



2021 JETRO Survey on Business Conditions of Japanese Companies Operating Overseas (Asia and Oceania)

- Business performance of Japanese companies differed due to infection levels.

India and China showed a remarkable business recovery and expansion while a weaker recovery in ASEAN

Japan External Trade Organization (JETRO)

Overseas Research Department

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Key findings of the survey

- With the resumption of economic activities amid the pandemic of Covid-19, demand recovered through increased sales in local markets and exports. Business confidence of Japanese companies in most countries/regions improved. In some countries/regions, the percentage of profitable companies exceeded the level before the pandemic of Covid-19(2019). It showed a V-shaped turnaround in India, where the restrictions on economic activities were almost lifted. Moreover, in China, where the sales in local market and exports were increasing, it hit an all-time high. On the other hand, in ASEAN, capacity utilization rates declined due to the tightening of operational regulations amid the spread of the delta variants. Recovery was lagging in several countries such as Vietnam.
- The percentage of Japanese companies that expect to “expand” their business in the next one to two years increased overall, but did not reach to the level before the pandemic. The percentage of “expansion” exceeded 50% only in India, Bangladesh, Pakistan, Vietnam and Taiwan. In Myanmar, although the business environment has changed drastically since the seizure of power by the national military in February 2021, the percentage of “reduction” and “transferring/withdrawal” remained at about 30%.

Key findings of the survey

- Although the rivalry between the U.S. and China was expected to be prolonged, about half of the companies responded that changes in the trade environment had “no impact” on their business performance. Japanese companies had possibly advanced efforts to change their procurement or sales partners. However, in terms of their business performance over the next two to three years, the majority answered that they were unsure of the impact. A sense of uncertainty about the future remains high.
- While recovering demand, disruptions in the supply chain, such as shortages of raw materials for semiconductors and other products, and confusion in logistics due to container shortages, led to new issues such as higher procurement costs and difficulties in procurement. Over 60% of manufacturing companies recognized "higher procurement costs" as a management matter. Cost-wise competitions intensified in ASEAN and other regions.
- The percentage of companies that raised selling prices to optimize their production costs doubled from the previous year. In addition, a part of the companies advanced efforts to strengthen its supply chain resilience by reviewing its suppliers and having multiple procurement partners.
- The percentage of Japanese companies using E-commerce increased to over 40% from more than 20% in 2019, before the pandemic. Meanwhile, the majority of companies faced a challenge of the shortage of human resources that handle digital technology. Regarding collaboration with local startups, the real estate sector showed high expectations.

1. The percentage of profitable companies rose. It hit an all-time high in China. The operating profit forecast improved

- The percentage of profitable companies was 63.0% overall, which recovered from 48.9% in the previous year. In India (61.5%), where economic activity was resuming, it showed a V-shaped recovery. Also in China (72.2%), it recorded the highest level ever since 2007 when the survey started to cover non-manufacturers. This result seems to be derived mainly from the sales expansion in the domestic market in India, and the sales expansion of exports as well as the domestic market in China. Compared to the time before Covid-19 (2019), sales increased in India, South Korea, China, Hong Kong/Macau, and Singapore. 43.7% of all companies expected to “increase” their profit in 2021, a significant resumption from 16.0% in 2020.
- In 2021, Diffusion Index(DI) of business confidence was 19.8 points overall, showing positive turnaround in many countries from the lowest level ever at $\Delta 40.7$ in 2020. Among those with negative DI rates, Laos, Vietnam, Cambodia, and Myanmar seem to have been affected by a "Deterioration in the operating rate" due to worsening operating environment caused by the spread of mutated variants of Covid-19.

(Note) Diffusion Index is the proportion of companies expecting an increase (improvement) minus the proportion of companies expecting a decrease (worsening). This figure reflects changes in business confidence.

2. Willingness for business expansion recovered from the previous year, but did not reach the level before Covid-19

- The percentage of companies that was planning to expand their business in the future was 43.6%, not reaching the level before Covid-19 (2019) (48.9%) in spite of increase from the 2020 survey (36.7%). By country/region, the percentage exceeded 50% in India, Bangladesh, Pakistan, Vietnam and Taiwan. The most common reason for expansion was "sales increase in local markets" at over 70%. In China, 40.9% of respondents chose "expansion," up 4.3 points from the previous year's survey, but below the overall average.

- In Myanmar, the business environment has changed dramatically since the seizure of power by the national military in February 2021. The percentage of respondents who chose “expansion” (13.5%) fell 33.8 percent from the previous year. However, only 27.5% chose “reduction” and 6.7% chose “transferring/withdrawal.” “Remaining the same” (52.3%) was the most common response. Many companies see how the situation changes.
- As for the functions to be expanded, “sales function” accounted for the largest share at 59.7%, followed by “production function (high value-added products)” (32.6%) and “production function (general-purpose products)” (24.6%). Vietnam ranked high in both, indicating that the companies there expected to expand production functions. In terms of the expansion of “R&D” functions, China ranked the highest among the countries/regions.
- The percentage of companies that raised selling prices to optimize production costs doubled from the previous year. In addition, companies advanced efforts to strengthen their supply chains by reviewing their suppliers and having multiple procurement partners.

3. While companies advanced efforts in responding to changes in the trade environment, about half of them had no impact on their business performance

- As for the impact on business performance in 2021, “no impact” rose to 49.6%, up from the 2020 survey. As the rivalry between the U.S. and China is expected to be prolonged, companies may have made progress in responding to changes in the trade environment by changing their procurement and sales partners. On the other hand, 25.1% of respondents in China answered that there would be an overall negative impact on their business performance in 2021.
- Regarding the impact on business performance over the next two to three years, the most common response was “do not know” at 39.0%, followed by “no impact” at 36.2%, There was still a strong sense of uncertainty about the future.

4. Wage increases continued to top the list of management matters, while procurement cost rapidly increased in the manufacturing sectors

- As in the 2020 survey, the top problem across all regions and industries was "increased wages" (61.8%). Compared to the previous year, the rise of "growing market shares of competitors (cost-wise competition)" was noticeable in ASEAN such as Laos, Indonesia, and Malaysia. The rise of competitors, including from overseas, would increase the pressure on companies to reduce costs.
- In terms of challenges for the manufacturing industry, "increased cost in procurement of raw materials and parts" (63.3%), which ranked second, rose sharply from 2020 (30.2%). Shortage of semiconductors, rising prices of steel and other raw materials, and increased overseas transportation costs due to container shortages likely affected procurement costs.
- Management issues that improved (response rate decreased) compared to the 2020 survey were "Decreased orders from clients" and "Sluggishness in major sales markets (sluggish consumption)"; the recovery of the global economy were likely to have a positive impact.

5. Over 60% of companies were working on decarbonization (including plans), The rate differed between large companies and SMEs

- More than 30% of companies were already working on decarbonization (reduction of greenhouse gas emissions). The rate became over 60% if those planning to do so were included. However, there was a large disparity in the its rate between large companies and SMEs.
- The most common reason for the efforts was "instructions/recommendations from the headquarters (parent company). In New Zealand and China, "regulations and/or preferential treatments set by the central/local governments in the country/region of our operation" was relatively high. The New Zealand government has legislated the obligation to disclose climate change impacts, while the Chinese government has tightened environmental regulations, including carbon emission reductions, in the direction of stricter laws and regulations. A major challenge was "cost" in all countries/regions.

6. More than 60% of companies were utilizing (or plan to utilize) digital technology. Securing human resources matters

- 63.2% of respondents were utilizing (including plan to utilize) digital-related technologies. The percentage using E-commerce (EC) stood at 45.0%, up significantly from 2019 (23.1%), the time before Covid-19. The use of RPA, the automation of business processes by robots on software, also increased from 9.1% to 20.4%.
- In terms of challenges in utilization of digital-related technologies, the majority (51.4%) responded a shortage of engineers and other human resources. In particular, the shortage of digital-related human resources were pronounced in Malaysia, Indonesia and Singapore.

Survey Summary(1)

(Company, %)

Purpose of the 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 and the branch offices and representative offices of Japanese companies) operating in a total of 20 countries/regions in Northeast Asia (5), ASEAN countries (9), Southwest Asia (4), and Oceania (2).

Survey period

- August 25 - September 24, 2021

Response Rate

- Of a total of 14,175 surveys sent out, we received valid responses from 4,635 companies (32.7%). The breakdown of respondents by country and region is provided in the table to the right.

Notes

- This survey has been conducted since 1987, making this year the 35th version.
- Since 2007, the survey has included non-manufacturing sectors.
- The numbers in parentheses in each slide indicate the number of the companies with valid responses.
- Numbers in tables are rounded up, so they do not necessarily add up to 100%.
- Surveys in Taiwan were conducted with the assistance of the Japan-Taiwan Exchange Association.

	Companies surveyed	Companies responding		Breakdown		Valid responses (%)
		Number	(%)	Manufacturing	Non-manufacturing	
Total	14,175	4,635	100.0	1,979	2,656	32.7
Northeast Asia	2,751	1,354	29.2	552	802	49.2
China	1,553	685	14.8	406	279	44.1
Hong Kong / Macāu	489	344	7.4	43	301	70.3
Taiwan	554	221	4.8	64	157	39.9
South Korea	155	104	2.2	39	65	67.1
ASEAN	9,651	2,693	58.1	1,209	1,484	27.9
Vietnam	1,883	702	15.1	348	354	37.3
Thailand	2,678	564	12.2	314	250	21.1
Singapore	1,063	475	10.2	111	364	44.7
Indonesia	1,740	374	8.1	207	167	21.5
Malaysia	941	190	4.1	105	85	20.2
Myanmar	493	180	3.9	37	143	36.5
Cambodia	282	93	2.0	30	63	33.0
Philippines	490	88	1.9	46	42	18.0
Laos	81	27	0.6	11	16	33.3
Southwest Asia	1,331	397	8.6	182	215	29.8
India	1,007	281	6.1	130	151	27.9
Bangladesh	195	50	1.1	23	27	25.6
Pakistan	67	46	1.0	22	24	68.7
Sri Lanka	62	20	0.4	7	13	32.3
Oceania	442	191	4.1	36	155	43.2
Australia	304	145	3.1	25	120	47.7
New Zealand	138	46	1.0	11	35	33.3

Survey Summary(2)

By industry (Manufacturing)

(Company, %)

	Valid response	(%)
Manufacturing Total	1,979	42.7
Transportation equipment parts	292	6.3
Iron/Nonferrous metals/Metals	285	6.1
Electrical machinery parts/Electronic device parts	177	3.8
Chemicals/Medicine	169	3.6
General machinery	155	3.3
Electrical and electronic equipment	140	3.0
Food	124	2.7
Plastic Products	123	2.7
Textiles/Textile apparel	105	2.3
Transportation equipment	79	1.7
Paper/Wood products/Printing	73	1.6
Precision machinery/Medical equipment	67	1.4
Rubber/Ceramic/Stone and clay products	57	1.2
Other Manufacturing	133	2.9

By industry (Non-manufacturing)

(Company, %)

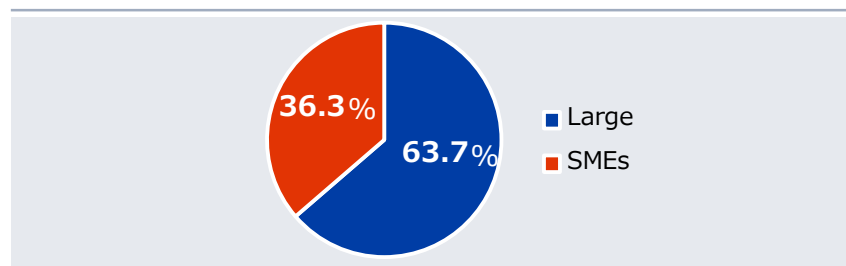
	Valid response	(%)
Non-manufacturing Total	2,656	57.3
Trading/Wholesale	575	12.4
Sales companies	459	9.9
Transport activities/Warehouse	283	6.1
Construction	279	6.0
Information and communications	237	5.1
Finance/Insurance	201	4.3
Business services	187	4.0
Real estate agencies/Real estate lessors	91	2.0
Travel/Amusement	67	1.4
Retail	53	1.1
Mining/Energy	52	1.1
Education/Medical	32	0.7
Restaurant business	27	0.6
Agriculture, forestry and fisheries	14	0.3
Other non-manufacturing	99	2.1

By country/region

(Company)

	Large	SME
Total	2,951	1,684
Northeast Asia	941	413
China	439	246
Hong Kong/Macau	236	108
Taiwan	179	42
South Korea	87	17
ASEAN	1,550	1,143
Vietnam	369	333
Thailand	218	346
Singapore	346	129
Indonesia	252	122
Malaysia	134	56
Myanmar	112	68
Cambodia	51	42
Philippines	52	36
Laos	16	11
Southwest Asia	304	93
India	222	59
Bangladesh	27	23
Pakistan	42	4
Sri Lanka	13	7
Oceania	156	35
Australia	126	19
New Zealand	30	16

Large/small and medium-sized enterprises (SMEs)



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

Survey Summary (3)

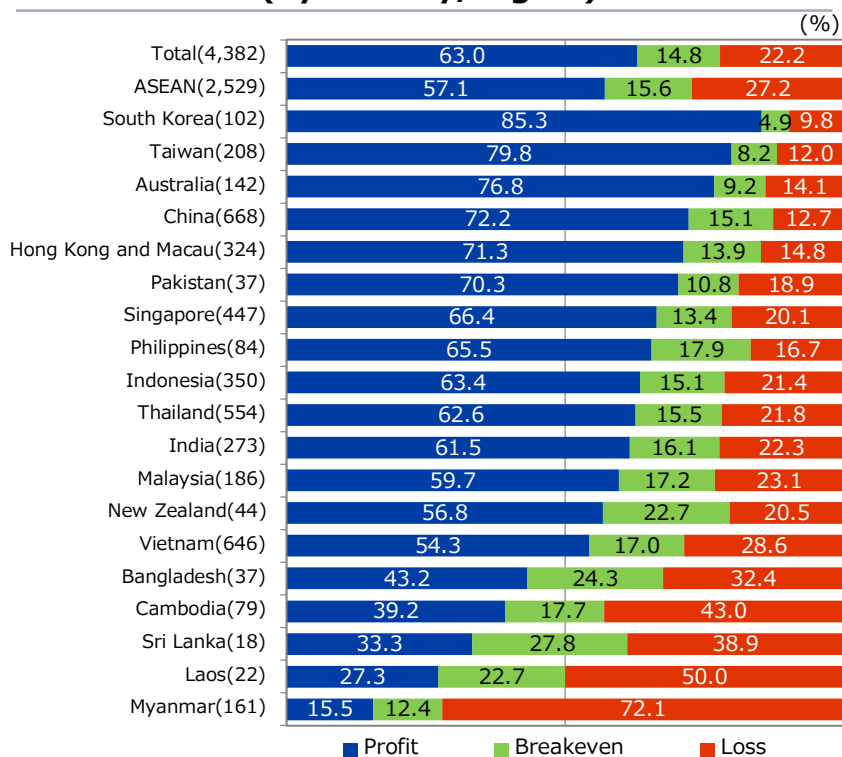
Note: Industry category details on the previous page are as follows:

Number	Major group	Group	Number	Major group	Group
1	Food	Food/processed food, agricultural or fishery products	16	Mining/Energy	Mining Electricity/gas/heat supply/water supply
2	Textiles/Textile apparel	Textiles (Spun fabrics/Woven fabrics/Chemical fibers) Textile apparel/Textile products (including footwear, gloves, leather products, sewn products)	17	Construction	Construction/plant/engineering
3	Paper/Wood products/Printing	Lumber/Wood products, Furniture/Interior/Fixtures, Paper/Pulp, Printing/Publishing	18	Transport activities/Warehouse	Transport/warehousing
4	Chemicals/Medicine	Chemicals/Petroleum products, Medicines	19	Information and communications	Communications/IT/software/information systems/digital service BPO (Business Process Outsourcing) Media/mass media/content Advertising/marketing/research
5	Plastic products	Plastic products			
6	Rubber/Ceramic/Stone and clay products	Rubber products Ceramic/Stone and clay products	20	Trading/Wholesale	Trading companies, Wholesale
7	Iron/Nonferrous metals/Metals	Iron and steel (including cast and wrought products) Nonferrous metals Fabricated metal products (including plated products)	21	Retail	Retail
8	General machinery	General-purpose machinery (including machines for general use, for production, machine tools/agricultural machinery and construction machinery/molds and machine tools)	22	Sales companies	Sales companies
9	Electrical machinery/Electronic devices	Electrical machinery/Electronic devices Information and communication electronics equipment/Office machines	23	Finance/Insurance	Banks Non-banks (Insurance/securities brokerage/credit card/leasing, etc.)
10	Electrical machinery parts/Electronic device parts	Electrical machinery parts/Electronic device parts	24	Real estate agencies/Real estate lessors	Real estate, Building and facility management/air conditioning/security/cleaning, Rental
11	Precision machinery/Medical equipment	Precision instruments (Analytical instruments/Optical instruments and apparatus, etc.) Medical equipment	25	Business services	Consulting Professional services such as legal, accounting, and tax affairs Holding/managing company Design/architectonics Repair/maintenance/inspection and analysis Recruiting/temporary staffing
12	Transportation equipment	Transportation equipment (Motor vehicles/motorcycles) Transportation equipment (Railroad vehicles/ships/aircraft/industrial trucks)	26	Travel/Amusement	Hotel/travel Amusement/living-related and personal services (including events, sports facilities and hair-dressing/beauty salons)
13	Transportation equipment parts	Transportation equipment parts (Motor vehicles/motorcycles) Transportation equipment parts (Railroad vehicles/ships/aircraft/transportation vehicles)	27	Restaurant business	Restaurants
14	Miscellaneous manufacturing industries	Daily necessities/stationery/sundries Miscellaneous manufacturing industries	28	Education/Medical	Education/research institutions Medical/welfare/health care
15	Agriculture, forestry and fisheries	Agriculture, forestry and fisheries	29	Other non-manufacturing industries	Other

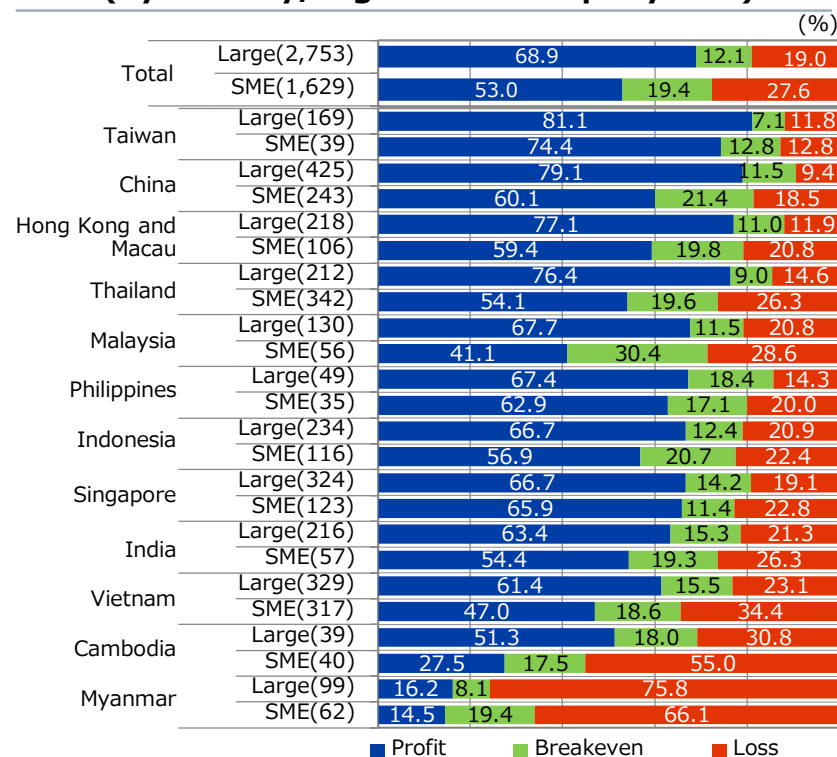
1-1 | Percentage of profitable companies rose to 60%

- The percentage of companies that expect to generate an operating profit in 2021 was 63.0%, up 14.1 points from 48.9% in the previous year's survey (2020). The percentage of companies that expect an operating loss was 22.2%, down 10.2 points from 32.4% in the previous year.
- The percentage of profitable companies by country/region was highest in South Korea at 85.3%, followed by Taiwan, Australia, China, Hong Kong/Macau and Pakistan, which accounted for more than 70%. In Myanmar, the percentage of loss-making companies went up compared to the previous year.
- 68.9% of large companies made a profit, up 13.1 points from 55.8% in the previous year. 53.0% of small and medium enterprises were profitable, up 14.7 points from 38.3% in the previous year.

Operating profit forecast for 2021 (by country/region)



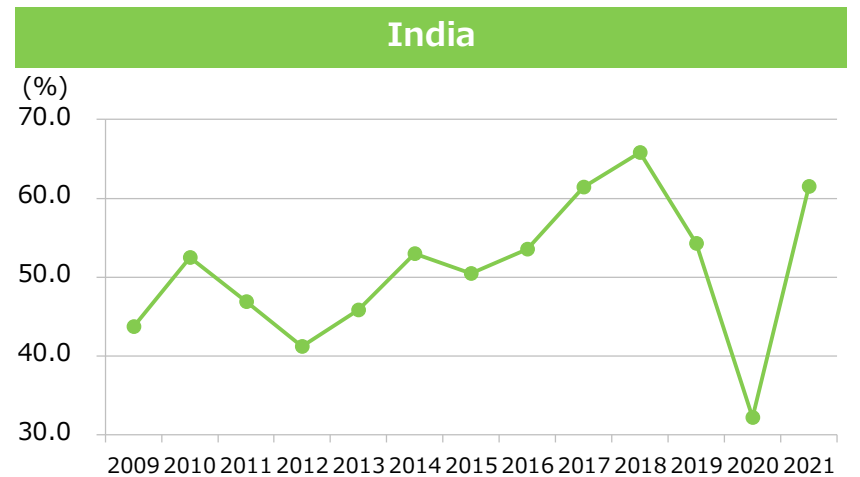
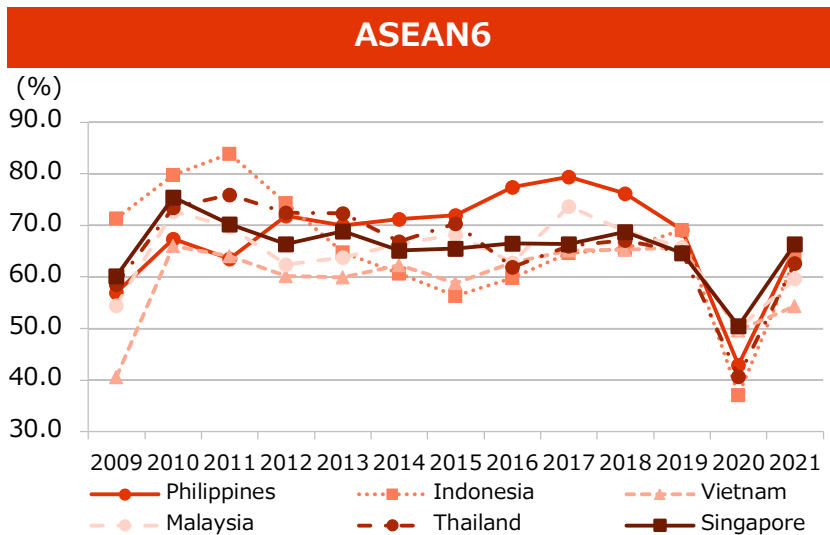
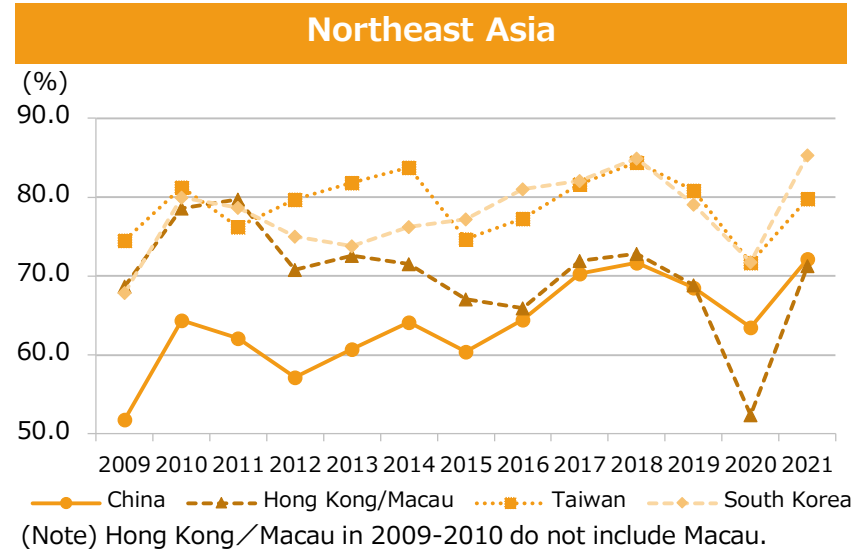
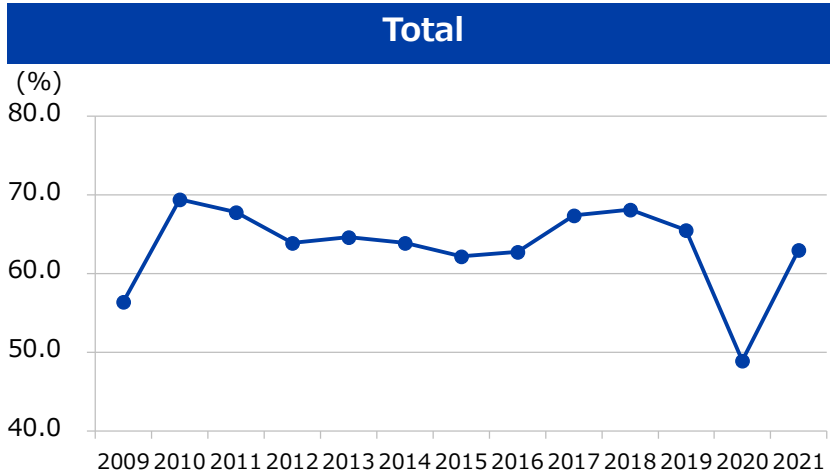
Operating profit forecast for 2021 (by country/region and company size)



(Note) Countries and regions with at least 30 valid responses.

1-2 V-shaped recovery in the percentage of profitable companies

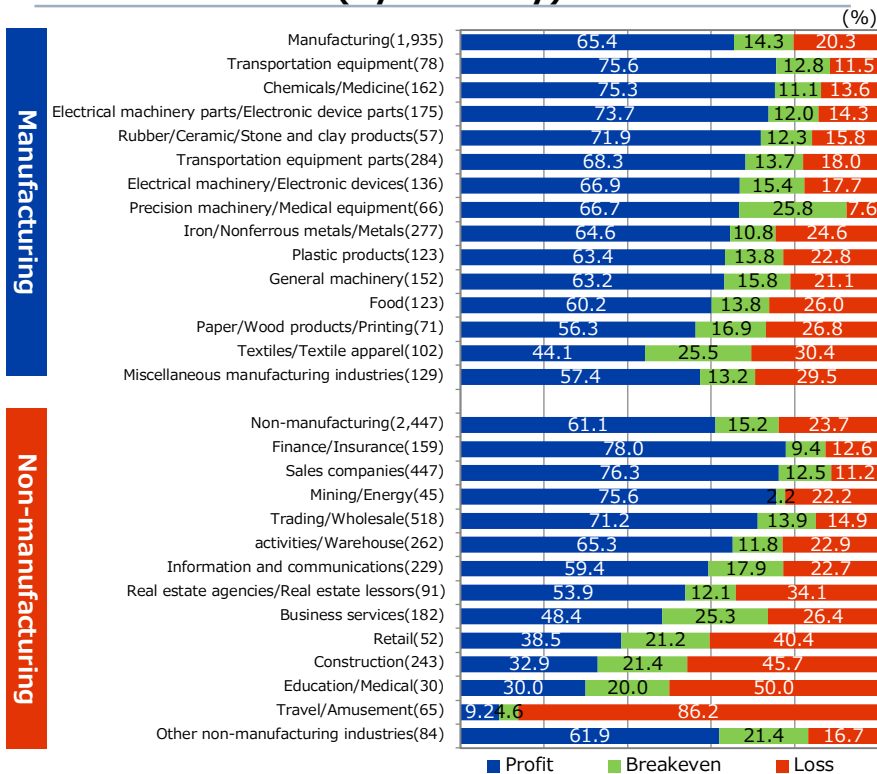
Changes in the percentage of profitable companies - 2009-2021 (by country/region)



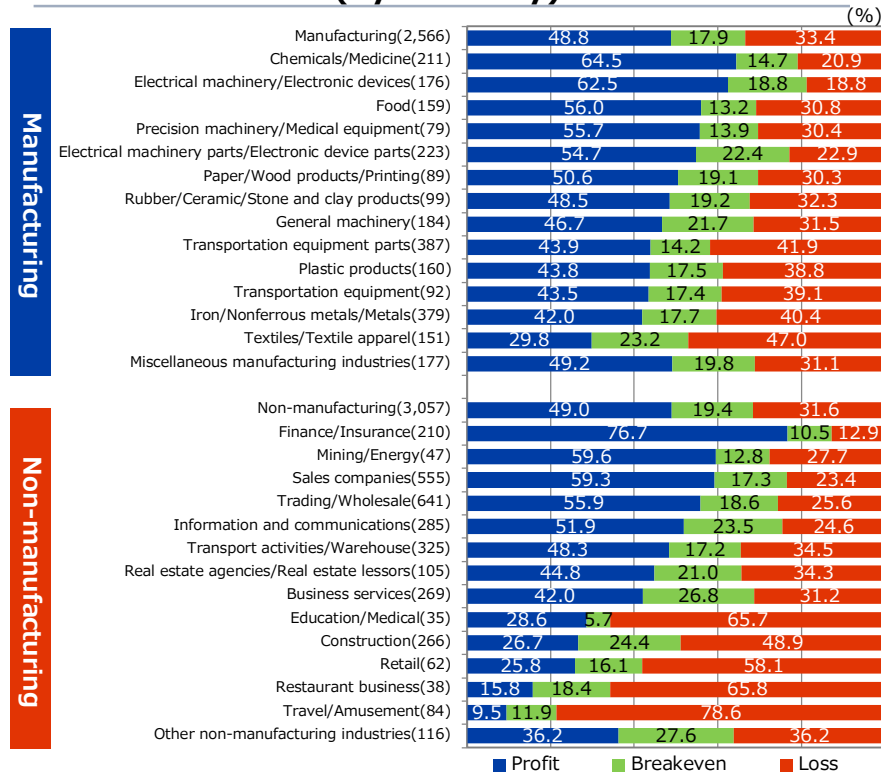
1-3 | The percentage of profitable companies in both manufacturing and non-manufacturing sectors rose

- Comparing the operating profit forecast for 2021 of manufacturing and non-manufacturing sectors, the percentage of profitable companies in the manufacturing sector was 65.4% while 61.1% in the non-manufacturing sector. Compared to the previous year's survey (48.8% in the manufacturing sector and 49.0% in the non-manufacturing sector), the percentage increased by 16.6 points in the manufacturing sector and 12.1 points in the non-manufacturing sector.
- Regarding the travel/amusement industry (9.2% making profit, 86.2% in loss), the percentage of loss-making companies exceeded 80%, making it the only industry where the percentage of profitable companies declined and the percentage of loss-making rose.

Operating Profit Forecast for 2021 (by Industry)



2020 Survey: Operating Profit Forecast for 2020 (by Industry)

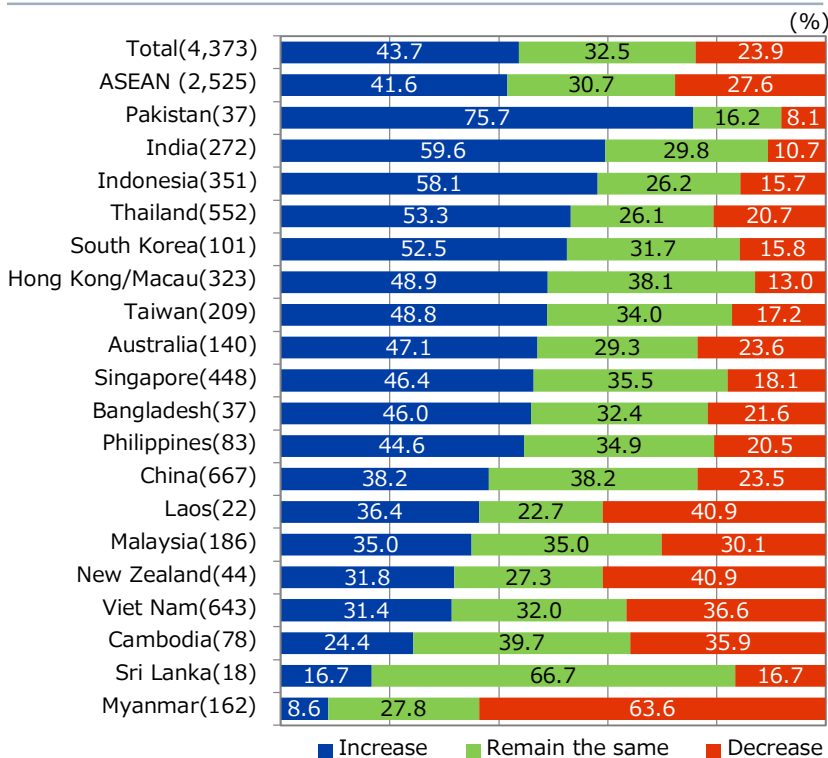


(Note) Industry sectors with 30 or more valid responses.

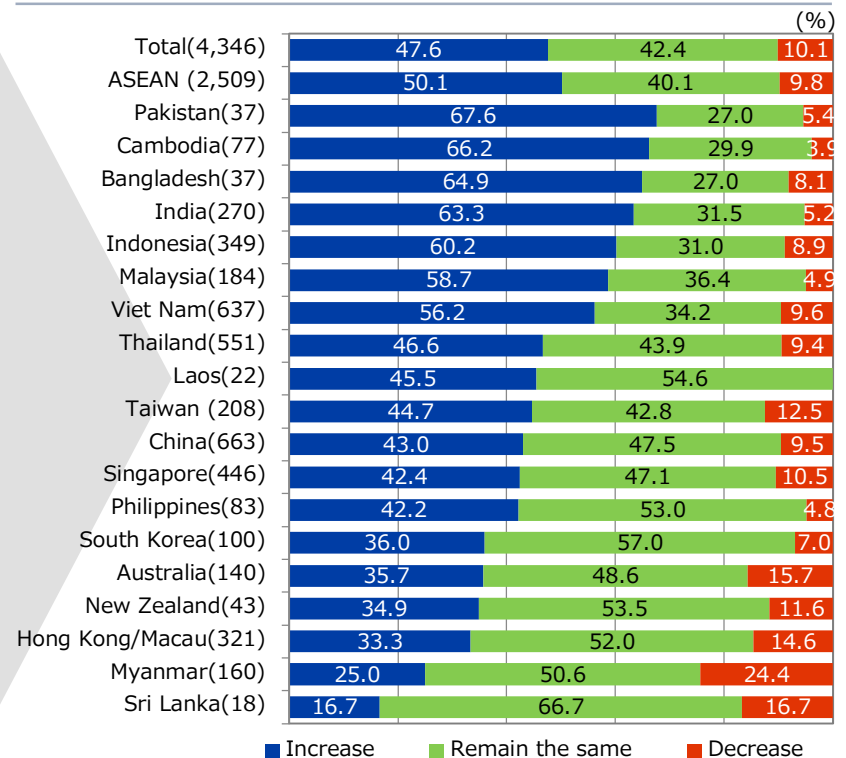
1-4 | 40% of companies expect "increase" in operating profit

- The percentage of companies that answered that their operating profit forecast for 2021 (compared to 2020) would "increase" was 43.7%, up 27.7 points from 16.0% in the 2020 survey. The percentage of companies that answered that their operating profit would "worsen" was 23.9%, down 32.7 points from 56.6% in the 2020 survey.
- With regard to the forecast for operating profit in 2022, 47.6% of respondents answered that they expect "increase", down 5.2 points from 52.8% in the 2020 survey. Likewise, 10.1% answered that they expected "decrease", down 2.4 points from 12.5% in the 2020 survey. On the other hand, 42.4% of respondents chose "remain the same," up 7.7 points from 34.7% in the previous survey.

**Operating Profit Forecast for 2021
(by country/region, comparison with 2020)**

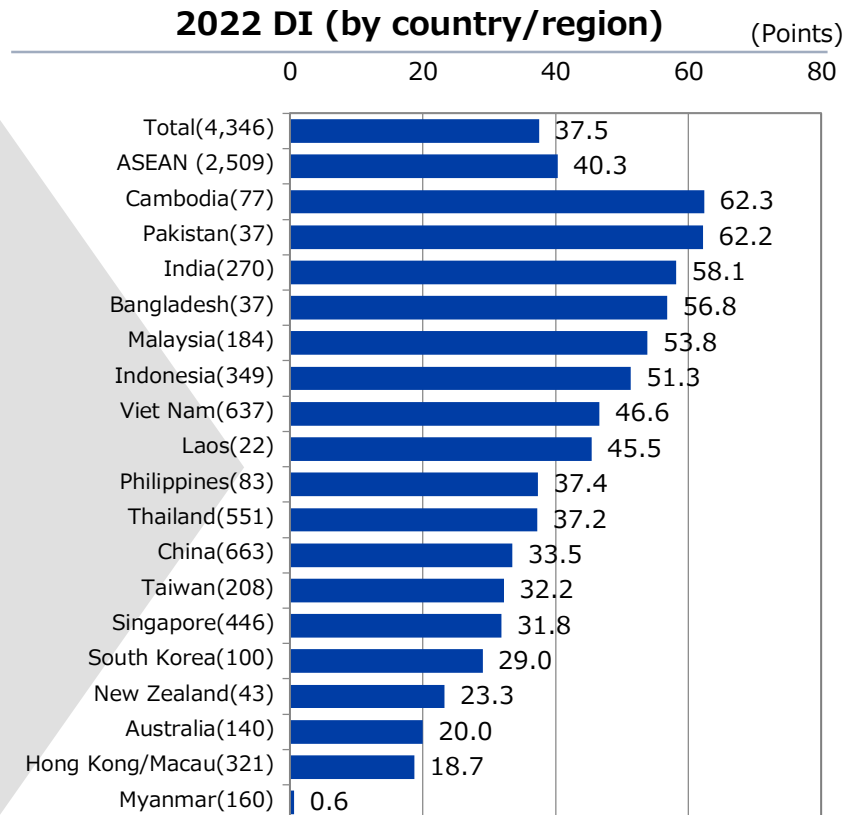
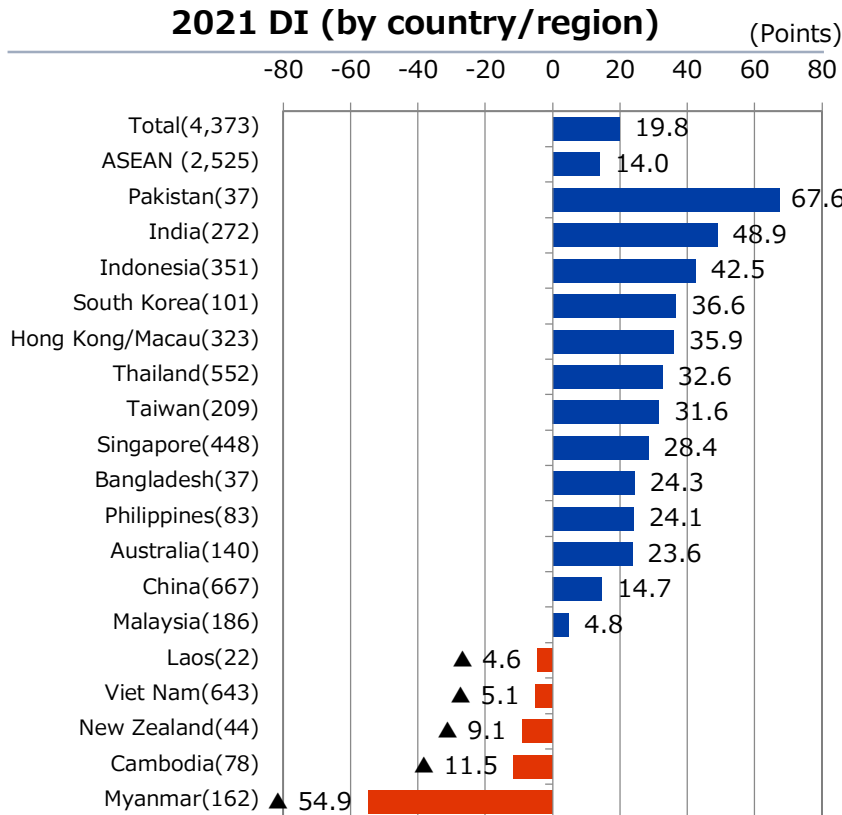


**Operating Profit Forecast for 2022
(by country/region, comparison with 2021)**



1-5 | Business confidence has bottomed out and turned positive

- The Diffusion Index (DI, see Note1) , indicating business confidence for 2021, was 19.8 points, turning positive from Δ 40.7 points (the lowest ever) in the 2020 survey. ASEAN's score was 14.0 points, 5.8 points below the overall average, and China's score was 14.7 points, 5.1 points below the overall average.
- The DI for 2022 was 37.5 points, positive in all countries and regions. Compared to the overall average, the DI for ASEAN was 40.3 points, up 2.8 points, and that for China was 33.5 points, down 4.0 points.



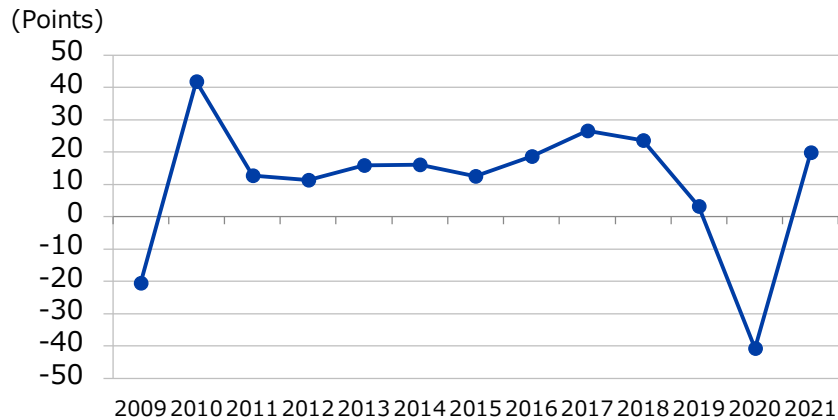
(Note 1) DI is an abbreviation for Diffusion Index, which is the proportion of companies expecting an increase (improvement) minus the proportion of companies expecting a decrease (worsening). This figure reflects changes in business confidence.

(Note 2) Countries and regions with at least 30 valid responses.

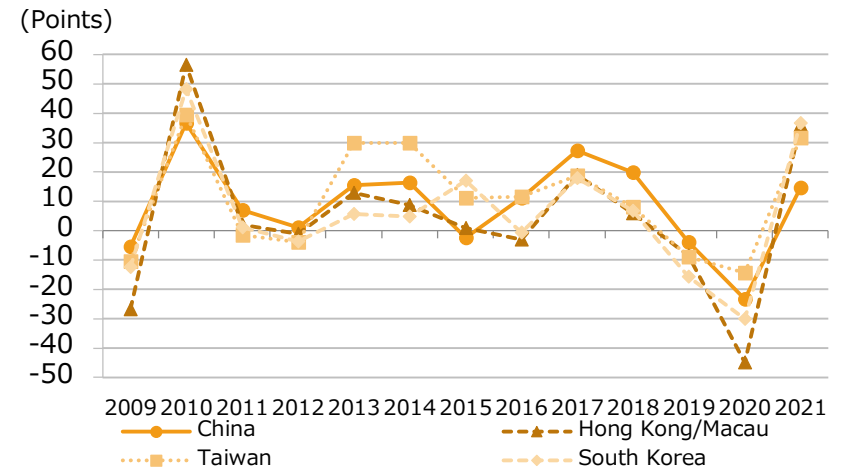
1-6 | Business confidence exceeds the level before Covid-19 in some countries/regions

DI : 2009-2021 (by country/region)

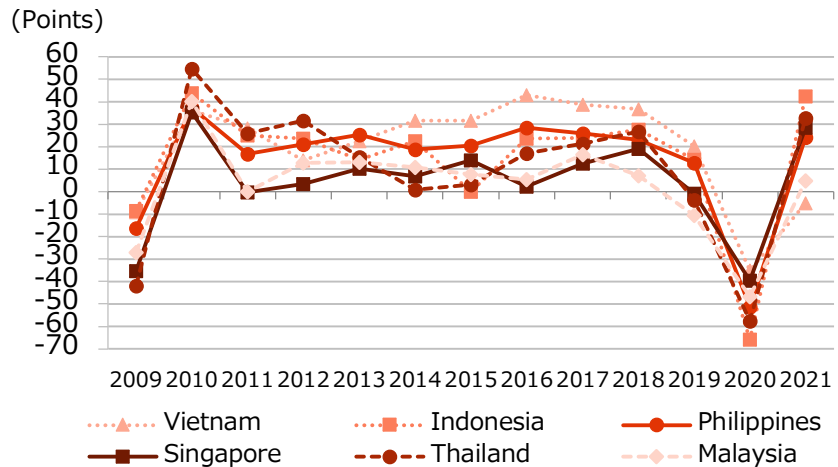
Total



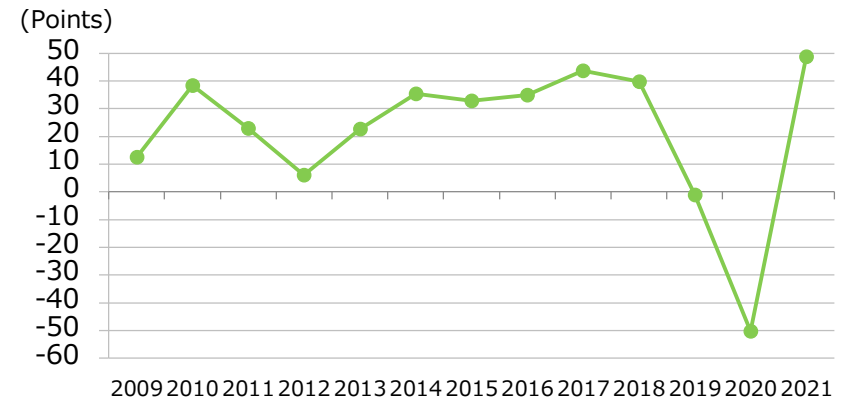
Northeast Asia



ASEAN6



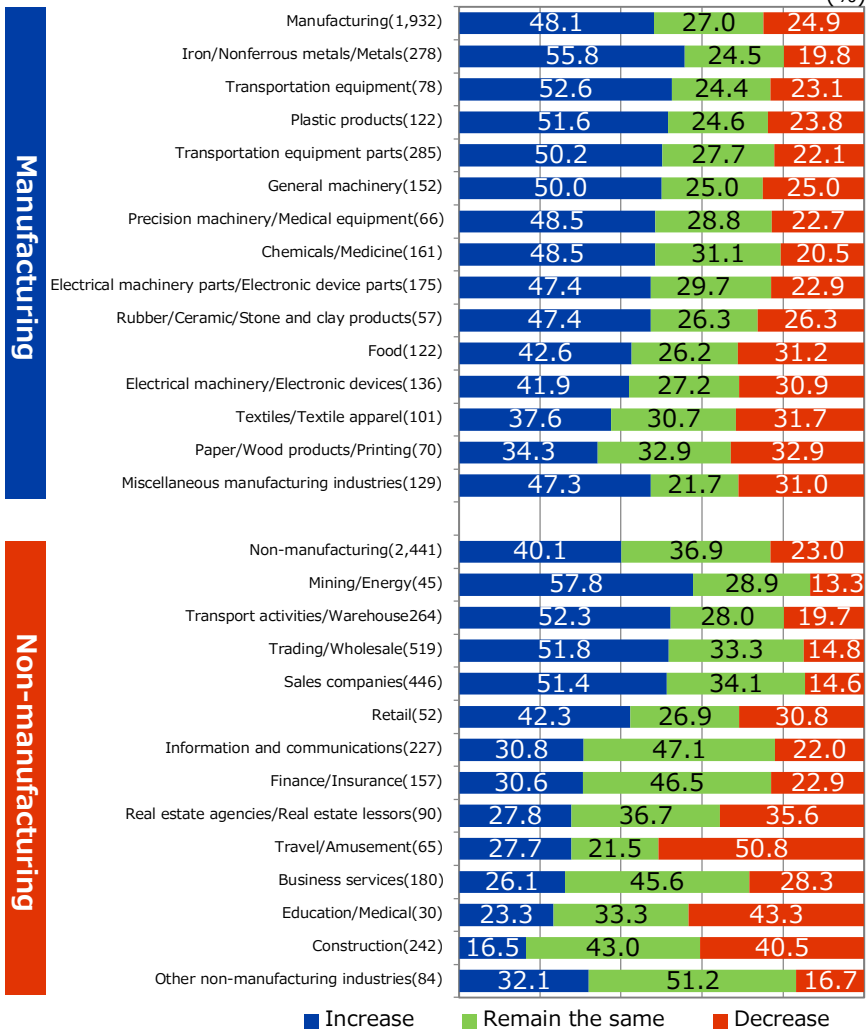
India



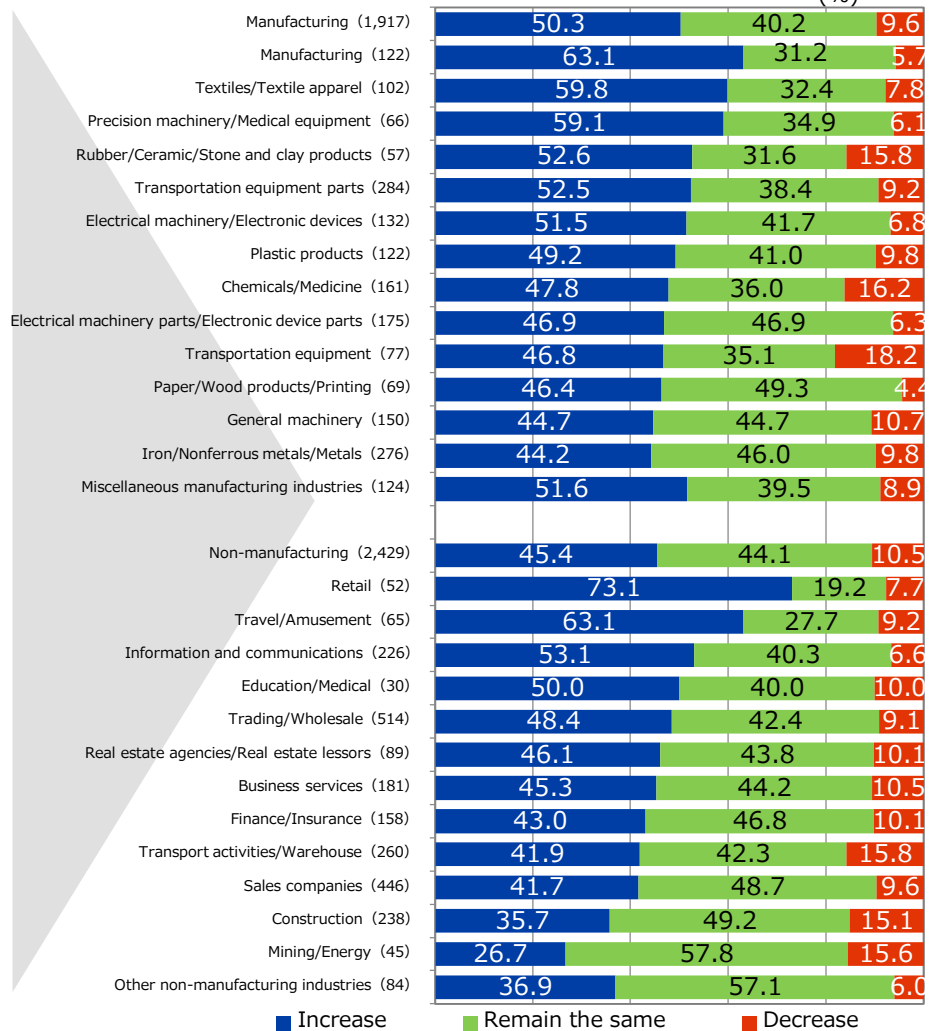
(Note) Hong Kong includes Macau from 2011.

1-7 | Decline in the outlook for “decrease” in operating profit by industry

Operating profit forecast for 2021 (comparison with 2020, by industry)



Operating profit forecast for 2022 (comparison with 2021, by Industry)

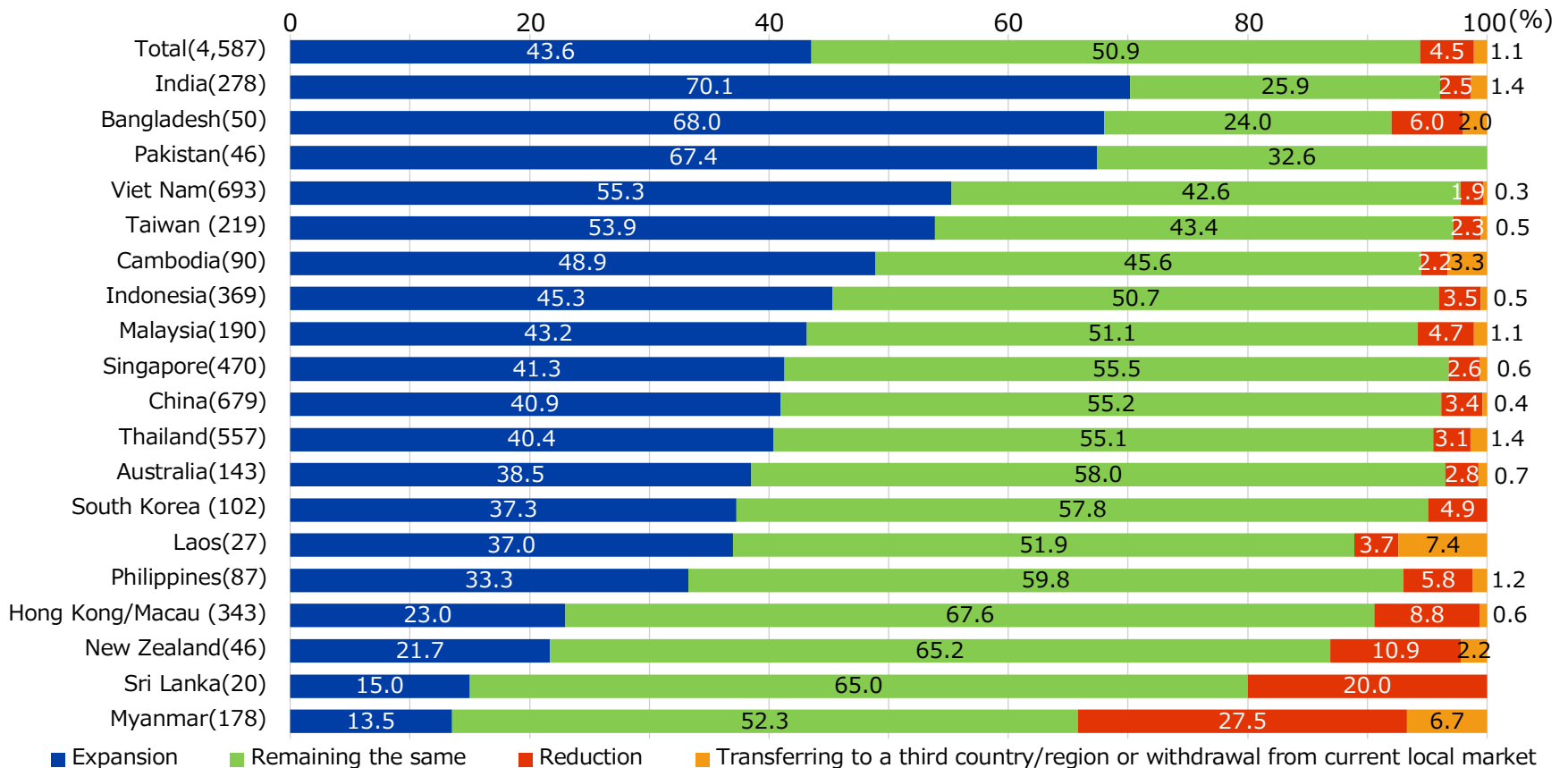


(Note) Industries with at least 30 valid responses.

2-1 | Business expansion levels recovered to more than 40%

- With regard to the approach for future business plans/activities in the next 1-2 years, 43.6% of companies answered "expansion," up 6.9 points from 36.7% in the 2020 survey. On the other hand, 5.6% answered "reduction" or "Transferring to a third country/region or withdrawal from current local market", down 3.5 points from 9.1% in 2020 survey.
- From the aspect of country/region, more than 50% of companies in India, Bangladesh, Pakistan, Vietnam and Taiwan responded that they would "expand. On the other hand, more than 10% of companies in Myanmar, Sri Lanka and New Zealand responded "reduction".

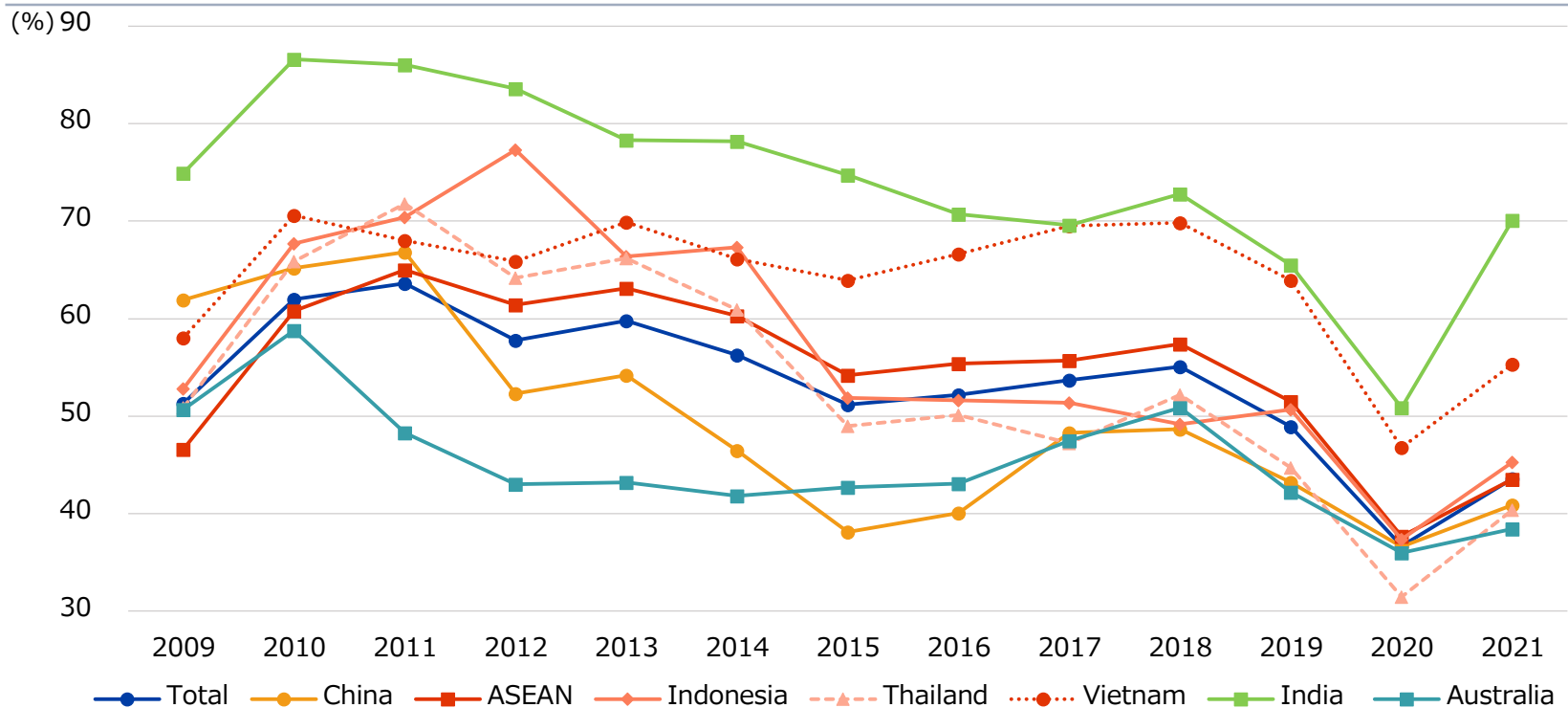
Approach to future business plans/activities in the next 1-2 years (by country/region)



2-2 | Clear recovery trend in every country/region, although not reaching the pre-Covid19 level

- The percentage of companies that answered "expansion" increased from the 2020 survey in China, ASEAN, Indonesia, Thailand, Vietnam, India and Australia. In India, the percentage was 4.6 points higher than in the pre-Covid19 survey (2019, 65.5%) due to a recovery in domestic demand, while in the other six countries/regions, the percentage did not recover to the level of the 2019 survey.
- Comparing changes in China and ASEAN from 2009, ASEAN surpassed China in 2012, and the gap widened to over 10 points in 2014-16, however it got close in 2020 (1.1 points) and 2021 (2.6 points).

Proportions of companies expecting to expand in the next 1 to 2 years (2009-2021)



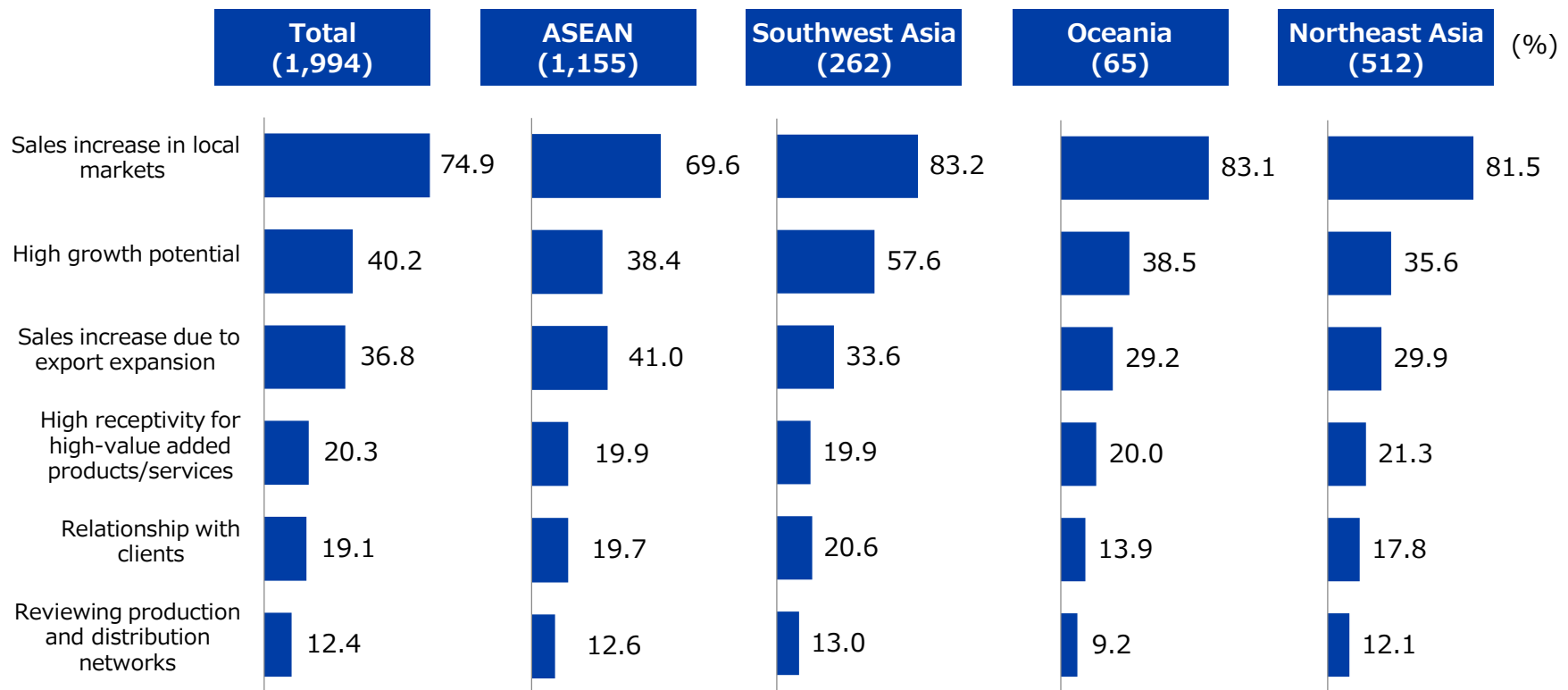
(Note 1) ASEAN shows a weighted average of nine countries, excluding Brunei.

(Note 2) Figures for Cambodia and Laos have been included in ASEAN average since 2010 and 2011, respectively.

2-3 | More than 70% of the expansion was due to “sales increase in the local markets”

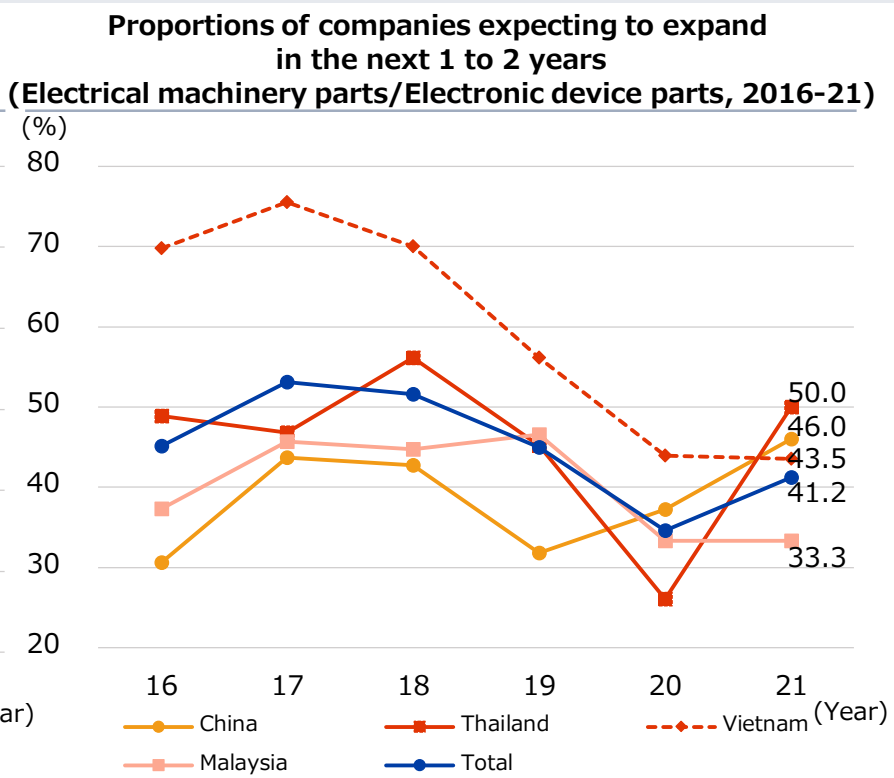
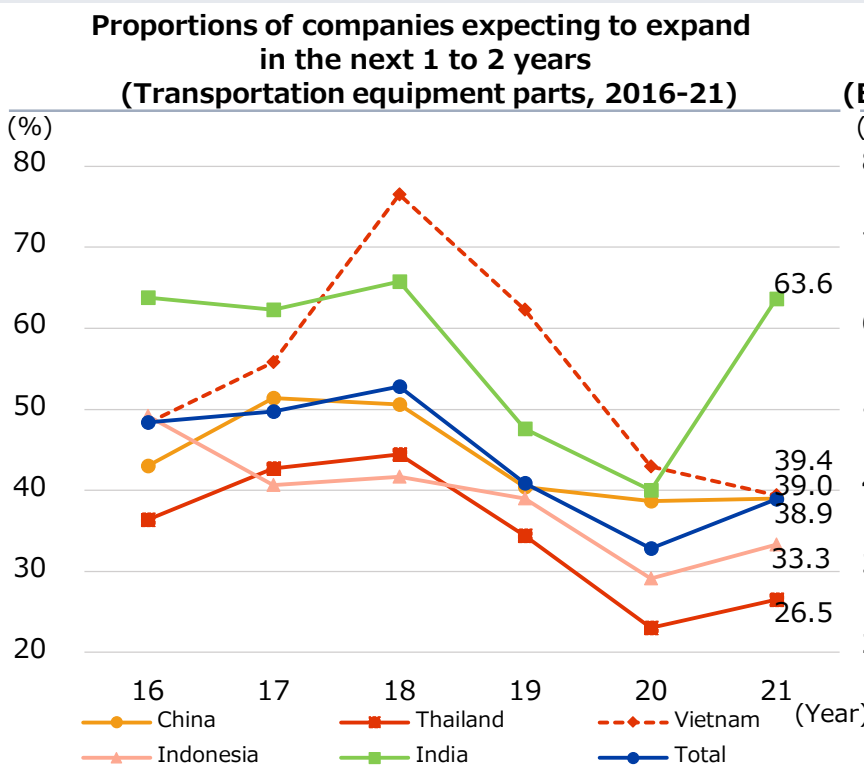
- Among reasons for "expanding" business in the next 1-2 years, the highest percentage in all regions (total number) was "Sales increase in local markets", followed by "High growth potential" and "Sales increase due to export expansion".
- The figure of "High growth potential" was 57.6%, relatively high in Southwest Asia. In addition, the percentage of companies answered "Sales increase due to export expansion" was relatively high in ASEAN.

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



2-4 Sharp increases in “expansion” of the certain sectors in India and Thailand

- In 2018-2020, the percentage of transportation equipment parts companies that answered “expansion” was on a downward trend in Vietnam, India, China, Indonesia, and Thailand. However, it rose in the four countries except Vietnam in 2021. The figure in India increased significantly by 23.6 points from the figure in 2020 (40.0%) .
- Regarding the manufacturers of electrical and electronic equipment components in China, Thailand, Vietnam and Malaysia, the percentage declined by 0.4 points in Vietnam in 2021. While Malaysia remained flat, Thailand made a V-shaped recovery to 50.0%, up from 45.2% in 2019. China continued to rise to 46.0%.

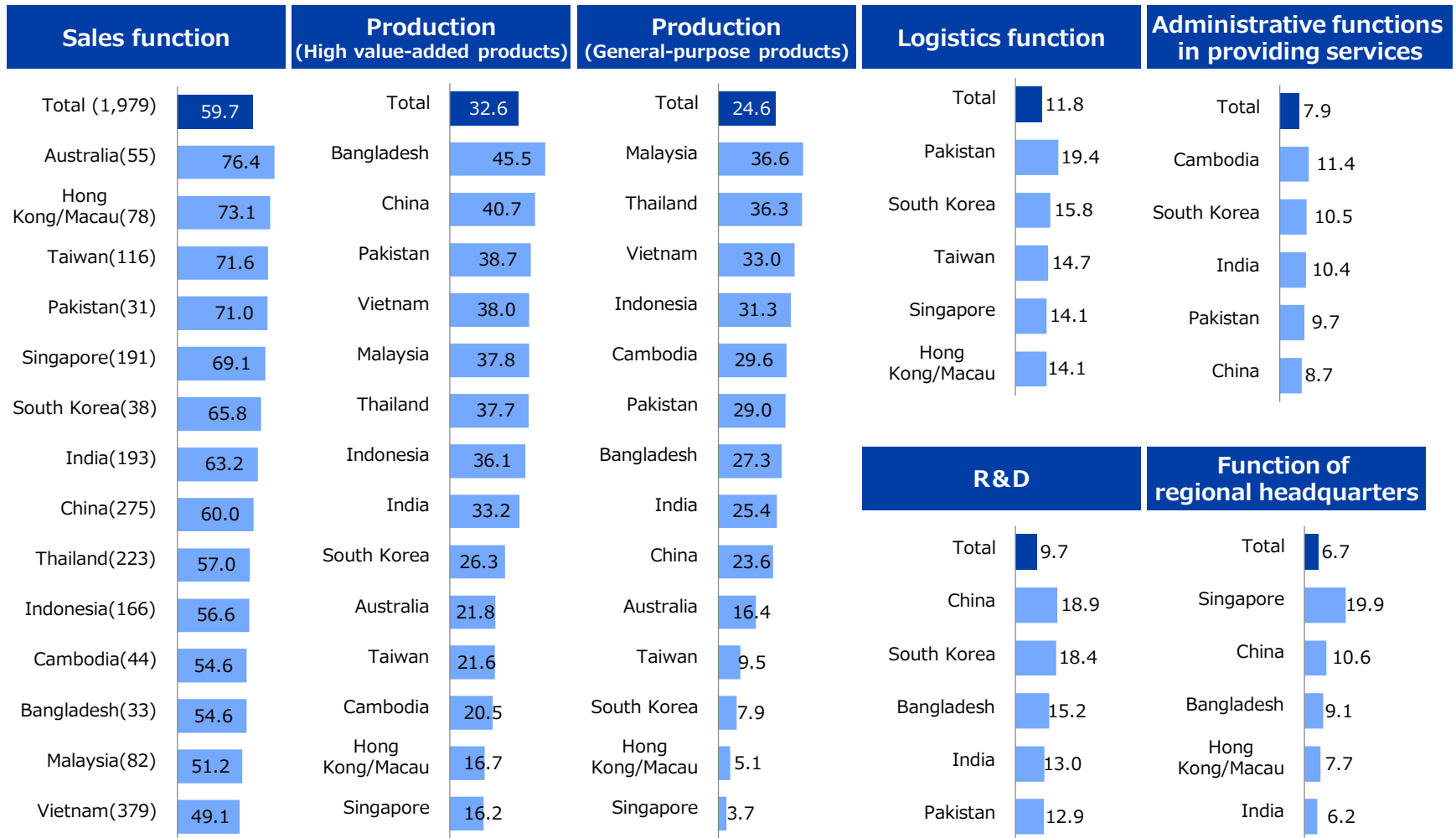


(Note 1) In 2020, the industry names were changed to Transportation equipment parts and Electrical machinery parts/Electronic device parts from Motor vehicles/motorcycles and Electrical machinery parts respectively, which were used up to 2019.
 (Note 2) Countries and regions with at least 20 valid responses.

2-5 | Nearly 60% plan to expand their sales function

Functions to be expanded (multiple answers)

(%)



(Note 1) Countries and regions with at least 30 valid responses. The top five countries/regions were selected for the logistics function, service administration function, R&D, and regional headquarters.

(Note 2) The number of responses in parentheses is the same for all items.

2-6 | Doubled the percentage of companies raising selling prices

- About 20-30% of the companies responded that they had plans to review their control/management systems and supply chains (sales, procurement, and production).
- Sharp increases were shown in the scores of "Rise in sales prices", "Increase in new investment/capital investment", and "Change of procurement sources", compared to the 2020 survey.
- "Promotion of digitalization" decreased from the 2020 survey. It seemed that many companies had already done so.

Review of sales strategies (n=4,550)	27.5%
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Details of the review (1,226)

1. Change of sales destination	51.1%	0.6
2. Review of sales products	47.4%	1.0
3. Rise in sales prices	31.5%	2.0
4. Promotion of digitalization	31.0%	0.7
		(2020 = 1.0)

Review of procurement (n=4,474)	21.6%
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Details of the review (959)

1. Change of procurement sources	85.3%	1.6
2. Implementation of multiple sourcing	53.9%	1.3
3. Promotion of digitalization	17.3%	0.6
		(2020 = 1.0)

Review of production (n=4,456)	17.2%
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Details of the review (754)

1. Increase in new investment/capital investment	63.8%	1.7
2. Promotion of automation/labor conservation	41.6%	0.8
3. Change of production site	27.1%	1.5
4. Promotion of digitalization	21.9%	0.7
		(2020 = 1.0)

Review of control/management system (n=4,493)	29.9%
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Details of the review (1,330)

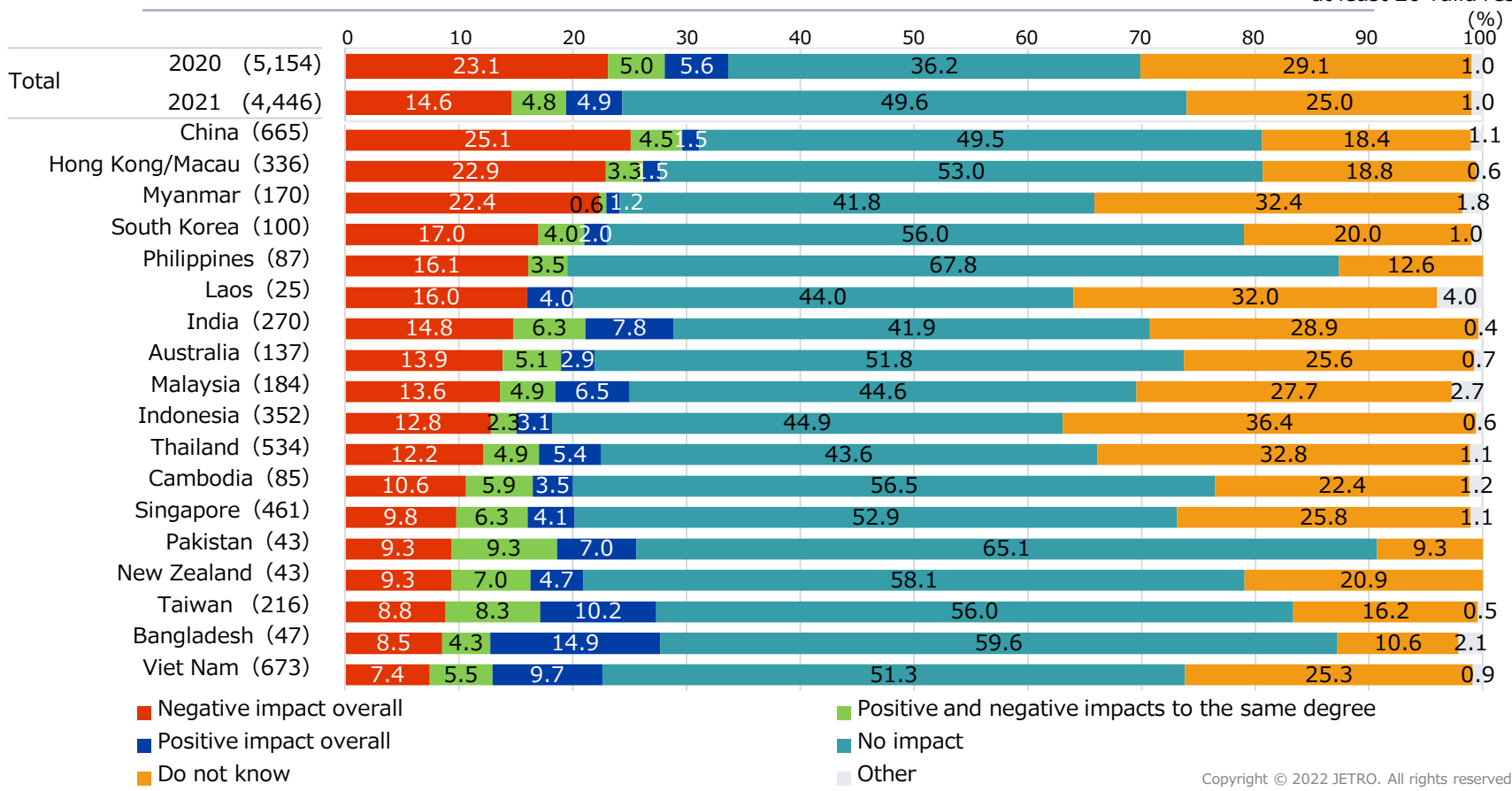
1. Expansion of the utilization of work from home and teleworking	60.3%	0.7
2. Promotion of management localization	44.4%	1.4
3. Reduction of expatriates	40.4%	1.1
4. Streamlining by staff reduction	35.8%	0.7
		(2020 = 1.0)

3-1 About half had no impact of changes in trade environment on their business performance in 2021

- Regarding the impact of changes in the trade environment on business performance in 2021, “No impact” was the highest at 49.6% in total. The number rose by 13.4 points from the previous survey (36.2%).
- Only 14.6% answered “Negative impact overall”, down 8.5 points from the previous survey (23.1%). From the aspect of country/region, more than 10 points drop from the previous year’s survey were observed in Hong Kong/Macau, Australia, South Korea, Singapore, China and Taiwan.

Impact of changes in the trade environment on performance in 2021

Countries and regions with at least 20 valid responses.

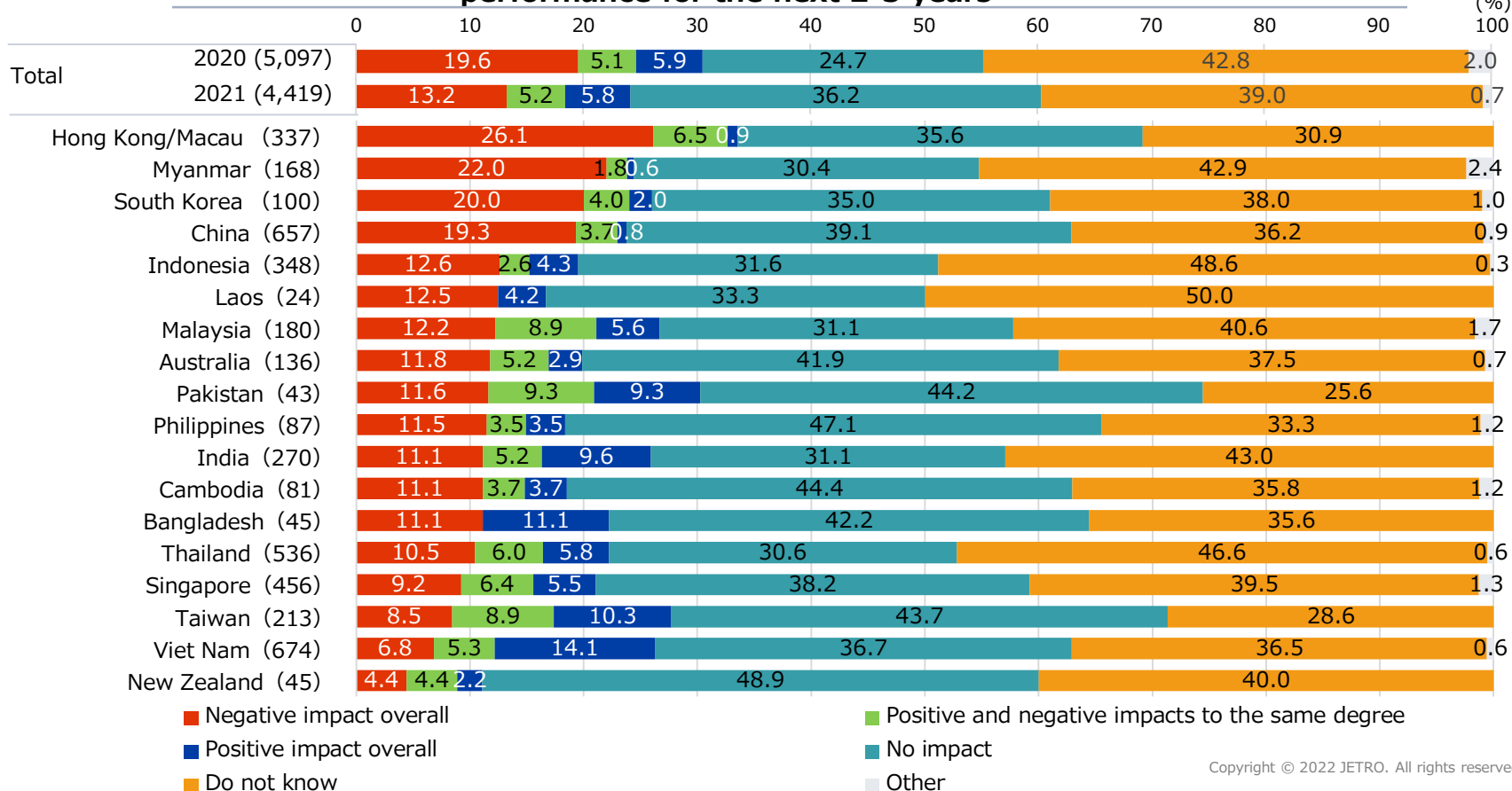


3-2 | Many answered "do not know" as to the impact over the next two to three years

- Looking at the impact on business performance over the next 2-3 years, "Do not know" was the highest at 39.0%. Although this was 3.8 points lower than in the previous survey (42.8%), there is still a strong sense of uncertainty about the future. On the other hand, 36.2% answered that there would be "No impact", meaning 11.5 points increase from the previous survey (24.7%).
- Only 13.2% of respondents answered "Negative impact overall", down 6.4 points from the previous survey (19.6%).

Impact of changes in the trading environment on business performance for the next 2-3 years

Countries and regions with at least 20 valid responses. (%)



4-1 | The top problems were increased wages and growing market shares of competitors

- The most frequent answer (61.8%) was "Increased wages", followed by "Growing market shares of competitors (cost-wise competition)" (43.6%). The answers which improved(decrease in their rate) were "Decreased orders from clients" (Δ 18.5 points) and "Sluggishness in major sales markets (consumption downturn)" (Δ 15.2 points), indicating that the global economy is recovering.
- By industry, "Increased wages" was 16.1 points higher in the manufacturing sector than in the non-manufacturing sector.

Common problems to all regions/sectors (Top 10 items, multiple answers)

Answers		2021 (%)	2020 (%)	Changes (Points)
1	Increased wages	61.8	56.4	5.4
2	Growing market shares of competitors (cost-wise competition)	43.6	33.4	10.2
3	Difficulty in developing new clients	42.0	41.9	0.1
4	Quality of employees	41.1	40.4	0.7
5	Major clients requesting lower prices	32.4	28.7	3.7
6	Decreased orders from clients	29.7	48.2	Δ 18.5
7	Tax burdens (i.e. corporate taxes and transfer pricing taxes)	29.7	25.7	4.0
8	Complicated customs clearance procedures	28.7	25.8	2.9
9	Sluggishness in major sales markets (consumption downturn)	27.5	42.7	Δ 15.2
10	Difficulty in recruiting middle management staff	26.2	19.4	6.8

By industry		By company size	
Manufacturing	Non-manufacturing	Large	SME
71.1	55.0	62.7	60.4
49.6	38.9	45.4	40.6
36.8	46.1	38.6	47.7
43.4	39.4	41.4	40.7
40.5	26.0	31.5	34.0
31.9	28.0	25.7	36.5
33.2	27.1	32.2	25.3
36.3	23.1	28.9	28.4
27.6	27.4	27.5	27.5
27.9	25.0	26.9	25.1

4-2 | Wages and procurement costs are the top problems in the manufacturing industry

- The second most common management matter for the manufacturing industry was "Increased cost in procurement of raw materials and parts" (63.3%), up 33.1 points from the previous year, following "increased wages" (71.1%). Increases in various costs, including procurement costs and wage increases, topped the list.

Problems in all regions and manufacturing industries (Top 10 items, multiple answers)

Answers		2021	2020	Changes	By company size (%)	
		(%)	(%)	(Points)	Large	SME
1	Increased wages	71.1	66.7	4.4	71.6	70.4
2	Increased cost in procurement of raw materials and parts*	63.3	30.2	33.1	63.5	63.1
3	Growing market shares of competitors (cost-wise competition)	49.6	37.6	12.0	53.2	44.7
4	Quality of employees	43.4	43.8	▲0.4	43.1	43.9
5	Difficulty in local procurement of raw materials and parts*	42.1	39.9	2.2	40.5	44.1
6	No more room for cost-cutting*	41.2	41.6	▲0.4	40.8	41.7
7	Decreased orders from clients	40.5	34.3	6.2	39.3	42.0
8	Difficulty in developing new clients	36.8	36.4	0.4	32.1	43.1
9	Complicated customs clearance procedures	36.3	32.7	3.6	38.5	33.3
10	Difficulty in quality control*.	35.0	37.2	▲2.2	34.0	36.3

(Note) * indicates problems in the manufacturing industry only.

4-3 | Management matters by country/region (Singapore, Malaysia, Thailand)

Problems by country/region (Top 5 items, multiple answers)

(%)

Singapore (All industries)		2021	2020
1	Increased wages(245)	54.1	46.1
2	Difficulty in developing new clients(195)	45.0	48.9
3	Growing market shares of competitors (cost-wise competition)(172)	39.7	28.8
4	Visa restrictions on Japanese (expatriate) managers and staff(158)	34.9	27.8
5	Quality of employees(141)	31.1	29.4

Singapore (Manufacturing)		2021	2020
1	Increased wages(63)	59.4	55.6
2	Growing market shares of competitors (cost-wise competition)(57)	55.9	31.1
3	Difficulty in developing new clients (48)	47.1	49.2
4	Increased cost in procurement of raw materials and parts(42)*	43.8	27.7
5	Visa restrictions on Japanese (expatriate) managers and staff(41)	38.7	21.8

Malaysia (All industries)		2021	2020
1	Increased wages(111)	64.2	59.2
2	Quality of employees(105)	60.7	51.8
3	Growing market shares of competitors (cost-wise competition)(83)	48.5	30.9
4	Difficulty in developing new clients (82)	48.0	41.2
5	Employee Retention Rate(66)	38.2	25.3

Malaysia (Manufacturing)		2021	2020
1	Increased cost in procurement of raw materials and parts(70)*	74.5	35.5
2	Increased wages(69)	71.1	65.2
3	Quality of employees(62)	63.9	54.4
4	Growing market shares of competitors (cost-wise competition)(51)	53.1	32.4
5	Difficulties in local procurement of raw materials and parts (49)*.	52.1	41.3

Thailand (All industries)		2021	2020
1	Increased wages(296)	55.2	51.7
2	Quality of Employees (262)	48.9	46.7
3	Difficulty in developing new clients (258)	48.4	45.2
4	Growing market shares of competitors (cost-wise competition)(257)	48.2	36.5
5	Decreased orders from clients(212)	39.8	62.4

Thailand (Manufacturing)		2021	2020
1	Increased wages(188)	63.5	58.5
2	Increased cost in procurement of raw materials and parts(185)*	62.5	26.4
3	Growing market shares of competitors (cost-wise competition))(151)	50.7	39.2
4	Quality of Employees (143)	48.3	47.7
5	Major clients requesting lower prices(141)	47.3	37.7

(Note 1) The top five items in the response rate, excluding "No particular problem. Items highlighted in light pink are those that are not in the top 10 items of the total number of all surveyed areas in 4-1.

(Note 2)* indicates problems asked only of the manufacturing industry.

(Note 3) Figures in parentheses represent the number of responding companies in FY2021.

4-4 | Management matters by country/region (Indonesia, Vietnam, Philippines)

Problems by country/region (Top 5 items, multiple answers)

(%)

Indonesia (All industries)		2021	2020
1	Increased wages(282)	79.2	77.4
2	Tax burdens (i.e. corporate taxes and transfer pricing taxes)(216)	60.7	53.0
3	Quality of employees(187)	52.5	51.6
4	Volatility of local currency's exchange rate against the US dollar(166)	46.6	50.7
5	Growing market shares of competitors (cost-wise competition)(156)	46.6	28.6

Indonesia (Manufacturing)		2021	2020
1	Increased wages(166)	85.6	88.0
2	Increased cost in procurement of raw materials and parts(128)*	67.7	35.0
3	Tax burdens (i.e. corporate taxes and transfer pricing taxes)((120)	61.9	51.3
4	Difficulties in local procurement of raw materials and parts (104)*	55.0	52.6
5	No more room for cost-cutting (100)*	52.9	50.3

Vietnam (All industries)		2021	2020
1	Increased wages(497)	73.4	65.8
2	Complicated customs clearance procedures(304)	45.9	39.8
3	Growing market shares of competitors (cost-wise competition)(280)	44.9	31.6
4	Difficulty in developing new clients (274)	43.9	40.9
5	Tax burden (corporate tax, transfer pricing tax, etc.) (273)	40.9	31.2

Vietnam (Manufacturing)		2021	2020
1	Increased wages(268)	79.3	75.0
2	Increased cost in procurement of raw materials and parts(221)*	66.8	22.3
3	Difficulties in local procurement of raw materials and parts (189)*	57.1	56.4
4	Complicated customs clearance procedures(182)	54.3	47.7
5	Growing market shares of competitors (cost-wise competition)(146)	44.1	32.5

Philippines (All industries)		2021	2020
1	Increased wages(41)	48.2	34.4
1	Quality of employees(41)	48.2	48.1
3	Tax burden (corporate tax, transfer pricing tax, etc.)(40)	47.1	38.9
4	Time-consuming customs procedures(38)	44.7	42.9
5	Difficulty in developing new clients (32)	39.0	36.3

Philippines (Manufacturing)		2021	2020
1	Increased cost in procurement of raw materials and parts(29)*	69.1	30.9
2	Time-consuming customs procedures(28)	65.1	56.1
3	Difficulties in local procurement of raw materials and parts (27)*	64.3	56.4
4	Quality of employees(22)	51.2	53.5
5	Increased wages(18)	41.9	41.4

(Note 1) The top five items in the response rate, excluding "No particular problem. Items highlighted in light pink are those that are not in the top 10 items of the total number of all surveyed areas in 4-1.

(Note 2)* indicates problems asked only of the manufacturing industry.

(Note 3) Figures in parentheses represent the number of responding companies in FY2021.

4-5 | Management matters by country/region (Cambodia, Laos, Myanmar)

Problems by country/region (Top 5 items, multiple answers)

(%)

Cambodia (All industries)		2021	2020
1	Increased wages(46)	55.4	55.2
2	Tax burdens (i.e. corporate taxes and transfer pricing taxes)(42)	50.6	52.5
3	Quality of employees(39)	47.0	45.7
4	Difficulty in developing new clients (34)	46.6	32.6
5	Complicated customs clearance procedures(32)	40.0	33.7

Laos (All industries)		2021	2020
1	Volatility of local currency's exchange rate against the US dollar(16)	64.0	25.0
2	Difficulty in developing new clients (12)	57.1	43.8
3	Quality of employees(13)	52.0	46.0
4	Increased wages(11)	44.0	35.1
5	Growing market shares of competitors (cost-wise competition)(9)	42.9	15.6
5	Sluggishness in major sales markets (sluggish consumption) (9)	42.9	21.9

Myanmar (All industries)		2021	2020
1	Volatility of local currency's exchange rate against the US dollar(120)	71.0	50.3
2	Sluggishness in major sales markets (sluggish consumption) (69)	45.7	24.9
3	Restrictions on foreign remittance(68)	40.2	25.1
4	Quality of employees(66)	39.3	49.2
5	Decreased orders from clients(59)	39.1	36.4

Cambodia (Manufacturing)		2021	2020
1	Increased wages(17)	65.4	62.2
2	Difficulties in local procurement of raw materials and parts (15)*	60.0	60.0
3	Difficulty in recruiting engineering staff(15)*	57.7	21.6
4	Tax burdens (i.e. corporate taxes and transfer pricing taxes)(14)	53.9	51.5
5	Decreased orders from clients(13)	52.0	46.0

Laos (Manufacturing)		2021	2020
1	Difficulty in recruiting engineering staff(8)*	72.7	35.3
1	Difficulties in local procurement of raw materials and parts (8)*	72.7	50.0
3	Difficulty in developing new clients (6)	54.6	50.0
3	Volatility of local currency's exchange rate against the US dollar(6)	54.6	31.3
3	Increased wages(6)	54.6	47.1
3	Difficulty in recruiting middle management staff(6)	54.6	11.8

Myanmar (manufacturing)		2021	2020
1	Volatility of local currency's exchange rate against the US dollar(28)	80.0	61.8
2	Sluggishness in major sales markets (sluggish consumption) (18)	52.9	33.3
3	Difficulties in local procurement of raw materials and parts (16)*.	51.6	60.0
4	Power shortages and blackouts (15)*	48.4	60.0
5	Decreased orders from clients(14)	41.2	26.7
5	Difficulty in developing new clients (14)	41.2	26.7

(Note 1) The top five items in the response rate, excluding "No particular problem. Items highlighted in light pink are those that are not in the top 10 items of the total number of all surveyed areas in 4-1.

(Note 2)* indicates problems asked only of the manufacturing industry.

(Note 3) Figures in parentheses represent the number of responding companies in FY2021.

4-6 | Management matters by country/region (India, Pakistan, Sri Lanka, Bangladesh)

Problems by country/region (Top 5 items, multiple answers)

(%)

India (All industries)		2021	2020
1	Increased wages(206)	75.7	58.5
2	Growing market shares of competitors (cost-wise competition)(133)	50.4	34.6
3	Complicated customs clearance procedures(135)	50.4	38.5
4	Quality of employees(124)	45.6	41.8
5	Time-consuming customs procedures(120)	44.8	37.9

Pakistan (All industries)		2021	2020
1	Volatility of local currency's exchange rate against the US dollar(30)	69.8	78.6
2	Complicated customs clearance procedures(23)	56.1	46.3
2	Time-consuming customs procedures(23)	56.1	63.4
4	High import duties(22)	53.7	70.7
5	Increased wages(23)	53.5	37.5

Sri Lanka (All industries)		2021	2020
1	Sluggishness in major sales markets (sluggish consumption) (10)	58.8	40.0
2	Volatility of local currency's exchange rate against the US dollar(9)	47.4	48.3
3	Quality of employees(9)	45.0	40.0
4	Time-consuming customs procedures(8)	42.1	48.3
4	Restrictions on foreign remittance(8)	42.1	31.0
4	Volatility of local currency's exchange rate against the Japanese yen(8)	42.1	20.7

Bangladesh (All industries)		2021	2020
1	Quality of employees(31)	67.4	48.5
2	Increased wages(28)	60.9	48.5
3	Time-consuming customs procedures(21)	46.7	56.1
3	Complicated customs clearance procedures(21)	46.7	47.0
3	Restrictions on foreign remittance(21)	46.7	37.5

India (Manufacturing)		2021	2020
1	Increased wages(102)	79.7	60.5
2	Increased cost in procurement of raw materials and parts(79)*	64.2	30.7
3	Complicated customs clearance procedures(77)	60.6	44.8
4	Customs clearance takes time(71)	55.9	42.8
5	Growing market shares of competitors (cost-wise competition)(68)	53.5	38.2

Pakistan (Manufacturing)		2021	2020
1	Volatility of local currency's exchange rate against the US dollar(18)	81.8	90.5
1	Increased cost in procurement of raw materials and parts(18)*	81.8	55.0
3	Difficulties in local procurement of raw materials and parts (15)*	68.2	60.0
4	Time-consuming customs procedures(13)	65.0	75.0
5	High import duties(12)	60.0	80.0

Sri Lanka (Manufacturing)		2021	2020
1	Increased wages(6)	85.7	70.0
2	Increased cost in procurement of raw materials and parts(5)*	71.4	40.0
2	Difficulties in local procurement of raw materials and parts (5)*	71.4	70.0
2	Difficulties in quality control (5)*	71.4	70.0

Bangladesh (Manufacturing)		2021	2020
1	Increased wages(17)	77.3	64.5
2	Quality of employees(14)	63.6	41.9
3	Increased cost in procurement of raw materials and parts(13)*	61.9	29.6
3	Difficulties in local procurement of raw materials and parts (13)*	61.9	66.7

(Note 2)* indicates problems asked only of the manufacturing industry.

(Note 3) Figures in parentheses represent the number of responding companies in FY2021.

(Note 1) The top five items in the response rate, excluding "No particular problem. Items highlighted in light pink are those that are not among the top 10 items in the total number of all surveyed areas in "3. Management Problems (1) and (2).

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4-7 | Management matters by country/region (China, Hong Kong and Macau, Taiwan)

Problems by country/region (Top 5 items, multiple answers)

(%)

China (All industries)		2021	2020	China (Manufacturing)		2021	2020
1	Increased wages(482)	72.4	63.3	1	Increased wages(305)	77.6	68.7
2	Growing market shares of competitors (cost-wise competition)(343)	52.9	44.8	2	Increased cost in procurement of raw materials and parts(256)*	66.7	36.8
3	Major clients requesting lower prices(266)	41.0	40.4	3	Growing market shares of competitors (cost-wise competition)(227)	58.4	52.2
4	Quality of employees(267)	40.1	39.3	4	Difficulty in recruiting general workers (206)*	52.4	34.1
5	Difficulty in developing new clients (258)	39.8	42.0	5	No more room for cost-cutting(191)*	49.7	46.1
Hong Kong and Macau (All industries)		2021	2020	Hong Kong and Macau (Manufacturing)		2021	2020
1	Increased wages(181)	53.7	46.8	1	Increased cost in procurement of raw materials and parts(24)*	61.5	43.6
2	Difficulty in developing new clients(159)	50.2	50.9	2	Increased wages(22)	53.7	46.3
3	Quality of employees(122)	36.2	27.3	3	Difficulty in developing new clients (16)	40.0	35.7
4	Growing market shares of competitors (cost-wise competition)(113)	35.7	30.2	4	Quality of employees(15)	36.6	24.4
5	Decreased orders from clients(93)	29.3	52.6	5	Growing market shares of competitors (cost-wise competition)(14)	35.0	26.2
Taiwan (All industries)		2021	2020	Taiwan (Manufacturing)		2021	2020
1	Difficulty in developing new clients (84)	41.4	39.4	1	Increased cost in procurement of raw materials and parts(35)*	60.3	28.6
2	Growing market shares of competitors (cost-wise competition)(82)	40.4	41.7	2	Volatility of local currency's exchange rate against the US dollar(28)	43.8	25.9
3	Quality of employees(74)	35.1	34.3	3	Difficulty in recruiting general workers (27)*	42.9	19.1
4	Increased wages(70)	33.2	34.0	4	Difficulty in recruiting engineering staff (26)*	41.3	27.0
5	Volatility of local currency's exchange rate against the US dollar(65)	30.4	16.2	5	Increased wages(25)	39.7	36.0

(Note 1) The top five items in the response rate, excluding "No particular problem. Items highlighted in light pink are those that are not in the top 10 items of the total number of all surveyed areas in 4-1.

(Note 2)* indicates problems asked only of the manufacturing industry.

(Note 3) Figures in parentheses represent the number of responding companies in FY2021.

4-8 | Management matters by country/region (South Korea, Australia, and New Zealand)

Problems by country/region (Top 5 items, multiple answers)

(%)

South Korea (All industries)		2021	2020
1	Increased wages(73)	73.0	66.7
2	Growing market shares of competitors (cost-wise competition)(56)	57.1	43.1
3	Difficulty in developing new clients (40)	40.8	44.7
4	Major clients requesting lower prices(35)	35.7	36.6
5	Volatility of local currency's exchange rate against the Japanese yen(34)	34.3	33.1

Australia (All industries)		2021	2020
1	Increased wages(78)	55.3	42.5
2	Volatility of local currency's exchange rate against the US dollar(44)	31.4	32.1
3	Difficulty in recruiting general staff(41)	29.1	9.7
4	Volatility of local currency's exchange rate against the Japanese yen(40)	28.6	34.4
5	Quality of employees(40)	28.4	31.3

New Zealand (All industries)		2021	2020
1	Increased wages(28)	60.9	37.1
2	Difficulty in recruiting general staff(19)	41.3	12.9
3	Volatility of local currency's exchange rate against the US dollar(14)	30.4	23.7
4	Growing market shares of competitors (cost-wise competition)(13)	29.6	21.0
5	Difficulty in recruiting middle management staff(11)	23.9	14.5
5	Cash flow shortage for expansion of business scale(11)	23.9	11.9

South Korea (Manufacturing)		2021	2020
1	Increased wages(27)	71.1	70.6
2	Growing market shares of competitors (cost-wise competition)(24)	64.9	41.2
3	No more room for cost-cutting(16)*.	47.1	28.9
4	Increased cost in procurement of raw materials and parts(13)*	38.2	17.8
5	Tightening environmental regulations(12)*	35.3	17.8

Australia (Manufacturing)		2021	2020
1	Increased wages(18)	75.0	57.1
2	Increased cost in procurement of raw materials and parts(14)*	63.6	30.8
3	Volatility of local currency's exchange rate against the US dollar(11)	45.8	40.7
3	Volatility of local currency's exchange rate against the Japanese yen(11)	45.8	44.4
3	Difficulty in recruiting general staff(11)	45.8	14.3

New Zealand (Manufacturing)		2021	2020
1	Increased cost in procurement of raw materials and parts(9)*	81.8	26.3
1	Fluctuations in local currency exchange rates against the U.S. dollar(9)	81.8	44.4
3	Increased wages(7)	63.6	42.1
4	Difficulty in recruiting general workers(6)*	54.6	15.8
5	Difficulty in recruiting engineering staff (5)*	45.5	26.3

(Note 1) The top five items in the response rate, excluding "No particular problem. Items highlighted in light pink are those that are not in the top 10 items of the total number of all surveyed areas in 4-1.

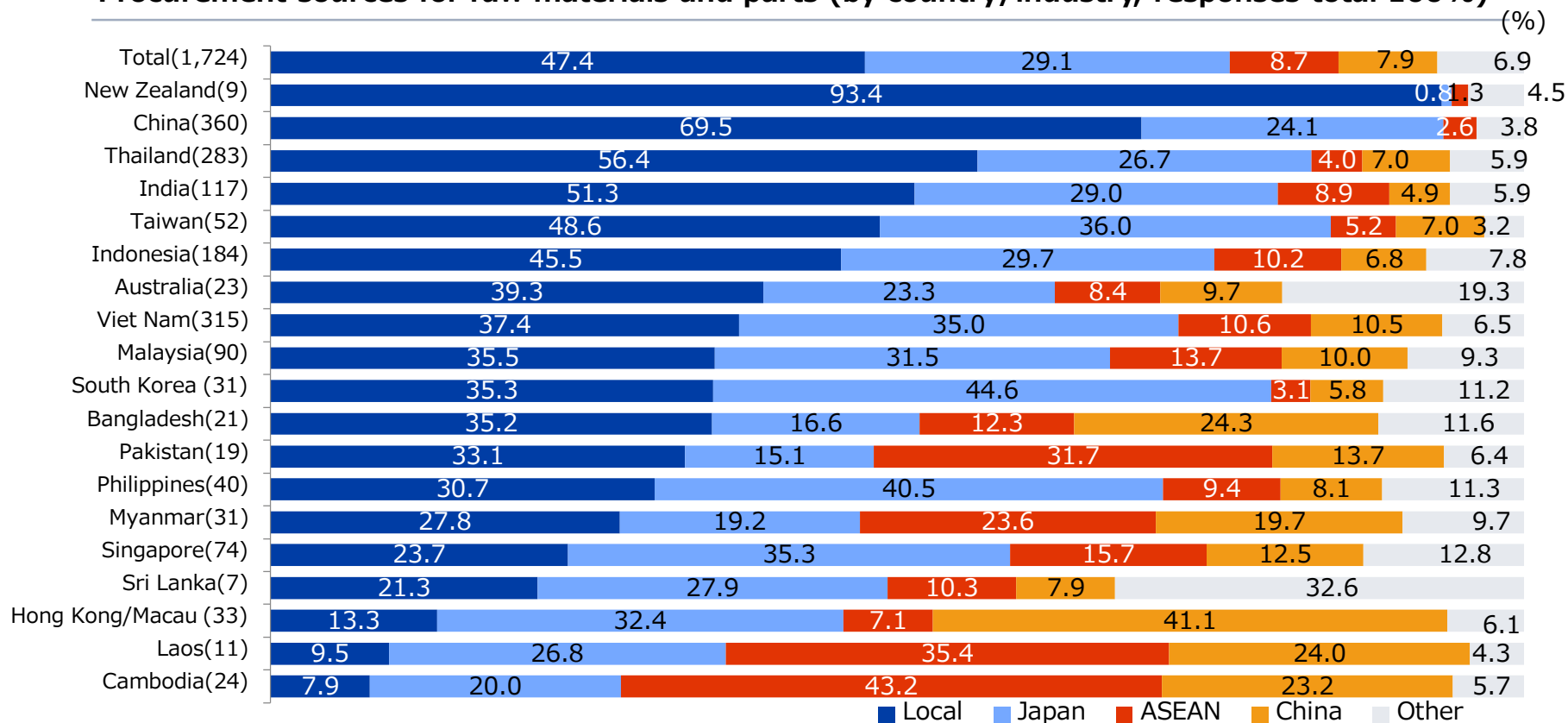
(Note 2) * indicates problems asked only to manufacturing companies. (Note 3) Figures in parentheses indicate the number of responding companies in FY2021.

5-1 | Local procurement rate turned to a downward trend due to the impact of Covid-19

Manufacturing only

- The local procurement rate of Japanese companies decreased by 0.7 percent from the 2020 survey (48.1%). The rate declined in Thailand, Indonesia and India, indicating the impact of local operation restrictions due to Covid-19 such as shortage of production materials and soaring raw material costs (Thailand), lower operation rate at parts suppliers (Indonesia), and import substitution due to unexpected increase/decrease in demand (India). On the other hand, in China, the local procurement rate reached approximately 70% (69.5%).

Procurement sources for raw materials and parts (by country/industry, responses total 100%)

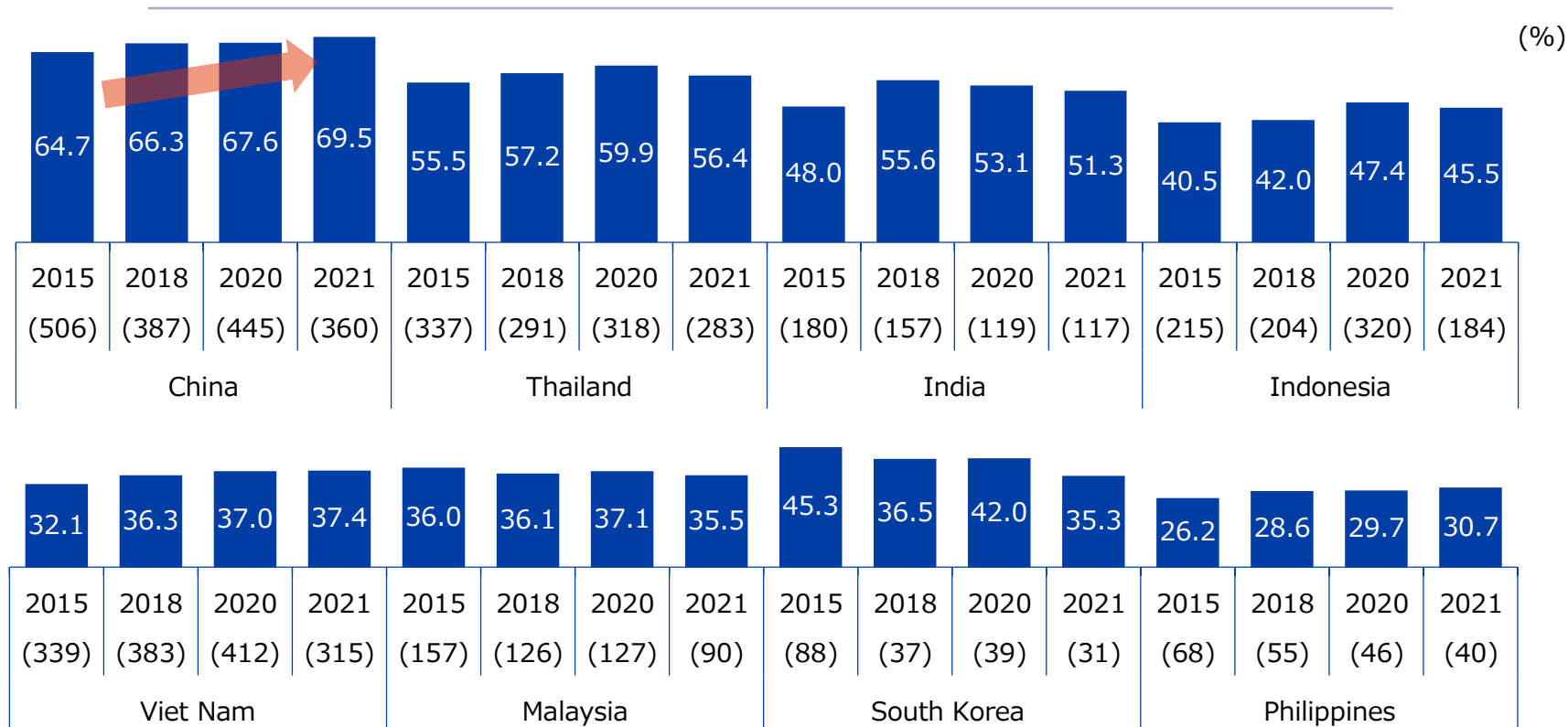


5-2 | Local procurement rates were stagnant in major ASEAN countries

Manufacturing only

- The local procurement rate in China gradually increased, reaching about 70%. One reason for this seemed to be the progress of local production for local consumption. In South Korea, the local procurement rate was on a downward trend due to a increasing import of semiconductors and other products in line with the boom in the electrical and electronics equipment industry.
- The local procurement rate was sluggish in major ASEAN countries. It seemed that the decline in production activities due to operation restrictions for Covid-19 had an impact.

Trends in local procurement rates (2015, 18, 20, 21)

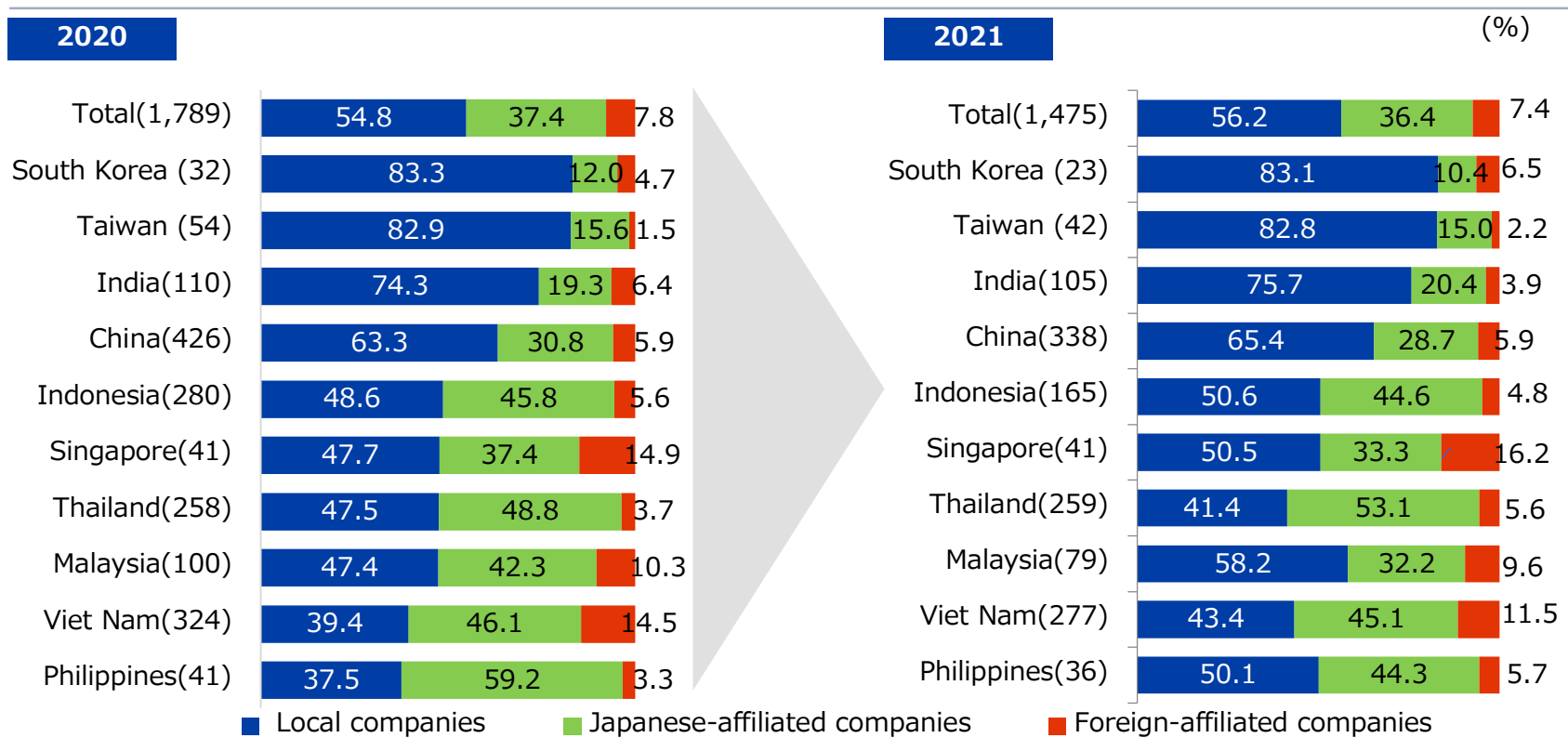


5-3 | Breakdown of local suppliers: Local companies accounted for approximately 60%

Manufacturing only

- In terms of the breakdown of local suppliers, local companies accounted for the highest percentage at 56.2%, up 1.4 percentage points from the 2020 survey (54.8%).
- Thailand (53.1%) was the country/region where procurement from Japanese companies operating locally was the highest. This is thought to be due to a temporary concentration of procurement from Japanese companies, partly because of a change in suppliers due to Covie-19

**Breakdown of local suppliers (local, Japanese, other foreign companies)
(By country/region, responses total 100%)**



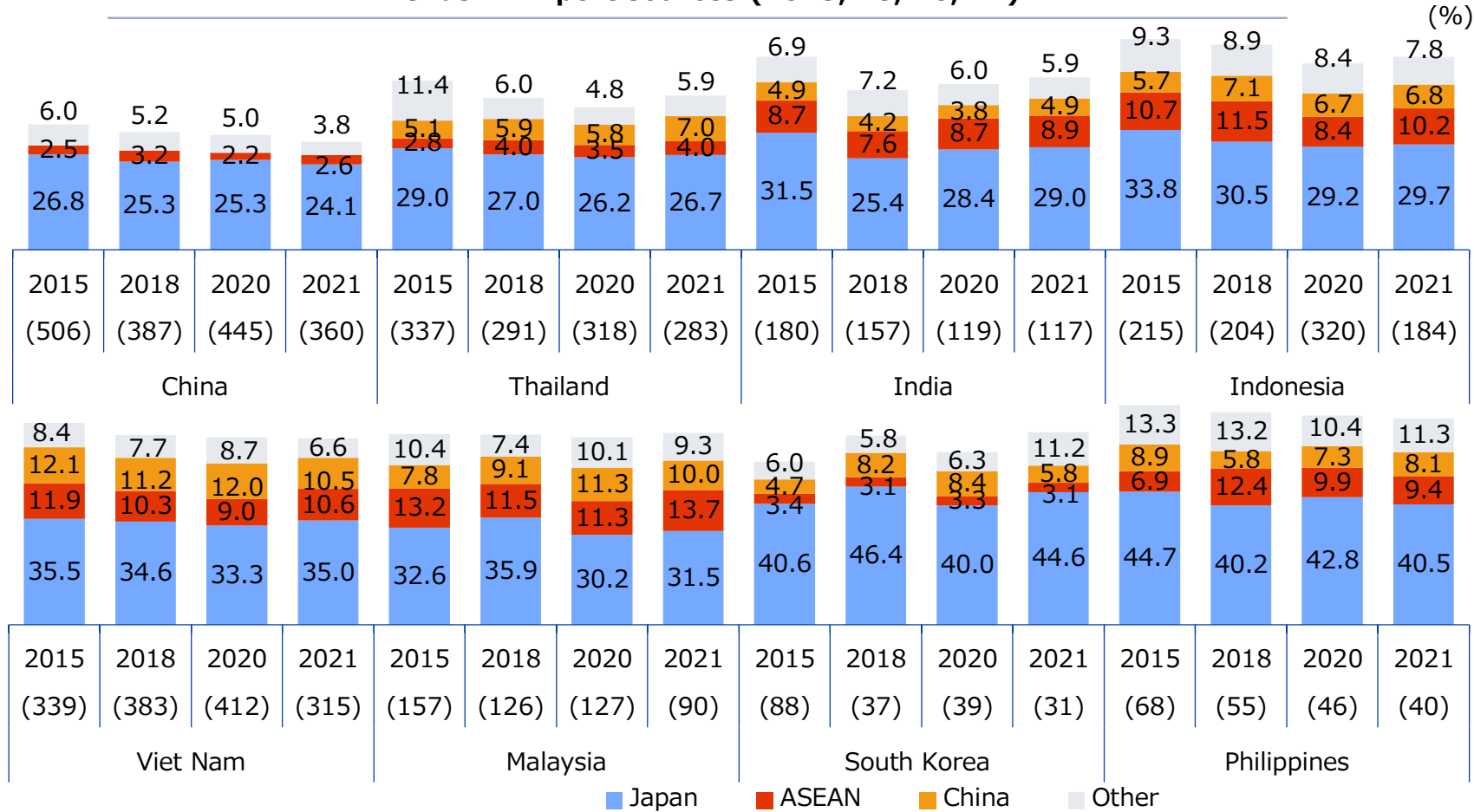
(Note: Countries and regions with at least 20 valid responses.)

5-4 | Temporarily increase in import procurement rates from Japan due to Covid-19

Manufacturing only

- While procurement of imports from Japan temporarily increased in many countries due to Covid-19, it was gradually decreased in China and Philippines, suggesting a switch to the local procurement.

Trends in import sources (2015, 18, 20, 21)

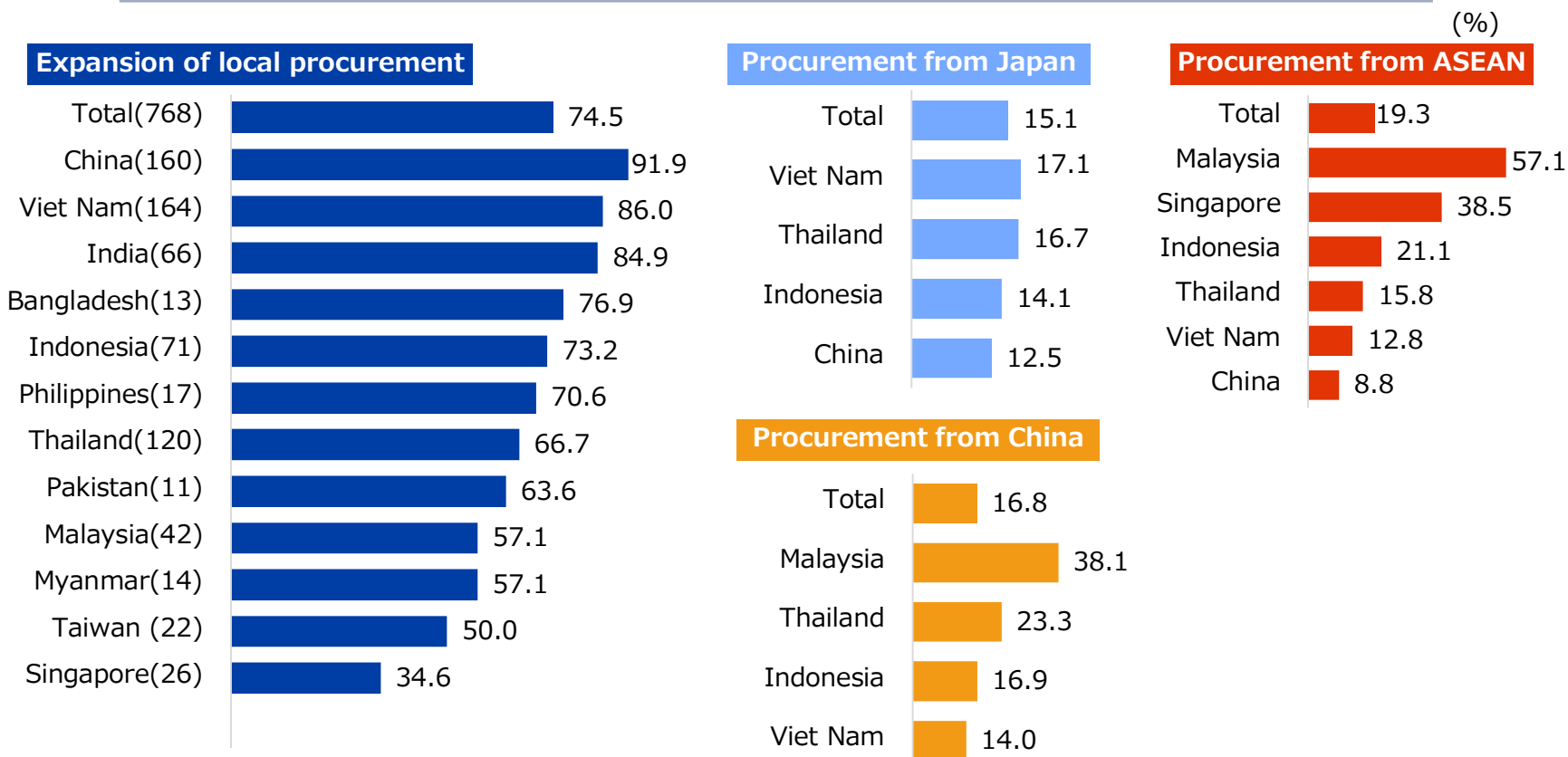


(Note) Each graph does not add up to 100%.

5-5 | Expansion of local procurement rate was about 75%, unchanged from the previous year Manufacturing only

- Among 768 companies planning to expand procurement in the next 1-3 years, 74.5% answered that they would heighten the local procurement rate. The figure unchanged from the previous year (74.8%). The percentage remained high in China, Vietnam and India.
- Regarding the expansion of import procurement, 19.3% planned to expand procurement from ASEAN. The expansion of procurement from China was 16.8%, followed by Japan at 15.1%.

Planning to expand local procurement over the next 1 to 3 years (by country/region)



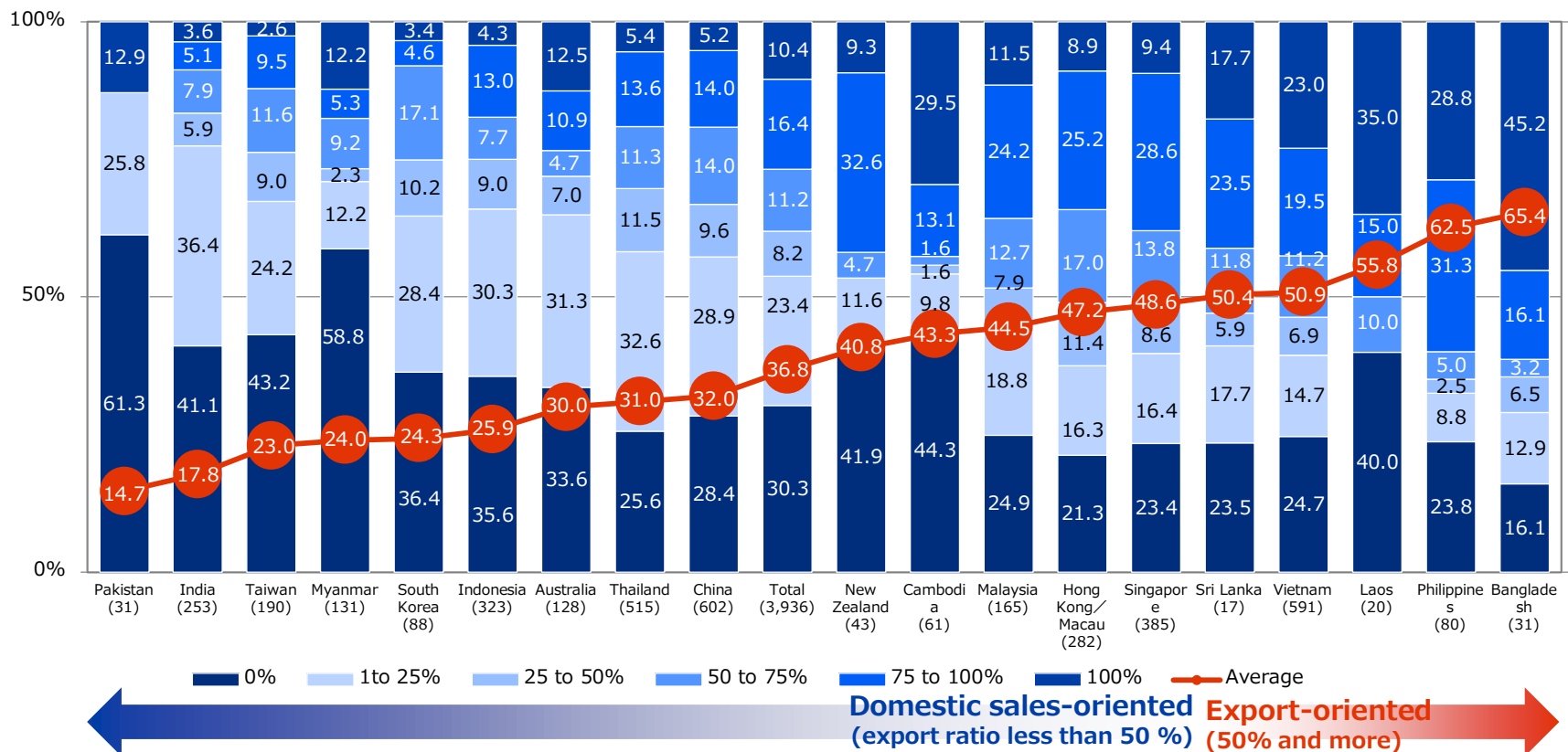
Note: Countries and regions with at least 10 valid responses.

6-1 | Average export ratio to total sales decreased slightly

- The average ratio of exports to total sales of Japanese companies was 36.8% (down 0.6 points from the previous year).
- By country/region, the export ratio exceeded 50% in Bangladesh (65.4%), Philippines (62.5%), Laos (55.8%), Vietnam (50.9%), and Sri Lanka (50.4%). On the other hand, in Pakistan (14.7%) and India (17.8%), the export ratio was below 20% due to high dependency on domestic sales.

Proportion of exports to total sales (by country/region, 0-100%)

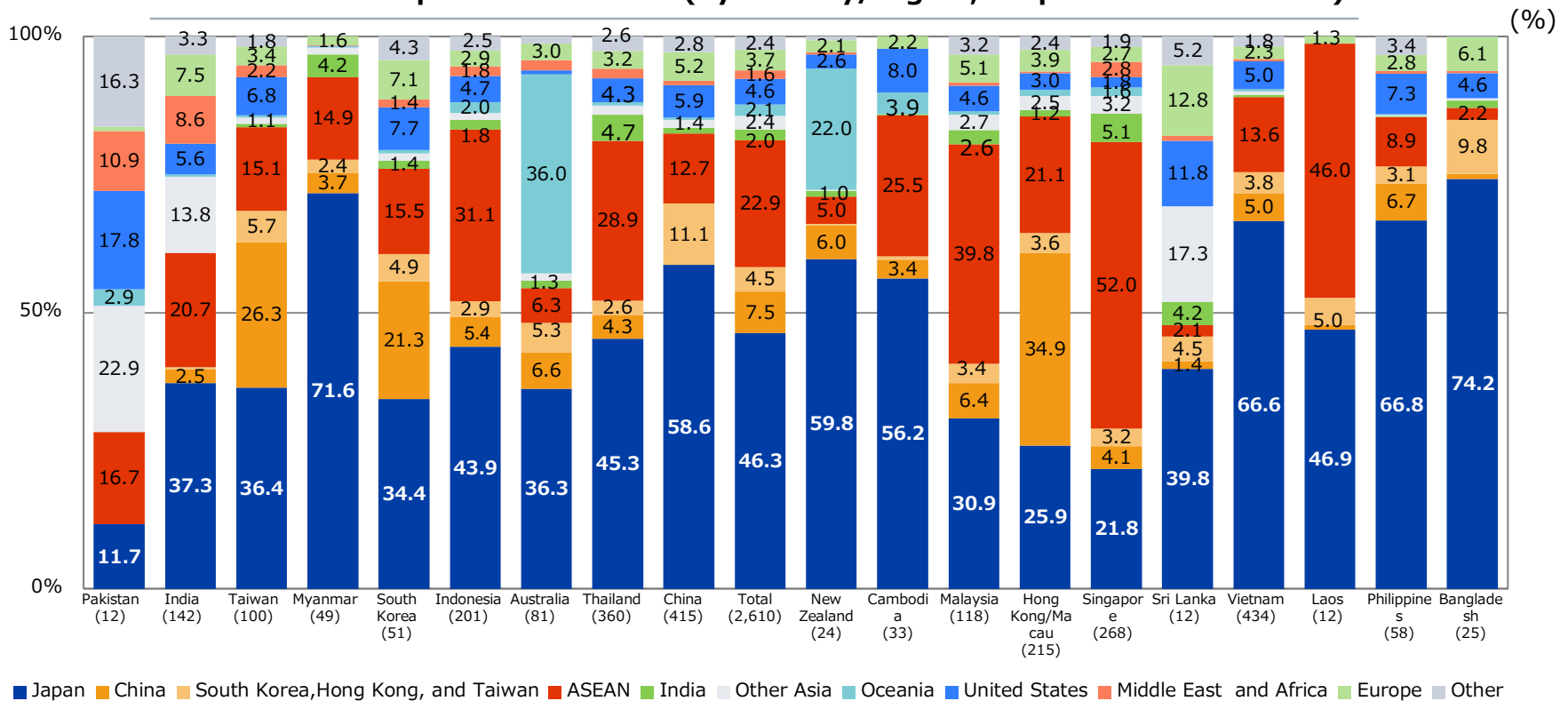
(%)



6-2 | Slight decrease in export ratio to Japan, ASEAN and China

- The breakdown of export destinations by Japanese companies was Japan 46.3% (down 0.8 percent from the previous year), ASEAN 22.9% (down 0.3 percent), and China 7.5% (down 0.3 percent).
- Among the export-oriented countries (average export ratio of 50% or more), Japan accounted for about 70% of the export destinations in Bangladesh, the Philippines, and Vietnam.

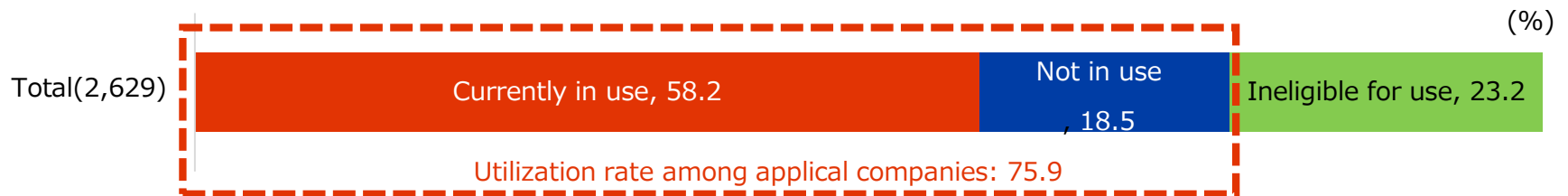
Breakdown of export destinations (by country/region, responses total 100%)



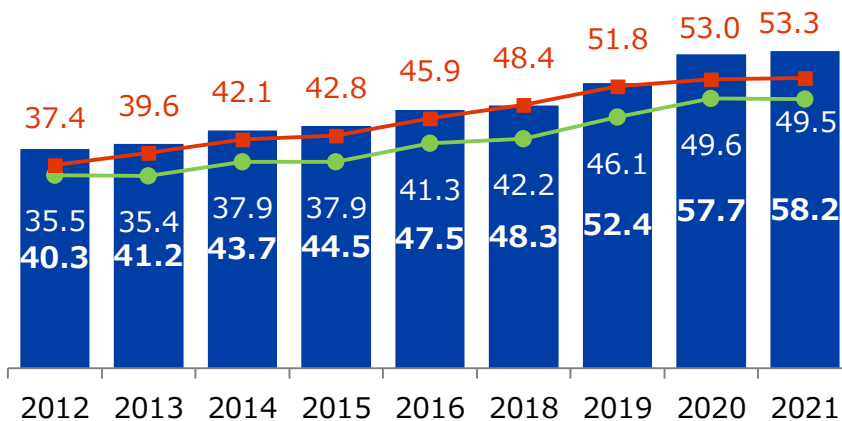
6-3 | About 60% of companies utilized FTA/EPA

- The percentage of Japanese companies that utilized FTA/EPA/GSP (Generalized System of Preferential Tariffs) among those who engage importing/exporting was 58.2%, approaching 60%, while the utilization rate excluding companies that were not eligible to FTA/EPA/GSP was 75.9%. Comparing the utilization rate of import and that of export, the former was higher. More than 50% of Japanese companies in ASEAN used FTAs/EPAs for both import and export.

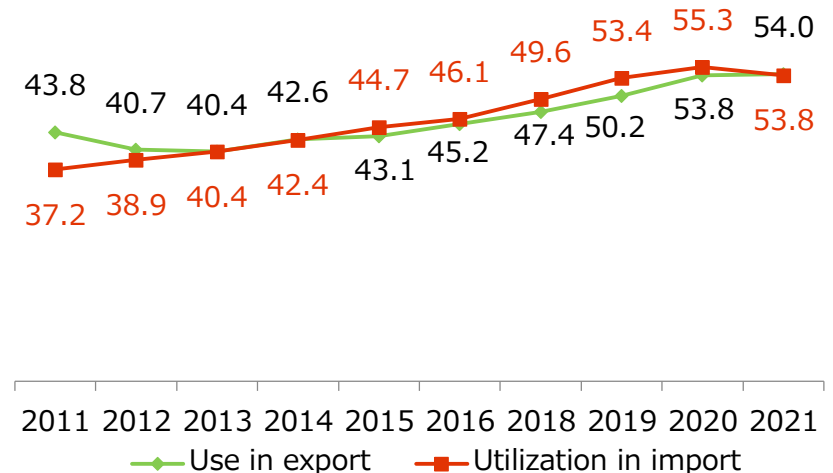
Utilization of existing (in force) FTAs/EPAs (only companies involved in exporting/importing)



Proportions of companies utilizing FTAs/EPAs (2012-2021)



Trends in FTA/EPA Utilization Rate of Japanese Companies in ASEAN (2011-2021)



(Note 1) The overall utilization rate is calculated as "the number of companies utilizing at least one EPA or FTA / the number of companies importing and exporting" until 2019.

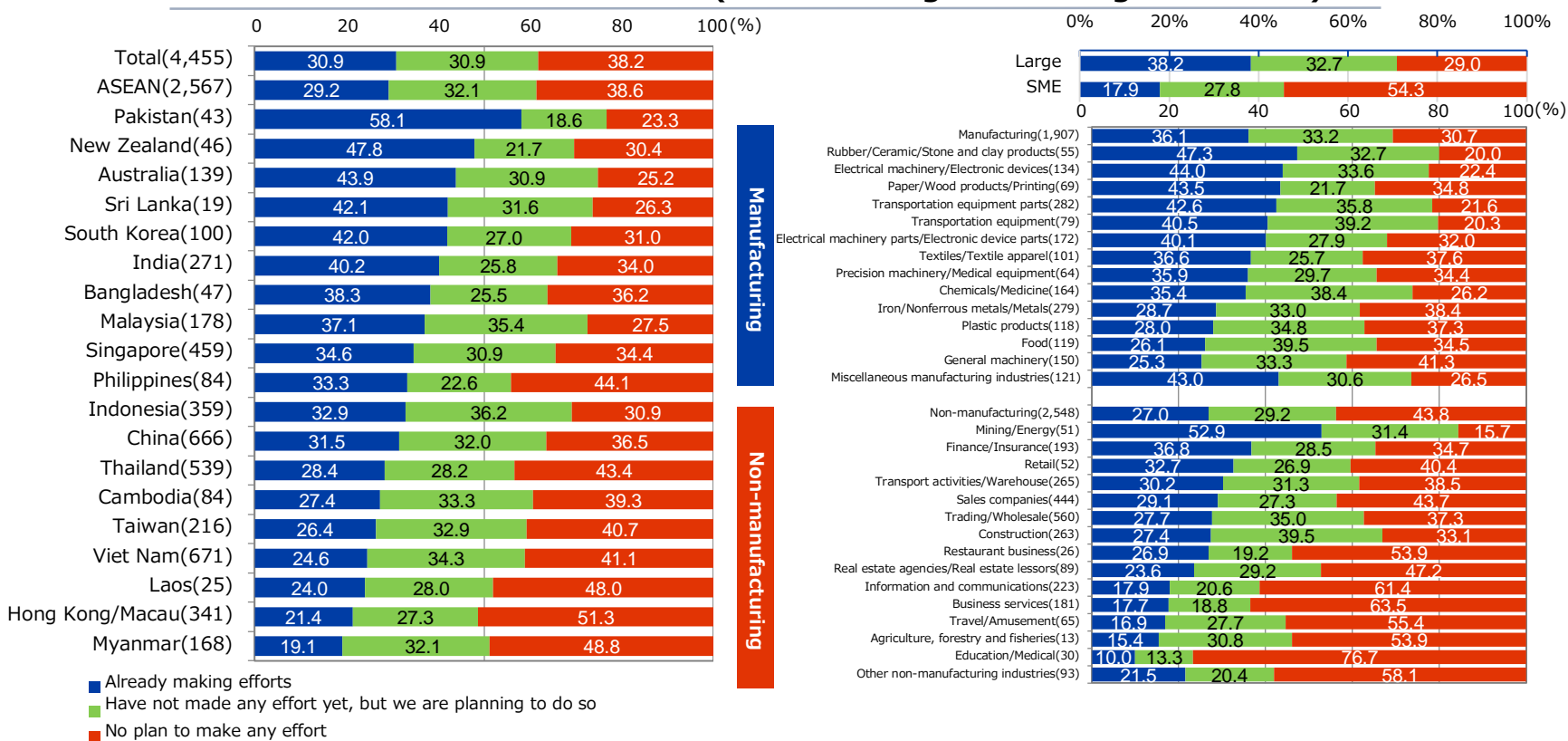
After 2020, the calculation is based on "the number of companies using FTA/EPA/GSP/the number of companies importing and exporting".

(Note 2) The rate of use in exports (imports) is calculated as (the number of companies that use at least one EPA/FTA in exports (imports) / the number of companies that export (imports)).

7-1 | Decarbonization efforts (including plans) stood at over 60%

- With regard to the efforts for decarbonization (reduction of greenhouse gas emissions), the percentage of companies that had already made effort and those who were planning to do exceeded 60%. On the other hand, nearly 40% of the companies had no plans to make efforts.
- By country/region, "Already making efforts" was the highest in Pakistan at nearly 60%. By contrast, Hong Kong/Macau" was the highest in "No plans to make any efforts" at over 50%.
- By company size, large companies (38.2%) outweighed SMEs (17.9%) by 20.3 points. By industry, manufacturing (36.1%) exceeded non-manufacturing (27.0%) by 9.1 points.

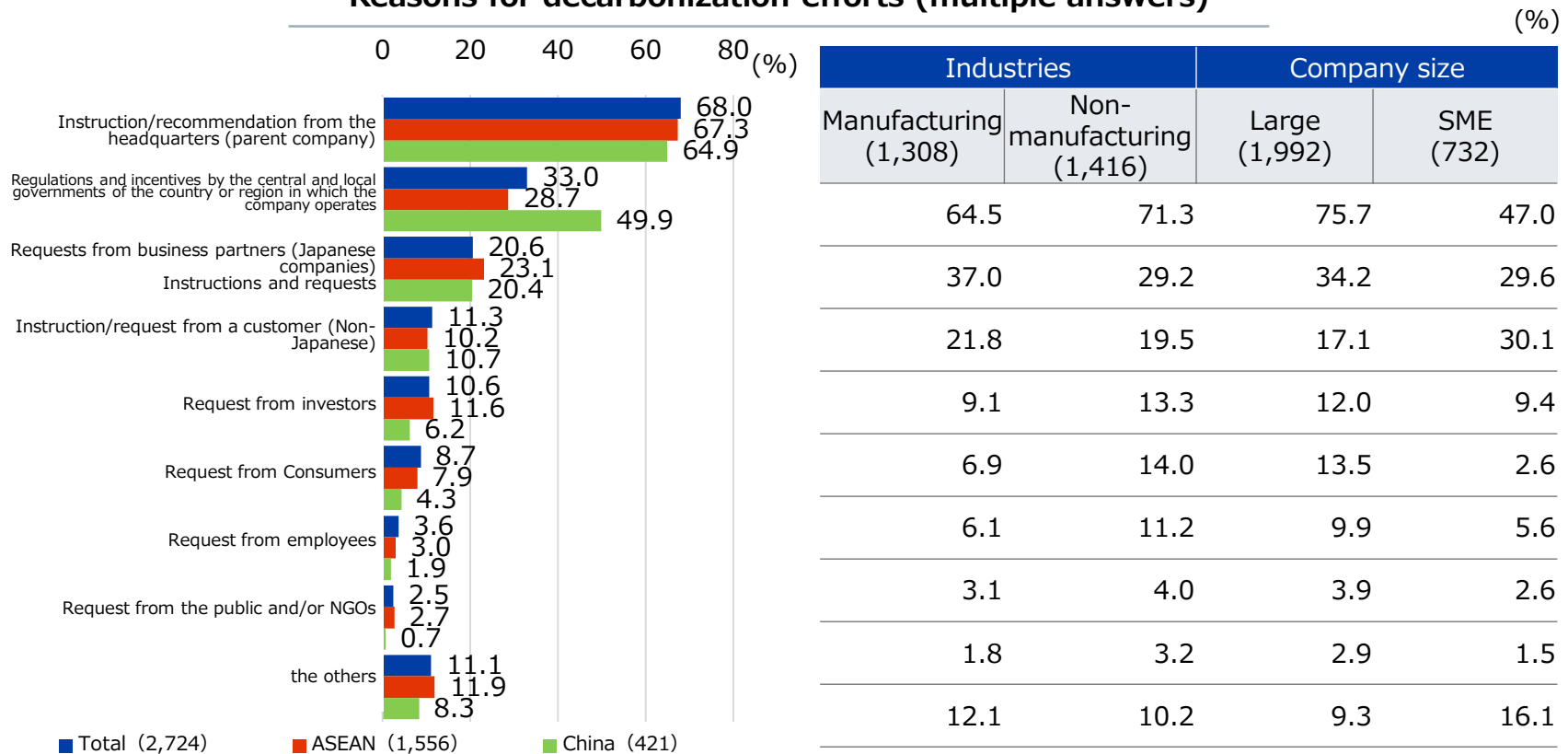
Efforts toward decarbonization (reduction of greenhouse gas emission)



7-2 | Most efforts to decarbonize were directed by headquarters

- As for the reasons for decarbonization, "Instructions/recommendations from the head quarters(parent company)" was the most common reason (68.0%), far surpassing the second one, "Regulations and/or preferential treatments set by the central/local governments in the country/region of our operation" (33.0%).
- In China, 49.9% of respondents selected "Regulations and/or preferential treatments set by the central/local governments in the country/region of our operation", exceeding both overall and ASEAN average by 16.9 and 21.2 percent, respectively.

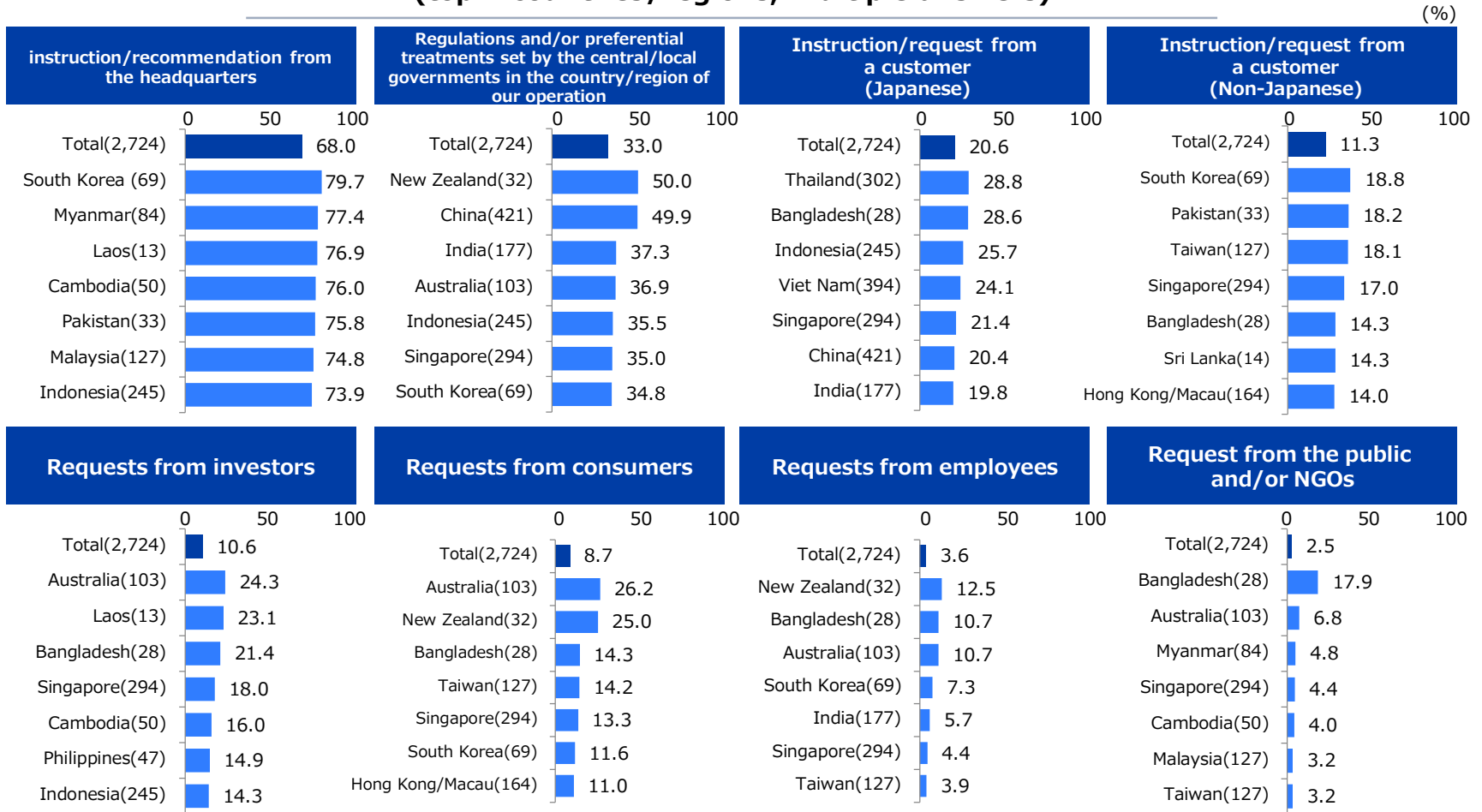
Reasons for decarbonization efforts (multiple answers)



7-3 | In New Zealand and China, government regulations were a notable reason of the efforts

- New Zealand (50.0%) and China (49.9%) had relatively high percentages of respondents who chose "the regulations and/or preferential treatments set by the central/local governments in the country/region of our operation" as a reason for decarbonization efforts.

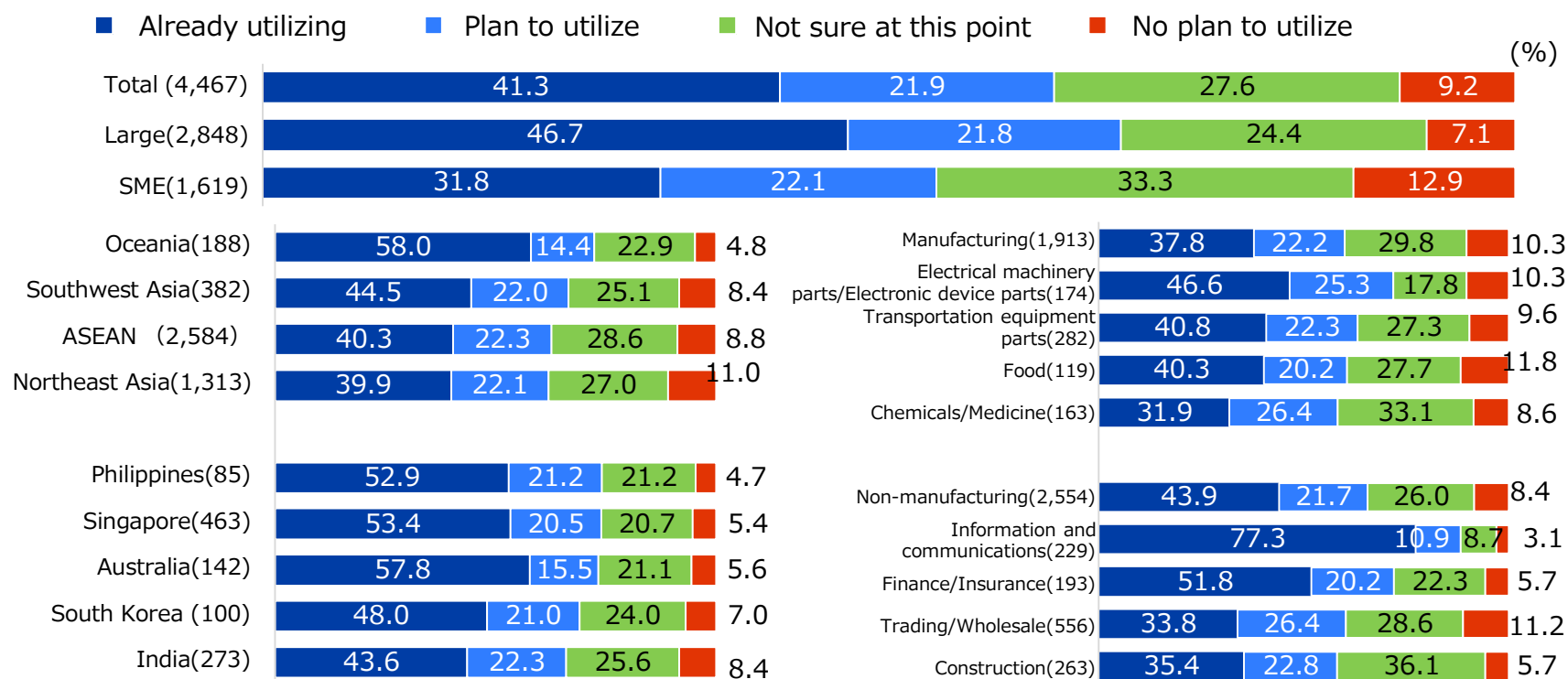
Reasons for efforts toward decarbonization (top 7 countries/regions, multiple answers)



8-1 | Use of digital technology (including plans) at over 60% of companies

- 63.2% of the respondents answered that they were "already utilizing" or "plan to utilize" digital technology (see Note). While nearly 70% of large companies utilized digital technology, only over 50% of SMEs did it, indicating a difference by the size of companies.
- The ratio of "Already utilizing" was nearly 60% in Oceania. It was 40% in ASEAN and Northeast Asia, but some countries exceeded 50%. By industry, the percentage was higher in the non-manufacturing industry than in the manufacturing industry. It accounted for about 80% in the information and communication industry and over 50% in the finance and insurance industry. In the manufacturing industry, electrical and electronic equipment parts accounted for nearly 50%.

Utilization of digital technology in business

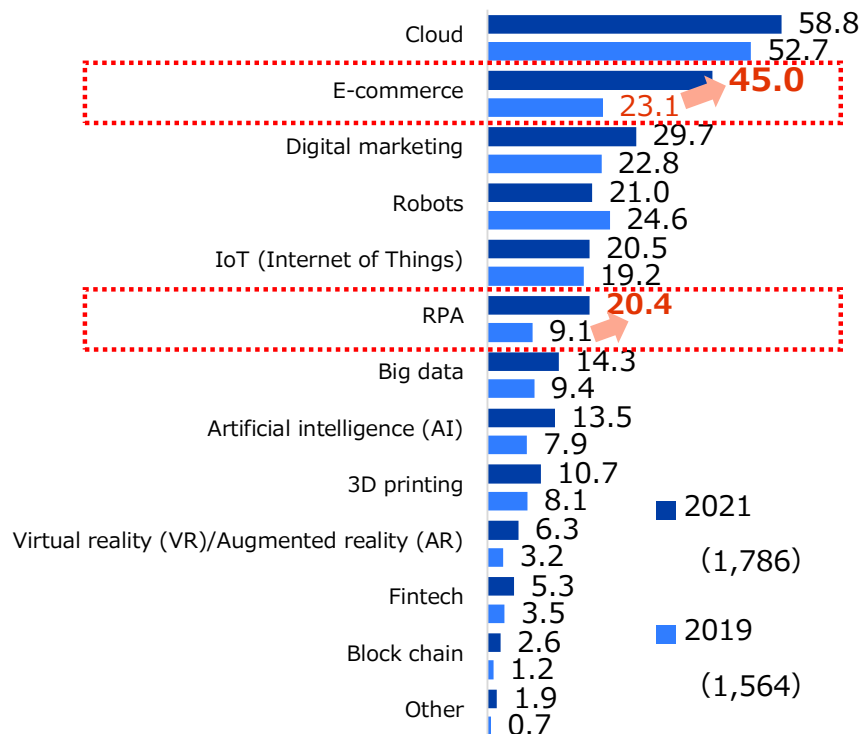


(Note) New digital technologies (EC, AI, RPA, etc.) and business methods using these technologies that change the way existing businesses are conducted.

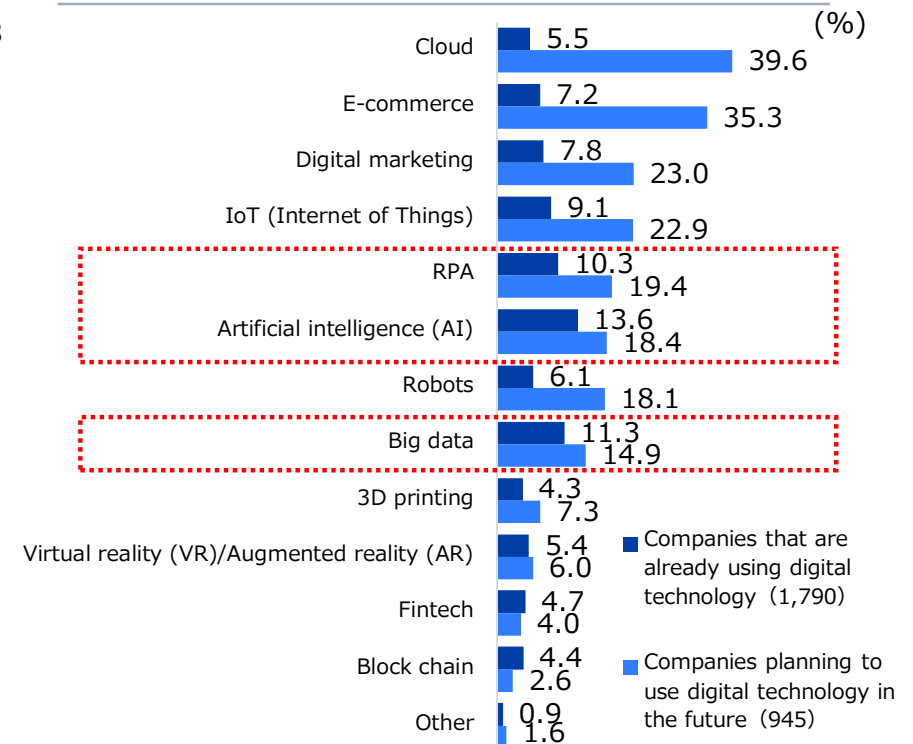
8-2 | Use of E-commerce surged due to Covid-19

- Compared to 2019, the time before the pandemic, the percentage of companies using E-commerce (EC) almost doubled, with nearly half of the companies already using EC. Companies using RPA (see Note) also doubled, reaching 20%. Introducing contactless sales and automation of business operations seemed to be advanced.
- In terms of digital technologies that Japanese companies were considering to use, high expectations for artificial intelligence (AI), RPA, and big data were shown among both companies which already used digital tech and those who planned to use.

**Digital technology using
(2019, 2021, multiple answers)**



**Digital technologies considered to use
(2021, multiple answers)**

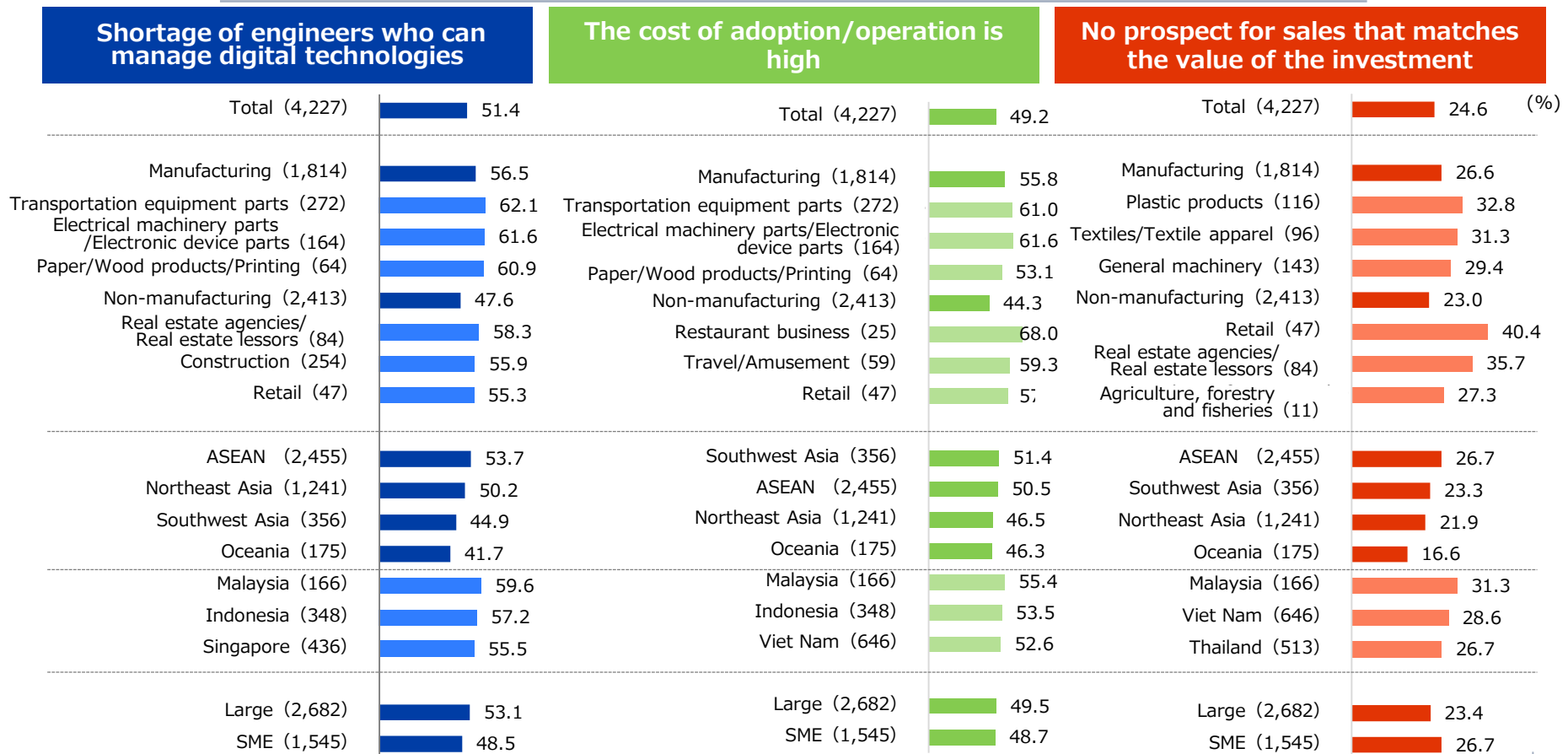


(Note) RPA: Automation of business processes using robots on software. Robotic Process Automation.

8-3 | The challenges of using digital technology were a shortage of engineers and costs

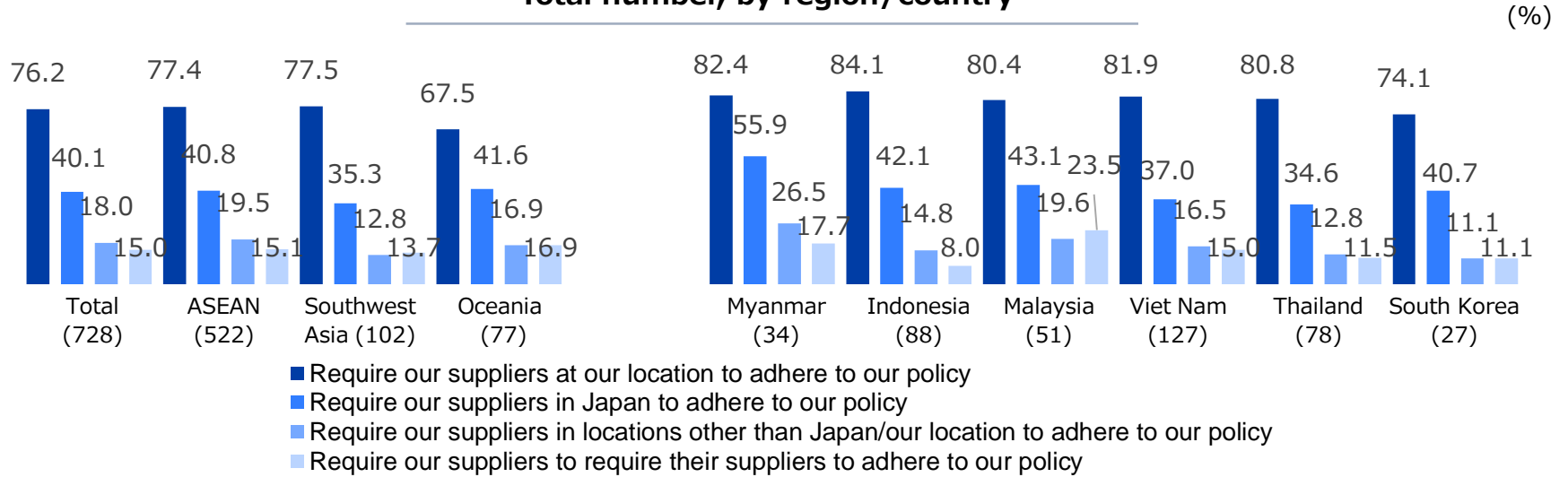
- In terms of challenges in using digital technology, about 50% of respondents selected "Shortage of engineers who can manage digital technologies" and "The cost of adoption/operation is high". The shortage of digital-related human resources was a common issue for both manufacturing and non-manufacturing industries, but it was particularly high for transportation equipment parts and electrical and electronic device parts. By coith Malaysia and Indonesia accounting for nearly 60% of the total by country.

Challenges in using digital technology
(multiple answers, top 3 items, by industry, country/region, and company size)

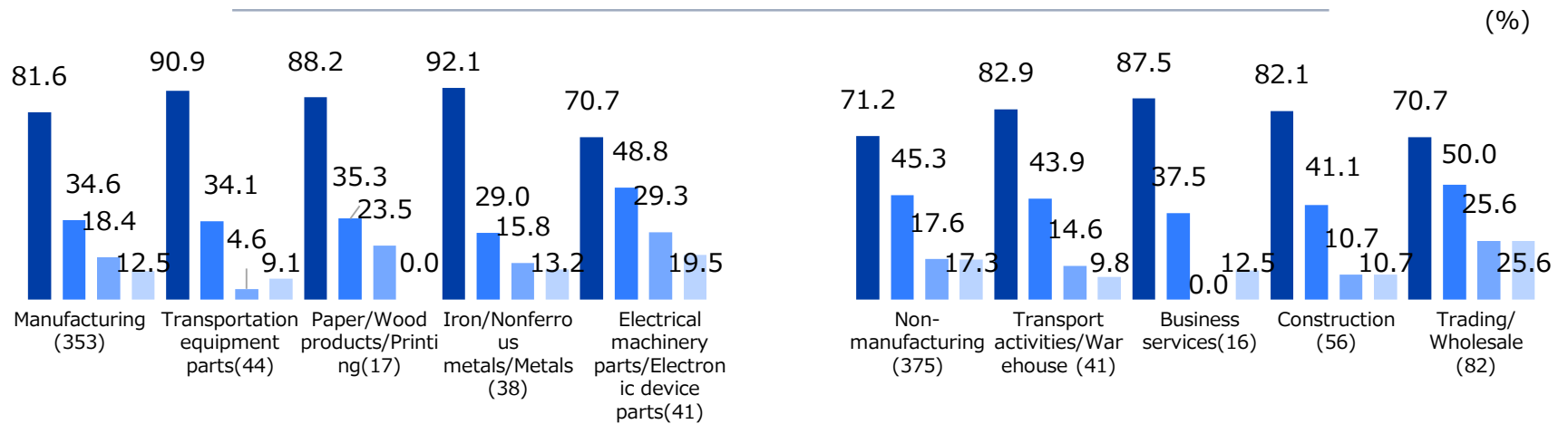


9-1 | A part of companies required their secondary suppliers to adhere its policy

Total number, by region/country



Suppliers seeking to comply (multiple responses) , by industry



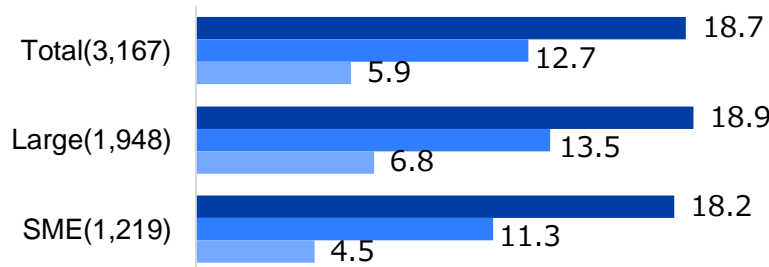
(Note) China, Hong Kong, Macau and Taiwan are excluded from the scope of this survey.

9-2 | Above half of the textiles/apparel sector have been requested to adhere to the policies of their Japanese clients

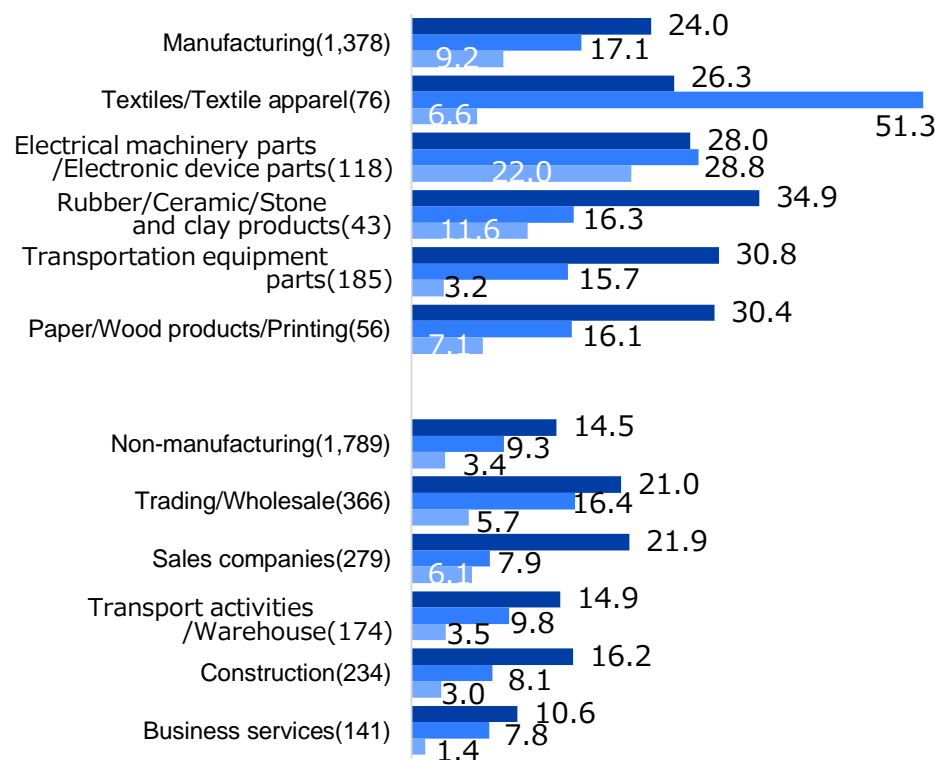
- Of the respondents who answered "Our corporate clients have required us to adhere to such policy", the largest share (18.7%) was "Our corporate clients at our location have required us to adhere to such policy", followed by "Our corporate clients in Japan have required us to adhere to such policy" (12.7%). Of these, when looking at the percentage of respondents who the latter by industry, textile/textile apparel stood out at 51.3%.

Has any of your corporate clients required you to adhere to their policy on human rights in supply chains(multiple answers)

- Our corporate clients at our location have required us to adhere to such policy
- Our corporate clients in Japan have required us to adhere to such policy
- Our corporate clients in countries other than our location/Japan have required us to adhere to such policy

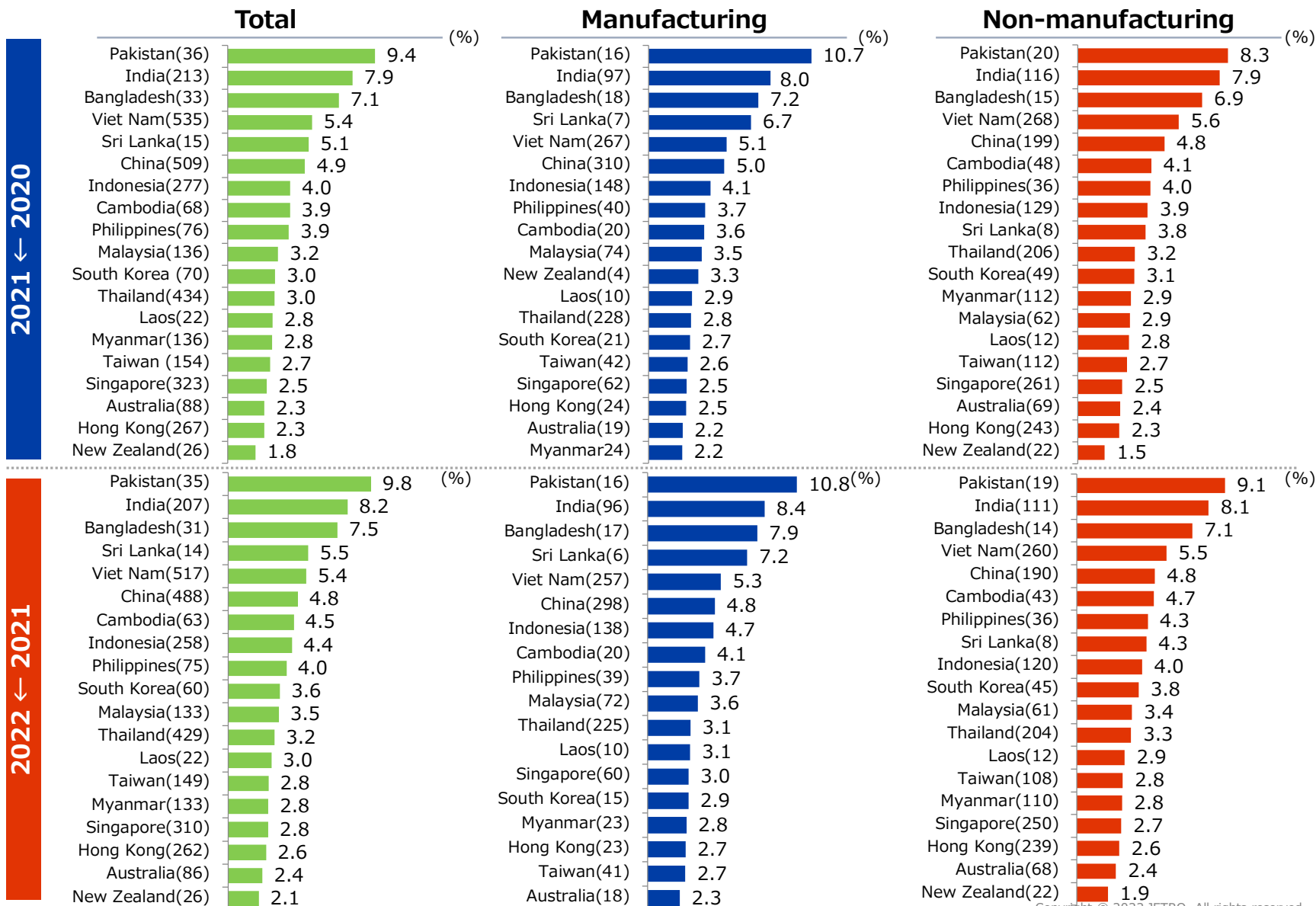


By Industry (Top) (%)



(Note) China, Hong Kong, Macau and Taiwan are excluded from the scope of this survey.

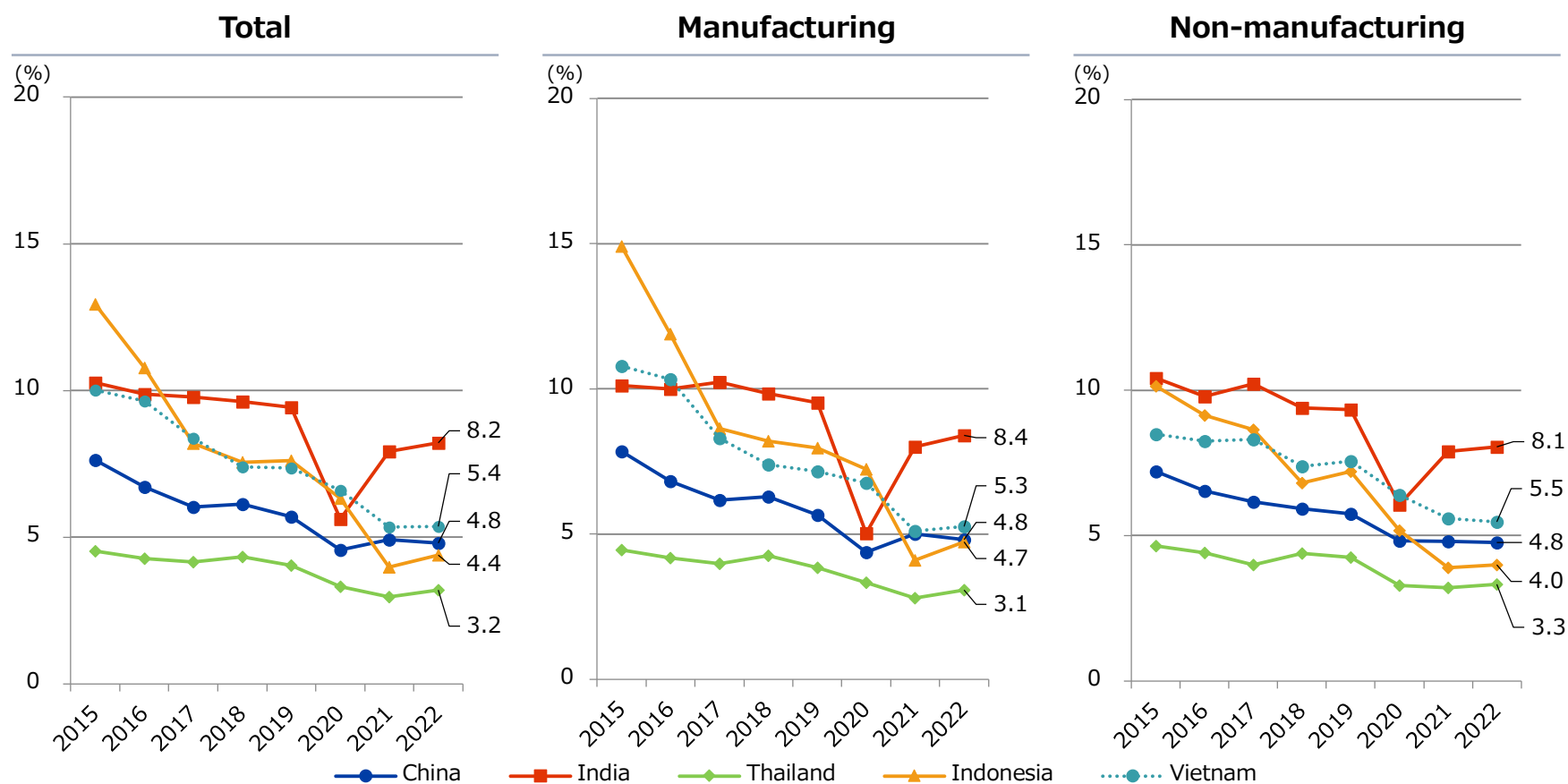
10-1 Wages: Year-on-year wage increase rate



(Note) Countries/regions with at least five valid responses.

10-2 Wages: Year-on-year wage increases (China and other major countries)

- Salary increases in 2021 (total number, same below) were higher in India and China, and lower in Vietnam, Indonesia and Thailand.
- Salary increases in India's manufacturing sector fell to 5.0% in 2020, but rose to 8.4% in 2022 (expected).
- China's salary increase rate has been in the 4% range since 2020.



(Note) Figures for 2022 are forecasts.

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