Are you ready to turn today's challenges into opportunities?

ASEAN SME Transformation Study 2020: 1,000 regional SMEs share how they are responding to COVID-19 and becoming future-ready

UOB

accenture

dun & bradstreet

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Foreword

The start of the new decade has brought about significant challenges for ASEAN's small and medium-sized enterprises (SMEs).

Already having to cope with headwinds from geopolitical uncertainties, SMEs are now grappling with the unprecedented economic, business and social impact of the COVID-19 pandemic. As a result, global growth has contracted sharply and many SMEs are struggling to stay afloat in these challenging times.

To help SMEs see through to calmer waters, governments and financial institutions in ASEAN are offering lifelines to SMEs in the form of grants, loans at reduced interest rates and wage support schemes. Other stakeholders in the business ecosystem, from industry associations, banks to technology firms, have also stepped up to help SMEs navigate through the uncertainties.

While managing cash flow is an immediate priority for many SMEs, it is imperative that they continue to deepen their internal capabilities through technology, so that they can emerge from COVID-19 stronger. While some business plans have taken a back seat while SMEs manage immediate priorities, many are using the current turmoil to ensure their long-term competitiveness and to be ready for the "new normal" in a post-pandemic world.

COVID-19 has accelerated the shift to digital technologies. As such, ASEAN SMEs are focusing their attention on digital transformation as a way to drive online revenue streams amid COVID-19. By doing so, SMEs will be able to weather the crisis better and be well-positioned for the digital future – a future where technology has reshaped the ways in which businesses and individuals operate, work, live and play. This will also help SMEs to stay ahead of the competition.

To help ASEAN SMEs gain insight into the strategies their peers are taking to ensure the survival of their business amid COVID-19 concerns, United Overseas Bank (UOB), Accenture and Dun & Bradstreet (D&B) have collaborated on the ASEAN SME Transformation Study 2020.

SMEs across five key ASEAN countries – Indonesia, Malaysia, Singapore, Thailand and Vietnam – were surveyed. The insights were gained from two surveys with 1,000 SMEs conducted before and during the COVID-19 pandemic in July 2019 and May 2020, respectively.

The report explores other areas including their investments, the relationship between SMEs and their financial providers, as well as their preferred sources of financing. It also identifies potential opportunities for ASEAN SMEs to help them prepare for economic recovery.

SMEs comprise at least 97 per cent of businesses across ASEAN[1] and are the region's growth engine. As their operations resume post-COVID-19, we hope that the insights in this report provide a helpful guide as they make long term plans to seize business opportunities and to achieve sustainable growth. We look forward to continue supporting ASEAN's SMEs and to help them realise their growth ambitions.

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ASEAN SME Transformation Survey 2020

Vietnam is the Chair of ASEAN for 2020.

This section provides insights into the priorities, challenges and plans that SMEs have for the year based on the findings of the ASEAN SME Transformation Survey 2020.

We conducted interviews with 1,000 SMEs across Indonesia, Malaysia, Singapore, Thailand and Vietnam, with equal representation from each market. The survey was done at two points in time – the first in July 2019 and a follow up in May 2020 to understand the impact of COVID-19 on SMEs.

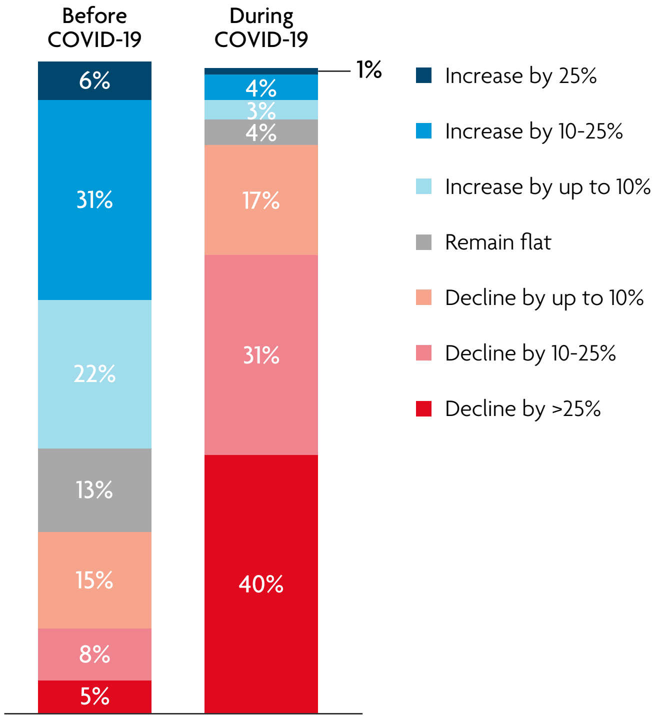
The survey also outlines SMEs' expectations of ecosystem partners such as banks, technology vendors and government agencies when supporting their operational needs and business growth.

Revenue expectations for 2020

Given the far-reaching and extended impact of COVID-19, it is not surprising that almost nine in 10 SMEs (88 per cent) surveyed expect a decline in revenue in 2020. Thai SMEs were the most pessimistic about their outlook for the year while Singaporean SMEs were the most optimistic.

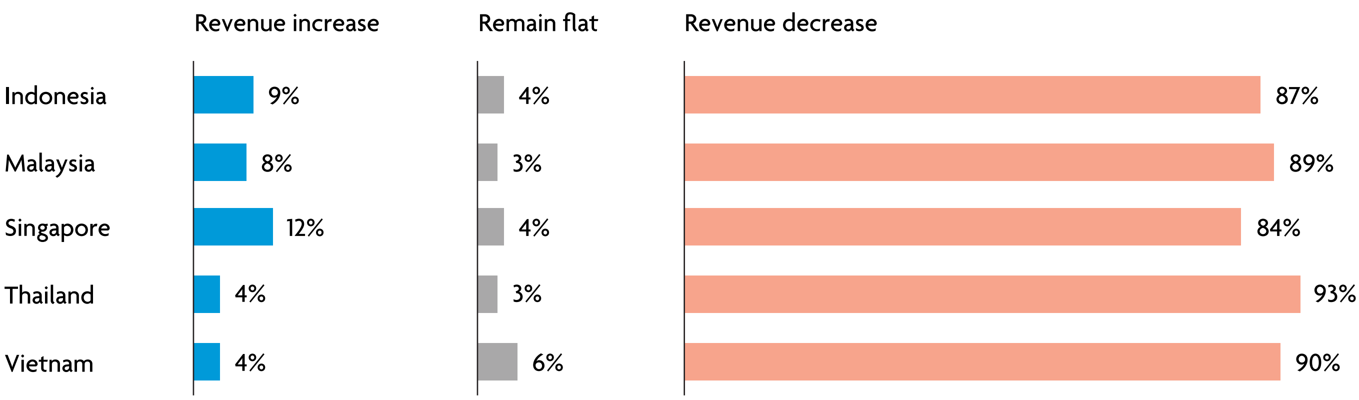
The pessimistic outlook held by ASEAN SMEs is a stark contrast to their sentiment at the end of 2019, where 60 per cent anticipated that their revenues would increase.

Figure 1: Change in revenue expectations from 2019 (before COVID-19) to 2020 (during COVID-19)



Source: ASEAN SME Transformation Survey, 2020
Note: All subsequent figures are similarly sourced, with n=1,000, unless otherwise stated. Please refer to demographic details in the Appendix.

Figure 2: Revenue expectations among SMEs in each market during COVID-19



Business challenges in 2020

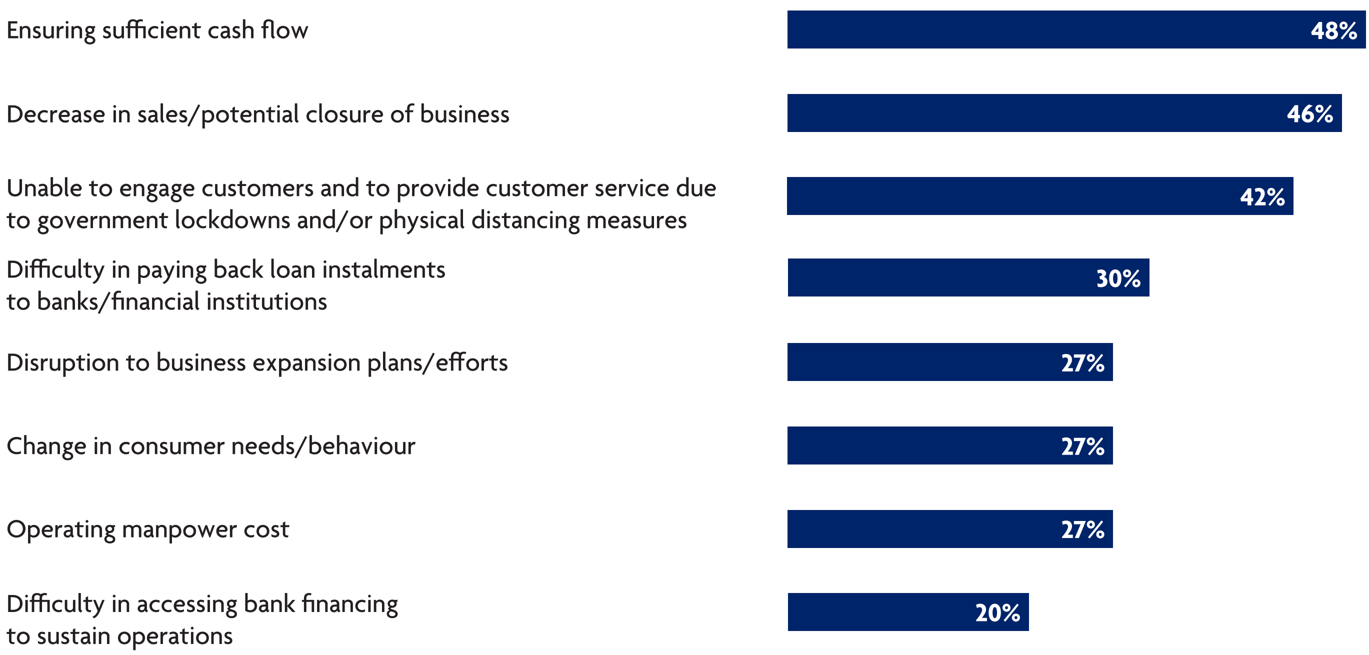
To combat the spread of COVID-19, governments across ASEAN implemented various safe distancing restrictions on the way business could operate. These measures resulted in the disruption of normal operations for many SMEs, with many forced to close their doors and/or to seek new ways to make their businesses work.

The biggest concern among the SMEs surveyed in May 2020 is maintaining their cash flow as they weather the impact of COVID-19.

This is particularly pressing for SMEs in Malaysia (57 per cent) and Singapore (55 per cent), who were more concerned than their regional peers. On the other hand, Thai SMEs were the least concerned about their cash flow, with only 37 per cent expressing that it is a challenge.

The second biggest area of concern by ASEAN SMEs is a decrease in sales forcing the eventual closure of their business. This concern was felt most acutely by SMEs in Indonesia (52 per cent) and Malaysia (51 per cent).

Figure 3: Immediate business concerns



Coping with their challenges

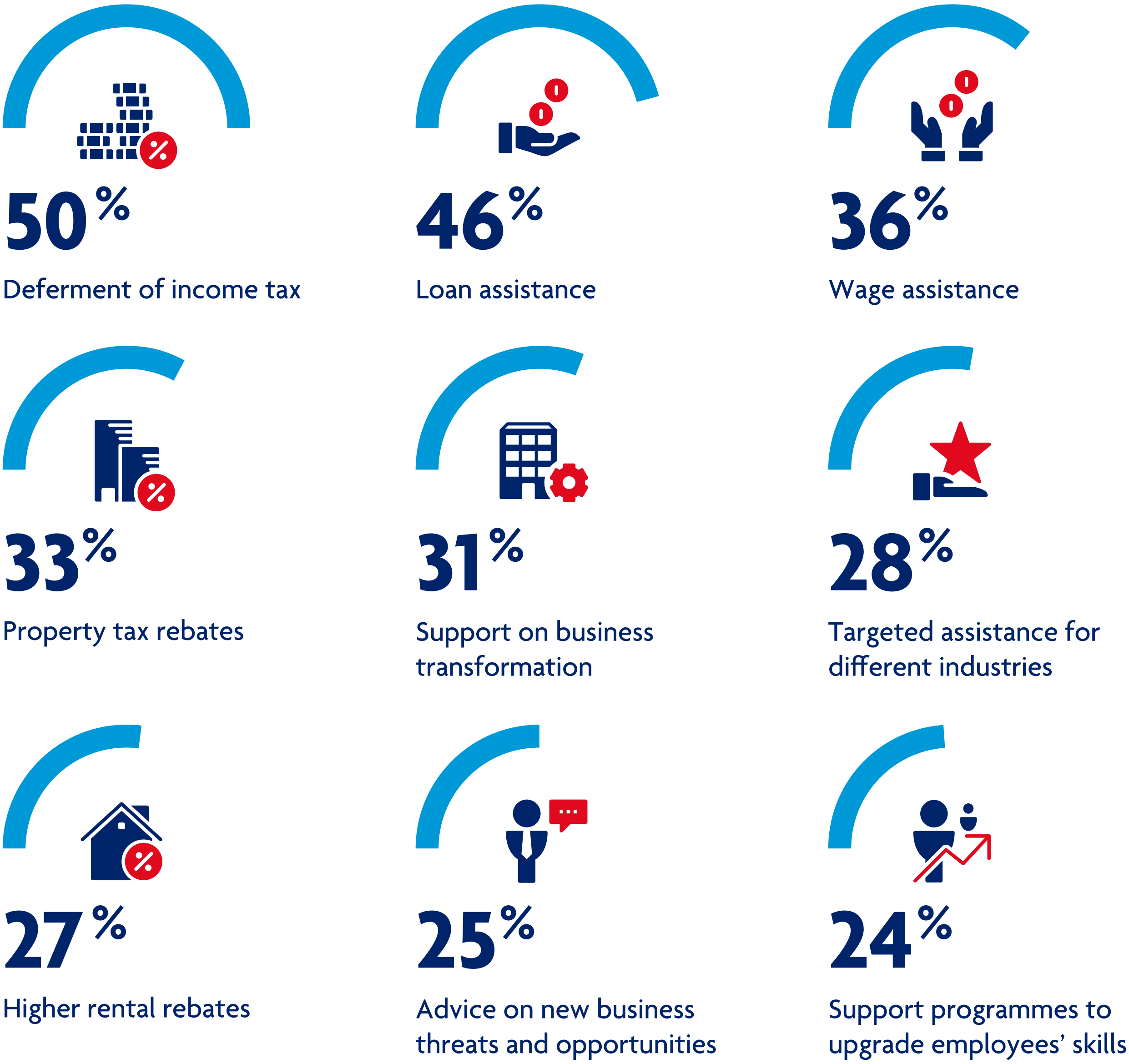
To help ASEAN SMEs cope with the disruption to their business, governments across ASEAN have rolled out various initiatives aimed at helping SMEs to stay afloat.

Most SMEs are generally satisfied with the COVID-19 relief measures from their respective governments, with more than one in two (58 per cent) expressing this sentiment.

SMEs in Singapore (72 per cent) and Vietnam (68 per cent) were the most satisfied with the relief measures while those in Thailand (47 per cent) and Indonesia (45 per cent) felt that more could be done for them.

Among all the government-led COVID-19 relief measures, ASEAN SMEs valued the ones which could help with their cash flow the most.

Figure 4: Preferred COVID-19 relief measures from their governments



As part of managing their cash flow pressures, ASEAN SMEs are focused on reducing their costs by increasing their efficiency over measures such as reducing their employees' salaries. SMEs are managing their costs amid the outbreak by improving business efficiency through the use of technology (81 per cent), deferring their loan repayments through COVID-19 relief schemes (75 per cent) and renegotiating payment terms or contractual obligations (75 per cent).

SMEs in the transport and storage industry (88 per cent) indicated the strongest preference for improving their efficiency as a way to manage costs while those in the retail trade were least likely to do so (75 per cent). Instead, SMEs in the retail sector are opting to defer their loan repayments (81 per cent) and to obtain financing (79 per cent) to manage costs.

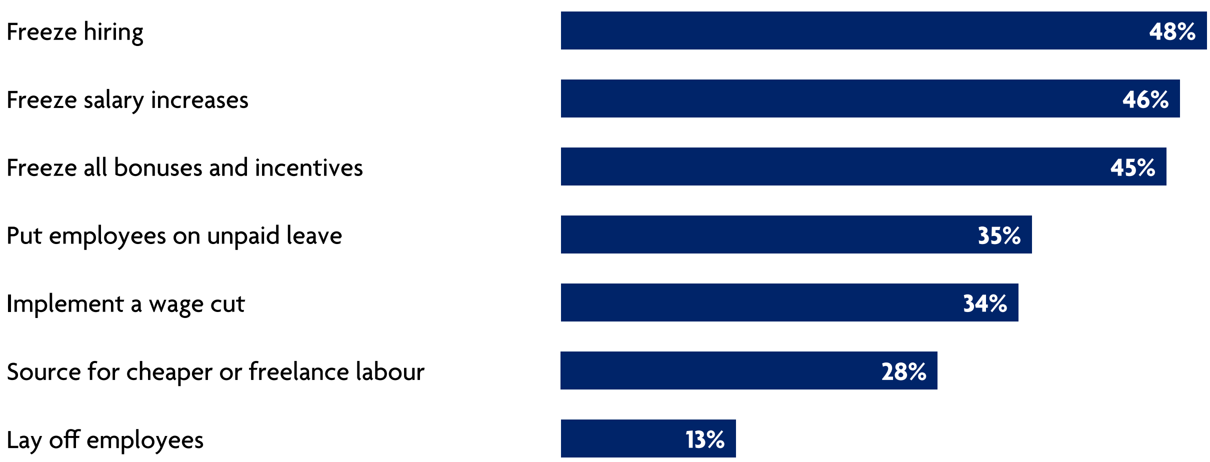
Figure 5: Top five cost management methods

	Total (1000)	Singapore (200)	Malaysia (200)	Thailand (200)	Indonesia (200)	Vietnam (200)
Reduce cost by improving business efficiency	81%	77%	77%	79%	88%	82%
Seek deferment in loan repayments	75%	72%	76%	75%	77%	77%
Renegotiate contractual obligations	75%	74%	72%	74%	76%	80%
Obtain financing from COVID-19 relief schemes	73%	72%	75%	67%	78%	72%
Reduce rental costs	71%	70%	68%	67%	78%	71%

With many businesses having to either scale down or to suspend their operations temporarily, they have had to find ways to manage their labour costs. Their responses include freezing hiring (48 per cent), freezing salary increases (46 per cent) and suspending all bonuses and incentives (45 per cent). Among Indonesian SMEs, their most preferred option is to put employees on unpaid leave.

While the preferred measures were quite consistent among SMEs across different sectors, those in the food and beverage sector had slightly different preferences. Like SMEs in other sectors, they are also freezing hiring (49 per cent), followed by implementing wage cuts (38 per cent) and sourcing for cheaper or freelance manpower (38 per cent).

Figure 6: Preferred measures to manage manpower cost



Investment plans for the rest of 2020

Faced with such unprecedented challenges, ASEAN SMEs have had to re-evaluate their investment strategies for the future. The survey found that almost three in five ASEAN SMEs (58 per cent) will no longer proceed with their planned investments for the year. However, about one in three SMEs (36 per cent) will still persevere with their investment plans despite the headwinds.

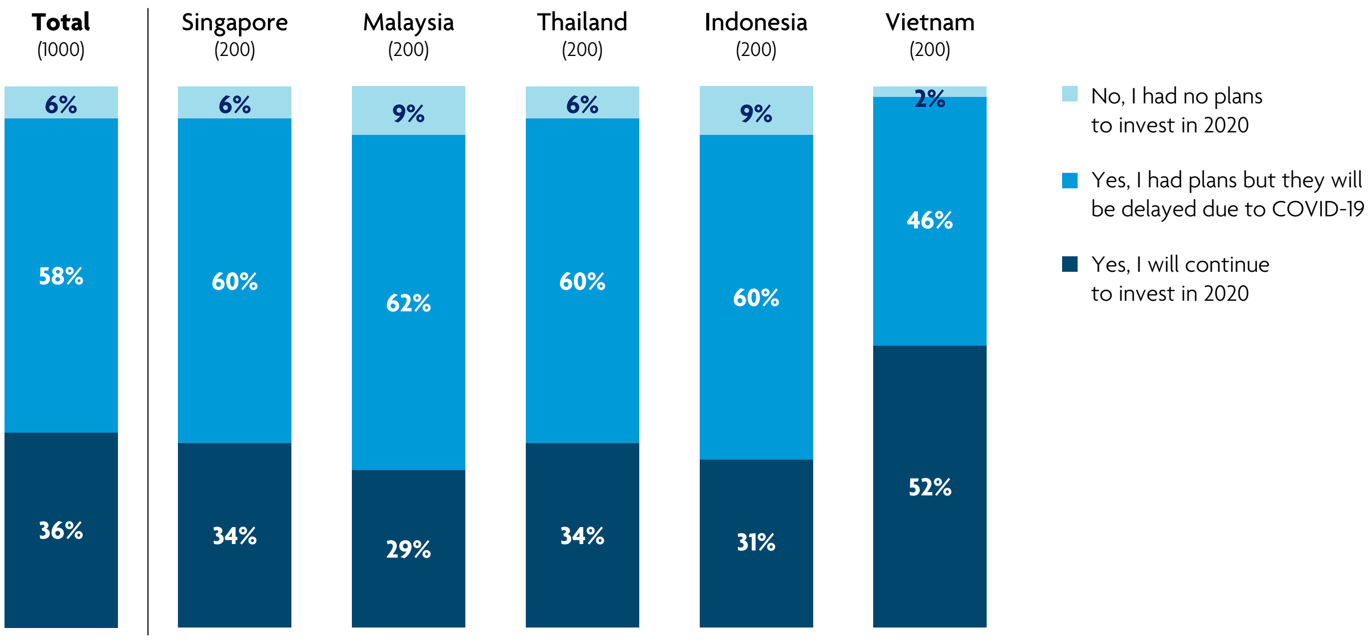
While SMEs across the various markets were largely aligned in their views, Vietnamese SMEs differed slightly from their peers. Vietnam had the fewest SMEs (47 per cent) indicating that they would put off their investments for the year and is the only market where the number of SMEs indicating that they would invest in 2020 (52 per cent) outweighed those who were delaying such plans.

Faced with such unprecedented challenges, ASEAN SMEs have had to re-evaluate their investment strategies for the future.

Among the SMEs who plan to invest, technology continues to be their priority in order to grow their business. This also supports the ways in which ASEAN SMEs plan to gain a competitive edge when the COVID-19 pandemic ends, an area which will be elaborated on later in the report.

SMEs' focus on investing in technology has been consistent since the first ASEAN SME Transformation Study was launched two years ago. Even with the impact of COVID-19 on their businesses, ASEAN SMEs remain undeterred in their intent to invest in technology albeit to a lesser degree than originally planned.

Figure 7: Investment plans for 2020



Prior to COVID-19, 77 per cent of ASEAN SMEs indicated that they would increase their technology-related spend as compared with last year. However, with COVID-19 impacting revenue expectations for the year, ASEAN SMEs are moderating their investments, with a 33 per cent drop in those who still plan to increase their investment in technology.

To support their investments in technology, ASEAN SMEs recognise the need to upskill their workforce (51 per cent). This is an area that has moved up in priority after the impact of COVID-19 and is now the second most important investment for ASEAN SMEs. Prior to COVID-19, ASEAN SMEs ranked the need to invest in land, buildings and fixtures (39 per cent) as a slightly higher priority than upgrading the skills of their employees (38 per cent).

Figure 8: Planned technology spend for 2020 before and during COVID-19

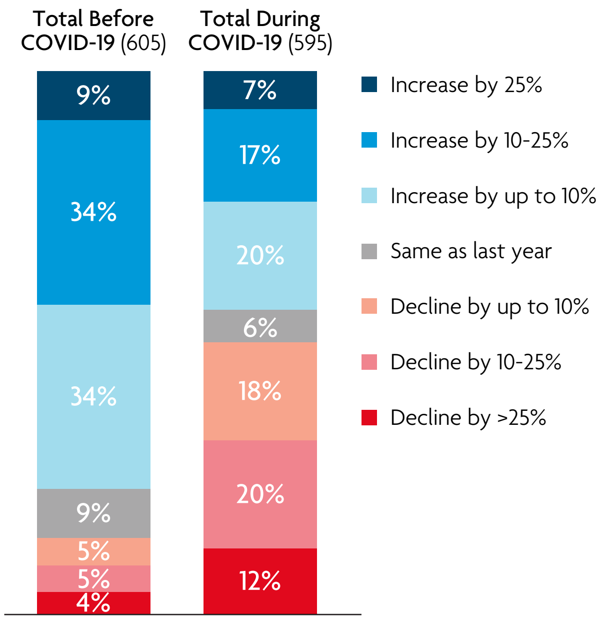


Figure 9: Top five areas of investment for SMEs before and during COVID-19

	Total		Singapore		Malaysia		Indonesia		Thailand		Vietnam	
	Before COVID-19	During COVID-19	Before COVID-19	During COVID-19	Before COVID-19	During COVID-19	Before COVID-19	During COVID-19	Before COVID-19	During COVID-19	Before COVID-19	During COVID-19
Technology	61%	64%	62%	60%	68%	59%	50%	65%	56%	71%	67%	63%
Employee skills development	38%	51%	36%	51%	39%	55%	35%	43%	42%	57%	38%	49%
Factory/plant, machinery and equipment	38%	40%	21%	40%	47%	36%	34%	40%	35%	46%	55%	37%
Land, buildings, furniture and fixtures	39%	34%	24%	28%	51%	33%	50%	49%	32%	29%	37%	32%
Current assets	34%	33%	36%	30%	44%	43%	32%	36%	31%	29%	28%	31%

Significantly increased Remained relatively stable Significantly decreased

Note: Respondents were asked to select all options that are relevant to their circumstances (i.e. more than one response was permitted.) This similarly applies for all subsequent questions with a percentage ranking.

Preparing for the post-COVID-19 recovery

ASEAN SMEs have a mixed view on the economic recovery post-COVID-19, with an almost even split among SMEs expressing optimism (36 per cent), uncertainty (30 per cent) and pessimism (34 per cent). SMEs in Singapore are the most pessimistic (47 per cent) as compared with their peers while those in Indonesia were the most optimistic (57 per cent) about the eventual recovery from the impact of COVID-19.

Before the virus outbreak, ASEAN SMEs ranked the need to continue digitalising as their fourth most important approach (49 per cent) and the improvement in customer experience as their top priority (63 per cent).

With the COVID-19 outbreak, SMEs across the region have recalibrated their strategies to focus on digitalising as their top priority (60 per cent). Other strategies that will be taken up by ASEAN

The shift in focus from improving the customer experience to adopting more digital strategies is an indication of SMEs' realisation of the potential for digitalisation to improve business sustainability.

SMEs include adopting a digital marketing strategy (58 per cent) and focusing on improving the customer experience (52 per cent).

The shift in focus from improving the customer experience to adopting more digital strategies is an indication of SMEs' realisation of the potential for digitalisation to improve business sustainability. It is also clear that many are looking at ways to boost their business' competitiveness to drive growth after the pandemic, as they eagerly anticipate the resumption of full operations.

Figure 10: Top 5 preferred strategies to gain competitive advantage before the COVID-19 outbreak

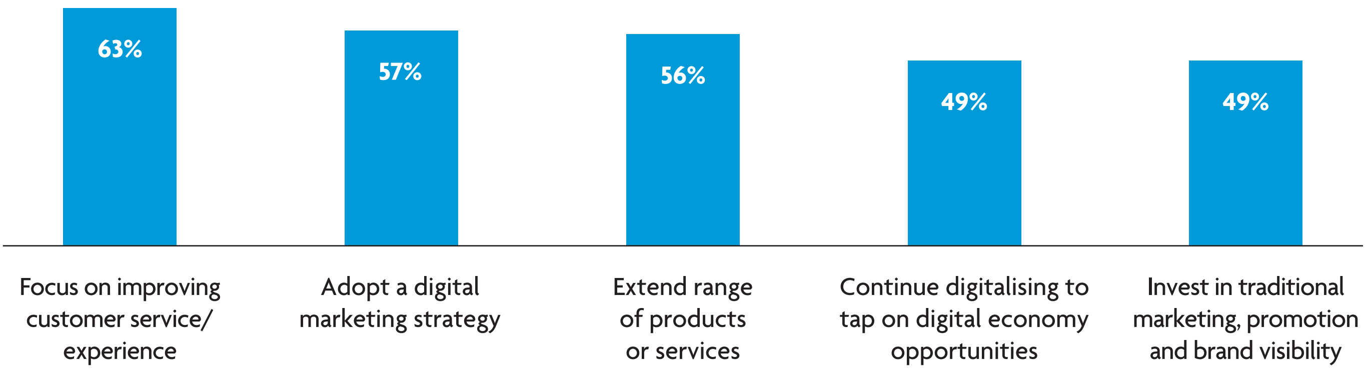
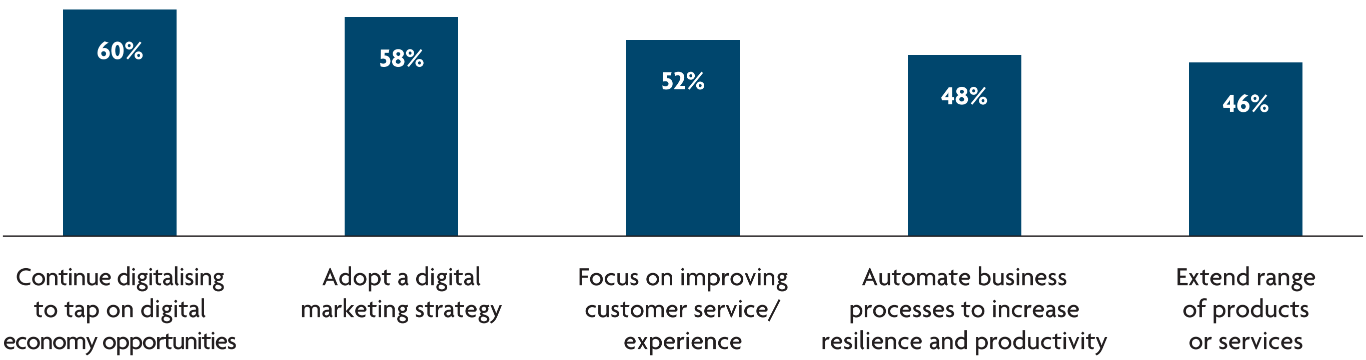


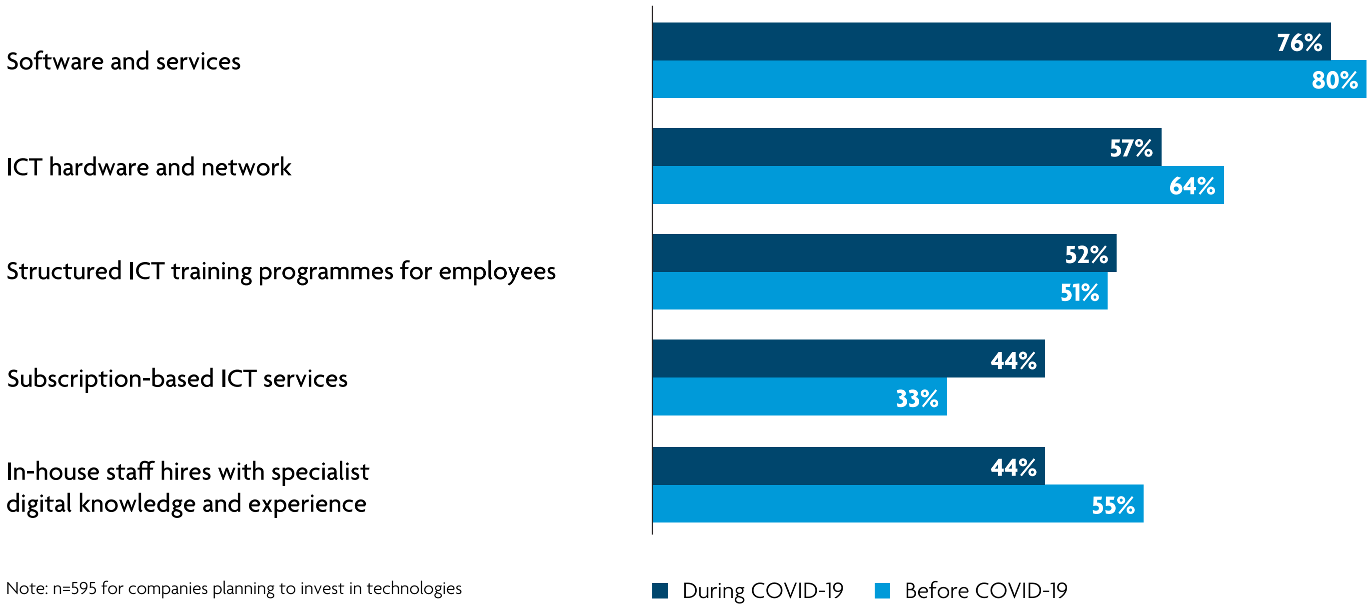
Figure 11: Top 5 preferred strategies to gain competitive advantage during COVID-19



To support their growth strategies, three in four ASEAN SMEs (76 per cent) plan to dedicate their technology spend on software and services including enhancing their website and marketing their business digitally. While still second on the list of technology-related investments, there has been a seven per cent decrease in the number of SMEs who plan to invest in information and communications technology (ICT) hardware, another sign that these SMEs are looking to devote more of their budgets to revenue generating activities. This is also supported by the increase in priority among ASEAN SMEs to hire employees with specialist digital knowledge and experience (11 per cent increase).

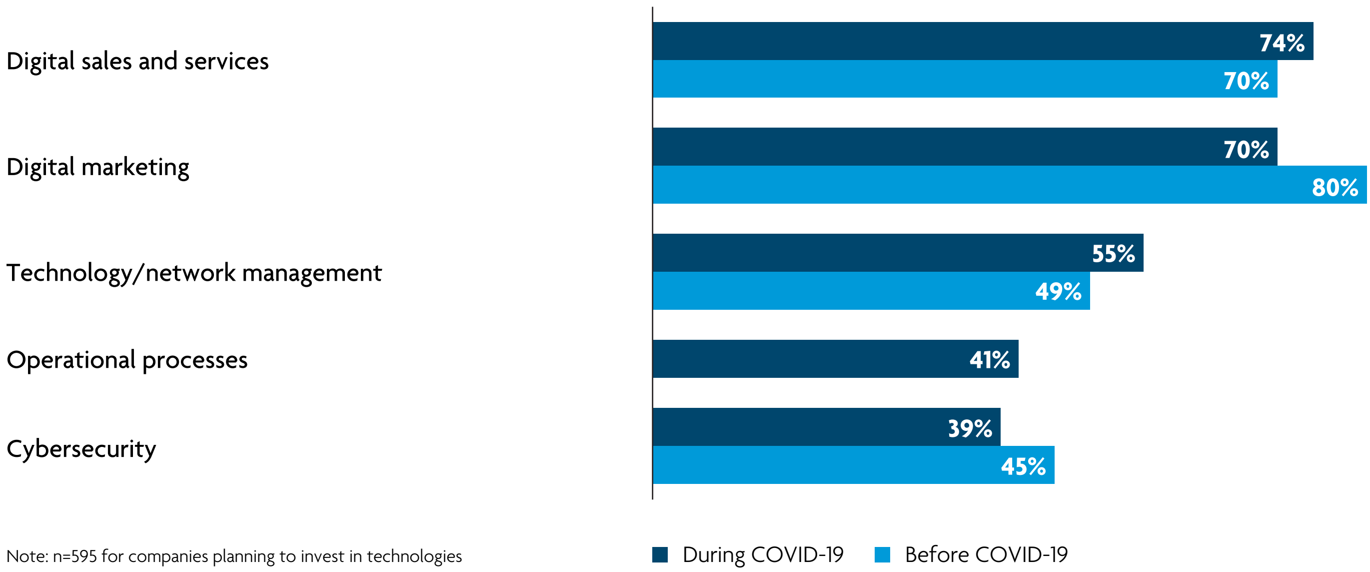
With the need to make up for the decline in revenue during a downturn, it comes as no surprise that ASEAN SMEs are now focused on using their investments in technology to drive sales and the provision of services digitally (74 per cent). This has led to a drop in their priority to use technology to market their products digitally (from 80 per cent to 70 per cent). One area that has increased in priority slightly for ASEAN SMEs is the need to invest in technology and network management systems (six per cent increase). This is likely due to ASEAN SMEs having to manage their operations remotely and to enable their employees to work from home as a result of the various restrictions arising from COVID-19.

Figure 12: Breakdown of technology-related investments



Note: n=595 for companies planning to invest in technologies

Figure 13: Areas of business targeted for technological investment



Note: n=595 for companies planning to invest in technologies

Preferred government initiatives among ASEAN SMEs

ASEAN SMEs are also looking to their respective governments for assistance in strengthening their capabilities. They highlighted three government initiatives as their preferred options, namely:

- **Funding support:** Government help in funding the adoption of digital technologies is rated as very important, as are other subsidies and bridging loans. Funding support for digital adoption was rated as particularly important in Thailand, Indonesia and Vietnam. Bridging loans to help indebted enterprises develop practical debt restructuring plans are seen as essential in Vietnam and Malaysia, while subsidies to ease the burden created by rising manpower costs are most welcome in Vietnam and Thailand.
- **Creation of digital infrastructure:** Across the region, more than three quarters of respondents rate the provision of active government support in the creation of a digital infrastructure to facilitate innovation as very important. These include national business databases for electronic know-your-customer processes and regulatory sandboxes to test and to launch new solutions.
- **Regulatory support:** The creation of a regulatory environment that is conducive to innovation and risk taking is highlighted as a key government initiative by three-quarters of all respondents. It is less important in Singapore, where the regulatory environment is already highly supportive of innovation, and more so in Thailand, Indonesia and Vietnam.

Figure 14: Preferred government initiatives to strengthen ASEAN SMEs' capabilities

	Total	Indonesia	Malaysia	Singapore	Thailand	Vietnam
Funding support for the adoption of digital technology	77%	83%	76%	63%	85%	81%
Creation of a digital infrastructure to support innovation	77%	75%	76%	71%	85%	79%
Conducive regulatory environment to encourage innovation and risk taking	75%	81%	75%	59%	82%	77%

Support from their financial partners

ASEAN SMEs are engaging with their banking partners even more as they try to stay afloat during this challenging COVID-19 period. On top of seeking financial assistance and banking services, ASEAN SMEs see their banks as trusted partners who will support them in overcoming both their current and longer term business challenges.

As they grapple with the effects of COVID-19, the majority of ASEAN SMEs (39 per cent) say that their existing cash flow will be able to last them for between three to six months. Compared with their peers, Thai SMEs said they had the most liquidity, with the majority (34 per cent) having six to 12 months of working capital to sustain their businesses.

Given their cash flow needs, nine in 10 (91 per cent) of ASEAN SMEs say they need more financing from their banks and close to half (46 per cent) have already applied for additional loans. They said they intend to use the additional funds primarily for their working capital needs, specifically to ensure the continuity of their business (64 per cent) and to improve their liquidity given the delayed payments they are experiencing from their customers (52 per cent).

With the various financing assistance and relief measures provided by the banks, 78 per cent of ASEAN SMEs indicated that they are satisfied with the support provided by their bank to help them to cope with the impact of COVID-19.

Figure 15: Uses for additional financing

Going beyond banking to help SMEs

Apart from financing, ASEAN SMEs also see banks as an important business ecosystem partner to help them navigate COVID-19 challenges and to find new growth opportunities.

From the earlier section, it is clear that seizing revenue opportunities is a key priority for ASEAN SMEs as they struggle to stay afloat amid COVID-19. It is therefore no surprise that three in five ASEAN SMEs felt that their bank could support them better by providing digital solutions to support their online sales and marketing.

One of the ways banks are already doing so is by collaborating with e-commerce solutions providers to help SMEs create online revenue streams. For example, through UOB's tie-up with Shopmatic, the Bank is able to help its customers who do not have any digital knowledge or experience build customised e-commerce websites in just 15 minutes.

With the financial strain that COVID-19 has put on their businesses, close to half (47 per cent) of ASEAN SMEs are also seeking financial planning support and advice on how to maintain a healthy cash flow. SMEs in Malaysia (64 per cent) and Thailand (62 per cent) were the keenest to be supported in this area, ranking it as the top service that they would like to see from their banks.

Figure 16: Value added services that SMEs want from banks

60%
Provide digital solutions that help support online sales and marketing

59%
Provide digital solutions that support remote operations

55%
Financial planning or advisory support on how to optimise cash flow

40%
Provide investments and cash management services

35%
Facilitate connections to other businesses to explore new opportunities

34%
Help source for training providers to reskill employees

Receptiveness to alternative financing

With the proliferation of alternative financing options including private equity providers, ASEAN SMEs are also exploring the potential to diversify their funding sources. This is particularly pertinent for SMEs without the required track record to be eligible for traditional financing.

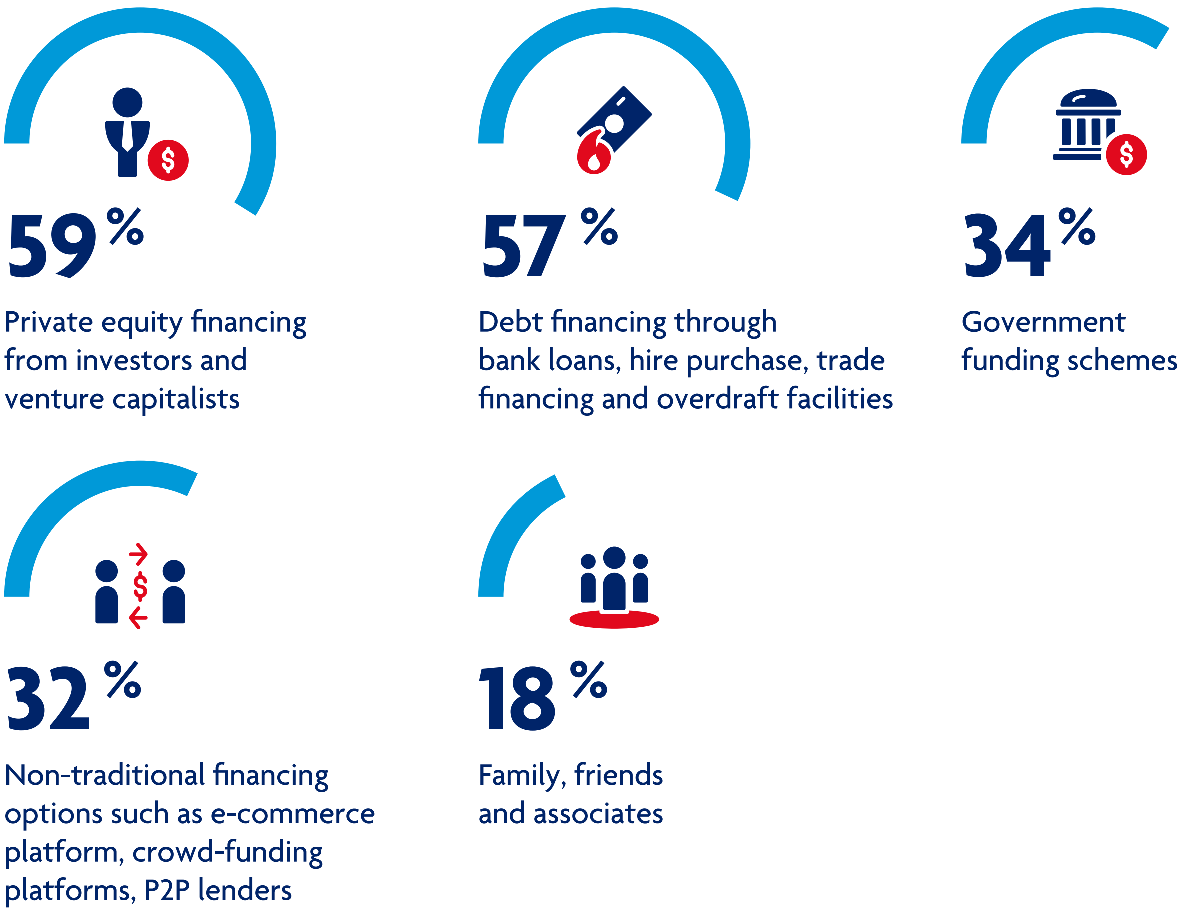
The most preferred option among ASEAN SMEs is to obtain private equity financing from investors and venture capitalists (59 per cent). This could be due to the nature of such financing which provides the business extra working capital to grow without repayment obligations.

However, the disadvantage of equity financing is that business owners will have to give the investor a percentage of the company, reducing their autonomy over business decisions.

Debt financing through banking facilities came a close second at 57 per cent, indicating that traditional financing options were still preferred among ASEAN SMEs.

SMEs are also open to obtaining financing from non-traditional sources, with 32 per cent stating a high degree of preference for financing from e-commerce businesses, crowdfunding platforms and peer-to-peer (P2P) lenders.

Figure 17: Preferred sources of financing



Positioning their businesses for the future

How SMEs can tap business ecosystems to compete in the digital economy

From the survey findings, it is clear that SMEs remain focused and committed to investing in technology even as their businesses are impacted by COVID-19. They recognise that by transforming their business digitally, it gives them the opportunity not only to ensure their relevance in the digital economy but also to increase their resilience to unforeseen events such as COVID-19.

Many SMEs are already working with ecosystem partners to adopt technology that enables them to acquire, to engage with and to serve customers. They are also using technology to automate various business functions, such as their procurement needs, for greater operational efficiencies.

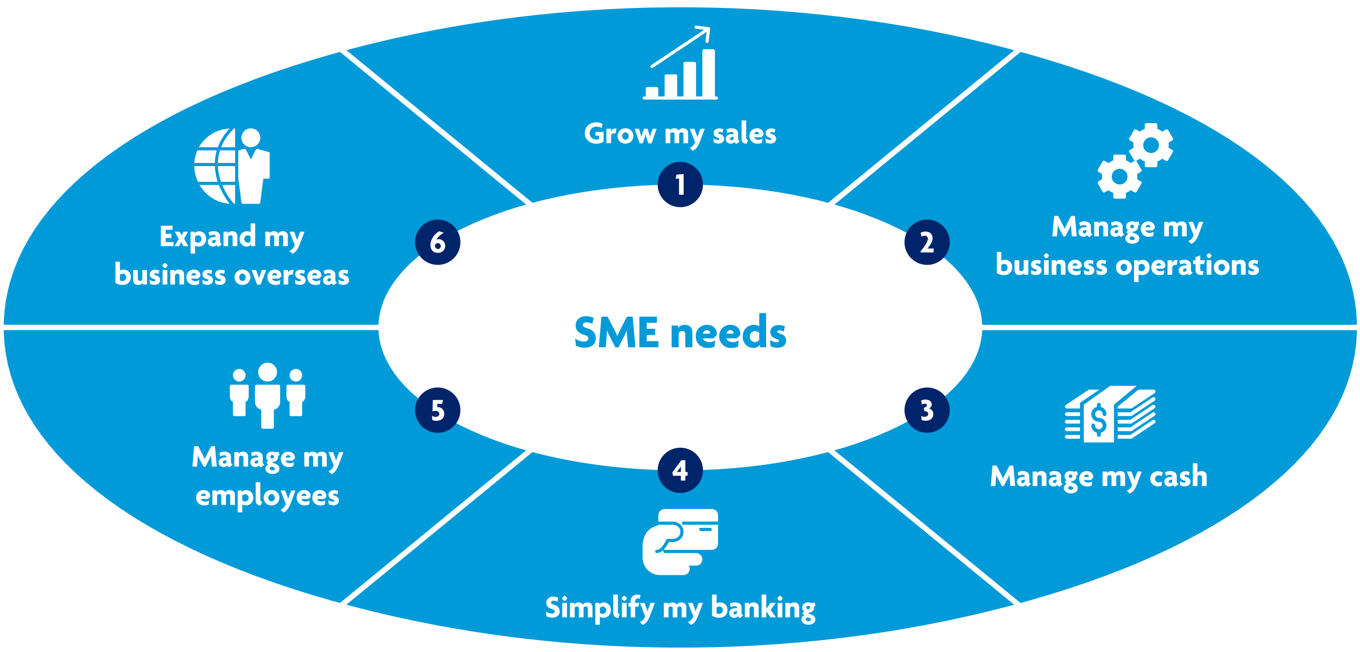
As SMEs digitalise, they should be mindful of how they approach such efforts. Even as they take a step-by-step approach in digitalising each area of their business, they should also ensure that they have the desired end state in mind to avoid ending up with a piecemeal approach. Failure to do so could result in issues for the business such as incompatibility between digital solutions or the infrastructure being unable to support future upgrades or additional capabilities.

Approaching their digital transformation plan holistically could also be a game-changer for SMEs as it lays a strong foundation which the business can build upon for their long-term needs.

However, we also recognise that it can be daunting for SMEs to figure out the best approach on their own. As such, SMEs should also consider looking beyond their own resources and to tap on the knowledge, resources and capabilities of the business ecosystem to support their digitalisation efforts.

To help SMEs in developing their digitalisation strategy, we identify six critical business areas that can be boosted through the use of technology and the ways in which they can work with ecosystem partners to achieve their goals.

Figure 18: SME needs



Source: Accenture

1. Grow my sales

SMEs want to:

- Access new sales and marketing channels such as e-commerce websites and social media
- Develop effective online marketing campaigns
- Use business and customer insights to offer new products and services

Common challenges:

- Cutting through the dizzying array of options to determine where to focus their marketing efforts and how to optimise their marketing spend
- Unable to gain insight into customer behaviour and preferences due to the lack of customer relationship management tools
- Limited network resulting in the inability or difficulties in finding the right partners and suppliers

Tips on how to achieve these goals with the help of digital ecosystems:

- **Generate sales revenue online** by developing their own e-commerce store or tapping various e-commerce platforms. There are also services to help SMEs with everything they need to maintain their online stores. These range from product cataloguing, photography and content development in the form of product write-ups or blog posts.
- **Market to customers effectively** by using basic tools such as Hubspot and Google Analytics which enable SMEs to have better visibility on marketing spend and to track the effectiveness of their campaigns. SME owners should also seek out best practices in areas such as website optimisation, paid search and social media to enhance the effectiveness of their marketing mix. They can consider deepening their skills in this area by attending courses run by local universities, marketing bodies or government institutions.
- **Develop more in-depth understanding of their customers** through cloud-based customer relationship management platforms. These platforms provide SMEs with analytics on buying trends and customer preferences and also equips them with the tools to dive into specific areas that they would like further insight on. For example, SMEs will be able to understand their customers' journey and develop the right sales funnel through a mix of digital and physical channels. SMEs should ensure that the solution they opt for is able to be integrated seamlessly with the platforms they use to capture traditional and online sales data.
- **Connect with trusted suppliers and explore potential business opportunities** by tapping the networks of their business partners and other companies in the ecosystem.

Google My Business

Google My Business is a free and easy-to-use tool that enables businesses to connect with their customers online through Google Search and Maps. By verifying their business profile and enhancing it with content such as photos and offers, SMEs not only attract more customers but also have the opportunity to interact with customers, such as by responding to reviews and addressing feedback.

"I registered my business, Tintin Chips, on Google My Business in 2015 but only verified my account in 2018. I saw the benefits immediately – I can now get testimonials from existing customers and use the reviews to attract new ones. It also led to new sales channels for my business after several supermarkets that were looking for suppliers of healthy snacks got in touch after finding me on Google. Our products are now placed on consignment in several mid to high-end supermarkets in Indonesia."

– Rina Trisnawati, Tintin Chips, Indonesia

"We managed to gain prominence over our competitors, despite the highly competitive nature of the tourism sector, thanks to our digital presence on Google My Business. Through my Google My Business profile, I was able to attract customers from neighbouring cities, resulting in a significant increase in income. In the first year after we started using Google My Business, our turnover almost doubled to 10.2 billion Indonesian rupiah, compared with 5.2 billion Indonesian rupiah in the previous year."

– Kristanto Raharjo, Umbul Ponggok, Indonesia

Web Bento
Out of Box E-Commerce Solution

BentoWeb is an e-commerce solution for SMEs to create their websites complete with capabilities and tools for e-payments, marketing as well as inventory and delivery management.

"We encountered difficulties when we first ventured into e-commerce as it took a lot of time and resources managing sales from different marketplaces, overseeing deliveries and keeping track of our inventory constantly to determine product availability. The use of BentoWeb has helped us overcome these challenges as the all-in-one solution helps us to manage all these back-end processes right on their platform. The solution also helps us to post and manage our listings on multiple e-commerce marketplaces and social channels easily without the need to duplicate our listing efforts."

– Warut Rinthanalert, Rin&Rin Jewelry, Thailand

"I found e-commerce difficult initially as I did not have the complete know-how in taking proper product pictures, in accepting e-payments and in updating my inventory when multiple online transactions are made. BentoWeb first caught my attention as they offer complimentary review and advice on how to take good product photos. After using BentoWeb, I enjoyed how they made e-commerce easy and convenient as their tools streamlined e-payments and inventory management processes for me."

– Rungroj Suwantada, Balloonie, Thailand

2. Manage my business operations

SMEs want to:

- Optimise supply chain, logistics and inventory management with real-time tracking capabilities
- Simplify sourcing and procurement processes
- Plan, assign and track day-to-day business activities
- Better understand consumer demand and the impact of seasonality, guiding their pricing and re-stocking decisions to improve profitability

Common challenges:

- Inefficiencies due to the mix of manual processes and standalone solutions to manage business operations
- Unable to source for the cheapest suppliers and raw materials quickly and easily
- No holistic view over business operations

Tips on how to achieve these goals with the help of digital ecosystems:

- **Manage in real-time and from anywhere** operational processes such as procurement, logistics and inventory through cloud-based solutions. The resulting administrative processes, such as invoicing and payments, can also be managed digitally for greater automation. With such solutions, SMEs will be able to improve the customer experience by minimising the occurrence of issues such as stock shortages.
- **Source for cost-effective suppliers conveniently and efficiently** through business-to-business procurement platforms or marketplaces.
- **Gain a holistic view of operations** through project management solutions that enable the tracking and managing of resources, tasks and deadlines.
- **Leverage industry-specific solutions** to manage operations and to generate customer insights. For example, software that helps with table and queue management and ordering for restaurants. Another example is solutions that help with managing manufacturing processes to ensure that there is sufficient raw material to meet production requirements and there is enough stock to meet demand. Based on the data collected, SMEs can generate insights on customer demand and the impact from factors such as seasonality to guide their decisions on pricing and re-stocking more effectively.

EzyProcure is a e-procurement platform that simplifies the purchasing process for buyers and suppliers. The automation of purchase requisition and purchase order generation increase accuracy and traceability between buyer and seller exchange. EzyProcure is a solution available under the UOB BizSmart suite.

"EzyProcure technology is a system that will enable a seamless electronic execution of supplies delivery, order, goods receipt and e-invoice generation. With a unique Optical Character Recognition function that conducts 3-way matching of purchase order, goods receipt, and e-invoices/hardcopy invoices, it saves up to 70% of our time spent on reconciliation."

– Bernadette Wong, Createries, Singapore

SourceCode simplifies renting processes for property owners and tenants by digitalising room, billing and facilities management.

"SourceCode has enabled me to save a lot of time and resources as my staff and I can view and manage our bookings anywhere and anytime without the need to constantly update each other. What impressed us the most is also SourceCode's user interface which we found very easy and friendly to use"

– Jitra Rojprasertkul, White Biz Hotel, Thailand

"We used to do all of our rental management processes in an old-fashioned way, managing room bookings, billings and tenant requests for property reparation manually. I initially hesitated to digitalise our rental management processes as I was worried if my staff and customers will be receptive to using digital solutions for managing rents. However, SourceCode's solution was very user-friendly and both my staff and customers are happy with the convenience of managing rental processes digitally."

– Trisuk Tangkeerati, Tip Place Huahin, Thailand

3. Manage my cash

SMEs want to:

- Anticipate liquidity challenges to prevent cash flow issues
- Plan and manage future expenses effectively
- Reconcile all revenues and expenses seamlessly

Common challenges:

- Difficulty in managing cash flow due to fluctuations from seasonality in sales, unexpected business expenses or delayed customer payments
- Unable to plan for expansion due to uncertainty in cash flow
- Lack of understanding in accounting principles which results in the unavailability of robust data for business insights

Tips on how to achieve these goals with the help of digital ecosystems:

- **Gain real-time insight into the business' health** by using cloud-based accounting solutions to integrate point of sales, inventory and order management systems. These solutions provide SMEs with customised views on the business' performance in real-time, equipping them with the tools to analyse revenue and cost trends. It also enables SMEs to determine quickly what adjustments need to be made in their day-to-day operations or if additional financing is needed.
- **Optimise cash flow** by using digital solutions that enable the faster receipt of account payables through electronic invoicing. Such solutions also help SMEs to monitor, to analyse and to take better control of their cash flow. For example, SMEs can ascertain if they have cash that is stuck in working capital or inventory and free it up accordingly.
- **Adopt digital payment services** for faster and easier payment by customers. Digitally enabled cash collection services options also help with cash flow as such payments are collected immediately.

enterpryze

Enterpryze provides SMEs with a scalable and flexible cloud-based business management solution. With integrated services such as sales, accounting, expenses and more, SME owners will be able to gain a real-time overview of their operations quickly and easily – from their financial position to inventory levels. Enterpryze is a solution available under the UOB BizSmart suite.

"Most of our employees at our hardware distribution company are used to the traditional way of managing business operations, managing sales, accounting and inventory manually. However, after using Enterpryze, my employees appreciated the ease and convenience of using a digital solution to manage and to track our sales and financials. Enterpryze has sped up many of our business processes, freeing up more time and resources for us to focus on optimising customer service for our buyers."

– Karen Leaw, KS Tools, Malaysia

"Enterpryze enabled us to save two working days a week when it comes to managing sales orders and fulfilment. We now have a more streamlined and systematic business workflow to managing our orders."

– Jason Tan, L&T Machinery, Malaysia

4. Simplify my banking

SMEs want to:

- Secure access to financing easily and quickly
- Receive personalised banking offers that are tailored to business needs
- Have a bird's eye view of their business, financial and operational activities and the insights from the data

Common challenges:

- Lack of required documentation such as financial statements to prove business income
- Cumbersome loan application process
- Lack of integration between business software and banking platform resulting in the inability to draw links and insights from the various data

Tips on how to achieve these goals with the help of digital ecosystems:

- **Improve access to financing** by providing their bank access to other relevant data such as their transaction data from various online channels. To help SMEs obtain financing, banks are using new methods to determine a business' creditworthiness. This includes using additional information that is not traditionally used in the assessment process for greater insight into the business' credit behaviour.
- **Receive tailored alerts and actionable insights** from your bank by conducting more banking transactions digitally. With the transaction histories, banks are able to provide SMEs with relevant advice and financing propositions. For instance, banks can reach out to their SME customers with advice on how to maximise excess cash flow when such cases are observed.
- **Gain an holistic, data-backed view of the business' operations** through the use of cloud-based enterprise resource planning software that can be integrated with their banking data.

UOB BizSmart

UOB BizSmart is a suite of cloud-based, integrated solutions that enables SMEs to manage multiple core processes such as sales, invoicing, payroll and accounting seamlessly. The ability to connect these solutions with direct bank feeds also ensures that SMEs have a real-time view of their financials, providing comprehensive updates on accounts payables and receivables so they can monitor customer payment behaviour and cash flow better.

"In the past, we had to print quotations, service reports and invoices and to send copies to each client manually. The use of Enterpryze, a solution part of UOB BizSmart, has enabled us to automate the entire accounting process after a quote has been created. We are also really grateful to the UOB team because they were right there with us, making the entire process so much less intimidating."

– Shawn Pang, Goodair Pte Ltd, Singapore

5. Manage my employees

SMEs want to:

- Streamline and automate employee management and payroll processes
- Upskill and reskill employees
- Recruit the right talent for their business and retain them with the appropriate benefits

Common challenges:

- Large volume of manpower-related administrative tasks
- Business needs are often prioritised over human resource (HR)-related matters due to time and resource constraints. This also results in the lack of training opportunities for employees
- Difficulty in finding the right talent, particularly from the millennial workforce, for the business

Tips on how to achieve these goals with the help of digital ecosystems:

- **Simplify and automate the management of HR-related tasks** such as onboarding and expense and leave management through digital solutions.
- **Upskill employees to help them adapt** to new ways of working post-pandemic. By helping employees acquire skills that are critical to thriving in the digital economy, such as the ability to capture and analyse data, SMEs will be equipped with the internal capabilities required to take advantage of opportunities in the digital economy. They will also be able to weather future disruptions more effectively.
- **Enhance the business' attractiveness to new and younger talent** by creating a workplace that has the necessary technology and collaboration tools to support creativity and innovation. SMEs can also explore incentivising employees through non-monetary benefits such as travel and wellness experiences that are being offered by digital rewards marketplaces such as Rewardz and CXA Group.

HReasily

HReasily is a cloud-based all-in-one solution that enables SMEs to automate HR processes for better productivity. HReasily streamlines payroll, claims, staff and leave management while providing multiple users with real-time access to the information. The system's user-friendliness ensures that employees without knowledge of HR processes can use the system with ease as well. HReasily is a solution available under the UOB BizSmart suite.

"HReasily has been a key partner to Love, Bonito in our HR transformation journey. It really set itself apart from competitors with its user-friendly interface, evolving products and world-class customer service!"

– Brandon Lee, Love Bonito, Singapore

"Managing payrolls and employees have always been difficult for us. By using HReasily, we are pleased with the user friendliness of the mobile and web applications, and our employees are also happy with the efficiency in getting their leaves and claims processed promptly."

– Mervyn Cheng, Biovisma Sdn Bhd, Malaysia

6. Expand my business overseas

SMEs want to:

- Understand local market practices and requirements, particularly with regard to legal, regulatory and compliance matters
- Connect with local buyers and suppliers
- Secure foreign exchange (FX) and overseas financing to support expansion needs

Common challenges:

- Challenges in getting deeper local market insights
- Limited local market connections
- Exposure to currency fluctuations and friction in moving funds across borders

Tips on how to achieve these goals with the help of digital ecosystems:

- **Ensure compliance with local accounting and tax laws** through the use of accounting platforms that offer ready-to-use templates which fulfil the requirements in different countries.
- **Seek out local buyers and sellers** through online marketplaces. When entering a new market, one of the fastest ways to establish the company within the business ecosystem is to do so through online channels. By tapping online business communities, SMEs can accelerate the process of establishing local market connections and gaining new revenue streams.
- **Manage their FX needs and risks** through the use of dedicated FX products and services offered by established financial institutions and financial technology firms. These solutions enable them to secure FX rates and to hedge currency risks. In addition to FX solutions, SMEs can also explore the use of bundled financial solutions that enable effective cash management for the business.

ZILINGO

Zilingo is a fashion technology platform that digitises the fashion and beauty supply chain. Its online marketplace enables companies to source for or to supply to companies in the fashion industry. In addition, the company also provides services such as inventory management, sales tracking and financing, to helping companies identify upcoming fashion trends.

"Our business has grown significantly thanks to Zilingo's services. Since we leveraged Zilingo's technology platform, we have been able to reach new customers and to grow our revenue rapidly. We now have a monthly turnover of six billion Indonesia Rupiah."

– Sigmalab, Indonesia

"Through the Zilingo platform, we have been able to collaborate with other suppliers to increase our production capacity. This has led to us being able to accept larger orders and we are also able to work with bigger clients who have longer payment cycles with minimal disruption to our cash flow."

– Smith and Sons, Thailand

Looking ahead: opportunities for ASEAN post-COVID-19

While ASEAN continues to weather the impact of COVID-19, the region's strong fundamentals, such as favourable demographics, rising consumption and increased infrastructure spending, ensure that its long term growth potential remains intact.

This is also supported from the survey findings where one third (33 per cent) of ASEAN SMEs say that they will expand into new markets when the pandemic ends. The top three markets that they are looking to venture into are Singapore (64 per cent), Malaysia (51 per cent) and Thailand (50 per cent).

Fuelling ASEAN's future growth

- **Geographic location:** Located at the heart of the Asia-Pacific region and situated across major trade routes, ASEAN sees US$5.3 trillion of global trade[2] passing through the region each year. ASEAN's location also makes it a key node in global manufacturing and supply chains. The region is also expected to be a beneficiary of trade initiatives such as the Belt and Road Initiative, the Regional Comprehensive Economic Partnership and the region's very own ASEAN Economic Community.
- **Favourable demographics:** ASEAN has a total population of 649 million, the third largest after China and India. More than half (58 per cent) of the region's population is below 35 years old and the number of middle class households is expected to double to 163 million by 2030. This makes the region an attractive market given its growing and increasing affluent consumer market.[3]
- **Fast growing economy:** Already the fifth largest economy today, ASEAN is forecasted to move up the ranks to become the fourth largest economy by 2030. ASEAN's real gross domestic product (GDP) growth momentum remains strong, registering 5.3 per cent in 2017 and 5.2 per cent in 2018.[4] This presents immense opportunities for SMEs in ASEAN to ride the region's growth as it prospers.
- **Booming trade relationship with China:** China is ASEAN's largest trading partner since 2009 to 2018 with a total trade volume of US$483 billion in 2018, making up nearly 20 per cent of total trade.[5] This trade relationship is expected to strengthen further as China's demand for goods and services continues to grow.
- **Continued investment interest in ASEAN:** ASEAN was the third largest recipient of inward foreign direct investment (FDI) globally, behind US and China. Total FDI into ASEAN grew for three years consecutively from 2016 to 2018, reaching US$155 billion in 2018.[6] Given the region's favourable growth conditions as listed above, FDI from global multinational corporations is expected to continue its growth momentum well into 2030.

A closer look at the five ASEAN markets we surveyed

While ASEAN provides significant opportunities for SMEs in the long term, we recognise that there remain challenges, particularly as a result of COVID-19, that will impact current prospects.

In this section, we take a closer look at the macroeconomic climate of the five markets we surveyed – Indonesia, Malaysia, Singapore, Thailand, and Vietnam – to understand the headwinds that they might face.

Macroeconomic data mentioned here is accurate as of end June 2020. These are government, UOB economists', D&B's Country Risk or market consensus estimates, prior to the release of the actual full year 2020 and 2021 figures. For the latest research, please visit www.uobgroup.com/research and www.dnb.com.sg/country-insights.html

Indonesia

Economic growth remains resilient

As ASEAN's largest economy, Indonesia had been enjoying steady domestic growth despite sluggish economic conditions globally. However, COVID-19 has disrupted Indonesia's growth momentum, introducing supply and demand shocks to its economy which have since reduced household spending and delayed infrastructure projects.

While the impact of the COVID-19 pandemic is being felt by businesses across all sectors, those in tourism and hospitality have been particularly affected. However, tourism accounts for a relatively low share of Indonesia's GDP and the country is less integrated with global value chains as compared with its ASEAN neighbours. This could result in Indonesia being less impacted economically by COVID-19 than its peers.

The country's growth will remain resilient in 2020, supported by the Government's expansionary fiscal policies announced under the National Economic Recovery Programme which includes policies such as tax breaks, capital injections and liquidity support. These relief measures which amount to USD 43 billion will widen Indonesia's budget deficit to 6.34 per cent of Indonesia's gross domestic product (GDP).[7]

The policies include enhanced funding for banks, which will lead to easing of loan terms and repayment periods to help more Indonesian SMEs stay afloat during COVID-19. Together with the government's accommodative monetary policies, SMEs will also be able to apply for fresh working capital at lower interest rates, particularly for those in the tourism, aviation and housing sectors.

We forecast full year growth for Indonesia to come in at around 2.1 per cent in 2020, down from 5.0 per cent in 2019, before recovering to close to 4.0 per cent in 2021.

Looking at specific sectors and industries, the outlook for the services sector remains extremely positive, led by banking and telecommunications industries. With the fall in interest rates as a result of the government's accommodative monetary policies to provide companies with funding, loan demand from corporates and SMEs is expected to rise. Telecommunications companies are also becoming increasingly competitive, offering consumers new products such as digital content and services in order to drive further earnings growth.

Driven by the growth in infrastructure development, the construction sector observed an annual growth rate of 5.8 per cent in 2019, with a forecasted compound annual growth rate of 5.6 per cent from 2020 to 2024.[8] The relocation of the capital city from Jakarta to East Kalimantan has also led to an increase in construction activities outside of Jakarta.

The country's low inflation rate, stable foreign exchange rate and a buoyant labour market will also serve as key drivers in sustaining private consumption in Indonesia. Inflation fell to an average of three per cent in 2019 due to lower inflationary pressure from the government's move to regulate prices and a relatively stronger exchange rate. The Indonesian Rupiah appreciated by 3.64 per cent, underpinned by a strong influx of portfolio investment from foreign investors largely into government and corporate bonds, higher foreign direct investment and a healthier current account deficit which narrowed to 2.72 per cent of GDP in 2019.[9]


KERATON
The Plaza
GRAND HYATT
GRAND | HYATT

Indonesian SMEs: essential to helping diversify the country's economy

SMEs and start-ups play an important role in supporting economic growth in Indonesia. Based on data from the Ministry of Co-operatives and SMEs, Indonesian SMEs account for nearly 97 per cent of domestic employment and 56 per cent of total business investment. These SMEs also contribute towards helping the country diversify its economy so that it does not depend too heavily on the export of natural resources. As such, the country will continue making investments, such as through start-up incubator programmes, to support the growth of SMEs and start-ups.

Indonesian SMEs account for nearly 97 per cent of domestic employment and 56 per cent of total business investment.

SMEs are also aware of the need to digitalise in order to remain relevant in the digital economy. They recognise that as more transactions are conducted online, there is greater urgency for them to ensure that they are able to capture the digital opportunity. However, adoption remains slow due to the lack of resources and capabilities available to SMEs and broader infrastructure challenges such as internet access. As such, this is an area that the government can provide further support in.

Indonesia Sectoral Outlook for 2020

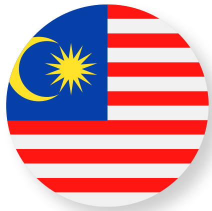
Agriculture	Construction	Manufacturing	Mining	Services	Transportation	Wholesale
Good	Fair	Good	Poor	Fair	Fair	Fair

Source: Dun & Bradstreet

Government support for SMEs

Business continuity	• **Credit for Business (Kredit Usaha Rakyat)** – This programme provides credit, working capital and investment financing schemes for SMEs across different stages of growth and cooperatives. • **The Agency for Revolving Fund Management for Cooperatives and Small and Medium Enterprises (Lembaga Pengelola Dana Bergulir, LPDB)** – This initiative provides financing to Indonesian SMEs through conventional and sharia loan instruments to support their growth. • **Program for Eastern Indonesia Small and Medium Enterprise Assistance (PENSA)** – The Indonesian government has collaborated with the International Finance Centre to provide financial assistance to SMEs in the poorest areas of Indonesia.
Digitalisation and technological innovation	• **The Ministry of Cooperative and SME Startup Incubator Program** – This programme promotes entrepreneurship in Indonesia by providing start-ups with business opportunities. • **1001 Digital Startup Movement** – This is a continuation of the "1000 Startups" programme that was initiated in 2016. It is a coordinated effort by multiple public and private sector stakeholders to boost domestic entrepreneurship. • **IDX Incubator by the Indonesia Stock Exchange** – This incubator aims to help technology-based start-ups grow and to facilitate more linkages between start-ups and investors.
Internationalisation	• **State-Owned Enterprise-led Business Aggregator Programme** – This programme provides support and advisory services for SMEs seeking to export their products and services. It also helps SMEs to overcome the regulatory hurdles that they may face.
Deepening internal capabilities	• **Ministry of Manpower and Transmigration** – The ministry operates SME productivity centres which conducts training to help SMEs upgrade their business productivity.

Malaysia



Economic decline due to COVID-19

Malaysia's economy has been heavily impacted by the effects of COVID-19 in the first half of 2020 and its Movement Control Order (MCO) brought many business activities to a standstill. Real GDP rose 0.7 per cent year-on-year in the first quarter of 2020 – making this the slowest growth in more than 10 years. Growth across all sectors slowed during this period, with agriculture, mining and construction posting sharp declines in growth. Overall, Malaysia's GDP is expected to contract 3.5 per cent in 2020, down from a growth of 4.3 per cent in 2019.

While Malaysia's economy is expected to head towards a technical recession for the first half of 2020, we see signs that it is likely to start recovering from the second half of the year. The Malaysian Government's fiscal and monetary stimulus packages to stimulate economic growth offer positive signs that the country's economy will rebound in the second half of 2020.

Cash assistance of more than MYR11 billion for 12 million Malaysians and wage subsidies of MYR13.8 billion to benefit more than two million employees have been rolled out to boost local consumption. The Bank Negara of Malaysia (BNM) has also upsized its Special Relief Facility from an initial allocation of MYR5 billion to MYR10 billion to provide SMEs increased access to financing to stay afloat during this period.

While construction took a hit during the MCO phase, there are several key infrastructure projects in the pipeline, including the East Coast Rail Link, Bandar Malaysia, and the Singapore-Kuala Lumpur high-speed rail, which will see the sector bounce back in the following years.

In the agricultural space, policies spearheaded by the Government to revamp farming methods have also given firms in the sector impetus to expand their agricultural capabilities to maximise output and to improve sustainability.

As such, we forecast that Malaysia's full year growth in 2021 will rebound into positive territory at 4.3 per cent.

Malaysia Sectoral Outlook for 2020

Agriculture	Construction	Manufacturing	Mining	Services	Transportation	Wholesale
Fair	Fair	Fair	Poor	Fair	Fair	Fair

Source: Dun & Bradstreet

Malaysian SMEs: embracing digitalisation

With SMEs making up 98.5 per cent of businesses, Malaysia is encouraging its SMEs to stay ahead of the 'technological race' by taking on digital transformation initiatives. The country is also keen to boost its domestic economy and is focusing on developing policies and programmes that improve the capabilities of its local enterprises, including through digitalisation.

Malaysia is encouraging its SMEs to stay ahead of the 'technological race' by taking on digital transformation initiatives.

Malaysia has also supported SMEs by providing much needed financing to encourage entrepreneurship, with three in four SME loan applications being approved in 2019, according to Bank Negara Malaysia. Through these efforts, it is forecasted that SMEs will contribute 50 per cent of GDP by 2030, up from 38.3 per cent in 2018.

Government support for SMEs

Business continuity	• Soft Loan for SMEs – This scheme provides financing assistance to existing and new start-up companies to help them with working capital for business projects and the purchase of equipment. • Bumiputera Enterprise Enhancement Program – The programme provides selected Bumiputera SMEs with a comprehensive assistance package comprising financial assistance and advisory services to help them grow their businesses. • Syari'ah-Compliant SME Financing Scheme – This scheme provides financing assistance to eligible Malaysian SMEs, with the Government paying two percentage points of the profit rate charged by 13 participating Islamic Banks.
Digitalisation and technological innovation	• Business Start-Up Fund – This initiative encourages the growth of technology start-up companies by providing funding support. • Angel Tax Incentive – This scheme is designed to help technology start-up firms in Malaysia raise funding by offering tax incentive to angel investors who invest in these companies.
Internationalisation	• Market Development Grant – This grant aims to help more local SMEs promote their products and services globally by defraying marketing costs borne by SMEs when they engage in promotional activities.
Deepening internal capabilities	• Soft Loan for SMEs – In addition to funding, the initiative helps SMEs to improve their competitiveness, efficiency and productivity through the adoption of ICT in business management and operations. • The Human Resources Development Fund – This fund supports Science, Technology, Engineering and Mathematics education to equip more of the labour force with Industry 4.0 skillsets.

Singapore

Slow and uncertain growth environment but some bright spots remain

The Singapore economy grew only 0.7 per cent in 2019, down from 3.4 per cent in 2018, marking its slowest growth since 2009. This comes on the back of a markedly slow growth environment in 2019 characterised by uncertainties from global trade tensions and a maturing global electronic cycle. Most sectors experienced a downturn in 2019, led by wholesale trade and manufacturing sectors which contracted by 2.9 per cent and 1.4 per cent respectively.[10]

With COVID-19 impacting economies globally, Singapore's growth for 2020 is set to slow down even further. As a country whose only natural resources are its people, Singapore's trade-dependent economy makes the country particularly susceptible to the effects of key global developments such as the US and China's softening growth, which has a knock-on effect on the demand for international trade.

Disruptions to global supply chains due to temporary border closures to combat the spread of the virus have resulted in a slowdown in global trade. Singapore is highly reliant on trade, with total trade (merchandise) accounting for 201 per cent of GDP in 2019. The bulk of Singapore's trade exposure is with Asia, especially China which accounted for 13.4 per cent of total trade in the 12 months leading to May 2020.[11] While the easing COVID-19 restrictions by several key trading partners such as China, South Korea and Malaysia are encouraging, market concerns over a potential second wave of COVID-19 infections suggest that Singapore's economic prospects may remain uncertain for the foreseeable future.

While all businesses have been impacted by COVID-19, key sectors that have been more greatly affected include the hospitality sector comprising hotels and travel agencies as well as the services sector comprising food and beverage, retail and transport. Visitor arrivals to Singapore have fallen by 100 per cent year-on-year in April 2020, the lowest since the SARS outbreak in 2003.[12] Beyond the sharp reduction in tourist arrivals, domestic consumer spending is also expected to drop.

> **The sharp increase in global demand for medical goods will benefit several Singapore-based production lines that are involved in the manufacture of medical products.**

Given the prolonged impact of COVID-19 on the economy, the Ministry of Trade and Industry is forecasting that the full year growth for 2020 is likely to be between -4.0 and -7.0 per cent.

Despite the headwinds, some bright spots remain. The country's biomedical manufacturing industry has performed well in the first quarter of 2020, growing by 91.4 per cent year-on-year in March 2020 due to a surge in pharmaceutical output by 126.6 per cent year-on-year. As the world continues the fight to contain COVID-19, the sharp increase in global demand for medical goods will benefit several Singapore-based production lines that are involved in the manufacture of medical products. Singapore may also play a major role in the production of the COVID-19 vaccine when it will be developed in the future. We forecast Singapore's GDP growth for 2021 to come back into positive territory at 1.5 per cent.

Singapore Sectoral Outlook for 2020

Construction	Financing	Manufacturing	Services	Transportation	Wholesale
Poor	Fair	Fair	Poor	Poor	Poor

Source: Dun & Bradstreet

Singaporean SMEs: adaptive reforms

Singapore's SMEs are impacted heavily by COVID-19 but the Singapore Government's crucial support for SMEs in these challenging times is helping to keep them afloat.

Singapore's fiscal policies are being kept accommodative to lower borrowing costs for SMEs. The Government has also launched various schemes and subsidies to help SMEs maintain cash flow. For example, in April 2020, it increased its risk-share of bank loans to SMEs under its relief schemes to 90 per cent so that more SMEs can receive access to much needed working capital. Following this announcement, UOB approved S$4 billion in loans to SMEs under the Government's relief schemes within four weeks.[13]

In addition, grants have also been made available to encourage more SMEs to make use of the lull period to digitalise in order to minimise the disruption to their business and to ensure that they are able to seize opportunities when the economy recovers.

Despite the adverse conditions, Singapore's resilient economy and long-term value proposition remains an incentive for foreign investments. Investor confidence remains intact as the country has maintained its number two spot in the World Bank's Ease of Doing Business Index and its stable political environment and accommodative business policies continue to make it an attractive market.

Government support for SMEs

Business continuity

- **Enterprise Singapore (ESG) loans schemes** – SMEs can take up the Temporary Bridging Loan Programme and the SME Working Capital Loans administered by Enterprise Singapore (ESG) to help with the immediate cash flow needs, at loan quantums of up to S$5 million and S$1 million respectively.
- **Loan Insurance Scheme (LIS)** – This scheme allows SMEs to secure short-term trade financing from participating financial institutions for inventory financing, overseas working capital loan, structured pre-delivery working capital, factoring and Banker's Guarantee. The government support for LIS' insurance premium will be increased to 80 per cent until 31 March 2021.
- **Scale-up SG** – This programme helps SMEs to collaborate with private and public ecosystem partners to identify and to build new capabilities to help them innovate, grow, and internationalise. The scheme funds up to 70 per cent of the programme cost.
- **Enterprise Development Grant** – The grant supports local firms on projects concerning business upgrading, innovation and overseas expansion, funding up to 70 per cent of qualifying project costs.

Digitalisation and technological innovation	• Technology Adoption Programme – This programme helps companies to identify their gaps in their businesses that will benefit from the use of technology and matches companies with suitable technology providers. • Productivity Solutions Grant – The grant supports companies keen on adopting IT solutions and equipment to enhance business processes with funding support up to 80 per cent. • SMEs Go Digital – This scheme aims to help SMEs to digitalise in order to enhance operational efficiency and to seize opportunities in the digital economy, funding up to 70 per cent of implementation costs for SMEs adopting approved solutions under the scheme.
Internationalisation	• Market Readiness Assistance Grant – Companies looking to market products and services overseas can defray up to 70 per cent of third-party costs through the MRA grant. • PACT Programme – SMEs can collaborate with other businesses to build capabilities, to innovate and to pursue global opportunities under this scheme, which funds up to 70 per cent of qualifying activities.
Deepening internal capabilities	• Energy Efficiency Fund – The fund encourages companies with industrial facilities to adopt energy efficient processes through the co-funding of resource-efficient facility designs, energy assessments as well as energy-efficient equipment and technologies. • Productivity Innovation Project Scheme – The scheme helps companies to improve their operational efficiencies by re-engineering existing work processes and adopting labour-efficient technologies. • Capability Transfer Programme – This programme helps companies to engage foreign specialists to transfer capabilities to local workers or sending local workers for training abroad, with funding support and work pass facilitation. • Enhanced Training Support for SMEs – The scheme encourages SMEs to send employees for training and skills upgrading by offsetting up to 90 per cent of fees for courses supported by SkillsFuture Singapore. • Lean Enterprise Development Scheme – The scheme helps SMEs to become more manpower-lean and to build a better quality workforce by providing companies with training.

Thailand

Encouraging signs that economic recovery is underway

ASEAN's second largest economy entered 2020 with its GDP dropping to 2.4 per cent in 2019 from 4.2 per cent in 2018.[14] The lower GDP growth in 2019 came on the back of the impact from trade tensions between the US and China and a global economic slowdown, which saw the country's exports going into negative territory at -2.6 per cent.[15] In addition, the appreciation of the Thai Baht further reduced export demand and impacted tourism-related sectors, creating knock-off effects that resulted in a decline in private consumption.

The COVID-19 pandemic worsened Thailand's growth outlook for 2020 as its exports and tourism sectors, which make up 68 per cent and 20 per cent of Thailand's GDP respectively,[16] have been impacted significantly. With Thailand's borders remaining closed to international tourists, the Tourism Authority of Thailand expects a 65 per cent decline in tourism arrivals in the first half of 2020. Owing to the uncertainties from COVID-19, as well as its spill over effects on employment, income and investor confidence, we expect Thailand's growth to contract by 5.4 per cent in 2020, the lowest pace of growth since 1998.

However, there are encouraging signs that point toward Thailand's economic recovery. The Thai Government approved a record THB3.2 trillion budget on 14 February 2020 to cushion the impact of COVID-19 on businesses and individuals and to inject a fiscal boost to support the economy.

In particular, the construction sector is set to recover with more government-initiated infrastructure projects in place. We also anticipate that Thailand's manufacturing sector, which is a major exporter of electronic parts, will recover as more enterprises globally invest in technology.

Thailand Sectoral Outlook for 2020

Agriculture	Construction	Manufacturing	Mining	Services	Transportation	Utilities	Wholesale
Good	Good	Good	Poor	Fair	Fair	Fair	Fair

Source: Dun & Bradstreet

Agriculture continues to be safeguarded by the government's income guarantee programme for farmers to 'reap what they sow'; a scheme that has successfully stabilised prices and boosted farmers' income. The scheme aims to encourage the delay and restrain in crop sales to avoid a market surplus that will lower its price. The increased support for contract farming by the Thai government is also expected to develop the agriculture sector by boosting market demand and reducing production and marketing costs for the farmers.

With encouraging signs of an economic recovery in place, we forecast a 3.0 per cent growth in Thailand's GDP for the full year 2021.

Thai SMEs: stimulating domestic growth

In addition to boosting the economy, the government is also making moves to develop the digital capabilities of its SMEs through initiatives such as the partnership between Cisco and the Office of Small and Medium Enterprise Promotion. The collaboration provides 200,000 SMEs with training courses in areas such as digital transformation and e-commerce.

Thailand envisions that its three million strong SMEs will eventually contribute to 50 per cent of its GDP by 2021.[17]

Government support for SMEs

Business continuity	• **SME Transformation Loan for Thailand 4.0** – This scheme offers funding of up to THB15 million for 3,000 businesses comprising companies facing financial pressure, start-ups pursuing innovation and technology service providers supporting Thailand's Industry 4.0 drive. SMEs applying for a loan of less than THB5 million will only need to make fixed interest payments for the first three years without collateral, with the Thai Credit Guarantee Corporation acting as guarantor.
Digitalisation and technological innovation	• **Digital Manpower Fund for SME 4.0** – This scheme by the Digital Economy Promotion Agency (DEPA) aims to improve manpower capabilities by providing training in digital transformation and e-commerce to support and to develop SMEs. • **Digital Transformation Fund for SME 4.0** – Also administered by DEPA, the scheme aims to provide SMEs with funding support in the form of subsidies and transformation vouchers for the implementation of technology solutions.
Deepening internal capabilities	• **Infrastructure for SME 4.0** – This scheme aims to provide SMEs with work spaces that are conducive to their growth such as new incubation spaces, co-working offices as well as design and creative centres. • **Nurturing citizen 4.0** – This scheme identifies available experts, specialists and researchers in the field of science and technology and matches them with companies embarking on their innovation efforts.

Vietnam

Continuous growth despite external headwinds

Despite the impact of COVID-19 on Vietnam's economy, the country has proved to be resilient in the face of a external uncertainties as its strong manufacturing sector continues to power economic growth. The fastest growing economy in ASEAN has already seen its export value in the first four months of 2020 rising by 4.7 per cent year-on-year.[18]

In addition, there continues to be foreign direct investment (FDI) into the country, fuelling Vietnam's growth. Its increasingly skilled workforce and affordable wages also make it attractive to foreign investors. As such, we anticipate Vietnam's GDP growth in 2020 to rise by 3.5 per cent and to rebound at 6.6 per cent in 2021 – back to growth levels comparable to the 6.8 per cent seen in 2019.

While there are efforts by the government to improve the regulatory environment in Vietnam, local business requirements are still complex and lengthy for many foreign companies looking to expand into the country. With Vietnam ranking a moderate 69th place in the World Bank's Ease of Doing Business, many foreign SMEs require local assistance to support their expansion into the country. High overhead costs are also a concern as companies are required to commit to long lease periods of up to five years.

In the short term, the indefinite pause on development projects due to the inability for Chinese workers to re-enter Vietnam as a result of COVID-19 is expected to affect investor confidence. The extended closure of Chinese factories earlier this year has also disrupted Vietnam's supply chains.

Despite these challenges, Vietnam is still expected to be a superior logistics and manufacturing market in the long term, due to its proximity to China's production hubs. Vietnam's potential as a regional tech hub is also highly anticipated if it manages to successfully launch its 5G network on a commercial scale.

The projected outlook for the service and transport sectors remains strong as tourism continued to soar in 2019 as a result of improved connectivity to its international airports and harbours. However, the momentum is expected to slow down as travellers are cautious about overseas travel amid the COVID-19 outbreak.

Construction saw an average growth of 8.5 per cent per annum in the past decade due to the country's commitment to develop its domestic infrastructure. The utilities sector is also expected to grow as it piggybacks off the increased construction projects and surging power demands which is expected to hit 60,000 MW in 2020, 27 per cent higher than 2019.[19]

Growth in the agricultural sector rose by only 2.1 per cent[20] as it was affected by the African swine fever epidemic, occasional droughts and unpredictable weather. With the added concerns from increased protectionism in trade, the outlook for agriculture remains bleak.

Vietnamese SMEs: Enhanced support for SMEs' financing needs

Although interest rates in Vietnam are low and kept stable, SMEs may find it challenging to obtain a bank loan as they may not keep a proper record of their accounts or have audited financial statements. This in turn makes it difficult for banks to assess their creditworthiness accurately.

To help SMEs, banks such as UOB have also rolled out initiatives to offer them the funding they need for business growth. In 2018, the Bank launched the collateral-free UOB BizMerchant programme to help online retail SMEs to apply for loans based on business data beyond financial records.

UOB does this by tapping its data analytics-enabled credit underwriting engine to analyse a broader set of data, such as an SME's online sales performance, to assess their credit behaviour. As a result of the improved assessment quality, the Bank was able to approve six times the value of loans in 2019 over those approved in 2018. The programme is the first of its kind in Vietnam to provide loans to online merchants based on credit assessment of business data beyond financial records.

In addition, the government has also lowered corporate taxes for SMEs to help them reduce their operational costs. Overall, there is strong support from the government and the industry to help Vietnamese SMEs thrive in today's uncertain economic environment given their role as a key driver of the country's economic growth.

Vietnam Sectoral Outlook for 2020

Agriculture	Construction	Manufacturing	Mining	Services	Transportation	Utilities
Fair	Excellent	Excellent	Good	Good	Excellent	Excellent

Source: Dun & Bradstreet

Government support for SMEs

Business continuity	• **SMEs Development Fund** – This fund offers SMEs up to 80 per cent funding to embark on their business development projects. The total amount of funding must not exceed 15 per cent of the fund's charter capital. • **Credit Guarantee Fund by the Ministry of Planning and Investment** – SMEs and micro businesses can engage a network of consultants for business growth as well as receive subsidies. • **SME Law** – SMEs will be taxed at a lower rate than corporates and will enjoy other non-tax incentives such as lower land use and rental fees as well as access to credit. • **Priority Lending to SMEs** – This initiative lowers the short-term lending rates for SMEs by one to 1.5 per cent per year to make financing more affordable for SMEs.
Digitalisation and technological innovation	• **Investments in ICT** – There are initiatives in place in the venture capital funding space to spur the development of new technologies among SMEs.

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