, regarded worldwide as a hi-tech, innovation centre.[54]

The Netherlands has also long been viewed as a nation that offers successful work/life balance. In 2017, the United Nations World Happiness Report ranked the Netherlands as the sixth-happiest country in the world, reflecting its high quality of life.[55]

The Netherlands is home to several large multinationals. Royal Dutch Shell is the largest private company of the Netherlands by revenue and the second largest in the world after Exxon Mobil.[56] Other well-known multinationals are Heineken, Philips, TomTom and Randstad, all of which have their headquarters in Amsterdam, whilst global giant Unilever is located in Rotterdam.[57] Meanwhile, the Dutch financial sector is highly concentrated, with four commercial banks - ING Group, Rabobank, ABN AMRO, and de Volksbank - possessing over 80% of banking assets, four times the size of Dutch GDP.[58]

Yet the Netherlands isn't only about big business. Small and medium sized enterprises (SMEs) are a vital part of the local economy. There are approximately 752,000 SMEs in the Netherlands, with almost two-fifths (38%) involved in international activities, such as trade and investment. Most of these SMEs import and export products, but international co-operation and foreign direct investment also play a key role. The trading focus for SMEs in the country is predominantly with its EU partners, with Germany being the most important trade partner of Dutch firms.[59] Dutch SMEs account for three million full-time jobs in the Netherlands, representing approximately 70% of total Dutch employment.[60]

According to estimates from the European Commission, the Dutch economy will grow by 2% in 2017, a slight reduction from the 2.1% growth seen in 2016, with 1.8% growth forecast for 2018.[61] Meanwhile, the Dutch central bank, De Nederlandsche Bank, predicts the Dutch economy will grow by 2.5% this year, the highest rate since 2007, boosted by further international trade and corporate investments.[62] The Dutch economy was significantly impacted by the last financial crisis, but domestic spending is helping the country recover, and exports will contribute almost half of total GDP growth in 2017, according to De Nederlandsche Bank.[63]

It is fair to say that the future looks optimistic for the Dutch economy today.

ROB RETÈL
MANAGING DIRECTOR, BIBBY FINANCIAL SERVICES NETHERLANDS

ANALYSIS OF RESEARCH FINDINGS

In its first study, the findings of this year's Global Business Monitor have painted a positive picture for the future of Dutch SMEs. In fact, according to the confidence index, Dutch businesses are more confident than any of the other 10 countries included in the study.

Over three quarters (76%) of SMEs describe the Dutch economy as performing well and just 3% say the local economy is performing poorly. SMEs are also optimistic about economic growth over the next 12 months, with over half (56%) expecting it to improve, and over a third (37%) expecting it to stay the same.

In what will be seen as good news for the country, three-fifths (59%) of SMEs have grown in the last 12 months, and two-thirds (68%) of small businesses expect their sales to increase in the next year, second in the study only to Canadian SMEs (70%).

As a country noted for its current and historic role in international trade, 43% of respondents report that they export, with Germany, Belgium and the UK being the three markets representing the most value to Dutch businesses. Over a third (35%) say they import goods and services from other countries, reflecting a healthy balance of trade amongst Dutch SMEs.

Amongst this positivity, there are also some challenges. According to two-fifths (39%) of SME owners, a lack of skilled staff is currently the biggest challenge facing small businesses, followed by not having enough time to run their businesses properly (37%). Additionally, almost one third (31%) of SMEs are struggling with cashflow.

Over a third (36%) of small business owners anticipate the lack of skilled staff will continue to pose a major challenge in the next 12 months. For SMEs who trade internationally, the biggest challenge they face is government regulation/legislation (20%). At present, expanding domestically is seen as the greatest growth opportunity for SME businesses (14%).

Whilst SMEs are generally positive about the Dutch economy, three-fifths (61%) of SMEs have concerns over the global economy. Key threats to the global economy according to Dutch SMEs include the political situation in the U.S., the potential for conflict, war and terrorism, and the role of Brexit as the UK negotiates its divorce from the EU.

Perhaps surprising, given high levels of confidence in the local economy, is a more muted view on government policy among Dutch business owners. Though below the study average, half say they feel that government policy concerning SMEs is unfavourable, with 39% stating that it requires reform.

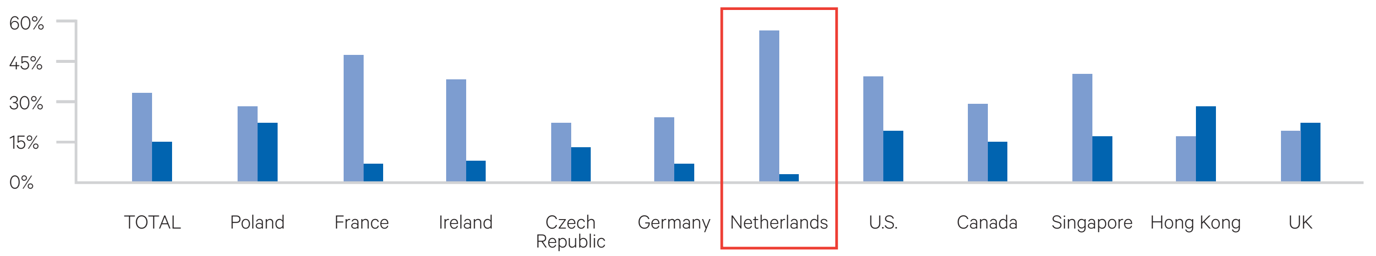
Investment plans over the next 12 months are focused around staff training and development (59%), IT or digital technology (56%) and sales and marketing (53%).

With regards to funding their businesses, a quarter of Dutch SMEs (25%) use external finance, with the primary source of funding reinvested profits (43%). Of those using external finance, bank loans and private equity were the most common forms of funding.

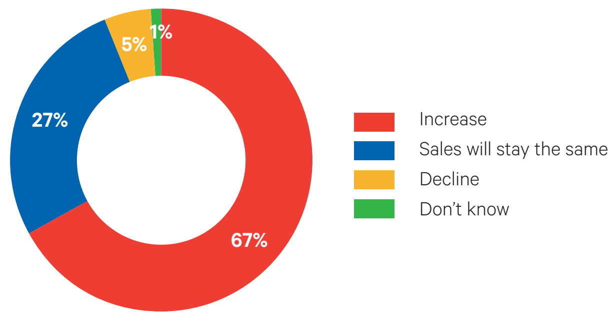
The research found that over half of Dutch SMEs (57%) are paid within 30 days compared to 38% who are paid after 30 days. On average, SMEs in the Netherlands wait 30 days for payment, which is below the study average of 34 days.

Almost one third (31%) have suffered from bad debt in the past 12 months with €17,000 the average amount that businesses have written off, sitting below the Global Business Monitor average of €23,000.

EXPECTATIONS OF DOMESTIC ECONOMY OVER THE YEAR AHEAD



SALES EXPECTATIONS OVER THE NEXT 12 MONTHS



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MARKET ANALYSIS: **POLAND**

POPULATION: **37.95M**

NUMBER OF BUSINESSES: **1.5M**

MARKET OVERVIEW

The largest economy in Central Europe has continued to demonstrate positive economic growth in 2017, following a slight slowdown in 2016. Economic growth is expected to accelerate to 3.3% in the 12 months to December 2017, compared to 2.8% in 2016, supported by stronger foreign investment.

Looking towards 2018 and 2019, the World Bank forecasts growth to remain broadly stable at 3.2% each year.[64]

Following slower growth in 2016, the primary drivers of economic acceleration in 2017 are a combination of factors, which include new investments, largely funded by the EU, and a growth in private consumption, on the back of a strong labour market performance.[65]

Poland, similar to other European countries, is nevertheless susceptible to a number of external factors, including Brexit and changes in the Eurozone. Polish small and medium sized enterprises (SMEs) that operate in export sectors are already reporting concerns over changes in tax law and general changes to legislation, which could potentially hinder export volumes in the coming months and years. Such factors could negatively impact the performance of the economy, reducing investment levels and thus impacting on growth.[66]

Furniture manufacturing and exporting continues to boost the performance of the economy, with the wider manufacturing, construction and services sectors also performing positively in the last 12 months. Trade and transport has seen a decline during the same period.[67]

Budget revenues are expected to change as a result of Poland's improving economic outlook and government policy. This includes the introduction of new measures by the Ministry of Finance and the creation of the National Fiscal Administration (KAS) on 1 March, 2017 which is tasked with improving the country's tax and customs services.

Legal changes have been touted as the greatest barrier to the ongoing development and growth of the Polish economy but, in comparison to recent years, this concern is abating.

Although trends of worker movement to other European markets are seemingly shifting, workforce shortages in certain industry sectors are continuing to cause concern. In June, unemployment reached a 26 year low of 7.1% and many businesses are now struggling to access the labour skills they require for growth.[68]

SME sentiment is showing notable improvement, although tinged with a level of caution. Our recent Bibby Moods of Polish Entrepreneurs Index survey highlighted that over a fifth (21%) of SMEs believe the economic standing of their companies will improve over the next 12 months. However, legislation changes associated with rising wages mean that workforce headcounts are likely to remain unchanged among SMEs.

The Polish Government has proposed a number of reforms as part of the Strategy for Responsible Development, which places particular emphasis on improving the business environment and promoting innovation. In particular, there is a significant focus on driving innovation in life sciences, with Poland already home to over 100 global and Polish pharmaceutical companies and the largest pharmaceutical market in Central and Eastern Europe.[69]

JERZY DĄBROWSKI
MANAGING DIRECTOR, BIBBY FINANCIAL SERVICES POLAND

ANALYSIS OF RESEARCH FINDINGS

In line with the Global Business Monitor results for 2016, Polish SMEs continue to have a mixed outlook in relation to the global and local economies. Over half (55%) consider the Polish economy to be performing well, up from 47% in 2016. Moreover, almost half (45%) believe it will remain the same over the next 12 months. There is, however, less optimism for the global economy at present – with just over a third (36%) of the belief that it is performing well.

SMEs believe that government policy towards business needs to be reformed. Over a third (38%) state that government policy needs work and 31% believe that it isn't favourable for SMEs in its current guise. Perhaps unsurprisingly, government regulation / legislation is viewed as one of the biggest challenges facing SMEs in Poland today. Almost half (48%) cite this as their biggest challenge and, in line with wider economic indicators, 51% cite a lack of skilled staff as a key issue for their business.

Primary threats to growth identified amongst Polish SMEs are the political situation in the U.S. (22%); Brexit (18%) and slowing growth in China (11%). These concerns, however, do not appear to have had a negative impact on sales expectations over the next 12 months. More than half (52%) say that sales volumes have grown in the past year, up 11% since 2016 and above the study average of 49%. One in five say that sales have declined.

Almost half (47%) predict that sales will increase over the year ahead, up from 45% in 2016, but below the average of 55% across the entire Global Business Monitor study.

Aligning with the 2016 findings, acquiring other businesses is seen as the biggest opportunity by the majority of Polish SMEs, with a third (34%) citing this as the most significant growth prospect. Developing new products and services (15%) and expanding domestically (11%) also feature in the top three.

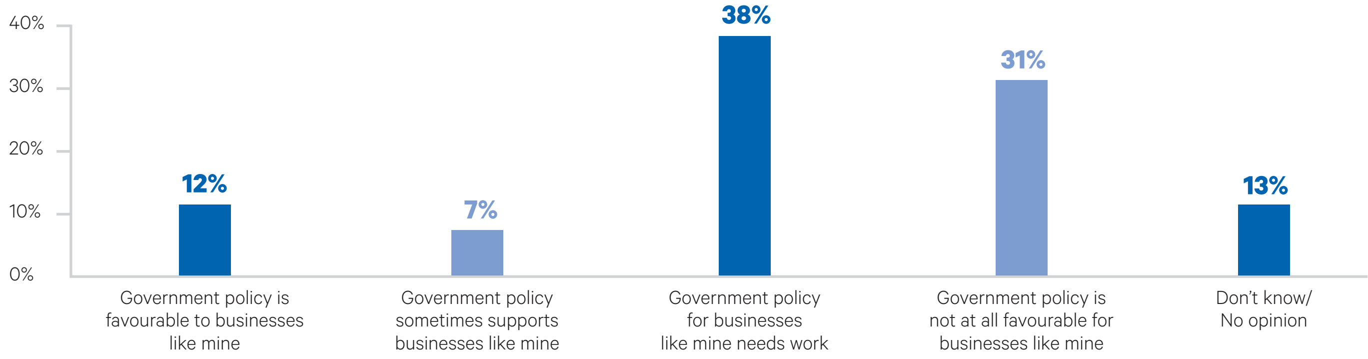
Investment in machinery and equipment is a key focus for many businesses (41%) along with new staff (28%) and new product development (25%). Two-fifths of respondents say they export goods or services and a quarter (25%) say they import goods from other countries. Foreign exchange fluctuations (35%) and government regulation (18%) are the primary challenges for SMEs trading internationally.

In relation to business funding, there has been a drop in the number of Polish SMEs using external finance in 2017. Down from over half in 2016, 45% of respondents in 2017 say they have used external finance for their business. Interestingly, behind businesses in the Czech Republic, Polish SMEs were most likely to have been rejected for finance. One in five (19%) say they have been rejected, above the average of 12%. Of those rejected, almost half say this was due to their business having a poor credit rating.

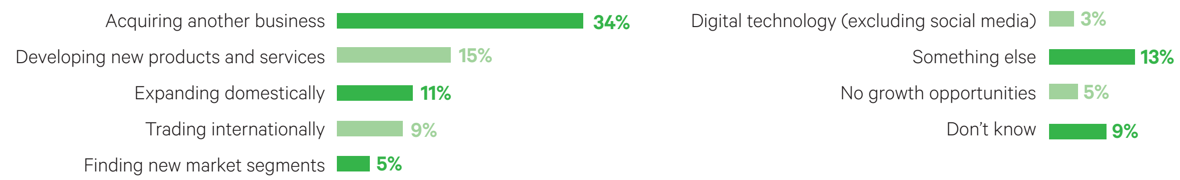
The primary sources of funding are reinvestment of company profits (58%), followed by self-funding (24%).

Polish SMEs were in the top three countries in relation to customer payment times, on average waiting 29 days for payment. However, Polish businesses are more likely to have experienced bad debt in the past year than the majority of other countries included in the study. Over a third (35%) have written off money as a result of bad debt, behind only their counterparts in the Czech Republic and France. The average amount written off by each business is €22,000, slightly below the study average.

VIEWS ON GOVERNMENT POLICY FOR SMEs



GREATEST GROWTH OPPORTUNITY FOR SMEs TODAY



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MARKET ANALYSIS: **SINGAPORE**

POPULATION: **5.6M**

NUMBER OF BUSINESSES: **216,900**

MARKET OVERVIEW

While there has been some uncertainty in recent times, Singapore continues to perform as a strong business-centric economy.

Despite initial estimates, the economy grew faster than initially expected in the second quarter, signalling a recovery following a stumble earlier in the year. According to the Ministry of Trade and Industry, growth of around 2.5% is expected in 2017.[70]

From an industry sector perspective, manufacturing has been a clear winner in 2017 having expanded by 13.1% year-on-year.[71] This sector, alongside the electronics and precision engineering industries, have been key drivers of Singapore's growth. A large part of this growth is derived from an uptick in global demand in Singaporean exports, most noticeably in the transportation and storage industries. These two industries contributed to 74% of Singaporean GDP.[72]

The construction sector shrank in the second quarter, extending an initial contraction from Q1. Economists attribute this to weakness in both private sector and public sector construction activities. Other areas, such as retail and food and beverage continue to face headwinds – coupled with slower demand. Retailers are also contending with longer-term challenges such as the rise of e-commerce.

As of May 2017, there are 216,900 enterprises in Singapore, 99% of which are small and medium sized enterprises (SMEs) accounting for 65% of the total employment of 3.4m people.[73] SMEs are defined as enterprises with operating receipts of not more than US$100m and no more than 200 workers.

For the full year 2016, external demand grew at a slower pace of 1.6%, compared to the 2.6% growth in the previous year, amidst sluggish global economic conditions. The growth in external demand was largely driven by real merchandise exports, of which mineral fuels, chemicals and chemical products were the key contributors.[74]

Exports also contributed positively to growth, supported mainly by robust growth in the exports of transport and travel. For 2016 as a whole, total domestic demand saw a slight reduction of 0.1%, compared to the 2.1% increase in 2015.[75] Domestic demand was affected by a decline in gross fixed capital formation and a smaller build-up in inventories, which offset an increase in consumption expenditure.

SMEs are being encouraged by the Government to internationalise, leverage global talent and develop knowledge. By collaborating with partners from major innovation hubs, businesses can develop technology and adopt innovation to reach overseas markets. According to the Singapore Budget 2017, the Government will work with other businesses, large organisations, trade associations and chambers to strengthen outreach and support of SMEs from different industries.

The Singaporean Government is also championing initiatives to support SMEs – including the SPRING SME Working Capital Loan - where local enterprises can access unsecured working capital financing in a period of slow economic growth, with the scheme valid until 31 May, 2019.

Another area of support is the Loan Insurance Scheme which helps companies secure trade finance from participating financial institutions by insuring the institutions against insolvency risks of the company. Loans are underwritten by commercial insurers and a portion of the insurance premium subsidy is supported by the Government. The scheme also comprises the Loan Insurance Scheme Plus (LIS+) whereby the Government underwrites loans that are beyond the capacity of commercial insurers.

Overall there are signs that the challenges in the economy are related to challenges in local demand rather than any dearth in support for enterprise. Exports continue to be a strong area for the economy and it is unsurprising that the Government is pushing SMEs to internationalise, in the hope that they too can benefit from export led growth.

ALAN WONG
MANAGING DIRECTOR, BIBBY FINANCIAL SERVICES
SINGAPORE

ANALYSIS OF RESEARCH FINDINGS

Findings for Singapore's inaugural Global Business Monitor show lower confidence amongst SMEs than their European and North American peers. It is clear, however, that businesses are more optimistic about the local economy than they are about the global picture.

Over a third (34%) believe that the local economy is performing positively and 40% expect it to grow further in the next 12 months. On the other hand, despite Singapore's high trade dependency, 80% of SMEs have a negative perception of the global economy.

When asked about the threats to global economic growth in 2017, SMEs cited U.S. politics (31%), slowing growth in China (19%) and declining international trade (15%). Both China and the U.S. are primary trading partners to Singapore, explaining this heightened concern amongst Singaporean SMEs.

With regard to their own business performance over the past 12 months, almost two-fifths (39%) of SMEs say they have seen declining sales, second only to businesses in Hong Kong. Less than a third (29%) say they have seen sales increase, less than half that of businesses in Germany (65%).

There are some green shoots of optimism, however, and 43% expect positive sales growth over the year ahead. Nine in ten businesses plan to invest over the next 12 months, with staff training and development, sales and marketing and IT or digital technology featuring as the key investment areas.

With regard to creating a cultivating environment for business, Singaporean SMEs are most likely across the study to view government policy as favourable. In contrast to SME owners in the Czech Republic (19%), almost four times as many businesses in Singapore say that government policies support businesses such as theirs (78%).

A global trade and export hub, it is perhaps unsurprising that SMEs in Singapore are more likely to import and export than businesses in any other country included in the study. In fact, Singaporean SMEs were more than three times as likely to import (62%) and export (61%) than their peers in the U.S. (17% and 18% respectively). In the context of global trade, a quarter (25%) consider foreign exchange fluctuations to be a key concern.

In relation to key business challenges, rising costs and currency fluctuations are cited as the top concerns for SMEs both at the moment and over the next 12 months.

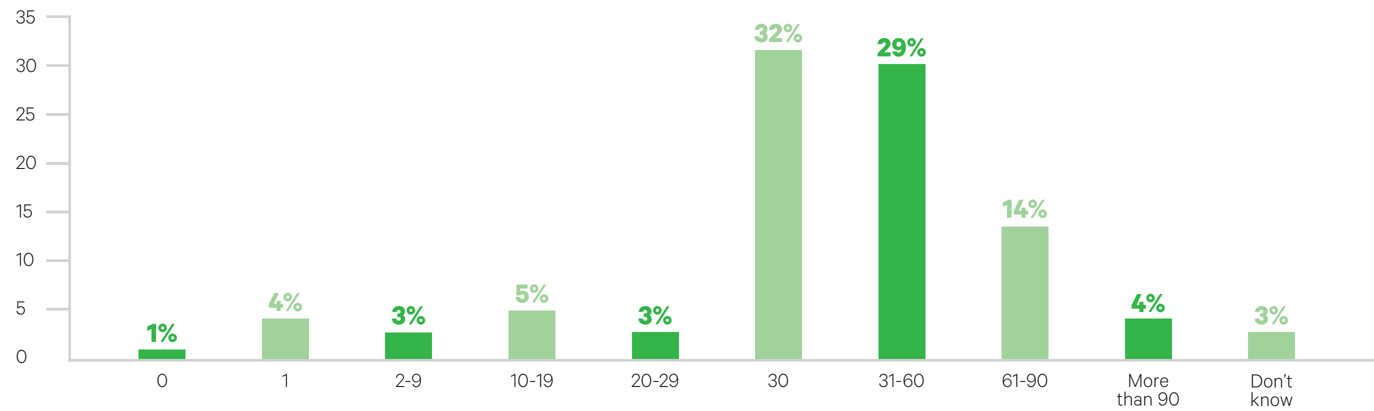
Research reveals some concerning findings relating to payment practices, which may also relate to Singapore's balance of trade. The vast majority of SMEs' customers (79%) take 30 days or more to make a payment, while 18% take in excess of 60 days to pay. Aside from French SMEs, businesses in Singapore wait the longest for payment (45 days) and almost double that of SMEs in the U.S.

It is of little surprise, therefore, that cashflow is a key challenge and why over two-thirds (68%) cite collecting payment from customers as the most problematic aspect of cashflow management.

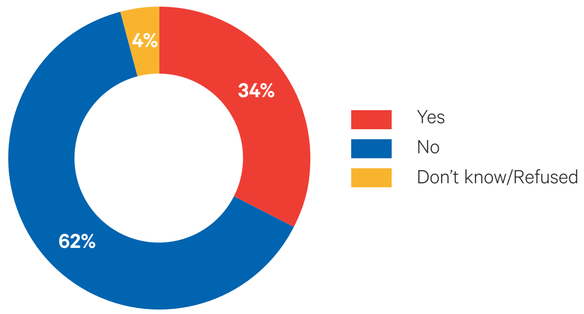
Over a third of SMEs say they have suffered from bad debt over the past 12 months due to customer non-payment or insolvency. Other than SMEs in Germany (€44,000) and the UK (€37,000), Singaporean business owners say they have written-off the most amount of money as bad debt over the last 12 months (€35,000).

Despite challenges surrounding cashflow and payment practices, Singapore remains a key financial centre of the world and nearly half of all businesses (49%) think the availability of finance for SMEs is either excellent or poor. Just one in ten believe availability to be poor and the same proportion have had applications for finance rejected.

NUMBER OF DAYS SMEs WAIT FOR PAYMENT



NUMBER OF SINGAPOREAN SMEs THAT HAVE SUFFERED FROM BAD DEBT IN THE LAST 12 MONTHS



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71 Department of Statistics Singapore, Monthly Manufacturing Performance, June 2017
72 Department of Statistics Singapore, Share of GDP by Industry
73 Figures obtained from Department of Statistics Singapore
74 International Enterprise (IE) Singapore
75 International Enterprise (IE) Singapore

MARKET ANALYSIS: **UK**

POPULATION: **64.9M**

NUMBER OF BUSINESSES: **5.4M**

MARKET OVERVIEW

In the Global Business Monitor in 2016, it was noted that the UK had two years of economic turbulence ahead. One year on, it certainly feels as though we are in the eye of the storm. Whether this lasts for another year only is perhaps wishful thinking.

Since the UK's historic EU referendum, we have seen Theresa May installed as Prime Minister and in January this year we saw her lay out a vision for Brexit negotiations. March heralded the delivery of the much-discussed Article 50, which ignited the process of the UK leaving the EU, with formal negotiations beginning in June.

Amid this change, Theresa May called a snap General Election, which took place on 8 June, as the Conservatives sought to gain more seats and a stronger negotiating position with the EU. But even the best laid plans do not come to fruition and the Conservative Party lost a number of seats in Parliament, requiring it to turn to Northern Ireland's DUP to create a majority government.

As the political games unfolded, businesses and the wider economic community continue to search for a sense of direction on where the economy is going and – importantly - what it will look like after the UK leaves the EU.

What is clear is that on the 10th anniversary of the global economic crisis, there is much uncertainty amongst UK SMEs and this has led to delayed investment decisions and lower sales expectations throughout the first half of the year.

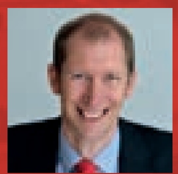
The UK economy finished 2016 surprisingly strongly with GDP growth of 0.7% in the fourth quarter. However, signs for 2017 so far have been ominous, with sluggish growth of 0.2% in the first quarter and 0.3% in Q2.[76] As a result of this stunted growth, the Bank of England has downgraded its growth estimates for 2017, reducing from 2.0% to 1.9% in May[77] and again in July to 1.7%.[78]

The depreciation of the Pound has contributed to this mixed bag of results. On one side it has helped to boost exports with the manufacturing industry growing at near record levels according to July's Manufacturing PMI.[79] However, the continued imbalance of a services-led economy means that the UK's overall trade deficit has failed to shrink, reaching £8.9bn in July. This is largely as a result of imports becoming more expensive due to a weaker Pound.[80]

There are, however, some positive indicators. The National Institute for Economic and Social Research believes that global growth achieved so far in 2017 will lead to increased foreign demand for UK exports. It forecasts growth of 0.4% in Q3 and Q4 and 0.5% in Q1, 2018.

Businesses are seemingly continuing with hiring intentions, with the unemployment rate falling to 4.5%.[81] Such low levels of unemployment, however, do present a separate challenge compounded by Brexit. According to the Recruitment and Employment Confederation, many SMEs are now struggling to plug the skills gap as a growing number of European workers decide to stay or return home amid the UK's Brexit disentanglement.[82]

For the remainder of 2017 and into 2018, uncertainty and anticipation over Brexit negotiations are likely to dominate the minds of politicians and business owners alike. In the meantime, debate will likely continue on how UK businesses can boost export volumes while currency conditions remain somewhat favourable.



EDWARD WINTERTON
CHIEF EXECUTIVE OFFICER, BIBBY FINANCIAL SERVICES
UK

ANALYSIS OF RESEARCH FINDINGS

Findings reflect the mixed economic mood in the UK, though there has been a slight uptick in confidence amongst SMEs since last year's study, rising six percentage points - from 62% to 68%.

Under half (43%) believe the UK economy is performing well, placing UK SMEs in the bottom half of those surveyed in relation to domestic confidence. One in five SMEs expect the situation to worsen over the next 12 months. The UK and Hong Kong are the only two countries to have a higher proportion of businesses that feel their local economy will worsen than those believing it will improve in the year ahead.

Despite signs of stronger growth in 2017, almost two-thirds of UK SMEs (64%) have concerns over the global economy, in line with the average across the study of 65%.

UK businesses are evenly split on sales performance over the past 12 months. Half have achieved growth and half have seen sales either stay the same or decline.

In relation to government policy, over half (53%) believe more could be done to support SMEs. It is perhaps unsurprising, therefore, that government regulation is considered the second greatest challenge for businesses (45%). Other top three challenges include rising costs, which is the top concern (55%), and cashflow management (44%).

The relative significance UK SMEs place on Brexit as a threat to the global economy is also unsurprising. Behind this top answer, which was cited by 42% of SMEs, U.S. politics, and global conflict were cited by 22%, respectively.

Encouragingly, almost all UK businesses plan to invest throughout the remainder of the year. In line with the 2016 Global Business Monitor findings, training and development for existing staff, sales and marketing and IT are the top three investment areas.

Currency fluctuations are seen as the greatest barrier to international trade amongst UK businesses (38%).

Though there has been a slight increase in the proportion using external finance in the last year, rising from 26% to 28% in 2017, reinvestment of company profits continues to be the main source of funding for SMEs.

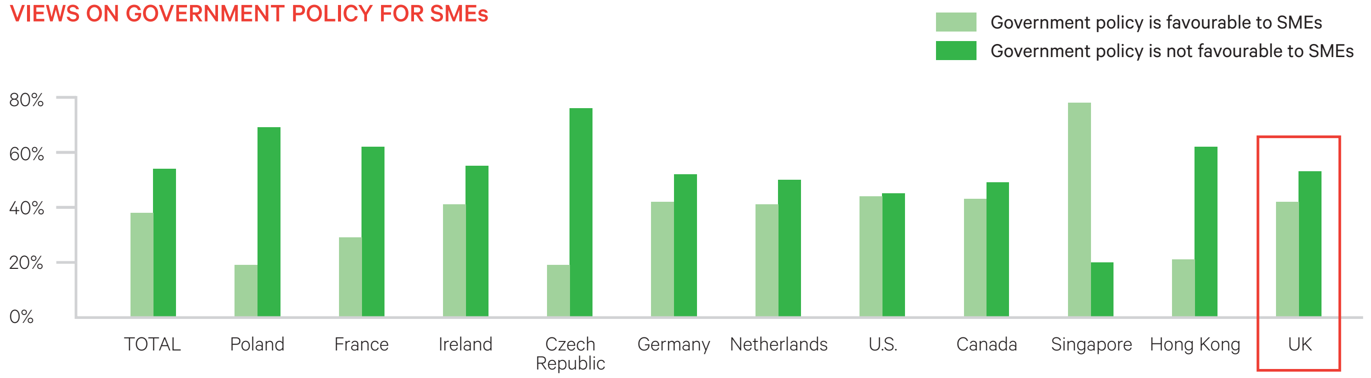
Just 9% of businesses expect to apply for finance over the year ahead and UK SMEs are least likely of all countries to have been rejected for finance. Just 5% say they have been rejected, compared with almost a quarter (23%) in the Czech Republic.

With regard to payment practices, UK SMEs remain disadvantaged by lengthier customer payment terms. Behind France (45 days), SMEs in the UK wait longer for payment than any other European country. On average, UK businesses wait 37.5 days for payment, compared to 26 days in Germany and – outside of Europe – just 23.5 days in the U.S.

Longer payment terms aren't the only payment issue impacting SMEs. Over a third (34%) have suffered from bad debt over the past 12 months, with an average of €37,000 written-off by each business, second only to Germany SMEs (€44,000).

EXPECTATIONS FOR THE DOMESTIC ECONOMY OVER THE NEXT 12 MONTHS

VIEWS ON GOVERNMENT POLICY FOR SMEs



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MARKET ANALYSIS: **U.S.**

POPULATION: **323M**

NUMBER OF BUSINESSES: **30M**

MARKET OVERVIEW

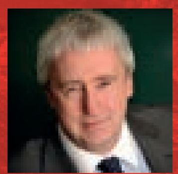
There is no doubt that the U.S. entered a new era on the 20th January with the inauguration of President Donald Trump. Policy has been putting American business and jobs first, something that has resonated well with businesses and the economy, resulting in an uptick in performance.

Across a number of measures, the world's largest economy continues to perform well in 2017. After 81 consecutive months of job growth, a post-war record, the U.S. unemployment rate hit a 16 year low of 4.3% in June 2017. Stock market indices have reached all-time highs with the Dow Jones surging by 16%, S&P 500 by 13% and the NASDAQ by 18% in the first half of 2017.[83] The nation's housing market has also continued its long and gradual recovery following the financial crisis a decade earlier. Manufacturing has rebounded, even as auto sales have faltered somewhat from their 2015 and 2016 record peaks. A promising recovery is underway in the massive energy sector, which was buffeted by the collapse in oil and gas prices, and the world-leading U.S. technology sector continues its ascent. Despite a degree of political uncertainty, consumer and business confidence remains robust.

Other indicators, however, provide a more cautionary note. GDP growth of 2% on an annualised basis remains sluggish and even years into the economic recovery from the global financial crisis of 2008, wage growth remains stagnant. The International Monetary Fund (IMF) has downgraded its growth forecasts for the U.S. economy, reducing from 2.3% to 2.1% for 2017 and from 2.5% to 2.1% for 2018.[84] In 2017, unemployment rates reached a 16 year low of 4.3%,[85] however, the nation's labour force participation remains well below pre-recession levels. Household debt is rising, having now surpassed its pre-recession peak at the height of the credit bubble in 2008. Citing "significant policy uncertainties," the IMF recently cautioned that the U.S. economy faces "larger than usual risks."

For small businesses, the current economic climate has helped to continue their reversal following the last financial crisis. According to the Small Business Administration, small businesses account for 54% of all domestic sales, 55% of all jobs and 66% of new jobs over the past four decades. The formation of new businesses has rebounded to nearly 700,000 per year following the financial crisis, according to the Bureau of Labor Statistics.

Confidence amongst small and medium sized businesses (SMEs) surged off the back of the 2016 U.S. Presidential election and has maintained its momentum through the first half of 2017. However, there are signs that this increased confidence may be wavering as progress on the new administration's pro-business reforms slows. Delays in tax reform, healthcare reform and the future of key trade deals such as the North American Free Trade Agreement (NAFTA) are all causing SMEs to remain in a wait-and-see mode.



IAN WATSON
CEO, BIBBY FINANCIAL SERVICES
NORTH AMERICA

ANALYSIS OF RESEARCH FINDINGS

This year's findings of the Global Business Monitor show SMEs in a relatively upbeat state about the U.S. economy and their outlook for their own businesses over the next 12 months.

Two-thirds (67%) of respondents describe the current U.S. economic performance as positive, up significantly from 50% in 2016. The outlook for the economy is also positive with two-fifths (39%) expecting the U.S. economy to improve further, while over a third (36%) expect it to stay the same.

U.S. business outlook on the global economy has also seen an improvement from 2016, with almost three-quarters (73%) expressing a concern, down from 83% the previous year. Despite this, U.S. businesses see the political situation at home as the biggest threat to the global economy. However, these concerns appear to have little impact on business sentiment. Nearly half (49%) of SMEs say their own sales have grown over the past 12 months, up from over a third (36%) in 2016. Over the next 12 months, almost two-thirds (63%) expect sales to grow, while only 7% are expecting sales to decline.

With lingering concerns about the outlook for the global economy, U.S. SMEs see expanding in the domestic market (21%) as their best business opportunity while only 3% cite exporting as a growth opportunity. These findings reflect the heavy domestic orientation of SMEs, with fewer than one in five currently exporting or importing.

While sentiment and growth are up, businesses face a number of challenges, both now and over the next 12 months. The two biggest current challenges for SMEs are government regulations (49%) and rising overheads/costs (48%), both of which are also the top challenges for the next 12 months.

In fact, U.S. businesses are almost evenly split on whether they view government policy as favourable (44%) or unfavourable (45%).

Over the coming year, nearly a third (31%) of respondents expect cashflow to be one of their greatest challenges. This concern is compounded by issues surrounding collecting payment from customers, which 41% of SMEs cite as the most problematic aspect of managing their cashflow.

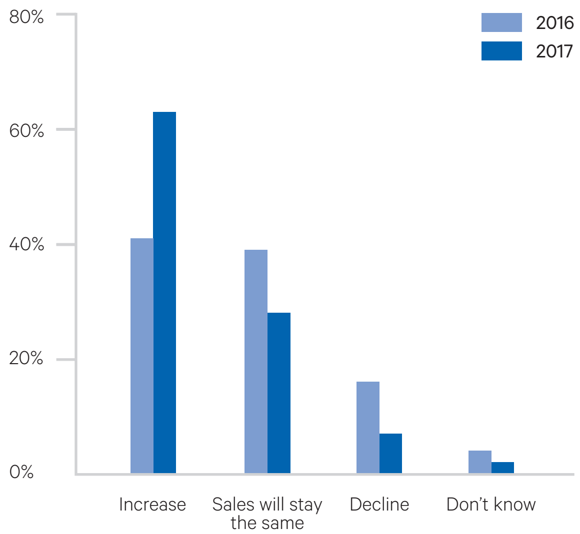
With regard to payment practices, U.S. businesses wait fewer days than their counterparts in any other country. In contrast to more than 45 days in both France and Singapore, U.S. SMEs wait just 23.5 days for payment from customers, making it the best with regard to payment culture for the second consecutive year.

U.S. businesses are also less likely to suffer from bad debt. One in four (25%) say they have suffered from bad debt over the past 12 months, compared with the study average of a third (33%). Of those businesses that have suffered from bad debt, the average sum written-off stands at US$73,000.

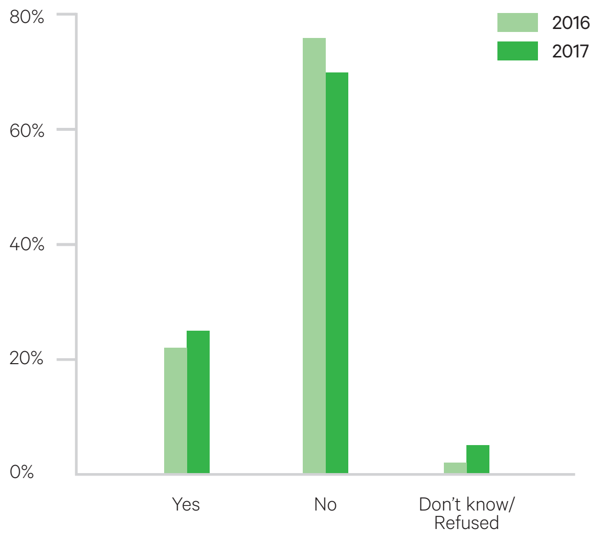
With an easing of monetary policy from the Federal Reserve in recent months, two-thirds (66%) of SMEs are anticipating little or no impact on their business from further increases in interest rates. With strong confidence but a competitive market, 61% of SMEs are looking to boost sales by investing in sales and marketing. Half or more are also investing in training and development of existing staff (55%), IT and digital technology (54%) or recruitment (50%).

In order to finance their business, one quarter (25%) of SMEs currently make use of external finance, up slightly from over a fifth (22%) in 2016. Almost half (49%) believe that access to finance in the current market is excellent or good, ranking the U.S. in the top three environments in relation to the availability of finance (alongside Canada and Singapore). Despite this, less than one in ten (8%) anticipate applying for additional external finance over the next 12 months.

SALES EXPECTATIONS OVER THE NEXT 12 MONTHS



SMEs THAT HAVE WRITTEN OFF BAD DEBT OVER THE LAST YEAR



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84 IMF Growth Forecasts: www.imf.org/en/Publications/WEO/Issues/2017/07/07/world-economic-outlook-update-july-2017
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CONCLUSION: OVERCOMING THE OBSTACLES OF INTERNATIONAL TRADE

Born of the availability of resources and comparative advantage, trade between countries has existed for centuries. Whether in the context of negotiations and agreements, embargoes or sanctions, international trade continues to dominate economic headlines today.

A common misconception is that modern international trade is stimulated only by big business; proliferated by the engineering giants and multi-national manufacturers of the world.

Clearly the likes of Walmart, Toyota, Shell and Apple have an essential role to play in facilitating international trade flows between countries, but so do the millions of small and medium sized businesses that link their global supply chains.

These smaller, more agile businesses buy and sell goods and services, create jobs, train employees and generate economic output. They also generate huge social benefits for the local communities they operate within, the world over.

Digital technology is transforming international trade amongst such businesses like never before. Today, at the click of a mouse or the swipe of a tablet, SMEs have access to consumer markets across the world.

Yet, identifying new customers by leveraging the power of technology is not by itself advantageous for smaller businesses. The desire to target new markets or find new suppliers, must be coupled with the ability to finance and transact, and - ultimately - to exchange such goods and services.

Of course not every SME is a business suited to trading internationally. There is a clear distinction between businesses that have the desire to trade overseas in search of their next spurt of growth and those that have propositions suited to such trade.

It's perhaps for this reason that just 7% of respondents surveyed in our 2017 Global Business Monitor see international trade as a means of growth, compared with more than one in ten (12%) that believe their domestic market is a more viable opportunity.

However, it is likely that the majority of SMEs that are suited to but don't yet partake in international trade, will see the barriers and threats as too great to overcome. The perceived risks of trialling a new target audience or route to market clearly outweigh the potential benefits for many business owners.

These barriers manifest themselves in a number of guises. While there are range of location-specific factors such as time zones, cultural nuances, border regulations, legal practices, languages and currencies, there are also a set of universal challenges that transcend geography.

These common challenges and concerns are borne out in our Global Business Monitor report.

Across the study, SME owners identified the current political situation in the U.S., Brexit and conflict, war or terrorism as the three key issues threatening global growth in 2017.

In relation to their own businesses, almost half (49%) see a shortage of skilled staff as the greatest challenge, followed by rising costs and government red tape. While not specific to businesses looking to trade internationally, such challenges are often the key drivers behind business owners retaining their focus on domestic markets only.

Though less than one in ten see international trade as a key means of business growth over the next year, foreign exchange fluctuation is seen as the main barrier to trading internationally. In fact, one in five SMEs say currency fluctuations discourage them from expanding globally.

Government regulation is also cited as a key challenge in relation to international trade, supporting World Trade Organisation (WTO) findings pointing to the burden of non-tariff barriers, due to the fixed costs associated.

In its 2016 report entitled 'Levelling the Trading Field for SMEs', the WTO also found that a "Lack of, or insufficient access to, finance can strongly inhibit formal SME development and trade opportunities." [86]

The Global Business Monitor findings highlight a varied financial landscape for SMEs in different countries. Across the study, over one in ten SMEs (12%) have been rejected for finance in the past. While perhaps lower than many would expect, there are significant differences based on geography.

Where just 5% of SMEs in the UK state they have been rejected for finance, this rises to almost a quarter (23%) and a fifth (19%) for their counterparts in the Czech Republic and Poland, respectively.

While more than half (52%) of business owners in Canada would describe the availability of finance as good or excellent, just a quarter (25%) of French SMEs would agree.

It is little surprise that there is not a homogenous supply of finance for SMEs across the world, but access to specialist working capital can often be the difference between business survival and growth; the transition from national to international business.

A year on from our inaugural study, findings show that there are persistent obstacles preventing many SMEs from importing or exporting.

What is clear, however, is that when SMEs have the right support at their disposal, be it financial, technological or informational, there are opportunities available for them to explore beyond their own shores.

RICHARD CARTER
CEO Europe & Asia
Bibby Financial Services

86. www.wto.org/english/res_e/booksp_e/world_trade_report16_e.pdf

20%

OF SMEs SAY CURRENCY FLUCTUATIONS DISCOURAGE THEM FROM EXPANDING GLOBALLY

METHODOLOGY

The Global Business Monitor is an annual international survey of Small and Medium Sized Enterprises (SMEs) across Asia, Europe and North America, conducted by Critical Research on behalf of Bibby Financial Services.

The findings of this report are drawn from telephone research undertaken in June and July 2017 with business owners and senior decision makers.

Critical Research conducted 1,655 telephone interviews with a randomly selected sample of SMEs (businesses with less than 250 employees) in each of the following countries:

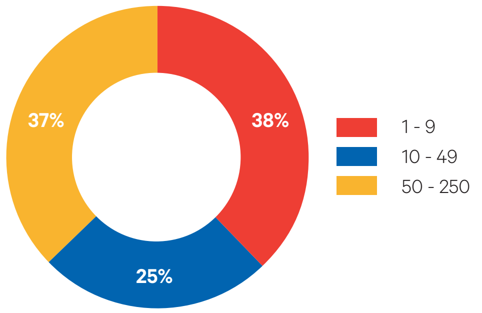
- Canada
- Czech Republic
- France
- Germany
- Hong Kong
- Ireland
- Netherlands
- Poland
- Singapore
- United Kingdom
- U.S.

Approximately 150 SMEs were surveyed in each country across wholesale / retail, manufacturing, construction, transport, and services sectors.

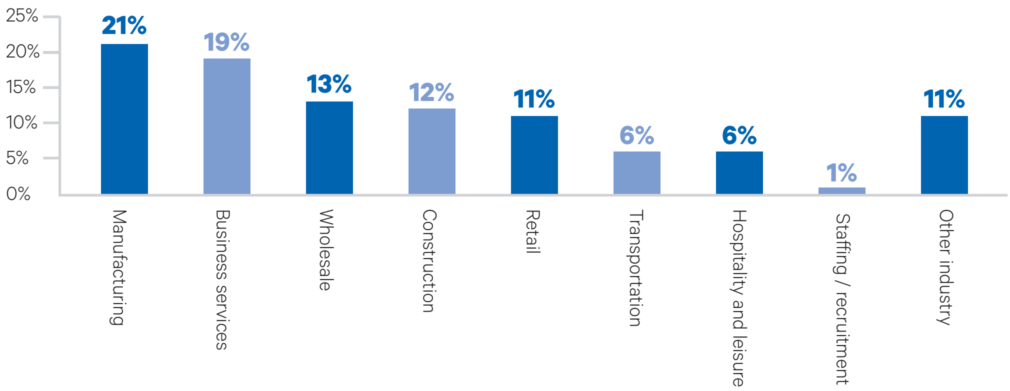
Respondent businesses have between 1 and 250 employees. With regard to trading activities, 42% sell to other businesses (B2B), 20% sell direct to consumers (B2C) and 37% sell to both groups.

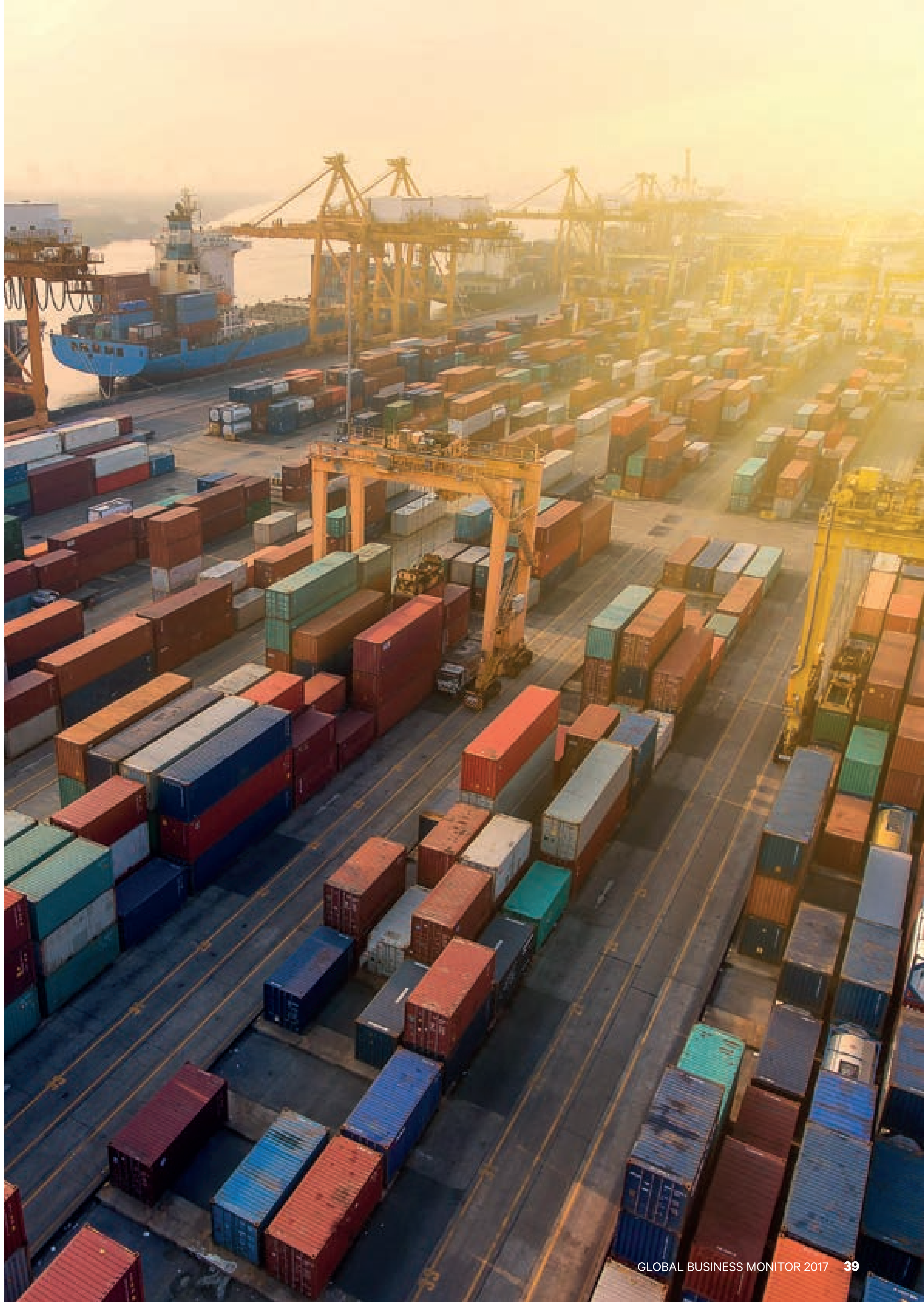
Unless otherwise noted, third party statistics included are believed to be accurate as of 1 September 2017.

NUMBER OF EMPLOYEES



INDUSTRY SECTORS





ABOUT BIBBY FINANCIAL SERVICES

Bibby Financial Services is a leading independent financial services partner to over 10, 000 businesses worldwide.

Formed in 1982, Bibby Financial Services is part of Bibby Line Group (BLG), a diverse and forward-looking family business with over 200 years' experience of providing personal, responsive and flexible customer solutions.

With over 40 operations in 13 countries spanning Europe, North America and Asia, we provide specialist and adaptable trade, asset and working capital funding, helping businesses to grow in domestic and international markets.

To find out more about Bibby Financial Services, visit:
www.bibbyfinancialservices.com

ABOUT BIBBY LINE GROUP

BLG is a £1.4 billion business, operating in more than 20 countries, employing 4,500 people in industries including retail, offshore, distribution, shipping, marine based businesses, plant hire and woodland burials.

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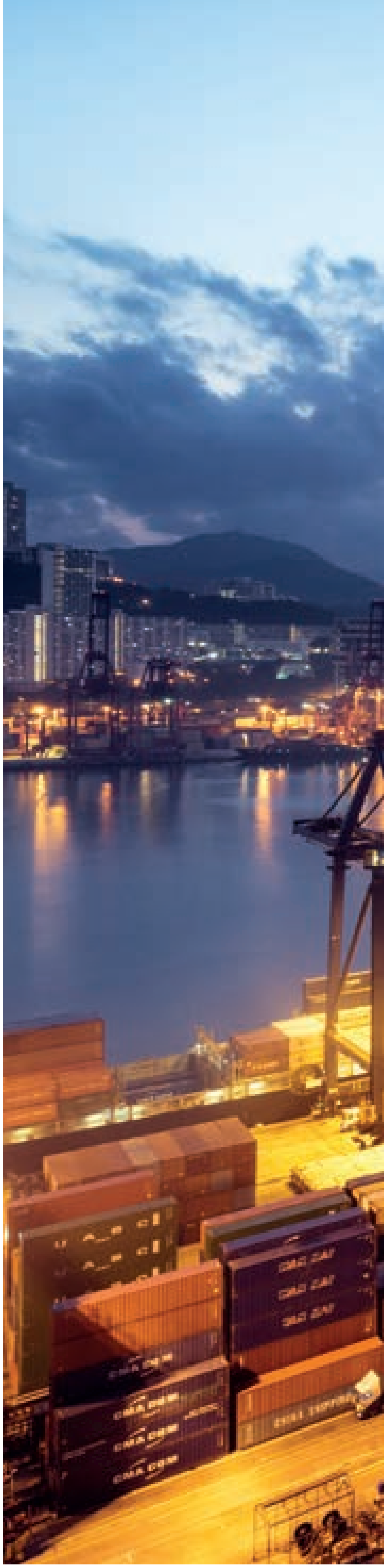

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