

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.

Malaysia Brief

Country Profile

Malaysia is the 4th largest economy in the ASEAN region and the founding member of ASEAN. The country is made up 13 states and three federal territories. West Malaysia contains 11 states and East Malaysia includes Sabah and Sarawak on the island of Borneo, which shares borders with Brunei and Indonesia. The country is ethnically diverse comprising of three main ethnicities, 69% Malay and indigenous groups, 23% Chinese, and 7% Indian.



Economy

Since the Asia financial crises Malaysia has undergone rapid economic development and has progressed from an agriculture and primary commodities dependent economy to becoming a more broad based export driven economy. Malaysia embraced new technologies at an early stage of its economic development and invested significantly in knowledge-based industries that have helped the country dramatically improve its labor productivity versus its regional peers Thailand, Indonesia, Philippines and Vietnam. Following the Asian financial crises of 1998 the Malaysia economy has been on an upward trajectory. The country has averaged 5.4% growth since 2010 and is expected to reach its goal of transitioning from an upper middle-income economy to a high-income economy by 2024. GDP per capita has increase 15.6% over the period 2016 to 2018. Depressed oil prices and reduced export demand will impact 2020-21 growth, however, Malaysia is at the forefront of renewable energy trends and innovations and is positioning itself to becoming the regional leader in biofuels and solar energy. Malaysia will continue to transform its industrial base to higher value-added products and services driven by new technologies and increased productivity, which is intended to strengthen its competitive advantage within the region. The large-scale public and private construction projects will continue beyond the 11th Malaysia Plan ending in 2020 that coincides with the country's goal of becoming a developed nation by 2025. Reduced manufacturing output, weaker electronics demand along with declining palm oil exports will result in the economy shrinking ~4-percentage points in 2020.

Key Metrics US\$	2016	2017	2018
Population	31.6	32.0	32.4
GDP Per Capita \$	9,578	9,947	11,068
GDP \$	303	319	358
Growth Rate %	4.4	5.7	4.7
Unemployment %	3.5	3.3	3.3
Public Debt % of GDP	51.9	50.1	51.2
Inflation %	2.1	3.8	1.0
Current Account Balance \$	7.2	8.9	7.6
Exports \$	190	218	249
Imports \$	168	195	218
Trade Balance \$	22	23	31
International Reserves \$	95	102	101

Trade and Investment

Malaysia is the 6th largest ASEAN recipient of foreign direct investment behind the Philippines. Inward foreign direct investment was \$8.5 bn in 2018, \$0.475 bn intra-ASEAN and \$8.1 bn extra-ASEAN. Malaysia's trade has increased 29.8% since 2016 to \$464.7 bn, imports surged to \$217.4 bn and exports increased to \$247.3bn resulting in a trade surplus of \$30 bn. Malaysia's main exports are integrated circuits, refined petroleum, machine parts and LNG. The top export destinations are China, Singapore, Japan and Hong Kong. The countries top imports are electronics, refined petroleum and crude petroleum. The top import origins are China, Singapore and the USA.

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

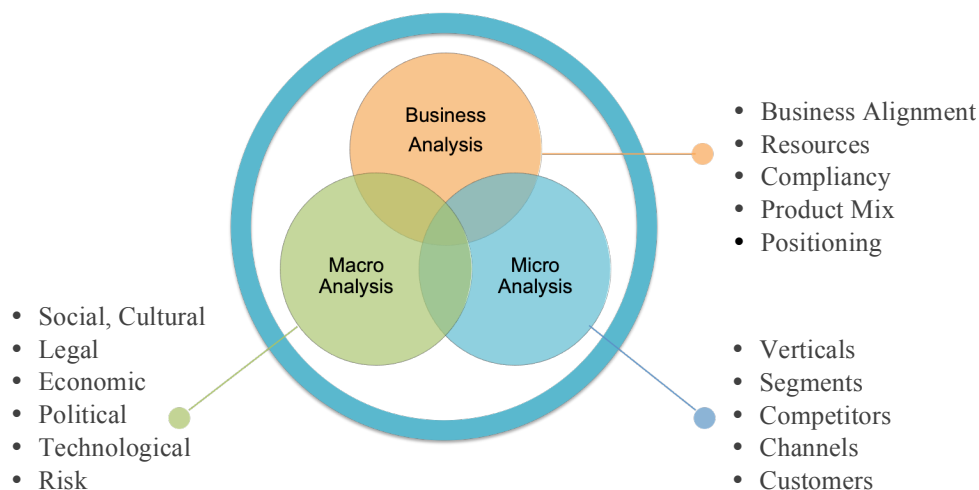
Achieving more effective market coverage and penetration across ASEAN's diverse, hugely fragmented, yet inter-related market is highly challenging and complex for any company. Basic templates or theoretical "cookie-cutter" market-entry and development formulae often falls short of achieving desired results.

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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