Asia Business Council Annual Survey 2025

November 2025

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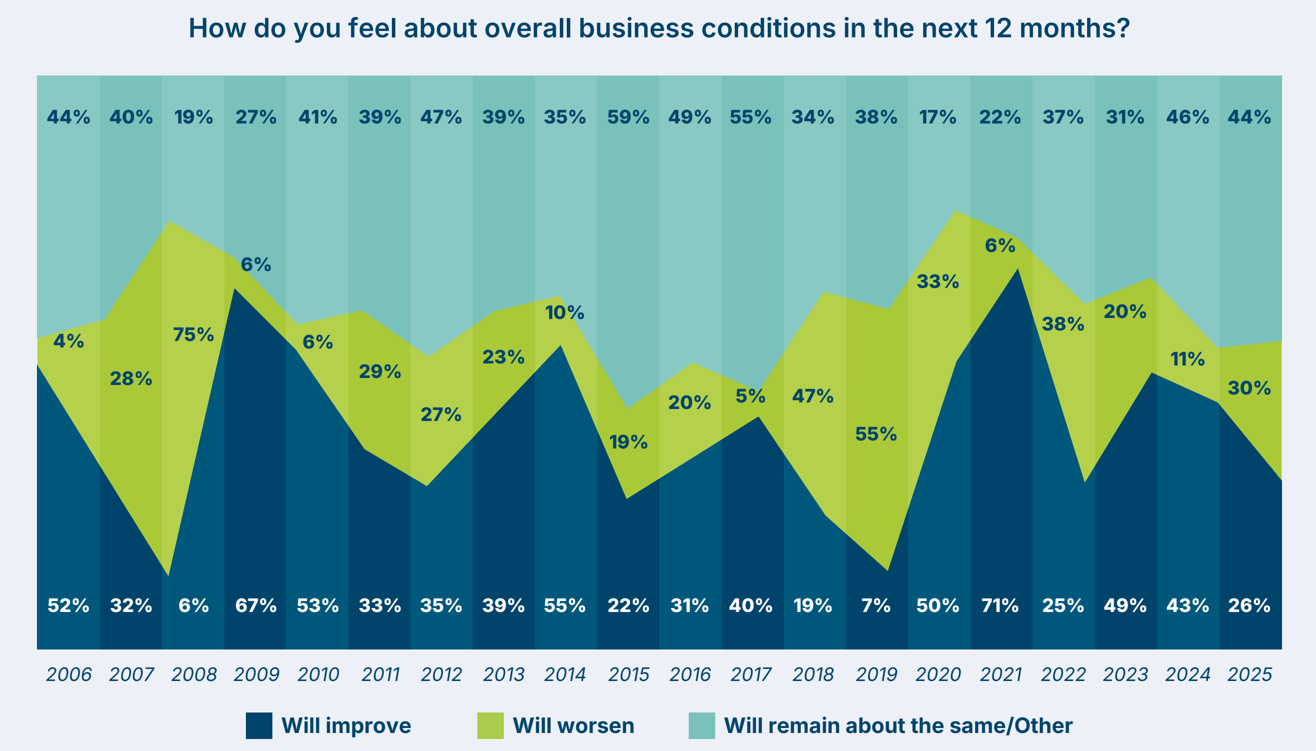
Executive Summary

Asia's mixed business outlook amid economic and geopolitical uncertainty

- The Asia Business Council conducted its annual survey of members in July and August 2025, offering a set of perspectives from CEOs and Chairmen of predominantly Asian businesses. The survey had a response rate of 69 percent (57 out of 83 members).

- Overall business sentiment was mixed, with 44% of respondents believing business conditions in Asia will remain unchanged in the next 12 months or they are uncertain, largely due to the evolving trade situation and geopolitical tensions affecting Asian economies. Additionally, 30% anticipated that business conditions would deteriorate over the next 12 months, while 26% expressed optimism about business conditions improving (see figure 1). Those who were more pessimistic particularly worried about the impact of U.S. tariffs on export-dependent economies. China's manufacturing slowdown and overcapacity, as well as weak Japanese growth, were seen as potential triggers for broader regional disruptions. Optimists saw resilience in Asia's economy, driven by tech innovation, supportive policies, and stronger regional trade. Despite global tensions, growth in markets such as India and Southeast Asia, along with digitalization, fueled a more positive outlook.

- While inflation remains a concern (13%), due to disrupted supply chains and rising costs, fears of recession (35%) or economic slowdown (48%) are becoming more pronounced amid declining exports, weakened confidence, and tariff-related uncertainties. Multiple respondents commented that Asia faces mounting economic uncertainty driven by a combination of trade and geopolitical tensions, as well as concerns over China's economic slowdown and overcapacity.

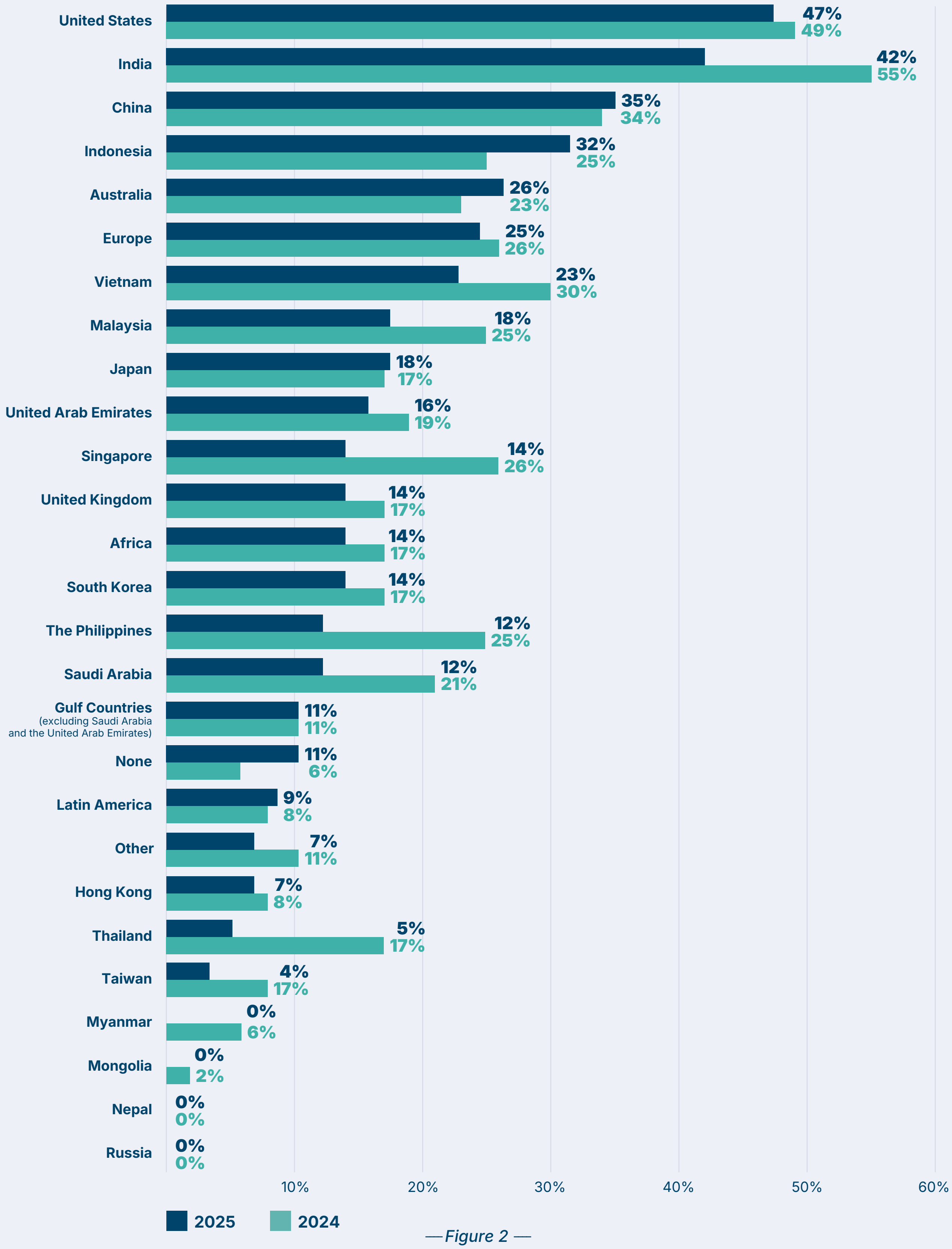


— Figure 1 —

The U.S., India, and China topped investment destinations

- The United States emerged as the leading destination for new and increased investments. As several respondents pointed out, investments in the U.S. will likely expand due to both trade uncertainties and the country's large market, even as other economies risk an export decline. India came second and remained the top destination for increased investment, given the continued emergence of opportunities in the country. China came third as a destination for both new and increased investments (see figure 2). Indonesia, Australia, and Europe followed closely as preferred investment destinations. One respondent commented that the rise in uncertainty will dampen investment activities across the board, and that collaboration within Asia and with other regions will be critical.

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



— Figure 2 —

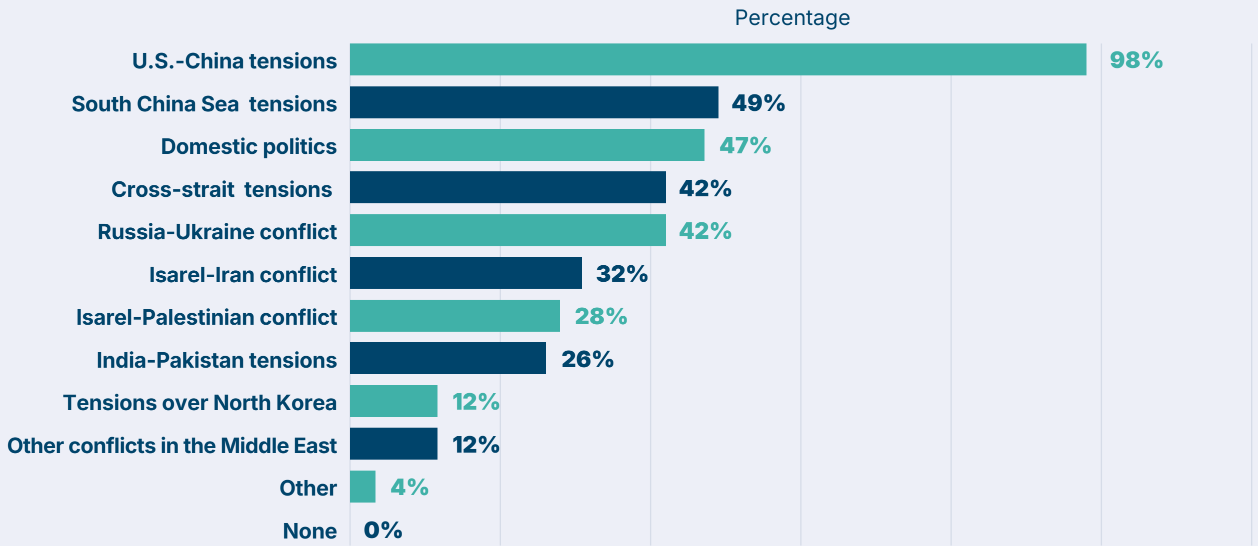
Geopolitics remained the top area of concern, led by U.S.-China tensions, while worry over domestic politics rose sharply

- Geopolitics was the top-of-mind area of concern for respondents, followed closely by technology and energy. Among geopolitical developments, U.S.-China tensions concerned 98% of respondents (see figure 3), as they had the previous year. Respondents cited concerns over trade and technology, protectionism, and regional instability. Many worried that geopolitical mistrust will reshape global alliances, influence technology policy, and cause capital outflows in Asia's financial hubs. These uncertainties are prompting companies to diversify both their supply chains and markets, thereby reducing their dependency on any single country. There was also a strong emphasis on staying agile through continuous risk assessments, open government engagement, and strategic partnerships to manage potential disruptions in global trade and regulation.

- The South China Sea was viewed as a potential flashpoint by half of the respondents (49%). Companies feared that rising military tensions could disrupt critical shipping routes, raise logistics costs, and threaten maritime trade flows, especially for countries that rely heavily on sea trade. The broader concern was that any escalation could undermine regional security, impacting business confidence and global supply chains, particularly in sectors like energy and electronics.

- The share of respondents citing domestic politics as a source of volatility increased markedly, with almost half of the respondents (47%) selecting it, as compared to 28% last year. Many believe geopolitical challenges will either influence their country's domestic political landscape, or that domestic politics will shape external geopolitical developments. These dynamics may in turn alter regulatory environments, delay government spending, weaken a country's ability to respond to global risks, and create uncertainty in compliance, tax, and investment climates for multinational firms.

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

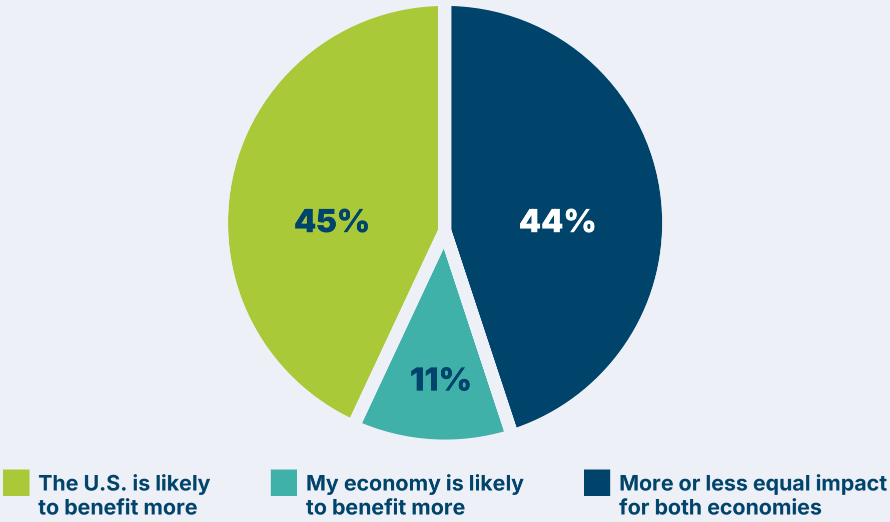


— Figure 3 —

Trade deals were perceived as more beneficial to the U.S., with tariffs seen as a lose-lose strategy

- Nearly 70% of the respondents believed that their industry would face tariff rates between 10-25% imposed by the U.S. administration. In terms of impact, 45% of respondents anticipated that any trade deal between their economy and the U.S. would benefit the U.S. more, and only 11% believed their economy would benefit more. The remaining 44% expected a trade deal between their economy and the U.S. to have an equal impact on both sides within the next six months (see figure 4). A common theme that emerged in respondent comments was that tariffs were a lose-lose strategy with no long-term winners, with both their own country and the U.S. ultimately being worse off.

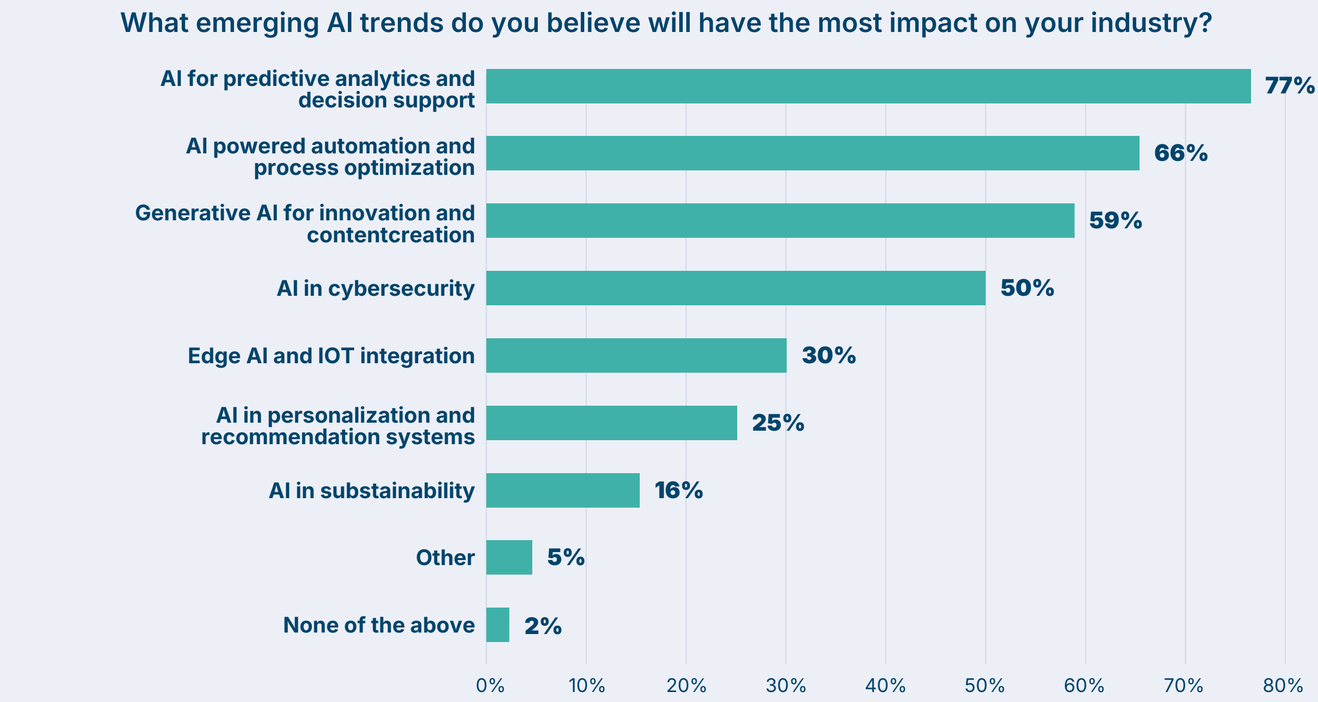
What impact do you expect a trade deal between the U.S. and your country will have on your economy by the next six months?



— Figure 4 —

AI adoption surged as businesses prioritized AI talent, training, and strategy amid data and regulatory roadblocks

- Similar to last year, the majority of respondents have implemented artificial intelligence (AI) in their business practices. About 77% of respondents identified the most impactful emerging AI trends as predictive analytics and decision support, followed by AI-powered automation and optimization (66%), and generative AI for innovation and content creation (59%) (see figure 5).

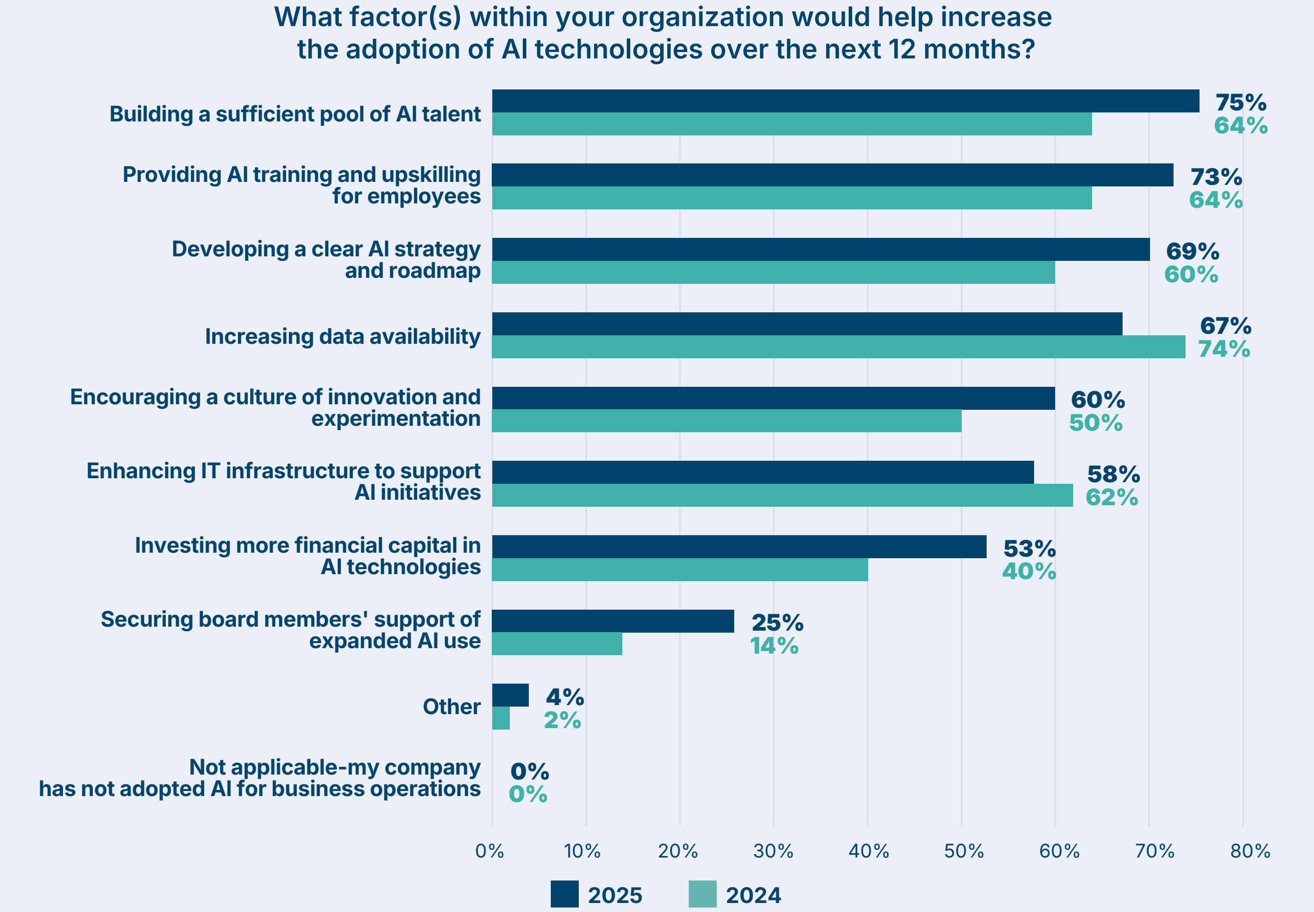


— *Figure 5* —

- When asked about the AI functions businesses plan to adopt in their operations, the largest share of respondents (76%) indicated plans to expand AI for customer interaction and support, followed by service operations automation (74%).

- However, when asked about the challenges in AI adoption, broader concerns about data quality (58%) and regulatory frameworks (49%) remained major roadblocks, as they had last year.

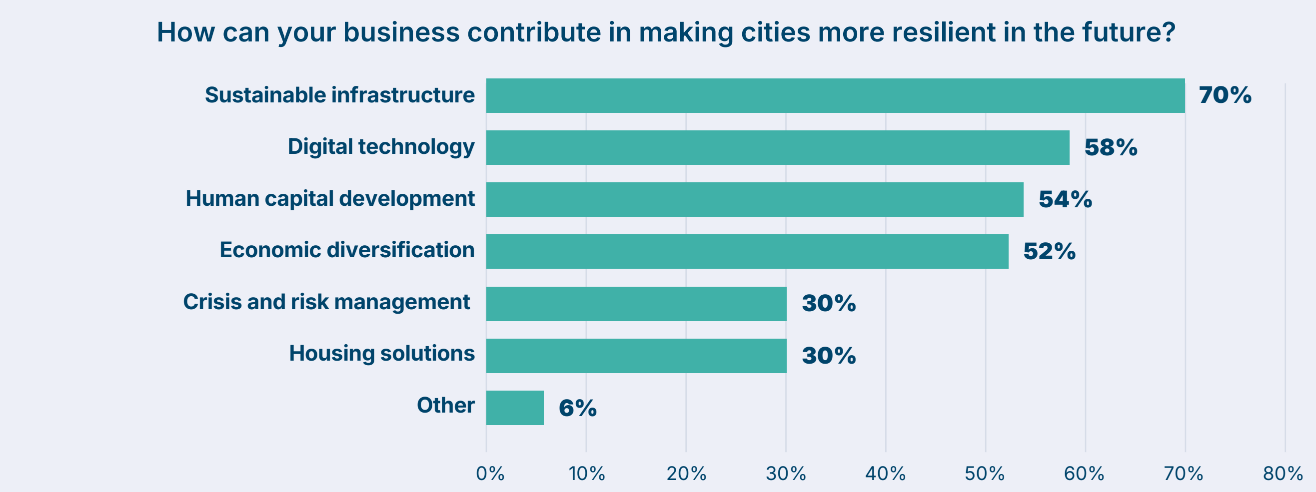
- At the corporate level, building a sufficient pool of AI talent (75%) and providing training and upskilling (73%) overtook increasing data availability (67%) as a top factor for AI adoption. Developing a clear AI strategy and roadmap (69%) also became a much bigger priority for respondents in unlocking the full potential of AI (see figure 6).



— Figure 6 —

Other business priorities and company policies

- When asked about how businesses can contribute to make cities more resilient, the largest share of respondents stated sustainable infrastructure as a key area of focus (70%). Digital technology, human capital development, and economic diversification were each seen by more than half of the respondents as crucial ways of improving the resilience of cities (see figure 7).



— Figure 7 —

- Respondents were asked about company policies for talent recruitment, retention, and development. When it comes to building a globally competitive workforce, a large majority of respondents (68%) believe that incorporating cross-cultural and international experiences into leadership and talent development is key, while about half of the respondents favored subsidies for short-term training and continuing education abroad (see figure 8).

— Figure 8 —

- When asked about other work-related policies, about half of the respondents offered more paid holidays relative to the statutory minimum in their countries, and half offered the statutory days required. Two-thirds of the respondents implement some form of work-from-home or remote work policies, while one-third do not have these policies. These policies also vary across different economies, sectors, and job descriptions, and are used on a limited basis or as a secondary arrangement, usually to provide flexibility.