

# **SBF SME Internationalisation Index**

## **June 2022**



1

# Introduction

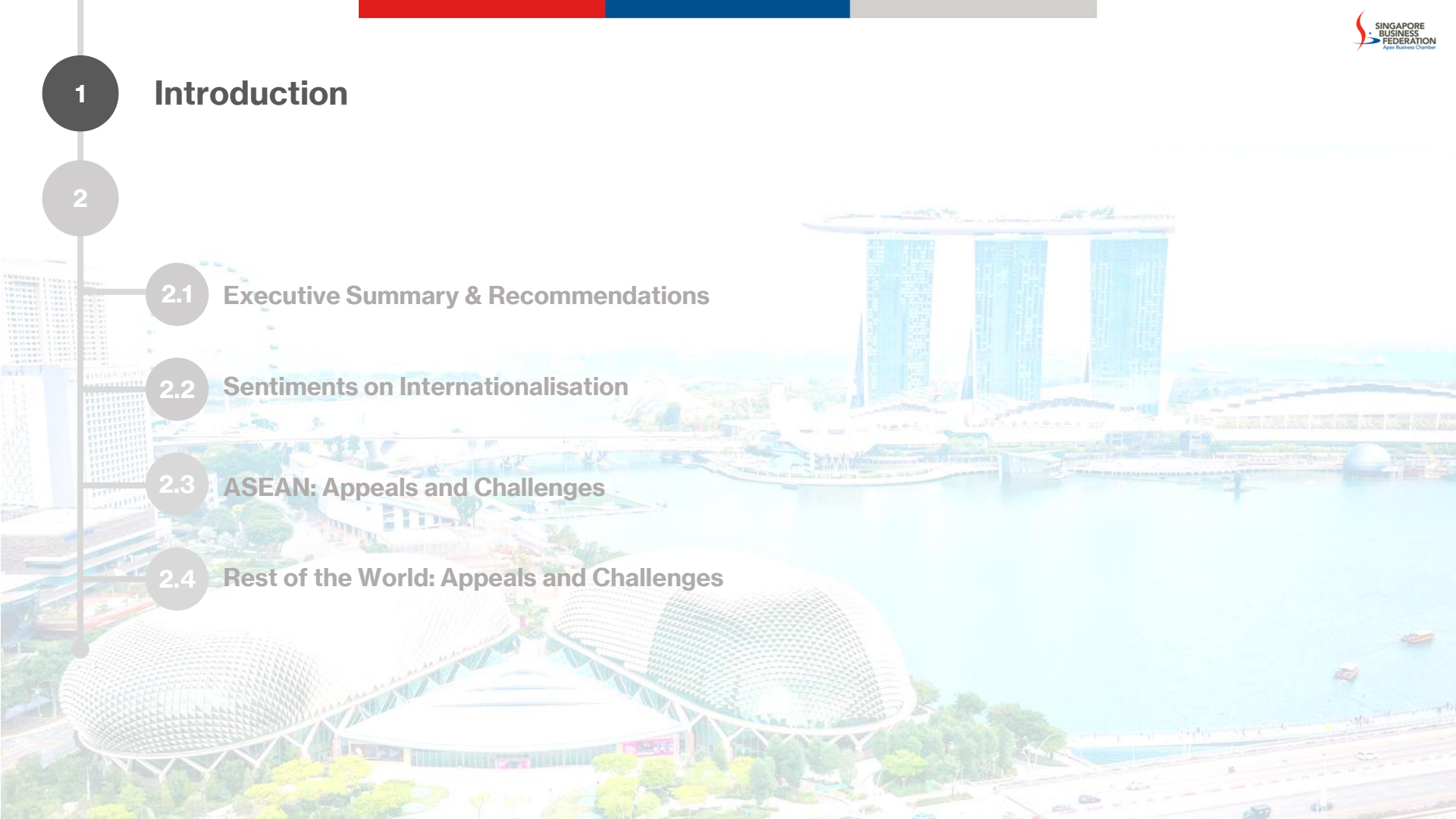
2

2.1 Executive Summary & Recommendations

2.2 Sentiments on Internationalisation

2.3 ASEAN: Appeals and Challenges

2.4 Rest of the World: Appeals and Challenges



# SBF SME Internationalisation Index: Business sentiment ratings of the markets that Singapore businesses have gone to or intend to go to.

**This report details findings from the SBF SME Internationalisation Index (SMEII). The findings look into the following areas:**

- Sentiments on the international economy and business outlook in overseas markets
- Sentiments on business activities in overseas markets
- Sentiments on the operating environment in overseas markets

## The SMEII serves to:



Measure the level of interest of Singapore businesses in going overseas.



Pinpoint the areas of assistance needed to facilitate businesses in their overseas expansions.



Further the government's vision in the internationalisation of Singapore businesses.



Function as a resource for Singapore businesses to identify opportunities in their overseas expansion journeys.

# Methodology

503

Singapore companies with current or planned overseas businesses **completed the survey** online or via telephone interviews from 23<sup>rd</sup> February to 5<sup>th</sup> May 2022.



Respondents were **owners, C-Suite, senior management** or **designated representatives** of the businesses.

56



Markets reported in the study are grouped into 20 regions/markets: 6 from Asia, 7 from ASEAN, the rest from Europe, Americas, Middle East, Australia and Africa.



Respondents were from a **mix of industries**: Manufacturing, Construction & Civil Engineering, Logistics & Transportation, Wholesale Trade, IT & Professional Services, Other Services, Retail, Real Estate, Hotels, Restaurants & Accommodations, and Banking & Insurance

# Respondent Profile by Sector



	June 2022	Dec 2021
	% of respondents	% of respondents
IT & Professional Services	21%	17%
Wholesale Trade	17%	18%
Manufacturing	14%	15%
Banking & Insurance	8%	9%
Construction & Civil Engineering	8%	8%
Other Services (e.g. Education, Repair & Servicing)	8%	7%
Retail, Real Estate, Hotels, Restaurants & Accom.	6%	8%
Logistics & Transportation	6%	6%
Others (e.g. Agriculture, Holding & Investment Companies)	12%	12%
	100%	100%
	n=503	n=600

The sample collected from February to May 2022 included both SMEs (83%) and larger companies (17%).

## Definitions to note:

### Production & Trade

- Manufacturing
- Construction & Civil Engineering
- Logistics & Transportation
- Wholesale Trade

### Services

- IT & Professional Services
- Other Services
- Retail, Real Estate, Hotels, Restaurants & Accommodations
- Banking & Insurance

# Six Sub-Indices together define the SMEII

## Components that make up each of the sub-index

### Infrastructure

- Reliable utilities
- Well-developed financial banking system
- Well-developed digital infrastructure
- Affordable digital infrastructure
- Support on innovation and digitalisation by the local government
- Well-developed logistics & distribution network

### Skillset

- Affordable and easily available staff with the right skills
- Workforce education
- Workforce ethics and motivation
- Policies that support businesses and investors
- Government support for upskilling
- Workforce is receptive to upskilling
- Availability of local tech partners/vendors

### Market Diversity & Inclusiveness

- Use of international business language
- Workforce ethnic diversity
- Workforce gender diversity
- Foreigner friendly
- Easy to bring in overseas talents
- Easy to find business partners that can be trusted
- Diverse pools of potential customers/buyers

### Business Confidence

- Manageable cost of running business
- Stable social & political environment
- Strong growth potential\*
- Strong confidence in economic growth\*
- Government is effective in managing\* crises and external shocks\*

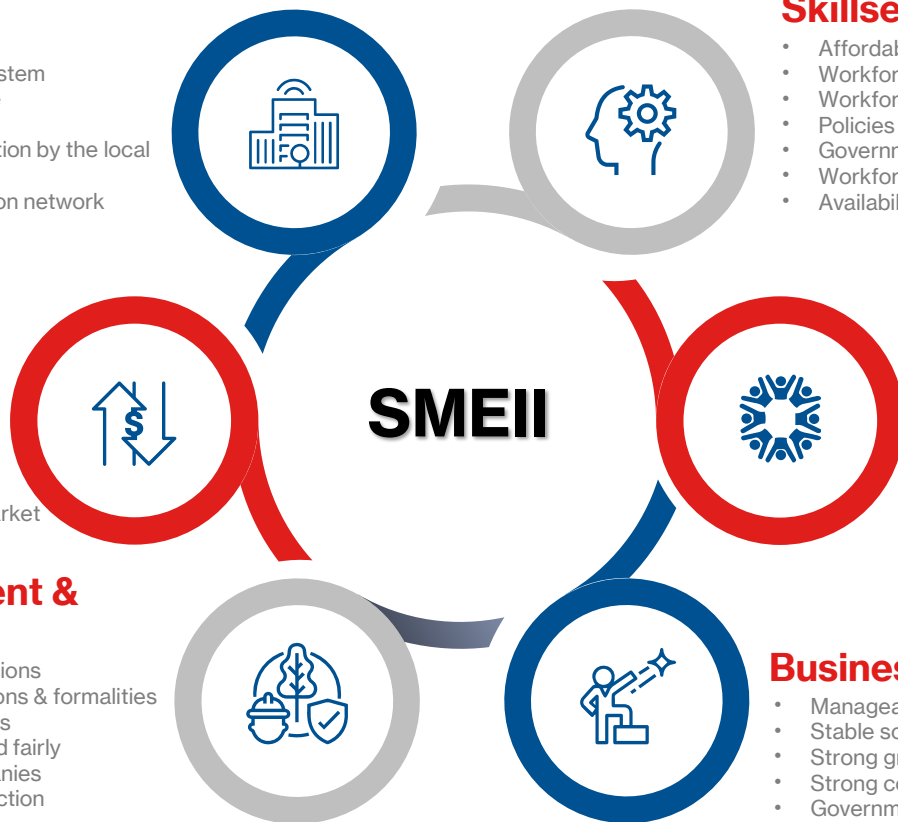
\* Added in June 2022 study

### Trade & Investment

- Easy to access credit/financing
- Transparent rules on capital investment
- Low level of tariffs or trade barriers
- Low level of non-trade barriers
- Legal protection for Singapore investors
- Easy to bring money/capital into the market
- Easy to repatriate capital/profit from the market

### Business Environment & Regulations

- Predictable regulations & legislations
- Information available on regulations & formalities
- Support for Singapore companies
- Singapore companies are treated fairly
- Easy to partner with local companies
- Intellectual property rights protection
- Cybersecurity



# Computation of SMEII

## Business Sentiment



Overall Good Infrastructure

66%



Overall Good Skillset

58%



Overall High Level of Diversity

35%



Overall Good Business & Regulatory Environment

29%



Overall Friendly Trade & Investment Environment

28%



Overall Good Business Confidence

49%

*% of respondents indicating Strongly Agree / Agree*

Average of 6 ratings: **44%**

## Popularity

Percentage of companies already in the market

38%

Percentage of companies planning to enter the market

8%

Sum of percentages: **46%**

**SMEII: 45**

**(Average score of Business Sentiments and Popularity, out of 100)**

1

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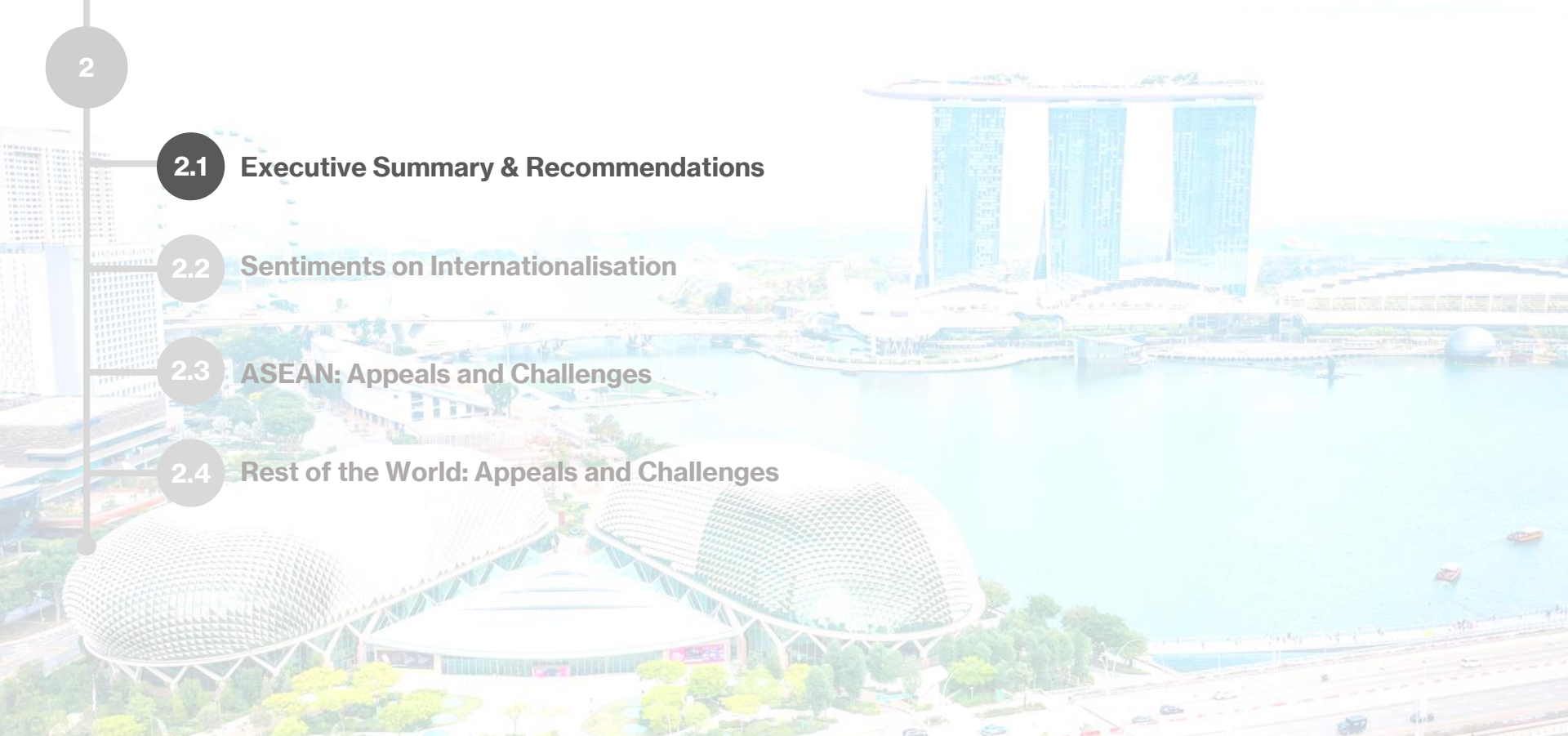
2

**2.1** Executive Summary & Recommendations

**2.2** Sentiments on Internationalisation

**2.3** ASEAN: Appeals and Challenges

**2.4** Rest of the World: Appeals and Challenges





# Executive Summary



**In spite of the pandemic's ongoing disruptions, Singapore companies are keen to expand internationally and execute their growth objectives.**

- More than half of the respondents (55%) with businesses outside of Singapore plan to expand to new markets in the next 3 years.
- 1 in 5 of the companies (19%) that have not gone overseas, plan to venture abroad within the same timeframe.
- 7 out of 10 (70%) companies that have expanded overseas or plan to do so feel the need to internationalise. They believe that Singapore is too small to accomplish their ambitions and that the only way to do so is to venture abroad.

# Executive Summary



## **Over half of the overseas markets showed an improvement in sentiment in the June 2022 study.**

- The markets with the strongest increases in sentiments are those that opened up quickly, such as the United Kingdom, South Korea, and the United States.
- The biggest decline in sentiment is seen in China and Hong Kong, attributed in part to the ongoing lockdown and stringent COVID-19 restrictions.



## **Singapore businesses have become more confident of future growth in overseas markets due to the reopening of economies.**

- Almost half of the Singapore businesses (46%) expect double-digit growth in the next year.
- Close to 6 in 10 companies (58%) expect double-digit growth in the next three years.

# Executive Summary



## **Supply chain and travel disruptions, as well as cost escalation, have hampered the internationalisation process.**

- Supply chain disruption affects more than 4 out of 10 (46%) businesses. Pandemic (73%), border closures (63%), and logistics delays (60%) are the top reasons, as they were in the December 2021 study.
- Travel disruptions have eased slightly. In June 2022, half of businesses reported being seriously impacted, as compared with six out of ten (59%) in December 2021.
- 4 out of 10 (40%) Singapore businesses are seriously impacted by cost inflation, a new measure introduced in this June 2022 research.



## **Singapore companies are mostly engaged in ASEAN. Businesses show less interest in other Asian markets, particularly China and Hong Kong, possibly due to COVID-19 restrictions.**

- Among companies with overseas businesses, 81% are already engaged in ASEAN.
- Among companies which intend to expand overseas, interest in Asia (ex-ASEAN) dropped to 46%, from 53% in December 2021.

1

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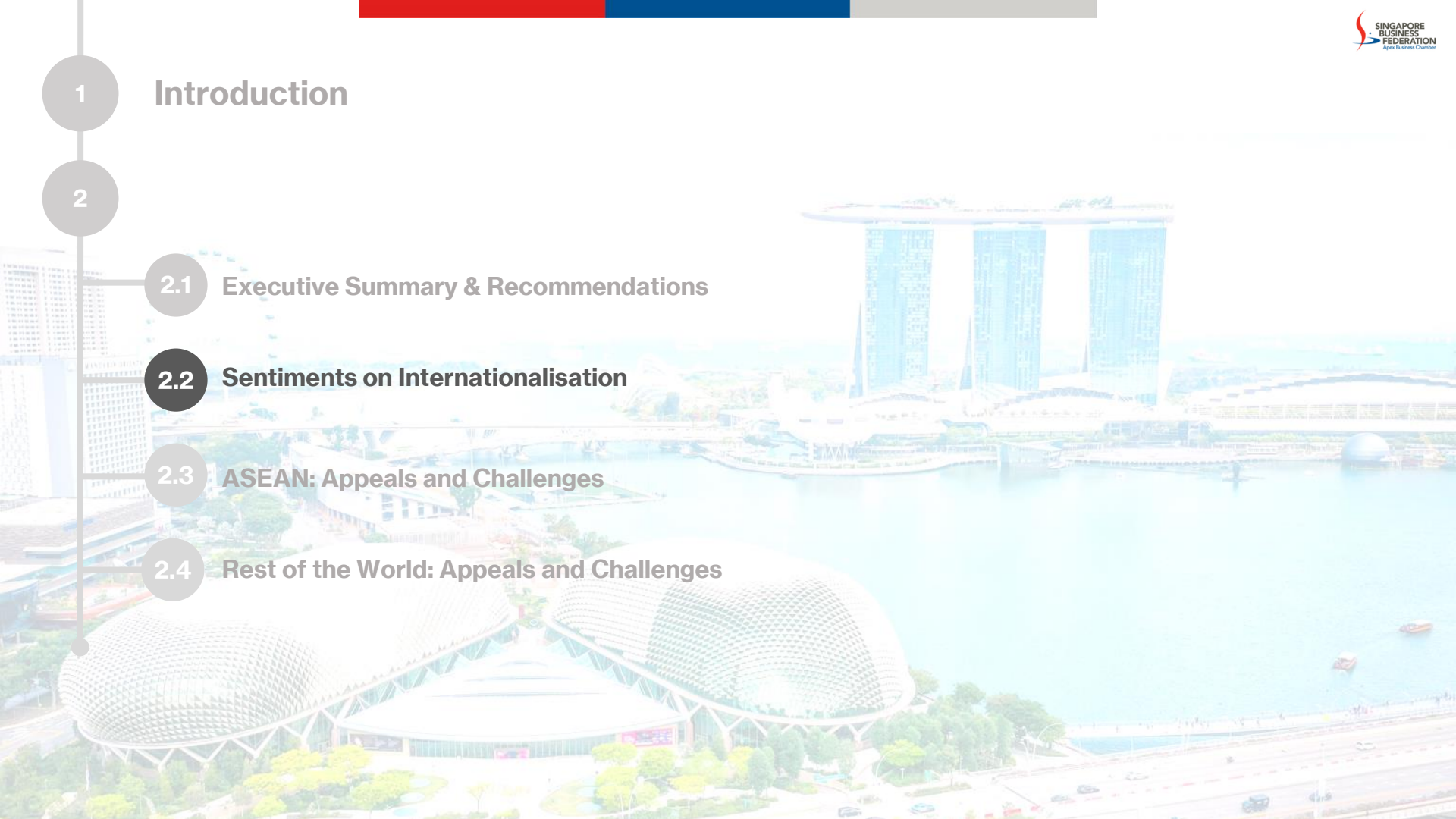
2

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2.3 ASEAN: Appeals and Challenges

2.4 Rest of the World: Appeals and Challenges



**Almost half of the companies interviewed reported that they are severely affected by supply chain disruptions driven by the pandemic, border closures, and logistics disruptions.**

### Supply Chain Disruption



**46%** (Dec 2021: 44%)

**More than 4 out of 10 of the businesses are seriously impacted in the past year in their ability to do business internationally**

*Rated 7 or more out on a 10-point scale*

Base: Companies gone overseas (n=442)  
T1a Impact of doing business internationally due to supply chain disruption (0: No impact; 10: Severely impacted)

### Key reasons for disruptions

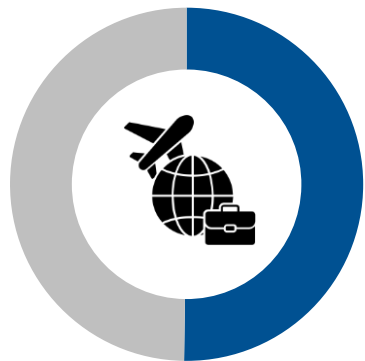
Dec 2021

Pandemic	73%	77%
Border closures	63%	65%
Logistics disruptions	60%	63%
Price inflation	53%	40%
Raw material shortages	38%	36%
Regulatory changes	28%	23%
Political instability	22%	23%
Trade policy changes	15%	15%

Base: Companies that experienced supply chain disruption (n=415)  
T1b External factors that disrupted supply chain of company (multiple answers)

**Businesses must also deal with ongoing travel disruptions, which have eased slightly since the December 2021 study, as well as rising labour and raw material costs.**

### Travel Disruption

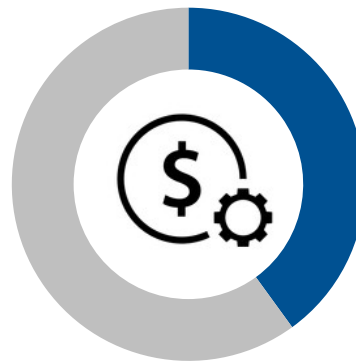


**50%** (Dec 2021: 59%)

**Travel disruption has slightly improved.  
Half of the businesses are severely impacted, down from 6 in 10 half a year ago**  
*Rated 7 or more out on a 10-point scale*

Base: Companies gone overseas (n=442)  
T2 In the last 12 months, impact on doing business overseas by travel restrictions  
(0: No impact; 10: Severely impacted)

### Price Inflation



**40%**

**40% of the businesses are severely impacted  
by inflated business operation costs**  
*Rated 7 or more out on a 10-point scale*

Base: Companies gone overseas (n=442)  
T3 In the last 12 months, impact on doing business overseas by costs of  
operating the business (0: No impact; 10: Severely impacted)  
Note: new question added in June 2022

# Despite prevailing challenges, more Singapore businesses see the need to internationalise.



**70% Agree\*** that  
**“The Singapore market is too small,  
 internationalisation is the way to  
 grow the business”**

(Dec 2021: 66%)



**69% Agree\*** that  
**“Internationalisation has always  
 been my company's vision”**

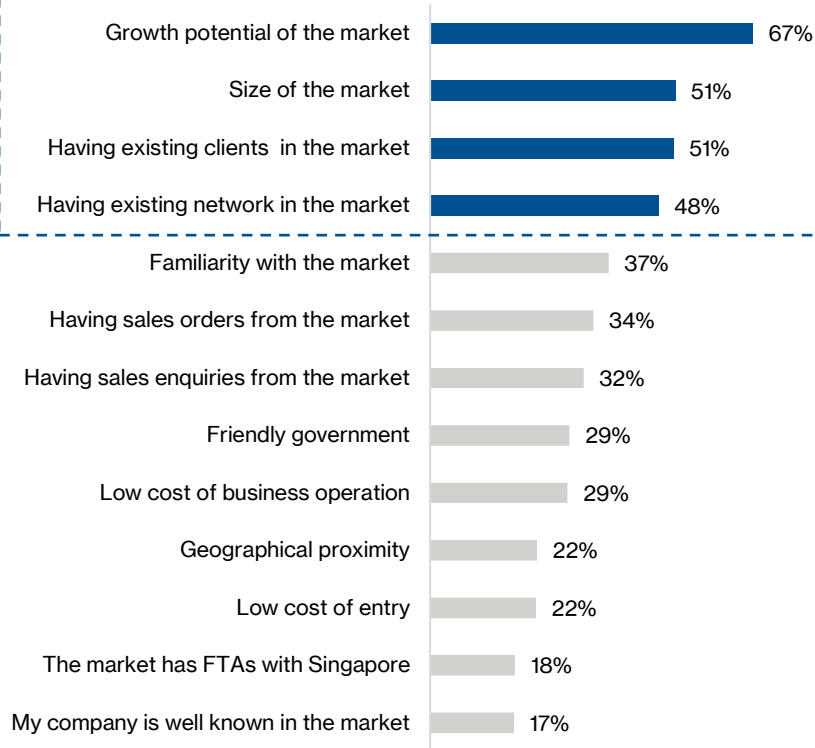
(Dec 2021: 67%)

\* Rated 6 or 7 on a 7-point scale

Base: Companies gone overseas or intending to go overseas (n=503)  
 A1 To what extent do you agree / disagree with the following statements? Please give a rating from 7 (strongly agree) to 1 (strongly disagree).

# On overseas market selection, companies prioritise markets based on growth potential, size, as well as existing network of clients.

## Key Considerations in Selection of Overseas Markets for Expansion



Networking opportunities in foreign markets will assist in the internationalisation of Singapore businesses.



Base: Companies gone overseas or intending to go overseas (n=503)  
Q5c Key considerations when selecting overseas market to expand to (multiple answers)

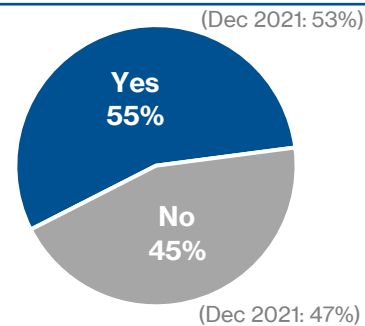


**Businesses in Singapore that have previously gone global continue to express a desire to expand internationally in the future, with optimistic sales expectations.**

### Plan to expand to new markets in the next 3 years

#### Companies with Overseas Businesses

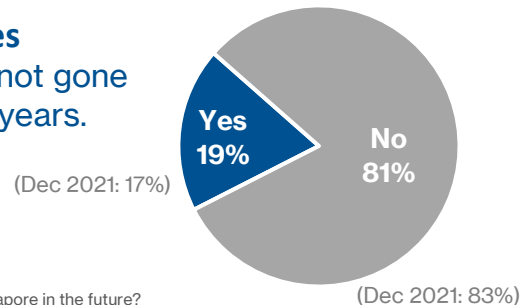
55% have plans to expand further to new markets within the next 3 years.



Base: All companies with overseas businesses (n=442)  
Q2b Does your company have any plans to expand to new markets outside of Singapore in the future?

#### Companies without Overseas Businesses

Almost 1 in 5 companies (19%) that have not gone overseas, plan to do so within the next 3 years.

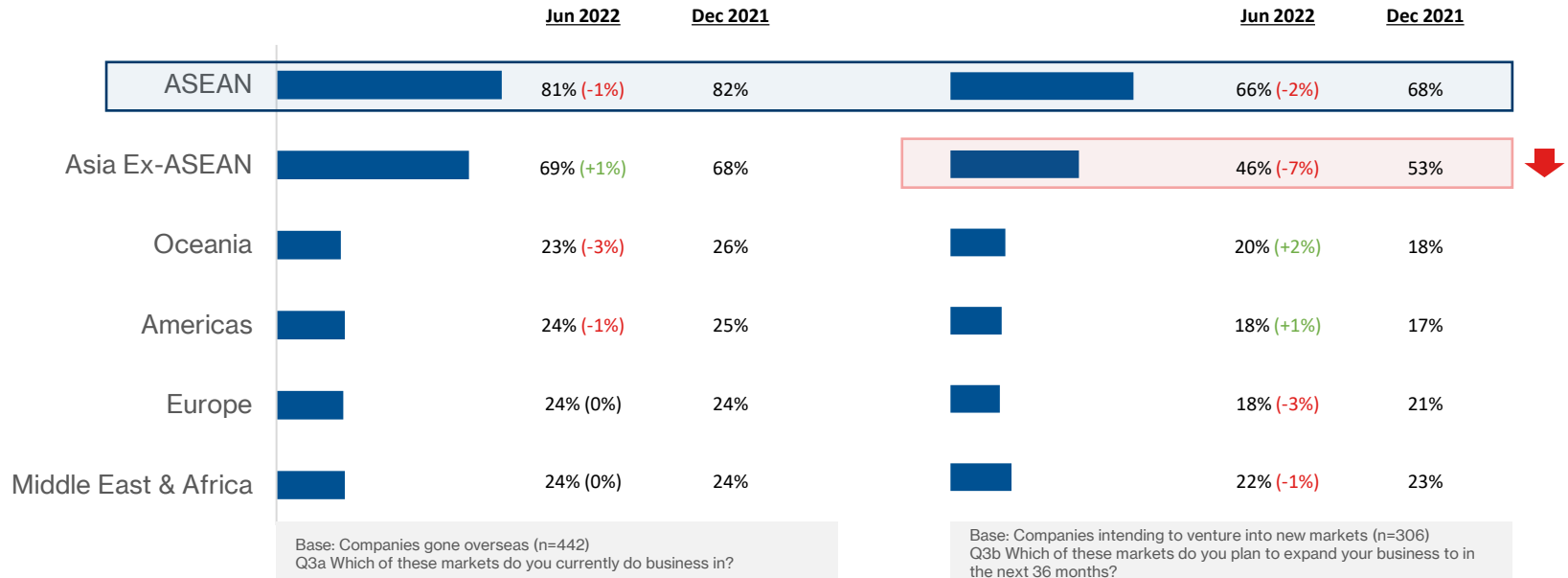


Base: All companies without overseas businesses (n=315)  
Q2b Does your company have any plans to expand to new markets outside of Singapore in the future?

**ASEAN is the most engaged region for companies. Due to lockdowns in China and Hong Kong, fewer companies now intend to expand to Asia (ex ASEAN).**

### Regions that companies have existing operations in

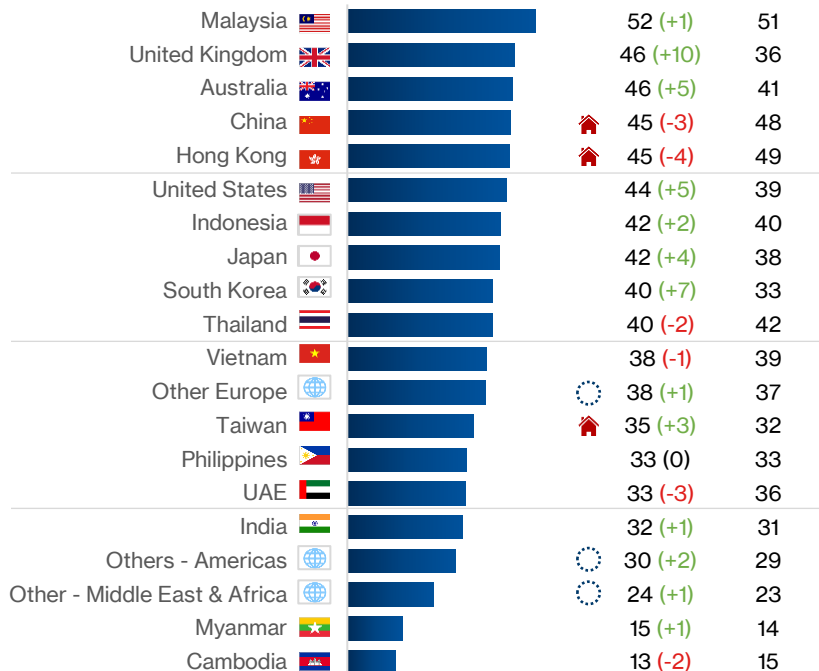
### Regions that companies intend to venture into



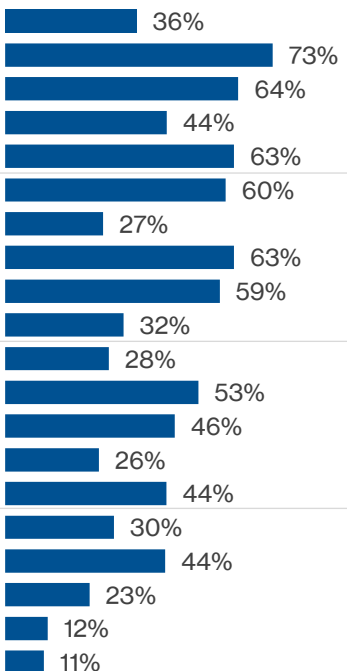
# Due to ease in restrictions, there are more overseas markets with improved sentiments.

## SME II

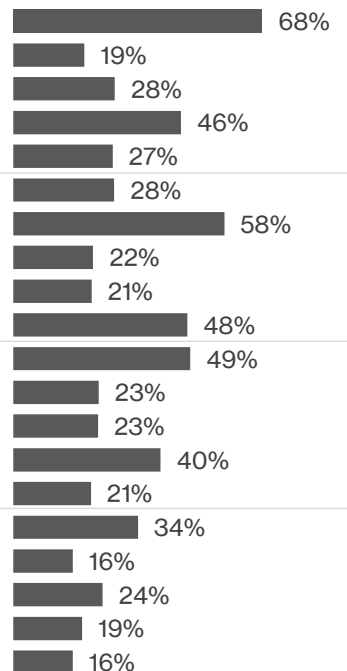
Average Score of Business Sentiment & Popularity Jun 2022 (%) Dec 2021 (%)



## Business Sentiment



## Popularity



Average percentage of respondents who indicated Strongly Agree / Agree to business sentiment statements Q6a-Q6f Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence

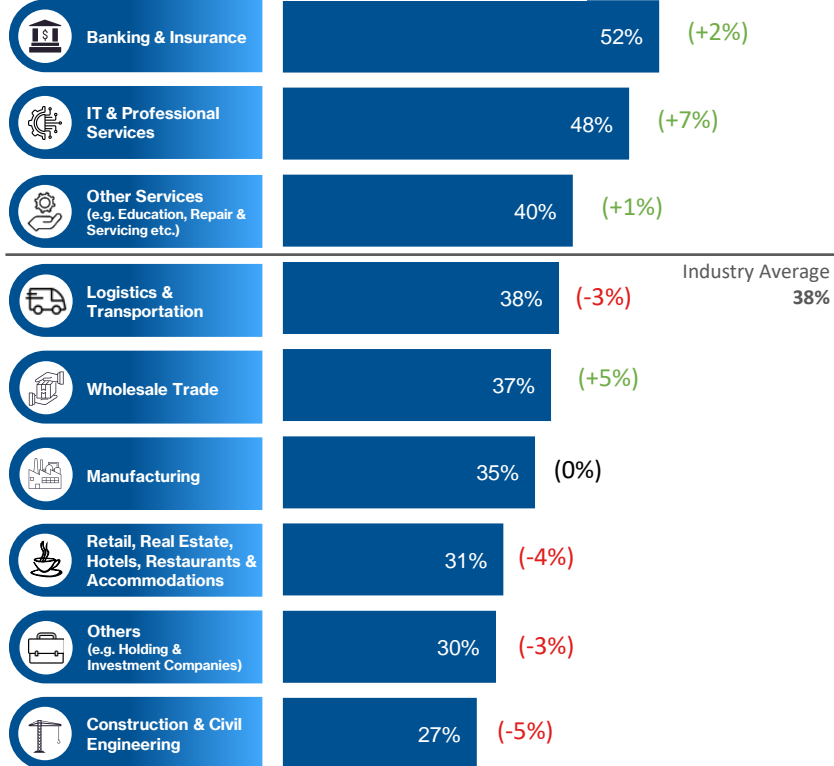
Percentage of businesses that are already in or intend to go into specific markets Q3 Specific markets that businesses are already in / intend to enter

( ) Compared with December 2021  
 🏠 Required quarantine at destination (as of fieldwork period)\*  
 🌐 Pandemic policy status not indicated for market clusters\*  
 \* Refer to Annex for sources of pandemic policies (Slide 51)

Base: Companies gone overseas or intending to go overseas (n=503)

# IT & Professional Services and Wholesale Trade see the biggest jump in business sentiment ratings arising from the reopening of economies.

## Business Sentiments



( ) Compared with December 2021

 IT & Professional Services

The ratings from IT & Professional Services show that companies see their sectors benefitting the most from the reopening of economies, followed by Wholesale Trade.


 Wholesale Trade

 Banking & Insurance

The Banking and Insurance sector continues to show strong sentiments.

 Logistics & Transportation

Internationalisation sentiments in Logistics & Transportation have declined slightly since December 2021.

 Retail, Real Estate,  
Hotels, Restaurants & Accommodations

Sentiments are more conservative for Retail, Real Estate, Hotels, Restaurants & Accommodations.

 Construction & Civil Engineering

Similar sentiments are also exhibited in the Construction & Civil Engineering sector.

Base: Companies gone overseas or intending to go overseas (n=503)  
Q6a-Q6f Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence (% of respondents who indicated Strongly Agree / Agree)

1

# Introduction

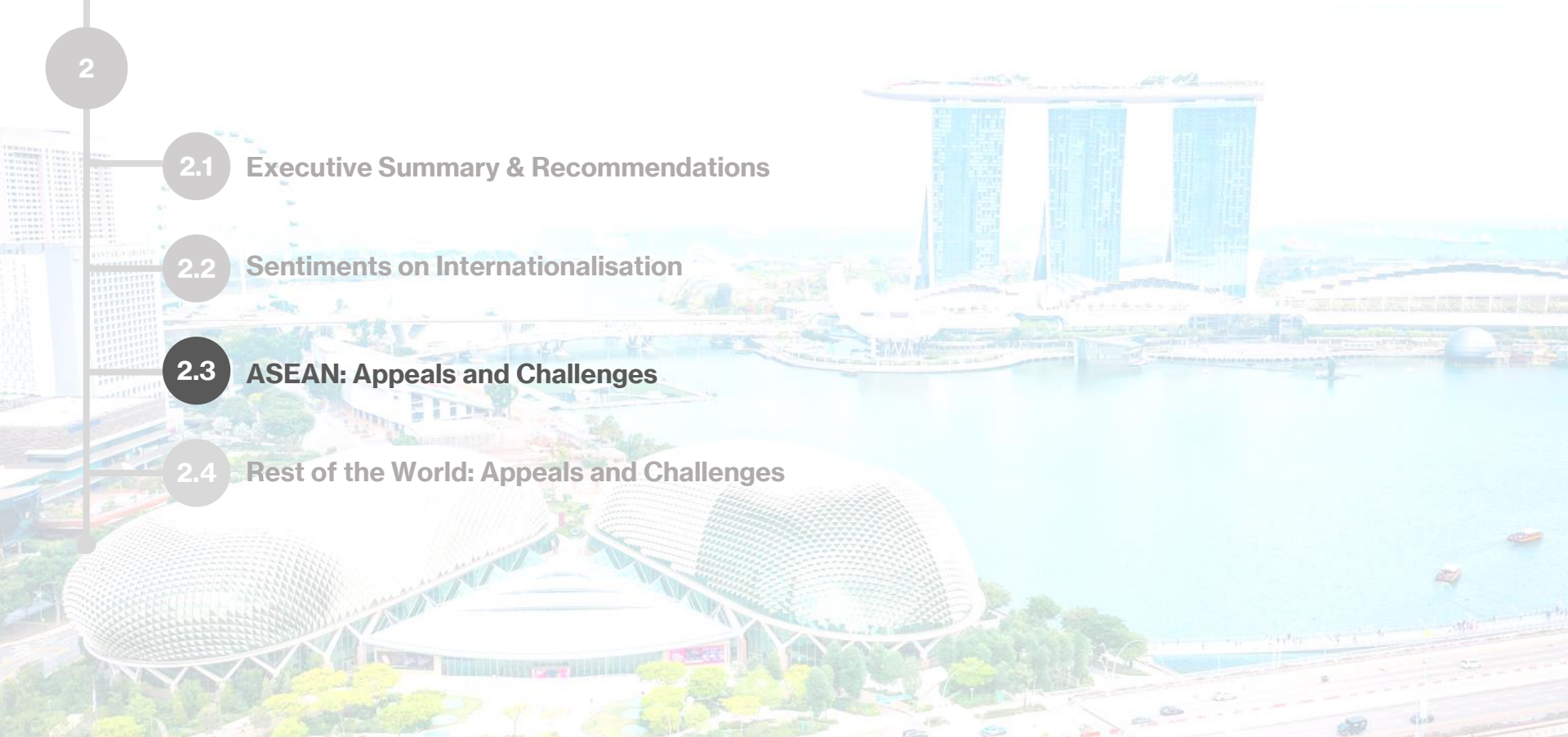
2

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2.2 Sentiments on Internationalisation

2.3 ASEAN: Appeals and Challenges

2.4 Rest of the World: Appeals and Challenges



# ASEAN's Top 10 Internationalisation Appeals

Rank	Appeals	June 2022
1	Reliable utilities	48% (+5%)
2	Affordable digital infrastructure	48% (+3%)
3	Strong growth potential	46%*
4	Well-developed to digital infrastructure	46% (+4%)
5	Pools of potential customers / buyers	45% (-2%)
6	Well-developed logistics & distribution network	43% (+2%)
7	Well-developed financial / banking system	42% (+6%)
8	Strong confidence in the economic growth	41%*
9	International business languages	39% (+2%)
10	Foreigner-friendly	38% (0%)

( ) Compared with December 2021

The main appeals are:

- (i) infrastructure offering trade connectivity (logistics, digital, banking, and utilities);
- (ii) commercial opportunities (ready customer pools, and market potential).

Singapore businesses also expect to benefit from ASEAN's economic growth.

The region is also considered to be business-friendly with few linguistic hurdles to overcome.

Base: n=382 (all companies rated on ASEAN markets)  
Q6a-Q6f Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence (% of respondents who indicated Strongly Agree / Agree)  
\* New measures added for June 2022

# ASEAN's Top 10 Internationalisation Challenges

Rank	Challenges	June 2022
1	Cybersecurity	12% (+1%)
2	Intellectual property rights protection	12% (-2%)
3	Legal protection for Singapore investors	12% (-1%)
4	Effective in managing crises and external shocks	13%*
5	Easy access to credit / financing	13% (-2%)
6	Predictable regulations & legislations	13% (-1%)
7	Support for Singapore companies	13% (-1%)
8	Low level of non-trade barriers	15% (+1%)
9	Government support for upskilling	15% (-1%)
10	Easy to repatriate capital / profit from the market	15% (+1%)

( ) Compared with December 2021

Challenges for businesses entering ASEAN pertain largely to the local operating environment, especially in the areas of cybersecurity, intellectual property rights protection, and the legalities of local contracts.

Due diligence on key regulations governing business operations, capital repatriation, and financing should be conducted.

Base: n=382 (all companies rated on ASEAN markets)  
Q6a-Q6f Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence (% of respondents who indicated Strongly Agree / Agree)  
\* New measures added for June 2022

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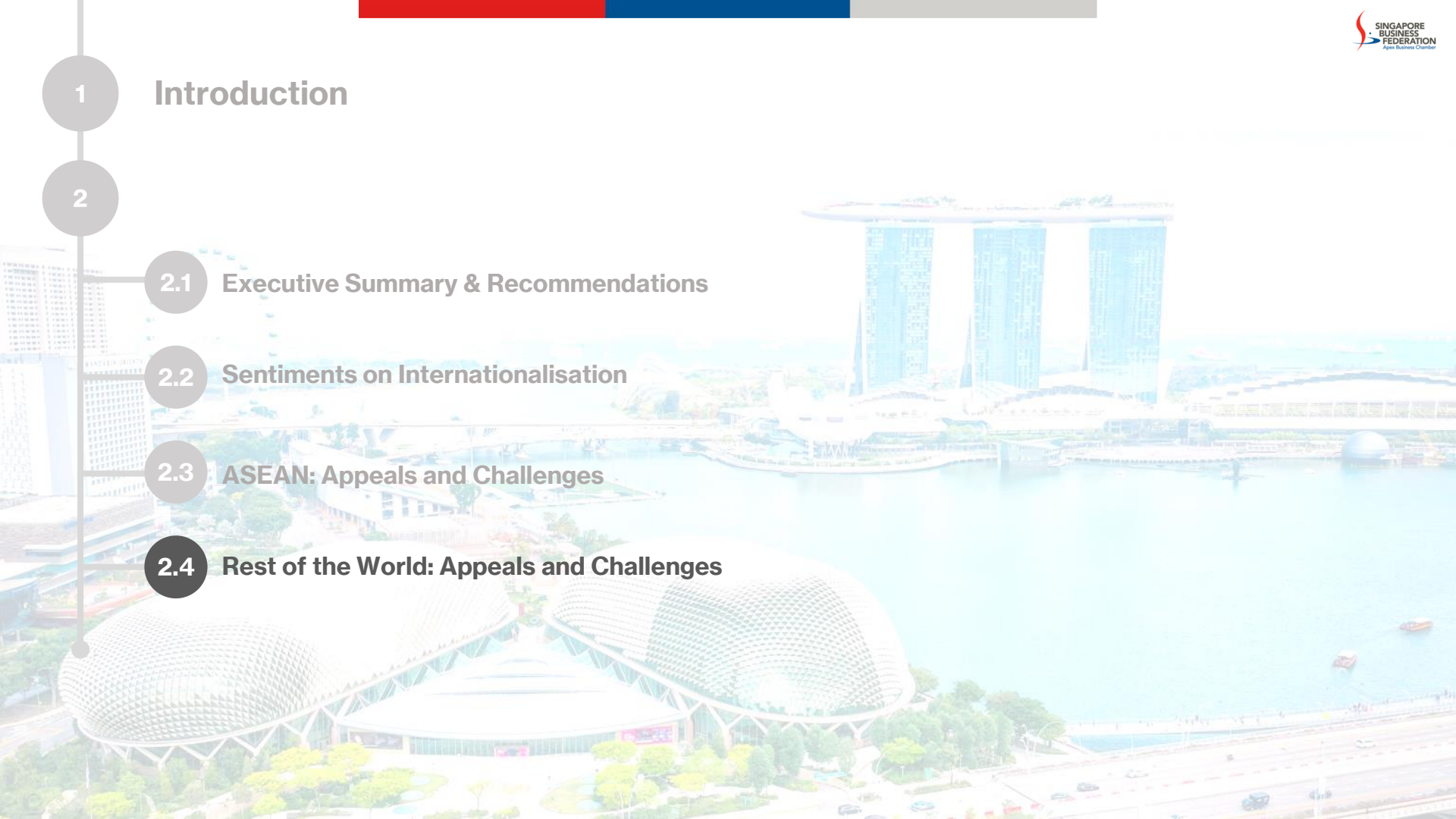
2

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2.2 Sentiments on Internationalisation

2.3 ASEAN: Appeals and Challenges

2.4 Rest of the World: Appeals and Challenges





# Rest of the World's Top 10 Internationalisation Appeals

Rank	Appeals	June 2022
1	Well-developed to digital infrastructure	69% (+5%)
2	Affordable digital infrastructure	66% (+2%)
3	Reliable utilities	65% (+3%)
4	Well-developed logistics & distribution network	64% (+4%)
5	Workforce education	61% (+3%)
6	Well-developed financial / banking system	60% (0%)
7	Availability of local tech partners / vendors	59% (+4%)
8	Pools of potential customers / buyers	57% (+2%)
9	Strong growth potential	54%*
10	Workforce receptive to upskilling	53% (+3%)

( ) Compared with December 2021

The ability to leverage on:

- (i) well-developed infrastructure (digital, logistics, and reliable utilities),
- (ii) well-educated workforce, and
- (iii) developed financial system

are three big appeals.

Availability of technical partners to support business development, and commercial opportunities from pools of customers are other important qualities.

Base: n=372 (all companies rated on markets in the Rest of the World)  
Q6a-Q6f Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence (% of respondents who indicated Strongly Agree / Agree)

\* New measures added for June 2022

# Rest of the World's Top 10 Internationalisation Challenges

Rank	Challenges	June 2022
1	Overseas government support for Singapore companies	24% (+4%)
2	Easy access to credit / financing	29% (+5%)
3	Low level of non-trade barriers	30% (+5%)
4	Legal protection for Singapore investors	30% (+6%)
5	Low level of tariffs / trade barriers	31% (+6%)
6	Easy to repatriate capital / profit from the market	31% (+6%)
7	Transparent rules on capital investment	33% (+1%)
8	Predictable regulations & legislations	33% (+4%)
9	Effective in managing crises and external shocks	34%*
10	Easy to bring in overseas talents	34% (+4%)

( ) Compared with December 2021

Though sentiments have improved since December 2021, Singapore companies continue to give lower scores on the ease of obtaining assistance from foreign governments and access to funding.

Possible trade tariffs / non-trade barriers, capital investment laws, and criteria for bringing in talents from outside the overseas markets should all be looked into before market entry.

Base: n=372 (all companies rated on markets in the Rest of the World)  
Q6a-Q6f Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence (% of respondents who indicated Strongly Agree / Agree)  
\* New measures added for June 2022



Thank you

