

ASEAN FOCUS

Constructive trade and investment prospects into 2035

ASEAN's resilience amid global realignment

ASEAN remains a critical growth engine despite heightened tariff uncertainty and shifting investment incentives in advanced economies. This is validated by foreign direct investment (FDI) and trade trends so far in 2025. Robust FDI inflows signal not just commitment, but a strategic pivot – reshaping supply chains, diversifying risks, and expanding market reach across ASEAN's dynamic landscape.

External trade activities have surged so far in the first 9 months of 2025, despite volatility in US tariff rates since “Liberation Day” on 2 Apr. The subsequent pause in tariff rate at 10% globally helped accelerated trade shipments or “frontloading” in ASEAN and other locations, which is partly a result of the supply chain and production shifts that have gained momentum since Trump's first term in 2016-2020.

Despite the seismic shifts in the past decade, prospects for ASEAN into the next decade will remain positive. The ongoing US-China trade tensions is unlikely to ease anytime soon, and ASEAN will be a favorite choice for the China+1 or China+N strategy. These investment inflows, coupled with the attendant trade and production activities, will help to support earnings and income growth in the region. Deeper integration and collaboration within the region and with other trade partners will further strengthen the attractiveness to businesses that value policy certainty and consistency. We anticipate ASEAN's real GDP growth to stabilize at an average 4.6% in the medium term, and for the nominal GDP size to expand by 40% to nearly US\$5.8tn by 2030, from US\$4.2tn in 2025.

Strong FDI inflows in first half of 2025

Against significant uncertainty and US tariff pressures in 1H25, foreign direct investment (FDI) inflows into ASEAN grew 10.2% y/y, led by **Singapore** and **Thailand**, which offset weaker inflows into **Indonesia**. While investor commitment to ASEAN's medium-term prospects is intact, near-term headwinds exist as major partners (EU, Japan, Korea) pledge substantial US-bound investments to secure tariff relief—potentially diverting capital away from ASEAN in the next 12-24 months. Beyond the near-term, we estimate nominal FDI inflows to reach around US\$370bn by 2030 and exceed US\$560bn by 2035, from US\$225bn in 2024.

Trade outperformance with near-term moderation ahead

ASEAN-6 merchandise trade expanded **11.5% in the 9M YTD**, surpassing 2024's **8.0%** pace. Front loading ahead of tariffs and robust **AI-related capex** buoyed E&E trade, notably in **Singapore** and **Malaysia**. **Vietnam** and **Thailand** led gains on electronics and automotive supply chains; **Indonesia** lagged amid weaker commodities. As 2026 approaches, trade growth is likely to moderate: tariff effects will ripple through order books, and payback from earlier front loading will temper momentum. Our analysis suggests that ASEAN's total nominal trade values could reach US\$5.3 trillion by 2030 and exceed US\$7 trillion by 2035 from US\$3.8 trillion in 2024.

While investor commitment to ASEAN's medium-term prospects is intact, near-term headwinds exist as major partners (EU, Japan, Korea) pledge substantial US-bound investments to secure tariff relief—potentially diverting capital away from ASEAN in the next 12-24 months.



Policy integration and regional architecture underpin medium term prospects

Structural drivers continue to improve ASEAN's competitiveness:

- **Johor-Singapore SEZ (JS SEZ)** has drawn **US\$8.8bn** in 1H25 approvals and US\$4.2bn pledged by Singapore-based firms since the 2024 MOU—signaling deepening cross-border execution capacity and collaboration.
- The **ATIGA Upgrade** and **ACFTA 3.0 Upgrade** aim to streamline customs, improve trade facilitation, and embed forward-looking commitments on supply chain connectivity, the **digital economy**, and the **green economy**.
- The **ASEAN Digital Economy Framework Agreement (DEFA)**—targeted for signing in 2026—will be ASEAN's most ambitious digital integration initiative, enabling scalable cross-border data flows, e-commerce, and fintech.

Demand runway: population scale and income lift

With **~700 million people**, ASEAN is the world's **fourth-largest** population base and is projected to peak only in the mid 2050s—later than China and Europe—providing a durable consumption runway. By **2030**, average income is projected to rise **~33%** to **US\$8,000**. Nominal **GDP** is expected to reach **~US\$5.8tn** by **2030**, about **40%** larger than **2025**, supporting scale in technology, financial services, healthcare, and sustainable infrastructure as urbanization and middle-class expansion accelerate digital adoption.

Outlook to 2035: scale and diversification

We project FDI inflows to grow at **~8.7% CAGR (2024-2035)**—reaching **~US\$370bn** by **2030** and **>US\$560bn** by **2035**. Total trade should rise to **~US\$5.3tn** by **2030** and **>US\$7tn** by **2035**, with intra ASEAN trade potentially surpassing **US\$1.5tn** by 2035 assuming a stable share. In the near term (2025-2026), real GDP growth moderates to **~4.3-4.7%**, reflecting tariff adjustments; medium term (2027-2030), ASEAN 6 growth is expected to recover to **~4.6%** per annum. Strategically, ASEAN's combination of policy integration, supply chain diversification, and a large consumer base positions the region as a resilient hub for advanced manufacturing, digital services, and green investments through 2035.

Strategically, ASEAN's combination of policy integration, supply chain diversification, and a large consumer base positions the region as a resilient hub for advanced manufacturing, digital services, and green investments through 2035.

Chart 1: BOP FDI liabilities for ASEAN-5 rose by 10.2% y/y in 1H25. Strong inflows into SG and TH more than offset declines in ID

Source: Macrobond, UOB Global Economics & Markets Research

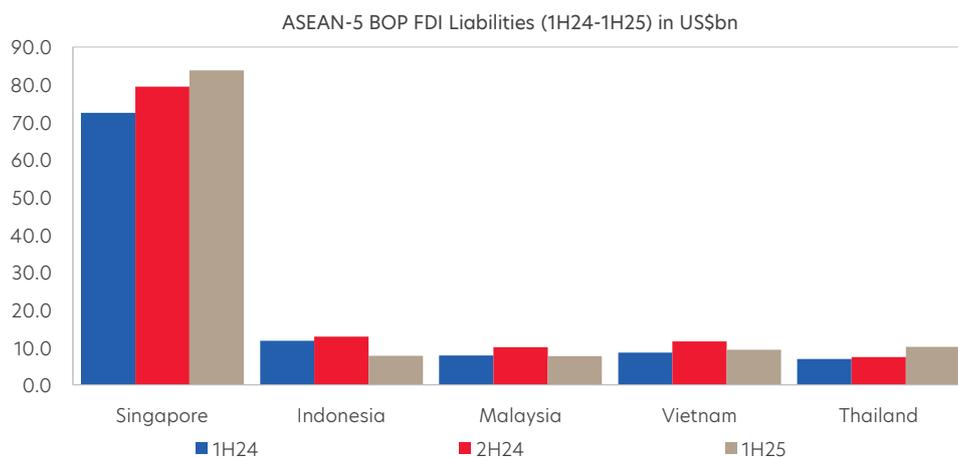


Chart 2: BOP data provides useful indication of directional trend in FDI inflows

Source: Macrobond, UOB Global Economics & Markets Research

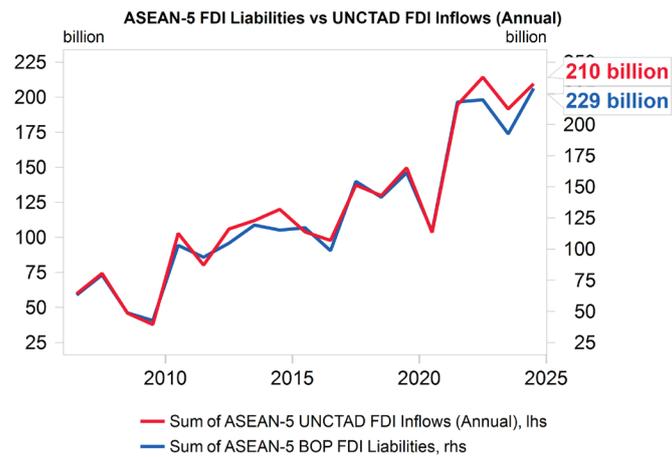


Table 1: Several economies have made investment commitments to the US to secure more favourable trade terms...

Economy	Notional (USDbn)	Details
European Union (EU)	600	<ol style="list-style-type: none"> 1. EU to invest US\$600bn in the US during President Trump's term, in addition to US\$100bn invested annually by EU companies 2. EU to purchase US\$750bn in US energy exports by 2028 3. Joint efforts to eliminate tariffs in key sectors and introduce meaningful quotas to expand US exports; simplify EU regulations for US businesses; Streamline sanitary certification for US pork and dairy 4. EU commits to no network usage fees and maintaining zero custom duties on electronic transmissions 5. New agreements in energy and semiconductors to boost US exports; EU to purchase significant amounts of US military equipment
Japan	550	<ol style="list-style-type: none"> 1. Japan to invest US\$550bn directed by US to rebuild and expand key American industries 2. Focus areas in energy (LNG, advanced fuels, grid modernization), semiconductors (full-spectrum mfg and R&D), critical minerals (mining, processing, refining), pharma (domestic medicine and supply production), shipbuilding (commercial & defense, incl. new and upgraded shipyards) 3. US retains 90% of profits 4. Immediate 75% increase in US rice imports, Japan to purchase US\$8bn of US corn, soybeans, fertilizer, bioethanol and sustainable aviation fuel; Significant increase in US energy exports to Japan, potential new LNG offtake agreement with Alaska; Japan to purchase 100 Boeing aircraft; Removal of restrictions on US cars and trucks & approval of US automotive standards
South Korea	350	<ol style="list-style-type: none"> 1. US\$150bn of Korean investment in shipbuilding sector approved by the US ("Approved Investments") 2. US\$200bn of additional Korean investment committed pursuant to MOU with respect to Strategic Investments which is expected to be signed by representatives of US and ROK 3. To ensure FX market stability, the ROK shall not be required to fund an aggregate amount of >US\$20bn in any calendar year.

Source: The White House, UOB Global Economics & Markets Research



Table 2: ...where these economies are also amongst ASEAN's top FDI sources in recent years

FDI inflows into ASEAN	2015	2022	2023	2024	Share in 2024	Avg share (2015-2024)	CAGR (2015-2024)
Total countries	115.4	230.8	208.3	226.0	100.0%	100.0%	7.8%
United states	22.8	24.8	84.4	42.1	18.6%	17.0%	7.0%
Unspecified countries	16.6	44.0	21.2	35.9	15.9%	18.9%	9.0%
Total ASEAN	20.3	31.1	21.7	31.5	13.9%	14.5%	5.0%
Singapore	13.2	21.8	14.6	23.7	10.5%	9.7%	6.7%
Total EU27	15.6	28.8	19.7	20.0	8.9%	10.3%	2.8%
China	6.6	15.6	17.3	19.3	8.6%	7.6%	12.7%
United Kingdom	3.2	14.2	4.7	18.7	8.3%	3.2%	21.7%
Japan	12.5	23.4	12.7	17.5	7.7%	10.9%	3.9%
Hong Kong	1.1	13.4	13.8	14.3	6.3%	5.8%	32.4%
South Korea	5.6	15.1	3.7	7.6	3.4%	4.5%	3.4%
Taiwan	2.5	11.7	2.8	7.2	3.2%	2.9%	12.2%
Ireland	7.7	-1.5	7.6	5.6	2.5%	2.2%	-3.5%
France	0.6	9.1	1.0	5.0	2.2%	1.5%	26.6%
Canada	1.1	1.0	-2.3	4.9	2.2%	1.3%	17.7%

Source: ASEANstats, UOB Global Economics & Markets Research

Chart 3: Front-loading activities in anticipation of US tariffs coupled with abating tariff-related uncertainty supported trade resilience in the 9M YTD

Source: Macrobond, UOB Global Economics & Markets Research

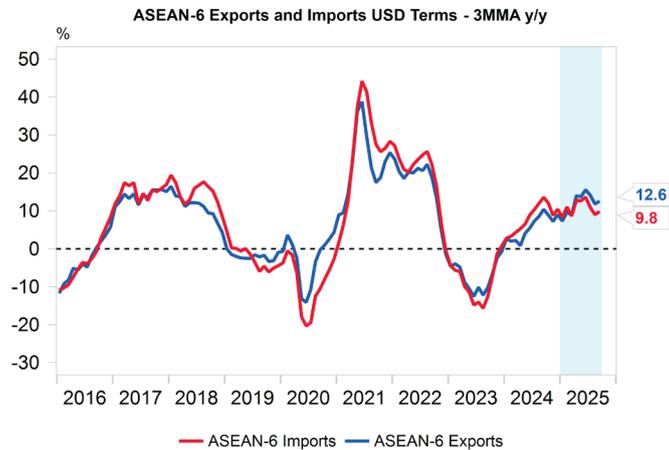


Chart 4: Front-loading momentum aided TH & VN trade; SG & MY enjoyed tailwinds from boom in global AI-related capex

Source: Macrobond, UOB Global Economics & Markets Research

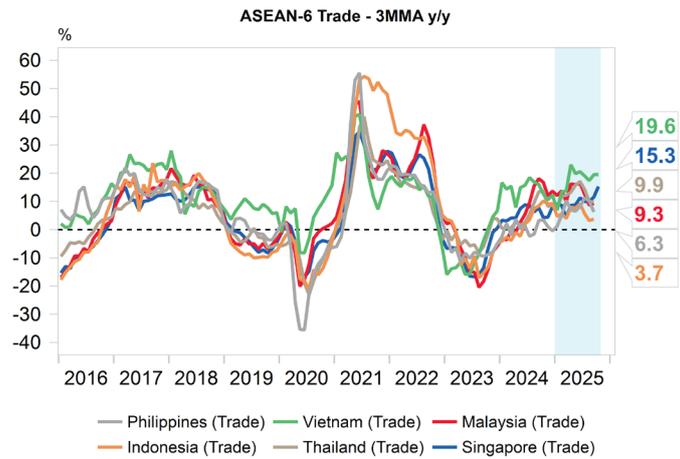


Chart 5: Trade-related uncertainty has peaked post Liberation Day...

Source: Macrobond, UOB Global Economics & Markets Research

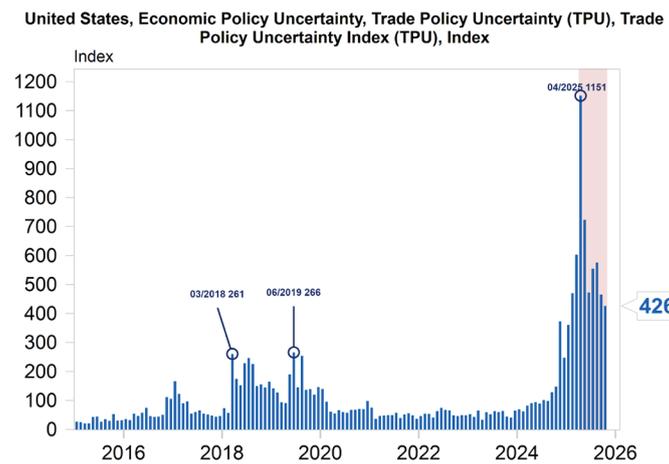


Chart 6: Many trade partners have negotiated lower reciprocal tariff rates with the US administration

Source: The White House, UOB Global Economics & Markets Research

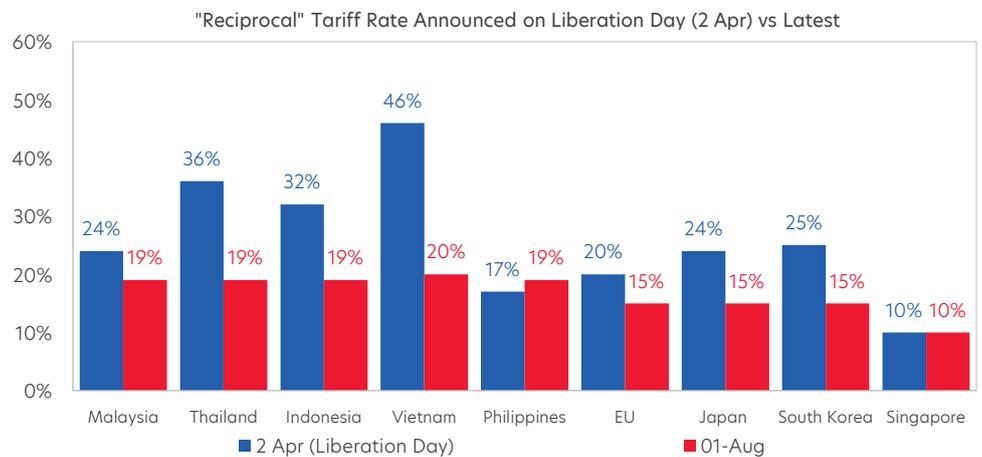


Chart 7: Southeast Asia's population is projected to peak around the mid-2050s - later than China, Europe and possibly, the United States

Source: Macrobond, UOB Global Economics & Markets Research

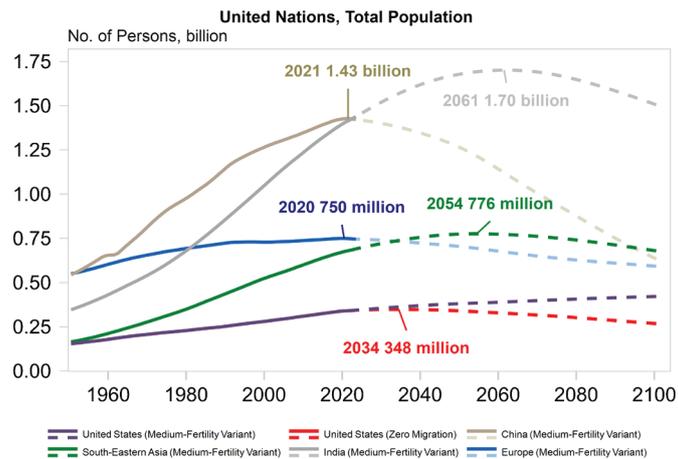


Table 3: GDP per capita, current prices (PPP-adjusted, international dollars)

GDP per capita, current prices (PPP-adjusted)	1980	1990	2000	2010	2020	2024	2024 vs 2000 (times)	2024 vs 2010 (times)	Ratio vs AE (2000)	Ratio vs AE (2024)
Singapore	8,843	22,214	40,839	70,333	101,518	150,908	3.70	2.15	1.36	2.12
Malaysia	3,046	6,248	11,815	18,733	28,696	41,270	3.49	2.20	0.39	0.58
Thailand	1,598	4,311	7,398	13,384	19,669	25,251	3.41	1.89	0.25	0.35
Philippines	1,784	2,495	3,230	5,267	8,456	12,090	3.74	2.30	0.11	0.17
Indonesia	1,109	2,557	4,124	7,462	11,930	16,582	4.02	2.22	0.14	0.23
Vietnam	580	1,241	2,684	5,776	11,668	16,359	6.09	2.83	0.09	0.23
Southeast Asia	1,332	2,864	4,459	8,122	13,038	17,891	4.01	2.20	0.15	0.25
China	275	871	2,634	8,371	18,384	27,132	10.30	3.24	0.09	0.38
United States	12,553	23,848	36,313	48,586	64,518	86,145	2.37	1.77	1.21	1.21
Advanced Economies	10,356	20,154	29,980	41,058	54,097	71,149	2.37	1.73	1.00	1.00
EM & DE Asia	533	1,256	2,599	6,262	12,257	18,008	6.93	2.88	0.09	0.25
World	3,376	5,711	8,342	12,871	18,196	24,767	2.97	1.92	0.28	0.35

Source: IMF, UOB Global Economics & Markets Research

Chart 8: Medium-term FDI projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

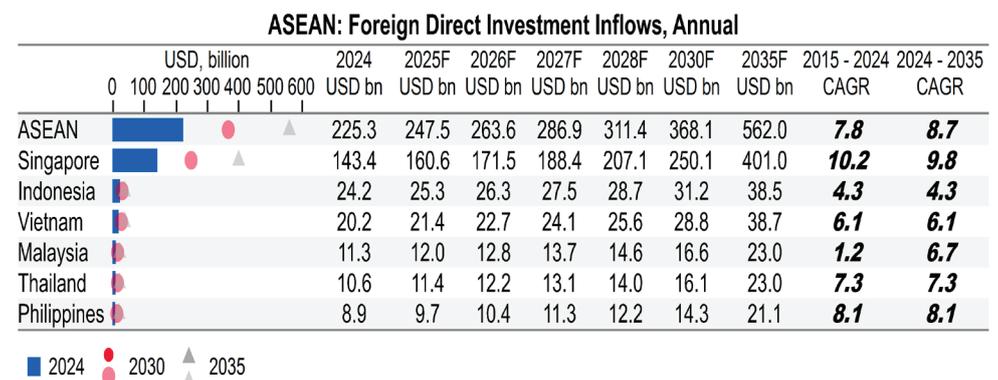


Chart 9: Medium-term Total Merchandise trade projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

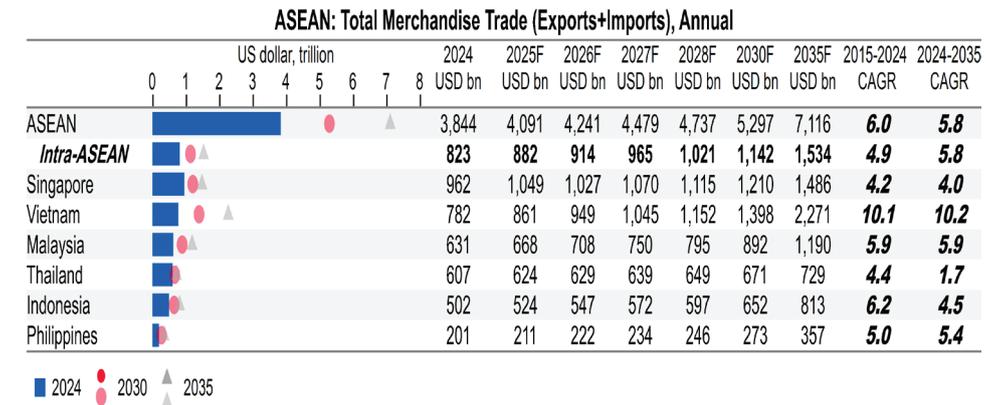


Chart 10: Medium-term Nominal GDP projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

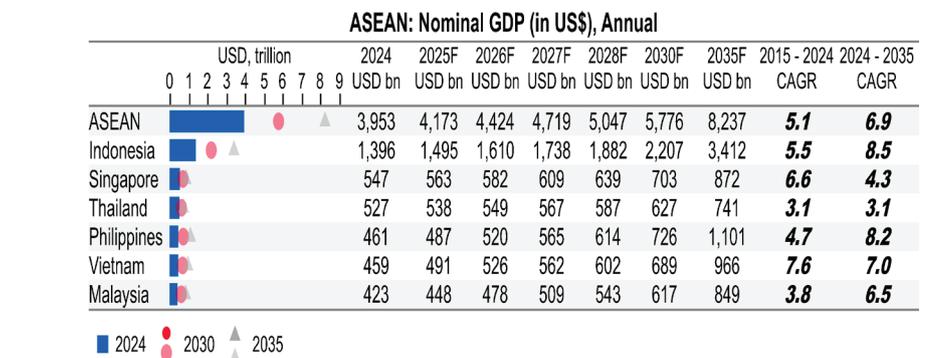


Chart 11: Medium-term Nominal GDP Per Capita projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

