Global Business Monitor 2023:

SMEs in a Changing Economic Landscape

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Contents

Foreword

Cause and effect: SMEs and the era of rising costs

At the beginning of the year, the World Economic Forum published its Global Risk Report 2023. With reference to today's precarious global economic picture, Saadia Zahidi, Managing Director, wrote: "The health and economic aftereffects of the pandemic have quickly spiralled into compounding crises."

These crises are a series of interwoven socioeconomic, macroeconomic and geopolitical factors; conflict in Europe, soaring inflation, a cost-of-living crisis largely transcending geography, and shifting monetary policies in an effort to thwart this issue.

When combined with the Covid-19 pandemic's residual economic impacts, these factors are both causes and effects that require careful and coordinated attention across the global community.

Though the speed and scale of interest rate-rises varies, central banks across Europe and North America are somewhat synchronised in their approach to tackle accelerating price rises.

Bloomberg Economics anticipate the European Central Bank will increase and subsequently decrease rates over the coming months, settling at around 4% by year-end, with estimates that the Federal Reserve will start 2024 with interest rates at 5.5%. While Bloomberg forecasts UK rates will reach 5.75% by the end of the year, other estimates suggest this could go a step further to 6%.

Whatever the case, it's clear that the post-2008 era of low-interest rates has ended. This draws to a close access to cheap finance for individuals and businesses alike.

It's not only the cost of finance that is changing. With traditional banking sources revaluating credit appetites, there is a very real possibility we may be entering a credit crunch of sorts.

While reduced liquidity poses challenges for all, the situation is undoubtedly heightened for SMEs.

Today, business owners are battling with a cost-of-doing-business crisis on two fronts: significantly higher costs and the economic instruments leveraged to tackle this primary issue.

It's perhaps little-wonder, therefore, that two-fifths of SMEs say economic conditions are worse now than during the pandemic and 51% say it is taking customers longer to pay. A third have written-off sums owed in the past year as the chronic issue of bad debt hits an already beleaguered business community.

But SMEs are resilient. This is because they care about their employees. They care about their customers and supply chains. They want to be forces for good that support the local communities that surround them. They naturally find solutions to complexities they face.

As a proud SME and part of one of the UK's oldest family-owned businesses, we understand these challenges and the passion to overcome them by working hand-in-hand with our customers and partners. We also understand the benefit of creating support ecosystems where businesses work together. It's in our DNA.

To find out in greater depth the extent to which today's environment is impacting SMEs across different regions, in Q2 we spoke with more than 1,800 business owners and decision makers in Europe and Asia. The results of this research underpin our Global Business Monitor 2023.

Our findings reveal a reassuringly positive outlook from these businesses. More than four-fifths are confident about their prospects for the remainder of the year and 64% believe sales will increase over the coming months. Nine in ten (89%) plan to invest in their businesses throughout the remainder of 2023 with sales and marketing, employee training and development, and digital infrastructure being key focus areas for expenditure.

"While reduced liquidity poses challenges for all, the situation is undoubtedly heightened for SMEs"

So, while governments around the world continue to formulate economic plans to tackle these era-defining issues, SMEs remain confidently poised and ready to take on the challenges facing them.

At Bibby Financial Services, we're equally ready to play our part in supporting our customers and business partners, as well as contributing to wider economic recovery around the world.

Jonathan Andrew
Global CEO
Bibby Financial Services

August 2023

Jonathan Andrew

Research Highlights

Confidence, opportunity and investment

59%

Overall, 59% of SMEs across all nine markets have seen sales growth in the past six months.

85%

of SMEs are confident about their prospects in 2023.

89%

The overwhelming majority of SMEs across markets will invest in their businesses this year.

38%

The most popular area for investment overall is sales and marketing.

Cashflow, bad debt and finance

31%

of SMEs have customers who've gone into administration in the past 12 months.

35%

More than a third have suffered a bad debt in the last 12 months.

26%

say they have insufficient cashflow to grow.

52%

More than half have had a debt of up to €10,000.

51%

of SMEs across markets say that compared to a year ago, customers are taking longer to pay.

29%

say it takes between 15 days and a month to be paid, on average.

46%

Nearly half of all SMEs are more likely to seek external funding now than before the Covid-19 pandemic.

36%

The majority of SMEs (36%) would use third-party funding for domestic expansion.

Key challenges impacting SMEs in 2023

1. Inflation / rising costs **55%**
2. Energy cost / supply **49%**
3. Uncertain economic environment **28%**

International Analysis

Business leaders are bullish

SMEs across the world are celebrated for the significant contribution they make to local and national economies. How resilient they feel is, therefore, a useful bellwether for the prospects of the global economy as a whole.

In this context, the 2023 Global Business Monitor presents positive news. Overall, 85% of small business owners say they feel confident about their business's prospects this year.

SMEs in the Republic of Ireland and Germany are stridently positive with 90% being bullish about how their business's will fare for the remainder of this year. They are followed closely by small businesses in France (89%), the UK (87%) and the Netherlands (86%) who share a similarly bold outlook for their fortunes.

Within the nine markets that participated in the Global Business Monitor, expectations of business performance are reasonably high across all sectors - which include construction, manufacturing, services and wholesale. Transport businesses have the highest levels of confidence at 87%. But even in construction, which is the least optimistic of the sectors covered by the report, 83% of SMEs seem resolutely upbeat about their prospects.

In general, there is strong anticipation that the trading environment will improve over the coming months. Nearly two thirds (64%) of small businesses expect their sales to grow and only 10% believe that sales will decline over the same period.

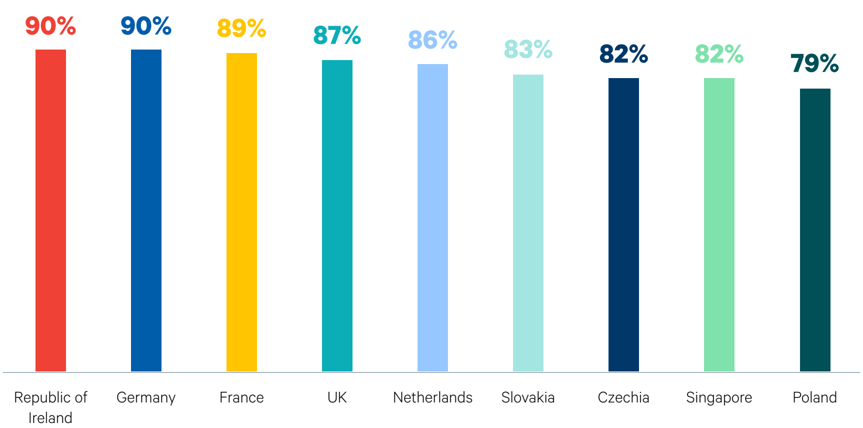
The optimism around sales expansion is matched by SMEs' belief in the opportunities on which they expect to capitalise. From a list of nine options, there is positive consensus on the top three opportunities that will help them make progress for the remainder of this year. Over half (52%) will make efforts to attract new customers, 33% are focused on building new supplier relationships, and 26% will be renegotiating with existing suppliers.

On the face of it, the headline statistics paint a positive picture. But the survey results also suggest that the optimism exhibited by many of the small businesses surveyed belies the overarching narrative of slow growth and tough conditions ahead, as identified in various readings of key global macro-economic indicators. According to the International Monetary Fund's forecasts for 2023, for example, GDP growth for the nine markets

"Even in construction, which is the least optimistic of the sectors covered by the report, 83% of SMEs seem resolutely upbeat about their prospects."

covered by the report looks generally anaemic. Growth in Czechia is predicted at -0.5%; France 0.7%; Germany -0.1%; Netherlands 1%; Poland 0.3%; Singapore 1.5%; Slovakia 1.3%; and the UK -0.3%. At 5.6%, the Republic of Ireland is something of an outlier.

SME confidence in business prospects



Challenges and Threats

Despite their broadly confident outlook, SMEs across international markets are acutely aware of the challenges they face.

The impacts of still high inflation and interest rates in most G7 countries, the pernicious threat of global recession, mounting debt, the banking crisis in the US, ongoing conflict in Europe, and the lingering effects of the Covid-19 pandemic, are clearly straining the day-to-day practicalities of keeping small businesses running smoothly. In many cases, these factors are exerting significant financial pressures that are limiting SMEs' capacity for investment and expansion. For some, the external environment means they're operating on a knife-edge - only just hanging on for survival.

There is a degree of inevitability about the top five challenges SMEs see as key areas for concern: inflation and rising costs (55%), energy costs and supply (49%), uncertain economic environment (28%), conflict in Europe (25%) and interest rates and the cost of borrowing (22%).

This is matched by a mixed, but largely gloomy, perception of the prevailing economic conditions affecting the trading environment. For example, 42% of SMEs across international markets believe the global economic conditions are worse now than during the pandemic, while 28% say conditions are worse than immediately after the global financial crisis of 2008. For 14% of SMEs there's an expectation that the global economy will fall into recession this year. Furthermore, just over half (54%) of small businesses believe that growth in their domestic economy will be minimal, and 21% foresee recession in their local market.

The continuing war in Ukraine is having a prolonged and significant impact on businesses - particularly those in closest proximity to the conflict. More than half (54%) suggest the war has driven up costs, while a quarter (25%) say their supply chains have been impacted, and 18% have had to look for new suppliers.

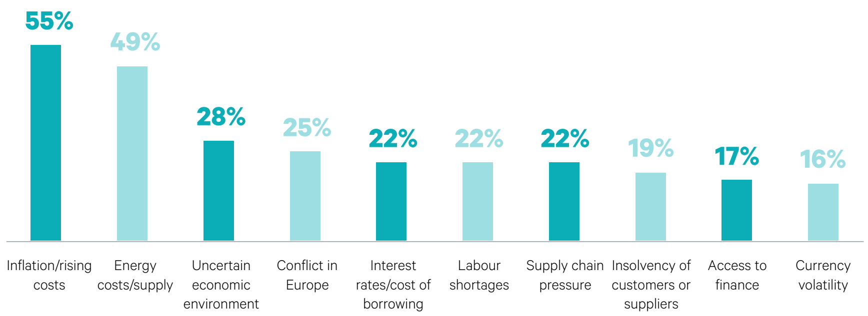
The war-induced cost increases have been most acutely felt in France (61%), the UK (60%), and the Republic of Ireland (58%).

More generally, SMEs are also facing the challenge of the knock-on impact of macro-economic and geopolitical factors affecting their suppliers and customers. In total, SMEs say 31% of suppliers have fallen into administration in the last year, which is impacting their cost base in particular.

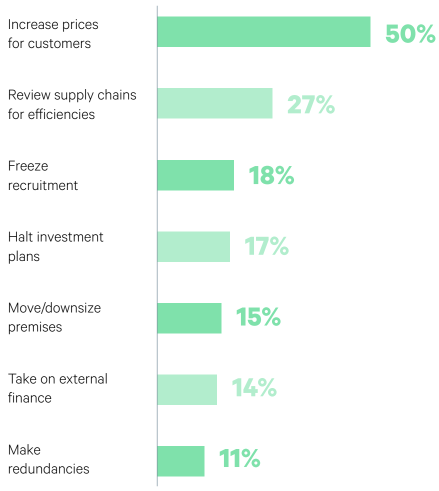
The countries most affected are Germany and the UK, both of which record supplier insolvencies of 38%. At a sector level, businesses involved in manufacturing seem to be most exposed citing supplier insolvencies of 34%.

To shore themselves up against some of these challenges - in particular inflation and high energy costs - SMEs plan to implement a varied combination of strategies. Half (50%) will increase prices for customers, while just over a quarter (27%) plan to review their supply chains for efficiencies. Similarly, 18% will freeze recruitment, 17% intend to halt their investment plans, and 15% will downsize their premises or relocate.

Key challenges facing SMEs



Action to mitigate challenges



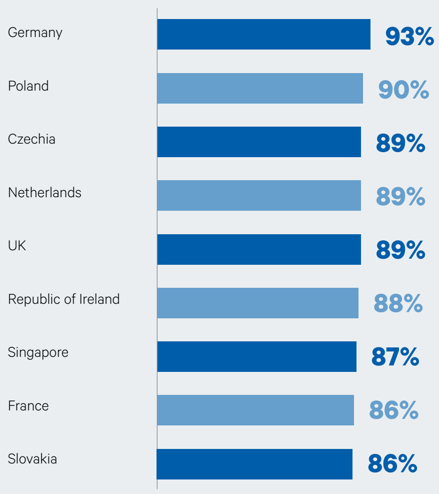
Investment Intentions

Despite the harsh economic realities, the majority of SMEs across international markets expect to invest for growth.

Nearly nine in 10 (89%) will invest in some capacity this year. The majority (34%) of those planning to allocate capital say they will commit between €100,000 and €1million. Small businesses in the UK plan to invest the most with a mean average of approximately €206,485 (£175,924), followed by Singapore at around €203,700 ($294,337). Polish SMEs plan to invest an average of €147,470 (zł655,138), while those in the Eurozone (France, Germany, Netherlands, Republic of Ireland and Slovakia) plan to inject around €124,000 into their businesses. The lowest level of investment will be in Czechia where investment intentions sit at €136,900 (Kč3.2 million).

Given SMEs' expectations for sales growth this year, it may be unsurprising that for those planning to invest, sales and marketing tops the list of areas they believe should receive a cash injection (33%). Additionally, business owners identified staff training and development (28%), digital technology and IT (28%), and machinery and equipment (23%) as areas for investment.

Plans to invest in 2023



Cashflow Conundrum

While confidence remains high among SMEs in different markets, many share a common thread of concern over payment practices. Bad debt and late payments are persistent and corrosive issues that continue to impact cashflow and dampen growth ambitions.

Over a quarter (26%) say they don't have the cashflow they need to grow and 10% say they do not have sufficient working capital to operate effectively on a day-to-day basis.

Undoubtedly, this issue relates to pressure throughout customer and supply chains with 31% of survey respondents stating that customers have gone into administration in the past 12 months. Singapore and Germany have seen the highest rate of customer failures at 48% and 43%, respectively. The percentages are lower for Czechia (23%) and Poland (16%), though the impact on SMEs in these countries may be no less significant.

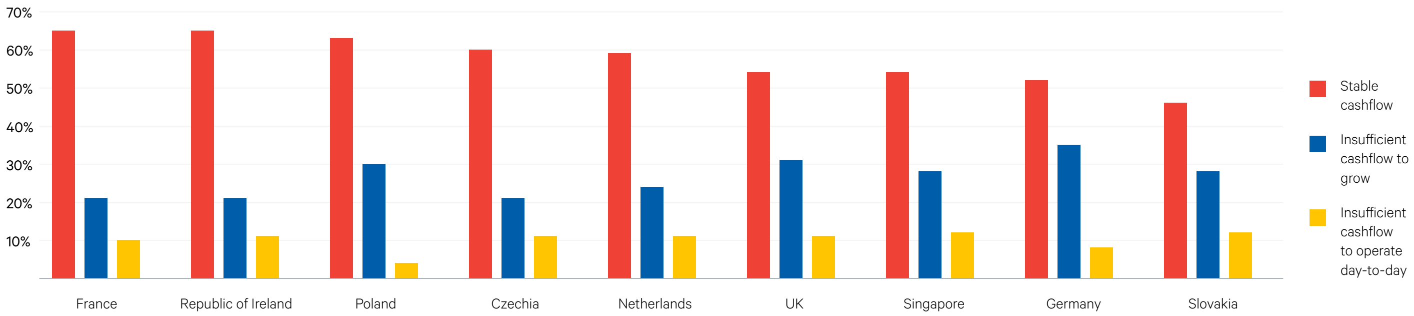
Over the same period, more than a third (35%) of international SMEs have been forced to write-off monies owed. Across the board, 52% have suffered a bad debt up to a value of €10,000 in the last 12 months. SMEs in the UK had the highest mean average bad debt in the past year at approximately €25,000 (£21,459), followed by businesses in Singapore with around €23,141 ($33,469). The mean average bad debt in Czechia was €21,527 (Kč510,730), while in Eurozone markets (France, Germany, Netherlands, Republic of Ireland, Slovakia) it hit €20,049. The lowest average debt was borne by Polish SMEs at around €19,500 (zł87,025).

From a sectoral point of view, bad debt is most prevalent for businesses involved in construction and wholesale where 38% of SMEs say they have written off monies owed.

In addition to debt write downs, SMEs have had to contend with customers taking longer to pay, and invoices remaining unpaid. Across the board, 51% say that invoices are taking longer to be paid now compared with 2022. The problem is most severe in Singapore where 58% of SMEs are affected. But the situation is similar in the Republic of Ireland (57%), France (56%), and the UK (55%). Overall, 29% of small businesses report that it takes between 15 days and one month for customers to pay them.

Globally, 29% of SMEs are currently owed up to €10,000 (£10,000 / $20,000 / zł50,000 / Kč300,000) in unpaid invoices, and 15% of businesses have outstanding invoices to the value of between €100,000 and €1million.

Cashflow position



Financing Support

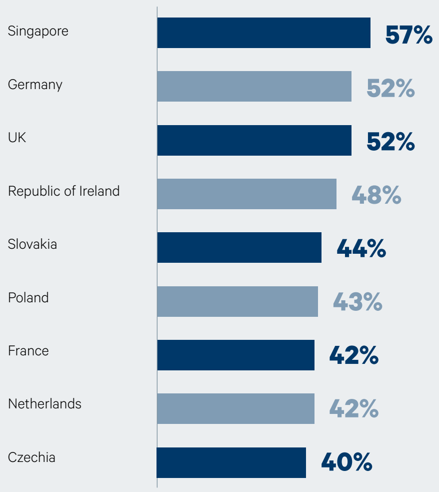
Given the ongoing challenges of managing cashflow, SMEs are increasingly seeking funding to see them through the day-to-day.

In total, 27% of SMEs plan to use external finance to support daily operations. The majority (36%) would deploy cash received from third-party funders to build their business in their domestic market, while 27% would invest it in international expansion and 7% to pay down debts. External sources of finance are becoming an ever-more critical enabler of growth for many small businesses.

Nearly half (46%) of SMEs across international markets say they are more likely to use some form of finance from a third-party since the Covid-19 pandemic. The types of finance that businesses would consider most are business loans (38%), followed closely by government loans (25%). Credit cards (20%) and private equity (20%) are the other two major types of finance preferred by small businesses.

In 2023, businesses in Singapore require the highest amount of funding, at €295,138 ($426,355), followed by Poland at just under half that amount - €141,760 (Zł629,593) - and the UK with €126,228 (£108,439). In the Eurozone (France, Germany, Netherlands, Republic of Ireland, Slovakia), businesses are looking for around €118,847, while SMEs in Czechia have the lowest demand for funding, at €102,986 (Kč2.45 million), on average.

Appetite for funding: 2023 vs pre-pandemic



Czechia

Population:
10.7 million

Number of businesses:
826,000

Market Overview

In the second half of 2022, the Czech economy slipped into a technical recession, driven by persistent inflation and rising energy prices which negatively impacted household consumption, and weakened sentiment. The Organisation for Economic Co-operation and Development forecasts that GDP growth will slow to 0.3% in 2023, before rising to 3% in 2024.

Both headline and core inflation have steadily declined in recent months, however the tightness of the labour market and wage driven inflation remain a point of concern according to the Czech National Bank. While unemployment will remain low at close to 3%, labour and skills shortages also present a significant barrier to growth.

According to a report by Coface, corporate insolvencies in the CEE region increased by 39.3% between 2021 and 2022 due to high energy prices, interest rate hikes, and economic uncertainty prompted by Russia's invasion of Ukraine. However, Czechia was one of four countries to record a year-on-year decrease in insolvencies.

The easing of supply chain issues in the Eurozone is set to positively impact exports - the main pillar of the Czech economy. Nonetheless, ongoing uncertainty will weigh down on business confidence in the short and medium term. Increased base rates will lead to market liquidity limitations which may prompt an increase in the demand from SMEs for alternative types of external funding, such as invoice financing.

Research Findings

The vast majority of Czech SMEs (82%) are confident about their prospects this year and 56% expect sales to increase in the next six months. At a macro level, SMEs are aware of the challenges afoot, with 44% expecting economic growth to be minimal, while a similar proportion (42%) believe that global economic conditions are worse now than during the pandemic. Over a quarter (28%) rightly predicted that the national economy would fall into recession this year.

In line with the global picture, more than half of SMEs (54%) see attracting new customers as their main opportunity for the year ahead. Given the country's reliance on exports, trading internationally (30%) is also a key focus, along with building supplier relationships (29%).

For Czech SMEs, rising costs due to inflation is the most pressing challenge (51%), closely followed by high energy costs and supply (46%). The conflict in Ukraine has also had a notable impact on close to a third of SMEs

Czechia

(28%); for 43% this has led to increased costs and for 25% supply chains have been impacted.

To navigate the months ahead, nearly half of SMEs (49%) will increase prices for customers and 24% will halt investment plans. Additional cost saving tactics include reviewing supply chains for efficiencies (20%), freezing recruitment (18%), and moving or downsizing premises (18%).

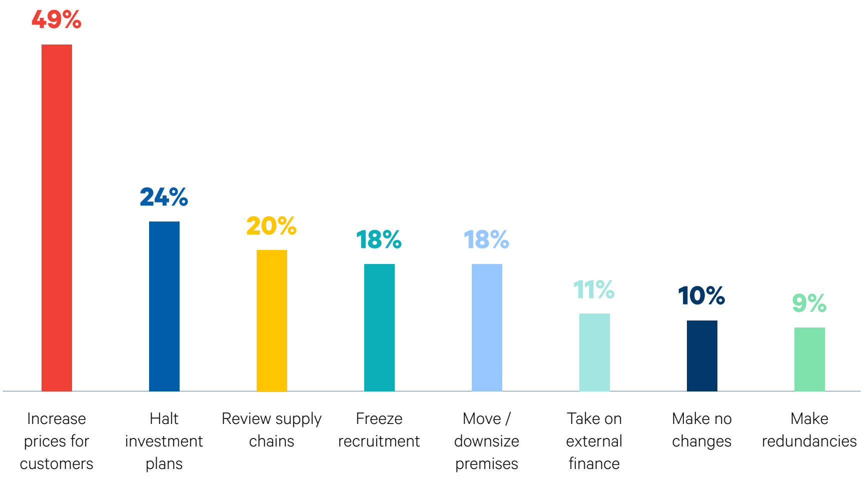
Despite the challenges posed by the prevailing economic conditions, 89% of SMEs plan to invest in their businesses this year. For 37%, marketing and sales will be their primary focus, followed by digital technology and IT (30%), and machinery or equipment (27%). The tight labour market also means that attracting talent (23%) and training and development of existing staff (22%) will be priorities for just under a quarter of SMEs.

While the ambition is evident, cashflow is a concern. SMEs' customers are feeling the economic strain with 23% having entered administration in the past 12 months, while 42% say that it's taking customers longer to pay compared to a year ago. Nearly half of SMEs (48%) have had to write off up to Kč 300,000 in bad debt in the last year.

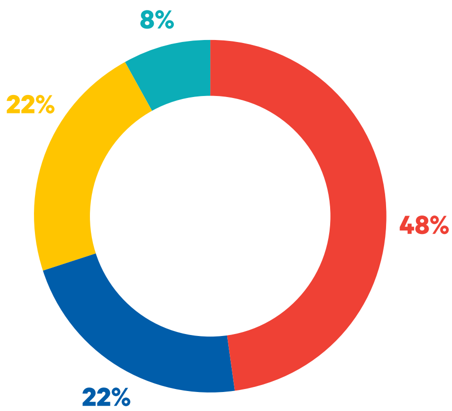
Some SMEs are weathering the storm with 60% saying their cashflow is stable and meets their needs, however 21% say they don't have the cashflow they need to pursue their growth ambitions. Compared to before the pandemic, 40% of businesses say they're more likely to use external finance. The three key types of finance they would opt for are business loans (30%), private equity (30%), and asset finance (19%). The main reasons for external funding are international growth expansion (34%), followed by growth in their home market (28%), and funding day-to-day operations (28%). As an average, the ideal amount of funding required by SMEs is Kč 2.45 million.

Ján Korček
Managing Director
Czechia & Slovakia

Strategies to mitigate challenges

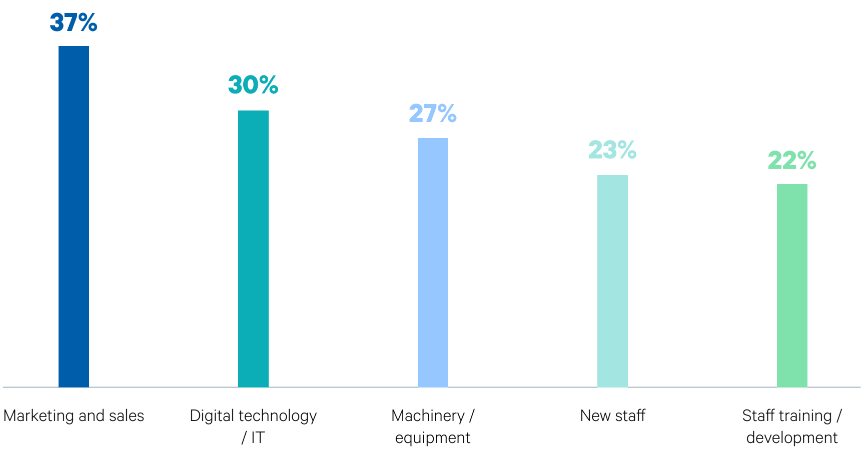


Bad debt in the last 12 months



- Up to Kč300K **48%**
- Kč30K to Kč600K **22%**
- Kč600K to Kč1.5M **22%**
- Kč1.5M to Kč3M **8%**

Top five areas for investment in 2023



Average unpaid invoices:

Kč1.9m

France

Population:
65.2 million

Number of businesses:
6.3 million

Market Overview

In 2022, France enjoyed the lowest rate of inflation of all European Union countries. However, the overall economic outlook is changing thanks mainly to the lifting of the fuel rebate and a 15% increase in gas and electricity prices which came into force in January 2023. Headline inflation currently stands at 5.4%, markedly down on the 7.1% it reached at the back end of 2022.

According to Banque de France - France's central bank - the economy will see a modest improvement this year. Reduced economic uncertainty and stronger foreign demand for French goods and services suggest that France will enjoy a better pace of economic activity than previously, with GDP reaching 0.6% in 2023. Banque de France says that there is now only a slight possibility of the country falling into recession, and once commodity price and energy supply pressures have passed their peak, there should be a marked return to economic recovery with GDP growth expected to reach 1.2% in 2024.

However, risks remain. The geopolitical situation linked to the Russia-Ukraine conflict - and the broader global environment - plus the possibility of the resurgence of pressure on energy supplies next winter, still pose an upside risk to inflation and a downside risk to growth. Similarly, ongoing costs incurred by the French government to support the country during the Covid-19 pandemic, will keep the public deficit high.

These considerations will likely continue to impact household purchasing power and corporate margins. French businesses will see a continued rise in costs - driven largely by wage inflation, the repayment of lingering government-backed loans and the end of fixed rate energy contracts. This could lead to an increase in the volume of corporate insolvencies.

Research Findings

Almost nine in 10 (89%) French SMEs are confident about the outlook for their businesses in 2023 and 55% expect sales to increase between now and the end of the year. They're focused on a range of key opportunities to help them achieve their targets. Attracting new customers is top of the list at (60%), followed by renegotiating contracts with suppliers (37%), and seeking new relationships with suppliers (26%).

However, there are broad reservations from SMEs about the strength of their domestic economy. Over half (51%) believe that growth will be minimal and a further 21% think France will enter recession in 2023.

This consensus of caution is echoed in the context of the global economy. More than half (56%) say the current global economic conditions are worse now than during the Covid-19 pandemic. A quarter (25%) believe

France

conditions are worse than after the global financial crisis.

Many French businesses highlight other key challenges, including inflation and rising costs (53%), energy costs and supply (41%), and ongoing economic uncertainty (22%). To combat these issues, and to give themselves the best chance of success, 48% of small businesses in France will raise their prices this year. Similarly, 29% plan efficiency gains by reviewing their suppliers, 19% will impose a recruitment freeze, and 15% will reduce the size of the space they occupy or move to new premises.

While keenly aware of the hurdles ahead, 86% of French SMEs still have investment plans afoot. Twenty eight percent will invest in their sales and marketing operations, 25% in new equipment or machinery, 23% in new staff, and 22% in staff training and development. On average, they expect to commit €110,786 of investment capital to their businesses this year.

But to meet their ambitions, small businesses in France also need to know they can overcome any cashflow issues. Most (65%) say they have a stable cashflow position. However, 21% have insufficient cashflow to grow, and 10% say their current cashflow situation makes it difficult to continue operating effectively day-to-day.

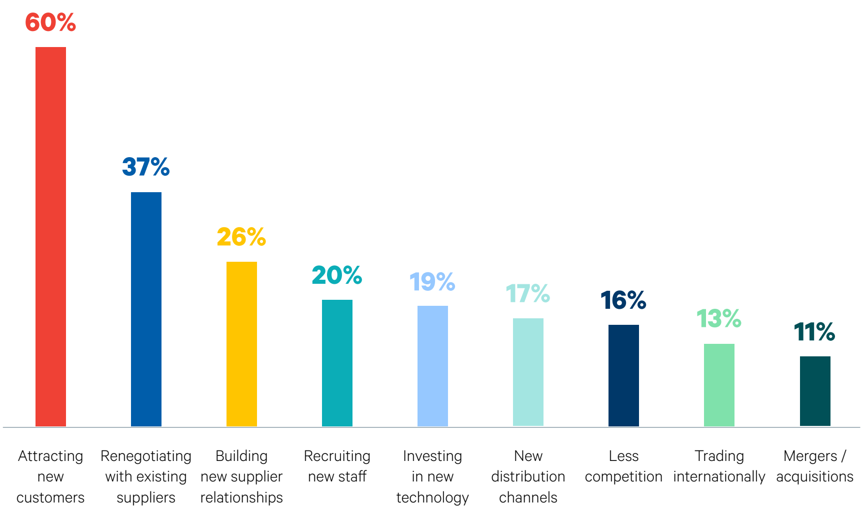
Volatile cashflow is compounded by customers paying late and / or failing to pay at all. Over a third (34%) of small businesses in France suffered a bad debt in the last 12 months, ranging in value from up to €10,000 for 52% of respondents to more than €100,000 for 6%. The average bad debt in the last 12 months was €20,593. Fifty six percent of SMEs also say customers are paying them later now than they did the previous year. The average length of time it takes for payments to land is 34 days and the average value of outstanding invoices is €82,366.

Since the pandemic, 42% of French small businesses are now more likely to access third-party capital. The two most popular forms of finance are business loans and private equity - each of which is sought by 24% of SMEs - while 23% opt for government loans.

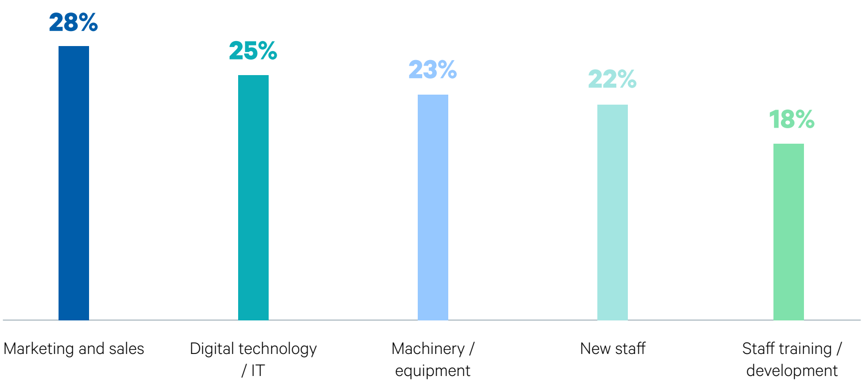
The average scale of funding deemed appropriate for SMEs this year is €113,355 and the majority (42%) will invest the cash in domestic expansion.

Lucile Flamand
Chief Strategic Development Officer

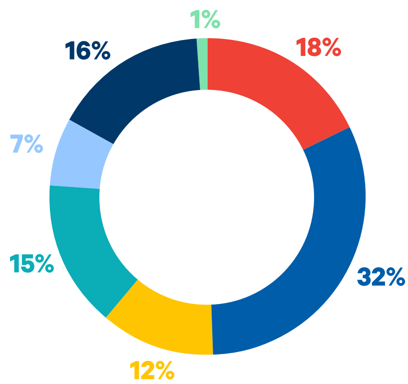
Key opportunities for 2023



Top five areas for investment in 2023



Unpaid invoices



€ 0	**18%**
Up to €10k	**32%**
€10k-€20k	**12%**
€20k-€50k	**15%**
€50k-€100k	**7%**
€100k-€1m	**16%**
€1m+	**1%**

Average unpaid invoices:

€82,366

Germany

Population:
84.4 million

Number of businesses:
3.4 million

Market Overview

The German economy fell into recession in the first quarter of 2023. According to data from the Federal Statistical Office, Europe's largest economy contracted by 0.3% in the first three months of this year following a 0.5% contraction in Q4 of 2022. The outlook for the remainder of the year remains uncertain - while the German government sees growth returning to 0.4%, the International Monetary Fund (IMF) has forecast GDP growth at -0.1% this year.

The slowdown has been attributed to a reduction in consumer spending driven by high inflation - recorded at 6.4% in June - and rising interest rates, while the conflict in Ukraine has had an acute impact on German industry due to the country's long dependence on cheap Russian gas and oil.

Trade has traditionally been a key driver of the German economy, however the volatility of German exports over the last year has damaged business sentiment. Despite the easing of supply chain issues across Europe, there is little evidence of a robust rebound in the coming months.

A study by the Federation of German Business has found that an increasing number of German businesses are considering moving jobs or production abroad due to the high price of energy. In 2022, 14,578 businesses in Germany filed for insolvency, however this is predicted to increase by 22% this year due to the ongoing pressure on profitability and weaker cash buffers. Businesses across construction, wholesale trade, and transport and storage have been hardest hit due to the high price of energy and raw materials.

Research Findings

Nine in 10 (90%) SMEs are confident about business prospects in 2023 and 75% expect sales to increase in the next six months. However, their overall outlook on the economy suggests that this confidence is somewhat misplaced.

A sense of optimism emerged at the start of the year due to the mild winter that protected the economy from the impact of worst-case scenario energy shortages, however this has given way to a gloomier reality. On the economic outlook for the remainder of the year, 51% of businesses are in step with the IMF in expecting economic growth to be minimal, while a quarter (25%) believe the economy won't grow at all. More than four in ten (42%) believe that economic conditions now are worse than during the Covid-19 pandemic.

Germany

Exports are the bulwark of the German economy, and so it's unsurprising that trading internationally is viewed by almost a third (30%) as a key opportunity for the year ahead, alongside attracting new customers (35%), and building new supplier relationships (31%).

The difficulties faced by SMEs mirror the pain points of the economic environment, with nearly half citing inflation and rising costs (49%), and energy costs and supply (48%) as the two main challenges in 2023. These are followed by labour shortages (30%), and supply chain pressure (25%). Nearly a third (30%) view the conflict in Ukraine as a key challenge, with 57% saying it has increased their costs and 34% having seen an impact on their supply chains. To mitigate the impacts, 52% of SMEs are increasing prices for customers, 30% are reviewing supply chains to reduce inefficiencies, and 17% will need to take on external finance.

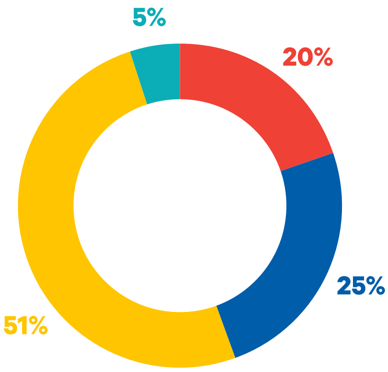
The turbulence of the past year has undoubtedly shaken the Eurozone's biggest economy; however, the country's SMEs remain steadfast in their ambitions to drive growth with 93% planning to invest in their businesses this year. Priority areas for investment are spread across a range of areas, including new staff (32%), marketing and sales (30%), staff training and development (29%), digital technology and IT (28%), and machinery or equipment (22%). Of those planning to invest, the average amount is €129,556.

Stable cashflow is essential for SMEs to meet their investment and growth ambitions. While more than half (52%) say their cashflow is sufficient, 35% say they don't have the cashflow they need to grow. Bad payment practices are a key part of the problem - 54% of businesses have suffered a bad debt in the past 12 months which on average amounts to €15,906, while the average amount in unpaid invoices is €65,635. Over the past year, 43% of SMEs say customers have entered administration.

Compared to before the pandemic, 52% of SMEs say they're more likely to use external finance. The types of external finance SMEs would most consider are business loans (36%), government loans (27%), and credit cards (27%). The average ideal amount of funding required by German SMEs in 2023 is €170,532.

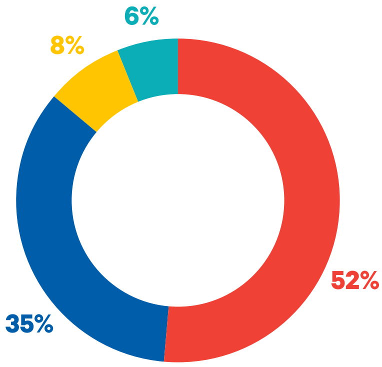
Markus Haupt
Managing Director, Germany

Expectations for the German economy in 2023



Enter recession	**20%**
No growth	**25%**
Minimal growth	**51%**
Significant growth	**5%**

Cashflow position



Cashflow is stable and meets our needs	**52%**
Don't have the cashflow we need for growth	**35%**
Don't have sufficient cashflow to manage efficiently day-to-day	**8%**
Don't know	**6%**

Top five areas for investment in 2023

22% Machinery / equipment

28% Digital technology / IT

29% Staff training / development

30% Marketing and sales

32% New staff

Netherlands

Population:
17.1 million

Number of businesses:
1.8 million

Market Overview

The Dutch economy has grown significantly over the last two years, outperforming surrounding countries with growth higher than the EU average, according to Statistics Netherlands. In 2022, annual GDP growth reached 4.5%, largely due to higher household consumption supported by the government price cap on gas and electricity to protect households from further energy price shocks.

In 2022, the Netherlands faced several challenges, notably disruption as a result of Russia's invasion of Ukraine and persistent inflation which reached 10% - the highest it has been since 1975. Interest rates are continuing to rise in response - since the beginning of the year mortgage rates have more than doubled - however they are stabilising, and further reductions are expected in the coming months.

The Netherlands has the lowest unemployment levels in Europe at 3.3%. In Q2 of last year, the country saw the highest number of open vacancies since 2013 at 470,000. While this has declined to around 430,000, many businesses continue to face challenges in finding staff. Demand for temporary staff remained high in 2022, however this is expected to decline in 2023 due to a combination of a cooling economy and persistent labour shortages.

The Central Bureau of Statistics reported that government support resulted in low levels of bankruptcy during the pandemic, however according to data compiled by the Faillissement's Dossier, insolvency across the Netherlands rose sharply in the first quarter of 2023 with 781 reported bankruptcies compared to 506 in Q1 2022 - an increase of 54.3%. This has been accompanied by a drop in GDP (-0.7%) during the same period, driven largely by a rise in service imports and a near doubling of the reduction of inventories. ING predicts the Dutch goods trade will resume growth in 2023 in line with the normalisation of supply chain issues.

Research Findings

Against the grain of persistent high inflation and wider economic uncertainty, nearly nine in 10 (86%) Dutch SMEs are confident about their prospects in 2023. Over the last six months, 68% saw their sales increase while a similar proportion (71%) expect to see an increase over the next six months. While the Dutch economy has shown resilience, conditions are expected to worsen toward the end of the year with 63% of SMEs predicting that economic growth will be minimal while 23% believe the economy will enter a recession.

Netherlands

For 41% of SMEs, attracting new customers is a key priority this year, followed by building new supplier relationships (25%), and taking on new staff (25%). Other areas of focus include renegotiating with existing suppliers (22%); investing in new technology (21%); and trading internationally (21%).

While it is not unrealistic to expect growth in 2023, SMEs are aware of the challenges they face. Reflecting the global trend, nearly half (47%) cite inflation and rising costs as the prime challenge for the year ahead, followed by high energy prices and supply concerns (38%), the uncertain economic environment (27%), and labour shortages (27%).

In response to the rising cost of doing business, 48% of SMEs will increase prices for customers. More than a quarter (26%) are reviewing supply chains for efficiencies, a smaller proportion (16%) are looking at external finance options for support, and 11% plan to make redundancies.

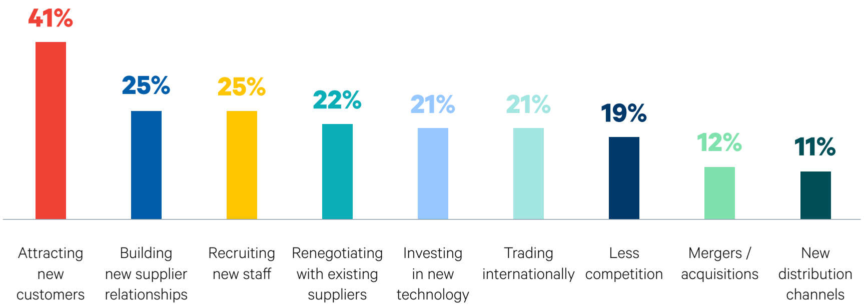
A large majority of SMEs (89%) plan to invest in their businesses this year, spending an average of €128,911. These investments span marketing and sales (27%), staff training and development (27%), digital technology and IT (27%), new staff (27%), and machinery or equipment (20%).

However, poor payment practices present a barrier to growth and investment ambitions. In the last 12 months, 39% of SMEs have suffered a bad debt averaging €25,016 and 33% report that their customers have gone into administration. Late payments are also reducing SMEs' ability to operate with 44% saying that it's taking longer for customers to pay them compared to a year ago. Over a third (31%) are owed up to €10,000 in unpaid invoices while 18% are owed between €100,000 and €1million.

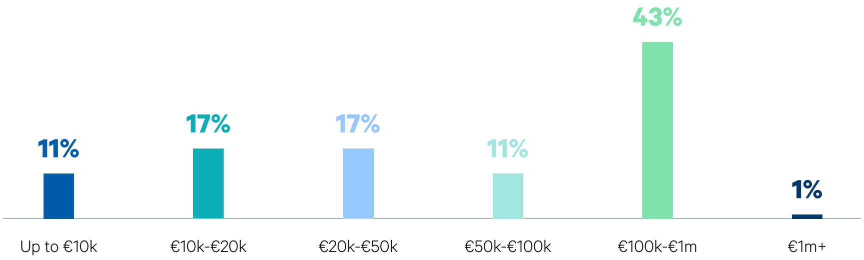
While 59% of SMEs say their cashflow is stable and meets their needs, the need for external support to boost cash buffers and alleviate pressure is on the rise. Compared to before the Covid-19 pandemic, 42% of SMEs are more likely to use external finance. As an average, they're looking for around €101,089. The types of external finance most considered are business loans (32%), overdrafts (26%), credit cards (22%), and private equity (20%).

Franc Ensink
Managing Director, Netherlands

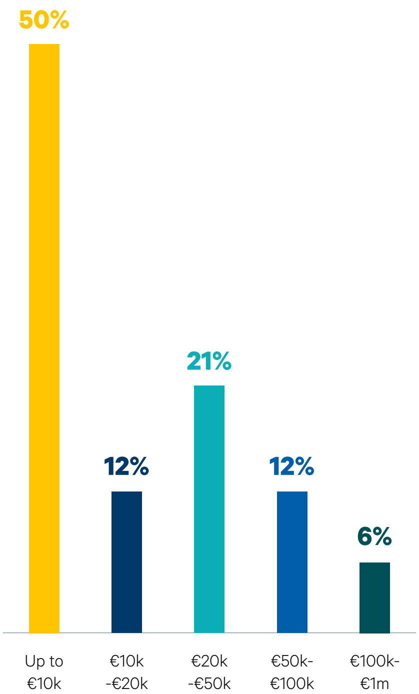
Key opportunities for 2023



Planned investment in 2023



Bad debt in the last 12 months



Average planned investment in 2023:
€128,911

Average bad debt in the last 12 months:
€25,016

Poland

Population:
37.8 million

Number of businesses:
1.6 million

Market Overview

The last three years have been demanding on the Polish economy. SMEs have and continue to navigate the repercussions from the global pandemic, the invasion of Ukraine, and the challenge of rising inflation.

Polish businesses have had no choice but to find strength and resilience, and there does appear to be better days ahead. Inflation projections for 2024, according to the World Bank, European Commission and the National Bank of Poland, are rather positive and oscillate around 5.9 percent. The same is true of GDP, economists believe that the recovery of the Polish economy is likely to be more dynamic than previously expected.

But while this is good news, there is an urgency required to support Polish SMEs through the here and now. The solvency and profitability of the Polish SME sector has deteriorated over the last three years.

What is more, access to bank financing has become more problematic for SMEs due to rising interest rates. In fact, according to a 2022 Coface report, all sectors of the Polish economy, except agriculture, saw a dynamic increase in the number of insolvencies. Furthermore, in the first quarter of 2023, the number of insolvent companies increased again - this time by 31%.

Research Findings

When compared with other markets, Polish SMEs are least confident in relation to their businesses' prospects in 2023, but despite this - the percentage that is confident (79%), is still overwhelmingly high. Six in 10 businesses expect their sales to increase in the next six months, and only 11% expect a decline. Sixty three percent expect growth to come from attracting new customers, whilst 34% believe they will build new supplier relationships and 28% state they will leverage new distribution channels.

Yet Polish SMEs' confidence in their own capabilities to unlock new opportunities, does not translate into their opinions on the Polish economy, or the global economic landscape. While 45% believe economic growth will be minimal, a significant proportion (29%) believe the economy will enter recession. Nearly four in 10 (39%) believe global economic conditions are worse now than during the Covid-19 pandemic.

This view comes as no surprise when reviewing the greatest challenges that Polish businesses face in the year ahead. Inflation and rising costs are the biggest threat to SMEs (70%), followed by energy and supply chain costs (59%), the uncertain environment (38%), interest rates and the cost of borrowing (29%), and the conflict in Europe (28%).

Poland

The war in Ukraine has also had an acute impact on the labour market. According to the Organisation for Economic Co-operation and Development, by March 2023 around 1.6 million Ukrainians had settled in Poland which has helped to alleviate wage pressures. Only 10% of Polish businesses cited labour shortages as a key challenge in 2023 - the lowest percentage across all markets surveyed.

Despite this, the conflict has put many Polish businesses under strain with only 23% reporting that they haven't been impacted by the disruption. In response, 55% say their costs have increased, while 26% say they have been impacted by currency volatility, and 21% say their supply chains have been impacted. A reduction in suppliers has also put a strain on costs, with 18% of businesses saying that suppliers have entered administration in the past 12 months.

Despite this, polish SMEs hope to invest on average zł655,138 into their businesses this year. Top focuses for investment are staff training and development (38%), marketing and sales (37%), machinery or equipment (33%), digital technology and IT (25%), and international trade opportunities for exports (20%).

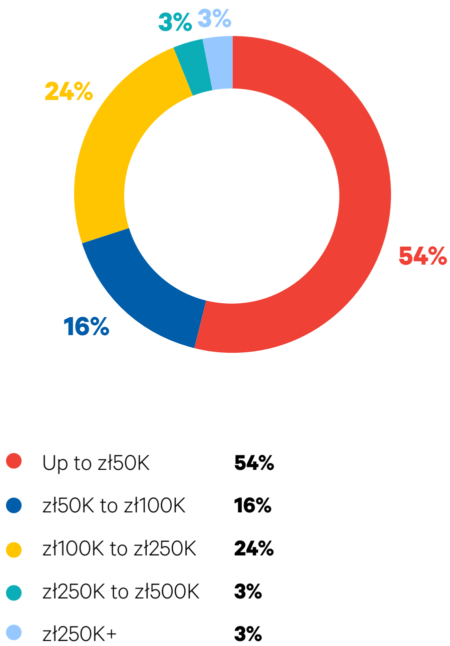
But payment practices and access to finance risk undermining these ambitions. Thirty four percent of Polish businesses have suffered a bad debt in the last 12 months, with businesses having to write off zł87,025, on average. Nearly half (46%) say that it is taking longer for their customers to pay them compared to a year ago.

As a result, three in 10 polish businesses say they don't have the cashflow they need to grow, and many are looking for support and finance to maintain their businesses. Forty three percent of Polish businesses say they are more likely to use external finance now compared with before the pandemic. Forty two percent say that the main reason they would require funding is to manage day-to-day operations, while 33% say it's for growth and expansion domestically, and 21% say growth and expansion internationally.

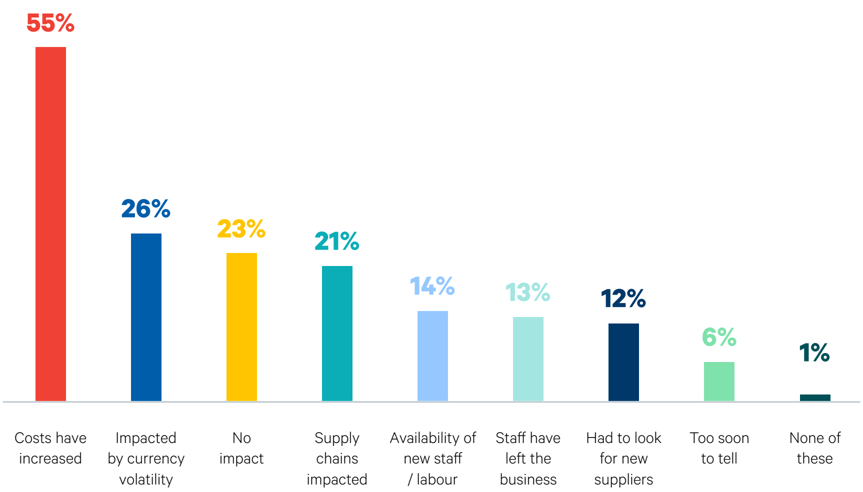
Tomasz Kukulski
Managing Director, Poland

Key opportunities for 2023

Unpaid invoices



Impacts of Russia-Ukraine war



Average bad debt in the last 12 months:

zł87,025

Republic of Ireland

Population:
4.9 million

Number of businesses:
348,000

Market Overview

Despite considerable uncertainty around the global economic environment, Irish businesses remain positive and pragmatic when it comes to making 2023 a success. But sector by sector, this looks and feels very different; businesses will be relieved when inflation starts to reduce, but those working in the hospitality sector still face challenges that are squeezing their cashflows such as the return of VAT levels to 13.5% in September.

Rising insolvencies continue to be a real and concerning threat to businesses. Recent statistics published by Deloitte Ireland show that a total of 146 corporate insolvencies were recorded in Ireland in the first quarter of 2023, representing an increase of 22% from the same quarter in 2022.

But again, the sector-by-sector outlook is unequal. The European Commission's Spring 2023 Economic Forecast states that industrial production volumes, and information and communication services' turnover remains strong. Exports will also continue to be a key driver of growth, helped by the Northern Ireland trade deal reached earlier this year. The Central Bank Quarterly Bulletin 2023 has recorded that there has been a 15% increase in Irish exports in volume terms, mainly attributed to the activities of Multi-National Companies in ICT services and pharmaceuticals.

And for SMEs who can export, the outlook looks encouraging. Exports across the board are forecast to grow by 8.2% this year, and a further 6.2% in 2024, which will support growth in GDP terms averaging over 5% per annum for another two years.

Financing and investment are critical to Irish SMEs' success. And the withdrawal of Ulster Bank and KBC from the Irish banking market in the past six months has had a substantial impact, unlocking opportunities for other financial service providers to attract new customers and grow their portfolios, while allowing SMEs to sit down and properly consider the financial options available to them to set themselves up for success.

Research Findings

The research findings echo wider economic indicators: overall, Ireland's outlook remains positive in 2023 and beyond, with inflation expected to reduce, despite high prices and rising interest rates continuing to drag on growth. At 90% on a measure of confidence, Irish SMEs are the most bullish of all survey respondents about their business prospects in 2023. This confidence doesn't, however, extend to the global economic environment, with half of Irish SMEs (51%) believing the global economic conditions are worse now than during the Covid-19 pandemic.

Republic of Ireland

Growth feels achievable to Irish SMEs, with 72% saying they expect sales to increase in the next six months. They see attracting new customers (67%), building new supplier relationships (36%), taking on new staff (24%), renegotiating with existing suppliers (23%) and exploring new distribution channels (21%) as the key opportunities for the year ahead.

But rising costs and inflation were the top concerns at 64%, followed by energy costs (62%), supply chain pressure (30%), interest rates and the cost of borrowing (27%), and the conflict in Europe (24%).

Irish businesses are taking measures to navigate cost increases and inflation, with 57% increasing prices to customers, 38% reviewing their supply chains for efficiencies, and 14% freezing recruitment plans. Furthermore, a reduction in suppliers is also putting a strain on costs for Irish SMEs, for whom 34% of their suppliers have entered administration in the past 12 months.

However, resilient Irish businesses expect to invest an average of €108,850 in their businesses this year. They're looking at marketing and sales (37%), staff training and development (34%), and new staff recruitment (23%) as the top three investment areas for 2023.

Yet investment plans could be impacted by cashflow limitations and access to external finance. Three in 10 (29%) businesses have suffered a bad debt in the last 12 months, with Irish SMEs having written off €21,076 on average, in the past year.

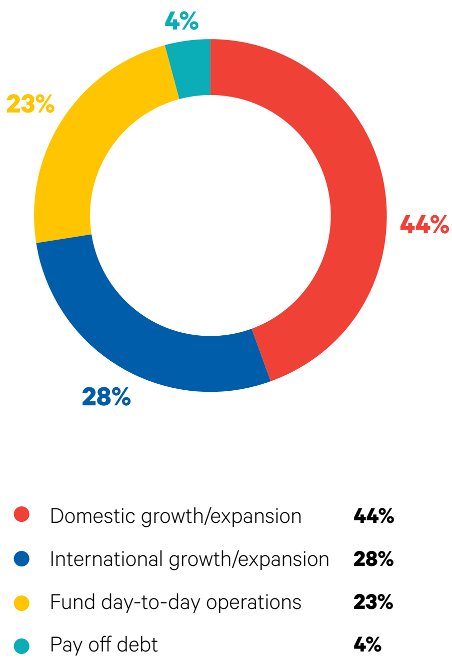
Supply chain uncertainty is also restricting cashflow. Twenty eight percent of Irish businesses' customers have entered administration in the last 12 months, and 57% of businesses report that it's taking longer for customers to pay them, compared to a year ago. To make matters worse, Irish businesses have €67,918 on average, in unpaid invoices.

It's no surprise then, that 21% of Irish businesses say they don't have the cashflow they need to grow, and nearly half (48%) are more likely to use external finance now compared with before the pandemic. On average, Irish businesses believe €120,147 is the right amount of funding required to support their business, with 44% stating this would be for domestic growth and expansion, 28% suggesting it would be for international growth and expansion, and 23% saying it would fund their day-to-day operations.

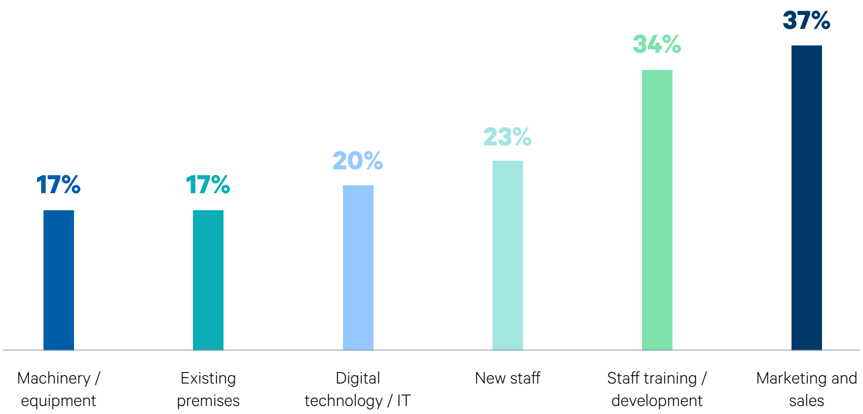
Mark O'Rourke
Managing Director, Republic of Ireland

Key opportunities for 2023

Reasons for funding requirement in 2023



Top five areas for investment in 2023



Singapore

Population:
5.8 million

Number of businesses:
580,000

Market Overview

Singapore has a highly developed free-market economy and is considered as one of the most open and pro-business in the world. With a competitive tax regime, the city-state has been a magnet for Foreign Direct Investments (FDIs). The United States is Singapore's largest single country investor with FDIs worth over USD244b, which is more than the United States' total sum invested in Japan, China and Republic of Korea combined. Simultaneously, China (including Hong Kong) is Singapore's largest trading partner, accounting for close to 23% of the latter's total exports. Singapore's trade-to-GDP ratio is among the highest in the world at more than 320%.

Overall, Singapore has positioned itself as a global hub and a leader in sectors such as business (being the regional hub), finance (including Fintech), transportation (leading airport and seaport), logistics, biomedical science and technology. The government has implemented various initiatives to attract foreign direct investments and promote entrepreneurship, fostering innovation and economic growth. The country's strategic location, political stability, excellent infrastructure, efficient judicial system and skilled workforce continue to contribute to its economic success.

Singapore has maintained a stable economy supported by its electronics, chemicals, financial, petroleum refining, biomedical, construction, retail, food & beverage, real estate, and services sectors. During first half of FY23, headline and core inflation rates stood at 6.1% and 4.1%, respectively. Full year GDP growth is forecast to be at 1.4% due to contraction in the manufacturing sector and slowdown in non-oil domestic exports.

In terms of market trends, Singapore has been striving to diversify its export markets. The government has actively pursued free trade agreements to enhance market access for Singaporean businesses. Singapore will continue to focus on strengthening its presence in high-growth industries such as technology, finance, biomedical and green economy to drive export growth and attract foreign investments.

Research Findings

Singapore businesses are overwhelmingly positive (82%) about their outlook in 2023, with only 15% stating they were not confident about their business prospects. Encouragingly, seven in 10 (70%) businesses expect their sales to increase in the next six months, with only 10% stating they expect them to decline. Singapore's small to medium enterprises identified new customers (43%), building new supplier relationships (40%) and exploring new distribution channels (32%) as the top three areas for growth and success.

Singapore

Unlike other markets surveyed, Singapore's SMEs remain upbeat about the global economy too. Only 24% believe that the global economic conditions are worse now than during the Covid-19 pandemic, and only 22% believe the conditions are worse now than following the global financial crisis of 2008. Positively, 35% believe the global economy is strong.

Despite this optimism, challenges remain. Singaporean SMEs view inflation and rising costs as the primary concern for their business (51%), followed by an uncertain economic environment (38%), energy costs and supply (34%), and supply chain pressure (31%). To overcome rising inflation and business costs, businesses are increasing prices to customers (42%), reviewing supply chains for efficiencies (37%), and freezing recruitment plans (27%). What's worse, a reduction in suppliers is also putting a strain on costs, with SMEs saying that 35% of their suppliers have entered administration in the past 12 months.

However, against a backdrop of optimism and expected growth, Singaporean businesses aim to invest on average around $294,337 with priority investment areas identified as digital technology and IT (38%), marketing and sales (32%), and staff training and development (32%). A quarter (25%) of those planning to invest will spend the money on international trade exports. The same proportion will invest in international trade imports.

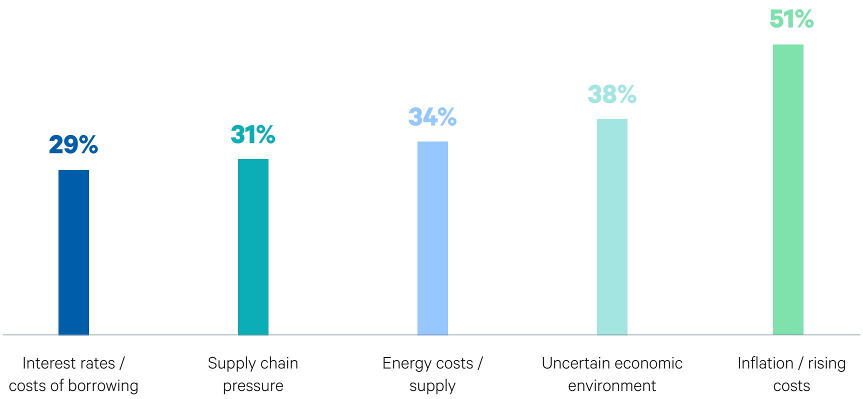
But cashflow is critical to unlock the investment streams that SMEs in Singapore require, and bad debt appears to be a pervasive issue. Four in 10 (40%) SMEs have suffered a bad debt in the last 12 months, and the average bad debt that businesses have written off is $33,469.

In addition, payment practices are stalling businesses' entrepreneurial spirit. Forty eight percent of SMEs' customers have entered administration in the past year, and 58% say that it's taking longer for customers to pay them compared with a year ago. The mean average in unpaid invoices stacks up to $151,039.

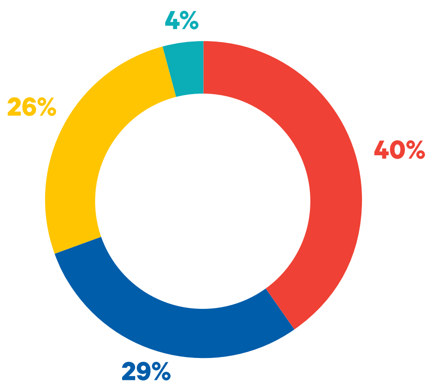
It's no surprise then that some Singaporean SMEs are looking to alternative finance to ensure they can invest and grow in line with their ambitions. Twenty eight percent of businesses say they don't have the cashflow they need to grow, and 57% say they are more likely to use external finance now compared with before the pandemic. On average, businesses say the amount of funding they'll need this year is $426,355, with the majority (40%) saying this would go toward international growth and expansion.

Kenneth Tham
Managing Director, Singapore and South East Asia

Top five challenges for SMEs in 2023



Reasons for funding requirement in 2023



Top areas for investment in 2023

Slovakia

Population:
5.4 million

Number of businesses:
446,000

Market Overview

Local market conditions in Slovakia are comparable to other areas of Central Europe. Modest GDP growth of 1.5% is expected for 2023 and is forecast to hit 2% in 2024 when the recovery of global demand and easing of supply chain disruption will likely boost export growth.

Like many other countries, the Slovak economy is dealing with the twin impacts of inflation - especially in salaries and material costs - and volatile energy prices. By signing a contract to secure natural gas from the North Sea until 2024, Slovakia has effectively reduced its heavy dependence on Russia for energy. According to Trading Economics, over the last ten years, exports - the economy's main driver of growth - have more than doubled, however, any significant escalation of the war in Ukraine could weigh down on foreign demand.

Current figures from the Organisation for Economic Co-operation and Development put core inflation at 11.4%. And while consumer and business confidence remain weak, the Slovak labour market is resilient with the unemployment rate standing at 5.3%

Rises in interest rates are impacting both bank lending and consumer confidence. For SMEs, this translates into limitations on their liquidity, making it harder for them to plan for the future and to invest in growth.

As banks and traditional lenders have continued to decrease their risk appetite, the lending market has tightened considerably. At the same time higher base rates are easing the relative price differential between bank credits and invoice factoring. This could drive an upsurge in demand from SMEs for new funding sources to help them keep their businesses afloat and to move them forward.

However, with energy price volatility and inflationary pressures reducing domestic demand and fuelling a prolonged period of uncertainty, many SMEs are deferring decisions about their funding requirements. As a result, competition for business is increasingly fierce within the local alternative funding market. To stay ahead, many small business financiers in Slovakia are investing in digitisation to streamline their processes and improve the efficiency and effectiveness of their services, which are badly needed to help SMEs flourish.

Research Findings

More than eight in 10 SMEs in Slovakia (83%) are confident about their prospects this year, while 17% are not. This general level of confidence is underpinned by a positive outlook on trading activity and transaction volumes. Over half (51%) of small businesses

Slovakia

expect sales to grow over the coming months, building on a robust performance in the previous six months during which 43% saw sales increase. However, for a small minority (13%), expectations are for sales to decline in the coming six months.

For more than half (52%) of Slovakia's SMEs, attracting new customers is seen as a key opportunity this year, while 40% cited building new supplier relationships. Just over a quarter (28%) highlighted the importance of renegotiating with suppliers, 22% will invest in IT and digital technology, and 19% said trading internationally is key.

This optimism is tempered by the realities of the macro-economic landscape. Over half (56%) of small businesses in Slovakia believe the country's economic growth will be minimal this year, and 22% say it won't grow at all. Similarly, the majority (40%) think the global economy is in a worse place now than before the Covid-19 pandemic and 15% believe it will enter recession in 2023. At a more specific, granular level, businesses see the high price of energy (61%), and inflation and soaring costs (55%) as the leading challenges they face. To mitigate the impact of these issues, 47% will be raising prices for their customers.

Despite the tricky trading conditions, 86% of Slovakia's SMEs plan to invest in their businesses. The majority (34%) will give additional support to their sales and marketing, 29% plan to invest in new digital technology and IT, and 18% will boost their international export activities. Nearly four in 10 (38%) plan to invest a total of between €100,000 and €1million each in their businesses.

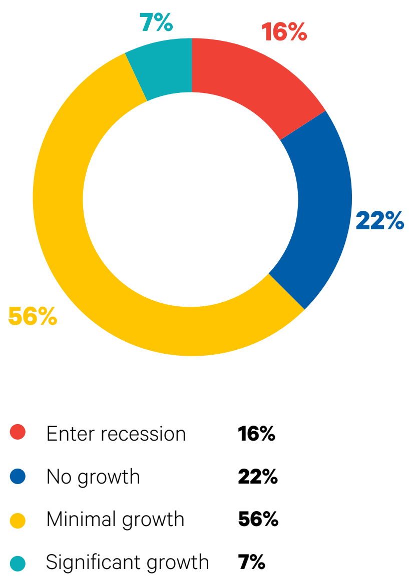
But cashflow remains a vital consideration. Most SMEs (46%) say their cashflow is stable, but 28% say they have insufficient to pursue their growth ambitions. For many SMEs bad debt and late payment are making things more difficult. Over a third (35%) have suffered a bad debt in the last six months, with the average amount hitting €19,482. This is exacerbated by 35% of businesses seeing their customers fall into administration, and 50% of SMEs say it's taking their customers longer to pay their bills now than a year ago.

To ease the pressure, Slovak SMEs are increasingly seeking a wide variety of external funding routes as a source of capital, including business loans (36%), private equity (22%), government loans (17%) and factoring / invoice finance (15%). As an average, SMEs consider €81,283 to be an appropriate amount of external finance and most (40%) would use the cash to help them expand and grow.

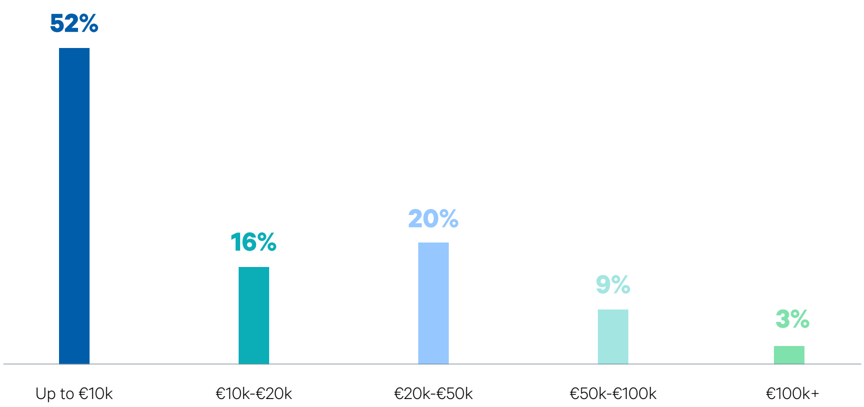
Ján Korček
Managing Director
Czechia & Slovakia

Key opportunities for 2023

Expectations for the Slovak economy in 2023



Bad debt in the last 12 months



Average bad debt in the last 12 months:

€19,482

United Kingdom

Population:
67.8 million

Number of businesses:
6.7 million

Market Overview

Current macro-economic data suggest that the UK is in a better position than earlier economic forecasts suggested it might have been. The threat of recession that loomed at the start of 2023 seems to have receded - at least for now. The most recent forecasts from the International Monetary Fund predict that the UK will see modest growth of 0.4% in 2023, with a further uptick to 1% in 2024. No doubt much of the impetus for that growth will come from the 5.6 million SMEs that underpin the nation's economy.

Though undoubtedly less bleak than might have been anticipated, the outlook is still uncertain. The current rate of headline inflation remains one of the highest of all G7 countries at 8.7%, though this is considerably lower than the dizzy heights of 11.1% at the end of 2022. Nevertheless, the Bank of England continues to be nervous about inflation becoming entrenched, which explains its unprecedented run of 12 consecutive rate rises since December 2021. Rates currently stand at 5% and forecasters anticipate further rises in the future.

High interest rates, coupled with continuing high inflation and energy prices, mean domestic demand remains anaemic. The Organisation for Economic Co-operation and Development pinpoints depressed consumer confidence and a mixed picture in relation to business sentiment. It cites the robust performance of the services sector but continuing weakness in manufacturing. The UK labour market is currently fairly strong with a low rate of unemployment at 4%. Indeed, in certain sectors, such as construction, there is an under supply of skilled workers. However, a fairly recent uptick in corporate insolvencies might indicate an upward trajectory for unemployment over the longer term.

For many UK SMEs, the reality is that the prevailing economic conditions continue to undermine their plans for new staff recruitment, investment and expansion.

Research Findings

In the UK, 87% of SMEs feel confident about their near-term prospects. A significant majority (70%) expect sales to grow over the coming months. They intend to focus on key opportunities such as, attracting new customers (55%), building new supplier relationships (40%), and investing in new technology (26%).

This bullish outlook reflects the enduringly resilient spirit of SMEs, but they're also keenly alive to the challenges of the external economic environment. More than three in five (62%) expect economic growth in the UK to be minimal, echoing current forecasts. A

United Kingdom

relatively small cohort (15%) say the economy won't grow at all this year.

So far as the global economy is concerned, 46% of UK SMEs view the current conditions as worse than they were during the Covid-19 pandemic. For 37%, the global economy is fairing less well than it was in the immediate aftermath of the global financial crisis. Furthermore, 8% fear it will enter recession this year.

The number one challenge facing SMEs in the UK is inflation and rising costs (61%). This is closely followed by high energy prices and supply (56%), the uncertain economic environment (31%), interest rates and the cost of borrowing (30%), and conflict in Europe (24%). In most cases (48%) SMEs will be raising their prices to mitigate the impact of inflation and energy price hikes. Similarly, 23% plan to halt any new staff recruitment, and 15% will make redundancies.

Undeterred by the tricky conditions, 89% of SMEs still plan to invest this year. The majority (38%) will bolster their digital and IT infrastructure, and 36% plan to boost their sales and marketing efforts. A quarter (25%) plan to recruit new people. On an average basis, the level of investment will be £175,924.

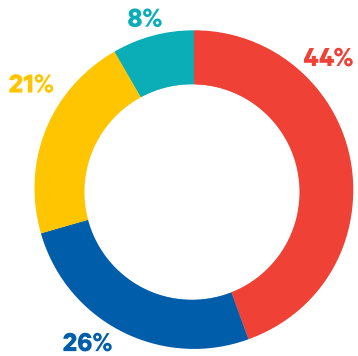
Nonetheless, cashflow is a key consideration. Though 54% say they have stable cashflow, 31% have insufficient funds to grow and 11% can't operate efficiently on a day-to-day basis. A quarter (25%) have suffered bad debt in the last 12 months, and the average write-off is £21,459. The bad debt problem is compounded by customer insolvencies, with 29% of businesses' customers having entered administration in the past year. Over half (55%) of the UK's SMEs say their customers are taking longer to pay than a year ago and the average value of unpaid invoices is £68,634.

In an effort to smooth the ups and downs of cashflow planning, 52% of SMEs in the UK are now more likely to use external finance than before the pandemic. Half (50%) would opt for business loans, 33% credit cards, and 32% government loans. A fifth (20%) would seek factoring and invoice finance. On average, UK SMEs think £108,439 is the right level of funding for their businesses this year. The majority (44%) will invest this in domestic growth.

Derek Ryan
Managing Director, UK

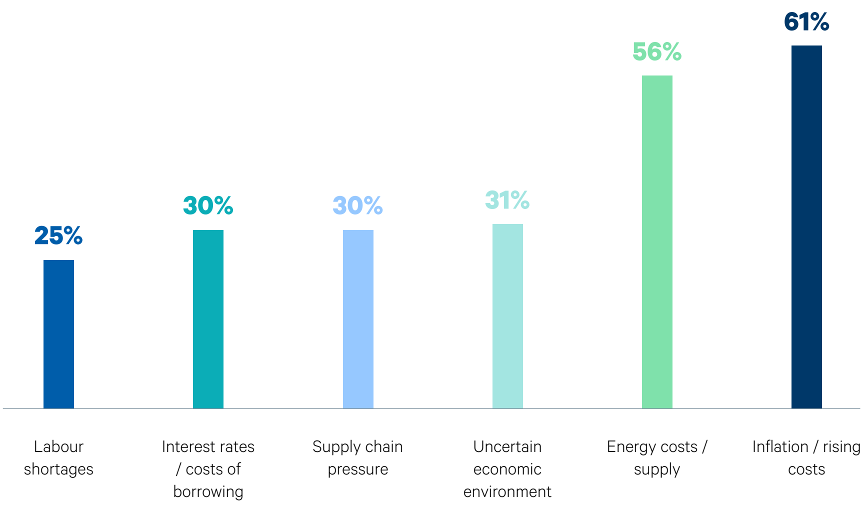
Key opportunities for 2023

Reasons for funding requirement in 2023



- Domestic growth/expansion **44%**
- International growth/expansion **26%**
- Fund day-to-day operations **21%**
- Pay off debt **8%**

Top challenges for SMEs in 2023



70%
expect sales to grow over the coming months

The Year Ahead

Since our last Global Business Monitor was published in 2019, major economic and geopolitical events have dictated the fortunes of SMEs across the globe. The Covid-19 pandemic has left a legacy of high borrowing and public debt that central governments will need to manage for years to come. The Russian invasion of Ukraine has returned war to Europe sending inflation into an aggressively steep upward spiral, driven largely by rampantly high energy and grain prices.

Last year, global inflation hit 8.8% - the highest it has been for 40 years. And while the global economy is showing some signs of stabilisation, GDP growth for 2023 is anticipated to reach just 2.7%, marking the lowest annual rate since the global financial crisis in 2008 - excluding the pandemic blip in 2020.

The knock-on impact of these shocks has entrapped large swathes of the global economy in a cost-of-living crisis while businesses everywhere are facing down continuing supply chain disruptions, cost pressures and labour shortages. In this report, 42% of SMEs across international markets say conditions are worse now than during the pandemic, and 28% believe they're worse than after the global financial crisis.

Yet still they are optimistic. A significant majority of respondents are confident about the prospects for their businesses, and most plan to invest this year.

It's an encouraging picture, but for SMEs around the world to fully realise their ambitions certain things need to change. This report points to three key takeaways in particular, that bear reflection for SME owners and policy makers alike.

1. Managing bad debt in supply chains

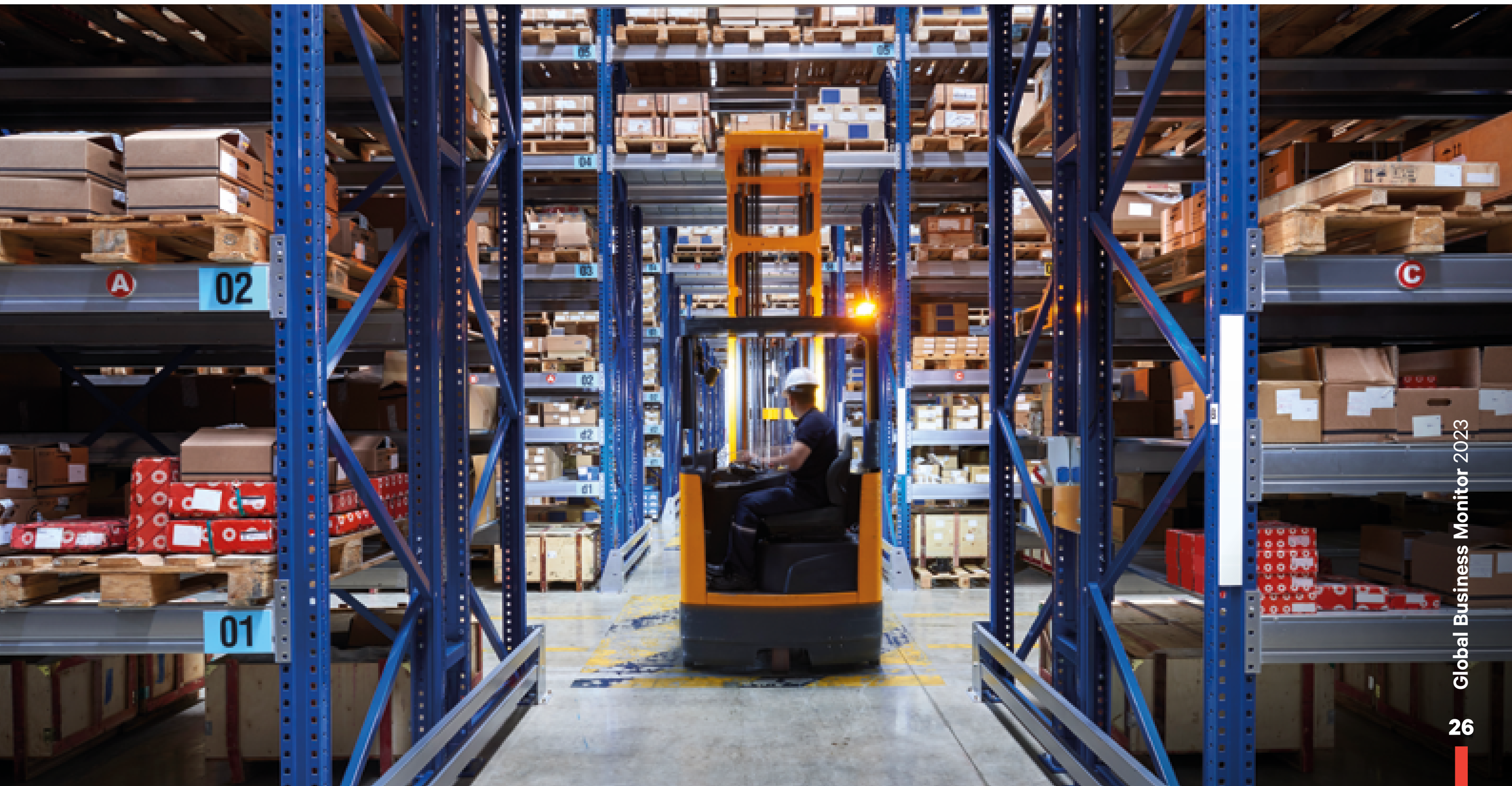
In many instances, small businesses struggle to cope with the impact of invoices that are never honoured. Fifty two percent say they've had to write off up to €10,000 in the last 12 months - not an insignificant sum of money. They can take measures to help themselves by seeking out specialist expertise and guidance on how to mitigate this issue. But knowing who to speak to isn't straightforward. There is definitely a place for greater national and international coordination and knowledge-sharing about how and where to access help.

2. Getting a handle on late payment

SMEs continue to live with the burden of not being able to rely on prompt payments. Too many (51%) are being paid late. According to our survey, 29% are owed up to €10,000. It's a sum that can make a significant difference to a business' ability to invest and grow. However, this is one area where SMEs may be able to find the most immediate solution, given the capital raising potential that can exist through invoice factoring.

3. Cashflow is still king

The data from our 2023 edition of the Global Business Monitor suggest that little has changed in relation to cashflow since 2019. Four years ago, 32% said that cashflow was one of their greatest challenges. Today, 36% say they have insufficient capital to grow or even to operate efficiently day-to-day. Particularly given the increasingly limited risk appetite for small business lending among banks, there is an urgent need for SMEs to better understand the landscape and availability of funding sources that are specifically focused on meeting their individual needs. It's clear from this report that many are desperately keen to find the right partners to help them. Forty six percent of those surveyed say they're more likely to use some form of external finance today, compared with 15% in 2019. Clearly, this is where financiers, such as BFS, have a significant part to play in helping SMEs to survive, thrive and grow.



Methodology

The Global Business Monitor is an international survey of Small and Medium Sized Enterprises (SMEs) across Europe and Asia, conducted by Critical Research on behalf of Bibby Financial Services. Approximately 1,800 SME owners and decision makers were surveyed across nine countries. Research was conducted online between 1 and 28 April 2023.

About Bibby Financial Services

Bibby Financial Services (BFS) is a leading independent financial services partner to over 8,500 businesses worldwide.

We provide specialist and adaptable trade, asset and working capital finance and FX services helping businesses to grow in domestic and international markets.

Formed in 1982, BFS is part of the Bibby Line Group (BLG), a diverse and forward-looking family business delivering personal, responsive and flexible customer solutions for over 200 years.

To find out more about Bibby Financial Services, visit:
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