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QBE SME Survey: Singapore SMEs lean on government in COVID recovery amid diminishing business confidence for 2021

- *Half of SMEs will look to Government for relief/support to cope with worsening economic conditions, of which 70 per cent indicated financial assistance as the most necessary form of support*
- *81 per cent of SMEs do not expect their business to grow in 2021*
- *62 per cent expect the economic climate to either stay the same or improve in the next 12 months.*
- *91 per cent shared that they are currently engaged in or intend to invest in digital technologies, but 40 per cent cited high costs of investment as a barrier*

Singapore, [2 February 2021] – SMEs in Singapore have a bleak outlook for their businesses in 2021, revealing that they expect to lean heavily on government support to help them survive a dip in results through the pandemic economy, according to the sixth edition of QBE Insurance's annual survey of Singapore SMEs. The survey was conducted in Q4 2020 when the effects of the COVID-19 pandemic had already truly taken hold, and surveyed more than 400 SME decision-makers in Singapore.

SMEs are counting on the government to weather the storm and support their recovery efforts, with half of all SMEs polled (50 per cent) indicating that they are looking to the government for relief measures to tackle adverse economic conditions. Of those that indicated reliance on government measures, a majority (70 per cent) stated a need for financial support in particular. Other areas that SMEs expressed a need for support included enterprise development programmes (37 per cent) and general advice from the Government (34 per cent). Only three per cent of SMEs polled indicated that they did not need any support from the government.

Last year, the Singapore Government unveiled a series of four Budget packages to provide SMEs with more funds to help them survive the peak of the pandemic, including initiatives towards training and upskilling their workers and digitalising their businesses. However, despite 95 per cent of all SMEs stating that they are aware of these measures by the government, only 61 per cent

have applied to take them up. This indicates a significant gap between awareness and action among these enterprises.

“SMEs are noticeably and expectantly treading with caution this year, with many approaching business plans and changes with considerable apprehension. As they rebuild their business models and strategies in a much-changed economy, SMEs also need to realise the wealth of support made available to them and ensure they act on them swiftly to bolster their chances of recovering strongly from the pandemic,” said Ronak Shah, CEO of QBE Insurance Singapore.

Singapore SMEs hopeful on economy, but pessimistic on own businesses

Overall, SMEs are generally more positive about the economic climate in the year ahead, with 62 per cent indicating they anticipate the economic climate will either stay the same or improve in the next 12 months. However, despite having a more confident outlook on the economy, they have also shared through the survey that any changes to existing business plans will still be put on the backburner over the next 12 months. This suggests that firms continue to remain cautious toward growing their businesses as the economy continues to suffer from residual effects of the pandemic.

These findings come off the back of firms encountering severe challenges to their business throughout 2020, with 37 per cent of SMEs polled indicating that cost mitigation was the most significant challenge to their business last year. More than half of SMEs (54 per cent) still expect to struggle with cost mitigation issues well into 2021. However, despite challenges in this area, they are still turning to cost control measures to ensure survival, with 62 per cent indicating that this would be their primary approach in 2021. 40 per cent of SMEs indicated that they are likely to resort to downsizing in 2021 to keep afloat.

“Uncertainty amid a gradually recovering economy will continue to plague our business environment in 2021. It is paramount that the government, businesses and individuals band together during this time to help one another out in overcoming the unique environment we operate and live in today,” added Mr. Shah.

A deeper examination into their business projections also revealed that 81 per cent of SMEs are expecting the overall size of their businesses to either stay the same or decrease in 2021, with 39 per cent of all SMEs expecting to decrease staff numbers. With many SMEs still recovering from

the knock-on effects of the pandemic, they will be navigating a complicated business environment while rebuilding their businesses with manpower constraints and reduced expenditure among other challenges.

Digitalisation a silver lining during COVID-19

Despite the trying environment, SMEs turned to digital technologies in a bid to sustain their businesses through COVID-19 lockdowns. SMEs have digitalised an average of 15 per cent of their business processes further through COVID-19. An average of 66 per cent of SME businesses processes are now being conducted digitally. 68 per cent of SMEs also indicated that the pandemic had led them to digitalise quicker than they had originally planned, while 91 per cent are currently engaged in or showing willingness to invest further in technology.

In addition to ramping up business processes, firms are also looking to invest in digital technologies and systems that will facilitate remote operations and communications, with 23 per cent looking to invest in employee systems to optimise work-from-home environments.

While SMEs overall expressed a keenness to digitalise their operations, their intentions are marred by concerns around the associated costs. The leading concern (40 per cent) shared by all SMEs were the high costs of investment and operation due to the lack of financial funds and staff with digital skills/expertise. With digitalisation efforts becoming a lifeline for businesses this year, it is likely that more SMEs will look to gain financial support around digital initiatives to help their conduct of business amid current business conditions.

As more SMEs progress swiftly on their digitalisation journeys, they expose themselves to new forms of cyber risk. However, many enterprises in Singapore continue to operate without contingencies for cyber-related risk – close to a quarter of SMEs indicated that they do not have any processes or protection against cyber risk, despite half of all SMEs (48 per cent) stating that they are fully informed of cyber threats to their business. On a business operations level, 66 per cent shared that they have not engaged in any cyber protection due to the unlikelihood of encountering cyber-related issues – a potentially worrying statistic as more firms continue to work remotely in 2021.

News release



“As businesses continue to navigate changing conditions, operate remotely and make adjustments to their operations, they need to be increasingly aware of the new threats and risks they face. Only then can we ensure the longevity and survivability of our SMEs, and therefore our economy, in the long-term,” added Mr. Shah.

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About QBE Insurance (Singapore) Pte Ltd

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About the research

This SME research was the sixth iteration of a survey designed and conducted in Q4 2020 by ENGINE on behalf of QBE, in an effort to better understand SMEs’ behaviours and business challenges. Interviews were conducted with 407 SMEs across various industries in Singapore.

Singapore SMEs Survey Results

SMEs counting on the government to support their recovery



50% of all SMEs are counting on the government for support and relief initiatives

70% of those who indicated reliance on government relief measures stated that financial support is the most significant form of support needed

Only **3%** of SMEs are not intending to rely on the government for support

SMEs hoping for additional financial support from government



37%

wish for enterprise development programmes



34%

wish for general advice from the government

SMEs expecting economy to improve in 2021



62% of SMEs

say economy will either stay the same or improve in the next 12 months



38% of SMEs

expecting economy to worsen

SMEs not as optimistic on their own businesses

64% expect business to either stay the same or decline in 2021

81% expect their size of business to stay the same or decrease



39% expect a decrease in staff strength

40% intend to downsize or streamline their organisations

Digitalisation the silver lining for SMEs across COVID-19



68% of all SMEs polled that the pandemic had led them to digitalise quicker than they'd originally planned



SME businesses are about **66%** digitally held, as opposed to only **51%** before the pandemic



Survey finds that SMEs' businesses digitalised about **15%** further on average across COVID-19

SMEs keen on ramping up digital technology investments



91% of SMEs are currently engaged in or showing willingness to further invest into technology



23% planning investments in employee systems to optimise work-from-home environments



However, **40%** are concerned about high costs of investment and operation, citing lack of financial funds and digitally-skilled staff

However, SMEs still operating without proper cyber protection



Only **48%** of all SMEs indicated that they are fully informed of cyber threats to their business



66% shared they do not have any cyber protection due to the perception that encountering cyber-related issues is unlikely