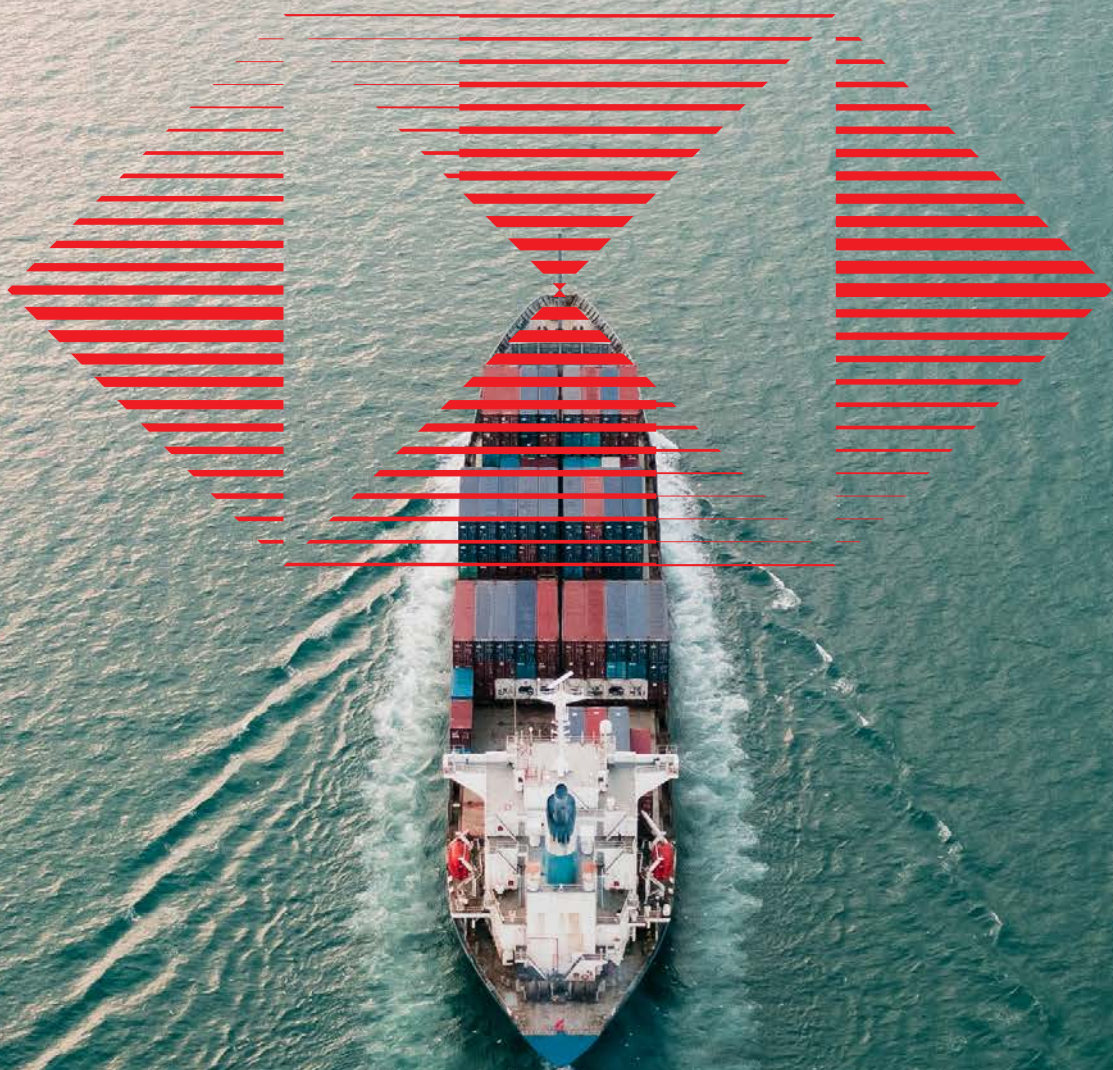


Accessing opportunities in a new era of connectivity

ASEAN–Australia/New Zealand
Corridors 2024



About this report

This report aims to present an overview of opportunities in the trade and investment corridor between the ASEAN region and Australia & New Zealand. It uses publicly available information and insights from HSBC to offer an up-to-date view of international relationships across this region.

Our goal is to raise awareness of the extensive business, cultural and economic connections between ASEAN and its southern neighbours, and to offer useful perspectives to help businesses navigate their way through the nuances of this diverse region with confidence.

Contents

Foreword	01
Executive Summary	02
Overview: Complementary economic strengths	04
ASEAN: An engine of global growth	
Australia and New Zealand: Dependable markets	
Northbound trade	
Southbound trade	
Open for business: Opportunities in free trade	10
Mutual market access	
Australia’s new strategy for Southeast Asia	
Growth drivers for businesses	14
Trade channels and priority sectors in individual markets	
Strategies for future success	32
Navigating opportunities in ASEAN	
Connecting with Australia and New Zealand	
Conclusion	36

Foreword

A historic opportunity

2025 marks the 50th anniversary of formal dialogue between the Association of Southeast Asian Nations (ASEAN) and New Zealand, while Australia and ASEAN marked the same anniversary in 2024.

These milestones come at a time of unprecedented growth opportunities for businesses in the trade and investment corridor linking Southeast Asia with its neighbours to the south. While relations have flourished over the past half century, there is a clear ambition to strengthen the commercial and investment connections that connect ASEAN with Australia and New Zealand.

As well as a series of diplomatic engagements, Australia marked its 50th year of formal relations with ASEAN with the launch of a new Australia – Southeast Asia economic strategy, designed to build economic ties for the long term.

At HSBC, we share the conviction that the brightest trade and investment opportunities in this corridor lie ahead of us. While Australia's total trade relationship with ASEAN, for example, has reached record levels in dollar terms, it has not grown as a percentage of Australia's global trade in more than a decade. Of the ASEAN members, only Singapore registers among Australia's top 20 investment destinations.¹

As ASEAN continues its remarkable growth journey, opportunities along the Australia-New Zealand corridor will also increase as businesses look to leverage the complementary strengths of their economies. Australia's copper and lithium reserves, for instance, are important for ASEAN's energy transition. Australia and New Zealand's agricultural sectors help to feed ASEAN's growing population. ASEAN's increasingly advanced manufacturing sector provides offshore industrial capacity to Australian and New Zealand firms, while the region is also a growing source of final demand for goods and services. The proximity of these major markets is also a positive, especially

as businesses reorganise supply chains to prioritise resilience.

The differences between ASEAN member states can present complexities for businesses looking to expand across borders. Institutional, legal and regulatory frameworks vary significantly between markets, and businesses need to understand and appreciate the different cultures, languages and business practices across the region.

HSBC is here to help. With over 135 years of experience in each of the six biggest ASEAN markets, and as a leading international bank in Australia and New Zealand, we serve over 30,000 businesses across this corridor in more than 200 locations. Our network captures around 95% of ASEAN GDP, trade, and foreign direct investment, and we are the only universal international bank still operating in Australia after the deregulation of the banking system in the 1980s.² In New Zealand, HSBC was the first overseas bank to be granted a banking licence, in 1987, and since then our network has helped companies both sides of the corridor to expand beyond their borders in search of new opportunities.

By combining our local knowledge, comprehensive solutions and global connectivity, we aim to bring best-in-class solutions to businesses at either end of this growth corridor – and open up a world of opportunity for our clients.



Steve Hughes
Head of Commercial Banking, HSBC Australia

¹ Australia Department of Foreign Affairs and Trade, June 2024

² HSBC in Australia, HSBC

Executive summary

Key takeaways

1. A vibrant trade corridor with significant growth potential

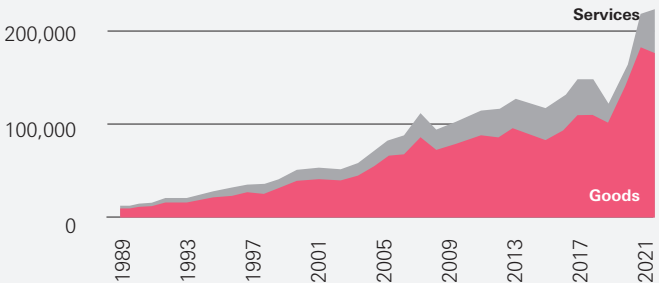


ASEAN’s strong economic growth, growing share of international supply chains and favourable demographics present significant opportunities for trade and investment with Australia and New Zealand.

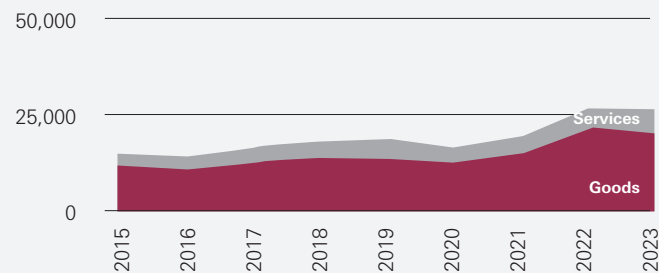
Australia trades more with ASEAN than with any individual country other than China. Its total trade with ASEAN is more even than with powerhouses such as Japan, the United States, and South Korea, and more than 70% larger than its overall trade with the European Union. Individually, five ASEAN countries – Singapore, Malaysia, Thailand, Indonesia and Vietnam – are among Australia’s top 15 trade partners.³

ASEAN is New Zealand’s fourth biggest trading partner, with two-way trade in 2023 totalling NZ\$26.8 billion (USD17 billion at end-2023 exchange rates), or about 13% of all New Zealand’s trade.⁴

Australia two-way trade with ASEAN



New Zealand two-way trade with ASEAN



See page 04

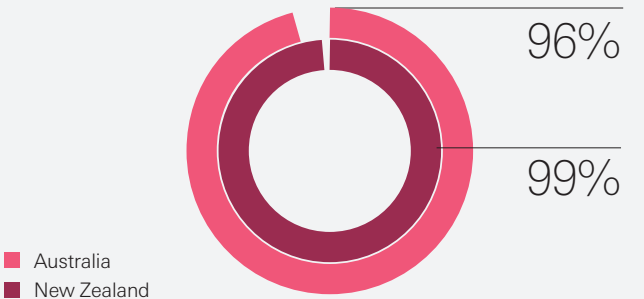
2. Committed to open access



ASEAN, Australia and New Zealand are connected by a deepening network of free trade agreements and strong diplomatic ties.

The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) was upgraded in 2023 with additional commitments around digital technology and sustainability – among other enhancements. Businesses may also benefit from the Regional Comprehensive Economic Partnership Agreement (RCEP), the biggest free trade agreement in the world by GDP of its members, as well as a number of bilateral pacts between Australia, New Zealand and selected ASEAN economies.

AANZFTA export tariffs removed on Australian and New Zealand goods to more developed ASEAN markets



Free trade agreements and economic partnerships between ASEAN-6 and Australia and New Zealand

	AANZFTA	RCEP	Australia bilateral FTA	NZ bilateral FTA	CPTPP
Indonesia	✓	✓	✓		
Malaysia	✓	✓	✓	✓	✓
Philippines	✓	✓			
Singapore	✓	✓	✓	✓	✓
Thailand	✓	✓	✓	✓	
Vietnam	✓	✓			✓

Source: Government of Australia Department of Foreign Affairs and Trade; New Zealand Ministry of Foreign Affairs and Trade

See page 10

3 Trade Time Series Data, Department of Foreign Affairs and Trade, March 2023
4 New Zealand International Trade, Stats NZ, retrieved 6 September 2024

3. Growth drivers are diverse



While individual markets have their own strengths and weaknesses, some growth drivers are common across the ASEAN-6:

Digital Economy



USD2trn

potential value created by a new ASEAN Digital Economy Framework Agreement

Services & Consumption



USD934bn

trade in services in ASEAN in 2022

Energy Transition



23%

ASEAN target for renewable share of energy mix by 2025

Advanced Technology



USD37bn

greenfield manufacturing projects in electronics and electricals in ASEAN in 2022

Australia’s Southeast Asia Economic Strategy to 2040 includes investment promotion offices and support for businesses in 10 priority sectors. These sectors align with ASEAN’s development and Australia’s own capabilities, illustrating the breadth and diversity of opportunities on offer in this region:

- Food & Agri
 - Resources
 - Green energy transition
 - Infrastructure
 - Education and skills
- Visitor economy
 - Healthcare
 - Digital economy
 - Professional & financial services
 - Creative industries

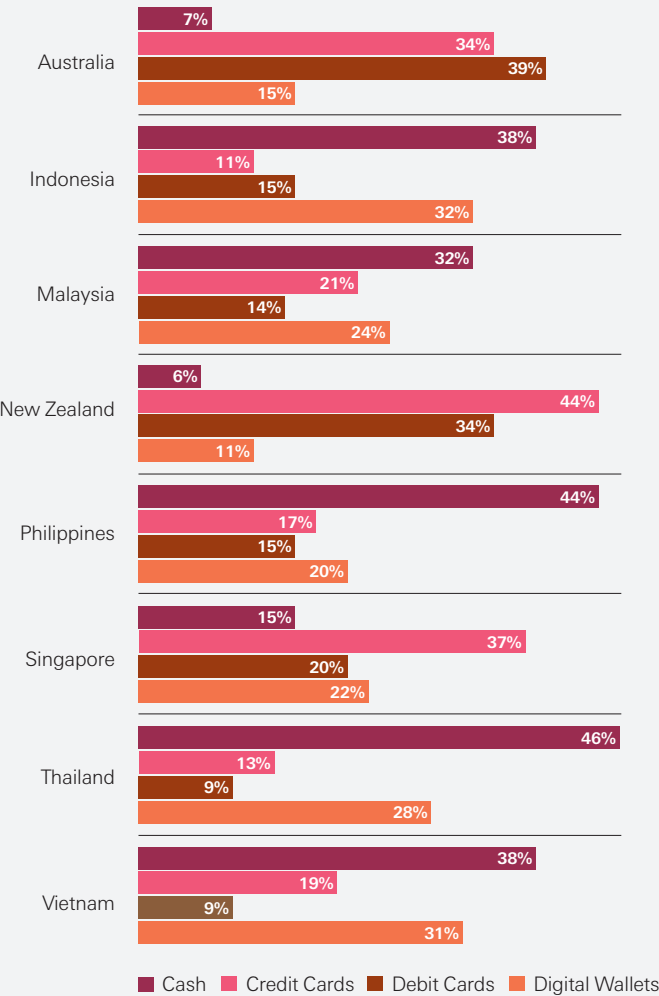
See page 14

4. A differentiated approach is key to success



The markets in this corridor all have unique characteristics, which can create exciting opportunities as well as challenges. Businesses need to be aware of differences in regulation, business customs, cultures and languages – as well as practical considerations such as the need to manage payments and collections in different currencies and across different channels.

POS payment methods in 2023



Source: WorldPay Global Payments Report 2024

See page 32

Overview

Complementary economic strengths



ASEAN as an engine of global growth

The Covid-19 pandemic and a shifting geopolitical landscape have provided a powerful catalyst for economic growth in ASEAN. Growth in 2022 hit 5.6%, with inbound investment rising to a record as global businesses looked to diversify their supply chains and unlock new opportunities in the region.⁵

ASEAN’s growth rate has since normalised but remains above the global average. HSBC Global Research forecasts growth across the ASEAN-6 economies at 4.7% in 2024 and 4.8% in 2025.⁶ That compares to a global growth rate of 3.2% in 2024, according to the International Monetary Fund’s latest forecasts.⁷

Demographics, trade and investment are all powerful tailwinds for ASEAN. Collectively, ASEAN is home to a growing population of 671.7 million people, with almost half under the age of 30.⁸

HSBC Global Research forecasts growth across the ASEAN-6 economies at 4.7% in 2024 and 4.8% in 2025.

While population growth is slowing, the number of people at working age of 20-59 is rising, contributing to economic expansion.

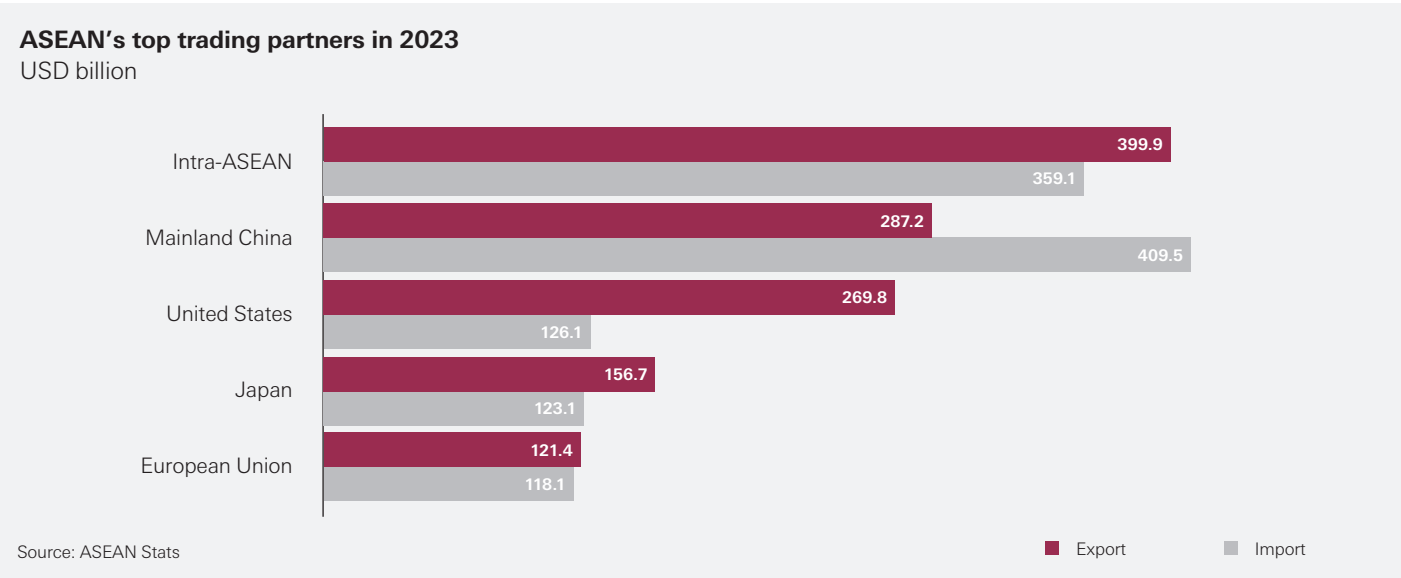
The influx of young workers adds to ASEAN’s appeal not only as a centre of production, but also as a major consumer market. A study by Bain & Company and the World Economic Forum forecast that consumption will more than double in the decade to 2030, by which time 70% of the ASEAN population will be middle-class.⁹

International investment

ASEAN has been a big beneficiary of global demand for supply chain diversification in the wake of the Covid-19 pandemic, with the manufacturing sector accounting for a rising share of foreign direct investment (FDI). Total FDI climbed 6.0% in 2022 to a record USD224bn, helped by an 18.9% jump in investments in the manufacturing sector.¹⁰

Advanced technology and clean energy are particular targets for international investors in the China+1 era. A long list of tech companies have invested in semiconductor and electronics facilities in ASEAN, while battery materials and electric vehicles continue to attract attention.

Preliminary figures for 2023 indicate total FDI remained strong at USD229 billion. The biggest sources of investment are the US, at USD73.6 billion, followed by the European Union at USD25.6 billion. Intra-ASEAN is also a major driver of FDI flows, accounting for USD22.7 billion or 9.9% of 2023 inflows.¹¹



5 ASEAN Statistical Highlights 2023, ASEAN Secretariat, September 2023
6 HSBC Asia Economics Q4 2024, 27 September 2024
7 World Economic Outlook, IMF July 2024
8 ASEAN Key Figures 2023, ASEAN Secretariat, December 2023

9 8 ways ASEAN consumer habits will change by 2030, WEF June 2020
10 ASEAN Key Figures 2023, ASEAN Secretariat, December 2023
11 ASEAN Annual Report 2023, ASEAN Secretariat, July 2024

Australia & New Zealand: Dependable markets

Australia and New Zealand are mature, developed economies with lower growth rates compared to the ASEAN region. With a total population of 32.2 million, Australia and New Zealand are home to ageing populations. One in six Australians is over 65, up from one in eight in 1995.¹² Consumer spending is robust, with high per capita GDP of USD64,712 in Australia and USD48,528 in New Zealand.¹³ In Australia, spending on healthcare was up 6.8% year-on-year in July 2024 and food expenditure rising 4.1%.¹⁴ Growth in Australia has stabilised in 2024 after a sharp slowdown in 2022-23. HSBC Global Research expects Australia's economy to grow by 1.5% in 2024 and 1.9% in 2025. For New Zealand, where high interest rates have restrained growth, the forecast is 0% for 2024 and 1.6% for 2025.¹⁵

Commodities are the most important driver of economic activity in Australia. The mining sector generates 14.3% of GDP, and resources account for over 60% of all exports.¹⁶ North Asia is the top destination for Australian exports of goods. Australia's plentiful supplies of commodity and energy resources such as iron ore, coal, and gas have provided a stable source of supply for China's rapidly expanding infrastructure and construction sectors. Mainland China, Japan, and South Korea accounted for 52.4% of Australia's goods and services exports in 2023, and 60% of goods alone. But a slowing economy in China and an increase

in urbanisation and industrial activity in ASEAN could lead to a rebalancing of this relationship.

New Zealand's agricultural sector provides its main source of export revenue. Dairy is the top export category, followed by meat, fruit and wood. Travel and tourism revenues are a strong driver, contributing NZ\$12.9 billion (USD8.0 billion) to GDP in 2023.¹⁷

International investment

Australia and New Zealand benefit from strong institutional frameworks and developed financial sectors, making them popular targets for international investors and private equity firms. Both countries score highly for ease of doing business, with New Zealand ranked number one globally in the World Bank's 2020 report.¹⁸

FDI inflows in Australia were USD29.9 billion in 2023, after a bumper USD63.4 billion the previous year.¹⁹ The mining & resources sector is by far the biggest recipient, with a 33.2% share of total outstanding foreign investment, ahead of the financial sector (12.6%) and real estate (11.8%).²⁰

NZ attracted USD3.6 billion of FDI in 2023, down from USD7.5 billion in 2022.²¹ Australia is the primary source of foreign investment, ahead of the UK, the US and Japan. The main destination for foreign investment is financial and insurance services (40.0%), followed by manufacturing industries (14.9%) and agriculture (7.1%).²²



¹² Australian Institute of Health and Welfare, 2 July 2024

¹³ World Bank Group

¹⁴ Australian Bureau of Statistics, Monthly Household Spending Indicator, 4 September 2024

¹⁵ HSBC Asia Economics Q4 2024, 27 September 2024

¹⁶ Composition of the Australian Economy, Reserve Bank of Australia, 7 August 2024

¹⁷ Statistics New Zealand, 4 March 2024

¹⁸ Doing Business, World Bank Group, 2020

¹⁹ World Investment Report 2024, UNCTAD, June 2024

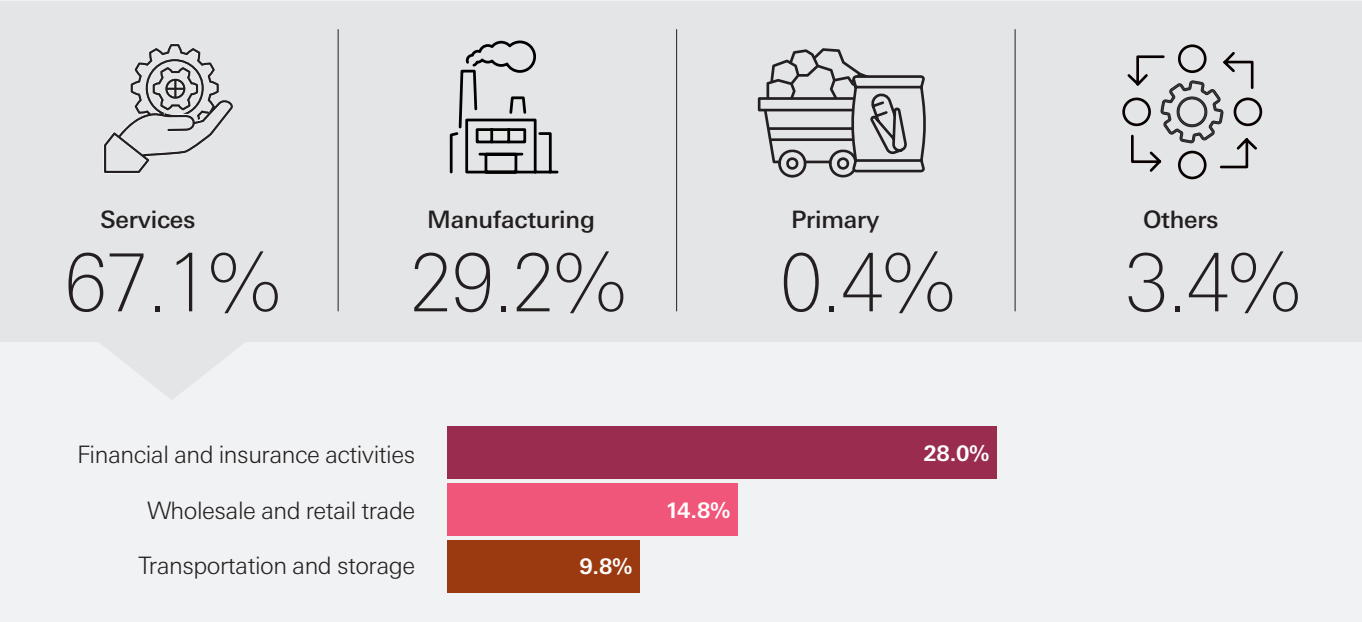
²⁰ Department of Foreign Affairs and Trade, June 2024

²¹ World Investment Report 2024, UNCTAD, June 2024

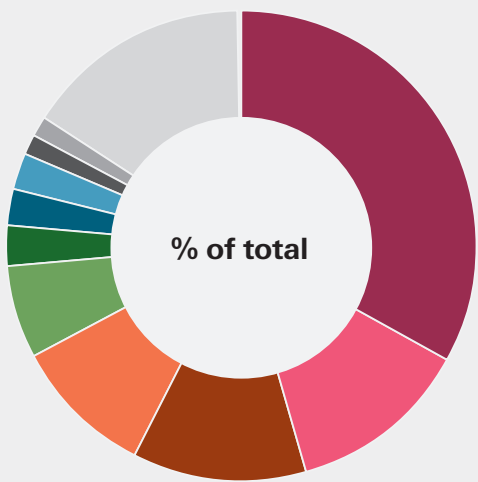
²² Statistics New Zealand, retrieved 6 September 2024

Foreign Direct Investment

Foreign direct investment in ASEAN by sector, 2022



Foreign direct investment in Australia by sector, 2023



Mining & quarrying	A\$392.2bn	(33.2%)
Financial and insurance activities	A\$149bn	(12.6%)
Real estate activities	A\$138.9bn	(11.8%)
Manufacturing	A\$114.5bn	(9.7%)
Wholesale & retail trade	A\$76.3bn	(6.5%)
Transport & storage	A\$31.7bn	(2.7%)
Information & communication	A\$30.3bn	(2.6%)
Electricity, gas & water	A\$28.2bn	(2.4%)
Construction	A\$19.5bn	(1.6%)
Professional, scientific & technical activities	A\$15.1bn	(1.3%)
Other/Unallocated	A\$184.8bn	(15.7%)

Trade flow: Australia & New Zealand to ASEAN

ASEAN is a vital trading partner for Australia, with two-way trade in goods and services in 2023 totalling A\$183.4 billion (USD125 billion). The region accounts for about 15% of Australia's global trade.²³ Individually, five ASEAN countries – Singapore, Malaysia, Thailand, Indonesia and Vietnam – are among Australia's top 15 trade partners.²⁴

Viewed from an ASEAN perspective, the trade dynamic is a little different. Two-way trade in goods with Australia represented just 3.4% of ASEAN's external trade in 2023. That was a slight fall from 3.8% in 2014, although in absolute terms the trade in goods between the two has risen 44% over that period.²⁵ Australian exports to ASEAN were A\$86.2 billion in 2023, accounting for 12.8% of all exports, while imports from ASEAN were A\$97.2 billion.²⁶

North Asia has been consistently the biggest source of demand for Australian exports, driven by a hunger for energy commodities and minerals like iron ore. Mainland China, Japan, and South Korea accounted for 52.4% of Australia's goods and services exports in 2023, and 60% of goods alone. But a slowing economy in China and an increase in ASEAN urbanisation and industrial activity could lead to a rebalancing of this relationship.

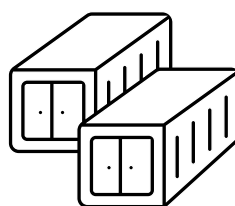
Goods account for about 80% of total Australian exports to ASEAN, which have more than doubled over the past 10 years.²⁷ Of the 10 ASEAN member states, Indonesia imports the most from

Australia, at USD9.3 billion, or about 21% of the ASEAN total. That flow accounts for 5.3% of Indonesia's non-ASEAN imports.²⁸ Driving Australia's northbound trade into ASEAN are mineral fuels like natural gas, coal and crude oil, which together accounted for about 40% of exports along the corridor in 2023, or about A\$27 billion. Cereals are the next biggest sector. Among services, travel accounts for nearly 70%.

As with Australia, ASEAN's trading relationship with New Zealand is a somewhat lop-sided one, with the region accounting for a much greater proportion of New Zealand trade than the other way around. Treated as an individual bloc, ASEAN would be New Zealand's fourth biggest trading partner, with two-way trade in 2023 totalling NZ\$26.8 billion (USD17 billion at end-2023 exchange rates), or about 13% of all New Zealand's trade.²⁹ For goods alone, ASEAN is the country's second biggest trading partner, topped only by China.

New Zealand's goods exports to ASEAN of NZ\$7.5 billion are 10.9% of the country's global goods exports.³⁰ But they account for just 0.4% of ASEAN's imports from countries outside the region.³¹ Trade between the two is lop-sided in other ways too. New Zealand's goods exports to ASEAN account for about 36% of two-way trade, a much more negative balance than New Zealand's global trade position in goods, where exports are about 47% of overall trade.³²

In keeping with New Zealand's strength in agriculture and its lush green landscape, by far its biggest export to ASEAN is dairy, accounting for 55% of all goods exports to the region.³³

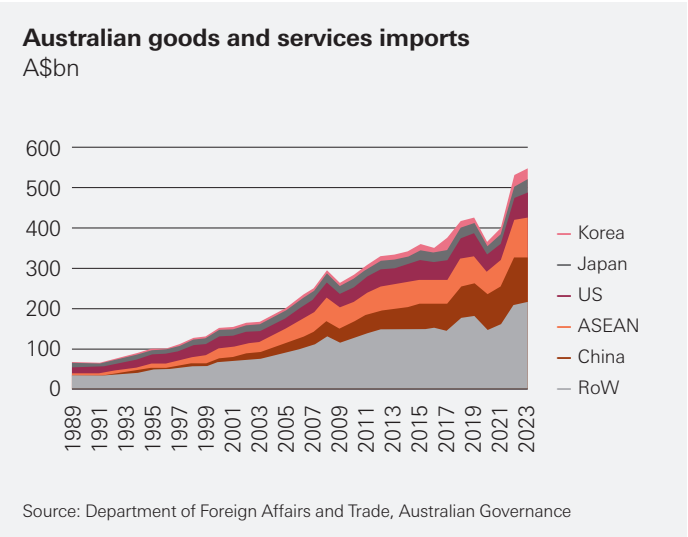
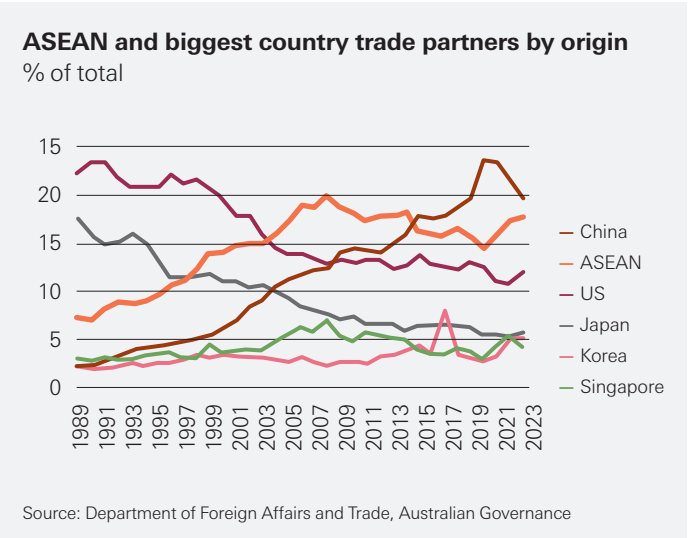


Australian exports to ASEAN
have more than doubled over
the past 10 years

23 Australia's Goods and Services by Top 15 Partners, DFAT, 2023
24 Trade Time Series Data, DFAT, retrieved 9 September 2024
25 Trade in Goods (IMTS), ASEAN Stats, retrieved 9 September 2024
26 Australia's Goods and Services by Top 15 Partners, DFAT, 2023
27 Trade Time Series Data, DFAT, retrieved 9 September 2024
28 Trade in Goods (IMTS), ASEAN Stats, retrieved 9 September 2024

29 New Zealand International Trade, Stats NZ, retrieved 9 September 2024
30 New Zealand International Trade, Stats NZ, retrieved 9 September 2024
31 Trade in Goods (IMTS), ASEAN Stats, retrieved 9 September 2024
32 New Zealand International Trade, Stats NZ, retrieved 9 September 2024
33 New Zealand International Trade, Stats NZ, retrieved 9 September 2024

Australian goods and services imports



Trade flows:
ASEAN to Australia & New Zealand

The sources of Australia’s and New Zealand’s imports have changed markedly in recent decades. Australia is now more reliant on ASEAN for imports than on any single country apart from China. In 2023, China accounted for 19.8% of all goods and services imports into Australia, with ASEAN close behind, at 17.8%.

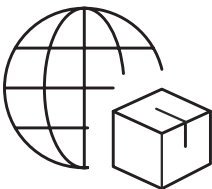
In absolute terms, Australian goods and services imports from ASEAN over the last 10 years have climbed from A\$62.1 billion to A\$97.2 billion in 2023, an increase of 57%. Within that total, goods accounted for A\$75.5 billion, or 78%.

As with the flow of northbound trade, southbound flows of goods to Australia are a much lower portion of ASEAN’s overall goods exports than they are of Australian imports, accounting for just 3.6% of the region’s exports to all non-ASEAN countries, down from 4.7% 10 years earlier.

In 2023 the biggest Australian imports from ASEAN were refined petroleum, accounting for A\$23 billion, about 30% of all goods imports. Personal travel was the next biggest category, at A\$11.8 billion and just over half of all services imports. Goods vehicles also feature highly.

A sharp rise in imports since the Covid-19 pandemic means that New Zealand imported more from ASEAN than from any single country in 2023, even China. New Zealand’s imports from ASEAN were NZ\$17.8 billion (USD11.3 billion at end-2023 rates), or 16.5% of all its imports. Imports from China were 16%, while Australia accounted for 15%.

Imports have ballooned because of a very big increase in oil flows, with refined petroleum exports from ASEAN to New Zealand soaring nearly fivefold to USD3 billion between 2021 and 2022. New Zealand closed its only oil refinery in March 2022, and has since then relied on imported refined oil, most of which comes from Singapore, South Korea and Japan.



Australia is now more reliant on imports from ASEAN than from any other country except China

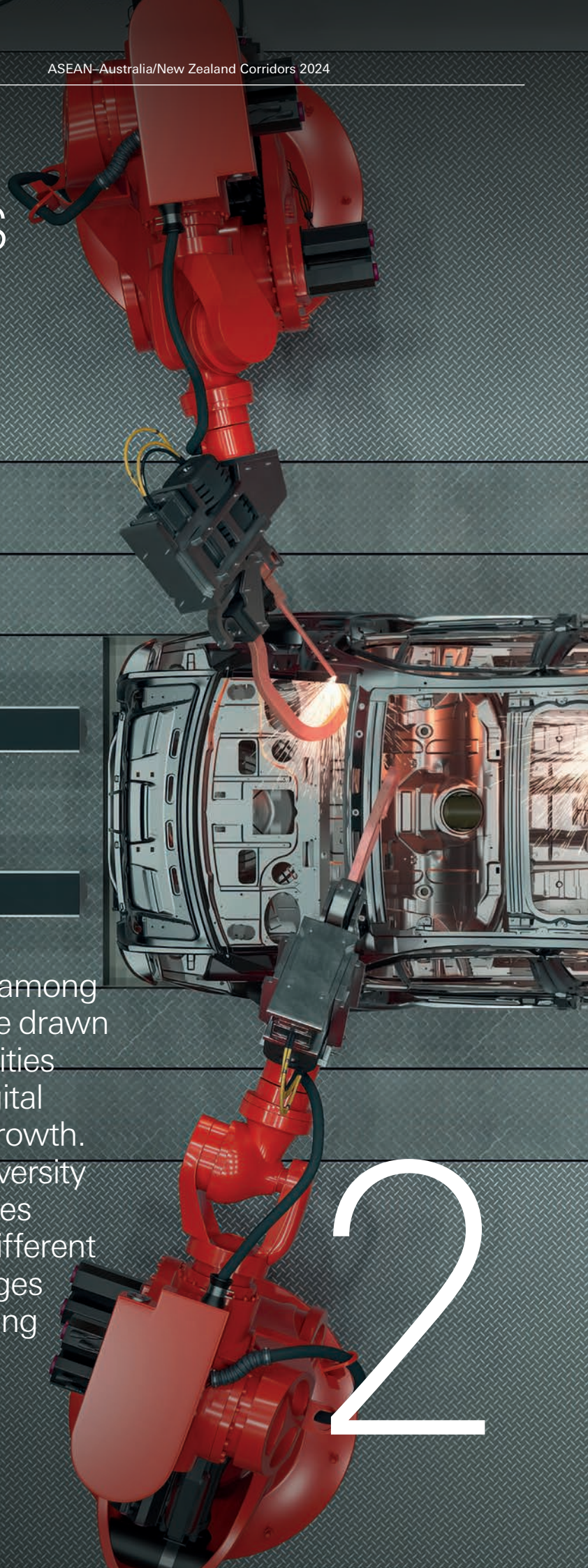
Open for business

Opportunities in free trade



There is huge interest in ASEAN among international businesses, who are drawn to the dynamic growth opportunities around a growing workforce, digital connectivity and consumption growth. At the same time, the region's diversity presents challenges for businesses operating across borders, with different regulatory requirements, languages and cultural expectations all adding to the complexity."

Amanda Murphy, Head of Commercial Banking,
South and Southeast Asia, HSBC



2

Mutual market access

ASEAN, Australia and New Zealand are doubling down on their commitment to free trade. The three parties in 2023 upgraded the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA), which has eliminated tariffs on thousands of items since its establishment in 2010, and have signed up to a network of economic agreements with bilateral partners and the wider region.

The AANZFTA was a landmark in several ways. It was the first time that Australia and New Zealand had jointly negotiated a plurilateral free trade agreement (FTA), and it was the first FTA that ASEAN had negotiated to cover all sectors. Since then the original agreement has been upgraded twice through amendments. At the start of 2019, Australia implemented the Harmonized System (HS) Product Specific Rules nomenclature, a technical-sounding but vital piece of the international trade puzzle. Overseen by the World Customs Organization (WCO), it provides a standardised catalogue of goods.

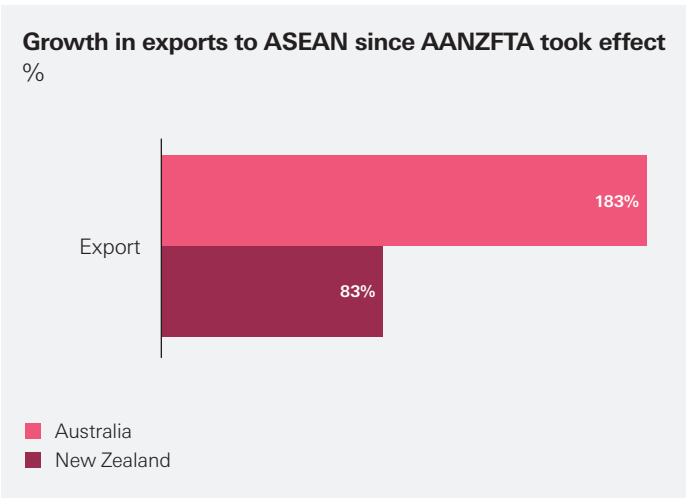
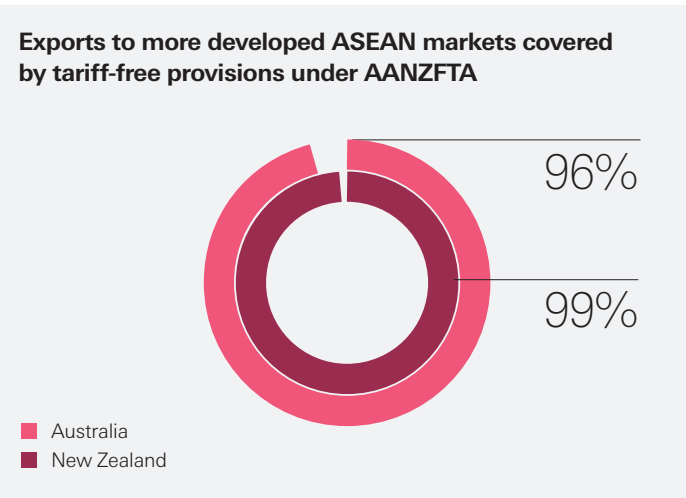
The most recent upgrading of the AANZFTA, announced in August 2023, contains measures targeted at making supply chains more resilient. It also supports the adoption of digital technology, as well as several environmental, social, and governance (ESG) commitments. Specific annexes include better recognition of

educational qualifications, commitments on electronic documents and payments for financial services, among other areas.

For Australian businesses, AANZFTA has removed tariffs on 96% of Australian exports to more developed Southeast Asian markets. Since the AANZFTA came into force in 2010, Australia’s exports to ASEAN have risen 183% and imports 89%.³⁴

New Zealand’s Ministry of Foreign Affairs & Trade (MFAT) describes AANZFTA as a key pillar in the country’s relationship with Southeast Asia. Since AANZFTA came into force, two-way trade between New Zealand and ASEAN has doubled to NZ\$26.8 billion (USD17 billion). New Zealand’s goods exports to ASEAN, which account for about 83% of total exports, have grown over that time by more than 74%.

For New Zealand exporters, the combination of AANZFTA and its other FTAs in the region have almost completely eliminated tariffs, with 99% of goods entering duty free. For New Zealand, this is particularly important for its biggest exports – dairy and other food. MFAT estimates that AANZFTA alone saves New Zealand’s exporters about NZ\$100 million in annual duties.³⁵ AANZFTA also opens up more opportunities for New Zealand service providers – such as in the education sector, the country’s biggest service export – to tap customers in ASEAN.



34 AANZFTA – Benefits to Australia, DFAT, September 2023
35 The ASEAN-Australia-New Zealand Free Trade Area, New Zealand Foreign Affairs & Trade, retrieved 9 September 2024

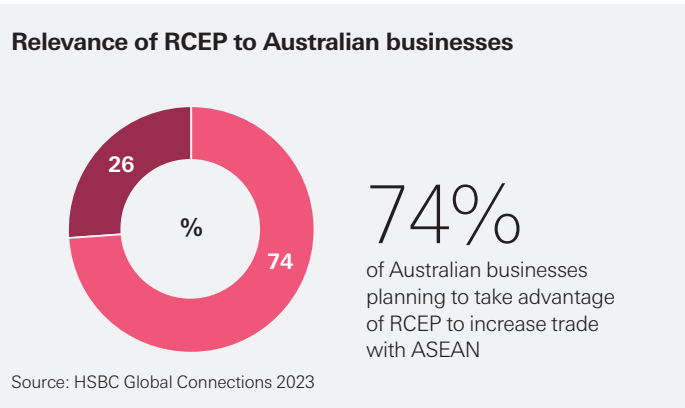
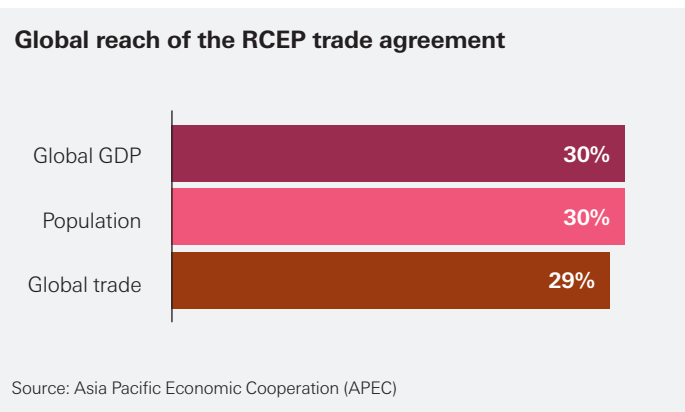
The world’s biggest free trade agreement

The other pillar of free trade between ASEAN countries, Australia and New Zealand is the Regional Comprehensive Economic Partnership Agreement (RCEP), which first came into force in 2022 and was joined by more countries in 2023. Parties to the RCEP are the ASEAN nations except Myanmar, together with Australia, China, Japan, South Korea and New Zealand. Measured by the GDP of its members, RCEP is the biggest free trade agreement in the world, accounting for about 30% of global GDP, 30% of its population and more than 25% of all global trade in goods and services.

In a 2023 HSBC survey of international businesses with a commercial interest in at least one ASEAN market, 74% of Australian respondents said they planned to take advantage of RCEP to increase trade with ASEAN.³⁶

Other relevant FTAs for businesses along the ASEAN-Australia-New Zealand corridor include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which includes Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The UK has concluded accession talks and is expected to formally enter the agreement before the end of 2024.³⁷

The various regional FTAs build on a series of bilateral free trade agreements (FTAs) with ASEAN countries. Australia has FTAs with Indonesia, Malaysia, Singapore and Thailand, while New Zealand has agreements with Singapore, Malaysia and Thailand.



Free trade agreements and economic partnerships between ASEAN-6 and Australia and New Zealand

	AANZFTA	RCEP	Australia bilateral FTA	NZ bilateral FTA	CPTPP
Indonesia	✓	✓	✓		
Malaysia	✓	✓	✓	✓	✓
Philippines	✓	✓			
Singapore	✓	✓	✓	✓	✓
Thailand	✓	✓	✓	✓	
Vietnam	✓	✓			✓

³⁶ Australian companies expect significant growth in ASEAN, HSBC Australia, 13 September 2023

³⁷ The UK and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), UK Government, 16 October 2024

Australia's new Southeast Asia strategy

Australia's Department of Foreign Affairs and Trade (DFAT) expects Southeast Asia to grow at a compound annual growth rate of 4% to 2040. At that rate, the region would be the fourth-largest economy in the world in 2040, after the US, China and India – with a consumer market 10 times larger than Australia's.³⁹ While Australia's trade with ASEAN has increased in absolute terms, it has barely changed as a percentage of Australia's overall global trade since the turn of the millennium, hovering around the 14-15% range.

In order to better capture the opportunity that Southeast Asia as a whole is expected to represent between now and 2040, the Australian government in 2022 commissioned an analysis of regional strategy by Nicholas Moore, special envoy for Southeast Asia. His report, entitled *Invested: Australia's Southeast Asia Economic Strategy to 2040*, was published in September 2023.⁴⁰

The report makes 75 recommendations that are designed to increase two-way trade and investment, across 10 priority sectors: agriculture and food; resources; green energy transition; infrastructure; education and skills; visitor economy; healthcare; digital economy; professional and financial services; creative industries. The recommendations split across four categories: raising awareness, removing blockages, building capacity, and deepening investment.

The Australian Government has adopted a number of the recommendations with measures including:

- **Establishing a A\$2 billion Southeast Asia Investment Financing Facility (SEAIFF)** to provide loans, guarantees, equity and insurance for projects that would boost Australian trade and investment in Southeast Asia
- **A\$140 million over four years to extend the Partnerships for Infrastructure Program**, which aims to accelerate transport connectivity, the clean energy transition and telecommunications reforms
- **Appointing 10 Business Champions** from the Australian private sector to facilitate greater commercial links between Australia and the economies of ASEAN.
- **Regional technology 'Landing Pads'** in Jakarta and Ho Chi Minh City to boost technology services exports to Southeast Asian markets, adding to a pilot in Singapore.
- **Improving visa access for Southeast Asia** through five-year business visitor visa and access to 10-year frequent traveller visas.⁴¹



By 2040, ASEAN's consumer market is expected to be 10 times larger than Australia



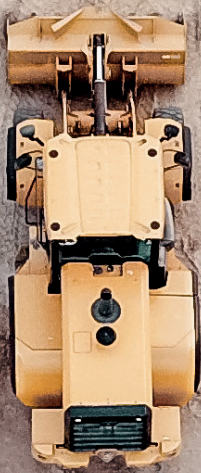
³⁸ Invested: Australia's Southeast Asia Economic Strategy to 2040, Nicholas Moore AO, September 2023

³⁹ Invested: Australia's Southeast Asia Economic Strategy to 2040, Nicholas Moore AO, September 2023

⁴⁰ \$2 billion investment facility to support business engagement with Southeast Asia, Prime Minister of Australia, 5 March 2024

Growth drivers for businesses

Trade channels and priority sectors in individual markets



The following pages present a deep dive into the individual ASEAN-6 markets, Australia and New Zealand.

Key sector opportunities in each market				
Indonesia	EV supply chain	Infrastructure	Healthcare	See page 16
Malaysia	Semiconductors	Data centres	Resources	See page 18
Philippines	Infrastructure	Agriculture	Renewables	See page 20
Singapore	Professional services	Semiconductors	New economy	See page 22
Thailand	Electric vehicles	Healthcare	Electronics	See page 24
Vietnam	Electronics	Textiles	Renewables	See page 26
Australia	Minerals	Real estate	New economy	See page 28
New Zealand	Energy transition	Healthcare	Real estate	See page 30

3

Growth drivers in ASEAN

In a HSBC survey of 3,500 international companies with a commercial interest in at least one ASEAN market, 91% had expansion plans in the region.⁴¹ While individual markets have their own strengths and weaknesses, some growth drivers are common across the ASEAN-6:

1. Digital economy



The growth of ASEAN's digital economy offers multiple access points for Australian and New Zealand businesses. Internet penetration across ASEAN has increased rapidly, rising from 34% in 2013 to 73% in 2021.⁴² E-commerce platforms and super-apps are well established in many markets. Revenues in the digital economy across the six biggest Southeast Asian economies passed the key milestone of USD100 billion in 2023, a multiple of eight times what it had been just eight years earlier.⁴³

ASEAN ministers are working to support the continued growth of the digital economy with a new ASEAN Digital Economy Framework Agreement (DEFA), officially launched in September 2023.⁴⁴ The framework aims to enhance digital cooperation and promote the interoperability of data and regulations across borders, removing hurdles for businesses. DEFA's provisions are expected to add up to USD2 trillion to the region's digital economy by 2030, double a previous assessment by Boston Consulting Group (BCG).⁴⁵

3. Energy transition



Decarbonisation is a long-term theme for all members of the ASEAN bloc. ASEAN has an aspirational target of a 32% reduction in energy intensity (based on 2005 level) and a 23% renewable energy share in ASEAN's energy mix by 2025, with a 35% renewable share of installed power capacity, under the ASEAN Plan of Action for Energy Cooperation (APAEC).⁴⁹

As well as heavy investment in infrastructure, the transition to clean energy is creating opportunities for businesses in critical minerals and the battery supply chain. A recent EY report estimates sales of electric vehicles in the six biggest ASEAN economies will grow by 16-39% a year between 2021 and 2035, with annual sales reaching USD100 billion by 2035.⁵⁰

41 Connecting Southeast Asia and the World, HSBC, September 2023

42 Individuals using the Internet (% of population), World Bank Group, retrieved 8 September 2024

43 e-Economy SEA 2023, Google, Temasek, Bain & Co, November 2023

44 ASEAN launches world's first regionwide Digital Economy Framework Agreement, ASEAN Secretariat, 3 September 2023

45 Digital Economy Framework Agreement (DEFA): ASEAN to leap forward its digital economy and unlock US\$2 Tn by 2030, ASEAN Secretariat, 19 August 2023

2. Services & Consumption



Rising wealth and household incomes are driving demand for services, including travel & tourism. Trade in services in ASEAN is now close to a trillion-dollar market, having surged from USD563.7 billion in 2012 to USD933.6 billion in 2022.⁴⁶ With free trade agreements promoting visa-free travel, the outlook for travel and tourism in the bloc is strong. International arrivals in ASEAN jumped 153% in 2023, and a full recovery to pre-Covid numbers is expected this year.⁴⁷ Before the pandemic, tourism receipts equated to over 12% of GDP in Thailand and more than 4% in Vietnam, Malaysia and Singapore, based on 2019 data.

Rising wealth and shifting demographics are reshaping healthcare demand across Southeast Asia. Total current health expenditure across all ASEAN countries rose to USD156.3 billion as of 2021, according to the most recent data available from the WHO, an increase of 42% from five years earlier.⁴⁸

4. Advanced technology



The global rush to embrace new technology, including generative artificial intelligence is driving global demand for more advanced hardware and digital infrastructure. ASEAN is benefiting from this technological shift as a producer of chips and electronic equipment for customers in Asia and globally.

The electronics and electricals industry is a major driver of FDI, with USD37 billion of greenfield manufacturing projects announced in ASEAN in 2022.⁵¹

Demand for AI and more powerful cloud computing is also driving the growth of digital infrastructure across ASEAN. Data centres continue to attract significant investments from global and regional operators. This also poses a sustainability challenge, given the high power and water needed to run major data centres.

46 ASEAN Statistical Highlights 2023, ASEAN Stats, October 2023

47 Joint Media Statement, 27th Meeting of ASEAN Tourism Ministers, 25 January 2024

48 Global Health Expenditure Database, World Health Organization, retrieved 6 September 2024

49 ASEAN Joint Statement on Climate Change to the UN FCCC COP28, ASEAN, 5 September 2023

50 How to seize opportunities across Southeast Asia's EV value chain, EY Parthenon, 12 January 2024

51 A Special ASEAN Investment Report 2023, ASEAN Secretariat, December 2023,

Indonesia

Indonesia is the biggest economy in SE Asia with a fast-growing consumer market, abundant natural resources and a young, digitally literate workforce. Its population of 283 million has a median age of 30.1 years.

Following elections in 2024, the government of President Prabowo Subianto is expected to maintain its focus on higher-value economic development, including refining and processing of ores and metals, particularly in the battery supply chain. The country has drawn billions of dollars of investment into battery production and electric vehicles from Korea, China and elsewhere, and more investments are expected to be approved as the policy direction of the new administration becomes clear.

HSBC Global Research expects growth to accelerate as Indonesia moves up the manufacturing value chain, from 5% in 2024 to 5.3% in 2025 and 2026. Potential growth could reach 5.8% by 2028.⁵²

Case study

Connecting Indonesia and the world

Indonesia holds significant appeal to Australian businesses, according to a 2023 HSBC survey of international businesses operating in ASEAN. The Global Connections survey underlined the scale of the opportunity in Indonesia: the size of the market, geographical location and the net-zero transition ranked as the top three attributes among Australian respondents.⁵³ Indonesia also ranked as a top investment destination for Australian businesses looking to expand into a new ASEAN market, with 28% planning to enter the market over the next two years.

Supported by around 2,600 employees and a presence in 18 cities, HSBC Indonesia is Indonesia's leading international bank, offering wholesale banking for corporate and institutional clients, global markets services as well as wealth and personal banking for retail customers. HSBC Indonesia has received numerous international accolades, including Best International Bank from Asiamoney for two years in a row, and ranked #1 in Market Leader in Trade Finance in the 2024 Euromoney Trade Finance Survey.⁵⁴

⁵² ASEAN in Focus: Staying the course, HSBC, 8 October 2024

⁵³ Connecting Indonesia and the world, HSBC, September 2023

⁵⁴ PT Bank HSBC Indonesia, HSBC, accessed 11 November 2024

Emerging opportunities

EV supply chain: Indonesia has made the EV supply chain a priority and is developing its upstream processing capabilities in battery materials. Exports of raw nickel have been restricted since 2020.

Infrastructure: The development of physical infrastructure and the energy transition is a particular focus, given the investment needed to reduce Indonesia’s dependence on coal power.

Healthcare and pharmaceuticals: Driven by rising household incomes and a government push to improve the sector in the wake of the Covid-19 pandemic, Indonesia has introduced sweeping reforms to promote investment in the healthcare sector.⁵⁵

Market dynamics

Market access: High smartphone penetration and digital literacy allow Australian and New Zealand businesses to reach Indonesian consumers via e-commerce platforms and direct-to-consumer channels.

Cultural connections: Many Australians can draw on personal experience with Indonesia. Almost 1.4 million visited Indonesia in 2023, overtaking New Zealand as the top destination for Australian travellers for the first time.⁵⁶ As of June 2023, 109,170 Indonesian-born people were living in Australia, up by more than 25% in five years.⁵⁷ More than 200,000 Indonesians have studied in Australia.⁵⁸

Barriers to entry: In HSBC’s Global Connections survey in 2023, Australian businesses cited language barriers & cultural differences, sustainability concerns and geopolitics as the top three challenges to doing business in Indonesia.

Trade with Australia & New Zealand

Indonesia runs a sizeable trade deficit with both Australia and New Zealand as a major importer of minerals and agricultural products. Exports of machinery and electrical equipment have jumped in recent years.



Trade with greatest additional export potential

Australian goods

Mineral resources

US\$903m

Wheat

US\$818m

Meat

US\$693m

Indonesian goods

Motor vehicles

US\$372m

Apparel

US\$162m

Machinery

US\$693m

⁵⁵ Indonesia’s parliament approves changes to healthcare laws amid protests, Reuters, 11 July 2023

⁵⁶ Indonesia overtakes New Zealand as top destination for Australian travellers, Australian Bureau of Statistics, 15 February 2024

⁵⁷ Australia’s Population by Country of Birth, Australian Bureau of Statistics, 24 April 2024

⁵⁸ Indonesia Country Brief, Australian Government Department of Foreign Affairs and Trade, retrieved 9 September 2024

Malaysia

Malaysia has the second highest GDP per capita in SE Asia after Singapore and is on track to achieve high-income nation status by 2028.

The country benefits from growing wealth among its population of 36 million with a median age of 30.5 years, a skilled and digitally literate workforce, and strong economic development driven by large inflows of foreign direct investment into electronics and semiconductor manufacturing, a rebounding services and tourism economy and a competitive resources sector. Malaysia has achieved impressive real GDP growth of over 6% per year since the 1960s. Although growth was slow in 2023, it has picked up strongly, expanding by 5.1% in the first half of 2024. HSBC Global Research expects GDP to grow 5% for full year 2024 and expand a further 4.6% in 2025.⁵⁹

The rising spending power of Malaysian consumers along with the country's trade-focused economy provide diverse opportunities for Australian exporters of food and beverages, education, health care, digital economy (e-commerce and fintech), infrastructure and resources and energy.

Case study

Fit like a glove

Ansell, a recognised leader in safety solutions, has grown from a single factory producing bicycle tyres in 1893 to a global manufacturer of personal protection equipment employing more than 15,000 people in over 55 countries. The company has extensive operations in Malaysia and lists Cyberjaya as one of its four corporate headquarters, alongside Melbourne in Australia, Brussels in Belgium and Iselin in New Jersey, USA.

"HSBC has been a key partner in supporting Ansell's growth throughout Southeast Asia. With their expertise in transaction banking services, trade finance and foreign exchange risk management, HSBC has helped streamline our financial processes and scale our operations in Malaysia and across key regions. As Ansell continues to expand, HSBC remains a trusted partner in helping us reach our growth ambitions."

Emerging opportunities

Semiconductors: With the semiconductor industry projected to reach US\$1 trillion globally by 2030, Malaysia this year announced a National Semiconductor Strategy (NSS) that aims to transform the country into a semiconductor powerhouse over the next decade.⁶⁰ The government has allocated RM25 billion to support the strategy.

Data centres: Even as Singapore limits the development of new data centres, Malaysia is positioning itself to capture a greater opportunity from the sector, and stands poised to be the industry's next hub. The country's New Industrial Master Plan 2030 will play an important role in supporting the development of data centre activity.⁶¹

Resources: Malaysia's commodity sector remains a primary driver of exports, with oil and gas and agricultural products high on the list. As the sector adapts to the energy transition and demand for more sustainable products, there will be opportunities in hydrogen and renewables, as well as agribusiness and food control systems.



⁵⁹ HSBC Asia Economics Q4 2024, 27 September 2024

⁶⁰ Industry players poised for growth under National Semiconductor Strategy, Malaysian Investment Development Authority, 3 June 2024 Industry players poised for growth under National Semiconductor Strategy, Malaysian Investment Development Authority, 3 June 2024

⁶¹ New Industrial Master Plan 2030, Malaysia Ministry of Investment, Trade and Industry, updated 11 June 2024

Market dynamics

Market access: Malaysia’s fast-growing digital economy allows Australian and New Zealand businesses to reach Malaysian consumers via e-commerce platforms and direct-to-consumer channels. The quality of Malaysia’s logistics network is also high, supporting physical market access.

The Malaysia-Australia free-trade agreement provides tariff-free entry for 99% of Australian exports, offering particular benefits for milk, processed foods, wines and rice manufacturers.

Cultural connections: Australia and Malaysia are longstanding partners and friends. Malaysians rank Australia as their third-most desired travel destination, with 175,600 making the trip in 2023, while 343,000 Australians visited Malaysia.⁶² As of June 2023, over 180,000 Malaysian-born people were living in Australia, including Foreign Minister Penny Wong. There are also more than 300,000 Malaysian alumni of Australian education institutions.⁶³

Barriers to entry: In HSBC’s Global Connections survey in 2023, Australian businesses cited currency volatility and other financial stability concerns, as well as adapting to regulatory and policy changes as the main challenges to doing business in Malaysia.


Trade with Australia & New Zealand

Malaysia has a substantial trade surplus with both Australia and New Zealand. Malaysia was Australia’s 8th largest trading partner in 2022 and is one of New Zealand’s fastest-growing export markets. Major Australian goods exports to Malaysia in 2022 included coal, natural gas, copper and education-related travel. Major Australian goods imports included crude and refined petroleum, computers, telecommunications equipment and electronics. The services trade is centred around education and tourism, predominantly from Malaysians studying in and visiting Australia and New Zealand.




Trade with greatest additional export potential

Australian goods




Mineral resources

US\$2.6bn



Metals

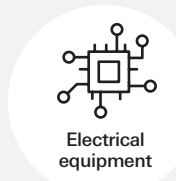
US\$574m



Meat

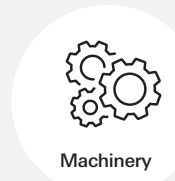
US\$574m

Malaysian goods




Electrical equipment

US\$810m



Machinery

US\$431m



Medical instruments

US\$166m

62 Market insight snapshot, Tourism Australia, retrieved 18 October 2024; Official statistics, Tourism Malaysia, retrieved 18 October 2024
63 Malaysia Country Brief, Australian Government Department of Foreign Affairs and Trade, retrieved 9 September 2024

Philippines

The Philippines is the fourth largest economy in Southeast Asia after Indonesia, Thailand and Singapore. Although it lags those countries in terms of GDP per capita and its business climate, it is leading them in growth, with the economy expanding 5.6% in 2023 and a further 6% in the first half of 2024.

This, along with the country's young, English-speaking workforce, competitive wages and a growing consumer sector, make it attractive to international businesses on both the supply and demand side.

With the Philippine central bank having cut its policy rate in August and October 2024 – even ahead of the Fed easing – along with the government's decision to slash the tariff on rice, the country's most ubiquitous staple, and a boom in the business process outsourcing (BPO) sector over the past year, HSBC Global Research expects strong growth to continue, with a forecast of 6.4% GDP growth in 2025 and 6.7% in 2026.⁶⁴

Case study

Connecting the Philippines and the world

In a 2023 HSBC survey, the Philippines ranked as the top investment destination for Australian businesses looking to expand into a new ASEAN market, with 29% planning to enter the market over the next two years. The Global Connections survey also highlighted the appeal of the Philippines consumer market for Australian businesses: the growing middle class, geographical location and growing digital economy ranked as the top three attributes among Australian respondents.⁶⁶

HSBC celebrates its 150th anniversary in the Philippines in 2025. Licensed as a universal bank, HSBC offers a full range of banking and financial services with more than 5,000 people on the ground in the Philippines across six branches and a global service centre.

In 2024, HSBC was recognised as the Best International Bank in the Philippines, as well as the market leader for trade finance for the sixth year in a row.⁶⁷

Emerging opportunities

Infrastructure: The Philippines is investing heavily in infrastructure to reduce trade frictions: it currently has the highest logistics costs in ASEAN. The government has substantially increased infrastructure spending since 2016, with USD372 billion of projects in the pipeline through to 2028, including airports, railways, hydropower plants and digital infrastructure.⁶⁵

Agriculture: The sector contributes nearly 9% of GDP and 24% of total employment in the Philippines, but is growing slower than the overall economy. Investment in technology to improve productivity could increase yields and exports.

Renewables: The sector is expanding rapidly on the back of the country's large untapped renewables potential and the government's goal of increasing renewables' share in the power generation mix to 35% by 2030 and 50% by 2040.

⁶⁴ Asia Economics Q4 2024, HSBC Global Research

⁶⁵ Investment Hotspots in the Philippines: Promising Sectors to Watch, ASEAN Briefing, 26 May 2023

⁶⁶ Connecting the Philippines and the world, HSBC, September 2023

⁶⁷ HSBC in the Philippines, HSBC, accessed 11 November 2024

Market dynamics

Market access: High smartphone penetration and digital literacy, along with a growing digital economy, allow Australian and New Zealand businesses to reach Philippines consumers via e-commerce platforms and direct-to-consumer channels.

More than 250 major Australian companies operate in the Philippines, employing more than 41,000 Filipinos in the BPO, infrastructure, banking, telecommunications, energy, and education sectors.⁶⁸ Australia and the Philippines are both members of APEC and are signatories of the Regional Comprehensive Partnership Agreement (RCEP), which entered into force for the Philippines in June 2023. RCEP builds on existing free trade agreements such as the ASEAN–Australia–New Zealand Free Trade Area (AANZFTA).

Cultural connections: The people of Australia and the Philippines have strong connections through trade and investment, cultural exchange, education, tourism and migration. Over 400,000 Australians have Filipino heritage, the fourth largest diaspora community. Filipino students are also increasingly seeking education in Australia. In 2022, 17,976 Filipinos studied in Australia, comprising the eighth largest international student cohort.

Barriers to entry: In HSBC’s Global Connections survey in 2023, Australian businesses cited cultural differences, financial stability (including currency volatility, inflation and interest rates), and sustainability concerns as the top three challenges to doing business in the Philippines.


Trade with Australia & New Zealand

The Philippines runs a sizeable trade deficit with Australia and New Zealand as a major importer of metal ores and cereals from the former, and butter, milk and cheese from the latter. The Philippines’ most significant export category to Australia is electrical machinery, equipment and parts. Australia’s main services export to the Philippines is education-related travel.



Trade with greatest additional export potential

Australian goods




Mineral resources

US\$961m



Wheat


US\$388m



Meat


US\$304m

Philippine goods




Electronic equipment

US\$106m



Electrical machinery

US\$64m



Wood products

US\$35m

68 Philippines Country Brief, Australian Government Department of Foreign Affairs and Trade, retrieved 9 September 2024

Singapore

Singapore is one of the wealthiest countries in the world on a GDP per capita basis, thanks to low tax rates and a business-friendly environment that attracts large foreign direct investment flows.

Though its population is less than 6 million people — with a median age of 35.7 — it is a significant consumer market, benefiting from advanced digital and physical infrastructure, high density and an affluent population. Singapore also features one of the most highly skilled workforces and open economies in the world, and is part of numerous free trade agreements.

Singapore's economy has made good progress in 2024, with GDP growing 3% in the first half on the back of a decent pick-up in electronics exports, strong services spending bolstered by a string of superstar concerts during the period, and the return of visitor arrivals to almost 90% of 2019's level.

HSBC Global Research expects decelerating inflation to help sustain GDP growth at 3% for full-year 2024 and 2.6% in 2025.⁶⁹

Emerging opportunities

Professional services: Since 2018, Singapore has implemented a national Industry Transformation Map (ITM) to support development of the professional services sector. In 2023 the country unveiled an updated initiative aiming to boost capabilities through digitalisation and skills development. The goal is to achieve USD20 billion in sector value-added growth by 2025.⁷⁰

Semiconductors: This high-value sector is a cornerstone of Singapore's future, especially in the AI era. In 2024, Singapore announced it will invest more than USD20 billion over the next five years to grow its overall semiconductor R&D ecosystem.⁷¹

New economy: Singapore has identified clean energy as a strategic growth area and has secured significant investment in high-value manufacturing, engineering, biofuels, research and development (R&D) and regional headquarters establishment, including one of the world's largest integrated solar manufacturing complexes.⁷²

Case study

Healthy growth

Australia and New Zealand-listed EBOS Group has expanded into Southeast Asia with the acquisition of Singapore-headquartered Transmedic, a leading distributor of high-end medical devices in the six biggest ASEAN markets and Hong Kong. EBOS acquired a controlling interest in Transmedic in 2022 and increased its shareholding to 90% in December 2023.

HSBC helped EBOS consolidate its purchase of Transmedic with funding to support the acquisition and additional financing needs, including trade finance, working capital, global markets and transaction banking services.



⁶⁹ Asia Economics Q4 2024, HSBC Global Research, September 2024

⁷⁰ Singapore Economy Recap for 2023, ASEAN Briefing, 15 December 2023

⁷¹ What makes Singapore a prime location for semiconductor companies driving innovation? EDB Singapore, 20 August 2024

⁷² Clean Technology, National Climate Change Secretariat Singapore, retrieved 6 September 2024

Market dynamics

Market access: Singapore consistently ranks as one of the easiest markets in the world to access and do business in.⁷³ Australian businesses also benefit from their country’s bilateral free trade agreement with Singapore. Both countries are members of the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP).

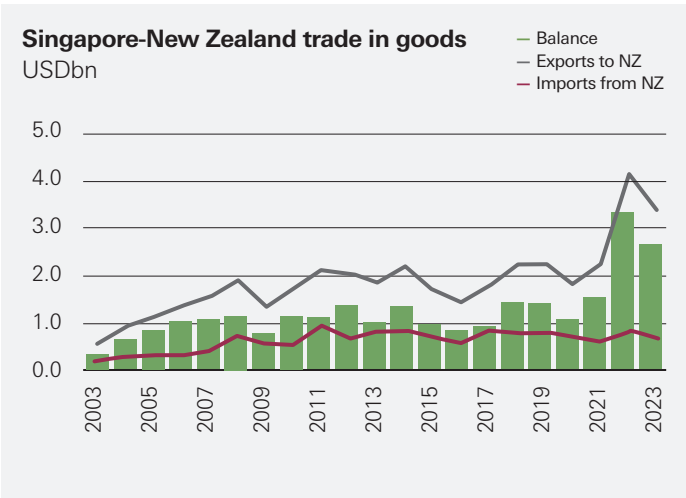
Cultural connections: Australia and Singapore have strong people links, covering education, tourism, public service cooperation and

arts and culture. More than 5,000 Singaporeans studied in Australia in 2022. Singapore and Australia are also complementary tourism markets and enjoy close commercial links – Singapore was Australia’s sixth-largest source of foreign direct investment in 2023 and Australia’s fifth-largest inbound tourism market in the 2022-23 financial year.⁷⁴

Barriers to entry: While Singapore is an open economy, its small size and high cost of living present hurdles for businesses. In HSBC’s Global Connections survey, Australian businesses cited sustainability concerns, the economy and difficulty finding talent as the top three challenges to doing business in Singapore.

Trade with Australia & New Zealand

Singapore runs a sizeable trade surplus with Australia and New Zealand. Singapore was Australia’s fifth-largest trading partner in 2022-2023. The main exports from Australia to Singapore are gold, petroleum gas and crude petroleum, and from New Zealand to Singapore are crude petroleum, milk and butter. In the opposite direction, the main exports from Singapore to Australia are refined petroleum, food and computers, and to New Zealand are refined petroleum, gas turbines and food.



Trade with greatest additional export potential

Australian goods

Precious metals

US\$2.2bn

Metals

US\$92m

Medical instruments

US\$83m

Singaporean goods

Electrical machinery

US\$376m

Electronic equipment

US\$356m

Pharmaceutical components

US\$336m

73 Doing Business, World Bank Group, retrieved 6 September 2024
74 Singapore Country Brief, Australian Government Department of Foreign Affairs and Trade, retrieved 9 September 2024

Thailand

Thailand is the second biggest economy in Southeast Asia. Its skilled workforce, strategic location and well-developed infrastructure have made it a major manufacturing hub since the 1990s, and it remains a critical component of many global supply chains. Meanwhile, continuing urbanisation and rising mass affluence in Thailand make it a compelling consumer market.

The Thai economy has weathered a slowdown in tourism as a result of the Covid-19 pandemic, with visitor numbers on track to reach over 90% of the pre-Covid peak by the end of 2024.⁷⁵ Manufacturing is also picking up, helping to lift GDP growth to an annual rate of 2.3% in the second quarter of 2024, with goods exports rebounding strongly. HSBC Global Research expects Thailand to grow by 2.6% in 2024 and 3.1% in 2025.⁷⁶

Case study

Royal ascent

King Living, a family-owned Australian furniture brand, strives to deliver high-quality products that are designed to last a lifetime. Its furniture is manufactured in Australia, China and Thailand in state-of-the-art facilities that are owned and operated by King to retain a high level of internal control.

One of King Living's key strategic moves internationally was to diversify their manufacturing capabilities by securing a new manufacturing site in Thailand. HSBC was able to support this vision by providing financing for the fit out of the new site.⁷⁷

Emerging opportunities

Electric vehicles: Thailand is vying to become a regional base for electric vehicle (EV) production. Mercedes chose Thailand as its first site in Southeast Asia to manufacture its electric EQS model. Toyota and Chinese car manufacturer Great Wall Motor also signed up for a government incentive plan to produce EVs in the country.

Healthcare: The government has made healthcare a priority sector for investment under its Thailand 4.0 policy. The goal is to position the country as a medical hub in the region, in particular for medical tourism and exports of medical devices.

Electronics: Electrical and electronic products is now Thailand's top export category and sector for foreign investment. Most large manufacturers focus on the production of integrated circuits, hard disk drives, semiconductors, diodes and capacitors. The country is also one of the world's largest exporters of washing machines and air conditioners.



⁷⁵ 10m tourist arrivals sought in final quarter to reach target, Bangkok Post, 8 October 2024

⁷⁶ Asia Economics Q4 2024, HSBC Global Research

⁷⁷ International horizons: how King Living is designing a global presence in new markets, HSBC, 12 August 2024

Market dynamics

Market access: High smartphone penetration, digital literacy and a fast-growing digital economy allow Australian and New Zealand businesses to reach Thailand consumers via e-commerce platforms and direct-to-consumer channels.

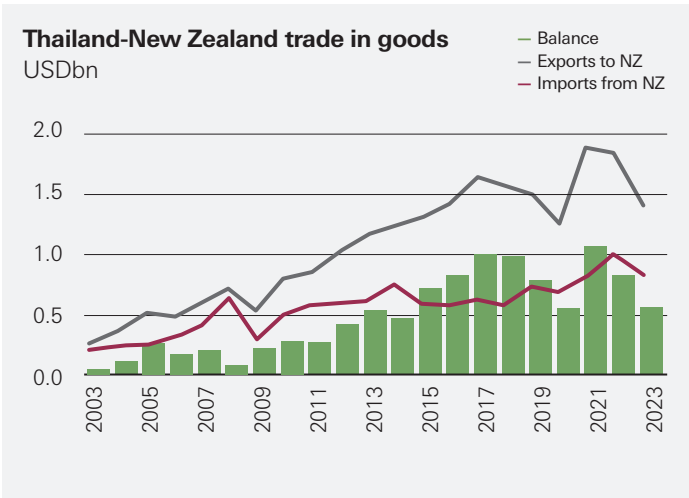
Cultural connections: Thailand attracts large numbers of Australians for tourism and business, with 279,740 Australians visiting in the first six months of 2024. As of June 2023, 109,980

Thailand-born people were living in Australia, an increase of 35% in five years. Thailand’s King, His Majesty King Maha Vajiralongkorn, attended secondary school and military training in Australia.

Barriers to entry: In HSBC’s Global Connections survey in 2023, Australian businesses cited the difficulty of adapting to fast-changing regulations and policies in the market, the slowing economy, and lack of government support for sustainability initiatives as the top three challenges to doing business in Thailand.


Trade with Australia & New Zealand

Australia and Thailand have a strong commercial relationship and are exploring a Strategic Economic Cooperation Arrangement to build on the long-running Thailand-Australia Free Trade Agreement (TAFTA). Thailand runs a sizeable trade surplus with Australia, driven primarily by exports of vehicles. It is also a major importer of Australian mineral products, including petroleum,⁷⁸ and cereals such as wheat.⁷⁹




Trade with greatest additional export potential

Australian goods




Metals

US\$374m



Precious metals


US\$220m



Wheat


US\$197m

Thai goods




Electronic equipment

US\$1.1bn



Machinery

US\$772m



Plastics & rubber

US\$423m

78 Crude Petroleum in Australia, OEC, August 2024
79 Prepared Cereals in Australia, OEC, August 2024

Vietnam

Vietnam is one of Southeast Asia's fastest-growing economies. Competitive labour costs, rapid industrialisation and proximity to Chinese supply chains have positioned it as a key manufacturing hub, especially in electronics and textiles. Urbanisation and an expanding middle-class also make Vietnam an attractive consumer market with rising demand for goods and services.

The country continues to attract high levels of foreign direct investment, with newly registered inflows up 35% year on year in the first eight months of 2024. Intra-ASEAN investments are leading the way, making up 40% of inflows to date. Exports in the first half of 2024 were up 14.5% on the same period last year.⁸⁰ HSBC Global Research recently raised its economic growth forecast for Vietnam for 2024 to 7% and expects growth of 6.5% in 2025.⁸¹

Case study

Building on strength

BlueScope, a global leader in metal coated and painted products for building and construction industries, has been investing in Vietnam for over 30 years.⁸⁶ Its first plant, outside Ho Chi Minh City, was Australia's biggest single investment in the country when it opened in 2006.⁸⁷ The company's coated steel business in ASEAN, NS BlueScope Coated Products, now a joint venture with Nippon Steel, has facilities across Indonesia, Thailand, Malaysia, Vietnam and Singapore.

"HSBC has been a key partner supporting BlueScope's growth throughout the ASEAN region for many decades – across transaction banking services, core bank and trade finance, through to more structured solutions. It gives us great confidence to have such a capable partner in HSBC working with us," said Don Watters, BlueScope Group Treasurer.

Emerging opportunities

Electronics: Vietnam has become a major hub for electronics manufacturing, particularly with global tech giants like Samsung, LG, and Apple setting up production facilities.⁸² Recent investments are moving up the value chain, with more advanced electronics and semiconductor projects underway.

Textiles: Vietnam is one of the world's top-ten exporters of textiles and garments.⁸³ Companies in this sector can benefit from its skilled labour force and low production costs.

Renewables: Between 2015 and 2023, Vietnam's solar and wind capacity climbed tenfold to 13% of the country's electricity generation.⁸⁴ Its Power Development Plan VIII (PDP8) aims to further expand green infrastructure & energy transition, pushing renewable energy (excluding hydro) to cover at least 32% of the country's energy needs by 2030.⁸⁵



80 Viet Nam's trade surplus hits \$11.63 billion in the first six months of 2024, Viet Nam News, 1 July 2024

81 HSBC Global Research

82 Vietnam's Electronics Business Sector: Investment Trends from Chinese Electronics Manufacturers, In.Corp, 9 July 2024

83 Top 10 Largest Textile Exporting Countries in the World, Geeks for Geeks, 19 March 2024

84 Renewable Energy Investments in Vietnam in 2024 – Asia's Next Clean Energy Powerhouse, Energy Tracker Asia, 9 June 2024

85 Putting renewable energy within reach: Vietnam's high-stakes pivot, McKinsey, 2 October 2023

86 The 30-year journey in Viet Nam of the alloy-coated steel company, NS Bluescope, 10 October 2023

87 PM opens BlueScope plant in Vietnam, Sydney Morning Herald, 21 November 2006

Market dynamics

Market access: According to HSBC’s Global Connections survey in 2023, 35% of Australian firms reported having current operations in Vietnam with 17% planning to prioritise growth in the country over the next two years. In 2024, the Australian Government launched its Austrade Landing Pad, a support programme for Australian tech companies to expand overseas, in Vietnam.⁸⁸ Australia also established an Investment Deal Team hub in Ho Chi Minh City in 2024 to identify and facilitate outbound investment opportunities for Australian investors.⁸⁹

Cultural connections: Many Vietnamese have close connections with Australia. As of June 2023, 298,960 Vietnamese-born people were living in Australia, and more than 38,000 Vietnamese students were registered in Australia in the same year. Vietnam is also becoming a more popular destination for Australian travellers, with 224,300 short-term visits in the first half of 2024 – well above pre-pandemic levels.

Barriers to entry: In HSBC’s Global Connections survey, Australian businesses cited language barriers & cultural differences, and a range of sustainability concerns, including regulatory uncertainty as the top challenges to doing business in Vietnam.


Trade with Australia & New Zealand

Vietnam runs a trade deficit with Australia, as a major importer of coal, iron ore and other mineral resources. Two-way trade in agricultural products has also grown rapidly. In 2021, Australia and Vietnam launched the Australia-Vietnam Enhanced Economic Engagement Strategy, helping lift two-way trade and investment by 75% in financial year 2022/23 from 2020 levels⁹⁰. Both nations are signatories of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).




Trade with greatest additional export potential

Australian goods




Mineral resources

USD2.7bn



Meat

USD770m



Metals

USD550m

Vietnamese goods



Electronic equipment

USD582m



Apparel

USD535m



Machinery

USD307m

88 Indonesia and Vietnam Landing Pads launched, Austrade, 10 July 2024
89 Southeast Asia hubs for investment Deal Teams, Don Farrell & Penny Wong, 5 March 2024
90 Vietnam Country Brief, Australian Government Department of Foreign Affairs and Trade, retrieved 9 September 2024

Australia

Australia is a rich source of resources and a leading global player in a range of commodities. It boasts vast resources of energy minerals, such as coal, as well as metals and ores that are in high demand in growing Asian economies. Mining⁹¹ and agricultural exports are critical to the economy. Australia is also a deep consumer market, with high levels of spending on infrastructure, hospitality, consumer goods and other services.

Australia's service economy is a powerful driver. Tourist arrivals in the first four months of 2024 were up 30% year on year, while surging demand for Australian education led the government to impose a cap on the number of international students.⁹²

HSBC Global Research expects GDP growth to come in at 1.3% in 2024, rising to 1.8% in 2025.



91 Mining, oil and gas, Australian Government Department of Industry, Science and Resources, accessed 9 September 2024

92 World Risk Developments 2024, Export Finance Australia, June 2024

Emerging opportunities

Minerals & mining: Australia is implementing a Critical Minerals Strategy 2023-2030⁹³, which is intended to take advantage of clean energy transition opportunities by leveraging the country’s rich reserves of valuable minerals⁹⁴ such as cobalt, lithium, manganese, tungsten and vanadium, in order to create resilient and sustainable supply chains.

Commercial real estate: As part of the government’s Homes for Australia plan⁹⁵, government funds are available to help finance the building of thousands of new social housing units. Higher education establishments will also be required to increase their student accommodation for domestic and international students. There is also new investment to increase the number of real estate construction workers.

Tech and New economy: As set out in its Critical Technologies Statement⁹⁶, the Australian government is committed to seizing the opportunities offered by emerging developments such as quantum technology, autonomous systems, artificial intelligence and advanced manufacturing.

Market dynamics

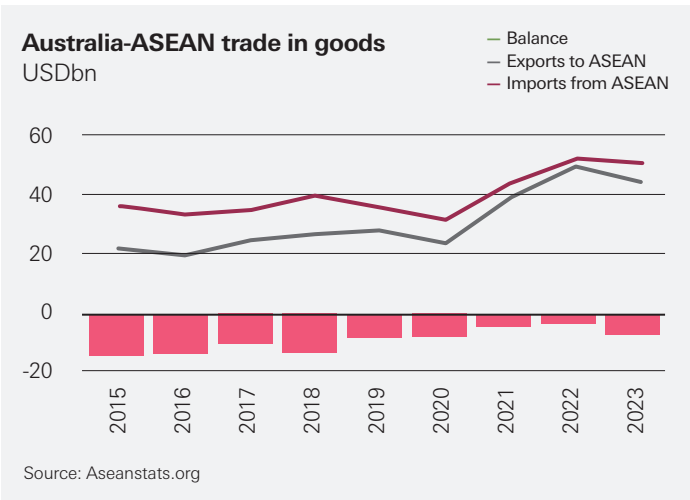
Market access: ASEAN companies looking to work with Australian partners can benefit from the country’s participation in a number of regional free trade agreements, including the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) and the Regional Comprehensive Economic Partnership Agreement (RCEP).

Cultural connections: Australia is home to a large and well-established community of Southeast Asian migrants, with over 1.1 million ASEAN-born people living in Australia as of June 2023. On top of that, over 130,000 Southeast Asians were studying in Australia in the first half of 2024. A number of Australian universities have expanded into ASEAN, including Monash University, which opened a campus in Malaysia in 1998. Tourism has also helped to deepen cross-cultural connectivity.

Barriers to entry: Australia has heavy reporting obligations in areas of tax, accounting, anti-money laundering and know-your-customer. It also has data protection regulations and is introducing mandatory climate-related financial disclosures.


Trade between Australia and ASEAN

Australia runs a trade deficit with ASEAN, the gap mostly driven today by imports from the region of vehicles and machinery. The country’s biggest exports and imports to ASEAN are mineral and oil products, exporting raw materials such as coal and ore, and importing refined petroleum. Its second biggest export is cereals.




Trade with greatest additional export potential

Australian goods




Mineral resources

US\$7.3bn



Precious Metals


US\$2.6bn



Meat


US\$2.4bn

Southeast Asian goods




Electronic equipment

US\$3bn



Machinery

US\$2.1bn



Apparel

US\$1bn

93 HSBC Global Research
94 Mining, oil and gas, Australian Government Department of Industry, Science and Resources, accessed 9 September 2024

95 Multi-billion-dollar investment to build more homes for Australians, Jim Chalmers MP, 11 May 2024
96 Critical Technologies Statement, Department of Industry, Science and Resources, 19 May 2023

New Zealand

New Zealand benefits from an open economy, with big manufacturing and service sectors that sit alongside an efficient agriculture sector that drives the country's exports through its production of dairy and bovine products. With a small population of 5.4 million people, the country is very dependent on trade, with total trade equating to about 60% of the country's GDP.⁹⁷

High interest rates over the past couple of years have curbed inflation but taken a toll on the economy. Faced with weak demand, the central bank cut rates by half a point to 4.75% in October and has indicated more easing is likely. HSBC Global Research expects rates to retreat to 3.25% by the end of 2025 and 3% the following year. As a result, HSBC expects growth to return in 2025, with GDP expanding 1.6%.⁹⁸



⁹⁷ NZ trade policy, New Zealand Foreign Affairs & Trade, accessed 6 September 2024

⁹⁸ Asia Economics Q4 2024, HSBC Global Research

Emerging opportunities

Infrastructure & energy transition: New Zealand is currently developing a new Energy Strategy to support the transition to a low emissions economy, and is expected to publish it before the end of 2024.⁹⁹ It is also drawing up a Gas Transition Plan to improve the security of New Zealand’s energy supply.¹⁰⁰

Healthcare: New Zealand’s senior population is projected to increase from about 850,000 (17%) in 2023 to 1.5 million (24%) by 2053, a change that will require a response on both housing and healthcare. Through its Infrastructure and Investment Group (IIG), the New Zealand government is planning or delivering more than 73 healthcare projects, spanning refurbishments and new hospitals, including a NZ\$1.59 billion hospital being built in Dunedin.¹⁰¹

Commercial real estate: New Zealand is experiencing some of the same challenges in its commercial real estate sector as seen elsewhere, with rising office vacancy rates in cities.¹⁰² As of August 2024, property values have fallen about 10% from their most recent peak. The government has announced in 2024 a new plan to tackle the country’s housing crisis, which has seen rents increase sharply.¹⁰³

Market dynamics

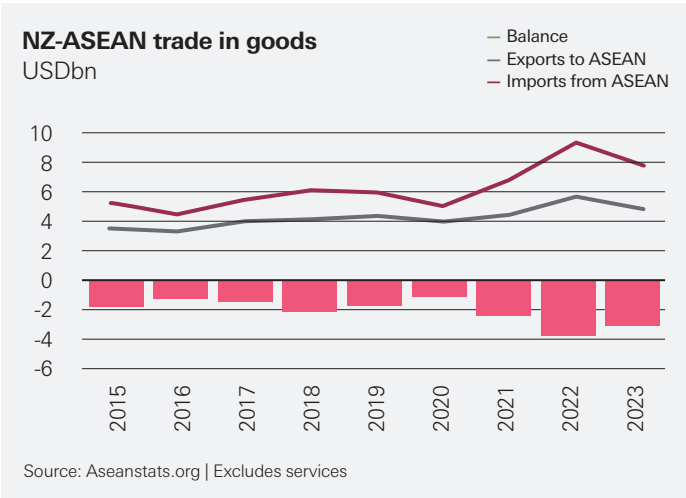
Market access: ASEAN companies looking to work with New Zealand partners can benefit from the country’s participation in a number of regional free trade agreements, including the ASEAN–Australia–New Zealand Free Trade Area (AANZFTA) and the Regional Comprehensive Economic Partnership Agreement (RCEP).

Cultural connections: ASEAN is one of New Zealand’s most significant sources of foreign students, tourists and migrants. Around 80,000 people of Southeast Asian origin live in New Zealand.¹⁰⁴

Barriers to entry: The importance of imports to a small, developed economy like New Zealand’s means that barriers to entry are generally low. Hurdles to trade include strict biosecurity regulations around imports.

Trade between New Zealand and ASEAN

New Zealand has developed a large trading deficit with ASEAN in recent years, primarily because of its decision in 2022 to close its only oil refinery, meaning that it is now entirely reliant on imports for refined oil. It also imports machinery and vehicles. By far its biggest export to ASEAN is dairy produce, followed by fruit and nuts.



Trade with greatest additional export potential

New Zealand goods

Dairy products

US\$1.1bn

Meat

US\$739m

Fruits

US\$287m

Southeast Asian goods

Electronic equipment

US\$439m

Machinery

US\$437m

Food products

US\$286m

99 New Zealand Energy Strategy, Ministry of Business, Innovation & Employment, updated 6 September 2024

100 Gas Transition Plan, Ministry of Business, Innovation & Employment, updated 6 September 2024

101 About the Infrastructure and Investment Group, Health New Zealand, updated 7 May 2024

102 Commercial Property in New Zealand, Reserve Bank of New Zealand, August 2024

103 Going for Housing Growth stage one unveiled, Beehive.govt.nz, 4 July 2024

104 ASEAN, New Zealand Foreign Affairs & Trade, accessed 6 September 2024

Strategies for future success

Navigating a diverse region

“

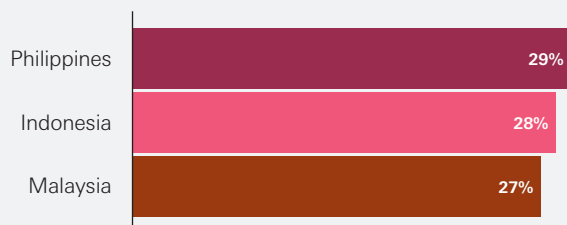
Businesses need to be aware of consumer preferences and purchasing habits in different markets. What works in one country may not necessarily work in another.”

Steve Hughes
Head of Commercial Banking, HSBC Australia

4

Most popular ASEAN markets for expansion

%



Source: HSBC Global connections 2023

Unlocking opportunities in ASEAN

Viewed from the mature, developed markets of Australia and New Zealand, the opportunities on offer in the fast-growing ASEAN region are compelling for many businesses. In a 2023 HSBC survey, over half of Australian businesses said they planned to significantly increase their inorganic growth in the ASEAN region within the coming year. While Singapore is the most popular destination, the Philippines topped the list of targets for those looking to enter a new market: 29% reported plans to expand into the Philippines over the next two years, ahead of 28% for Indonesia and 27% for Malaysia.¹⁰⁵

At the same time, the ASEAN region poses a number of challenges for overseas businesses. Financial volatility, sustainability factors and cultural differences topped the list of hurdles reported by Australian businesses.

Navigating an array of regulatory regimes poses a particular challenge. While ASEAN member states are committed to economic integration, each retains a high degree of independence over fiscal and monetary policy, leaving international businesses exposed to potential surprises. Businesses operating across multiple ASEAN markets also need to manage payments and collections in different currencies, on different channels and at different speeds.

Looking ahead, how can Australian and New Zealand businesses unlock opportunities along this corridor?

Riding the consumer boom

ASEAN consumers are a growing force in the global economy. They are also among the most discerning. In a 2023 survey by Rakuten Insight, 50% of retail customers in Southeast Asia reported that they would be likely to switch to a competitor if they did not receive good customer service.¹⁰⁶

Accessing consumers in individual markets in ASEAN requires a different approach. E-commerce platforms and payment systems, for example, are not standardised across the ASEAN region, and there is little crossover with Australia and New Zealand.

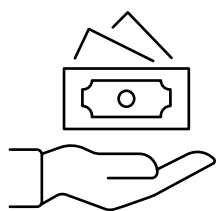
Buy-now-pay-later (BNPL) services, while popular in Australia and New Zealand, have yet to take off in ASEAN. While online shoppers in Thailand and Malaysia are more likely to use account-to-account transfers, digital wallets are the preferred method in Indonesia, the Philippines and Vietnam. Cash is still the preferred payment method for bricks-and-mortar retail in five of the ASEAN-6, with only Singapore consumers embracing credit cards, according to Worldpay.

“Businesses need to be aware of consumer preferences and purchasing habits in different markets. What works in one country may not necessarily work in another,” said Steve Hughes, Head of Commercial Banking at HSBC Australia. “Navigating the complex web of regulations, tariffs and business practices is complicated, and businesses may benefit from advice from an experienced partner.”



¹⁰⁵ HSBC Global Connections, September 2023

¹⁰⁶ 5 Biggest Consumer Behaviour Trends in Southeast Asia, Rakuten Insight, 11 October 2023



Cash remains the preferred payment method for brick and mortar retail in 5 of the 6 biggest ASEAN markets



Navigating the complex web of regulations, tariffs and business practices is complicated, and businesses may benefit from advice from an experienced partner.”

Steve Hughes
Head of Commercial Banking, HSBC Australia

Integrating ASEAN into supply chains

Free trade agreements and local incentives offer multiple routes for Australian and New Zealand businesses looking to expand their operations in ASEAN. However, businesses looking to leverage ASEAN’s growing labour force need to be sure their Southeast Asian operations meet strict sustainability standards. Australia is phasing in climate disclosure requirements for thousands of businesses.¹⁰⁷ Financial institutions and major listed companies in New Zealand are also obliged to produce climate-related disclosure.¹⁰⁸

“ASEAN is not a simple region, it is a group of countries with their own nuances, customs and practices which requires skilful navigation,” said Hughes. “But the reward for finding your way in the various markets is an outstanding and accelerating growth opportunity.”

Connecting with Australia and New Zealand

Australia and New Zealand have much to offer businesses in ASEAN. Both have robust institutional frameworks, mature political systems and developed financial markets. This stability is reflected in their high credit ratings. Australia is one of only nine countries with Triple A ratings from all three major credit rating agencies¹⁰⁹, while New Zealand is only one notch away at Aaa/AAA/AA+ by Moody’s/S&P/Fitch.¹¹⁰

Trade and investment from ASEAN is welcome. Singapore, for example, is the fifth-largest source of foreign investment in Australia.¹¹¹ At the same time, potential investors need to navigate a highly regulated environment, high labour costs and the distance from western markets.

Where to find more information on ASEAN

Businesses in Australia and New Zealand can look to a variety of sources for practical and impartial insights into doing business with ASEAN, including business networks, peers, alumni networks and government agencies. Professional advisers, law firms and consultants are also on hand to provide support.

Examples of companies that have raised financing to expand in ASEAN include data centre business Airtrunk and offshoring specialist Emapta – both supported by HSBC.

Australia’s newly established investment teams are also able to provide insights on the incentives open to Australian businesses – as is New Zealand’s trade mission in Jakarta. Australia in March 2024 announced plans to launch Investment Deal Team hubs in Singapore, Jakarta and Ho Chi Minh City, with additional representatives across the ASEAN region.

A new Australia-Southeast Asia Business Exchange (SEABX) programme is also underway to help more businesses make connections and capture commercial opportunities in the fast-growing, rapidly-changing markets in Southeast Asia.

HSBC has helped a number of Australian and New Zealand clients with their operations and investments in ASEAN, leveraging the bank’s long heritage in the region, on-the-ground presence in the six biggest ASEAN markets and its full suite of banking, trade and treasury services. HSBC has dedicated additional capital to growing businesses in the region with a US\$1 billion ASEAN Growth Fund, highlighting its confidence in the region’s prospects.

¹⁰⁷ Global Payments Report 2024, Worldpay

¹⁰⁸ Commonwealth Climate Disclosure, Department of Finance, March 2024

¹⁰⁹ Mandatory climate-related disclosures, Ministry of Business, Innovation & Employment, retrieved 4 September 2023

¹¹⁰ Australia’s AAA credit rating reaffirmed following MYEFO, Jim Chalmers MP, 13 February 2024

¹¹¹ Credit Ratings, NZ Treasury, updated 20 August 2024

Where are the opportunities for ASEAN businesses?

Resources for the future	Sustainability expectations	A financial advantage
<p>Australia’s abundance of natural resources remains a powerful driver of the economy. International businesses can access a range of opportunities, from partnerships and joint ventures to early-stage exploration projects.</p> <p>As well as a stable source of food crops and fossil fuels, Australia is a key provider of critical minerals that are in high demand in the energy transition. It is the world’s biggest producer of lithium, which is essential to the battery supply chain and the growing market for electric vehicles in ASEAN countries.</p> <p>Businesses looking to access Australia’s resources riches need to navigate a competitive, capital-intensive environment. Access to local and international sources of capital can prove critical.</p>	<p>The energy transition presents multiple growth channels for ASEAN businesses in Australia and New Zealand. Renewable energy suppliers, for example, can contribute to the rapid expansion of clean energy networks in Australia, which offer stable and predictable cashflows.</p> <p>Businesses need to be aware of the expectations around various sustainability factors. Companies in Australia and New Zealand are facing mandatory disclosure requirements around climate-related information, and regulators are cracking down on exaggerated claims around environmental performance.¹¹²</p> <p>“Australia and New Zealand have high standards for sustainability, and customers expect high levels of transparency from their overseas partners,” said Steve Hughes at HSBC.</p>	<p>Australia and New Zealand have deep and diverse financial markets, and ASEAN businesses can benefit from access to financing from a range of sources that may not be available in their home markets.</p> <p>Private market funds, for example, can provide debt or equity financing for Australian businesses, and the country’s stock market has a track record of supporting early-stage resources ventures.</p> <p>As one of the leading international banks in both Australia and New Zealand, HSBC is able to connect ASEAN businesses with local financing and investment partners to support their growth ambitions.</p>



Where to find more information on Australia and New Zealand

ASEAN businesses can look to peers, partners and government agencies for practical and impartial insights into doing business with Australia and New Zealand. Informal networks such as alumni organisations offer an easy starting point for businesses looking to explore new opportunities, while those with funds ready to invest can approach professional advisers or consultants for market research and commercial support.

A number of ASEAN businesses have successfully expanded into Australia and New Zealand, including in the hospitality, construction and energy sectors. Examples of companies that have raised financing to expand in Australia include Philippines-based ACEN Energy, which is investing heavily in renewable energy infrastructure.¹¹³

Australia’s newly established investment teams are also able to provide insights on the incentives open to ASEAN businesses. New Zealand’s ASEAN trade mission is based in Jakarta.

112 Invested: Australia’s Southeast Asia Economic Strategy to 2040, Nicholas Moore AO, September 2023

113 ACEN and HSBC ink AU\$75M green term loan for renewables expansion in Australia, ACEN, 12 December 2023

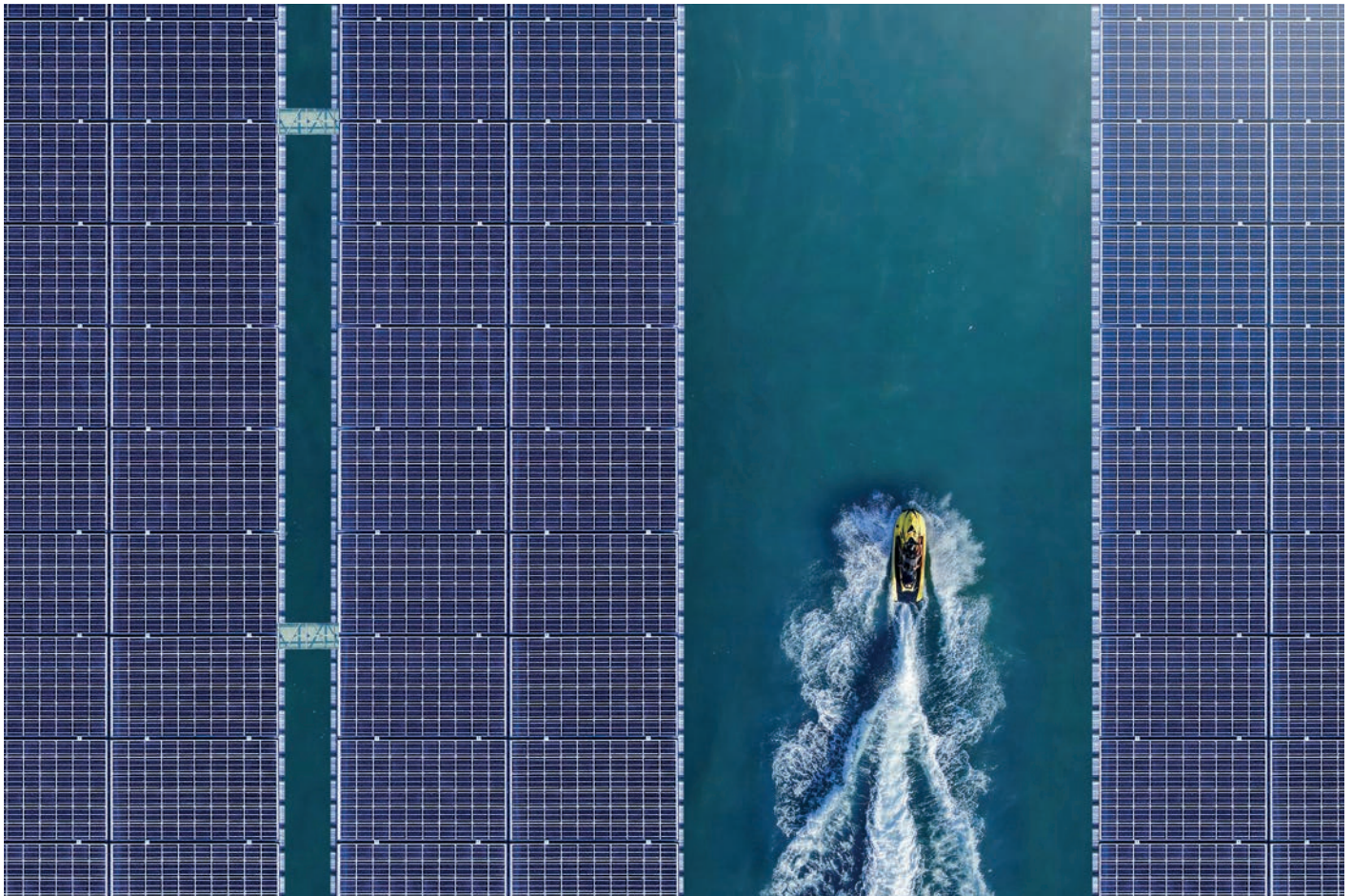
Conclusion

The ASEAN-Australasia corridor is a rich and well-established trade route that offers exciting growth opportunities for businesses on either side. Backed up by a commitment to free trade and strong diplomatic relations, it is also a growing focus for investment. Businesses enjoy a variety of access points, whether they are expanding on the ground or tapping into the booming digital economy.

The region's diversity is also a source of complexity. Each market in ASEAN, Australia and New Zealand comes with its own currency, regulations and local customs – including, in many cases, native languages.

Businesses looking to expand on either side of the corridor will need to consider a targeted approach, taking into account local differences and the expectations of their workers and customers. A focus on sustainability factors will also be important for businesses looking to ride long-term growth trends.

As they mark half a century of diplomatic relations, ASEAN, Australia and New Zealand are increasingly looking to encourage two-way trade and investment across this important corridor. Businesses on either side can move forward with confidence.



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