

8 September 2023

## **HSBC Global Connections survey shows international businesses have growing confidence in ASEAN**

*\*Expecting sales growth in the region of 23.2% over next 12 months\**

*\*\*Firms from the rest of Asia Pacific and the Middle East have the most advanced presence and ambitious plans\*\**

*\*\*\*Respondents focused on supply chains rather than consumers in ASEAN for now\*\*\**

(Ho Chi Minh City) – New research commissioned by HSBC shows that international businesses from nine major economies are increasingly optimistic about their growth prospects in Southeast Asia. They expect sales in the region to grow by 23.2% over the next 12 months – versus 20.1% from last year’s survey, and 4-5 times the rate of GDP growth expected in Southeast Asia. This highlights growing confidence in the region on the part of international companies.

The HSBC Global Connections survey also finds that businesses from countries closer to Southeast Asia, such as those in the rest of Asia Pacific and the Middle East, have a more advanced presence in Southeast Asia and a greater degree of ambition when it comes to regional expansion than their peers from Europe and the United States.

“These findings confirm what we have been seeing from our own customers: that businesses around the world are increasingly confident about scaling up in Southeast Asia,” said **Amanda Murphy, Head of Commercial Banking for South and Southeast Asia at HSBC**. “We are as excited as our clients about Southeast Asia and focused on connecting international businesses from across our global network with opportunities in this dynamic region.”

### **Growth ambitions**

The survey reveals a marked difference between the M&A ambitions in Southeast Asia of Asia Pacific respondents and those from other regions. Twice as many respondents from China (65%) are more likely to significantly increase inorganic growth in Southeast Asia by 2024 than those from Germany (45%), although respondents from all markets expect activity to increase over the next four years and the gap between Asian and other respondents narrows over time.

Respondents that are already present in the region plan to focus on growing in the markets they know. 36% of companies operating in Singapore expect to prioritise growth there over the next two years, followed by 27% of those with Malaysian operations and 24% of those with operations in Thailand. Businesses from all markets except Germany are most likely to prioritise Singapore among their current markets, reflecting the country’s enduring attraction as a regional business hub and financial centre.

When it comes to fresh opportunities, Indonesia and Malaysia are the most popular choices for companies aiming to expand into a new ASEAN market over the next two years. A quarter of firms without an Indonesian presence and a quarter of firms with a Malaysian presence report plans to expand in those markets during that time frame.

## ASEAN attractions

The survey suggests that international businesses continue to see ASEAN primarily in terms of its supply chain connectivity rather than as a consumer market, even though Gross Domestic Product (GDP) per capita for Southeast Asia has grown from USD1,250 in 2000 to USD5,800 in 2023, according to the International Monetary Fund.

The region's skilled workforce (27%), growing digital economy (26%) and competitive wages (25%) are the top three attractions, while the growing middle class ranks ninth in terms of importance. However, businesses identify talent as a challenge as well as a draw: the cost of training (36%) and lack of skilled personnel to drive implementation (also 36%) are identified as top challenges for businesses seeking to digitise their operations in ASEAN. Also, the ability to hire talent with the right level of expertise is the top challenge to becoming more sustainable in the region.

When asked which technologies ASEAN is leading the way in, the highest number of respondents identify e-commerce (31%) and digital payments (28%), reflecting the widespread adoption of digital platforms and mobile wallets across many countries in the region.

Khi được hỏi lĩnh vực công nghệ nào ASEAN đang dẫn đầu, câu trả lời được chọn nhiều nhất là thương mại điện tử (31%) và thanh toán số (28%), phản ánh mức độ ứng dụng rộng rãi các nền tảng số và ví điện tử ở nhiều quốc gia trong khu vực này.

"Southeast Asia is clearly an attractive manufacturing base, with increasingly advanced supply chains and a highly skilled workforce attracting global firms to the region," **said Amanda Murphy**. "But the consumer story is also one to watch for international businesses as digital adoption and domestic spending power grow."

## Presence and trade

Businesses from mainland China, Hong Kong, India, Australia and the GCC on average lead counterparts from the United Kingdom, France, Germany and the US by a margin of:

- 63% vs. 45% having achieved organic growth in ASEAN;
- 62% vs. 43% having developed supply chains in the region;
- and 41% vs. 24% having pursued inorganic growth through mergers and acquisition

Asia Pacific and GCC respondents are also making greater use of Free Trade Agreements (FTAs) to increase their trade with ASEAN than those from Europe and the US, according to the survey. Respondents from mainland China, Hong Kong, India and the GCC are more likely to be using the Regional Comprehensive Economic Partnership and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership than those from Europe and the US by an average of 78% vs. 59%.

## Vietnam's appeal

Our research shows that the country's economic resilience and competitive wages (both 28%) rank foremost in attracting international firms. Its skilled workforce (27%) has been identified as one of the most attractive attributes for foreign businesses, pointing to the country's appeal as a manufacturing base. The same percentage are attracted by Vietnam's growing consumer market, highlighting the appeal of increasing consumer prosperity.

The country's growing digital economy (23%) is also a key selling point for international business expansion. Many respondents said they were attracted by its high smartphone penetration rate and vibrant start-up sector.

"With a combined population of over 600 million people with an average age of 32 and a GDP growth rate averaging 5%, ASEAN represents an exciting market especially as it is set to become the world's 4th largest economy by 2035. This growth is driven by the 3 Ds of dynamism, digitalisation and demographics," added **Tim Evans, CEO of HSBC Vietnam**. "Viet Nam which has become known for its rapid economic growth also stands out as one of the top performers in the ASEAN region given its strong economic resilience during and after

the Covid-19 pandemic. This resilience coupled with its hard working skilled work force and competitive cost structures continues to attract strong FDI flows into the country. There is however more to Viet Nam than an FDI in, Export out story. The country's fast growing middle class is also a real opportunity for international companies who are looking to tap into the consumer story that will see Viet Nam become the 10th largest consumer market in the world by 2030. Despite some short term headwinds, Viet Nam remains an attractive destination for foreign businesses and we continue to see very strong interest in the Viet Nam story from customers throughout the HSBC network".

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**Notes to Editors:**

**HSBC Bank (Vietnam) Ltd.**

HSBC has been in Vietnam for over 150 years – the bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The bank's current network includes two branches and four transaction offices in Ho Chi Minh City, one branch and four transaction offices in Hanoi, and two full-service branches in Binh Duong and Da Nang. HSBC is one of the largest foreign banks in the country in terms of investment capital, product range, and customer base.

**Methodology**

HSBC commissioned an online survey of 3,509 businesses based in nine markets: mainland China, India, UK, France, Germany, US, Australia, Hong Kong, and GCC countries (United Arab Emirates, Saudi Arabia, Bahrain, Qatar, Oman and Kuwait). Survey respondents were key decision-makers from companies with annual turnover of at least USD5 million who are already doing business in Southeast Asia or considering doing so. The survey ran from July 25 to August 2, 2023.

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