

9 IN 10 FOREIGN FIRMS TO FURTHER EXPAND IN SOUTHEAST ASIA*3 in 5 expecting organic growth of at least 20%**1 in 4 to invest 10+% of operating profit to increase digitisation**1 in 5 to invest similar amount to improve sustainability*

Foreign firms operating in Southeast Asia are demonstrating a high level of confidence as they look to expand their footprint in a market of more than 600 million people.

According to HSBC's latest business survey [HSBC Navigator: SEA in Focus](#), 9 in 10 (89%) foreign companies with a foothold in Southeast Asia plan to grow their presence in the region over the next two years. 3 in 5 (61%) expect organic growth of 20% or more over the next 12 months.

Now in year three of a global pandemic, the economies of Southeast Asia are primed for growth. Even against the backdrop of market uncertainties, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam are forecast to grow by 3.8-6.2% this year.¹

Amanda Murphy, Head of Commercial Banking for South and Southeast Asia at HSBC, comments: "From demographics to digitisation to pure dynamism, so much is going in favour of Southeast Asia. The region is home to a large young population that is digitally native, increasingly affluent and educated, and with growing purchasing power. Their enterprising nature has produced a startup scene that rivals any other in the world."

More than 1,500 companies from six of the world's largest economies – China, France, Germany, India, the UK and the US – took part in the survey, with all of them having operations in Southeast Asia.

Digitisation is at the top of their agenda. 1 in 4 (26%) plan to invest more than 10% of their operating profit to increase digitisation, with cybersecurity being the area they would most like their banking partner to support them on – identified by 1 in 3 (34%). Sustainability is also a priority, with 1 in 5 (21%) planning to invest more than 10% of their operating profit to improve their sustainability. That said, finding the right talent is a potential hurdle: 1 in 3 (32%) cite the ability to hire employees with sustainability expertise as the main barrier to becoming more sustainable.

¹ HSBC Global Research, "[Asian Economics: Bracing for impact](#)", Q2 2022

Indonesia, 5.1%; Malaysia, 5.5%; Philippines, 5.7%; Singapore, 3.8%; Thailand, 3.8%; Vietnam, 6.2%

² All of Southeast Asia are members of RCEP, the Regional Comprehensive Economic Partnership

Malaysia, Singapore and Vietnam are members of CPTPP, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

Murphy continues: “The pandemic has brought about a break from business-as-usual, and companies in Southeast Asia are urged to use it to recalibrate their strategies, to become more sustainable and to harness technology in realising their potential.”

Finally, it is noteworthy that while Southeast Asia is integral to two of the world's largest free trade agreements – RCEP² and CPTPP³ – almost half of foreign companies we surveyed either are not aware of or do not intend to use these multilateral trade deals (47% for RCEP and 45% for CPTPP).

Murphy concludes: “A better understanding of the various FTAs in play in Southeast Asia could only work to a company's advantage. The flip side is a massive missed opportunity to ride the slipstream of this fast-growing region.”

The level of awareness varies by market. For example, the UK has formally applied to join CPTPP, and 23% of UK businesses are not aware of CPTPP. Though this is comparable to their French and German counterparts (23% and 21% respectively), it is much higher than their Chinese counterparts (6%) – even though China has also formally applied to join.

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