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Asia Pacific Countries

Australia, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapur, Sri Lanka, Thailand, Vietnam

Including Greater China: P.R. of China, Hongkong, Taiwan



































Key Findings I

India:
Business

Expectations "better" 66%

Sri Lanka:
Business
Expectations
"better" 60%

"better" 60%

TOP OPTIMISTS
A selection that invites
you to read on.

Malaysia: Business Expectations "better" 66%

Indonesia:
Business
Situation
"good" 53%

South Korea: Local Investments

"higher" 36%

Philippines: Business Expectations "better" 68%

> New Zealand: Business Situation "good" 50%

TOP RISKS

- l. Demand
- 2. Lack of Skilled Workers
- 3. Exchange Rate
- 4. Economic Policy
- 5. Supply Chain Disruption

Percentages show responses of companies in each country. For more detailed results please scroll down.



Key Findings II

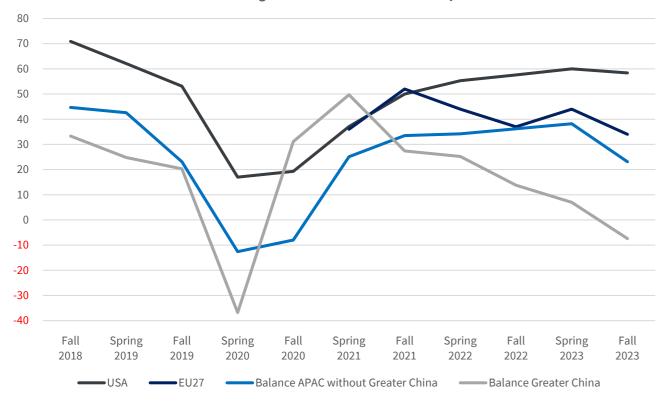
- According to the AHK World Business Outlook, a recent survey by the German Chambers of Commerce Abroad (AHKs), German companies are feeling the effects of an overall economic slowdown at their international locations. Despite the associated challenges, however, they are currently expanding their global involvement in many markets.
- Asia Pacific is one of the only few regions of the world where companies do have predominantly positive economic expectations.
- Expectations in the region are significantly **more optimistic than the global average** even if companies' economic expectations are not as high any longer as in the previous survey.
- Companies in India and Sri Lanka as well as in Southeast Asia and New Zealand assess their **situation and prospects as very positive**, unlike in China. Companies in Greater China are predominantly pessimistic about the economic development.
- Many companies in Asia Pacific are planning to significantly expand investments and employment within the region, primarily in India, Malaysia and the Philippines as well as in South Korea.



Business Situation of Companies in Asia Pacific

How do you assess the current business situation of your company?

Balance of "good" minus "bad" - answers in points



TOP Optimists in Asia Pacific Based on numbers of "good" answers

1	India 60%
2	Indonesia 56%
3	New Zealand 53%



"The results clearly show that German companies have a positive view on their current business in India and are even more optimistic for the future. Expected additional investments and employment in India will further increase the importance of the country for the German industry and economy."

Stefan Halusa, our Director General of the Indo-German Chamber in India, <u>delhi(at)indo-german.com</u>

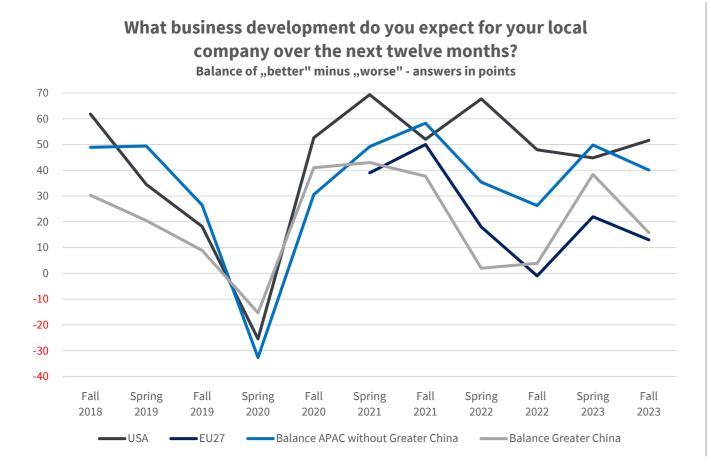


"Challenging times ahead for business as New Zealand is extremely export focused, so dependent on a stable global situation. A glimmer of hope is of course the ratification of the EU/NZ FTA in early 2024."

Monique Surges, our Chief Executive Officer for the German-New Zealand Chamber of Commerce in New Zealand; admin(at)germantrade.co.nz



Business Expectations of Companies in Asia Pacific



TOP Optimists in Asia Pacific

Based on numbers of "better" answers

1	Philippines 68%
2	India and Malaysia 66%
3	Sri Lanka 60%



"The Business Outlook reflects a dynamic German-Philippine business relationship, with significant optimism among businesses despite emerging challenges such as skilled labor shortages. Central to the survey is the potential impact of the EU-Philippines Free Trade Agreement, seen as a major positive development for future economic cooperation."

Christopher Zimmer, our Executive Director of the German-Phillipine Chamber of Commerce and Industry, Info(at)gpcci.org



"After challenging economic years, Sri Lanka can now hope for changes in the economic policy environment. This is also reflected in our business outlook. While only 30% of companies stated a year ago that they expected business to improve, this figure has doubled within a year. Key sectors such as tourism, IT and shared services, marine services, and agri-tech present future market opportunities."

Marie-Antonia von Schönburg, our Chief Delegate of the Delegation of German Industry and Commerce in Sri Lanka, Info(at)srilanka.ahk.de

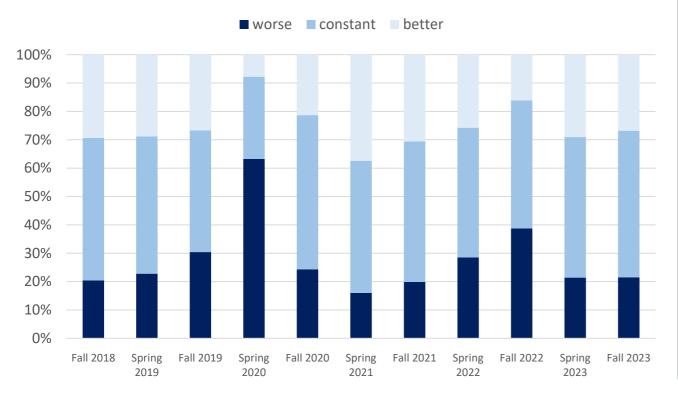


Expectations of Companies about economic development on site

For whole Asia-Pacific in Fall 2023

How do you see the local economy developing over the next twelve months?





TOP Optimists in Asia Pacific Based on numbers of "better" answers

1	India 60%
2	Indonesia 40%
3	Vietnam 37%



"Not only its strategic location, but also the size of its population make Indonesia one of the most attractive locations in the Asia Pacific region. Not only the average age, but also a rapidly growing middle class are contributing to the fact that companies from all over the world are increasingly turning their attention to Indonesia."

Jan Rönnfeld, our Executive Director of the German-Indonesian Chamber of Industry and Commerce, info(at)ekonid.id



"Vietnam is emerging as a top investment choice for German companies. Despite facing challenges such as low global demand the country offers substantial opportunities fueled by economic growth, global integration through FTAs, motivated young population, and stable political framework. This is particularly appealing for those implementing "China+1" strategies and sustainable green investments."

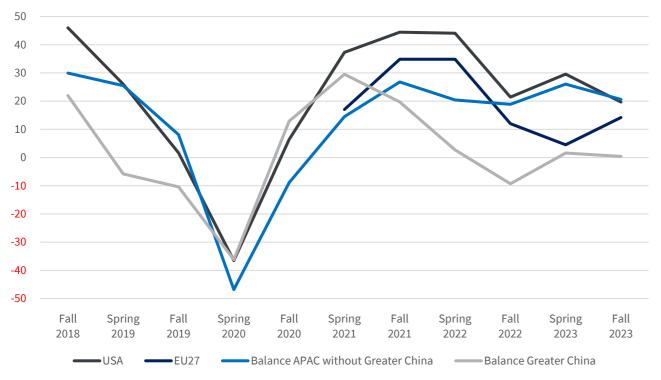
Marko Walde, our Chief Delegate of the Delegation of German Industry and Commerce, info(at)vietnam.ahk.de



Investment Intentions of Companies in Asia Pacific



Balance of "higher" minus "lower" - answers in points



TOP Optimists in Asia Pacific Based on numbers of "higher" answers

1	India 41%
2	Malaysia and Philippines 39% each
3	South Korea 36%



"Despite the global headwinds, German companies in South Korea remain relatively bullish about their business activities in the Korean market. Consequently, the number of companies with investment intentions within the next 12 months is the highest since the pandemic started."

Martin Henkelmann, our President and CEO of the Korean-German Chamber of Commerce and Industry, info(at)kgcci.com



"Malaysia has entered the focus of many German companies in their search for business friendly, safe and affordable destinations. Being Germany's strongest trading partner in the region it offers a strong network of international high-tech industry. The use of English as business language, its stable political and legal system and its location in the heart of Southeast Asia are the main factors for consideration."

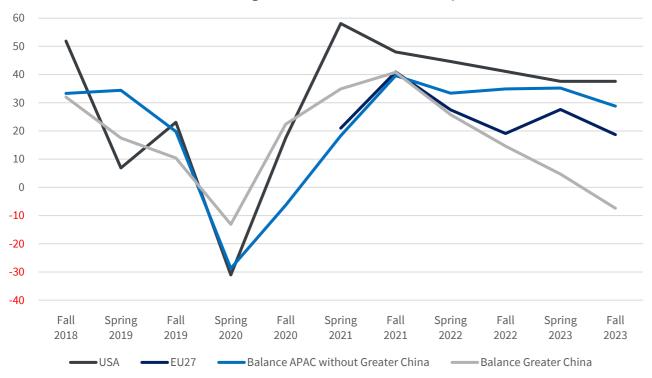
Daniel Bernbeck, our Executive Director of the Malaysian-German Chamber of Commerce and Industry, <u>info(at)malaysia.ahk.de</u>



Employment Intentions of Companies in Asia Pacific

How do you expect your company's local workforce to develop over the next twelve months?

Balance of "higher" minus "lower" - answers in points



Employment Intentions	Higher	Constant	Lower	Balance
Japan	35%	54%	11%	24
Singapur	30%	53%	16%	14



"As the oldest industrialized nation in Asia, Japan is attracting considerable attention when it comes to the relocation of regional management functions from China to other regions in Asia and thus increasing German company's headcount. The stable and reliable framework conditions as well as reasonable cost are playing a very important role here."

Marcus Schürmann, our CEO of the German Chamber of Commerce and Industry in Japan, info(at)dihkj.or.jp



"Singapore as a regional hub in Southeast Asia and the entire ASEAN region offer German companies excellent opportunities to diversify their supply chains. It is therefore no surprise that many companies are planning to significantly increase their staff in the region.,"

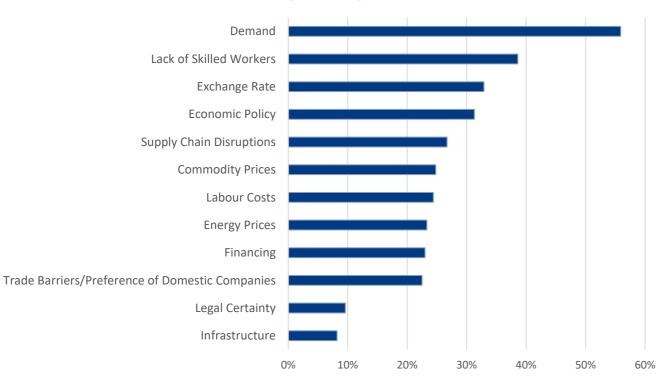
Tim Philippi, our Executive Director of the Singaporean-German Chamber of Industry and Commerce, <u>info(at)sgc.org.sg</u>



Risks Companies see for their business in Asia Pacific

Where do you see the greatest risks to the economic development of your company in the next twelve months?

(multiple answers possible)



	Top Risks						
Thailand	Demand 65%	Energy Prices 37%					
Australia*	Demand 67%	Lack of Skilled Workers, Supply Chain Disruption, Financing 39% each					



"Thailand is the 2nd largest economy in ASEAN, regional manufacturing hub and attractive investment location for companies planning to diversify. More investments in human capital, quality education, health, climate change and tax reform would strengthen its potential growth to 4-5%, (World Bank). An EU-Thailand FTA would enhance supply chain capacities and further open the services sector."

Dr. Roland Wein, our Executive Director, German-Thai Chamber of Commerce, info(at)gtcc.org



"Like many other industrialized countries, the Australian market suffers from a shortage of skilled workers. This affects economic growth, which in turn is exacerbated by the strict immigration policy. Concluding the free trade agreement negotiations would facilitate market access, boost willingness to invest, promote diversification of trading partners and simplify technology transfer."

Dr. Christian Gross, our Executive Director of the German-Australian Chamber of Industry and Commerce , info(at)germany.org.au

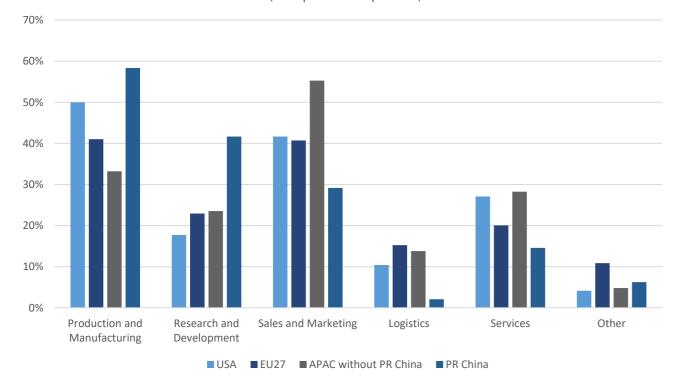


Investment Areas of Companies



In which areas do you currently have or are you planning significant investments at your location?

(multiple answers possible)



Comparison with the People's Republic of China without Taiwan, Hongkong and Macao



Opportunities:

"German companies in all sectors expect further growth opportunities in the world's largest single market in the medium term, although they are facing increased competition. Business prospects remain particularly promising in the areas of mobility, healthcare, digitalization and environmental protection. The Chinese goals in the area of decarbonization and climate protection create a multitude of business opportunities for German products, services and solutions in these areas. "

Challenges:

"The complexity of doing business in China has increased due to global tensions and a general "de-risking" of trade relations. German companies need to be particularly vigilant when it comes to equal treatment and take proactive steps locally to keep up with the pace of innovation in China to remain competitive."



Jens Hildebrandt
Delegate & Chief
Representative of the
Delegation of German
Industry & Commerce
Beijing



Maximilian Butek
Delegate & Chief
Representative of the
Delegation of German
Industry and Commerce
Shanghai

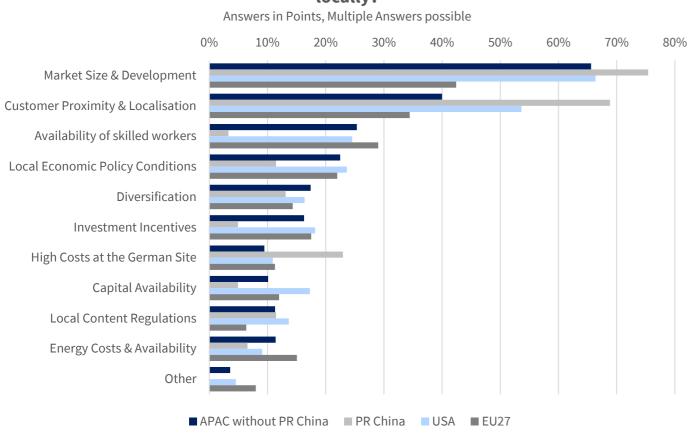


Martin Klose
Delegate & Chief
Representative of the
Delegation of German
Industry and Commerce
Guangzhou

Key Investment Factors in Asia Pacific



Which factors play a dominant role in your decision to invest locally?





Key Investment Factors	Market size/development	Customer proximity/localisation		
Taiwan	64%	50%		
Hongkong	78%	48%		



"Taiwan, with its focus on high-tech industries, continues to offer excellent business opportunities, not only in sales and sourcing. The innovative business environment, the high qualification of the employees and, last but not least, legal certainty continue to increase the attractiveness of Taiwan."

Axel Limberg, our Chief Representative and Executive Director of the German Trade Office in Taipeh, info(at)taiwan.ahk.de



"Hong Kong remains a Top-Destination for Trading, Sourcing and Logisitcs within the Asia Pacific."

Hannes Farlock, our Delegate and Chief Representative at German Industry and Commerce Ltd. in Hong Kong, info(at)hongkong.ahk.de

Analysis of the results by country

in each case, balance of good/better answers minus bad/lower answers

	Current Business Situation	Business Expectations	Local Economic Expectations	Investment Intentions	Employment Intentions
Asia Pacific incl. Greater China	19	38	5	13	19
Asia Pacific excl. Greater China	23	40	9	21	29
Greater China	-7	16	-16	1	-8
Australia	6	39	-22	-7	-6
China, PR	-10	16	-17	0	-9
Hongkong	6	28	-3	-8	0
India	52	66	59	40	45
Indonesia	42	42	31	15	18
Japan	5	25	-11	15	24
Korea (South)	0	24	-21	23	30
Malaysia	22	63	17	33	41
New Zealand	49	47	-18	0	16
Philippines	44	63	22	24	48
Singapur	26	7	-2	-3	14
Sri Lanka	2	59	17	18	12
Taiwan	4	10	-18	7	-2
Thailand	28	43	24	16	17
Vietnam	12	37	27	26	29



AHK Asia Pacific Business Outlook January 2024 **Business risks for German companies abroad**

in percentage, multiple answers possible

	Demand	Financing	Labour Costs	Shortage of Skilled Labour	Exchange Rate	Energy Costs	Commodity Prices	Legal Certainty	Economic Policy	Infra- structure	Trade Barriers	Disruption of Supply Chain
Asia Pacific incl. Greater China	56%	23%	24%	39%	33%	23%	25%	10%	31%	8%	23%	27%
Asia Pacific excl. Greater China	47%	24%	25%	42%	41%	27%	26%	11%	31%	11%	22%	30%
Greater China	74%	17%	19%	24%	21%	9%	21%	12%	34%	2%	26%	16%
Australia	67%	39%	33%	39%	22%	22%	11%	6%	28%	0%	22%	39%
China, PR	78%	18%	24%	15%	16%	5%	16%	17%	41%	0%	34%	13%
Hongkong	72%	19%	22%	44%	6	22%	19%	13%	31%	6%	19%	9%
India	37%	19%	25%	47%	33%	19%	35%	9%	21%	11%	32%	35%
Indonesia	36%	42%	20%	22%	27%	18%	13%	24%	42%	20%	27%	22%
Japan	50%	4%	20%	37%	83%	32%	39%	2%	9%	3%	12%	23%
Korea (South)	66%	18%	41%	48%	27%	29%	27%	11%	29%	4%	20%	41%
Malaysia	51%	22%	34%	46%	46%	15%	27%	5%	27%	17%	20%	27%
New Zealand	58%	29%	24%	33%	47%	18%	36%	2%	29%	9%	9%	29%
Philippines	37%	30%	26%	37%	32%	38%	27%	22%	32%	16%	23%	24%
Singapur	65%	19%	40%	40%	14%	23%	16%	5%	37%	9%	28%	19%
Sri Lanka	40%	40%	17%	55%	69%	40%	26%	9%	53%	7%	36%	33%
Taiwan	68%	14%	8%	28%	38%	8%	30%	4%	22%	4%	18%	24%
Thailand	65%	11%	20%	46%	22%	37%	30%	4%	43%	4%	20%	26%
Vietnam	49%	22%	12%	41%	12%	24%	20%	12%	24%	12%	20%	37%



Statistical Appendix

Areas in which companies are currently investing

in percentage, multiple answers possible

	Production and Manufacturing	Research and Development	Sales and Marketing	Logistics	Services	Other
Asia Pacific incl. Greater China	35%	25%	54%	13%	27%	5%
Asia Pacific excl. Greater China	34%	24%	53%	17%	30%	5%
Greater China	45%	34%	48%	2%	19%	5%
Australia	0%	11%	67%	0%	33%	11%
China, PR	58%	42%	29%	2%	15%	6%
Hongkong	36%	27%	64%	9%	36%	0%
India	60%	35%	40%	40% 10% 27%		2%
Indonesia	11%	11%	52%	11%	48%	7%
Japan	31%	18%	53%	13%	18%	4%
Korea (South)	34%	20%	63%	10%	20%	5%
Malaysia	53%	28%	50%	9%	47%	3%
New Zealand	13%	33%	57%	23%	17%	3%
Philippines	27%	30%	50%	19%	44%	6%
Singapur	43%	32%	46%	18%	11%	11%
Sri Lanka	43%	28%	70%	23%	23%	5%
Taiwan	26%	22%	74%	0%	19%	4%
Thailand	44%	11%	50%	17%	19%	6%
Vietnam	42%	23%	38%	31%	35%	0%

AHK Asia Pacific Business Outlook January 2024 **Dominant factors for local investments**

in nercentage multiple answers nossible

ın percent	tage, mutt	ipie answe	ers boss	ble							
	Market-Size and Development	Customer Proximity / Localisation	Diversifi- cation	Investment Incentives	Economic Policy	Local Content	Energy Costs & Availability	High Costs at German Site	Availability of Skilled Labour	Capital Availability	Other
Asia Pacific incl. Greater China	66%	42%	17%	16%	22%	11%	11%	10%	24%	10%	3%
Asia Pacific excl. Greater China	67%	37%	19%	17%	25%	11%	12%	11%	26%	11%	4%
Greater China	72%	59%	13%	7%	13%	11%	8%	13%	10%	5%	1%
Australia	67%	40%	0%	13%	27%	7%	13%	0%	27%	7%	0%
China, PR	75%	69%	13%	5%	11%	11%	7%	23%	3%	5%	0%
Hongkong	78%	48%	13%	17%	30%	9%	9%	0%	22%	9%	0%
India	78%	41%	22%	18%	22%	25%	6%	25%	24%	10%	4%
Indonesia	72%	36%	10%	15%	28%	18%	10%	5%	23%	13%	5%
Japan	84%	49%	9%	8%	8%	9%	5%	5%	21%	1%	3%
Korea (South)	81%	45%	13%	17%	25%	13%	6%	6%	17%	6%	4%
Malaysia	47%	39%	17%	22%	19%	11%	17%	25%	42%	11%	3%
New Zealand	69%	36%	25%	11%	25%	8%	14%	11%	22%	17%	6%
Philippines	56%	22%	29%	15%	33%	4%	20%	19%	24%	16%	3%
Singapur	51%	49%	23%	17%	23%	11%	9%	9%	31%	14%	6%
Sri Lanka	62%	9%	34%	19%	30%	13%	19%	4%	23%	11%	13%
Taiwan	64%	50%	12%	5%	7%	12%	10%	5%	14%	2%	2%
Thailand	58%	53%	23%	30%	19%	14%	9%	12%	28%	2%	2%
Vietnam	50%	43%	13%	20%	20%	3%	13%	7%	37%	23%	0%

Statistical Appendix

Methodology

- ➤ Asia Pacific Business Outlook is a Special Edition of the AHK World Business Outlook, published on 7 November 2023 (<u>Link</u>), bi-annually conducted survey of member companies of German Chambers of Commerce Abroad (AHK)
- ➤ Autumn 2023: 3,600 responses worldwide
- > More than **800 responses in Asia Pacific** countries
- ➤ Comparison of Asia Pacific (without Greater or PR China) with USA and EU27
- > Data analysis for last 5 years, for EU27 last 3 years
- > Set of participating companies: German companies, branches, subsidiaries and foreign companies with close ties to Germany
- > Six recurring questions to analyse trends plus additional questions
- ➤ Minimum 20 responses per country needed (Australia few times less than 20)



Questionnaire

- 1. How do you assess the current business situation of your company?
- good
- satisfactory
- bad
- 2. What business development do you expect for your local company in the next twelve months?
- better
- consistent
- bad
- 3) How do you assess the local economic development in the next twelve months?
- better
- consistent
- bad
- 4. How is your company's spending on local investments likely to develop over the next twelve months?
- higher
- consistent
- lower
- no investments

- 5. How do you expect the number of employees in your local company to develop over the next twelve months?
- higher
- consistent
- lower
- 6. Where do you see the greatest risks in the economic development of your company in the coming twelve months? (Multiple answers possible)
- Demand
- Funding
- Labour costs
- Lack of skilled workers
- Exchange rate
- Energy prices
- Commodity prices
- Legal certainty
- Economic policy
- Infrastructure
- Trade barriers/preference for domestic companies
- Disruptions in the supply chain (e.g. logistics, missing primary products)



Questionnaire (continued)

Companies' investment decisions are shaped by cost factors, bureaucracy and geopolitical risks, among other things. The investment climate in Germany is clouded. In many cases there is even talk of production relocations.

Against this background, we would like to find out how you assess the general conditions at your current location. In which areas do you invest and which factors play a dominant role?

7. In which areas do you currently have or plan to make significant investments at your location? (Multiple answers possible)

- Production and manufacturing
- Research and development
- Distribution and marketing
- Logistics
- Services (e.g. shared service centre)
- No investments to any significant extent
- Other

8. Which factors play a dominant role in your decision to invest locally? (Multiple answers possible)

- Market size/market development
- Customer proximity/localisation
- Diversification
- Investment incentives (e.g. subsidies, tax breaks)
- Local economic policy framework conditions (e.g. comparatively low bureaucracy, taxes)
- Local content regulations (production on site)
- Energy costs/energy availability
- High costs at the German location
- Availability of skilled workers
- Capital availability
- Other



Imprint

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