

# News Release

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## **SINGAPORE BUSINESSES EXPECT VOLUME GROWTH OVER NEXT SIX MONTHS**

- *Client acquisition and international expansion most critical to growth strategy*
- *Singapore companies more bullish on domestic economy*
- *Positive sentiments on import-export volume with trade finance and supplier/buyer risks likely to remain stable*

Companies in Singapore are positive about their six-month business and trade outlook, with client acquisition and international expansion being key drivers of growth. Despite their long term focus on international opportunities, Singapore companies are currently more bullish on achieving growth domestically, according to HSBC's latest Trade Confidence Index.

HSBC's latest Trade Confidence Survey analysed the views of 132 businesses in Singapore with an annual turnover of between US\$10 million to more than US\$500 million. The survey gauges corporate sentiments about business and trade outlook.

### **Singapore businesses optimistic about sales and trade growth**

Singapore companies showed general optimism in their sales and trade outlooks. According to the report, more than half of the Singapore companies expect to see volume growth in their sales turnover over the next six months.

Similarly, close to half (47 per cent) of the businesses in Singapore anticipate an increase in cross-border trade volume, while only 16 per cent said they expect cross-border trade to fall.

The confidence stems from companies expectation of broad stability in trade finance, and supplier and buyer risks.

### **Client acquisition and Asian expansion key growth strategies**

HSBC's Trade Confidence Index found client on-boarding was most integral for companies in Singapore to grow over the next six months. According to the report, 79 per cent of companies said that acquiring new customers was going to be their key strategy to expand their business.

Similarly, identifying new markets was also pointed out as a critical strategy for business growth by 69 per cent of Singapore companies. Over 80 per cent consider Asia as the region of utmost importance for international growth, of which China and Indonesia are believed to offer the most opportunities.

Steven Cranwell, Head of Commercial Banking for HSBC in Singapore, said: "Companies in Singapore recognise that there are certainly bright spots on the horizon even though the growth outlook of regional economies has generally softened."

"The local economy is still expected to grow despite global economic headwinds and this, together with Asia's increasing adoption of a more open economic framework, presents sizeable opportunities for Singapore businesses."

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## **Positive sentiment on Singapore economy propping up business confidence**

Despite most having a longer-term international strategy, Singaporean companies are more optimistic about the local economy than the global economy and its impact on business for the next six months.

More than 70 per cent of companies expected stable or positive economic growth in Singapore, compared to 60 per cent who expressed similar views for the global economy. Strong competition, declining economic growth and unfavorable exchange rates were cited as the top concerns in the international arena.

The companies said they expect positive developments in the local economy to result in stronger demand for their products and increased profits margins. Still, strong competition and higher cost of labour and materials remained as major concerns for them.

Mr Cranwell said: "Singaporean corporates' focus on the domestic economy despite seeing international expansion as a key driver of growth might seem like a contradiction at first glance. However at closer inspection, it demonstrates confidence in Asia's economic fundamentals while responding to cyclical developments."

## **Exchange rate volatility and interest rate inflation key risks**

Stemming from the recent international market dislocation, exchange rate volatility and interest rate inflation were cited as the top challenges Singaporean companies anticipate in their businesses. The companies expect to have to work on negotiating better payment terms with suppliers, cut costs internally and source for better interest rates in order to overcome financial risks.

Commenting on the survey findings, Mr Cranwell said: "The regional currencies are already facing pressure from a stronger greenback and the prospects of an imminent US Fed rate hike. Anticipation is strong about when the Fed will raise interest rates and if other central banks will follow suit to devalue their currencies."

"Amidst this volatile backdrop, companies need to assess their hedging strategies to settle their trade and mitigate the risks, as well as to work on maximising their working capital to realise their growth ambitions."

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## **Note to editors:**

### **About the HSBC Trade Confidence Survey**

HSBC's Trade Confidence Survey is conducted on a country basis and gauges sentiment and expectations of the businesses for the next six months. The main purpose of the study is to understand current business and trade outlooks. Specifically, it looks into four key areas – business outlook, trade outlook, outlook on future growth and the role of the bank as a business partner.

The survey results are based on a mix of telephone and face-to-face interviews conducted with key decision makers or those who have significant input into the decision making process in eligible companies.

Companies surveyed fall into one of following three annual turnover bands. Firms with an annual turnover of between US\$10 million to US\$50 million fall into the category of the bank's Business Banking clients; those with between US\$50 million to US\$500 million in annual turnover are categorised as Mid-Market Enterprises; while companies with over US\$500 million annual turnover are categorised as Large Corporates.

In Singapore, the HSBC Trade Confidence Survey had a sample size of 132 companies. Some 50 Mid-Market Enterprises made up the largest portion of companies surveyed. Data for this survey was collected between February and April 2015.

### **About the HSBC Group**

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from over 6,100 offices in 73 countries and territories in Asia, Europe, North and Latin America, and the Middle East and North Africa. With assets of US\$2,670bn at 31 March 2015, HSBC is one of the world's largest banking and financial services organisations.

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