

# UOB Business Outlook Study 2023 (SME & Large Enterprises)



UOB conducted a Business Outlook Study in **seven markets** covering the ASEAN and Greater China regions. The study covered **over 4,000 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 the ASEAN and Greater China regions. 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 4061 interviews



Data collection:  
28 December 2022 - 20 January 2023

## > WHO



Businesses in seven markets across the ASEAN and Greater China regions



Covers both SMEs and Large Enterprises across key industry verticals



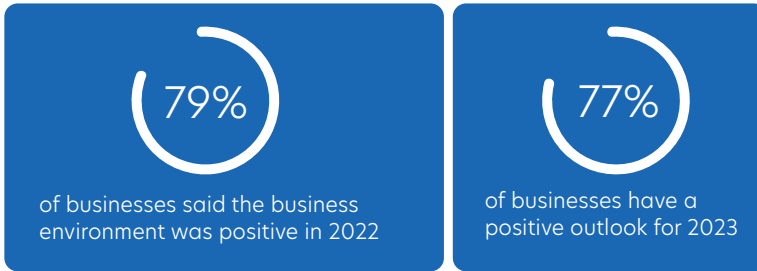
Owners/ chief executive level/ management level who are involved with business decision making

## > COVERAGE



Industries	Sample
Manufacturing & Engineering	504
Tech, Media & Telecom	479
Consumer Goods	473
Construction & Infrastructure	461
Real Estate & Hospitality	412
Business Services	381
Community & Personal	372
Professional Services	370
Wholesale Trade	350
Industrials, Oil & Gas	259
<b>Total</b>	<b>4061</b>

### > Business Sentiment



#### Most positive sentiments (markets)



#### Most positive sentiments (sectors)



### > Impact of inflation



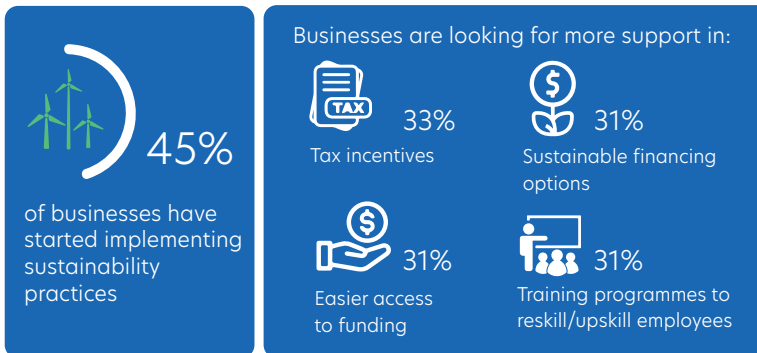
#### Most affected markets



#### Most affected sectors



### > Sustainability



#### Leading markets



#### Leading sectors



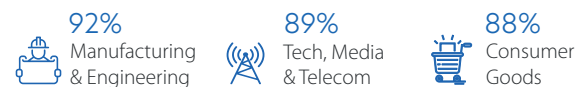
### > Digital adoption



#### Markets leading in digital adoption



#### Sectors leading in digital adoption



### > Supply Chain Management (SCM)



#### Most impacted markets



#### Most impacted sectors



### > Interest in overseas expansion



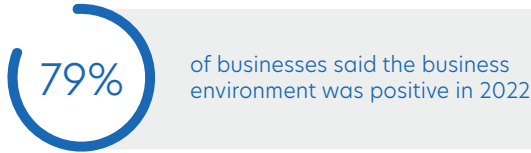
#### Most interested markets



#### Most interested sectors



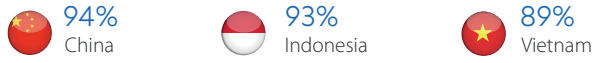
### > Business environment in 2022



Businesses in China, Indonesia and Vietnam were more positive about their business environment.

Larger businesses were more positive as they could better leverage economies of scale in managing their business challenges.

#### Most positive sentiments (markets)



#### Most positive sentiments (sectors)



Positive business sentiment is driven by strong revenue growth in 2022, with most businesses experiencing an increase of 30-50 percent.

ASEAN businesses have seen more growth than those in Greater China. Within ASEAN, more businesses in Indonesia and Vietnam have seen a revenue growth in 2022.

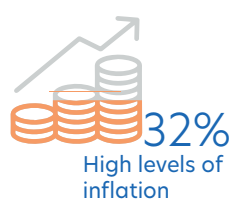
#### Highest growth markets



#### Highest growth sectors

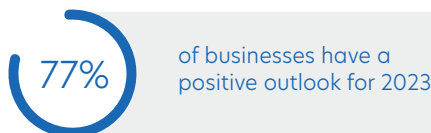


### > Factors that impacted business in 2022



Businesses in Indonesia, Malaysia and industries like Consumers Goods, and Manufacturing & Engineering are most affected by rising operational cost and high inflation.

### > Outlook for 2023



ASEAN markets like China, Indonesia and Vietnam are more optimistic about the future

#### Most positive outlook (markets)



#### Most positive outlook (sectors)



### > Top future business priorities

To drive future growth, businesses are:



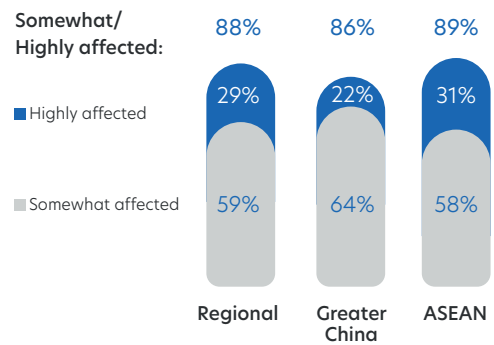
### > Impact of inflation



ASEAN businesses, particularly those in Indonesia, Thailand and Vietnam are facing greater impact from inflation.

Sectors like Construction & Infrastructure and Manufacturing & Engineering are impacted more.

### > Extent affected by inflation



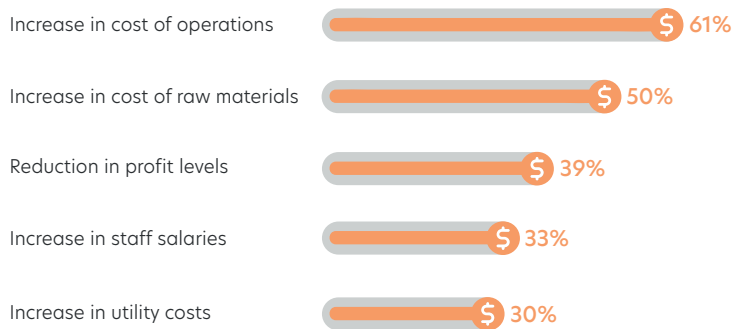
#### Most affected markets



#### Most affected sectors



### > Areas affected by high inflation



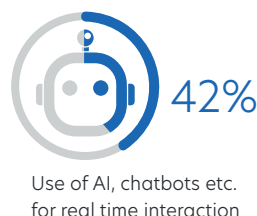
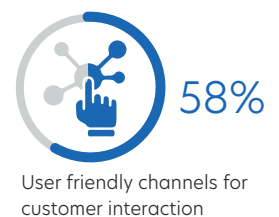
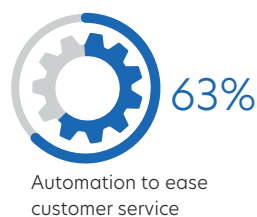
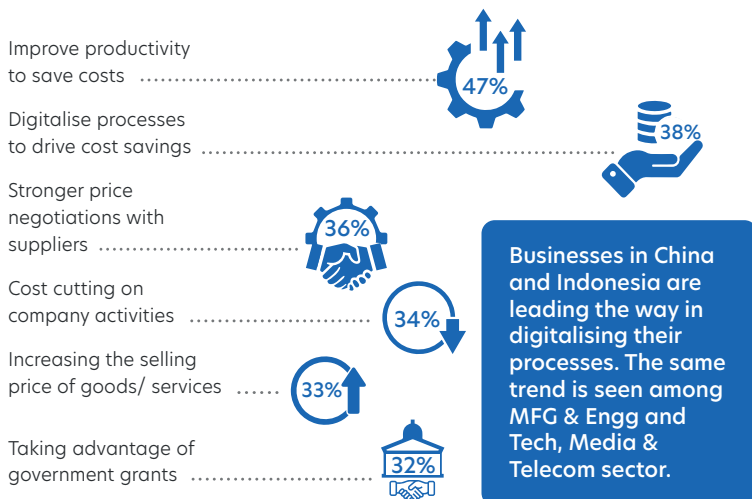
Inflation is also impacting the profitability of businesses in the region. Businesses in Vietnam and Thailand and those in the Construction & Infrastructure sector have witnessed more reduction in profit levels.

### > Top measures to mitigate inflation

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

### > Key channels/ capabilities to improve

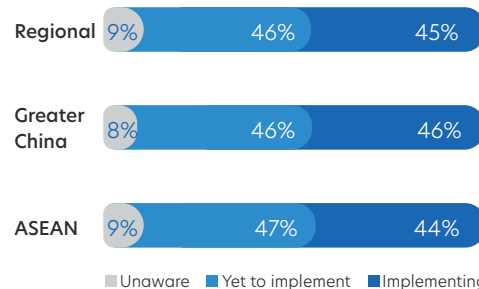
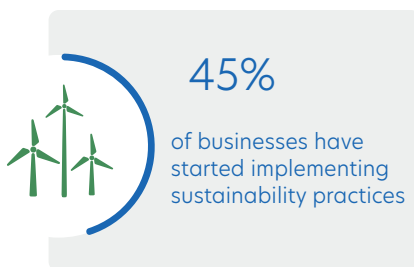
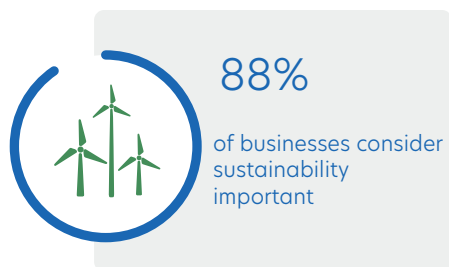
6 in 10 businesses are looking to improve automation to ease customer service and meet changing customer expectations



### > Sustainability adoption

Importance of sustainability

State of sustainability adoption



More support is required to help drive sustainability, particularly among businesses who are yet to implement it.

Leading markets

Leading sectors



### > Top sustainability drivers



More businesses in China and Indonesia find it important to adopt sustainable practices to help improve their reputation.

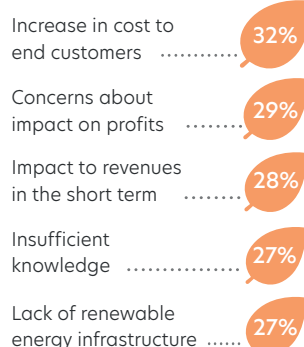


### > Top barriers in sustainability adoption

### > Support required for sustainability adoption

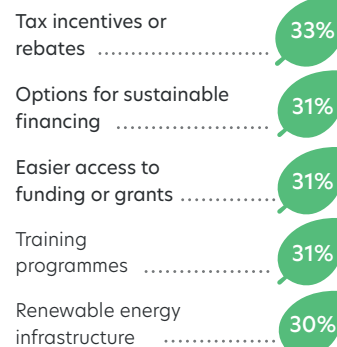
**1 in 3** businesses are concerned about increased cost to customers after adopting sustainability practices

**1 in 3** businesses are looking for tax incentives or rebates 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 sustainability practices can impact their revenues and profits.

Financial incentives like tax rebates and grants can help to address some of the barriers in implementing sustainability within a business. Companies can also tap on their bank partners' sustainable financing capabilities, to start their sustainability journey.

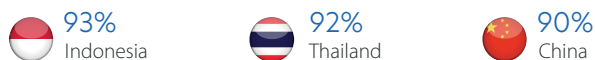


### > State of digital adoption

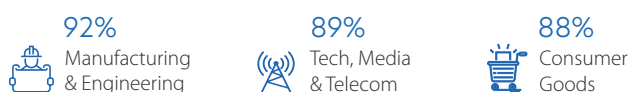
Nearly **9 in 10** businesses in the region have adopted digitalisation in at least one department

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.

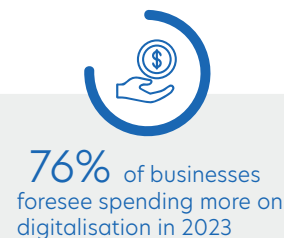
#### Markets leading in digital adoption



#### Sectors leading in digital adoption



### > Success with digitalisation



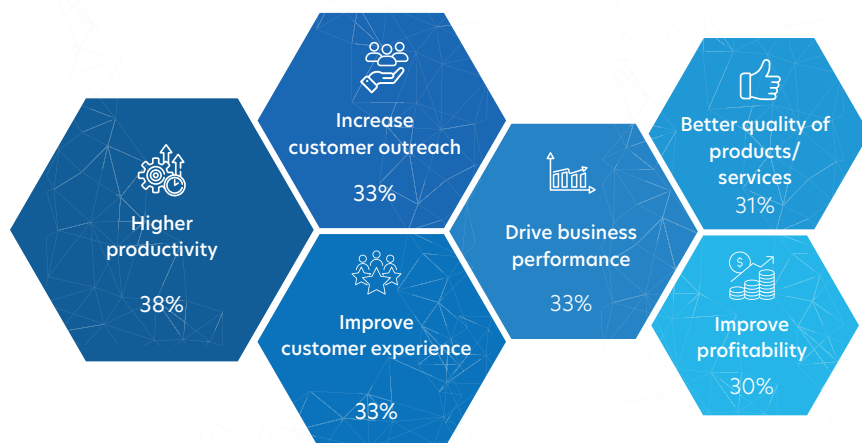
#### Success with digital adoption (markets)



#### Success with digital adoption (sectors)



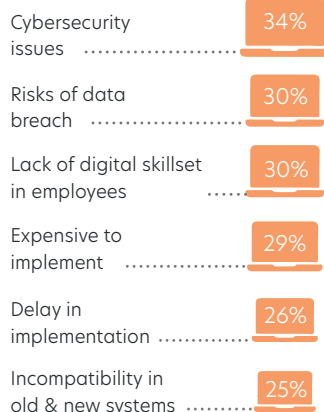
### > Impact of digitalisation



**7 in 10** businesses have succeeded with digitalisation. On average, each business has benefitted in at least 4 ways

Digitalisation is helping businesses to improve productivity and become more customer centric by enabling their customer outreach efforts.

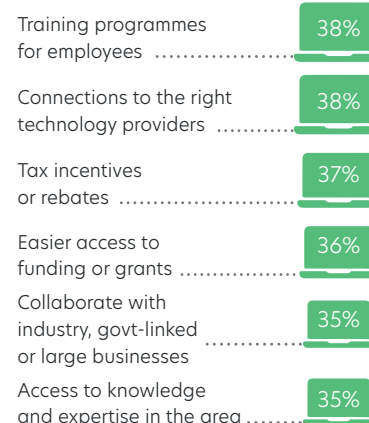
### > Challenges faced in digitalisation



**1 in 3** businesses are concerned about cybersecurity issues when adopting digitalisation

### > Support required for digitalisation

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



Cybersecurity and data breach risks are key concerns for businesses. Training their employees and connecting them to the right technology providers can help address these concerns.

### > Importance of SCM

**9 in 10** businesses in the region consider SCM important

### > Impact of SCM on supply chain

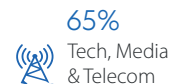
**3 in 5** businesses say their supply chain has been impacted by geo-political issues

Businesses in ASEAN markets like Indonesia and Thailand have seen a greater impact to their supply chains. Sectors like Industrials, Oil & Gas and Wholesale trade have been affected more than others.

#### Most impacted markets



#### Most impacted sectors



### > Challenges in SCM

Nearly **1 in 2** businesses find rising supply costs due to inflation as the main challenge to their supply chains

Rising supply costs due to inflation 45%

Procuring supplies/raw materials 36%

Requirement of just-in-case supply 31%

Inability to predict demand and match to supply 31%

Difficulty in managing working capital 29%

### > Top actions taken for SCM

**1 in 3** businesses in the region are looking to diversify suppliers to better manage their supply chains

Diverse sources of suppliers 30%

Stronger supplier relationships 29%

Use of data analytics & insights 29%

Source for alternative raw materials to diversify risk 28%

Adopt better inventory management practices 28%

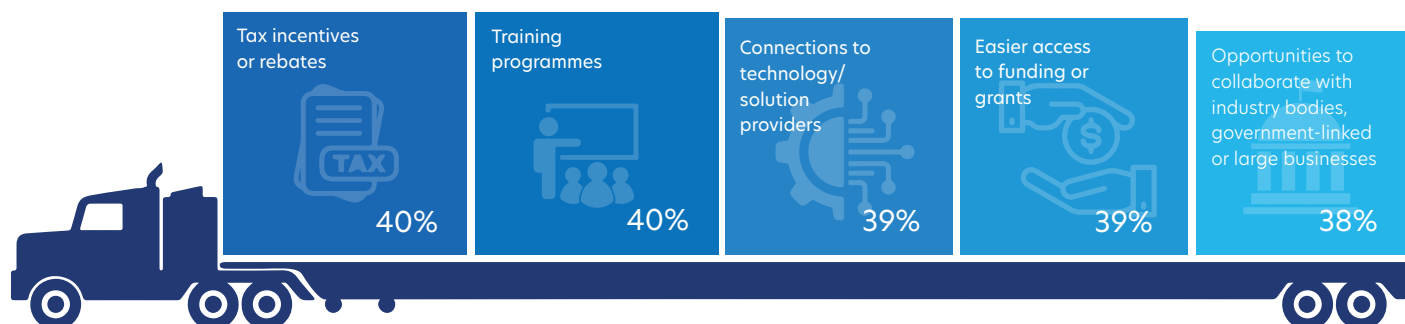
### > Top support measures for SCM



Financial support through tax incentives and funding are a key support measure that businesses in the region, particularly those in Malaysia, Vietnam and Indonesia, need to manage their supply chain better.

Training programmes will be particularly useful to businesses in Indonesia and China to help improve their supply chains.

**2 in 5** businesses are looking for tax incentives to help them with better SCM



### > Interest in overseas expansion



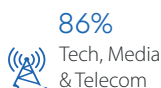
Over **4 in 5** businesses are looking to expand overseas in the next 3 years

Businesses in Indonesia, China and Thailand are more interested in overseas expansion than other markets

#### Most interested markets

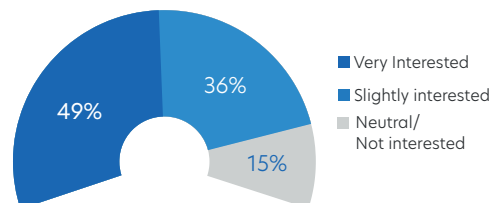


#### Most interested sectors



### > Interest in cross-border digital trade platforms

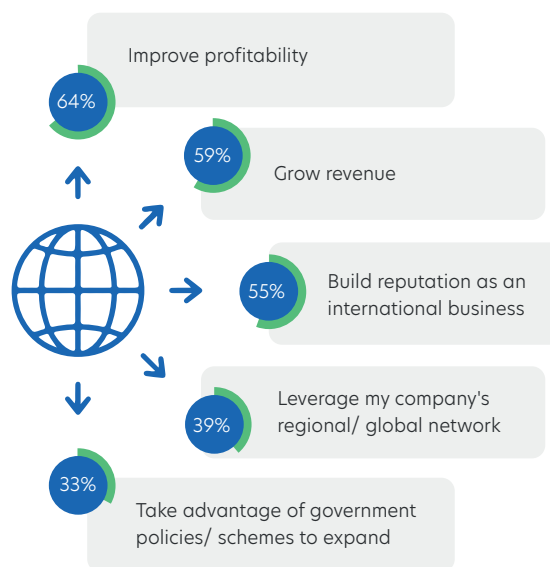
The interest in overseas expansion is leading to higher interest across the region in cross-border digital trade platforms. Close to half the businesses are 'Very interested' in using such platforms.



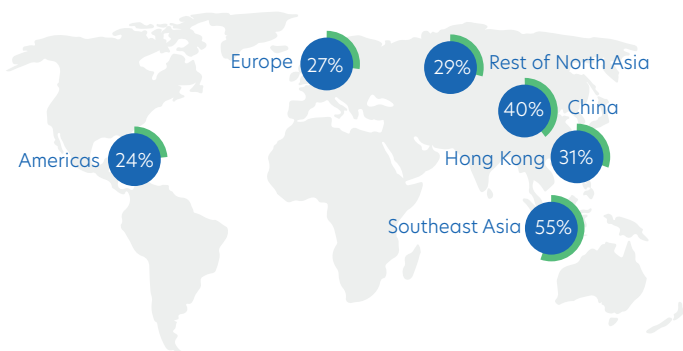
### > Top motivators for overseas expansion

**3 in 5** businesses are motivated to expand overseas to improve their profits

Larger markets (by population size) such as Indonesia, Malaysia and Thailand are more growth oriented while smaller markets like Hong Kong and Singapore are more inclined to improve profitability through their overseas expansion.



### > Top locations for overseas expansion



**1 in 2** businesses in the region have their eyes on Southeast Asia for their future expansion plans

**2 in 5** businesses, particularly those in Thailand, Malaysia and Singapore are looking to expand into China

Southeast Asia is a preferred destination for businesses within ASEAN region itself. China is a preferred destination for smaller markets like Hong Kong and Singapore.

### > Key challenges in overseas expansion

**2 in 5** businesses in the region cite difficulty in finding the right partners as their biggest challenge for overseas expansion



Lack of in-house talent is also a major challenge that businesses, particularly those in China, need to overcome when they look to expand overseas.