

# Asia Business Council Annual Survey 2013

## Executive Summary

September 2013

### Survey Overview

- Survey was conducted in July 2013
- Response rate of 77% (47 of 61 members)
- Members were asked about their economic outlook and investment plans
- Members were also asked to consider specific problems in the following areas:
  - Energy and the environment
  - Finance and business
  - Geo-political
  - Social

### A More Positive Outlook, Tempered by Concerns about a Chinese Slowdown

Among Asia Business Council members, 39% believed business conditions will improve over the next 12 months, an increase from our surveys in 2012 (25%) and 2011 (33%). This year saw a slight decrease in members who foresee a worsening market. Speaking to uncertain economic conditions within the region and the world, another 39% of respondents said that they felt that business conditions in Asia will remain about the same (See Figure 1).

When asked about the greatest economic problem facing Asia, more than a third of members (35%) responded that they believed it was recession. High on their list of reasons was a slowdown in demand in large regional economies like China and also India. While several members felt that growth in the world, particularly in the United States and the European Union, might be higher, those with negative or uncertain outlooks for next year are concerned about China's sluggish demand and unsure recovery. A number of business leaders thought that a slow but stable recovery in the United States might offset the Chinese slump, but, as one respondent put it, the "overall global economy will remain flat." Others predicted that there would be no change at all and that a "lack of policy leadership and economic stagnation" indicate "no clear visible sign of growth."

Beyond a slowdown in China, members were particularly frustrated about the lack of transparency in the country, which makes analyzing conditions difficult. Another remarked that the data indicated in economic reports on the country was "unreliable" and its slowdown would be "worse than indicated." One member wondered whether or not China could "successfully reduce its reliance on investment as an engine of growth." Others believed corruption in the country would hinder China's ability to restructure its economy.

A few members, including non-Japanese, saw Japan as a positive exception in Asia, seeing the country's recent "Abenomics" policy reform and accompanying surge in growth as an outlier in the region. The critical factor remains in Japan "whether real growth in economy and business can be realized." A few members also remained positive about the potential of ASEAN to promote intra-regional growth.

Only 16% of respondents believed inflation was the greatest threat to the region, down from 24% last year and 73% in 2011.

A shared concern is that there are no clear signs of growth in Asia or across the globe. One respondent saw low demand and a loss of confidence throughout the region as a threat to economic recovery, as a result of a "lack of job creation and a poor macroeconomic environment that is not supporting our investments." Another saw the greatest threat as "protectionist regulations in the market, a non-conducive ecosystem of interregional trade and restrictions in the free flow of talent."

### **Structural Problems and Implementation in Asia**

This year, growing concern over geopolitical issues and social unrest rose, as well as a general sense that finance and business conditions had become slightly worse. The same time last year, anxiety over business fundamentals such as access to credit, increased regulation, and the health of the banking sector occupied the thoughts of members. Members ranked finance and business as a top issue confronting Asian businesses, followed by geopolitical issues (See Figures 2 and 3).

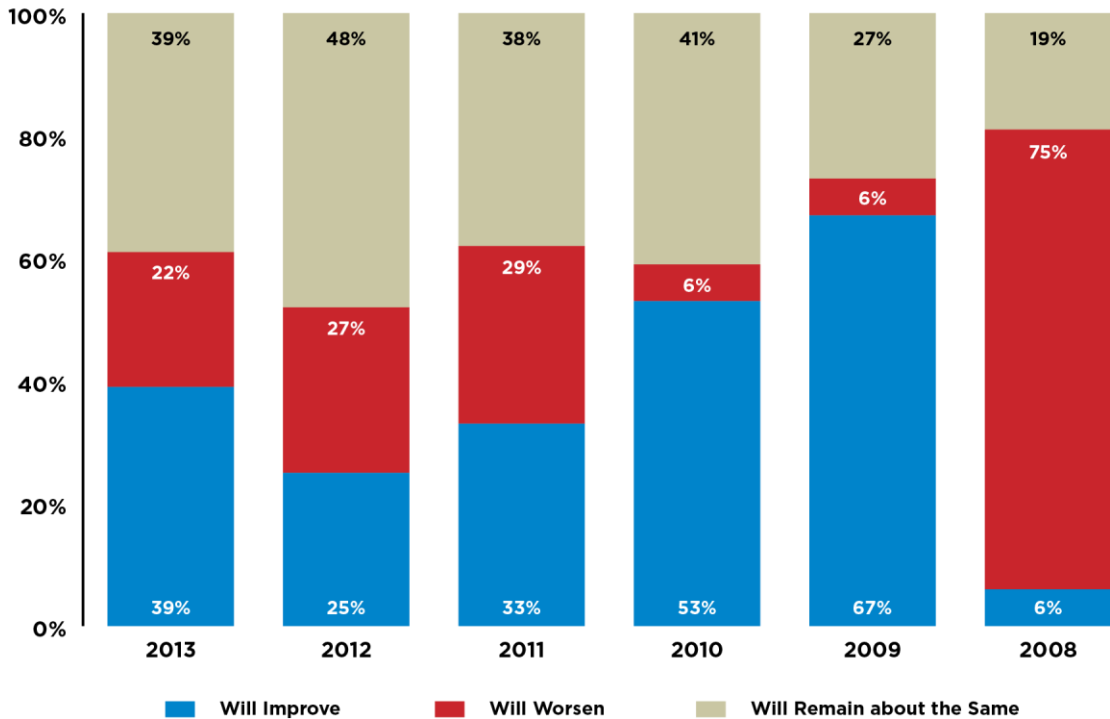
Finding and retaining talent, as well as expanding into Asian markets, remained a top concern among members. One member remarked that "human resources with competent execution skills, particularly those who can manage at scale," were a challenge to find. Several found that fast-changing conditions across geographies were a challenge to manage. Other cited inequality and social unrest across the region as a continuing challenge.

### **Strong Investment Interest in Africa and Latin America**

While China is still the most favored country to invest in among members, that number has declined in the past year from 65% to 41%, excluding members from China. In the next 1-3 years, members continue to show interest in investing in China and the United States in equal measure, with significant interest in India, Indonesia, Vietnam, and Malaysia (See Figure 4). Africa and Latin America show the most dramatic increase in terms of investment plans; India and Vietnam follow. A handful of members mentioned Myanmar as a potential new destination to invest in.

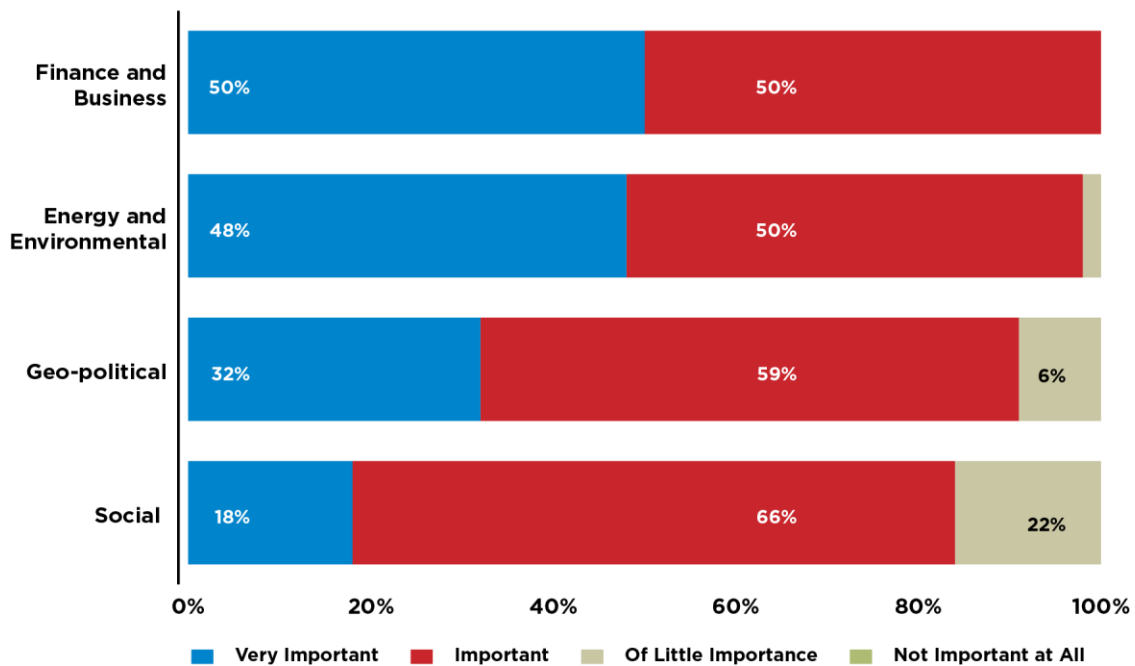
**Figure 1**

How Do You Feel About Overall Business Conditions In the Next 12 Months?



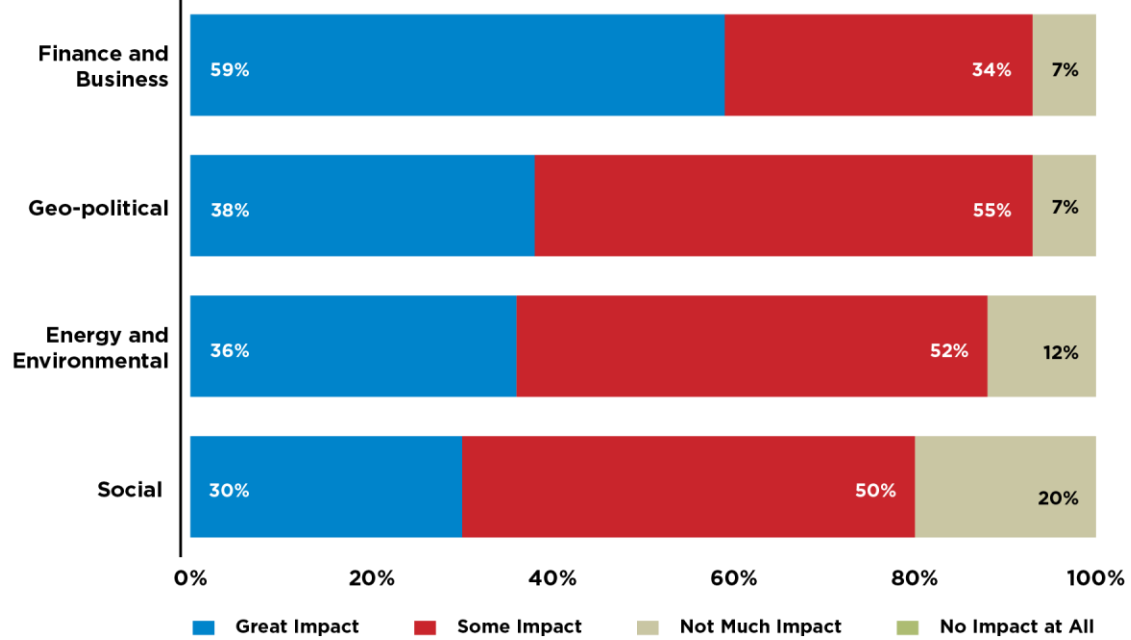
**Figure 2**

How Important Is This Issue For Business In Asia?



**Figure 3**

How Much Does This Issue Impact Your Business?



**Figure 4**

Where Have You Invested in the Last 12 Months, and Where Do You Plan to Invest?

