

AUSTRALIAN BUSINESS IN ASEAN

S U R V E Y 2 0 2 3 - 2 0 2 4

50TH ANNIVERSARY EDITION



SUPPORTED BY





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FOREWORD

Minister for Trade and Tourism

I am excited to support the release of this year's Australian Business in ASEAN Survey on the eve of the 2024 ASEAN-Australia Special Summit in Melbourne. This week, Australia will host leaders from across ASEAN to celebrate our incredible partnership as we look towards the enormous economic opportunities to come.

ASEAN members are ambitious to accelerate economic growth, collaboration, innovation, and trade. This year's survey shows that businesses are enthusiastic about the emerging opportunities in these spaces.

But grasping these opportunities will not be without its challenges. ASEAN's fast-growing economies present a major opportunity for Australian business, but we haven't kept pace with their exponential growth.

That is why the Albanese Government commissioned Invested: Australia's Southeast Asia Economic Strategy to 2040 — which sets out a practical pathway to boost our trade and investment ties with one of the fastest-growing regions in the world.

We have already started work to implement this strategy with an immediate \$98 million investment to support three priority that go to the heart of this strategy:

- We are setting up investment deal teams across the region to identify and facilitate greater investment for Australian institutional and corporate investors in Southeast Asia, with a particular focus on clean energy, infrastructure, and resources.
- We have launched the Australia Southeast Asia Business Exchange to promote greater trade and investment opportunities for Australian business.
- And we are implementing a Placements and Internships Pilot Program for Young Professionals to build enduring links between Australia and Southeast Asian people and businesses.

This is on top of the recently signed upgrade to our free trade agreement with our Southeast Asian friends – the ASEAN-Australia-New Zealand Free Trade Area, which will make commerce cheaper, faster and easier across our region.

Our government is committed to increasing trade and investment opportunities in Southeast Asia, because we know that Southeast Asia is key to our economic future. It represents a top diversification market for our exporters, investors, higher education providers and creative sectors.

I thank the Australia-ASEAN Chamber of Commerce (AustCham ASEAN) for its ongoing contribution to deepening Australian business engagement with ASEAN, in this milestone year where we celebrate 50 years of ASEAN-Australia Dialogue Relations.

SENATOR THE HON DON FARRELL

Minister for Trade and Tourism
Special Minister of State

FOREWORD

Australian Ambassador to ASEAN

ASEAN is profoundly important to Australia – we have deep connections between our governments, communities, institutions and businesses. It is a centre of global activity and commerce, and the centre of the Indo-Pacific – one of the fastest-growing regions in the world. Currently, ASEAN economic growth significantly outperforms the rest of the world. Over the longer run the region is expected to continue at a forecast compound average growth rate of 4 per cent to 2040.

As emphasised by the Prime Minister, Australia's economic future lies in the region. We're determined to continue building ASEAN trade and investment to our mutual benefit. Australian businesses in the ASEAN region are set to gain from this remarkable growth and the diverse market opportunities that the region offers. Likewise, Australia has much to offer the region, and we can play a key role in helping maximise the prosperity of our neighbours through strong economic complementarities.

Indeed, there are significant opportunities to boost trade and investment relationships. Whether it be energy and digital transformations, high-skilled manufacturing or world-class produce, Australia has the goods, services and capital that the region needs to power its growth in the decades ahead.

AustCham ASEAN surveys illustrate the evolving perceptions of Australian businesses in the region. They play a vital role in helping us to understand and respond to ever-changing economic dynamics.

In positive news for Australian businesses operating in the ASEAN region, this year's survey reported positive trade and investment performance and anticipated increased ASEAN-derived revenue in future. It identified market access as a major benefit resulting from ASEAN integration. However, the survey also found that a range of constraints continue to affect operations in the ASEAN region, including governance, investment barriers and access to skilled labour. These insights help us better understand what more we can do to turn challenges into opportunities. Importantly, we need to supplement efforts by our exporters – in particular SMEs – and investors to make the most of ASEAN's booming opportunities, while addressing key constraints.

Invested: Australia's Southeast Asia Economic Strategy to 2040 paves the way to increase Australia's two-way trade and investment and deepen our economic engagement. We can build on the established network of trade agreements, ASEAN-led economic and development cooperation architecture, and our people-to-people links to facilitate and increase commercial activity. These all serve as enablers of two-way business and investment expansion in the region.

AustCham ASEAN has an important role in deepening our understanding of the business operating environment and needs in the region. This survey serves as a practical step in steering us towards a golden age of trade and investment.

I congratulate AustCham ASEAN on this year's survey. Australia and ASEAN are neighbours and partners working together to build a prosperous and secure region. Our ever-growing business and investment ties are vital in bringing us even closer together.

H.E. TIFFANY MCDONALD

Australian Ambassador to ASEAN and
Patron of AustCham ASEAN

EXECUTIVE SUMMARY

The eighth edition of the AustCham ASEAN Australian Business in ASEAN survey provides the most current and comprehensive insight into the Australian business chambers and councils, and their members, across the ASEAN region.

This year's edition is particularly significant as in 2024 Australia celebrates 50 years as a Dialogue Partner to ASEAN. Since becoming ASEAN's first Dialogue Partner, Australia's relationship to ASEAN has been elevated to a Comprehensive Strategic Partnership.

AustCham ASEAN is pleased to release this report alongside the ASEAN-Australia Special Summit in March 2024. This is the second time Australia has hosted leaders of ASEAN Member States and we look forward to welcoming ASEAN leaders to Australia as well as accompanying business delegations.

The results from this year's survey reveal a significant improvement in profitability trends among participating businesses with most firms surpassing their financial targets. Businesses are showing signs of recovery that are largely mirrored in the region's political, social, and economic revival.

We are grateful for the support of RMIT University - whose contribution enabled this survey to be undertaken. Some of the key survey findings are as follows:

- Consistent with surveys of previous years, the largest proportion of businesses operate in the services industry, and are spread across education, construction and infrastructure, as well as travel, hospitality and entertainment industries.
- Most businesses are long standing in the ASEAN region – only 8 percent of firms are new businesses that have commenced operations within the past two years.
- The business outlook is generally positive in terms of profitability with conditions in line with expectations, or better than expected.
- However, companies continue to face operational challenges, mainly due to cash flow difficulties, logistical challenges and political uncertainties.
- Securing management talent and accessing skilled labour remains an issue. The mix of challenges has changed since 2022, when logistical challenges were more widely felt, as were those related to staffing and consumer demand in the post COVID operating environment.
- A range of constraints also continue to impact on local operations, including political stability, supply chain constraints, corruption, and the cost of labour. Those with the highest impact tend to arise from the business regulatory environment: government bureaucracy, corruption, weak law enforcement and unfair business practices. Consistent with this, more streamlined business regulation is also identified as a key driver of growth.

- This is also reflected in the nature of the challenges facing Australian businesses operating in ASEAN; governance being the main issue, as well as investment barriers and access to skilled labour, similar to 2022. Numerous non-tariff measures continue to impact on trade, though finance measures are relatively more prominent as a barrier than they were last year.
- Not all businesses view ASEAN integration as important for doing business in the region, however most Australian businesses continue to prioritise ASEAN as a region for their operations, and highly value experience in ASEAN. Furthermore, business understanding of ASEAN integration appears to be increasing, as does the interest in improving that understanding.
- Market access is clearly identified as a major benefit of ASEAN integration, consistent with previous years. Businesses also perceive benefit arising from staff mobility, easier ability to trade and reduced tariffs. These benefits could be enhanced by targeting improved governance (fair enforcement of the law in particular), labour mobility, regulation and infrastructure as priority areas in which to accelerate ASEAN integration, and thereby easing the cost of doing business.
- While Free Trade Agreements (FTAs) are not being extensively utilised by Australian businesses in ASEAN, their use appears to have improved since 2022, with a higher proportion of companies noting they are now making significant use of these agreements.

In closing, 2024 brings a new set of global hardships: political conflicts, rising commodity and energy prices, new public health challenges, and more - all threatening the strength of financial markets. Australian companies, however, look well-positioned for growth due to their long-standing and extensive experience operating in ASEAN.

AustCham ASEAN looks forward to Australian businesses seizing this momentum and contributing to the growth of an interconnected region that is both favourable for business and strengthens the alliances between ASEAN and Australia.

BRENDON BANGMA
President, AustCham ASEAN

ABOUT AUSTCHAM ASEAN

AustCham ASEAN is a 'chamber of chambers' with its Foundation Members consisting of the officially registered Australian chambers and business councils from across ASEAN - Australian Chamber of Commerce, Cambodia, Indonesia Australia Business Council, The Australia Chamber of Commerce Lao PDR, Malaysia-Australia Business Council, The Australia-New Zealand Chamber of Commerce (Philippines) Inc, Australian Chamber of Commerce, Singapore, Australian-Thai Chamber of Commerce and The Australian Chamber of Commerce in Vietnam.

With advocacy as its key focus AustCham ASEAN is committed to helping Australian business achieve success through:

1. Informing Australian business on regional integration developments and the business landscape with a particular focus on an annual business survey;
2. Explaining the contribution of Australian business to ASEAN markets; and
3. Advocating for policies, rules and regulations that support Australian business activities in ASEAN including organizing sector roundtables in key areas of interest for Australian business.

A key AustCham ASEAN activity, on behalf of its Foundation Members, involves an annual survey of Australian businesses operating in ASEAN. This survey in an enhanced form was a focal point of the ASEAN Australia Special Summit in March 2019. The 2023/2024 AustCham ASEAN business survey is the 8th edition of the survey and continues to provide insights into Australian business activities in the region.

As the officially recognized in-ASEAN leader for Australia in engagement with the ASEAN Business Advisory Council and the ASEAN Economic Community, AustCham ASEAN is perfectly positioned to be the vehicle for a stronger relationship for the Australian business community in its continued engagement and partnership with ASEAN.

The Presidency of AustCham ASEAN rotates to align with the ASEAN Host Country. This year the Host Country is Laos PDR therefore the President of Australian Chamber of Commerce Lao PDR, Mr. Brendon Bangma is the current President of AustCham ASEAN.

With special thanks to the survey production team:

*Brenton Mauriello AM, Claire Macken, Nicholas Whillas - AustCham ASEAN
Kristen Bondiotti, Aaron Soans - The Australian APEC Study Centre, RMIT University
Zach Eggleston, Leonardo Alfonso - RMIT University
Norazuin Lokman - Graphic Design*



“ RMIT is a leading university of impact in the Asia Pacific. We take pride in acting as a front door to Southeast Asia and making strong and positive contributions across the region. ”



Asia Trade & Innovation Hub
Hanoi Industry & Innovation Hub
Australia Vietnam Policy Institute founding partner



21,000 Southeast Asian students
100,000 students
500,000+ alumni



Partnership with Singapore Institute of Management
First established in 1987 with over 50,000 graduates
Transnational Security Training
70+ programs delivered across ASEAN
1500+ ASEAN alumni



3 campuses in Australia
2 established campuses in Vietnam

* Statistics as of December 2023



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BUSINESS LANDSCAPE IN ASEAN

AustCham ASEAN has conducted a survey of Australian businesses operating in ASEAN and across the region. ¹ Most businesses surveyed are Australian-owned and are primarily engaged in the domestic market where they are located.

Consistent with surveys of previous years, the largest proportion of businesses operate in the services industry, and are spread across education, construction and infrastructure, as well as travel, hospitality and entertainment industries. More than half of those surveyed were small businesses.

Most businesses are long standing in the ASEAN region – only 8 percent of firms are new businesses that have commenced operations within the past two years.

OWNERSHIP

The business entities in ASEAN's Australian community that took part in the survey were responding from across a range of countries in ASEAN. Most are privately owned Australian companies (34 percent), followed by those that maintain an Australian connection (27 percent). A smaller segment is partially Australian-owned. Only a few are Australian-listed.

Figure 1: Most respondents are either fully- or partially- Australian owned

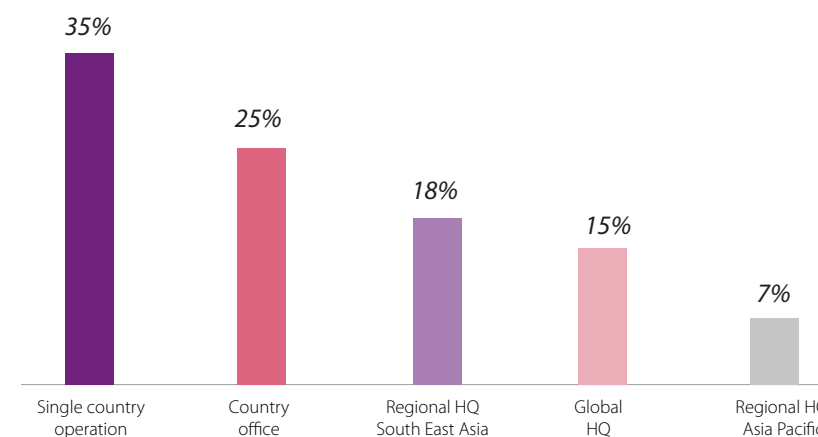


¹Survey participants were sampled through the AustCham Membership. Note that a limited number of responses was received from some countries. This survey does not purport to be representative of Australian business in ASEAN, but is a record of results received

OPERATING ROLE

The largest share of survey respondents are engaged in a single domestic market (35 percent), followed by a quarter that are focused on the location from which they responded to the survey. Further, a similar share of business participants collectively recognize themselves as the regional headquarters (HQ) for Southeast Asia or a Global HQ. The lowest share (7 percent) identified as the regional HQ for Asia Pacific.

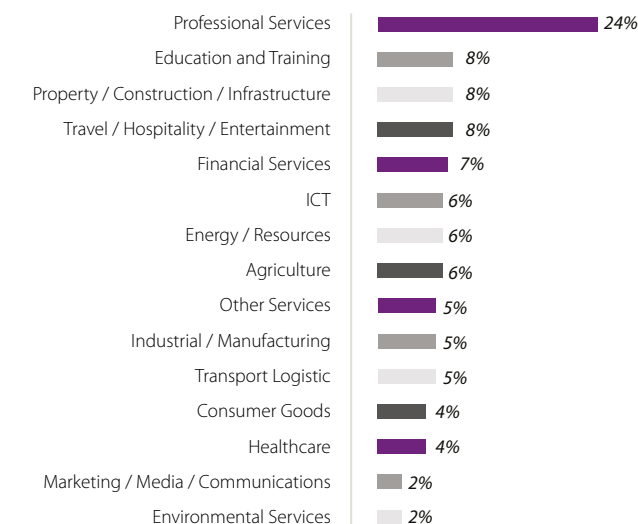
Figure 2: Most businesses focus on a single domestic market



INDUSTRY OF OPERATIONS

The largest share of respondents, almost a quarter, operate in the professional services industry, followed by an equal share across education/training, property/construction/infrastructure, and travel/hospitality/entertainment industries. Financial services, ICT, energy, and agriculture industries are not far behind. This representation is in line with previous surveys (2022, 2021 and 2020) where services accounted for just over 20 percent of the survey respondents.

Figure 3: Most businesses operate in the services industry

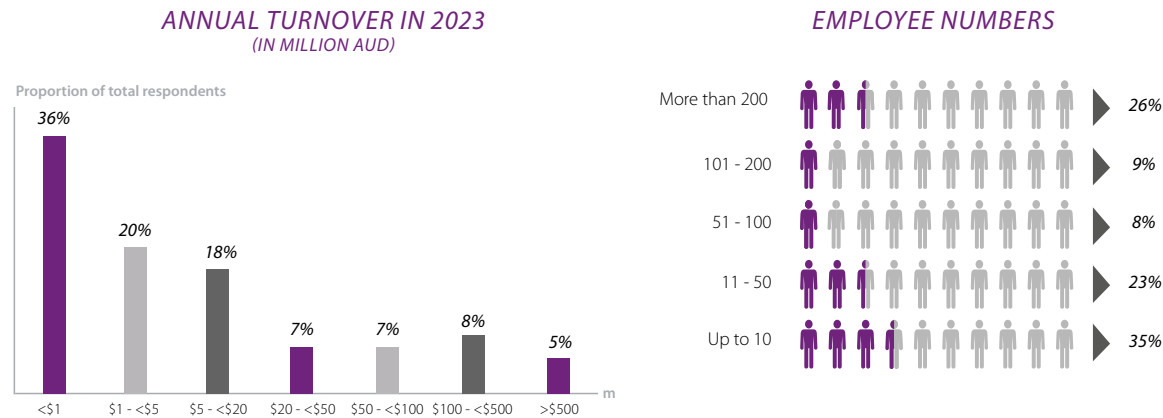


SIZE

Respondents are diverse in size in terms of their operating revenue. The largest share of respondents earned less than \$1M in revenue over the past 12 months (36 percent), while firms that earned between \$1M – 20M cumulatively account for almost 40 percent of businesses surveyed. On the lower end are the larger companies with more than \$500M in revenue (5 percent).

More than 50 percent of respondents have less than 51 employees in their local operations. This is in line with annual revenue metrics, showing that more than half of the firms in the survey are small businesses. Just over a quarter of respondents (26 percent) have more than 200 employees. The least number of respondents are mid-sized, with between 51-200 employees (17 percent).

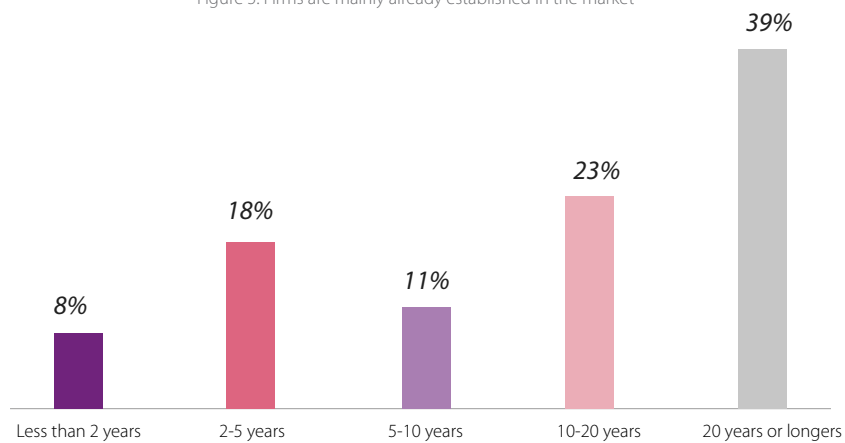
Figure 4: Most Australian firms in ASEAN are small to medium businesses



LENGTH OF OPERATION

Most respondents are long established in the local market (from which they responded to the survey), with 62 percent of firms operating for over ten years. Of those, almost 40 percent have been running for over 20 years. Only 8 percent are new businesses that have commenced operations within the past two years.

Figure 5: Firms are mainly already established in the market



DOING BUSINESS IN ASEAN

The business outlook is generally positive in terms of profitability with conditions in line with expectations, or better than expected. ASEAN's position as a regional hub, and economic conditions in local markets are seen as key drivers of growth.

However, companies continue to face operational challenges, mainly due to cash flow difficulties, logistical challenges and political uncertainties. Securing management talent and accessing skilled labour remains an issue. The mix of challenges has changed since 2022, when logistical challenges were more widely felt, as were those related to staffing and consumer demand in the post COVID operating environment.

A range of constraints also continue to impact on local operations, including political stability, supply chain constraints, corruption, and the cost of labour. Those with the highest impact tend to arise from the business regulatory environment: government bureaucracy, corruption, weak law enforcement and unfair business practices. Consistent with this, more streamlined business regulation is also identified as a key driver of growth.

National markets are most important to business as a source of recruitment, as well as the ASEAN regional market. Australia is less significant as a source of recruitment, but notably less challenging.

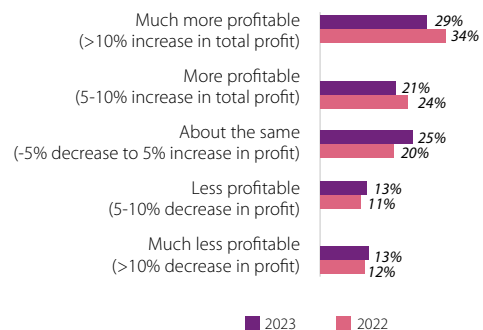
The Australian government's Southeast Asia Economic Strategy has been well received by the business community.

COMPANY PROFITABILITY COMPARED WITH 2022

Year-to-date profitability was generally positive in 2023,² with the largest share of business respondents (29 percent) stating their local operations were much more profitable than in the previous year, and over 20 percent noting their business was more profitable. A quarter indicated profitability was about the same.

Year to date increases in profitability for 2023 however, have been slightly lower than those recorded for the previous year, 2022.³ In 2023 there was a slight increase in businesses that were less profitable, and much less profitable, though this decrease was outweighed by the share indicating profitability remained at much the same levels.

Figure 6: Company profitability has generally been positive

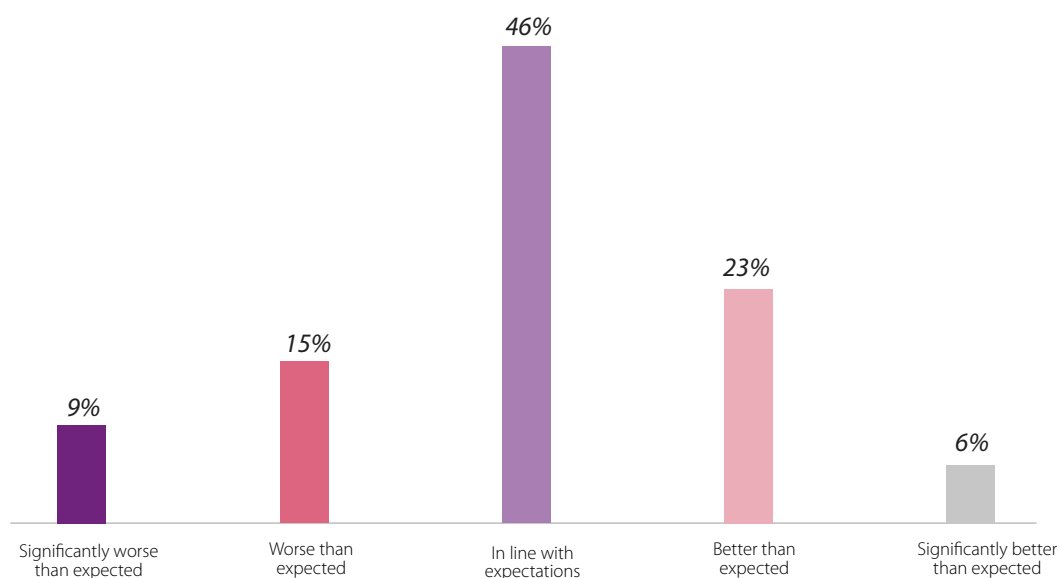


BUSINESS EXPECTATIONS COMPARED TO FIRST ENTRY

Respondents were asked how their business had performed compared to expectations when first entering the market.

Business conditions in 2023 for most businesses were in line with expectations (46 percent of respondents). Of the remaining respondents, more than a quarter collectively recorded positive expectations (23 percent noted their business had performed better than expected and 6 percent, significantly better than expected). However, a quarter collectively noted expectations were worse than when they first entered the market (worse than expected or significantly worse than expected).

Figure 7: Business expectations have been mixed



²As measured for calendar year 2022- 2023.
³As measured for financial year 2022- 2022.

OPERATIONAL CHALLENGES SINCE FIRST ENTRY

Respondents were asked to select up to three challenges their local operation has faced since entering the market.

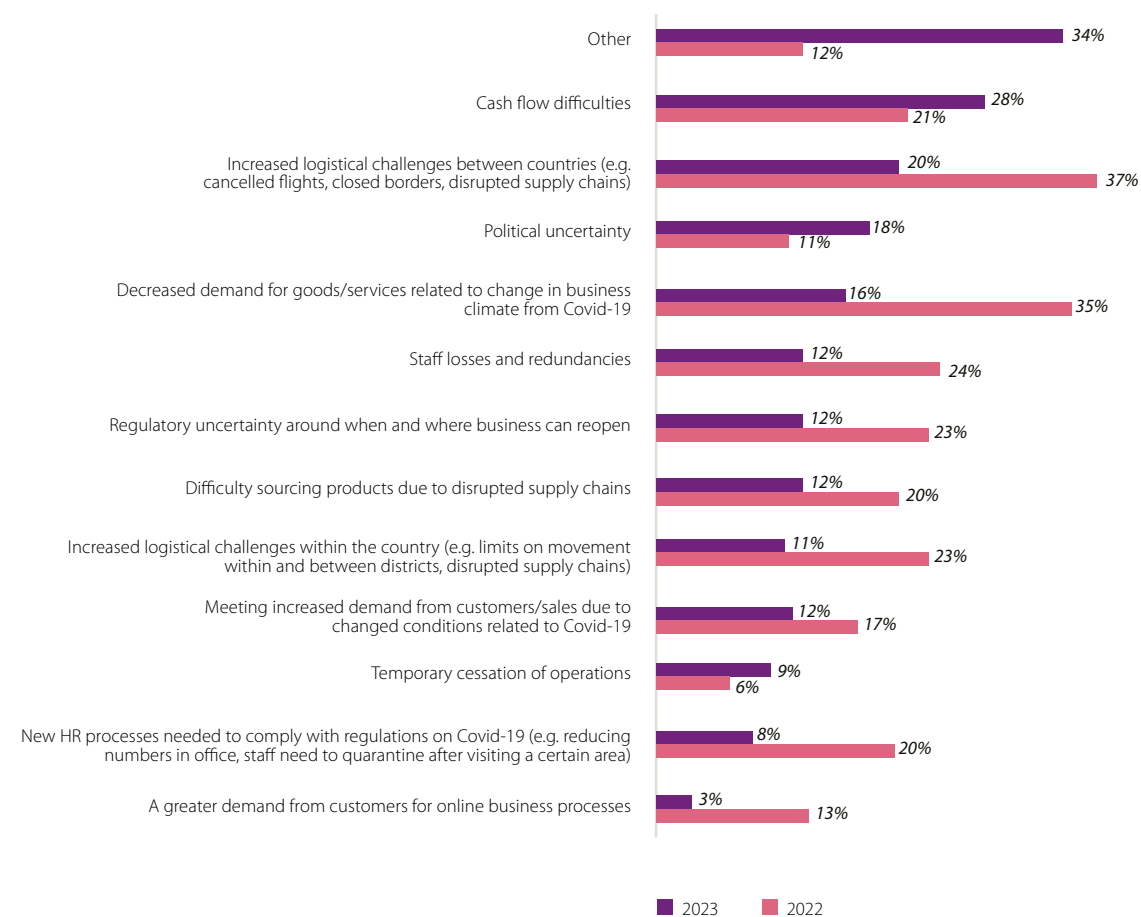
In 2023, cash flow difficulties were the most prominent challenge identified by companies, followed by increased logistical challenges between countries, political uncertainties and decreased demand for goods and services due to changes in the business climate. Of the challenges listed, those of least concern were greater demand for online business and HR processes to comply with COVID-19 regulations.

This mix of challenges has changed since 2022, when logistical challenges between countries were more widely felt, as were decreases in demand, staff losses and redundancies, regulatory uncertainty and sourcing and HR challenges, largely because of the immediate post COVID operating environment.

Since 2022, challenges related to cash flow difficulties, political uncertainty, and temporary cessation of operations have become more important to local operations.

Notably a significant number of respondents in 2023 (34 percent) noted they were impacted by 'other' challenges without specifying further detail. Further research may be required to identify those faced.

Figure 8: Businesses have faced cash flow difficulties and logistical challenges



FINDING AND HIRING TALENT

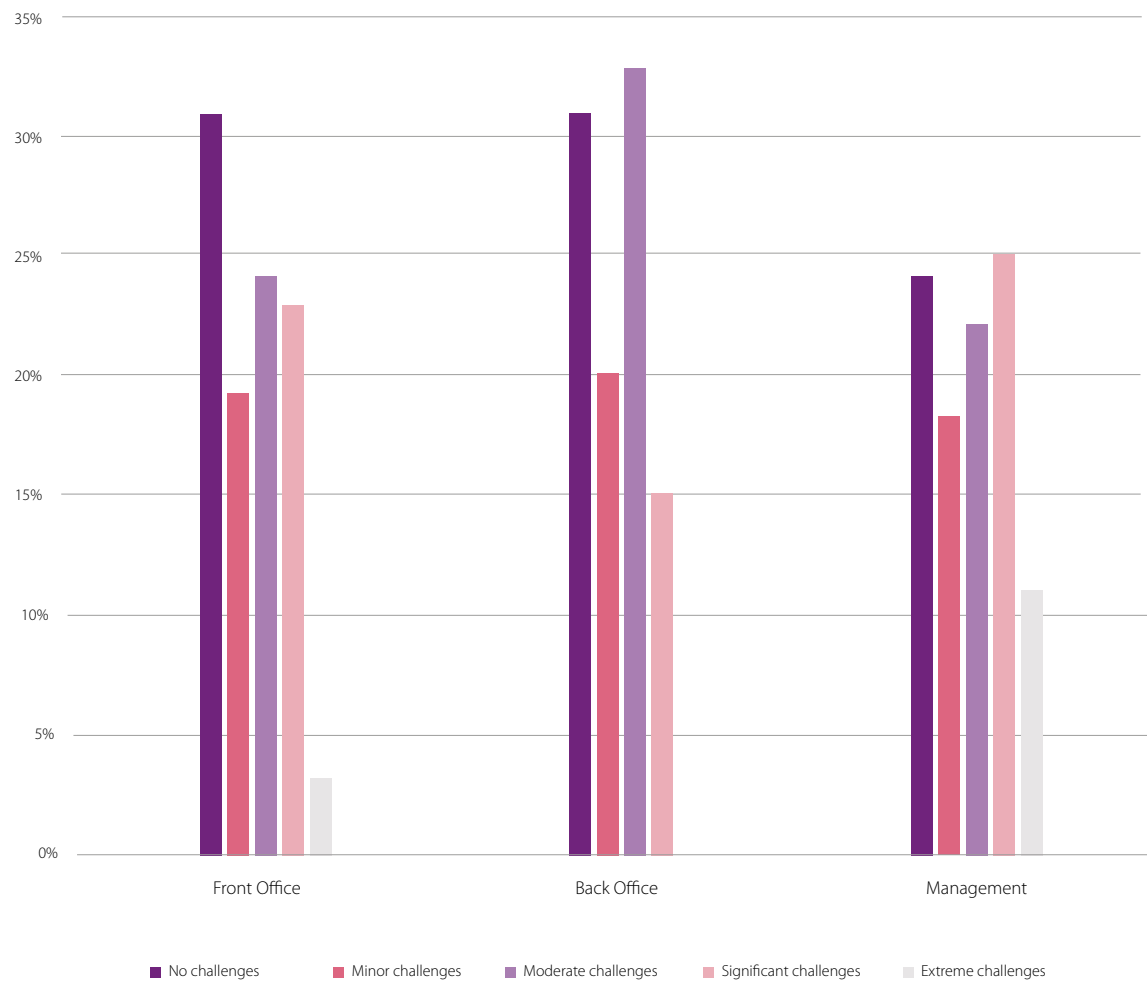
Respondents were asked about the extent to which their company has struggled to hire and find talent in the areas of i) front office ii) back office, and iii) management.

On average, across the three areas, challenges were most acute for management, with 11 percent of respondents experiencing extreme challenges, and 25 percent experiencing significant challenges. Less than half (42 percent) experienced no or minor challenges.

Hiring and finding talent for back-office operations, on average, was the least challenging compared to management and front office operations, though 33 percent of respondents experienced moderate challenges.

Half of respondents noted no or minor challenges relating to hiring and finding talent for front office operations. Challenges by the other half were either moderate (24 percent), or significant (23 percent), with only 3 percent recording extreme challenges.

Figure 9: Securing management talent has been challenging



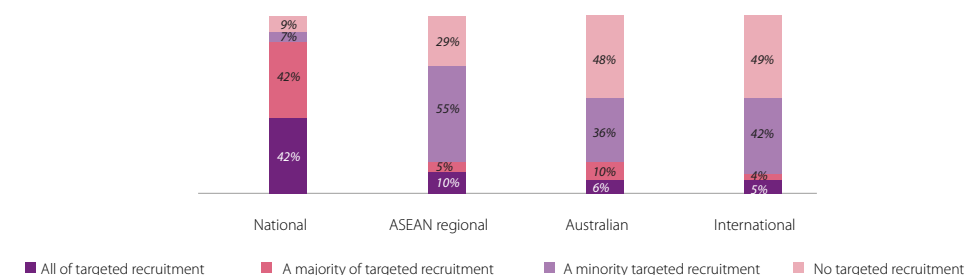
LABOUR MARKETS AND HIRING

Overall, most firms are targeting recruitment from the national labour market in which they operate. More than 40 percent target all their recruitment in the national market and the same proportion target a majority of their recruitment in the relevant national market.

The ASEAN regional market is also a source market overall (12 percent are targeting all recruitment from here), though for most respondents (55 percent) it is a market for a minority of recruitment, or none at all (29 percent).

The Australian and international market are less important than the national or the ASEAN regional market, with 47 percent of respondents reporting no targeted recruitment in these markets. Australia, however, is more of a target market than the international market, both overall and for a majority of targeted recruitment. More respondents also target the Australian market for the majority of their recruitment than they do the ASEAN regional market.

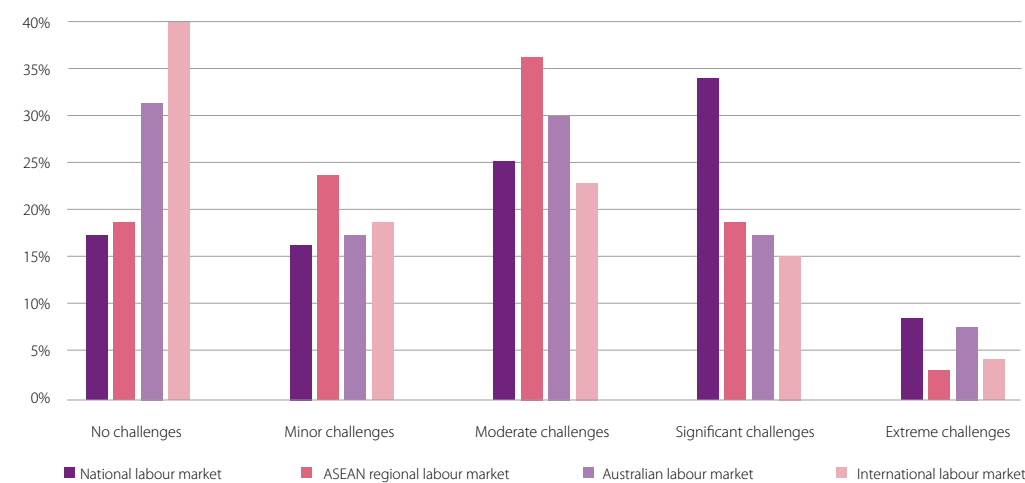
Figure 10: Domestic markets are the main target for recruitment



The greatest challenges to hiring workers appear to be in the markets which are most targeted for recruitment. The largest share of extreme and significant challenges for hiring were reported for national labour markets (8 and 32 percent, respectively), followed by the ASEAN regional market, where challenges were also prominent (though mostly moderate).

The Australian market was considered less challenging for hiring workers (30 percent reported moderate challenges and 31 percent no challenges), though was still more challenging overall than the international market (where 39 percent of respondents reported no challenges).

Figure 11: Recruitment challenges exist in national markets



CONSTRAINTS AND IMPACT ON LOCAL OPERATIONS

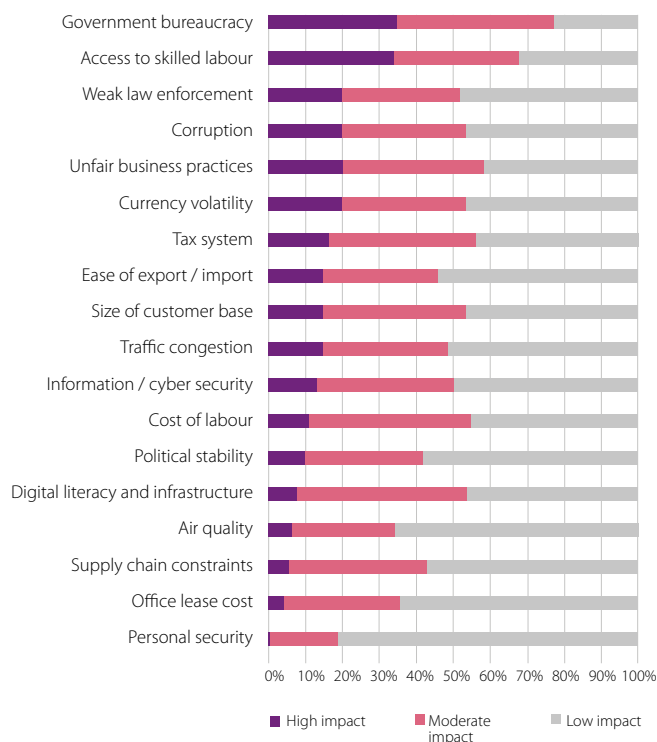
Respondents were asked to rank the impact of constraints on their company's local operations.

Constraints considered to be of high impact mainly arise due to the business regulatory environment, notably government bureaucracy, access to skilled labour, corruption, weak law enforcement and unfair business practices.

Government bureaucracy and access to skilled labour were rated as having the highest impact on operations. However, weak law enforcement, unfair business practices, corruption and currency volatility also had significant impact on operations.

Personal security, air quality and office lease cost were rated as having the lowest impact on local business operations.

Figure 12: The business regulatory environment remains a key operating constraint

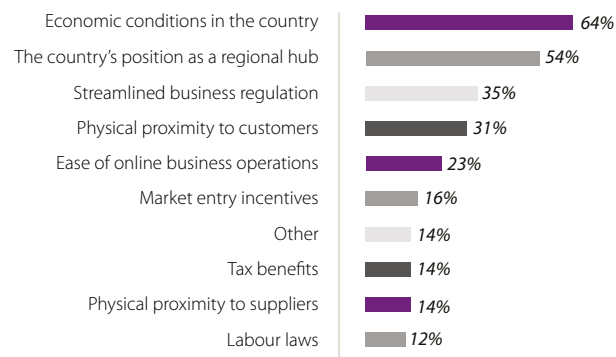


GROWTH DRIVERS

Respondents were asked to select the top three drivers of growth over the next 5 years from a list of ten factors. The economic conditions in the country of operation, and the country's position as a regional hub were identified as the standout drivers of growth. Streamlined business regulation was also a key driver.

Labour laws, tax benefits and physical proximity to suppliers were less important as drivers of growth.

Figure 13: Economic conditions and regional presence are key growth drivers

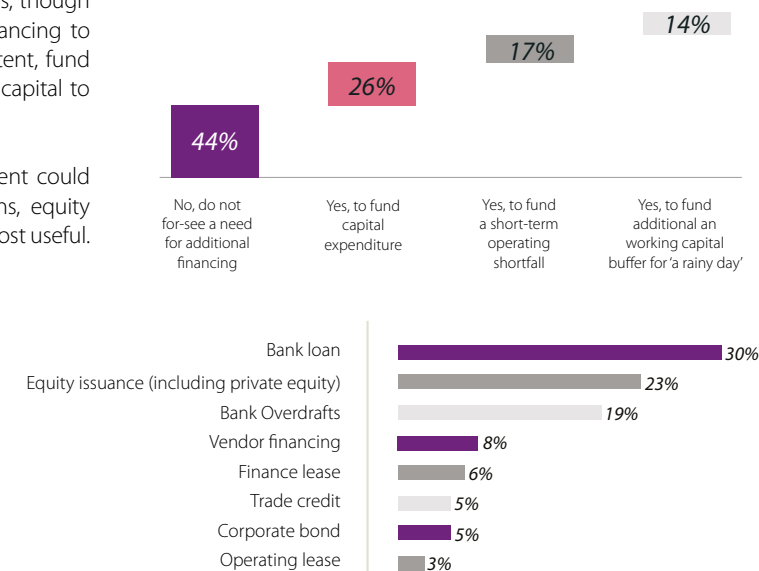


FINANCING NEEDS

Most respondents (44 percent) reported no need for additional financing over the next 12 months, though just over a quarter indicated a need to fund capital expenditure, and to a lesser extent, fund a short term operating shortfall, or working capital to buffer for a 'rainy day'.

When asked what type of financial instrument could meet additional financing needs, bank loans, equity issuance and bank overdrafts were rated as most useful.

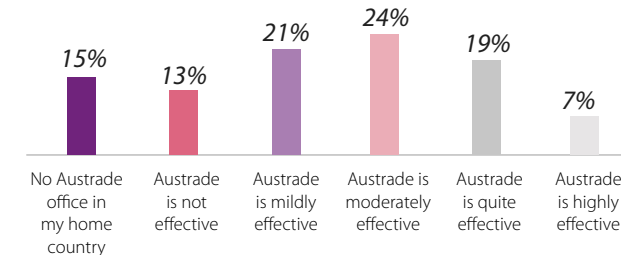
Figure 14: Financing needs vary



AUSTRADE OFFICES

Respondents were asked whether their home base country has an Austrade office, and if so, to rate its level of effectiveness. Most consider Austrade offices to be mildly to moderately effective in their home base country. A minority (7 percent) rate Austrade as highly effective. Fifteen percent noted the absence of an Austrade office in their country of operation.

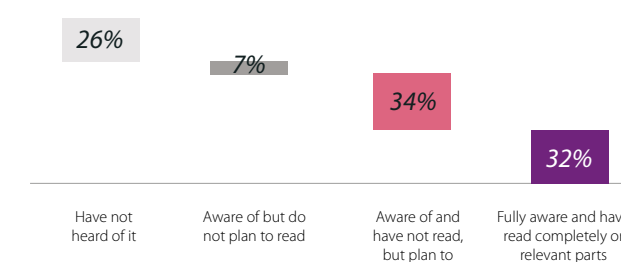
Figure 15: Austrade could be more effective in-country



AUSTRALIA'S SOUTHEAST ASIA ECONOMIC STRATEGY

Sixty-six per cent of survey respondents have consumed the report 'Invested: Australia's Southeast Asia Economic Strategy' or are aware of it and plan to read it. Just over 30 percent did not plan to read it or had not heard of it.

Figure 16: The Australian government's Southeast Asia Strategy is known to businesses





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ASEAN INTEGRATION AND TRADE

The trade and investment performance of Australian businesses in ASEAN is positive. Levels of trade and investment increased or remained the same over the past two years for 90 percent of businesses surveyed. Over 80 percent of respondents anticipate increases in their ASEAN derived revenue over the next five years, with more than half of that expecting significant increases. Expansion into new ASEAN markets is also planned.

Policy, market and regulatory factors are considered key drivers of trade and investment. Fairer, market-oriented government policies are the most important driver for business, and relatively more so in 2023 than they were a year ago. ASEAN market integration and a growing consumer class are also key drivers, consistent with 2022. These results reinforce the impact of the governance and regulatory framework on businesses operating in the region, and the importance of ASEAN as a regional growth hub.

This is also reflected in the nature of the challenges facing Australian businesses operating in ASEAN; governance being the main issue, as well as investment barriers and access to skilled labour, similar to 2022. Numerous non-tariff

measures continue to impact on trade, though finance measures are relatively more prominent as a barrier than they were last year.

Not all businesses view ASEAN integration as important for doing business in the region, however most Australian businesses continue to prioritise ASEAN as a region for their operations, and highly value experience in ASEAN. Furthermore, business understanding of ASEAN integration appears to be increasing, as does the interest in improving that understanding.

Market access is clearly identified as a major benefit of ASEAN integration, consistent with previous years. Businesses also perceive benefit arising from staff mobility, easier ability to trade and reduced tariffs. These benefits could be enhanced by targeting improved governance (fair enforcement of the law in particular), labour mobility, regulation and infrastructure as priority areas in which to accelerate ASEAN integration, and thereby easing the cost of doing business.

The use of FTAs across ASEAN has grown since 2022.

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CURRENT OPERATIONS AND EXPANSION PLANS

Within ASEAN, respondents operate across multiple ASEAN countries, most notably Malaysia (almost half) as well as Indonesia, Thailand, Vietnam and Singapore. Company presence in the Philippines, Lao PDR and Cambodia is about half of the latter. Respondents also plan to expand into new markets, the most cited being Vietnam (almost 20 percent), followed by the Philippines, Thailand, Singapore and Indonesia. This builds on longer term trends, when in 2017 Vietnam was the most popular market cited for expansion, as well as Indonesia and the Philippines.⁴

CHANGE IN COMPANY TRADE AND INVESTMENT OVER THE PAST TWO YEARS

Respondents were asked whether in the past two years their level of trade and/or investment in the ASEAN region has increased/decreased, significantly increased/decreased or remained about the same.

Overall, trade and investment performance was very positive, with most respondents (over 90 percent) indicating similar or increasing levels of trade and investment over the past two years.

Compared to 2021, in 2023 a greater share of businesses (47 percent compared to 33 percent) noted their trade and investment levels had remained about the same as two years ago. While fewer businesses reported increased levels, a greater share (17 percent compared to 13 percent) experienced significant increases. Similarly, the share of businesses who indicated their trade and investment had decreased, or had decreased significantly, was less in 2023 than in 2021 (less than half the share). This can be expected given the improvement in business conditions post COVID, and indicates some recovery of trade and investment performance that was emerging pre Covid. In 2020, more than half of businesses reported increased or significantly increased trade and investment over the two years prior, with only 3 percent noting decreases.

⁴2017 report p 13.

Figure 17: Australian firms plan to expand operations in ASEAN

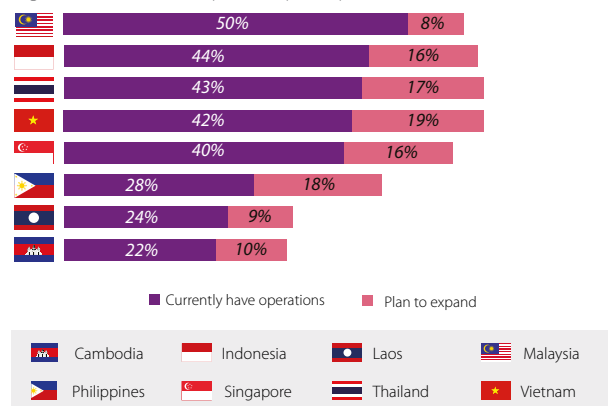
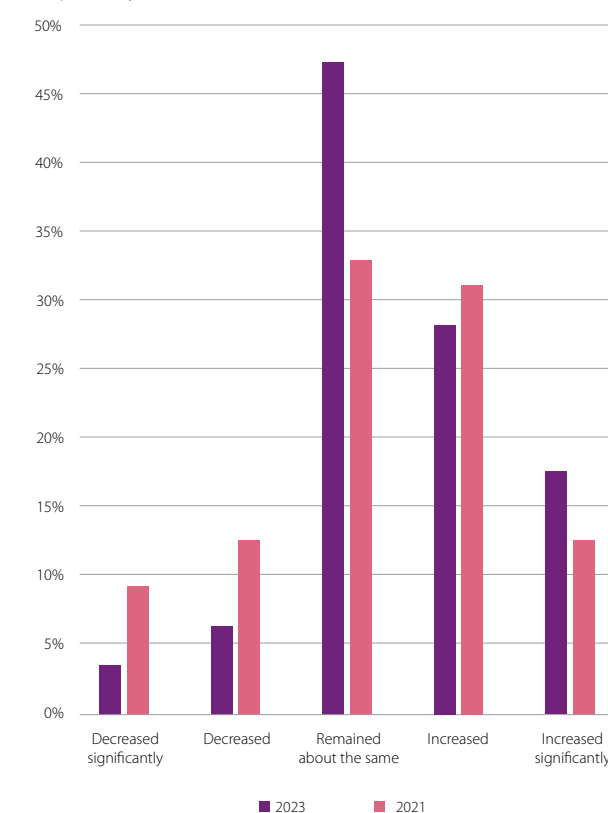


Figure 18: Most firms reported increased level of trade and investment over the past two years



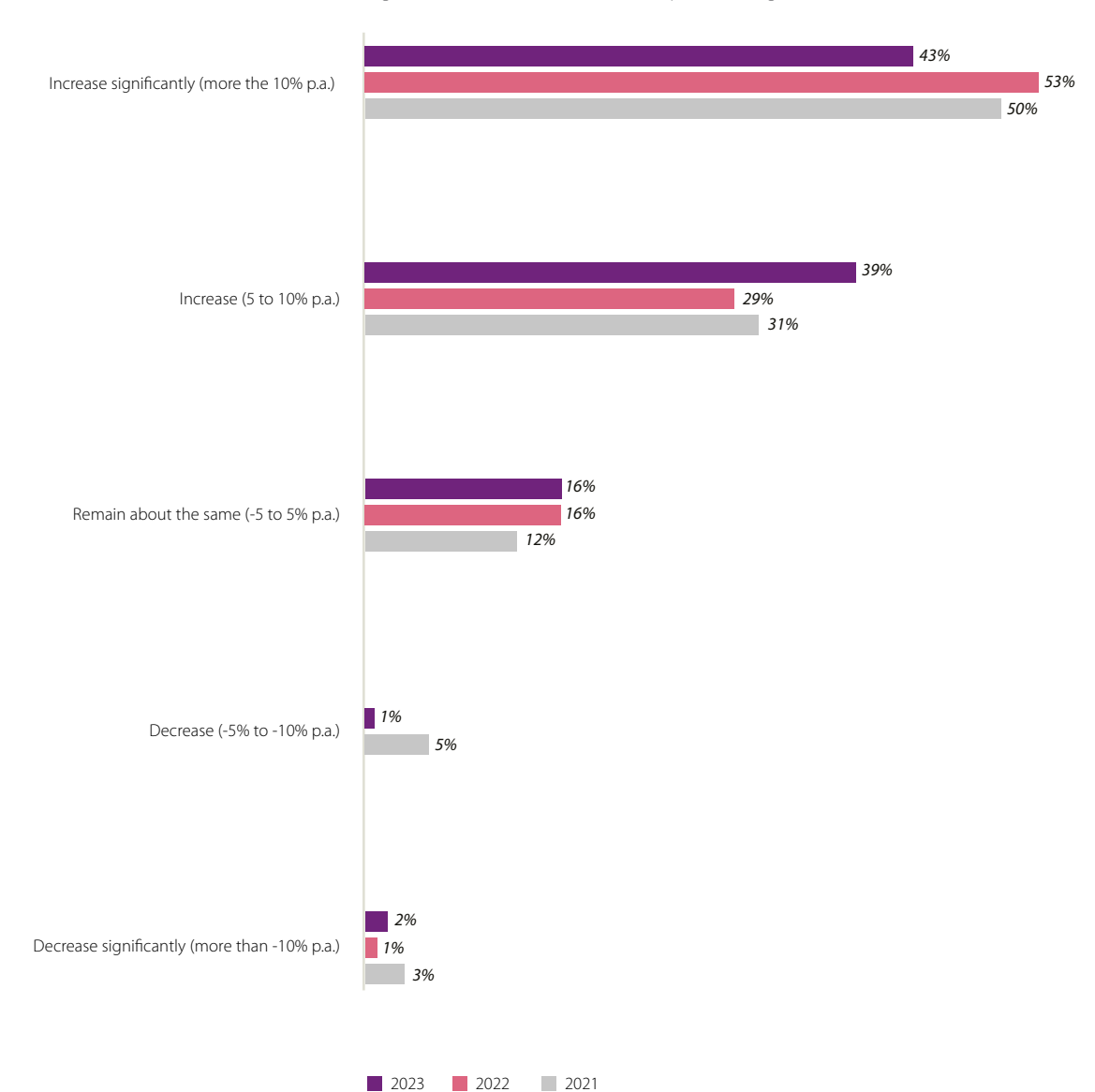
TRADE AND INVESTMENT FORECAST

Respondents were asked whether they expected their ASEAN derived revenue to increase, decrease or remain the same over the next five years.

The outlook of Australian businesses in the region is overwhelmingly positive. Most respondents anticipate increases in their ASEAN derived revenue over the next five years, more than 80 percent, with more than half of that expecting significant increases. Only 3 percent expect revenue to decline.

This picture is not dissimilar to responses in 2022 and 2021, albeit expectations for significant increases in revenue were slightly higher for both years, and anticipated decreases marginally greater in 2021, likely as pandemic disruptions emerged.

Figure 19: Most Australian businesses anticipate increasing ASEAN derived revenue





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TRADE AND INVESTMENT DRIVERS

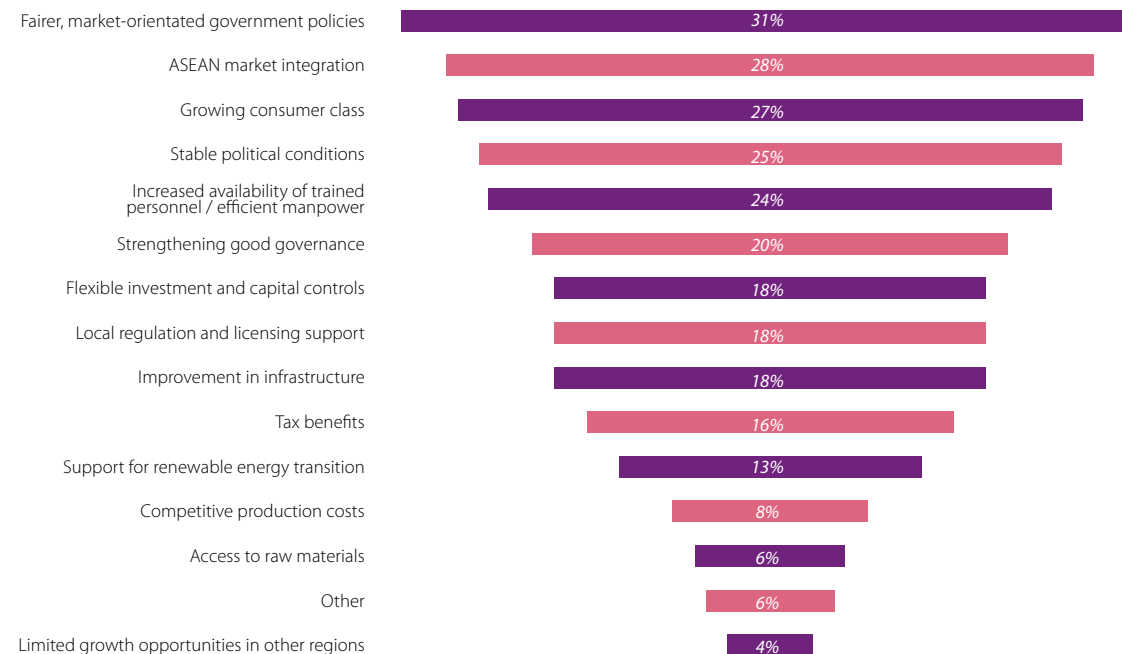
Respondents selected up to three factors likely to drive improvements in their company's trade and investment within ASEAN.

Policy, market and regulatory factors were selected as key drivers of trade and investment. Fairer, market-oriented government policies were the most cited factor for improving trade and investment, followed by ASEAN market integration and a growing consumer class. Others of note were stable political conditions, availability of trained personnel and strengthening of good governance.

Improvements in infrastructure, tax benefits and support for renewable energy transition were also considered drivers of trade and investment, albeit to a lesser degree.

These results reinforce other perspectives gleaned from the survey which reflect the impact of the governance and regulatory framework on businesses operating in the region, and the importance of ASEAN as a regional growth hub.

Figure 19: Policy, market and regulatory factors are driving trade and investment in ASEAN



These are similar to results from 2022, though notably fairer market-oriented policies is now considered more important - it was the 6th most cited driver a year ago, behind improvements in infrastructure and stable political conditions. Increased availability of trained personnel was the most important driver in 2022, selected by 30 percent of respondents. A growing consumer class and ASEAN integration have consistently been selected as drivers in past surveys.

The focus on governance and importance of market-oriented policies appears to be of increasing importance. In 2017 demographics and economic growth were mainly driving greater investment in the region, as was the prospect of greater ASEAN integration and improvements in infrastructure.⁵

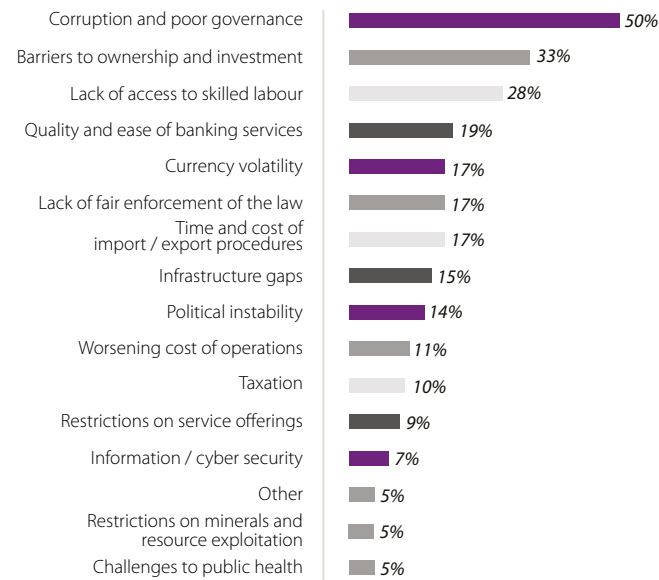
⁵2017 report p 14.

CHALLENGES OF OPERATING IN ASEAN

Governance issues also rated highly as a key challenge to businesses operating in ASEAN, with half of respondents selecting this as a major challenge. Barriers to ownership and investment was the second most noted challenge (33 percent). Access to skilled labour was third (28 percent). These results are largely consistent with those for 2022, and with those as far back as 2017.⁶

Other major challenges relate to a range of factors such as quality of banking services, currency volatility, lack of fair law enforcement and time/cost of export and import procedures.

Figure 20: Governance issues remain a key operating challenge

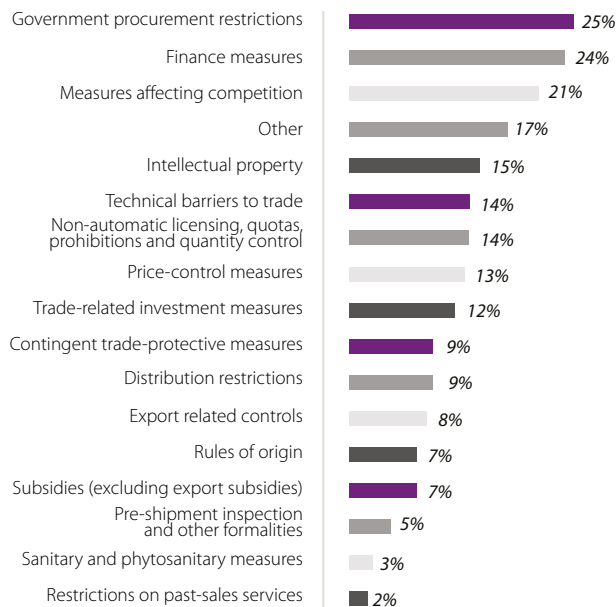


NON-TARIFF TRADE MEASURES AS BARRIERS

Respondents were asked to select up to three non-tariff measures which operate as barriers to their business in ASEAN. Government procurement restrictions, finance measures and measures affecting competition were the top three selected barriers. Intellectual property, technical barriers to trade, non-automatic licensing and quotas and price control measures were also noted as key barriers. All 16 measures listed were considered barriers by some respondents, indicating that numerous non-tariff measures continue to impact on trade. A substantial portion of respondents (17 percent) listed 'other' without specifying the issue. Additional research may be required to identify these barriers.

These results are consistent with those of 2022, however finance measures are relatively more prominent as a barrier in 2023 (24 percent compared to 15 percent).

Figure 21: Non-tariff barriers continue to impact on businesses

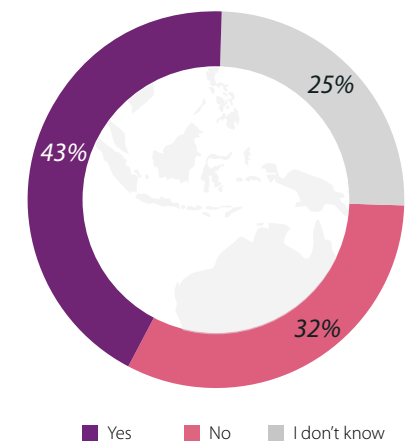


THE IMPORTANCE OF ASEAN ECONOMIC INTEGRATION

43 percent of respondents viewed ASEAN integration as being important for helping their company to do business in the region. This is consistent with last year's survey results, slightly less than recent years (46 percent in 2021 and 47 percent in 2020), but generally unchanged from 6 years ago (42 percent in 2017).

Similarly, the share of respondents that do not consider ASEAN integration important increased slightly from 29 percent in 2022 to 32 percent in 2023, and has not changed significantly over the longer term (28 percent in 2017).⁷ This is consistent with the result that most respondents to this survey focus on a single market of operation.

Figure 22: ASEAN integration remains important for some businesses but not all

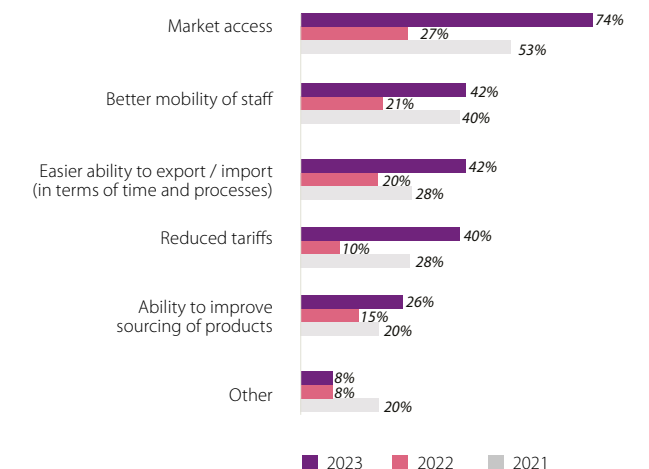


BENEFITS FROM ASEAN INTEGRATION

For those respondents that did consider ASEAN integration to be of importance to their business operations, market access was clearly identified as the major area of benefit. While this outcome is consistent with previous surveys, including as far back as 2017.⁸ In 2023, market access benefits were considered relatively much more important (selected by over 70 percent of respondents, compared to 27 percent in 2022 and 53 percent in 2021).

Other major areas of benefit of ASEAN identified by the Australian business community were, as per previous years, better mobility of staff, easier ability to trade and reduced tariffs. This year, reduced tariffs, in particular, were considered a benefit by more respondents than in previous years (40 percent compared to 10 percent in 2022 and 28 percent in 2021).

Figure 23: Market access is a key benefit of ASEAN integration



⁶2017 report p 14.

⁷2017 report p 16.

⁸2017 report p 17.

THE VALUE OF ASEAN

Most Australian businesses prioritise ASEAN as a region for their operations (over 70 percent), consistent with last years' results. Generally consistent with results from 2022, the majority (65 percent) of businesses consider their head office to have a deep level of understanding of business issues in ASEAN. For over 70 percent of respondents, experience in ASEAN is highly valued by companies.

However, while most businesses prioritize ASEAN as a region compared with 2022, there has been a modest increase in the proportion of those that do not. In 2023, about 20 percent of respondents did not consider ASEAN a priority region (either strongly, or somewhat) up from 4 percent in 2022, 28 percent did not feel their head office had a strong understanding of business issues in ASEAN (up from 14 percent) and 24 percent did not think that ASEAN experience was highly valued (up from 10 percent in 2022).

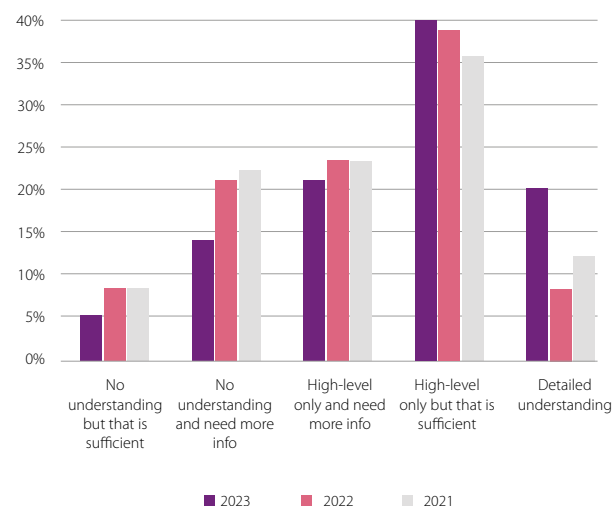
Figure 24: Most businesses prioritise ASEAN as a region for their operations



UNDERSTANDING OF ASEAN INTEGRATION

Business understanding of ASEAN integration appears to be increasing, as does the interest of business in improving that understanding. Twenty percent of respondents noted they already had a detailed understanding of ASEAN integration (up from 8 percent in 2022 and 12 percent in 2021). Fewer respondents had no understanding of ASEAN integration than in previous years, including those who considered this to be sufficient.

Figure 25: Business understanding of ASEAN integration appears be increasing



PRIORITIES FOR ASEAN INTEGRATION

Respondents were asked to select what they saw as priority areas for accelerating ASEAN economic integration.

Improved governance, labour mobility, regulation and infrastructure were all identified as priority areas in which to accelerate ASEAN integration (and thereby easing the cost of operating in ASEAN). Half of respondents considered fair enforcement of the law to be a priority. Labour mobility was also important (selected by almost 45 percent of respondents) followed by investment and services restrictions, and infrastructure gaps. Non-tariff barriers to trade also featured. These results are broadly consistent with the challenges and constraints impacting on business in ASEAN as identified earlier in the survey.

Fair enforcement of the law has been the most cited area for some time (the most cited priority in both 2022 and 2021) and appears to be of continued and increasing importance to business. Labour mobility, and investment and services restrictions have also become more prominent priorities since 2021. Interest in infrastructure gaps has increased since 2021, though harmonisation of standards and intellectual property rights have dropped down the list.

Figure 26: Improved governance should be a priority for accelerating ASEAN integration



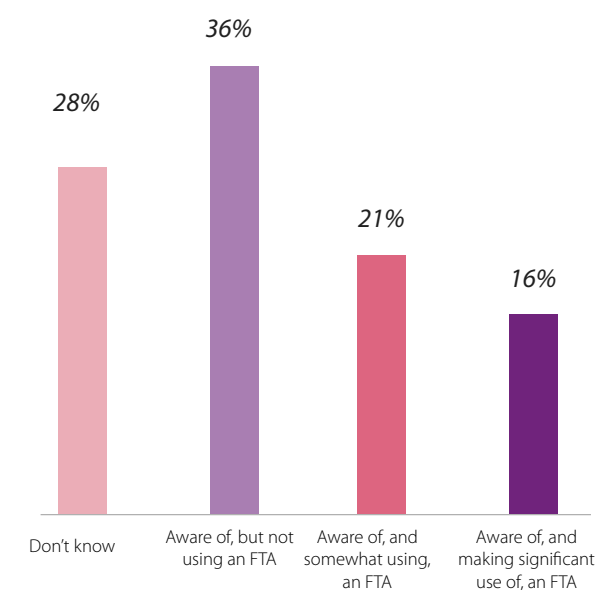
AWARENESS AND USE OF TRADE AGREEMENTS

Australian business benefits from six FTAs across ASEAN, including the Regional Comprehensive Economic Partnership (RCEP) and ASEAN-Australia-New Zealand Free Trade Agreements (AANZFTA).

However, FTAs are not being extensively utilised by Australian businesses in ASEAN. When asked about their awareness and use of FTAs in the region, over 30 percent reported they were aware of FTAs but not using them. Just over 21 percent were using them 'somewhat' and 17 percent were making significant use of them. Notably 28 percent reported they did not know about the agreements.

While these results indicate FTA utilisation could be better, they do reflect an improvement on 2022, when over 40 percent of businesses were not using them, and over 30 percent did not know about them. In particular, only 9 percent of businesses were making significant use of them in 2022, almost less than half the proportion who now report they do so.

Figure 27: FTAs could be better utilised



CAMBODIA



In the decades leading up to the COVID-19 pandemic, Cambodia enjoyed strong economic growth – among the fastest-growing in the world. This enabled the country to reach lower middle-income status by 2015, and its government is now targeting upper middle-income by 2030. It is continuing to make a robust recovery from the effects of the pandemic. This was originally driven by growth in manufacturing for export (chiefly in clothing and footwear) but with a rise in international tourism – particularly from China – the services sector is building momentum. Natural deposits, including oil beneath Cambodia's territorial waters and minerals including iron, bauxite, and gold, present strong growth potential for the resources sector. Domestic consumption has seen growth due to weakening inflation and the stabilising of prices for energy and food.

Growth in infrastructure investment, via both private and public channels, should enable the economy to continue growing. Exports of goods and services are likely to continue increasing thanks to recently ratified free trade agreements. Overall economic growth will hopefully alleviate Cambodia's poverty rate, which has been adversely affected by the COVID-19 pandemic, and price increases caused by the Russia-Ukraine War.

Outcomes in health, early childhood and primary education have improved significantly since 2000, with enrolments in the latter reaching 93 per cent in 2021-22. Despite improvements, Cambodia continues to face significant challenges. A lack of sufficient infrastructure, workforce upskilling, or diversification in the economy all present ongoing problems for Cambodia – as well as opportunities for foreign and private investment in meeting these challenges.

ECONOMIC INDICATORS	2017	2022
GDP (US\$B) (CURRENT PRICES)	22.18	29.5
GDP PER CAPITA (US\$)	1,304.55	1,488.81
REAL GDP GROWTH (% CHANGE YOY)	7.0	5.3

PRINCIPAL EXPORT DESTINATIONS 2022			PRINCIPAL IMPORT SOURCES 2022		
1	UNITED STATES	44%	1	CHINA	36%
2	CHINA	6.1%	2	VIETNAM	14%
3	JAPAN	5.7%	3	THAILAND	13%
18	AUSTRALIA	1.9%	19	AUSTRALIA	0.5%

Country level survey data not included due to limited sample size.



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INDONESIA

Indonesia is Southeast Asia's largest economy – it is also the world's 10th largest by purchasing power parity. A diverse population of 274 million people comprising 300 ethnic groups across an island archipelago, is the world's fourth largest. In the 20 years before the COVID-19 pandemic, Indonesia successfully halved its poverty rate to only 10%; the economic challenges of the pandemic have challenged this progress, however by March 2023 the rate had continued to decline to 9.3%.

The Indonesian economy is based heavily in industry and services. Key exports include coal, palm oil, natural gas, iron alloys, and stainless steel. Indonesia's government is nearing the end of a 20-year development plan and is primarily focused on improving global competitiveness and human capital in-country. During the pandemic, Indonesia's economic struggles temporarily reduced it to lower middle-income status. It has since returned to the upper middle-income category. Growing exports of commodities and accommodative fiscal policy are helping to maintain Indonesia's economic recovery.

Climate change represents a significant challenge to the Indonesian economy in future decades, and will require investment in flood and heat mitigation, water and food infrastructure, disaster risk management, and futureproofing in urban development. With its large coastal areas and tropical rainforests – the third largest in the world – Indonesia's response to these challenges is critical to its ongoing growth and improvement.

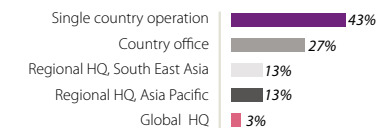
ECONOMIC INDICATORS	2017	2022
GDP (US\$B) (CURRENT PRICES)	1,015.62	1,319.10
GDP PER CAPITA (US\$)	3,591.78	4,073.61
REAL GDP GROWTH (% CHANGE YOY)	5.1	5.3

PRINCIPAL EXPORT DESTINATIONS 2022			PRINCIPAL IMPORT SOURCES 2022		
1	 CHINA	23%	1	 CHINA	29%
2	 UNITED STATES	10%	2	 SINGAPORE	8.3%
3	 JAPAN	8.8%	3	 JAPAN	7.4%
14	 AUSTRALIA	1.2%	8	 AUSTRALIA	4.2%

EMPLOYEE NUMBERS



ROLE OF OPERATIONS

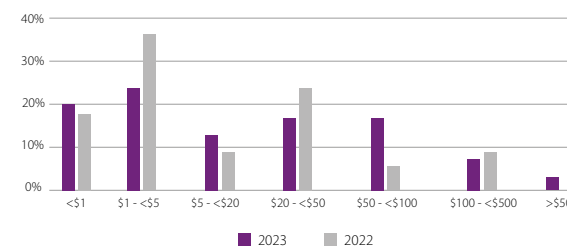


TOP INDUSTRIES OF OPERATIONS



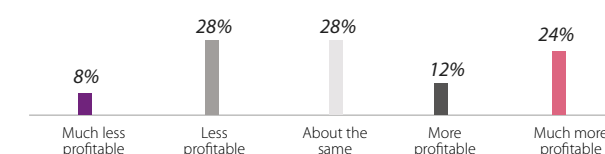
More than one-third of respondents were professional services firms, with energy/resources, construction and infrastructure also heavily represented.

ANNUAL TURNOVER (IN MILLION AUD)



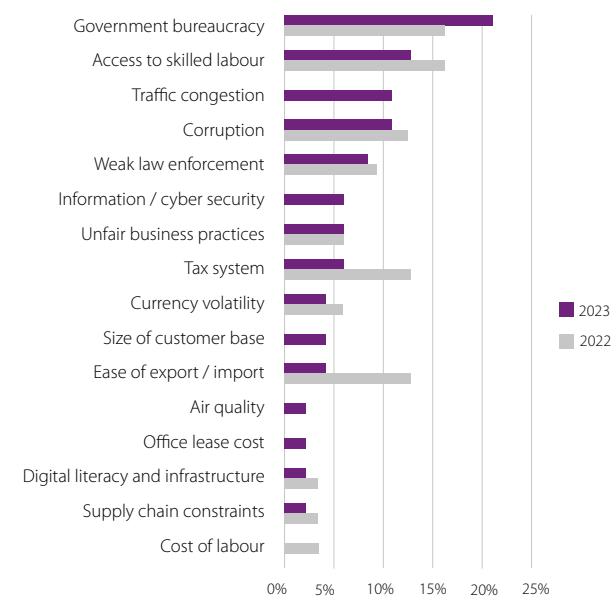
The Australian business community in Indonesia is made up of both small and large businesses. 20% of respondents turn over less than \$1 million. Over 20% turn over more than \$50 million.

PROFITABILITY



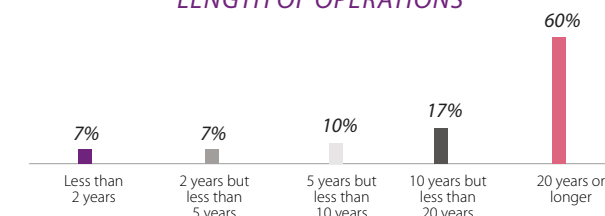
Firms in Indonesia generally report similar or deteriorating profitability over the previous 12 months. However, 24% report being much more profitable.

HIGH IMPACT BUSINESS CHALLENGES



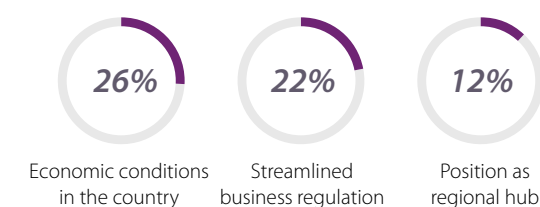
Government bureaucracy continues to dominate as the most substantial barrier to doing business in the country. Access to skilled labour has moved down while weak law enforcement and corruption remain a pressing concern.

LENGTH OF OPERATIONS



The overwhelming majority of respondents operating within Indonesia have been in the market for a relatively long period of time, with 60% having been in the market for over 20 years.

TOP GROWTH DRIVERS



LAOS



The Laotian economy is struggling due to a confluence of factors, including the COVID-19 pandemic, macroeconomic instability, soaring public debt, and runaway inflation. Long-standing weaknesses in the country's economic structure have exacerbated these factors, with long-term implications for the country's poorest citizens. The Laotian economy is almost 46% in the services sector, almost 21% still based in agriculture.

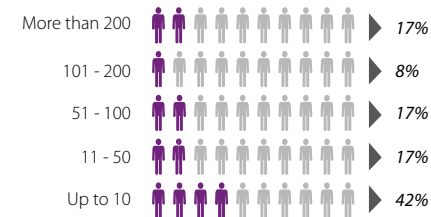
Large-scale investment in capital intensive sectors such as mining and power drove economic growth in previous decades. Public investment in these sectors were largely based on commercialised external debt from China. Due to foreign investment, only 30 per cent of export earnings from these sectors are retained in-country – despite electricity now being one of the country's largest exports. Significantly, these projects have failed to match jobs creation to capital investment and come at extensive environmental costs. Between 2021 and 2023 the Laotian kip declined to less than 50 per cent its former value against the US dollar. As debt obligations cut into government spending, critical social services including education and health care all suffer shortfalls in funding. The economic situation threatens gains Laos has previously made in education, health, and poverty eradication.

As of 2021, public debt was estimated to be more than 92 per cent of GDP. Securing a debt-reduction deal is critical to Laos' economic recovery and future, as is diversifying future public debt beyond one major country.

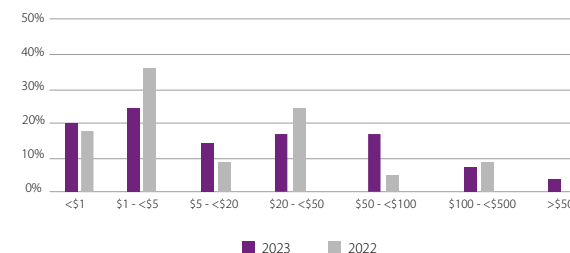
ECONOMIC INDICATORS	2017	2022
GDP (US\$B) (CURRENT PRICES)	17.07	15.47
GDP PER CAPITA (US\$)	2,358.37	2,599.21
REAL GDP GROWTH (% CHANGE YOY)	6.9	4.4

PRINCIPAL EXPORT DESTINATIONS 2022		PRINCIPAL IMPORT SOURCES 2022	
1	THAILAND 32%	1	THAILAND 47%
2	CHINA 31%	2	CHINA 23%
3	VIETNAM 17%	3	VIETNAM 8%
4	AUSTRALIA 4.9%	7	AUSTRALIA 1.7%

EMPLOYEE NUMBERS

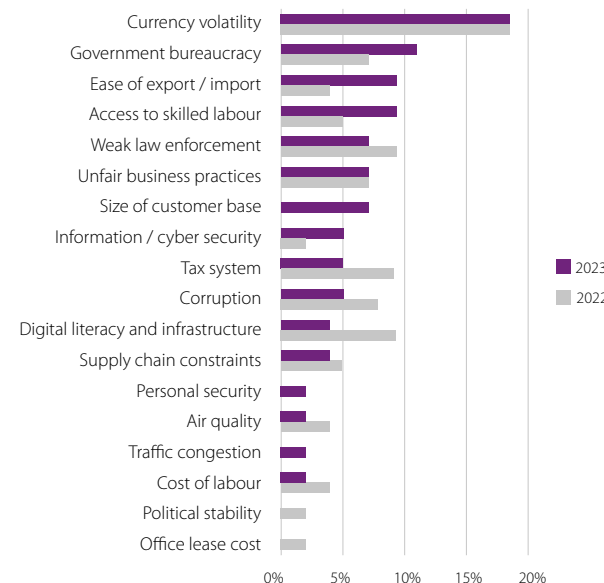


ANNUAL TURNOVER (IN MILLION AUD)



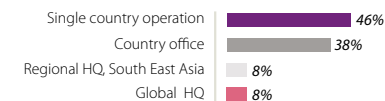
Most firms in Lao PDR are smaller businesses, with over 50% of businesses employing 50 people or less and the same amount reporting turnover of \$20 million or less.

HIGH IMPACT BUSINESS CHALLENGES



Currency volatility is still the biggest challenge for doing business in Laos with close to 20% of firms identifying it as a high impact business challenge. Weak law enforcement is a significant challenge for over 10% of respondents, dropping from 38% in 2021.

ROLE OF OPERATIONS



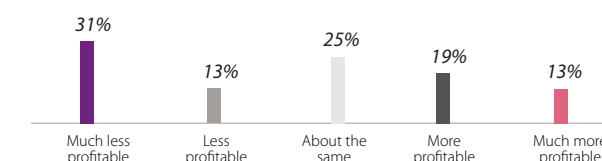
The majority of respondents are focussed on the domestic market in Laos.

TOP INDUSTRIES OF OPERATIONS



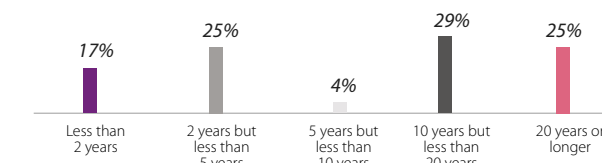
25% of respondents in Laos are from the Energy/Resources sector, with lesser amounts from agriculture, transport and logistics.

PROFITABILITY



Profit was spread across the board from Laos respondents with 31% reporting much less profitability and 13% reporting much more profitability.

LENGTH OF OPERATIONS



Australian business has a range of experience operating in Laos. One-third of firms have more than a decade's experience in the market, though Laos also continues to attract new investment with 45% of firms entering the market in the last 2 years.

TOP GROWTH DRIVERS



MALAYSIA



Malaysia boasts one of the world's most open economies, with a trade-to-GDP ratio averaging above 130% for the past decade-and-a-half. Roughly 40 per cent of Malaysian jobs are linked to export industries. Thanks to long-term economic growth, Malaysia will imminently shift from an upper middle-income economic status to a high-income one. The COVID-19 pandemic has had a detrimental effect on the national economy, however, which has exacerbated income inequality in-country. In 2020 economic growth was -6.2 per cent, however by 2022 a strong recovery saw annual growth hit 15.7 per cent.

Manufactured products comprise 70% of all merchandise exports. The remainder is made up of mineral fuels, food, ores and metals, and agricultural raw materials. Malaysia's key export partners are China, Singapore, and the USA.

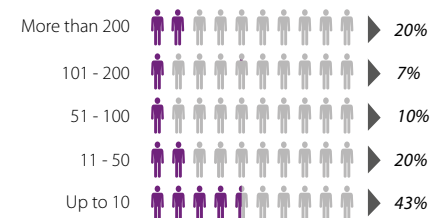
Productivity – a long-standing concern – needs to be improved in line with other high-income economies. Long-term sustainable growth into high-income status will be reliant on greater investment in human capital, growth in female labour force participation, education outcomes, upskilling the existing labour force, taxation reform, and enhancing public service capacity. Existing social safety net mechanisms would benefit from strengthening to improve economic equality. There is a particular need for Malaysia to further embrace a digital economy, in terms of e-commerce and teleworking. Malaysia's aging population will lead to future challenges in healthcare and workforce size. As with all national economies, there is also a need for concerted developments in the green economy – particularly in terms of decarbonisation.

ECONOMIC INDICATORS	2017	2022
GDP (US\$B) (CURRENT PRICES)	319.11	407.03
GDP PER CAPITA (US\$)	10,416.04	11,399.40
REAL GDP GROWTH (% CHANGE YOY)	5.8	8.7

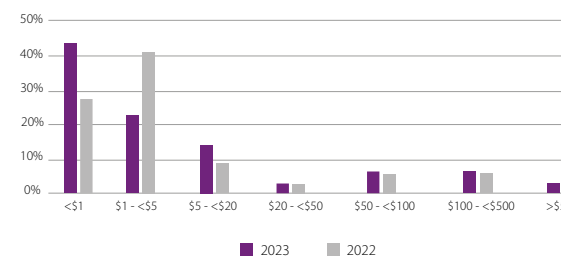
PRINCIPAL EXPORT DESTINATIONS 2022		
1	SINGAPORE	14%
2	CHINA	16%
3	UNITED STATES	11%
10	AUSTRALIA	3.3%

PRINCIPAL IMPORT SOURCES 2022		
1	CHINA	23%
2	SINGAPORE	11%
3	UNITED STATES	8.5%
8	AUSTRALIA	3.4%

EMPLOYEE NUMBERS

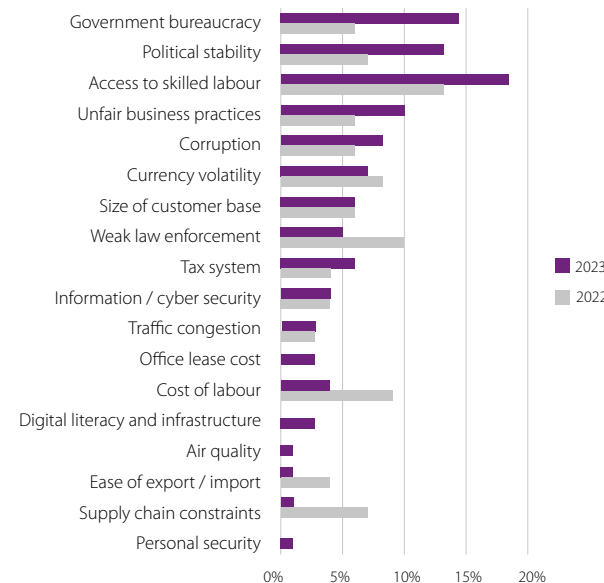


ANNUAL TURNOVER (IN MILLION AUD)



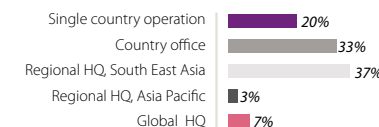
A majority of respondents from Malaysia are smaller in scale, with close to 60% having a turnover of less than \$5 million, and 43% employing ten staff or less.

HIGH IMPACT BUSINESS CHALLENGES



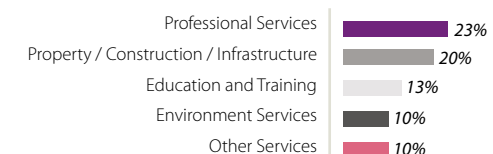
Access to skilled labour, government bureaucracy and political stability are the most reported challenge to doing business. Concerns about corruption and the size of customer base have stayed about the same.

ROLE OF OPERATIONS



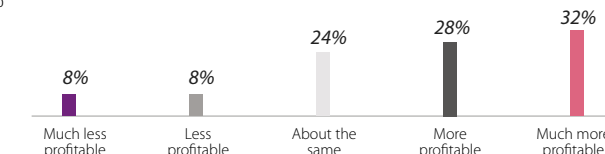
One half of the Australian business community in Malaysia is focused solely on the Malaysian market, with remaining respondents coming from international firms.

TOP INDUSTRIES OF OPERATIONS



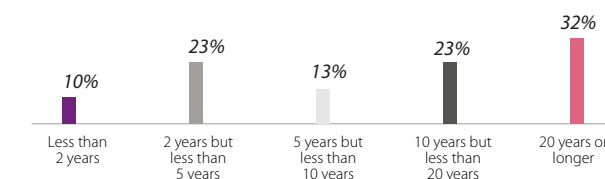
The Australian business community in Malaysia is dominated by the professional services, financial services and property/infrastructure sectors, though a long tail of other sectors are present too.

PROFITABILITY



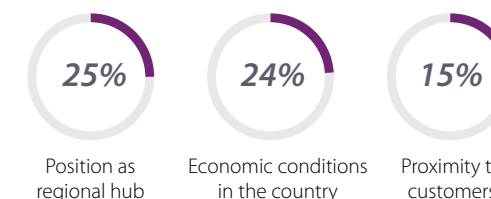
32% of firms were much more profitable when compared with 2020, while only 8% of firms recorded much less profitability overall - a slight uptick from previous years.

LENGTH OF OPERATIONS



32% of respondents have been operating in Malaysia for more than 20 years, demonstrating Australia's significant in-market experience. New Australian businesses are entering the market too, with 10% of businesses having entered within the last two years, and 23% within the last two to five years.

TOP GROWTH DRIVERS



PHILIPPINES

The Philippines has a dynamic economy, one driven by strong consumer demand and labour market. Despite the challenges of the COVID-19 pandemic, strong economic performance in recent years has successfully reduced the national poverty rate to under 20 per cent. The private sector has weathered the crisis in the services sector with strong performance in business process outsourcing, wholesale and retail trade, real estate, and tourism. Overall GDP growth has increased from a 9.5% decline in 2020 to 7.6% annual growth in 2022. Key export partners include the USA, Japan, China, and Singapore.

In future years the Philippines is likely to particularly benefit from its membership of the RCEP trade deal, due to favourable rules of origin treatment that will provide cumulative improvements to manufacturing supply chains. The Philippines already boasts one of the fastest-growing manufacturing sectors in the world and is likely to continue evolving into a key regional hub for low-cost manufacturing.

It is likely there will be increased flows of foreign direct investment into the economy as a result. This matches local economic ambition: the Filipino government is already seeking large investments in capital to boost medium-to-long term economic growth. Improved per capita GDP will help to improve key human development indicators, and further reduce poverty in-country – particularly among the country's extreme poor.

ECONOMIC INDICATORS	2017	2022
GDP (US\$B) (CURRENT PRICES)	328.48	404.28
GDP PER CAPITA (US\$)	3,289.47	3,527.98
REAL GDP GROWTH (% CHANGE YOY)	6.9	7.6

PRINCIPAL EXPORT DESTINATIONS 2022		
1	 UNITED STATES	16%
2	 JAPAN	15%
3	 CHINA	14%
17	 AUSTRALIA	0.7%

PRINCIPAL IMPORT SOURCES 2022		
1	 CHINA	21%
2	 INDONESIA	10%
3	 JAPAN	9.4%
11	 AUSTRALIA	2.3%

Country level survey data not included due to limited sample size.




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SINGAPORE



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Singapore is a high-income economy, ranked among the world's most competitive and widely considered to have one of most open and amenable regulatory environments. The manufacturing and services sectors remain the twin pillars of its high value-added economy.

GDP growth is slow in the wake of the COVID-19 pandemic, as demand remains weak in several key manufacturing export markets including the USA and the European Union. Electronic manufacturing has been particularly affected as weaker economic conditions globally have softened demand for IT products. A gradual recovery of Chinese demand may mitigate the impact, however, and the ongoing recovery of international tourism – particularly travel through Singapore Changi Airport – will further aid in an overall economic recovery. Singapore has supplanted Hong Kong as the key transport and trade hub in Asia and is expected to continue expanding in this regard.

Singapore's longer-term future is bright. New technologies – and Singapore's SmartNation initiative – will drive demand at the consumer level, while increased automation will drive industrial electronics. Foreign investment will increase production of pharmaceutical and vaccine products. The city will continue to act as a leading centre for international finance and investment banking. One key challenge is an aging population: the proportion over 65 years is set to increase from one sixth to one quarter by 2030.

ECONOMIC INDICATORS	2017	2022
GDP (US\$B) (CURRENT PRICES)	343.27	466.79
GDP PER CAPITA (US\$)	59,440.20	67,359.79
REAL GDP GROWTH (% CHANGE YOY)	4.7	3.6

PRINCIPAL EXPORT DESTINATIONS 2022			PRINCIPAL IMPORT SOURCES 2022		
1	CHINA	13%	1	CHINA	13%
2	HONG KONG	13%	2	HONG KONG	12%
3	MALAYSIA	11%	3	MALAYSIA	11%
10	AUSTRALIA	3.4%	10	AUSTRALIA	2%

Country level survey data not included due to limited sample size.



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THAILAND

Historically Thailand has enjoyed a robust and fast-growing economy, rising from low to upper middle-income status within a single generation. From 1960 to 1996 average annual economic growth was 7.5%; even following the Asian financial crisis in 1997 growth averaged 5% per year. Since that period growth has slowed due to weak productivity increases. Private investment has more than halved in recent decades. Foreign investment and global value chain participation has stagnated. In 2021 GDP growth was just 1.5%. This followed a COVID-19 driven decline of 6.1%.

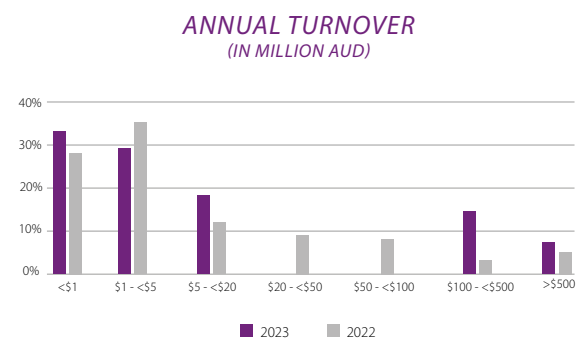
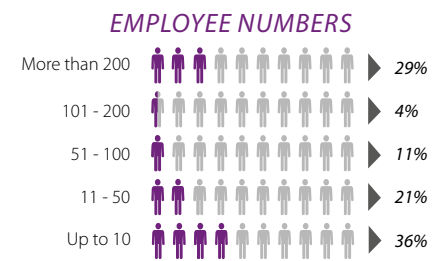
Government policy responses to the challenges of the pandemic helped Thailand's economy to avoid a recession, however this intervention came at the cost of increased public debt. A full recovery is expected to be slow, partly due to global economic factors, but will be bolstered by private consumption and tourism. The latter will be driven by China, which re-opened its borders to outbound tourism in 2023. Overall, Thailand remains sensitive to trade and investment, which have been complicated by both pandemic recovery and the knock-on effects of multiple foreign conflicts – including in Ukraine and Gaza.

While Thailand boasts a strong public healthcare system, the education sector lags industry need. This may present further productivity issues as students progress from school and into the workforce. Increasing frequency of extreme weather events and natural disasters also threatens sustained economic growth. Additional long-term issues include an aging population and a need for the government to raise additional tax revenue.

ECONOMIC INDICATORS	2017	2022
GDP (US\$B) (CURRENT PRICES)	456.36	495.42
GDP PER CAPITA (US\$)	6,099.2	6,278.35
REAL GDP GROWTH (% CHANGE YOY)	4.2	2.6

PRINCIPAL EXPORT DESTINATIONS 2022		
1	UNITED STATES	17%
2	CHINA	12%
3	JAPAN	8.8%
6	AUSTRALIA	4%

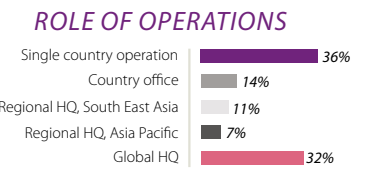
PRINCIPAL IMPORT SOURCES 2022		
1	CHINA	24%
2	JAPAN	12%
3	UNITED STATES	6.2%
11	AUSTRALIA	2.5%



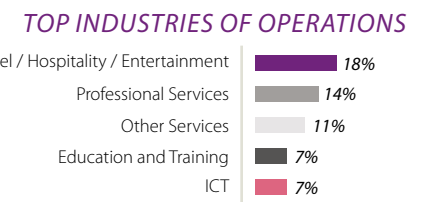
The number of smaller businesses has grown over the last year. Close to 60% of respondents reported less than \$5 million. Interestingly, there were similar amounts of respondents with less than 10 employees and more than 200.



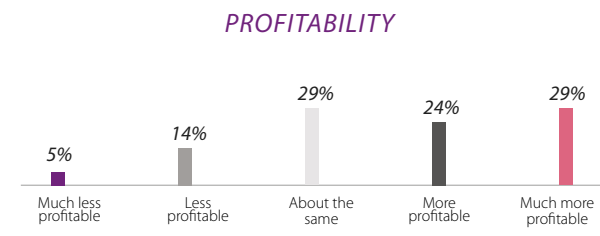
Access to skilled labour and government bureaucracy are the most significant constraints on doing business in Thailand, reported by 33% of firms.



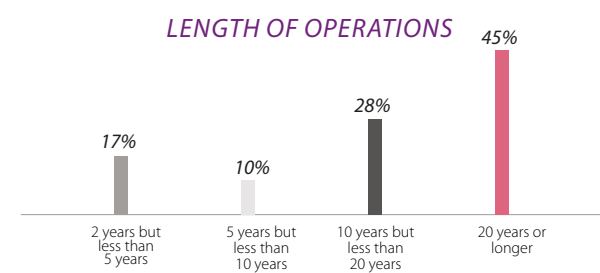
The Australian business community in Thailand is quite diverse. Half are focussed exclusively on the local market, and half take advantage of Thailand's central location by using it as their regional or global headquarters.



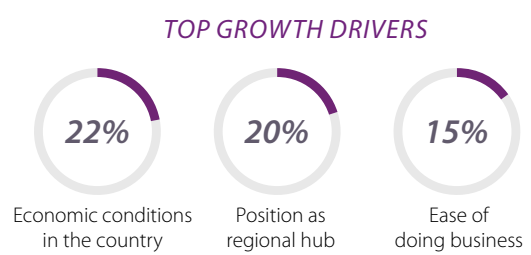
Australian businesses in Thailand most commonly operate in the travel/hospitality/entertainment and professional services sector.



53% of businesses in Thailand reported improved profitability in 2023.



Australian business in Thailand exhibits a broad spread of experience. 27% of businesses were established within the last five years, 28% between ten to twenty years ago, while firms with greater than twenty years' experience account for 45% of respondents.



VIETNAM

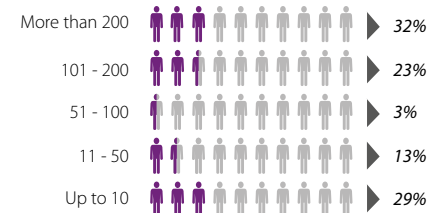


Vietnam has increased its economy at a vigorous rate over the past 50 years, transforming itself in the process from being one of the world's poorest countries to being a fully-fledged middle-income economy. Ongoing government reforms have driven strong resilience against economic shocks – including regional and global financial crises, and the COVID-19 pandemic. Successfully negotiating the pandemic has come with a cost, however: inflation growth will present a hurdle in the immediate future. Economic growth is nonetheless expected to continue increasing year-on-year, potentially to 6 per cent in 2025.

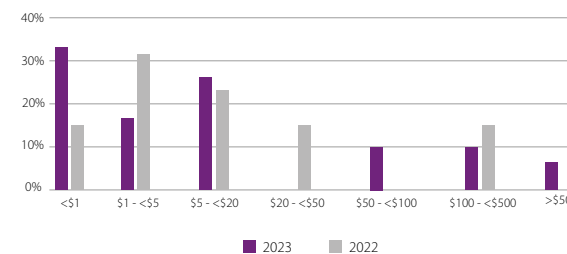
Vietnamese exports are predominantly manufactured products (85%), as well as mineral fuels and foods. Chief export partners include the USA, China, South Korea, and Japan.

Vietnam aims to reach high-income country status by 2045; a long-term goal that will require sustained GDP per capita growth of 6 per cent per year. Challenges facing the country include an aging population and environmental risks as the world's climate destabilises. The necessary solutions will include policy development in finance, digital transformation, and a shift to low-carbon infrastructure. The government has pledged to achieve net zero emissions by 2050, but this will require extensive policy change, tax reform, and aggressive development of the Vietnamese economy. Much of Vietnam's economic growth has been driven by its development as a manufacturing base.

EMPLOYEE NUMBERS

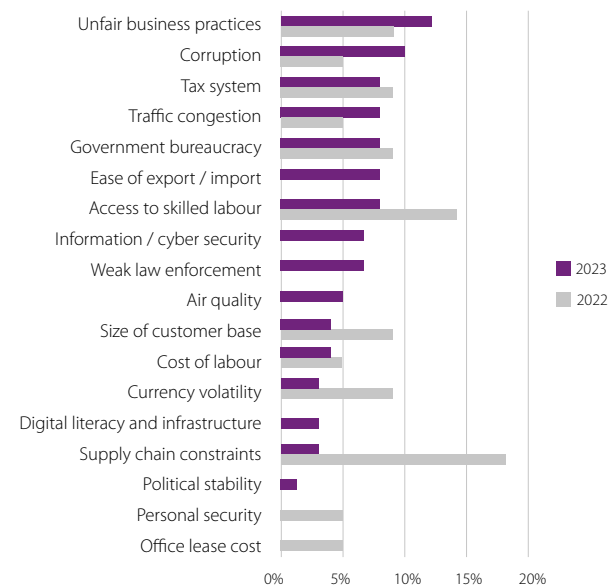


ANNUAL TURNOVER (IN MILLION AUD)



Firms operating in Vietnam continue to grow and diversify in size. Over 32% of respondents report less than \$1 million turnover and shifts in all other income brackets can be seen. Firms employing 200 or more people account for 32% of respondents, a slight increase on 2022.

HIGH IMPACT BUSINESS CHALLENGES



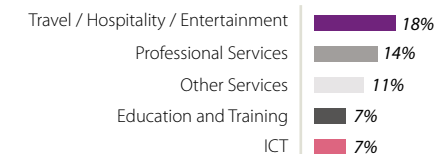
Unfair business practices are the most commonly identified high impact constraint on doing business in Vietnam, having grown significantly to now impact upon 13% of firms (from 8% in 2022). The tax system ranks equal second with corruption (same as 2022).

ROLE OF OPERATIONS



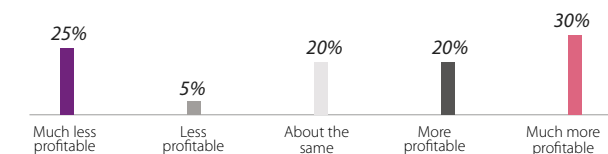
Close to half of respondents in Vietnam were focussed exclusively on the local market while the other half was from multinationals.

TOP INDUSTRIES OF OPERATIONS



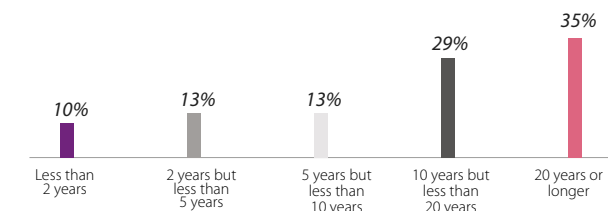
Travel/hospitality/entertainment and professional services made up the majority of respondents in Vietnam.

PROFITABILITY



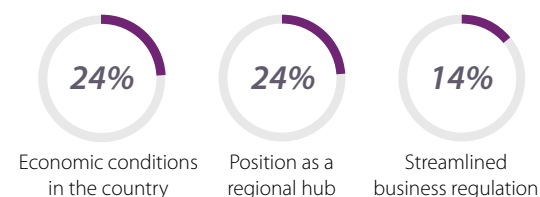
Business conditions over the past 12 months were mixed, with half of the respondents reporting improved profitability, while 30% of firms reported decreased profitability in 2022.

LENGTH OF OPERATIONS



Australia has significant experience in Vietnam with 35% of respondents operating there for more than 20 years. New entries into the market continue to be dynamic, with 23% of firms entering the market in the last five years.

TOP GROWTH DRIVERS



ECONOMIC INDICATORS

	2017	2022
GDP (US\$B) (CURRENT PRICES)	281.35	408.80
GDP PER CAPITA (US\$)	2,903.03	3,655.46
REAL GDP GROWTH (% CHANGE YOY)	6.8	8.0

PRINCIPAL EXPORT DESTINATIONS 2022

1	UNITED STATES	30%
2	CHINA	16%
3	REPUBLIC OF KOREA	6.7%
14	AUSTRALIA	1.5%

PRINCIPAL IMPORT SOURCES 2022

1	CHINA	36%
2	REPUBLIC OF KOREA	19%
3	JAPAN	7.1%
6	AUSTRALIA	3.1%

FOUNDATION MEMBERS

AustCham ASEAN is grateful for the support of its Foundation Members in assisting to gather the data for this 8th edition of AustCham ASEAN Australian Business in ASEAN Survey.



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