

2016 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

December 21, 2016

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

Japan External Trade Organization (JETRO)

Survey Summary (1)

Purpose of Survey

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

Surveyed Countries/Regions

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

Survey Period

- October 11 to November 11, 2016
- * (September 1 to 25 in China)

Response Rate

- Of a total of 10,983 surveys sent out, we received valid responses from 4,642 firms (42.3%). The breakdown of respondents by country and region is provided in the table to the right.

Notes

- The survey has been conducted since 1987, making this year the 30th version.
- Since 2007, the survey has included non-manufacturing sectors.
- Numbers in tables are rounded, so they do not necessarily total 100%.
- Surveys in Taiwan were conducted with the assistance of the Interchange Association, Japan (IAJ).

(Firms, %)

	Firms surveyed	Firms responding		Category		Valid responses
		Valid	(%)	Manufacturing	Non-manufacturing	
Total	10,983	4,642	100.0	2,335	2,307	42.3
Northeast Asia	2,507	1,258	27.1	594	664	50.2
China	1,379	604	13.0	388	216	43.8
Hong Kong/Macau	388	270	5.8	45	225	69.6
Taiwan	531	209	4.5	80	129	39.4
South Korea	209	175	3.8	81	94	83.7
ASEAN	7,019	2,582	55.6	1,401	1,181	36.8
Thailand	2,176	695	15.0	395	300	31.9
Vietnam	1,285	639	13.8	409	230	49.7
Indonesia	1,001	359	7.7	222	137	35.9
Singapore	824	315	6.8	77	238	38.2
Malaysia	941	287	6.2	169	118	30.5
Philippines	357	103	2.2	60	43	28.9
Cambodia	248	91	2.0	38	53	36.7
Myanmar	144	74	1.6	20	54	51.4
Laos	43	19	0.4	11	8	44.2
Southwest Asia	994	522	11.3	262	260	52.5
India	795	411	8.9	203	208	51.7
Bangladesh	121	54	1.2	32	22	44.6
Pakistan	42	31	0.7	17	14	73.8
Sri Lanka	36	26	0.6	10	16	72.2
Oceania	463	280	6.0	78	202	60.5
Australia	317	202	4.4	56	146	63.7
New Zealand	146	78	1.7	22	56	53.4

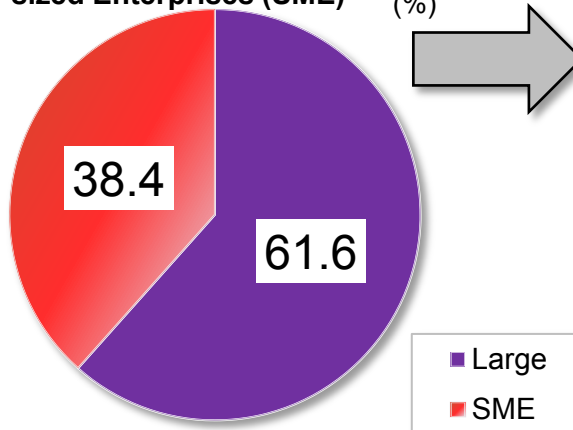
Survey Summary (2)

By industry category (Firms, %)

		Valid	(%)
Manufacturing	Total	2,335	50.3
	Motor vehicles/Motorcycles	407	8.8
	Electric machinery	379	8.2
	Chemical/Pharmaceutical	344	7.4
	Iron/Nonferrous metals/ Metals	335	7.2
	General machinery	183	3.9
	Food	150	3.2
	Textiles	123	2.7
	Precision machinery	91	2.0
	Rubber/Leather	56	1.2
	Wood/Pulp	46	1.0
	Other manufacturing industries	221	4.8
Non-manufacturing	Total	2,307	49.7
	Wholesale/Retail	967	20.8
	Transport	273	5.9
	Construction	164	3.5
	Communications/Software	143	3.1
	Finance/Insurance	125	2.7
	Other non-manufacturing industries	635	13.7

Note: Wholesale/Retail includes the sales bases of manufacturing firms.

Large vs. Small and Medium-sized Enterprises (SME) (%)



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

Note: Industry category details are as follows:

- Food:** Foods, processed agricultural or marine products
- Textiles:** Textiles (yarn, cloth, synthetic fabrics), apparel, textile products
- Wood/Pulp:** Lumber and wood products, paper and pulp
- Chemical/Pharmaceutical:** Chemicals and petroleum products, pharmaceuticals, plastic products
- Iron/Nonferrous metals/Metals:** Iron and steel (including cast and forged products), nonferrous metals and products, fabricated metal products (including plated products)
- General machinery:** General machinery (including metal molds and machine tools)
- Electric machinery:** Electric machinery and electronic equipment, electric and electronic parts and components
- Motor vehicles/Motorcycles:** Motor vehicles and motorcycles, motor vehicle and motorcycle parts and accessories
- Precision machinery:** Precision instruments, medical devices
- Wholesale/Retail:** Trading, logistics, and sales companies
- Finance/Insurance:** Banks, insurance companies, and securities brokers

Firms by Country/Region (Firms)

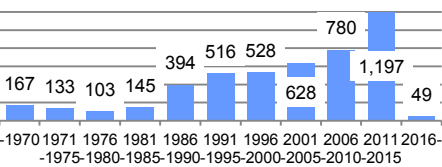
	Large	SME
Total	2,859	1,783
Northeast Asia	871	387
China	387	217
Hong Kong/Macau	185	85
Taiwan	168	41
South Korea	131	44
ASEAN	1,377	1,205
Thailand	269	426
Vietnam	310	329
Indonesia	220	139
Singapore	240	75
Malaysia	182	105
Philippines	62	41
Cambodia	37	54
Myanmar	48	26
Laos	9	10
Southwest Asia	384	138
India	321	90
Bangladesh	20	34
Pakistan	28	3
Sri Lanka	15	11
Oceania	227	53
Australia	169	33
New Zealand	58	20



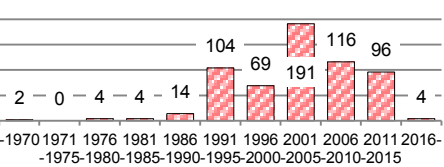
Survey Summary (3)

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

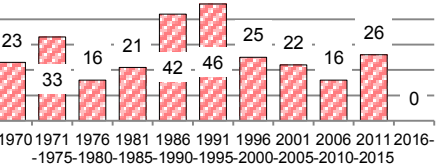
Total (n = 4,642 including 2 firms uncertain about establishment year)



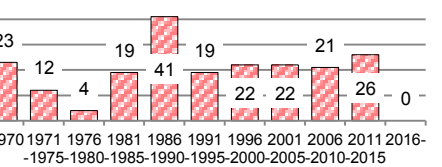
China (n = 604)



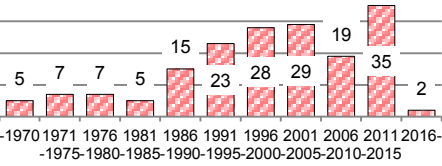
Hong Kong/Macau (n = 270)



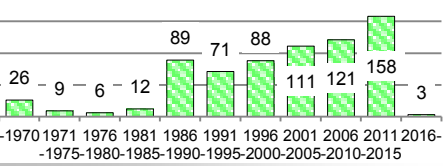
Taiwan (n = 209)



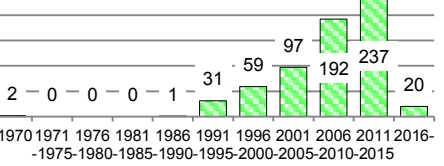
South Korea (n = 175)



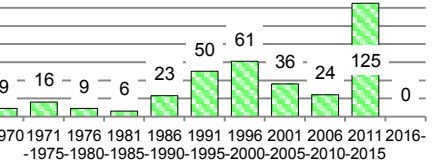
Thailand (n = 695 including 1 firm uncertain about establishment year)



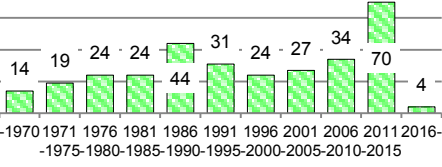
Vietnam (n = 639)



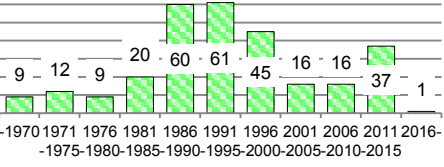
Indonesia (n = 359)



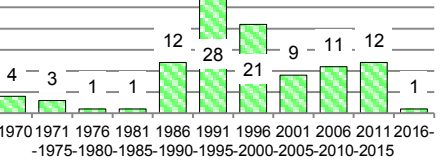
Singapore (n = 315)



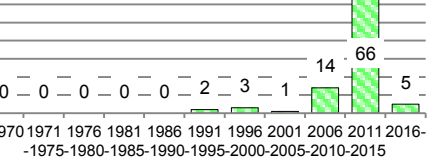
Malaysia (n = 287 including 1 firm uncertain about establishment year)



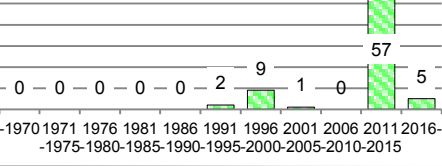
Philippines (n = 103)



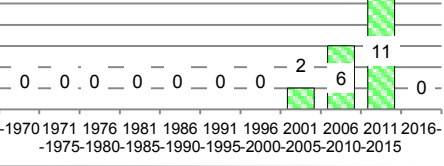
Cambodia (n = 91)



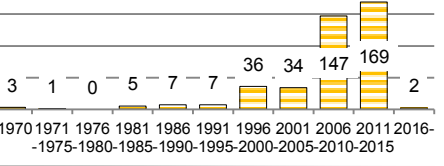
Myanmar (n = 74)



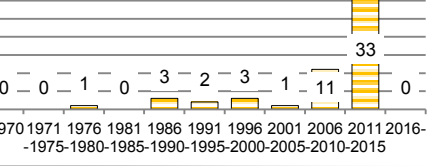
Laos (n = 19)



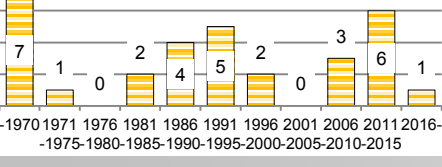
India (n = 411)



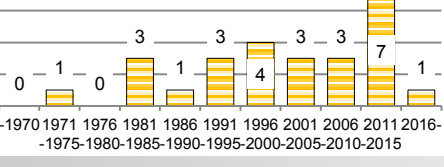
Bangladesh (n = 54)



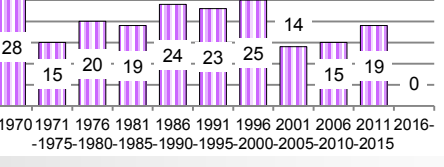
Pakistan (n = 31)



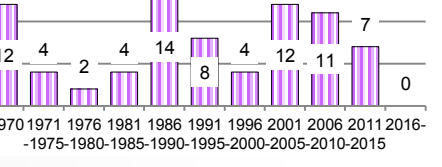
Sri Lanka (n = 26)



Australia (n = 202)



New Zealand (n = 78)



Key Points (1)

Results of JETRO's 2016 Survey on Business Conditions of Japanese Companies in Asia and Oceania

Recovery of business confidence in 2016, expectation for expansion in 2017

1. Increased operating profits for 2016 expected by 42.9%, business confidence in emerging countries improving (Refer to pages 13, 14, 16 and 17)

Regarding the operating profit forecast for 2017 as well as that for 2016, over 40% of companies expect an increase. Companies predicting a downturn for 2017 came to 11.1%, a decrease of 13 points from the outlook for 2016 (24.1%). The diffusion index (DI) in 2017—the proportion of businesses reporting increased operating profits minus those reporting decreased operating profits compared to the previous year—marked 36.0 points, a 17.3-point increase compared with 2016. Among reasons for improvement, “sales increase in local markets” ranked first, followed by “improvement of production efficiency” and “sales increase due to export expansion.” Looking at the results by country and region, all countries except Laos saw an improvement of business confidence. In emerging countries such as Myanmar, Cambodia Bangladesh, India and Vietnam, the DI exceeded 50 points, indicating a significant improvement in business confidence.

2. Low intention to expand business in China and Southeast Asia likely to bottom out, continue decreasing in Southwest Asia (Refer to pages 18 and 20)

Among respondents, 52.2% expect to expand business in the next one or two years, a 1.0-point increase from the 51.2% marked in the 2015 survey. Looking at the results by country and region, companies in China answering with “expansion” was 40.1% (up 2.0 points), while those answering with “reduction” was 5.3% (down 3.5 points). The rate of “expansion” in China rose for the first time in three years. In Southeast Asia, the response rate for “expansion” rose to 55.4% (up 1.2 points), indicating a recovery. Comparing the rate of “expansion” between Southeast Asia and China, Southeast Asia has consistently come out on top since 2012 when China showed a sudden decline, and the gap was 15.3 points in 2016. By country, strong intentions of expanding business were especially seen in Myanmar (79.7%), Cambodia (72.5%), Pakistan (71.0%) and India (70.7%).

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

Companies expecting operating profits for 2016 to be a surplus accounted for 62.8%, a 0.6-point increase from the 62.2% marked in the 2015 survey. Those expecting a deficit came to 21.8%, a 1.0-point decrease from the 22.8% in the 2015 survey. Looking at the rate of companies expecting a surplus by country and region, Korea (81.0%) and the Philippines (77.5%) marked the highest, closely followed by Taiwan, New Zealand and Australia. Meanwhile, the rate was below 40% in countries where many companies have comparatively shorter operational histories such as Myanmar (25.7%), Cambodia (30.3%) and Bangladesh (35.2%).

Key Points (2)

4. Rate of increasing wages biggest operational issue, but year-on-year rise coming to end (Refer to pages 30, 31, 60 and 61)

Among operational issues, increased wages was the most commonly cited at 65.3%. Indonesia (82.2%) ranked first overtaking China (77.8%), followed by Vietnam (75.5%) and Myanmar (75.3%). Regarding the average rate of increase in wages for all industries on a year-on-year basis for 2016, a 10-percent level growth was recorded in the following four countries: Pakistan, Myanmar, Indonesia and India. Meanwhile, the rate for China has been slowing down by single digits since 2013 and is predicted to decline to 5.7% in 2017. Among almost all countries and regions, the rate of increase in wages is expected to be smaller than results in the recent past.

5. Local procurement rate in Vietnam increases significantly, while that in China approaches 70% (Refer to pages 42, 44, 45, 46 and 50)

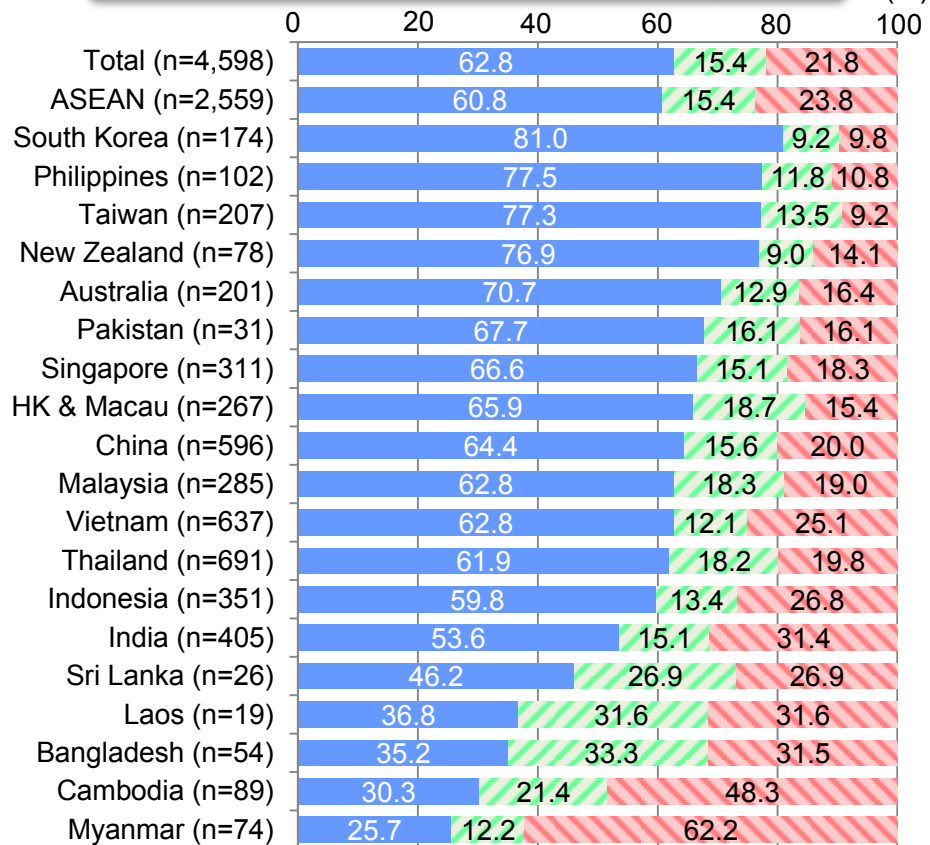
Material costs accounted for approximately 60% of production costs. When asked about how they planned to reduce material cost, 72.0% of companies answered with “raising the local procurement.” Looking at the results by country and region, China’s local procurement rate (67.8%) was the highest (58.3% in 2010), especially for motor vehicles/motorcycles, which came to 72.3%. The local procurement rate in China, Thailand, India, Vietnam and the Philippines increased compared to their levels in 2010, with significant growth in Vietnam. Meanwhile, looking at the results of ASEAN major countries, Thailand, Indonesia, Malaysia, Vietnam and the Philippines saw an increase in rate of procurement from China compared to 2010. With the exception of Indonesia and Malaysia, all of these countries also saw a decrease in procurement from Japan.

6. Regarding impact of TPP on operation (Refer to pages 57, 58 and 59)

When companies located in Trans-Pacific Partnership (TPP) countries were asked about the impact if the TPP came into force, 22.9% answered that they would be affected while 22.0% said they would feel no impact. While the rates of both sides were almost the same level, over half of companies answered with “not sure.” Among TPP countries and regions, Vietnam and Malaysia had the highest rates of those expecting an impact, while Singapore and Oceania had the highest rates of those expecting none. Looking at the results among all countries and regions by industry, a higher proportion of companies expected to be affected in the fields of food, textiles and transport, while those in precision machinery, motor vehicles/motorcycles, electric machinery and communication/software tended to anticipate no impact. Those in the category of finance/insurance had high rates of both answers. Companies in TPP countries were more likely to expect a positive impact on export, sales and production than those in non-TPP countries. Companies in non-TPP countries such as China, Taiwan and Thailand largely anticipated a negative impact from the TPP.

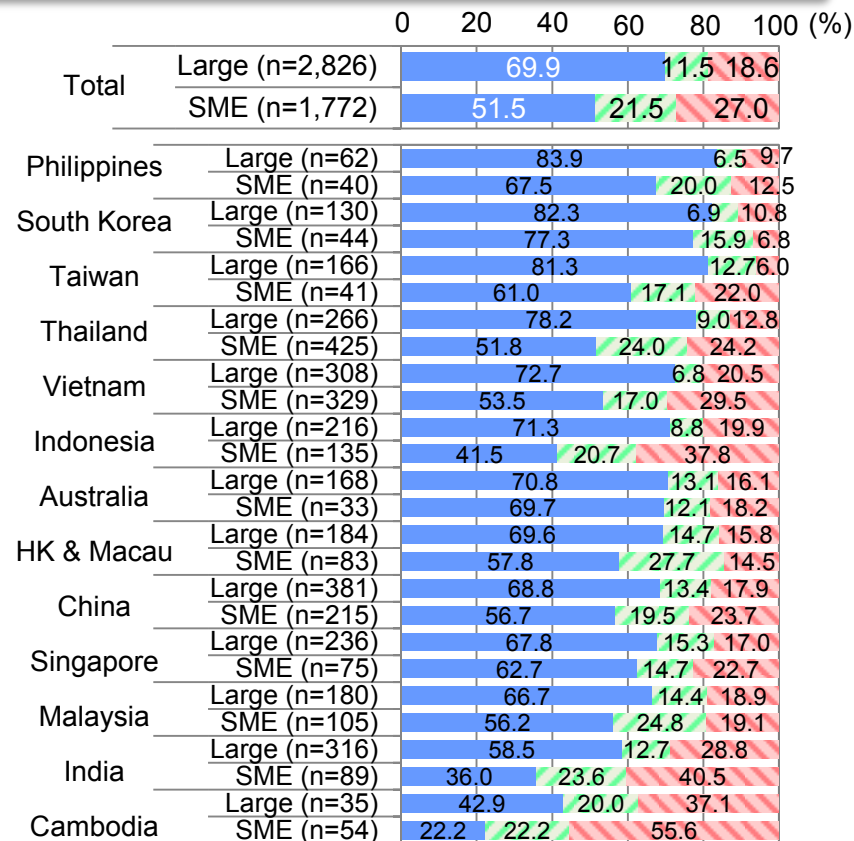
1. Operating Profit Forecast (1)

Operating profit forecast for 2016 (by country/region)



■ Profit ■ Breakeven ■ Loss

Operating profit forecast for 2016 (by country/region and company size)



Note: Countries/regions for which n for Large/SME ≥ 30

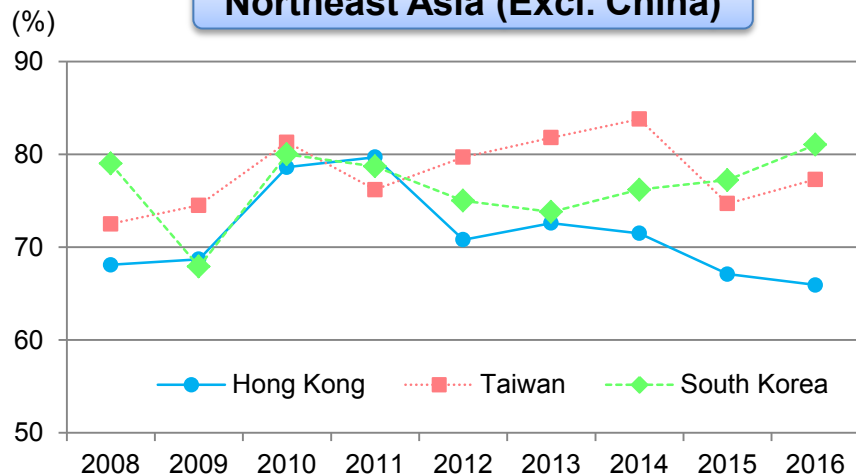
■ Profit ■ Breakeven ■ Loss

- A total of 62.8% of the firms expect operating "Profit" for 2016, up 0.6 percentage points (pp) from 62.2% in 2015; in contrast, 21.8% of the firms expect operating "Loss," down 1.0 pp from 22.8% in 2015.
- By country/region, the proportion of firms expecting operating profit was the highest in South Korea at 81.0%, followed by the Philippines, Taiwan, New Zealand and Australia at over 70%, respectively.
- A total of 69.9% of the large enterprises expect operating profit, which was higher than 51.5% of the SMEs by 18.4 pp. The proportion of positive forecasts was higher among large enterprises than SMEs in all the 13 countries/regions with valid responses from more than 30 companies. In particular, the proportion of profitable firms was higher among large enterprises than SMEs by over 20 pp in Taiwan, Thailand, Indonesia, India and Cambodia.

1. Operating Profit Forecast (2)

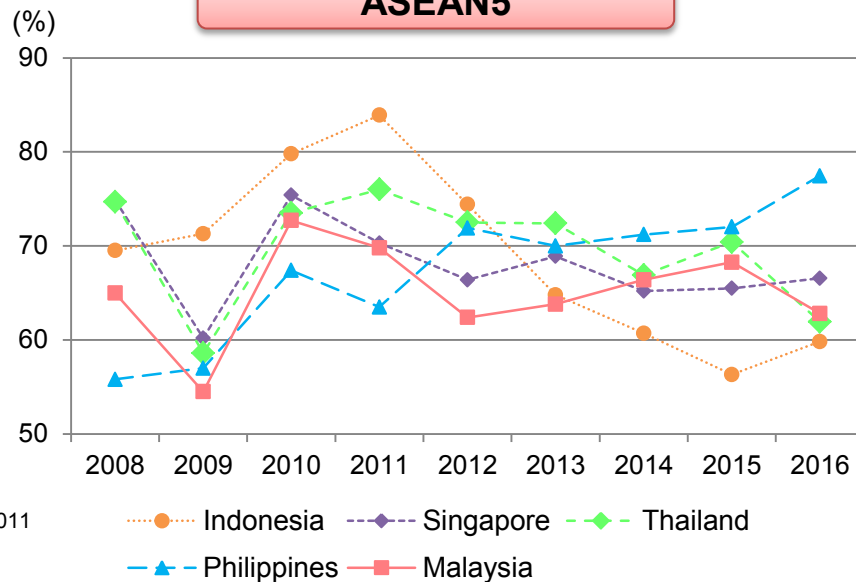
Proportion of profitable firms - 2008 to 2016 (by country/region)

Northeast Asia (Excl. China)

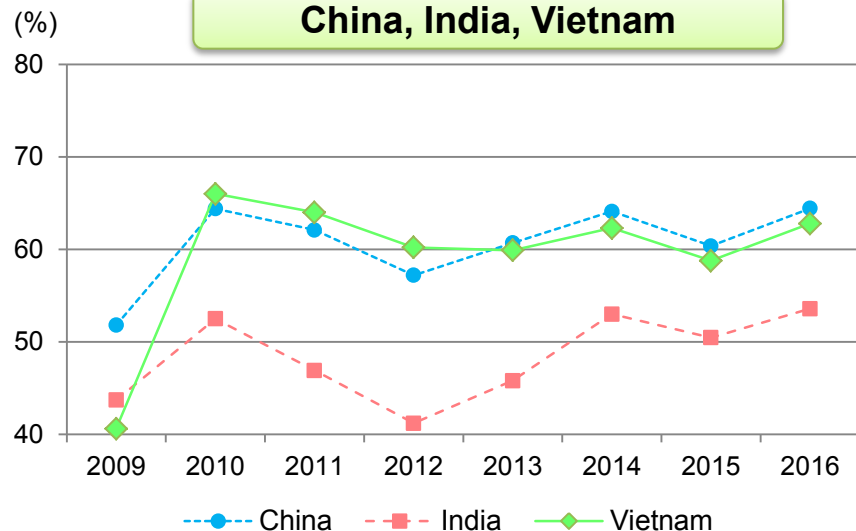


Note: Hong Kong includes Macao from 2011

ASEAN5



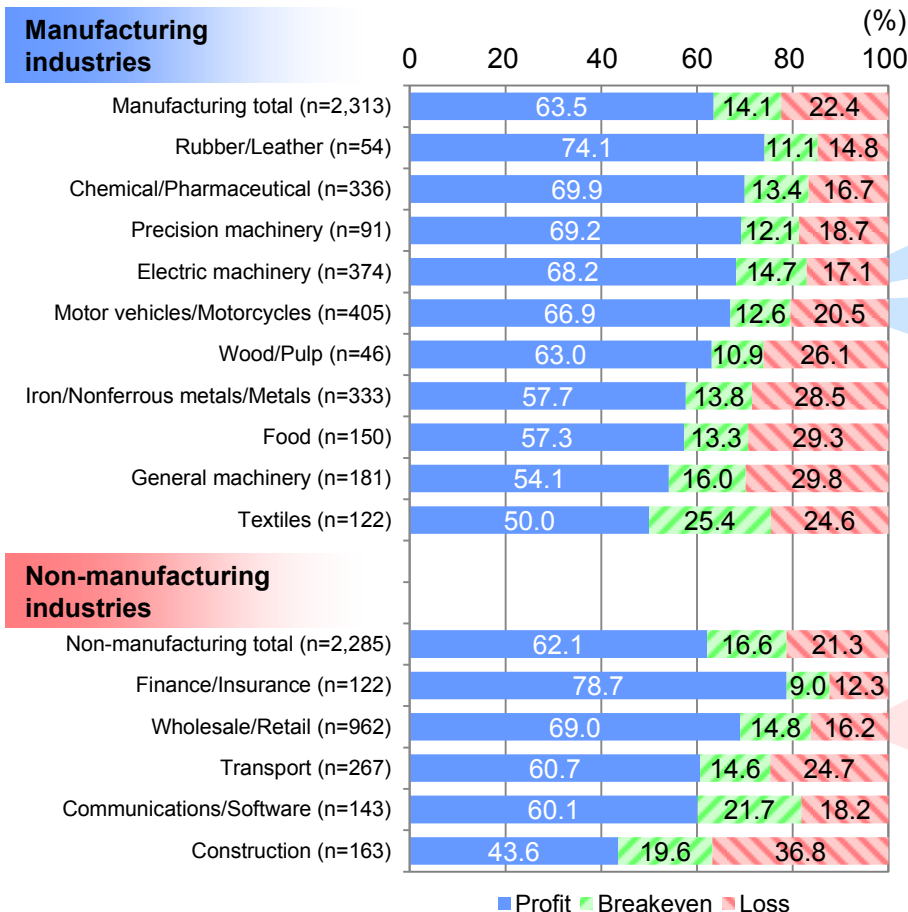
China, India, Vietnam



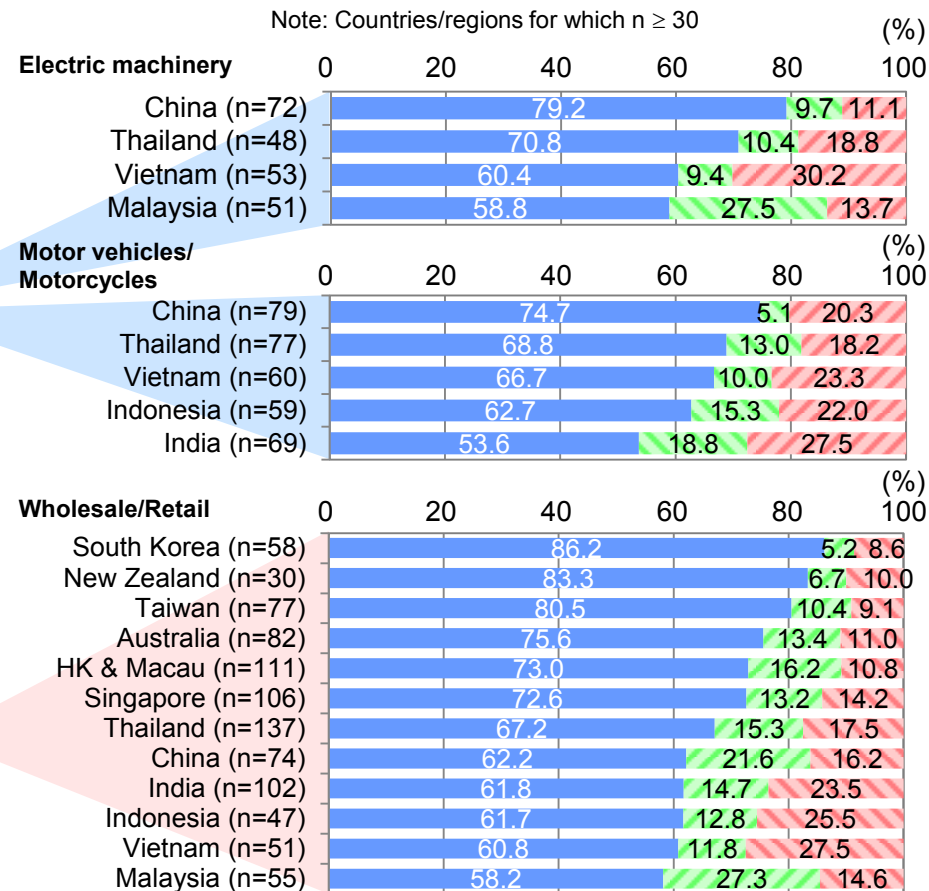
- In Northeast Asia (excluding China), the proportion of profitable firms increased in Taiwan and South Korea, although the proportion decreased from 2015 in Hong Kong.
- In ASEAN5, the proportion of profitable firms increased in the Philippines, Singapore and Indonesia. The proportion was highest at 77.5% in the Philippines, which was the only country in which the proportion of profitable firms exceeded 70%. The proportion decreased from 2015 in Thailand and Malaysia.
- The proportion of profitable firms increased from 2015 in China (64.4%, up 4.0 pp), India (53.6%, up 3.1 pp), and Vietnam (62.8%, up 4.0 pp).

1. Operating Profit Forecast (3)

Operating profit forecast for 2016 (by industry)



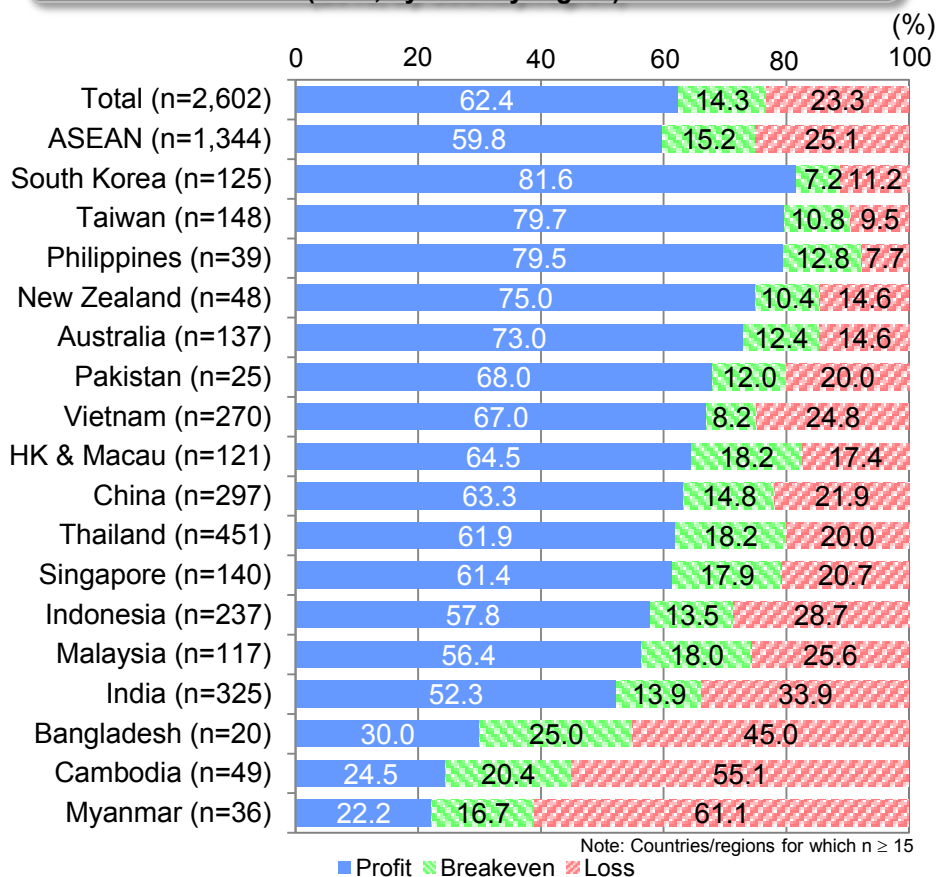
Major industry categories by country and region



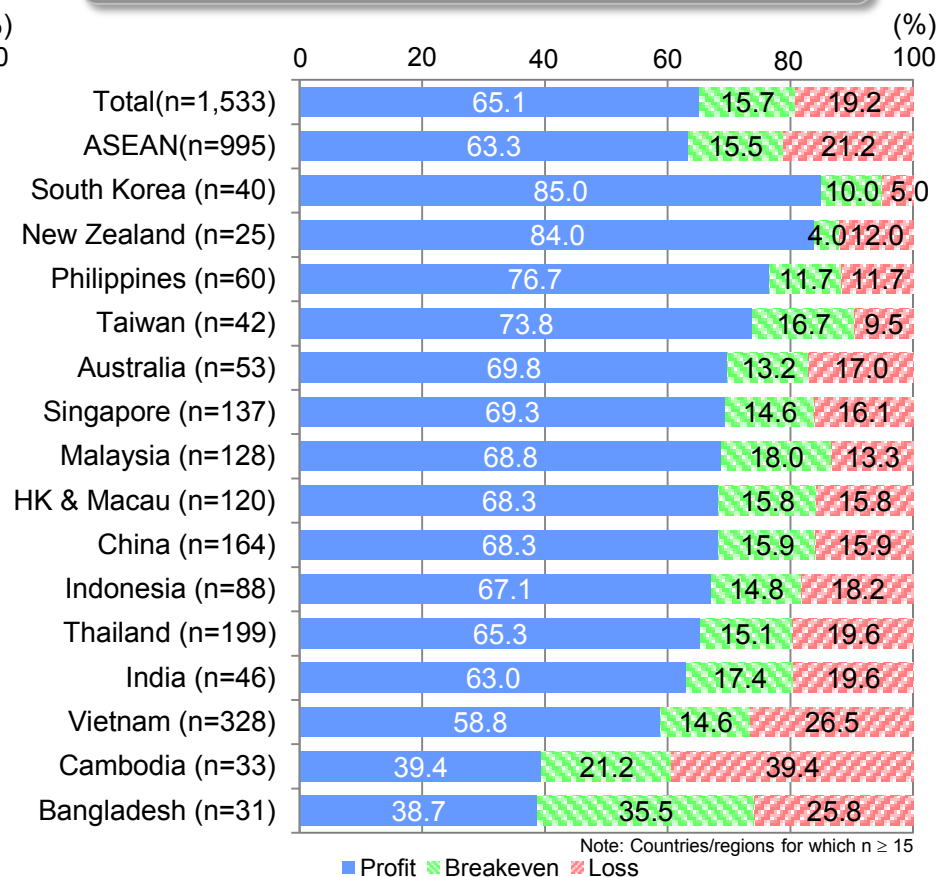
- The proportion of firms expecting operating profit for 2016 was higher in the manufacturing sector (63.5%) than the non-manufacturing sector (62.1%). In comparison with the 2015 survey (manufacturing: 62.6 %; non-manufacturing: 61.7%), the proportion increased by 0.9 pp in the manufacturing sector and by 0.4 pp in the non-manufacturing sector.
- In the non-manufacturing sector, the proportion of profitable firms was particularly high in the finance/insurance industry (78.7%).
- The trends by country/region of the three industries with the largest number of valid responses are as follows. In the Electric machinery industry, operating profit is expected by 79.2% of the firms in China and by 70.8% of the firms in Thailand. In the Motor vehicle/Motorcycle industry, operating profit is expected by 74.7% of the firms in China and by 68.8% of the firms in Thailand. In Wholesale/Retail, the proportion of profitable firms is the highest in South Korea at 86.2%, followed by New Zealand and Taiwan at over 80%, respectively.

1. Operating Profit Forecast (4)

Operating profit forecast (domestic sales-oriented firms with export ratio < 50%) (2016, by country/region)



Operating profit forecast (export-oriented firms with export ratio ≥ 50%) (2016, by country/region)

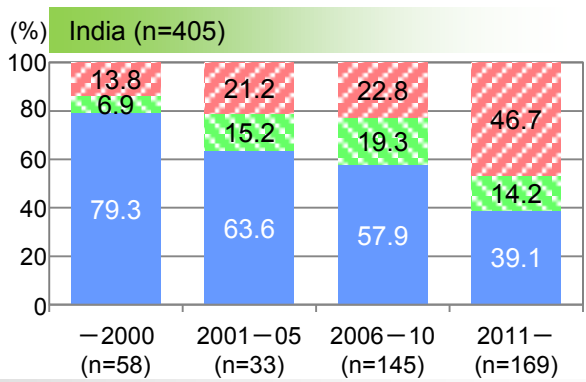
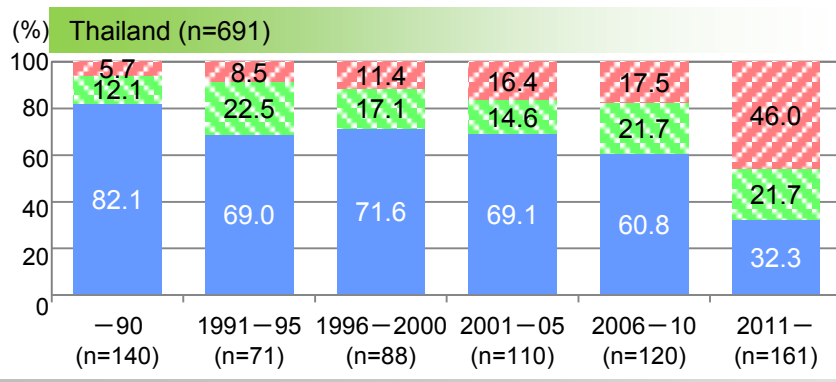
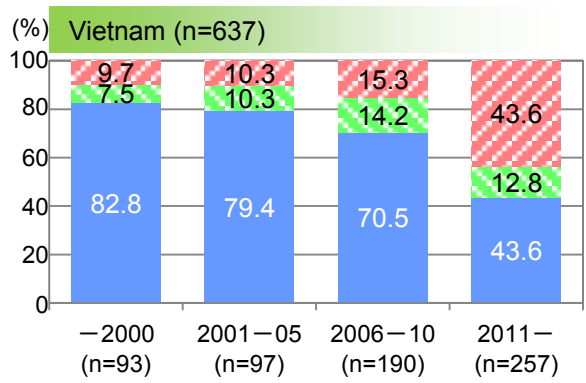
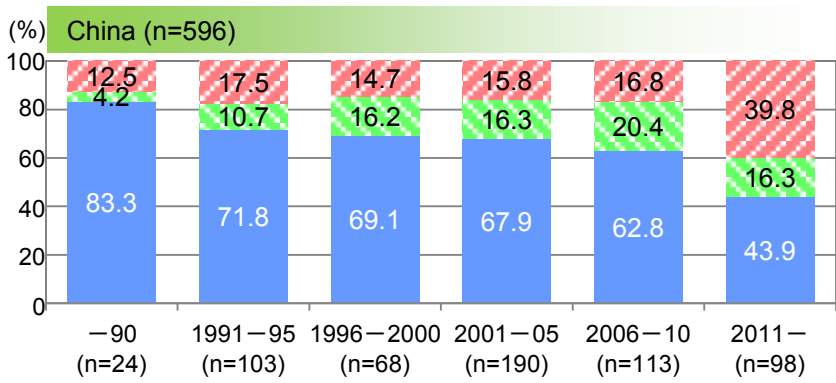
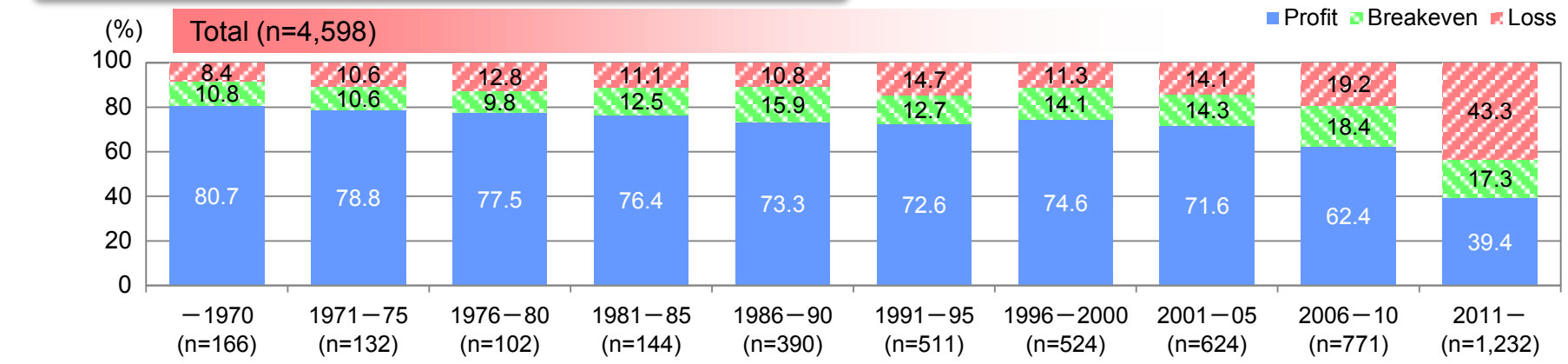


- The proportion of positive operating profit (forecast) was 62.4% among domestic sales-oriented firms (less than a 50% export ratio in the operating country/region), while the proportion was 65.1% among export-oriented firms (50% or larger export ratio in the operating country/region). The proportion was about the same as 2015 (62.7%) for domestic sales-oriented firms, while the proportion increased from 2015 (62.0%) for export-oriented firms.
- In Cambodia, Malaysia and India, the proportion was higher among export-oriented firms than domestic sales-oriented firms by over 10 pp. On the other hand, of ASEAN countries, Vietnam and the Philippines were the countries in which the proportion was higher among domestic sales-oriented firms than export-oriented firms.
- In South Korea, Taiwan, the Philippines and New Zealand, the proportion was high among both domestic sales-oriented firms and export-oriented firms.



1. Operating Profit Forecast (5)

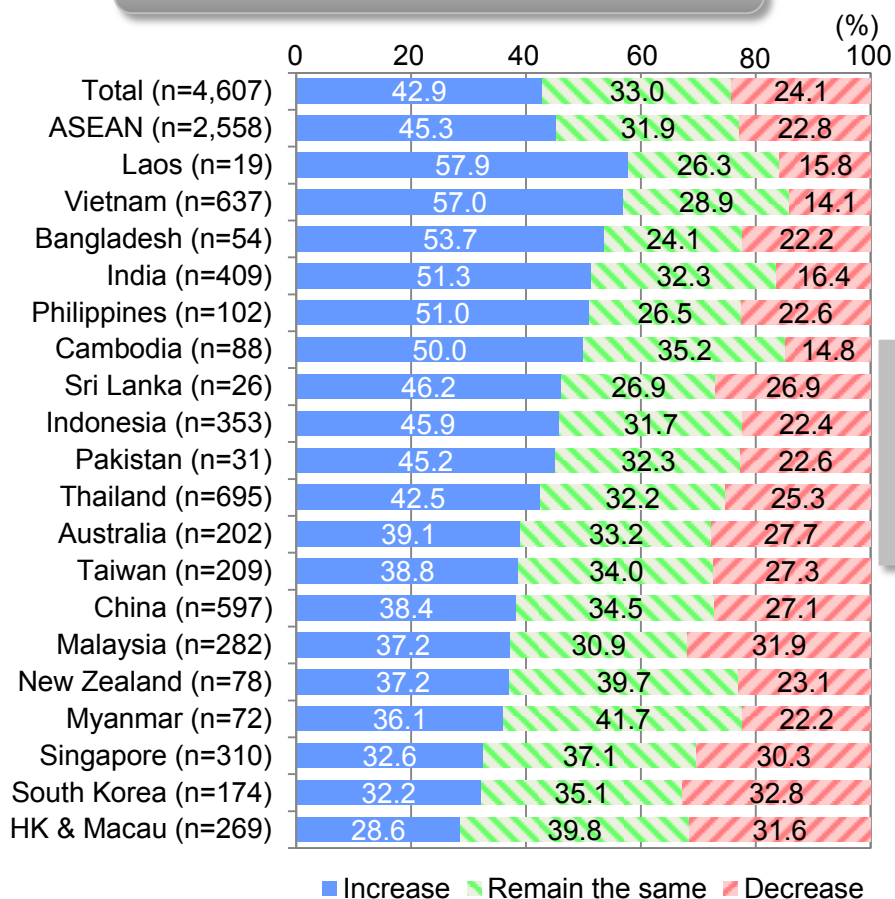
Operating profit forecast for 2016 (by year of establishment)



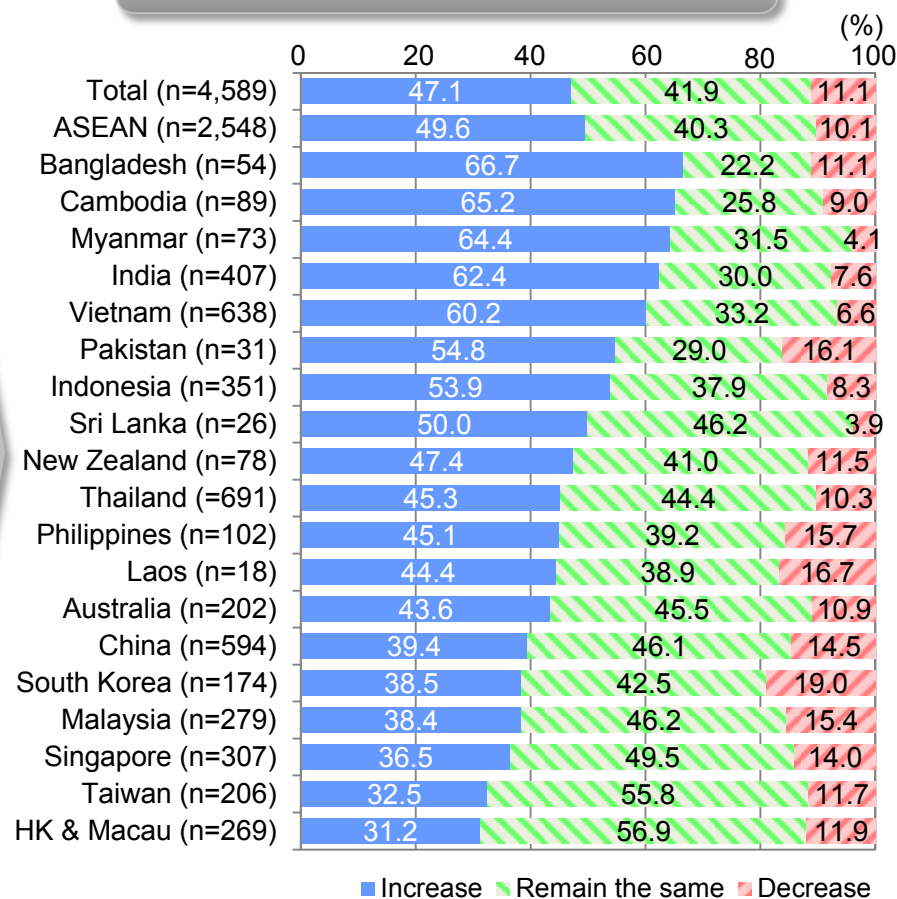
- By year of establishment, firms established in an earlier year are more likely to expect operating profit for 2016.
- A total of 43.3% of the firms established in 2011 or later expect operating loss.

1. Operating Profit Forecast (6)

**Operating profit forecast for 2016
(by county/region, comparison with 2015)**



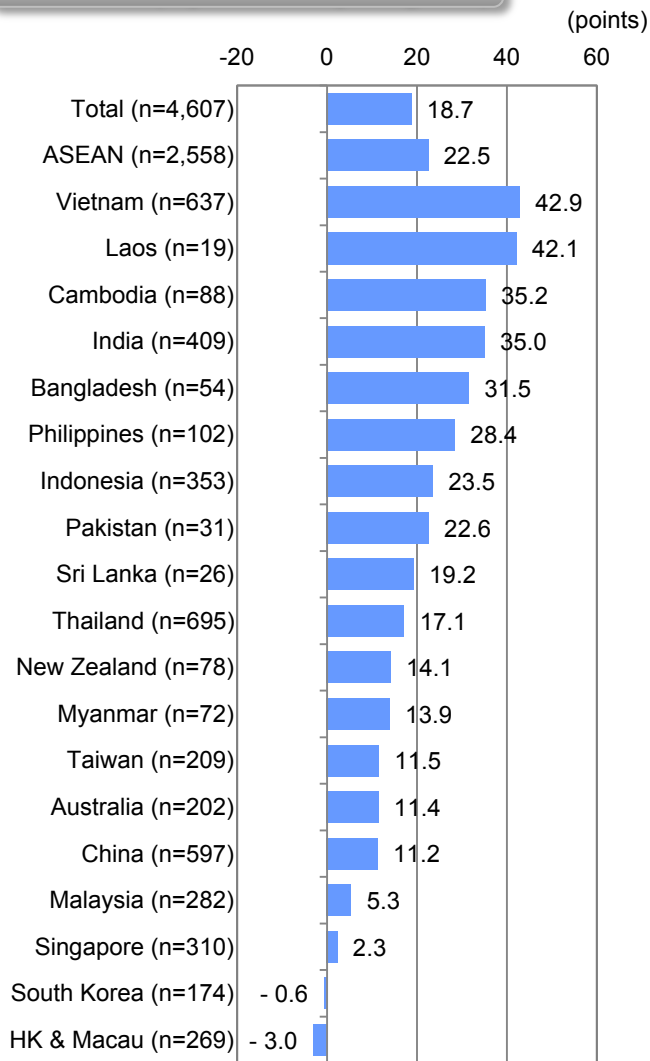
**Operating profit forecast for 2017
(by county/region, comparison with 2016)**



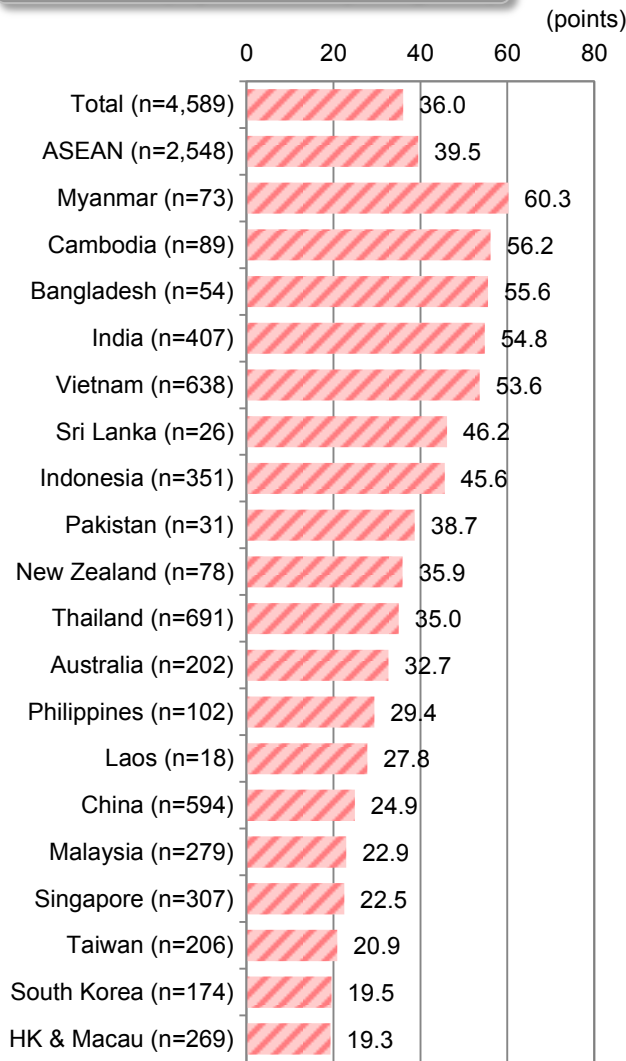
- For 2016, a total of 42.9% of the firms expect an operating profit "Increase" over 2015, up 3.0 pp from 39.9% in the 2015 survey; the proportion of firms expecting an operating profit "Decrease" was 24.1%, down 3.3 pp from the 2015 survey (27.4%).
- A total of 47.1% of the firms expect an "Increase" for 2017, up 2.3 pp from the 2016 forecast (44.8%) in the 2015 survey. Meanwhile, the proportion of firms expecting an operating profit "Decrease" was 11.1%, down 2.2 pp from the 2016 forecast (13.3%) in the 2015 survey.
- In ASEAN, the proportion of firms expecting an "Increase" for 2016 forecast was 45.3% and that for 2017 forecast was 49.6%, both exceeding the overall average.

1. Operating Profit Forecast (7)

2016 DI (by country/region)



2017 DI (by country/region)

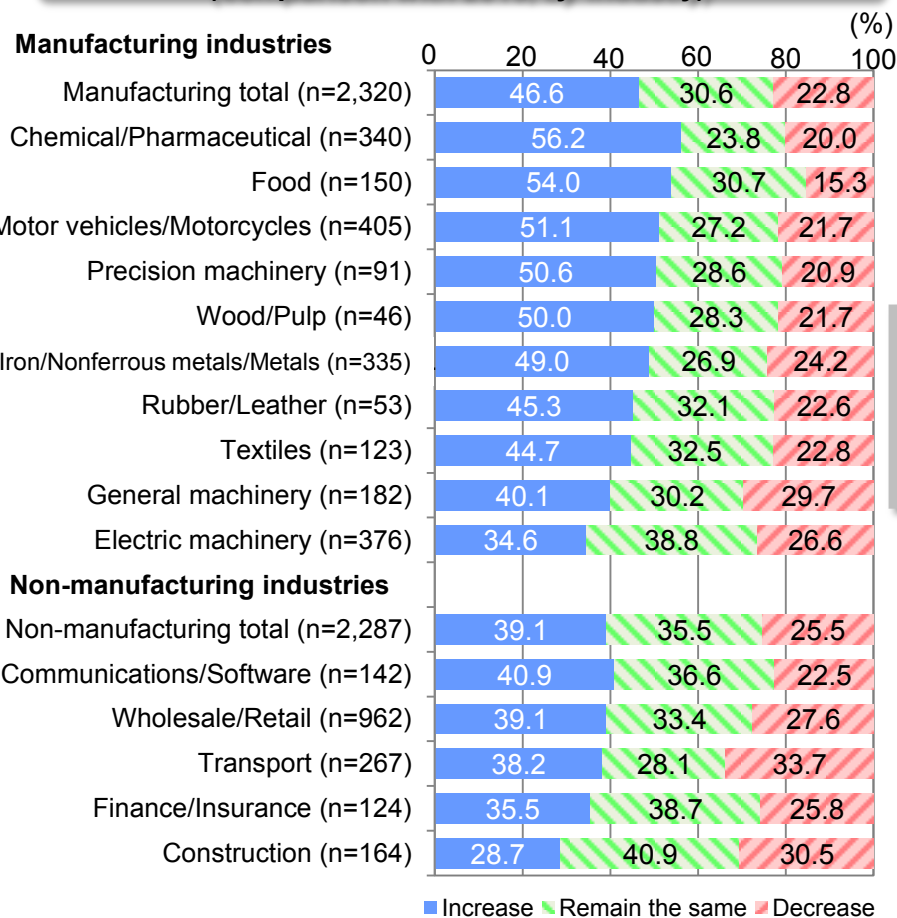


- The DI (see Note), indicating business confidence for 2016 operating profit, was 18.7 points, up 6.2 points from 12.5 points in the 2015 survey. By country/region, the DI was higher in Vietnam, Laos, Cambodia and India.
- The 2017 DI (36.0 points) almost doubled that of 2016. The 2017 DI surpassed that of 2016 in most of the countries/regions.

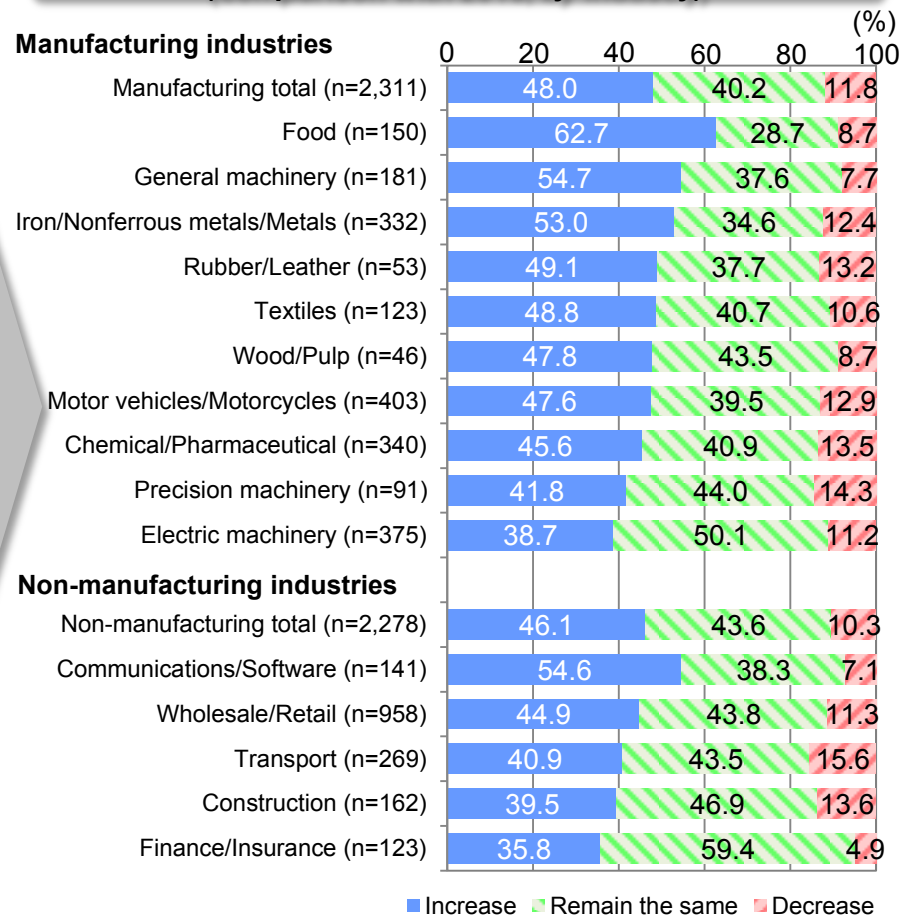
Note: DI is an abbreviation for Diffusion Index, the proportion of firms expecting improvement minus the proportion of firms expecting worsening. This figure reflects changes in business confidence.

1. Operating Profit Forecast (8)

Operating profit forecast for 2016
(comparison with 2015, by industry)



Operating profit forecast for 2017
(comparison with 2016, by industry)

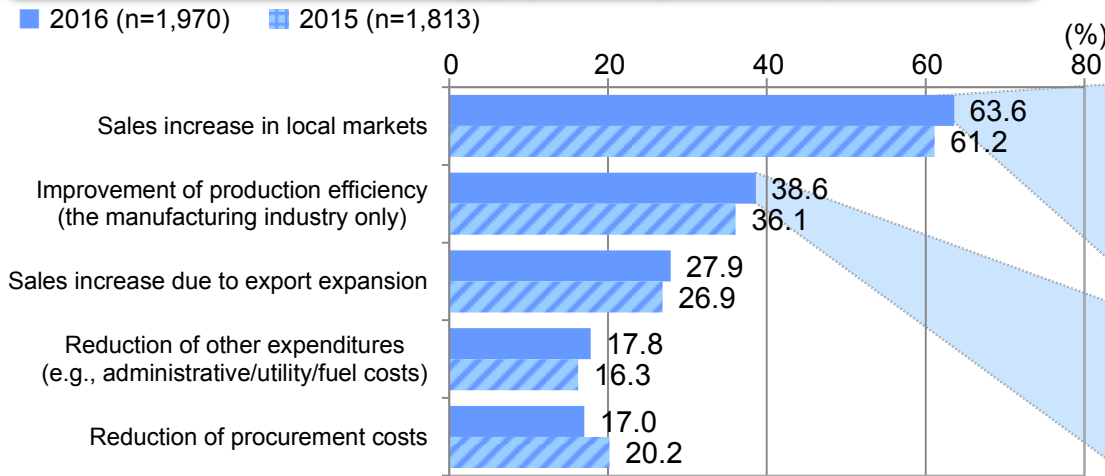


- Compared with the 2015 survey, the proportion of firms expecting an operating profit "Increase" for 2016 increased in both the manufacturing sector (41.6% ⇒ 46.6%) and the non-manufacturing sector (37.9% ⇒ 39.1%).
- The proportion of firms expecting an operating profit "Increase" for 2017 increased in both the manufacturing sector (48.0%) and the non-manufacturing sector (46.1%).



1. Operating Profit Forecast (9)

Reasons for increased operating profits forecast for 2016 (comparison with the reasons for the increase forecast for 2015 cited in the 2015 survey) (top 5, multiple answers)

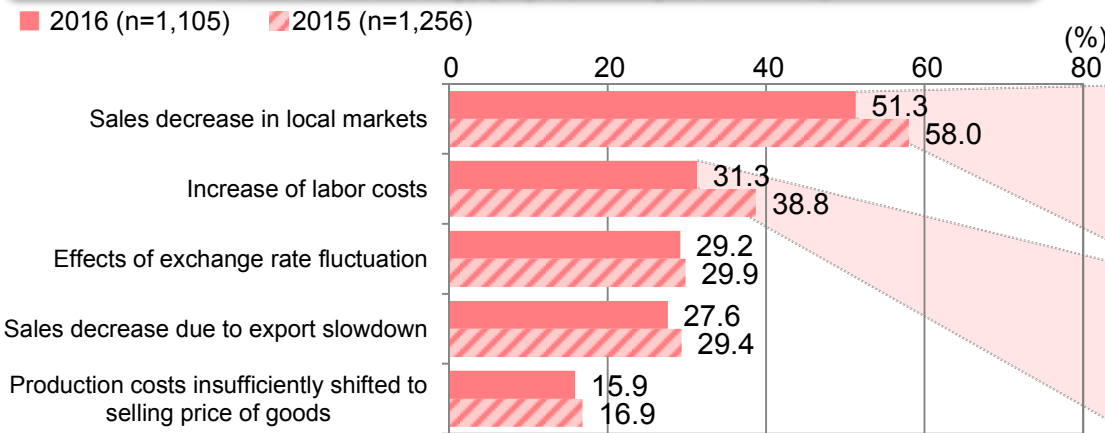


Response rate by country/region and industry (top 5)

Country/region	Industry category
India (83.3%) Indonesia (75.3%) Taiwan (72.8%) South Korea (71.4%) Australia (63.3%)	Construction (74.5%) Wholesale/Retail (73.6%) Food (71.6%) Motor vehicles/Motorcycles (66.7%) Chemical/Pharmaceutical (62.6%)
Thailand (46.5%) China (43.0%) Vietnam (40.8%) Indonesia (39.5%) India (38.9%)	Textiles (58.2%) Motor vehicles/Motorcycles (50.2%) Electric machinery (39.8%) Chemical/Pharmaceutical (34.2%) Iron/Nonferrous metals/Metals (34.2%)

Note: Countries/regions and industry categories for which n ≥ 30

Reasons for decreased operating profits forecast for 2016 (comparison with the reasons for the decrease forecast for 2015 cited in the 2015 survey) (top 5, multiple answers)



Country/region **Industry category**

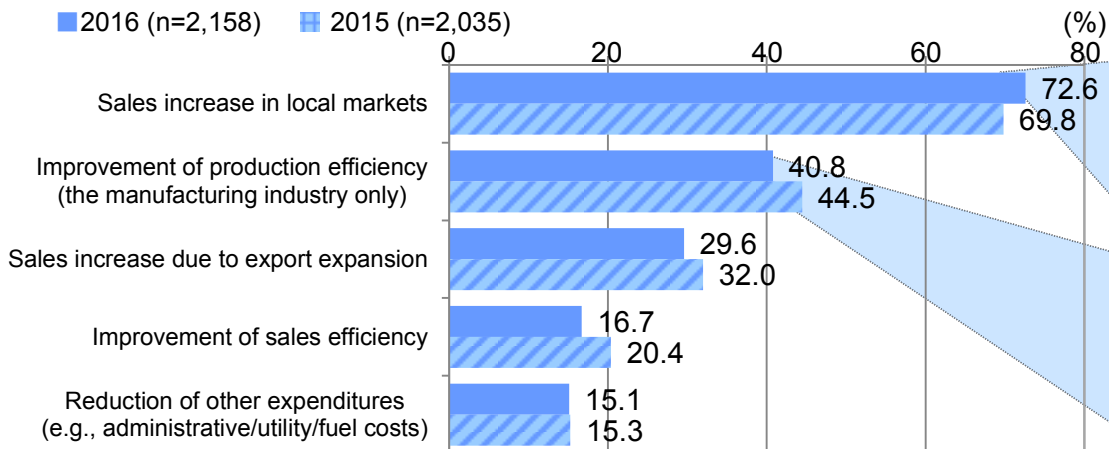
South Korea (70.2%) Indonesia (62.0%) Singapore (60.6%) Thailand (59.0%) Taiwan (57.9%)	Construction (75.5%) General machinery (64.8%) Wholesale/Retail (61.1%) Chemical/Pharmaceutical (50.0%) Motor vehicles/Motorcycles (50.0%)
Cambodia (53.9%) Indonesia (50.6%) China (49.1%) Vietnam (45.6%) Myanmar (43.8%)	Wood/Pulp (60.0%) Textiles (53.6%) Motor vehicles/Motorcycles (47.7%) Food (43.5%) Rubber/Leather (41.7%)

Note: Countries/regions and industry categories for which n ≥ 10



1. Operating Profit Forecast (10)

**Reasons for increased operating profits forecast for 2017
(comparison with the reasons for the increase forecast for 2016 cited
in the 2015 survey) (top 5, multiple answers)**

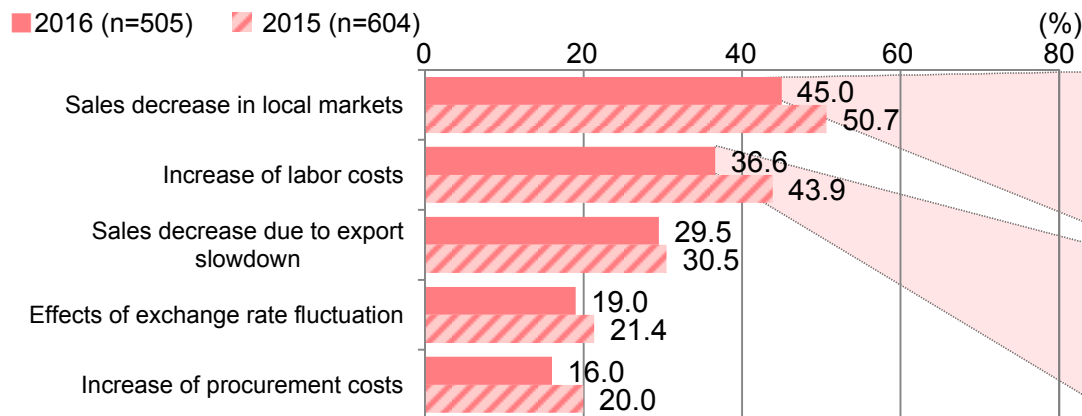


Response rate by country/region and industry (top 5)

Country/region	Industry category
India (86.2%) China (85.0%) Indonesia (82.0%) Myanmar (80.9%) Philippines (76.1%)	Food (83.0%) Wholesale/Retail (81.6%) Motor vehicles/Motorcycles (78.1%) General machinery (75.8%) Construction (75.0%)
Malaysia (45.6%) Vietnam (43.0%) Thailand (41.0%) India (40.8%) South Korea (40.6%)	Textiles (51.7%) Motor vehicles/Motorcycles (45.8%) Electric machinery (43.5%) Food (41.5%) Iron/Nonferrous metals/Metals (40.9%)

Note: Countries/regions and industry categories for which n≥30

**Reasons for decreased operating profits forecast for 2017
(comparison with the reasons for the decrease forecast for 2016 cited
in the 2015 survey) (top 5, multiple answers)**



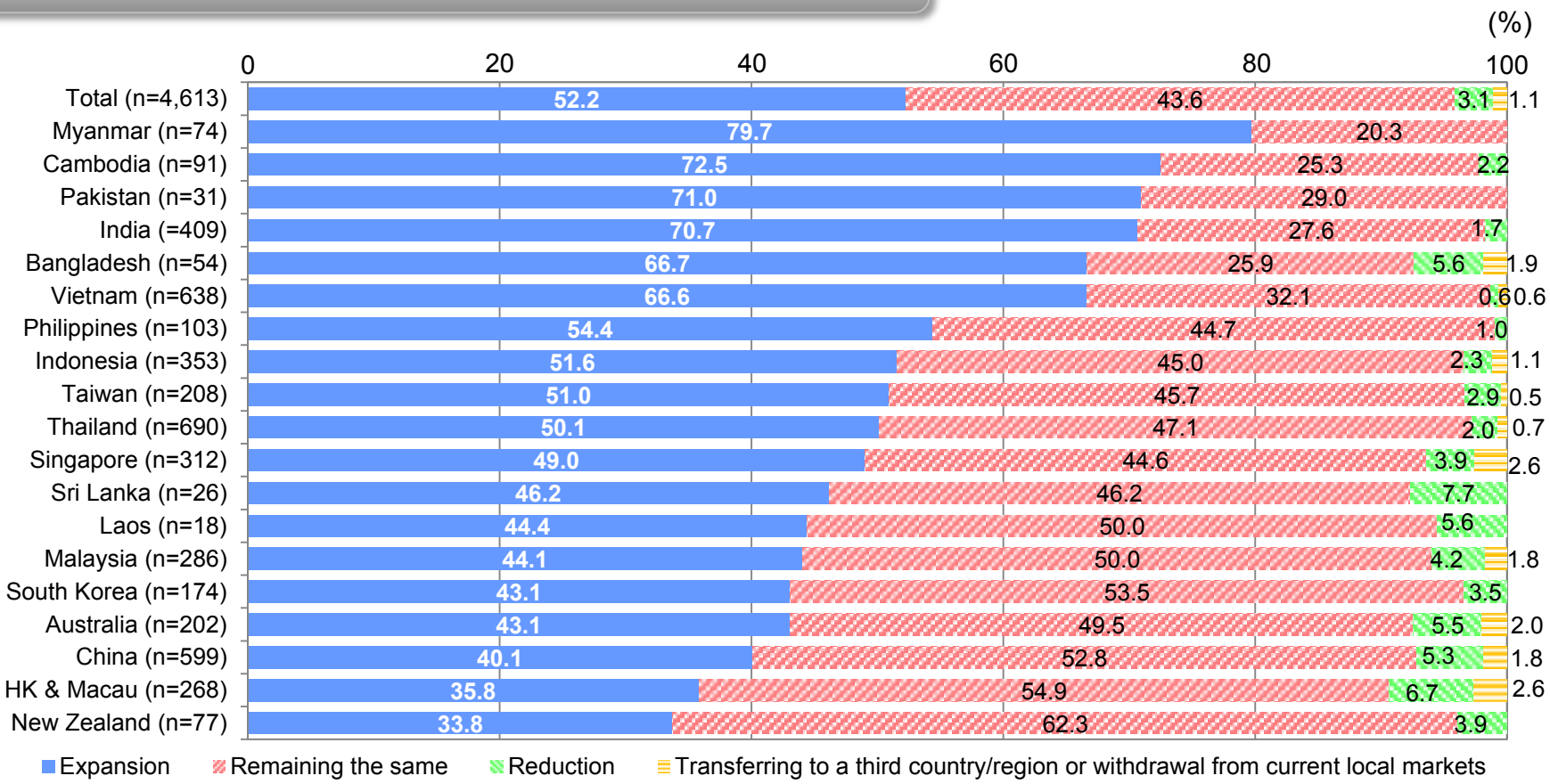
Country/region	Industry category
South Korea (69.7%) India (54.8%) Australia (54.6%) Thailand (54.3%) Taiwan (54.2%)	Construction (90.9%) Wholesale/Retail (58.9%) General machinery (50.0%) Iron/Nonferrous metals/Metals (47.5%) Motor vehicles/Motorcycles (44.2%)
China (57.0%) Indonesia (55.2%) Vietnam (47.6%) Malaysia (40.5%) HK & Macau (37.5%)	Textiles (61.5%) Food (53.9%) Iron/Nonferrous metals/Metals (52.5%) Communications/Software (50.0%) Motor vehicles/Motorcycles (48.1%)

Note: Countries/regions and industry categories for which n≥10



2. Future Business Plan (1)

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



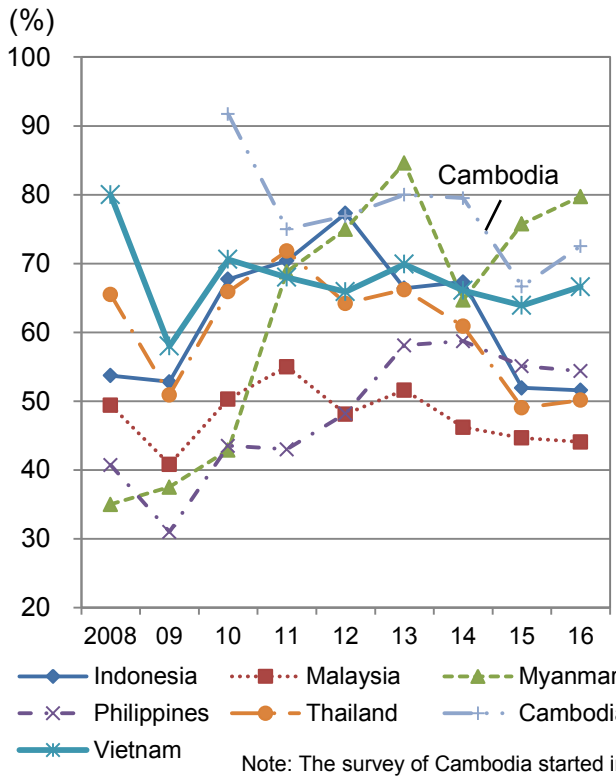
- A total of 52.2% of the firms selected “Expansion” as their approach to future business challenges in the next one or two years, up 1.0 pp from 51.2% in the 2015 survey. In contrast, 4.2% of the firms selected “Reduction” or “Transferring to a third country/region or withdrawal from current local markets,” down 0.7 pp from 4.9% in the 2015 survey.
- By country/region, Myanmar marked the highest proportion of “Expansion” at 79.7%, followed by Cambodia, Pakistan and India at over 70%, respectively.
- In China, 40.1% of the firms selected “Expansion,” up 2.0 pp from the 2015 survey (38.1%).



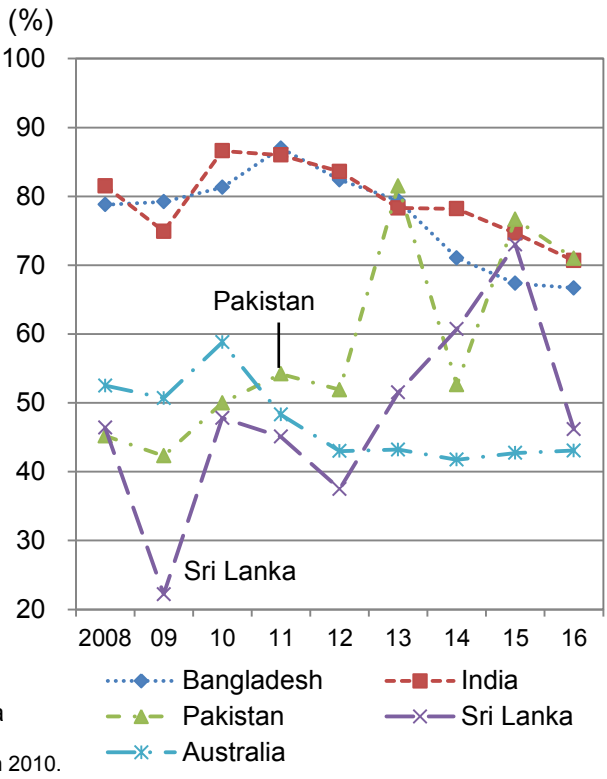
2. Future Business Plan (2)

Proportions of firms expecting to expand in the next 1 to 2 years (2008 to 2016)

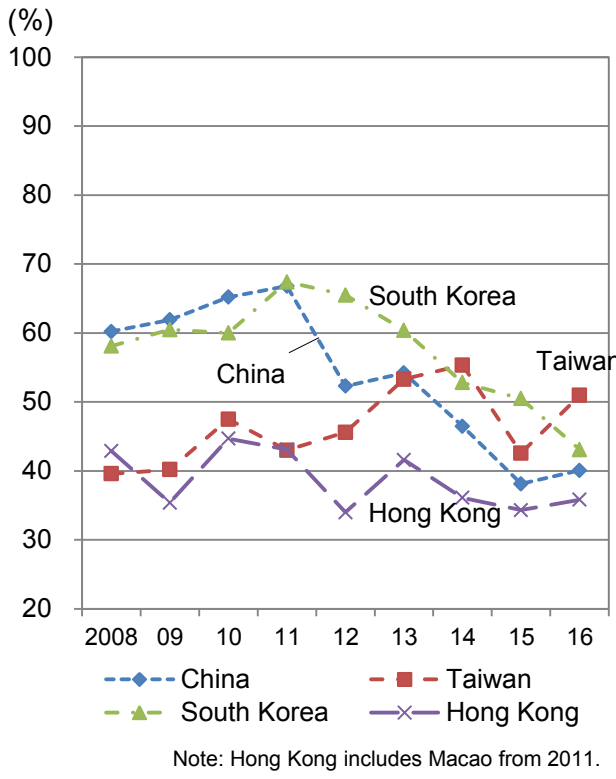
ASEAN



Southwest Asia/Oceania



Northeast Asia

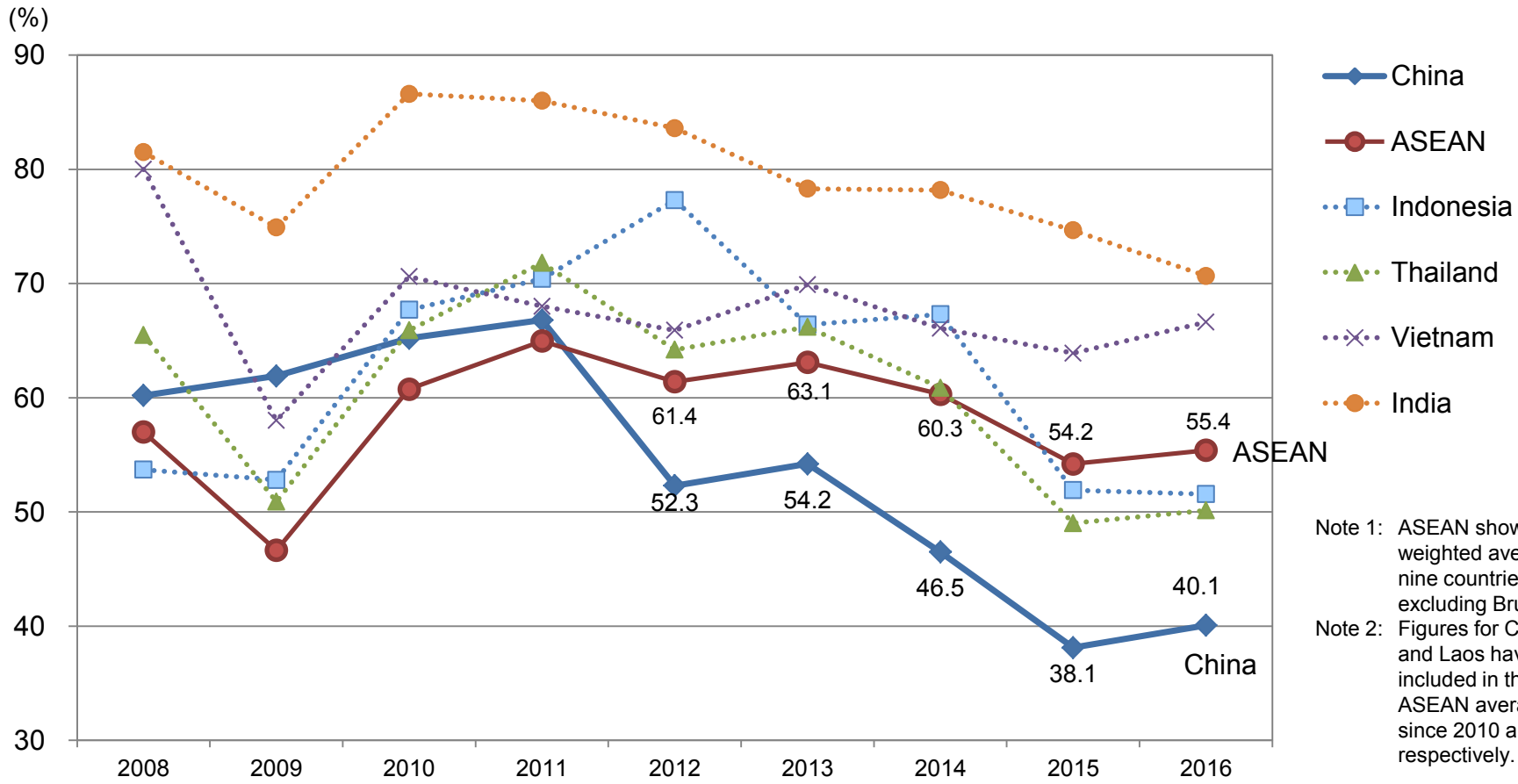


- Reviewing the survey results by country/region from 2008, the proportion of firms that selected “Expansion” as their approach to future business challenges in the next one or two years increased significantly in 2010 when the global economy recovered from the downturn following the Lehman crisis. The proportion of “Expansion” remained generally the same from 2011 to 2013 excluding several countries/regions, and decreased in 2014 and 2015. In 2016, the proportion increased from 2015 in many countries/regions in ASEAN and Northeast Asia.
- In the 2016 survey, the proportion of firms that selected “Expansion” increased from 2015 by over 5.0 pp in Taiwan (8.4 pp) and Cambodia (5.9 pp). On the other hand, the proportion decreased from 2015 by over 5.0 pp in Sri Lanka (-26.8 pp), South Korea (-7.4 pp) and Pakistan (-5.7 pp).



2. Future Business Plan (3)

Proportions of firms expecting to expand in the next 1 to 2 years (2008 to 2016, China and other major countries in Asia)



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

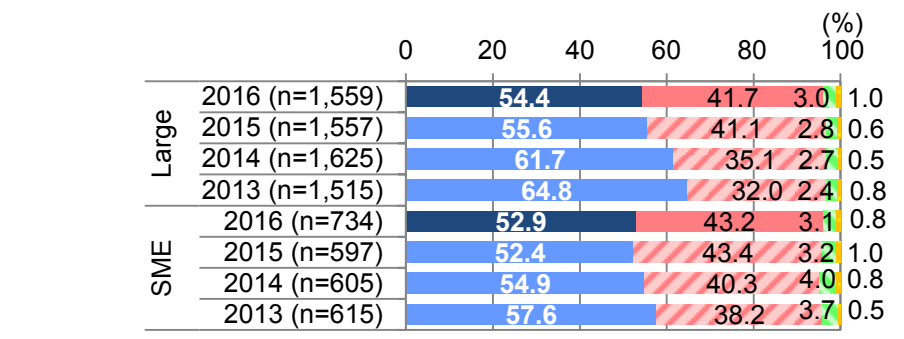
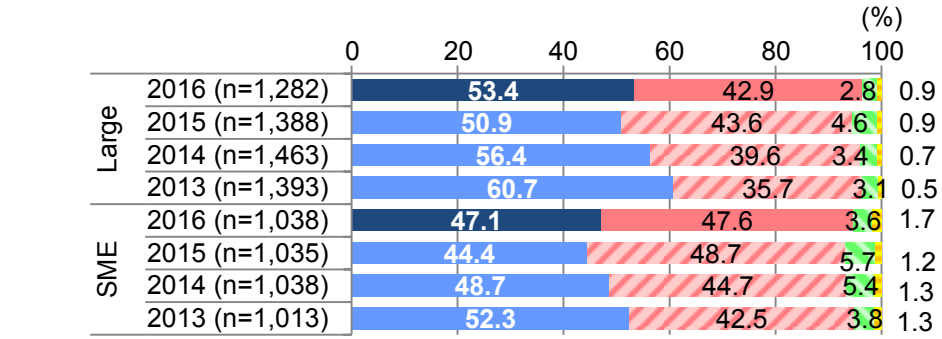
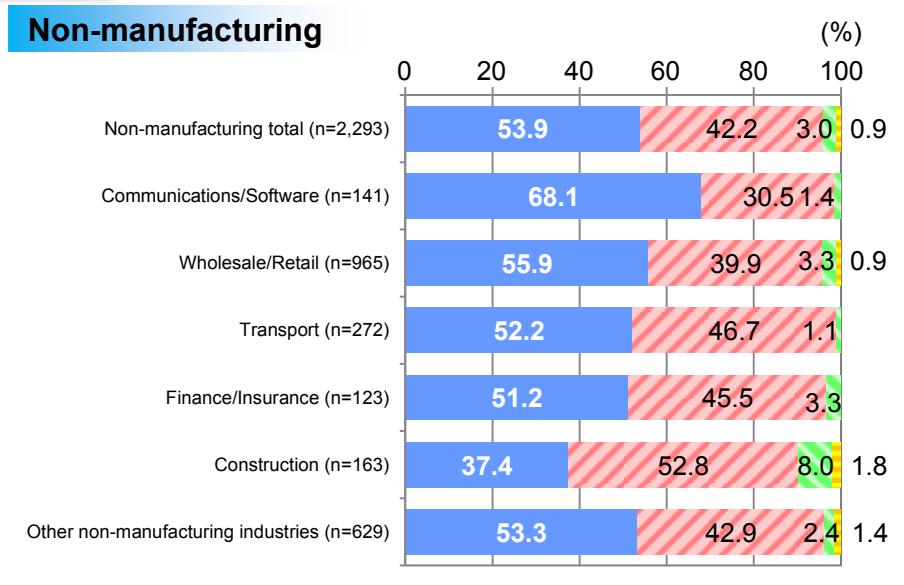
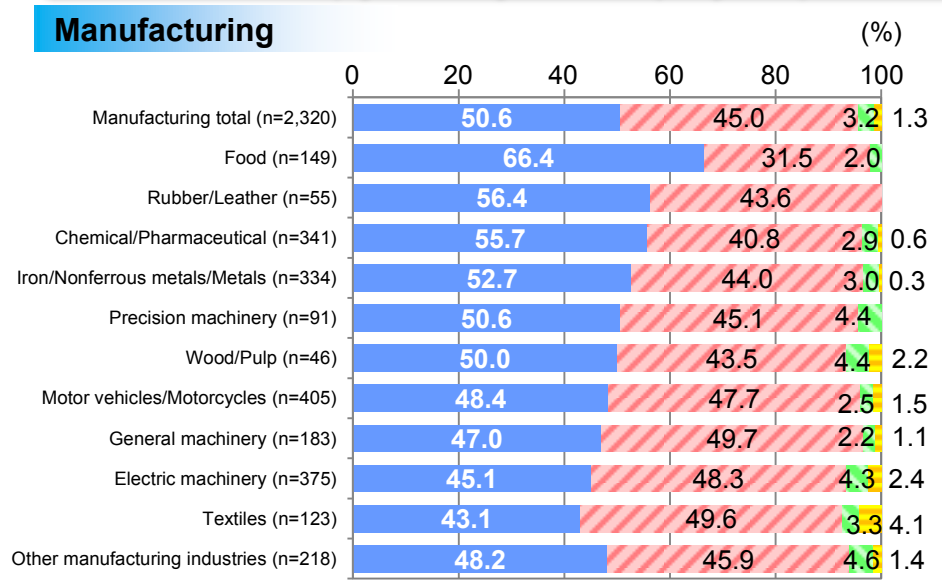
Note 2: Figures for Cambodia and Laos have been included in the ASEAN average since 2010 and 2011, respectively.

● Comparing China with ASEAN, the proportion of firms that selected “Expansion” as their approach to future business challenges in the next one or two years was higher in China from 2008 to 2011. In 2012, however, ASEAN (61.4%) overtook China (52.3%). ASEAN has been higher than China by around 10 pp since 2012. In the 2016 survey, the difference was 15.3 pp.



2. Future Business Plan (4)

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



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

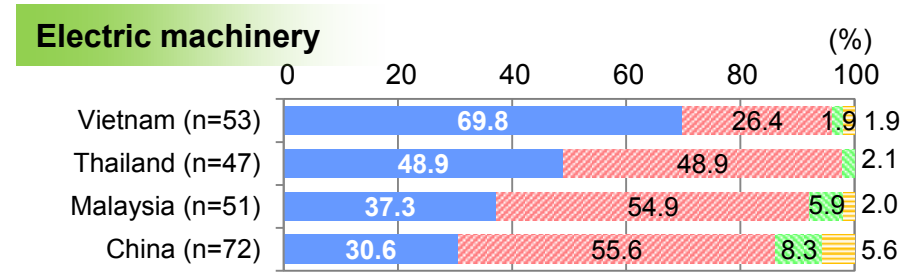
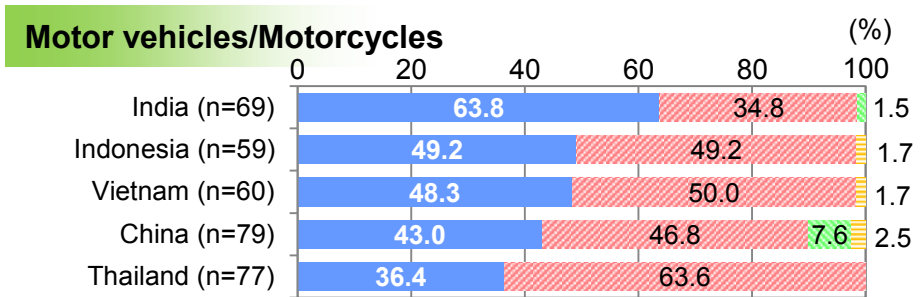
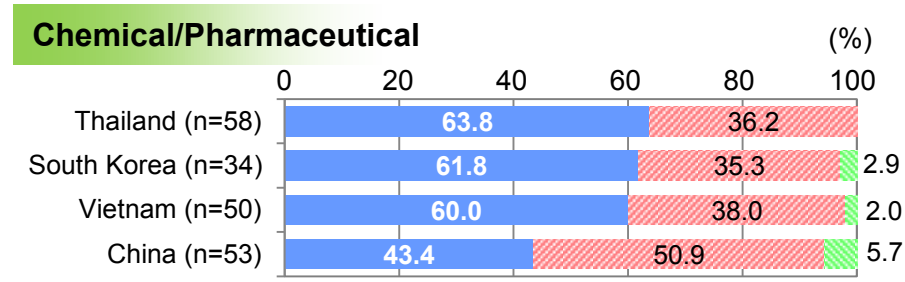
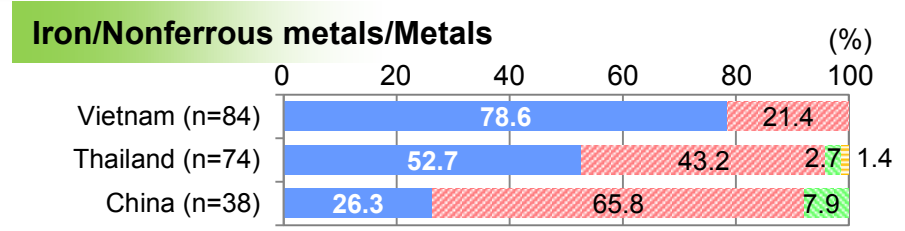
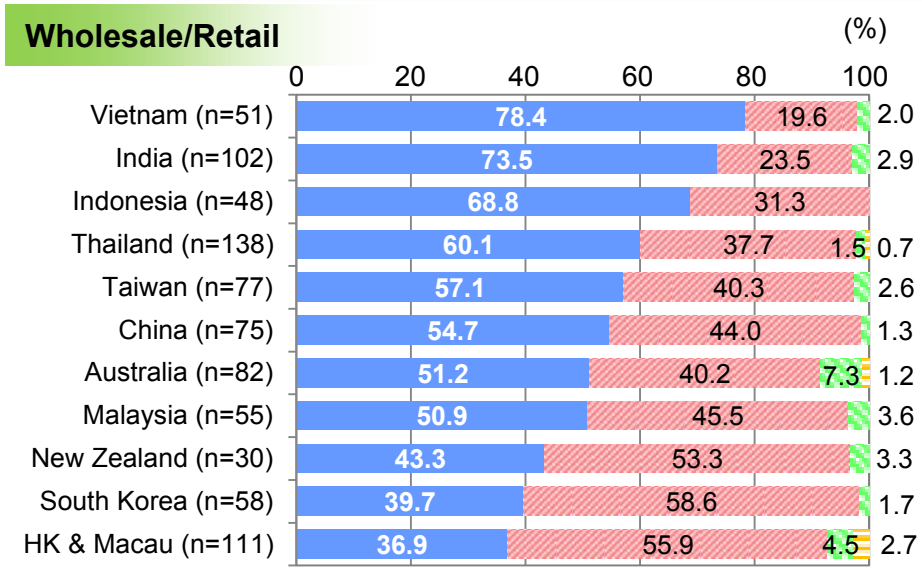
- By industry, the proportion of firms that selected "Expansion" as their approach to future business challenges in the next one or two years was higher in the non-manufacturing (53.9%) than the manufacturing sector (50.6%).
- The proportion of firms that selected "Expansion" was especially high in Food (66.4%) in the manufacturing sector and Communications/Software (68.1%) in the non-manufacturing sector. In Textiles and Construction, on the other hand, the proportion of firms that selected "Expansion" was relatively low, and about 50% of the firms selected "Remaining the same."
- By company size, large enterprises are more likely to expand their businesses than SMEs in both manufacturing and non-manufacturing sectors. Although the proportion of firms selecting "Expansion" decreased in both large enterprises and SMEs for three consecutive years from the 2013 survey, the proportion increased in the 2016 survey except large enterprises in the non-manufacturing sector.



2. Future Business Plan (5)

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

Note: Country/region by industry categories for which n ≥ 30



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

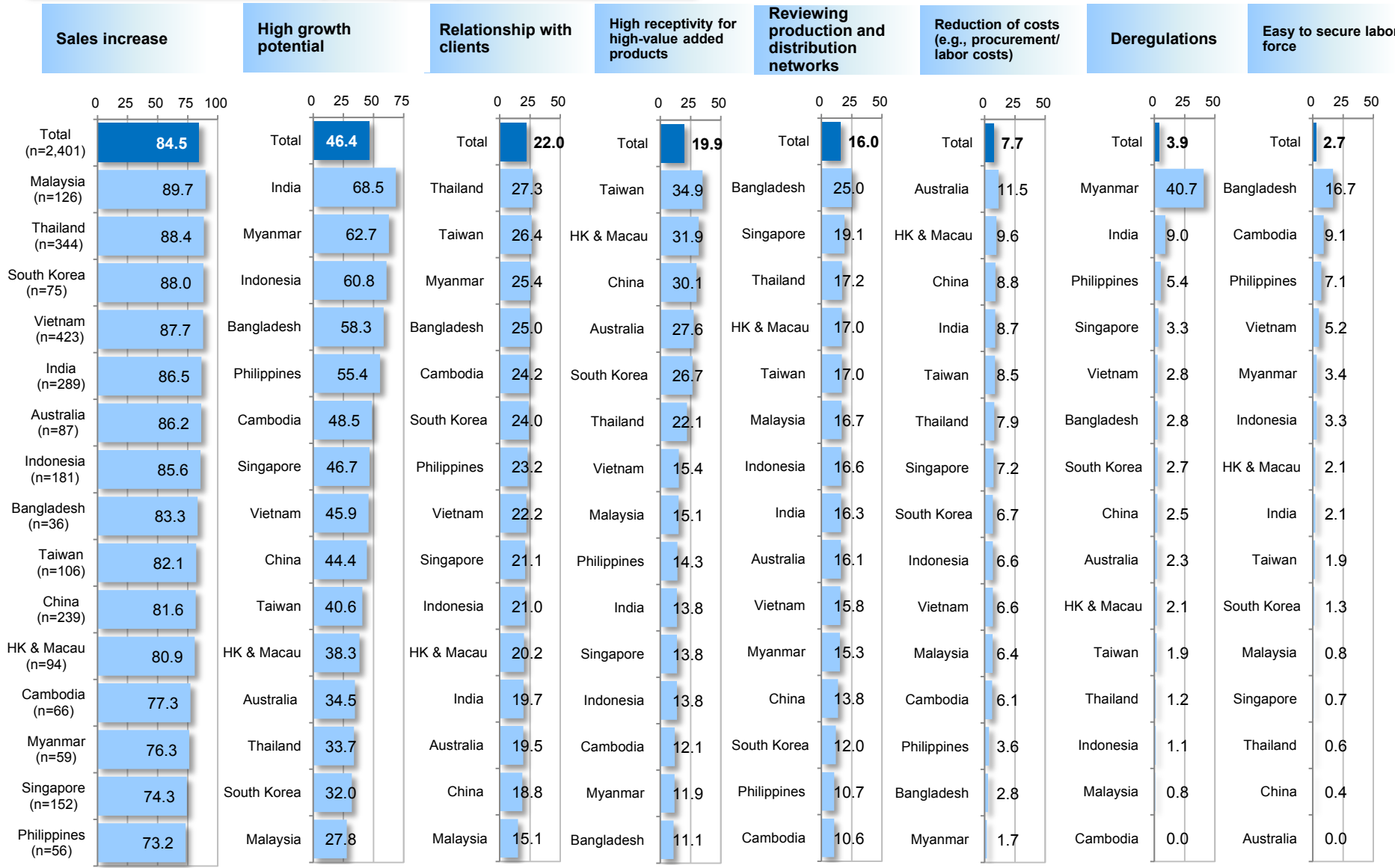
- Comparing major industries in countries/regions with valid responses from more than 30 companies, the proportion of firms that selected “Expansion” as their approach to future business challenges in the next one or two years was high in Wholesale/Retail in Vietnam (78.4%) and India (73.5%). On the other hand, “Remaining the same” exceeded 50% in South Korea, Hong Kong & Macau and New Zealand.
- In the Motor vehicles/Motorcycles industry, the proportion of “Expansion” was high in India (63.8%). In Indonesia, the proportion of “Expansion” increased by more than 10 pp to 49.2% from the 2015 survey (35.4%).
- The proportion of “Expansion” exceeded 60% for all of the Iron/Nonferrous metals/Metals, Chemical/Pharmaceutical, and Electric machinery industries in Vietnam.



2. Future Business Plan (6)

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

Note: Countries/regions for which n ≥ 30 (%)

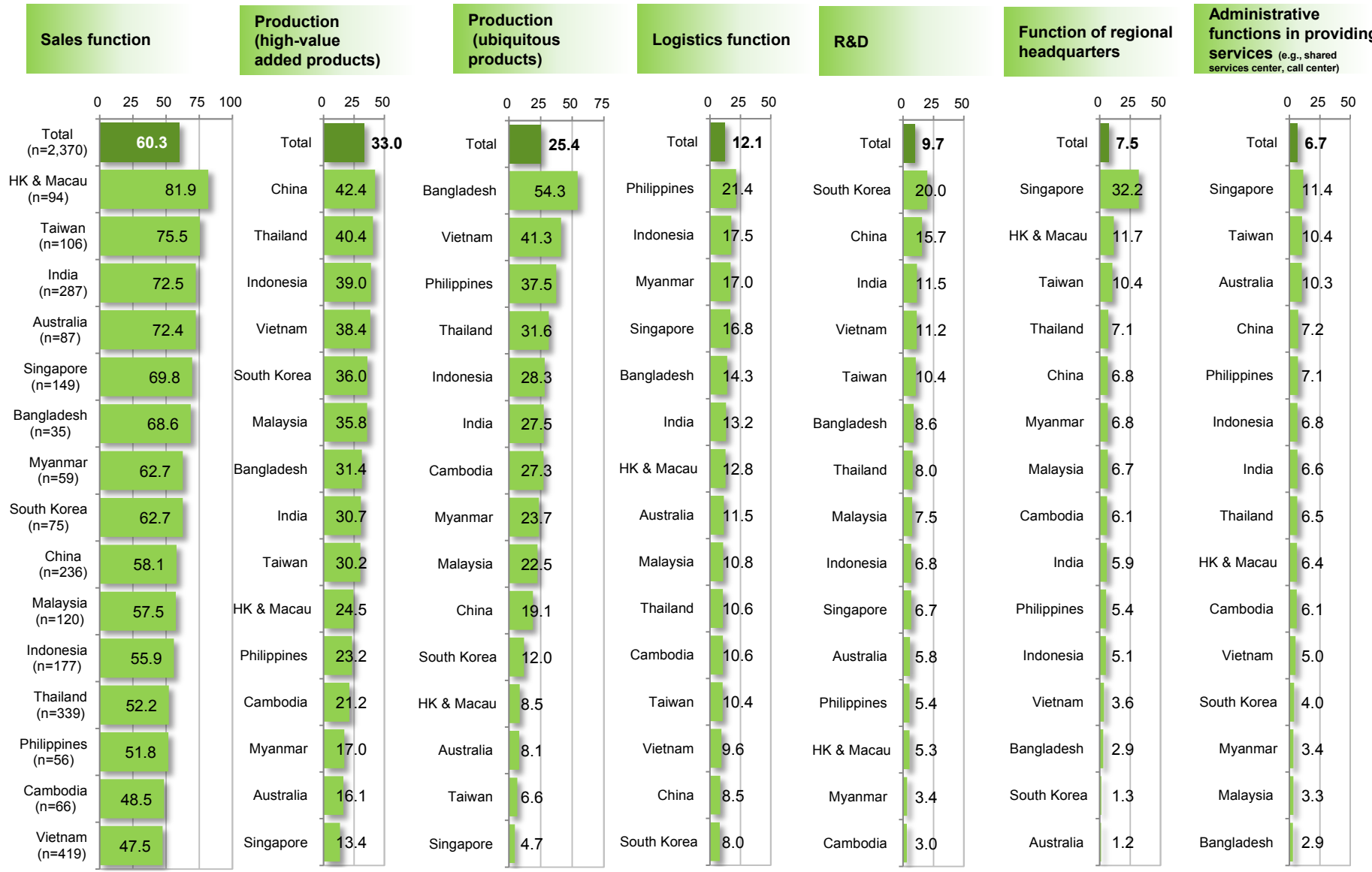




2. Future Business Plan (7)

Functions to expand (multiple answers)

Note: Countries/regions for which n ≥ 30 (%)

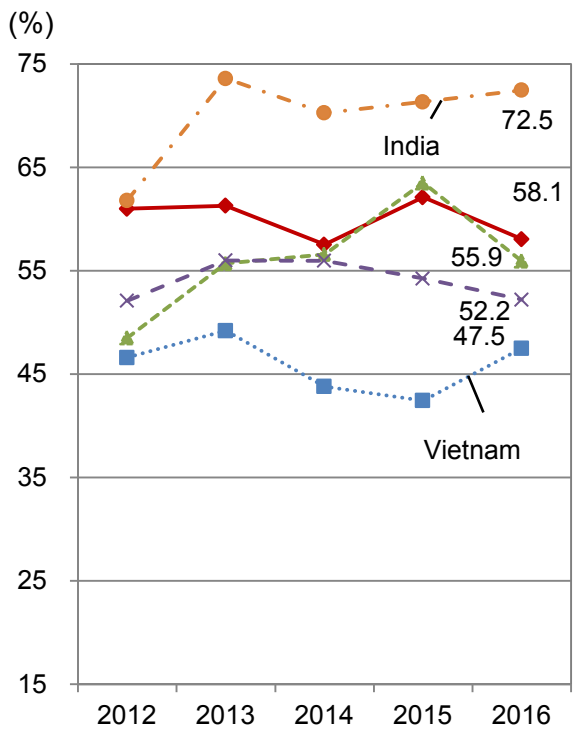




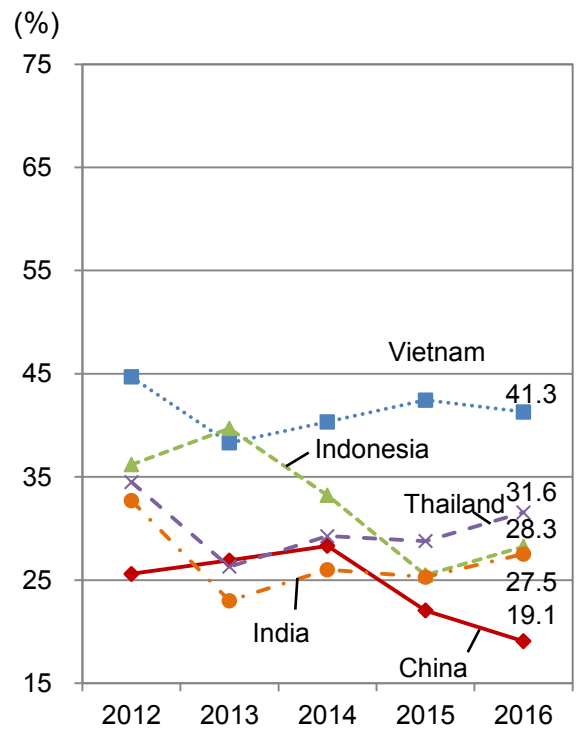
2. Future Business Plan (8)

Functions to be expanded (by country, 2012 to 2016)

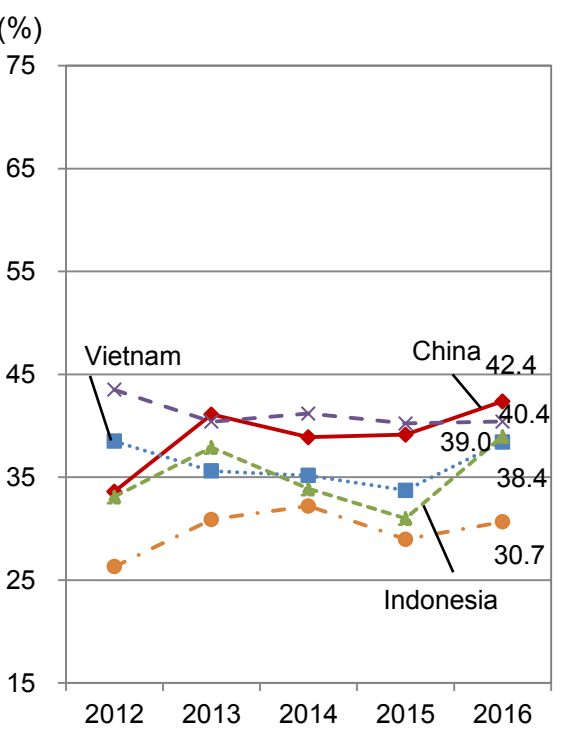
Sales function



Production (ubiquitous products)



Production (high-value added products)

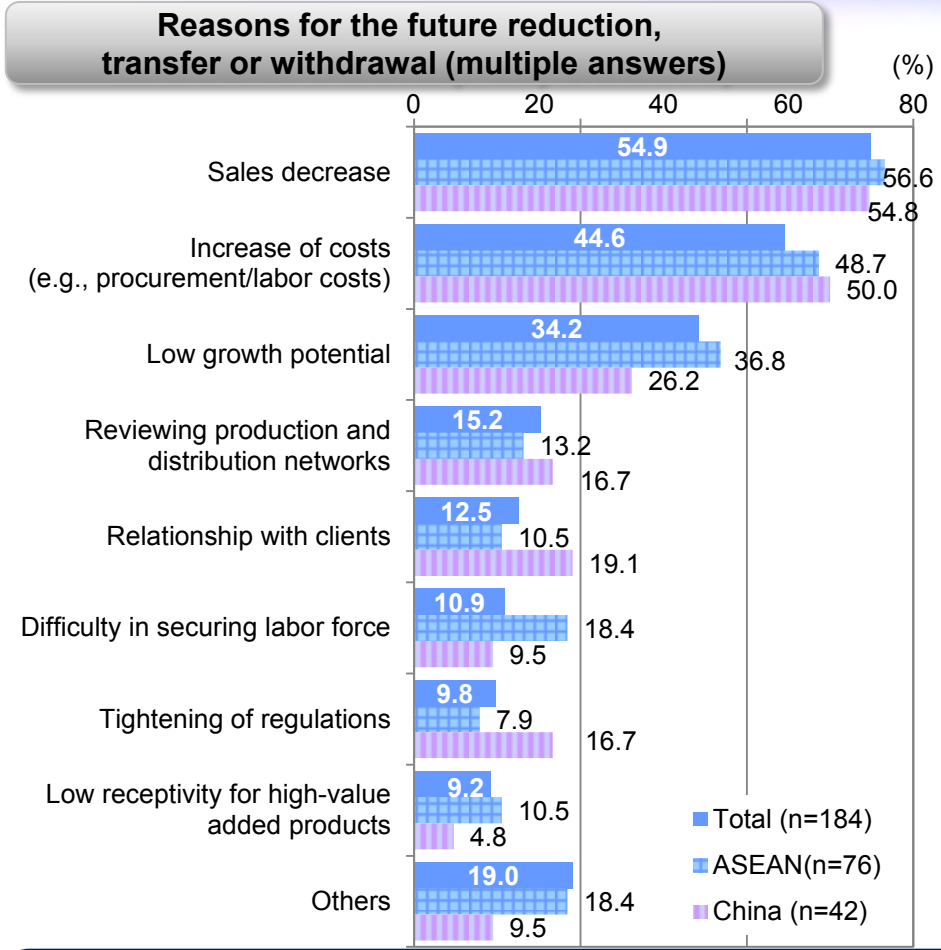


—◆— China -●- Vietnam -▲- Indonesia -×- Thailand -○- India

- The proportion of firms intending to expand “Sales function” remains at a high level in India (72.5%). The proportion increased from the 2015 survey by 5.1 pp in Vietnam.
- The proportion of firms intending to expand “Production (ubiquitous products)” was more than 40% in Vietnam and around 30% in Thailand, Indonesia and India. The proportion decreased for two consecutive years in China, falling below 20%.
- The proportion of firms intending to expand “Production (high-value added products)” generally increased. The proportion increased from the 2015 survey particularly in Indonesia (8.0 pp), Vietnam (4.7 pp), and China (3.2 pp).



2. Future Business Plan (9)



(%)

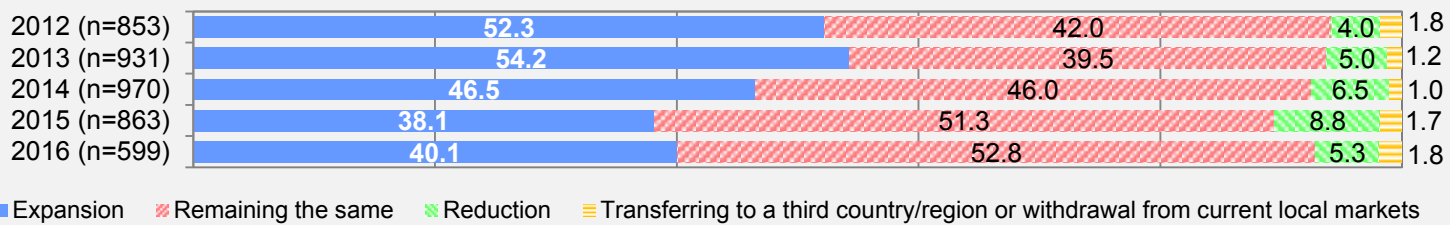
	By industry		By company size	
	Manufacturing	Non-manufacturing	Large	SME
Sales decrease	51.0	59.5	57.1	51.9
Increase of costs (e.g., procurement/labor costs)	47.0	41.7	45.7	43.0
Low growth potential	33.0	35.7	34.3	34.2
Reviewing production and distribution networks	16.0	14.3	12.4	19.0
Relationship with clients	15.0	9.5	10.5	15.2
Difficulty in securing labor force	16.0	4.8	7.6	15.2
Tightening of regulations	11.0	8.3	8.6	11.4
Low receptivity for high-value added products	8.0	10.7	10.5	7.6
Others	20.0	17.9	21.0	16.5

- In a multiple-choice question on the reason for business “Reduction” or “Transferring or withdrawal,” “Sales decrease” (54.9%) was most commonly cited, followed by “Increase of costs” (44.6%).
- In comparison between ASEAN and China, the proportion of firms that cited “Low growth potential” or “Difficulty in securing labor force” was higher in ASEAN than China by 10.6 pp and 8.9 pp, respectively. On the other hand, the proportion of firms that cited “Tightening of regulations” was higher in China than ASEAN by 8.8 pp.
- By industry, the proportion of firms in the non-manufacturing sector that cited “Sales decrease” was higher than that of firms in the manufacturing sector by 8.5 pp. On the other hand, the proportion of firms in the manufacturing sector that cited “Difficulty in securing labor force,” “Relationship with clients,” or “Increase of costs” was higher than that of firms in the non-manufacturing sector by 11.2 pp, 5.5 pp, and 5.3 pp, respectively.
- By company size, the proportion of SMEs that cited “Difficulty in securing labor force,” “Reviewing production and distribution networks,” or “Relationship with clients” was higher than that of large enterprises by 7.6 pp, 6.6 pp, and 4.7 pp, respectively. On the other hand, the percentage of large enterprises citing “Sales decrease” is larger than that of SMEs, with a difference of 5.2 pp.

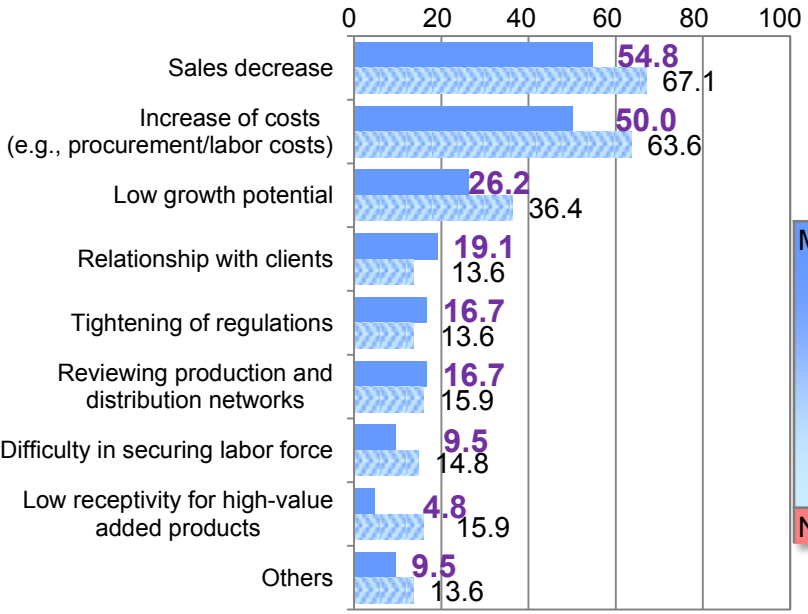


2. Future Business Plan (10)

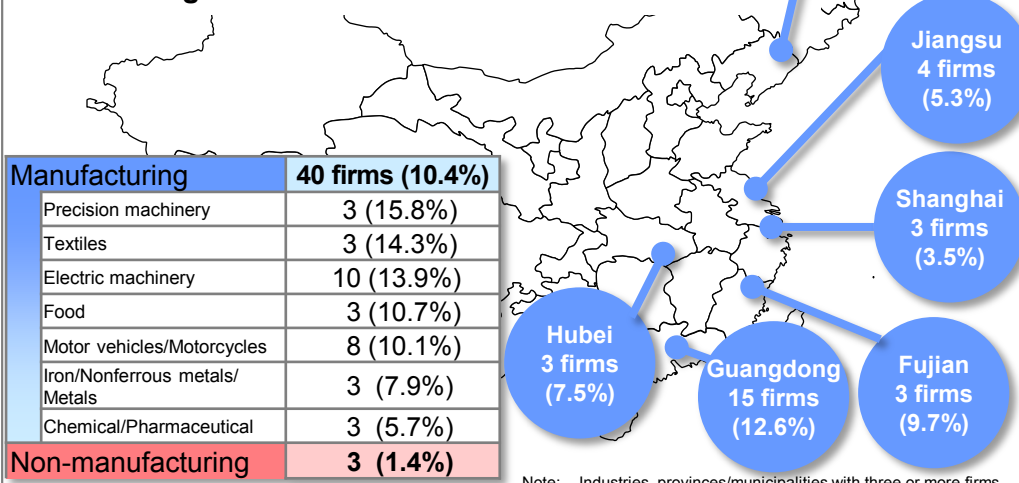
Approach to future business challenges of Japanese-affiliated firms in China in the next 1 to 2 years



Reasons for reduction, transferring or withdrawal (%)



Breakdown of firms that responded reduction, transferring or withdrawal



Note: Industries, provinces/municipalities with three or more firms that selected "Reduction" or "Transferring or withdrawal"

Note 2: The percentages in the parentheses indicate the proportion of firms which selected "Reduction" or "Transferring or withdrawal" to the number of responding firms in respective industries or provinces/municipalities.

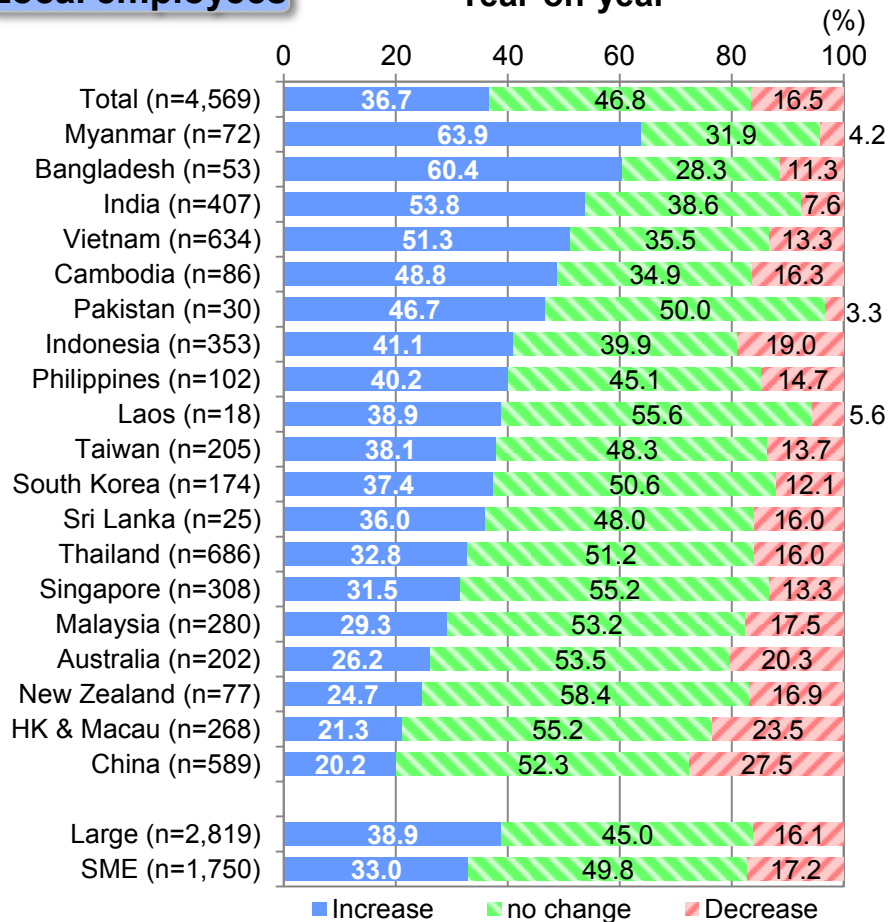
- As the approach to future business challenges in the next one or two years, the proportion of firms in China that selected "Reduction" (5.3%) or "Transferring to a third country/region or withdrawal from current local markets" (1.8%) decreased from the 2015 survey to 7.1%, remaining above the 7.0% mark as in the 2014 survey (7.5%). Meanwhile, the majority of firms (52.8%) selected "Remaining the same."
- In a multiple-choice question asking the reason for business "Reduction" or "Transferring or withdrawal," "Sales decrease" had the highest proportion at 54.8%. This is followed by "Increase of costs" (50.0%) and "Low growth potential" (26.2%).
- By industry category, the manufacturing sector (10.4%) selected "Reduction" or "Transferring to a third country/region or withdrawal from current local markets" more commonly than the non-manufacturing sector (1.4%). In particular, the proportion was high in Precision machinery (15.8%) and Textiles (14.3%).

2. Future Business Plan (11)

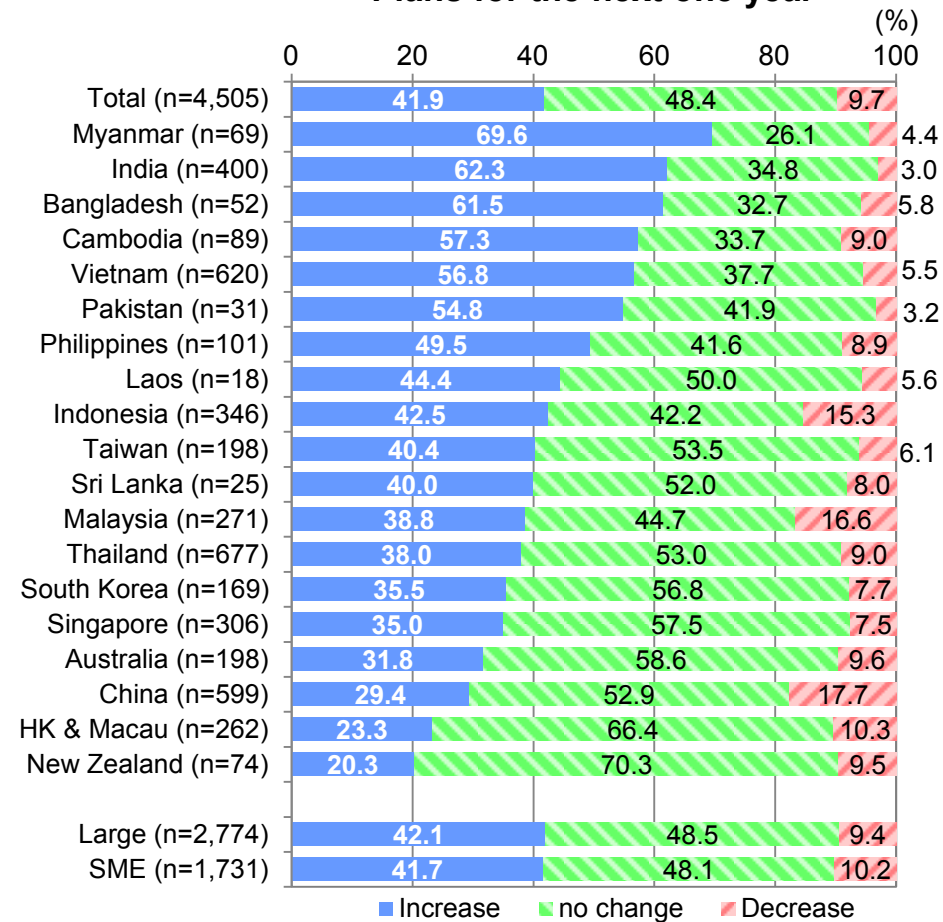
Changes in the number of employees
(Changes in a year-on-year comparison, future plans, by country/region)

Local employees

Year-on-year



Plans for the next one year



- Regarding year-on-year changes in the number of local employees by country/region, over 60% of the firms selected "Increase" in Myanmar and Bangladesh.
- The proportion of firms planning to "Increase" the number of local employees in the next one year was the highest in Myanmar (69.6%), followed by India and Bangladesh at over 60%, respectively.
- In China, Hong Kong & Macau and Australia, over 20% of the firms selected "Decrease" in a year-on-year comparison. The proportion of firms planning to "Decrease" local employees in the next one year was relatively high in China (17.7%), Malaysia (16.6%) and Indonesia (15.3%).

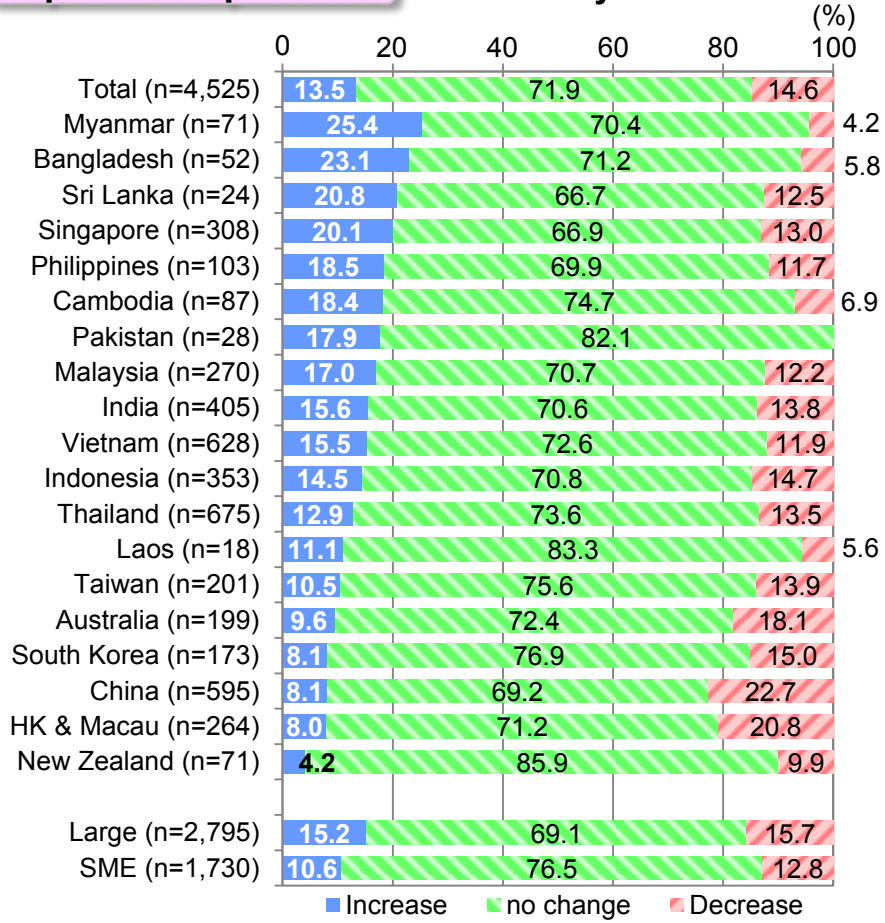


2. Future Business Plan (12)

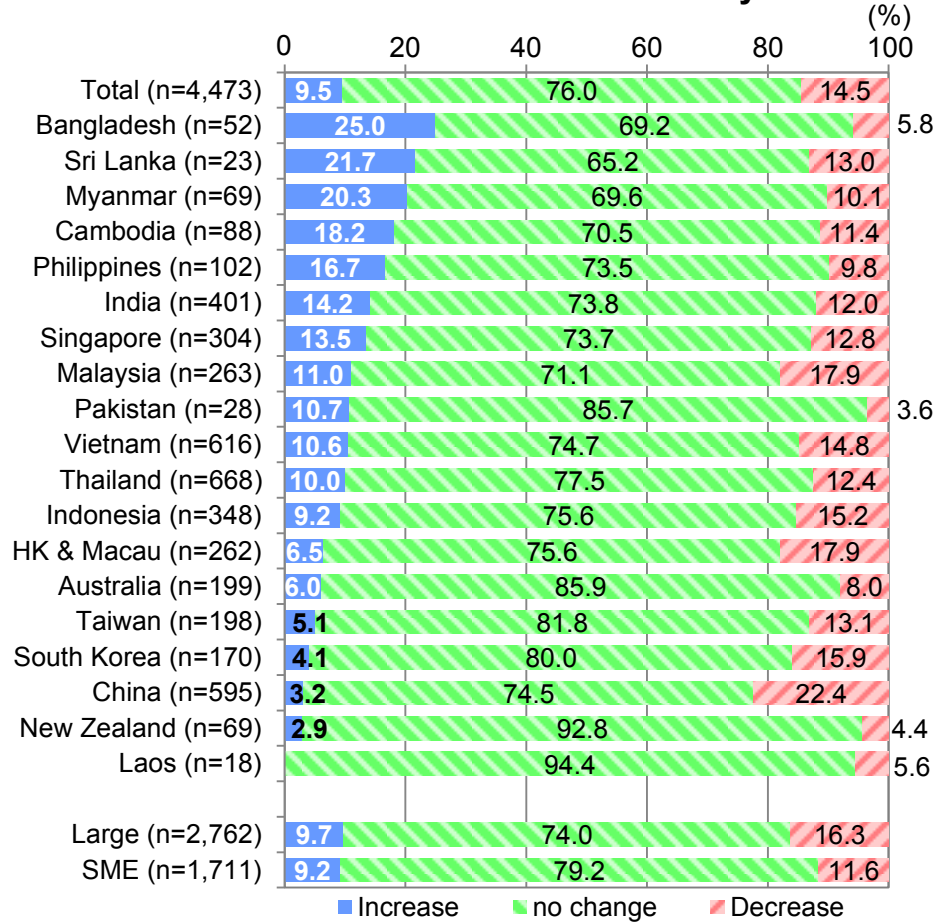
Changes in the number of employees
 (Changes in a year-on-year comparison, future plans, by country/region)

Japanese expatriates

Year-on-year



Plans for the next one year



- Regarding changes in the number of Japanese expatriates by country/region, “No change” was most frequently selected in all countries/regions in both year-on-year comparison and in plans for the next one year.
- In a year-on-year comparison, approximately 20% of the firms selected “Decrease” in China and Hong Kong & Macau.
- As for plans for the next one year, over 20% of the firms selected “Increase” in Bangladesh, Sri Lanka and Myanmar. On the other hand, “Decrease” accounted for 22.4% in China.

3. Management Matters (1)

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

Answers		2016 (%)	2015 (%)	Change (points)	By industry		By company size	
					Manufacturing	Non-manufacturing	Large	SME
1	Wage increase	65.3	69.0	- 3.7	72.0	58.5	64.9	65.9
2	Difficulty in quality control	50.5	52.9	- 2.4	50.5	-	46.4	55.3
3	Competitors' market shares are growing (cost-wise competition)	46.6	48.1	- 1.5	48.0	45.2	50.1	41.0
4	Quality of employees	44.1	48.6	- 4.5	45.8	42.4	43.3	45.5
5	Difficulty in local procurement of raw materials and parts	43.2	43.5	- 0.3	43.2	-	41.2	45.6
6	Difficulty in developing in new clients on market	37.6	38.0	- 0.4	35.5	39.8	35.0	41.8
7	Major clients requesting lower prices	35.2	37.5	- 2.3	42.0	28.2	34.8	35.7
8	No more room for cost-cutting	34.5	37.9	- 3.4	34.5	-	35.3	33.6
9	Volatility of local currency's exchange rate against the Japanese yen	34.0	31.1	2.9	37.3	30.7	33.9	34.1
10	Complicated customs clearance procedures	30.3	34.9	- 4.6	37.0	23.5	30.6	29.9

- “Wage increase” (65.3%) was most frequently cited as a management matter, followed by “Difficulty in quality control” (50.5%). The proportion of firms that cited “Wage increase” in Indonesia (82.2%) surpassed that of firms in China (77.8%), and the proportion exceeded 70% in these two countries, as well as in Vietnam (75.5%) and Myanmar (75.3%).
- By industry category, manufacturing industries cited “Wage increase,” “Major clients requesting lower prices,” and “Complicated customs clearance procedures” more commonly than non-manufacturing industries, with a difference of over 10 pp.
- By company size, large enterprises cited “Competitors' market shares are growing (cost-wise competition)” more frequently than SMEs, with a difference of 9.1 pp, while SMEs cited “Difficulty in quality control” and “Difficulty in developing new clients” more commonly than large enterprises, with a difference of over 5 pp.



3. Management Matters (2)

Note: Countries/regions for which n ≥ 10

Problems common to all regions (top 10, multiple answers, response rate for each country/region)

(%)



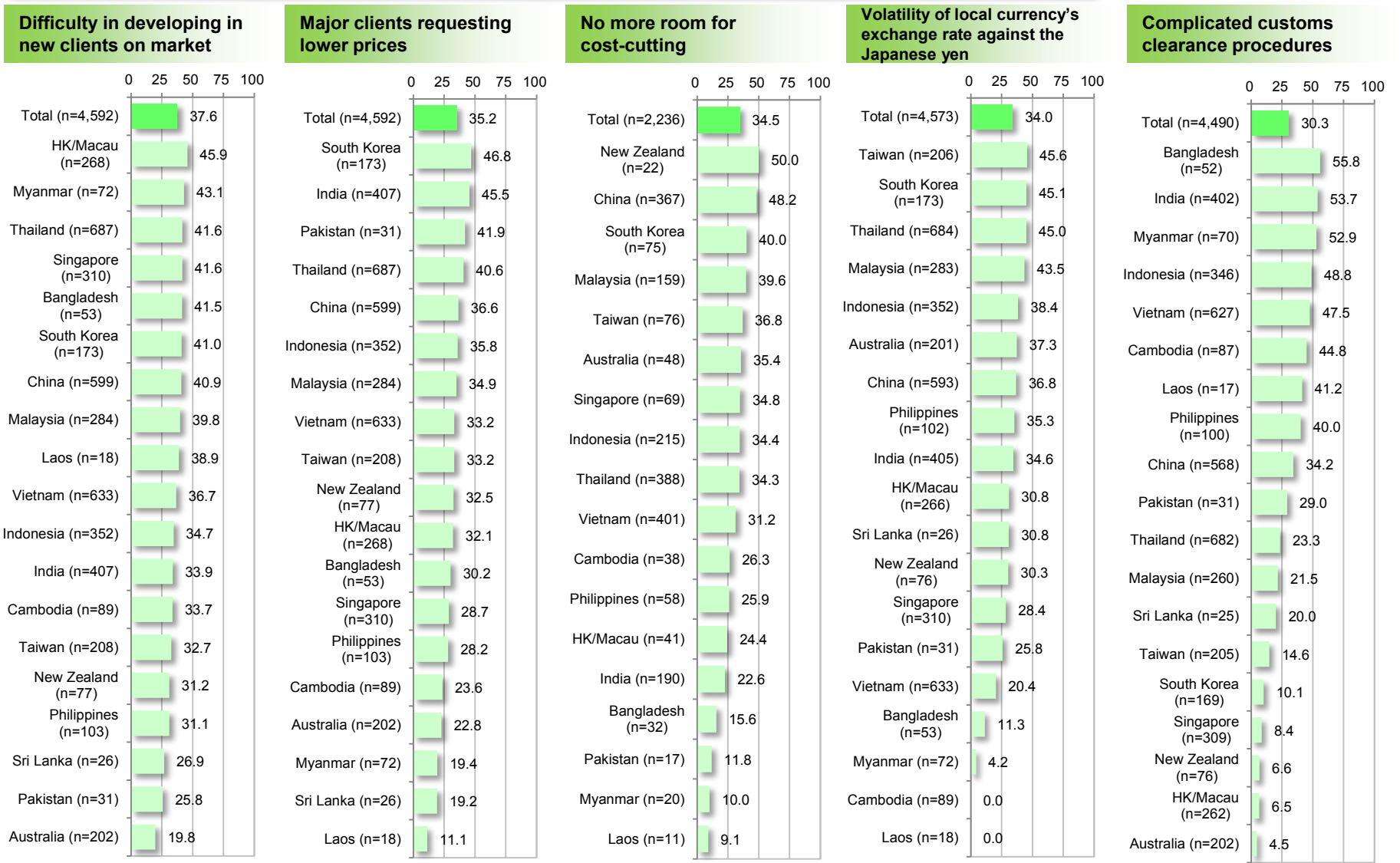


3. Management Matters (3)

Note: Countries/regions for which n ≥ 10

Problems common to all regions (top 10, multiple answers, response rate for each country/region)

(%)



3. Management Matters (4)

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

Singapore		2016 survey (%)	2015 survey (%)
1	Wage increase (n=311)	59.8	68.3
2	Competitors' market shares are growing (cost-wise competition) (n=310)	52.6	52.7
3	Difficulty in developing new clients on market (n=310)	41.6	41.1
4	Sluggishness in major sales markets (consumption downturn) (n=310)	40.3	42.4
5	Personnel costs of Japanese (expatriate) officers and staff (n=311)	36.7	42.0

Malaysia		2016 survey (%)	2015 survey (%)
1	Wage increase (n=285)	67.7	63.3
2	Difficulty in quality control (n=159)	64.2	58.4
3	Volatility of the local currency's exchange rate against the US dollar (n=283)	56.9	62.3
4	Quality of employees (n=285)	53.3	51.7
5	Competitors' market shares are growing (cost-wise competition) (n=284)	46.1	44.5

Thailand		2016 survey (%)	2015 survey (%)
1	Wage increase (n=685)	59.3	60.1
2	Difficulty in quality control (n=388)	59.0	58.2
3	Quality of employees (n=685)	48.5	51.0
4	Competitors' market shares are growing (cost-wise competition) (n=687)	47.3	43.9
5	Volatility of local currency's exchange rate against the Japanese yen (n=684)	45.0	41.2

Indonesia		2016 survey (%)	2015 survey (%)
1	Wage increase (n=348)	82.2	80.5
2	Quality of employees (n=348)	56.3	58.7
2	Difficulty in local procurement of raw materials and parts (n=215)	56.3	61.0
4	Difficulty in quality control (n=215)	54.9	55.2
5	Volatility of the local currency's exchange rate against the US dollar (n=352)	54.3	70.8

Vietnam		2016 survey (%)	2015 survey (%)
1	Wage increase (n=633)	75.5	77.9
2	Difficulty in local procurement of raw materials and parts (n=401)	64.8	65.2
3	Difficulty in quality control (n=401)	58.6	55.6
4	Complicated customs clearance procedures (n=627)	47.5	55.8
5	Competitors' market shares are growing (cost-wise competition) (n=633)	45.7	45.3

Philippines		2016 survey (%)	2015 survey (%)
1	Difficulty in local procurement of raw materials and parts (n=58)	62.1	62.3
2	Quality of employees (n=103)	57.3	50.0
3	Difficulty in quality control (n=58)	53.5	52.0
4	Wage increase (n=103)	44.7	31.4
5	Volatility of the local currency's exchange rate against the US dollar (n=102)	40.2	33.1

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

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

3. Management Matters (5)

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

India		2016 survey (%)	2015 survey (%)
1	Wage increase (n=406)	67.5	70.3
2	Competitors' market shares are growing (cost-wise competition) (n=407)	59.2	63.5
3	Complicated customs clearance procedures (n=402)	53.7	56.9
4	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=405)	52.6	57.1
5	Difficulty in local procurement of raw materials and parts (n=190)	51.6	52.5

Pakistan		2016 survey (%)	2015 survey (%)
1	Competitors' market shares are growing (cost-wise competition) (n=31)	61.3	40.0
2	Difficulty in quality control (n=17)	52.9	52.9
3	Wage increase (n=31)	45.2	53.3
4	Major clients requesting lower prices (n=30)	41.9	50.0
4	High import duties (n=31)	41.9	42.9

Sri Lanka		2016 survey (%)	2015 survey (%)
1	Wage increase (n=26)	65.4	48.7
2	Difficulty in local procurement of raw materials and parts (n=9)	55.6	63.6
3	Difficulty in quality control (n=9)	44.4	63.6
4	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=26)	34.6	25.0
5	Time-consuming customs procedures (n=25)	32.0	19.4

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

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

Bangladesh		2016 survey (%)	2015 survey (%)
1	Difficulty in local procurement of raw materials and parts (n=32)	81.3	70.6
2	Power shortage or blackout (n=32)	65.6	47.1
3	Time-consuming customs procedures (n=52)	63.5	50.0
4	Inadequate logistics infrastructure (n=32)	62.5	44.1
5	Quality of employees (n=53)	60.4	57.1

Cambodia		2016 survey (%)	2015 survey (%)
1	Difficulty in quality control (n=38)	76.3	60.6
2	Difficulty in local procurement of raw materials and parts (n=38)	73.7	72.7
3	Wage increase (n=89)	69.7	62.7
4	Quality of employees (n=89)	62.9	60.2
5	Complicated customs clearance procedures (n=87)	44.8	47.4

Laos		2016 survey (%)	2015 survey (%)
1	Difficulty in quality control (n=11)	81.8	58.3
2	Quality of employees (n=18)	72.2	72.2
3	Difficulty in local procurement of raw materials and parts (n=11)	63.6	50.0
4	Difficulty in recruiting middle management staff (n=18)	50.0	44.4
5	Lack of thorough information on trade rules and regulations (n=17)	47.1	38.9

Myanmar		2016 survey (%)	2015 survey (%)
1	Power shortage or blackout (n=20)	85.0	50.0
2	Wage increase (n=73)	75.3	68.8
3	Difficulty in local procurement of raw materials and parts (n=20)	70.0	100.0
4	Quality of employees (n=73)	65.8	50.0
5	Difficulty in recruiting middle management staff (n=73)	60.3	53.1

3. Management Matters (6)

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

China		2016 survey (%)	2015 survey (%)
1	Wage increase (n=599)	77.8	84.3
2	No more room for cost-cutting (n=367)	48.2	54.2
3	Difficulty in quality control (n=367)	45.0	61.4
4	Competitors' market shares are growing (cost-wise competition) (n=599)	44.4	50.7
5	Quality of employees (n=599)	42.4	55.5

Hong Kong & Macau		2016 survey (%)	2015 survey (%)
1	Wage increase (n=267)	59.2	67.0
2	Difficulty in developing in new clients (n=268)	45.9	44.8
3	Sluggishness in major sales markets (consumption downturn) (n=268)	44.0	35.8
4	Competitors' market shares are growing (cost-wise competition) (n=268)	36.9	44.8
5	Quality of employees (n=267)	35.2	41.2

Taiwan		2016 survey (%)	2015 survey (%)
1	Competitors' market shares are growing (cost-wise competition) (n=208)	51.4	45.4
2	Volatility of the local currency's exchange rate against the Japanese yen (n=206)	45.6	38.1
3	Sluggishness in major sales markets (consumption downturn) (n=208)	38.9	47.2
4	No more room for cost-cutting (n=76)	36.8	40.0
5	Quality of employees (n=207)	34.3	37.7

South Korea		2016 survey (%)	2015 survey (%)
1	Wage increase (n=174)	57.5	67.7
2	Competitors' market shares are growing (cost-wise competition) (n=173)	53.8	57.6
3	Major clients requesting lower prices (n=173)	46.8	46.8
4	Volatility of the local currency's exchange rate against the Japanese yen (n=173)	45.1	41.2
4	Sluggishness in major sales markets (consumption downturn) (n=173)	45.1	39.9

Australia		2016 survey (%)	2015 survey (%)
1	Wage increase (n=202)	62.9	66.2
2	Volatility of the local currency's exchange rate against the US dollar (n=201)	41.8	48.2
3	Volatility of the local currency's exchange rate against the Japanese yen (n=201)	37.3	33.5
4	No more room for cost-cutting (n=48)	35.4	35.7
5	Competitors' market shares are growing (cost-wise competition) (n=202)	33.7	43.4

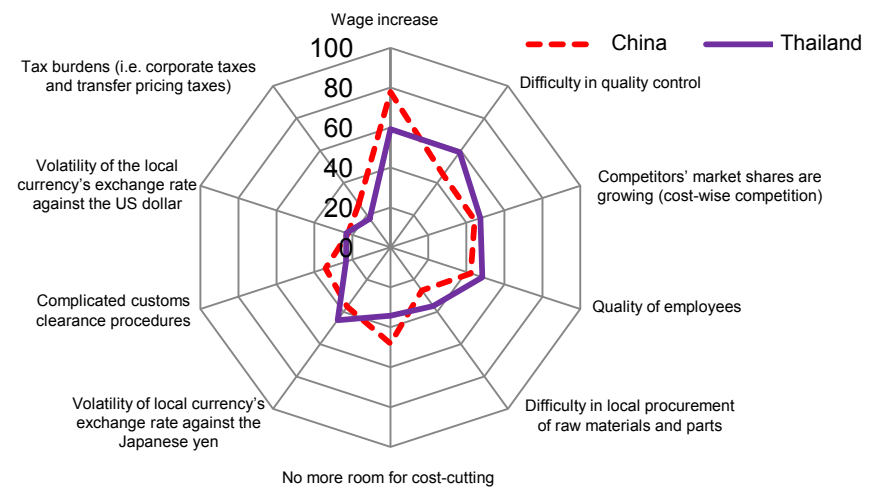
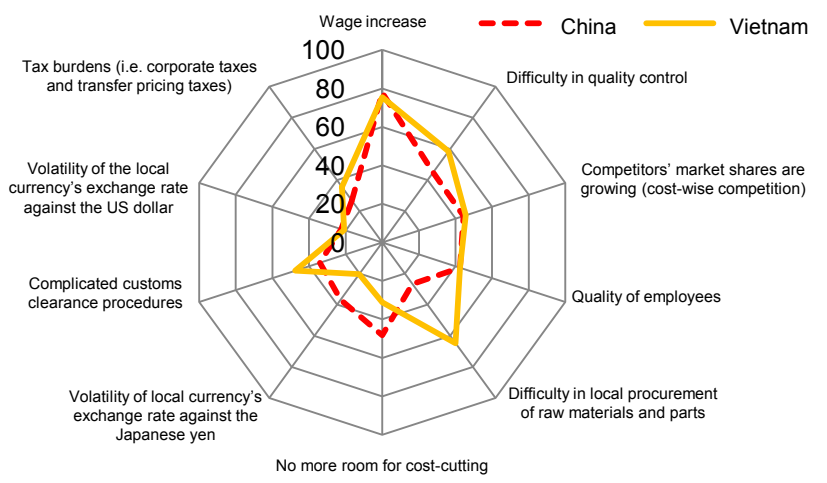
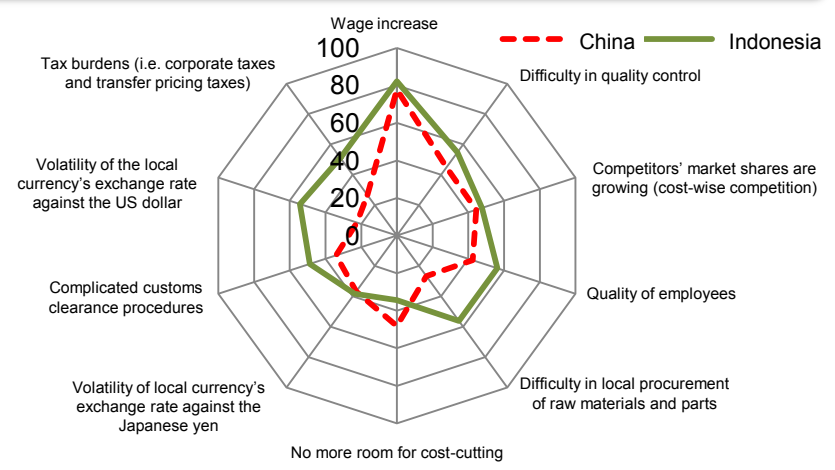
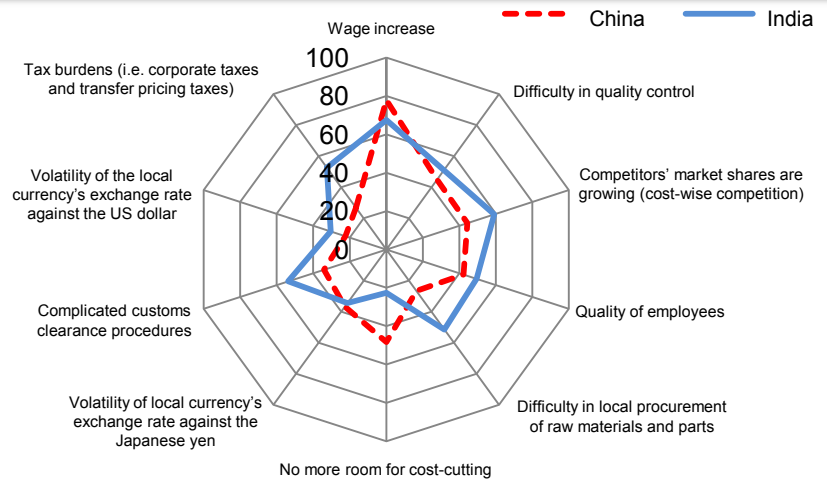
New Zealand		2016 survey (%)	2015 survey (%)
1	No more room for cost-cutting (n=22)	50.0	28.1
2	Wage increase (n=77)	35.1	39.7
2	Competitors' market shares are growing (cost-wise competition) (n=77)	35.1	38.5
4	Volatility of the local currency's exchange rate against the US dollar (n=76)	34.2	33.3
5	Major clients requesting lower prices (n=77)	32.5	28.2

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

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

3. Management Matters (7)

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



- “Difficulty in quality control,” “Growing market shares of competitors” and “Quality of employees” were cited more commonly in India, Indonesia, Vietnam and Thailand than in China.
- “Wage increase” was cited more commonly in China than in India and Thailand. “No more room for cost-cutting” was cited more commonly in China than other four countries, with a difference of over 10 pp.
- “Complicated customs clearance procedures” was cited more frequently in India, Indonesia and Vietnam than in China, with a difference of over 10 pp. On the other hand, the proportion was lower in Thailand than in China by more than 10 pp.

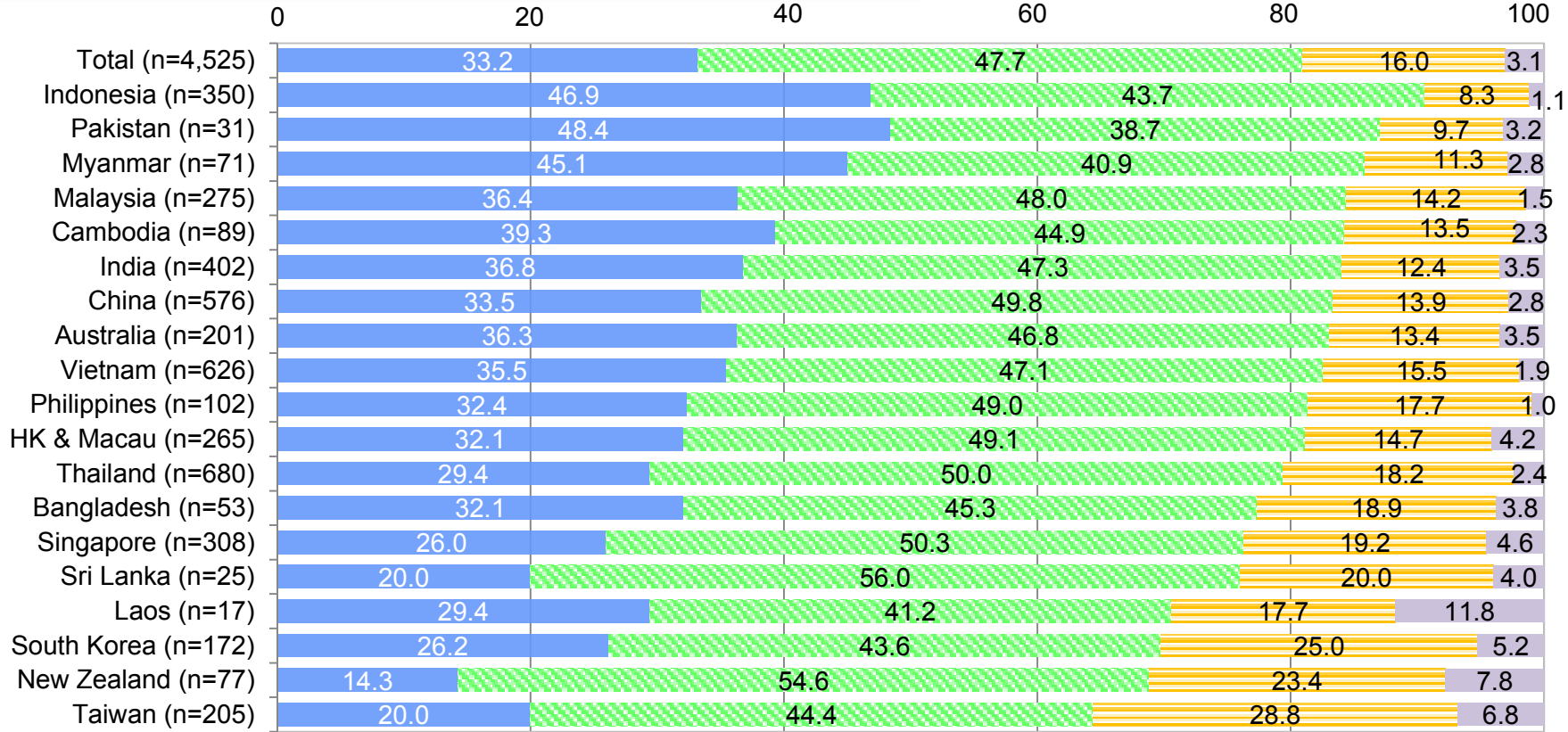


4. Rising Costs of Production and Services (1)

Negative impact of soaring costs of production and services on business activities (by country/region)

Note: Countries/regions for which n ≥ 10

■ Significantly affected ■ Slightly affected
■ Hardly any impact ■ No impact

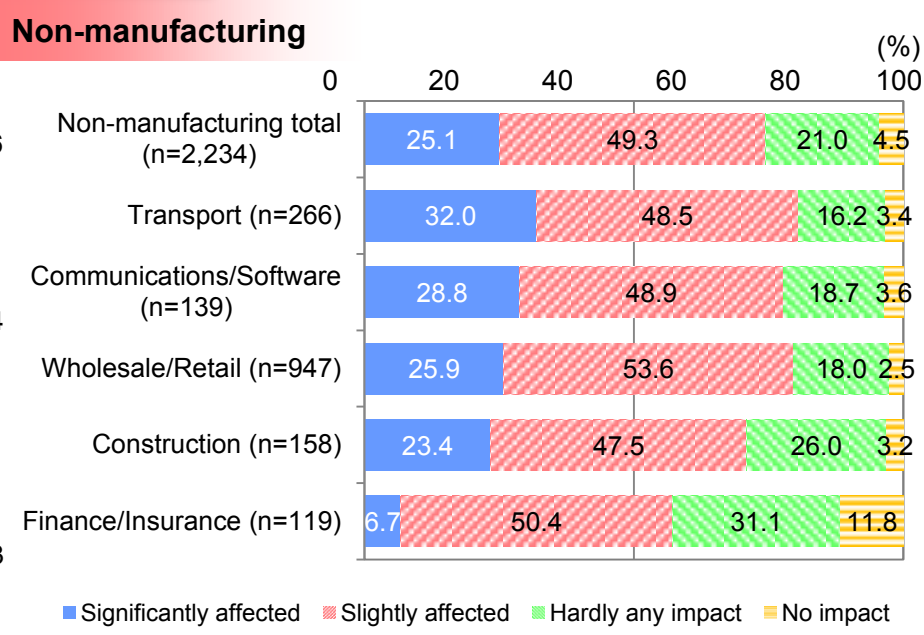
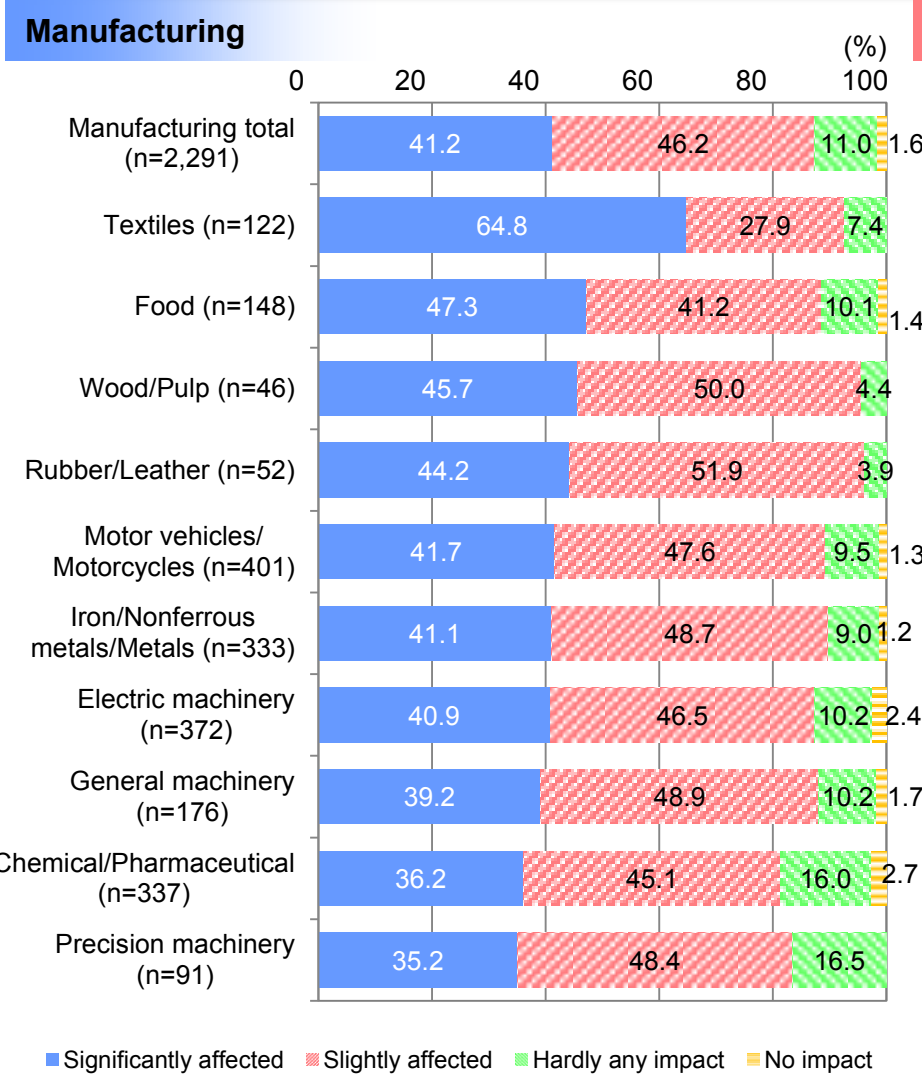


- A combined 80.9% of the firms responded that their business activities are "Significantly affected" or "Slightly affected" by the negative impact of the rising costs of production and services resulting from soaring prices of payroll, energy, and raw materials. About 80% of the firms in Asia and Oceania are affected negatively.
- The proportion of firms sustaining negative impact was the highest in Indonesia at 90.6%, followed by Pakistan, Myanmar and Malaysia.
- By industry in Indonesia, the impact was most serious in Food, Textiles, Rubber/Leather, General machinery, Precision machinery, and Communications/Software. A combined 100% of the firms responded that their business activities are "Significantly affected" or "Slightly affected" by negative impact. The proportion of firms that selected "Significantly affected" was the highest in Textiles (88.9%).
- By industry in China, over 50% of the firms selected "Significantly affected" in Food (57.1%), Textiles (57.1%) and Wood/Pulp (50.0%).



4. Rising Costs of Production and Services (2)

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



- A total of 87.4% of the manufacturing firms and 74.4% of the non-manufacturing firms responded that they are “Significantly affected” or “Slightly affected” by the negative impact of rising costs. Manufacturing firms are affected more seriously than non-manufacturing firms.
- In the manufacturing sector, the proportion of firms that selected “Significantly affected” was the highest in Textiles.
- In the non-manufacturing sector, the proportion of firms affected negatively was high in the Transport industry at over 80%.
- The combined proportion of “Hardly any impact” and “No impact” is the highest in Finance/Insurance of all industries, exceeding 40%.



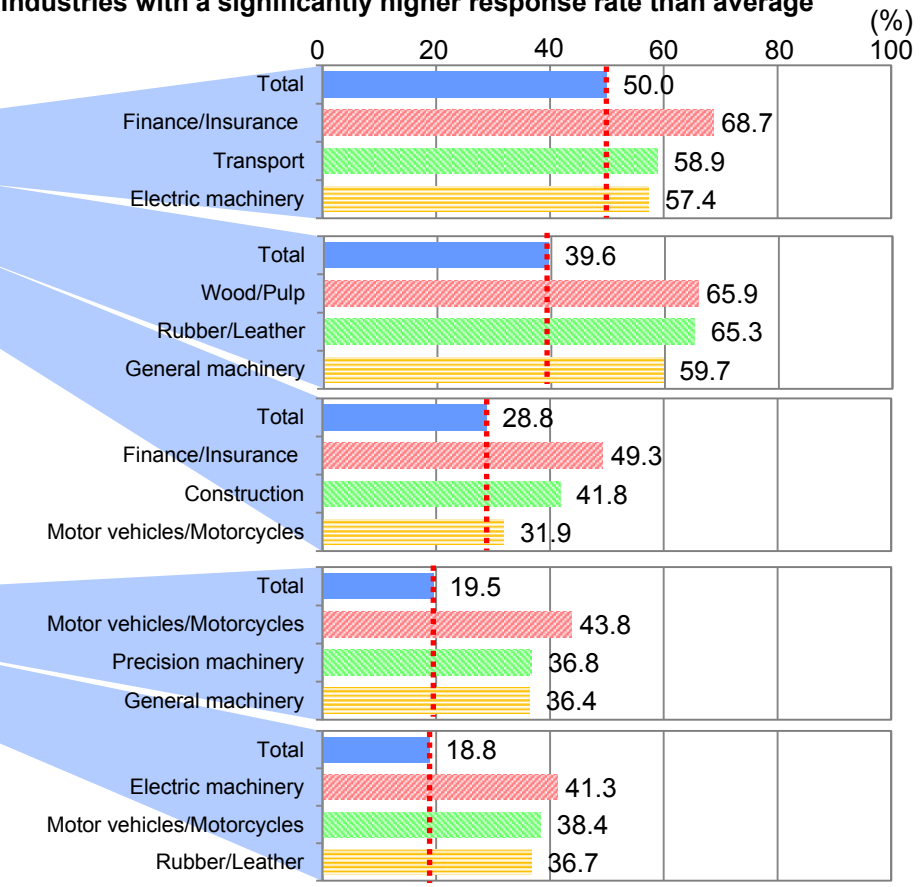
4. Rising Costs of Production and Services (3)

Specific type(s) of inflation countermeasures (multiple answers)

Total (n = 3,610)
 Note: China includes a shift of production/service capabilities to other areas in the mainland.

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

Answers	Response rate
1 Cost-cutting (e.g., administration cost, indirect cost)	50.0
2 Reviewed suppliers of raw materials and procurement content	39.6
3 Encouraged recruitment of local staff, reduced payroll cost	28.8
4 Raised the prices of products (services)	26.0
5 Complicated/Reconsidered productions (Consolidation of lineup, improvement, adding of value)	23.1
6 Cost-cutting by mass production and volume sales	20.7
7 Cost-cutting by increasing local procurement rate	19.5
8 Encouraged automation and power-saving (e.g., introduced industrial robots)	18.8
9 No particular measures	5.4
10 Shifted production/service capabilities to the third country/areas(*)	4.5



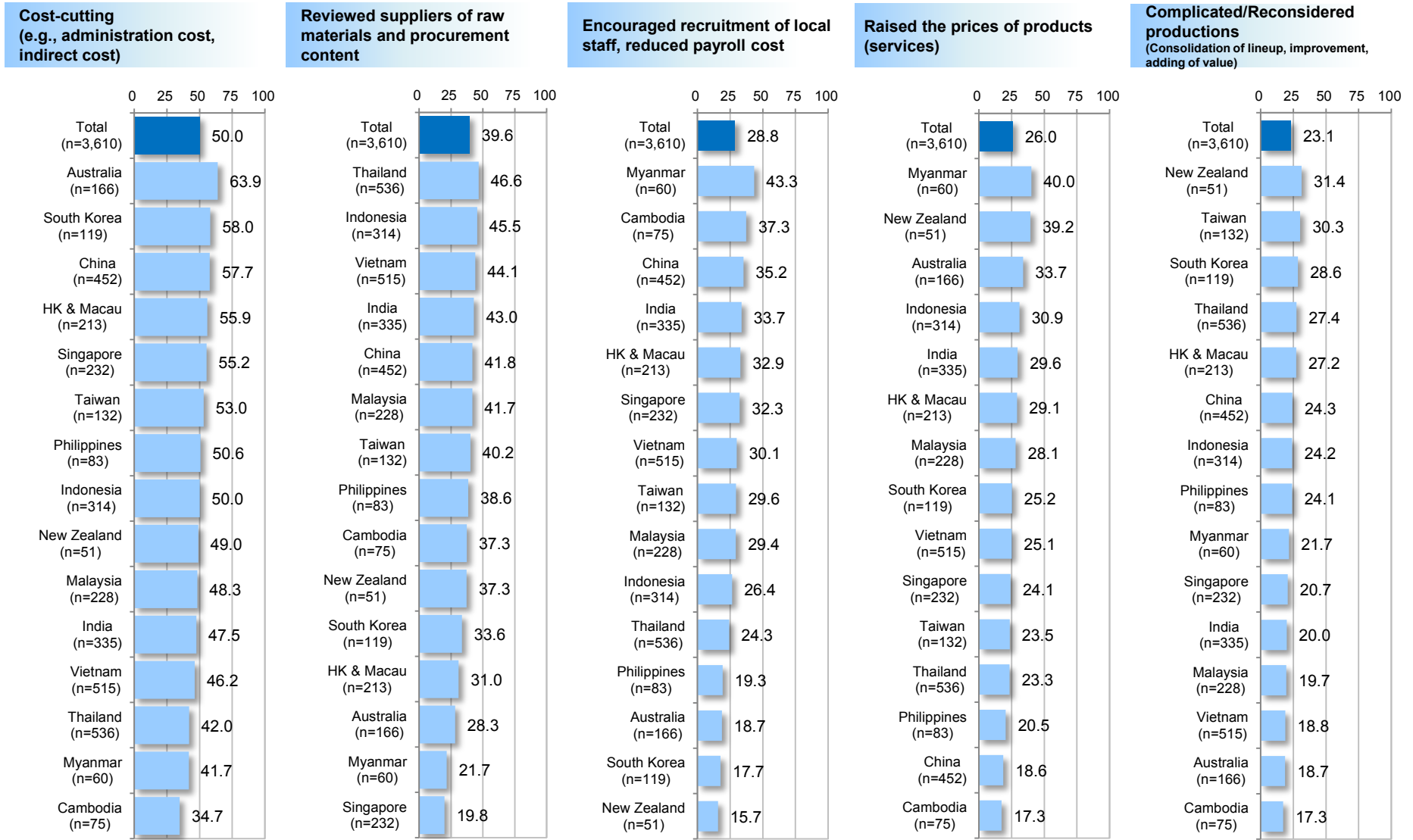
- The most common inflation countermeasure was “Cost-cutting (e.g., administration cost, indirect cost)” at 50.0%. In particular, this countermeasure is taken (considered) more commonly by non-manufacturing industries, such as Finance/Insurance and Transport. The proportion of firms that “Encouraged recruitment of local staff and reduced payroll cost” or that is considering doing so was also high.
- In the Wood/Pulp and Rubber/Leather industries, the proportion of firms that reviewed or are considering reviewing “suppliers of raw materials and procurement content” exceeded 60%.
- In the Motor vehicles/Motorcycles industry, 43.8% of the firms implement (consider) “Cost-cutting by increasing local procurement rate,” while 38.4% of the firms implement “Encouraged automation and power-saving.”



4. Rising Costs of Production and Services (4)

Specific type(s) of inflation countermeasures (by country/region) (multiple answers) (1/2)

Note 1: Countries/regions for which n ≥ 50
 Note 2: China includes a shift of production/service capabilities to other areas in the mainland. (%)





4. Rising Costs of Production and Services (5)

Specific type(s) of inflation countermeasures (by country/region) (multiple answers) (2/2)

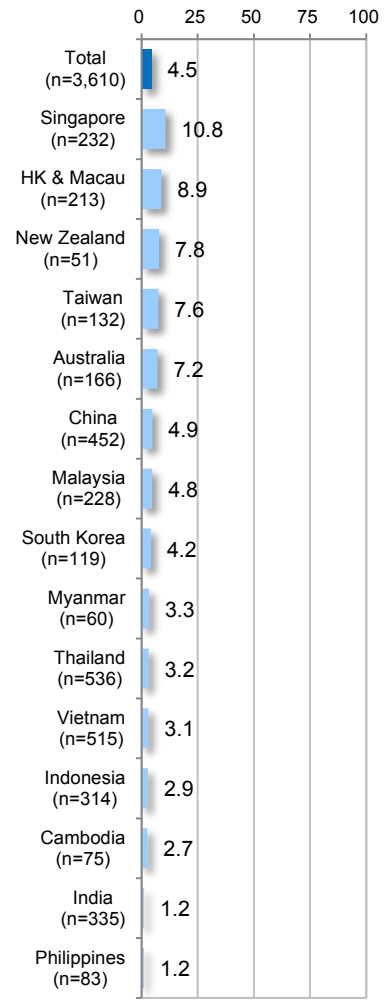
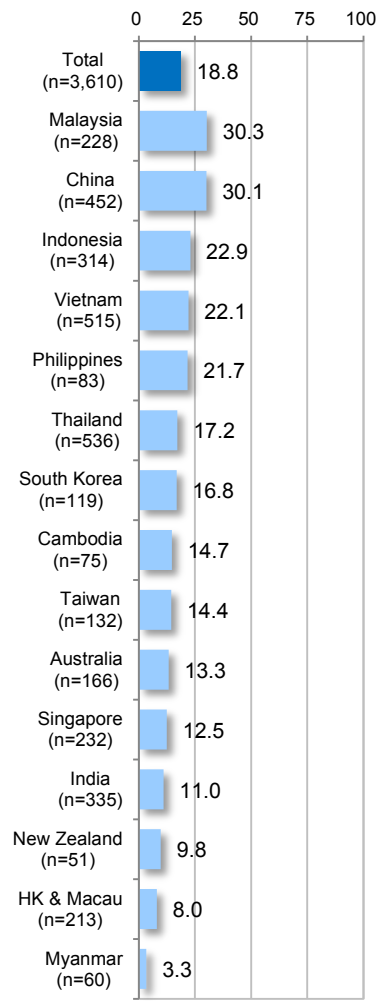
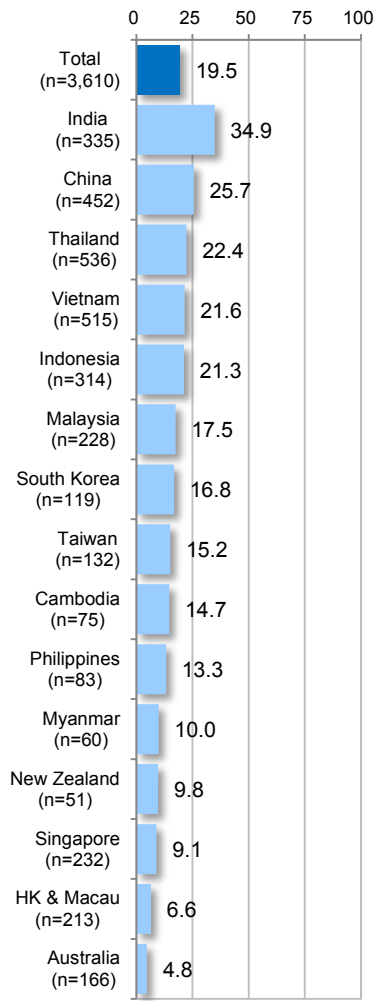
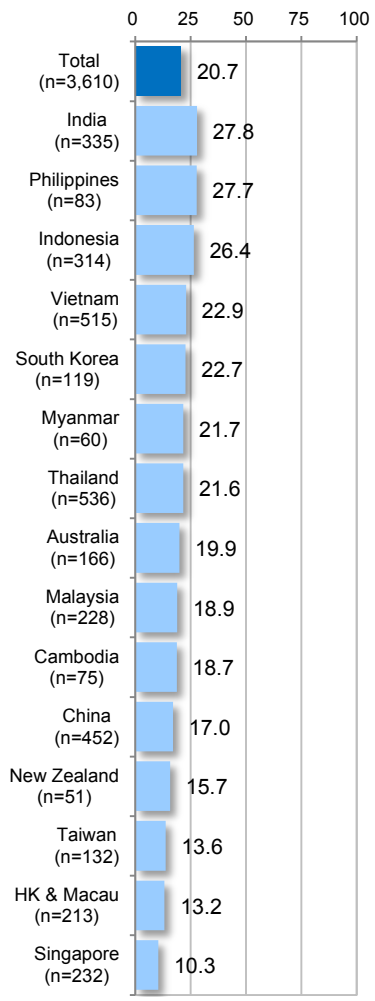
Note 1: Countries/regions for which n ≥ 50
 Note 2: China includes a shift of production/service capabilities to other areas in the mainland.

Cost-cutting by mass production and volume sales

Cost-cutting by increasing local procurement rate

Encouraged automation and power-saving (e.g., introduced industrial robots)

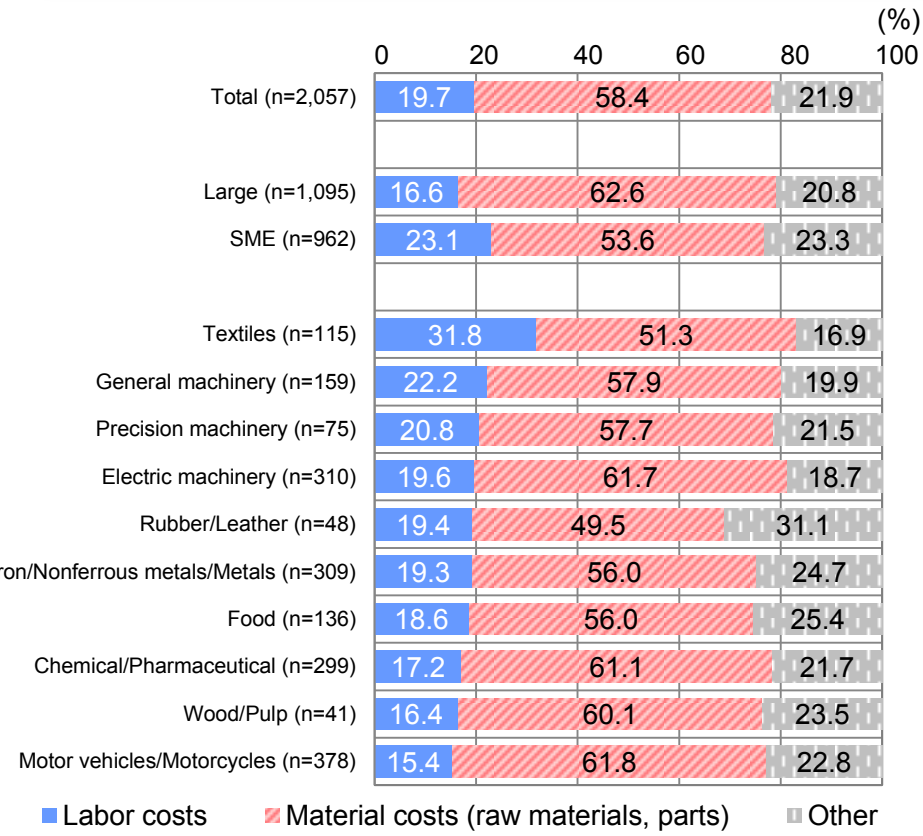
Shifted production/service capabilities to the third country/areas (%)



5. Procurement of Raw Materials and Parts (1)

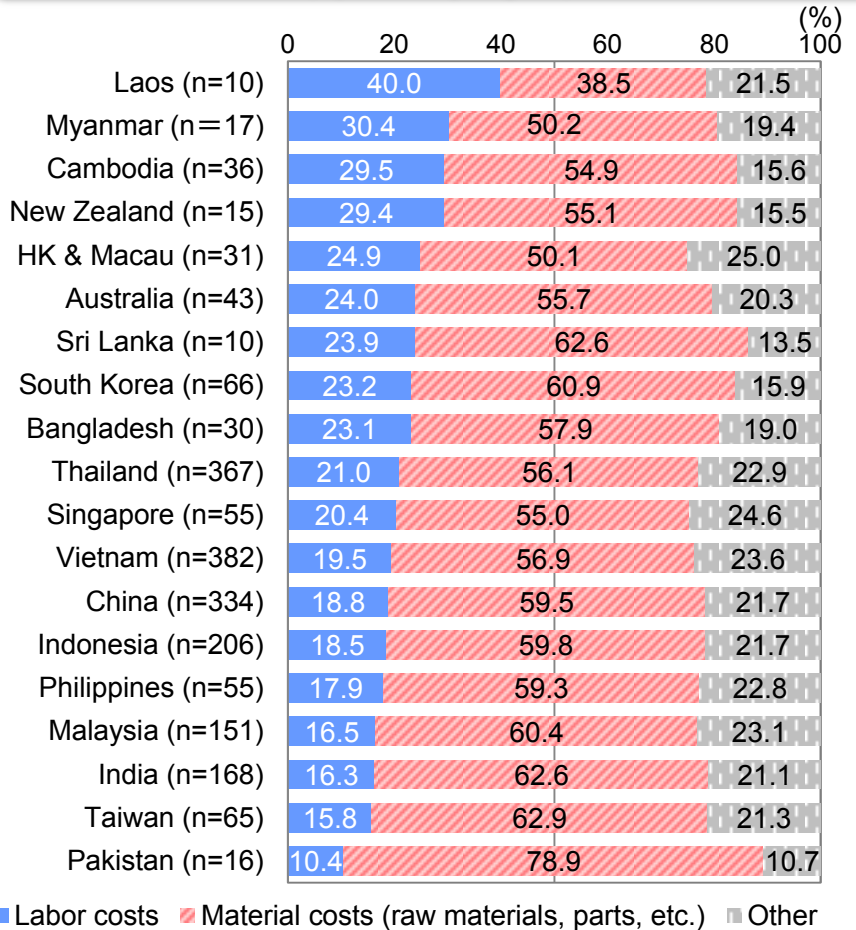
Note: Country/region for which n ≥ 10

Ratio of labor/material costs to production costs (by company size and industry)



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

Ratio of labor/material costs to production costs (by country/region)

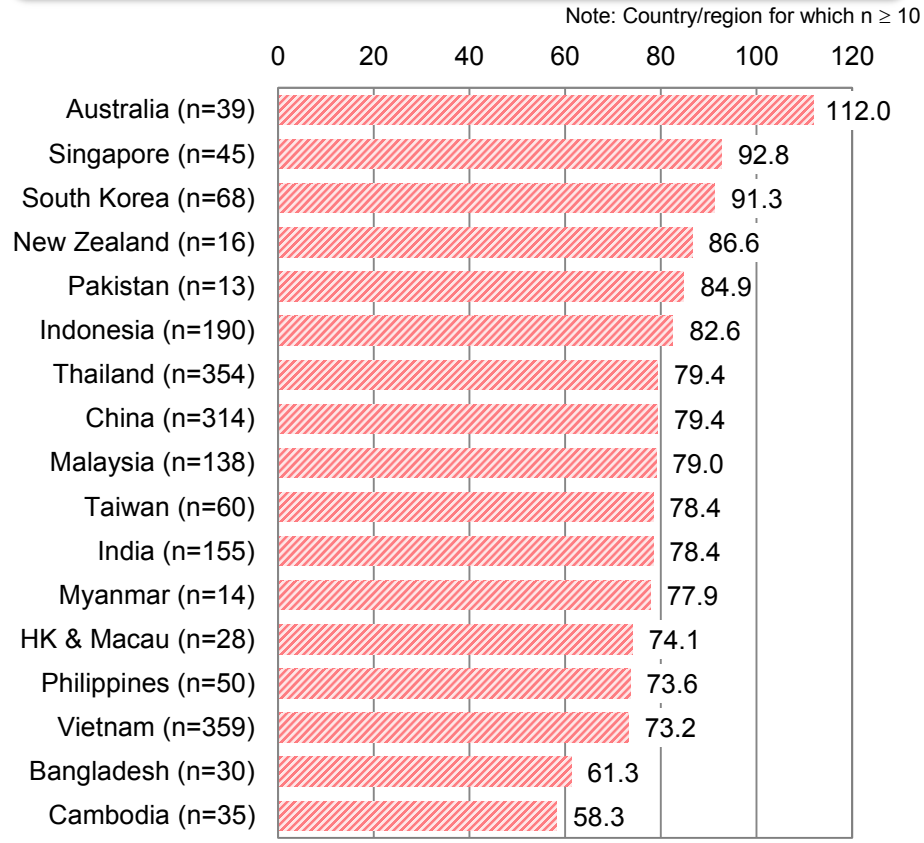
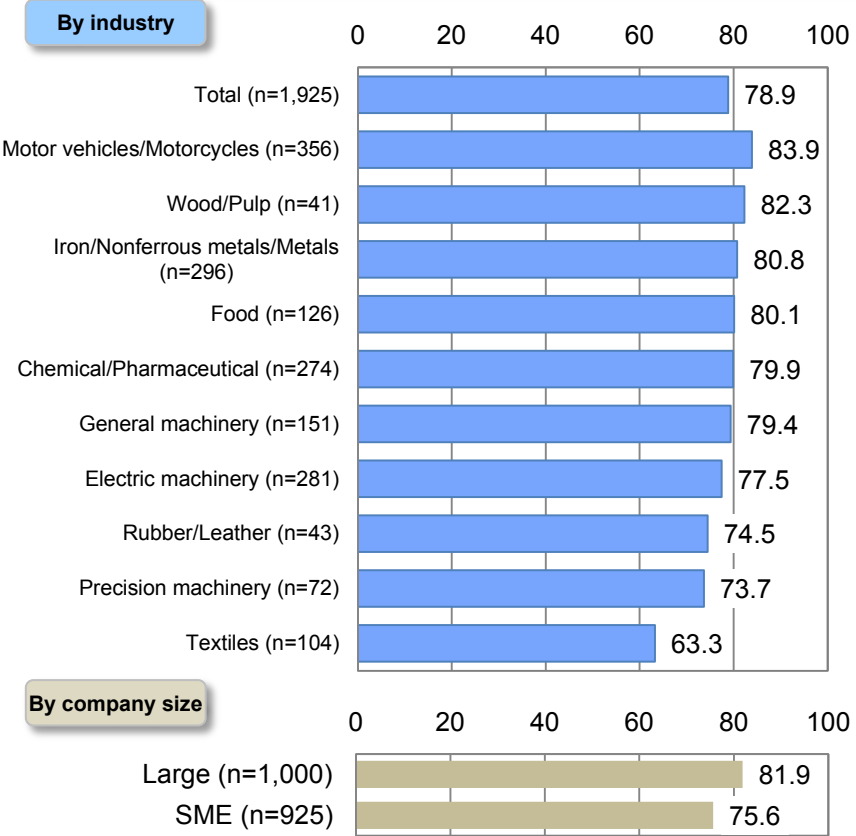


- The ratio of labor costs to local production costs of Japanese-affiliated firms averaged 19.7%, while the ratio of material costs averaged 58.4%. Thus, the material costs constitute a majority of local production costs. In comparison with the 2015 survey, labor costs increased by 0.1 pp, while material costs decreased by 1.6 pp.
- By country/region, the ratio of labor costs is relatively high in Laos, Myanmar, Cambodia and New Zealand. On the other hand, the ratio of material costs is high in Pakistan (78.9%), where Motor vehicles/Motorcycles is the major industry.

5. Procurement of Raw Materials and Parts (2)

Local production cost in comparison with production cost in Japan, which is taken as 100 (by company size and industry)

Local production cost in comparison with production cost in Japan, which is taken as 100 (by country/region)



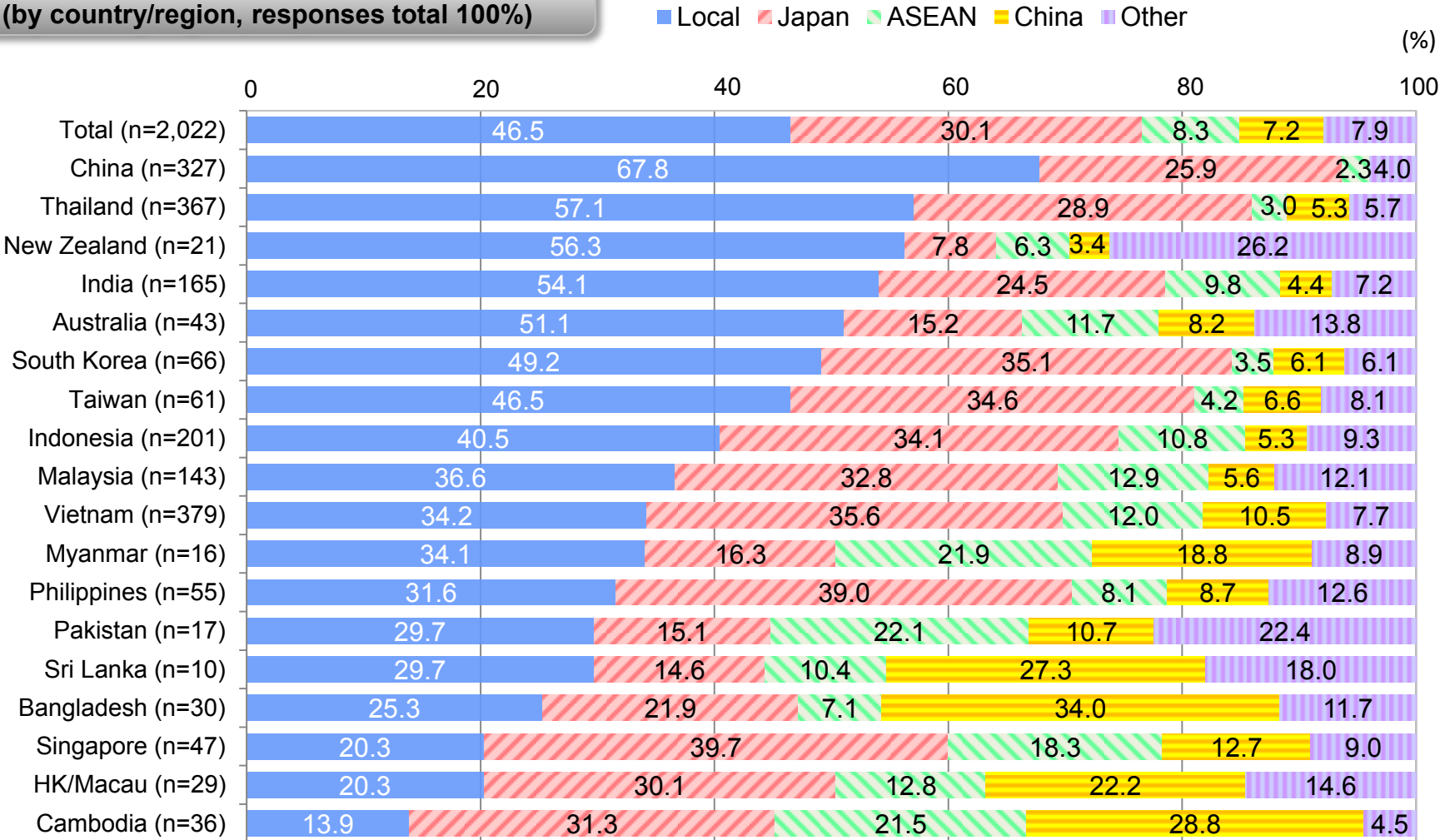
Note: "Production cost" includes the costs of all resources consumed in producing goods, such as materials, labor, and others.

- Compared with the production cost in Japan, which is taken as 100, the average local production cost decreased from 80.6 in the 2015 survey by 1.7 pp to 78.9.
- By industry, production costs are relatively high in Motor vehicles/Motorcycles, Wood/Pulp and Iron/Nonferrous metals/Metals, while the cost is lower in Textiles at 63.3.
- By company size, the costs of SMEs (75.6) were lower than those of large enterprises (81.9) by 6.3 pp. The difference increased by 1.3 pp from the 2015 survey (with a difference of 5.0 pp).
- By country/region, Australia (112.0) surpassed Japan in production costs, while the costs are lower in Cambodia (58.3) and Bangladesh (61.3).

5. Procurement of Raw Materials and Parts (3)

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

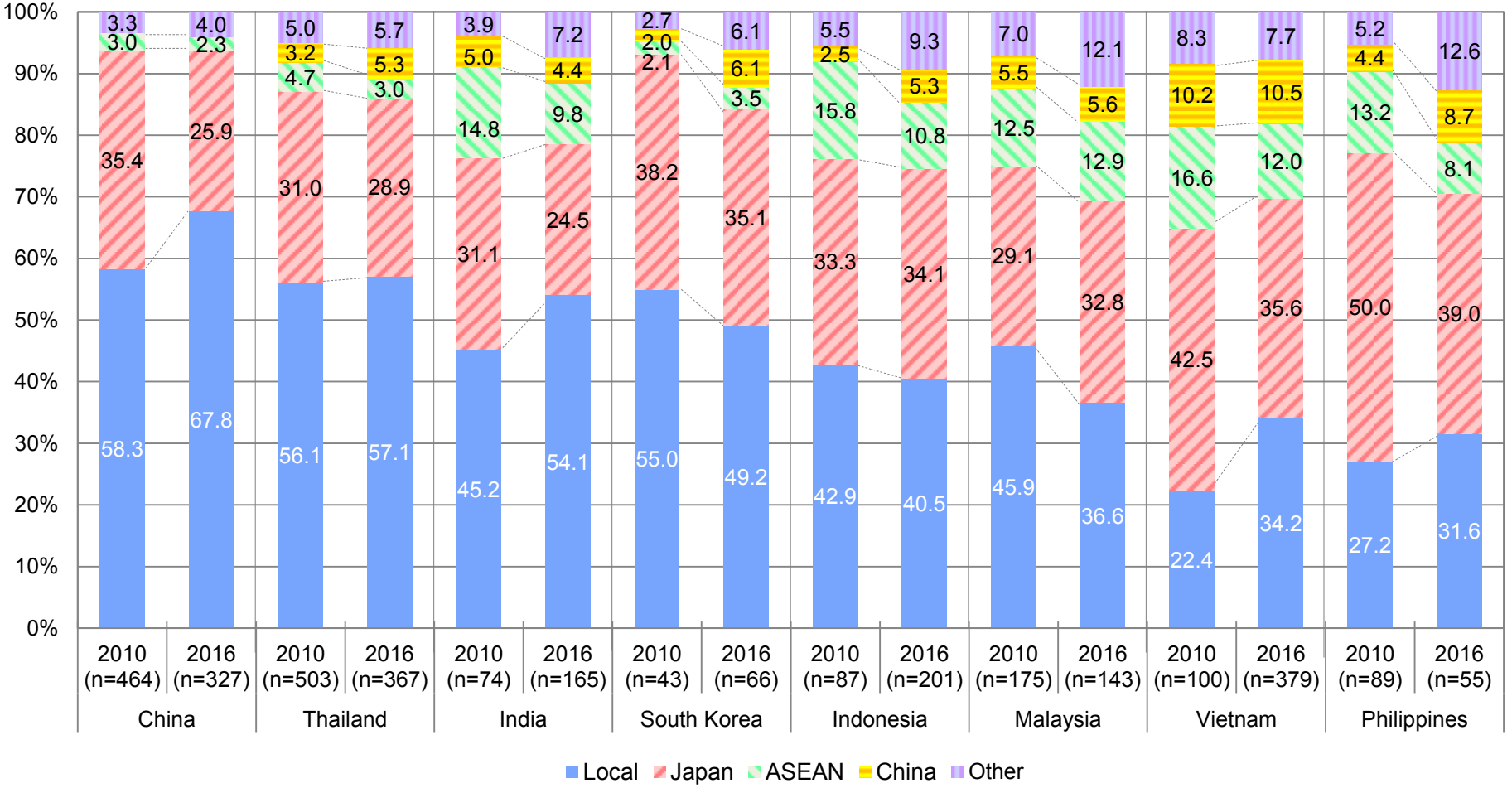
Note: Country/region for which n ≥ 10



- The largest procurement source for raw materials and parts in the local production activities of Japanese-affiliated firms was "Local" (46.5%), followed by "Japan" (30.1%) and "ASEAN" (8.3%). The local procurement (dependency) rate remained the same as in the 2015 survey (46.5%). The procurement rate from Japan decreased by 0.9 pp, while that from ASEAN and China increased slightly.
- By country/region, the local procurement rate is high in China, and the rate increased by 3.1 pp from the 2015 survey (64.7%).
- The rate of procurement from Japan is highest in Singapore (39.7%), followed by the Philippines (39.0%) and Vietnam (35.6%).

5. Procurement of Raw Materials and Parts (4)

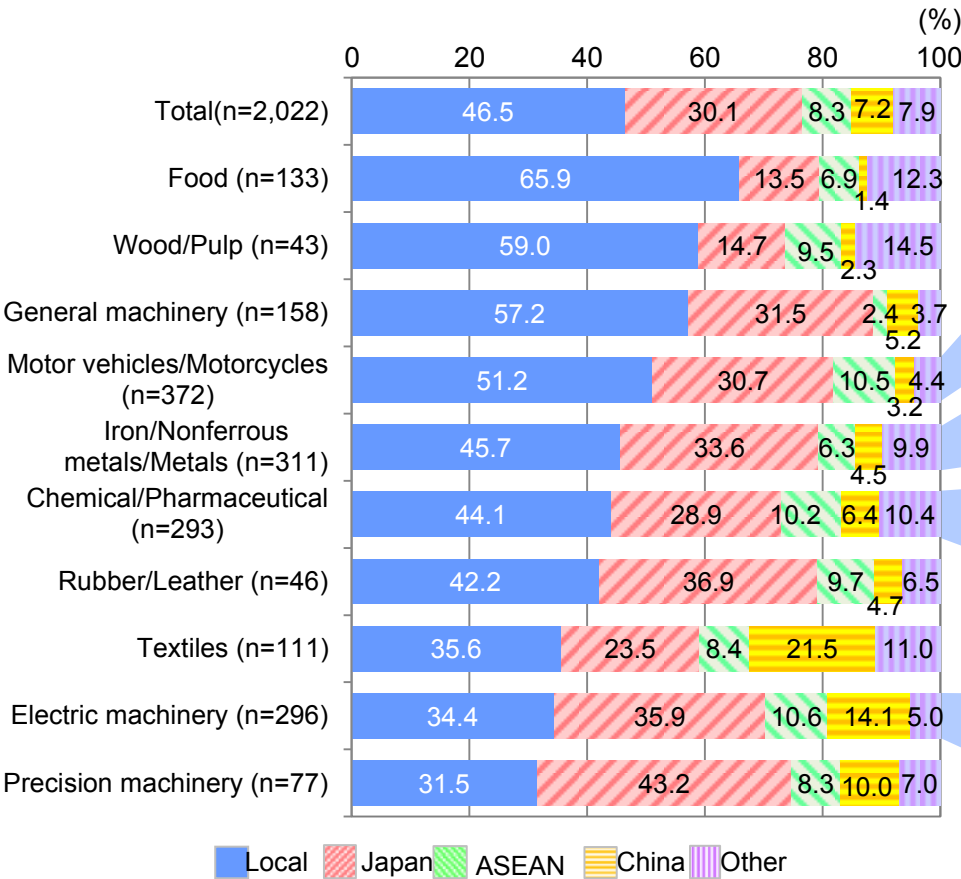
Procurement sources of major countries (comparison with the 2010 survey)



- Comparing the procurement sources for raw materials and parts in eight major countries in the 2010 survey with those in the 2016 survey, local procurement rates increased in China, Thailand, India, Vietnam and the Philippines. The rate increased by approx. 12 pp in Vietnam and by approx. 10 pp in China during the six years.
- The procurement rate from Japan is increasing in Indonesia and Malaysia.
- The procurement rate from China increased in all six countries, excluding India. The rate is particularly high in Vietnam at 10.5%.

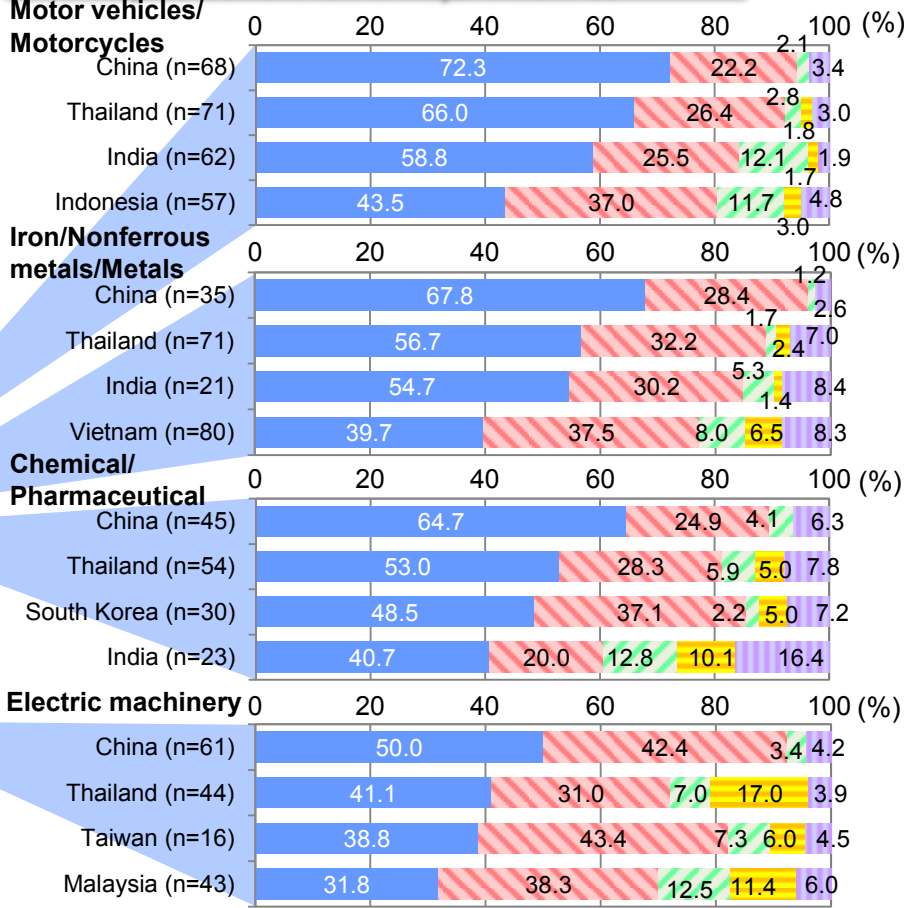
5. Procurement of Raw Materials and Parts (5)

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



Note: Countries/regions for which n>15. "n" indicates the numbers of valid responses for each industry by country/region.

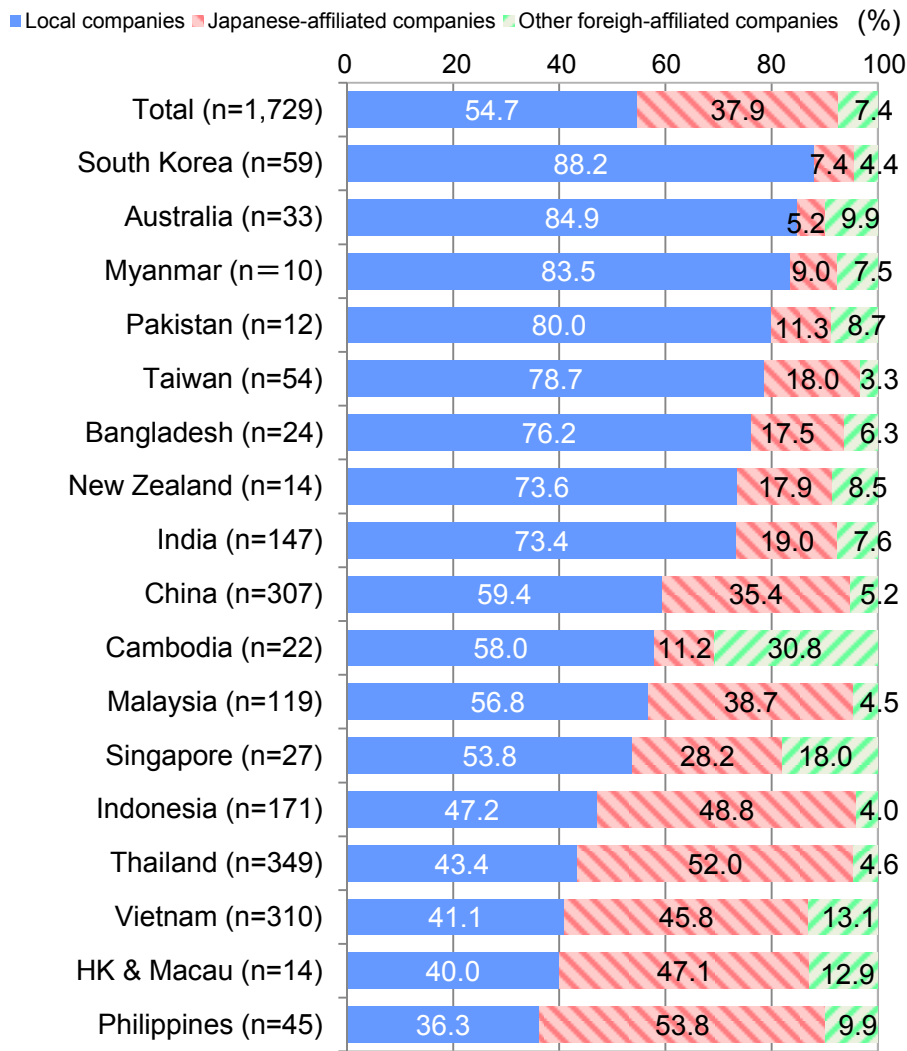
Top 4 countries/regions regarding the local procurement rate in major industries



- By industry, the local procurement rate of raw materials and parts is high in Food and Wood/Pulp at 65.9% and 59.0%, respectively. Meanwhile, the procurement rate from Japan is high (over 40%) in Precision machinery.
- In the Electric machinery industry, the local procurement rate decreased to 34.4% by 0.6 pp from the 2015 survey, and the rate of procurement from Japan also decreased by 2.7 pp to 35.9%. The procurement rates from ASEAN and China increased by 1.4 pp to 10.6% and by 2.8 pp to 14.1%, respectively.
- In all four industries with valid responses from more than 200 companies, the local procurement rate exceeded 50% in China. In the Motor vehicles/Motorcycles industry, the rate in China increased to 72.3% by 4.5 pp from 67.8% in 2015.

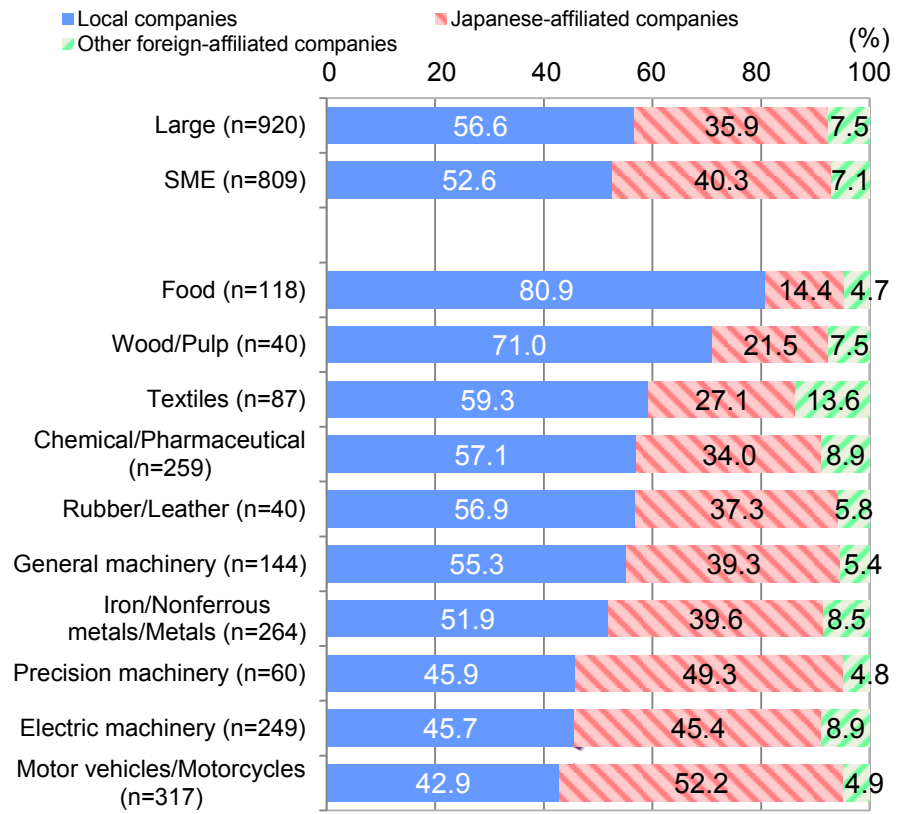
5. Procurement of Raw Materials and Parts (6)

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



Note: Countries/regions for which n ≥ 10

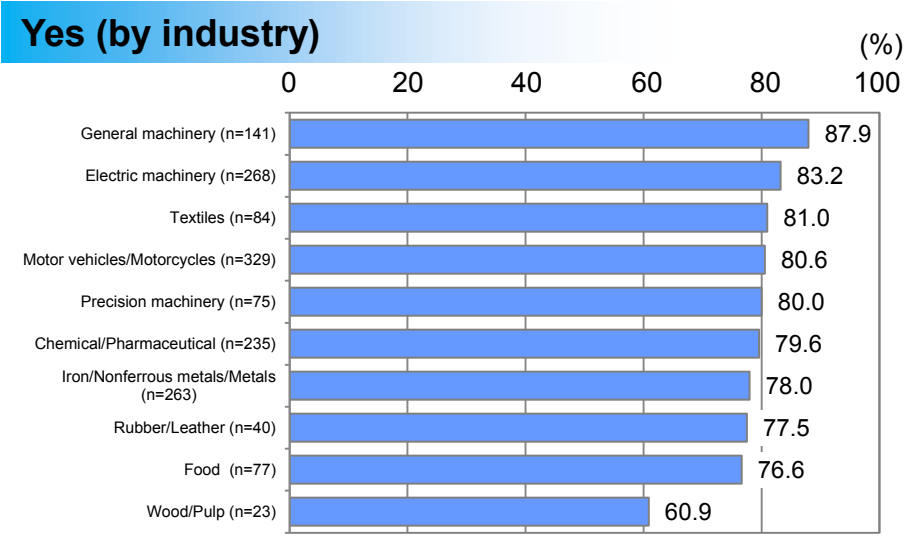
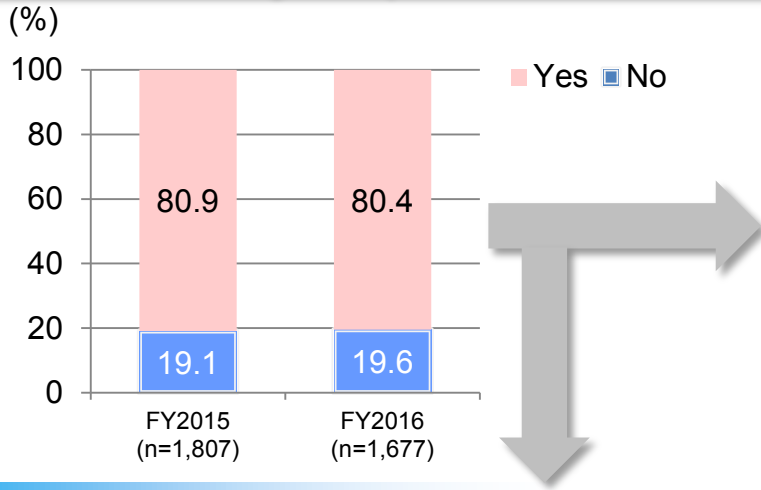
Local procurement sources for raw materials and parts (by company size and industry, responses total 100%)



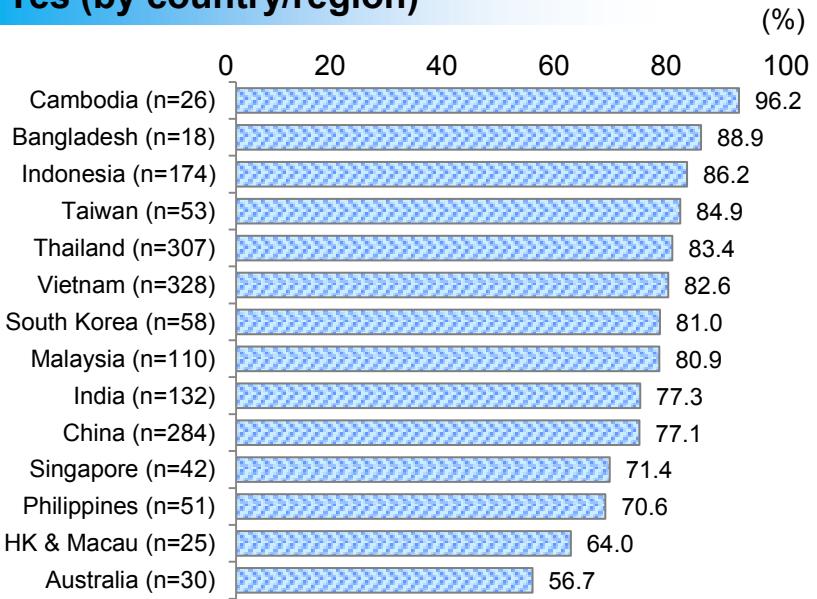
- “Local companies” was the largest local procurement source, at 54.7%, followed by “Japanese-affiliated companies” (37.9%) and “Other foreign-affiliated companies” (7.4%).
- In the Philippines and Thailand, “Japanese-affiliated companies” exceeded 50% as a procurement source.
- By industry, “Local companies” exceeded 80% in Food.

5. Procurement of Raw Materials and Parts (7)

Raw materials/parts that can be purchased only in Japan



Yes (by country/region)



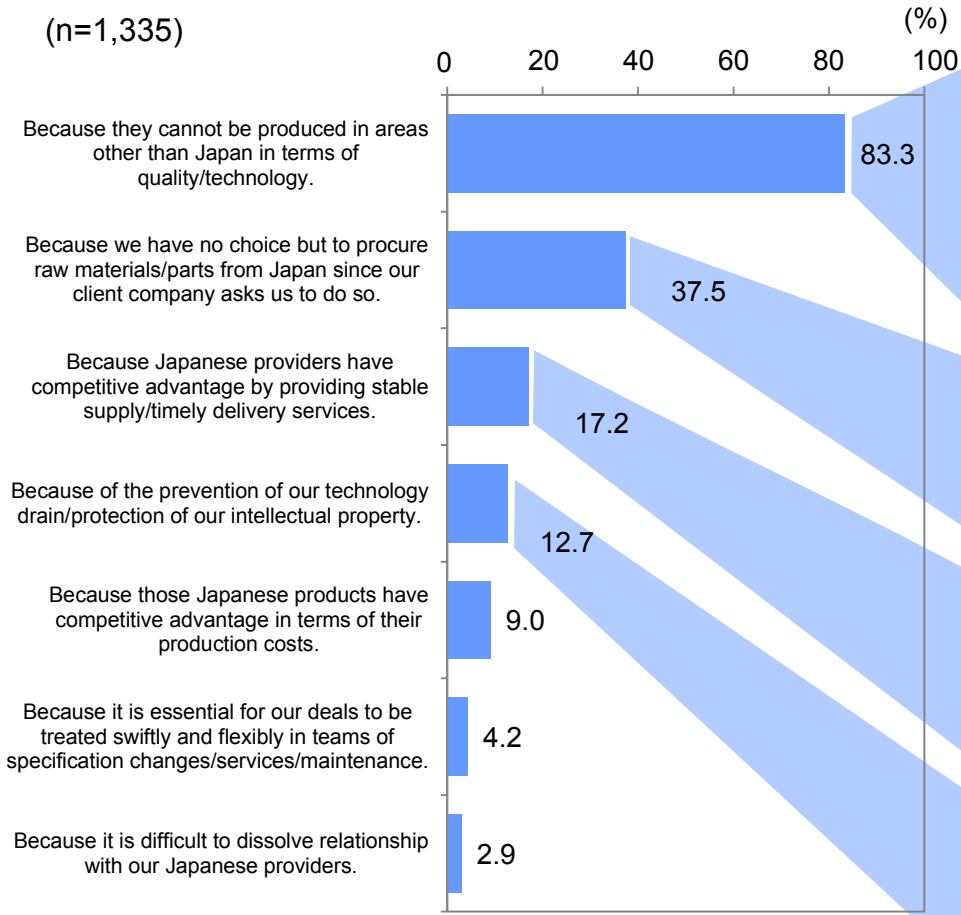
Note: Countries/regions for which n ≥ 15

- Firms that procure raw materials and parts from Japan were asked if there are any raw materials/parts that can be procured only from Japan. As a result, 80.4% of the firms answered "Yes" to this question. The percentage decreased by 0.5 pp from the 2015 survey (80.9%).
- By industry, over 70% of the firms in all industries excluding Wood/Pulp responded "Yes."
- Major raw materials and parts included in the responses are as follows:
 - General machinery:** Steel products, engines, and special processed products
 - Electric machinery:** Semiconductors, special resin materials, electronic parts, and special metal products
 - Textiles:** Chemicals, special cloth, special thread, and high-grade materials
 - Motor vehicles/Motorcycles:** Steel products, electronic parts, forged parts, engine parts, and metal fittings
 - Precision machinery:** Electronic circuit parts, special materials, and high-precision parts
 - Chemical/Pharmaceutical:** Special resin materials, special plastic raw materials, coating materials, additives, and pigments
 - Iron/Nonferrous metals/Metals:** Special steel products, special metal products, steel products, and special chemicals
 - Rubber/Leather:** Chemicals, special chemical products, synthetic rubber, and rubber raw materials
 - Food:** Ingredients, food additives, seasoning, fragrances, packaging materials, and machine parts
 - Wood/Pulp:** Raw materials, base cardboard papers, packaging materials, and equipment parts.

5. Procurement of Raw Materials and Parts (8)

Reasons for difficulty in procuring the raw materials/parts from countries other than Japan

(n=1,335)



● As to the reason why it is difficult to procure the raw materials/parts from countries other than Japan, 83.3% of the firms mentioned "quality/technology," followed by "materials/parts designated by the client company" (37.5%).

Response rate by country/region and industry category (rank order)

By country/region		By industry category	
	%		%
India (n=100)	90.0	Rubber/Leather (n=31)	93.6
South Korea (n=47)	89.4	Textiles (n=68)	86.8
Taiwan (n=45)	84.4	Food (n=59)	86.4
Thailand (n=256)	84.4	Iron/Nonferrous metals/Metals (n=204)	84.8
Malaysia (n=85)	83.5	Precision machinery (n=59)	83.1
	%		%
Indonesia (n=149)	49.7	Textiles (n=68)	47.1
China (n=214)	42.5	Motor vehicles/Motorcycles (n=263)	44.5
Thailand (n=256)	40.6	Iron/Nonferrous metals/Metals (n=204)	42.2
	%		%
Philippines (n = 36)	27.8	General machinery (n=123)	24.4
Indonesia (n=149)	22.2	Motor vehicles/Motorcycles (n=263)	17.9
Thailand (n=256)	17.2	Electric machinery (n=220)	17.7
	%		%
Taiwan (n=45)	28.9	Food (n=59)	20.3
South Korea (n=47)	19.2	Precision machinery (n=59)	20.3
China (n=214)	17.8	Chemical/Pharmaceutical (n=185)	14.6

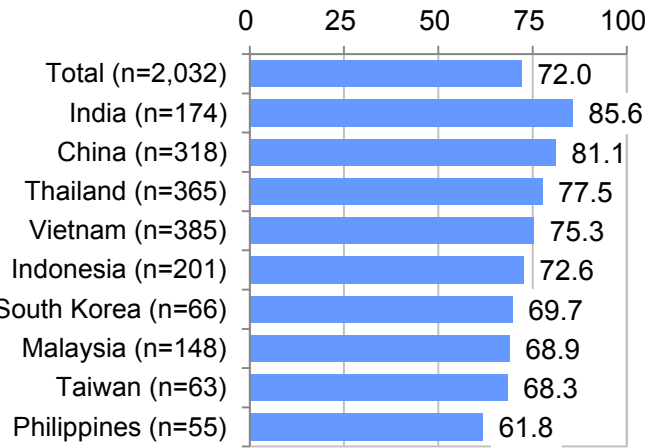
Note: Country/region and industry category for which n ≥ 30

5. Procurement of Raw Materials and Parts (9)

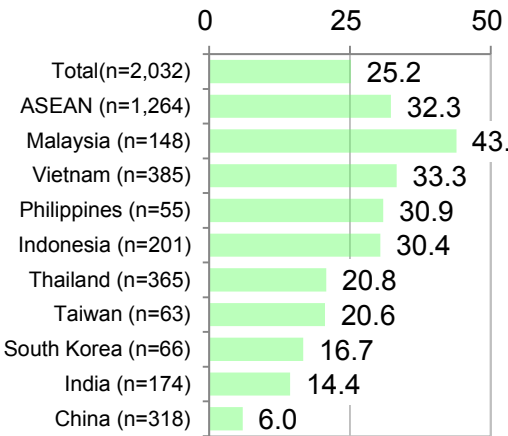
Future raw materials/parts procurement policy (by country/region, multiple answers)

Note: Countries/regions for which n ≥ 50

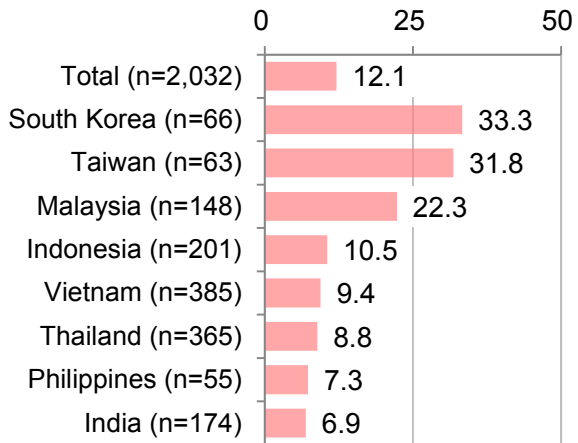
Ratio of firms that responded that they would raise the local procurement rate **in the operating country/region** (%)



Ratio of firms that responded that they would raise the procurement rate from **"ASEAN"** (%)



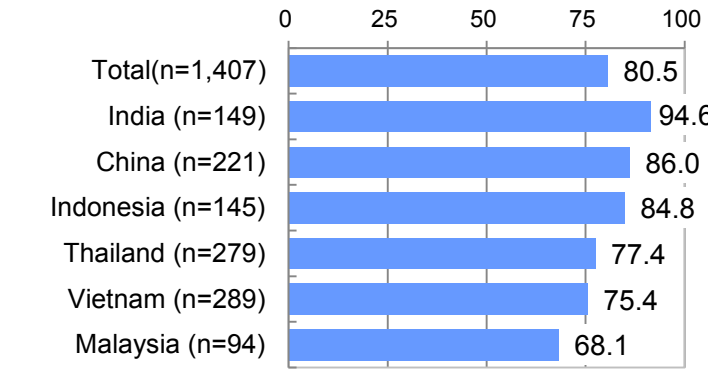
Ratio of firms that responded that they would raise the procurement rate from **"China"** (%)



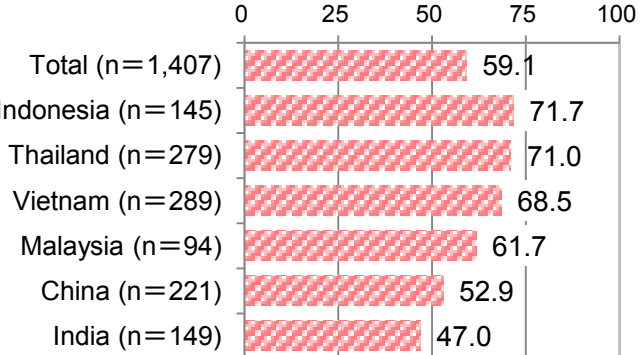
Important local procurement sources to raise the local procurement rate (by country/region, multiple answers)

Note: Countries/regions for which n ≥ 50

Ratio of firms that responded that **local companies** are important for raising the local procurement rate (%)



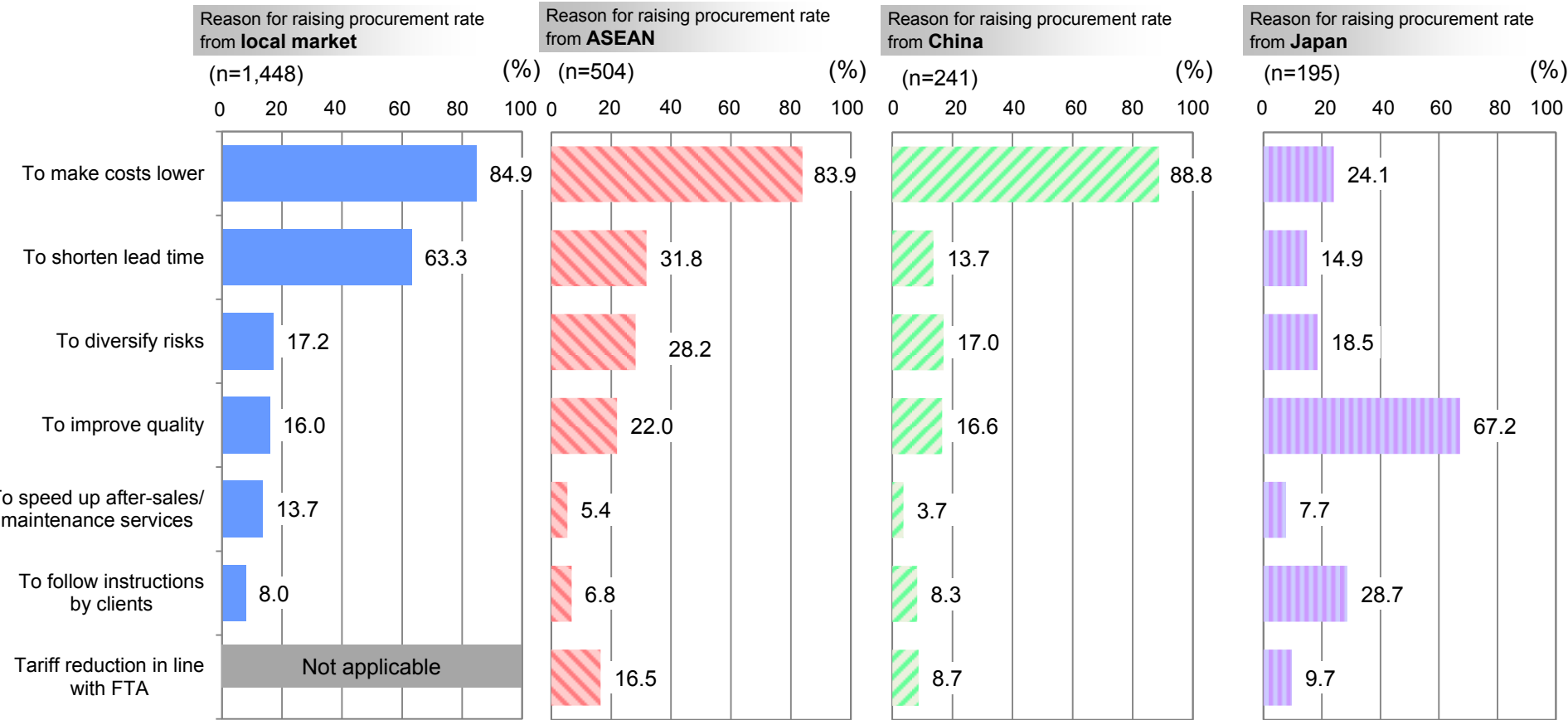
Ratio of firms that responded that **Japanese-affiliated companies** are important for raising the local procurement rate (%)



- As a raw material/part procurement policy in the future, the largest proportion of firms at 72.0% responded that they would raise the local procurement rate in the operating country/region.
- As local procurement sources that will become important in the future for raising the local procurement rate, "Local companies" were cited by 80.5% of the firms, while "Japanese-affiliated firms" was cited by 59.1%.

5. Procurement of Raw Materials and Parts (10)

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

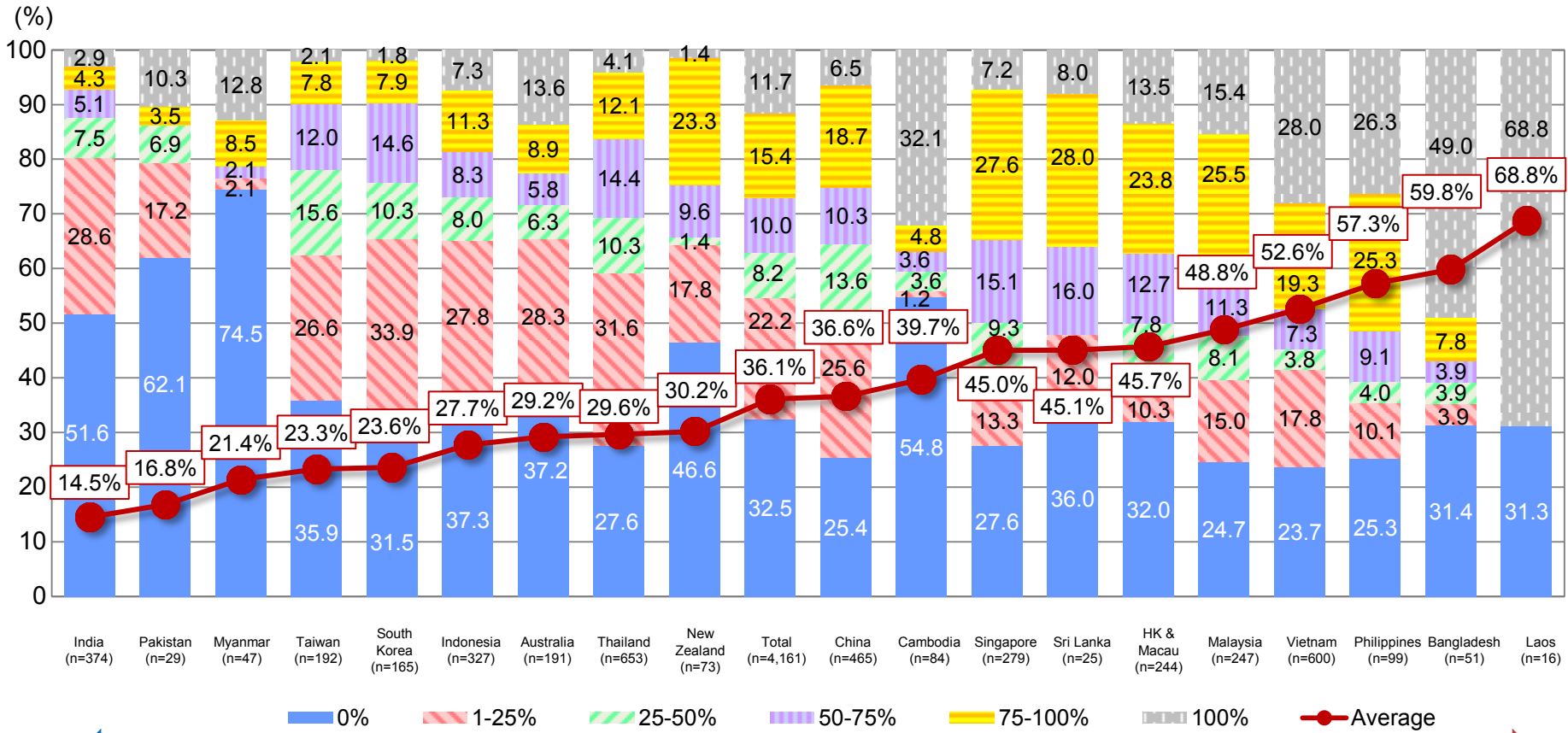


- For firms that responded that they would raise the procurement rate from the local market, ASEAN, and China, the biggest reason was “to make costs lower.”
- The major reasons for raising the local procurement rate were “to make costs lower” (84.9%) and “to shorten lead time” (63.3%).
- The major reasons for raising the procurement rate from ASEAN were “to make costs lower” (83.9%), “to shorten lead time” (31.8%), “to diversify risks” (28.2%), and “to improve quality” (22.0%).
- The biggest reason for raising the rate of procurement from Japan was “to improve quality” (67.2%).



6. Exports/Imports (1)

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

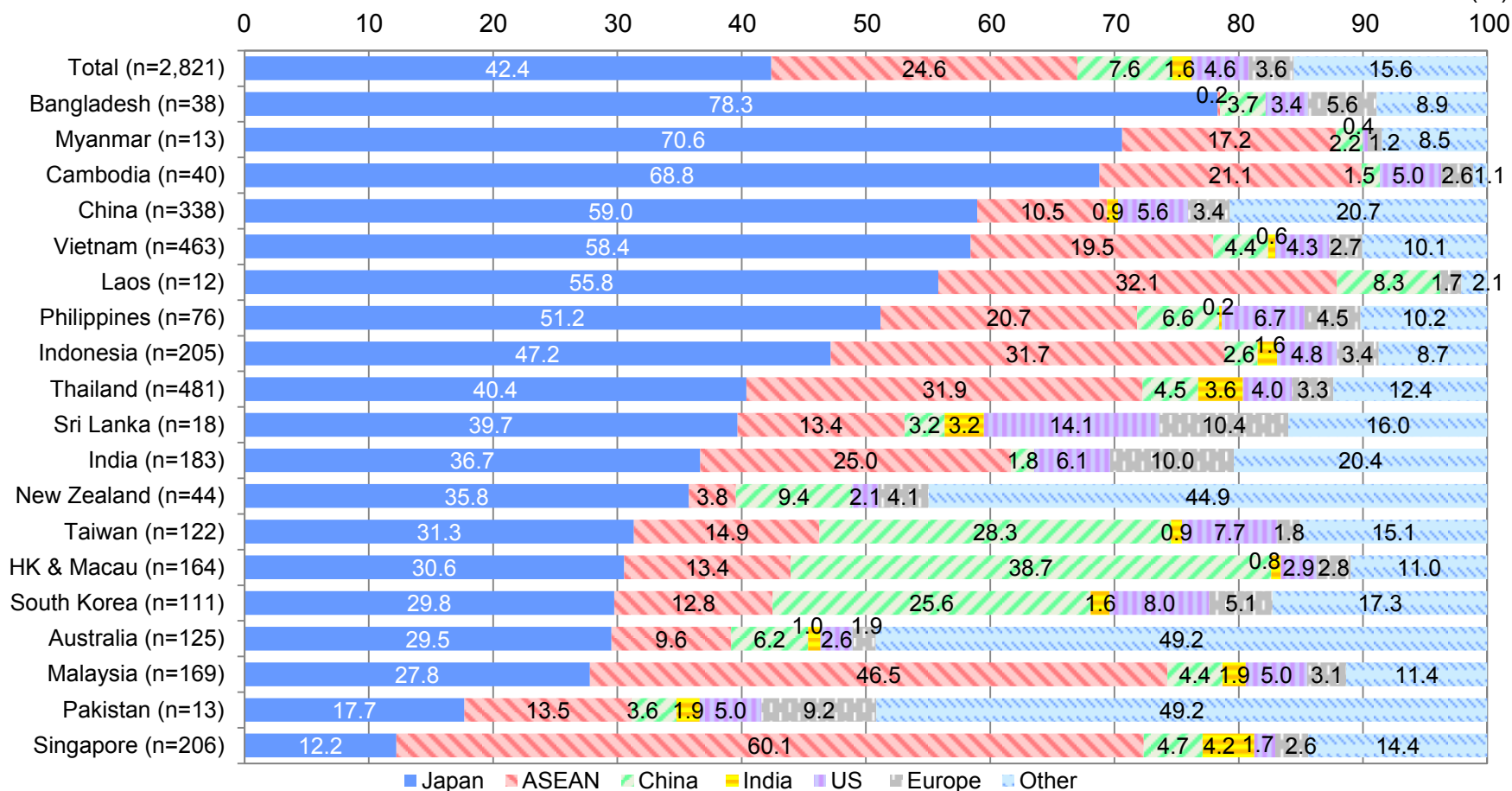


- The average export-to-local sales ratio of Japanese-affiliated firms exceeded 50% in Laos (68.8%), Bangladesh (59.8%), the Philippines (57.3%) and Vietnam (52.6%). On the other hand, India (14.5%) and Pakistan (16.8%), with an export ratio below 20%, had a high proportion of domestic sales.
- The proportion of totally export-oriented firms (export ratio: 100%) was high in Laos (68.8%), Bangladesh (49.0%) and Cambodia (32.1%). Meanwhile, completely domestic sales-oriented firms (export ratio: 0%) exceeded 50% in Myanmar (74.5%), Pakistan (62.1%), Cambodia (54.8%) and India (51.6%).

6. Exports/Imports (2)

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

Note: Countries/regions for which n ≥ 10 (%)



- Japan was the largest export destination (as a total of all surveyed countries/regions) for Japanese-affiliated firms, at 42.4% on average, followed by ASEAN (24.6%).
- The composition of major export destinations remained almost the same as in the 2015 survey with only limited changes; exports to Japan decreased by 2.6 pp, while exports to ASEAN and China increased by 3.0 pp and 1.0 pp, respectively.
- Japan accounted for over 50% in Bangladesh, Myanmar, Cambodia, China, Vietnam, Laos and the Philippines. Japan is the major export destination for Textiles (91.5%), Transport (90.2%), Communications/Software (84.4%), and Rubber/Leather (84.1%).

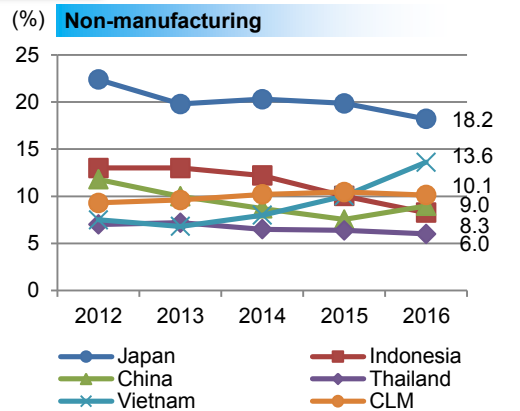
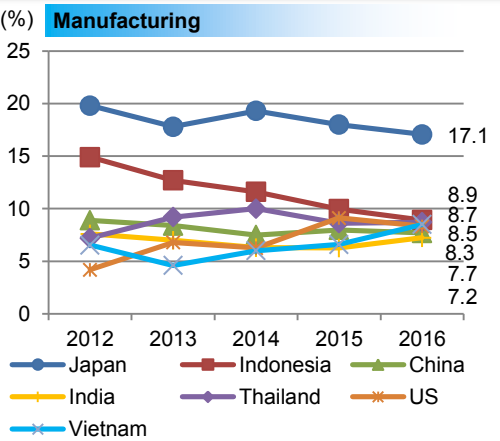
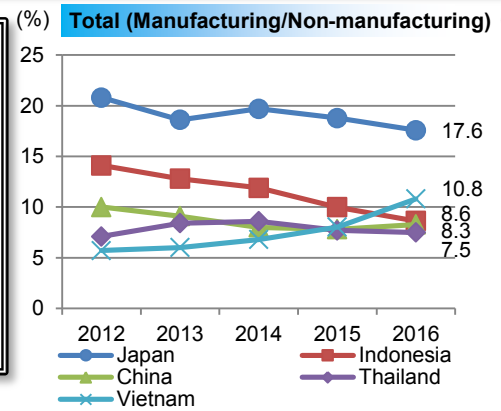


6. Exports/Imports (3)

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

Note: Countries/regions for which n ≥ 10

Total (2016)		
Total (n=3,431)		
	Country	%
1	Japan	17.6
2	Vietnam	10.8
3	Indonesia	8.6
4	China	8.3
5	Thailand	7.5



Most important country/region

* CLM: Cambodia, Laos and Myanmar

Japan is most important

	1st		2nd		3rd	
Vietnam (n=533)	Japan	29.1	CLM	14.1	Thailand	13.0
China (n=361)	Japan	28.8	Vietnam	9.1	US	8.9
Indonesia (n=256)	Japan	24.2	Thailand	11.7	Malaysia	9.4
Philippines (n=89)	Japan	24.7	US	12.4	Thailand	11.2
Cambodia (n=65)	Japan	26.2	Thailand	21.5	Vietnam	16.9
Bangladesh (n=44)	Japan	27.3	Europe	22.7	India	11.4
Myanmar (n=26)	Japan	19.2	Thailand	15.4	—	—
Sri Lanka (n=22)	Japan	27.3	India	22.7	Middle East	13.6

China is most important

	1st		2nd		3rd	
HK & Macau (n=218)	China	29.8	Vietnam	20.6	Japan	7.3
Taiwan (n=154)	China	30.5	Vietnam	15.6	Japan	10.4
South Korea (n=143)	China	30.8	Vietnam	16.8	Japan	11.2

Vietnam is most important

	1st		2nd		3rd	
Thailand (n=578)	Vietnam	21.8	Indonesia	15.2	CLM	14.5

Indonesia is most important

	1st		2nd		3rd	
Singapore (n=268)	Indonesia	21.6	Vietnam	16.4	India	10.5
Malaysia (n=145)	Indonesia	20.0	Thailand	17.2	Vietnam	12.4

Middle East is most important

	1st		2nd		3rd	
Pakistan (n=23)	Middle East	21.7	Indonesia	8.7	Europe	8.7

Africa is most important

	1st		2nd		3rd	
India (n=290)	Africa	16.6	Japan	15.9	Middle East	12.4

- The most promising export markets over the next one to three years (as a total of all surveyed countries/regions) were Japan, Vietnam, Indonesia, China, and Thailand, in that order.
- The percentage increased from the 2015 survey in Vietnam and China, while it decreased in Indonesia, Japan, and Thailand.
- In the manufacturing sector, the percentage for Vietnam, which had been ranked sixth or below until the 2015 survey, increased by 1.9 pp to lift the country to the fourth place (8.5%).

6. Exports/Imports (4)

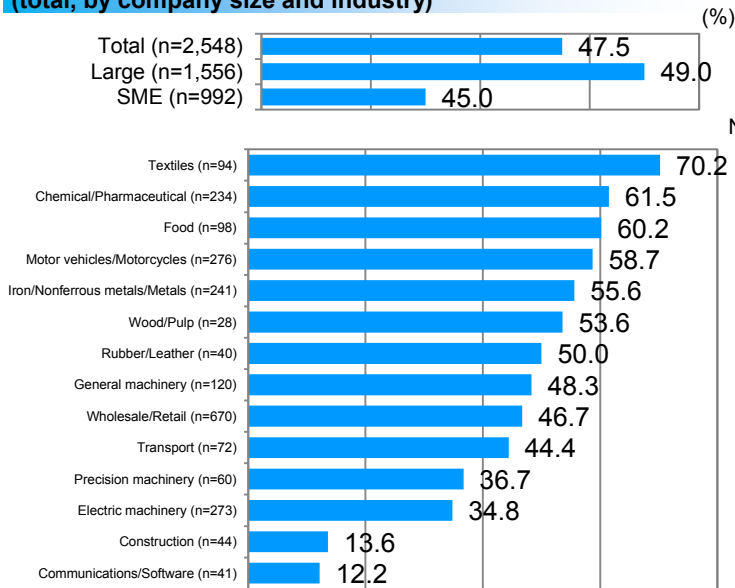
Note 1: The proportions in the two charts on the top are calculated as the ratio of firms that are using at least one FTA or EPA to firms that are involved in either exporting or importing, or both.

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

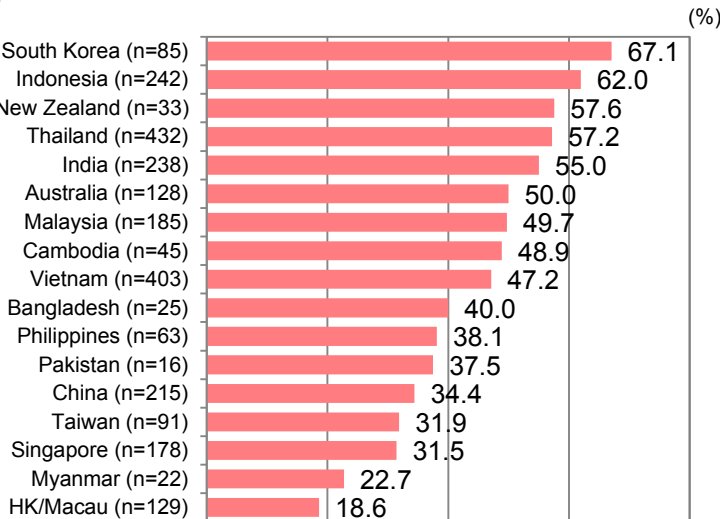
Utilization of existing (in force) FTAs/EPAs (only companies involved in export/import)

Note: Countries/regions for which n ≥ 10

Proportions of firms utilizing FTAs/EPAs (total, by company size and industry)

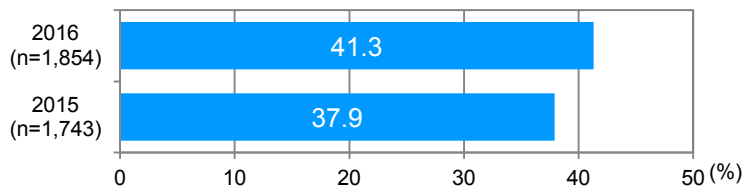


Proportions of firms utilizing FTAs/EPAs (by country/region)

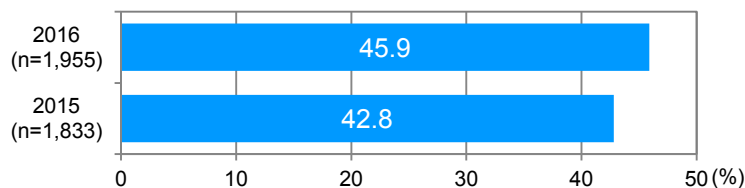


Proportions of firms utilizing FTAs/EPAs in 2015 and 2016 (by export/import)

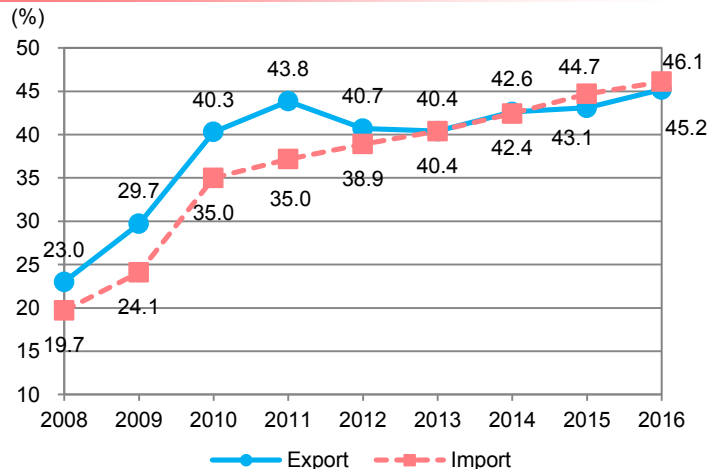
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<For import>



Trends in FTA/EPA utilization by Japanese-affiliated firms in ASEAN



- A total of 47.5% of firms engaged in trade are using FTAs/EPAs, up 3.0 pp from the 2015 survey.
- Large enterprises (49.0%) are more likely to be using FTAs/EPAs than SMEs (45.0%).
- By industry, the Textiles and Chemical/Pharmaceutical industries use FTAs/EPAs more than other industries.
- By country/region, FTA/EPA use by Japanese-affiliated firms is the highest in South Korea at 67.1%, followed by Indonesia, New Zealand, Thailand, India, and Australia at over 50%, respectively.
- FTA/EPA use increased from the 2015 survey both in imports and exports.
- FTA/EPA use by Japanese-affiliated firms in ASEAN increased by about 2 pp from the 2015 survey both in imports and exports.



6. Exports/Imports (5)

FTA/EPA utilization

Note: These figures include firms making use of Early Harvest accelerated tariff reductions for designated products. Bilateral FTAs/EPAs are included in multi lateral FTA/EPAs
The percentage of firms using FTAs/EPAs is calculated as the ratio of firms making use of FTAs/EPAs to firms involved in importing /exporting

	Export				Import			
	Trade partners	Firms involved in export	Firms making using of FTAs/EPAs	% of all firms using FTAs/EPAs	Trade partners	Firms involved in import	Firms making using of FTAs/EPAs	% of all firms using FTAs/EPAs
Thailand	Japan	258	101	39.1	Japan	343	156	45.5
	ASEAN	201	97	48.3	China	126	63	50.0
	China	97	45	46.4	ASEAN	118	66	55.9
	India	89	39	43.8	South Korea	42	21	50.0
	Australia	35	19	54.3	India	27	11	40.7
	South Korea	34	17	50.0				
Vietnam	Japan	266	84	31.6	Japan	284	90	31.7
	ASEAN	179	72	40.2	ASEAN	189	78	41.3
	China	94	27	28.7	China	140	33	23.6
	South Korea	31	14	45.2	South Korea	35	11	31.4
	India	23	10	43.5				
Indonesia	Japan	135	47	34.8	Japan	213	111	52.1
	ASEAN	103	49	47.6	ASEAN	142	82	57.7
	China	41	17	41.5	China	83	34	41.0
	India	31	10	32.3	South Korea	31	14	45.2
Malaysia	ASEAN	116	59	50.9	Japan	153	47	30.7
	Japan	102	32	31.4	ASEAN	99	40	40.4
	China	53	21	39.6	China	78	21	26.9
	India	30	16	53.3	South Korea	30	10	33.3
	South Korea	20	12	60.0				
Singapore	ASEAN	163	51	31.3	Japan	111	28	25.2
	Japan	62	16	25.8	ASEAN	82	26	31.7
	India	58	10	17.2	China	51	11	21.6
	China	46	11	23.9				
Philippines	Japan	50	11	22.0	Japan	56	12	21.4
	ASEAN	30	9	30.0	ASEAN	31	10	32.3
	China	23	6	26.1				

	Export				Import			
	Trade partners	Firms involved in export	Firms making using of FTAs/EPAs	% of all firms using FTAs/EPAs	Trade partners	Firms involved in import	Firms making using of FTAs/EPAs	% of all firms using FTAs/EPAs
India	Japan	69	18	26.1	Japan	189	85	45.0
	ASEAN	56	23	41.1	ASEAN	114	81	71.1
					South Korea	32	16	50.0
Australia	Japan	55	18	32.7	Japan	87	42	48.3
	New Zealand	40	10	25.0	ASEAN	42	29	69.0
	ASEAN	35	16	45.7	US	26	13	50.0
New Zealand	Australia	20	11	55.0				
China	ASEAN	102	19	18.6	Hong Kong	80	14	17.5
	Hong Kong	102	21	20.6	ASEAN	74	25	33.8
	Taiwan	58	10	17.2	Taiwan	47	14	29.8
	South Korea	55	11	20.0				
HK & Macau	China	108	21	19.4	China	82	10	12.2
Taiwan	China	59	21	35.6	China	60	16	26.7
	China	47	20	42.6	China	47	25	53.2
South Korea	ASEAN	32	19	59.4	ASEAN	32	23	71.9
	US	30	17	56.7	EU	23	16	69.6
	EU	26	15	57.7	US	21	13	61.9

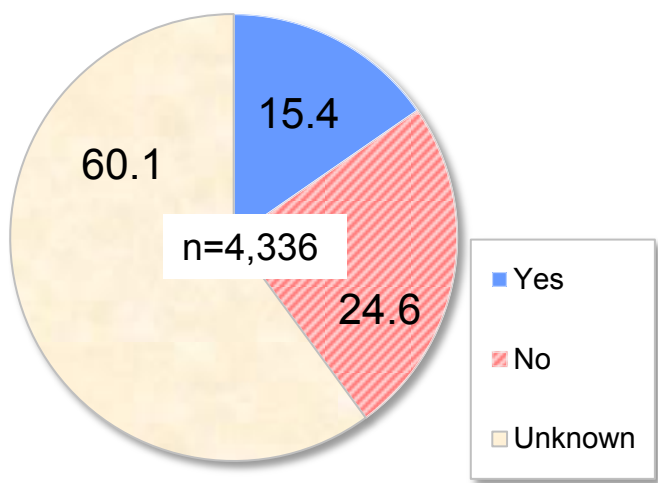
- Many (30 to 50% of) firms in Thailand, Malaysia, Indonesia and Vietnam are using FTAs/EPAs within ASEAN (AFTA), as well as in business with Japan.
- In India, FTA use increased from the 2015 survey in imports from Japan and ASEAN.
- In China, FTA use decreased by 7.4 pp from the 2015 survey in exports to ASEAN. In South Korea, FTA use exceeded 50% both in imports from and exports to ASEAN, EU and US, indicating more prevalent use of FTAs than other countries/regions.

Note: Countries/regions for which n ≥ 20 or firms making using of FTAs/EPAs for which n ≥ 10



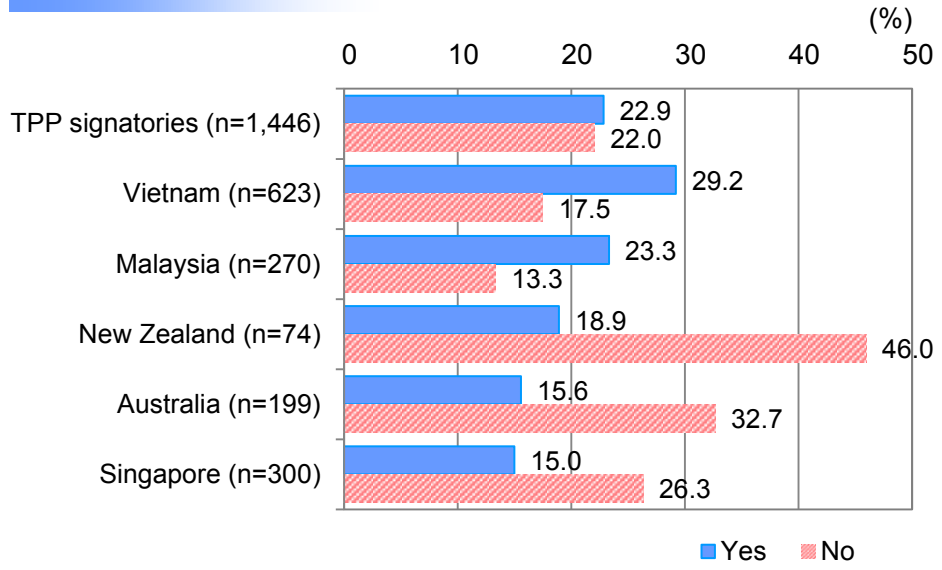
7. Possible Impact of the TPP on Business (1)

Possible impact of the Trans-Pacific Partnership (TPP) on business (by country/region)



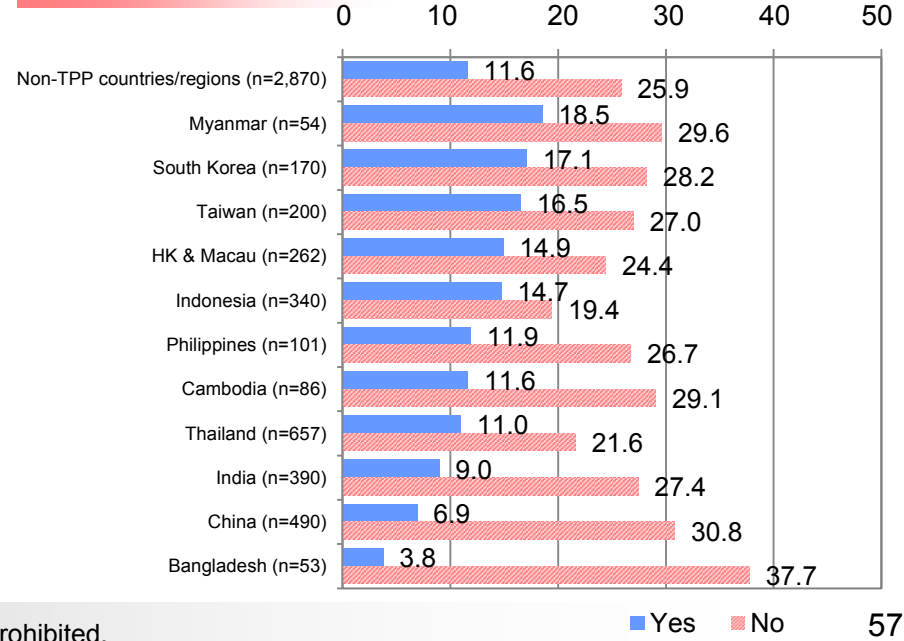
- 15.4% of the firms answered “Yes” and the percentage was lower than those who answered “No” (24.6%) and “Unknown” (60.1%).
- However, an average of 22.9% of the firms in TPP signatories answered “Yes” and the percentage was over 10 pp higher than 11.6% in non-TPP countries/regions.
- By country/region, 29.2% and 23.3% of the firms in Vietnam and Malaysia, respectively, which are TPP signatories, answered “Yes” and the percentage was higher than those who answered “No.”

TPP signatories



Note: Countries/regions for which n ≥ 30

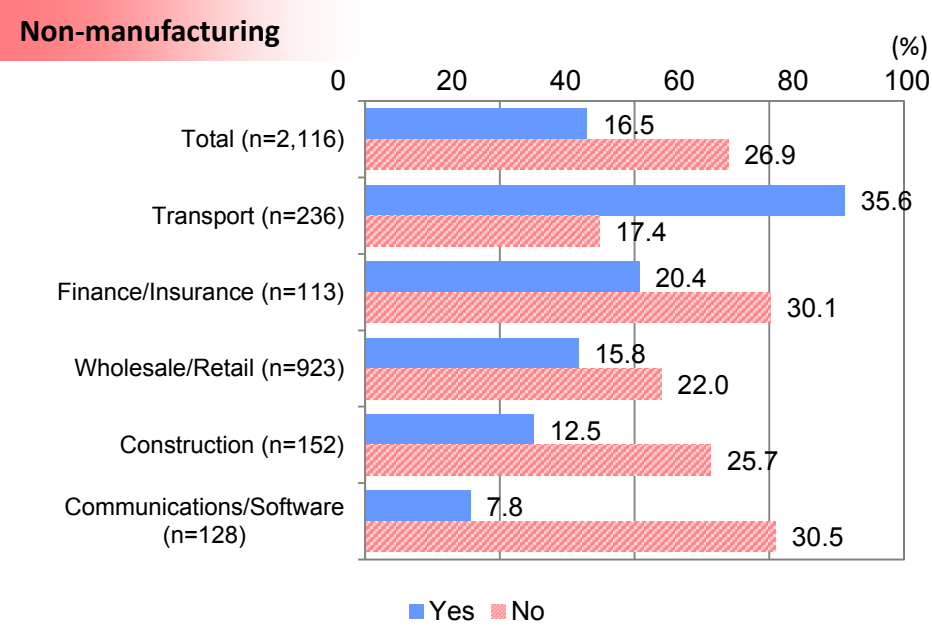
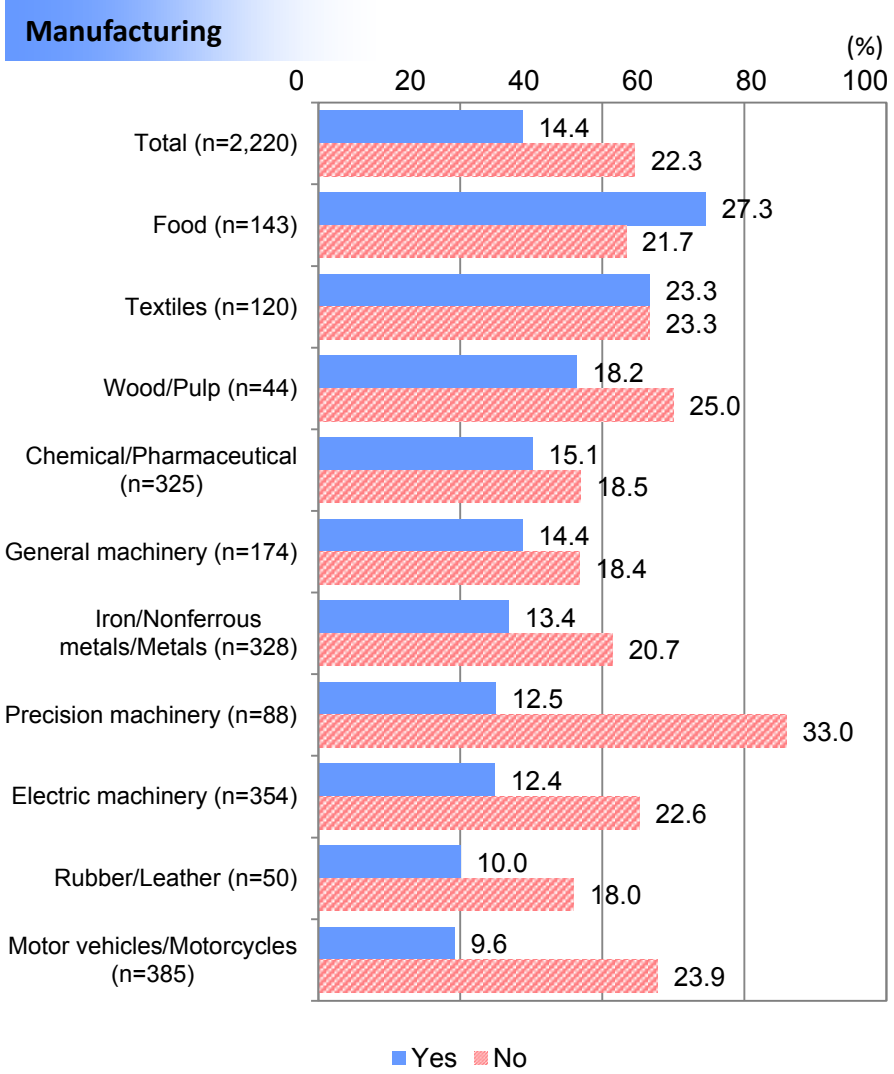
Non-TPP countries/regions





7. Possible Impact of the TPP on Business (2)

Possible impact of the Trans-Pacific Partnership (TPP) on business (by industry)

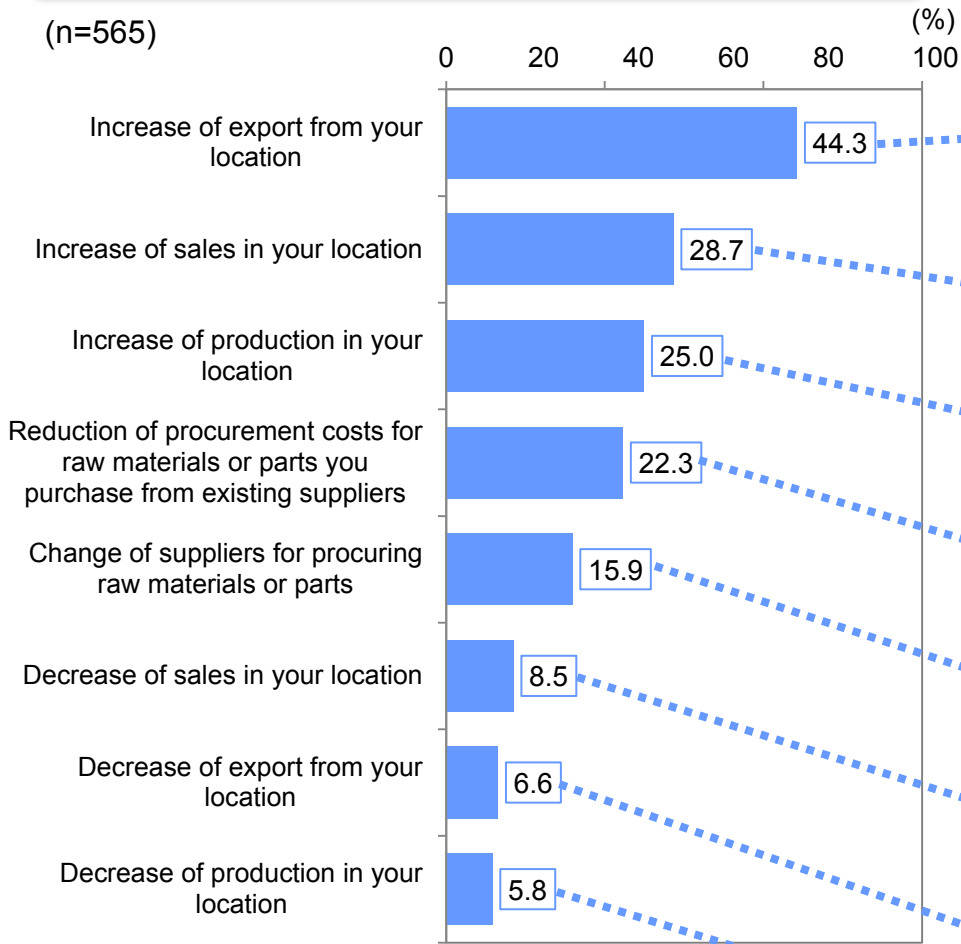


- The percentage of the firms in the non-manufacturing sector which answered “Yes” was 16.5% and higher than that of the firms in the manufacturing sector (14.4%).
- In the manufacturing sector, the percentage of the firms which answered “Yes” was the highest in Food (27.3%), followed by Textiles (23.3%) and Wood/Pulp (18.2%). Food was the only industry in which the percentage of “Yes” exceeded that of “No.”
- In the non-manufacturing sector, the percentage of the firms which answered “Yes” was highest in Transport.



7. Possible Impact of the TPP on Business (3)

Specific impacts that the TPP may have on business



Top 3 countries/regions and industries

Country/region		Industry	
	%		%
New Zealand (n=13)	69.2	Transport (n=59)	57.6
Malaysia (n=53)	62.3	General machinery (n=22)	54.6
Australia (n=27)	51.9	Textiles (n=23)	52.2
Vietnam (n=158)	45.6	Finance/Insurance (n=21)	42.9
New Zealand (n=13)	38.5	Wholesale/Retail (n=126)	41.3
India (n=30)	33.3	Construction (n=13)	38.5
Vietnam (n=158)	38.0	General machinery (n=22)	63.6
Philippines (n=11)	36.4	Textiles (n=23)	60.9
Malaysia (n=53)	34.0	Motor vehicles/Motorcycles (n=35)	57.1
Indonesia (n=43)	37.2	Construction (n=13)	46.2
South Korea (n=25)	36.0	Motor vehicles/Motorcycles (n=35)	37.1
Singapore (n=39)	28.2	Iron/Nonferrous metals/Metals (n=43)	32.6
Vietnam (n=158)	20.3	Textiles (n=23)	30.4
India (n=30)	20.0	General machinery (n=22)	27.3
Malaysia (n=53)	18.9	Iron/Nonferrous metals/Metals (n=43)	25.6
Taiwan (n=26)	34.6	Chemical/Pharmaceutical (n=46)	17.4
China (n=26)	19.2	Food (n=38)	15.8
Philippines (n=11)	18.2	Finance/Insurance (n=21)	14.3
China (n=26)	26.9	Textiles (n=23)	17.4
HK/Macau (n=31)	19.4	Transport (n=59)	11.9
Taiwan (n=26)	11.5	Chemical/Pharmaceutical (n=46)	8.7
China (n=26)	46.2	Textiles (n=23)	26.1
Thailand (n=61)	13.1	Iron/Nonferrous metals/Metals (n=43)	14.0
Taiwan (n=26)	7.7	Electric machinery (n=40)	12.5

• TPP signatories are expecting increase in exports, sales and production more than non-TPP countries/regions, while China, Taiwan, Thailand and other non-TPP countries/regions are expecting decrease.

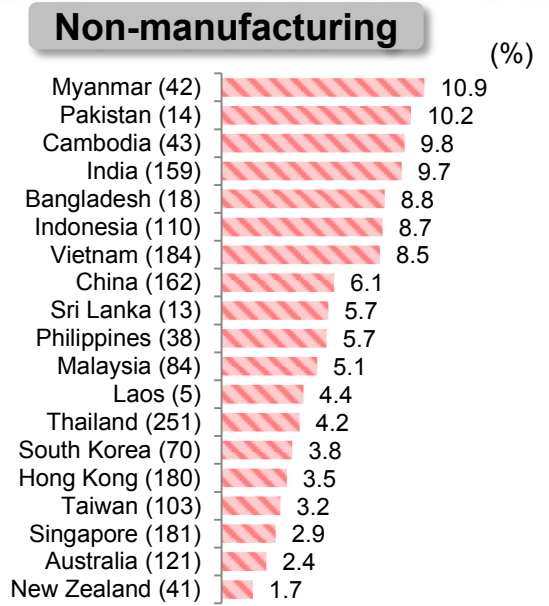
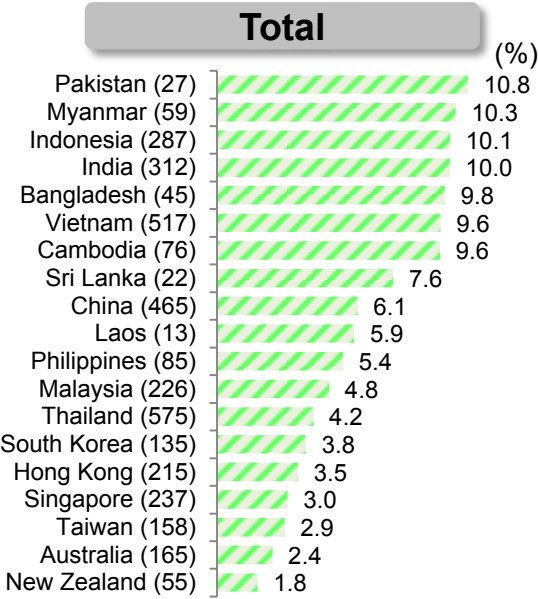
Note: Countries/regions and industries for which n ≥ 10



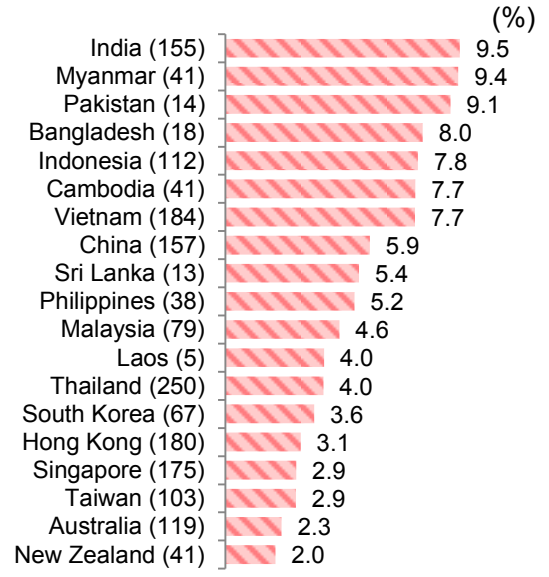
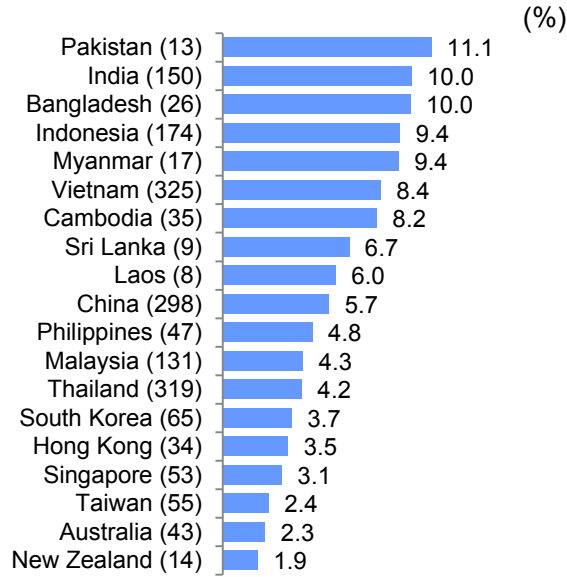
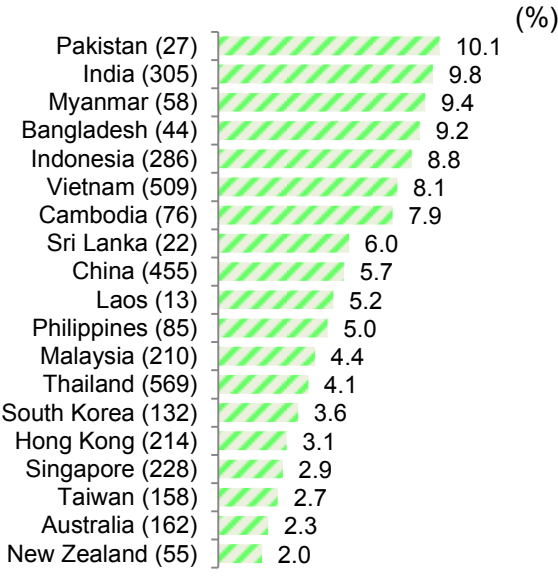
8. Wages (1) Year-on-year wage increase rate

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

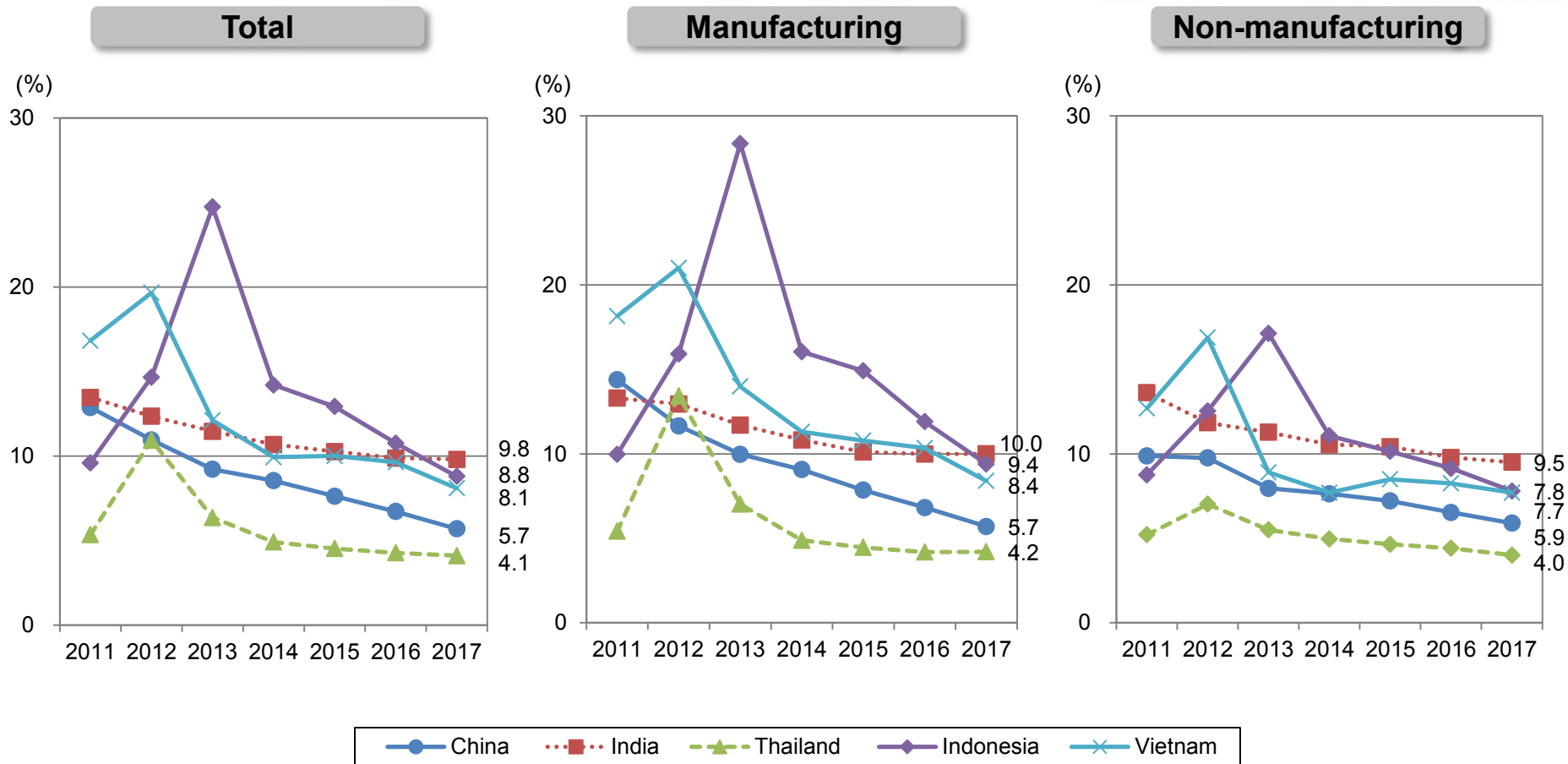
FY2016 ← FY2015



FY2017 ← FY2016



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



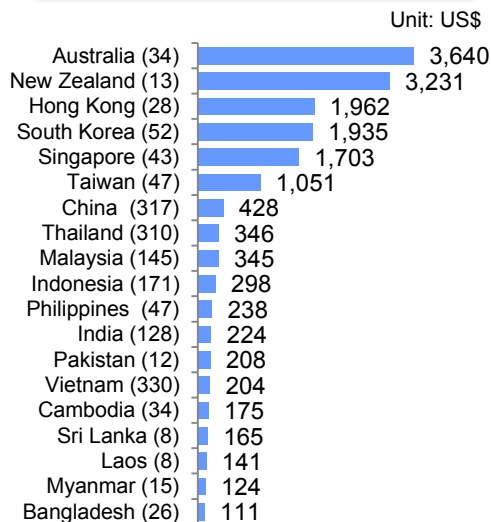
Note: 2017 rates are forecasts.

- By industry category, the wage increase rate fluctuates relatively less in the non-manufacturing sector.
- In 2016, the wage increase rate (total; same applies to the following) decreased in China, Thailand, India, Indonesia, and Vietnam.
- In China, the wage increase rate decreased every year after peaking out at 12.9% in 2011. The rate was 6.1% in 2016 and is expected to decrease to 5.7% in 2017 (forecast).
- In Indonesia, the wage increase rate decreased every year after peaking out at 24.7% in 2013. The rate was 10.1% in 2016 and is expected to decrease to 8.8% in 2017 (forecast).
- The wage increase rate is expected to decrease gradually in all countries in 2017 (forecast).

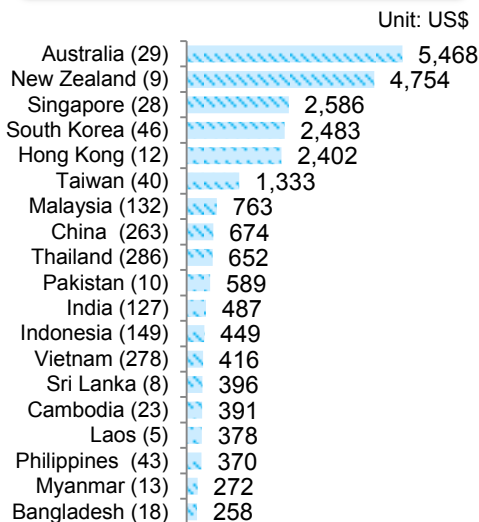
8. Wages (3) Base salary (monthly)

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

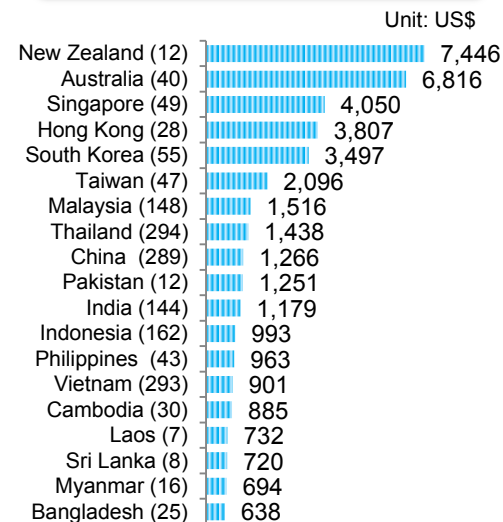
Manufacturing - Worker



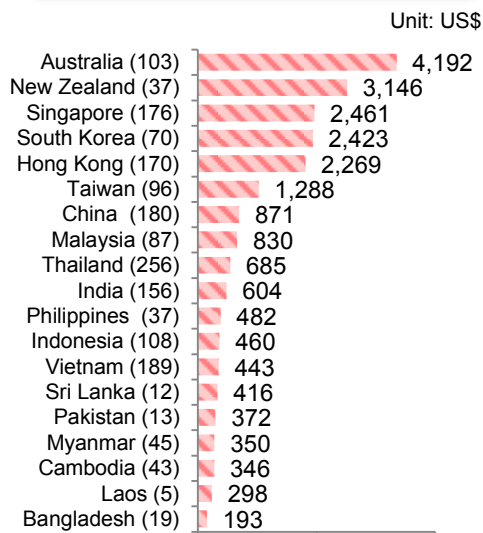
Manufacturing - Engineer



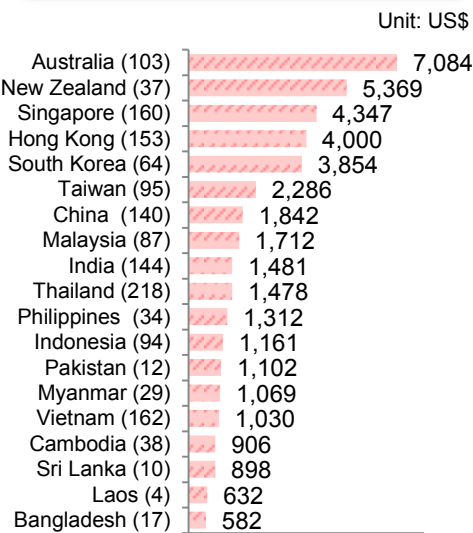
Manufacturing - Manager



Non-Manufacturing - Staff



Non-Manufacturing - Manager



Base salary: Salary excluding benefits, as of October 2016 (September 2016 for China)

Worker: Regular general workers with 3 years of work experience, not including contract-based and probationary workers

Engineer: Regular employees who are core technicians, graduates of a vocational college or university, and have 5 years of experience

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

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

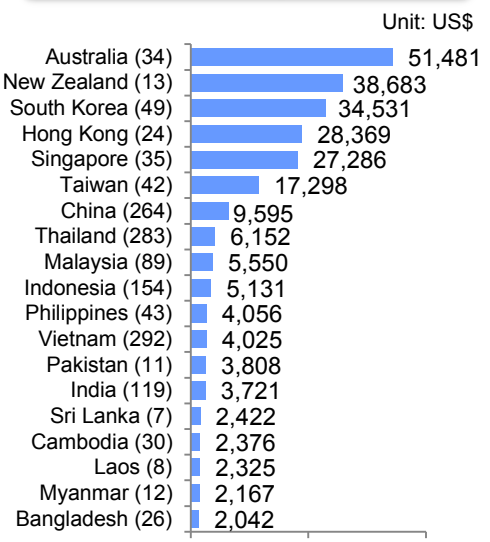
Manager (Non-manufacturing): Regular employees who are section managers in charge of sales, university graduates, and who have 10 years of work experience

Note: Except for Cambodia, base salaries were reported in local currencies. (For Myanmar, salaries were reported selectively either in the local currency or in U.S. dollars.) The average wage for each job type in the local currency was converted to the U.S. dollar, using the average exchange rate of October 2016 (September 2016 for China) published by the central bank of each country/region or by the State Administration of Foreign Exchange for China. For Myanmar, where firms reported base salaries either in the local currency or in U.S. dollars, base salaries reported in the local currency were converted to U.S. dollars.

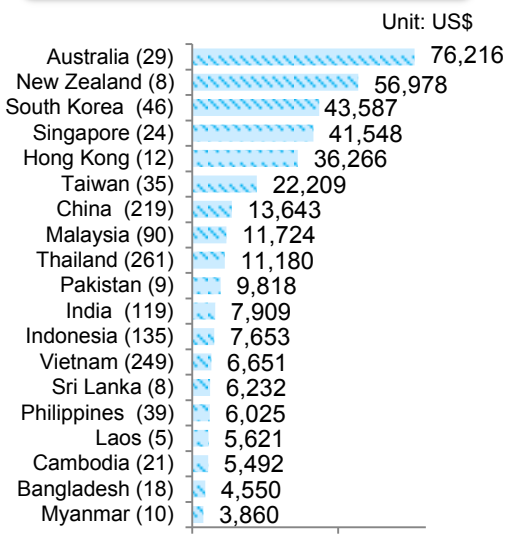
8. Wages (4) Annual salary

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

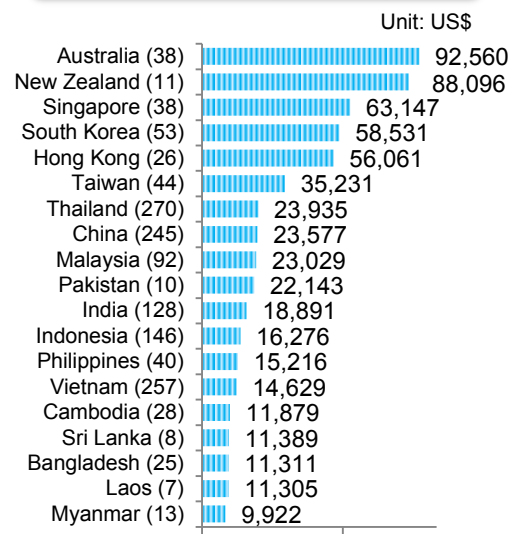
Manufacturing - Worker



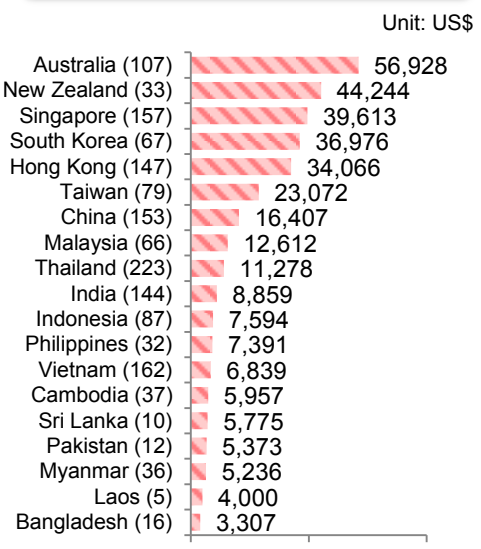
Manufacturing - Engineer



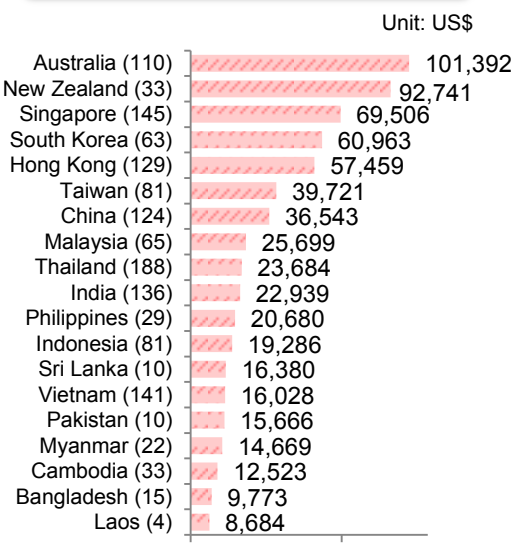
Manufacturing - Manager



Non-Manufacturing - Staff



Non-Manufacturing - Manager



Annual salary (annual amount of real obligation fees):
 Total liability for an employee (the total of annual base salary, benefits, social security, overtime allowances, and bonuses, excluding severance benefits, as of FY2016)

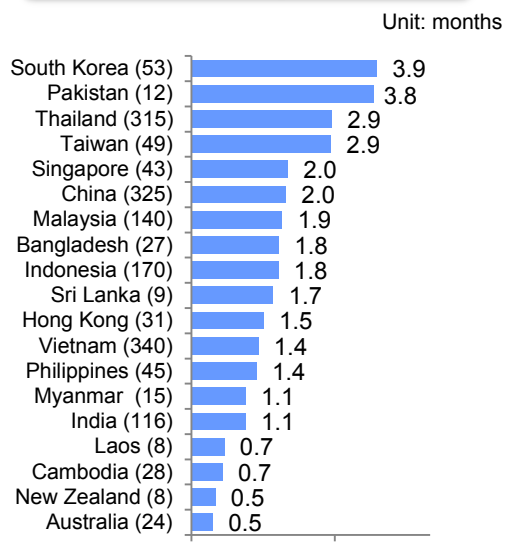
See the previous page for the definitions of worker, engineer, manager (manufacturing), staff, and manager (non-manufacturing).

Note: Except for Cambodia, annual salaries were reported in local currencies. (For Myanmar, salaries were reported selectively either in the local currency or in U.S. dollars.) The annual salary for each job type in the local currency was converted to U.S. dollars, using the average exchange rate of October 2016 (September 2016 for China) published by the central bank of each country/region or by the State Administration of Foreign Exchange for China. For Myanmar, where firms reported annual salaries either in the local currency or in U.S. dollars, annual salaries reported in the local currency were converted to U.S. dollars to calculate the average.

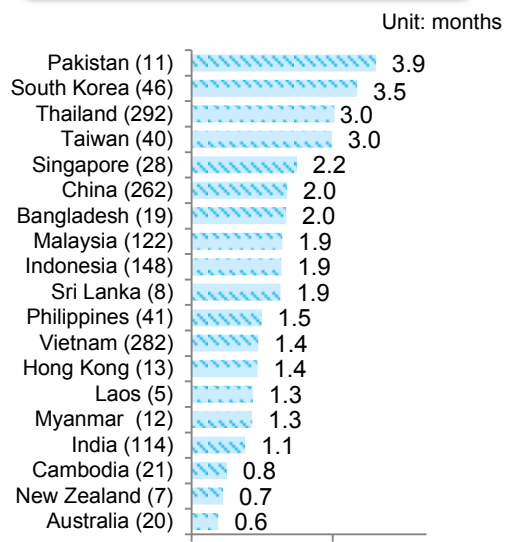
8. Wages (5) Bonuses

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

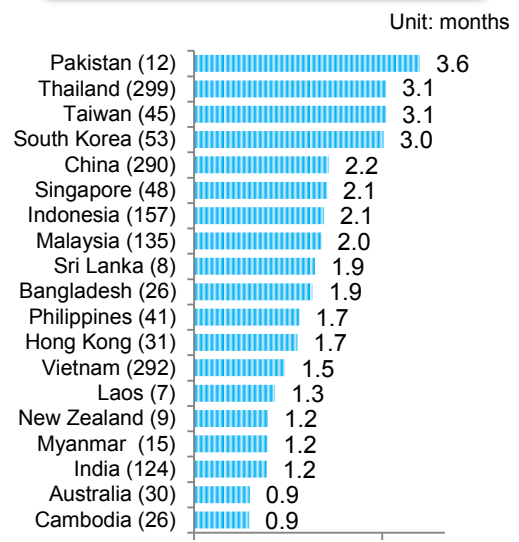
Manufacturing - Worker



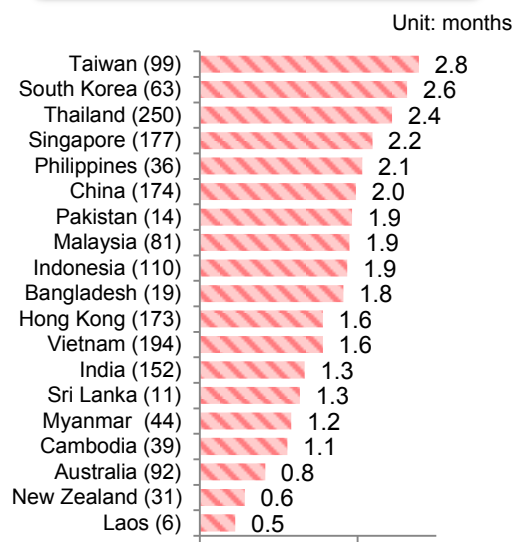
Manufacturing - Engineer



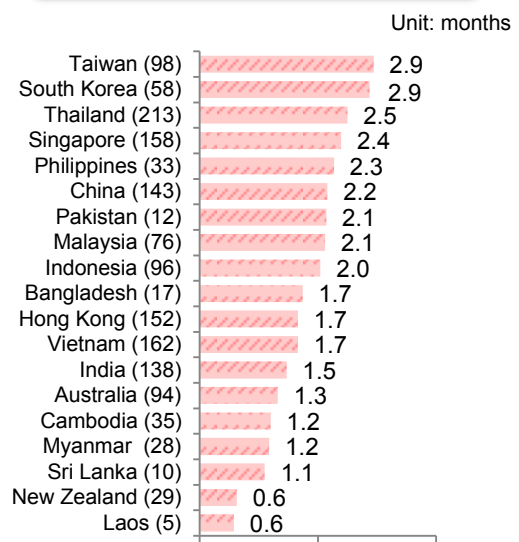
Manufacturing - Manager



Non-Manufacturing - Staff



Non-Manufacturing - Manager





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