

UOB Business Outlook Study 2024 (SMEs & Large Enterprises)



Hong Kong Report

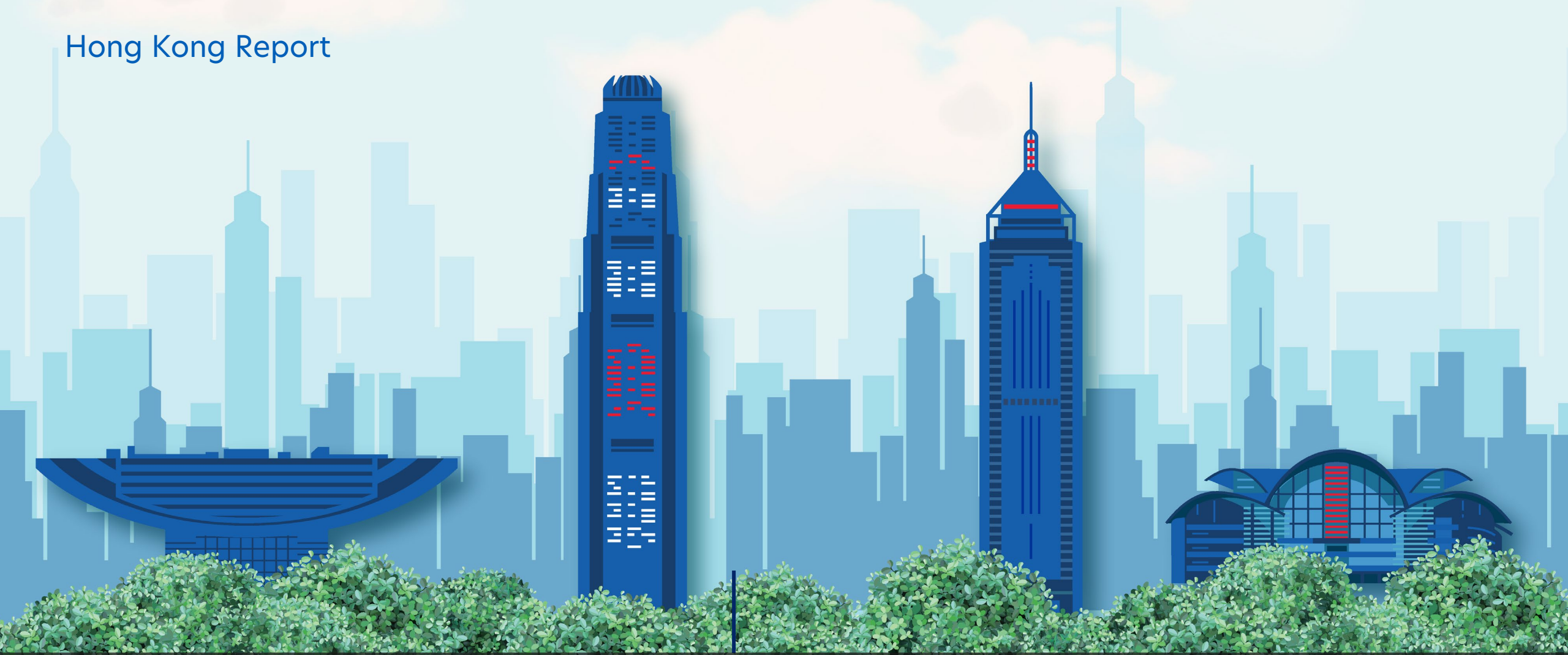


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Background & Methodology

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 sentiment, inflation impact and outlook among businesses across various sectors in Hong Kong.

By capturing robust insights around key themes such as Sustainability, Digitalisation, FinTech Adoption, Overseas Expansion and Supply Chain Management this study can help Hong Kong 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 **550** interviews

▶ WHERE

 Hong Kong

▶ WHO

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

 Covers SMEs across key industry verticals

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

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

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

Medium Enterprises: annual turnover of HKD 100m to <4b, **Large Enterprises:** annual turnover of HKD 4b to >50b

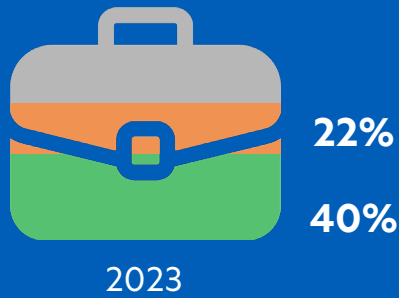


Business sentiment and outlook



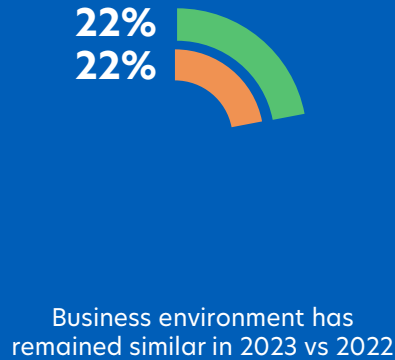
Over 1 in 5 businesses in Hong Kong believe the current business environment is very positive.

▶ Current environment in Hong Kong



- Very positive
- Somewhat positive

Most positive sectors



- 2022
- 2023

Most positive by turnover



Q. How do you perceive the current business environment in Hong Kong?
Base: Total 2023 (550), 2022 (557)

But businesses have been impacted by rising operational cost, high inflation and rising interest rates.

▶ Factors impacting businesses in 2023

3 in 10 businesses in Hong Kong are impacted by rising operational cost.

Nearly 3 in 10 businesses in Hong Kong are impacted by high inflation and interest rates.



30%
Rising operational cost



26%
High levels of inflation



25%
Rising interest rates



23%
Manpower (labour) shortages

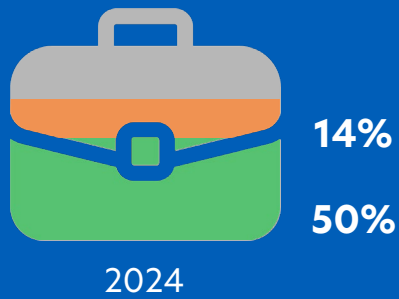


21%
Recovering from overall economic slowdown

Q. Which of the factors below had the biggest impact on your business in 2023? Select up to 5.
Base: Total, 2023 (550)

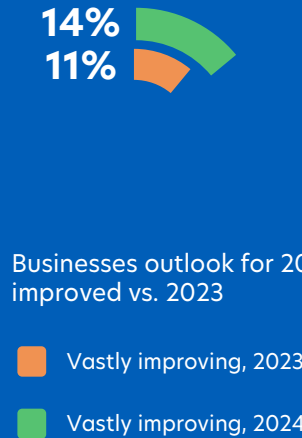
Over 1 in 10 businesses in Hong Kong expect a vastly improved business performance in 2024. Cost reduction will be a top priority.

▶ Future outlook 2024



- Vastly improving
- Somewhat improving

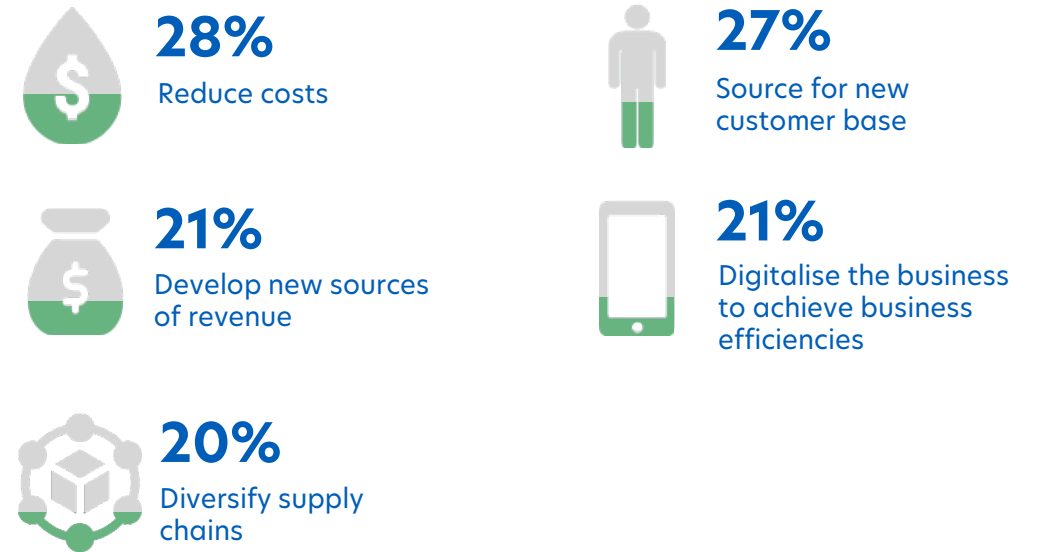
Most improved sectors



Most improved by turnover



▶ Business priorities for the next 1-3 years



Future priorities reflect the current market reality of rising operational cost and high inflation. Businesses plan a prudent mix of short-term measures like reducing costs and long-term measures like developing new sources of revenue and acquiring new customers.

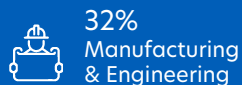
Extending the range of products and/or services and focusing on customer experience are key to driving future growth. Businesses are looking to automate and leverage new technologies or AI tools to enhance customer interactions.

▶ Plans to achieve business priorities

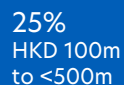


▶ Extend our range of products and/or services

Higher focus sectors



Higher focus by turnover



Q. How do you plan to achieve these priorities?
Base: Total, 2023 (550)

▶ Key capabilities to improve

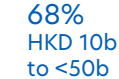


▶ Automation to ease customer service

Higher focus sectors



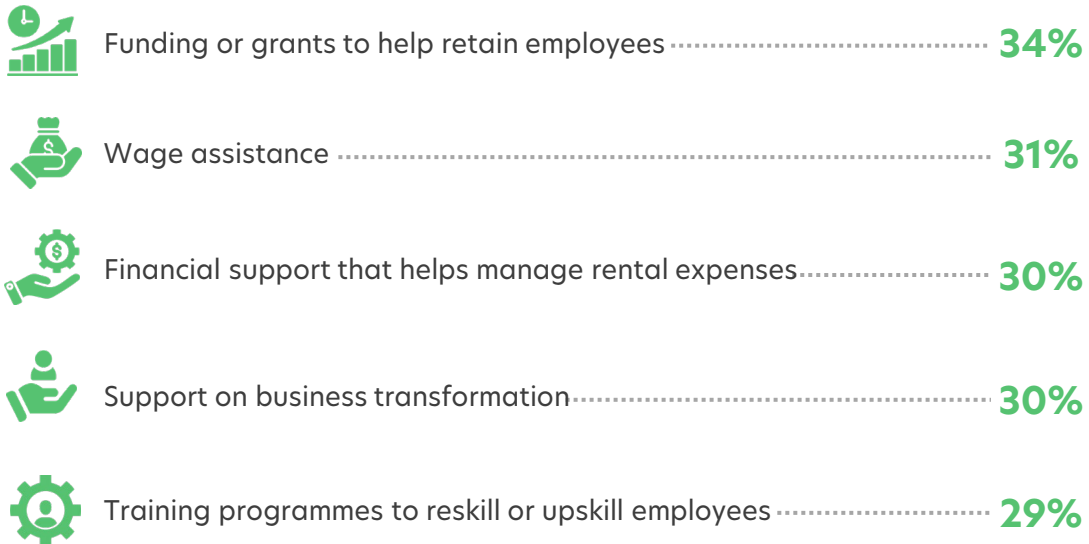
Higher focus by turnover



Q. What are the key channels/capabilities that your business needs to improve to handle this change in customer engagement expectations?
Base: Total, 2023 (550)

Funding to retain employees and wage assistance are the need of the hour for businesses, particularly in Business Services and Wholesale Trade sectors.

► Support for future business success



► Top support areas

Funding or grants to help retain employees

Most needed sectors



Wage assistance

Most needed sectors



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 (550)

► What can banks and Financial Institutions do?



Providing the right financial support is critical for future business success. Short-term measures like lower rates and waiver or lowering of transaction fees should be coupled with proactively offering loans to help with cashflow concerns.

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 (550)



Overseas expansion



A desire to improve profitability is fuelling interest in overseas expansion in over 6 in 10 businesses in Hong Kong.

▶ Level of interest in overseas expansion

Interested (Very or slightly) **77%**

Very interested



Slightly interested



Neutral or Not interested



▶ Most expansion interest

Most interested sectors

85%
Manufacturing & Engineering

84%
Wholesale Trade

Most interested by turnover

87%
HKD >50b

80%
HKD 1b to <4b

▶ Motivation for overseas expansion



63%
Improve profitability



49%
Grow revenue



49%
Build reputation as an international business



40%
Leverage my company's regional or global network

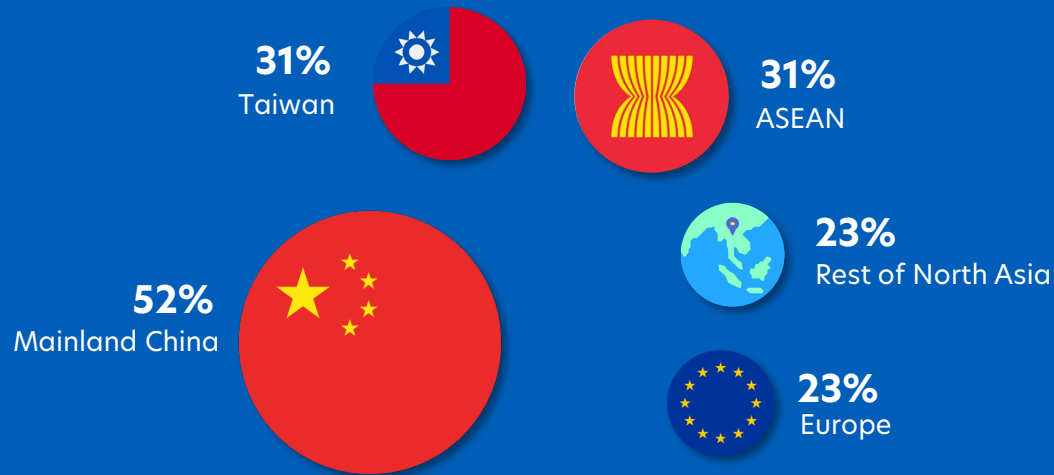


35%
Reduce business risk by diversifying into other markets

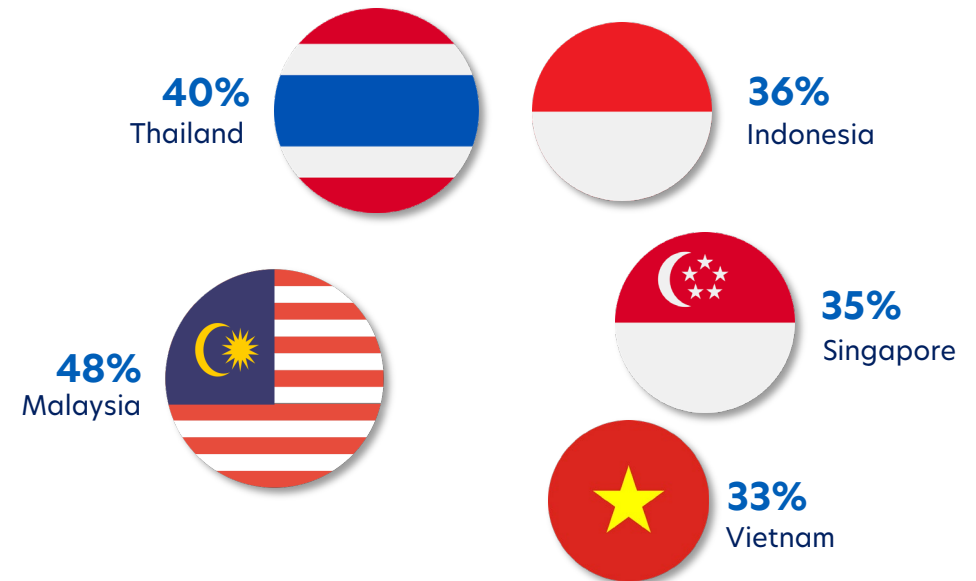
Cross-border digital trade platforms are a popular mean of overseas expansion with nearly 8 in 10 businesses showing interest in using them.

Mainland China, Taiwan and ASEAN are key markets for future expansion. Within ASEAN, Malaysia and Thailand are top destinations.

▶ Top locations seeking to enter



▶ Top ASEAN locations seeking to enter



▶ Top locations by sectors

Venture into Mainland China



Venture into Taiwan



▶ Top ASEAN locations by sectors

Venture into Malaysia



Venture into Thailand

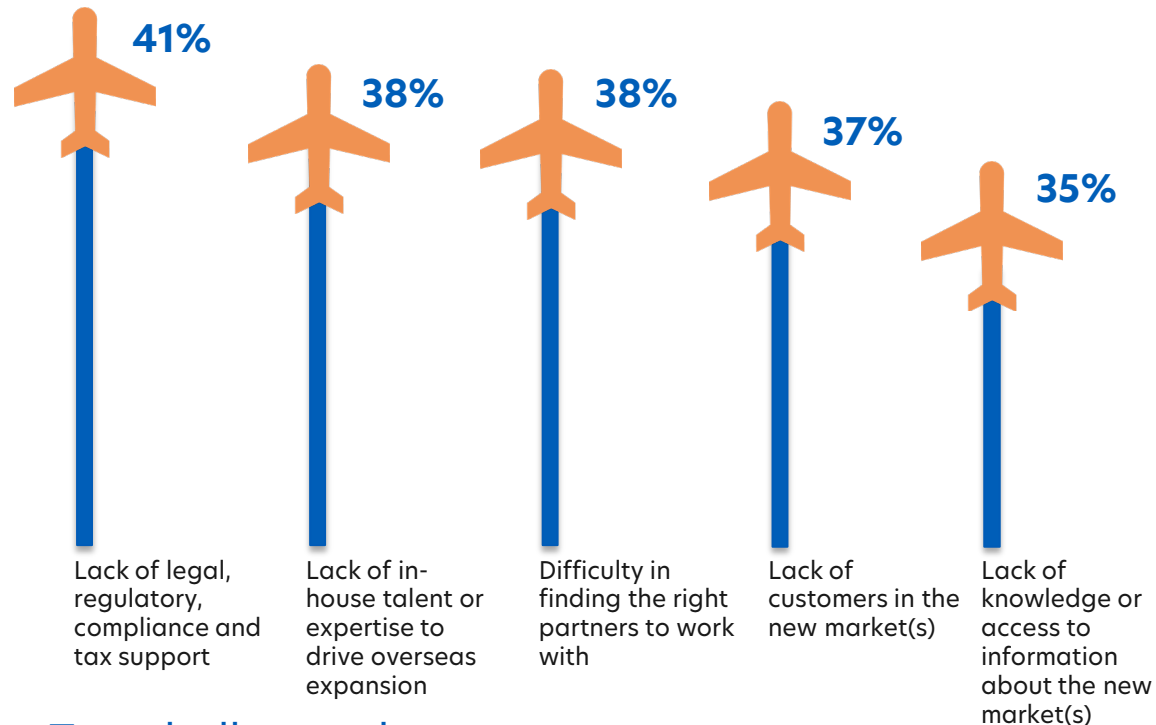


Q. Please select the most important countries (up to 3) in ASEAN that your company is intending to venture into within the next 3 years (by 2026).
Base: Interested in expanding within ASEAN 2023 (132)

Q. Which of these markets is your company intending to venture into within the next 3 years (by 2026)?
Base: Interested in overseas expansion (426)

Overseas expansion is challenging due to lack of legal, regulatory, compliance & tax support and in-house talent or expertise.

▶ Top barriers for overseas expansions



▶ Top challenges by sectors

Lack of legal, regulatory, compliance and tax support



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



Q. What are the key barriers in your effort for overseas expansion?
Base Total (550)

▶ Expected support measures



Financial support is the key to encouraging businesses to expand overseas. Businesses can also benefit from tax incentives or rebates and connections to industry peers to learn from their best practices.

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 (450)

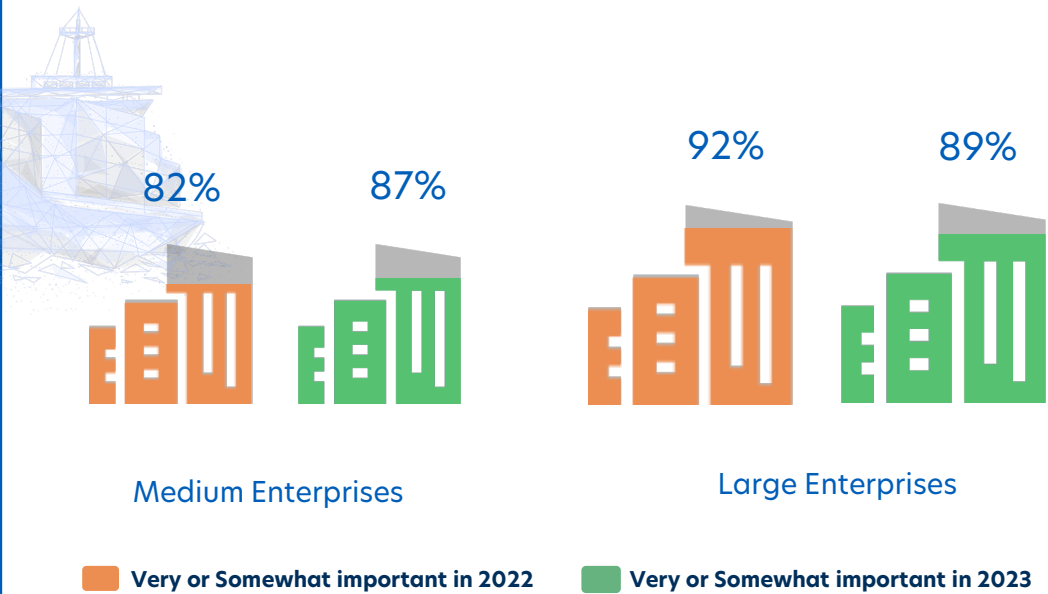


Supply Chain Management (SCM)



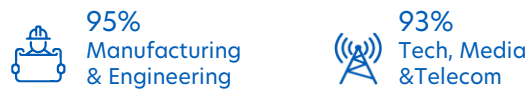
SCM continues to be important for businesses, but less so for Large Enterprises than it was a year ago.

► Importance of SCM



► Most important by sectors and turnover

Most important sectors



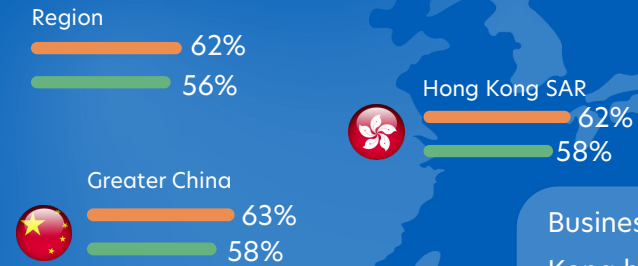
Most important by turnover



Q. How important is supply chain management to your business?
 Base: Total 2023 (550), Medium Enterprises (343), Large Enterprises (207)

Fewer businesses are now impacted by geopolitical tensions compared to 2022, but it remains higher than the region average.

► Impact of geopolitical tensions on supply chain

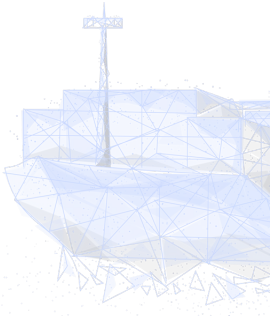


Businesses across Hong Kong have stock raw material ahead of time, adopt better inventory management practices and diversified supply chains leading to lower risk to their supply chain from various geopolitical events.

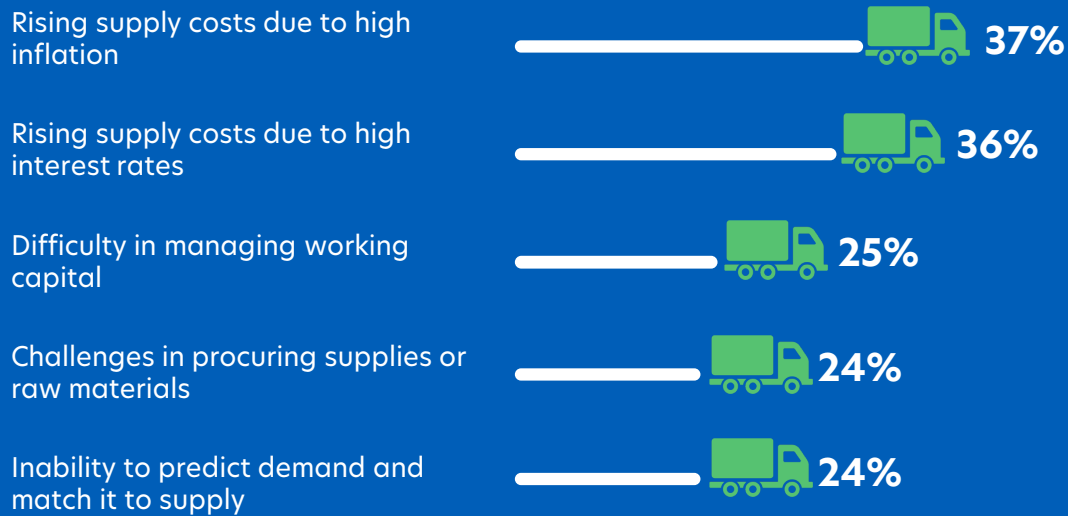
■ Very or Somewhat affected in 2022
 ■ Very or Somewhat affected in 2023

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 (550), 2022 (557)

Rising supply costs and difficulty in managing working capital are key challenges. Businesses are adapting by stocking raw material ahead of time and adopting better inventory management practices.



▶ 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 (550)

▶ 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 (550)

Businesses seek tax incentives, opportunity to collaborate with industry bodies, government-linked or large business and easier funding.

► Preferred support for supply chain stability

	Top support areas		
	Total	Medium Enterprises	Large Enterprises
Tax incentives or rebates	37%		
Opportunities to collaborate with industry bodies, government-linked or large businesses	37%		
Easier access to funding or grants	36%		
Connections to the right technology and solution providers	35%		
Faster turnaround of loan applications for working capital efficiency	33%		

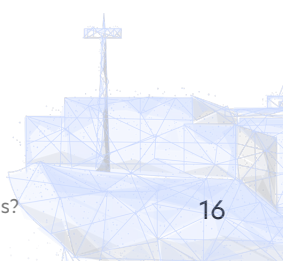
Q. What support in your opinion should be available to businesses to ensure supply chain stability? This support could be from government, banks, industry bodies etc.
Base: Total 2023 (550)

Trade credit insurance, export services, and Letter of Credit are top trading needs that businesses have.

► Trading needs among businesses

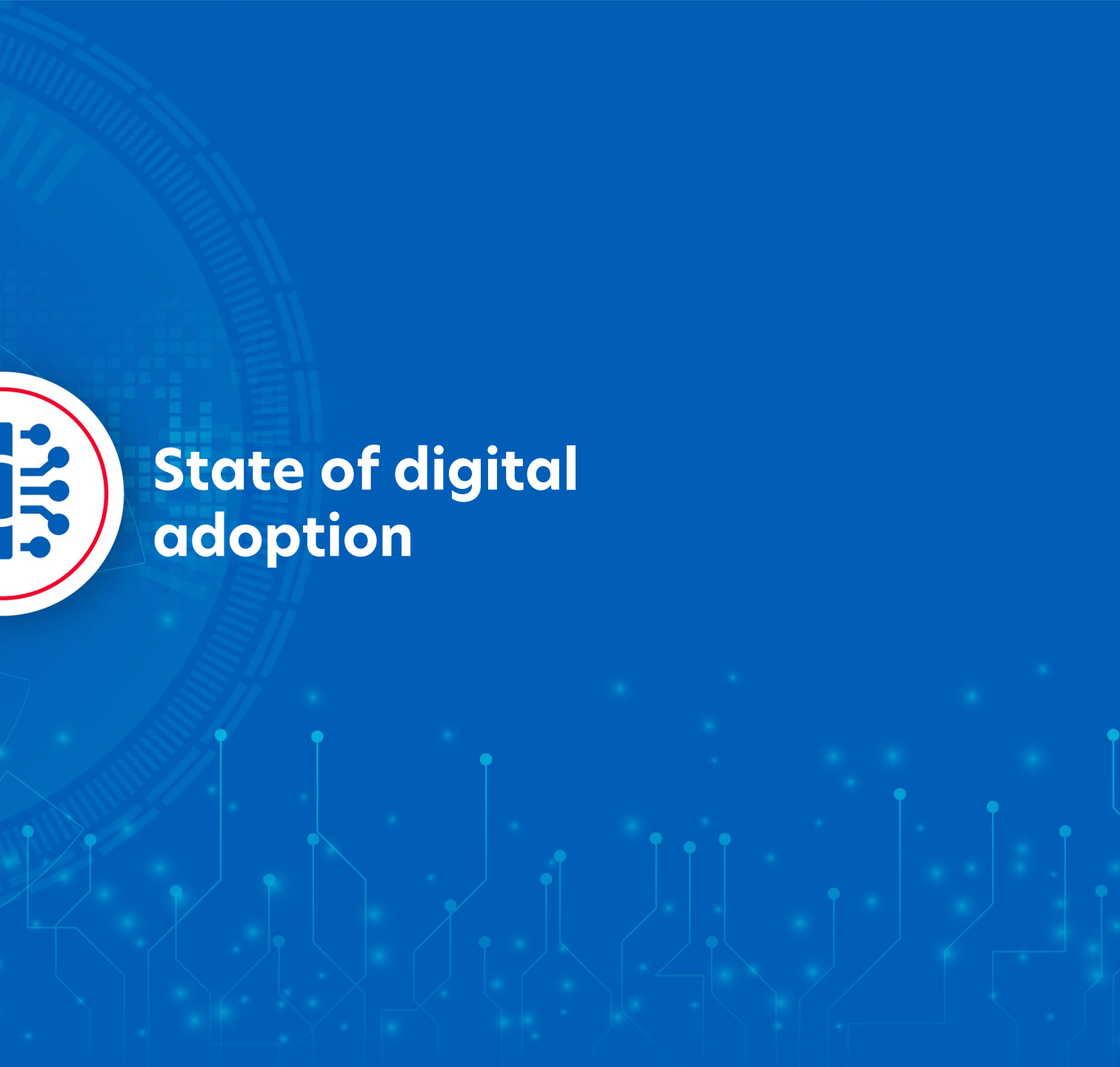


Q. What trade services do you think your financial partner should provide to support your trading needs?
Base: Total 2023 (550)



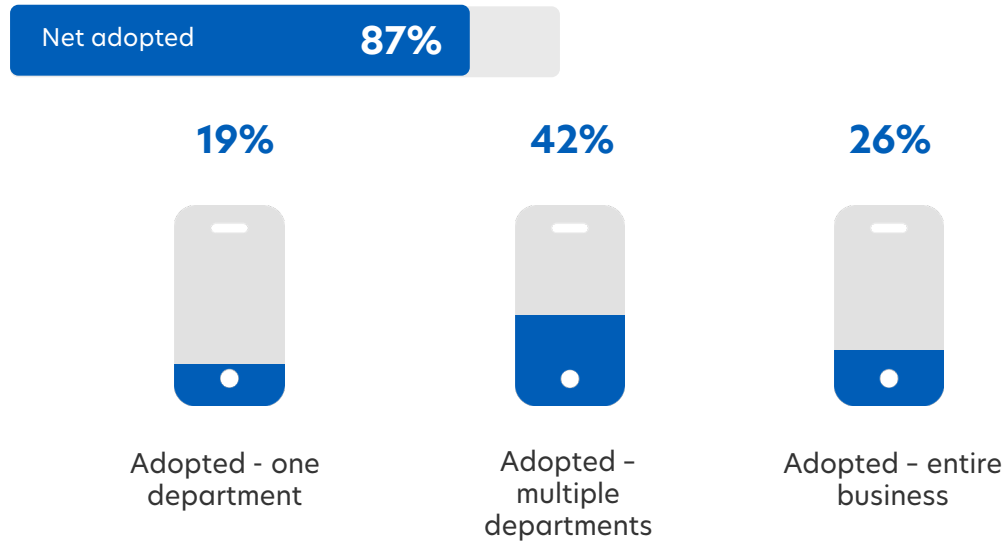


State of digital adoption



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

▶ Current state of digital adoption



▶ Most digitalised by sectors and turnover

Most digitalised sectors



Most digitalised by turnover



Over 1 in 2 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 enthusiasm among employees, lack of employee expertise, and cybersecurity concerns.

▶ Most success with digitalisation

Most successful sectors



Most successful by turnover



With internal functions already digitalised, business plan to digitalise customer-facing functions like marketing and sales.

▶ Currently digitalised processes



30%
Payroll



30%
Logistics and SCM



29%
Customer service



28%
Human resource management



27%
Accounting

▶ Processes for future digitalisation



28%
Marketing



27%
Customer Service



26%
Customer relationship management



26%
Sales



26%
Logistics and SCM

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 (534)

Q. What business process/es are you looking to digitalise in 2024 to drive business success?
Base: Total, 2023 (550)

▶ Digitalisation spending in 2024

Nearly 7 in 10 businesses in Hong Kong are planning to spend more on their digitalisation efforts in 2024, with most budgeting an increase of 10% to 25%.

56%



Spend 10% to 25% more than 2023

11%



Spend 25% to 50% more than 2023

▶ Most digitalisation spending in 2024

Most spending sectors

84%
Real Estate & Hospitality

76%
Professional Services

Most spending by turnover

77%
HKD 10b to <50b

75%
HKD >50b

Q. Do you foresee spending more on digital solutions and/or technology in 2024 compared with 2023?
Base: Total 2023 (550)

Improved productivity and coordination across functionalities or departments benefits 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

47%
Manufacturing & Engineering

38%
Community & Personal

Increase coordination across functionalities or departments

Most impacted sectors

41%
Tech, Media & Telecom

38%
Real Estate & Hospitality

Digitalisation has helped both labour-intensive and service-oriented sectors alike to increase productivity and improve customer experience.

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

▶ Top challenges for digitalisation



30%

Expensive to implement



29%

Concerns over cybersecurity issues



28%

Lack of digital skillset among employees



28%

Increased risks of data breach or cybersecurity threats



28%

Incompatibility between old and new systems

▶ Top challenges by sectors

Expensive to implement

Most impacted sectors

42%
Manufacturing & Engineering

35%
Business Services

Concerns over cybersecurity

Most impacted sectors

35%
Business Services

34%
Professional Services

▶ Top support needed for digitalisation

Training programmes to reskill or upskill employees

41%

Connections to the right technology and solution providers

36%

Access to knowledge and expertise in the area

33%

Advisory and consultation

32%

Access to business analytics and insights relevant to my industry

32%

Training programmes are needed to address the lack of digital skillsets. Connections to the right technology partners can address the cybersecurity concerns and high implementation cost.



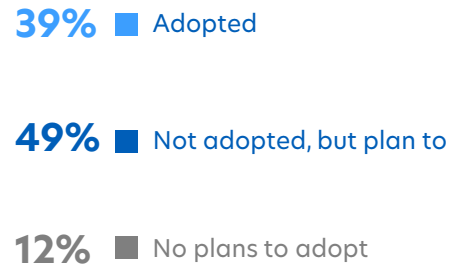
Fintech adoption



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

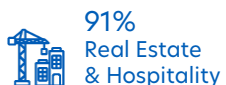
► Status of FinTech adoption

Net Adopted or Plan to adopt **88%**



► Adopted or plan to adopt by sectors

Most adopted/planned sectors



Least adopted/planned sectors



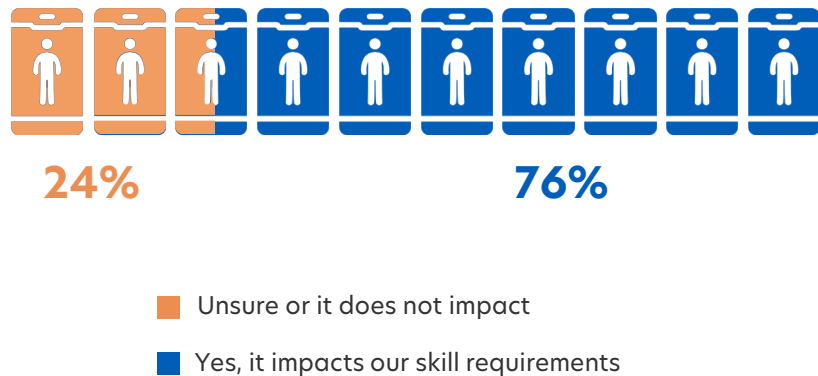
► Top FinTech solutions adopted or planned



Professional Services sector adopts FinTech most for payments and remittances. Wholesale Trade sector adopts it most for finance and accounting solutions. Real Estate & Hospitality sector uses investment technology solutions the most.

Most businesses believe that FinTech impacts their skill requirements. But only 1 in 2 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 Business Services and Construction & Infrastructure that 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 (483)

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 (483)

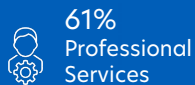
FinTech solutions are seen to be cost-effective, quick and lower in fees. But concerns around security, lack of knowledge and ROI hamper wider adoption.

▶ Top differentiators for FinTech solutions



▶ Top differentiators by sectors

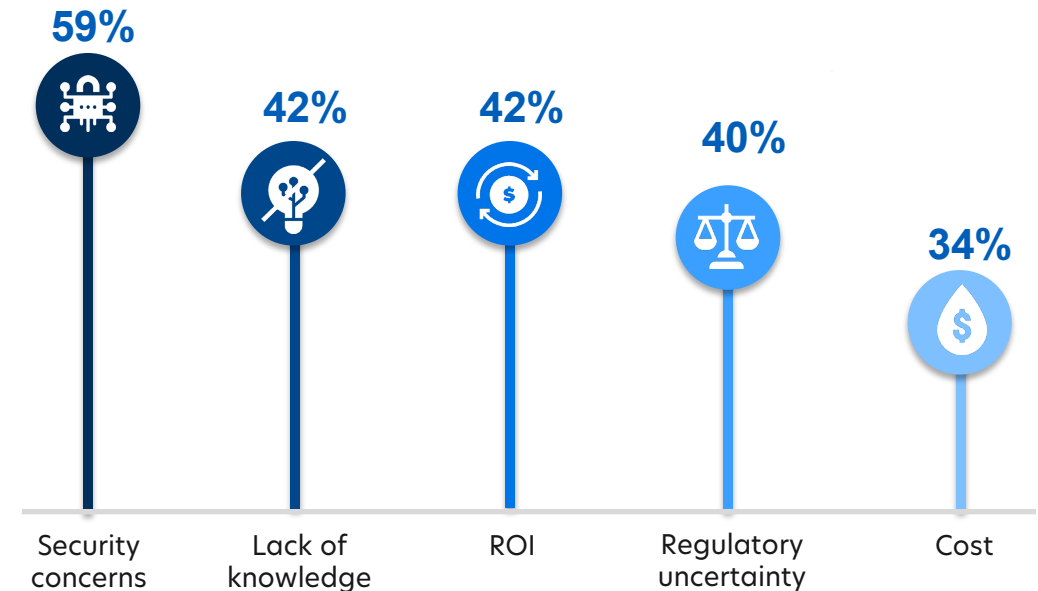
Cost-effective solutions



Better speed of service and transactions



▶ Top challenges of FinTech solutions



More Large Enterprises have adopted FinTech solutions compared to Medium Enterprises. Consequently, they encounter more challenges particularly around cost.

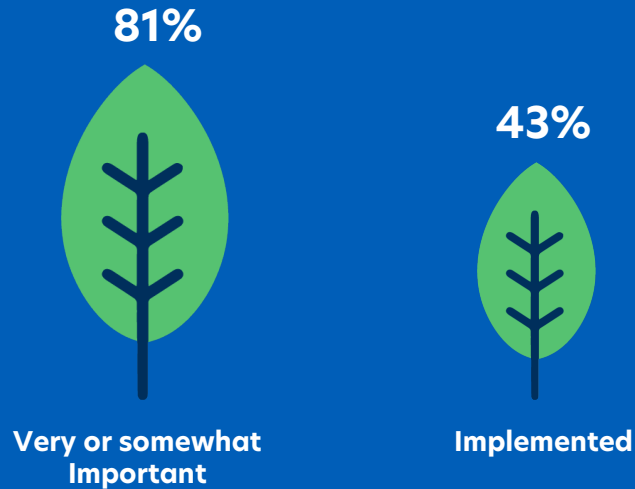


Sustainable business



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

▶ Current state of sustainability

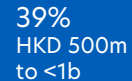
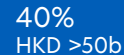


▶ Least adopted by sectors and turnover

Least adopted sectors



Least adopted by turnover



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 (550)

Inadequate financial support, lack of awareness and increase in cost to customers are holding back higher adoption.

▶ Key barriers to sustainability

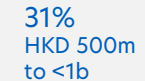


Inadequate financial support from government or banks for such initiatives

Most concerned sectors



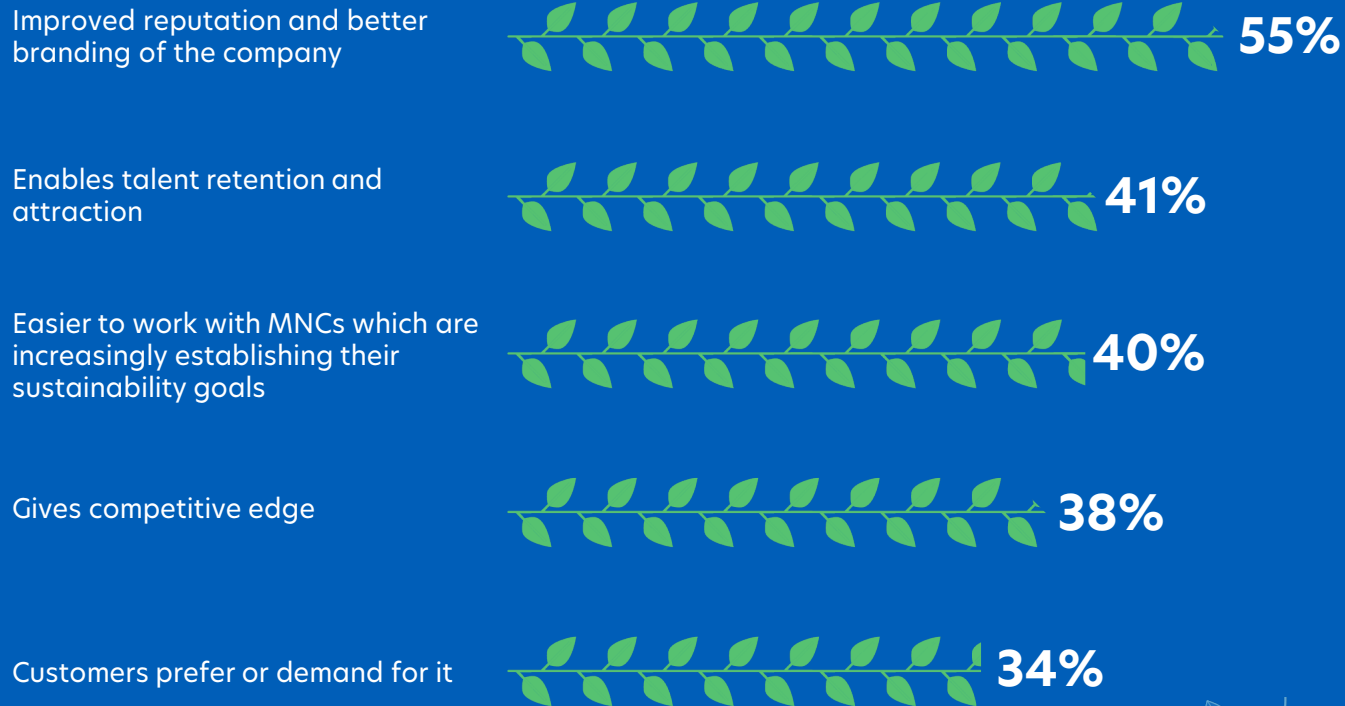
Most concerned by turnover



Q. What are the major barriers to implementing sustainability practices in your company?
 Base: Total 2023 (550)

Sustainability help build business reputation, enables talent retention and attraction, and eases working with MNCs.

▶ The motivators for sustainability adoption



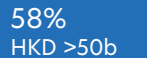
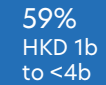
▶ Motivators by sectors and turnover

Improved reputation and better branding

Sectors most important in



Size most important for

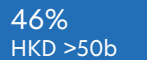
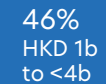


Enables talent retention and attraction

Sectors most important in



Size most important for



Sustainable practices leading to efficient use of resources or energy and establishing clear corporate governance are prioritised by businesses to help derive cost savings.

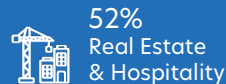
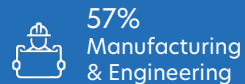
▶ Current vs future sustainable practices



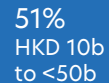
▶ Most incorporated by sectors and turnover

More efficient use of resources

Most incorporated sectors



Most incorporated by turnover



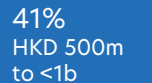
▶ Most planned by sectors and turnover

More efficient use of resources

Most planned sectors



Most planned by turnover



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 (235)

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 (315)

Businesses are most concerned about inadequate financial support once sustainability is implemented. Financial measures such as tax incentives and options for sustainable financing can help allay these fears.

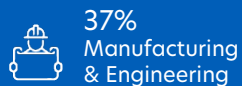
▶ Top sustainability challenges



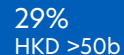
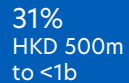
▶ Biggest barriers by sectors and turnover

Inadequate financial support

Most concerned sectors

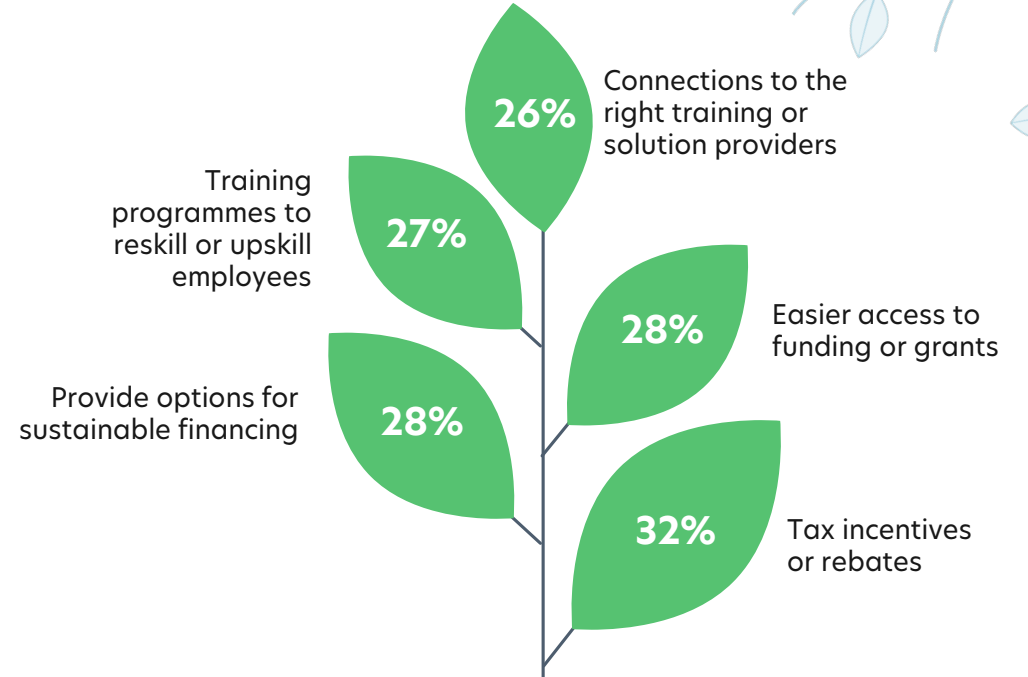


Most concerned by turnover



Q. What are the major barriers to implementing sustainability practices in your company?
Base: Total, 2023 (550)

▶ Top support areas for sustainability



Tax incentives, sustainable financing options and easy access to funding or grants can address concerns about inadequate financial support among 1 in 3 businesses. Training programmes to reskill or upskill, can be catered to helping businesses build awareness within the company.

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 (550)



Right By You

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