



FOR IMMEDIATE RELEASE

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Businesses are positioning for long-term growth amidst short-term challenges

- *70 percent cite global economic volatility as a major business concern but believe any slowdown is partly cyclical*
- *Large number of small businesses not using technology to drive business productivity*

Many businesses in Singapore are making plans to manage cost pressures and manpower challenges, even as the economy is expected to weaken this year. At the same time, investments in the future has not changed, with long-term growth plans going ahead.

Launched today, KPMG's pre-Singapore Budget 2017 report cites global economic volatility as a major business concern for 70 percent of businesses polled. The report also reveals that:

- **48 percent** cite rising costs as a major business concern.
- **45 percent** of all respondents are looking at new markets as a key business strategy.
- **36 percent** are looking to create new products and services in response.

Mr **Chiu Wu Hong**, Head of Tax at KPMG in Singapore, said: "While there is much trepidation among Singapore companies worrying about forecasts of gloom in 2017, we are heartened to see many thinking about the long term. They are preparing for the next upturn, and ready to heed the Government's call for the next phase of economic growth to be led by Singapore enterprises and brands. We believe that the Government can play a part in supporting this desire at Budget 2017."

Looking to the future

Just 30 percent of respondents are using technology to drive business productivity despite recognising the urgency to relook at their business processes, models and operations. Yet others say they do not know how to sustainably integrate new technology into their operations.

Said Mr Chiu: "Innovation is key to being successful in the digital economy. Surprisingly, not many businesses are bracing themselves for the rising competition from non-traditional rivals such as digital start-ups that are disrupting traditional industries.

Digitisation of businesses also require upfront capital investment and retraining of existing staff, and involves significant business risks. Businesses are starting to recognise this, but SMEs in particular need more help on their innovation journey."

Other key findings of the poll report are:

- **58 percent** indicate that broad-based R&D and innovation incentives with more flexible rules can to help them address the issue of business disruption.
- **57 percent** believe measures to ease business costs and regulations will be useful.
- **60 percent** say getting firms to internationalise is key to taking Singapore forward in the future.

Positioning for the long term

Several participants in related focus group discussions flagged the rise of geo-political tensions as a source of concern. Citing Brexit, US President-Elect Donald Trump's anti-trade stance and other forms of populist messages that have dominated headlines, many worry that trade will decline.

They are also worried about the political tensions between China and Southeast Asia, particularly with Singapore, and wondered if trade relations would be affected.

Poll respondents said that government support in broad-based incentives for innovation is critical, with 46 percent asking for more flexible rules for schemes to help with business disruption.

Mr Chiu said, "With countries the world over offering generous incentives for innovation, Singapore must ensure it continues to remain attractive to R&D investments. Innovation is not nurtured in a vacuum, but needs to be cultivated in a broad ecosystem of small and large businesses, academic institutions and research institutes. Countries around the world recognise this, and there is intense competition to attract and retain R&D.

Ensuring that there are good incentives to keep a strong pipeline of R&D activities is an important part of helping Singapore firms embrace innovation. This is critical to Singapore's future growth."

Echoing similar views, focus group participants praised the Productivity and Innovation Credit (PIC), a broad-based financial incentive scheme aimed at boosting productivity and innovation.

They would like the PIC to be extended for one year, as it encourages business to continue investment even in a downturn. Any alternative scheme to encourage investments during the downturn would be welcomed. Yet others proposed more generous training subsidies to encourage companies to reskill and upgrade existing workers and capabilities in preparation for the next upturn.

It has long been a clarion call for Singapore businesses to internationalise in search of growth. 60 percent believe that a greater focus on internationalising Singapore businesses is required to take our economy forward, with 68 percent believing that government measures to help them expand internationally will be most useful.

Mr Chiu said, "With its small domestic market, Singapore needs to develop a strong core of local enterprises that are anchored in Singapore while expanding abroad for growth."

KPMG pre-Budget wishlist is annexed.

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Note to editors

About KPMG pre-Budget 2017 poll report

“Building Enterprises of the Future” comes at a time when many firms are affected by a slowing economy, global macro uncertainties and technological disruption. It is a sobering period for many businesses but also offers some bright spots - providing fertile ground for seeds of a new economy to be planted.

This pre-Budget 2017 report examines what companies are doing in the midst of this challenging environment and what can be done to help them develop into enterprises of the future.

Over the course of November and December 2016, KPMG spoke to groups of business leaders to listen to their views on the economy and the problems they face. This is supplemented with a poll of 123 companies, including multinationals, large local corporations and smaller companies.

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