

# 2017 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

December 21, 2017

Asia and Oceania Division China and North Asia Division Overseas Research Department

### Contents

Summary of Surveys in Current Fiscal Year

**Key Points** 

#### Drofit E ......

1. Oper	ating Profit Forecast	
(1)	Operating profit forecast for 2017 (by country/region and company size)	8
(2)	Proportion of profitable firms - 2008 to 2017 (by country/region)	9
(3)	Operating profit forecast for 2017 (by industry)	10
(4)	Operating profit forecast for 2017 (by country/region,	11
	domestic sales-oriented/export-oriented)	
(5)	Operating profit forecast for 2017 (by year of establishment)	12
(6)	Operating profit forecast for 2017 and 2018	13
	(comparison with the previous year, by country/region)	
(7)	2017 and 2018 DI (by country/region)	14
(8)	Operating profit forecast for 2017 and 2018	15
	(comparison with the previous year, by industry)	
(9)-(10)	Reasons for increased/decreased operating profit forecast for 2017 and 2018	16
2. Futu	re Business Plan	
(1)	Approach to future business challenges in the next 1 to 2 years	18
. ,	(by country/region)	
(2)	Proportions of firms expecting to expand in the next 1 to 2 years	19
. ,	(2008 to 2017, by country/region)	
(3)	Proportions of firms expecting to expand in the next 1 to 2 years	20
. ,	(2008 to 2017, China and other major countries in Asia)	
(4)	Approach to future business challenges in the next 1 to 2 years	21
( )	(by industry and company size)	
(5)	Approach to future business challenges in the next 1 to 2 years	22
(-)	(by major industry and country/region)	
(6)	Reasons for expected business expansion in the next 1 to 2 years	23
(7)	Functions to expand	24
(8)	Functions to be expanded (by country) (2013 to 2017)	25
(9)	Reasons for the future reduction, transfer or withdrawal	26
(10)	Approach to future business challenges of Japanese-affiliated firms in	27
()	China in the next 1 to 2 years	21
(11)-(12	2) Changes in the number of employees (changes in a year-on-year	28
()(	comparison and future plans)	20
3 Mana	agement Matters	
(1)	Problems common to all regions (top 10)	30
(1)	Problems common to all regions (top 10) Problems common to all regions (top 10)	30
(4)-(6)	Problems by country/region (top 5)	33
(7)	Comparison between China and other major countries in Asia	
(')	(top 5 for each country)	36
	(top 5 for each country)	
4. Risin	g Costs of Production and Services	
(1)	Negative impact of soaring costs of production and services on business activities	37
. /	(by country/region)	01

Negative impact of soaring costs of production and services on business (2) activities (by industry)

- Countermeasures against rising costs currently being taken or under consideration 39 Countermeasures against rising costs currently being taken or under consideration 40 (3)
- (4)-(5) (by country/region)

#### Mate and a la

3

6

	5. Procu	urement of Raw Materials and Parts	
8	(1)	Ratio of labor/material costs to production costs	42
9	(2)	Local production cost in comparison with production cost in Japan, which is	43
10		taken as 100	
11	(3)	Procurement sources for raw materials and parts (by country/region)	44
	(4)	Procurement sources of major countries (comparison with the 2012 survey	45
12	~ /	and 2017 survey)	
13	(5)	Procurement sources for raw materials and parts (by industry)	46
	(6)	Local procurement sources for raw materials and parts	47
14	(-)	(by country/region/company size)	
15	(7)	Future raw materials/parts procurement policy; country(ies)/region(s)	48
-	( )	considered an important future source of procurement	-
16	(8)	Reasons for raising future procurement rate for raw materials/parts	49
		rts/Imports	
18	(1)	Proportion of export sales to the total sales (by country/region)	50
	(2)	Breakdown of export destinations (by country/region)	51
19	(3)-(4)	Most promising export market for business/products over the next 1 to 3 years	52
		(by country/region)	
20	(5)-(6)	Utilization of FTAs/EPAs (total, by industry, by company size, and by	54
		country/region), proportions of firms utilizing FTAs/EPAs in 2016 and 2017	
21		(by export/import), and trends in FTA/EPA utilization by Japanese-affiliated	
		firms in ASEAN (by country/region)	
22	(7)-(8)	The average days required from the arrival of freight at the seaport or airport to	56
		the completion of import clearance (by country/region and industry)	
23			
24		enges in local market development	
25	(1)-(3)	Target segments in local market development (for corporate customers)	58
26		(by size of corporate, country/region and industry)	
27	(4)-(5)	Target segments in local market development (for individual customers)	61
		(by size of corporate and country/region)	
28	(6)-(7)	Current competitors (total and by country/region)	63
	(8)	Competitive edge in products/services (top 10)	65
	(9)	Products/services preferred by local consumers	66
		(by country/region and industry)	
30	(10)	Balance between price and quality for local consumers (by country/region)	67
31	(11)	Effective advertising methods (Total, by media)	68
33	(12)-(13	3) Troubles experienced in expanding business in the local market (top 10, by	69
36		country/region)	
	0.14/		
	8. Wage		74
27	(1)	Year-on-year wage increase rate (by country/region)	71
37	(2)	Year-on-year wage increase rate (China and major countries)	72
20	(3)	Base salary (monthly) (by job type and country/region)	73
38	(4)	Annual salary (by job type and country/region)	74
	(5)	Bonuses (by job type and country/region)	75

# Survey Summary (1)

#### **Purpose of Survey**

 To understand the current business activities of Japanese-affiliated companies operating in Asia and Oceania and to disseminate those findings widely.

#### **Surveyed Countries/Regions**

 Japanese-affiliated companies (with direct and indirect Japanese investment of 10% or greater) operating in a total of 20 countries/regions in northeast Asia (5), ASEAN countries (9), southwest Asia (4), and Oceania (2).

#### **Survey Period**

• October 10 to November 10, 2017

#### **Response Rate**

 Of a total of 11,994 surveys sent out, we received valid responses from 4,630 firms (38.6%). The breakdown of respondents by country and region is provided in the table to the right.

#### Notes

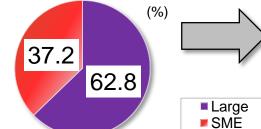
- The survey has been conducted since 1987, making this year the 31st version.
- Since 2007, the survey has included non-manufacturing sectors.
- Numbers in tables are rounded, so they do not necessarily total 100%.
- Surveys in Taiwan were conducted with the assistance of the Interchange Association, Japan (IAJ).

	Firms	Firms res	ponding	Cate	Valid	
	surveyed	Valid	(%)	Manufacturing	Non- manufacturing	responses
Total	11,994	4,630	100.0	2,215	2,415	38.6
Northeast Asia	2,416	1,425	30.8	636	789	59.0
China	1,405	818	17.7	502	316	58.2
Hong Kong/Macau	364	274	5.9	35	239	75.3
Taiwan	501	216	4.7	60	156	43.1
South Korea	146	117	2.5	39	78	80.1
ASEAN	8,122	2,519	54.4	1,309	1,210	31.0
Vietnam	1,345	652	14.1	385	267	48.5
Thailand	2,541	620	13.4	358	262	24.4
Indonesia	1,698	438	9.5	247	191	25.8
Singapore	717	334	7.2	76	258	46.6
Malaysia	939	227	4.9	130	97	24.2
Myanmar	213	83	1.8	18	65	39.0
Philippines	382	73	1.6	47	26	19.1
Cambodia	232	65	1.4	31	34	28.0
Laos	55	27	0.6	17	10	49.1
Southwest Asia	1,007	432	9.3	209	223	42.9
India	795	328	7.1	153	175	41.3
Bangladesh	115	42	0.9	25	17	36.5
Pakistan	46	32	0.7	20	12	69.6
Sri Lanka	51	30	0.6	11	19	58.8
Oceania	449	254	5.5	61	193	56.6
Australia	291	181	3.9	41	140	62.2
New Zealand	158	73	1.6	20	53	46.2

### Survey Summary (2)

By industry category	(Firm	s, %)
	Valid	(%)
Manufacturing Total	2,215	47.8
Motor vehicles/Motorcycles	427	9.2
Iron/Nonferrous metals/ Metals	357	7.7
Electric machinery	343	7.4
Chemical/Pharmaceutical	287	6.2
Food	154	3.3
Textiles	113	2.4
General machinery	95	2.1
Precision machinery	67	1.4
Rubber/Leather	53	1.1
Wood/Pulp	37	0.8
Other manufacturing industries	282	6.1
Non-manufacturing Total	2,415	52.2
Wholesale/Retail	1,066	23.0
Transport	259	5.6
Construction	175	3.8
Finance/Insurance	174	3.8
Communications/Software	126	2.7
Business services	117	2.5
Travel/Amusement	66	1.4
Restaurant	34	0.7
Other non-manufacturing industries	398	8.6

### Large vs. Small and Mediumsized Enterprises (SME)



Note: The definition of "small and medium-sized enterprises" here is based on the definition provided in Japan's Small and Medium-sized Enterprise Basic Act.

Note: Industry category details are as follows:

- 1. Food: Food/Processed food, agricultural or fishery products
- 2. Textiles: Textiles (Spinning/Woven fabrics/Chemical fibers), Textile apparel/Textile products
- 3. Wood/Pulp: Lumber/Wood products, Paper/Pulp
- 4. Chemical/Pharmaceutical: Chemicals and allied products/Petroleum products, Medicines, Plastic products
- 5. Rubber/Leather: Rubber products, Leather tanning/Leather products/Fur skins
- Iron/Nonferrous metals/Metals: Iron and steel (including cast and wrought products), Nonferrous metals, Fabricated metal products (including plated products)
- General machinery: General-purpose machinery/Production machinery (including molds and machine tools). Office machines
- 8. Electric machinery: Electrical machinery/Electronic devices, Information and communication electronics equipment
- Motor vehicles/Motorcycles: Motor vehicles and motorcycles, Motor vehicle and motorcycle parts and accessories, Transportation equipment (Railroad vehicles/Ship/Aircraft/ Industrial trucks), Transportation equipment parts (Railroad vehicles/Ship/Aircraft/Industrial trucks)
- 10. Precision machinery: Precision instruments (Analytical instruments/Optical instruments and apparatus, etc.), Medical equipment
- 11. Wholesale/Retail: Wholesale and retail trade, Trading, and sales companies
- 12. Finance/Insurance: Banks, Non-banks (Insurance/Securities brokerage/Credit card/Leasing, etc.)
- Communications/Software: Communications/Software
   Transport activities/Warehouse: Transport
- activities/Warehouse **15. Travel/Amusement:** Accommodations/Travel, Amusement
- 16. Restaurant: Restaurant

Wholesale/Retail includes the sales bases of manufacturing fin	ms.

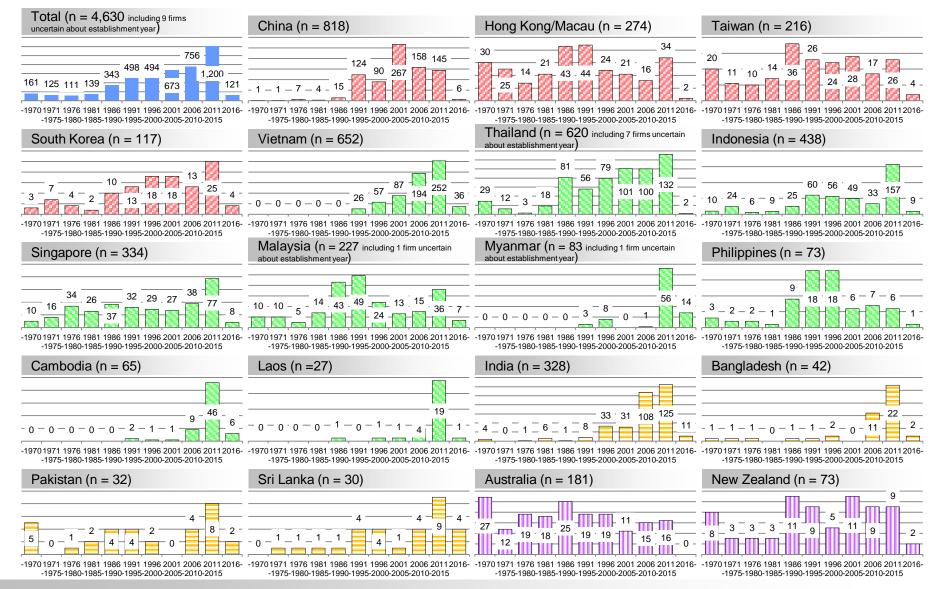
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Note:

Firms by Country/Region (Firm					
	Large	SME			
Total	2,907	1,723			
Northeast Asia	980	445			
China	528	290			
Hong Kong/Macau	184	90			
Taiwan	175	41			
South Korea	93	24			
ASEAN	1,386	1,133			
Vietnam	304	348			
Thailand	262	358			
Indonesia	279	159			
Singapore	243	91			
Malaysia	152	75			
Myanmar	60	23			
Philippines	43	30			
Cambodia	32	33			
Laos	11	16			
Southwest Asia	331	101			
India	268	60			
Bangladesh	20	22			
Pakistan	27	5			
Sri Lanka	16	4			
Oceania	210	44			
Australia	158	23			
New Zealand	52	21			

# Survey Summary (3)

### Year of establishment of responding firms (by country/region)



# Key Points (1)



### Results of JETRO's 2017 Survey on Business Conditions of Japanese Companies in Asia and Oceania

### Business confidence improving, intention to expand business recovering in China

#### 1. Companies expecting surplus increased, while those expecting deficit decreased (Refer to page 8.)

- Companies expecting operating profits for 2017 to be a surplus accounted for 67.4%, a 4.6-percentage-point increase from the 2016 survey (62.8%). Those expecting a deficit came to 18.3%, a 3.5-percentage-point decrease from the 2016 survey (21.8%).
- Looking at the rate of companies expecting a surplus by country and region, South Korea (82.1%) and Taiwan (81.7%) marked the highest, followed by the Philippines, Australia, and Malaysia. Meanwhile, the rate was below 40% in Sri Lanka (31.0%), Myanmar (33.8%), and Cambodia (35.4%). In these countries, many companies have a short business history.

### 2. Improved business confidence in almost all countries, mainly in Southwest Asia (Refer to pages 13, 14, and 17.)

- Over 40% of the companies expect their operating profits to improve (from the previous year) for 2018, as they did for 2017. Companies predicting a downturn for 2018 came to 9.9%, a decrease of 9.6 percentage points from the outlook for 2017 (19.5%).
- The diffusion index (DI) in 2018, which is the proportion of businesses reporting increased operating profits minus those reporting decreased operating profits compared to the previous year, marked 38.2 points, an 11.5-point increase compared with 2017. Among reasons for improvement, "Sales increase in local markets" was the most-frequently cited, followed by "Improvement of production efficiency" and "Sales increase due to export expansion."
- Looking at the DIs for 2017 and 2018 by country and region, business confidence improved in all countries, except Laos and Cambodia, of which the DI was the same. In particular, the DI significantly improved in four countries in Southwest Asia (Bangladesh, India, Sri Lanka, and Pakistan), as well as in Vietnam and Laos, where the DI exceeded 50 points.

#### 3. Intention to expand business being strong in Southeast/Southwest Asia, recovered in China (Refer to pages 18 and 20.)

- Among respondents, 53.7% expect to expand business in the next one or two years, which is a 1.5-percentage-point increase from 2016 (52.2%). Looking at the results by country and region, companies answering with "Expansion" significantly increased to 48.3% (up 8.2 percentage points) in China, while the proportion slightly increased to 55.7% in Southeast Asia (up 0.3 percentage points).
- Comparing the rate of "Expansion" between Southeast Asia and China, Southeast Asia has consistently come out on top since 2012, when China showed a sudden decline. The gap increased to 16.2 percentage points in 2015, but decreased to 7.4 percentage points in 2017.
- Companies in Pakistan (81.3%), Myanmar (70.7%), India (69.6%), and Vietnam (69.5%) are more willing to expand their businesses.

# Key Points (2)

### 4. Wage increase being the biggest operational issue, but with the wage increase rate basically decreasing from the previous year (Refer to pages 30, 31, 71, and 72.)

- > Among operational issues, "Wage increases" was the most commonly cited at 66.7%, up 1.4 percentage points from the 2016 survey.
- By country and region, Cambodia (82.8%) ranked the first, overtaking Indonesia (80.8%), and China (75.3%), etc., followed by Vietnam (75.2%) and India (72.1%).
- Regarding the average rate of increase in wages for all industries on a year-on-year basis for 2018, the rate was higher in Pakistan (9.9%), India (9.5%), Bangladesh (9.1%), and Myanmar (8.6%). These are the same four countries that marked the highest in the 2016 survey, although Bangladesh overtook Myanmar this year.
- The wage increase rate generally decreased from the 2016 survey. In China, the rate has been slowing down by single digits since 2013 and is predicted to decline to 5.9% in 2018.

### 5. Manufacturing: Local procurement rate increased in Southeast Asia, but still much lower than that in China (Refer to pages 42, 44, 45, 46, and 48.)

- > Material costs accounted for approximately 60% of local production.
- > When asked about how they planned to reduced material cost, 72.8% of the companies answered with "Raising the local procurement."
- Looking at the results by country and region, the local procurement rate was higher in New Zealand (67.9%) and China (67.3%). In particular, the rate reached 71.3% in China's Motor vehicles/Motorcycles industry.
- Looking at major countries, the local procurement rate increased from 2012 in Thailand, India, Indonesia, Vietnam, and the Philippines. However, the rate needs to be further increased in these countries because the rate is still lower than that of China, with an over-10percentage-point gap.

### 6. Non-manufacturing: Shifting of the target of future market development to "Local companies" (Refer to pages 58, 66, and 68.)

- Regarding initiatives for local market development by non-manufacturing companies, it is expected that a higher proportion of companies will target "Local companies" (74.9%) for sales to corporate customers than "Local Japanese-affiliated companies" (49.4%).
- The proportion of companies that selected "Products/services which are customized for local market (design, packaging or taste)" as products/services preferred by local customers was 8.8 percentage points higher than that of companies that selected "Products/services for Japanese market (which you also sell in Japan)." By country and region, "Customized for local market" was more frequently selected in Australia and India, while "Products/services for Japanese market" was selected by a larger proportion of respondents in Taiwan and Hong Kong & Macau.
- A largest proportion of companies selected "SNS" as an effective advertising medium for market development. In particular, the proportion exceeded 60% in Cambodia, Myanmar, Vietnam, and New Zealand. Among SNS, Facebook accounted for 94.3%, followed by Instagram (37.3%) and Twitter (17.9%).

### 1. Operating Profit Forecast (1)

Operating profit forecast for 2017 (by	country/region and company size)
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Operating profit forecast for 2017 (by country/region)

_						0 20 40	60 80 100 (%)
Total (n=4,594)	67.4	14.3	18.3		Large (n=2,883)	74.3	10.715.1
ASEAN (n=2,500)	64.6	/15.5/	20.0	Total	SME (n=1,711)	55.8	20.5 23.7
South Korea (n=117)	82	.1	14.53.4				
Taiwan (n=213)	81.	.7	9.9 8.5	Taiwan	Large $(n=172)$	84.	
Philippines (n=73)	79.	5	11.0 9.6	_	SME (n=41) Large (n=43)	68.3 83.	17.1 14.6 2.3 14.0
Australia (n=180)	78.9		10.6 10.6	Philippines	SME (n=30)	73.3	23.3/3.3
Malaysia (n=225)	73.8		7 15.6		Large (n=150)	78.0	8.7 13.3
HK & Macau (n=271)	73.0		1 17.0	Malaysia	SME (n=75)	65.3	14.7 20.0
· / -				 Thailand	Large (n=260)	76.5	13.110.4
Pakistan (n=32)	71.9	3.1			SME (n=352)	58.2	23.0 18.8
New Zealand (n=73)	71.2		.8 11.0	China	Large (n=525)	75.2	9.0 15.8
China (n=814)	70.3	12.4	17.3		SME (n=289)	61.3	18.7 20.1
Singapore (n=333)	66.4	15.9	17.7	Indonesia	Large (n=278)	75.2	7.6 17.3
Thailand (n=612)	66.0	18.8	15.2		SME (n=157)	45.9	21.7/32.5
Vietnam (n=650)	65.1	15.5	19.4	Vietnam	Large (n=303)	74.9	11.213.9
Indonesia (n=435)	64.6	12.6	22.8	-	SME (n=347)	56.5	19.3 24.2
· · · · ·				HK & Macau	$\frac{\text{Large (n=181)}}{\text{CMF (n=00)}}$	74.0	8.8 17.1
India (n=324)	61.4	14.8	23.8	_	SME (n=90)	67.8	15.6 16.7
Bangladesh (n=41)	46.3	//22.0//	31.7	Singapore	Large (n=242)	71.9	13.6 14.5
Laos (n=27)	40.7	14.8 44.	4	0 1	SME (n=91) Large (n=265)	<u>51.7</u> 66.0	22.0 26.4 14.0 20.0
Cambodia (n=65)	35.4 🥢	6.9 47.7		India	SME (n=59)		8.6 40.7
Myanmar (n=80)	33.8 //2	0.0	3	_	Large (n=32)	- 1	15.6 40.6
Sri Lanka (n=29)	31.0	//44.8	24.1	Cambodia	SME (n=33)	27.3 18.2	54.6
		Profit Breake	ven sLoss	Profit Beake	ven 🛚 Loss N	ote: Countries/regions	for which n for Large/SME $\geq$ 30

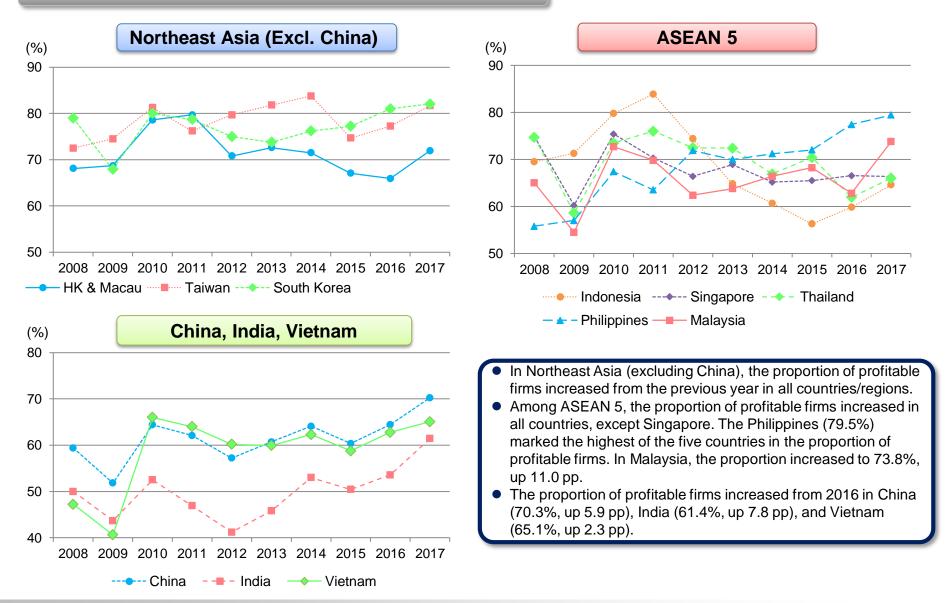
• A total of 67.4% of the firms expect operating "Profit" for 2017, up 4.6 percentage points (pp) from 62.8% in 2016; in contrast, 18.3% of the firms expect operating "Loss," down 3.5 pp from 21.8% in 2016.

• By country/region, the proportion of firms expecting operating profit was the highest in South Korea at 82.1%, followed by Taiwan at 80%. The proportion exceeded 70% in the Philippines, Australia, Malaysia, Hong Kong & Macau, Pakistan, New Zealand, and China.

• A total of 74.3% of the large enterprises expect operating profit, which was higher than 55.8% of the SMEs by 18.5 pp. The proportion of positive forecasts was higher among large enterprises than SMEs in all the 11 countries/regions with valid responses from more than 30 companies. In particular, the proportion of profitable firms was higher among large enterprises than SMEs by over 20 pp in Indonesia, Singapore, and India.

# 1. Operating Profit Forecast (2)

Proportion of profitable firms - 2009 to 2017 (by country/region)



# 1. Operating Profit Forecast (3)

Operating profit forecast for 2017 (by industry)

			major madoli y bat	ogorioo N	y ooun	and and	regio	/
Manufacturing		(%)	Note:	Countries/regio	ns for whic	h n ≥ 30		(%)
industries	0 20 40	60 80 100	Motor vehicles/ 0	20	40	60	80	100
Manufacturing total (n=2,203)	68.0	13.4 18.7	Motorcycles					
Chemical/Pharmaceutical (n=287)	75.3	10.8 13.9	China (n=112)		83.0			1 9.8
Rubber/Leather (n=52)	73.1	11.5 15.4	Vietnam (n=52)		78.9			13.5
Motor vehicles/Motorcycles (n=426)	72.1	10.8 17.1	Thailand (n=75) Indonesia (n=69)		68.0 2.3	14.		0.0
Electric machinery (n=340)	70.0	14.4 15.6	India (n=61)		2.3	16.4		.6//
					0.0	10.4	N// Z4	
Precision machinery (n=67)	68.7	13.4 17.9	Iron/Nonferrous metals/	20	40	<u> </u>	00	(%)
Wood/Pulp (n=36)	66.7	13.9 19.4	Metals 0	20	40	60	80	100
General machinery (n=95)	63.2	20.0 16.8	Malaysia (n=32)		75.0		6.3//1	
Iron/Nonferrous metals/Metals (n=353)	62.3	13.9 23.8	China (n=56)		2.5	12.5		.0///
Food (n=154)	60.4	16.2 23.4	Vietnam (n=87)		8.6	14.9		4///
Textiles (n=111)	57.7	17.1 25.2	Thailand (n=69)	56				1.4
Miscellaneous manufacturing (n=282)	67.7	12.8 19.5	Indonesia (n=41)	51.2		4.9	43.9//	(%)
Non-manufacturing			Wholesale/Retail	20	40	60	80	100
industries Non-manufacturing total (n=2,391)	66.8	15.3 17.9	Taiwan (n=93)		88.2			8.63.2
Wholesale/Retail (n=1,056)	75.9		South Korea (n=48)		85.4			14.6
			Australia (n=78)		79.5			11.5
Finance/Insurance (n=170)	71.8	13.5 14.7	HK & Macau (n=125)		79.2		6.4	
Travel/Amusement (n=66)	71.2	/16.7/121	Malaysia (n=38)		79.0		10.5	10.5
Communications/Software (n=125)	65.6	16.8 17.6	India (n=91)		78.0		9.9	12.1
Business services (n=116)	65.5	24.1/10.3	China (n=125)		76.0		11.2	
Transport (n=255)	62.0	16.5 21.6	New Zealand (n=31)		74.2		/16.1/	
Restaurant (n=34)	44.1	20.6	Singapore (n=141)		73.8		14.9	
Construction (n=175)	41.1	/21.1//////////////////////////////////	Thailand (n=122)		71.3		16.4	
Miscellaneous non-manufacturing (n=394)	57.1	18.5 24.4	Indonesia (n <mark>=81)</mark>		70.4		9.9	
······································			Vietnam (n=64)		67.2		4.1/\\	8.8
	Profit ZBreake	ven 🔉 Loss						

Major industry categories by country and region

The proportion of firms expecting operating profit for 2017 was higher in the manufacturing sector (68.0%) than the non-manufacturing sector (66.8%). In comparison with the 2016 survey (manufacturing: 63.5%; non-manufacturing: 62.1%), the proportion increased by 4.5 pp in the manufacturing sector and by 4.7 pp in the non-manufacturing sector.

• In the non-manufacturing sector, the proportion of profitable firms was particularly high in Wholesale/Retail industry (75.9%).

• The trends by country/region of the three industries with the largest number of valid responses are as follows. In Motor vehicles/Motorcycles, 83.0% of firms in China and 78.9% of firms in Vietnam expect a surplus. In Iron/Nonferrous metals/Metals, 75.0% of firms in Malaysia and 62.5% of firms in China expect a surplus. In Wholesale/Retail, the proportion of profitable firms is the highest in Taiwan at 88.2%, followed by South Korea at over 80%, respectively.

# 1. Operating Profit Forecast (4)

Operating profit forecast (domestic sales-oriented

firms with export ratio < 50%) (2017, by country/region)

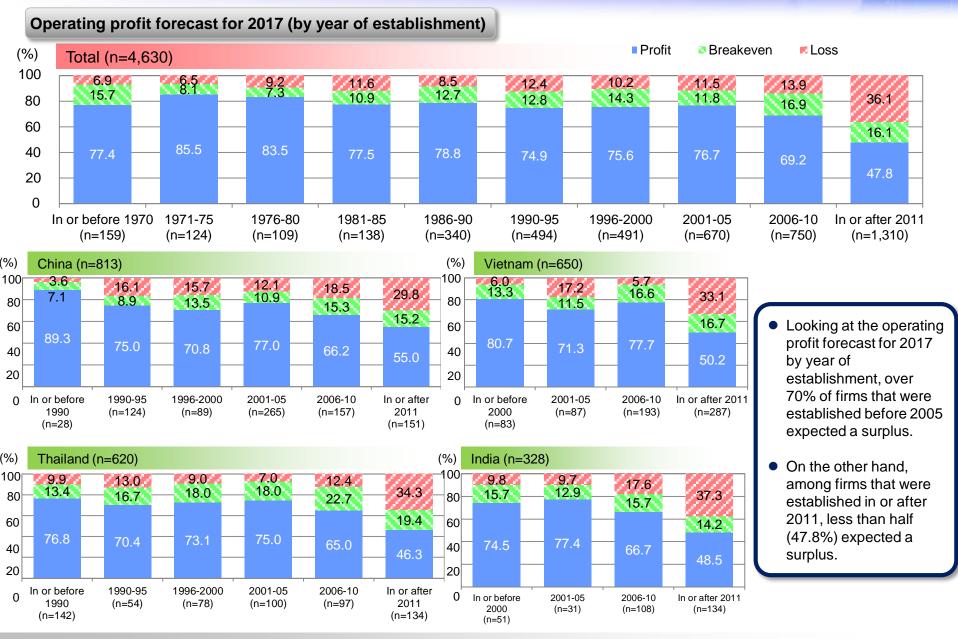
#### Operating profit forecast (export-oriented firms with export ratio $\geq$ 50%) (2017, by country/region)

					(	%)						(%)
	0 20	0 4	0 6	0 8	0 1	00		0 20	D 4	0 6	0 8	0 100
Total (n=2,651)		67.6		12.9	//19.5//	Total (n=	1,466)		68.4	۱ ۱	15.0	16.6
ASEAN (n=1,308)		64.8		13.7	21.6	ASEAN (n	i=920)		66.2		15.7	/18.2//
South Korea (n=84)		8	3.3		11.94.8	South Korea (	(n=23)		8	87.0		13.0
Taiwan (n=159)		8	.8		10.1 8.2	Australia (	(n=46)		8	2.6		10.9 6.5
Philippines (n=25)		80	.0		12.0 8.0		. ,		79	.0		10.5 10.5
Australia (n=125)		77.	6	Ň	0.4 12.0	Philippines (	· · ·		79			7.9 13.2
Malaysia (n=96)		76.	0	4.2	2 19.8	HK & Macau (n		-	74.:			.4 14.3
Pakistan (n=22)		72.7			27.3	India (		-	73.0			.5 13.5
HK & Macau (n=128)		71.9		10.2	2 18.0	New Zealand (	. ,	-	70.0			24.0 4.0
China (n=498)		70.1		11.0	18.9			-	72.0			.7 13.5
New Zealand (n=43)		69.8		14.0	16.3	Singapore (n		-	-			
Thailand (n=378)		68.5		15.6	15.9	Malaysia (	. ,	-	71.6			7.9 10.5
Vietnam (n=270)		67.0		12.6	20.4	China (n	,	-	71.0			4 15.6
Indonesia (n=313)		64.9		12.5 💋	22.7	Thailand (n	,	-	68.1		15.6	
India (n=255)		60.0		14.9 🏏	25.1	Indonesia (	(n=88)	-	64.8		12.5 🥖	22.7
Singapore (n=136)		58.8		16.9 🏏	24.3	Vietnam (n	i=318)		64.5		16.7	18.9
Myanmar (n=48)	37.	5 🚺	20.8	41	7//////	Bangladesh (	(n=24)		50.0	20	.8	29.2
Bangladesh (n=15)	33.3		26.7	40	.0/////	Laos (	(n=16)	4	3.8	12.5 🂋	43.	8//////
Cambodia (n=33)	30.3	15.	2 //////	54.6	////////	Cambodia (	(n=28)	39	.3	21.4	/////39	.3/////
■ P	Note: Countries/regions for which n ≥ 15  Note: Countries/regions for which n ≥ 15  Profit Streakeven Stores  Note: Countries/regions for which n ≥ 15  Profit Streakeven Stores  Note: Countries/regions for which n ≥ 15  Note: Countries/reg											

The proportion of positive operating profit (forecast) was 67.6% among domestic sales-oriented firms (less than a 50% export ratio in the operating country/region), while the proportion was 68.4% among export-oriented firms (50% or larger export ratio in the operating country/region). The proportion increased in both domestic sales-oriented firms and export-oriented firms from the previous year (domestic sales-oriented firms: 62.4%; export-oriented firms: 65.1%).

- In Bangladesh, India and Singapore, the proportion was higher among export-oriented firms than domestic sales-oriented firms by over 10 pp. On the other hand, of ASEAN countries, Malaysia, Vietnam and the Philippines were the countries in which the proportion was higher among obmestic sales-oriented firms than export-oriented firms.
- In South Korea, Taiwan, the Philippines and Australia, the proportion was high among both domestic sales oriented firms and export-oriented firms.

# 1. Operating Profit Forecast (5)



# 1. Operating Profit Forecast (6)

**Operating profit forecast for 2017** 

(by county/region, comparison with 2016)

#### Operating profit forecast for 2018 (by county/region, comparison with 2017)

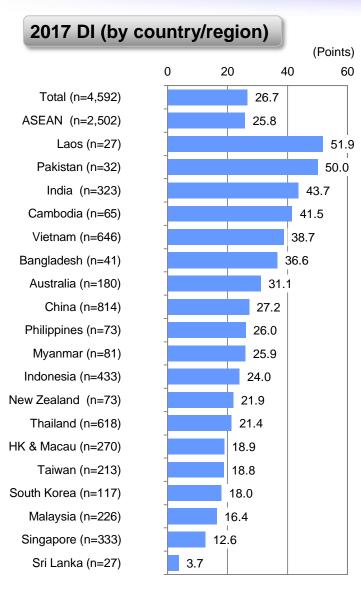
				(%					(%)
	0 20	40	60		,, 00	0 20	40	60 80	
Total (n=4,592)	46.2		34.3	19.5	Total (n=4,584)	48.1		42.0	9.9
ASEAN (n=2,502)	46.1		33.6	20.3//	ASEAN (n=2,493)	49.4		41.0	9.6
Pakistan (n=32)	6	62.5	25.	0 12.5	Pakistan (n=32)		68.8	15.6	15.6
Laos (n=27)	5	9.3	33	.3 7.4	Bangladesh (n=41)	]	68.3	29	9.3 2.4
India (n=323)	55	5.4	32.8	11.8	India (n=323)	6	64.7	29.1	6,2
Vietnam (n=646)	53	.9	31.0	15.2	Laos (n=27)	59	).3	33.3	7.4
Cambodia (n=65)	53	.9	33.9	12.3	Vietnam (n=648)	58	.6	35.3	6.0
Australia (n=180)	50.0	0	31.1	//18.9//	Sri Lanka (n=30)	56.	.7	40.0	3.3
Bangladesh (n=41)	48.8	3	39.0	12.2	Cambodia (n=65)	53.	9	33.9	12.3
China (n=814)	47.4		32.3	20.3//	Indonesia (n=433)	52.0		39.3	8.8
Philippines (n=73)	46.6		32.9	20.6//	Myanmar (n=80)	51.3		40.0	8.8
Indonesia (n=433)	45.0		34.0	//21.0//	Philippines (n=73)	48.0		42.5	9.6
Thailand (n=618)	43.7		34.0	//22.3//	China (n=811)	45.1		43.5	11.3
Myanmar (n=81)	43.2		39.5	117.3/	Australia (n=179)	44.7		42.5	12.9
Taiwan (n=213)	42.7		33.3	//23.9///	New Zealand (n=72)	44.4		50.0	5.6
Malaysia (n=226)	42.0		32.3	25.7///	Malaysia (n=218)	44.0		42.2	13.8
HK & Macau (n=270)	38.5		41.9	19.6	Thailand (n=617)	43.0		46.8	10.2
Singapore (n=333)	37.8		36.9	25.2	Singapore (n=332)	41.9		44.9	13.3
New Zealand (n=73)	37.0		48.0	15.1/	Taiwan (n=214)	38.3		50.0	11.7
South Korea (n=117)	36.8		44.4	18.8	HK & Macau (n=272)	36.4		2.2	11.4
Sri Lanka (n=27)	25.9	111/115	1.9 \	//22.2///	South Korea (n=117)	33.3	5	4.7	12.0

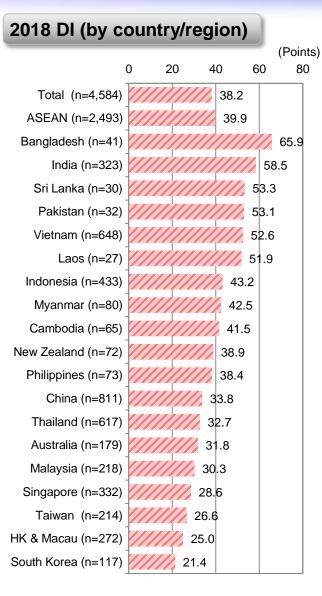
■ Increase NRemain the same Decrease

Increase Remain the same Cecrease

- For 2017, a total of 46.2% of the firms expect an operating profit "Increase" over 2016, up 3.3 pp from 42.9% in the 2016 survey; the proportion of firms expecting an operating profit "Decrease" was 19.5%, down 4.6 pp from the 2016 survey (24.1%).
- A total of 48.1% of the firms expect an "Increase" for 2018, up 1.0 pp from the 2017 forecast (47.1%) in the 2016 survey. Maximum the proportion of firms expecting an operating profit "Decrease" was 9.9%, down 1.2 pp from the 2017 forecast (11.1%) in the 2016 survey.
- In ASEAN, the proportion of firms expecting an "Increase" for 2017 forecast was 46.1%, which is the same level as the total, and that for 2018 forecast was 49.4%, both exceeding the overall average.

# 1. Operating Profit Forecast (7)





The DI (see Note), indicating business confidence for 2017 operating profit, was 26.7 points, up 8.0 points from 18.7 points in the 2016 survey. By country/region, the DI was higher in Laos, Pakistan, India and Cambodia.

80

The DI for 2018 was 38.2 points, up 11.5 points from 2017. The DI for 2018 was higher than the DI for 2017 in almost all countries/regions.

Note: DI is an abbreviation for Diffusion Index, the proportion of firms expecting improvement minus the proportion of firms expecting worsening. This figure reflects changes in business confidence.

# 1. Operating Profit Forecast (8)

Increase

non-manufacturing sector (46.8%).

Operating pro (comparison w				fit forecast for 2018 th 2017, by industry)
Manufacturing industries 0	20 40	(% 60 80 10		(%) 20 40 60 80 100
Manufacturing total (n=2,201)	47.5	31.7 20.9	Manufacturing total (n=2,195)	49.6 40.0 10.5
Rubber/Leather (n=52)	55.8	28.9 15.4	Rubber/Leather (n=51)	56.9 39.2 3.9
General machinery (n=94)	55.3	26.6 18.1	General machinery (n=93)	53.8 35.5 10.8
Motor vehicles/Motorcycles (n=425)	51.3	28.7 /20.0/	Food (n=153)	53.6 35.3 11
Iron/Nonferrous metals/Metals (n=354)	51.1	29.1 /19.8/	Iron/Nonferrous metals (n=354)	52.8 37.6 9.6
Food (n=154)	48.7	27.3 /24.0/	Textiles (n=111)	52.3 36.0 11.7
Chemical/Pharmaceutical (n=286)	44.8	30.1 //25.2//	Chemical/Pharmaceutical (n=285)	50.9 37.9 11.2
Precision machinery (n=67)	43.3	41.8 14.9	Electric machinery (n=341)	46.6 45.5 7.9
Electric machinery (n=342)	43.0	39.5 17.5	Precision machinery (n=67)	46.3 49.3 4.5
Wood/Pulp (n=36)	38.9	27.8 ///33.3///	Motor vehicles/Motorcycles (n=423)	46.1 39.0 14.9
Textiles (n=110)	38.2	38.2 /23.6/	Wood/Pulp (n=37)	40.5 51.4 81
Non-manufacturing industries	1		Non-manufacturing industries	
Non-manufacturing total (n=2,391)	45.0	36.7 18.3	Non-manufacturing total (n=2,389)	46.8 43.8 9.4
Business services (n=115)	60.0	33.0 7.0	Restaurant (n=34)	55.9 41.2 2.9
Wholesale/Retail (n=1,060)	48.1	35.5 16.4	Communications/Software (n=124)	54.0 42.7 3.2
Travel/Amusement (n=66)	45.5	37.9 16.7	Business services (n=117)	53.9 41.9 4.3
Transport (n=255)	44.3	29.8 //25.9//	Travel/Amusement (n=64)	50.0 43.8 6.3
Finance/Insurance (n=171)	43.9	39.2 17.0	Transport (n=255)	48.6 42.0 9.4
Restaurant (n=32)	40.6	43.8 15.6	Wholesale/Retail (n=1,056)	45.7 44.5 9.8
Communications/Software (n=126)	40.5	41.3 18.3	Finance/Insurance (n=171)	44.4 45.0 10.5
Construction (n=174)	31.0	40.2	Construction (n=175)	40.0 42.9 77

Increase NRemain the same Decrease

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Remian the same

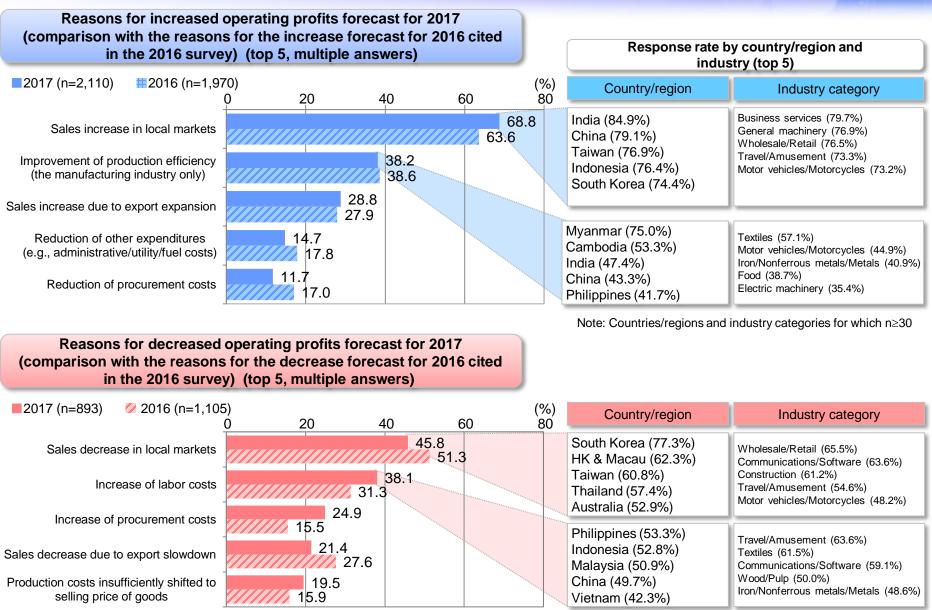
Decrease

manufacturing sector (46.6%  $\Rightarrow$  47.5%) and the non-manufacturing sector (39.1%  $\Rightarrow$  45.0%).

• Compared with the 2016 survey, the proportion of firms expecting an operating profit "Increase" for 2017 increased in both the

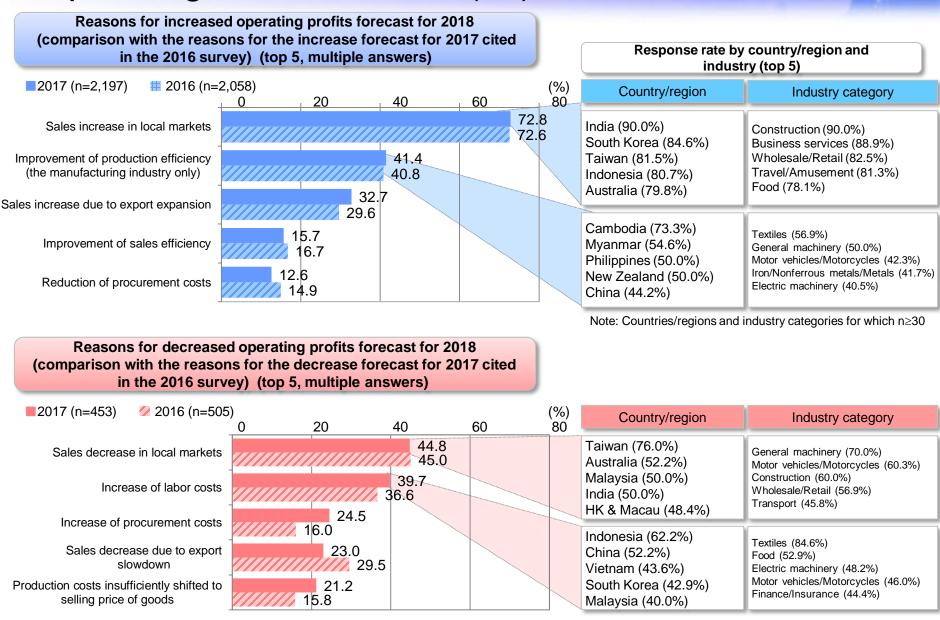
• The proportion of firms expecting an operating profit "Increase" for 2018 increased in both the manufacturing sector (49.6%) and the

# 1. Operating Profit Forecast (9)



Note: Countries/regions and industry categories for which  $n \ge 10$ 

# 1. Operating Profit Forecast (10)



Note: Countries/regions and industry categories for which  $n \ge 10$ 

### 2. Future Business Plan (1)

Approach to future business challenges in the next 1 to 2 years (by country/region)

						(70)
	0 20	C	40 6	80 8	0	100
Total (n=4,605)		53.7	(/////	////////A2.2///		3 0.9
Pakistan (n=32)			81.3		18.8	<i>11</i>
Myanmar (n=82)		70.7		1111111	26.8	2 1.2
India (n=326)	]	69.6		<u> </u>	27.9	<b>2.2</b> 0.3
Vietnam (n=650)		69.5			28.8	0.9 0.8
Bangladesh (n=42)		69.1			28.6	<mark>2.4</mark>
Laos (n=27)		66.7		///////////////////////////////////////	29.6	3.7
Philippines (n=71)		63.4		///////////////////////////////////////	5.2	<b>//</b> .4
Sri Lanka (n=30)		63.3		///////////////////////////////////////	.3//////////	3.3
Cambodia (n=65)		58.5	<u> </u>	38.5		3.1
Taiwan (n=216)		51.9	////////	44.4	3	.2 0.5
Indonesia (n=434)		51.4	////////	///////////45.2////	///////////////////////////////////////	3.2 0.2
Malaysia (n=226)		51.3		45.6		2.7 0.4
China (n=811)		48.3	///////////////////////////////////////	////////44.3///////	5.9	M.5
Australia (n=179)		47.5	///////////////////////////////////////	////////44.7///////////////////////////	5.6	2.2
Thailand (n=619)		47.2	///////////////////////////////////////	50.1		2.3 0.5
Singapore (n=334)		46.4		47.9	3.9	1.8
South Korea (n=117)		45.3	(//////////////////////////////////////	53.0		<u> 117</u>
HK & Macau (n=273)	38.	5		53.5	7.0	8 1.1
New Zealand (n=71)	38.0	)	<u></u>	62.0		914
Expansion 💈	Remaining the same	Reduction = Trans	ferring to a third country/r	egion or withdrawal from	current local markets	3

A total of 53.7% of the firms selected "Expansion" as their approach to future business challenges in the next one or two years, up 1.5 pp from 52.2% in the 2016 survey. In contrast, 4.2% of firms selected "Reduction" or "Transferring to a third country/region or withdrawal from current local markets," which is the same level as the 2016 survey (4.2%).

• By country/region, Pakistan marked the highest proportion of "Expansion" at 81.3%. In Myanmar, 70.7% of firms selected "Expansion."

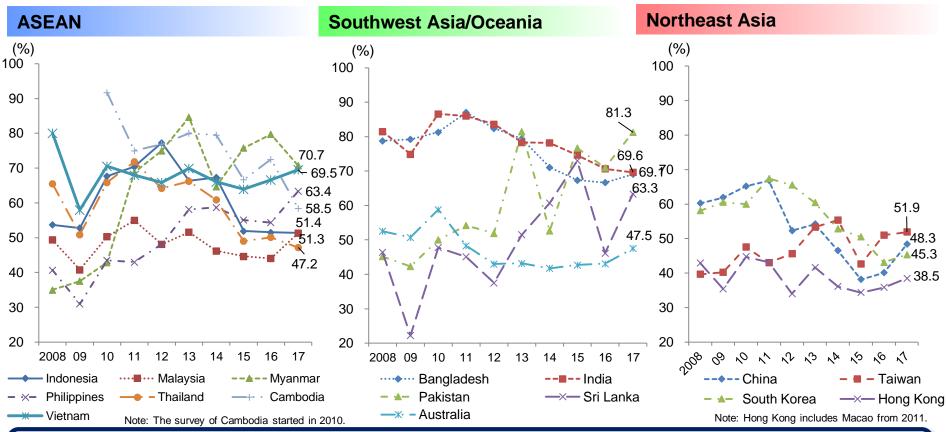
In China, 48.3% of the firms selected "Expansion," up 8.2 pp from the 2016 survey (40.1%).

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(%)

### 2. Future Business Plan (2)

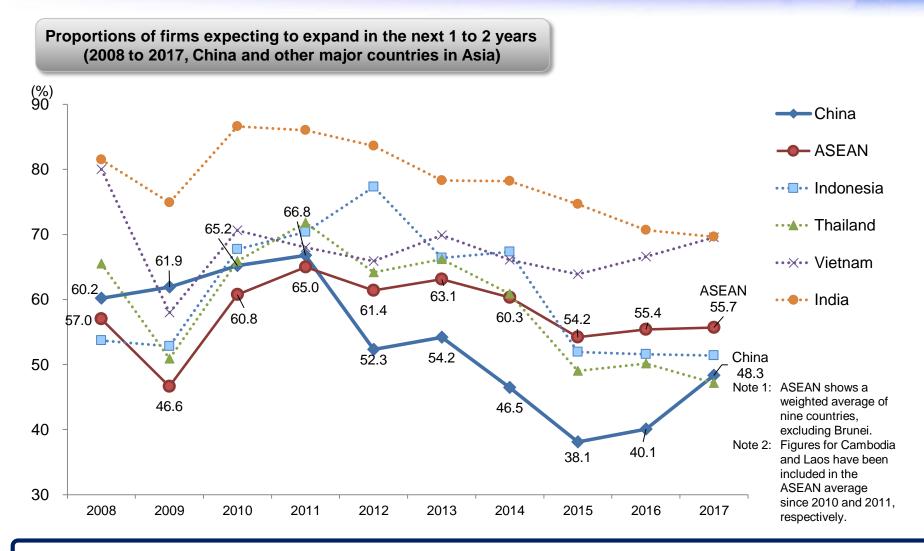
Proportions of firms expecting to expand in the next 1 to 2 years (2008 to 2017)



Reviewing the survey results by country/region from 2008, the proportion of firms that selected "Expansion" as their approach to future business challenges in the next one or two years increased significantly in 2010 when the global economy recovered from the downturn following the financial crisis. The proportion of "Expansion" remained generally the same from 2011 to 2013, excluding several countries/regions, decreased in 2014 and 2015, and increased in ASEAN and Northeast Asia in 2016. In 2017, the proportion increased in major countries in Southwest Asia and Oceania, as well as in Northeast Asia.

In the 2017 survey, the proportion of firms that selected "Expansion" increased from 2016 by over 5.0 pp in Sri Lanka (17.1 pp), Pakistan (10.3 pp), Philippines (9.0 pp), China (8.2 pp) and Malaysia (7.2 pp). On the other hand, the proportion decreased from 2016 by over 5.0 pp in Cambodia (-14.0 pp), and Myanmar (-9.0 pp).

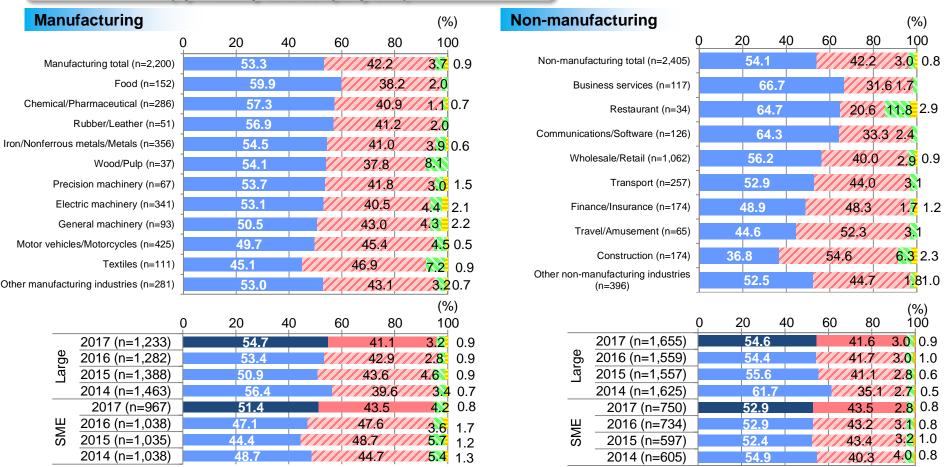
### 2. Future Business Plan (3)



 Comparing China with ASEAN, the proportion of firms that selected "Expansion" as their approach to future business challenges in the next one or two years was higher in China from 2008 to 2011. In 2012, however, ASEAN (61.4%) overtook China (52.3%). ASEAN has been higher than China by around 10 pp since 2012. After peaking at 16.1 pp in the 2015 survey, the gap decreased to 7.4 pp in 2017.

## 2. Future Business Plan (4)

#### Approach to future business challenges in the next 1 to 2 years (by industry and company size)



Expansion Remaining the same Reduction Transferring to a third country/region or withdrawal from current local markets

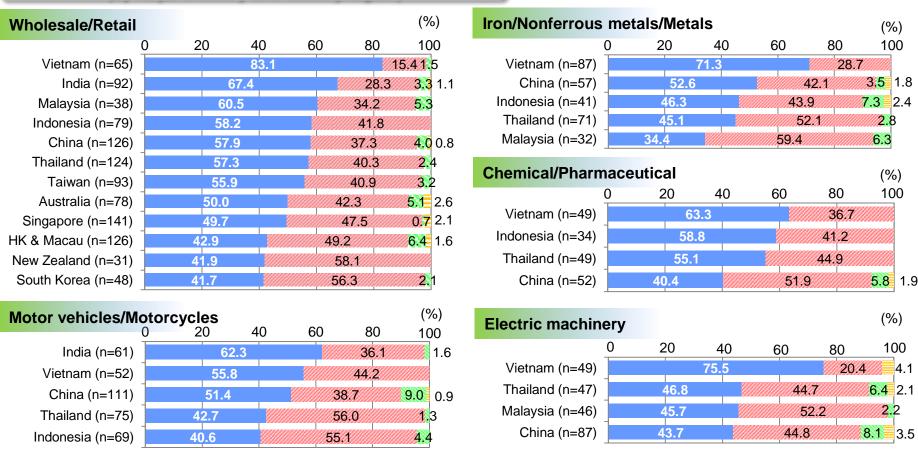
• By industry, the proportion of firms that selected "Expansion" as their approach to future business challenges in the next one or two years was higher in the non-manufacturing (54.1%) than the manufacturing sector (53.3%).

- In the manufacturing sector, the proportion of "Expansion" is high in Food (59.9%). In the non-manufacturing sector, the proportion is high in Business services (66.7%). On the other hand, the proportion of "Expansion" is lower in Textiles and Construction.
- By company size, large enterprises are more likely to expand their businesses than SMEs in both manufacturing and non-manufacturing sectors. The proportion of manufacturing firms that selected "Expansion" has been increasing since the 2015 survey.

# 2. Future Business Plan (5)

Approach to future business challenges in the next 1 to 2 years (by major industry and country/region)

Note: Country/region by industry categories for which  $n \ge 30$ 



Expansion Remaining the same Reduction Transfering to a third country/region or withdrawal from current local markets

- The proportion of "Expansion" in Wholesale/Retail was high in Vietnam (83.1%) and India (67.4%). Meanwhile, "Remaining the same" accounted for over 50% in New Zealand and South Korea.
- In the Motor vehicles/Motorcycles industry, the proportion of "Expansion" was high in India (62.3%). In China, the proportion of "Expansion" increased by 8.4 pp to 51.4% from the 2016 survey (43.0%), marking the largest increase by country/region.
- In Vietnam, the proportion of "Expansion" exceeded 80% in Wholesale/Retail. The proportion also exceeded 70% in Iron/Nonferrous metals/Metals and in Electric machinery.

### 2. Future Business Plan (6)

#### Reasons for expected business expansion in the next 1 to 2 years (multiple answers)

Sal	es increase	High grov potential	vth	Relationsh clients	ip with	High recep high-value products		Reviewing productio distributio networks	n and	Reduction (e.g., proculabor costs	rement/	Easy to se labor force		Deregulat	ions
	0 25 50 75	100	0 25 50	75 (	0 25 50 7	5 (	0 25 50	) (	0 25 50	C	) 25 50	(	) 25 5	0 0	) 25 50
Total (n=	2461) <b>86.8</b>	Total	45.7	Total	24.2	Total	20.6	Total	15.2	Total	8.3	Total	2.1	Total	2.1
Indonesia (n	=223) 91.0	India	64.2	Myanmar	31.6	HK & Macau	33.3	Singapore	23.2	Philippines	13.3	Philippines	11.1	Myanmar	10.5
Taiwan (n	=112) 89.3	China	50.9	South Korea	30.2	Singapore	29.0	HK & Macau	22.9	India	12.0	Cambodia	8.1	India	5.8
India (n	=226) 88.9	Myanmar	50.9	Vietnam	27.3	Taiwan	26.8	Australia	19.1	Thailand	10.3	Vietnam	4.2	HK & Macau	2.9
Vietnam (n	=450) 87.8	Taiwan	49.1	Taiwan	26.8	South Korea	26.4	Philippines	17.8	China	9.7	Indonesia	2.7	Cambodia	2.7
Thailand (n	=290) 87.6	Indonesia	48.4	Australia	25.0	China	25.1	Thailand	17.2	Malaysia	9.7	HK & Macau	1.9	Vietnam	2.7
China (n	=391) 87.5	Vietnam	46.2	Thailand	24.5	Malaysia	23.7	Taiwan	17.0	Australia	8.3	Myanmar	1.8	Malaysia	2.6
Philippines (	n=45) 86.7	Philippines	44.4	India	24.3	Thailand	22.4	India	14.6	Indonesia	8.1	India	1.3	Thailand	2.1
Malaysia (n		Cambodia	43.2	Singapore	23.2	Australia	20.2	China	13.8	South Korea	7.6	Singapore	1.3	China	1.0
HK & M (n=1		Singapore	43.2	Indonesia	22.4	Vietnam	17.8	Vietnam	13.8	Vietnam	7.3	Australia	1.2	Taiwan	0.9
Singapore (n	=155) 83.9	Australia	42.9	China	22.3	Indonesia	14.8	Indonesia	13.0	HK & Macau	6.7	Malaysia	0.9	Singapore	0.7
Australia (		HK & Macau	40.0	HK & Macau	21.9	India	13.7	Malaysia	10.5	Taiwan	4.5	Thailand	0.0	Indonesia	0.5
South Korea (	n=53) 83.0	South Korea	39.6	Philippines	20.0	Philippines	11.1	South Korea	7.6	Myanmar	3.5	China	0.0	Philippines	0.0
Myanmar (i	n=57) 77.2	Malaysia	33.3	Cambodia	18.9	Cambodia	10.8	Myanmar	7.0	Singapore	2.6	South Korea	0.0	Australia	0.0
Cambodia (	n=37) 75.7	Thailand	27.2	Malaysia	13.2	Myanmar	10.5	Cambodia	2.7	Cambodia	0.0	Taiwan	0.0	South Korea	0.0

Reviewing

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Note: Countries/regions for which  $n \ge 30$  (%)

### 2. Future Business Plan (7)

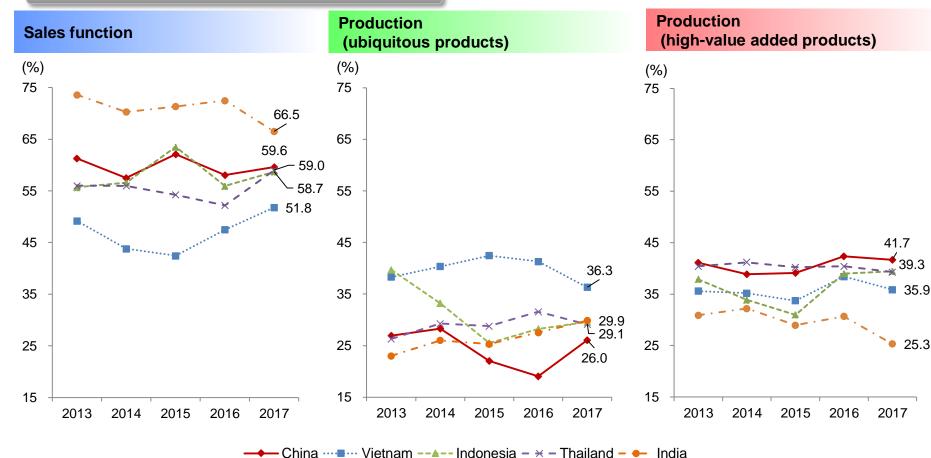
Functions to be expanded (multiple answers)



Administrative Production Production Function of regional functions in providing Sales function (high-value (ubiauitous Logistics function R&D headquarters services (e.g., shared added products) products) services center, call center) 0 25 50 75 100 0 25 50 25 50 75 0 25 50 0 25 50 0 25 50 0 25 50 0 Total (n=2413) 62.3 Total 32.3 Total 11.3 Total 6.9 Total 6.2 Total 26.1 Total 9.3 HK & Macau 85.6 China 41.7 Philippines Myanmar 19.3 South Korea 20.8 Singapore 22.2 India 11.3 44.4 (n=104) Taiwan (n=107) 79.4 Indonesia 39.4 Vietnam 36.3 Cambodia 18.4 China 15.4 HK & Macau 14.4 Australia 10.0 Thailand 39.3 Cambodia Philippines 15.6 Australia 8.8 Taiwan 9.4 South Korea (n=53) 79.3 34.2 Taiwan 11.2 35.9 South Korea 15.1 China Singapore (n=153) 78.4 Vietnam India 29.9 Malaysia 10.1 7.8 Myanmar 8.8 Indonesia South Korea 35.9 14.6 Taiwan HK & Macau 8.7 Australia (n=80) 71.3 Indonesia 29.6 India 9.5 7.5Malaysia 29.4 India 9.2 India South Korea Malaysia 29.4 14.0 Vietnam 6.8 7.6 India (n=221) 66.5 Philippines 28.9 Thailand 29.1 Australia 13.8 Indonesia 8.0 Philippines 6.7 Philippines 6.7 Cambodia (n=38) 63.2 India 25.3 China 26.0 Taiwan 13.1 Australia 7.5 Malaysia 6.4 Singapore 6.5 China (n=384) 59.6 13.1 HK & Macau 24.0 Taiwan Singapore Thailand 6.3 Thailand 6.0 Malaysia 6.4 13.1 Thailand (n=285) 59.0 22.4 Malaysia South Korea 5.7 Taiwan Myanmar 10.5 11.9 Singapore 5.9 Indonesia 5.6 58.7 Indonesia (n=213) 21.1 HK & Macau 10.6 HK & Macau 5.8 5.3 Vietnam 5.6 Myanmar Myanmar Malaysia (n=109) 56.9 HK & Macau 8.7 Singapore 16.3 Thailand 10.2 Cambodia 2.6 Indonesia 3.8 China 4.7 7.8 Singapore Vietnam (n=446) 51.8 Australia 16.3 China 8.3 Philippines 2.2 Cambodia 2.6 Thailand 3.2 South Korea 5.7 Philippines (n=45) 48.9 Cambodia 6.7 2.0 Cambodia 0.0 13.2 Australia 2.5 Vietnam 1.8 Vietnam Myanmar Myanmar (n=57) 43.9

# 2. Future Business Plan (8)

Functions to be expanded (by country, 2012 to 2017)



- The proportion of firms intending to expand "Sales function" remains at a high level in India (66.5%). In Thailand, the proportion increased by 6.8 pp from the 2016 survey.
- The proportion of firms intending to expand "Production (ubiquitous products)" exceeded 30% in Vietnam, but fell below 30% in Thailand, Indonesia, and India. Meanwhile, the proportion in China recovered by 6.9 pp from 2016 and exceeded 20% in 2017, although the proportion decreased for two consecutive years from 2015 and fell below 20% in 2016.
- The proportion of firms intending to expand "Production (high-value added products)" generally decreased. In particular, the proportion decreased in India (down 5.4 pp) and Vietnam (2.5 pp) from the 2016 survey.

## 2. Future Business Plan (9)

Reasons for the future re	eduction,				_		-	(%)
transfer or withdrawal (multi	ple answers)		(%)		By inc	dustry	By compa	any size
0		60	80		Manufacturing	Non- manufacturing	Large	SME
Sales decrease	63.9	60.8		Sales decrease	60.2	67.8	63.6	64.4
Increase of costs (e.g., procurement/labor costs)	41.7	61.1 46.0 48.2		Increase of costs (e.g., procurement/ labor costs)	48.4	34.5	35.5	50.7
Low growth potential	27.2 24.3 27.8	3		Low growth potential	19.4	35.6	29.0	24.7
Reviewing production and distribution networks	14.4 14.9 14.8			Reviewing production and distribution networks	16.1	12.6	12.2	17.8
Tightening of regulations	13.9 12.2 20.4			Tightening of regulations	14.0	13.8	14.0	13.7
Difficulty in securing labor force	13.9 17.6 14.8			Difficulty in securing labor force	17.2	10.3	10.3	19.2
Relationship with clients	10.0 8.1 18.5			Relationship with clients	16.1	3.5	5.6	16.4
Low receptivity for high-value added products	d products 1.9 Total (n=18	Total (n=180)		Low receptivity for high-value added products	4.3	8.1	1.9	12.3
Others	13.9 9.5 13.0	<ul> <li>ASEAN (n=74)</li> <li>China (n=54)</li> </ul>	)	Others	14.0	13.8	15.9	11.0

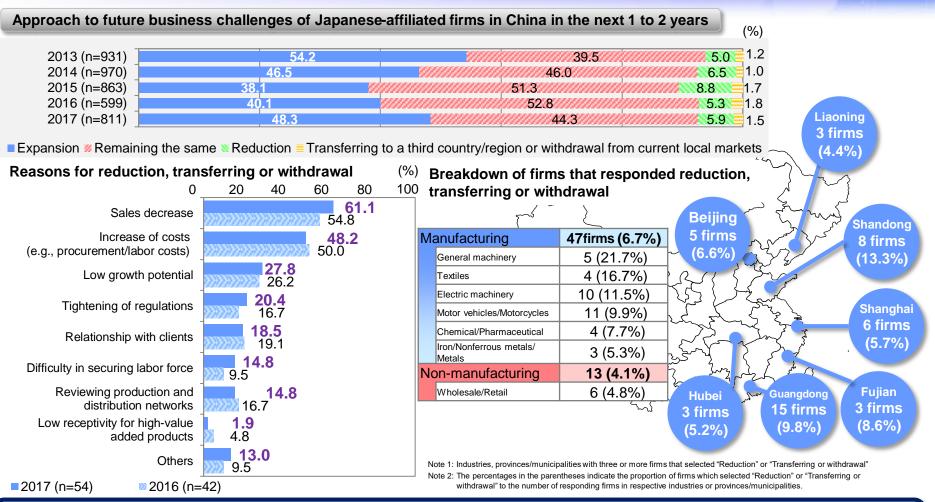
In a multiple-choice question on the reason for business "Reduction" or "Transferring or withdrawal," "Sales decrease" (63.9%) was most commonly cited, followed by "Increase of costs" (41.7%).

• When comparing ASEAN and China, the proportions of firms that selected "Low receptivity for high-value added products" and "Difficulty in securing labor force" were higher in ASEAN than in China by 6.2 pp and 2.8 pp, respectively. On the other hand, the proportions of "Relationship with clients" and "Tightening of regulations" were higher in China than in ASEAN by 10.4 pp and 8.2 pp, respectively.

• By industry, the proportion of firms in the non-manufacturing sector that cited "Sales decrease" was higher than that of firms in the manufacturing sector by 7.6 pp. On the other hand, the proportion of firms in the manufacturing sector that cited "Increase of costs," "Relationship with clients," or "Difficulty in securing labor force" was higher than that of firms in the non-manufacturing sector by 13.9 pp, 12.6 pp, and 6.9 pp, respectively.

• By company size, the proportion of SMEs that cited "Relationship with clients", "Difficulty in securing labor force" or "Reviewing production and distribution networks" was higher than that of large enterprises by 10.8 pp, 8.9 pp, and 5.6 pp, respectively.

# 2. Future Business Plan (10)



- In a question about the approach to future business challenges in the next one or two years, the proportion of Japanese-affiliated firms in China that selected "Reduction" or "Transferring to a third country/region or withdrawal from the current local markets" increased to 7.4% from the 2016 survey, exceeding 7% for two consecutive years from 2016. Meanwhile, the proportion of firms that selected "Expansion" increased by 8.2 pp to 48.3%.
- In a multiple-choice question asking the reason for business "Reduction" or "Transferring or withdrawal," "Sales decrease" had the highest proportion at 61.1%. This is followed by "Increase of costs" (48.2%) and "Low growth potential" (27.8%).
- By industry category, the manufacturing sector (6.7%) selected "Reduction" or "Transferring to a third country/region or withdrawal from current local markets" more commonly than the non-manufacturing sector (4.1%). In particular, the proportion was high in General machinery (21.7%) and Textiles (16.7%).

# 2. Future Business Plan (11)

Changes in the number of employees (Changes in a year-on-year comparison, future plans, by country/region)

Local employees	s	Yea	r-on-year	ear Plans for the next one year							ear	%)
C	) 20	40	60	80	100		0 20	4	0 6	8 0		óó
Total (n=4,567)	38.4		46.9		4.7	Total (n=4,483)	43	.5		47.4	9.2	2
Pakistan (n=32)		71.9		15.6 🏏	//12.5	Pakistan (n=32)		68.8		2	5.0	6.3
India (n=322)		59.9		34.2	5.9	Bangladesh (n=41)		68.3			29.3	2.4
Bangladesh (n=42)	I	59.5		31.0	9.5	Myanmar (n=80)		66.3		3	0.0	3.8
Vietnam (n=643)		55.7		34.5	9.8	India (n=313)		65.8		28	3.8 <b>5</b> .	4
Cambodia (n=65)	5	52.3	3	5.4	12.3	Vietnam (n=632)		61.9		34	.7	3.5
Philippines (n=72)	5	1.4		41.7	6.9	Philippines (n=69)		55.1		39.1	5.	8
Myanmar (n=82)	5	1.2	35	5.4	3.4	Laos (n=26)		53.9		46.2	2/////	
Laos (n=27)	40.7	7	55	i.6	3.7	Cambodia (n=63)	5	<b>60.8</b>		39.7	9.5	5
Taiwan (n=216)	40.3	3	47.2		//12.5	Malaysia (n=222)	46	6 <b>.9</b>		41.0	/12.2	2
Malaysia (n=224)	38.0		43.8	18	3.3	Indonesia (n=427)	42.	2		44.3	13.6	5
Indonesia (n=431)	36.7		49.0		4.4	Sri Lanka (n=29)	41.	4		48.3	10.	3
South Korea (n=115)	34.8		48.7		6.5	Taiwan (n=214)	40.	7		52.3	7/	0
New Zealand (n=71)	32.4		60.6		7.0	South Korea (n=114)	36.8			55.3	7.9	3
Singapore (n=332)	32.2		53.6		4.2	Singapore (n=327)	36.4			54.7	8.9	Y I
Thailand (n=607)	31.8		56.0		12.2	Thailand (n=592)	36.2	<u> </u>		54.9	9.0	2
Sri Lanka (n=28)	28.6		60,7		10.7	China (n=795)	34.1		50.	4	15.5	2
Australia (n=177)	27.1		59.9		13.0	Australia (n=173)	28.3		64	.2	7/	5
China (n=810)	26.8		47.8	25.	4///	New Zealand (n=70)	27.1			2.9		
HK & Macau (n=271)	24.4		57.6	11	3.1/	HK & Macau (n=264)	26.1		64.	4	/9.5	
							]					
Large (n=2,877)	39.4	1	45.3		5.3	Large (n=2,831)	43	.5		47.2	9.3	
SME (n=1,690)	36.8		49.5		3.7	SME (n=1,652)	43	.5		47.6	8.9	Y
-	Increase	se 🔍 N	o change	Decrea	ise		Inc	rease	No chan	ge 💋 De	crease	

• Regarding year-on-year changes in the number of local employees by country/region, over 70% of the firms selected "Increase" in Pakistan.

• The proportion of firms planning to "Increase" the number of local employees in the next one year was the highest in Pakistan (68.8%), followed by Bangladesh, Myanmar, India and Vietnam at over 60%, respectively.

• In China, over 20% of the firms selected "Decrease" in a year-on-year comparison. The proportion of firms planning to "Decrease" local employees in the next one year was relatively high in China (15.5%), Indonesia (13.6%) and Malaysia (12.2%).

### 2. Future Business Plan (12)

Changes in the number of employees (Changes in a year-on-year comparison, future plans, by country/region)

Japanese expa	triates	Ye	ar-on-y	ear	(0	%)		Р	lans fo	or the r	next or	ne year	(%)
	0 2	20 4	40 6	60		00		0	20	40	60	80	100
Total (n=4,527)	13.1		72.3		/14.6/		Total (n=4,454)	9.1		76.7			14.1
Cambodia (n=64)	31.3	3		65.6		3.1	Laos (n=26)	19.2			73.1	m/m	7.7
Myanmar (n=82)	23.2		69.	5	7.3		Myanmar (n=80)	17.5		7.1//	1.3	mm	11.3
Malaysia (n=223)	21.1		61.4		17.5		India (n=313)	17.3		70	).9		11.8
India (n=321)	20.9		64.2		15.0		Bangladesh (n=41)	17.1		m/m	80.5	m/m	2,4
Vietnam (n=639)	15.7		72.0		12.4		Philippines (n=69)	14.5		7	9.7		5.8
Philippines (n=72)	15.3		80.6		4.	2	Vietnam (n=635)	12.4		75.	6		12.0
Bangladesh (n=42)	14.3		78.6		7.1		Malaysia (n=219)	11.0		69.9			19.2
Pakistan (n=29)	13.8	(IIII)	79.3		6.9	)	Indonesia (n=423)	10.9	d IIII	74.9			14.2
Australia (n=177)	13.6		74.0		12.4		Thailand (n=585)	8.2		80.3			11.5
Singapore (n=330)	13.3	, IIIII	69.1		17.6		New Zealand (n=63)	7.9		85	.7	m/m	6.4
Indonesia (n=429)	11.4		75.8		12.8		Cambodia (n=64)	7.8		79.7			12.5
Laos (n=27)	11.1		66.7		/22.2//		Singapore (n=327)	7.3		75.2			17.4
Thailand (n=598)	10.4	(IIII)	74.3		15.4		Pakistan (n=28)	7.1		9	2.9	m/m	
Taiwan (n=213)	10.3	, uu l	78.9		10.8		Australia (n=173)	6.9		83.2	211/112	m/m	9.8
China (n=802)	9.7	<u>innn</u>	71.5		18.8/		HK & Macau (n=265)	5.7	() (III)	83.8		m/m	10.6
HK & Macau (n=268)	9.7		73.5		16.8		Taiwan (n=213)	5.6		81.2	m/m	m/m	13.2
South Korea (n=116)	6.0	(IIII)	76.7		×/17.2/		China (n=785)	5.0	dilli la	74.1	m/m	V//2	20.9
Sri Lanka (n=29)	3.5	ļ	93.1		3.	5	Sri Lanka (n=29)	3.5	<u>i i i i i i i i i i i i i i i i i i i </u>	86.2	m/m	m/m	10.3
New Zealand (n=66)	3.0	inni	89.4		7.6	5	South Korea (n=116)	3.5	11111	76.7			19.8
								]					
Large (n=2,862)	14.6		69.2		16.2/		Large (n=2,820)	9.7	1111/1	74.9	u/u		15.5
SME (n=1,665)	10.4	<u>illilli</u>	77.8	<u>illilli</u>	11.8		SME (n=1,634)	8.1	<u>1111/1</u>	80.0			11.9
	Inc:	rease	No chang	ge 🛛 🛛 🖉 D	ecrease			Inc	crease	🛚 No ch	ange	Decrea	ase

- Regarding changes in the number of Japanese expatriates by country/region, "No change" was most frequently selected in all countries/regions in both year-on-year comparison and in plans for the next one year.
- In the past one year, the proportion of firms that selected "Decrease" exceeded 20% in Laos. The proportion was less than 20% in China (18.8%), Singapore (17.6%), and Malaysia (17.5%).
- Regarding plans for the next one year, the proportion of firms that selected "Increase" was higher in Laos (19.2%), Myanmar (17.5%), India (17.3%), and Bangladesh (17.1%). On the other hand, the proportion of firms that selected "Decrease" was the highest in China (20.9%).

# 3. Management Matters (1)

### Problems common to all regions (top 10, multiple answers)

		2017	2016	Change	By in	dustry	By comp	any size
	Answers	(%)	(%)	(points)	Manufacturing	Non- manufacturing	Large	SME
1	Wage increase	66.7	65.3	1.4	74.3	59.7	66.3	67.3
2	Difficulty in quality control (Manufacturing sectors only)	51.9	50.5	1.4	51.9	-	48.4	56.2
3	Competitors' market shares are growing (cost-wise competition)	49.9	46.6	3.3	51.5	48.3	53.4	44.0
4	Quality of employees	46.9	44.1	2.8	49.9	44.2	46.3	48.0
5	Difficulty in local procurement of raw materials and parts (Manufacturing sectors only)	45.1	43.2	1.9	45.1		44.2	46.2
6	Increase of financing costs (Manufacturing sectors only)	40.7	29.0	11.7	40.7	-	40.2	41.4
7	Difficulty in developing in new clients on market	38.5	37.6	0.9	36.4	40.3	35.5	43.5
8	Major clients requesting lower prices	35.9	35.2	0.7	44.1	28.5	34.6	38.2
9	No more room for cost-cutting (Manufacturing sectors only)	35.3	34.5	0.8	35.3	-	34.8	36.0
10	Tax burden (i.e. corporate taxes and transfer pricing taxes)	32.4	27.7	4.7	35.6	29.5	35.3	27.6

• "Wage increase" (66.7%) was most frequently cited as a management matter, followed by "Difficulty in quality control" (51.9%). In addition to "Increase of financing costs," which increased by 11.7 pp from the previous year, the proportion of all top-10 problems increased from the previous year. By country/region, the proportion of "Wage increase" was higher in Cambodia (82.8%) and Indonesia (80.8%) than in China (75.3%). In addition to these three countries, the proportion also exceeded 70% in Vietnam (75.2%), India (72.1%), and Sri Lanka (70.0%).

By industry, more than 70% of firms selected "Wage increase" in the manufacturing sector. The proportion of "Major clients requesting lower prices" was higher in the manufacturing sector than in the non-manufacturing sector by 15.6 pp.

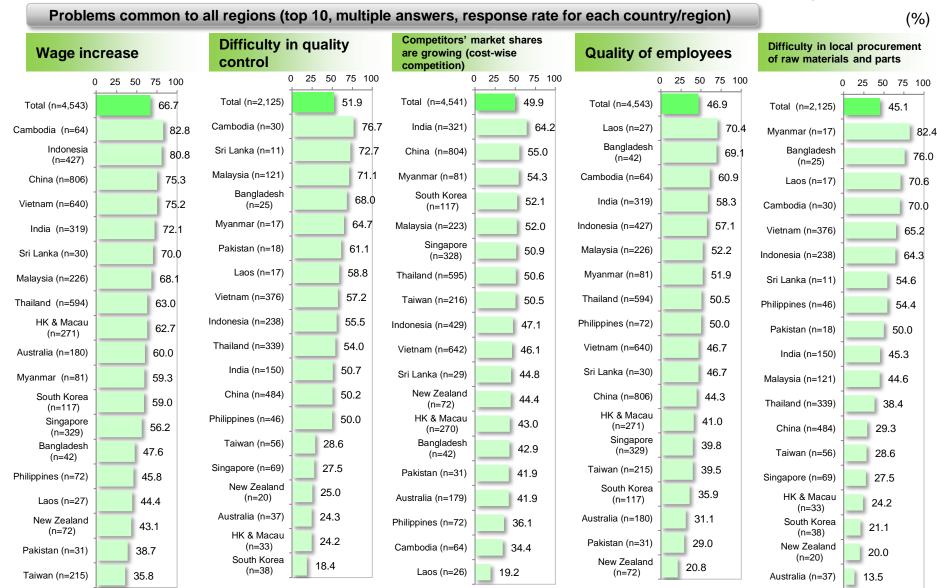
 By company size, "Wage increase" increased by 1.4 pp from the previous year in both large companies and SMEs. Among SMEs, the proportion of "Difficulty in quality control" exceeded 50%.

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(%)

### 3. Management Matters (2)

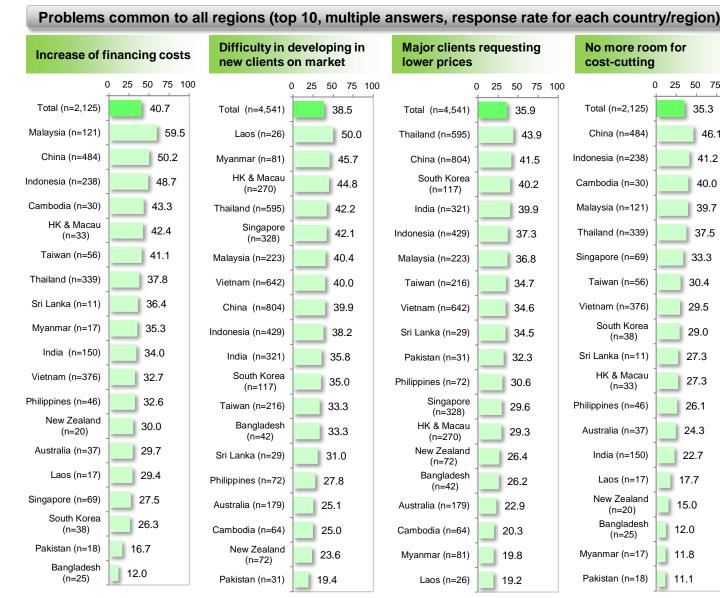
Note: Countries/regions for which  $n \ge 10$ 

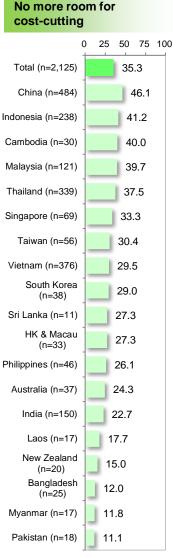


### 3. Management Matters (3)

Note: Countries/regions for which  $n \ge 10$ 

I





#### Tax burden (i.e. corporate taxes and transfer pricing taxes)

(%)

	0 25 50 75 100
Total (n=4,511)	32.4
Indonesia (n=428)	58.9
Myanmar (n=78)	52.6
India (n=320)	51.3
Sri Lanka (n=28)	46.4
Cambodia (n=63)	44.4
Bangladesh (n=42)	42.9
Vietnam (n=640)	40.9
Philippines (n=72)	40.3
Pakistan (n=31)	35.5
Malaysia (n=223)	31.8
China (n=798)	31.6
South Korea (n=117)	30.8
Australia (n=180)	24.4
Thailand (n=587)	21.8
Taiwan (n=213)	16.4
Laos (n=27)	14.8
Singapore (n=327)	14.7
New Zealand (n=72)	9.7
HK & Macau (n=265)	7.2

### 3. Management Matters (4)

### Problems by country/region (top 5, multiple answers)

Sing	Japore	2017 survey	2016 survey
1	Wage increase (n=329)	56.2	59.8
2	Competitors' market shares are growing (cost-wise competition) (n=328)	50.9	52.6
3	Difficulty in developing new clients on market (n=328)	42.1	41.6
4	Quality of employees (n=329)	39.8	35.7
5	Difficulty in recruiting engineering staff (n=75)	34.7	13.3

Mala	aysia	2017 survey	2016 survey
1	Difficulty in quality control (n=121)	71.1	64.2
2	Wage increase (n=226)	68.1	67.7
3	Increase in financing costs (n=121)	59.5	41.5
4	Volatility of the local currency's exchange rate against the US dollar (n=223)	55.6	56.9
5	Quality of employees (n=226)	52.2	53.3

Tha	iland	2017 survey	2016 survey
1	Wage increase (n=594)	63.0	59.3
2	Difficulty in quality control (n=339)	54.0	59.0
3	Competitors' market shares are growing (cost-wise competition) (n=595)	50.6	47.3
4	Quality of employees (n=594)	50.5	48.5
5	Major clients requesting lower prices (n=595)	43.9	40.6

#### (%)

Indo	onesia	2017 survey	2016 survey
1	Wage increase (n=427)	80.8	82.2
2	Difficulty in local procurement of raw materials and parts (n=238)	64.3	56.3
2	Complicated customs clearance procedures (n=424)	59.7	48.8
4	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=428)	58.9	51.1
5	Time-consuming customs procedures (n=424)	57.3	46.0

Viet	nam	2017 survey	2016 survey
1	Wage increase (n=640)	75.2	75.5
2	Difficulty in local procurement of raw materials and parts (n=376)	65.2	64.8
3	Difficulty in quality control (n=376)	57.2	58.6
4	Quality of employees (n=640)	46.7	42.5
4	Complicated customs clearance procedures (n=634)	46.7	47.5

Phil	ippines	2017 survey	2016 survey
1	Difficulty in local procurement of raw materials and parts (n=46)	54.4	62.1
2	Difficulty in recruiting engineering staff (n=46)	50.0	36.7
2	Quality of employees (n=72)	50.0	57.3
2	Difficulty in quality control (n=46)	50.0	53.5
5	Wage increase (n=72)	45.8	44.7

Note: Top 5 responses are listed above, except for "No particular problem." Orange-highlighted items are not included in the top 10 common problems in "3. Management Matters (1). "

Note: Red-highlighted items increased by 10 pp or more from 2016.

### 3. Management Matters (5)

rob	lems by country/region (top 5, multiple a	nswers)	
India		2017 survey	2016 survey
1	Wage increase (n=319)	72.1	67.5
2	Competitors' market shares are growing (cost-wise competition) (n=321)	64.2	59.2
3	Quality of employees (n=319)	58.3	49.5
4	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=320)	51.3	52.6
5	Difficulty in quality control (n=150)	50.7	51.1
Pakis	tan	2017 survey	2016 survey
1	Difficulty in quality control (n=18)	61.1	52.9
2	Difficulty in local procurement of raw materials and parts (n=18)	50.0	41.2
3	Volatility of the local currency's exchange rate against the US dollar (n=31)	48.4	32.3
4	High import duties (n=31)	48.4	41.9
4	Time-consuming customs procedures (n=31)	45.2	32.3
Sri La	nka	2017 survey	2016 survey
1	Difficulty in quality control (n=11)	72.7	44.4
2	Wage increase (n=30)	70.0	65.4
3	Difficulty in local procurement of raw materials and parts (n=11)	54.6	55.6
4	Quality of employees (n=30)	46.7	15.4
5	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=28)	46.4	34.6

items are not included in the top 10 common problems in "3. Management Matters (1)." Note: Red-highlighted items increased by 10 pp or more from 2015. Blue-highlighted items decreased by 10 pp or more from 2016.

Ban	gladesh	2017 survey	2016 survey
1	Difficulty in local procurement of raw materials and parts (n=25)	76.0	81.3
2	Inadequate logistics infrastructure (n=25)	72.0	62.5
3	Quality of employees (n=42)	69.1	60.4
4	Difficulty in quality control (n=25)	68.0	56.3
5	Power shortage or blackout (n=25)	68.0	65.6
Cam	bodia	2017 survey	2016 survey
1	Wage increase (n=64)	82.8	69.7
2	Difficulty in quality control (n=30)	76.7	76.3
3	Difficulty in local procurement of raw materials and parts (n=30)	70.0	73.7
4	Quality of employees (n=64)	60.9	62.9
5	Complicated customs clearance procedures (n=64)	46.9	44.8
Laos		2017 survey	2016 survey
1	Difficulty in local procurement of raw materials and parts (n=17)	70.6	63.6
2	Quality of employees (n=27)	70.4	72.2
3			
	Difficulty in recruiting engineering staff (n=17)	64.7	27.3
4	Difficulty in recruiting engineering staff (n=17) Difficulty in quality control (n=17)	64.7 58.8	27.3 81.8
4	Difficulty in quality control (n=17)	58.8	81.8
4	Difficulty in quality control (n=17) Inadequate logistics infrastructure (n=17)	58.8 52.9 2017	81.8 36.4 <sup>2016</sup>
4 5 <b>Mya</b>	Difficulty in quality control (n=17) Inadequate logistics infrastructure (n=17) Immar Difficulty in local procurement of raw materials and parts	58.8 52.9 <sup>2017</sup> survey	81.8 36.4 2016 survey
4 5 <b>Mya</b> 1	Difficulty in quality control (n=17) Inadequate logistics infrastructure (n=17) Inmar Difficulty in local procurement of raw materials and parts (n=17)	58.8 52.9 2017 survey 82.4	81.8 36.4 <sup>2016</sup> survey 70.0
4 5 <b>Mya</b> 1 1	Difficulty in quality control (n=17) Inadequate logistics infrastructure (n=17) Inmar Difficulty in local procurement of raw materials and parts (n=17) Power shortage or blackout (n=17)	58.8 52.9 2017 survey 82.4 82.4	81.8 36.4 2016 survey 70.0 85.0

# 3. Management Matters (6)

#### Problems by country/region (top 5, multiple answers)

Chir	าล	2017 survey	2016 survey
1	Wage increase (n=806)	75.3	77.8
2	Growing market shares of competitors (cost-wise competition) (n=804)	55.0	44.4
3	Increase in financing costs (n=484)	50.2	31.9
3	Difficulty in quality control (n=484)	50.2	45.0
5	No more room for cost-cutting (n=484)	46.1	48.2

Hon	g Kong & Macau	2017 survey	2016 survey
1	Wage increase (n=271)	62.7	59.2
2	Difficulty in developing in new clients (n=270)	44.8	45.9
3	Growing market shares of competitors (cost-wise competition) (n=270)	43.0	36.9
4	Increase in financing costs (n=33)	42.4	19.5
5	Quality of employees (n=271)	41.0	35.2

Taiv	van	2017 survey	2016 survey
1	Growing market shares of competitors (cost-wise competition) (n=216)	50.5	51.4
2	Increase in financing costs (n=56)	41.1	25.0
3	Quality of employees (n=215)	39.5	34.3
4	Wage increase(n=215)	35.8	31.9
5	Major clients requesting lower prices (n=216)	34.7	33.2

Sou	th Korea	2017 survey	2016 survey
1	Wage increase (n=117)	59.0	57.5
2	Growing market shares of competitors (cost-wise competition) (n=117)	52.1	53.8
3	Major clients requesting lower prices (n=117)	40.2	46.8
4	Quality of employees (n=117)	35.9	31.6
5	Difficulty in developing in new clients (n=117)	35.0	41.0

Aust	tralia	2017 survey	2016 survey
1	Wage increase(n=180)	60.0	62.9
2	Growing market shares of competitors (cost-wise competition) (n=179)	41.9	33.7
3	Volatility of the local currency's exchange rate against the US dollar (n=180)	31.7	41.8
4	Quality of employees (n=180)	31.1	26.2
5	Increase in financing costs (n=37)	29.7	29.2

New	/ Zealand	2017 survey	2016 survey
1	Growing market shares of competitors (cost-wise competition) (n=72)	44.4	35.1
2	Wage increase (n=72)	43.1	35.1
3	Volatility of the local currency's exchange rate against the US dollar (n=72)	33.3	34.2
4	Difficulty in recruiting engineering staff (n=20)	30.0	22.7
4	Increase in financing costs (n=20)	30.0	18.2

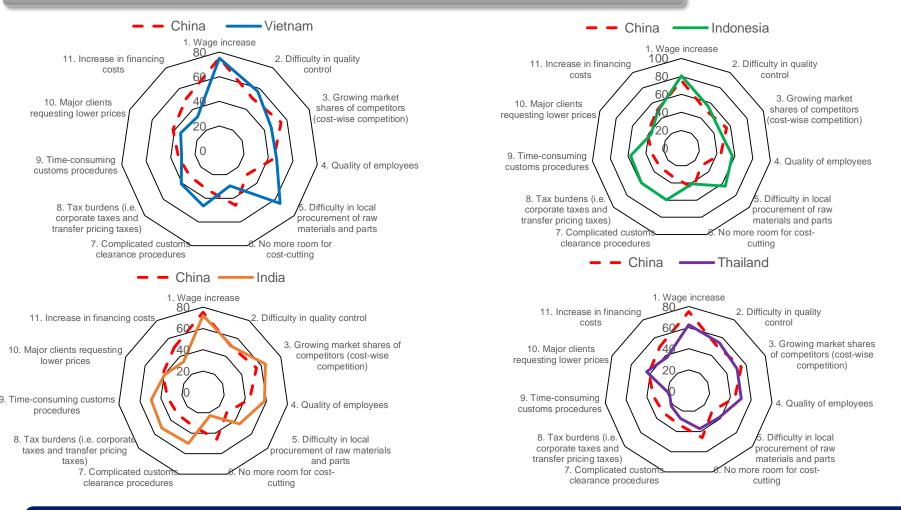
Note: Top 5 responses are listed above, except for "No particular problem." Orange-highlighted items are not included in the top 10 common problems in "3. Management Matters (1). "

(%)

Note: Red-highlighted items increased by 10 pp or more from 2015. Blue-highlighted items decreased by 10 pp or more from 2016.

# 3. Management Matters (7)

#### Comparison between China and other major countries in Asia (top 5, multiple answers)



- "Difficulty in quality control," "Quality of employees" and "Difficulty in local procurement of raw materials and parts" were cited more commonly in India, Indonesia, Vietnam and Thailand than in China.
- Only Indonesia exceeded China in the proportion of "Wage increase." China was higher than four other countries in the proportion of "No more room for cost-cutting" and "Increase in financing costs."
- The proportion of firms citing "Time-consuming customs procedures" was higher in India, Indonesia, and Vietnam than in China by over 10 pp.

## 4. Rising Costs of Production and Services (1)

Negative impact of s on busines	oaring costs of s activities (by c		services		ficantly affected y any impact	Slightly affe ■No impact	
(	) 2	0 4	40	60	)	80	100
Total (n=4,473)	35.4			46.4		14.5	////// <mark>3.8</mark>
Indonesia (n=416)		45.7			42.8		9.9///1.7
Pakistan (n=30)	4(	).0			46.7	6.7	6.7
Cambodia (n=64)		43.8			42.2	9.4	4 <i>////<mark>4.7</mark></i>
China (n=795)	39	.3			45.9		.3//// <mark>3.5</mark>
Malaysia (n=218)		44.5			40.4	11.	.9//// <mark>3.2</mark>
Vietnam (n=631)	33.9			50.4	4	13	.5////2.2
Sri Lanka (n=30)	36.7	7		46	.7	10.0	6.7
Philippines (n=71)	35.2			47.	9	16	6.9///////
Thailand (n=586)	33.5			48.8		15.2	2///// <mark>2.6</mark>
Myanmar (n=78)		2.3			39.7	12.8	///// 5.1
India (n=318)	35.9			45.0		13.8//	<u>///// 5.4</u>
Bangladesh (n=42)	33.3			45.2		<u>×/////14.3////</u>	<b>// 7.1</b>
Australia (n=179)	37.	4		40.8		<b>\</b> ////////////////////////////////////	////// <mark>3.9</mark>
HK & Macau (n=269)	30.5			47.6		<u> ///////16.4////</u>	<b>/////</b> 5.6
Laos (n=27)	37.0	þ 🔊		40.7		14.8	7.4
Singapore (n=324)	28.7		4	49.1		18.2//	////// 4.0
Taiwan (n=211)	17.1 🔊		53.6			23.7	//// 5.7
New Zealand (n=72)	26.4		41.7		1	9.4	12.5
South Korea (n=112)	25.9		38.4			28.6	/// 7.1

• A combined 81.8% of the firms responded that their business activities are "Significantly affected" or "Slightly affected" by the negative impact of the rising costs of production and services resulting from soaring prices of payroll, energy, and raw materials. About 80% of the firms in Asia and Oceania are affected negatively.

• The proportion of firms sustaining negative impact was the highest in Indonesia at 88.5%, followed by Pakistan, Cambodia and China.

• By industry in Indonesia, the impact was most serious in Food, Textiles, Wood/Pulp, General machinery, Travel/Amusement and Restaurant. A combined 100% of the firms responded that their business activities are "Significantly affected" or "Slightly affected" by negative impact. The proportion of firms that selected "Significantly affected" was the highest in Food (80.0%).

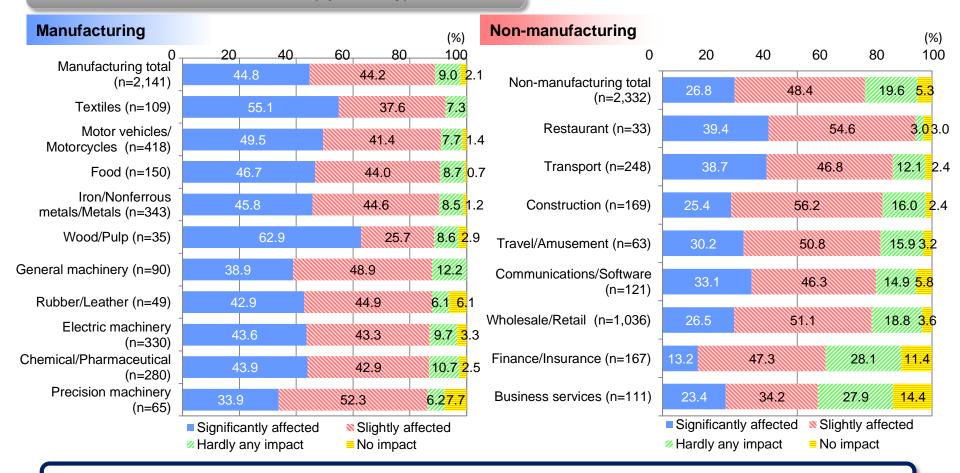
By industry in China, over 50% of the firms selected "Significantly affected" in Wood/Pulp (66.7%), Restaurant (66.7%), Textiles (56.5%), Chemical/Pharmaceuticals (52.9%), Communications/Software (52.6%) and Food (50.0%).

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Note: Countries/regions for which  $n \ge 10$ 

## 4. Rising Costs of Production and Services (2)

### Negative impact of soaring costs of production and services on business activities (by industry)



- A total of 89.0% of the manufacturing firms and 75.2% of the non-manufacturing firms responded that they are "Significantly affected" or "Slightly affected" by the negative impact of rising costs. Manufacturing firms are affected more seriously than non-manufacturing firms.
- In the manufacturing sector, the proportion of firms that selected "Significantly affected" was the highest in Wood/Pulp.
- In the non-manufacturing sector, the Restaurant industry marked the highest proportion in "Significantly affected" regarding negative impact.
- In all industries, Business services had the highest proportion of "Hardly any impact" or "No impact," at over 40%.

## 4. Rising Costs of Production and Services (3)

## Countermeasures against rising costs currently being taken or under consideration (multiple answers)

Industries with a significantly higher response rate than average	
(%)	

	Answers	Response rate (%)	Total	0	20	40 48	60	80	(%) 100
1	Cost-cutting (e.g., administration cost, indirect cost)	48.4	Finance/Insurance Transport				69 58.6	.8	
2	Reviewing suppliers of raw materials and procurement content	38.6	Motor vehicles/Motorcycles			38.6	55.8		
3	Increasing prices of products (or services)	29.5	Wood/Pulp General machinery				64.5		
4	Encouraging recruitment of local staff, reducing payroll cost	24.2	Precision machinery Total			<b>F</b>	57.1		
5	Reviewing production (consolidation of lineup, improvement, adding of value)	22.8	Restaurant		29.		0.0		
6	Encouraging automation and power-saving (e.g., introducing industrial robots)	21.5	Wood/Pulp			45.2	-		
7	Cost-cutting through mass production and volume sales	20.2	Total Communications/Software Finance/Insurance		24.2	38.3			
8	Cost-cutting through increasing local procurement rate	19.8	Business services			34.4 31.8			
9	No particular measures	4.6	Total Electric machinery		21.5	46.0			
10	Shifting production/service capabilities to third country/areas (*)	4.6 To	Motor vehicles/Motorcycles Precision machinery tal (n=3,623)			41.8 37.5			
		No	te: China includes a shift of pro	oduction/	service capa	abilities to o	other areas	on the	Mainlanc

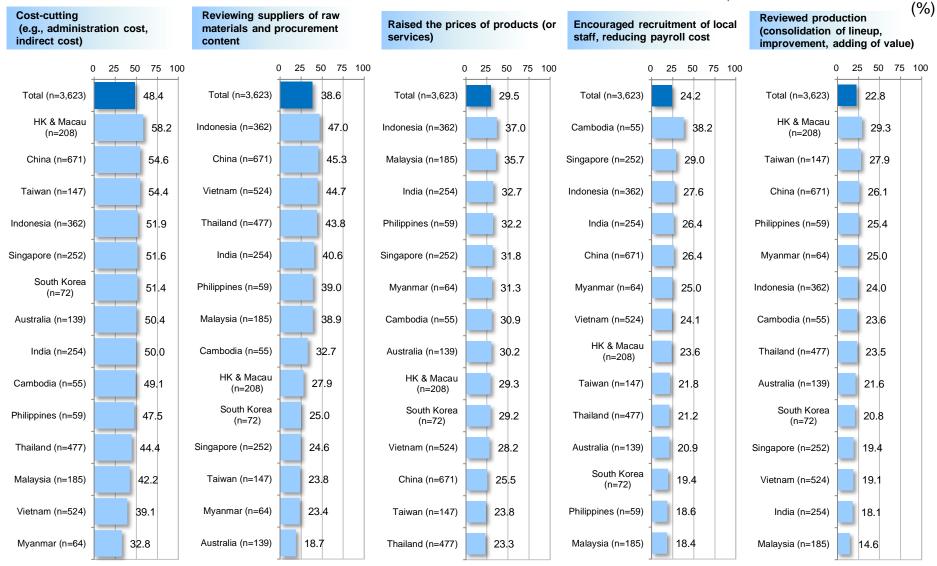
• The most common countermeasure was "Cost-cutting (e.g., administration cost, indirect cost)" at 48.4%. In particular, this countermeasure is taken (considered) more commonly by non-manufacturing industries, such as Finance/Insurance and Transport. The proportion of firms that "Encouraged recruitment of local staff and reduced payroll cost" or that is considering doing so was also high.

- In the Wood/Pulp industries, the proportion of firms that reviewed or are considering reviewing "suppliers of raw materials and procurement content" exceeded 60%. "Increasing prices of products (or services)" was cited by 45.2% of respondents.
- In the Precision machinery industry, "Reviewing suppliers of raw materials and procurement content" accounted for 57.1%, while "Encouraging automation and power-saving" accounted for 37.5%.

## 4. Rising Costs of Production and Services (4)

### Countermeasures against rising costs currently being taken or under consideration (by country/region) (multiple answers) (1/2)

Note 1: Countries/regions for which  $n \ge 50$ Note 2: China includes a shift of production/service capabilities to other areas in the mainland.



## 4. Rising Costs of Production and Services (5)

Countermeasures against rising costs currently being taken or under consideration (by country/region) (multiple answers) (2/2)

Note 1: Countries/regions for which  $n \ge 50$ Note 2: China includes a shift of production/service capabilities to other areas in the mainland.



## 5. Procurement of Raw Materials and Parts (1)

Manufacturing sectors only

						_									
Ratio of labor/ma		-			sts		Ratio of labo			-		n cost	5		
(by com	pany siz	e and ir	ndustry	<b>'</b> )				(by	countr	y/regior	I)				
					(%	%)		•		10			(%)		
C	) 20	) 40	6 (	0 8	-			0	20	40	60	80	100		
Total (n=1,942)	19.8		58.8		21.4		Laos (n=16)		38.0		48.9		13.1		
	Í						Myanmar (n=17)	3	30.1	45.		24.			
							South Korea (n=34)	2	29.9		54.6	//////	5.5		
Large (n=1,057)	16.9 🎽		62.6		20.5		Cambodia (n=29)	2	6.9  🎽		56.5	//////	6.6		
SME (n=885)	23.2		54.4		22.4		New Zealand (n=17)	2	6.3 🛛 🌌		56.0	/////	7.7		
							Singapore (n=53)	2	5.6		56.1	/////i/i/	8.3		
Textiles (n=106)	30.7		49.8	3	19.5		Bangladesh (n=23)	24	1.8 🥢		59.0	/////// 1	6.2		
General machinery (n=81)	24.0		54.5		21.5		Australia (n=33)	23	8.9 🥢	5.	4.0	🥢   22	.199		
Rubber/Leather (n=45)	23.2		50.2		26.6		Sri Lanka (n=10)	22	.2 🥡	e	1.1	////// 1	6.7		
Precision machinery (n=51)	21.3		62.9		/ 15.8		HK & Macau (n=26)	21	.4	57	.5	/// 21	.1.1		
Food (n=132)	20.0		56.6		23.4		Thailand (n=311)	21	.2	55	.6	23 📈			
Electric machinery (n=286)	19.5		63.3		17.2		China (n=452)	19.	6	59	.8	20	0.6		
Iron/Nonferrous metals/Metals							Vietnam (n=348)	19.	4 /////	57.	2	23 🖉	4		
(n=327)	17.8		57.0		25.2		Taiwan (n=45)	18.	6	58.	5	🥢   22	.9		
Chemical/Pharmaceutical (n=253)	17.6 💋		62.6		19.8		Malaysia (n=116)	17.	6	63	.3	19	Э.1		
Wood/Pulp (n=32)	16.4 🌌		63.9		19.7		Indonesia (n=228)	16.8	3 //////	61.	2	22	.0		
Motor vehicles/Motorcycles (n=384)	16.2 ∭		60.4		23.4		Philippines (n=40)	15.9	) //////	56.4		27.	1886		
Labor costs Mate	rial costs	(raw ma	aterials,	parts)	Other		India (n=128)	15.0		66	1	/////	3.9		
Note: "Production cost" includes	the costs of	all resourc	es consu	med in			Pakistan (n=16)	7.4		74.4		/////i	8.2		
producing an item, such as	producing an item, such as materials, labor, and others.								ts (raw	materials	s parts et	c) C	)ther		

Labor costs Ø Material costs (raw materials, parts, etc.)

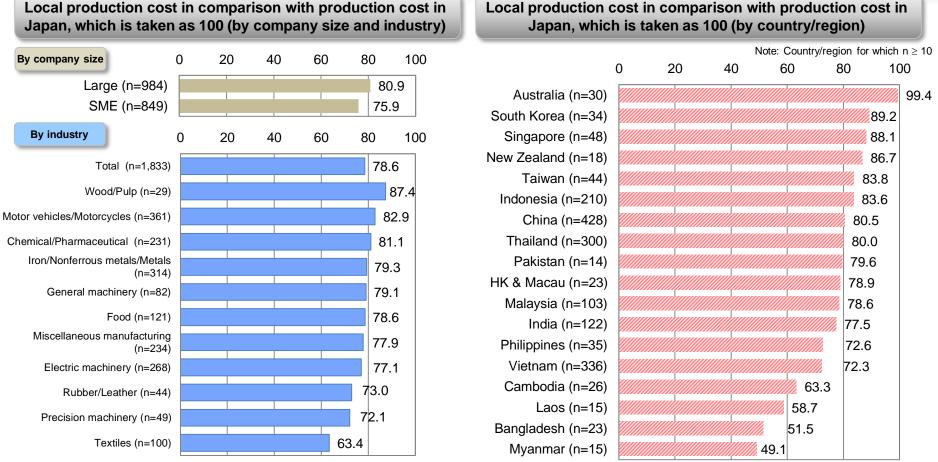
Note: Country/region for which  $n \ge 10$ 

 The ratio of labor costs to local production costs of Japanese-affiliated firms averaged 19.8%, while the ratio of material costs averaged 58.8%. Thus, the material costs constitute a majority of local production costs. In comparison with the 2016 survey, labor costs increased by 0.1 pp, while material costs increased by 0.4 pp.

• By country/region, the ratio of labor costs is relatively high in Laos, Myanmar, South Korea, Cambodia and New Zealand. On the other hand, the ratio of material costs is high in Pakistan (74.4%), where Motor vehicles/Motorcycles is the major industry.

## 5. Procurement of Raw Materials and Parts (2)

Manufacturing sectors only



Note: "Production cost" includes the costs of all resources consumed in producing goods, such as materials, labor, and others.

- Compared with the production cost in Japan, which is taken as 100, the average local production cost decreased from 78.9 in the 2016 survey by 0.3 pp to 78.6.
- By industry, production costs are relatively high in Wood/Pulp, Motor vehicles/Motorcycles, Chemical/Pharmaceutical and Iron/Nonferrous metals/Metals, while the cost is lower in Textiles at 63.4.
- By company size, the costs of SMEs (75.9) were lower than those of large enterprises (80.9) by 5.0 pp. The gap decreased by 1.3 pp from the 2016 survey (6.3 pp).
- By country/region, production cost was lower in all countries than in Japan. Production cost is high in Australia (99.4) and South Korea (89.2), while the cost is lower in Myanmar (49.1) and Bangladesh (51.5).

## 5. Procurement of Raw Materials and Parts (3)

Manufacturing sectors only

Procurement sources for raw materials and parts (by country/region, responses total 100%) Note: Country/region for which n ≥ 10
Local Zapan SEAN China Other

(%)

Total (n=1,922)	0 2	20 <sub>48.6</sub>	40	60 /29.1	80 7.7 7.0 7.6 <sup>100</sup>
New Zealand (n=17)		67.9		///11.0///2	
China (n=449)		67.3		////////2	6.3//////2.14.3
Australia (n=33)		57.1	///	18.9////3.6	<mark>11.1</mark> 9.3
Thailand (n=306)		56.8	///	//////27.7/////	4.1 5.2 6.2
India (n=132)		55.9	///	////23.3///////	9.2 4.8 6.8
Taiwan (n=44)		55.4	////	////////32.3/////	2.0 6.5 3.8
Indonesia (n=226)		45.2		1.5////////////////////////////////////	10.2 <u>5.2</u> 7.9
South Korea (n=34)		44.6		37.8	5.8 4.3 7.5
Philippines (n=39)	4	2.2	///////////////////////////////////////	10.	7 4.4 11.4
Malaysia (n=113)	38.	2 💋	/////////29.1////	12.9	<mark>8.2</mark> 11.6
Sri Lanka (n=11)	36.0	////	/15.3//// 7.3	28.2	13.2
Pakistan (n=15)	34.3	/////	//20.9///////9	.3 12.9	22.6
Vietnam (n=347)	33.2		/////34.5/////	11.7	<b>11.8</b> 8.8
Bangladesh (n=24)	31.5	///////	21.9 6.5	33.6	6.5
Singapore (n=47)	25.2		//39.2//////////////////////////////////	16.2	9.5 9.9
HK/Macau (n=25)	16.9	///////////////////////////////////////	6.9	24.0	16.8
Myanmar (n=16)	14.4	///////////////////////////////////////	///////////////////////////////////////	15.3 19.	.4 11.2
Cambodia (n=27)	8.0	29.1////////////////////////////////////	28.3	26.	7 7.9
Laos (n=17)	6.2 //////25.	4//////	26.2	36.8	5.4

The largest procurement source for raw materials and parts in the local production activities of Japanese-affiliated firms was "Local" (48.6%), followed by "Japan" (29.1%) and "ASEAN" (7.7%). The local procurement rate increased by 2.1 pp from the 2016 survey (46.5%). On the other hand, the rate of procurement from Japan decreased by 1.0 pp, while the rates from ASEAN and China slightly decreased.

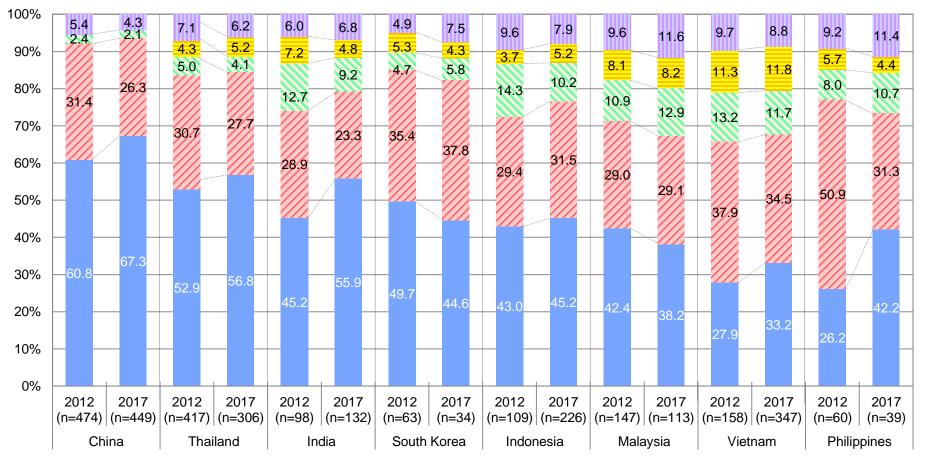
• By country/region, the local procurement rate is high in New Zealand (up 11.6 pp from the 2016 survey) and in China (down 0.5 pp from the 2016 survey).

The rate of procurement from Japan is highest in Myanmar (39.7%), followed by Singapore (39.2%), South Korea (37.8%) and HK & Macau (35.4%).

## 5. Procurement of Raw Materials and Parts (4)

Manufacturing sectors only

Procurement sources of major countries (comparison between the 2012 survey and the 2017 survey)

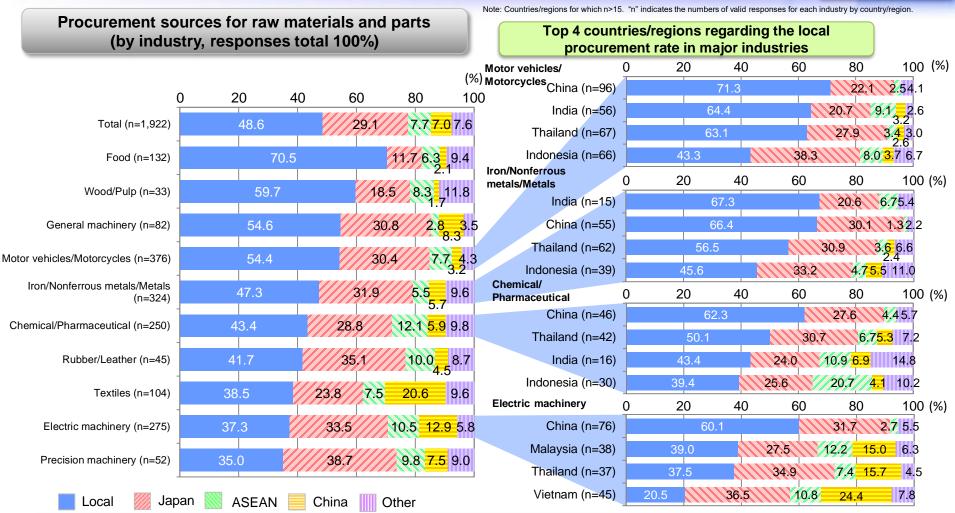


■ Local Zapan NASEAN = China III Other

- Comparing the procurement sources for raw materials and parts in eight major countries in the 2012 survey with those in the 2017 survey, local procurement rates increased in China, Thailand, India, Indonesia, Vietnam and the Philippines. The rate increased in the Philippines (16.0 pp), India (10.7 pp), China (6.5 pp), and Vietnam (5.3 pp) in five years.
- The rate of procurement from Japan decreased in all countries, except South Korea, Indonesia, and Malaysia.
- The procurement rate from China increased in all five countries, excluding India, South Korea and the Philippines. The rate is particularly high in Vietnam at 11.8%.

## 5. Procurement of Raw Materials and Parts (5)

Manufacturing sectors only



 By industry, the local procurement rate of raw materials and parts is high in Food and Wood/Pulp at 70.5% and 59.7%, respectively. Meanwhile, the rate of procurement from Japan is higher in the Precision machinery industry, at almost 40%. In Textiles, the procurement rate from China was over 20%.

- In the Electric machinery industry, the local procurement rate increased to 37.3%, up 2.9 pp from the 2016 survey, while the procurement rate from Japan decreased by 2.4 pp to 33.5%.
- In all four industries with valid responses from more than 200 companies, the local procurement rate exceeded 60% in China. The local procurement rate in Motor vehicles/Motorcycles was high at 71.3%, although the rate decreased by 1.0 pp from the 2016 survey.

## 5. Procurement of Raw Materials and Parts (6)

Manufacturing sectors only

### Local procurement sources for raw materials and parts (by country/region, responses total 100%)

<ul> <li>Local companies</li> <li>Other foreigh-affiliated cor</li> </ul>	mpanies 🔍	Japane	ese-affilia	ted compa	<sup>anies</sup> (	%)
Ç	20	40	6	0 8	0 ^	100
Total (n=1,665)	52	2.4		39.8	7.8	3
South Korea (n=28)		83.	.5		14.7 1	.8
Pakistan (n=11)		83.	.1		13.2 3	7
Bangladesh (n=21)		81.	2		13.6 5.	2
Australia (n=27)		81.	2		8.610.2	2
New Zealand (n=14)		77.9	)	<u>s</u>	9.3 12.8	
India (n=114)		74.7			19.3 6.	0
Taiwan (n=37)		74.5			21.8 3	7
Myanmar (n=10)		63.0		23.0	14.0	
China (n=422)		59.5		34.2	2 6.	3
Singapore (n=35)	52	2.0		28.1	19.9	
Malaysia (n=97)	49	.3		44.7	6.	0
HK & Macau (n=11)	46.	.8		46.8	6.	4
Indonesia (n=200)	44.	8		50.8	4.	4
Thailand (n=283)	41.7			53.6	4.	7
Vietnam (n=292)	39.6		4	6.9	13.5	
Cambodia (n=18)	36.2		23.1	40	3////	
Philippines (n=36)	34.4		<u>}</u>	58.5	7;	1
-						_

Note: Countries/regions for which  $n \ge 10$ 

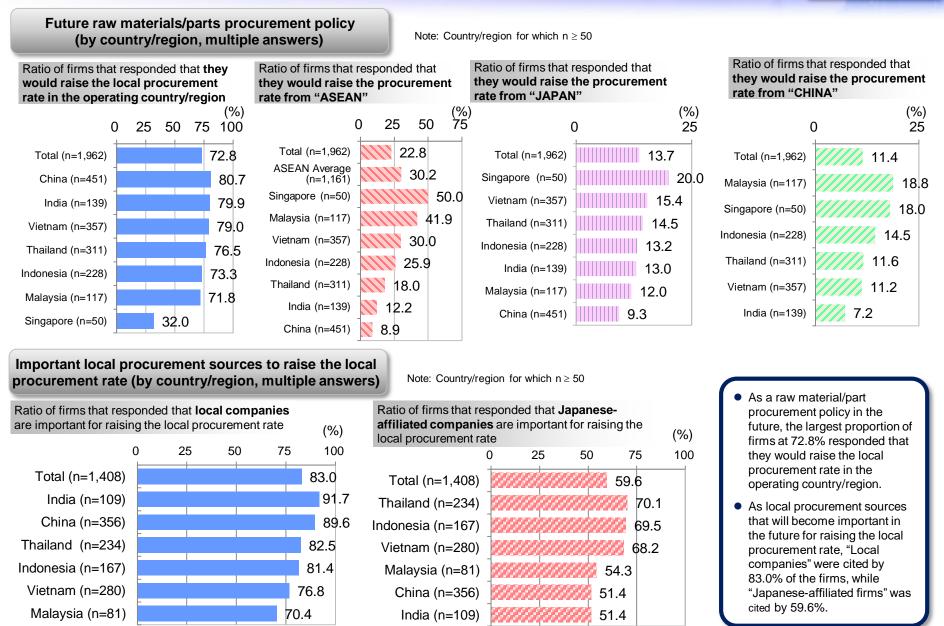
## Local procurement sources for raw materials and parts (by company size and industry, responses total 100%)

Local companies Other foreign-affiliated co	mpanies	Japanes	es (%)		
0	20	40	60	80	100
Large (n=895)		55.8		36.7	7.5
SME (n=770)		48.5		43.5	8.0
Food (n=122)		80	).1		16.9 3.0
Wood/Pulp (n=30)		62.6		21.1	16.3
Textiles (n=82)		53.8		30.0	16.2
Chemical/Pharmaceutical (n=219)		52.9		35.7	11.4
General machinery (n=74)		52.6		40.0	7.4
Rubber/Leather (n=39)		52.6		39.9	7.5
Iron/Nonferrous metals/Metals (n=270)		49.4		41.5	9.1
Electric machinery (n=242)	4	5.5		47.6	6.9
Motor vehicles/Motorcycles (n=326)	4	4.2		51.5	4.3
Precision machinery (n=42)	41	1.0		54.6	4 <u>.</u> 4

- "Local companies" was the largest local procurement source, at 52.4%, followed by "Japanese-affiliated companies" (39.8%) and "Other foreign-affiliated companies" (7.8%).
- In the Philippines, Thailand and Indonesia, "Japanese-affiliated companies" exceeded 50% as a procurement source.
- By industry, "Local companies" exceeded 80% in Food.

## 5. Procurement of Raw Materials and Parts (7)

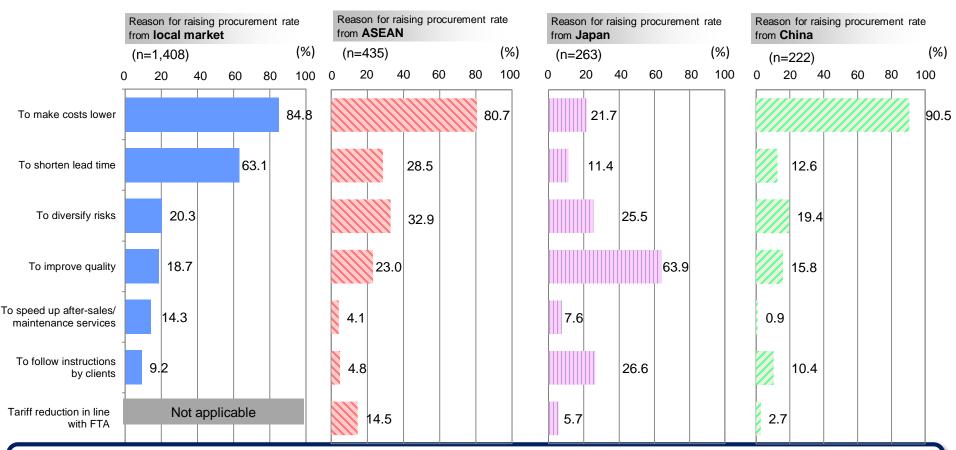
Manufacturing sectors only



## 5. Procurement of Raw Materials and Parts (8)

Manufacturing sectors only

## Reasons for raising future procurement rate for raw materials/parts (multiple answers)



• For firms that responded that they would raise the procurement rate from the local market, ASEAN, and China, the biggest reason was "To make costs lower."

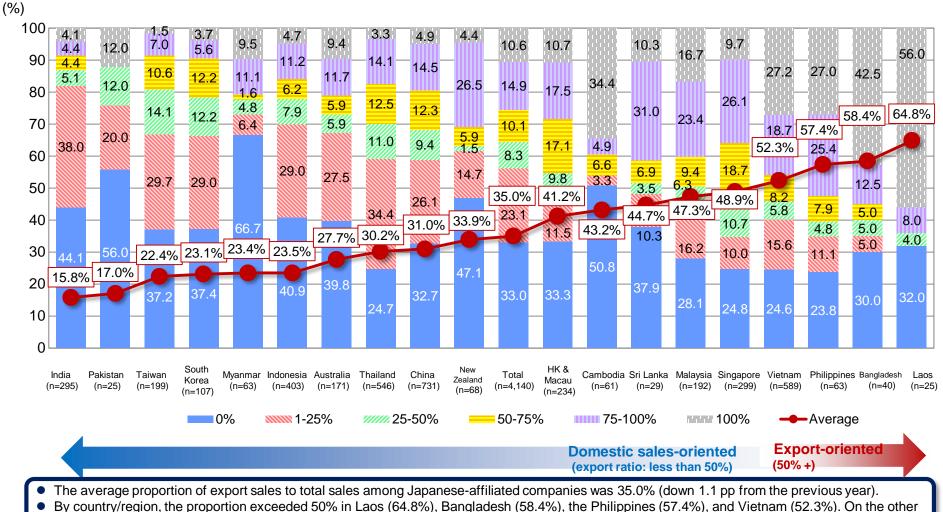
• The major reasons for raising the local procurement rate were "To make costs lower" (84.8%) and "To shorten lead time" (63.1%).

• The major reason for raising the procurement rate from ASEAN was "To make costs lower" (80.7%). "To shorten lead time" (28.5%), "To diversify risks" (32.9%), and "To improve quality" (23.0%) also accounted for a certain proportion. The proportion of "To diversify risks" (up 4.7 pp from the previous year) exceeded that of "To shorten lead time" (down 3.3 pp).

• The biggest reason for raising the rate of procurement from Japan was "To improve quality" (63.9%).

## 6. Exports/Imports (1)

Proportion of export sales to the total sales (by country/region, responses as 0-100%)



hand, the proportion of domestic sales was high in India (15.8%) and Pakistan (17.0%), with less than a 20% export ratio.

The proportion of totally export-oriented firms (export ratio: 100%) was high in Laos (56.0%), Bangladesh (42.5%) and Cambodia (34.4%).
 Meanwhile, completely domestic sales-oriented firms (export ratio: 0%) exceeded 50% in Myanmar (66.7%), Pakistan (56.0%) and Cambodia (50.8%).

## 6. Exports/Imports (2)

Breakdown of ex	port destir	%)	Note: Countries/regions for which $n \ge 10$ (%)							
	0 1	0 2	0	30 4	0 5	50 6	50 <del>7</del>	70 8	30 9	90 100
Total (n=2,796)			43.6			24.1		6.7// <mark>1.5</mark> 4.9	3.6	15.6
Bangladesh (n=28)				76.4				0.91.4		9.9
China (n=505)			Ļ	59.9	1	1	11.0	0. 1.0 5.1 4.0	) 1	9.0
Vietnam (n=446)			5	59.3	1		18.	5	5.3 0 <mark>.</mark> 9 4.3 2	9 8.8
Myanmar (n=24)			54.1		1		24.0		6.9 2.13.1	9.8
Philippines (n=49)			53.2				18.9	5.3 0.3	8.9 3.2	10.2
Cambodia (n=30)	]		50.5		1		24.3	1.8 4.8	8 2.4	16.0
New Zealand (n=39)			46.1		5.0	6.3//3.0	0 1.9	/	37.7	
Sri Lanka (n=18)			45.3		8.	6 6.2	<mark>2.0</mark> 1	5.7	12.4	9.8
Laos (n=17)			44.5				44.3			6.2 1.2.3.8
Thailand (n=410)		4(	).4			31.6		<mark>///4.8/</mark> 3.5	4.5 3.7 🖹	11.5
Indonesia (n=245)	]	39	.2			35.0		3.3 <mark>2.</mark>	3 6.2 2.8	11.2
South Korea (n=68)	]	38.	0		12.5		22.9/////	0 <mark>.</mark> 7 8.2	7.5	10.2
Taiwan (n=122)		34.9			16.1	8	26.0	//////////////////////////////////////	7.1 2.5	12.6
India (n=163)	]	34.8			22.8	2.2	2 6.4 5.	8:1	28.0	
HK & Macau (n=159)		31.9		14	9		32.3	1.0	4.1 3.3	12.5
Australia (n=105)	]	30.0		11.9	5.0 <mark>2</mark> .2	1.9		48.3		
Malaysia (n=126)	]	27.5	8		0.7 38.2		7.	4⁄⁄⁄ <mark>1.6</mark> 5.7	3.2	16.4
Singapore (n=230)	16.0				59.5			3.8	2.7 2.7	13.4
Pakistan (n=12)	12.5	<u>5.4 1.0</u>	9.7	14.8	11	7		44.9	1.3 	
		Japan 🚿	ASEAN	💈 China 🗧	India 🔳 U	S 🖪 Europ	be Souther			

• Japan was the largest export destination (as a total of all surveyed countries/regions) for Japanese-affiliated firms, at 43.6% on average, followed by ASEAN (24.1%).

There are no major changes from the 2016 survey in the proportion of major countries/regions as export destinations, but Japan increased by 1.2 pp while ASEAN and China decreased by 0.5 pp and 0.9 pp, respectively.

• Japan accounted for over 50% in Bangladesh, China, Vietnam, Myanmar, the Philippines and Cambodia. In the manufacturing sector, Japan is the major export destination for Textiles (66.5%), General machinery (52.6%), Rubber/Leather (51.6%), and Precision machinery (51.6%).

## 6. Exports/Imports (3)

Most promising export market for business/products over the next 1 to 3 years (by country/region)

Note: Countries/regions for which  $n \ge 10$ 

	<b>Total</b> (2017)										
	Total (n=3,412)										
Country %											
1	Japan	19.8									
2	Vietnam	10.0									
3	China	8.4									
4	India	7.1									
4	4 Thailand										

### Japan is most important

	1st		2nd		3rd					
Vietnam (n=501)	Japan	32.7	CLM	13.2	Thailand	11.4				
China (n=605)	Japan	28.6	Vietnam	9.8	Thailand	8.4				
Indonesia (n=304)	Japan	23.4	Vietnam 10.2		Thailand	9.9				
Philippines (n=53)	Japan	34.0	China (11.3), US (11.3)							
New Zealand (n=48)	Japan	20.8	Oceania	18.8	China	14.6				
Cambodia (n=43)	Japan	25.6	Vietnam (14.0) , CLM (14.0)							
Bangladesh (n=34)	Japan	26.5	Europe	20.6	China	11.8				
Sri Lanka (n=19)	Japan	21.1	India	21.1	China	15.8				

Vietnam is			(%)				
	1st		2nd		3rd		
Thailand (n=499)	Vietnam	20.2	Japan	14.8	CLM	14.4	

### China is most important (%) 2nd 3rd 1st HK & Macau (n=204) China 34.8 Vietnam 15.7 Japan 8.3 Taiwan (n=162) 15.4 Vietnam 13.0 China 32.7 Japan South Korea (n=90) 15.6 China 26.7 Vietnam 23.3 Japan

l hailai			(%)			
	1st 2nd				3	rd
Laos (n=20)	Thailand	35.0	Japan	25.0	China	10.0

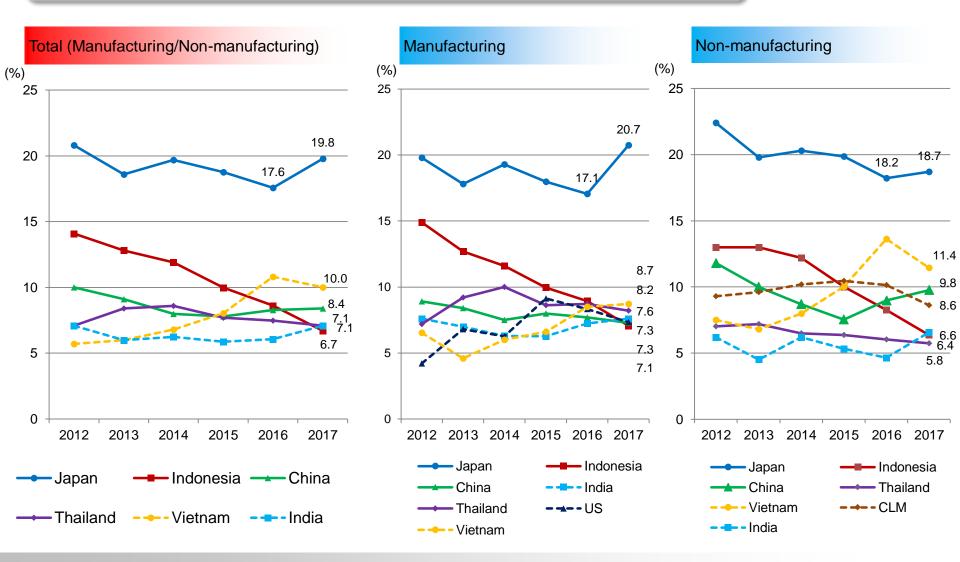
Middle E	ast is mos	st impor	tant			(%)
	1s <sup>+</sup>	t		2	2nd	
Pakistan (n=18)	Middle East	22.2	2 In	•	), US (11. e (11.1)	1),
Africa	l is most im	portant				(%)
	1st		2nc	k	3rd	I
India (n=222)	Africa	17.1	Japan	16.2	Middle East	10.4
Note: CLM: Cambodia, La	os, Myanmar			I		

The most promising export markets over the next one to three years (as a total of all surveyed countries/regions) were Japan, Vietnam and China in that
order, followed by India and Thailand, which occupied fourth place at the same percentage. Indonesia, which was third in the previous year, was seventh at
6.7% (down 1.9 pp from the previous year). The ranking of Japan, China, and India rose from the 2016 survey while that of Vietnam and Thailand fell.

(%)

## 6. Exports/Imports (4)

Most promising export market for business/products over the next 1 to 3 years (by country/region) (2012-2017)



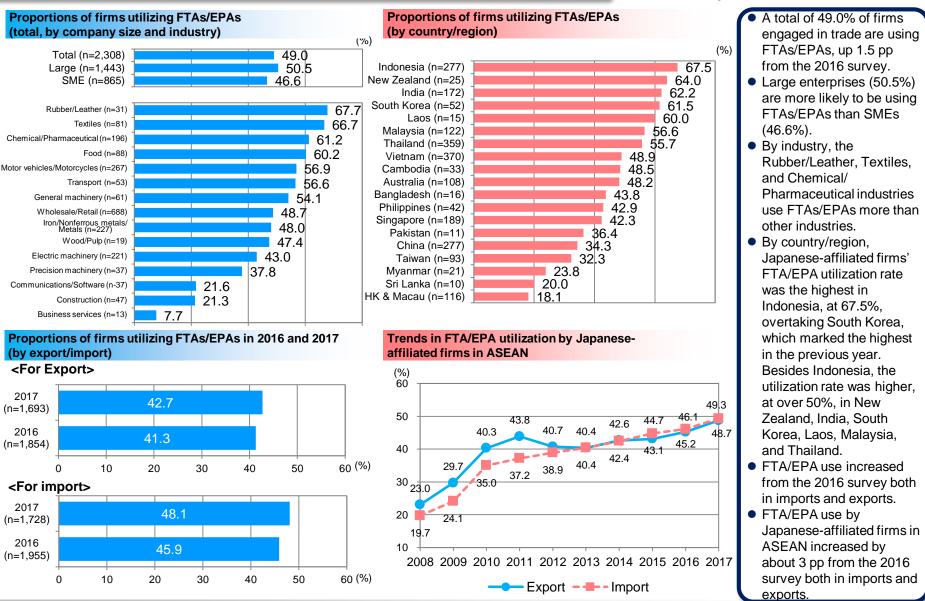
## 6. Exports/Imports (5)

Note 1: The proportions in the two charts on the top are calculated as the ratio of firms that are using at least one FTA or EPA to firms that are involved in either exporting or importing, or both.

Note 2: The proportions in the two charts on the bottom are calculated as the ratio of firms using FTAs/EPAs for exporting (or importing) to firms involved in exporting (or importing).

### Utilization of existing (in force) FTAs/EPAs (only companies involved in export/import)

Note: Countries/regions for which  $n \ge 10$ 



## 6. Exports/Imports (6)

### **FTA/EPA** utilization

Note: These figures include firms making use of Early Harvest accelerated tariff reductions for designated products. Bilateral FTAs/EPAs are included in multi lateral FTA/EPAs.

The percentage of firms using FTAs/EPAs is calculated as the ratio of firms making use of FTAs/EPAs to firms involved in importing /exporting.

		Expo	ort		Import						
	Trade partners	Firms involved in export	Firms making using of FTAs/EPAs	% of all firms using of FTAs/EPAs	Trade partners	Firms involved in import	Firms making using of FTAs/EPAs	% of all firms using of FTAs/EPAs			
	ASEAN	176	81	46.0	ASEAN	93	48	51.6			
	China	79	36	45.6	China	112	57	50.9			
Thailand	Japan	199	73	36.7	Japan	279	128	45.9			
	South Korea	24	12	50.0	South Korea	30	17	56.7			
	India	71	30	42.3							
	ASEAN	166	74	44.6	ASEAN	187	82	43.9			
Vietnam	China	81	25	30.9	China	130	40	30.8			
vietnam	Japan	211	72	34.1	Japan	247	90	36.4			
	India	25	15	60.0	South Korea	39	14	35.9			
	ASEAN	119	68	57.1	ASEAN	159	103	64.8			
	China	54	25	46.3	China	108	57	52.8			
Indonesia	Japan	138	67	48.6	Japan	234	141	60.3			
	US (GSP)	23	10	43.5	South Korea	44	21	47.7			
					India	25	10	40.0			
	ASEAN	160	70	43.8	ASEAN	84	40	47.6			
	China	46	15	32.6	China	65	19	29.2			
<b>.</b>	Japan	69	22	31.9	Japan	132	38	28.8			
Singapore	South Korea	23	10	43.5							
	India	52	22	42.3							
	Australia	47	16	34.0							
	ASEAN	69	35	50.7	ASEAN	63	24	38.1			
	China	36	20	55.6	China	48	13	27.1			
Malaysia	Japan	62	25	40.3	Japan	101	30	29.7			
	South Korea	15	13	86.7							
	India	22	10	45.5							
Philippines	Japan	29	6	20.7	Japan	25	9	36.0			

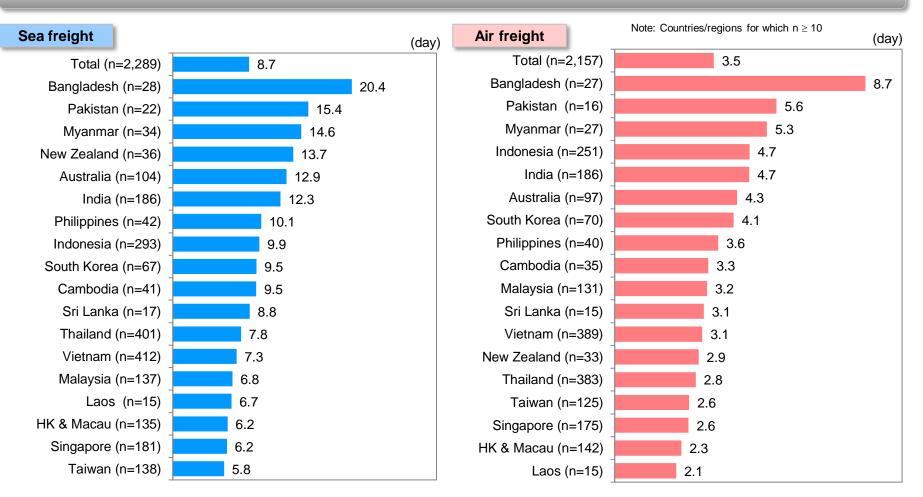
		Expo	ort		Import						
	Trade partners	Firms involved in export	Firms making using of FTAs/EPAs	% of all firms using of FTAs/EPAs	Trade partners	Firms involved in import	Firms making using of FTAs/EPAs	% of all firms using of FTAs/EPAs			
	ASEAN	49	21	42.9	ASEAN	92	65	70.7			
India	Japan	49	21	42.9	Japan	135	74	54.8			
inuia	SAARC	27	9	33.3							
	US (GSP)	20	11	55.0							
	ASEAN	36	11	30.6	ASEAN	37	21	56.8			
Australia	New Zealand	42	13	31.0	China	35	14	40.0			
					Japan	70	33	47.1			
	ASEAN	111	31	27.9	ASEAN	70	36	51.4			
China	South Korea	59	15	25.4	НК	79	14	17.7			
	НК	128	18	14.1	Taiwan	40	10	25.0			
HK & Macau	China	101	17	16.8	China	86	12	14.0			
Taiwan	China	67	21	31.3	China	58	13	22.4			
	ASEAN	24	12	50.0	ASEAN	20	15	75.0			
South Korea	China	25	11	44.0	China	19	11	57.9			
South Korea	US	16	10	62.5							
	EU	17	10	58.8							

 In Thailand, Vietnam, Indonesia, Singapore, and Malaysia, many firms (30–60%) utilize FTAs/EPAs for imports/exports within ASEAN (AFTA) and with Japan.

- In India, FTAs are utilized at a high proportion for imports from Japan and ASEAN.
- In China, the FTA utilization rate rose by 9.3 pp from the 2016 survey for exports to ASEAN. In South Korea, FTAs are more utilized than in other countries/regions, at over 50%, for imports/exports with ASEAN, exports to the U.S. and EU, and imports from China.

## 6. Exports/Imports (7)

The average days required from the arrival of freight at the seaport or airport to the completion of import clearance (by country/region)

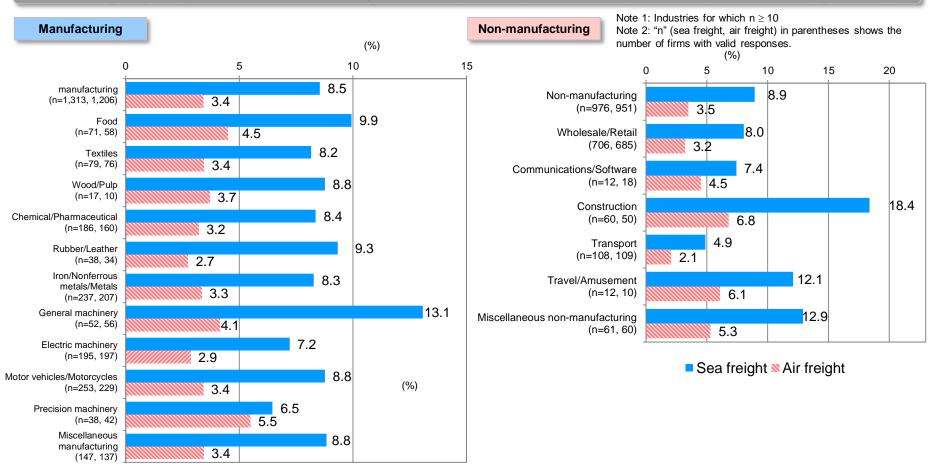


In every country/region, the number of days required from the arrival of freight at a seaport to the completion of import clearance is two
or three times longer than the days required for air freight.

 By country/region, the number of days required is shorter in Taiwan, Singapore, and Hong Kong & Macau, while the number of days is longer in Bangladesh, Pakistan, and Myanmar.

## 6. Exports/Imports (8)

The average days required from the arrival of freight at the seaport or airport to the completion of import clearance (by industry)

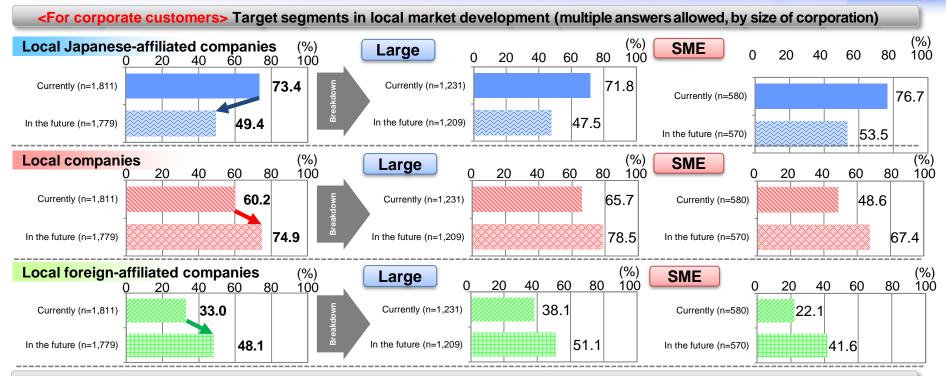


• In the manufacturing sector, fewer days are required in Electric machinery and Textiles, while more days are required in General machinery and Food.

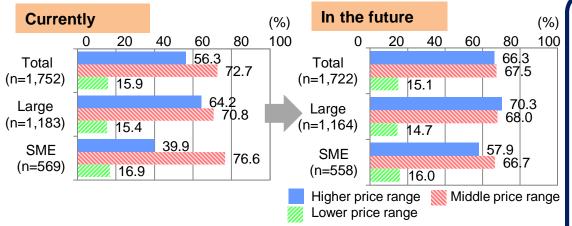
• In the non-manufacturing sector, fewer days are required in Transport, while more days are required in Construction.

## 7. Challenges in local market development (1)

Non-manufacturing sectors only



<For corporate customers> Target price range in developing the local market (multiple answers allowed, by size of corporation)



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•Currently, "Local Japanese-affiliated companies" is the largest target segment in local market development (for sales to corporate customers) at over 70%. Regarding target segments in the future, however, the proportion of "Local companies" is higher than "Local Japanese-affiliated companies."

- •Currently, "Local companies" and "Local foreign-affiliated companies" are more taken as target segments by large companies than by SMEs. Meanwhile, SME intention to develop these two segments in the future significantly increased.
- •By price range, "Middle price range" accounted for the largest proportion as the current target segment. Meanwhile, "Higher price range" was more frequently cited as the future target price range, accounting for a larger proportion than "Middle price range" among large companies.

## 7. Challenges in local market development (2)

Non-manufacturing sectors only

< For corpo	rate customers> Tar	net seame	nts in loc	al mari	et developm	nt (multi	hleansw	ersallov	ved by co	untry/region)	****	Increase	d over 2	:0 pp
		get beginei		arman			Sicansw	cround	ica, by oc	and ynegion)		<ul> <li>Decrease</li> </ul>	d over	30 pp
Note: Countrie	Subscription for which head         20         40         60         80         100         0         20         40         60         80           Currently (n=1,811) In the future (n=1,77)         73.4         Currently In the future (n=1,77)         Currently (n=20)         10         0         20         40         60         80           Currently (n=20)         49.4         95.0         Currently In the future (n=21)         66,7         In the future         74.9         In the future         45.0           Currently (n=20)         59.3         Currently In the future (n=220)         58.2         Currently In the future (n=220)         58.2         In the future         38.3         Currently In the future (n=225)         60.4         In the future         38.4.1           Currently (n=171)         58.2         88.5         Currently In the future (n=168)         Currently In the future (n=168)         60.4         In the future         73.6         In the future         74.4         In the future         74.4         In the future         42.9           Currently (n=171)         60.4         In the future         73.6         In the future         60.4         S5.4         In the future         63.7         Currently         42.9           Currently (n=216)         77.1		(%) 100											
Tatal	Currently (n=1.811)									Currently				
Total			49.4		In the futur					In the future			8.1	
Philippines					00.0	-		50.0		Currently		4		
Fillippines	In the future (n=21)			66.7	In the futur	e ()))))			66.7	In the future			52.4	
Myanmar	Currently (n=60)				93.3 Currentl	/	.3	8.3		Currently		31.7		
iviyaninai	In the future (n=59)		59	9.3	In the futur	e			64.4	In the future			🤇 62.	7
Thailand					00.1		.3	8.3						
	In the future (n=220)		58	.2		a second second			<b>70</b> .0					
Vietnam	, , ,				00.0			46.8			-	34.0		
	In the future (n=235)		6 //////	0.4						In the future			54.5	I
Indonesia				8	0.1	-		56.			-			
			55.											
India					•	-					-	4		
			6			enenenenenenenenen								<b>.</b>
Malaysia				<b></b> 77.′		-					-	38.		
malayola			34.2				<u> </u>							I
Cambodia				74.1		-		51.9			-	44		
Camboala			48.3										55.2	
HK & Macau				74.1				58			-			
			43.3											I
Singapore	, , ,			70.7		-		6				4		
enigapere													🤉 64.	3
Taiwan						-	000000000000000000				-			
	·\													I
New Zealand						-		000000000000000000000000000000000000000			-			
														l
Australia	Currently (n=110)		37.3		Current	-			83		-	40		
	In the future (n=104)		31.7		In the futur		uuuuu	milin		8.5 In the future			6.2	
South Korea	Currently (n=63)		31.8		Current					90.5 Currently	-	23.8		
	In the future (n=63)	17.5			In the futur					93.7 In the future		8 25,4		

The proportion of firms that cited "Local Japanese-affiliated companies" as future sales target decreased. The proportion significantly decreased, particularly in Myanmar, Thailand, Indonesia, Malaysia, and Hong Kong & Macau (a decrease of over 30 pp).

• In Myanmar, Thailand, Vietnam, and Cambodia, "Local companies" was more cited as the future target than as the current target, with a gap of over 20 pp.

• In Myanmar and Vietnam, "Local foreign-affiliated companies" was more cited as the future target than as the current target, with a gap of over 20 pp.

## 7. Challenges in local market development (3)

<For corporate customers> Target segments in local market development (multiple answers allowed, by industry)

Non-manufacturing sectors only

Increased over 20 pp
Decreased over 30 pp

			al Japanese-affiliated (%)		(%)	Loc	al cor	npanie	es (	(%)	Local fore companies		iated	(		
	0	20		60	80		0	20	40	60	80 100	) 0	20 40		80	10
Total	Currently (n=1,811)					73.4	Currently			6	0.2	Currently		33.0		
Total	n the future (n=1,779)			4	9.4		In the future				74.9	In the future		48	3.1	
	Currently (n=99)						92.9 Currently		26.3	3		Currently		30.3		
Business services	In the future (n=99)				6 🕅	7.7	In the future			48.5		In the future		: : :	52.5	
Tropoport	Currently (n=205)						8.8 Currently			43.9		Currently		34.6		
Transport	In the future (n=203)				52.2		In the future				64.0	In the future			56.2	
<b>-</b>	Currently (n=46)					80.4	4 Currently			54.4	4	Currently	23	8.9		
Fravel/Amusement	In the future (n=45)			202020	8.9		In the future				66.7	In the future		37.8		
O a materia a	Currently (n=147)					77.6	Currently			43.5		Currently	2	28.6		
Construction	In the future (n=146)				53.4		In the future				69.9	In the future		5	0.7	
Communications/	Currently (n=87)					77.0	Currently			46.0		Currently		36.8		
Software	In the future (n=86)				58.1		In the future				73.3	In the future		• • • • • • • • • • • • • • • • • • •	58.1	
-:	Currently (n=125)				-	70.4	Currently				72.0	Currently		44.	0	
Finance/Insurance	In the future (n=120)			46	6.7		In the future				75.8	In the future			55.8	
N/halaaala/Dataii	Currently (n=833)				65	5.9	Currently				73.2	Currently		32.7		
holesale/Retail	In the future (n=815)			42.	9		In the future				84.	4 In the future		45	.0	
4 4	Currently (n=15)			40.0	D		Currently				80.0	Currently	0.0			
Restaurant	In the future (n=14)			35.7			In the future				78.6	In the future		28.6		

## 7. Challenges in local market development (4)

Non-manufacturing sectors only

<For individual consumers> Target segments in local market development and price range (multiple answers allowed, by company size)

Target	customers	I	Uppe	er cla	ISS	;	(%)	Mid	dle i	nco	me c	lass	(%)		Low	er cla	SS	(%)	Fo	oreig	gn re	eside	nts	(%)
	(	) 2	0 40	0 60	8	0 10	00	02	04	0	60 8	30 10	00	0 2	20 40	) 60	80	100	0	20	40	60 80	0 10	0
Tatal	Currently (n=713)			5	5.1		Currently					79.4	Currently		15.9			Curre	ntly	2	3.3			
Total	In the future (n=716)				67	7.3	In the future					77.0	In the future		20.1			In the fut	ure	20	).3			
	Currently (n=474)			59	9.5		Currently			1		82.	1 Currently		17.3			Curre	ntly	2 <sup>,</sup>	1.5			
Large	In the future (n=475)				67.4	4	In the future					79.6	In the future		22.	3		In the fut	ure	20	).8			
01/5	Currently (n=239)			46.	4		Currently					74.1	Currently		13.0			Curre	ntly	2	26.8			
SME	In the future (n=241)				67	7.2	In the future					71.8	In the future		15.8			In the fut	ure	19	).1			

Target	price range	H	lighe	r pric	e rang	je ('	%)	Ν	/liddle	price	range	<b>)</b> (	%)	L	ower	price	range	<b>e</b> (9	%)
		0 2	20 4	40	60 8	30 10	00	0 2	20 4	0 6	) 80	) 1	00	0 2	0 4	06	0 8	0 10	00
Total	Currently (n=697)		1		54.0		Currently		1		72	2.2	Currently		17.4				
Total	In the future (n=705)				68	8.2	In the future				66.1		In the future		17.6				
	Currently (n=461)		1		60.5		Currently				71	.2	Currently		18.2				
Large	In the future (n=469)				7	0.4	In the future				67.2		In the future		19.2				
0.45	Currently (n=236)			41.1			Currently				7	4.2	Currently		15.7				
SME	In the future (n=236)				64.0	D	In the future				64.0		In the future		14.4				

• Over 70% of firms target "Middle income class" for sales to individual consumers, both currently and in the future. The proportion of "Upper class" is significantly increasing as the future target. In particular, "Upper class" was more cited by SMEs as a future target than as a current target, with a gap of 20.8 pp. Meanwhile, large companies seem to intend to strengthen sales to "Lower class."

• Regarding the targeted price range, "Middle price range" accounted for the largest proportion. However both large companies and SMEs are more likely to strengthen "Higher price range" in the future.

## 7. Challenges in local market development (5)

Non-manufacturing sectors only

Increased over 15 pp

<For individual consumers> Target segments in local market development (multiple answers allowed, by country/region)

Note: Countries/reg	ions for which $n \ge \frac{1}{2}$	10	Upper	class	(%)	Mic	dle i	ncon	ne cl	ass	(%)		Lower	clas	s	(%)	For	eign re	sider	<mark>າts</mark> (%
			20 40	60 80 10	· · /	0	20	40 (	60	80	· · /	0 2	0 40	60	80 1		20	40 60	80	100
Total	Currently (n=713)			55.1	Currently					79.4	Currently		15.9			Currently		23.3		
	In the future (n=716)			67.3	In the future		1000			77.0	In the future		20.1			In the future		20.3		
India	Currently (n=51)	]		64.7	Currently					86	3.3 Currently		15.7			Currently		17.7		
	In the future (n=52)			69.2	In the future		(1111)			78.9	In the future		19.2			In the future		21.2		
Vietnam	Currently (n=84)			63.1	Currently	_				71.4	Currently	_	19.1			Currently		27.4		
	In the future (n=89)		1111111	XXXX 73.0	In the future		1000			74.2	In the future		19.1			In the future		8 25.8		
Malaysia	Currently (n=26)			61.5	Currently	-				84	.6 Currently		19.2			Currently		23.1		
ivialay3ia	In the future (n=27)		1111111	\$ 59.3	In the future					96.:	3 In the future		14.8			In the future		🕺 25.9		
Taiwan	Currently (n=65)		1 1	60.0	Currently	_				86	3.2 Currently	_	18.5			Currently		16.9		
	In the future (n=64)			67.2	In the future		(IIII)			85 🕺	5.9 In the future		17.2			In the future		12.5		
Singapore	Currently (n=68)			58.8	Currently	_				82.	4 Currently		16.2			Currently		27.9		
Olingapore	In the future (n=67)		<u>i i i i i i i</u>	Ň 65.7	In the future		ļ		<b>I II</b>	0.2	In the future		29.9			In the future		8 25.4		
Australia	Currently (n=59)			57.6	Currently	-				8	9.8 Currently	_	18.6			Currently		20.3		
	In the future (n=59)		<u>illilli</u>	78.	0 In the future		1000			78.0	In the future		20.3			In the future		20.3		
Myanmar	Currently (n=21)			57.1	Currently	-				71.4	Currently	_	19.1			Currently		42	.9	
	In the future (n=24)				In the future		(1111)		SS 7	70.8	In the future		20.8			In the future		33.3		
Indonesia	Currently (n=63)	-		52.4	Currently	-				76.2	Currently	. 7				Currently		14.3		
	In the future (n=65)			55.4	In the future		<u> </u>			72.3	In the future		5.2			In the future		15.4		
Cambodia	Currently (n=23)			52.2	Currently	_			60.	9	Currently		13.0			Currently		4	7.8	
Camboula	In the future (n=23)		<u></u>	N 60.9	In the future		<u>,</u>			73.9	In the future		13.0			In the future		34.8		
New Zealand	Currently (n=31)	-		51.6	Currently	-				83	.9 Currently		22.6			Currently	-	22.6		
	In the future (n=31)				4 In the future			11		80.			22.6			In the future		12.9		
HK & Macau	Currently (n=82)	-		46.3	Currently	-				82	9 Currently	7	.3			Currently		23.2		
	In the future (n=79)			65.8	In the future					73.4	In the future		12.7			In the future		17.7		
South Korea	Currently (n=20)	-		45.0	Currently	-				85	,	-	30.0			Currently		15.0		
	In the future (n=19)			73.7						84 🕈	.2 In the future		21.1			In the future		0.5		
Thailand	Currently (n=86)	-	38	3.4	Currently	-				76.7	Currently	-	18.6			Currently		23.3		
	In the future (n=83)			🤇 60.2	In the future					75.9	In the future		21.7			In the future		15.7		

 Firms tend to further strengthen sales to "Upper class" in Australia, Myanmar, New Zealand, Hong Kong & Macau, South Korea, and Thailand, where consumers' income levels are relatively high.

 "Middle income class" accounted for a larger proportion as a future target segment than as a current target segment in Malaysia and Cambodia, with a gap of over 10 pp. Meanwhile, "Lower class" accounted for a larger proportion as a future target than a current target in Singapore and Indonesia, with a gap of over 10 pp.

## 7. Challenges in local market development (6)

Non-manufacturing sectors only

Current competitors (Maximum of three answers allowed)

Total (n=1,992)

					Industries w	ith a gap with t			(%)
		(0/)	By comp	any size	Total	) 20	40 6	66.6	0 100
	Answers	(%)	Large	SME	Transport (n=206)				87.4
1	Japanese-affiliated companies	66.6	68.1	63.3	Business services (n=101)				83.2
2	Local companies	59.6	59.7	59.5	Total	-		59.6	
3	Chinese companies	25.4	26.1	23.9	Restaurant (n=26) Construction (n=156) Travel/Amusement (n=55)			7	76.9 4.4 2.7
4	European companies	14.8	17.6	9.0	Transport (n=206) Finance/Insurance (n=135) Business services (n=101)		43.6	70 69.	1 <sup>-</sup>
5	US companies	14.3	16.6	9.4	Dusiness services (II-101)		43.0	<u> </u>	
6	Korean companies	11.6	11.7	11.3	Total Wholesale/Retail (n=901) Communications/Software (n=95)	11.6	1 39.1		
7	Taiwanese companies	5.3	4.7	6.4	Restaurant (n=26) Finance/Insurance (n=135) Business services (n=101)	10.4			
8	None in particular	3.6	3.3	4.2	Total	11.6			
					Construction (n=156)	19.9			

- "Japanese-affiliated companies" was the biggest competitor, at 66.6%. In particular, a larger proportion of firms cited "Japanese-affiliated companies" as competitors in Transport and Business services.
- The second biggest competitor was "Local companies," at 59.6%. By industry, the proportion of "Local companies" was higher than the average by over 10 pp in Restaurants (76.9%), Construction (74.4%), Travel/Amusement (72.7%), Transport (70.9%), and Finance/Insurance (69.6%).
- The third-place ranking of "Chinese companies" was higher than the average in Wholesale/Retail (39.1%).
- European and U.S. firms are less frequently cited. By company size, however, large companies regard them as competitors.
- By country/region (next page), "Japanese-affiliated companies" and "Local companies" occupied first or second place in almost all countries/regions. In Sri Lanka, "Chinese companies" ranked second.

## 7. Challenges in local market development (7)

Non-manufacturing sectors only

Current competitors (maximum of three answers allowed) and their competitive edge (multiple answers allowed) (by country/regions)

# Countries/regions where "Japanese-affiliated companies" was cited as the biggest competitor

	Class												
Mya	anmar (n=62)		Tha	iland (n=243)									
1	Japanese-affiliated companies	87.1	1	Japanese-affiliated companies	81.9								
2	Local companies	58.1	2	Local companies	58.4								
3	Chinese companies	22.6	3	Chinese companies	18.9								
Ind	onesia (n=185)		HK	& Macau (n=232)									
1	Japanese-affiliated companies	75.7	1	Japanese-affiliated companies	69.4								
2	Local companies	69.2	2	Local companies	46.1								
3	Chinese companies	22.2	3	Chinese companies	43.5								
_													
Vie	tnam (n=258)		Sing	japore (n=244)									
1	Japanese-affiliated companies	68.2	1	Japanese-affiliated companies	61.5								
2	Local companies	62.8	2	Local companies	51.6								
3	Korean companies	21.7	3	Chinese companies	32.8								
				-									
Phi	lippines (n=26)		Aus	tralia (n=132)									
1	Japanese-affiliated companies	57.7	1	Japanese-affiliated companies	51.5								
2	Local companies	42.3	2	Local companies	50.8								
3	US companies	23.1	3	Chinese companies	30.3								
-													

Note: Countries/regions for which  $n \ge 10$ 

## Countries/regions where "Local companies" was cited as the biggest competitor class

Taiwa	an (n=154)		South	n Korea (n=75)	
1	Local companies	70.8	1	Local companies	70.7
2	Japanese-affiliated companies	66.9	2	Japanese-affiliated companies	64.0
3	Chinese companies	25.3	3	US companies	22.7
Dene					
вапд	ladesh (n=16)		malay	/sia (n=88)	
1	Local companies	68.8	1	Local companies	65.9
2	Japanese-affiliated companies	50.0	2	Japanese-affiliated companies	63.6
3	Chinese companies	18.8	3	Chinese companies	29.6
Sri La	anka (n=17)		India	(n=161)	
1	Local companies	64.7	1	Local companies	64.6
2	Chinese companies	47.1	2	Japanese-affiliated companies	60.3
3	Korean companies	35.3	3	European companies	32.3
New 2	Zealand (n=48)		Caml	oodia (n=34)	
1	Local companies	64.6	1	Local companies	58.8
2	Japanese-affiliated companies	52.1	2	Japanese-affiliated companies	52.9
3	Chinese companies	20.8	3	Chinese companies	32.4

## 7. Challenges in local market development (8)

Non-manufacturing sectors only

### Competitive edge in products/services (multiple answers allowed)

Total (n=1,955)

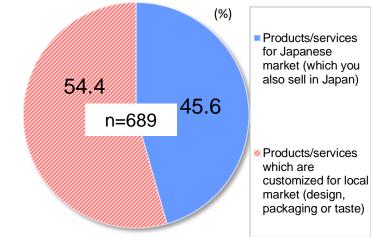
Answers (%		(0)	By size of company		Industries with	a signif	icant ga 20			ige 30	(%) 100
		(%)	Large	SME	Total					77.3	
1	Quality	77.3	77.9	76.1	Restaurant (n=25) Travel/Amusement (n=54)				66.7	10000000	38.0
2	Influential corporate brand name	44.5	50.4	32.1	Finance/Insurance (n=129)		   	47.3			
3	After-sales/maintenance service	32.1	31.8	32.6	Total Communications/Software (n=27)	-	28.4	44.5			
4	Price/cost competitiveness	25.4	23.3	29.8	Total	-	32	2.1			
5	Human resources	20.9	20.9	20.9	Communications/Software (n=95) Construction (n=155)			53 44.5	8.7		
6	Wide variety of products/service	20.5	21.9	17.6	Transport (n=204)		16.2				
7	Distribution network	12.2	14.2	7.9	Total Business services (n=99)	-	20.9	49.5			
8	Product development capability	11.4	12.7	8.5	Communications/Software (n=95)			2.6			
9	Purchase/procurement routes	10.9	10.9	10.9	Travel/Amusement (n=54) Total		20.5	1.5			
10	Influential promotional advertising	2.8	2.7	3.0	Construction (n=155)	7.7					

- Respondents most frequently cited "Quality" (77.3%) as a competitive edge in their products/services, with a difference of over 30 pp from the second-place ranking of "Influential corporate brand name." In particular, the proportion of "Quality" was high in Restaurants, at 88.0%.
- The second-place ranking of "Influential corporate brand name" was more frequently cited by large companies than by SMEs.
- The proportion of the third-place ranking of "After-sales/maintenance service" was higher in Communications/Software (53.7%) and Construction (44.5%).

## 7. Challenges in local market development (9)

Non-manufacturing sectors only

### Products/services preferred by local consumers



By country/region

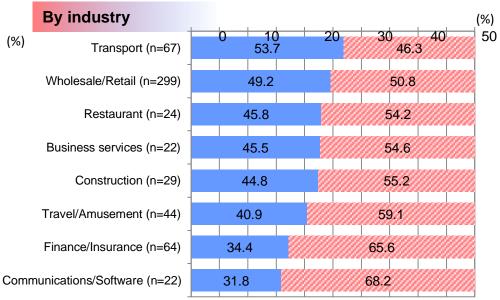
Products/services

packaging or taste)

Note: Countries/regions for which  $n \ge 30$ 

Taiwan (n=65)	66.2	33.9
HK & Macau (n=78)	62.8	37.2
Indonesia (n=61)	50.8	49.2
Thailand (n=80)	45.0	55.0
Singapore (n=64)	42.2	57.8
Vietnam (n=89)	41.6	58.4
India (n=47)	31.9	68.1
Australia (n=55)	27.3	72.7

- "Products/services which are customized for local market (design, packaging or taste)" was more frequently cited than "Products/services for Japanese market (which you also sell in Japan)" as products/services preferred by local consumers.
- By country/region, "Products/services for Japanese market" was preferred in Taiwan and Hong Kong & Macau, while "Products/services which are customized for local market" was preferred in Australia and India.
- By industry, "Products/services for Japanese market" was preferred in Transport, while "Products/services which are customized for local market" was preferred in Communications/Software, Finance/Insurance. and Travel/Amusement.



Products/services for Japanese market (which you also sell in Japan)

Products/services which are customized for local market (design, packaging or taste)

## 7. Challenges in local market development (10)

Non-manufacturing sectors only

Balance between price and quality for local consumers (By country/region, response total 100%)

	0	10	20	30	40	50	60	Note: Coun 70	tries/regions fo 80	r which n ≥ 10 90	(%) 100
Total (n=694)	19	.3			44.5			28.8		7.4	
Malaysia (n=24)	-	Ĺ	1.7				50.0			8.3	
Indonesia (n=61)	-	24.6			5	2.5			16.4	6.5	
India (n=48)	-	33.3				41.7			18.8	6.2	
Cambodia (n=23)	2	1.7			47.8			2 <sup>:</sup>	1.7	8.8	
Myanmar (n=23)	2	1.7			47.8			2:	1,7	8.8	
New Zealand (n=28)	17.5	9			50.0			2	5.0////////////////////////////////////	7.1	
Thailand (n=80)	20	0.0			47.5			20.0		12.5	
Singapore (n=67)	16.4				50.8				29.9	<mark>//////2.9</mark>	
Australia (n=57)	7.0			57.9				28.	<b>x</b> ////////////////////////////////////	7.0	
Sri lanka (n=10)	-	30.0			30.0		20	.0	20	.0	
South Korea (n=20)	15.0			45.0				40	0.0		
Vietnam (n=88)	18.	2		37.5				38.6		<u> </u>	
HK & Macau (n=76)	17.1			38.2				36.8		7.9	
Taiwan (n=66)	10.6		33.3				47.0			9.1	
Primarily based on Based on both pric		ut with a tende	ncy to be qualit	y-sensitive		d on both price arily based on q	and quality, but uality	with a tendend	cy to be price-s	ensitive	,

 In a question asking local consumers about the balance between price and quality, a total of 63.8% of firms selected "Primarily based on price" or "Based on both price and quality, but with a tendency to be price-sensitive." In the entire Asia and Oceania region, local consumers attach more importance to price than quality.

- By country/region, the proportion of firms that attach importance to price was the highest in Malaysia at 91.7%, followed by Indonesia (77.1%), India (75.0%), and Cambodia and Myanmar (both 69.5%).
- On the other hand, the proportion of "Primarily based on quality" and "Based on both price and quality, but with a tendency to be quality-sensitive" were higher in Taiwan, Hong Kong & Macau, Vietnam, and South Korea.

## 7. Challenges in local market development (11)

Non-manufacturing sectors only

### Effective advertising methods (multiple answers allowed)

	Answers	(%)
1	SNSs (social networking services)	55.8
2	Company website	37.6
3	Newspapers/magazines	29.2
4	TV	25.8
5	Onsight promotion	21.1
6	Direct mail	13.6
7	Radio	4.1

Breakdown of SNSs						
(1)	Facebook	94.3%				
(2)	Instagram	37.3%				
(3)	Twitter	17.9%				
(4)	Linked In	6.6%				

By media (countries/regions where the media was more frequently selected) Note 1: Red highlights show over 40%. Note 2: Countries/regions for which n ≥ 10

	J		
SN	S		Company website
1	Cambodia (n=23)	78.3	1 Sri Lanka (n=10)
2	Myanmar (n=23)	69.6	2 Australia (n=57)
3	Vietnam (n=87)	69.0	3 New Zealand (n=28)
4	New Zealand (n=28)	64.3	4 Singapore (n=65)
5	Taiwan (n=64)	57.8	5 Taiwan (n=64)
тν			On-site promotion
1	New Zealand (n=28)	46.4	1 India (n=45)
2	Sri Lanka (n=10)	40.0	2 Malaysia (n=25)
3	Australia (n=57)	38.6	3 HK & Macau (n=77)
4	South Korea (n=20)	35.0	4 Australia (n=57)
5	Taiwan (n=64)	32.8	5 Indonesia (n=62)
Ra	dio		
1	Australia (n=57)	17.5	• "SNS" (55.8%) was
2	Cambodia (n=23)	8.7	particular, the prop Communications/S
3	South Korea (n=20)	5.0	highest, leaving "Ir
4	Taiwan (n=64)	4.7	<ul> <li>The second-place</li> </ul>
5	India (n=45)	4.4	Communications/S

		Ne	wspapers/magazines			
))	70.0	1	Sri Lanka (n=10)	50.0		
)	59.7	2	Myanmar (n=23)	43.5		
n=28)	50.0	3	New Zealand (n=28)	42.9		
5)	43.1	4	HK & Macau (n=77)	36.4		
	40.6	5	Indonesia (n=62)	35.5		
Direct mail						
	40.0	1	Sri Lanka (n=10)	30.0		
)	40.0	2	New Zealand (n=28)	21.4		
=77)	28.6	3	Australia (n=57)	19.3		
)	28.1	4	Singapore (n=65)	18.5		
2)	25.8	5	HK & Macau (n=77)	18.2		

"SNS" (55.8%) was most frequently selected as an effective advertising method. In particular, the proportion of "SNS" was high in Restaurants (83.3%) and Communications/Software (81.0%). Among "SNS," Facebook (94.3%) marked the highest, leaving "Instagram," "Twitter," and "Linked In" far behind.
 The second-place ranking of "Company website" accounted for over 50% in

4.4 Communications/Software (52.4%) and Travel/Amusement (51.1%).

## 7. Challenges in local market development (12)

Non-manufacturing sectors only

Troubles experienced in expanding business in the local market (multiple answers allowed, by country/region)

Answers		Total	corporation		(%) Industries higher than the average by over 10			
	(Top 10)	(n=1,879)	Large (n=1,274)	SME (n=605)	Total 57.1			
1	Recruiting/developing human resources*	57.1	57.5	56.4	Communication/Software (n=91)			
Break	down: Sales/marketing (89.3%), Purchasing/procurement (10.7	%), Advertising/promotion (9	9.7%), R&D/product deve	elopment (8.6%)				
2	Diversification of products/services	42.6	41.6	44.8	Total 36.6			
3	Launching new products/services	36.6	37.6	34.6				
4	Finding local partners	33.1	34.5	29.9	Restaurant (n=25)			
5	Resetting prices	30.0	28.5	33.1	Total 33.1			
6	Expansion of distribution network (distributors, real-world shops)	27.6	28.3	26.3	Construction (n=147) 46.9			
7	Surveys of target segments	23.7	23.5	24.1	Communication/Software (n=91) 45.1			
8	Reconsideration of purchase/procurement routes	16.7	16.1	17.9	Total 30.0			
9	Expansion of distribution network (e-commerce)	16.6	16.3	17.2				
10	Reconsideration of advertising/promotion methods	15.3	13.3	19.3	Restaurant (n=25)			

• As a trouble experienced in expanding business in the local market, the proportion of "Recruiting/developing human resources" was the highest at 57.1%. Specifically, human resources for "Sales/marketing" was the most frequently cited at 89.3%, with a great difference from other answer options.

"Recruiting/developing human resources" was the most-frequently cited issue in all countries/regions, except South Korea and New Zealand. The proportion of this answer option exceeded 50% in many countries (next page). In South Korea and New Zealand, "Launching new products/services" was the highest. In Malaysia, Myanmar, and India, "Finding local partners" exceeded 40%.

## 7. Challenges in local market development (13)

Problems by country/region (top 5, multiple answers allowed)

0 25



### **Diversification of** Launching new products/services

42.6

48.2

47.8

46.0

45.3

44.1

43.7

42.9

41.2

40.5

40.0

39.5

38.6

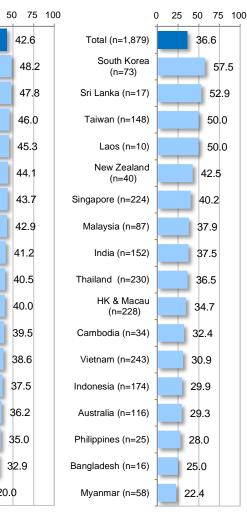
37.5

36.2

35.0

32.9

20.0



### **Finding local partners**

### **Resetting prices**

Note: Countries/regions for which  $n \ge 10$ 

(%)



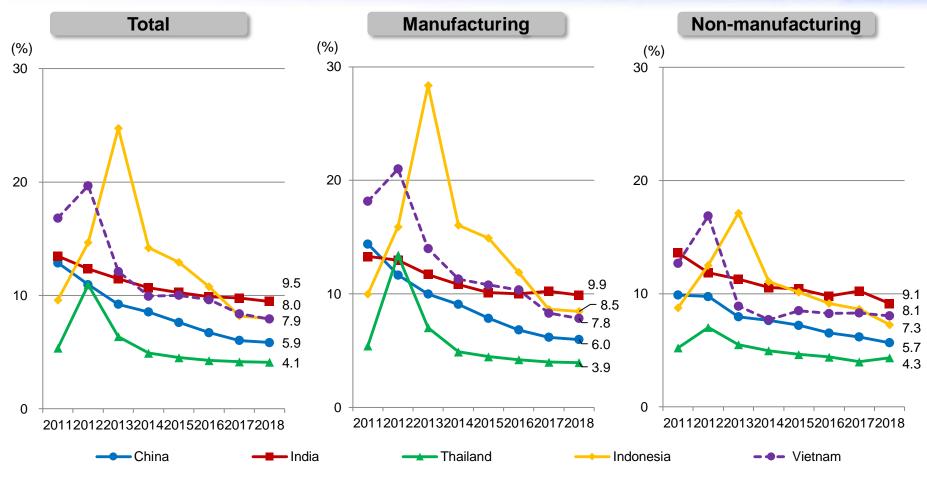


## 8. Wages (1) Year-on-year wage increase rate

The numbers in parentheses indicate the numbers of firms that responded.

			_	The humb		e the numbers of nims that res	ponded.
	Total	(%) Manufae	cturing	(%)	Non-man	ufacturing	(%)
FY2017 ← FY2016	Pakistan (26)       10.1         India (265)       9.8         Myanmar (62)       8.8         Bangladesh (33)       8.7         Vietnam (509)       8.4         Indonesia (353)       8.2         Cambodia (56)       8.0         Sri Lanka (20)       7.0         China (680)       6.0         Philippines (56)       5.5         Malaysia (177)       4.8         Laos (19)       4.6         Thailand (497)       4.2         South Korea (91)       3.8         Hong Kong (214)       3.2         Taiwan (165)       3.0         Singapore (266)       2.8         New Zealand (52)       2.4         Australia (142)       2.2	India (119) Pakistan (17) Sri Lanka (8) Myanmar (17) Bangladesh (20) Cambodia (24) Indonesia (201) Vietnam (307) China (413) Laos (13) Philippines (35) Malaysia (105) Thailand (280) Hong Kong (23) Singapore (54) South Korea (32) Taiwan (43) New Zealand (14) Australia (31)	6.2 5.3 5.3 4.6 4.0 3.5 3.3 3.3 2.7 2.2 2.1	10.2 9.6 9.3 9.2 9.1 8.6 8.3	Pakistan (9) India (146) Myanmar (45) Vietnam (202) Bangladesh (13) Indonesia (152) Cambodia (32) China (267) Philippines (21) Sri Lanka (12) Malaysia (72) Thailand (217) South Korea (59) Hong Kong (191) Taiwan (122) Laos (6) Singapore (212) New Zealand (38) Australia (111)	9. 8.6 8.5 7.9 7.6 7.1 5.8 5.8 5.5 5.0 4.4 4.1 3.1 3.1 2.9 2.7 2.5 2.3	-
FY2018 ← FY2017	Pakistan (25)       9.9         India (264)       9.5         Bangladesh (34)       9.1         Myanmar (63)       8.6         Cambodia (55)       8.6         Indonesia (346)       8.0         Vietnam (503)       7.9         Sri Lanka (19)       6.4         China (665)       5.9         Philippines (55)       5.2         Malaysia (174)       4.6         Laos (20)       4.4         Thailand (493)       3.6         South Korea (90)       3.3         Taiwan (163)       2.9         Singapore (255)       2.8         New Zealand (53)       2.6         Australia (137)       2.3	(%) Myanmar (16 Cambodia (24 India (120 Pakistan (17 Bangladesh (21 Sri Lanka (8 Indonesia (199 Vietnam (307 China (406 Philippines (34 Laos (13 Malaysia (104 Thailand (278 Hong Kong (22 South Korea (32 Singapore (52 Taiwan (42 New Zealand (14 Australia (29)	$ \begin{array}{c} \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\$	11.9 10.3 9.9 9.7 9.1 3.6 3.5 8	(%) Pakistan (8) India (144) Bangladesh (13) Vietnam (196) Myanmar (47) Indonesia (147) Cambodia (31) China (259) Philippines (21) Sri Lanka (11) Malaysia (70) Thailand (215) South Korea (58) Laos (7) Hong Kong (187) Taiwan (121) Singapore (203) New Zealand (39) Australia (108)	9. 9. 9. 9. 9. 9. 9. 9. 9. 7.4 7.4 7.3 7.2 5.7 5.4 4.8 4.7 4.3 3.8 3.6 3.3 3.0 2.7 2.7	-

8. Wages (2) Year-on-year wage increase rate (China and major countries)



Note: 2018 rates are forecasts.

- By industry category, the wage increase rate fluctuates relatively less in the manufacturing sector.
- In 2017, the wage increase rate (total; same applies to the following) slightly decreased in China, Thailand, India, Indonesia, and Vietnam.
- In China, the wage increase rate decreased every year after peaking out at 12.9% in 2011. The rate was 6.0% in 2017 and is expected to be 5.9% in 2018 (forecast), showing continued decrease.
- In Indonesia, the wage increase rate decreased every year after peaking out at 24.7% in 2013. The rate was 8.2% in 2017 and is expected to be 8.0% in 2018 (forecast), showing continued decrease.
- The wage increase rate is expected to decrease gradually in all countries in 2018 (forecast).

## 8. Wages (3) Base salary (monthly)

The numbers in parentheses indicate the numbers of firms that responded.

Iviant	naciui	my	. won	vei	
				Unit:	US\$
Australia (26)					3,912
New Zealand (10)				2,875	
Hong Kong (19)			1,992		
South Korea (27)			1,879		
Singapore (41)			1,630		
Taiwan (38)		1,11	,		
China (400)	470	,			
Thailand (269)	378				
Malaysia (109) 1	356				
Indonesia (196)	314				
India (102) 🗍	257				
Pakistan (17)	248				
Philippines (33)	234				
Vietnam (298)	216				
Cambodia (23)	170				
Sri Lanka (8)	148				
Myanmar (15)	135				
Laos (12)	121				
Bangladesh (21)	101				

Manufacturing: Worker

### Non-Manufacturing: Staff

	Ur	nit: US\$
Australia (99)		4,023
New Zealand (34)	3.130	.,•_•
South Korea (57)	2,426	
Singapore (201)	2,422	
Hong Kong (186)	2,274	
Taiwan (123)	1,405	
Malaysia (77)	888	
China (271)	931	
Thailand (219)	2222 737	
India (138)	623	
Vietnam (209)	<b>22</b> 528	
Indonesia (151)	464	
Philippines (19)	<b>2</b> 457	
Pakistan (10)	298	
Myanmar (47)	<b>2</b> 392	
Cambodia (33)	<b>27</b> 387	
Laos (8)	265	
Sri Lanka (12)	27 354	
Bangladesh (16)	🛃 331	

### Manufacturing: Engineer

440

	_ Unit: US\$
Australia (22)	)>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>
New Zealand (8)	4,430
Singapore (38)	2.971
Hong Kong (8)	2,633
South Korea (27)	2,294
Taiwan (30)	1,409
Malaysia (96)	784
China (342)	738
Thailand (248)	699
Pakistan (14)	615
India (98)	550
Indonesia (176)	176
Vietnam (258)	124
Laos (10)	374
Philippines (30)	362
Cambodia (15)	351
Sri Lanka (8)	331
Myanmar (13)	<b>1</b> 279
Bangladesh (14)	<u>]</u> 241

### Non-Manufacturing: Manager

### Unit: US\$

Australia (95)	7,280
New Zealand (35)	5,461
Singapore (171)	4,269
Hong Kong (164)	4,090
South Korea (58)	3,959
Taiwan (113)	2,444
Malaysia (73)	1,948
China (249)	1,917
India (132)	1,674
Thailand (187)	1,674
Pakistan (8)	1,314
Vietnam (173)	1,261
Philippines (18)	1,213
Indonesia (130)	1,169
Myanmar (39)	1,027
Cambodia (26)	1,005
Laos (6)	906
Sri Lanka (10)	847
Bangladesh (14)	<b>7</b> 92

### Manufacturing: Manager

	_ Unit: US\$
Australia (29)	7,048
New Zealand (12)	5.952
Singapore (48)	4,454
Hong Kong (20)	3.878
South Korea (30)	3,453
Taiwan (36)	2,322
Malaysia (107)	1.540
Thailand (253)	1.538
India (105)	1.422
China (388)	1,371
Pakistan (17)	1,225
Indonesia (186)	1,007
Philippines (29)	982
Vietnam (269)	928
Cambodia (22)	829
Laos (10)	825
Myanmar (14)	772
Sri Lanka (8)	609
Bangladesh (20)	562

Base salary: Salary excluding benefits, as of October 2017 Worker: Regular general workers with 3 years of work experience, not including contract-based and probationary workers Engineer: Regular employees who are core technicians, graduates of a vocational college or university, and have 5 years of experience Manager (Manufacturing): Regular employees who are section managers in charge of sales, university graduates, and who have 10 years of work experience

Staff: Regular general workers with 3 years of work experience, not including dispatched and probationary workers

Manager (Non-manufacturing): Regular employees who are section managers in charge of sales, university graduates, and who have 10 years of work experience

Note: Except for Cambodia, base salaries were reported in local currencies. (For Myanmar, salaries were reported selectively either in the local currency or in U.S. dollars.) The average wage for each job type in the local currency was converted to the U.S. dollar, using the average exchange rate of October 2017 published by the central bank of each country/region or by the State Administration of Foreign Exchange for China. For Myanmar, where firms reported base salaries either in the local currency or in U.S. dollars, base salaries reported in the local currency were converted to U.S. dollars, and then the average was calculated.

## 8. Wages (4) Annual salary

The numbers in parentheses indicate the numbers of firms that responded.

Manufacturing: Worker		
	Unit: US\$	
Australia (26) ]	54,69	7
New Zealand (10)	35,625	
South Korea (27)	32,712	
Hong Kong (16)	29,595	
Singapore (34)	26,516	
Taiwan (35)	19,071	
China (357)	10,131	
Thailand (232)	6,997	
Malaysia (75)	5,900	
Indonesia (179)	5,421	
Pakistan (17)	4,379	
Philippines (31)	4,102	
India (97)	3,982	
Vietnam (260)	3,673	
Sri Lanka (7) 🗍	2,856	
Cambodia (21)	2,631	
Laos (12)	2,059	
Myanmar (11)	1,889	
Bangladesh (19)	1,885	

### Non-Manufacturing: Staff

	Unit: US\$
Australia (100)	55,784
New Zealand (32)	42,274
Singapore (175)	38,234
South Korea (53)	38,165
Hong Kong (161)	33,252
Taiwan (105)	24,360
China (243)	17,674
Malaysia (58)	13,709
Thailand (186)	11,880
India (130)	9,918
Vietnam (186)	8,487
Indonesia (132)	7,952
Philippines (19)	7,390
Myanmar (41)	🧖 6,230
Bangladesh (12)	2,752
Pakistan (10)	5,607
Sri Lanka (11)	5,512
Cambodia (29)	276
Laos (7)	🧖 4,353

### **Manufacturing: Engineer**

	Unit: US\$
Australia (22)	555555555555555555555555555555555555555
New Zealand (8)	56,064
Singapore (35)	46,373
South Korea (27)	41,332
Hong Kong (6)	40,245
Taiwan (26)	25,278
China (314)	14,903
Thailand (216)	12,599
Malaysia (65)	12,179
Pakistan (14)	11,119
India (94)	8,453
Indonesia (163)	8,066
Vietnam (232)	7,315
Philippines (28)	5,912
Sri Lanka (7)	5,556
Laos (10)	5,352
Cambodia (13)	5,140
Bangladesh (13)	4,994
Myanmar (10)	<b>4</b> ,232

### Non-Manufacturing: Manager

	Unit: US\$
Australia (98)	102,544
New Zealand (34)	75,171
Singapore (153)	68,989
South Korea (54)	60,762
Hong Kong (146)	59,593
Taiwan (100)	41,711
China (227)	35,339
Malaysia (54)	28,280
India (126)	27,351
Thailand (163)	26,972
Pakistan (8)	20,489
Vietnam (152)	20,267
Indonesia (115)	20,072
Philippines (18)	19,020
Sri Lanka (10)	16,177
Myanmar (34)	14,721
Cambodia (25)	14,444
Bangladesh (9)	13,106
Laos (6)	11,801

### Manufacturing: Manager

	Unit: US\$
Australia (29)	100,262
New Zealand (12)	80,111
Singapore (42)	70,387
Hong Kong (16)	58,396
South Korea (31)	58,199
Taiwan (33)	41,155
Thailand (220)	26,304
China (352)	25,093
Malaysia (75)	24,174
India (98)	21,806
Pakistan (17)	21,743
Indonesia (172)	16,899
Vietnam (239)	15,418
Philippines (27)	14,148
Cambodia (20)	11,890
Laos (10)	11,035
Myanmar (9)	10,449
Bangladesh (19)	9,794
Sri Lanka (7)	9,441

Annual salary (annual amount of real obligation fees): Total liability for an employee (the total of annual base salary, benefits, social security, overtime allowances, and bonuses, excluding severance benefits, as of FY2017)

See the previous page for the definitions of worker, engineer, manager (manufacturing), staff, and manager (non-manufacturing) .

Note: Except for Cambodia, annual salaries were reported in local currencies. (For Myanmar, salaries were reported selectively either in the local currency or in U.S. dollars.) The annual salary for each job type in the local currency was converted to U.S. dollars, using the average exchange rate of October 2017 published by the central bank of each country/region or by the State Administration of Foreign Exchange for China. For Myanmar, where firms reported annual salaries either in the local currency or in U.S. dollars, annual salaries reported in the local currency were converted to U.S. dollars to calculate the average.

## 8. Wages (5) Bonuses

Manufacturing: Worker

The numbers in parentheses indicate the numbers of firms that responded.

### Manufacturing: Manager

	Unit: months
Taiwan (36)	3.9
South Korea (28)	3.7
Pakistan (15)	3.6
Thailand (251)	3.1
Singapore (48)	2.3
Malaysia (103)	2.1
China (388)	2.0
Indonesia (182)	1.9
Bangladesh (19)	1.8
Philippines (28)	1.8
Hong Kong (21)	1.8
Sri Lanka (8)	1.6
Vietnam (274)	1.6
New Zealand (11)	1.3
Myanmar (13)	1.3
Laos (10)	1.2
India (95)	1.1
Cambodia (19)	0.8
Australia (22)	0.6

### **Manufacturing: Engineer**

	_ Unit: months
South Korea (25)	
Pakistan (12)	>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>
Taiwan (30)	3.7
Thailand (248)	3.1
Singapore (38)	2.2
Bangladesh (13)	2.0
Malaysia (96)	2.0
China (350)	1.9
Indonesia (175)	1.8
Philippines (29)	1.7
Sri Lanka (8)	1.6
Vietnam (266)	1.5
Hong Kong (8)	1.5
Myanmar (13)	1.2
Laos (10)	35555 1.1
India (86)	55555 1.1
Cambodia (14)	0.6
New Zealand (8)	<b>0.4</b>
Australia (15)	<b>0.4</b>



### Non-Manufacturing: Staff

	Unit: months
Taiwan (118)	3.0
South Korea (54)	2.5
Thailand (217)	2.5
Philippines (20)	2.3
Bangladesh (15)	2.2
Malaysia (75)	2.2
Singapore (202)	2.1
China (271)	1.9
Indonesia (149)	1.9
Pakistan (9)	1.6
Hong Kong (189)	1.6
Vietnam (215)	1.5
India (135)	1.3
Sri Lanka (11)	1.3
Myanmar (45)	1.2
Cambodia (31)	1.0
Laos (6)	1.0
Australia (82)	0.7
New Zealand (31)	0.7

### Non-Manufacturing: Manager

	Unit: mo	onths
	~~~~~	3.4
	2.7	
_	2.6	

Thailand (187)	2
Philippines (19)	2.4
Malaysia (71)	2.3
Singapore (169)	2.2
Pakistan (7)	2.1
China (250)	2.1
Indonesia (126)	2.1
Bangladesh (13)	2.0
Vietnam (165)	1.7
Hong Kong (165)	1.7
India (130)	1.4
Myanmar (38)	1.3
Sri Lanka (10)	1.3
Australia (79)	1.2
New Zealand (29)	1.1
Cambodia (26)	1.0

Laos (6) 1.0

Taiwan (109)

South Korea (52)



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