

Navigator

Now, next and how for business

ASEAN – The Association of Southeast Asian Nations



Together we thrive

Overview

Southeast Asia: home to some of the world's most bullish businesses

Southeast Asian businesses are amongst the most confident in the world. Businesses are getting ahead of the game by expanding into new markets and focusing on sustainability as a way to grow sales. More businesses in ASEAN than elsewhere globally believe they have a role to play in delivering the UN Sustainable Development Goals (SDG).

State of play

Strong optimism paves the way to long-term growth

Businesses in ASEAN are optimistic about the future, with 81% projecting growth in the next year. Longer-term, businesses are even more bullish. 33% of ASEAN firms are expecting to be 'high-growth' – that is, they are anticipating growth of 15% or more over the next five years – a sentiment shared by only 26% of firms globally.

When it comes to future growth, ASEAN firms are turning to trade. An overwhelming 85% of ASEAN companies are positive about their company's prospects for international trade in the next two years. Business confidence is also rising – half of ASEAN firms are more optimistic about growth than they were a year ago.

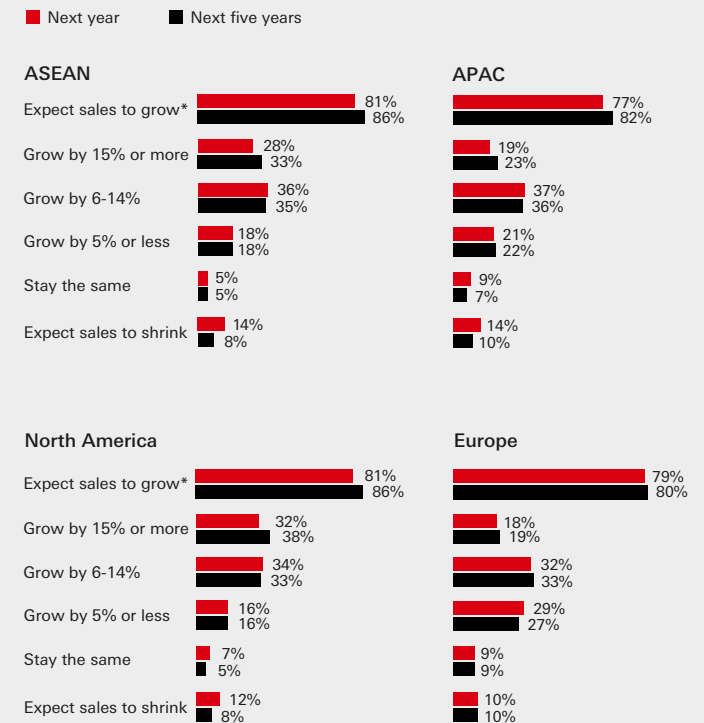
This optimistic outlook is being driven by the business confidence in markets like Indonesia, where 54% of firms are projecting growth of 15% or more in the next year – compared to just 22% globally. On a five year horizon, Indonesia's optimism climbs higher again with 61% anticipating growth upwards of 15%, compared to just 26% of firms globally that are expecting the same. Vietnam and Thailand are also bullish with many firms expecting growth of 15% or more in the next year (39% and 32% of firms, respectively). Looking further ahead, optimism is up again – 43% of Vietnamese firms and 39% of Thai firms expect to see these growth rates over next five years. Meanwhile lower levels of optimism in more mature markets may be holding ASEAN back. Only 17% of Singaporean business expect to be 'high-growth' over the same time period.

In terms of sectors, manufacturing firms in ASEAN are the most positive – with 35% projecting to be 'high-growth' over the next five years. Manufacturing companies are keener on entering new markets (40%) as well as introducing new products and services (37%), compared to other industries.

Companies across the bloc are also looking to trade for benefits beyond the bottom line. Many businesses are pointing to societal upsides such as trade's ability to drive inclusion, foster peace and stability, lift people out of poverty as well as create employment opportunities. And while there is strong optimism, ASEAN businesses are also preparing to adapt, with 62% of ASEAN firms expect to totally or substantially change their business in the next five years.



Expectations for future business growth



*This is the sum of 'grow by 5% or less', 'grow by 6-14%', and 'growth by 15% or more'.

Trading with Asia-Pacific remains crucial

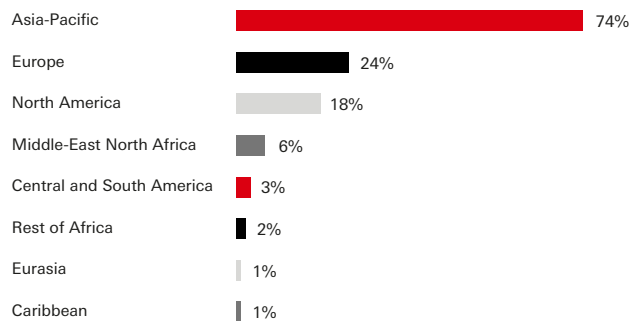
Preferred trading partners remain, but reduce in importance

Companies in ASEAN believe trading within the Asia-Pacific (APAC) region is critically important – 74% regard markets across APAC as among their top three most important trading partners, while only 24% point to Europe and 18% cite North America. The key trading partners for ASEAN companies are China (34%), Japan (19%) and the US (16%).

Across the five ASEAN markets surveyed (Indonesia, Malaysia, Singapore, Thailand and Vietnam), Singapore and Indonesia are the two markets that focus most intensively on trading within APAC. 80% of Indonesian companies and 84% of Singaporean companies name markets across APAC among their top three trading partners. Contrary to their counterparts in Singapore and Indonesia, Vietnamese companies are turning their attention to Europe, with 35% citing it among their top three most important trading partners. However 45% of Vietnamese firms still think markets across APAC are important.

Looking ahead to the next three to five years, expansion across APAC continues to be critical – 65% of ASEAN firms said they intend to expand their trade with APAC companies over this period.

Current top trading partners for ASEAN firms



What you need to know



74% of ASEAN firms consider markets in APAC among their top 3 most important trading partners.



Vietnam (cited by 32% of ASEAN firms) and Singapore (31%) are considered by businesses globally to be gateways into markets across APAC.

What your business can do



Look to emerging trade opportunities. While other markets become increasingly protective, trade in Europe and Asia is liberalising with new trade deals like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the Regional Comprehensive Economic Partnership, and prospective EU bilateral trade deals.

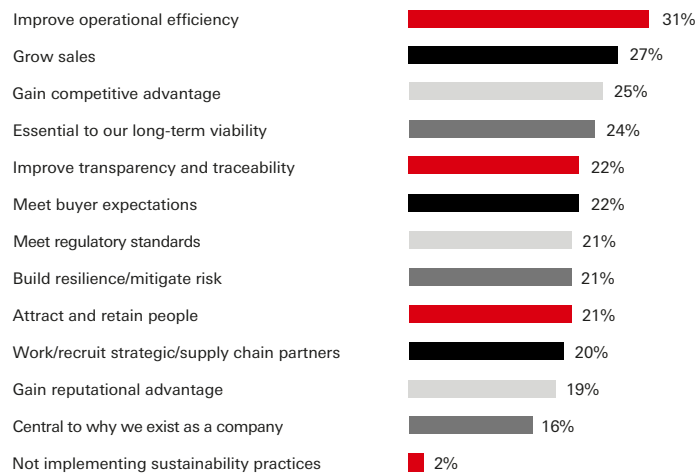
The future of sustainability

Sustainability: driver of operational efficiency

Businesses across ASEAN believe more strongly than those elsewhere that sustainability can improve operational efficiency, grow sales, and give them a competitive advantage. Businesses that are expecting growth of 15% or more in the next five years also recognise that sustainability will help them to develop their supply chain and is essential to long-term viability.

In the next five years, ASEAN companies believe they will feel pressure from governments (39%), competitors (38%), investors (34%) and customers (33%) to make their business more sustainable. But they face the same challenges as firms worldwide – the funding required, the work and time it takes to revamp their business, and inconsistent measurement and reporting frameworks from governments and regulators.




Motivations for implementing sustainable practices



What you need to know

- 1 76% of ASEAN companies believe they have a role to play in delivering the UN's SDGs, compared with 63% of firms globally.
- 2 33% of ASEAN firms say investments in sustainable infrastructure development is the most relevant SDG for their business (more than other regions globally).
- 3 39% of ASEAN firms predict that extra finance will be needed to implement sustainability practices (compared to the global average of 35%).

What your business can do

-  Invest in technology. Technology is seen as key to improving sustainable production (cited by 42% of ASEAN firms) and monitoring the supply chain (35%).
-  Collaborate within your sector to help develop sustainability metrics. Businesses can take the lead to help shape the development of official standards.
-  Focus on sustainable production. 42% say that developing innovation in sustainable production is among their five-year investment priorities (rated higher by ASEAN firms than globally).

Protectionism and geopolitics

Protectionism an opportunity, rather than a threat

Businesses in ASEAN feel strongly that protectionism is increasing. More than four in five (81%) of ASEAN businesses feel the impact of protectionism, higher than the global average (65%).

However, protectionism is viewed as more of an opportunity than a threat, with just above half of the businesses (54%) expecting more gains than losses from it, though this sentiment is slightly lower than the global average (57%). Unsurprisingly, it is the domestically-focussed businesses that expect more gains than losses from protectionism (66% of domestic businesses see an upside).

ASEAN businesses plan to excel in the age of protectionism by focussing on digital channels and platforms, entering joint ventures and sourcing locally in the markets they trade with – all of which will increase their competitiveness and reduce costs.

However, they are realistic enough to prepare for the flipside of protectionist policies in the form of tariffs and tougher regulatory environments.

Geopolitics is another strong headwind for ASEAN firms. These businesses are feeling the impact much more than global firms – 76% said they felt an impact compared to 64% of firms globally.

Ways in which businesses feel the impact of protectionism



What you need to know



76% of ASEAN companies say they feel an impact from geopolitics, much higher than the global average (64%).



Geopolitics are affecting some industries more than others. 85% of firms in ASEAN in the oil, power and metal industries said they felt an impact. Across agriculture, fishing and forestry 83% cited an impact.

What your business can do



Move more business online. 31% of firms in ASEAN plan to focus on selling through digital channels to combat protective policies.



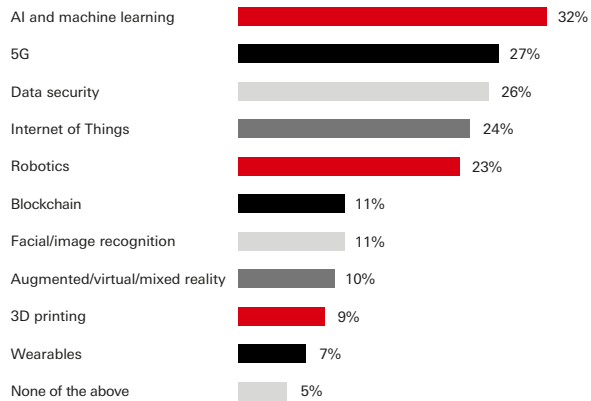
Find local partners in your international markets. ASEAN businesses are looking for joint ventures and to source from local suppliers to mitigate the effects of protectionism (both are strategies cited by 29% of ASEAN firms).

Breakthrough tech

The transformative power of technology

ASEAN companies are well aware of the impact of transformative technologies. For firms in the region, artificial intelligence (AI) and machine learning, 5G, data security, the Internet of Things (IoT) and robotics are regarded as the top technologies that will be important to them in the next five years. Improving productivity is a top benefit of all these technologies, except data security, which is viewed as more important for improving transparency, customer experience and sustainability.

Technologies ASEAN businesses think will be important over the next five years



What you need to know

- 1 AI is seen by a majority as valuable for improving productivity (55%), the quality of products and services and reducing costs (both 47%).
- 2 ASEAN firms believe 5G will help with increasing speed to market (46%), improving productivity (45%) and improving product and service delivery (36%).

What your business can do



Invest in transformative technologies to boost your business potential. Companies projecting growth of 15% or more in the next year regard AI (33%) and data security technology (30%) as important.

About HSBC Navigator

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 953 businesses surveyed across 5 markets in ASEAN – Indonesia, Malaysia, Singapore, Thailand and Vietnam. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

Data visualisations based on the following:

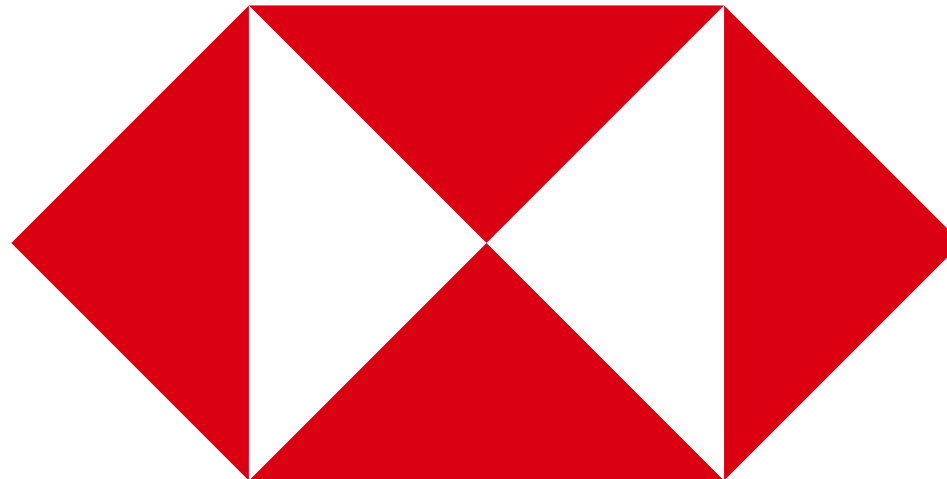
Page 2: all companies ASEAN / APAC / Europe / North America.
n=953 / 3252 / 3677 / 901

Page 3: International operators. n=661

Page 4: all companies. n=953

Page 5: companies who feel protectionism is increasing in the key markets they trade with. n=782

Page 6: all companies. n=953



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