

# SBF ASEAN OUTLOOK SURVEY

2017  
2018

SUMMARY REPORT

Commissioned by:



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# Foreword



We are pleased to share with you this summary report on the findings of the SBF ASEAN Outlook Survey 2017/2018. As Singapore assumes the role of the Chair of ASEAN in 2018, the Singapore Business Federation (SBF), in partnership with HSBC, commissioned the SBF ASEAN Outlook Survey 2017/2018 to gain deeper insights into Singapore-based companies' interest in ASEAN.

The objective of the survey was to explore how Singapore companies are venturing into ASEAN, and as business partners, discover how both SBF and HSBC can support businesses navigate new markets and capture growth opportunities.

1,036 companies responded to the survey conducted from December 2017 to March 2018. 77% of companies indicated they are planning to expand in 2018-2019. Of these, 77% identified ASEAN as the target region, followed by China (22%) and South Asia (15%).

Within ASEAN, Indonesia and Malaysia are the priority markets to enter in 2018-2020, followed by Vietnam, Thailand and Myanmar.

The bulk of companies expressing interest to expand into ASEAN are from the wholesale and retail trade, manufacturing, financial and insurance, information and communications, and construction sectors.

More than 80% of the companies surveyed cited growth potential and ease of access to new markets as the top motivations for expanding into ASEAN. Customer proximity, cost efficiency and productivity, as well as brand development are complementary factors driving their internationalisation interest.

Notwithstanding their interest, companies are also concerned about the uncertain economic and political conditions, difficulty in hiring Singaporeans for overseas jobs, lack of knowledge on market opportunities and customer requirements, difficulty in sourcing local operational support, and difficulty in getting permits and licences, as potential barriers to their internationalisation plans.

7 in 10 companies perceive that ASEAN Economic Community (AEC) integration will bring opportunities for them. Despite the general positive sentiment towards AEC, 2 in 5 companies feel they are inadequately informed.

It is promising to note that the ASEAN economy is projected to grow by 6.2%<sup>1</sup> in 2018, as compared to the world GDP growth of 3.7%. ASEAN is also poised to maintain its growth momentum, averaging 5.2% per year from 2018 to 2022<sup>2</sup>. 70% of the respondents indicated they are currently operating outside of Singapore. SBF is exploring how to bank on this extensive network of Singapore companies to help other Singapore companies to venture into ASEAN.

We hope that the findings from this survey will be useful to you. I would like to acknowledge HSBC who has sponsored this survey and all our member companies who have participated in this year's survey. We have heard you through this survey. SBF will work closely with Government agencies and trade associations to step up our efforts to help companies venture into ASEAN through providing market entry advisory services, opportunities to garner business connections, as well as helping them better understand and leverage Singapore's network of Free Trade Agreements.

*Ho Meng Kit*  
CEO

**SINGAPORE BUSINESS FEDERATION**



**SBF ASEAN  
Outlook Survey 2017/2018**

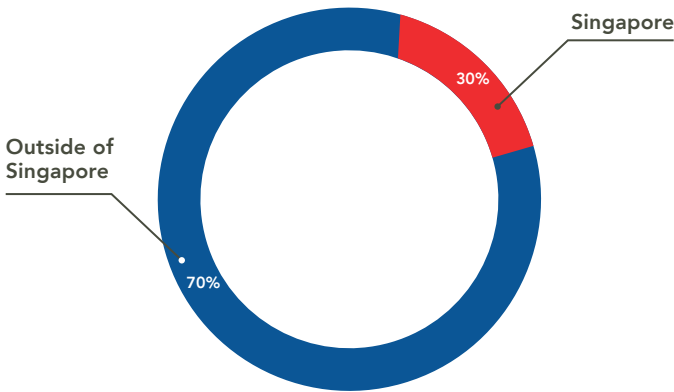
Singapore assumes the Chair of the Association of Southeast Asian Nations (ASEAN) in 2018. To uncover key insights on Singapore companies' sentiments towards ASEAN, the *Singapore Business Federation* (SBF), in partnership with *HSBC*, commissioned independent research advisory firm *Spire Research and Consulting* to conduct the SBF ASEAN Outlook Survey 2017/2018.

Among the companies surveyed, 70% have overseas operations and of which, **75% are present in ASEAN** (outside of Singapore). The top five ASEAN countries (outside of Singapore) where the companies currently operate in are **Malaysia, Indonesia, Thailand, Vietnam and Philippines**. The two most common modes of operation across ASEAN by these companies are distributor network and subsidiaries/ joint ventures (more than 60%).

The survey, conducted from December 2017 to March 2018, collected views from 1,036 Singapore companies across all major industries.

**Current Operational Presence**

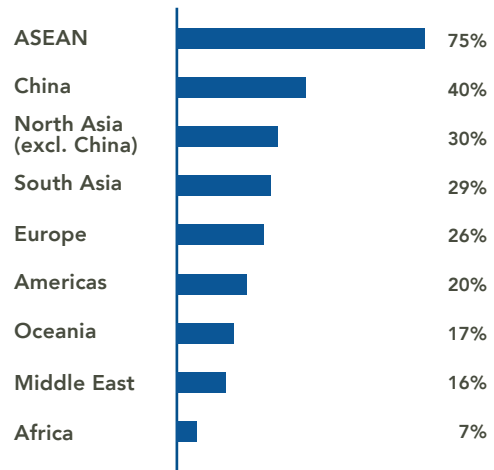
**Q:** Outside of Singapore, which of the following markets is your company currently also present in?



n=1,036

**Regional Presence**

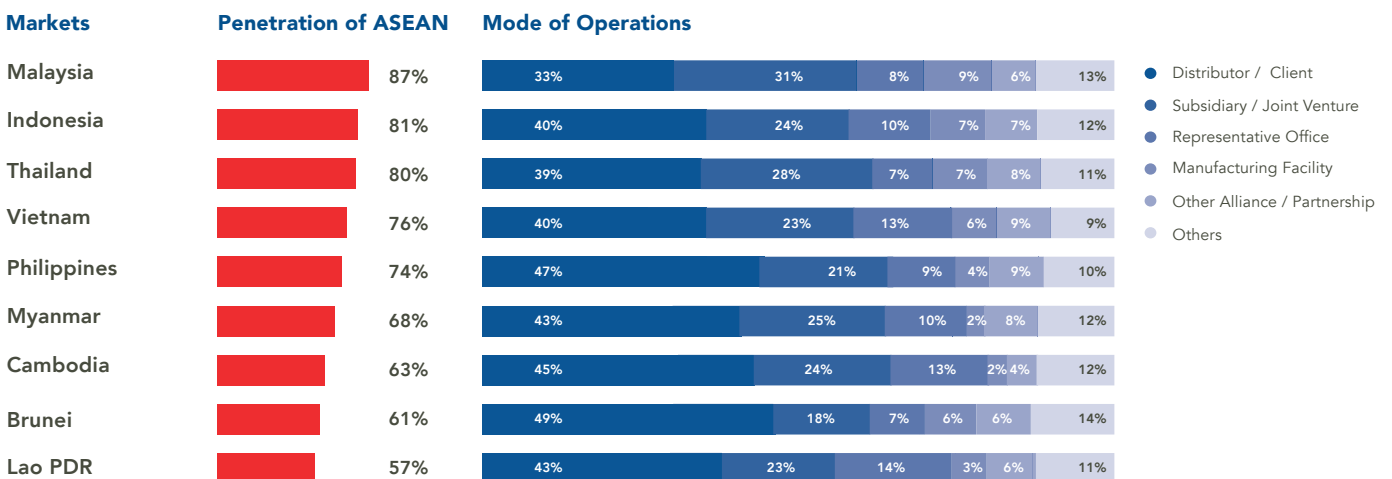
**Q:** Outside of Singapore, which of the following markets is your company currently also present in?



n=728

**Modes of Operations in ASEAN**

**Q:** If your company currently has overseas presence in the ASEAN region, which market does your company have the following operations in?



n=548

**COMPANIES EXPECT POSITIVE ASEAN**

**Business Outlook Driven By High Growth Potential**

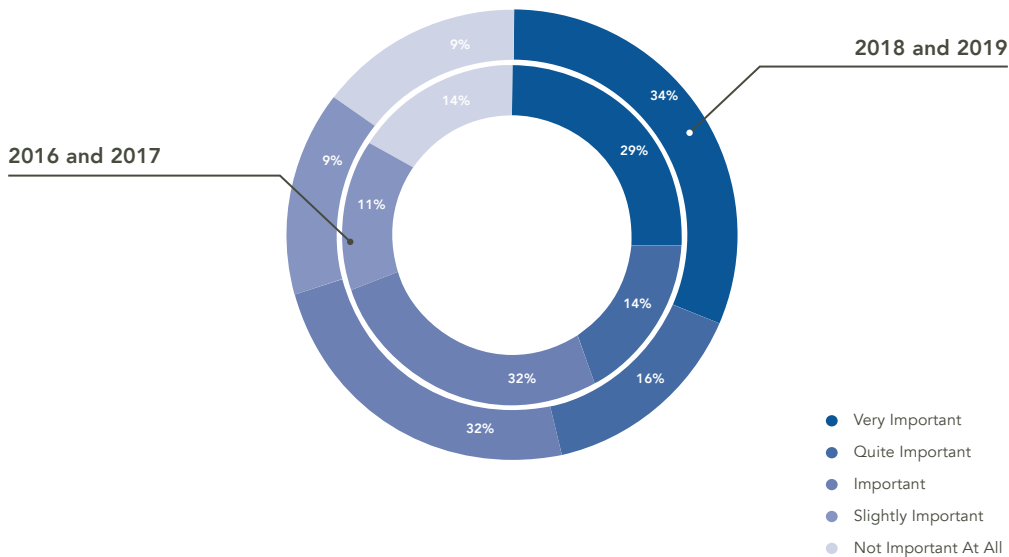
ASEAN's market of more than 600 million people, and almost *US\$3 trillion in combined GDP*, represents vast opportunities for Singapore companies.

86% of the companies surveyed view that ASEAN is important for the company's overall global strategy in 2016/2017. Looking ahead to 2018/2019, this proportion grows to 91%.

Moving forward, companies are also generally more optimistic about the business outlook in ASEAN. While 29% of companies expect an increase in ASEAN turnover in 2017/2018 as compared to 2016/2017, this proportion *grows to 41%* when it comes to expecting an increase in ASEAN turnover in 2018/2019.

**Importance of ASEAN to Overall Global Strategy**

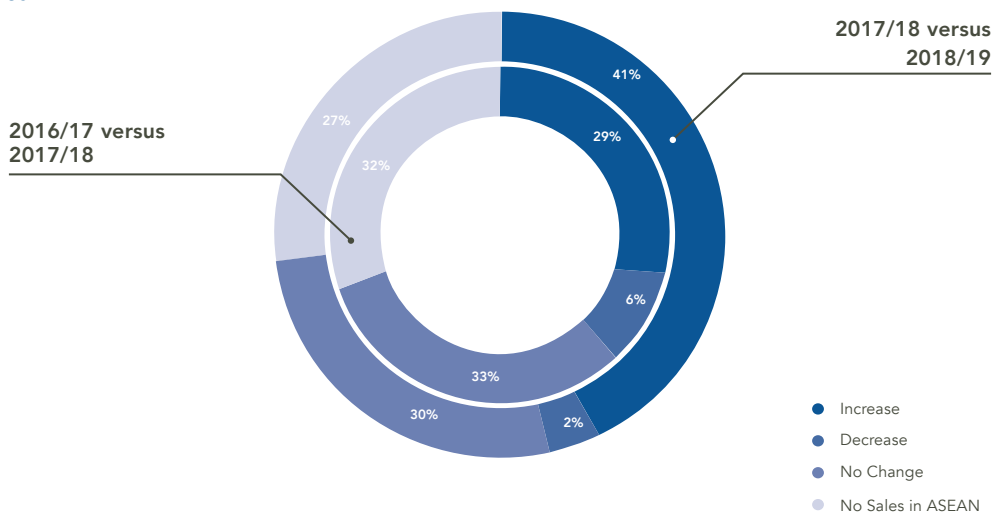
**Q:** How important is the rest of the ASEAN region, excluding Singapore, for your company's overall global strategy over the next 2 years?



n=1,036

**Current and Outlook for ASEAN Business Performance**

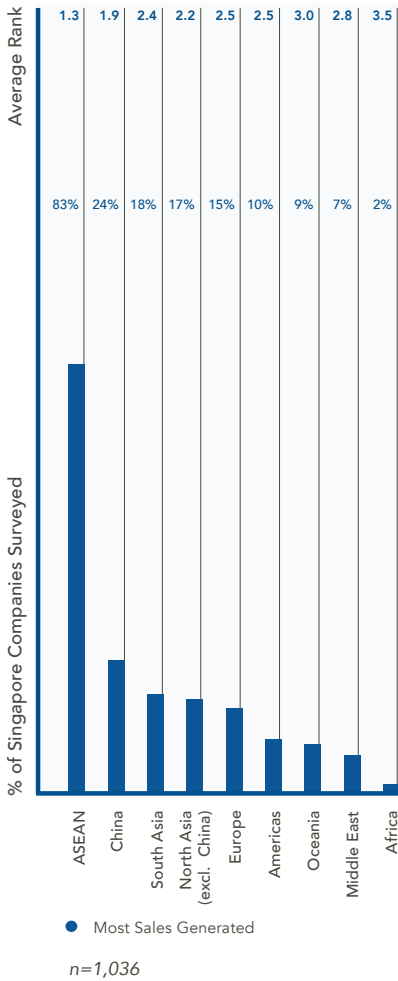
**Q:** What is the outlook for your company's overseas sales next year, specifically to the rest of the ASEAN region, excluding Singapore, as compared to this year?



n=1,036

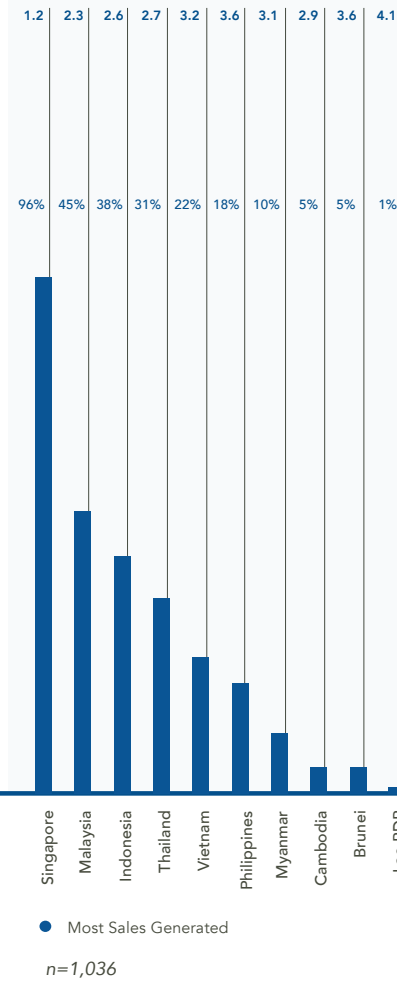
## Source of Sales by Region

**Q:** Which of the following markets did your company in Singapore generate most of its sales / incur most of its expenses from in the past 5 years?



## Source of Sales and Expenses, by Country

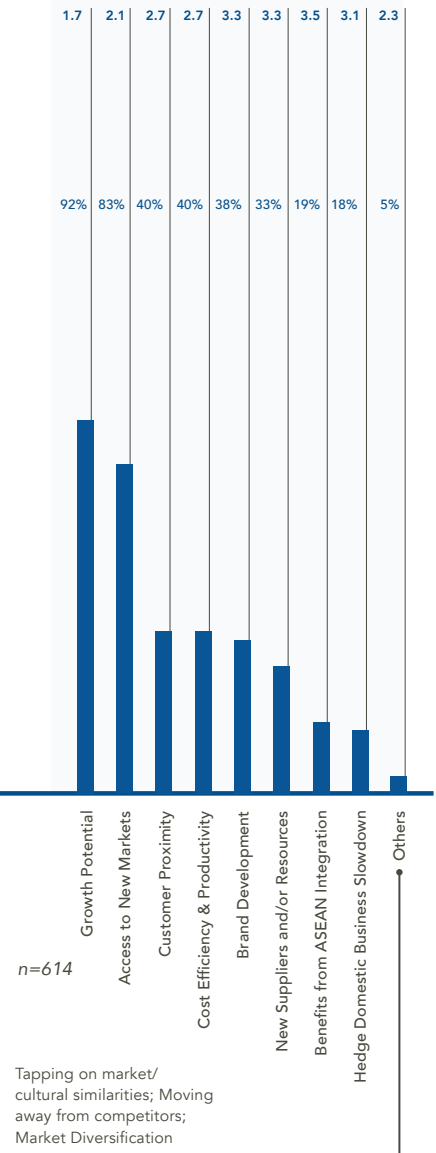
**Q:** Which of the following ASEAN markets did your company generate most of its sales / incur most of its expenses from in the past 5 years?



## Motivation(s) for ASEAN Expansion

**Q:** Which of the following factors are your company's motivations for expanding into the rest of the ASEAN region excluding Singapore?

Select up to the top 5 factors and rank them accordingly with '1' being the most important factor and '5' being the least important factor".



**83%** of the Singapore companies surveyed generate most of its sales from ASEAN as compared to the other regions.

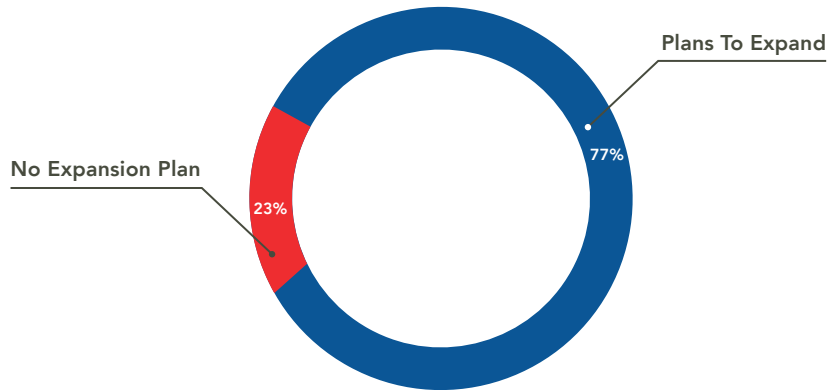
Unsurprisingly, the top 5 sources of sales come from *Malaysia, Indonesia, Thailand, Vietnam, and Philippines*.

An overwhelming majority (92%) cites the growth potential of ASEAN as the top motivation for expanding into the region.

# COMPANIES ARE KEEN TO EXPAND Into ASEAN But Face A Mix Of Challenges

## Expansion Plans over 2018 - 19

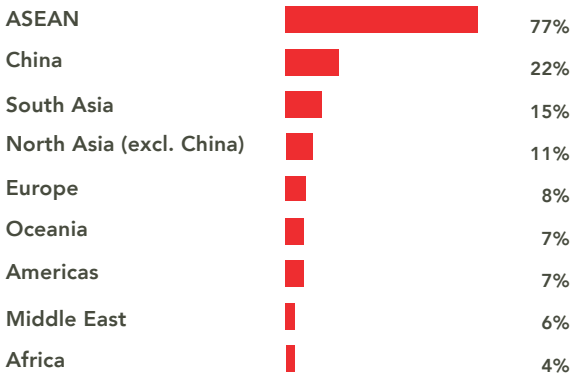
**Q:** Which of the following markets is your company planning to expand into/further within the next 2 years?



n=1,036

### Targeted Region(s) for Expansion

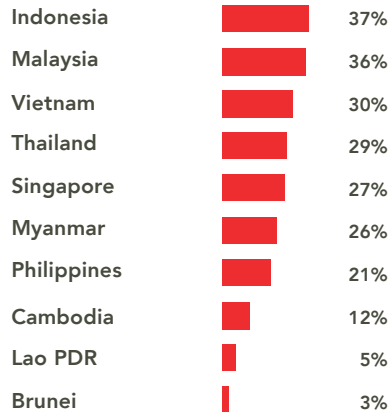
**Q:** Which of the following markets is your company planning to expand into/further within the next 2 years?



n=793

### Targeted Country(s) for Expansion

**Q:** Which of the following markets is your company planning to expand into/further within the next 2 years?



n=614

### Major Challenges When Expanding Overseas in ASEAN

**Q:** Which are your company's top 5 major challenges when expanding specifically into the rest of the ASEAN region, excluding Singapore?



n=1,036



## 77% of companies have plans to expand their businesses beyond Singapore in the next two years. Among these companies, 77% are keen to expand into ASEAN.

**Q:** Please rate each ASEAN country on the following attributes, with 10 being the most attractive and 1 being the least attractive.

	SINGAPORE	MALAYSIA	INDONESIA	THAILAND	VIETNAM	PHILIPPINES	MYANMAR	CAMBODIA	BRUNEI	LAO PDR
Presence of Singapore Companies (By Ranking)	-	1	2	3	4	5	6	7	8	9
Targeted Countries for Expansion (By Ranking)	5	2	1	4	3	7	6	8	10	9
Potential Customer Demand	37%	49%	55%	52%	52%	42%	34%	22%	21%	18%
Overall Investment Climate	45%	36%	30%	40%	31%	26%	20%	17%	19%	16%
Favourable & Transparent Foreign Investment Regulations	58%	22%	14%	22%	16%	15%	9%	11%	14%	14%
Ease of Relationship - Building With Customers, Suppliers & Partners	56%	35%	21%	32%	20%	22%	13%	13%	14%	11%
Ease of Dealing with Bureaucracy	53%	15%	9%	13%	11%	11%	6%	7%	11%	6%
Availability of Skilled Labour	36%	25%	13%	18%	12%	24%	9%	5%	7%	5%
Business Costs	20%	25%	22%	28%	21%	19%	17%	22%	13%	16%
Level of Safety & Stability	66%	13%	8%	18%	11%	6%	9%	8%	21%	7%
Level of Physical Infrastructure	65%	22%	10%	18%	9%	8%	5%	5%	11%	5%
Level of Digital Infrastructure	59%	22%	7%	21%	11%	11%	5%	4%	8%	3%

● T3B: Ratings 8 - 10 (out of 10) ● Top 5 Attractive Factors

n=1,036

Indonesia and Malaysia are identified as the top priority markets to enter, followed by Vietnam, Thailand and Myanmar.

Within these markets, potential customer demand, overall investment climate, ease of relationship-building and business costs are ranked among the top five attractive attributes.

Specifically for Indonesia, Vietnam, Thailand and Myanmar, favourable and transparent foreign investment regulations ranks amongst the top five attractive attributes. The availability of skilled labour is also the top attractive attribute in Malaysia. Singapore, Malaysia and Thailand score the highest in the level of digital infrastructure within ASEAN.

In venturing into ASEAN, uncertain economic and political conditions in ASEAN appear to be the biggest challenges for companies.

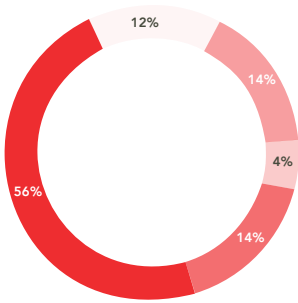
They are also concerned with key issues such as difficulty in hiring Singaporeans for overseas job scope, lack of market knowledge, and difficulty in sourcing local operational support.

## LOW AWARENESS AND USAGE

### Of ASEAN Economic Community (AEC) And ASEAN Free Trade Agreements (FTAs)

#### Perceived Impact of AEC/Integration

**Q:** Looking ahead, how do you think the ASEAN Economic Community or the ASEAN regional economic integration will impact your company?



n=1,036

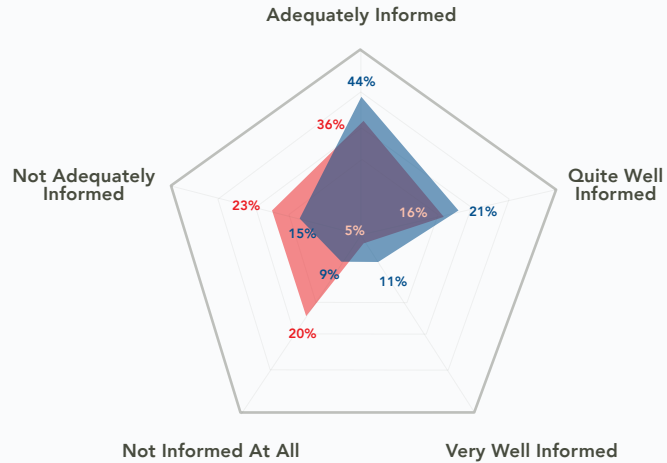
- Some Opportunities 56%
- Significant Opportunities 14%
- Some Challenges 14%
- Significant Challenges 4%
- No Impact At All 12%

#### Awareness of AEC/Integration amongst Small and Medium-Sized Enterprises (SMEs)

**Q:** Is your company a small-or-medium enterprise (SME) or a large company/ enterprise?

#### Awareness of AEC/Integration amongst Large Enterprises

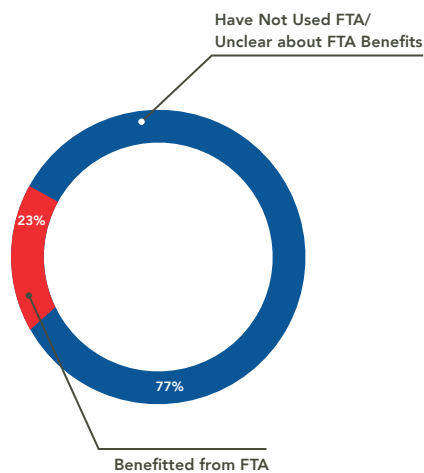
**Q:** How well-informed is your company about the ASEAN Economic Community or the ASEAN regional economic integration?



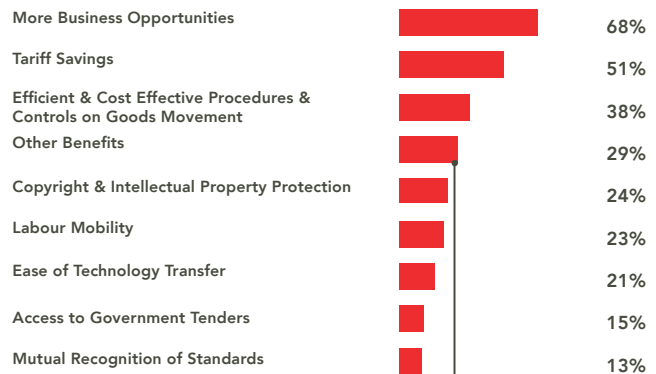
● SMEs n= 887 ● Large Enterprises n= 149

#### Perceived Outcome from ASEAN FTAs

**Q:** Has your company used or benefitted from any of the following free trade agreements (FTAs) under the ASEAN Economic Community (AEC)? If so, which of the following benefit(s) has your company gained using the aforementioned ASEAN FTAs?



n=1,036

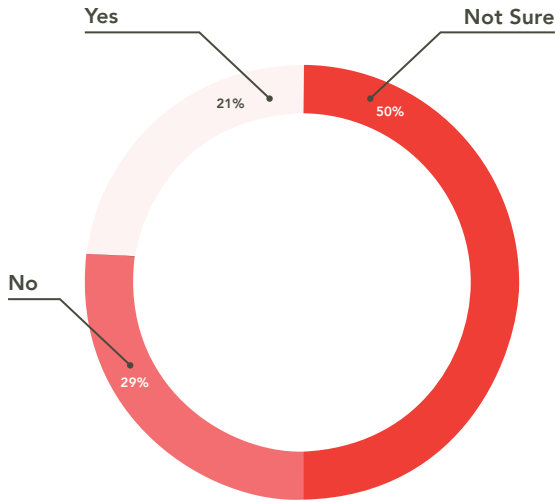


More competitive prices for customers; Higher income; Greater Investments

n=232

## Plans to Use ASEAN FTAs in 2018 -19

**Q:** Is your company planning to take advantage of the aforementioned ASEAN FTAs for future business operations in the region over the next 2 years?



n=1,036

70% of companies perceive that the ASEAN regional economic integration will bring at least some opportunities. 18% view that it poses some or significant challenges while 12% perceive that it has no impact at all.

Despite the overall positive sentiments towards AEC, only 57% of SMEs claim to be at least adequately informed about it. 43% are either not adequately informed or not informed at all.

Among companies who have benefitted from ASEAN FTAs, the growth in business opportunities (68%), tariff savings (51%) as well as the efficient and cost-effective procedures and controls on goods movement (38%) are the top 3 most commonly cited benefits.

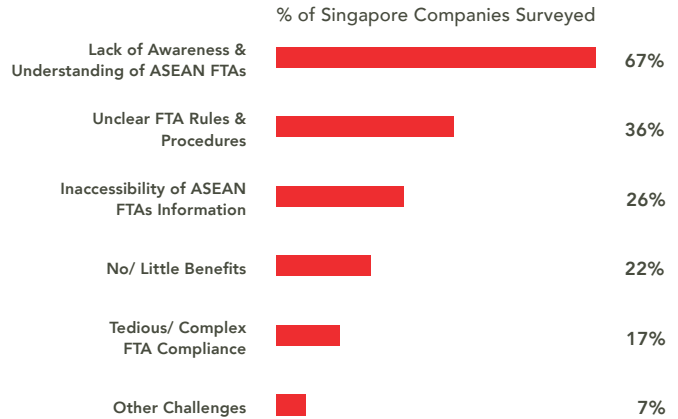
%

Only a small proportion of companies (23%) claimed to have benefitted from ASEAN FTAs.

23

## Challenges Hindering Usage of ASEAN FTAs

**Q:** What are the challenges hindering your company from taking advantage of the various ASEAN FTAs?



n=1,036

A lack of awareness and understanding of the ASEAN FTAs remains as the biggest challenge that hampers the majority of companies (67%) from using them.

In the next two years, half of the companies are unsure if they would use ASEAN FTAs and nearly 30% do not have plans to use the FTAs.

## AREAS OF SUPPORT NEEDED IN Expanding Into ASEAN

**Q:** When expanding into new ASEAN markets, which of the following areas do you think your company will require support in?

**Compliance with local regulations** stood out as the top area in need of support during ASEAN business expansion.

Manpower also surfaced as a key area in need of support. **1 in 5 companies** is looking for support in manpower issues, staff recruitment, and availability of skilled workforce for their ventures into ASEAN.

As one of the challenges in ASEAN integration involves raising awareness among companies, more can be done to provide information on ASEAN integration, regulations, FTAs and market knowledge to plug the gaps in awareness.

**Business contacts and business-to-government relations** are viewed as the next areas of priority where SBF can render support to companies.

**Q:** How do you think SBF can support your company's expansion into ASEAN?

### Planning & Conceptualisation

Regulation Advisory		33%
Financing		26%
Business Partnership		23%
Manpower Issues		21%
Taxation		19%
FTA Knowledge		18%
Marketing		17%
Compliance		16%
Evaluating Alternatives		12%
Choosing Destination		9%

### Setup & Operational Process

Business Registration		31%
Staff Recruitment		20%
Bank Account Opening & Other Admin Tasks		13%
Securing Office Space		9%

### Day-to-Day Operations

Compliance with Local Regulations		35%
Access to Customers		27%
Availability of Skilled Workforce		22%
Supply Chain & Logistics		15%
Data & IP Protection		13%
Access to Suppliers		12%

n=1,036

### Areas Where SBF Can Support Companies' Expansion into ASEAN

More/ Better Information on Impact of ASEAN Integration		58%
Access to Information on ASEAN Regulations		57%
More Information on ASEAN FTAs		55%
More/ Better Information on Individual ASEAN Markets		54%
Access to Business Partners		43%
Facilitation of Better Business-to-Government Relations		36%
Contact with Singapore Companies in ASEAN		28%
Exposure to Markets by Organising Relevant Missions		26%
Development of Skilled Employees		19%
Championing Company's Business Cause		17%
Other Support		8%

n=1,036

# Key Survey

## FINDINGS TAKEAWAY

### **Positive Expectations for ASEAN Business Opportunities**

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- 9 in 10 companies perceive the importance of ASEAN for their overall global strategy, particularly when looking at 2018 and 2019.
- Looking ahead, companies are generally more optimistic about the ASEAN business outlook.

### **Companies Face Critical Barriers to Entry**

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- Companies face a myriad of manpower, regulatory and business / industry-related challenges when expanding overseas into ASEAN.
- The uncertain economic and political conditions in ASEAN stand out among the most commonly cited top 5 major challenges for expanding into the region.
- Despite the general positive sentiment towards the AEC / ASEAN regional economic integration and the perceived benefits of the ASEAN Free Trade Agreements (FTAs), the lack of accessible, clear information about these initiatives is a major obstacle to the companies' usage.

### **Companies are Keen to Pursue ASEAN Expansion for New Growth Opportunities**

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- Top 5 ASEAN markets for overseas expansion are Indonesia, Malaysia, Vietnam, Thailand and Myanmar.
- The top 5 markets are perceived to be attractive due to their potential customer demand, favourable investment climate, ease of relationship-building and lower business costs, amongst other factors.
- The growth potential and opportunities for new market access are the biggest motivating factors for expanding into ASEAN.

### **More Can Be Done to Help Companies Take Advantage of Business Opportunities in ASEAN**

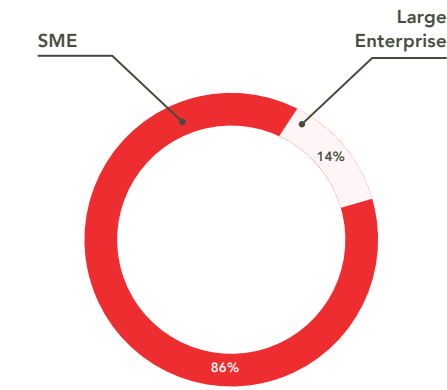
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- Local regulations and manpower stand out as the top areas in need of support.
- Key areas where SBF can support the expansion of companies into new ASEAN markets include the provision of information on the impact of ASEAN Economic Integration, ASEAN regulations, ASEAN FTAs and individual ASEAN markets.
- SBF can also render aid in the form of business partner matching and facilitation of B2G relations.

## INFORMATION ABOUT THE SURVEY SAMPLE

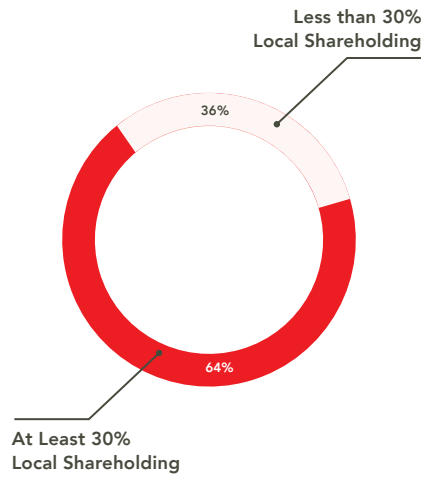
### Company Characteristics

#### Breakdown by Company Size

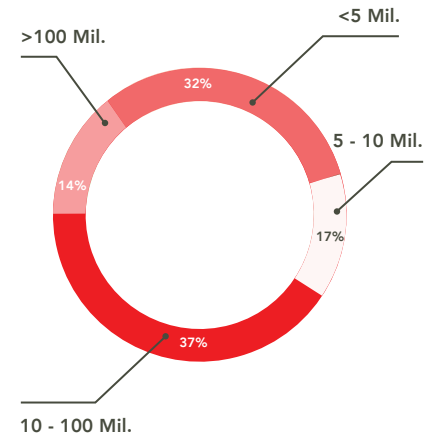


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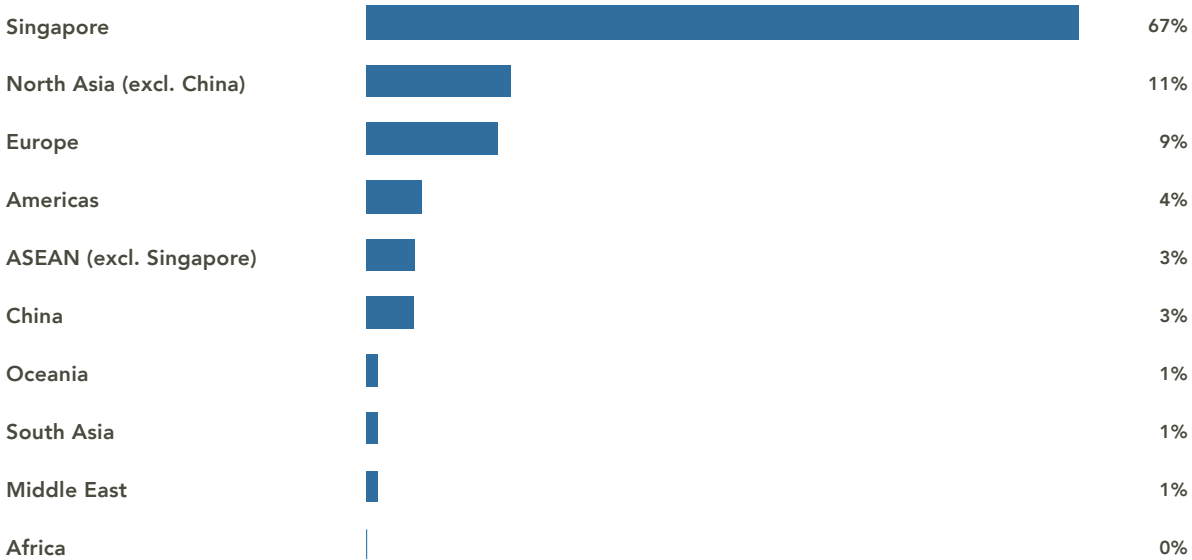
#### Breakdown by Local Shareholding



#### Breakdown by Annual Sales Turnover in SGD

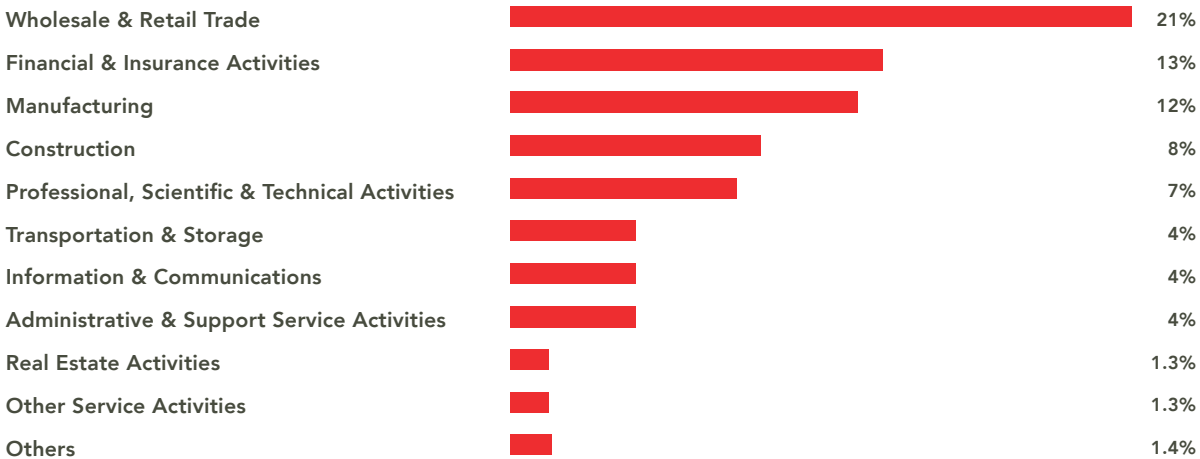


#### Breakdown By Global HQ Location



n=1,036

#### Breakdown by Singapore Standard Industrial Classification (SSIC) Code



n=1,036

23% of companies did not indicate their SSIC code.

## About SBF

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SBF is the apex business chamber championing the interests of the Singapore business community in the areas of trade, investment and industrial relations. It represents 25,800 companies, as well as key local and foreign business chambers.

In July 2001, the Minister for Trade and Industry introduced a Bill in Parliament to establish the SBF Act, which was passed by Parliament and became law on 5 Oct 2001. The Federation was established on 1 April 2002, with the aim of representing the business community's interests both locally and overseas. Under the SBF Act, all Singapore-registered companies with share capital of S\$0.5 million and above are members of SBF.

*Survey conducted by*



Commissioned by:



In partnership with  
**HSBC**

Conducted by:

