

***QBE SME Survey: Singapore SMEs continue to feel the pinch from COVID-19, with majority unsure or not thinking about international expansion***

- *60 per cent of all SMEs are unsure, or have no international expansion plans for the next one to two years*
- *59 per cent expect their business outlook to improve in the next 12 months, but 61 per cent project that pandemic policies, restrictions and lockdowns will worsen in the next 12 months*
- *51 per cent of SMEs expect to continue working either remotely or in a hybrid format in 2022*
- *54 per cent of SMEs have noticed increasing workplace priorities around employee-oriented initiatives*
- *35 per cent have engaged in ESG-led business initiatives in the past 12 months*

**Singapore, 10 February 2022** – Singaporean SMEs continue to feel the effects from COVID-19, with a majority revealing that international expansion is very much still on the backburner for the next 12 to 24 months, according to the seventh edition of QBE Insurance's annual research survey of Singaporean SMEs. The survey was conducted in Q4 2021 and surveyed more than 400 SME decision-makers in Singapore.

With the COVID-19 pandemic still continuing to affect global economies, SMEs here are adopting a more conservative business mindset, with 60 per cent of all Singaporean SMEs being unsure or having no intention to internationalise in the next two years. Separately, close to a third (29 per cent) of those who indicated they do not see internationalisation on their horizons, have a domestic presence only.

The top three concerns around internationalisation plans cited by all SMEs were travel restrictions for employees due to the pandemic; a general lack of knowledge of other markets; and having sufficient financing or funds for expansion (all 26 per cent respectively).

SMEs here are adopting a more conservative business mindset, with half of those who already have a business presence overseas intending to downsize in the next one to two years. For small SMEs, 53 per cent of them who are already internationalised intend to downsize, with their main

challenges cited being cost control, mitigation and streamlining their business and addressing concerns around the cost of running the business.

“In the last 12 months, SMEs have been carefully adjusting their business strategies, prioritising prudence as they continue to work in a pandemic economy. As many continue to err on the side of caution in 2022, we encourage them to take this time to reassess their business models and operations to give mind to environment-based investments or initiatives that will help provide sustainable business growth post-pandemic,” said Ronak Shah, CEO of QBE Insurance Singapore.

## **SMEs’ optimism in business outlook is improving but guarded**

Two years into operating in a pandemic environment, business outlook appears to be looking up for SMEs with nearly two-thirds (59 per cent) of all SMEs polled believing business outlook will improve in the next 12 months. 67 per cent of all SMEs also expect the economic outlook to improve. Pleasingly, one-third (33 per cent) expect the size of their business to grow in the next 12 months, up from just under one-fifth (19 per cent) last year.

However, survey findings also uncovered a somber sentiment – that 61 per cent of SME businesses feel pandemic policies, restrictions and lockdowns will worsen in the next 12 months, in addition to increased operating costs. With current regulations having adversely impacted their business operations, 44 per cent of all SMEs stated that the cost of running their business as their top concern over the past 12 months. This also featured as the top concern for small-sized SMEs, with almost half (48 per cent) raising this.

Diving deeper, cost mitigation for business continuity due to COVID-19 and operating with reduced cashflows were the second and third-largest concerns (31 and 26 per cent respectively). With the world continuing to live with the pandemic, these concerns will likely continue to demand significant attention from SMEs in the next 12 months.

## **Greater focus on employee engagement, but more focus on sustainability initiatives still needed**

Remote and hybrid working accounted for the majority of SMEs' working modes in the past 12 months and is expected to continue into 2022; more than half (51 per cent) of SMEs expect to continue working either remotely or in a hybrid format in 2022. With more employees shifting to more fluid work environments, SMEs noted that they have seen more emphasis on employee-oriented activities and decision-making. Employee welfare and compensation formed 41 per cent of Environmental, Social and Governance (ESG) led business initiatives, and over half of all SMEs (54 per cent) have prioritised positive efforts, such as employee health, safety and wellbeing, along with a marked increase in focus on issues such as achieving resource efficiency and working towards diversity and inclusion (23 per cent) and human rights (17 per cent) at the workplace.

ESG-led and sustainability-oriented investments have also been on SMEs' radar. In particular, investing in green products, technologies and infrastructure; and in climate change policies (such as policies to reduce greenhouse gas emissions/carbon footprint) were among the top three ESG considerations (40 per cent and 26 per cent of SMEs indicated investments in both these initiatives respectively). In addition, 29 per cent also invested in renewable energy usage.

However, ESG-led initiatives are still being viewed as less of a priority by SMEs here, with only slightly over one-third (35 per cent) having engaged in these in the past 12 months. The main barriers cited were too much time and too many costs involved (31 per cent each).

"Sustainability and ESG-oriented business initiatives are poised to be an important driving force for firms today, especially in a time when business longevity and mitigating climate change effects are strongly intertwined. Businesses, big and small, need to recognise these as integral to long-term growth and the ability to thrive, and that these should not be put on the backburner. Being sensitive to these issues and redesigning strategies towards these investments is how they can forge stronger foundations for sustained growth in a post-pandemic world and beyond," added Mr. Shah.

# News release



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**About QBE Insurance (Singapore) Pte Ltd**

QBE has been represented in Singapore since 1891. As an industry leader with more than 130 years of proven performance in Singapore, QBE's success is built on the strength of our partnerships with professional insurance intermediaries. QBE Singapore is part of the International Division of QBE Insurance Group Limited. QBE Insurance is listed on the Australian Securities Exchange, headquartered in Sydney, and operates in 27 countries.

**About the research**

This SME research was the seventh iteration of a survey designed and conducted in Q4 2021 by ENGINE on behalf of QBE, in an effort to better understand SMEs' behaviours and business challenges. Interviews were conducted with 438 SMEs across various industries in Singapore.

# Singapore SMEs Survey 2021

## SMEs not considering internationalisation for 2022-2023



**60%**

of all SMEs are unsure, or have no international expansion plans for the next one to two years



**50%**

of SMEs who have business presence overseas, are intending to downsize

**53%**

of the small SMEs are internationalised and intend to decrease overseas presence

**29%**

of SMEs not considering internationalisation are domestic-only and have no overseas ventures yet

### Top three concerns around internationalisation plans



**26%**

Travel restrictions for employees as a result of the pandemic



**26%**

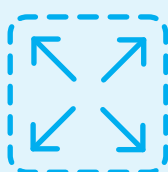
A lack of knowledge of other markets



**26%**

Insufficient financing or funds for expansion

## SMEs are more optimistic about their business outlook



**59%**

expect business outlook will improve in the next 12 months

**67%**

anticipate an improvement in the economy in the next 12 months



**33%**

expect the size of their business to grow in the next 12 months

## SMEs not as confident about pandemic regulations and business operations

**61%**

believe pandemic policies, restrictions and lockdowns will worsen in the next 12 months

**44%**

are worried about costs of running the business

**26%**

worry about operating with reduced cashflows

## SMEs seeing more positive employee engagement during pandemic period



**54%**

saw increased priority for employee health, safety and wellbeing. Followed by diversity and inclusion (23%) and human rights (17%) priorities at the workplace



**41%**

of ESG-led business initiatives were on employee welfare and compensation

## Lesser emphasis on external ESG-led investments, despite its influence on business operations



**40%**

invested in green products, technologies, and infrastructure



**29%**

invested in renewable energy usage



**26%**

invested in climate change-related policies

## Top barriers to conducting ESG-led initiatives



**31%**

indicated it took up too much time



**31%**

stated these involve too many costs



**28%**

do not consider this a priority