

UOB Business Outlook Study 2023 (SME & Large Enterprises)



UOB conducted a Business Outlook Study in Hong Kong SAR covering 557 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 Hong Kong SAR. The study also captures insights around key themes such as Sustainability, Digitalisation, Supply Chain Management and Overseas Expansion.



 Hong Kong SAR

> WHAT



15-minute online surveys



Total of 557 interviews



Data collection:
28 December 2022 - 20 January 2023

> WHO



Businesses with revenue of
HKD 100 million and above



Covers SMEs and Large Enterprises
across key industry verticals



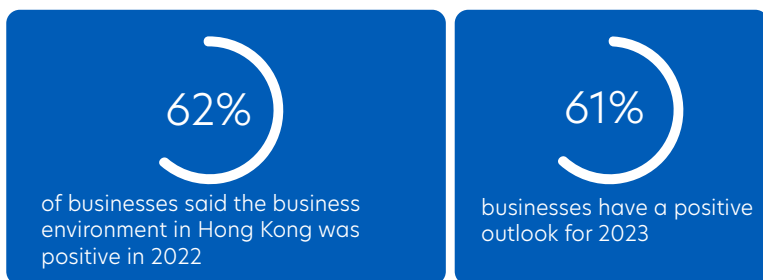
Owners/ chief executive level/
management level who are involved
with business decision making

Classification of businesses:
Smaller: annual turnover HKD 100 million to <4 billion
Larger: annual turnover ≥HKD 4 billion

> COVERAGE

Industries	Sample
Consumer Goods	63
Professional Services	62
Tech, Media & Telecom	61
Manufacturing & Engineering	60
Business Services	60
Construction & Infrastructure	57
Real Estate/Hospitality	57
Wholesale Trade	56
Community & Personal	53
Industrials, Oil & Gas	28
Total	557

> Business Sentiment



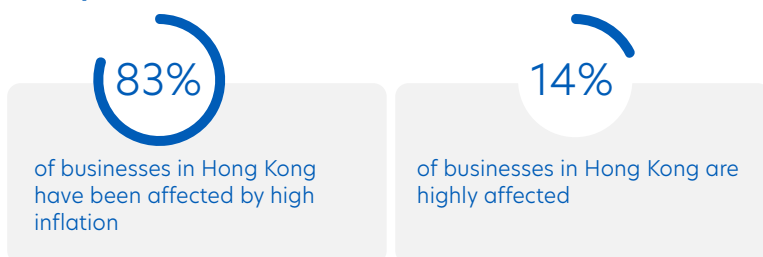
Most positive sentiments (sectors)



Most positive sentiments (by turnover)



> Impact of inflation



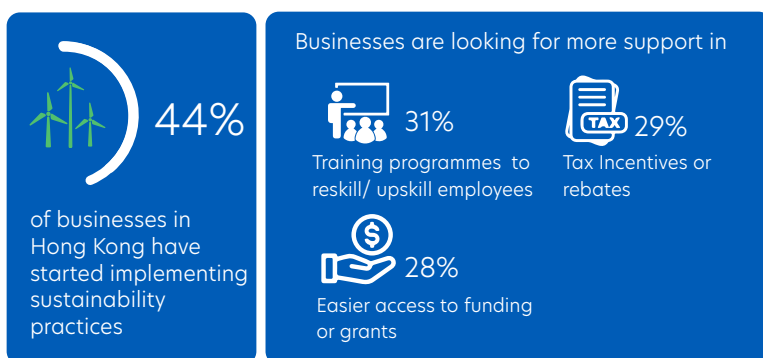
Most affected sectors



Most affected by turnover



> Sustainability



Leading sectors



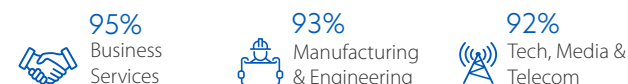
Leading by turnover



> Digital adoption



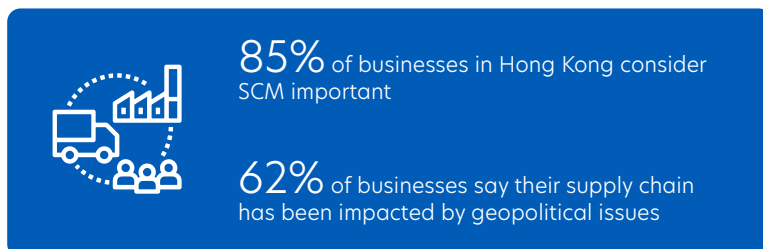
Sectors leading in digital adoption



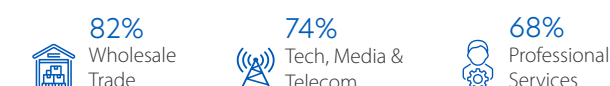
Businesses leading in digital adoption



> Supply Chain Management (SCM)



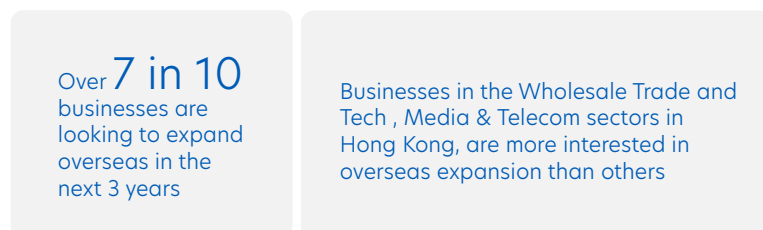
Most impacted sectors



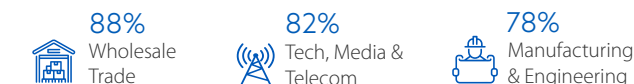
Most impacted by turnover



> Interest in overseas expansion



Most interested sectors



Most interested by turnover

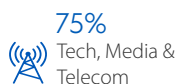


> Business environment in 2022

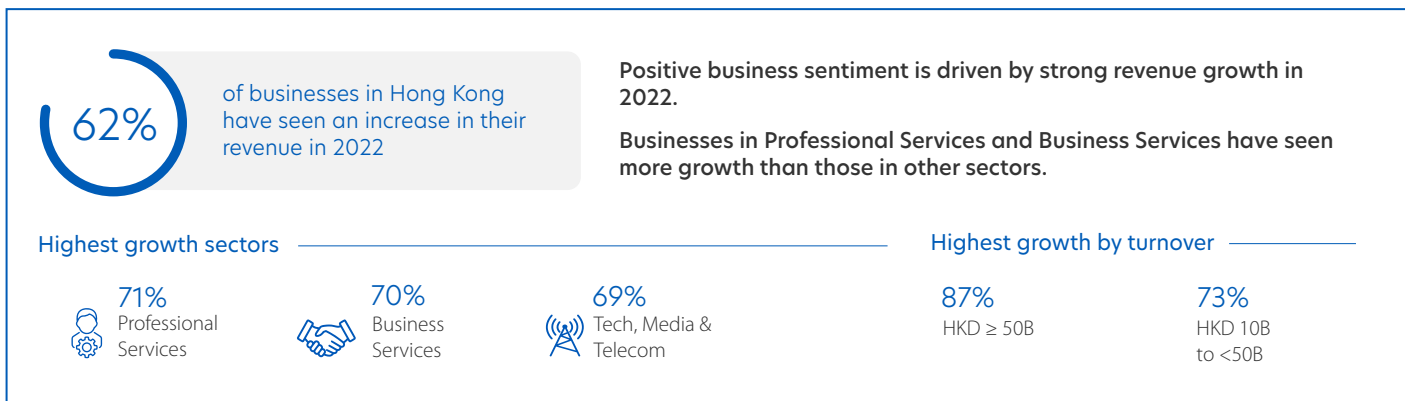
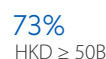


Businesses in Tech, Media & Telecom and Consumer Goods sectors were more positive about their current business environment.

Most positive sentiments (sectors)



Most positive sentiments (by turnover)



> Factors that impacted businesses in 2022



Rising operational costs



Inability to operate at full business capacity due to COVID-19 restrictions



High levels of inflation



Rising interest rates



Recovering from overall economic slowdown

Rising operational costs have impacted businesses in Manufacturing & Engineering and Wholesale Trade Sectors the most.

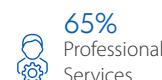
> Outlook for 2023



of businesses have a positive outlook for 2023

Businesses in Tech, Media & Telecom and Real Estate/Hospitality sectors have a more positive outlook.

Most positive sectors



Most positive by turnover



> Top future business priorities

To drive future growth, businesses are:

Businesses in sectors like Manufacturing & Engineering and Wholesale Trade are at the forefront in digitalising their business models to drive growth.



Tapping into new customer base



Reducing costs



Diversifying supply chains

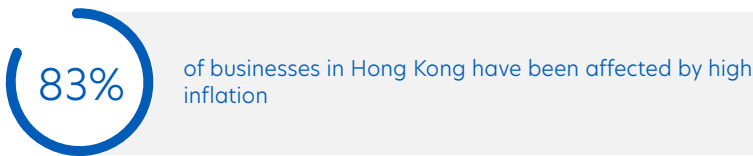


Digitalising their business model



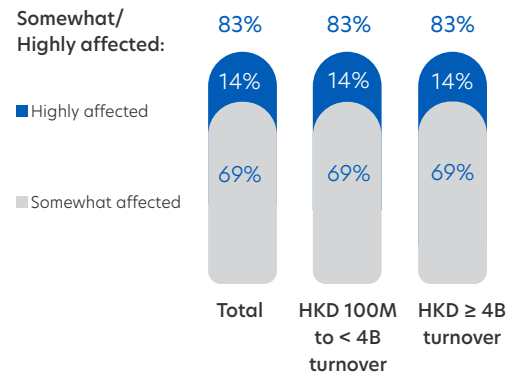
Re-skilling/upskilling existing talent

> Impact of inflation

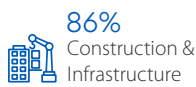
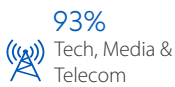


Both larger (≥HKD 4B turnover) and smaller businesses (HKD 100M to <HKD 4B) have been equally affected by inflation to the same extent.

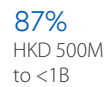
> Extent affected by inflation



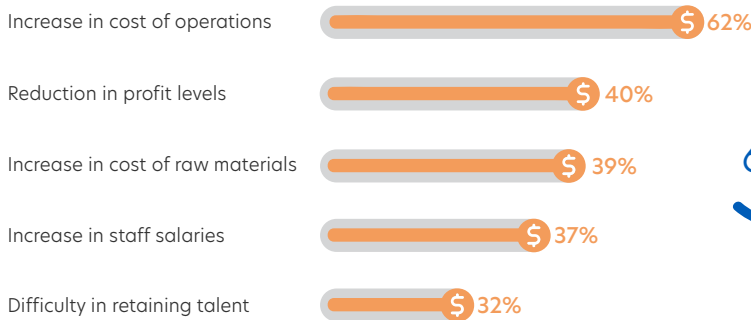
Most affected sectors



Most affected by turnover



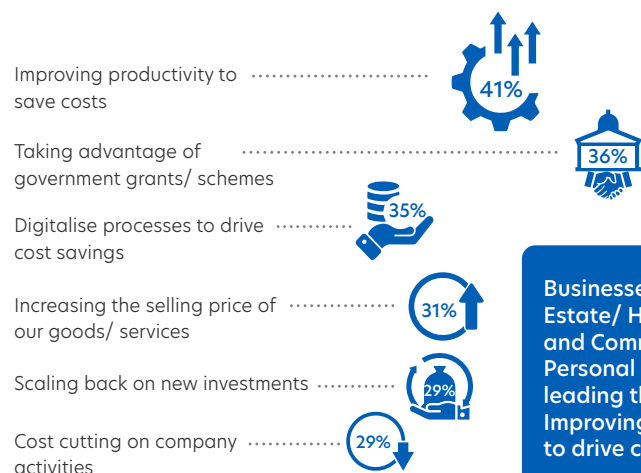
> Areas affected by high inflation



Inflation is also impacting the cost of raw materials of businesses in Hong Kong, particularly in Manufacturing & Engineering and Construction & Infrastructure sectors.

> Top measures to mitigate inflation

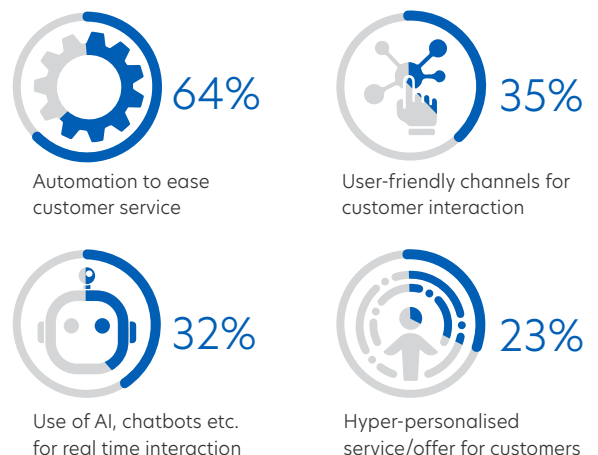
Over 2 in 5 businesses in Hong Kong are focused on improving productivity to tackle inflation



Businesses in Real Estate/ Hospitality and Community & Personal Services are leading the way in improving productivity to drive cost savings.

> Key channels/ capabilities to improve

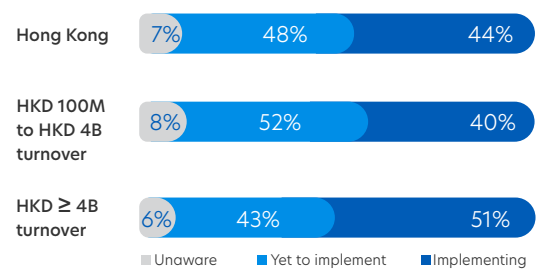
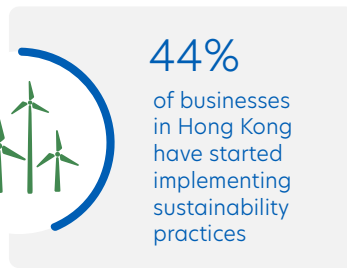
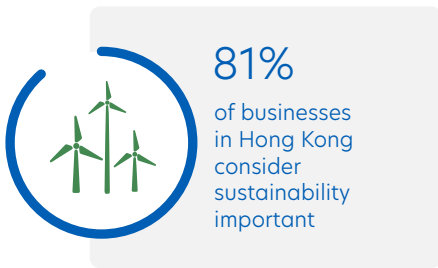
Over 3 in 5 businesses in Hong Kong are looking to improve automation to ease customer service and meet changing customer expectations



> State of sustainability adoption

Importance of sustainability

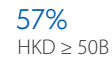
State of sustainability adoption



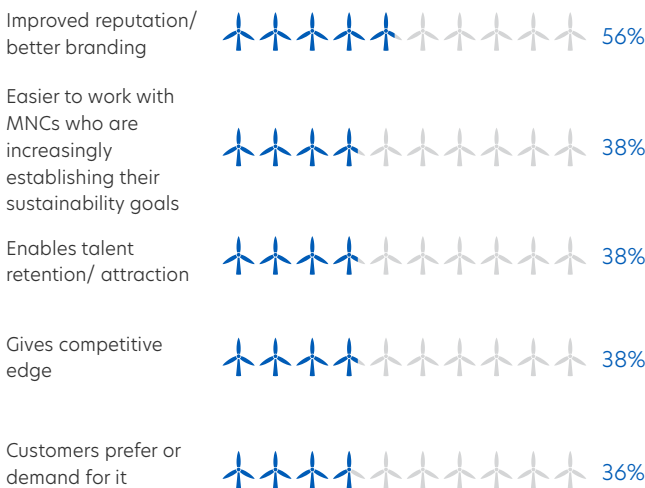
Leading sectors



Leading by turnover



> Top sustainability drivers



Businesses in Wholesale Trade and Real Estate/Hospitality sector find it more important to adopt sustainable practices to help improve their brand reputation.



> Top barriers in sustainability adoption

> Support required for sustainability adoption

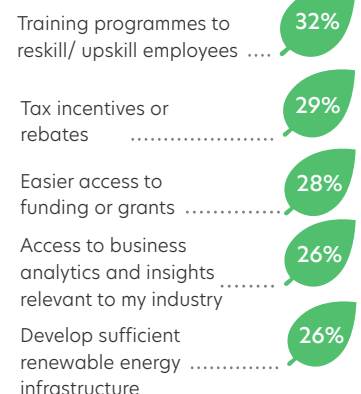
Nearly **1 in 3** businesses are concerned about inadequate financial support from government/ banks for such initiatives

Over **1 in 3** businesses are looking for training programmes to reskill/ upskill employees for their sustainability journeys



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

Tax incentives or rebates and easier access to funding or grants are also sought after by businesses in Hong Kong in addressing some of the barriers in implementing sustainability within a business.



> State of digital adoption

Nearly **9 in 10** businesses in Hong Kong 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



Businesses leading in digital adoption



> Success with digitalisation



52% of businesses have seen success in their digitalisation efforts



64% of businesses foresee spending more on digitalisation in 2023

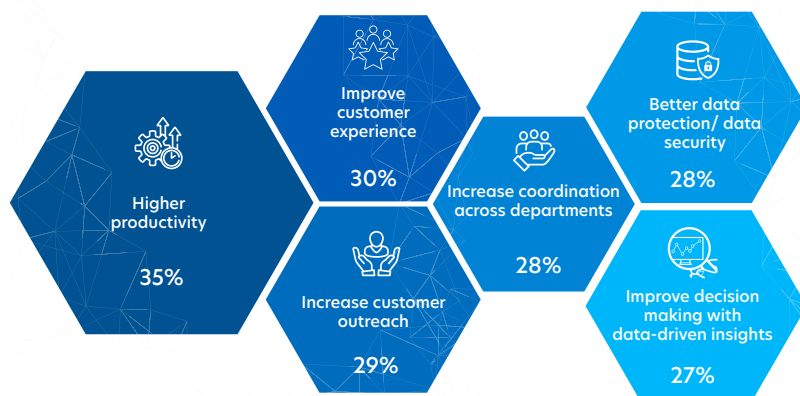
Success with digital adoption (sectors)



Success with digital adoption (by turnover)



> Impact of digitalisation

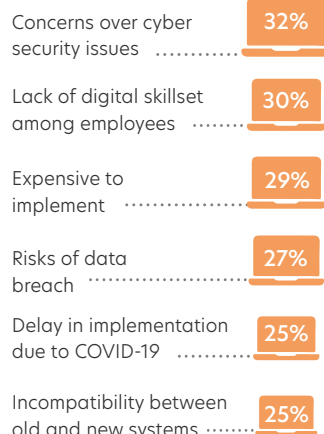


Over **1 in 2** businesses have succeeded with digitalisation. On average, each business has benefitted in around 4 ways.

Digitalisation can play a key role in helping businesses improve productivity to mitigate the impact of inflation on their businesses.

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



Over **1 in 3** businesses consider digitalisation concerns over cyber security issues and believe their employees lack the required digital skillsets

> Support required for digitalisation

Nearly **2 in 5** businesses want training programmes for employees and tax incentives or rebates to support their digitalisation journey



Cost of implementation and risks of data breach are also key challenges. Businesses are likely to need support through easier access to funding or grants and collaborate with industry, government-linked or large businesses to address such concerns.

> Importance of SCM



85% of businesses in Hong Kong consider SCM important

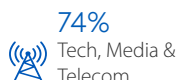
> Impact of SCM on supply chain



62% of businesses say their supply chain has been impacted by geopolitical issues

Majority of businesses in Hong Kong have seen an impact to their supply chains. Sectors like Wholesale Trade and Tech, Media & Telecom have been affected more than others.

Most impacted sectors

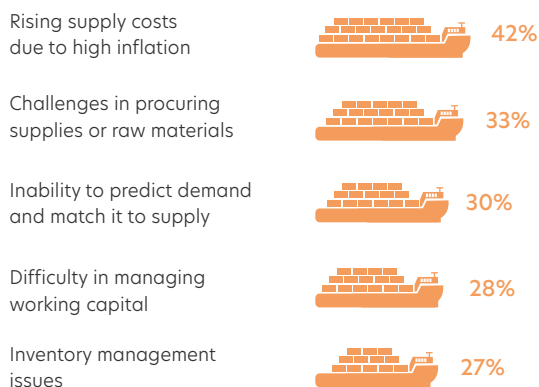


Most impacted by turnover



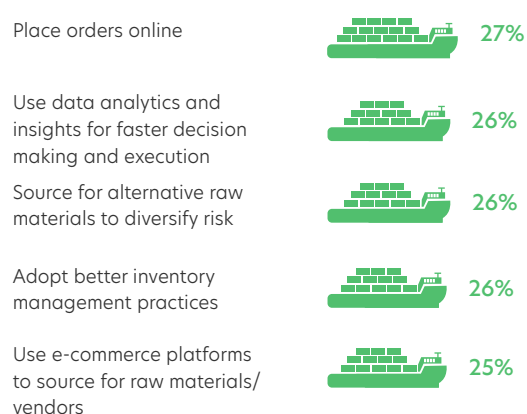
> Challenges in SCM

Over **2 in 10** businesses find challenges in rising supply costs as the main challenge in managing their supply chains



> Top actions taken for SCM

Nearly **1 in 3** businesses in Hong Kong are looking to have more online orders to manage their supply chains better



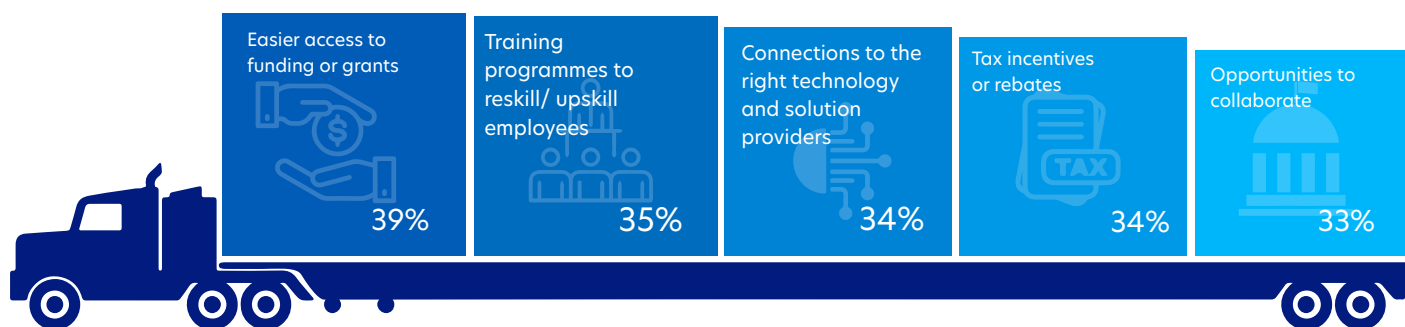
> Top support measures for SCM



Easier access to funding or grants are a key support measure that businesses in Hong Kong need to manage their supply chains better.

Businesses in consumer goods and professional services can benefit more from easier access to funding or grants.

Nearly **2 in 5** businesses are looking for easier access to funding or grants to help them with better SCM



> Interest in overseas expansion



Over **7 in 10** businesses in Hong Kong are looking to expand overseas in the next 3 years

Businesses in the Wholesale Trade and Tech, Media & Telecom sectors in Hong Kong are more interested in overseas expansion than other sectors

Most interested sectors

88%
Wholesale Trade

82%
Tech, Media & Telecom

78%
Manufacturing & Engineering

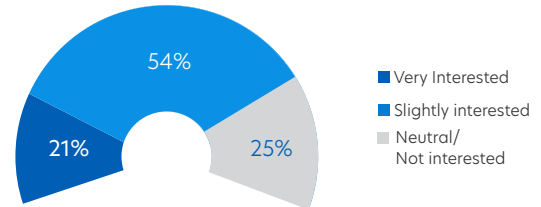
Most interested by turnover

83%
HKD ≥ 50B

82%
HKD 1B to <4B

> Interest in cross-border digital trade platforms

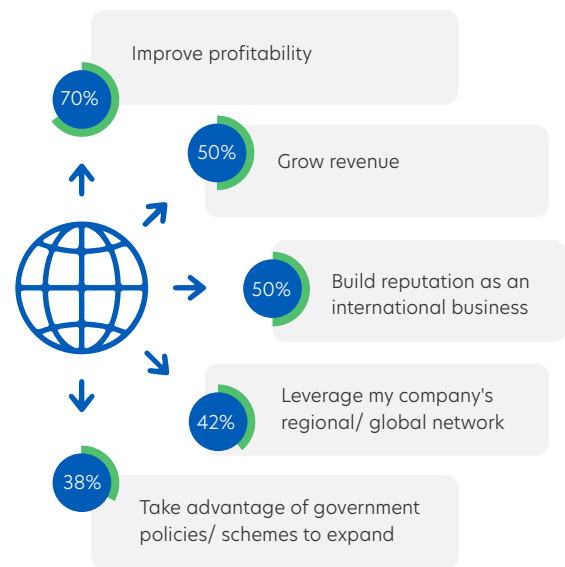
The interest in overseas expansion is leading to higher interest in cross-border digital trade platforms. Over 1 in 5 businesses are 'Very interested' in using such platforms.



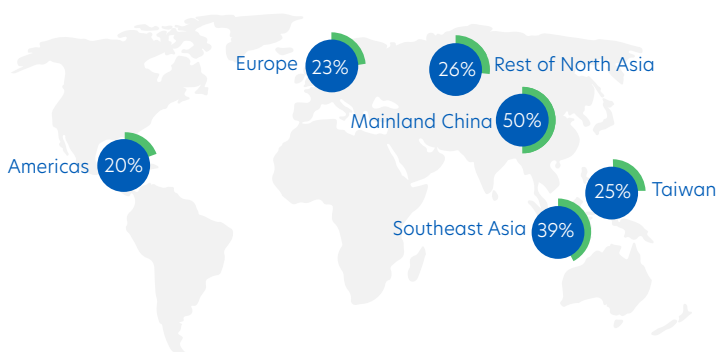
> Top motivators for overseas expansion

7 in 10 businesses are motivated to expand overseas to improve their profits

Sectors like Construction & infrastructure and Manufacturing & Engineering are more inclined to expand overseas to improve profits



> Top locations for overseas expansion



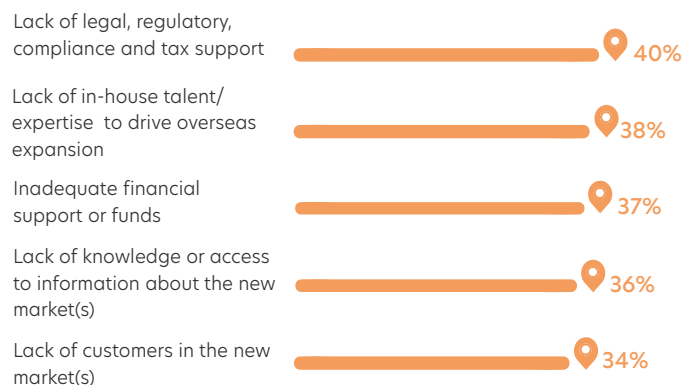
1 in 2 businesses in Hong Kong have their eyes on Mainland China for their future expansion plans

Nearly **2 in 5** businesses, particularly those in Construction & infrastructure and Wholesale trade are looking to expand into Southeast Asia

Singapore, Thailand and Vietnam are the preferred destinations in Southeast Asia for businesses in Hong Kong.

> Key challenges in overseas expansion

2 in 5 businesses in Hong Kong cite a lack of legal, regulatory, compliance and tax support as their biggest challenge for overseas expansion



Lack of in-house talent/ expertise to drive overseas expansion is also a major challenge that businesses, particularly those in the Real Estate/ Hospitality and Construction & Infrastructure, need to overcome when they look to expand overseas.