

# UOB Business Outlook Study 2024 (SMEs & Large Enterprises)



China Report



# Table of contents

1	Background & Methodology	3
2	Business Sentiment & Outlook	4
3	Overseas Expansion	9
4	Supply Chain Management (SCM)	13
5	Digital Adoption	17
6	FinTech Adoption	22
7	Sustainable Business	26

# Background & Methodology

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 Sustainability, Digitalisation, FinTech Adoption, Overseas Expansion and Supply Chain Management this study can help China businesses better understand the current environment they are operating in and plan for future opportunities and challenges.

## ▶ WHAT

 15-minute online survey


 Data collection:  
End-Dec 2023 – mid-Jan 2024

 Total of **600** interviews

## ▶ WHERE

 China

## ▶ WHO

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

 Covers SMEs across key industry verticals

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

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

**Industry verticals:** Consumer Goods; MFG & Engineering; Tech, Media & Telecoms; Construction & Infrastructure; Community & Personal; Business Services; Wholesale Trade; Professional Services; Real Estate & Hospitality; Industrials, Oil & Gas

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

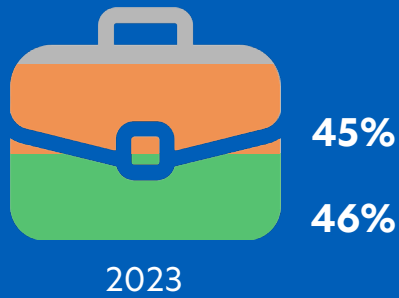


## Business sentiment and outlook



# Nearly 5 in 10 businesses in China believe the current business environment is very positive.

## ▶ Current environment in China



- Very positive
- Somewhat positive

### Most positive sectors



- 2022
- 2023

### Most positive cities



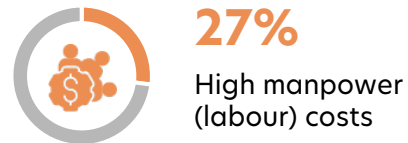
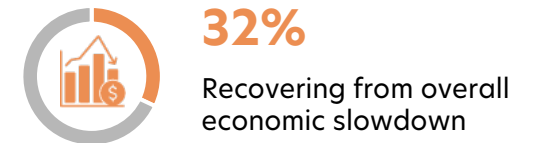
Q. How do you perceive the current business environment in China?  
Base: Total 2023 (600), 2022 (588)

# But businesses have been impacted by rising operational cost and recovery from economic slowdown.

## ▶ Factors impacting businesses in 2023

Over 3 in 10 businesses in China are impacted by rising operational cost and recovery from economic slowdown.

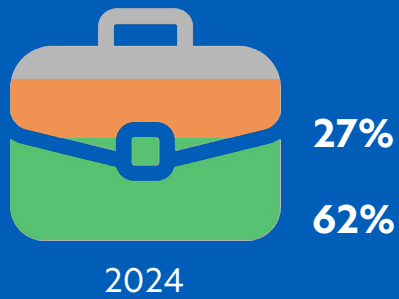
Nearly 3 in 10 businesses in China are impacted by high manpower costs.



Q. Which of the factors below had the biggest impact on your business in 2023? Select up to 5.  
Base: Total, 2023 (600)

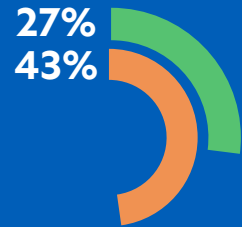
# Nearly 3 in 10 businesses in China expect a vastly improved business performance in 2024. Digitalisation, acquiring new customers and re-skilling or upskilling will be top priorities.

## ▶ Future outlook 2024



- Vastly improving
- Somewhat improving

### Most improved sectors



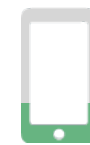
Businesses outlook for 2024 has declined vs. 2023

- Vastly improving, 2023
- Vastly improving, 2024

### Most improved cities



## ▶ Business priorities for the next 1-3 years



25%

Digitalise the business to achieve business efficiencies



25%

Source for new customer base



25%

Re-skill or upskill existing talent



24%

Expand overseas



22%

Move my business towards ESG practices in operational processes and product development

Future priorities reflect the current market reality of rising operational cost and recovery from economic slowdown. Businesses are looking at long-term measures like digitalisation, acquiring new customers and re-skilling or upskilling their existing talent.

# Investments in innovation and R&D, and adopting digital solutions are key to driving future growth. Businesses are looking at improving automation and user-friendly channels for customer interactions.

## ▶ Plans to achieve business priorities



## ▶ Invest in innovation and R&D

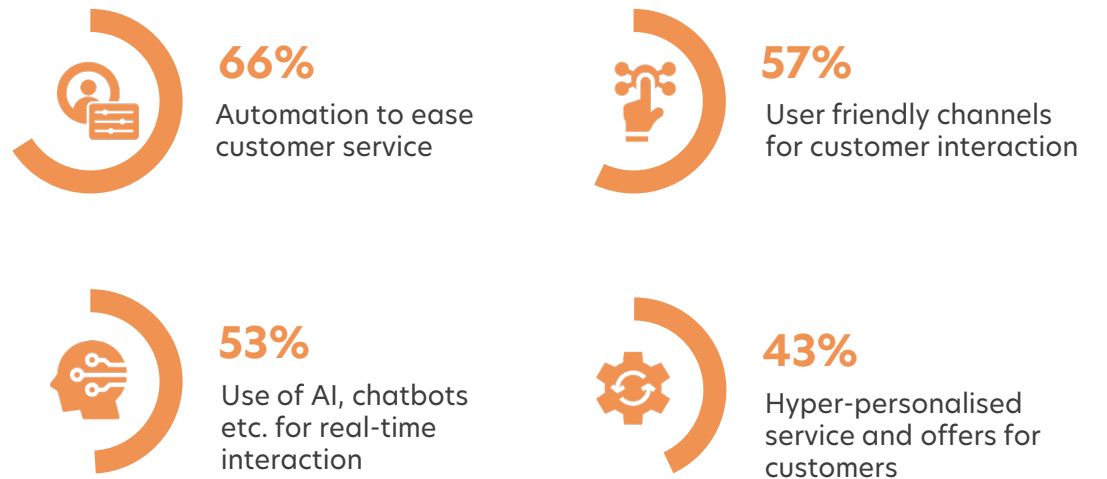
### Higher focus sectors



### Higher focus cities



## ▶ Key capabilities to improve



## ▶ Automation to ease customer service

### Higher focus sectors

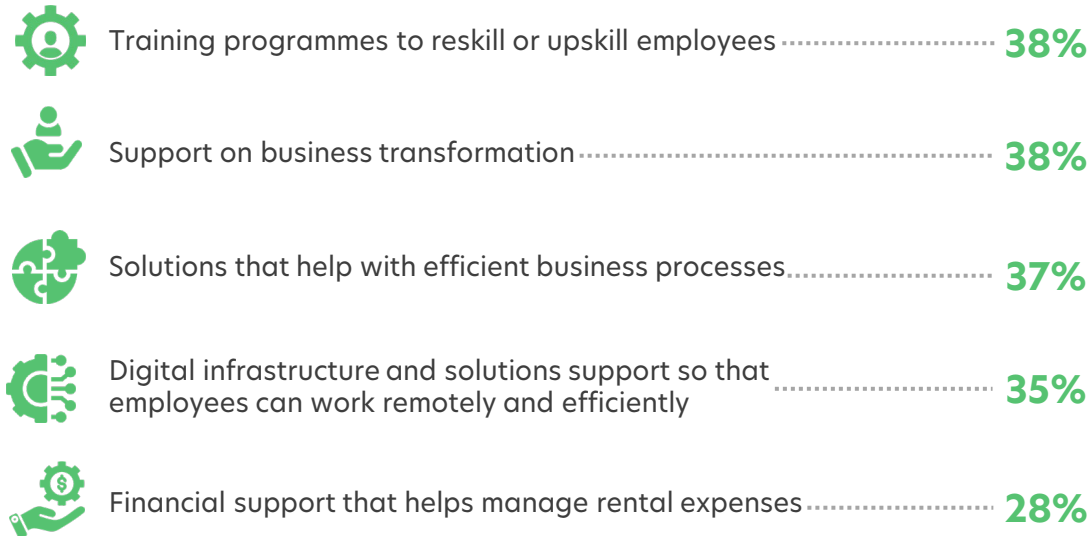


### Higher focus cities



# Training programmes and support on business transformation are the need of the hour for businesses, particularly in Community & Personal and Industrials, Oil & Gas sectors.

## ► Support for future business success



## ► Top support areas

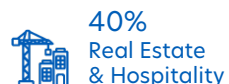
### Training programmes to reskill or upskill employees

Most needed sectors



### Support on business transformation

Most needed sectors



## ► What can banks and Financial Institutions do?



Providing the right training support is critical for future business success. Financial measures like lower rates and collateral-free loans to help with cashflow concerns should be coupled with advice & access to solution providers.

Q. What type of support would help your company towards business success in 2024 and beyond? This support could be from government, industry bodies etc.

Base: Total, 2023 (600)

Q. Going forward, what support can banks and financial institutions offer to help companies with their business growth through 2024 and beyond?

Base: Total, 2023 (600)



# Overseas expansion



# A desire to improve profitability is fuelling interest in overseas expansion among nearly 7 in 10 businesses in China.

## ▶ Level of interest in overseas expansion

Interested (Very or slightly) **87%**

Very interested



Slightly interested



Neutral or Not interested



## ▶ Most expansion interest

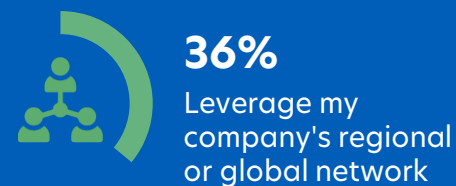
Most interested sectors



Most interested cities



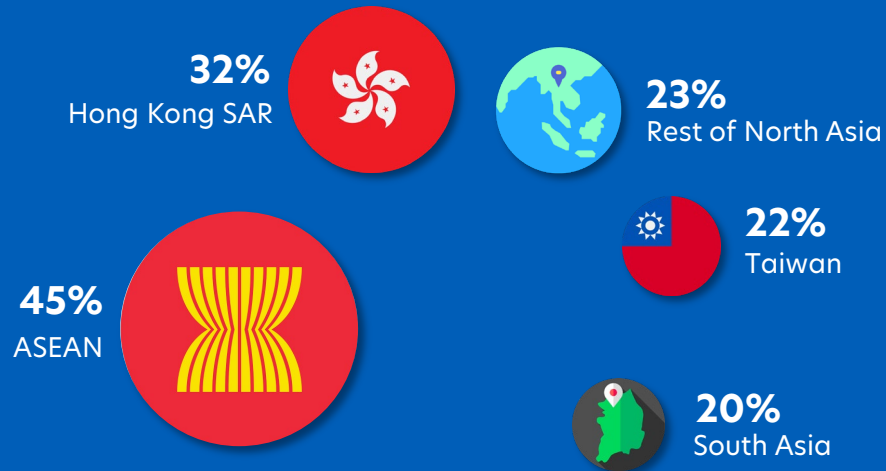
## ▶ Motivation for overseas expansion



Cross-border digital trade platforms are a popular mean of overseas expansion with over 9 in 10 businesses showing interest in using them.

# ASEAN and Hong Kong SAR are key markets for future expansion. Within ASEAN, Malaysia and Indonesia are top destinations.

## ▶ Top locations seeking to enter



## ▶ Top locations by sectors

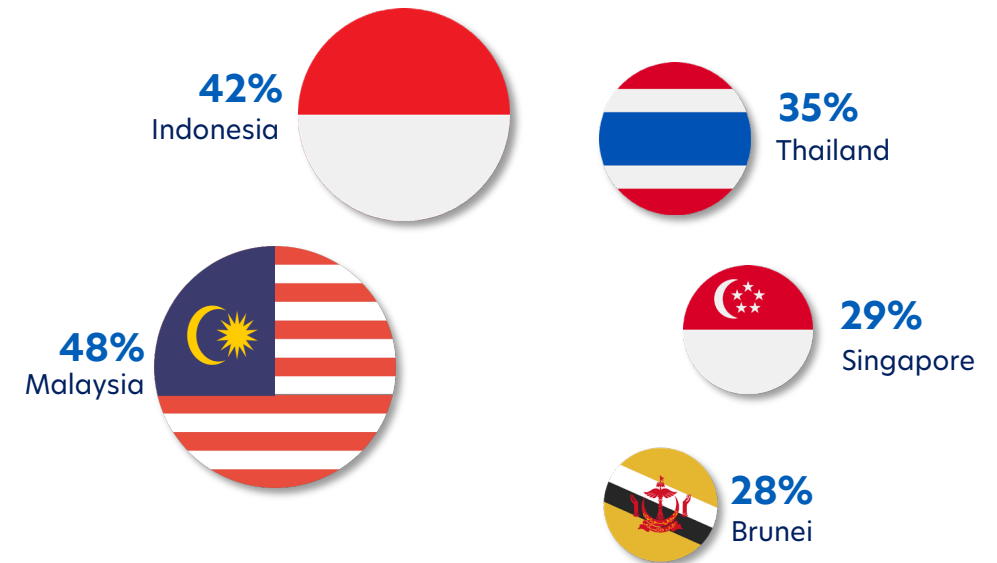
### Venture into ASEAN



### Venture into Hong Kong SAR



## ▶ Top ASEAN locations seeking to enter



## ▶ Top ASEAN locations by sectors

### Venture into Malaysia



### Venture into Indonesia

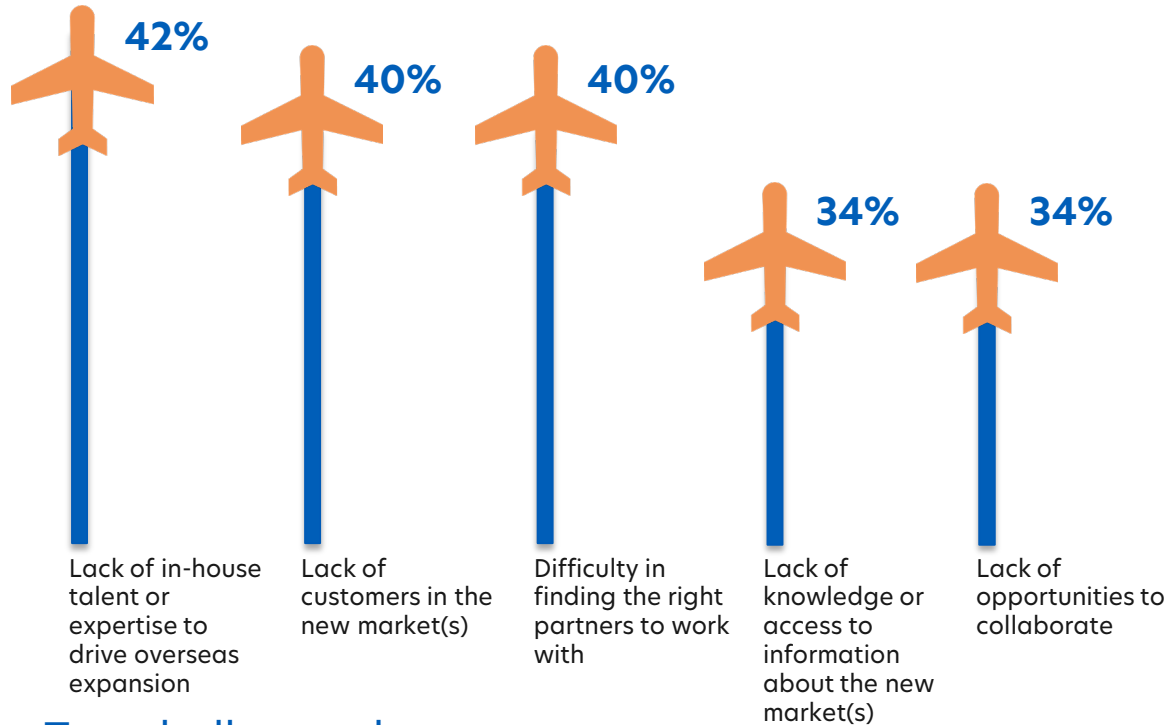


Q. Which of these markets is your company intending to venture into within the next 3 years (by 2026)?  
Base: Interested in overseas expansion (523)

Q. Please select the most important countries (up to 3) in ASEAN that your company is intending to venture into within the next 3 years (by 2026).  
Base: Interested in expanding within ASEAN 2023 (234)

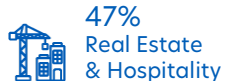
# Overseas expansion is challenging due to lack of in-house talent or expertise, lack of customers and difficulty in finding the right local partners to work with in the new markets.

## ▶ Top barriers for overseas expansions



## ▶ Top challenges by sectors

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



Lack of customers in the new market(s)



Q. What are the key barriers in your effort for overseas expansion?  
Base Total (600)

## ▶ Expected support measures



Financial support through funding or grants is the key to encouraging businesses to expand overseas. Businesses can also benefit from connections to large businesses as anchor clients, and connections to industry bodies and ecosystem partners.

Q. What support does your business require to expand overseas? This support could be from government, banks, industry bodies etc.  
Base: Interested in overseas expansion (533)

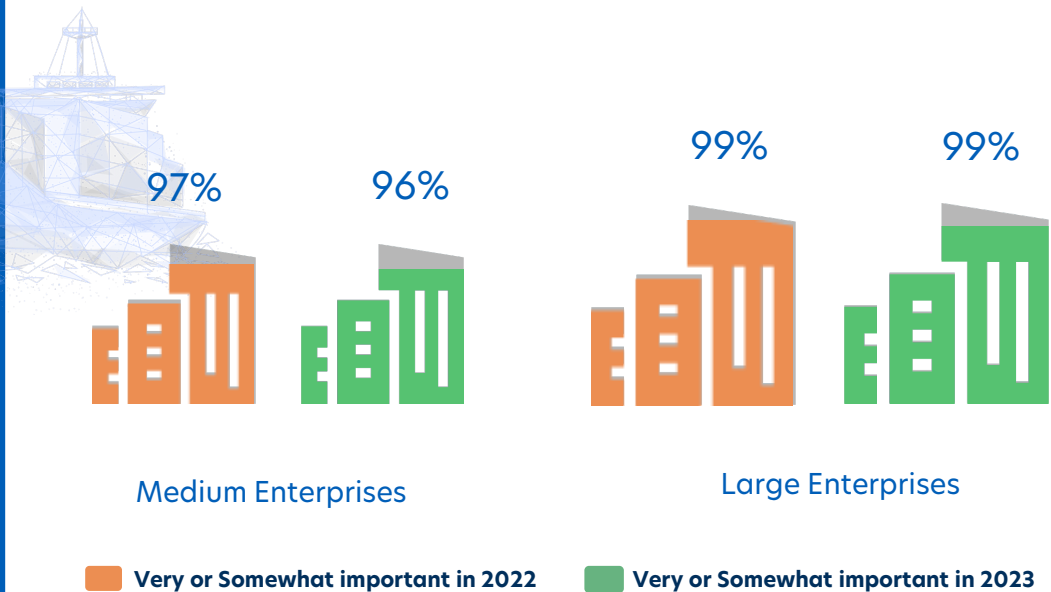


# Supply Chain Management (SCM)



## SCM continues to be important for businesses, across both Medium and Large Enterprises.

### ► Importance of SCM



### ► Most important by sectors and cities

#### Most important sectors



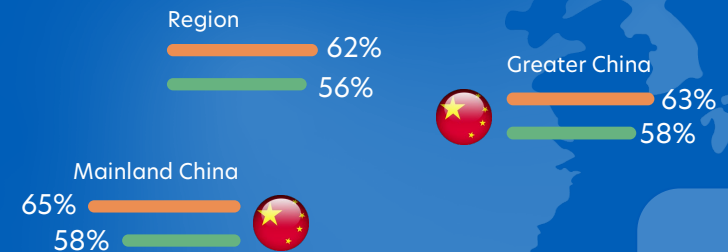
#### Most important cities



Q. How important is supply chain management to your business?  
Base: Total 2023 (600), Medium Enterprises (394), Large Enterprises (206)

## Fewer businesses in China and across the region are now impacted by geopolitical tensions compared to 2022.

### ► Impact of geopolitical tensions on supply chain

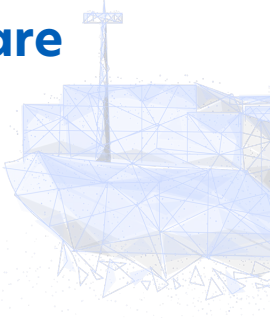


Businesses across China have created awareness about supply chain risk, used data analytics and insights, and adopted digitalisation leading to lower risk to their supply chain from various geopolitical events.

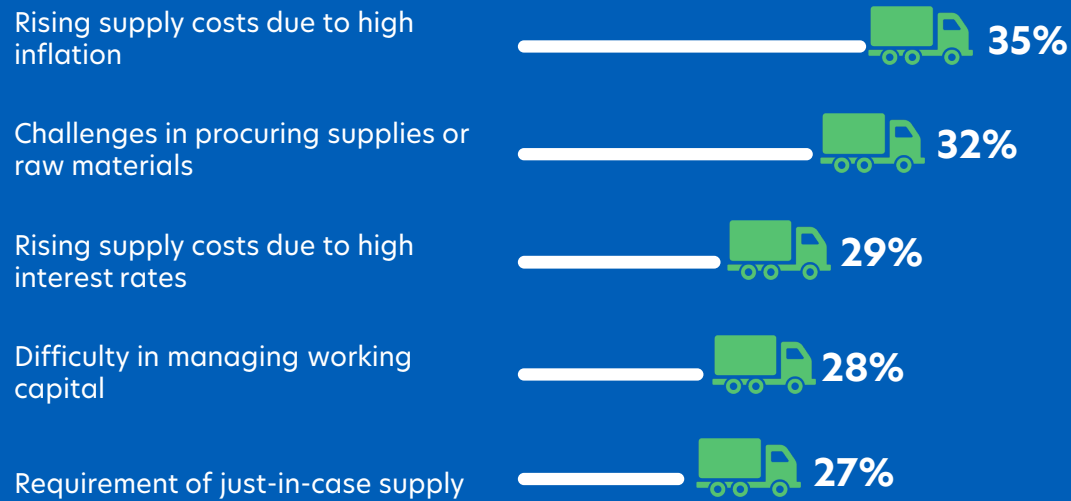
Very or Somewhat affected in 2022 Very or Somewhat affected in 2023

Q. To what extent has your company's supply chain been affected by geopolitical tensions such as US-China trade tensions, Russia-Ukraine conflict, Israel-Hamas conflict etc.?  
Base: Total 2023 (600), 2022 (588)

# Rising supply costs and difficulty in procuring supplies are key challenges. Businesses are adapting by creating awareness about supply chain risk internally and using data analytics and insights.



## ▶ Top challenges in SCM



## ▶ Top challenges by sectors



Q. What are the current challenges faced by the business in supply chain management?  
Base: Total 2023 (600)

## ▶ Actions to stabilise supply chain









## ▶ Top actions by sectors



Q. What steps, if any, have you taken or are planning to take to ensure a stable supply chain in the future?  
Base: Total 2023 (600)

## Businesses seek opportunities to collaborate with industry bodies, connections to the right technology partner and training programmes.

### ► Preferred support for supply chain stability

	Top support areas		
	Total	Medium Enterprises	Large Enterprises
Opportunities to collaborate with industry bodies, government-linked or large businesses	42%		
Connections to the right technology and solution providers	39%		
Training programmes to reskill or upskill employees	39%		
Connections to industry peers and ecosystem partners to learn best practices	37%		
Easier access to funding or grants	37%		

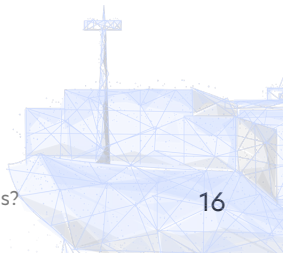
Q. What support in your opinion should be available to businesses to ensure supply chain stability? This support could be from government, banks, industry bodies etc..  
Base: Total 2023 (600)

## Trade credit insurance, export services and import services are top trading needs that businesses have.

### ► Trading needs among businesses



Q. What trade services do you think your financial partner should provide to support your trading needs?  
Base: Total 2023 (600)

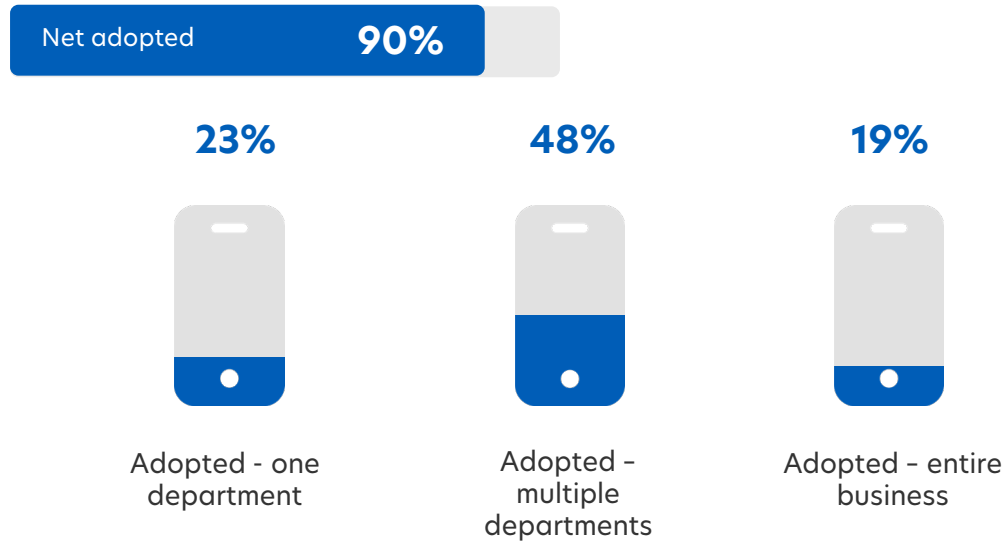




## State of digital adoption

## 9 in 10 businesses have adopted digitalisation. Most have digitalised multiple departments.

### ▶ Current state of digital adoption



### ▶ Most digitalised by sectors and cities

#### Most digitalised sectors



#### Most digitalised cities



## Nearly 6 in 10 businesses have achieved considerable or great success with digitalisation.

### ▶ Success with digitalisation



Success in digitalisation is not just about extensive adoption across departments or entire business. Even businesses with more extensive digital adoption can be unsuccessful in digitalisation efforts due to lack of employee expertise, incompatibility issues with existing platforms and high cost.

### ▶ Most success with digitalisation

#### Most successful sectors



#### Most successful cities



# In future, businesses are likely to be more focused on digitalising customer-facing functions.

## ▶ Currently digitalised processes



**37%**

Customer relationship management



**37%**

Human resource management



**35%**

Logistics and SCM



**34%**

Inventory management



**33%**

Payroll

## ▶ Processes for future digitalisation



**36%**

Customer relationship management



**34%**

Logistics and SCM



**31%**

Customer Service



**30%**

Partner relationship management



**30%**

Human resource management

Q. Which of these processes did your company digitalise specifically to help your business perform better in 2023?  
Base: Those currently trialling or adopted digitalisation in at least one department (594)

Q. What business process/es are you looking to digitalise in 2024 to drive business success?  
Base: Total, 2023 (600)

## ▶ Digitalisation spending in 2024

Over 8 in 10 businesses in China are planning to spend more on their digitalisation efforts in 2024, with most budgeting an increase of 10% to 25%.

**66%**



Spend 10% to 25% more than 2023

**18%**



Spend 25% to 50% more than 2023

## ▶ Most digitalisation spending in 2024

Most spending sectors



Most spending cities

**89%**  
Shenzhen

**86%**  
Beijing

Q. Do you foresee spending more on digital solutions and/or technology in 2024 compared with 2023?  
Base: Total 2023 (600)

# Improved productivity and increased coordination across departments from digitalisation efforts are widely acknowledged.

## Digitalisation impact experienced (Among adopters)

## Digitalisation impact expected (Among non-adopters)



### Top impact areas

#### Higher productivity or efficiency

Most impacted sectors

48%  
Real Estate & Hospitality

46%  
Manufacturing & Engineering

#### Increase coordination across functionalities or departments

Most impacted sectors

44%  
Real Estate & Hospitality

42%  
Manufacturing & Engineering

Digitalisation has helped both labour-intensive and service-oriented sectors alike to increase productivity and coordination across functionalities or departments.

# Implementation cost, inadequate skillsets and cybersecurity concerns are major constraints in digitalisation efforts.

## ▶ Top challenges for digitalisation



34%

Expensive to implement



33%

Lack of digital skillset among employees



33%

Concerns over cybersecurity issues



32%

Increased risks of data breach or cybersecurity threats



25%

Incompatibility between old and new systems

## ▶ Top challenges by sectors

### Expensive to implement

Most impacted sectors



45%  
Professional Services



42%  
Community & Personal



49%  
Real Estate & Hospitality



38%  
Consumer Goods

### Lack of digital skillset among employees

Most impacted sectors

## ▶ Top support needed for digitalisation

Opportunities to collaborate with industry bodies, government-linked companies or large businesses

43%

Access to knowledge and expertise in the area

43%

Connections to the right technology and solution providers

42%

Training programmes to reskill or upskill employees

38%

Connections to industry peers and ecosystem partners to learn best practices

33%

Collaboration, and connections to solution providers and industry peers can help to tackle the high implementation cost of digitalisation and concerns over cybersecurity issues. Training programmes are needed to address the lack of digital skillsets and increased in cybersecurity threats.

Q. What challenges have you faced or expect to face in your digital adoption journey?

Base: Total, 2023 (600)

Q. What support measures should be available to businesses in their digital adoption journey?

This support could be from government, banks, industry bodies etc.

Base: Total, 2023 (600)



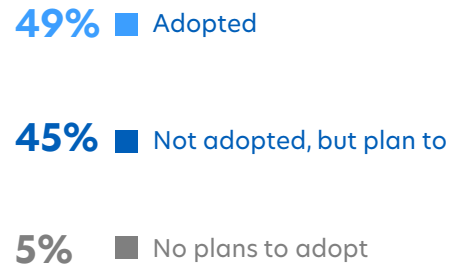
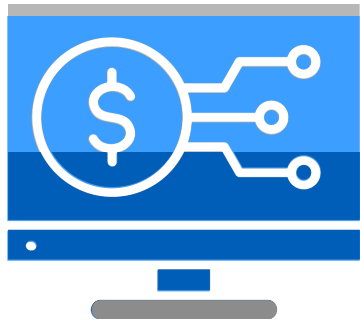
# Fintech adoption



# There is high FinTech adoption in China, particularly for solutions around payments, remittances and finance & accounting technology.

## ► Status of FinTech adoption

Net Adopted or Plan to adopt **95%**



## ► Adopted or plan to adopt by sectors

Most adopted/planned sectors



Least adopted/planned sectors



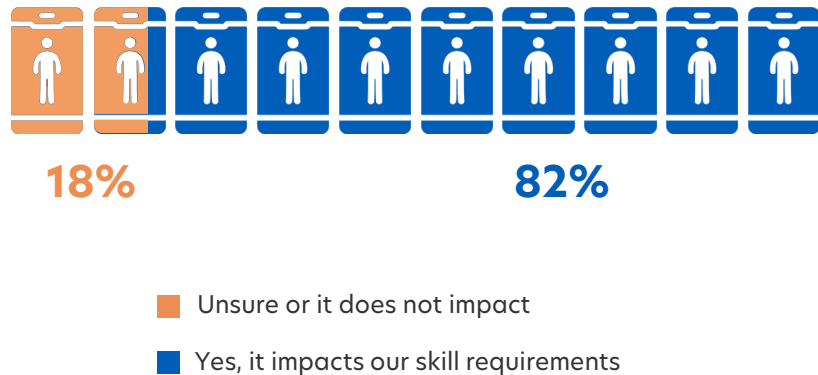
## ► Top FinTech solutions adopted or planned



Manufacturing & Engineering businesses adopt FinTech most for payments & remittances and finance & accounting technology. Professional Services and Tech, Media & Telecom sectors use investment technology solutions the most.

# Most businesses believe that FinTech impacts their skill requirements. Over 7 in 10 have invested in training or hiring new staff.

## ▶ Impact of FinTech on skill requirements



## ▶ Impact of Fintech adoption by sectors



## ▶ What are businesses doing about it



There is a need to bridge the investment gap in training or hiring new staff to harness the value of FinTech solutions, particularly among sectors like Professional Services and Consumer Goods which are lagging.

## ▶ Invested in training or hiring



Q. Do you believe that FinTech adoption has an impact on the skill requirements for your workforce?  
Base: Adopted or planning to adopt FinTech (568)

Q. Has your company either considered or invested in training/hiring new staff to manage or create the value that FinTech solutions can bring?  
Base: Adopted or planning to adopt FinTech (568)

# FinTech solutions are seen to be quick, convenient and cost-effective. But concerns around security, lack of knowledge and regulatory uncertainty hamper wider adoption.

## ▶ Top differentiators for FinTech solutions

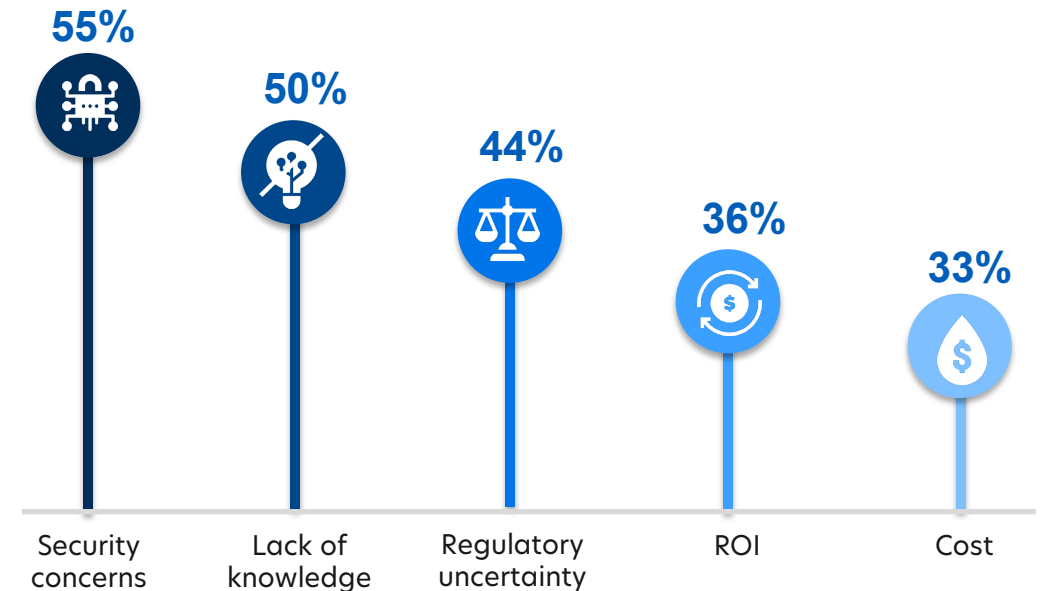


## ▶ Top differentiators by sectors



Q. In what way do you think FinTech companies are better than conventional banks?  
Base: Adopted or planning to adopt FinTech (568)

## ▶ Top challenges of FinTech solutions



More Large Enterprises have adopted FinTech solutions compared to Medium Enterprises. Consequently, they encounter more challenges particularly around lack of knowledge and regulatory uncertainty.

Q. What are some of the barriers you faced/expect to face in adopting FinTech solutions?  
Base: Adopted or planning to adopt FinTech (568)

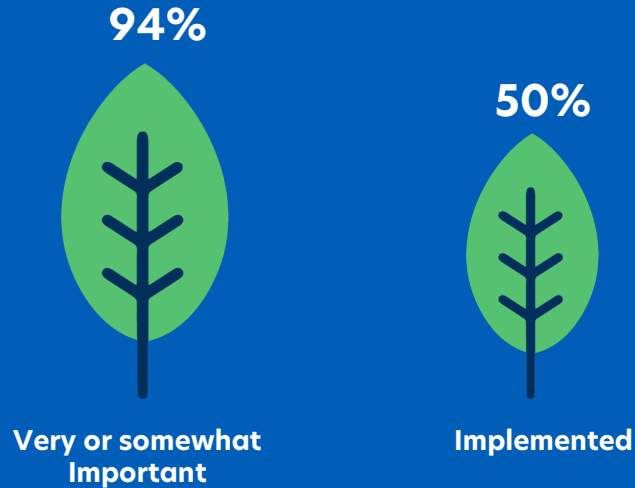


**Sustainable business**



# There is a clear disconnect among businesses on importance of sustainability versus actual adoption.

## ▶ Current state of sustainability

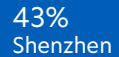


## ▶ Least adopted businesses

### Least adopted sectors

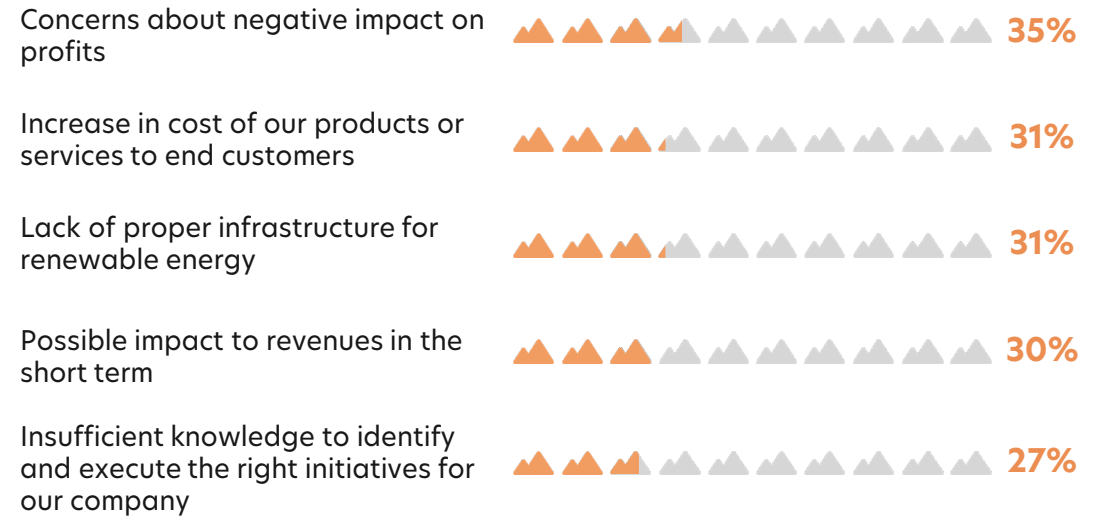


### Least adopted cities



# Concerns about negative impact on profits, increase in cost and lack of proper infrastructure are holding back higher adoption.

## ▶ Key barriers to sustainability



### Concerns about negative impact on profits:

#### Most concerned sectors



#### Most concerned cities



Q. How important is sustainability (Environmental, Social and Governance considerations) to your business?  
Q. What stage is your company at today in the adoption of sustainability practices?  
Base: Total 2023 (600)

Q. What are the major barriers to implementing sustainability practices in your company?  
Base: Total 2023 (600)

# Sustainability help build business reputation, makes working with MNCs easier and help business fit better into the ecosystem.

## ▶ The motivators for sustainability adoption



## ▶ Motivators by sectors and cities

### Improved reputation and better branding

Sectors most important in



Cities most important in



### Easier to work with MNCs

Sectors most important in



Cities most important in



# Sustainable practices leading to efficient use of resources and equipment are prioritised by businesses.

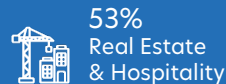
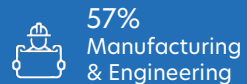
## ▶ Current vs future sustainable practices



## ▶ Most incorporated by sectors and cities

### Use energy-efficient equipment and technologies

#### Most incorporated sectors



#### Most incorporated cities



## ▶ Most planned by sectors and cities

### More efficient use of resources

#### Most planned sectors



#### Most planned cities



Q. What sustainable practices (based on the ESG considerations) have you already incorporated within your business at present?

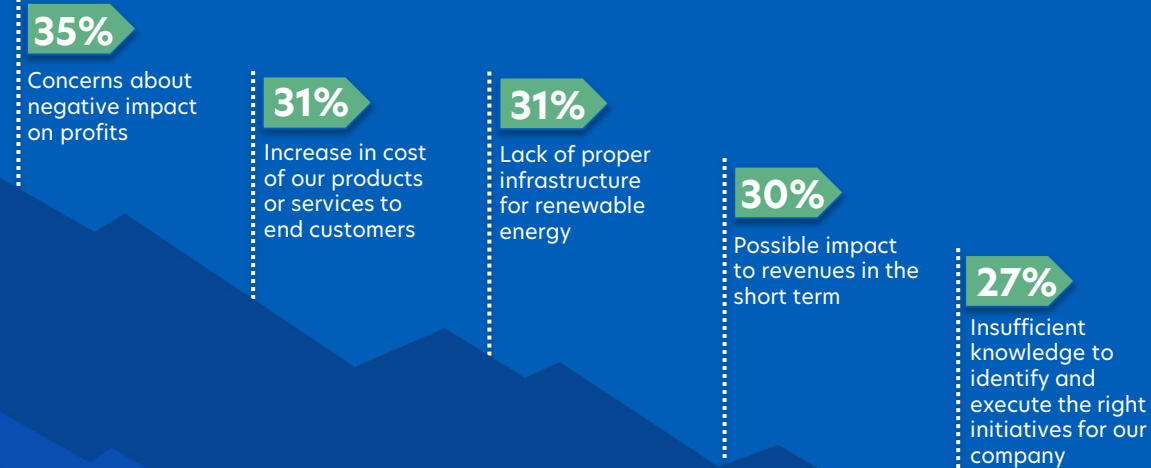
Base: Those who have implemented sustainability practices (302)

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)

# Businesses are most concerned about the negative impact on profits once sustainability is implemented. Provisions for sustainable financing and connections to the right training providers can help allay these fears.

## ▶ Top sustainability challenges



## ▶ Biggest barriers by sectors and cities

Concerns about negative impact on profits:

Most concerned sectors

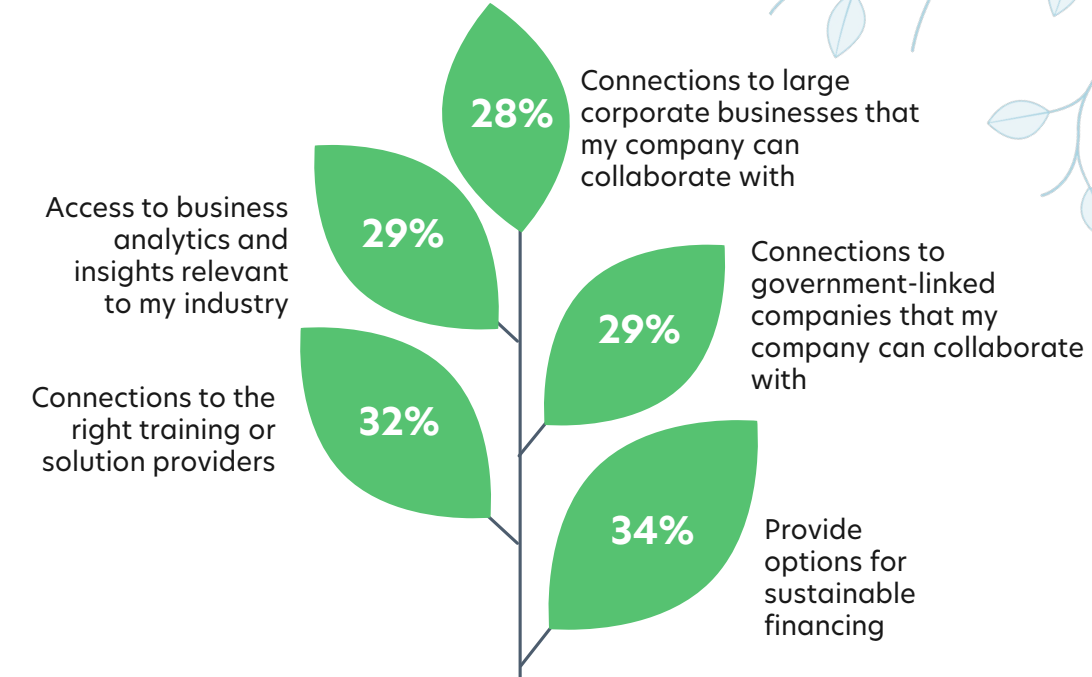


Most concerned cities



Q. What are the major barriers to implementing sustainability practices in your company?  
Base: Total, 2023 (600)

## ▶ Top support areas for sustainability



Availability of sustainable financing can address concerns around negative impact on profits among 1 in 3 businesses. Connections to the right training or solution providers, government-linked companies and large businesses can help businesses identify proper infrastructure for renewable energy.

Q. What support would you like in helping your business incorporate sustainable practices into your business?  
This support could be from government, banks, industry bodies etc.  
Base: Total, 2023 (600)



**Right By You**

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