

Global Connections: Connecting Singapore and the world

September 2023

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

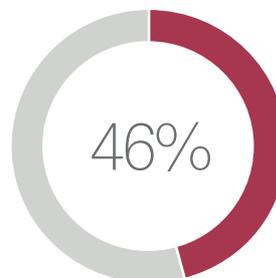


Figure 1

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 focused 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%.



Disclaimer

This document is issued by HSBC (as defined below) and is for the exclusive use of the person to whom it is provided. It is not intended for onward distribution. It is intended for general information only. This document does not constitute an offer or advice for you to purchase from or otherwise enter into any transaction with HSBC or any member of the HSBC Group (as defined below). It is not for solicitation of business across international borders where to do so may require licensing and/or consent from the applicable regulatory authority. Products/services described in this document may not be available in all jurisdictions. HSBC makes no guarantee, representation or warranty (express or implied) and accepts no responsibility or liability for the contents of this document and/ or as to its currency, accuracy or completeness and expressly disclaims any liability whatsoever for any losses (including but not limited to any direct, indirect or consequential losses) arising from or in connection with, including any reliance upon, the whole or any part of the contents of this document by any person and such liability is excluded to the maximum extent permitted by law. You are responsible for making your own evaluation about the products referred to in this document. Nothing in this document is intended by HSBC to be construed as financial, legal, accounting, tax and/or other advice. HSBC recommends that before you make any decision or take any action that might affect you or your business, you consult with suitably qualified professional advisers to obtain the appropriate financial, legal, accounting, tax and/or other advice. ©Copyright HSBC 2022. All rights reserved. No part of this document may be reproduced, stored, distributed, or transmitted in any form without the prior written permission of HSBC. For the purposes of the foregoing: "HSBC" means one or more members of the HSBC Group which issue(s) this document. "HSBC Group" means HSBC Holdings plc and its subsidiaries and affiliates from time to time.

All images copyright @ HSBC Holdings plc. All reasonable efforts have been made to obtain copyright permissions where required. Any omissions and errors of attribution are unintentional and will, if notified in writing to the publisher, be corrected in future printings. Note: There may be a slight discrepancy between the sum of individual items and the total as shown in the tables due to rounding. Whilst every effort has been made in the preparation of this report to ensure accuracy of the statistical and other content, the publishers and data suppliers cannot accept liability in respect of errors or omissions or for any losses or consequential losses arising from such errors or omissions. The information provided in this report is not intended as investment advice and investors should seek professional advice before making any investment decisions.