Navigator 2020
Singapore



HSBC

Together we thrive

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Introduction

Singapore's 'circuit breaker' flattened the COVID-19 curve, but at the cost of a record fall in GDP and a technical recession. Since this was lifted in June, the economy has experienced relative domestic recovery, underpinned by one of the region's most assertive fiscal policy responses. Its growth outlook also remains bright by regional standards: while the economy will contract sharply this year, and sectors such as aviation and tourism will struggle, the manufacturing sector should drive growth thanks to the country's large electronics and biopharmaceutical industries.

1. Overview

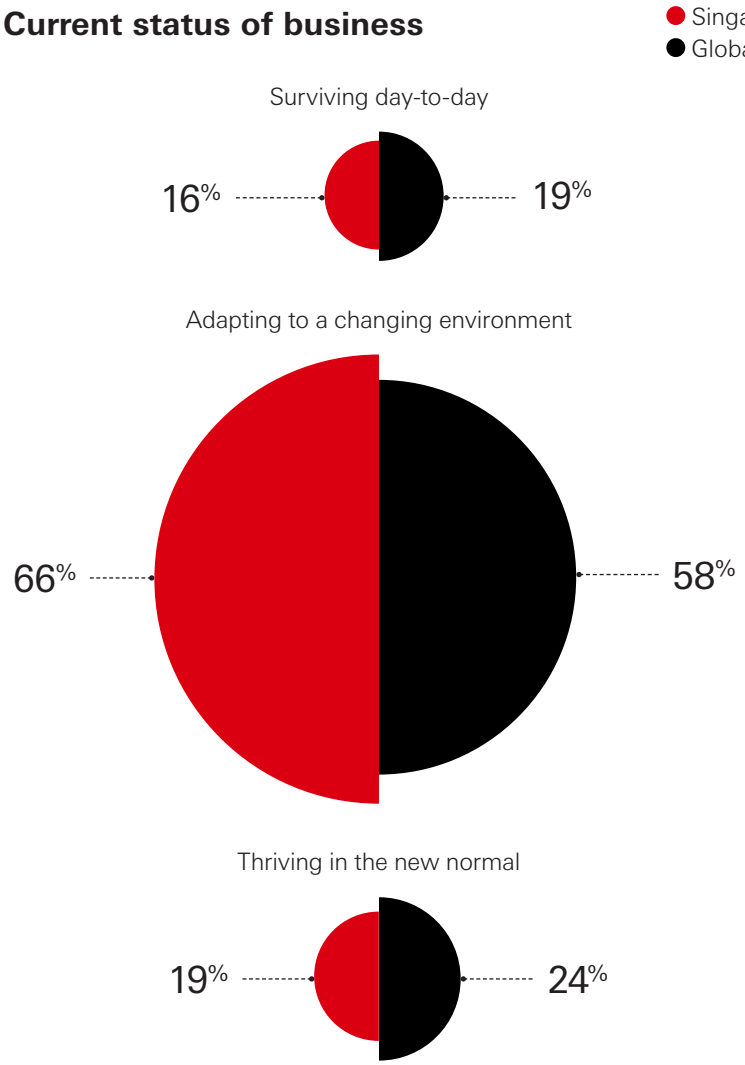
Singapore responds to post-COVID challenges with **innovation, agility** and **financial prudence**

It's been a tough year for businesses in Singapore. Although two-thirds are adapting to the new environment, Singapore's open and trade-dependent economy means they're more pessimistic about 2021 than businesses globally. That said, they are proving more agile in adapting to change.

The biggest concern is a resurgence of COVID-19. In response, companies are becoming more entrepreneurial through improved financial management, resilience, innovation and customer acquisition. Yet despite the headwinds they face, Singapore businesses aim to expand international trade. Intra-regional trade dominates, with more than eight in ten (81%) businesses trading within APAC. Trade with leading partner mainland China has grown, as it has with Malaysia.

To overcome their challenges, businesses are looking to build digital into their supply chains for future resilience. Around three-quarters are also working towards ESG targets, with nearly half expecting a greater focus on sustainability to deliver sales growth of up to 5%.

Current status of business



2. Business outlook

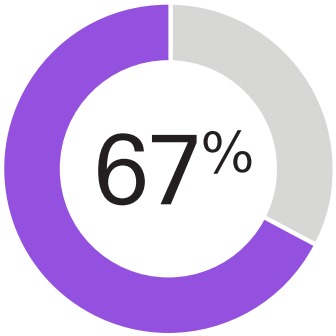
Cost-cutting, **market expansion** and **financial prudence** are driving Singapore's recovery

Singapore's businesses are feeling the impact of lockdowns – and it's no surprise, given that the Republic is one of the most open economies in the world. Optimism has fallen from 27% to 19% since 2019. Fewer expect revenue growth next year, with more than four in ten expecting sales to shrink.

Companies in Singapore also foresee a slower recovery than elsewhere. More than a quarter (27%) believe it will take them until 2025, compared with 17% in APAC and globally.

The resurgence of COVID-19 is regarded as the biggest threat to growth/recovery, followed by a decrease in demand/conservative spending and supply-chain disruption. On the flipside, businesses also see the virus as the dominant driver of growth, followed by technology-driven efficiencies and new digital platforms.

To aid recovery and overcome threats, Singaporean companies plan to cut costs, expand into more markets and improve cashflow management.



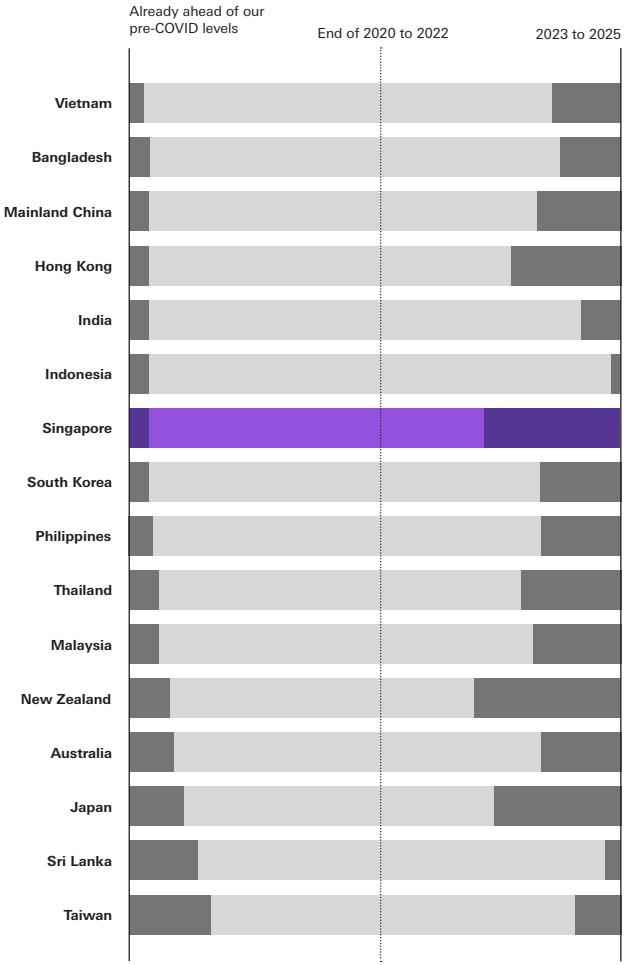
of businesses expect to return to pre-COVID profitability levels by the end of 2022

Top 3 drivers of business growth

1. Impact of COVID-19
2. Technology-driven efficiencies
3. Expanding to new digital platforms and channels

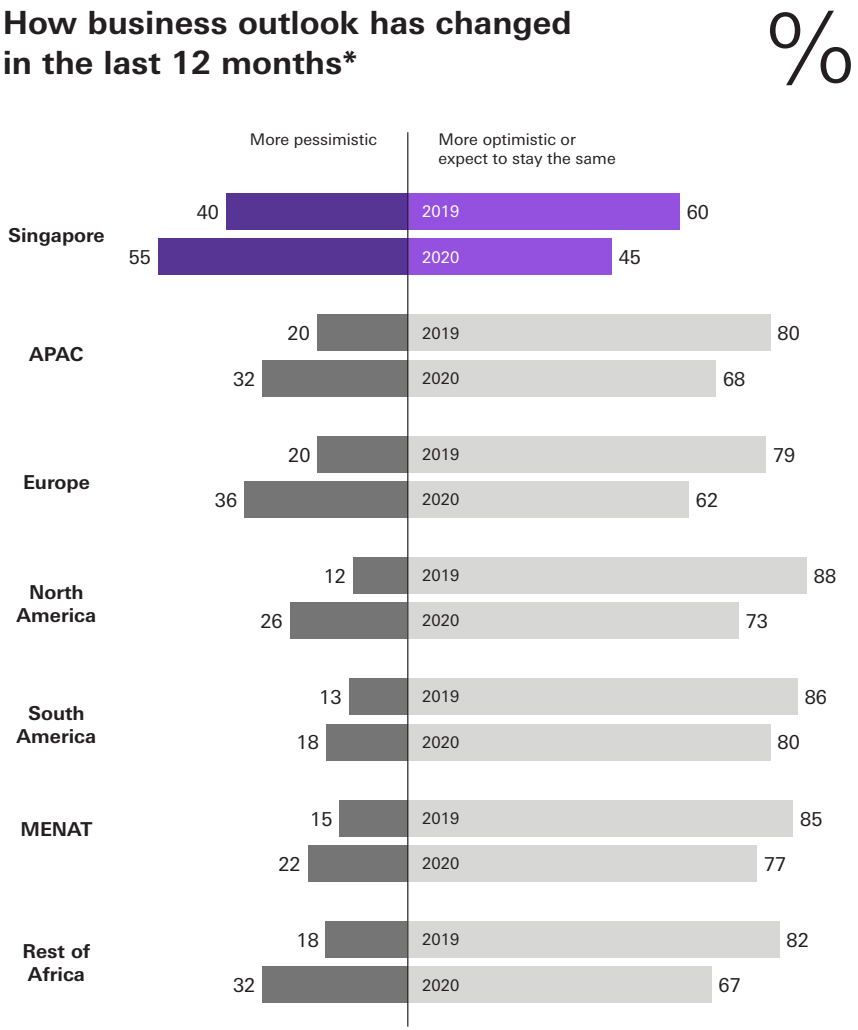
When businesses expect to return to pre-COVID levels of profitability

%



2. Business outlook (continued)

How business outlook has changed in the last 12 months*



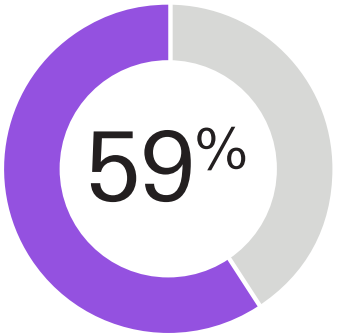
*Excludes businesses answering 'Don't know'

Tighter short-term investment

Singaporean businesses will keep a close eye on financial investment in their companies next year, with slightly fewer intending to increase it (59% compared with 67% globally). Those who do will mostly increase by 5%-20%, while a quarter (26%) will reduce – almost twice the global average (14%).

The customer experience, an upskilled workforce, and cashflow and capital management are higher priorities than globally, reflecting Singapore's balanced approach. More than half of businesses also see marketing, employee wellbeing and digital-only platforms/tools as immediate priorities.

Technologies are a focus, too: more than eight in ten companies plan to maintain or increase their investment, focusing on innovation, efficiency and targeting new customers.



of Singaporean businesses intend to increase investment in their business in the next year, despite the challenging environment

Strategies of Singaporean businesses to benefit from growth drivers and address threats



3. Future strategy

Agility, efficiency and **resilience** help companies in Singapore to face future uncertainties

More businesses in Singapore have undergone changes in the past year than worldwide – particularly long-term changes. Driving these has been the need to manage future uncertainty and reduce cost through digitisation and new ways of working.

Companies in Singapore believe a future successful business will be well-rounded, innovative and resilient to market shocks. Similar requirements are seen for more entrepreneurial businesses where agility, capacity to adapt and technical innovation are increasingly important.

Becoming more entrepreneurial is believed to bring a significant number of commercial and cultural benefits. In line with globally, these include reduced costs, improved efficiency, attracting new customers and better employee wellbeing. As a result of these strategies, businesses expect to become more competitive and enjoy a bigger market share.

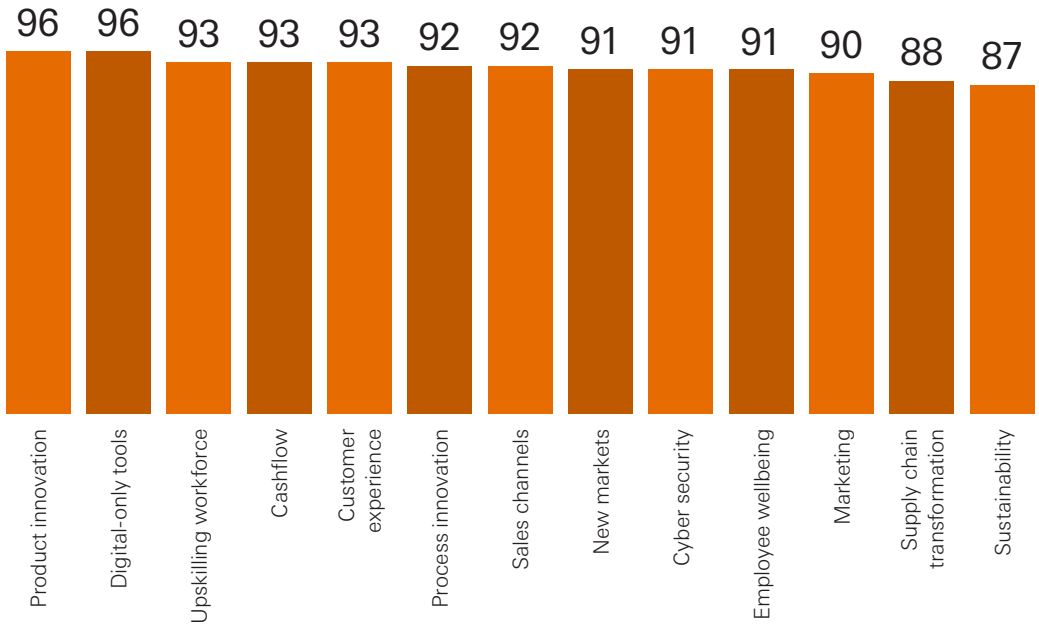


54%

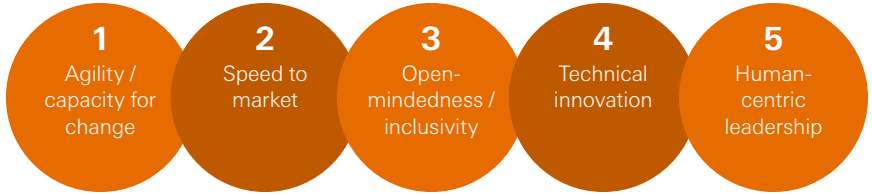
of Singaporean businesses agree a future successful business will display leadership and foresight, compared with 44% globally

Investment priorities enabling businesses to move forward

Percentage of survey respondents that selected each option as a priority



Top 5 facets of a successful entrepreneurial business



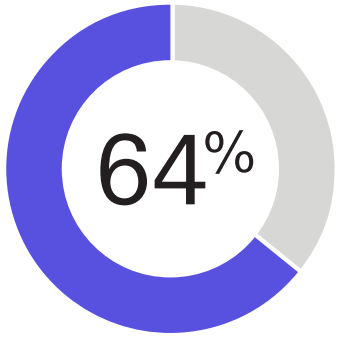
4. International trade

Despite the headwinds they are facing, Singaporean businesses aim to **expand** international trade

For more than two-thirds of businesses in Singapore, international trade has become more difficult in the last year, and almost as many anticipate tricky conditions next year. However, two-thirds have a positive outlook for the next 1-2 years, and the vast majority (87%) plan to increase international trading in the next 3-5 years.

Intra-regional trade dominates, with more than eight in ten (81%) businesses trading within APAC. Trade with leading partner mainland China has grown, as it has with Malaysia.

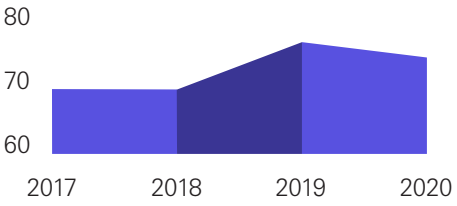
Proven customer demand, access to new suppliers and partners, and building business ahead of competitors are the main attractions of new markets. Competitive pricing is the preferred strategy when looking to expand.



of companies expect their international trade prospects over the next 1-2 years to be positive

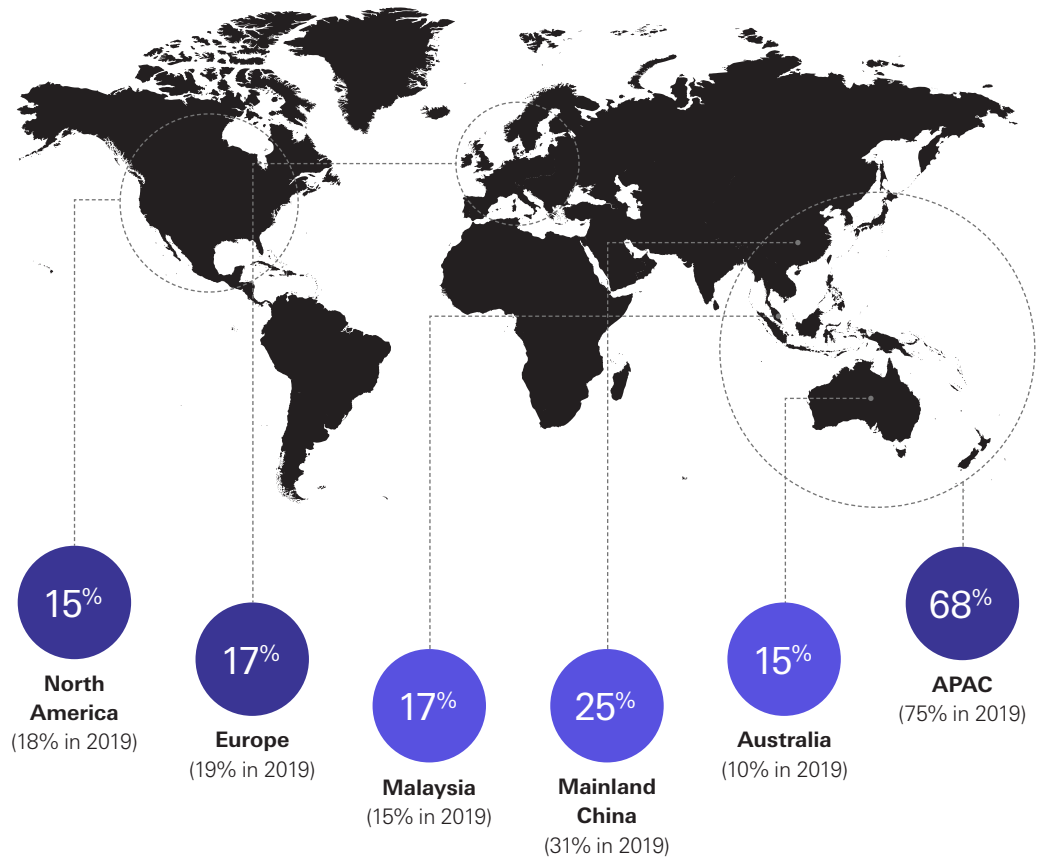
Protectionism

Almost three-quarters (74%) of businesses believe countries/territories/governments are becoming more protectionist



Priorities for expansion in the next 3-5 years

Markets, territories and regions in which Singaporean businesses are looking to expand



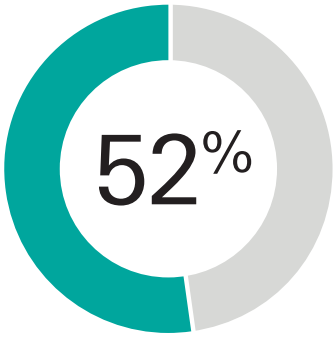
5. Reshaping supply chains

Changes to **supplier-selection criteria** help ease Singapore's concerns

Nearly all (98%) businesses in Singapore express concerns about their supply chain, mainly with regard to time spent on management, instability and possible tariffs. The vast majority have made changes to alleviate their concerns. Chief among them have been selecting suppliers based on the COVID-19 controls in their markets and using more digital/technology.

The balance of companies diversifying or reducing their supply chain is consistent with the small shift towards diversification seen globally. And more than a quarter (27%) have focused more on partners within APAC.

Looking to 2021, the priorities for Singaporean businesses are securing their supply chain and harnessing the benefits of digitisation. These are more immediate priorities than for companies globally, illustrating the trend for Singaporean businesses to act fast.



of businesses expect that reshaping their supply chain will reduce costs

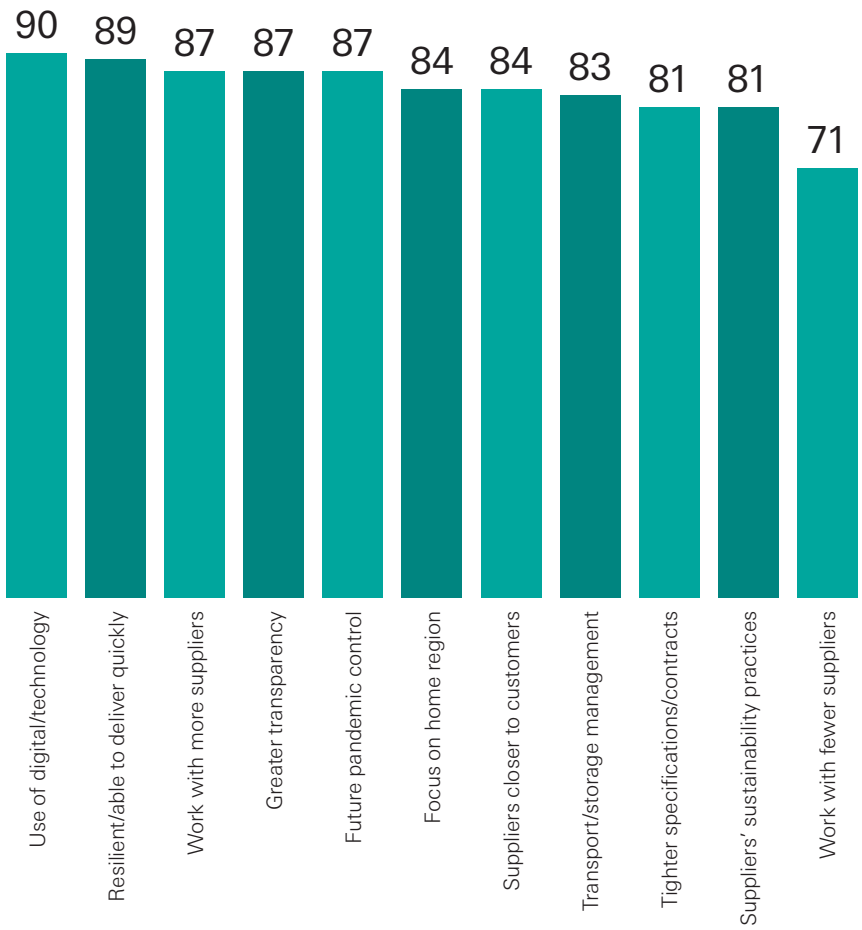
Top 3 benefits of reshaping the supply chain

1. Cost reduction
2. Faster to market by moving closer to end buyer
3. Gaining access to international customers

Priorities for the supply chain

(Priorities immediately in 2021 and beyond)

%



6. Sustainability

Singaporean businesses **recognise** the commercial benefits of sustainability

Singapore is a pioneer in sustainability. Around three-quarters of its businesses either have plans or have set targets for a range of ESG areas. More than four in five are evaluating their performance on aspects of environmental and social sustainability, and six in ten are assessing governance – well above the world average.

In line with global findings, almost all Singaporean companies see multiple opportunities from improving environmental and ethical sustainability. Chief among them are employee wellbeing, new ways of working and increasing customer demand. They also recognise the commercial benefit – close to nine in ten (89%* compared with 86% globally) expect their sales to grow over the next year from a greater focus on sustainability.

To become more sustainable, half of corporates and manufacturing businesses find green financing important. And for around half of corporates and domestic operators, workforce engagement is crucial.

*There may be a slight discrepancy between the sum of individual items and the total as shown due to rounding.



94%

of Singaporean companies think there are multiple opportunities for their business from improving its environmental and ethical sustainability

Companies believe a greater focus on sustainability will drive growth

48% expect modest growth of up to 5% (41% globally)

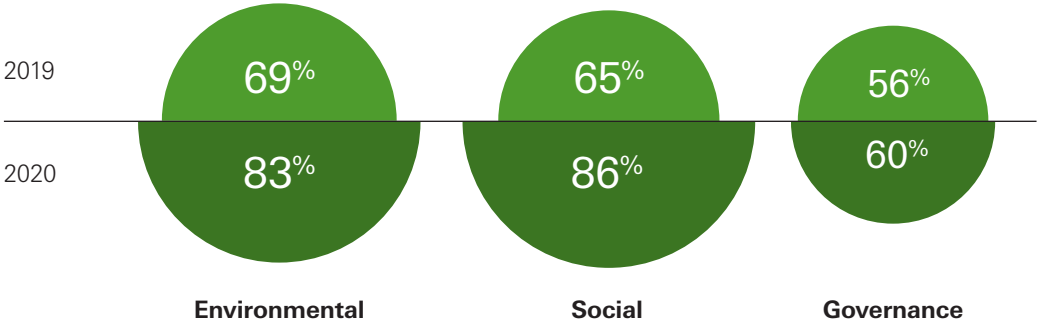
26% expect growth of between 6% and 9% (28% globally)

16% expect growth of 10% or more (17% globally)



Measuring sustainability

More companies in Singapore have been measuring all 3 aspects compared with 2019



About HSBC Navigator Singapore
The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, future strategy, international trade, supply chains and sustainability. It is compiled from responses by decision-makers at 10,368 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 39 markets.

Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 200 businesses surveyed in Singapore. Global results are based on an average of the 39 markets (using weights based on each market's share of world trade). The survey was conducted between 11th September and 7th October 2020. Interviewees were polled on a range of questions including how COVID-19 has affected their business and potential for growth. The survey represents a timely source of information on the fast-evolving international business environment.

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Or click on
www.business.hsbc.com/navigator/singapore

Note
There may be a slight discrepancy between the sum of individual items and the total as shown in the tables due to rounding.

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