

# ASEAN: Constructive trade and investment prospects into 2035

## Summary

**FDI** - FDI (foreign direct investment) inflows into ASEAN have remained resilient in 1H25. While ASEAN continues to be well-positioned to attract investment flows in the mid- to long-term, near-term FDI inflows may face headwinds as the global trade and investment landscape is being reshaped by US policy agenda under President Trump.

**Trade** - ASEAN-6's trade flows surged by 11.5% y/y in the first nine months year-to-date (YTD), surpassing the full-year 2024 pace of 8.0%. This was driven in part by front-loading activities in anticipation of US tariffs. Trade growth in ASEAN-6 is likely to moderate in 2026, reflecting the delayed impact of US tariffs. Additionally, some "payback" from earlier front-loading may further weigh on trade momentum although persistent AI-related demand could help to partially cushion the drag for certain economies (e.g. Singapore, Malaysia).

**Outlook** - Despite the near-term disruptions from US tariffs, ASEAN remains well-positioned to attract investments and expand trade flows to 2035. This is anchored by increasing cross-border policy coordination, deepening regional integration and engagement with trading partners, a large and growing consumer base and supply chain diversification trends. Our analysis shows that annual FDI inflows into ASEAN could rise to around US\$370bn by 2030 from US\$225bn in 2024 while total trade flows are projected to increase to US\$5.3tn by 2030 from US\$3.8tn in 2024. ASEAN's solid fundamentals reinforce this positive trajectory: the region's economy is forecast to expand to nearly US\$5.8tn by 2030, about 40% larger than US\$4.2tn in 2025, and the average per capita income is set to rise by one-third to US\$8,000 by 2030 from US\$6,000 over the same period.

## Tracking trends on FDI flows YTD

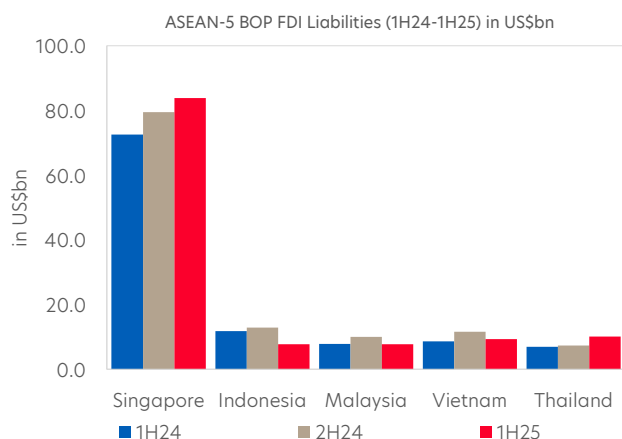
**The 1H25 Balance of Payments (BOP) data suggests FDI inflows into ASEAN have remained resilient.** Total BOP FDI liabilities for ASEAN-5<sup>1</sup> rose by 10.2% y/y in 1H25 (Fig 1), slightly slower than the 13.6% growth recorded in 1H24. The increase was driven by strong inflows into Singapore and Thailand, which more than offset declines in Indonesia. ASEAN-5 consistently accounts for the bulk of regional FDI inflows – over 93% on average between 2022-2024. While there may be differences between BOP data and FDI figures from UNCTAD or national sources, the BOP data provides a useful indication of the directional trend in FDI inflows (Fig 2).

<sup>1</sup> includes Indonesia, Malaysia, Singapore, Thailand and Vietnam

This trend in BOP FDI data is especially significant in 2025, as US trade and tariff measures under the Trump administration since Jan 2025 have severely disrupted – some would argue dismantled – the rules-based international trade and investment order. Against this backdrop, it is reassuring that investors continue to look beyond short-term turbulence and remain committed to ASEAN's medium- and long-term prospects.

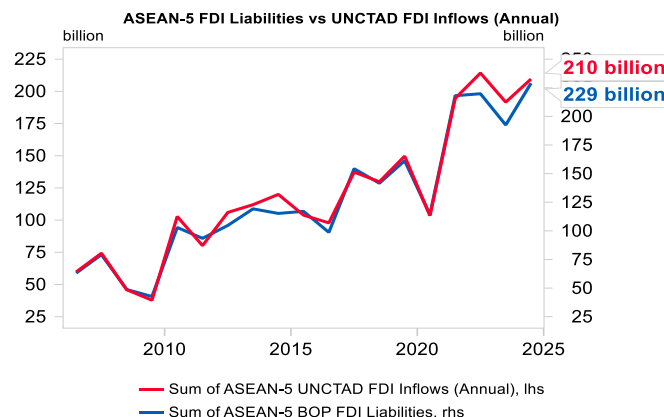
**Fig 1: BOP FDI liabilities for ASEAN-5 rose by 10.2% y/y in 1H25. Strong inflows into SG and TH more than offset declines in ID**

Source: Macrobond, UOB Global Economics & Markets Research



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

Source: Macrobond, UOB Global Economics & Markets Research



While ASEAN remains well-positioned to attract investment flows over the mid- to long-term, near-term FDI inflows may face headwinds. Several economies have pledged significant investments to the US to secure tariff exemptions or more favourable trade terms. These commitments, coupled with the Trump administration's push for accelerated US reshoring, could potentially divert capital originally intended for ASEAN. For instance, the EU (US\$600bn), Japan (US\$550bn) and South Korea (US\$350bn) have pledged substantial investment plans in the US, despite being among ASEAN's top FDI sources in recent years (2022-2024).

**Fig 3: Several economies have made investment commitments to the US to secure more favourable trade terms...**

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

Economy	Notional (in US\$bn)	Details
European Union (EU)	600	<ol style="list-style-type: none"> <li>1) EU to invest US\$600bn in the US during President Trump's term, in addition to US\$100bn invested annually by EU companies</li> <li>2) EU to purchase US\$750bn in US energy exports by 2028</li> <li>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</li> <li>4) EU commits to no network usage fees and maintaining zero custom duties on electronic transmissions</li> <li>5) New agreements in energy and semiconductors to boost US exports; EU to purchase significant amounts of US military equipment</li> </ol>
Japan	550	<ol style="list-style-type: none"> <li>1) Japan to invest US\$550bn directed by US to rebuild and expand key American industries</li> <li>2) Focus areas in energy (LNG, advanced fuels, grid modernization), semiconductors (full-spectrum mfg and R&amp;D), critical minerals (mining, processing, refining), pharma (domestic medicine and supply production), shipbuilding (commercial &amp; defense, incl. new and upgraded shipyards)</li> <li>3) US retains 90% of profits from these investments</li> <li>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 &amp; approval of US automotive standards</li> </ol>
South Korea	350	<ol style="list-style-type: none"> <li>1) US\$350bn investment package in US projects - \$200bn will go to projects that are commercially rational and are determined in good faith by investment committee led by US Secretary of Commerce Howard Lutnick;</li> <li>2) Annual investment ceiling of US\$20bn to ensure stability in South Korea's FX market;</li> <li>3) Remaining US\$150bn will go toward shipbuilding projects led by South Korea companies and comprise not only cash but also loans and guarantees</li> </ol>

**Fig 4: ...where these economies are also amongst ASEAN's top FDI sources in recent years**

Source: ASEANstats, UOB Global Economics & Markets Research

	2015	2022	2023	2024	Share in 2024	Avg share (2015-2024)	CAGR (2015-2024)
FDI inflows into ASEAN							
Total countries [99]	115.4	230.8	208.3	226.0	100.0%	100.0%	7.8%
United states [US]	22.8	24.8	84.4	42.1	18.6%	17.0%	7.0%
Unspecified countries [QU]	16.6	44.0	21.2	35.9	15.9%	18.9%	9.0%
Total ASEAN [00]	20.3	31.1	21.7	31.5	13.9%	14.5%	5.0%
Singapore [SG]	13.2	21.8	14.6	23.7	10.5%	9.7%	6.7%
Total EU-27 [EU27]	15.6	28.8	19.7	20.0	8.9%	10.3%	2.8%
China [CN]	6.6	15.6	17.3	19.3	8.6%	7.6%	12.7%
United Kingdom [GB]	3.2	14.2	4.7	18.7	8.3%	3.2%	21.7%
Japan [JP]	12.5	23.4	12.7	17.5	7.7%	10.9%	3.9%
Hong Kong [HK]	1.1	13.4	13.8	14.3	6.3%	5.8%	32.4%
Korea, Republic of [KR]	5.6	15.1	3.7	7.6	3.4%	4.5%	3.4%
Taiwan, Province of China [TW]	2.5	11.7	2.8	7.2	3.2%	2.9%	12.2%
Ireland [IE]	7.7	-1.5	7.6	5.6	2.5%	2.2%	-3.5%
France [FR]	0.6	9.1	1.0	5.0	2.2%	1.5%	26.6%
Canada [CA]	1.1	1.0	-2.3	4.9	2.2%	1.3%	17.7%

## Tracking Trends on Trade flows YTD

ASEAN-6<sup>2</sup>'s trade flows surged by 11.5% y/y in the first nine months year-to-date (YTD), surpassing the full-year 2024 growth rate of 8.0%. This was driven in part by front-loading activities in anticipation of US tariffs. However, trade-related uncertainty has since peaked following Liberation Day (Apr 2025), as many of the US' trading partners have secured some tariff concessions and negotiated lower reciprocal tariff rates with the Trump administration.

The YTD trade outperformance was led by strong gains in Vietnam (Oct YTD: 18.0%, 2024: 14.8%) and Thailand (Sep YTD: 12.9%, 2024: 6.3%), supported by front-loading momentum. Singapore (Sep YTD: 9.1%, 2024: 7.2%) and Malaysia (Sep YTD: 11.8%, 2024: 9.1%) benefitted from the global boom in AI-related capex, which boosted E&E trade. This is also further evidence of the shift and diversification of supply chains into the region. In contrast, Indonesia's trade performance was relatively more modest (Sep YTD: 5.5%, 2024: 4.0%), reflecting weaker commodity prices.

While trade growth in ASEAN-6 remains resilient in 2025, it is likely to moderate in 2026, reflecting the delayed impact of US tariffs. Additionally, some "payback" from earlier front-loading may further weigh on trade momentum although persistent AI-related demand could help to partially cushion the drag for economies embedded in the electronics/semiconductor value chain (e.g. Singapore, Malaysia). Exorbitant tariffs on pharmaceuticals and semiconductors pose an additional downside risk to the trade outlook if implemented, compounding the impact of existing sector-specific tariffs – such as those on aluminum, automobiles & parts, copper, lumber/timber, steel and trucks. However, potential exemptions on sector tariffs for multinationals with US investments could help mitigate some of the impact.

Fig 5: 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

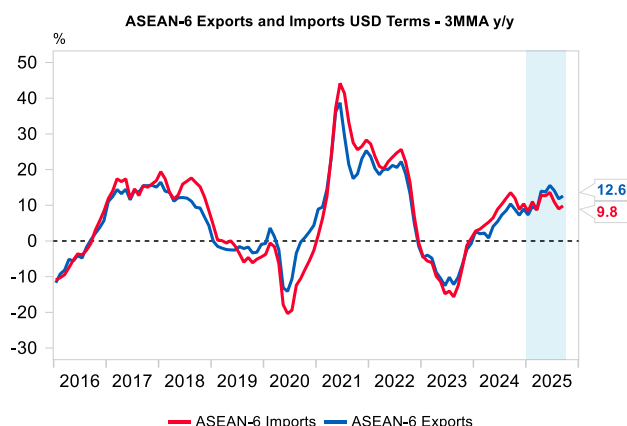
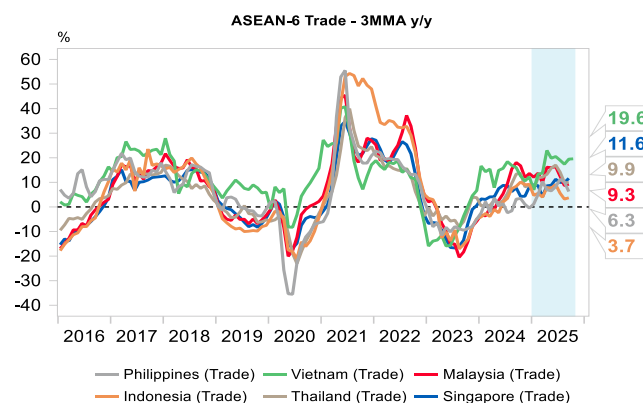


Fig 6: Front-loading momentum aided TH & VN trade; SG & MY enjoyed tailwinds from boom in global AI-related capex

Source: Macrobond, UOB Global Economics & Markets Research



<sup>2</sup> includes Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam

Fig 7: Trade-related uncertainty has peaked post Liberation Day...

Source: Macrobond, UOB Global Economics & Markets Research

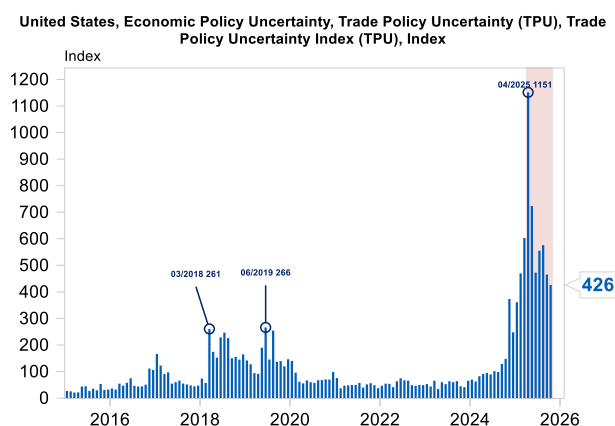
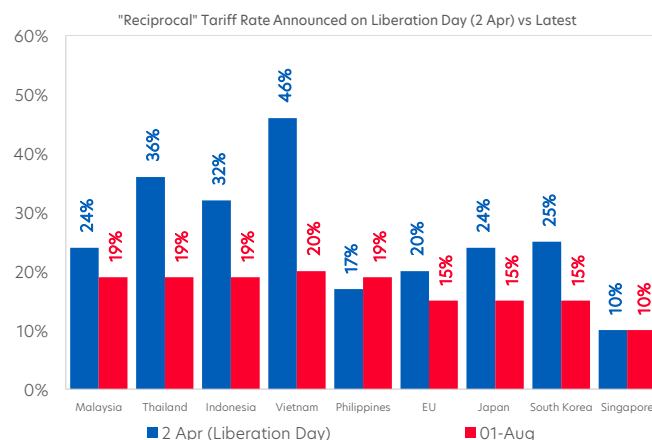


Fig 8: Many of the US' trade partners have negotiated lower reciprocal tariff rates with the Trump administration

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



## Constructive trade and investment prospects in the medium-term

ASEAN remains well-positioned to attract investments and expand trade flows in the medium-term as we have highlighted in our earlier reports ([link](#), [link](#), [link](#)). Key drivers include:

**#1 Increasing Cross-Border Policy Coordination** - For example, the Johor-Singapore Special Economic Zone (JS-SEZ) attracted US\$8.8bn in approved investments in 1H25, constituting two-thirds of Johor's total inflows alongside US\$4.2bn pledged by Singapore-based firms since the MOU signing in Jan 2024, underscoring strong bilateral economic integration and investors' confidence (see [report](#)).

Fig 9: JS-SEZ: Flagship Zone Areas

Source: IRDA, UOB Global Economics & Markets Research



Fig 10: JS-SEZ: Priority Sectors by Flagship Zones

Source: IRDA, UOB Global Economics & Markets Research

Flagship Zone	Zone A JB City Center	Zone B Iskandar Puteri	Zone C Tanjung Pelepas - Tg Bin	Zone D Pasir Gudang
<b>Sectors</b>	Business Services Digital Economy Health (Global Services hub)	Manufacturing Business services Digital Economy Education Health Tourism (Global services hub)	Manufacturing Energy (Smart Logistics)	Manufacturing Energy Logistics (Downstream specialty chemicals)
<b>Zone E Senai - Skudai</b>	<b>Zone F Sedenak</b>	<b>Zone G Desaru</b>	<b>Zone H Pengerang Integrated Petroleum Complex</b>	
Manufacturing Digital Economy Education Logistics Tourism (Aerospace manufacturing & MRO services)	Manufacturing Digital Economy Education Energy Health Logistics Tourism (AI & Quantum Computing, medical devices, pharma)	Education Food Security Health Tourism (Integrated Tourism)	Manufacturing Energy Logistics *incentive packages under PIPC-JPDC	
			<b>Zone I Forest City SFZ</b>	
			Financial Services Note: Special Financial Zone (SFZ)	

## #2 Deepening Intra-ASEAN Integration and Engagement with Trading Partners

- At the recent 47th ASEAN Summit (26-28 Oct 2025) in Kuala Lumpur, ASEAN Member States (AMS) signed two landmark upgraded agreements: **the ASEAN Trade in Goods Agreement (ATIGA) Upgrade and the ASEAN-China Free Trade Area (ACFTA) 3.0 Upgrade**. The upgraded agreements aim to improve efficiency in customs procedures and trade facilitation to better support cross-border trade flows, as well as establish forward-looking commitments in new areas such as supply chain connectivity, the digital economy and green economy. The Summit also marked the commencement of negotiations for the **ASEAN-Korea Free Trade Area (AKFTA) Upgrade** in early 2026, which aims to deepen economic ties and enhance trade and investment flows between ASEAN and Korea. See MTI [press release](#).

Earlier at the 26th ASEAN Economic Community Council (AECC) meeting, the AMS announced the substantial conclusion of the **ASEAN Digital Economy Framework Agreement (DEFA)** and is targeted to be signed in 2026. The ASEAN DEFA is the first comprehensive regional digital economy agreement and ASEAN's most ambitious digital initiative to date. Once concluded, the agreement will mark a new chapter in ASEAN's digital integration journey and open up more opportunities for businesses of all sizes to tap on ASEAN's fast-growing digital market. See MTI [press release](#).

Importantly, by reinforcing its cohesion, ASEAN secures greater leverage in negotiations with larger trade partners. This collective approach not only amplifies ASEAN's voice on the global stage but also reinforces its role as a key driver of inclusive and sustainable trade in the region.

**#3 Large and Growing Consumer Base** - Southeast Asia's population stands at just under 700mn, trailing behind China and India (~1.4bn each) and Europe (~745mn). This puts ASEAN as the world's fourth largest population base. According to the Medium-Fertility Variant (MFV) methodology, the region's population size is projected to peak only in the mid-2050s - a far longer runway than China (peaked in 2021), Europe (peaked in 2020) and the United States, which could peak in the mid-2030s assuming zero net migration. Since the turn of the millennium (2000), GDP per capita (on a PPP-adjusted basis, international dollars) in Southeast Asia has increased fourfold (as of 2024), outpacing the global average (~3x) and advanced economies (~2.4x), though slower than emerging and developing Asia (~6.9x) and China (~10.3x). This trend points to an increasingly affluent consumer base, making ASEAN an attractive investment destination for firms seeking to tap into rising consumption demand.

Fig 11: 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

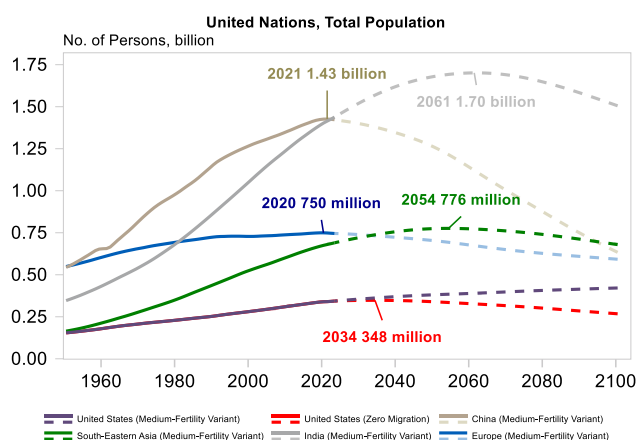


Fig 12: GDP per capita, current prices (PPP-adjusted, international dollars)

Source: IMF, UOB Global Economics & Markets Research

GDP per capita, current prices (PPP-adjusted)	1980	1990	2000	2010	2020	2024	2024 vs 2000 (x)	2024 vs 2010 (x)	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
Emerging and Developing 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

Based on the drivers aforementioned and economic data YTD, we remain confident of ASEAN's medium-term FDI and trade trajectories:

- FDI inflows into ASEAN are projected to grow at a CAGR of 8.7% between 2024 and 2035, with nominal FDI values estimated to reach around US\$370bn by 2030 and exceed US\$560bn by 2035 from US\$225bn in 2024.
- ASEAN's total trade is projected to grow at an annual rate of 5.8% between 2024 and 2035, with nominal trade values estimated to reach US\$5.3 trillion by 2030 and exceeding US\$7 trillion by 2035 from US\$3.8 trillion in 2024. Assuming a stable share of intra-ASEAN exports (last 5y avg: ~22%) and intra-ASEAN imports (last 5y avg: ~21%), intra-ASEAN trade could grow to US\$1.1tn by 2030 and exceed US\$1.5tn by 2035.

### Solid Fundamentals Underpin Optimistic Outlook for Trade and Investment

These FDI and trade projections reflect our positive outlook on ASEAN's fundamentals, and generally in-line with our study on this subject matter in 2024 (for details please refer to: ASEAN: Positive trade and investment outlook to 2030 and beyond, Sep 2024 [link](#)).

The region's large population will drive manufacturing and productivity as supply chains diversify and trade barriers reshape global flows, accelerating investment. These dynamics will, in turn, boost economic growth and raise personal incomes, fueling consumption and improving living standards in a virtuous cycle.

We project the region's economy to expand to nearly US\$5.8tn by 2030, about 40% larger than US\$4.2tn in 2025. Meanwhile, the average per capita income is set to rise by one-third to US\$8,000 by 2030, from US\$6,000 over the same period. In real terms, average economic growth in the region is projected to moderate to 4.6% in 2025 (from 5.0% in 2024) and ease further to 4.2% in 2026 amid trade-related uncertainty and adjustments. However, over the medium-term (2027-2030), ASEAN-6 growth is expected to recover to average about 4.6% per annum.

Fig 13: Medium-term FDI Projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

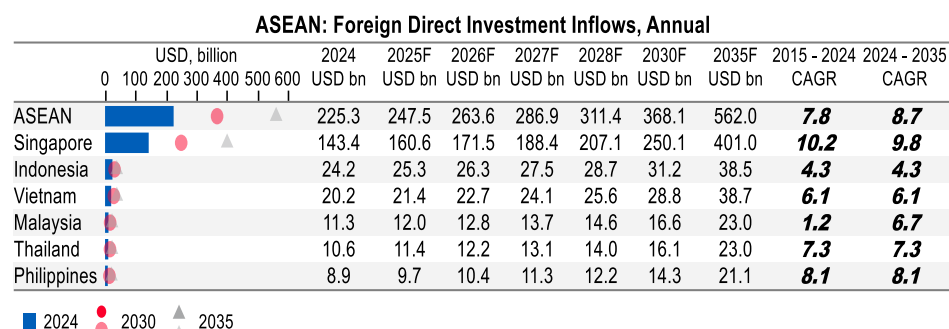


Fig 14: Medium-term Total Merchandise Trade Projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

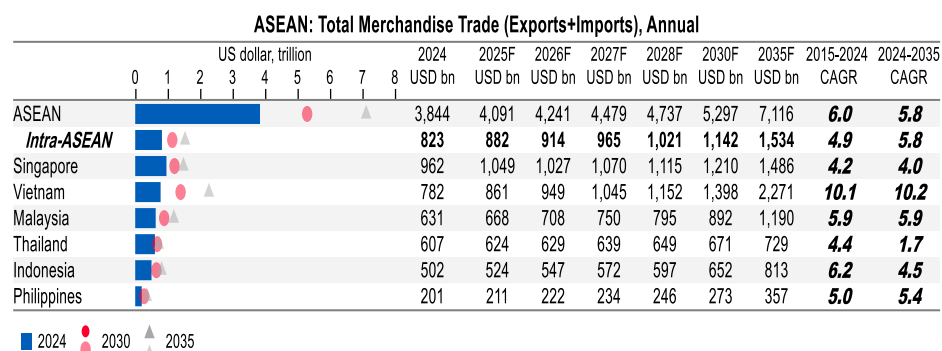


Fig 15: Medium-term Exports Projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

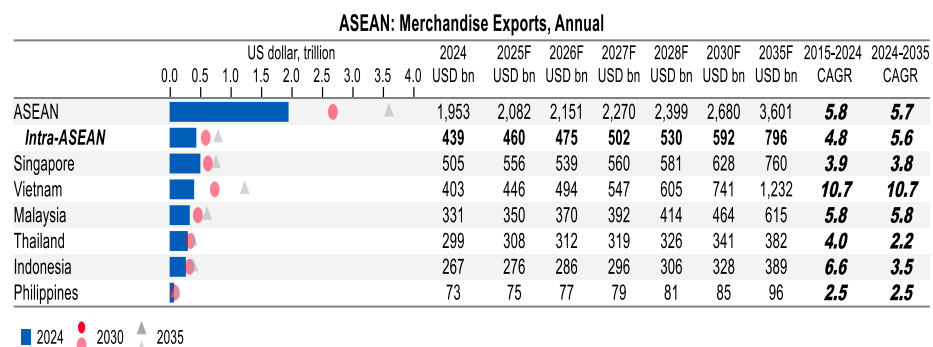




Fig 16: Medium-term Imports Projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

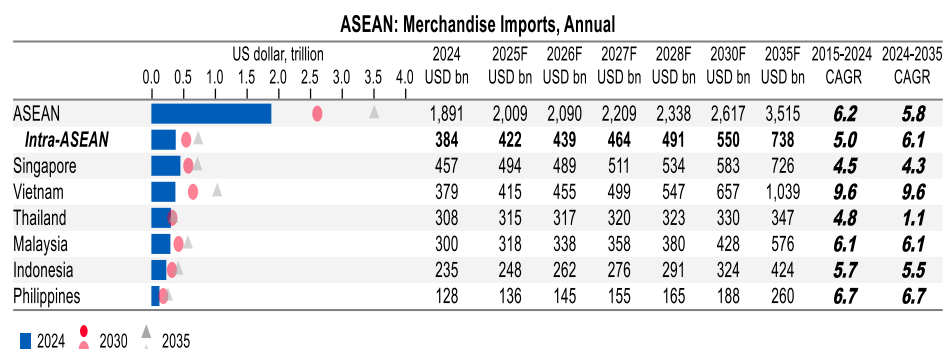


Fig 17: Medium-term Nominal GDP Projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

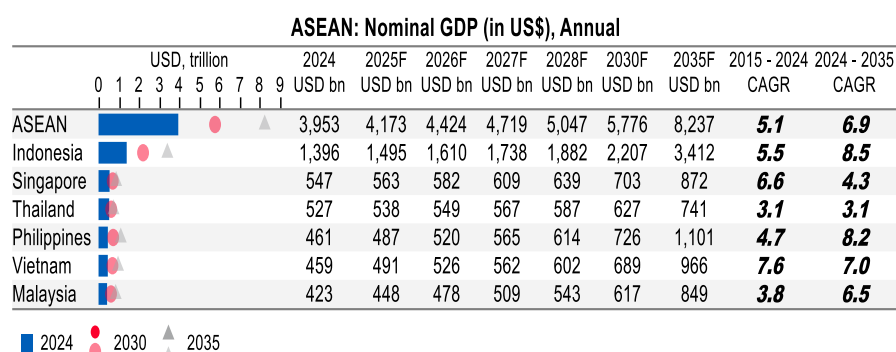


Fig 18: Medium-term Nominal GDP Per Capita Projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

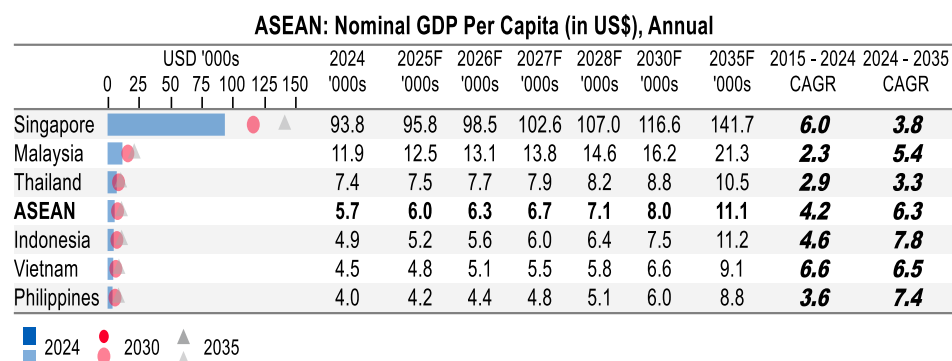




Fig 19: Under the MFV model, within ASEAN-6, MY/ID/PH populations are projected to peak only after the 2050s, while TH's population had already peaked.

Source: Macrobond, UOB Global Economics & Markets Research

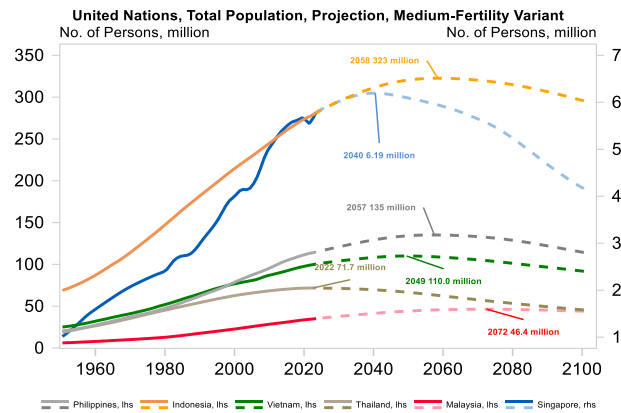


Fig 20: Annual Real GDP Forecast

Source: Macrobond, UOB Global Economics & Markets Research

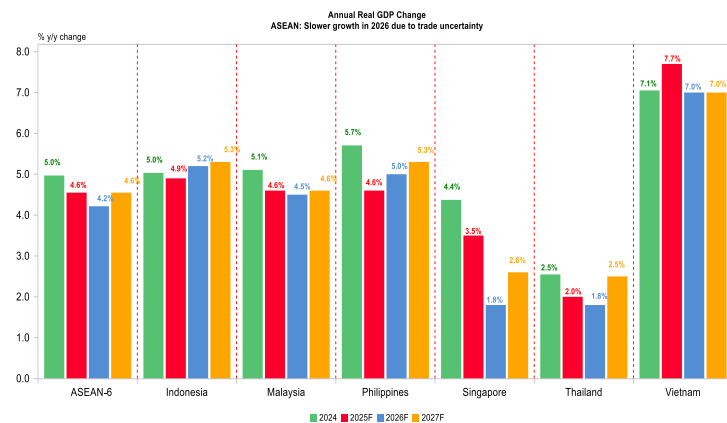
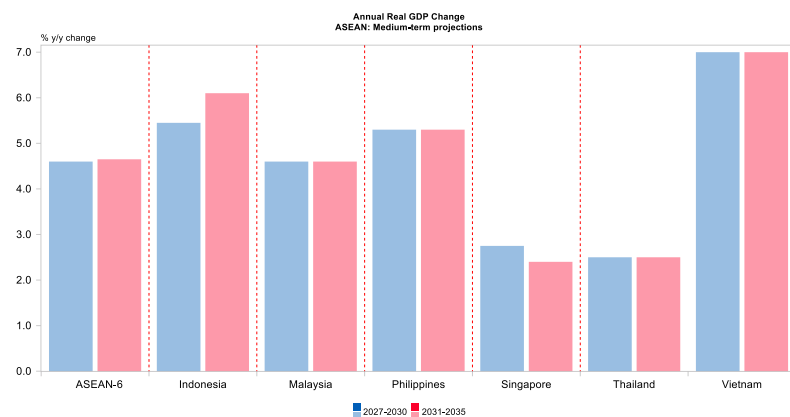


Fig 21: Annual Real GDP Forecast: Medium-term Projections

Source: Macrobond, UOB Global Economics & Markets Research



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