

# Asia Business Council Annual Survey 2023

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Asia  
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Council

## Survey Overview

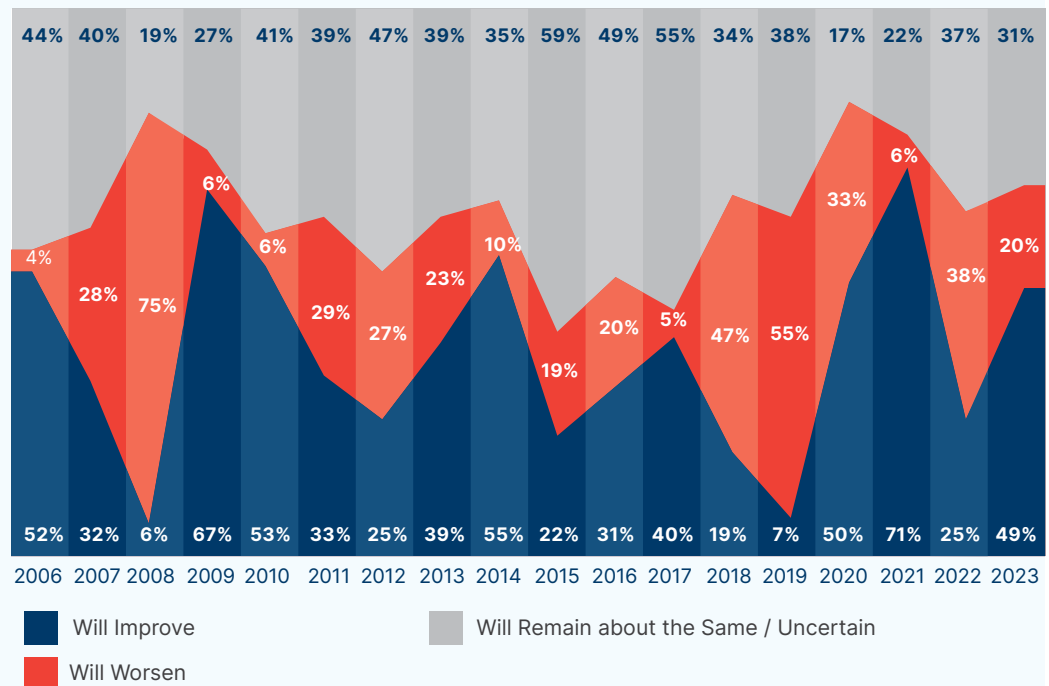
- The Asia Business Council Annual Survey 2023 was conducted in July–August 2023 and had a response rate of 69% (53 out of 77 members).
- Nearly half (49%) of the Asia Business Council respondents are optimistic about business conditions improving in the next year, marking a rise from the 2022 survey results. Meanwhile, 31% anticipate stable conditions and 20% foresee a decline.
- 38% of respondents cited inflation as the biggest economic problem in the coming year, 32% cited recession, and 30% are concerned about other factors such as geopolitics, climate change, poverty, and unemployment.
- The U.S. remains the top investment destination for respondents planning new or increased investments, while India overtook mainland China this year.
- The majority of respondents (74%) believe U.S.–China tensions present more risk than opportunity—an increase from 62% last year. Respondents said that they are diversifying operations (45%), enhancing geopolitical expertise in their companies (38%), and analyzing new investments for geopolitical risk (36%).
- When asked about diversity and inclusion, those who responded are most likely to say their initiatives are focused on gender diversity, such as increasing the number of female employees or working toward gender parity in management.
- When it comes to climate action, respondents are most likely to make climate-related efforts part of their core business operations (65%). A total of 82% of respondents are involved in climate action either as part of their core or non-core business operations. 56% of those surveyed are directing philanthropic capital toward climate change.
- The conditions that would best help direct more philanthropic capital to climate-related causes are corporate social responsibility (CSR) and environmental, social, and governance (ESG) requirements from the local stock exchange, tax incentives, greater availability of philanthropic capital, and more stakeholder interest in climate philanthropy. Energy is the most common focus area for those involved in climate philanthropy, with about half saying they contribute to energy supply or energy use measures.



## Growth Outlook for Asia Improved from Last Year Despite Concerns About Inflation, Recession, and the Chinese Economy

Nearly half (49%) of Asia Business Council members responding to the survey expected business conditions to improve over the next year, an increase from the survey conducted in 2022 (see Figure 1). Meanwhile, 31% expected business conditions to remain about the same and 20% anticipated a decline.

**FIGURE 1**  
**How do you feel about overall business conditions in the next 12 months?**



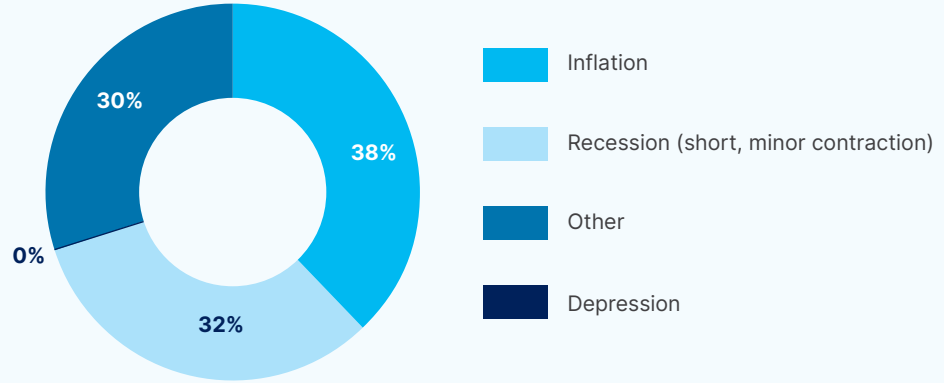
Those who expected economic conditions to improve anticipated that China and other Asian economies would continue to recover from the Covid-19 pandemic and that inflation would be kept in check. A number of respondents were optimistic about the economic outlook for India and to a lesser extent Southeast Asia. Two respondents commented that Asia has the chance to play a bigger role in the global economy in the future.

By contrast, respondents who expected economic conditions to worsen predominantly based their forecast on a weak recovery in China—in roughly equal numbers to the respondents who foresaw an economic rebound in China. The more pessimistic group also cited inflation, rising interest rates, and lower consumer spending as a result of these factors, as well as geopolitical tensions.

In response to the question about the biggest economic problems facing Asia, respondents were split. 38% chose inflation, 32% chose recession, and 30% selected other factors (see Figure 2). Those selecting inflation worried that wage increases would lag inflation and that rising prices for food and other essentials would affect consumer spending and confidence. Those selecting recession tended to be bearish about economic growth in China.

FIGURE 2

**What do you expect will be the biggest economic challenge facing Asia in the next 12 months?**



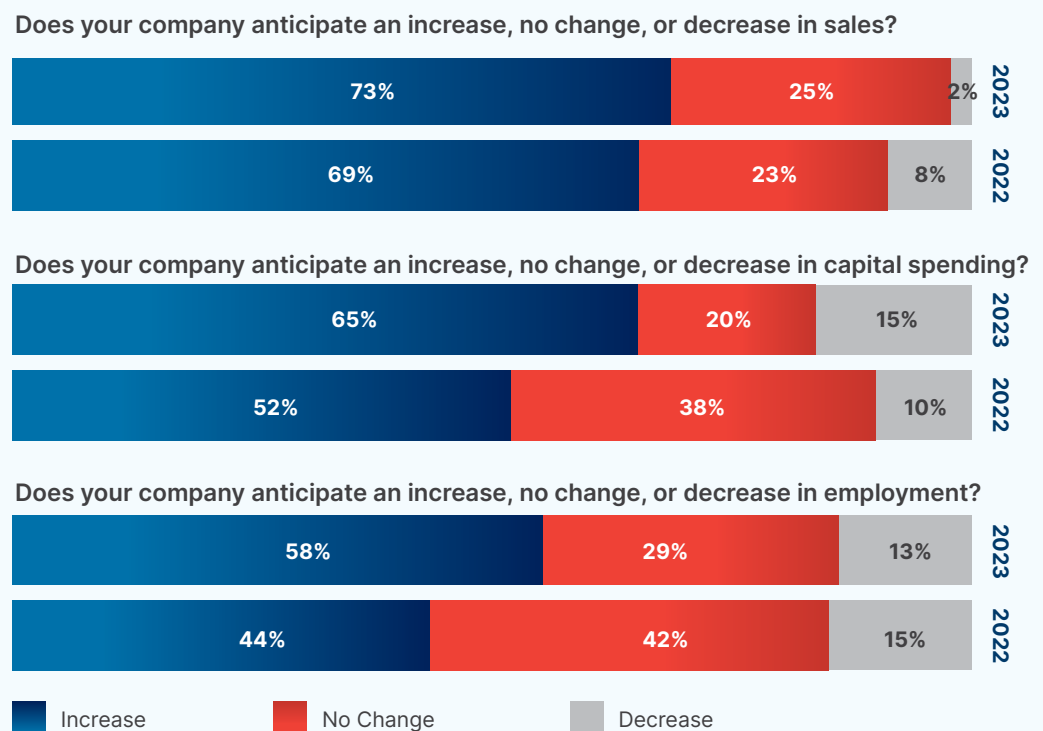
Among the 30% of respondents who selected other, responses varied. Geopolitical tensions, deglobalization, climate change, pollution, a weak pandemic recovery, lack of consumer confidence, poverty, and unemployment were all cited as concerns.

### Respondents Optimistic on Sales, Capital Spending, and Employment

When asked about the outlook for sales, capital spending, and employment at their companies, the majority of respondents expected an increase in the coming 12 months. At the same time, a slightly larger share of companies anticipated a decrease in capital spending (see Figure 3).

FIGURE 3

**Over the next 12 months,**



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## Business Leaders Rank Geopolitics as Paramount Concern, with the Environment Close Behind

When asked to rank seven key issues in order of importance, geopolitics emerged as the top issue of concern among respondents, followed by the environment (climate change and sustainability) and financial issues. Energy, which was a top concern for respondents last year, sank to fifth place. This reflects that last year's survey was conducted in the aftermath of Russia's invasion of Ukraine and amid concerns about energy security. Some respondents pointed out that they are now primarily worried about the effect of high energy prices on consumers' pocketbooks. Public health was the lowest priority issue area for members who responded this year.

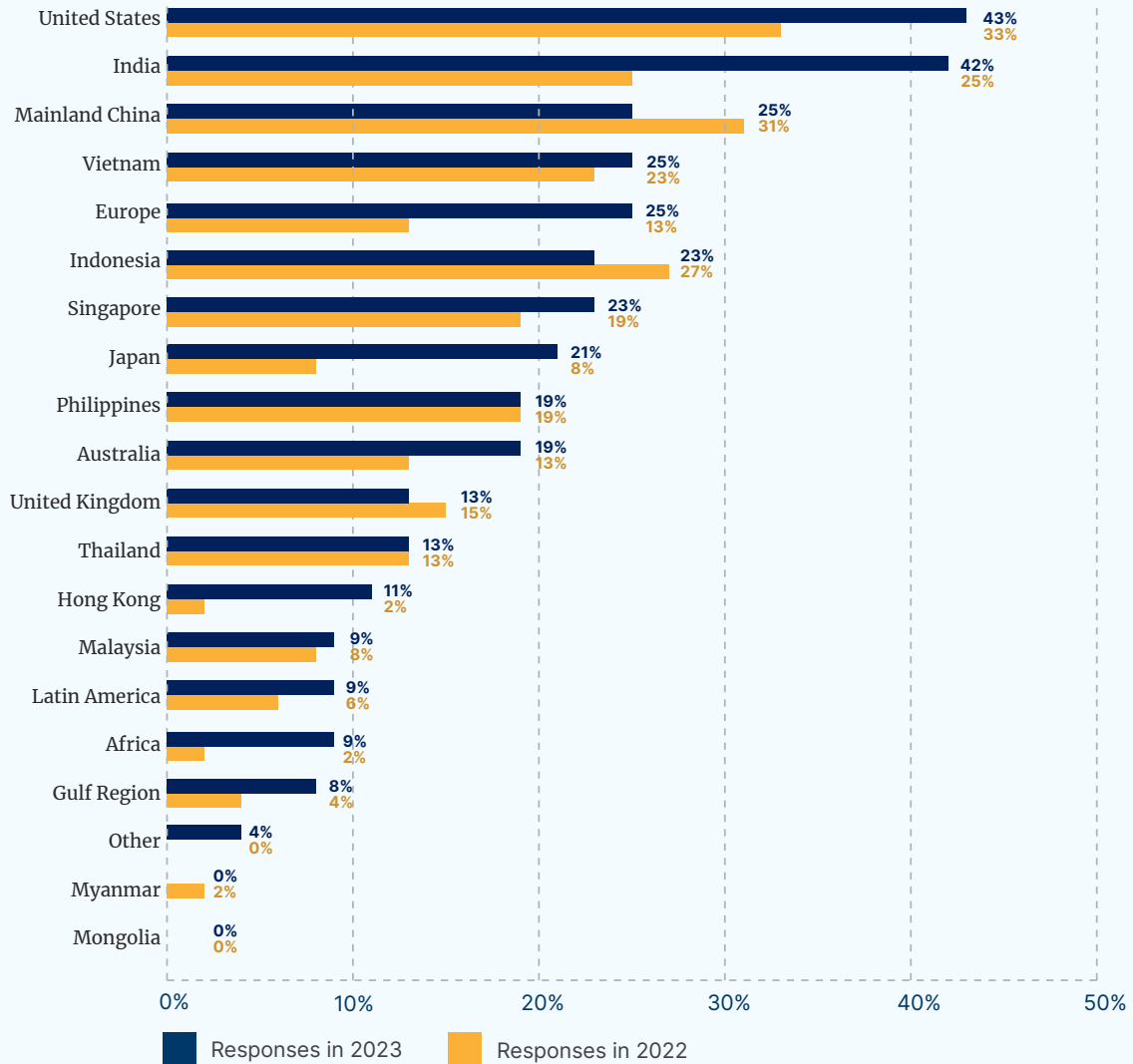
Of the respondents who chose geopolitics as their top area of concern, some said they are diversifying their supply chains in response, and others reported monitoring and analyzing short- and long-term geopolitical risks. Those who ranked environmental issues as their top concern reported they are focused on mapping out strategies to reach net zero; planning for environmental, social, and governance (ESG) data disclosures; and reconfiguring their businesses' energy mix. Respondents selecting financial issues are focused on reducing debt, cutting costs, and preparing for tightened financial conditions.

## U.S. Remains Top Investment Destination; India Overtakes Mainland China

The share of respondents reporting they plan to make new investments in the U.S. or increase their investments in the U.S. over the next 12 months increased to 43% from 33% last year—the highest out of any country or region (see Figure 4). The share of respondents planning investments in India jumped to 42% from 25%, while mainland China and Vietnam were tied for third place with 25%. Singapore also saw more investment interest, with a 23% share expressing investment plans there, up from 19% last year. These plans tracked with comments that respondents were generally optimistic about the economic outlook for India and Southeast Asia as compared to other regions.

FIGURE 4

**In what economies/regions do you plan to invest or increase your investment over the next 12 months?**



Previously, mainland China consistently ranked among the top two investment destinations for Council members, along with the U.S. But respondents' highly split views on the trajectory of China's economic growth over the next 12 months, the uncertain outlook, coupled with increased opportunities in India and Southeast Asia, likely led to greater consideration of alternative investment destinations.

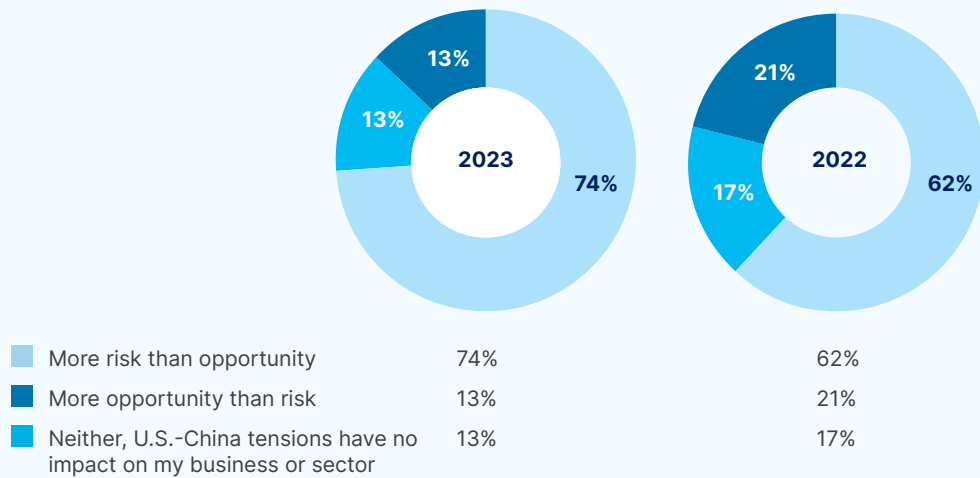
Developed economies including Europe, Japan, Australia, and Hong Kong also saw more investment interest this year as compared to last year. Other regions, including Latin America and Africa, with strong perceived growth potential, lower manufacturing costs, and are resource-rich, saw an uptick in investment interest, as did the Gulf region.

## U.S.-China Tensions Elevate Corporate Risk; Businesses Prefer Diversification to Divestment

74% of those surveyed believed that U.S.-China tensions posed more risk than opportunity for their businesses, up from 62% in 2022 (see Figure 5). An even smaller minority of respondents this year thought that the tensions would not affect their business or that they presented more opportunity than risk, as compared to last year.

FIGURE 5

**Do you believe U.S.-China tensions pose greater risk or greater opportunity for your business or sector?**



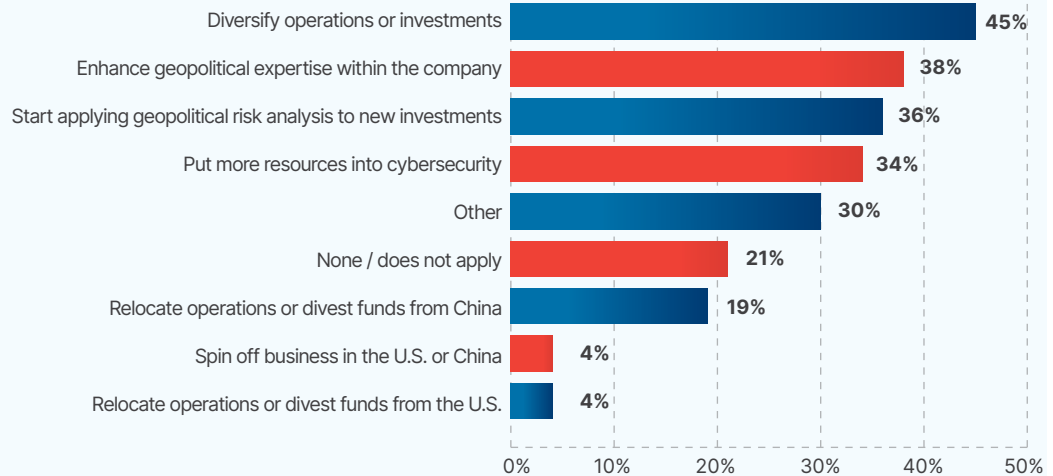
Those who saw the tensions as presenting more risk than opportunity cited disruptions to supply chains, the need to reduce reliance on China, and shrinking demand from China. Continued technology decoupling between the U.S. and China was perceived as a risk by those with technology businesses. The tensions were also expected to contribute generally to global instability and lower economic growth. “We are caught in the middle. Even though in the short term we may benefit, long-term instability is the biggest risk,” said one respondent.

Those responding that U.S.-China tensions have “no impact” mostly have little business in China or are mostly focused on the domestic market. Respondents who saw opportunities to benefit from the tensions are mostly headquartered in third countries in South or Southeast Asia. “China plays on supply chain issues fit very well for our business,” commented one respondent.

Almost half (45%) of those surveyed reported having taken steps to diversify their operations or investments in the past 12 months as a result of U.S.-China tensions (see Figure 6). More than one-third of respondents said they were working on the following: enhancing geopolitical expertise within the company; starting to apply geopolitical risk analysis to new investments; and putting more resources into cybersecurity. A minority said they were relocating operations away from or divesting from China (19%) or the U.S. (4%).

FIGURE 6

**In the past 12 months, have you taken any of the following actions in response to U.S.-China tensions?**



## Gender on the Forefront of Asian Executives' Diversity and Inclusion Focus

Asian companies adopted varied diversity and inclusion strategies. Yet, when inquired, a significant portion of Asian executives emphasized gender and women's empowerment. In fact, 23% of respondents highlighted gender-related diversity and inclusion initiatives, ranging from boosting female representation and aiming for gender balance in leadership roles to offering training for women and introducing flexible work hours.

Another 10% mentioned a focus on ethnic, cultural, and nationality diversity. One respondent in a developing economy reported a push toward localized management, while another reported a goal toward increasing the share of international management.

## Addressing Climate Change through Business Operations and Philanthropy

Overall, respondents recognize that climate change and nature loss pose an existential threat to current and future generations and put the region's continued economic growth and competitiveness at risk. They therefore have made significant efforts to address climate issues in support of the private sector's role in building a more sustainable future for Asia, as laid out in the [Asia Business Council Statement on Climate Action and Sustainable Growth](#). Signatories of that statement in 2022 committed to model best practices in sustainable growth, and advocate for Asia to have a greater voice in global discussions on climate and sustainability.

In total, 82% of respondents are involved in some form of corporate climate action either in their core or non-core business operations, and 56% are directly philanthropic capital toward climate change mitigation and adaptation.



Council members who responded have predominantly integrated climate action into their core business operations, and to a lesser extent, non-core business operations. Other approaches include partnering with external charitable organizations to tackle climate issues, impact investment, corporate and private foundation work, and monetary gifts and donations to charities (see Figure 7).

FIGURE 7

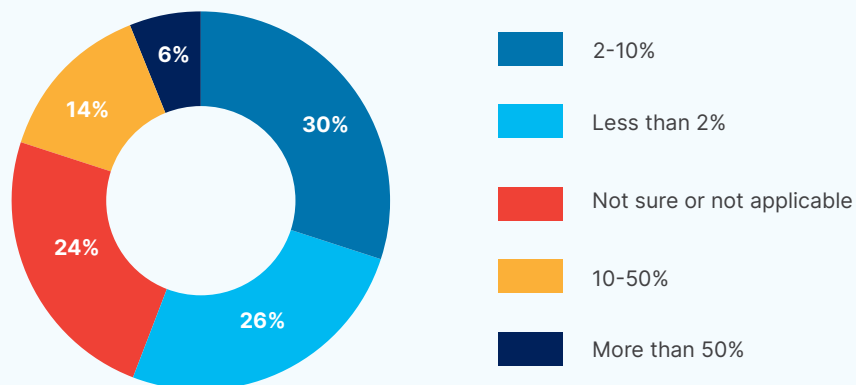
**How do you approach climate efforts (select all that apply)?**



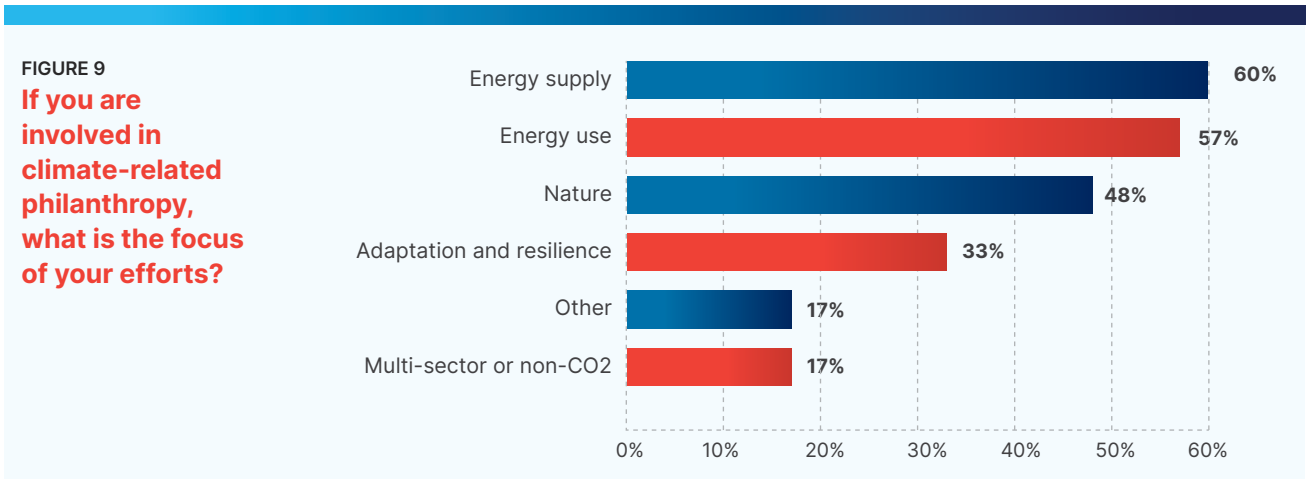
Over the past five years, most respondents have been involved in climate philanthropy of some kind. 6% of them have made contributions to climate change amounting to 50% of their philanthropic budget, followed by 14% of respondents who have spent 10-50% of the budget on climate change. Up to 30% of respondents contributed 2-10% of their philanthropic giving to climate-related initiatives (see Figure 8).

FIGURE 8

**Over the past 5 years, how much of your philanthropic giving has gone to climate-related organizations or projects?**

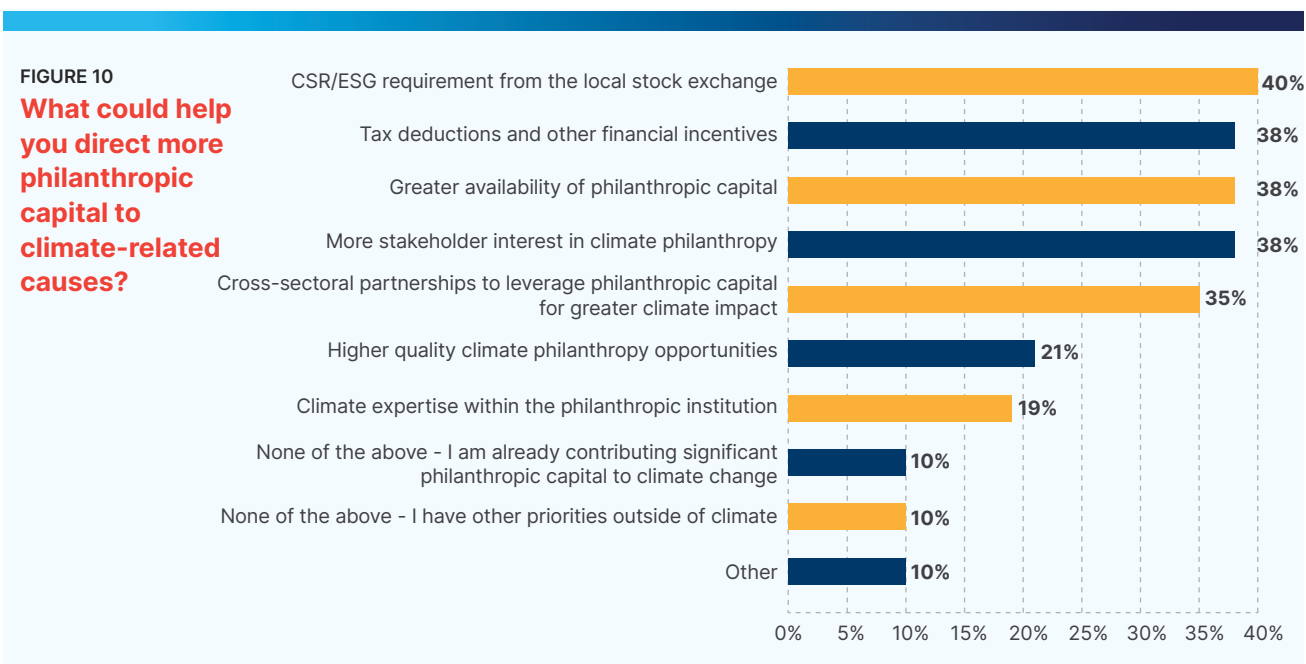


In terms of specific areas within climate philanthropy, 60% of respondents are focused on energy supply, and 57% of them are concerned about energy use. This is not surprising, as energy is directly related to respondents' business operations, and improving both the supply and use of energy will lead to reductions in energy costs (see Figure 9).



In addition, 48% of respondents are focused on nature, followed by 33% on adaptation and resilience and 17% on non-CO2 (e.g. methane) or multi-sector initiatives.

Among survey respondents, 40% indicated that CSR/ESG requirements from the local stock exchange would help them direct more philanthropic capital to climate-related causes, followed by tax and other financial incentives. A moderate portion of the survey participants shared their eagerness to combat climate change by using more philanthropic capital, incorporating the interests of more stakeholders, and forming partnerships across different sectors. Additionally, they are anticipating higher-quality opportunities and expertise for climate-focused philanthropy (see Figure 10).



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## Summary

Overall, the survey revealed a cautiously optimistic outlook for business conditions in Asia, with concerns about inflation, recession, and U.S.-China tensions. Respondents emphasized the importance of addressing climate change and promoting diversity and inclusion in their business strategies.

Around half of the respondents expected business conditions to improve over the next year. Geopolitics and the environment are high on the list of business concerns as executives in Asia assess how they can best position their businesses to address and mitigate these risks. A majority of respondents believed U.S.-China tensions present more risk than opportunity. Moreover, respondents are most likely to say that they are diversifying operations, enhancing geopolitical expertise in their companies, or analyzing new investments for geopolitical risk.

When it comes to diversity, Asian companies have a range of different approaches to achieve diversity and inclusion. Asian executives are most likely to say they are focused on gender or women's empowerment, by increasing the number of female employees, working toward gender parity in management and at the board level, conducting training sessions for women leaders, and introducing flexible working hours.

Respondents recognize the threat of climate change and have made significant efforts to address these issues in support of the private sector's role in building a more sustainable future for Asia. They are predominantly integrating climate action into their core business operations, with a focus on energy-related issues. CSR/ESG requirements from the local stock exchange would help them direct more philanthropic capital to climate change, but respondents are also actively seeking greater availability of philanthropic capital, cross-sector partnerships, and high-quality climate philanthropy opportunities and expertise.

While the weak Chinese economy and sluggish recovery from the pandemic were common risks that cloud the short-term outlook, several respondents appeared optimistic about the long-term future of Asia. "The Asian region has a younger population and eagerness to adapt," said one. "The shift of the global economic center to Asia is an inevitable trend," predicted another.