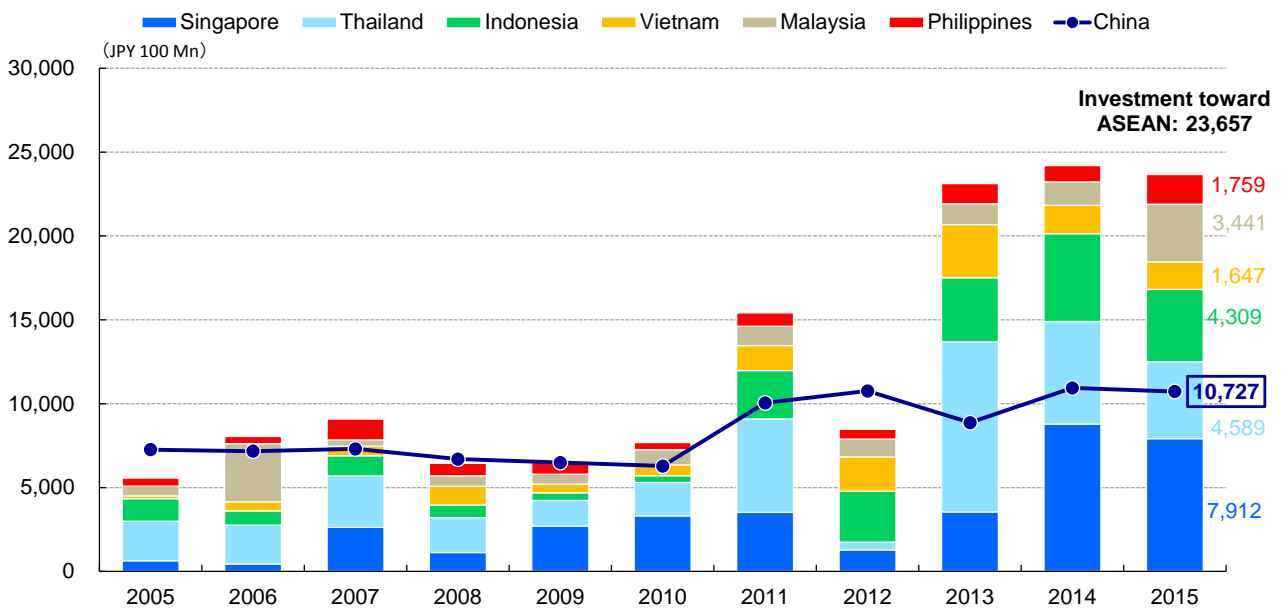


Sep. 21, 2016
Economic Analysis Dept.
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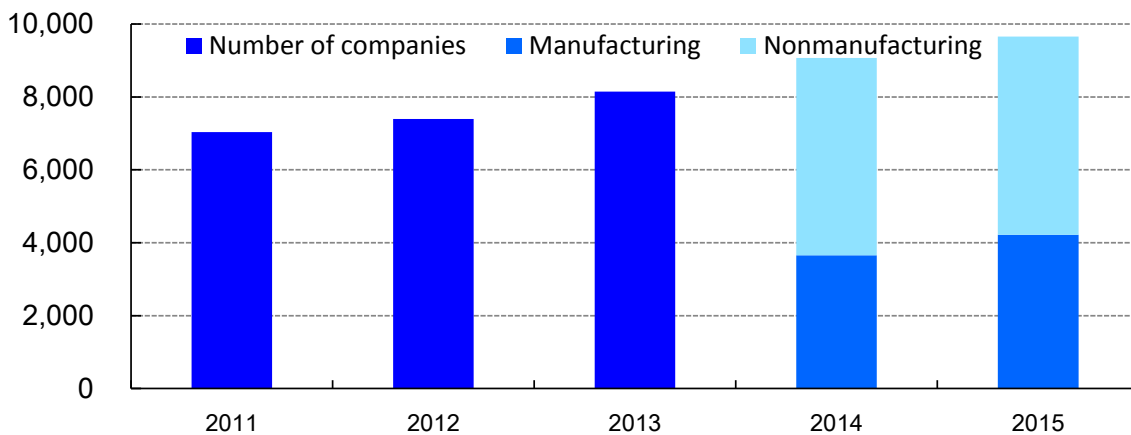
In recent years, the number of Japanese companies advancing into ASEAN countries (especially the nonmanufacturing sector) has been ever-increasing. In 2015, Japan's direct investment towards ASEAN was 2.2 times more than that of China. International organizations such as the World Bank and IMF state that ASEAN is viewed as an area with the most growth potential in the World. Above all, recent growth in the Philippines is strong, recording at 7%, which is considered as one of the highest growth rates in the world. Signs of economic recovery can be seen in Indonesia and Thailand as well. This paper takes a look at ASEAN economy's attractiveness through the following viewpoints: Business Environment, Economic Scale, Economic Growth Rate, and Trade.

Direct Investment from Japan



(Source: SCGR elaboration based on MOF data)

Number of Japanese companies advancing into ASEAN



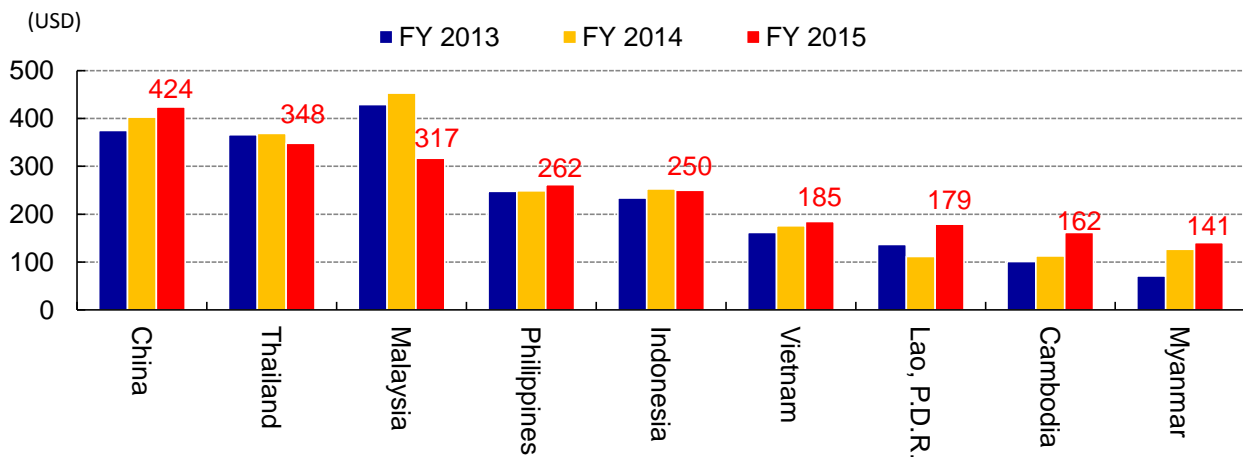
(Source: SCGR elaboration based on MOFA data)

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◆ Business Environment

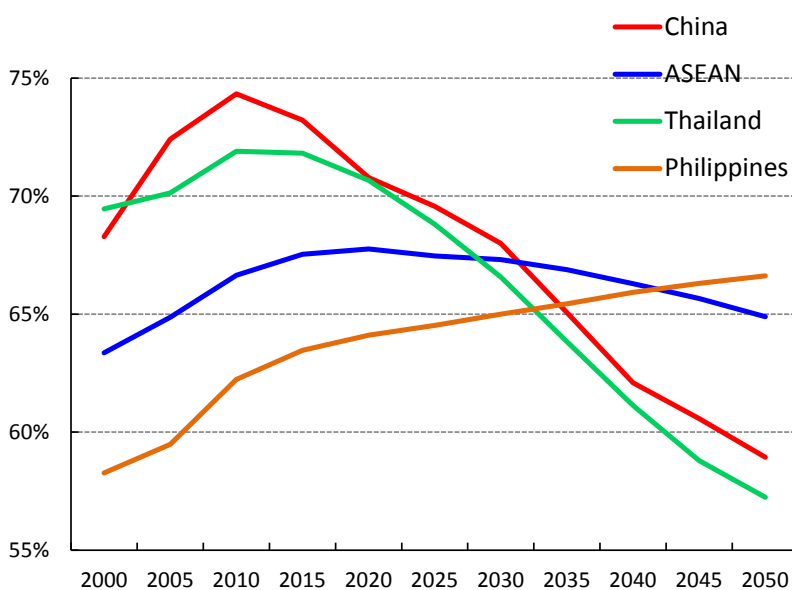
Business environment in ASEAN appears to be more competitive than that of China given low salaries and an increase in the working-age population. Average salaries in ASEAN countries are comparatively lower than those of China. The highest in Thailand is about 80%, and the lowest in Myanmar is about 30% of average salaries in China. In addition, while China's working-age population peaked out around 2010, that of ASEAN will continue to grow until 2020 and is projected to sustain at the same level in the long-term after 2020. The impact of countries with decreasing working-age population due to aging e.g. Singapore, Thailand, and Vietnam is offset by the impact of those with rising working-age population e.g. Philippines, Indonesia, and Myanmar. The working-age population in China was 2.4 times higher than that of ASEAN in 2015. However, the gap is expected to shrink to 1.6 times by 2050.

Monthly Salary of Workers in Japanese Manufacturing Companies



(Source: SCGR elaboration based on JETRO data)

Transition of working-age population ratio



(Source: SCGR elaboration based on UN data)

Transition of working-age population

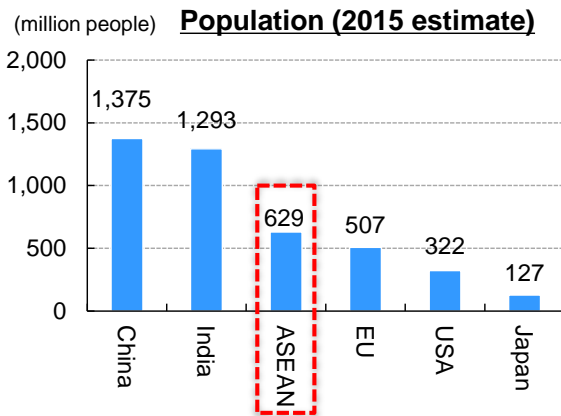
(million people)

Year	China	ASEAN
2015	1,008	427
2025	984	470
2035	916	499
2045	833	511
2050	795	512

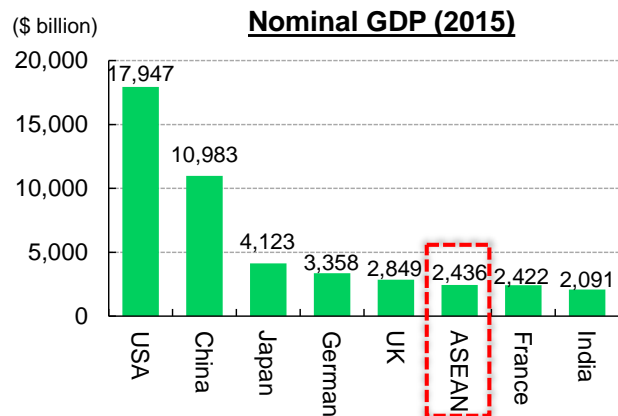
(Source: SCGR elaboration based on UN data)

◆ Economic Scale

ASEAN is a massive economic area boasting one of the largest scales of economy in the world, and is also alluring as both a consumption market and a production center. Expected population in ASEAN ranked the 3rd largest after those of China and India in 2015, with 629 million people which is larger than 507 million in EU and 322 million in the US. Total nominal GDP of ASEAN amounting to US\$ 2,436 billion surpassed those of France and India in 2015.



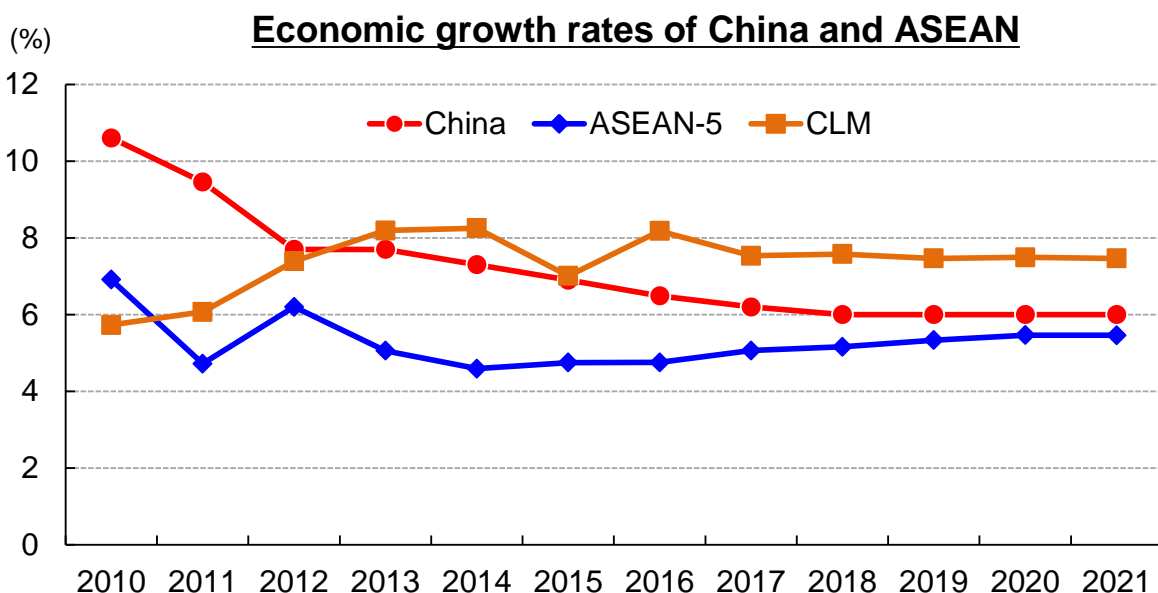
(Source: SCGR elaboration based on IMF data)



(Source: SCGR elaboration based on IMF data)

◆ Economic Growth Rate

It is forecasted that ASEAN-5 countries (Indonesia, Malaysia, Philippines, Thailand, and Vietnam) would maintain an economic growth rate close to that of China in the mid-term, and CLM countries (Cambodia, Lao, P.D.R., and Myanmar) would keep an economic growth rate higher than that of China in the mid-term. Therefore, ASEAN is widely recognized as a potential market to expand its economic scale.



(Source: SCGR elaboration based on IMF data)

◆Trade

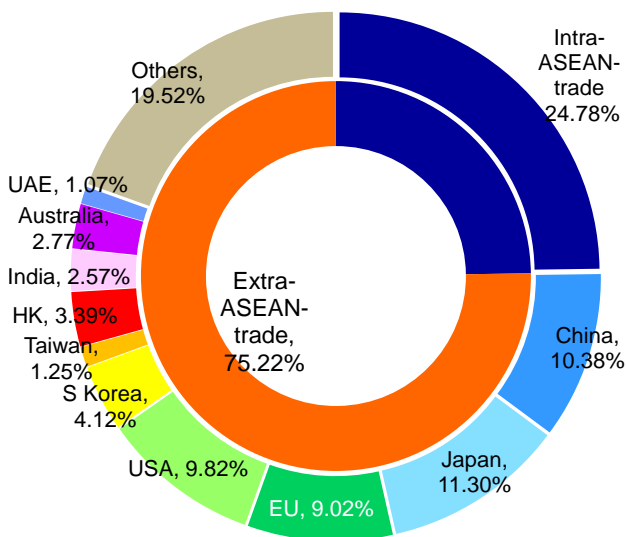
Since establishing its current system (participation of Cambodia in 1999), ASEAN has steadily increased trade. The value of trade grew by US\$ 376 billion (+19.8%) from 2008 when the AEC Blueprint was designed, to 2015. Trading with ASEAN is truly attractive given the significant trade growth, compared to NAFTA increasing US\$185 billion (+3.6%) as well as EU decreasing US\$1,489 billion (-12.3%) during the same period of 2008-2015. Intra-ASEAN-trade was the largest trading partner, and its trade value rose by US\$ 74 Billion (+15.8%) from 2008 to 2015. Moreover, trade with China intensified considerably, pushing up the entire trading value of ASEAN.

Trade Comparison between Trade Areas (2008-2015)

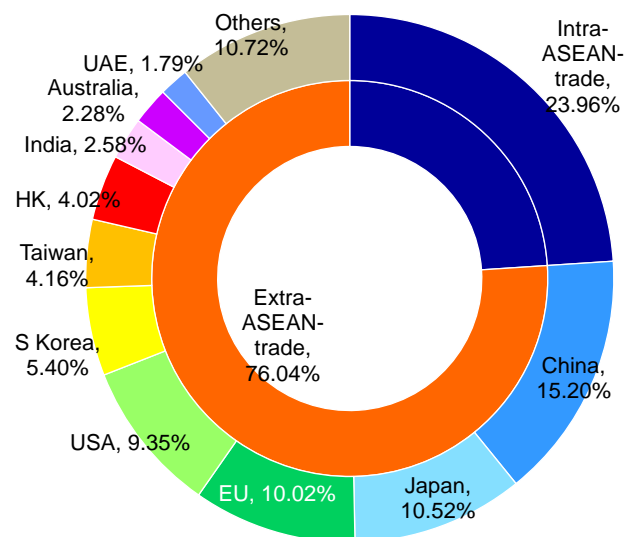
	ASEAN	NAFTA	EU
Value (\$ billion)	376	185	-1,489
Growth rate(%)	19.8%	3.6%	-12.3%

(Source: SCGR elaboration based on ASEAN Secretariat and JETRO data)

ASEAN Trade (2008) \$ 1.9 trillion



ASEAN Trade (2015) \$ 2.3 trillion



(Source: SCGR elaboration based on ASEAN Secretariat data)