

UOB Business Outlook Study 2023 (SME & Large Enterprises)



UOB conducted a Business Outlook Study in **Mainland China** covering **588 business owners** and **key executives** from **SMEs and Large Enterprises**.

This study provides a comprehensive understanding of the current business sentiments, inflation impact and outlook among businesses across various sectors in Mainland China. The study also captures insights around key themes such as Digitalisation, Sustainability, Overseas Expansion and Supply Chain Management.



> WHAT



15-minute online surveys



Total of 588 interviews



Data collection:
28 December 2022 - 20 January 2023

> WHO



Businesses with revenue from
> RMB 100 million to > RMB 4 billion



Interviews done with businesses
across key industries



Owners/ chief executive level/
management level who are involved
with business decision making

Classification of businesses:
Smaller: annual turnover RMB 100m-<RMB 4b
Larger: annual turnover > RMB 4b

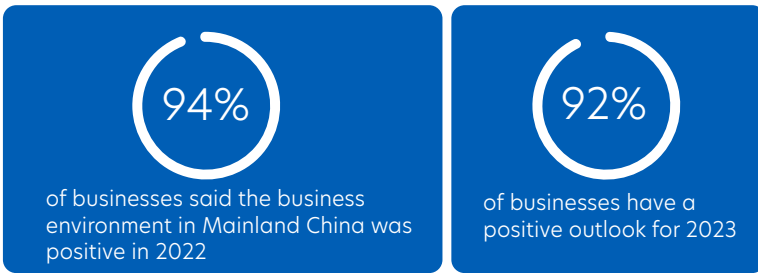
> COVERAGE

Cities	Sample
Shanghai	155
Beijing	105
Guangzhou	65
Shenzen	49
Rest of Mainland China	214
Total	588

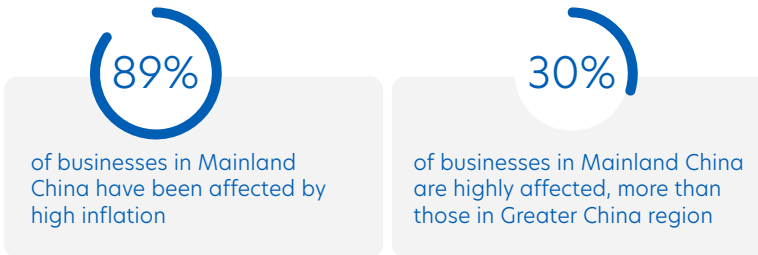
Industries	Sample
Manufacturing & Engineering	91
Real Estate & Hospitality	77
Tech, Media & Telecom	76
Construction & Infrastructure	71
Consumer Goods	60
Industrials, Oil & Gas	53
Business Services	50
Professional Services	50
Community & Personal	37
Wholesale Trade	23
Total	588

Overview

> Business Sentiment



> Impact of inflation



> Sustainability



> Digital adoption



> Supply Chain Management (SCM)



> Interest in cross-border expansion



Most positive sectors



Most positive cities



Most affected sectors



Most affected cities



Leading sectors



Leading cities



Sectors leading in digital adoption



Cities leading in digital adoption



Most impacted sectors



Most impacted cities



Most interested sectors



Most interested cities



Business Sentiment

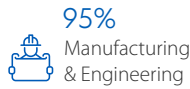
> Business environment in 2022



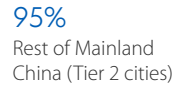
94% of businesses said the business environment in Mainland China was positive in 2022

Businesses in the Real Estate/ Hospitality sector are more positive about their current business environment

Most positive sectors



Most positive cities

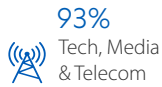


85% of businesses in Mainland China have seen an increase in their revenue in 2022

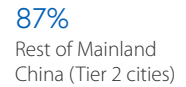
Positive business sentiment is driven by strong revenue growth in 2022.

Larger businesses of size RMB 4billion to RMB <10billion and those over RMB 50billion have seen more growth than smaller businesses.

Highest growth sectors



Highest growth cities

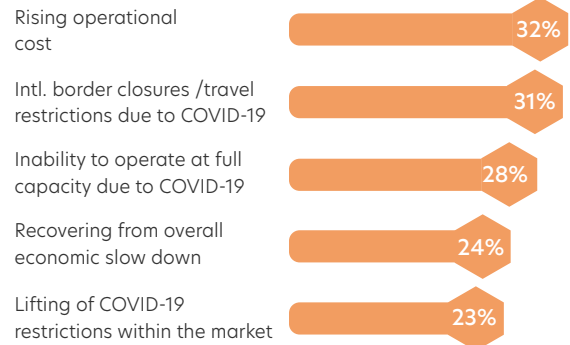


> Factors that impacted business in 2022



3 in 10 businesses are impacted by rising operational cost and international border closures due to COVID-19

Rising operational cost has impacted businesses in Consumer Goods and Manufacturing & Engineering sector the most.



> Outlook for 2023



92% of businesses have a positive outlook for 2023

Larger businesses are more optimistic about the future. Sectors like Real Estate/ Hospitality and Manufacturing & Engineering have a more positive outlook.

Most positive sectors



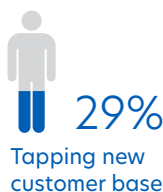
Most positive cities



> Top future business priorities

To drive future growth, businesses are:

Businesses in sectors like Construction & Infrastructure and Industrials, Oil & Gas are at the forefront in digitalising their business model to drive growth.



Inflation Impact & Mitigation

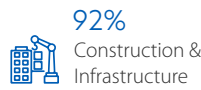
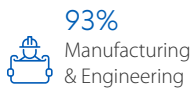
> Impact of inflation



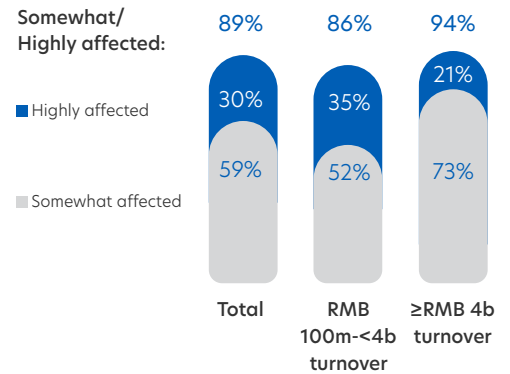
3 in 10 businesses in Mainland China are highly affected, more than those in Greater China region

Larger businesses (> RMB 4 billion turnover) have been affected more than smaller businesses (<RMB 4 billion turnover).

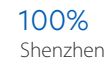
Most affected sectors



> Extent affected by inflation



Most affected cities



> Areas affected by high inflation



54% of businesses have seen an increase in cost of operation

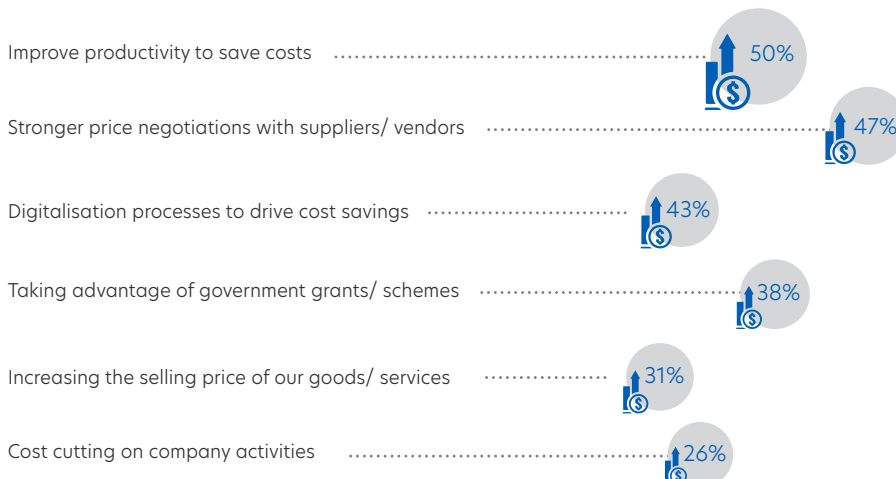
53% have seen an increase in cost of raw materials

Inflation is also impacting the profitability of businesses in Mainland China, particularly in Construction & Infrastructure and Industrials, Oil & Gas sectors.

> Top measures to mitigate inflation

Around 1 in 2 businesses in Mainland China are focused on improving productivity to tackle inflation

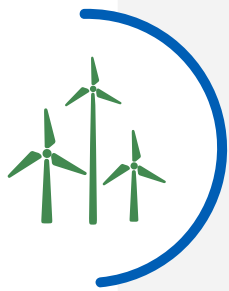
Digitalisation and price-negotiations with suppliers are also key tools used to mitigate the impact of inflation



Businesses in Shanghai and Guangzhou are leading the way in Improving productivity to drive cost saving. The same trend is seen among Business Services and Construction & Infrastructure sector in Mainland China.

Sustainability

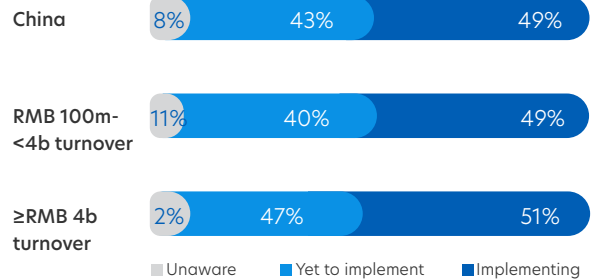
> State of sustainability adoption



49%

of businesses in Mainland China have started implementing sustainability practices

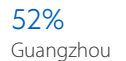
Sustainability spending could be under pressure in 2023 due to the prevailing inflationary environment. More support is required to help drive sustainability, particularly among businesses who are yet to implement it.



Leading sectors



Leading cities



> Top sustainability drivers



59% of businesses consider sustainability important as it improves reputation/ branding of their company



46% of businesses believe that sustainability is important to attract investors



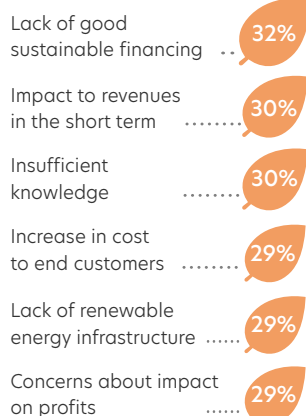
Businesses in Shanghai and Beijing find it more important to adopt sustainable practices to help improve their brand reputation.



> Top barriers in sustainability adoption > Support required for sustainability adoption

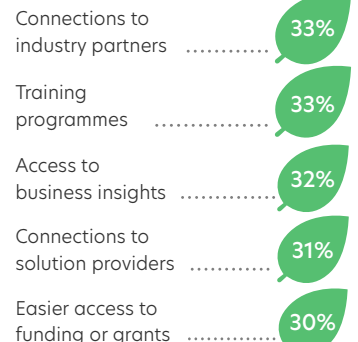
1 in 3 businesses are concerned about the lack of good options for sustainable financing

1 in 3 businesses are looking for connections to industry partners as support measures for their sustainability plans



There are risks to continued sustainability adoption during times of economic uncertainty as many businesses believe that implementing sustainable practices can impact their revenues and profits.

Training programmes and access to relevant insights are also sought after by businesses in Mainland China in addressing some of the barriers in implementing sustainability within a business.



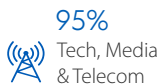
Digitalisation

> State of digital adoption

Nearly **9 in 10** businesses in Mainland China have adopted digitalisation in at least one department

A key challenge for digitalisation will be encouraging businesses who have just started their journey to continue with digitalisation, expanding it from one or a few departments into the entire business.

Sectors leading in digital adoption



Cities leading in digital adoption



> Success with digitalisation



68% of businesses say their digitalisation efforts have led to considerable or complete success

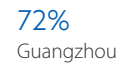


87% of businesses foresee spending more on digitalisation in 2023

Most successful sectors



Most successful cities



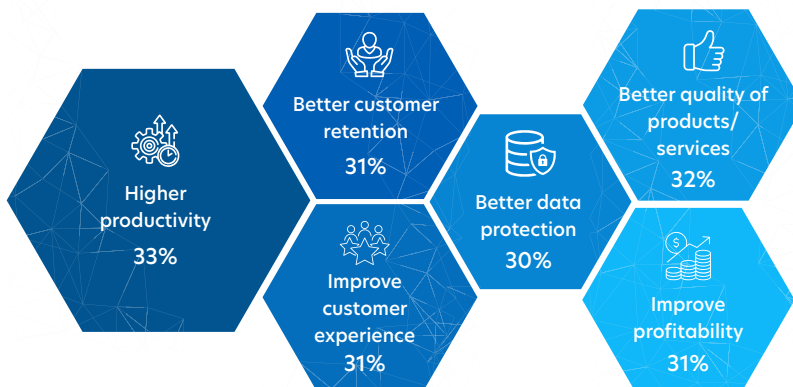
> Impact of digitalisation



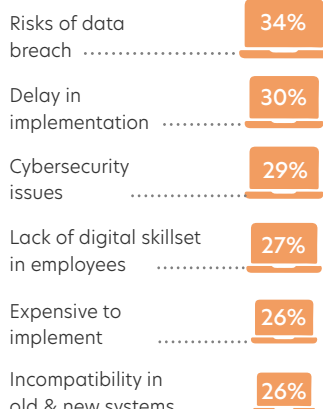
1 in 3 businesses believe that digitalisation helps improve productivity

Digitalisation can play a key role for businesses as they look to improve productivity in order to mitigate the impact of inflation in their business.

Digitalisation is having a major impact in helping businesses become more customer centric by enabling their customer outreach efforts and improving customer experience.



> Challenges faced in digitalisation



1 in 3 businesses are concerned about the risks of data breach when adopting digitalisation

> Support required for digitalisation

2 in 5 businesses want training programs for employees to support their digitalisation journey



Data breach risks and delays in implementation are key concerns for many businesses. They are likely to need training for their employees and the right tech solutions to address these concerns as they embark on digitalisation.

Supply Chain Management (SCM)

> Importance of SCM



of businesses in Mainland China consider SCM important

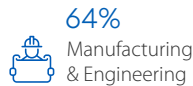
> Impact of SCM on supply chain



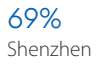
of businesses are seriously impacted by geo-political issues

Majority of businesses in Mainland China have seen an impact to their supply chains. Sectors like Industrials, Oil & Gas and Business Services have been affected more than others.

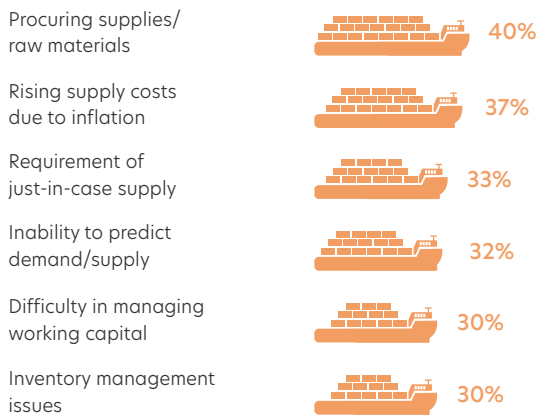
Most impacted sectors



Most impacted cities



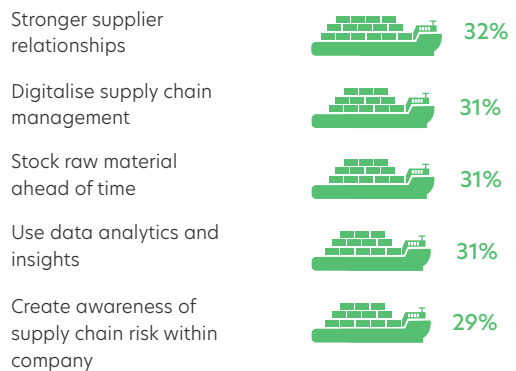
> Challenges in SCM



Rising supply costs due to inflation is a key challenge faced by over 1 in 3 businesses in the region.

> Top actions taken for SCM

Over 3 in 10 businesses in Mainland China are looking to build stronger supplier relationships to manage their supply chains better



Over 3 in 10 businesses are looking to digitalise supply chain management, stock raw materials and leverage data analytics for better SCM.

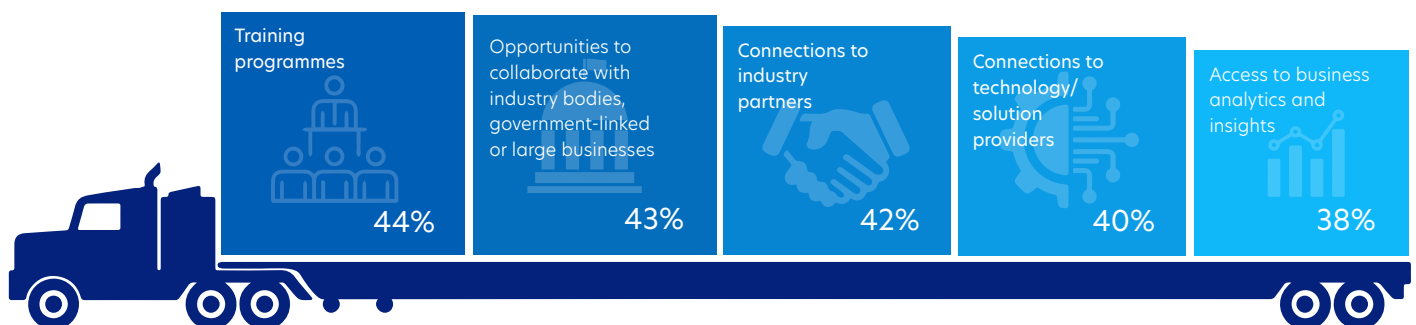
> Top support measures for SCM



Training programmes are a key support measure that businesses in Mainland China need to manage their supply chains better.

Businesses in Construction & Infrastructure and Real Estate/ Hospitality can benefit more from training programmes.

2 in 5 businesses are looking for training programmes to help them with better SCM



Cross-border Expansion

> Interest in cross-border expansion



9 in 10 businesses in Mainland China are looking to expand overseas in the next 3 years

Businesses in the Real estate/ Hospitality and Construction & Infrastructure in Mainland China are more interested in overseas expansion than other sectors.

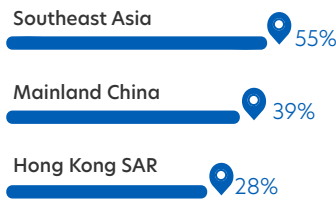
Most interested sectors



Most interested cities



> Top priorities for expansion in the region



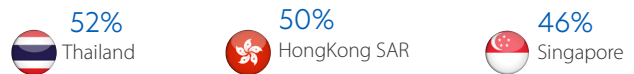
2 in 5 businesses in the region want to expand into Mainland China.

Nearly **3 in 10** want to expand into Hong Kong SAR

Expansion interest into Mainland China (sectors)



Expansion interest into Mainland China (markets)

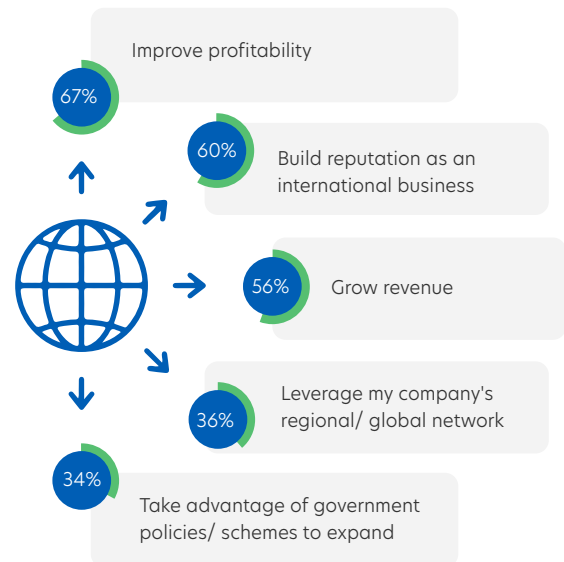


> Top motivators for cross-border expansion

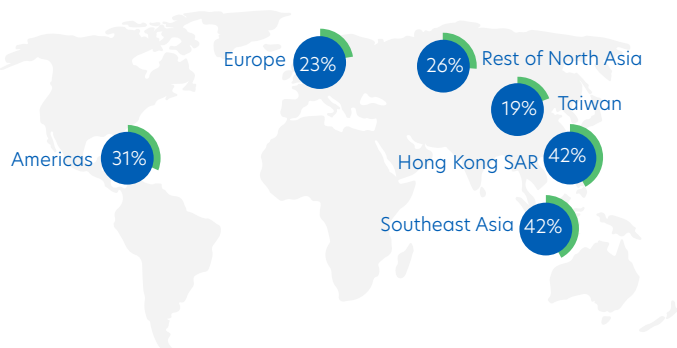
2 in 3 businesses are motivated to expand overseas to improve their profits

Besides profitability, building business reputation and revenue growth are key motivators for overseas expansion.

Bigger cities such as Shanghai and Beijing are more profit driven while smaller cities are looking for revenue growth as a motivator to expand overseas.



> Top locations for cross-border expansion



More than **2 in 5** businesses in Mainland China have their eyes on Southeast Asia for their future expansion plans

2 in 5 businesses, particularly those in Guangzhou and Rest of Mainland China are looking to expand into Hong Kong SAR

> Key challenges in cross-border expansion

2 in 5 businesses in Mainland China cite a lack of in-house talent/ expertise as their biggest challenge for overseas expansion



Lack of customers in new markets is also a major challenge that businesses, particularly those in the Real estate/Hospitality and Construction & Infrastructure sectors, need to overcome when they look to expand overseas.

Singapore, Thailand and Malaysia are the preferred Southeast Asia destinations for businesses in Mainland China.