

UOB Business Outlook Study 2023 (SME & Large Enterprises)

 China Report



Table of Contents

1	Background and Methodology	03
2	Business Sentiments	04
3	Inflation Impact on Businesses	14
4	State of Sustainability and Future Plans	20
5	Current State of Digitalisation	26
6	Supply Chain Management (SCM)	35
7	Interest in Cross-border Expansion	40

Background and Methodology

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 Sustainability, Digitalisation, Supply Chain Management and Overseas Expansion.

> What



15-minute online surveys



Total of 588 interviews



Data collection:
28 December 2022 - 20 January 2023

Business classification:

Medium Enterprises: annual turnover RMB 100m-<RMB 4b

Large Enterprises: annual turnover \geq RMB 4b

> Coverage

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

> Who



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



Covers both SMEs and Large Enterprises across key industry verticals

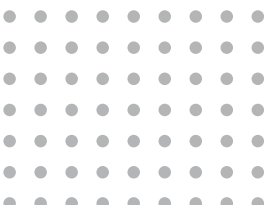


Owners/chief executive level/management level who are involved with business decision making

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



2. | Business Sentiments



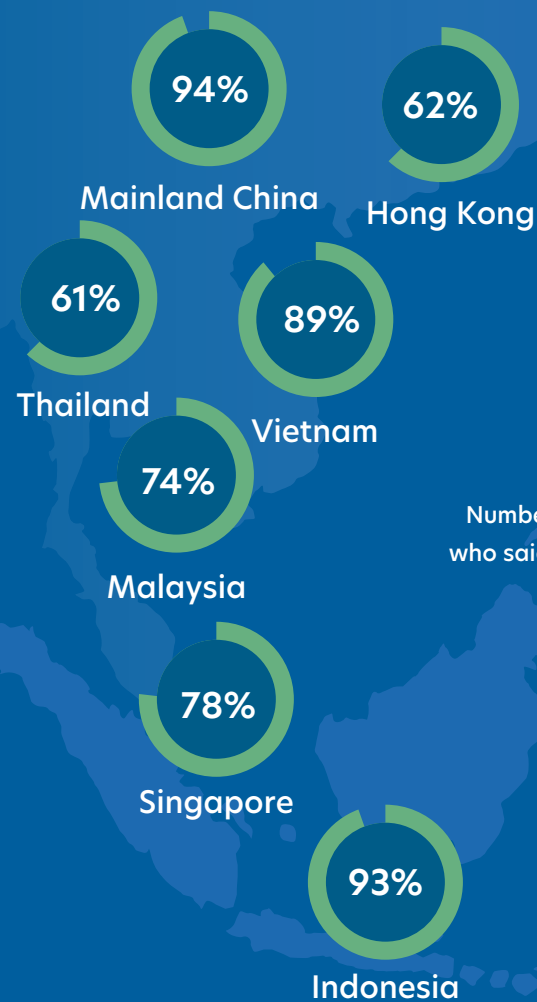
> Business environment in 2022



Business environment in Mainland China was more positive than in Hong Kong, Thailand, Malaysia and Singapore.



Over **9 in 10** businesses in Mainland China said the business environment was positive in 2022.



Numbers represent percentage of businesses who said the current environment is somewhat or very positive in 2022.

Most positive sentiments (sectors)



Most positive sentiments (enterprises)



Most positive sentiments (cities)



Increased revenue in 2022 has contributed to the positive sentiment among businesses

Over **4 in 5** 
 businesses in Mainland China have seen an increase in their revenue in 2022.

More businesses in Mainland China have seen a revenue growth in 2022 than in Hong Kong.

Most revenue growth (sectors)

93%
 Tech, Media & Telecom

88%
 Real Estate/ Hospitality

88%
 Professional Services

Most revenue growth (cities)

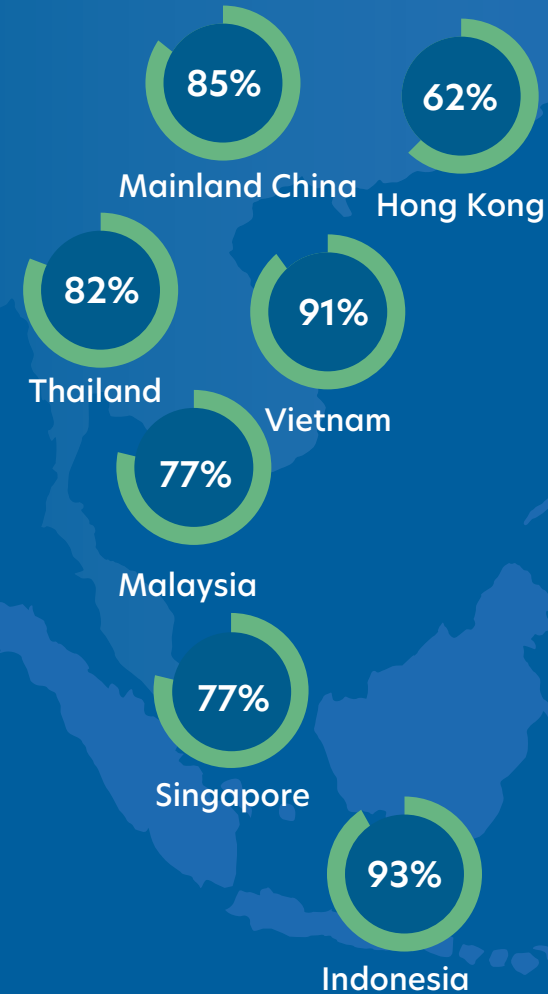
88%
 Shanghai

87%
 Rest of Mainland China

Most revenue growth (enterprises)

89%
 Large Enterprises

> Revenue improvement in 2022 vs 2021

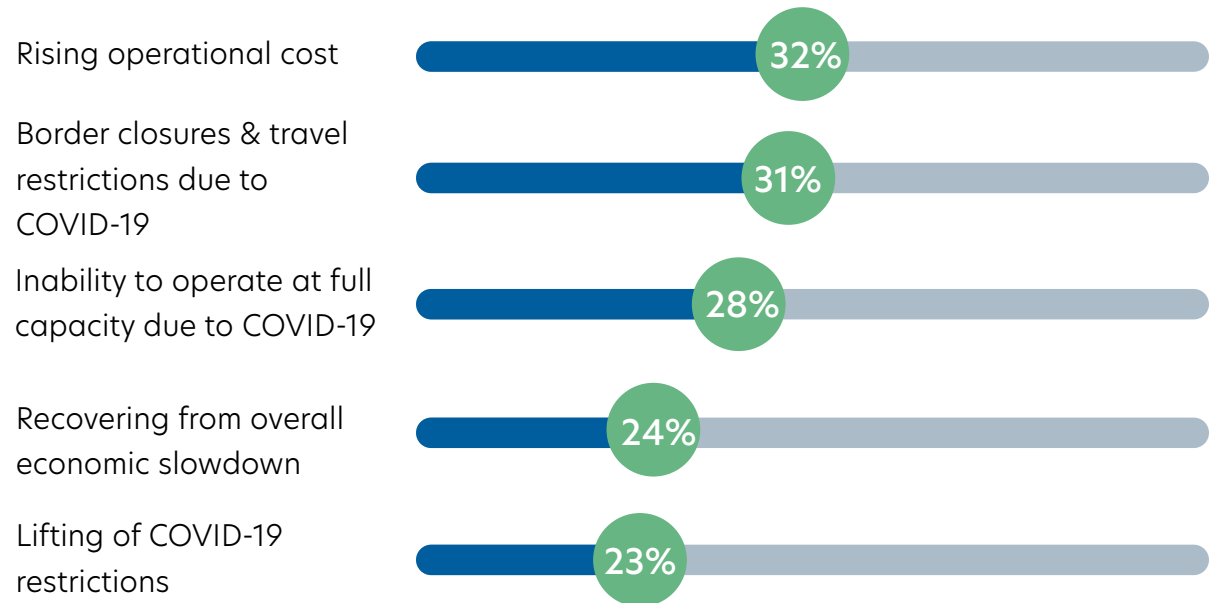


Q) How has your company's revenue changed in 2022 as compared with 2021? Base: Total (588)

The positive business sentiment is in spite of macro factors like rising operational costs and international border closures/travel restrictions impacting businesses in 2022



> Macro factors impacting businesses



> Most impacted cities/enterprises

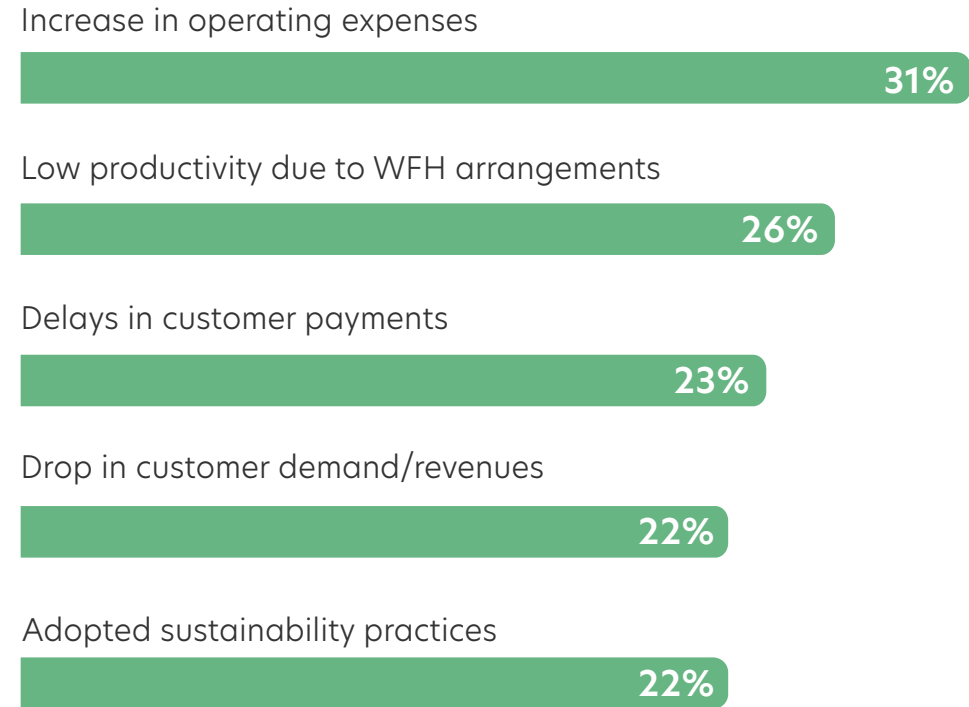


Rising operational cost had a bigger impact on businesses in Guangzhou while those in Shenzhen were impacted more by inability to operate at full business capacity.

These macro factors have led to rising operating expenses and low productivity among staff due to work from home arrangements

Over **3 in 10** businesses in Mainland China say their operating expenses have increased.

> Factors impacting business operations



> Most impacted sectors/enterprises

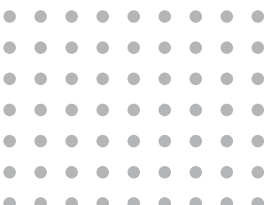


Q) How have the above factors affected your business in 2022? Base: Total (588)



Business Sentiments

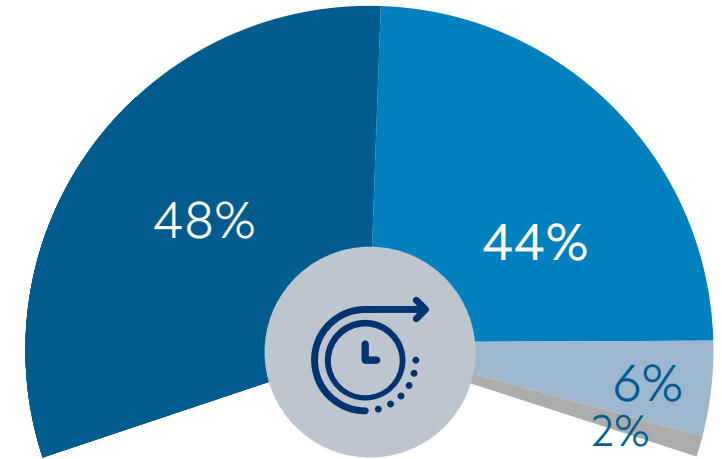
Business Outlook 2023 and Beyond



Over **9 in 10** businesses in Mainland China have a positive business outlook in 2023

> Outlook for 2023

- Very positive
- Somewhat positive
- Neutral/Unsure
- Somewhat/Very negative



Most positive outlook (sectors)

99%
Real Estate/
Hospitality

97%
Manufacturing &
Engineering

96%
Professional
Services

Most positive outlook (cities)

98%
Shenzhen

94%
Shanghai

Most positive outlook (enterprises)

95%
Large
Enterprises

Q) How would you describe the outlook for your business in 2023? Base: Total (588)

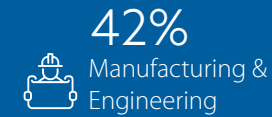
Diversifying supply chains, digitalising the business and sourcing for new customers are key priorities for businesses in Mainland China in the next 3 years

> Priorities in the next 1-3 years



> Priorities by sectors/cities

Diversify supply chains



Source for new customer base



Digitalisation is a key business priority as it improves customer service and helps businesses extend their range of products/services to new customers.

Diversifying sales channels and investing in R&D are top actions taken by businesses in Mainland China to drive growth

Mainland China's focus on sales channel diversification is in-sync with its maturity in online e-commerce. Clearly, businesses in Mainland China are aware of this and plan to take advantage of this strength for future business success.

> Top actions for growth



29%
Diversify sales channels to selling online



26%
Invest in innovation and R&D platforms



24%
Extend our range of products and/or services



23%
Adopt digital solutions to automate processes



23%
Set up operations in new regional/global markets



23%
Seek export opportunities

> Most prioritised in

Diversify sales channels to selling online

42%
Industrials,
Oil & Gas

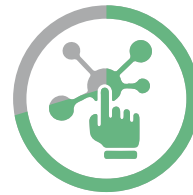
Adopt digital solutions to automate processes

35%
Construction &
Infrastructure

User friendly channels for customer interaction will play a key role in helping businesses improve customer service

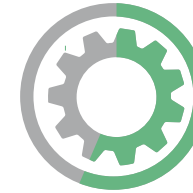
Over **7 in 10** businesses are looking for user friendly channels for customer interaction.

> Capabilities for better customer experience



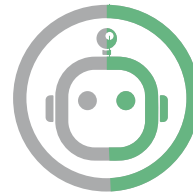
72%

User friendly channels for customer interaction



56%

Automation to ease customer service



49%

Use of AI, chatbots etc. for real time interaction



38%

Hyper personalised service/offer for customers

> Most prioritised in

Automation to ease customer service

75%
Construction & Infrastructure

64%
Large Enterprises

Use of AI, chatbots etc. for real time interaction

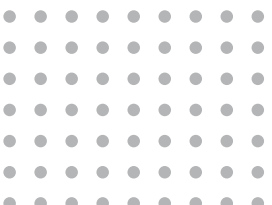
65%
Construction & Infrastructure

58%
Large Enterprises

Q) What are the key channels/capabilities that your business needs to improve upon to handle this change in customer engagement expectations? Base: Total (588)



3. | Inflation Impact on Businesses



> Extent of inflation affecting businesses in 2022



Nearly **9 in 10** businesses in Mainland China have felt the impact of high inflation

89%

86%

94%

Net affected

30%

35%

21%

59%

52%

73%

Highly affected

Somewhat affected

Total

Medium Enterprises

Large Enterprises

Q) To what extent has high inflation affected your business this year? Base: Total (588)

Large Enterprises in Mainland China have been affected more by high inflation than Medium Enterprises.

> Extent of inflation

Most affected sectors

93%
Consumer Goods

93%
Manufacturing & Engineering

92%
Construction & Infrastructure

Most affected cities

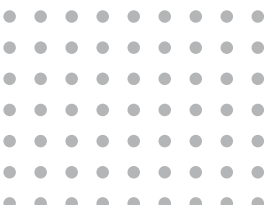
100%
Shenzhen

91%
Guangzhou



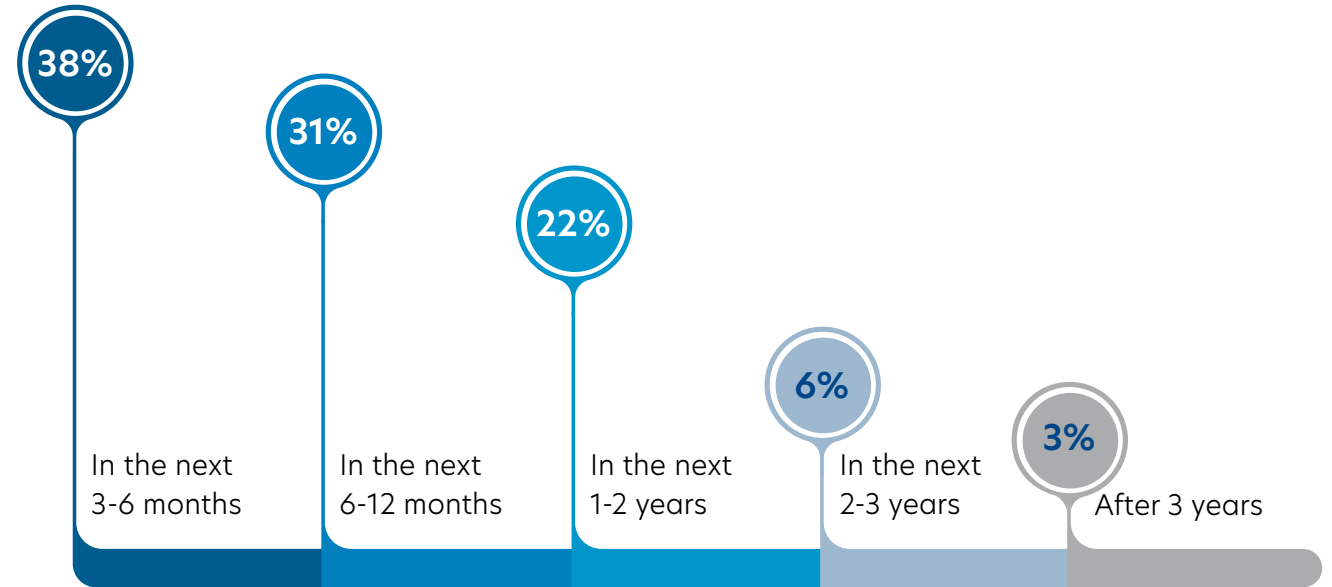
Inflation Impact on Businesses

Inflation Expectation in 2023



Most businesses expect inflation to reduce within the next 12 months

> Expectations of inflation



Most affected sectors

90%
Real Estate/
Hospitality

82%
Tech, Media &
Telecom

77%
Consumer
Goods

Most affected cities

75%
Guangzhou

74%
Rest of
Mainland China

Most affected enterprises

74%
Medium
Enterprises

Q) By when do you expect the high inflation to reduce? Base: Total (588)

Productivity improvement and stronger price negotiations are key measures to mitigate inflation impact

> Ways to combat inflation



1 in 2

businesses are improving productivity to combat inflation.

> Differences in combating approach

Improving productivity to save costs

61%
Shanghai

Stronger price negotiations with suppliers/vendors

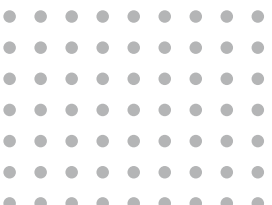
59%
Construction & Infrastructure

Digitalisation processes to drive cost savings

59%
Construction & Infrastructure

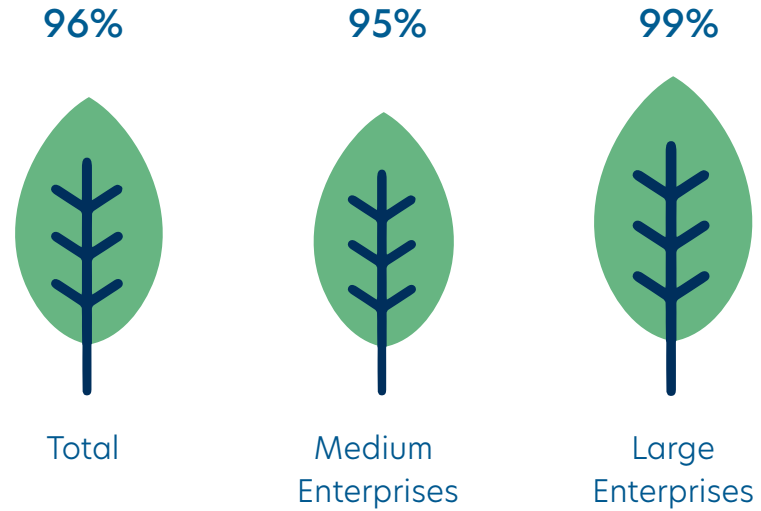


4. | State of Sustainability and Future Plans



Sustainability is important to a vast majority of businesses in Mainland China

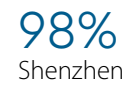
> Importance of sustainability



Leading sectors



Leading cities



Q) How important is sustainability (Environmental, Social and Governance considerations) to your business?
Base: Total (588)

Sustainability helps businesses improve their reputation, attract investors and work with MNCs

Nearly **6 in 10** businesses say that sustainability helps to improve their business reputation and branding.

Nearly **1 in 2** businesses say that adopting sustainable practices helps attract investors.

> Stronger drivers

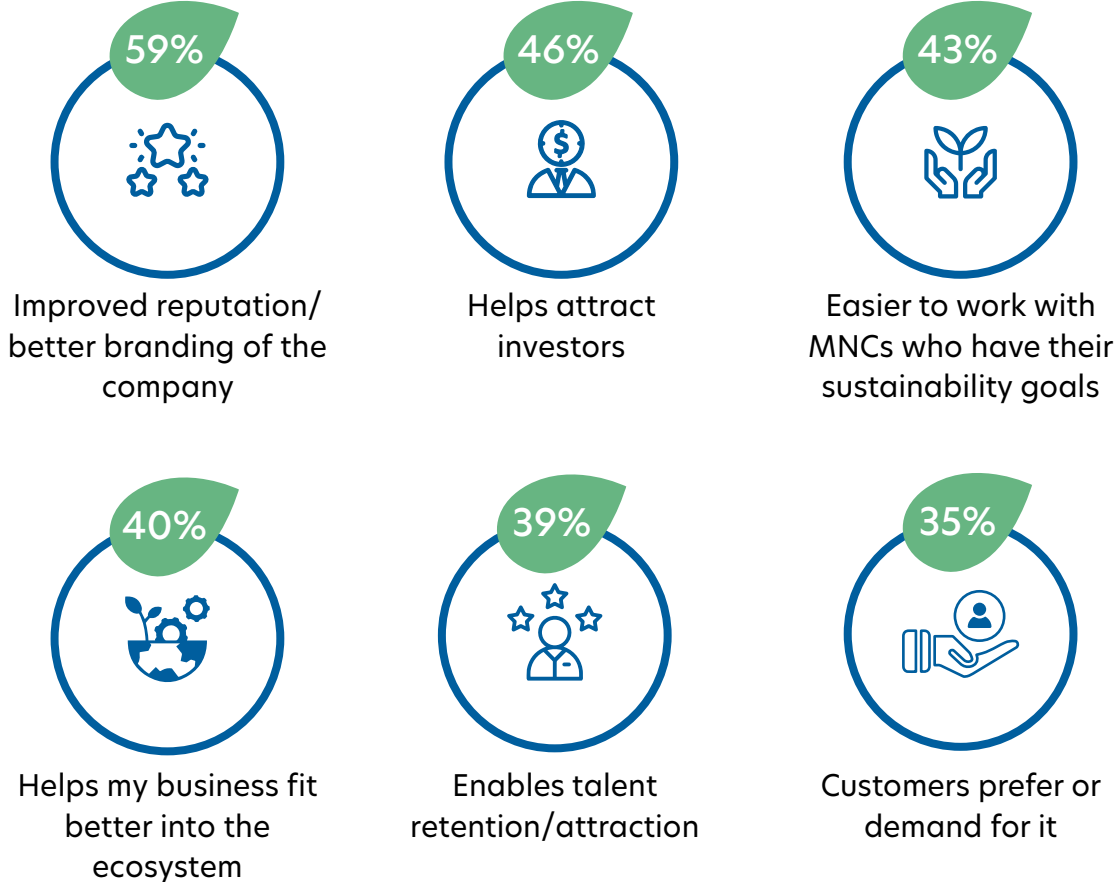
Easier to work with MNCs who have their sustainability goals

56%
Construction & Infrastructure

Helps my business fit better into the ecosystem

48%
Large Enterprises

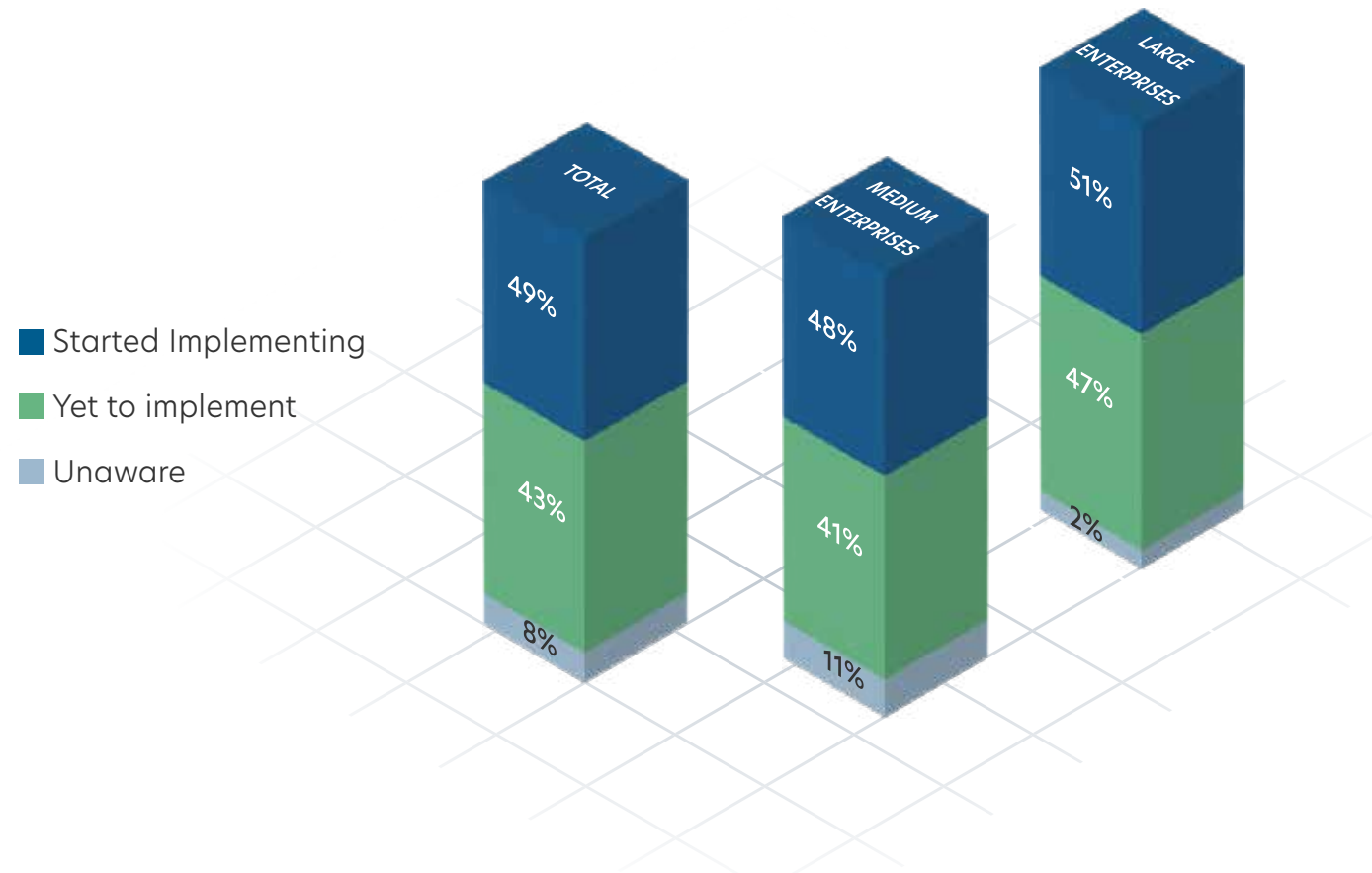
> Drivers of sustainability



Q) Why is sustainability important to your business? Base: Those who regard sustainability as important (566)

Yet, less than half of all businesses have started implementing sustainable practices

> Current stage of sustainability adoption



Implementing sectors

57%
 Manufacturing & Engineering

52%
 Real Estate/ Hospitality

51%
 Tech, Media & Telecom

Implementing cities

53%
 Beijing

52%
 Guangzhou

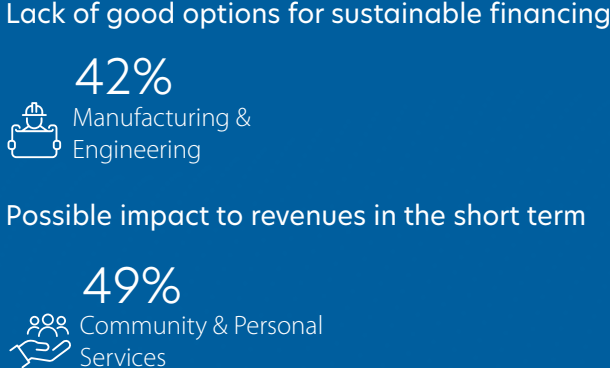
Q) What stage is your company at today in the adoption of sustainability practices? Base: Total (588)

Concerns prevail about lack of good options for sustainable financing and impact to revenues in the short term

> Key barriers to implementation



> Stronger barriers



Q) What are the major barriers to implementing sustainability practices in your company? Base: Total (588)

But businesses are convinced about implementing practices like efficient use of resources and clear operational policies

> Practices planning to implement

More efficient use of resources to minimise waste

42%

Implement clear operational policies and processes

38%

Use energy efficient equipment and technologies

36%

Procure from businesses with sustainable practices

36%

Tap sustainable financing such as green loans


35%

Ensure employee welfare

35%

> Prioritised areas

Tap sustainable financing such as green loans

58%
 Construction & Infrastructure

Ensure employee welfare



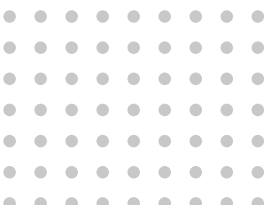
53%
 Consumer Goods

62%
 Wholesale Trade

Q) What sustainable practices (based on the ESG considerations) do you plan to incorporate within your business in future?
 Base: Those who have not implemented sustainability practices (298)

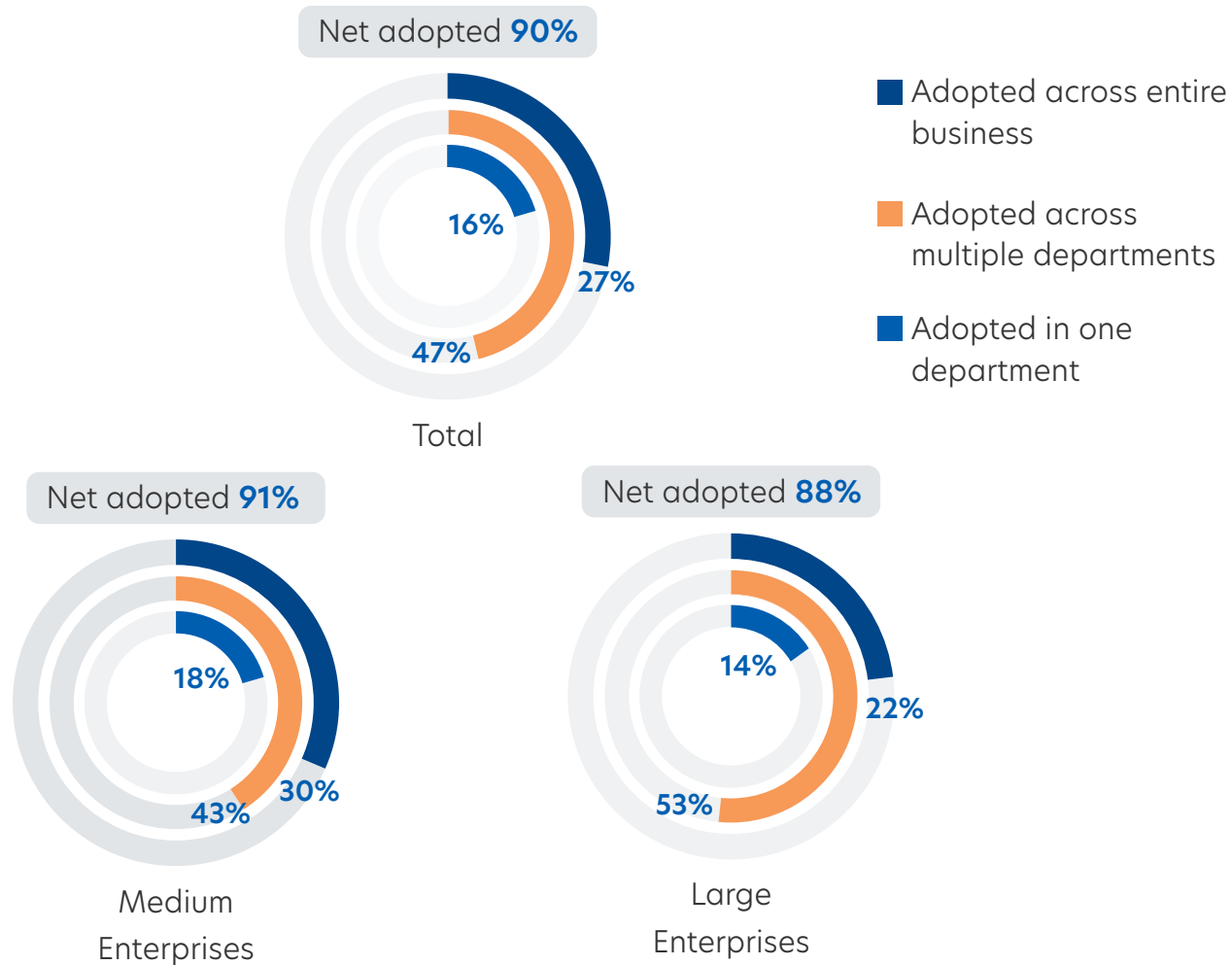


5. | State of Digitalisation



9 in 10 businesses have adopted digitalisation in at least one department

> Current state of digital adoption



Q) What is the current state of digital adoption in your company? Base: Total (588)



Sectors leading in digital adoption

95%
Tech, Media & Telecom

94%
Industrials, Oil & Gas

92%
Manufacturing & Engineering

Cities leading in digital adoption

93%
Rest of Mainland China

92%
Shanghai

Logistics and supply chain management, human resource management and customer relationship management are a priority

> Top priorities for digitalisation



> Priority areas

Logistics and supply chain management

52%
Guangzhou

Customer relationship management

40%
Shanghai



39%
Large Enterprises

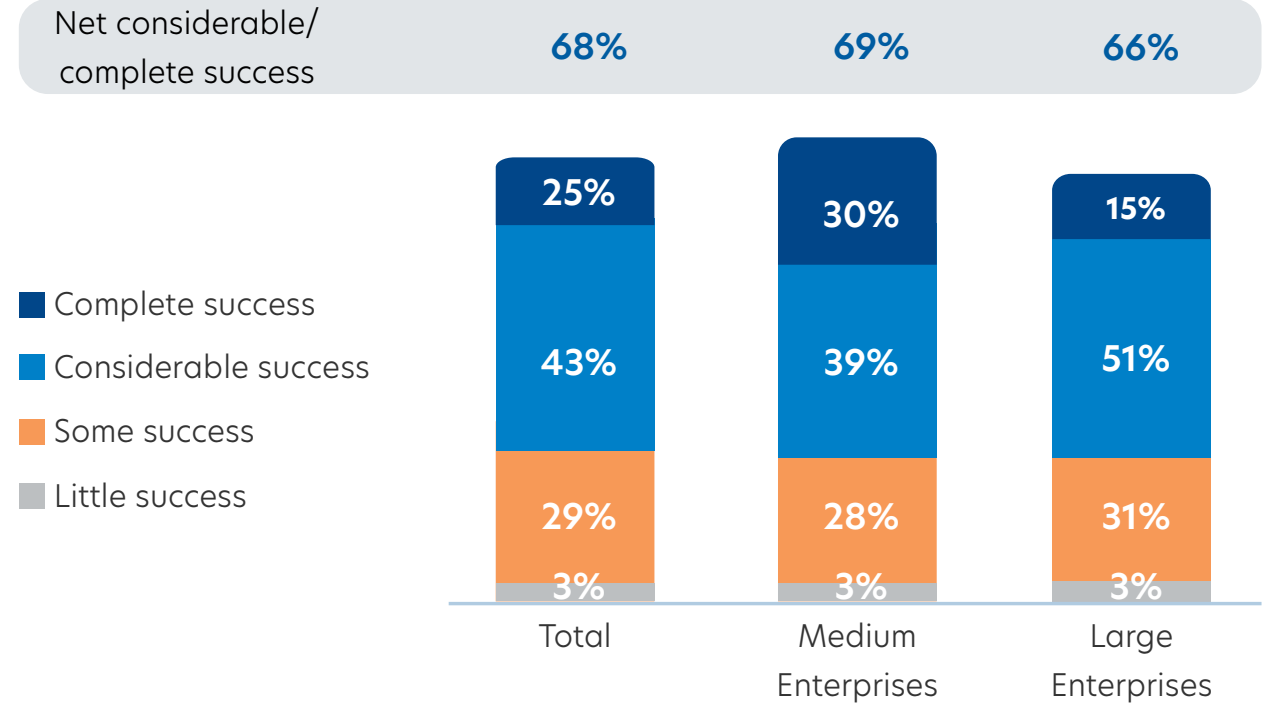
Q) Which of these processes did your company digitalise specifically to help your business perform better in 2022? Base: Those currently trialling or adopted digitalisation in at least one department (576)



Most businesses that adopted digitalisation have been successful in their efforts

Nearly **7 in 10** businesses have seen success in their digitalisation efforts.

> Success with digitalisation



More success with digitalisation (sectors)

78%
 Industrials,
 Oil & Gas

78%
 Tech, Media &
 Telecom

75%
 Real Estate/
 Hospitality

More success with digitalisation (cities)

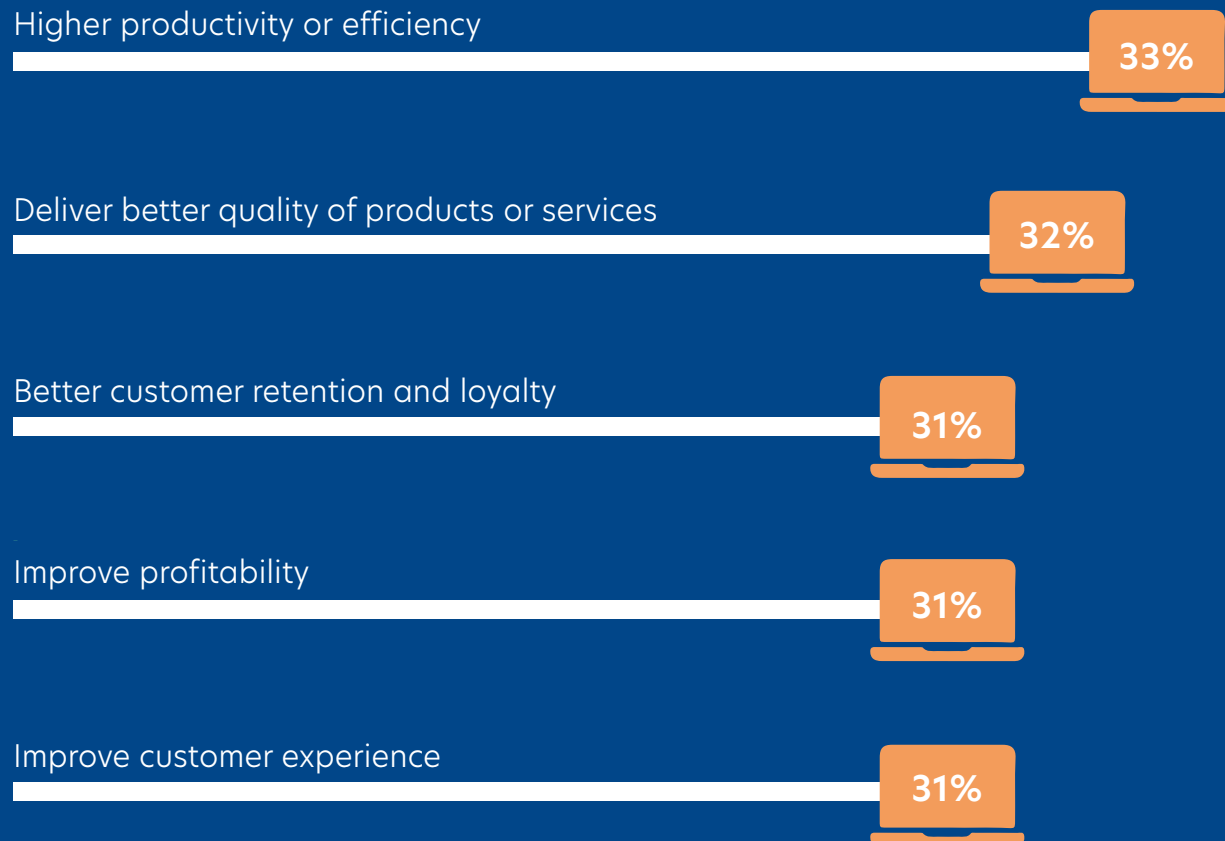
74%
 Beijing

72%
 Guangzhou

Q) How much success has your company had so far in its digital adoption journey?
 Base: Those currently trialling or adopted digitalisation in at least one department (576)

Digitalisation has led to higher productivity, better quality of products and customer retention

> Impact of digitalisation



> Most impacted areas by sectors/cities/enterprises

Deliver better quality of products or services

45%
Construction & Infrastructure

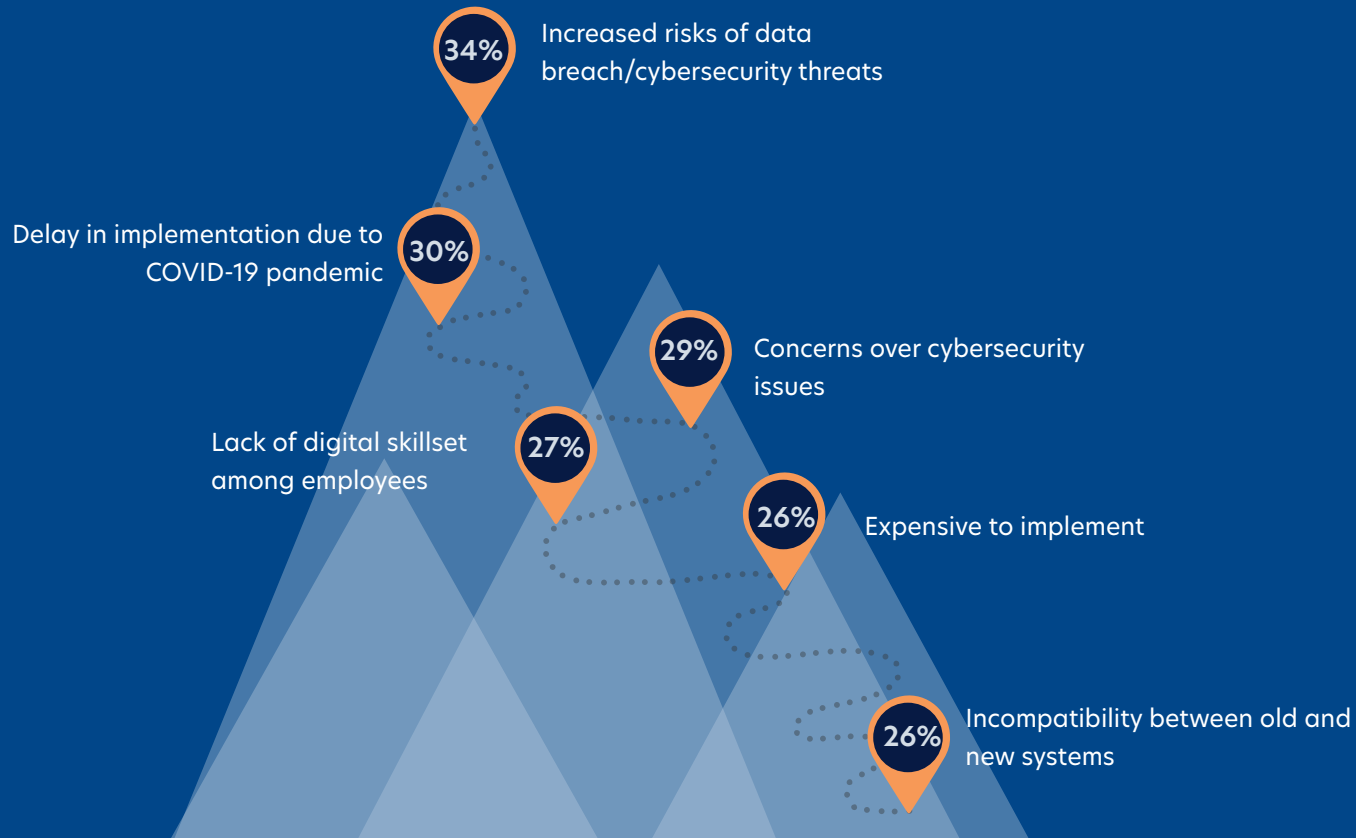
38%
Large Enterprises

Better customer retention and loyalty

46%
Guangzhou

Yet, there are several challenges that need to be addressed

> Top challenges in digitalisation

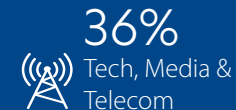


> Top challenges by markets/sectors

Lack of digital skillset among employees



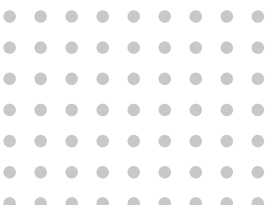
Incompatibility between old and new systems





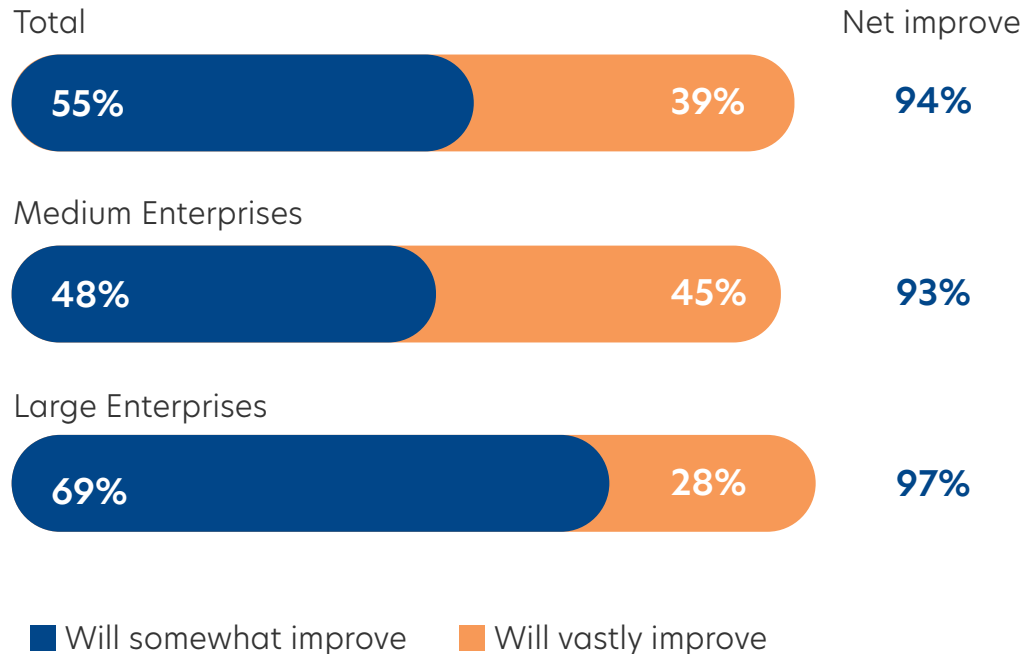
State of Digitalisation

Outlook for 2023



Post digitalisation business outlook is expected to be positive

> Business outlook post digitalisation



Businesses in Consumer Goods, those from Shenzhen and Large Enterprises are more positive about their business outlook after digitalisation.

Most positive outlook (sectors)



Most positive outlook (cities)



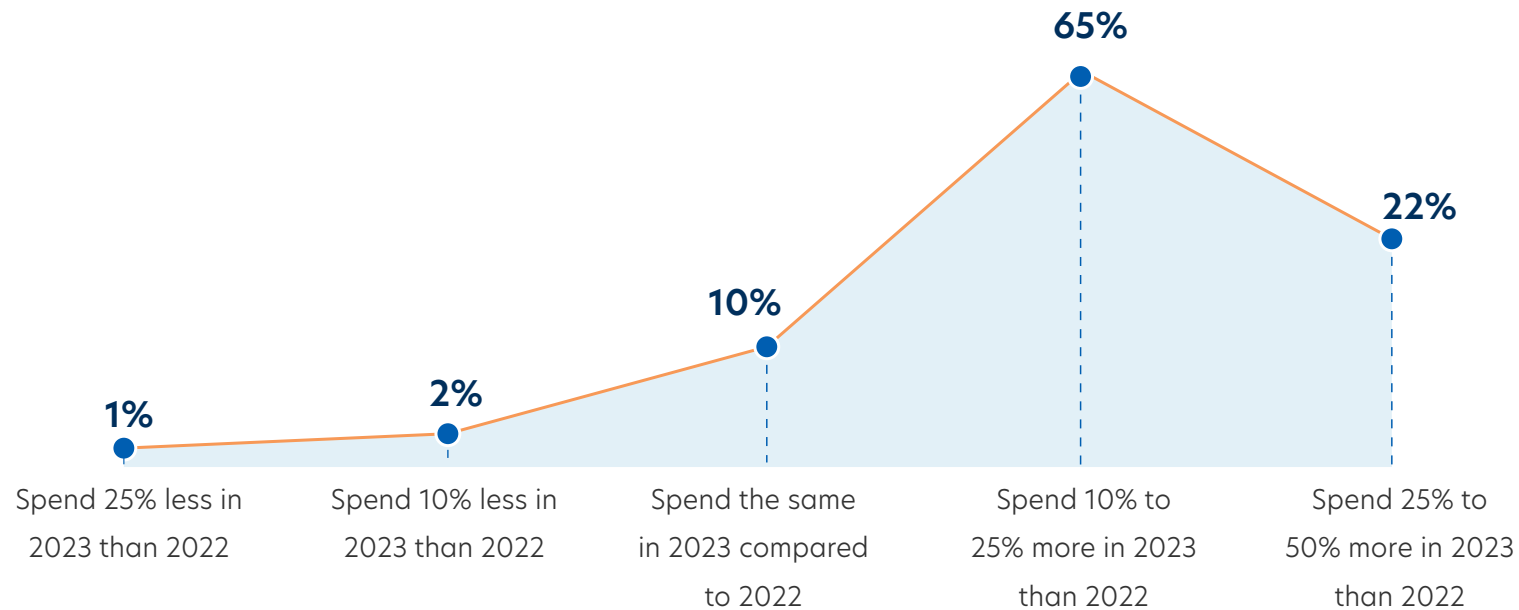
Most positive outlook (enterprises)



Q) How do you see your company's business outlook changing (e.g. revenue, productivity) in 2023, after digital adoption?
Base: Total (588)

Hence, businesses are continuing their digitalisation journey. Most expect to spend more on it in 2023

> Future expenditure in 2023



87%
of businesses foresee spending more on digitalisation in 2023.



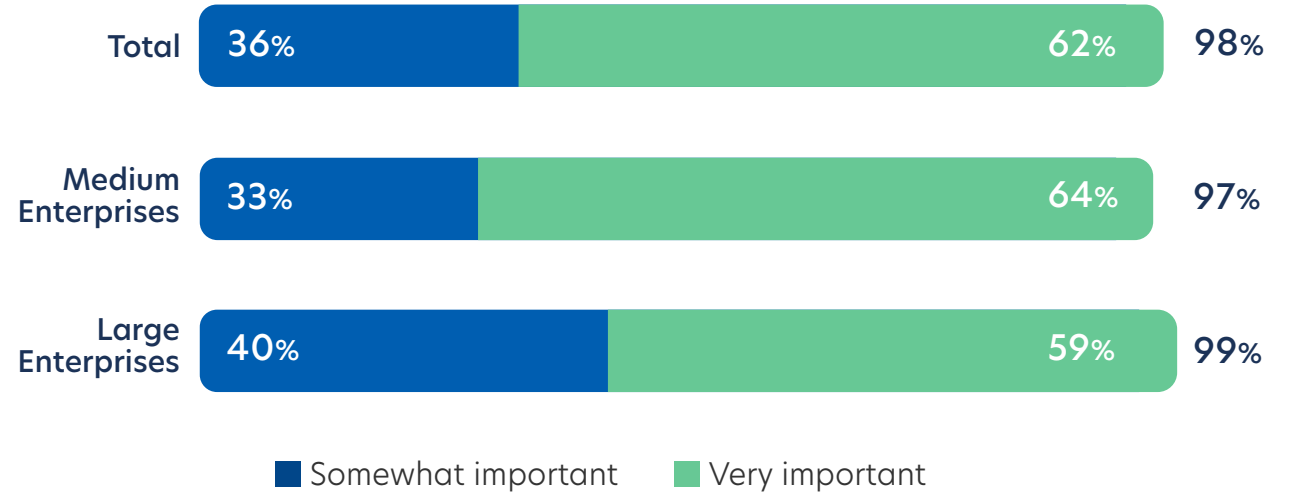
6. | Supply Chain Management (SCM)

SCM is important to most businesses in Mainland China

Over **6 in 10** businesses consider SCM very important.



> Importance of SCM



Higher importance to SCM (sectors)

100%
Manufacturing & Engineering

100%
Construction & Infrastructure

100%
Real Estate/ Hospitality

Higher importance to SCM (cities)

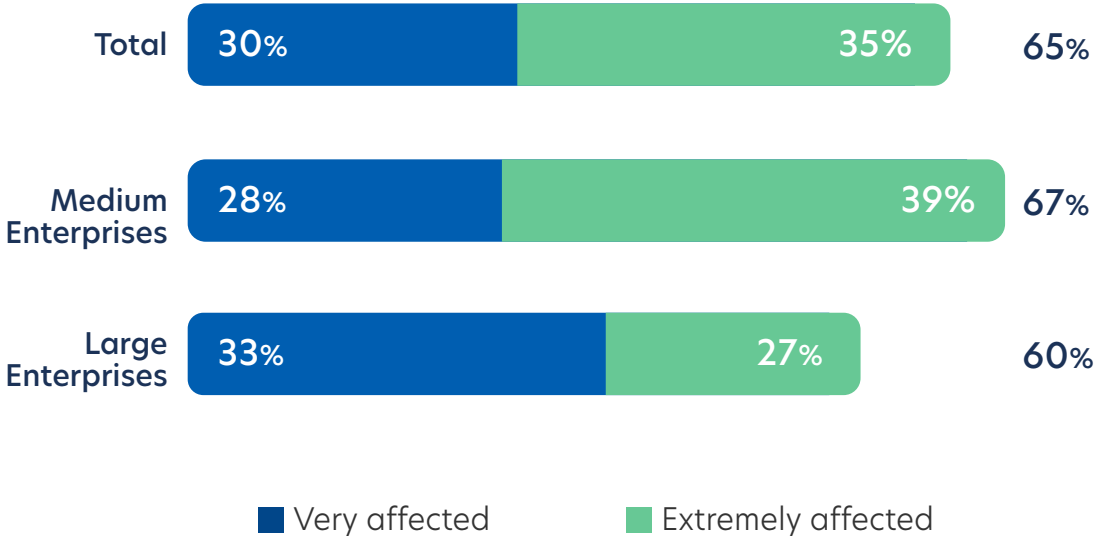
98%
Guangzhou

98%
Rest in Mainland China

Q) How important is supply chain management to your business? Base: Total (588)

Geopolitical tensions are having an adverse impact on supply chains

> Geopolitical impact on supply chains



Nearly **7 in 10** businesses say their supply chain has been affected by geopolitical tensions.

Most impacted sectors



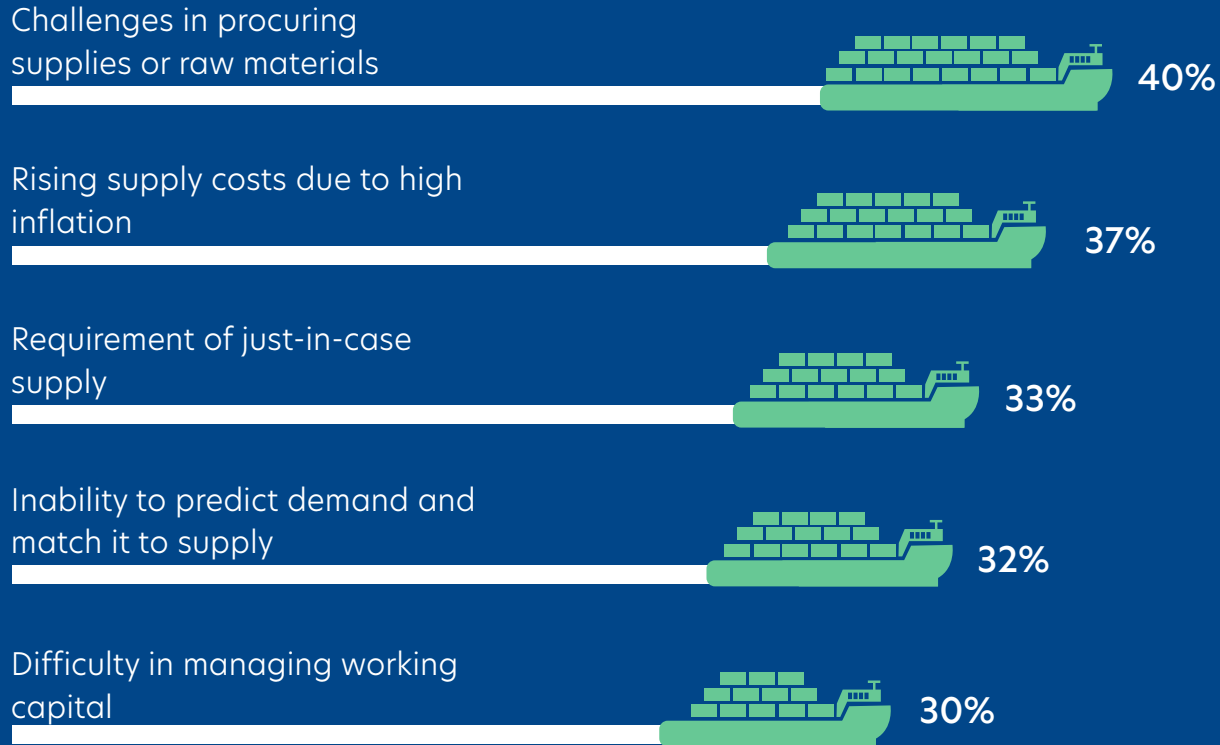
Most impacted cities



Q) To what extent has your company's supply chain been affected by geopolitical tensions such as Russia-Ukraine conflict, US-China trade tensions, or by COVID-19 restrictions etc.? Base: Total (588)

This has led to rising supply costs and challenges in procurement

> Key supply chain challenges



> Higher challenge sectors/cities

Challenges in procuring supplies or raw materials



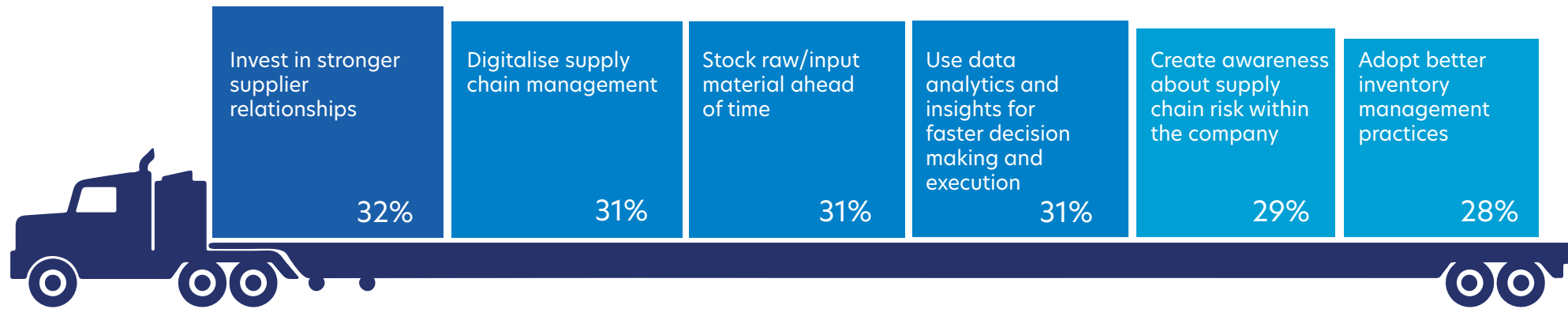
Requirement of just-in-case supply



4 in 10 businesses say their key supply chain challenge is procuring supplies or raw materials.

To address these challenges, businesses are investing in stronger relationships and digitalising supply chain management

> Actions for supply chain stability



> Top actions by sectors/cities

Invest in stronger supplier relationships

47%
Shenzhen

Digitalise supply chain management

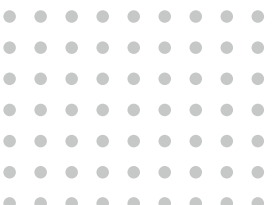
46%
Construction & Infrastructure

Stock raw/input material ahead of time

52%
Guangzhou

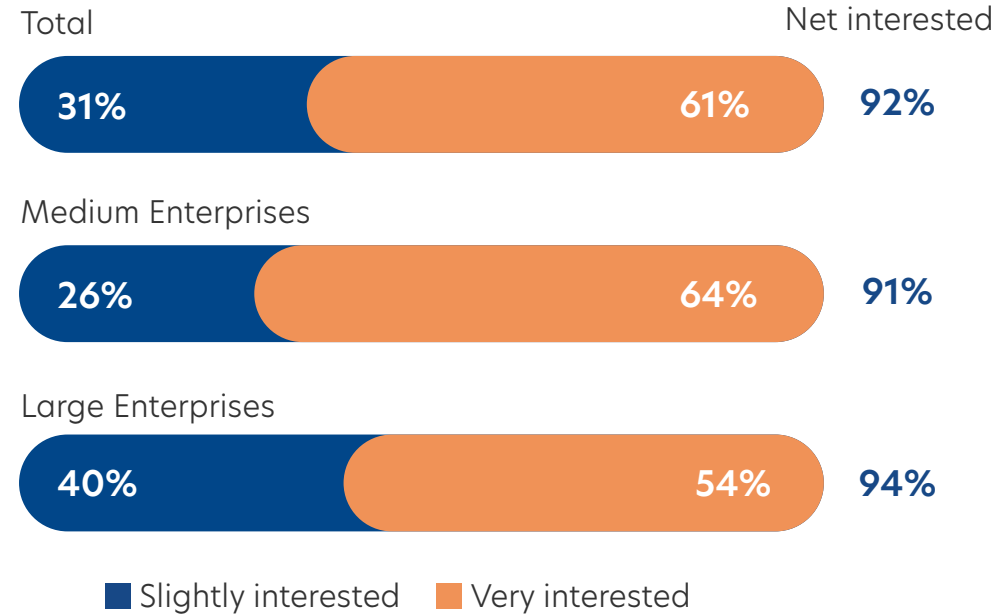


7. | Interest in Cross-border Expansion



Over 9 in 10 businesses across Mainland China are interested to expand overseas

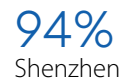
> Interest in cross-border expansion



Most interested sectors



Most interested cities



Q) How interested is your business in expanding overseas in the next three years? Base: Total (588)

Interest in expansion is fuelled by a desire to improve profits, grow revenue and build an international reputation

> Motivators for cross-border expansion



Improve profitability

67%



Build reputation as an international business

60%



Grow revenue

56%



Leverage my company's regional/global network

36%



Take advantage of government policies/schemes to expand

34%



Reduce business risk by diversifying into other markets

33%

> Top motivators by sectors/cities/enterprises

Build reputation as an international business

74%
Professional Services

65%
Medium Enterprises

Grow revenue

61%
Rest of Mainland China

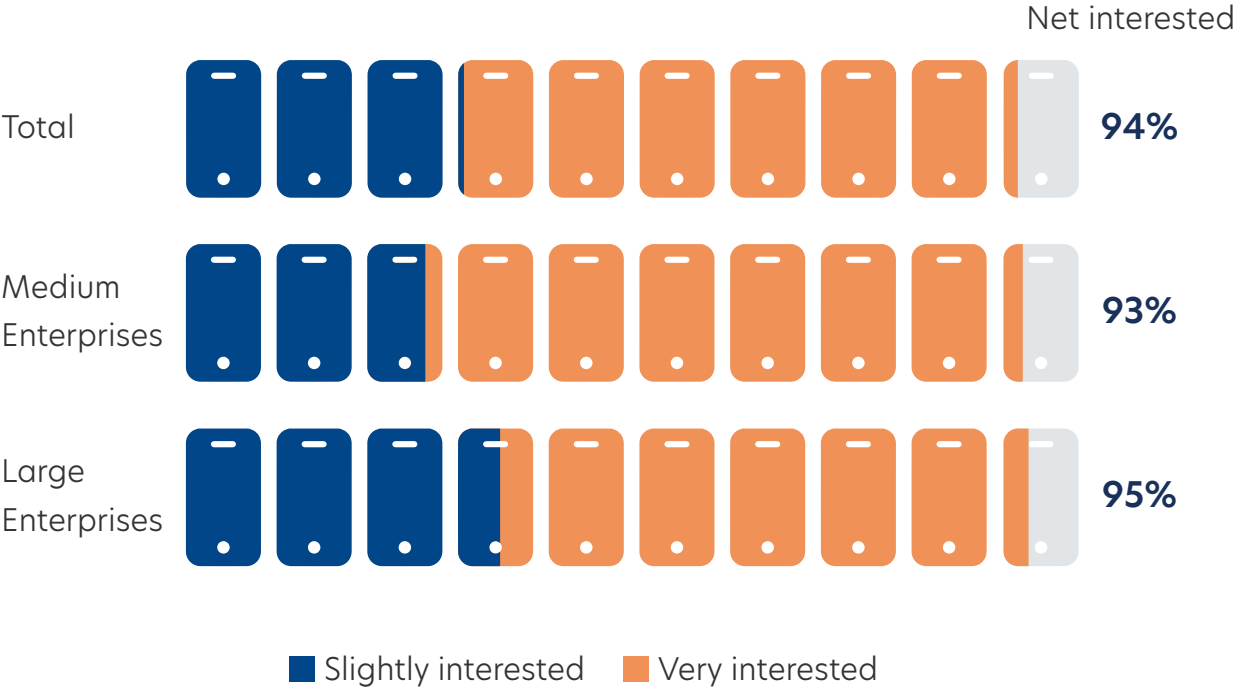
62%
Medium Enterprises



Nearly **7 in 10** businesses are looking to expand overseas to improve profits and revenue.

Thus, cross-border digital trade platforms as a means for overseas expansion have high interest

> Interest in using cross-border digital trade platforms



Over **9 in 10** businesses are interested in leveraging cross-border digital trade platforms for their overseas expansion.

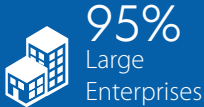
More interested sectors



More interested cities



More interested enterprises

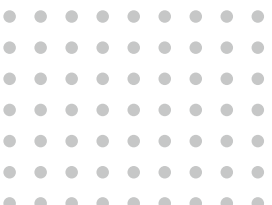


Q) How interested is your company in using cross-border digital trade platforms as a means for overseas expansion?
Base: Total (588)



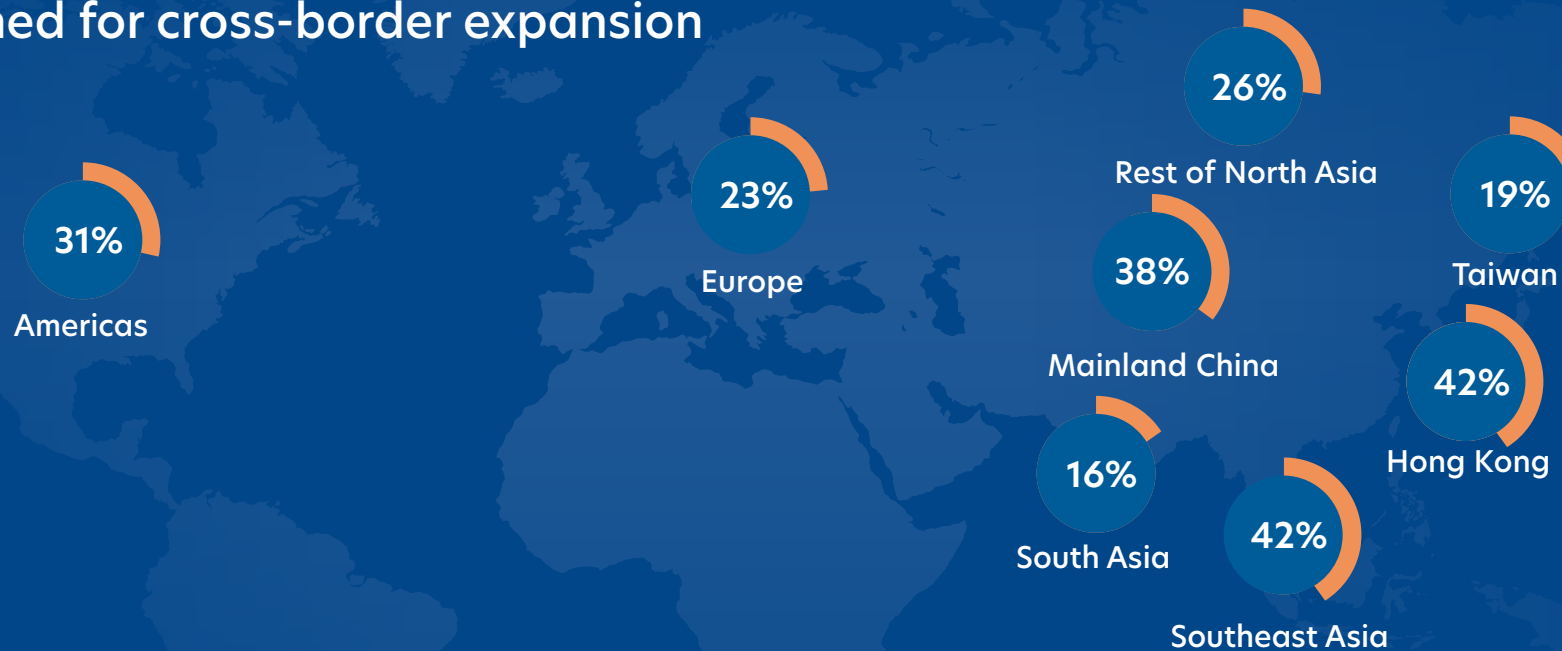
Interest in Cross-border Expansion

Future Expansion Plans



Southeast Asia, Mainland China and Hong Kong SAR are key markets of interest for cross-border expansion

> Location planned for cross-border expansion



> Top locations by sectors/enterprises

Southeast Asia



Hong Kong



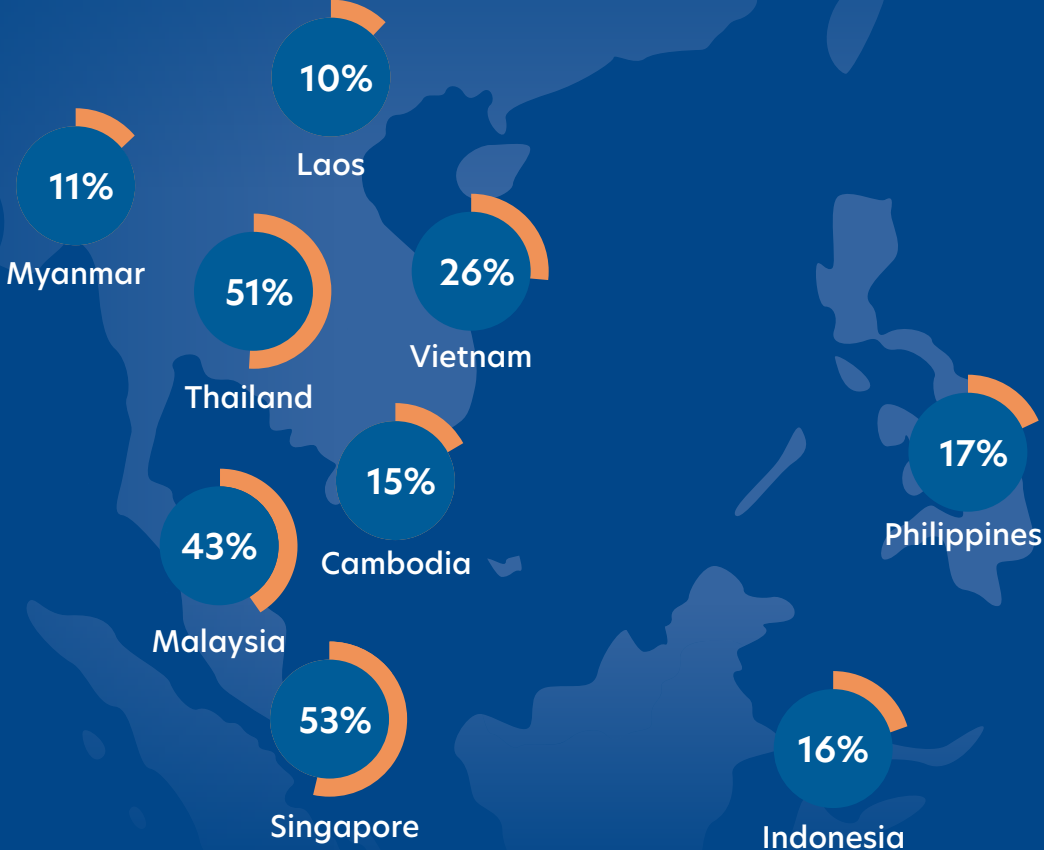
Mainland China



Q) Which of these markets is your enterprise intending to venture into within 3 years (by 2025)? Base: Interested in overseas expansion (540)

Singapore, Thailand and Malaysia are the top 3 expansion markets within Southeast Asia

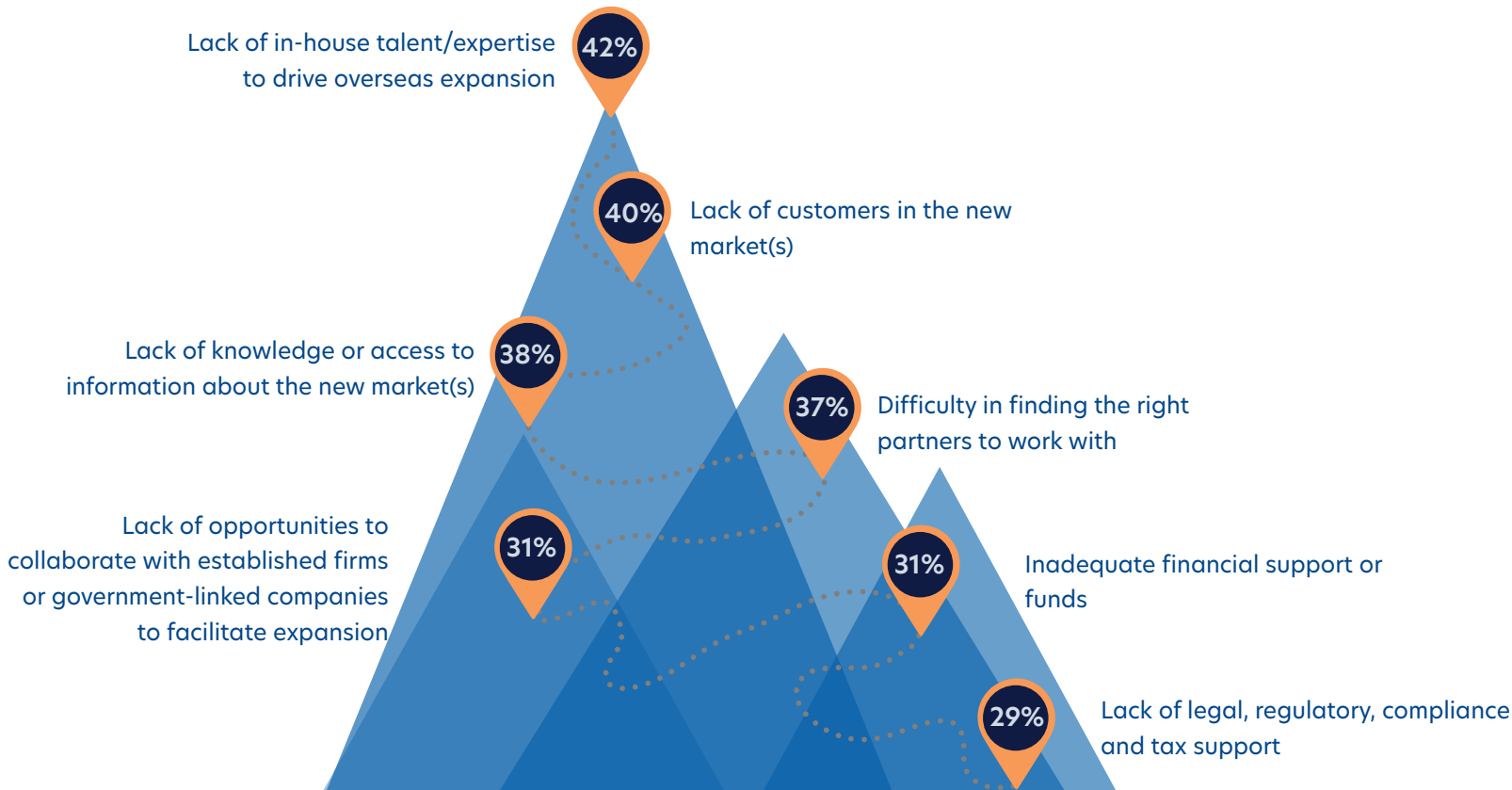
> Priority markets within ASEAN



Q) Please select the most important countries (up to 3) in ASEAN that your enterprise is intending to venture into within 3 years (by FY2025).
Base: Interested in expanding within ASEAN (100)

Lack of in-house talent and lack of customers are key hurdles to cross-border expansion

> Expected challenges for cross-border expansion



Q) What are the key barriers in your effort for overseas expansion? Base: Total (588)

> Top challenges by sectors/cities/enterprises

Lack of in-house talent/expertise to drive overseas expansion

62%
Professional Services

48%
Rest of Mainland China

48%
Large Enterprises

Lack of customers in the new market

43%
Medium Enterprises

60%
Guangzhou



Right By You

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