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ASEAN FDI OUTLOOK 2026

FROM VOLUME TO STRATEGIC INVESTMENT: HOW FOREIGN DIRECT INVESTMENT IS RESHAPING ASEAN

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From volume to strategic investment: how foreign direct investment is reshaping ASEAN

Executive summary

Foreign direct investment has entered a new phase in Southeast Asia. ASEAN is no longer simply a destination for low-cost manufacturing seeking access to global markets. Over the past several years, the region has increasingly attracted investment associated with supply-chain diversification, electronics and semiconductors, electric vehicles, digital infrastructure, renewable energy and higher-value services.

The scale of the change is significant. ASEAN FDI inflows reached approximately **US$226 billion in 2024**, an 8% increase despite an 11% decline in global FDI. Since 2021, annual inflows have remained above US$200 billion, substantially above the regional average of less than US$130 billion over the preceding decade.

The latest OECD review, published in September 2026, places the 2024 inflow at US$225 billion and estimates that ASEAN represented approximately 15% of global FDI. It also identifies a substantial structural shift: between 2021 and 2025, roughly one-third of greenfield investment went to medium- and high-technology manufacturing, while more than half of greenfield investment was directed towards digital-related activities.

The regional picture is therefore not simply one of **more FDI**. It is increasingly a question of **what type of FDI ASEAN attracts, where it goes, what capabilities it creates and how effectively countries can convert foreign investment into domestic economic value**.

The outlook is consequently mixed. ASEAN's structural position remains supported by large and growing markets, regional production networks, trade integration and supply-chain diversification. At the same time, tariffs, geopolitical tensions, regulatory fragmentation, skills shortages, infrastructure constraints and competition between investment destinations create a more demanding environment.

The central issue for the next phase is therefore likely to be the transition from **FDI attraction to FDI quality and ecosystem development**.

1. ASEAN's FDI trajectory

ASEAN's rise as an FDI destination predates the current wave of supply-chain diversification.

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Since the early 2000s, the region has accumulated a progressively larger stock of foreign investment. According to the OECD's 2026 review, ASEAN's inward FDI stock increased more than twelvefold between 2003 and 2024, from approximately US$286 billion to US$3.59 trillion. Its share of global inward FDI stock increased from slightly above 3% to approximately 7%.

The trajectory has also remained comparatively resilient during periods of global disruption.

ASEAN FDI reached **US$224 billion in 2022**, despite a 12% contraction in global FDI. It then reached a record **US$230 billion in 2023**, even as global flows declined by approximately 10%. In 2024, inflows remained above US$220 billion, at approximately US$226 billion.

This can be expressed as a broader structural trend:

Year	***ASEAN FDI inflows***	***Context***
2022	US$224bn	Global FDI declined 12%
2023	US$230bn	Global FDI declined around 10%
2024	US$226bn	ASEAN +8%; global FDI −11%
2025	Newer estimates available	Greater exposure to tariff and geopolitical uncertainty

The precise annual figures differ slightly between datasets because of revisions and methodological differences. The broader conclusion is consistent across ASEAN, UNCTAD and OECD sources: **ASEAN has sustained an unusually high level of inward investment since the pandemic period.**

2. The geography of ASEAN FDI remains highly uneven

Regional FDI figures can conceal substantial differences between individual economies.

Singapore remains by far the largest recipient of FDI in the region. The OECD identifies Singapore as the dominant destination, followed by Indonesia, Viet Nam, Malaysia, Thailand and the Philippines. Smaller ASEAN economies generally attract considerably lower absolute volumes.

This concentration is not necessarily evidence of a single ASEAN investment model.

Singapore's role is strongly associated with its position as a financial, corporate and regional-headquarters centre. Other economies have developed more substantial roles in manufacturing and resource-linked value chains.

Viet Nam and Malaysia have become important destinations for electronics and semiconductor-related investment. Thailand has substantial automotive and electronics capabilities. Indonesia has attracted investment connected to critical minerals, electric vehicles and downstream industrial activity. The Philippines combines a large domestic market with significant services and digital capabilities.

The regional investment landscape is therefore increasingly **complementary rather than homogeneous**.

This matters for market-entry strategy.

A company considering "ASEAN" as a single market may encounter ten different investment regimes, labour markets, infrastructure systems, industrial capabilities and institutional environments.

The region's integration creates opportunities for regional production networks, but the individual investment proposition remains substantially country- and sector-specific.

3. The source of FDI is becoming more diversified

ASEAN's investor base is geographically diverse, although recent data show some concentration among major source economies.

For 2020–2024, the United States represented more than 20% of ASEAN FDI, followed by intra-ASEAN investment at approximately 13%, the European Union at 11%, Japan at 9% and China at 8%.

At the same time, intra-ASEAN investment has become increasingly important.

In 2024, intra-regional FDI rose approximately **45% to US$31 billion**, increasing its share of total ASEAN FDI from 10% to 14%.

This development is important because regional integration is not simply producing a larger market for foreign companies headquartered outside Southeast Asia. ASEAN companies themselves are increasingly investing across borders.

The resulting system is more accurately described as a **regional investment network**.

Capital enters ASEAN from outside the region.

ASEAN-based companies invest within the region.

Multinational enterprises establish production and service networks across several Member States.

And suppliers increasingly follow those investments.

This creates an investment ecosystem in which the location decision for one project can influence investment opportunities elsewhere in the region.

4. Supply-chain diversification has become a structural investment driver

One of the most important changes since the pandemic has been the relationship between FDI and supply-chain resilience.

ASEAN's recent FDI performance has coincided with international companies restructuring production networks to diversify geographic risk. The ASEAN Investment Report 2025 identifies supply-chain restructuring as a major factor supporting investment in the region.

This does not necessarily mean that companies are abandoning established production locations.

Instead, the evidence points towards **additional capacity, geographic diversification and multi-country supply chains**.

This distinction is important.

"China plus one", regional diversification and supply-chain resilience are not necessarily equivalent to wholesale relocation.

For ASEAN, the opportunity lies partly in becoming an additional node within increasingly complex production systems.

The 2025 ASEAN Investment Report specifically identifies semiconductors, automotive and apparel as supply-chain-intensive sectors in which FDI is contributing to regional production networks.

The consequence is that the competitive question for an ASEAN economy increasingly becomes:

Can it become a reliable node in an international production system?

This depends on considerably more than labour costs.

Infrastructure, logistics, ports, electricity, digital connectivity, skills, standards, customs procedures, suppliers and regulatory predictability all become part of the investment proposition.

5. Manufacturing is moving towards higher technological intensity

The composition of investment is arguably more significant than its headline value.

According to the OECD's 2026 review, between the periods 2016–2020 and 2021–2025, manufacturing became the dominant destination for greenfield investment, with its share increasing to approximately **54%**.

More importantly, the share of medium- and high-technology manufacturing increased from approximately **17% to 32%**. Electronics, semiconductors, batteries and electrical equipment were among the sectors contributing to this change.

This represents a shift from a traditional model based primarily on assembly and cost efficiency towards a more technology-intensive production structure.

The change is visible in several investment themes:

semiconductors and electronic components,
electric vehicles and batteries,
advanced electrical equipment,
digital infrastructure, and
higher-value technical and professional services.

ASEAN's opportunity is therefore increasingly connected to the restructuring of global technology value chains.

But technology-intensive FDI has different requirements from labour-intensive manufacturing.

Investors need engineers, technicians, reliable electricity, specialised suppliers, intellectual-property protection, advanced logistics, research capabilities and increasingly sophisticated digital infrastructure.

The investment proposition therefore becomes dependent on the wider ecosystem surrounding the industrial site.

6. Digital FDI is changing the investment map

The digital economy represents another major structural change.

The OECD estimates that more than half of greenfield investment in ASEAN between 2021 and 2025 was concentrated in digital-related activities, including ICT manufacturing, digital services and telecommunications.

The composition varies significantly between countries.

Singapore, Malaysia and Viet Nam have attracted major ICT-manufacturing investment, while digital investment in other ASEAN economies is more strongly associated with services and telecommunications.

This creates an important distinction between **digital investment** and **investment in digital infrastructure**.

The first concerns companies producing or delivering digital technologies and services.

The second concerns the physical and network infrastructure required for those technologies to operate: telecommunications, data centres, cloud infrastructure, connectivity and electricity.

The two are increasingly interconnected.

As AI, cloud computing and digital services expand, investment in computing and communications infrastructure can become an enabling condition for further technology investment.

For ASEAN economies, this means that digital competitiveness is increasingly an infrastructure question as well as a technology question.

7. The green transition is creating another investment channel

Renewable energy has also become increasingly visible in ASEAN's investment landscape.

The OECD finds that renewable projects have become the dominant component of greenfield investment in the region's energy sector since approximately 2020, although investment patterns vary significantly between countries. Over the past decade, renewables represented approximately 40% of energy-related greenfield investment.

The transition nevertheless remains uneven.

Some economies attract investment predominantly in renewable energy, while others continue to receive substantial investment in fossil-fuel-related projects.

This reflects differences in electricity-market structures, regulation, natural resources, grid infrastructure and national policy.

The investment opportunity therefore extends beyond generation capacity.

Renewable energy requires transmission infrastructure, storage, grid management, financing mechanisms, industrial consumers and regulatory frameworks.

Again, the asset is only one component of the investment ecosystem.

8. Does FDI automatically generate development?

The increasing scale of FDI should not be interpreted as an automatic increase in domestic economic benefits.

This question is central to the academic literature.

FDI can generate productivity gains, technology transfer, employment, skills development and access to international markets. But the magnitude of these benefits depends on domestic absorptive capacity and the relationship between foreign firms and local firms.

Research on ASEAN economies has found evidence that FDI can contribute to productivity growth, including through vertical linkages within production systems.

Research on Malaysia's manufacturing sector similarly examines productivity spillovers associated with FDI and highlights the importance of linkages between foreign and domestic firms.

A more recent study of FDI and technological change in ASEAN argues that financial and governmental institutions can mediate the technological spillover effects of foreign investment.

This suggests that the developmental impact of FDI depends partly on what exists **around the investor**.

A multinational enterprise can bring advanced technology into an economy.

Whether domestic companies acquire capabilities from that investment depends on supplier relationships, workforce skills, institutions, competition, knowledge transfer and firms' ability to absorb new technologies.

FDI therefore creates potential rather than guaranteed spillovers.

9. Institutional quality remains part of the investment equation

The academic literature provides substantial evidence that institutions influence FDI decisions, although results vary according to countries, periods and methodologies.

A 2024 study covering ASEAN economies found statistically significant relationships between institutional quality, trade openness and FDI inflows. Its analysis associated several dimensions of institutional quality—including rule of law, regulatory quality and control of corruption—with FDI inflows.

A separate 2024 study examining South and Southeast Asian countries similarly found a significant relationship between institutional quality and FDI inflows.

The evidence should not be reduced to the proposition that "better institutions automatically attract more FDI". Academic findings are not completely uniform. For example, Bayesian analysis of seven ASEAN economies found heterogeneous relationships between individual institutional indicators and FDI, illustrating that institutional effects can vary across countries and dimensions.

What the broader literature does establish is that investors evaluate more than market size.

Regulatory predictability, investment protection, administrative capacity, political stability and the practical conditions for operating a business influence the risk and cost of investment.

This becomes particularly important for infrastructure and services, where projects can have long investment horizons and require extensive interaction with public authorities.

10. ASEAN's remaining investment barriers

ASEAN has made substantial progress in reducing statutory barriers to foreign investment, but the process remains incomplete.

The OECD's 2026 review finds that average statutory FDI restrictiveness has declined since 2018, but ASEAN remains more restrictive than OECD and non-OECD averages in several areas.

The remaining restrictions are particularly relevant to **services and infrastructure**, including transport, telecommunications, construction, distribution, finance, professional services, media and real estate.

This creates an important paradox.

The sectors increasingly necessary for ASEAN's next phase of economic transformation—digital connectivity, energy, transport, financial services and professional capabilities—are among those in which investment restrictions can remain relatively significant.

The question for the next phase is therefore not simply whether ASEAN can attract more capital.

It is whether its investment regimes allow foreign capital, technology and expertise to enter the sectors where additional capacity is economically most valuable.

11. The 2025–2026 environment is materially more uncertain

The medium-term FDI outlook must be considered against a more difficult international environment.

The ASEAN Investment Report 2025 identified tariff escalation and geopolitical tensions as significant sources of uncertainty for investors and supply chains. It noted that companies were reassessing supply-chain strategies as trade-policy conditions changed.

UNCTAD's *World Investment Report 2026* similarly describes the global investment environment as fragile, citing trade-policy uncertainty, geopolitical tensions, conflicts, high financing costs and economic fragmentation as factors clouding the 2026 outlook.

This creates two opposing forces for ASEAN.

On one side, fragmentation can encourage multinational enterprises to diversify their production and supply chains.

On the other, the same fragmentation can reduce global investment activity, increase transaction costs and make cross-border projects more difficult to finance.

ASEAN can therefore benefit from supply-chain diversification while simultaneously being exposed to the broader fragmentation that produces it.

This is an important distinction.

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Geopolitical fragmentation is simultaneously an investment opportunity and an investment risk.

12. The investment proposition is becoming more selective

The latest evidence suggests that ASEAN's FDI story is moving away from a simple quantity-based model.

In 2024, manufacturing FDI increased strongly, while the ASEAN Investment Report identified supply-chain-intensive sectors and the digital economy as important drivers. Manufacturing FDI rose by nearly 150% to approximately **US$44 billion**.

At the same time, cross-border M&A activity fell sharply, with ASEAN reporting approximately US$11 billion in cross-border M&A sales in 2024, down 61% from 2023. More than two-thirds of FDI was associated with equity rather than intra-company loans or reinvested earnings.

The implication is that the recent investment cycle has been substantially associated with **new capacity and productive investment**, rather than simply acquisitions of existing companies.

This distinction matters for policymakers and investors.

Greenfield investment can create new production capacity and employment.

But it also requires land, infrastructure, utilities, suppliers, workforce capabilities and institutional support.

The quality of the surrounding ecosystem becomes increasingly important.

13. What determines the next phase?

The evidence points towards several structural variables that will influence ASEAN's ability to sustain FDI growth.

The first is **supply-chain capability**.

The region needs infrastructure, logistics, standards, trade facilitation and skilled workers capable of supporting increasingly complex production networks. The ASEAN Investment Report 2025 specifically identifies skilled labour, infrastructure and logistics capacity, port congestion, trade finance and mutual recognition of standards as constraints requiring attention.

The second is **technological depth**.

Attracting assembly operations is different from attracting semiconductor design, advanced electronics, battery technology, digital services or R&D.

The third is **institutional predictability**.

Long-term capital requires clarity about regulation, ownership, taxation, investment protection and operating conditions.

The fourth is **domestic absorptive capacity**.

The economic benefits of FDI depend partly on whether local companies and workers can participate in the resulting value chains.

The fifth is **regional integration**.

The more effectively ASEAN economies can operate as complementary nodes within a regional production system, the more attractive the region becomes as a platform for multinational investment.

14. Outlook: three structural scenarios

Rather than treating the future of ASEAN FDI as a single forecast, the available evidence supports consideration of different structural pathways.

A deeper regional production network

If supply-chain diversification continues, ASEAN could attract additional investment into electronics, semiconductors, automotive, batteries, logistics and related services.

In this scenario, multinational enterprises would increasingly use several ASEAN economies within integrated production networks rather than selecting a single location.

The 2025 ASEAN Investment Report's analysis of supply-chain development provides evidence that this process is already underway.

A more fragmented investment environment

If trade restrictions and geopolitical tensions intensify, companies could become more cautious about large cross-border commitments.

Investment decisions could become more heavily conditioned by market access, tariffs, origin requirements, national-security screening and supply-chain resilience.

UNCTAD identifies precisely these forms of fragmentation and uncertainty as significant global investment risks for 2026.

A shift towards higher-value investment

A third pathway involves ASEAN attracting not simply more investment but a larger share of technologically and economically sophisticated activities.

The existing movement towards medium- and high-technology manufacturing, digital activities and renewable energy provides evidence for this trajectory.

Whether this produces broad-based development will depend on domestic capabilities, supplier networks, workforce skills and institutions.

These scenarios are not mutually exclusive. Elements of all three can occur simultaneously across different ASEAN Member States and sectors.

15. From "Where should we invest?" to "What ecosystem can support the investment?"

For international companies, the changing ASEAN FDI landscape has an important strategic implication.

Country selection alone is becoming insufficient.

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An investment decision increasingly requires analysis of the ecosystem around the opportunity.

For a semiconductor project, this includes power reliability, water, logistics, suppliers, technical talent, incentives, intellectual-property protection and regional connectivity.

For renewable energy, it includes grid capacity, land, permitting, offtake arrangements, financing and transmission.

For digital infrastructure, it includes electricity, connectivity, data regulation, customers, cybersecurity and technical skills.

For an industrial project, it includes suppliers, transport, customs, labour, financing and access to regional markets.

The relevant question is therefore not simply:

Which ASEAN country is attractive for investment?

It is:

Which location provides the combination of market access, infrastructure, institutions, capabilities and relationships required for this particular investment to work?

This is a fundamentally different investment-entry problem.

Conclusion

ASEAN's FDI trajectory over the past several years demonstrates a significant structural transformation.

The region has maintained annual inflows above US$200 billion since 2021 and reached approximately US$226 billion in 2024, while global FDI declined. Its share of global investment has increased, and its inward FDI stock has expanded substantially over the longer term.

But the more important transformation concerns **composition**.

Investment is increasingly associated with manufacturing supply chains, electronics, semiconductors, electrification, digital activities and renewable energy. Intra-ASEAN investment is also becoming more significant.

At the same time, the investment environment has become more complex.

Trade tensions can redirect investment towards ASEAN while simultaneously increasing uncertainty. Geopolitical fragmentation can encourage diversification while raising the cost of international integration. Regulatory reforms have opened many sectors, but restrictions remain in areas central to the digital and green transitions.

The next phase of ASEAN FDI is therefore unlikely to be defined only by the volume of capital entering the region.

The more consequential question is **what that capital connects to**.

FDI can bring technology, capital, employment and access to international markets. Its wider development impact depends on the surrounding ecosystem: infrastructure, institutions, suppliers, skills, finance, regulation and domestic firms capable of absorbing and extending the capabilities that foreign investors bring.

ASEAN's competitive proposition is consequently evolving from **cost and market access towards ecosystem capability**.

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For investors, this means that successful market entry increasingly requires understanding not only the investment opportunity, but the network of conditions required to execute it.

The next phase of ASEAN FDI will not simply be about attracting capital. It will be about connecting capital to the capabilities that can turn it into productive capacity.

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Methodological note. The report uses ASEAN Secretariat/UNCTAD and OECD investment statistics as the principal quantitative sources, supplemented by peer-reviewed academic research on FDI determinants and spillovers. The outlook section distinguishes observed trends from forward-looking scenarios; it does not treat any scenario as a prediction.