

## 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.

## Thailand Brief

### Country Profile

Thailand is the 2<sup>nd</sup> largest economy in the ASEAN region and is located in the center of Mainland South East Asia. The country is made up of 76 provinces and one special administration zone, (representing the capital city Bangkok). Thailand borders Myanmar, Laos, Cambodia and Malaysia. The country is entering a new chapter of development with the recent death of King Bhumibol Adulyadej in 2016 and his successor King Maha Vajiralongkorn Bodindradeyavarangkun now on the throne. Thailand has been governed by a succession of military leaders since a 2014 coup, however basic government structure has remained intact and the military-backed government continues to prioritize economic development.



### Economy

Over the last four decades Thailand has made remarkable progress in social and economic development moving from a low-income to an upper-income country in less than a generation. Following the 1998 Asia financial crises Thailand's economy grew at an average annual rate of 5%. Resulting from economic development poverty declined significantly over the past 3 decades from 65.2% in 1998 to 9.85% in 2018. However, in recent years between 2015 and 2018 the country experienced a spike increasing from 7.2% to 9.85%. Thailand is highly dependent on international trade with exports accounting for about two thirds of GDP. Thailand's exports include electronics, agricultural commodities, automobiles and parts, and processed foods. The industry and service sectors account for 90% of GDP and the agriculture sector contributes 10%. With a relatively well-developed infrastructure, an open economy, and overall investment-friendly policies, Thailand's medium and long-term economic outlook remains positive as it progresses development plans aimed at strengthening the business environment, diversifying the industrial base and attracting higher levels of foreign investment. One of the economic development initiatives is the Eastern Economic Corridor (EEC) act that was laid out in 2018 establishing a set of attractive investor incentives for EEC related projects. The economy is expected to contract ~5-percentage points in 2020 as the pandemic that has negatively impacted Thailand's global trade, manufacturing and tourism sectors.

Key Metrics US\$	2016	2017	2018
Population	67.5	67.7	67.8
GDP Per Capita \$	6,133	6,746	7,455
GDP \$	414	456	505
Growth Rate %	3.4	4.1	4.2
Unemployment %	0.8	1.0	0.9
Public Debt % of GDP	40.6	41.2	41.8
Inflation %	0.2	0.7	1.1
Current Account Balance \$	43.4	44.0	28.5
Exports \$	213	234	251
Imports \$	178	201	229
Trade Balance \$	35	33	22
International Reserves \$	172	203	206

### Trade and Investment

Thailand is the 4<sup>th</sup> largest ASEAN recipient of foreign direct investment behind Vietnam. Inward foreign direct investment was \$15.0 bn in 2018, \$1.8 bn intra-ASEAN and \$13.2 bn extra-ASEAN. Thailand's trade has increased 22.7% since 2016 to \$480 bn, imports surged to \$229 bn and exports increased to \$251 bn resulting in a trade surplus of \$22 bn. Thailand's main exports are machine components, integrated circuits and vehicle and automotive parts. The top export destinations are China, US, Japan and Malaysia. The countries top imports are precious minerals, vehicle parts, integrated circuits and crude petroleum. The top import origins are China, Japan, Singapore, Hong Kong and Malaysia.

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

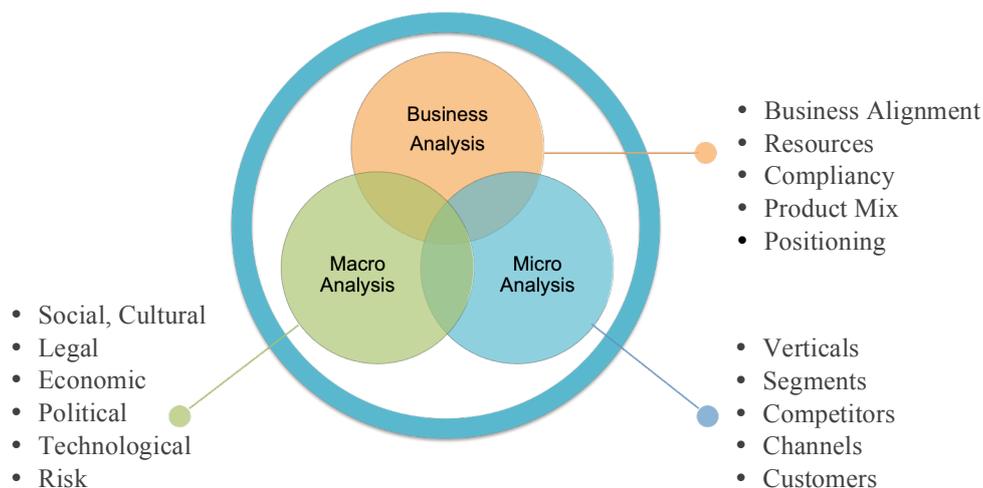
Achieving more effective market coverage and penetration across ASEAN's diverse, hugely fragmented, yet inter-related market is highly challenging and complex for any company. Basic templates or theoretical "cookie-cutter" market-entry and development formulae often falls short of achieving desired results.

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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