

Media Release

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New growth opportunities for Australia as ASEAN becomes Asia's third engine of growth

- need to prioritise policies to support Australia-ASEAN trade -

ASEAN could replace China as the world's leading manufacturing centre in the next 10-15 years and emerge as a key market for Australian exporters, with the potential for the Australia-ASEAN trade and investment corridor to double and exceed US\$210 billion by 2025 - according to a new research report from ANZ.

'*ASEAN: The Next Horizon*' highlights the region's enormous potential driven by closer economic integration, demographics, low labour costs and its strategic position at the intersection of global trade and shipping routes.

Report Key Points

- ASEAN is on track to become Asia's third engine of growth alongside China and India and will be the fifth largest economy in the world by 2020.
- Greater ASEAN integration and the creation of the ASEAN Economic Community could spur annual regional GDP growth of 6-8%.
- Over the same period, annual intra-regional trade could reach US\$1 trillion and G4 (US, Europe, Japan and China) trade of US\$3.7 trillion.
- Foreign direct investment (FDI) into ASEAN from the G4 will continue to grow strongly to around US\$106 billion as companies look to expand production bases in the region.
- Three ASEAN sub-regions will evolve:
 - Myanmar, Cambodia & Laos providing a large youthful labour force for new production platforms.
 - Thailand, Vietnam, Indonesia & the Philippines competing as the most cost effective mid-value manufacturing centres.
 - Singapore & Malaysia developing as dominant finance, technology and design hubs.
- For Australia total trade and FDI flows will increase from around US\$90 billion in 2013 to US\$155-210 billion in 2025.

ANZ CEO International and Institutional Banking Andrew Géczy said: "Strong demand growth, rising living standards, urbanisation and ASEAN's large infrastructure needs present an enormous opportunity for Australian business.

"While China is top of mind in Australia, the way that the world manufactures is changing but critically where it consumes is shifting to ASEAN. The region deserves more attention particularly as progress continues toward the formation of the ASEAN Economic Community, which will unlock a new phase of growth in the region.

"ASEAN's large infrastructure deficit will drive increasing demand for hard commodities, while rising living standards will create further opportunities for Australian agriculture and services such as tourism and education," he said.

The report however warns global competition is intensifying and that Australia's overall share of ASEAN's trade is stalling. Australia's market share in agriculture has declined and a similar approach to New Zealand's NZ Inc ASEAN Strategy may be needed in order to compete more effectively.

Mr Géczy added: "The ASEAN-Australia-New Zealand Free Trade Area Agreement will be an important underpinning to this opportunity. Many of its terms are still being implemented however and completing the implementation of the agreement needs to be prioritised."

ANZ Chief Economist for South Asia, ASEAN and the Pacific Glenn Maguire said: "With a projected economic growth rate only marginally behind China and India, ASEAN is on track to emerge as Asia's third engine of growth and the world's fifth largest economy by the end of the decade.

"By 2030 half of Southeast Asia's 650 million people will also be under the age of 30, forming a powerful emerging middle class with high rates of consumption. And by sheer weight of numbers, one of the biggest opportunities is in Indonesia," Mr Maguire said.

An abridged copy of the report '*ASEAN: The Next Horizon*' can be obtained from ANZ's [Media Centre](#) and additional information is also available at www.indepth.anz.com.

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