Emerging Markets in Asia Pacific Offer Brightest Prospects for Global FDI, IHS Study Finds

**Release Date:**
Thursday, April 14, 2016 8:27 am EDT

**Terms:**
Financial Markets

**Dateline City:**
Vienna, Austria (14 April, 2016)

**Contacts:**
IHS Media Relations
Katherine Smith

*Economic and Country Risk team highlight the top opportunities for business at Global Risk Conference in Vienna; Four ASEAN countries to enter Asia’s trillionaire club*

**Vienna, Austria** (14 April, 2016) – Over the next decade, Asia Pacific is forecast to be the fastest growing region of the global economy and the region that offers the biggest potential gains for foreign direct investment.

IHS Inc. (NYSE: IHS), the leading global source of critical information and insight, announced the findings from its study on Asia’s top ten foreign direct investment hotspots at the company’s Global Economic and Country Risk conference in Vienna.

“Over the next decade, the Asia Pacific region will grow at an average annual rate of 4.5 percent per year, boosted by rapid growth in consumer spending in China, India and Southeast Asia,” said Rajiv Biswas Asia Pacific chief economist for IHS. “A key source of strength for Asia Pacific is the rapidly growing size of the economic region, which now accounts for around one-third of world GDP, generating strong intra-regional trade and investment flows.”

**Asia’s Top Ten FDI Hotspots:**

Northeast Asia: China;
Southeast Asia: Indonesia, Vietnam, Philippines, Myanmar, Malaysia; Thailand;
South Asia: India, Sri Lanka, Bangladesh.

**Four ASEAN Countries to Enter Asia’s Trillionaire Club**

Southeast Asia is expected to be one of the world’s fastest growing regions, with four ASEAN nations – Indonesia, Malaysia, the Philippines and Thailand – expected to join the ranks of Asia’s group of nations that have a GDP exceeding $1 trillion by 2030. “This will help to increase the geopolitical and economic importance of ASEAN as a political and economic grouping in international diplomacy and the global dialogue on trade, investment and international standards-setting,” Biswas said.

Meanwhile the ASEAN frontier markets of Vietnam, Myanmar, Cambodia and Laos are forecast to continue to grow rapidly. Vietnam will to grow at a pace of around 6.5 percent per year over the medium term, with rapid growth in manufacturing exports of electronics and garments driving industrial development. The new EU-Vietnam Free Trade Agreement and the planned TPP deal will significantly boost Vietnam’s market access to the EU and US for its manufacturing exports by reducing tariff barriers substantially.

Malaysia – Asia’s Next Advanced Economy

The Malaysian economy is forecast to achieve a per capita GDP of USD 20,000 by 2025, with total GDP exceeding $1 trillion by 2030. The structure of the Malaysian economy will continue to shift towards higher value-added manufacturing and services. Strategic growth industries in the services sector will include financial services, healthcare, education, commercial aviation, tourism and the IT-BPO industry, as Malaysia becomes an increasingly important services-exporting economy for Southeast Asia.

Philippines – Trillion-dollar Economy by 2030

The Philippines has also shown rapid GDP growth averaging around 6 percent per year over 2011-2015, with GDP growth of 5.8 percent per year forecast over 2016-2018. “The total size of the Philippines’s economy is projected to grow from $300 billion in 2016 to $700 billion by 2025, and a $1 trillion economy by 2030,” Biswas said. “This will make the Philippines one of the leading emerging markets in Asia”.

Indonesia – Trillion-dollar Economy by 2020
The Indonesian economy is the largest economy in Southeast Asia and is one of the world's largest emerging markets. Indonesian GDP forecast to grow at 5 percent per year over 2016-2020, supported by strong growth in consumer demand and infrastructure investment. By 2020, Indonesia will have already become a nation with GDP size exceeding $1 trillion, and by 2030, Indonesian GDP is projected to exceed $3.7 trillion. “This will significantly increase Indonesia’s global geopolitical influence as a leading emerging market, shaping international policymaking in global forums such as the G-20 and United Nations,” Biswas said.

“FDI inflows into Indonesia have grown strongly over the last three years, with recent reforms announced by President Jokowi’s administration to liberalise foreign investment into service sectors such as logistics, health care and tourism,” Biswas said. “This is likely to boost FDI inflows even further.”

Indonesia has a large and fast-growing population (250 million), fast-growing household spending by middle class households and rapid growth projected in a wide range of industries. “The Indonesian domestic consumer market is very attractive for multinationals,” Biswas said. “Banking, insurance, health care, construction, retailing, commercial aviation and manufacturing are all industries aiding the Indonesian success story.”

**One Belt, One Road initiative - Long-term growth driver**

“For the Asia Pacific region, a key long-term growth driver will be China’s ‘One Belt, One Road’ initiative,” Biswas said. “This will be catalyzed by new infrastructure financing for Asian emerging markets into sectors such as power generation and transmission, railroads, ports and highways from the recently launched Asian Infrastructure Investment Bank, the Silk Road Fund, as well as a number of Chinese bilateral infrastructure financing commitments to a number of Asian countries.”

The initiative will help to accelerate the development of many inland Chinese provinces as well as accelerating the growth of the Greater Mekong Sub-region as a new global manufacturing hub, and will benefit many countries in Southeast and Central Asia.

**Despite worries, Chinese and Indian economies outperform most**

In China, despite the slowdown evident in the manufacturing sector, strong growth in consumer spending is driving rapid growth in service sector industries such as financial services, healthcare, retailing, e-commerce and logistics. China's service sector industries are expected to continue to show strong expansion over the medium term outlook, helped by continued rapid growth in consumer spending, with overall Chinese GDP growth forecast to average 6.4 percent per year between 2016 and 2020.

India to outpace China for first time in over 30 years

The Indian economy is forecast to be one of the fastest growing large emerging markets over the medium term, growing at an average pace of 7.6 percent per year between 2016 and 2020, outpacing China for the first time in over three decades.

“The strong growth outlook for India is underpinned by improving consumer spending, accelerated infrastructure development and stronger FDI inflows. The favourable impact of low global oil prices has reduced inflationary pressures and lowered the current account deficit,” Biswas said. “The Modi government’s new initiatives to boost infrastructure development, develop smart cities and attract investment into Indian manufacturing are helping to lift FDI flows into India.”

**Rapid growth for Sri Lanka and Bangladesh**

Amongst the other South Asian economies, Sri Lanka and Bangladesh are expected to show rapid growth over the next decade. The new Sri Lankan government has embarked on sweeping economic reforms, with its first budget containing considerable economic liberalization measures. The Sri Lankan economy is projected to grow at an average annual pace of 5.6 percent per year over 2016-2020. Key growth industries are expected to include logistics, tourism, agricultural products, IT-BPO industries and construction.

Despite political turbulence, Bangladesh has made considerable economic progress over the past decade, with average annual GDP growth exceeding 6.5 percent per year since 2006. Bangladesh has emerged as an attractive location for FDI into low-cost textiles, clothing and footwear manufacturing, due to its relatively low wage costs compared to coastal China.