

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

## Regional Report

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Singapore



Malaysia



Indonesia



Thailand



China



Hong Kong



Vietnam

# Foreword

ASEAN is an interconnected, young, and dynamic economic region of more than 650 million people, offering unique and diverse business opportunities. Amidst market turbulence and uncertainty, ASEAN has weathered recessionary risks well and continues to show strong growth potential.

Today's multipolar world should expect a new post-Covid era of re-globalisation, even regionalisation, alongside a different set of geopolitical objectives. This means new investment opportunities for ASEAN that bring opportunity for business growth.

As a strategic partner to businesses, we have commissioned the UOB Business Outlook Study 2023 (SME & Large Enterprises) to capture key insights from over 4,000 companies across industries and 7 markets, to understand current business sentiments and how we can continue to support their resilience, growth and needs.

The insights cover three key areas:

1. The trends that are shaping the growth of businesses, in the areas of Sustainability, Digitalisation, Supply Chain Management and Overseas Expansion;
2. How companies are adapting to a changing business landscape and adopting growth strategies;
3. How UOB and industry partners can continue to support businesses with their growth ambitions

ASEAN remains competitive – in terms of its cost, young labour force, and infrastructure – all of which are beneficial for businesses. The region's part in achieving sustainable development also requires the need for businesses to strategically look at business sustainability, from day-to-day operations and long-term succession planning, to net zero goals through transition towards ESG goals.

In an awakening region, business leaders need strategic partners with the ambition and capability to build the future of ASEAN. This is especially true for SMEs that form the backbone, specifically, 97% of ASEAN's economies.

As the One Bank For ASEAN, UOB connects businesses with and within ASEAN, and to Greater China, and the rest of the world.

## **Eric Lian**

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Group Wholesale Banking

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# Background and Methodology

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**.

The 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 Sustainability, Digitalisation, Supply Chain Management and Overseas Expansion.

## >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

## >Regional coverage



Regional = ASEAN + Greater China

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
Total	4061



## Business classification used

### > Definitions (by turnover)

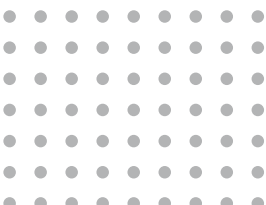
Markets	Small Enterprises	Medium Enterprises	Large Enterprises
China	-	RMB 100m to <RMB 4b	> RMB 4b
Hong Kong	-	HKD 100m to <RMB 4b	> HKD 4b
Indonesia	IDR 6b to <110b	IDR 110b to <IDR 3t	-
Malaysia	<MYR 50m	MYR 50m to <MYR 900m	-
Singapore	SGD<10m	SGD10m to <SGD 300m	-
Thailand	THB 30m-<400m	THB 400m to < THB7.5b	-
Vietnam	VND<180b	VND 180b to <VND 5.5t	-

### > Sample sizes

Markets	Total	Small Enterprises	Medium Enterprises	Large Enterprises
China	588	-	382	206
Hong Kong	557	-	343	214
Indonesia	530	239	291	-
Malaysia	528	328	200	-
Singapore	823	410	413	-
Thailand	530	322	208	-
Vietnam	505	290	215	-
Total	4061	1589	2052	-



## 2. | Business Sentiments



## > Business environment in 2022



Businesses sentiments were equally positive among businesses in ASEAN and Greater China markets



Nearly **8 in 10** businesses in the region said the business environment was positive in 2022.

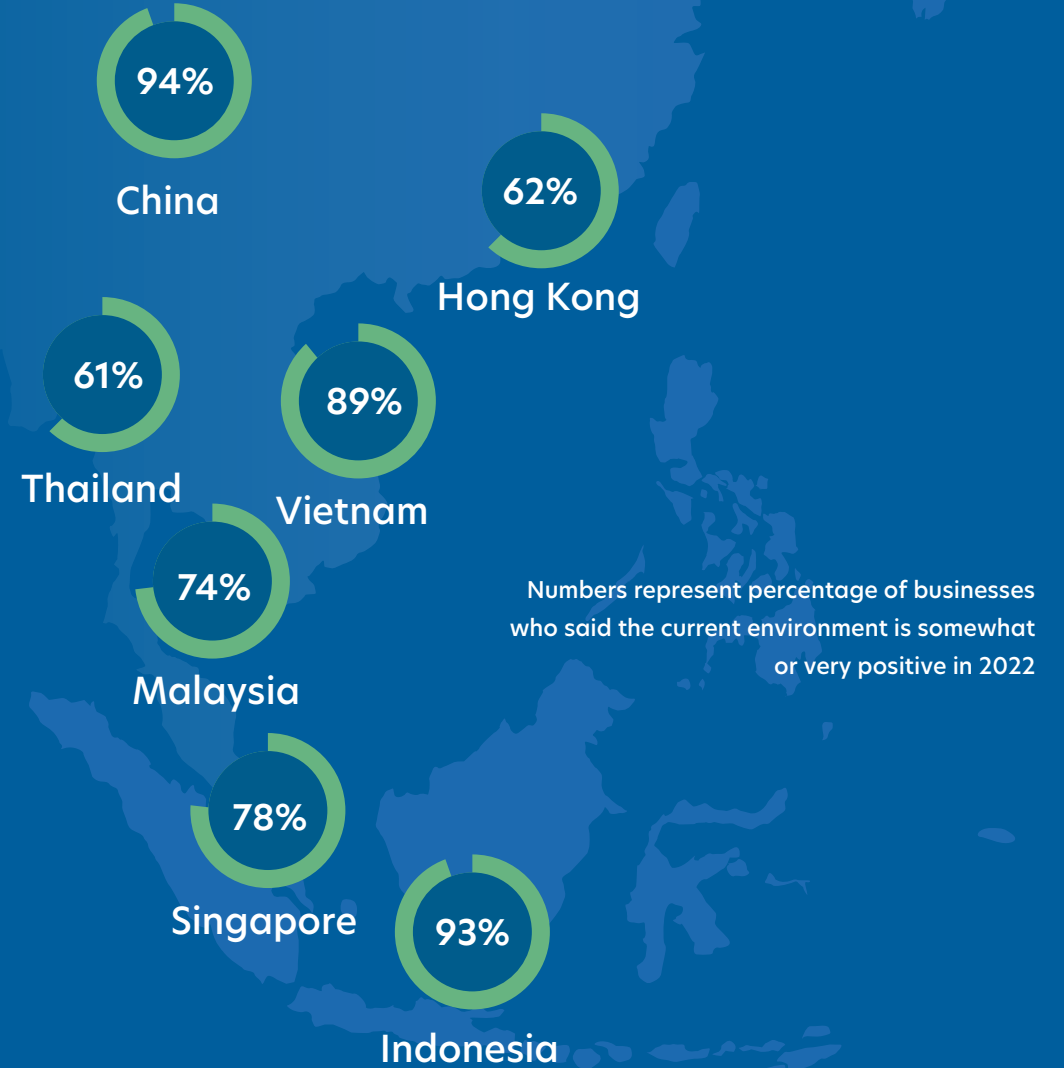
### Most positive sentiments (markets)



### Most positive sentiments (sectors)



### Most positive sentiments (by turnover)





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

4 in 5



businesses in the region have seen an increase in their revenue in 2022.

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

### Most revenue growth (markets)



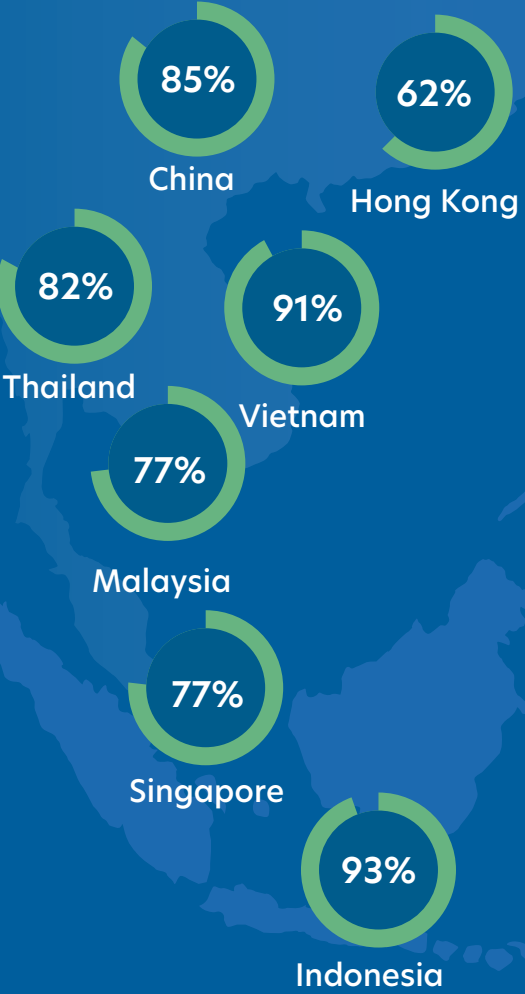
### Most revenue growth (sectors)



### Most revenue growth (enterprises)

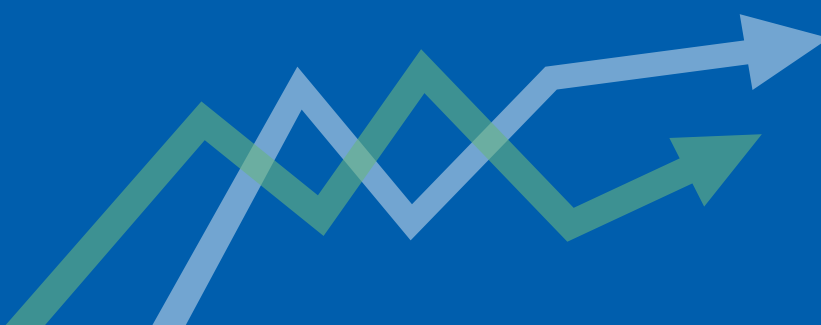


## > Revenue improvement in 2022 vs 2021

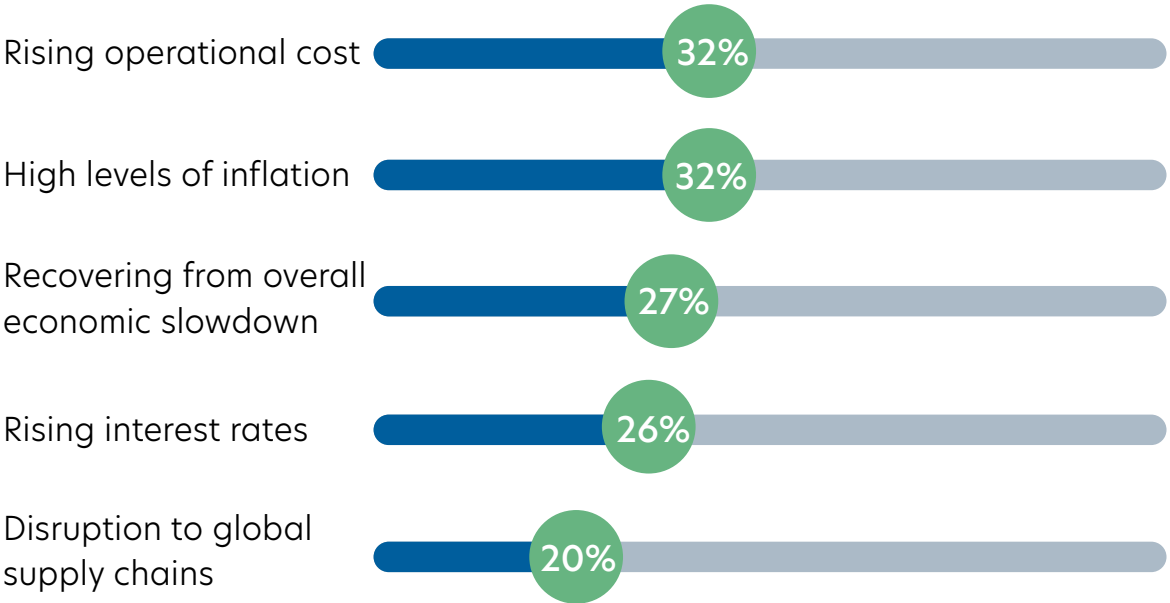


Q) How has your company's revenue changed in 2022 as compared with 2021? Base: Total (4061)

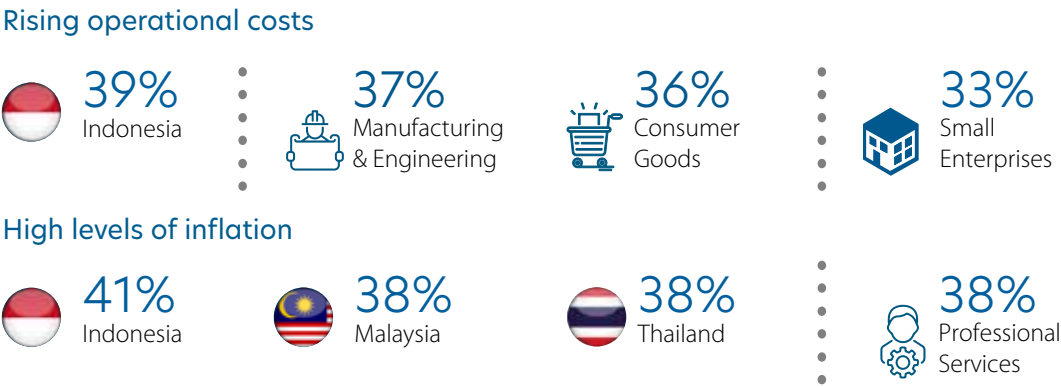
# The positive business sentiment is in spite of macro factors like rising operational costs and high inflation impacting businesses in 2022



## > Macro factors impacting businesses



## > Most impacted markets/sectors/enterprises



Rising operational cost had a bigger impact on Manufacturing & Engineering and Consumer Goods while Professional Services were more impacted by high levels of inflation.

Q) Which of the factors below had the biggest impact on your business in 2022? Select up to 5. Base: Total (4061)

**These macro factors have led to rising operating expenses and cost cutting for many businesses in the region**

## > Factors impacting business operations

Increase in operating expenses

35%

Needed to cut costs

29%

Drop in customer demand/revenues

25%

Delays in customer payments

22%

Insufficient cash flow

21%



Over **1 in 3** businesses say their operating expense have increased.

Q) How have the above factors affected your business in 2022? Base: Total (4061)

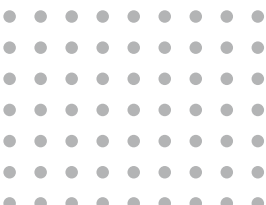




# Business Sentiments

Business Outlook 2023 and Beyond

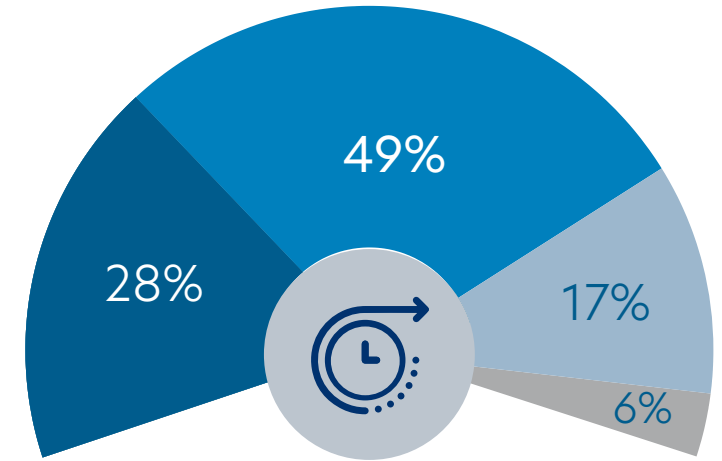
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Over **3 in 4** businesses  
have a positive outlook in  
**2023**

## > Outlook for 2023

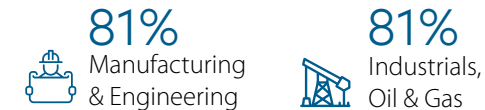
- Very positive
- Somewhat positive
- Neutral/Unsure
- Somewhat/Very negative



### Most positive outlook (markets)



### Most positive outlook (sectors)



### Most positive outlook (enterprises)

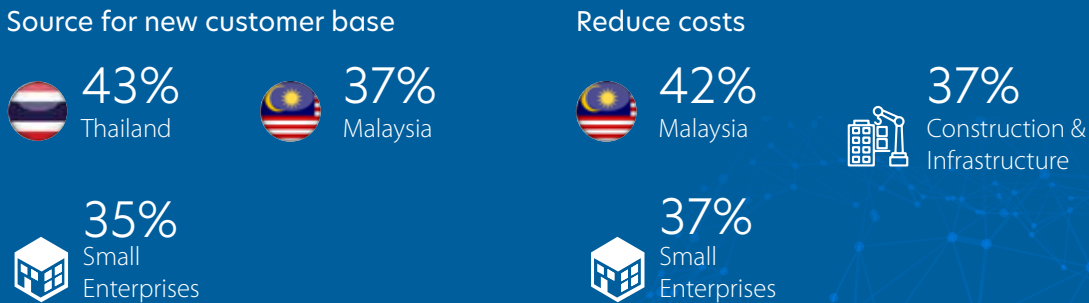


# Sourcing new customers, cost reduction and digitalisation are key priorities for businesses in the next 1-3 years

## >Priorities in the next 1-3 years



## >Priorities by markets/sectors/enterprises





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



# Improving customer service and extending product range are top actions to drive growth

## > Top actions for growth



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

## > Most prioritised in



Q) How do you plan to achieve these priorities? Base: Total (4061)

# Automation will play a key role in helping businesses improve customer service

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

## > Capabilities for better customer experience



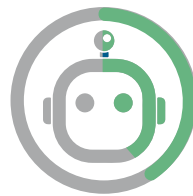
63%

Automation to ease customer service



58%

User friendly channels for customer interaction



42%

Use of AI, chatbots etc. for real time interaction



30%

Hyper personalized service/offer for customers

## > Most prioritised in

### Automation to ease customer service



71%

Thailand



69%

Indonesia



72%

China



70%

Vietnam



66%

Indonesia



64%

Malaysia



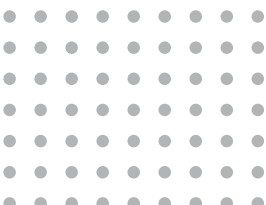
61%

Small 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 (4061)



### 3. | Inflation Impact on Businesses

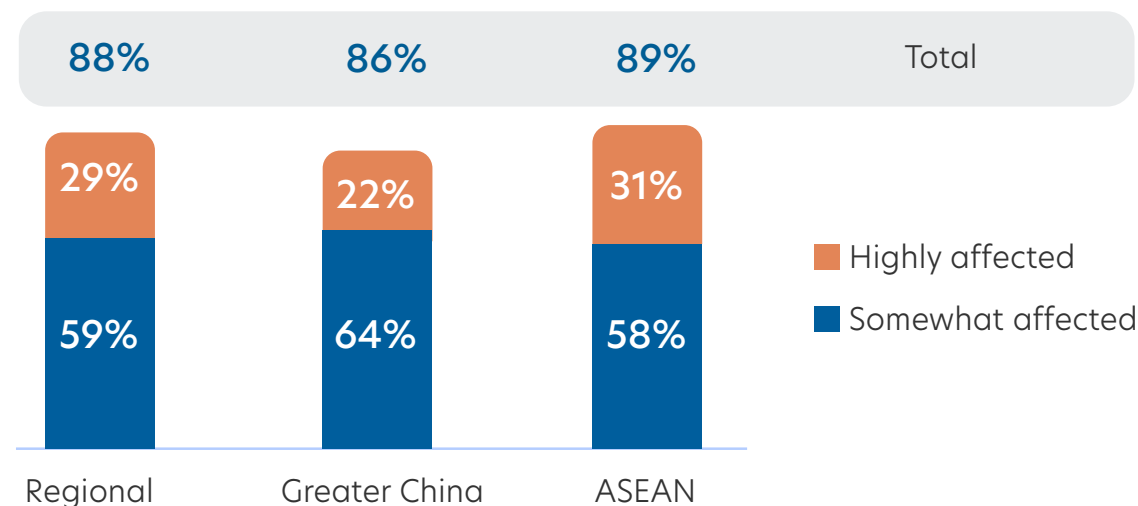




## > Extent of inflation affecting businesses in 2022



Nearly **9 in 10**  
businesses in the region have  
felt the impact of high inflation.



### Most affected markets

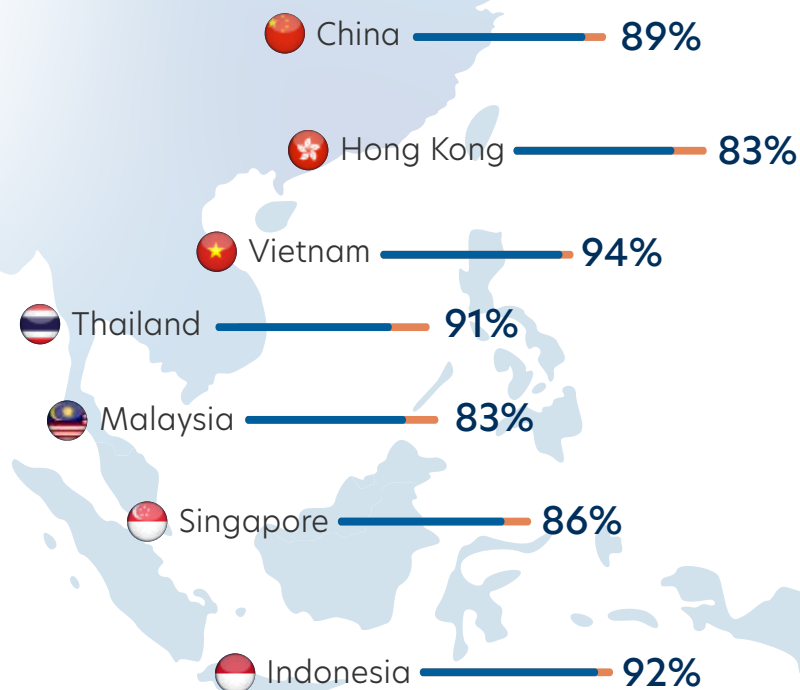


### Most affected sectors



Q) To what extent has high inflation affected your business this year? Base: Total (4061)


## > Extent of inflation by markets



Businesses in ASEAN markets have been affected more than those in Greater China.


# Many businesses have seen an increase in cost of operation and raw materials

## > Impact of inflation on business operations


 Increase in cost of operations  
61%

 Increase in cost of raw materials  
50%

 Reduction in profit levels  
39%

 Increase in staff salaries  
33%

 Increase in utility costs  
30%

 Increase in cost of equipment/ machinery  
27%



Over 6 in 10 businesses in the region say that high inflation has led to an increase in cost of operations.

1 in 2 businesses have seen an increase in cost of raw materials.

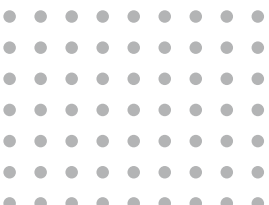


Inflation is also impacting the profitability of businesses in the region. Businesses in Vietnam and Thailand and those in the Construction & Infrastructure sector have witnessed a greater reduction in profits.



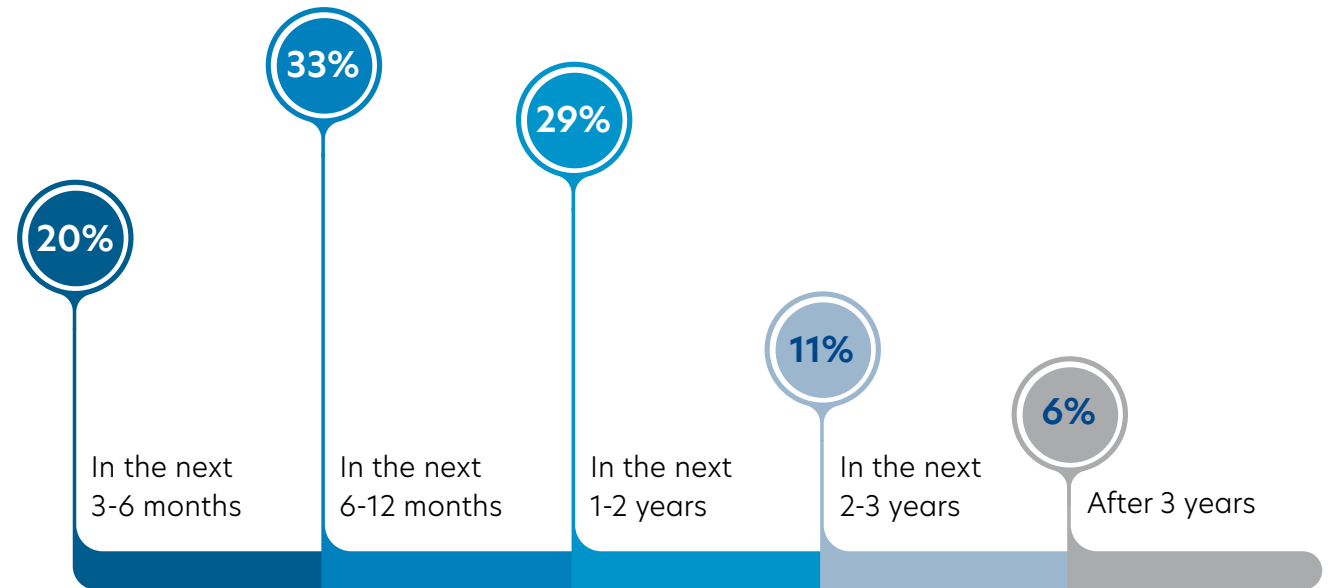
# Inflation Impact on Businesses

Inflation Expectation in 2023



**Most businesses expect inflation to reduce within the next 6 to 12 months**

## > Expectations of inflation

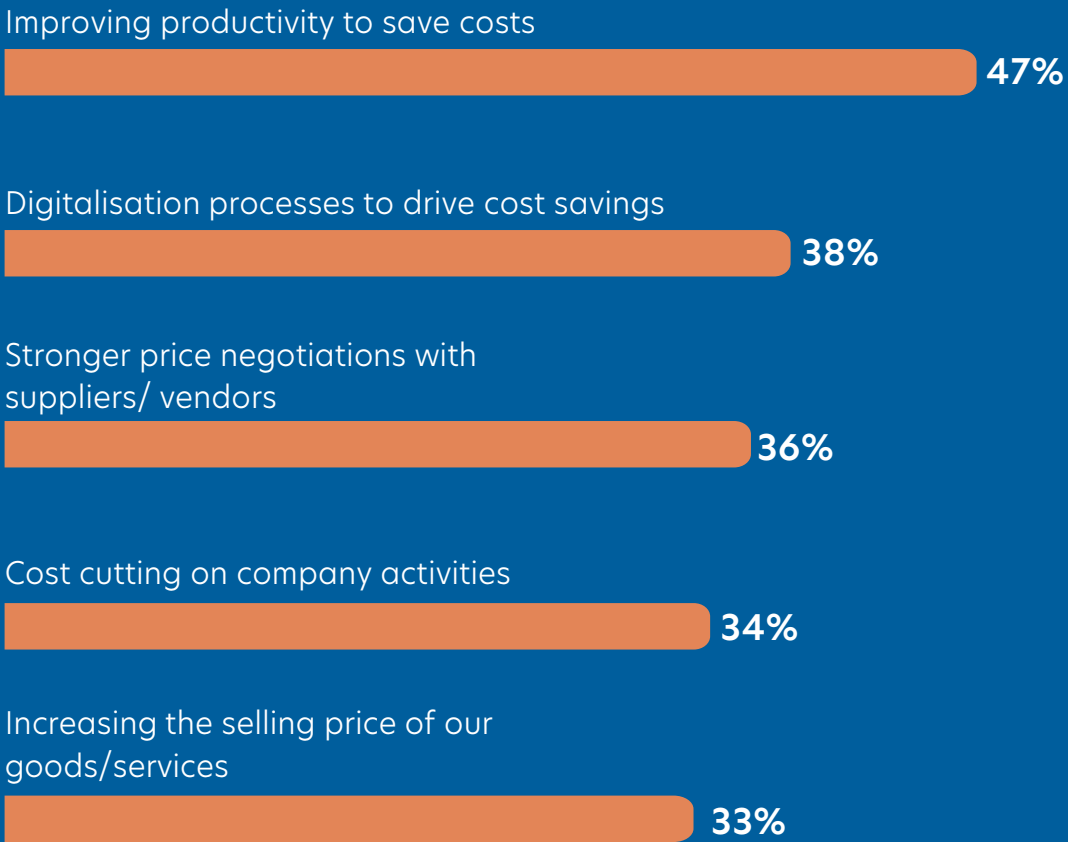


Q) By when do you expect the high inflation to reduce? Base: Total (4061)



# Productivity improvement and digitalisation are key measures to mitigate inflation impact

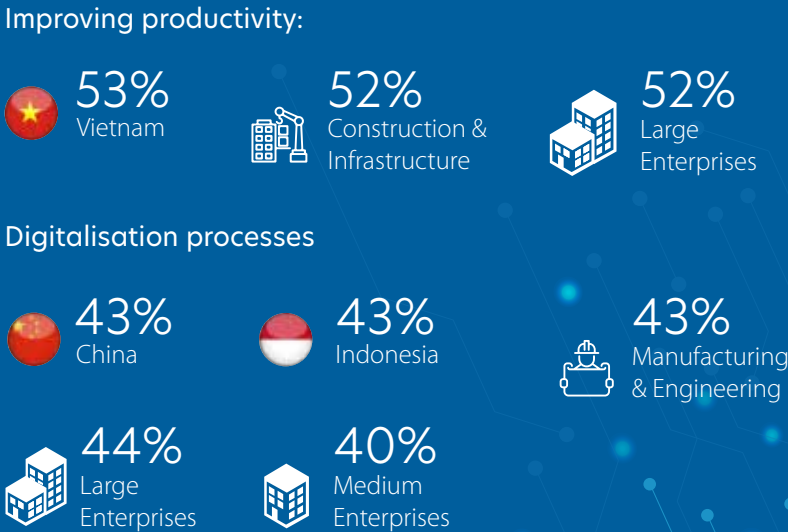
## > Ways to combat inflation





Nearly **1 in 2** businesses are improving productivity to combat inflation.

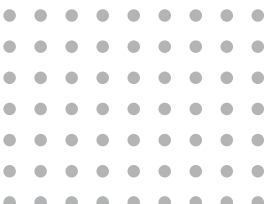
## > Differences in combating approach



Q) What is your company doing to mitigate the impact of high inflation on your business? Base: Total (4061)



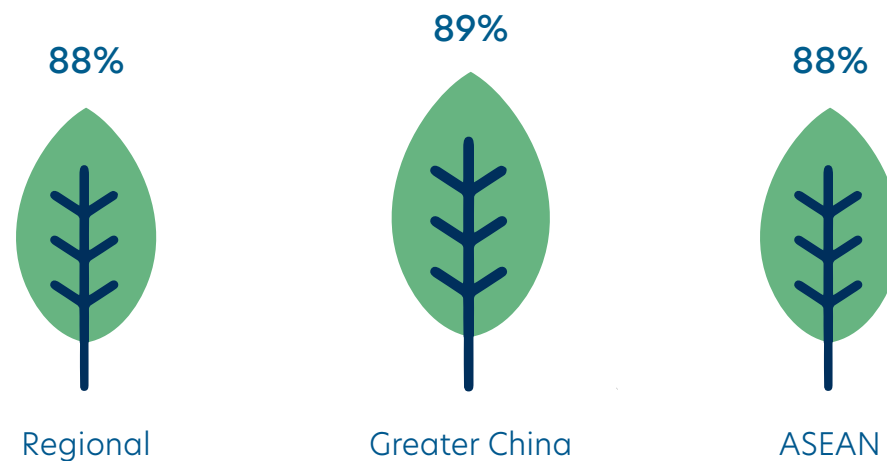
## 4. | State of Sustainability and Future Plans





**Sustainability is important to a vast majority of businesses in the region**

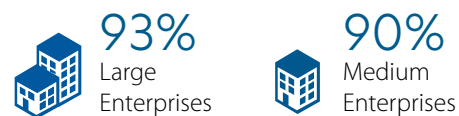
## > Importance of sustainability



### Leading markets



### Leading enterprises



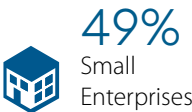
Q) How important is sustainability (Environmental, Social and Governance considerations) to your business?  
Base: Total (4061)

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

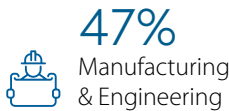


## > Stronger drivers

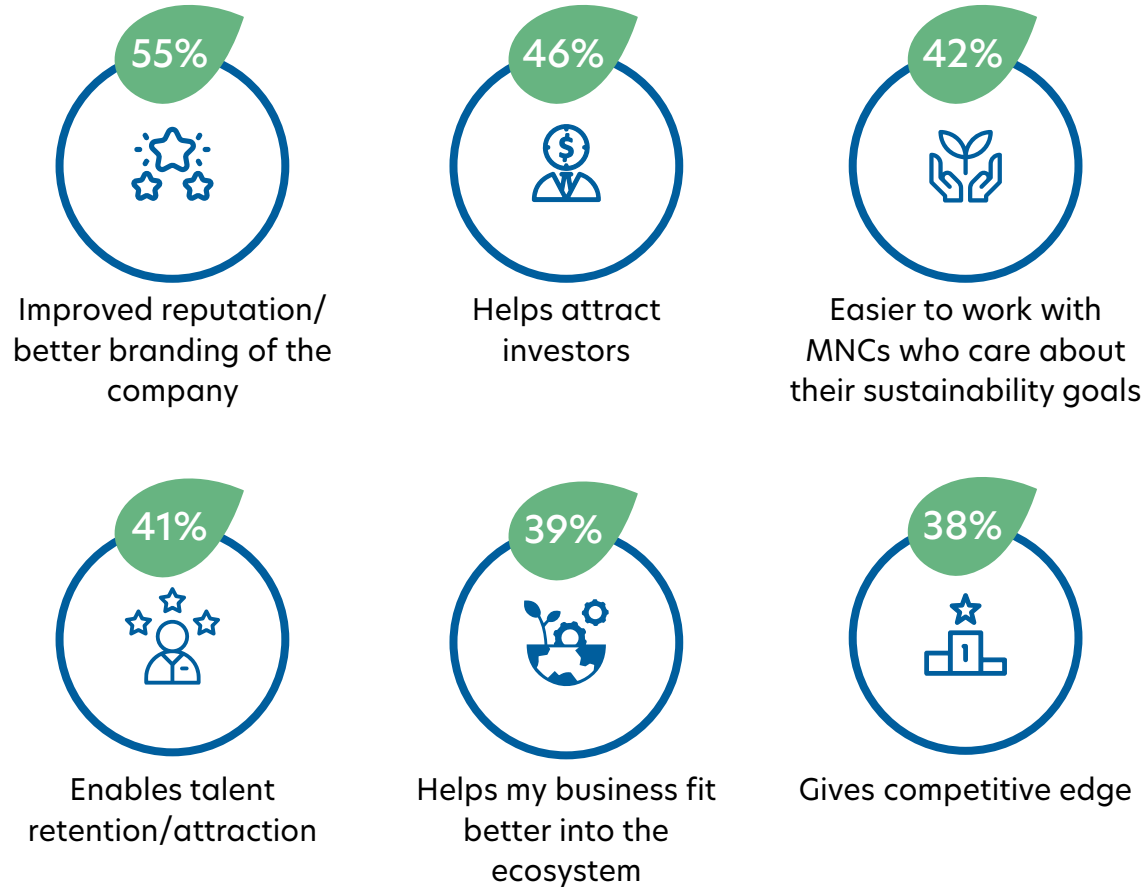
Helps attract investors



Easier to work with MNCs



## > Drivers of sustainability

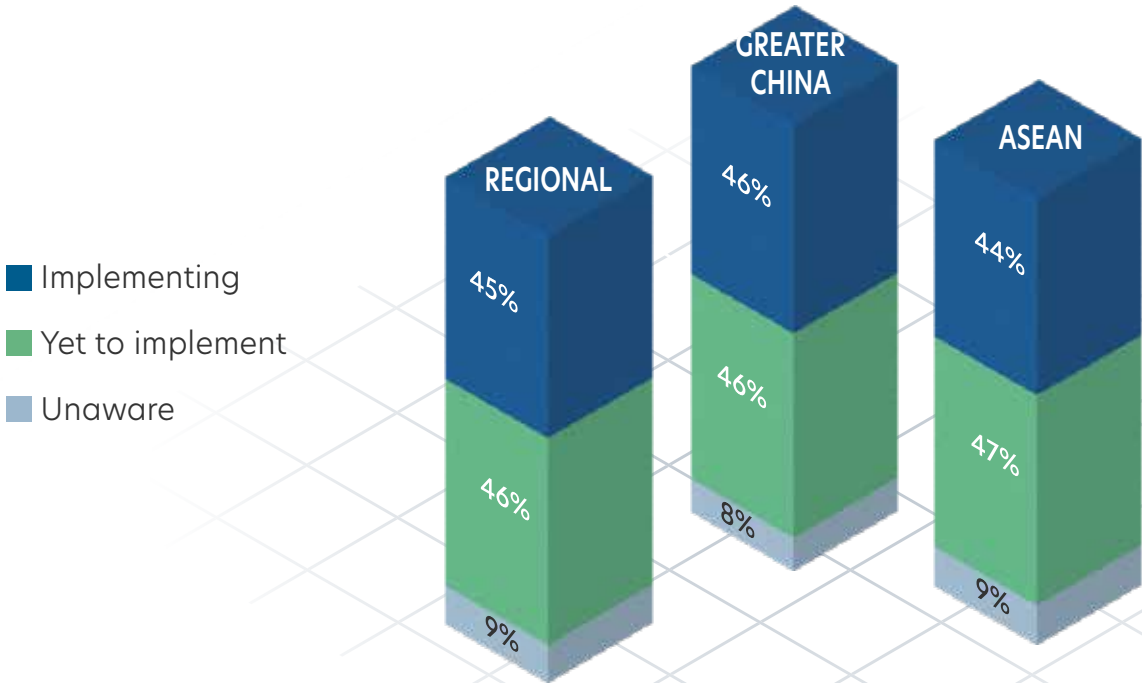


Q) Why is sustainability important to your business? Base: Those who regard sustainability as important (3576)

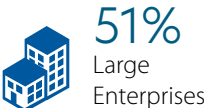


Yet, less than half of all businesses have started implementing sustainable practices

>Current stage of sustainability adoption



Implementing more



Q) What stage is your company at today in the adoption of sustainability practices? Base: Total (4061)

# Concerns prevail about increased costs to customers and impact to revenue or profits

## >Key barriers to implementation



## >Stronger barriers

Increase in cost to customers



Negative impact on profits

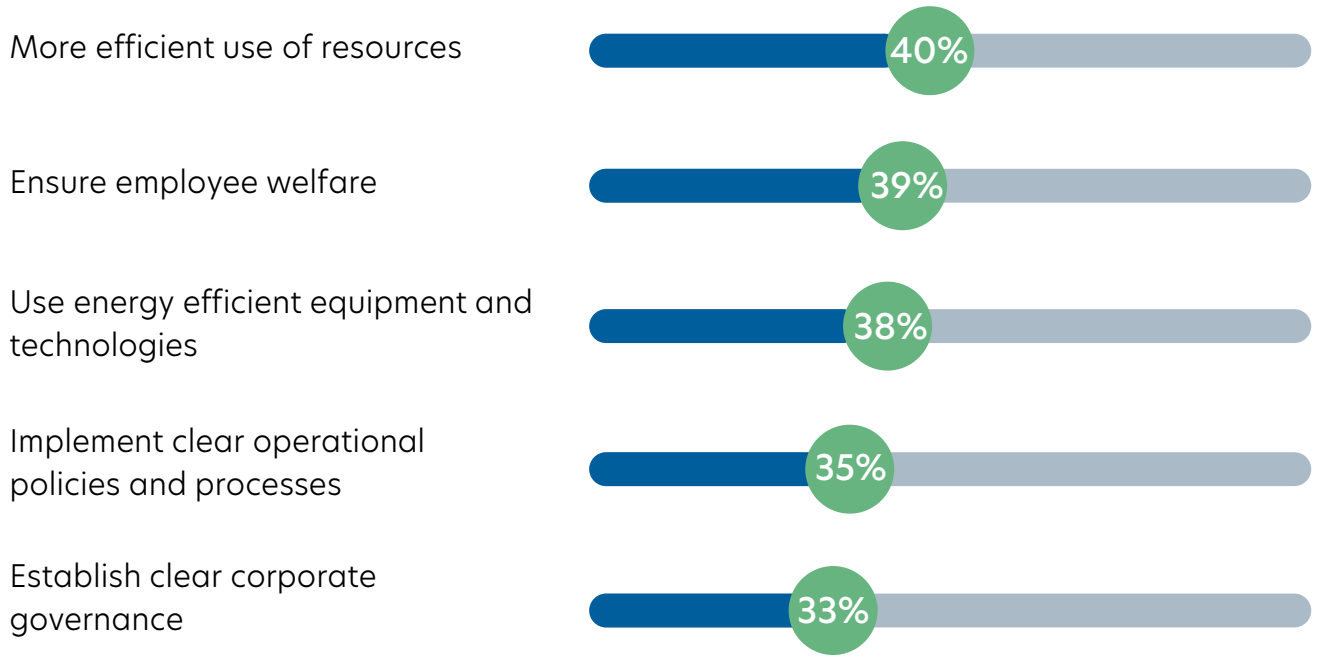


Impact to revenues



But businesses are convinced about implementing practices like efficient use of resources and employee welfare

> Practices planning to implement



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 (2228)



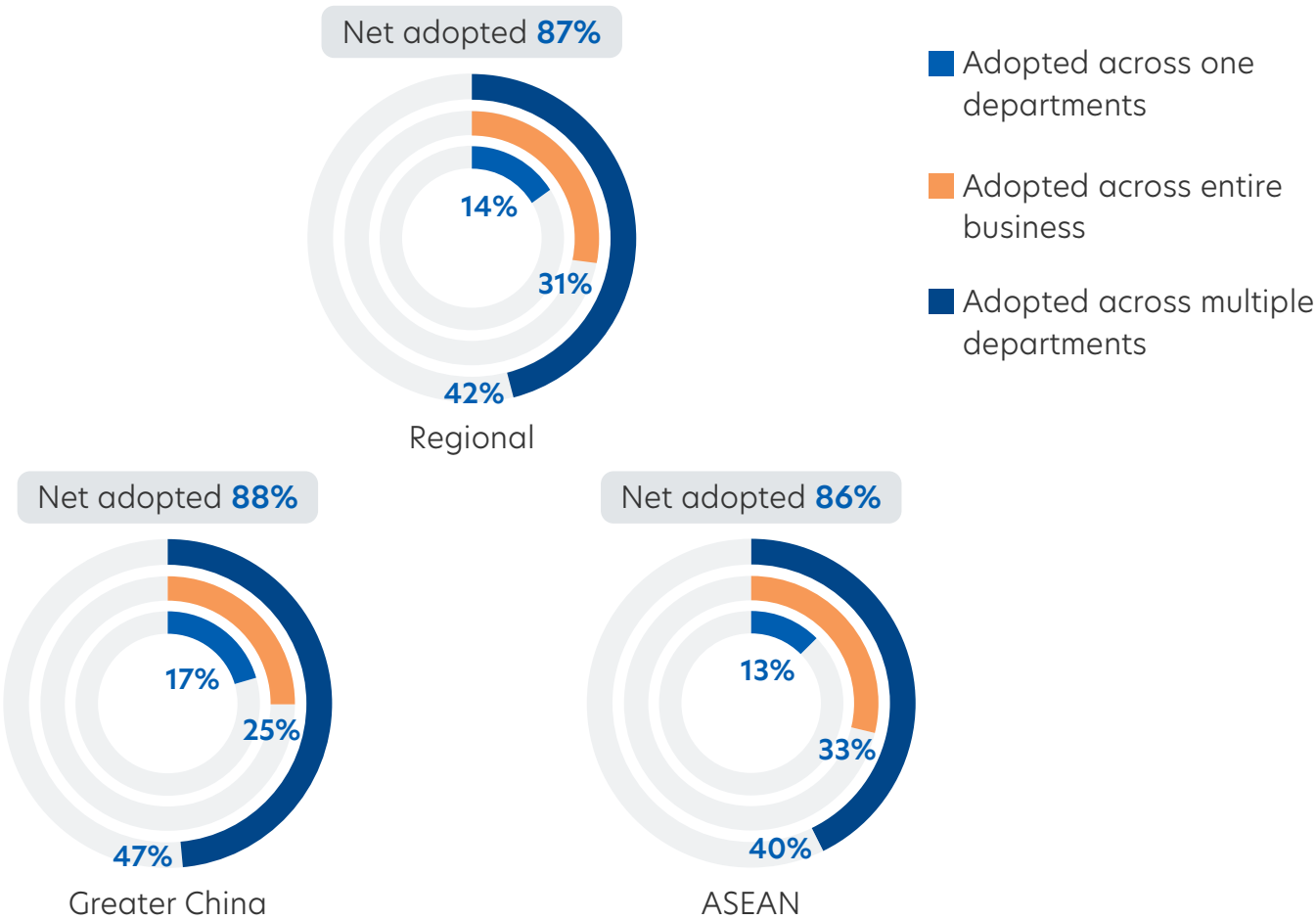


## 5. | State of Digitalisation



# Nearly 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 (4061)



### Markets leading in digital adoption



### Sectors leading in digital adoption



### Enterprises leading in digital adoption

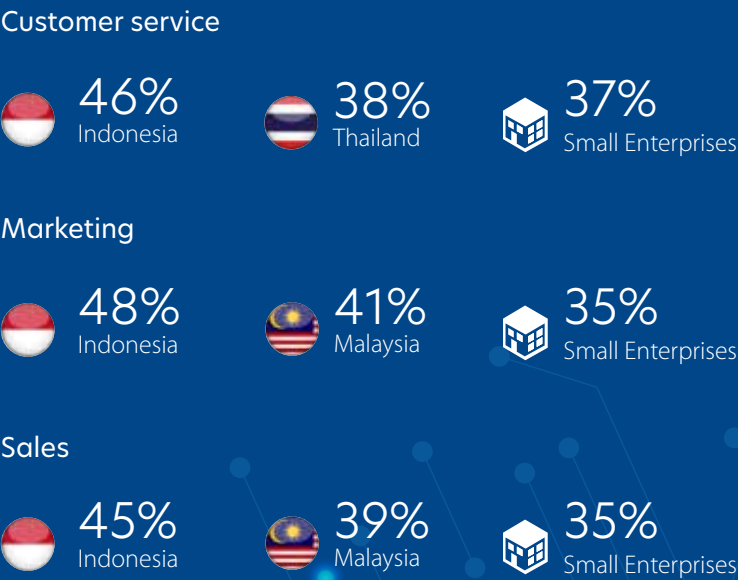


# Customer facing processes like customer service, marketing, and sales are a priority

## >Top priorities for digitalisation



## >Priority areas

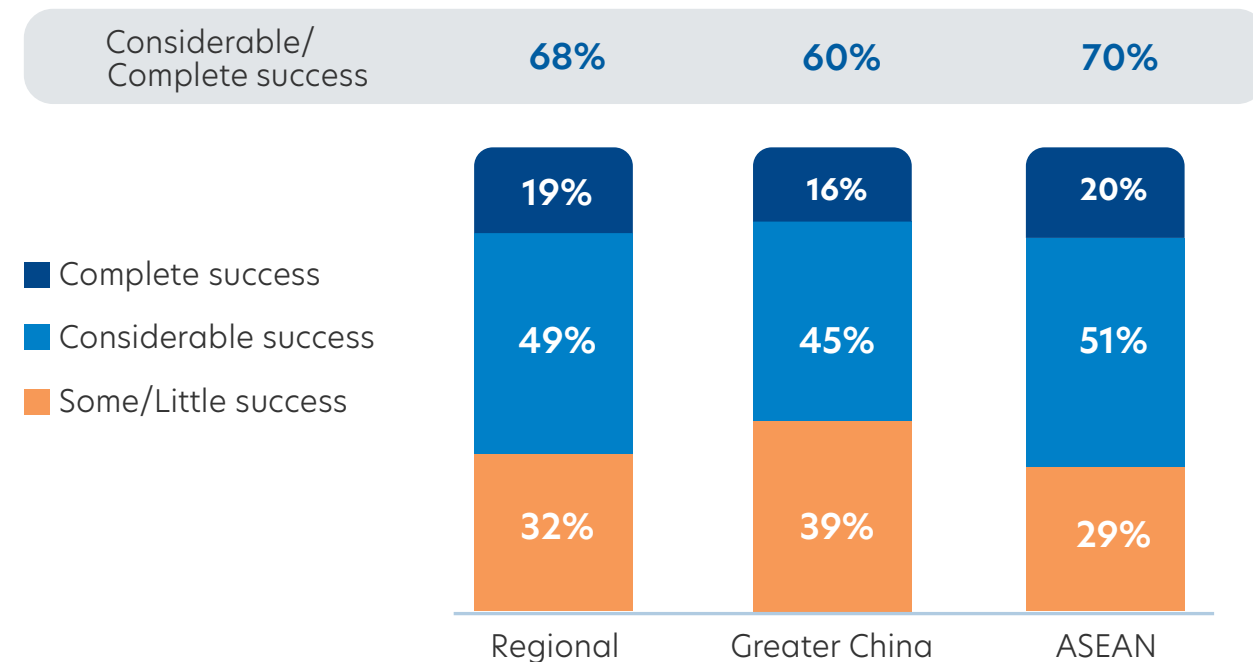


Q) Which of these processes did your company digitalise specifically to help your business perform better in 2022? Base: Those currently trialling or adopted digitalisation in at least one department (3857)

## 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 (markets)



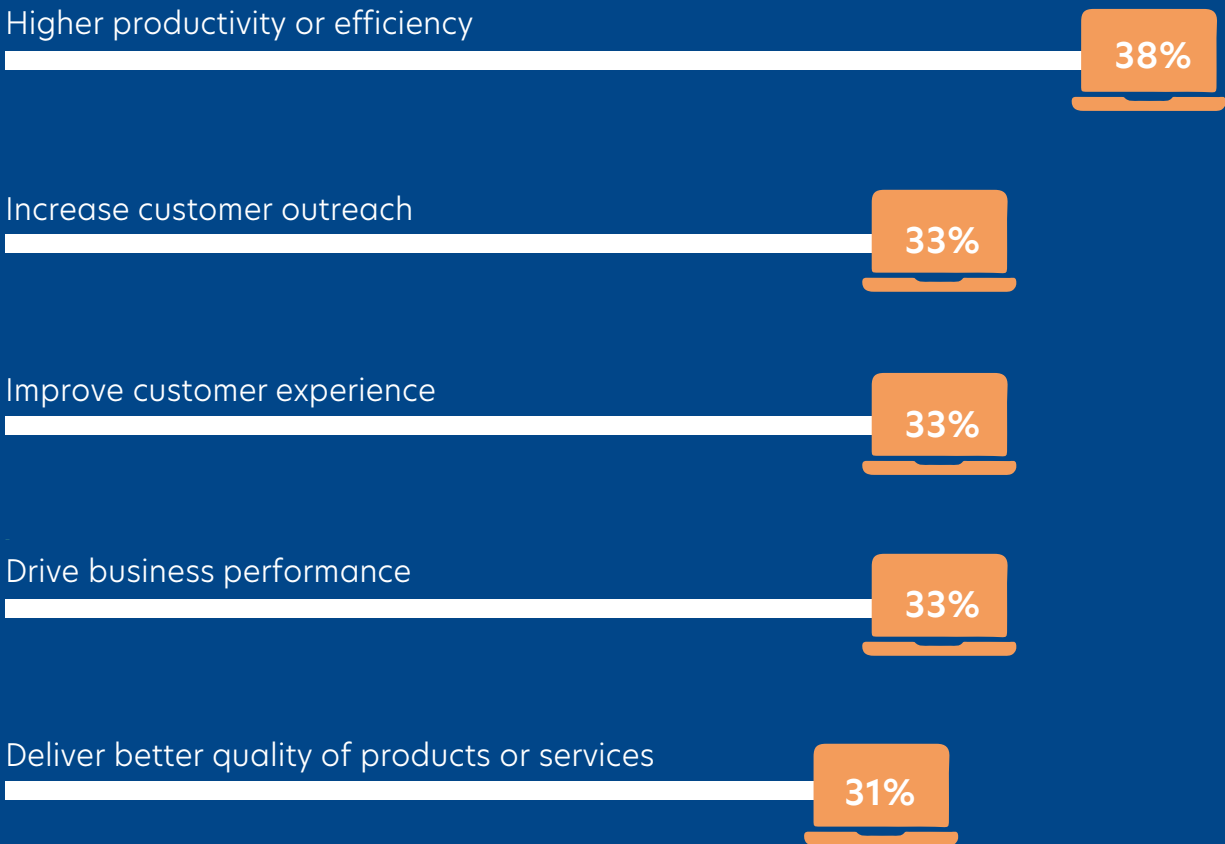
#### More success with digitalisation (sectors)



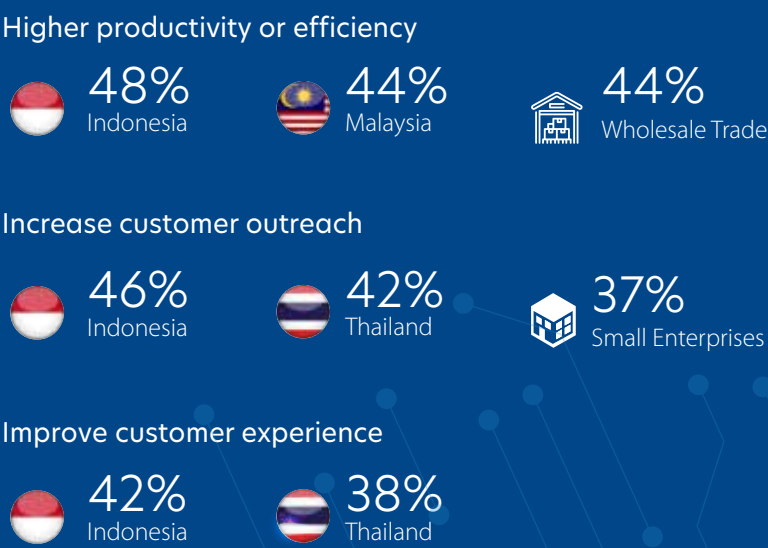
Q) How much success has your company had so far in its digital adoption journey?  
Base: Those currently trialling or adopted digitalisation in at least one department (3857)

# Digitalisation has led to higher productivity, better customer engagement and business performance

## > Impact of digitalisation



## > Most impacted areas

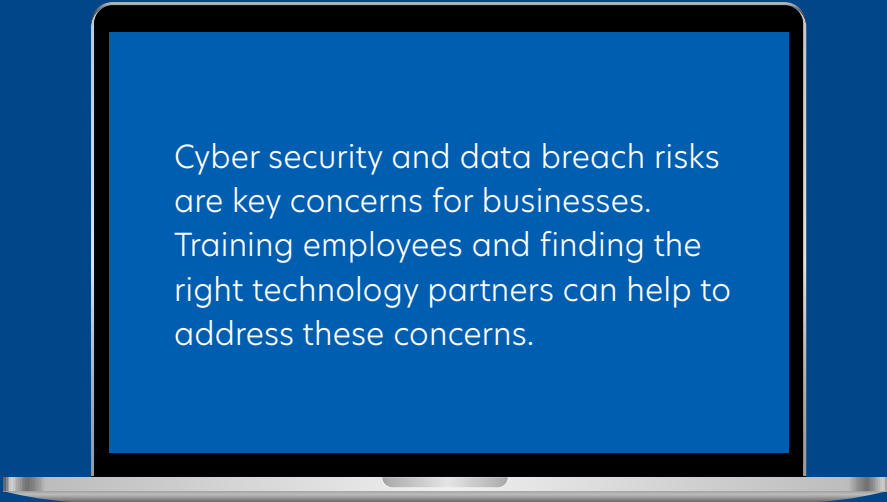
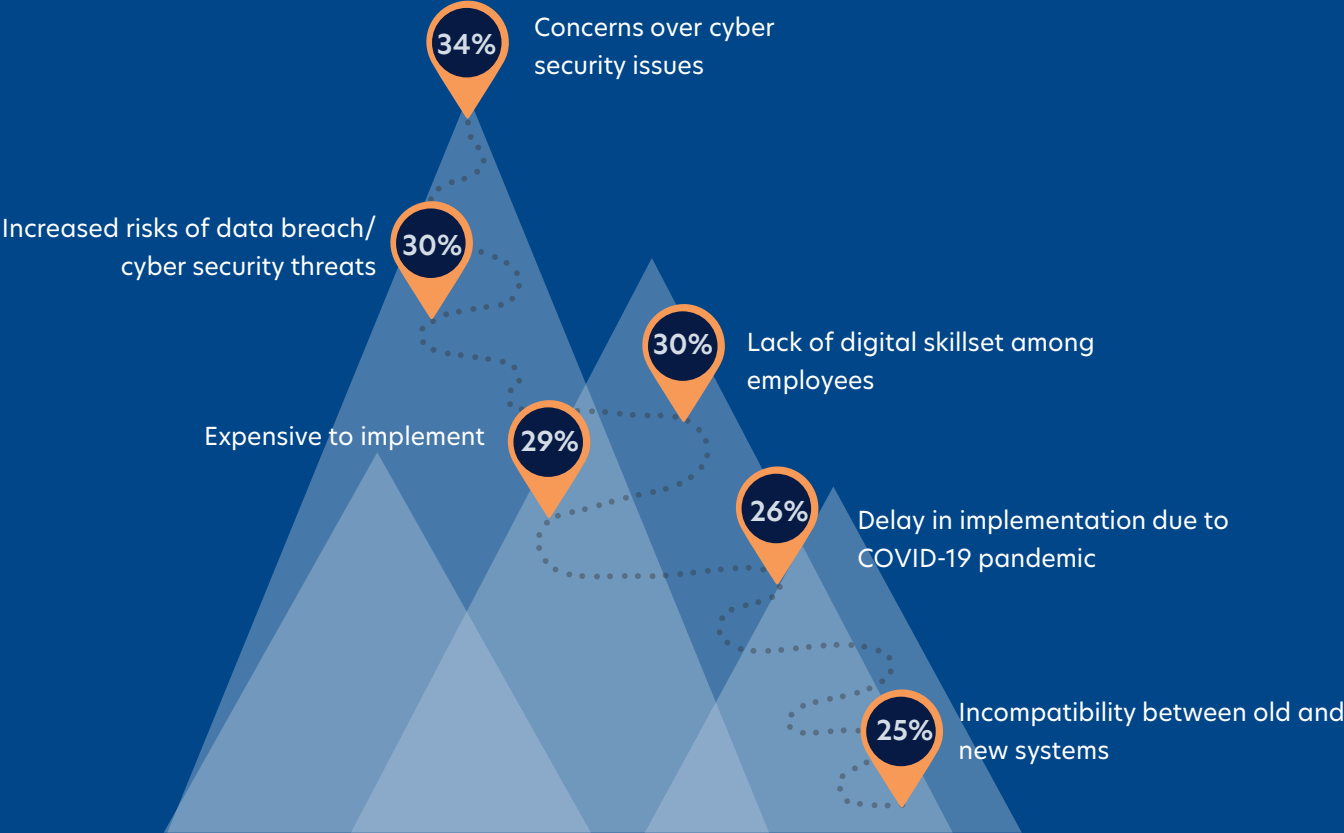


Q) How has digital adoption impacted your company? Base: Those adopted digitalisation in at least one department (3520)



# Yet, there are several challenges that need to be addressed

## >Top challenges in digitalisation



## >Top challenges by markets/sectors

### Concerns over cyber security



### Increased risks of data breach



### Lack of digital skillset



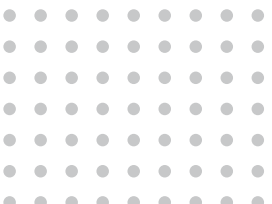
Q) What challenges have you faced or expect to face in your digital adoption journey? Base: Total (4061)



# State of Digitalisation

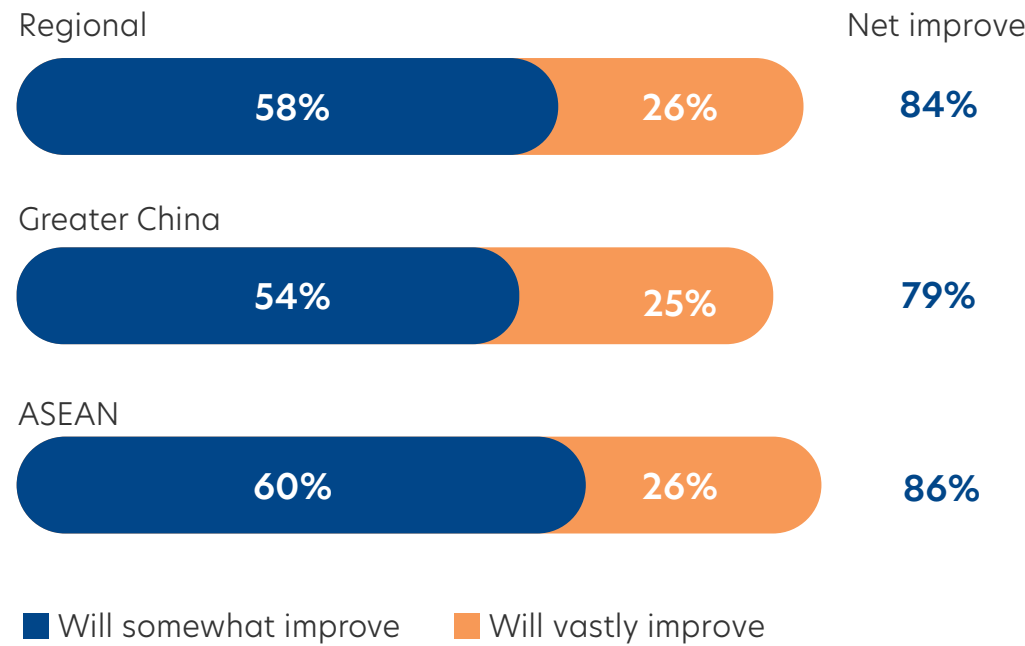
## Outlook for 2023

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# Post digitalisation business outlook is expected to be positive

## >Business outlook post digitalisation

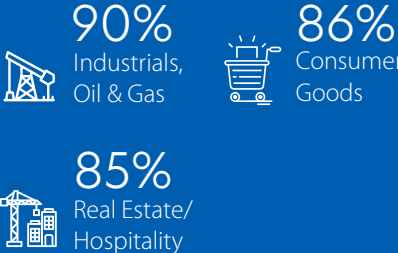


### Most positive outlook (markets)



### Most positive outlook (sectors)

#### Sectors within Greater China



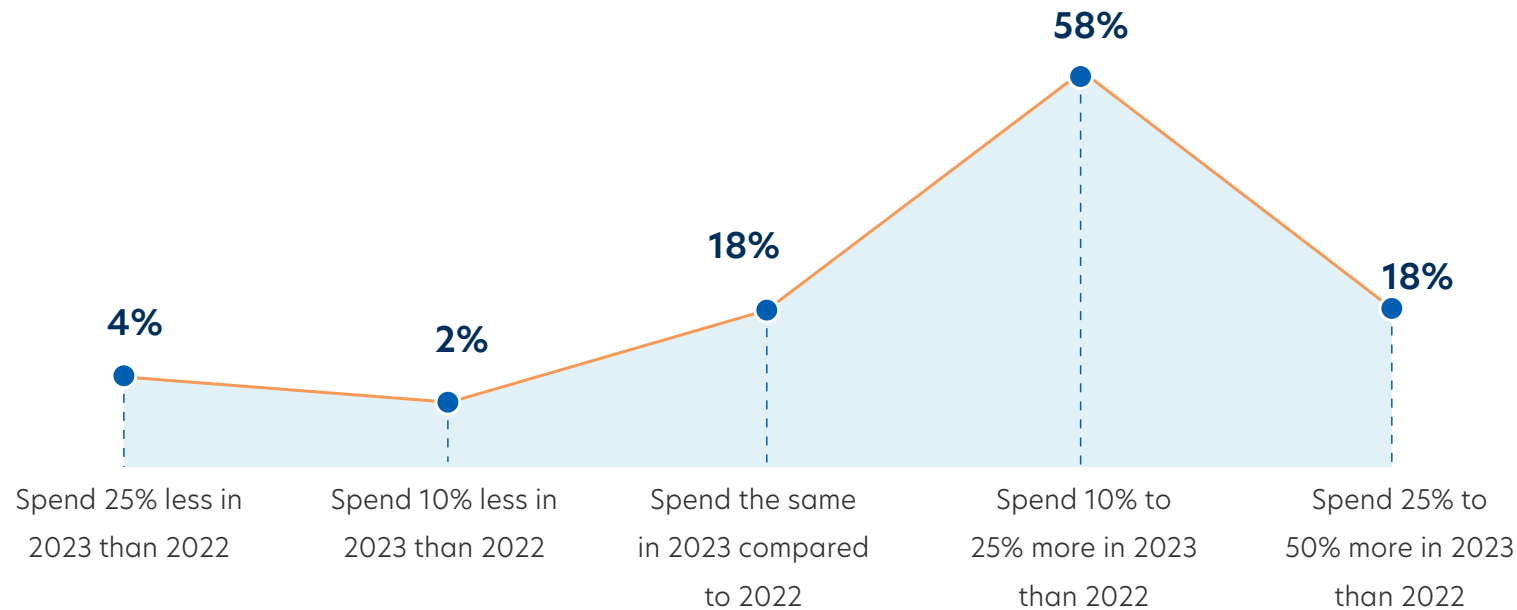
#### Sectors within ASEAN



Q) How do you see your company's business outlook changing (e.g. revenue, productivity) in 2023, after digital adoption?  
Base: Total (4061)

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

### > Future expenditure in 2023



**76 %**  
of businesses foresee spending more on digitalisation in 2023.





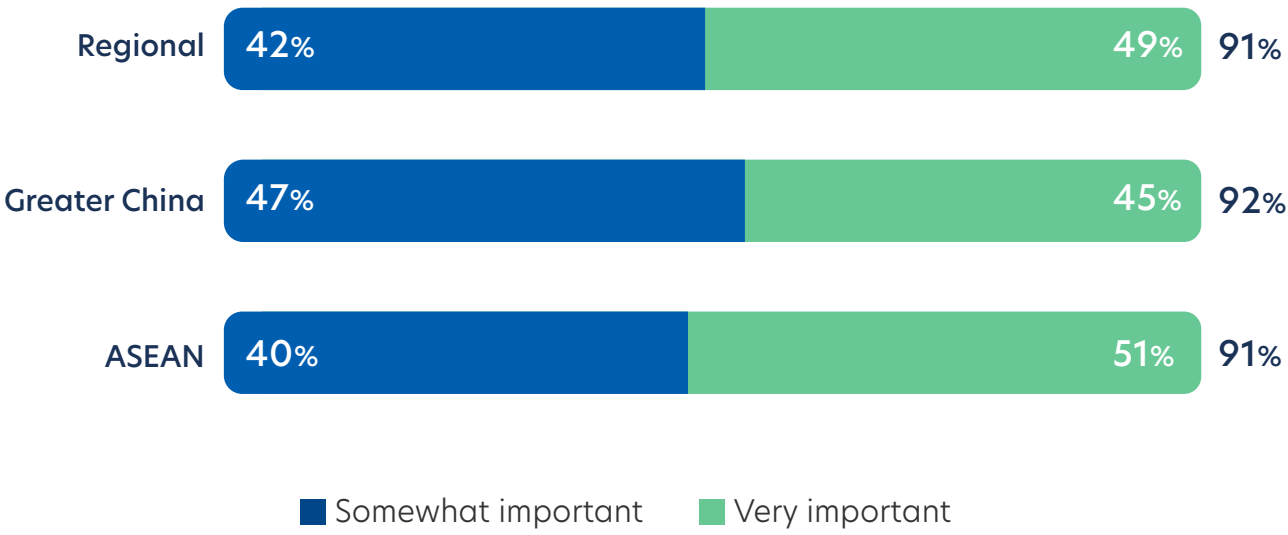
## 6. | Supply Chain Management (SCM)

# SCM is important to most businesses in the region

Over 9 in 10 businesses consider SCM important



## >Importance of SCM



### Higher importance to SCM (markets)



### Higher importance to SCM (sectors)



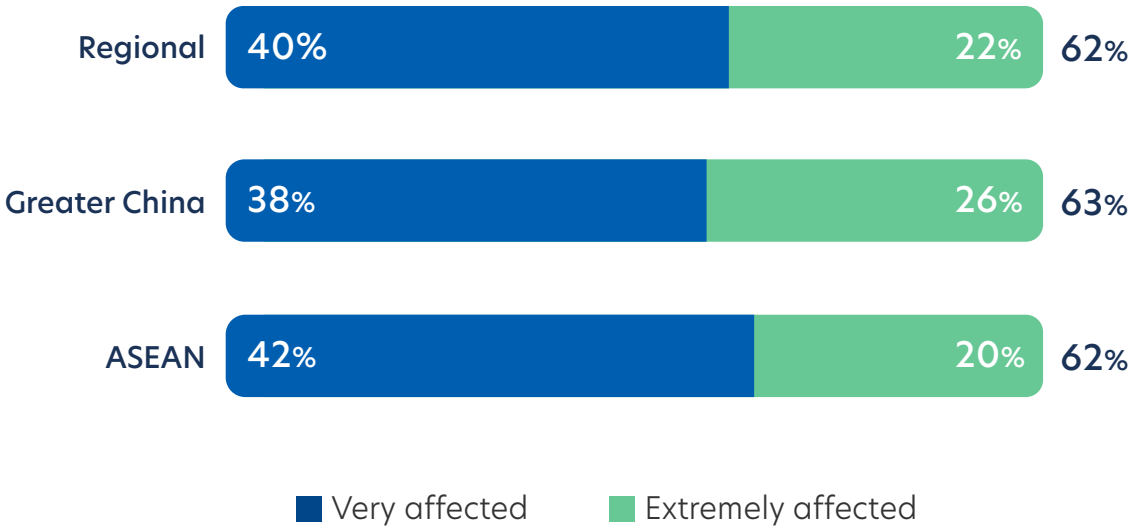
### Higher importance to SCM (enterprises)



Q) How important is supply chain management to your business? Base: Total (4061)

# Geopolitical tensions are having an adverse impact on supply chains

## >Geopolitical impact on supply chains



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 (4061)



Over **6 in 10** businesses say their supply chain has been affected by geopolitical tensions.

### Most impacted markets



### Most impacted sectors



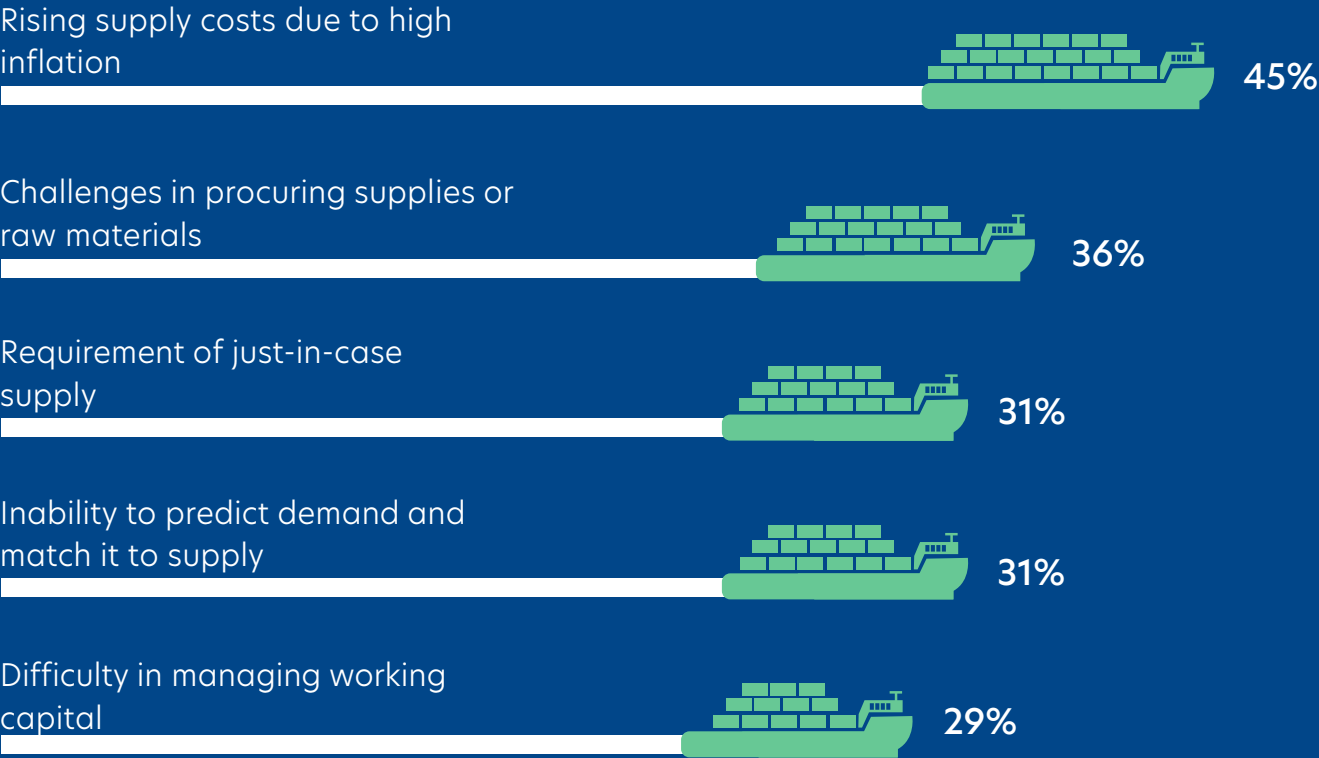
### Most impacted enterprises



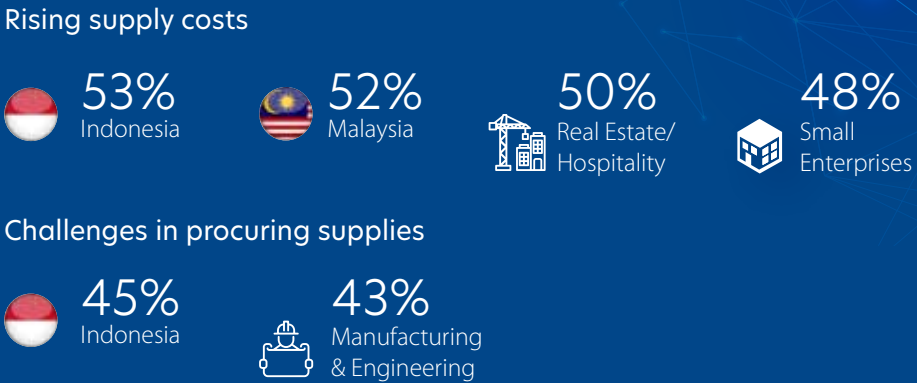


# This has led to rising supply costs and challenges in procurement

## >Key supply chain challenges



## >Higher challenge markets/sectors/enterprises

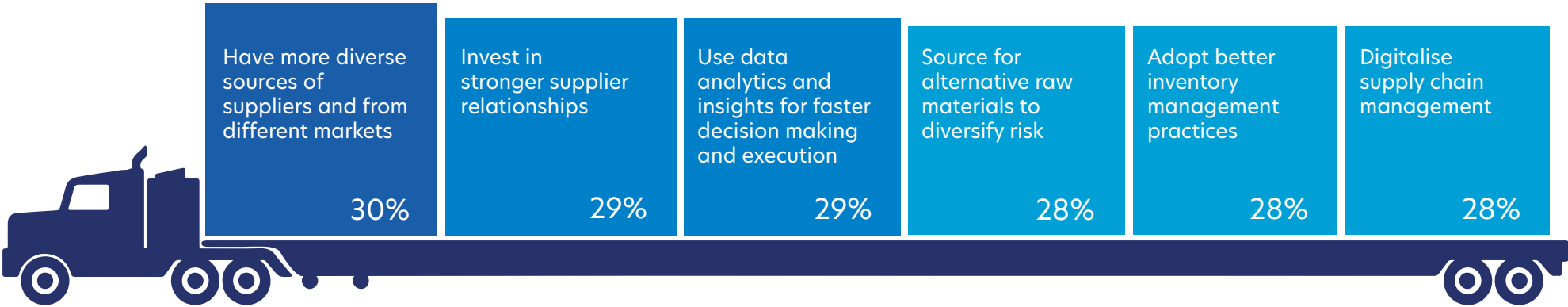


Nearly **1 in 2** businesses say their key supply chain challenge is rising supply costs due to high inflation.



# To address these challenges, businesses are diversifying suppliers and investing in stronger relationships

## > Actions for supply chain stability



## > Top actions by markets/sectors/enterprises

### Diverse sources of suppliers



### Invest in stronger supplier relationships



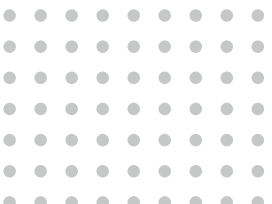
### Use data analytics



Q) What steps, if any, have you taken or are planning to take to ensure a stable supply chain in the future? Base: Total (4061)

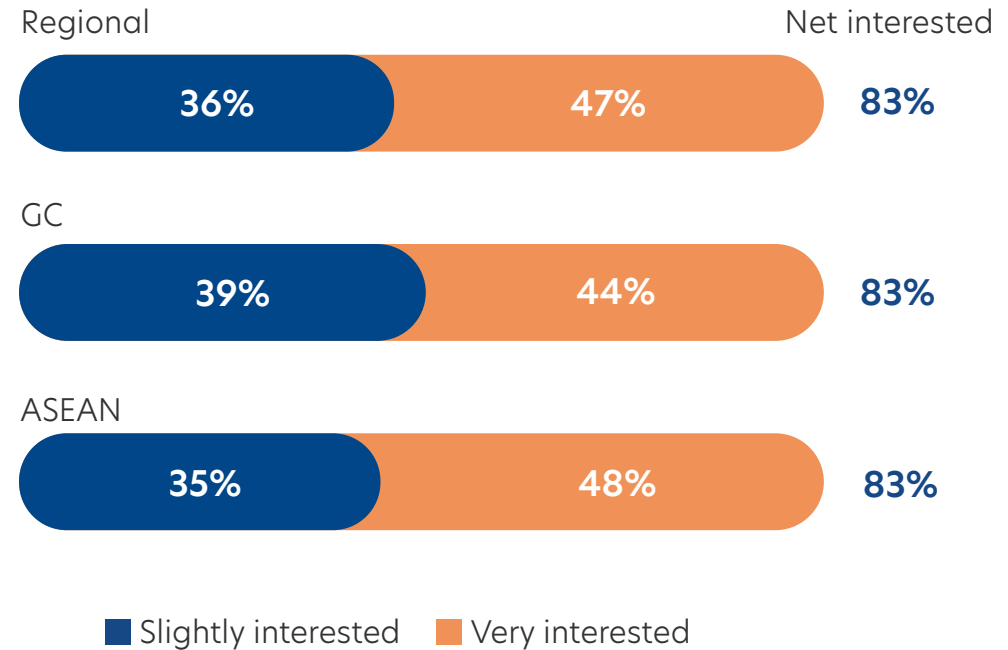


## 7. | Interest in Overseas Expansion



Over 8 in 10 businesses across the region are interested to expand overseas

## > Interest in overseas expansion



### Most interested markets



### Most interested sectors



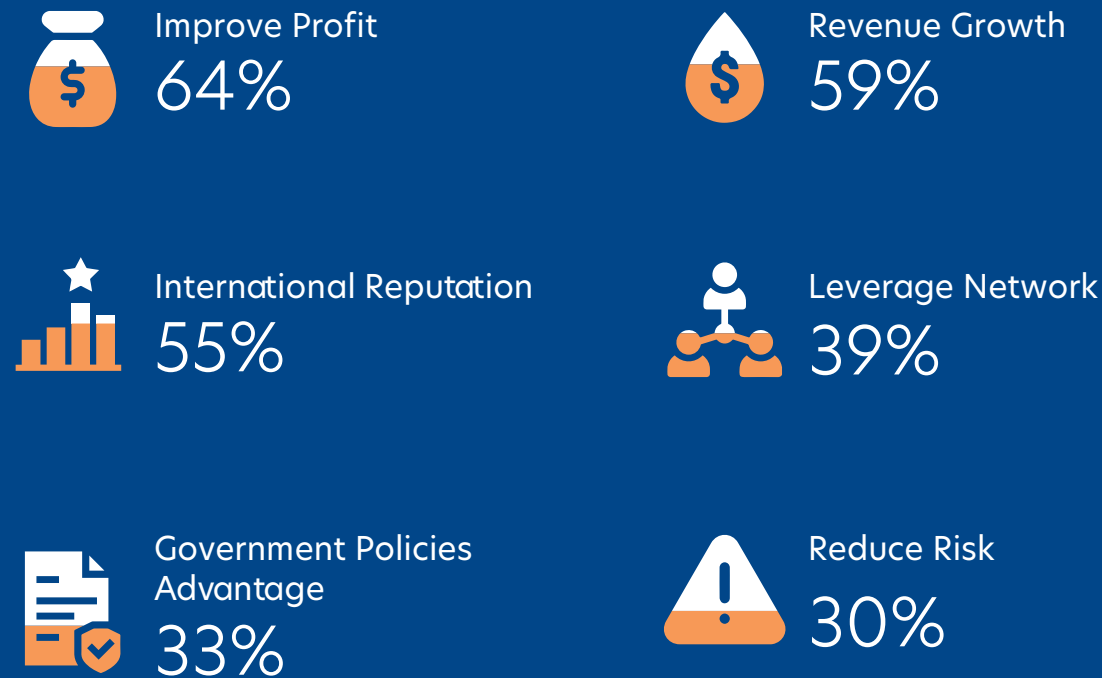
### Most interested enterprises



Q) How interested is your business in expanding overseas in the next three years? Base: Total (4061)

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

## >Motivators for overseas expansion



## >Top motivators by markets/sectors/enterprises

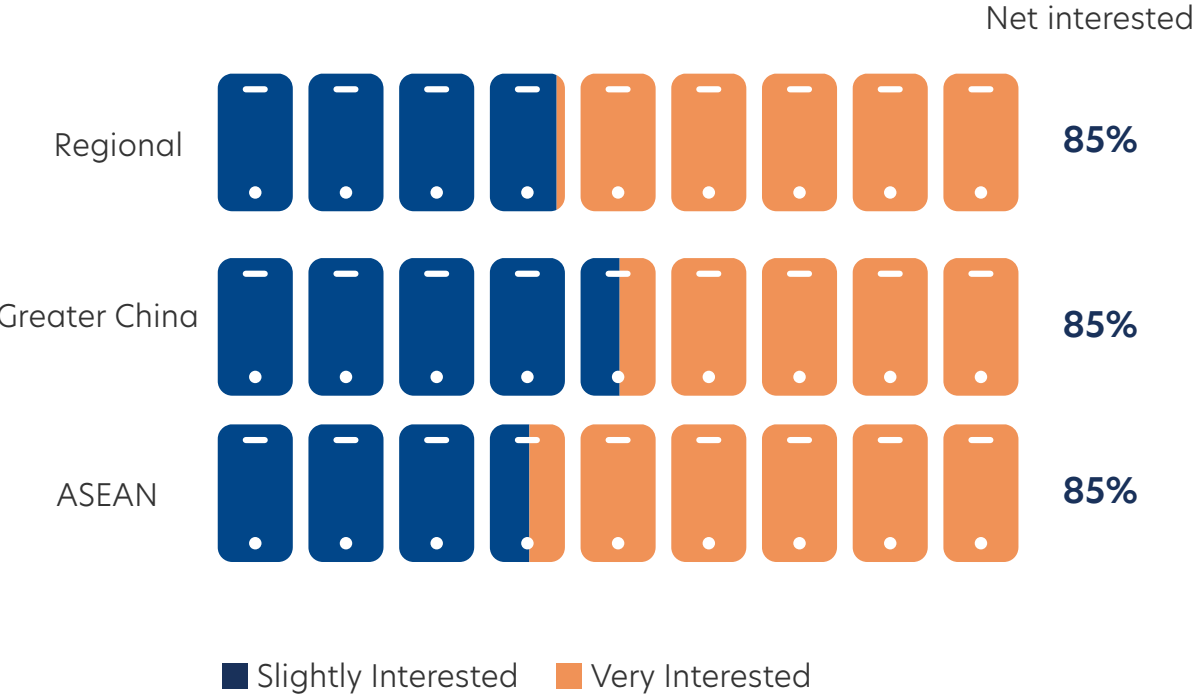


 Over **6 in 10** businesses are looking to expand overseas to improve profits and revenue.



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

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



Q) How interested is your company in using cross-border digital trade platforms as a means for overseas expansion?  
Base: Total (4061)



Over **8 in 10** businesses are interested in leveraging cross-border digital trade platforms for their overseas expansion.

### Most interested markets



### Most interested sectors



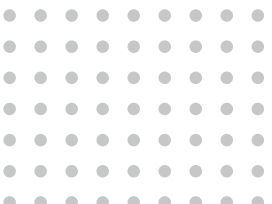
### Most interested enterprises





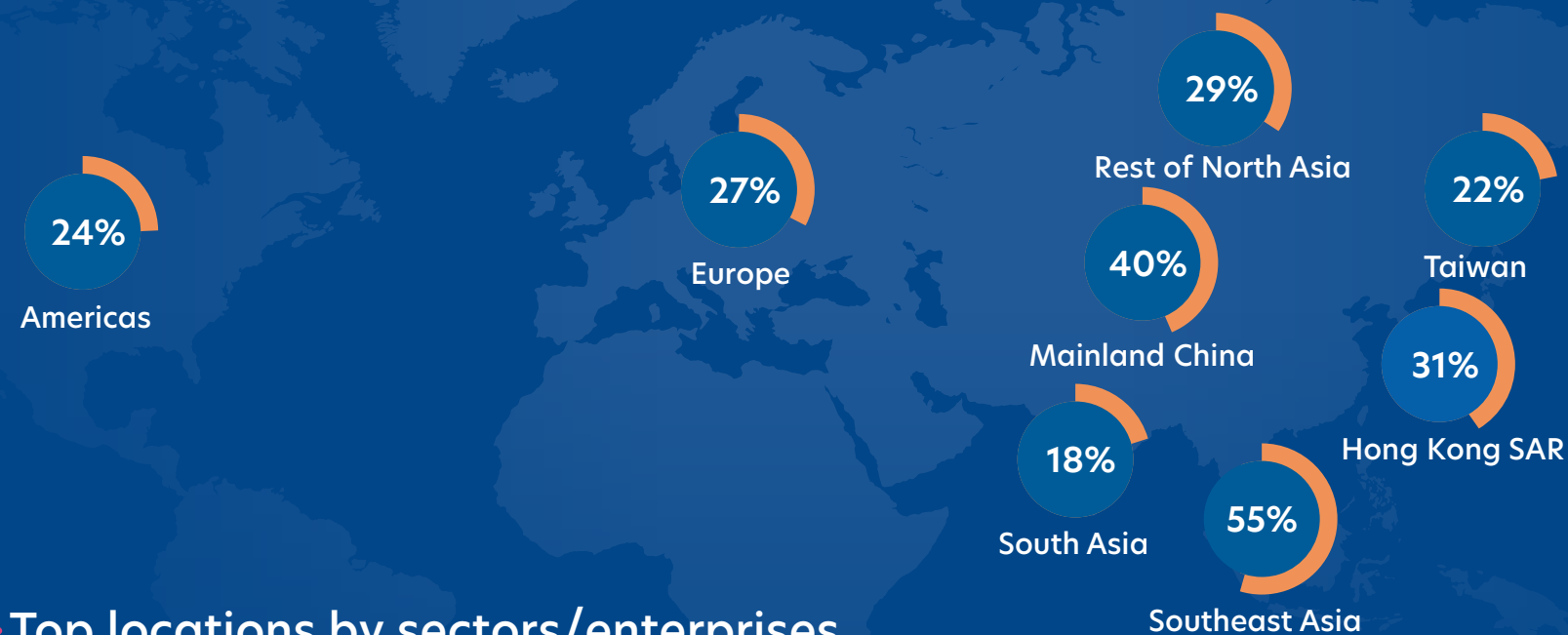
# Interest in Overseas Expansion

Future Expansion Plans



# Southeast Asia, Mainland China and Hong Kong SAR are key markets of interest for overseas expansion

## > Location planned for overseas expansion



## > Top locations by sectors/enterprises

Southeast Asia -key focus for



Mainland China -key focus for



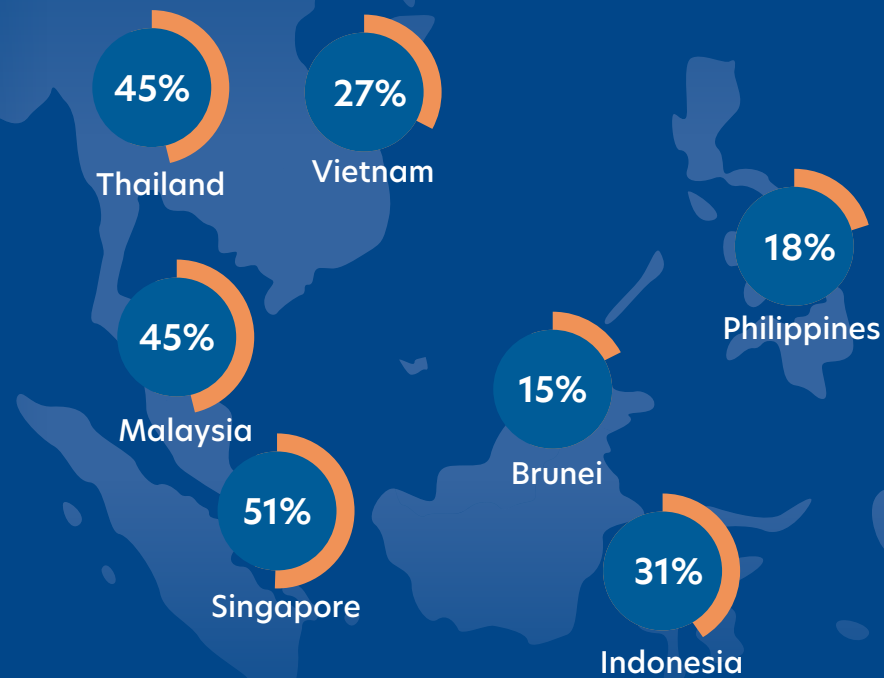
ASEAN businesses focus on expansion within the region (Singapore, Thailand and Malaysia being the top three markets). Businesses in Singapore and Thailand are also interested in expanding to Mainland China.

Southeast Asia is a focus for Consumer Goods and Wholesale Trade firms while Mainland China is a focus for Manufacturing & Engineering and Wholesale Trade firms.

Q) Which of these markets is your enterprise intending to venture into within 3 years (by 2025)? Base: Interested in overseas expansion (3367)

# Singapore, Thailand and Malaysia are the top 3 expansion markets within ASEAN

## > Priority markets within ASEAN



## > Top ASEAN locations

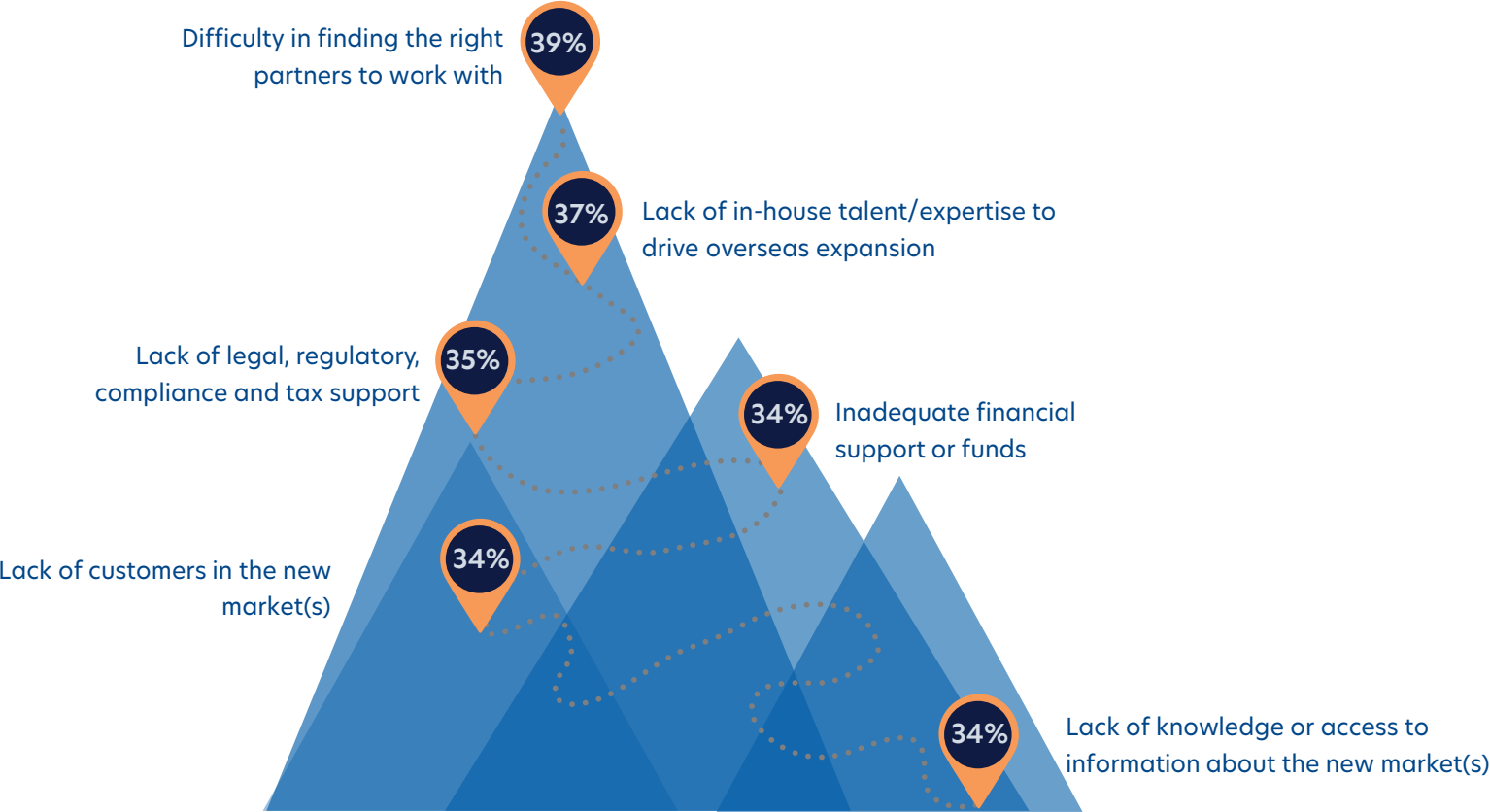


Q) Please select the most important countries (up to 3) in ASEAN that your enterprise is intending to venture into within 3 years (by FY2025). Base: Interested in expanding within ASEAN (989)



# Difficulty in finding the right partner and lack of expertise/ talent are key hurdles to expansion

## > Expected challenges for overseas expansion



## > Top challenges by markets/sectors/enterprises

### Difficulty in finding the right partners



### Lack of in-house talent/expertise



### Lack of legal, regulatory, compliance and tax support





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