

PIVOTAL

Mainland China spotlight 2024



New research by DBS reveals the growing strategic influence that treasury and finance teams have on the long-term future of the business. Their guidance is vital as digital technology enables new forms of trade and value creation, as demand grows for sustainable business models, and as economic power is rebalanced across emerging markets as part of a new era of globalisation.

Here we look at what this means for businesses in Mainland China.

1. The business and economic climate

- Since opening up in 1978 and embarking on a string of reforms, Mainland China has transformed into an economic powerhouse and a lynchpin of global supply chains
- Over the past 20 years, Mainland China's GDP per person has quintupled in real terms to approximately USD25,000 ^[1]
- The economy was hit hard during Covid-19, but

^[1] <https://www.imf.org/external/datamapper/PPPPC@WEO/CHN>

is making a strong post-pandemic recovery, with growth exceeding 5% in 2023 ^[2]

- Some headwinds impacting on economic growth are an ageing population, weak domestic demand, mounting geopolitical stress and a rapidly rising debt-to-GDP ratio
- According to the International Monetary Fund, Mainland China will need to focus more on domestic consumption, higher productivity, and greater investment in technology and the green economy to support growth ^[3]

Strategic priorities for businesses in Mainland China

The top three strategic priorities for organisations in Mainland China over the next two years are:

1. Improving productivity and operational performance (a priority for 90%)
2. Enhancing customer satisfaction and retention (88%)
3. Securing new skills and talent (80%)

Business diversification: a focus on innovation and the supply chain

Business diversification is a strategic priority in the next two years for almost two in three (64%) Mainland China-based executives.

Innovating new products and services is the most common diversification theme among them, aligning with trends seen in other markets worldwide.

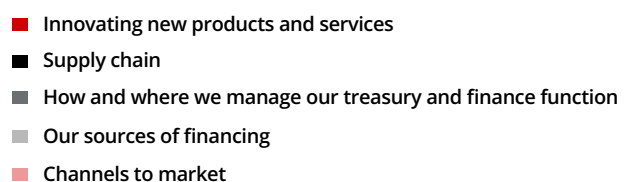
Innovation has been a strategic priority for Mainland

China as it transitions towards sustainable growth rooted in technology-empowered productivity. Mainland China is the world's largest holder of patents, with more than four million titles held by its companies. ^[4]

Organisations in Mainland China are also diversifying their businesses by reconfiguring logistics networks and sourcing strategies, which reflects the impact of ongoing trade-related geopolitical stress. In recent years, companies in Mainland China have increasingly expanded their economic footprints in emerging markets in Latin America, Southeast Asia and Africa. ^[5,6,7]

Figure 1. Innovating new products and services is the top diversification goal in Mainland China

To what extent is your organisation looking to diversify the following areas of the business?



^[2] <https://asia.nikkei.com/Economy/China-confirms-GDP-rose-5.2-in-2023-on-higher-government-spending>

^[3] <https://www.imf.org/en/News/Articles/2024/03/24/sp032424-md-cdf-remarks>

^[4] https://english.cnipa.gov.cn/art/2024/1/24/art_3090_190001.html

^[5] <https://www.fdiintelligence.com/content/feature/chinas-growing-footprint-in-latin-america-82014>

^[6] <https://www.brookings.edu/articles/the-testing-ground-chinas-rising-influence-in-southeast-asia-and-regional-responses/>

^[7] <https://www.reuters.com/markets/commodities/post-covid-china-is-back-africa-doubling-down-minerals-2024-05-28/>

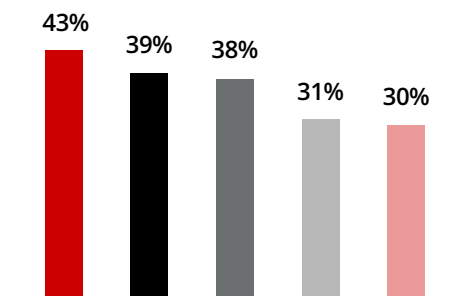
Barriers to growth

Growing regionalisation and nationalism is picked by 43% of Mainland China-based executives as a barrier to doing business in Asia. This likely reflects concerns around the implications of the ongoing trade tensions with the US and their impacts on manufacturers in the country. Economic downturn and volatility, and geopolitical uncertainty, are also a concern for approximately four in 10 executives.

Figure 2. Chinese businesses face several large-scale challenges in Asia

What are the main barriers that your business faces in Asia today?

- Growing regionalisation and nationalism
- Economic downturn and volatility
- Geopolitical uncertainty
- Access to capital and financing
- Climate risk



2. The strategic power of treasury and finance

Treasury and finance teams in Mainland China help businesses expand

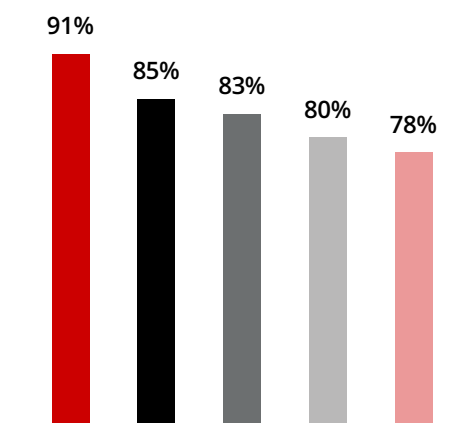
Corporate strategy is the initiative that most Mainland China-based treasury and finance teams are involved in (91%), followed by innovation and new product development (85%). The teams' focus on these two areas may reflect a reorientation among companies in Mainland China to expand into new markets and pursue more sustainable growth through innovation and new products, particularly as domestic demand remains subdued.

Similarly, given supply chain reconfigurations, treasury and finance teams in Mainland China are closely involved in procurement and supply chain.

Figure 3. Chinese treasury and finance teams are closely integrated with broader strategic initiatives

Which strategic initiatives are the treasury and finance teams closely involved in?

- Corporate strategy
- Innovation and new product development
- Procurement and supply chain
- Sustainability and decarbonisation
- Digital transformation



Sustainability and decarbonisation, meanwhile, are initiatives that four in five teams are involved in, reflecting a strong focus on green initiatives and sustainable growth, driven by a push for greener development.

Treasury and finance teams driving diversification through financing and marketing channels

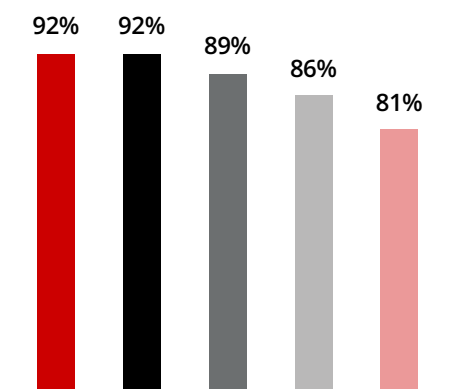
Ninety-two per cent of Mainland China-based treasury and finance teams are supporting their businesses' efforts around financing diversification. The same proportion are supporting diversification initiatives by working on new channels to market, such as online platforms (92%), and 89% are supporting geographic diversification.

This suggests companies in Mainland China are increasingly viewing consumer base expansion as a key lever for growth, an endeavour that will require increased investment. At the same time,

Figure 4. Treasury and finance are taking the lead around financing and channel diversification

Are your treasury and finance teams involved in the execution of the following diversification initiatives?

- Our sources of financing
- Channels to market
- Geographic diversification
- Innovating new products and services
- How and where we manage our treasury and finance function



the treasury and finance teams are also involved in mitigating changes in trade patterns and reconfiguring supply chains.

Shanghai, Singapore and Hong Kong SAR are the three favoured locations for regional treasury centres (RTCs) in Asia

Executives who took part in the survey indicate that Shanghai is one of the top locations for regional treasury centres (RTCs) in Asia. In particular, respondents say its robust financial ecosystem make it an attractive location for an RTC, as does the presence of a large number of multinational corporations within the city. Hong Kong SAR and Singapore are also rated highly overall by executives.

Figure 5. Singapore and Hong Kong SAR are highly favoured as locations for RTCs, while Shanghai follows close behind

Which is the top RTC location across the following dimensions?	
Shanghai's position	
Overall suitability as a regional treasury centre location	Within top three
Depth of talent pool	Within top three
Presence of other multinational corporations	Joint first
Robust financial ecosystem	Within top three
Supportive tax and regulatory framework	Within top three

3. What comes next for treasury and finance teams in Mainland China?

Almost two-thirds of executives in Mainland China believe that treasury and finance teams will be integral to business success in the new era, making it one of the top markets in our research that agree with this sentiment (joint third with Singapore).

Looking ahead, how should teams focus their efforts? Mainland China-based businesses say their treasury and finance teams are most capable of supporting diversification through:

1. Perspective on new and evolving risk (71%)
2. Strategic alignment with wider business direction (70%)
- =3. Process innovation and flexibility (69%)
- =3. Talent and skills (69%)

However, there is room for improvement in:

1. Preparedness to challenge strategy/development teams and offer solutions (28% say there is room to improve)
2. Securing favourable financing for diversification initiatives (24%)
3. Accessing consistent and reliable data (23%)

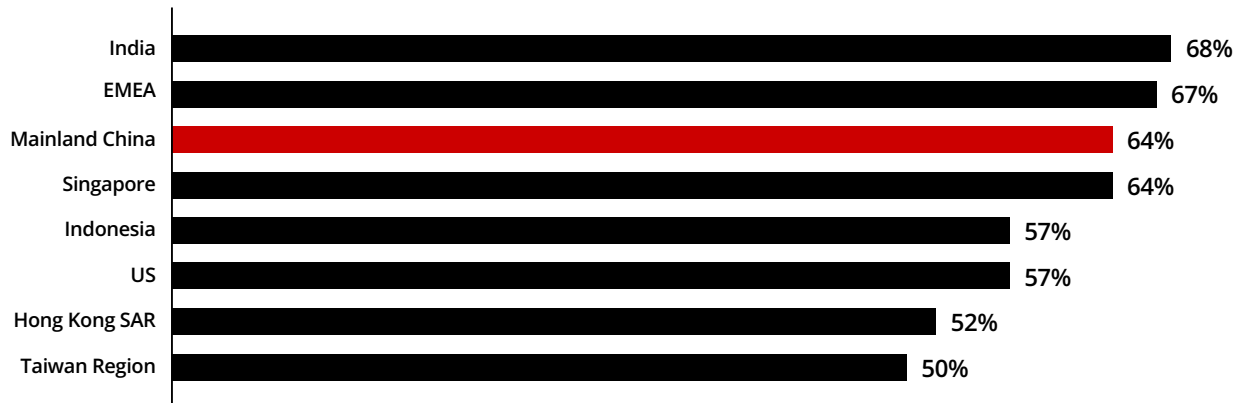
Against this backdrop, executives in Mainland China are focusing on a wide range of challenges and priorities:

- 66% say securing financing for new strategic initiatives in Asia is becoming more important
- 60% also say their teams struggle to keep up with the pace of strategic change and investment across the global business
- 65% assert that finance, procurement and strategy teams must collaborate effectively to ensure they have clarity around a set of common goals
- 61% are using generative AI to help them overcome long-term talent shortages and related challenges within treasury and finance



Figure 6. Respondents in Mainland China are highly likely to see treasury and finance teams as enablers of success

Do you agree that treasury and finance teams will be integral to business success in the new wave of globalisation?



The outlook for treasury and finance teams is full of promise. To help enable their businesses' objectives going forward, treasury and finance executives within Mainland China need to focus on collaborating with corporate leadership to exert greater influence on decision-making and business strategy. As Mainland China-based businesses come to grips with the changes wrought by geopolitical uncertainty and shifts in trade patterns, their treasury and finance teams should prioritise emerging risk management, AI-driven transformation and process innovation.

At DBS, we are committed to providing guidance and support to help them navigate the path ahead.

[Please click here to read the full *Pivotal* report](#)



“ As the epicentre of growth in the new era of globalisation, Asia attracts businesses that seek to capitalise on the region’s growing consumer markets and manufacturing capabilities. Within companies in China, we see a specific focus on expanding into new markets, improving productivity and operational performance along with enhancing customer satisfaction. It follows that their treasury and finance are supporting consistently on innovation because their perspective on risk and their ability to secure financing will be critical to developing successful products and implementing the right channels to customer.

Joyce Tee

Head of Institutional Banking Group

DBS China



“ Treasury and finance teams hold a unique position to shape the long term prosperity of their organisations. In China, they tell us they are heavily involved in shaping the broader corporate strategy while supporting transformation in procurement, the supply chain and across the wider business. At the same time, Shanghai is regarded as one of the top locations for an Asian regional treasury centre, with businesses attracted to the city’s networks of multinational corporations and its business-friendly tax and regulatory environment.

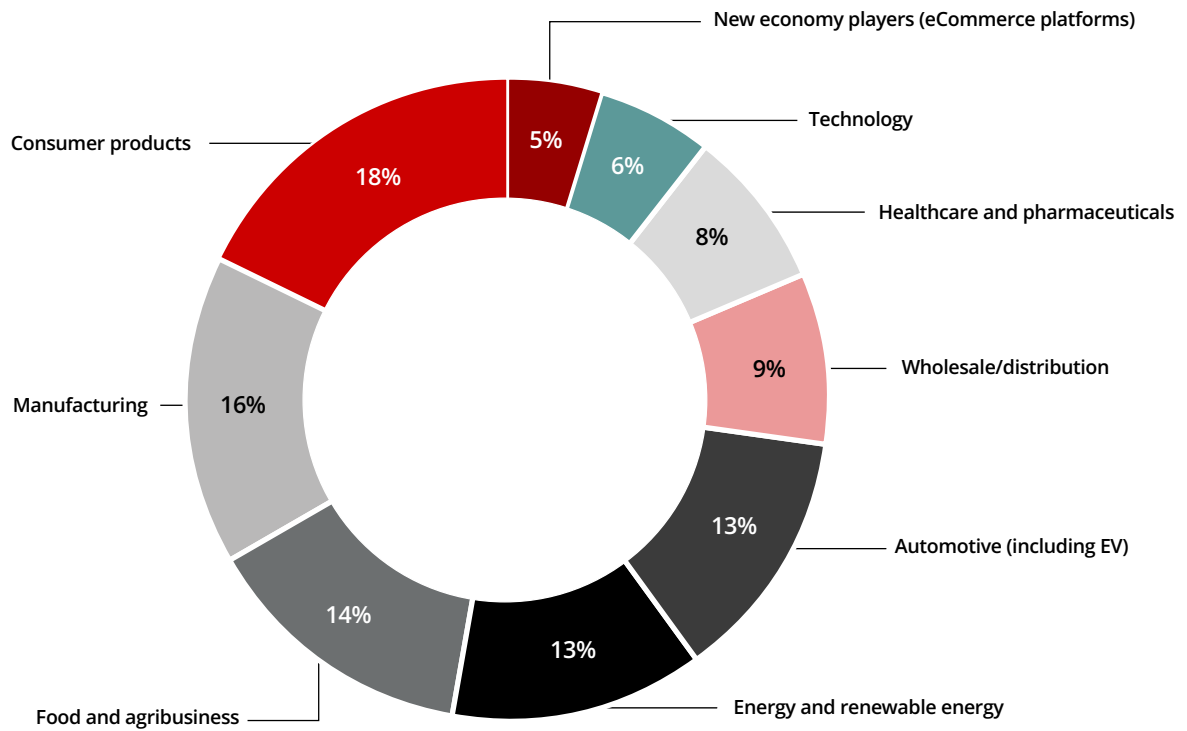
Wei Wei Chum

Head of Global Transaction Services

DBS China

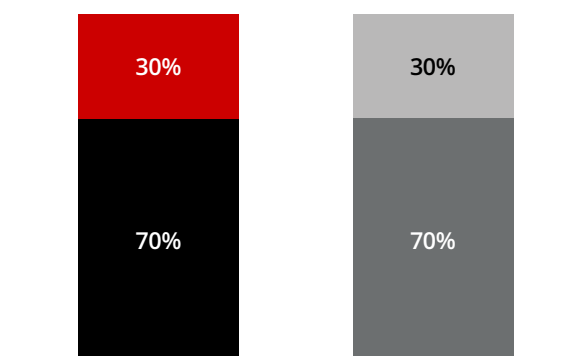
Mainland China: Demographic breakdown of survey respondents

Industry



Function and seniority

- Strategy
- Finance
- C-level (executive leadership/board member)
- C-1 (senior management reporting into executive leadership)



Role

