

SBF SME Internationalisation Index

March 2023



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.

Respondent Profile by Sector



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

The sample collected from December 2022 to February 2023 included both SMEs (87%) and larger 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

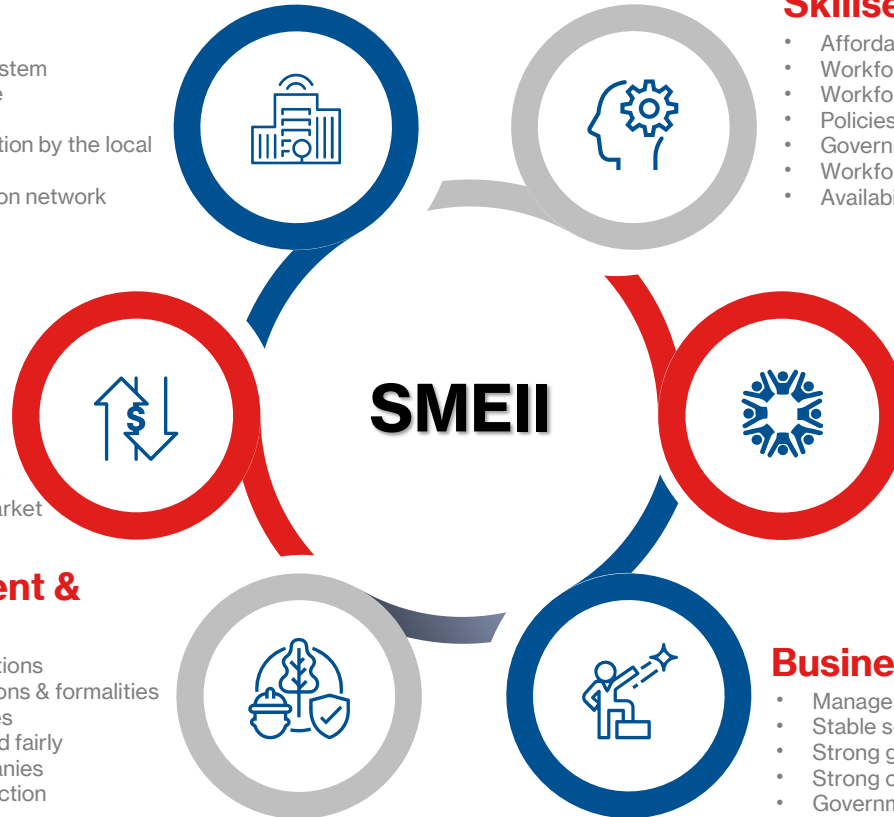
- Manageable cost of running business
- Stable social & political environment
- Strong growth potential
- Strong confidence in economic growth
- Government is effective in managing crises and external shocks

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)

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Introduction

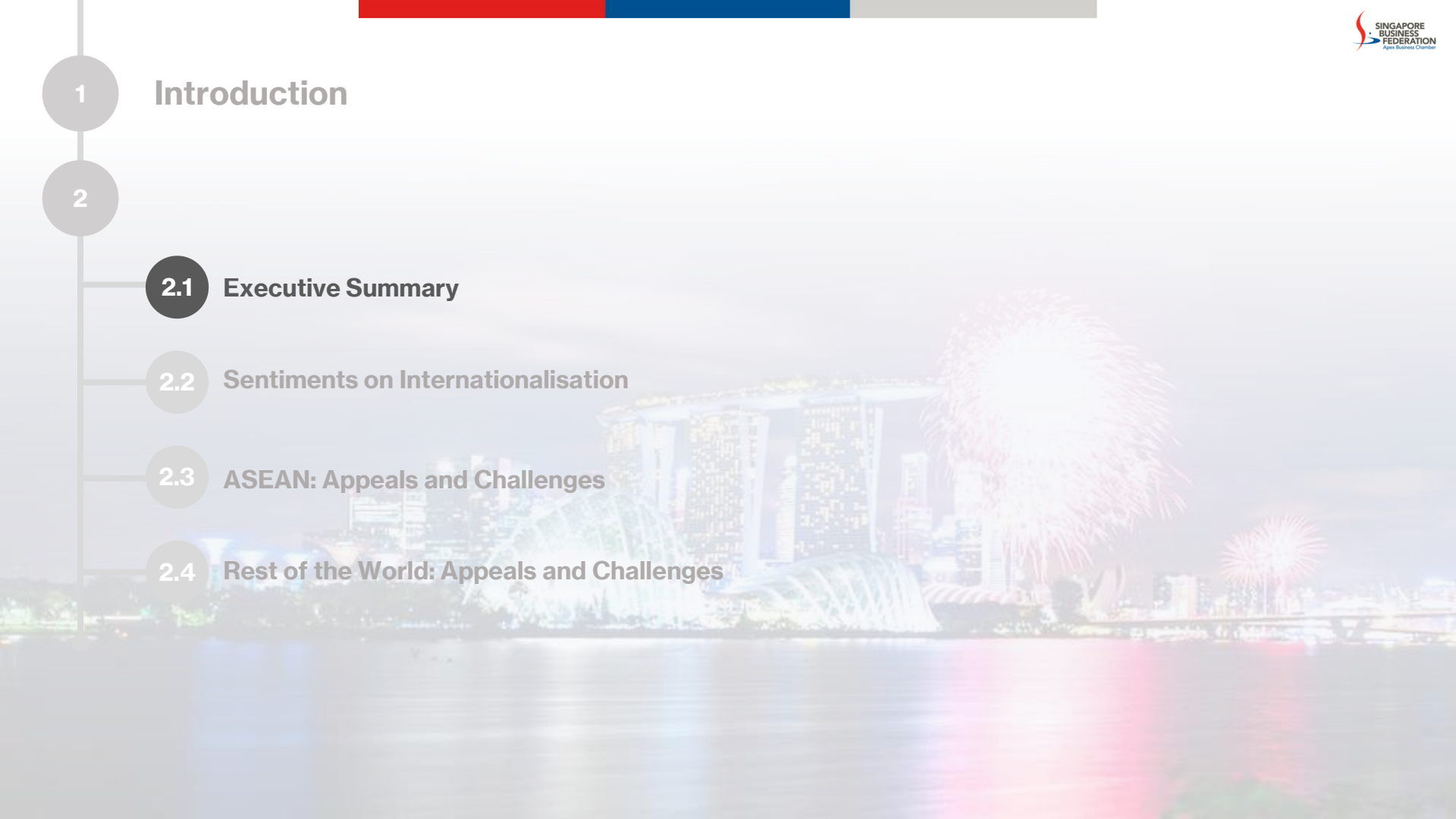
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2.1 Executive Summary

2.2 Sentiments on Internationalisation

2.3 ASEAN: Appeals and Challenges

2.4 Rest of the World: Appeals and Challenges



Executive Summary

Market sentiments continued to improve across most of the overseas markets. Singapore businesses eager to speed up growth and expansion plans to make up for the slowdown in the past few years.

- The **overall internationalisation sentiment has improved** to 45% (from 39% in June 2022). This is especially driven by improved sentiments on ASEAN markets (48%, up from 40% in June 2022).
- In the next three years, nearly six in ten (57%) companies with operations outside of Singapore plan to **expand further into new markets**, up from 55% in June 2022.
- 14% of **companies with no overseas market operations, plan to expand abroad** in the next 3 years.

Executive Summary

Disruptions in travel and supply chains eased further in March 2023. Notwithstanding, price inflation has become a key challenge for many businesses.

- **40% of businesses were impacted by travel disruptions, down from 50% in June 2022.** Many have resumed international travels and are eager to develop their overseas operations.
- **Supply chain disruptions have also eased somewhat**, with 35% of businesses experiencing severe disruptions (as compared to 46% in June 2022). Key disruptions include: 'pandemic' (68%), 'logistics issues' (57%), and 'border closures' (57%).
- **Almost half of businesses (49%), compared to 40% in June 2022, are negatively impacted by price inflation.**

Executive Summary

Even as overseas operations recover from the pandemic, the conviction to internationalise as the way for further business growth strengthened.

- **71% of businesses** that 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.**
- **Key considerations in the selection of overseas markets:** growth potential of the market (66%) and market size (51%).
- There is **stronger interest in ASEAN**, largely driven by **strong market potential and readiness**, as well as **established trade infrastructure.**
- For the **rest of the world**, key areas of appeal lie in **trade and financial infrastructure**, and **strong workforce.**

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Introduction

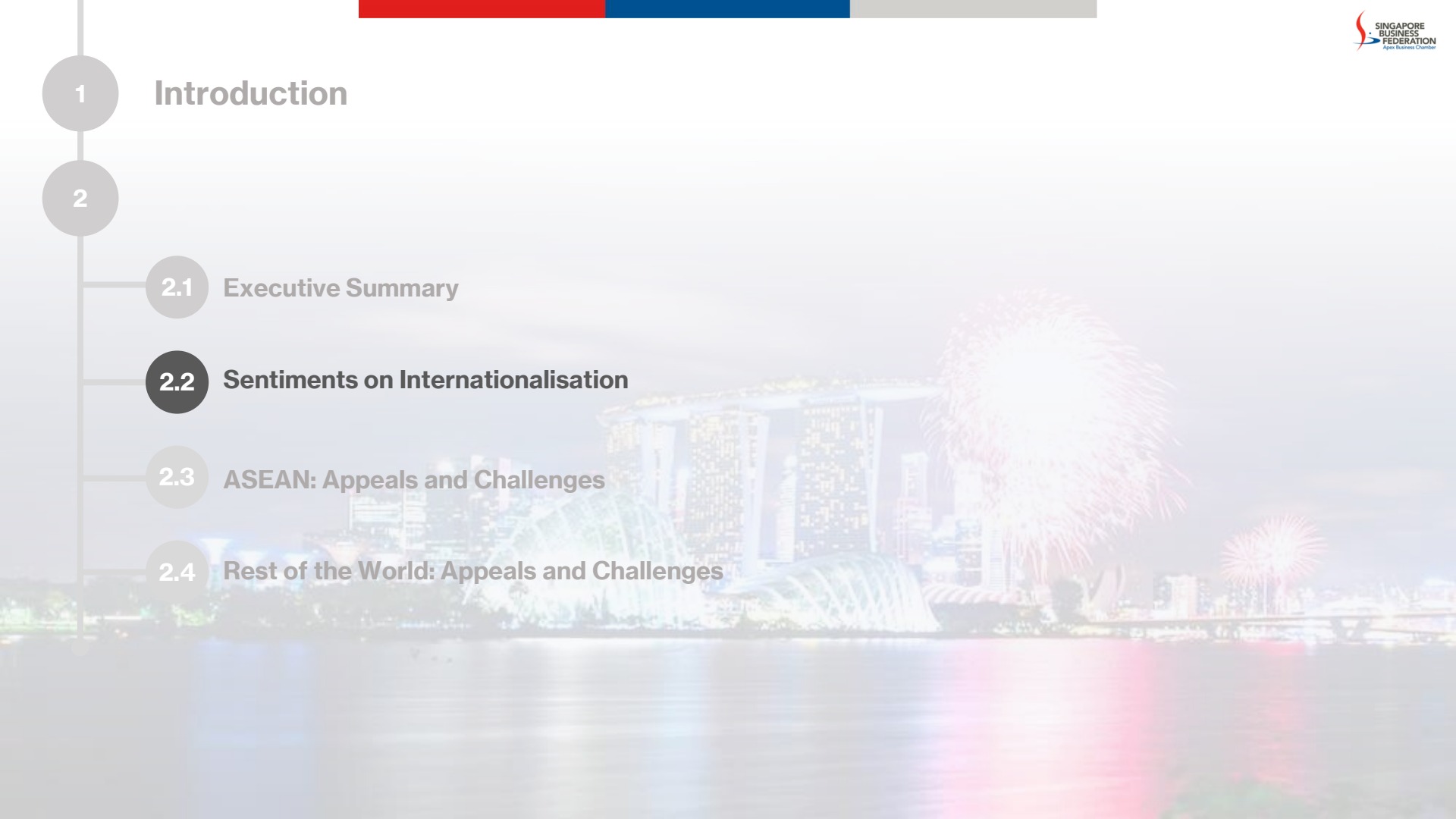
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2.1 Executive Summary

2.2 Sentiments on Internationalisation

2.3 ASEAN: Appeals and Challenges

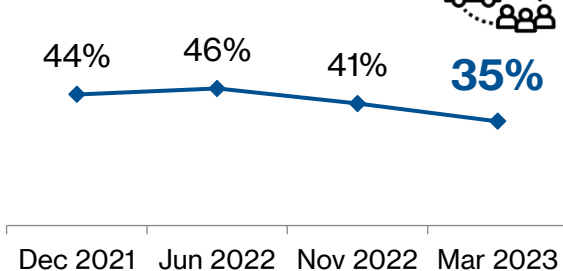
2.4 Rest of the World: Appeals and Challenges



Supply chain disruption has eased. Notwithstanding, businesses are still feeling the impact of the pandemic and faced challenges in the areas of logistics, border closures, and raw material shortages.



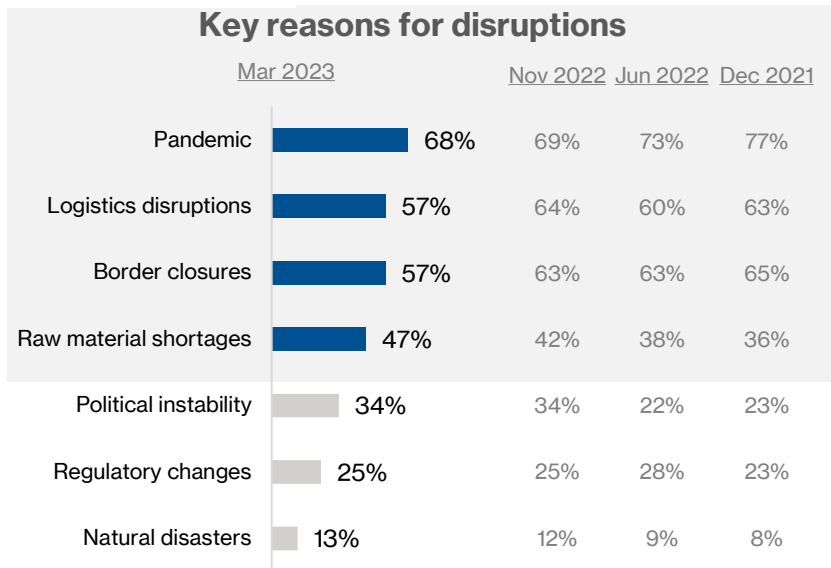
Supply Chain Disruption



Less than 4 in 10 of 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=357)
T1a Impact of doing business internationally due to supply chain disruption (0: No impact; 10: Severely impacted)

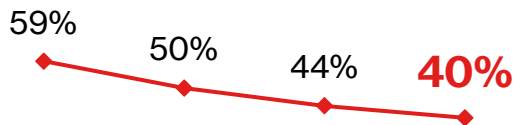


Base: Companies that experienced supply chain disruption (n=326)
T1b External factors that disrupted supply chain of company (multiple answers)

Travel disruption continues to trend down. Yet, cost of business operations has not come down, mainly driven by labour, logistics, energy, and raw material costs.



Travel Disruption



Dec 2021 Jun 2022 Nov 2022 Mar 2023

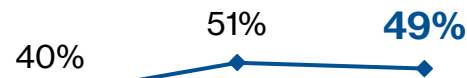
Travel disruption has eased. 4 in 10 are still severely impacted, compared with 5 in 10 a year ago.

Rated 7 or more out of a 10-point scale

Base: Companies gone overseas (n=357)
T2 In the last 12 months, impact on doing business overseas by travel restrictions (0: No impact; 10: Severely impacted)



Price Inflation



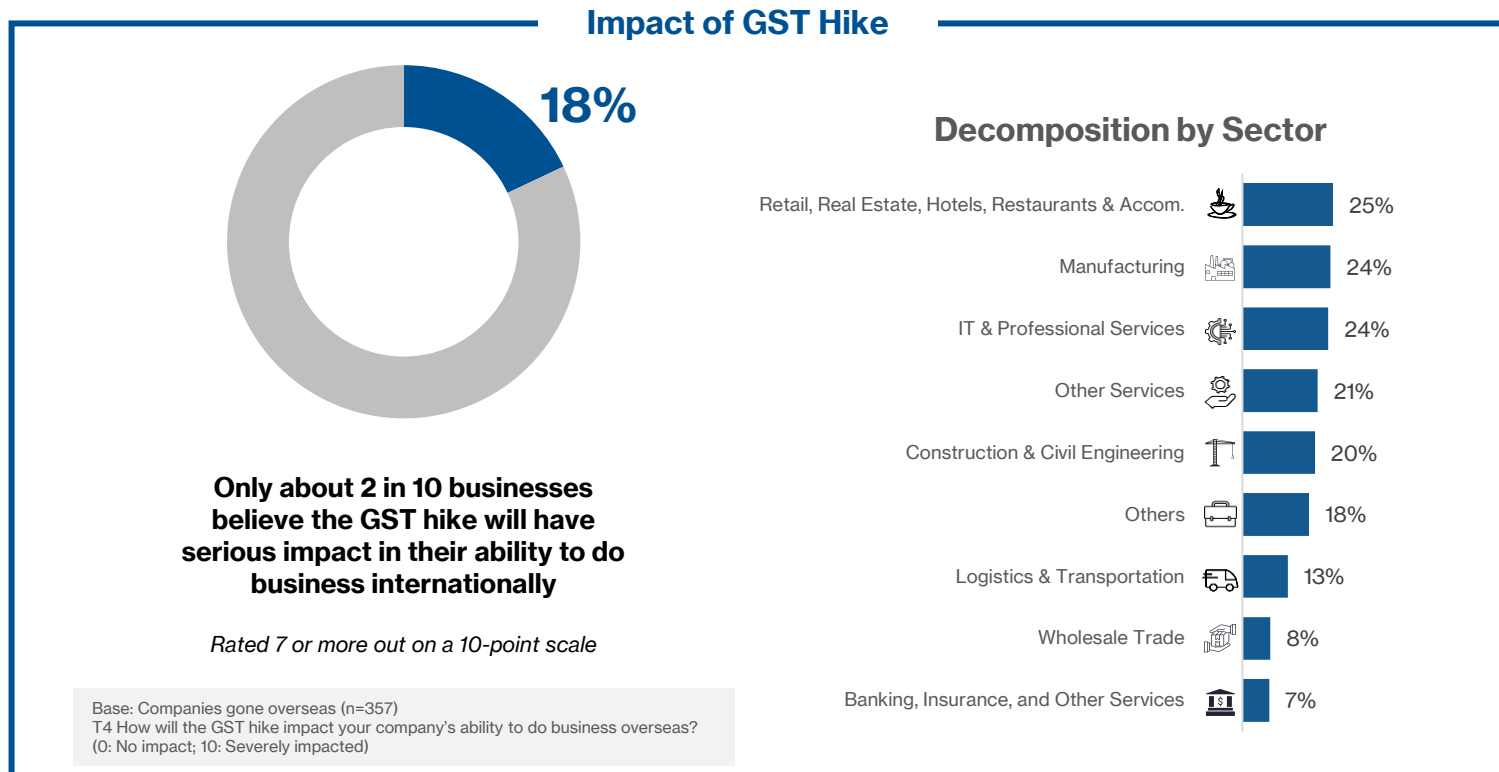
Jun 2022 Nov 2022 Mar 2023

Almost half of businesses are severely impacted by inflated business operational costs

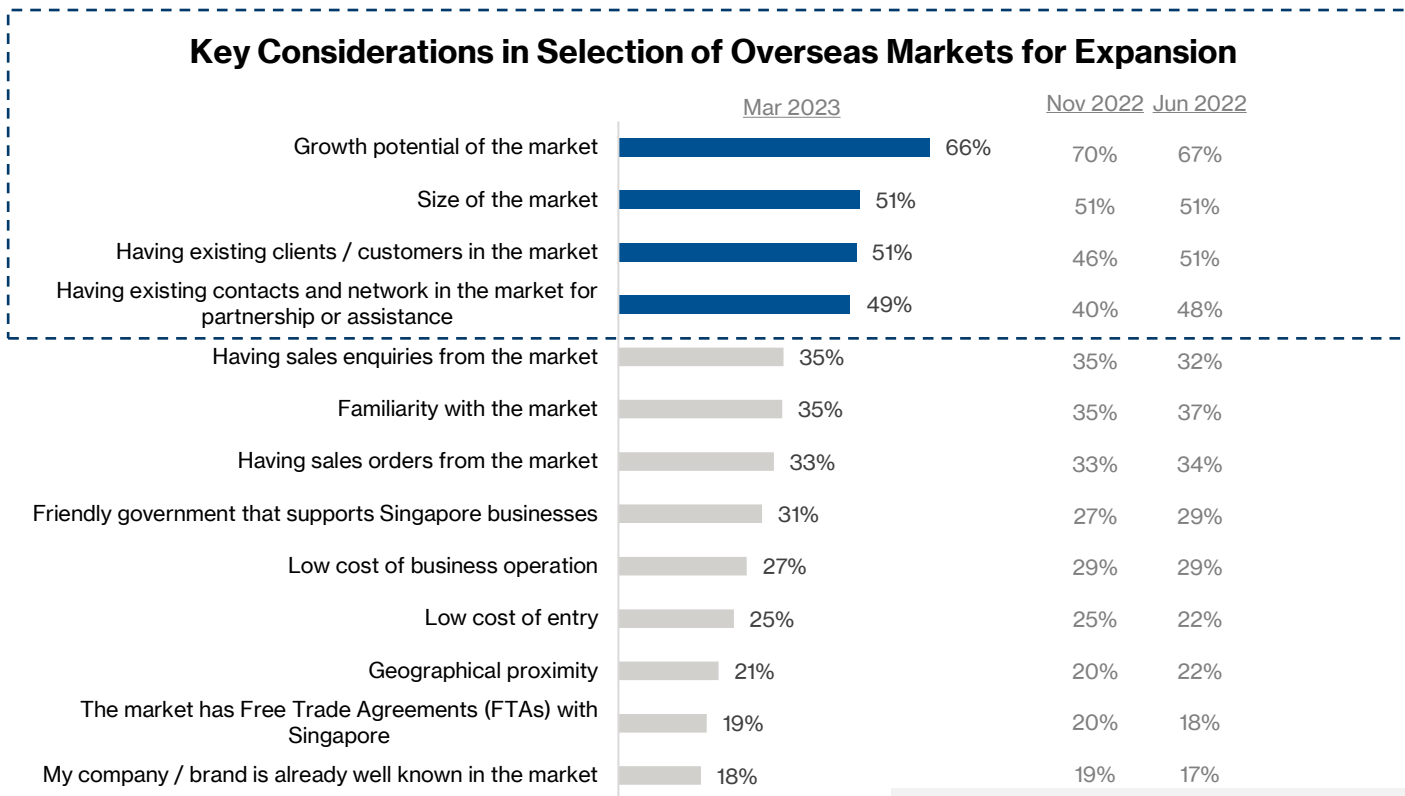
Rated 7 or more out of a 10-point scale

Base: Companies gone overseas (n=357)
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

Only about 2 in 10 businesses think the GST hike will significantly impact their ability to do business overseas.



Despite challenges in the past few years, key considerations in the selection of overseas market remain largely consistent.



Base: Companies gone overseas or intending to go overseas (n=400)
Q5c Key considerations when selecting overseas market to expand to (multiple answers) [New question added in Jun 2022]

Interest in overseas expansion in the next 3 years held steady for companies which have internationalised and for those with no overseas market operations.

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% **57%**

Period	Percentage
Dec 2021	53%
Jun 2022	55%
Nov 2022	57%
Mar 2023	57%

Dec 2021 Jun 2022 Nov 2022 Mar 2023

Base: All companies with overseas businesses (n=357)
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% **14%**

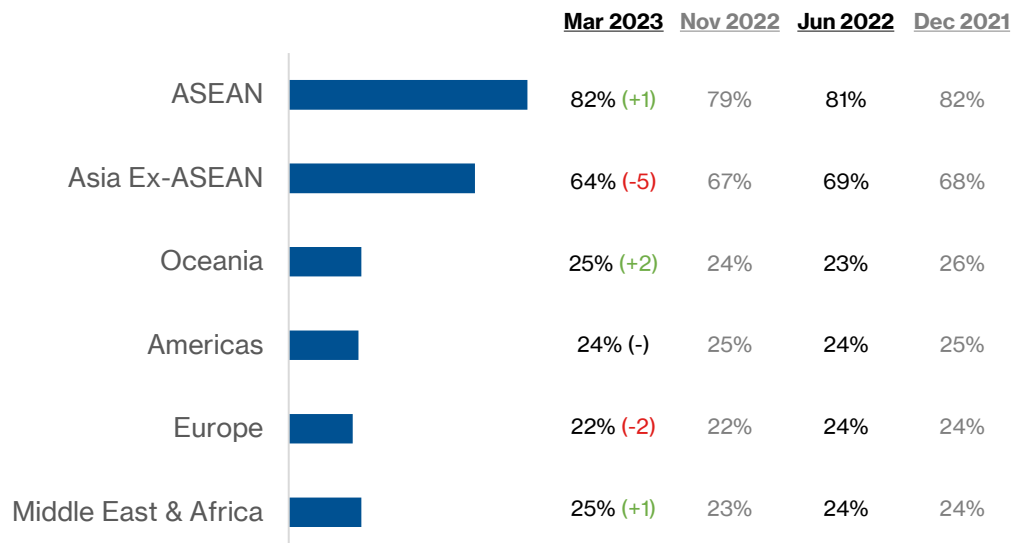
Period	Percentage
Dec 2021	17%
Jun 2022	19%
Nov 2022	14%
Mar 2023	14%

Dec 2021 Jun 2022 Nov 2022 Mar 2023

Base: All companies without overseas businesses (n=309)
Q2b Does your company have any plans to expand to new markets outside of Singapore in the future?

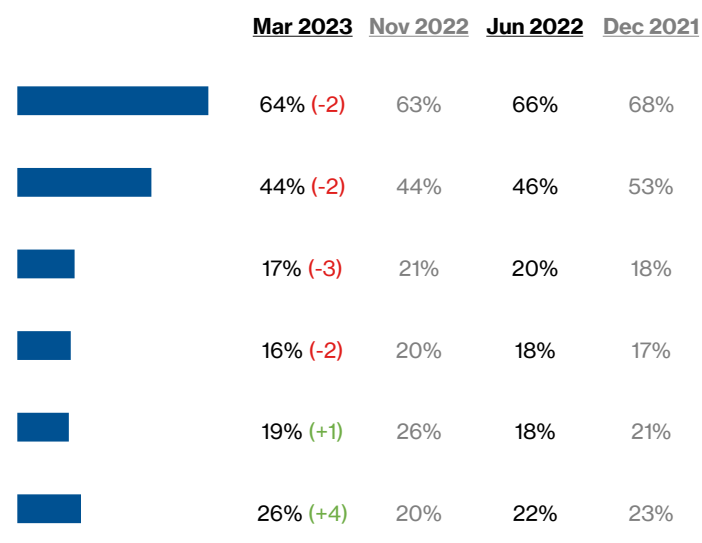
ASEAN is the most important region for internationalisation, followed by Asia ex-ASEAN.

Regions that companies have existing operations in



Base: Companies gone overseas (n=357)
Q3a Which of these markets do you currently do business in?

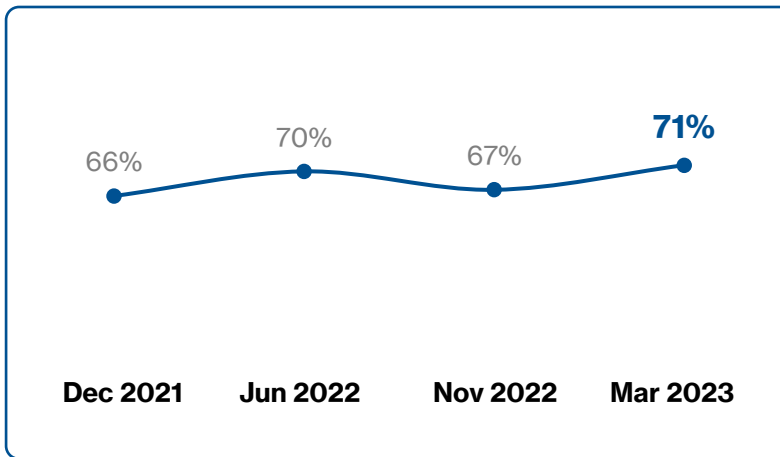
Regions that companies intend to venture into



Base: Companies intending to go overseas (n=248)
Q3b Which of these markets do you plan to expand your business to in the next 36 months?

As businesses recover from the pandemic, their conviction to internationalise as the way for further business growth strengthened.

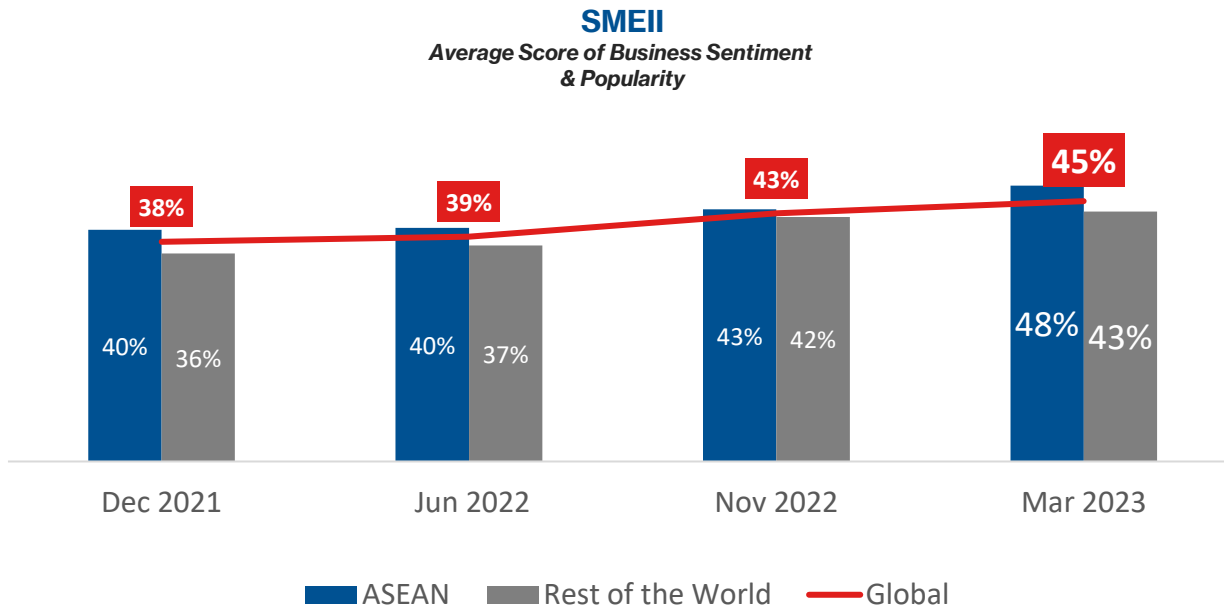
71% Agree* that
“The Singapore market is too small,
internationalisation is the way to grow the
business”



* 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 continues to trend up since December 2021. The increase in March 2023 is fuelled by improved sentiments on ASEAN markets.



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)

March 2023 saw the greatest boost in market sentiments since December 2021. The rise in sentiments on ASEAN markets is prominent.

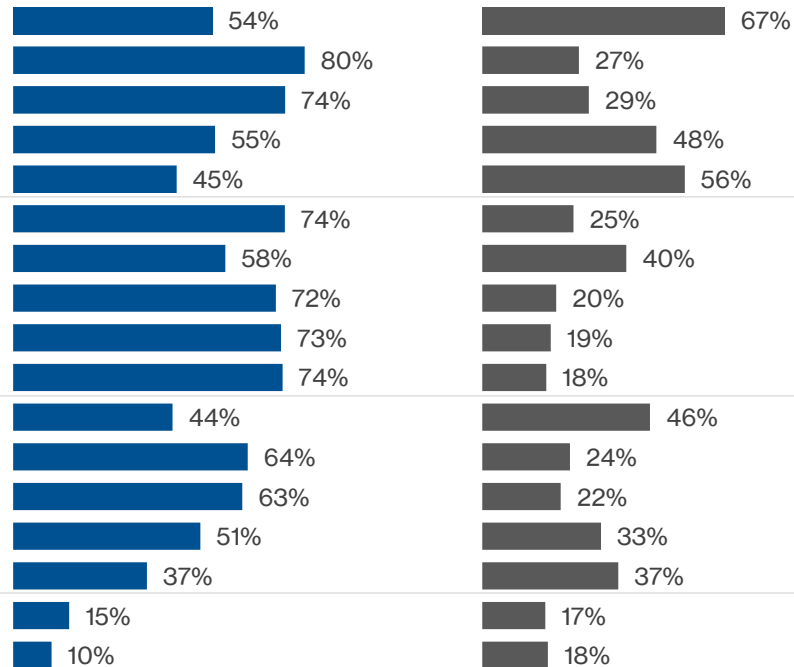
SMEII

Average Score of Business Sentiment & Popularity

	Mar 2023	Nov 2022	Jun 2022	Dec 2021
	%	%	%	%
Malaysia 	60 (+8)	55	52	51
Hong Kong 	53 (+8)	51	45	49
Australia 	52 (+6)	51	46	41
Thailand 	51 (+11)	45	40	42
Indonesia 	50 (+8)	44	42	40
USA 	50 (+6)	47	44	39
China 	49 (+4)	48	45	48
Japan 	46 (+4)	44	42	38
South Korea 	46 (+6)	41	40	33
United Kingdom 	46 (-)	47	46	36
Vietnam 	45 (+7)	41	38	39
Taiwan 	44 (+9)	40	35	32
UAE 	42 (+9)	45	33	36
India 	42 (+10)	44	32	31
Philippines 	37 (+4)	33	33	33
Cambodia 	16 (+3)	20	13	15
Myanmar 	14 (-1)	17	15	14

Business Sentiment

Popularity



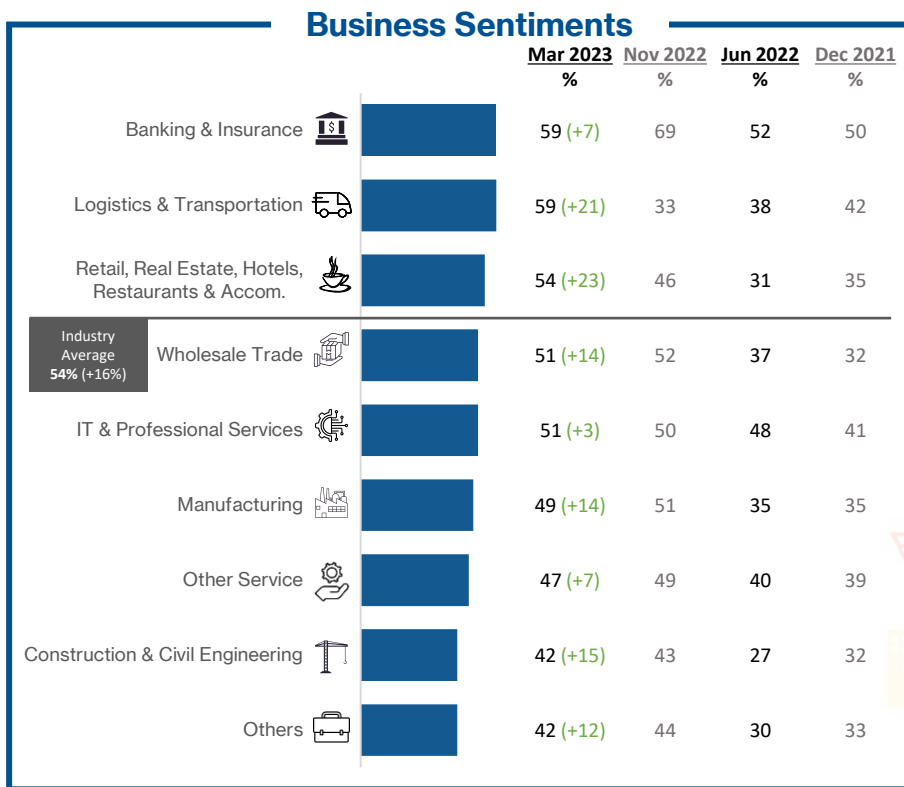
Average percentage of respondents who indicated Strongly Agree / Agree to business sentiment statements
Q6a-Q6f Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence

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

() Compared with June 2022

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

Business sentiments have increased across industries, compared to June 2022.



() Compared with June 2022

Retail, Real Estate, Hotels, Restaurants & Accommodations, Logistics & Transportation saw the most pronounced increase in sentiments.

Constructions & Civil Engineering also saw a rise in sentiments as infrastructure projects resumed after market lockdowns.

The **Banking & Insurance** sector saw a moderation in overall sentiments compared to the last survey in November 2022.

Base: Companies gone overseas or intending to go overseas (n=400)
Q6a-Q6f Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence (% of respondents who indicated Strongly Agree / Agree)

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Introduction

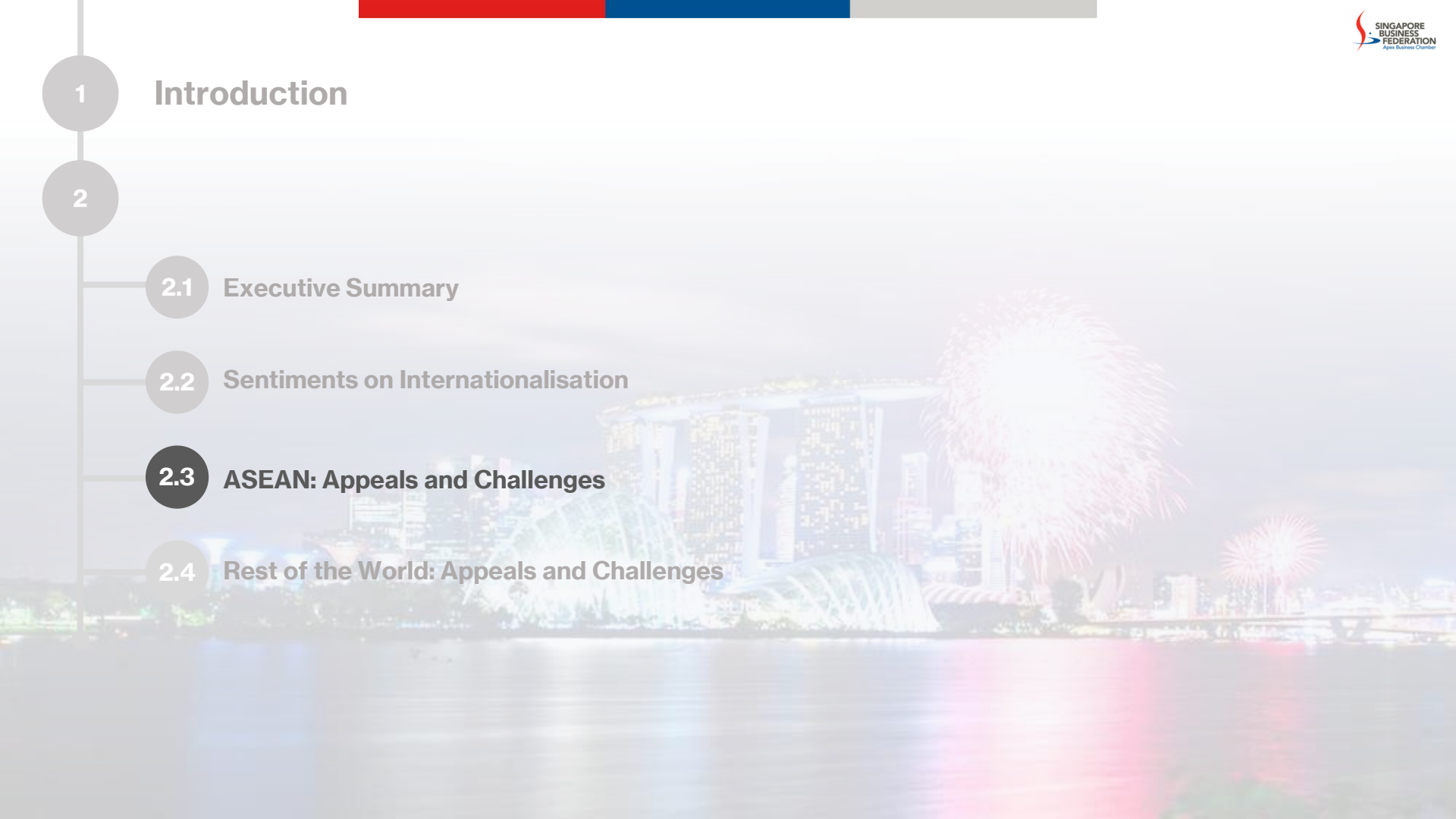
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ASEAN's Top 10 Internationalisation Appeals



Market Potential

Strong market growth potential	89%
Manageable cost of running business	89%
Diverse Pools of potential customers / buyers	86%
Strong confidence in the economic growth	84%



Trade Infrastructure

Affordable digital infrastructure	87%
Reliable utilities	83%
Well-developed digital infrastructure	83%
Well-developed logistics & distribution network	82%



Market Readiness

Foreigner-friendly	84%
Workforce receptive to upskilling	83%

Singapore businesses continue to show strong interest in the ASEAN markets. Core appeals in these markets remain consistent: strong market growth potential, well-developed trade infrastructure, and market readiness.

Base: n=315 (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)

ASEAN's Top 10 Internationalisation Challenges



Policy and Regulations

Low level on non-trade barriers	56%
Easy access to credit / financing	54%
Government support for upskilling	51%
Predictable regulations & legislations	48%



Protection and Security

Legal protection for Singapore investors	48%
Intellectual property rights protection	46%
Cybersecurity	39%



Partnership and Trust

Effective in managing crisis	58%
Easy to find business partners that can be trusted	53%
Support for Singapore companies	46%

Singapore companies doing business in ASEAN continue to manage challenges in areas related to compliance, cybersecurity & intellectual property protection, and identifying trusted local partners.

Base: n=315 (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)

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Introduction

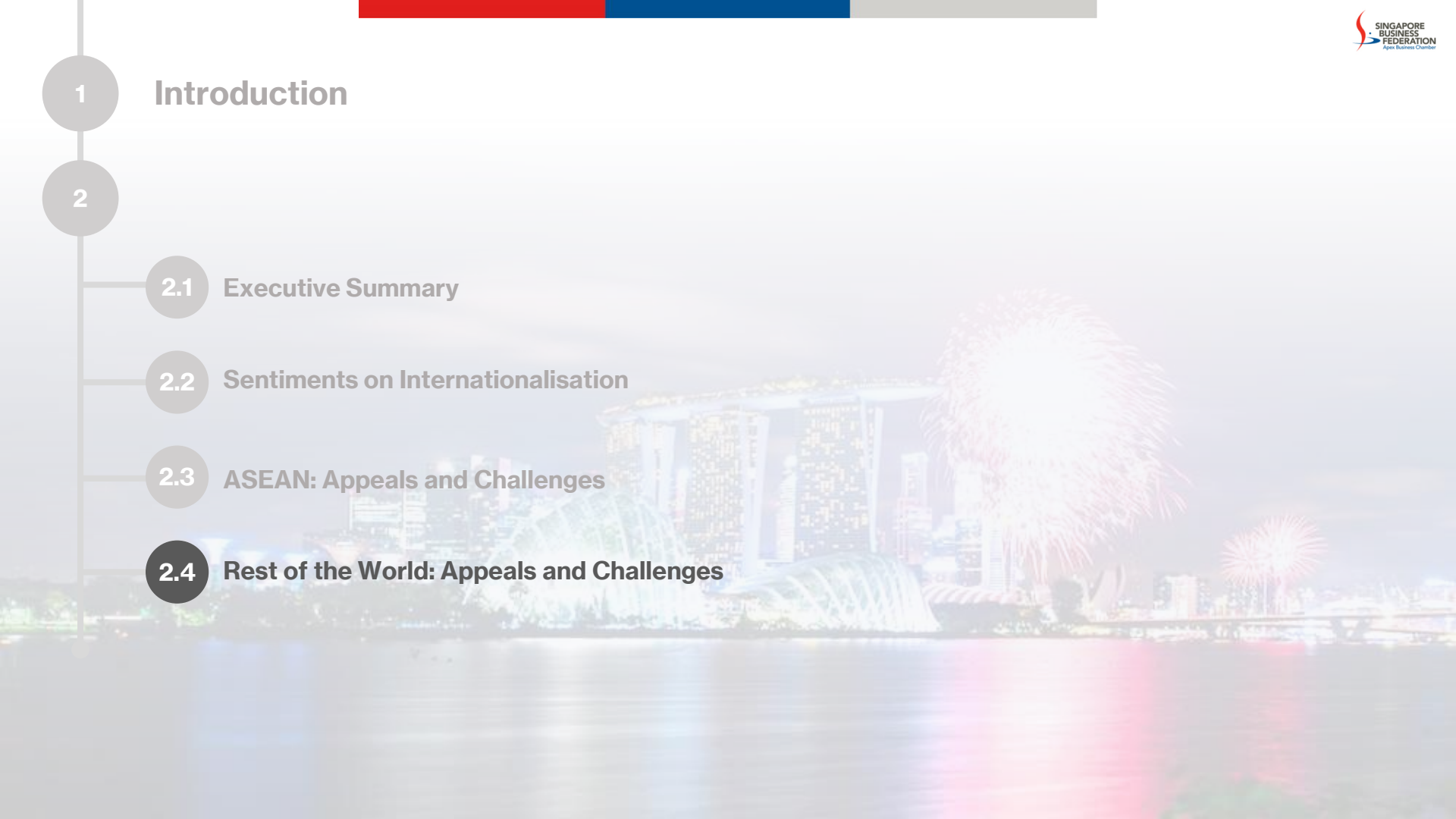
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2.4 Rest of the World: Appeals and Challenges



Rest of the World's Top 10 Internationalisation Appeals



Trade Infrastructure

Affordable digital infrastructure	90%
Well-developed digital infrastructure	90%
Reliable utilities	89%
Well-developed logistics & distribution network	87%



Financial Protection

Well-developed financial / banking system	86%
Strong growth potential	85% NEW
Easy to bring money / capital into the market	84% NEW



Workforce & Partnership

Diverse Pools of potential customers / buyers	90%
Workforce receptive to upskilling	88%
Availability of local tech partners / vendors	85%

NEW Not amongst the top 10 appeals in November 2022

Trade infrastructure remains a key appeal among Singapore businesses for markets in the rest of the world (ex ASEAN). Businesses are also drawn to these markets by their financial protection, as well as ready access to technological partners and customers.

Base: n=221 (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

Government support for upskilling	68%
Easy to repatriate capital / profit from the market	64%
Easy access to credit / financing	64%
Support for Singapore companies	53%



Trade Regulations & Protection

Low level of non-trade barriers	65%
Predictable regulations & legislations	64%
Legal protection for Singapore investors	63%
Easy to bring in overseas talents	58%



Local Partnership

Easy to partner with local companies	69%	NEW
Easy to find business partners that can be trusted	61%	NEW

NEW Not amongst the top 10 challenges in November 2022

Businesses face difficulties in gaining access to financing, and navigating trade regulations and barriers. After the recent years of travel restrictions, it may be more challenging for businesses to reconnect and identify trusted partners.

Base: n=221 (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

