

# SOUTHEAST ASIA OUTLOOK

JC&C with its 120 years of experience in Southeast Asia has gained insights and deep connections in the region. Southeast Asia is one of the world's fastest growing markets and a major manufacturing and trade hub. Despite their geographic proximity, the countries in this region vary beyond just culture and religion. Hence it is crucial for businesses to understand the complexities and differences that exist.

## WHY DOES SOUTHEAST ASIA PRESENT SO MUCH OPPORTUNITY?

**10**

countries

**649**

million people

**3rd**

largest labour force in the world

**4th**

largest economy by 2030<sup>1</sup>

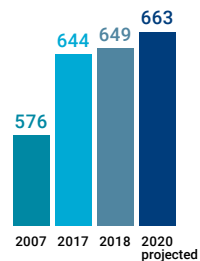
### THE REGION IS AN ECONOMIC POWERHOUSE

If Southeast Asia were a single country, it would be the fifth-largest economy in the world, with a combined GDP of US\$2.9 trillion in 2018. Some countries such as Vietnam, Indonesia and Malaysia, are projected to be the top ten fastest growing economies globally from 2016 to 2050. Southeast Asia is also in a strong fiscal position with government debt of under 50% of GDP. Countries' savings levels have also remained steady since 2005, at about a third of GDP<sup>3</sup>.

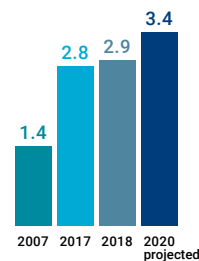
JC&C's diversified interests in Southeast Asia support our risk-reward balance between growth countries, such as Indonesia and Vietnam with the more nascent Myanmar and the developed Singapore.

### SOUTHEAST ASIA ECONOMIC PERFORMANCE<sup>2</sup>

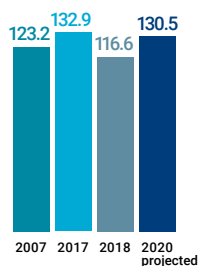
**Population**  
(Million Persons)



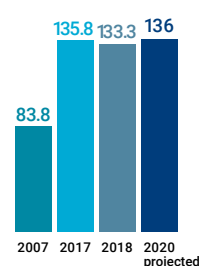
**GDP (Nominal)**  
(USD Trillion)



**Trade Surplus**  
(USD Billion)



**FDI**  
(USD Billion)



### WELL-POSITIONED IN GLOBAL TRADE FLOWS

■ **4th largest exporting region in the world, accounting for almost 10% of global exports.**

■ **By 2025, over half of the world's consuming class will live within a five-hour flight of Myanmar.**

The region sits at the crossroads of many global flows and is a manufacturing and trading hub. It is strategically located to the south of China, east of India, north of Australia and west of the Pacific. ASEAN free-trade agreements with partners outside the region, including Australia, China, India, Japan, New Zealand and South Korea have been forged. In addition, intraregional trade within Southeast Asia presents growth opportunities for the region.

1. Projected

2. Economist Intelligence Unit

3. McKinsey Global Institute Analysis, "Understanding ASEAN: seven things you need to know", May 2014

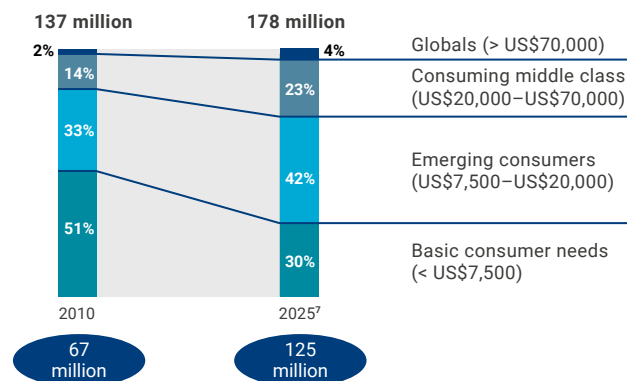
## A GROWING HUB OF CONSUMER DEMAND

The region offers great growth potential for consumer-focused businesses. Income growth has remained strong since 2000, with average annual real gains of more than 5%. Some Southeast Asian countries have grown exponentially. From 2000 to 2017, Vietnam grew its per capita GDP by six times from US\$390 to US\$2,340, while Indonesia grew its per capita GDP by five times from US\$780 to US\$3,850. Singapore transformed from a third-world developing country into a developed modern economy in 50 years. It now has one of the highest GDP per capita in the world of US\$57,700 in 2017<sup>4</sup>.

Rapid urbanisation, industrialisation and modernisation are boosting the 'consuming class', with incomes exceeding the level at which they can begin to make significant discretionary purchases. This is expected to grow to 125 million households in Southeast Asia by 2025.

### Share of ASEAN<sup>5</sup> households in each income bracket

### Annual household income brackets<sup>6</sup>



### Household with income > US\$7,500

Source: McKinsey Global Institute Cityscope database; McKinsey Global Institute analysis

## RAPIDLY GROWING DIGITAL NATIVES

Southeast Asia is the world's fastest growing internet region with four million new users coming online every month for the next five years. This translates to a user base of 480 million by 2020. Today, Southeast Asian countries make up the world's second largest community of Facebook users, behind only the United States. There are also over 700 million active mobile connections in Southeast Asia.

The young population and burgeoning middle class are driving the growth of the digital economy. It is projected that consumer online spending could rise to US\$200 billion by 2025<sup>8</sup>. This will create new businesses that disrupt inefficiencies and in turn, potentially open up opportunities for businesses to reach masses of consumers who were previously not targeted.

At JC&C, we recognise the shifts in business models with the rise of digital disruptions. To keep pace, we set up a digital team in 2017 to drive digital transformation within our core business as well as explore new growth opportunities.

## EVOLVING CONSUMER ASPIRATIONS

Governments in the region have been investing in infrastructure, education and healthcare. These efforts generate a significant consumer base, increase consumption levels and grow the middle class, which drive demand and spending.

The rising middle class is set to elevate consumer aspirations and encourage more upmarket purchases. New car sales growth in Indonesia is an example of such growing aspirations, where sales grew 39% from 770,000 units in 2010 to 1.2 million units in 2018<sup>9</sup>. In Vietnam, dairy consumption per capita doubled from 2010 to 2017, presently at 19kg per capita level.

JC&C's investments in sectors that support urbanisation will continue to ride the growth of the middle class, upward social mobility and aspiring consumer preferences.

- World Bank, GDP Per Capita, 2017
- Association of Southeast Asian Nations; excluding Brunei
- PPP 2005. Purchasing power parity adjusts for price differences in identical goods across countries to reflect differences in purchasing power in each country
- Forecast; figures may not sum up because of rounding
- The Business Times, "Asean's digital economy key to unlocking growth", 20th February 2018
- Gaikindo, Indonesian Automobile Industry Data