



AMICORP

A MARKET INSIGHTS REPORT

GRASPING THE OPPORTUNITY OF SOUTHEAST ASIA'S JEWEL ECONOMIES





Southeast Asia has been one of the fastest growing regions in the global economy¹, but its best days still lie ahead with a wealth of opportunities for investors and businesses to invest or establish operations in the region.

The economic growth and development of Southeast Asia has stemmed in part from its proximity to China, but this is only part of the story. Its location makes the region a crossroads for trade both in-region and globally. Deepening trade links with developed economies in Europe and North America herald yet further expansion for these economies and Southeast Asia is home to some of the most active trade corridors in the world.

But while regional and global trade agreements have helped forge this regional growth story, those agreements have not evolved into a single market akin to the European Union. Agreements form a complex patchwork of group and bilateral trade agreements with no regulatory standardization and great diversity in language and culture.

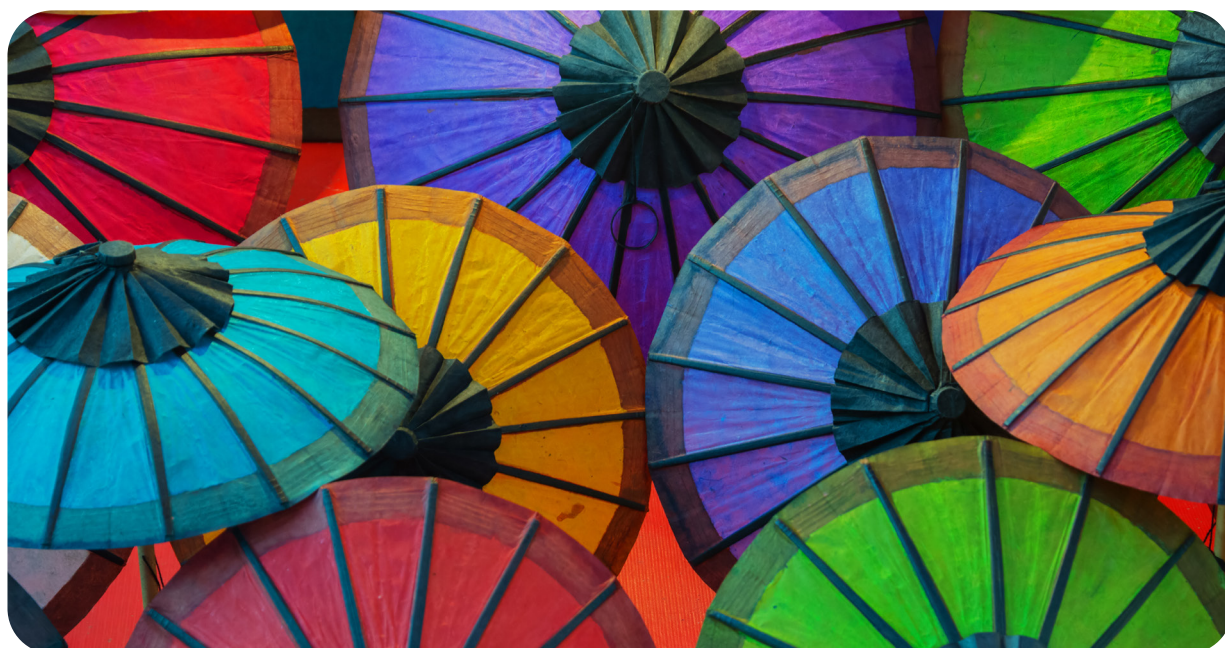
So, while the region offers some of the most attractive opportunities for foreign business, these come with challenges that require partnerships with expert advisers to crack. For ambitious companies looking to expand in the region there are several countries that stand out.

Singapore is the flagship economy of the region and is highly attractive to foreign investors. Its central location provides speedy access across the region and it is a well-established financial hub. It also has a streamlined and transparent regulatory system, a deep pool of skills and a multilingual workforce.

As such, Singapore is an attractive market for foreign companies. Equally important, however, is Singapore's potential as a steppingstone into the wider region. From Singapore, foreign investors and entrepreneurs can begin to access those countries in SE Asia that present even greater growth opportunities – including Indonesia, Thailand, Malaysia, the Philippines and Vietnam, all of which are forecasted by the OECD to show real Gross Domestic Product (“GDP”) growth that exceeds the global average in 2024.

Country	Real GDP growth 2023	Forecast Real GDP growth 2024
Indonesia	4.7%	5.1%
Thailand	3.8%	3.9%
Malaysia	4.0%	4.2%
Philippines	4.0%	1.0%
Vietnam	6.4%	6.6%
World	3.1%	2.9%

Source: OECD²



REGIONAL STORY

Each of these countries has its unique growth opportunities and challenges, but there are common features that help explain their potential. While a single market has yet to be created in the region, the Association of Southeast Asia Nations ("ASEAN") has made significant steps towards this goal. Other agreements in place include the Regional Comprehensive Economic Partnership ("RCEP") which links the region to China and Oceania and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP").

TRADE CORRIDORS

Analysis by McKinsey of the world's 80 largest trade corridors found that 49 have an Asian economy at one end of the corridor and 22 were within Asia. The common narrative that globalization is in retreat is at odds with Southeast Asia's reality. Vietnam's trade with China rose 16% between 2018 and 2022 and Malaysia's, by 13%. But at the same time the fastest growing economies in the region already have or are building trade agreements with developed economies including the US.

The region thus occupies a distinctive position in building freer trade with both China and the West.

POPULATION

The five countries identified in this paper as the jewels of Southeast Asia have a combined population of 600 million.³ But beyond sheer scale, what distinguishes these populations is their age profile and growing middle-class.

Malaysia, Indonesia and Vietnam have median ages of 31-32, the Philippines, 25 and Thailand, 41. The equivalents in Europe and the US are 44 and 38 respectively.⁴

Meanwhile, it is estimated that 65% of the ASEAN region's population will be middle class by 2030,⁵ a figure comparable to EU countries, where the middle class ranges between 51% and 75%.⁶

These represent highly attractive markets in their own right, both for business-to-business, and consumer-oriented companies looking to tap into the region's growing affluence.

TECHNOLOGY

The role of Southeast Asia in the manufacture of technology products is well attested and manufacturing overall accounts for a higher proportion of employment in the region than in developed markets. But the use of technology by consumers is also expanding rapidly.

The World Economic Forum estimates that the number of people online in Singapore, Indonesia, the Philippines, Malaysia and Vietnam has doubled in the last eight years.⁷ Mobile online access is key to this development – in Indonesia, Vietnam and Thailand, for example, the penetration of mobile payments is higher than in either the US or Europe.⁸

The World Economic Forum has estimated that the digital economy in Southeast Asia will be worth at least USD 600 billion by 2030 and, with support from business and government to expand digital inclusion, could be as high as USD 1 trillion.⁹

COUNTRY BY COUNTRY

INDONESIA

Indonesia epitomizes the demographic and digital opportunities of the region.

The age profile of its 270 million people is among the youngest in the region and there is also a growing middle-class, which the World Bank estimates will number 150 million people by 2030.¹⁰ The World Bank also identifies Indonesia as one of the fastest growing digital economies in Southeast Asia,¹¹ expected to reach USD 130 billion by 2025.

Natural resources are a vital element in Indonesia's growth, with the country's mining sector growing by 5.4% in the first quarter of this year.¹²

Accessing the opportunities in Indonesia does require expertise on the ground, however. Foreign ownership of business is permitted only in certain sectors and with limits on foreign shareholding in some sectors. Registering a business can be a bureaucratic process involving licensing and approval from the Ministry of Investment and the Ministry of Law and Human Rights.¹³

Talk to the Amicorp Globalization team to find out more about our global entity set up services, compliance and HR support services, as well as our other cross-border business expansion services.



MALAYSIA

The growth of the Malaysian economy has recently outstripped expectations, with 2024 first quarter growth of 4.2%.¹⁴

Malaysia's manufacturing sector has long been a mainstay of the country's economy accounting for 23% of GDP in 2023,¹⁵ but like Indonesia, the digital economy is growing apace. Through the Malaysian Digital Economy Corporation, the country's government is promoting digitization and the ecommerce sector is expected to reach almost USD 18 billion by 2025.¹⁶

Malaysia is also a global leader in Islamic finance, being the third largest market for such financing and with Shariah-compliant lending accounting for 41% of loans in 2022.¹⁷ The strength of Malaysia's Islamic banking sector is a key strength in attracting investment from Islamic countries and businesses.

However, operating businesses in Malaysia presents unique challenges. Among them, a complex taxation system with separate levies on corporate income, interest income, real estate and even vehicles. Meanwhile accessing the fast-growing digital economy requires a separate license to operate an ecommerce business.¹⁸

Employment law brings its own challenges, among them the fact that different laws apply in different regions of the country. All businesses, meanwhile, are required to pay into state-sponsored funds to protect employees in the event of job loss, injury or retirement.¹⁹

Navigating these operational challenges requires advisory services from partners with local expertise and experience.

Amicorp's on-the-ground team offer accounting and tax services, along with a range of other back-office administrative support services to help businesses get set up and manage their ongoing operations across Southeast Asia. Get in touch to find out more.



PHILIPPINES



Many of the demographic benefits of the region are also typified by the Philippines with 60% of its population being under the age of 35 and with a growing middle class. This is fueling robust growth in the Philippines' food and beverage industry. Technology is one of the country's particular strengths, with a strong focus from government on digital infrastructure.

The Philippines has a healthy start-up sector, backed by a series of government initiatives, including the Roadmap for Digital Startups in 2015 and the Innovative Startup Act and the Philippine Innovation Act, both passed in 2019. These and other initiatives include grants and incentives for startup business.²⁰

For Anglophone companies, English being one of the country's two official languages and the relatively high proportion of English speakers are two key benefits.

Competitive corporation tax rates are another attraction though the tax system has undergone significant reform in recent years²¹ and navigating its provisions is best achieved with the advice of local expertise.

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THAILAND

Thailand has one of the region's more mature populations with a median age similar to that of Europe. However, it matches other economies in the region for its adoption of digital technology with an ecommerce market that is forecast to reach USD 53 billion by 2025.²²

The country has long enjoyed extensive links with developed economies thanks to its strong tourism economy. While this sector was knocked by the Covid-19 pandemic, it is once again growing at pace. More than one million tourists came to Thailand in the first quarter of 2024²³ and the World Tourism and Travel Council expects tourism to account for more than 17% of the country's GDP in 2025.

Surprisingly for many overseas investors, the Thai banking system is relatively under-developed, and many types of transaction must be carried out in-branch. The accounting system and tax regulation can also be notoriously complex.²⁴

However, the Thai government has made efforts to welcome foreign business in certain sectors most notably with an accelerated visa system for those launching companies in the country.

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VIETNAM



Vietnam is one of the most dynamic countries in Southeast Asia for foreign investment. During the first six months of 2024, foreign investors registered more than 1,500 new projects in the country, up 19% on the same period in 2023. Capital investment in such projects reached USD 9.54 billion, a remarkable 47% increase year-on-year,²⁵ and total foreign direct investment is expected to reach USD 40 billion this year, according to the Vietnamese government.²⁶

International trade is a key component of Vietnam's growth story. The country has long been known for its clothing and footwear industry and exports and, while these sectors are mature, they continue to grow robustly with clothing exports up 3% and footwear up 10% in the first half of 2024.²⁷

But the fastest growing exports are in electronics, computers and components, which in the first half of this year reached almost USD 32 billion, up 28% on the previous year.²⁸

Vietnam occupies one of the most strategic locations in the region, sharing land borders with Laos, Cambodia and China and

possessing an extensive seaboard for marine freight into the South China Sea. The country is thus a key trade corridor hub both within the region and with the rest of the world.

The Vietnamese government has fully recognized this potential and is a member of the CPTPP as well as having forged an agreement with Europe through the EU-Vietnam Free Trade Agreement.

Meanwhile, its young population and significant government focus on education provide a skilled and energetic labor market.

The government also has a focus on sustainability, both in energy infrastructure and social responsibility, which require careful consideration by overseas investors, but which also provide growth opportunities, most notably in renewable energy.

Vietnam also has a complex regulatory environment for business, including permit and licensing requirements.

OPPORTUNITY AND CHALLENGE

Southeast Asia and its five jewels – Indonesia, Malaysia, the Philippines, Thailand and Vietnam – represent some of the most significant opportunities for foreign investors and business owners over the coming decades.

But the greatest opportunities inevitably come with challenges. Successfully setting up business in SE Asia is best achieved with expert advisory services from professionals who are familiar with the complexities and nuances of each market, including both the regulatory and cultural challenges.

With a network that can offer support in more than 100 jurisdictions globally, including all those listed above, Amicorp's Globalization team can deliver quick, secure and cost-effective administrative solutions to help businesses scale across international borders.

Our local market experts offer a broad range of business expansion services from accounting & tax services, corporate secretarial and CFO-assist services, entity setup and statutory business registrations, year-end filings and registered agency services, M&A support services, HR and payroll services and a variety of value-added services to ensure your entity is good standing. To talk to our team or to find out more about our Globalization services click on this [link](#).



ABOUT AMICORP GROUP

We offer clients an extensive interconnected support network of local and global market knowledge and expertise, particularly across emerging markets.

We are a boutique provider of financial markets, fund administration and corporate management services. We offer clients an extensive interconnected support network of local and global market knowledge and expertise, particularly across emerging markets.

We focus on developing innovative and bespoke solutions that help companies, family offices, asset managers, and institutional investors, to succeed in an ever-changing macro environment and on building trusted, lasting relationships along the way.

Our services include cross-border structuring, security issuance, trading, custody and investment related services, as well as regulatory and tax compliance support, and multi-faceted business support alternatives for clients wanting to invest or expand internationally.

We are fully committed to being responsible corporate citizens with a long-term strategy to build a better, more sustainable future for people, society, and the planet.

We do that through our internal policies and the Amicorp Community Foundation, which strives to empower local communities and create lasting structural change that builds a better future for people and the planet. Our projects include the Amisewaka – Desa Les Community Center in Bali, our Tuma Mi Man daycare center in Curaçao, our Trees for Schools program in South Africa, and our Coconut Tree plantation in the Philippines to offset our carbon emissions from travel.

Find out more at www.amicorp.com



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