

Asia Business Council Annual Survey 2024

September 2024



Asia Business Council Annual Survey 2024



Executive Summary

Survey Overview

The Asia Business Council Annual Survey 2024 was conducted in July–August 2024 and had a response rate of 65 percent (53 out of 82 members).

Overall business sentiment was split, with 43 percent of respondents indicating optimism about business conditions improving in the next year, 11 percent foreseeing a worsening business environment, and 46 percent saying conditions would remain about the same or that other factors are at play.

For the first time, India has emerged as the top destination for new and increased investments, followed by the United States and China. Drivers included emerging opportunities in India, the U.S.'s economic resilience, and the uncertainty surrounding China's economic growth trajectory.

U.S.–China tensions remained a top geopolitical concern among Asian business leaders, followed by the Russia–Ukraine conflict, South China Sea tensions, and the Israeli–Palestinian conflict. The majority of respondents believed that U.S.–China tensions present more risk than opportunity— similar to last year.

The majority of respondents have adopted artificial intelligence (AI) for their business. Most respondents believed the main benefits of AI are increased productivity, improved efficiency, and deeper business insights. A significant portion of businesses have incorporated AI for customer interaction and support, service operation automation, and creative and generative AI. However, concerns about data quality, regulatory frameworks, and integration with existing systems highlight potential roadblocks to wider AI adoption. Increasing data availability, upskilling and recruiting talent, and enhancing IT infrastructure for AI will be crucial for unlocking the full potential of AI.

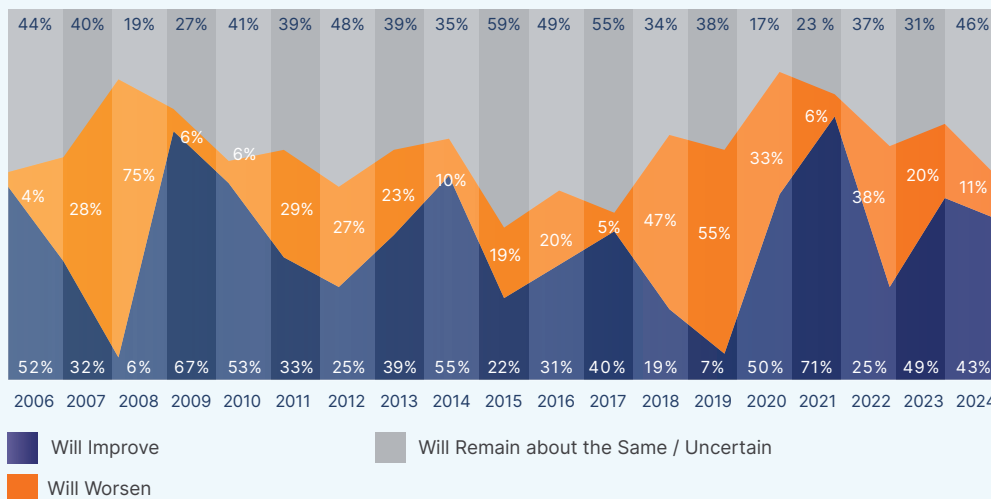
In July 2022, the Asia Business Council released a [Statement on Climate Action and Sustainable Growth](#), which recognized climate change and nature loss as existential threats to Asia's economic growth and highlighted Council members' commitment to being a collective voice in support of the private sector's role in building a more sustainable future for Asia. Survey results this year showed that respondents have focused on working toward effective climate and sustainability governance at the board level, drawing up concrete pathways to net zero, and contributing to technological innovation to address climate change.

Economic and Geopolitical Uncertainties Cloud Asia's Business Outlook

Optimism among CEOs and chairmen responding to the survey showed slight signs of waning (see Figure 1). Forty-three percent of respondents anticipated improved business conditions in the coming year. Meanwhile, 11 percent expected a downturn, and 46 percent thought conditions would remain about the same or that other factors are at play, such as divergence between countries and policy uncertainty.

FIGURE 1

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



Technological advancements globally, burgeoning opportunities in India and Southeast Asia, and enthusiasm about Japanese markets fueled optimism. Recent signs of easing U.S.-China tensions and lower interest rates were also mentioned as reasons for optimism.

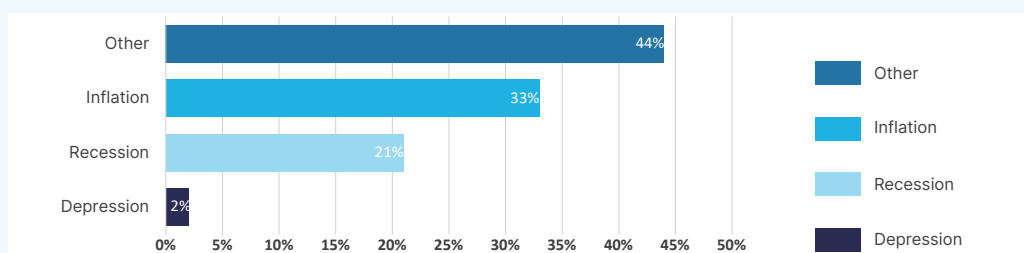
Meanwhile, respondents who expected a worsening economic climate cited China's ongoing economic slowdown and sluggish consumption in various countries as primary concerns. Rising U.S. protectionism could push Asian economies toward greater self-sufficiency, potentially disrupting established trade patterns. Geopolitical and economic uncertainties were mentioned by a number of respondents as reasons for a murky outlook.

About three-quarters of respondents anticipated growth in sales and capital spending over the next year, though fewer than half anticipated employment growth.

When asked about the biggest economic problems facing Asia, views were divided: 33 percent chose inflation and 21 percent chose recession (see Figure 2). Those concerned about inflation identified geopolitical conflict disrupting supply chains, rising energy, food, and commodity prices, currency depreciation eroding purchasing power, and the impact of climate change as drivers that would exacerbate inflationary pressures. Respondents worried about recession pointed to China's sluggish economic recovery, risks of a U.S. recession, and a loss of momentum and confidence.

FIGURE 2

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



For those who highlighted factors beyond inflation and recession, a commonly cited concern was geopolitical tensions, which have resulted in trade disruptions, investment uncertainties, and supply chain risks for businesses in Asia.

Business Leaders Rank Geopolitics as Paramount Concern, Closely Followed by the Environment, Finance, and Technology

Geopolitics remained the paramount concern among respondents, ranking first out of seven key issues. The environment, finance, and technology followed closely in terms of perceived importance. Public health registered as the lowest priority among respondents as the pandemic subsided.

Business leaders mentioned they are tackling geopolitical risks by diversifying supply chains, taking a more conservative investment approach, ensuring senior management engagement on geopolitical issues, and enhancing organizational capability to anticipate and navigate geopolitical risks, such as by using scenario planning and boosting government relations and regulatory compliance efforts. One respondent mentioned a “local for local” investment approach. Environmental concerns are being addressed through climate adaptation strategies, as well as a focus on the United Nations Sustainable Development Goals, ESG initiatives, and opportunities related to the green economy and wellness more generally. Those prioritizing financial issues focused on debt reduction, deleveraging, and liquidity preservation. Respondents who selected technology as the top area mentioned business model transformation, efficiency gains, and customer orientation as key focuses.

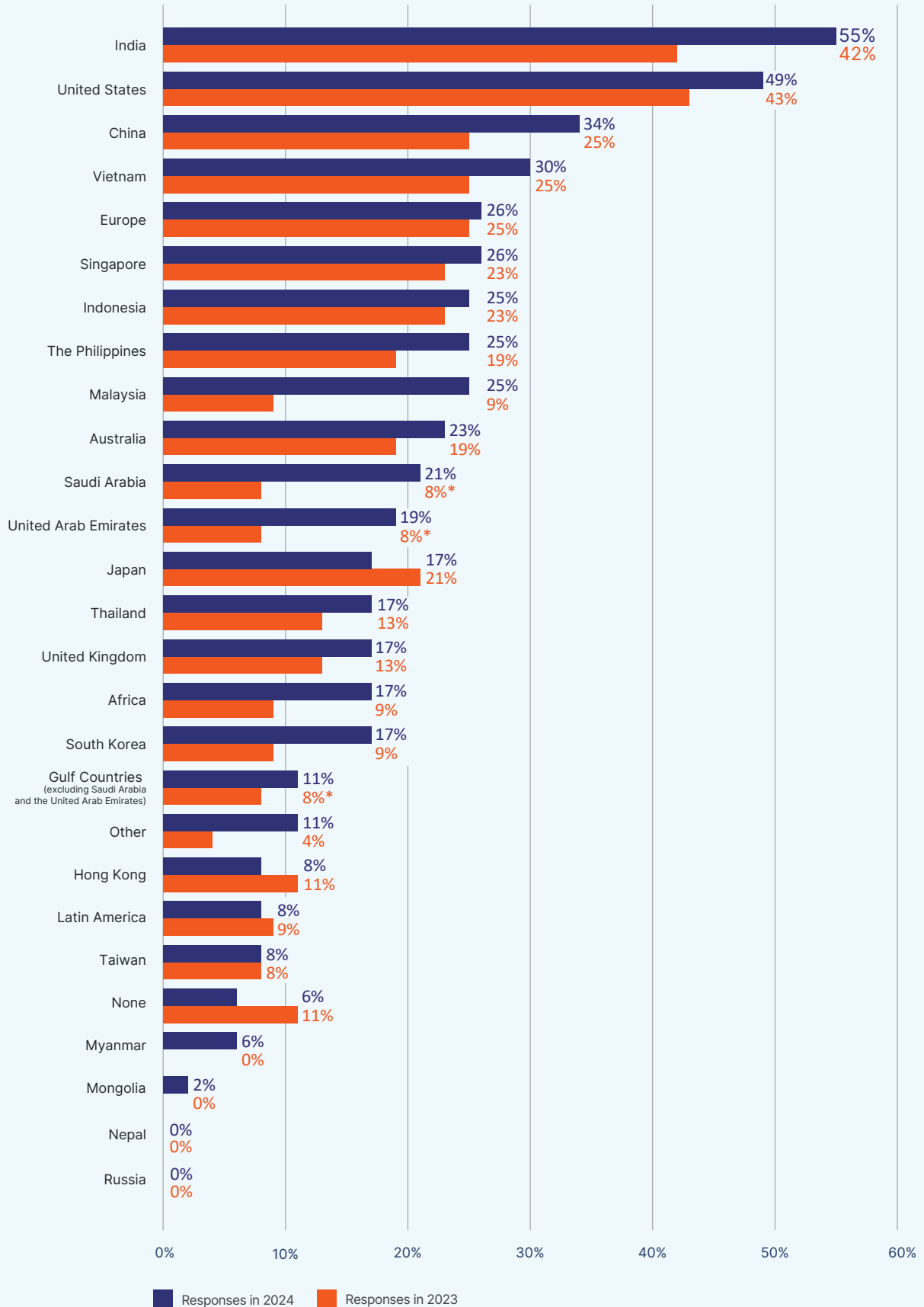
India Ranks First as Destination for Planned Investments, Followed by the U.S. and Mainland China

India emerged as the top investment destination of interest, with 55 percent of respondents planning new or increased investments in the country over the next 12 months, up from 42 percent last year (see Figure 3). The U.S. ranked second, with 49 percent of respondents indicating investment interest. Mainland China secured the third spot at 34 percent, up from 25 percent the previous year. In past years, mainland China and the U.S. dominated as preferred investment destinations for Council members.

China's weak economic growth and persistent U.S.-China tensions may have contributed to investor hesitancy in the Chinese market, though a rebound of investment interest from last year may indicate cautious optimism. The emergence of promising opportunities in India, the fastest-growing major economy, as well as domestic opportunities in the U.S., prompted strong interest in these two large markets. Investment interest in Saudi Arabia and the United Arab Emirates reached 21 percent and 19 percent respectively (compared to 8 percent when respondents were asked about the Gulf region as a whole last year), with companies from a range of industries mentioning planned investments. Other destinations that saw the most marked increase in investment interest included the Philippines, Malaysia, the continent of Africa, and South Korea.

FIGURE 3

In what countries/ regions do you plan to make new investments or increase your investment over the next 12 months?



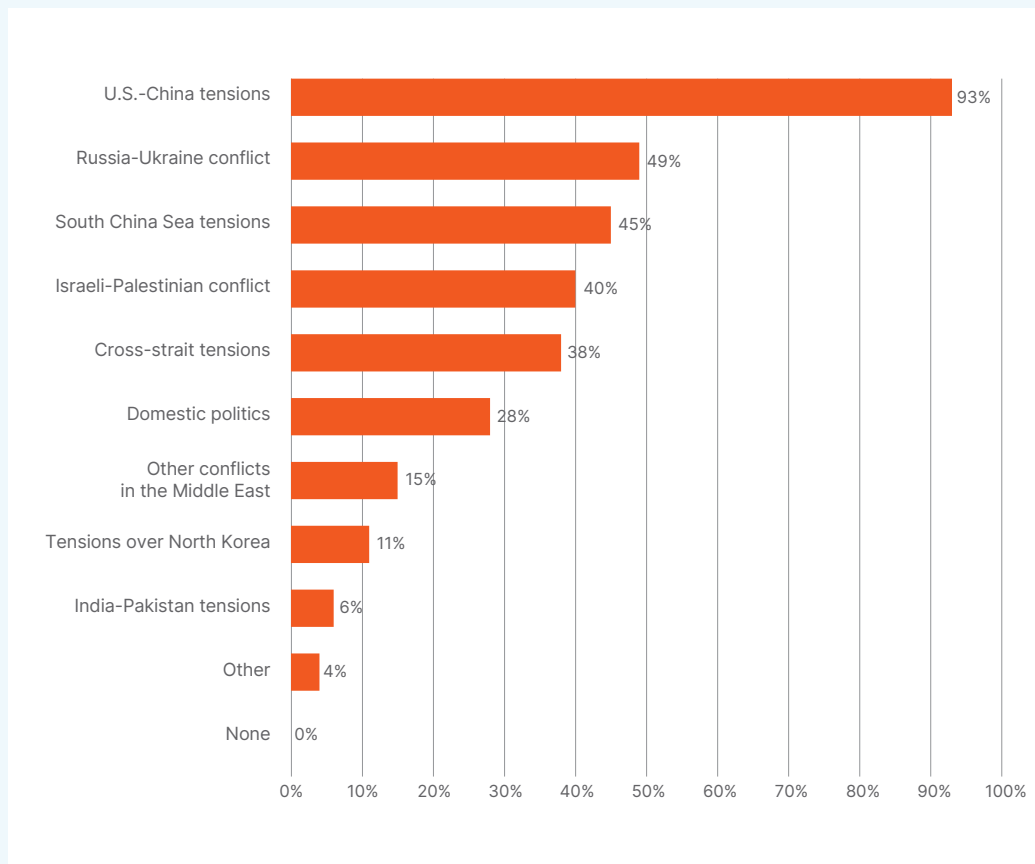
*Note: 2023 percentages are for the single category "Gulf Region."

Caught in the Crosshairs: U.S.-China Tensions Remain Significant Challenge

When asked what geopolitical developments concerned business in Asia, 93 percent of survey respondents selected U.S.-China tensions as a dominant geopolitical concern for their businesses (see Figure 4). This finding highlights the significant economic influence of both these superpowers in Asia. Underscoring the complexity of risks to businesses with an international footprint, one respondent mentioned that “every political issue can pose a risk for us, not only directly but also indirectly.”

FIGURE 4

Which geopolitical development(s) are you concerned about for your business in Asia?



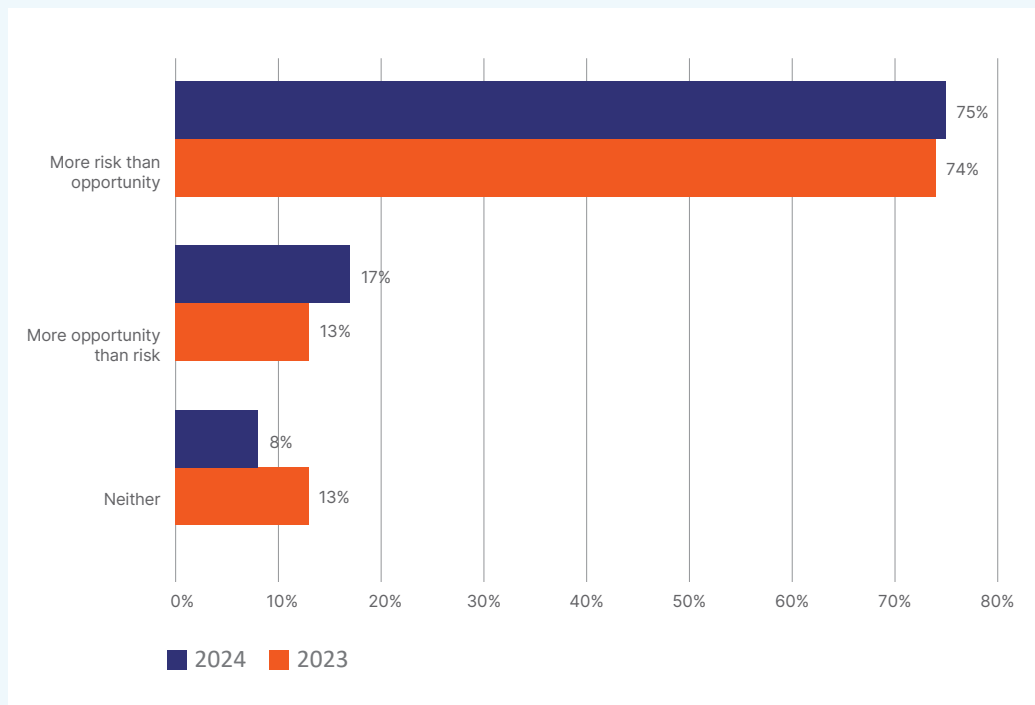
Other geopolitical developments of concern were the Russia-Ukraine conflict (49 percent), South China Sea tensions (45 percent), and the Israeli-Palestinian conflict (40 percent). The prominence of these concerns underscores the interconnected nature of global affairs and the potential for regional conflicts to impact business operations across Asia. Respondents pointing to the Russia-Ukraine conflict as a major concern highlighted its ripple effects such as the risk of higher food and energy prices.

Cross-strait tensions also posed risks to the global economy and trade relations, with respondents mentioning that the complicated business environments of mainland China and Taiwan affect export-oriented businesses. Twenty-eight percent of business leaders identified domestic politics as significant, with respondents mentioning election politics, delayed stimulus measures, and sector-specific regulations as factors affecting businesses and consumers.

U.S.-China tensions concerned a majority of respondents, with 75 percent believing that these bilateral tensions pose more risk than opportunity (see Figure 5). Meanwhile, 17 percent of respondents said the tensions presented more opportunity than risk, up from 13 percent last year. Only a minority of respondents said the tensions would not impact their businesses.

FIGURE 5

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



Those who thought that U.S.-China tensions presented more risk than opportunity said the distrust means increased scrutiny on corporate investments in a growing number of sectors deemed sensitive on national security grounds. Apart from the challenge of increasing investment costs, businesses also find it more difficult to exit current investments, and to make new investments. Heightened tensions would also lead to reduced trade flows. As one respondent put it, “Nothing good is created by tensions.” A de-risking strategy to counter the negative impact has been to promote more local production and consumption.

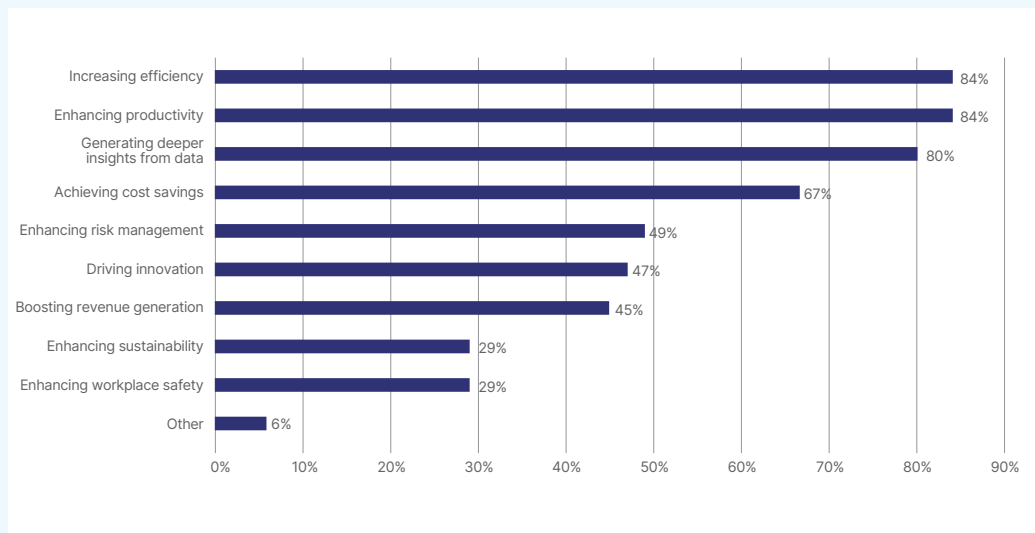
The minority of respondents who indicated that U.S.-China tensions had "no impact" on business pointed to their emphasis on the domestic market as a buffer from geopolitical tremors. Several others saw a silver lining in the shifting dynamics, specifically the opportunity to seize a more prominent role in evolving global supply chains.

AI-Powered Asian Business: Unlocking Productivity, Efficiency, and Deeper Insights

Asian business leaders saw immense potential in AI, with a significant 84 percent leveraging AI to enhance both productivity and efficiency (see Figure 6). Furthermore, 80 percent believed that AI will be instrumental in unlocking deeper insights from data, enabling more informed decision-making. Cost savings (67 percent) also emerged as an expected benefit for AI adoption.

FIGURE 6

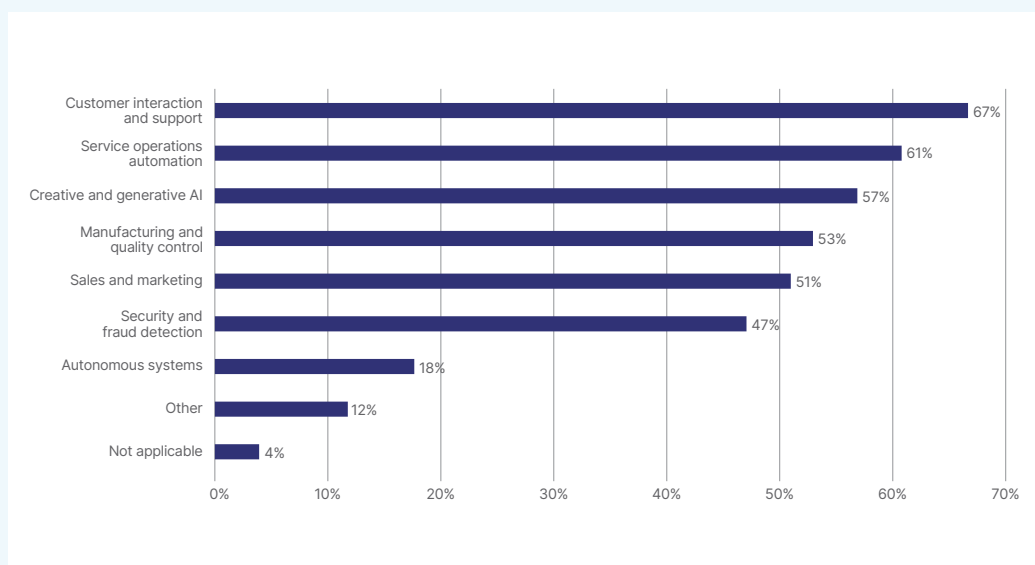
What benefit(s) do you expect from integrating AI technology into your business operations?



This enthusiasm translated into tangible action, with AI integration already underway in respondents' businesses. Customer interaction and support, as well as service operations automation, were the leading areas for AI deployment (see Figure 7). Creative and generative capabilities of AI were also being harnessed, with 57 percent of respondents' businesses exploring these applications. Additional areas of AI deployment included manufacturing and quality control, showing a broad range of functions for AI adoption.

FIGURE 7

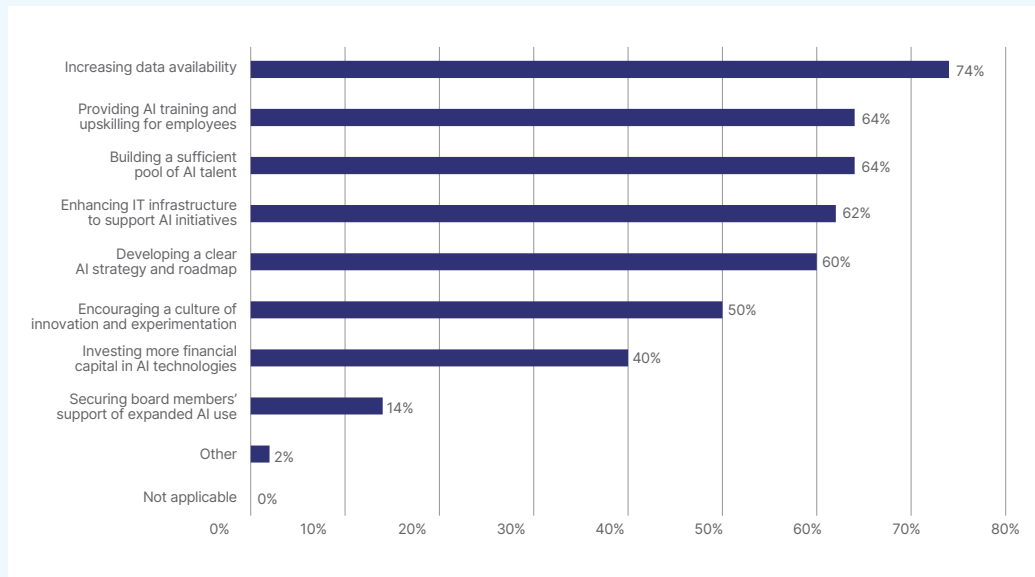
What type(s) of AI has your company adopted for business operations?



Asian business leaders are also focused on boosting their businesses' capabilities for successful AI integration. When asked about key organizational enablers for wider AI adoption, 74 percent of respondents emphasized the critical role of increasing data availability (see Figure 8). Sixty-four percent of respondents emphasized the need for AI training for employees and a sufficient AI talent pool, while 62 percent cited enhanced IT infrastructure to support AI initiatives. These priorities highlight the recognition among Asian business leaders of the importance of both the “hardware” and “software”—physical infrastructure and human skills—that are crucial to unlocking the full potential of AI in business.

FIGURE 8

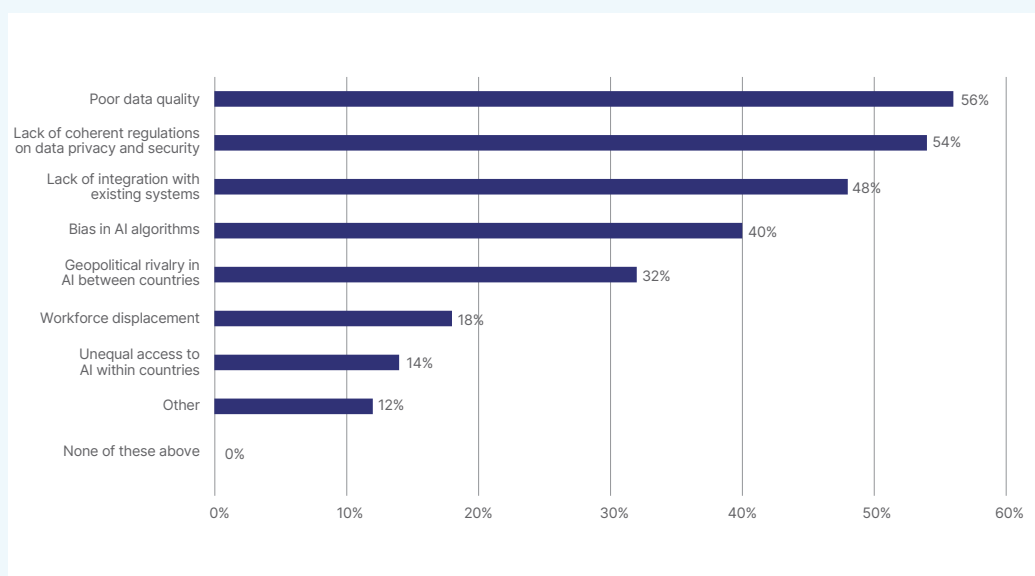
What factor(s) within your organization would help increase AI adoption?



While Asian business leaders were enthusiastic about AI's potential, survey results also revealed that poor data quality (56 percent) and lack of coherent regulations surrounding data privacy and security (54 percent) as top concerns (see Figure 9). This dual focus underscores the delicate balance between having appropriate data for AI models, and relatedly, rectifying bias in AI algorithms, and navigating the regulatory complexities and uncertainties in handling such data for AI development. In addition, survey participants highlighted the challenge of integrating AI into existing systems seamlessly. By comparison, broader issues of AI rivalry, worker displacement, and AI digital divide featured less prominently among perceived concerns about AI development this year.

FIGURE 9

What challenge(s) in AI adoption are you concerned about?



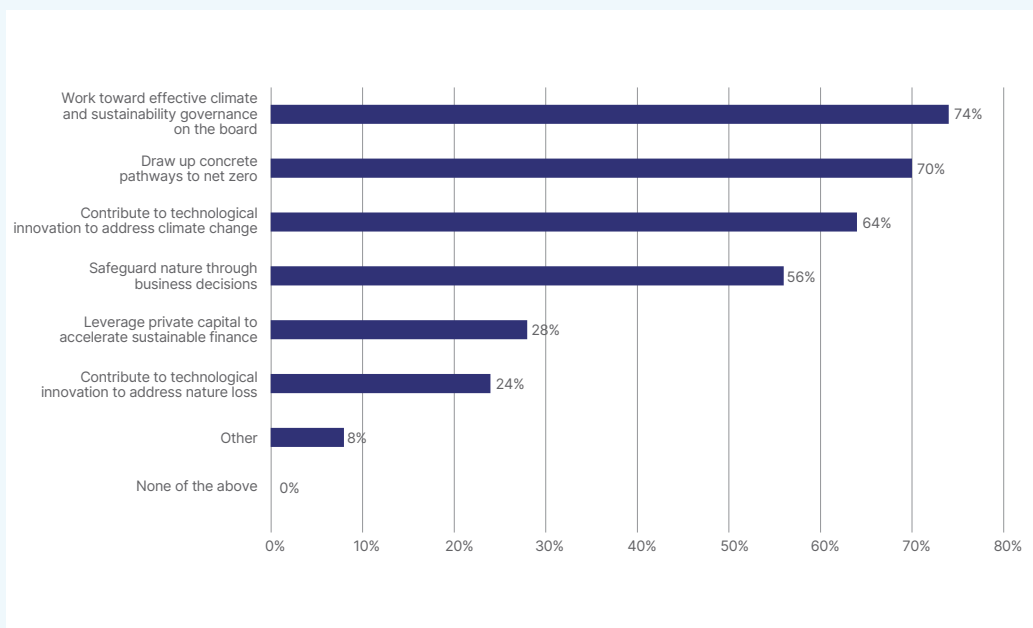
Asian Executives Drive Concrete Action on Climate and Growth

The Asia Business Council issued its inaugural [Statement on Climate Action and Sustainable Growth in 2022](#), which the majority of Council members (80 percent) endorsed at the time. Signatories were united in their calls for a more prominent Asian voice in global discussions on climate and sustainability, recognizing the region's crucial role in shaping a sustainable future.

Fast forward two years, many have translated their commitment into tangible efforts. Three-quarters of respondents—a strong majority—were actively working toward effective climate and sustainability governance at the board level, demonstrating that these issues are now central at the most senior levels in Asian businesses (see Figure 10). Furthermore, 70 percent were developing and implementing tangible pathways to achieve net-zero emissions, indicating a proactive approach to decarbonization. Their commitment extended to fostering innovation, with 64 percent actively contributing to the advancement of technological solutions to avert climate change.

FIGURE 10

What sustainability effort(s) have you undertaken or are you engaged in?



Summary

Despite lingering concerns over inflation, potential recession, and ongoing U.S.-China tensions, the survey revealed a prevailing sense of cautious optimism regarding the future of Asian business.

Geopolitical uncertainty and environmental concerns remained top of mind as respondents strategized to mitigate potential risks. U.S.-China relations, in particular, continued to top the list of geopolitical concerns, with a majority of respondents perceiving these bilateral tensions as presenting greater risk than opportunity. This uncertainty, coupled with an interest in investment opportunities elsewhere, especially in India and the U.S., has prompted a recent reshuffling of rankings in planned investment destinations.

Many companies have taken proactive steps to navigate the uncertain U.S.-China landscape by diversifying and/or localizing operations, taking more conservative investment approaches, and bolstering in-house geopolitical expertise. While a weak Chinese economy and lingering pandemic effects cast a shadow on the near-term outlook for Asia, several business leaders expressed optimism for the region's long-term prospects.

Last but not least, respondents highlighted the benefits of and efforts in integrating AI and climate initiatives into business operations, indicating senior management engagement in these increasingly important areas for Asian businesses.