

JANUARY 2023

# THE PULSE

Monthly Insights 



Wish you a very Happy New Year. We at ASEAN Business Partners would like to thank you for your association with us. It is our constant endeavour to help you identify business opportunities in Asia and contribute to the economic prosperity of ASEAN. We hope that our services aided your growth aspirations in the past year. Going into 2023 and beyond, we aspire to remain your partner of choice.

In 2023, we believe ASEAN will continue to be one of the fastest growing regions in the world. The progress witnessed in the areas of technology, climate change, and human resources will help ASEAN gear up for the next phase of growth.

## **So what are the highest potential sectors in 2023?**

While potential exists across sectors, we believe that these are the top three areas of growth:

- **Digitisation:** The COVID-19 fuelled digitisation drive has gained never-seen-before momentum. Going digital is no longer the alternative but the only way forward. Within the digital spectrum, segments like payment, edtech, medtech, and mobility have the potential to reshape ASEAN.
- **ESG:** Sustainable development has become a boardroom agenda across companies. With 20% of the world's biodiversity situated within ASEAN, environmental, social, and governance policies will focus towards mitigating climate change risks via net-zero emissions.
- **Talent:** Flexi- and hybrid-working will be the buzzword for 2023. With Gen Z entering the workforce, companies will be forced to rethink their attraction and retention strategies. This means a higher emphasis on digital recruitment and onboarding processes. Upskilling and reskilling will also become key components to stay relevant in the job market.

## RESILIENT 6 GEARED UP FOR 2023

The ASEAN-6 nations are expected to forge ahead in the areas of technology, sustainability, and digital innovation this year.

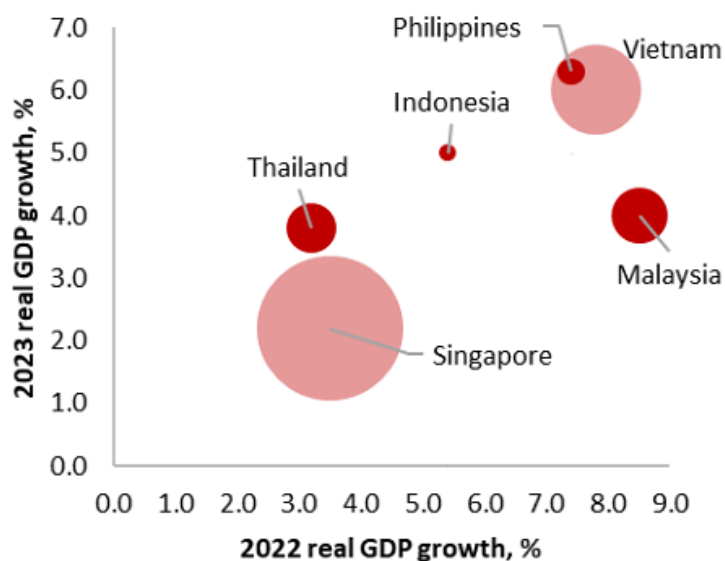


The world has entered a new year amidst tumultuous times. There is a growing fear of recession in the United States on one end, while on the other there are concerns around a spike in new Covid variants in China. However, ASEAN nations are expected to be relatively insulated from global uncertainties since they are led by domestic demand.

The ASEAN nations, including Indonesia, Philippines, Malaysia, Singapore, Thailand, and Vietnam, ended 2022 on a strong note. There was a recovery in domestic consumption and GDP growth recovered. While Thailand saw slower GDP growth than its peers, DBS estimates the economy to recover in early 2023.

The year 2023 will bring transformational changes to businesses across ASEAN. Backed by digitisation, sustainable development, and talent mobilisation, ASEAN has the potential to become the new innovation destination for the globe. The policy reforms and business strategy tweaks initiated in the first few months will further strengthen ASEAN's competitiveness globally.

### ASEAN-6 Growth outlook



Source: World Bank, DBS forecasts

Width of bubble represents trade openness based on total trade, % of GDP

While countries are right to worry about the data of their citizens, many of them still prefer the free flow of digital trade between economies. Perhaps the answer lies in using data localization as a tool used through a risk based lens, where each country sets its own risk level and decides how it would like to balance security and economic considerations. A risk-based approach first requires countries to have strong data classification models, which can help identify which data is more sensitive than others. Security best practices, such as the principle of least privileged access and zero trust systems, which requires portals to continuously verify one's identity through methods such as multi-factor authentication, can also help secure data. Countries will constantly have to refine their data security laws to ensure the right balance between privacy and not affecting economic or digital growth.

ASEAN has committed to establishing a digital economy and society throughout the region by 2025. If the region's countries align on data protection standards, this would help encourage further economic integration and reduce barriers for the provision of services, much like the EU has done. The quicker ASEAN countries refine their data protection laws, the lesser challenges they will face in the future and make the most of any opportunities arising from digitization.

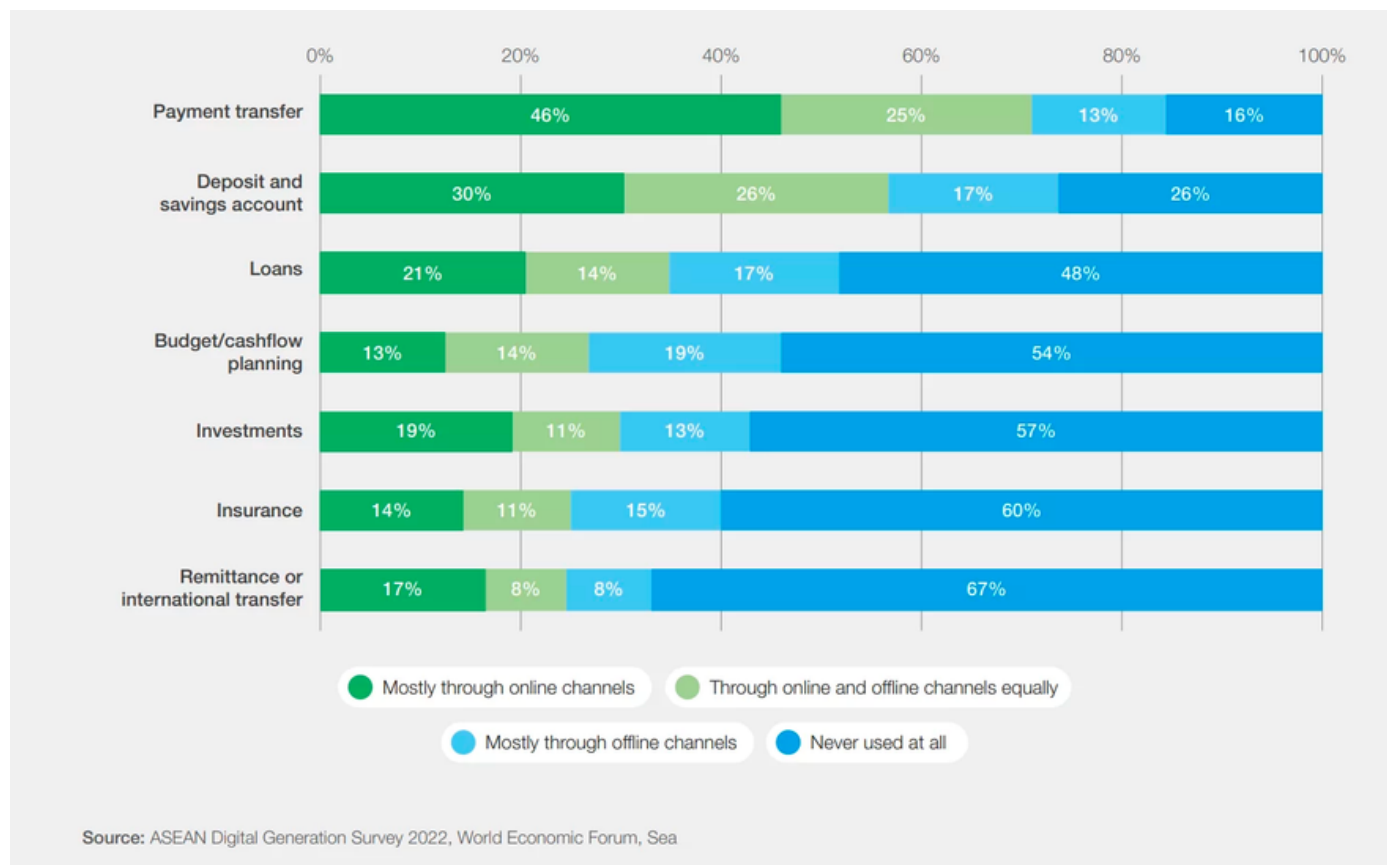


### Digital drive to accelerate recovery

Even as markets such as China have implemented various degrees of lockdowns, the ASEAN markets have reopened completely. The COVID-19 pandemic acted as a catalyst for ASEAN to accelerate its digitisation agenda. The pandemic-fuelled digitisation drive, which helped ASEAN consumers access products and services at their fingertips, will see multi-fold growth in 2023.

Going digital will involve timely regulatory interventions as well as innovative solutions by companies. Here are the three primary areas of growth within the digital fold:

1. **Payments:** With ~460 million internet users in the region, digital payments have boomed in Southeast Asia. This will be a year of building deeper engagements with customers to explore cross-selling and upselling opportunities. Among the ASEAN nations, Vietnam has named 2023 as the year of digital data. This will involve policy initiatives to encourage citizens to use online services and digital platforms to transact. Development of digital infrastructure is also part of this mission.



Overall, Indonesia is expected to retain its lead as the region's largest digital economy. In terms of services, digital banking, digital wallets, buy-now-pay-later, and super-apps may become increasingly popular in 2023. Technology majors such as Google have made an entry into ASEAN through wallet offerings. This year, the services will be expanded across card providers in the region. Fuelled by e-payments, e-commerce will expand further. As e-commerce spreads its wings, traditional players in segments such as grocery may also face stiff competition from digital firms.

**2. Edtech:** While the pandemic sowed the seeds of growth in online learning, ease of access and affordability have enabled edtech's continued progress in ASEAN. The ASEAN Education Ministers Meeting held in October 2022 had resolved to use technology for learning and teaching. Taking this forward, it is expected that Southeast nations will finalise policies to promote e-learning and upskilling. Countries such as Thailand have already attracted the interest of UK edtech companies. Innovation edtech models such as education metaverse may get prominence. Thailand has already taken the leap by setting up a metaverse education community. Overall within ASEAN, edtech firms such as FrontLeaners, Geniebook, Ruangguru, and Topica are expected to continue with their expansion strategy. However, the atmosphere is one of cautious optimism especially since PE/VCs have gone slow on funding.

**3. HealthTech:** Digital technology is imperative to achieving universal health access and ASEAN is no different. In the region, availability of doctors and hospital beds has remained a concern. The number of doctors for every 1,000 people in ASEAN, except for Singapore, is below the world average of 1.57. Telemedicine, AI-ML solutions for the critically ill, wellness applications, and 3D printing will help bridge the access gap. There are a range of startups, from Halodoc, SeeYouDoc in telemedicine, to Meticuly in 3D medical device printing, and See-Mode in AI-based clinical reporting. Smart hospital projects equipped with 5G are already underway. This year, many more healthcare providers are expected to join the digitisation wave.

**4. Mobility:** From autonomous vehicles to drone delivery, mobility has taken its first steps towards digitisation in Southeast Asia. Individuals in countries such as the Philippines are helping global brands to test out driverless cars globally. Simultaneously, in Vietnam, a smart autonomous vehicle has begun test rides in the country. Indonesia, on the other hand, will look into the use-case of self-driving cars. Use of unmanned aerial vehicles or drones is another upcoming opportunity. Malaysia will be home to a drone factory by an Indian company in 2023. In Vietnam, agricultural drones are helping farmers monitor their crops closely. This year may see more innovations in the area of drone manufacturing for agriculture and e-commerce delivery.

ASEAN's drone industry revenues to zoom

Year	Revenue (USD million)
2021	22.67
2022	30.40
2023	35.63
2024	40.31
2025	43.07

Source: Statista

**5. Manufacturing:** Artificial intelligence, internet of things, and machine learning will give a facelift to the manufacturing sector. In fact, work has commenced on extensive use of robotics. In Thailand, for instance, two F&B brands are working to deploy robots to manufacture alcoholic beverages. This is in tune with the country's Thailand 4.0 mission to enable technology-linked manufacturing. Similar efforts are expected in markets such as Indonesia where pharma companies use robotic automation in their manufacturing facilities. Apart from industrial units, apparel manufacturers in the Philippines and Vietnam are also keen to experiment with robots to stitch garments. Overall, there is a massive demand for robotic equipment as manufacturers look to completely automate production processes.

It is not just businesses alone. Digitisation is also being driven by the respective ASEAN governments through the implementation of digital IDs and digital smart cities programmes. Blockchain technology and web3 may power the digital transition in the near future through the use of digital ledger technology.



### Driving sustainable business practices

Climate change is knocking harder on our doors, making sustainable business practices the only alternative. Here, environmental, social, and governance (ESG) disclosures are no longer just good-to-have but a must-have. Reporting the steps taken to reduce the carbon footprint, use of renewable energy resources, and transparent governance processes are critical components of the ESG mix. While ~46% of the companies in ASEAN-6 made climate disclosures in 2022, it is expected that more companies will join this list this year.

Smart buildings, which use technology to conserve energy, will be a segment that may see heightened activity. Property developers in countries such as the Philippines have shifted to greener buildings with lower carbon footprints. Allied technologies including smart elevators and sensor-based monitoring can aid the shift.

A switch to electric vehicles (EVs) from fuel-powered vehicles is another dimension to the ESG strategy. Indonesia, Malaysia, and Singapore are among the countries which have taken the lead to transition to EVs. Shell has installed super-fast EV chargers along highways in Malaysia and Thailand which motivates more vehicle owners to switch to EVs. In these markets, there are upcoming opportunities in the areas of EV battery manufacturing, EV charging stations, and battery swapping. Considering the climate goals, it is expected that tax incentives will also be offered to manufacturers.

As more corporations in markets such as Vietnam make ESG investments, sustainability-monitoring software services will hold prominence. Achieving net-zero emission over the next three decades will involve active participation from the private sector as well as conducive regulations from the government.

With ESG at the forefront of climate change discussions, issuance of green bonds may also become a ubiquitous mode of sustainable development. Thailand is among the leading markets for sustainable bonds. Financing climate-related projects through green bonds is expected to form a part of the ESG agenda for 2023.

### Nurturing talent for the future

Hybrid working was a consequence of the pandemic. However, even as the ASEAN economies have reopened, flexi-working and work-from-anywhere continue to be popular. This translates to additional investments into coworking spaces and remote-work infrastructure. With Gen Z entering the workforce in large numbers, keeping these young workers engaged will form a part of companies' human resource strategy.

### ASEAN Salary Increase Projections

Country	Salary Increase 2022	Expected Salary Increase 2023
Indonesia	6.4	6.8
Malaysia	5.1	5.1
Philippines	5.7	6.0
Singapore	4.6	4.7
Thailand	5.0	5.1
Vietnam	7.5	7.9

Source: Aon Salary Increase Survey



Though companies are going slow on hiring, salary hikes are expected to be marginally better than in 2022. An Aon survey showed that Vietnam will offer the highest salary hikes among all Southeast Asian nations this year. This is amidst an increased focus on retaining skilled talent.

Technology talent in particular will be in high demand across Southeast Asia. Positions such as full stack engineers, data scientists, and UX designers will continue to see vacancies. However, talent shortage will pose challenges for companies looking to hire.

The three standout workplace trends will be:

- **Digital recruitment** where companies will conduct interviews online and shortlist candidates. It will be followed by digital onboarding where the joining formalities will be completed electronically. This opens up opportunities for companies in the areas of HR Tech including video interview platforms, digital background verification firms and e-onboarding entities.
- **Remote monitoring** using data analytics software to gauge employee engagement and productivity. As more workers opt for flexi-working models, companies will invest in technology to prevent moonlighting while keeping employees motivated. Mental health facilities including access to e-therapists and online meditation platforms will be a priority. This opens business opportunities for relevant product and software-as-a-service providers in the region.
- **Digital collaboration** including metaverse offices will reshape the way we work in 2023. Some early partnerships such as Thailand's telecom firm True Corp tying up with South Korea's IT company Naver to pave the way for expansion of the virtual world. Client meetings may also move to the metaverse, which means that devices such as VR headsets will become a must-have.

Overall, 2023 is expected to be a busy year for skilled technology professionals. WFA and WFH will enable seamless talent outsourcing to Southeast Asian nations. Multinational companies such as Amazon and Google have collaborated with ASEAN to bridge the digital skill gap. In addition, Microsoft partnered with the ASEAN Foundation to launch a cybersecurity skilling programme. Upskilling and reskilling with the assistance of global technology companies and edtech players will pick up further momentum in 2023.





### **Crystal gazing into the future**

As global brands move away from China-led manufacturing, ASEAN nations can become the sought-after destinations for expansion. From infrastructure, technology, to talent, the Southeast nations have all the necessary prerequisites for setting up businesses. Greater emphasis on ease of doing business and public-private partnerships will help attract additional foreign investments.

Upcoming elections and poll promises will bring a new dimension to the region's growth story. Indonesia and Thailand will face elections in 2023-2024. Thailand's general elections are likely to be held in May 2022 which will translate into changes or tweaks in the corporate regulations by the incoming government. Similarly, Indonesia will finalise the seats for the 2024 Presidential Elections which means that ruling party's candidates will prioritise on initiating people-focussed reforms.

On a macroeconomic level, inflation is expected to be lower in most of ASEAN, except Singapore and Vietnam. Frequent price volatilities may impel companies to conserve capital and pause aggressive expansion. More clarity will be available over the next two to three months, depending on how soon the economies recover to pre-pandemic levels.

# ASEAN Versus The World

## Growth, Inflation, & Policy Rates forecasts

	GDP growth, % YoY				CPI inflation, % YoY, ave			
	2021	2022f	2023f	2024f	2021	2022f	2023f	2024f
<b>China</b>	8.1	3.0	4.0	5.0	0.9	2.2	2.5	2.2
<b>Hong Kong SAR</b>	6.3	-2.5	3.8	2.0	1.6	2.2	2.0	2.0
<b>India</b>	9.0	7.2	5.5	5.8	5.1	6.8	5.4	5.1
<i>India (FY basis)*</i>	8.7	7.0	5.8	6.0	5.5	6.8	5.2	5.0
<b>Indonesia</b>	3.7	5.4	5.0	5.0	1.6	4.2	4.0	3.2
<b>Malaysia</b>	3.1	8.5	4.0	4.8	2.5	3.4	3.0	2.5
<b>Philippines</b>	5.7	7.4	6.3	6.5	3.9	5.8	4.4	3.2
<b>Singapore</b>	7.6	3.5	2.2	2.8	2.3	6.0	6.3	4.3
<b>South Korea</b>	4.1	2.7	1.8	2.4	2.5	5.3	2.8	2.0
<b>Taiwan</b>	6.6	2.9	2.3	2.8	2.0	3.0	1.8	1.4
<b>Thailand</b>	1.5	3.2	3.8	3.6	1.2	6.2	2.5	2.0
<b>Vietnam</b>	2.6	7.8	6.0	6.5	1.8	3.2	3.8	3.5
<b>Eurozone</b>	5.3	3.2	-0.4	1.5	2.6	8.3	6.0	2.5
<b>Japan</b>	2.1	1.5	1.2	1.0	-0.2	2.4	2.0	0.8
<b>United States</b>	5.7	1.5	0.3	1.7	4.7	8.1	3.8	2.8

\*2020 represents Fiscal 21; ending Mar 21

Source: DBS

ASEAN is at the cusp of transformation. The Digital Masterplan 2025 will open new horizons for the public sector, private companies, and entrepreneurs to create digital-first economies at affordable costs. The rise of an aspirational Gen Z will boost consumption in the region and offer additional opportunities for developing innovative products and services. Despite an arduous political economy worldwide, ASEAN has the potential to become a breakout success story.

Between 2023-2027, ASEAN will also build closer ties with its East Asian counterparts to build an economic powerhouse in the region. This will broaden the business possibilities in the region. Adopting sustainable practices to boost economic progress alongside environmental protection will be conducive to business growth in Southeast Asia. For all things business, this is the place to be.

# ABOUT US



ASEAN Business Partners is an independent, market entry and market growth specialists that helps internationally oriented companies manage and grow their operations in ASEAN sustainably and profitably. We are well-networked, independent of governments, and dedicated purely to serving our clients. Our management and country experts are unrivaled in their ASEAN network, experience, and expertise, with proven credentials.

We are a team of top-class professionals with expertise in different industries. Our executives have worked as CEOs, CFOs and in other senior positions in top multi-national companies and represent the best talent available globally. Our founder, Sumit Dutta, is an ex-HSBC CEO who has worked in Indonesia, Vietnam, Hong Kong, India, and the US. A majority of our team and country experts are former senior-level executives from multinational corporations.

We are passionate about the ASEAN region, one of the highest growth markets in the world, and believe it will be the market of choice for all forward-looking international companies. We seek to create value for our clients and their customers in ASEAN, and so contribute to the prosperity of ASEAN nations and their people.

Please take a moment to review our website. If there is any way we can assist you, please reach out to us.

Newsletter Editors: Vibhusha Sharma



**Sumit Dutta**

Founder and Chief Executive Officer



**Raj Ghosh**

Head of Client Relations for USA and Canada



**Tony Turner**

Head of Client Relations for UK and EU



**Kavita Panda**

Head of Partnerships and Country Manager India



[contact@bizasean.com](mailto:contact@bizasean.com)



[www.bizasean.com](http://www.bizasean.com)



[@Aseanbusinesspartners](https://www.linkedin.com/company/aseanbusinesspartners)



[\(+65\) 9176-4136](tel:+6591764136)

## DISCLAIMER

The report is prepared using information of a general nature and is not intended to address the circumstances of any particular individual or entity. The report has been prepared from various public sources and the information received from these sources is believed to be reliable. The information available in the report is selective and subject to updation, revision and amendment. While the information provided therein is believed to be accurate and reliable, ASEAN Business Partners does not make any representations or warranties, expressed or implied, as to the accuracy or completeness of such information and data available in the public domain. While due care has been taken while preparing the newsletter, ASEAN Business Partners does not accept any liability whatsoever, for any direct or consequential loss.