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Trade Agreements and Technology Keep Singapore Businesses Optimistic

Businesses in Singapore are upbeat about their growth prospects, according to a new report from HSBC. Key to this optimism – a greater emphasis on technology in trade and the belief that trade agreements, in particular ASEAN and SAFTA, will have a positive impact on their businesses.

The new HSBC report, ‘Navigator: Now, next and how for business’, looks at the global trade and business confidence amongst 6,000 businesses across 25 markets, including Singapore as well as other ASEAN countries such as Vietnam, Malaysia, Thailand and Indonesia

According to the report, 70% of businesses expect to see growth in trade volumes. It also states that service industries which account for two thirds of Singapore’s economy, have a more positive outlook (75%) than non-service industries (65%) .

Top 3 drivers of trade growth

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|----|------------------------------------|----|---------------------------|----|-------------------|
| 1. | Increasing demand for your product | 2. | Greater use of technology | 3. | E-commerce growth |
|----|------------------------------------|----|---------------------------|----|-------------------|

Increasing demand is listed as the top driver for growth. But with rising labour costs and skilled manpower shortages at hand, keeping up with demand requires businesses to place a strong emphasis on the greater use of technology and e-commerce to drive growth. This is correspondingly reflected in the survey result as the top two drivers of trade growth.

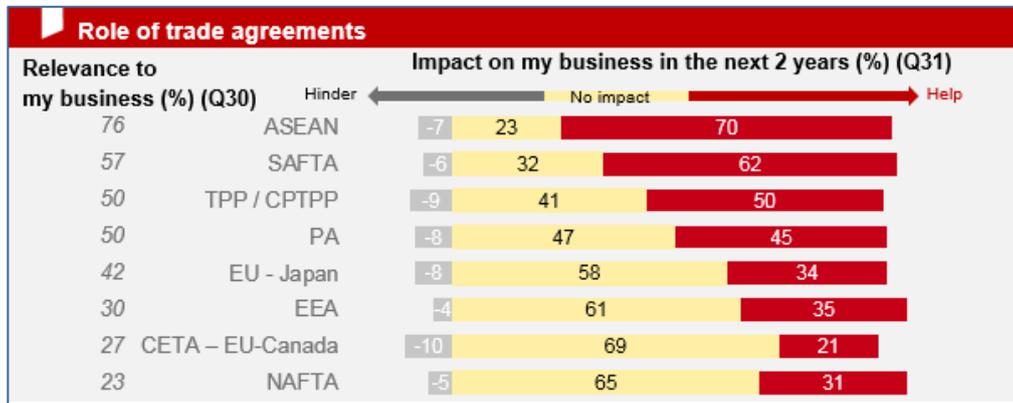
“This survey supports our belief at HSBC that the big opportunities in Singapore lie in technology and e-commerce,” says Alan Turner, head of commercial banking, HSBC Singapore.

Mr Turner adds that “Singapore’s tight labour market is motivating local firms to continue investing in labour-saving technology, to boost competitiveness and take advantage of increased supply chain integration across the region.”

Trade Agreements Bring Hope

The survey also shows that businesses are worried about rising global protectionism (69%), but remain optimistic about their cross-border prospects, and are developing growth strategies to navigate uncertainty. More and more, companies are taking a regional approach to trade.

Going regional is in play especially given that Singapore – an important regional trade and logistical hub – can take advantage of increased supply-chain integration associated with regional agreements such as the ASEAN Economic Community (AEC).



Additionally, seven in ten firms surveyed feel the existing ASEAN trade agreement will help business, whilst more than half (60%) mentioned ASEAN 2025 as having a positive impact. The South Asian Trade Agreement (SAFTA) is also viewed favourably (62%), as is China’s Belt and Road Initiative (59%).

U.S. policies and BREXIT on the other hand, are seen as likely to have the biggest negative impact (34% and 25% respectively) on business.

The report suggests that Singaporean firms capitalise existing and new agreements like ASEAN, the CPTPP and expansion of the SAFTA to pursue opportunities and expand their markets overseas. Investment in labour saving technology in the years ahead, is also needed to boost competitiveness as cyclical tail-wind wanes.

Top 3 impacts of protective policies on my business		Singapore
1. Cost of doing international business has increased		48 %
2. Skill/labour shortage		46 %
3. Reduced opportunities for international business		39 %

“By taking time to understand the emerging drivers and impediments to trade, business leaders can identify risks and opportunities, and make informed decisions for future growth,” Mr Turner concludes.

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Note to editors:

HSBC Navigator: Now, next and how for business

HSBC Navigator is the most comprehensive report of global trade and business confidence. It combines an economic forecast of medium to long-term bilateral trade for exports/imports of goods and services across 25 markets (by Oxford Economics), and a global survey gauging business sentiment and expectations on trade activity and business growth (by Kantar TNS).

HSBC's Navigator helps businesses capitalise on new opportunities and make informed decisions for the future by understanding the outlook for international trade.

The full report can be accessed here: www.business.hsbc.com/trade-navigator

We can also supply additional data and insight on the following topics:

- Trade in Services:** The share of services in world trade has been increasing and this growth is set to continue. Three in five (61%) businesses are optimistic about the growth of their services business in the short-term and say that expanding into new markets (32%) and service areas (24%) as well as using e-commerce (24%) will drive this growth. The bundling of goods and services is also progressing, and this distinction could blur even further.
- Trade policy, the business view:** Firms are potentially missing out on key opportunities by focusing on growth and trade policies in their region, and lacking awareness when it comes to the broader global trade policy environment. China's Belt and Road, and ASEAN 2025 are the two policies getting the greatest vote of confidence from business leaders.
- The economic trade forecast:** The economic trends below the headlines on global trade reveal an optimistic outlook for growth. Global trade growth rebounded last year - with the volume of trade in goods growing 1.4 times faster than global GDP. This momentum is projected to continue, with growth of 7% by value in 2018 (1.2 x GDP by volume) for both goods and services. Governments should take advantage of the global economy's current sweet spot to pursue policies that will promote trade.

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