

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.

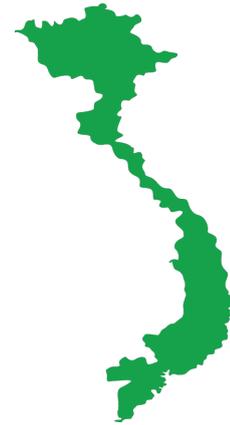
Although South East Asia accounts for only 10% of global trade the ASEAN region is emerging as the regional and global growth engine of the next decade and gateway into new intraregional and interregional markets. Today over 60% of Asia trade is within Asia. Trade agreements will more deeply interconnect 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.

Vietnam Brief

Country Profile

Vietnam is the 6th largest ASEAN economy and 4th largest country in geographical size. In terms of population it has the 15th largest population globally and the 3rd largest in ASEAN. The country borders China to the north, Laos and Cambodia to the west and the South China Sea and Gulf of Tonkin to the east shared with China, Indonesia, Philippines and Thailand. The country includes 44 provinces and there are 5 centrally controlled municipalities - Hanoi (National Capital), Ho Chi Minh City, Can Tho, Da Nang, and Hai Phong that coexist at the same administrative level as the provinces. The Socialist Republic of Vietnam has risen to become one of the regions fastest growing economies exhibiting similar growth characteristic to China soon after opening its economy in December of 1978.



Economy

Pre-pandemic growth projection for 2020 was estimated in the 7 percent range driven by a strong manufacturing sector and foreign direct investment. US China trade tensions, and the directional uncertainty of tariffs, and the compounding effect of Covid-19 will increase the level of FDI into Vietnam as multinationals look to diversify supply chain risk. Samsung moved their production to Vietnam in 2019 before the Covid-19 crises for three main reasons, the escalating trade war between the US and China, declining Chinese market share, and attractive new market opportunities and investment incentives in Vietnam and the ASEAN region. FDI and rapid economic growth is helping to reduce poverty and enabling the country to advance to a middle-income economy.

It is highly likely Vietnam will sustain its growth momentum and achieve high-income status within the next two decades. Vietnam has substantial hydrocarbon reserves and hydropower, which are crucial to sustaining and scaling FDI into the manufacturing sector and to meet the demand of its increasing population. Development of the country's oil and gas reserves has enabled the country to become a crude oil exporter and capable of meeting its domestic gas demand. Vietnam is expanding its global reach as an export-oriented manufacturing nation having ratified a number of FTAs. The construction sector will grow on the back of increasing demand for infrastructure improvements needed to more efficiently move products and people. Commercial and industrial construction projects will continue to drive the economy through increased FDI. Residential projects will surge to meet the needs of a rising middle class and new demand created by the 2015 Law on Residential Housing (HRL) allowing foreigners to buy property. Growth will be hampered by the pandemic, the economy is expected to grow ~3% in 2020, and bounce back quickly to ~7.5% in 2021.

Trade and Investment

Vietnam is the third largest ASEAN recipient of foreign direct investment behind Thailand. Inward foreign direct investment was \$18.4 bn in 2018, \$2.9 bn intra-ASEAN and \$15.5 bn extra-ASEAN. Vietnam trade has increased 37.3% since 2016 to \$471 bn, imports surged to \$227 bn and exports increased to \$244 bn resulting in a trade surplus of \$16.5 bn. Vietnam's main exports are broadcasting equipment, telephones, integrated circuits, textiles and footwear. The top export destinations are the US, China, Japan, South Korea and Germany. The countries top imports are integrated circuits, telephones, refined petroleum, electrical parts and light rubber knitting. The top import origins are China, South Korea, Japan, Singapore and Hong Kong.

Key Metrics US\$b	2016	2017	2018
Population	92.7	93.6	94.6
GDP Per Capita \$	2,173	2,353	2,545
GDP \$	201	220	241
Growth Rate %	6.2	6.8	7.1
Unemployment %	2.3	2.2	2.2
Public Debt % of GDP	59.7	58.2	55.6
Inflation %	-0.6	2.8	3.1
Current Account Balance \$	0.6	-1.6	5.9
Exports \$	177	215	244
Imports \$	166	204	227
Trade Balance \$	11.0	10.8	16.5
International Reserves \$	36.5	49.1	55.5

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

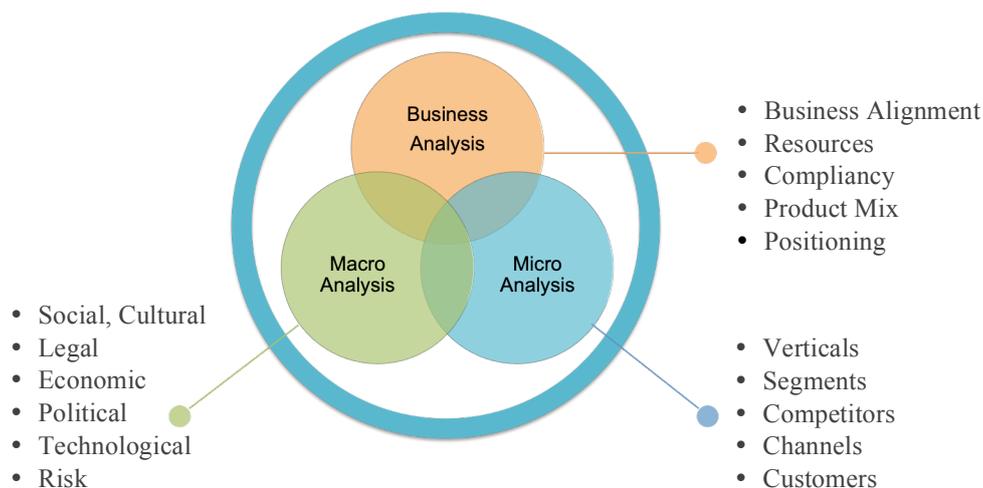
Achieving more effective market coverage and penetration across ASEAN's diverse, hugely fragmented, yet inter-related market is highly challenging and complex for any company. Basic templates or theoretical "cookie-cutter" market-entry and development formulae often falls short of achieving desired results.

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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