

News Release

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Singapore MMEs' international expansion could unlock millions more to Singapore economy: HSBC

- Globally, Singapore has the most MMEs on a per capita basis and contributes the highest employment growth among MMEs globally
- Singapore MMEs focused on current markets but an additional US\$300 million could be added to Singapore economy through international expansion
- Assistance with overseas expansion the key to unlocking the opportunities

Singapore's mid-market enterprises (MMEs) are the cornerstone of Singapore's economy but could contribute millions of dollars more to the economy if they were to maximise international trade and export opportunities, a HSBC report¹ found.

The HSBC report explored the business strategies of 1,400 MME senior executives in 14 countries – including 100 executives from Singapore. The report also included economic analysis of MMEs across each of the countries.

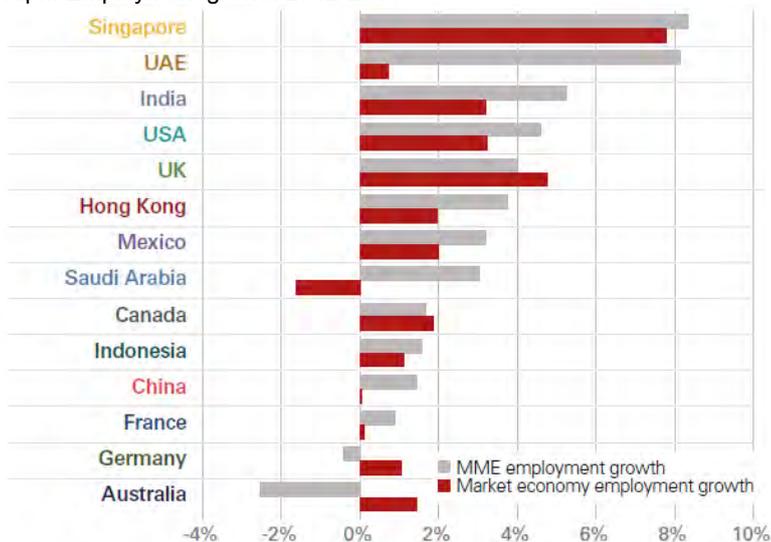
MMEs the cornerstone of Singapore economy

The report estimates that there are around 1,200 MMEs in Singapore – the highest number on a per capita basis amongst the surveyed markets.

And at over 8% per annum, Singapore MMEs contribute the highest employment growth rate compared to their global peers.

It estimates that Singapore MMEs employed 550,000 people, equivalent to 17% of market sector² employment. On top of that, the total number of jobs supported, including through supply chain and consumption effects, was 900,000 (29% of total market sector employment).

Graph: Employment growth 2012-2014



Source: Oxford Economics

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The Singapore MME paradox: focusing on existing markets despite international upside

Despite their importance to the Singapore economy, the report revealed an interesting dichotomy for Singapore MMEs in that domestic growth remained a clear business focus despite a prevailing lack of confidence in local conditions and, therefore, in their own strategy.

According to the report, 26% of Singapore respondents said they were focused on growing current markets compared to international expansion (13%). This is despite domestic market volatility being the top concern for 60% of those surveyed. And only 50% Singapore respondents said they were confident in their strategies (vs. 65% globally), the lowest of all participating countries.

The report also found that if Singapore MMEs boosted their export-based revenues by just 1%, they would contribute an additional US\$300 million GVA³ to Singapore's economy.

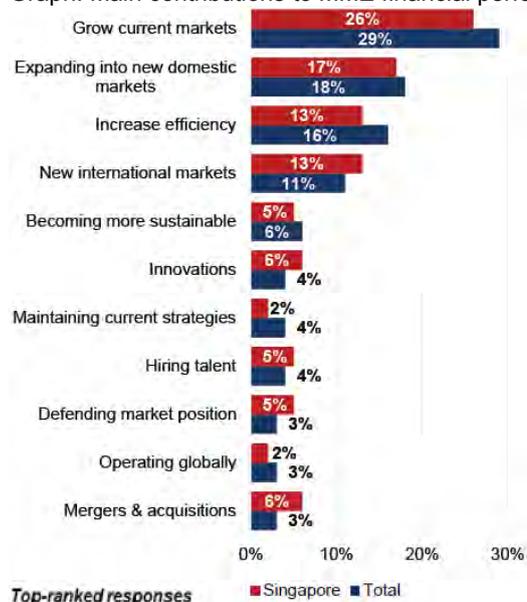
Alan Turner, Head of Commercial Banking for HSBC Singapore, said: "MMEs are the backbone of the economy, making significant contributions to Singapore's economic and employment growth. But it's clear from the report that if they were to further consider international strategies and increase their cross-border activity, they could potentially mitigate these concerns by accessing a larger customer base and increasing their revenues."

Indeed, for Singapore-based IT infrastructure provider, Nera Telecommunications, growing both new and existing markets across its network of 16 countries in the Asia Pacific, Middle East and North Africa is a near-term business priority.

The company provides a full suite of turnkey network and wireless solutions – its Network Infrastructure and Wireless Infrastructure Network segments work seamlessly to deliver cutting-edge services for the digital world through a comprehensive range of customisable solutions. NeraTel is involved in the design, distribution and maintenance of telecommunication systems and products in transmission and information technology.

CEO of Nera Telecommunications, Beck Tong Hong, who took over its helm in July this year, said: "NeraTel has already established a wide footprint in 16 markets globally, so my immediate priorities are to grow revenue in our current markets while exploring emerging opportunities in new markets in Asia. We are also pursuing growth in complementary business verticals to sharpen our competitive edge in a global marketplace – to offer turnkey solutions and create value for our customers."

Graph: Main contributions to MME financial performance, next three years



Support in reducing barriers to entry the key to international expansion

In terms of opportunities, Singapore MMEs believe they will see more business opportunities as barriers to entry come down (54%), with easier access to export markets (42%) and less threats from smaller companies (29%).

The findings also reveal that Singapore MMEs are prioritising investment into improving their understanding of market shifts (74%) and to implement more responsive operations (66%) over the next three years.

Mr Turner continued: “MMEs are often the ‘middle child’ across the corporate landscape – not small enough to be in line for the bulk of government subsidies or programmes, and not large enough to garner influence like their larger peers. Clearly, a greater focus on this layer of Singapore corporates has the potential to unlock growth for both the companies in question and those in their ecosystems.”

In Singapore, while government support schemes such as the Market Readiness Assistance (MRA) Grant are targeted at SMEs with under S\$100 million turnover, there are also some support for mid-sized firms, such as the Global Company Partnership (GCP) Grant where non-SMEs (companies with turnovers of over S\$100 million) can still enjoy partial grants.

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Notes to Editors:

1. *Hidden Impact – Unlocking The Growth Potential of Mid-Market Enterprises 2017* is a report by HSBC Bank plc, in conjunction with Oxford Economics, that explored the views of 1,400 MME senior executives in 14 countries in addition to in-depth economic analysis.
2. ‘Market sector’ is defined as the sum of the sectors included in the study. It therefore excludes education, health and public administration.
3. The survey measures economic impact based on the Gross Value Added (GVA) contribution to a country’s Gross Domestic Product (GDP). This reflects the value of output generated, over and above the value of inputs used in the production process. GVA enables us to understand how much MMEs contribute to the GDP of each country.

Methodology

The objective of HSBC and Oxford Economics’ 2017 ‘Entrepreneurial heartland of MMEs’ research is to estimate the direct contribution of MMEs in 14 countries, their openness to trade as well as their wider contribution through supply chain and consumption ‘multiplier’ effects.

The research covers the following 14 countries: Australia, Canada, China, France, Germany, Hong Kong, India, Indonesia, Mexico, Saudi Arabia, Singapore, the UAE, the UK and the US.

In this report, MMEs are defined as companies with between 200 and 2,000 employees. All sectors are covered with the exception of public administration, education and health, which are more vulnerable to policy-related factors and are therefore more difficult to compare across countries.

- MMEs’ direct contribution to their local economy is measured according to their Gross Value Added (GVA) contribution to a country’s Gross Domestic Product (GDP), and to the sales (turnover) and employment they support.
- MME’s openness to trade is measured using OECD data on imports and exports, assuming that MMEs have a similar propensity to import and export as other firms in their country and sector.
- MMEs’ contribution through supply chain and consumption ‘multiplier’ effects is estimated using detailed ‘input-output’ tables from the OECD and national statistical offices. The consumption impact reflects the economic activity supported when employees in MMEs and in their supply chains spend their wages on other firms’ products and services.

In addition to the economic research, HSBC and Oxford Economics have conducted a qualitative survey – via phone – of senior executives at 1,400 MMEs (100 per country), between July and August 2017. Using a standard questionnaire, the survey aimed at exploring their views on external opportunities and threats, strengths and weaknesses, strategic priorities over the next three years and priorities for investment.

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