



BUSINESSatOECD

Business at OECD (BIAC)
Economic Policy
Survey 2023

KEY FINDINGS AND POLICY MESSAGES

While business confidence has improved compared to last spring shortly after the breakout of the war against Ukraine, business respondents remain cautious about the overall economic climate. The private sector remains seriously concerned about the repercussions of the war as well as geopolitical tensions, which emerged as the main risk to global economic growth for 60% of respondents.

Over the past year, concerns about supply chain disruptions have decreased, as well as concerns about the impact of the war on commerce, shipping, and transport. However, although countries have increased the diversification of energy sources, business concerns about energy prices remain very high. In 2023, 92% of our members regard energy prices as a major concern whilst in 2022, 83% expressed that energy was the sector most hit by the war in Ukraine. Other persisting challenges highlighted are inflation developments and labor shortages.

Additionally, when analyzing the vulnerability of Small and Medium Enterprises (SMEs), labor shortages and the capacity to adopt digital and sustainable technologies were highlighted as main challenges. Compared to last year, business regards the outlook as being mainly unchanged since in 2023, no drastic increase or decrease of SMEs is expected.

The most noteworthy change in structural reform priorities in 2023 is the surge in focus on green transition, which increased from 40% in 2022 to 80%. This strong increase highlights that structural reforms should be supportive of the green transition. Other top reform priorities are the digital transition and migration policy. Finally, compared to last year, our membership perceives that the intensity of government policy reform has significantly increased, and that international cooperation should prioritize international trade, mitigating geopolitical tensions, and migration policy.

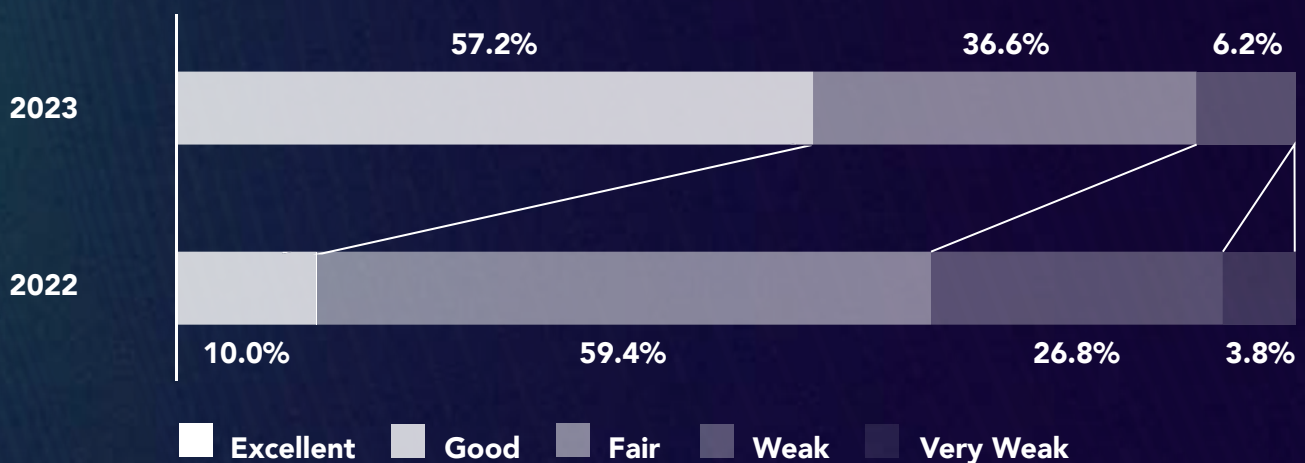
SECTION I: OVERALL ECONOMIC SITUATION

1. The overall business climate

Compared to spring 2022, weeks after the breakout of the war in Ukraine, members expressed more confidence in the current business climate in their countries.

Figure 1: Snapshot view of current business climate, 2022 and 2023 surveys

How would you rate the overall business climate in your country at present?



Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)

Highlights:

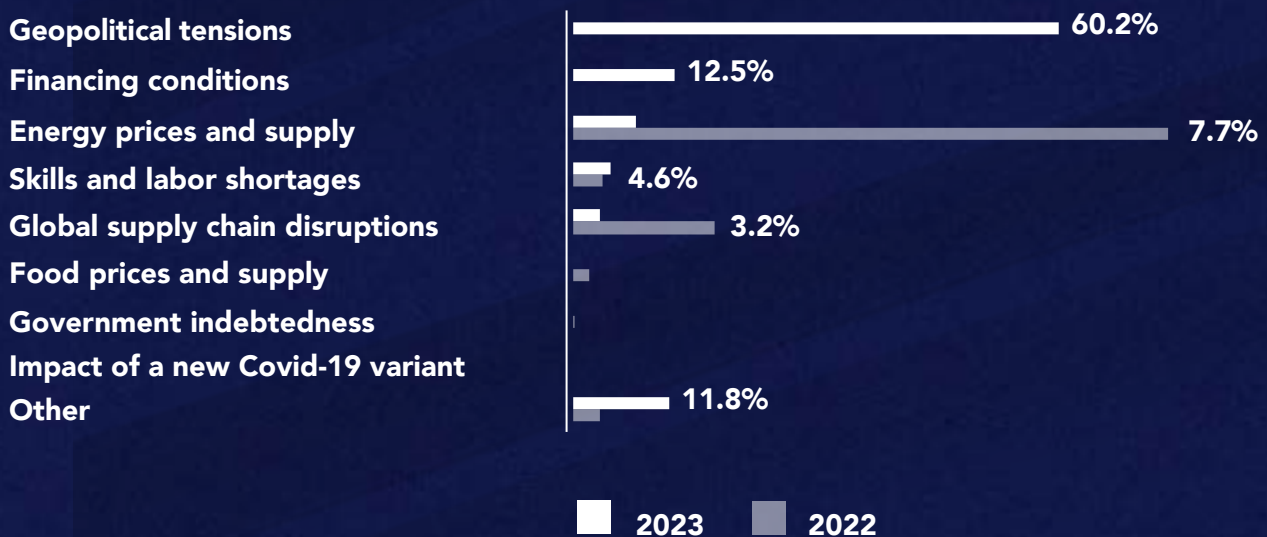
- Our survey results indicate some improvement in the overall business climate between spring 2022 and spring 2023. In 2022, only 10% of respondents regarded the business environment as "good", the number increased to 57% this year.
- Moreover, over the past year, there was a decrease in members perceiving the business climate as "weak" moving from 27% in 2022 to 6%.

2. Main concern in the current global economic outlook

The main concern on the global macroeconomic situation shifted between 2022 and 2023. These shifts indicate the increasing concern between the interrelation of geopolitical tensions and the macroeconomic outlook.

Figure 2: Main concern on the global macroeconomic situation

What is your main concern regarding the global macroeconomic situation?



Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)

Highlights:

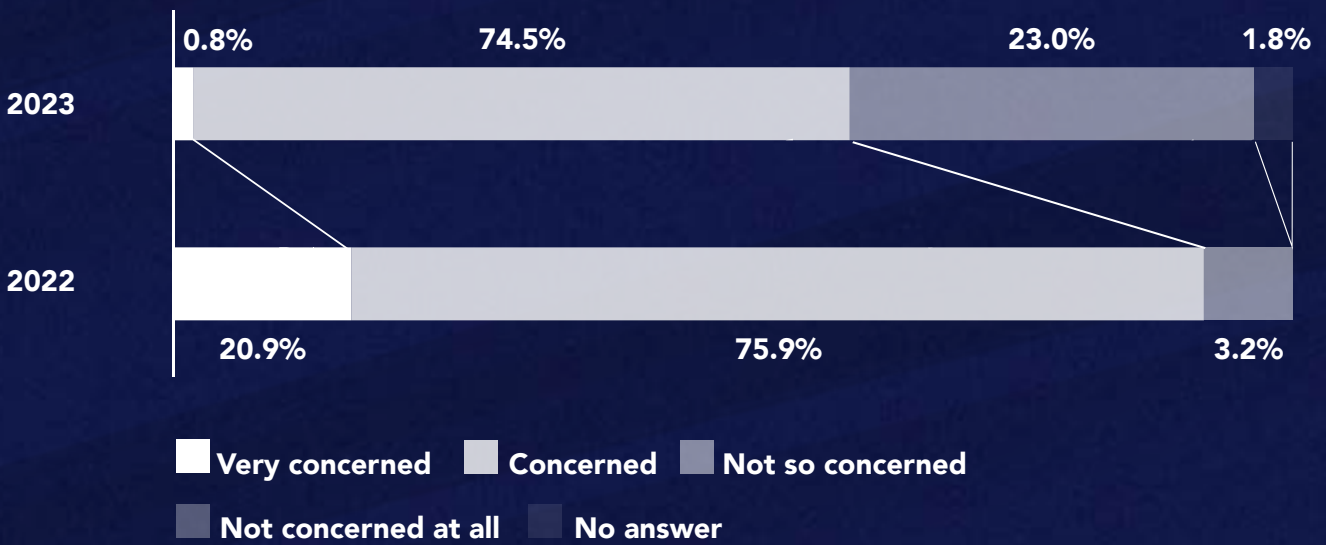
- In 2023, “Geopolitical tensions” emerged as a new primary concern with 60% of respondents indicating it as the main risk to global economic growth (It is important to note that this option was added to the survey in 2023).
- Other concerns, such as “Financing conditions” (13%) also gained prominence in 2023, while concerns about energy prices and supply chain disruptions decreased significantly. These shifts in concerns indicate a complex and evolving geopolitics and macroeconomic landscape.

3. Impact of the war in Ukraine

The war in Ukraine remains a major risk on the global economy and its economic impact has extended to different sectors over time.

Figure 3: The impact of the war in Ukraine

How concerned are you about the impact of the war in Ukraine on your country's economy?

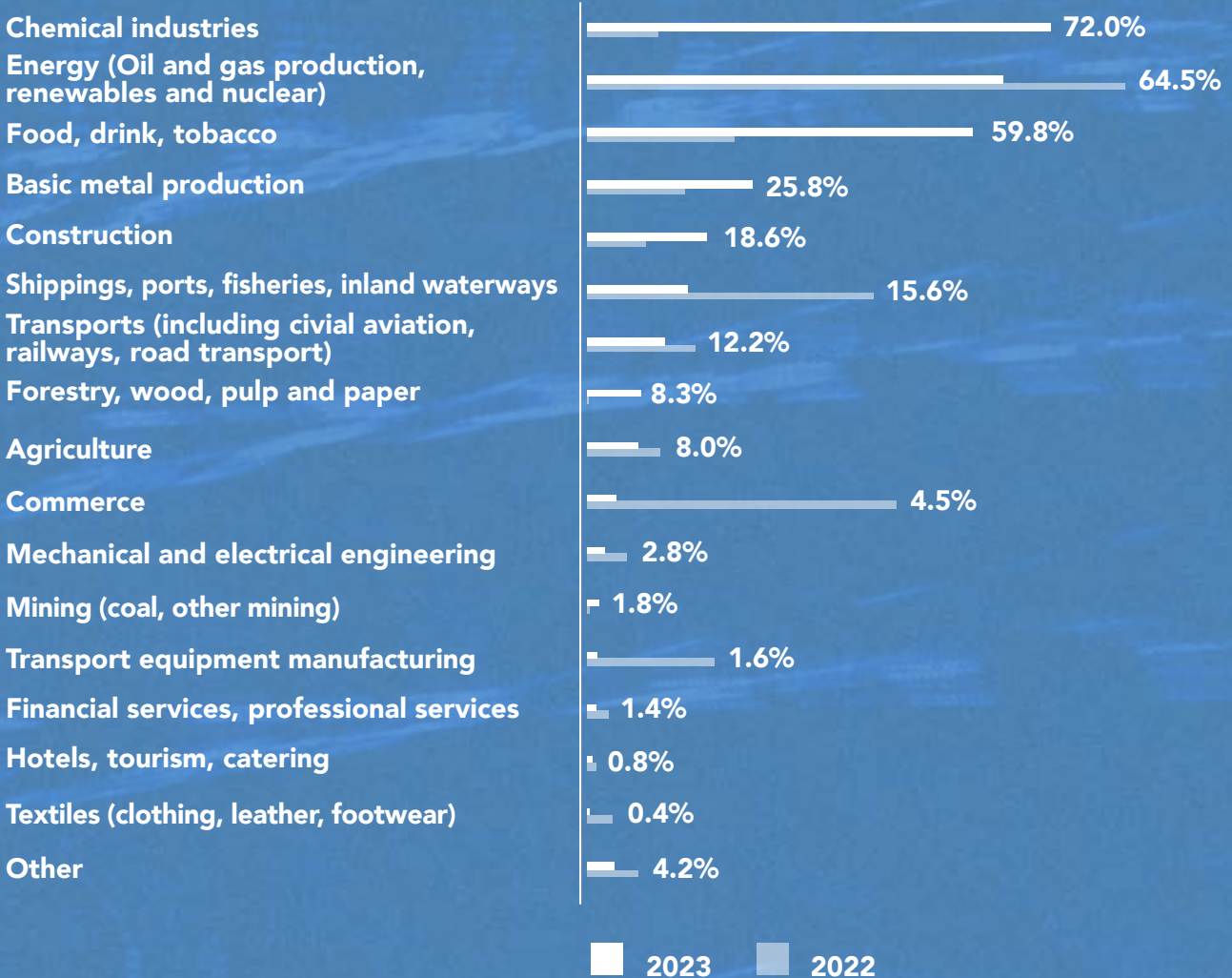


Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)

Section I: Overall economic situation

Figure 4: The sectors most affected by the war

Which sectors of your country's economy are most affected by the war?



Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)

Highlights:

- In 2023, the level of concern remains high, with 75% of respondents still being either “Very concerned” or “Concerned”.
- The impact of the war in Ukraine has been felt across various sectors of the economy. In 2022, the most affected sectors included “Energy” (83%), “Commerce” (48%), and “Shipping” (45%). In 2023, the most affected sectors shifted to “Chemical industries” (72%), “Energy” (65%), and “Food” (60%).

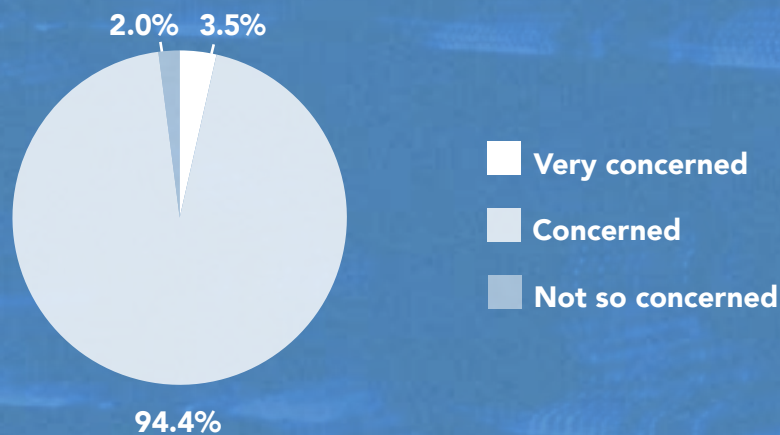
SECTION II: MAIN CHALLENGES FOR THE OVERALL BUSINESS COMMUNITY

4. Inflation developments and supply chain disruptions

Since the Covid-19 pandemic followed by the war in Ukraine, business continues being concerned about inflation developments but less about supply chain disruptions.

Figure 5: Business concerns on inflation developments in 2023

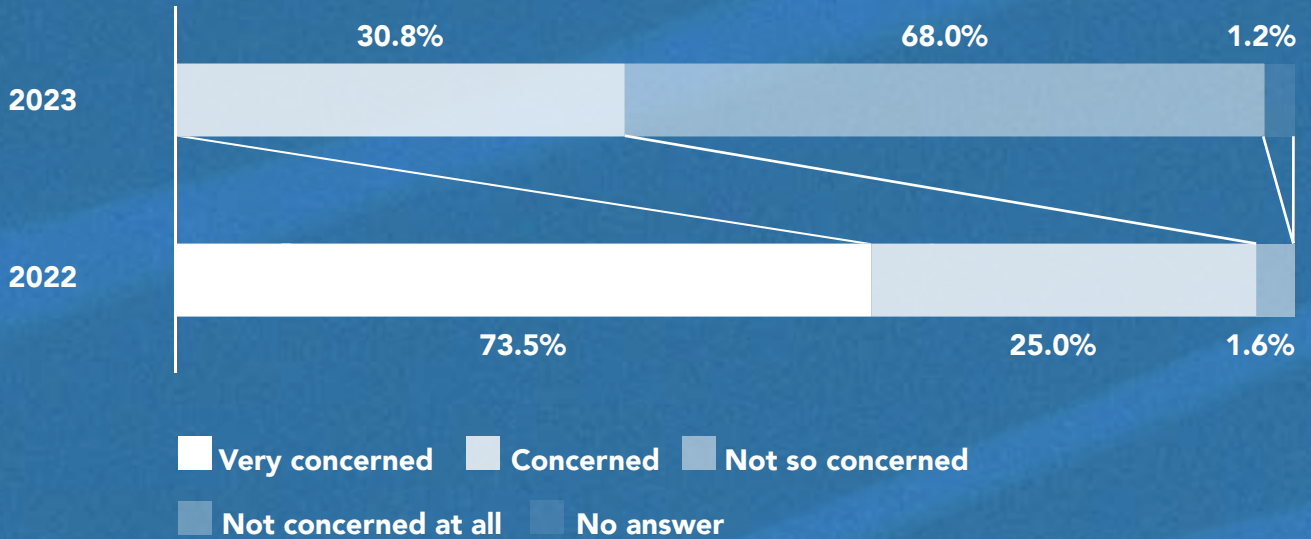
How concerned are you about the economic impact of inflation rate developments in 2023 in your country?



Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)

Figure 6: The impact of supply chain disruptions

How concerned are you about supply chain disruptions impacting your countries' economy in 2023?



Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)

Highlights:

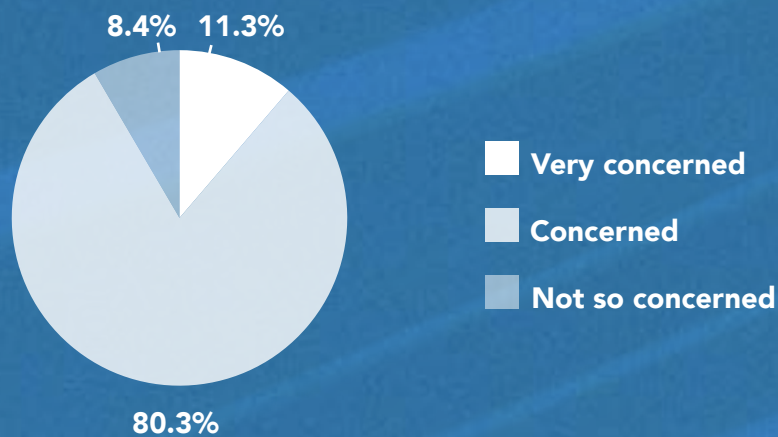
- Our survey results determine that inflation developments are a major concern for 98% of our members. This was also reflected in our 2022 Survey, when 68% of our members expected that inflation would increase by above 2% due to the challenging geopolitical and macroeconomic context.
- On the other hand, the perception on how supply chain disruptions are impacting the domestic economy has significantly decreased. In 2022, 98% of our members were either “Very concerned” or “Concerned”. This year, the figure has decreased to 68% of members expressing that they are “Not so concerned”.

5. Energy prices and labor shortages

The concern over energy prices remains high and labor shortages have become more critical over the past year.

Figure 7: The impact of energy price developments in 2023

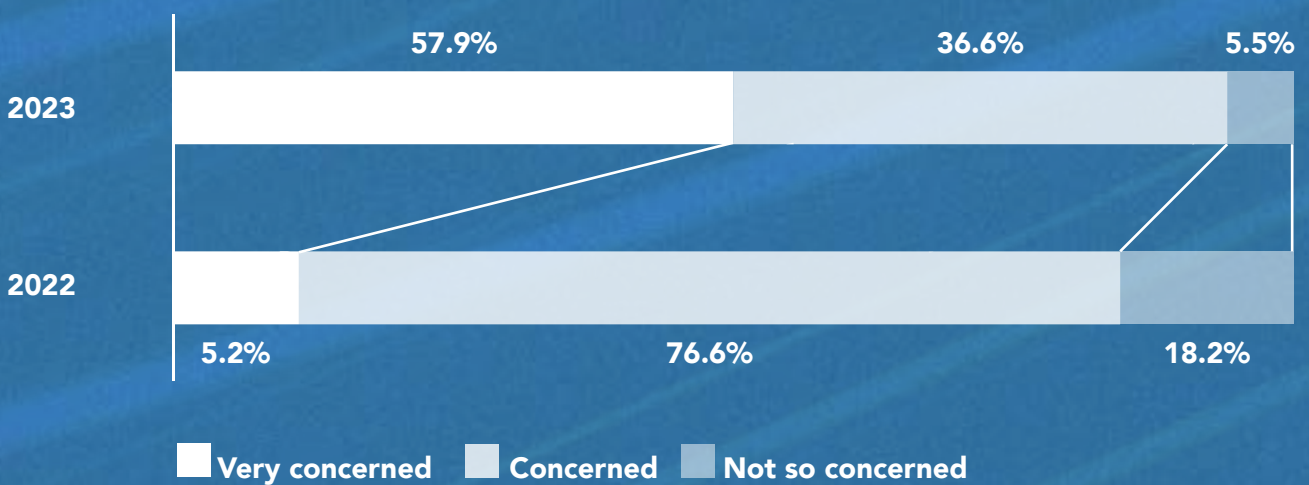
How concerned are you about the impact of energy price developments on businesses in your country in 2023?



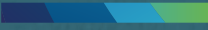
Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)

Figure 8: The impact of labor shortages in 2023

How concerned are you about labor shortages in your country in 2023?



Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)



Section II: Main challenges for the overall business community

Highlights:

- Even though countries have increased the diversification of energy sources, business concerns about energy prices remain very high. In 2023, 92% of our members regard energy prices as a major concern whilst in 2022, 83% expressed that energy was the sector most hit by the war in Ukraine.
- Moreover, the concern over labor shortages has also increased over the past year. In 2022, 82% of members were either “Very Concerned” or “Concerned”, whilst in 2023 it increased to 94%.

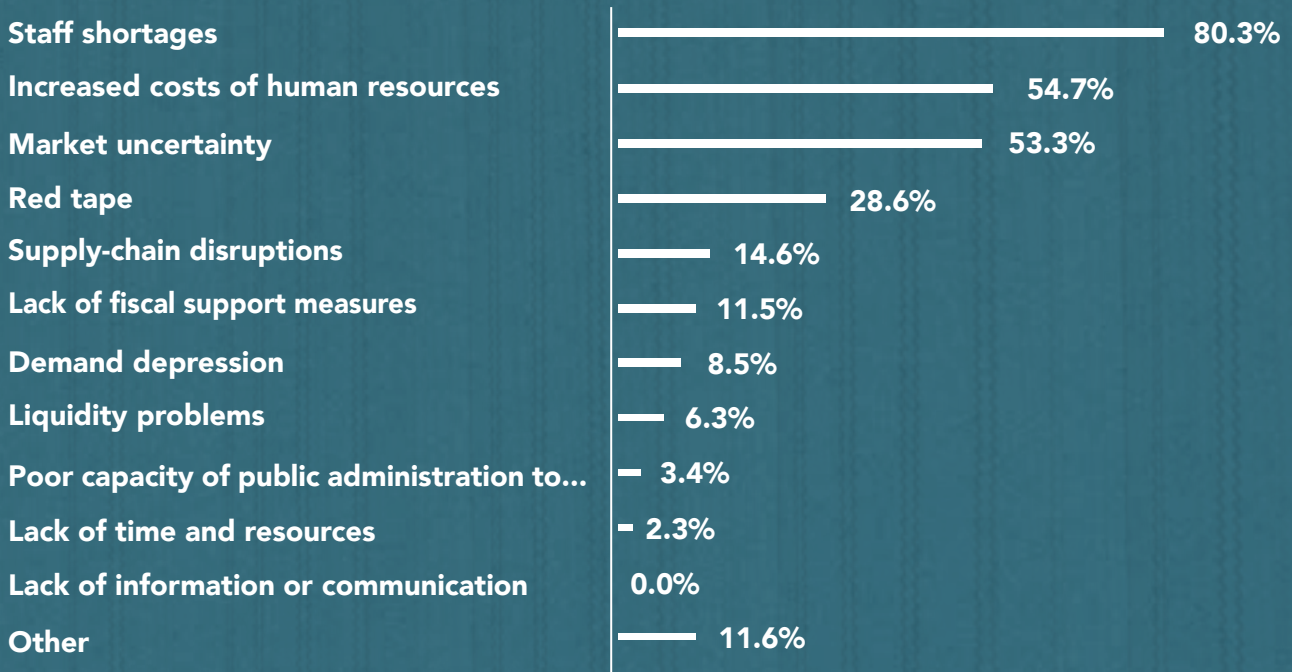
SECTION III: FOCUS: SMALL AND MEDIUM ENTERPRISES (SMES)

This year, in the context of the upcoming OECD SME Ministerial, we included a special section on how the state of the global economy is impacting SMEs.

6. SME's main vulnerability and how they increase their resilience

Figure 9: The areas where SMEs are more vulnerable

In your economy, what do you see as the main vulnerabilities for SMEs at the moment?

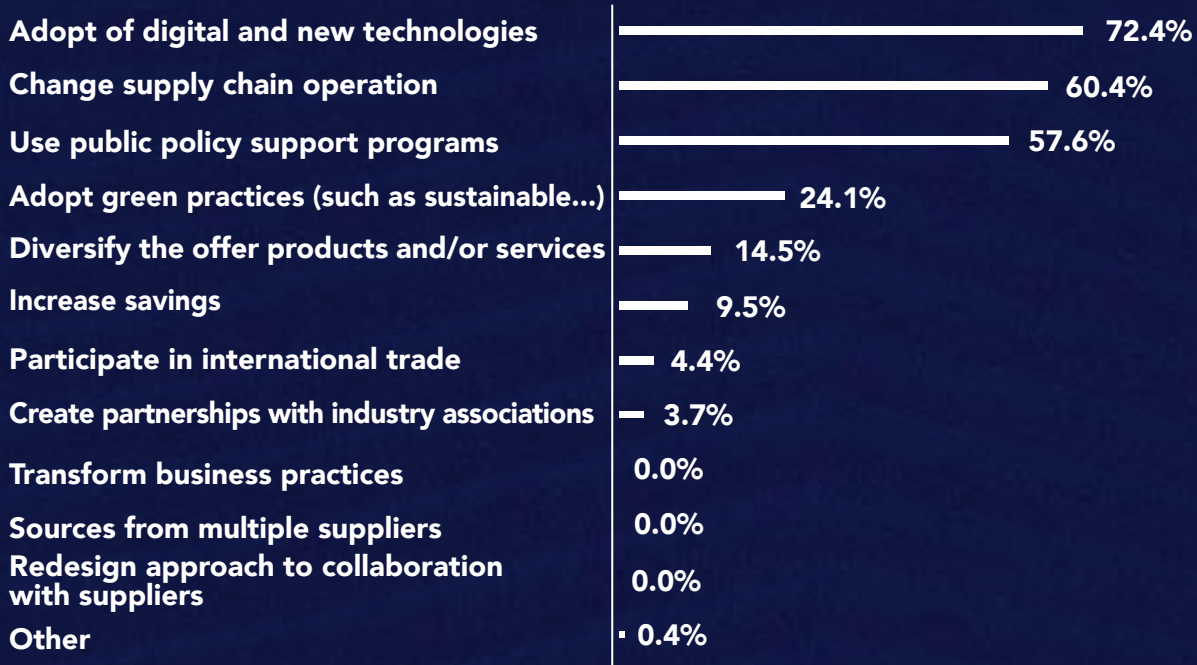


Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)

Section III: Focus: Small and Medium Enterprises (SMEs)

Figure 10: Actions taken by SMEs to increase their resilience

Which of the following actions are SMEs taking to increase their resilience?



Source: *Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)*

Highlights:

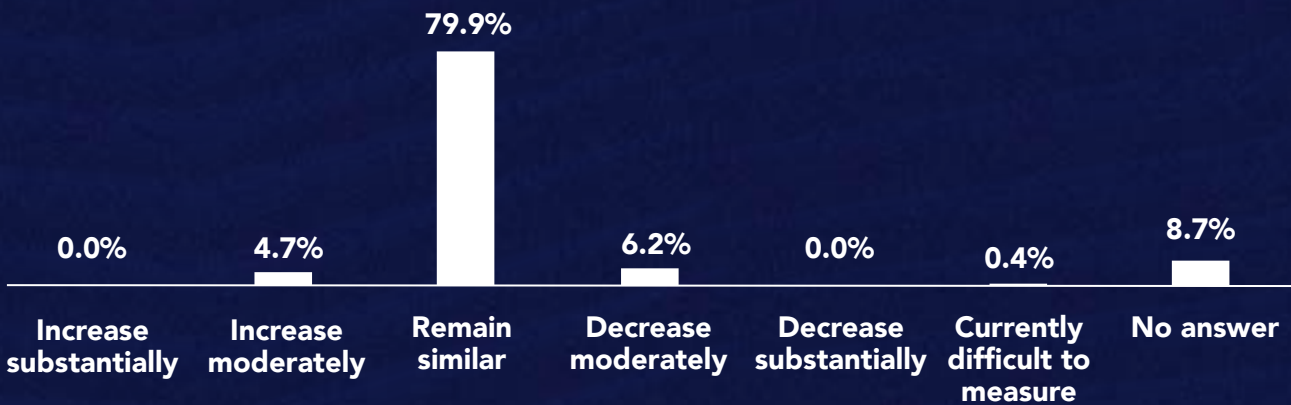
- The results are closely linked to the challenges that larger business faces since 80% of respondents regard “staff shortages” and 55% “increased human resources” as the major vulnerabilities for SMEs. Additionally, respondents also perceive market uncertainty as high (53%).
- To increase their resilience in the current context, 72% of SMEs adopt digital and new technologies. These measures are followed by changing supply chain operations (60%) and using public policy support programs (58%).

7. The creation of SMEs in 2023 and their engagement in the 'twin transition'

The number of SMEs remains stable whilst they face a lack of capabilities to adopt digital and sustainable technologies.

Figure 11: The number of SMEs in 2023 as compared to 2022

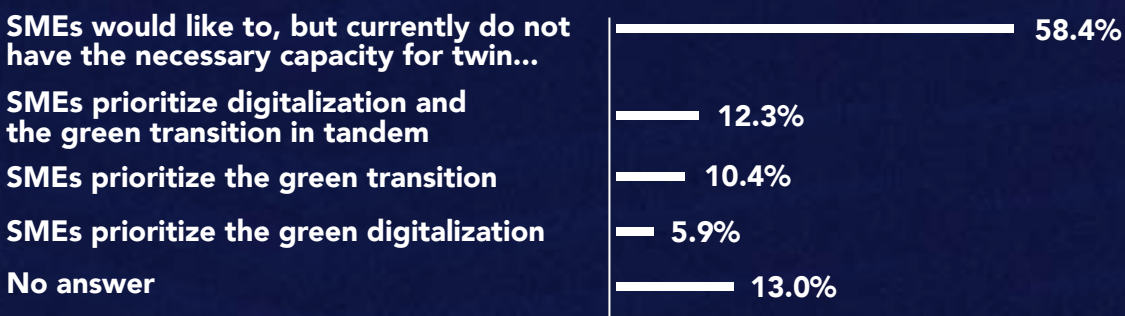
Do you envisage that in 2023, compared to 2022, the number of SMEs in your country?



Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)

Figure 12: How SMEs are engaging in the 'twin transition'

How are SMEs engaging in the 'twin transition' in your country?



Highlights:

- In the current context, a drastic increase or decrease of SMEs is not expected. Whilst their vulnerability remains high, business regards the outlook for SMEs as being mostly stable.
- When engaging with the 'twin transition', the adoption of green and digital technologies', 58% of our members believe that the main challenge in this area is that SMEs do not have sufficient capacity to invest in the green and digital transitions.

SECTION IV: STRUCTURAL REFORM PRIORITIES

8. Areas where structural reforms are needed

The green and digital transitions are the areas where more structural reforms are needed.

Figure 13: Structural reform priorities

Rank	2023		2022	
1	Green transition	79.8%	Digital transition and infrastructure	75.7%
2	Digital transition and infrastructure	70.3%	Human Capital	70.1%
3	Migration Policy	54.1%	Public infrastructure	56.8%
4	Public infrastructure	53.1%	Childcare, pre-school education and parental leave	44.9%
5	Childcare, pre-school education and parental leave	44.2%	Trade and investment frameworks	44.4%
6	Human Capital	38.3%	Green transition	40.0%
7	Efficiency of general taxation/tax structure	29.8%	Public sector efficiency	27.7%
8	Public sector efficiency	22.0%	Efficiency of general taxation/tax structure	22.2%
9	Innovation policies/Raising effectiveness of R&D policies	21.2%	Active labor market policies (ALMP)	20.5%
10	Population aging	13.7%	Housing Policies	12.6%

Source: *Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)*

Structural reform priorities

The most noteworthy change in structural reform priorities in 2023 compared to last year is the surge in focus on green transition, which increased from 40% in 2022 to 80%. This dramatic increase highlights the challenges for sustainable development. In 2023, Digital transition and infrastructure have slipped from the top position in 2022 to the second, though it remains a high priority for structural reform. Notably, Migration Policy, a new addition to the survey in 2023, ranked third with 54% of respondents, reflecting the concerns from the Ukraine crisis and the increasing importance of addressing migration challenges in the context of geopolitical instability.

Highlights:

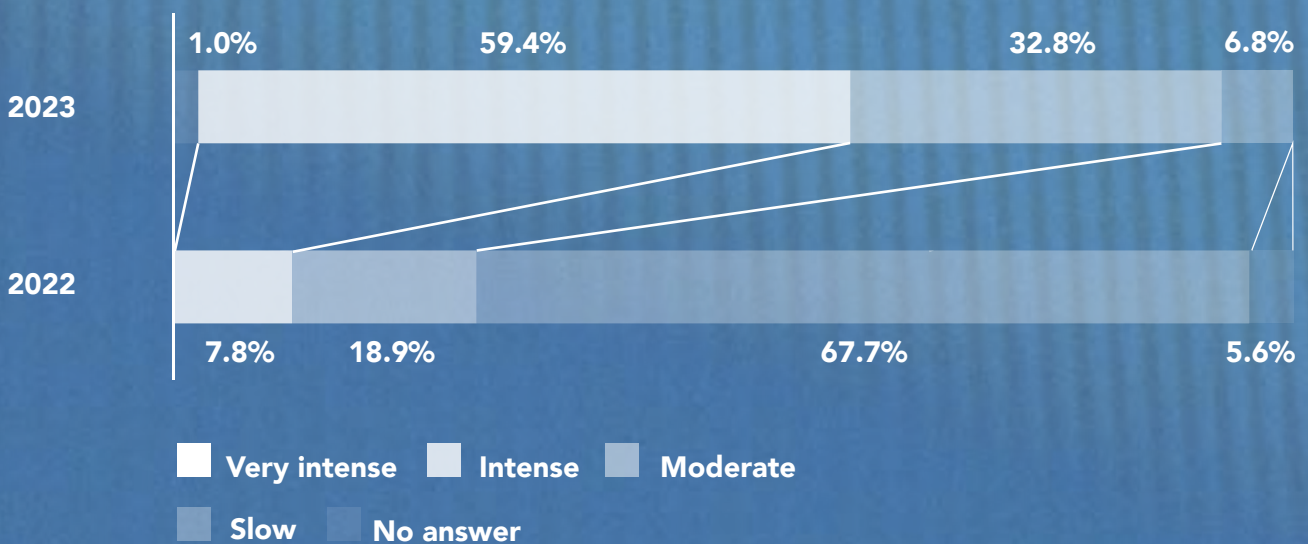
- Green transition is considered increasingly important, jumping from 40% in 2022 to 82% in 2023, reflecting the need for pro-business structural reforms in this area. Digital transition and infrastructure come as the second priority.
- Public infrastructure holds steady as the fourth most crucial priority for structural reform, while Migration Policy, a new entry in 2023, immediately ranks third due to the Ukraine crisis and its implications on global migration.

9. Reform intensity and obstacles

The intensity of policy reform has increased over the past year.

Figure 14: Intensity of policy reform

How would you rate the intensity of policy reform in your country in the past twelve months?



Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)

Compared to 2022 and 2021, there is a significant shift on how businesses perceive the intensity of policy reform. 59% of respondents perceive it as Intense, while 33% perceive it as Moderate.

Highlights:

- There has been a drastic increase in “Intense” policy reform, since raised from 8% in 2022 to 59%. “Moderate” intensity also increased from 19% to 33%, whilst “Slow” decreased from 68% to 7%. This suggests that businesses are evaluating the progress of policy reforms in 2023 favorably; however, we must continue to monitor policies to ensure they are targeted, transparent, and promote economic growth.

Section IV: Structural reform priorities

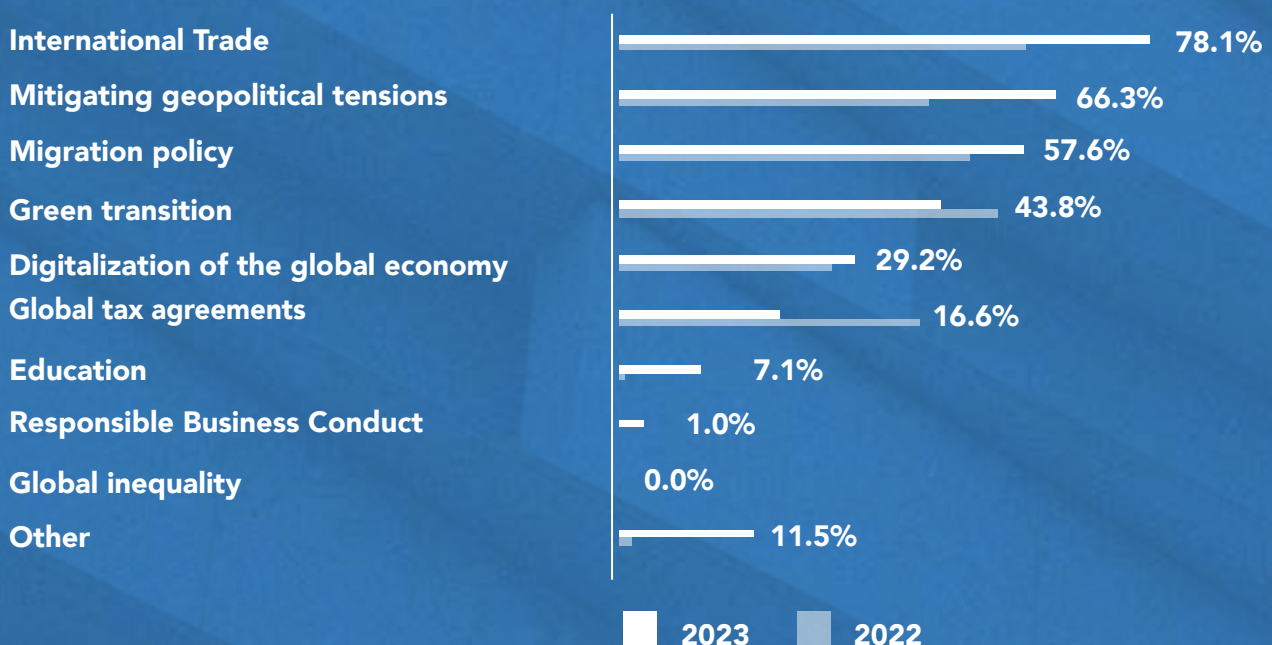
- Additionally, since 2022, the two most significant obstacles to the successful pro-growth reforms, the Lack of political will or leadership and the Lack of political unity, have not changed. In contrast, the Lack of political continuity has increased significantly, which may be indicative of the outlook for the present and future political stability of some nations.

10. Call for international cooperation

Business regards international cooperation in the areas of trade, geopolitical tensions, migration, and the green transition as crucial.

Figure 15: Areas in international cooperation that should be prioritized

Which areas in international cooperation should be prioritized in the near future?



Source: Business at OECD (BIAC) National Member Organizations (adapted to the GDP weighted average)

International Trade (78%), Geopolitical Tensions (66%), and Migration Policy (58%) are the top 3 priorities business urges for international cooperation, closely followed by Green Transition (44%).

Highlights:

- The global economic recovery remains fragile, faced with uncertainty from the course and consequences of the war in Ukraine, which has led to further attention towards International Trade, Geopolitical Tensions, and Migration Policy.
- Amidst the energy crisis, governments and businesses are motivated to pursue long-term climate goals. We urge the OECD to strengthen its cooperation with the IEA, providing whole-of-economy recommendations that drive the green transition.

Methodological Note

Timeline

Our survey was launched in February 2023 and concluded in May. This synthesis report was prepared in May 2023. Given the rapid evolution of the economic and geopolitical developments, it cannot be excluded that the different timings of member responses influence aggregate results.

Respondents

33 national business and employer organizations, representing 97% of all OECD countries' GDP, participated in the survey on a voluntary basis. Only one response per organization, and per country, was accepted. Each participating business and employer organization represents thousands of companies across several economic sectors in their respective countries.

In responding to the survey, it was expected that the individual respondents (typically chief economist or senior leadership) would aim for well-balanced and representative responses based on the economic situation in their country.

Confidentiality

In order to encourage respondents to freely put forth their respective views and priorities, it was decided to fully ensure the confidentiality of their responses by only communicating aggregate results (through weighted averages). For the purposes of this synthesis report, the names of participating organizations and their responses have been anonymized.

Survey Structure

The survey was structured into four main parts:

- I. Overall economic situation
- II. Main challenges for the overall business community
- III. Focus: Small and Medium Enterprises (SMEs)
- IV. Structural reform priorities

Contact

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