Global Connections:

Connecting Singapore and the world

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HSBC

Singapore

General positioning

Singapore is a well established hub for international companies with operations in ASEAN, and it continues to attract investment. Nearly half (46%) of international companies in our survey already have operations in Singapore, more than any other market in the region (Figure 1). Singapore is also well ahead of its ASEAN peers as a priority for expansion: 36% of firms with presence in the city are planning to prioritise growth there over the next two years.

Businesses who currently have operations in Singapore

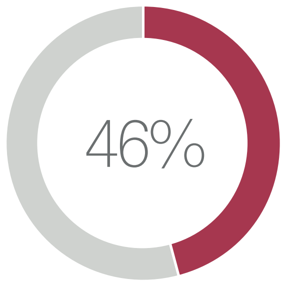

Figure 1

Opportunities and attractions

The highly developed nature of Singapore's economy is important to international businesses. It has the highest GDP per capita in ASEAN, access to a talented international workforce and strong connectivity with neighbouring markets. Our survey highlighted the city's broad appeal: 30% of respondents say skilled labour makes Singapore an attractive place for expansion, while 29% cite its developed infrastructure. Also of particular interest is Singapore's growing digital economy, a market feature selected by 29% of the international decision makers in our survey (Figure 2).

Singapore's global reputation as a stable operating environment is reflected in our survey; 28% of companies say this stability is attractive for business expansion. Notably, this was the most important factor for Chinese companies, 36% of whom indicated that this was particularly attractive.

Singapore's business-friendly regulatory environment is a draw for 28% of international firms and particularly attractive to Indian companies (42%).

Open trade links are also a positive. Some 70% of respondents intend to make use of the European Union – Singapore Free Trade Agreement (EUSFTA), which was introduced in 2019 to simplify tariff-free trade between Singapore and the EU. While this is encouraging, there is clearly scope to help businesses better understand the benefits of the treaty: 47% of respondents are interested in finding out more information.

Top 5 reasons why Singapore is attractive for business expansion

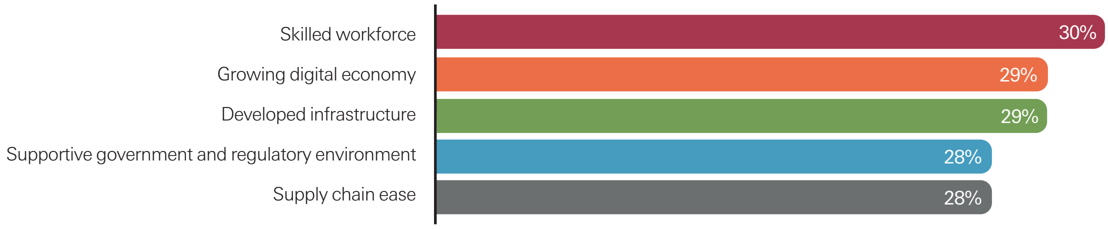

Figure 2

Singapore

Challenges

As in other markets, respondents see the broader macro economic and regulatory environments as a challenge to their business in Singapore, with 31% selecting each of these.

Looking at feedback from specific markets, finding the right staff is the biggest issue (35%) facing Hong Kong-based firms, while three in 10 German firms cite cultural differences as the main challenge for their operations in Singapore.

Digitisation

Singapore's advanced communications infrastructure provides a strong foundation for further growth. Its importance in the Southeast Asian technology ecosystem is clear from the businesses who participated in our survey. 60% of respondents in the IT sector already have operations in Singapore, significantly more than any other ASEAN market. Of these, 50% plan to prioritise further expansion there over the next two years.

Similarly, 46% of surveyed e-commerce businesses have Singapore operations, as do 46% of fintech businesses.

Nearly half of all respondents (45%) believe technology will substantially increase economic growth in Singapore over the next 10 years, significantly more than any other market.

Sustainability

Singapore's leadership on sustainability issues is a positive for many businesses. One in four (24%) say Singapore's ESG, sustainability and net-zero ambitions make it particularly attractive for business expansion. Investment in sustainability initiatives is also strong: 77% of companies with a presence in Singapore will spend at least 5% of their operating profit on becoming more sustainable over the next 12 months, and almost three in 10 (28%) are spending more than 10%.

Companies with operations in Singapore also have access to a range of sustainable finance products. Sustainability-focused investments are the most commonly utilised, by 48% of this group of businesses, followed by green or sustainable bonds, by 47%. Sustainable investments are also in further demand: 49% say they would like to find out more about these products.

In addition to greater financial support, 47% of respondents are also looking for more incentives to adopt sustainable practices, as well as access to clean energy (46%) and standardised reporting requirements (46%).

Conclusion

Our survey shows that international businesses are accelerating their growth in the ASEAN region. To do so, they are embracing M&A activity, expanding into new markets, and investing heavily in technological innovation. Singapore remains the primary centre of multinational activity in the region, but companies are accelerating their efforts to expand within and enter other markets, most notably Malaysia and Indonesia.

The emphasis our respondents place on human capital, labour costs and labour relations show that international business perceptions of ASEAN markets remain focusesd on its role within production and operational value chains. However, with personal affluence continuing to grow, the region increasingly offers opportunities for consumer-facing businesses.

Methodology

Online survey conducted from 25th July to 2nd August 2023 with n=3,509 businesses with turnover from USD5 million giving us a global sum of over USD3 trillion across 9 markets (China, India, UK, France, Germany, USA, Australia, Hong Kong, and GCC countries (UAE, KSA, Bahrain, Qatar, Oman or Kuwait)). Results were weighted to ensure an equal representation and by company size to ensure comparability for trended countries. The languages used were English, German, French, Arabic, and Chinese (Simplified). Survey respondents were key decision-makers from companies already doing business in Southeast Asia or those considering doing so. Please note percentages have been rounded and as a consequence may not add up to 100%.

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