

SBF SME Internationalisation Index

November 2022



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

400

Singapore companies with current or planned overseas businesses **completed the survey** online or via telephone interviews from 17th August to 28th September 2022.*



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

62



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

*The survey also covered an additional n=286 companies that did not have current/planned overseas businesses. Their intent of going overseas was captured.



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



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

The sample collected from August to September 2022 included both SMEs (82%) and larger companies (18%).

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

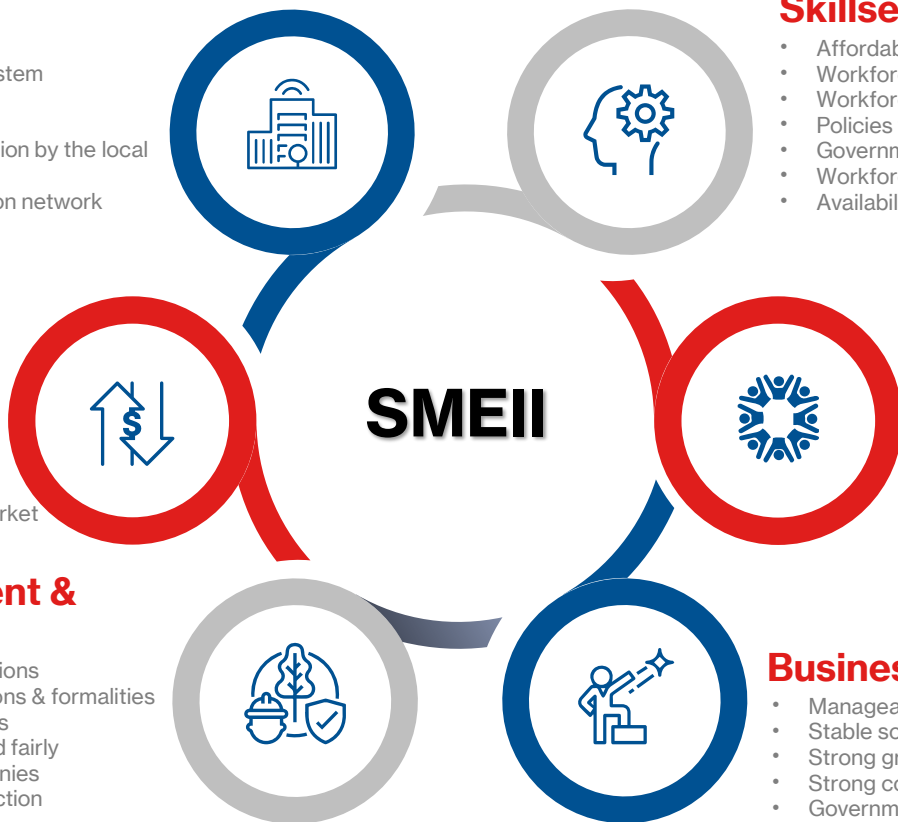
- Manageable cost of running business
- Stable social & political environment
- Strong growth potential*
- Strong confidence in economic growth*
- Government is effective in managing* crises and external shocks*

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



* Added in June 2022 study

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

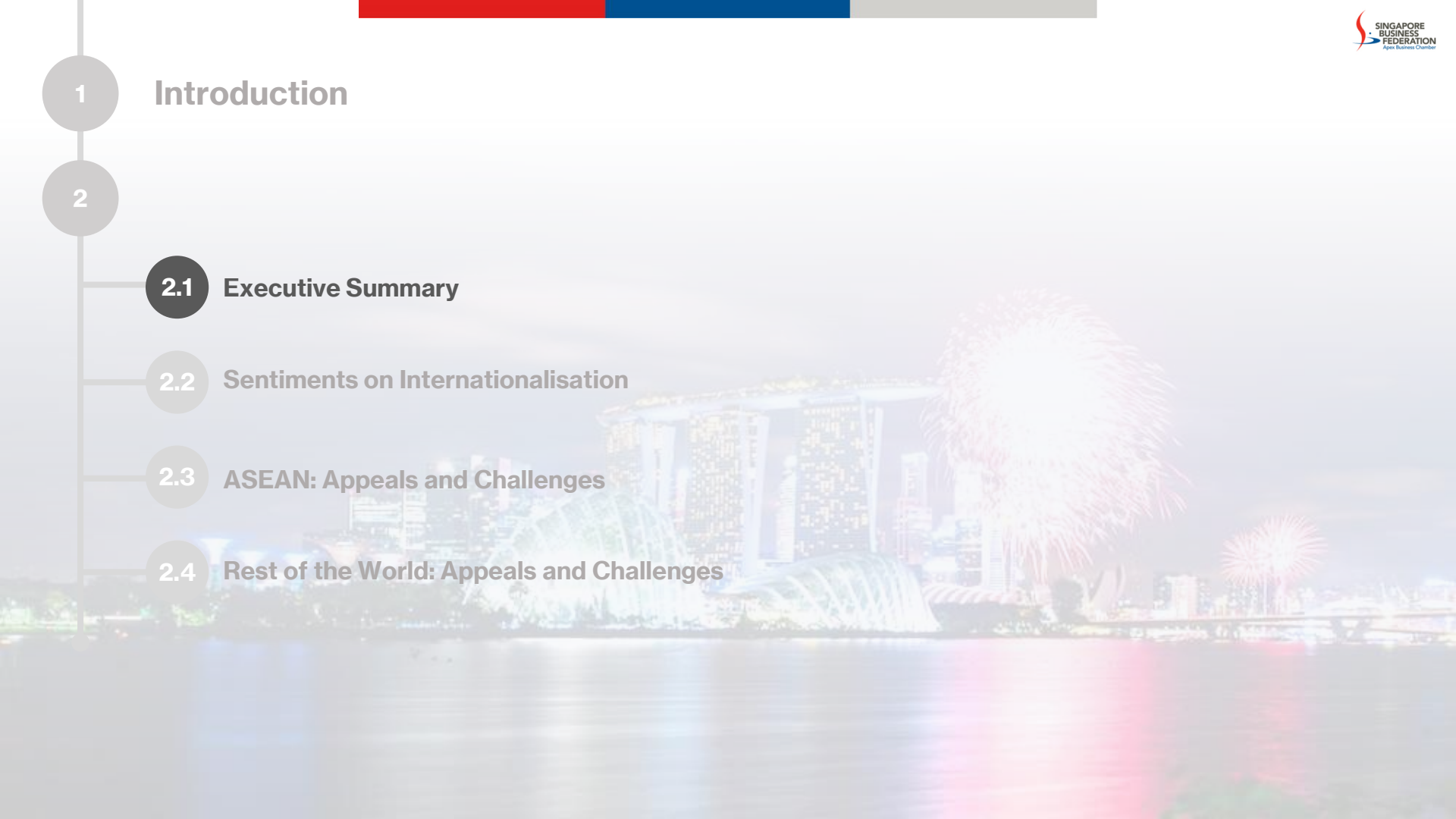
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2.1 Executive Summary

2.2 Sentiments on Internationalisation

2.3 ASEAN: Appeals and Challenges

2.4 Rest of the World: Appeals and Challenges



Executive Summary

Overall market sentiment has improved from a year ago due to the reopening of economies and the relaxation of travel restrictions. This has provided an impetus for SMEs to grow their businesses.

- The **overall internationalisation sentiment has improved** to 43%, from 38% a year ago.
- In the next three years, nearly six in ten (57%) companies with operations outside of Singapore plan to **further expand into new markets**, up from 53% last year.
- 14% of **companies with no overseas market, plan to expand abroad** in the next 3 years.

Executive Summary

While travel disruptions have reduced, supply chain disruptions and rising price inflation continue to negatively impact the costs of running businesses.

- **Businesses reporting severe travel disruptions declined** from 59% a year ago to 44% due to the reopening of economies which provided opportunities for companies to resume travel for both business development and overseas operations management.
- **Supply chain disruptions have not abated**, affecting 41% of businesses (as compared to 44% in Dec 2021). The top causes cited by businesses are 'the pandemic' (69%), 'logistical delays' (64%), and 'border closures' (63%).
- **Half of the businesses** (51%), up from 40% in the last survey, **are negatively impacted by price inflation.**

Executive Summary

Despite the challenges, Singapore SMEs continue to plan for international expansion because they see the domestic market as being too small, along with the pull factors of internationalisation.

- 67% of **companies** who have gone overseas or plan to go overseas **see the need to internationalise because the domestic market is too small** and that expanding abroad is the way to grow the business.
- The **key internationalisation pull factors** are related to **international sales revenue**, i.e. **accessibility to diverse customer pools**, and **future growth of overseas markets supported by trading ecosystems** such as digital and logistics infrastructures in destination markets as well as **overseas workforce availability**.

1

Introduction

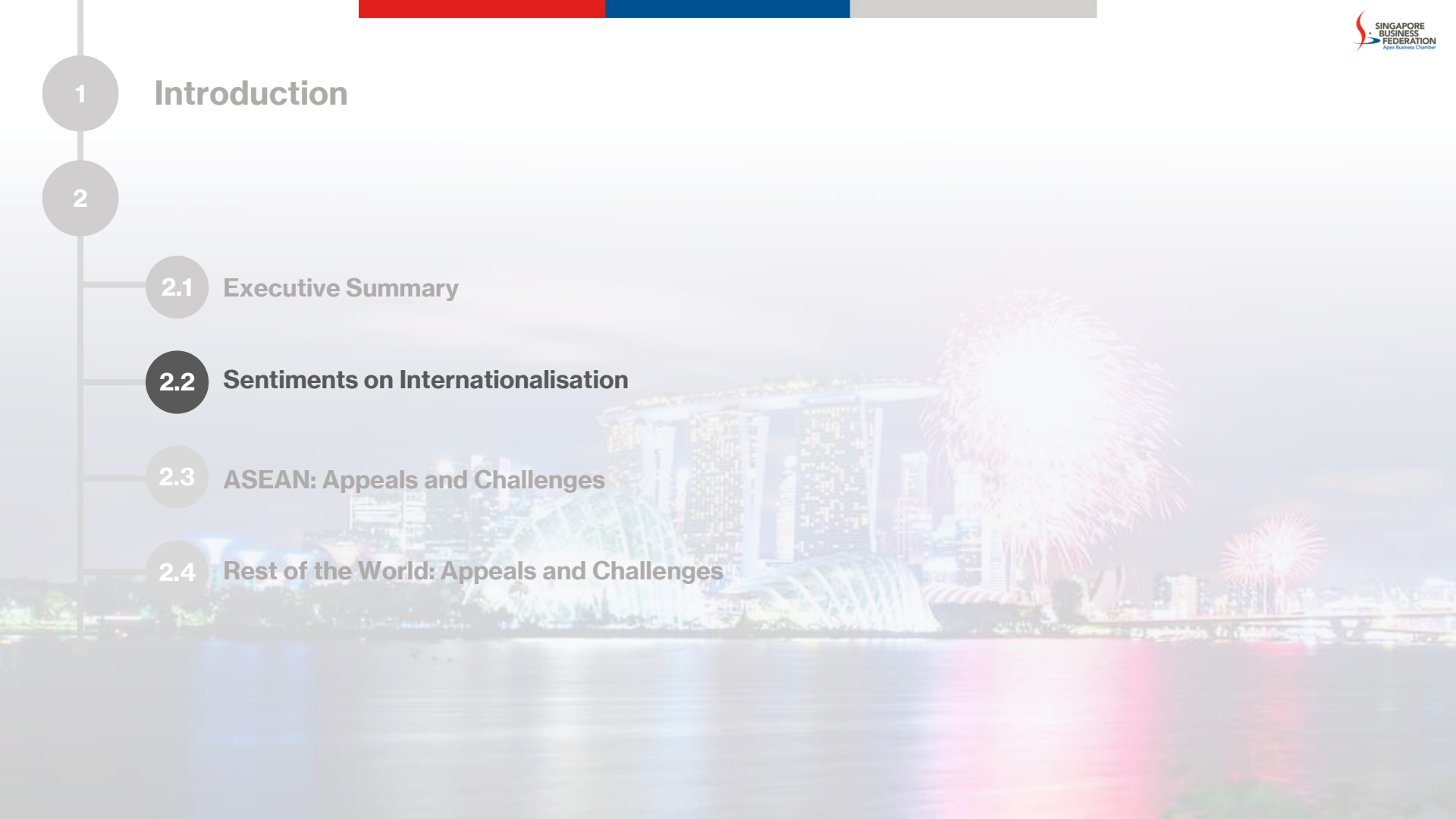
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2.1 Executive Summary

2.2 Sentiments on Internationalisation

2.3 ASEAN: Appeals and Challenges

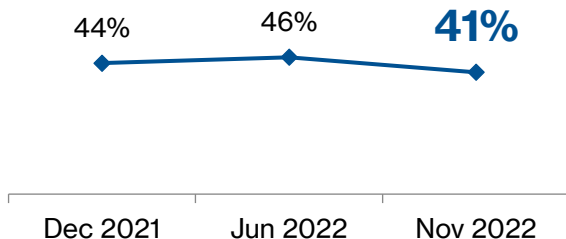
2.4 Rest of the World: Appeals and Challenges



Supply chain disruption persists, spanning from logistical disruptions and border closures to shortages of raw materials.



Supply Chain Disruption



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 of a 10-point scale

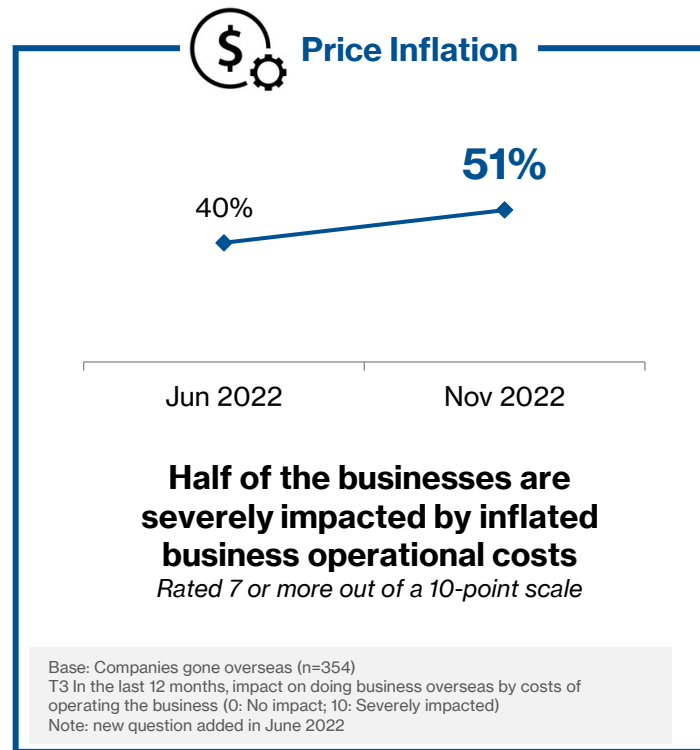
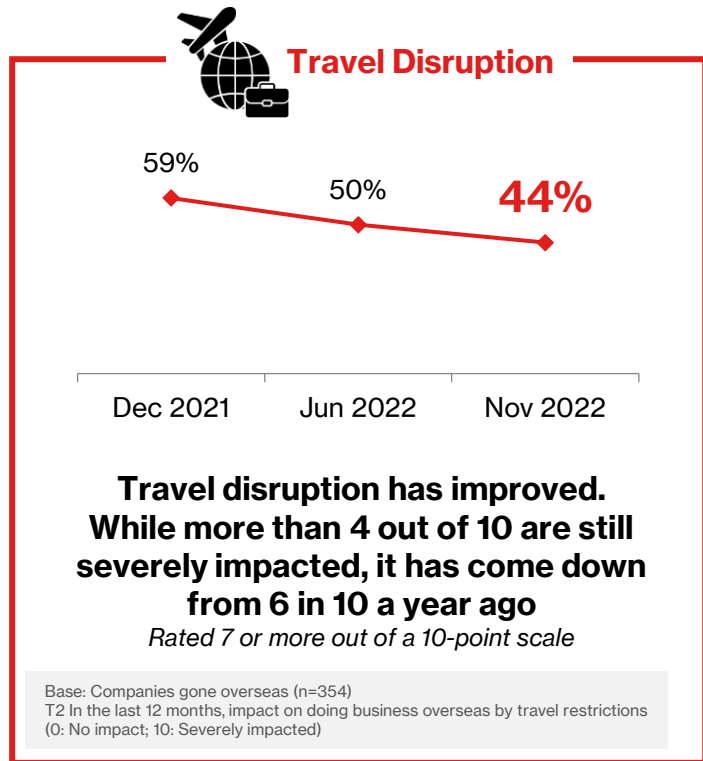
Base: Companies gone overseas (n=354)
T1a Impact of doing business internationally due to supply chain disruption (0: No impact; 10: Severely impacted)

Key reasons for disruptions

		Nov 2022	Jun 2022	Dec 2021
Pandemic	<div></div>	69%	73%	77%
Logistics disruptions	<div></div>	64%	60%	63%
Border closures	<div></div>	63%	63%	65%
Raw material shortages	<div></div>	42%	38%	36%
Political instability	<div></div>	34%	22%	23%
Regulatory changes	<div></div>	25%	28%	23%
Trade policy changes	<div></div>	17%	15%	15%

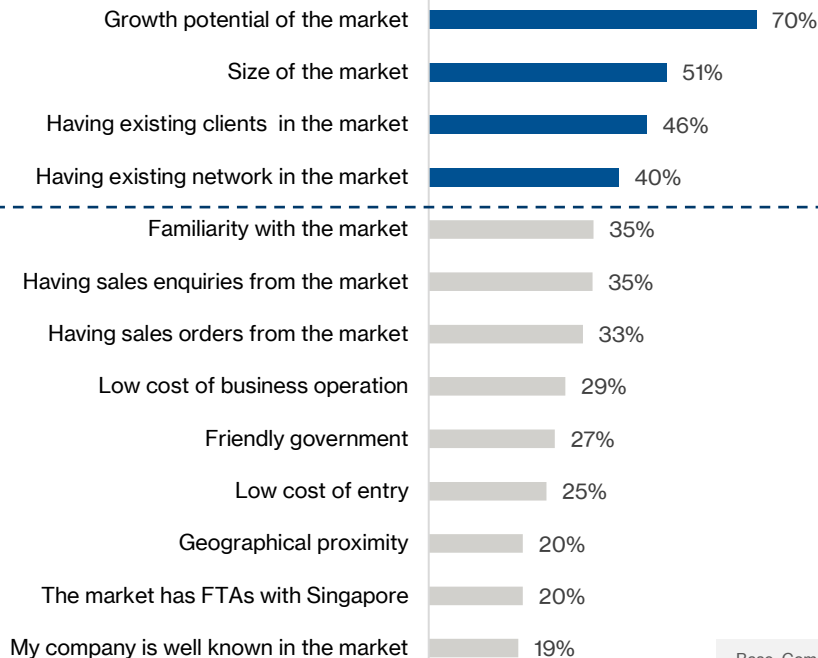
Base: Companies that experienced supply chain disruption (n=325)
T1b External factors that disrupted supply chain of company (multiple answers)

Travel disruptions have declined significantly. Price inflation such as rising labour and raw material costs, however, have a negative impact on more businesses.



Companies prioritise overseas markets based on their growth potential, size, and connections to client networks.

Key Considerations in Selection of Overseas Markets for Expansion



Base: Companies gone overseas or intending to go overseas (n=400)
Q5c Key considerations when selecting overseas market to expand to (multiple answers)

Interest in overseas expansions amongst internationalised companies over the next 3 years is increasing steadily. Over 10% of businesses with no overseas markets intend to internationalise over the same period.

Plan to expand to new markets in the next 3 years

Companies with Overseas Businesses

57% have plans to expand further to new markets within the next 3 years.

53% 55% **57%**

Dec 2021 Jun 2022 Nov 2022

Base: All companies with overseas businesses (n=354)

Q2b Does your company have any plans to expand to new markets outside of Singapore in the future?

Companies without Overseas Businesses

14% of businesses that have not gone overseas, plan to do so within the next 3 years.

17% 19% **14%**

Dec 2021 Jun 2022 Nov 2022







Base: All companies without overseas businesses (n=332)

Q2b Does your company have any plans to expand to new markets outside of Singapore in the future?

ASEAN is the most important region for internationalisation for Singapore companies, followed by Asia ex-ASEAN.

Regions that companies have existing operations in







Nov 2022 Jun 2022 Dec 2021

ASEAN		79% (-3%)	81%	82%
Asia Ex-ASEAN		67% (-1%)	69%	68%
Oceania		24% (-2%)	23%	26%
Americas		25% (-)	24%	25%
Europe		22% (-2%)	24%	24%
Middle East & Africa		23% (-1%)	24%	24%

Base: Companies gone overseas (n=354)
Q3a Which of these markets do you currently do business in?

Regions that companies intend to venture into

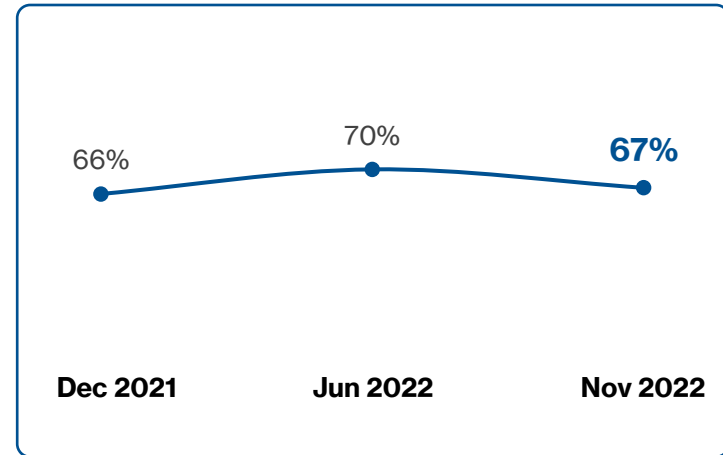
Nov 2022 Jun 2022 Dec 2021

ASEAN		63% (-5%)	66%	68%
Asia Ex-ASEAN		44% (-9%)	46%	53%
Oceania		21% (+3%)	20%	18%
Americas		20% (+3%)	18%	17%
Europe		26% (+5%)	18%	21%
Middle East & Africa		20% (-2%)	22%	23%

Base: Companies intending to go overseas (n=247)
Q3b Which of these markets do you plan to expand your business to in the next 36 months?

In spite of the prolonged challenges from the pandemic, Singapore businesses continue to see the need to internationalise.

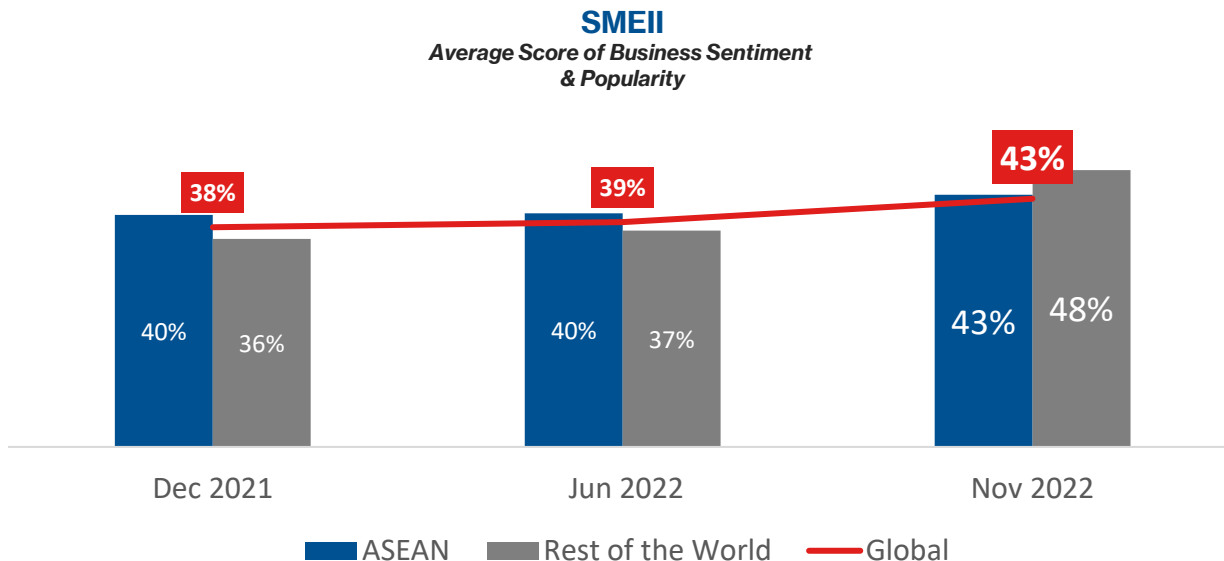
67% Agree* that
“The Singapore market is too small,
internationalisation is the way to grow the
business”



* Rated 6 or 7 on a 7-point scale

Base: Companies gone overseas or intending to go overseas (n=400)
A1 To what extent do you agree / disagree with the following statements? Please give a rating from 7 (strongly agree) to 1 (strongly disagree).

SMEII has been trending upward since December 2021, along with the progressive reopening of economies. The improvement in sentiments is somewhat more pronounced outside of ASEAN.



Average Score of Business Sentiment & Popularity

Business Sentiment: 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

Popularity: 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

Base: Companies gone overseas or intending to go overseas (n=400)

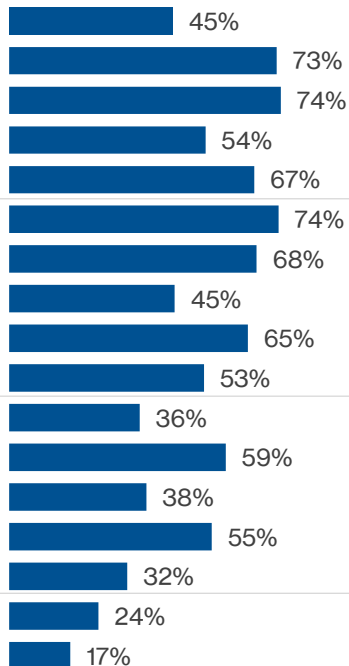
Since Dec 2021, majority of markets have seen continuous sentiment improvements with the progressive reopening of economies. Rating for China has not improved due to its COVID-19 policy.

SMEII

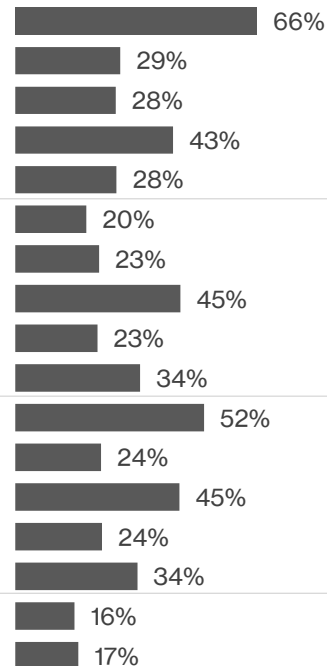
Average Score of Business Sentiment & Popularity

	Nov 2022	Jun 2022	Dec 2021
	%	%	%
Malaysia 	55 (+4)	52	51
Australia 	51 (+10)	46	41
Hong Kong 	51 (+2)	45	49
China 	48 (-)	45	48
USA 	47 (+8)	44	39
United Kingdom 	47 (+11)	46	36
UAE 	45 (+9)	33	36
Thailand 	45 (+3)	40	42
Japan 	44 (+6)	42	38
India 	44 (+13)	32	31
Indonesia 	44 (+4)	42	40
South Korea 	41 (+8)	40	33
Vietnam 	41 (+2)	38	39
Taiwan 	40 (+8)	35	32
Philippines 	33 (-)	33	33
Cambodia 	20 (+5)	13	15
Myanmar 	17 (+3)	15	14

Business Sentiment



Popularity

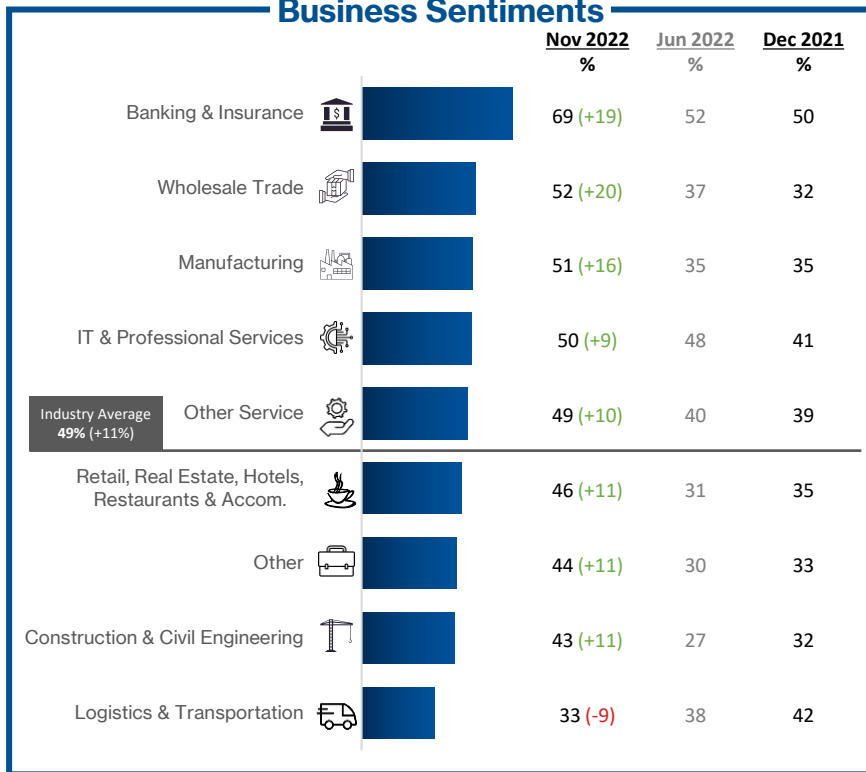


Average percentage of respondents who indicated Strongly Agree / Agree to business sentiment statements
Q6a-Q6f Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence

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

Most industry sectors experienced significant boost in business sentiment ratings as economies reopen, reflecting businesses' improved outlook.

Business Sentiments



The increase in sentiments is more pronounced in **Banking & Insurance, Wholesale Trade, Manufacturing, and IT & Professional Services.**

Sentiments in **Logistics & Transportation** continue to trend down since Dec 2021. This sector faces a greater impact from price inflation and have lower business optimism.



1

Introduction

2

2.1

Executive Summary

2.2

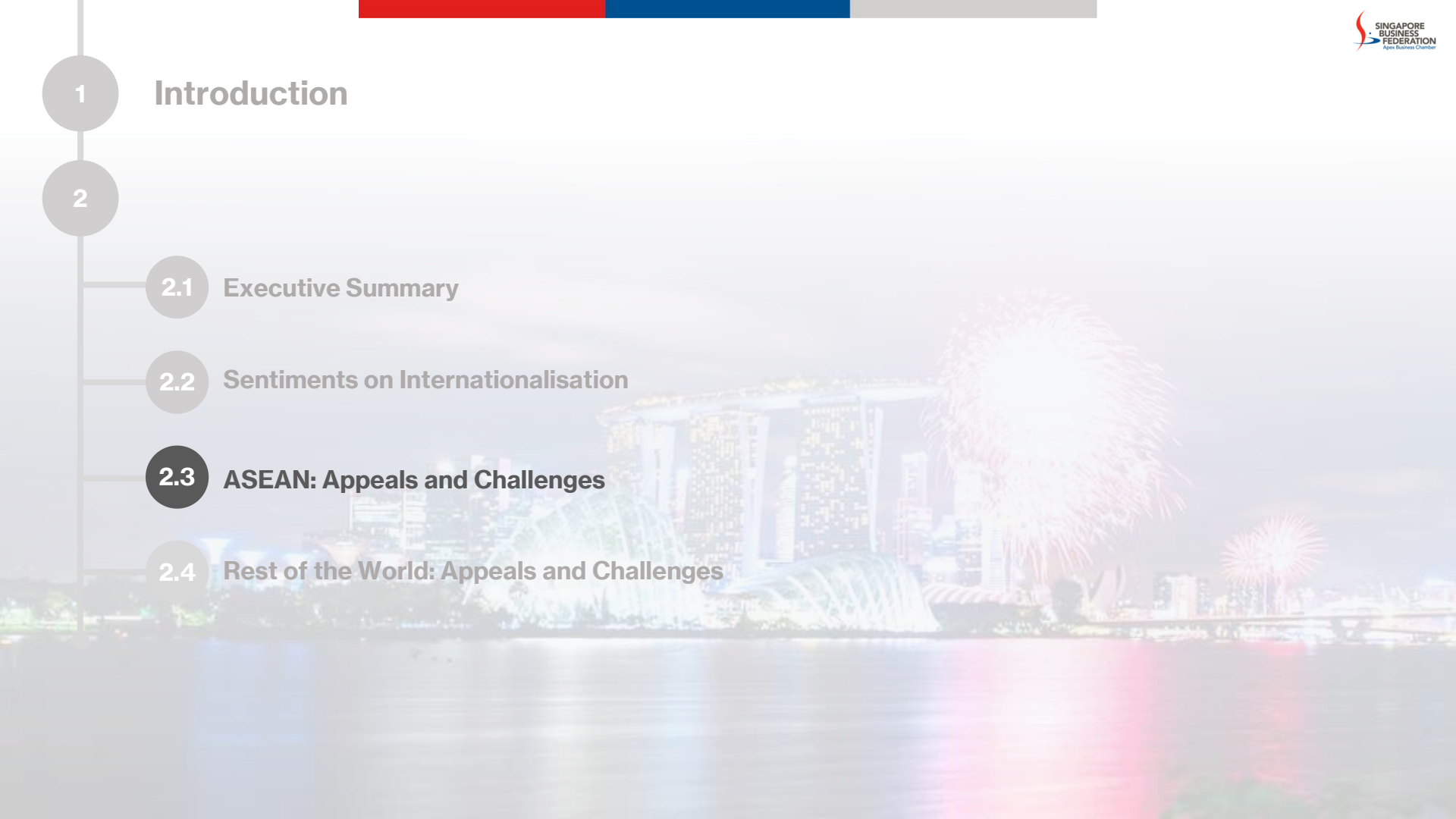
Sentiments on Internationalisation

2.3

ASEAN: Appeals and Challenges

2.4

Rest of the World: Appeals and Challenges



ASEAN's Top 10 Internationalisation Appeals



Market Potential

Strong market growth potential	89%
Manageable cost of running business	87%
Diverse Pools of potential customers / buyers	85%
Strong confidence in the economic growth	80%



Trade Infrastructure

Reliable utilities	82%
Affordable digital infrastructure	79%
Well-developed logistics & distribution network	78%
Well-developed digital infrastructure	77%



Market Readiness

Workforce receptive to upskilling	79%
Foreigner-friendly	79%

Singapore businesses are drawn to the ASEAN region because of its market potential, trade infrastructure, and market readiness.

ASEAN's Top 10 Internationalisation Challenges



Policy and Regulations

Predictable regulations & legislations	40%
Government support for upskilling	43%
Easy access to credit / financing	45%
Low level of non-trade barriers	51%



Protection and Security

Cybersecurity	35%
Intellectual property rights protection	40%
Legal protection for Singapore investors	47%
Effective in managing crises and external shocks	52%



Partnership and Trust

Support for Singapore companies	45%
Easy to find business partners that can be trusted	53%

Singapore companies doing business in the region see dealing with trade policy and regulations, legal protection, cybersecurity, and identifying trusted partnerships as challenges.

Base: n=318 (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 agreement)

1

Introduction

2

2.1

Executive Summary

2.2

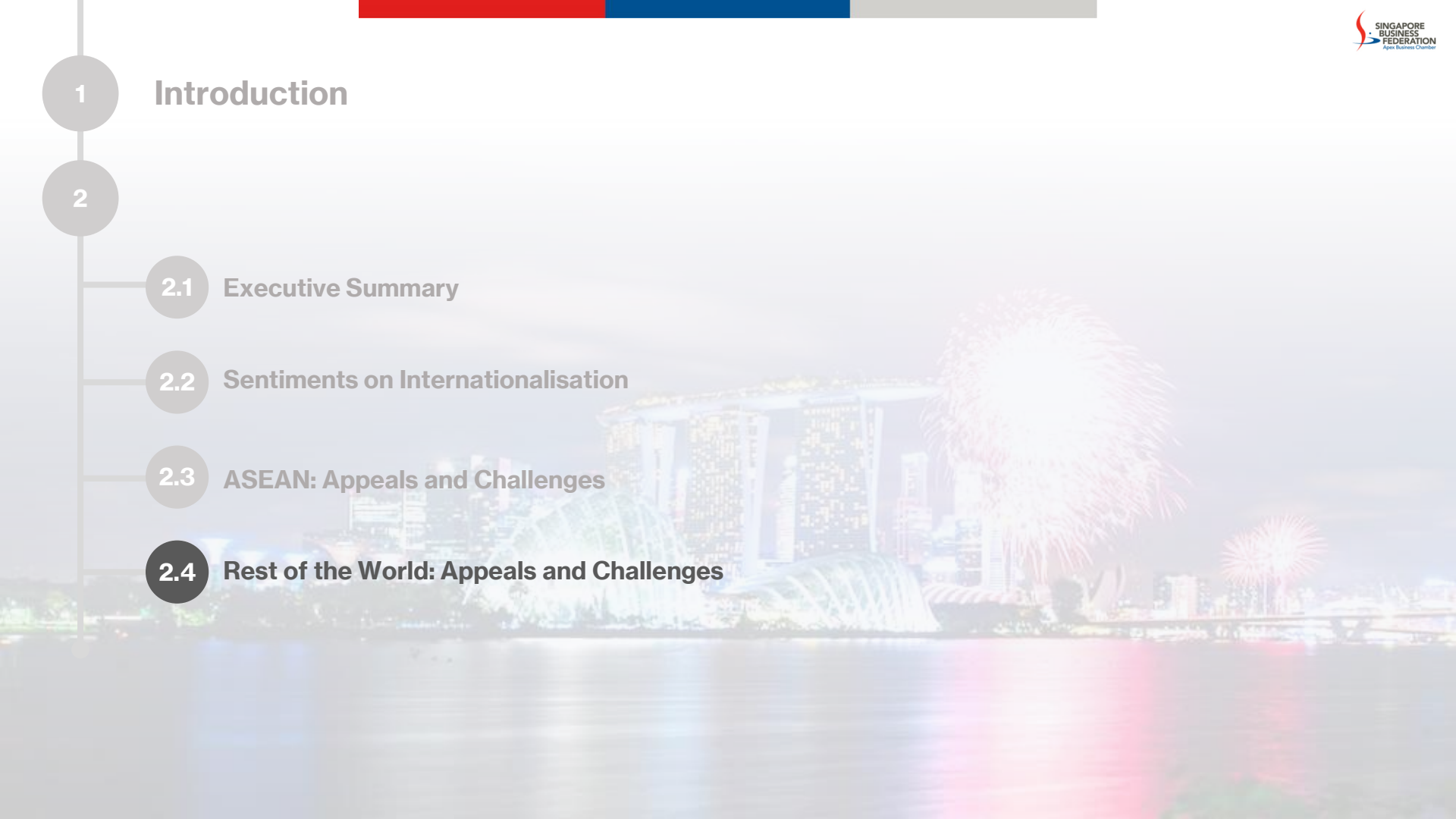
Sentiments on Internationalisation

2.3

ASEAN: Appeals and Challenges

2.4

Rest of the World: Appeals and Challenges



Rest of the World's Top 10 Internationalisation Appeals



Trade Infrastructure

Affordable digital infrastructure	91%
Well-developed digital infrastructure	90%
Reliable utilities	89%
Well-developed logistics & distribution network	87%
Well-developed financial / banking system	84%



Market Potential

Diverse Pools of potential customers / buyers	90%
International business languages	86%



Workforce

Availability of local tech partners / vendors	89%
Workforce receptive to upskilling	88%
Workforce education	87%

Singapore businesses are drawn to the rest of the world because of its trade infrastructure, market potential, and workforce.

Base: n=223 (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 agreement)

Rest of the World's Top 10 Internationalisation Challenges



Trade Financing & Support

Support for Singapore companies	56%
Easy access to credit / financing	64%
Government support for upskilling	70%



Trade Regulations, Protection

Predictable regulations & legislations	65%
Legal protection for Singapore investors	68%
Intellectual property rights protection	70%



Trade Barriers

Easy to bring in overseas talents	62%
Easy to repatriate capital / profit from the market	65%
Low level of non-trade barriers	67%
Low level of tariffs / trade barriers	71%

The key challenges for Singapore companies in the rest of the world are access to support and financing, dealing with trade regulations, and trade barriers.

Base: n=223 (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 agreement)



Thank you

