KCS Group International

We look at the world differently...

While the West struggles, Southeast Asia grows

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No matter the source, the news bombarding people in the West today is, almost, a permanent diet of negativity; businesses collapsing, lost jobs with more to follow, tax rises and wars – both economic and physical. The impression is that the world is falling apart, but is there any good news for business out there?

While both the IMF and World Bank suggest the growth numbers seen in Southeast Asian economies is due merely to the global decline in inflation and interest rates, it does not explain why that 'global' growth is not being seen in the West. This is, in part, due to the direction of focus. In the West, leaders are almost solely focused on foreign aid, war and the need to appear morally just. Whether they are or not is not for discussion here.

However, Southeast Asia, as a whole, is trying to address the transition from a global economic system that has struggled to create a 'one-size-fits-all' system of regulation – and failed - to a far more flexible one. That includes taking into consideration the multicultural complexities within the region, as well as their own countries, and their genuine need to develop infrastructure and technology. Suffice to say, this is not an easy task and there are difficulties to face along the way. Yet, for now, the overall comparisons speak for themselves, and it starts with Singapore.

It's a foul wind that blows someone some good

Singapore has long been seen as the conduit for investment into the region and certainly into the Association of Southeast Asian Nations (ASEAN). Certainly, Singapore should be viewed as a gateway similar to Hong Kong when venturing into the Chinese market – pre-tensions. The short, medium and long-term outlook for the Western economies is negative, along with each new decision that only adds further complexity to the strangle-hold on businesses and investors' throats alike. Naturally, both are casting further afield to look for greater stability and prospects for growth. This *shift* should not be underestimated.

Many economists are pointing out that this is not just an increase in investor growth moving to Southeast Asia, it's a flood. Supply chains, manufacturers, etc. are moving away from China and into this region, which is seen as a far lower risk proposition in regard to geopolitical turmoil. All the better for Singapore, which is essentially a financial and investment hub for the region. As such, Singapore does not compete with the other countries over investments in the areas they need, as it makes its profits when Foreign Direct Investment (FDI) deals are made.

In 2024, Singapore was Thailand's largest source of FDI at Baht357 billion. Further (still in 2024), bilateral trade between the two countries reached S$44.5 billion. Diplomatic relations between the two are very good and have been running for some 60 years. In fact, Singaporean businesses are themselves looking to push investment into Thailand across a wider range of sectors both old and new, from manufacturing and intellectual property through to renewable energy and the digital economy.

While Thailand's economy is struggling with non-performing loans (NPL), it is ranked fourth for GDP within ASEAN. The Kingdom is going through its own specific political difficulties which must be worked out by the country itself, and are issues outside the scope of this paper. Yet, the situation is not as bad as it first appears. While it has had difficulties navigating the economy into calmer weather, it should be noted that export figures did jump in February by 14%. Further, far too often overlooked is its rather sizeable 'informal economy' that is rarely discussed in terms of financial calculations. Taking this into consideration, coupled with Thailand's overall GDP (size of its economy), the country ranks second within ASEAN, just behind Indonesia, and is undergoing structural changes in banking in a bid to reduce the impacts of NPLs.

Not just investment growth but trends as well

Malaysia has just recorded its highest manufacturing growth in 8 months on the back of increased new orders in February. The growth has been described as marginal by international ratings agencies, yet, this increase should be viewed against the backdrop of almost all Western economic numbers, which are accelerating into a steep dive. Malaysian manufacturers are saying that they are cautiously optimistic. Optimism is not something being uttered within European business these days. Interestingly, during the previous period of no growth for manufacturing, Malaysian companies were focused on dealing with the backlog of orders that had built up. This alone kept the businesses running and maintained jobs and income.

Indonesia

Given Indonesia's population is estimated to reach 285,721,236 mid-2025 (3.47% of the world's), its GDP is the envy of its peers.

World Bank and the IMF predict the country is set to grow 5.1% annually between 2025 to 2026. It grew by nearly that figure in 2024 (5.0%) and seems a realistic, if potentially conservative, prediction. Again, the same rating agencies cite declining global inflation and interest rates as the spur driving this growth but there clearly are other factors at play.

As is the case with Thailand, and to some extent Malaysia, Indonesia has an economy that is able to rely on decent domestic demand. These economies with strong domestic demand are more naturally cushioned from the worst effects of global disruptions and are therefore better positioned to benefit from recovery when that disruption ends. Moreover, like other Southeast Asian nations, Indonesia's economy is made up of a diverse combination of sectors. The archipelago-nation comprises manufacturing (automotive, electronics and textiles) and services, as well as natural resources. Its natural resources cover rice production, palm oil, coffee, rubber, natural gas, nickel and gold. It is clear to see why Indonesia's export value increased to US$21,98 billion in February 2025 from US$21.45 billion in January 2025.

Conclusion

While other countries within the Southeast Asian region (and ASEAN) are not mentioned here, such as the Philippines, Vietnam and Cambodia, they too are showing similar growth patterns and are predicted to continue through to 2026. Working together where interests align, none of these countries are wasting time getting involved in wars in far off places and, if providing aid of any sort, the amounts in terms of cost are very small.

All are, however, focused on improving trade relations and getting on with developing favourable routes for FDI, in order to build their economies. The fact that investors are pouring into this region from the West is a very clear sign as to which part of the world has its priorities set on the right path. They will take advantage of the opportunities presenting themselves because the West has taken its eye off the ball.