

News Release

19 October 2017

ASEAN primed for a digital future

Half a century into the ASEAN story, the growing importance of digital innovation will shape the next wave of economic development.

As the Association of Southeast Asian Nations (ASEAN) turns 50 this year, the economic strides that have made the regional bloc the world's seventh-largest economy will set it up for sustained growth, increased prosperity and exciting prospects for the next half century. Malaysia is one of the founding members of ASEAN.

"Technology, and how it will continue to change the way people live, work, shop, dine, travel and save, is perhaps one of the most fascinating advances in recent times, and one that presents vast opportunities ahead.

China gives us a glimpse of the transformative power of online and mobile innovation in a young, increasingly affluent, and tech-savvy population. From a standing start in 2003, the country has become the largest e-commerce market in the world. Likewise, Tencent's Wechat app, which launched as recently as 2011 and can now do everything from messaging to payments, now has 963 million regular users," said Lim Eng Seong, Country Head, Retail Banking and Wealth Management, HSBC Malaysia.

In Malaysia, banks have been investing in mobile banking apps for the last two years which includes changing to native apps, adopting SamsungPay and chatbot. Banks are also adopting Artificial Intelligence (AI) such as IBM Watsons to handle customer queries and recommend products and are investing in alternative security identification such as Touch ID, Voice ID and facial recognition.

ASEAN with its 10 member countries, is not China and this region spans a huge array of cultures, languages, and political systems. Levels of affluence, economic and infrastructure development, and internet and mobile penetration vary widely.

Still, the region holds some of the same potential that can already be witnessed in China. Take a look at the sheer numbers. At 630 million or so, ASEAN's population numbers less than Wechat's user base. But 15 years from now, the region will have added another 120 million inhabitants -- the equivalent of one-and-a-half Germany.

This news release is issued by

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ASEAN's population is also one of the world's youngest. For example, half of the population of the Philippines, and over 40% of Indonesians are under 25 years old. The same is true for Malaysia which approximately 45% of its population are under 25 years old.

Meanwhile, disposable incomes are gradually rising in much of the region. ASEAN as a whole, will have some 125 million middle class households by 2025 – roughly double the number in 2010.

All this means is that for businesses, bankers and investors, ASEAN offers a large, dynamic and eager consumer base – and one they can tap and service increasingly easily via digital tools and mobile handsets.

Take internet penetration. Last year, only about 260 million ASEAN inhabitants were internet users – but that number is expected to soar to 480 million by 2020. For Malaysia itself, internet penetration is 71% as of this year.

Similarly, in much of the region, cash-on-delivery, rather than digital payments, still dominates when it comes to paying for online purchases: an estimated three-quarters of transactions are still paid by cash. And while Asia-Pacific, as a whole, accounted for 40% of global e-commerce sales in the first quarter of 2017, the vast majority of those sales went to China, Japan, Korea, Australia, and India rather than Southeast Asia. But that leaves plenty of room for growth, and positions the region as the next frontier for e-commerce and digital payments.

Meanwhile, it is easy to see that ASEAN's young consumers, just like their "millennial" counterparts in China, the U.S. or Europe, are highly likely to want to incorporate online and mobile innovation into multiple aspects of their lives.

As internet and mobile penetration pick up, they too will come to take for granted a world in which they can chat with friends online 24/7, and shop and access banking services (from remittances and payments, to foreign exchange and stocks, credit cards and personal loans) via their phones easily and securely around the clock.

"It's already clear that people in the region are receptive to digital tools. A recent HSBC survey found that four in five home buyers in Malaysia, for example, used online channels to research their recent property purchase, and over three-quarters went online for financing options," said Eng Seong.

Amid all this change and potential, it is no wonder that ASEAN has begun to spawn a number of fintech companies. In Indonesia, for example, the highly popular Go-Jek platform has started to add digital payment functionality to its core transportation services. In Thailand, there is Omise – a payments platform that has already raised US\$50 million in funding.

Traditional banks are starting to invest significantly in their digital capabilities to offer a simpler, better, faster and more secure banking and payments experience. This includes working more and more with nimble fintech start-ups to ensure that their services meet the demands of a young, tech-savvy consumer base.

“Bank Negara Malaysia are leading the implementation of the new payment infrastructure for faster payment called Real Time Payment Platform (RPP) with the objective to make all payments real-time, facilitates person-to-person payment and spur innovations,” added Eng Seong.

Meanwhile, some ASEAN governments are working to enable innovation. Singapore, for example, is leveraging its status as an established financial centre to take a leading role in fintech development, with support from the Monetary Authority of Singapore.

ASEAN is on the cusp of an all-encompassing digital transformation, with technology promising to offer a new way of life and better experiences for consumers in this dynamic region. The opportunities are numerous and ripe for the taking; the challenge is to be quick, bold and flexible to change.

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About HSBC in Malaysia

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The Hongkong and Shanghai Banking Corporation Limited

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