

**Media Statement by Ms Leung Wai Ling, Assistant Chief Executive (Corporate Development & SPRING Investment), SPRING Singapore, at the Media Conference for the SME Development Survey 2016 on 2 November 2016 at London Board Room, DP Information Group**

1. The global economic outlook remains challenging and uncertain, with weaker-than-expected growth in the US and China, and the uncertainty arising from “Brexit”. Subdued global demand and weak external trade will continue to weigh on the Singapore economy. In the Monetary Authority of Singapore’s Macroeconomic Review released in October 2016, Singapore’s GDP growth forecast for 2016 was narrowed to between 1 and 2 per cent and is not expected to pick up significantly in the near term.
2. The domestic business outlook has weakened amidst this backdrop, especially among Small and Medium Enterprises (SMEs). In the latest SBF-DP SME Index for October 2016 – March 2017, SME business sentiments fell by 3.3 per cent to 50.2 per cent this quarter – the second lowest reading over seven years.
3. In this year’s SME Development survey, more SMEs are projecting negative turnover growth. Manpower, materials and rental costs remain the top cost challenges. In addition, financing cost, currency fluctuations and government charges have emerged as growing cost concerns for SMEs.

***Ensuring SMEs have access to financing***

4. Twenty two per cent of the SMEs surveyed have encountered financing-related challenges, with more SMEs facing higher interest rates, tightening credit terms, and more collateral needed for same financing compared to the previous year. Nevertheless, we note that almost all of the SMEs who applied for bank financing were successful, with the majority (70per cent) able to obtain the full amount. For those who were unsuccessful, banks were also more open to sharing the reasons for loan rejections with SMEs.
5. With the subdued economic outlook, more SMEs are looking to obtain new or additional financing over the next 12 months. Two-thirds of them intend to use the new financing to supplement working capital and repay existing loans. However, we are also seeing more SMEs looking at financing for growth such as investing in asset, technology, innovation and Research and Development.
6. SPRING has been working closely with financial institutions to introduce various financing schemes to support SME financing needs, to address short term cashflow needs as well as longer term development and growth needs. For example, the SME Working Capital Loan was introduced at Budget 2016 to

help local enterprises access unsecured working capital financing. Within the first four months of its launch in June this year, more than 3,000 loans have been approved under this scheme. SPRING will continue to monitor the financing conditions and work with financial institutions to improve SMEs' access to financing.

### ***Helping SMEs to address cost and manpower challenges***

7. Despite the dismal sentiments, SMEs are finding ways to improve their business operations and weather the challenges.
8. SMEs can adopt a two-prong approach to address cost and manpower challenges – by investing in technology and productivity tools to improve their efficiency and be more targeted in their human capital development efforts.
9. We are pleased to know that three in four SMEs intend to undertake productivity measures to optimise the use of manpower and look for automation solutions. In fact, most of the respondents have already adopted some form of automation in their businesses. This ranges from functional areas such as finance and human resources to operational areas such as production, inventory management as well as sales and data processing.
10. SMEs looking to embark on capability upgrading, productivity and automation measures can tap on SPRING's Capability Development Grant (CDG) and the Automation Support Package to defray part of the deployment cost when implementing automation and other productivity solutions. We hope to see more SMEs stepping forward to enhance their business operations and strengthen their competitiveness.
11. To strengthen their human capital development efforts, SMEs can begin by assessing their HR capabilities. The HR Diagnostic Tool introduced by SPRING helps SMEs assess the state and maturity of their current HR capabilities across 11 areas and diagnose the gaps so that companies can take immediate and more targeted steps for improvement. SMEs can then tap on CDG or explore other SkillsFuture initiatives to address those gaps.

### ***Supporting SMEs to innovate and seek new growth avenues***

12. The survey also shows that SMEs are still actively pursuing business growth despite the sluggish backdrop, reflecting the persevering, entrepreneurial spirit of our business owners. Many are taking steps to cope with the rising competition. These include strategies to increase cost efficiency and to grow the topline, such as acquiring new customers, investing in product and services

development, business process innovation, brand development, internationalisation, and collaboration with local or overseas partners.

13. The adoption of Infocomm Technology (ICT) solutions and other technology applications also appears to be useful in improving business competitiveness. SMEs who invested in ICT and technology have benefited from improved productivity which in turn helped to overcome manpower shortages, and reduced manpower and material costs. More interestingly, ICT has helped more SMEs to glean better business insights, and help them to understand the customers, support existing customers, and reach out to the right customers.
14. Almost half of the SMEs are implementing innovation measures in their companies, up from six percent last year. While process improvement remains the topmost area of innovation among these SMEs, we also see an increase in proportion of SMEs innovating to build their own brands. SMEs are also embarking on product innovation, developing their own niche products or services, and revamping their business model/concepts through innovation.

### ***Conclusion***

15. Most SMEs recognise the importance of the current economic restructuring, and in their own way find means to cope and do things differently to stay ahead. For SMEs that need assistance in doing so, we strongly encourage them to approach the various avenues of help available to them, such as visiting SME Centres and the SME Portal ([www.smeportal.sg](http://www.smeportal.sg)), SMEs' first stop for information related to government assistance schemes and other resources.
16. SPRING will monitor the current economic situation and work with the financial institutions to help SMEs gain access to financing. We will also continue to support SMEs in their restructuring journey, driving productivity to reduce cost and manpower, embarking on innovation, automation and ICT solutions to become more competitive locally and overseas.