



**Singaporean-German Chamber
of Industry and Commerce**
Deutsch-Singapurische
Industrie- und Handelskammer

ANNUAL SINGAPORE-ASEAN BUSINESS CLIMATE SURVEY 2018 FINDINGS

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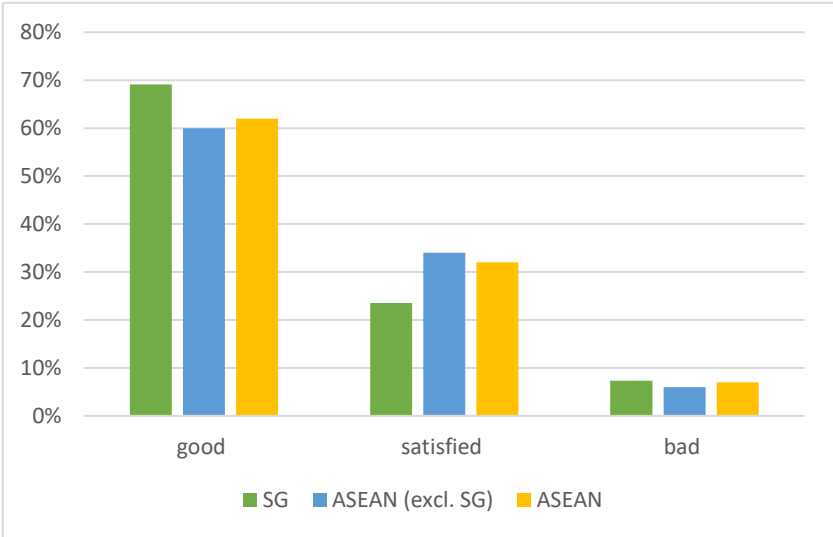
ASEAN Business Climate Survey 2018

In April this year, the Singaporean German Chamber of Industry and Commerce in collaboration with the Association of German Chambers of Industries and Commerce (DIHK) and their member companies conducted the AHK Business Outlook survey to check on the worldwide business climate. Part of the survey focussed on the ASEAN region and revealed that the general business climate remains attractive for German companies.¹ Stable economies and positive growth are major reasons for the member companies to stay confident in the region

1. Good business climate in ASEAN, but even better in Singapore

Figure 1. Current business climate

The majority of respondents from Singapore (69%) and ASEAN (60%) indicated that their current business situation is good. This is an improvement compared to last year where only 52% of respondents from ASEAN and Singapore indicated that their current business environment is good. This trend is likely to remain the same for the upcoming year as only 4% of respondents from Singapore and 3% of respondents from ASEAN indicated that their business outlook will worsen within the next 12 months.



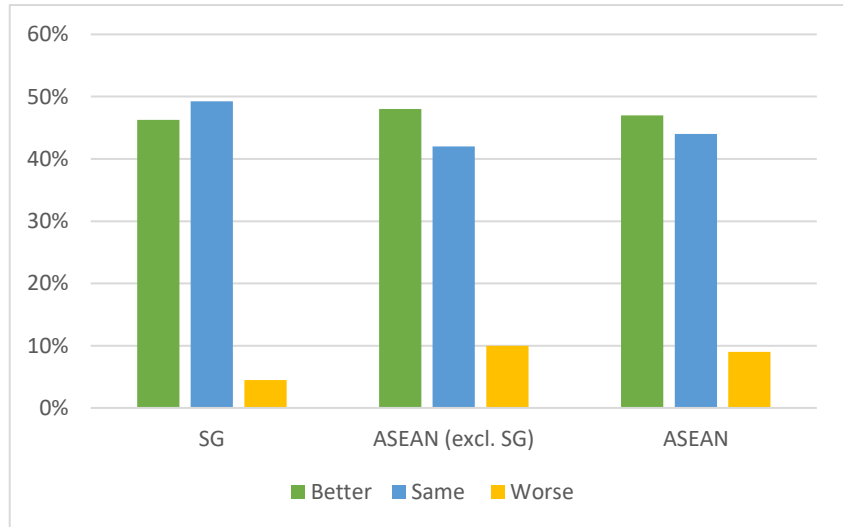
¹ The participating countries are Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. Overall 267 were collected. Out of the 267 responses, 68 came from businesses in Singapore. This paper provides a summary of the results in which responses from Singapore are compared to responses from the rest of ASEAN.

2. Prosperous economic outlook in both Singapore and ASEAN despite global unrest

Figure 2. Medium-term economic outlook

Despite rising protectionism and an emerging trade war, the medium-term economic outlook in Singapore and ASEAN remains positive.

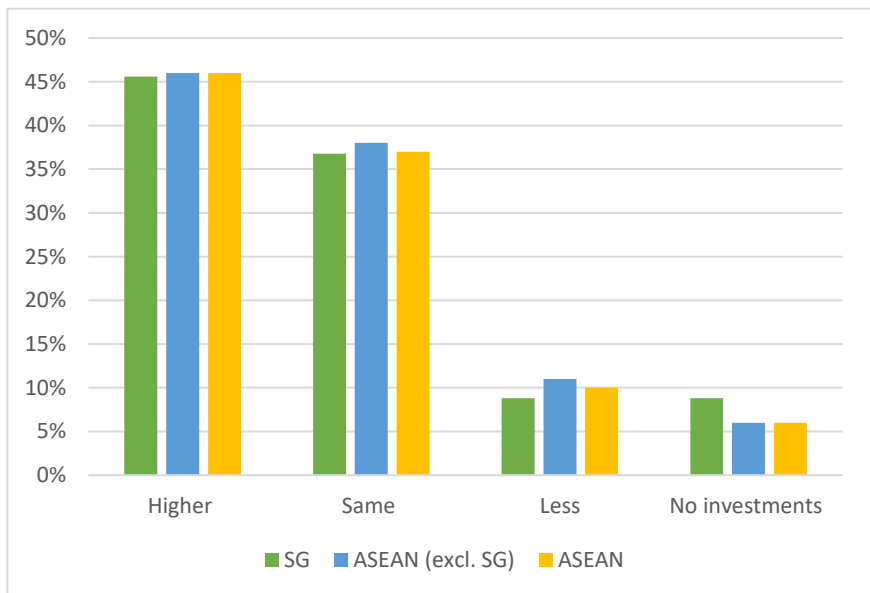
In Singapore, 46% of respondents stipulated that the medium-term economic outlook in Singapore will improve, while 49% indicated that it will remain unchanged. Only 4% held that it will worsen. ASEAN has a similar outlook, with 48% predicting the economic outlook will improve, while 42% believe it will remain unchanged.



3. More investment, more employment in Singapore and ASEAN

Figure 3. Investment outlook

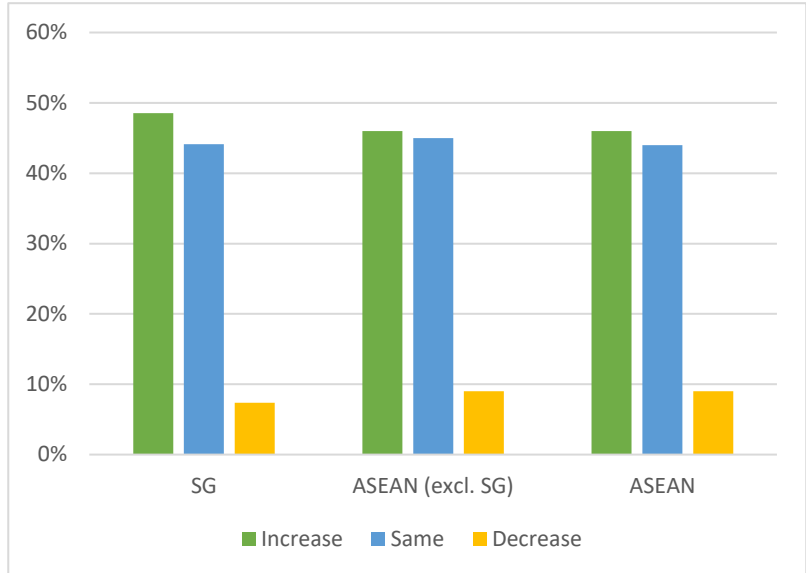
German investments in Singapore have increased over time and reached approximately 15.1 billion Euros in 2016. According to the survey, this trend is going to continue in the future as the investment outlook is very positive. Respondents from both Singapore and ASEAN indicated that their investments will be higher in the next 12 months, while 37% in Singapore and 38% in ASEAN asserted that it will remain about the same.



4. High Demand for Labour: German companies want to hire

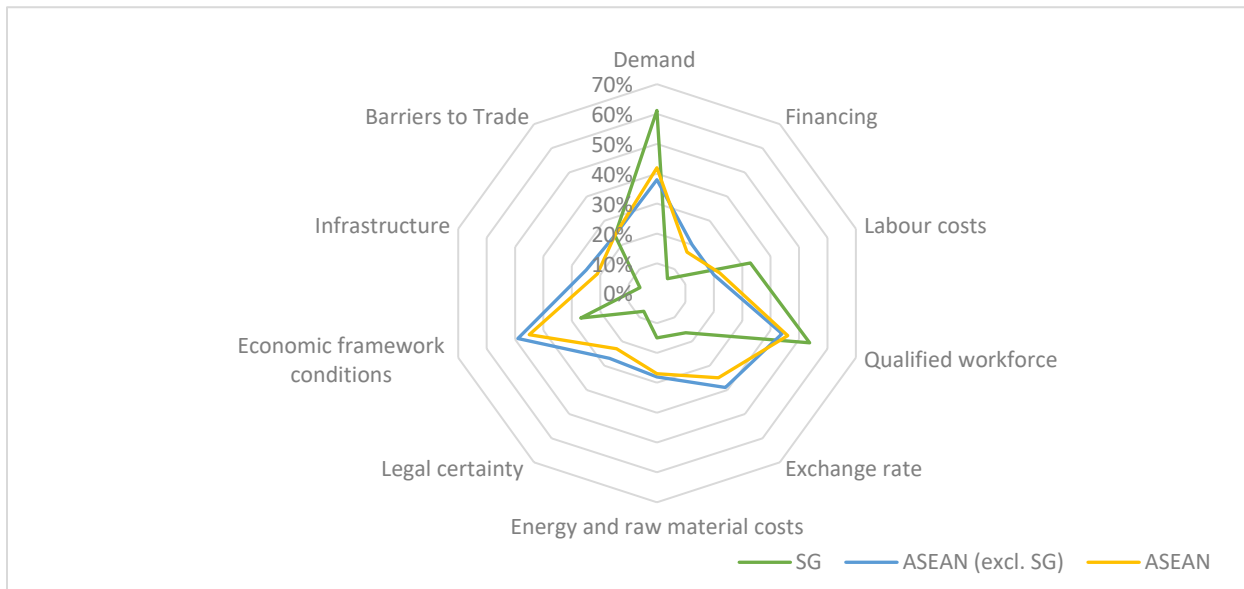
Figure 4. Employment outlook

Foreign direct investment generates employment. According to 2018 Report of the Federal Bank of Germany on Investments, German investment has generated 43,000 jobs in Singapore in 2016- 2000 more jobs than in 2013. The survey reveals that the number of jobs generated in Singapore will most likely to increase according to this survey, since 49% of respondents indicated that they increase their number of employees in the next twelve month, whilst only 6% asserted that they would reduce their numbers of employees.



5. Lack of Demand, Qualified workers and Expensive labour – Business risks in Singapore

Figure 5. Highest Risk for companies

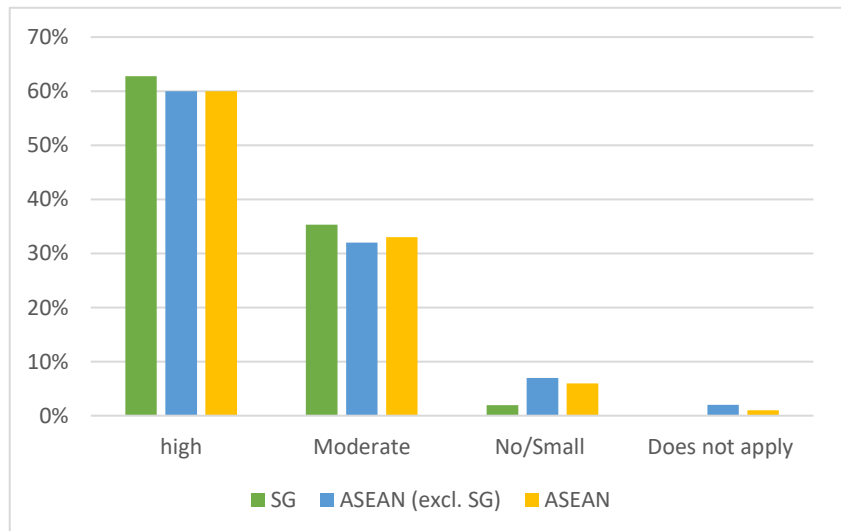


Respondents in Singapore perceive Demand (61%), Qualified labour (54%) and Labour costs (33%) to be the top three risks, while in ASEAN the top risks are economic framework conditions (49%), qualified workforce (44%) and exchange rate (40%). Lastly, respondents from Singapore do not see Infrastructure (6%), Financing (6%) and Legal certainty (7%) as a major risk.

6. Availability of highly qualified workers: Crucial for further development of businesses

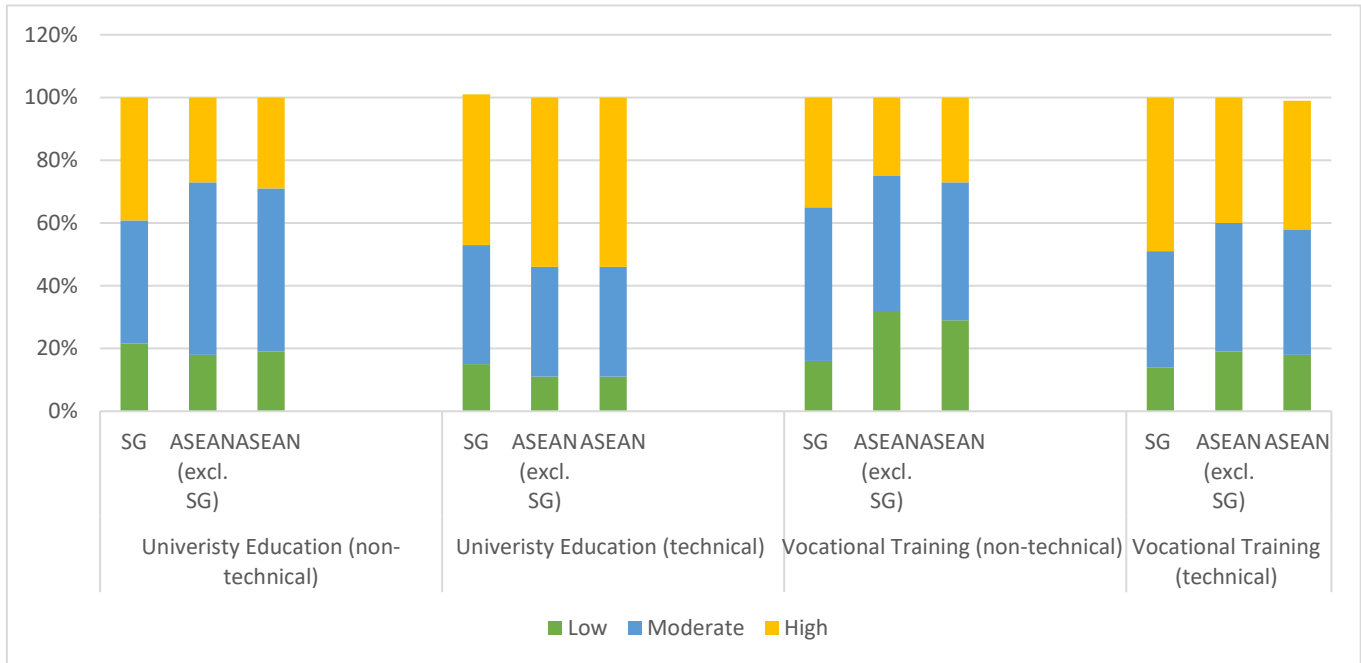
Figure 6. Importance of the availability of qualified workers

Access to qualified staff is pivotal for German companies as they require well-trained workers to deliver highly calibrated work in the manufacturing and service sector. In Singapore, 63% of respondents attached a high importance to the availability of qualified workers. In the rest of ASEAN, it was also considered to be an important factor, with the majority (60%) attaching a high importance and 32% a moderate importance to qualified labour.



7. High Standard of education in technical fields in Singapore

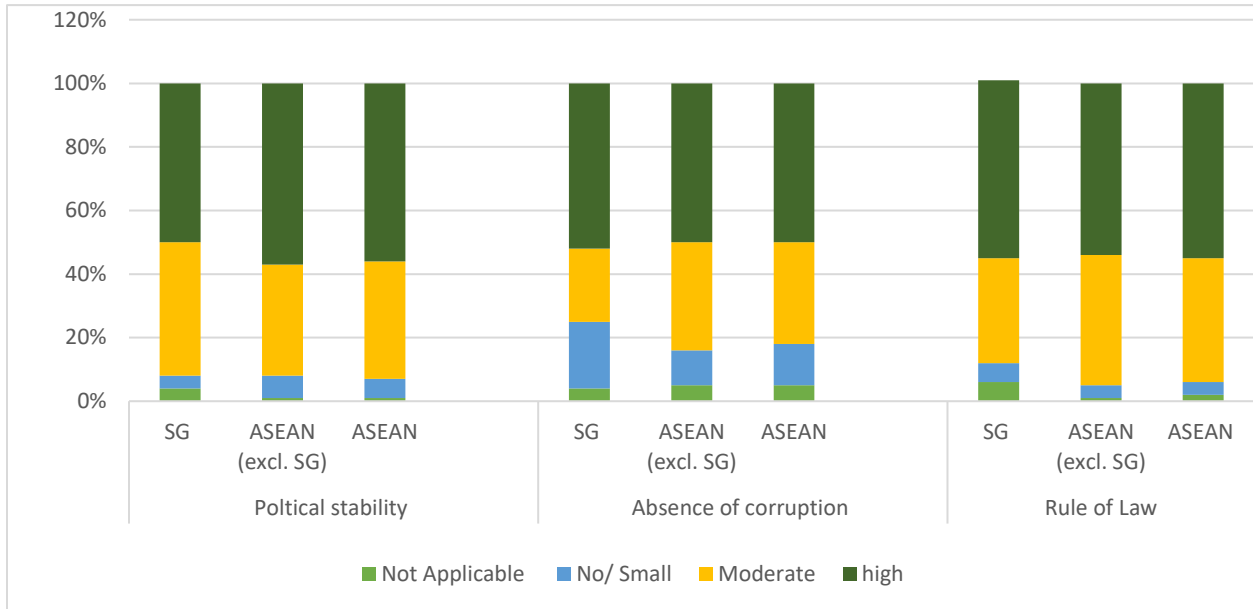
Figure 7. Standard of Education



In Singapore, overall the standard of education is high according to our survey. This is especially true in technical fields. Almost half of the respondents are of the opinion that the quality of education is high at Universities (48%) and high at Polytechnics (49%). This shows that there are many institutions that offer outstanding programs in technical fields. This is important as most German companies come from technical related and R&D intensive industries. However, there appears to be some room for improvement. 38% of respondents feel that the standard of education at Universities is moderate, whilst 37% of respondents indicated the same for Polytechnics. For some respondents the standard of education falls short of their expectations, since they replied that it is low at Universities (15%) and Polytechnics (14%).

8. Political stability, absence of corruption and legal certainty: the cornerstone of doing business

Figure 8. Importance of political stability, absence of corruption and rule of law



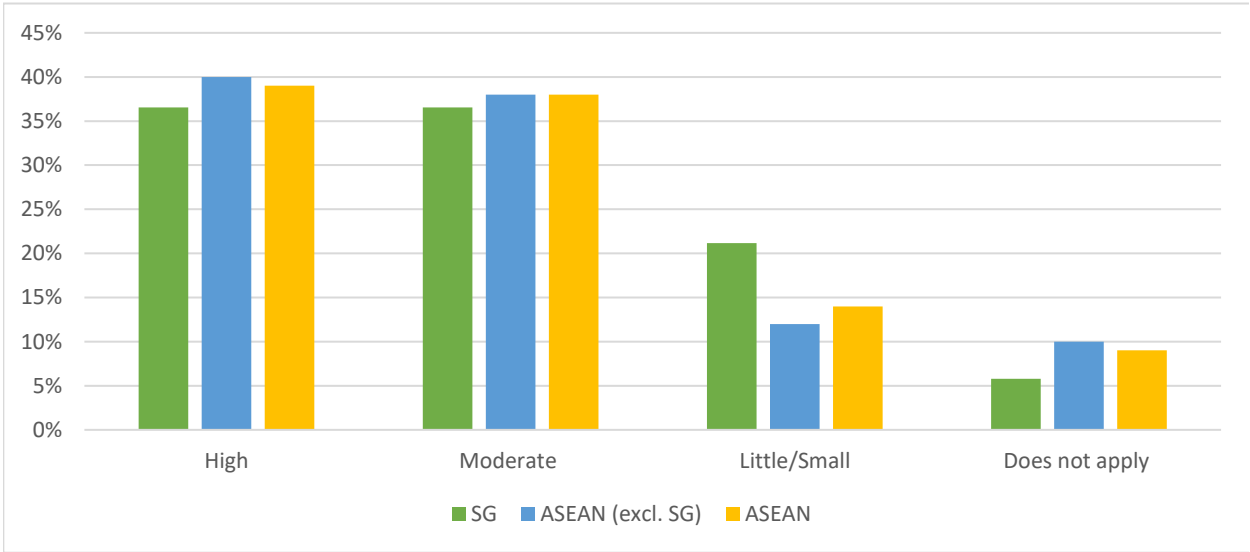
Political stability, absence of corruption and legal certainty is a crucial building block for successful businesses. In Singapore, only 4% indicated that political stability is of little or no importance to them, whilst in ASEAN only 7% stated this. Singapore has consistently ranked high in the World Bank's political stability Index. In 2016 it ranked top of the list and is a contributing factor as to why many German companies operate in the city-state. Absence of corruption is another important factor of companies in Singapore and ASEAN with the majority of companies in Singapore (52%) and ASEAN (50%) have indicated that this is of high importance. Regarding the rule of law, 56% of respondents in Singapore indicated that it is of high importance to their company, while 33% of respondents stipulated that it is of moderate importance. Interestingly, this goes hand in hand with the finding that 6% of companies see Singapore's legal certainty as a risk to their business, since all the aforementioned factors contribute to a safe, fair and predictable environment for companies to operate in.

Economic Integration and Free Trade Agreements

Market liberalisation and economic integration is of high importance for business as it makes the movement of goods and services cheaper and easier. Various initiatives in ASEAN, ranging from the ASEAN Economic Community (AEC), the Regional Comprehensive Economic Partnership (RCEP) and Free Trade Agreements with the EU are thus of interest in the DIHK, the German Chamber Network in the region and German companies. Therefore, this year's survey includes a section on the ASEAN Free Trade Area, RCEP, and the EU-ASEAN Free Trade Agreement.

9. The ASEAN Free Trade Area is of high importance to companies

Figure 9. Importance of the ASEAN Free Trade Area

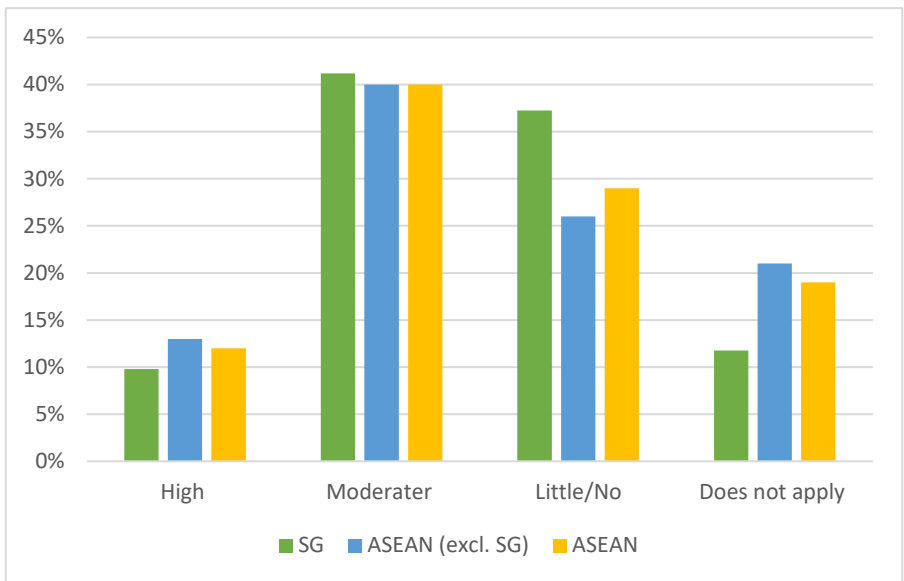


The ASEAN Free Trade Area is an important building block of the ASEAN Economic Community (AEC) which enables the free movement of goods within ASEAN. Many German companies have established manufacturing plants in the region and can thus benefit from regional free trade. Overall, more than one third of companies in Singapore (37%) and the rest of ASEAN (40%) perceive the Free Trade Area of high importance, while 37% of 38% respectively indicated that ASEAN FTA is of moderate importance to them.

8. The RCEP is of little importance of German companies

Figure 8. Importance of RCEP

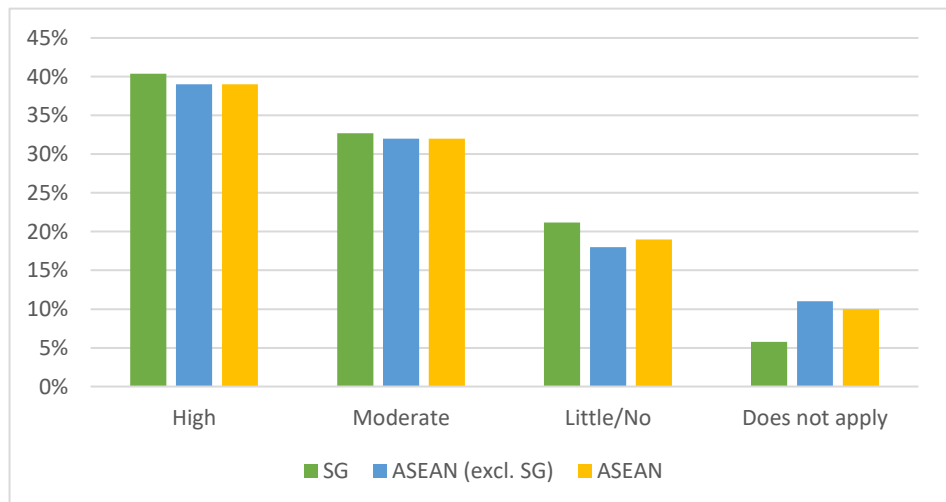
Currently, RCEP is being negotiated among the ten ASEAN nations, Australia, New Zealand, South Korea, Japan, India, China. This Agreement is comprehensive and goes beyond the economic liberalisation of the ASEAN+1 Agreements. Merely 10% of respondents in Singapore and 13% in ASEAN believe that the conclusion of RCEP would be of high importance to them. Instead, companies in both Singapore (40%) and ASEAN (41%) believe it will be of moderate importance to them.



10. A region-to-region FTA is of high importance to German companies

Figure 10. Importance of the EU-ASEAN Free Trade Agreement

In 2007, the EU and ASEAN launched the negotiations of a region-to-region Free Trade Agreement. The negotiations, however, paused in 2009 to give way to bilateral FTAs. Currently at the regional level, the European Commission and the ASEAN Member States have undertaken a stock-taking exercise to



explore the prospects towards the renewal of region-to-region negotiations. A joint EU ASEAN Working Group for the development of a Framework setting out the parameters of a future ASEAN-EU FTA gathers at a regular basis. An EU-ASEAN FTA would definitely have positive impacts on companies operating in the region, according to this survey. 40% of respondents from Singapore and 39% of respondents from ASEAN attach a high importance, while 33% and 32% respectively asserted that it will be of moderate importance.

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