



THE ECONOMIC IMPACT OF THE AGRI-FOOD SECTOR IN SOUTHEAST ASIA

EXECUTIVE SUMMARY

2022

ECONOMIC IMPACT OF AGRI-FOOD SECTOR ON KEY SOUTHEAST ASIAN MARKETS IN 2021



Total impact across all 5 countries



GDP contribution
\$808.7 billion



Employment
126.1 million jobs

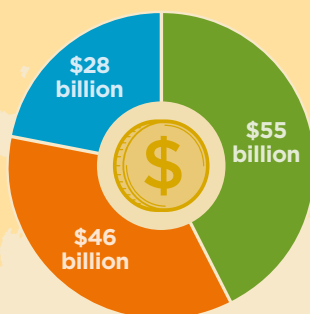
● **Agricultural production**

● **F&B manufacturing**

● **F&B distribution**

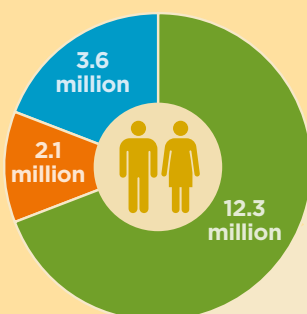
Thailand

GDP contribution
\$129 billion



25% of total GDP.

Employment
18.0 million jobs



48% of total employment.



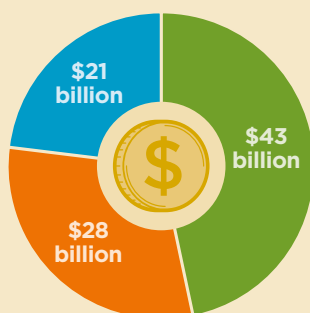
Tax revenue
\$22.6 billion



Trade position
\$19.9 billion surplus

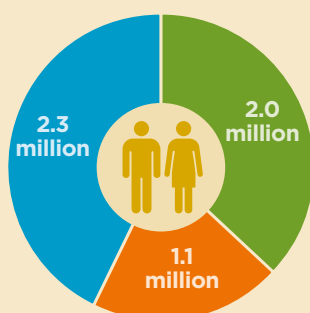
Malaysia

GDP contribution
\$92 billion



25% of total GDP.

Employment
5.4 million jobs



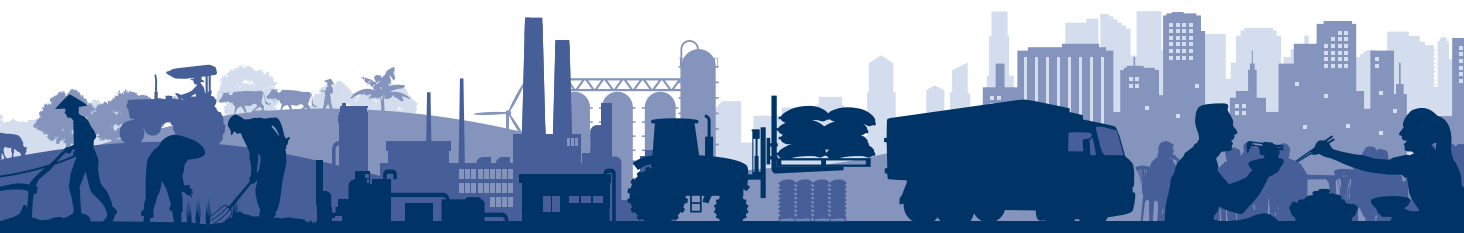
35% of total employment.



Tax revenue
\$8.9 billion

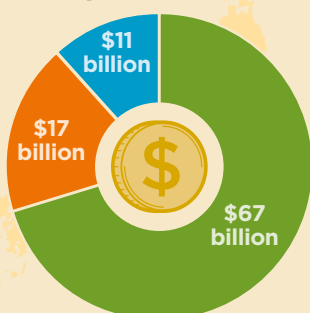


Trade position
\$9.4 billion surplus



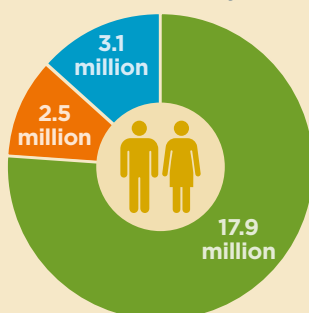
Vietnam

GDP contribution
\$95 billion



26% of total GDP.

Employment
23.5 million jobs



48% of total employment.



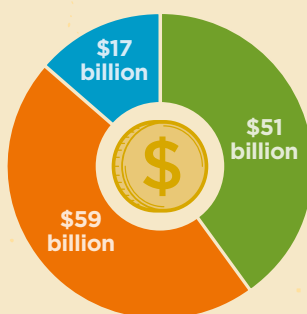
Tax revenue
\$12.3 billion



Trade position
\$4.2 billion surplus

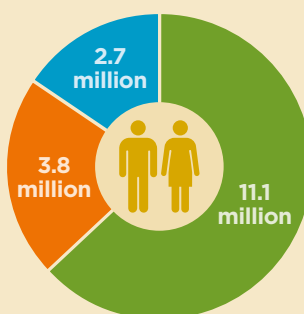
Philippines

GDP contribution
\$127 billion



32% of total GDP.

Employment
17.6 million jobs



40% of total employment.



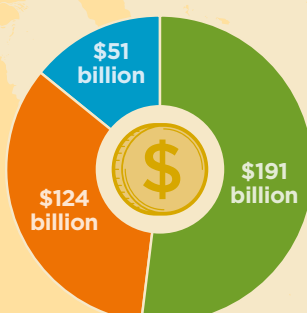
Tax revenue
\$17.3 billion



Trade position
\$7.9 billion deficit

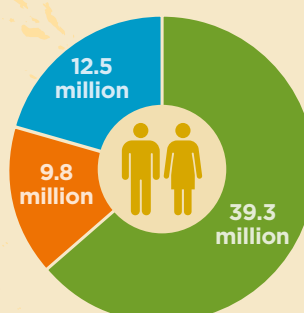
Indonesia

GDP contribution
\$366 billion



31% of total GDP.

Employment
61.7 million jobs



47% of total employment.



Tax revenue
\$42.0 billion



Trade position
\$18.7 billion surplus

EXECUTIVE SUMMARY

The Southeast Asian economy is enjoying an economic revival in 2022 as borders reopen, social distancing measures are ratcheted back, and businesses return to more 'normal' operations in the transition to a post-pandemic environment. Sat at the heart of this regional economy is the agri-food industry, which has played a crucial role in the region's resilience throughout the past two years of the pandemic and is central to its future trajectory, too. The sector not only puts food on the table for the region's enormous population, but also provides income and employment for a large portion of its workforce and a multitude of opportunities to businesses at each stage of the agri-food value chain.

As the industry looks forward, it faces significant risks on the horizon, that threaten its growth. From inflationary pressures to challenging demographics and policy risks, the implications matter not only to the livelihoods of agri-food industry entrepreneurs and employees but—given the size of the sector and its role in supply chains—the wider economy too.

Oxford Economics was commissioned by Food Industry Asia (FIA) to assess the total economic impact in 2021 of the agri-food sectors in five major Southeast Asian economies: Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. In doing so, we unpack the importance of the sector's contribution to the wider Southeast Asian economy, and its future trajectory.

US\$809 bn

Agri-food sector
contribution to 2021
GDP across Indonesia,
Malaysia, the Philippines,
Thailand, and Vietnam.



THE AGRI-FOOD SECTOR'S ECONOMIC IMPACT

This study builds on the foundations of our previous collaboration with Food Industry Asia in 2021, in which we redefined the agri-food sector to include three components of the food value chain: agricultural production; food and beverage (F&B) manufacturing; and F&B distribution (including wholesale, retail and hospitality services).

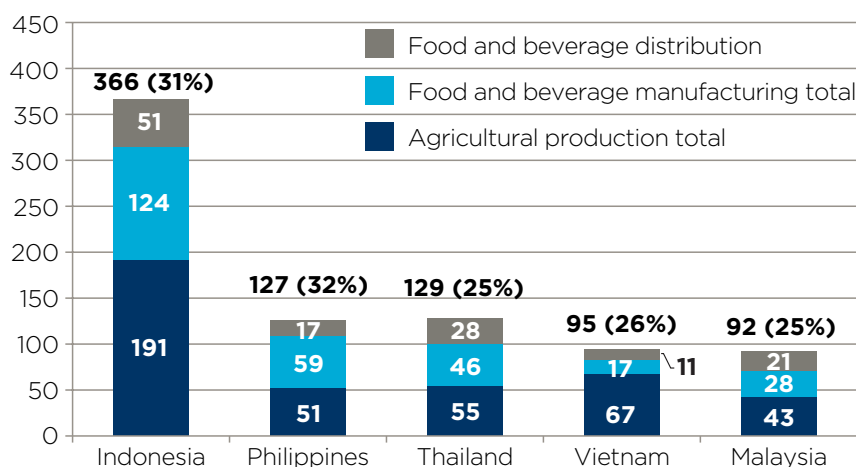
In 2021, the agri-food sector contributed USD 808.7 billion to the five Southeast Asian economies in our study (see Fig 1). This impact is 21% higher, in real terms, than it was in 2015—the first year of our analysis. In addition, the sector is also responsible for USD 104 billion in tax revenues across the five countries, made up mostly of corporate and income taxes.

- In **Indonesia**, the sector contributed USD 366.3 billion to the economy in 2021, equivalent to 31% of GDP.
- In **Malaysia**, it contributed USD 92.0 billion to the economy in 2021, equivalent to 25% of GDP.
- In the **Philippines**, the agri-food sector contributed USD 126.7 billion to the economy in 2021, equivalent to 32% of GDP.

- In **Thailand**, the sector contributed USD 128.6 billion to the economy in 2021, equivalent to 25% of GDP.
- In **Vietnam**, it contributed USD 95.1 billion to the economy in 2021, equivalent to 26% of GDP.

Fig. 1: Contribution of the agri-food sector to GDP, 2021

Billion US\$, 2021 prices, equivalent shares of national GDP in parenthesis

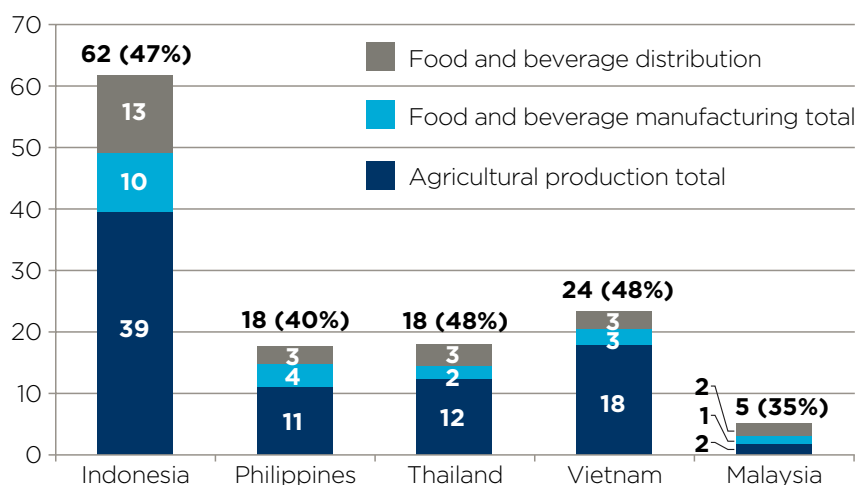


Source: Oxford Economics

As well as contributing this large share of the region's GDP, the agri-food sector plays an unrivalled role in Southeast Asian labour markets. It sustained around 126.8 million jobs in 2021 across the five countries featured in our study, representing more than 45% of the workforce in Indonesia, Thailand and Vietnam (see Fig 2).

Fig. 2: Contribution of the agri-food sector to jobs, 2021

Employment, millions, shares of national employment in brackets



Source: Oxford Economics

126.8 million

Total number of jobs supported by the agri-food sector across the five Southeast Asian economies.



US\$104 bn

Tax revenues supported by the agri-food sector in Indonesia, Malaysia, the Philippines, Thailand, and Vietnam.



EVOLUTION OF THE AGRI-FOOD SECTOR AND THE IMPACT OF COVID-19

“ Across all Southeast Asian markets, the severe and sudden restrictions to travel and tourism meant that F&B distribution was by far the worst affected part of the agri-food supply chain. ”

The Covid-19 pandemic affected the agri-food sector in different ways across Southeast Asian economies, according to the local context and conditions on the ground. In Indonesia and Malaysia, the sector's strong growth rate was slowed considerably in 2020 as a result of physical distancing measures and the severe disruption to travel and tourism. In Thailand and the Philippines, the sector's economic footprint shrank so significantly that year, it has yet to regain its pre-Covid value. In Vietnam, after handling the impacts of Covid adeptly in the first year, the agri-food sector's contribution to GDP stagnated in 2021, under the harsher effects of the Delta variant.

Across all Southeast Asian markets, the severe and sudden restrictions to travel and tourism meant that F&B distribution was by far the worst affected part of the agri-food supply chain. The sector is enjoying a resurgence this year, with the reopening of borders and hospitality venues, but in every country in our study, its economic footprint was still considerably lagging pre-Covid levels, in 2021.

In fact, the resilience of the sector throughout the pandemic and its recovery thereafter have been driven most strongly by agricultural production and F&B manufacturing. In Indonesia, Malaysia, and Vietnam, the GDP contribution of these sectors continued to grow year-on-year throughout the crisis in real USD terms. Only in the Philippines is the economic footprint of the agricultural production and F&B manufacturing still smaller in 2021 than it was in 2019.

“ The agri-food sectors of all countries in the study have been characterised by a sustained period of labour productivity growth in recent years. ”

The agri-food sectors of all countries in the study have been characterised by a sustained period of labour productivity growth in recent years. Generally speaking, the sector's GDP contribution has grown rapidly against a fairly stable base of employees. This productivity growth was particularly significant in Vietnam – the country with traditionally the lowest GDP footprint per worker in our study, but one that is quickly catching up.

Southeast Asia is particularly vulnerable to the threat of climate change, in particular with regards to agricultural productivity. For this reason, continued investment in new technologies and techniques across the agri-food sector to improve the productivity and sustainability of food production and distribution processes are a key component of the green transition, as recognised by the UN Climate Change Conference in 2021.

OUTLOOK FOR AGRI-FOOD DEMAND IN SOUTHEAST ASIA

Despite a challenging global environment, Oxford Economics forecasts a continued economic recovery in Southeast Asia in the next five years, which will fuel demand for food and beverages. Despite inflationary pressures, we expect real wage growth for every country in our study in 2022 except for Thailand (where wages will outpace inflation from 2023 onwards), thanks to the ongoing economic recovery raising the demand for labour and giving workers extra bargaining power.

The pace of the tourism revival (dependent crucially on the continued relaxation of border measures by both source and destination countries) will play a key role in the agri-food sector's performance, as higher spending returns to hospitality services. We forecast the number of tourist visitors to the region to rise from 3.1 million in 2021 to 38.7 million in 2022. Although remaining well short of the 123.8 million tourists entering the region in 2019, this rebound will have ripple effects in Southeast Asia's tourism-centric economies, supporting the broader recovery in domestic demand. The region's longer-term F&B demand outlook is also supported by rising prosperity and living standards at home.

Nevertheless, there are significant risks on the horizon for the agri-food sector, not least four major macroeconomic challenges that could hinder the sector's progress. The first is the impact of rising inflation. The Russia and Ukraine war has driven commodity prices sharply higher across a range of commodity types, at the same time as we have seen increasing measures to restrict food trade. As spending on food and beverages to consume at home accounts for a relatively large portion of household budgets in Southeast Asian countries, average households are highly impacted by this shift in global commodity prices. This is especially true in Thailand, the Philippines and Vietnam, where food accounts for 36-37% of the consumer price index basket of goods and services, although at 19% and 28% respectively food is also a high proportion of total spend in both Indonesia and Malaysia. The second challenge is demographic. The decline in the working age population in some Southeast Asian countries, and the continued allure of the cities for young rural workers mean labour market conditions may deteriorate for the agricultural sector in particular, necessitating new and faster solutions to grow productivity.

“ Despite a challenging global environment, Oxford Economics forecasts a continued economic recovery in Southeast Asia in the next five years. ”

“ The region's longer-term F&B demand outlook is also supported by rising prosperity and living standards at home. ”

The third challenge is the threat of currency instability that has heightened in the past year. This could pose a particular problem for countries that are running large fiscal deficits (specifically the Philippines) or have historically been prone to running trade deficits (specifically Indonesia). These countries may face greater volatility and uncertainty in imported input costs, as well as fluctuating prices for major agricultural exports.

Finally, as discussed in our 2021 publication with FIA, *“Fiscal Risks in the food sector in Asia after COVID-19”*, governments in the region are focused on balancing their books after the extraordinary fiscal policy measures of the pandemic and rising interest rates. The agri-food sector therefore faces a potential policy risk from new taxes on food and beverage consumption—particularly in countries where value added tax rates are currently low—or reductions in public spending in countries where agricultural subsidies are currently high. Each of these risks could also hinder the sector’s future recovery and growth.

Overall, whilst the macroeconomic drivers for demand in the agri-food sector look robust across the region, the conditions and emerging risks on the supply-side of the industry could continue to create challenges in the years to come.

“ Governments in the region are focused on balancing their books after the extraordinary fiscal policy measures of the pandemic and rising interest rates. ”



ABOUT OXFORD ECONOMICS

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on more than 200 countries, 250 industrial sectors, and 7,000 cities and regions. Our best-in-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, with regional centres in New York, London, Frankfurt, and Singapore, Oxford Economics has offices across the globe in Belfast, Boston, Cape Town, Chicago, Dubai, Dublin, Hong Kong, Los Angeles, Melbourne, Mexico City, Milan, Paris, Philadelphia, Stockholm, Sydney, Tokyo, and Toronto. We employ 400 full-time staff, including more than 250 professional economists, industry experts, and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base now comprises over 1,500 international organisations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

ABOUT FOOD INDUSTRY ASIA

Food Industry Asia (FIA) was formed in 2010 to enable major food and beverage manufacturers and ingredients suppliers to speak with one voice on complex issues such as health and nutrition, food safety, sustainability, and regulations and trade. From its base in Singapore, FIA seeks to enhance the industry's role as a trusted partner and collaborator in the development of science-based policy across Asia. To do so means acting as a knowledge hub for Asia's national industry associations and affiliated groups, to support with their engagement of public bodies and other stakeholders across the region.

August 2022

All data shown in tables and charts are Oxford Economics' own data, except where otherwise stated and cited in footnotes, and are copyright © Oxford Economics Ltd.

The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

To discuss the report further please contact:

James Lambert

jlambert@oxfordeconomics.com

Oxford Economics

6 Battery Road. #38-05. Singapore 049909

Matt Kovac

matt.kovac@foodindustry.asia

Food Industry Asia

33 Mohamed Sultan Road, #03-02,
Singapore 238977

Cover photo: Tavarious/Shutterstock.com



**Global headquarters**

Oxford Economics Ltd
Abbey House
121 St Aldates
Oxford, OX1 1HB
UK

Tel: +44 (0)1865 268900

London

4 Millbank
London, SW1P 3JA
UK

Tel: +44 (0)203 910 8000

Frankfurt

Marienstr. 15
60329 Frankfurt am Main
Germany

Tel: +49 69 96 758 658

New York

5 Hanover Square, 8th Floor
New York, NY 10004
USA

Tel: +1 (646) 786 1879

Singapore

6 Battery Road
#38-05
Singapore 049909

Tel: +65 6850 0110

**Europe, Middle East
and Africa**

Oxford
London
Belfast
Dublin
Frankfurt
Paris
Milan
Stockholm
Cape Town
Dubai

Americas

New York
Philadelphia
Boston
Chicago
Los Angeles
Toronto
Mexico City

Asia Pacific

Singapore
Hong Kong
Tokyo
Sydney
Melbourne

Email:

mailbox@oxfordeconomics.com

Website:

www.oxfordeconomics.com

Further contact details:

[www.oxfordeconomics.com/
about-us/worldwide-offices](http://www.oxfordeconomics.com/about-us/worldwide-offices)