



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

AUGUST 2023

ASEAN: Regional economic outlook

MARKET INTELLIGENCE REPORT

Summary

The Association of South East Asian Nations (ASEAN) continues to recover from the economic effects of COVID-19 faster than the global norm. However, projections for the next few years suggest worldwide growth is diverging, with advanced economies continuing to slow as ASEAN looks set to revert to pre-pandemic growth figures. ASEAN is seeking to diversify its growth base in order to mitigate threats, provide greater economic resilience, and further boost the region's economy. The region's digital transformation is expected to play a significant role, particularly through the development of a regional Digital Economy Framework Agreement. ASEAN has also identified opportunities to leverage environmental and social development work streams to drive further economic growth. These include through ASEAN's Strategy for Carbon Neutrality, ASEAN's Framework for the Circular Economy for the ASEAN Economic Community, and the ASEAN Blue Economy Framework - all areas where New Zealand has expertise to share.

Report

According to the latest International Monetary Fund (IMF) GDP growth figures, ASEAN is well on track to recover from the economic effects of the COVID-19 pandemic. As a region, ASEAN has bounced back from relatively disappointing (by regional standards) GDP growth of 3.4% in 2021 to achieve growth of 5.7% in 2022, outstripping the global GDP growth average of 3.4% in 2022. Of the East Asia Summit (EAS) participating countries [the ASEAN Member States, Australia, China, India, Japan, New Zealand, Republic of Korea, Russia, and United States] only India has achieved better growth figures (at 6.8%) for 2022.

2. And the figures for the region over the next few years appear even more promising. ASEAN's projections of 4.7% in 2024 and 5.0% in 2025 are expected to outpace global average growth estimates currently sitting at 2.8% and 3.0% respectively. However, these headline figures mask a projected divergence in global growth. According to the IMF, growth in advanced economies is expected to slow over the next two years (to 1.3% and 1.4% respectively), while emerging economies continue their recovery and return to pre-pandemic growth levels. ASEAN's own estimates place the region at the upper end of the IMF projections for emerging economies, again only eclipsed by India among the EAS members.

3. ASEAN's recovery is, however, not uniform across the region. The region's larger developing economies - led by Malaysia (8.7% GDP growth in 2022), Viet Nam (8.0%), and the Philippines (7.6%) - have all experienced considerable post-pandemic growth, while at the other end of the scale, Brunei has remained in recession (-1.6% in both 2021 and 2022), followed by Lao PDR (2.3%), Myanmar (2.4%) and Thailand (2.6%).

4. Of these, Viet Nam (6.5% in 2023, and 6.8% in 2024), and the Philippines (6.0% and 6.2% respectively) are forecast to continue their growth trajectories over the next two years. Cambodia is expected to join them with forecasted growth of 5.5% and 6.0% respectively, although Malaysia's 2022 boom is expected to subside slightly to fall in line with that of Indonesia at around 5% growth per annum. Brunei (2.5% and 2.8% respectively) is projected to come out of recession on the back of rising petroleum prices, but their growth is forecast to remain below that of Myanmar (2.8% and 3.2%). Thailand is projected to partially recover (3.3% and 3.7%), eclipsing Singapore (2.0% and 3.0%) who, as the region's only advanced economy, is expected to experience the same slowdown as other advanced economies globally.

ASEAN's recovery has hinged on trade. According to the ASEAN Secretariat, ASEAN's trade value reached US\$3.8 trillion in 2022, up from US\$3.3 trillion the year before. The majority of this trade (US\$1.9 trillion) came from ASEAN's EAS partners, most notably

from China (ASEAN's number one trading partner), with inter-ASEAN trade (US\$0.9 trillion) and rest of the world trade (US\$1.1 trillion) rounding out the ledger.

Foreign Direct Investment (FDI) has also recovered from its pandemic-related slump. FDI was recorded at US\$224.2 billion for 2022, a modest increase from 2021, but a significant increase from US\$119.8 billion in 2020. Unlike trade, the majority of ASEAN's FDI comes from non-EAS partner countries (US\$102.3 billion in 2022), although EAS partners contributed US\$94.2 billion in the same period, primarily in the manufacturing and financial sectors.

7.Regional tourism continues to be particularly affected by the tail-end of the pandemic. According to the ASEAN Secretariat, regional arrivals stood at 43.2 million arrivals in 2022, up from 2.9 million in 2021. Almost 50% of this came from intra-ASEAN tourism, with the 11.7 million tourists from EAS countries contributing a further 27%. While the 2022 figures were considerably more encouraging than 2021, they still represent only 30% of the 143.6 million arrivals in 2019, of which 66.2 million (over 46%) were from EAS countries.

8.Despite the encouraging forecasts, ASEAN remains concerned that persistent inflation and reductions in domestic spending have the potential to affect ASEAN's economic outlook, particularly in light of weakening global demand and tightening capital flows into regional investments. At the recent EAS Senior Economic Official's meeting in Indonesia, ASEAN Member States noted that despite the positive outlook, inflation remained a front-of-mind concern. Geopolitical conflicts, digital disruption, and climate risks (framed in terms of rising energy prices and disruptions to global value chains) also featured. ASEAN officials also expressed their concerns that manufacturing – which retains its leading role in ASEAN's economic portfolio – was particularly vulnerable to the effects of slowing global demand.

9.To offset this, ASEAN is placing considerable importance on the development of 'a seamless digital trade ecosystem' across the region, spearheaded by the establishment of the ASEAN Digital Economy Framework Agreement (DEFA), with negotiations expected to be launched by ASEAN Leaders at the September Summit. According to research conducted by the Economic Research Institute for ASEAN and East Asia (ERIA), DEFA is expected to accelerate ASEAN's growth, adding a further US\$4.5 trillion to the regional economy by 2030.

10.The ASEAN Economic Community (AEC) also intends to leverage ASEAN's environmental and social development goals to drive economic growth. The AEC has suggested that the ASEAN Strategy for Carbon Neutrality will create 10-12 million jobs in the region through investments in low carbon technologies, carbon offsetting, and sustainable infrastructure. Initiatives to develop the Framework for the Circular

Economy for the AEC, and the ASEAN Blue Economy Framework are also intended to help AMS leverage existing knowledge and advantages in technology in order to maximise the economic benefit in these areas.

Comment

ASEAN knows it must adopt a multifaceted strategy that includes economic diversification, regional integration, and multilateralism to sustain the region's recovery and ascertain the region's role in the global economy. Much hope is placed in the economic value that may come from adopting circular and blue economy approaches, carbon neutrality, and in embracing the digital economy to drive the region's development over the longer-term. EAS partners will need to support ASEAN's sustainability and digitalisation agendas in order to facilitate the region's transition towards a more sustainable growth model.

More info

More reports

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

If you would like to request a topic for reporting please email exports@mfat.net

To get email alerts when new reports are published, go to our [subscription page](#).

To learn more about exporting to this market, New Zealand Trade & Enterprise's comprehensive [market guides](#) cover export regulations, business culture, market-entry strategies and more.

To contact the Export Helpdesk

email exports@mfat.net

call 0800 824 605

visit Tradebarriers.govt.nz

Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author's own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.