

UOB Business Outlook Study 2024



(SMEs & Large Enterprises)

UOB conducted a Business Outlook Study in China covering 600 business owners and key executives from Medium and Large Enterprises.

The Business Outlook Study provides a comprehensive understanding of the current business sentiment, inflation impact and outlook among businesses across various sectors in China.

By capturing robust insights around key themes such as Overseas Expansion, Supply Chain Management, Digitalisation, and Sustainability, this study can help China businesses better understand the current environment they are operating in and plan for future opportunities and challenges.



China

▶ WHAT



15-minute online survey



Total of 600 interviews



Data collection:
Late-December 2023 to mid-January 2024

▶ WHO



Businesses with revenue from RMB 100m to > RMB 50b



Covers both Medium and Large Enterprises across key industry verticals



Owners/C-suite/Management level who are involved with business decision making

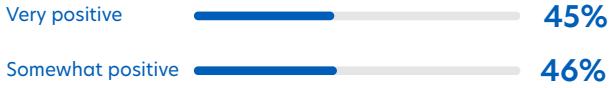


Classification of businesses:
Medium Enterprises: annual turnover of RMB 100m to <RMB 4b
Large Enterprises: annual turnover of RMB 4b to >RMB 50b

Industries	Sample
Manufacturing & Engineering	92
Tech, Media & Telecom	82
Real Estate & Hospitality	75
Construction & Infrastructure	73
Consumer Goods	61
Industrials, Oil & Gas	53
Business Services	51
Professional Services	51
Community & Personal	38
Wholesale Trade	24
Total	600

► Business sentiment

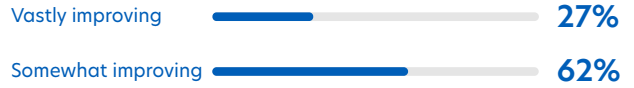
 Nearly **1 in 2** businesses in China say the current business environment is very positive.



Most positive sectors



 Nearly **3 in 10** businesses in China expect a vastly improved business performance in 2024.



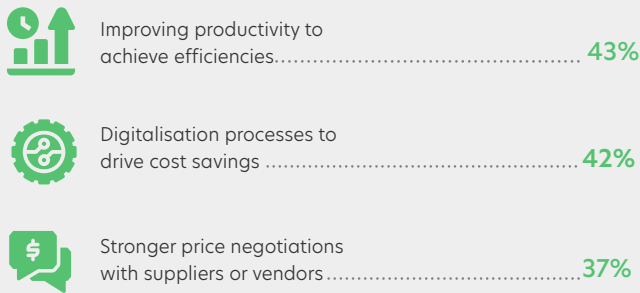
Most improved sectors



► Inflation and its impact

 Nearly **9 in 10** businesses in China say they have been impacted by high inflation in 2023.

Ways to combat inflation



Most affected sectors



Areas affected by inflation



Most impacted by increase in cost of operations



Most impacted by increase in cost of raw materials



► Overseas expansion interest

 Nearly **9 in 10** businesses in China are interested in overseas expansion.

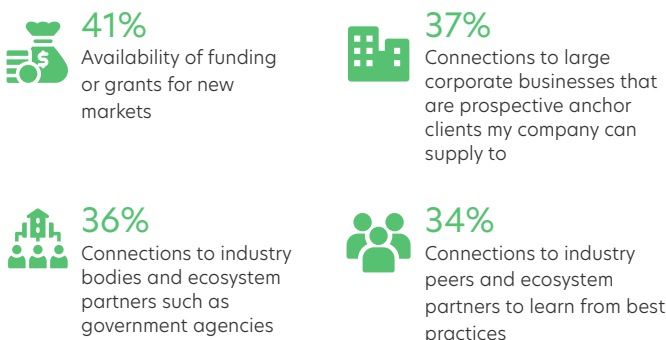
Most interested sectors



Least interested sectors

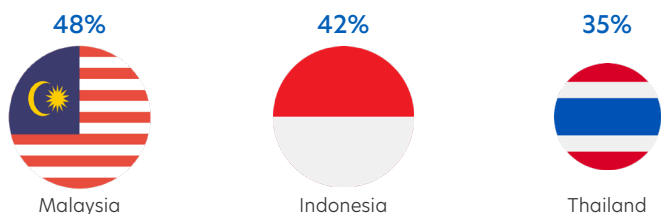


Support measures for overseas expansion



Markets for overseas expansion

Almost half of businesses are interested in expanding into ASEAN in the next 1-3 years. Key markets for expansion within ASEAN are Malaysia, Indonesia and Thailand.



Supply Chain Management (SCM) and its challenges

Geopolitical tensions have affected the supply chain of fewer businesses in China due to increased awareness about supply chain risks, use of data analytics and insights, and adoption of digitalisation.

Most impacted sectors



Challenges faced by businesses



Key trading needs among businesses

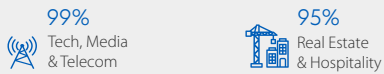


Digital adoption

Current state

9 in 10 businesses in China have digitalised one or more departments.

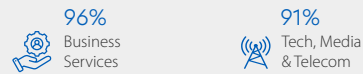
Most digitalised sectors



Expected spending in 2024

Over 4 in 5 businesses expect to spend more on digitalisation in 2024, with most budgeting an increase of 10% to 25%.

Higher spending sectors



Sustainability adoption

Over 9 in 10 businesses in China believe sustainability is important to their business. Adoption level has improved since 2022.

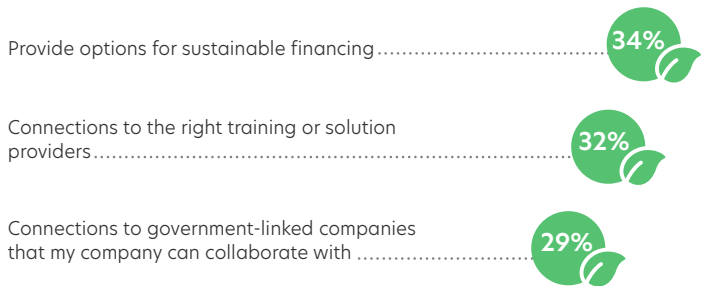
Higher adoption sectors



Challenges faced by businesses

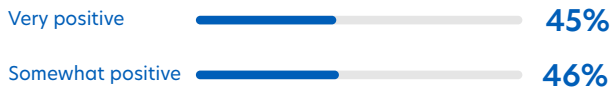


Support measures to drive sustainability adoption



Business environment in 2023

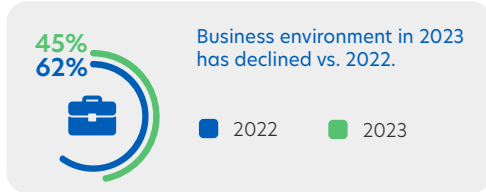
Nearly **1 in 2** businesses in China say the current business environment is very positive.



Most positive sectors



Most positive cities



Business outlook for 2024

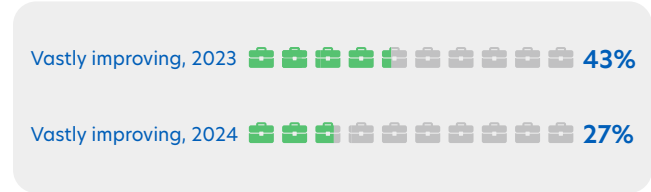
Nearly **3 in 10** businesses in China expect a vastly improved business performance in 2024.



Most improved sectors



Most improved cities



Top factors that have impacted businesses in 2023

Rising operational cost, recovery from economic slowdown and high manpower costs are the top three macro factors impacting businesses.



Rising operational cost



Recovering from overall economic slowdown



High manpower (labour) costs

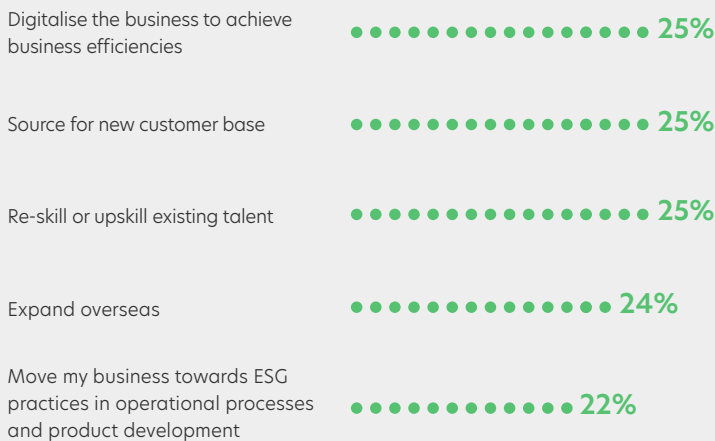


Uneven recovery in global markets



Geopolitical issues

Business priorities for next 1-3 years



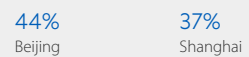
Rising operational cost and recovery from economic slowdown are leading many businesses to digitalise their business to achieve efficiencies, source new customers and re-skill or upskill existing talent.

Overseas expansion is a priority for over 1 in 4 businesses in China.

Higher priority to digitalise business by sectors

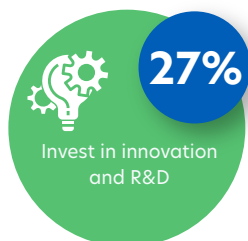


Higher priority to digitalise business by cities



How businesses plan to achieve their priorities

To achieve their business priorities, many businesses are looking to invest in innovation, adopt digital solutions and extend their range of products and/or services.



► Extent of inflation impact

Nearly **9 in 10** businesses in China say they have been impacted by high inflation in 2023.

Most impacted sectors



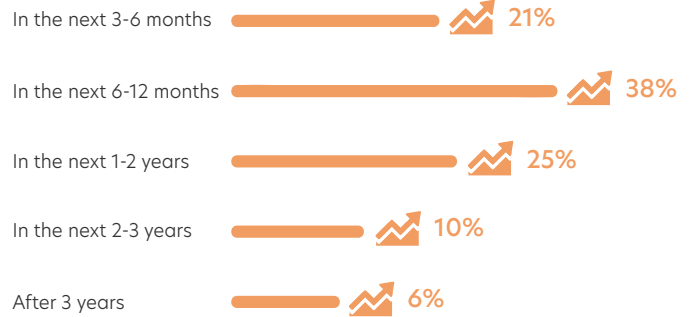
Most impacted cities



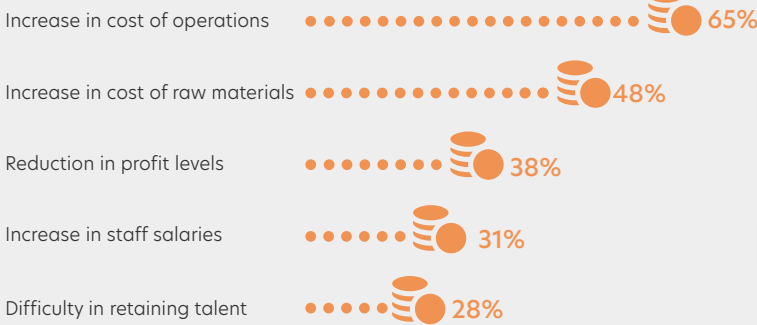
► Expectations of inflation



Majority of businesses in China expect inflation to reduce in the next 6 months to 2 years.



► How inflation has impacted businesses



The impact across sectors has not been uniform. More in the Business Services sector have seen an increase in their cost of operations while more in the Consumer Goods sector have been impacted by increase in cost of raw materials.

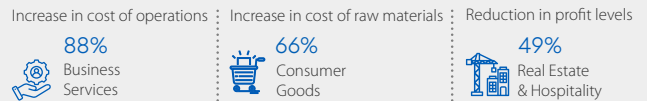


High inflation has increased the cost of operations for over 3 in 5 businesses.



48% Businesses say their cost of raw materials increased due to inflation.

Most affected sectors



► Ways to combat inflation



Businesses are balancing cost-cutting measures with productivity improvements to manage the high inflation.



66% Businesses are looking to leverage automation to ease customer service.



Improving productivity to achieve efficiencies..... 43%



Digitalisation processes to drive cost savings 42%



Stronger price negotiations with suppliers or vendors 37%



Cost-cutting measures for company activities..... 32%



Increasing the selling price of our goods or services..... 30%



Automation to ease customer service..... 66%



User friendly channels for customer interaction..... 57%



Use of AI, chatbots etc. for real-time interaction..... 53%



Hyper-personalised service and offers for customers..... 43%

Interest in overseas expansion

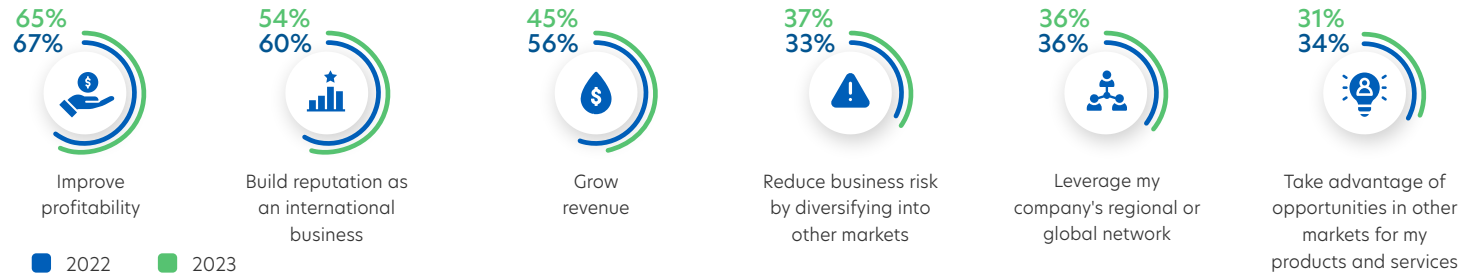


Most interested sectors



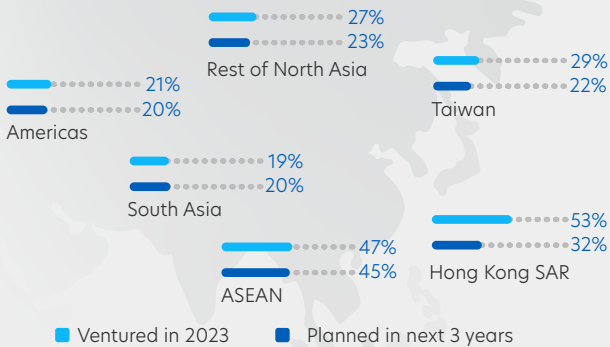
Key motivation for businesses to expand overseas

More businesses are now looking to reduce business risk by diversifying into other markets.

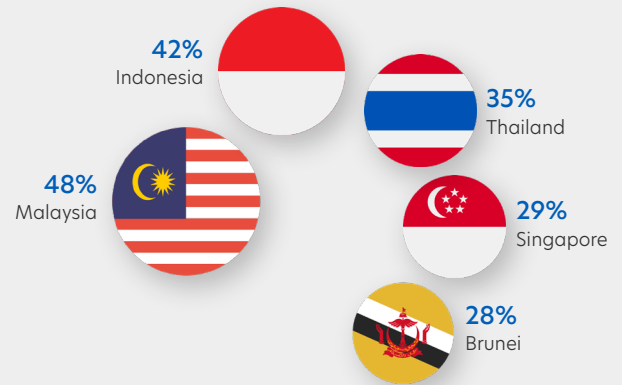


Key markets for overseas expansion

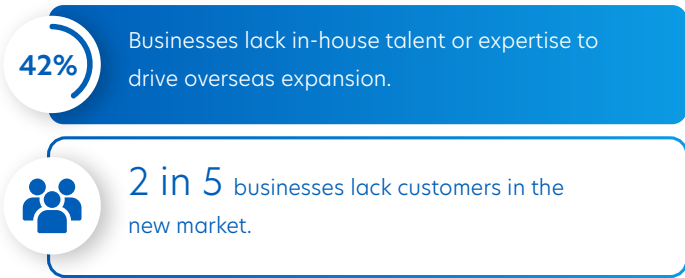
Hong Kong SAR and ASEAN are the top two regions that businesses in China have expanded to in 2023 and will continue to expand in the next 3 years.



Key ASEAN markets seeking to enter



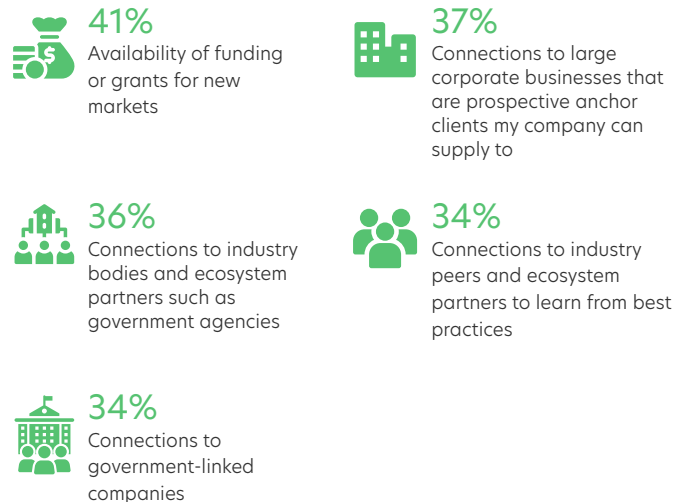
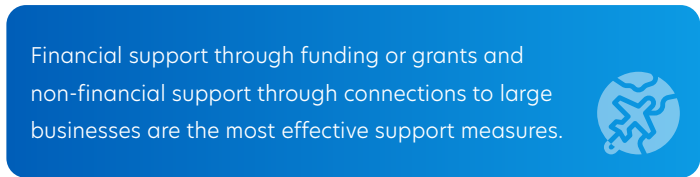
Barriers for overseas expansion



Lack of in-house talent or expertise to drive overseas expansion is by far the biggest challenge for Consumer Goods businesses.



Support measures for overseas expansion



► Importance of SCM



Sectors where SCM is more important



Differences by turnover

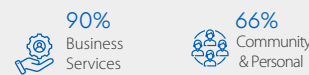


► Impact of geopolitical tensions on supply chain

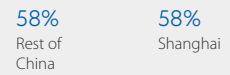


Nearly 3 in 5 businesses in China say that geopolitical tensions have affected their supply chain. However, fewer businesses are affected now than a year ago.

Most impacted sectors



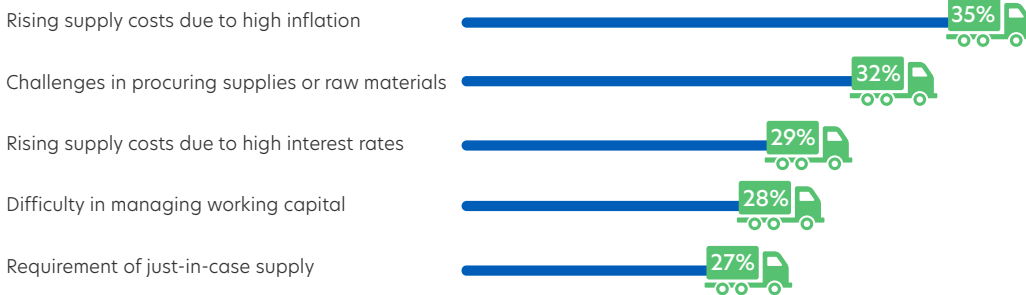
Most impacted cities



► Supply chain challenges faced

Rising supply costs due to inflation and challenges in procuring supplies are the top supply chain challenges that businesses faced.

Rising supply costs due to high inflation are especially challenging for businesses in the Real Estate & Hospitality sector.



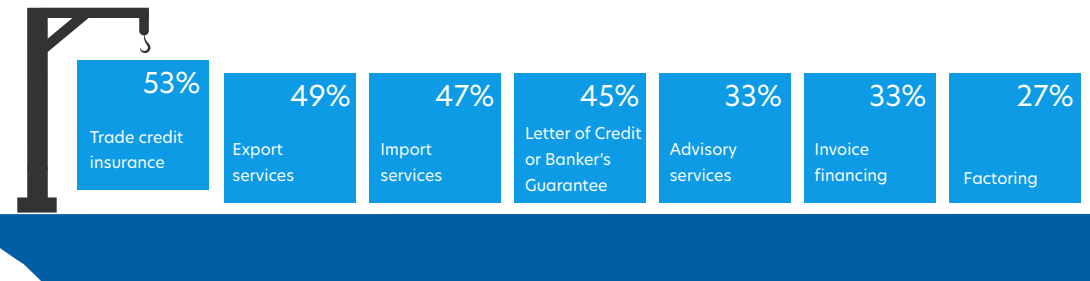
► Current practices in SCM

Businesses are sourcing for alternative raw materials to diversify risk, using data analytics for faster decision-making and digitalising their supply chain management for real-time information.

Businesses in the Manufacturing & Engineering sector are most active in sourcing for alternative raw materials to diversify risk.



► Key trading needs among businesses



Trade credit insurance, export services and import services are the top three trading support services sought by businesses.

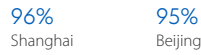
▶ Current state of digitalisation



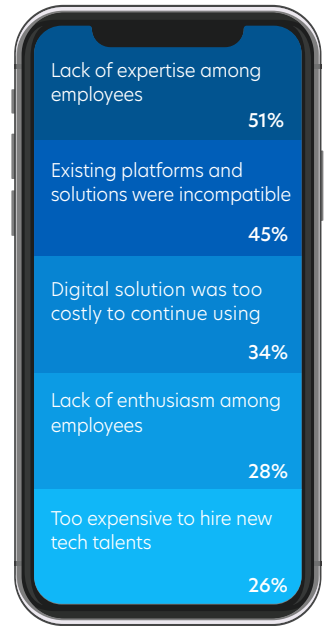
Most digitalised sectors



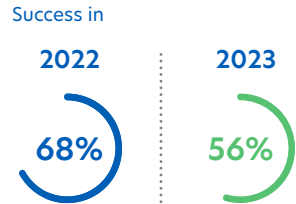
Most digitalised cities



Lack of expertise among employees, incompatible existing platforms and costly solutions are the key reasons why digitalisation efforts are less successful for some businesses.



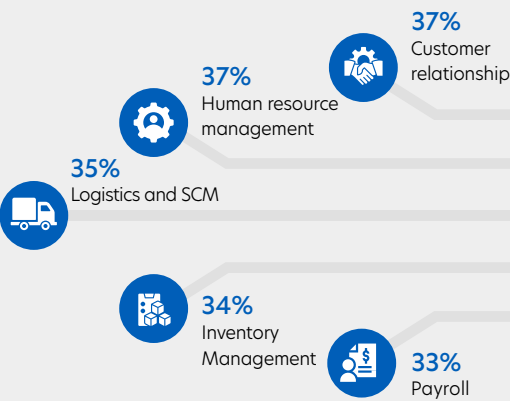
While over 3 in 5 businesses in the region have seen success from their digitalisation efforts, the number of businesses that succeeded has declined from the previous year.



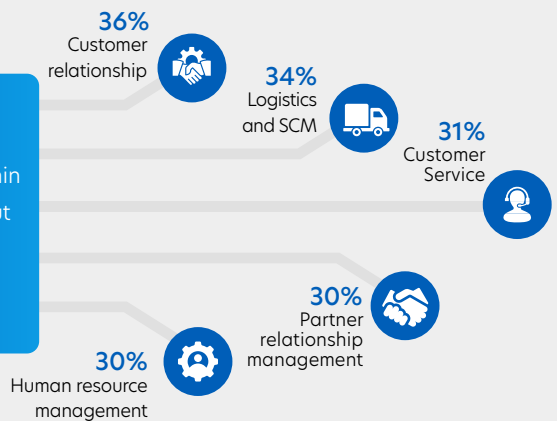
▶ Business functions digitalised

In future, businesses plan to prioritise digitalisation of functions like customer relationship, logistics and customer service.

Currently digitalised



Planned for future digitalisation

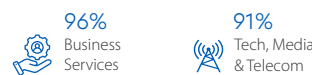


Digitalisation efforts will continue at a similar pace within internal business functions but are expected to expedite in customer-facing functions.

▶ Expected spending on digitalisation in 2024

Over 4 in 5 businesses expect to spend more on digitalisation in 2024, with most budgeting an increase of 10% to 25%.

Higher spending sectors



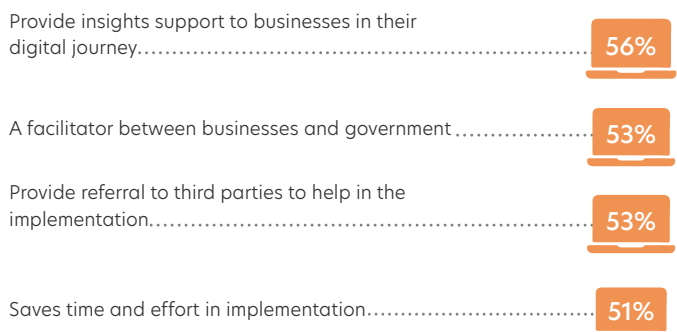
Differences by turnover



▶ Banks and Financial Institutions (FIs) have a key role in digitalisation

Nearly 3 in 5 businesses believe that banks and FIs can provide them with insights to support them in their digitalisation journey.

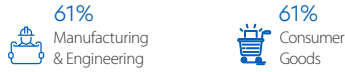
Over 1 in 2 businesses feel banks and FIs can be a facilitator between businesses and government, and provide referral to third parties to help in the implementation.



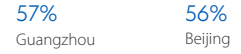
► Current state of sustainability

94% of businesses consider sustainability important. However, only 50% of businesses have implemented sustainable practices in 2023. Adoption in China is higher than regional average of 44%.

Higher implementation sectors

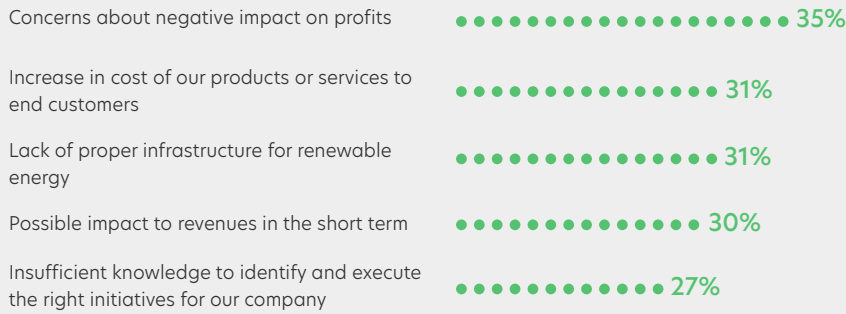


Higher implementation cities

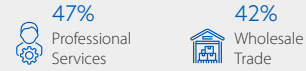


► Top barriers to sustainability

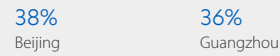
Concerns about negative impact on profits, increase in cost of our products or services and lack of proper infrastructure are key obstacles in sustainability implementation in China.



Most concerned about negative impact on profits by sectors

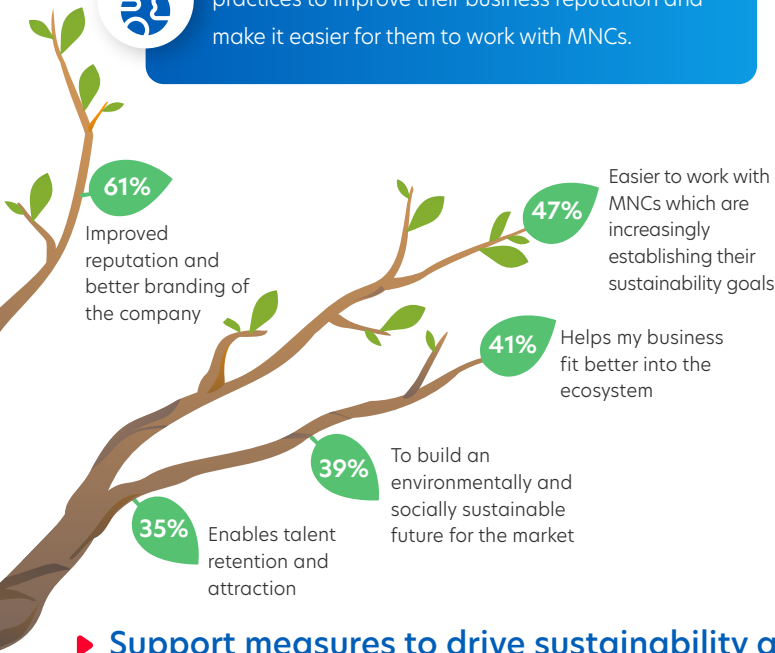


Most concerned about negative impact on profits by cities



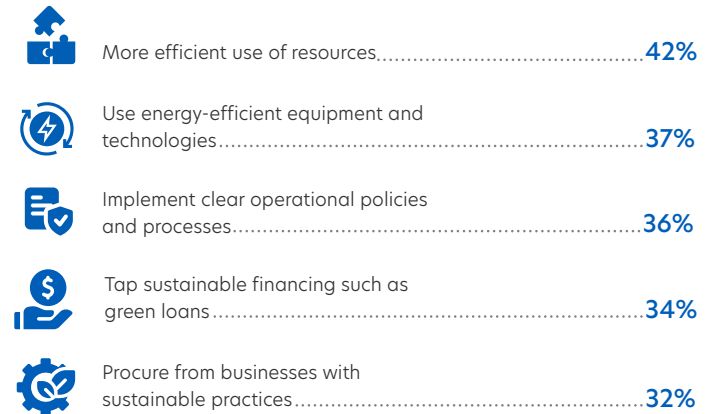
► Ways to encourage sustainable practices

Businesses can be encouraged to adopt sustainable practices to improve their business reputation and make it easier for them to work with MNCs.



► Sustainability practices prioritised

Sustainable practices leading to efficient use of resources and use of energy-efficient equipment & technologies are prioritised for implementation.



Higher prioritisation of efficient use of resources by sectors



Higher prioritisation of using energy-efficient equipment by sectors



► Support measures to drive sustainability adoption

Support measures such as providing options for sustainable financing and connections to the right training or solution providers are key to drive greater adoption.

A sectorial approach can also be adopted to offer relevant support measures to sectors that are in more need for it. For example, Real Estate & Hospitality sector seek options for sustainable financing while businesses in the Consumer Goods sector seek connections to the right training or solution providers.



■ 2022 ■ 2023