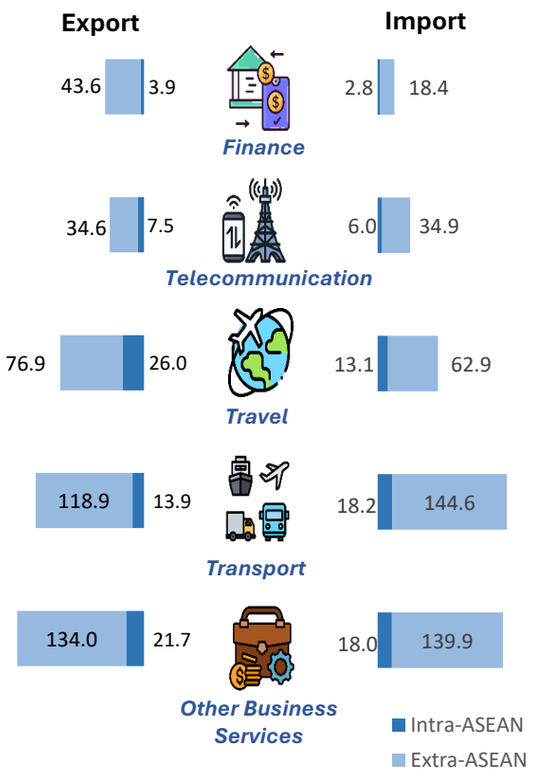
Services Trade Dynamics in ASEAN: Unveiling Key Trends

The services sector plays an important role in ASEAN's economy, as it generates employment opportunities, promotes innovation, and offers a multifaceted development impact which accelerates economic growth. Following a contraction at the onset of the pandemic in 2020, ASEAN trade in services is showing a positive trajectory over the past three years. In 2023, while ASEAN experienced a contraction in merchandise trade, it recorded a positive growth in both export and import of services, albeit at a slower pace than the previous year. ASEAN's export of services increased by 8.0% to US$ 554.2 billion, while the import of services increased by 4.4% to US$ 529.2 billion. The continued export growth outpacing import growth reinforces ASEAN's status as a net exporter, contributing positively to the region's trade balance and economic stability.

In line with the increasing trend of services trade between the world's developing economies[1], intra-ASEAN trade of services experienced a robust growth around 18% in 2023, surpassing the growth rate of services trade with non-ASEAN countries. Nevertheless, extra-ASEAN services trade remain substantial and continue to dominate the services trade of ASEAN. In 2023, extra-ASEAN accounted for 84.7% of total ASEAN services exports, a decrease from 86.7% in 2022. Similarly, extra-ASEAN contributed 87.2% of total ASEAN services imports, a slight decline from 88.1% in 2022.

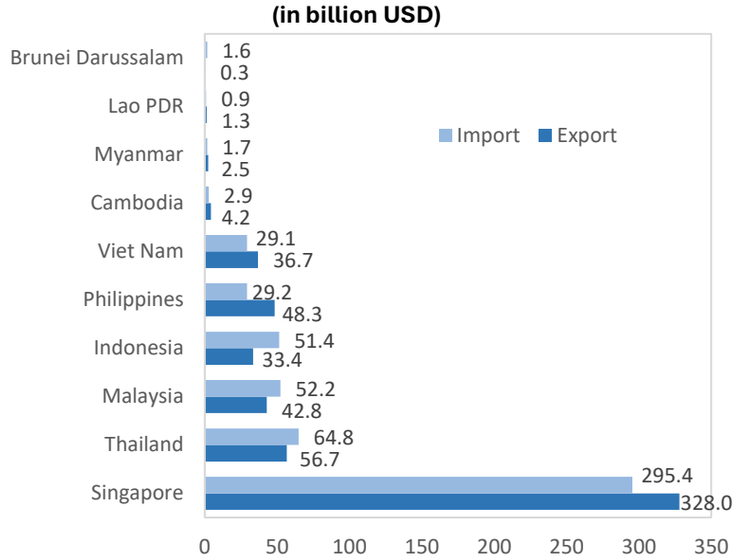
AMS showed diverse patterns in trade in services. Singapore, with the highest levels of both exports and imports, continued to highlight its importance as a regional services hub. Thailand, Malaysia, and Indonesia also exhibited significant services trade activities, albeit at a much lower scale compared to Singapore. Nevertheless, these countries experienced notable services trade deficits in 2023. Meanwhile, Philippines and Vietnam recorded moderate levels of trade in services with positive trade balances. Cambodia, Myanmar, Lao PDR, and Brunei Darussalam have the least services trade activities in the region.

ASEAN Trade in Services by Top 5 Major Services Categories, 2023 (in billion USD)



ASEAN Trade in Services, 2019-2023 (in billion USD)

ASEAN Trade in Services by AMS, 2023 (in billion USD)



Other business services, encompassing professional, technical, and consultancy services, and transport services were the most significant categories for both services export and import of ASEAN in 2023. The value of *Other business* services exports at US$155.7 billion and imports at US$157.8 billion reflected strong reciprocal demand for professional and consultancy services. *Transport* services, on the other hand, had higher imports (US$162.9 billion) than exports (US$132.8 million), indicating ASEAN's reliance on global logistics and transportation networks.

Meanwhile, *Travel* services underscored ASEAN's attractiveness as a travel destination, with exports (US$102.9 billion) significantly surpassing imports (US$76.0 billion). *Telecommunications and information* services was well-balanced, with exports (US$42.1 million) slightly exceeding imports (US$40.9 billion). *Financial* services demonstrate a strong export performance (US$47.4 billion) compared to imports (US$21.2 billion).

ASEAN's robust performance in services trade highlights its successful integration into the global economy and its competitive advantages across diverse service sectors, positioning the region for continued growth and resilience in the face of evolving global economic dynamics.

[1] D'Andrea et al, Thirty years of trade growth and poverty reduction, WTO Blog: https://www.wto.org/english/blogs_e/data_blog_e/blog_dta_24apr24_e.htm