

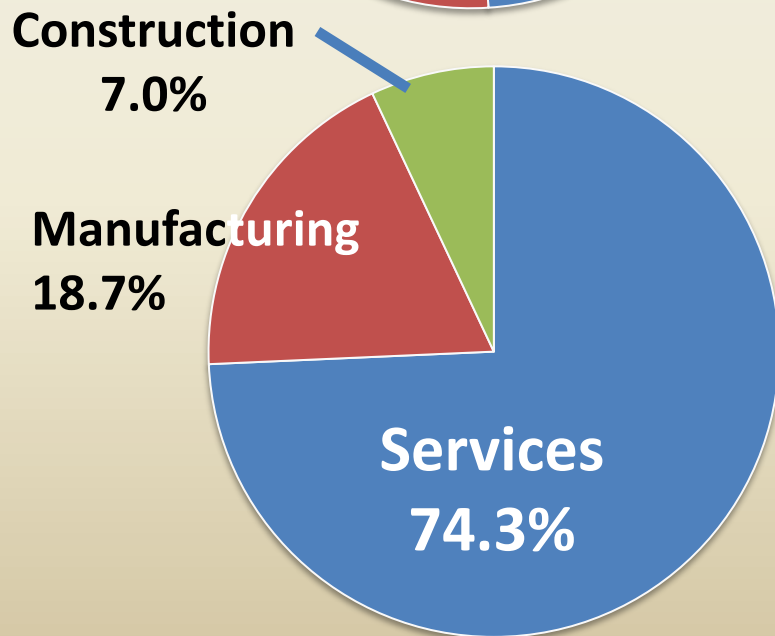
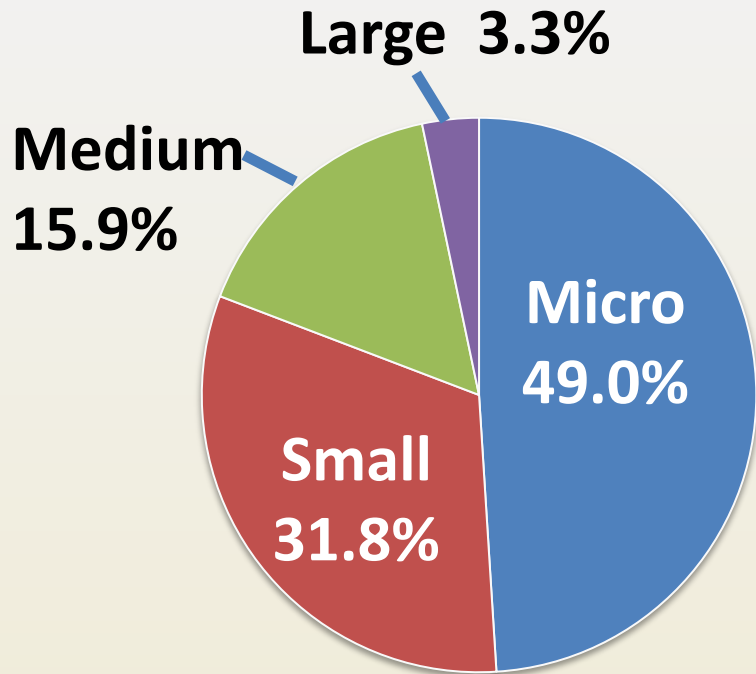


新加坡中華總商會
Singapore Chinese Chamber of Commerce & Industry

SCCCI Pre-Budget 2015 Survey

23 December 2014

Voices of SMEs

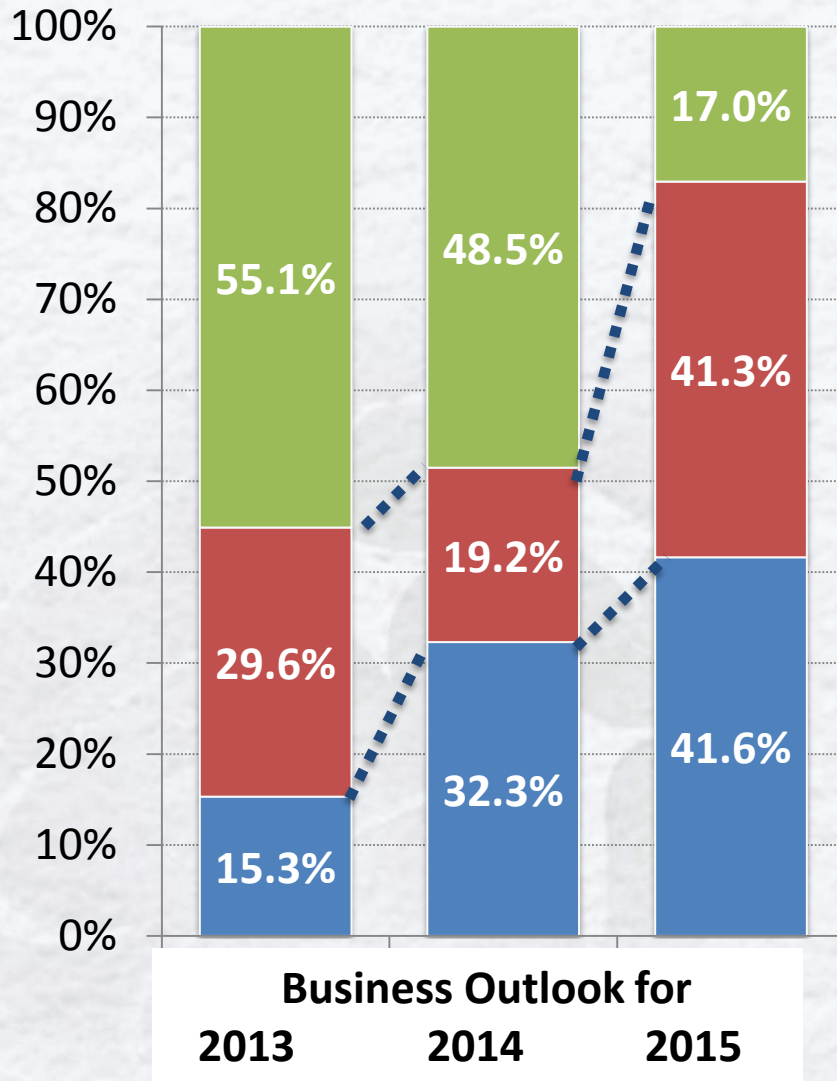


96.7% SMEs
74.3% Services

- 356 respondents
- 92.6% are decision-makers
- Covered all sectors, including manufacturing, construction and services

Business Outlook for 2015

Improved business outlook for 2015 despite ongoing economic restructuring



Optimistic

More SMEs are optimistic about 2015 business outlook (↑9%)

Status Quo

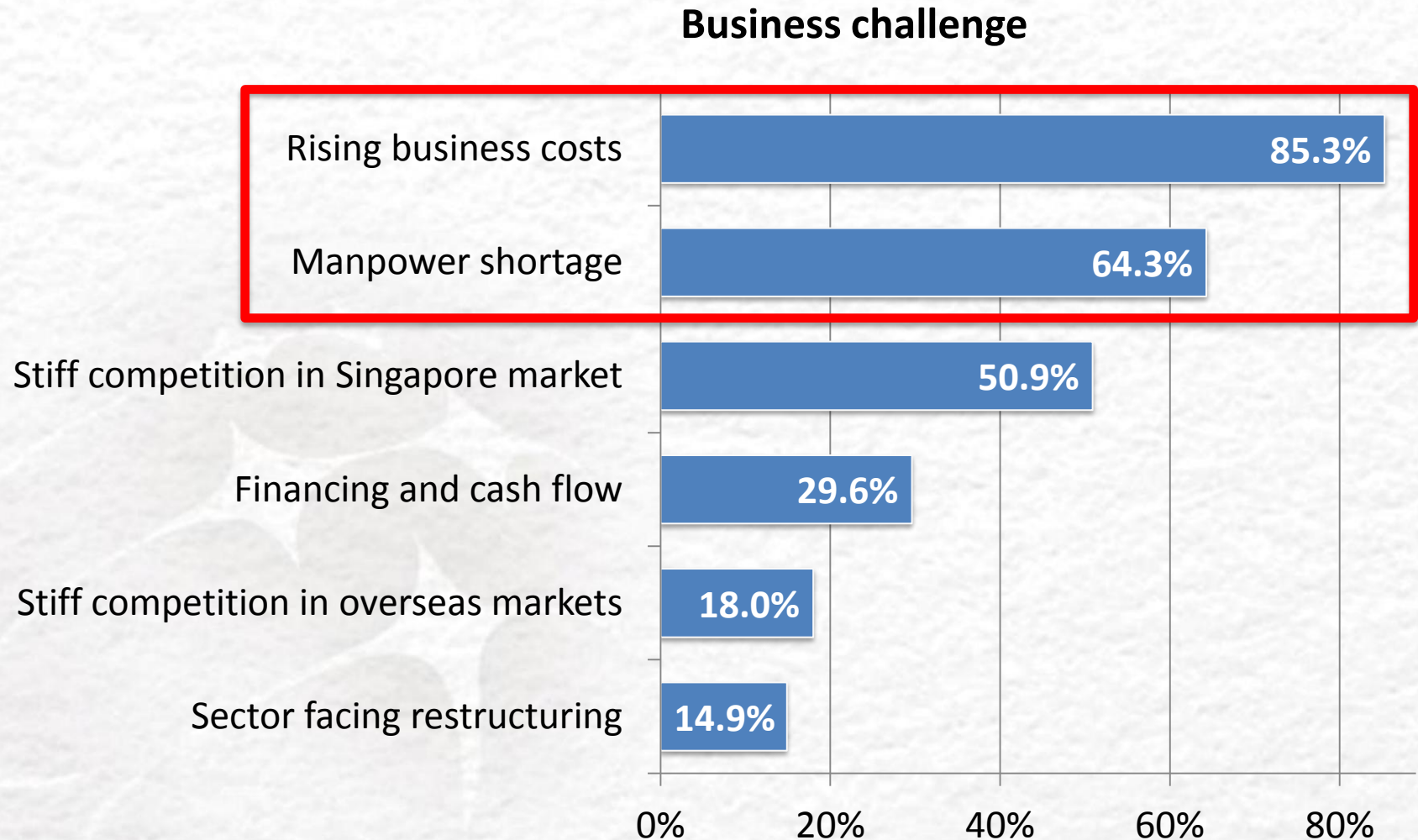
More SMEs have accepted and are adjusting to the current business environment

Pessimistic

Fewer SMEs are pessimistic about 2015 business outlook (↓32%)

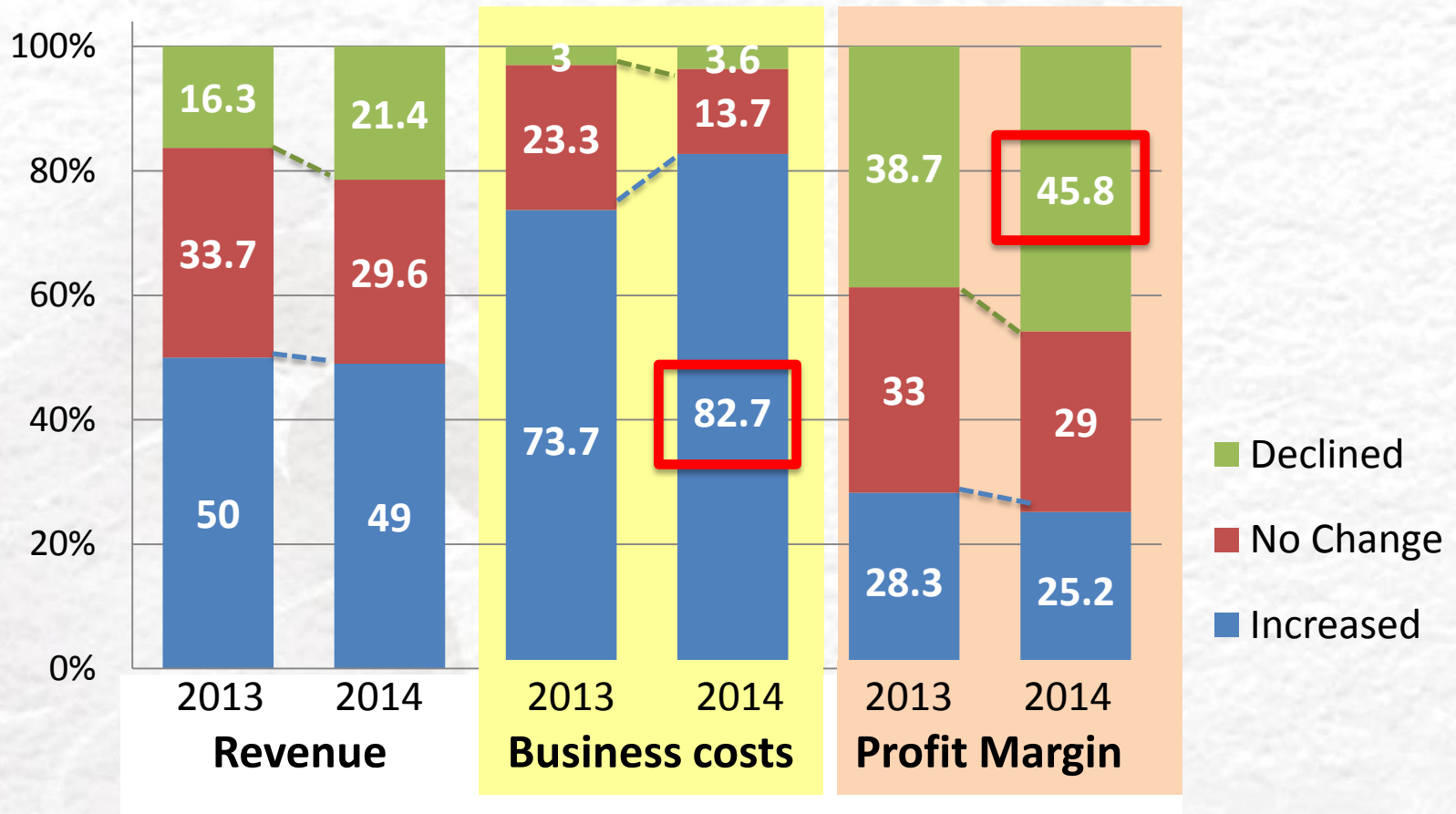
Top 2 Challenges identified in SCCCI SME Survey 2014

Rising Business Costs and Manpower Shortage



Rising Business Costs & Declining Profit Margin

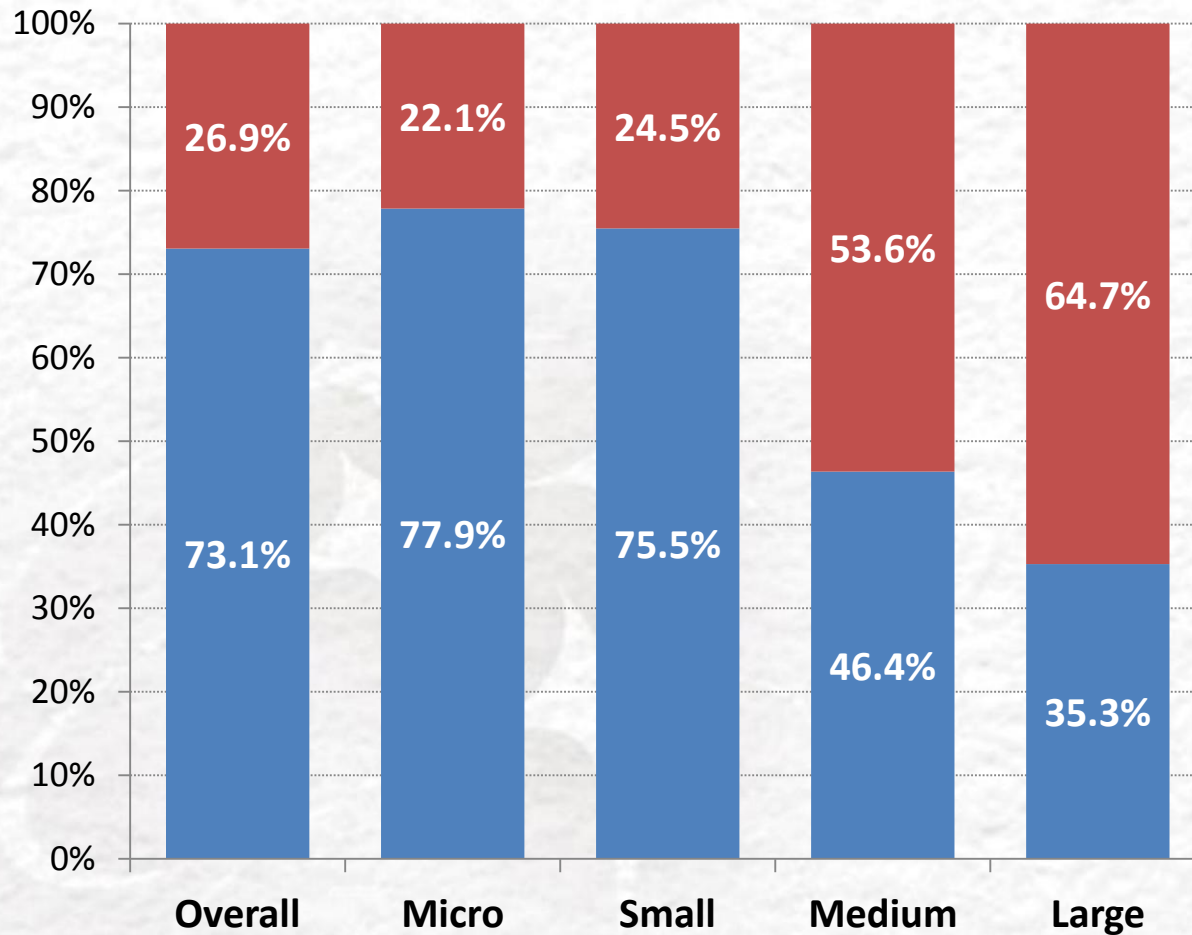
83% facing rising business costs (+9% pt vs 2013)
46% saw profit margins declined (+7% pt vs 2013)





Wish-list for Budget 2015

Smaller companies prefer cash payout

Tax incentive more useful for larger companies



Which type of government incentive is more useful to you?

-  Tax incentive
-  Cash payout

Enterprise size

Participants' Wish-list for Budget 2015

1	Not to further raise foreign worker levies and tighten quota	66.5%
2	Close consultation with trade associations and businesses before new rules/regulations are introduced, so that compliance costs can be eased	61.8%
3	Provide employers with subsidies e.g. medical & insurance cost to encourage hiring Singaporean workers aged above 55	60.3%
4	Speed up the administration process of government schemes to ease the cash flows of SMEs	58.1%
5	Allow SMEs to apply and use ICV vouchers to undertake productivity improvement projects concurrently to speed up the pace of productivity improvement	56.5%
6	Co-share eligible expenses to support SMEs to venture overseas	56.1%

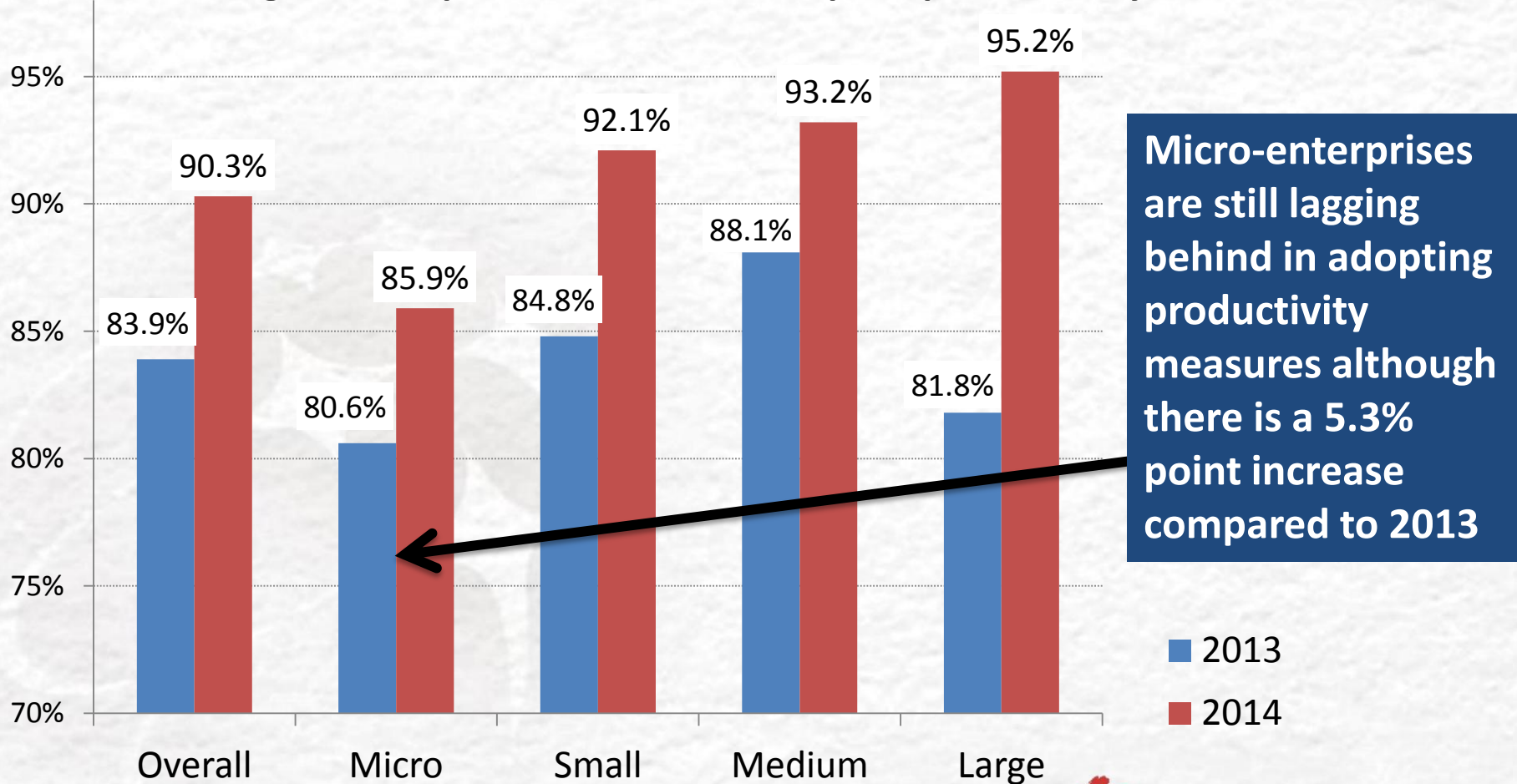
Participants' Wish-list for Budget 2015

7	Encourage government-linked companies (GLCs) / large corporations to create project opportunities for SMEs to participate in	51.8%
7	Provide targeted funding for SMEs to venture into ASEAN markets in view of a single ASEAN market from 2015	51.8%
8	Widen the approved source countries of foreign workers	48.4%
9	To have a COE sub-category for commercial goods vehicles to reduce transport costs	46.3%
10	Active participation in "Place-and-train" programme recommended by the ASPIRE Committee to attract ITE/polytechnic students	45.6%
11	JTC and HDB to increase supply of affordable industrial & commercial space	44.1%
12	Make it easier to send workers for training by having WSQ certified courses that are more flexible and of shorter duration	41.5%

Productivity effort of SMEs and Challenges

More SMEs are taking concrete measures to improve productivity

Percentage of companies that have adopted productivity measures



Most Common Productivity Measures: Training and Adopting Automation/IT

	2014	2013	2012
Upgrade skill sets of workers through training	52.5%	43.5%	59.2%
Adopt industrial automation / Leverage on IT	42.4%	42.5%	67.9%
Improve brand awareness of your company	37.0%	36.8%	38.8%
Optimise business and management model	36.5%	43.5%	37.8%
Undertake higher value-added activities	30.3%	38.8%	NA [#]
Engage consultants to develop framework	19.5%	22.0%	NA [#]
Visit successful overseas peers to learn from them	11.8%	NA [#]	NA [#]
Have not adopted any measure	8.3%	NA [#]	NA [#]

NA: "Not Applicable" as the option was not provided in the survey questionnaire in 2012 and 2013

Key challenges after investing in automation/equipment

Cash flow & Shortage of skilled workers

	Overall	Micro	Small	Medium	Large
Cash flow problem due to lengthy grant disbursement process	33.3%	45.0%	27.6%	18.6%	14.3%
Shortage of skilled workers to operate the equipment/machinery	30.3%	21.7%	40.8%	37.2%	42.9%
Not enough sales orders to meet additional machinery capacity	26.4%	28.3%	25.0%	25.6%	42.9%
Not sure how to fully utilise the equipment to increase productivity	21.8%	27.5%	7.9%	20.9%	28.6%
Does not face any challenges	21.8%	22.5%	21.1%	16.3%	28.6%

Conclusion & Recommendations

Conclusion

- Despite still going through the current phase of economic restructuring, **more SMEs have an improved outlook for business in 2015.**
- SMEs continue to adjust and cope with the **challenges of manpower shortage and rising business costs.**
- As more SMEs take concrete measures to improve productivity, they look forward to **continued government support in their productivity improvement effort.**
- SMEs find **cash support more relevant when venturing overseas.**
- GLCs/large corporations can **help SMEs build track record** by involving them in their projects.
- Compared to 2013, business space has become less of an issue, which means that efforts by JTC and HDB to provide businesses with affordable space has eased their concern.

Recommendation 1:

No further change in foreign worker policy, and help in employing older workers

- ❑ **Not to further tighten foreign labour quota and raise levies**
 - SMEs are still adjusting and remodelling their businesses due to tighter foreign labour supply.
 - Not to further increase levies, since foreign worker numbers have been significantly reduced in the Singapore labour market.

- ❑ **Subsidise the costs for employers hiring Singaporeans aged 55 and above**
 - With government's encouragement, coupled with a tight labour market, more businesses, especially SMEs, are hiring older workers. Employers face higher medical and insurance costs from hiring older workers.

Recommendation 2:

Compliance cost of government policy should be minimised or avoided

□ Help businesses manage compliance costs

- Businesses continue to face high operating costs arising from manpower and rental expenses. Introduction of new regulations will involve additional compliance costs.
- When introducing new government regulations, government should engage businesses early to solicit feedback so that compliance costs can be minimised or avoided.

Recommendation 3:

Further widen coverage of PIC and ICV, and shorten the disbursement process

□ Continue to enhance PIC and ICV

- Allow SMEs to use ICV vouchers to undertake productivity improvement projects concurrently to speed up the pace of productivity improvement.
- To ease SMEs' cash flow, shorten the cash disbursement process of productivity schemes, in view that buying machinery/equipment involves a significant amount of upfront expenditure.
- Extend PIC (Cash Payout Option) to the Trade Associations & Chambers (TACs) given that they are an important partner with government to help industries transform. TACs need to upgrade their capabilities in tandem with this role.
- TACs can use PIC to support the purchase of machinery that can be commonly used by their members, in particular the smaller SMEs which could neither afford nor have the business volume to justify heavy investment on their own.

Recommendation 4:

Provide SMEs with cash grant to benefit from ASEAN market

□ Provide cash grant support to venture into ASEAN

- ASEAN is a natural market for our SMEs in their internationalisation effort. With the impending ASEAN Economic Community 2015, SMEs should be encouraged to be more proactive to seize opportunities from the combined ASEAN market.
- Small SMEs will find cash subsidies more useful compared to Double Tax Deduction as many SMEs have lean profit margins.

Recommendation 5:

Leveraging on large companies to build SMEs' track record

□ Further encourage government-linked companies/large corporations to create project opportunities for SMEs

- Incentivising government-linked companies/large corporations to create project opportunities for SMEs to participate in, hence building their track records.

Thank you