



The Business Outlook for Asia in 2022

As we move from recovery to growth, leaders must now switch from reactive to proactive. Criticleye Board Mentors share their predictions for how organisations in Asia can succeed in 2022. **Anisha Tansley** reports

There will continue to be real challenges across the Asia region over the next 12 months as businesses navigate rising inflation, a complex labour market, and strategic planning in a time of such uncertainty. However, there's no question that confidence is improving as the vaccination rollout gathers pace.

According to the International Monetary Fund, the rate of GDP growth globally

in 2022 is predicted to be around 4.9 percent, down from 5.9 percent last year. For Asia, growth is estimated to be 6.3 percent for the next 12 months, compared to 7.2 percent in 2021. The reality is clearly more complex and multi-layered and, for business leaders, some big calls need to be made.

Holly Carmichael, Head of Research and Market Development for APAC at Criticleye, comments: 'There is a lot of

opportunity for businesses across APAC to accelerate their growth both at a local and global level. Leaders must perfect their balancing act between the two, especially when considering challenges such as the war on talent, organisational decentralisation and changing consumer demands.'

Criticleye Board Mentors give their assessments of what the next 12 months may have in store. >



Till Vestring

Till Vestring, Non-executive Director at Keppel Corporation and Inchcape plc, and a Board Mentor at Criticaleye, predicts a shift in focus to challenges such as cost inflation following a positive economic recovery from the pandemic.

The consensus view would be quite a positive outlook for economies in Asia: continued recovery from COVID 19, though with some ups and downs throughout the year, together with a resumption of broad structural growth drivers in Asia's emerging economies.

The rebalancing of supply chains has certainly been accelerated by the short-term disruptions but it is more fundamentally driven by the geopolitical tensions between China and the West. This is quite positive for other countries in the region as the importance of Asia as a manufacturing centre for the world will continue, but there is a rebalancing from a heavy reliance on China to China+1, which involves investing into supply from countries like Vietnam, Thailand or India. This drives foreign direct investment, exports and foreign currency balances and will generate employment and incomes in these countries.

In terms of big headaches, cost inflation is certainly one that looks like it's not going to be a transitory effect. Inflation is now feeding through the economic value chain, leading to wage increases which is something that we haven't really seen much over the last two decades. In two companies that I'm involved with in Singapore, management decided on a flat 10 percent increase for all staff

“Demand is not a problem but it is the margins where many businesses are under pressure”

in addition to the typical single digit annual wage increase, to be competitive. There are some sectors and capabilities which are facing particularly tight labour markets and where you probably have to pay even more to retain or attract talent. I don't think that's just going to go away short term, I think we're going to see a period of higher cost inflation.

That's something of a new paradigm as we now all have to think about how to increase prices and increase productivity to preserve margins.



Jagdish Belwal

Jagdish Belwal, former CIO at Tata Motors and a Board Mentor at Criticaleye, sees a huge opportunity in the start-up market in India.

The biggest challenge today is margins. While yes, the business environment is looking up and there is a backlog of demand, costs are being pushed up

due to labour and supply chains. There are big concerns about the shortage of labour, the whole trend towards people not wanting to come back to big cities, and there have been supply chain disruptions. Demand is not a problem but it is the margins where many businesses are under pressure. In such a scenario, the ability to manage costs will be a major factor in determining how successful they will be.

The conversations with the Board and senior leadership team are primarily around how to mitigate the challenges of the new normal. For example, there is a lot of discussion around hiring people and how to push the acceptance rates higher when offering new positions. There are also concerns around salaries and how to control costs in an inflated market. Eventually, I advise leaders to fall back on data. A lot of these conversations have to become data driven because when there's more chaos, you have to put perceptions aside and rely more and more on factual information.

I do see a real opportunity for start-ups. I think we had around \$50 billion plus of start-up funding last year in India. China is starting to be a little hostile for the start-up world. Therefore, where China used to attract a lot of capital, that is now finding its way towards other start-up clusters, such as India.

You also see that corporates are becoming more aware of the power and inevitability of digital transformation. So, there's a bigger awareness and the start-up ecosystem is out there where these two come together. Start-ups will find it easier to work with corporates, as well as corporates putting some investment bets on those start-ups. ➤



Mui Hoon Poh

Mui Hoon Poh, Board Member at Singapore Pools and a Board Mentor at Criticaleye, explores the consequences of the changing consumer landscape in Asia.

Digital transformation, ESG and the war for talent will continue to be the defining trends over the next 12 months.

All businesses need to consider their forward position as the world opens up gradually. The prioritisation of investment in Asia versus the rest of the world, for Asian companies, will be key on the agenda.

Asian cities will continue to drive consumption growth, creating new demand. Take, for instance, Asia's increasingly "online-first" digital generation. These digital natives, born between 1980 and 2012, may account for 40 percent of Asia's consumption by 2030.

As companies respond to the diversifying Asian consumer landscape with new offerings, business models and technology-enabled innovation, the conventional relationship between income and consumption patterns is breaking down in some categories.

New market-specific consumption and income models are emerging. Business-model innovation and digital platforms are unlocking latent demand by enabling lower-income consumers in Asia to obtain services they could not previously access or afford to pay for. The huge unbanked population in Asia is increasingly empowered by mobile access.

“Asian cities will continue to drive consumption growth, creating new demand”



Richard Eu

Richard Eu, Non-executive Chair of Eu Yan Sang International, a consumer healthcare company specialising in traditional Chinese medicine, and a Board Mentor at Criticaleye, sees ESG becoming increasingly important for businesses as we emerge from the pandemic.

The pandemic continues to dominate the business landscape in Asia. Nobody knows the answer as to when we will get out of it completely and there are many industries which are still affected. For us, we were affected in terms of not being able to open stores, although now things are beginning to improve.

Overall, I guess it's good for our industry because at the day-to-day consumer health level, people are obviously concerned and they want to do what they can to live in a healthier way. We also have to be conscious of changing customer sensibilities as now more people are aware of sustainability. For example, we have had to re-examine

how we package our products. That's quite a major undertaking, compared to in the past; it is something that has been building for a long time but now it is definitely of greater importance. We need to stay ahead of the curve, being innovative rather than just reactive.

Social inequality and poverty remain a concern. At the ground level, there is a discernible gap between the people who are doing very well and those who are struggling. To me, that's worrying. I think the wealth gap has been exacerbated because of the pandemic. It certainly doesn't help in terms of social cohesion. ■

Don't miss Criticaleye's Asia Leadership Retreat: Rebuilding for Future Growth, taking place on 21 and 22 April 2022 at the Capella Hotel, Singapore.

For more information, please click [here](#).

Featuring Commentary From:



Jagdish Belwal
Former CIO
Tata Motors
& Board Mentor, Criticaleye



Holly Carmichael
Head of Research and
Market Development, Asia
Criticaleye



Richard Eu
Non-executive Chair
Eu Yan Sang International
& Board Mentor, Criticaleye



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Board Member
Singapore Pools
& Board Mentor, Criticaleye



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Non-executive Director
Keppel Corporation
& Inchcape plc
& Board Mentor, Criticaleye

Contact the contributors through:
www.criticaleye.com