

UOB Business Outlook Study 2024

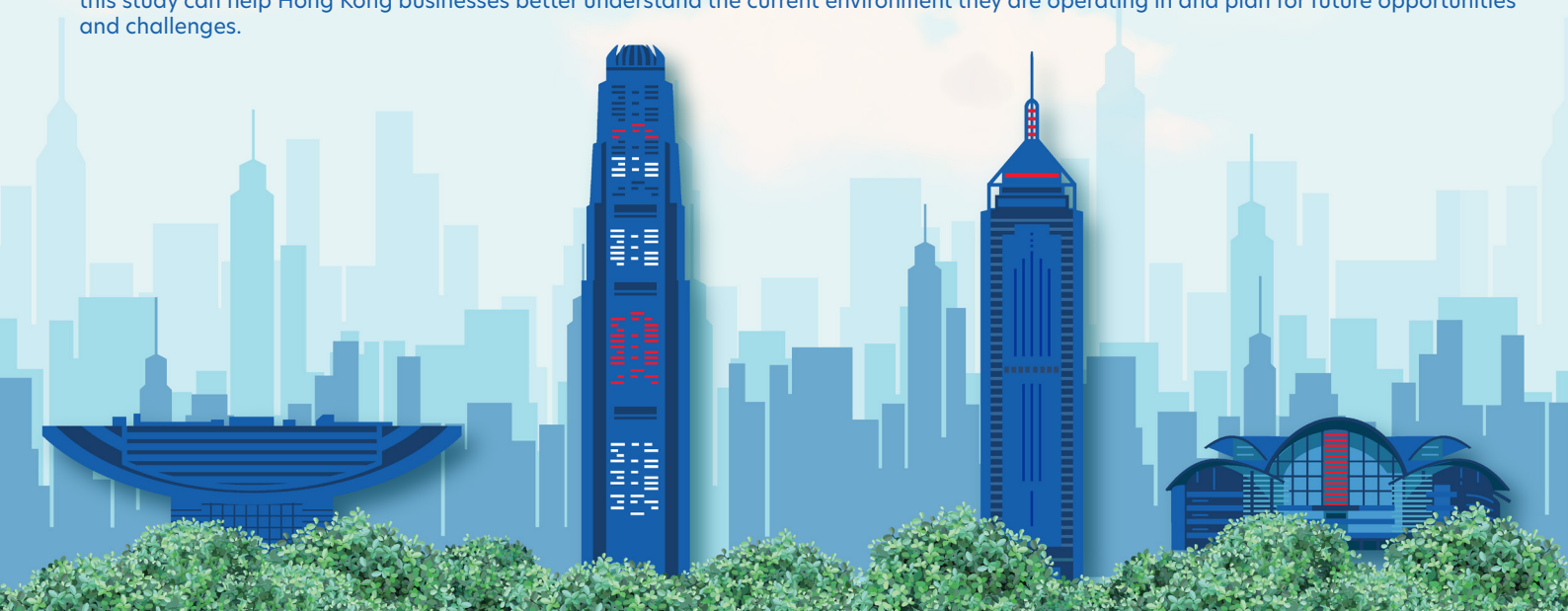


(SMEs & Large Enterprises)

UOB conducted a Business Outlook Study in Hong Kong covering 550 business owners and key executives from SMEs and Large Enterprises.

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

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



Hong Kong

▶ WHAT



15-minute online survey



Total of 550 interviews



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

▶ WHO



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



Covers both SMEs and Large Enterprises across key industry verticals



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



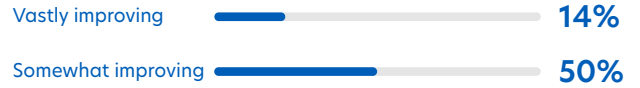
Classification of businesses:
Medium Enterprises - annual turnover of HKD 100m to <HKD 4b
Large Enterprises - annual turnover of HKD 4b to >HKD 50b

Industries	Sample
Consumer Goods	62
Professional Services	62
Tech, Media & Telecom	61
Manufacturing & Engineering	60
Real Estate & Hospitality	57
Wholesale Trade	56
Construction & Infrastructure	55
Business Services	55
Community & Personal	53
Industrials, Oil & Gas	29
Total	550

Business sentiment



Most positive sectors



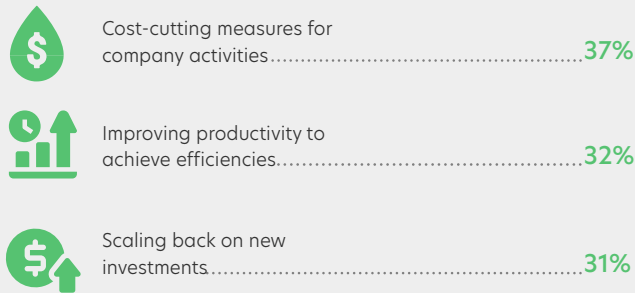
Most improved sectors



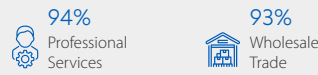
Inflation and its impact



Ways to combat inflation



Most impacted sectors



Areas affected by inflation



Most impacted by increase in cost of operations



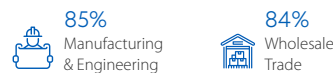
Most impacted by difficulty in retaining talent



Overseas expansion interest



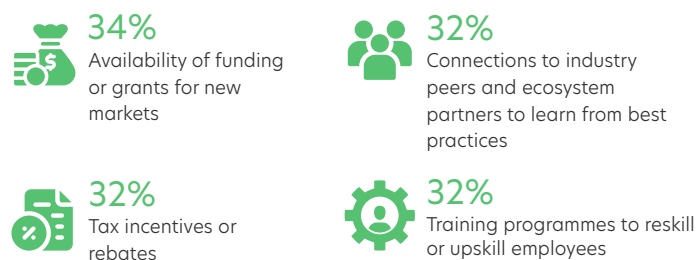
Most interested sectors



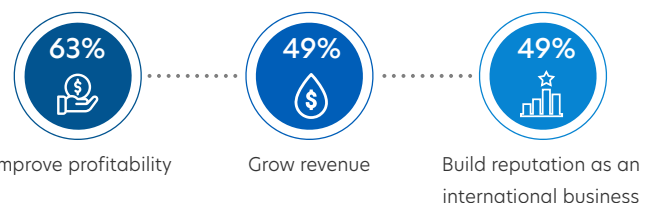
Least interested sectors



Support measures for overseas expansion



Key motivators for overseas expansion



Supply Chain Management (SCM) and its challenges

Nearly **3 in 5** Hong Kong businesses claim current geopolitical tensions impacted their supply chain.

Most impacted sectors



Challenges faced by businesses



Key trading needs among businesses

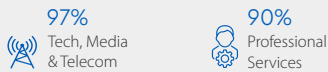


Digital adoption

Current state

Nearly **9 in 10** businesses in Hong Kong have digitalised one or more departments.

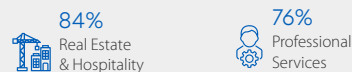
Most digitalised sectors



Expected spending in 2024

Nearly **7 in 10** businesses expect to spend more on digitalisation in 2024, with most budgeting an increase of 10% to 25%.

Higher spending sectors



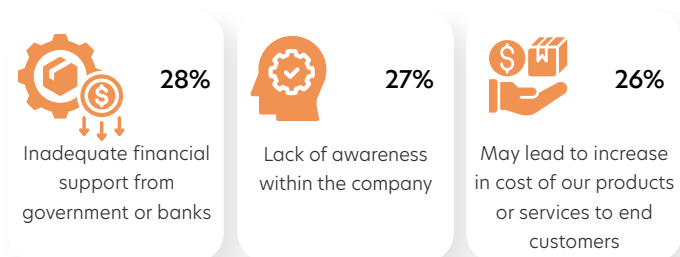
Sustainability adoption

Over **4 in 5** businesses in Hong Kong believe sustainability is important to their business. Yet, adoption level has remained stagnant since 2022.

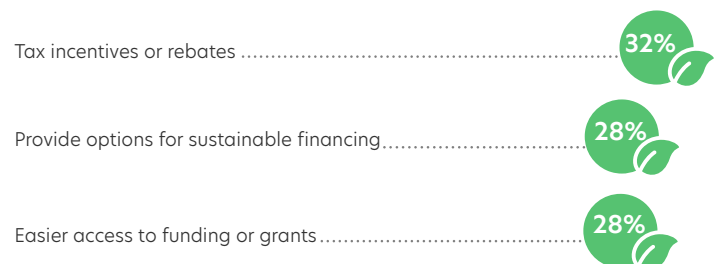
Higher adoption sectors



Challenges faced by businesses

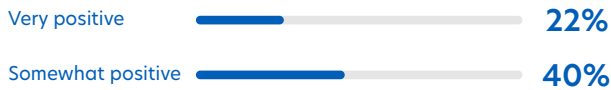


Support measures to drive sustainability adoption



Business environment in 2023

Over **1 in 5** businesses in Hong Kong say the current business environment is very positive.



Most positive sectors



Business outlook for 2024

Over **1 in 10** businesses in Hong Kong expect a vastly improved business performance in 2024.

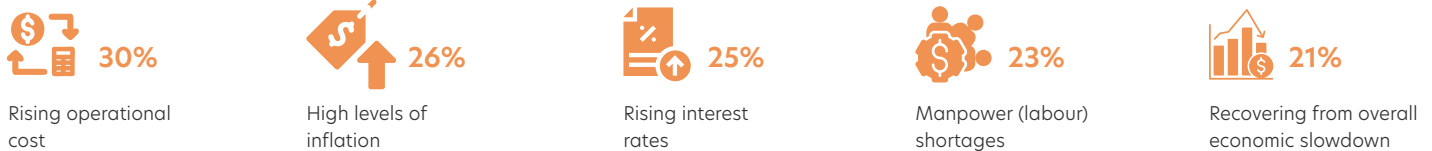


Most improved sectors

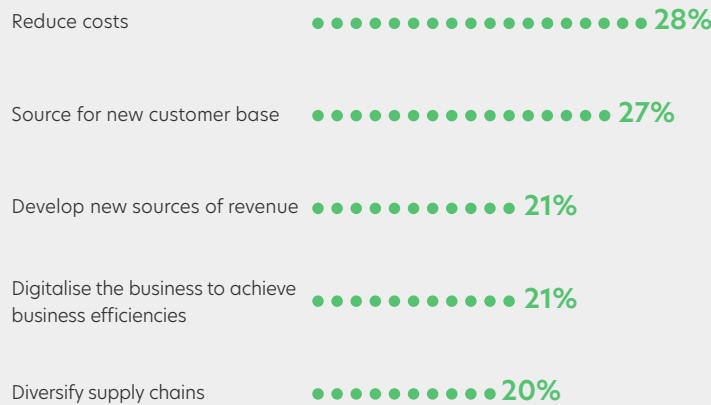


Top factors that have impacted businesses in 2023

Rising operational cost, high inflation, and rising interest rates are the top three macro factors impacting businesses.

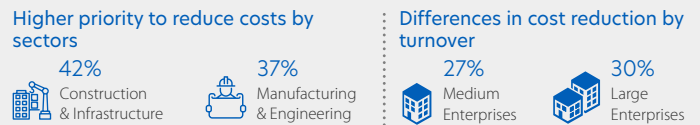


Business priorities for next 1-3 years



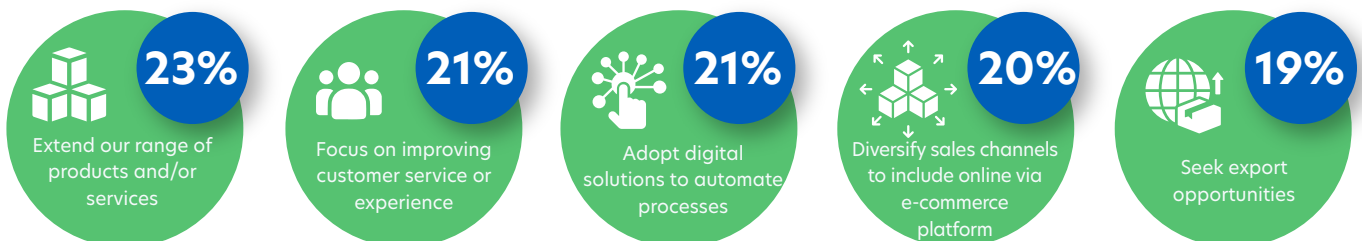
Rising operational cost and high inflation are leading to many businesses looking to reduce costs in the next 1-3 years.

Sourcing for new customer base is a priority for nearly 3 in 10 businesses in Hong Kong.

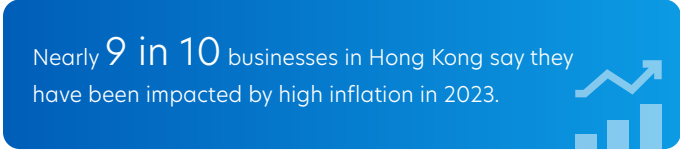


How businesses plan to achieve their priorities

To achieve their business priorities, many businesses are looking to extend their range of products or services, improve customer experience, and adopt digital solutions.



▶ Extent of inflation impact



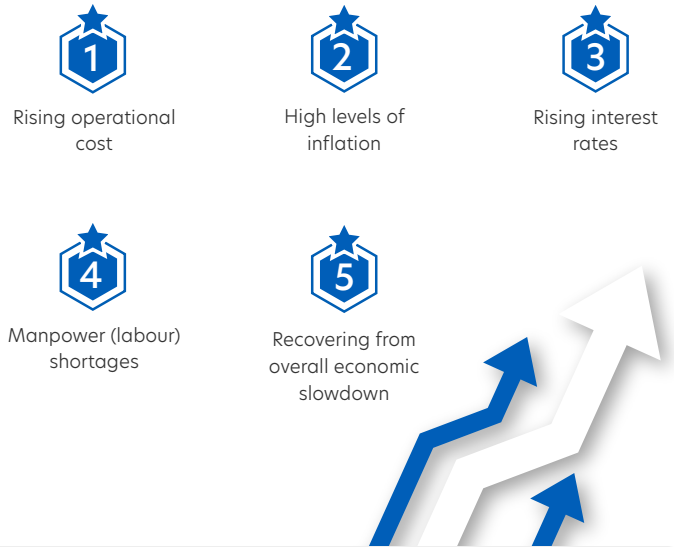
Most impacted by sector



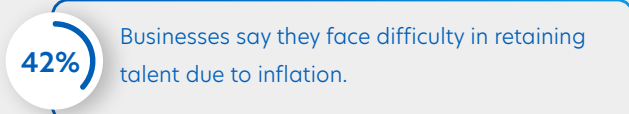
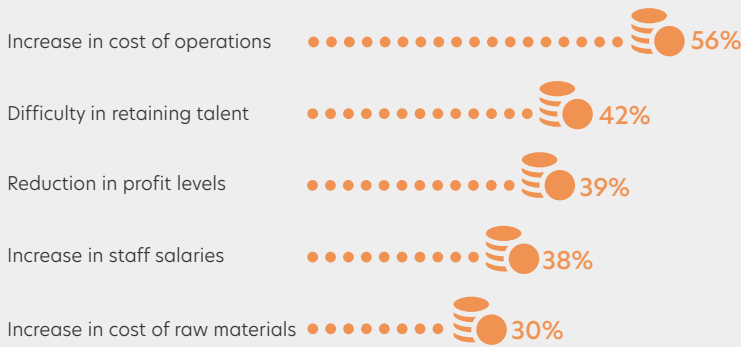
Differences by turnover



▶ Macro factors impacting business in 2023

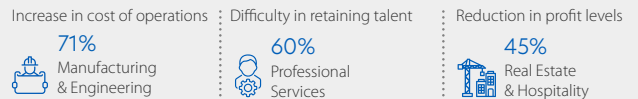


▶ How inflation has impacted businesses

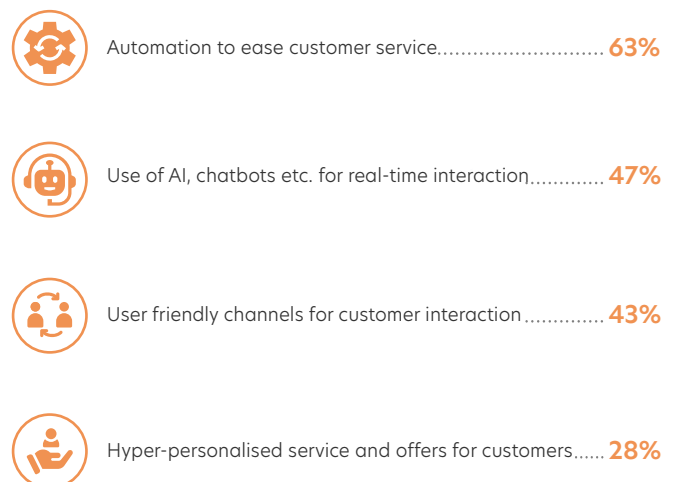
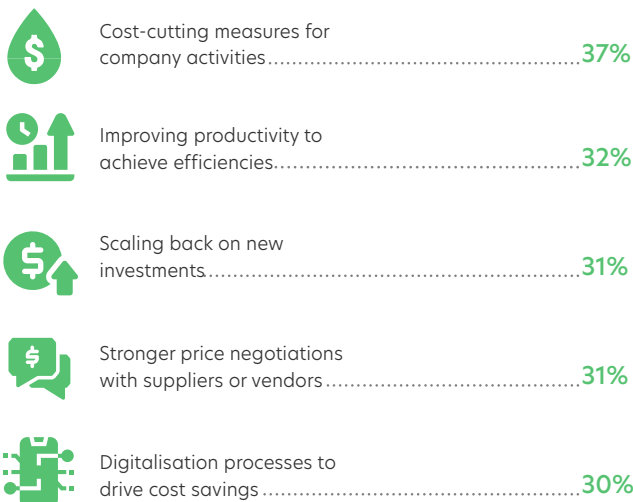
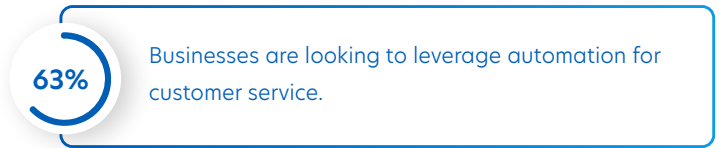
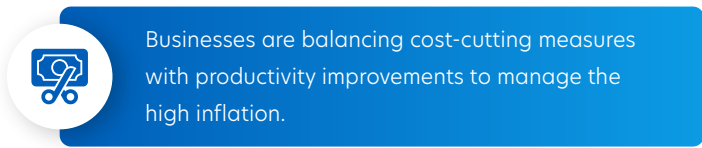


The impact across sectors has not been uniform. More **Manufacturing & Engineering** businesses have seen an increase in their cost of operation while more in the **Professional Services** sector have been impacted by difficulty in retaining talent.

Most affected sectors



▶ Ways to combat inflation



Interest in overseas expansion

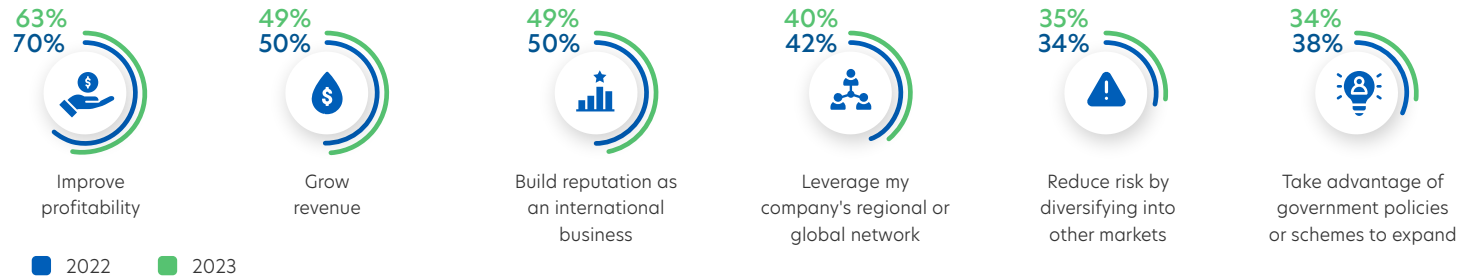


Most interested sectors



Key motivation for businesses to expand overseas

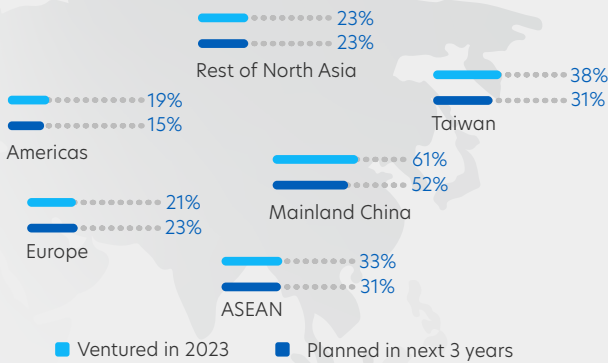
More businesses are now looking to reduce risk by diversifying into other markets.



■ 2022 ■ 2023

Key markets on the radar for overseas expansion

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

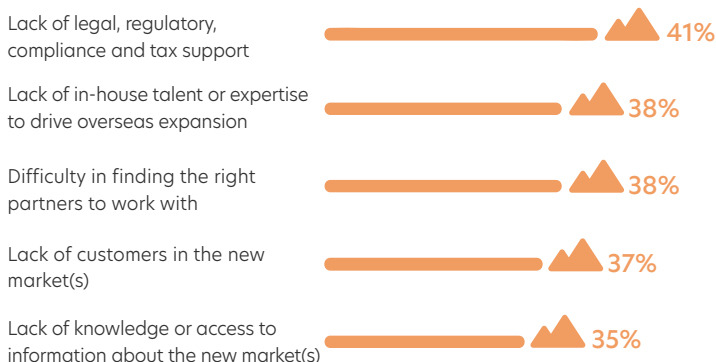


Consumer Goods and Construction & Infrastructure sectors have Mainland China on its radar for future expansion. Within ASEAN region Malaysia and Thailand, the two largest domestic markets, attract businesses the most.

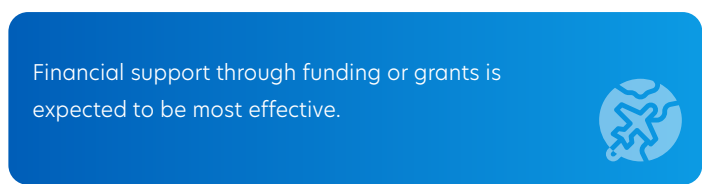
Barriers for overseas expansion



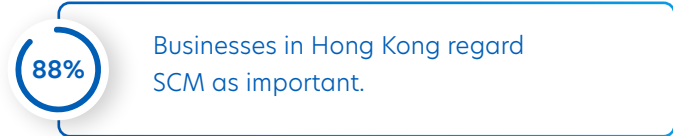
Difficulty in finding the right partners is by far the biggest challenge for sectors such as Manufacturing & Engineering, Business Services, and Professional Services.



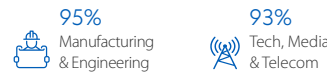
Support measures for overseas expansion



► Importance of SCM



Sectors where SCM is more important



Differences by turnover



► Impact of geopolitical tensions on supply chain



Nearly **3 in 5** Hong Kong businesses claim current geopolitical tensions have impacted their supply chain. However, fewer businesses are affected now than a year ago.

Most impacted sectors



► Supply chain challenges faced

Rising supply costs due to inflation and high interest rates, is the top supply chain challenge faced by businesses.

Rising supply costs due to high inflation are especially challenging for businesses in the Manufacturing & Engineering, Wholesale Trade and Construction & Infrastructure sectors.



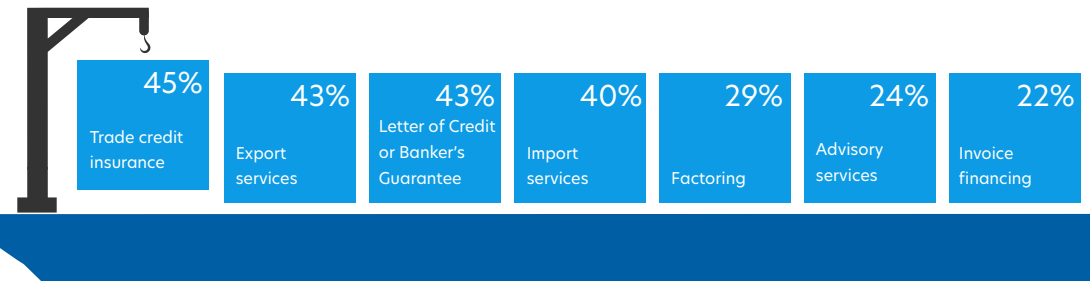
► Current practices in SCM

Businesses are taking three key actions to manage supply chain challenges - stock raw/input material ahead of time, adopt better inventory management practices and have more diverse sources of suppliers and from different markets.

Professional Services and Wholesale Trade businesses are most active in stocking up raw/input materials beforehand.



► Key trading needs among businesses



Trade credit Insurance, export services, Letter of Credit or Banker's Guarantee are the top three trading support services sought by businesses.

► Current state of digitalisation

Nearly **9 in 10** businesses in Hong Kong have digitalised one or more departments, with 26% claiming digitalisation has happened across the business.

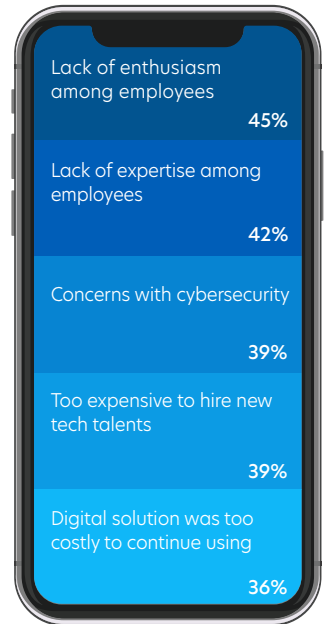
Most digitalised sectors



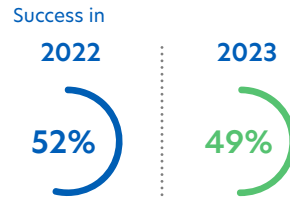
Least digitalised sectors



Lack of enthusiasm & expertise among employees, and concerns with cybersecurity are key reasons why digitalisation efforts are less successful for some businesses.



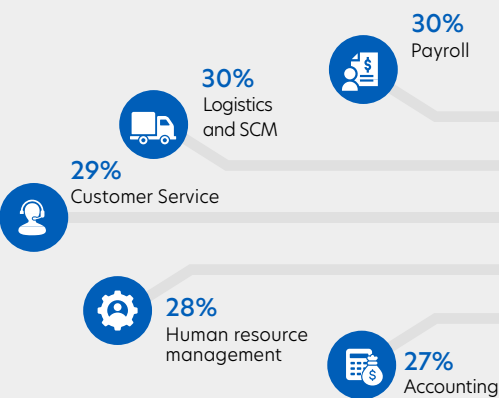
While nearly **1 in 2** businesses in Hong Kong have seen success from their digitalisation efforts, the number of businesses that succeeded has declined from the previous year.



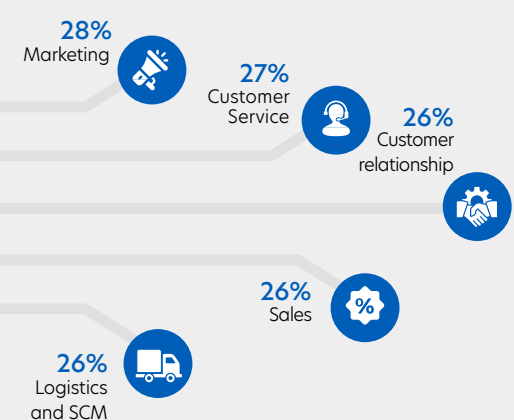
► Business functions digitalised

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

Currently digitalised



Planned for future digitalisation

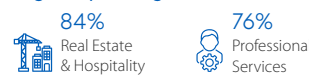


Digitalisation efforts will continue at a similar pace within internal business functions but are likely to be expedited in customer-facing functions.

► Expected spending on digitalisation in 2024

Nearly **7 in 10** 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 **1 in 2** businesses believe they save time and effort in implementation when supported by banks and FIs in their digitalisation journey.

Over **4 in 10** of businesses feel banks and FIs can provide insights support and be a facilitator between businesses and government.



► Current state of sustainability

81% of businesses consider sustainability important. However, only 43% of businesses have implemented sustainable practices in 2023.

Highest implementation sectors

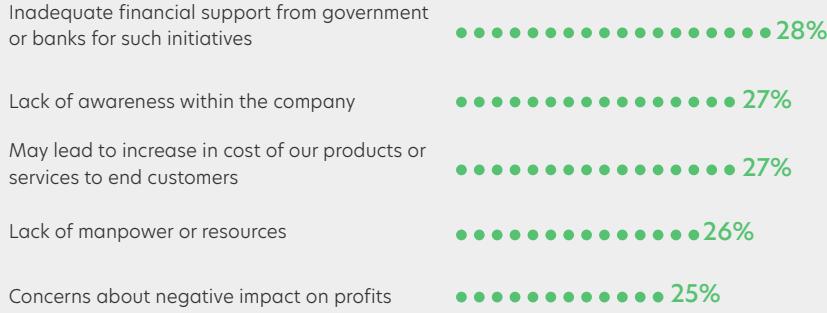


Differences by turnover



► Top barriers to sustainability

Inadequate financial support, lack of awareness within company and impact on cost are key obstacles in sustainability implementation in Hong Kong.



Most concerned about inadequate financial support by sectors

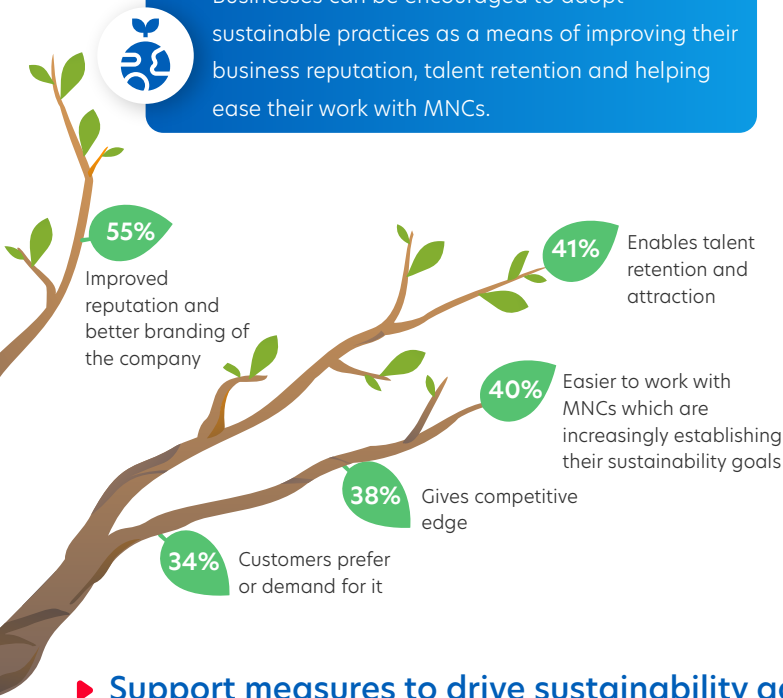


Differences in concern about inadequate financial support by turnover



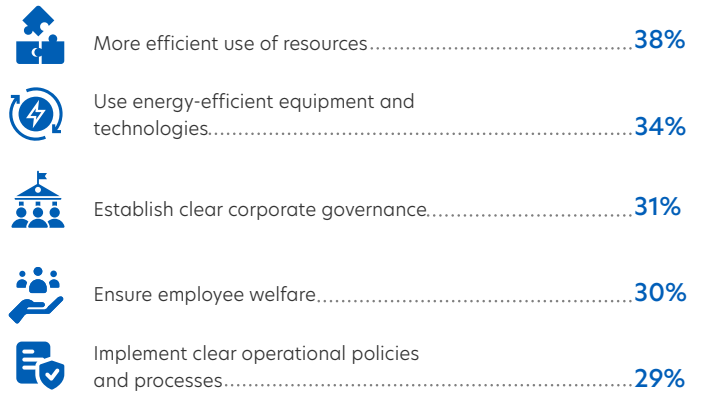
► Ways to encourage sustainable practices

Businesses can be encouraged to adopt sustainable practices as a means of improving their business reputation, talent retention and helping ease their work with MNCs.



► Sustainability practices prioritised

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



Higher prioritisation of efficient use of resources by sectors



Higher prioritisation of energy-efficient equipment by sectors



► Support measures to drive sustainability adoption

Financial measures such as tax incentives and options for sustainable financing are the key to drive greater adoption. Businesses can also benefit from easier access to funding or grants, and training programmes to reskill or upskill employees.

A sectorial approach can also be adopted to offer relevant support measures to sectors that are in more need for it. For example, Tech, Media & Telecom sector seeks more tax incentives and access to funding while Professional Services are looking to provide options for sustainable financing.

