

ASEAN's TFP Growth, Economic Weight, and Offsetting Contributions

Strong Gains, Modest Regional Productivity

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KEY MESSAGE

Regional productivity depends not only on where TFP grows fastest, but also on where economic weight lies. Over 2010–2024, Vietnam and Malaysia combined TFP growth of about 1% per year with sufficient economic weight to become the region's leading positive contributors. Indonesia presents the opposite case: as ASEAN's largest economy, even modestly negative TFP growth generated a sizable regional drag. Strong gains in some economies were therefore partly offset by weakness in others.

WHY THIS MATTERS

PRN2620 showed that ASEAN's long-run growth has been predominantly accumulation-led, with TFP contributing only a small share of overall growth. PRN2621 then traced ASEAN's TFP growth to its country origins, showing that the sources of productivity gains have shifted since 2010. This note takes the next step by relating national TFP performance to economic weight and income levels.

EVIDENCE: NATIONAL PERFORMANCE AND REGIONAL IMPACT

The figure plots national TFP growth against each economy's contribution to ASEAN TFP growth over 2010–2024. The dotted rays indicate fixed reference shares of regional output: for a given TFP growth rate, a larger economy produces a larger regional contribution. Bubble size represents per-capita GDP in 2024, measured at constant prices using the 2021 PPP. These country-origin contributions sum to 0.30 percentage points per year, compared with ASEAN TFP growth of 0.41% per year, a difference discussed below.

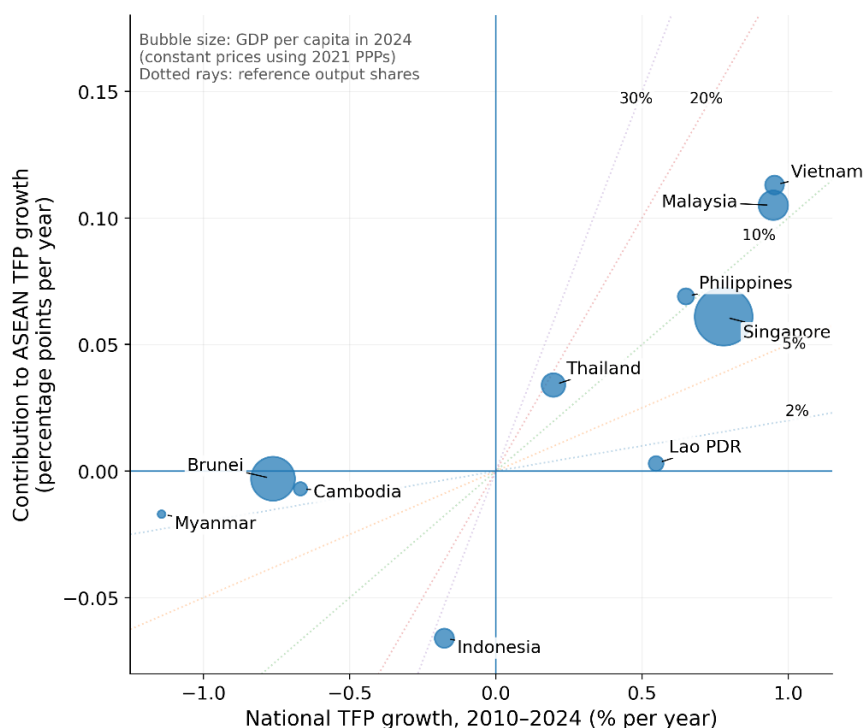


Figure. National TFP Growth and Contributions to ASEAN TFP Growth, 2010–2024

Unit: Horizontal axis, percentage average annual TFP growth; vertical axis, percentage-point average annual contribution to ASEAN TFP growth. Bubble size represents per-capita GDP in 2024 at constant prices using the 2021 PPP. Dotted rays indicate reference shares of ASEAN output. Source: APO Productivity Database 2026 (APO 2026).

Vietnam and Malaysia occupy the upper-right part of the figure. Both recorded TFP growth of roughly 1% per year and generated the largest positive contributions to ASEAN productivity. The Philippines and Singapore also recorded sizable TFP gains, although Singapore’s smaller regional output share limited its contribution despite relatively high productivity growth. Thailand accounted for a larger share of regional output but recorded TFP growth of only about 0.2% per year, leaving its contribution comparatively modest. Indonesia is the clearest example of the role of economic weight. Its TFP declined slightly over 2010–2024, but because it accounted for well over one-third of ASEAN output, the resulting negative contribution was substantial. By contrast, larger productivity movements in Brunei, Cambodia, Lao PDR, or Myanmar had relatively small regional effects because of their much smaller economic weights. Income levels add another dimension. Vietnam remained at a relatively low per-capita income level in 2024 while achieving strong TFP growth. Indonesia had a similar income level but did not record comparable productivity gains, while Singapore continued to post positive TFP growth despite its much higher income. Lower per-capita income may offer greater scope for catch-up, but does not by itself determine productivity performance.

INTERPRETATION

The offsetting contributions admit different economic interpretations. Productivity gains may be complementary across economies when technology, investment, and know-how diffuse through regional production networks. Alternatively, some gains may accompany relocation within ASEAN as production, investment, or skilled resources shift toward more productive locations. Such relocation need not be zero-sum, since movement toward more productive uses can itself raise regional productivity. The present accounting cannot distinguish these channels, but it shows that strong gains in several economies have not translated into equally strong ASEAN-wide TFP growth.

MEASUREMENT CONSIDERATIONS

Cross-country productivity comparisons require harmonized productivity accounts, including factor-specific PPPs for capital and labor. As discussed in PRN2621, regional aggregation also yields a factor-price differential term reflecting cross-country price structures rather than shifts in activity; over 2010–2024, this explains the gap between summed country contributions and ASEAN TFP growth. Estimates therefore depend on national accounts, PPP benchmarks, and factor-price measures and may change as these are revised.

IMPLICATIONS

01	02	03
ASEAN’s modest regional TFP growth reflects sharply divergent and partly offsetting national contributions.	Economic weight matters: modest productivity weakness in a large economy can materially offset gains elsewhere.	Lower income offers scope for catch-up but does not guarantee it; Vietnam and Indonesia followed sharply different productivity paths after 2010.

REFERENCES

APO (2026). *APO Productivity Databook 2026*. Tokyo: Keio University Press, September.

This note is part of the Productivity Research Notes series, examining key issues in productivity and economic performance in Asia. The views expressed are those of the author(s). Inquiries may be directed to sankenoffice@info.keio.ac.jp.

