



2023 Survey on Business Conditions of Japanese Companies Operating Overseas (Asia and Oceania)

-Business confidence strong in India, stalled in China, and contrasting among ASEAN countries

Japan External Trade Organization (JETRO)

Research and Analysis Department

December, 2023

This is the English version of [the press release](#) issued on November 28, 2023

A photograph of a port or industrial area with several white trucks parked in a row. In the background, there are large stacks of shipping containers and a building. The scene is lit with a bright light source, possibly the sun, creating a lens flare effect.

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Key findings

1. Business confidence slows in 2023, but expected to recover in 2024

- ❖ The percentage of profitable companies in 2023 was 62.4%, down from the previous year's survey (65.6%). Business confidence was the second worst after 2020 (during the COVID-19 pandemic) in the last 10 years. It fell particularly in China and other parts of Northeast Asia; it also slumped in ASEAN, especially among export-oriented companies. India, on the other hand, performed well due to increased demand in the local market.

2. Business expansion considered by 45.5% of companies, remaining flat in recent years

- ❖ India had the highest percentage of companies considering business expansion at 75.6% among all countries/regions, while China was an all-time low (27.7%).

3. Shortage of human resources faced by 47.9%, while 75.1% interested in production line automation.

- ❖ The percentage of companies who answered that the shortage of human resources was serious was particularly high in the professional, IT, and managerial occupations.
- ❖ Salary growth prospects remain high in India. In China and ASEAN, they are at the same level as the previous year.
- ❖ The main reasons behind efforts to automate production lines are the increasing sophistication of production and rising labor costs. At the same time, the availability of human resources capable of handling automation is a challenge.

4. Local market development to be strengthened for local companies and upper class

- ❖ In the B-to-B market, a high percentage of companies are currently targeting Japanese companies and plan to target local companies in the future. The B-to-C target is mainly the middle class, but the percentage of companies targeting the upper class is expected to increase in the future.
- ❖ Over 60% reported competition with local companies as well as Japanese companies. In manufacturing industries of ASEAN, competition with Chinese companies is intensifying.

5. Progress made in decarbonization efforts and awareness of human rights, including among SMEs

- ❖ The percentage of companies making efforts toward decarbonization initiatives rose for the second year in a row to 41.2%, and 75.8% when including plans to implement such initiatives. Human rights issues in supply chains are recognized as a management issue by 80.0% of companies, a significant increase from the previous year.

Survey summary (1)

(Company, %)

Purpose of the survey

- To understand the current business activities of Japanese-affiliated companies operating in Asia and Oceania and to disseminate these findings widely.

Survey countries/regions

- Japanese-affiliated companies (with direct and indirect Japanese investment of 10% or greater, and the branch offices and representative offices of Japanese companies) operating in a total of 20 countries/regions in Northeast Asia(5) and ASEAN countries(9), Southwest Asia(4), and Oceania(2).

Survey period

- August 21 - September 20, 2023

Response rate

- Of a total of 14,018 surveys sent out, we received valid responses from 4,982 companies (35.5%). The breakdown of respondents by country and region is shown in the table on the right.

Notes

- The survey has been conducted since 1987 and this year 37th version.
- Since 2007, the survey has included non-manufacturing sectors.
- Companies that responded to at least one question were considered valid responses.
- The numbers in parentheses in each slide indicate the number of the companies with valid responses.
- Numbers in tables are rounded up, so they do not necessarily added up to 100%.
- Surveys in Taiwan were conducted with the assistance of Japan-Taiwan Exchange Association.

| | Companies surveyed | Companies responding | | Breakdown | | Valid responses |
|-----------------------|--------------------|----------------------|-------------|----------------|-------------------|-----------------|
| | | Number | (%) | Mmanufacturing | Non-manufacturing | |
| Total | 14,018 | 4,982 | 100.0 | 2,221 | 2,761 | 35.5 |
| Northeast Asia | 2,625 | 1,236 | 24.8 | 539 | 697 | 47.1 |
| China | 1,496 | 715 | 14.4 | 406 | 309 | 47.8 |
| Taiwan | 565 | 248 | 5.0 | 82 | 166 | 43.9 |
| Hong Kong and Macau | 413 | 197 | 4.0 | 23 | 174 | 47.7 |
| South Korea | 151 | 76 | 1.5 | 28 | 48 | 50.3 |
| ASEAN | 9,574 | 3,122 | 62.7 | 1,419 | 1,703 | 32.6 |
| Vietnam | 2,122 | 849 | 17.0 | 407 | 442 | 40.0 |
| Thailand | 2,356 | 596 | 12.0 | 319 | 277 | 25.3 |
| Indonesia | 1,602 | 499 | 10.0 | 263 | 236 | 31.1 |
| Singapore | 1,165 | 422 | 8.5 | 90 | 332 | 36.2 |
| Malaysia | 946 | 321 | 6.4 | 167 | 154 | 33.9 |
| Philippines | 548 | 171 | 3.4 | 95 | 76 | 31.2 |
| Cambodia | 290 | 122 | 2.4 | 42 | 80 | 42.1 |
| Myanmar | 460 | 112 | 2.2 | 20 | 92 | 24.3 |
| Laos | 85 | 30 | 0.6 | 16 | 14 | 35.3 |
| Southwest Asia | 1,384 | 462 | 9.3 | 224 | 238 | 33.4 |
| India | 1,030 | 297 | 6.0 | 158 | 139 | 28.8 |
| Bangladesh | 222 | 87 | 1.7 | 32 | 55 | 39.2 |
| Pakistan | 67 | 46 | 0.9 | 22 | 24 | 68.7 |
| Sri Lanka | 65 | 32 | 0.6 | 12 | 20 | 49.2 |
| Oceania | 435 | 162 | 3.3 | 39 | 123 | 37.2 |
| Australia | 298 | 121 | 2.4 | 26 | 95 | 40.6 |
| New Zealand | 137 | 41 | 0.8 | 13 | 28 | 29.9 |

Survey summary (2)

By industry (manufacturing)

| | (Company, %) | |
|--|----------------|-------------|
| | Valid response | (%) |
| Manufacturing Total | 2,221 | 44.6 |
| Transport equipment parts | 299 | 6.0 |
| Iron/Nonferrous metals/Metals | 282 | 5.7 |
| Electrical machinery parts/Electronic device parts | 203 | 4.1 |
| Chemicals/Medicine | 199 | 4.0 |
| General machinery | 182 | 3.7 |
| Plastic products | 158 | 3.2 |
| Electrical and electronic equipment | 146 | 2.9 |
| Food | 145 | 2.9 |
| Textiles/ Textiles apparel | 121 | 2.4 |
| Rubber/Ceramic/Stone and clay product | 93 | 1.9 |
| Paper/Wood products/Printing | 88 | 1.8 |
| Transport equipment | 70 | 1.4 |
| Precision machinery/Medical equipment | 61 | 1.2 |
| Other manufacturing | 174 | 3.5 |

By industry (non-manufacturing)

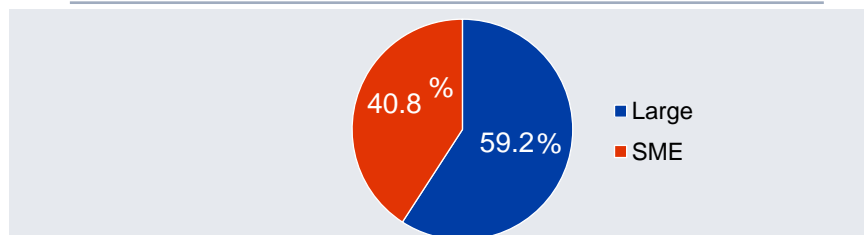
| | (Company, %) | |
|---|----------------|-------------|
| | Valid response | (%) |
| Non-manufacturing Total | 2,761 | 55.4 |
| Trading/ Wholesale | 543 | 10.9 |
| Sales companies | 410 | 8.2 |
| Information and communications | 265 | 5.3 |
| Business services | 258 | 5.2 |
| Transport/Warehouse | 257 | 5.2 |
| Construction | 233 | 4.7 |
| Finance/ Insurance | 157 | 3.2 |
| Real estate agencies/ Real estate lessors | 83 | 1.7 |
| Travel/ Amusement | 67 | 1.3 |
| Mining/Energy | 57 | 1.1 |
| Retail | 52 | 1.0 |
| Education/ Medical | 45 | 0.9 |
| Restaurant | 24 | 0.5 |
| Agriculture, forestry and fisheries | 8 | 0.2 |
| Other non-manufacturing | 302 | 6.1 |

(Note) Representative offices are included in "Other non-manufacturing".

By country/region

| | (Company) | |
|-----------------------|--------------|--------------|
| | Large | SME |
| Total | 2,947 | 2,035 |
| Northeast Asia | 795 | 441 |
| China | 429 | 286 |
| Hong Kong and Macau | 175 | 73 |
| Taiwan | 128 | 69 |
| South Korea | 63 | 13 |
| ASEAN | 1,690 | 1,432 |
| Vietnam | 438 | 411 |
| Thailand | 210 | 386 |
| Indonesia | 318 | 181 |
| Singapore | 295 | 127 |
| Malaysia | 207 | 114 |
| Philippines | 98 | 73 |
| Cambodia | 50 | 72 |
| Myanmar | 59 | 53 |
| Laos | 15 | 15 |
| Southwest Asia | 338 | 124 |
| India | 236 | 61 |
| Bangladesh | 52 | 35 |
| Pakistan. | 37 | 9 |
| Sri Lanka | 13 | 19 |
| Oceania | 124 | 38 |
| Australia | 100 | 21 |
| New Zealand | 24 | 17 |

Large/small and medium-sized enterprises (SME)



(Note 1) Company size refers to the size of the Japanese headquarters (parent company).

(Note 2) The definition of SMEs here is based on the provisions of Japanese Small and Medium-sized Enterprise Basic Act.

Survey summary (3)

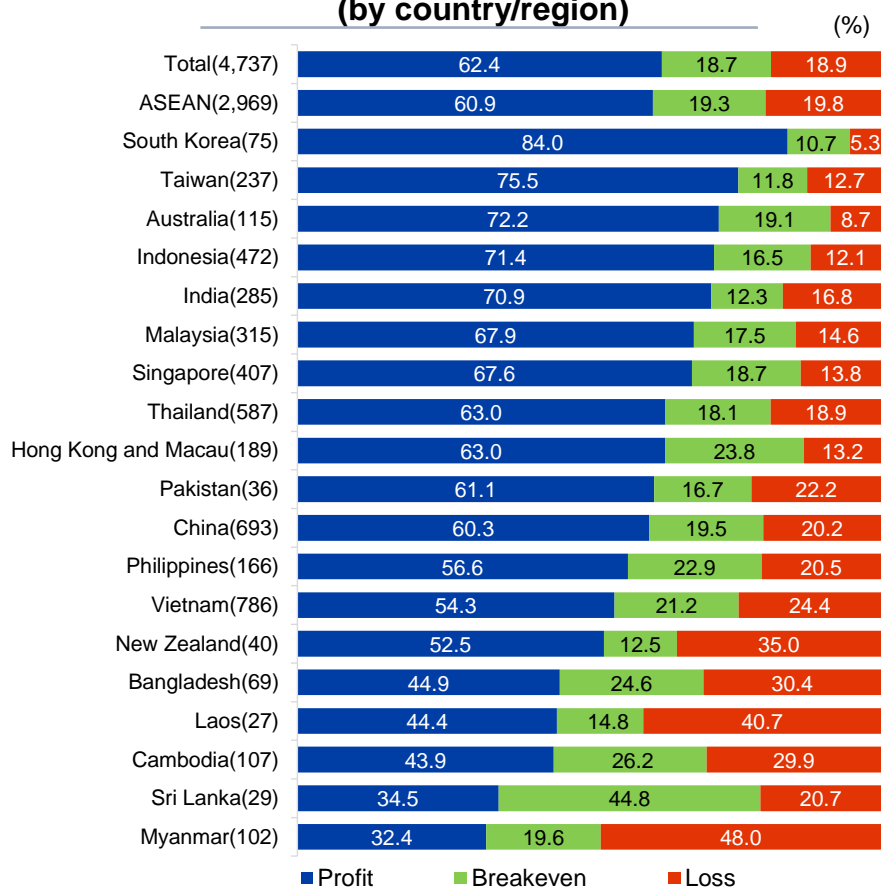
(Note) Industry category details on the previous page as follows:

| Number | Major group | Group | Number | Major group | Group |
|--------|---|---|--------|--|--|
| 1 | Food | Food/processed food, agricultural or fishery products | 16 | Mining/Energy | Mining Electricity/gas/heat supply/water supply |
| 2 | Textiles/Textile apparel | Textiles (Spun fabrics/Woven fabrics/Chemical fibers) Textile apparel/Textile products (including footwear, gloves, leather products, sewn products) | 17 | Construction | Construction/plant/engineering |
| 3 | Paper/Wood products/Printing | Lumber/Wood products, Furniture/Interior/Fixtures, Paper/Pulp, Printing/Publishing | 18 | Transport/Warehouse | Transport/warehousing |
| 4 | Chemicals/Medicine | Chemicals/Petroleum products, Medicines | 19 | Information and communications | Communications/IT/software/information systems/digital service BPO (Business Process Outsourcing) Media/mass media/content Advertising/marketing/research |
| 5 | Plastic products | Plastic products | 20 | Trading/Wholesale | Trading companies, Wholesale |
| 6 | Rubber/Ceramic/Stone and clay products | Rubber products Ceramic/Stone and clay products | 21 | Retail | Retail |
| 7 | Iron/Nonferrous metals/Metals | Iron and steel (including cast and wrought products) Nonferrous metals Fabricated metal products (including plated products) | 22 | Sales companies | Sales companies |
| 8 | General machinery | General-purpose machinery (including machines for general use, for production, machine tools/agricultural machinery and construction machinery/molds and machine tools) | 23 | Finance/Insurance | Banks Non-banks (Insurance/securities brokerage/credit card/leasing, etc.) |
| 9 | Electrical machinery/Electronic devices | Electrical machinery/Electronic devices Information and communication electronics equipment/Office machines | 24 | Real estate agencies/Real estate lessors | Real estate, Building and facility management/air conditioning/security/cleaning, Rental |
| 10 | Electrical machinery parts/ Electronic device parts | Electrical machinery parts/Electronic device parts | 25 | Business services | Consulting Professional services such as legal, accounting, and tax affairs Holding/managing company Design/architectonics Repair/maintenance/inspection and analysis Recruiting/temporary staffing |
| 11 | Precision machinery/Medical equipment | Precision instruments (Analytical instruments/Optical instruments and apparatus, etc.) Medical equipment | 26 | Travel/Amusement | Hotel/travel Amusement/living-related and personal services (including events, sports facilities and hair-dressing/beauty salons) |
| 12 | Transport equipment | Transportation equipment (Motor vehicles/motorcycles) Transportation equipment (Railroad vehicles/ships/aircraft/industrial trucks) | 27 | Restaurant | Restaurants |
| 13 | Transport equipment parts | Transportation equipment parts (Motor vehicles/motorcycles) Transportation equipment parts (Railroad vehicles/ships/aircraft/transportation vehicles) | 28 | Education/Medical | Education/research institutions Medical/welfare/health care |
| 14 | Other manufacturing | Daily necessities/stationery/sundries Miscellaneous manufacturing industries | 29 | Other non-manufacturing | Other |
| 15 | Agriculture, forestry and fisheries | Agriculture, forestry and fisheries | | | |

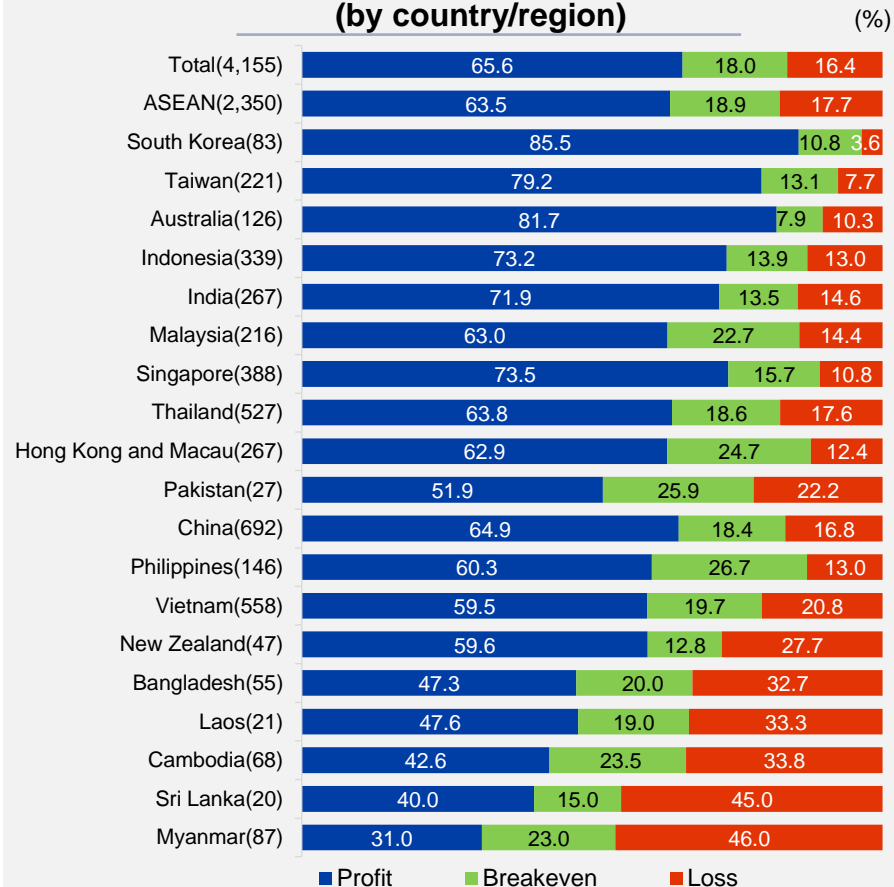
1 | Percentage of profitable companies declines in China, India, and ASEAN in 2023

- 62.4% of companies answered that they expect a “profit” in terms of operating income in 2023, down 3.2 points from the previous year's survey (65.6%). The percentage reporting a “loss” was 18.9%, up 2.5 points from the previous year's survey (16.4%).
- The percentage of profitable companies in China was 60.3%, down 4.6 points from the previous year's survey and the lowest in the past 10 years. It also declined in ASEAN and India by 2.6 points and 1.0 point, respectively.

Operating profit forecast for 2023
(by country/region)

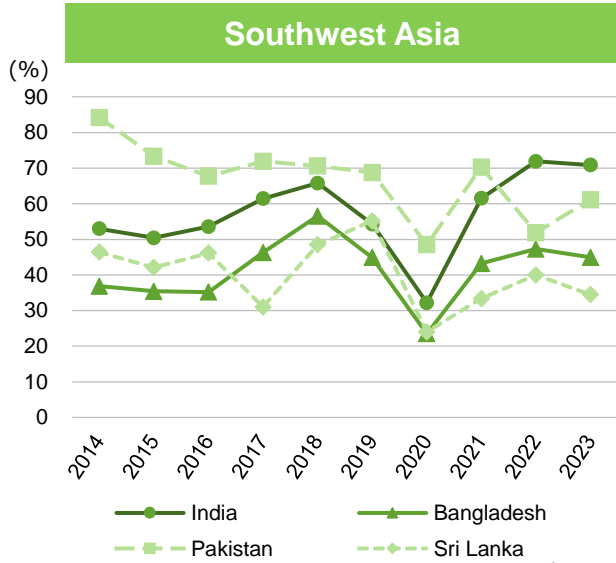
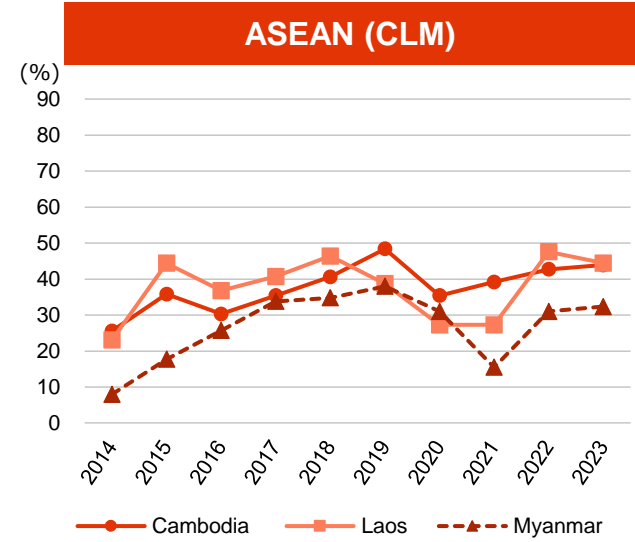
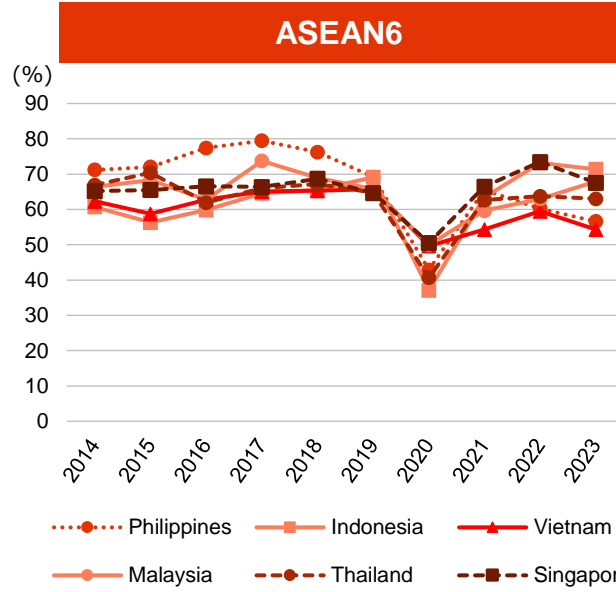
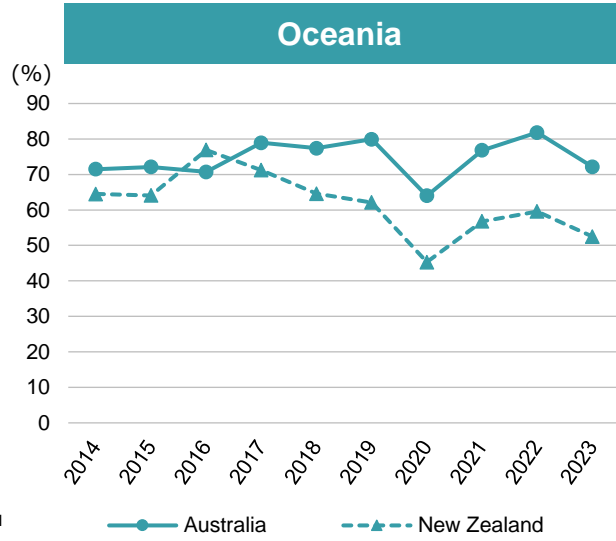
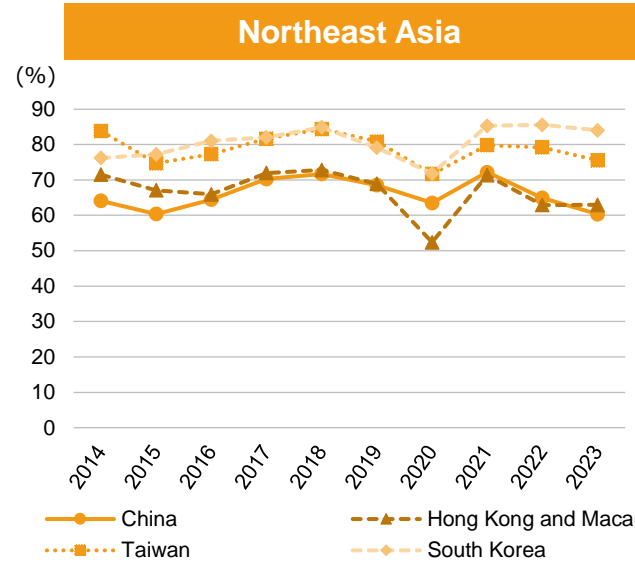
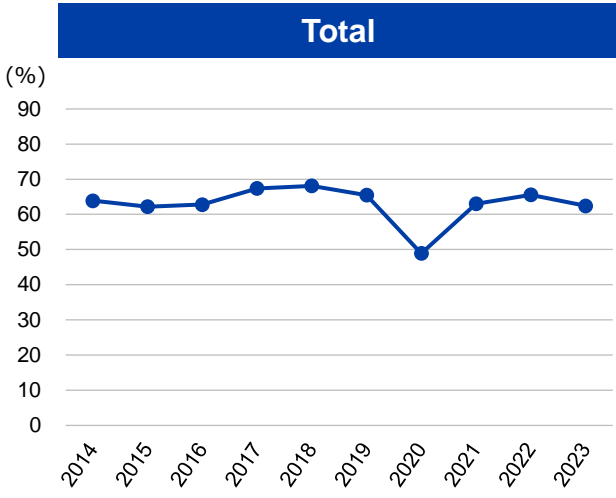


(Reference) Previous year's survey:
(by country/region)



2 | Percentage of profitable companies declines in many countries/regions

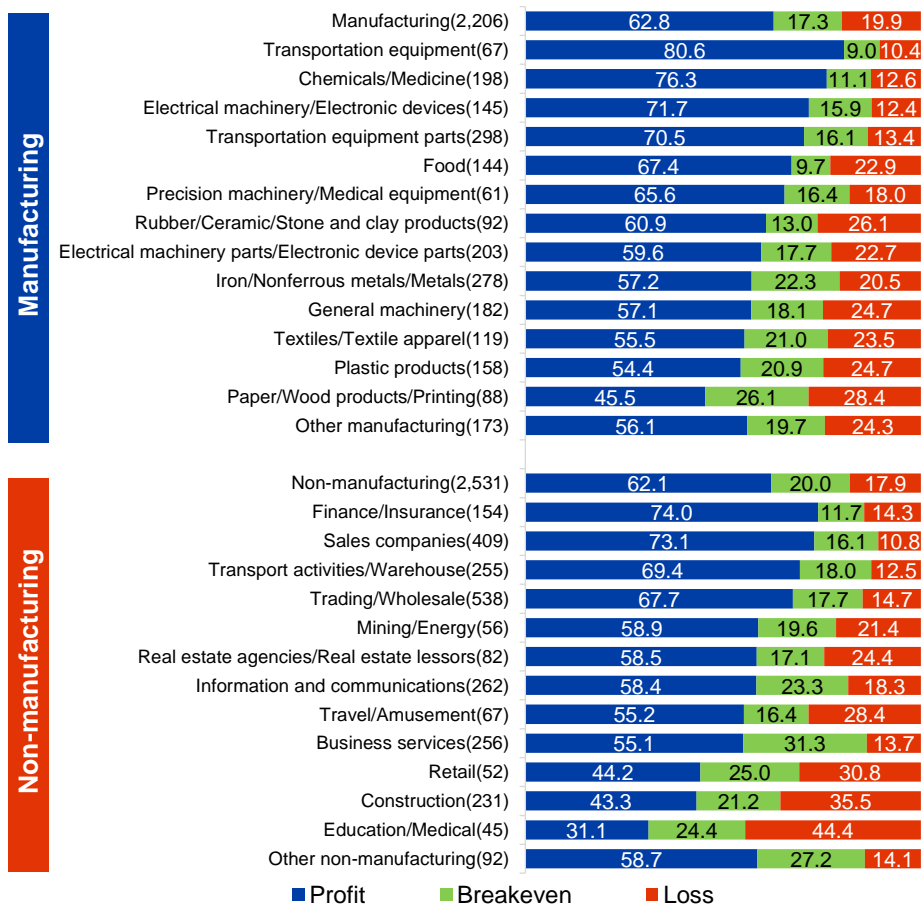
Changes in the percentage of profitable companies 2014-2023 (by country/region)



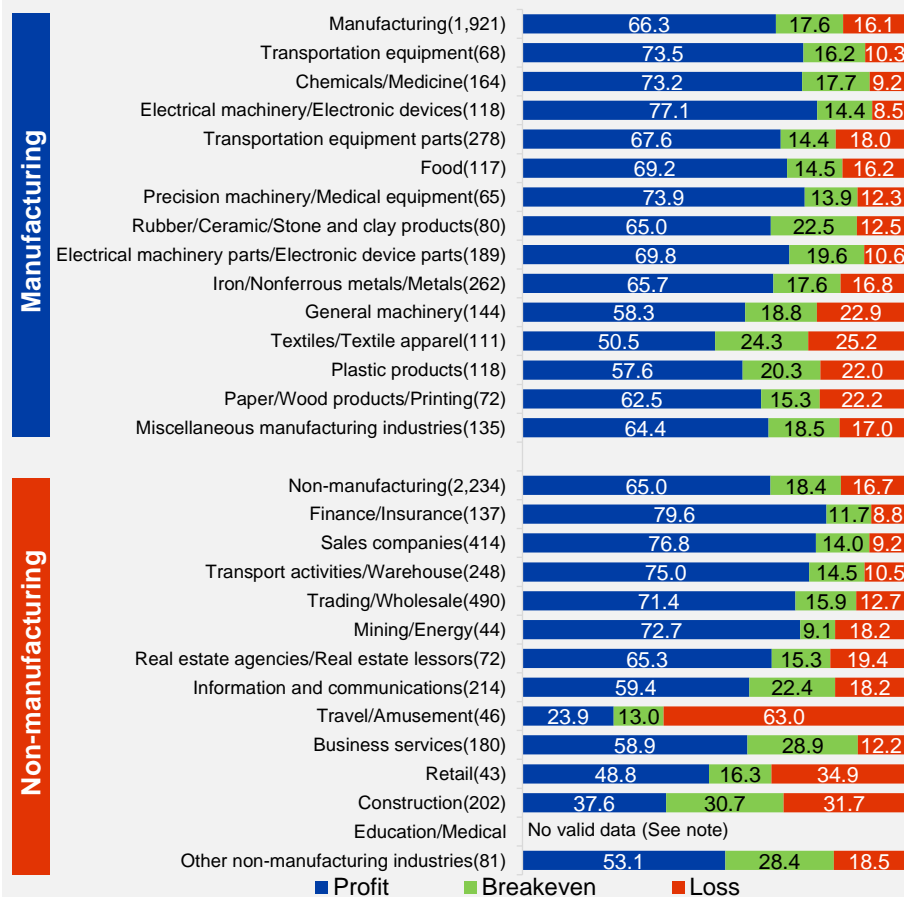
3 | Percentage of profitable companies in travel/amusement recovers to pre-COVID-19 level

- The percentage of profitable company is 62.8% in the manufacturing sector and 62.1% in non-manufacturing sector. These figures were down 3.5 points and 2.9 points respectively, from the previous year's survey.
- Among manufacturing sector, the percentage of profitable companies increased from the previous year's survey in transportation equipment, textiles/textile apparel, chemicals/medicine, and transportation equipment parts. It decreased in most of the industries in non-manufacturing sector, while it rose 31.3 points in travel/amusement industry.

Operating profit forecast for 2023 (by industry) (%)



(Reference) Results of 2022 survey (by industry) (%)

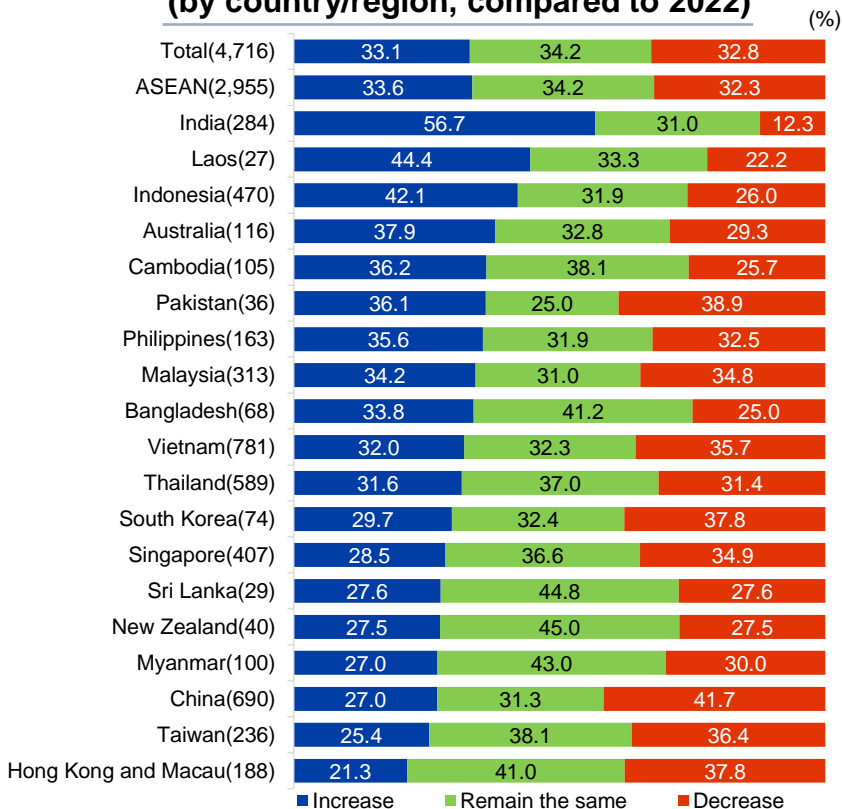


(Note) Industries with at least 35 valid responses.

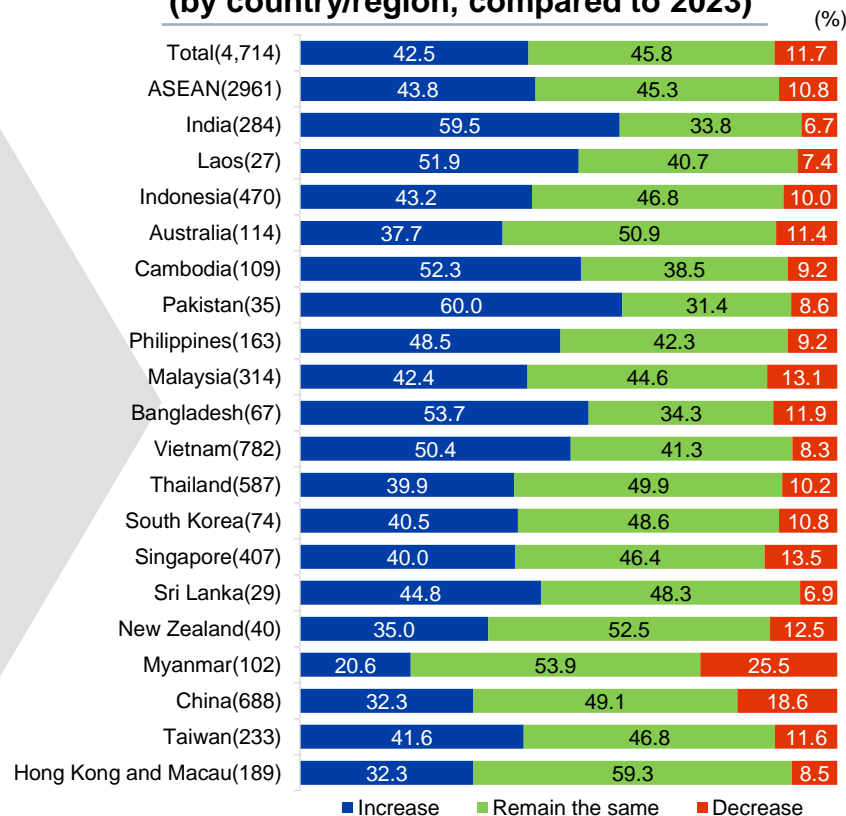
4 | Percentage of companies which expecting either improvement or decline almost the same

- The percentage of companies answering that their operating profit forecast for 2023 (compared to 2022) will “increase” declined for the second consecutive year to 33.1%, while those answering “decrease” rose for the second consecutive year. The percentage for “decrease” was 39.8% in Northeast Asia, much higher than the overall average. In ASEAN, export-oriented companies (37.4%) answered with a higher percentage of “decrease” than domestic sales-oriented companies (29.0%) (See note).
- The percentage for “increase” in profit forecast for 2024 (compared to 2023) increased by 9.4 points, while the percentage for “Decrease” declined by 21.1 points. The percentage for “increase” in 2024 rose significantly in Pakistan (up 23.9 points), Bangladesh (up 19.9 points), and Vietnam (up 18.4 points).

**Operating profit forecast for 2023
(by country/region, compared to 2022)**



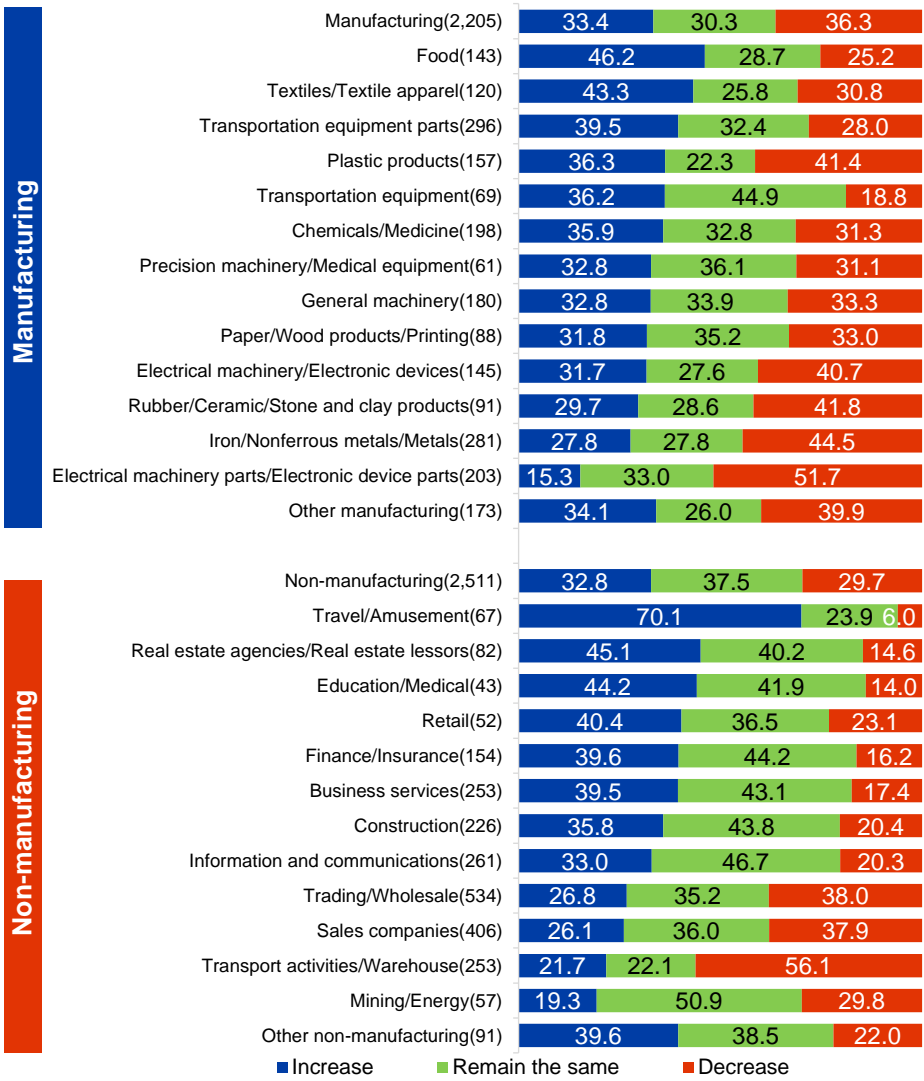
**Operating profit forecast for 2024
(by country/region, compared to 2023)**



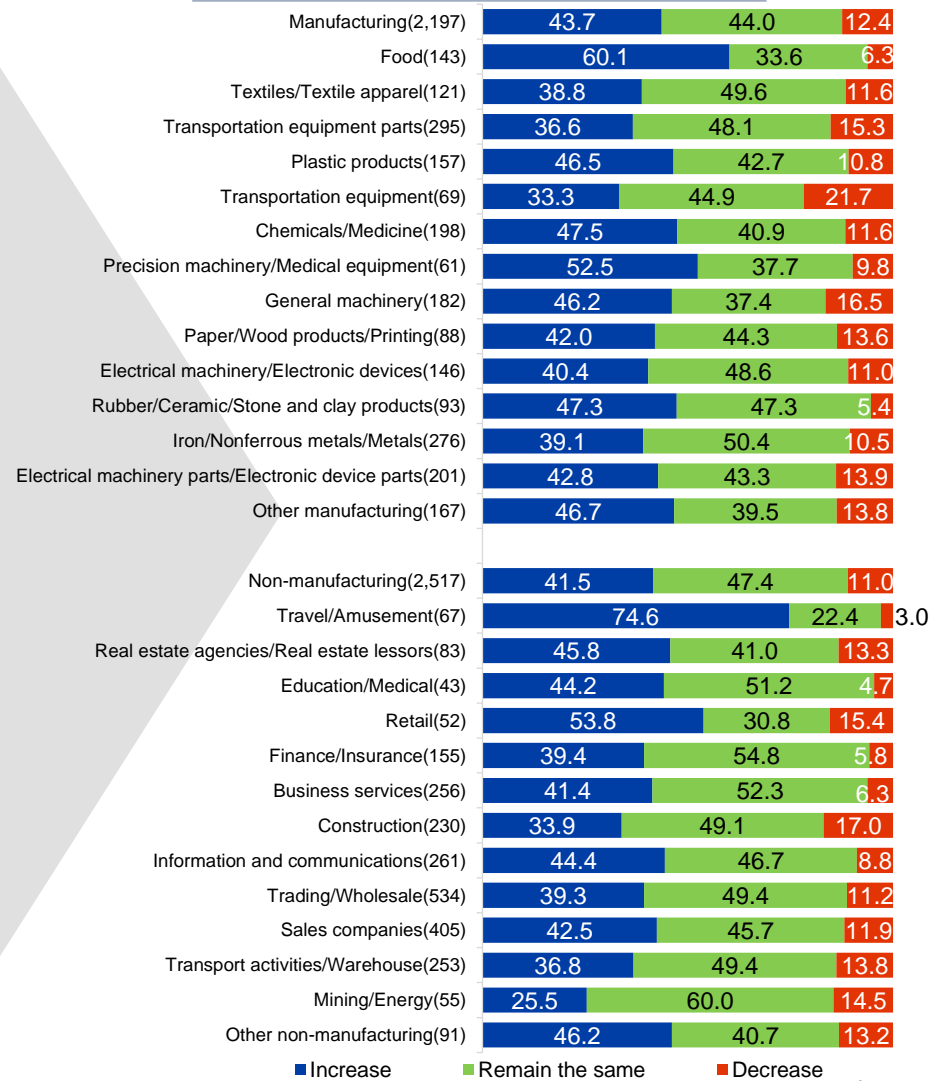
(Note) Export-oriented companies are those whose exports (overseas sales) account for 50% and more of their total sales, while domestic sales-oriented companies are those whose exports (overseas sales) account for less than 50% of their total sales.

5 | Among companies in travel/amusement industry, 70.1% expect operating profit to “increase”

**Operating profit forecast for 2023
(by industry, compared to 2022)**



**Operating profit forecast for 2024
(by industry, compared to 2023)**

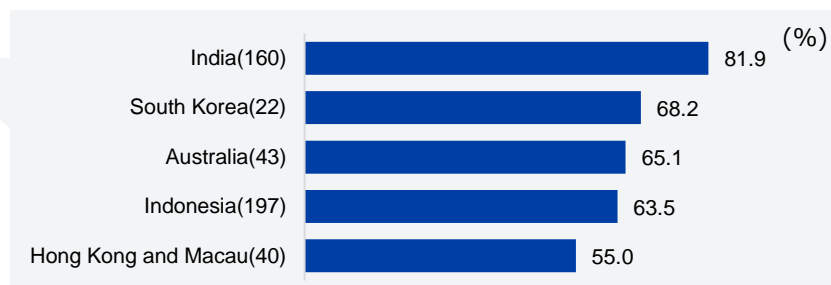
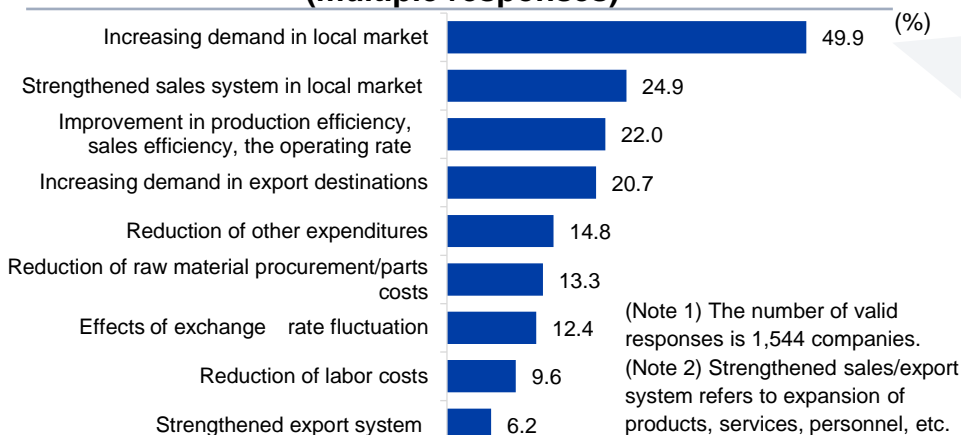


(Note) Industries with at least 30 valid responses.

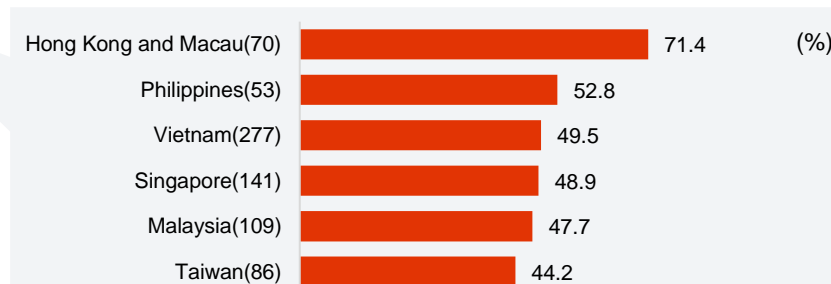
6 | Changes in demand in local and export markets affected operating profit forecast in 2023

- "Increasing demand in local market" (49.9%) was the highest reason for the increase in operating income forecast for 2023. It exceeded 60% in India, South Korea, Australia, and Indonesia.
- As for reasons for a decline, a high percentage of companies answered declining demand in local markets and export markets. The "decrease in demand in local markets" was particularly high in China and Taiwan, while "decrease in demand in export markets" was particularly high in Hong Kong and Macau at 71.4%, and in other countries like the Philippines, Vietnam, Singapore, at around 50%.

Reasons for increased operating profit forecast for 2023 (multiple responses)



Reasons for decreased operating profit forecast for 2023 (multiple responses)

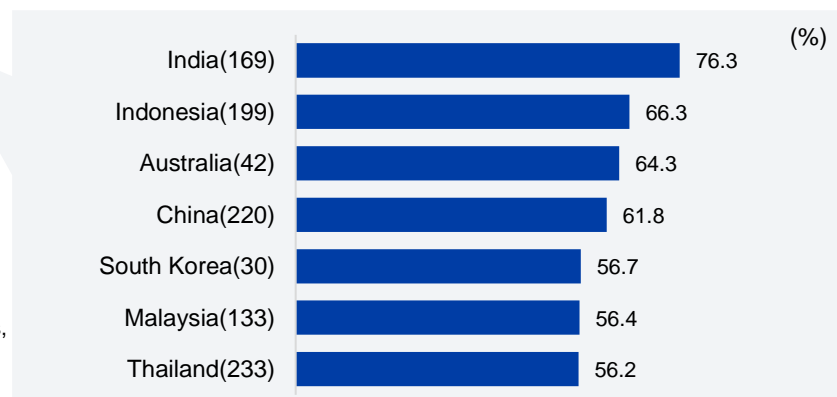
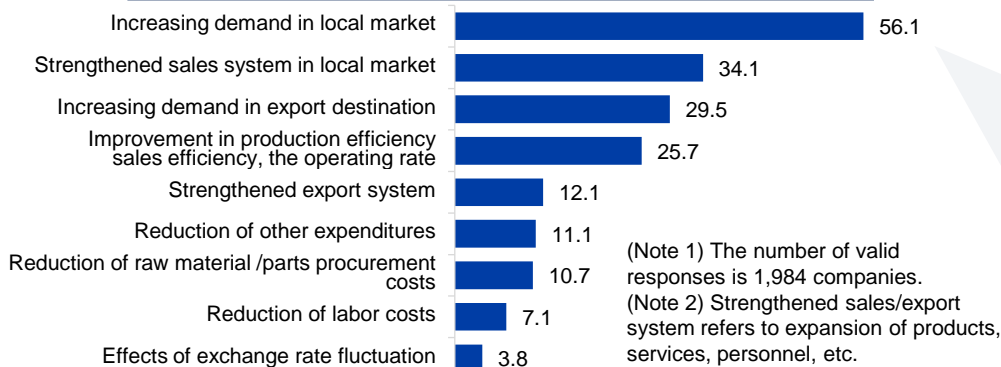


(Note) Countries/regions with at least 20 valid responses and that exceeded the average are selected.
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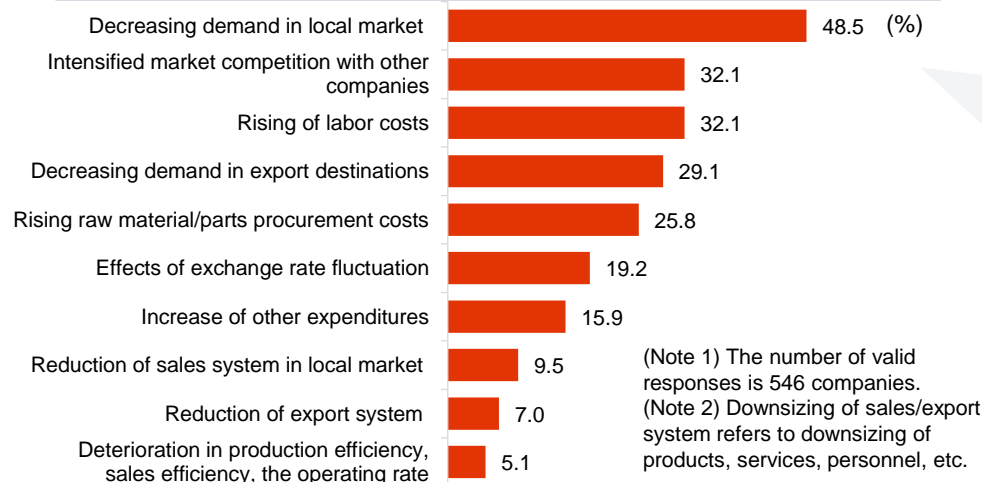
7 | Increasing demand in local markets seems to be driver for the recovery in operating profit in 2024

- “Increasing demand in local market” (56.1%) was the most common reason for increased operating profit forecast for 2024. It was the highest in India (76.3%), followed by Indonesia (66.3%), Australia (64.3%), and China (61.8%).
- “Decreasing demand in local market” was the most common reason for decreased operation profit forecast for 2024, followed by “intensified market competition with other companies” and “rising labor costs”.

Reasons for increased operating profit for 2024 (multiple responses) (%)



Reasons for decreased operating profit forecast for 2024 (multiple responses) (%)

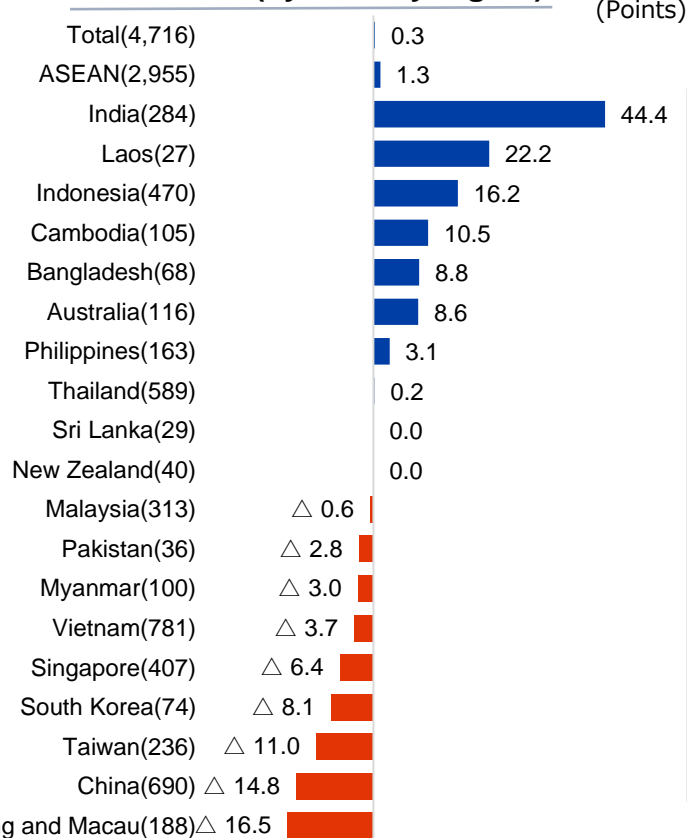


(Note) Countries/regions with at least 20 valid responses that exceeded the average are selected.

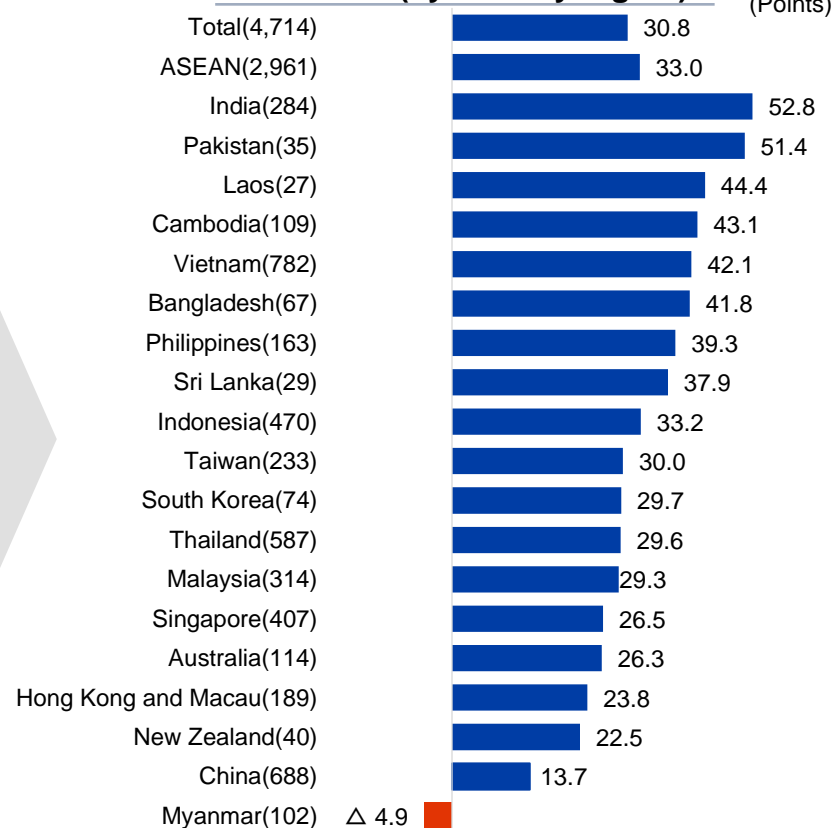
8 Business confidence in India remains high, recovery in China slow

- The DI (See note) which reflects business confidence in 2023 slowed to 0.3 points, the second-lowest in the last 10 years after 2020. India was notably high, while 10 of the 20 countries/regions went negative, especially Hong Kong and Macau, China, and Taiwan, where the DI fell below minus10.
- The DI in 2024 is expected to recover to 30.8 points. The increase is particularly large in Pakistan, Vietnam, Taiwan, and Hong Kong and Macau, at 40-50 points. China turned positive, but at the second-lowest level after Myanmar.

DI in 2023 (by country/region)



DI in 2024 (by country/region)



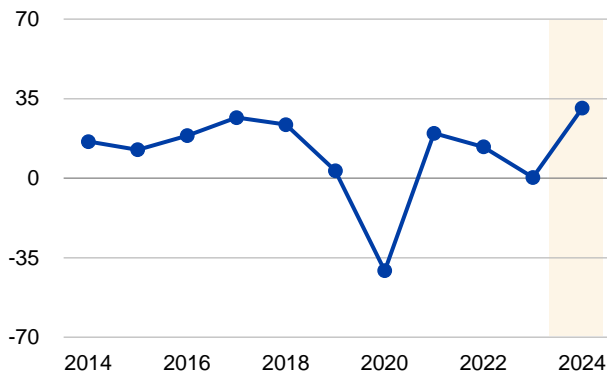
(Note) DI stands for Diffusion Index and is calculated by subtracting the proportion of companies that answered the operating profit forecast would 'Decrease' from the proportion of companies that answered it would 'Increase'. A numerical indicator of how business confidence is changing.

9 | DI decline in most countries/regions in 2023

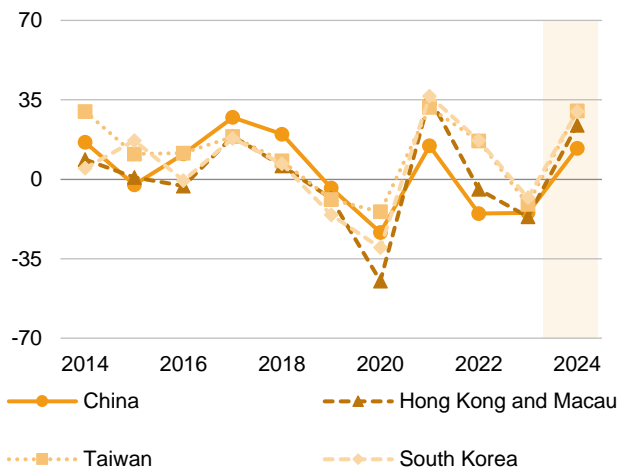
DI : 2014-2023 & 2024 forecast (by country/region)

(Points)

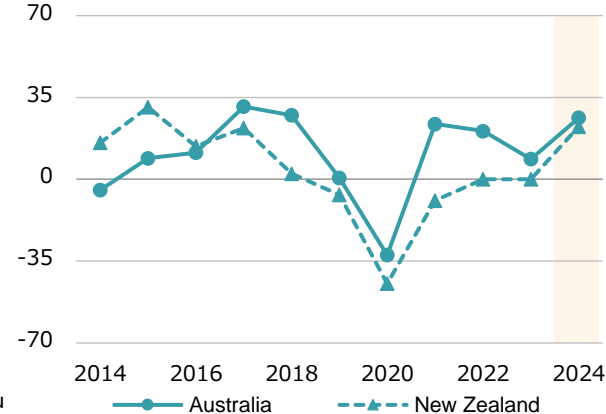
Total



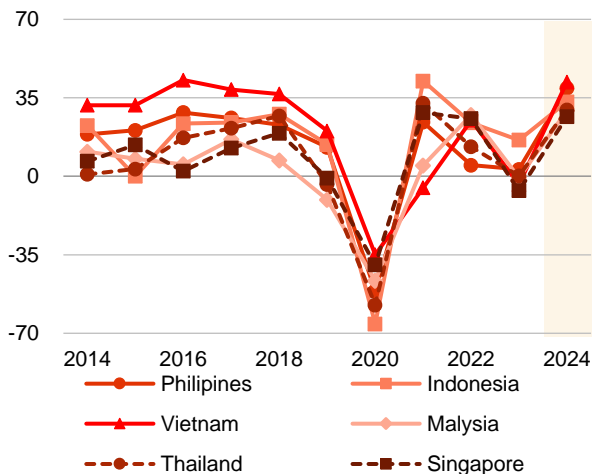
Northeast Asia



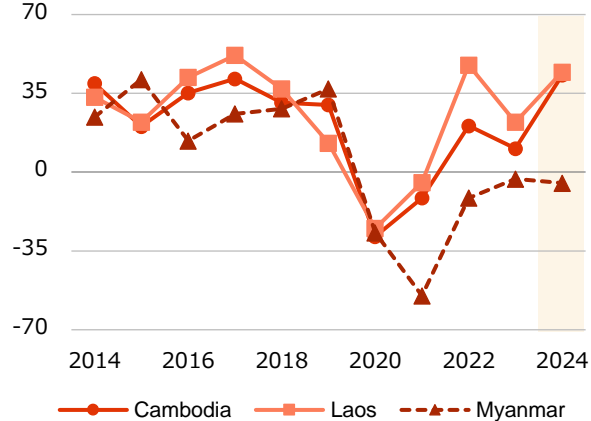
Oceania



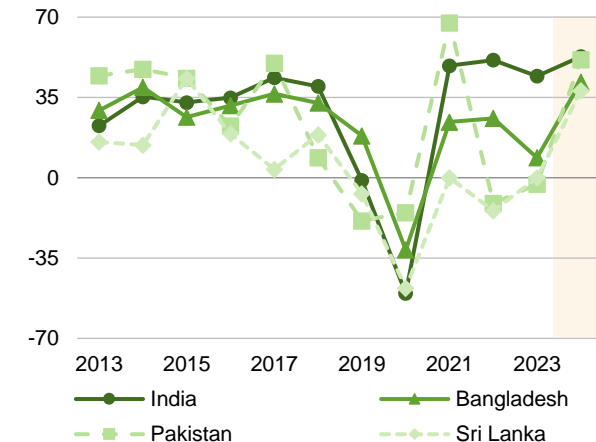
ASEAN6



ASEAN (CLM)



Southwest Asia



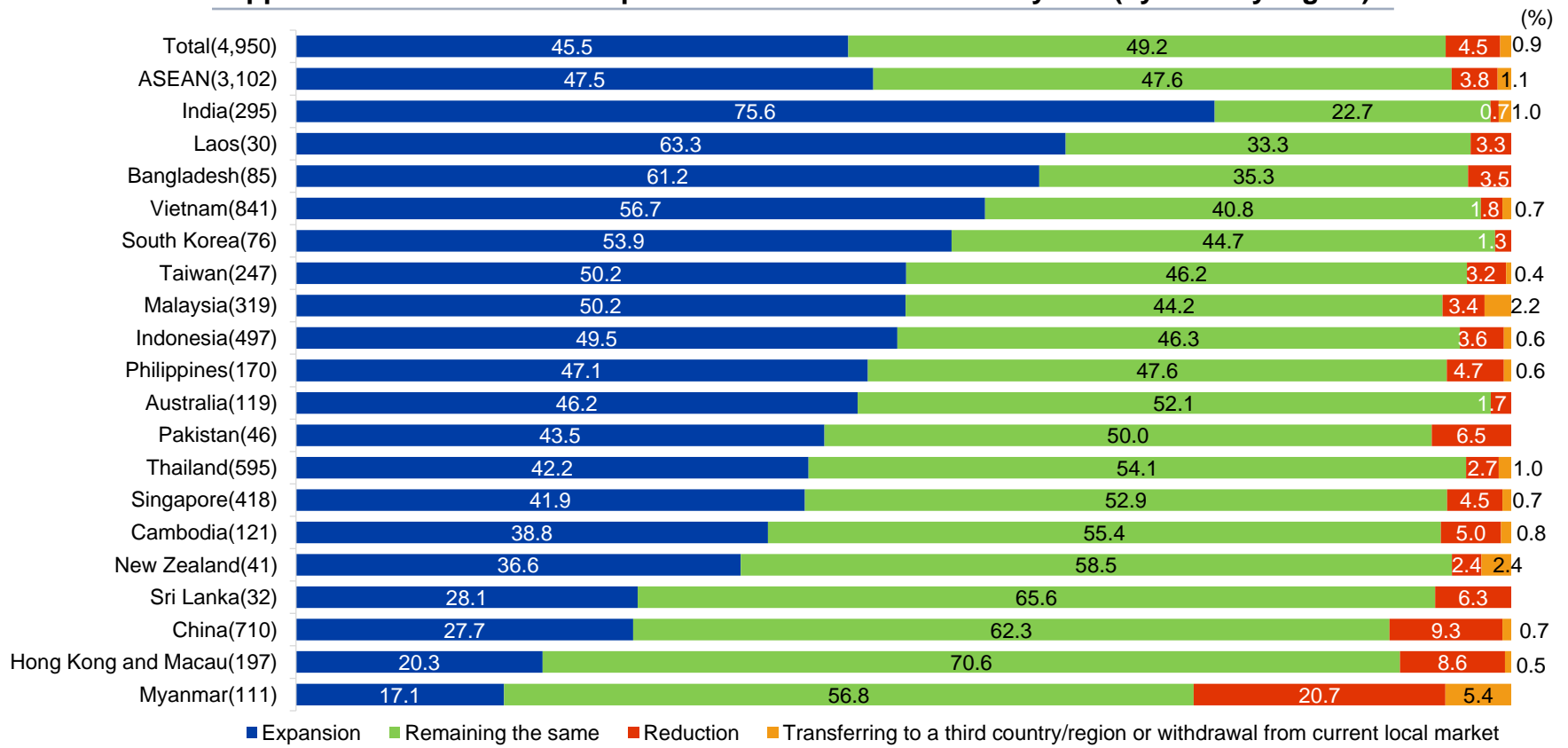
(Note: DI values for 2014-2023 indicate how the current year of the survey changed compared to the previous year.

The year 2024 is a DI value that indicates how the outlook for the year 2024 is portrayed in this survey compared to the year 2023.

1 Intention to expand business increases slightly, hitting new record low in China

- Regarding the direction of business development over the next 1-2 years, 45.5% of companies answered “expansion,” up 1.1 points from the previous year's survey (44.4%). The total for “reduction” and “transferring to a third country/region or withdrawal from current local market” accounted for 5.4%, up 0.7 points from the previous year's survey (4.7%).
- By country/region, more than 50% of companies in India, Laos, Bangladesh, Vietnam, South Korea, Taiwan, and Malaysia answered “expansion”. In China, 27.7% of companies answered “expansion”, which recorded the lowest level ever (since the 2007 survey, in which non-manufacturing sectors were first included) and the percentage had fallen below 30% for the first time.

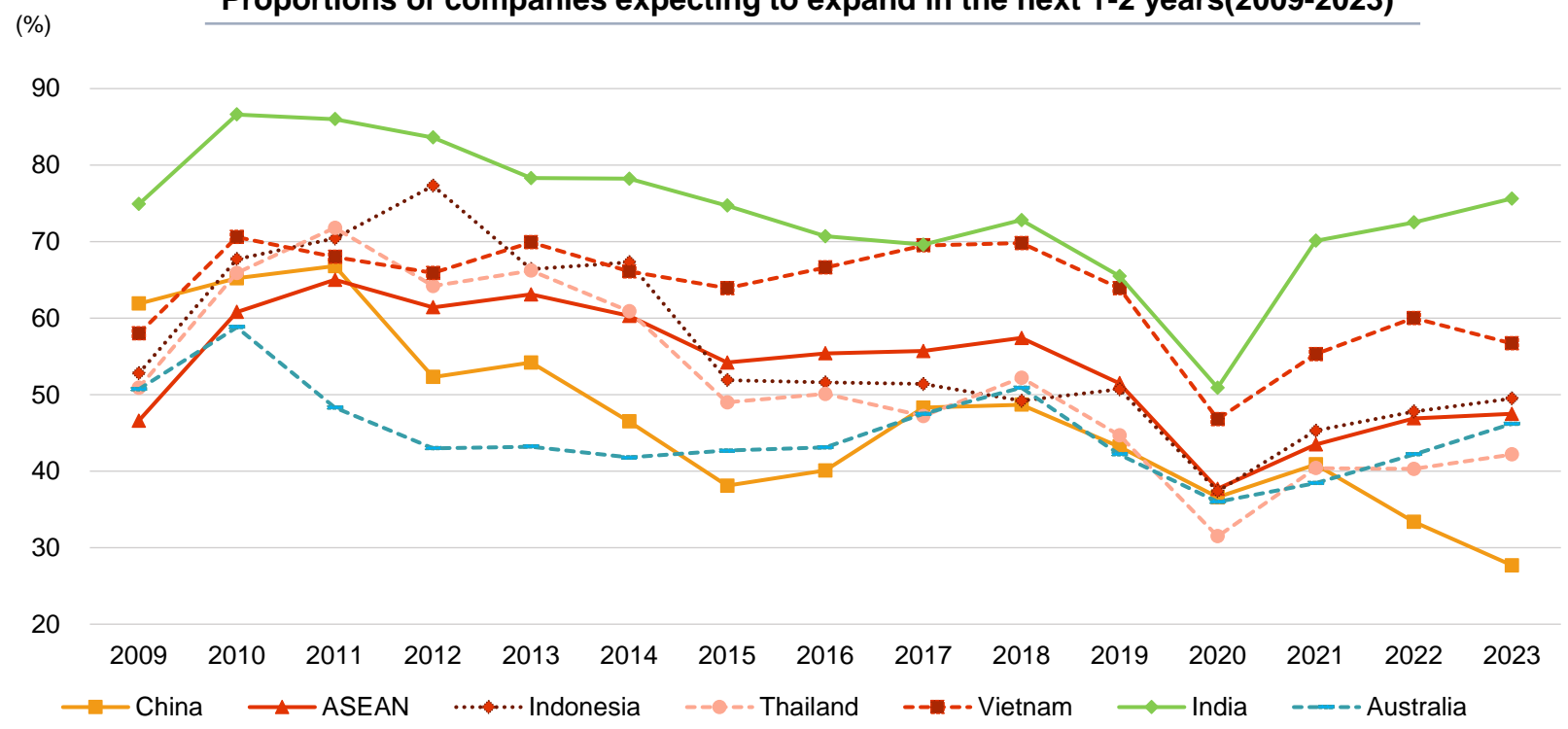
Approach to future business plans/activities in the next 1-2 years (by country/region)



2 | Expansion intentions remain flat in most countries and regions, decline again in China

- The percentage of companies that answered “expansion” increased from the previous year’s survey in ASEAN, Indonesia, Thailand, India, and Australia. There has been a general recovery trend since 2020, which was significantly affected by COVID-19. On the other hand, China declined for the second consecutive year to reach an all-time low (See note 1).
- Comparing China and ASEAN since 2009, ASEAN surpassed China in 2012, and the gap widened to over 10 points between 2014 and 2016. The gap narrowed to a small margin between 2017 and 2021, but widened to 13.5 points in the previous year and 19.8 points in 2023.

Proportions of companies expecting to expand in the next 1-2 years(2009-2023)

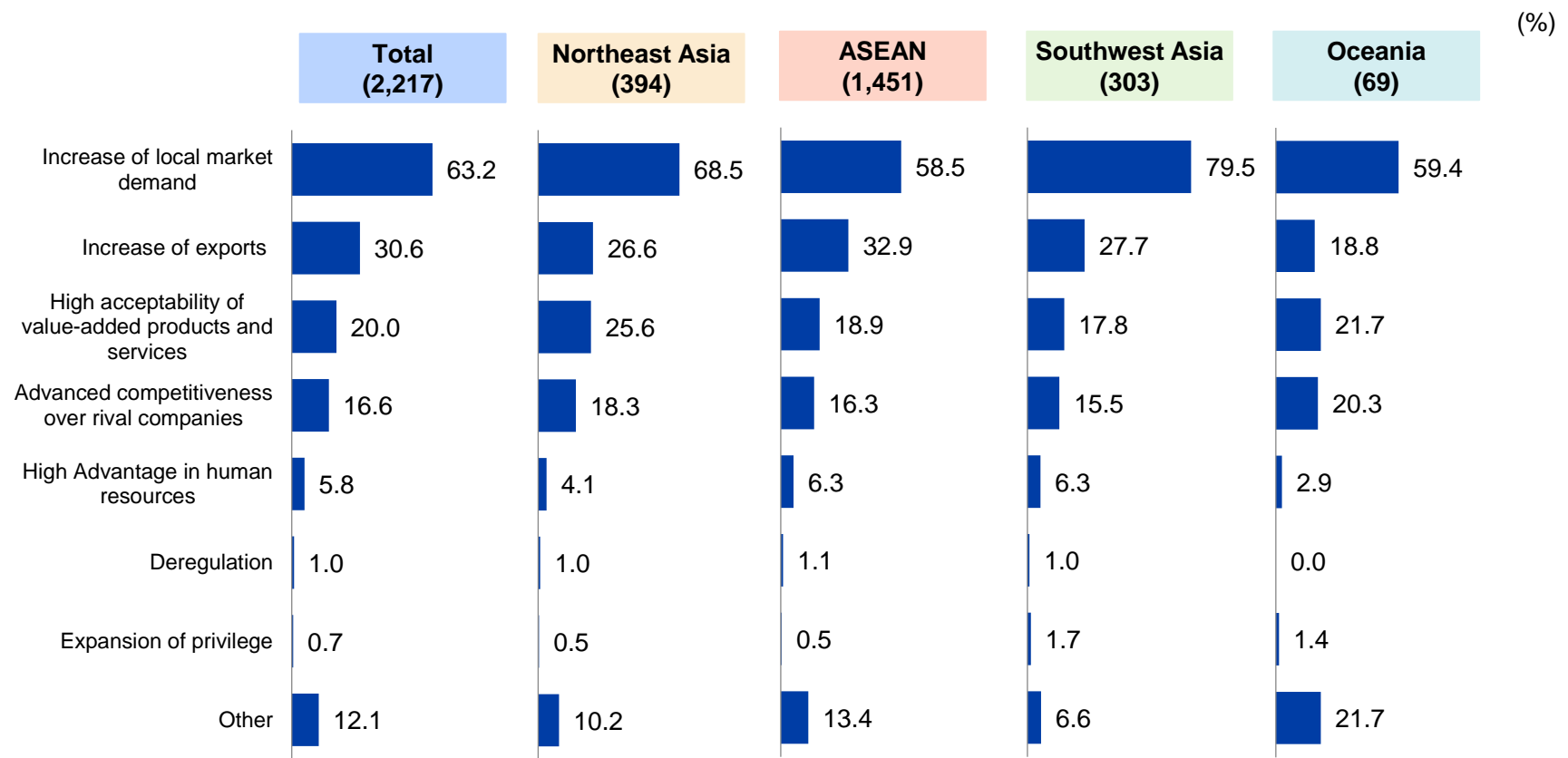


(Note 1) “all-time” refers to the period since 2007, the survey has included the non-manufacturing sector.
 (Note 2) Figures for Cambodia and Laos have been included in ASEAN average since 2010 and 2011, respectively.

3 | “Expansion of local market needs” is main reason for business expansion

- Regarding the reasons for “expansion” of business in the next 1-2 years, the highest percentage in all regions was “expansion of local market needs” with 79.5% in Southwest Asia and 68.5% in Northeast Asia.
- Northeast Asia had a relatively high percentage of companies that answered “high acceptability of value-added products and services”. In addition, the percentage of companies that answered “increase in exports” was relatively high in ASEAN.

Reasons for the future business expansion in the next 1-2 years (multiple responses)

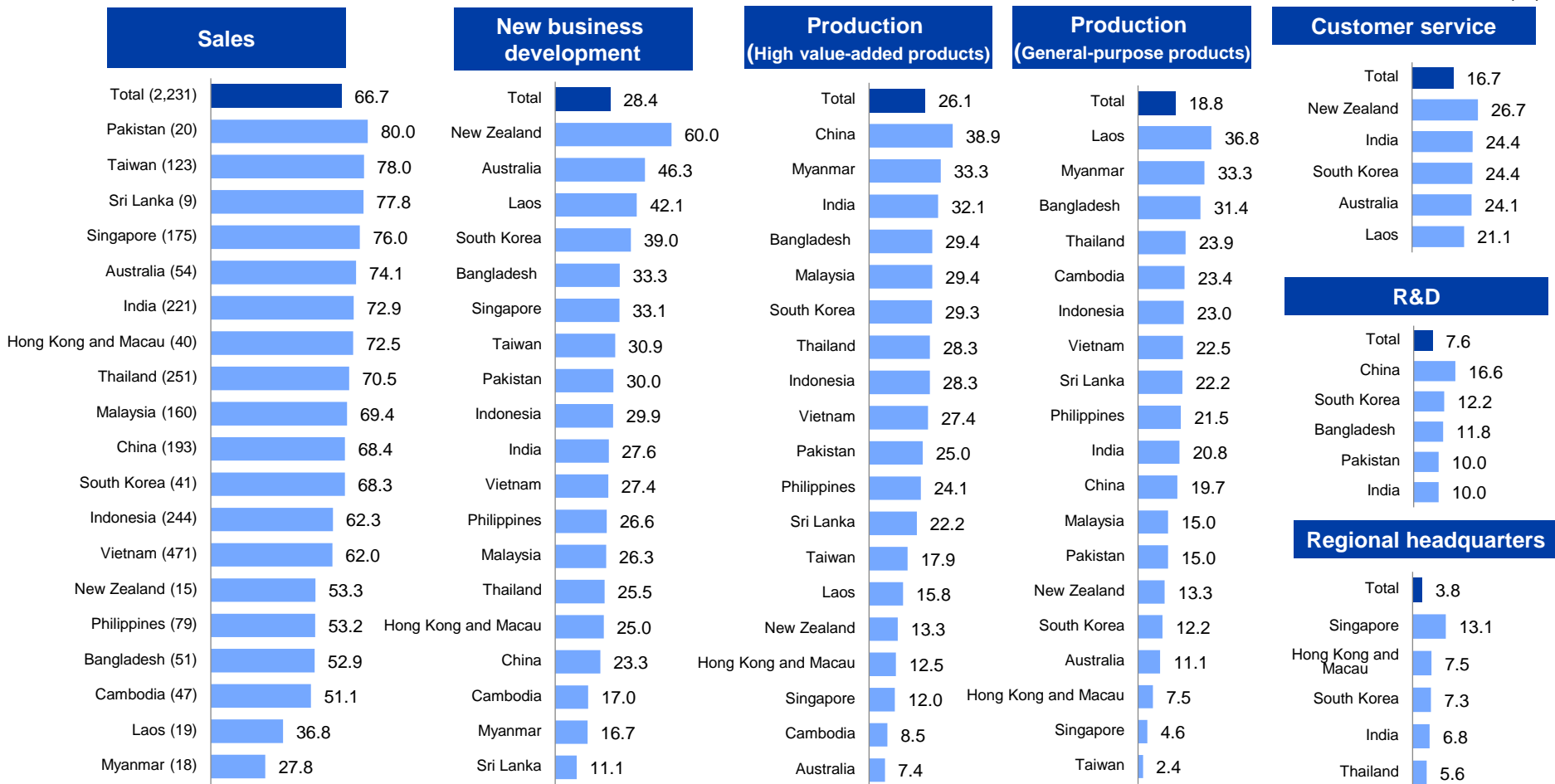


(Note) Some choices of the question were changed from the previous year's survey.

4 | Nearly 60% plan to expand their sales function

- Companies that answered that they will “expand” their business in the next 1-2 years were asked which function they will expand, and the most common response was “sales” (66.7%), followed by “new business development” (28.4%).
- Expanding “production (high value-added products)” was highest in China at 38.9%, 19.2 points higher than “production (general-purpose products)” in that country. China also had the highest percentage of companies that will expand “R&D”.

Functions to be expanded (multiple responses)

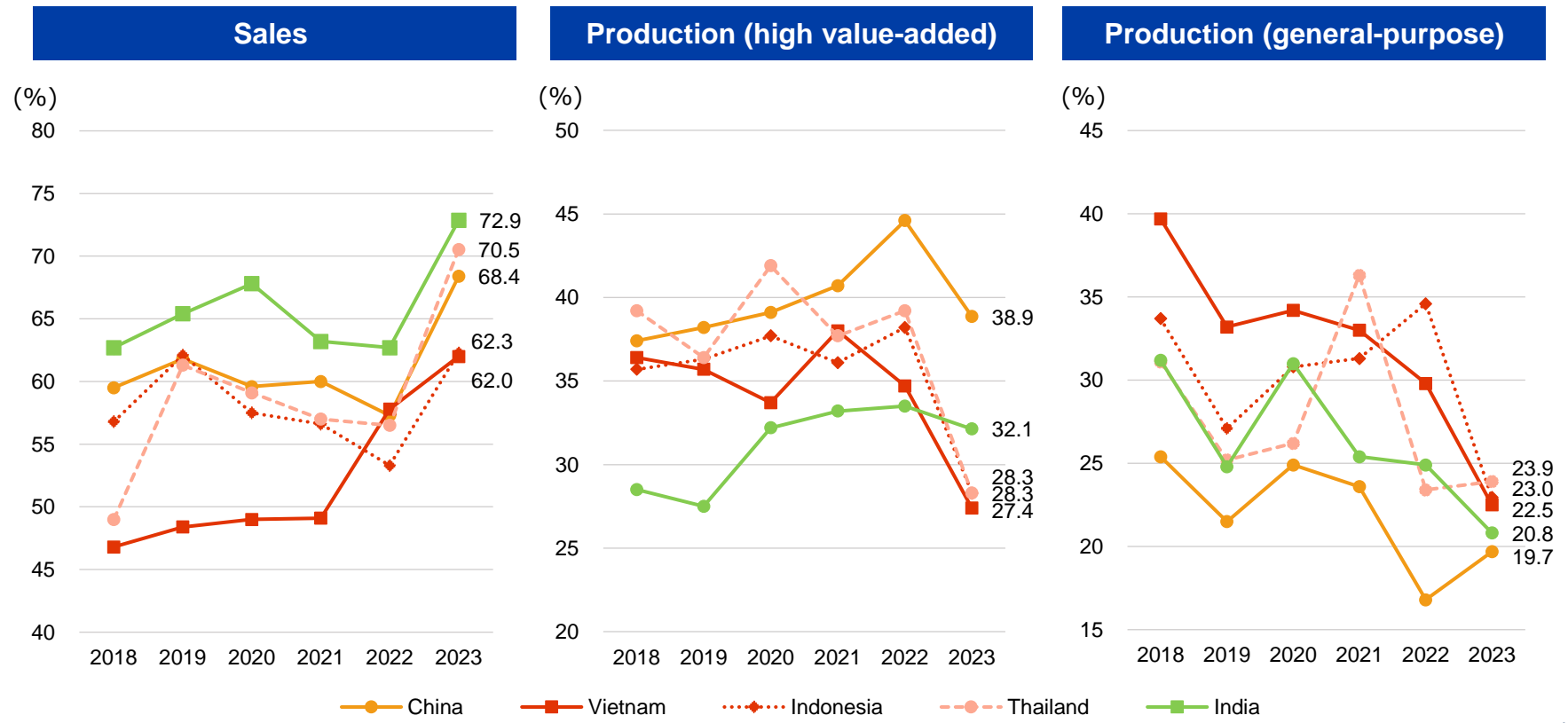


(Note 1) The top 5 countries/regions were selected for customer service, R&D and regional headquarters.
 (Note 2) The number of responses in parentheses is the same for all items.

5 | Intention to expand sales function soars

- Of the companies that answered that they will “expand” their business in the next 1-2 years, expanding “sales” is on an upward trend in each country, in response to growing local markets. In particular, there was an increase of more than 10 points in China, Thailand, and India from the previous year’s survey.
- The intention to expand the “production function (high value-added products)” remained at about 30-40%. The answer “production (general-purpose products)” came to around 20% in each country.

Functions to be expanded (by country, 2018-2023)

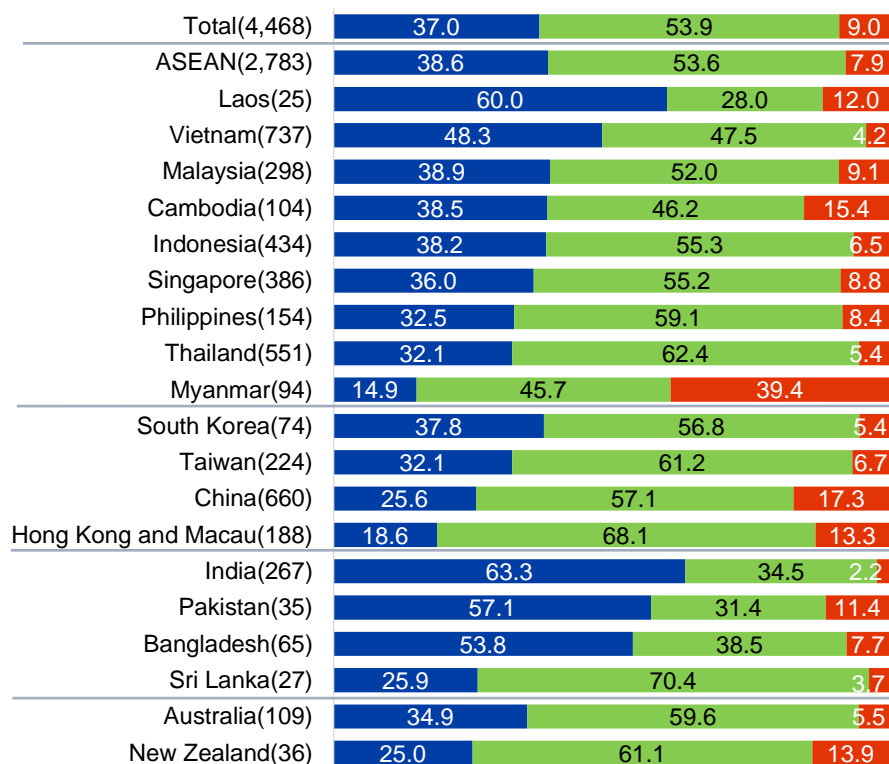


6 Share of sales in company location expected to expand in the mid- to long-term

- With regard to the percentage of sales in the destination country/region as a percentage of company group's total sales, the percentage of companies that answered “expand in the next 5 years and beyond” exceeded the percentage of “expand in the next 2-3 years” in all countries and regions.
- The percentage of companies that answered that they expect to “expand in the next 2-3 years” was approximately 60% in India and Laos, followed by Pakistan, and approximately 50% in Bangladesh and Vietnam. In China, where business expanding intentions were at an all-time low (See note), 25.6% of companies answered that they will “expand” in the next 2-3 years, and 36.4% in the next 5 years and beyond.

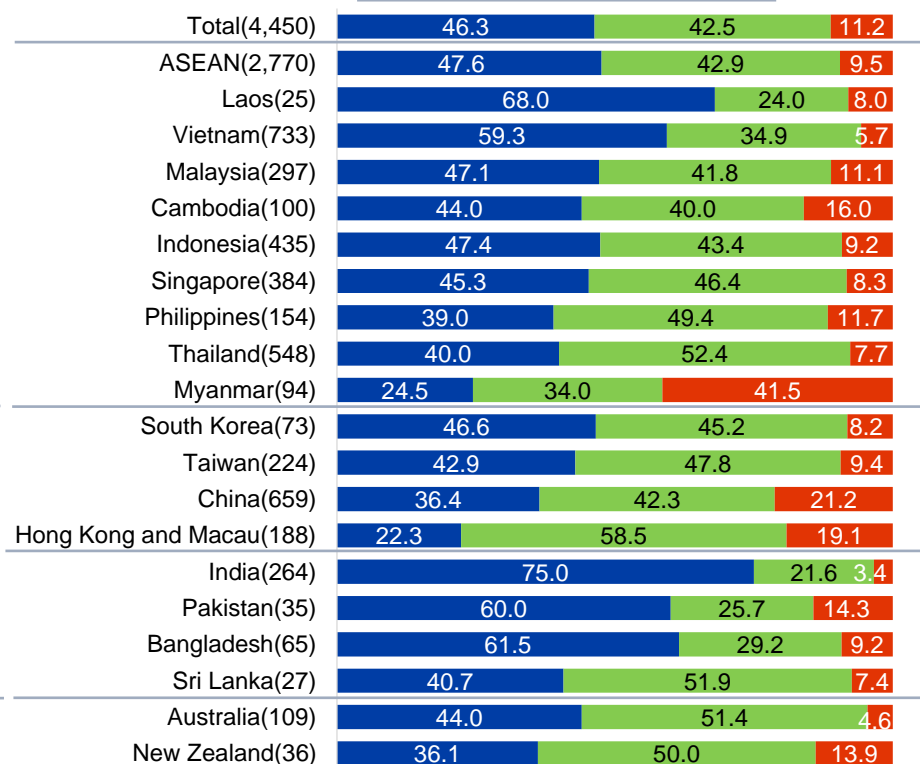
Outlook for the overall share of sales in company location

Next 2-3 years



■ Expand ■ Remain the same ■ Decrease

Next 5 years and beyond



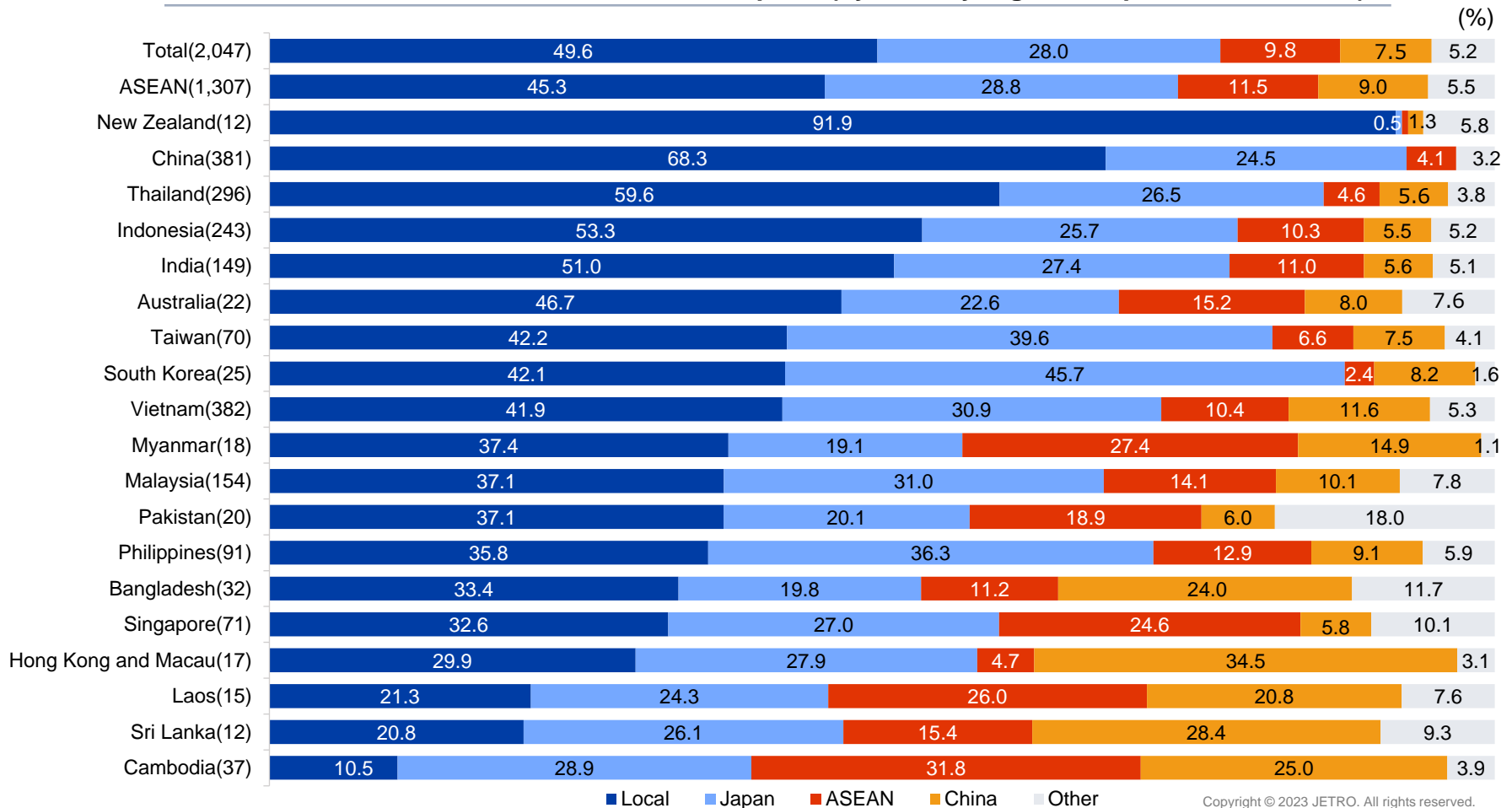
■ Expand ■ Remain the same ■ Decrease

(Note) See page 16.

1 | Local procurement rate increase, while procurement rate from Japan decreases

- The local procurement rate was 49.6%, increasing by 2.8 points from the 2022 survey (46.8%). Procurement from ASEAN increased by 2.0 points from the 2022 survey (7.8%). In contrast, procurement from Japan decreased by 2.4 points from the 2022 survey (30.4%).
- In Singapore and Indonesia in particular, there was a significant trend toward an increase in the local procurement rate and a decrease in the procurement rate from Japan.

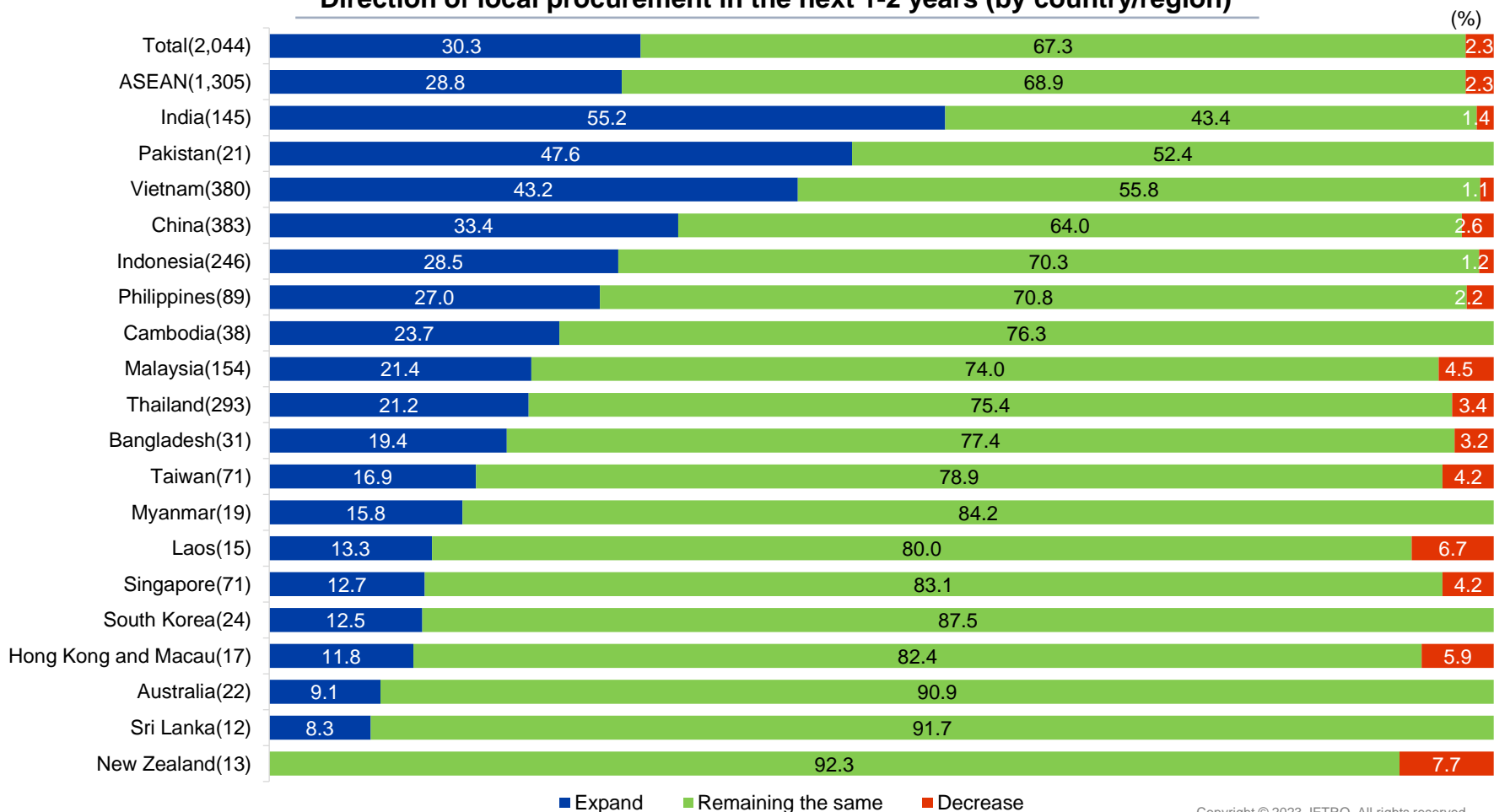
Procurement sources for raw materials and parts (by country/region, responses total 100%)



2 | 30% of companies to expand local procurement, nearly 70% to remain the same

- Regarding the local procurement rate in the next 1-2 years, 30.3% of the companies answered that they would expand. However, 67.3% of companies answered that they would remain the same.
- India was the only country where the percentage of companies expanding local procurement exceeded 50%, at 55.2%, while Pakistan and Vietnam also exceeded 40%.

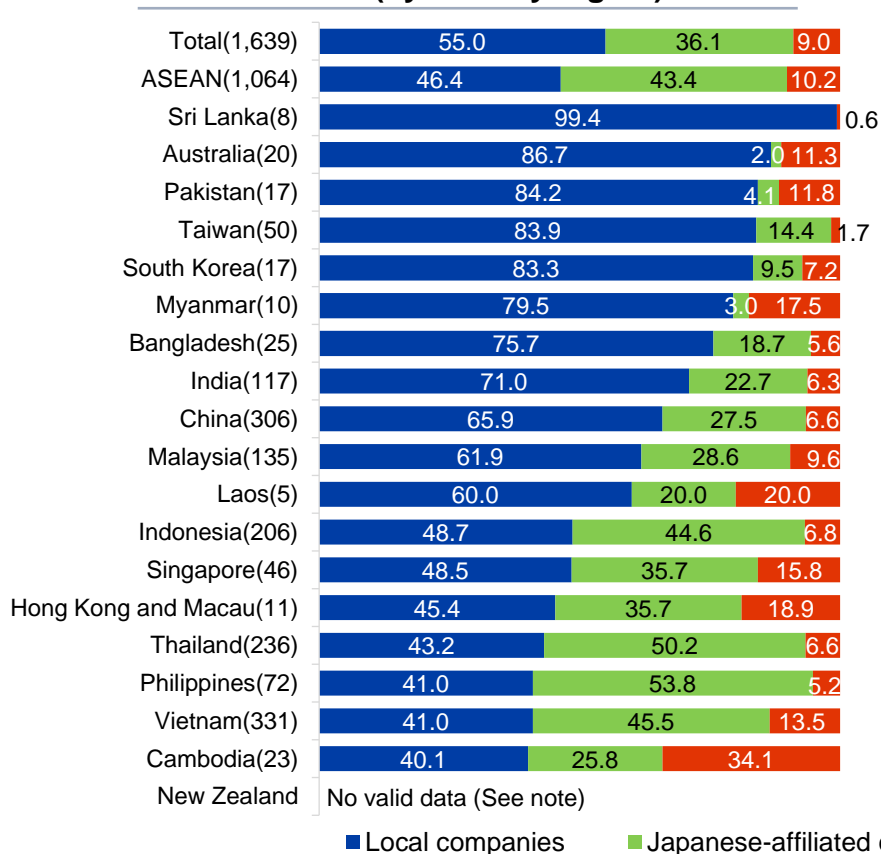
Direction of local procurement in the next 1-2 years (by country/region)



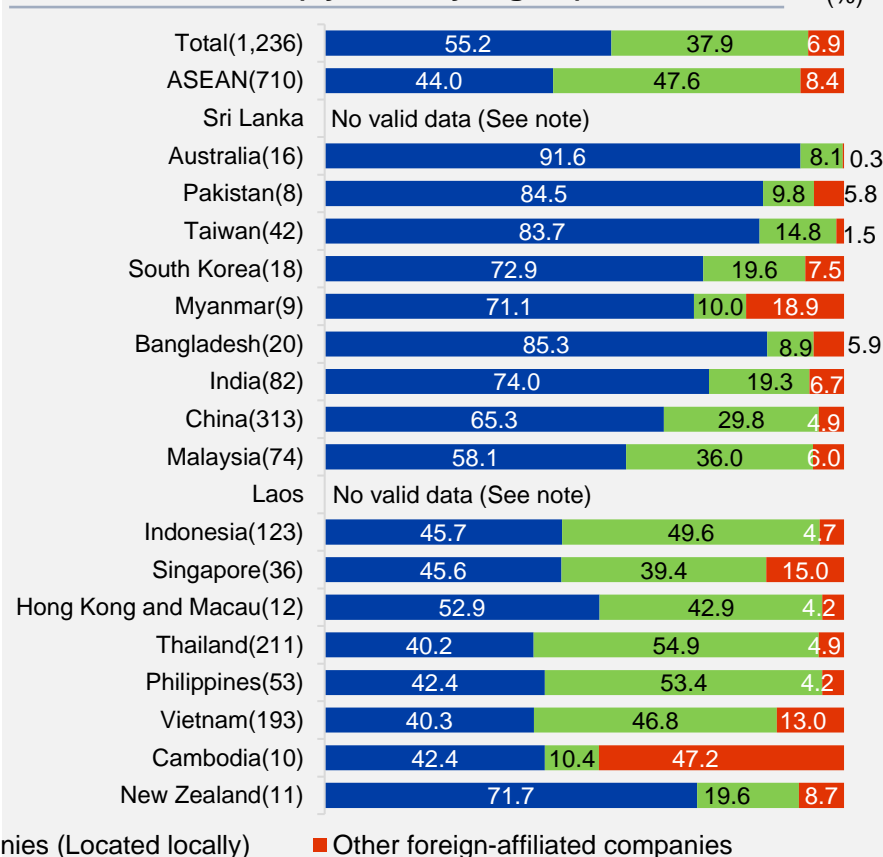
3 Percentage of local procurement from Japanese-affiliated companies decreases

- In terms of the breakdown of local suppliers, local companies accounted for 55.0%, almost unchanged from the 2022 survey (55.2%). Procurement from Japanese-affiliated companies (located locally) decreased by 1.8 points (36.1%), while that from other foreign-affiliated companies increased.
- In ASEAN, the share of local companies increased by 2.4 points, while the share of Japanese-affiliated companies (located locally) decreased by 4.2 points. In India, on the other hand, the share of local companies decreased for two years straight, while the share of Japanese-affiliated companies (located locally) increased.

Breakdown of local suppliers in 2023 (by country/region) (%)



(Reference) Breakdown of local suppliers in 2022 (by country/region) (%)

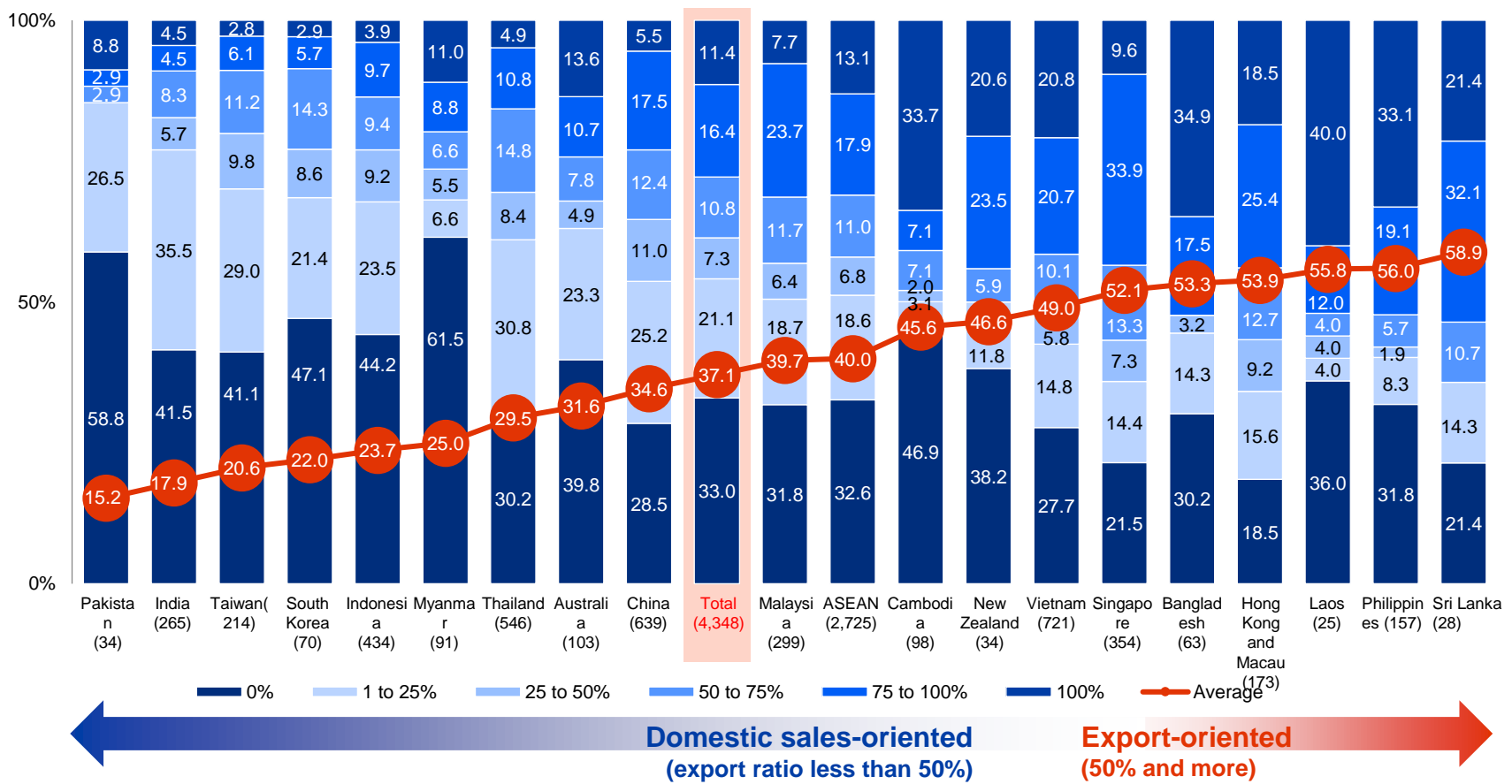


(Note) Countries/regions with at least 5 valid responses.

4 | Average export ratio to total sales decreased slightly

- The average ratio of exports to total sales was 37.1%, a decrease of 1.5 points compared to the 2022 survey. This is believed to have been affected by the decline in external demand. By country/region, the declines were particularly large in ASEAN and Bangladesh, a decrease of 3.5 points and 7.4 points, respectively, from the previous year.

Proportion of exports to total sales (all industries, by country/region, 0-100%)

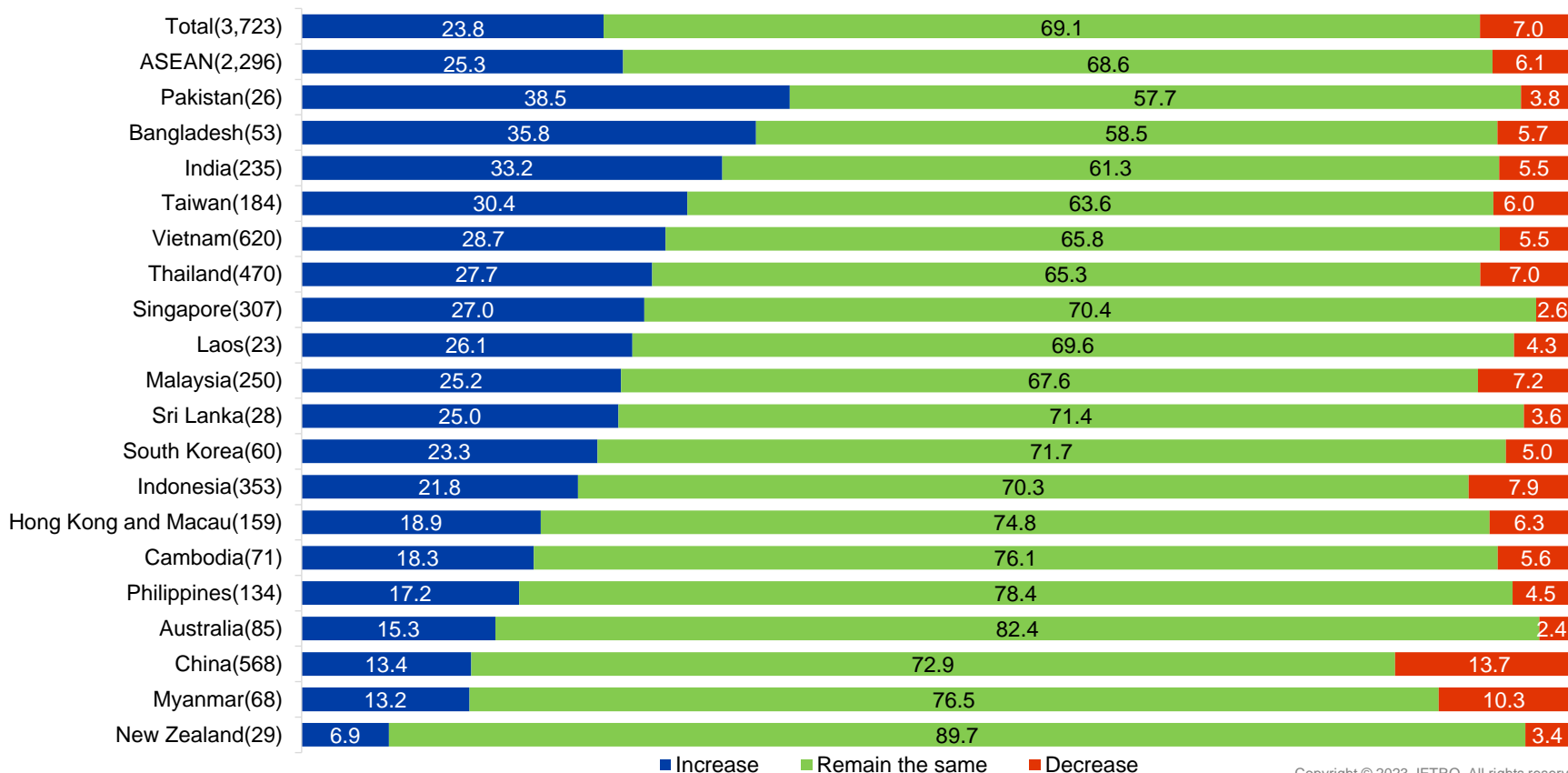


5 | 70% of companies to maintain current export ratio, while that in China shrinks

- 23.8% of companies answered that they would “increase” the current export ratio in the next 1-2 years. The largest share of companies (69.1%) answered that it would “remain the same”.
- By country/region, Southwest Asian countries (Pakistan, Bangladesh and India) showed strong willingness to expand, while more than 80% of companies in Australia and New Zealand answered “remain the same”. In China, 13.7% of companies answered “decrease”.

Export ratio in the next 1-2 years (by country/region)

(%)



1 | Top 5 advantages: ASEAN (1)

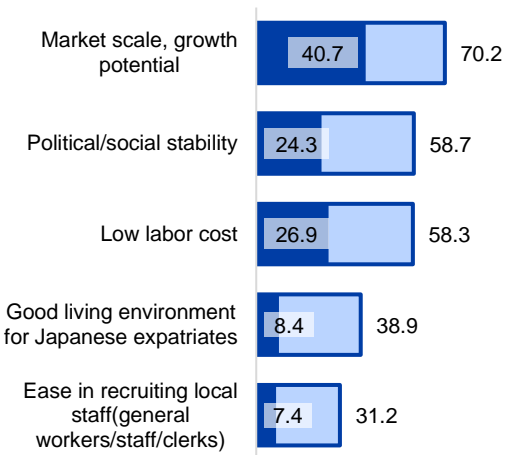
Top 5 advantages of the investment environment (multiple responses)

(%)

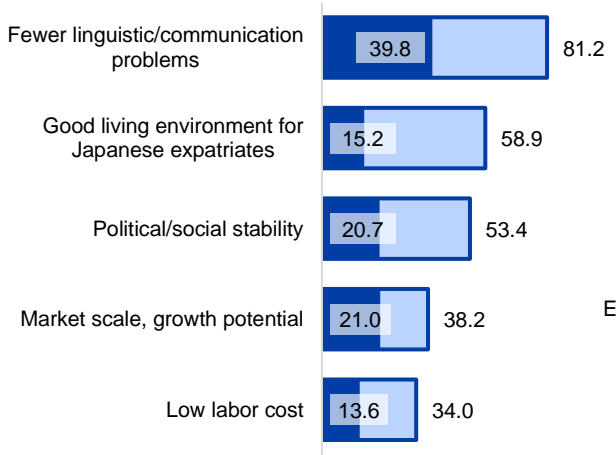
How to View Graphs

- Light blue indicates the percentage of companies that answered as an advantage in the business environment.
- Dark blue indicates the percentage of companies that answered as particularly applicable as an advantage. Up to three items can be selected as particularly applicable.
- Names of countries/regions in parentheses are the number of valid responses.
- China and Hong Kong and Macau are excluded from the scope of this survey.

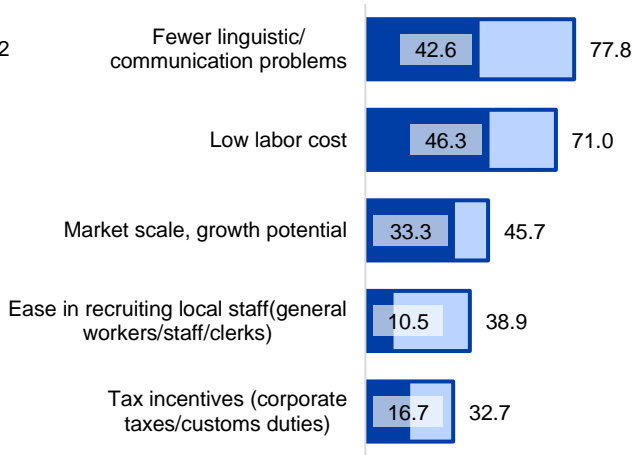
Vietnam (808)



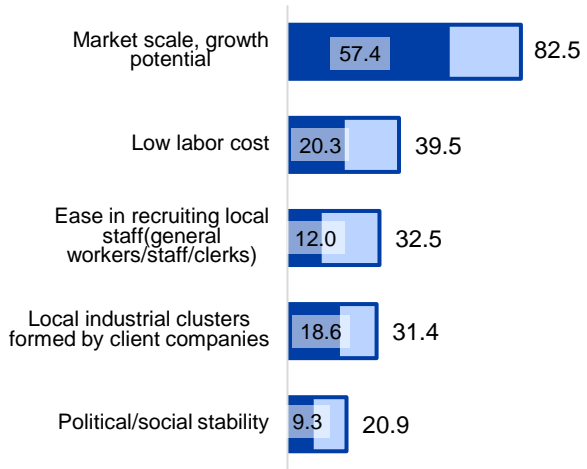
Malaysia (309)



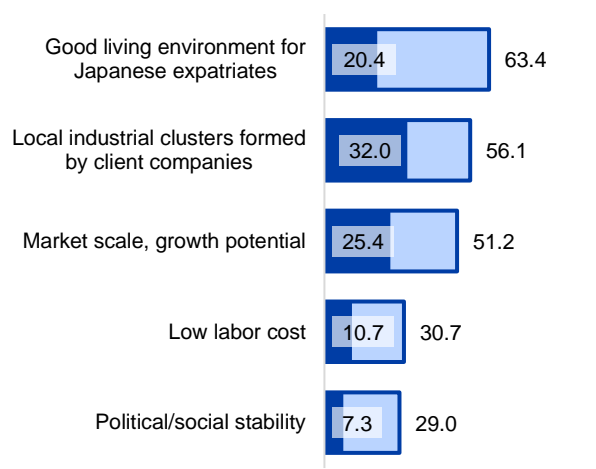
Philippines (162)



Indonesia (474)



Thailand (563)



2 | Top 5 advantages: ASEAN (2), South Korea, Taiwan

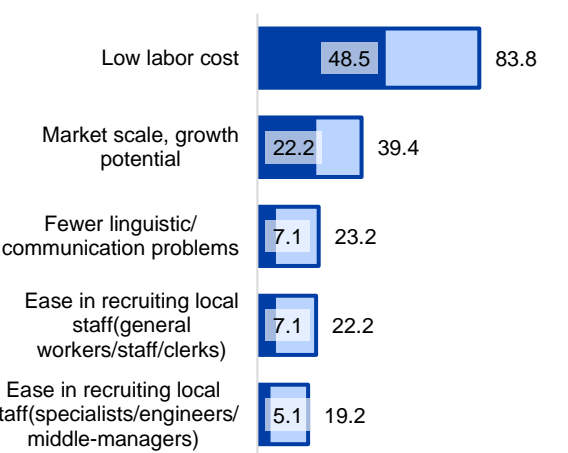
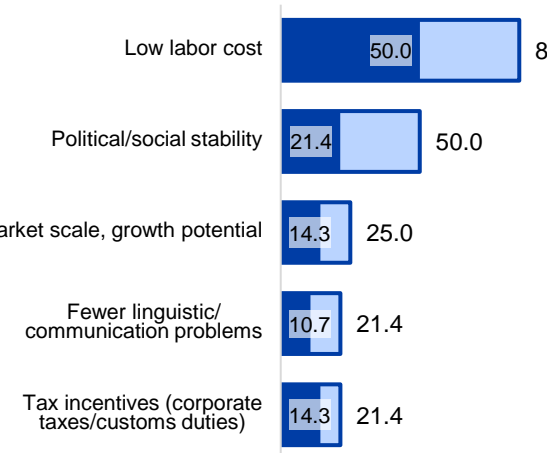
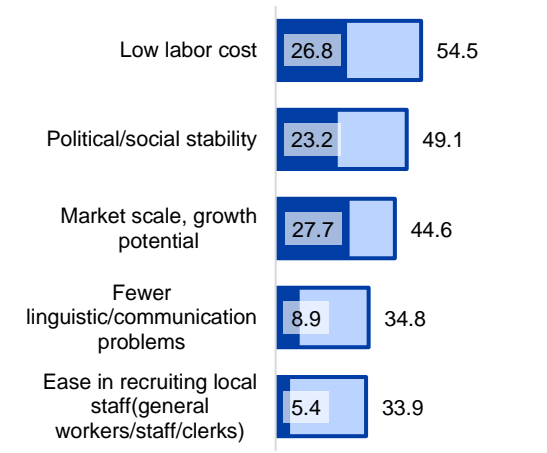
Top 5 advantages of the investment environment (multiple responses)

(%)

Cambodia (112)

Laos (28)

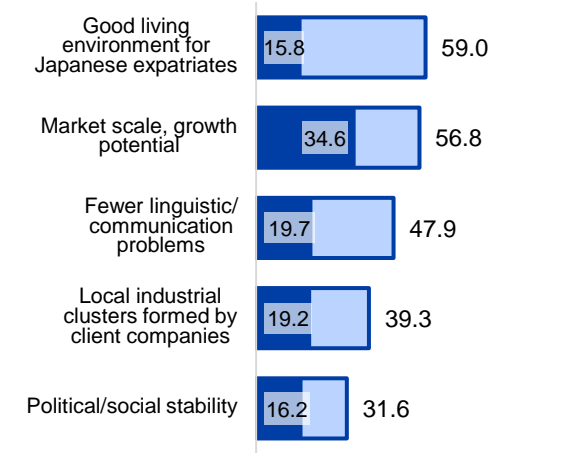
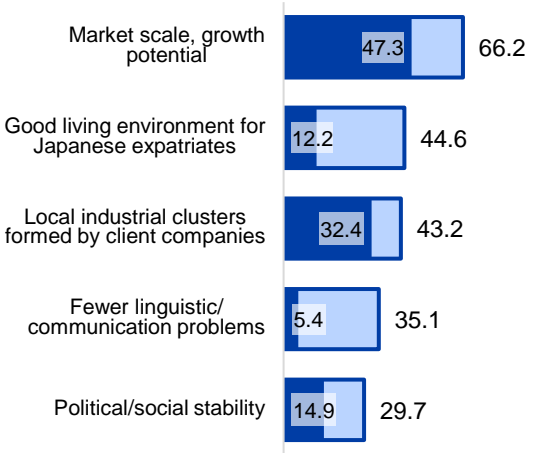
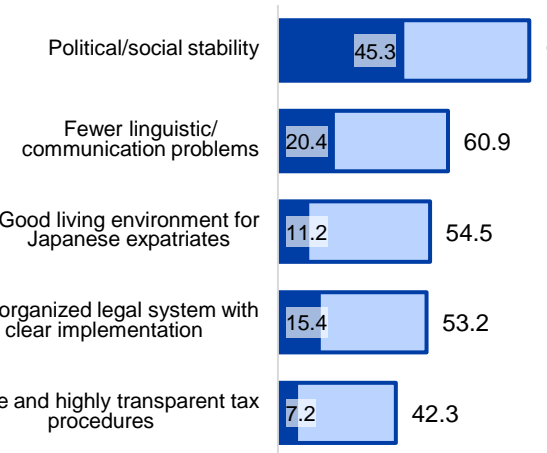
Myanmar(99)



Singapore (402)

South Korea (74)

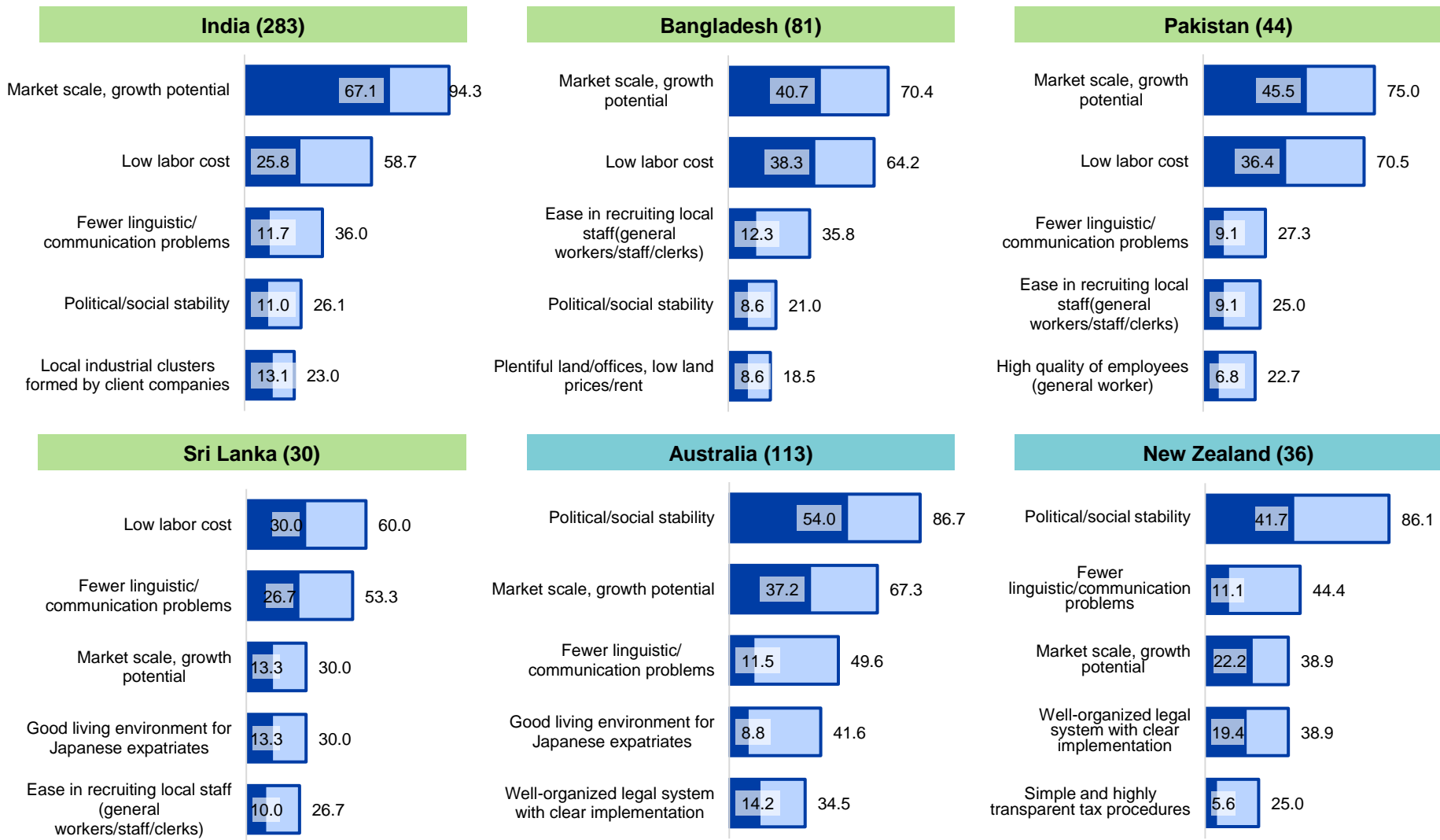
Taiwan (234)



3 | Top 5 advantages: Southwest Asia and Oceania

Top 5 advantages of the investment environment (multiple responses)

(%)

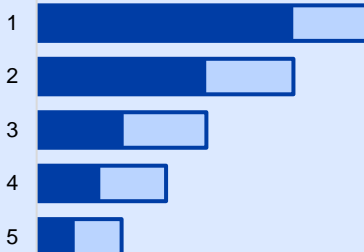


4 | Top 5 risks: ASEAN (1)

Top 5 risks in the investment environment (multiple responses)

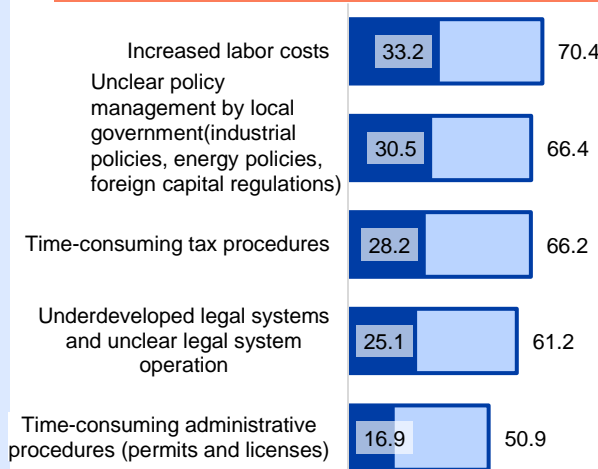
(%)

How to View Graphs

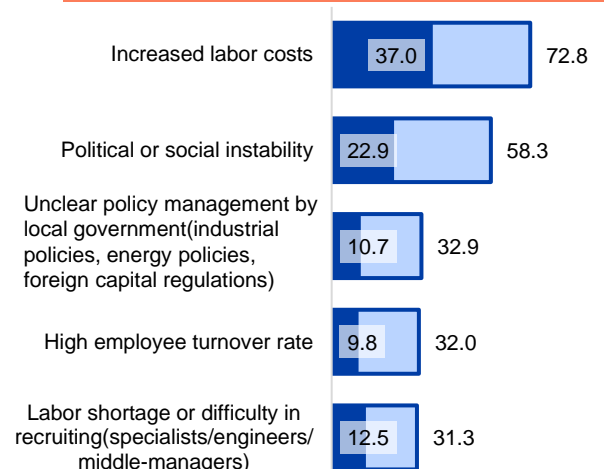


- Light blue indicates the percentage of companies that answered as a risk to the business environment. **Dark blue indicates the percentage of companies that answered that the risk is particularly applicable to their business environment.**
- Up to three items can be selected as particularly applicable.
- Figures in parentheses under the name of country/region are the number of valid responses.
- China and Hong Kong and Macau are excluded from the scope of this survey.

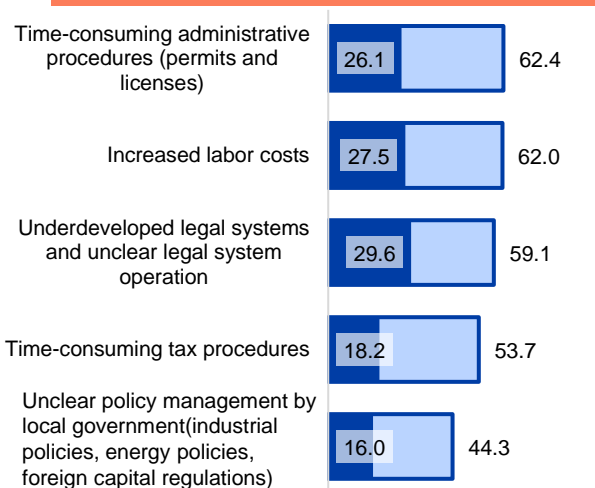
Indonesia (479)



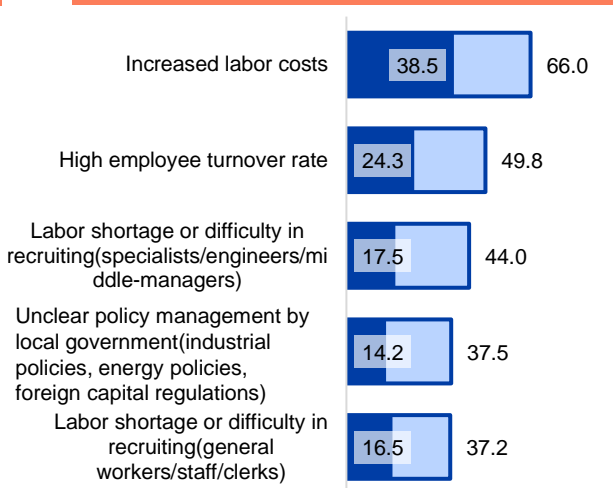
Thailand (559)



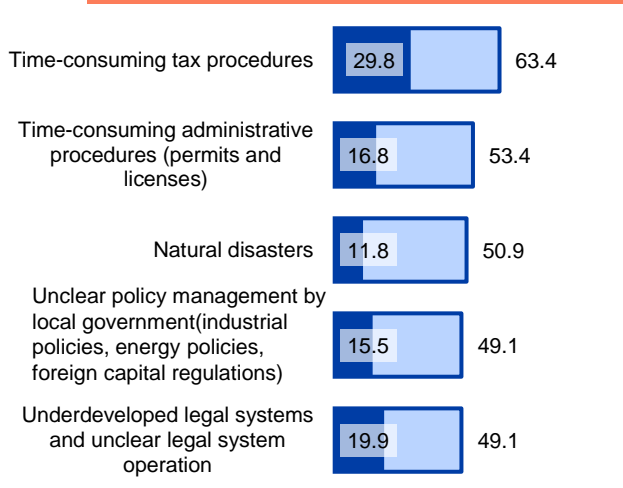
Vietnam (801)



Malaysia (309)



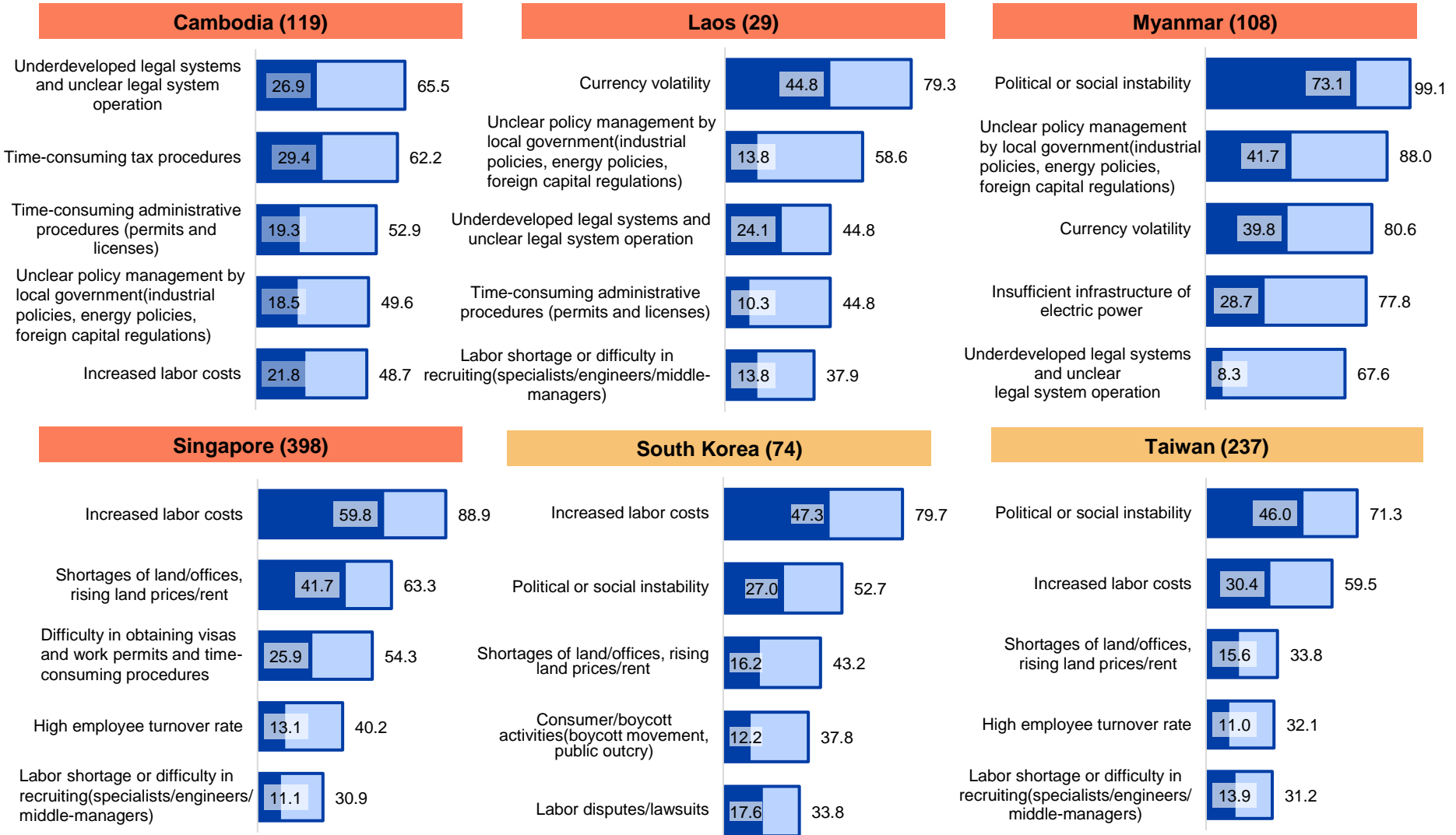
Philippines (161)



5 | Top 5 risks: ASEAN (2), South Korea, Taiwan

Top 5 risks in the investment environment (multiple responses)

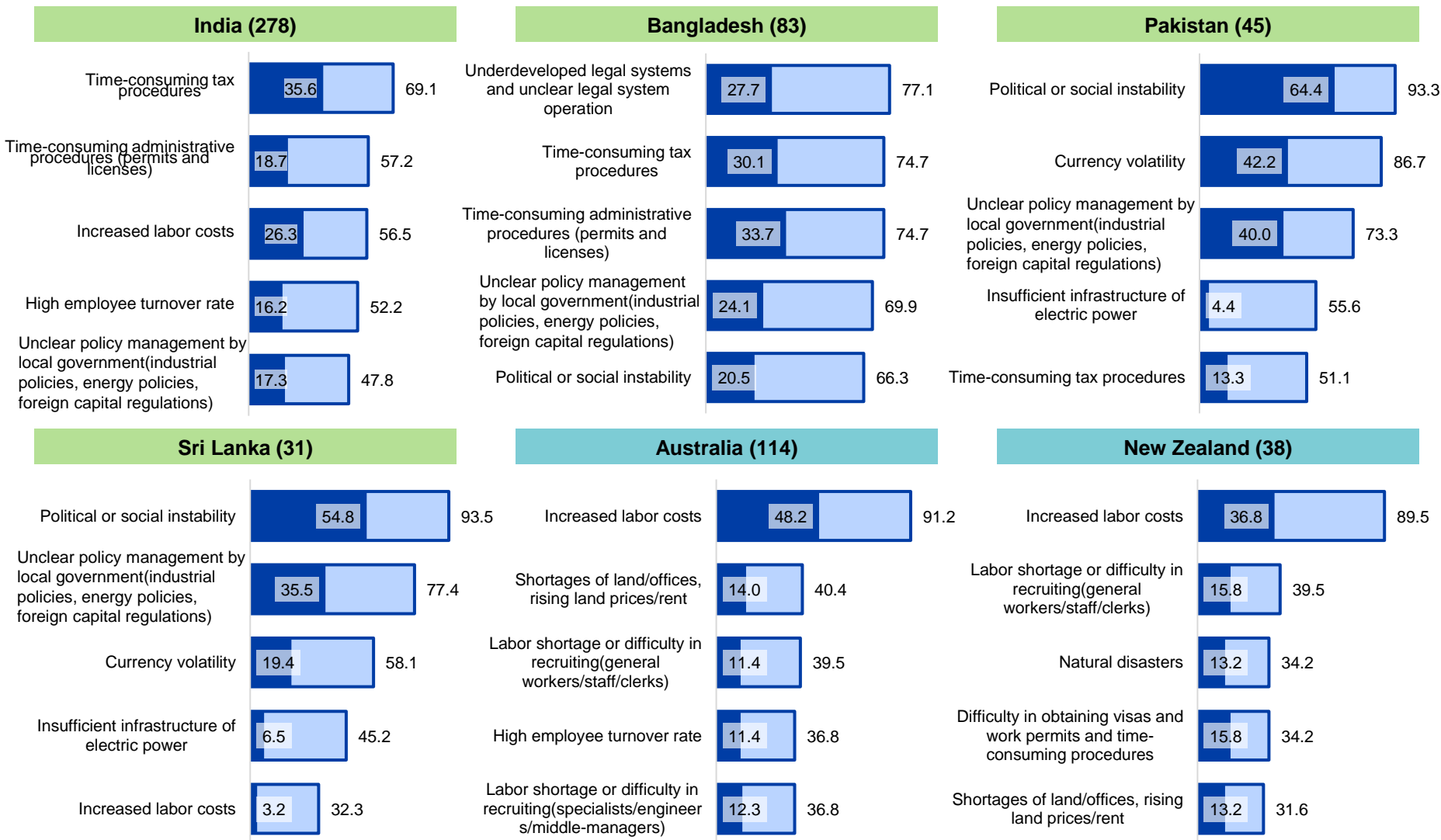
(%)



6 | Top 5 risks: Southwest Asia & Oceania

Top 5 risks in the investment environment (multiple responses)

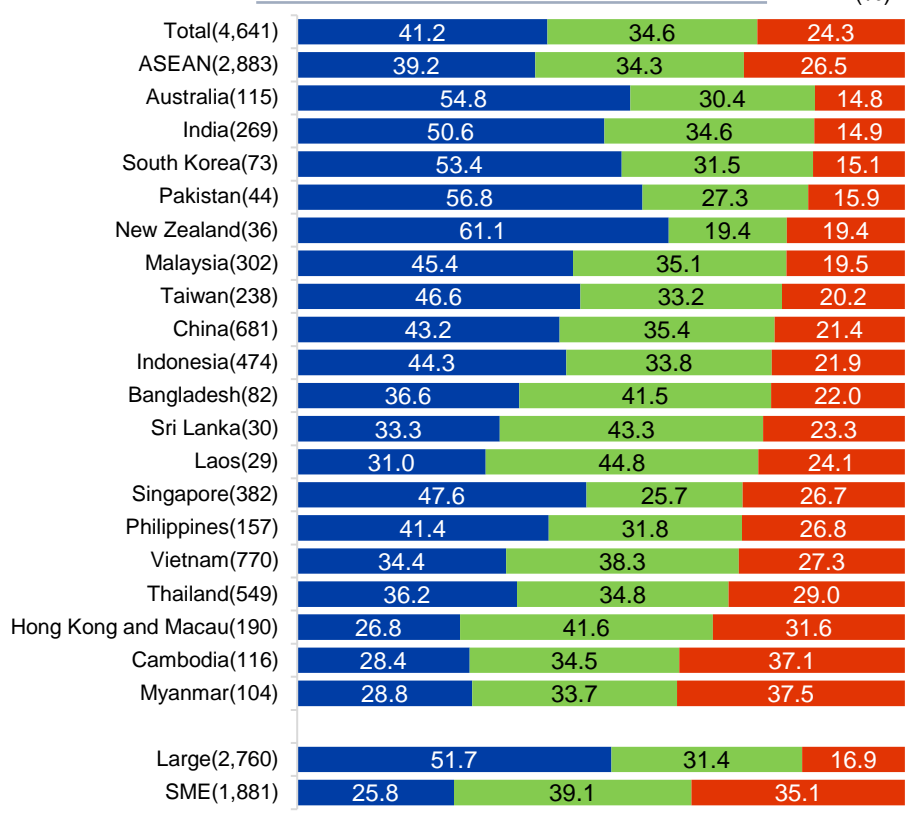
(%)



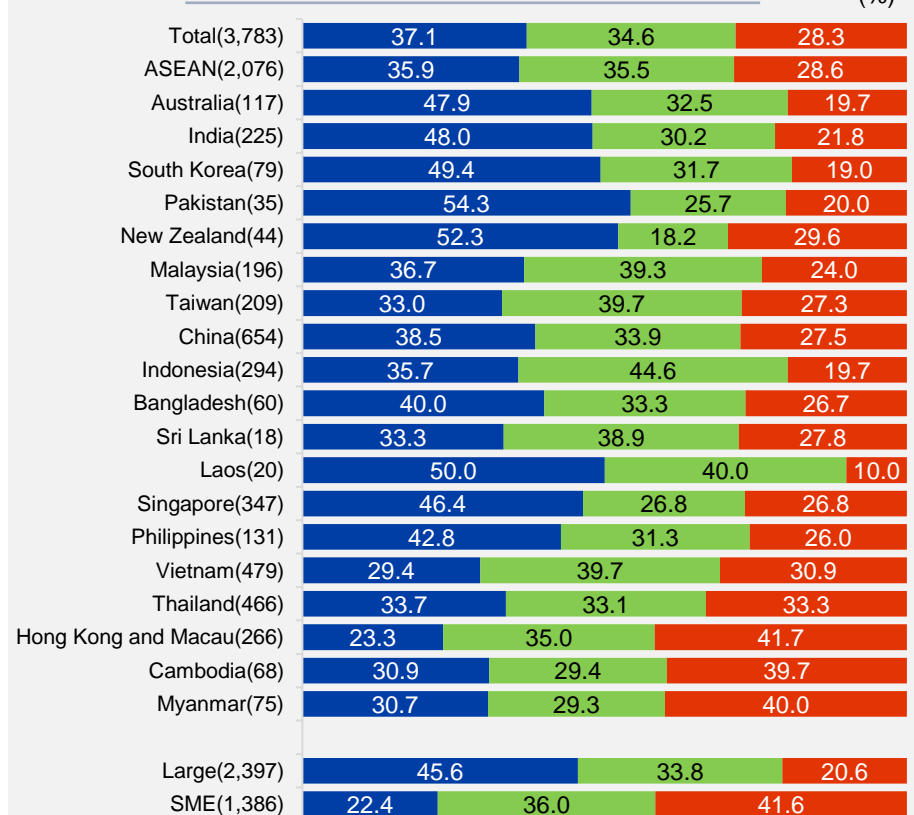
1 | Over 70% are working on or planning decarbonization initiatives

- 75.8% of the companies answered that they are “already making efforts” toward decarbonization or “have not made any effort yet but plan to do so”, up 4.1 points from the previous year's survey. By country/region, the percentage greatly increased in Hong Kong and Macau (up 10.1 points) and Taiwan (up 7.1 points), compared with the 2022 survey .
- By enterprise size, the percentage of SMEs that answered that they have “no plans to make any effort” decreased 6.5 points from the previous year's survey. It appears that even SMEs are making progress in their efforts to decarbonize their operations.

Efforts toward decarbonization in 2023
(by country/region)



(Reference) Efforts toward decarbonization in 2022
(by country/region)

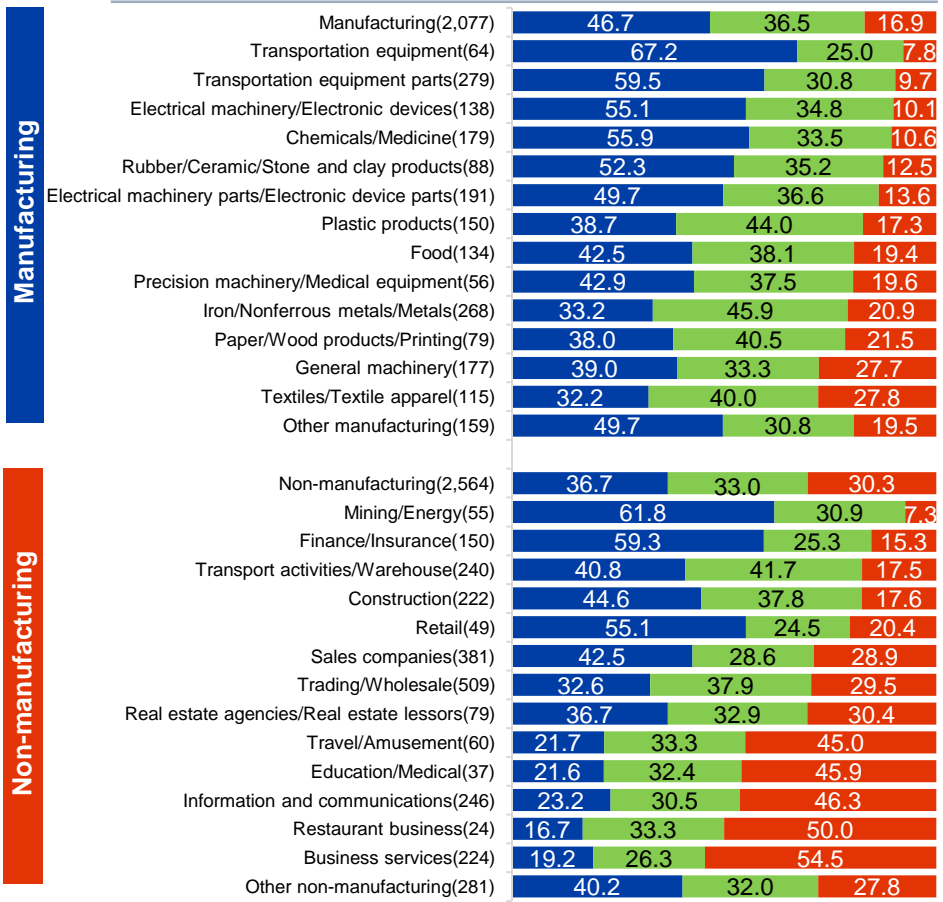


■ Already making efforts ■ Have not made any effort yet, but plan to do so ■ Have no plan to make any effort

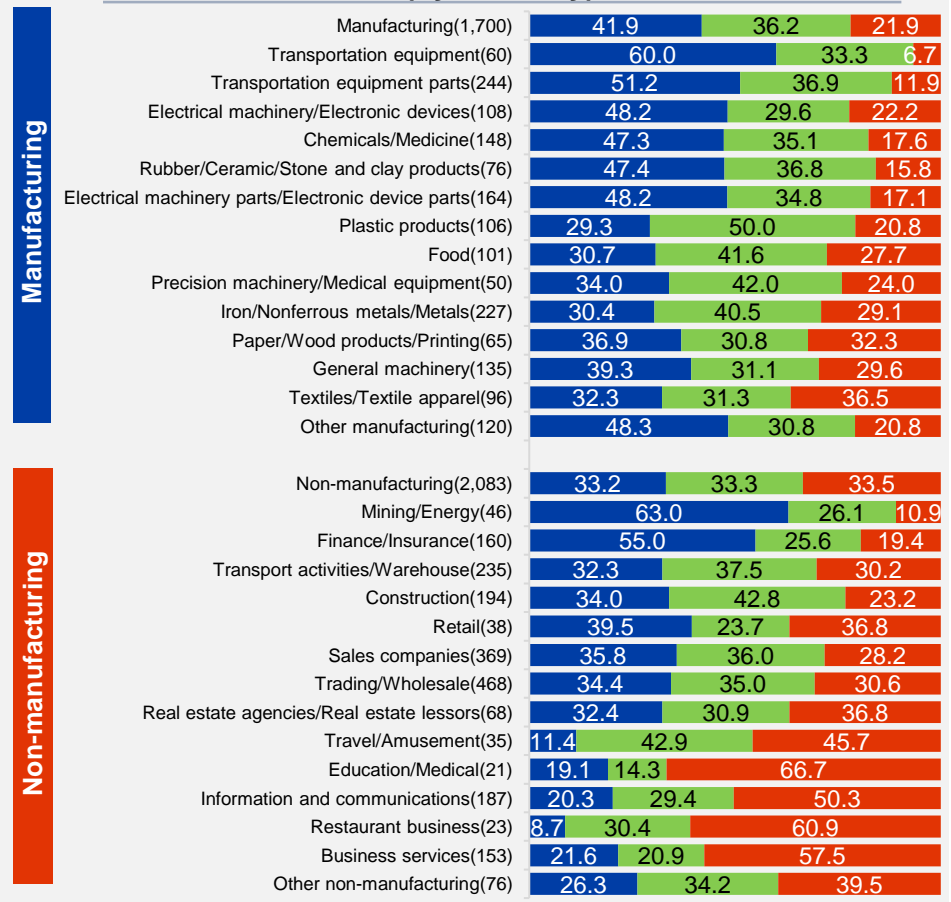
2 | Both manufacturing and non-manufacturing sector increasing their efforts from the previous year

- The percentage of companies that are “already making efforts” toward decarbonization or “have not made any effort yet but plan to do so” was 83.2% in the manufacturing sector and 69.7% in the non-manufacturing sector, both up from the previous year’s survey.
- The percentage of companies that are “already making efforts” was over 60%, with the ratio in the transportation equipment and mining/energy industries remaining high.

Efforts toward decarbonization in 2023 (by industry) (%)



(Reference) Efforts toward decarbonization in 2022 (by industry) (%)



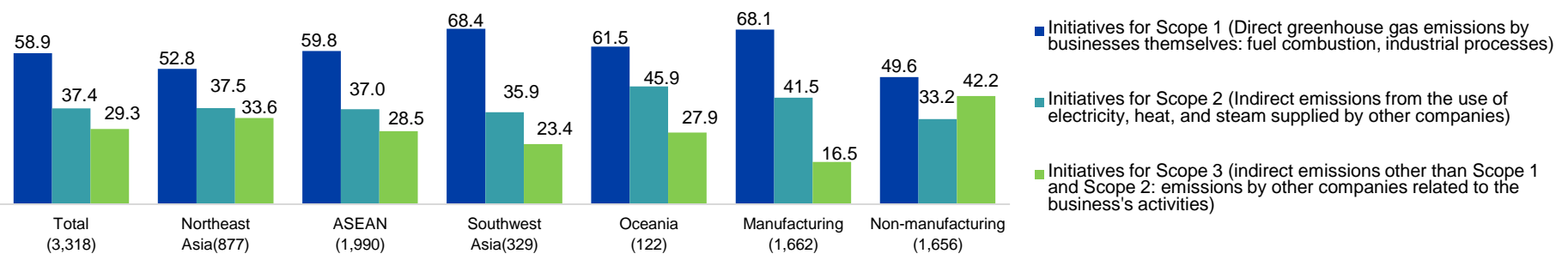
■ Already making efforts
 ■ Have not made any effort yet, but plan to do so
 ■ Have no plan to make any effort

(Note) Industries with at least 20 valid responses.

3 | Scope 1 and 2 sees progress in manufacturing, Scope 3 in non-manufacturing

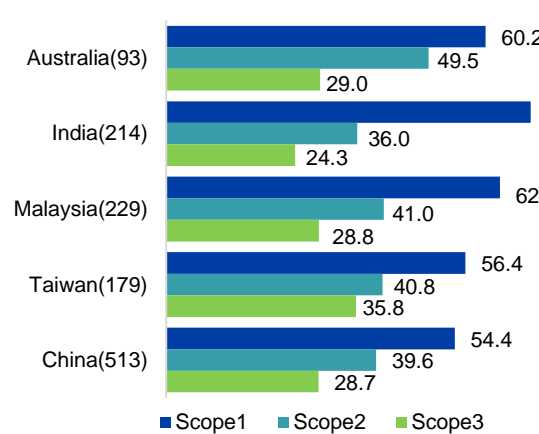
- Toward decarbonization, the manufacturing sector was more likely to be involved in Scope 1 and 2, and the non-manufacturing sector was more likely to be involved in Scope 3.
- Chemical/medical, electrical/electronic equipment, and transportation equipment-related industries were more likely to be involved in Scope 1 and 2, while sales companies and trading/wholesale industries were more likely to be involved in Scope 3.

Target of decarbonization efforts (including future plan, multiple responses) (%)

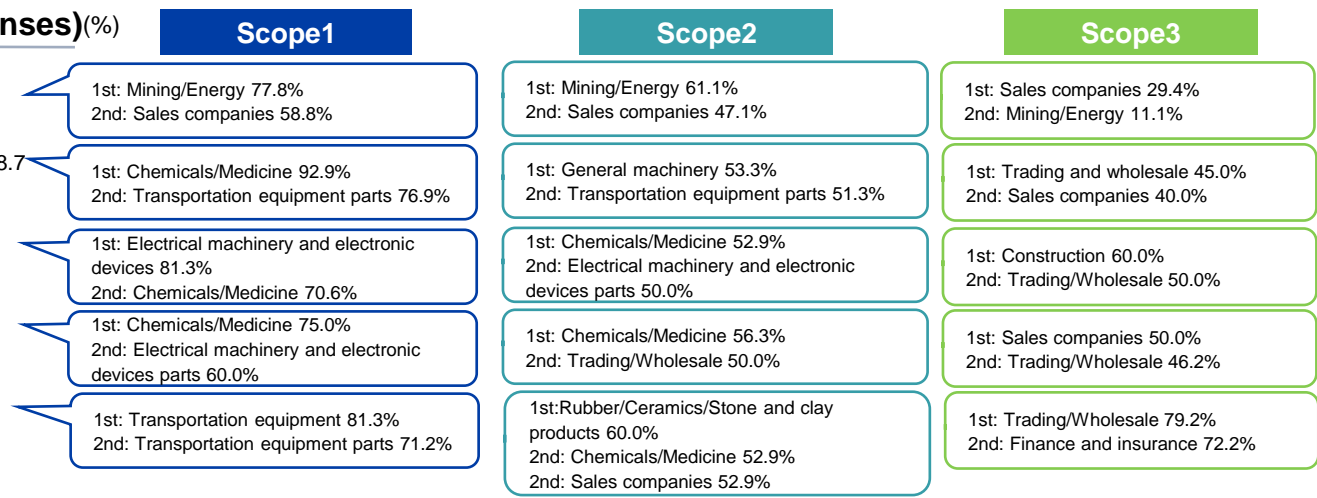


- Initiatives for Scope 1 (Direct greenhouse gas emissions by businesses themselves: fuel combustion, industrial processes)
- Initiatives for Scope 2 (Indirect emissions from the use of electricity, heat, and steam supplied by other companies)
- Initiatives for Scope 3 (indirect emissions other than Scope 1 and Scope 2: emissions by other companies related to the business's activities)

Target of decarbonization efforts in the top progressing countries/regions (including future plan, multiple responses)(%)



Industries with high ratio of each initiatives (including future plan)



(Note) Countries/regions with at least 90 valid responses and with high ratio of companies "already making efforts" toward decarbonization are selected.

(Note) Top two industries in Scope 1, 2, and 3 are selected from industries with at least 10 valid responses.

4 | Institutional issues and underdeveloped carbon trading markets are challenges

- Major decarbonization initiatives are energy conservation through the introduction of LED lighting and facility improvements, the introduction of renewable energy sources such as solar power generation, purchase of green power certificates, reduction in the use of disposable plastics, and resource recycling.
- Major challenges are the high cost of introducing renewable energy, the lack of subsidies from local governments, and the business environment that investors' understanding of decarbonization is insufficient. There were also comments about the lack of systems and infrastructure necessary to expand the introduction of renewable energy, the lack of green power certificates and carbon credit systems, and the difficulty of calculating carbon emissions.

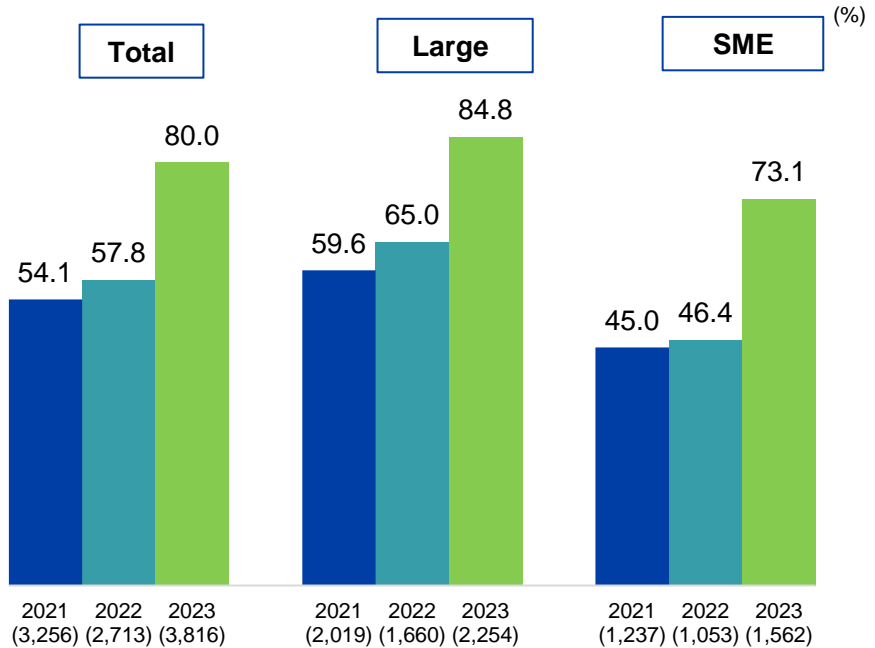
Specific decarbonization initiatives and challenges

| | Major initiatives and effects | Major challenges |
|-----------------------|---|---|
| Northeast Asia | <ul style="list-style-type: none"> • Energy savings through LED lighting and air conditioning improvements (Electrical machinery and electronic devices) • Solar power generation, use of biomass fuels (Plastic products) • Reduce carbon emissions in logistics by reviewing routes and consolidating freight (Trading/Wholesale) • Reduction of plastic use, resource recycling (Retail) <p>Others: Investments in green businesses, decarbonization proposals to customers, etc.</p> | <ul style="list-style-type: none"> • Unclear and strict environmental regulations (Trading/Wholesale) • Effective decarbonization measures are limited (Sales companies) • Low supply and high cost of green power certificates in China (Sales companies) <p>Others: Difficulties in understanding the standards for calculating carbon emissions and procuring renewable energy, etc.</p> |
| ASEAN | <ul style="list-style-type: none"> • Energy saving by improving air conditioning efficiency, introducing LED lighting, etc. (Transportation equipment parts) • Introduction of rooftop solar power generation and biomass fuels (Trading /wholesale) • Reduction of plastic use, reuse of steel scrap (General machinery) • Assess the own company's carbon emissions and consider effective measures (Food) • Reduce carbon emissions by reviewing transportation routes and improving loading rates (Transport activities/Warehouse) • Purchase and sale of carbon offset products (Trading/wholesale) <p>Others: Review of employee commuting methods, conversion of company vehicles to EVs, etc.</p> | <ul style="list-style-type: none"> • Limitation of rooftop solar power utilization (Transportation equipment) • Install solar power but cannot sell electricity (Textiles/Textile apparel) • Emissions trading and carbon credit systems are not yet developed (Information and telecommunications) • Insufficient supply of green power certificates (Finance/Insurance) • Searching for effective measures as the next step for LED and solar power generation (Iron/Nonferrous metals/Metals) <p>Others: Carbon emissions are difficult to measure, power grid is not yet developed, etc.</p> |
| Southwest Asia | <ul style="list-style-type: none"> • Conversion of factory lighting to LED, energy saving of machines (General machinery) • Proper collection and disposal of scrap trucks and waste (Trading/Wholesale) • Solar power generation, reduction or efficiency of employee shuttles (Transportation equipment parts) <p>Others: conversion of company vehicle/delivering vehicle to EVs, etc.</p> | <ul style="list-style-type: none"> • Electricity in the country is unstable and fossil fuel dependent (Transportation equipment parts) • Environmental regulations differ from state to state within India (Chemicals/Medicine) • Difficult to implement effective initiatives in the company's own business (Construction) • Difficult to address the issue due to the wide variety of customers (Trading/wholesale) <p>Others: Delays in introducing renewable energy locally, etc.</p> |
| Oceania | <ul style="list-style-type: none"> • Logs and wood chips with enhanced drying for more efficient transportation (Paper, wood products, printing) • Shift from styrofoam to use of pulp materials (sales company) • Investment in forest protection carbon credits (business-related services) <p>Other: monitoring carbon emissions, decarbonization measures under consideration, etc.</p> | <ul style="list-style-type: none"> • Insufficient development of carbon credit market (Business services) • Australian government policy change, high carbon reduction requirements through safeguard mechanisms (Mining/Energy) • Few effective methods that can be done independently (precision machinery/Medical equipment) <p>Others: Difficulty in electrification of heavy machinery for resource development, etc.</p> |

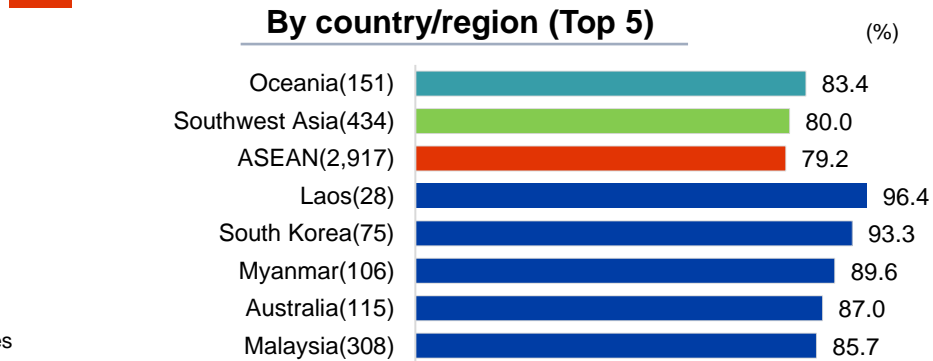
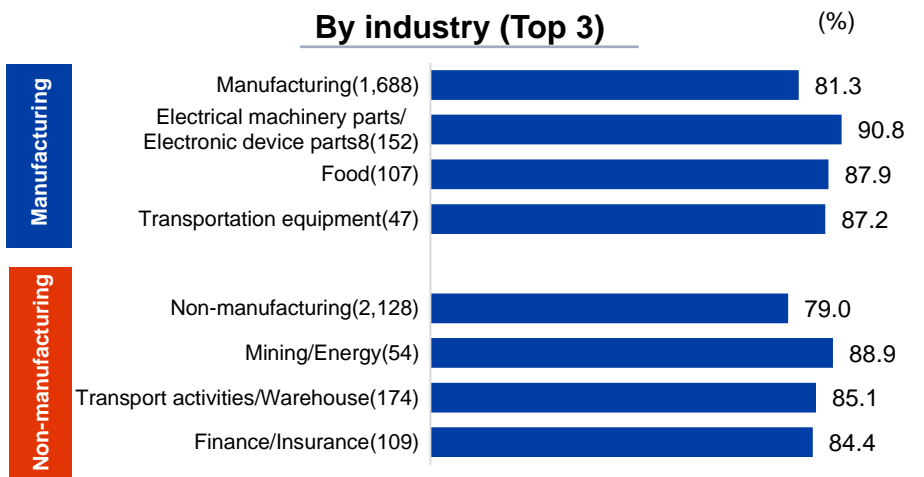
5 | Recognizing human rights as an important management challenge rises sharply to 80%

- The percentage of companies recognizing human rights issues as an important management challenge reached 80.0%, a significant increase of 22.2 points from the previous year's survey (57.8%). By enterprise size, large companies increased 19.8 points from the previous year (65.0%) to 84.8%, while small and SMEs increased 26.7 points from the previous year (46.4%) to 73.1%.
- By country/region, the ratio was 93.3% for South Korea, which has proposed a bill on human rights. It also exceeded 80% in Myanmar (89.6%), where human rights issues have been closely watched since the political upheaval; Australia (87.0%), which needs to respond to the Modern Slavery Act; and Malaysia (85.7%), which is promoting human rights-oriented measures in response to the issue of forced labor.

Recognizing human rights issues in the supply chain as management challenge



(Note 1) China and Hong Kong and Macau are excluded from the scope of this survey.
 (Note 2) The question in the FY 2021 and FY2022 surveys was "Recognizing human rights issues as a management challenge. In FY2023, the question was changed to "important management challenge".

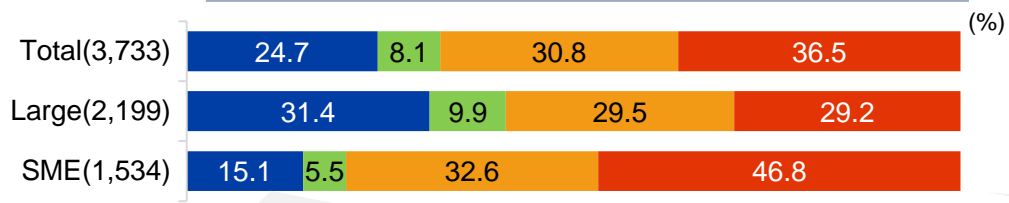


(Note) Industries and countries/regions with at least 20 valid responses.

6 | Human rights DD conducted by 25% of companies, with a majority in Oceania

- Companies that have conducted human rights due diligence (HRDD) came to 24.7%. When those who have not yet conducted HRDD but are either “preparing for it” or “gathering information to consider conducting it” are included, the percentage rose to 63.5%. There was a significant difference between large companies (31.4%) and SMEs (15.1%) in terms of conducting HRDD.
- By region, companies that have conducted HRDD was high in Oceania, where human rights-related efforts are advancing, at 51.3%. In Southwest Asia and ASEAN, on the other hand, those conducting it were at the 20% level.

Status of human rights DD implementation



(Note 1) China and Hong Kong and Macau are excluded from the scope of this survey.
 (Note 2) Due to rounding, the numbers in the lead text and graphs may not match.

Reasons for conduct

- Company's vision and growing global interest.
- Guidance from the parent company and headquarters.
- To avoid trouble with customs, rules, manners, etc.
- To ensure that customers use the company's services to the appropriate extent.

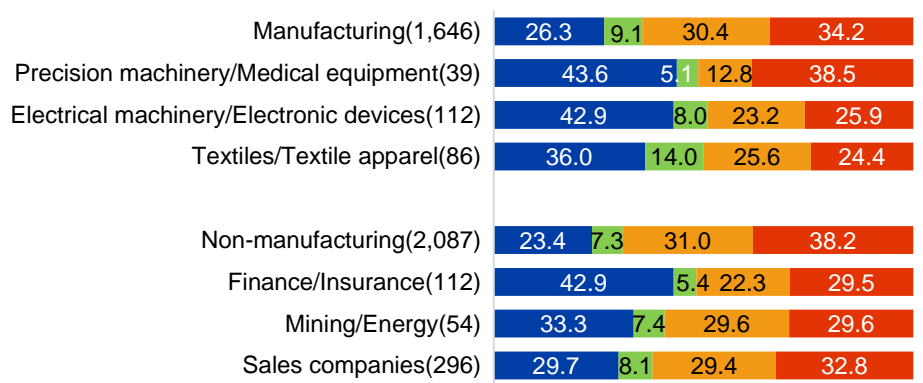
Reasons for not conduct

- The nature of operations and products makes it difficult to conduct HRDD in the supply chain.
- The policy of the headquarters has not yet been established.
- Internal system (human resources and budget) is not in place.
- Lack of knowledge of HRDD.

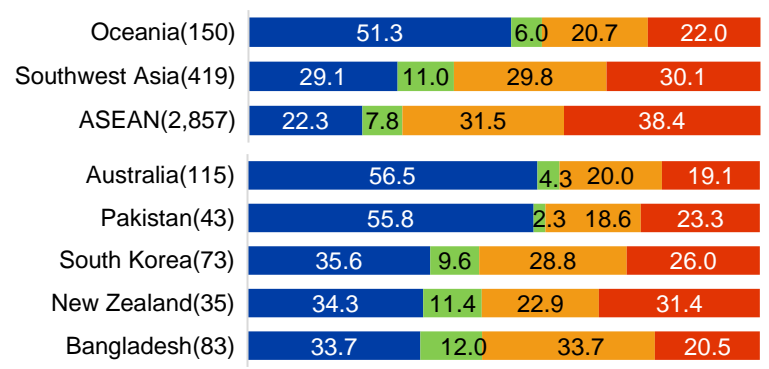
By industry (Top 3)

Manufacturing

Non-manufacturing



By region/country (Top 5)

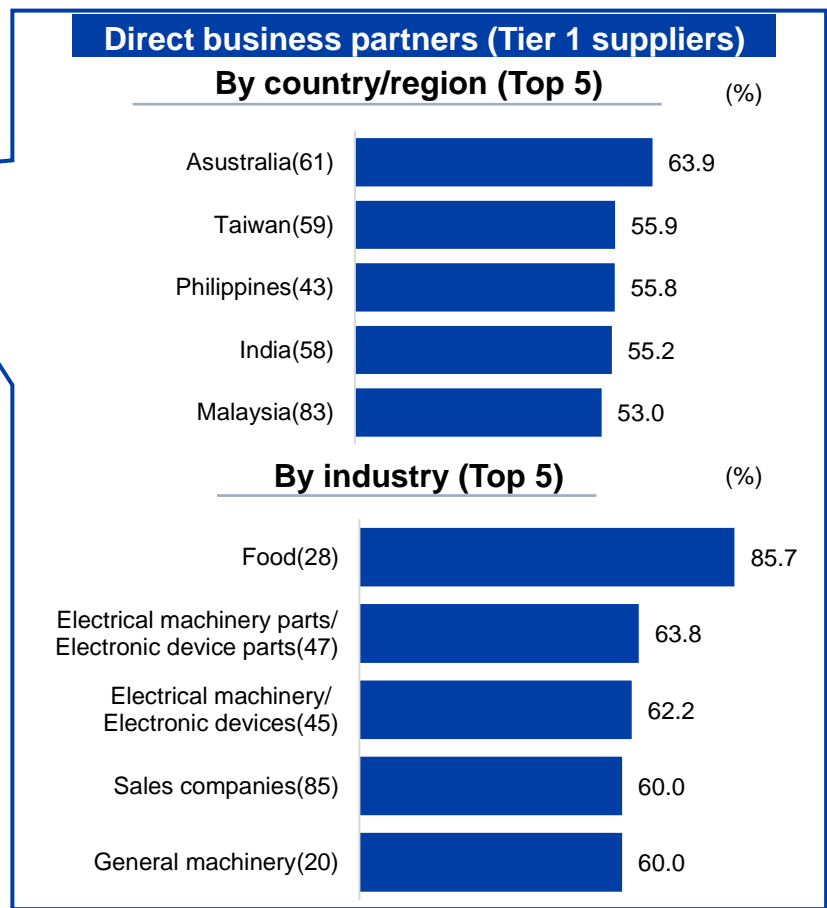
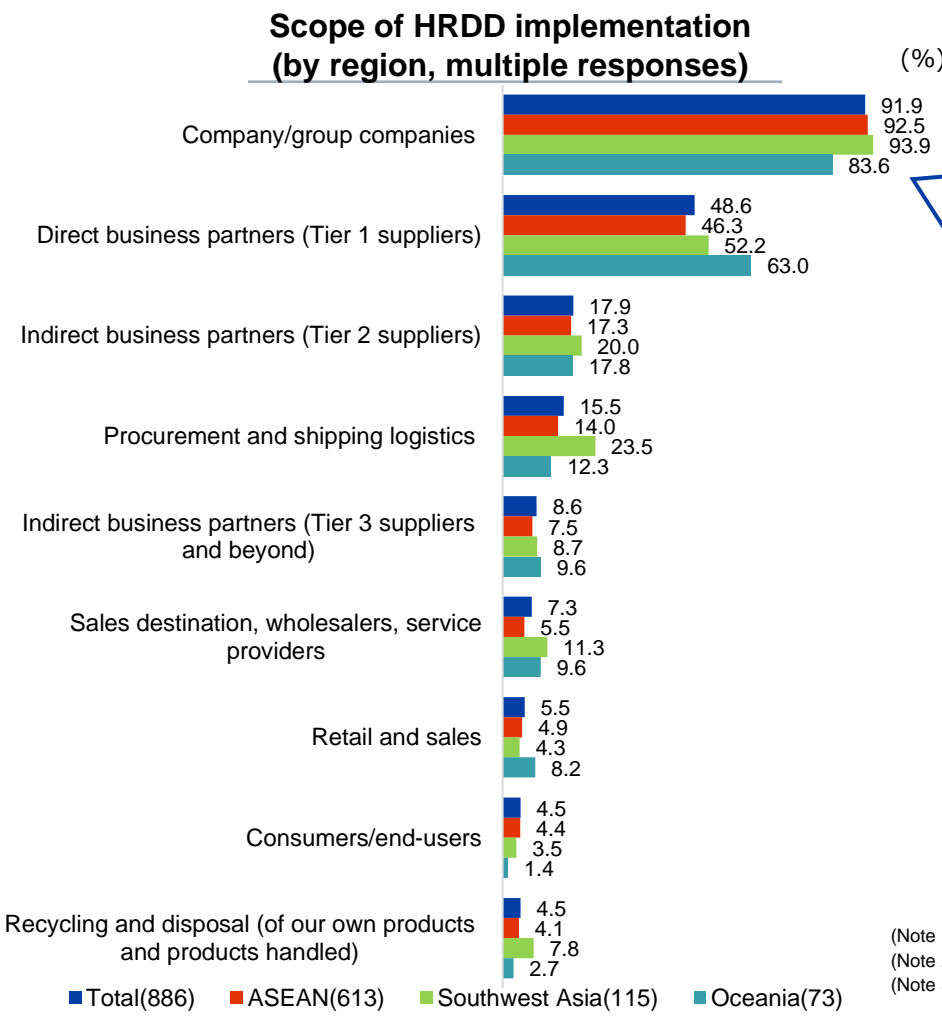


(Note 1) China and Hong Kong and Macau are excluded from the scope of this survey.
 (Note 2) Industries with at least 20 valid responses.

(Note 1) China and Hong Kong and Macau are excluded from the scope of this survey.
 (Note 2) Countries/regions with at least 20 valid responses.
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7 | 90% of scope of HRDD conduct covers employees within group companies

- Of the companies that conducted HRDD, 91.9% answered that the scope of conduct is within their own company/group companies. The reasons given for the conduct were guidance from the headquarters and avoidance of local risks.
- Meanwhile, conduct covering “direct business partners (Tier 1 suppliers)” came to 48.6%, and only 17.9% answered that it covered “indirect business partners (Tier 2 suppliers)”. In Oceania, conduct covering up to Tier 1 suppliers was high at 63.0%.

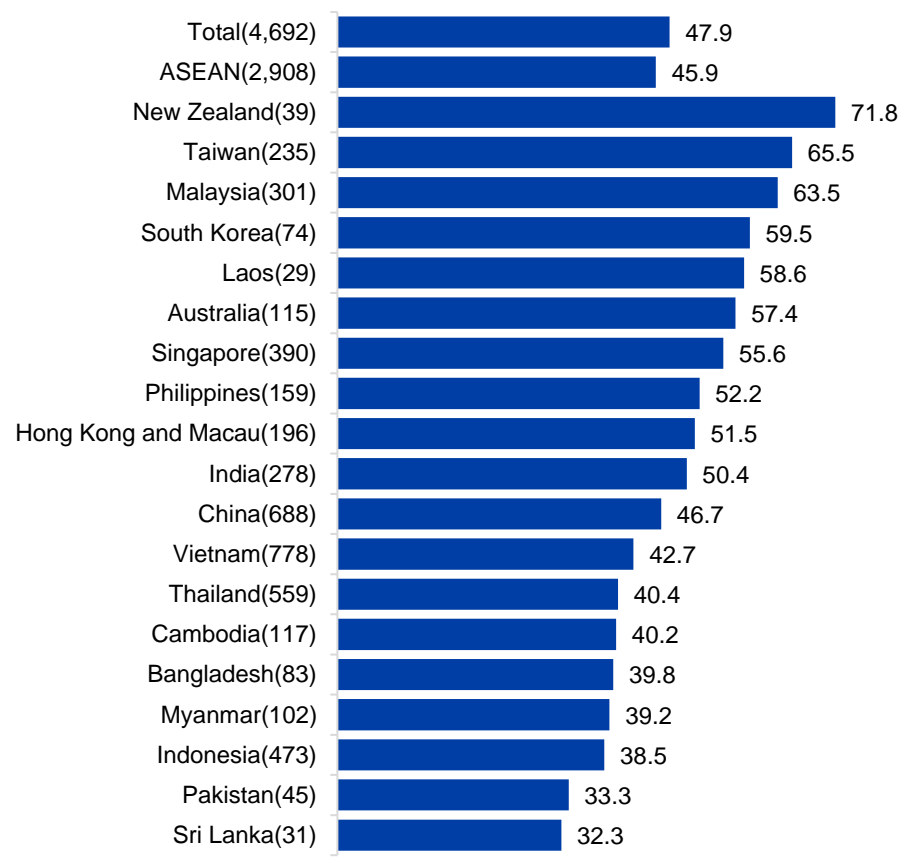


(Note 1) China and Hong Kong and Macau are excluded from the scope of this survey.
 (Note 2) Responses from companies that have conducted human rights DD.
 (Note 3) Countries/regions and industries with at least 20 valid responses.

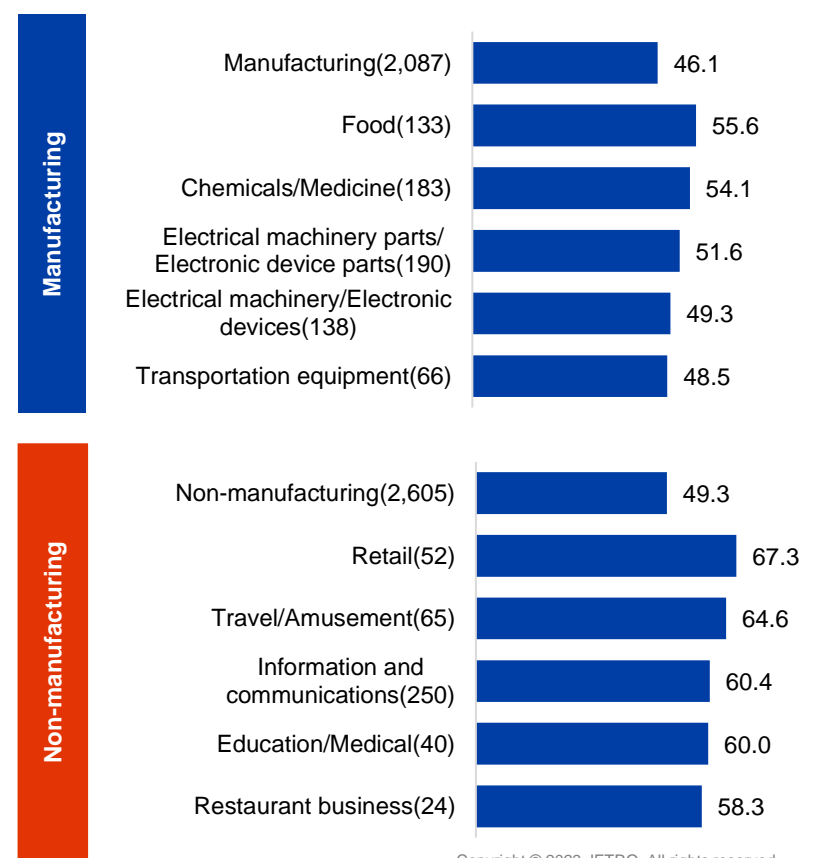
1 | Nearly 50% of companies face the challenge of human resource shortage

- 47.9% of companies answered that they are “facing the challenge of human resource shortages”. The shortage was particularly noticeable in New Zealand, Taiwan, and Malaysia.
- By industry, the shortage in non-manufacturing sector was slightly higher than in manufacturing sector. In non-manufacturing sector, the shortage was high in the travel/amusement industry due to the reemergence of inbound travel in various countries and regions. In addition, in ASEAN and China, shortages stood out in the information and communications industry.

Facing human resource shortage (by country/region) (%)



Facing human resource shortage (Top 5 industries) (%)

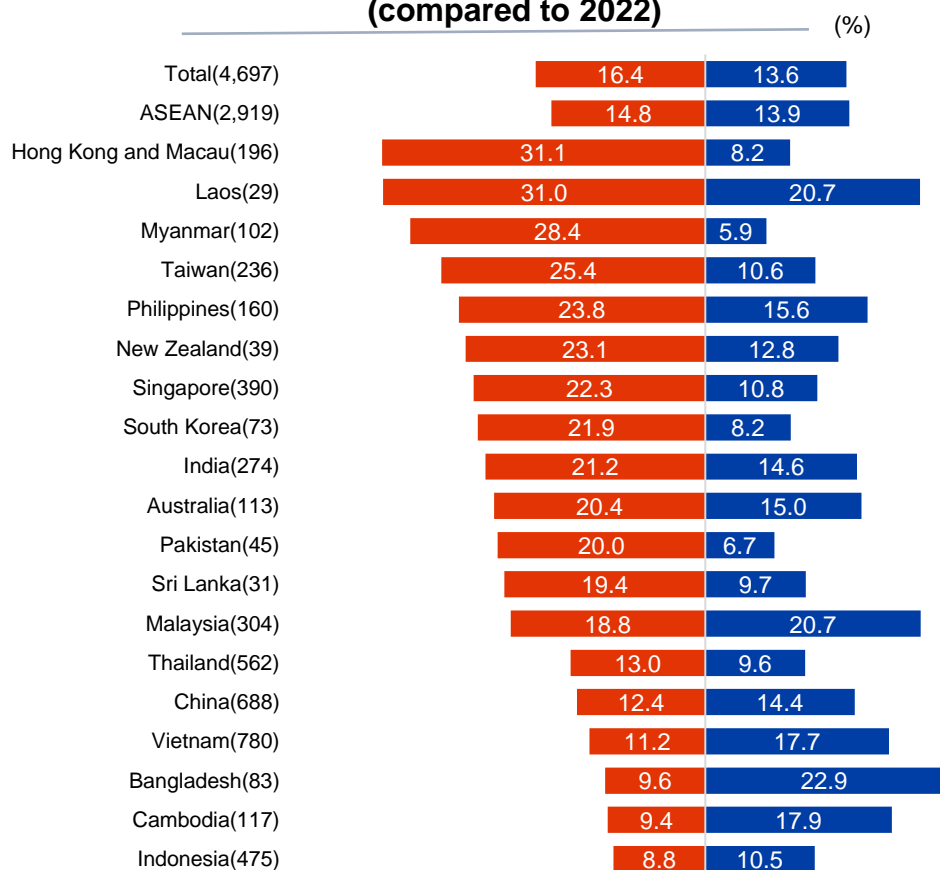


(Note) Countries/regions with at least 10 valid responses.

2 | About 70% see employment situation remain the same as in 2022

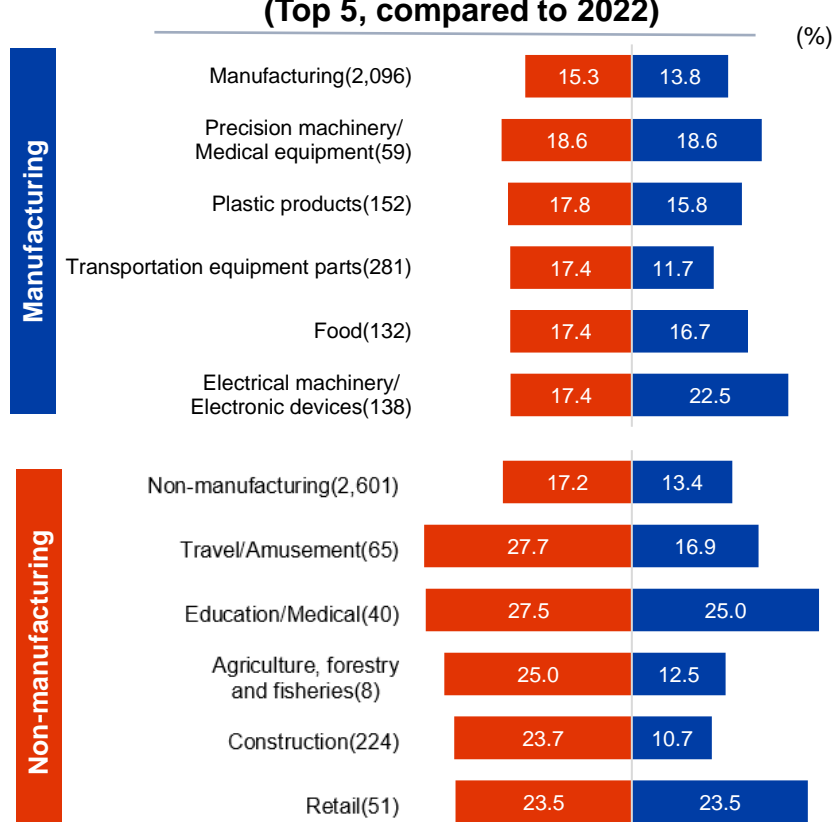
- Regarding the employment situation in 2023 (August-September), the percentage of companies answering that it worsened (16.4%) and the percentage answering that it improved (13.6%) compared to the same period last year were almost the same level. The percentage for “improvement” exceeded that for “worsening” in countries such as China, Vietnam, while “worsening” exceeded “improvement” in 15 of the 20 countries/regions.

Change in employment situation (compared to 2022)



■ Worsening ■ Improvement

Change in employment situation (Top 5, compared to 2022)

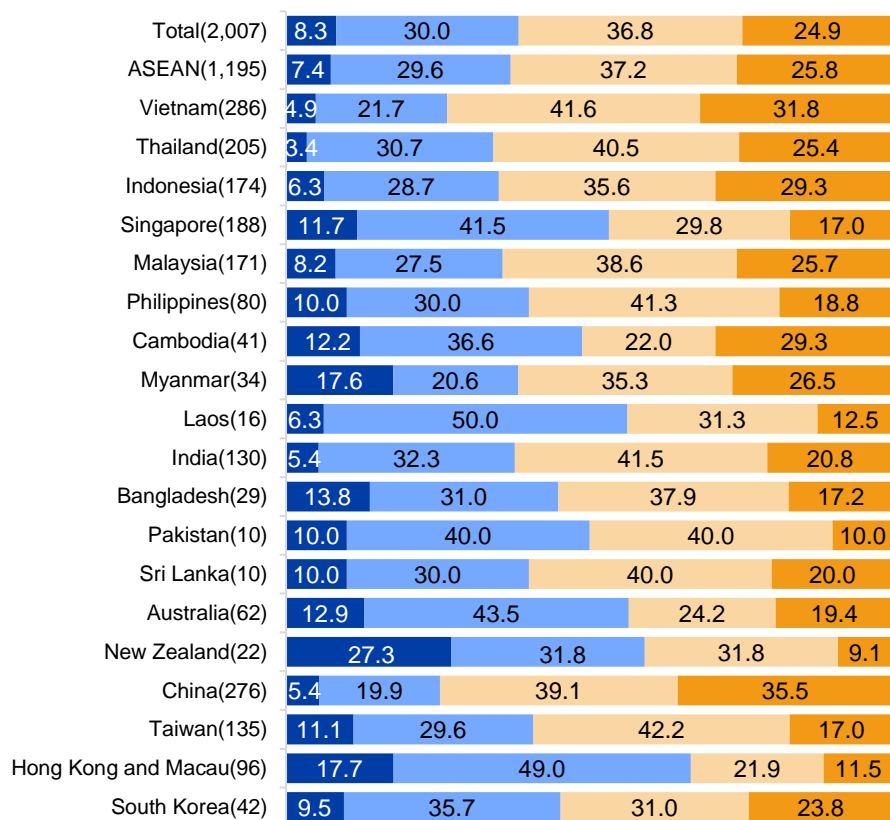


(Note) Countries/regions with at least 10 valid responses.

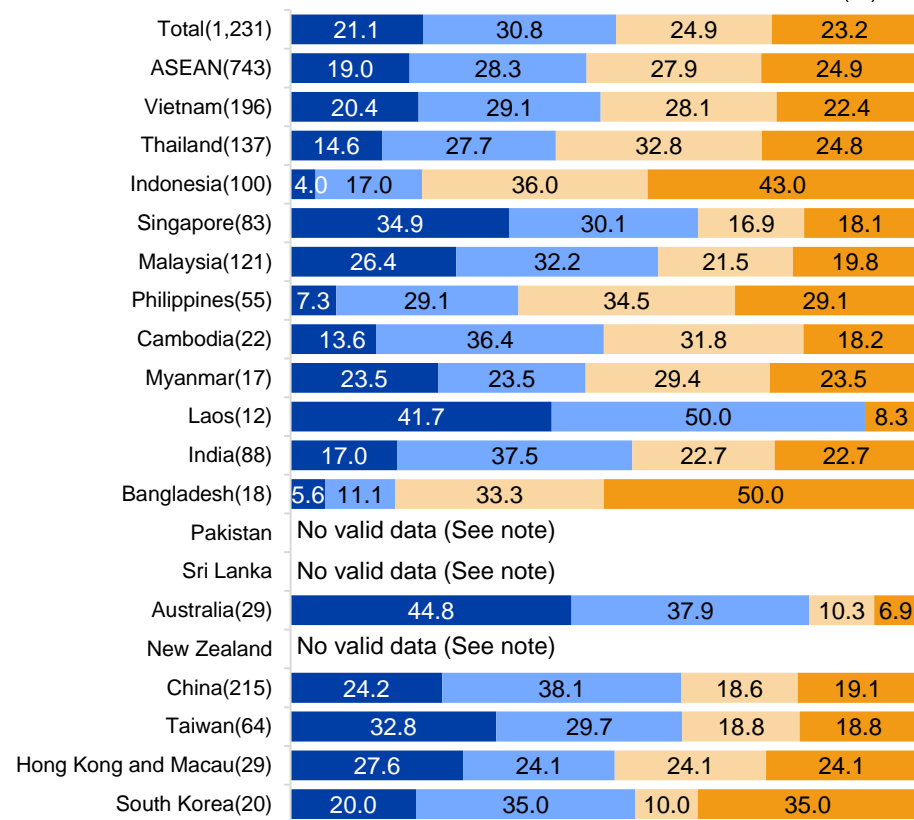
3 | Serious shortage of factory workers occur in Northeast Asia

- The percentage of companies that answered that the human resource shortage was “very serious” or “somewhat serious” was more noticeable in factory workers (51.9%) than in general office staff (38.3%). In particular, the severity of both general office staff in the travel/entertainment industry and factory workers in the textile/textile apparel industry exceeded 70%.

Shortage of general office staff (%)



Shortage of factory workers (%)



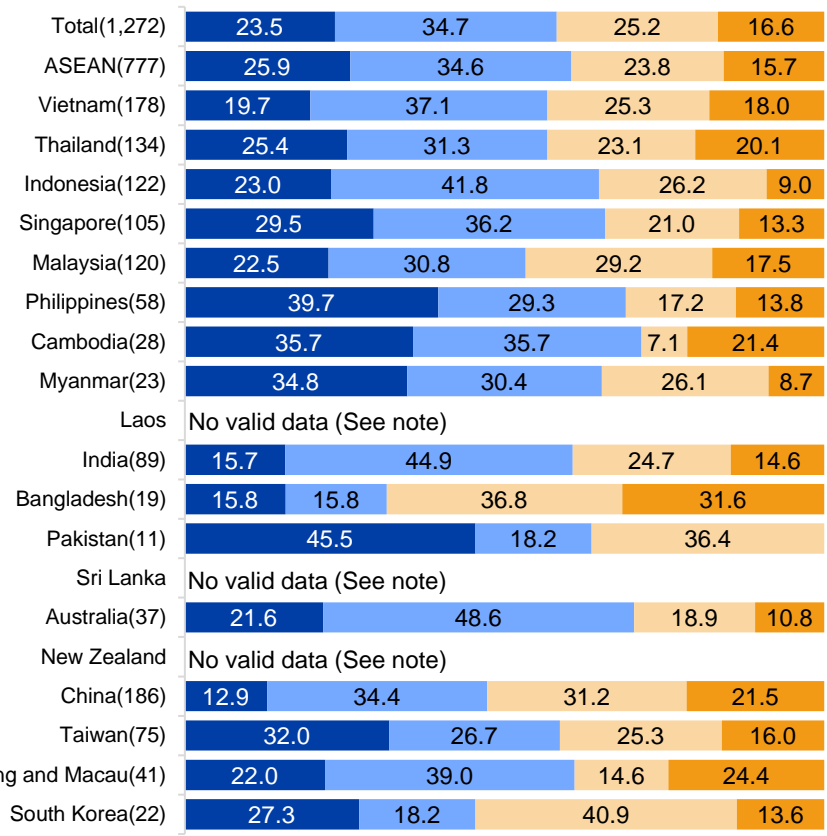
■ Very serious ■ Somewhat serious ■ Not very serious ■ Not serious

(Note) Countries/regions with at least 10 valid responses.

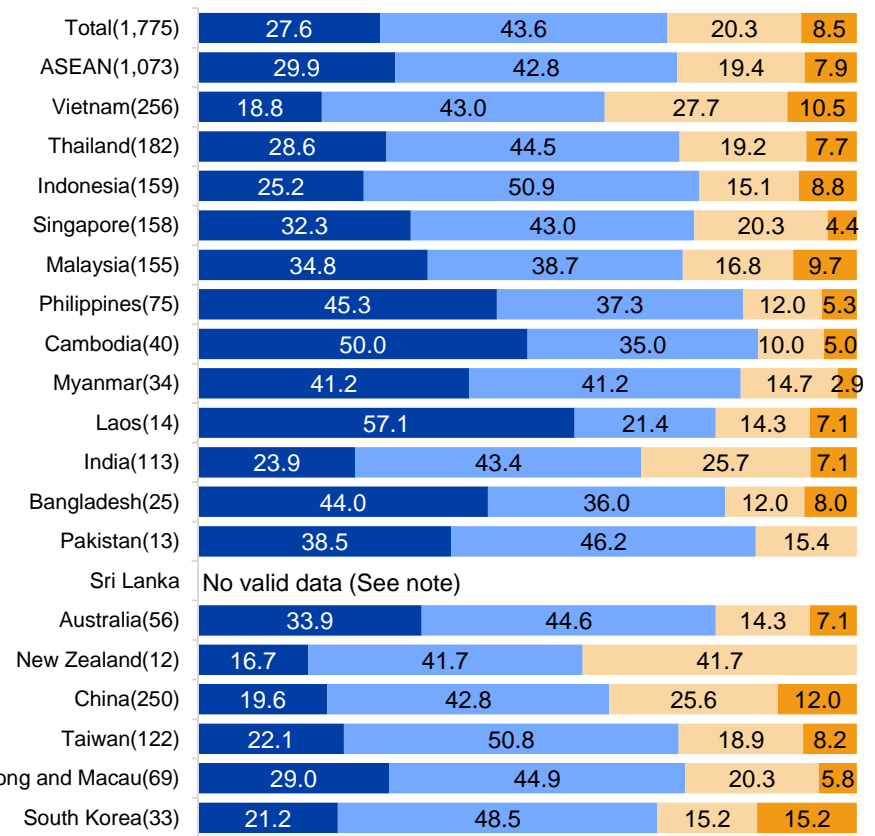
4 | Shortage of professionals severe across the board

- Those reporting a serious shortage of IT personnel such as programmers came to 58.2%. It exceeded 60% in ASEAN, and was particularly high in Cambodia, the Philippines, Singapore, and Indonesia. By industry, it exceeded 80% in finance/insurance and information/communications industries.
- It was most serious in professionals such as in law, accounting, and engineering, at 71.2%, the highest among all job categories.

Programmers and other IT personnel (%)



Professionals(e.g. legal, accounting, engineering) (%)



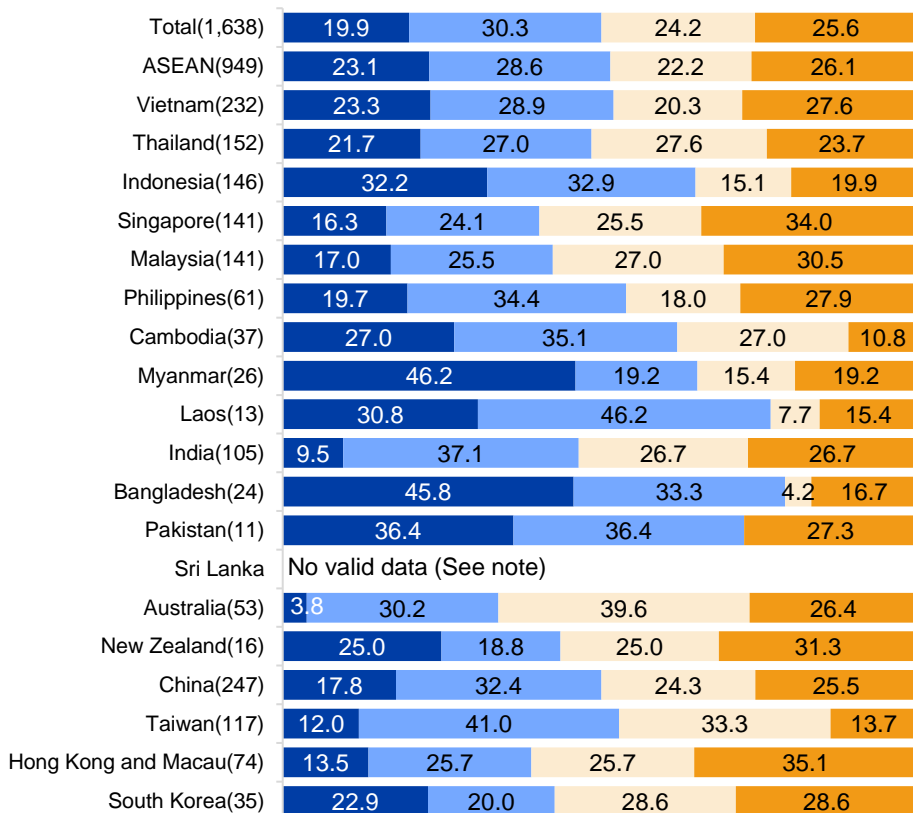
Very serious Somewhat serious Not very serious Not serious

(Note) Countries/regions with at least 10 valid responses.

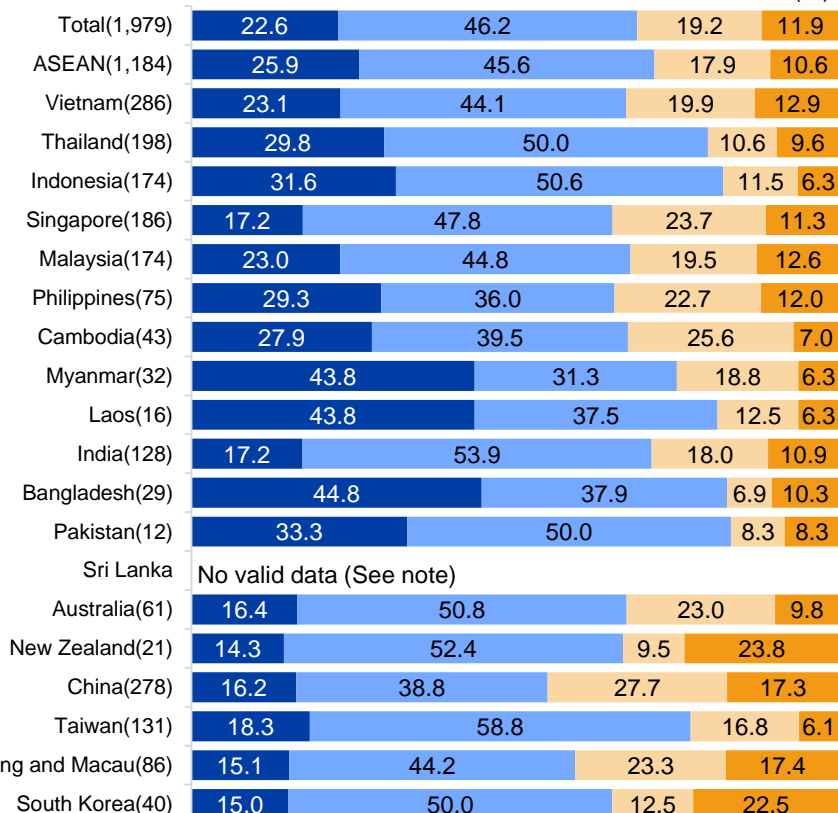
5 Shortage in general management personnel pronounced among managers

- Compared to directors and other senior management personnel, the shortage of managers and other middle management was highly serious. By industry, 47.6% reported a shortage of senior management personnel and 64.4% of middle management personnel in manufacturing, while 52.3% reported a shortage of senior management personnel and 72.3% of middle management personnel in non-manufacturing.
- In ASEAN, about 80% reported a serious shortage of middle management personnel in Thailand and Indonesia.

Senior management (e.g. director) (%)



Middle management (e.g. manager) (%)



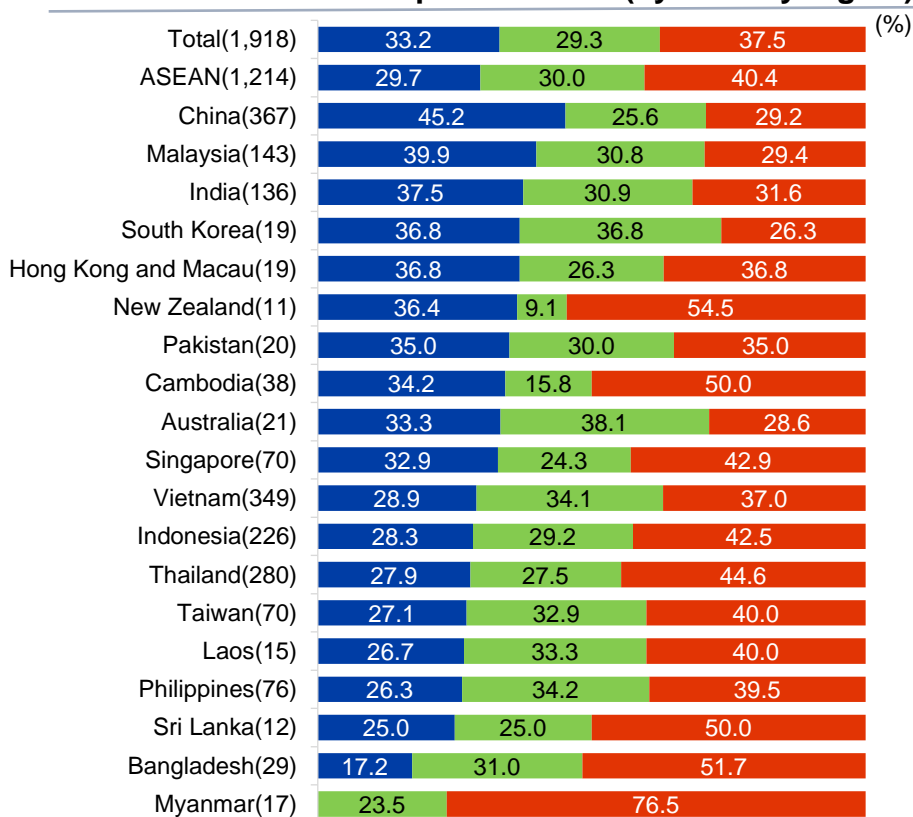
■ Very serious ■ Somewhat serious ■ Not very serious ■ Not serious

(Note) Countries/regions with at least 10 valid responses.

1 | Over 70% companies interested in production line automation, 33% already implemented it

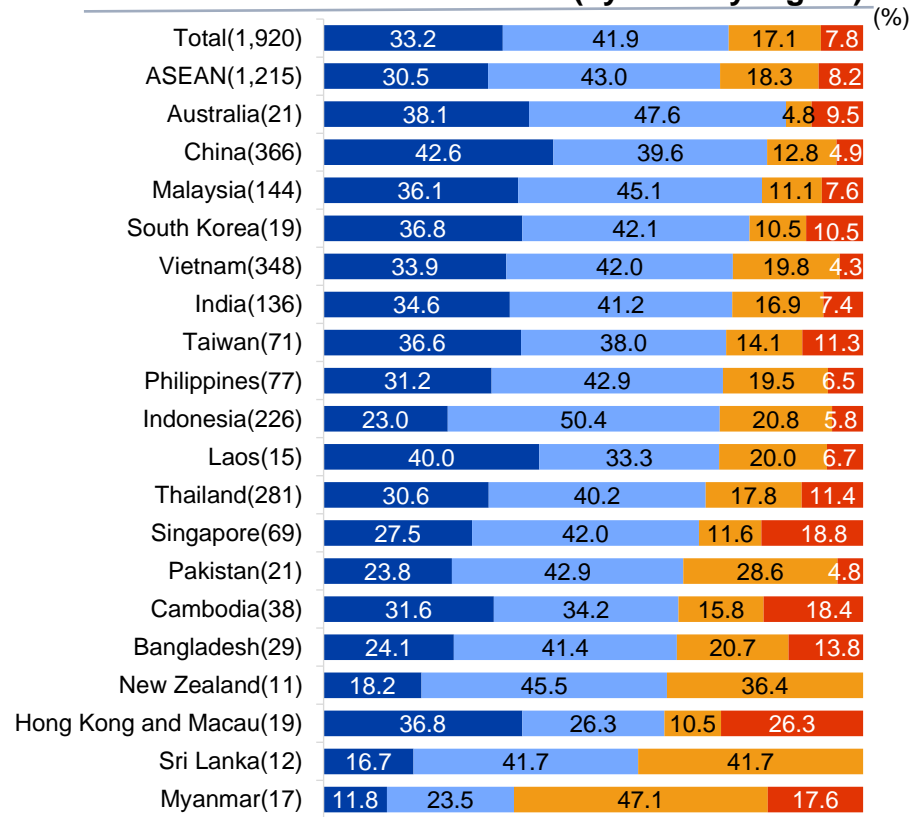
- The percentage of companies that have already implemented automation in production line was 33.2%. The percentage in China ranked first, followed by Malaysia and India.
- The percentage of companies interested in production line automation was 75.1%. The percentages of interest in automation were higher in Australia, China, Malaysia, South Korea, Vietnam, and India.

Status of automation implementation (by country/region)



- Already working on it
- Not currently working on this issue but will work on it in the future
- Do not plan to work on it for a while

Level of interest in automation (by country/region)

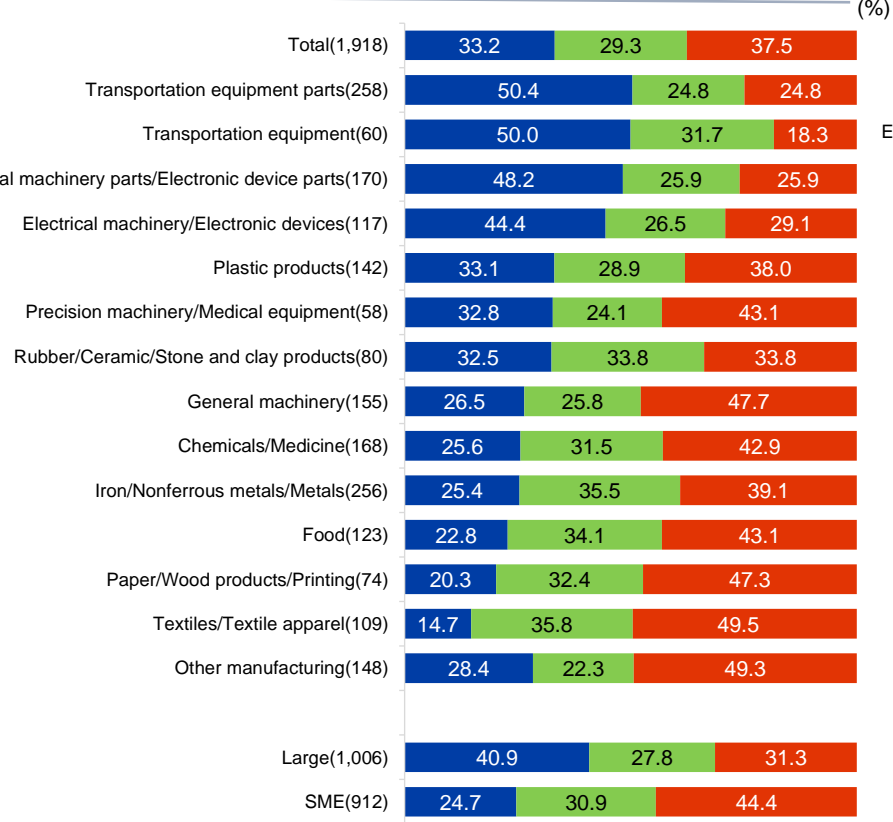


- Very interested
- Fairly interested
- Not very interested
- Not interested

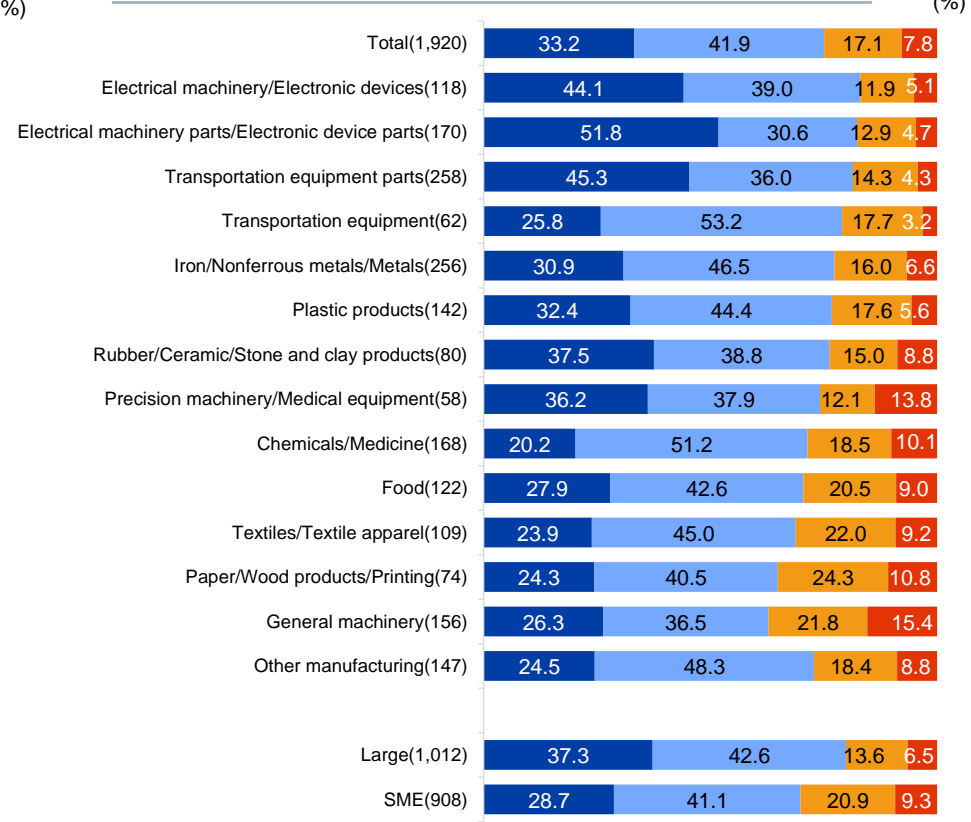
2 | Automation implemented mainly in transportation equipment and electrical/electronic devices

- By industry, transportation equipment and parts accounted for the largest share of companies already implementing automation, followed by electrical/electronic devices and parts. By enterprise size, 40.9% of large companies have already implemented automation.
- By industry, electrical/electronic devices and parts showed the highest level of interest in automation.

Status of automation efforts (by industry/size)



Level of interest in automation (by industry/size)



■ Already working on it
■ Not currently working on this issue but will work on it in the future
■ Do not plan to work on it for a while

■ Very interested
 ■ Fairly interested
 ■ Not very interested
 ■ Not interested

3 | Development of production lines/technology and rising labor costs promoting automation

- More than 70% of companies answered "advancement of production lines and technology" and "rising labor costs" as the background/reasons for their automation implementation. More than 80% of companies in Australia, Hong Kong and Macau cited "worker shortage," while more than 50% of companies in Taiwan, South Korea, Singapore, China and Malaysia cited this factor.

Background and reasons for automation implementation (by country/region)

(%)

| Country/Region | Advancement of production lines and technology | Rising labor costs | Worker shortage | High value-added production | Ease in securing personnel who can handle automation technology | Conserving manpower associated with infectious | Stable power supply | Inexpensive electricity | Other |
|-------------------------|--|--------------------|-----------------|-----------------------------|---|--|---------------------|-------------------------|-------|
| Total (1,189) | 75.8 | 73.8 | 38.1 | 27.1 | 4.7 | 3.4 | 1.1 | 0.9 | 4.2 |
| ASEAN(721) | 77.7 | 75.3 | 33.0 | 26.1 | 4.4 | 2.9 | 1.0 | 0.8 | 3.6 |
| Vietnam(219) | 79.9 | 74.0 | 37.0 | 27.9 | 3.2 | 4.1 | 0.9 | - | 2.3 |
| Thailand (155) | 76.8 | 79.4 | 31.0 | 25.8 | 5.2 | 4.5 | 1.3 | 0.6 | 3.9 |
| Indonesia(129) | 78.3 | 79.1 | 9.3 | 20.2 | 3.1 | - | - | 2.3 | 3.1 |
| Singapore(39) | 64.1 | 82.1 | 64.1 | 23.1 | 7.7 | 2.6 | 2.6 | - | 2.6 |
| Malaysia(101) | 78.2 | 73.3 | 51.5 | 24.8 | 5.9 | 4.0 | 1.0 | 2.0 | 3.0 |
| Philippines(46) | 84.8 | 67.4 | 21.7 | 32.6 | 2.2 | - | 2.2 | - | 6.5 |
| Cambodia(19) | 73.7 | 57.9 | 5.3 | 47.4 | 15.8 | - | - | - | 15.8 |
| India(92) | 79.3 | 50.0 | 16.3 | 31.5 | 5.4 | 2.2 | - | 1.1 | 5.4 |
| Bangladesh(13) | 92.3 | 76.9 | 7.7 | 7.7 | - | - | - | - | - |
| Pakistan(13) | 76.9 | 30.8 | 7.7 | 53.8 | 23.1 | - | - | - | - |
| Australia(15) | 33.3 | 93.3 | 86.7 | 26.7 | - | 6.7 | - | 6.7 | 6.7 |
| China(258) | 72.5 | 79.1 | 52.7 | 27.5 | 4.3 | 3.9 | 2.3 | 1.2 | 5.0 |
| Taiwan(40) | 67.5 | 67.5 | 65.0 | 30.0 | 5.0 | 12.5 | - | - | 7.5 |
| Hong Kong and Macau(12) | 58.3 | 91.7 | 83.3 | 25.0 | 8.3 | 8.3 | - | - | - |
| South Korea(14) | 71.4 | 64.3 | 64.3 | 28.6 | 7.1 | - | - | - | 7.1 |

(Note 1) Survey of companies that are already working on automation or plan to do so in the future.

(Note 2) Countries/regions with at least 10 valid responses.

(Note 3) Red highlights are darkened to match the percentage height.

4 | Lack of human resources capable of handling automation technology biggest challenge

- Nearly 50% of companies answered “difficulty in securing personnel who can handle automation technology” as a challenge to implement automation. In some countries/regions, “high electricity cost” and “unstable power supply” were also pointed out as challenges.
- The percentage of companies that answered that “there were no particular problems” was high in Northeast Asia, led by South Korea. Other comments included difficulty in recovering investment costs and the fact that products and production processes are not suitable for automation (high-mix low-volume production).

Challenges to implement automation in the investment environment (by country/region)

(%)

| Country/Region | Difficulty in securing personnel who can handle automation technology | Insufficient local government support measures (incentives) | High electricity costs | Unstable power supply | Other | None in particular |
|-------------------------|---|---|------------------------|-----------------------|-------|--------------------|
| Total (1,129) | 48.2 | 20.6 | 12.8 | 10.9 | 13.3 | 27.9 |
| ASEAN(678) | 51.5 | 21.8 | 15.6 | 9.9 | 11.8 | 23.7 |
| Vietnam(208) | 48.6 | 18.3 | 6.3 | 17.3 | 15.9 | 27.4 |
| Thailand(148) | 56.1 | 16.9 | 20.3 | 4.7 | 8.1 | 23.0 |
| Indonesia(117) | 48.7 | 31.6 | 10.3 | 4.3 | 7.7 | 25.6 |
| Singapore(34) | 44.1 | 14.7 | 23.5 | 5.9 | 8.8 | 29.4 |
| Malaysia(94) | 56.4 | 21.3 | 16.0 | - | 14.9 | 21.3 |
| Philippines(45) | 46.7 | 35.6 | 51.1 | 17.8 | 6.7 | 15.6 |
| Cambodia(19) | 52.6 | 15.8 | 21.1 | 21.1 | 26.3 | 10.5 |
| India(87) | 41.4 | 21.8 | 6.9 | 26.4 | 14.9 | 29.9 |
| Bangladesh(13) | 30.8 | 23.1 | 15.4 | 46.2 | 7.7 | 30.8 |
| Pakistan(11) | 27.3 | 54.5 | 54.5 | 45.5 | 18.2 | - |
| Australia(15) | 66.7 | 26.7 | 13.3 | - | 13.3 | 20.0 |
| China(254) | 43.3 | 16.1 | 6.7 | 6.7 | 17.3 | 37.4 |
| Taiwan(38) | 44.7 | 18.4 | 5.3 | 5.3 | 13.2 | 34.2 |
| Hong Kong and Macau(11) | 72.7 | 18.2 | 18.2 | 18.2 | - | 27.3 |
| South Korea(12) | 41.7 | 16.7 | - | - | - | 58.3 |

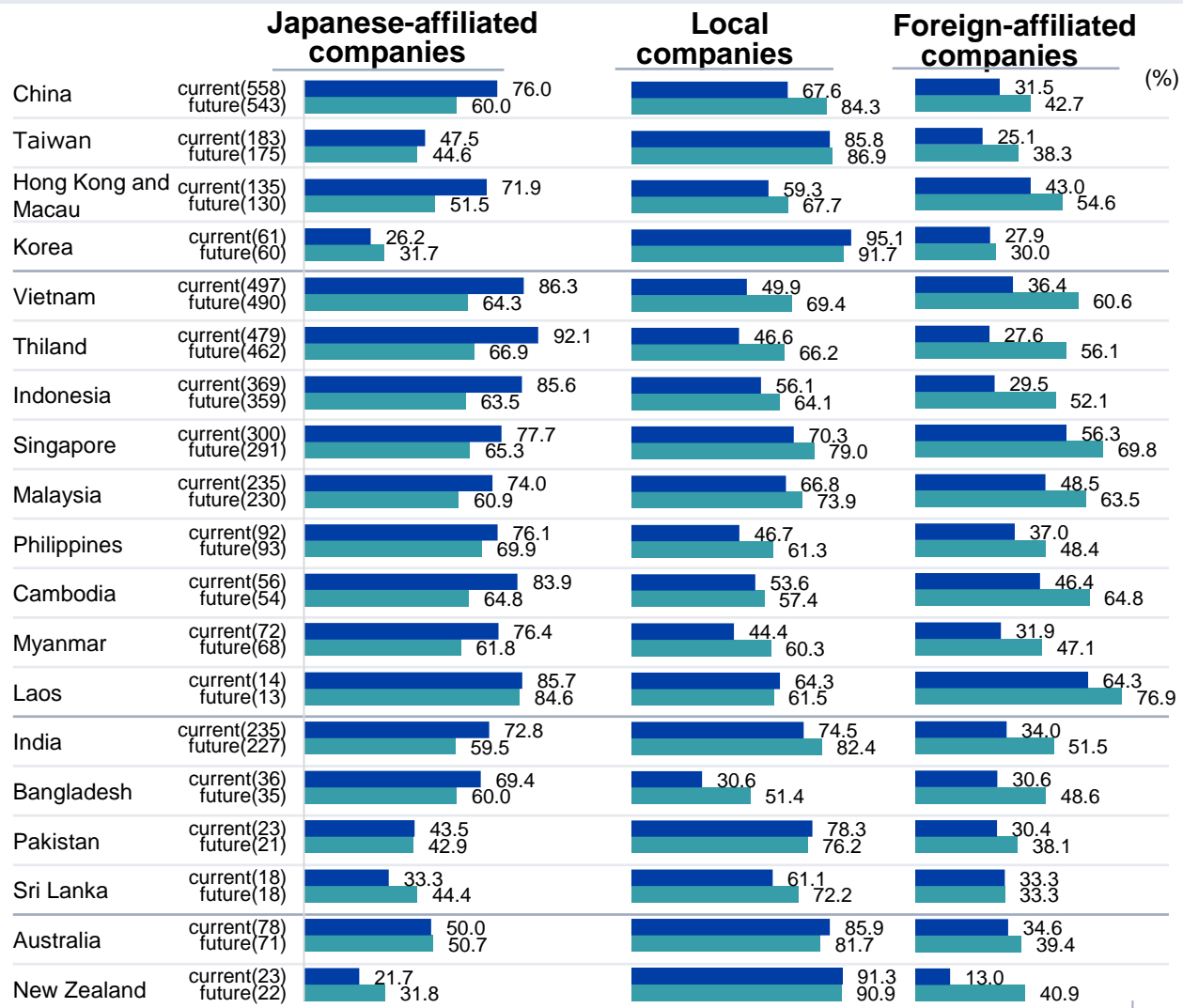
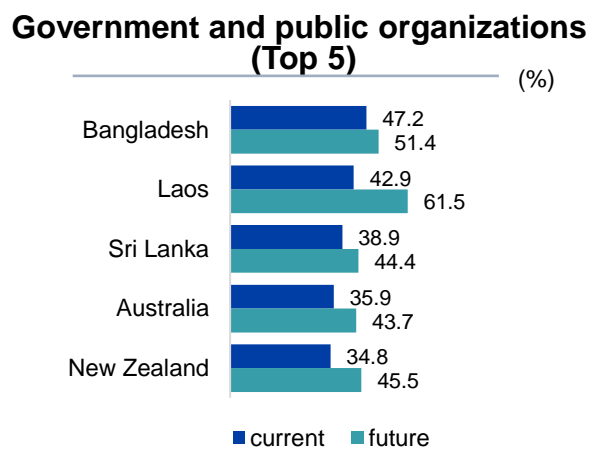
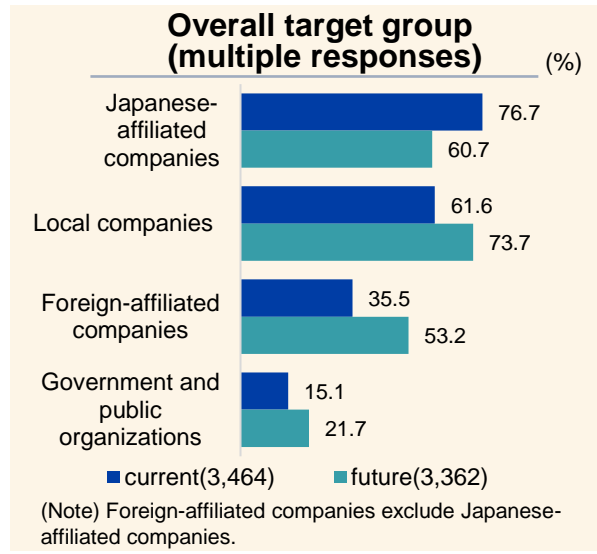
(Note 1) Survey of companies that are already working on automation or plan to do so in the future.

(Note 2) Countries/regions with at least 10 valid responses.

(Note 3) Red highlights are darkened to match the percentage height.

1 | B-to-B target will shift from Japanese companies to local companies

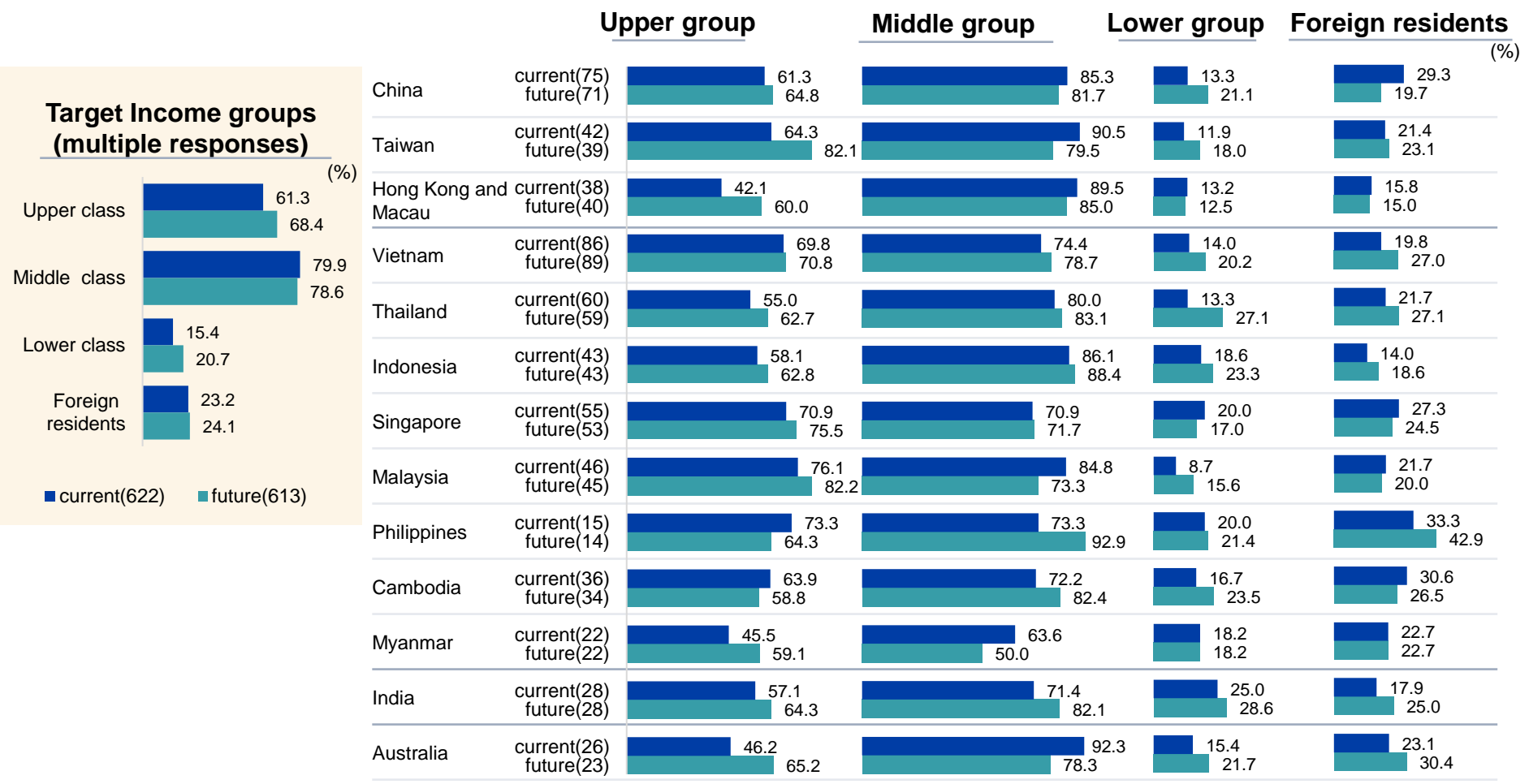
- 76.7% of companies answered their main current target in the business to business (B-to-B) market as Japanese-affiliated companies. In terms of future target groups, however, local companies outnumbered Japanese-affiliated companies. The percentage of foreign-affiliated companies rose nearly 20 points to over 50%.



(Note) See graph on the right for the number of valid responses.

2 | B to C target mainly middle class, but upper class to increase to nearly 70% in the future.

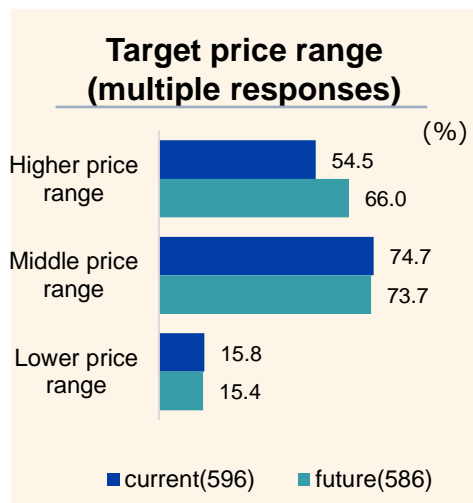
- About 80% of non-manufacturing companies answered middle income group as the main target for their business-to-consumer(B-to-C) business and the result was the same for the future perspective. The upper income group will increase by 7.1 points, compared to the present. In particular, it rose by nearly 20 points in Australia, Hong Kong and Macau and Taiwan.



(Note) Countries/regions with at least 10 valid responses, both current and future.

3 | More companies willing to target higher price range in the future (B-to-C)

- In terms of the target price range sought by non-manufacturers toward general consumers, the medium price range had the highest percentage at over 70%, for both now and in the future. The percentage for the high price range increased by 11.5 points from the present to the future. The figure for Taiwan and Singapore increased by approximately 20 points, while Hong Kong and Macau, Indonesia also increased by more than 15 points.



(Note) Countries/regions with at least 10 valid responses, both current and future.

4 | Major competitors are local companies, at almost 90% in China

- Asked who were competitors in local markets, the most common answer was “local companies” (67.7%), followed by “Japanese companies” (62.3%). The percentage for local companies was highest in China (89.5%), higher in South Korea, Taiwan and India. The highest percentage for Japanese companies was in Thailand (76.4%).
- “Chinese companies” was relatively more prevalent in ASEAN, and “European companies” was relatively more prevalent in Southwest Asia.

Competitors (up to 3 answers, multiple responses)

| | Local companies | Japanese companies | Chinese companies | European companies | Korean Companies | US companies | Taiwanese companies | ASEAN companies | Hong Kong companies | (%) |
|------------------------|-----------------|--------------------|-------------------|--------------------|------------------|--------------|---------------------|-----------------|---------------------|-----|
| Total (3,812) | 67.7 | 62.3 | 27.2 | 13.4 | 10.3 | 9.9 | 6.7 | 4.3 | 0.7 | |
| ASEAN (2,309) | 61.2 | 65.8 | 35.1 | 10.7 | 12.4 | 7.7 | 7.8 | 5.8 | 0.8 | |
| Vietnam(552) | 66.7 | 63.0 | 28.1 | 6.9 | 18.5 | 6.5 | 12.9 | 7.6 | 0.4 | |
| Thailand(505) | 62.8 | 76.4 | 42.4 | 6.3 | 5.5 | 5.0 | 6.1 | 1.8 | - | |
| Indonesia(400) | 65.0 | 64.8 | 31.8 | 9.8 | 16.5 | 5.5 | 4.8 | 3.5 | 0.8 | |
| Singapore(320) | 48.4 | 66.3 | 39.1 | 20.9 | 8.4 | 14.1 | 7.8 | 6.6 | 1.9 | |
| Malaysia(264) | 55.3 | 61.0 | 38.6 | 18.9 | 11.0 | 12.5 | 8.0 | 8.3 | 1.5 | |
| Philippines (99) | 53.5 | 62.6 | 35.4 | 10.1 | 13.1 | 10.1 | 6.1 | 5.1 | - | |
| Cambodia(71) | 63.4 | 49.3 | 32.4 | 9.9 | 15.5 | 7.0 | 2.8 | 4.2 | 2.8 | |
| Myanmar(83) | 71.1 | 62.7 | 24.1 | 4.8 | 10.8 | 1.2 | 6.0 | 14.5 | 1.2 | |
| Laos(15) | 66.7 | 33.3 | 60.0 | 6.7 | 13.3 | 6.7 | 6.7 | 33.3 | - | |
| India(249) | 77.1 | 51.8 | 14.1 | 31.7 | 11.2 | 15.3 | 0.8 | 2.0 | 0.8 | |
| Bangladesh(41) | 53.7 | 51.2 | 29.3 | 26.8 | 14.6 | 2.4 | - | 4.9 | - | |
| Pakistan(32) | 53.1 | 34.4 | 40.6 | 25.0 | 12.5 | 6.3 | 6.3 | - | - | |
| Sri Lanka(21) | 57.1 | 19.0 | 19.0 | 28.6 | 4.8 | 9.5 | - | 9.5 | - | |
| Australia(96) | 64.6 | 47.9 | 20.8 | 17.7 | 6.3 | 25.0 | 2.1 | 4.2 | - | |
| New Zealand(31) | 80.6 | 35.5 | 22.6 | 3.2 | 12.9 | 9.7 | - | 3.2 | - | |
| China(608) | 89.5 | 55.8 | | 13.3 | 4.8 | 9.5 | 8.7 | 2.1 | 1.3 | |
| Taiwan(210) | 78.1 | 70.5 | 23.8 | 13.8 | 8.1 | 20.0 | | 1.0 | - | |
| Hong Kong & Macau(149) | 49.0 | 73.2 | 47.7 | 10.7 | 6.7 | 14.1 | 8.7 | 1.3 | | |
| Korea(66) | 84.8 | 57.6 | 21.2 | 21.2 | | 15.2 | 4.5 | 1.5 | - | |

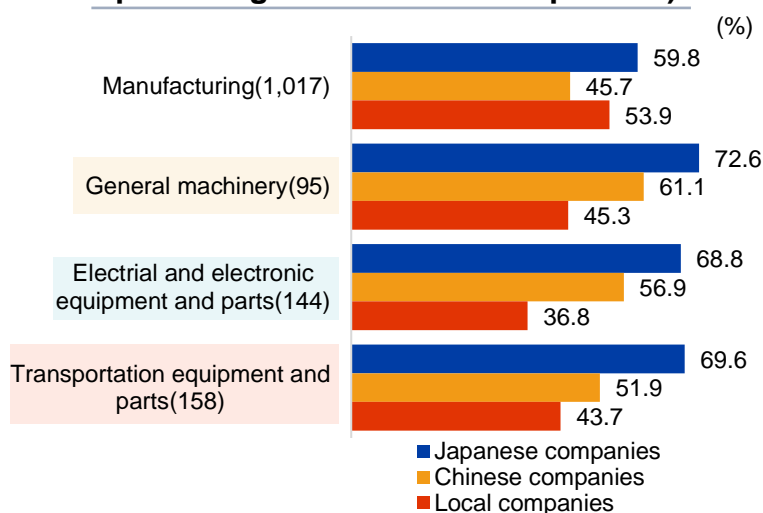
(Note 1) Competitors are classified according to the nationality of registered company. The classification is not based on the country/region of origin of the products or services provided.

(Note 2) The dark orange shows that the response rate is 70% or more, the orange is between 50% and 70%, the light orange is less than 50% but more than 10 percentage points higher than the total rate.

5 | “Chinese companies” top competitor in transportation equipment and parts in Thailand

- In the ASEAN manufacturing sector, “Japanese companies” (59.8%) accounted for the highest percentage of competitors. Also, “Chinese companies” came to 45.7%, much higher than the average among Asia and Oceania regions (27.2%). By industry, it exceeded 50% in general machinery, electrical and electronic equipment and parts, and transportation equipment and parts.

**Competitors in ASEAN
(Manufacturing only, in order of the percentage of “Chinese companies”)**



(Note 1) Industries with at least 50 valid responses.

(Note 2) Electrical equipment and parts is the total of “electrical and electronic equipment” and “electrical machinery parts/Electronic device parts.” Transportation equipment and parts is the total of “Transport equipment” and “Transport equipment parts.”

Competitors in major ASEAN countries (Top 3)

| General Machinery (%) | | | | | |
|-----------------------|------|--------------------|------|--------------------|------|
| Vietnam (16) | | Indonesia (19) | | Thailand (37) | |
| Japanese companies | 62.5 | Japanese companies | 84.2 | Japanese companies | 81.1 |
| Chinese companies | 62.5 | Local companies | 52.6 | Local companies | 54.1 |
| Local companies | 50.0 | Chinese companies | 52.6 | Chinese companies | 51.4 |

| Transportation equipment and parts (%) | | | | | |
|--|------|--------------------|------|--------------------|------|
| Thailand (43) | | Vietnam (27) | | Indonesia (59) | |
| Chinese companies | 69.8 | Japanese companies | 48.2 | Japanese companies | 83.1 |
| Japanese companies | 65.1 | Chinese companies | 48.2 | Local companies | 49.2 |
| Local companies | 46.5 | ASEAN Companies | 29.6 | Chinese companies | 32.2 |

Electrical and electronic equipment and parts (%)

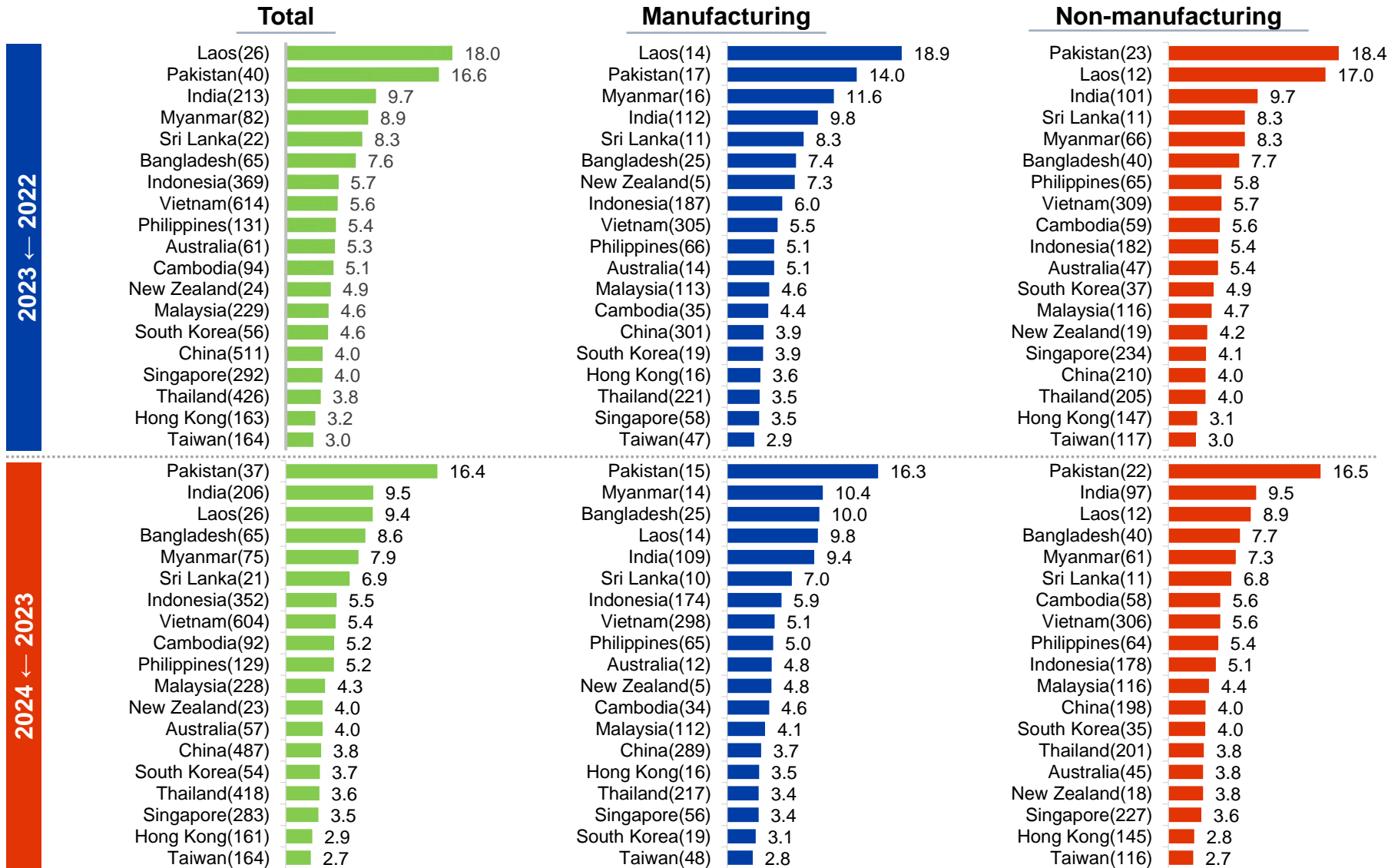
| Singapore (19) | | Thailand (37) | | Malaysia (32) | | Vietnam (30) | |
|---------------------|------|--------------------|------|--------------------|------|--------------------|------|
| Japanese companies | 78.9 | Japanese companies | 89.2 | Japanese companies | 65.6 | Japanese companies | 60.0 |
| Chinese companies | 68.4 | Chinese companies | 62.2 | Chinese companies | 53.1 | Chinese companies | 50.0 |
| Local companies | 26.3 | Local companies | 40.5 | Local companies | 31.3 | Local companies | 46.7 |
| Taiwanese companies | 26.3 | | | | | | |
| US companies | 26.3 | | | | | | |

(Note 1) Figures in parentheses in the table are valid responses.

(Note 2) Countries/regions and industries with at least 15 valid responses.

1 | Year-on-year salary increase rate

(%)

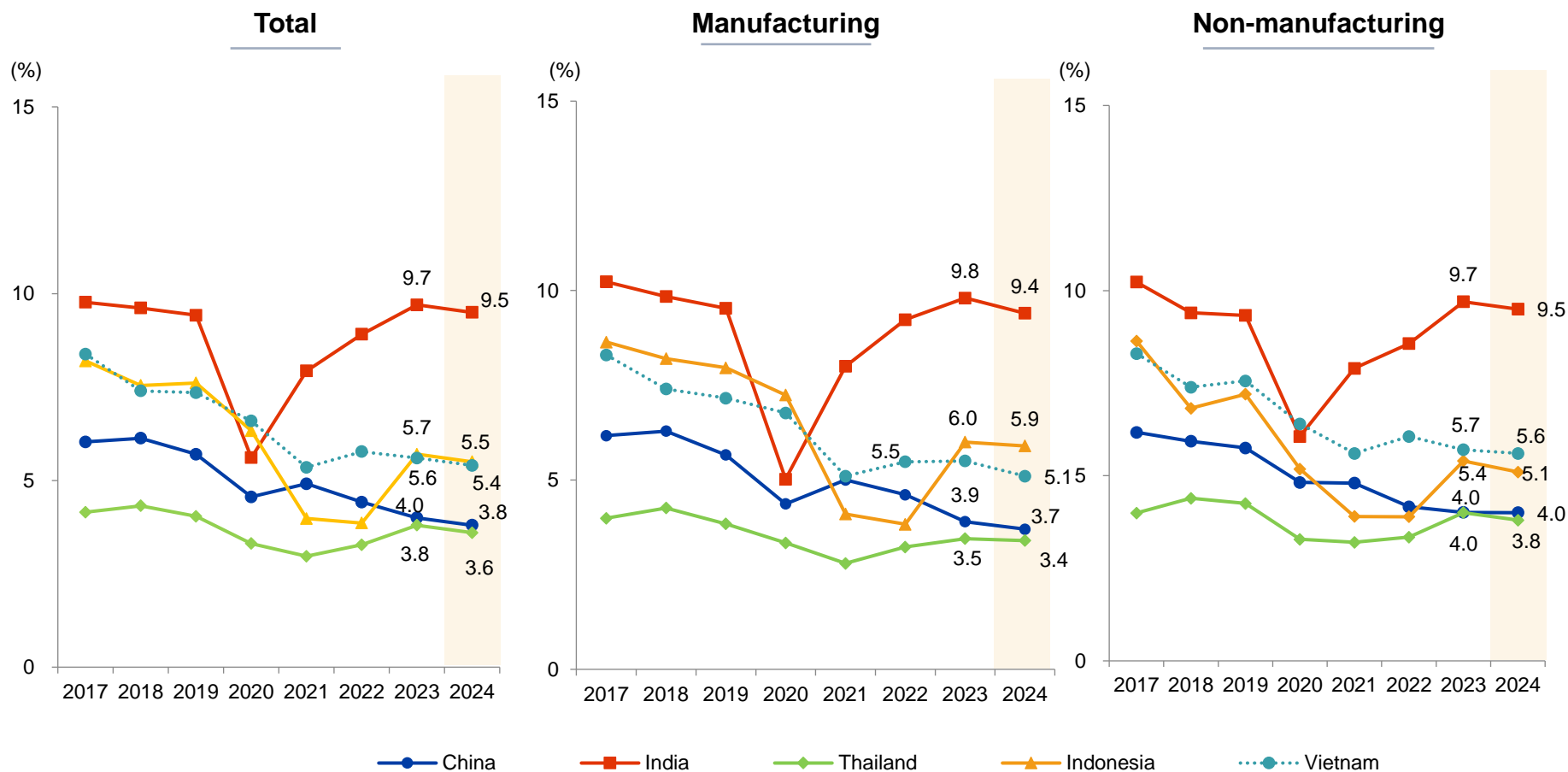


(Note 1) Countries/regions with at least 5 valid responses.

(Note 2) Salary increase rate is the rate of increase in base salary (nominal), excluding salaries that are dependent on individual abilities such as job performance pay and performance pay. Average for all occupations.

2 | Year-on-year salary increases (China and other major countries)

- Compared to the previous year's survey, the salary increase rate (of total answers) for 2023 rose by 0.8 points in India and 1.8 points in Indonesia, where business confidence is strong, and by 0.5 point in Thailand. On the other hand, in Vietnam and China, it fell 0.2 and 0.4 points, respectively, from the previous year's survey. China, in particular, reached its lowest level in the past 10 years.
- The salary increase in 2024 (projected) remains high at 9.5% in India. Other major countries remain largely unchanged.

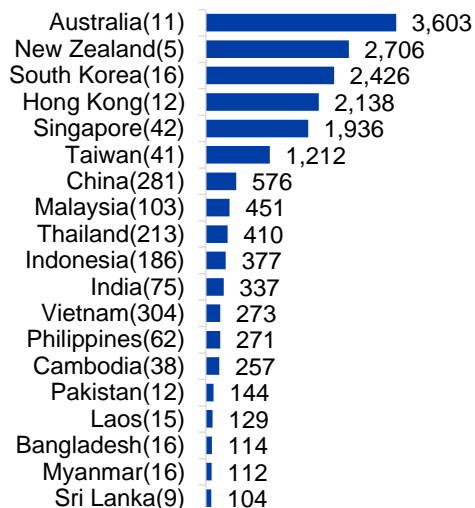


(Note) Figures for 2024 are forecasts.

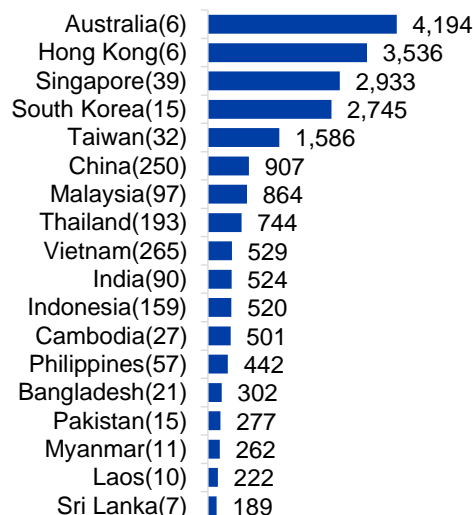
3 | Monthly base salary (average)

(Unit: US\$)

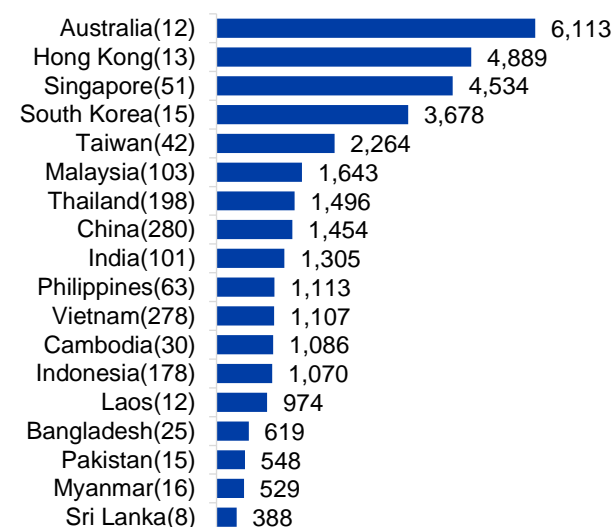
Manufacturing, Worker



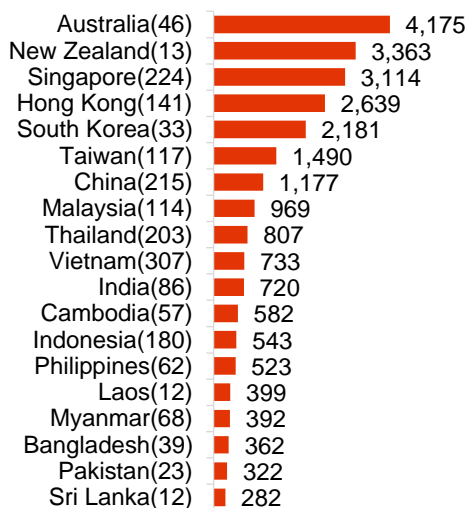
Manufacturing, Engineer



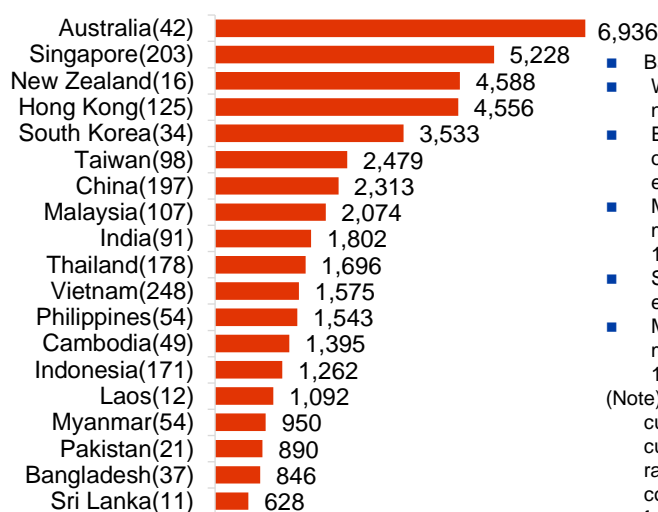
Manufacturing, Manager



Non-manufacturing, Staff member



Non-manufacturing, Manager



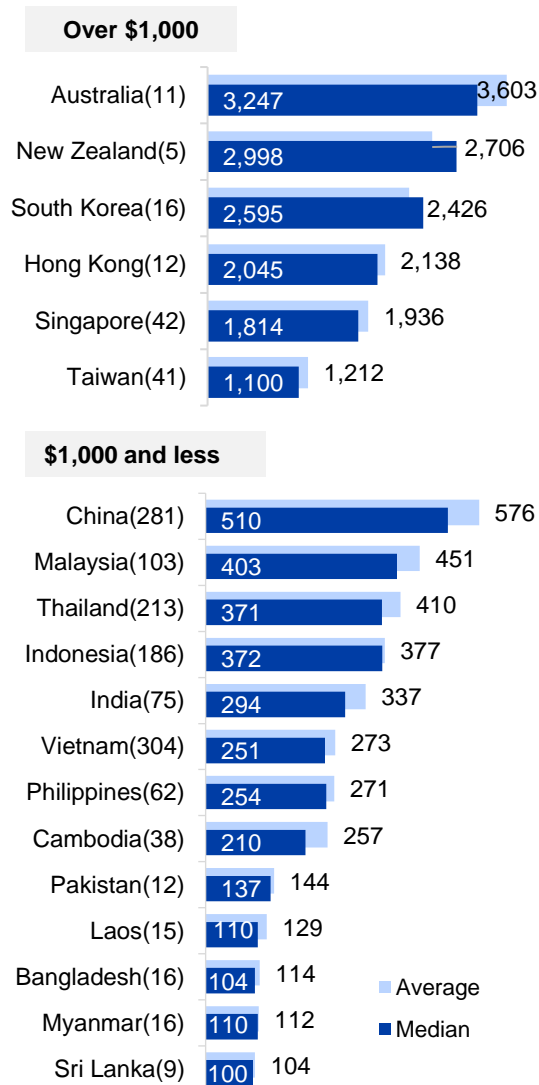
- Base salary: Salary excluding benefits, as of August 2023.
- Worker: Regular general workers with 3 years of work experience, not including contract based and probationary workers
- Engineer: Regular employees who are core technicians, graduates of a vocational college or university, and have 5 years of experience
- Manager (Manufacturing): Regular employees who are section managers in charge of sales, university graduates, and who have 10 years of work experience
- Staff member: Regular general workers with 3 years of work experience, not including dispatched and probationary workers
- Manager (Non-manufacturing): Regular employees who are section managers in charge of sales, university graduates, and who have 10 years of work experience

(Note) Except for Cambodia, base salaries were reported in local currencies. The average salary for each job type in the local currency was converted to U.S. dollars using the average exchange rate of August 2023 published by the central bank of each country/region or by the State Administration of Foreign Exchange for China.

(Note) Countries/regions with at least 5 valid responses.

4 | Monthly base salary (average / median) - Manufacturing, worker

Salary by country/region



(Note) Countries/regions with at least 5 valid responses.

Salary by city (ascending order in average, up to 40th)

(Unit: US\$)

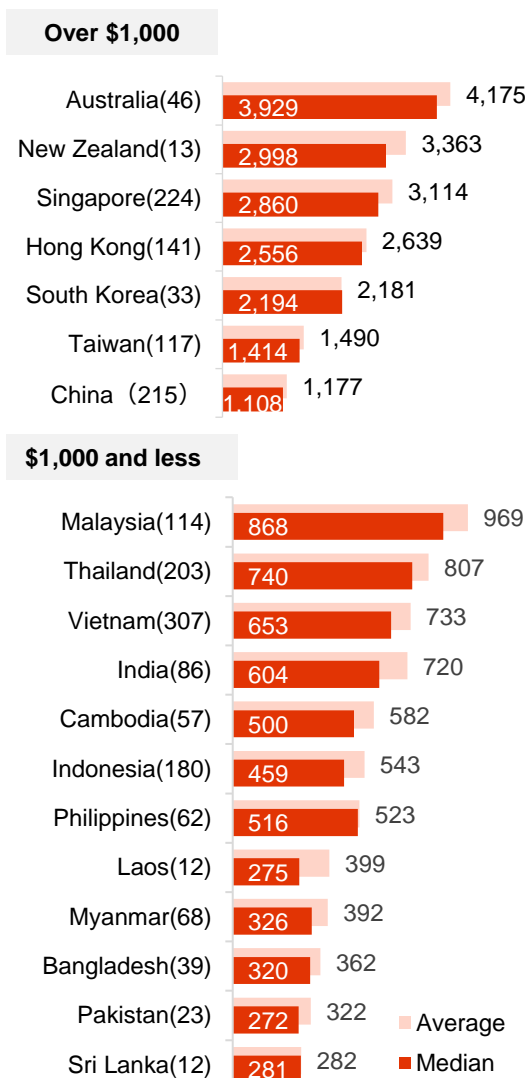
| Rank | City (Country or Region / City) | No of valid responses | Avg. | Median | Rank | City (Country or Region / City) | No of valid responses | Avg. | Median |
|------|---------------------------------|-----------------------|------|--------|------|---------------------------------|-----------------------|------|--------|
| 1 | Myanmar / Overall | 16 | 112 | 110 | 21 | Indonesia / East Java | 15 | 317 | 328 |
| 2 | Bangladesh / Overall | 16 | 114 | 104 | 22 | India / Haryana | 12 | 343 | 242 |
| 3 | Laos / Overall | 15 | 129 | 110 | 23 | Philippines / Metro Manila | 13 | 344 | 303 |
| 4 | Pakistan / Sindh Province | 10 | 135 | 133 | 24 | China / Dongguan | 11 | 351 | 317 |
| 5 | Vietnam / Ha Nam Province | 15 | 207 | 209 | 25 | Malaysia / Penang | 12 | 376 | 380 |
| 6 | Cambodia / Other (Note 2) | 13 | 213 | 204 | 26 | Indonesia / West Java | 115 | 380 | 387 |
| 7 | Vietnam / Da Nang City | 14 | 226 | 209 | 27 | Thailand / Other (Note 2) | 98 | 385 | 343 |
| 8 | Vietnam / Hai Duong Province | 15 | 228 | 209 | 28 | Thailand / EEC | 80 | 398 | 371 |
| 9 | Vietnam / Bac Ninh Province | 13 | 234 | 231 | 29 | Indonesia / Banten | 14 | 401 | 360 |
| 10 | Philippines / Calabarzon | 30 | 242 | 243 | 30 | Indonesia / Jakarta | 31 | 417 | 394 |
| 11 | Vietnam / Long An Province | 13 | 249 | 223 | 31 | Malaysia / Johor | 11 | 429 | 403 |
| 12 | Vietnam / Hung Yen Province | 28 | 253 | 230 | 32 | India / Karnataka | 12 | 431 | 397 |
| 13 | Philippines / Cebu | 15 | 269 | 231 | 33 | Malaysia / Selangor | 52 | 482 | 434 |
| 14 | India / Tamil Nadu | 19 | 277 | 242 | 34 | China / Qingdao | 21 | 483 | 483 |
| 15 | Cambodia / Phnom Penh District | 25 | 280 | 210 | 35 | Thailand / Bangkok | 35 | 506 | 503 |
| 16 | Vietnam / Haiphong City | 20 | 289 | 293 | 36 | China / Dalian | 20 | 507 | 490 |
| 17 | Vietnam / Hanoi City | 36 | 291 | 272 | 37 | China / Suzhou | 32 | 589 | 552 |
| 18 | Vietnam / Binh Duong Province | 41 | 293 | 272 | 38 | China / Chengdu | 14 | 689 | 690 |
| 19 | Vietnam / Dong Nai Province | 45 | 296 | 272 | 39 | China / Guangzhou | 13 | 721 | 690 |
| 20 | Vietnam / Ho Chi Minh City | 30 | 296 | 256 | 40 | China / Tianjin | 14 | 746 | 591 |

(Note 1) Countries/regions and cities with at least 10 valid responses. Countries/regions with no data on cities are shown as "Overall".

(Note 2) Cambodia is divided into "Phnom Penh District (Phnom Penh Metropolitan and surrounding area)" and "Others". Thailand is divided into "Bangkok", "EEC (Chonburi, Rayong and Chuchungsao provinces)" and "Others".

5 | Monthly base salary (average / median) - Non-manufacturing, staff member

Salary by country/region



(Note) Countries/regions with at least 5 valid responses.

Salary by city (ascending order in average)

(Unit: US\$)

| Rank | City (Country or Region / City) | No of valid responses | Avg. | Median | Rank | City (Country or Region / City) | No of valid responses | Avg. | Median |
|------|--|-----------------------|------|--------|------|---------------------------------|-----------------------|-------|--------|
| 1 | Sri Lanka / Overall | 12 | 282 | 281 | 18 | Malaysia / Selangor | 48 | 900 | 868 |
| 2 | Pakistan / Sindh Province | 15 | 289 | 272 | 19 | India / Maharashtra | 20 | 921 | 574 |
| 3 | Bangladesh / Overall | 39 | 362 | 320 | 20 | China / Qingdao | 19 | 939 | 897 |
| 4 | Myanmar / Overall | 68 | 392 | 326 | 21 | China / Chengdu | 20 | 950 | 759 |
| 5 | Laos / Overall | 12 | 399 | 275 | 22 | China / Dalian | 22 | 986 | 828 |
| 6 | Indonesia / West Java | 23 | 451 | 426 | 23 | Malaysia / Kuala Lumpur | 58 | 1,062 | 955 |
| 7 | Philippines / Metro Manila and surrounding areas | 51 | 551 | 534 | 24 | China / Guangzhou | 11 | 1,246 | 1,104 |
| 8 | Indonesia / Jakarta | 151 | 563 | 492 | 25 | China / Shanghai | 56 | 1,291 | 1,247 |
| 9 | Cambodia / Phnom Penh District | 55 | 585 | 500 | 26 | Taiwan / New Taipei City | 10 | 1,295 | 1,257 |
| 10 | Vietnam / Da Nang City | 12 | 596 | 503 | 27 | China / Beijing | 40 | 1,455 | 1,380 |
| 11 | Thailand / Other (Note 2) | 27 | 620 | 571 | 28 | Taiwan / Taipei | 102 | 1,504 | 1,414 |
| 12 | India / Haryana | 26 | 632 | 604 | 29 | South Korea / Seoul | 27 | 2,254 | 2,270 |
| 13 | India / Karnataka | 14 | 633 | 604 | 30 | Hong Kong / Overall | 141 | 2,639 | 2,556 |
| 14 | Vietnam / Hanoi City | 122 | 728 | 708 | 31 | Singapore / Overall | 224 | 3,114 | 2,860 |
| 15 | Vietnam / Ho Chi Minh City | 152 | 775 | 628 | 32 | New Zealand / Overall | 13 | 3,363 | 2,998 |
| 16 | India / Delhi | 15 | 811 | 717 | 33 | Australia / New South Wales | 24 | 4,017 | 3,892 |
| 17 | Thailand / Bangkok | 169 | 842 | 828 | - | - | - | - | - |

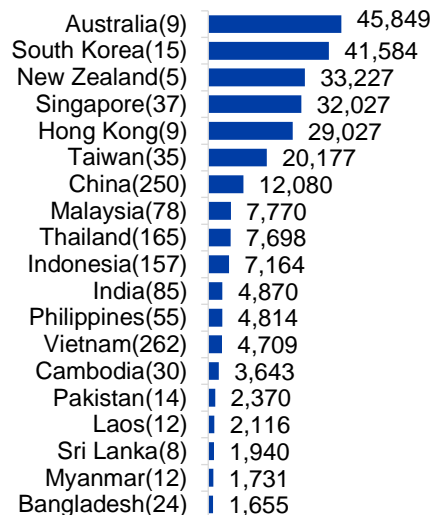
(Note 1) Countries/regions and cities with at least 10 valid responses. Countries/regions with no data on cities are shown as "Overall".

(Note 2) Cambodia is divided into "Phnom Penh District (Phnom Penh Metropolitan and surrounding area)" and "Others". Thailand is divided into "Bangkok", "EEC (Chonburi, Rayong and Chuchungsaio provinces)" and "Others".

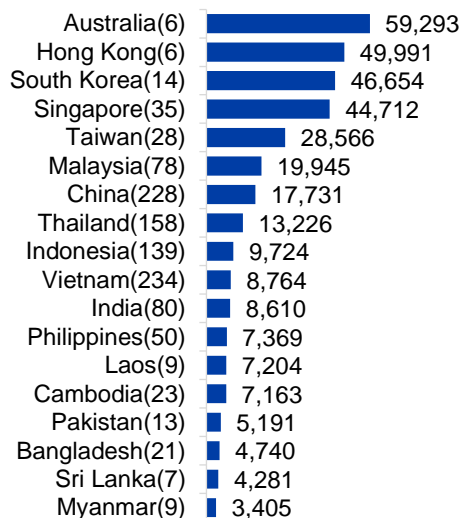
6 | Annual salary (average)

(Unit: US\$)

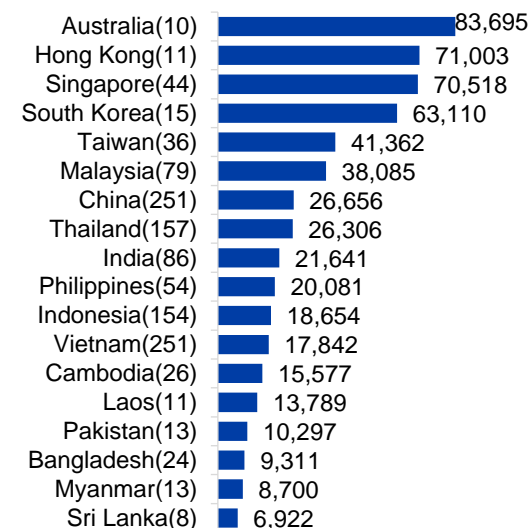
Manufacturing, Worker



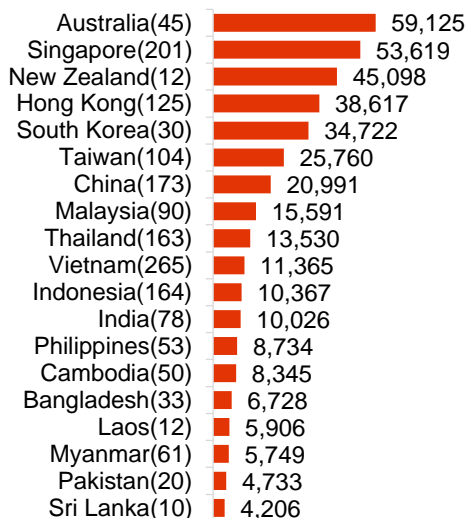
Manufacturing, Engineer



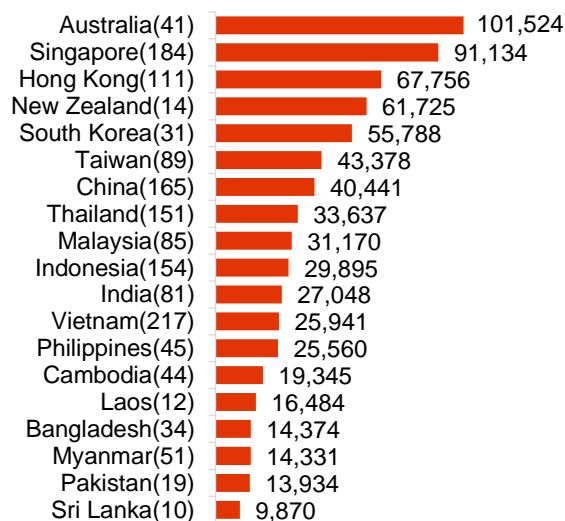
Manufacturing, Manager



Non-manufacturing, Staff member



Non-manufacturing, Manager



- Annual salary (annual amount of real obligation fees): Total liability for an employee (the total of annual base salary, benefits, social security, overtime allowances, and bonuses, excluding severance benefits, as of FY2023)
- See page 55 for the definitions of worker, engineer, manager (manufacturing), staff member, and manager (non-manufacturing).

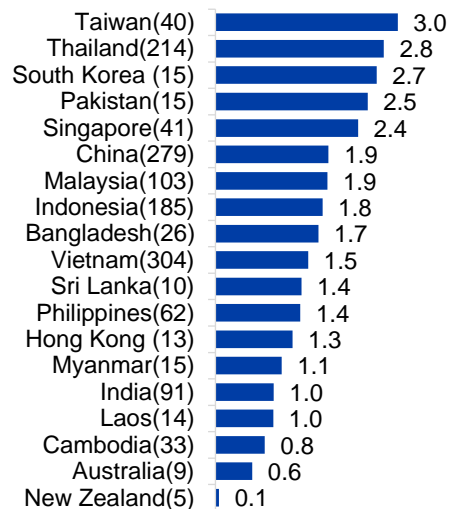
(Note) See page 55 for currency units and U.S. dollar conversions at the time of response.

(Note) Countries/regions with at least 5 valid responses.

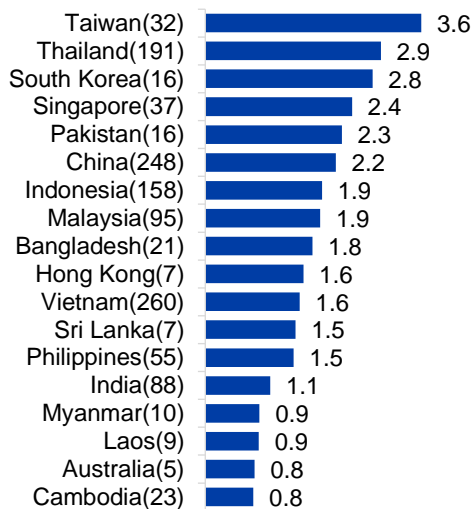
7 | Bonus

(Unit: Months)

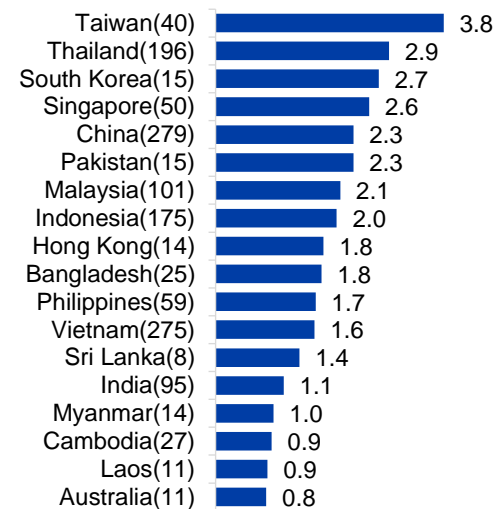
Manufacturing, Worker



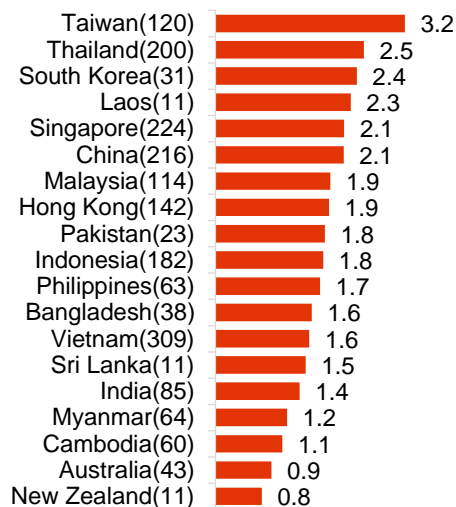
Manufacturing, Engineer



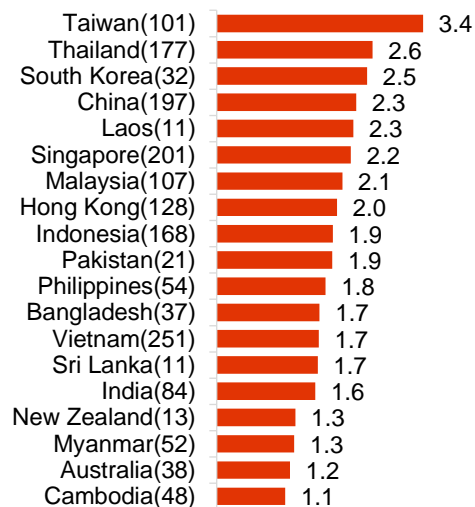
Manufacturing, Manager



Non-manufacturing, Staff member



Non-manufacturing, Manager



(Note 1) Countries/regions with at least 5 valid responses.

(Note 2) Bonus: Bonus based on base salary (months), paid annually in 2023 (CY/FY).

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