

IN BRIEF

OUTPERFORMERS: MAINTAINING ASEAN COUNTRIES' EXCEPTIONAL GROWTH

After several decades of strong and sustained economic growth, members of the Association of Southeast Asian Nations (ASEAN) make up almost half of the world's best-performing developing economies. The challenge for the region is to maintain its growth momentum—and continue narrowing the per capita GDP gap with high-income countries—in changing times marked by rapid technological advances and demographic shifts. While people in ASEAN countries have benefited from this economic surge in the form of rising prosperity, income inequality is growing in some countries and will need to be addressed.

- ASEAN is home to eight of 18 developing economies that averaged at least 3.5 percent annual per capita GDP growth over 50 years or 5 percent annual growth over 20 years. We call these fast-growing countries outperformers. Indonesia, Malaysia, Singapore, and Thailand met the 50-year target, and Cambodia, Laos, Myanmar, and Vietnam met the 20-year standard. While the Philippines did not meet either, its recent rapid growth could lift it to the ranks of outperformers in the future. Brunei was not considered in the study.
- Underlying this exceptional performance is a pro-growth agenda of productivity, income, and demand that features steps to boost capital accumulation, including forced savings and the growth of financial institutions. In ASEAN, capital accumulation has been the primary driver of growth along with positive domestic and external demand. Productivity growth has been less striking, particularly in the context of the Asian financial crisis of 1997.
- A second pillar of the growth agenda is the powerful role of large companies that not only lifted GDP in ASEAN countries but also encouraged productivity improvements in small and midsize local suppliers. Revenue from large firms equalled 37 percent of GDP in ASEAN countries, compared with 28 percent among emerging-economy peers. These firms are not only large but competitive, as the best-performing companies are subject to fierce competition at home. They also support the development of small and medium-size enterprises (SMEs) via purchasing and subcontracting, in which business generated by large firms is directly transmitted to smaller firms; large firms in turn benefit from a diversity of suppliers.
- Demographic change, increasing urbanisation, and technological disruption from automation will create opportunities and challenges for ASEAN members in the years ahead. For the growth momentum to continue, regional policy makers and business leaders will need to focus on three areas: digitally driven productivity, a reinvented labour force, and infrastructure development. These opportunities can support renewed productivity growth. With the right vision, bold investment, and adaptive policies, ASEAN countries could continue to outperform, doubling total GDP to nearly \$5 trillion.