

2018 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

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Japan External Trade Organization (JETRO)

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Survey Summary (1)

(Firms, %)

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

Survey Period

- October 9 to November 9, 2018

Response Rate

- Of a total of 13,415 surveys sent out, we received valid responses from 5,073 firms (37.8%). 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 32nd version.
- Since 2007, the survey has included non-manufacturing sectors.
- Numbers in tables are rounded, so they do not necessarily add up to 100%.
- Surveys in Taiwan were conducted with the assistance of the Interchange Association, Japan (IAJ).

	Firms surveyed	Firms responding		Category		Valid responses
		Valid	(%)	Manufacturing	Non-manufacturing	
Total	13,415	5,073	100.0	2,208	2,865	37.8
Northeast Asia	2,848	1,392	27.4	565	827	48.9
China	1,624	756	14.9	427	329	46.6
Hong Kong/Macau	497	323	6.4	36	287	65.0
Taiwan	528	179	3.5	56	123	33.9
South Korea	199	134	2.6	46	88	67.3
ASEAN	8,974	2,877	56.7	1,328	1,549	32.1
Vietnam	1,532	787	15.5	418	369	51.4
Thailand	2,634	602	11.9	320	282	22.9
Indonesia	1,878	413	8.1	221	192	22.0
Singapore	796	433	8.5	93	340	54.4
Malaysia	913	266	5.2	141	125	29.1
Myanmar	406	136	2.7	27	109	33.5
Philippines	449	127	2.5	69	58	28.3
Cambodia	299	80	1.6	24	56	26.8
Laos	67	33	0.7	15	18	49.3
Southwest Asia	1,152	548	10.8	250	298	47.6
India	876	408	8.0	194	214	46.6
Bangladesh	140	57	1.1	26	31	40.7
Pakistan	60	43	0.8	19	24	71.7
Sri Lanka	76	40	0.8	11	29	52.6
Oceania	441	256	5.0	65	191	58.0
Australia	283	168	3.3	38	130	59.4
New Zealand	158	88	1.7	27	61	55.7

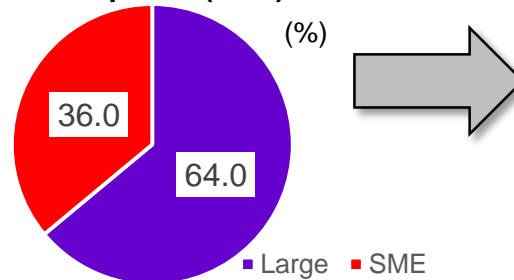
Survey Summary (2)

By industry category (Firms, %)

	Valid	(%)
Manufacturing Total	2,208	43.5
Motor vehicles/Motorcycles	420	8.3
Iron/Nonferrous metals/Metals	349	6.9
Electric machinery	348	6.9
Chemical/Pharmaceutical	304	6.0
Food	158	3.1
General machinery	107	2.1
Textiles	97	1.9
Precision machinery	65	1.3
Rubber/Leather	50	1.0
Wood/Pulp	33	0.7
Other manufacturing industries	277	5.5
Non-manufacturing Total	2,865	56.5
Wholesale/Retail	1,222	24.1
Transport	327	6.4
Construction	219	4.3
Finance/Insurance	217	4.3
Communications/Software	160	3.2
Business services	145	2.9
Travel/Amusement	73	1.4
Restaurant	32	0.6
Other non-manufacturing industries	470	9.3

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:

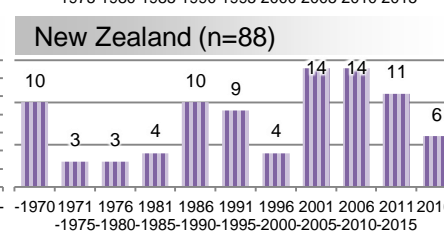
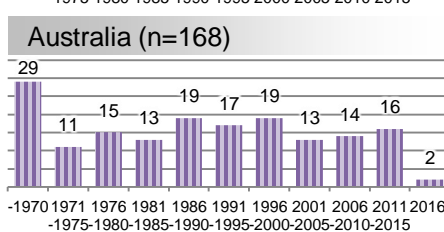
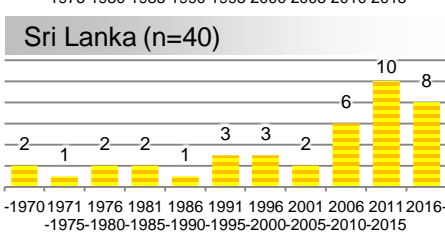
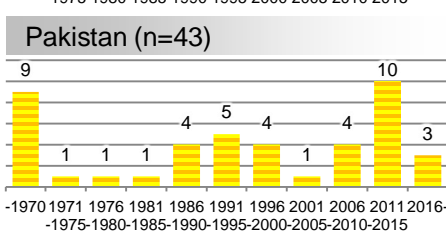
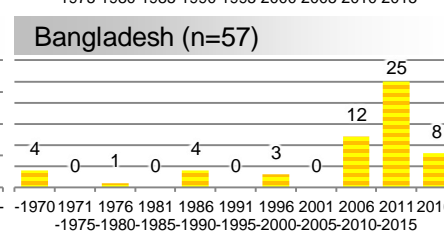
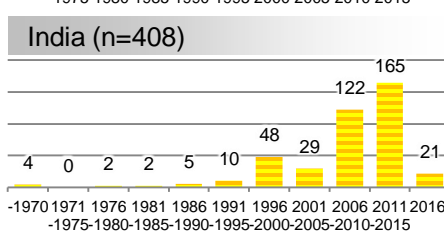
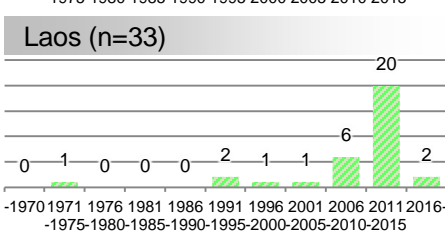
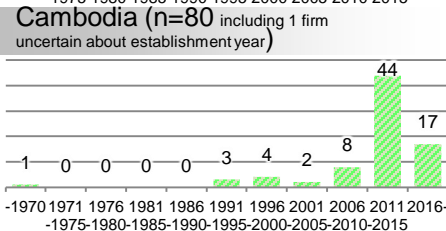
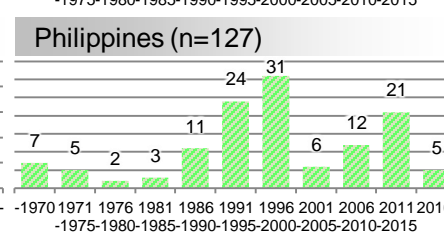
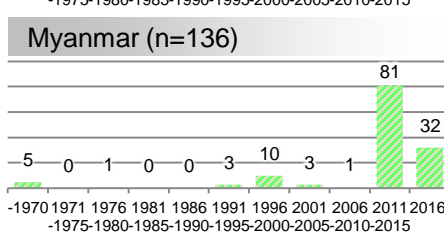
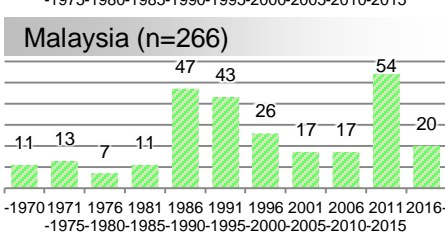
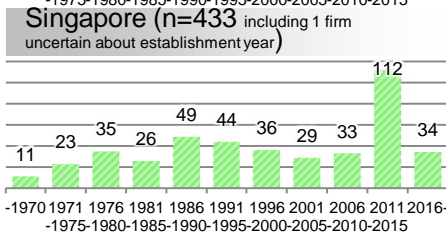
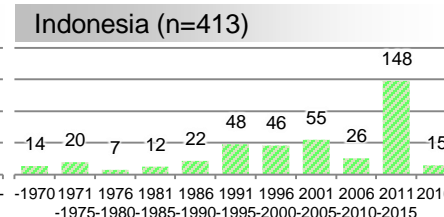
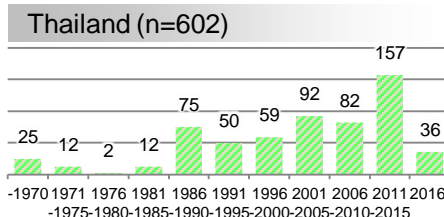
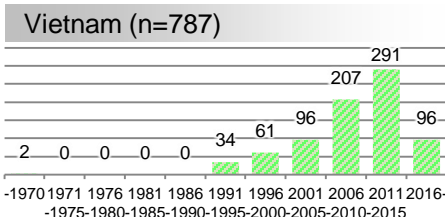
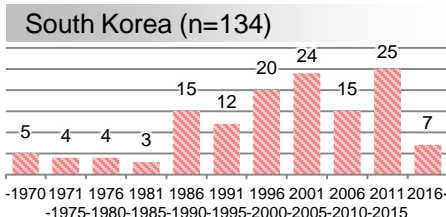
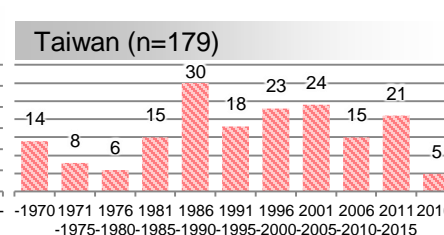
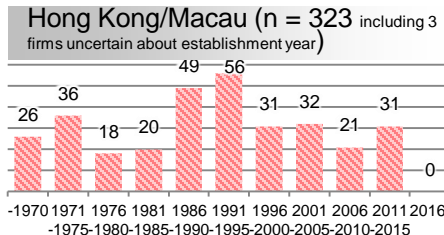
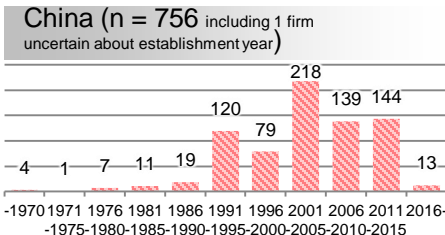
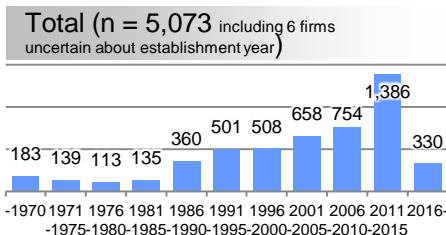
- Food:** Food/Processed food, agricultural or fishery products
- Textiles:** Textiles (Spinning/Woven fabrics/Chemical fibers), Textile apparel/Textile products
- Wood/Pulp:** Lumber/Wood products, Paper/Pulp
- Chemical/Pharmaceutical:** Chemicals and allied products/Petroleum products, Medicines, Plastic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

Firms by Country/Region (Firms)

	Large	SME
Total	3,245	1,828
Northeast Asia	1,002	390
China	515	241
Hong Kong/Macau	235	88
Taiwan	144	35
South Korea	108	26
ASEAN	1,634	1,243
Vietnam	373	414
Thailand	269	333
Indonesia	269	144
Singapore	317	116
Malaysia	177	89
Myanmar	89	47
Philippines	76	51
Cambodia	47	33
Laos	17	16
Southwest Asia	413	135
India	320	88
Bangladesh	30	27
Pakistan	38	5
Sri Lanka	25	15
Oceania	196	60
Australia	137	31
New Zealand	59	29

Survey Summary (3)

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



Key Points (1)

Results of JETRO's 2018 Survey on Business Conditions of Japanese Companies in Asia and Oceania

Business confidence remaining strong

1. Business confidence of Japanese-affiliated firms continuing to improve (Refer to pages 8, 13, 14, and 17.)

- Over 40% of the companies expect their operating profits to improve (from the previous year) for 2019, as they did for 2018. Companies predicting a downturn for 2019 came to 10.6%, a decrease of 10 percentage points (pp) from the outlook for 2018 (20.6%).
- The diffusion index (DI) in 2019, which is the proportion of businesses reporting increased operating profits minus those reporting decreased operating profits compared to the previous year, marked 36.7 points, an 13.1-point increase compared with 2018. Among reasons for improvement, "Sales increase in local markets" was the most-frequently cited, followed by "Improvement of production efficiency" and "Sales increase due to export expansion."
- Companies expecting operating profits for 2018 to be a surplus accounted for 68.1%, a 0.7 pp increase from the 2017 survey (67.4%). Those expecting a deficit came to 17.9%, a 0.4 pp decrease from the 2017 survey (18.3%).

2. Intention to expand business remaining strong in Southeast/Southwest Asia and China (Refer to pages 18, 19, 20, and 28.)

- Among respondents, 55.1% expect to expand business in the next one or two years, which is a 1.4 pp increase from 2017 (53.7%). In China, "Expansion" accounted for 48.7%, and the proportion has been increasing since it recovered to 40% in 2016. The proportion of companies that selected "Reduction" or "Transferring to a third country/region or withdrawal from current local markets" was 6.6%, which was the lowest in the five years after 2013. In ASEAN, "Expansion" increased by 1.7 pp to 57.4%. The proportion has been increasing since 2015.
- Comparing the rate of "Expansion" between ASEAN and China, ASEAN has consistently come out on top since 2012, when China showed a sudden decline. The gap expanded to 16.1 pp in 2015 but decreased to 7.4 pp in 2017 and to 8.7 pp in 2018.
- Companies in Bangladesh (73.2%), India (72.8%), Myanmar (72.1%), and Vietnam (69.8%) are more willing to expand their businesses.

3. Increased wages remaining to be the biggest operational issue, while the business environment has been improving (Refer to pages 31, 32, and 71.)

- Among operational issues, "Increased wages" was most commonly cited, at 65.9%, but the proportion decreased by 0.8 pp from the 2017 survey. By country and region, the proportion exceeded 70% in Indonesia (78.2%), China (75.7%), Vietnam (73.0%), India (72.3%), and Cambodia (70.9%). In Cambodia, however, the proportion improved by 11.9 pp from 82.8% in 2017.
- Regarding the average rate of increase in wages for all industries on a year-on-year basis for 2019, the rate was the highest in Pakistan (10.0%), followed by Bangladesh (9.6%), India (9.6%), Sri Lanka (8.1%), and Myanmar (7.6%). The top three countries were the same as those in 2017. In China, the rate has been slowing down by single digits since 2013 and is predicted to decline to 5.9% in 2019.

Key Points (2)

4. Manufacturing: Local procurement rate increasing, mainly in India (Refer to pages 43, 45, 46, 47. and 49.)

- Material costs accounted for approximately 60% of local production.
- When asked about how they planned to reduce material cost, 64.5% of the companies answered with “Raising the local procurement rate in the operating country/region.” The proportion of companies that answered with “Raising the rate of procurement from Japan” decreased to 7.7% from the 2017 survey (13.7%). By contrast, the proportion of companies that answered with “Raising the rate of procurement from ASEAN” increased to 25.5% from the 2017 survey (22.8%).
- Looking at the results by country and region, the local procurement rate was higher in China (66.3%) and New Zealand (65.0%). In particular, the rate reached 71.4% in China’s Motor vehicles/Motorcycles industry.
- The local procurement rate increased from 2013 in Southwest Asia (India, Pakistan, and Sri Lanka), Thailand, Vietnam, the Philippines, and Myanmar. In India, in particular, the rate increased to 55.6% in 2018 from 43.4% in 2013.

5. Proportions of firms utilizing FTAs/EPAs marking a record high for imports (Refer to pages 54, 55, and 57.)

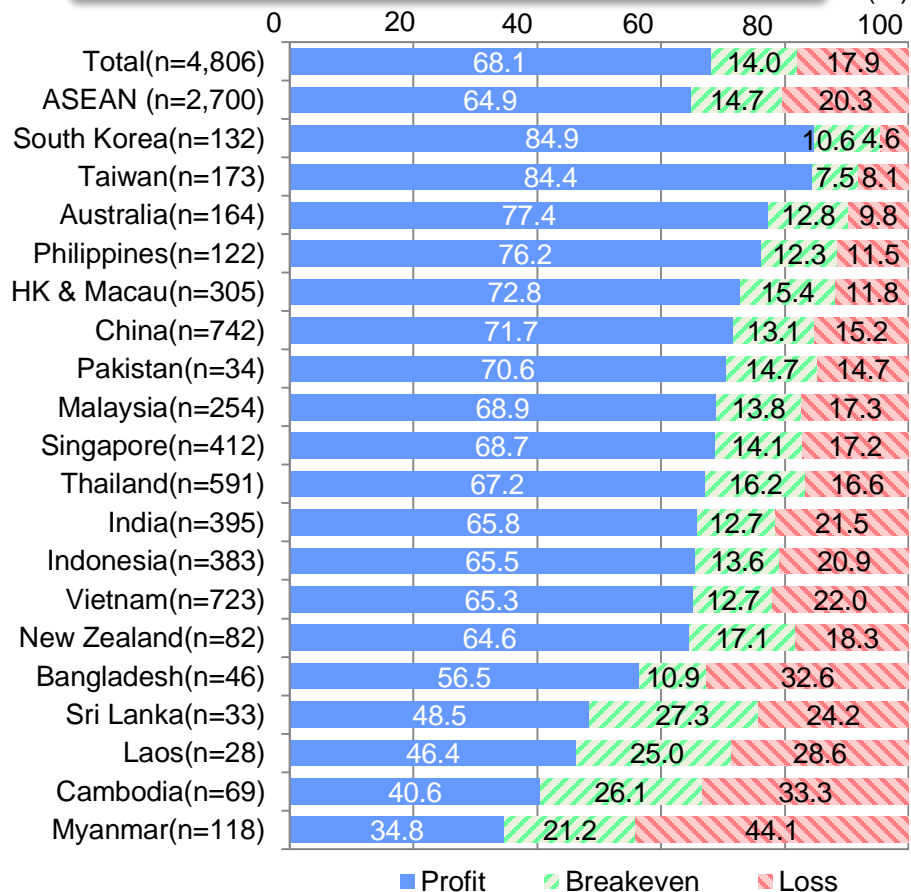
- Almost half (48.3%) of all firms are utilizing FTAs/EPAs. In particular, the FTA/EPA use rate marked a record high for imports at 48.4%. Looking at the results by company size, the FTA/EPA use rate was higher among large enterprises (51.1%) than SMEs (43.9%). 10.3% of all SMEs answered that they were considering the utilization of FTAs/EPAs, suggesting a potential expansion of FTA/EPA use.
- To a new question asking whether there are “non-tariff measures,” more than half of the companies answered with “Yes” in Indonesia (64.9%), Myanmar (53.3%), and Laos (50.0%). By type of measure, “Import restrictions” (18.9%) and “Standards and conformity assessment systems” (15.3%) were most commonly cited.

6. Consideration of the use of advanced digital technology on a medium- to long-term basis (Refer to pages 64, 68, and 69.)

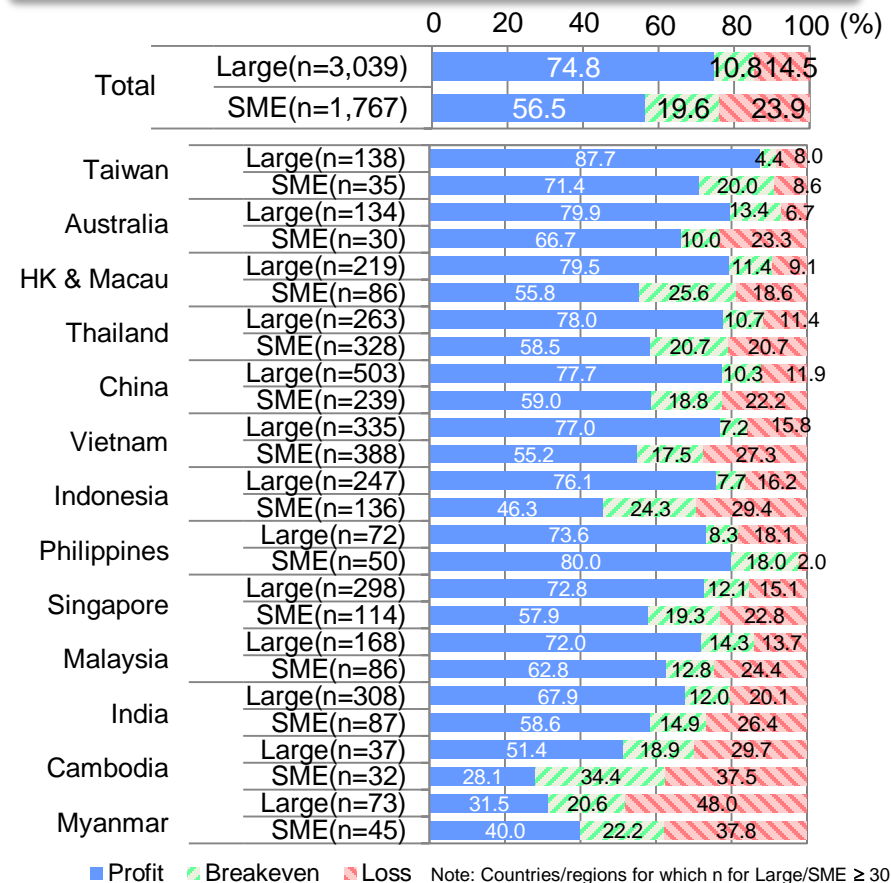
- Major digital technologies that are being utilized in local business are “Cloud” (27.4%), “E-commerce (EC)” (14.3%), and “Robots”(10.2%).
- Major digital technologies that are being considered for use in the medium-to-long term (about five to 10 years) are IoT (24.7%) and “Artificial Intelligence (AI)” (20.3%), indicating that firms are considering the utilization of more advanced digital technologies. Looking at the results by industry, in general, manufacturing companies are considering the use of IoT and robots, while non-manufacturing companies are willing to utilize Artificial Intelligence (AI).
- As the reason/background factor for utilizing digital technology, 51.5% of the firms answered with “It is our company’s policy, or decision, that digitization is necessary.” In New Zealand, South Korea, Australia, Taiwan, and Singapore, etc., where digital technologies were adopted earlier than other countries/regions, customer needs and rivals that adopted or began utilizing digital technologies earlier were frequently cited.

1. Operating Profit Forecast (1)

Operating profit forecast for 2018 (by country/region)



Operating profit forecast for 2018 (by country/region and company size)

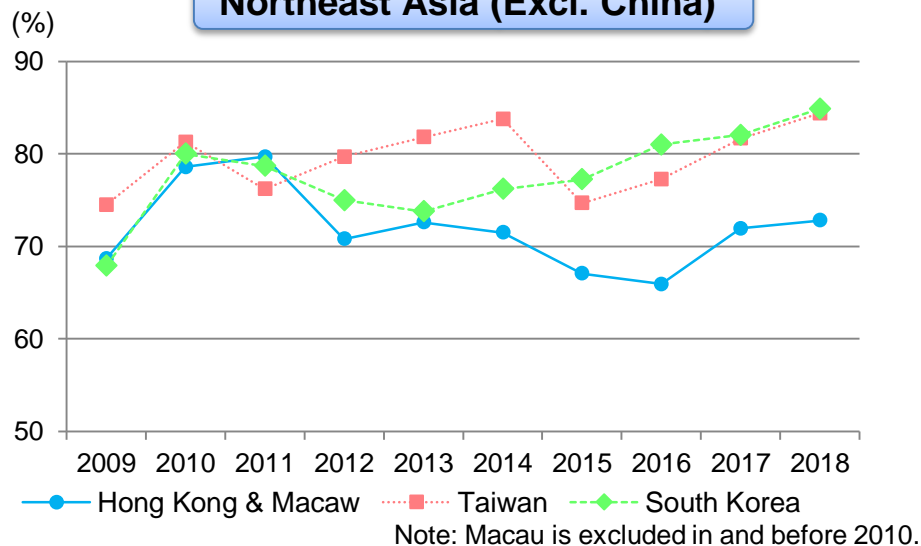


- A total of 68.1% of the firms expect operating "Profit" for 2018, up 0.7 percentage points (pp) from 67.4% in 2017; in contrast, 17.9% of the firms expect operating "Loss," down 0.4 pp from 18.3% in 2017.
- By country/region, the proportion of firms expecting operating profit was the highest in South Korea at 84.9%, followed by Taiwan at 80%. The proportion exceeded 70% in Australia, the Philippines, Hong Kong & Macau, China and Pakistan.
- A total of 74.8% of the large enterprises expect operating profit, which was higher than 56.5% of the SMEs by 18.3 pp. The proportion of positive forecasts was higher among large enterprises than SMEs in 11 of the 13 countries/regions, excluding the Philippines and Myanmar, with valid responses from more than 30 large companies and SMEs. In particular, the proportion of profitable firms was higher among large enterprises than SMEs by over 20 pp in Indonesia, Hong Kong & Macau, Cambodia and Vietnam.

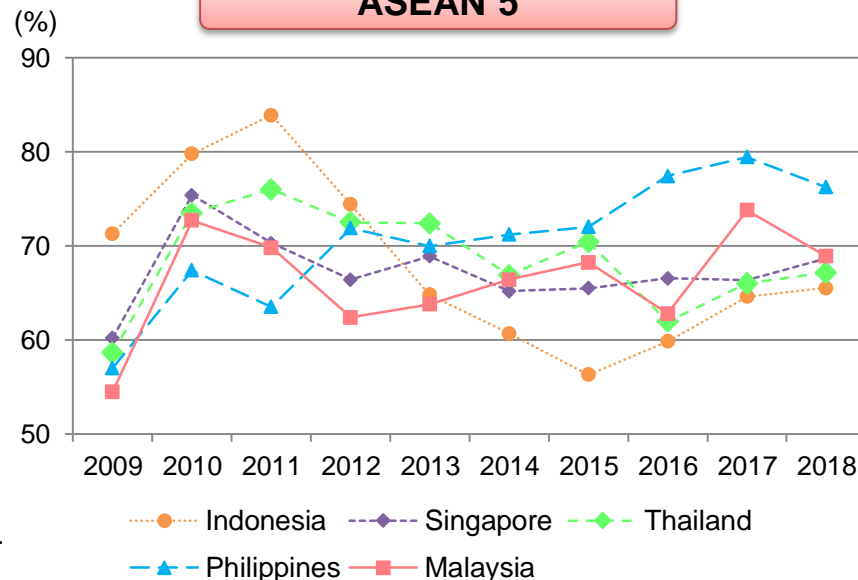
1. Operating Profit Forecast (2)

Proportion of profitable firms - 2009 to 2018 (by country/region)

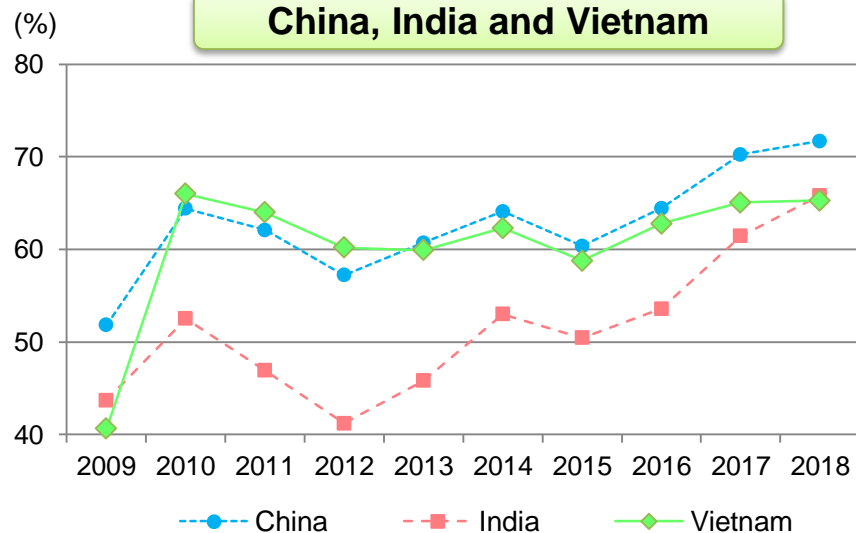
Northeast Asia (Excl. China)



ASEAN 5



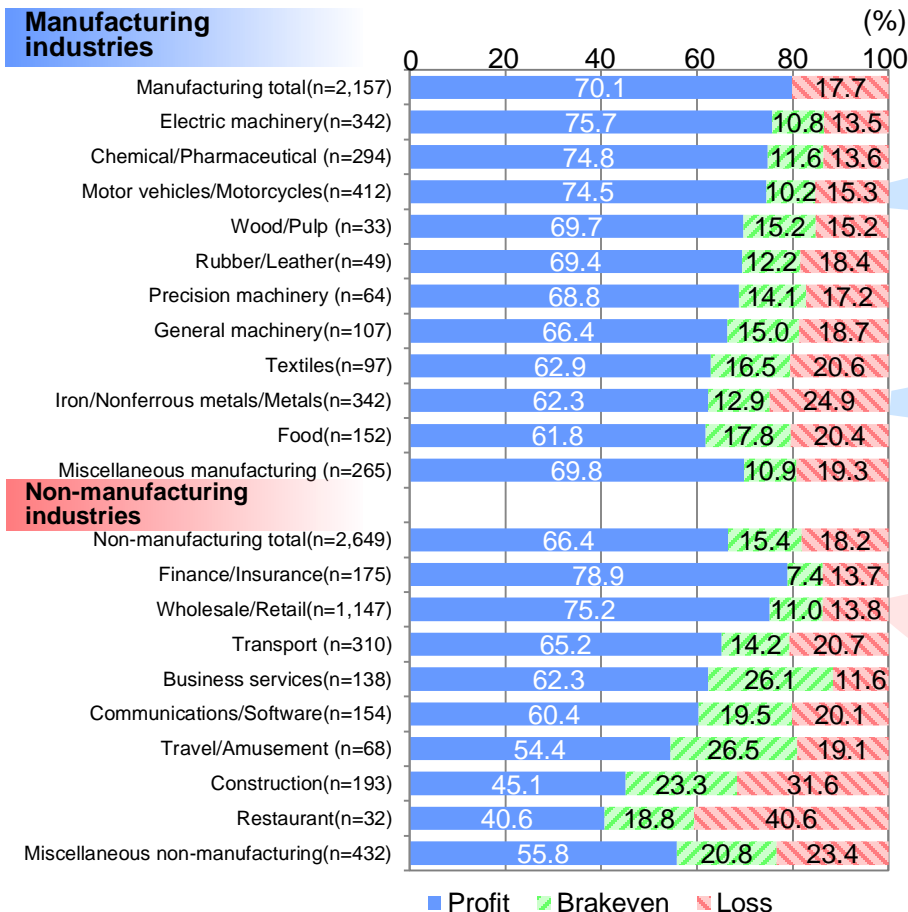
China, India and Vietnam



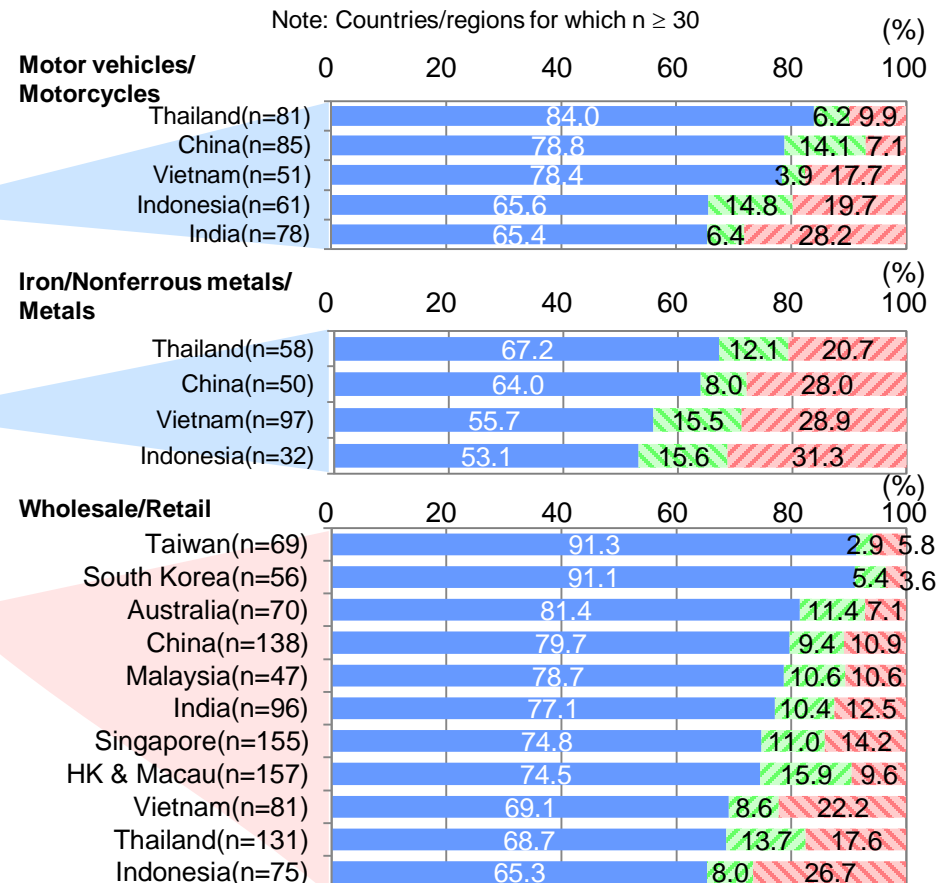
- In Northeast Asia (excluding China), the proportion of profitable firms increased from the previous year in all countries/regions.
- Among ASEAN 5, the proportion of profitable firms increased in Indonesia, Singapore and Thailand. The Philippines (76.2%) marked the highest of the five countries in the proportion of profitable firms. In Malaysia, the proportion increased to 73.8%, up 11.0 pp in 2017, but decreased by 4.9 pp to 68.9% in 2018.
- The proportion of profitable firms increased from 2017 in China (71.7%, up 1.4 pp), India (65.8%, up 4.4 pp), and Vietnam (65.3%, up 0.2 pp).

1. Operating Profit Forecast (3)

Operating profit forecast for 2018 (by industry)



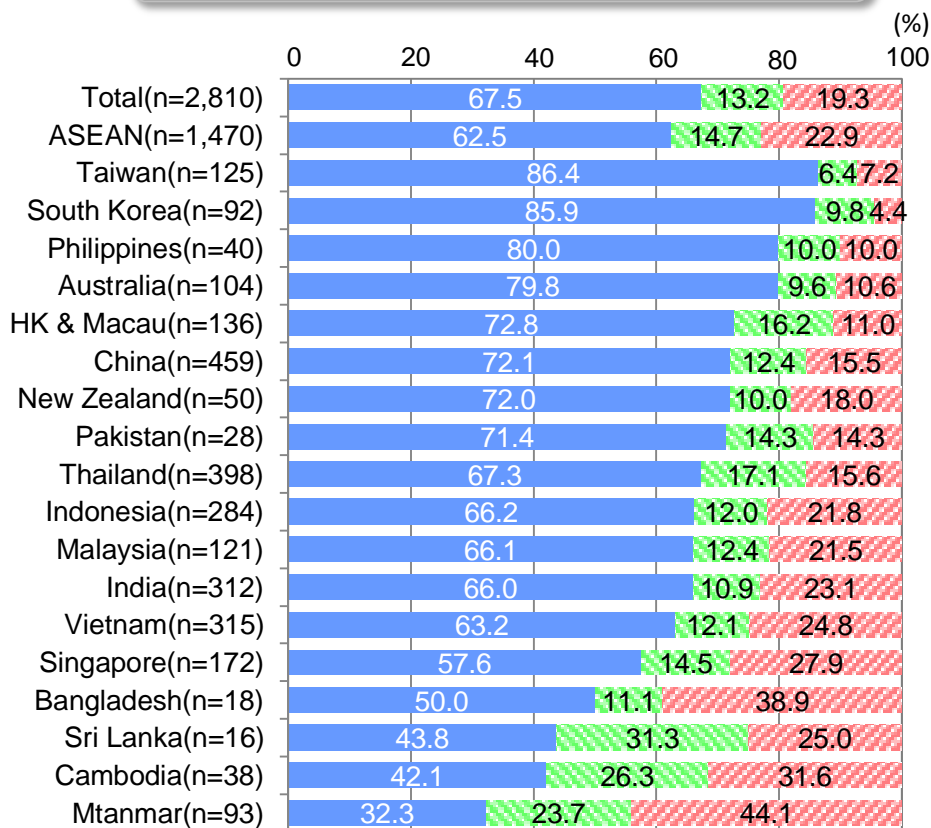
Major industry categories by country and region



- The proportion of firms expecting operating profit for 2018 was higher in the manufacturing sector (70.1%) than the non-manufacturing sector (66.4%). In comparison with the 2017 survey (manufacturing: 68.0%; non-manufacturing: 66.8%), the proportion increased by 2.1 pp in the manufacturing sector and decreased by 0.4 pp in the non-manufacturing sector.
- In the non-manufacturing sector, the proportion of firms expecting operating profit exceeded 70% in Finance/Insurance (78.9%) and Wholesale/Retail (75.2%).
- The trends by country/region are as follows. In Motor vehicles/Motorcycles, 84.0% of firms in Thailand and 78.8% of firms in China expect a surplus. In Iron/Nonferrous metals/Metals, 67.2% of firms in Thailand and 64.0% of firms in China expect a surplus. In Wholesale/Retail, the proportion of profitable firms is the highest in Taiwan at 91.3%, followed by South Korea at over 90%, respectively.

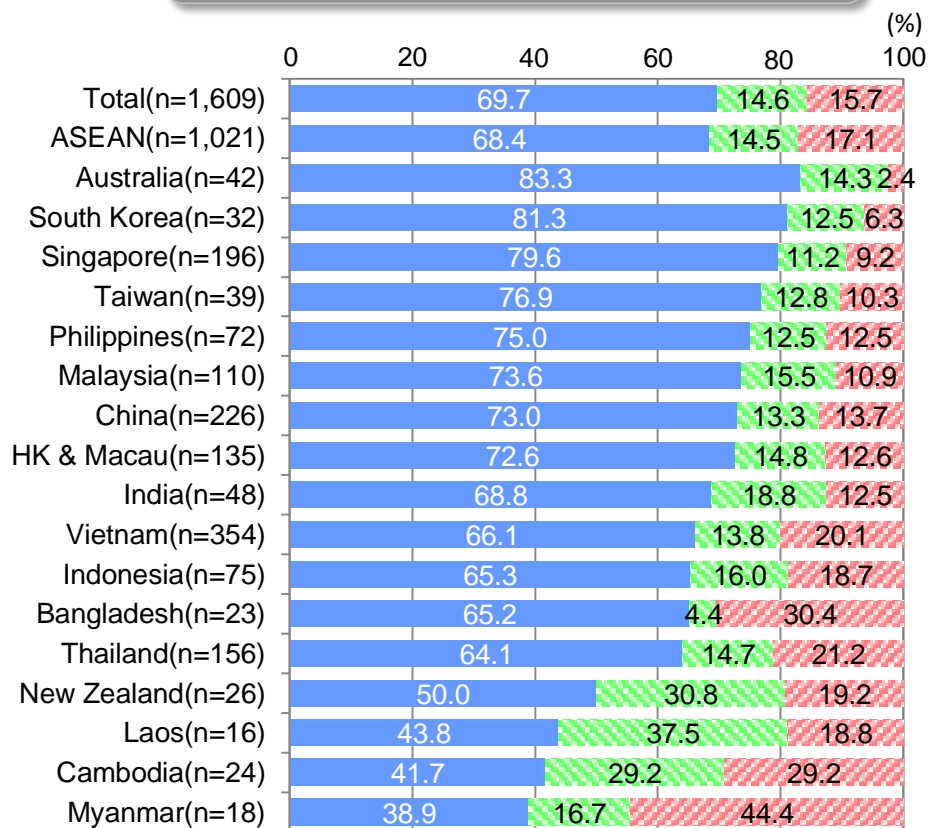
1. Operating Profit Forecast (4)

Operating profit forecast (domestic sales-oriented firms with export ratio < 50%) (2018, by country/region)



■ Profit ■ Breakeven ■ Loss Note: Countries/regions for which n ≥ 15

Operating profit forecast (export-oriented firms with export ratio ≥ 50%) (2018, by country/region)



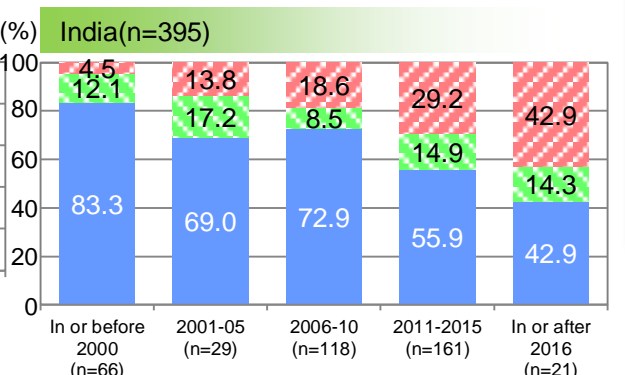
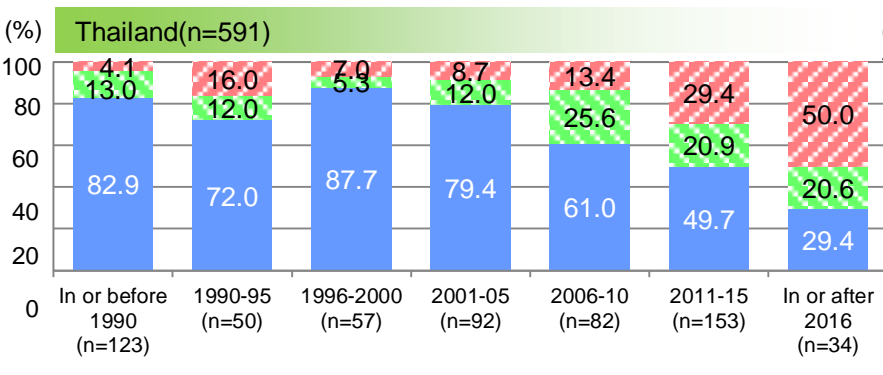
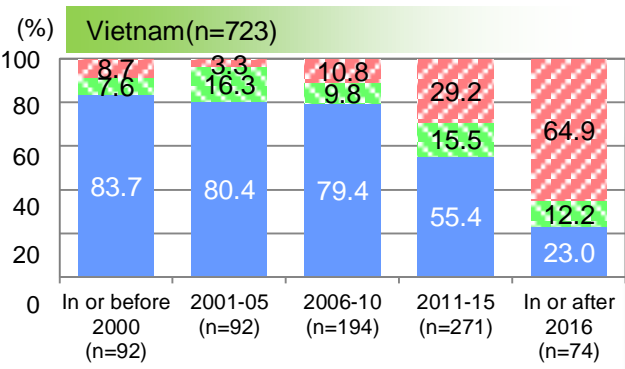
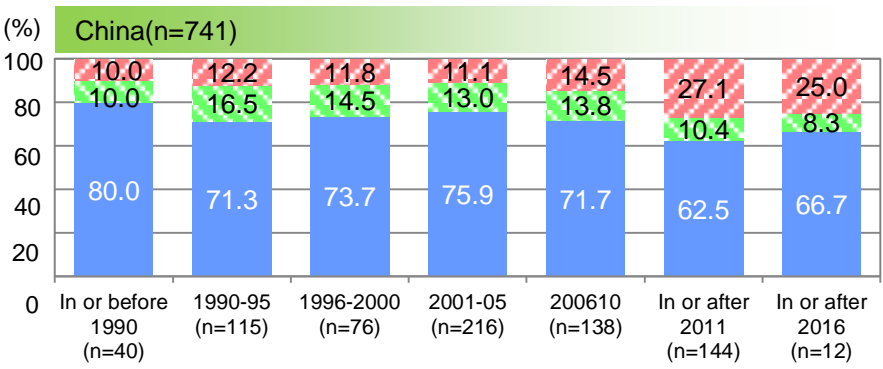
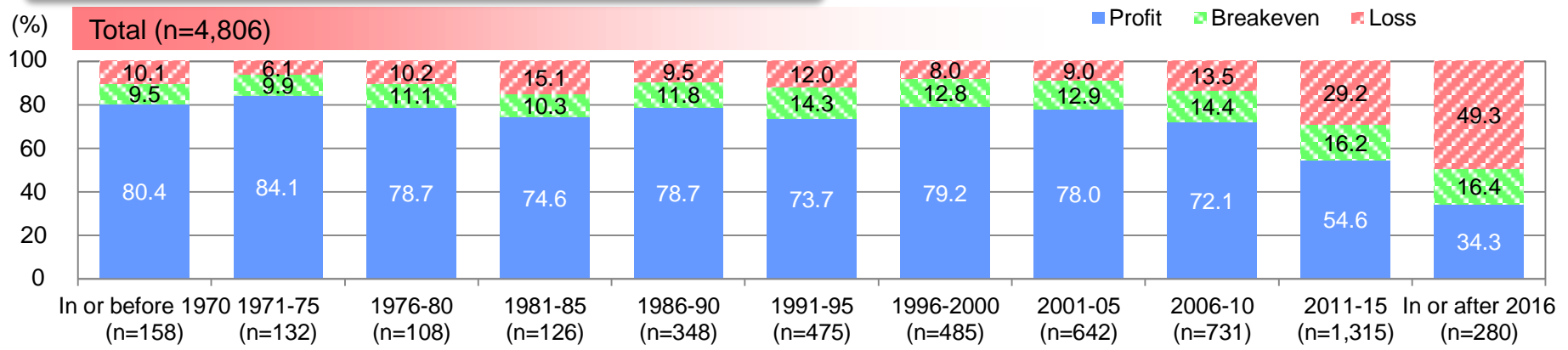
■ Profit ■ Breakeven ■ Loss Note: Countries/regions for which n ≥ 15

- The proportion of positive operating profit (forecast) was 67.5% among domestic sales-oriented firms (less than a 50% export ratio in the operating country/region), while the proportion was 69.7% among export-oriented firms (50% or larger export ratio in the operating country/region). The proportion remained at the same level as 2017 (67.6%) among domestic sales-oriented firms but increased from 2017 (68.4%) among export-oriented firms.
- In Bangladesh and Singapore, the proportion was higher among export-oriented firms than domestic sales-oriented firms by over 10 pp. On the other hand, of ASEAN countries, Thailand, Indonesia and Cambodia were the countries in which the proportion was higher among domestic sales-oriented firms than export-oriented firms.
- In Taiwan, South Korea, the Philippines and Australia, the proportion was high among both domestic sales-oriented firms and export-oriented firms.



1. Operating Profit Forecast (5)

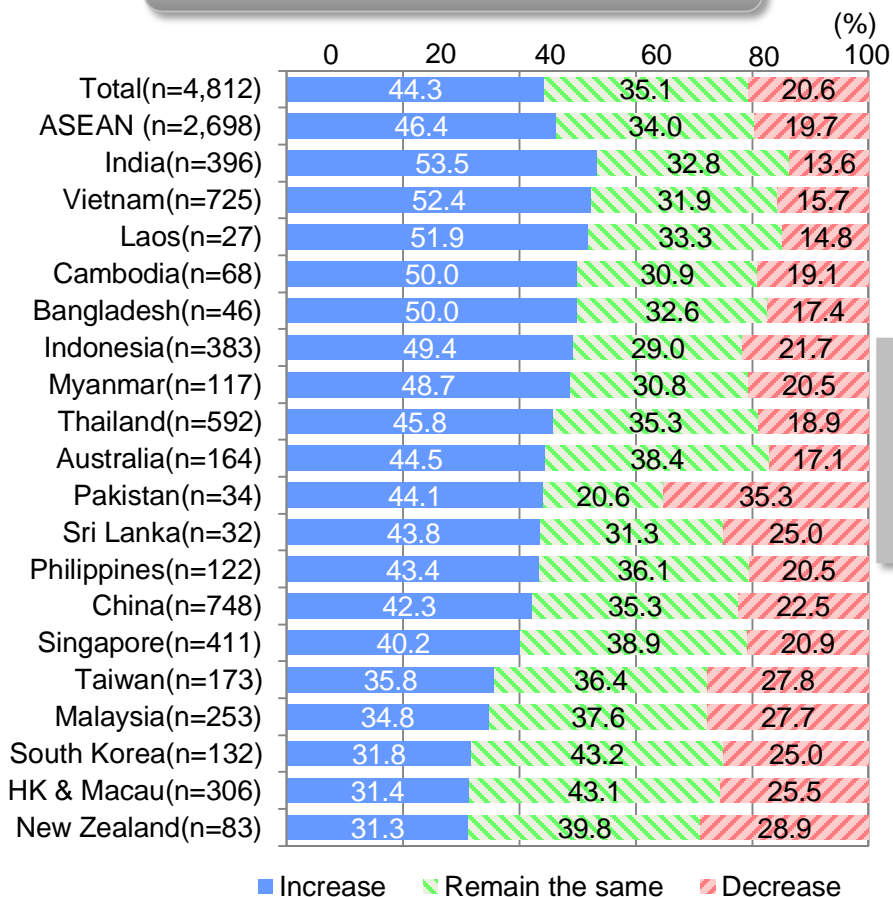
Operating profit forecast for 2018 (by year of establishment)



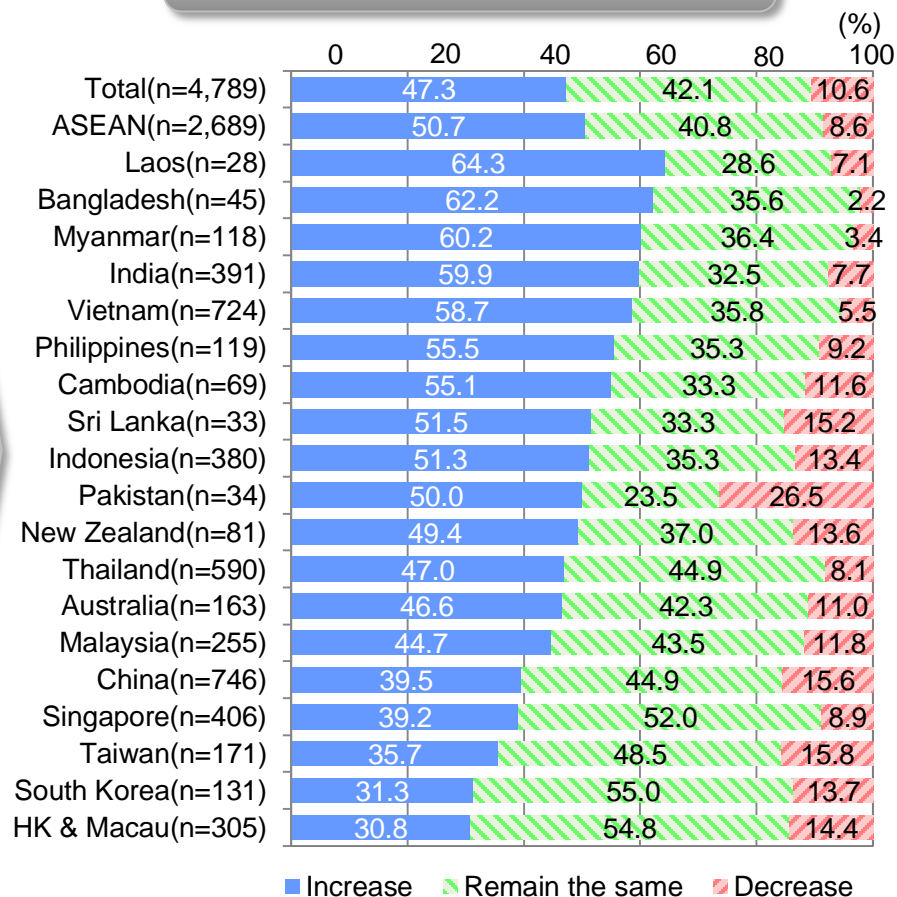
- Looking at the operating profit forecast for 2018 by year of establishment, over 70% of firms that were established before 2010 expected a surplus.
- On the other hand, among firms that were established in or after 2016, less than half (34.3%) expected a surplus.

1. Operating Profit Forecast (6)

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



**Operating profit forecast for 2019
(by county/region, comparison with 2018)**

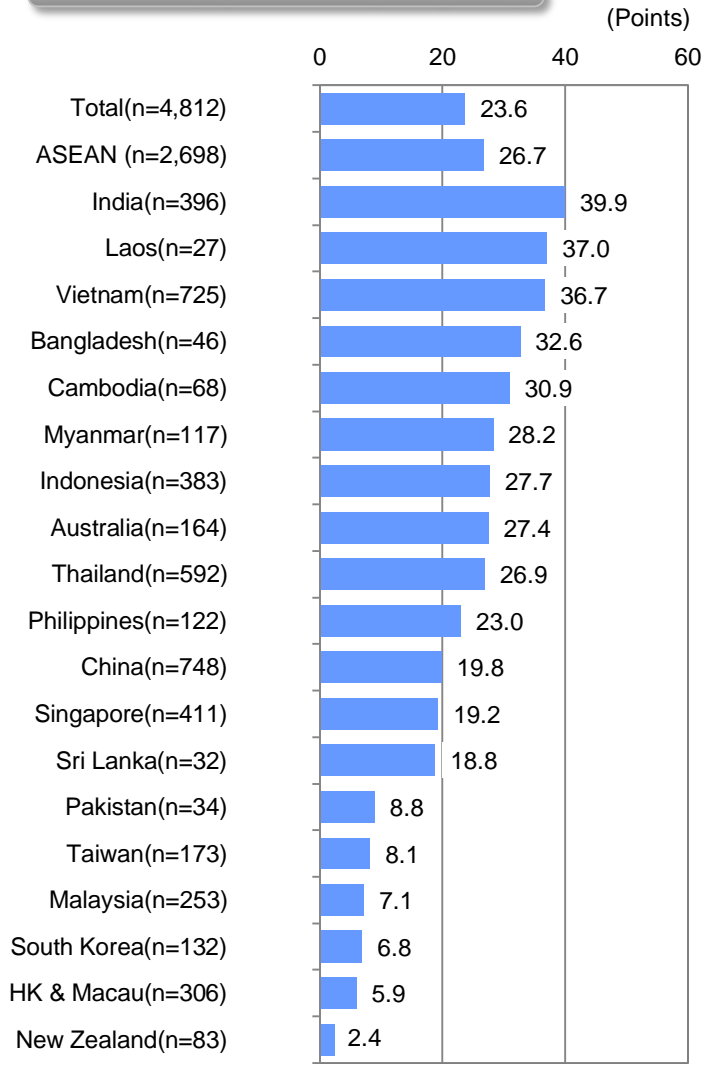


- For 2018, a total of 44.3% of the firms expect an operating profit "Increase" over 2017, down 1.9 pp from 46.2% in the 2017 survey; the proportion of firms expecting an operating profit "Decrease" was 20.6%, up 1.1 pp from the 2017 survey (19.5%).
- A total of 47.3% of the firms expect an "Increase" for 2019, down 0.8 pp from the 2018 forecast (48.1%) in the 2017 survey. Meanwhile, the proportion of firms expecting an operating profit "Decrease" was 10.6%, up 0.7 pp from the 2018 forecast (9.9%) in the 2017 survey.
- In ASEAN, the proportion of firms expecting an "Increase" for 2018 forecast was 46.4%, which is the same level as the total, and that for 2019 forecast was 50.7%, both exceeding the overall average.

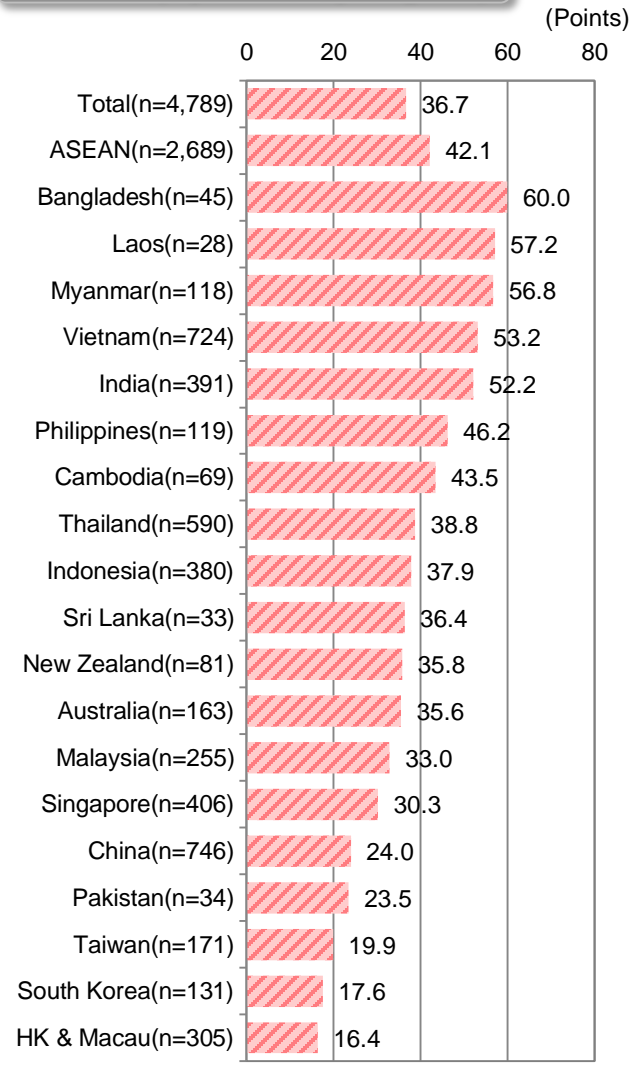


1. Operating Profit Forecast (7)

2018 DI (by country/region)



2019 DI (by country/region)

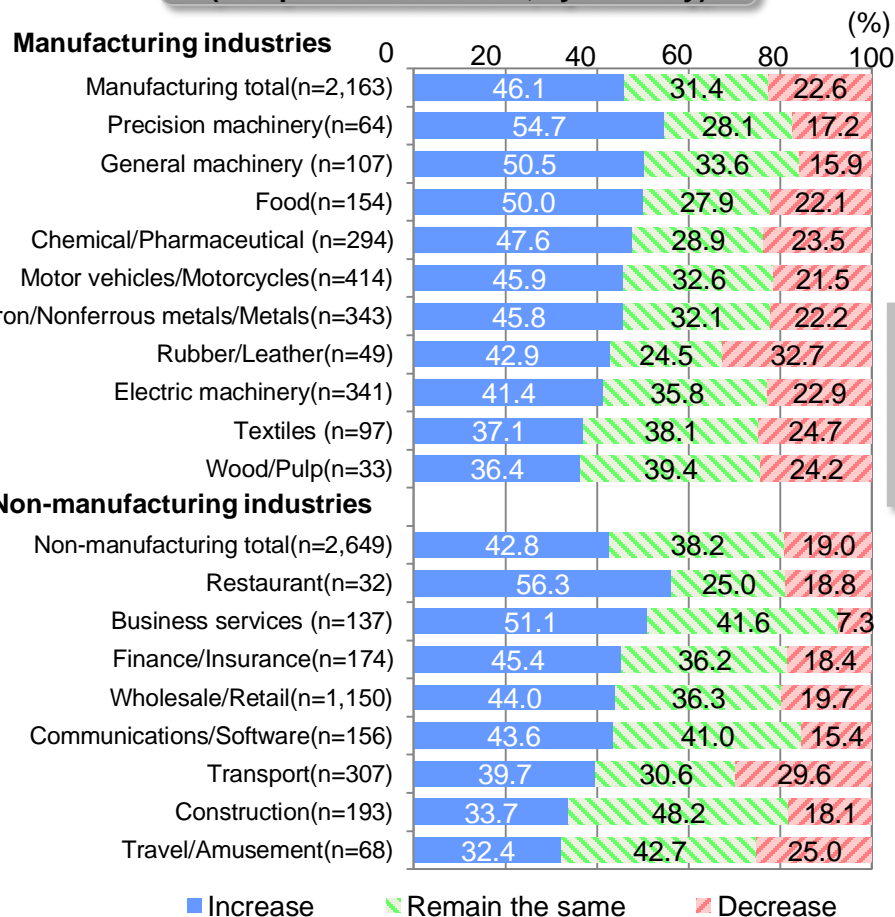


- The DI (see Note), indicating business confidence for 2018 operating profit, was 23.6 points, down 3.1 points from 26.7 points in the 2017 survey. By country/region, the DI was higher in India, Laos, Vietnam, Bangladesh and Cambodia.
- The DI for 2019 was 36.7 points, up 13.1 points from 2018. The DI for 2019 was higher than the DI for 2018 in almost all countries/regions.

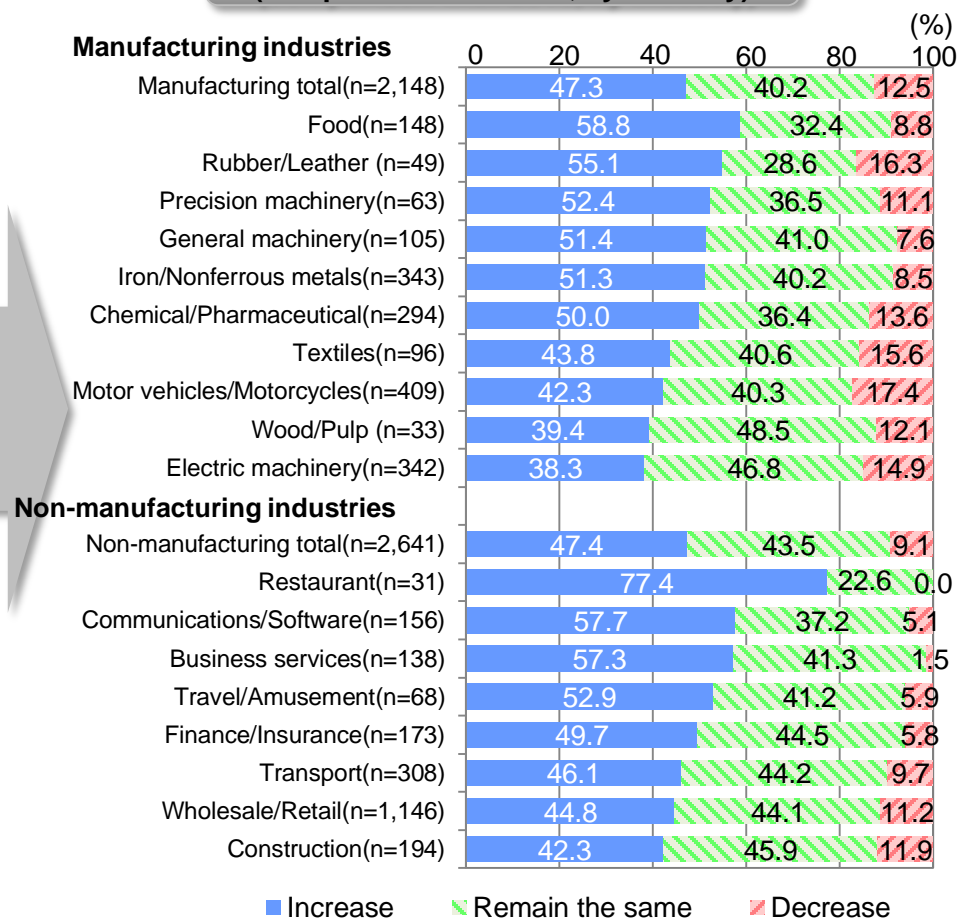
Note: DI is an abbreviation for Diffusion Index, the proportion of firms expecting “Increase” (improvement) minus the proportion of firms expecting “Decrease” (worsening). This figure reflects changes in business confidence.

1. Operating Profit Forecast (8)

**Operating profit forecast for 2018
(comparison with 2017, by industry)**



**Operating profit forecast for 2019
(comparison with 2018, by industry)**

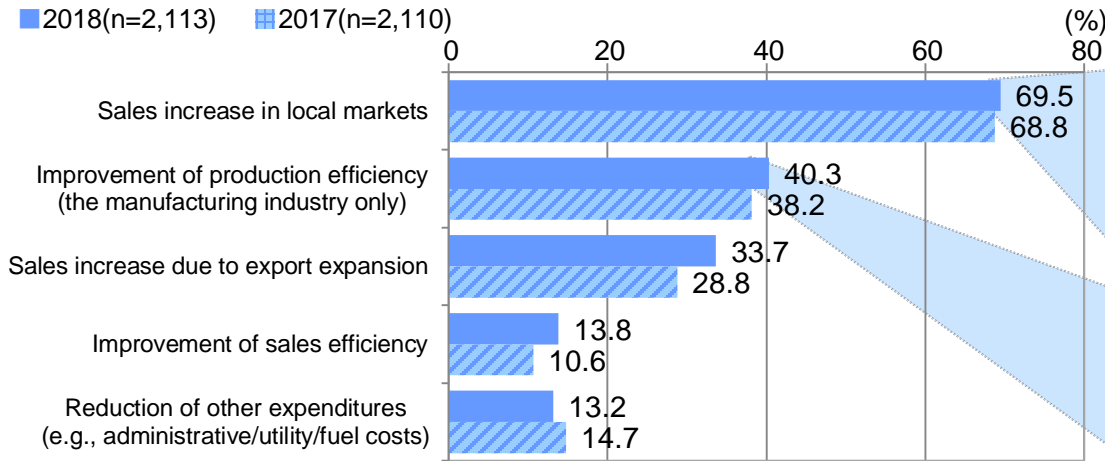


- Compared with the 2017 survey, the proportion of firms expecting an operating profit "Increase" for 2018 decreased in both the manufacturing sector (47.5% ⇒ 46.1%) and the non-manufacturing sector (45.0% ⇒ 42.8%).
- Comparing the proportion of firms expecting an operating profit "Increase" for 2019 with the proportion of firms that expected an operating profit "Increase" for 2018, the 2019 proportion was higher in both the manufacturing sector (47.3%) and the non-manufacturing sector (47.4%).



1. Operating Profit Forecast (9)

Reasons for increased operating profits forecast for 2018 (comparison with the reasons for the increase forecast for 2017 cited in the 2017 survey) (top 5, multiple answers)

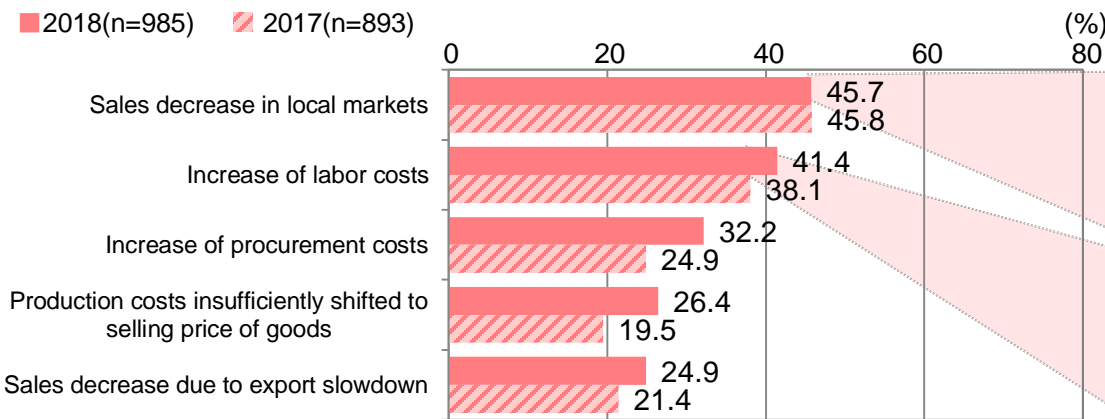


Response rate by country/region and industry (top 5)

Country/region	Industry category
India (88.6%) Taiwan (82.3%) Indonesia (81.4%) China (75.6%) Thailand (74.8%)	Wholesale/Retail (81.3%) Business services (80.9%) Food (79.0%) Finance/Insurance(78.2%) Motor vehicles/Motorcycles (76.1%)
China (47.5%) Cambodia (46.2%) Vietnam (46.1%) Malaysia (41.7%) Philippines (41.7%)	Textiles (55.6%) Precision machinery(54.3%) Iron/Nonferrous metals/Metals (48.4%) Motor vehicles/Motorcycles(42.6%) Electric machinery(36.9%)

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

Reasons for decreased operating profits forecast for 2018 (comparison with the reasons for the decrease forecast for 2017 cited in the 2017 survey) (top 5, multiple answers)



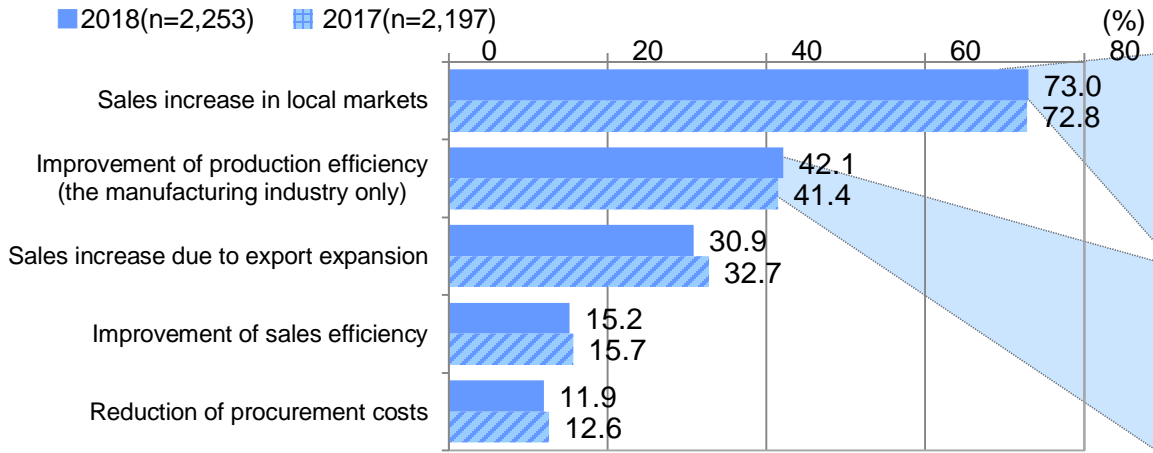
Country/region	Industry category
Taiwan (66.0%) South Korea (63.6%) HK & Macau (58.4%) Malaysia (52.2%) China (50.9%)	Construction (71.4%) General Machinery (62.5%) Wholesale/Retail (59.3%) Travel/Amusement (56.3%) Motor vehicles/Motorcycles (50.6%)
Cambodia (69.2%) China (53.3%) Indonesia (49.4%) Vietnam (47.8%) Myanmar (45.8%)	Communications/Software (66.7%) Rubber/Leather (62.5%) Business services (60.0%) Electric machinery (56.4%) Precision machinery (54.6%)

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



1. Operating Profit Forecast (10)

**Reasons for increased operating profits forecast for 2019
(comparison with the reasons for the increase forecast for 2018 cited
in the 2017 survey) (top 5, multiple answers)**

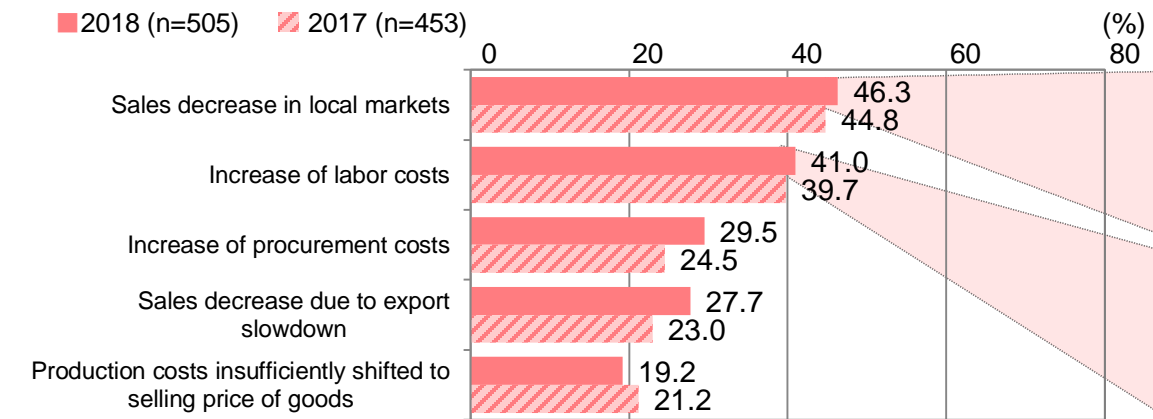


Response rate by country/region and industry (top 5)

Country/region	Industry category
India (88.5%) China (84.3%) Taiwan (81.7%) Indonesia (81.0%) Australia (78.4%)	Business services (89.7%) Wholesale/Retail (83.9%) Construction (81.7%) Food (81.4%) Travel/Amusement (80.6%)
Vietnam (47.3%) China (46.8%) Malaysia (45.6%) Indonesia (42.1%) Thailand (42.0%)	Iron/Nonferrous metals/Metals (50.6%) Textiles (47.6%) Electric machinery (44.3%) Motor vehicles/Motorcycles (43.9%) Precision machinery (42.4%)

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

**Reasons for decreased operating profits forecast for 2019
(comparison with the reasons for the decrease forecast for 2018 cited
in the 2017 survey) (top 5, multiple answers)**



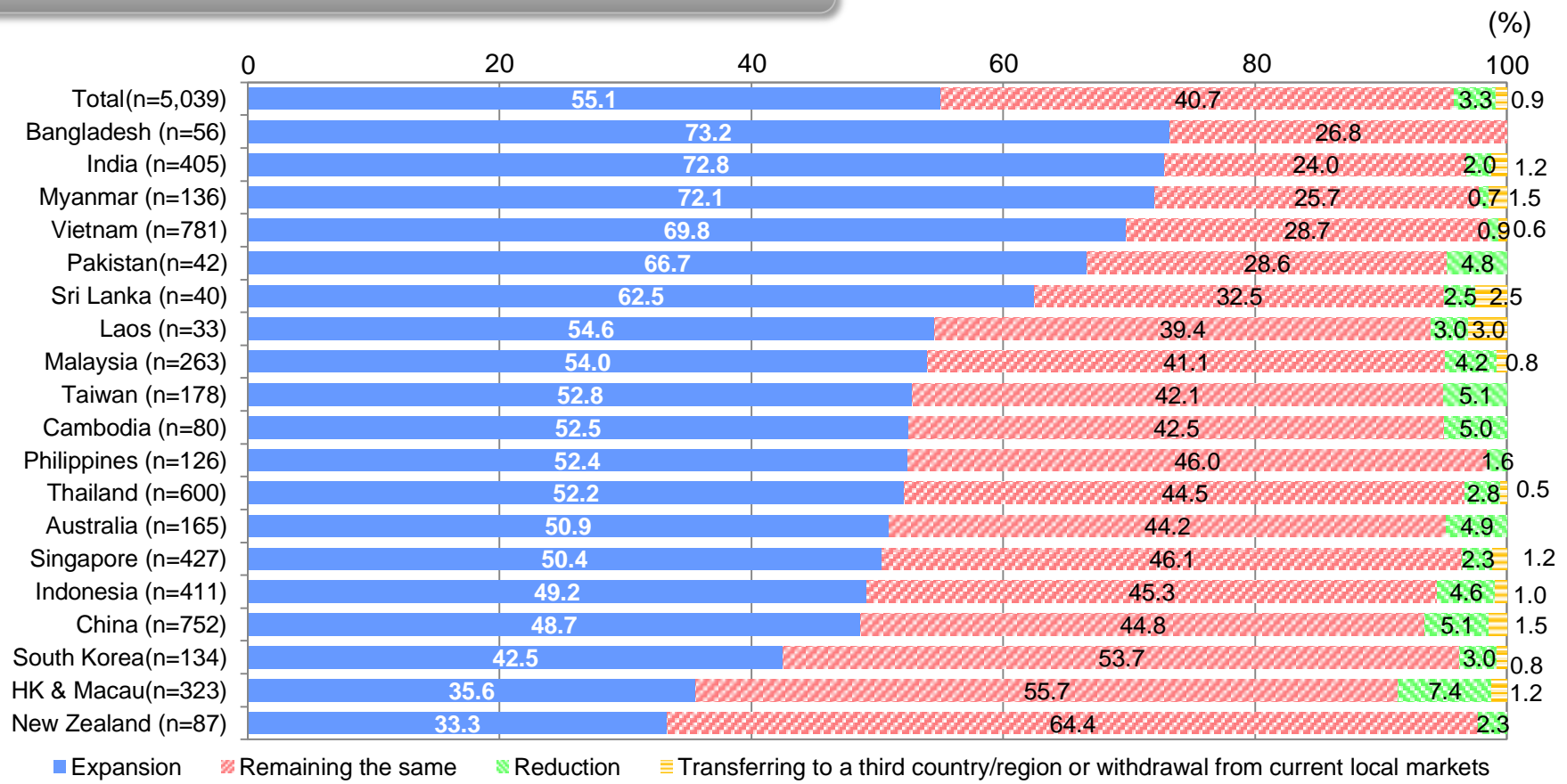
Country/region	Industry category
Taiwan (74.1%) South Korea (72.2%) HK & Macau (59.1%) Thailand (52.1%) China (51.3%)	Construction (65.2%) Transport (56.7%) Wholesale/Retail (55.6%) Motor vehicles/Motorcycles (51.4%) Iron/Nonferrous metals/Metals (44.8%)
Indonesia (66.7%) Philippines (63.6%) China (51.3%) Vietnam (42.5%) India (41.4%)	Textiles (73.3%) Transport (56.7%) Food (53.9%) Motor vehicles/Motorcycles (51.4%) Electric machinery (47.1%)

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)

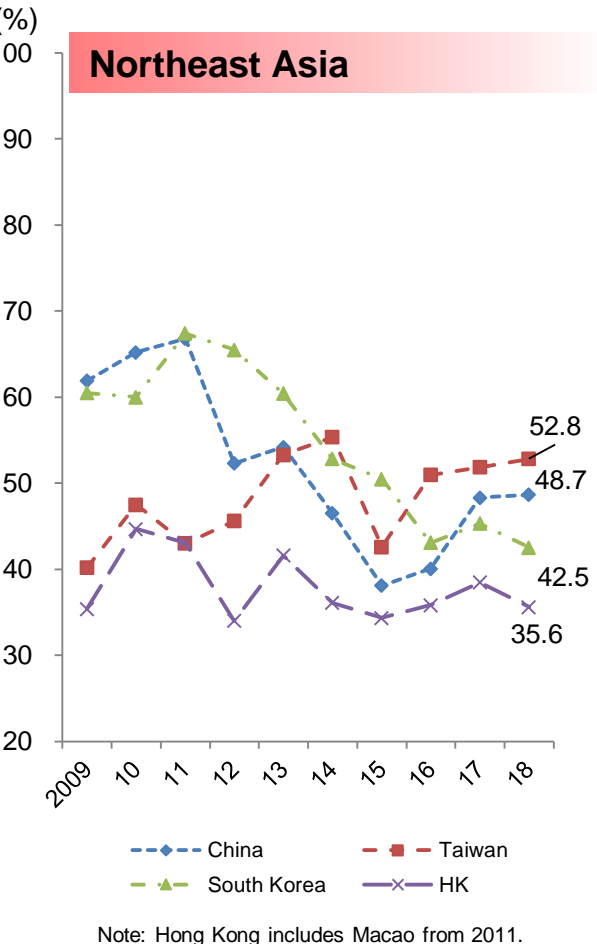
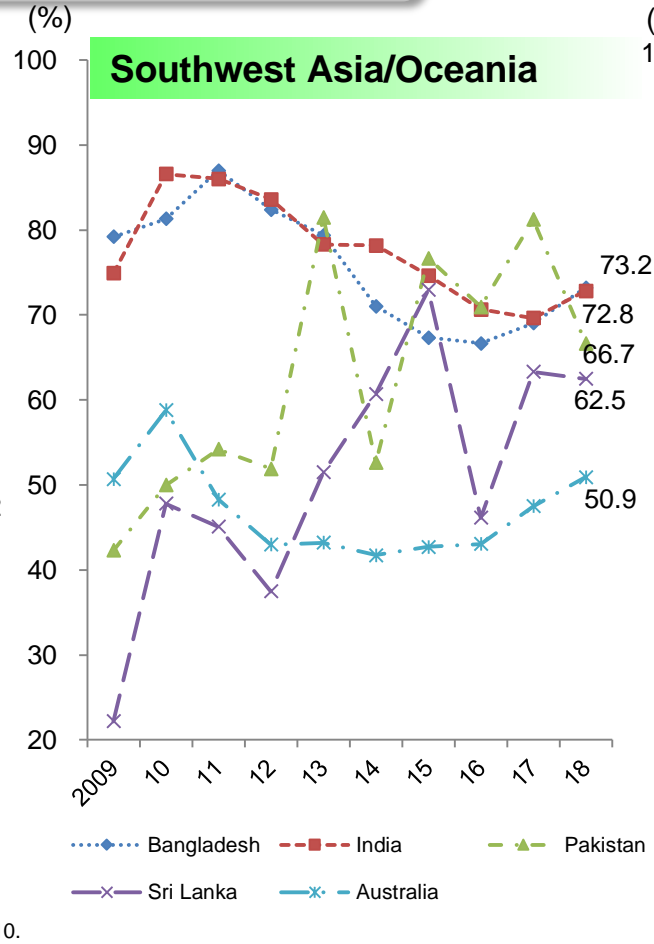
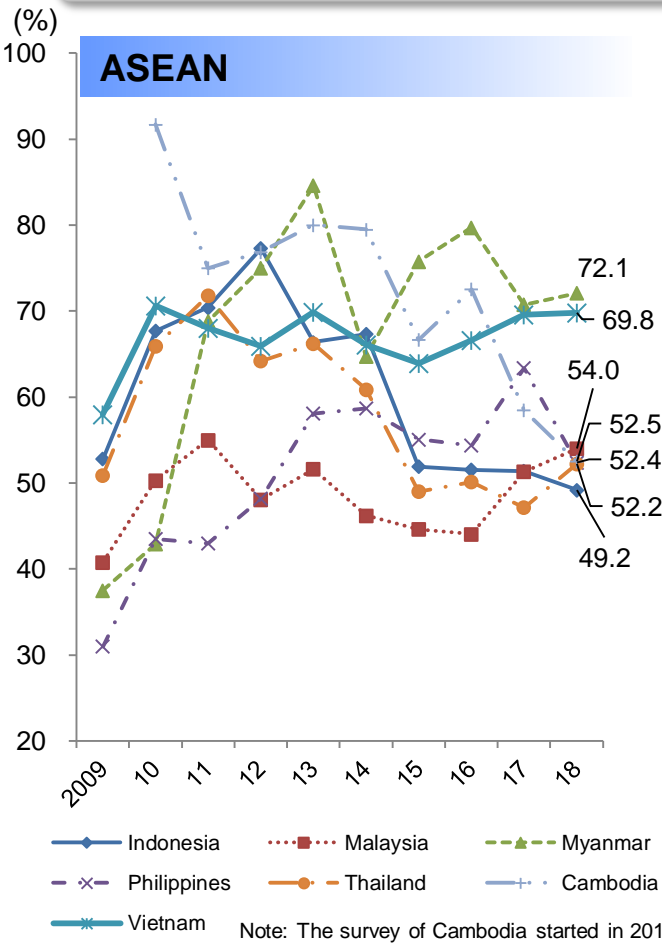


- A total of 55.1% of the firms selected “Expansion” as their approach to future business challenges in the next one or two years, up 1.4 pp from 53.7% in the 2017 survey. In contrast, 4.2% of firms selected “Reduction” or “Transferring to a third country/region or withdrawal from current local markets,” which is the same level as the 2017 survey (4.2%).
- By country/region, Bangladesh marked the highest proportion of “Expansion” at 73.2%. In India 72.8% and in Myanmar 72.1% of firms selected “Expansion.”
- In China, 48.7% of the firms selected “Expansion,” up 0.4 pp from the 2017 survey (48.3%).



2. Future Business Plan (2)

Proportions of firms expecting to expand in the next 1 to 2 years (2009 to 2018)

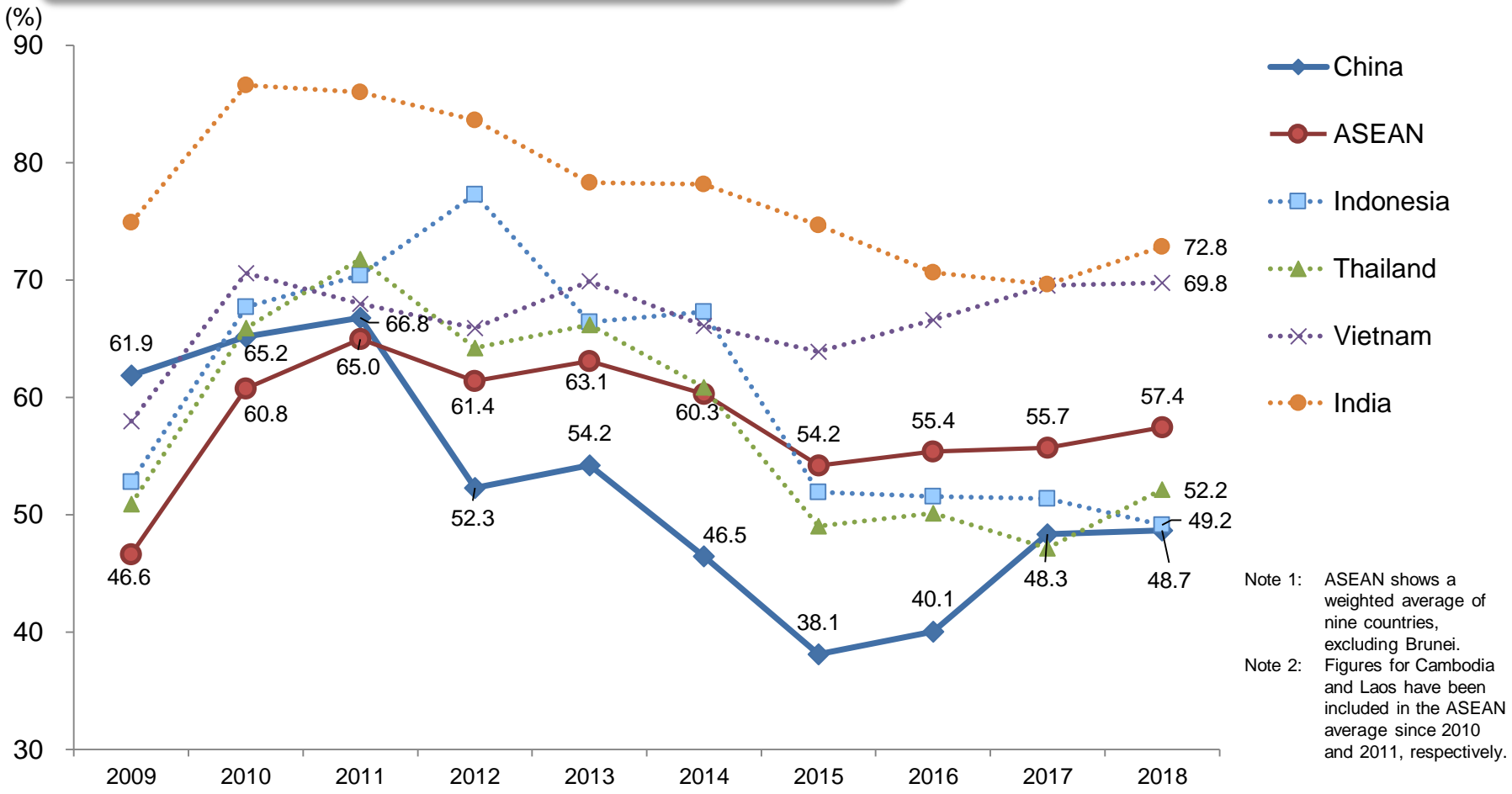


- Reviewing the survey results by country/region from 2009, the proportion of firms that selected “Expansion” as their approach to future business challenges in the next one or two years increased significantly in 2010 when the global economy recovered from the downturn following the financial crisis. The proportion of “Expansion” remained generally the same from 2011 to 2013, excluding several countries/regions, decreased in 2014 and 2015. The proportion varied by country/region from 2016 to 2018.
- In the 2018 survey, the proportion of firms that selected “Expansion” increased by over 5.0 pp from 2017 in Thailand (5.0 pp). On the other hand, the proportion decreased by over 5.0 pp from 2017 in Pakistan (-14.6 pp), The Philippines (-11.0 pp) and Cambodia (-6.0 pp).



2. Future Business Plan (3)

Proportions of firms expecting to expand in the next 1 to 2 years (2009 to 2018)



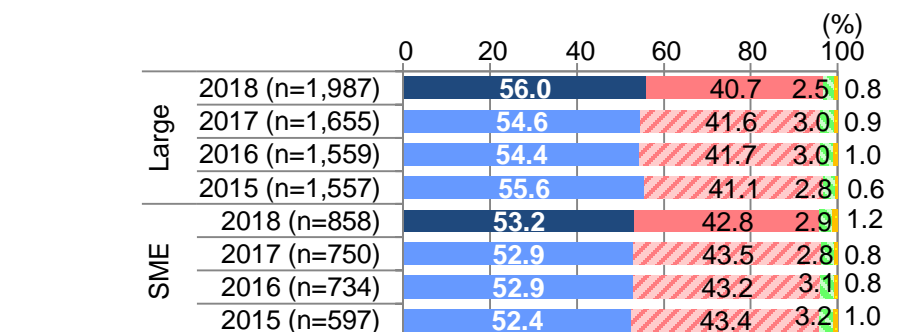
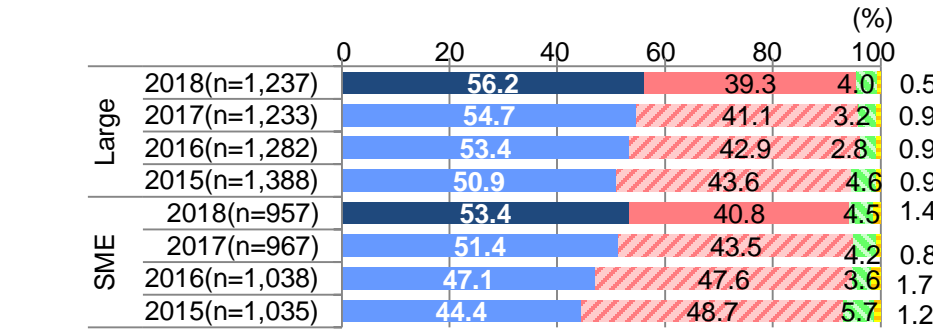
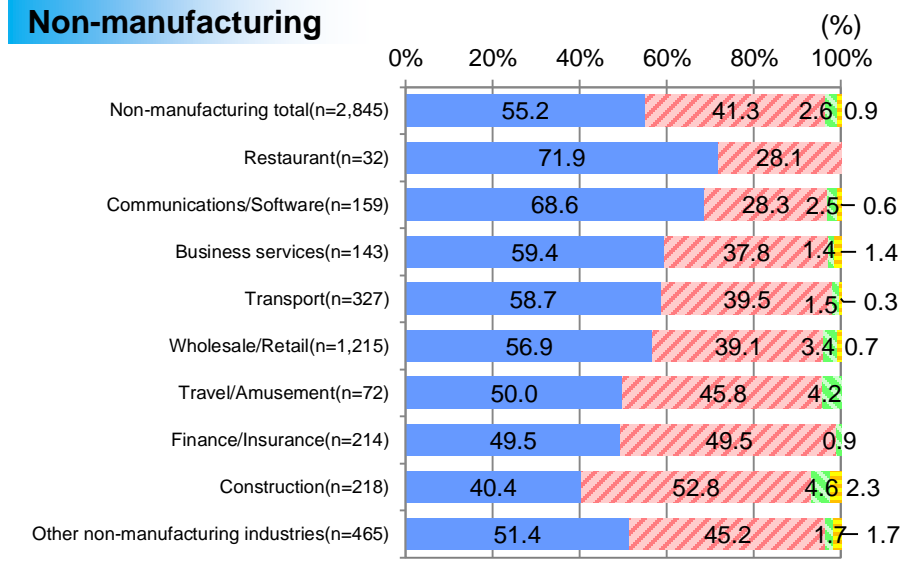
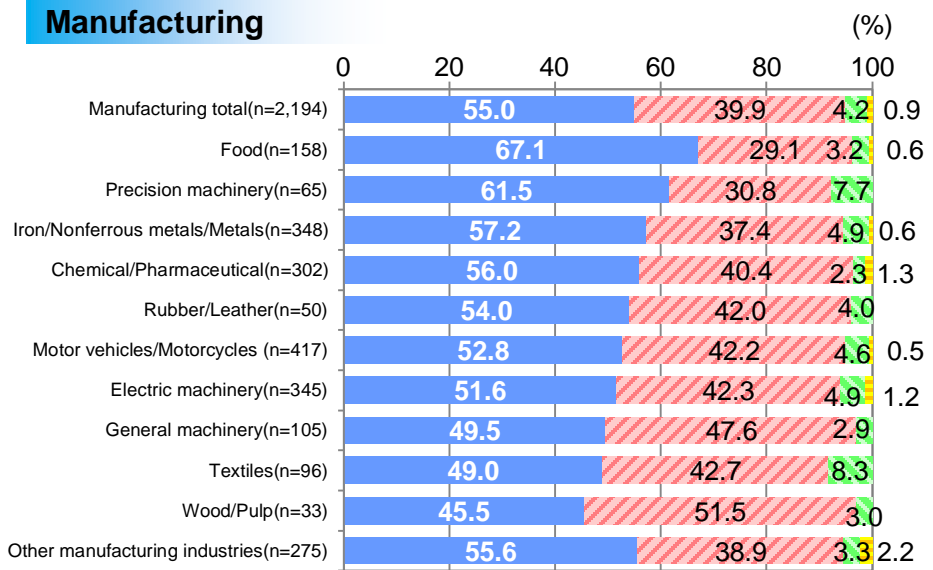
Note 1: ASEAN shows a weighted average of nine countries, excluding Brunei.
 Note 2: Figures for Cambodia and Laos have been included in the ASEAN average since 2010 and 2011, respectively.

● 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 2009 to 2011. In 2012, however, ASEAN (61.4%) overtook China (52.3%). ASEAN has been higher than China by around 10 pp since 2012. ASEAN has been higher than China by around 10 pp since 2012. After peaking at 16.1 pp in the 2015 survey, the gap has been decreasing to 7.4 pp in 2017 and 8.7 pp in 2018.



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 local markets

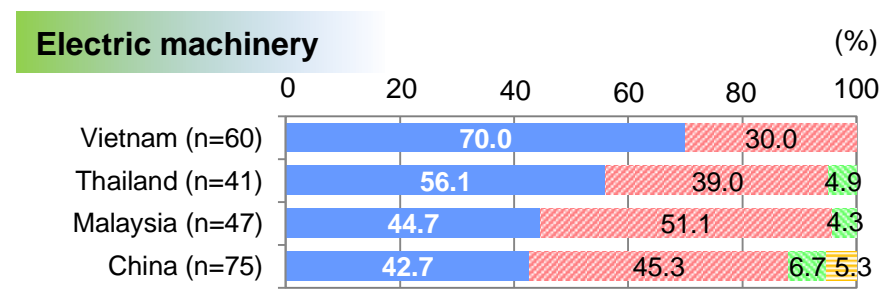
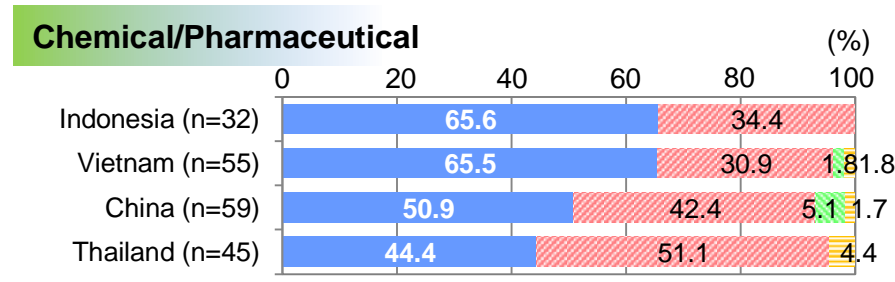
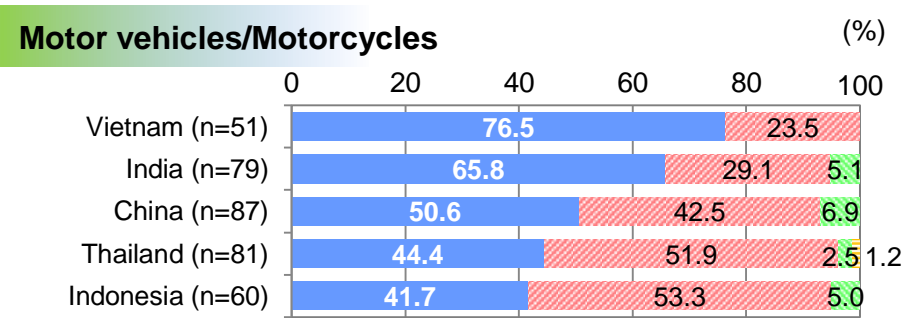
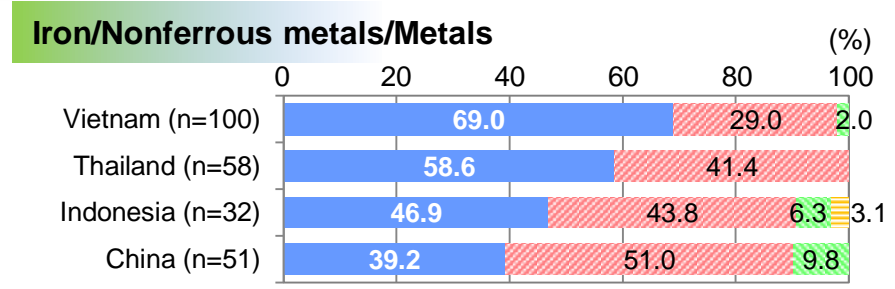
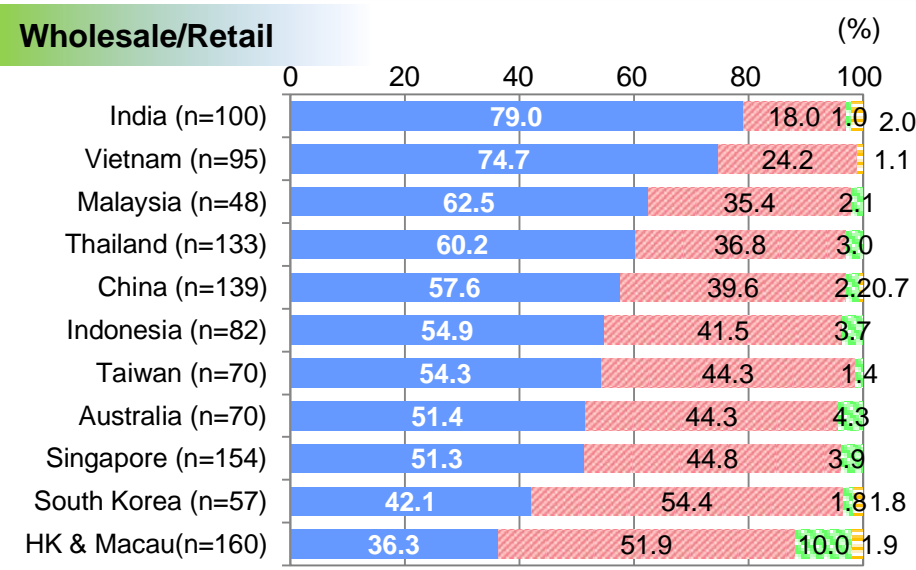
- By industry, the proportion of firms that selected “Expansion” as their approach to future business challenges in the next one or two years was slightly higher in the non-manufacturing (55.2%) than the manufacturing sector (55.0%).
- In the manufacturing sector, the proportion of “Expansion” is high in Food (67.1%). In the non-manufacturing sector, the proportion is high in Restaurant (71.9%). On the other hand, the proportion of “Expansion” is lower in Wood/Pulp and Construction.
- By company size, large enterprises are more likely to expand their businesses than SMEs in both manufacturing and non-manufacturing sectors. The proportion of manufacturing firms that selected “Expansion” has been increasing since the 2015 survey.



2. Future Business Plan (5)

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

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



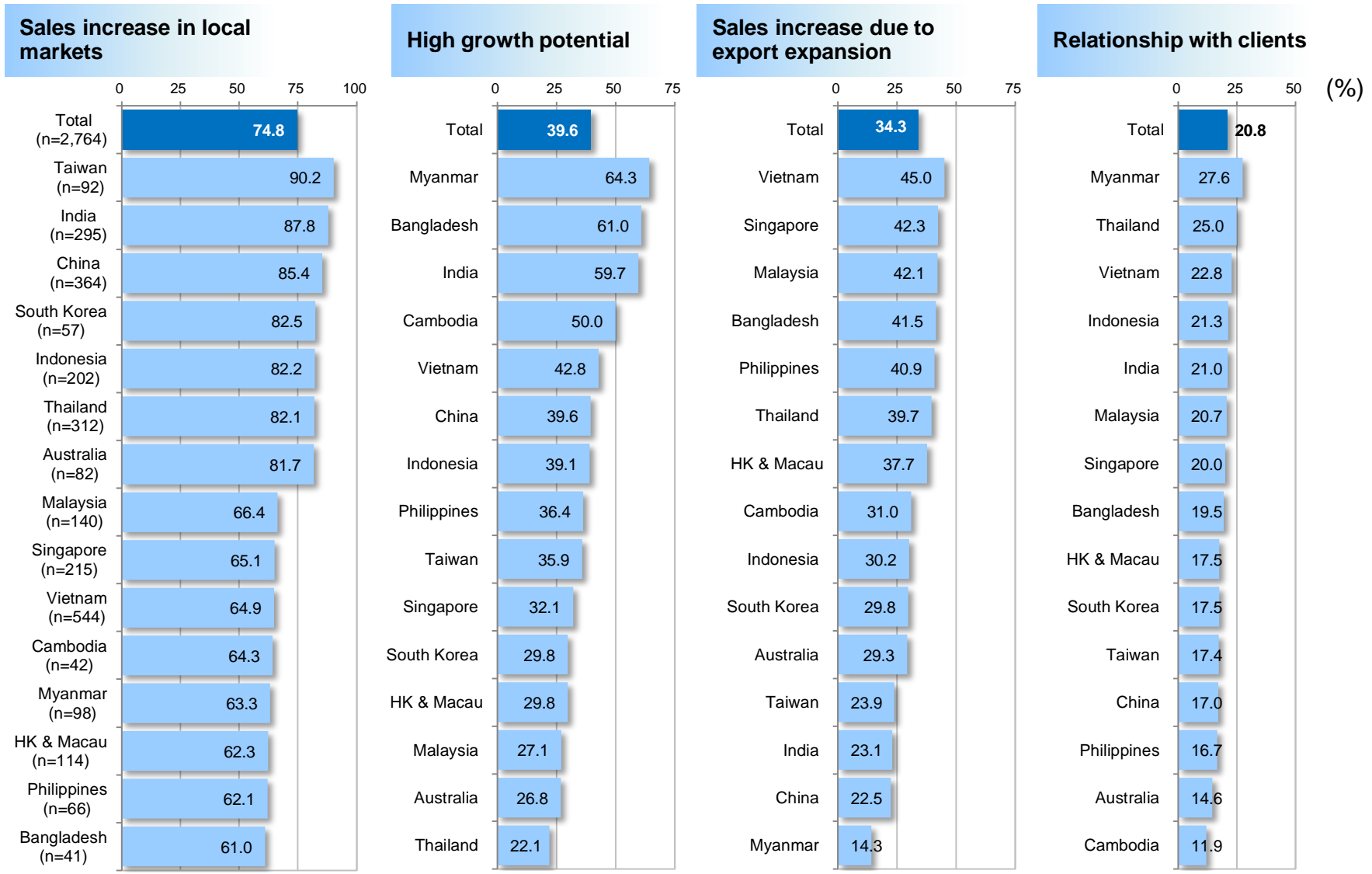
■ Expansion ■ Remaining the same ■ Reduction ■ Transferring to a third country/region or withdrawal from local markets

- The proportion of "Expansion" in Wholesale/Retail was high in India (79.0%) and Vietnam (74.7%). Meanwhile, "Remaining the same" accounted for over 50% in South Korea and HK & Macau.
- In the Motor vehicles/Motorcycles industry, the proportion of "Expansion" was high in Vietnam (76.5%), India (65.8%) and China (50.6%).
- In Vietnam, the proportion of "Expansion" exceeded 70% in Wholesale/Retail, Motor vehicles/Motorcycles and Electric machinery.



2. Future Business Plan (6)

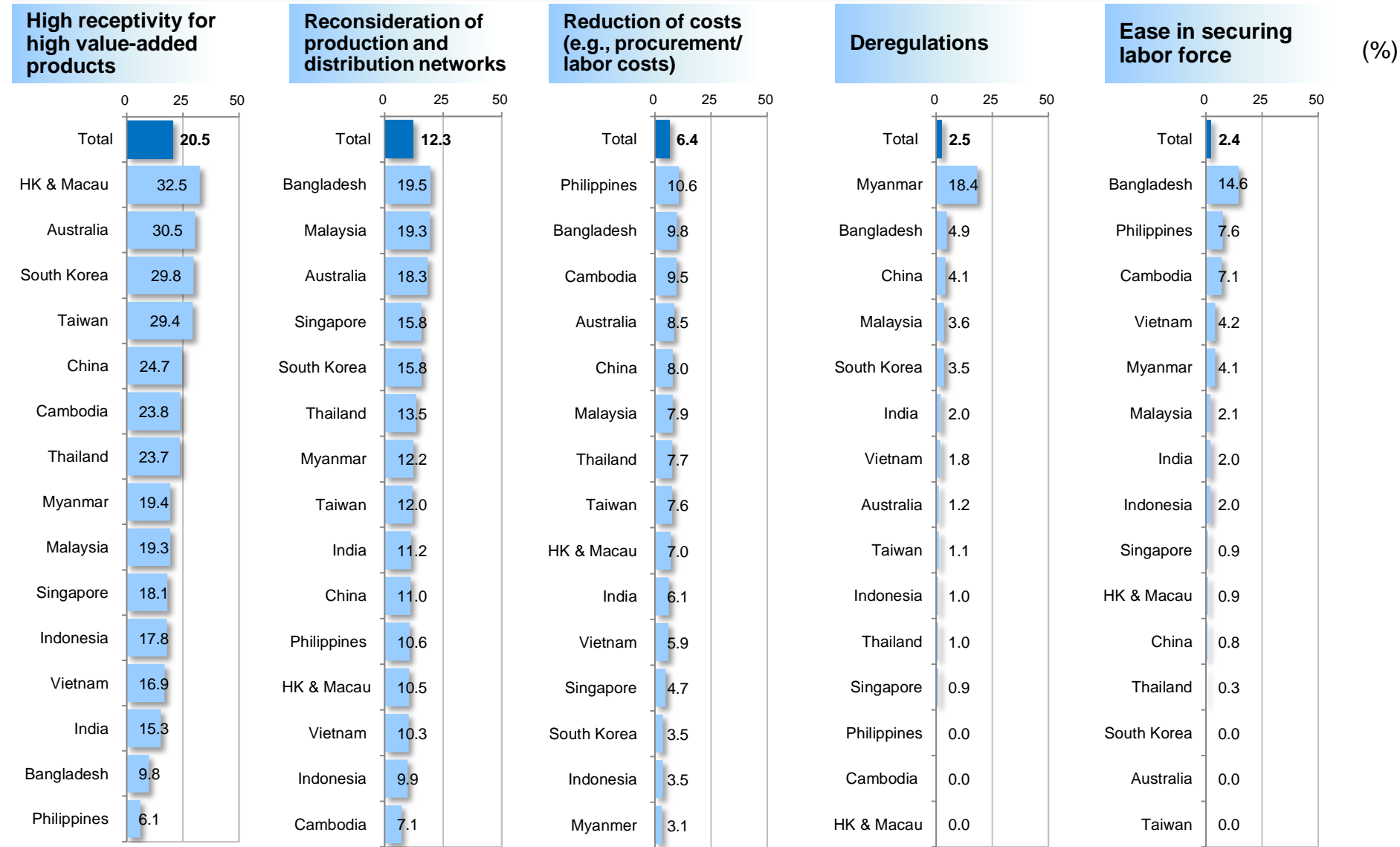
Reasons for the future business expansion in the next 1 to 2 years (multiple answers) (1/2)





2. Future Business Plan (7)

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

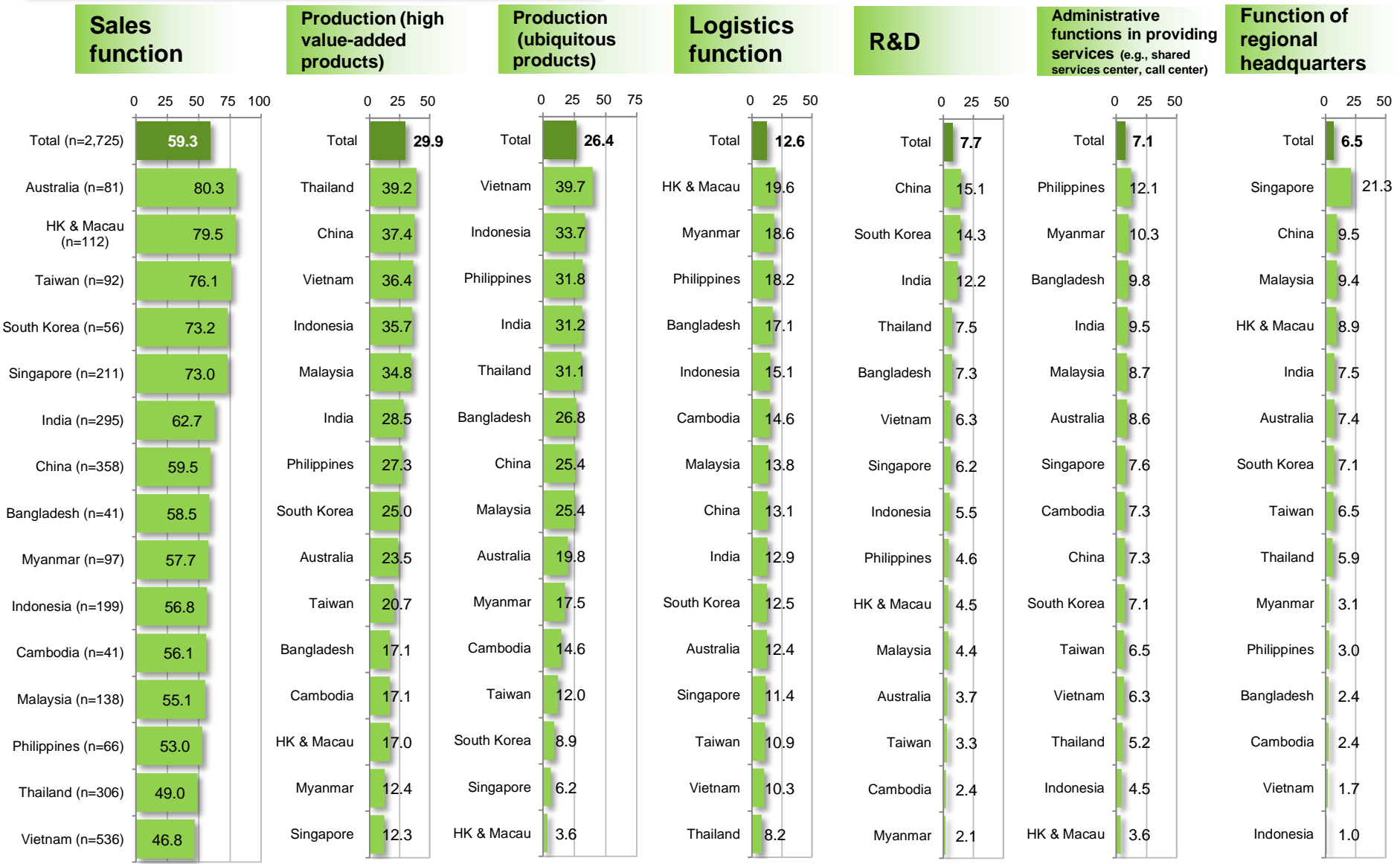




2. Future Business Plan (8)

Functions to be expanded (multiple answers)

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

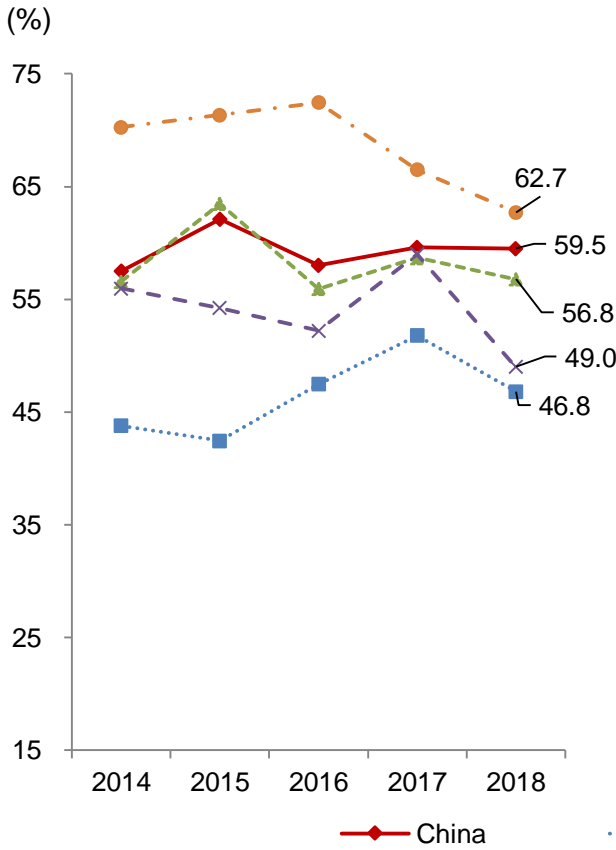




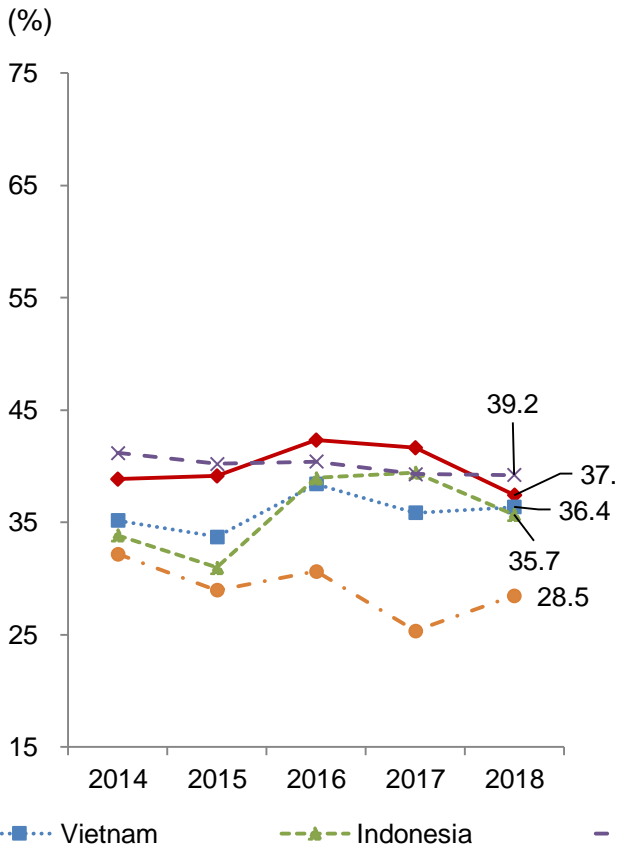
2. Future Business Plan (9)

Functions to be expanded (by country, 2014 to 2018)

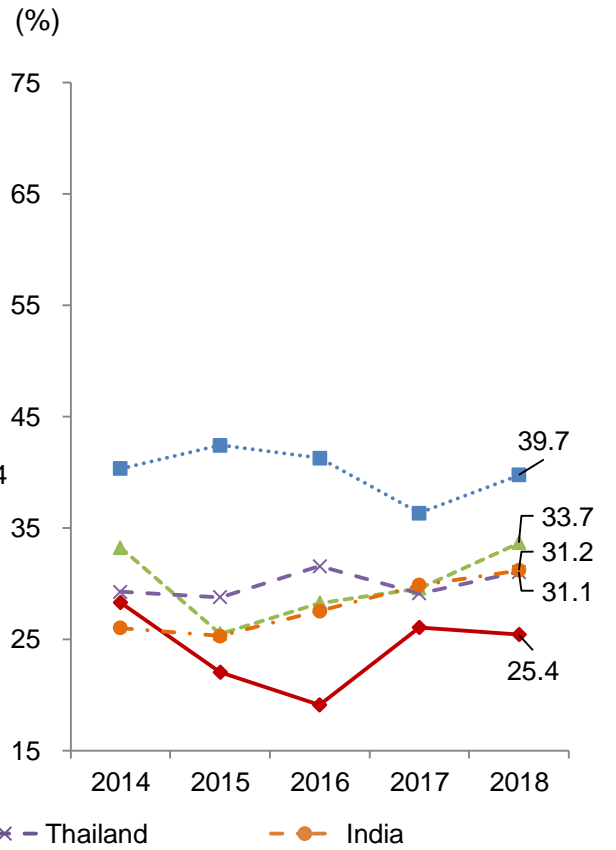
Sales function



Production (high value-added products)



Production (ubiquitous products)

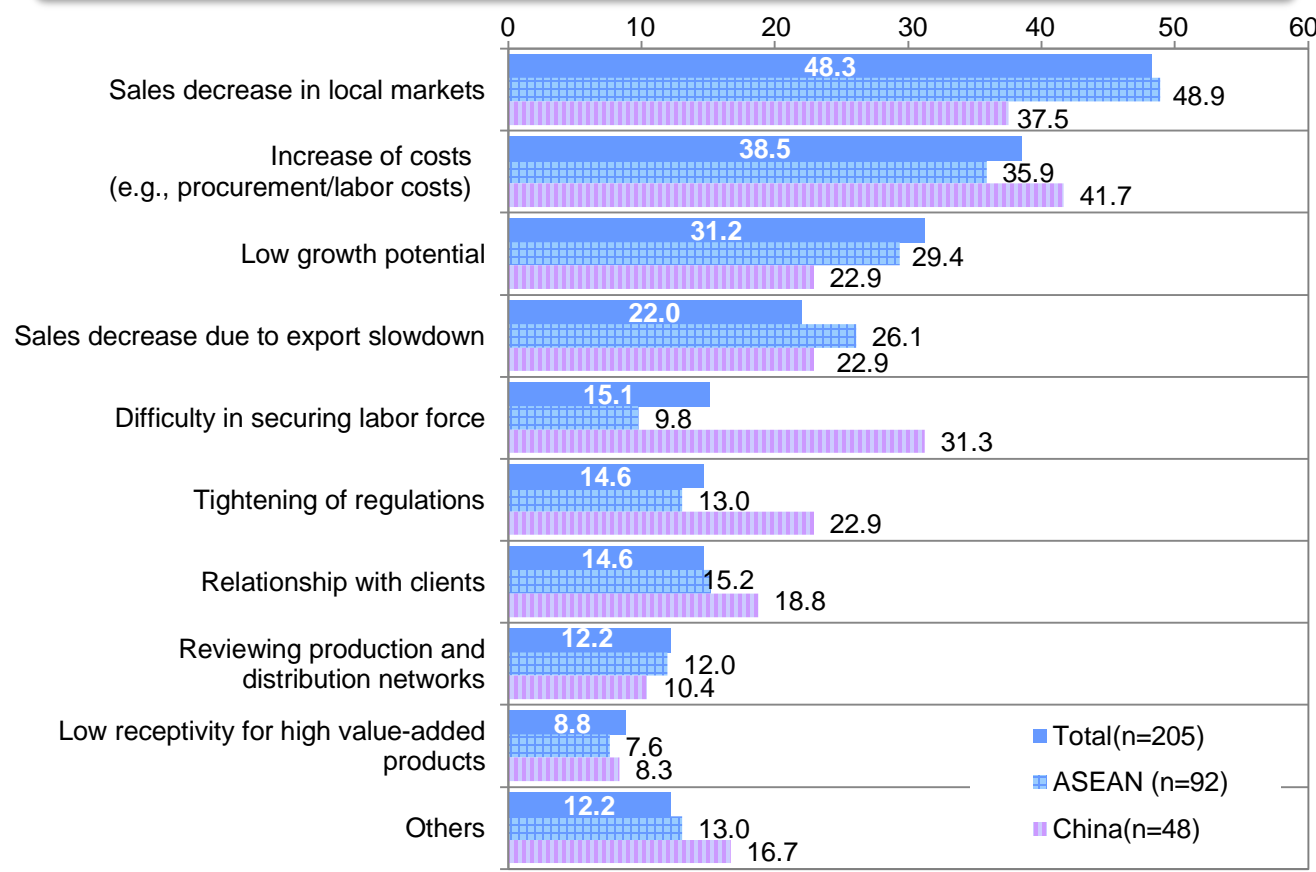


- The proportion of firms intending to expand “Sales function” remains at a high level in India (62.7%). That proportion decreased in all five countries from the 2017 survey.
- The proportion of firms intending to expand “Production (high value-added products)” increased by 3.2 pp in India and by 0.5 pp in Vietnam from the 2017 survey. On the other hand, the proportion decreased by 4.3 pp in China, by 3.7 pp in Indonesia, and by 0.1 pp in Thailand.
- The proportion of firms intending to expand “Production (ubiquitous products)” increased to over 30% in all countries except China.



2. Future Business Plan (10)

Reasons for the future reduction, transfer or withdrawal (multiple answers)



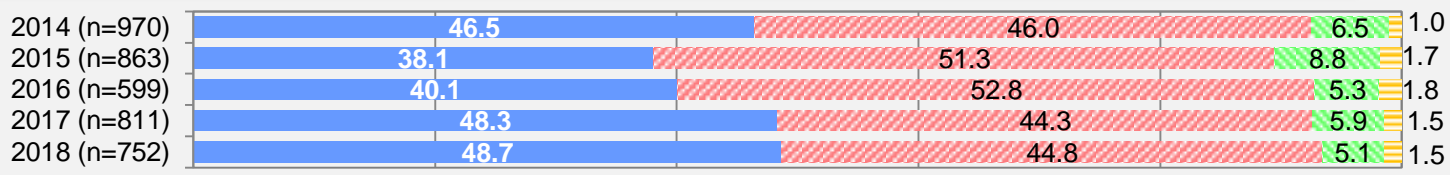
	By industry		By company size		(%)
	Manufacturing	Non-manufacturing	Large	SME	
Sales decrease in local markets	41.1	56.1	52.6	42.7	
Increase of costs (e.g., procurement/labor costs)	45.8	30.6	34.5	43.8	
Low growth potential	26.2	36.7	32.8	29.2	
Sales decrease due to export slowdown	29.0	14.3	19.0	25.8	
Difficulty in securing labor force	20.6	9.2	12.1	19.1	
Tightening of regulations	17.8	11.2	16.4	12.4	
Relationship with clients	17.8	11.2	12.1	18.0	
Reviewing production and distribution networks	12.2	12.2	12.9	11.2	
Low receptivity for high value-added products	7.5	10.2	8.6	9.0	
Others	13.1	11.2	11.2	13.5	

- In a multiple-choice question on the reason for business “Reduction” or “Transferring or withdrawal,” “Sales decrease in local markets ” (48.3%) was most commonly cited, followed by “Increase of costs” (38.5%) and “Low growth potential” (31.2%).
- When comparing ASEAN and China, the proportions of firms that selected “Sales decrease in local markets ” and “Low growth potential” were higher in ASEAN than in China by 11.4 pp and 6.5 pp, respectively. On the other hand, the proportions of “Difficulty in securing labor force “ and “Tightening of regulations” were higher in China than in ASEAN by 21.5 pp and 9.9 pp, respectively.
- By industry, the proportions of firms that cited “Sales decrease in local markets” and “Low growth potential” were higher in the non-manufacturing sector than in the manufacturing sector by 15.0 pp and 10.5 pp, respectively. On the other hand, the proportions of firms that cited “Increase of costs,” “Sales decrease due to export slowdown” or “Difficulty in securing labor force” were higher in the manufacturing sector than in the non-manufacturing sector by 15.2 pp, 14.7 pp, and 11.4 pp, respectively.
- By company size, the proportion of SMEs that cited “Increase of costs,” “Sales decrease due to export slowdown”, “Difficulty in securing labor force” or “Relationship with clients” were higher than that of large enterprises.



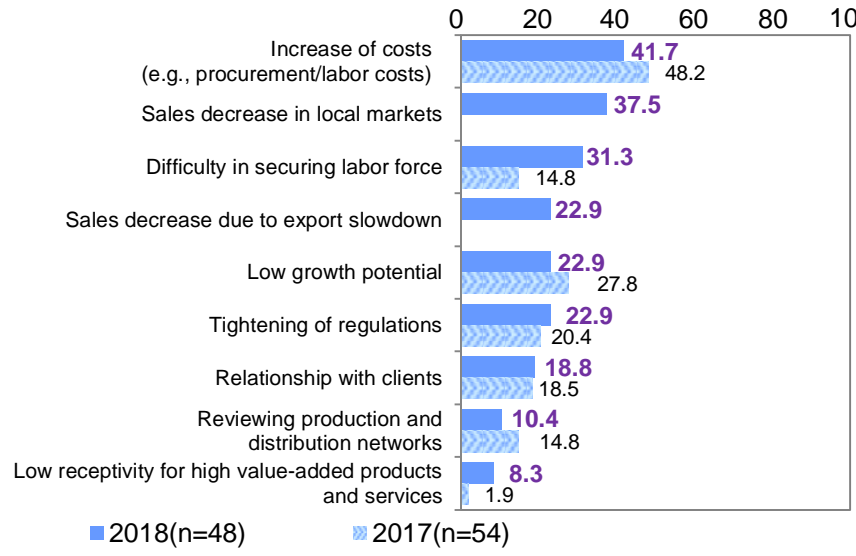
2. Future Business Plan (11)

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

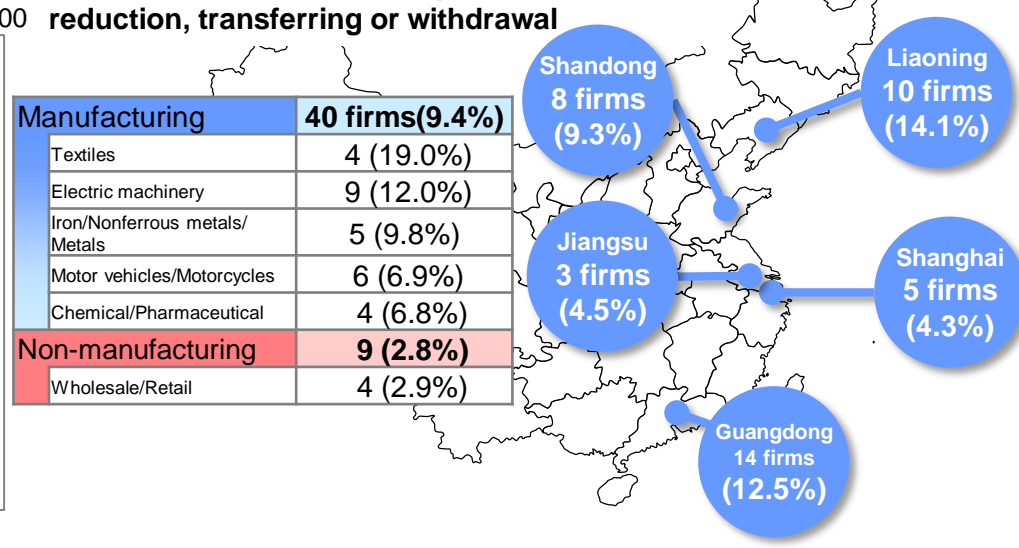


■ Expansion ■ Remaining the same ■ Reduction ■ Transferring to a third country/region or withdrawal from current local markets

Reasons for reduction, transferring or withdrawal (%)



Breakdown of firms that responded reduction, transferring or withdrawal



Note 1: 2017 proportions for "Sales decrease in local markets" and "Sales decrease due to export slowdown" are unavailable because these two were presented as "Sales decrease" in the 2017 survey. "Sales decrease" was selected by 61.1% of the firms in the 2017 survey.

Note 2: Industries, provinces/municipalities with three or more firms that selected "Reduction" or "Transferring or withdrawal"

Note 3: 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.

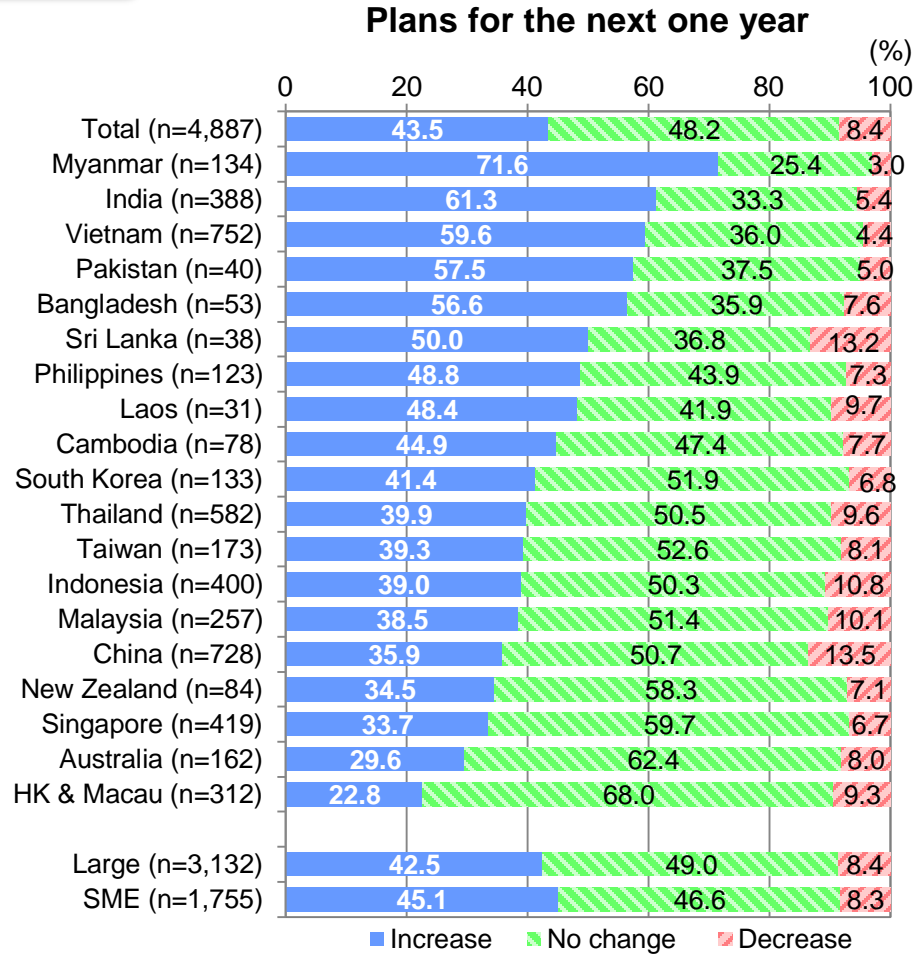
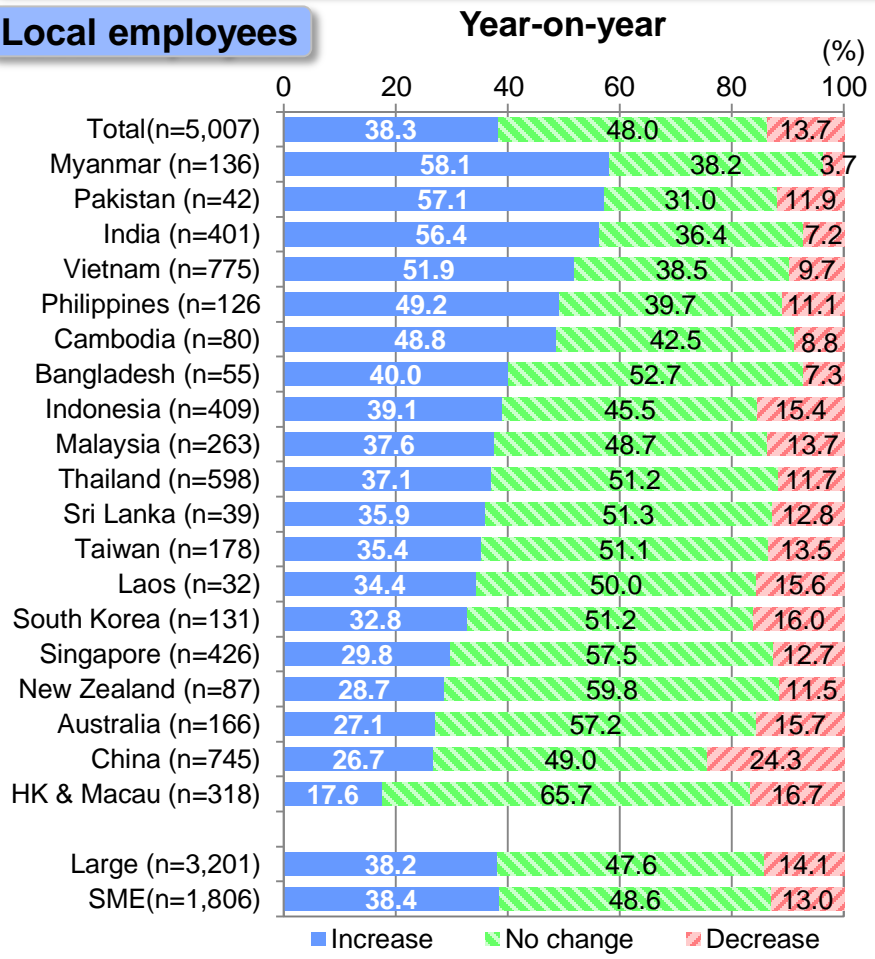
- In a question about the approach to future business challenges in the next one or two years, the proportion of Japanese companies in China that selected "Reduction" or "Transferring to a third country/region or withdrawal from current local markets" was 6.6%, which was the lowest in five years after the 2013 survey (6.2%). On the other hand, "Expansion" increased by 0.4 pp to 48.7% from 2017.
- In a multiple-choice question asking the reason for business "Reduction" or "Transferring or withdrawal," "Increase of costs" had the highest proportion at 41.7%. This is followed by "Sales decrease in local markets" (37.5%) and "Difficulty in securing labor force" (31.3%).
- By industry category, the manufacturing sector (9.4%) selected "Reduction" or "Transferring to a third country/region or withdrawal from current local markets" higher than the non-manufacturing sector (2.8%). In particular, the proportion was high in Textiles (19.0%) and Electric machinery (12.0%).



2. Future Business Plan (12)

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

Local employees



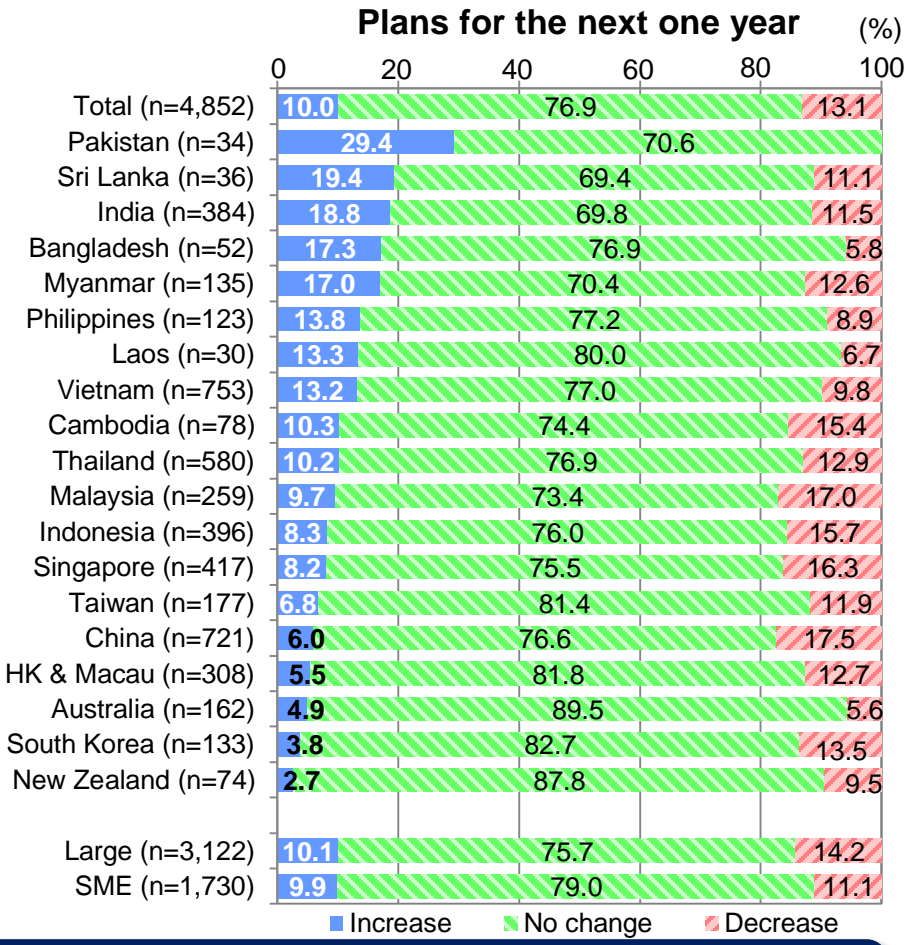
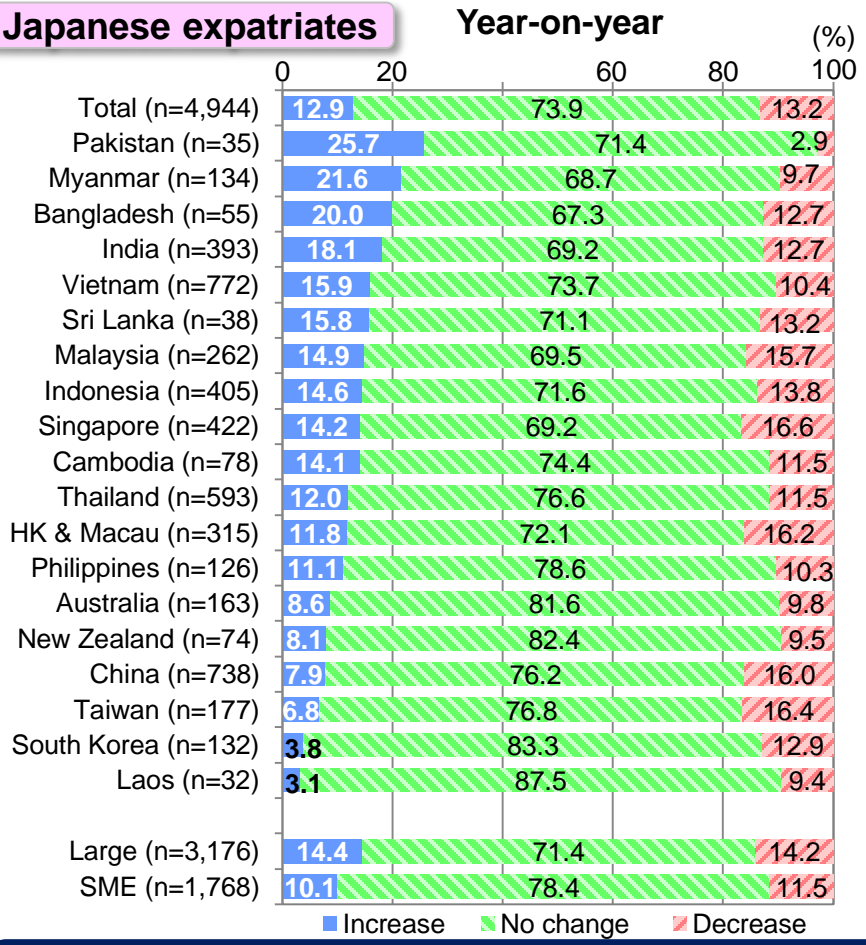
- Regarding year-on-year changes in the number of local employees by country/region, over 50% of the firms selected "Increase" in Myanmar, Pakistan, India and Vietnam.
- The proportion of firms planning to "Increase" local employees in the next one year was the highest in Myanmar (71.6%), followed by India (61.3%).
- In China, over 20% of the firms selected "Decrease" in a year-on-year comparison. The proportion of firms planning to "Decrease" local employees in the next one year was relatively high in China (13.5%), Sri Lanka (13.2%), Indonesia (10.8%) and Malaysia (10.1%).



2. Future Business Plan (13)

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

Japanese expatriates



- Regarding changes in the number of Japanese expatriates by country/region, “No change” was most frequently selected in all countries/regions in both year-on-year comparison and in plans for the next one year.
- In the past one year, the proportion of firms that selected “Decrease” was the highest in Singapore (16.6%), followed by Taiwan (16.4%), HK & Macau (16.2%), and China (16.0%), etc.
- Regarding plans for the next one year, the proportion of firms that selected “Increase” was the highest in Pakistan (29.4%), followed by Sri Lanka (19.4%), India (18.8%), Bangladesh (17.3%), and Myanmar (17.0%). On the other hand, the proportion of firms that selected “Decrease” was the highest in China (17.5%).



3. Management Matters (1)

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

Answers	2018 (%)	2017 (%)	Change (points)
1 Increased wages	65.9	66.7	-0.8
2 Difficulty in quality control (Manufacturing sectors only)	49.6	51.9	-2.3
3 Growing market shares of competitors (cost-wise competition)	49.4	49.9	-0.5
4 Increased cost in procurement of raw materials and parts (Manufacturing sectors only)	49.2	40.7	8.5
5 Difficulty in local procurement of raw materials and parts (Manufacturing sectors only)	43.3	45.1	-1.8
6 Quality of employees	42.9	46.9	-4.1
7 Difficulty in developing new clients	39.2	38.5	0.8
8 Major clients requesting lower prices	34.2	35.9	-1.7
9 No more room for cost-cutting (Manufacturing sectors only)	33.1	35.3	-2.2
10 Volatility of local currency's exchange rate against the US dollar	31.9	24.1	7.8

(%)

By industry		By company size	
Manufacturing	Non-manufacturing	Large	SME
75.0	59.0	66.1	65.6
49.6	-	44.8	55.5
50.6	48.4	52.7	43.7
49.2	-	51.1	46.9
43.3	-	42.4	44.4
45.5	40.8	41.6	45.3
35.5	42.3	36.9	43.2
42.3	27.6	33.6	35.2
33.1	-	32.9	33.4
39.0	26.5	35.7	25.3

- “Increased wages” (65.9%) was most frequently cited as a management matter, followed by “Difficulty in quality control” (49.6%) and “Growing market shares of competitors (cost-wise competition)” (49.4%). The proportion slightly decreased for many problems from 2017 but “Increased cost in procurement of raw materials and parts”(49.2%) and “Volatility of local currency’s exchange rate against the US dollar” (31.9%) increased by 8.5 pp and 7.8 pp, respectively. By country/region, the proportion of “Increased wages“ was higher in Indonesia (78.2%) than in China (75.7%), as it was in 2017, followed by Vietnam (73.0%), India (72.3%), and Cambodia (70.9%).
- By industry, more than 70% of firms selected “Increased wages” in the manufacturing sector. The proportion of “Major clients requesting lower prices” was higher in the manufacturing sector than in the non-manufacturing sector by 14.7pp.
- By company size, “Increased wages” was most commonly cited by both large companies and SMEs, as was done in 2017, although the proportion decreased from 2017.



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		2018 survey	2017 survey
1	Increased wages (n=427)	55.7	56.2
2	Growing market shares of competitors (cost-wise competition) (n=407)	48.4	50.9
3	Increased cost in procurement of raw materials and parts (n=85)	45.9	27.5
4	Difficulty in developing new clients (n=407)	44.2	42.1
5	Personnel costs of Japanese (expatriate) managers and staff (n=427)	34.4	34.0

Malaysia		2018 survey	2017 survey
1	Increased wages (n=261)	66.7	68.1
2	Difficulty in quality control (n=135)	59.3	71.1
3	Quality of employees (n=261)	54.8	52.2
4	Increased cost in procurement of raw materials and parts (n=135)	51.1	59.5
5	Growing market shares of competitors (cost-wise competition) (n=255)	50.6	52.0

Thailand		2018 survey	2017 survey
1	Increased wages (n=597)	59.3	63.0
2	Difficulty in quality control (n=314)	58.6	54.0
3	Quality of employees (n=597)	50.1	50.5
4	Growing market shares of competitors (cost-wise competition) (n=592)	49.5	50.6
5	Increased cost in procurement of raw materials and parts (n=314)	47.8	37.8

Indonesia		2018 survey	2017 survey
1	Increased wages (n=409)	78.2	80.8
2	Volatility of local currency's exchange rate against the US dollar (n=410)	64.2	37.9
3	Increased cost in procurement of raw materials and parts (n=213)	62.4	48.7
4	Difficulty in local procurement of raw materials and parts (n=213)	60.1	64.3
5	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=410)	53.9	58.9

Vietnam		2018 survey	2017 survey
1	Increased wages (n=779)	73.0	75.2
2	Difficulty in local procurement of raw materials and parts (n=406)	58.1	65.2
3	Difficulty in quality control (n=406)	54.7	57.2
4	Growing market shares of competitors (cost-wise competition) (n=723)	49.5	46.1
5	Complicated customs clearance procedures (n=711)	45.7	46.7

Philippines		2018 survey	2017 survey
1	Difficulty in local procurement of raw materials and parts (n=64)	60.9	54.4
2	Increased cost in procurement of raw materials and parts (n=64)	53.1	32.6
3	Increased wages (n=124)	50.8	45.8
4	Difficulty in quality control (n=64)	48.4	50.0
5	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=125)	46.4	40.3

Note1: 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)."

Note2: The red-highlighted items increased by 10 pp or more from 2017, while the blue-highlighted items decreased by 10 pp or more from 2017.

3. Management Matters (5)

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

India		2018 survey	2017 survey
1	Increased wages (n=400)	72.3	72.1
2	Growing market shares of competitors (cost-wise competition) (n=394)	59.1	64.2
3	Difficulty in local procurement of raw materials and parts (n=184)	53.8	45.3
4	Increased cost in procurement of raw materials and parts (n=184)	53.3	34.0
5	Difficulty in quality control (n=184)	49.5	50.7

Pakistan		2018 survey	2017 survey
1	Volatility of local currency's exchange rate against the US dollar (n=42)	76.2	48.4
2	Increased cost in procurement of raw materials and parts (n=18)	72.2	16.7
3	High import duties (n=33)	57.6	48.4
4	Restrictions on foreign remittance (n=42)	57.1	41.9
5	Time-consuming customs procedures (n=33)	54.6	45.2

Sri Lanka		2018 survey	2017 survey
1	Difficulty in local procurement of raw materials and parts (n=11)	63.6	54.6
2	Increased wages (n=40)	60.0	70.0
3	Difficulty in quality control (n=11)	54.6	72.7
4	Volatility of local currency's exchange rate against the US dollar (n=39)	46.2	28.6
5	Growing market shares of competitors (cost-wise competition) (n=33)	45.5	44.8
5	Increased cost in procurement of raw materials and parts (n=11)	45.5	36.4

Bangladesh		2018 survey	2017 survey
1	Difficulty in quality control (n=25)	64.0	68.0
2	Quality of employees (n=56)	62.5	69.1
3	Time-consuming customs procedures (n=45)	60.0	63.4
4	Increased wages (n=56)	58.9	47.6
5	Complicated customs clearance procedures (n=45)	57.8	53.7

Cambodia		2018 survey	2017 survey
1	Increased wages (n=79)	70.9	82.8
2	Difficulty in local procurement of raw materials and parts (n=22)	54.6	70.0
2	Difficulty in quality control (n=22)	54.6	76.7
4	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=78)	51.3	44.4
5	Quality of employees (n=79)	49.4	60.9

Laos		2018 survey	2017 survey
1	Difficulty in quality control (n=15)	66.7	58.8
2	Difficulty in local procurement of raw materials and parts (n=15)	60.0	70.6
3	Increased wages (n=32)	56.3	44.4
3	Quality of employees (n=32)	56.3	70.4
5	Difficulty in recruiting engineering staff (n=32)	53.3	64.7
5	Inadequate logistics infrastructure (n=15)	53.3	52.9

Myanmar		2018 survey	2017 survey
1	Volatility of local currency's exchange rate against the US dollar (n=134)	65.7	34.6
2	Difficulty in local procurement of raw materials and parts (n=26)	65.4	82.4
3	Quality of employees (n=133)	57.9	51.9
4	Increased wages (n=133)	53.4	59.3
5	Increased cost in procurement of raw materials and parts (n=26)	50.0	35.3

Note1: 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)."

Note2: Red-highlighted items increased by 10 pp or more from 2017. Blue-highlighted items decreased by 10 pp or more from 2017.

3. Management Matters (6)

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

(%)

China		2018 survey	2017 survey
1	Increased wages (n=754)	75.7	75.3
2	Increased cost in procurement of raw materials and parts (n=419)	53.5	50.2
3	Growing market shares of competitors (cost-wise competition) (n=749)	51.7	55.0
4	Difficulty in quality control (n=419)	48.0	50.2
5	Tightening environmental regulations (n=419)	45.8	39.3

Hong Kong & Macau		2018 survey	2017 survey
1	Increased wages (n=318)	67.0	62.7
2	Increased cost in procurement of raw materials and parts (n=27)	59.3	42.4
3	Difficulty in developing new clients (n=302)	46.0	44.8
4	Growing market shares of competitors (cost-wise competition) (n=302)	43.1	43.0
5	Difficulty in quality control (n=27)	37.0	24.2

Taiwan		2018 survey	2017 survey
1	Increased cost in procurement of raw materials and parts (n=53)	49.1	41.1
2	Growing market shares of competitors (cost-wise competition) (n=172)	48.8	50.5
3	Difficulty in developing new clients (n=172)	39.0	33.3
4	Major clients requesting lower prices (n=172)	37.8	34.7
5	Increased wages (n=174)	36.8	35.8
5	Quality of employees (n=174)	36.8	39.5

South Korea		2018 survey	2017 survey
1	Increased wages (n=134)	69.4	59.0
2	Growing market shares of competitors (cost-wise competition) (n=133)	54.9	52.1
3	No more room for cost-cutting (n=44)	45.5	29.0
4	Decreased orders from clients (n=133)	39.1	20.5
5	Major clients requesting lower prices (n=133)	38.4	40.2

Australia		2018 survey	2017 survey
1	Increased wages (n=163)	57.7	60.0
2	Growing market shares of competitors (cost-wise competition) (n=164)	47.0	41.9
3	Increased cost in procurement of raw materials and parts (n=32)	46.9	29.7
4	Volatility of local currency's exchange rate against the US dollar (n=161)	35.4	31.7
5	No more room for cost-cutting (n=32)	31.3	24.3

New Zealand		2018 survey	2017 survey
1	Increased cost in procurement of raw materials and parts (n=26)	61.5	30.0
2	Increased wages (n=87)	48.3	43.1
3	Difficulty in recruiting engineering staff (n=87)	44.4	30.0
4	No more room for cost-cutting (n=26)	34.6	15.0
4	Difficulty in local procurement of raw materials and parts (n=26)	34.6	20.0

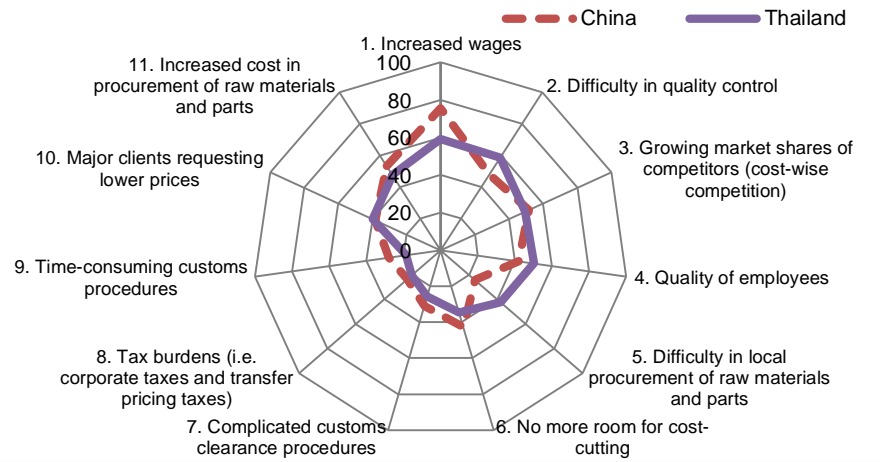
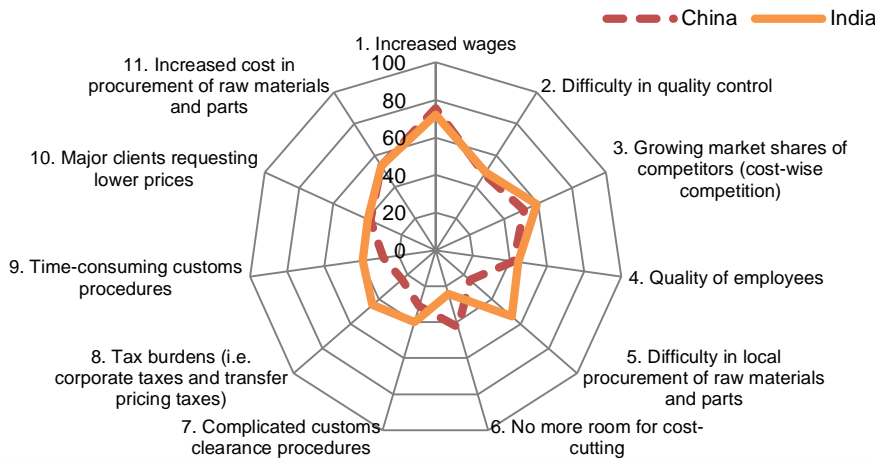
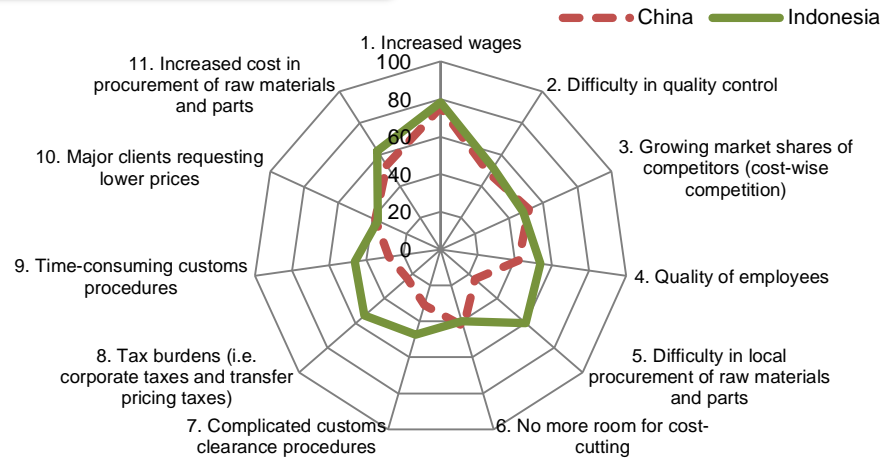
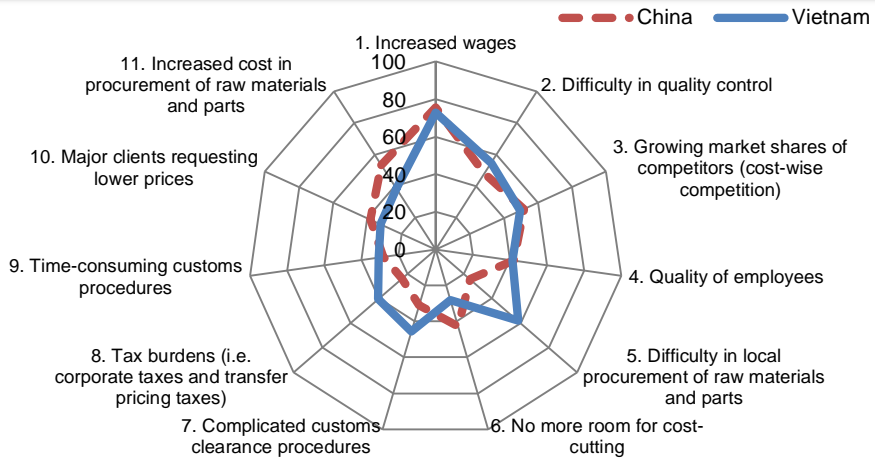
Note1: Top 5 responses are listed above, except for "No particular problem." Orange-highlighted items are not included in the top 10 common problems in "3. Management Matters (1)."

Note2: Red-highlighted items increased by 10 pp or more from 2017. Blue-highlighted items decreased by 10 pp or more from 2017.



3. Management Matters (7)

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



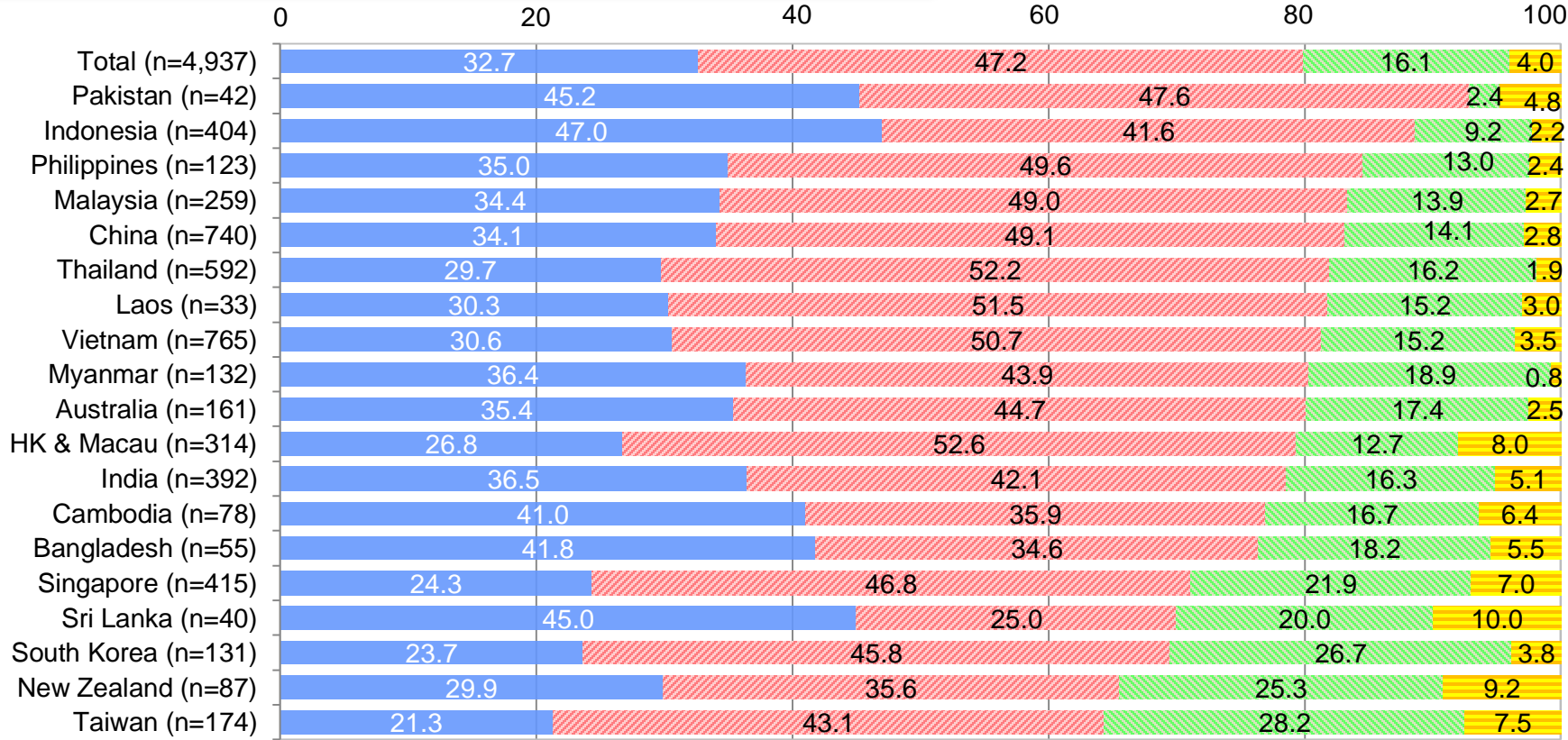
- “Difficulty in quality control,” and “Difficulty in local procurement of raw materials and parts” were cited more commonly in India, Indonesia, Vietnam and Thailand than in China.
- Only Indonesia exceeded China in the proportion of “Increased wages.” China was higher than four other countries in the proportion of “No more room for cost-cutting.”
- India and Indonesia exceeded China in eight of the 11 problems. On the other hand, Vietnam and Thailand exceeded China in only five and four problems, respectively.



4. Rising Costs of Production and Services (1)

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

■ Significantly
▨ Somewhat
▨ Almost no impact
■ No impact (%)

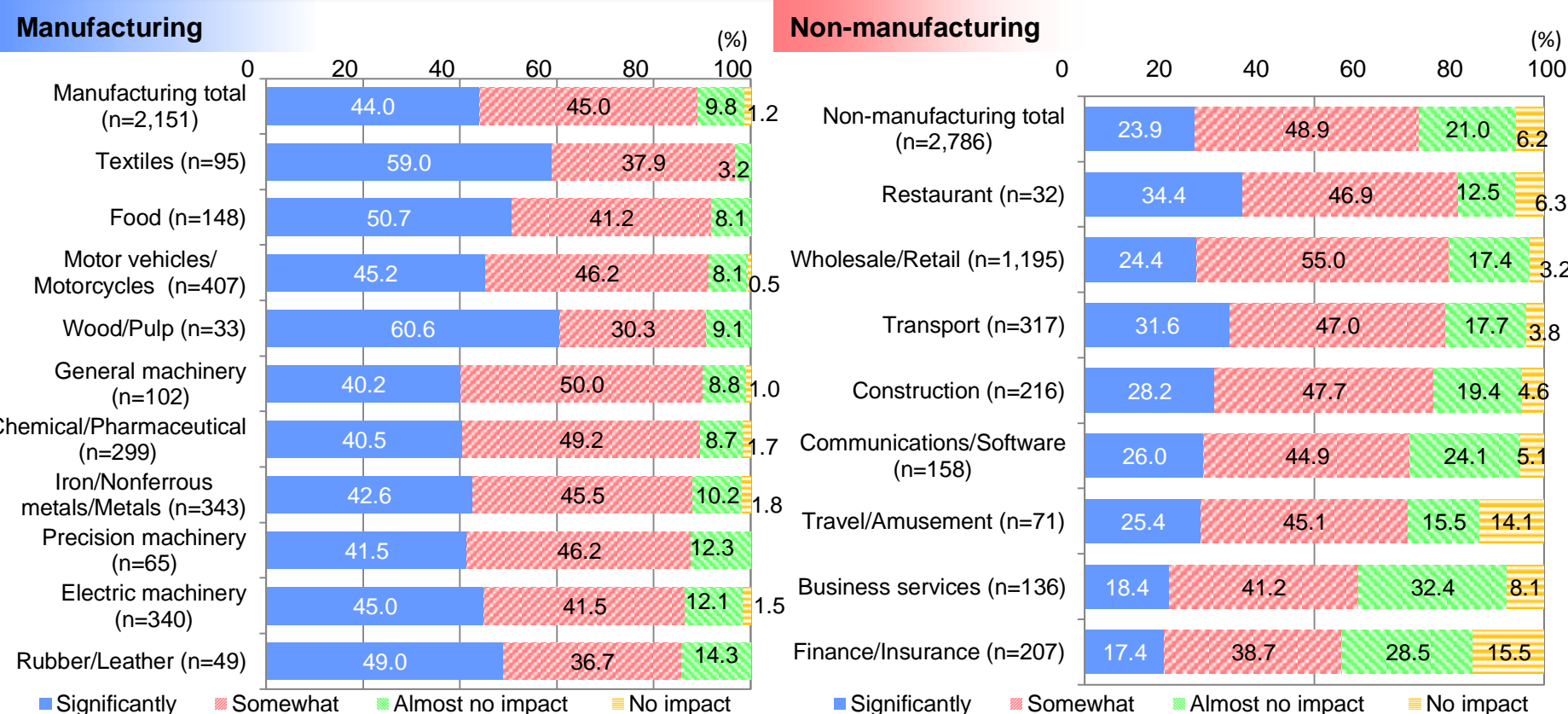


- A combined 79.9% of the firms responded that their business activities are "Significantly" or "Somewhat" by the negative impact of the rising costs of production and services resulting from soaring prices of payroll, energy, and raw materials. About 80% of the firms in Asia and Oceania are affected negatively.
- The proportion of firms sustaining negative impact was the highest in Pakistan at 92.8%, followed by Indonesia, The Philippines, Malaysia and China.
- By industry in Pakistan, the impact was most serious in Iron/Nonferrous metals/Metals, Motor vehicles/Motorcycles, Chemical/Pharmaceutical, Food, etc. By industry in Indonesia, the impact was most serious in Electric machinery, Textiles, Travel/Amusement, Precision Machinery, and Wood/Pulp. A combined 100% of the firms responded that their business activities are "Significantly" or "Somewhat" affected by negative impact.
- By industry in China, the impact was most serious in General machinery and Restaurants, with 100% of the firms selecting "Significantly" or "Somewhat." Over 50% of the firms selected "Significantly" for Restaurants (60.0%), Textiles (55.0%), Precision Machinery (50.0%) and Wood/Pulp (50%).



4. Rising Costs of Production and Services (2)

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



- A total of 89.0% of the manufacturing firms and 72.8% of the non-manufacturing firms responded that they are “Significantly” or “Somewhat” 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” and “Somewhat” were the highest in Textiles (96.9%).
- In the non-manufacturing sector, the Restaurant industry (81.3%) marked the highest proportion in “Significantly” and “Somewhat” regarding negative impact.
- In Finance/Insurance and Business Services, the proportion of “Almost no impact” or “No impact” exceeded 40%.

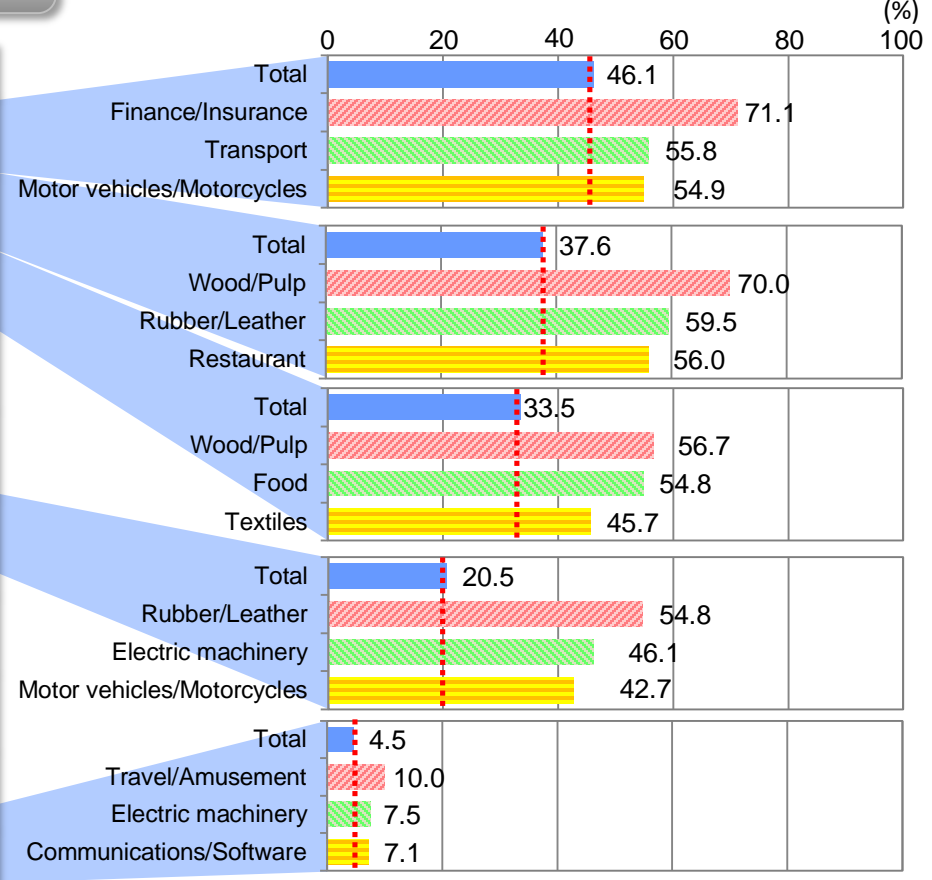


4. Rising Costs of Production and Services (3)

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

Answers		Response rate (%)
1	Cost-cutting (e.g., administration cost, indirect cost)	46.1
2	Reviewing suppliers of raw materials and procurement content	37.6
3	Increasing prices of products (or services)	33.5
4	Encouraging recruitment of local staff, reducing payroll expenses	26.8
5	Reviewing production (consolidation of lineup, improvement, adding of value)	23.0
6	Encouraging automation and power-conservation (e.g., introducing industrial robots)	20.5
7	Cost-cutting through mass production and volume sales	19.8
8	Cost-cutting through increasing local procurement rate	18.8
9	No particular measures	6.3
10	Shifting production/service capabilities to third country/areas (*)	4.5

Industries with a significantly higher response rate than average



Total (n=3,919)

Note: China includes a shift of production/service capabilities to other areas on the Mainland.

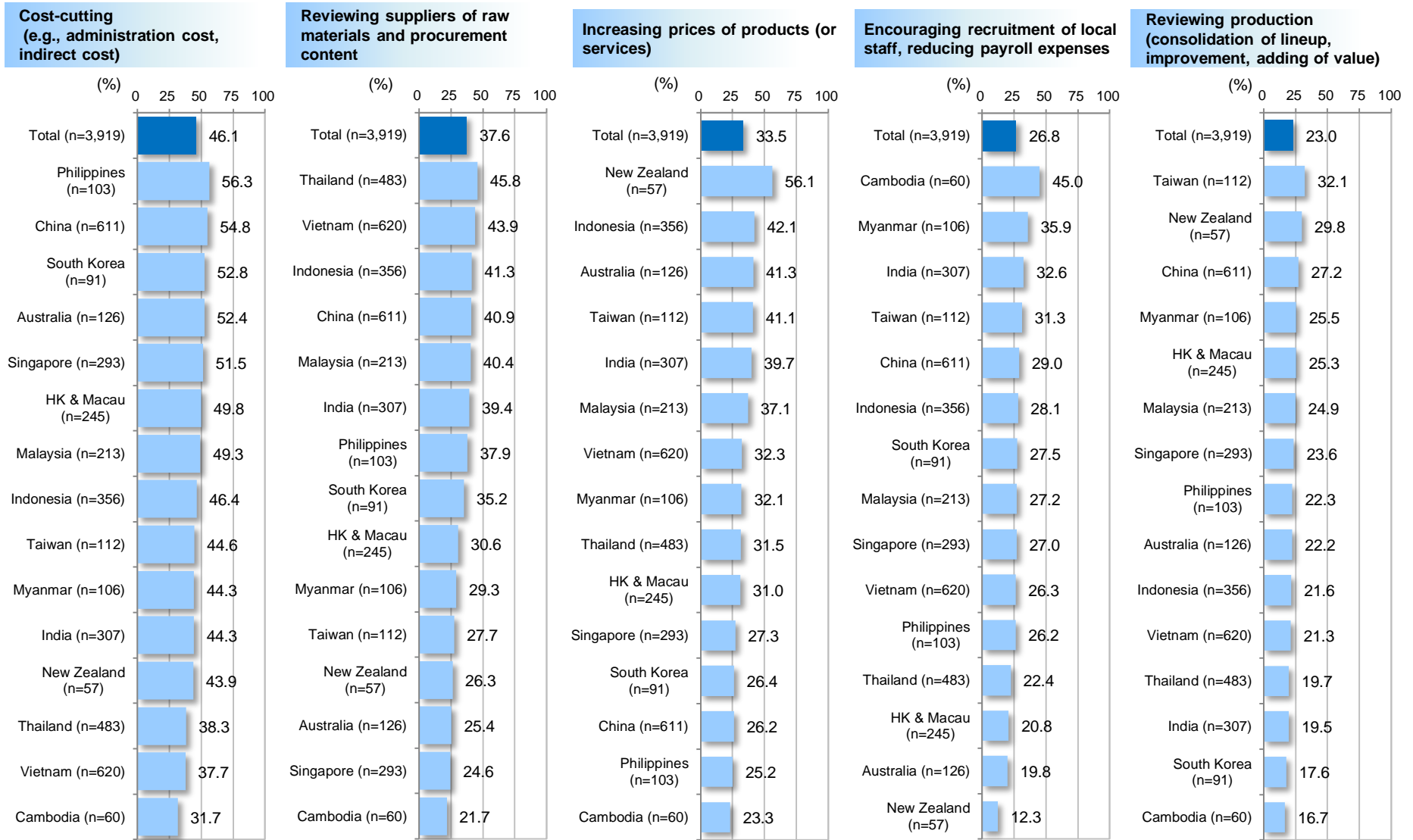
- The order of cited countermeasures was the same as the results of the 2017 survey. The most-common countermeasure was “Cost-cutting (e.g., administration cost, indirect cost)” at 46.1%. In particular, this countermeasure is taken (considered) more commonly by non-manufacturing industries, such as in Finance/Insurance and Transport.
- In the Wood/Pulp industries, the proportion of firms that reviewed or are considering “Reviewing suppliers of raw materials and procurement content” was the highest, at 70%. “Increasing prices of products (or services)” was also high, at 56.7%.
- In the Electric machinery industry, “Encouraging automation and power-conservation (e.g., introducing industrial robots)” accounted for 46.1%, while “Shifting production/service capabilities to third country/areas (*)” accounted for 7.5%.



4. Rising Costs of Production and Services (4)

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

Note :Countries/regions for which n ≥ 50



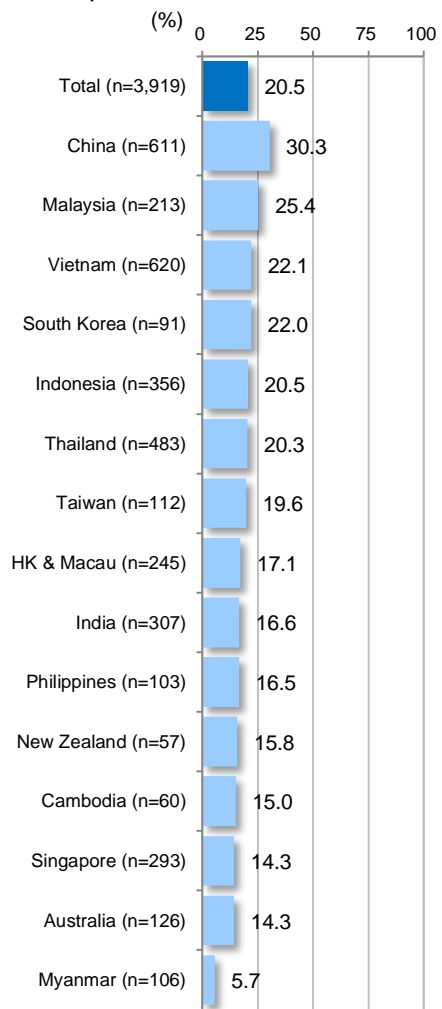


4. Rising Costs of Production and Services (5)

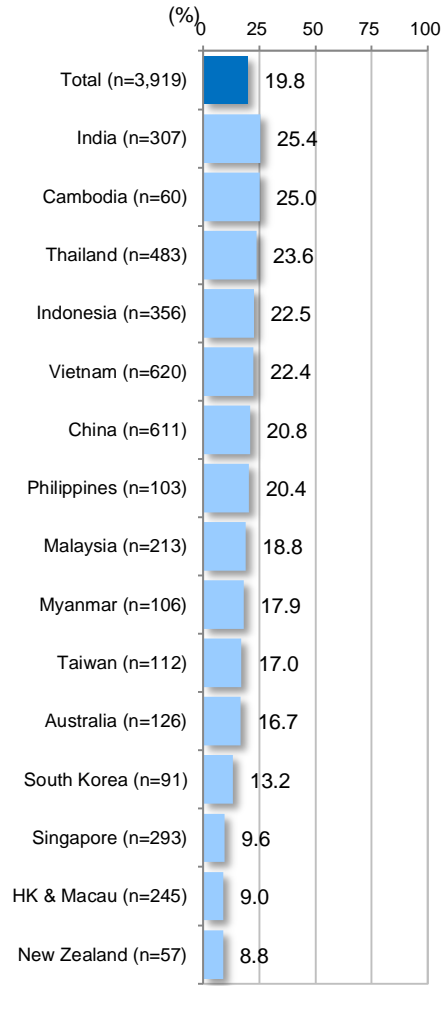
Countermeasures against rising costs currently being taken or under consideration (by country/region) (multiple answers) (2/2)

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

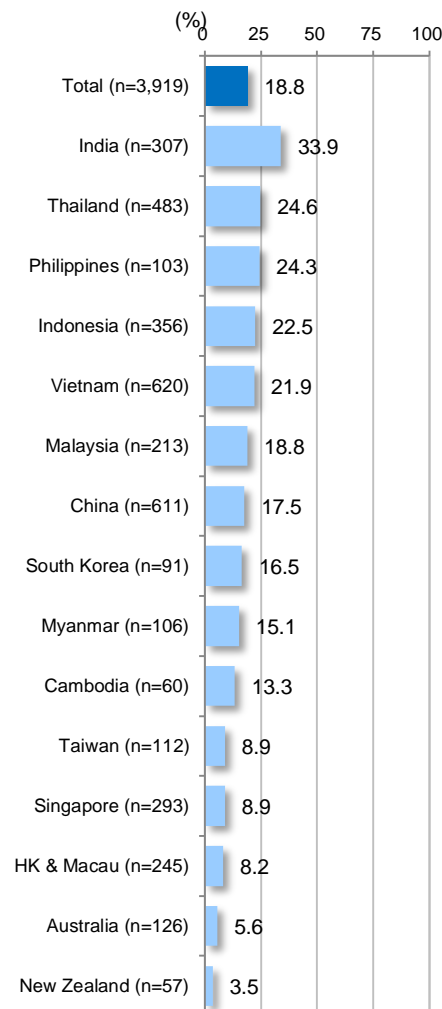
Encouraging automation and power-conservation (e.g., introducing industrial robots)



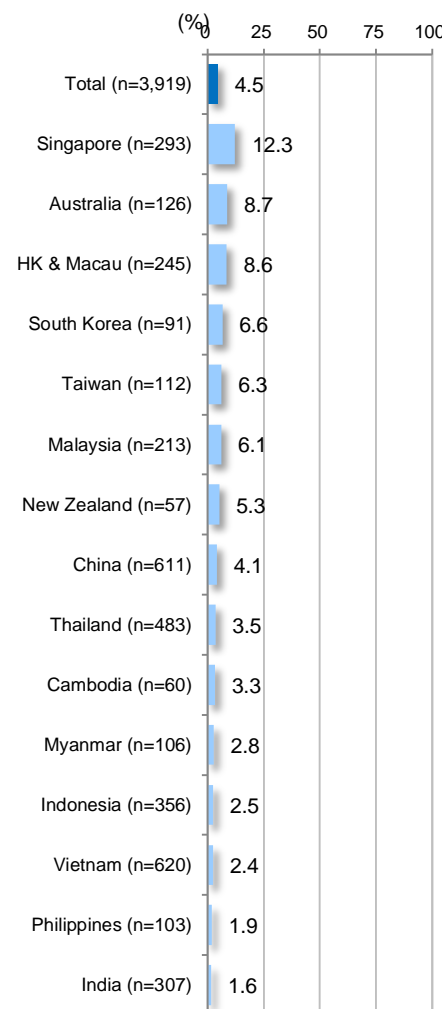
Cost-cutting through mass production and volume sales



Cost-cutting through increasing local procurement rate

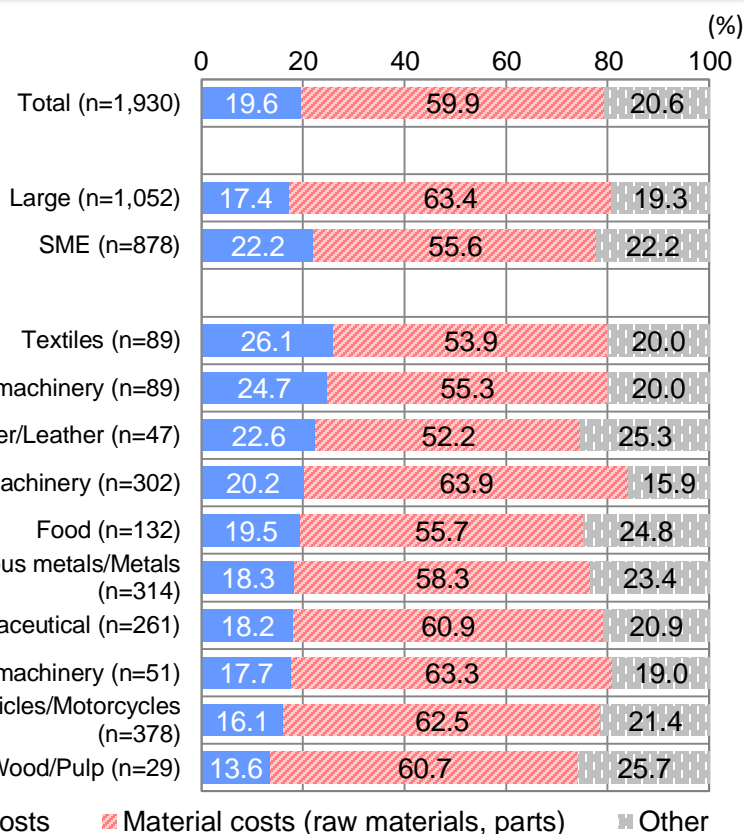


Shifting production/service capabilities to third country/areas (note 2)



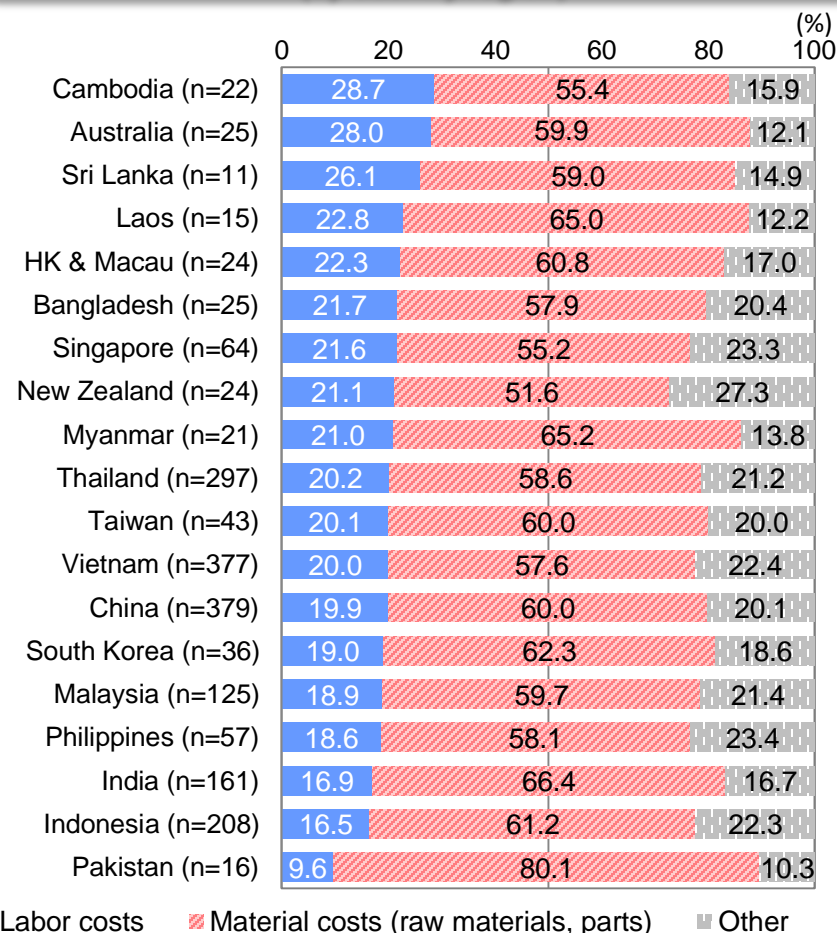
5. Procurement of Raw Materials and Parts (1)

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 a product, such as materials, labor, and others.

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

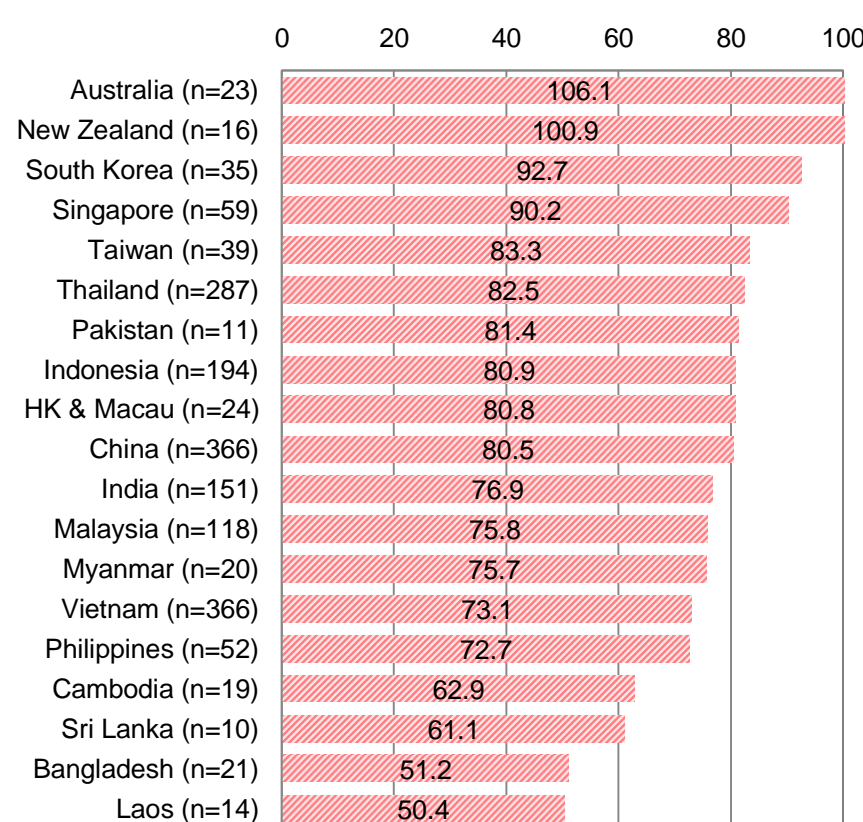
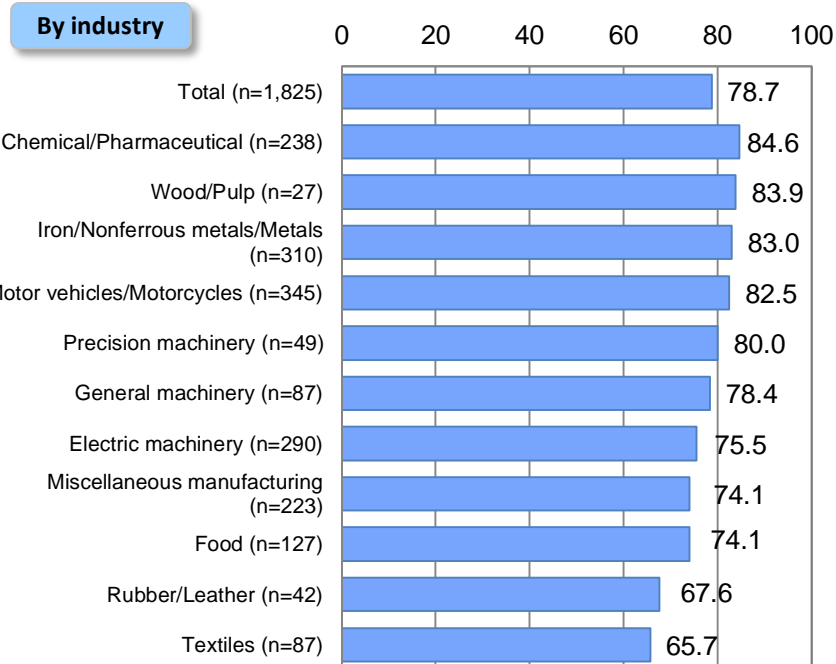
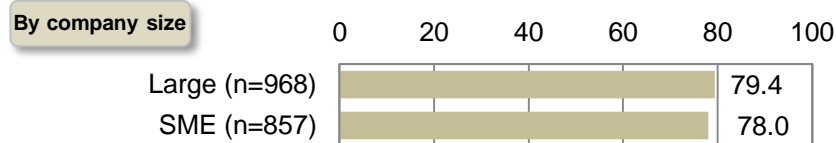


- The ratio of labor costs to local production costs of Japanese-affiliated firms averaged 19.6%, while the ratio of material costs averaged 59.9%. Thus, the material costs constitute a majority of local production costs. In comparison with the 2017 survey, labor costs decreased by 0.2 pp, while material costs increased by 1.1 pp.
- By country/region, the ratio of labor costs is relatively high in Cambodia, Australia, Sri Lanka, Laos and HK & Macau. On the other hand, the ratio of material costs is high in Pakistan (80.1%), 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)

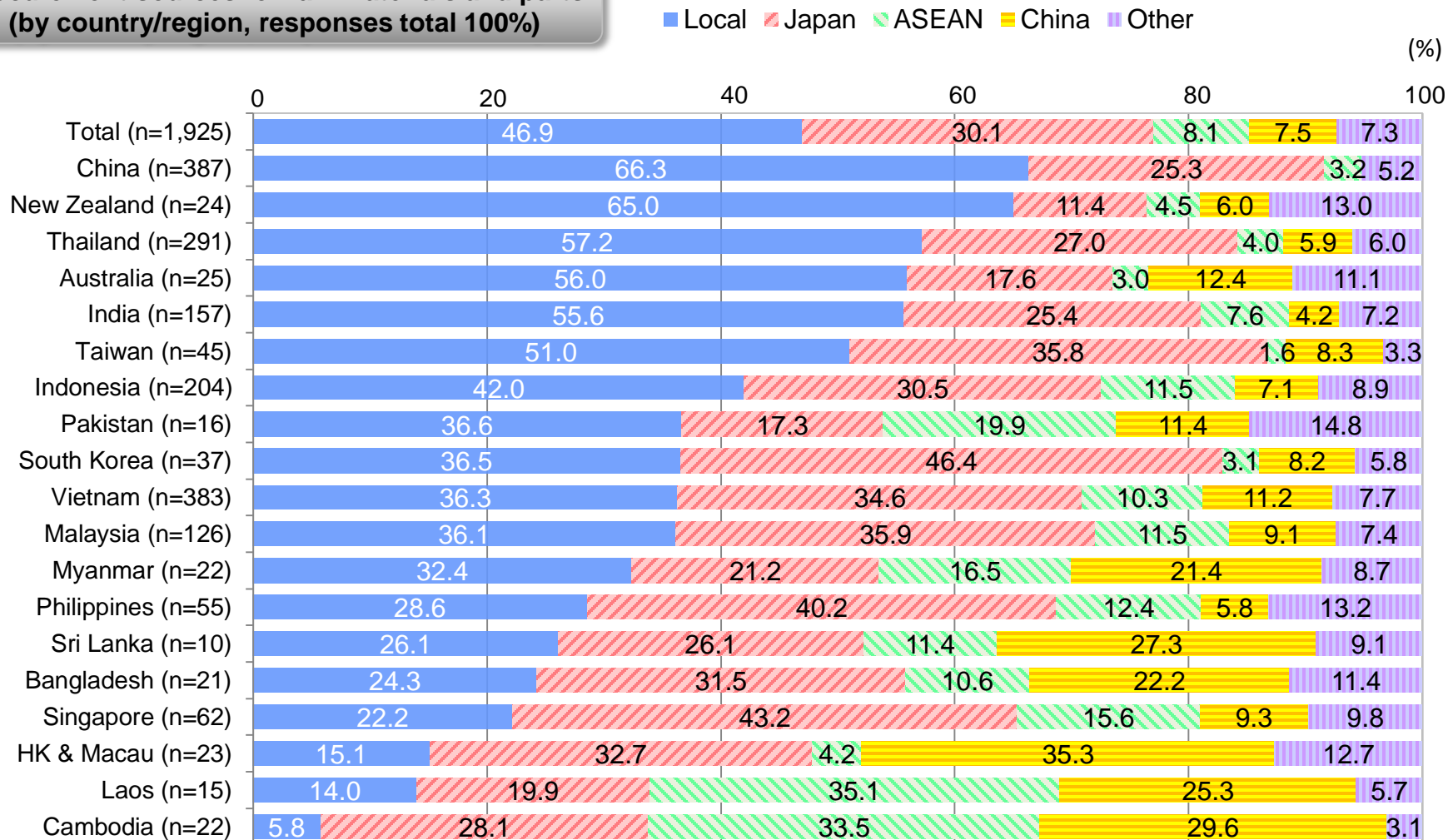


Note: "Production cost" includes the costs of all resources consumed in producing a product, such as materials, labor, and others.

- Compared with the production cost in Japan, which is taken as 100, the average local production cost increased from 78.6 in the 2017 survey by 0.1 pp to 78.7
- By industry, production costs are relatively high in Chemical/Pharmaceutical, Wood/Pulp, Iron/Nonferrous metals/Metals and Motor vehicles/Motorcycles, while the cost is lower in Textiles at 65.7.
- By company size, the costs of SMEs (78.0) were lower than those of large enterprises (79.4) by 1.4 pp. The gap decreased by 3.6 pp from the 2017 survey (5.0 pp).
- By country/region, production costs are higher in Australia (106.1) and New Zealand (100.9) than in Japan. Among the countries where production costs are lower than in Japan, production costs are higher in South Korea (92.7) and Singapore (90.2), while such costs are lower in Laos (50.4) and Bangladesh (51.2).

5. Procurement of Raw Materials and Parts (3)

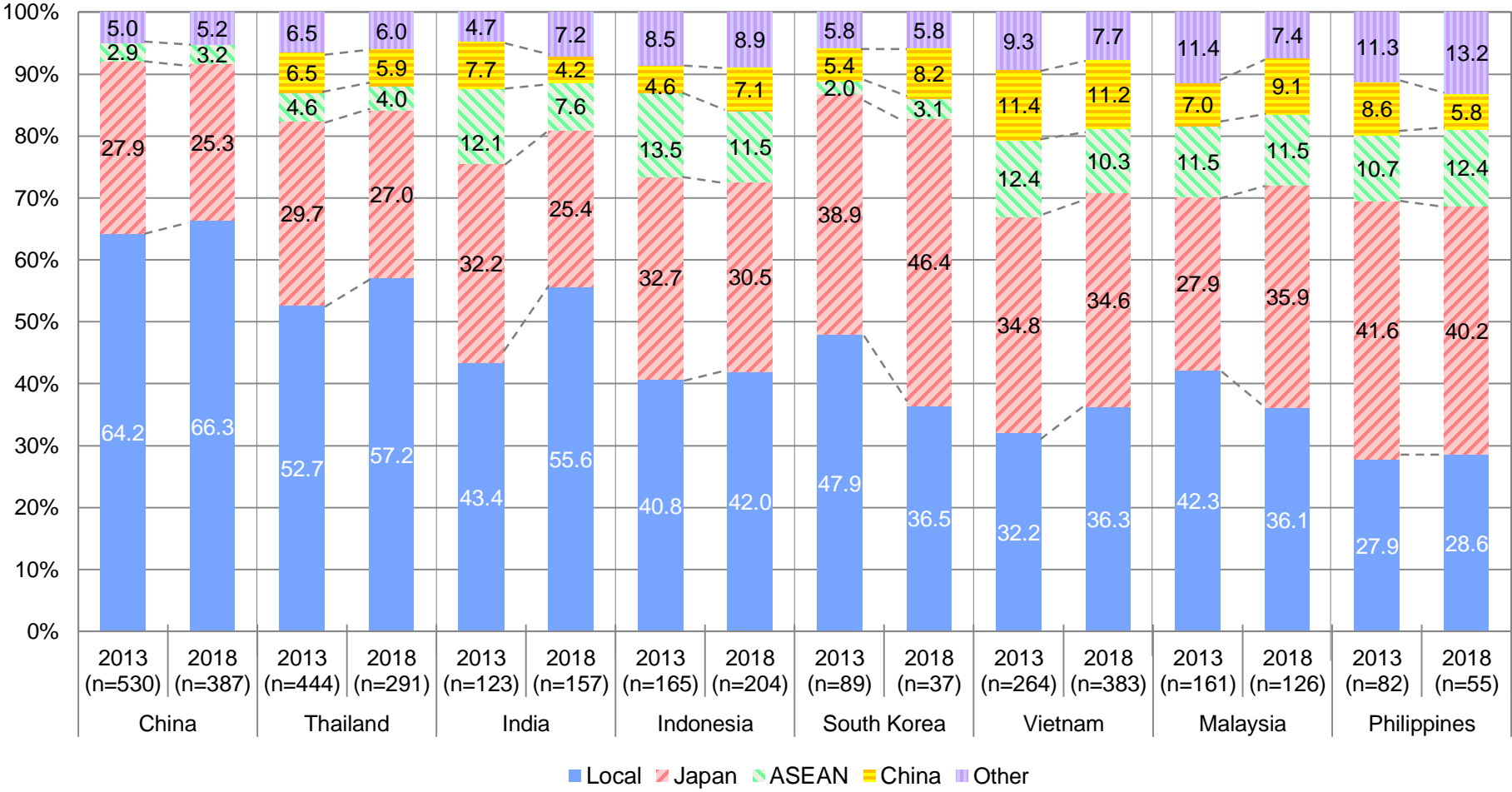
Procurement sources for raw materials and parts (by country/region, responses total 100%)



- The largest procurement source for raw materials and parts in the local production activities of Japanese-affiliated firms was "Local" (46.9%), followed by "Japan" (30.1%) and "ASEAN" (8.1%). The local procurement rate decreased by 1.7 pp from the 2017 survey (48.6%). On the other hand, the rate of procurement from Japan increased by 1.0 pp, and also, the rates from ASEAN and China slightly increased.
- By country/region, the local procurement rate is high in China and New Zealand, down 1.0 pp and 2.9 pp, respectively from the 2017 survey.
- The rate of procurement from Japan is highest in South Korea (46.4%), followed by Singapore (43.2%), Philippines (40.2%) and Malaysia (35.9%).

5. Procurement of Raw Materials and Parts (4)

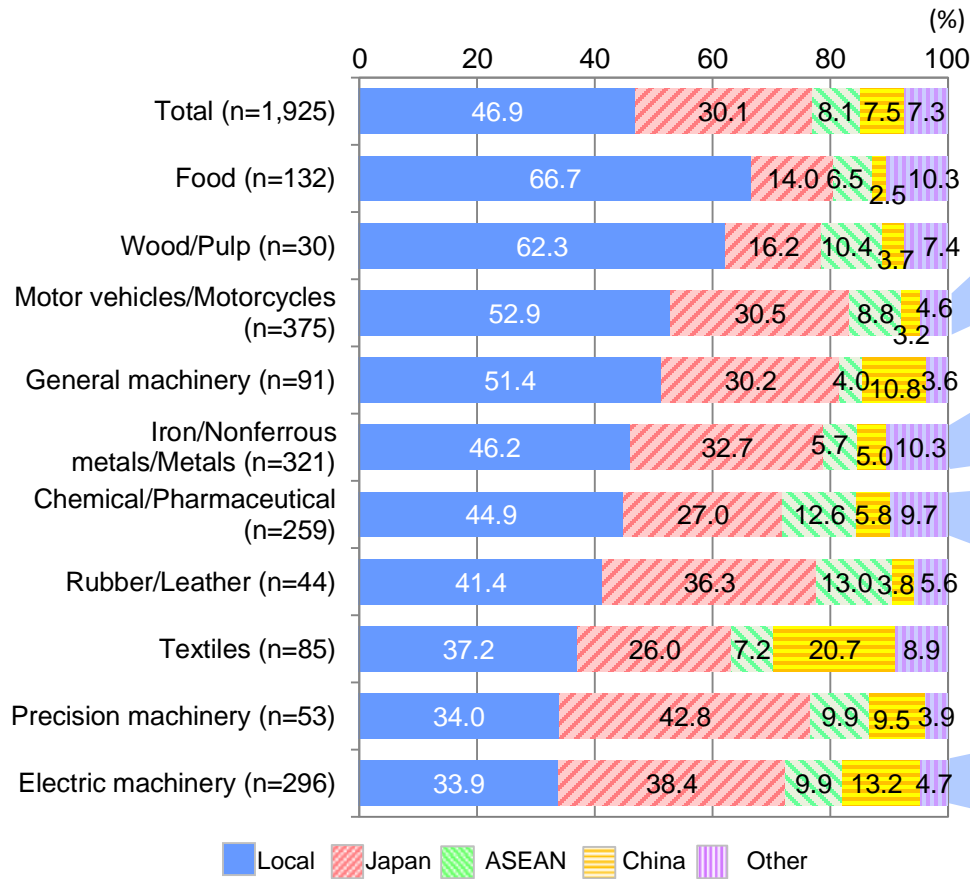
Procurement sources of major countries (comparison between the 2013 survey and the 2018 survey)



- Comparing the procurement sources for raw materials and parts in eight major countries in the 2013 survey with those in the 2018 survey, local procurement rates increased in China, Thailand, India, Indonesia, Vietnam and Philippines. The rate increased in India (12.2 pp), Thailand (4.5 pp), Vietnam (4.1 pp), and China (2.1 pp) in five years.
- The rate of procurement from Japan decreased in all countries, except South Korea and Malaysia.
- The rate of procurement from China was the highest in Vietnam (11.2%). The rate increased in Indonesia, South Korea, and Malaysia.

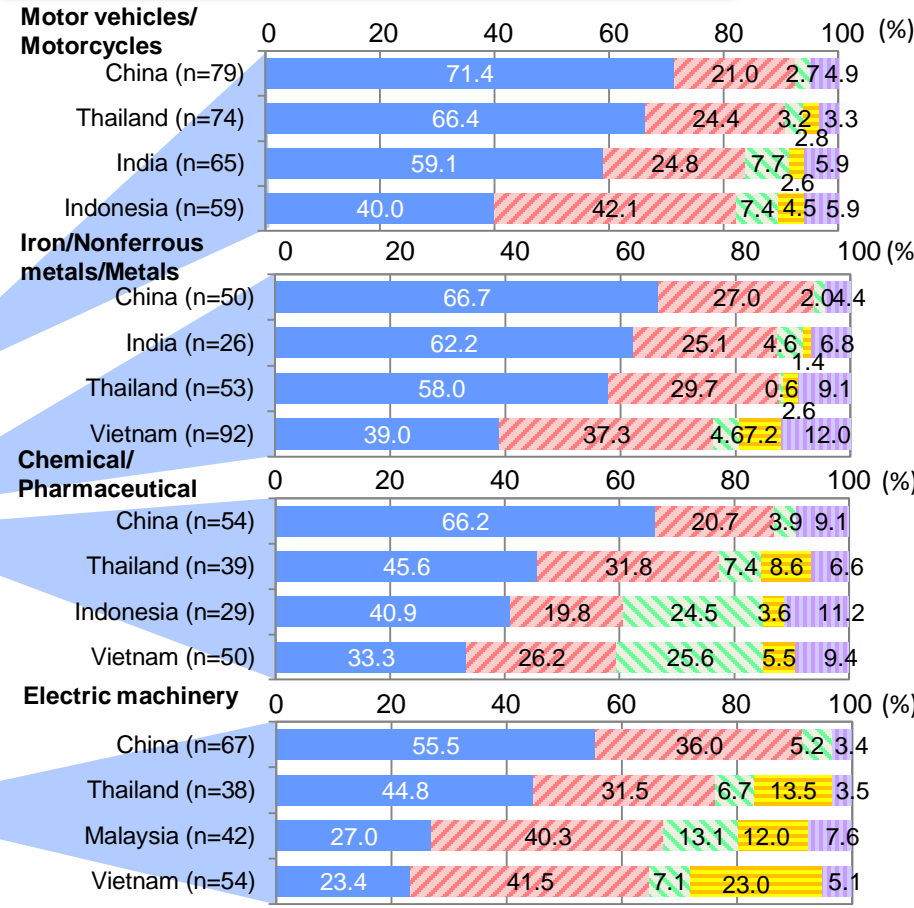
5. Procurement of Raw Materials and Parts (5)

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.

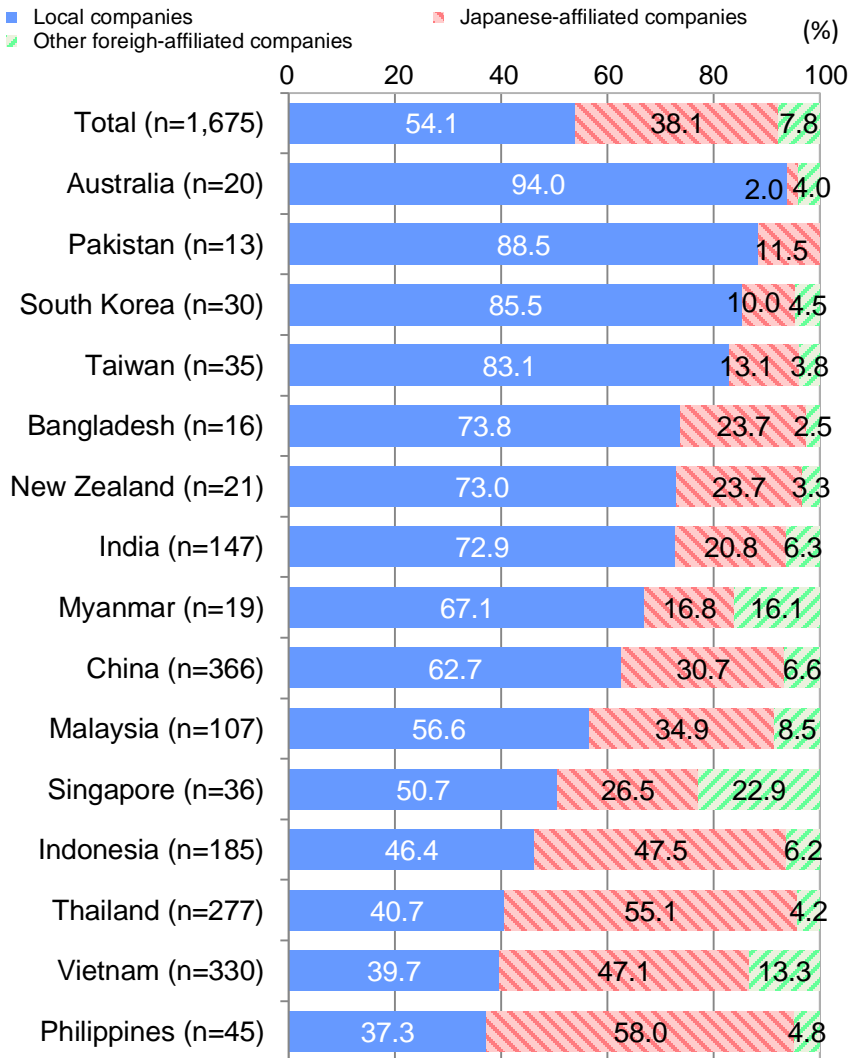
Top 4 countries/regions regarding the local procurement rate in major industries



- By industry, the local procurement rate of raw materials and parts is high in Food and Wood/Pulp at 66.7% and 62.3%, respectively. Meanwhile, the rate of procurement from Japan is higher in the Precision machinery, at over 40%. In Textiles, the procurement rate from China was over 20%.
- In the Electric machinery industry, the local procurement rate was the lowest, at 33.9%, although the rate increased by 3.4 pp from the 2017 survey. The procurement rate from Japan decreased by 4.9 pp to 38.4%.
- In all four industries with valid responses from more than 200 companies, the local procurement rate exceeded 60% in China, excluding Electric machinery. The local procurement rate for Motor vehicles/Motorcycles was high, at 71.4%, up 0.1 pp from the 2017 survey.

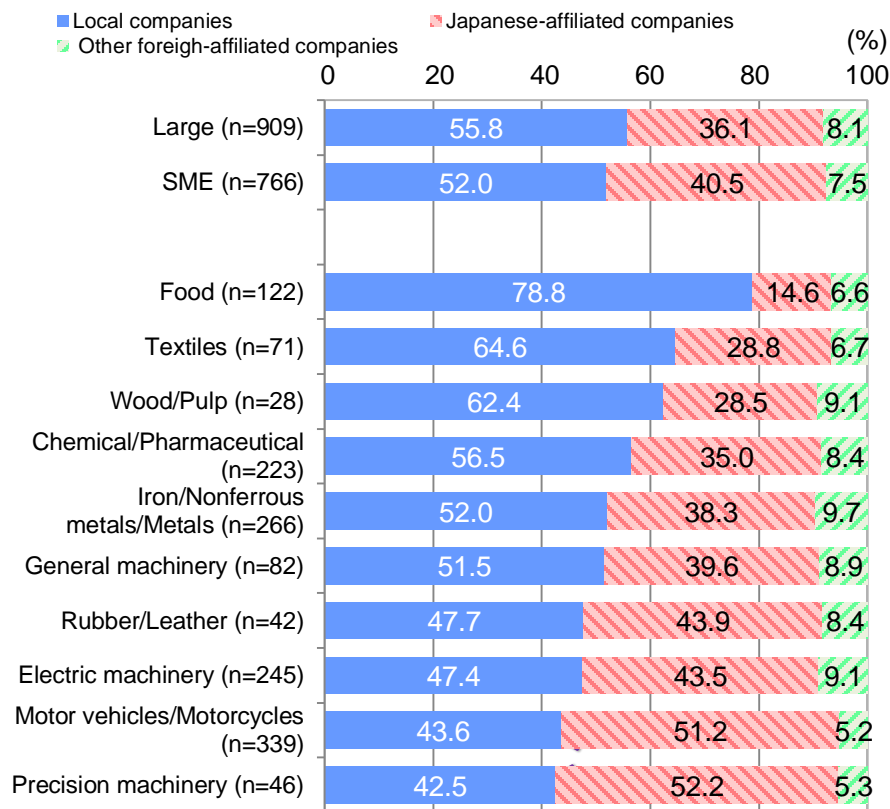
5. Procurement of Raw Materials and Parts (6)

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%)



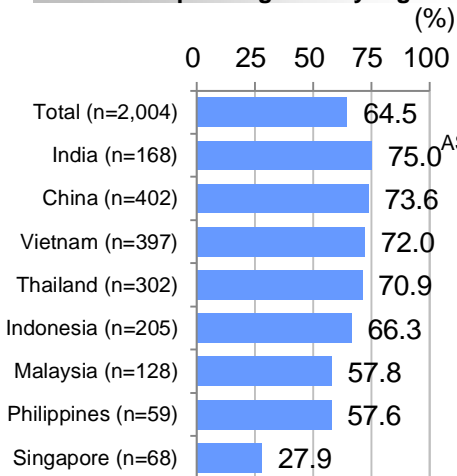
- “Local companies” was the largest local procurement source, at 54.1%, followed by “Japanese-affiliated companies” (38.1%) and “Other foreign-affiliated companies” (7.8%).
- In the Philippines and Thailand, “Japanese-affiliated companies” exceeded 50% as a procurement source.
- By industry, “Local companies” was almost 80% in Food.

5. Procurement of Raw Materials and Parts (7)

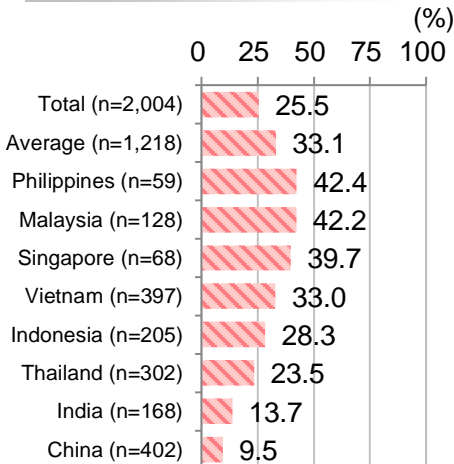
Future raw materials/parts procurement policy (by country/region, multiple answers)

Note: Country/region for which n ≥ 50

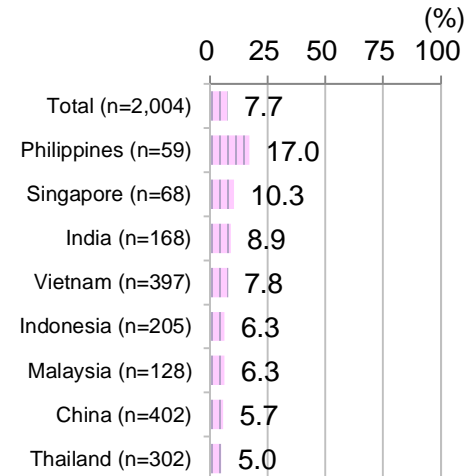
Ratio of firms that responded that they would raise the local procurement rate in the operating country/region (%)



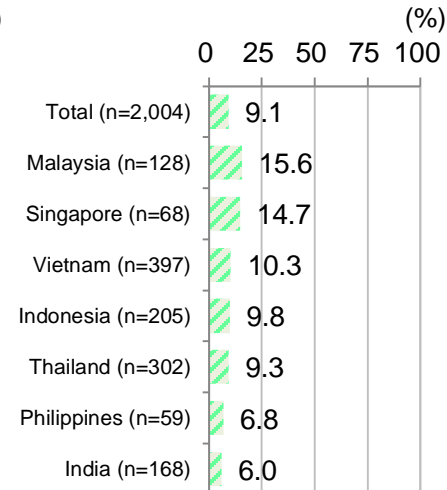
Ratio of firms that responded that they would raise the procurement rate from "ASEAN" (%)



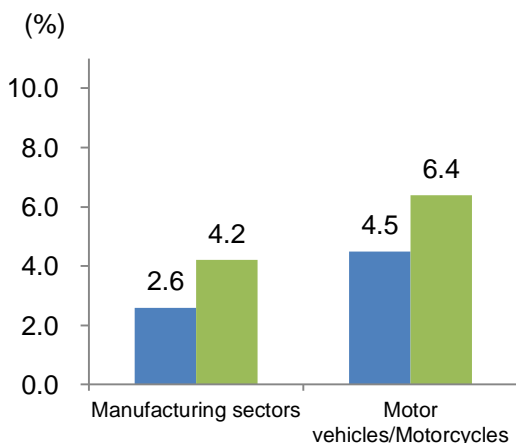
Ratio of firms that responded that they would raise the procurement rate from "Japan" (%)



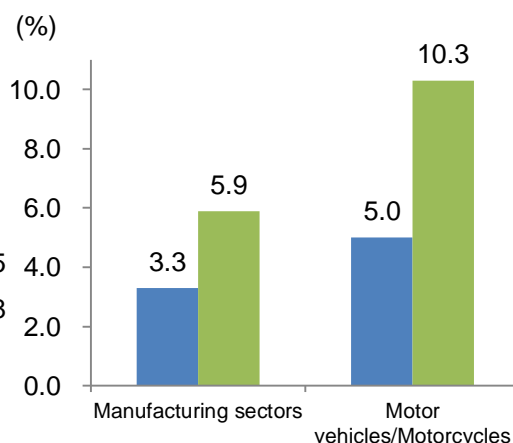
Ratio of firms that responded that they would raise the procurement rate from "China" (%)



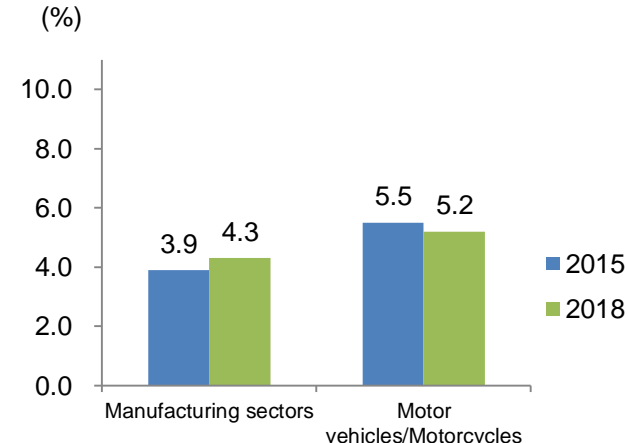
Ratio of firms in ASEAN that responded that they would raise the procurement rate from "India" (%)



Ratio of firms in Indonesia that responded that they would raise the procurement rate from "India" (%)



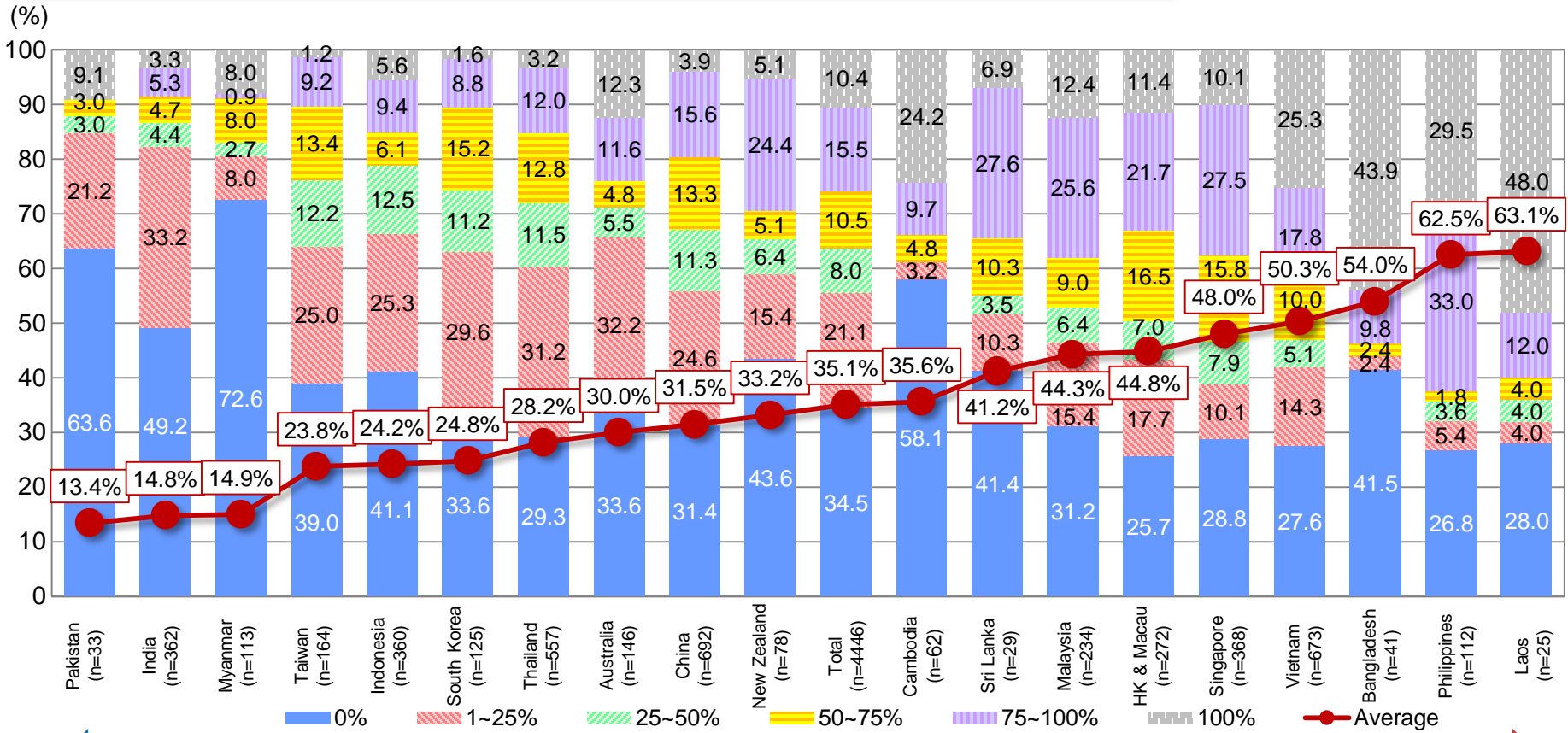
Ratio of firms in Thailand that responded that they would raise the procurement rate from "India" (%)





6. Exports/Imports (1)

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

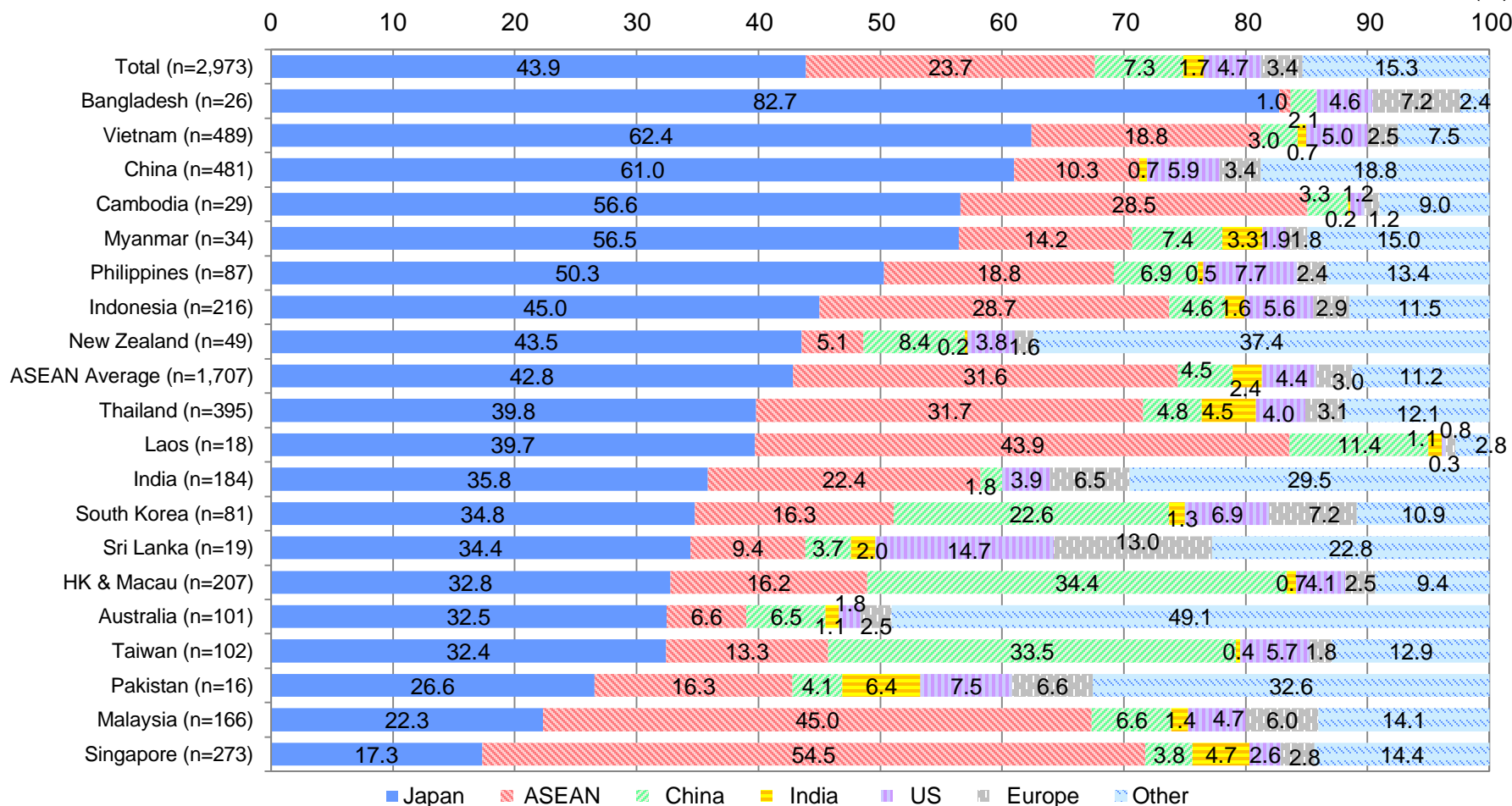


- The average proportion of export sales to total sales among Japanese-affiliated companies was 35.1% (up 0.1 pp from the previous year).
- By country/region, the proportion exceeded 50% in Laos (63.1%), the Philippines (62.5%), Bangladesh (54.0%), and Vietnam (50.3%). On the other hand, the proportion of domestic sales was high in Pakistan (13.4%), India (14.8%) and Myanmar (14.9%), with less than a 20% export ratio.
- The proportion of totally export-oriented firms (export ratio: 100%) was high in Laos (48.0%), Bangladesh (43.9%) and the Philippines (29.5%). Meanwhile, completely domestic sales-oriented firms (export ratio: 0%) exceeded 50% in Myanmar (72.6%), Pakistan (63.6%) and Cambodia (58.1%).

6. Exports/Imports (2)

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

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



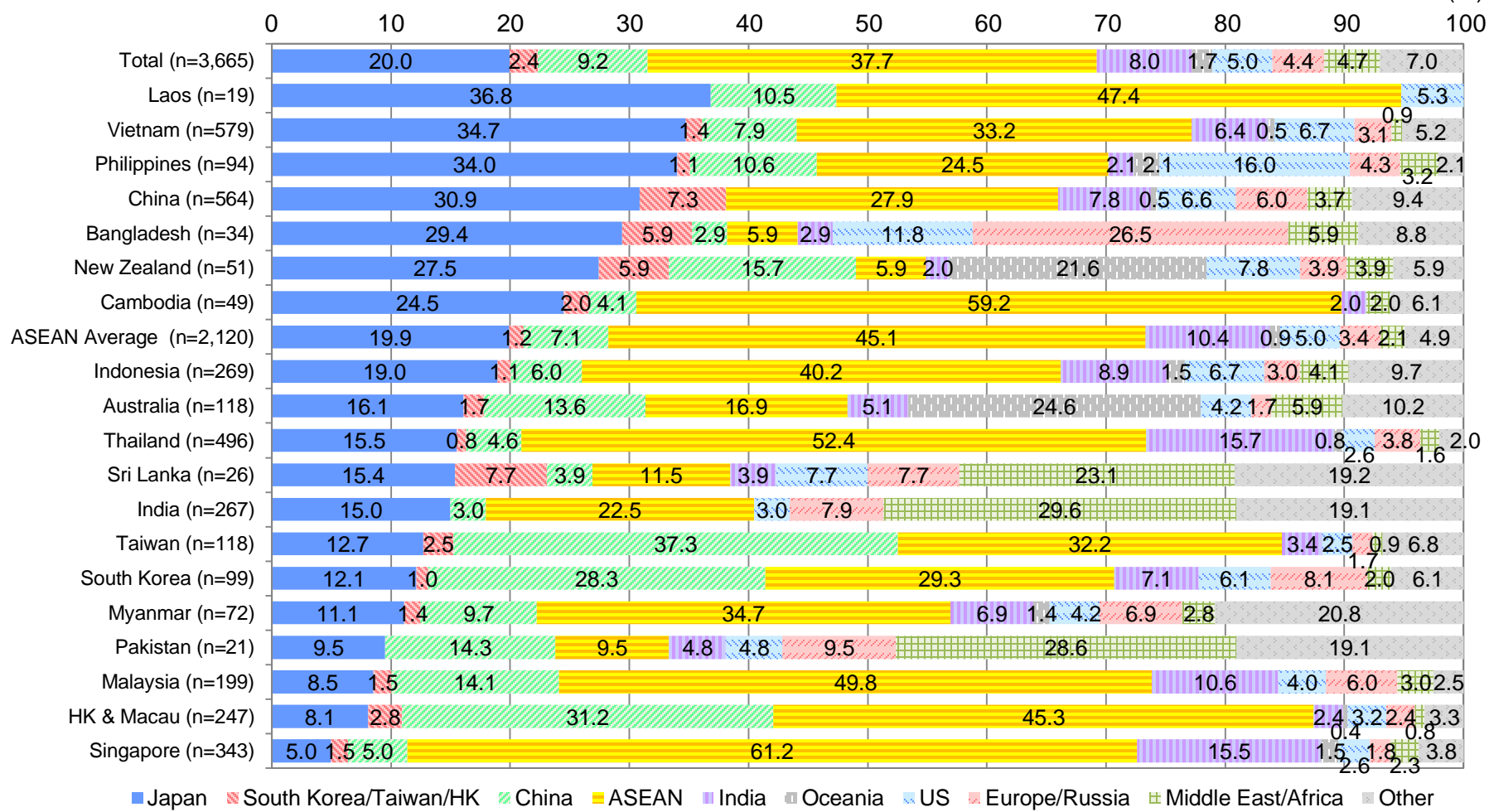
- Japan was the largest export destination for Japanese-affiliated firms, at 43.9% on average, followed by ASEAN (23.7%). There are no major changes from the 2017 survey in the proportion of major countries/regions as export destinations, but Japan increased by 0.3 pp., ASEAN decreased by 0.4 pp, and China increased by 0.6 pp.
- Japan accounted for over 50% as an export destination in Bangladesh, Vietnam, China, Cambodia, Myanmar, and the Philippines. ASEAN accounted for over 40% in Singapore, Malaysia, and Laos. The proportion of the U.S. is higher in Sri Lanka (14.7%), the Philippines (7.7%), and Pakistan (7.5%).



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 (%)

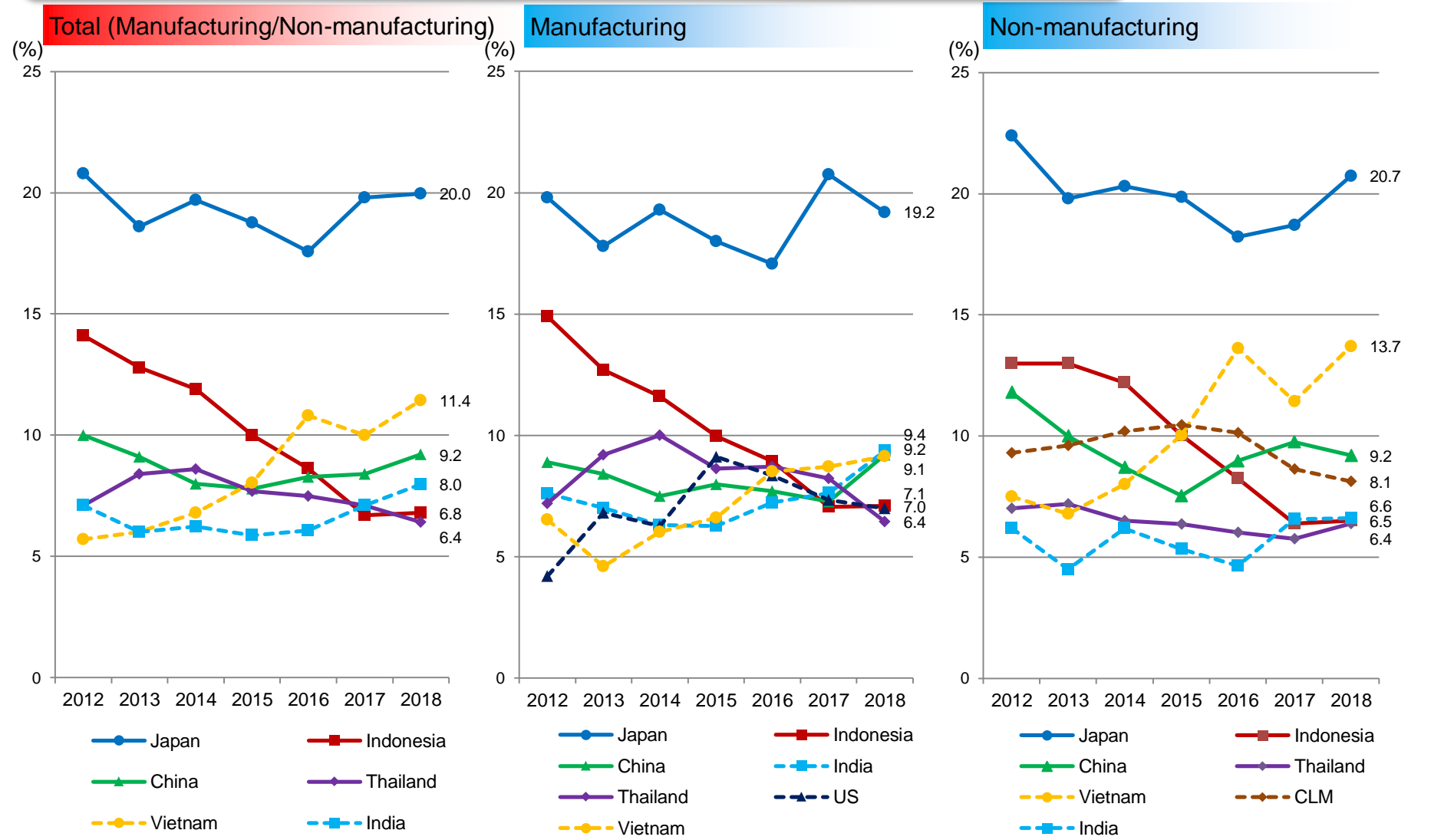


● The most-promising export markets over the next one to three years (as a total of all surveyed countries/regions) were ASEAN (37.7%), Japan (20.0%), and China (9.2%), in that order. In the ASEAN average, India (10.4%) exceeded China (7.1%). Laos, Vietnam, the Philippines, China, and Bangladesh regarded Japan as the most-important export market. Taiwan, HK & Macau, and South Korea continuously attach importance to the Chinese market. ASEAN accounted for over 50% in Singapore, Cambodia, and Thailand. In India, Pakistan, and Sri Lanka, many respondents placed importance on Middle East/Africa. Firms in Australia and New Zealand emphasized Oceania.



6. Exports/Imports (4)

Most promising export market for business/products over the next 1 to 3 years (by country/region) (2012-2018)

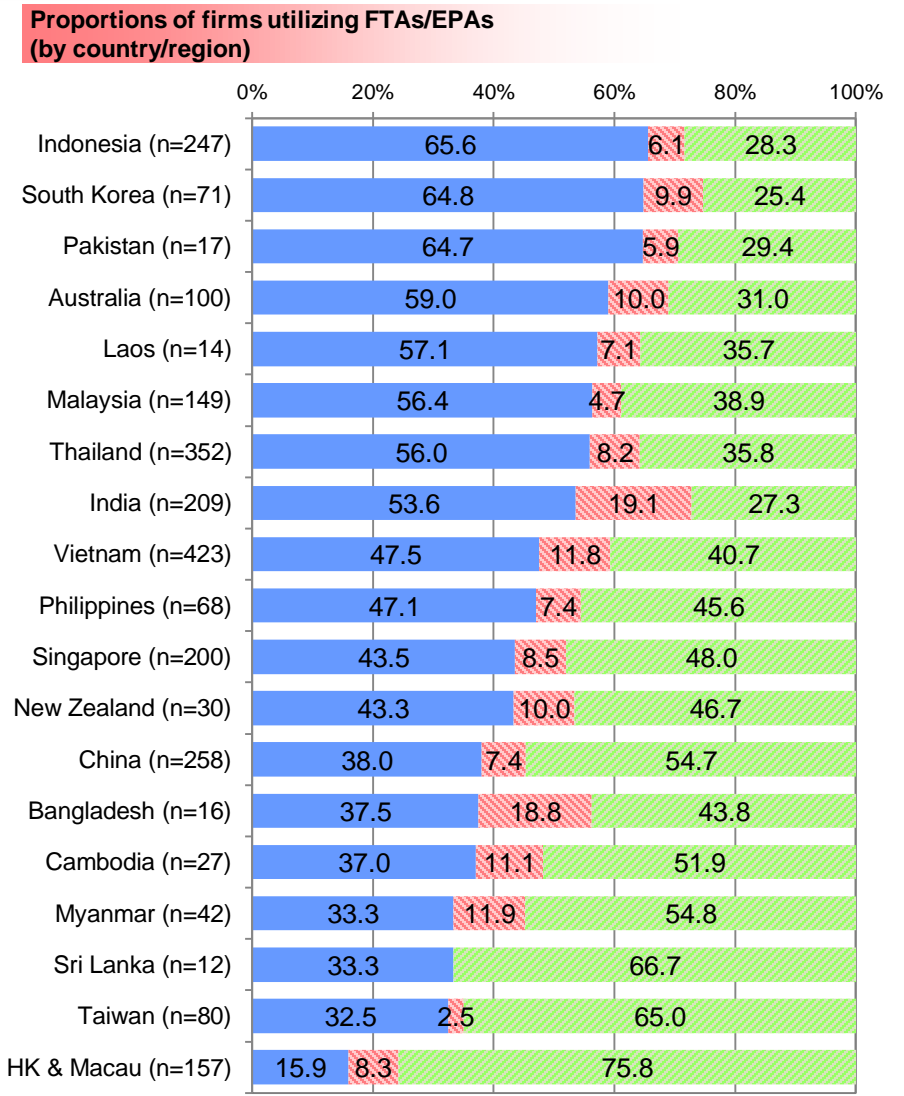
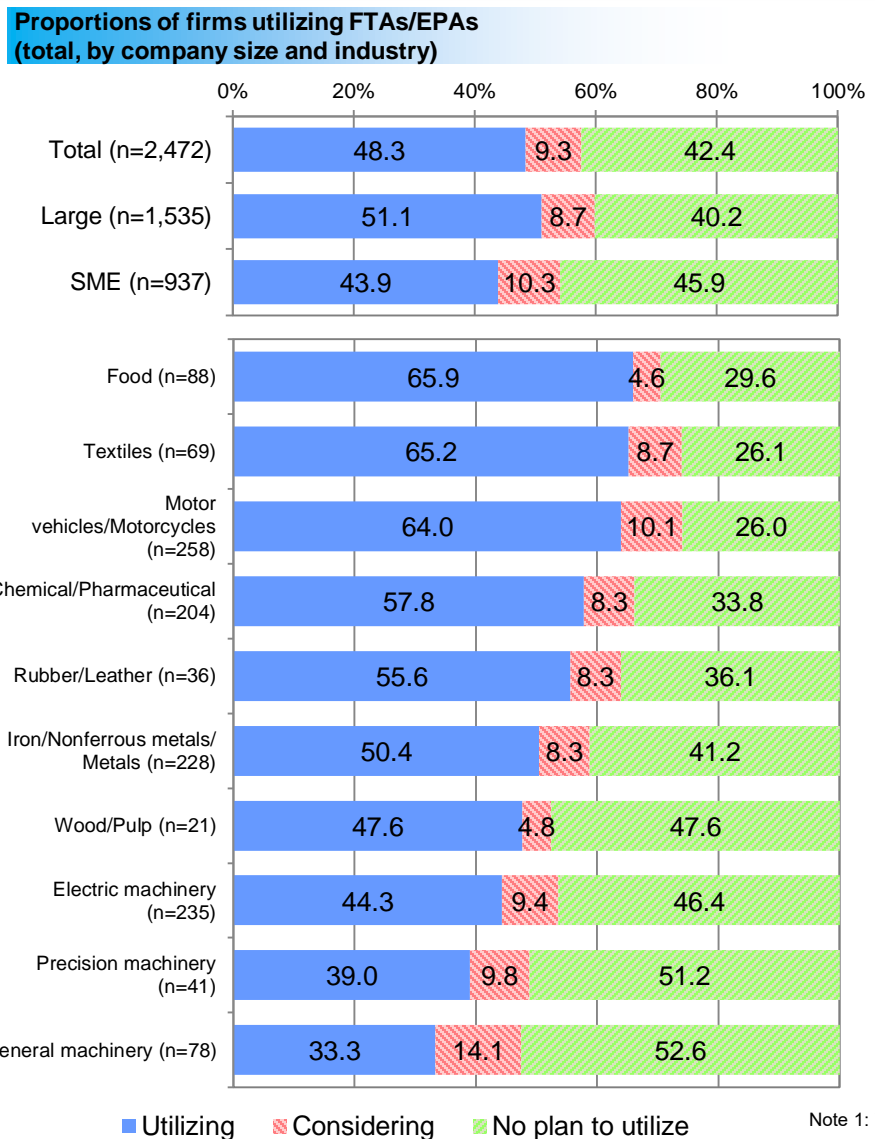




6. Exports/Imports (5)

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

Note: Countries/regions for which n ≥ 10



Note 1: The proportions of "Utilizing" 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 of "Considering" are calculated as the ratio of firms that are not using any EPA/FTA and that are considering the use of at least one FTA or EPA to firms that are involved in either exporting or importing, or both.

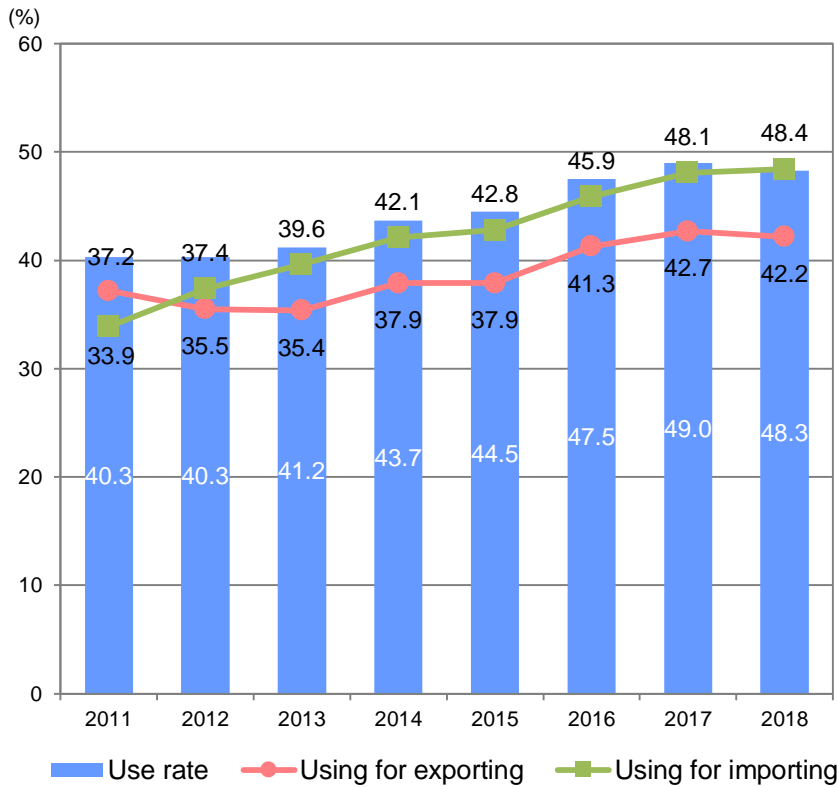


6. Exports/Imports (6)

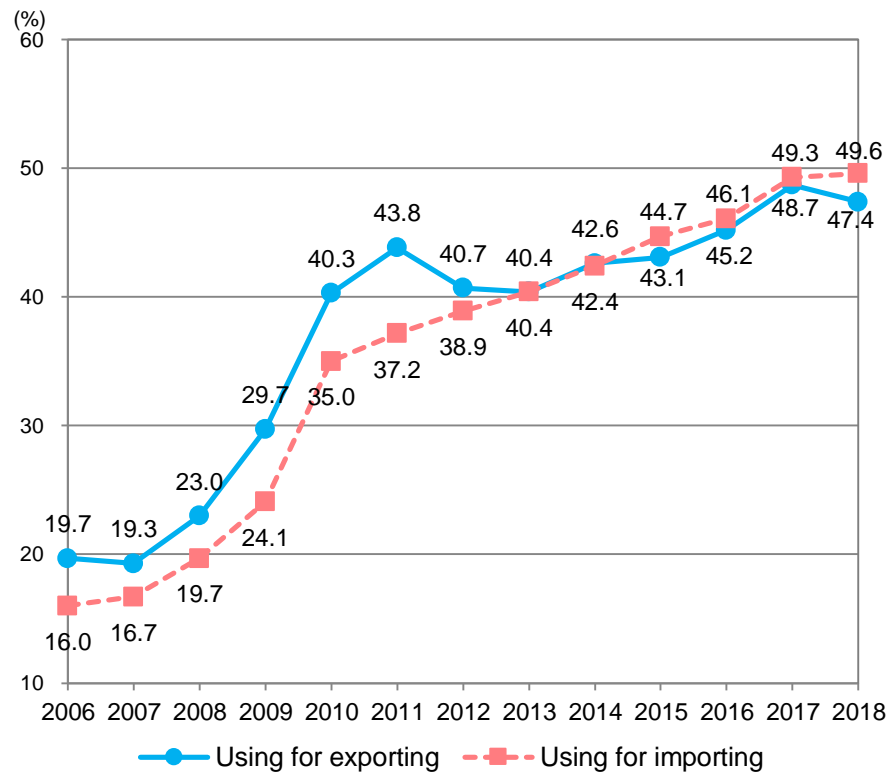
Utilization of existing (in force) FTAs/EPAs (only companies involved in export/import)

Note: The FTA/EPA use rates 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. The FTA/EPA use rates for exporting (importing) are calculated as the ratio of firms that are using at least one FTA or EPA for exporting (importing) to firms that are involved in exporting (importing).

Proportions of firms utilizing FTAs/EPAs (2011 – 2018)



Trends in FTA/EPA utilization by Japanese-affiliated firms in ASEAN (2006 – 2018)



- A total of 48.3% of the firms engaged in trade are using FTAs/EPAs, down 0.7 pp from the 2017 survey.
- The proportions of firms utilizing FTAs/EPAs is higher among large enterprises (51.1%) than SMEs (43.9%). On the other hand, the proportion of firms that are considering the use of FTAs/EPAs is higher among SMEs (10.3%) than large enterprises (8.7%).
- By industry, the use rates were higher in Food, Textiles, and Motor vehicles/Motorcycles, accounting for over 60%. The use rate in Motor vehicles/Motorcycles increased by 7.1 pp from 2017.
- By country and region, Japanese-affiliated firms in Indonesia (65.6%) marked the highest use rate, as it did in 2017, followed by South Korea, Pakistan (up 28.3 pp from 2017), Australia, Laos, and Malaysia. On the other hand, the use rate of Japanese-affiliated firms in New Zealand decreased by 20.7 pp.
- The proportions of firms utilizing FTAs/EPAs for importing marked a record high, at 48.4%. The proportion of firms in ASEAN that are using FTAs/EPAs for importing also marked a record high, at 49.6%.



6. Exports/Imports (7)

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 FTAs/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 of FTAs/EPAs	Trade partners	Firms involved in import	Firms making using of FTAs/EPAs	% of all firms using of FTAs/EPAs
Thailand	ASEAN	159	84	52.8	ASEAN	88	43	48.9
	China	75	39	52.0	India	26	14	53.9
	Japan	182	75	41.2	South Korea	34	16	47.1
	Japan (GSP)	26	9	34.6	China	113	52	46.0
	South Korea	27	16	59.3	Japan	257	125	48.6
	India	73	26	35.6				
	Australia	24	12	50.0				
Vietnam	ASEAN	182	91	50.0	ASEAN	194	96	49.5
	China	89	33	37.1	India	18	10	55.6
	Japan	244	84	34.4	South Korea	46	15	32.6
	Japan (GSP)	43	12	27.9	China	156	56	35.9
	South Korea	30	12	40.0	Japan	279	110	39.4
	India	33	20	60.6				
	EU(GSP)	22	13	59.1				
Indonesia	ASEAN	96	55	57.3	ASEAN	134	77	57.5
	China	48	24	50.0	India	33	19	57.6
	Japan	124	49	39.5	South Korea	41	14	34.2
	South Korea	21	7	33.3	China	97	44	45.4
	India	20	9	45.0	Japan	218	124	56.9
	US (GSP)	20	8	40.0				
Singapore	ASEAN	172	74	43.0	ASEAN	94	33	35.1
	China	52	21	40.4	South Korea	24	8	33.3
	Japan	69	19	27.5	China	64	21	32.8
	South Korea	22	9	40.9	Japan	139	38	27.3
	Taiwan	39	11	28.2	Taiwan	33	7	21.2
	India	73	24	32.9	India	25	8	32.0
	US	33	11	33.3	US	24	6	25.0
	Australia	52	15	28.9				
	New Zealand	29	9	31.0				

	Export				Import			
	Trade partners	Firms involved in export	Firms making using of FTAs/EPAs	% of all firms using of FTAs/EPAs	Trade partners	Firms involved in import	Firms making using of FTAs/EPAs	% of all firms using of FTAs/EPAs
Malaysia	ASEAN	90	46	51.1	ASEAN	86	42	48.8
	China	45	18	40.0	China	68	29	42.7
	Japan	71	26	36.6	Japan	130	53	40.8
	South Korea	17	10	58.8				
	Australia	17	12	70.6				
Myanmar					ASEAN	27	9	33.3
Philippines	ASEAN	25	8	32.0	ASEAN	33	15	45.5
	Japan	46	15	32.6	China	26	4	15.4
				Japan	53	19	35.9	
India	ASEAN	63	24	38.1	ASEAN	96	61	63.5
	Japan	54	20	37.0	South Korea	28	14	50.0
	SAARC	28	5	17.9	Japan	161	78	48.5
Australia	ASEAN	23	10	43.5	ASEAN	37	22	59.5
	China	20	4	20.0	South Korea	20	10	50.0
	Japan	41	11	26.8	China	39	21	53.9
	New Zealand	37	20	54.1	Japan	68	37	54.4
					US	26	13	50.0
China	ASEAN	115	44	38.3	ASEAN	66	47	71.2
	South Korea	60	15	25.0	South Korea	30	7	23.3
	HK	106	19	17.9	HK	68	13	19.1
	Taiwan	57	10	17.5	Taiwan	37	12	32.4
	Singapore	36	7	19.4				
HK & Macau	China	127	20	15.8	China	113	12	10.6
Taiwan	China	63	21	33.3	China	44	13	29.6
	Singapore	23	5	21.7				
South Korea	ASEAN	31	14	45.2	ASEAN	29	19	65.5
	China	38	12	31.6	China	40	20	50.0
	US	23	12	52.2				
	EU	19	11	57.9				
New Zealand	Australia	20	9	45.0				

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

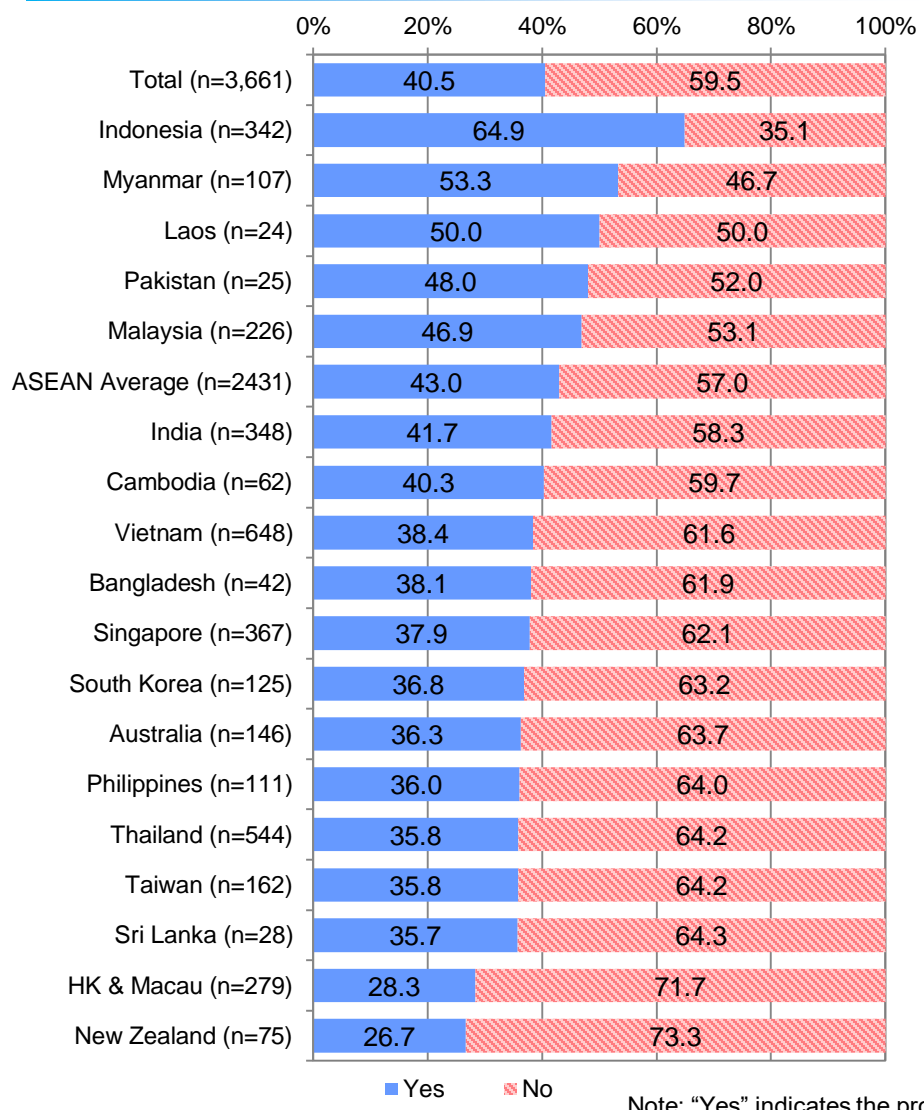


6. Exports/Imports (8)

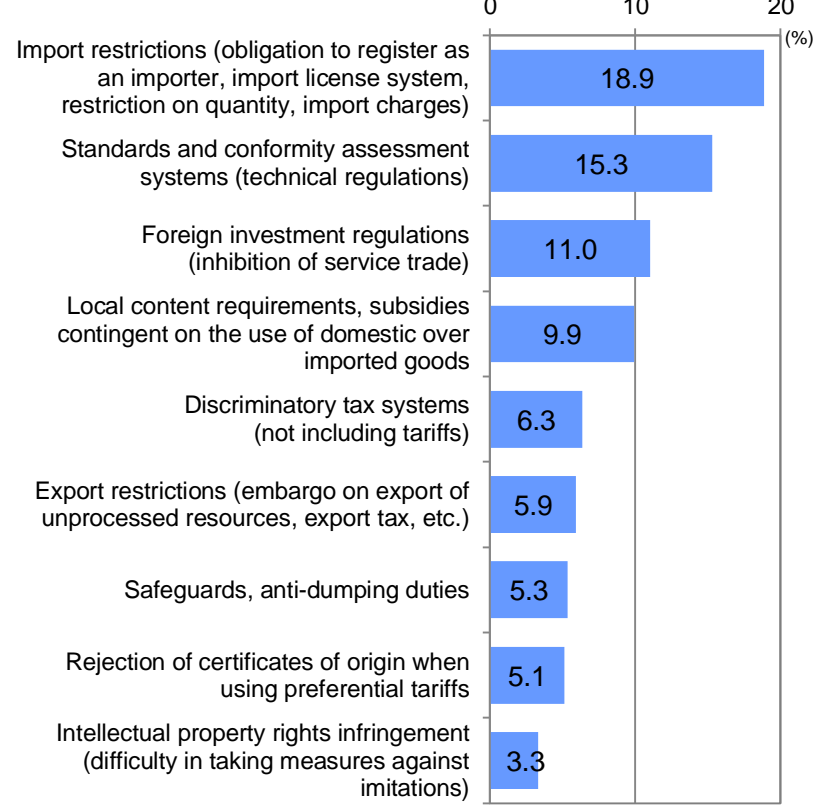
Non-tariff measures that obstruct business in the country/region

(n=3,661)

Are there any non-tariff measures that obstruct business?



Non-tariff measures that obstruct business (multiple answers)



- Regarding non-tariff measures (NTM) that obstruct business in the country/region where Japanese-affiliated firms run a business, 40.5% of firms selected one or more NTMs. The proportion of such firms was 50% or higher in Indonesia, Myanmar, and Laos.
- Looking at the results by NTM, "Import restrictions" was most commonly cited at 18.9%, followed by "Standards and conformity assessment systems" (15.3%) and "Foreign investment restrictions" (11.0%).

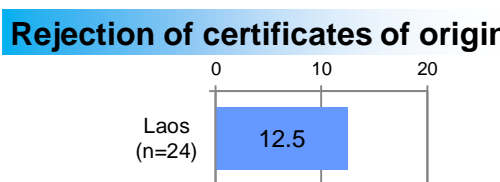
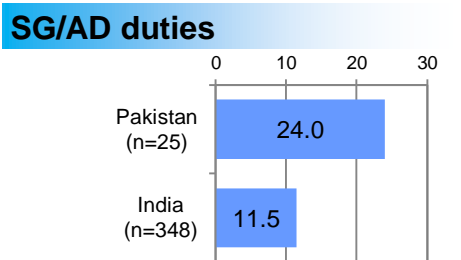
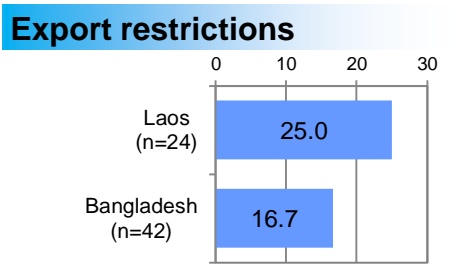
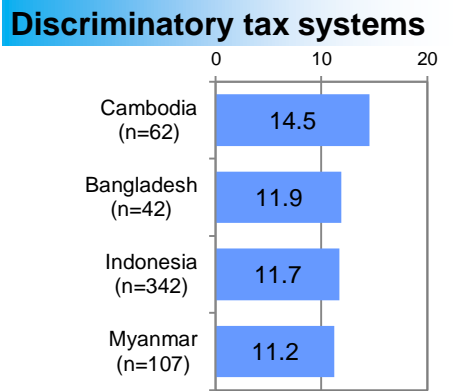
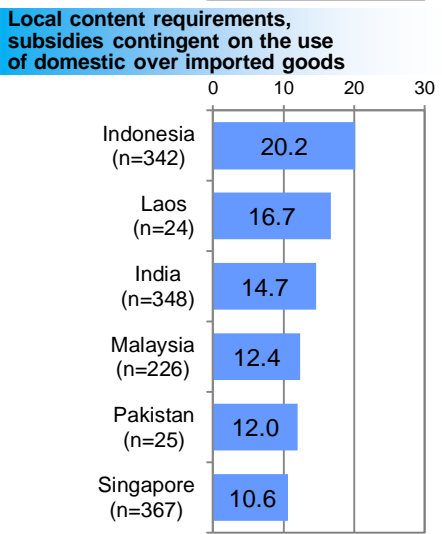
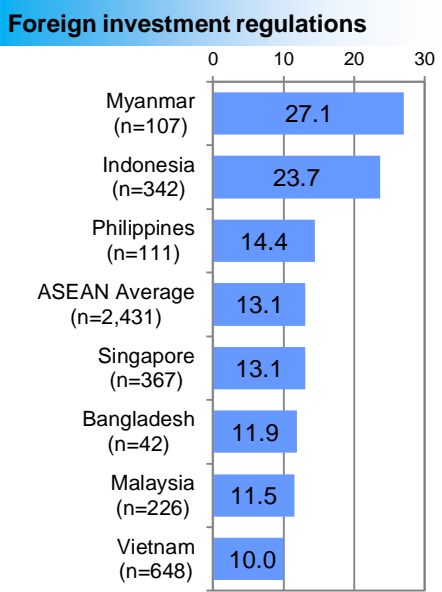
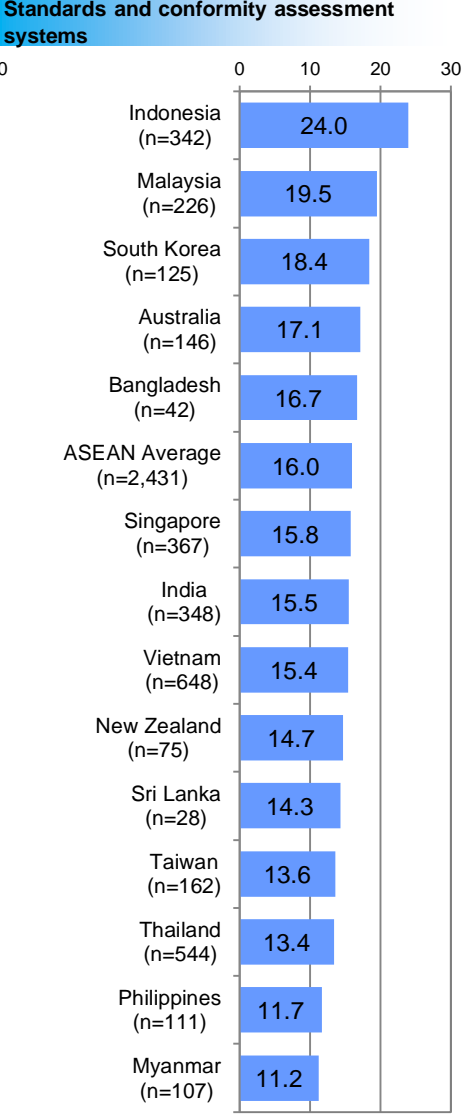
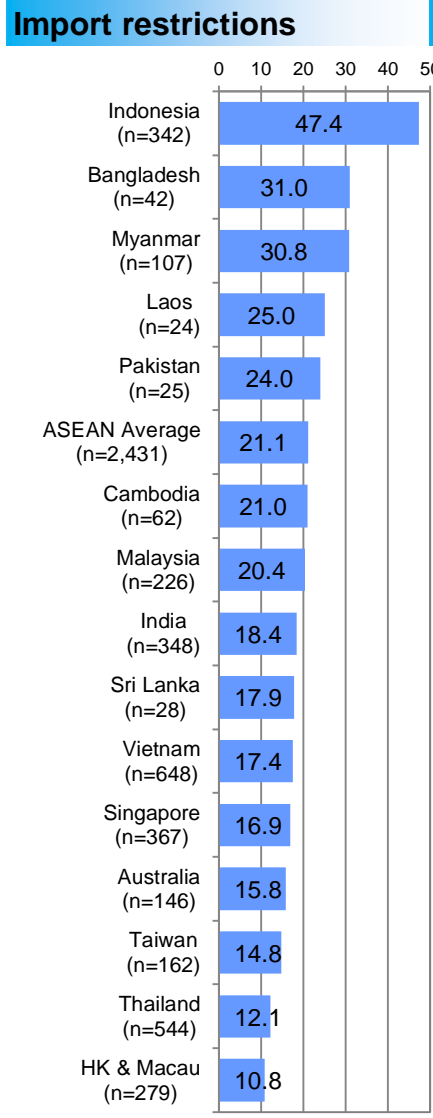
Note: "Yes" indicates the proportion of firms that selected at least one non-tariff measure.



6. Exports/Imports (9)

Non-tariff measures that obstruct business in the country/region (By country and region, multiple answers)

Note: Countries/regions with 10% or more response rate (%)



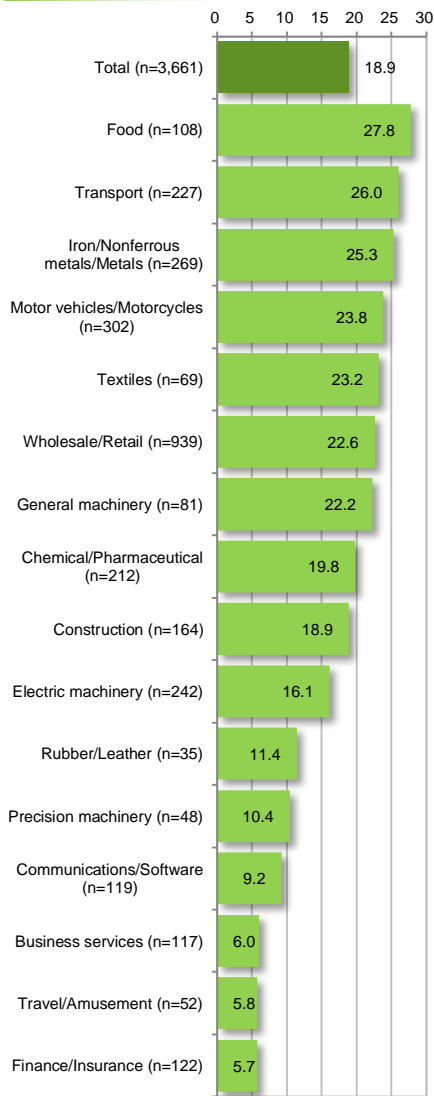


6. Exports/Imports (10)

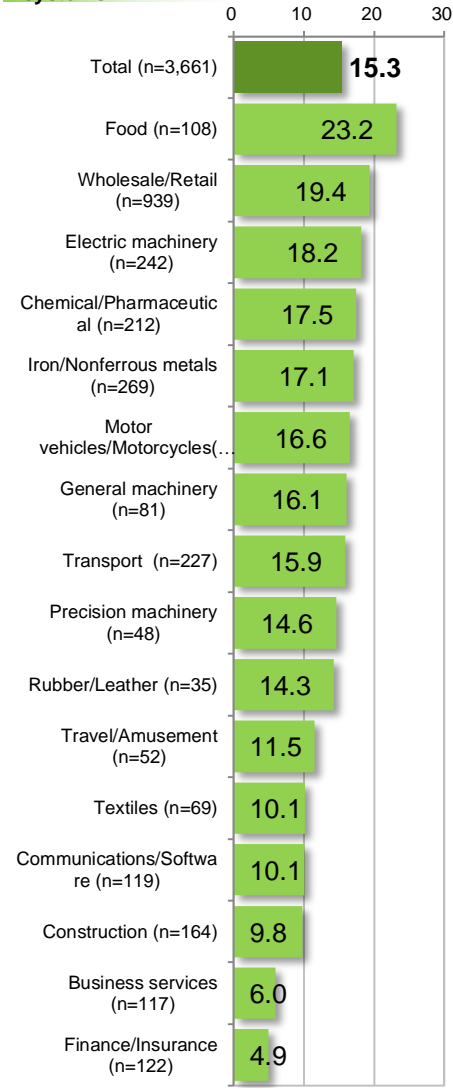
Non-tariff measures that obstruct business in the country/region (Multiple answers)

Note : Industries for which n ≥ 30 (%)

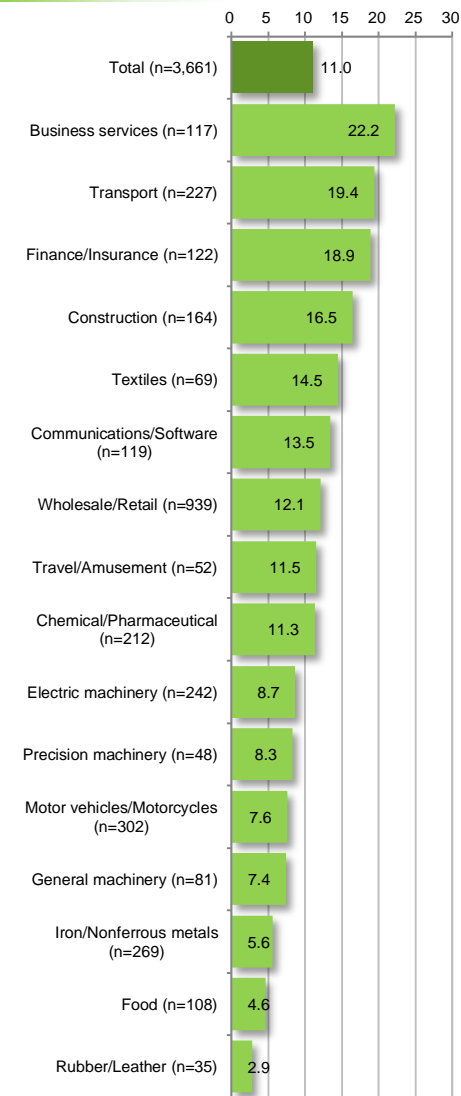
Import restrictions



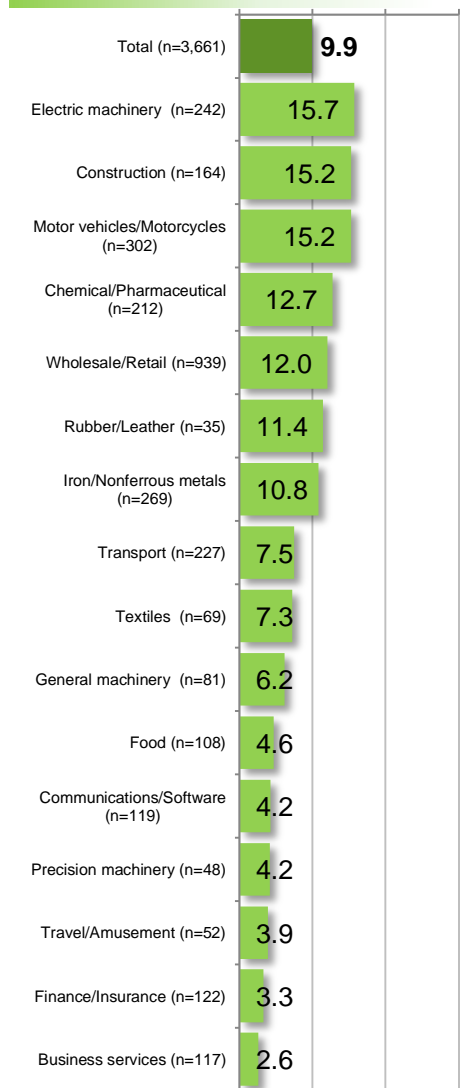
Standards and conformity assessment systems



Foreign investment regulations



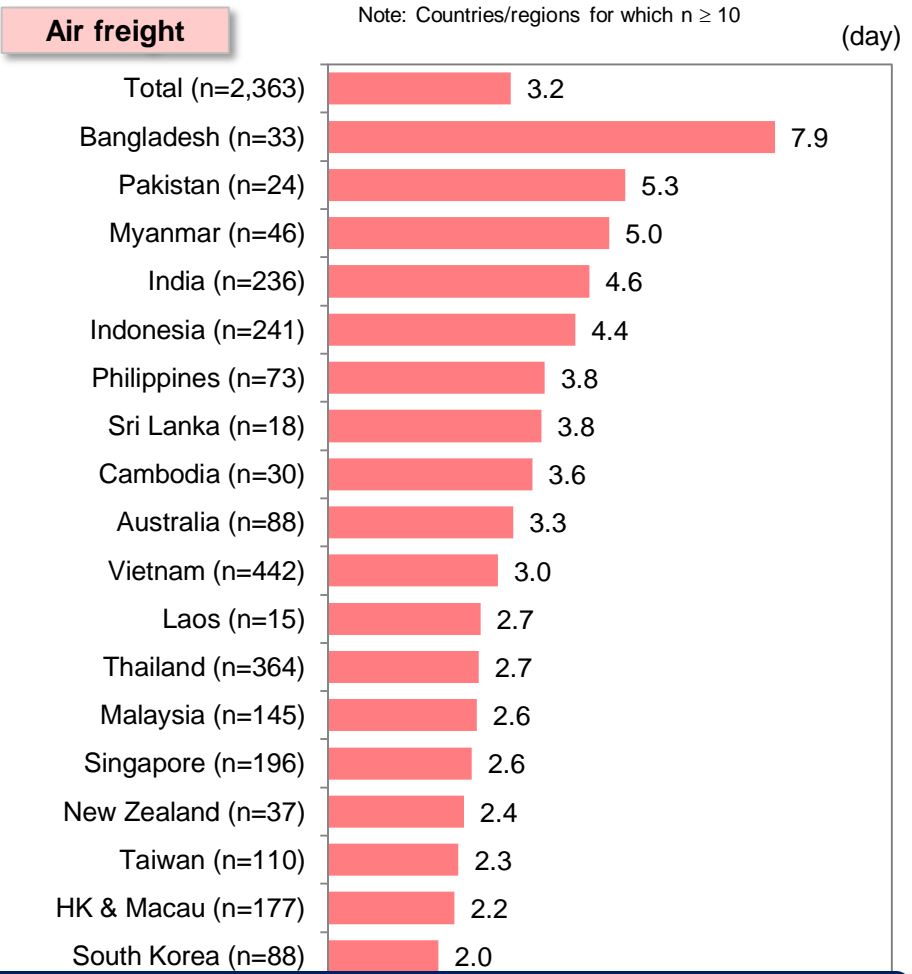
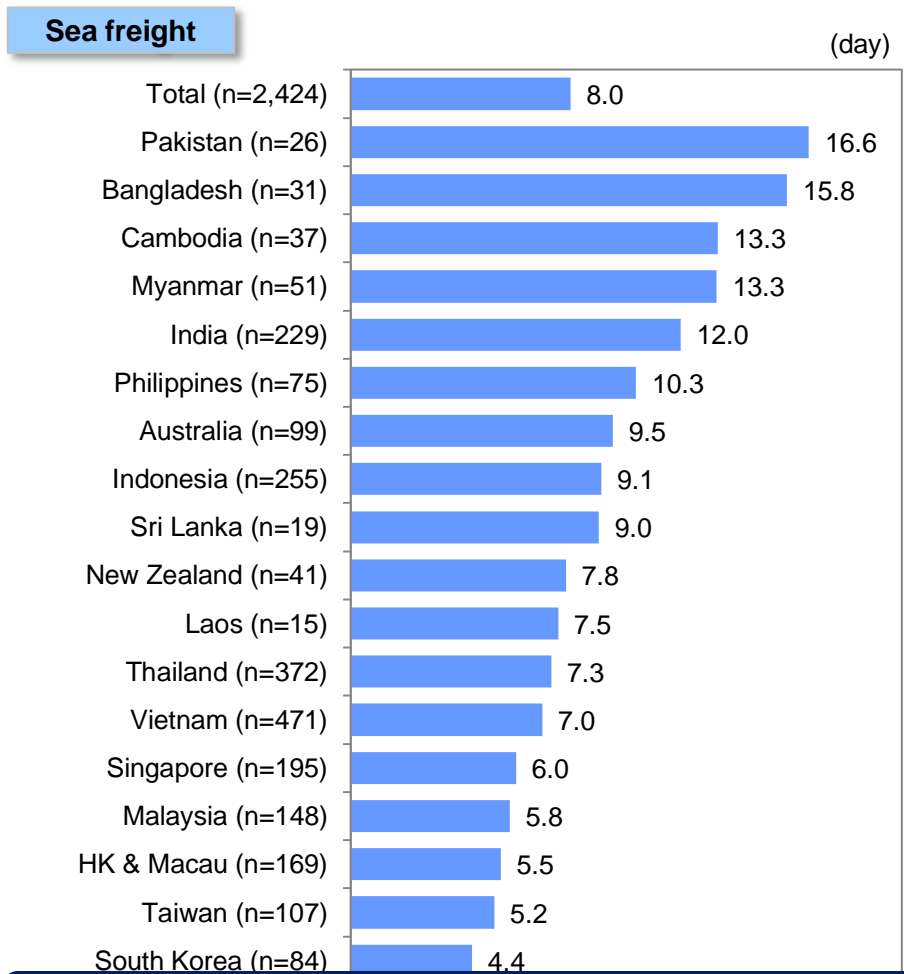
Local content requirements, subsidies contingent on the use of domestic over imported goods





6. Exports/Imports (11)

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

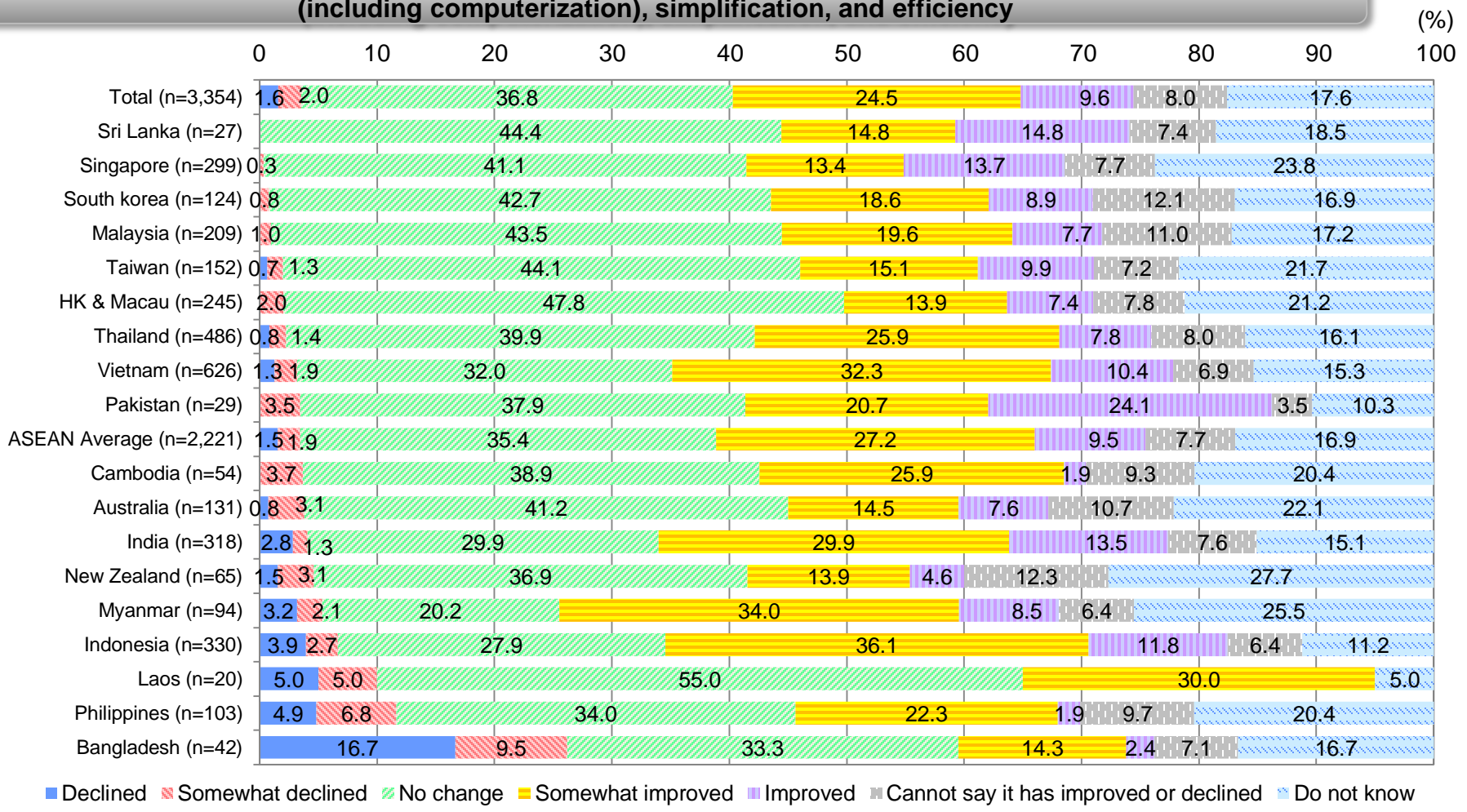


- In every country/region, the number of days required from the arrival of freight at a seaport to the completion of import clearance is two or three times longer than the days required for air freight.
- By country, the number of days required is shorter in South Korea, Taiwan, Hong Kong & Macau, Malaysia and Singapore while the number of days is longer in Bangladesh, Pakistan, and Myanmar.



6. Exports/Imports (12)

Improvement/decline of import clearance procedures in the last few years in terms of speed (including computerization), simplification, and efficiency

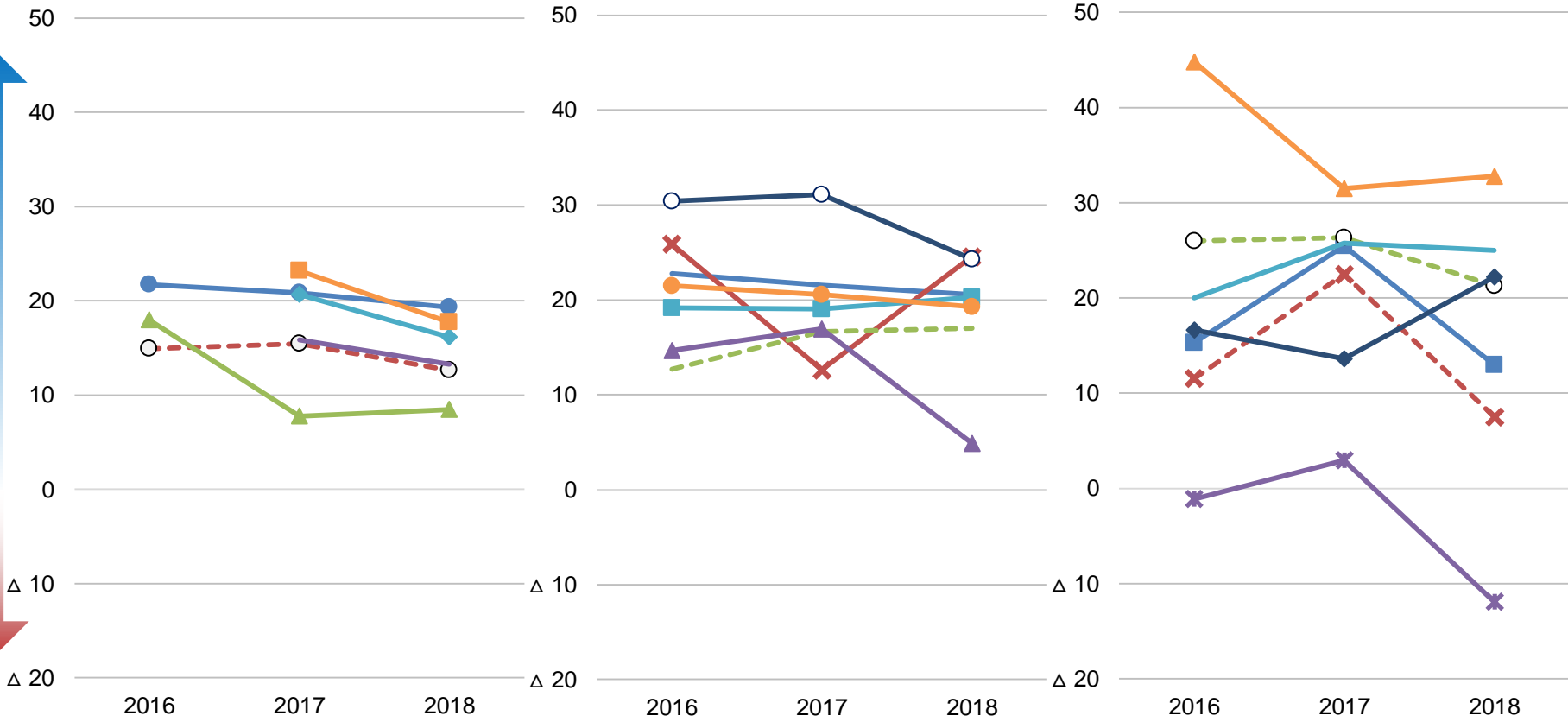


● In total, 3.6% of the firms answered that import clearance procedures have “Declined” or “Somewhat declined” in terms of speed, simplification, and efficiency. The proportions of such firms were very low in countries/regions that are functioning as a regional logistics hub, such as Sri Lanka (0%), Singapore (0.3%), South Korea (0.8%), and Malaysia (1.0%). In contrast, the proportions accounted for 10% or more in Bangladesh (26.2%), the Philippines (11.7%), and Laos (10.0%).

6. Exports/Imports (13)

Improvement/decline of import clearance procedures in the last few years in terms of speed (including computerization), simplification and efficiency (DI from 2016 to 2018)

Note: DI calculation: "Improved" + "Somewhat improved" x 0.5 - "Somewhat declined" x 0.5 - "Declined"

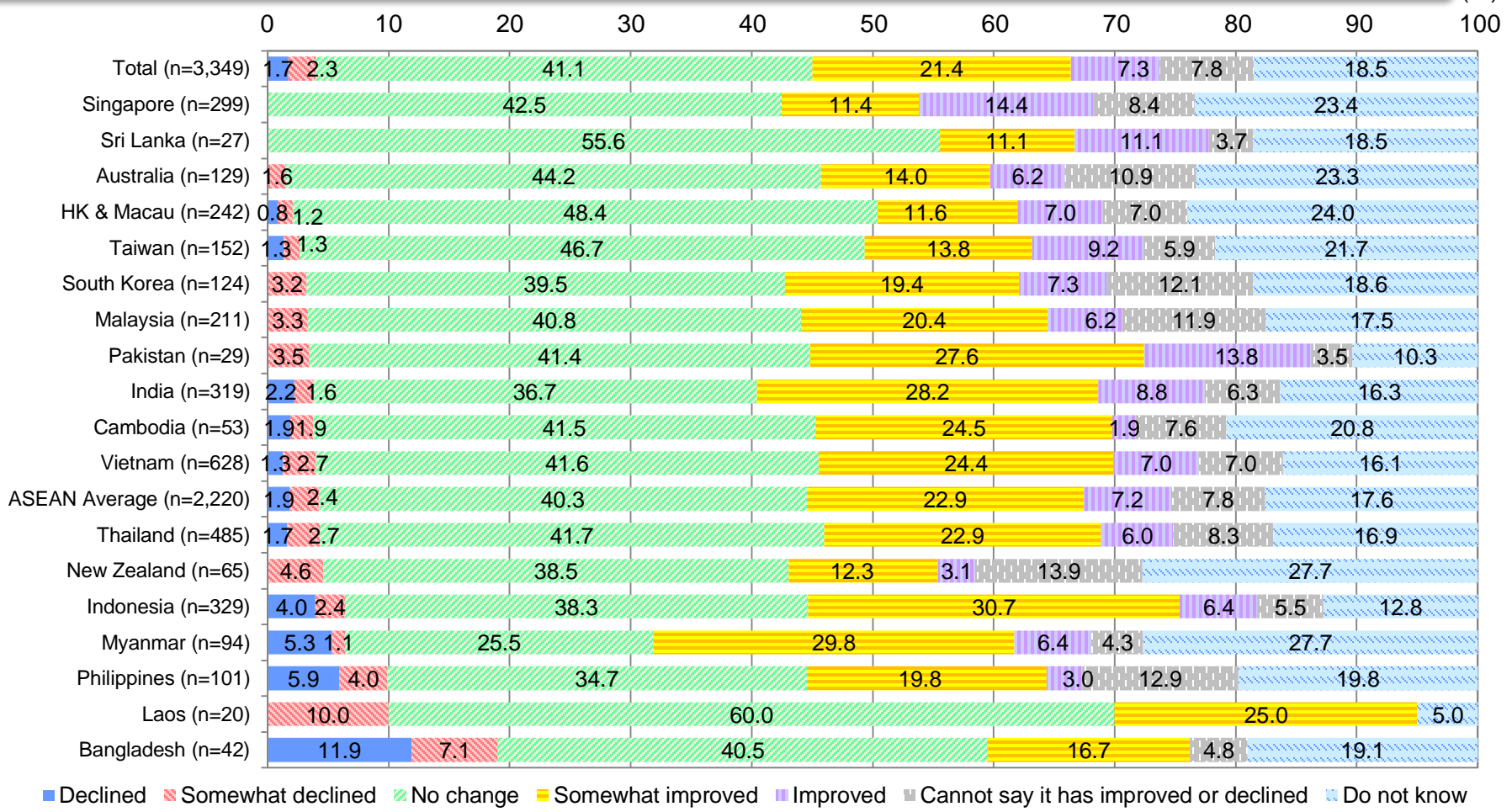


- Total
- New Zealand
- Taiwan
- Australia
- HK & Macau
- South Korea
- ASEAN Average
- Singapore
- Vietnam
- Indonesia
- Philippines
- Thailand
- Cambodia
- Laos
- Myanmar
- Bangladesh
- India
- Sri Lanka
- Pakistan



6. Exports/Imports (14)

Improvement/decline of import clearance procedures in the last few years in terms of transparency and predictability (%)



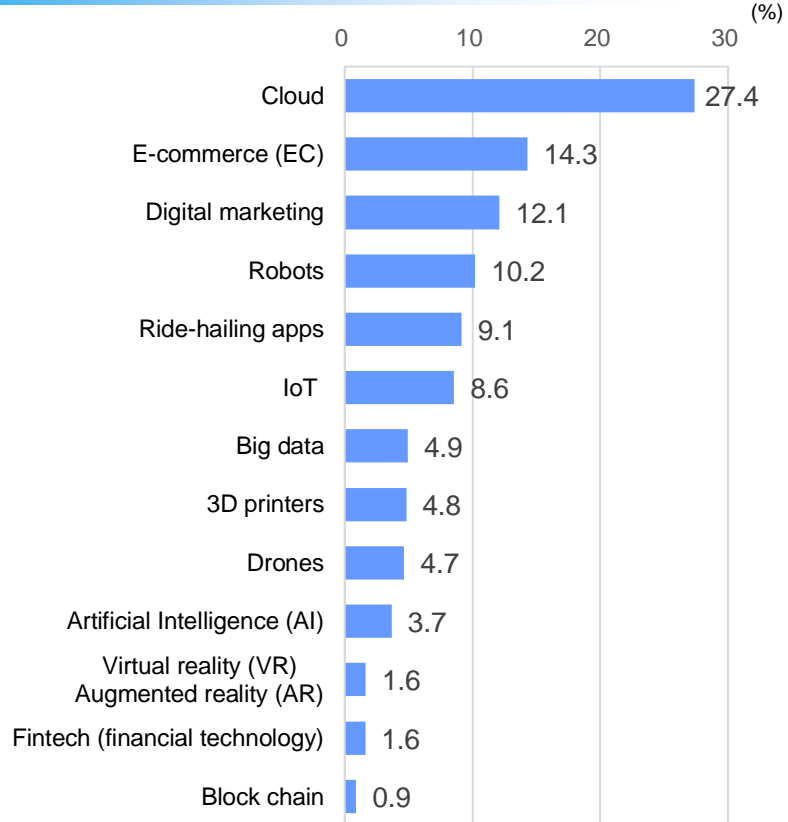
● 4.0% of the firms answered that import clearance procedures have “Declined” or “Somewhat declined” in the last few years in terms of transparency and predictability. The proportion of such firms was 0% in Sri Lanka and Singapore, while the proportion accounted for 10% or more in Bangladesh (19.0%) and Laos (10.0%). The proportions of “Improved” and “Somewhat improved” were higher in Pakistan (41.4%), Indonesia (37.1%), Myanmar (36.2%), and Vietnam (31.4%).



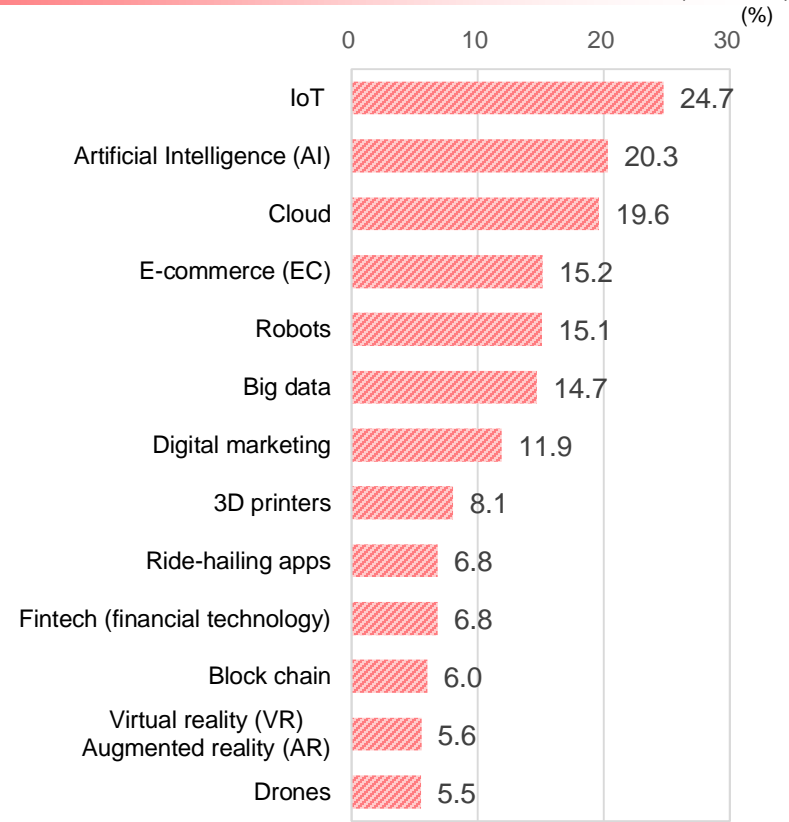
7. Utilization of Digital Technology (1)

Digital technologies that are being utilized or for which utilization is being considered in the medium-to-long term (about five to 10 years) in local business (multiple answers)

Digital technologies being utilized in local business (by type of technology) (n=2,618)



Digital technologies for which utilization is being considered in the medium-to-long term (about 5 to 10 years) (by type of technology) (n=2,810)



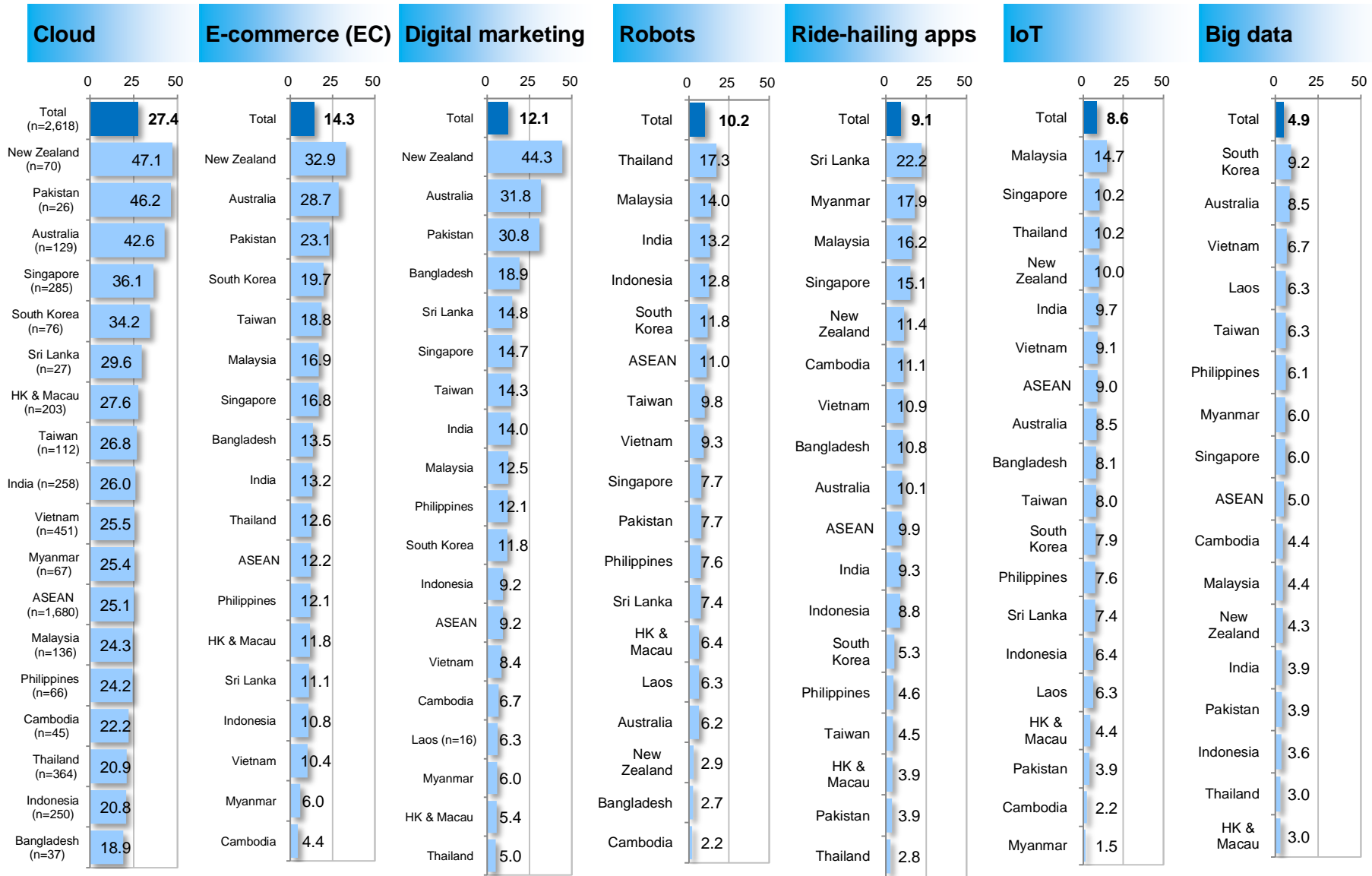
- As digital technologies that are currently being utilized by Japanese-affiliated firms in Asia and Oceania in their local businesses, “Cloud” (27.4%) was most commonly cited, followed by “E-commerce (EC)” (14.3%), “Digital marketing,” (12.1%) and “Robots” (10.2%).
- As digital technologies for which utilization is being considered in the medium-to-long term (about five to 10 years), “IoT” (24.7%) and “Artificial Intelligence (AI)” (20.3%) accounted for over 20%.



7. Utilization of Digital Technology (2)

Digital technologies being utilized in local business (by country/region, multiple answers)

(%)

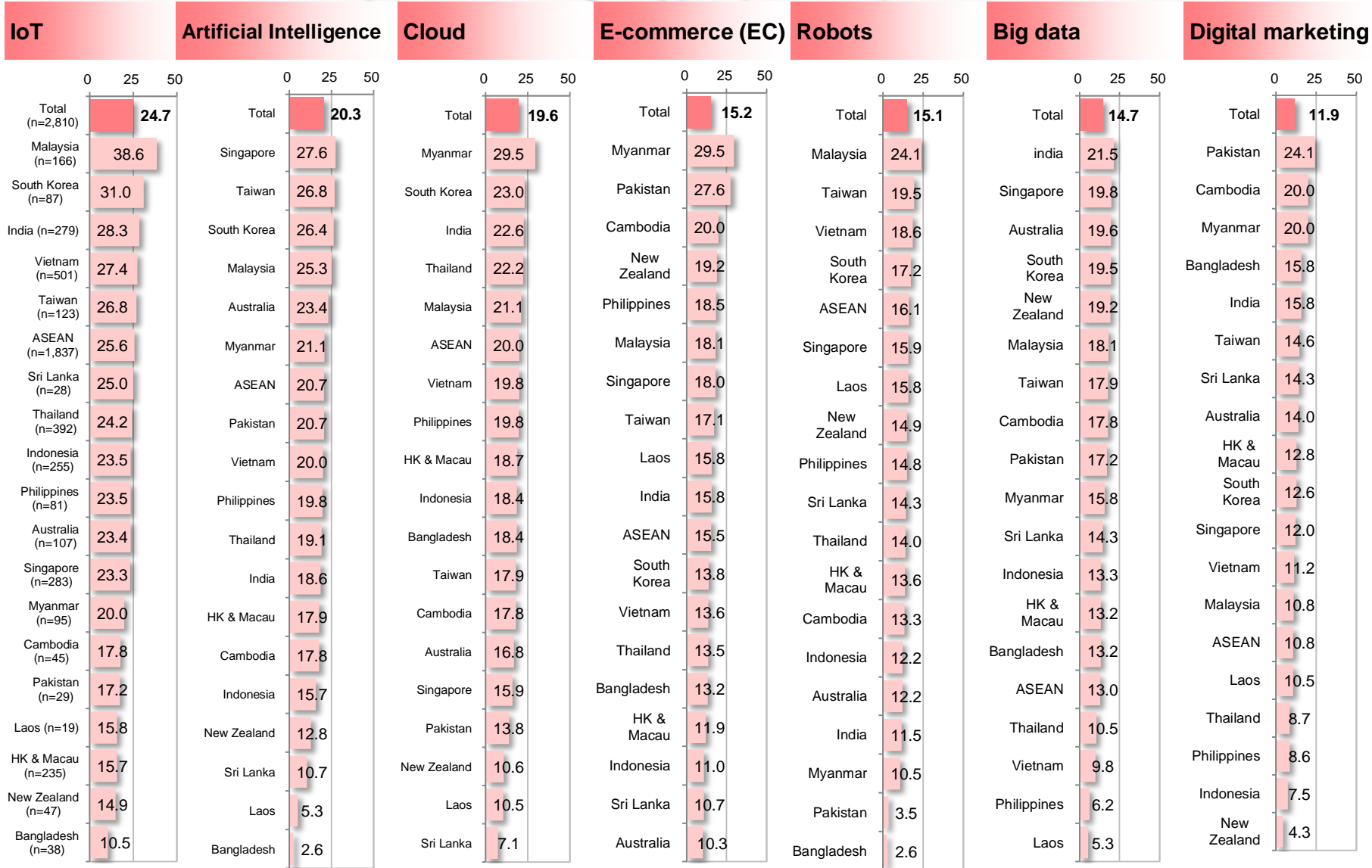




7. Utilization of Digital Technology (3)

Digital technologies for which utilization is being considered in the medium-to-long term (about five to 10 years) (multiple answers)

(%)





7. Utilization of Digital Technology (4)

Digital technologies being utilized in local business (by industry, multiple answers)

Note1: Red-highlighted items show over 20 %
 Note2: Industry for which n ≥ 25 (%)

Food (n=87)

1	Digital marketing	19.5
2	Cloud	18.4
3	E-commerce (EC)	14.9
4	Ride-hailing apps	8.1
5	Drones	6.9

Textiles (n=41)

1	Cloud	12.2
2	Ride-hailing apps	7.3
3	IoT	4.9
3	Robots	4.9
5	E-commerce (EC)	2.4
5	Digital marketing	2.4
5	3D printers	2.4

Chemical/Pharmaceutical (n=137)

1	Cloud	13.9
2	E-commerce (EC)	11.7
3	Robots	10.2
4	Digital marketing	5.8
5	Ride-hailing apps	5.1

Iron/Nonferrous metals/Metals (n=164)

1	Robots	15.9
2	Cloud	14.0
3	3D printers	8.5
4	E-commerce (EC)	6.7
5	Ride-hailing apps	6.1

General machinery (n=59)

1	Cloud	27.1
2	Robots	18.6
3	IoT	15.3
4	Digital marketing	10.2
5	E-commerce (EC)	8.5
5	Ride-hailing apps	8.5
5	3D printers	8.5

Electric machinery (n=159)

1	Robots	33.3
2	Cloud	23.3
3	IoT	22.6
4	E-commerce (EC)	17.0
5	3D printers	12.0

Motor vehicles/Motorcycles (n=216)

1	Robots	33.3
2	Cloud	18.1
3	E-commerce (EC)	13.9
4	IoT	8.8
5	Digital marketing	7.9

Precision machinery (n=28)

1	Cloud	28.6
2	3D printers	28.6
3	E-commerce (EC)	25.0
4	IoT	21.4
5	Robots	21.4

Wholesale/Retail (n=655)

1	Cloud	26.3
2	E-commerce (EC)	17.9
3	Digital marketing	15.3
4	IoT	8.1
5	Ride-hailing apps	7.8

Communications/Software (n=106)

1	Cloud	78.3
2	Digital marketing	29.3
3	IoT	28.3
4	Ride-hailing apps	22.6
5	Big data	21.7

Construction (n=133)

1	Cloud	36.8
2	Drones	30.1
3	Ride-hailing apps	12.8
4	IoT	9.8
5	E-commerce (EC)	8.3
5	3D printers	8.3

Transport (n=164)

1	Cloud	34.2
2	Ride-hailing apps	16.5
3	E-commerce (EC)	14.6
4	Digital marketing	6.7
5	Big data	3.7

Finance/Insurance (n=108)

1	Cloud	24.1
2	E-commerce (EC)	22.2
3	Digital marketing	16.7
4	Ride-hailing apps	12.0
5	Artificial Intelligence (AI)	10.2

Travel/Amusement (n=40)

1	Cloud	32.5
2	E-commerce (EC)	30.0
3	Digital marketing	27.5
4	Ride-hailing apps	10.0
5	Robots	7.5
5	Drones	7.5

Business services (n=78)

1	Cloud	42.3
2	Digital marketing	19.2
3	Ride-hailing apps	19.2
4	E-commerce (EC)	6.4
5	Big data	6.4



7. Utilization of Digital Technology (5)

Digital technologies for which utilization is being considered in the medium-to-long term (about five to 10 years) (by industry, multiple answers)

Note1: Red-highlighted items show over 20 %.
 Note2: Industry for which n ≥ 25

Food (n=76)

1	E-commerce (EC)	21.1
2	Robots	19.7
3	IoT	13.2
4	Cloud	13.2
5	Block chain	13.2

Textiles (n=49)

1	IoT	22.5
2	Robots	20.4
3	Artificial Intelligence (AI)	18.4
3	Cloud	18.4
5	E-commerce (EC)	14.3

Chemical/Pharmaceutical (n=164)

1	IoT	22.6
2	Cloud	22.0
3	Robots	15.2
4	Artificial Intelligence (AI)	12.8
4	3D printers	12.8

Iron/Nonferrous metals/Metals (n=186) (%)

1	IoT	31.7
2	Robots	22.0
3	Cloud	18.8
4	Artificial Intelligence (AI)	17.2
5	E-commerce (EC)	12.9

General machinery (n=64)

1	IoT	35.9
2	Artificial Intelligence (AI)	14.1
2	E-commerce (EC)	14.1
2	Cloud	14.1
5	Robots	12.5

Electric machinery (n=185)

1	IoT	46.0
2	Robots	31.4
3	Artificial Intelligence (AI)	28.7
4	Cloud	20.0
5	E-commerce (EC)	16.8

Motor vehicles/Motorcycles (n=217)

1	IoT	32.3
2	Robots	18.4
3	Cloud	17.1
4	Artificial Intelligence (AI)	14.3
5	Big data	12.9
5	3D printers	12.9

Precision machinery (n=29)

1	IoT	37.9
1	Robots	37.9
3	Artificial Intelligence (AI)	24.1
4	Cloud	20.7
5	Big data	17.2

Wholesale/Retail (n=728)

1	Cloud	21.0
2	IoT	19.1
3	E-commerce (EC)	18.4
4	Big data	15.1
5	Artificial Intelligence (AI)	14.4

Communications/Software (n=92)

1	Artificial Intelligence (AI)	54.4
2	IoT	44.6
3	Big data	39.1
4	Digital marketing	31.5
5	Robots	28.3

Construction (n=122)

1	Cloud	26.2
2	IoT	17.2
2	Artificial Intelligence (AI)	17.2
4	E-commerce (EC)	14.8
5	Drones	13.1

Transport (n=181)

1	Artificial Intelligence (AI)	26.0
1	Ride-hailing apps	26.0
3	IoT	24.9
4	Cloud	21.6
5	E-commerce (EC)	18.2

Finance/Insurance (n=143)

1	Fintech (financial technology)	42.0
2	Big data	32.2
3	Artificial Intelligence (AI)	30.8
4	Digital marketing	26.6
5	Block chain	23.1

Travel/Amusement (n=42)

1	Artificial Intelligence (AI)	35.7
2	E-commerce (EC)	26.2
3	Virtual reality (VR), Augmented reality (AR)	26.2
4	Robots	19.1
5	Digital marketing	19.1

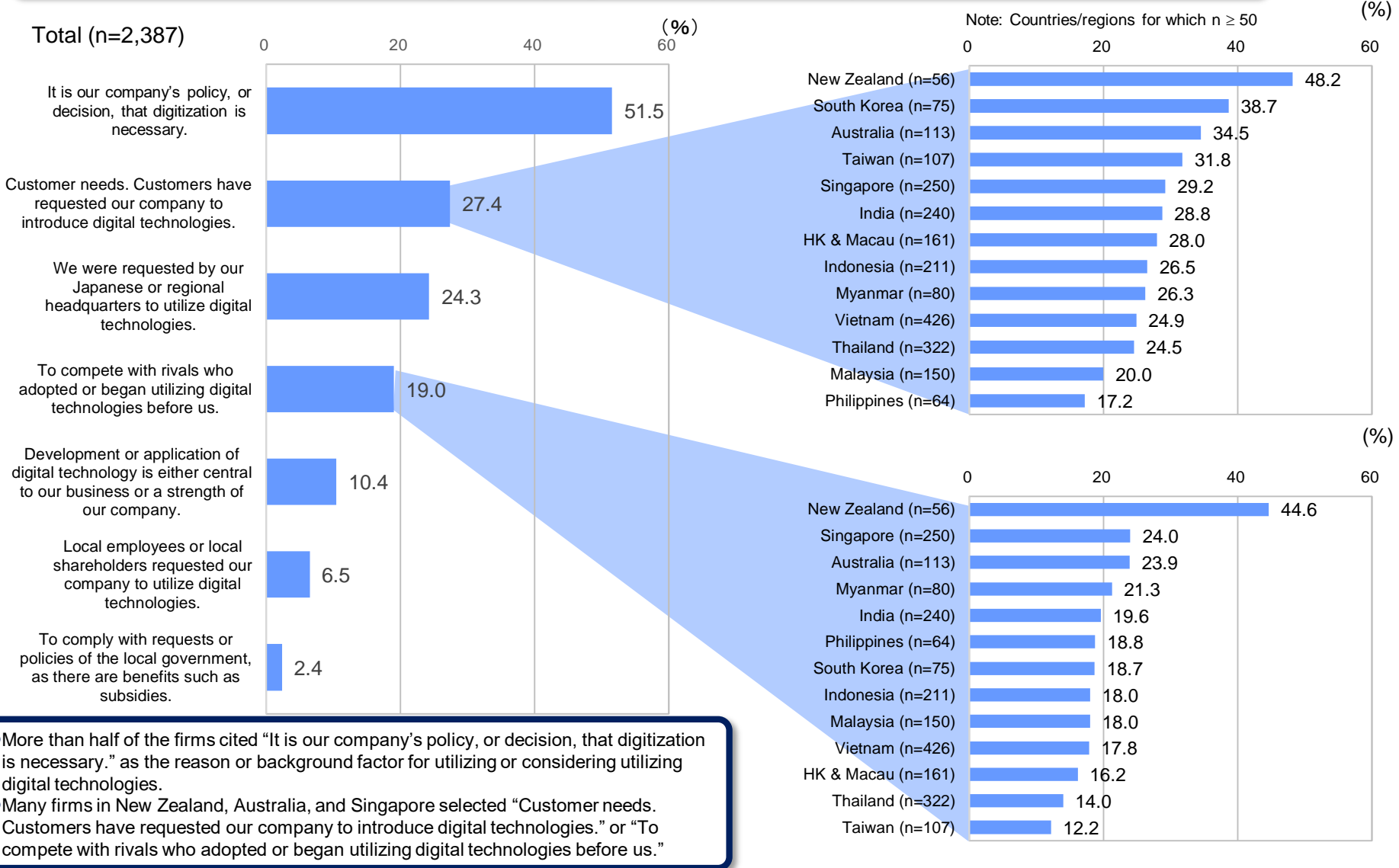
Business services (n=88)

1	Artificial Intelligence (AI)	35.2
2	Cloud	26.1
3	Big data	17.1
4	IoT	15.9
5	Digital marketing	14.8



7. Utilization of Digital Technology (6)

Reasons or background factors for utilizing or considering utilizing digital technologies (by country/region, multiple answers)



- More than half of the firms cited "It is our company's policy, or decision, that digitization is necessary." as the reason or background factor for utilizing or considering utilizing digital technologies.
- Many firms in New Zealand, Australia, and Singapore selected "Customer needs. Customers have requested our company to introduce digital technologies." or "To compete with rivals who adopted or began utilizing digital technologies before us."



7. Utilization of Digital Technology (7)

Reasons or background factors for utilizing or considering utilizing digital technologies (by industry, multiple answers)

Note: Industry for which n ≥ 50 (%)

It is our company's policy, or decision, that digitization is necessary.

Customer needs. Customers have requested our company to introduce digital technologies.

We were requested by our Japanese or regional headquarters to utilize digital Technologies.

To compete with rivals who adopted or began utilizing digital technologies before us.

Development or application of digital technology is either central to our business or a strength of our company.



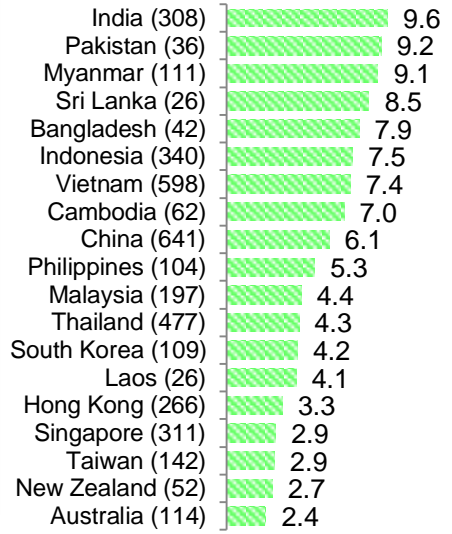


8. Wages (1) Year-on-year wage increase rate

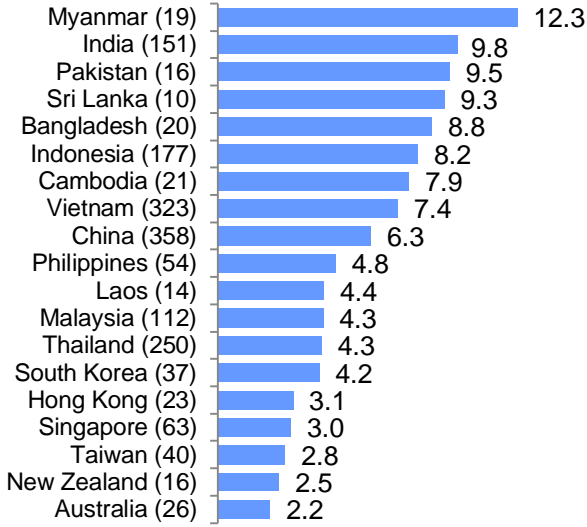
The numbers in parentheses indicate the numbers of firms that responded.

FY2018 ← FY2017

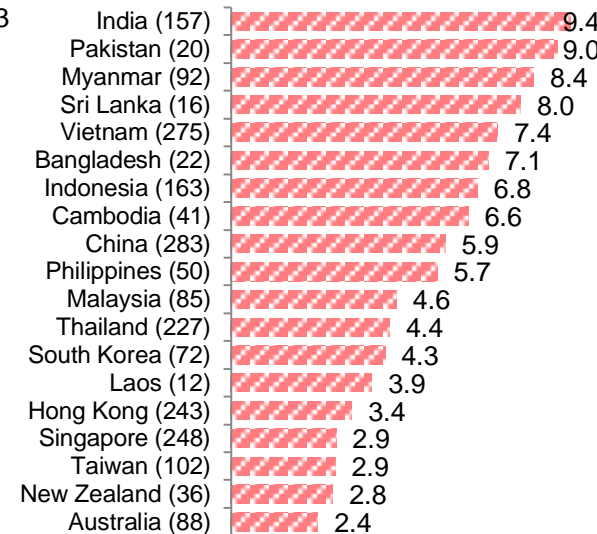
Total (%)



Manufacturing (%)

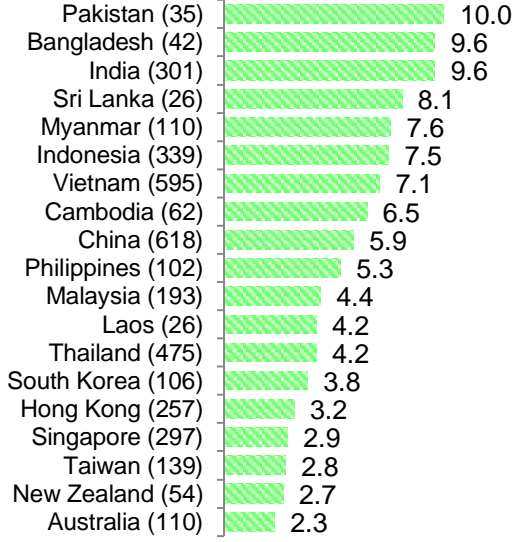


Non-manufacturing (%)

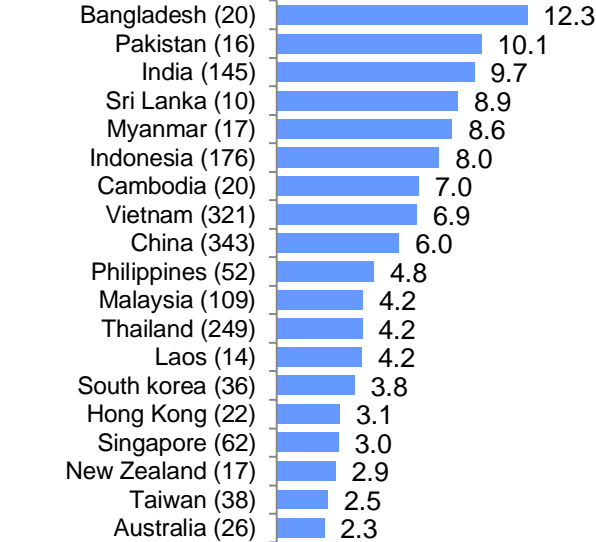


FY2019 ← FY2018

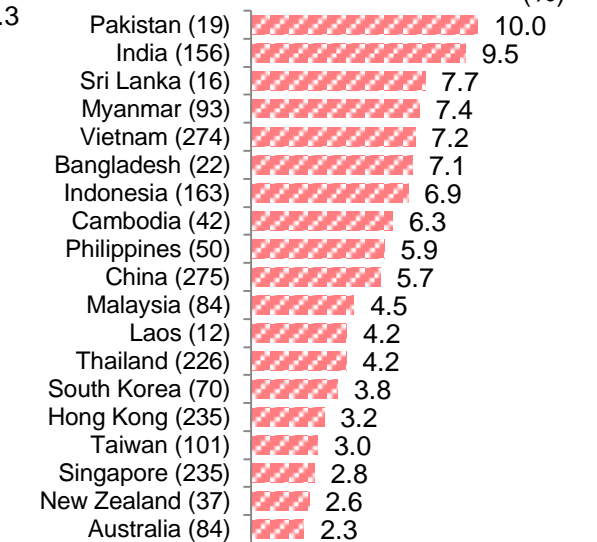
Total (%)



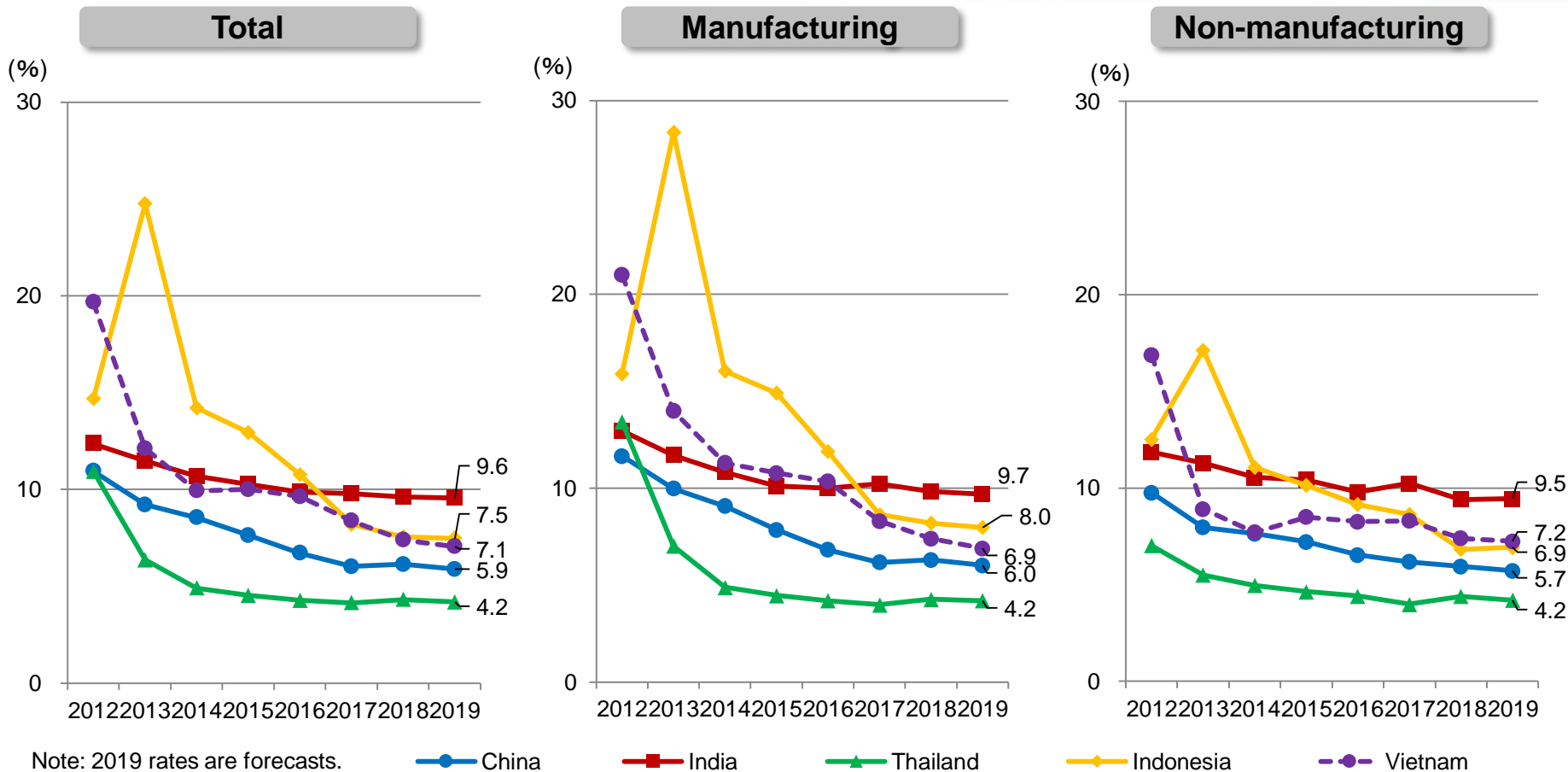
Manufacturing (%)



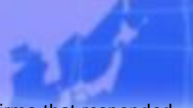
Non-manufacturing (%)



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



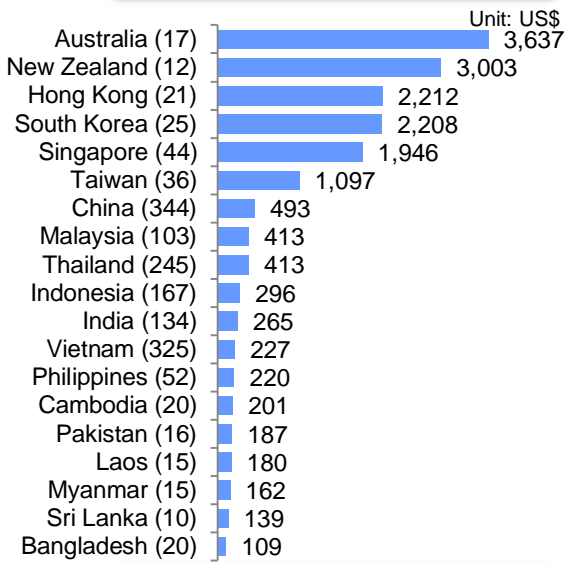
- In 2018, the wage increase rate (total; same applies to the following) slightly increased by 0.1 pp in China and Thailand, but decreased in India (by 0.2 pp), Indonesia (by 0.7 pp), and Vietnam (1.0 pp).
- In China, the wage increase rate decreased every year after peaking out at 12.9% in 2011. The rate was 6.1% in 2018 and is expected to be 5.9% in 2019 (forecast), showing continued decrease.
- In Indonesia, the wage increase rate decreased every year after peaking out at 24.7% in 2013. The rate was 7.5% in 2018 and is expected to be 7.5% in 2019 (forecast), showing continued decrease.
- In 2019, the wage increase rate is forecasted to remain at the same level in India and Indonesia and to gradually decline in China, Thailand, and Vietnam.



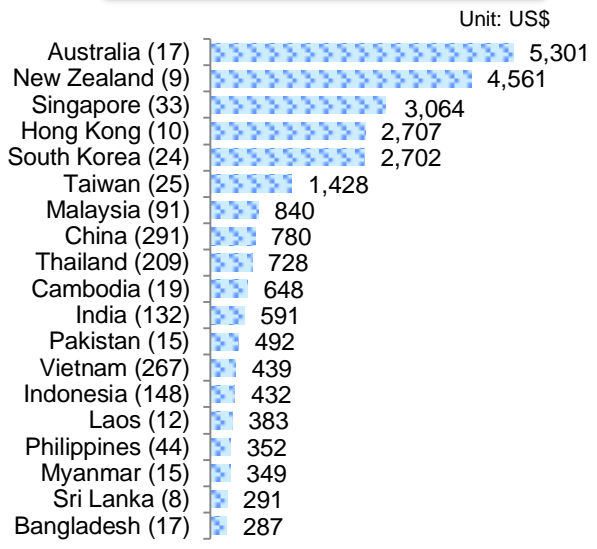
8. Wages (3) Base salary (monthly)

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

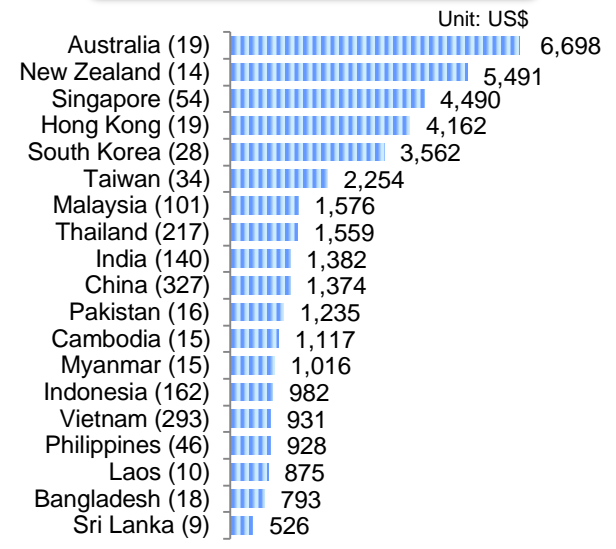
Manufacturing: Worker



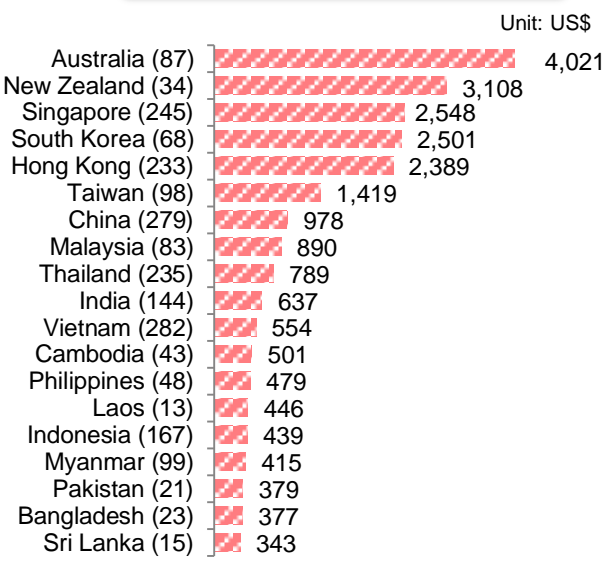
Manufacturing: Engineer



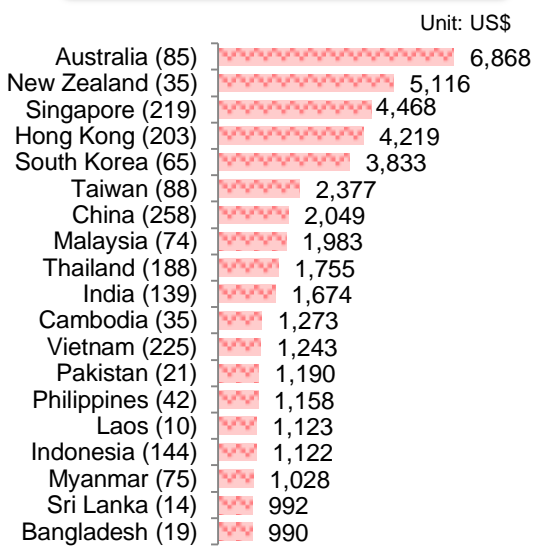
Manufacturing: Manager



Non-Manufacturing: Staff



Non-Manufacturing: Manager



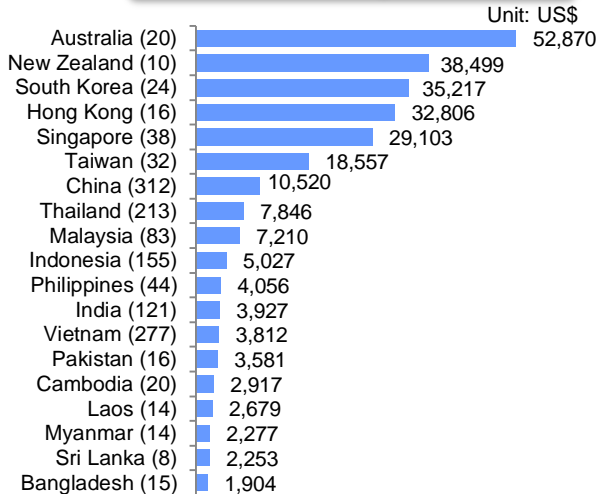
Base salary: Salary excluding benefits, as of October 2018
 Worker: Regular general workers with 3 years of work experience, not including contract-based and probationary workers
 Engineer: Regular employees who are core technicians, graduates of a vocational college or university, and have 5 years of 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 2018 published by the central bank of each country/region or by the State Administration of Foreign Exchange for China. For Myanmar, where firms reported base salaries either in the local currency or in U.S. dollars, base salaries reported in the local currency were converted to U.S. dollars, and then the average was calculated.

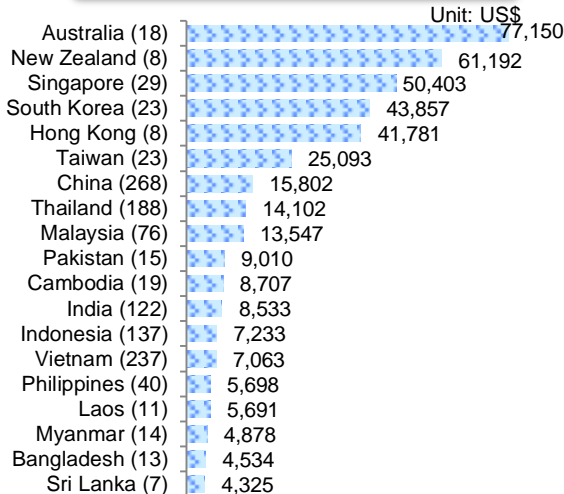
8. Wages (4) Annual salary

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

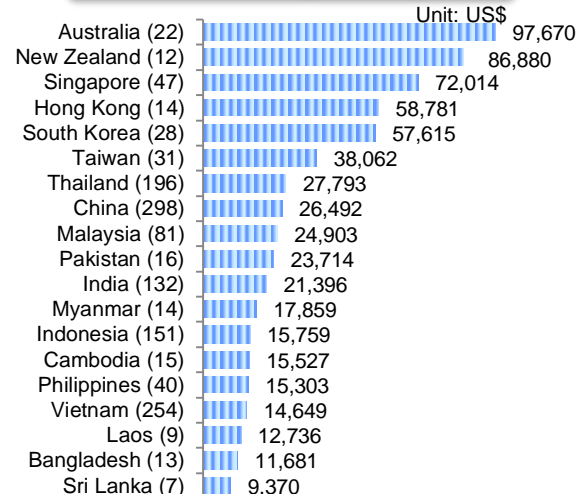
Manufacturing: Worker



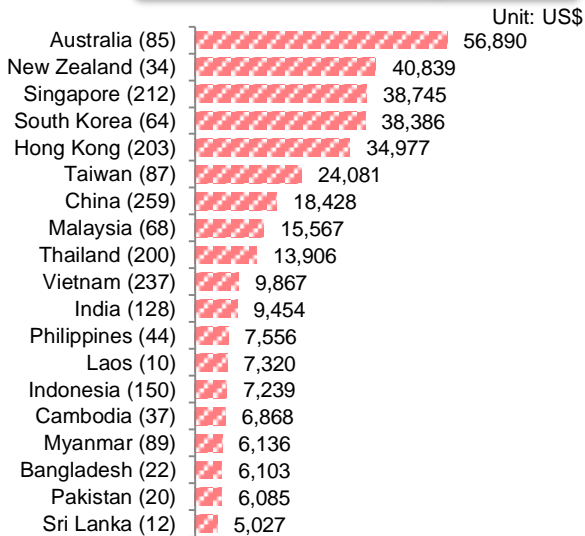
Manufacturing: Engineer



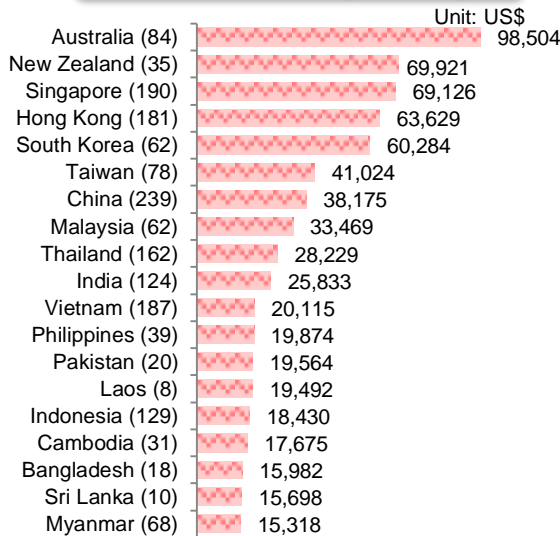
Manufacturing: Manager



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 FY2018)

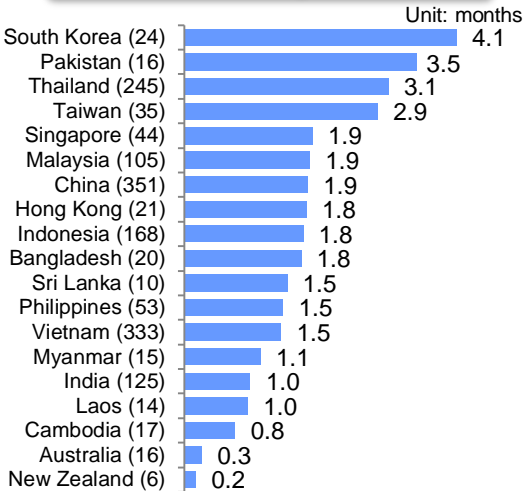
See the previous page for the definitions of worker, engineer, manager (manufacturing), staff, and manager (non-manufacturing).

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 2018 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.

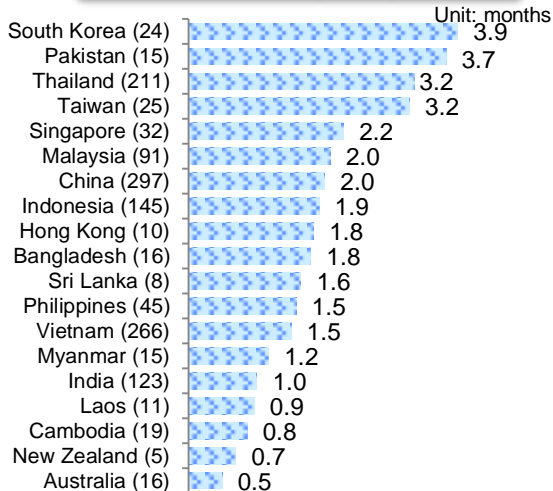
8. Wages (5) Bonuses

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

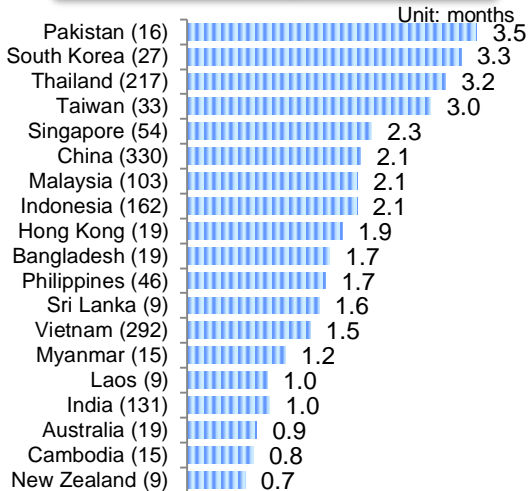
Manufacturing: Worker



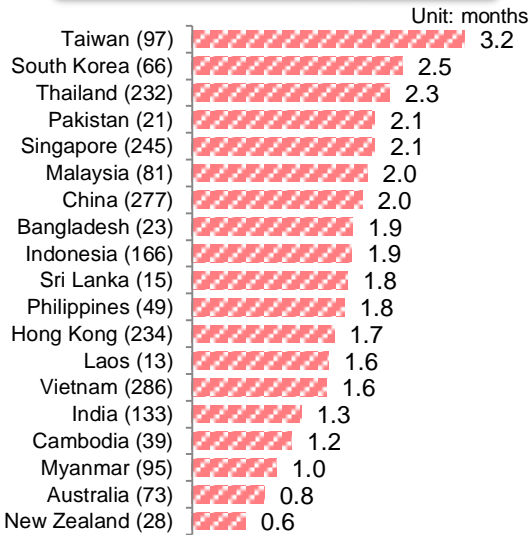
Manufacturing: Engineer



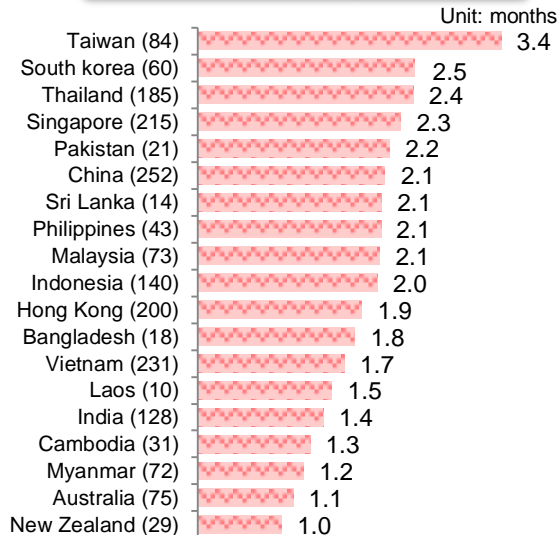
Manufacturing: Manager



Non-Manufacturing: Staff



Non-Manufacturing: Manager





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