



AHK Asia-Pacific Business Outlook Fall 2024 Focus on India

Results of a survey of German chambers of commerce abroad,
delegations and representative offices - AHKs - in the Asia-Pacific region

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German Chamber of
Commerce and Industry

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of Commerce Abroad

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Companies more pessimistic about current business situation in Asia-Pacific (excluding Greater China) than ever before

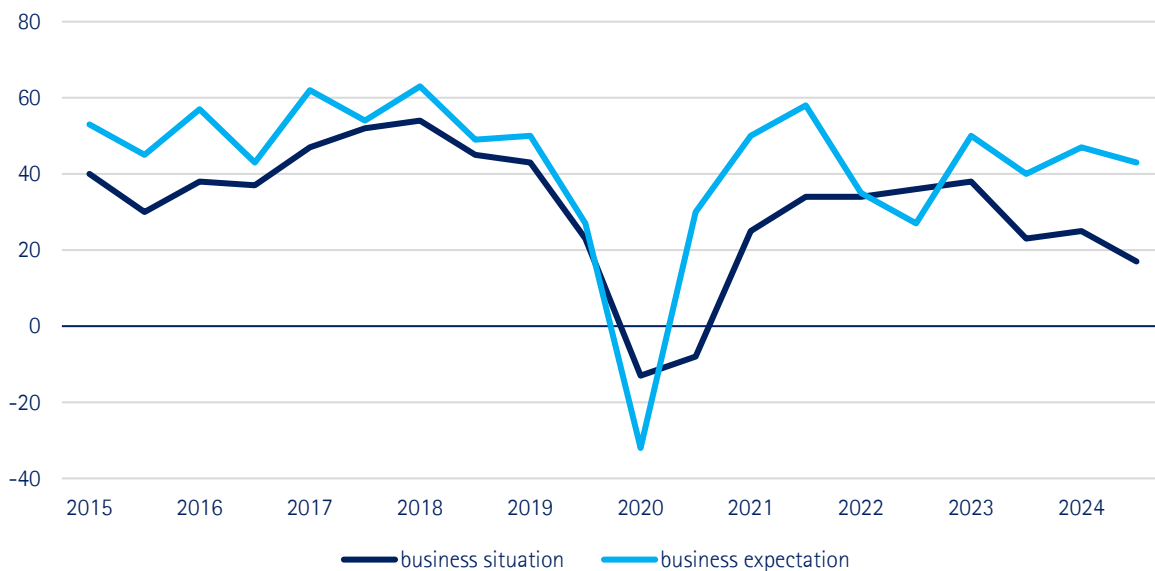
Only during the pandemic did companies in Asia-Pacific (excluding Greater China) rate their local business situation as worse than it is currently. This is the result of a company survey conducted by the German Chambers of Commerce Abroad (AHKs) among German companies, branches and subsidiaries as well as companies with close ties to Germany in the region. 643 responses came from the Asia-Pacific region (excluding Greater China) and 178 from the Greater China region.

Not only the current situation, but also its development since 2022 shows a negative trend, as the balance of "good" minus "bad" responses has more than halved from 36 to 17 since Fall 2022.

Unlike the situation, business expectations are at a more optimistic, higher level. But here too, sentiment has fallen from a balance of 47 in spring 2024 to 43 now.

Business situation and expectations in Asia-Pacific (excluding Greater China)

Balance of "good/better" responses minus "bad/worse" responses)



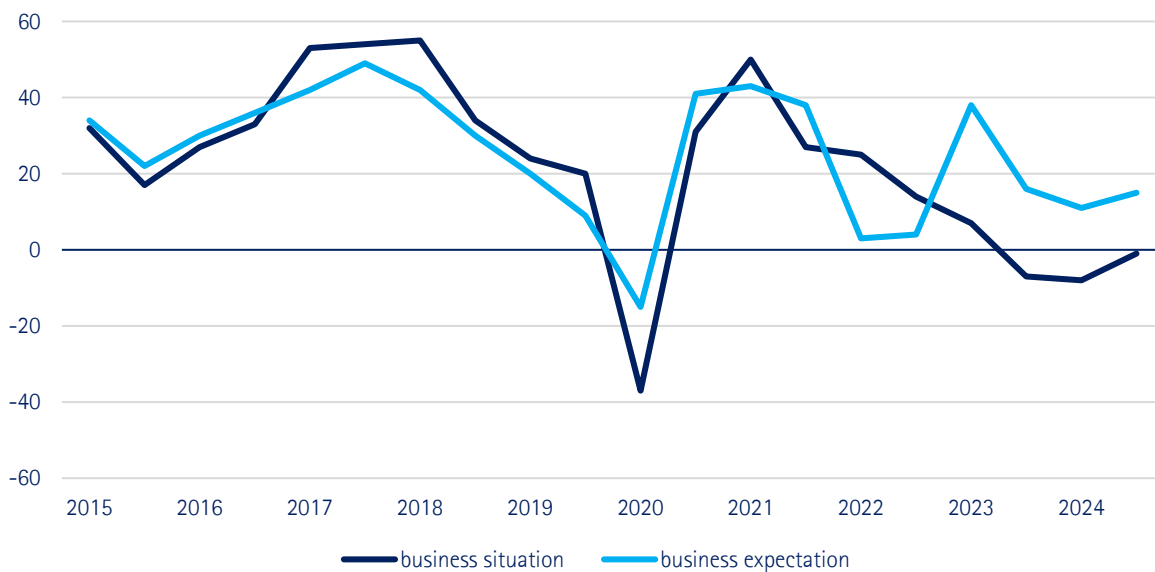
Sentiment in Greater China slightly more optimistic, but at a much lower level

Unlike in the rest of Asia-Pacific, the mood among companies in Greater China is improving. Although the balance for the current business situation is still -1, it has risen slightly from minus seven in Fall of the previous year.

The local companies surveyed in Greater China are also somewhat more optimistic about their business expectations, albeit still at a significantly low level with a balance of 15. The long-term average here is 25 points.

Business situation and expectations in Greater China (PR China, Taiwan, Hong Kong)

(Balance of "good/better" answers minus "bad/worse" answers)

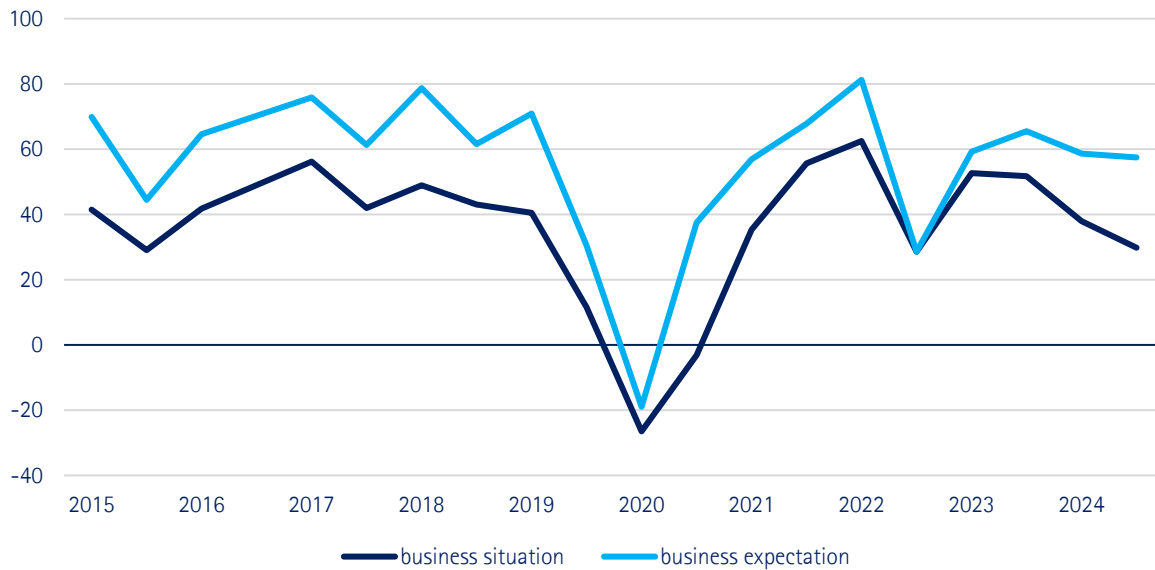


India: Business expectations better than current situation

From the perspective of the companies surveyed in India the current business situation has deteriorated since Fall 2023. While the balance was still 53 in spring 2023, it has now fallen to 30. Despite this trend, companies in India remain optimistic about the development of their local business: Although slightly lower than in Fall a year ago (balance: 59), the balance is now still at a relatively high level of 57 in Fall 2024.

Business situation and expectations in India

(Balance of "good/better" responses minus "bad/worse" responses)



Business situation: Top Optimists in the Philippines and Malaysia

A look at the Asia-Pacific region reveals that companies in the Philippines rate their current situation as the best compared to the other countries. The balance of 55 "good" and "bad" responses has climbed by a full eleven points since the last survey, compared to 44 in Fall 2023 and spring 2024. Companies in Malaysia are also optimistic about their business situation. Here, the positive balance has more than doubled compared to the Fall of the previous year.

In contrast, there is little optimism regarding the situation in New Zealand with a balance of minus 5, South Korea (minus three), the People's Republic of China (minus three) and in Japan (minus one). Companies in Thailand are also more pessimistic than elsewhere in the region, with a balance of "0". The only bright spot in East Asia is Taiwan with a balance of 26.

Business situation Asia-Pacific Country overview

(Balance of "good" answers minus "bad" answers)

	Spring 2022	Fall 2022	Spring 2023	Fall 2023	Spring 2024	Fall 2024
Asia/Pacific (excluding Greater China)	34	36	38	23	25	17
Australia	58	50	53	6	55	28
India	63	29	53	52	38	30
Indonesia	50	56	27	42	38	30
Japan	23	28	22	5	14	-1
Korea, South	31	33	14	0	17	-3
Malaysia	39	25	33	22	27	46
New Zealand	29	54	41	49	32	-5
Philippines	37	47	58	44	44	55
Singapore	42	54	41	26	23	12
Sri Lanka	-46	10	6	2	30	29
Thailand	37	54	50	28	15	0
Vietnam	32	26	24	12	21	16
Greater China	25	14	7	-7	-8	-1
People's Republic of China	24	14	5	-10	-13	-3
Hong Kong	19	3	0	6	27	7
Taiwan	41	13	30	4	19	26

Business expectations: Significant optimism throughout the region

With a positive balance of 70, Sri Lanka clearly stands out among all countries in the Asia-Pacific region in terms of companies' outlook for their future business, followed by Malaysia with a balance of 61.

Overall, companies are predominantly more positive about the future with a positive balance of 43 in Asia Pacific excluding Greater China than they are about their current situation. This also applies to those countries in which the balance of the current situation is negative.

Business expectations Asia-Pacific Country overview

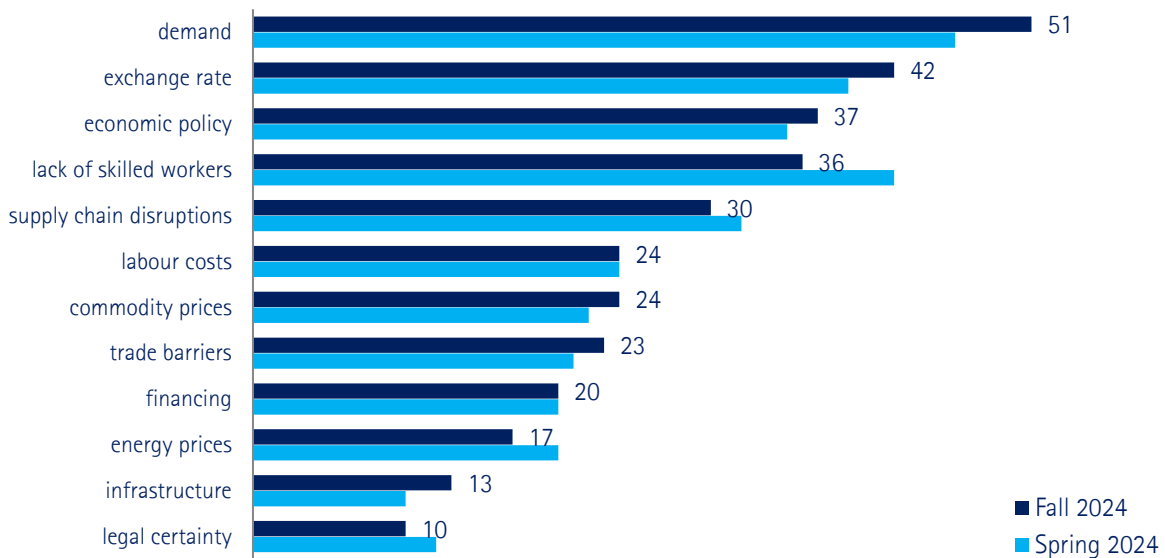
(Balance of "better" answers minus "worse" answers)

	Spring 2022	Fall 2022	Spring 2023	Fall 2023	Spring 2024	Fall 2024
Asia/Pacific (excluding Greater China)	35	27	50	40	47	43
Australia	63	20	49	39	55	45
India	81	29	59	66	59	57
Indonesia	73	44	33	42	56	57
Japan	13	26	41	25	51	39
Korea, South	35	0	33	24	31	16
Malaysia	35	38	64	63	42	61
New Zealand	43	15	14	47	16	40
Philippines	53	48	74	63	59	55
Singapore	31	7	37	7	12	2
Sri Lanka	-31	10	36	59	53	70
Thailand	34	43	63	43	42	36
Vietnam	57	3	42	37	52	42
Greater China	3	4	38	16	11	15
People's Republic of China	1	5	40	16	10	14
Hong Kong	0	-7	26	28	27	24
Taiwan	17	0	28	10	14	23

Demand biggest business risk

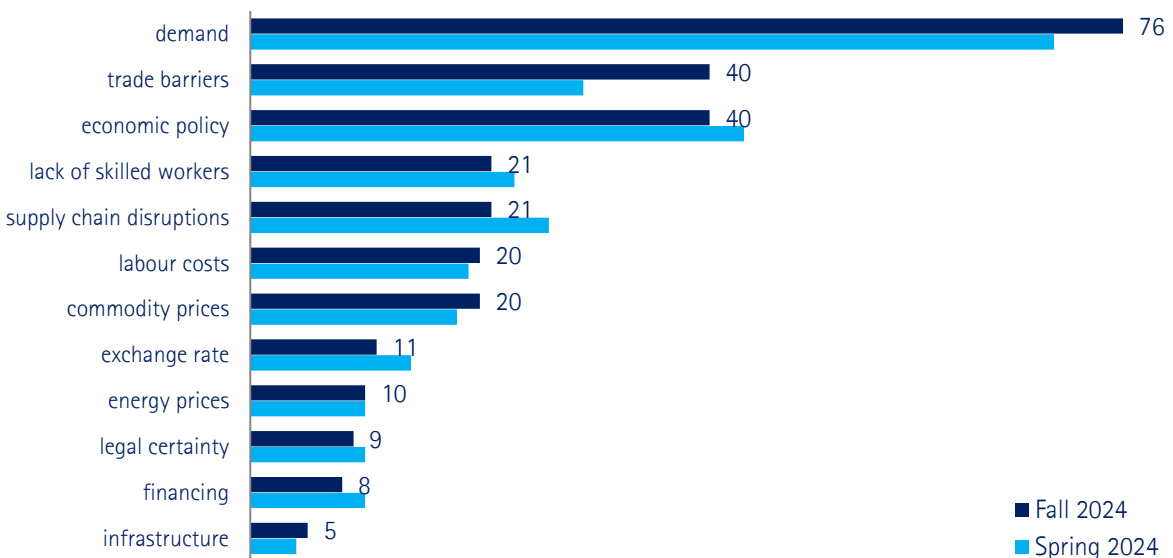
The top risks in Asia-Pacific excluding Greater China remain almost the same. As in spring, companies see "demand" as the biggest risk: 51 per cent cite this. The risk of exchange rate fluctuations also remains in the top 3, this time at 42 per cent. What is striking is that concerns about qualified personnel have decreased. While 42 per cent still saw the shortage of skilled workers as a business risk in spring 2024, this figure is now only 36 per cent. On the other hand, economic policy ranks among the top 3 risks with 37 per cent.

Business risks in Asia-Pacific (excluding Greater China) (in per cent, multiple answers possible)



As in the rest of the Asia-Pacific region, demand is also the biggest business risk in Greater China. More than three quarters (76 per cent) of all companies in Greater China currently state this. Trade barriers and economic policy currently rank in the top three business risks in Greater China, with 40 per cent of company responses each.

Business risks in Greater China (in per cent, multiple answers possible)



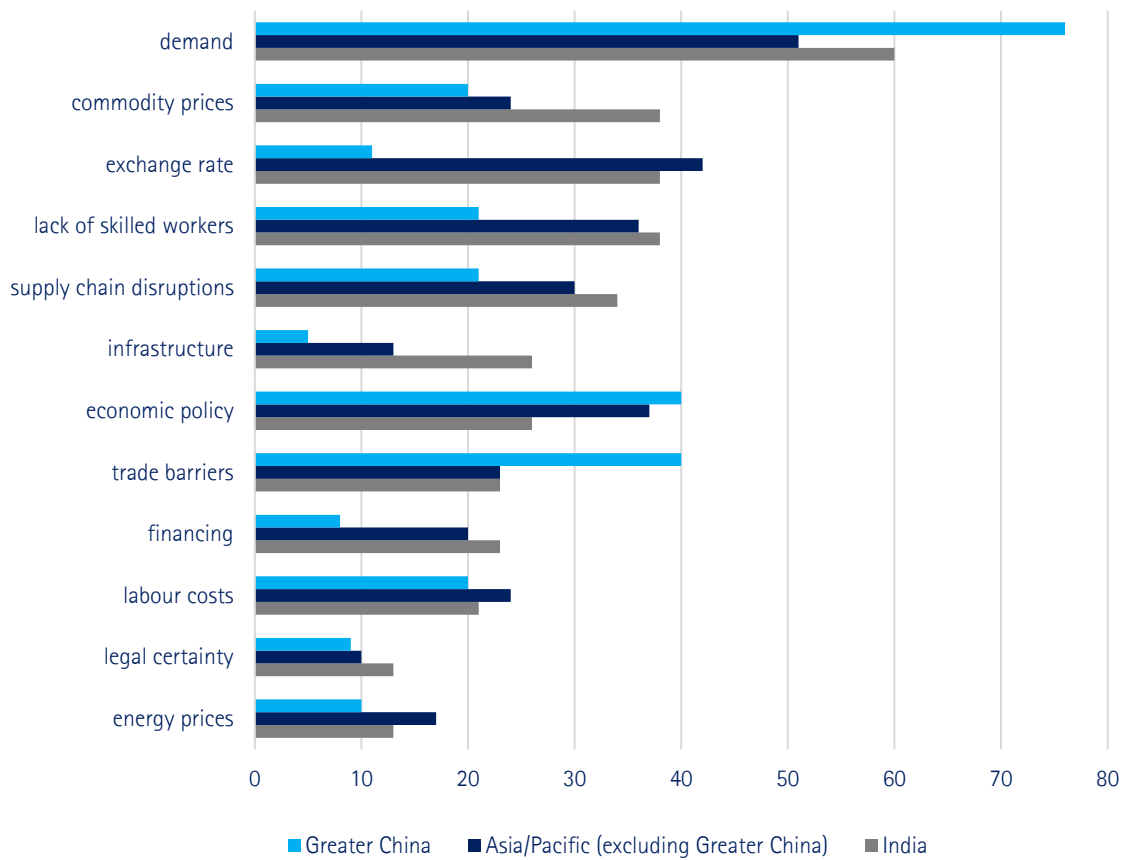
Nature of business risks in India highlights special position in the region

While companies in India also see demand (60 per cent) as the greatest business risk, the significance of the other risks differs considerably from those seen as potential future obstacles in the Asia-Pacific region and Greater China.

Unlike in the rest of the region, raw material prices, exchange rates and a shortage of skilled labour are the top risks, each accounting for 38 per cent.

Business risks - India and China in comparison

(in per cent, multiple answers possible)



Type and level of business risks vary greatly from country to country

In contrast to the TOP 3 risks, companies' concerns vary from country to country - naturally - within the Asia-Pacific region. Some spotlights:

- Labour costs are the biggest concern for companies in Australia (41 percent) and South Korea (38 percent).
- Companies see infrastructure as a business risk primarily in Vietnam (27 per cent), the Philippines (27 per cent) and India (26 per cent).
- Energy prices play a relatively large role in the Philippines (35 per cent) and Sri Lanka (28 per cent).

Business risks in the regions

(in per cent, multiple answers possible)

	Demand	Financing	Labour costs	Lack of skilled workers	Exchange rate	Energy prices	Commodity prices	Legal certainty	Economic policy	Infrastructure	Trade barriers	Supply chain disruption
Asia/Pacific (excluding Greater China)	51	20	24	36	42	17	24	10	37	13	23	30
Australia	55	24	41	38	41	21	14	7	48	3	7	34
India	60	23	21	38	38	13	38	13	26	26	23	34
Indonesia	50	37	17	23	47	13	13	10	57	3	30	23
Japan	38	1	23	38	77	13	39	1	12	1	6	26
Korea, South	63	11	37	34	26	21	32	11	24	5	47	21
Malaysia	57	25	27	39	37	7	15	6	40	11	20	30
New Zealand	71	29	29	21	26	14	29	2	38	10	5	26
Philippines	37	11	15	44	32	35	31	19	40	27	26	37
Singapore	67	2	21	30	9	12	21	5	42	5	44	21
Sri Lanka	31	33	20	37	72	28	26	11	67	15	30	31
Thailand	62	18	18	49	40	22	18	11	49	13	29	33
Vietnam	59	19	22	16	14	5	11	22	30	27	24	22
Greater China	76	8	20	21	11	10	20	9	40	5	40	21
Hong Kong	78	2	30	30	7	13	20	13	43	4	46	30
Taiwan	62	2	10	31	14	12	21	2	29	7	26	26
People's Republic of China	82	14	20	11	13	7	19	9	43	3	44	14

Expectations for local economic development more pessimistic in Greater China than in the rest of Asia-Pacific

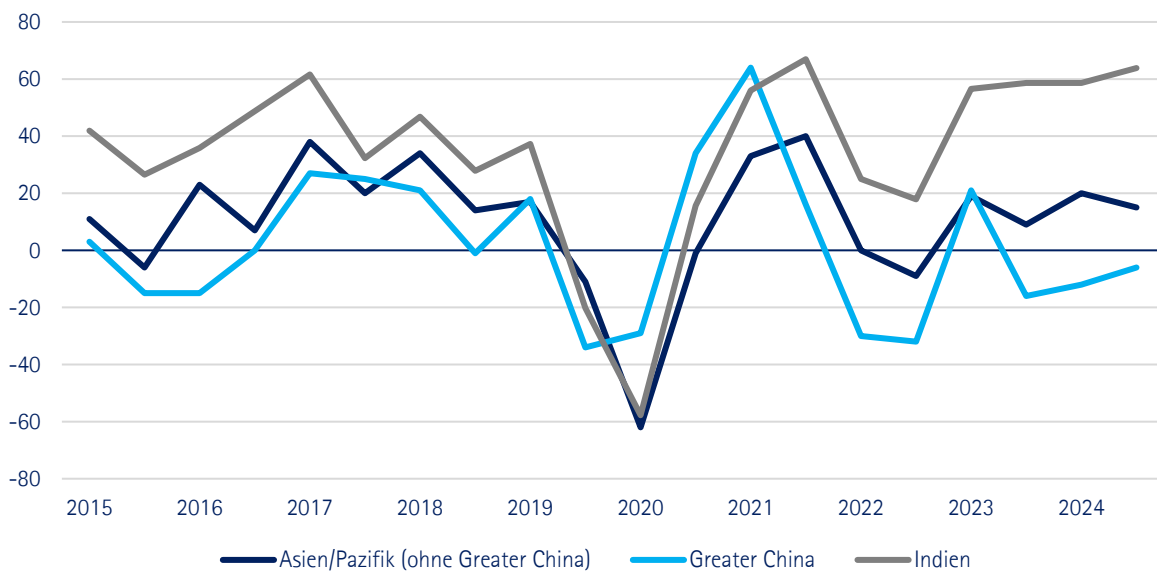
Even though economic expectations in Greater China are rated slightly better than recently, expectations remain in negative territory with a balance of minus six.

A different picture emerges for the rest of the Asia-Pacific region: Although economic expectations here have fallen slightly compared to spring, with a balance of 15 overall they are still significantly more optimistic than in Greater China.

India also stands out among the major Asian economies in terms of economic expectations: the balance of 64 illustrates how optimistic companies there are about economic development.

Economic expectations

(balance of "better" answers minus "worse" answers)



In addition to India as the top optimist in the region, companies in Malaysia, the Philippines and Sri Lanka are particularly positive when it comes to local economic expectations.

Companies in South Korea, New Zealand and Australia are particularly sceptical.

In Japan, the balance of minus one is not quite as negative as in the aforementioned countries, but compared to spring 2024 (+28) it has fallen significantly.

Economic expectations Asia-Pacific country overview

(balance of "better" answers minus "worse" answers)

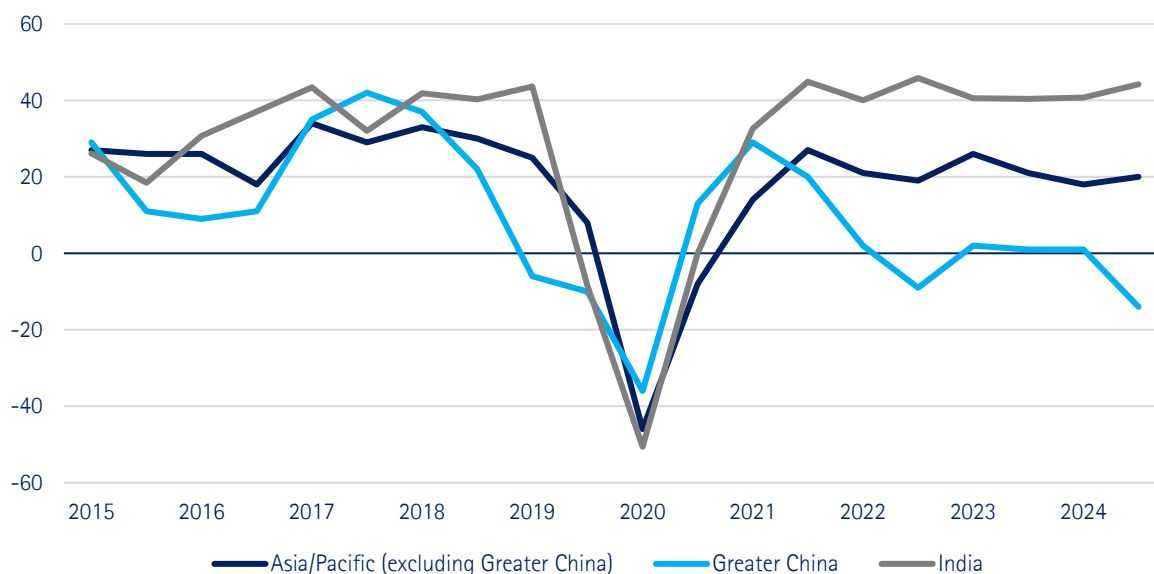
	Spring 2022	Fall 2022	Spring 2023	Fall 2023	Spring 2024	Fall 2024
Asia/Pacific (excluding Greater China)	0	-9	19	9	20	15
Australia	38	-10	-9	-22	-9	-17
India	25	18	57	59	59	64
Indonesia	35	8	20	31	38	0
Japan	-30	-12	2	-11	28	-1
Korea, South	1	-56	-16	-21	-5	-29
Malaysia	4	0	18	17	12	50
New Zealand	-39	-46	-45	-18	-28	-21
Philippines	33	7	50	22	45	45
Singapore	4	-11	4	-2	-8	9
Sri Lanka	-77	-50	28	17	32	41
Thailand	0	-9	39	24	0	-7
Vietnam	43	-3	-9	27	40	24
Greater China	-30	-32	21	-16	-12	-6
People's Republic of China	-34	-31	23	-17	-13	-7
Hong Kong	-16	-24	15	-3	-27	-15
Taiwan	5	-37	0	-18	5	5

Investment intentions: India and the Philippines are the most attractive locations in the region

Here too, a comparison of the largest economies in the region shows where the momentum is: in India. With a balance of 44 from "higher" answers minus "lower" answers, India is attractive for investments.

By contrast, investment intentions in Greater China have fallen sharply to minus 14 compared to the previous year, when the balance was one.

Investment intentions (balance of "higher" answers minus "lower" answers)



In addition to India, the companies are particularly positive about future investments in the Philippines and Malaysia. In contrast, the situation in South Korea is just as bleak as in Greater China, with a balance of minus 16 again.

Investment intentions Asia-Pacific country overview (balance of "higher" answers minus "lower" answers)

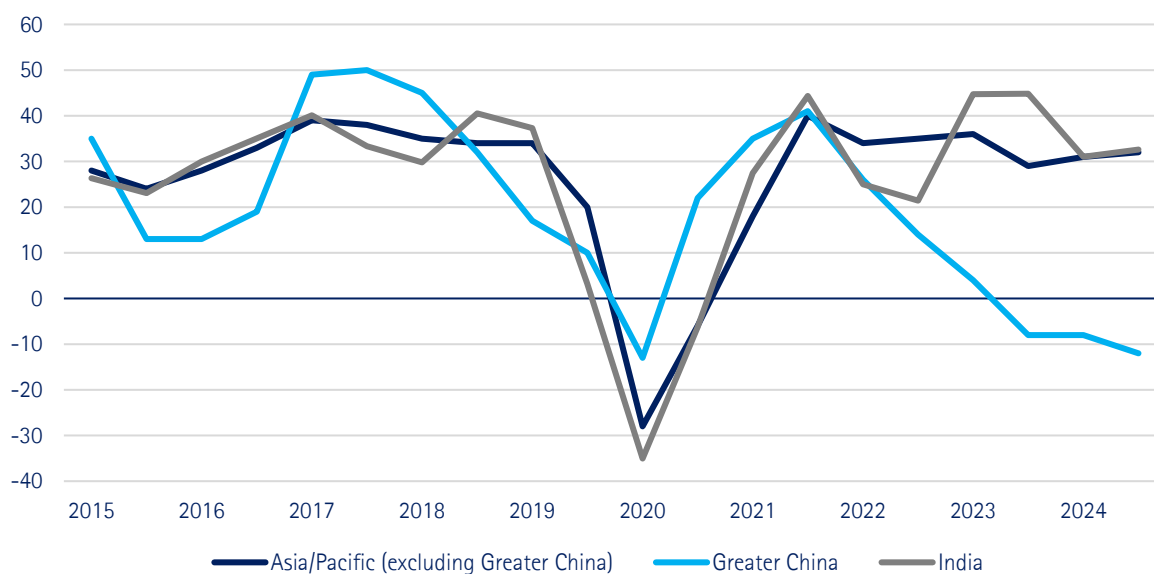
	Spring 2022	Fall 2022	Spring 2023	Fall 2023	Spring 2024	Fall 2024
Asia/Pacific (excluding Greater China)	21	19	26	21	18	20
Australia	27	56	15	-7	13	19
India	40	46	41	40	41	44
Indonesia	29	-4	33	15	38	11
Japan	13	19	13	15	37	24
Korea, South	11	-21	8	23	-16	-16
Malaysia	33	30	22	33	24	35
New Zealand	4	0	-21	0	-19	3
Philippines	31	22	44	24	36	44
Singapore	31	37	20	-3	-21	11
Sri Lanka	-14	-25	-3	18	5	32
Thailand	41	21	44	16	2	8
Vietnam	42	0	27	26	12	20
Greater China	2	-9	2	1	1	-14
People's Republic of China	0	-9	1	0	4	-18
Hong Kong	5	-35	-17	-8	-29	-14
Taiwan	32	3	18	7	-11	0

Slight increase in employment intentions in Asia-Pacific (excluding Greater China)

While employment intentions in Asia-Pacific are developing positively overall, companies in Greater China are planning to further reduce their workforce in the coming year (balance of minus twelve points). In India, companies' investment intentions and employment intentions are developing positively compared to spring, with a balance of 33 points compared to 31 points previously.

The Philippines, followed by Japan and Malaysia, are the frontrunners when it comes to companies' employment intentions. All three countries are almost stable this year, with only minimal changes.

Employment intentions (balance of "higher" answers minus "lower" answers)



Employment intentions Asia-Pacific country overview (balance of "higher" answers minus "lower" answers)

	Spring 2022	Fall 2022	Spring 2023	Fall 2023	Spring 2024	Fall 2024
Asia-Pacific (excluding Greater China)	34	35	36	29	31	32
Australia	58	30	30	-6	15	10
India	25	21	45	45	31	33
Indonesia	46	20	40	18	19	37
Japan	34	43	32	24	39	41
Korea, South	19	37	28	30	14	11
Malaysia	48	46	33	41	37	41
New Zealand	39	8	9	16	12	2
Philippines	40	38	43	48	52	54
Singapore	53	46	16	14	15	5
Sri Lanka	-31	-40	-4	12	30	16
Thailand	37	49	54	17	17	27
Vietnam	43	21	28	29	31	24
Greater China	26	14	4	-8	-8	-12
People's Republic of China	25	16	4	-9	-9	-15
Hong Kong	23	-17	-21	0	-20	-7
Taiwan	38	23	25	-2	7	19

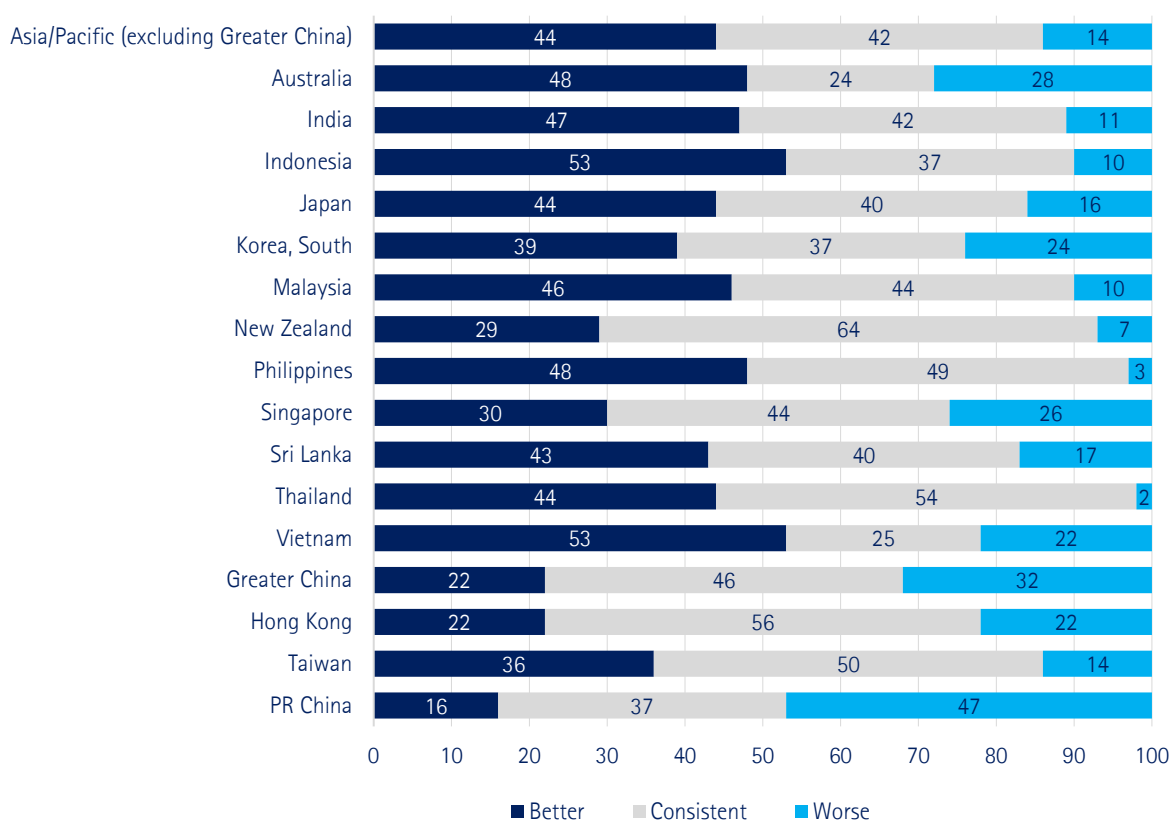
Companies in Indonesia and Vietnam in particular are increasing their competitive position locally

In almost all countries in Asia-Pacific excluding Greater China, at least 43 per cent of the companies state that their local competitive position has improved. Only in New Zealand are the responses below this mark at 29 per cent, with almost two-thirds seeing no change and only seven per cent seeing a deterioration. Companies in Indonesia and Vietnam in particular have improved their competitive position locally.

The situation is different in Greater China. While relatively few companies in Taiwan (14 per cent) and Hong Kong (22 per cent) still see a deterioration, 47 per cent in the People's Republic complain that their competitive position has worsened.

Change in the competitive position of local companies in the last 5 years

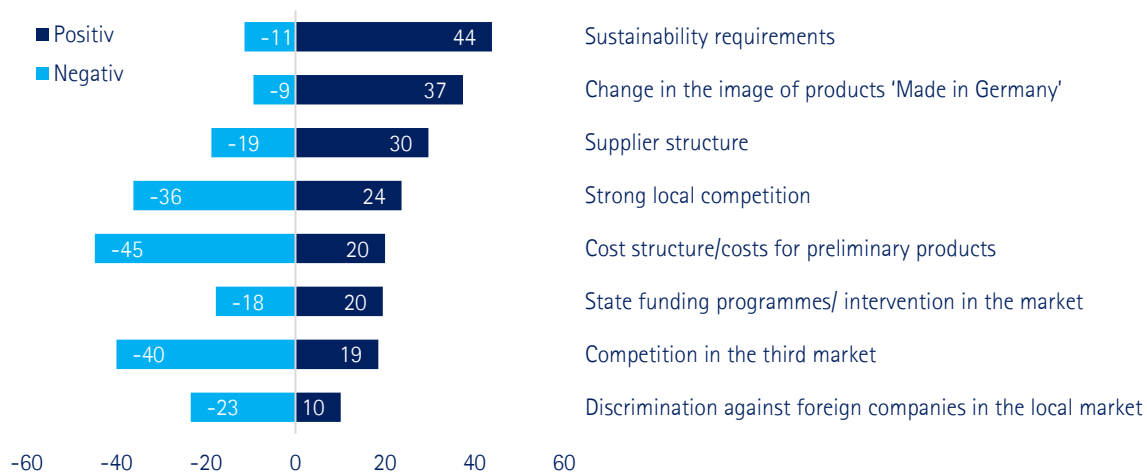
(in per cent, multiple answers possible)



Sustainability requirements positive for companies' competitiveness

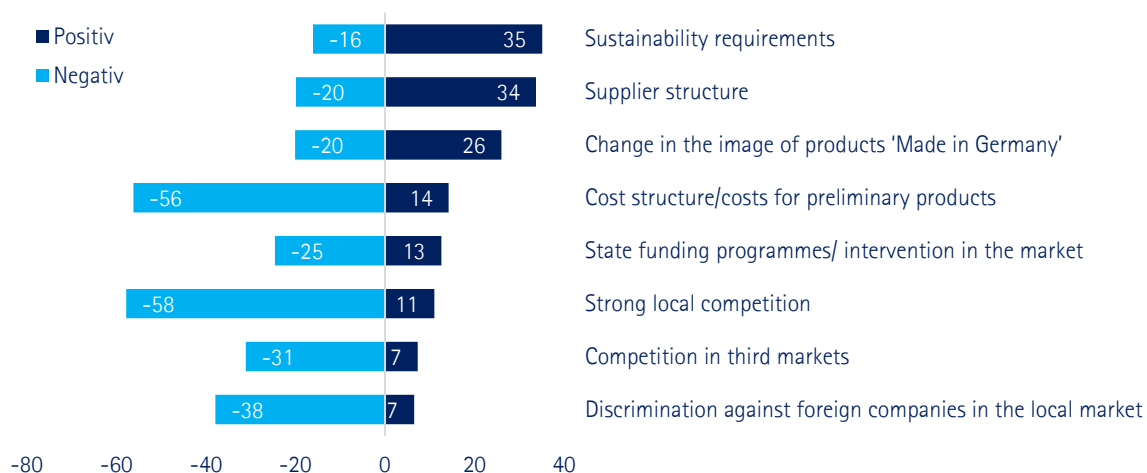
Important influencing factors that have a predominantly positive effect on their own competitiveness in Asia-Pacific (excluding Greater China) are sustainability requirements, but also the change in the image for products "Made in Germany" and the supplier structure. Companies in the region excluding Greater China see the cost structure/costs for preliminary products as by far the most negative influencing factor, followed by strong competition from third markets and at the respective location.

Factors influencing competitiveness in Asia/Pacific (excluding Greater China) (in per cent)



Like the rest of the Asia-Pacific region, sustainability requirements positively influence the competitiveness of companies in Greater China, followed by the "supplier structure" factor and - in third place - the change in image for products "Made in Germany". Strong local competition, cost structure/costs for preliminary products and the disadvantage of foreign companies in the local market have a negative impact on the competitiveness of companies in Greater China.

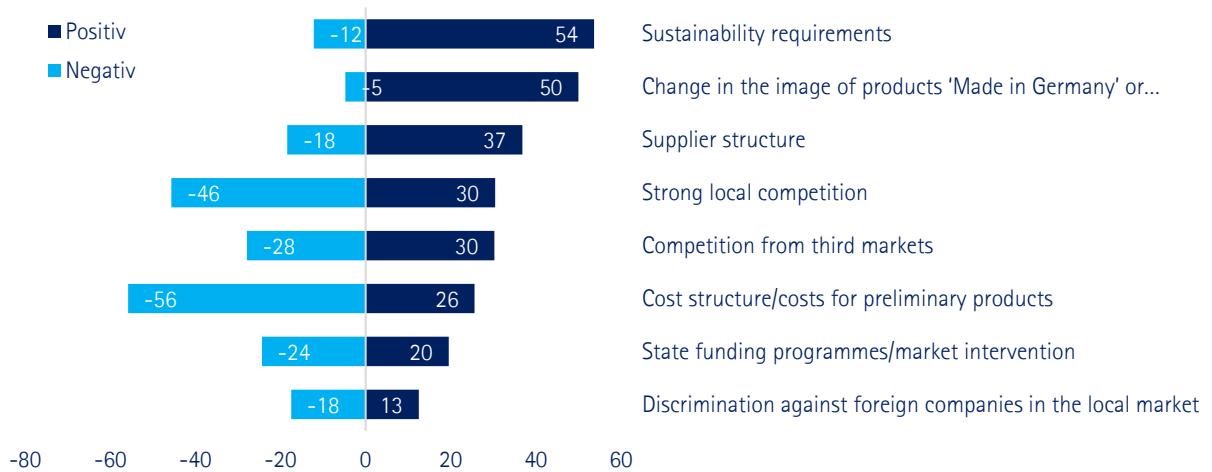
Factors influencing competitiveness in Greater China (Figures in per cent; difference to 100 = "Neutral / not relevant")



Sustainability requirements are also at the top of the list of influencing factors in India that have a positive impact on companies' competitiveness, followed by image changes for products "Made in Germany" and the "supplier structure" factor.

Cost structure/costs for primary products, strong local competition and competition from third parties have a negative impact on competitiveness in India.

Factors influencing competitiveness in India (in per cent; difference to 100 = "neutral / not relevant")



Questionnaire

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

- Good / satisfactory / poor

What business development do you expect for your local company over the next twelve months?

- Better / constant / worse

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

- Better / constant / worse

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

- Higher / constant / lower / no investment

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

- Higher / constant / lower

Where do you see the greatest risks to the economic development of your company in the coming twelve months?
(multiple answers possible)

- Demand
- Financing
- Labour costs
- Lack of skilled workers
- Exchange rate
- Energy prices
- Commodity prices
- Legal certainty
- Economic policy
- Infrastructure
- Trade barriers / favouring domestic companies
- Disruptions in the supply chain (e.g. logistics, lack of preliminary products)

Do you see any other risks for the economic development of your company?

How has the competitive position of your company at your location changed in the last 5 years?

- better
- constant
- worse

8. what influence do the following factors have on your own competitiveness?

	neutral/not relevant	Positive	negative
Strong local competition			
Third-market competition			
Cost structure/costs for preliminary products			
Supplier structure			
Sustainability requirements			
Image change for products "Made in Germany" or "Made by Germany"			
Discrimination against foreign companies on the local market			
State subsidy programmes/ intervention in the market			

Methodology

The "AHK Asia-Pacific Business Outlook Fall 2024" is based on a DIHK survey of member companies of the German Chambers of Commerce Abroad, delegations and representative offices (AHKs). In Fall 2024, it collects feedback from around 3,500 German companies, branches and subsidiaries worldwide as well as companies with close ties to Germany. This includes 643 responses from the Asia-Pacific region (excluding Greater China) and 178 from the Greater China region.

The survey was conducted from 23 September to 16 October 2024.

Imprint

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