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SMEs will drive growth - if they expand abroad now: Panellist

(From left) Panel moderator and Singapore Management University Professor Annie Koh at the business outlook forum yesterday with UOB head of research Suan Teck Kin, DBS senior economist Irvin Seah and OCBC Bank head of treasury research and strategy Selena Ling. ST PHOTO: TIMOTHY DAVID

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Small and medium-sized enterprises (SMEs) will be the future drivers of Singapore's growth, provided they make the move now to go overseas, said DBS senior economist Irvin Seah at a business outlook forum yesterday.

In a panel discussion that covered various issues including how smaller enterprises can grow their businesses, Mr Seah said given Singapore's small domestic market, SMEs have to look abroad to expand and "borrow growth from the region".

He added that this will become increasingly important as the Republic's population is set to shrink from 2025 without immigration. Its median age of 35 to 40 today is likely to hit 45 to 50 in a decade or two as well, he told the annual forum organised by the Singapore Chinese Chamber of Commerce and Industry.

"As the population continues to age, unless you are willing to open up the floodgates to immigration - which I don't think is going to be the case - Singapore is going to become less and less attractive to foreign investment and multinational corporations," he said. "Who will drive the growth? Local companies will be the only ones left."

There is another benefit to having local SMEs expand in the region, said Mr Seah. Their returns will come back to Singapore in the form of corporate tax revenue, which can then be used to finance higher social spending needed for the ageing population.

Another panellist, OCBC Bank's head of treasury research and strategy Selena Ling, said that apart from looking to China for growth, there are many opportunities in Singapore's backyard as well. She noted that the US-China trade war has also made Asean more committed, with a greater push for economic integration.

SMEs can also turn to technology to boost their productivity, said UOB's head of research Suan Teck Kin. He added that banks and regional networks can help them to identify opportunities as well.

But, going forward, smaller businesses can do with more support, said Mr Seah, during the panel discussion moderated by Professor Annie Koh of the Singapore Management University.

Looking ahead to the national Budget, which will be announced by Finance Minister Heng Swee Keat on Feb 18, Mr Seah noted that while it was likely to be a continuation of past Budgets with few surprises - a view shared by the other economists - there were policies that can be improved. For example, loans such as the SME Working Capital Loan from financial institutions tend to look for minimum risk and highest returns, meaning that loans tend to go to companies with better financial standing and not always to the ones that need it most.

One way to change this is to have the Government increase its risk sharing for smaller companies. This has been done with the Automation Support Package, where the Government's risk-share with participating financial institutions rose to 70 per cent from 50 per cent, he added.

Spending on healthcare and infrastructure in the Budget was touched on by Ms Ling, who said there are areas that can be improved on as Singapore prepares for an ageing population. Much has been done but the country may not be ready by 2025, she said.

"It requires a lot of investments... (and) a rethink of our healthcare system," she said, referring to recent discussions over how much one can claim with MediShield Life, which is a health insurance plan administered by the Central Provident Fund Board, to help pay for large hospital bills and selected costly outpatient treatments.

On personal investment, apart from maintaining a diversified portfolio, the economists flagged the need to upgrade one's skills, given that professionals, managers, executives and technicians (PMETs), who form a large part of the workforce, appear increasingly vulnerable to job loss. Up to 70 per cent of those retrenched are PMETs, and the number has been rising, noted Mr Seah.

Ms Ling said: "The hard question I see is that this is a reality that we have to face... Maybe artificial intelligence and machine learning... may not replace us in the next three years, but (they are) coming."