

More firms relocating to Philippines, Malaysia, Indonesia

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More companies are seen relocating to the Philippines, Indonesia and Malaysia to tap these countries' young and educated talent base amid rising labour costs in China, according to global workforce solutions provider ManpowerGroup.

In a report titled "The Next Big Thing in Southeast Asia," ManpowerGroup said that [major companies, including Fortune Global 500s, were starting to locate their operations in Malaysia, Indonesia and the Philippines, the way they once flocked to China.]

In the past, companies moved to China due to its cheap labour, but in the case of the Philippines, Indonesia and Malaysia, a wider array of demographic sweet spots are attracting investors, ManpowerGroup said.

The report noted that the three Southeast Asian countries have large populations, high productivity and significant market potentials given their educated workforce.

"Combine these indicators with a projected influx of a large number of new workforce entrants and an emerging middle class, and it becomes apparent why forward-thinking companies are considering investments in the region," the report added.

Also, the average wages in these countries are "relatively low," whereas labor costs in other Asian countries—including China—"have been rising to the point that relocating to, or remaining in these markets may no longer be as financially appealing," ManpowerGroup said.

While the Philippines, Indonesia and Malaysia have yet to match the "sophisticated" manufacturing capabilities that China had developed over time, "[g]iven that companies are already relocating major operations to the [three] countries, it is reasonable to expect efficiencies will follow shortly."

The so-called "relocation triad" also boasts of a young population, which would provide a deeper talent pool in the future, the report said.

“The share of China’s population of young people, ages 0-14, is only 19.5 percent. Meanwhile, Malaysia, Indonesia and the Philippines enjoy much higher ratios of 29.1, 26.6 and 34.3 per cent, respectively, pointing to a demographic dividend in the [three] countries and a demographic deficit in China. The impact is clear: incoming talent will be far more available in [Malaysia, Indonesia and the Philippines], which was the center of attention in years past,” ManpowerGroup said.

Businesses also need to establish their presence in these three fast-growing markets to take advantage of the rising middle class, the report said.

Motor vehicles and consumer goods, in particular, are likely to enjoy brisk sales amid expanding economies.

The report said that relocation to the Philippines, Indonesia and Malaysia had become inevitable for businesses to grow further.

“The sustainable demographic trends observed in Malaysia, Indonesia and the Philippines will enable businesses investing in these markets to successfully grow their operations,” Danny Yuan, ManpowerGroup chief operating officer for Asia-Pacific and the Middle East, said in a statement.

In the case of the Philippines, ManpowerGroup said the country emerged as a viable relocation site among investors because of the following: significant tax incentives; simplified export and import procedures; strategic location near the Pacific Ocean; and huge English-speaking population.