

ASEAN Business Sentiment



ASEAN Federation of Accountants



Acknowledgments

CPA Australia and the ASEAN Federation of Accountants (AFA) extend our sincere appreciation to all participants for their thoughtful contributions during the discussion sessions and for their willingness to share valuable perspectives. Their input has greatly enriched the dialogue and deepened our understanding of the issues explored.

Introduction

CPA Australia and AFA recently collaborated to convene an ASEAN Business Sentiment focus group discussion. This initiative brought together a diverse panel of experts from across the region to share insights on current business conditions, risks, opportunities and the broader outlook for ASEAN's business community.

The focus group drew on the expertise of leaders and professionals from professional accountancy bodies and industry. Their perspectives on business sentiment, including growth drivers, challenges and policy priorities, provided valuable insights for inclusion in this report, which seeks to reflect the dynamic and evolving business landscape across the region.

Focus group participants

- Khadijah Mohsin, President, BICPA, Brunei Darussalam
- Bapak Deny Poerhadiyanto and Bima Harimurtisati, IAI, Indonesia
- Khampiew Thipphavongphanh, Vice President, LCPAA, Laos
- Kok E-Lin, Research & Insights Lead, ISCA, Singapore
- Irene Sin, MIA PAIB Committee Member and CEO of IGB Property Management, Malaysia
- Wan Tin, President, MICPA, Myanmar
- Atty. Roel Refran, Executive Vice President and COO of the Philippine Stock Exchange, the Philippines
- Kamolthip Ketudat, Member of Foreign Affair Sub-Committee, TFAC, Thailand
- Nguyen Chi Trung, FCPA - Managing Partner of Grant Thornton Vietnam, Vietnam
- Evi Afiatin Ismail - Finance and Risk Management, PT Sucofindo, Indonesia
- Tengku Faradiza Tengku Baharuddin – Board Member, Lagenda Properties Berhad, Malaysia
- Salihin Abang – Founder and Group Managing Partner of Salihin, Malaysia
- Janoearto Alamsyah, Executive Director, ASEAN Federation of Accountants, Indonesia
- Priya Terumalay, Regional Head of Southeast Asia, CPA Australia, Malaysia
- Gavan Ord, Business Investment and International Lead, CPA Australia, Australia
- Azfar Asa'ad, Senior Advisor Business Investment and International, CPA Australia, Australia
- Sashmeeta Vanimuthu, Policy Analyst, CPA Australia, Malaysia

ASEAN business sentiment and economic outlook report 2025

Executive summary

ASEAN entered 2025 in a position of relative strength, underpinned by its large and youthful population, rising digital adoption, and evolving manufacturing capabilities. The bloc's population is close to 690 million and its combined nominal GDP is in the order of US\$4.2 to 4.3 trillion. Growth in 2025 is projected to be around 4 per cent, outpacing the global average, reflecting continued resilience despite uneven performance across member states.

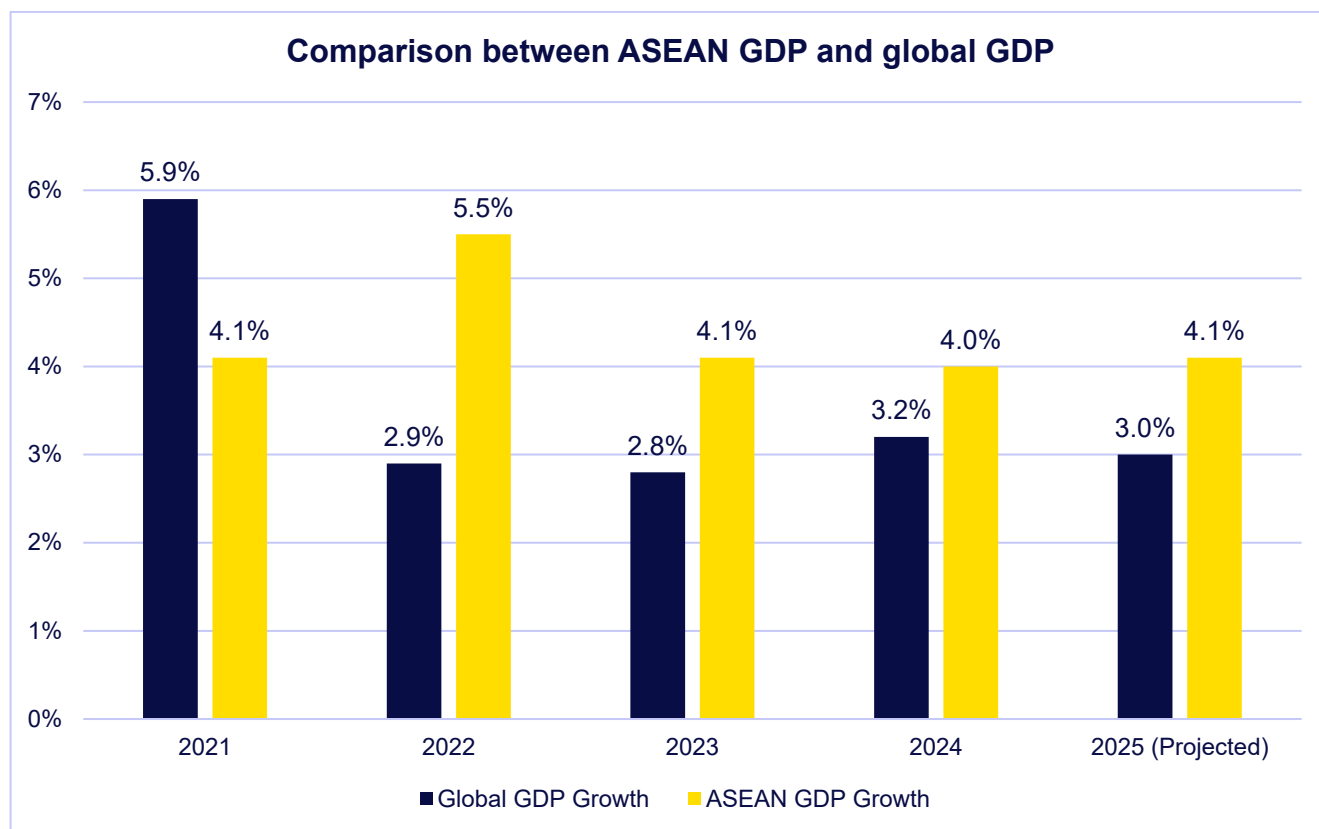
However, the region faces sizeable persistent and emerging risks, including:

- rising US tariffs and trade restrictions
- geopolitical uncertainty
- elevated public and private debt in select economies
- skill mismatches across labour markets
- structural inequality.

Country snapshots reflect this mix:

- Singapore is facing imported inflation
- Indonesia is delivering strong but geographically uneven growth
- Lao is contending with a high public debt burden
- Vietnam is pursuing ambitious industrial upgrading while facing the impacts of higher US tariffs
- Thailand is grappling with signs of financial strain in select sectors.

This report integrates these country-level insights with analysis of growth drivers, risks and policy pathways to support sustained, inclusive development across ASEAN.



Source: [Global GDP Growth – IMF World Economic Outlook](#)

Source: [ASEAN GDP Growth](#)

1. ASEAN in context

ASEAN is one of the world's largest and fastest-growing economic blocs, driven by favourable demographics and accelerating digital adoption. With nearly 690 million people, the region benefits from a substantial working-age population and a rising urban middle class, key drivers of consumption. Digital payments and online services are rapidly expanding, reinforcing ASEAN's competitiveness in the global digital economy.

In 2025, ASEAN's combined GDP is estimated to exceed US\$4 trillion, with the IMF forecasting growth near 4 per cent, outpacing the global average. These macro advantages coexist with pronounced diversity across member states. While some economies are deepening their integration with global value chains and attracting large foreign direct investment, others face fiscal pressures, limited market depth and weaker human capital metrics.

ASEAN's integration into broader regional trade arrangements has been strengthened through mechanisms such as the Regional Comprehensive Economic Partnership (RCEP). RCEP connects ASEAN with major East Asian partners and covers roughly 30 per cent of global GDP and population, providing a platform for deeper participation in regional value chains. Greater utilisation of RCEP rules, together with improvements in customs interoperability and logistics, could expand intra-regional trade and strengthen resilience to external shocks.

2. Drivers of growth

Digital transformation

The digital economy has emerged as one of ASEAN's most dynamic growth drivers. Its value is expected to surge from US\$300 billion in 2025 to US\$1 trillion in 2030. E-commerce continues to expand at around twenty per cent annually, buoyed by a growing middle class projected to reach 350 million by the end of the decade.

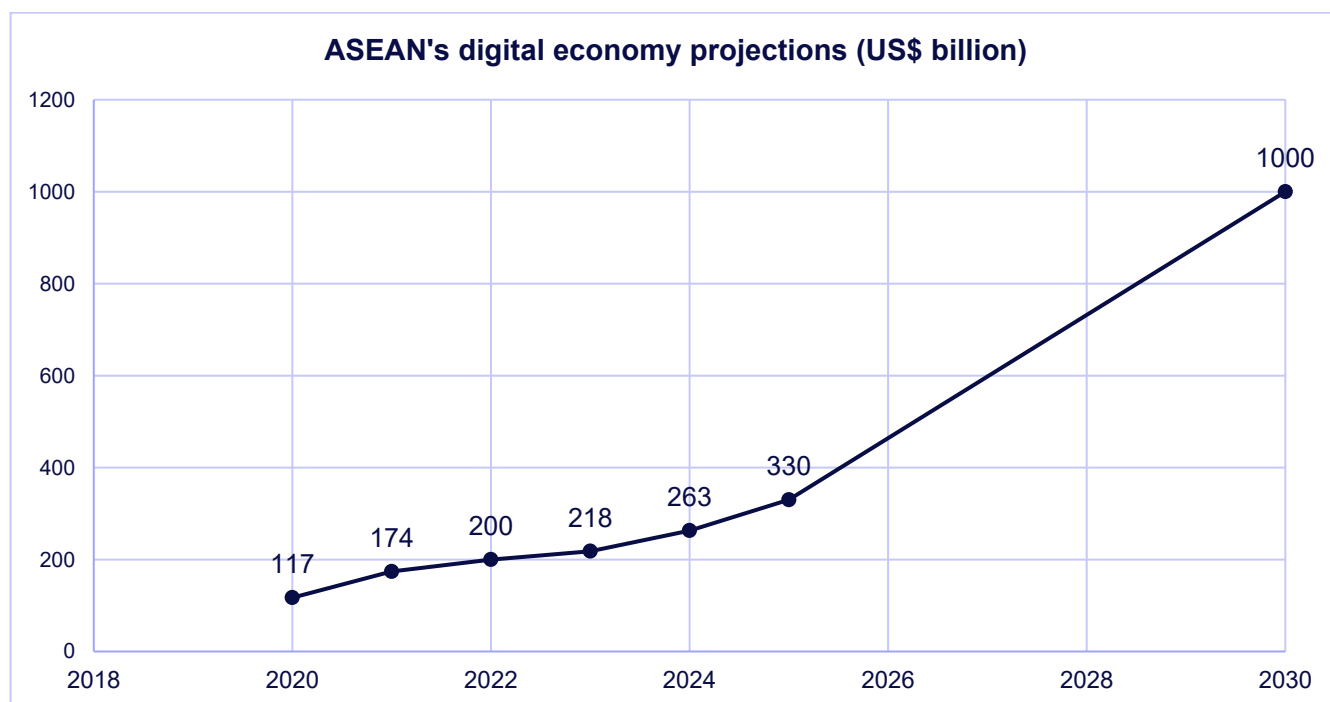
Despite this, progress across ASEAN is uneven.

In Singapore, small and medium-sized enterprises (SMEs) are embracing digitalisation to offset rising costs, though many lack the resources to fully protect themselves against heightened cybersecurity risks.

Indonesia is investing heavily in digital integration linked to its push to become a hub for electric vehicle battery production, leveraging its abundant mineral resources.

In the Philippines, digital adoption is not only reshaping consumption but also enhancing the role of remittances in supporting domestic demand.

These country-level examples demonstrate how digital innovation is enabling ASEAN members to pursue both new opportunities and structural transformation, even as it introduces new vulnerabilities.



Source: [ASEAN Digital Economy Framework Agreement \(DEFA\) Study](#), [ASEAN for Business Bulletin](#), [ASEAN DEFA News Release](#)

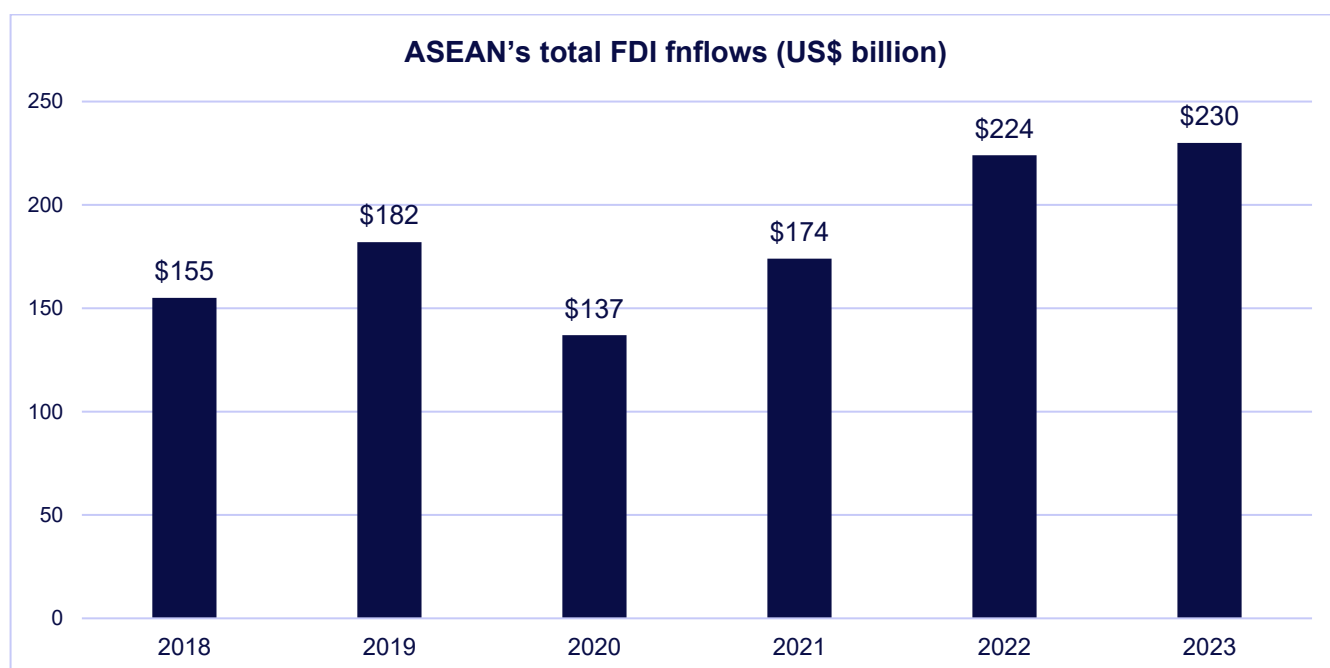
Manufacturing and trade integration

Manufacturing remains central to ASEAN's competitiveness in global value chains. Malaysia and Vietnam have emerged as critical nodes in electronics and semiconductor production, attracting record levels of foreign investment. In Vietnam for example, foreign direct investment in manufacturing rose by 32 per cent in 2023, reflecting its success in attracting investment as firms seek to diversify production beyond China. However, this increased integration also heightens exposure to global trade shocks, such as rising US tariffs.

However, ASEAN's manufacturing landscape is marked by uneven progress. Thailand continues to rely on traditional manufacturing, with revenues for listed companies stagnating. Growth in newer sectors such as digital services and AI adoption appears concentrated in large corporates in Bangkok.

Brunei highlights another challenge: a heavy reliance on oil and gas revenues combined with a small labour pool and market size that restricts diversification.

These varied experiences underline ASEAN's collective potential in manufacturing and trade integration, while also highlighting global risks and internal disparities that must be addressed to ensure more inclusive and sustainable growth.



Source: [ASEAN Investment Report 2019](#), [ASEAN Investment Report 2021](#), [ASEAN Investment Report 2022](#), [The Star](#), [ASEAN Investment Report 2024](#)

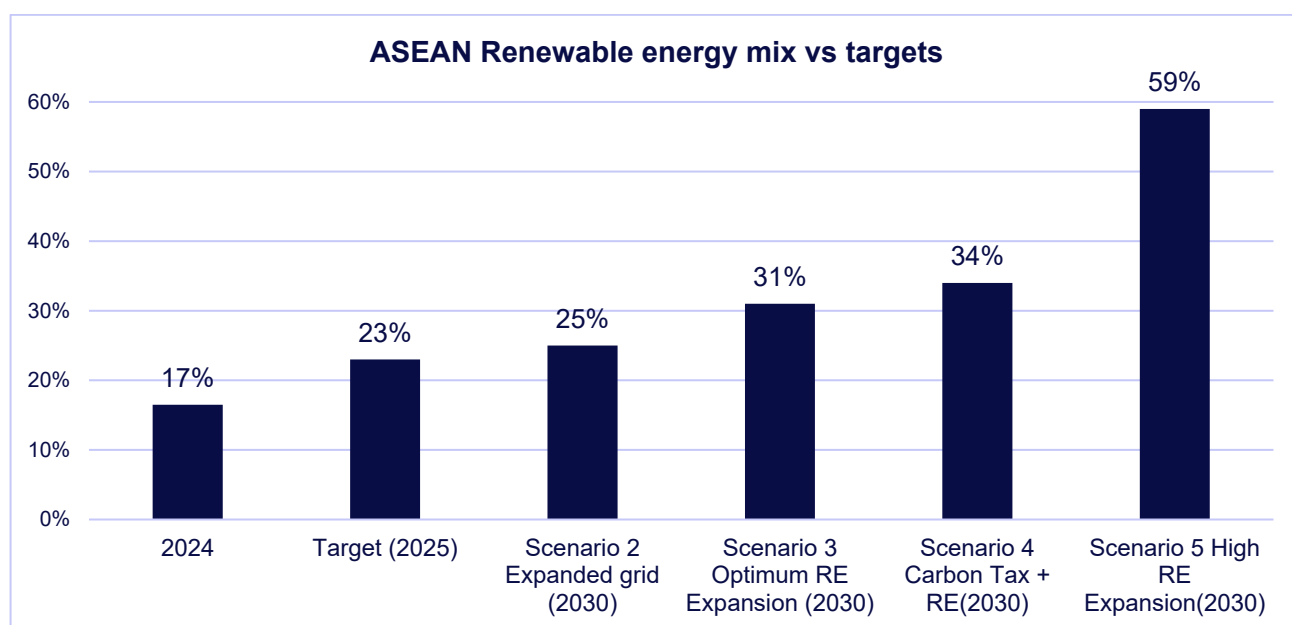
Sustainability and infrastructure

Sustainability is increasingly shaping ASEAN's growth agenda. The region has committed to sourcing 23 per cent of its primary energy from renewable sources by the end of 2025.

Several member states are making notable progress:

- Vietnam has emerged as one of the world's top ten solar markets
- Lao has expanded cross-border renewable exports
- Malaysia is linking sustainability with economic diversification, investing in both green energy and digital infrastructure to reduce future vulnerability.
- Philippines is expanding renewable sources, with a 30 per cent national renewables energy target by 2030

Together, these efforts demonstrate ASEAN's commitment to building resilient infrastructure and transitioning toward a more sustainable, inclusive growth model.



Source: [Addressing Financial and Investment Barriers to Accelerating ASEAN's Clean Energy Transition](#), [ASIA Clean Energy Forum](#), [8th ASEAN Energy Outlook](#)

3. Risks and pressures

Trade tariffs and external shocks

Tariffs imposed by the United States present a serious challenge to ASEAN's export competitiveness to the US. Export-oriented economies such as Vietnam and Thailand are particularly vulnerable, with GDP growth in those countries expected to decline by 1 to 2.5 percentage points consequently. In Laos, its textiles sector faces direct pressure from higher US tariffs, undermining one of its most significant exports.

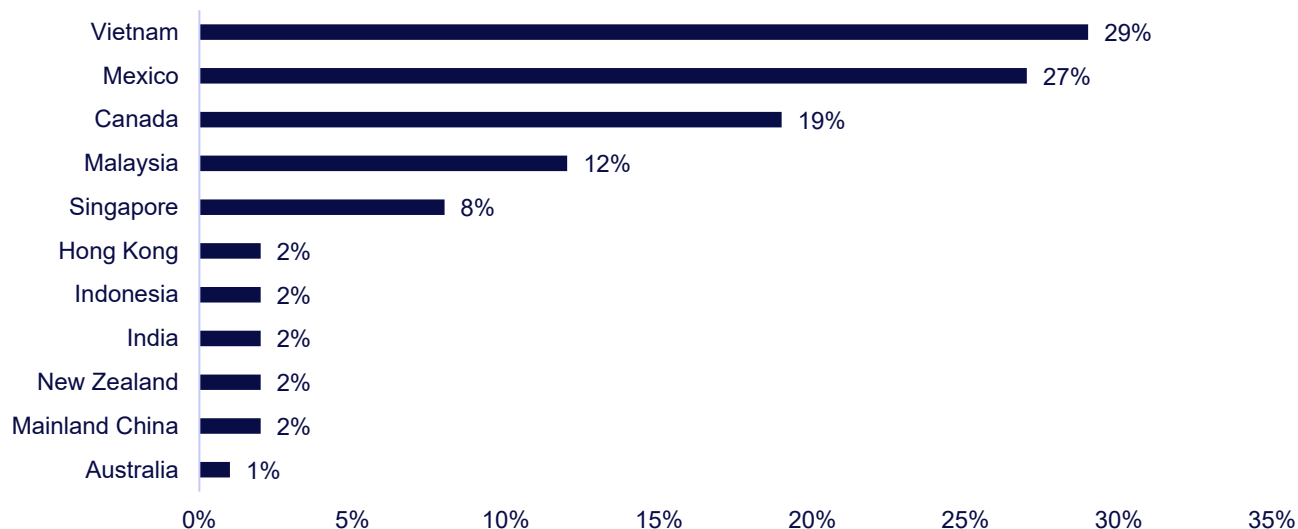
These developments illustrate how global trade disputes can reverberate across ASEAN's diverse economies, especially those most reliant on exports. This highlights the need for market diversification, deeper regional integration and resilience-building measures to mitigate future shocks.

Top export from each ASEAN country to the US (US\$ bil) in 2024



Source: [What you need to know about Asean's exports to the US](#)

Comparison of export to the USA as a percentage of GDP – by market



Source: [US Trade Representative Office](#) and [World Bank](#)

Debt and financial fragility

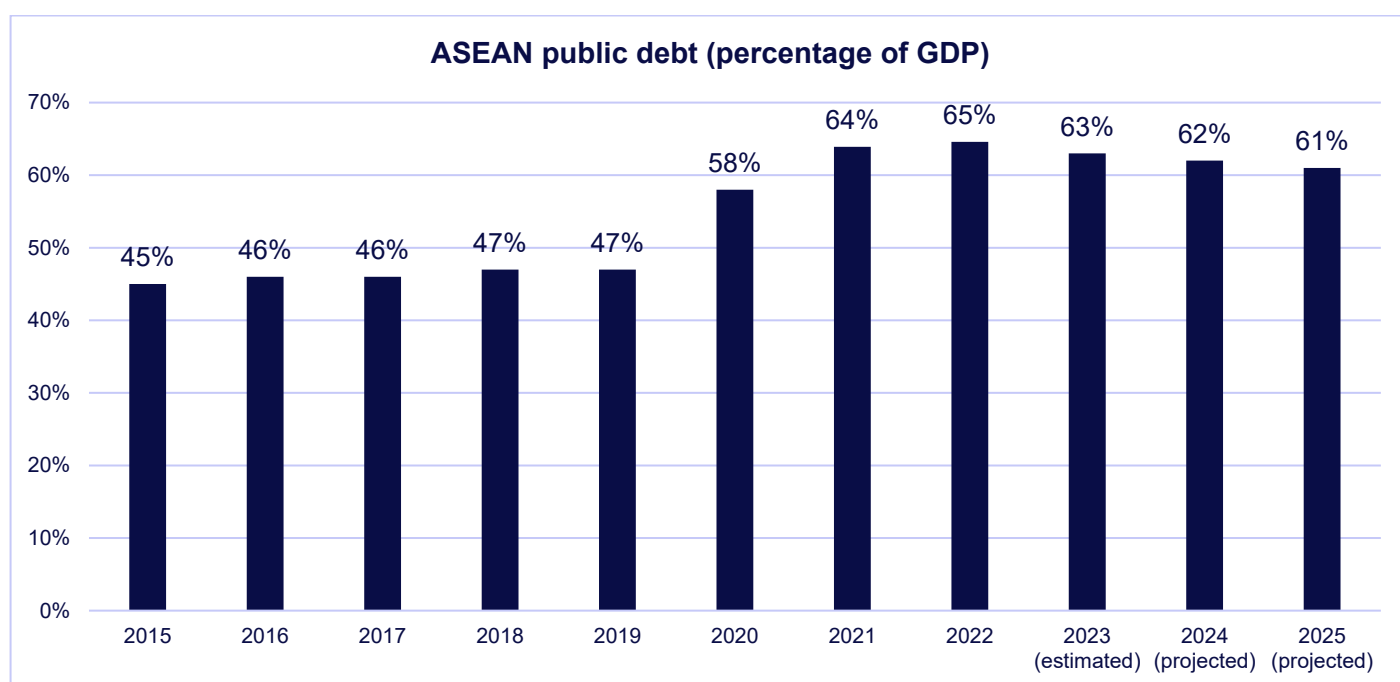
Debt burdens have emerged as a central concern across much of ASEAN. Public debt levels surged following pandemic-era stimulus measures, while higher global interest rates have increased borrowing costs.

Laos provides the most acute example, with debt exceeding 100 per cent of GDP and annual repayments of US\$1.3 billion due between 2025 and 2027.

Thailand's financial system has shown signs of fragility, with rising non-performing loans in both retail and real estate sectors.

Indonesia faces a combination of capital outflows, currency volatility and uneven regional development, which has heightened vulnerabilities.

These cases highlight the need for prudent fiscal management and the creation of buffers against external shocks.



Source: [World Bank](#)

Skills gaps and labour market pressures

Human capital development across ASEAN presents a mixed picture. In more advanced economies such as Singapore and Malaysia, ageing populations pose long-term challenges, while in emerging economies such as Lao and Vietnam, labour shortages and migration pressures are straining domestic industries.

Laos is experiencing significant outbound migration, with workers seeking higher wages abroad, resulting in domestic labour shortages.

Vietnam and the Philippines are prioritising investments in education and healthcare to prepare their younger populations for participation in the digital economy.

These contrasts underscore ASEAN's diverging demographic trajectories and the urgency of aligning workforce development with the demands of technological transformation.

4. Policy Pathways

Deepening digital integration

A coordinated approach to digital policy across ASEAN, encompassing cross-border data flows, digital payment interoperability, common digital standards and robust cybersecurity, can significantly enhance intra-regional commerce and participation in the global digital economy.

Implementing elements of regional digital frameworks and expanding digital infrastructure in underserved areas will help narrow the digital divide and allow smaller economies to capture benefits more equitably.

Strengthening trade and supply chains

Diversification across trade partners and strengthening intra-ASEAN supply linkages will reduce exposure to trade disruptions, such as higher US tariffs. Utilising regional trade architectures, improving rules of origin implementation, expanding the ASEAN Single Window for customs interoperability, and upgrading physical transport corridors will all contribute to more resilient production networks.

Mobilising sustainable finance and infrastructure capital

Scaling up green and infrastructure finance across ASEAN requires both policy clarity and the development of bankable project pipelines. Harmonised taxonomies and disclosure standards are essential to build investor confidence and ensure transparency.

ASEAN's progress toward a common green finance taxonomy and the expansion of local currency bond markets can facilitate sovereign, municipal and corporate issuance.

To close the region's infrastructure gap, innovative financing mechanisms are needed. Blended finance, guarantee instruments and platform-based approaches can help mobilise private capital towards infrastructure projects.

Human capital and industrial renewal

Education reform expanded vocational programmes, and industry-led reskilling initiatives should prioritise digital, AI and green skills. For countries with a large exposure to traditional manufacturing, targeted incentives for R&D, technology adoption and SME innovation can accelerate industrial renewal and broaden growth.

Financial stability and regional cooperation

Maintaining macroprudential buffers, prudent fiscal management and strengthened regional surveillance mechanisms (which complement national authorities) will be important to manage public debt risks and capital flow volatility. Cooperation on swap arrangements and regional liquidity facilities reinforces resilience against external shocks.

Conclusion

ASEAN's trajectory towards growth and integration remains promising. The region's digital transformation, expanding manufacturing capacity and commitment to sustainability provide a solid foundation for long-term competitiveness. However, this potential is tempered by significant challenges, including external shocks from US tariffs, domestic vulnerabilities such as increasing public debt and labour shortages, and structural inequalities.

To safeguard progress and unlock future opportunities, ASEAN should consider pursuing strategies that:

- deepen digital and trade integration
- mobilise capital for green and infrastructure projects
- invest in education and workforce resilience
- maintain financial stability through sound macroeconomic management.

The choices taken in the coming years will determine whether ASEAN realises this potential or risks being constrained by structural weaknesses.