

GLOBAL BUSINESS MONITOR

2019



SINGAPORE

POPULATION:

 **5.6M**

NUMBER OF BUSINESSES:

 **261,000**¹

SME MARKET OVERVIEW

SMEs, defined as enterprises with operating receipts no more than \$100m, or less than 200 workers for all sectors, account for 72 per cent of the 3.5 million people employed across Singapore in 2019. As of Sep 2019, there was an estimated 261,000 SMEs across the 50 square-mile city state.

A recent survey by the Singapore Business Federation found that businesses across Singapore were well aware of the importance of innovation in their business. Interestingly, innovation was seen as vital in not just product development, but also in customer experience, operational processes, business models and services. However, despite its importance to the business, many organisations cited the cost of technology and the lack of skilled workers as key concerns for their business.

In fact, the lack of skilled workers is something that is impacting businesses of all sizes, with large corporations and SMEs alike struggling to hire those with the right skills. Lack of skilled workers (61%) was identified as a key concern for businesses, followed by business competition (50%) and compliance costs (49%). Both SMEs (50%) and large corporations (45%) identified compliance costs as a challenge, highlighting that economies of scale may not always provide as much of an advantage for large corporations.

Having access to finance to help businesses maintain cashflow and invest in themselves is vital for SMEs, with 71 per cent citing favourable financing conditions as the factor that would make the biggest difference to their businesses.



To facilitate their expansion to overseas markets, companies find collaboration with other businesses or entities most helpful. More than half of Singapore businesses identified having relevant contacts in the target overseas market(s) as helpful or very helpful.

ALAN WONG, MANAGING DIRECTOR, BIBBY FINANCIAL SERVICES, SINGAPORE AND MALAYSIA

ECONOMIC PERSPECTIVE

Singapore's real GDP contracted by -0.8 per cent quarter-on-quarter in Q2 2019, after +0.9 per cent quarter-on-quarter in Q1. In year-on-year terms, the economy thus came to a near-standstill (+0.1% year-on-year) in Q2, decelerating from +1.1 per cent year-on-year in Q1 2019 and +3.2 per cent in 2018 as a whole. The manufacturing sector (-3.1% year-on-year in Q2) was the main drag on the economy, bearing the brunt of the downturn in the global electronics cycle, slowing expansion in China, and the ongoing China-U.S. trade tensions. This is reflected in a decline of non-oil domestic exports and especially a drop in semi-conductor shipments.

Positively, the construction sector has rebounded from a -3.7 per cent decline in 2018 to an increase of just under +3 per cent in 2019 year-to-date, thanks to rising public sector activity and some megaprojects, which should continue to support this sector in the coming quarters. The government also intends to continue its support towards digitalization and automation of production processes, as Singapore gears up to embrace Industry 4.0.

Regarding monetary policy, we now expect the Monetary Authority of Singapore to turn accommodative by easing policy in its meeting in October in light of the poor economic data and inflation expected to remain well below +1 per cent.

Nonetheless, we expect a short recession (two quarters of negative quarter-on-quarter GDP growth) around the turn of the year, followed by a mild recovery in Q2-Q4 2020. As a result, we project full-year GDP growth at just +0.4 per cent in both 2019 and 2020.

MANFRED STAMER, SENIOR ECONOMIST FOR EMERGING EUROPE AND THE MIDDLE EAST, EULER HERMES

RESEARCH FINDINGS

Optimism in the local economy is showing signs of rising amongst Singapore's small to medium enterprises', rising 8 points to 42 per cent on the survey. However, the challenges facing businesses in Singapore remain the focus for the majority of SMEs. For almost half of SMEs in the country, rising overheads/costs (49%) is currently the greatest challenge, followed by cashflow (45%). However, cashflow is expected to move into the number one spot and become their biggest challenge in the next 12 months (43%), with collecting payment from customers on time the most problematic of cashflow issues (56%).

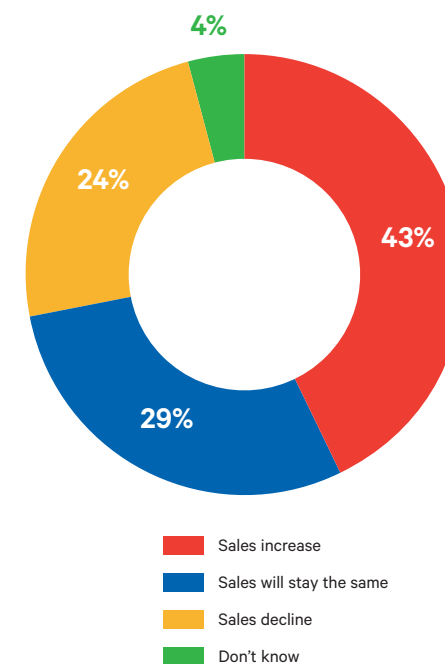
Despite these challenges, SMEs are optimistic about their growth opportunities, with 80 per cent believing there are opportunities for their business. SMEs identified multiple avenues of growth including finding new market segments (22%), and trading internationally (13%).

Against this backdrop of optimism and expected growth, 86 per cent of SMEs plan to invest in their business in 2019, with 41 per cent of Singaporean SMEs investing in the training and development of existing staff, 34 per cent in sales and marketing, and 33 per cent in IT or digital technology.

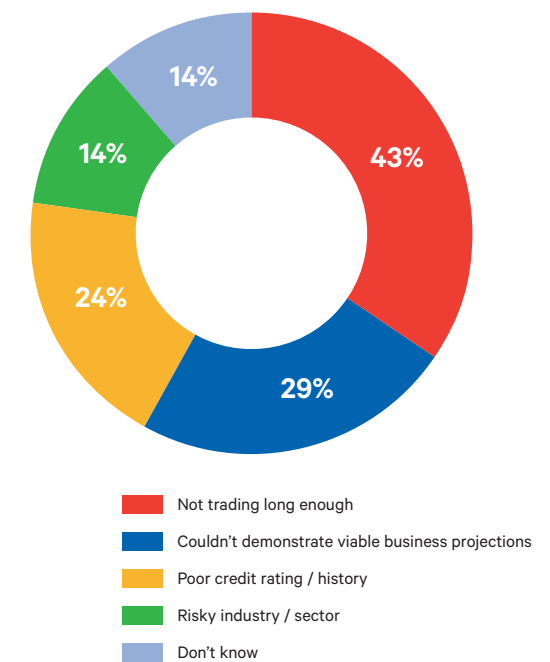
More than one in three SMEs in Singapore (38%) rated the availability of finance as excellent/good and 30 per cent are using external finance. With the majority of SMEs looking to invest, there is clearly a demand for finance. However, there are barriers for many SMEs, with documentation/paperwork required (60%) cited as the main reason for struggling to access finance. As numerous start-ups continue to appear in Singapore, many are finding difficulty in accessing finance with the main reason given for rejection for financing as that the company has not been trading long enough (43%).

In order to finance investing in their business, almost two fifths (39%) say they would consider factoring as a potential source of finance and 30 per cent would consider peer to peer funding or online funding. However, these forms of funding come with both pros and cons, with SMEs identifying the ease of use (70%) and concerns about data security (44%) as reasons for and against turning to this form of finance. Businesses in Singapore must balance investment in their company against securing sustainable forms of funding, a challenge seen by SMEs globally.

BUSINESS PERFORMANCE EXPECTATIONS FOR THE NEXT 12 MONTHS



REASONS GIVEN FOR REJECTION FOR EXTERNAL FINANCE



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With over 40 operations in 14 countries spanning Asia, Europe and North America, BFS provides specialist and adaptable FX services, trade, asset and working capital finance, helping businesses to grow in domestic and international markets.

Formed in 1982, BFS is part of the Bibby Line Group (BLG), a diverse and forward-looking family business delivering personal, responsive and flexible customer solutions for over 200 years.

In 2011, 2012, 2014, 2015, 2016, 2017, 2018 and 2019 the business was awarded a place in The Sunday Times 100 Best Companies to Work For, ranking 42nd in the most recent poll.

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ABOUT EULER HERMES

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