

ASEAN Brief

The Covid-19 health crises will setback growth projections in the ASEAN region throughout 2020. However the ASEAN region has demonstrated in the past its resilience and ability to recover from crises' - and as such ASEAN will remain a strong investment destination for the next decade. The more export-oriented economies such as Singapore, Malaysia, Vietnam and Thailand will be more adversely affected. The full year forecast and 2021 growth estimates appended below are highly dependent on how long the coronavirus remains a disruption to social and economic activity and the timeline for total containment.

Country	2018	2019	2020 Forecast		2021 Forecast	
			IMF	ADB	IMF	ADB
Brunei	0.1	3.9		2.0		3.0
Cambodia	7.5	7.1		2.3		5.7
Indonesia	5.2	5.0	0.5	2.5	8.2	5.0
Lao	6.2	5.0		3.5		6.0
Malaysia	4.7	4.3	-1.7	0.5	9.0	5.5
Myanmar	6.4	6.8		4.2		6.8
Philippines	6.2	5.9	0.6	2.0	7.6	6.5
Singapore	3.4	0.7	-3.5	0.2	3.0	2.0
Thailand	4.2	2.4	-6.7	-4.8	6.1	2.5
Vietnam	7.1	7.0	2.7	4.8	7.0	6.8

Chart data source CSIS, April 14

Although the economic impact is being compared with the Asia financial crisis of 1998 both the IMF and ADB are forecasting a strong rebound in 2021 due to robust economic fundamentals, stronger emphasis towards regionalism, strengthening economic interdependence, and global positioning. The IMF forecasts growth for the ASEAN-5, (Indonesia, Malaysia, Philippines, Singapore and Thailand) to bounce back to +7.8 percent while the ADB sees the region rebounding to +4.7 percent. It should be noted that the World Bank foresees the major ASEAN economies in negative growth in 2021 with the exception of Vietnam.

The coronavirus era will heighten national security concerns with the US and other advanced economies leading to the near-shoring and re-shoring of high-tech and semiconductor products, pharmaceuticals and API's, medical equipment, PPE and related health and safety products deemed to be a security concern or essential goods. The ASEAN will continue to be the main beneficiary of inward regional FDI as multinationals diversify risk by accelerating the separation and shifting of lower-value China-based supply chains and manufacturing already driven by escalating US-China trade tensions and directional uncertainty of tariffs, market forces and rising wages and costs in China.

Although South East Asia accounts for only 10% of global trade the ASEAN region is emerging as the regional and global growth engine of the next decade and gateway into new intraregional and interregional markets. Today over 60% of Asia trade is within Asia. Trade agreements will more deeply interconnect the ASEAN region with global markets such as: ASEAN Member States (AFTA) ASEAN Economic Community (AEC) ASEAN-Australia-New Zealand FTA (AANZFTA) ASEAN-China FTA (ACFTA) ASEAN-India FTA (AIFTA) ASEAN-Korea FTA (AKFTA) ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Vietnam-EU (EVFTA) Upcoming Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Proposed Regional Comprehensive Economic Partnership (RCEP) In terms of investment the ASEAN region has become the main recipient for Asia inward Foreign Direct Investment (FDI), attracting a record \$151bn in 2018 and exceeding China's \$139 bn.

By the end of the decade ASEAN's population is projected to grow from 647 to 710 million with a median age of 33. Household earnings for 125 million people in the region will reach 7,000 US\$, and about 30% or 40 million will earn 18,000 to 68,000 US\$. Over the next decade this growing middle class will spur the need for a wide range of consumer goods and services, creating the next Asia growth wave and new opportunities for multinationals. The more open and democratic economies will compete to attract new FDI and increase the level of foreign ownership in lucrative sectors such as construction, manufacturing, real estate, finance, and retail. The ASEAN's geographic location in the confluence of major trade routes will enable companies to utilize their ASEAN-based manufacturing as export platforms to supply both regional and global markets.

Philippines Brief

Country Profile

The Philippines is the 5th largest ASEAN economy and 6th largest country in geographical size. In terms of population it has the 13th largest population globally and the 7th largest in Asia. The country is positioned off the southeastern coast of Asia directly east of Vietnam and northeast of Malaysia. The country is made up 81 provinces which fall under 17 administrative and one autonomous region, and comprises of more than 7,000 islands that are categorized under three regions, Luzon (North), Visayas (Center) and Mindanao (South). The key trade regions, economic-hubs and major cities in respective order are Manila, Cebu and Davao. The Philippines has made significant economic development and transparency progress during the Benigno Aquino administration 2010-2016 winning its first-ever investment grade rating. Structural reforms are continuing as the government eases restrictions on foreign participation to attract a higher level of ASEAN inward FDI necessary to continue growth momentum.



Economy

After decades of political unrest and difficulties, the Philippines have emerged as one of the fastest growing economies in ASEAN region posting above 6% growth for eight consecutive years. With strong economic growth, an expanding population and increasing market sophistication the Philippines is one of ASEAN’s brightest investment opportunities. As the Philippines develops from being a tourism and remittance dependent economy, more key sectors of the economy are being opened to foreign participation. Industrial expansion is playing a key role in the country’s economic progress. The country’s large population, growing middle class, and its geographic proximity along major trade routes makes the Philippines a viable production base and attractive consumer market. To coincide with attracting FDI the Philippines government has established its “build-build-build” program undertaking significant transportation and trade infrastructure projects across the country. In addition the Philippines commercial and residential construction industry is experiencing a boom led by the “BBB” initiative that is providing the impetus needed for investors to confidently plan and invest for the future. The 2020 pandemic will upend eight years of growth, resulting in the economy declining ~4-percentage points in 2020.

Key Metrics US\$b	2016	2017	2018
Population	103	105	107
GDP Per Capita \$	2,953	2,989	3,104
GDP \$	305	314	331
Growth Rate %	6.9	6.7	6.2
Unemployment %	5.5	5.7	5.3
Public Debt % of GDP	42.1	42.1	41.8
Inflation %	1.3	2.9	5.2
Current Account Balance \$	-1.2	-2.1	-8.7
Exports \$	57.4	68.7	69.3
Imports \$	84.1	96.1	113
Trade Balance \$	-26.7	-27.4	-43.7
International Reserves \$	80.7	81.6	79.2

Trade and Investment

The Philippines is the 5th largest ASEAN recipient of foreign direct investment behind Thailand. Inward foreign direct investment was \$10.8 bn in 2018, \$1.0 bn intra-ASEAN and \$9.8 bn extra-ASEAN. The Philippines trade has increased 28.8% since 2016 to \$182.3 bn, imports surged to \$84.1 bn and exports increased slightly to \$69.3 bn resulting in a trade deficit of \$43.5 bn. The Philippines main exports are integrated circuits, machine parts, computers and semiconductor devices. The top export destinations are China, Hong Kong, US, Japan and Germany. The countries top imports are precious integrated circuits, refined petroleum, vehicles, crude petroleum and industrial products. The top import origins are China, Japan, South Korea, the US and Thailand.

Our business is helping your business successfully enter and develop ASEAN markets

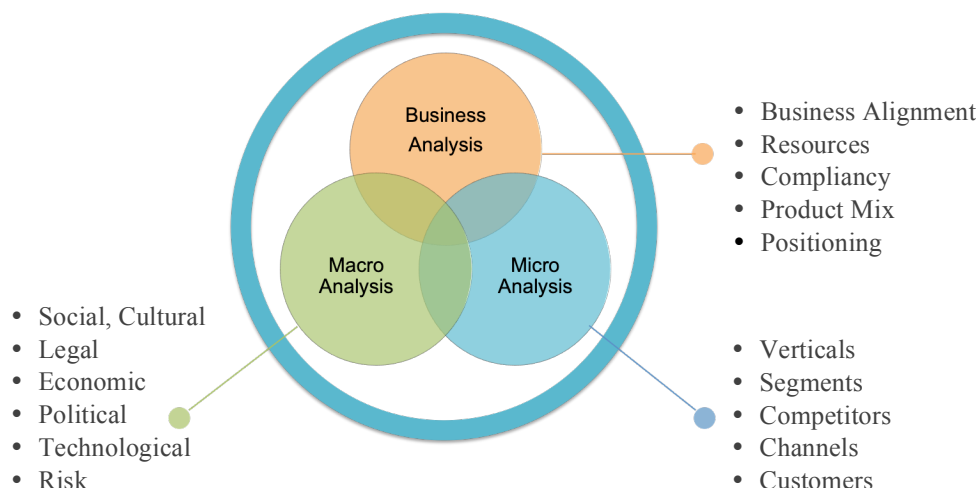
Achieving more effective market coverage and penetration across ASEAN's diverse, hugely fragmented, yet inter-related market is highly challenging and complex for any company. Basic templates or theoretical "cookie-cutter" market-entry and development formulae often falls short of achieving desired results.

What companies need is a distinctive market-entry and channel design process that caters for key variables which encompass the necessary agility to synchronize individually tailored business strategies with relevant opportunities, regional cultures and competitive scenarios – eliminating the wasted costs of trial-and-error market entry efforts.

Consider this--traveling to Asia is expensive, the region is vast, and you may not gain sufficient knowledge and facts to support a strategy. We **save you time and money** by performing the in-depth markets research and analysis to help guide your market entry and development decisions.

The AdvantAsia Process

Scope of Study – Based on Your Key Objectives & Desired Outcome



Contact us to discuss your unique needs



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