



SBF SME Internationalisation Index

November 2024



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

This section 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

403 Singapore companies with current or planned overseas businesses **completed the survey** online or via telephone interviews from 28th August to 29th October 2024.*



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

62 Markets were rated by the respondents. Individual ratings on 17 markets were presented in this report.

*Certain slides also covered an additional n=116 companies that did not have current/planned overseas businesses.



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



	Dec 2021	Jun 2022	Nov 2022	Mar 2023	Nov 2024
	% of respondents	% of respondents	% of respondents	% of respondents	% of respondents
Wholesale Trade	18%	17%	13%	14%	18%
Manufacturing	15%	14%	17%	17%	17%
IT & Professional Services	17%	21%	17%	19%	16%
Construction & Civil Engineering	8%	8%	9%	10%	9%
Other Services (e.g. Education, Repair & Servicing)	7%	8%	9%	9%	9%
Banking & Insurance	9%	8%	7%	8%	8%
Retail, Real Estate, Hotels, Restaurants & Accom.	8%	6%	7%	5%	8%
Others (e.g. Holding & Investment Companies)	12%	12%	14%	13%	8%
Logistics & Transportation	6%	6%	7%	5%	7%
	100%	100%	100%	100%	100%
	n=600	n=503	n=400	n=400	n=403

The sample collected from 28th August to 29th October 2024 included both SMEs (87%) and large companies (13%).

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

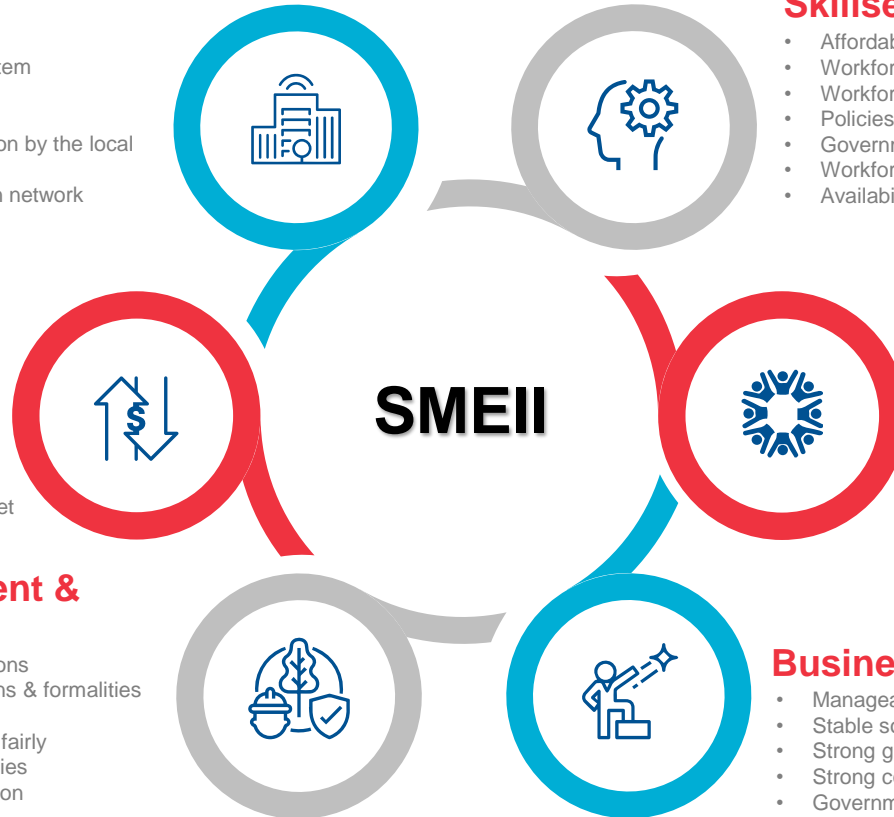
- Manageable cost of running business
- Stable social & political environment
- Strong growth potential
- Strong confidence in economic growth
- Government is effective in managing crises and external shocks

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

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



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

Introduction

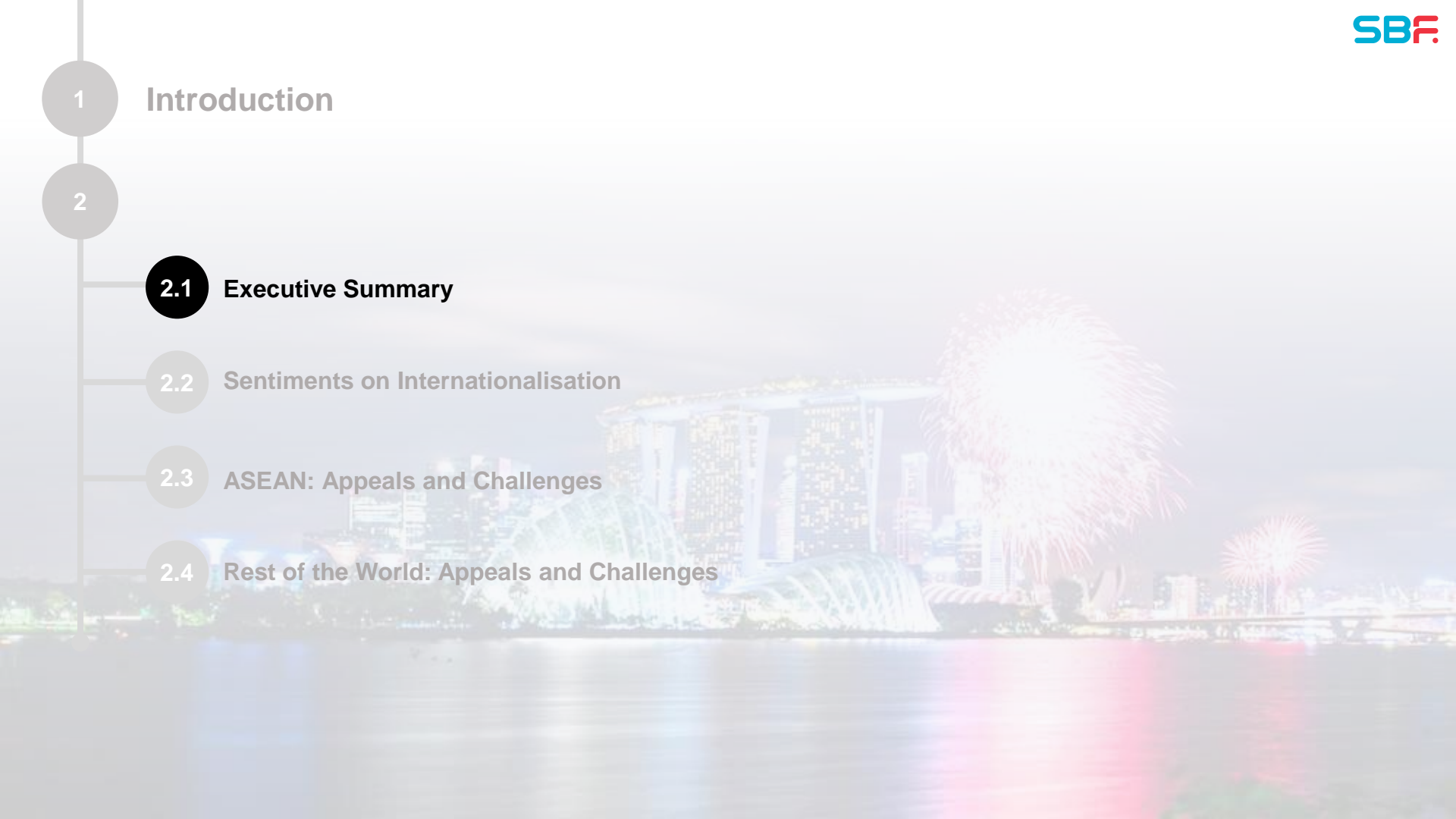
2

2.1 Executive Summary

2.2 Sentiments on Internationalisation

2.3 ASEAN: Appeals and Challenges

2.4 Rest of the World: Appeals and Challenges



Executive Summary (1/3)

ASEAN markets show resilience amidst economic uncertainties and weakening market sentiments across most overseas markets.

- **ASEAN leads in both existing overseas presence (85%) and interest in overseas expansion (63%).** Notwithstanding, businesses are diversifying beyond ASEAN, with notable growth in existing operations across Asia ex-ASEAN (+10%-points), the Americas (+6%-points) and Europe (+6%-points). (Slide 17)
- **The leading market constituents of the SME Internationalisation Index (as measured by the average scores of business sentiment and popularity) are: Malaysia (51%), China (46%), and Indonesia (45%).** Compared to other regions, the **ASEAN markets also continue to lead in popularity.** This is despite the overall internationalisation index dipping by 6%-points from 45% 2023 to 39% in 2024, attributable partly to the biggest declines registered for South Korea (-13%-points), Australia (-10%-points), and India (-10%-points). (Slides 18 & 19)
- **Companies with existing overseas operations (64%) showed greater interest in future overseas expansion** as compared to those without (21%). (Slide 16)

Executive Summary (2/3)

Top appeals and challenges of ASEAN markets.

ASEAN appeals to businesses in three key aspects (Slide 22):

- **Market potential**, e.g. strong growth potential (90%), and manageable cost of running businesses (85%).
- **Trade infrastructure**, e.g. digital infrastructure that is both affordable (86%) and well-developed (84%).
- **Market readiness**, e.g. foreigner-friendly (81%) and good international business language (77%).

On the other hand, the key challenges of ASEAN are (Slide 23):

- **Protection and security**, e.g. concerns on cybersecurity (57%), and IP rights protection (51%).
- **Partnership and support**, e.g. access to credit (47%), and challenges in finding trusted business partners (46%).
- **Policy and regulations**, e.g. government effectiveness in managing crises (42%), difficulty in repatriating funds from the market (40%).

Executive Summary (3/3)

Top appeals and challenges for the Rest of the World markets.

The key appeals of other international markets are (Slide 25):

- **Trade Infrastructure**, e.g. digital infrastructure that are both affordable (93%), and well-developed (91%).
- **Financial opportunities**, e.g. access to pools of potential customers (88%), and well-developed financial system (84%).
- **Workforce and partnership**, e.g. availability of tech partners (88%), and workforce's receptiveness to upskilling (87%).

Businesses need to navigate the following challenges in the rest of the world (Slide 26):

- **Support and protection**, e.g. lack of support for Singapore companies (45%), and lack of legal protection for Singapore investors (33%).
- **Talents and networks**, e.g. difficulty in accessing credit / financing (42%), and difficulty in bringing in overseas talents (35%).
- **Trade regulations & barriers**, e.g. difficulty in repatriating funds from the market (34%), and high level of non-trade barriers (34%).

1 Introduction

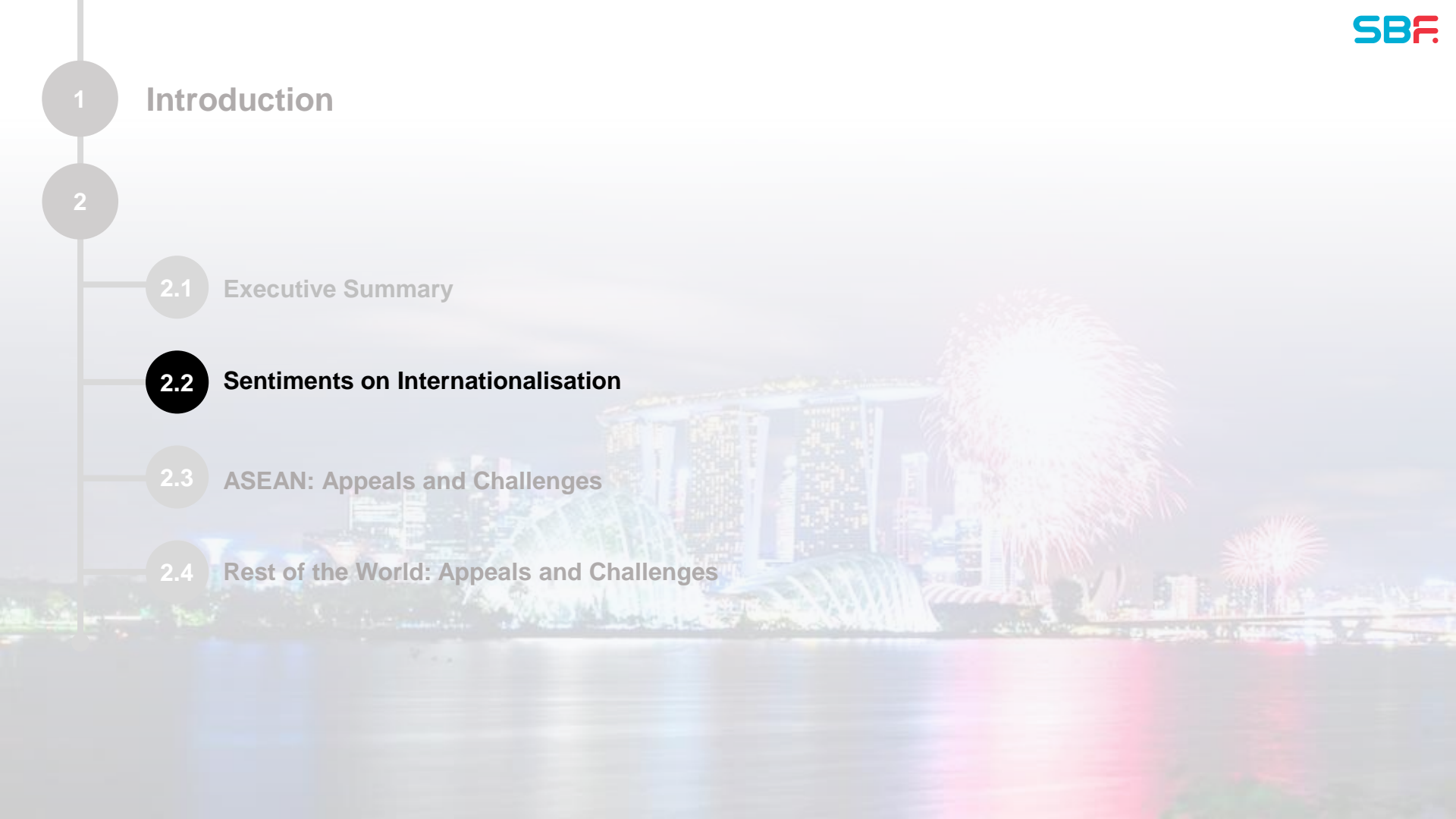
2

2.1 Executive Summary

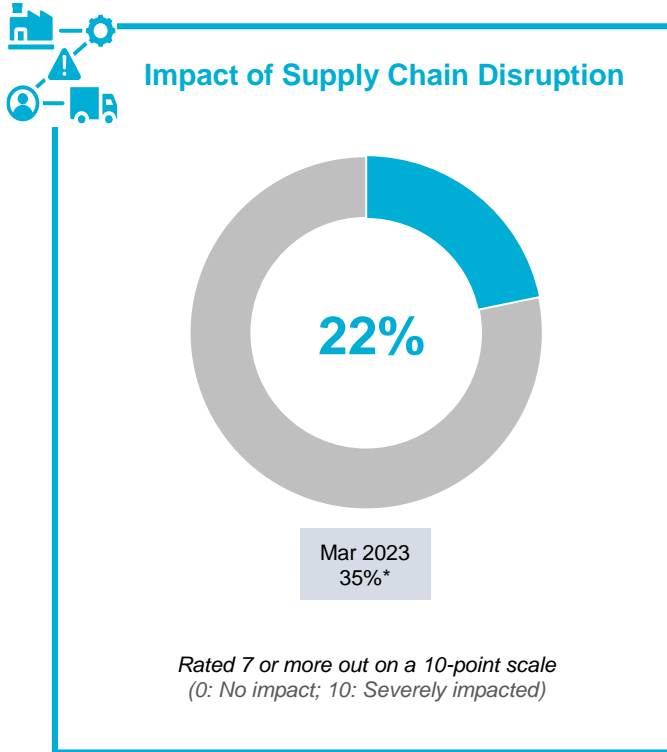
2.2 Sentiments on Internationalisation

2.3 ASEAN: Appeals and Challenges

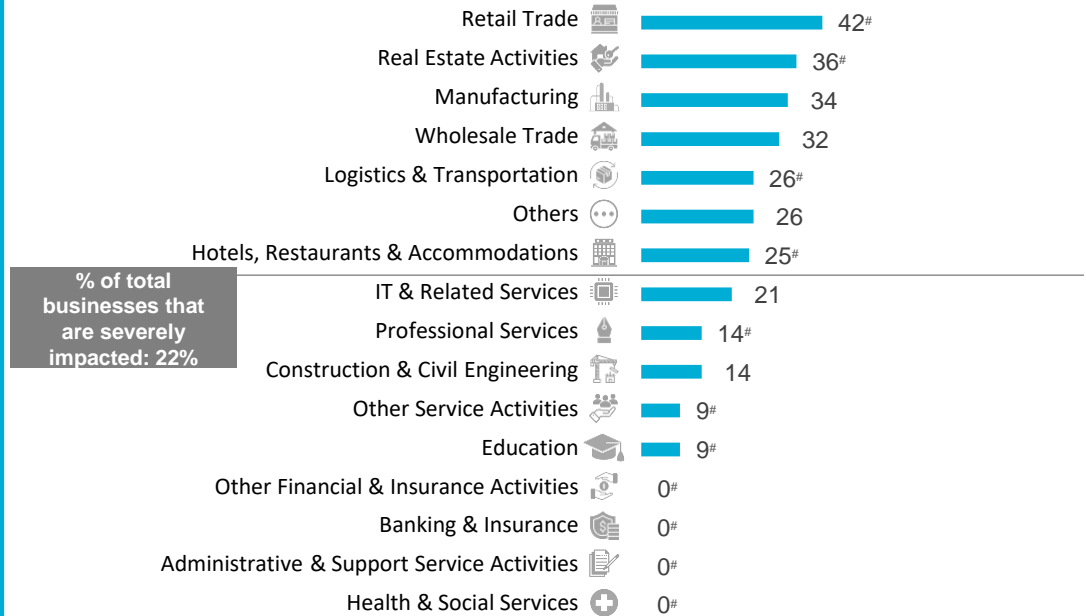
2.4 Rest of the World: Appeals and Challenges



The proportion of businesses impacted by supply chain disruption has declined from 35% in 2023 to 22% in 2024. The most impacted sectors were ‘Retail Trade’ (42%), ‘Real Estate Activities’ (36%), and ‘Manufacturing’ (34%).



Impact of Supply Chain Disruption by Sector
% of Businesses within their own sectors that rated 7 or more on a 10-point scale



Base: Businesses with overseas engagement / plan to venture overseas (n=403); Retail Trade (n=12#); Real Estate (n=11#); Manufacturing (n=67); Wholesale Trade (n=78); Logistics & Transport (n=27#); Hotels, Restaurants & Accommodations (n=8#); IT & Related Services (n=43); Professional Services (n=21#); Construction & Civil Engineering (n=35); Other Service Activities (n=22#); Education (n=11#); Other Financial & Insurance Activities (n=18#); Banking & Insurance (n=15#); Administrative & Support Service (n=1#); Health & Social Services (n=3#); Others (n=31). *: Denotes small sample size, thus, results should be read with caution.

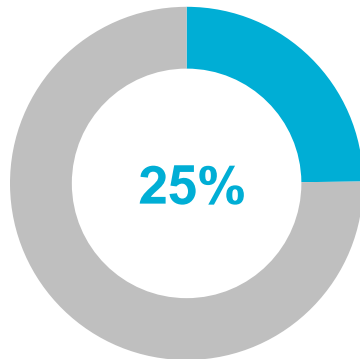
The key reasons for supply chain disruptions are logistical delays (57%), issues with raw materials (46%), and geopolitical tensions (40%).

2023 (n=794)	TOTAL (n=314)	Threats and Causes in Supply Chain Disruption	SME (n=270)	Large Company (n=44)
47%	57%	Logistics – disruptions / delays	56%	66%
65%	46%	Raw materials / goods (e.g. price fluctuation, shortage in supply)	43%	59%
29%	40%	Geopolitical tensions (e.g. war, unrest, trade war)	37%	57%
25%	26%	Regulatory changes	25%	32%
-	25%	Political changes / instability	24%	30%
26%	24%	Credit extension	25%	18%
16%	21%	Suppliers' financial risk (e.g. suppliers going bankrupt)	20%	30%
-	18%	Trade policy changes	18%	18%
-	15%	Natural disasters	15%	18%
-	13%	Pandemic / Epidemic	13%	14%
14%	12%	Tariffs	11%	14%
-	7%	Border closures	7%	7%
-	7%	Social unrest / riots	6%	9%

Impact of GST hike on internationalisation increases by 7%-points from 2023 to 2024, with ‘Professional Services’ (45%), ‘Education’ (45%), and ‘Construction & Civil Engineering’ (36%) sectors most affected.



Impact of GST Hike on Internationalisation

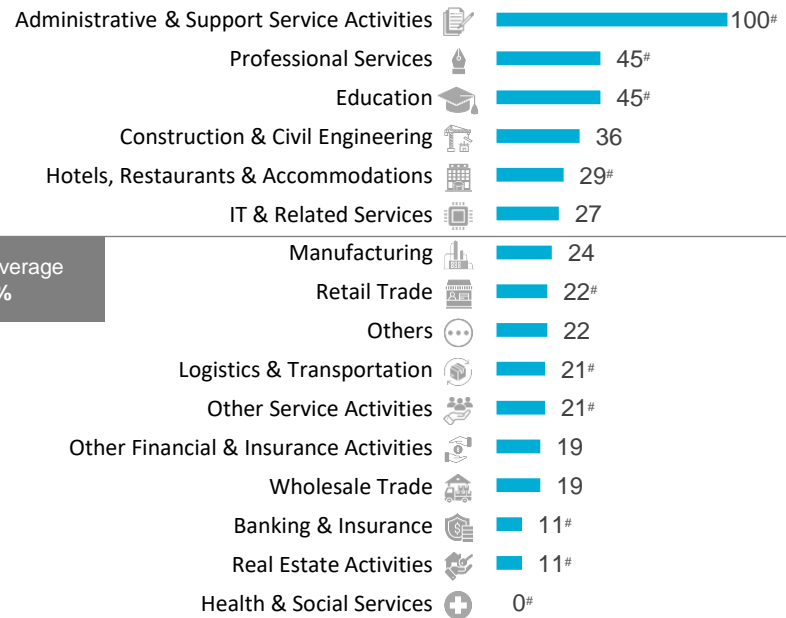


Mar 2023
18%

*Rated 7 or more out on a 10-point scale
(0: No impact; 10: Severely impacted)*

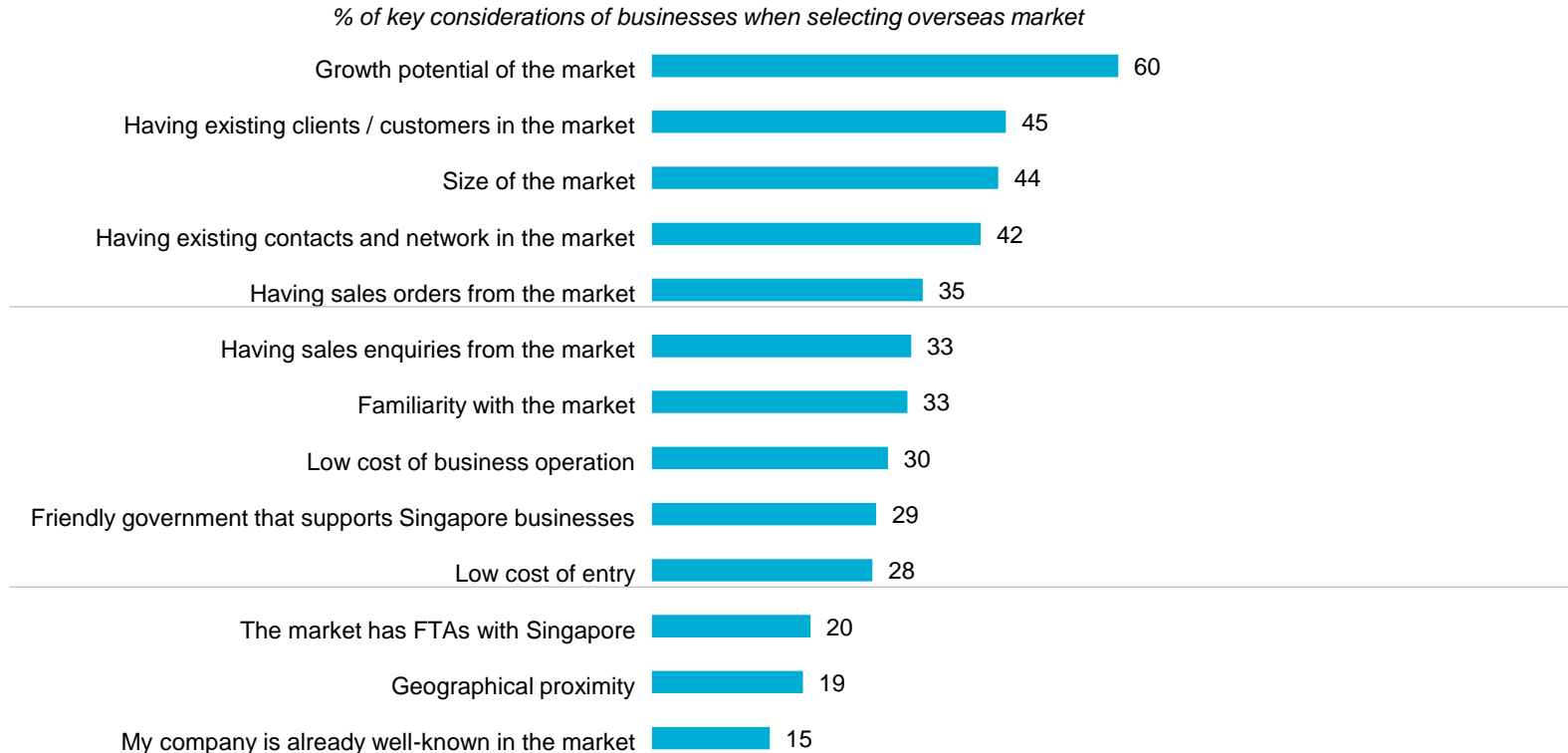
Impact of GST Hike by Sector

% of Businesses within their own sectors that rated 7 or more on a 10-point scale



Base: All Respondents (n=519); Retail Trade (n=9#); Real Estate (n=9#); Manufacturing (n=63); Wholesale Trade (n=75); Logistics & Transport (n=29#); Hotels, Restaurants & Accommodations (n=14#); IT & Related Services (n=41); Professional Services (n=22#); Construction & Civil Engineering (n=55); Other Service Activities (n=24#); Education (n=11#); Other Financial & Insurance Activities (n=31); Banking & Insurance (n=18#); Administrative & Support Service (n=1#); Health & Social Services (n=4#); Others (n=37). #: Denotes small sample size, thus, results should be read with caution.

Businesses prioritise future growth prospects of the market (60%) as the key consideration in selecting overseas markets, followed closely by markets with an existing client base (45%), market size (44%), and established relationships (42%).

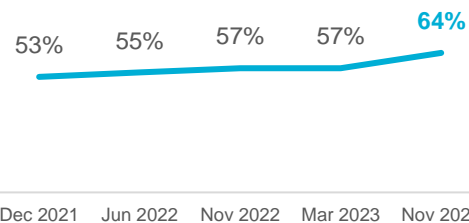


Despite global uncertainties, more businesses are considering future overseas expansion, with companies with existing overseas businesses showing stronger interest (64%) than companies without (21%).

Plan to expand to new markets in the next 3 years

Companies with Overseas Businesses

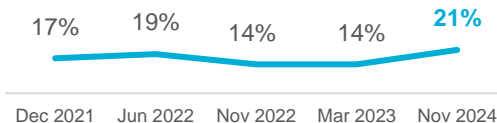
64% have plans to expand further to new markets within the next 3 years.



Base: All companies with overseas businesses (n=369)
 Q21 Specific markets that businesses are already in / intend to enter
 Q22. The timeframe within which businesses plans to venture into overseas business activities

Companies without Overseas Businesses

21% of businesses that have not gone overseas, plan to do so within the next 3 years.

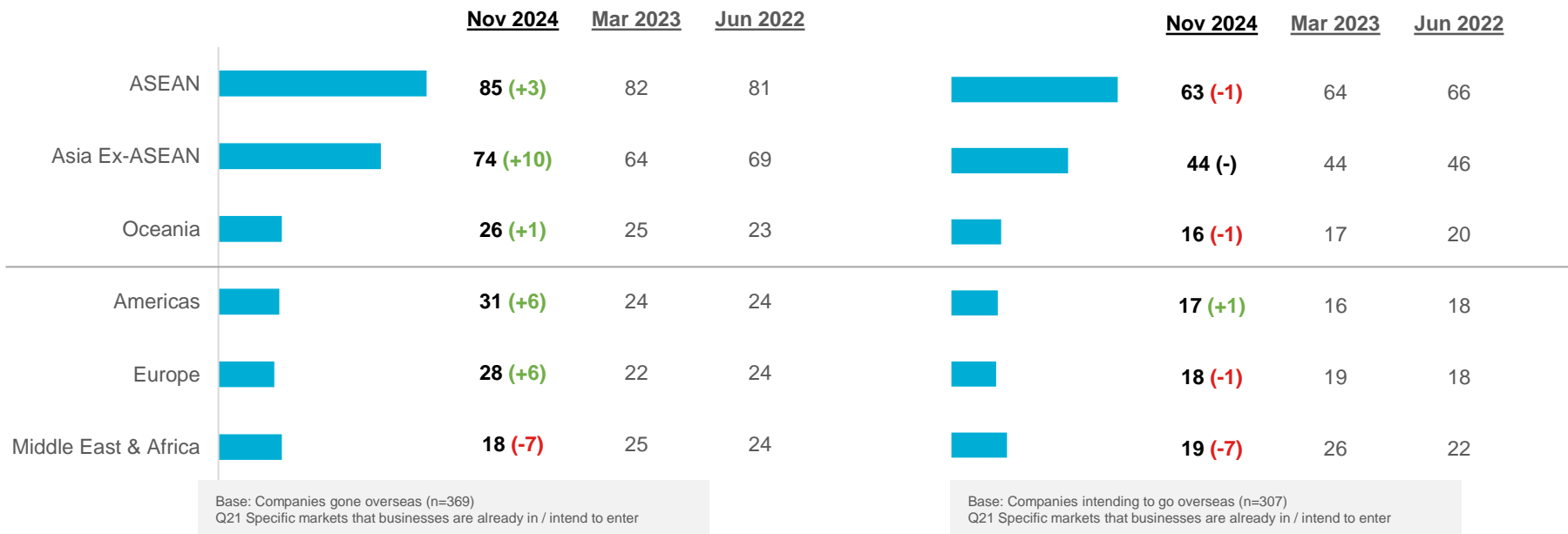


Base: All companies without overseas businesses (n=150)
 Q21 Specific markets that businesses are already in / intend to enter
 Q22. The timeframe within which businesses plans to venture into overseas business activities

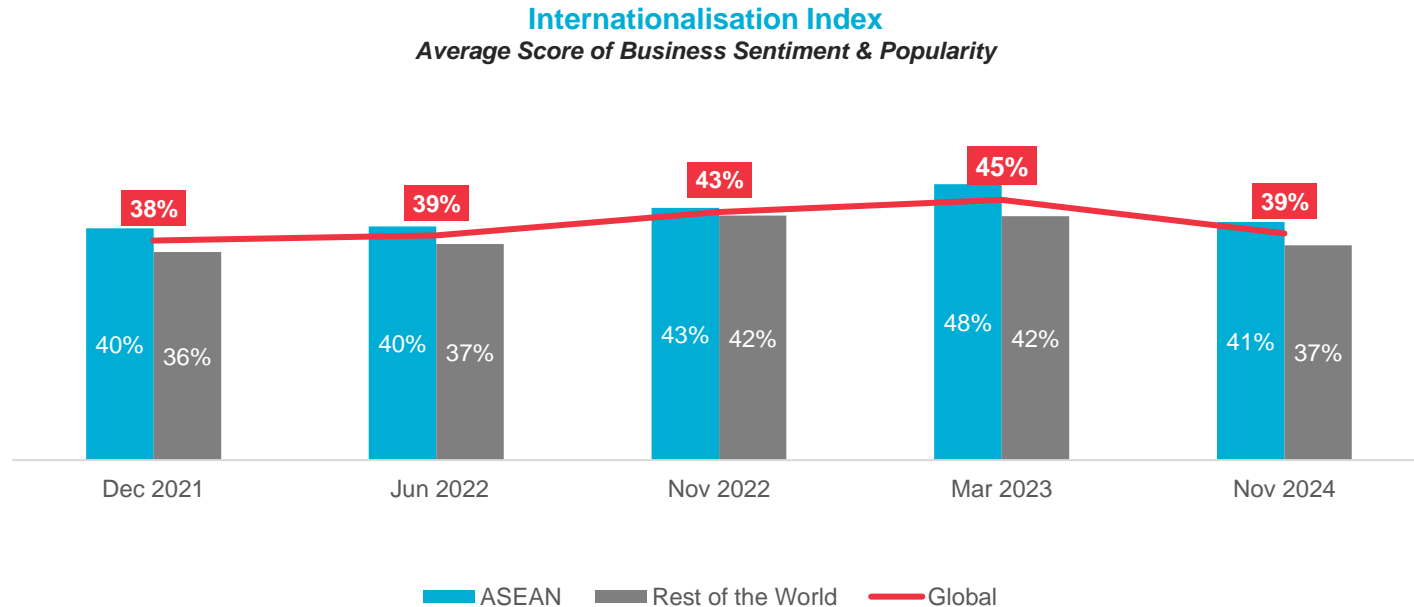
More companies have business engagements across all regions, with the strongest overseas presence and expansion interest observed in ASEAN. Asia ex-ASEAN (+10%-points), the Americas (+6%-points) and Europe (+6%-points) have also seen notable growth in existing operations.

Regions that companies have existing operations in (%)

Regions that companies intend to venture into (%)



The index has trended down by 6%-points since March 2023, but the sub-index of ASEAN (41%) continues to remain higher than that of the Rest of the World (37%).



Average Score of Business Sentiment & Popularity

Business Sentiment: Average percentage of respondents who indicated Strongly Agree / Agree to 'business sentiment' statements

- Q27-38 Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence

Popularity: Percentage of businesses that are already in or intend to go into specific markets

- Q21 Specific markets that businesses are already in / intend to enter

Base: Companies gone overseas or intending to go overseas (n=403)

Internationalisation indices of key global markets have generally declined compared to 2023, with the largest declines seen in South Korea (-13%-points), Australia (-10%-points) and India (-10%-points). ASEAN markets continue to lead in popularity.

Internationalisation Index

Average Score of Business Sentiment & Popularity

Nov 2024 **Mar 2023** **Nov 2022** **Jun 2022**

% **%** **%** **%**

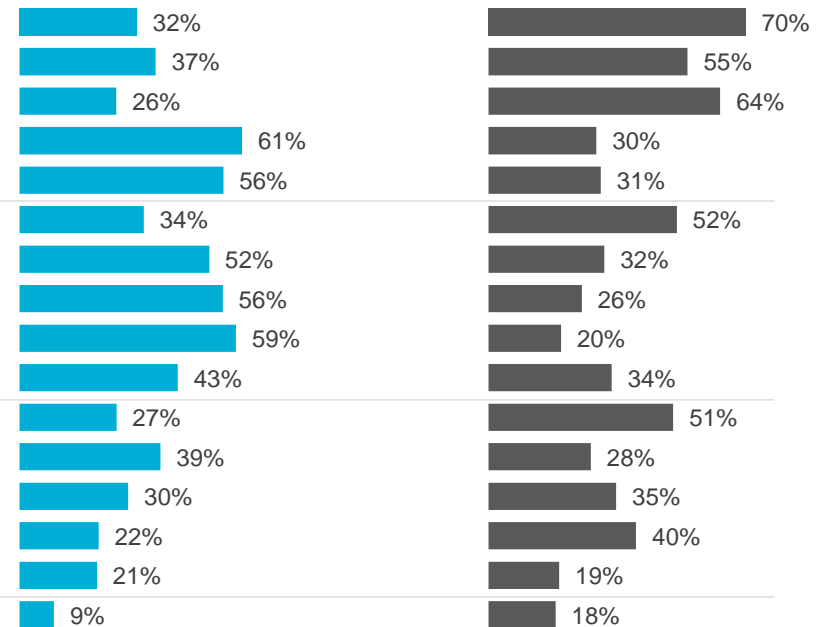
Malaysia	51 (-9)	60	55	52
China	46 (-3)	49	48	45
Indonesia	45 (-5)	50	44	42
USA	45 (-5)	50	47	44
Taiwan	43 (-1)	44	40	35
Thailand	43 (-8)	51	45	40
Australia	42 (-10)	52	51	46
UAE	41 (-1)	42	45	33
UK	40 (-6)	46	47	46
Japan	39 (-7)	46	44	42
Vietnam	39 (-6)	45	41	38
South Korea	33 (-13)	46	41	40
India	32 (-10)	42	44	32
Philippines	31 (-6)	37	33	33
Cambodia	20 (+4)	16	20	13
Myanmar	14 (0)	14	17	15

() Compared with Mar 2023

Base: Companies gone overseas or intending to go overseas (n=403)

Business Sentiment

Popularity












Average percentage of respondents who indicated Strongly Agree / Agree to 'market competitiveness' statements
Q27-38 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
Q21 Specific markets that businesses are already in / intend to enter

Sentiments for companies with current or planned overseas businesses declined across sectors. 'IT & Professional Services' (-3%-points) are the least impacted, while the decline in sentiments is the most pronounced in 'Logistics & Transportation' (-36%-points) and 'Construction & Civil Engineering' sectors (-23%-points).

Business Sentiments by Sector

		Nov 2024	Mar 2023	Nov 2022	Jun 2022	Dec 2021
		%	%	%	%	%
IT & Professional Services		48 (-3)	51	50	48	41
Banking & Insurance		45 (-14)	59	69	52	50
Manufacturing		38 (-11)	49	51	35	35
Other Service		38 (-9)	47	49	40	39
Retail, Real Estate, Hotels, Restaurants & Accom.		36 (-18)	54	46	31	35
Industry Average		36% (-18%)				
Wholesale Trade		33 (-18)	51	52	37	32
Others		31 (-11)	42	44	30	33
Logistics & Transportation		23 (-36)	59	33	38	42
Construction & Civil Engineering		19 (-23)	42	43	27	32

Base: Companies gone overseas or intending to go overseas (n=403)
Q27-38 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

2.1 Executive Summary

2.2 Sentiments on Internationalisation

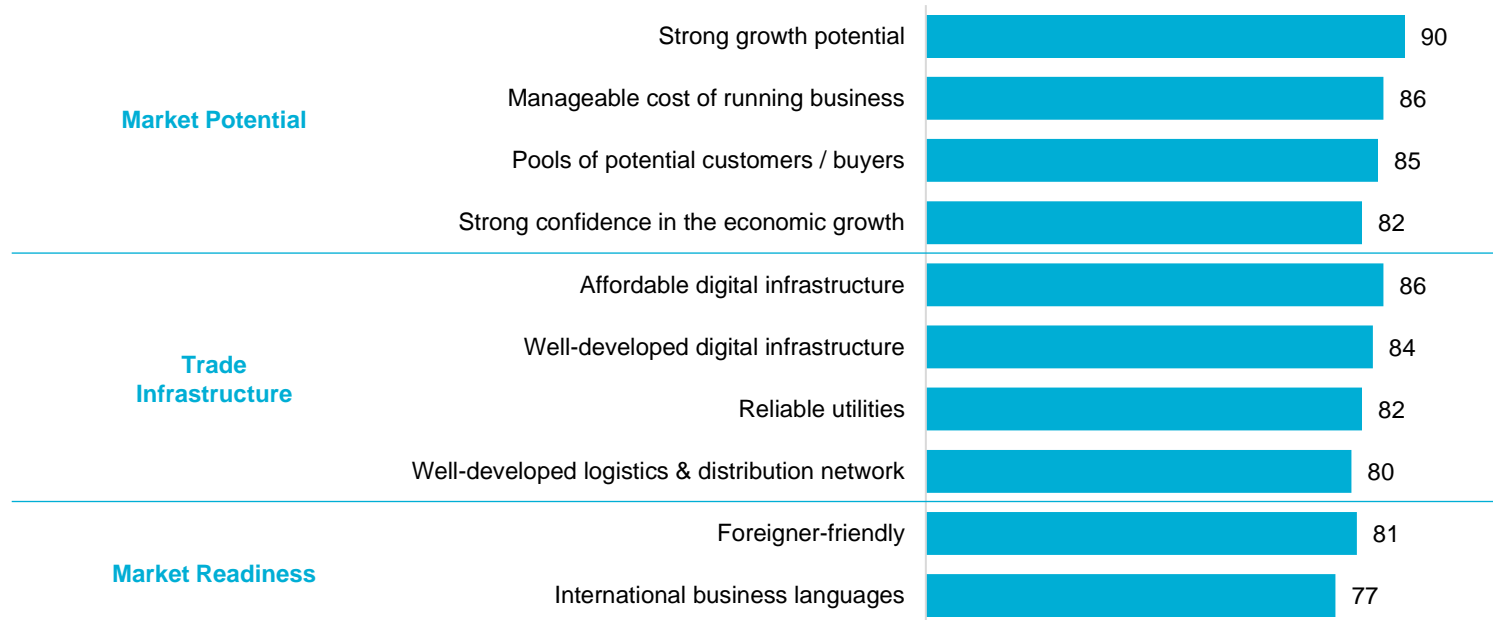
2.3 ASEAN: Appeals and Challenges

2.4 Rest of the World: Appeals and Challenges

ASEAN's Top 10 Internationalisation Appeals.

Businesses show interest in ASEAN due to its market potential, trade infrastructure, and market readiness.

% of Businesses that indicated agreement to the following aspects

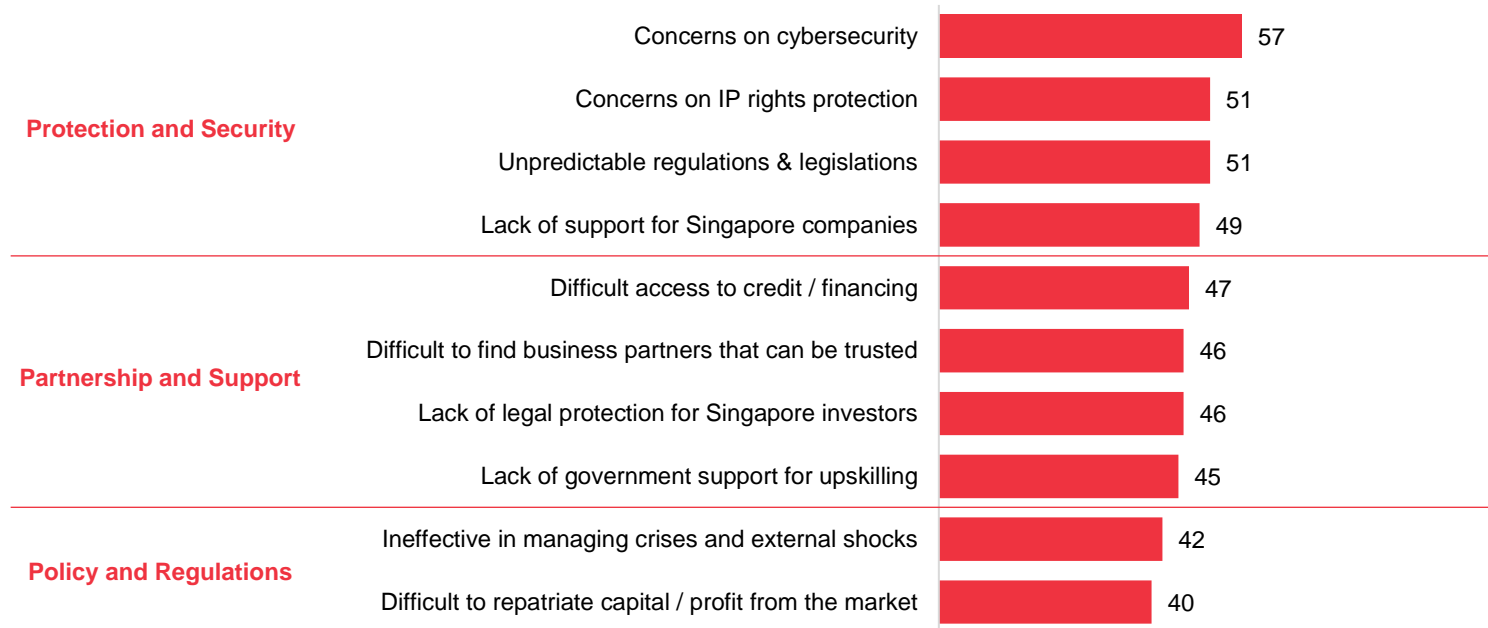


Base: Companies gone overseas or intending to go overseas (n=403)
 Q27-38 Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence

ASEAN's Top 10 Internationalisation Challenges.

Businesses need to navigate challenges around protection and security of their businesses, partnership and support in overseas markets, as well as policy and regulations.

% of Businesses that indicated agreement to the following aspects



Base: Companies gone overseas or intending to go overseas (n=403)
Q27-38 Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence

1 Introduction

2

2.1 Executive Summary

2.2 Sentiments on Internationalisation

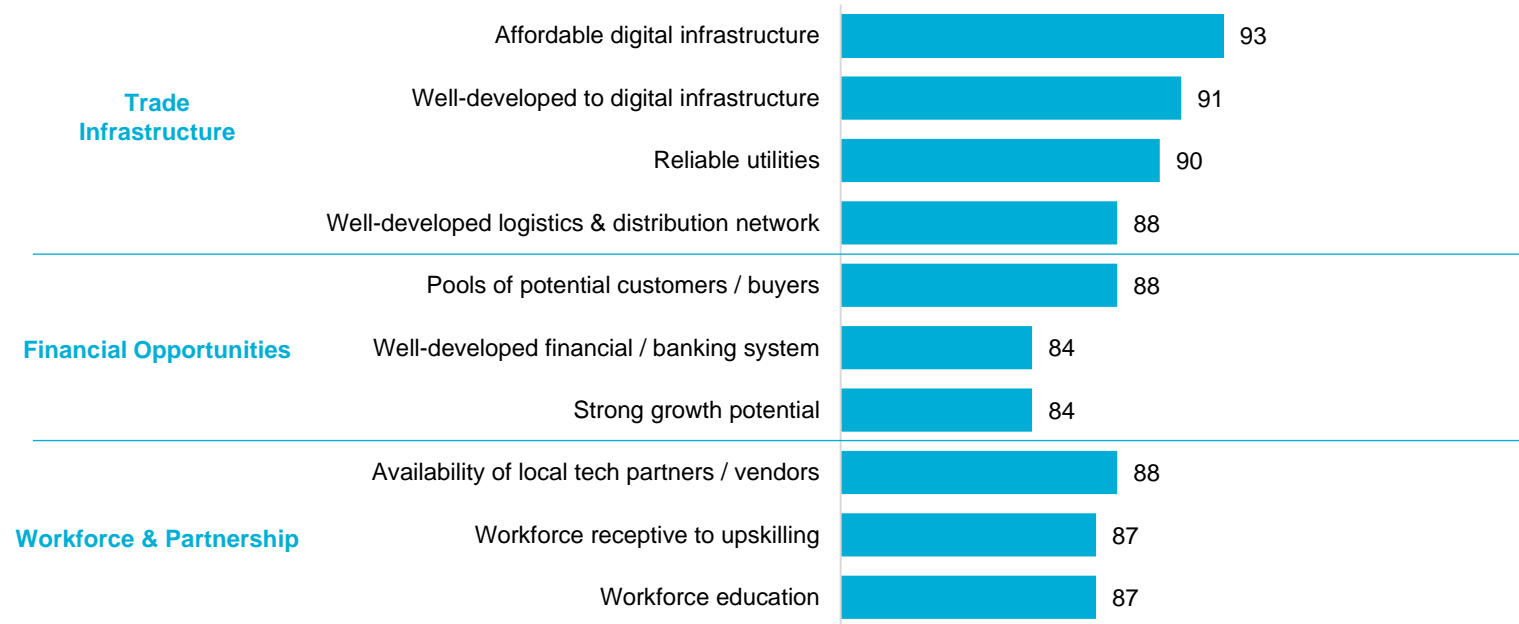
2.3 ASEAN: Appeals and Challenges

2.4 Rest of the World: Appeals and Challenges

Rest of the World's Top 10 Internationalisation Appeals.

Singapore businesses are interested to venture further abroad for the markets' stronger trade infrastructure, financial opportunities, and access to the expertise of the workforce and local partners.

% of Businesses that indicated agreement to the following aspects

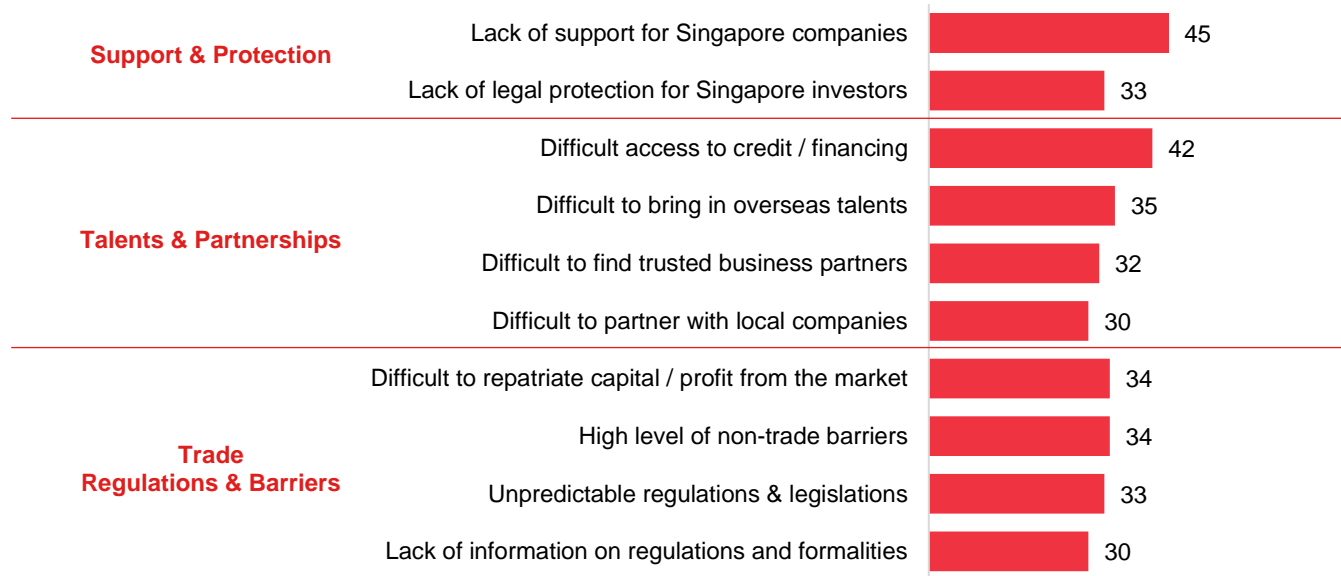


Base: Companies gone overseas or intending to go overseas (n=403)
Q27-38 Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence

Rest of the World's Top 10 Internationalisation Challenges.

Key challenges reside primarily in the areas of support and security, ability to access the right talents and partners, and understanding specific regulations in the markets.

% of Businesses that indicated agreement to the following aspects



Base: Companies gone overseas or intending to go overseas (n=403)
 Q27-38 Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence



Thank you



Annex

Selected Verbatim Comments by Markets



Selected Verbatim Comments

Malaysia

“Malaysia is of course a strong contender when we consider which markets we want to expand to. Their legal system is more similar to Singapore, when compared to other countries in ASEAN. Also, there are no language barriers, and the workforce is fluent in both English and Chinese.”

- Manufacturing Firm

“The country was badly hit during the pandemic and we ceased the operations there. Now that the economy is recovering, we are considering to set up a local subsidiary there again.”

- Manufacturing Firm

Indonesia

“Issues on regulations and compliance are less transparent and easy to access like Singapore. It is essential that we work with local partners on the ground.”

- Construction Firm

“The Indonesian government is not restrictive in terms of bringing in professional services from foreign countries. We are free to go in. This is aligned with their government’s objectives to help strengthen the nation through leveraging on international expertise.”

- Professional Services Firm

Selected Verbatim Comments

Thailand

“There are compliance challenges in Thailand. Language barrier is one aspect as everything is in Thai, so we either need to hire consultants or rely on our own staff in Thailand. Also, the regulations are not transparent – for example, we have had experience where the regulations on the website are not the most updated version. This is a business risk.”

- Manufacturing Firm

“Sales in Thailand are picking up faster than other markets in Asia like China. There are also less economic uncertainties in Thailand as they are not involved in key geopolitical conflicts.”

- Manufacturing Firm

“It is difficult to retain talents in Thailand. Once our staff are trained, they tend to look for other opportunities. It is a growing market and competition for talents is fierce.”

- Manufacturing Firm

Selected Verbatim Comments

Vietnam



“They have established professional bodies but are open to work with foreign companies. Their economy is doing well, and we also expect business growth there.”

- Professional Services Firm

“More of our clients are moving into Vietnam because of the US-China tensions. We are keen to set up manufacturing capabilities there as well, but it is not easy to identify partners to work with.”

- Manufacturing Firm

“It’s a young country and we are able to find educated workforce. Their engineers are very capable. Their manpower policy is also not difficult to navigate.”

- Construction Firm

“The economy is expanding, and the workforce is also young and capable. The university graduates speak very good English.”

- Manufacturing Firm

Selected Verbatim Comments

Philippines



“We expect the Philippines to grow and are interested to enter the market. But without existing network it will be difficult for us to identify a like-minded partner to work together in the long term.”

- Construction Firm

Myanmar



“Myanmar is a challenging market to enter now because of the political situation there. But they have a young and educated workforce that are eager to seek for international opportunities. We are open to recruiting from the country on more technical roles, although language barrier is something we need to manage.”

- Manufacturing Firm

“Due to the political situation, we have a large project on hold for a few years already. We will likely pull out from the country.”

- Construction Firm

Selected Verbatim Comments

China

“The economic climate in China may not be as good as a few years ago due to their real estate market. But they are a country with 1.4 billion population, and they are progressing rapidly, especially in the technology space.”

- Manufacturing Firm

“Retaining talents are less challenging. Our current workforce is stable, and they are key assets for the company because of the experience they have accumulated. We rely on them to train new hires.”

- Manufacturing Firm

“One challenge we are facing in China is inflation. All aspects of business operations are increasing rapidly, especially labour cost. Added to this, business climate is getting worse in the country.”

- Logistics Firm

“The US-China conflict is making it more difficult for us to rely solely on China as the manufacturing base. The tariffs are eating into our margins, and we may need to look at other markets like Vietnam. But this also means we need to start over in a new country, which is very costly.”

- Manufacturing Firm

“The regulations favour local Chinese companies, and as a foreign company, it will be more challenging to resolve disputes with our suppliers and clients.”

- Manufacturing Firm

Selected Verbatim Comments

UAE



“Cities like Dubai have more generous foreign worker policies, which means in staffing we can more easily recruit expats from other markets. This will help manage manpower costs.”
- **Support Services Firm**

India



“The laws and regulations are not very clear, especially in their tax system. We often need to send staff to physically visit their government agencies to seek clarifications and resolve issues.”
- **Manufacturing Firm**

Australia



“It is a big market that we have been doing business with for many years. A key challenge is that there are not enough distributors that operate countrywide, and we need to approach potential distributors state-by-state, which takes a lot of resources.”
- **Manufacturing Firm**