



Global Business Monitor 2023:

SMEs in a Changing Economic Landscape

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Singapore



Population:
5.8 million



Number of businesses:
580,000

Market Overview

Singapore has a highly developed free-market economy and is considered as one of the most open and pro-business in the world. With a competitive tax regime, the city-state has been a magnet for Foreign Direct Investments (FDIs). The United States is Singapore's largest single country investor with FDIs worth over USD244b, which is more than the United States' total sum invested in Japan, China, and the Republic of Korea combined. Simultaneously, China (including Hong Kong) is Singapore's largest trading partner, accounting for close to 23% of the latter's total exports. Singapore's trade-to-GDP ratio is among the highest in the world at more than 320%.

Overall, Singapore has positioned itself as a global hub and a leader in sectors such as business (being the regional hub), finance (including Fintech), transportation (leading airport and seaport), logistics, biomedical

science and technology. The government has implemented various initiatives to attract foreign direct investments and promote entrepreneurship, fostering innovation and economic growth. The country's strategic location, political stability, excellent infrastructure, efficient judicial system and skilled workforce continue to contribute to its economic success.

Singapore has maintained a stable economy supported by its electronics, chemicals, financial, petroleum refining, biomedical, construction, retail, food & beverage, real estate, and services sectors. During first half of FY23, headline and core inflation rates stood at 6.1% and 4.1%, respectively. Full year GDP growth is forecast to be at 1.4% due to contraction in the manufacturing sector and slowdown in non-oil domestic exports.

In terms of market trends, Singapore has been striving to diversify its export markets. The government has actively pursued free

trade agreements to enhance market access for Singaporean businesses. Singapore will continue to focus on strengthening its presence in high-growth industries such as technology, finance, biomedical and green economy to drive export growth and attract foreign investments.

Research Findings

Singapore businesses are overwhelmingly positive (82%) about their outlook in 2023, with only 15% stating they were not confident about their business prospects. Encouragingly, seven in 10 (70%) businesses expect their sales to increase in the next six months, with only 10% stating they expect them to decline. Singapore's small to medium enterprises identified new customers (43%), building new supplier relationships (40%) and exploring new distribution channels (32%) as the top three areas for growth and success.

Singapore

Unlike other markets surveyed, Singapore's SMEs remain upbeat about the global economy too. Only 24% believe that the global economic conditions are worse now than during the Covid-19 pandemic, and only 22% believe the conditions are worse now than following the global financial crisis of 2008. Positively, 35% believe the global economy is strong.

Despite this optimism, challenges remain. Singaporean SMEs view inflation and rising costs as the primary concern for their business (51%), followed by an uncertain economic environment (38%), energy costs and supply (34%), and supply chain pressure (31%). To overcome rising inflation and business costs, businesses are increasing prices to customers (42%), reviewing supply chains for efficiencies (37%), and freezing recruitment plans (27%). What's worse, a reduction in suppliers is also putting a strain on costs, with SMEs saying that 35% of their suppliers have entered administration in the past 12 months.

However, against a backdrop of optimism and expected growth, Singaporean businesses aim to invest on average around \$294,337 with priority investment areas identified as digital technology and IT (38%), marketing and sales (32%), and staff training and development (32%). A quarter (25%) of those planning to invest will spend the money on international trade exports. The same proportion will invest in international trade imports.

But cashflow is critical to unlock the investment streams that SMEs in Singapore require, and bad debt appears to be a pervasive issue. Four in 10 (40%) SMEs have suffered a bad debt in the last 12 months, and the average bad debt that businesses have written off is \$33,469.

In addition, payment practices are stalling businesses' entrepreneurial spirit. Forty eight percent of SMEs' customers have entered administration in the past year, and 58% say that it's taking longer for customers to pay

them compared with a year ago. The mean average in unpaid invoices stacks up to \$151,039.

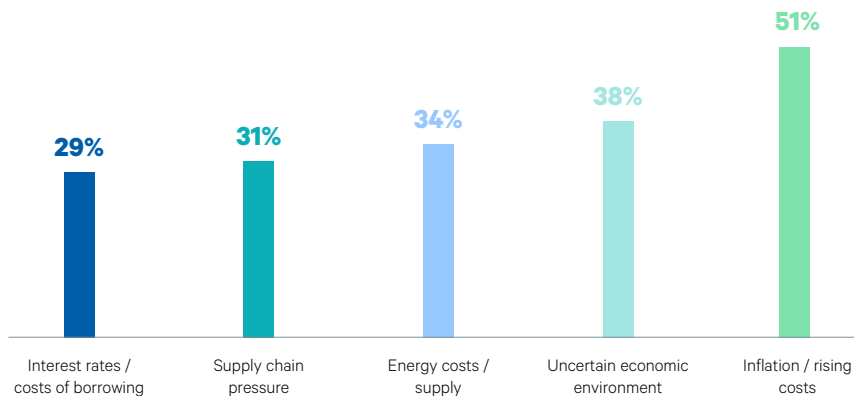
It's no surprise then that some Singaporean SMEs are looking to alternative finance to ensure they can invest and grow in line with their ambitions. Twenty eight percent of businesses say they don't have the cashflow they need to grow, and 57% say they are more likely to use external finance now compared with before the pandemic. On average, businesses say the amount of funding they'll need this year is \$426,355, with the majority (40%) saying this would go toward international growth and expansion.



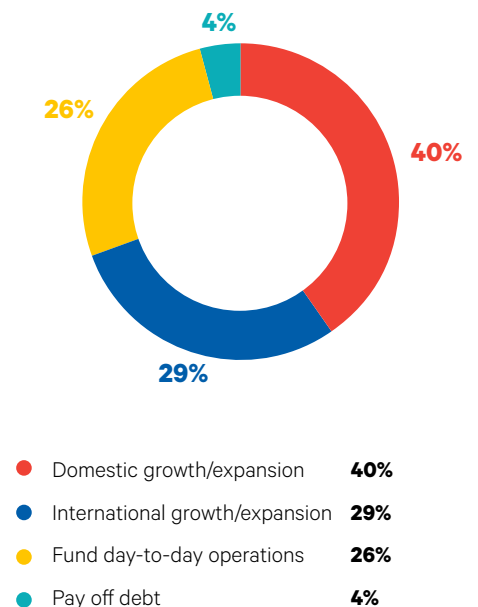
Kenneth Tham

Managing Director,
Singapore and South
East Asia

Top five challenges for SMEs in 2023



Reasons for funding requirement in 2023



Top areas for investment in 2023



Methodology

The Global Business Monitor is an international survey of Small and Medium Sized Enterprises (SMEs) across Europe and Asia, conducted by Critical Research on behalf of Bibby Financial Services. Approximately 1,800 SME owners and decision makers were surveyed across 9 countries. Research was conducted online between 1 and 28 April 2023.

About Bibby Financial Services

Bibby Financial Services (BFS) is a leading independent financial services partner to over 8,500 businesses worldwide.

We provide specialist and adaptable trade, asset and working capital finance and FX services 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.

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