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# 2022

## ASEAN BUSINESS OUTLOOK SURVEY

**ASEAN: The Future of the 21st Century Economy**



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# 2022

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**ASEAN: The Future of the 21st Century Economy**





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# FOREWORD FROM THE U.S. CHARGÉ D'AFFAIRES TO ASEAN

## A NEW ERA OF U.S.-ASEAN RELATIONS

As the United States (U.S.) and the Association of Southeast Asian Nations (ASEAN) celebrate 45 years of partnership and friendship this year, it is my pleasure to introduce the 2022 ASEAN Business Outlook Survey (ABOS) published by the American Chamber of Commerce in Singapore (AmCham Singapore), together with AmChams throughout the region.

The United States and ASEAN — and our combined one billion people — benefit from far-reaching commercial and trade ties. ASEAN represents the world's fourth largest market, and the United States is ASEAN's largest source of foreign direct investment. U.S. goods and services trade with ASEAN totaled an estimated US\$441.7 billion in 2021. The United States has steadily deepened its partnership with ASEAN over the years and, under the Biden Administration, we will continue to elevate our partnership and strengthen our cooperation to make a better, safer, and more prosperous world.

In February this year, the White House released its Indo-Pacific Strategy as part of the U.S. commitment to an Indo-Pacific that is free and open, connected, prosperous, secure, and resilient. Three months later, President Biden

welcomed ASEAN leaders to Washington for a historic U.S.-ASEAN Special Summit, underscoring the central role of ASEAN in ensuring security, prosperity, and respect for human rights across the region. The Summit marked the first time ASEAN leaders gathered as a group at the White House and their first meeting hosted by a U.S. President since 2016. Later that month, President Biden launched the Indo-Pacific Economic Framework for Prosperity (IPEF), the Administration's first major trade and economic initiative in the region, with partners including seven ASEAN member states: Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam.

Despite the COVID-19 pandemic and other geopolitical challenges, ASEAN remains on course to become the world's largest single market by 2030. With an economic performance that continues to outperform the global average, U.S.-ASEAN economic flows support almost 42,000 American companies and about 590,000 U.S. jobs.

The 2022 ABOS shows the continued commitment of the American business community in ASEAN. We look forward to furthering public-private partnerships for inclusive prosperity in the region and ushering in a new era of U.S.-ASEAN relations.



**Kate Rebholz**  
Chargé d'Affaires, a.i.  
U.S. Mission to ASEAN





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# PREFACE FROM AMCHAM SINGAPORE

The 2022 ASEAN Business Outlook Survey (ABOS) measures the pulse of the business environment across this dynamic region and provides a comprehensive portrait of U.S. business activity in ASEAN Member States.

With invaluable insights from senior executives representing AmCham member companies in ASEAN, the survey highlights challenges and opportunities facing small, medium and large enterprises across industry sectors with comparisons and findings from previous years. As businesses recover from the global COVID-19 pandemic, this year's survey examines the impact of major U.S. programs such as the Indo-Pacific Economic Framework (IPEF) and the Partnership for Global Infrastructure and Investment (PGII) on commercial activities in the region.

ABOS has proven to be a reliable resource for academia, businesses, governments, and non-governmental organizations in ASEAN and beyond. Many thanks to the American Chambers of Commerce in Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Thailand, Vietnam, the American-Lao Business Association, and the U.S. Embassy in Brunei for partnering with AmCham Singapore.

ABOS is just one example of how AmCham creates value for our members by providing advocacy, business insights, and connections. Thank you for entrusting us to represent the voice of American business in Singapore and the region.



*Hsien-Hsien Lei*

**Dr. Hsien-Hsien Lei**  
CEO  
The American Chamber of  
Commerce in Singapore





# EXECUTIVE SUMMARY





# ASEAN: THE FUTURE OF THE 21ST CENTURY ECONOMY

Over the last half-century, ASEAN has achieved significant development through regional cooperation. According to the ASEAN Development Outlook<sup>1</sup> launched in 2021, the total combined Gross Domestic Product (GDP) of 10 ASEAN countries was valued at US\$3.2 trillion in 2019 — placing the region as the fifth largest global economy and on track to become the fourth largest by 2030<sup>2</sup>.

While global inflation looks set to complicate post-pandemic recovery across countries worldwide for some time to come<sup>3</sup>, ASEAN's economic growth holds promise. The global health crisis has driven a shift in government focus towards digital transformation and sustainability, in order to support local communities through delivery of basic services such as healthcare, education, and financial services. As digitization is integrated into daily life within ASEAN nations at an increasing rate (with an estimated 575 million internet users in the region by 2030), the region's socio-economic resilience will build<sup>4</sup>.

The 2022 ASEAN Business Outlook Survey captures the experiences of U.S. company leaders operating in ASEAN, including their responses to the challenges and opportunities of global developments, as well as their plans for future growth. This year's findings reveal the following:

- The profit outlook of the ASEAN market has become significantly more optimistic in the last two years, with expectations of profit increases now back to pre-pandemic levels.
- Demand for products and services is the main concern for the majority of companies in recovering from the pandemic.
- ASEAN markets are viewed as important for global revenue by the vast majority of business leaders, primarily due to the growth of the consumer class in the region.

<sup>1</sup> "ASEAN development trajectories reach new milestone", (<https://asean.org/asean-development-trajectories-reach-new-milestone/>)

<sup>2</sup> Joo-Ok Lee and Shaun Adam, World Economic Forum, "ASEAN is poised for post-pandemic inclusive growth and prosperity — here's why", (<https://www.weforum.org/agenda/2022/01/asean-is-poised-for-post-pandemic-inclusive-growth-and-prosperity-heres-why/>)

<sup>3</sup> Centre for Strategic & International Studies, "The Latest on Southeast Asia: June 23, 2022", (<https://www.csis.org/blogs/latest-southeast-asia/latest-southeast-asia-june-23-2022>)

<sup>4</sup> World Economic Forum, "Future of Consumption in Fast-Growth Consumer Markets: ASEAN", ([https://www3.weforum.org/docs/WEF\\_Future\\_of\\_Consumption\\_in\\_Fast\\_Growth\\_Consumer\\_Markets\\_ASEAN\\_2020.pdf](https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast_Growth_Consumer_Markets_ASEAN_2020.pdf))





- Despite concerns about China's growing influence in Southeast Asia and the impact of the Ukraine crisis, there is a high level of anticipated trade/investment and expansion within ASEAN markets.
- Compared to overall ASEAN companies, those responding from Singapore are less optimistic about their profit outlook and have lower business expansion intentions within the local market. However, they show greater belief in the importance of ASEAN markets in the next two years.
- Companies are facing recruitment and retention challenges, with an increased reliance on local talent during the continued COVID-19 restrictions.
- Business leaders in SMEs are more optimistic than their counterparts in MNCs about ASEAN's influence on revenue in the short term.





# INTRODUCTION

## ASEAN'S ECONOMIC RECOVERY: RISKS AND OPPORTUNITIES

As countries around the world look beyond the aftershock of the COVID-19 pandemic towards recovery, the surge in global inflation is threatening economic growth. Economies including Indonesia, Singapore, Laos and Thailand have experienced a rapid rise in inflation since 2021, while the inflation rate decreased in Malaysia and remained steady in Vietnam and the Philippines.

Tighter financial conditions, especially in major advanced economies, may lead to a decrease in their levels of foreign direct investment (FDI) in ASEAN economies<sup>5</sup>.

For example, the U.S. has continued to raise the federal interest rate by 1.5% since March 2020. This presents a significant risk to ASEAN economic recovery since FDI inflows provide the majority of external finance in ASEAN countries, with the U.S. as the largest source. Small and medium-sized businesses (SMEs) have been particularly affected by supply chain disruptions and border restrictions, given their higher levels of vulnerability and lower resilience due to their size<sup>6</sup>. Since SMEs account for over half of total employment in every member state, supporting these enterprises is pertinent for ASEAN's economic recovery<sup>7</sup>.

<sup>5</sup> The Diplomat, Sithanontay Suvannaphakdy, "Inflation: The Threat to ASEAN Economic Recovery in 2022 and Beyond", (<https://thediplomat.com/2022/06/inflation-the-threat-to-asean-economic-recovery-in-2022-and-beyond/>)

<sup>6</sup> OECD, "Coronavirus (COVID-19): SME policy responses", (<https://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/>)

<sup>7</sup> Tommy K. S. Koh, East-West Center, "Southeast Asia's Small Businesses Need Regional Readiness Boost in COVID-19 New Normal", ([https://www.eastwestcenter.org/system/tdf/private/apb518\\_0.pdf?file=1&type=node&id=38006](https://www.eastwestcenter.org/system/tdf/private/apb518_0.pdf?file=1&type=node&id=38006))





Meanwhile, ASEAN central banks have not tightened monetary policies in response to higher inflation – possibly due to the need to continue providing financial resources for private investment and consumption; enabling economic recovery. Despite this lack of monetary tightening, the rise in food and energy prices could hinder ASEAN's growth as a result of declining real household consumption and investment.

Although tighter global financial conditions and rising commodity prices are presenting a challenge to economies, Asia is so far demonstrating a higher level of resilience compared to in the past. There have been low levels of depreciation against the U.S. dollar amongst most emerging Asia currencies, and investor perceptions of sovereign risk within ASEAN have remained relatively stable. According to Singapore's Minister of State for Trade and Industry at Invest ASEAN 2022, "This in large part speaks to how Asian economies have strengthened their macroeconomic fundamentals over the years. They reduced fiscal and external deficits, built up larger reserve positions and established stronger and more credible policy frameworks."<sup>8</sup>

## THE GROWING TALENT GAP

Companies around the world are facing significant talent shortages, with high rates of turnover as workers pursue more attractive employment opportunities. This has been exacerbated by restricted global mobility due to COVID-19, which has closed off usual talent pools for many countries that rely on international candidates. In the war for digital skills to boost economic development, the pressure on talent acquisition is expected to further increase in ASEAN. The skills gap is widening particularly in areas including artificial intelligence (AI), data, and cyber technology, as regional economies seek to fulfil the growth agenda<sup>9</sup>. The ASEAN Declaration on Human Resources Development for the Changing World of Work was adopted by the 36th ASEAN Summit in June 2020. The Roadmap<sup>10</sup> for these commitments includes responsive actions such as promotion of innovation and use of technology, to enhance resilience and adaptability post-pandemic and natural disasters.

<sup>8</sup> Monetary Authority of Singapore, "Speech by Mr Alvin Tan, Minister of State (Trade and Industry) and MAS Board Member, at Invest ASEAN 2022 on 8 June 2022", (<https://www.mas.gov.sg/news/speeches/2022/speech-by-mr-alvin-tan-minister-of-state-trade-and-industry-and-mas-board-member-at-invest-asean-2022-on-8-june-2022>)

<sup>9</sup> Korn Ferry, "5 Ways Talent Acquisition in APAC Will Change in 2022", (<https://focus.kornferry.com/talent-acquisition/5-ways-talent-acquisition-in-apac-will-change-in-2022/>)

<sup>10</sup> "ASEAN Declaration on Human Resources Development for the Changing World of Work and Its Roadmap", ([https://asean.org/wp-content/uploads/2021/08/ASEAN-Declaration-on-Human-Resources-Development-for-the-Changing-World-of-Work-and-its-Roadmap\\_Final\\_19Feb2021.pdf](https://asean.org/wp-content/uploads/2021/08/ASEAN-Declaration-on-Human-Resources-Development-for-the-Changing-World-of-Work-and-its-Roadmap_Final_19Feb2021.pdf))





A survey by Mercer<sup>11</sup> indicated that businesses in Indonesia, Malaysia, Thailand and the Philippines are especially struggling to attract and retain talent as they attempt to transition back to on-site work; with the main drivers of abnormally high attrition levels being dissatisfaction with pay and benefits as well as limited career advancement. Singapore is not immune to this trend dubbed 'The Great Resignation', with the level of talent shortage at its highest in 16 years<sup>12</sup>. However, the country's net employment outlook is positive, with employers across sectors reporting strong hiring intentions in 2022. Singapore companies are offering salary increments of 3.5% on average to help boost talent retention<sup>13</sup>.

## U.S.-ASEAN RELATIONS

In 2020, U.S. FDI to ASEAN was US\$328 billion<sup>14</sup>, and today, six of the top 30 U.S. trading partners are Southeast Asian states. However, the perception is that China is holding the economic lead in the region; with the U.S. falling behind particularly when it comes to support for infrastructure investment<sup>15</sup>.

A 'new era' of U.S.-ASEAN relations has been initiated by the Biden administration. During the U.S.-ASEAN Summit 2022, the two sides committed to solidify a comprehensive strategic partnership, while upgrading

<sup>11</sup> Mercer, "Dissatisfaction with pay and benefits, limited career advancement are key drivers of employee turnover in ASEAN, says Mercer's latest survey", (<https://www.asean.mercer.com/newsroom/key-drivers-of-employee-turnover-in-asean.html?bsrc=merc>)

<sup>12</sup> Lester Tan, Human Resources Online.net, "Singapore employers report strongest hiring intentions between July to September 2022", (<https://www.humanresourcesonline.net/singapore-employers-report-strongest-hiring-intentions-between-july-to-september-2022>)

<sup>13</sup> Sunil Puri, The Business Times, "From the Great Resignation to the Great Realignment", (<https://www.businesstimes.com.sg/leadership-management/from-the-great-resignation-to-the-great-realignment>)

<sup>14</sup> Brian Eyler and Stimson Center, East Asia Forum, "US-ASEAN summitry signals step up in relations", (<https://www.eastasiaforum.org/2022/06/22/us-asean-summitry-signals-step-up-in-relations/>)

<sup>15</sup> Ann Marie Murphy, The National Bureau of Asian Research, "The 2022 U.S.-ASEAN Summit: A New Era in Relations?", (<https://www.nbr.org/publication/the-2022-u-s-asean-summit-a-new-era-in-relations/>)





other bilateral ties including the U.S.–Vietnam relationship. The outcomes of the summit indicate that the U.S. remains focused on the Indo-Pacific and China, despite the Ukraine crisis. The U.S. Indo-Pacific strategy shares the ASEAN vision of promoting an open and inclusive region. The U.S. is also invested in the peace and stability of ASEAN through its two allies, Thailand and the Philippines, and strategic partners Singapore, Indonesia and Vietnam.

The Indo-Pacific Economic Framework (IPEF) launched by President Biden in May 2022 has renewed U.S. commitment to the region. Based on four pillars – trade; supply chains; clean energy, decarbonization and infrastructure; tax and anti-corruption – the IPEF is intended to strengthen relations between participating countries and enable cooperation to tackle economic and trade issues affecting the region. The U.S. also introduced the Partnership for Global Infrastructure and Investment (PGII) at the Group of Seven (G7) Leaders' Summit in June 2022, in an effort to address the infrastructure gap in the developing world. Under this new strategy, the U.S. will mobilize US\$200 billion of investment in global infrastructure projects; with an overall investment goal of US\$600 billion over the next five years from the G7

countries and private sector. The PGII has four priority areas for investment: climate and energy security, digital connectivity, health systems and health security, and gender equality and equity<sup>16</sup>.

## THE FUTURE OF ASEAN

The future looks bright for ASEAN. Coordinated pandemic response efforts, along with the implementation of key regional initiatives and digital transformation, are expected to drive inclusive growth and development across member states. The ASEAN-led Regional Comprehensive Economic Partnership Agreement (RCEP) launched in January 2022 is the largest current free trade agreement in the region; intended to maintain open markets and build economic integration for inclusive recovery post-pandemic<sup>17</sup>.

The Fourth Industrial Revolution (4IR) is transforming economies and societies around the world, and its evolution in ASEAN is creating a multitude of opportunities for the region. Over 60% of ASEAN's population is under the age of 35; the majority of whom have integrated

<sup>16</sup> Centre for Strategic & International Studies, "Future Considerations for the Partnership on Global Infrastructure and Investment", (<https://www.csis.org/analysis/future-considerations-partnership-global-infrastructure-and-investment>)

<sup>17</sup> Joo-Ok Lee and Shaun Adam, World Economic Forum, "ASEAN is poised for post-pandemic inclusive growth and prosperity – here's why", (<https://www.weforum.org/agenda/2022/01/asean-is-poised-for-post-pandemic-inclusive-growth-and-prosperity-heres-why/>)





digital technologies into their day-to-day lives. The Consolidated Strategy on the 4IR for ASEAN introduced during the 28th and 39th ASEAN Summits will guide the region's progression towards digital transformation for the benefit of the society<sup>18</sup>. As identified by the ASEAN Comprehensive Recovery Framework, digital transformation and innovation is a priority to boost regional connectivity and economic recovery. Embracing 4IR will require public-private cooperation for businesses and government to maximise the benefits of technology while reducing potential risks.

In tandem with 4IR, the region must retain a commitment to environmental sustainability in order to enhance competitiveness in attracting green investment; thereby contributing to global goals. The urgency of addressing climate change was highlighted during the region's battle against extreme weather events in 2021<sup>19</sup>. Through initiatives including the Global Plastic Action Partnership in Indonesia and Vietnam, ASEAN has demonstrated

strong commitment to global sustainability goals. However, greater support is required from the private sector to drive both investment in and market demand for green technologies; enabling ASEAN to achieve global sustainability ambitions.

## POST-PANDEMIC RECOVERY IN ASEAN

According to the World Health Organization (WHO), there were an estimated 14.9 million excess deaths associated with the COVID-19 pandemic in the last two years; with the majority of these (84%) occurring in Southeast Asia, Europe, and the Americas<sup>20</sup>. As most countries have now moved towards living with the virus and reopening their borders, the focus is on recovery. However, the supply-

<sup>18</sup> "Consolidated Strategy on the Fourth Industrial Revolution for ASEAN", (<https://asean.org/consolidated-strategy-on-the-fourth-industrial-revolution-for-asean/>)

<sup>19</sup> ISEAS – Yusof Ishak Institute, "State of Southeast Asia Survey", (<https://www.iseas.edu.sg/category/articles-commentaries/state-of-southeast-asia-survey/>)

<sup>20</sup> Monetary Authority of Singapore, "Speech by Mr Alvin Tan, Minister of State (Trade and Industry) and MAS Board Member, at Invest ASEAN 2022 on 8 June 2022", (<https://www.mas.gov.sg/news/speeches/2022/speech-by-mr-alvin-tan-minister-of-state-trade-and-industry-and-mas-board-member-at-invest-asean-2022-on-8-june-2022>)





demand mismatches created by the pandemic have taken a toll: the health risk has led to lower labor force participation in many countries as well as the slow return to employment for many workers, contributing to a tight labor market. Interrupted transport and production in particular industries coupled with China's further lockdowns this year have further exacerbated supply disruptions.

Despite a fall in global investment activities and FDI in ASEAN, the region has continued to be an attractive destination for investment. The value of international project finance in ASEAN doubled from an average of US\$37 billion annually in 2015–2017 to US\$74 billion in 2018–2020<sup>21</sup>. ASEAN Member States collaborated on the pandemic response, with initiatives including the COVID-19 ASEAN Response Fund to support recovery and build supply chain resilience. However, recovery has

been uneven across the region, and there is a lack of confidence among some countries in their government's response to the challenges.

It is likely that ASEAN states will continue to grapple with rising global inflation and the consequent impacts of reduced FDI inflows and real household consumption, as well as risks of unemployment and economic recession, for some time to come. While the ways in which global developments will affect the region's recovery remain uncertain, it is clear that embracing digitalization, human development, and global cooperation are paths to fostering economic resilience. The ASEAN Business Outlook Survey 2022 aims to provide an overview of how businesses in the region are tackling challenges in the current environment, and their key areas of focus for recovery and growth.

<sup>21</sup> World Economic Forum, "ASEAN is poised for post-pandemic inclusive growth and prosperity – here's why", (<https://www.weforum.org/agenda/2022/01/asean-is-poised-for-post-pandemic-inclusive-growth-and-prosperity-heres-why/>)





# ECONOMIC OUTLOOK



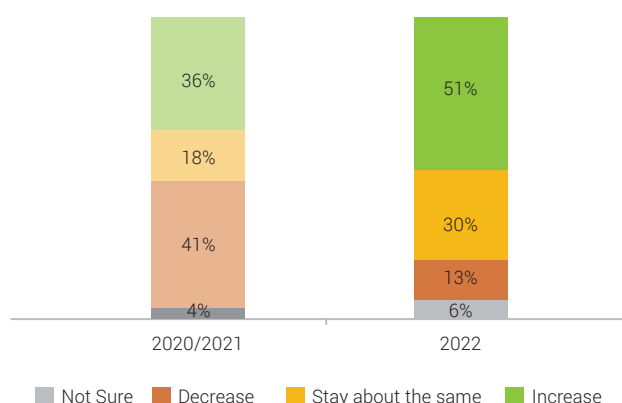
# OUTLOOK ON PROFITS IN ASEAN

Around half of organizations (51%) expect their profits in ASEAN to increase in 2022, while just under a third (30%) expect profits to stay at about the same level (Figure 1). This is significantly more optimistic than sentiments in 2020/2021, when over half of businesses expected reduced revenues and only 36% expected profits to rise. As COVID-19 restrictions further ease and economies move towards rebuilding during the recovery phase, companies are likely to have more confidence in their ability to achieve better financial performance.

Companies in Singapore are less optimistic, with only 44% expecting ASEAN profits to increase, compared to 61% in Thailand and 46% in Malaysia (Figure 2). Firms in Malaysia are significantly more optimistic this year compared to 2020/2021, when only 26% expected profits to increase.

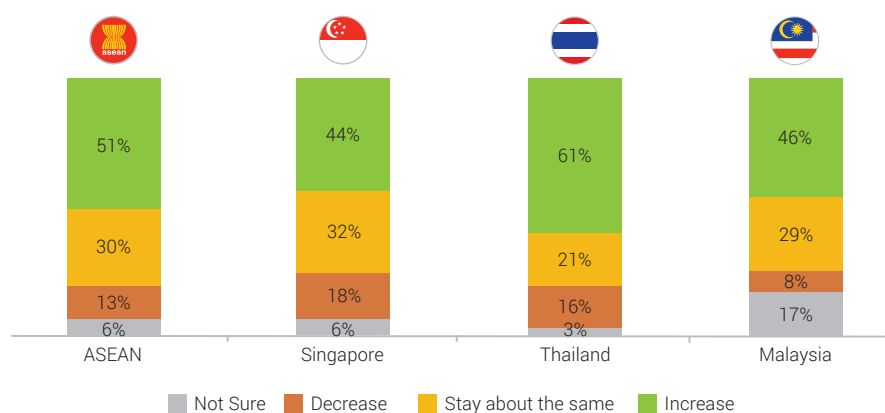
**Figure 1**  
Sentiments about profit  
(Compared to 2021)

Compared to 2021, do you expect  
your profits in ASEAN in 2022 to...  
(Total, n=149)



**Figure 2**  
Sentiments about profit  
(among companies in  
Singapore, Thailand and  
Malaysia)

Compared to 2021, do you expect  
your profits in ASEAN in 2022 to...  
(Total, n=149) (Singapore, n=34)  
(Thailand, n=38) (Malaysia, n=24)

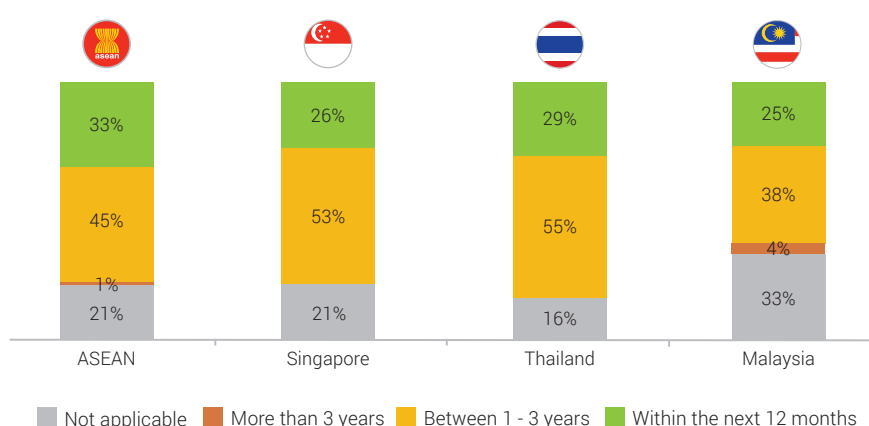




## PROJECTIONS FOR POST-PANDEMIC RECOVERY

In 2021, ASEAN became the global epicentre of the COVID-19 pandemic, with estimated working-hour losses of 7.4% and 9.3 million fewer workers in employment<sup>22</sup>. To combat the effects of these labor market disruptions and facilitate socio-economic recovery, the ASEAN Comprehensive Recovery Framework (ACRF) was launched in 2020. ASEAN Member States implemented a range of fiscal support measures at the national level to protect jobs and support businesses, collectively allocating nearly 16% of GDP to the crisis response during the first half of 2021.

Just under half of organizations (45%) estimate that the timeline for their company's profit in ASEAN to recover from the impact of the pandemic to be between 1–3 years (Figure 3). A third (33%) are more optimistic, with a projected timeline of the next 12 months.



**Figure 3**  
Projected timeline for ASEAN profit to recover from COVID-19 pandemic (among companies in Singapore, Thailand and Malaysia)

What is the projected timeline for your company's profit in ASEAN to recover from the impact of the COVID-19 pandemic? (Total, n = 149) (Singapore, n = 34) (Thailand, n = 38) (Malaysia, n = 24\*)

\*Due to small sample size, results should be interpreted with caution.

Companies in both Singapore and Thailand are more likely to estimate the recovery timeline to be 1–3 years (53% and 55% respectively), compared to only 38% in Malaysia and 45% of overall ASEAN respondents.

<sup>22</sup> International Labour Organization, « COVID-19 and the ASEAN labour market: Impact and policy response », ([https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms\\_816432.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms_816432.pdf))

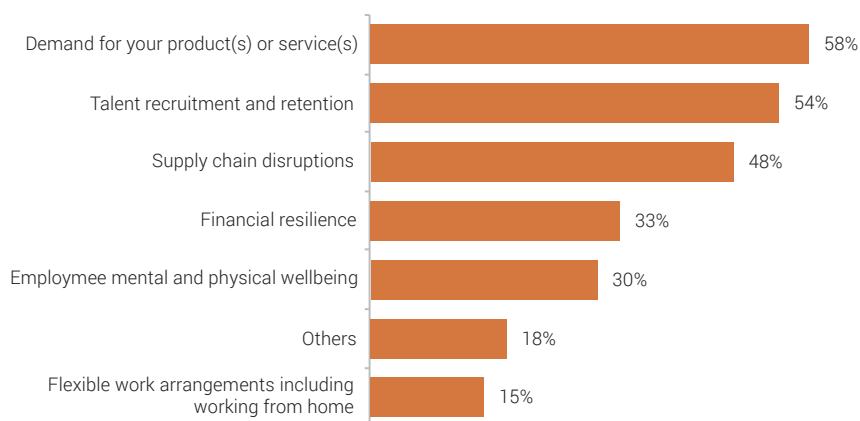




The war in Ukraine and emergence of Coronavirus variants have heightened the climate of uncertainty amid the continuing rise in commodity prices, production delays<sup>23</sup> and staff attrition levels. The top three concerns of companies in recovering from the pandemic are: demand for their products or services (58%), talent recruitment and retention (54%), and supply chain disruptions (48%) (Figure 4).

**Figure 4**  
**Concerns in recovering**  
**from COVID-19 pandemic**

What are your company's top 3 concerns in recovering from the COVID-19 pandemic? (Total, n = 149)



<sup>23</sup> Asian Development Bank, "Improving Sectoral Growth Drivers to Boost Southeast Asia's Post-Pandemic Recovery", (<https://www.adb.org/news/improving-sectoral-growth-drivers-boost-southeast-asia-post-pandemic-recovery>)



“COVID recovery is not the real issue for us. We have been more impacted by the political climate.”

“A key concern for us is ease of immigration and visa applications for clients and staff.”





## ASEAN'S RISING INFLUENCE

As the world's third most populous economy and in line to become the fourth largest in the world within the next decade, the ASEAN market is rapidly growing in influence<sup>24</sup>. By 2030, ASEAN's GDP growth rate is expected to reach 4% annually – behind China and India. As the newly introduced partnerships with the U.S. – the Indo-Pacific Economic Framework (IPEF) and the Partnership for Global Infrastructure and Investment (PGII) – come to fruition, confidence in the regional market is likely to strengthen.

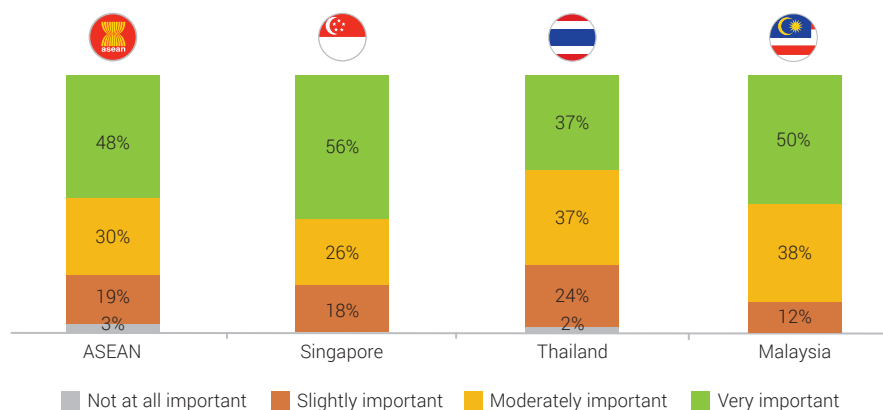
The majority of businesses view ASEAN markets as being moderately important or very important for the company's global revenue in the next two years (78%) (Figure 5).

Companies in Singapore are more optimistic about the importance of ASEAN markets in the next two years, with 56% believing they will be very important, compared to 48% of total ASEAN respondents. The reopening of borders in Singapore as well as new bilateral economic partnerships such as the Partnership for Growth and Innovation (PGI) with the U.S. are likely to create optimism in regional growth opportunities.

Companies in Thailand are less optimistic about ASEAN's influence on revenue, with only 37% believing they will be very important; while half of companies in Malaysia believe that the ASEAN market will be very important for revenue.

**Figure 5**  
**Importance of**  
**ASEAN market over**  
**the next two years**  
**(among companies in**  
**Singapore, Thailand**  
**and Malaysia)**

How important are ASEAN markets for your company's global revenues in the next 2 years? (Total, n = 149) (Singapore, n=34) (Thailand, n=38) (Malaysia, n=24)



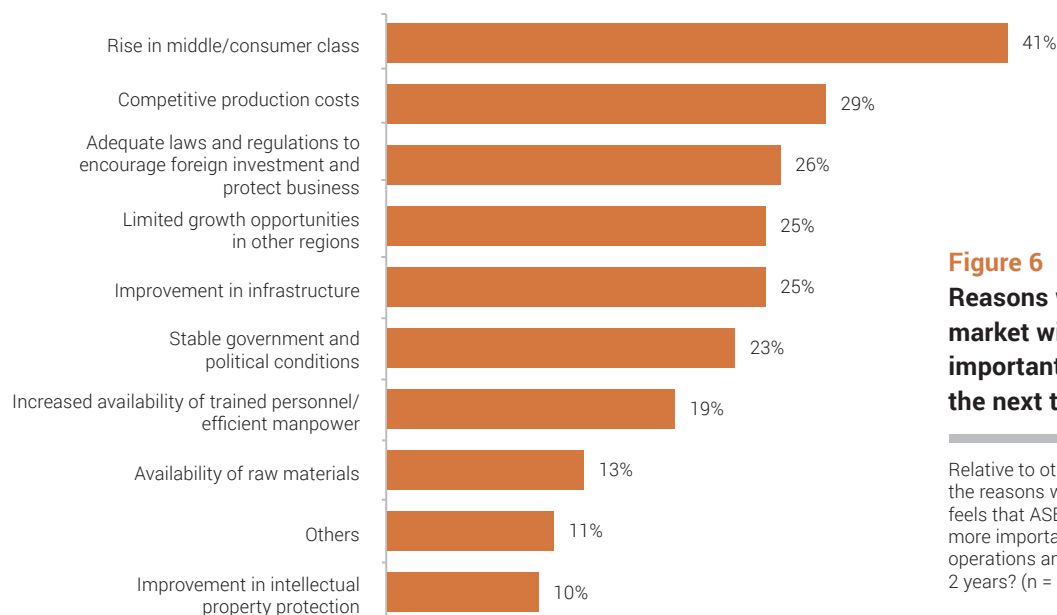
<sup>24</sup> World Economic Forum, "Future of Consumption in Fast-Growth Consumer Markets: ASEAN", ([https://www3.weforum.org/docs/WEF\\_Future\\_of\\_Consumption\\_in\\_Fast\\_Growth\\_Consumer\\_Markets\\_ASEAN\\_2020.pdf](https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast_Growth_Consumer_Markets_ASEAN_2020.pdf))



## GROWTH OF THE CONSUMER CLASS

By 2030, 140 million new consumers will enter ASEAN, representing 16% of the world's consumers. Coupled with rising income levels which are further driving consumption, as well as low-cost labor, the region is becoming increasingly attractive to foreign investment<sup>25</sup>.

The rise in the middle/consumer class is the top reason why the ASEAN market will be more important to revenues in the next two years (41%). Competitive production costs is the second most common reason at 29% (Figure 6).



**Figure 6**  
**Reasons why ASEAN market will be more important to revenues in the next two years**

Relative to other markets, what are the reasons why your company feels that ASEAN markets will be more important for its worldwide operations and revenues in the next 2 years? (n = 149)

<sup>25</sup> World Economic Forum, "Future of Consumption in Fast-Growth Consumer Markets: ASEAN", ([https://www3.weforum.org/docs/WEF\\_Future\\_of\\_Consumption\\_in\\_Fast-Growth\\_Consumer\\_Markets\\_ASEAN\\_2020.pdf](https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast-Growth_Consumer_Markets_ASEAN_2020.pdf))



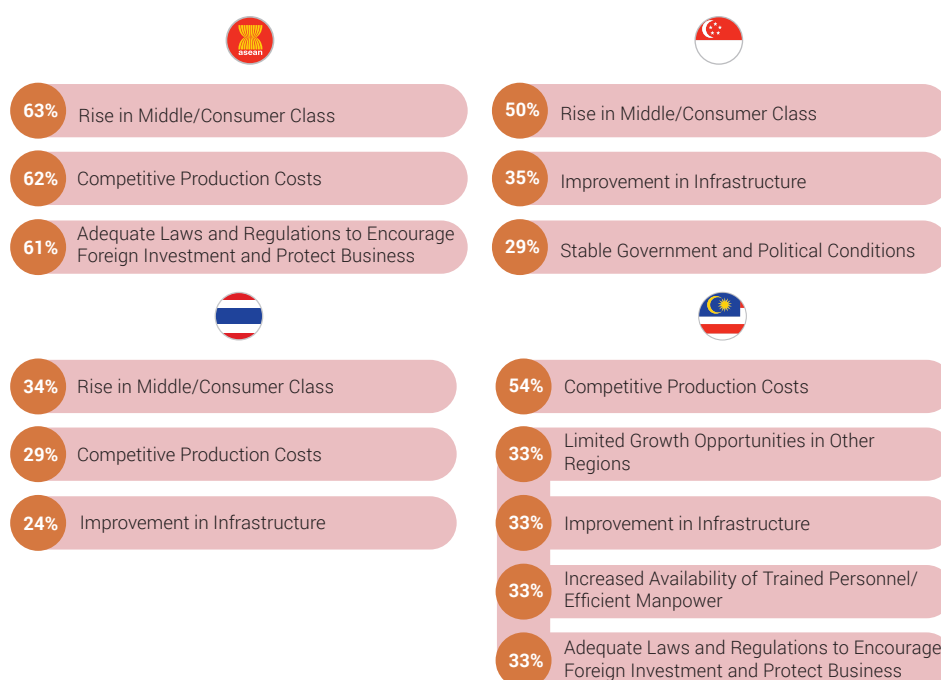
Companies in Singapore are more likely to cite the rise in the middle/consumer class as the top reason for ASEAN's increasing importance (50%), compared to only 34% of companies in Thailand and a quarter of companies in Malaysia (Figure 7). As ASEAN's most developed economy with a highly urbanized and educated population, Singapore's consumption patterns are above those of other ASEAN Member States<sup>26</sup>. Consumer spending in Singapore in 2020 remained similar to pre-pandemic<sup>27</sup> levels, and in 2021 around 3 in 5 of its consumers were classed as high-spenders.

The most common reason for ASEAN's increasing importance among companies in Malaysia, meanwhile, is competitive production costs (54%).

**Figure 7**  
**Reasons why ASEAN market will be more important to revenues in the next two years (among companies in Singapore, Thailand and Malaysia)**

Relative to other markets, what are the reasons why your company feels that ASEAN markets will be more important for its worldwide operations and revenues in the next 2 years?  
(Total, n = 149) (Singapore, n=34)  
(Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.



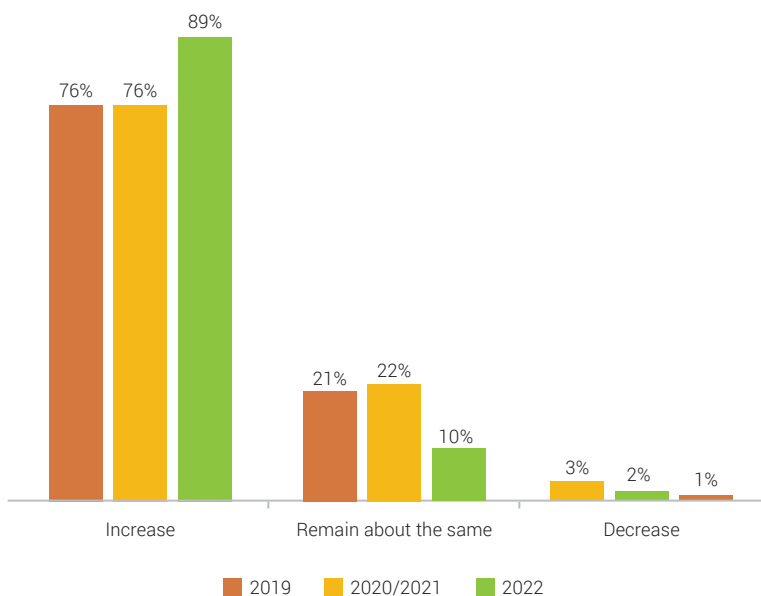
<sup>26</sup> Charles Ferguson and Lee Eng Keat, UOB, "ASEAN's growing consumer markets and why they matter for unlocking new growth opportunities", (<https://www.uobgroup.com/asean-insights/markets/asean-growing-consumer-markets.page?path=data/ai/61&cr=segment>)

<sup>27</sup> Choo Yun Ting, The Straits Times, "Consumer spending by S'pore residents last year at 2019 level despite Covid-19: MAS", (<https://www.straitstimes.com/business/economy/singapore-resident-spending-in-2020-held-at-2019-level-gradual-price-increases>)



# INCREASE IN REGIONAL TRADE AND INVESTMENT

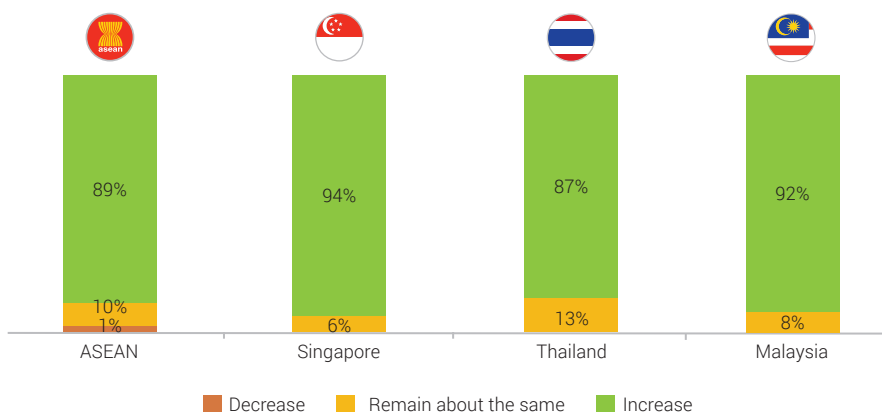
The majority of businesses expect their company's level of trade/investment in the ASEAN region to increase in the next five years (89%). Comparatively in 2018–2021, around three-quarters expected their company's level of trade and/or investment in the region to increase (Figure 8). The relatively higher levels of longer-term confidence this year could be attributed to the U.S. government's implementation of the IPEF and the PGII, which may facilitate trade and production within the region.



**Figure 8**  
Trade/investment in the ASEAN region in the next five years

Over the next five years, do you expect your company's level of trade and/or investment in the ASEAN region to.. (n=149)

This trend continues to be seen across companies in Singapore (94%), Thailand (87%), and Malaysia (92%) (Figure 9).



**Figure 9**  
Trade/investment in the ASEAN region in the next five years (among companies in Singapore, Thailand and Malaysia)

Over the next five years, do you expect your company's level of trade and/or investment in the ASEAN region to.. (Total, n = 149) (Singapore, n=34) (Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.

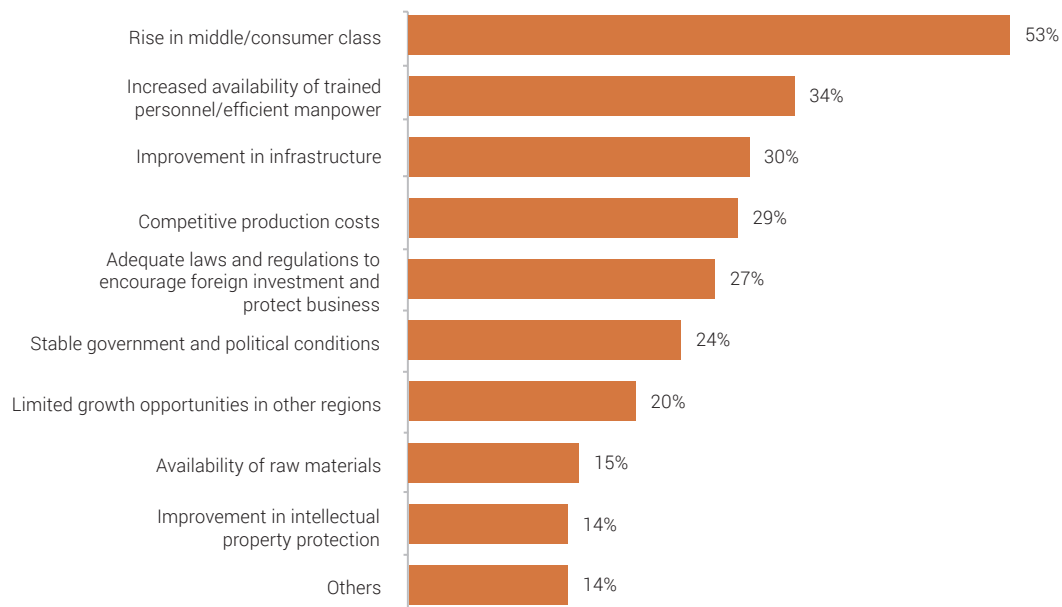




Similar to responses on why the region will become more important to revenues in the short term (Figure 10), the rising middle/consumer class is by far the leading reason why trade/investment in ASEAN is expected to increase over the next five years (53%).

**Figure 10**  
**Reasons why trade/investment in the ASEAN region is expected to increase in the next five years**

Why do you see your company's level of trade and investment increasing in ASEAN over the next five years? (n = 149)

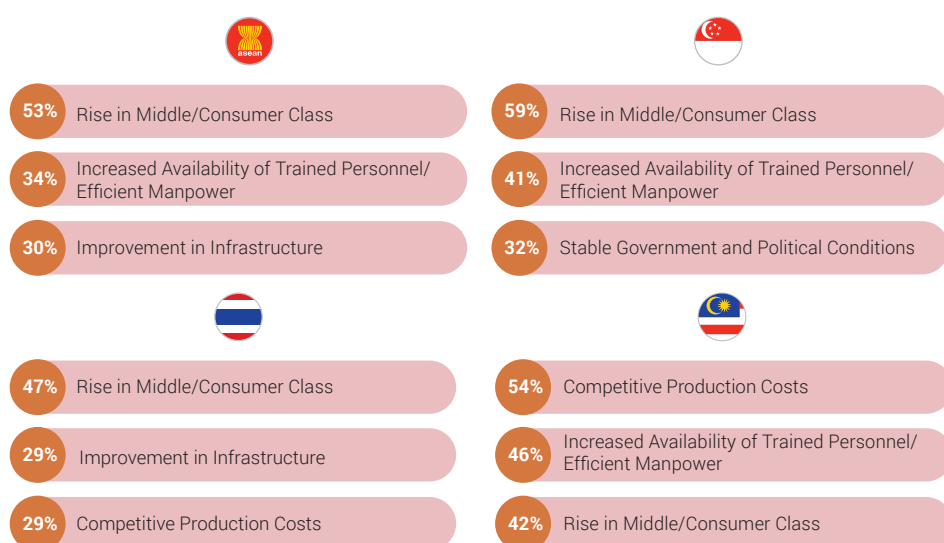






Two-fifths of companies in Singapore cite increased availability of trained personnel/efficient manpower as the second most common reason for increasing trade and investment in the region (41%), compared to 34% of all ASEAN respondents. This could be attributed to the city-state's reliance on foreign talent amid tighter work pass criteria, with the percentage of foreign workers currently standing at around a quarter of the total workforce<sup>28</sup>.

Among companies in Thailand, the top three reasons are the rise in the middle/consumer class (47%), competitive production costs (29%), and improvement in infrastructure (29%). In Malaysia, the top 3 reasons are competitive production costs (54%), increased availability of trained personnel (46%), and the rise in the middle/consumer class (42%).



**Figure 11**  
**Reasons why trade/investment in the ASEAN region is expected to increase in the next five years (among companies in Singapore, Thailand and Malaysia)**

Why do you see your company's level of trade and investment increasing in ASEAN over the next five years? (Total, n = 149) (Singapore, n=34) (Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.

<sup>28</sup> Ian Lim and Nicholas Ngo, The Business Times, "Following the Compass for a stronger workforce", (<https://www.businesstimes.com.sg/leadership-management/following-the-compass-for-a-stronger-workforce>)



# SATISFACTION WITH LOCAL BUSINESS ENVIRONMENT

Among companies in ASEAN, public health measures during COVID-19 have had a significant impact on satisfaction with the economic environment in-market (63%). ASEAN Member States stepped up national responses to the pandemic and forged stronger regional cooperation<sup>29</sup>, which has enabled local businesses to adapt and continue to operate.

Sentiment towards the U.S. continues to be a key concern for the local business environment, with 62% feeling satisfied (Figure 12). Despite the U.S.-led multilateral initiatives such as the IPEF to support economic participation in the region, there may be lingering concerns in ASEAN over strategic neglect during the Ukraine invasion<sup>30</sup>. China's rising economic influence in the region also continues to present a threat.

Personal security remains among the top three economic factors that businesses in ASEAN are satisfied with in the local market (61%), although this has seen a decrease from 86% in 2020/2021.

Among companies in Singapore, the top economic factors that businesses are overall satisfied with in the local market are lack of corruption (94%), personal security (94%), legal system/contract sanctity (91%), and stable government and political conditions (91%). Compared to ASEAN overall, companies in Singapore appear to benefit from a robust political system and government support for businesses.

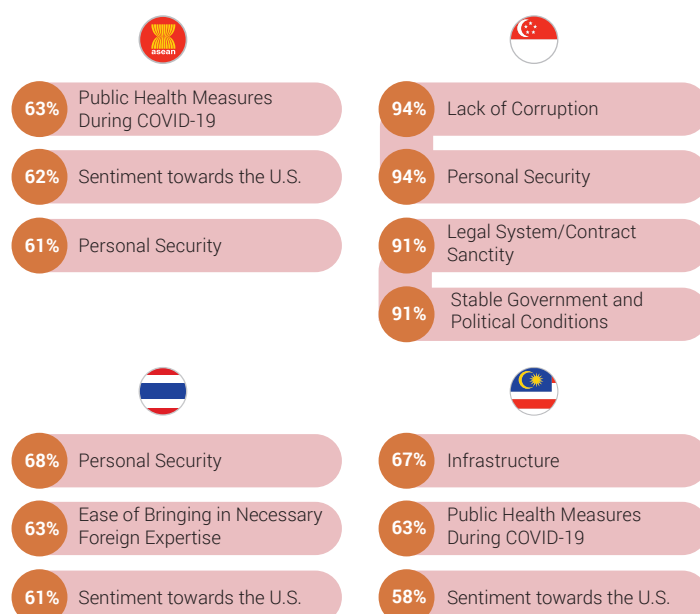
Among companies in Thailand, the top three economic factors that businesses are overall satisfied with in the local market are personal security (68%), ease of bringing in necessary foreign expertise (63%), and sentiment towards the U.S. (61%).

Sentiment towards the U.S. is also among the top three economic factors that businesses are overall satisfied with in Malaysia (58%), behind infrastructure (67%) and public health measures during COVID-19 (63%).

**Figure 12**  
**Areas of satisfaction with local business environment (among companies in Singapore, Thailand and Malaysia)**

In your respective countries, how satisfied are you with these factors?  
(Total, n = 149) (Singapore, n=34)  
(Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.



<sup>29</sup> <https://asean.org/asean-health-sector-efforts-in-the-prevention-detection-and-response-to-coronavirus-disease-2019-covid-19-1/>

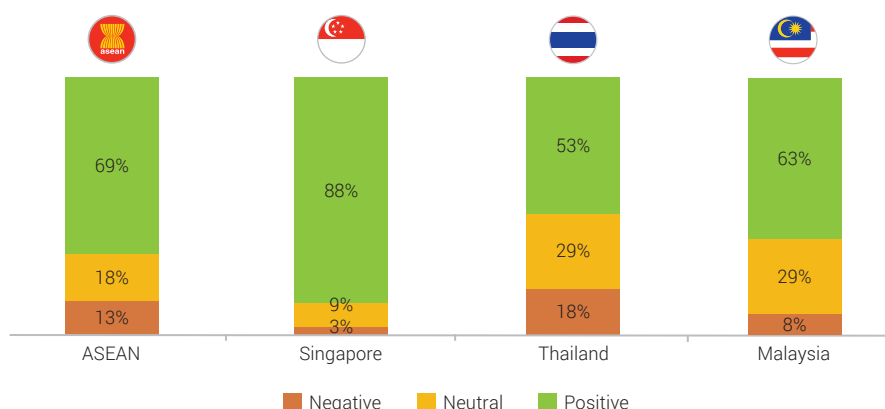
<sup>30</sup> Richard Javad Heydarian, Asia Times, "Biden tries to strengthen US alliance with ASEAN", (<https://asiatimes.com/2022/05/biden-tries-to-strengthen-us-alliance-with-asean/>)

## CURRENT BUSINESS CLIMATE WITHIN THE LOCAL MARKET

Among ASEAN respondents, 69% describe their overall experience with the current business climate positively (Figure 13).

Companies in Singapore are much more positive about their experience with the local market (88%). This is likely due to the city-state's significant progress towards pre-pandemic levels of normalcy during the first half of 2022, with lifting of travel and social restrictions revitalizing activity in the tourism and food & beverages (F&B) industries, as well as expansion in the manufacturing sector through new FDI inflows<sup>31</sup>.

Firms in Thailand feel less positive towards the local business climate, with just over half (53%) describing it as positive overall. Meanwhile, companies in Malaysia are relatively more satisfied (63%).



**Figure 13**

**Experience with current business climate in the local market (among companies in Singapore, Thailand and Malaysia)**

Which of these sentiments best expresses your overall experience with the current business climate in... (Total, n = 149) (Singapore, n=34) (Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.

<sup>31</sup> Rajiv Biswas, HIS Markit, "Singapore Economy Continues on Road to Recovery", (<https://ihsmarkit.com/research-analysis/singapore-economy-continues-on-road-to-recovery-July22.html>)



“We are expanding in Cambodia in spite of the declining investment climate here. The growth opportunities are off-setting the worsening of most other factors.”

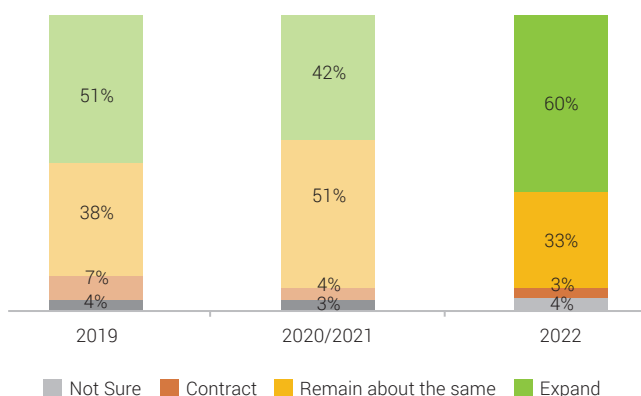
## BUSINESS EXPANSION IN ASEAN WITHIN THE LOCAL MARKET

With most countries recovering from the pandemic, plans for business expansion within the local ASEAN markets have increased by nearly one-fifth since 2020/2021. Among companies in ASEAN in 2022, 60% plan to expand within their response location, compared to 42% in 2020/2021 (Figure 14). Business growth opportunities have gradually risen to pre-pandemic levels in 2018, when 62% planned to expand (versus 51% in 2019).

Meanwhile, one-third plan to remain at about the same capacity this year (33%), down from 51% in 2020/2021.

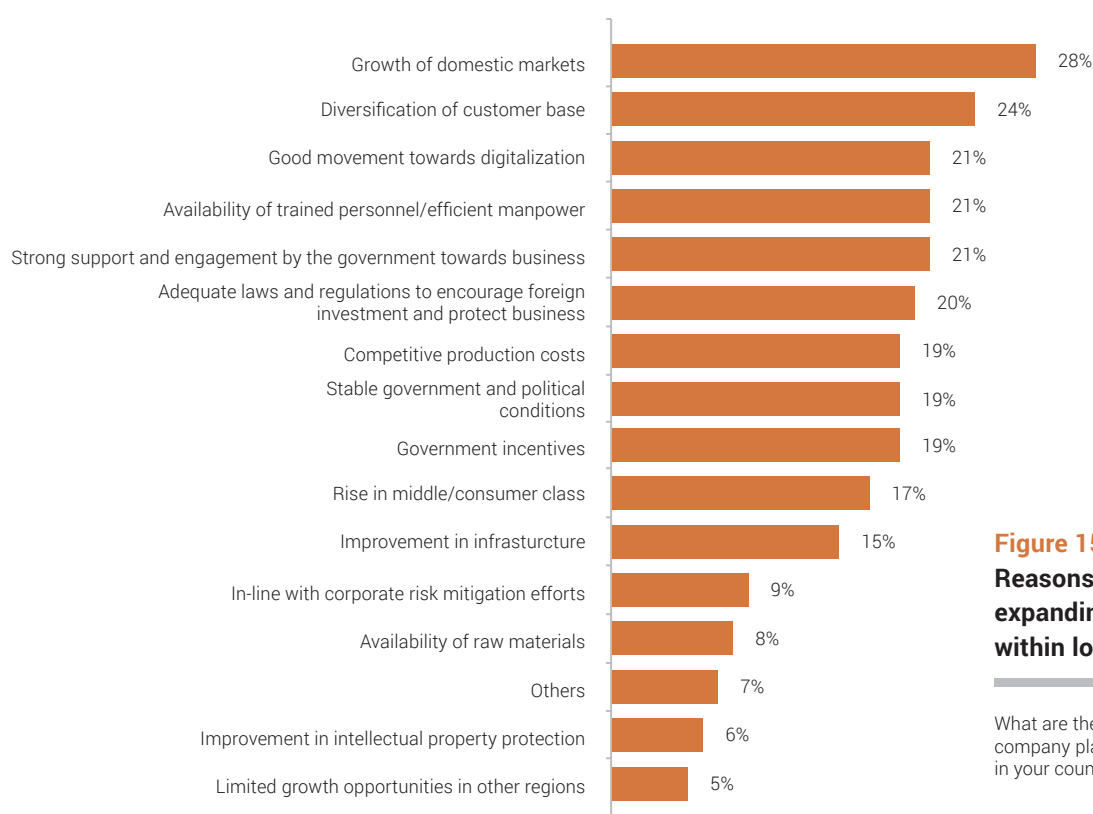
**Figure 14**  
**Growth opportunities**  
**(within local market)**

Within your country, does your company plan to expand or cut-back?  
(Total, n = 149)





The most common reason for business expansion is growth of domestic market (28%), followed by diversification of customer base (24%).



**Figure 15**  
Reasons for  
expanding company  
within local market

What are the reasons why your company plans for business expansion in your country? (n = 149)





Half of companies in Singapore plan to expand within the local market (50%), while 44% plan to remain about the same (Figure 16). The most common reason for expansion is stable government and political conditions (59%) (Figure 17). A survey conducted by Standard Chartered in 2021<sup>32</sup> indicated that Singapore was the top country of choice for U.S. companies' expansion plans, based on the desirability of setting up regional headquarters in the city-state among other reasons.

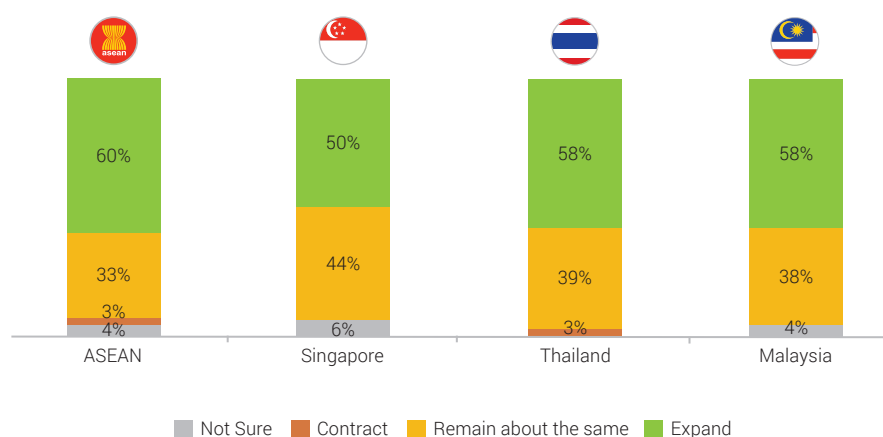
Relatively more companies in both Thailand and Malaysia have expansion intentions in-market, compared to Singapore. 58% of companies in Thailand plan to expand while 39% plan to remain about the same (Figure 16). The most common reason for expansion is diversification of customer base (43%) (Figure 17).

Similarly in Malaysia, 58% of firms plan to expand while 39% plan to remain about the same (Figure 16). Competitive production cost is the most common reason for expansion among firms in Malaysia (42%) (Figure 17).

**Figure 16**  
**Growth opportunities**  
**(within local market,**  
**among companies in**  
**Singapore, Thailand and**  
**Malaysia)**

Within your country, does your company plan to expand or cut-back?  
(Total, n = 149) (Singapore, n=34)  
(Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.



<sup>32</sup> Standard Chartered, Business Wire, "Singapore Is Top of Choice for US Companies Seeking Growth Opportunities in ASEAN", (<https://www.businesswire.com/news/home/20210921005754/en/Singapore-Is-Top-of-Choice-for-US-Companies-Seeking-Growth-Opportunities-in-ASEAN>)

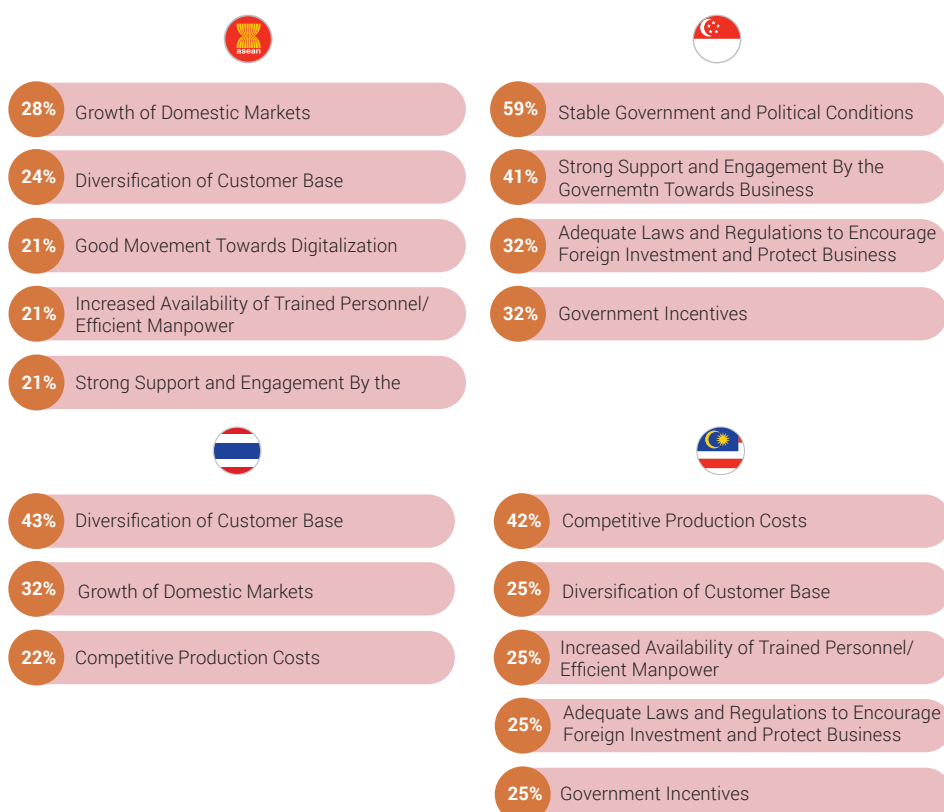


**Figure 17**  
Reasons for expanding  
business within  
local market (among  
companies in Singapore,  
Thailand and Malaysia)

Relative to other markets, what are the reasons why your company feels that ASEAN markets will be more important for its worldwide operations and revenues in the next 2 years?

(Total, n = 149) (Singapore, n=34)  
(Thailand, n=38) (Malaysia, n=24\*)

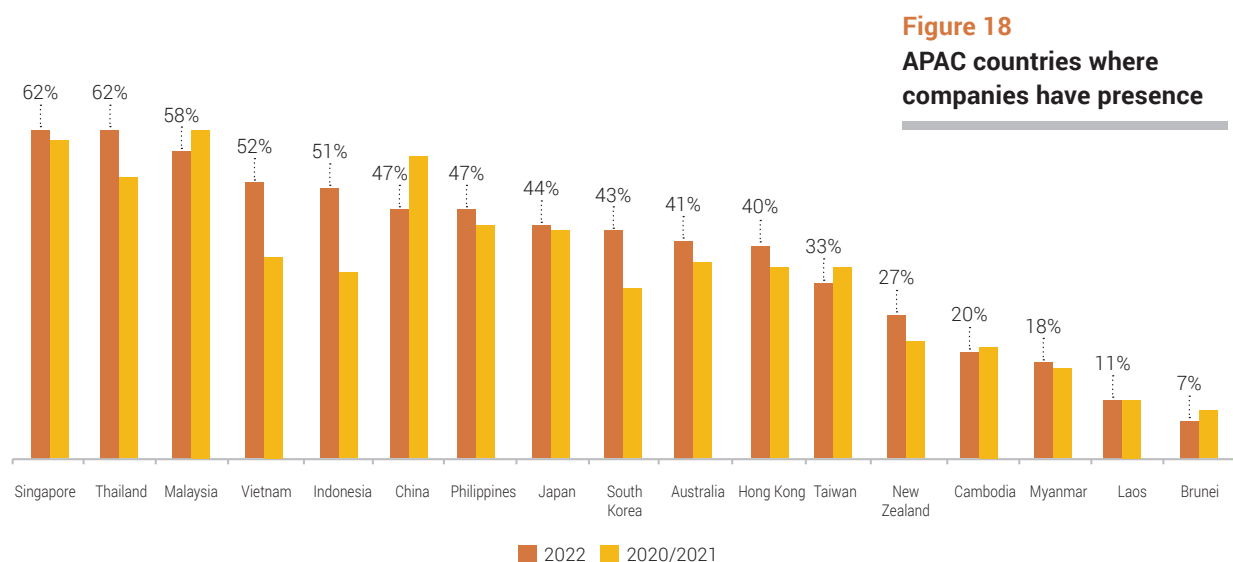
\*Due to small sample size, results should be interpreted with caution.





## BUSINESS EXPANSION IN ASEAN OUTSIDE THE LOCAL MARKET

Thailand (62%) and Singapore (62%) are the top Asia-Pacific (APAC) countries where companies surveyed reported a presence (Figure 18). Similarly in 2020/2021, the majority of businesses in ASEAN relied on Malaysia, Singapore, China and Thailand for their operations.



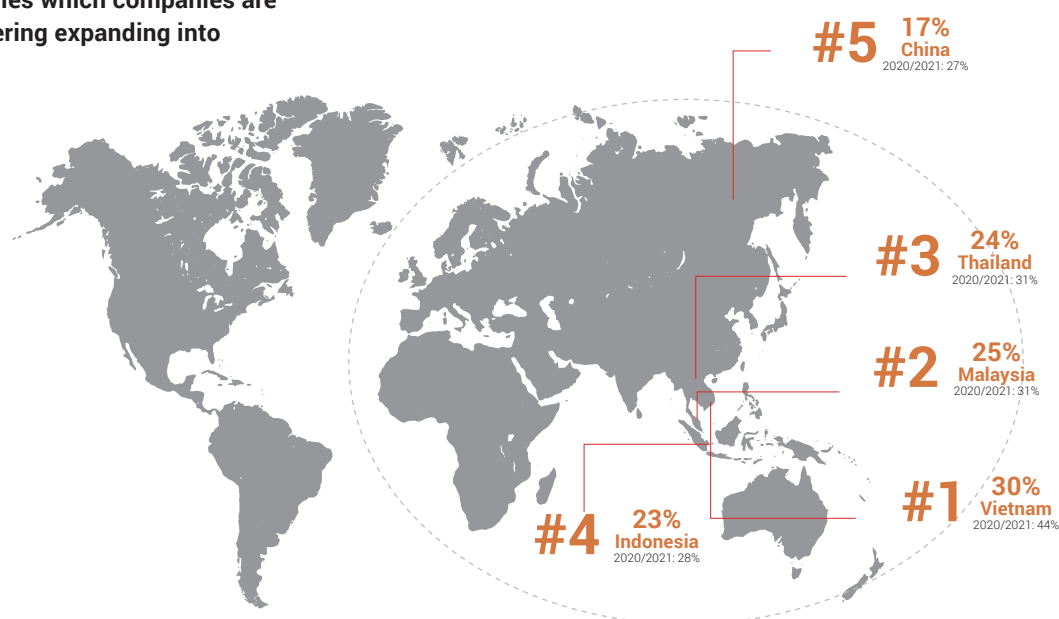
Of the following Asia-Pacific economies, in which one(s) do(es) your company currently have a presence? (n = 149)



The emerging economies of Indonesia, Vietnam, and the Philippines account for over half of ASEAN's total GDP and more than 70% of the total population. Vietnam's growth in 2022 has surpassed projections, with economic expansion at its highest level since 2013 as of June 2022. The government's US\$15 billion fiscal stimulus package has promoted strong recovery across sectors; namely manufacturing, exports and services<sup>33</sup>.

Vietnam is the top APAC country that companies are considering expansion in (30%), followed by Malaysia (25%), Thailand (24%) and Indonesia (23%). These countries were also the most common choices for company expansion in 2020/2021 (Figure 19).

**Figure 19**  
Top 5 countries which companies are considering expanding into



Which, if any, of the following Asia-Pacific economies is your company considering expansion to within the next five years? (2022, n = 149) (2020/2021, n = 129)

<sup>33</sup> The Business Times, "Vietnam sees 2022 growth beating goal as recovery powers on", (<https://www.businesstimes.com.sg/government-economy/vietnam-sees-2022-growth-beating-goal-as-recovery-powers-on>)





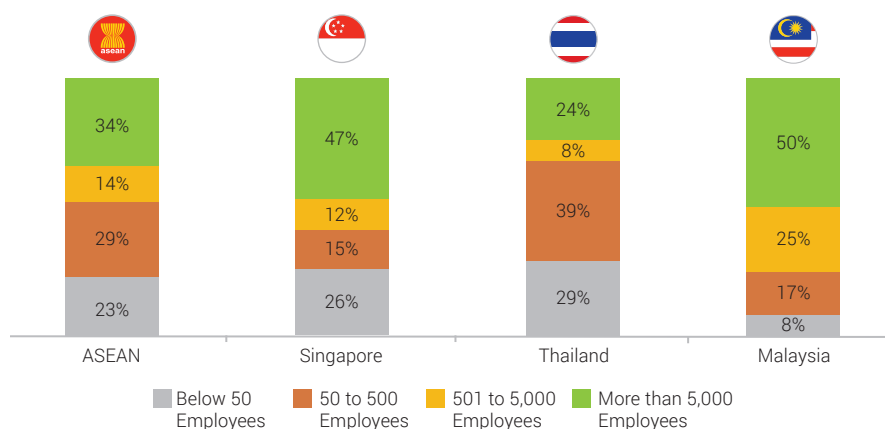
## WORKFORCE DEMOGRAPHICS

One-third of companies surveyed are large-scale businesses with more than 5,000 employees globally (34%), while nearly a quarter are Small and Medium Enterprises (SMEs) (23%) (Figure 20).

**Figure 20**  
Total company  
workforce size (Global,  
(among companies in  
Singapore, Thailand  
and Malaysia)

What is the approximate size of your company's total workforce worldwide?  
(Total, n = 149) (Singapore, n=34)  
(Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.



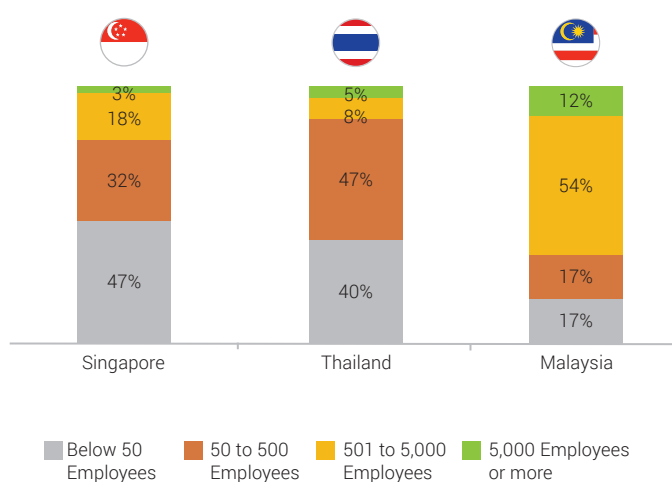




Nearly half of surveyed companies based in Singapore are SMEs (47%) and only 3% have over 5,000 employees in-market (Figure 21).

Among surveyed companies based in Thailand, 40% are SMEs and only 5% have over 5,000 employees in-market.

Surveyed companies based in Malaysia have a much lower proportion of SMEs (17%) and 12% have over 5,000 employees in-market.



**Figure 21**

**Total company workforce size (local market, among companies in Singapore, Thailand and Malaysia)**

What is the approximate size of your workforce in your country?  
(Singapore, n=34) (Thailand, n=38)  
(Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution



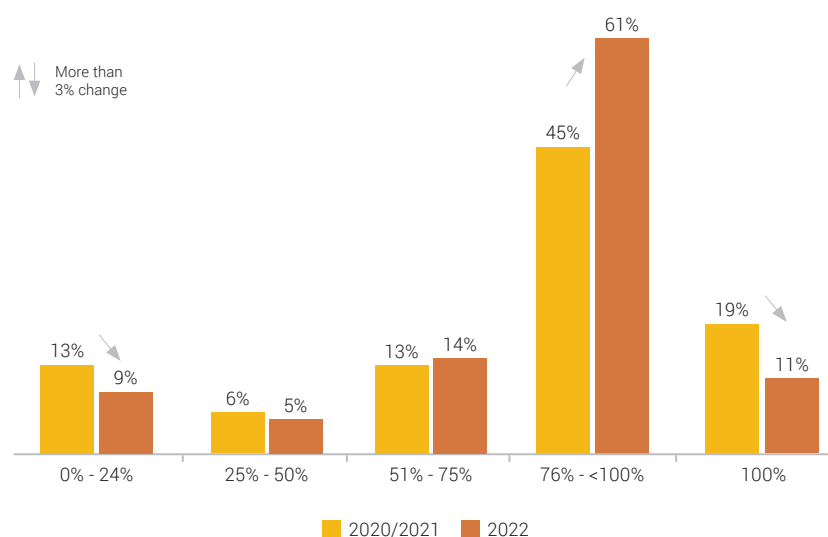
## PERCENTAGE OF WORKFORCE COMPRISED BY LOCALS

Among companies in ASEAN, 13% have a workforce comprised of less than 51% nationals, and 61% are comprised of 76% to <100% nationals (Figure 22).

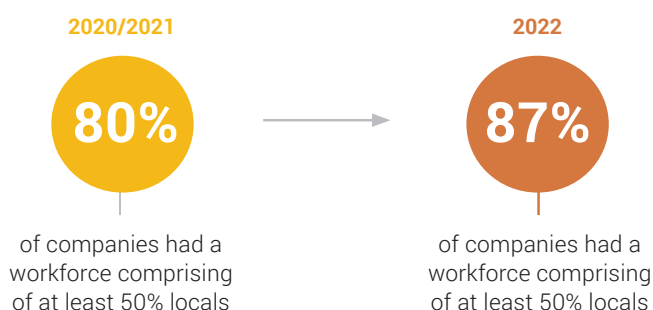
There has been an increase in the proportion of the workforce that is made up of at least 50% locals among firms in ASEAN, from 73% in 2019 and 80% in 2020/2021 to 87% this year. This higher dependency on local talent may be driven by the aftermath of global mobility restrictions, as well as protectionist policies.

**Figure 22**  
**Percentage of workforce made up by locals**

In your country, what percentage of your workforce is comprised of locals? (Total 2022, n = 119) (Total 2020/2021, n = 119)



### % of Companies with workforce made of at least 50% locals



A much smaller proportion of companies in Singapore have a workforce comprised of 76% to <100% locals compared to overall ASEAN figures, at just over one-third (35%). This indicates Singapore's continued dependence on global talent following the government's historic efforts to foster economic growth and augment the domestic workforce, despite recent tightening of labor and immigration policies<sup>34</sup>.

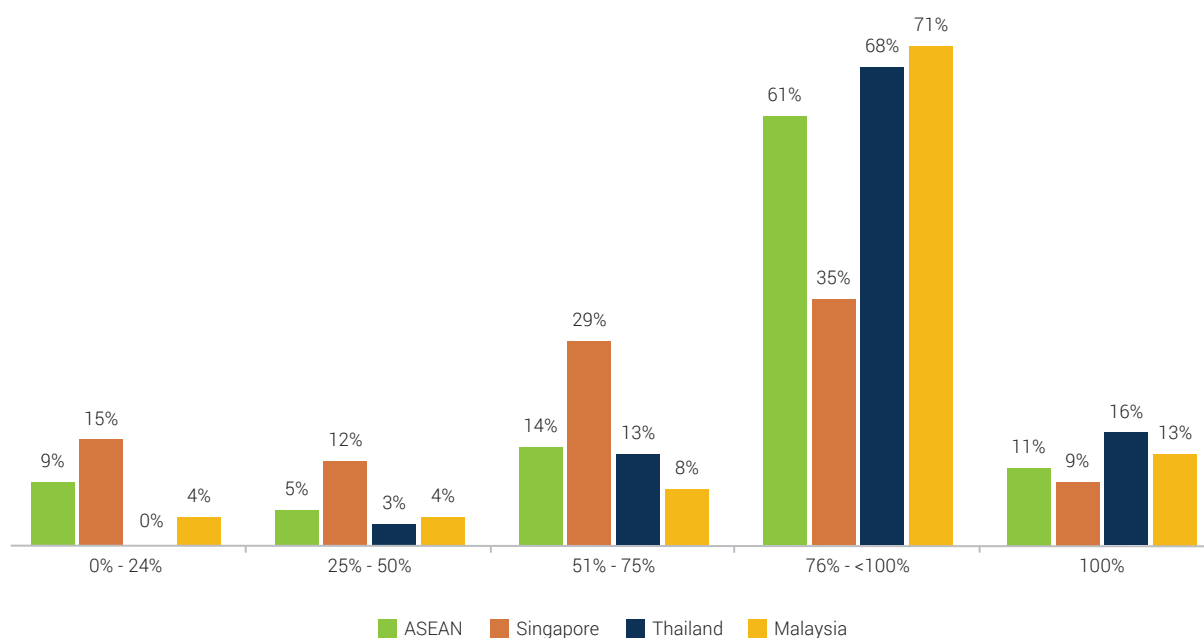
A much lower proportion of companies in Thailand have a workforce comprised of less than half locals (3%) compared to total ASEAN figures; while around 7 in 10 (68%) are comprised of 76% to <100% nationals.

Similarly in Malaysia, 7 in 10 (71%) companies have a workforce made up of 76% to <100% locals; while 8% reported less than half local employees.

**Figure 23**  
**Percentage of workforce made up by locals (among companies in Singapore, Thailand and Malaysia)**

In your country, what percentage of your workforce is comprised of locals?  
(Total, n = 149) (Singapore, n=34)  
(Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.



<sup>34</sup> Jeanette Tan, The Business Times, "BT Explains: Singapore's love-hate relationship with foreign workers", (<https://www.businesstimes.com.sg/government-economy/bt-explains-singapores-love-hate-relationship-with-foreign-workers>)



“There will be potential backlash/retaliation against U.S. companies in China through either regulatory or legal means.”

“If trade tensions ease, we will be able to grow our markets more quickly based on some of our products being manufactured in China.”

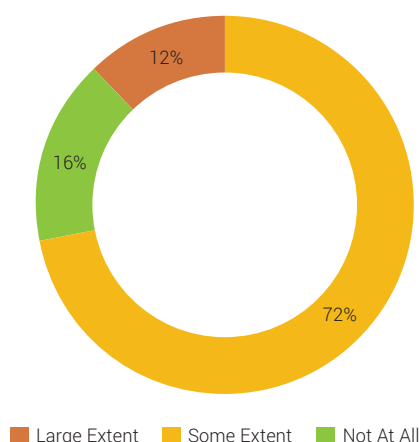
## PERSPECTIVES ON INTERNATIONAL RELATIONS

Beyond the aftermath of the COVID-19 pandemic, other current global events have added pressure on firms in ASEAN.

The economic sanctions placed on Russia in response to its invasion of Ukraine can be expected to drive up food and energy prices, as well as disruptions to manufacturing supply chains, to varying degrees among ASEAN Member States<sup>35</sup>. Nearly three-quarters of companies expect the situation in Ukraine to impact business to some extent in the next five years (72%), while only 16% do not expect it to impact business at all (Figure 24).

**Figure 24**  
**Impact of Ukraine conflict on business**

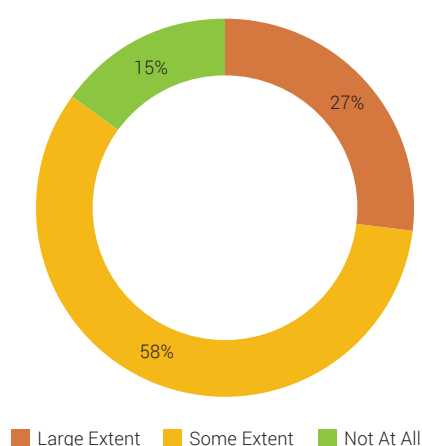
To what extent do you expect the situation in Ukraine to impact your business in the next five years? (Total, n=149)



<sup>35</sup> James Guild, The Diplomat, “How the Russian Invasion of Ukraine Might Impact ASEAN Economies”, (<https://thediplomat.com/2022/03/how-the-russian-invasion-of-ukraine-might-impact-asean-economies/>)

Amid recent developments in U.S.–China relations, ASEAN has maintained unity and neutrality<sup>36</sup>. However, there has been concerns over smaller nations being caught in the middle of tensions between the two economic giants. With the U.S. and China representing the largest export locations for the majority of ASEAN Member States, bilateral trade and investment disruption reduces growth through regional supply chains<sup>37</sup>.

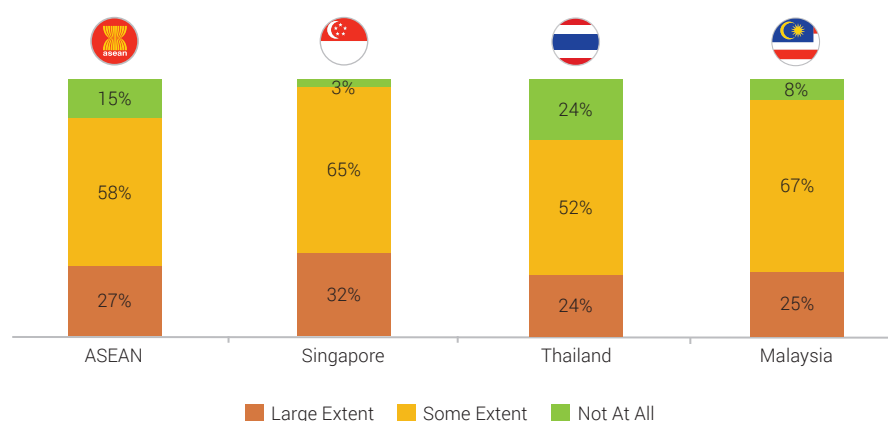
Over a quarter of companies expect U.S.–China tensions to impact business to a large extent in the next 5 years (27%), while the majority expects this to only have an impact to some extent (58%) (Figure 25).



**Figure 25**  
Impact of U.S.–China tensions on business

To what extent do you expect U.S.-China tensions to impact your business in the next five years? (2022, n = 149)

Companies in Singapore (65%) and Malaysia (67%) are more likely to expect U.S.–China tensions to impact business to some extent, compared to 52% of companies in Thailand (Figure 26).



**Figure 26**  
Impact of U.S.–China tensions on business (among companies in Singapore, Thailand and Malaysia)

To what extent do you expect U.S.-China tensions to impact your business in the next five years? (Total, n = 149) (Singapore, n=34) (Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.

<sup>36</sup> Eileen Ng, The Straits Times, "ASEAN needs to stay neutral and united amid US-China tensions: Tommy Koh", (<https://www.straitstimes.com/asia/se-asia/asean-needs-to-stay-neutral-and-united-amid-us-china-tensions-tommy-koh>)

<sup>37</sup> Ian Coxhead, Institute of Developing Economies Japan External Trade Organization, "The US-China Trade War and Prospects for ASEAN Economies", ([https://www.ide.go.jp/English/ResearchColumns/Columns/2022/ian\\_coxhead.html](https://www.ide.go.jp/English/ResearchColumns/Columns/2022/ian_coxhead.html))



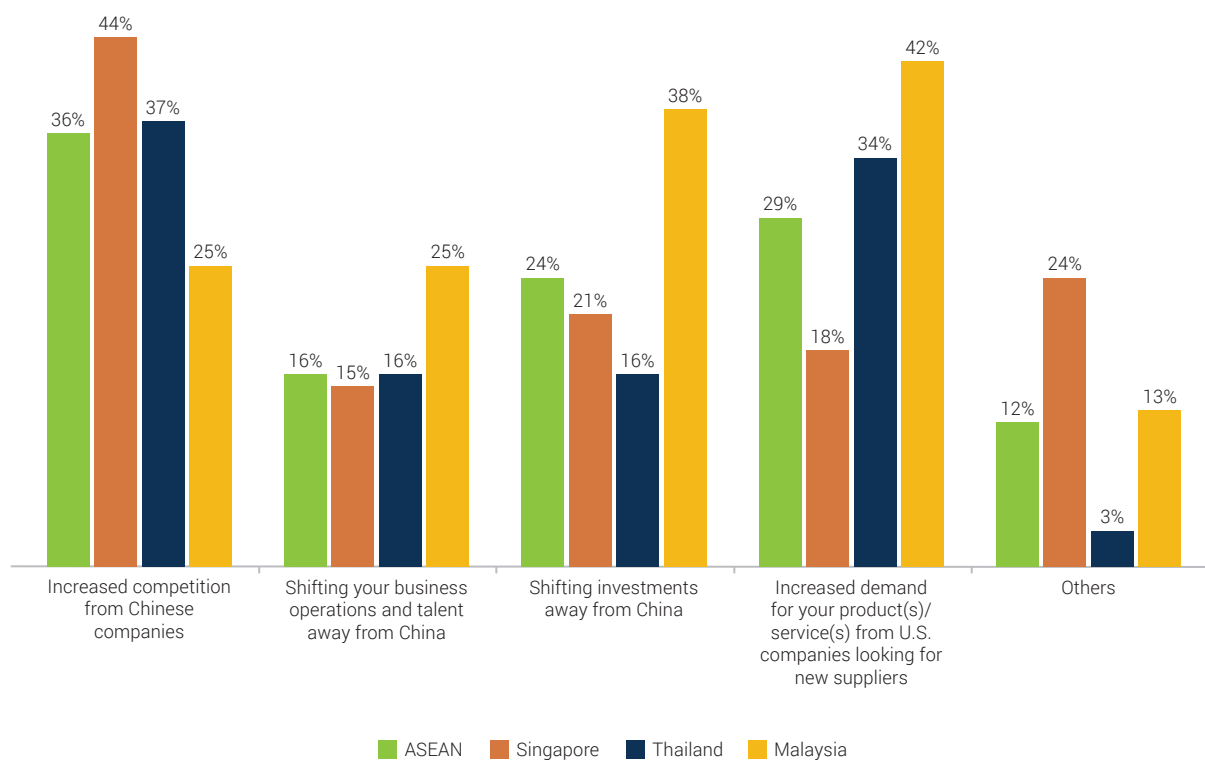
Among ASEAN respondents, increased competition from Chinese companies is the most common expected outcome as a result of tensions between the U.S. and China (36%) (Figure 27).

Companies in Singapore are more likely to cite increased competition from Chinese companies as the top expected outcome (44%), compared to firms in Thailand (37%) and Malaysia (25%).

**Figure 27**  
**Expected outcomes of**  
**U.S.–China tensions**  
**(among companies in**  
**Singapore, Thailand**  
**and Malaysia)**

As a result of tensions between the U.S. and China, do you anticipate any of the following outcomes?  
 (Total, n = 149) (Singapore, n=34)  
 (Thailand, n=38) (Malaysia, n=24\*)

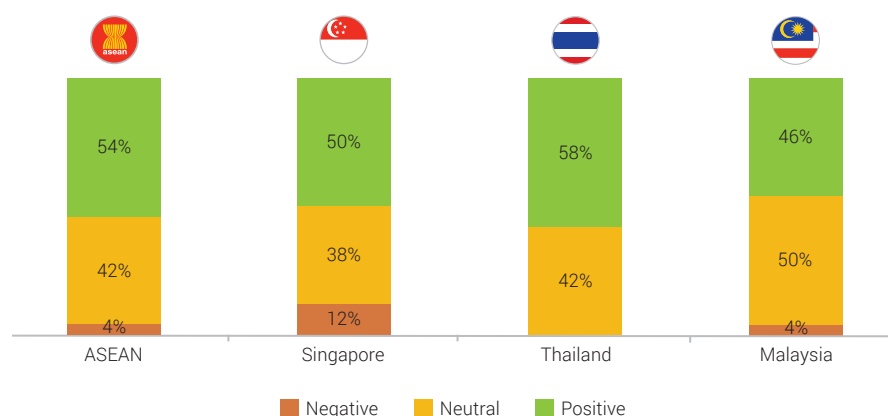
\*Due to small sample size, results should be interpreted with caution.



## SENTIMENTS TOWARDS US-ASEAN PARTNERSHIP AGREEMENTS

Perceptions of the newly introduced IPEF this year are not yet definitive in the ASEAN region; likely because the impact of the economic framework on businesses remains to be seen. Around two-fifths of total companies surveyed are neutral towards the IPEF (42%), with over half feeling somewhat positive or positive (54%) (Figure 28).

Companies in Singapore are more likely to feel somewhat negative (12%), compared to total ASEAN respondents (3%), companies in Thailand (0%) and Malaysia (4%).



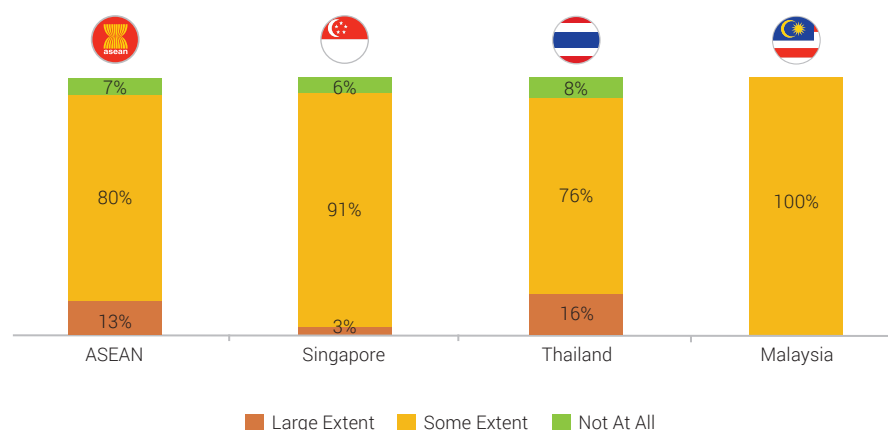
**Figure 28**  
**Sentiments on IPEF**  
(among companies in  
Singapore, Thailand and  
Malaysia)

Which of these sentiments best expresses your view of the Indo-Pacific Economic Framework (IPEF)?  
(Total, n = 149) (Singapore, n=34)  
(Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.

The recent launch of the PGII is largely expected to have a positive impact on the infrastructure gap in ASEAN. The vast majority of respondents believe this partnership will improve regional infrastructure to some extent (80%) (Figure 29).

Notably, all companies in Malaysia surveyed and the majority of companies in Singapore (91%) think that the PGII will improve regional infrastructure to some extent.



**Figure 29**  
**Sentiments on PGII**  
(among companies in  
Singapore, Thailand and  
Malaysia)

To what extent do you think the Partnership for Global Infrastructure and Investment (PGII) will improve regional infrastructure?  
(Total, n = 149) (Singapore, n=34)  
(Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.



“It is important for the U.S. to keep positive and impactful relations with the region to make sure transparency among nations and economies are kept, and corruption is decreased in the region, to allow a bigger free market for the private sector.”

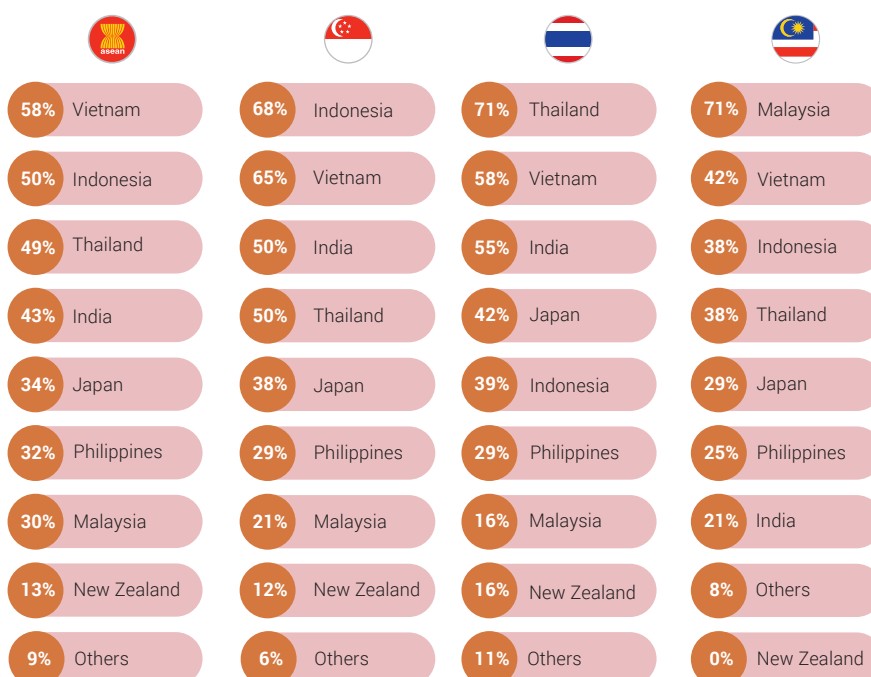
The U.S. administration has stated a preference for bilateral over multilateral trade agreements. For companies in ASEAN looking ahead, Vietnam (58%), Indonesia (50%) and Thailand (49%) remain the most attractive countries as potential bilateral Free Trade Agreement (FTA) partners with the U.S. (Figure 30).

A higher proportion of companies in Singapore believe Vietnam (65%) and Indonesia (68%) are attractive partners, compared to 58% and 39% respectively among companies in Thailand, and 42% and 38% respectively among companies in Malaysia.

**Figure 30**  
**Most attractive**  
**countries as potential**  
**bilateral FTA partners**  
**with U.S. (among**  
**companies in Singapore,**  
**Thailand and Malaysia)**

Looking ahead, given the U.S. administration's stated preference for bilateral over multilateral trade agreements, which countries are most attractive as potential bilateral FTA partners with the U.S.? (Total, n = 149) (Singapore, n=34) (Thailand, n=38) (Malaysia, n=24\*)

\*Due to small sample size, results should be interpreted with caution.







# SME OUTLOOK



SMEs constitute the largest share of enterprises in the ASEAN region; contributing significantly to the labor force, socioeconomic development and overall growth of ASEAN Member States<sup>38</sup>.

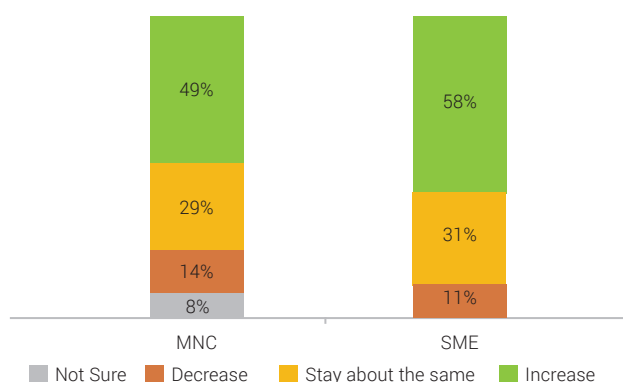
## PROFIT OUTLOOK

SMEs are more optimistic than Multinational Corporations (MNCs) about profits in the ASEAN market this year, with 58% expecting profits to increase from 2021 levels, compared to 49% of MNCs who expect an increase (Figure 31).

However, similar proportions of respondents from SMEs and MNCs expect their profits to remain steady in 2022 (31% and 29% respectively).

**Figure 31**  
**Sentiments about profit**  
**(Compared to 2021)**

Compared to 2021, do you expect your profits in ASEAN in 2022 to...  
(MNCs n = 114, SMEs n = 35)

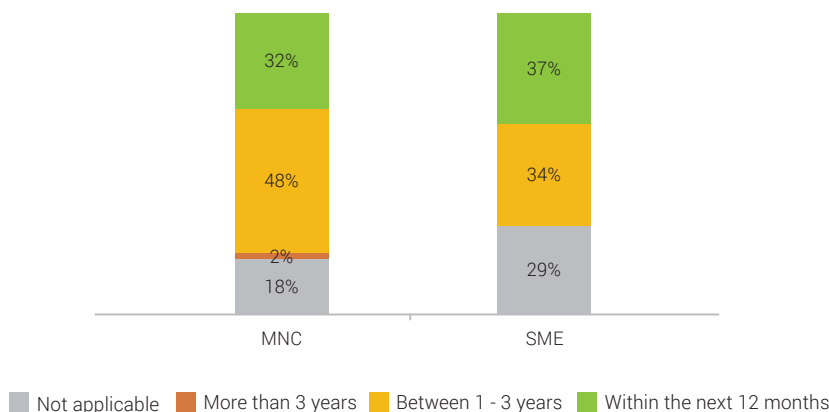


## COVID-19 RECOVERY

SMEs are less likely than MNCs to estimate the recovery timeline for company profits in ASEAN to be 1–3 years (34% and 48% respectively) (Figure 32). This is to be expected since SMEs are more vulnerable to the impact of supply chain shocks and tightened labor markets.

**Figure 32**  
**Impact of COVID-19 on**  
**business operations**  
**(Within Asia Pacific)**

What is the projected timeline for your company's profit in ASEAN to recover from the impact of the COVID-19 pandemic?  
(MNCs n = 114, SMEs n = 35)

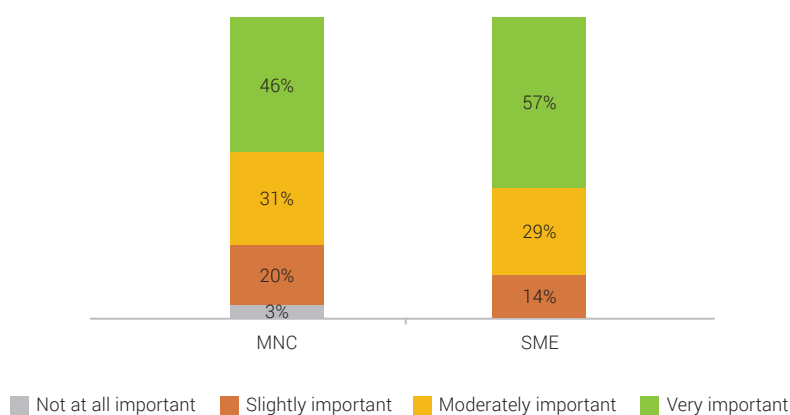


<sup>38</sup> "Development of Micro, Small, and Medium Enterprises in ASEAN (MSME)", (<https://asean.org/our-communities/economic-community/resilient-and-inclusive-asean/development-of-micro-small-and-medium-enterprises-in-asean-msme/>)



## IMPORTANCE OF ASEAN MARKET

SMEs are more optimistic about the importance of ASEAN for the company's global revenue in the next two years, with 57% believing the regional market to be very important, compared to less than half of MNCs (46%) (Figure 33).



**Figure 33**  
**Importance of**  
**ASEAN market over**  
**the next two years**

How important are ASEAN markets for your company's worldwide revenues in the next 2 years?  
(MNCs n = 114, SMEs n = 35)

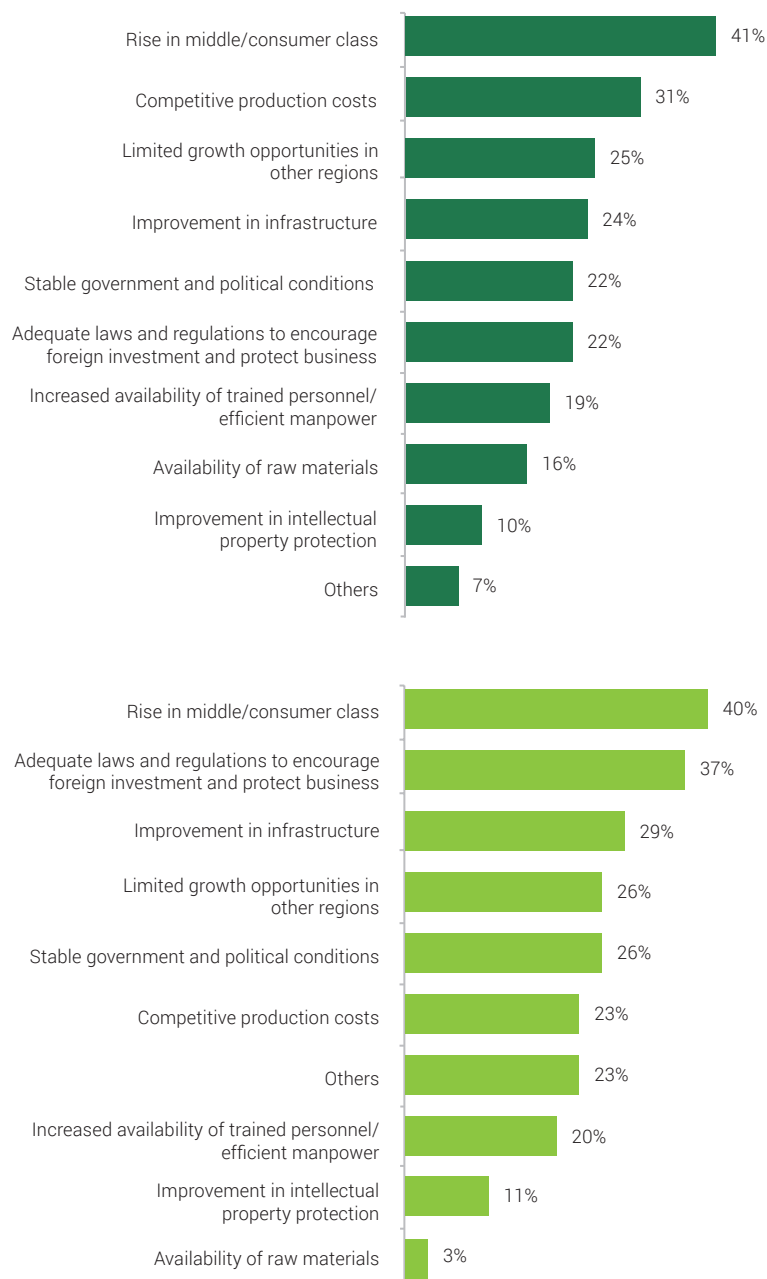


Respondents from SMEs and MNCs suggest similar reasons for why ASEAN will be more important for business in the short term. However, SMEs are more likely to cite adequate laws and regulations to encourage foreign investment and protect business (37%), compared to MNCs (22%) (Figure 34).

■ MNC ■ SME

**Figure 34**  
**Reasons why ASEAN**  
**market will be more**  
**important to revenues in**  
**the next two years (MNCs**  
**and SMEs)**

Relative to other markets, what are the reasons why your company feels that ASEAN markets will be more important for its worldwide operations and revenues in the next 2 years?  
(MNCs n = 114, SMEs n = 35)

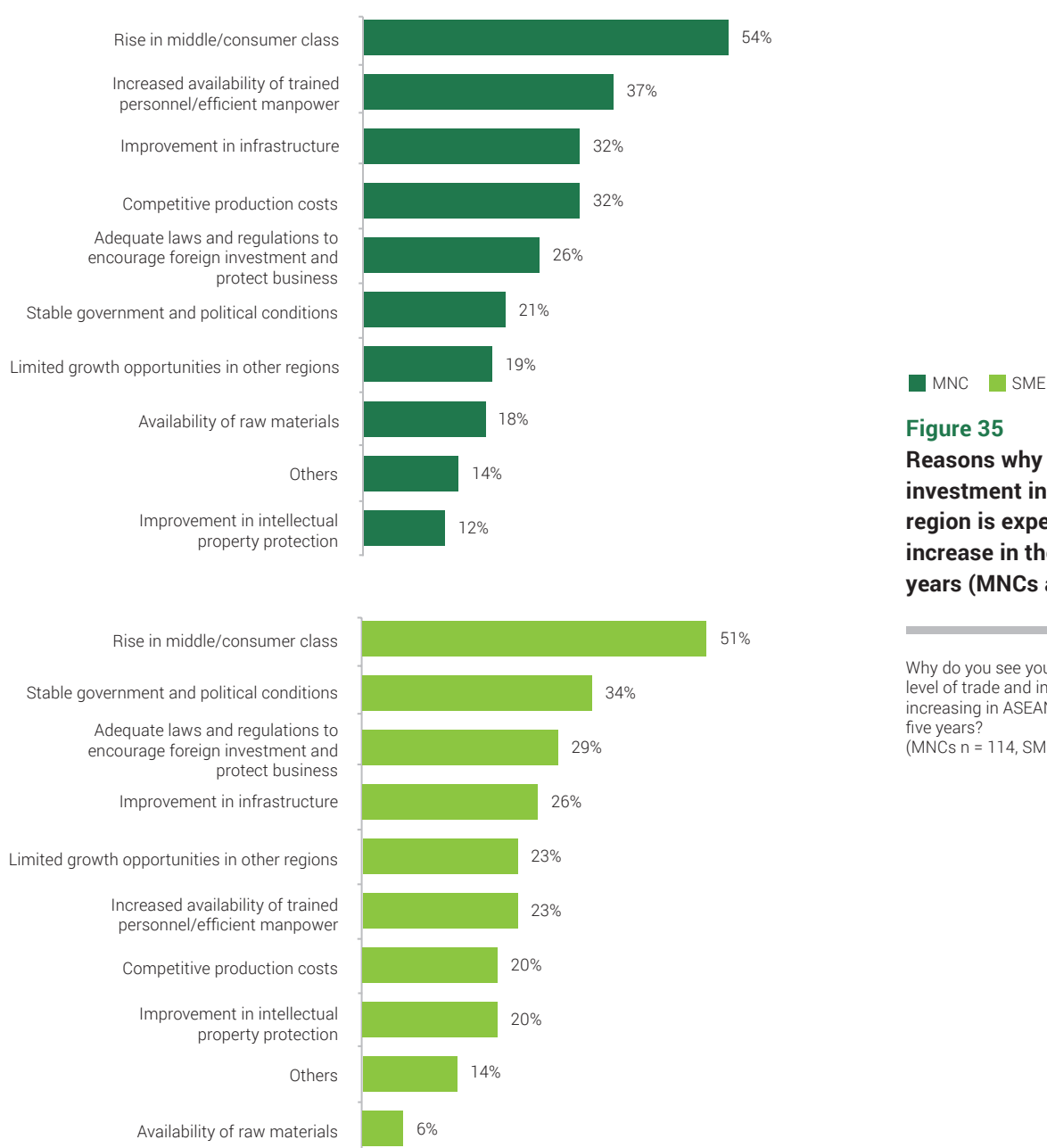


# INCREASING TRADE AND INVESTMENT IN ASEAN

The regulatory environment is also more likely to impact trade and investment in SMEs than larger corporations. One-third of SMEs (34%) cite stable government and political conditions as a reason for their level of trade and investment increasing in ASEAN over the next five years, with this being the second most common reason among them, compared to only 21% of MNCs (Figure 35) and 24% of total ASEAN respondents (Figure 10).

Only 23% of SMEs cite increased availability of personnel as a reason for higher levels of trade and investment in the region, compared to 37% of MNCs.

Only one-fifth of SMEs cite competitive production costs (20%), compared to one-third of MNCs (32%).



**Figure 35**  
Reasons why trade/  
investment in the ASEAN  
region is expected to  
increase in the next five  
years (MNCs and SMEs)

Why do you see your company's level of trade and investment increasing in ASEAN over the next five years?  
(MNCs n = 114, SMEs n = 35)

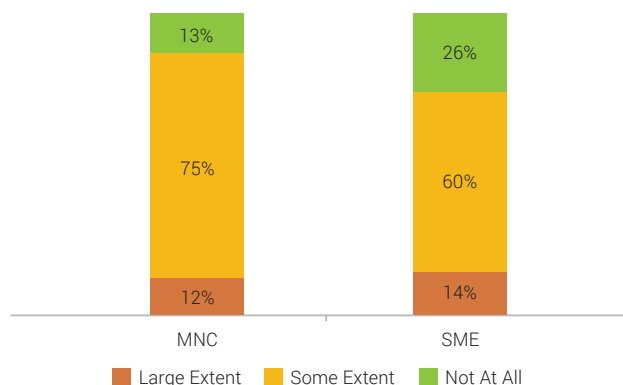


## GLOBAL RELATIONS

SMEs are less likely to expect the Ukraine conflict to impact business to some extent (60%), compared to MNCs (75%) (Figure 36).

**Figure 36**  
**Impact of Ukraine conflict on business**

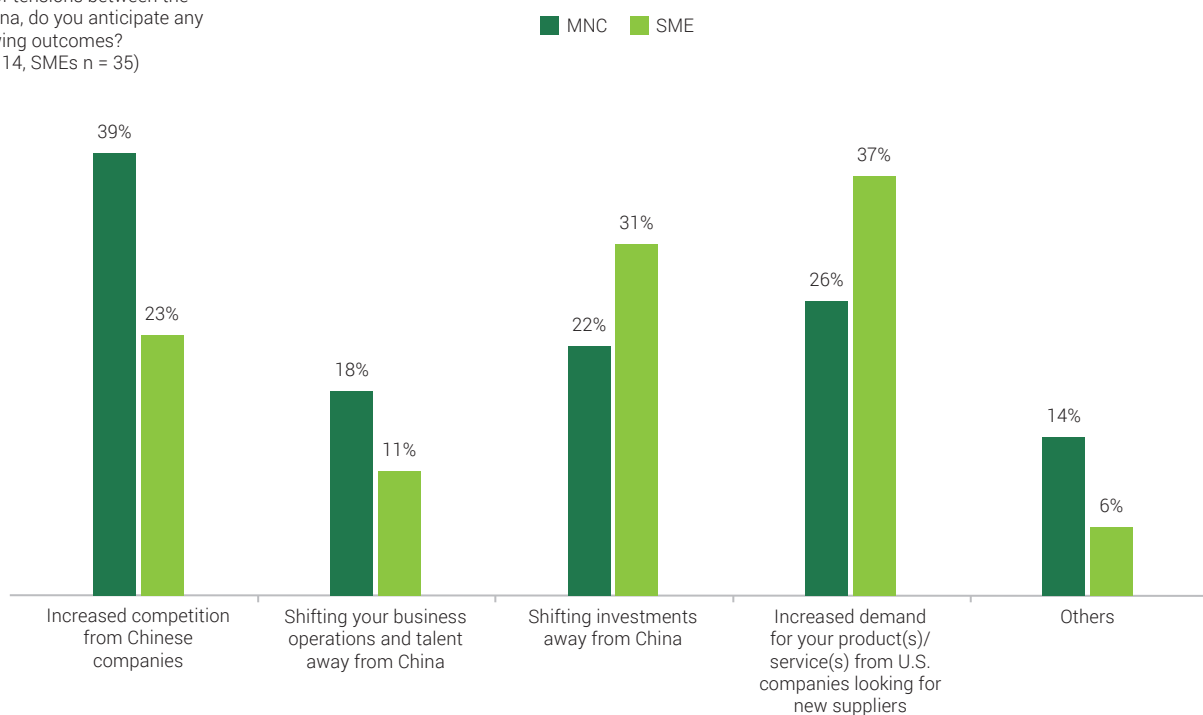
To what extent do you expect the situation in Ukraine to impact your business in the next five years?  
(MNCs n = 114, SMEs n = 35)



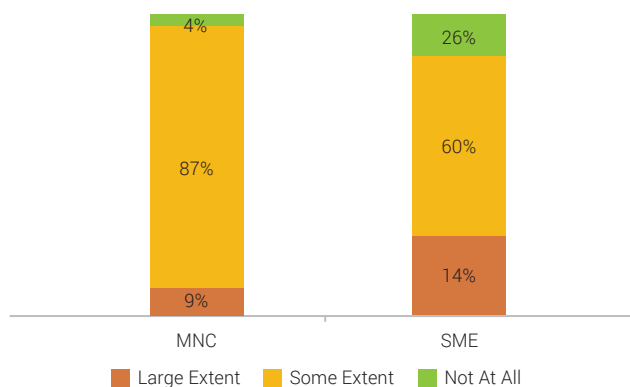
A lower proportion of SMEs anticipate increased competition from Chinese companies as a result of U.S.–China tensions (23%), compared to 39% of MNCs (Figure 37). The most common anticipated outcome of the tensions among SMEs is increased demand for their products and services (37%), whereas only 26% of MNCs cite this.

**Figure 37**  
**Expected outcomes of U.S.-China tensions**

As a result of tensions between the U.S. and China, do you anticipate any of the following outcomes?  
(MNCs n = 114, SMEs n = 35)



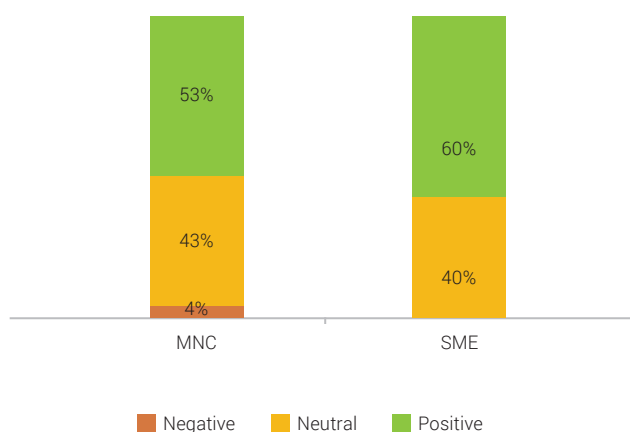
Looking at the impact of U.S. trade and cooperation agreements within ASEAN, a higher proportion of SMEs do not believe the PGII will improve regional infrastructure at all (26%), compared to 4% of MNCs and 7% of total ASEAN companies (Figure 38).



**Figure 38**  
**Sentiments on PGII**  
**(MNCs and SMEs)**

To what extent do you think the Partnership for Global Infrastructure and Investment (PGII) will improve regional infrastructure?  
(MNCs n = 114, SMEs n = 35)

However, respondents from both MNCs and SMEs are more optimistic about the IPEF, with a slightly higher proportion of SMEs feeling positive (60%), compared to 53% of MNCs. (Figure 39).



**Figure 39**  
**Sentiments on IPEF**  
**(MNCs and SMEs)**

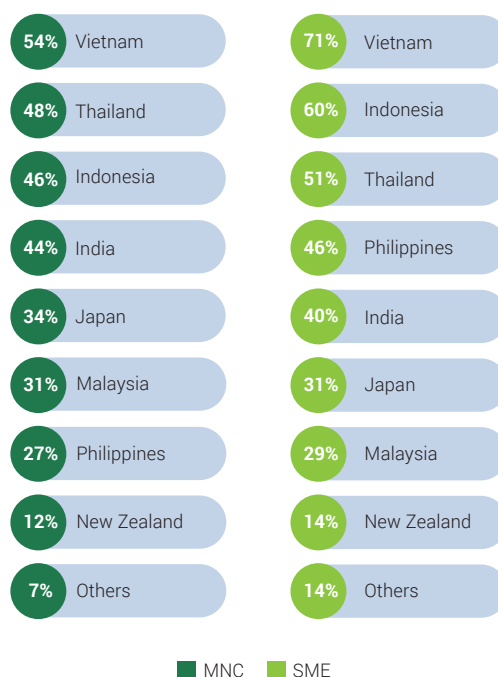
Which of these sentiments best expresses your view of the Indo-Pacific Economic Framework (IPEF)?  
(MNCs n = 114, SMEs n = 35)



A higher proportion of SMEs believe Indonesia (60%) and Vietnam (71%) to be attractive partner countries as potential bilateral FTA partners with the U.S., compared to 46% and 54% respectively among MNCs. Thailand is among the top three desired partner countries among both SME (51%) and MNC (48%) respondents (Figure 40).

**Figure 40**  
**Most attractive countries**  
**as potential bilateral FTA**  
**partners with U.S.**  
**(MNCs and SMEs)**

Looking ahead, given the U.S. administration's stated preference for bilateral over multilateral trade agreements, which countries are most attractive as potential bilateral FTA partners with the U.S.? (MNCs n = 114, SMEs n = 35)





# **FUTURE GROWTH OPPORTUNITIES IN ASEAN**





“Our company feels ASEAN markets will be more important due to: 1) stronger GDP and capital markets growth in APAC versus other developed markets; 2) increasing use of debt capital markets to finance sustainable development and infrastructure needs in the region; and 3) stronger bilateral relations between the ASEAN and the United States.”

“Unity in ASEAN is a critical factor for mitigating against risks in the global environment.”



While grappling with the aftermath of the global COVID-19 pandemic and rising inflation, uncertainties remain about ASEAN's economic recovery. However, the region is demonstrating resilience and rapid growth in areas including domestic consumption<sup>39</sup>. This is reflected in the current business optimism towards profits in ASEAN as well as plans for expansion and trade/investment in the region, which have returned to or surpassed pre-pandemic levels. With ASEAN's accelerating influence as a key player in the global economy, particularly driven by the rise of the consumer class, U.S. companies operating in the region remain focused on local markets as key revenue drivers.

As the latest U.S.–ASEAN partnership agreements play out, it is hopeful that recovery and sustainable development across the region will be augmented as ASEAN emerges as the fourth largest global economy. Organizations will need to find solutions in response to continuing supply chain shocks, the talent crunch, and competition from Chinese business in the region. With rapidly increasing levels of digital adoption in ASEAN driven by government initiatives, investor funding, and consumer needs, embracing digital innovation is critical to business sustainability in the longer term<sup>40</sup>.

<sup>39</sup> "World Economic Forum, "Future of Consumption in Fast-Growth Consumer Markets: ASEAN", ([https://www3.weforum.org/docs/WEF\\_Future\\_of\\_Consumption\\_in\\_Fast\\_Growth\\_Consumer\\_Markets\\_ASEAN\\_2020.pdf](https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast_Growth_Consumer_Markets_ASEAN_2020.pdf))

<sup>40</sup> World Economic Forum, "Future of Consumption in Fast-Growth Consumer Markets: ASEAN", ([https://www3.weforum.org/docs/WEF\\_Future\\_of\\_Consumption\\_in\\_Fast\\_Growth\\_Consumer\\_Markets\\_ASEAN\\_2020.pdf](https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast_Growth_Consumer_Markets_ASEAN_2020.pdf))





# SINGAPORE SPOTLIGHT





Singapore's reliance on imported goods has presented a sizable challenge in the current environment of rising commodity prices. As of June 2022, the rate of food price increases was 3% higher than last year and may accelerate. The government has provided a S\$1.5 billion stimulus package to buffer consumers and companies from the impact of inflation, while seeking alternative supply sources and subsidizing food costs<sup>1</sup>.

Having experienced setbacks in the import and export of services and travel due to the COVID-19 pandemic, Singapore dropped to fifth place in the Institute for Management Development's World Competitiveness Rankings in 2021 from its first position in the preceding two years. However, the city-state's leadership in international trade and

investment, business legislation, and technology enabled it to retain the top ranking in Asia. Singapore's decisive policy response and strong economic fundamentals have driven a rapid economic recovery, but external pressures including the Ukraine war are expected to curb growth<sup>2</sup>. External-facing sectors including manufacturing and financial services are likely to be particularly affected, as a result of reduced demand and lower market confidence.

Singapore has also felt the impact of the loss of foreign talent driven by restricted global mobility and tighter foreign labor policies. The total foreign workforce size (excluding domestic workers and those in the marine, construction and process sectors) reached its lowest level in 10 years, as of December 2021<sup>3</sup>. With limited tourism during the pandemic, employment levels in

<sup>1</sup> Centre for Strategic & International Studies, "The Latest on Southeast Asia: June 23, 2022" (<https://www.csis.org/blogs/latest-southeast-asia/latest-southeast-asia-june-23-2022>)

<sup>2</sup> Monetary Authority of Singapore, "Speech by Mr Alvin Tan, Minister of State (Trade and Industry) and MAS Board Member, at Invest ASEAN 2022 on 8 June 2022", (<https://www.mas.gov.sg/news/speeches/2022/speech-by-mr-alvin-tan-minister-of-state-trade-and-industry-and-mas-board-member-at-invest-asean-2022-on-8-june-2022>)

<sup>3</sup> Nanyang Technological University Singapore, "Will a labour shortage crimp Singapore's post-pandemic recovery?", (<https://www.ntu.edu.sg/business/news-events/news/story-detail/will-a-labour-shortage-crimp-singapore's-post-pandemic-recovery>)





the hotel and food and beverage (F&B) industries have taken a significant hit; notably in operational roles that were previously filled by a higher proportion of external talent in Asia. Singapore's implementation of stricter policies for work passes is further challenging companies' ability to fill job vacancies.

Despite a decrease in projected economic growth from 7% in 2021 down to 3–5% in 2022 due to further pandemic-driven supply chain and travel disruptions, Singapore's high vaccination rate and pledge to fully reopen should attract foreign firms<sup>4</sup>. The Lion City's post-pandemic recovery is likely to be boosted by digitization and automation: DBS Bank has experienced a 400% rise in consumer use of digital tools<sup>5</sup>. Singapore's annual Budget 2022 pinpointed the digital innovation agenda as a priority, with the government rolling out schemes to strengthen the digital capability of local businesses (which represent 80% of all businesses in the country)<sup>6</sup>. Stepping

up digital transformation in traditional sectors, including real estate, maritime and construction, is a particular focus to support Singapore's post-pandemic growth and competitiveness in key segments. As part of the city-state's strategy for boosting trade and collaboration in a digital economy, Digital Economy Agreements were introduced in 2020<sup>7</sup>. It has since signed such agreements with Chile, New Zealand, Australia, the United Kingdom, and Korea to help develop international frameworks for standards and systems that support businesses (especially SMEs) in digital connectivity.

In October 2021, Singapore also signed the Partnership for Growth and Innovation (PGI) with the U.S.. This bilateral economic cooperation agreement is intended to build inclusive growth for the regions by strengthening U.S.-Singapore collaborations in future areas<sup>8</sup>. The PGI is supporting technological standards — such as in data privacy and AI — across different sectors<sup>9</sup>.

<sup>4</sup> I by IMD, "Asia 2022: 5 trends to watch", (<https://iby.imd.org/asian-hub/five-things-to-watch-for-in-asia-in-2022/>)

<sup>5</sup> McKinsey & Company, "Building 21st century companies in Asia", (<https://www.mckinsey.com/featured-insights/future-of-asia/building-21st-century-companies-in-asia>)

<sup>6</sup> Edward Senju, EDB Singapore, "Singapore drives digital transformation in traditional sectors", (<https://www.edb.gov.sg/en/business-insights/insights/singapore-drives-digital-transformation-in-traditional-sectors.html>)

<sup>7</sup> Infocomm Media Development Authority, "Digital Economy Agreements", (<https://www.imda.gov.sg/-/media/Imda/Files/About/Media-Releases/2020/COS2020/Annex-H-COS-2020—Factsheet—Digital-Economy-Agreements.pdf>)

<sup>8</sup> Ministry of Trade and Industry Singapore, "Joint Press Release On New Collaborations Under The U.S.-Singapore Partnership For Growth And Innovation (PGI)", (<https://www.mti.gov.sg/Newsroom/Press-Releases/2022/03/New-Collaborations-Under-The-US-Singapore-Partnership-For-Growth-And-Innovation-Joint-Press-Release>)

<sup>9</sup> Kirana Aisyah, Open Gov Asia, "Partnership for Growth and Innovation between Singapore and U.S.", (<https://opengovasia.com/partnership-for-growth-and-innovation-between-singapore-and-u-s/>)





According to the UOB SME Outlook 2021 Study, digitalization is a key driver of revenue growth in smaller companies, with stronger growth reported by those that implemented digital technology initiatives compared to those that did not adopt any digital tools<sup>10</sup>. As Singapore's SMEs have been cautiously adjusting their business strategies to operate in a pandemic environment, intentions for international expansion have remained tentative. However, business outlook is gradually becoming more optimistic: in February 2022, a third of Singaporean SMEs reported expected business expansion in the next 12 months, up from 19% last year<sup>11</sup>. As they continue to battle the talent crunch and rising costs, SMEs must capture new growth opportunities, engage the global economy, and prioritize people development to enable business sustainability<sup>12</sup>.

With the current trend of employees seeking a renewed sense of purpose in their work and greater flexibility, businesses are likely to continue facing talent attraction and retention challenges during the post-pandemic recovery phase. Embedding opportunities for lifelong learning within organizational culture can strengthen relationships with employees as well as revenue, according to research by SkillsFuture Singapore and the Ministry of Trade and Industry.<sup>13</sup>

Through international trade partnerships, targeted inflation policy and increased commitment to climate change goals, Singapore can maintain resilience and build sustainable growth.

<sup>10</sup> UOB, "Digitalisation efforts pay off for Singapore SMEs with rise in revenue: UOB SME Outlook Study 2021", (<https://www.uobgroup.com/web-resources/uobgroup/pdf/newsroom/2021/Digitalisation-efforts-SMEs-revenue-rise.pdf>)











<sup>11</sup> Gabriel Olano, Insurance Business Asia, "Singapore SMEs still reeling from COVID-19 – QBE survey", (<https://www.insurancebusinessmag.com/asia/news/breaking-news/singapore-smes-still-reeling-from-covid19--qbe-survey-325284.aspx#:~:text=12%20Feb%202022,-Singapore%20SMEs%20still%20reeling%20from%20COVID%2D19%20E%20%80%93%20QBE%20survey%20%7C,QBE's%20annual%20SME%20survey>)

<sup>12</sup> Claire Lee, HRM Asia, "Singapore urges SMEs to adapt, build workforce for post-pandemic", (<https://hrmasia.com/singapore-urges-smes-to-adapt-build-workforce-for-post-pandemic/>)

<sup>13</sup> McKinsey & Company, "Building 21st century companies in Asia", (<https://www.mckinsey.com/featured-insights/future-of-asia/building-21st-century-companies-in-asia>)

# PROFILE OF RESPONDENTS

## TOTAL RESPONDENTS

	 Cambodia	 Indonesia	 Laos	 Malaysia	 Myanmar	 Philippines	 Singapore	 Thailand	 Vietnam	 ASEAN
Country	7%	7%	2%	16%	5%	5%	23%	26%	10%	-
Manufacturing	20%	40%	0%	46%	29%	25%	6%	21%	20%	23%
Services	80%	40%	67%	46%	57%	75%	62%	50%	73%	58%
Others	0%	20%	33%	8%	14%	0%	32%	29%	7%	19%



# ACKNOWLEDGEMENTS

This report was compiled and published by the American Chamber of Commerce in Singapore (AmCham Singapore).

We would like to thank the Executive Directors and representatives of the following American Chambers of Commerce and U.S. Embassy in the region for their expertise and support.

- Caryn R. McClelland, U.S. Ambassador to Brunei Darussalam, U.S. Embassy in Brunei Darussalam
- Travis Mitchell, Executive Director, American Chamber of Commerce in Cambodia
- Lin Neumann, Managing Director, American Chamber of Commerce in Indonesia
- Kevyn McGraw, Executive Director, American-Lao Business Association
- Siobhan Das, Executive Director, American Chamber of Commerce in Malaysia
- Tatum Albertine, Executive Director, American Chamber of Commerce in Myanmar
- Ebb Hinchcliffe, Executive Director, American Chamber of Commerce in the Philippines
- Heidi Gallant, Executive Director, American Chamber of Commerce in Thailand
- Adam Sitkoff, Executive Director, American Chamber of Commerce in Vietnam (Hanoi)
- Mary Tarnowka, American Chamber of Commerce in Vietnam (Ho Chi Minh City)



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## Published By:

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