

THE SWEDISH BUSINESS CLIMATE SURVEY IN SINGAPORE 2018



Sweden
Sverige



Embassy of Sweden
Singapore



SWEDCHAM

Swedish Chamber of Commerce Singapore



BUSINESS
SWEDEN

 Sweden
 Sverige
TEAM SWEDEN

“The Umbrella organisation
promoting Swedish exports abroad”

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THE HIVE, NANYANG TECHNOLOGICAL UNIVERSITY, SINGAPORE

TEAM SWEDEN FOREWORD

The Swedish business community's history in Singapore is manifested by healthy trade relations and a strong local presence in the country. Singapore has traditionally been the natural entry point to Southeast Asia for Swedish businesses, and recent figures suggest that the majority of Swedish corporations in Singapore still act as regional headquarters.

Currently, there are around 250 Swedish corporations established in Singapore and their future looks bright. Singaporean market characteristics that fuel demand for Swedish products and services are an increasing purchasing power, combined with an ageing population, urbanisation and demand for high technology and sustainable solutions.

Team Sweden's continuous ambition is to underpin continuous strong relations, by furthering the common interests of letting Swedish enterprises develop and prosper in Singapore. With this report, our aim is to shed some light on to what values that the Swedish businesses community brings to Singapore and which factors that will keep Swedish businesses in the country.

In the light of the Swedish Singaporean historic relations, it is encouraging to see that most Swedish businesses present today do well in Singapore. The Swedish Business Climate Survey of 2018 shows that growth and employment projections look good, with three quarters of the Swedish business community counting on maintained or increased revenue during the coming years.

The study nonetheless implies a slightly sliding scale for Singapore's relative attractiveness in the region. The rapid development of neighbouring markets naturally presents a multitude of opportunities, where Singapore's position as the natural hub is at the same time both gaining importance and being challenged. In this context, it is vital to support the international business community in Singapore, granting it terms that will facilitate its abilities to grow.



Emil Akander
Trade Commissioner Singapore,
Business Sweden



Håkan Jevrell
Ambassador of Sweden
to Singapore



Jan Stjernström
President, Swedish Chamber
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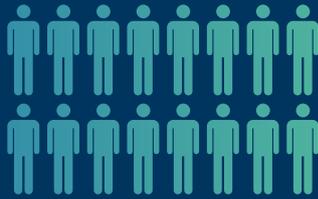
Jan Stjernström
President, Swedish Chamber
of Commerce Singapore

EXECUTIVE SUMMARY

76 respondents out of 205 companies

60% of the respondents are global corporations

8,000 to 12,000 employees in Singapore



#2 best country for doing business, according to the World Bank

Sweden and Singapore share the 6th place among the least corrupt countries in the world



Industrial
GOODS

Energy



Technological
Equipment &
Communications

70%



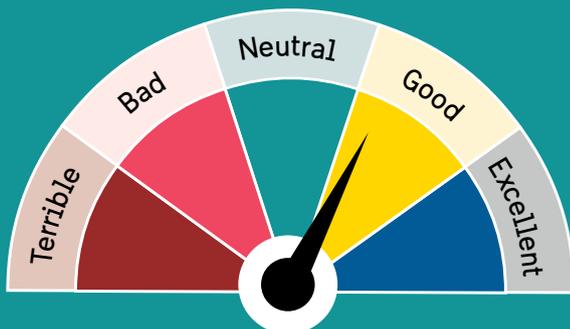
of Swedish companies believe sales will increase in Singapore the coming three years

90%



of Swedish companies believe sales will increase in the ASEAN region the coming three years

BUSINESS CLIMATE IN SINGAPORE



INVESTMENT FOCUS FOR SWEDISH BUSINESSES

- ✓ B2B Marketing & Sales
- ✓ Skills Development & Training
- ✓ Sustainability
- ✓ Research & Development

MARTIN GLAUMANN



MARTIN GLAUMANN

Market Area Director
Southeast Asia,
Business Sweden



Singapore has for centuries been a commercial centre with its strategic position on the edge of the Malacca peninsula. This inaugural business climate survey shows that Swedish companies still consider Singapore as the natural hub to explore the fast growing Southeast Asian markets. For sure, Swedish companies have a lot to offer to support the ASEAN region's rapid development with innovative technology and sustainable solutions within infrastructure, manufacturing and retail. However, at the same time as Singapore is gaining in importance it is also being challenged in its position. It will be important for Singapore to continue to offer a competitive business climate.



Nearly 90 per cent of the Swedish companies in Singapore believe that they will increase their sales in the ASEAN region in the coming three years. These are good numbers and show the potential of the South East Asia and Singapore. Singapore is a hub for Swedish companies to seize market shares in the ASEAN region. Sure, it takes time. Building relations with stakeholders and potential clients is key. However, if you manage your relations well and show that you are reliable and trustworthy there is great potential to be profitable in the region.



HÅKAN JEVRELL



HÅKAN JEVRELL

Ambassador of Sweden
to Singapore

MACRO ECONOMIC DEVELOPMENT

Singapore has a strategic geographical position with half of the world's total trade volumes passing through the Strait of Malacca. Subsequently and through diligent efforts, Singapore has the world's second largest container port and one of the world's largest refinery capacities. Adding to this, the airport offers excellent connectivity around the globe. Being a global trade hub, Singapore's economy is closely linked to the state of the world economy.

In Singapore's favour is the long growth fuelled by many of the countries in the surrounding ASEAN region, making the region a major economic force in Asia and also an important driver of global growth. With a population of over 650 million and an economy of \$2.6 trillion, the World Economic Forum predicts ASEAN to be the fifth largest economy in the world by 2020. The realisation of the ASEAN single market: AEC gives the region even further advantages as one of the most competitive economic communities in the world.

On a more negative note, the protectionist agenda of the US and the trend of inward-looking policies in many countries around the world have a dampening effect on world trade. In the long run, trade opposing policies may reduce investments in Singapore due to the uncertainty they cause. However, there are counter activities lessening the protectionist effects. An EU - Singapore Free Trade Agreement is under way and the rapid growth of many of the neighbouring countries generate positive effects on the Singaporean economy as well.

In terms of the geo-political situation in the area, it has not developed in a favourable direction. As Singapore acts as the gateway to many of the countries in region, less stability will in the end lead to fewer investments in surrounding countries and a decreased need for a strong presence in Singapore.

Among other factors affecting the Singaporean economy is the fact that the country is currently experiencing the same characteristics as many western economies, with challenging demographics and moderate growth. Singapore's growth did however reach 3.6 per cent last year and projected growth for 2018 is 3.2 per cent. The government is currently pursuing several policies to promote innovation and entrepreneurship. Among other things, the nation has expressed an ambitious vision to become the world's leading smart nation, furthering investments in connectivity, sustainable city planning and high-tech solutions.

Concluding Singapore's economic outlook: even though the oil and gas markets are in disarray, Singapore has shown a strong increase in growth during 2017, the government is addressing the structural weaknesses of the economy and projections look good. The future will tell when and if Singapore converges to Western growth levels.

SEAN YOKOTA

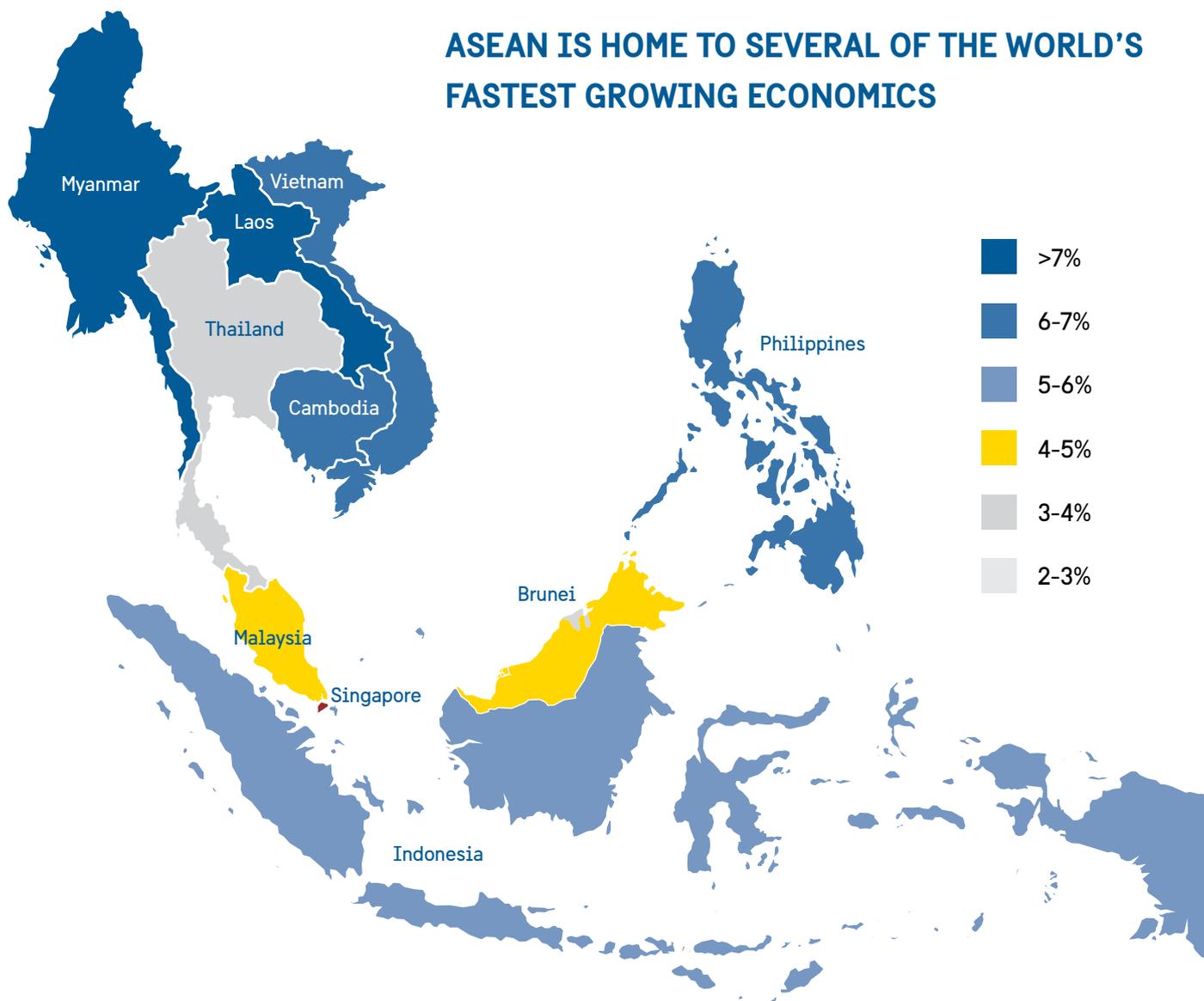


SEAN YOKOTA
Head of Asia Strategy
SEB Singapore

Singapore is the gateway for Swedish businesses into the growing ASEAN market. Singapore was doing well before the 2008 global crisis. After that Singapore had a downturn and refocused on quality of growth rather than the quantity. Singapore's growth picked up during 2016 and last year's GDP growth was 3.6 per cent. Singapore has still a lot of potential to grow. The neighbouring countries are growing rapidly which fuels Singapore's economy. Business opportunities in the region are growing. We see that many countries are opening up and making doing business easier.



ASEAN IS HOME TO SEVERAL OF THE WORLD'S FASTEST GROWING ECONOMICS



THE SINGAPORE MARKET THROUGH A GLOBAL LENS

INTRODUCTION

The Swedish Business Climate Survey should be seen in the light of other influential studies and indexes. On a general level, Singapore's position as top-tier in terms of friendliness towards business cannot be questioned. Moreover, Singapore's educational system tops world rankings and the country is also home to a vivid start-up scene. However, restrictive labour regulations and talent shortages do surface as obstacles going forward.

EASE OF DOING BUSINESS 2018

The World Bank has in its report: "Ease of Doing Business 2018", ranked Singapore the second best country in the world for business. Singapore is especially credited for improving the country's importing and exporting capabilities by investing in infrastructure and electronic equipment related to Singapore's port. Furthermore, Singapore is praised for implementing a new legal framework that makes it easier to resolve insolvency. This scheme allows for restructurings made quickly and cost-efficiently.

GLOBAL COMPETITIVENESS INDEX 2017-2018

The "Global Competitiveness Index 2017-2018", administered by the World Economic Forum, ranks Singapore as the third most competitive country in the world. Singapore is applauded for having good institutions, infrastructure and health and educational systems. Nonetheless, Singapore lags behind when it comes to innovation and business sophistication. In addition to this, the report points out that restrictive labour policies make up one of the most problematic factors for businesses in Singapore, followed by an insufficient capacity to innovate and a shortage of adequately educated workforce.

CORRUPTION PERCEPTIONS INDEX 2017

Singapore shares ranking with Sweden in the "Corruption perceptions index 2017" carried out by Transparency International. The organisation places Singapore and Sweden on a shared sixth place on the list of the least corrupt countries in the world.

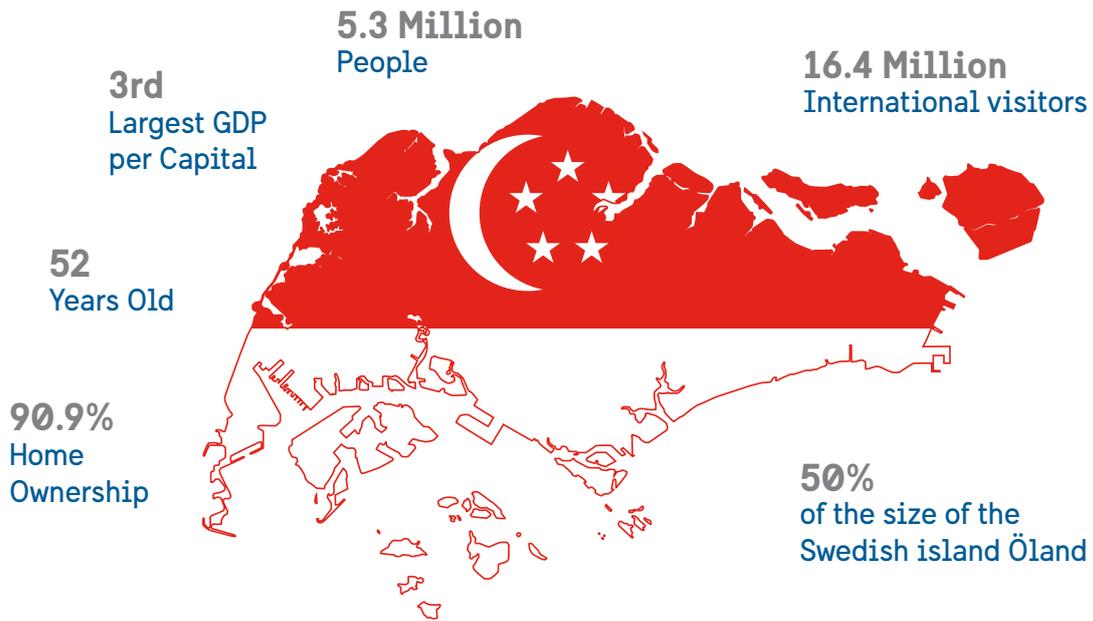
THE NATIONAL BUSINESS SURVEY 2017/2018

According to the "Summary of the National Business Survey 2017/2018" carried out by The Singapore Business Federation, 36 per cent of the Singaporean businesses are satisfied with the current business climate, an increase from the year before by 16 per cent. 29 per cent said they were dissatisfied and 34 per cent were neutral. 68 per cent of the companies also thought that the business conditions in Singapore had either improved or stayed the same.

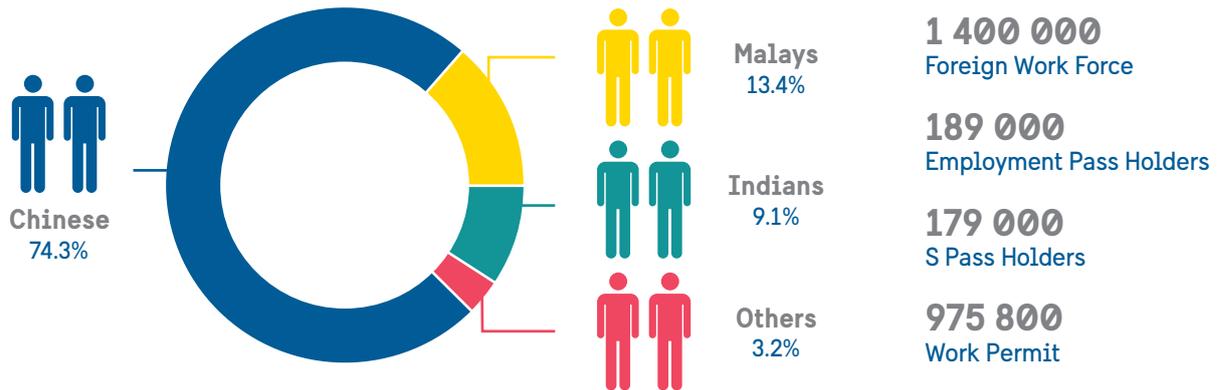
The survey also showed that companies' main concerns are hiring people with the right skills/ attitudes followed by cost of operations. The report summarizes the situation by saying that "There is an acute shortage of skilled labour in some industries".

Singaporean businesses have a strong presence in China, Malaysia and Indonesia followed by Vietnam and Thailand. Asking Singaporean businesses about their future plans, Myanmar surfaces as the most popular county for expansion, followed by Vietnam and Indonesia.

SINGAPORE IS ONE OF THE SMALLEST BUT RICHEST COUNTRIES GLOBALLY



SINGAPORE HAS A DIVERSE POPULATION



A REGIONAL HUB FOR INTERNATIONAL TRADE AND A STEPPING STONE TO THE SURROUNDING COUNTRIES

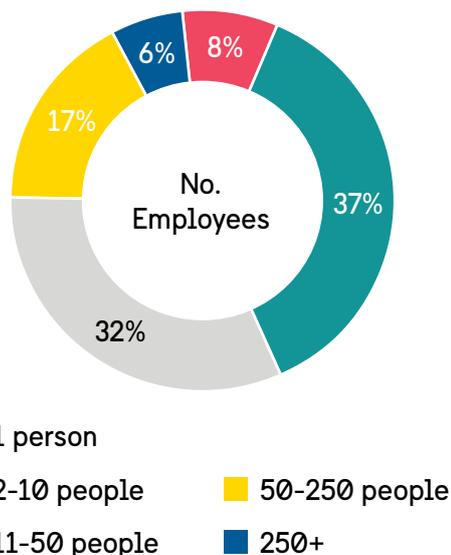
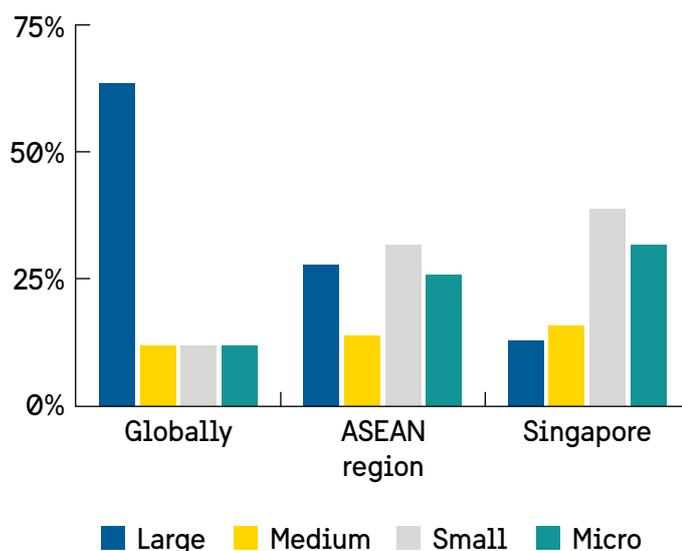


THE SWEDISH BUSINESS FOOTPRINT IN SINGAPORE 2017/2018

CORPORATE SIZE AND EMPLOYEES

65 per cent of the responding companies are large corporations on a global scale, defined as having over 250 employees or a revenue of at least US\$ 62.5 million ~ SGD 81.8 million. Roughly one third of the Swedish enterprises have a strong presence in the ASEAN region and most run their operations with a modest Singaporean representation. 40 per cent manage with a small local business. Only one in eight of the Swedish companies have large operations in Singapore and roughly one in six have medium sized operations. Assessing from the survey, the total number of employments that Swedish businesses contribute with in Singapore should be around 8,000 – 12,000 people of which only a smaller fraction, less than 3 per cent, are Swedes.

Corporate Size

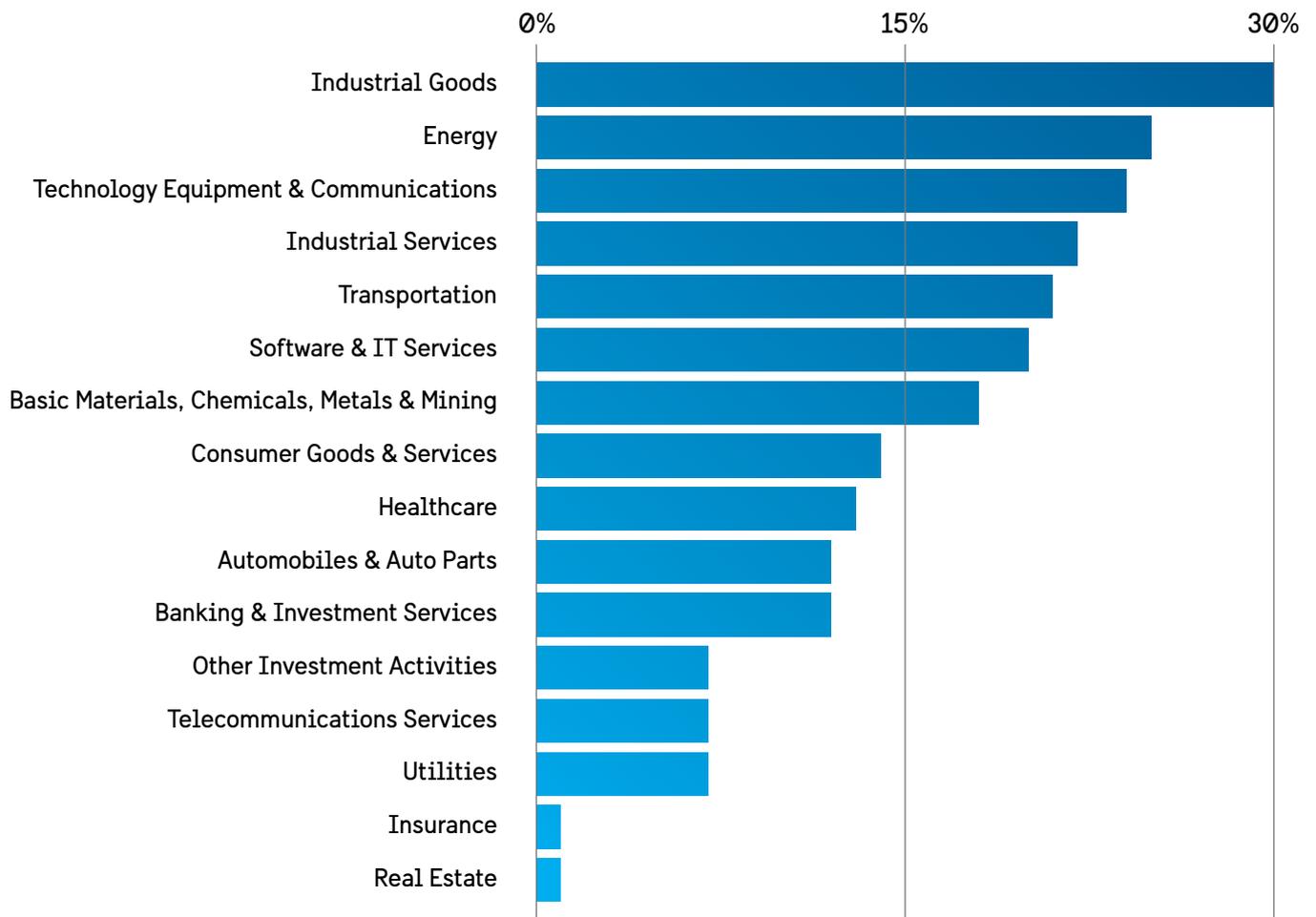


SECTORS AND OPERATIONS

Most of the Swedish companies in Singapore work with industrial goods, serving the energy sector or with technology equipment and communications.

Perhaps not surprising, close to 70 per cent of the survey respondents state their Singaporean operations focus on B2B sales and marketing. A little less than 40 per cent carry out overall management activities and nearly 30 per cent also provide services such as consultancy, financial, logistics services etc. One fifth of all Swedish companies operate research and development facilities and, naturally, very few Swedish companies have manufacturing in Singapore.

SECTOR PRESENCE



OPERATIONAL FOCUS



THE BUSINESS CLIMATE IN SINGAPORE 2018

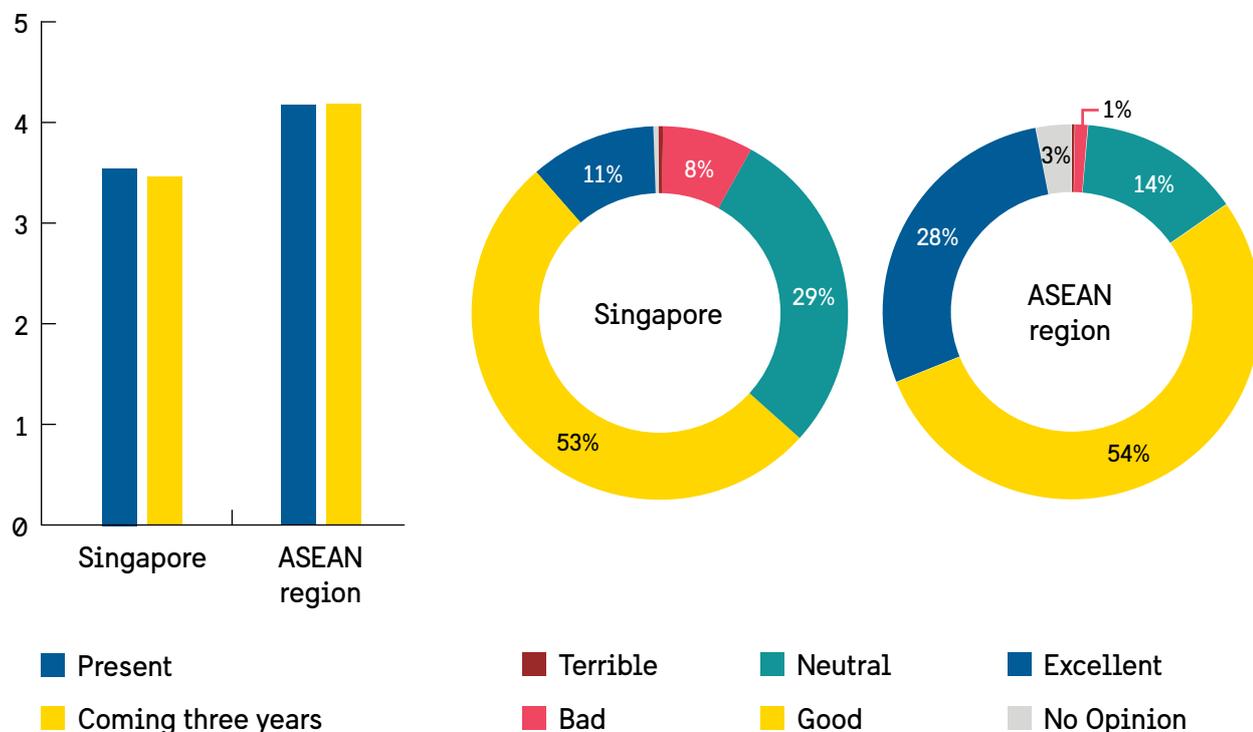
CURRENT BUSINESS CLIMATE

In general, Swedish businesses have a positive view on the current business climate in Singapore. On average, Swedish companies give Singapore a rating of 3.7 on a five-grade scale, in-between neutral and good with a slight overweight towards good. A majority of the Swedish businesses views the business climate in Singapore as either good: 53 per cent, or excellent: 11 per cent. 29 per cent consider the climate to be neutral. A mere 8 per cent think the climate is poor and no one considers the business climate in Singapore to be terrible.

There are some discrepancies in perceptions between sectors but it is hard to generalize as observations become too few. Although there are no substantial differences between sectors, it is possible to isolate the banking and investment sectors as having the most positive assessments of Singapore's current business climate.

Broadening the perspective to include the regional markets, it is clear that the view on the business climate reflects the macro economic outlook for the region. Compared to Singapore, the ASEAN region gets a 0.4 point higher average score. 25 per cent of the Swedish companies consider the ASEAN region to have an excellent business climate and only a small fraction, around 2.5 per cent, consider the region's business climate to be poor.

BUSINESS CLIMATE RATING



CURRENT SALES TRENDS

75 per cent of the Swedish companies in Singapore report stable or increased sales since last year, both in Singapore and in the ASEAN region.

Around 46 per cent of the survey respondents have increased their sales in Singapore and close to 57 per cent have seen an increase in sales in the ASEAN region as a whole. Around one third report stable sales compared to last year and around one fourth have experienced a decrease in sales in Singapore. 11 per cent of the Swedish corporations testify to decreased sales in the ASEAN region.

Decreasing sales trends were reported from companies that produce Industrial Goods, work with Transportation or Technology Equipment & Communications. The results are however not representative for the sectors in general. On the contrary, several of the corporations that reported having increased their sales were found within the Industrial Goods and Technology Equipment & Communications sectors. Moreover, looking at the ASEAN level, no company within the Technology Equipment & Communications sector experienced any decrease in sales. Quite the opposite, these companies represent among the strongest sales trends.



HORST WASEL
Vice President, Atlas Copco Holding SE-Asia



Last year, Atlas Copco had a positive growth in the region and coming out of Q1-2018 we still see a strong growth and further opportunities. The economy is giving the market a nice tailwind, there are not too many places in the world that experience a GDP growth of over 6 per cent.

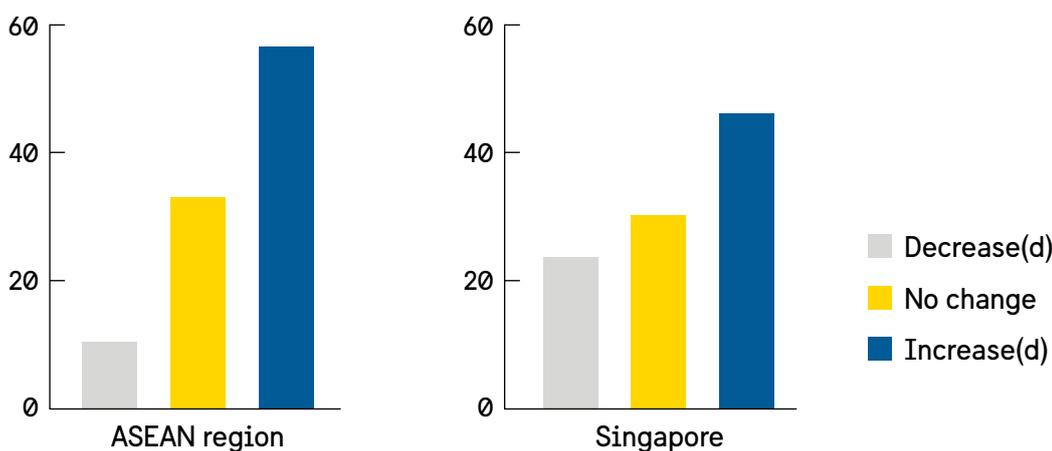
Our customers recognize the favourable development as well and more investment projects are on the way in the region. Atlas Copco currently has around 1,100 employees in Southeast Asia and our ability to grow is strongly related to getting more talented people on board. Over the past years, we have increased our

total staff in the region with on average 7 per cent annually and we focus on hiring local people.

Going forward, the digital transformation is and will become more important to us and our customers. We have to face these challenges. Atlas Copco is operating in the region since many years, our Philippines operations just celebrated 50 years in the country. Companies entering the region now should keep in mind that this is a marathon, not a sprint race. My advice is always to start early and make sure that you are prepared for a few moments of hitting the wall during the race.”



CURRENT SALES DEVELOPEMENT COMPARED TO LAST YEAR



OUTLOOK 2018-2021

FUTURE BUSINESS CLIMATE

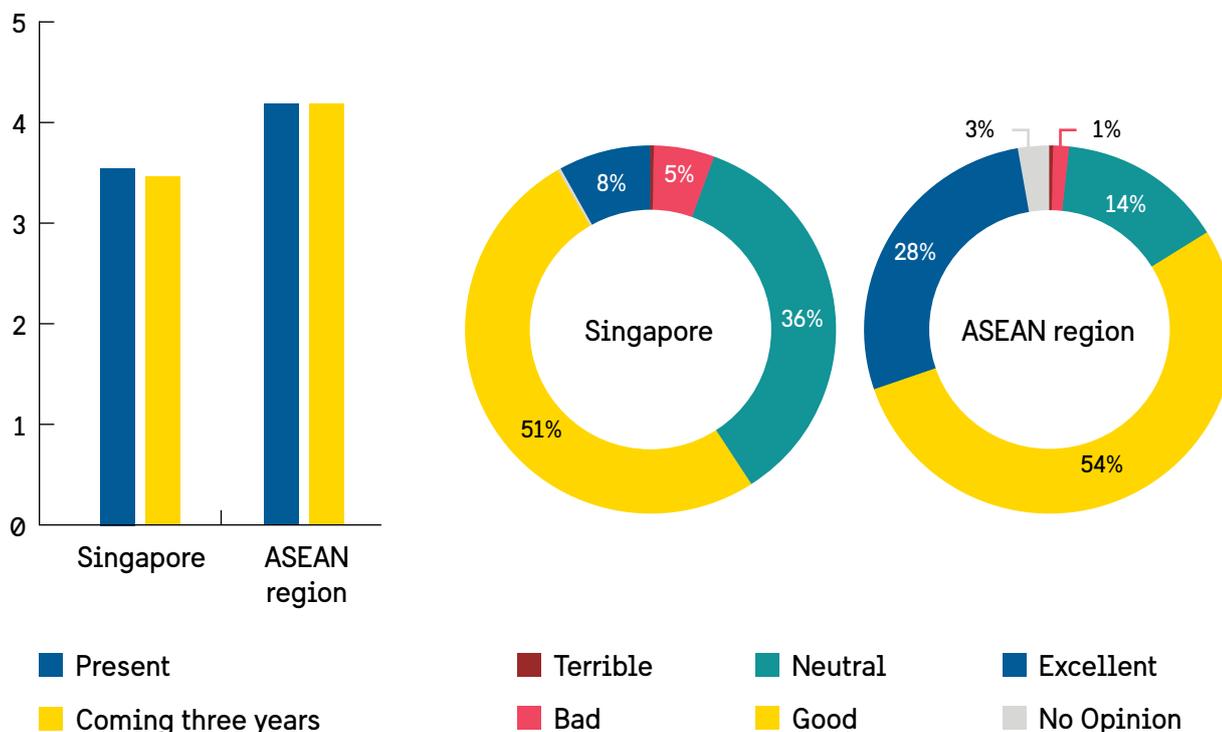
Looking at how Swedish companies regard the business climate for the coming three years, very few anticipate any dramatic changes. In general, the Swedish companies expect the business climate in Singapore to continue to be favourable. This view is widely established; there is not a large difference in the distribution of answers.

The sentiments expressed in the survey largely reflect Singapore's positive ratings in international rankings and reports: naming the country one of the most business-friendly countries in the world. The room for improvements is therefore arguably limited and the macroeconomic situation does not point towards any radical changes in Singapore.

On a more negative note, Swedish companies do not believe that the issues of stricter employment regulations and augmented price levels are going to lose significance in the near future. When asked about what measures going forward that Singapore could take to keep its position as a regional hub, the survey respondents predominantly mentioned actions to facilitate access to talents and bringing in competence from abroad.

Several of the neighbouring countries are becoming increasingly more stable, facilitating for business at the same time as investments in infrastructure are accelerating and hinders towards foreign investment are relaxed. Against this backdrop and given that many neighbouring countries experience high growth, it is perhaps quite surprising that Swedish businesses do not expect the business climate in the ASEAN region to change in the coming years.

BUSINESS CLIMATE RATING



FUTURE SALES TRENDS

Overall, Swedish companies display very positive sales projections for the next three years. Over 70 per cent of the Swedish business community believe they will increase their sales in Singapore and nearly 90 per cent believe that they will increase their sales in the ASEAN region. Due to the sample size, it is hard to draw any conclusions from the survey concerning differences between sectors, however it is clear that the positive outlook assessments prevail regardless of corporate size.

The sales projections give some nuance to the previously illustrated perceptions of the business climate in Singapore. Although Swedish companies believe that the climate will remain unchanged as such, they also believe that they will make more money. This, it could be argued, reflects the underlying favourable business climate and can be credited to Singapore’s largely forthcoming attitude towards business.



BOB AUBREY
Chairman Human
Resource Committee
European Chamber of
Commerce Singapore



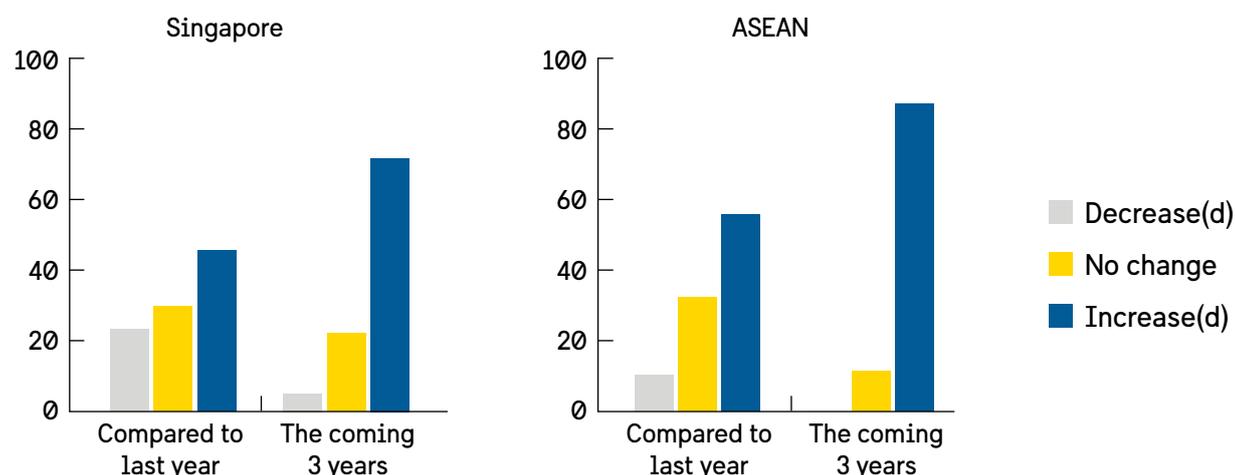
Our Members, many of whom are regional HR leaders for multinational companies, express concerns primarily linked to increased difficulties in getting passes for their employees approved.

EuroCham Members do not always find the talent they need from the Singapore workforce and the process of posting jobs before hiring expatriate talent takes too long to fill needed jobs. Moreover, Members who run high potential talent programmes find it impossible to get work passes for non-Singaporean talent who need to get training and work experience in regional headquarters. Adding to this, our higher education Members reported that graduates consider Singapore a less attractive place to look for work due to restrictions. Ultimately, the possibility that restrictions will continue or get worse, is leading companies to look for alternative locations for managing their regional talent.

Within the past 12 months, the EuroCham HR Committee has practiced constructive dialogue with the Singapore government and we feel that our concerns are taken into account. In particular, our dialogues indicated that the Singapore government is working on initiatives to maintain the attractiveness of Singapore for talent and students that match the strategic workforce goals of the country. In general, our Members support the initiative of the Singapore government to provide training and employment mobility for its citizens and to anticipate the changes in work coming from the digital economy.



CURRENT SALES DEVELOPEMENT COMPARED TO LAST YEAR



OUTLOOK 2018-2021

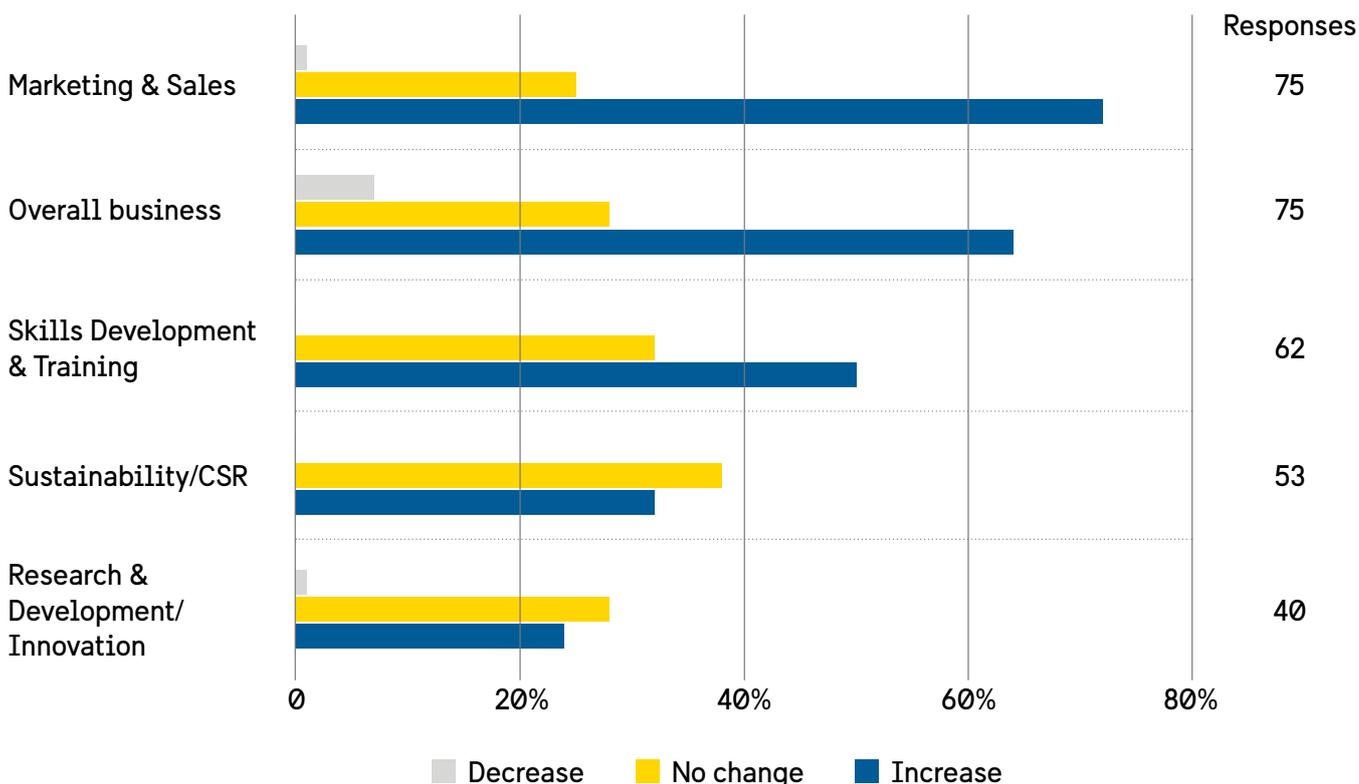
INVESTMENTS IN BUSINESS OPERATIONS

In the coming three years, the majority of Swedish companies will increase their overall operations in Singapore. Around 30 per cent will neither increase or decrease their overall operations and 7 per cent aim to decrease their overall activities in Singapore. The answers do not differ widely across company sizes.

The increase in overall operations will mainly be driven by increases in marketing and sales activities and within skills and development training activities. 80 per cent of the globally large Swedish companies aim to increase their marketing and sales operations. Interesting enough, Swedish businesses also mention research and development and sustainability among the areas of increased interest and focus. A significant share of the Swedish business community claims they will invest in these areas going forward.

Back office functions and manufacturing functions are naturally among the ones that companies will decrease in the coming years. 12 per cent of the 60 corporations that report having back office functions in Singapore will reduce these operations in Singapore. When it comes to manufacturing, 3 per cent of the Swedish manufacturing companies will reduce their manufacturing operations in Sweden, and this figure rises to 7 per cent when the large corporations are asked.

INVESTMENTS IN BUSINESS OPERATIONS





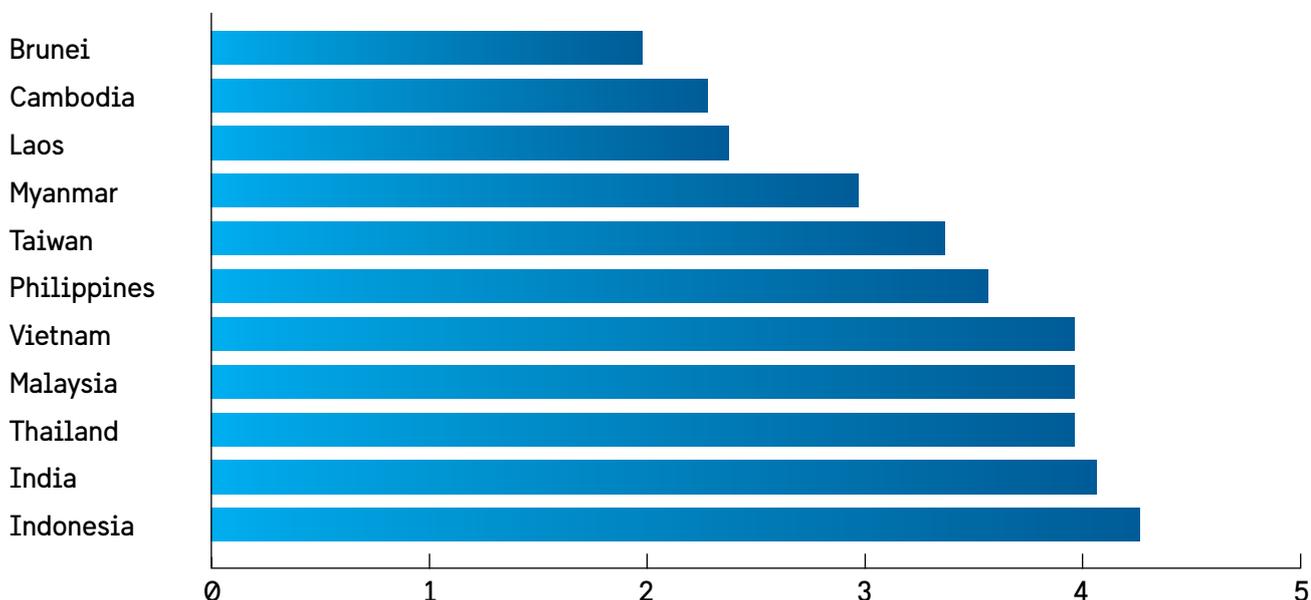
OUTLOOK 2018-2021

MARKET INTEREST IN THE REGION

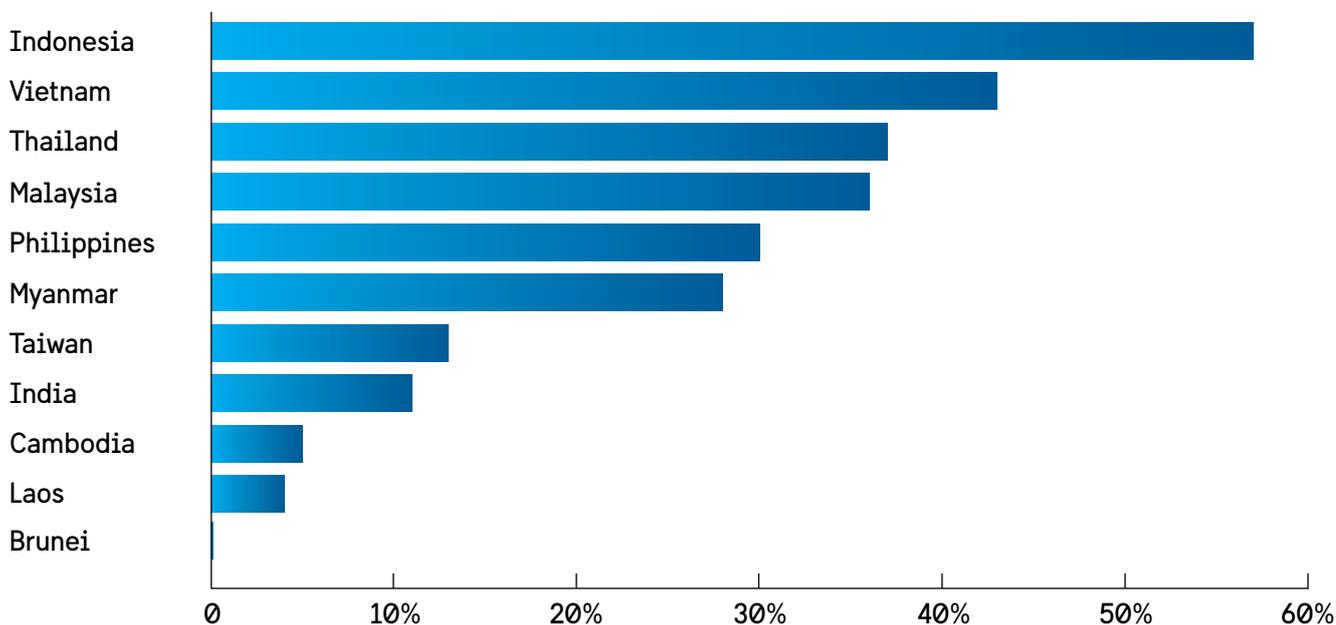
When asked about their interest for the neighbouring markets, the Swedish business community ranks the following countries as the top five most interesting countries in the region: Indonesia, India, Thailand, Malaysia and Vietnam.

Looking closer however at the countries receiving marks as “highly interesting”, the picture shifts somewhat. Indonesia remains in the top with close to 60 per cent of the Swedish companies regarding the country as “highly interesting” however Vietnam moves from fifth to second position with 40 per cent considering its market as “highly interesting”. In contrast, India, that on a general level was regarded the second most interesting country was only regarded “highly interesting” by 25 per cent of the Swedish business community.

OVERALL RATING MARKET INTEREST



HIGHLY INTERESTING COUNTRIES



ANDERS WICKBERG



ANDERS WICKBERG
Trade Commissioner
Indonesia, Business Sweden

We do see a growing interest for Indonesia from Swedish companies in general, from both a sales and an investment perspective. With close to half of total ASEAN-6 GDP, the pure size of the market can of course not be ignored. Massive investments in infrastructure, including e.g. Energy, ICT, and Transport, a Mining sector that is currently investing heavily, a new 4.0 roadmap for the manufacturing sector, and a middle class growing with one Singapore, 5+ million people per year, provide multiple opportunities.

On the regulatory side, the Indonesian government has since 2015 launched more than 15 economic packages to improve business climate, which has helped propel Indonesia from 109 to 72 on the World Bank Ease of Doing Business ranking in the last three years alone. That is an impressive achievement that shows the government's commitment. While many things still remain to be done, we are confident that the growth potential for Swedish companies will only accelerate in the coming years. Even with decent growth numbers for many Swedish companies, few are reaching their full potential in Indonesia today.



Vietnam has over the past two decades witnessed stable economic growth of more than 6 per cent per year. This has resulted in a burgeoning middle class which is expected to grow from 12 million persons in 2012 to 33 million persons in 2020. At the same time, Vietnam offers good manufacturing infrastructure and competitive wages, making Vietnam very attractive for sourcing. Thirdly, Vietnam's plans to invest heavily in infrastructure present tangible opportunities for Swedish companies.

BJÖRN SAVLID



BJÖRN SAVLID
Country Manager Vietnam,
Business Sweden



CONCLUSIONS

Concurring with the international business community, Swedish companies appreciate that Singapore is a country where it is easy to do business. Few countries, if any, can offer a better developed financial sector and the stable political situation ensures predictability.

It is also evident that the geographical location of Singapore, being the gateway to the ASEAN region, is vital for the attractiveness of Singapore to international businesses. Despite the business community's concerns regarding the regulated labour market and cost levels being permanently high, Singapore's stability, efficiency and the relatively high availability of skilled personnel still make Singapore the number one regional hub.

Singapore's position is however not unthreatened going forward. The Swedish corporate community does have its concerns. On a general level in regards to the cost of doing business, but an important and prevalent factor is also the perceived difficulties in getting work permits approved thereby accessing foreign talent. Even though access to skilled personnel is better in Singapore compared to the region, it is still far from sufficient. Businesses claim they struggle to find local talent at the same time as they are hindered from employing non-Singaporeans to fill their vacancies. As these views are also echoed by EuroCham and in the Global Competitiveness Index and The National Business Survey in Singapore, they should not be taken lightly.

A SPECIAL THANK YOU TO SWEDCHAM'S PARTICIPATING PARTNERS:

Main Partners



Partners



ABOUT THE SURVEY

The Swedish Chamber of Commerce Singapore (SwedCham) alongside with Business Sweden and the Embassy of Sweden in Singapore have jointly carried out a survey study among Swedish companies in Singapore. According to Team Sweden's assessment, there are around 250 Swedish Companies present in Singapore. Eliminating group functions in corporate structures, 205 companies were invited to participate in the survey. In total, 76 out of the 205 companies responded to the survey. To further assess the current and perceived future business climate in Singapore, several in depth interviews have also been conducted, with business executives, chief economists and business consultants.

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