

JAHANI & ASSOCIATES

J&A Capital Markets Report

ASEAN Overview and Highlights

November 2021

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1. ASEAN: Size, Growth, and Relevance



This is the first part of J&A's ASEAN series. In it, we will investigate the ASEAN market and economy, importance, its capital markets, its position in global trade, and finally its integration with other major players like the USA and China.

ASEAN BACKGROUND

The Southeast Asian region has grown to global prominence over the last 20 years. Economies in Southeast Asia have been growing rapidly due to trade openness and their position in the global economic trade balances. The region is strategically positioned close to the emerging superpowers of China and India. Businesses should be aware of the growth potential

and opportunities present in the region.

The Association of Southeast Asian Nations (ASEAN), an economic and political union, has empowered the region and facilitated the conditions necessary for rapid development. The ASEAN union includes Singapore, Malaysia, the Philippines, Indonesia, Thailand, and Vietnam, Cambodia, Brunei, Laos, and Myanmar.

COUNTRY	POPULATION	GDP	KEY INDUSTRIES	2021 GDP GROWTH FORECAST	TRADE OPENNESS INDEX	EASE OF BUSINESS RANKING
Brunei	0.43 M	\$13.7 B	Oil and Natural Gas	1.6%	85%	66
Cambodia	16.93 M	\$25.3 B	Agriculture, Tourism, Textiles & Light Manufacturing	4.2%	125%	144
Indonesia	267.03 M	\$1,058 B	Agriculture, Oil and Gas, Mining & Manufacturing	4.3%	39%	73
Laos PDR	7.44 M	\$19 B	Agriculture & Hydroelectricity	4.6%	76%	154
Malaysia	32.65 M	\$336.7 B	Electronics, Medical Technologies, & Finance	6.5%	136%	12
Myanmar	54.79 M	\$76.2 B	Oil and Gas, Retail & Textiles	-8.9%	43%	165
Philippines	109.18 M	\$361.2 B	Agriculture, Mining Manufacturing & Pharmaceuticals	6.9%	72%	95
Singapore	6.21 M	\$339.9 B	Finance, Logistics, Electronics & Biotechnology	5.2%	317%	2
Thailand	68.98 M	\$501.7 B	Automotive, Textiles & Electronics	2.6%	123%	21
Vietnam	98.72 M	\$271 B	Electronics, Construction, Food Processing & Mining	6.5%	200%	70

Source: data.worldbank.org

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THE IMPORTANCE OF SOUTHEAST ASIA

Southeast Asia has demonstrated a remarkable model for economic growth and development that sets the region apart from other developing markets. The region is strategically positioned as a gateway to both China and India and boosts openness to trade and business that is no longer guaranteed in Hong Kong.

J&A forecasts a continued expansion of the region's economic and strategic importance as a link between the rising superpowers of India and China and the companies and consumers of the United States of America.

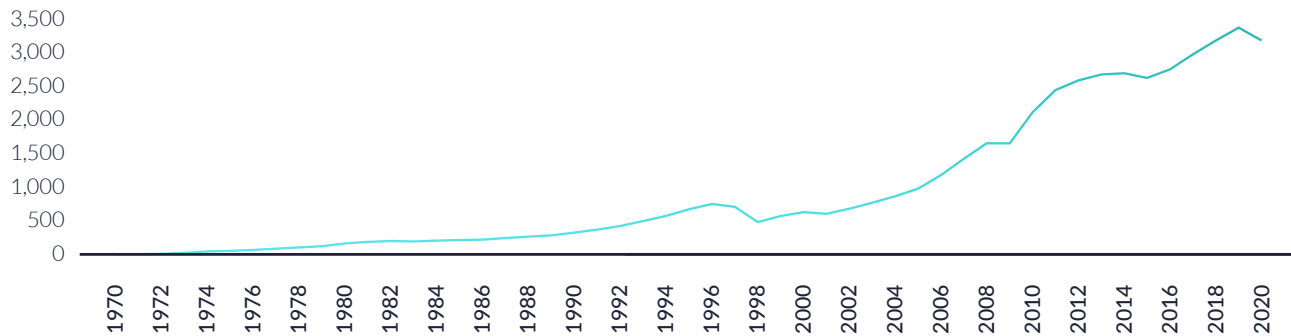
ASEAN was formed in 1967 to prevent a power vacuum caused by rapid decolonization and foster cooperation in the region. The official ASEAN declaration states that the objectives of the organization are to accelerate economic growth and social progress, and preserve cultural traditions in the region through cooperation and partnership. Regional peace, the rule of law, increased education, and cooperation in agriculture and industry are additional goals.

- ASEAN has been successful in promoting peace in the region throughout the transition from colonialism and communism towards free-market economies.
- Trade within the region has grown remarkably from \$790 billion in 2000 to \$2.8 trillion in 2019.
- GDP growth in ASEAN has regularly exceeded the global average, resulting in a regional economic growth of 10,116% between 1970 and 2020.



GDP Growth in ASEAN

ASEAN Combined GDP (Billion USD)

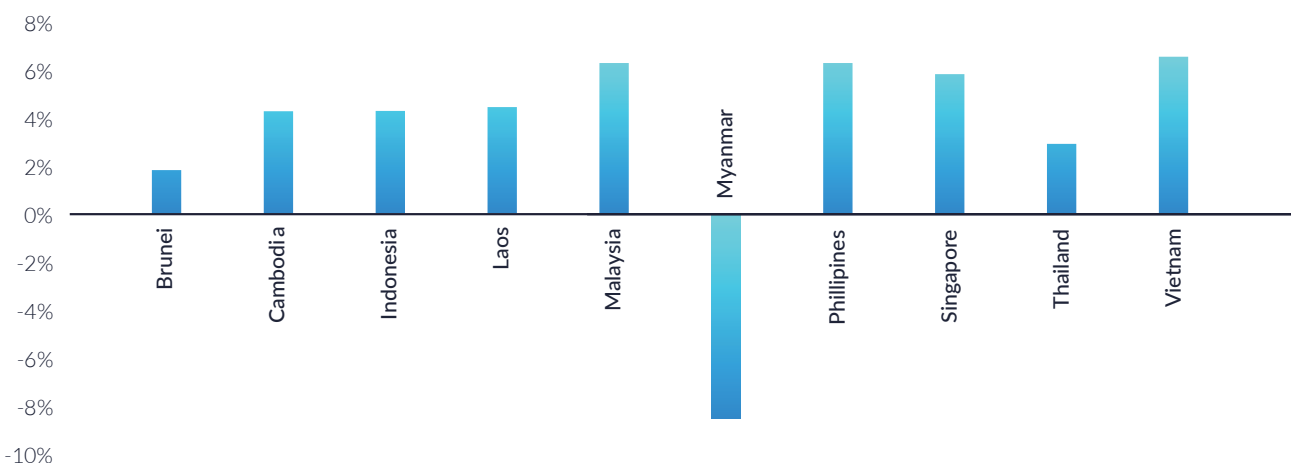


Source: data.worldbank.org

- The combined economy of ASEAN economies has grown at an average rate of 9.3% annually between 1970 and 2020.
- In 1970 combined ASEAN gross domestic product (GDP) stood at approximately \$29 billion, making the region one of the poorest in the world. In comparison, the GDP of South Africa and Brazil in 1970 were \$48 billion and \$42 billion respectively.
- The member states of Indonesia, Malaysia, Singapore, and Thailand's economies are among a handful of emerging markets whose GDP per capita has grown at a rate of at least 3.5% annually over the last 50 years.
- Additionally Cambodia, Laos, Myanmar, and Vietnam have experienced at least 5% GDP per capita growth over the last 20 years, making the region home to eight of the top-performing emerging economies globally.

ASEAN FORECAST ECONOMIC PERFORMANCE IN 2021

2021 GDP Growth

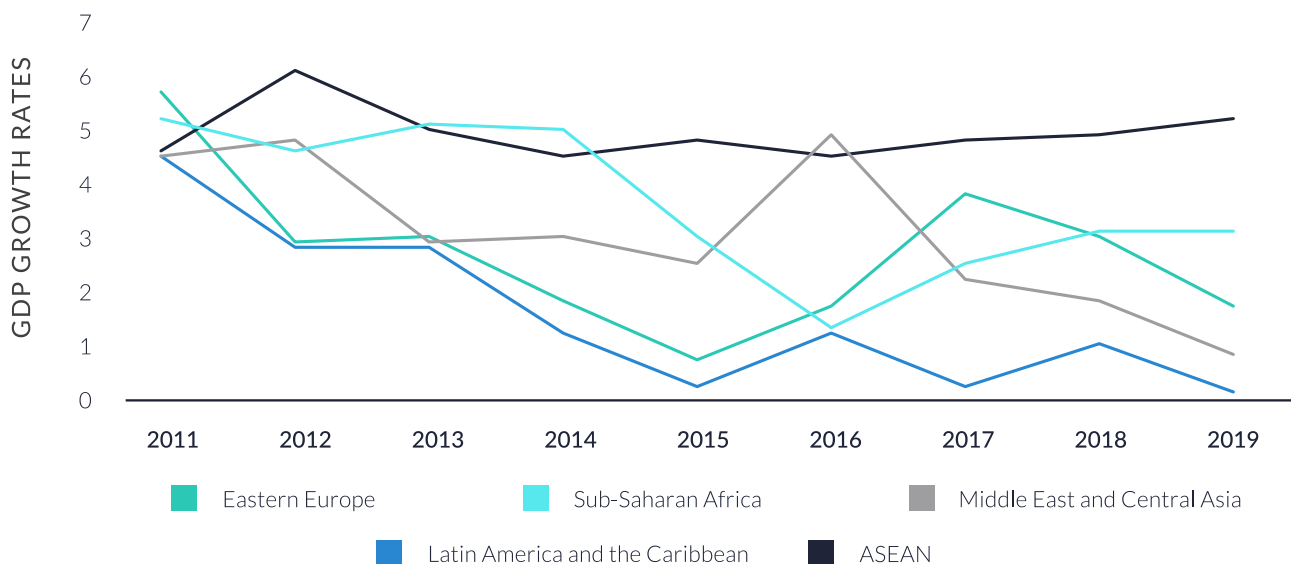


Source: data.worldbank.org

- ASEAN markets are expected to rebound strongly in the second half of 2021 as the region and the world emerges from the economic impact of the COVID-19 pandemic.
- Malaysia, Vietnam, and the Philippines are forecasted to experience GDP growth in excess of 6% for 2021.
- The economies of Singapore and Indonesia are expected to expand at a rate of between 4% and 5%, which remains significant given the size of these markets.
- Countries that rely heavily on tourism, such as Brunei and Thailand, are expected to recover more slowly than their other regional counterparts.
- Myanmar is the regional outlier, with political turmoil resulting in negative growth forecasts.

ASEAN COUNTRIES ARE HIGH PERFORMERS

Emerging Markets Regional GDP Growth Rates



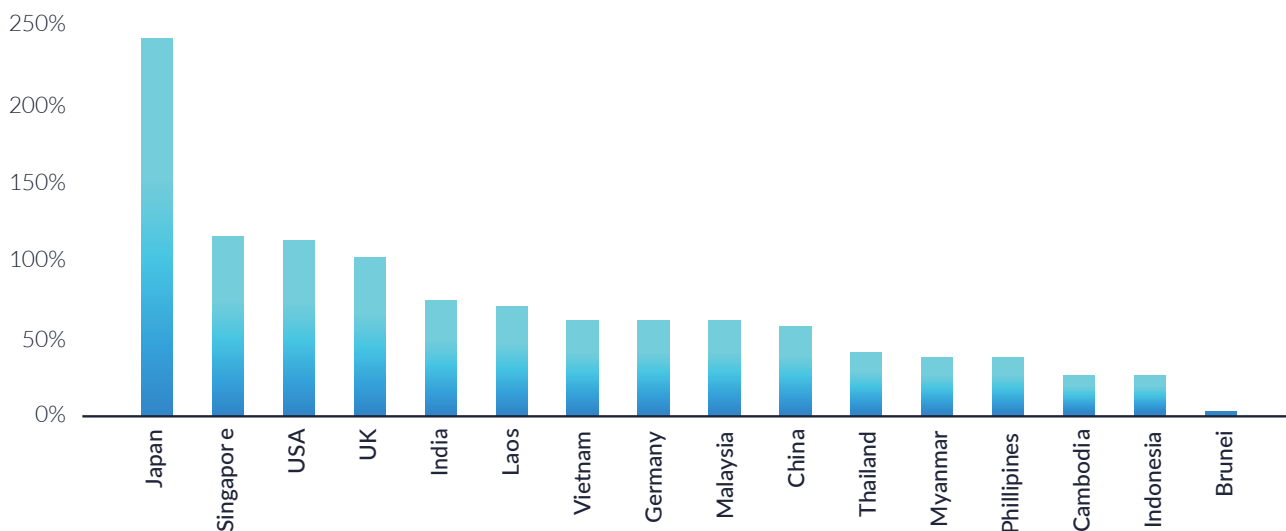
Source: data.worldbank.org

- ASEAN economies led the emerging markets in regional GDP growth between 2011 and 2019. The region was able to maintain consistent growth rates of between 4.6% and 6% over the period.
- Economic diversification in Southeast Asia resulted in more consistent GDP growth in comparison to other regions that may be dependent on specific industries such as oil and gas, or heavily linked to the performance of neighboring developed markets.
- In 2020, ASEAN economies contracted by 6% due to the ramifications of the COVID-19 pandemic and the region's openness to trade. Southeast Asia is expected to recover at a significantly faster rate than regions such as sub-Saharan Africa, Latin America, and the Caribbean due to effective vaccine rollouts and growth from trade partners like the USA and China.

ASEAN GOVERNMENTS' DEBT-TO-GDP RATIO MATCHES SIMILAR MARKETS

- Lower debt-to-GDP ratios give governments more margin for investment into infrastructure and public spending, lower interest payments on public debt, and better sovereign debt ratings.
- Thailand, the Philippines, and Indonesia have maintained low debt-to-GDP ratios of under 50% despite the size of their economies and populations.
- Singapore has the highest debt-to-GDP ratio in Southeast Asia. Singapore, however, has the most developed infrastructure in the region, and so would not require large public spending.

ASEAN Debt-to-GDP Ratio vs Competitors



Source: data.worldbank.org

We hope that you enjoyed this introduction to ASEAN. We reviewed the organization's history and economic performance, which provide the basis for the region's rise to global prominence. The region's economic growth has been spurred by strong capital markets and high openness

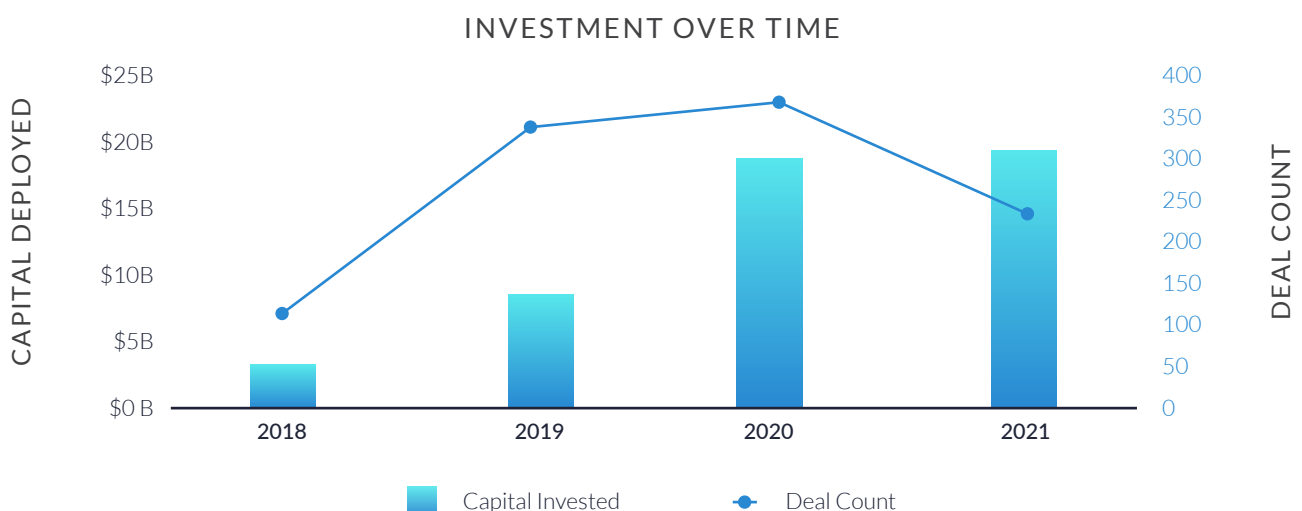
to trade. Southeast Asia is a critical market to link the rising superpowers of the East with the spending power of the West. The economic and geopolitical integration of the region will enhance Southeast Asia's global prominence and economic growth.

2. ASEAN: Capital Markets and Investment Banking



This part of J&A's ASEAN series focuses on the capital markets of the region, their maturity, and their activity. Capital market activity has increased steadily in the ASEAN region over the last 20 years. The number of capital market transactions has more than doubled since 2018 to 2020.

Of the capital deployed by ASEAN investors, 56% occurred within mergers and acquisitions. This highlights the appetite for inorganic expansion and the intention for companies in Southeast Asia to grow geographically and into new market segments. Singapore remains the key regional market and houses the largest and most active institutional investors.



- Capital markets are maturing in Southeast Asia. Capital deployed and deal count have been increasing steadily over time. Capital deployed by ASEAN investors in the first half of 2021 (\$19.3 billion) has already exceeded total deployment in 2020 (\$18.8 billion).
- A deal count conducted between 2018 and 2020 increased by 147%, from 144 to 356 announced deals. In the first half of 2021, 244 capital market transactions were announced, with a strong capital market growth forecast as the region emerges from the COVID-19 pandemic.
- The six largest institutional investment firms, in terms of assets under management, are based in Singapore. The sovereign wealth funds Temasek

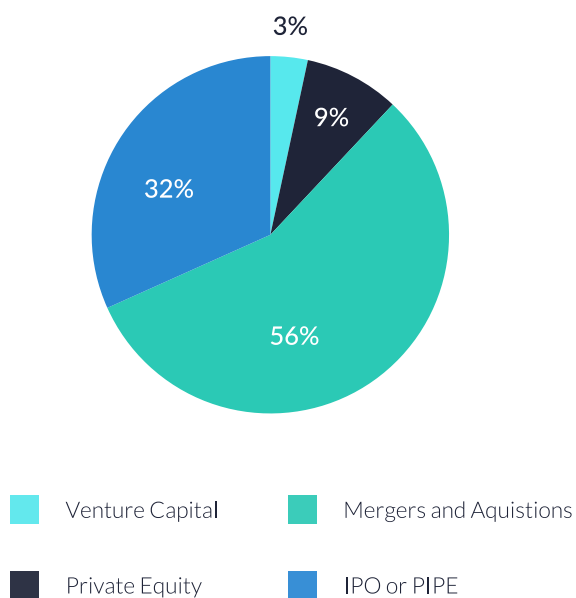
Holdings and the Government of Singapore Investment Corporation (GIC) are the two largest investors in the ASEAN region. The GIC has a total of 840 active investments and \$500 billion in assets under management. Temasek Holdings has a total of \$300 billion in assets under management and a total of 336 active portfolio investments.

- Temasek Holdings has been the most active Southeast Asian investor in 2020 and 2021. The firm conducted a total of 30 investments between Q3 of 2020 and Q3 of 2021.
- The top seven most active 2020 and 2021 investors in Southeast Asia are based in Singapore and include early-stage venture capital firms that made 25 investments in the period.

MERGERS AND ACQUISITIONS DOMINATE CAPITAL MARKETS IN ASEAN

Capital Deployed by ASEAN

Announced Deals in 2020

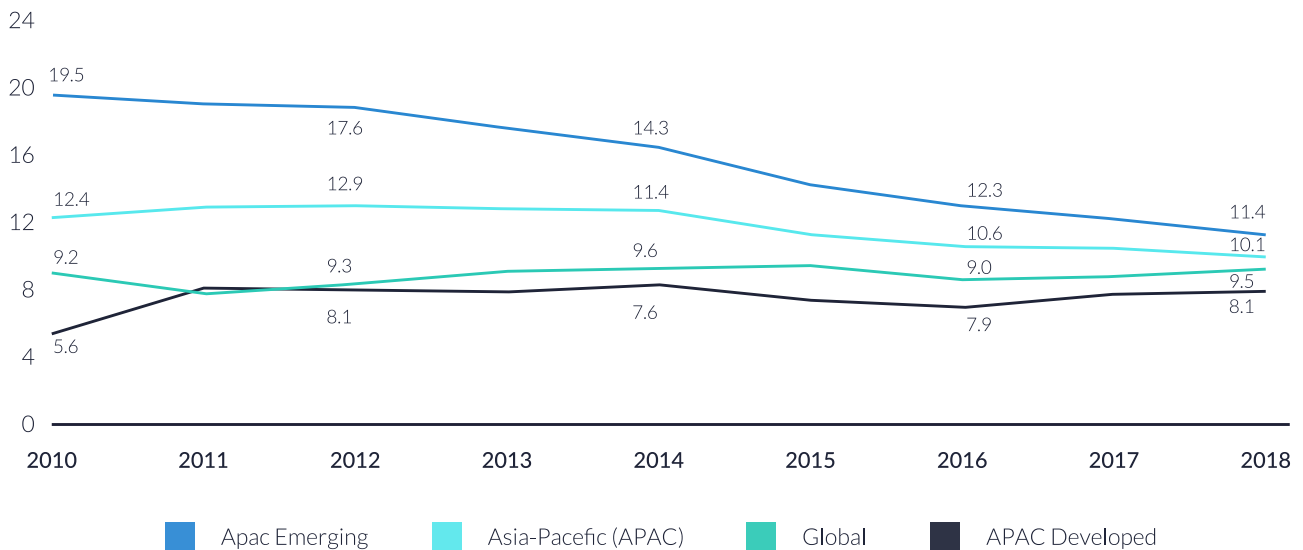


- In 2020, 56% of total capital deployed by ASEAN investors occurred within mergers and acquisitions. Significant mergers and acquisitions activity highlights the expansion intentions of Southeast Asia firms.
- As companies outgrow their markets and become comfortable with international expansion, investment banks will see increased opportunities in M&A advisory and acquisition financing.
- Four sectors that illustrate this trend well are financial services, telecommunications, energy, and natural resources.

COMPETITION IS NORMALIZING ASEAN EQUITY RETURNS

Return on average equity of Asia-Pacific Banking has been drifting down toward the global average

Return on Average Equity 2010-18, %

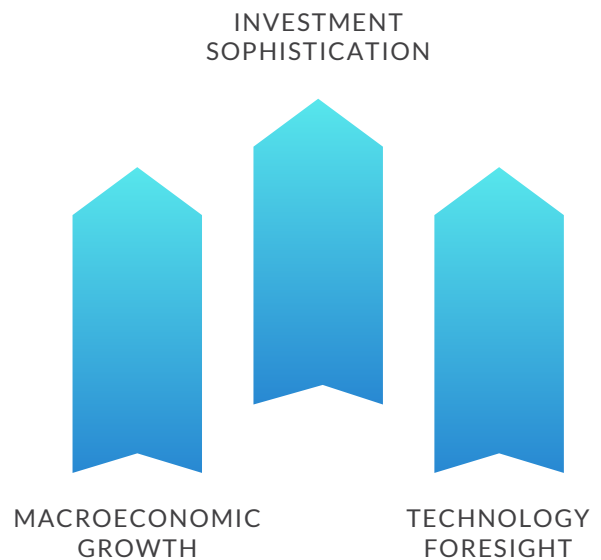


- APAC emerging markets include the 10 ASEAN countries as well as rising superpowers such as China and India.
- APAC emerging markets have experienced outsized returns on equity investments over the period from 2010 to 2018. As these markets, and particularly China, have become more accessible to international investments, returns have trended towards global averages.
- Returns among APAC developing nations are still higher than in APAC developed nations such as Australia, Canada, and Russia.
- However, ASEAN returns are normalizing with parts of the world as growth slows and the region slows from capitalizing on its many competitive advantages.

INVESTMENT BANKING IN ASEAN

- There are currently 91 registered investment banks operating in ASEAN. Over 80% of these institutions are headquartered outside of Southeast Asia with regional headquarters in Singapore. Morgan Stanley, Royal Bank of Canada, and Bank of America are the three most active investment banks in the region and are all headquartered in North America.
- The expansion of international investment banks into Southeast Asia is driven by strong regional macroeconomic growth and positive investor environments.
- The level of investment sophistication in Southeast Asia differentiates the region from other developing markets.

ASEAN Investment Banking Growth



ASEAN Technology Companies are globally competitive and their strategic geographic access to the US, China, and India makes high-growth companies in the region prime targets for investors.

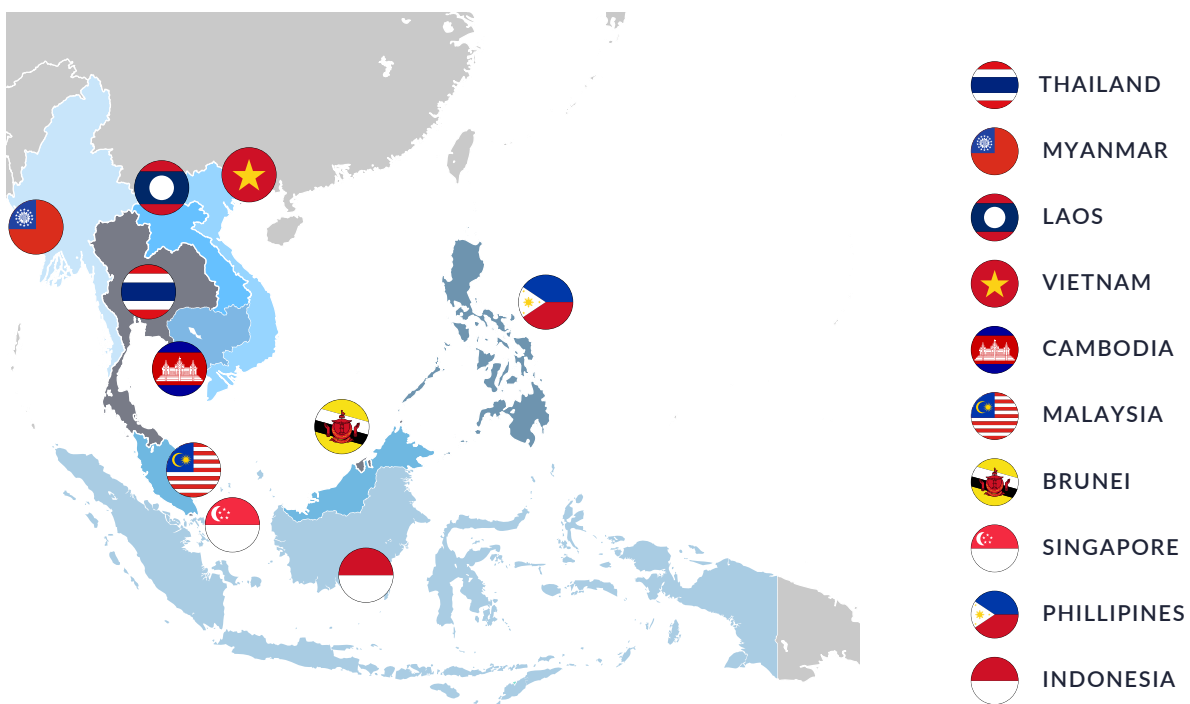
With uncertainty surrounding the role of Hong Kong and Taiwan, Singapore has become the gateway to the East. Capital market activity in the region is dominated by institutional investors from the city-state. The strength of mergers and acquisition activity by Southeast Asia companies is a sign of the expansion ambitions of the region. International investors and companies seeking growth partners should be mindful of the continued expansion and strategic position of the ASEAN markets. J&A forecasts an increase in capital market activity as nations such as Indonesia, Malaysia, Thailand, and Vietnam develop.

We hope that you enjoyed this overview of ASEAN capital markets. In the next section of this analysis, we will review the region's position on global trade. The region's economic growth has been spurred by strong capital markets and high openness to trade. Southeast Asia is a critical market to link the rising superpowers of the East with the spending power of the West. The economic and geopolitical integration of the region will enhance Southeast Asia's global prominence and economic growth.

3. ASEAN: Global Trade



Part 3 of J&A's ASEAN series focuses on the region's trade openness and trade advantages. The Association of Southeast Asian Nations (ASEAN) has facilitated the rapid economic growth and development of the region. The increase in trade between member states and other regions internationally is a critical factor for this growth and success. Singapore acts as a regional trade hub and is ranked first in global exports per capita and third in openness to trade. J&A forecasts continued growth in trade in Southeast Asia and the continual rise of the region in global prominence.



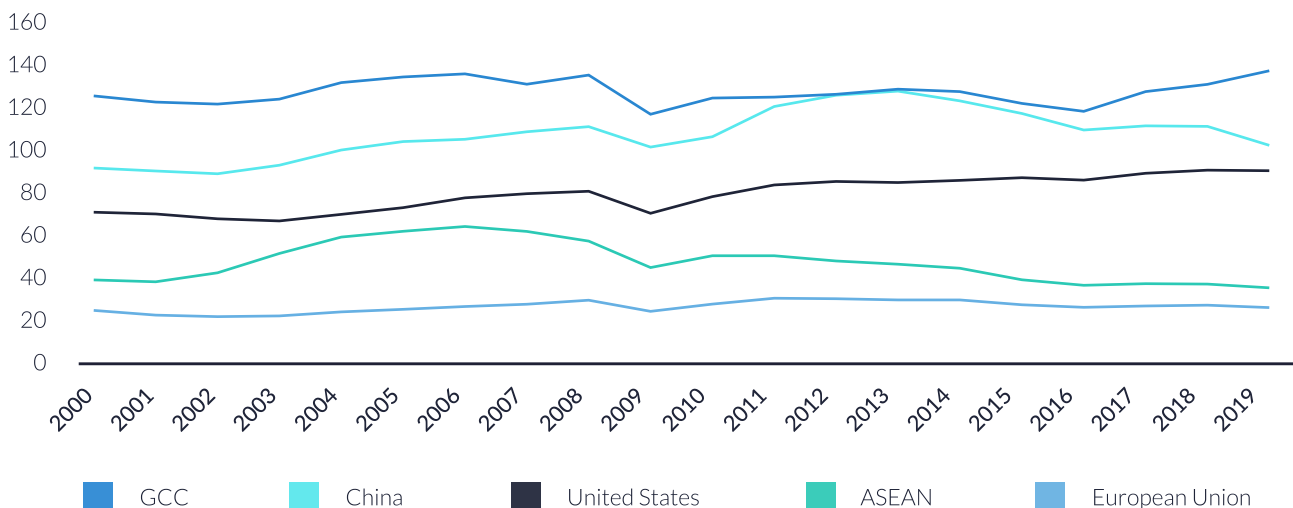
OPENNESS TO TRADE

The trade openness index is calculated through the sum of a nation's exports and imports as a share of the total GDP as a percentage. Trade openness indicates the strong influence of trade on domestic industries.

Trade openness spurs economic growth and encourages foreign direct investment. It also promotes competitive markets and allows consumers access to a wider range of products at competitive prices.

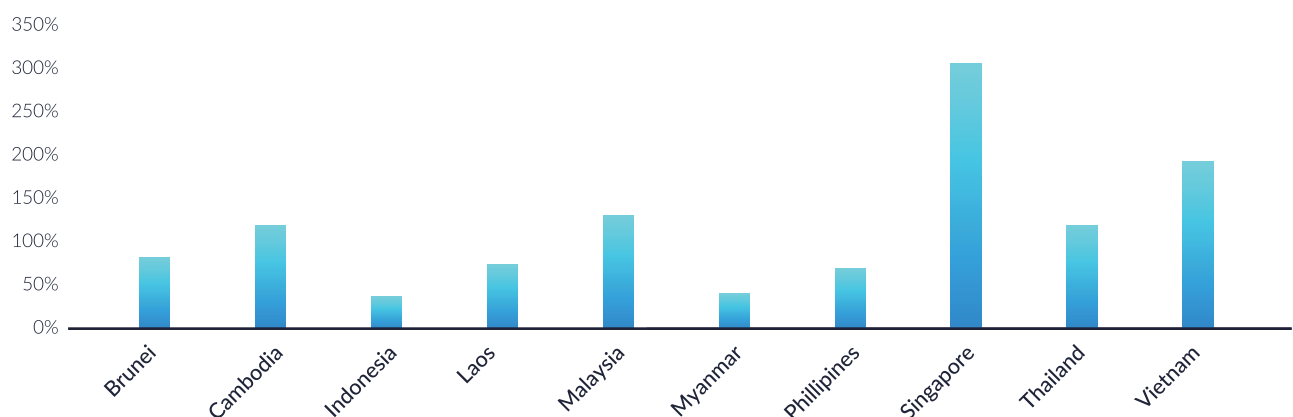
Trade openness can negatively impact domestic businesses and industries that are not competitive with large, multinational companies. This is particularly common in sectors such as agriculture and manufacturing. Countries with high trade openness indexes rely heavily on international business cycles and may experience highly volatile economic conditions.

Global Trade Openness by Region



OPENNESS TO TRADE IN ASEAN

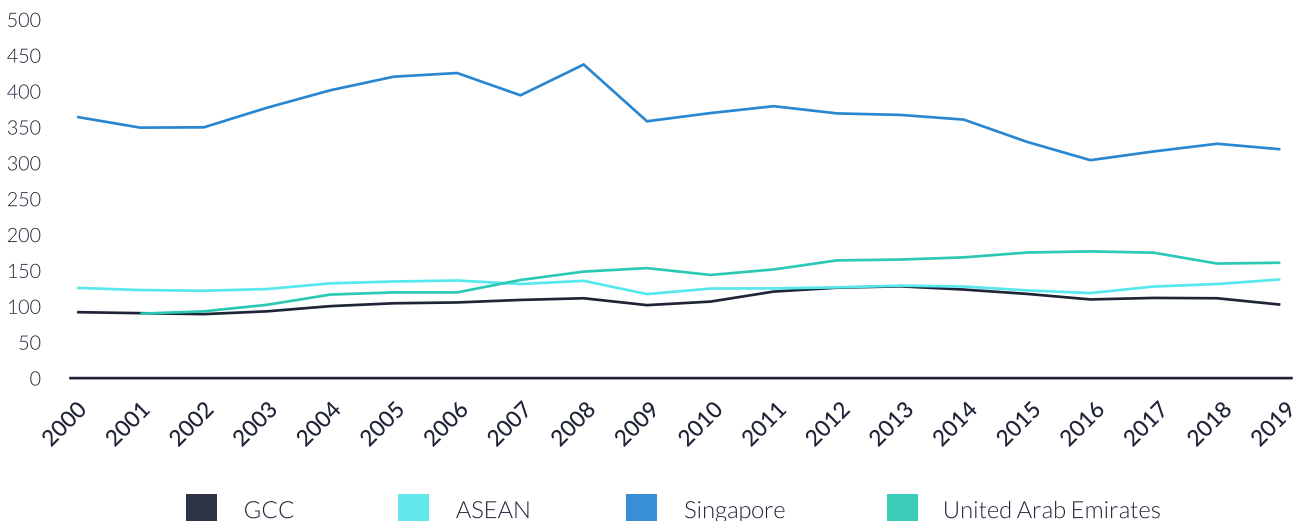
Trade Openness in ASEAN in 2020



- Trade within Southeast Asia has grown remarkably from \$790 billion in 2000 to \$2.8 trillion in 2019.
- Five of the 10 ASEAN nations—Cambodia, Malaysia, Singapore, Thailand, and Vietnam—have a trade openness index of over 100%.
- Intra-ASEAN trade accounted for 22.5% of total merchandising imports and exports.
- ASEAN's largest trading partners in 2019 were China, with 22% of imports and 14% of exports, the European Union, with 21.5% of imports and 13% of exports, and the United States, with 8% of imports and 13% of exports.

KEY MARKET: SINGAPORE

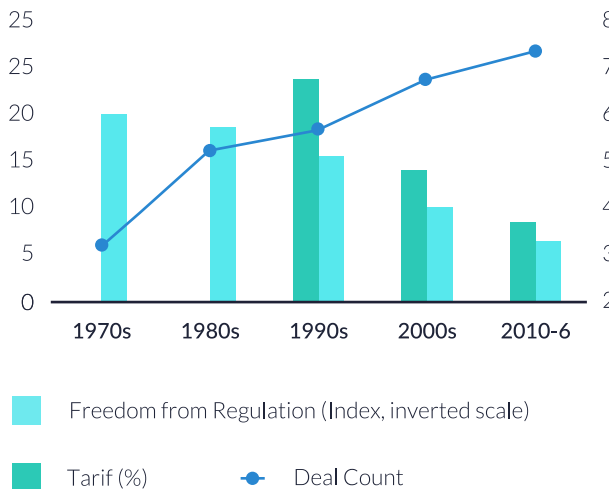
Singapore and UAE Trade Openness Compared to ASEAN and GCC



- Singapore ranks first globally on per capita exports, \$52,700 annually, and fifth globally for imports per capita, \$56,300 annually. The nation has a trade openness index of 317%, the third highest globally.
- Singapore is the regional trade hub of Southeast Asia and accounts for 27.5% of the region's total exports.
- The nation had a 79% manufacturing products to total exports ratio, and a 74% manufacturing products to imports ratio, showing the reliance of domestic industry on trade.
- Top imports into Singapore include electrical equipment (21%), minerals (22%), machinery and appliances (13%), and precious metals (6%).
- Leading exports from Singapore include electrical equipment (28%), minerals (15%), machinery and appliances (13%), and instruments and apparatus (7%).

DEREGULATION HAS BOOSTED THE ASEAN ECONOMY

South Asia: Growth, Trade Liberalization and Deregulation



Sources: Fraser Institute, Human Freedom Index; World Integrated Trade Solution database; WEO, and IMF staff calculations

- ASEAN nations have reduced internal and international tariffs and non-tariff barriers (NTB) in an effort to stimulate trade in the region.
- Average regional tariffs have decreased from 25% in 1990 to 7% in 2010, a period in which ASEAN nations also experienced large real GDP growth.

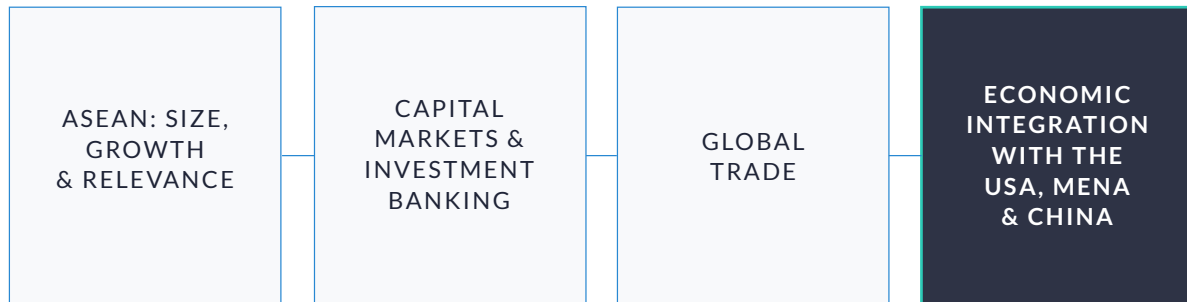
Openness to trade and ease of business have been vital contributing elements to the growth of Southeast Asian economies such as Singapore, Malaysia, and Thailand.

The region is ideally positioned to act as a hub for trade among the emerging superpowers of India and China and developed markets such as Australia and the US. J&A forecasts continued growth of regional and international trade in ASEAN, which will further spur the region's economic and geopolitical rise.

We hope that you enjoyed this introduction to ASEAN. We reviewed the organization's history and economic performance, which provides the basis for the region's rise to global prominence. The region's economic growth has been spurred by strong capital markets and high openness to trade.

Southeast Asia is a critical market to link the rising superpowers of the East with the spending power of the West. The economic and geopolitical integration of the region will enhance Southeast Asia's global prominence and economic growth.

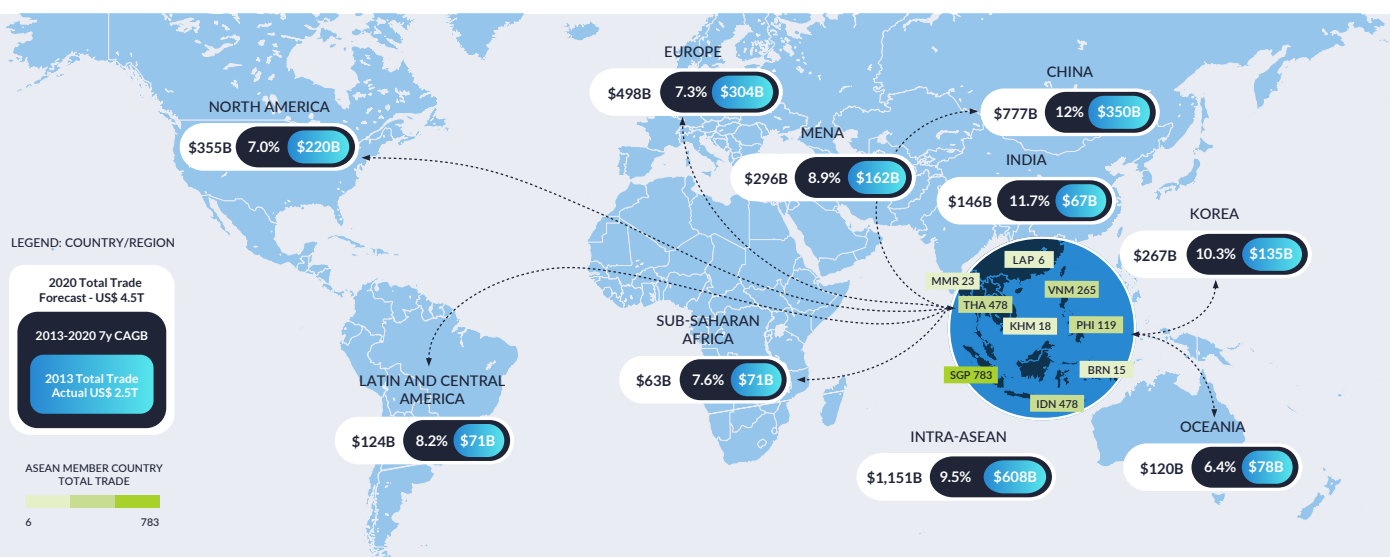
4. ASEAN: Economic Integration with the USA, MENA, and China



This is the final part of J&A's ASEAN series, wherein we will investigate the integration of ASEAN economies into the rest of the world. ASEAN will prove a key geopolitical and economic battleground for the United States and China.

The region's geographic positioning, openness to trade, and expeditious economic emergence have made the ASEAN a prominent economic and political force. Southeast Asia is closely integrated with the developed nations of the European Union, the US, and Australia through trade, foreign direct investment (FDI), and business. China, however, is now the region's closest trade partner and has

increased its share in FDI to exceed that of the US. Economic integration between ASEAN and the Middle East and North Africa (MENA) has strengthened through trade and capital market activity. J&A forecasts the continued rise to global prominence of the ASEAN as a hub for trade positioned to connect the manufacturing of the East with the spending power of the West.



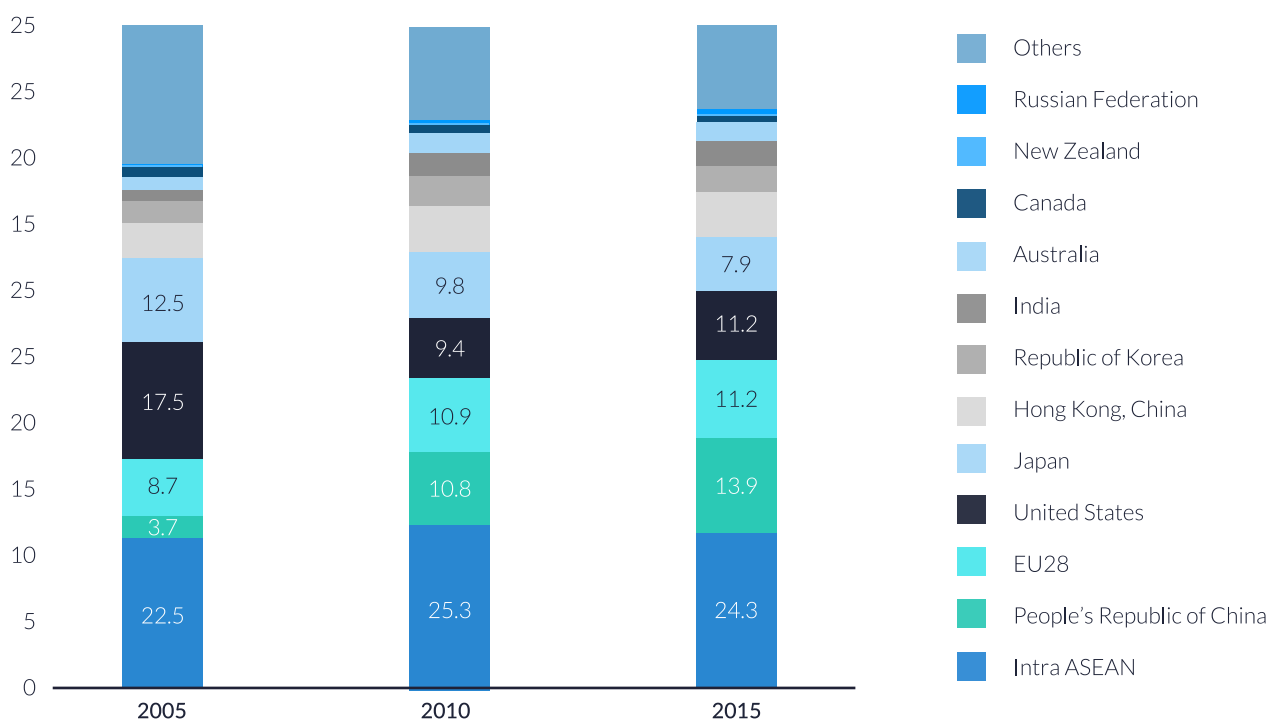
Source: Accenture Research; Trade data from Asean.org;
trade forecasted growth rates from HSBC Global Connections

- Southeast Asia is strategically positioned to act as a link between the rising superpowers of India and China and established markets such as the USA, Canada, and Australia.
- Intra-ASEAN trade has increased at a rate of 9.5% annually from \$608 billion in 2013 to \$1.15 trillion in 2020.
- ASEAN's biggest trading partner is China, which conducted a total trade, consisting of both imports and exports, of \$777 billion with the region in 2020. The share of ASEAN exports to China has increased from 3.7% in total exports in 2005 to 13.9% in 2018. The share of Chinese imports in the region has increased from 5.4% to 20.5% of imports in the same period.
- ASEAN conducted a total of \$358 billion in trade with the US. The share of imports and exports with the US and the EU as a percentage of total trade has declined significantly between 2005 and 2018 and signals the global rise of Asian markets.
- Trade between Southeast Asia and MENA has increased at a compound annual growth rate of 8.9% between 2013 and 2020 and now accounts for \$296 billion in ASEAN total trade.

Southeast Asia is strategically positioned to act as a link between the rising superpowers of India and China and established markets such as the USA, Canada, and Australia.

Shares of Merchandise Export Values

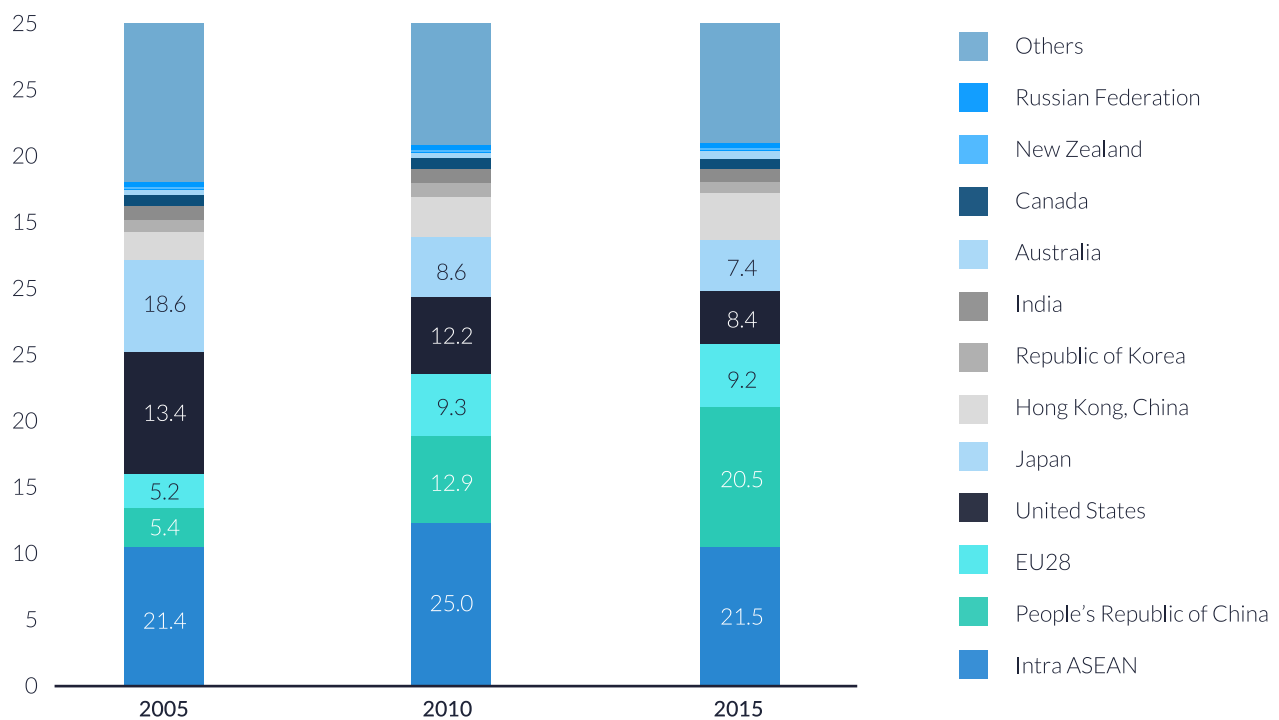
%, By trading partners, 2005-2018



Sources: ASEAN Secretariat, ASEANstats database

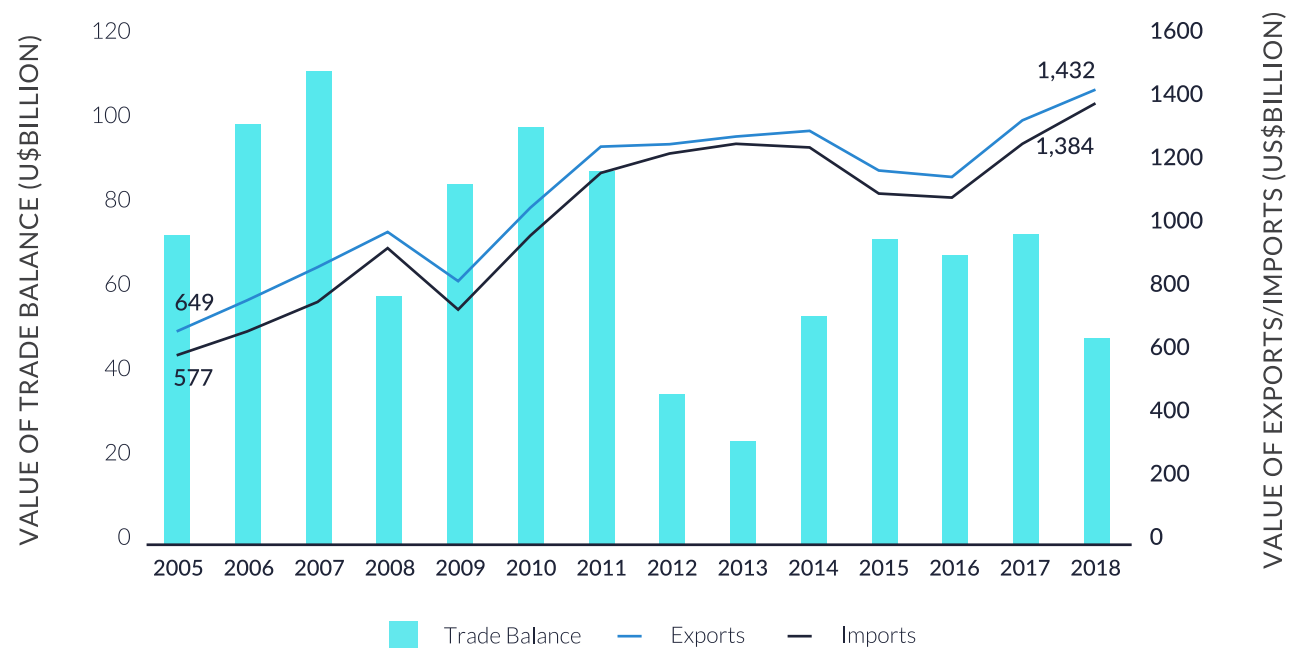
Shares of Merchandise Import Values

%, By trading partners, 2005-2018



Sources: ASEAN Secretariat, ASEANstats database

ASEAN COUNTRIES PRODUCE MORE GOODS AND SERVICES THAN THEY CONSUME



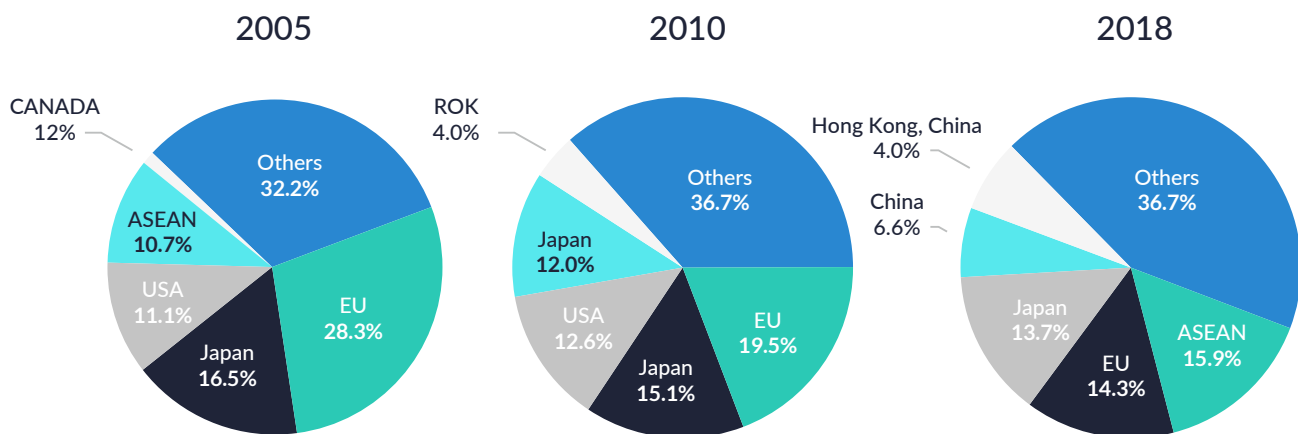
Sources: ASEAN Secretariat, ASEANstats database

- Trade surpluses in ASEAN have been driven by nations' rapid increase of production in agriculture and manufacturing. In addition, the region now has a globally competitive services sector.
- The \$1,432 billion of regional exports in 2018 exceeded the \$1,384 billion spent on imports in the same year. Thus, a total regional trade surplus of \$48 billion was achieved in 2018.
- Large trade surpluses ensure a continual injection of capital into an economy and grant authorities the ability to increase foreign reserves or strengthen local currencies depending on policy preferences.

ASEAN RECEIVES FDI FROM DIVERSE NATIONS AND GROWINGLY IN CHINA

Shares of ASEAN Top 5 FDI Sources

% to total, 2005-2018



Source: ASEAN Secretariat, ASEANstats database

- Countries in Southeast Asia have historically received large amounts of FDI from developed nations such as the US, Japan, and members of the European Union.
- China and Hong Kong have recently displaced the US in the region's top five FDI contributors and jointly contributed over 13% of the region's FDI in 2018. The geopolitical significance of China's influence through FDI and trade, which now eclipse the influence of the US, should not be understated.
- Intra-ASEAN FDI has grown substantially and contributed approximately 16% of FDI in 2018. Developed nations in the region are contributing large quantities to stimulate growth in neighboring markets.

Southeast Asia is strategically positioned as a global trade and investment hub.

The economies of Singapore, Indonesia, and Thailand could serve as a springboard for western companies to access the rising superpowers of India and China.

The level of Chinese influence in the region through trade and FDI will leave many in the US weary. However, companies from North America should spot opportunities now available to them to access Chinese customers through the ASEAN markets. The increase in economic integration

between the ASEAN through trade and FDI is undoubtedly a contributing factor to the region's economic growth and one that many other developing regions have struggled to emulate. J&A forecasts the continued rise of ASEAN prominence through economic integration.

We hope that you enjoyed this introduction to ASEAN. We reviewed the organization's history and economic performance, which provide the basis for the region's rise to global prominence.

The region's economic growth has been spurred by strong capital markets and high openness to trade. Southeast Asia is a critical market to link the rising superpowers of the East with the spending power of the West. The economic and geopolitical integration of the region will enhance Southeast Asia's global prominence and economic growth.

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