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Global Opportunity Index 2026:

Growth Markets in Southeast Asia

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Contents

1	Introduction
3	Updating the Global Opportunity Index
4	GOI Categories and Subcategories
8	The Updated GOI and Foreign Capital Inflows
9	Overall Performance of Growth Markets in Southeast Asia
10	Comparison to Peer Developing Economies
15	Heterogeneity Within Growth Markets in Southeast Asia
17	Recent Trends in Cross-Border Investment in Growth Markets in Southeast Asia
18	Global and Regional Benchmarks
22	Magnitude and Composition of Capital Inflows
25	Mergers and Acquisitions in Growth Markets in Southeast Asia
26	Composition of M&A Transactions
27	Focus on Cross-Border M&A Activity
31	Conclusion
32	Endnotes
33	About the Authors



Introduction

For more than a decade, the Milken Institute's Global Opportunity Index (GOI) has served as a global benchmark for countries' attractiveness to investors. This year, the GOI report focuses on six high-growth developing markets in Southeast Asia: Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, and Vietnam (henceforth "growth markets in Southeast Asia").¹ These countries constitute Southeast Asia's rapidly growing emerging and developing economies, with 2024 real gross domestic product (GDP) growth rates ranging from 4.3 percent in Lao PDR to 7.1 percent in Vietnam.² As an advanced economy and well-known financial hub, Singapore is placed in a different category. Therefore, it is excluded from the main analysis, but its deep influence on the region is addressed in a separate discussion.

Amid increasing geoeconomic competition, countries are turning to economic statecraft to enhance their strategic resilience, while investors and firms look to navigate an environment of evolving volatility and risk. Southeast Asia is an increasingly important region in the global reconfiguration of trade and investment linkages.

However, the region is not immune from exogenous shocks, as the current conflict in the Middle East has demonstrated. Lasting disruptions to maritime shipping and energy markets threaten to impede economic growth for a region so dependent on trade and energy imports. Conversely, it presents the countries of Southeast Asia with an opportunity for greater economic coordination and positioning as a resilient investment hub. Against this backdrop, the GOI report offers a data-driven lens for assessing investment opportunities across a diverse and dynamic region.

Investment plays a critical role in sustaining economic growth and long-term development, especially in emerging and developing economies (or simply "developing economies") as defined by the International Monetary Fund (IMF). The GOI evaluates countries' attractiveness to investors across five categories—Business Perception, Economic Fundamentals, Financial Services, Institutional Framework, and International Standards and Policy—and fourteen subcategories. Together, these dimensions capture the institutional, financial, and macroeconomic conditions that shape investment opportunities. By applying the GOI framework, this report provides governments and policymakers with insights into the factors that attract capital, while offering investors a valuable tool for navigating an increasingly complex global landscape.

Following a strong performance in 2024, Asia remains the world's fastest-growing region, with a projected growth rate of 4.1 percent in 2026.³ Nevertheless, rising trade barriers, heightened global uncertainty, and softening domestic demand pose meaningful risks. These challenges underscore the importance of maintaining supportive investment environments that can continue to attract external capital and support growth through periods of volatility.

Against this backdrop, the GOI report provides timely insights into the factors shaping foreign capital inflows to six growth markets in Southeast Asia. We find the following:

- Driven by strong growth dynamics and expanding financial activity, the group tends to excel in Economic Performance and Financial Size and Condition. These strengths are most evident in the larger, more diversified of these six economies.
- Vietnam recorded the fastest growth of the group in 2024, with real GDP expanding by 7.1 percent. The country ranks 2nd in Economic Performance and 14th in Financial Size and Condition, reflecting strong growth alongside a rapidly deepening financial sector.
- Malaysia has the highest GOI score among these six countries, ranking 23rd globally. Its investment environment is relatively balanced, anchored by strong institutions and robust economic fundamentals. Malaysia ranks highest in Financial Services and Business Perception, at 17th and 18th globally, respectively.
- Indonesia—the largest of the six economies analyzed—has also seen notable improvements in the financial sector. This year, it ranks 38th in Financial Services, a dramatic rise from 78th in 2022. This improvement reflects expanded access to finance, with Indonesia ranking 28th in Financial Access.
- The Philippines combines strong growth prospects with more uneven investment conditions. With projected real GDP growth of 5.7 percent in 2026, the country ranks 6th in Economic Performance and 32nd in Economic Fundamentals. It also performs well in the International Standards and Policy category, ranking 37th in Economic Openness and 38th in Patents and Trademarks. However, its weaker scores in Business Perception and Institutional Framework—56th and 59th, respectively—highlight governance and regulatory challenges that may constrain longer-term investment.
- Cambodia and Lao PDR lag their regional peers. Structural and institutional constraints continue to weigh on their investment environments, with both countries struggling with their Institutional Frameworks—ranked 73rd for Cambodia and 79th for Lao PDR—and aspects of their Economic Fundamentals related to long-term growth prospects.

Capital inflows into these six countries further illustrate their growth dynamics. Foreign direct investment (FDI) remains the dominant component of foreign capital, accounting for more than 70 percent of total inflows from 2021 to 2024, while portfolio and bank-related and other inflows have experienced substantial volatility over the past decade. Mergers and acquisitions (M&As)—another important channel for foreign investment—have remained stable in terms of deal count, with Malaysia and Indonesia accounting for the largest shares of deal activity.

The remainder of this report provides an in-depth exploration of the patterns described above. Following an overview of the methodology and updates to the GOI, we analyze the performance of the six growth markets in Southeast Asia analyzed in the report using the GOI framework, and compare their performance with that of peer developing economies. We then examine recent trends in capital inflows and cross-border M&A activity. Together, these insights offer a comprehensive view of the investment landscape in these countries and highlight the opportunities and challenges shaping foreign investment in six rapidly growing economies in one of the world's most dynamic regions.

Updating the Global Opportunity Index

For more than a decade, the GOI has assisted businesses and investors in exploring foreign investment opportunities. To ensure comparability, the index's overall structure and category framework have remained unchanged since 2016. However, the indicators used to populate that framework have evolved in response to changes in the global conditions shaping investors' decisions.

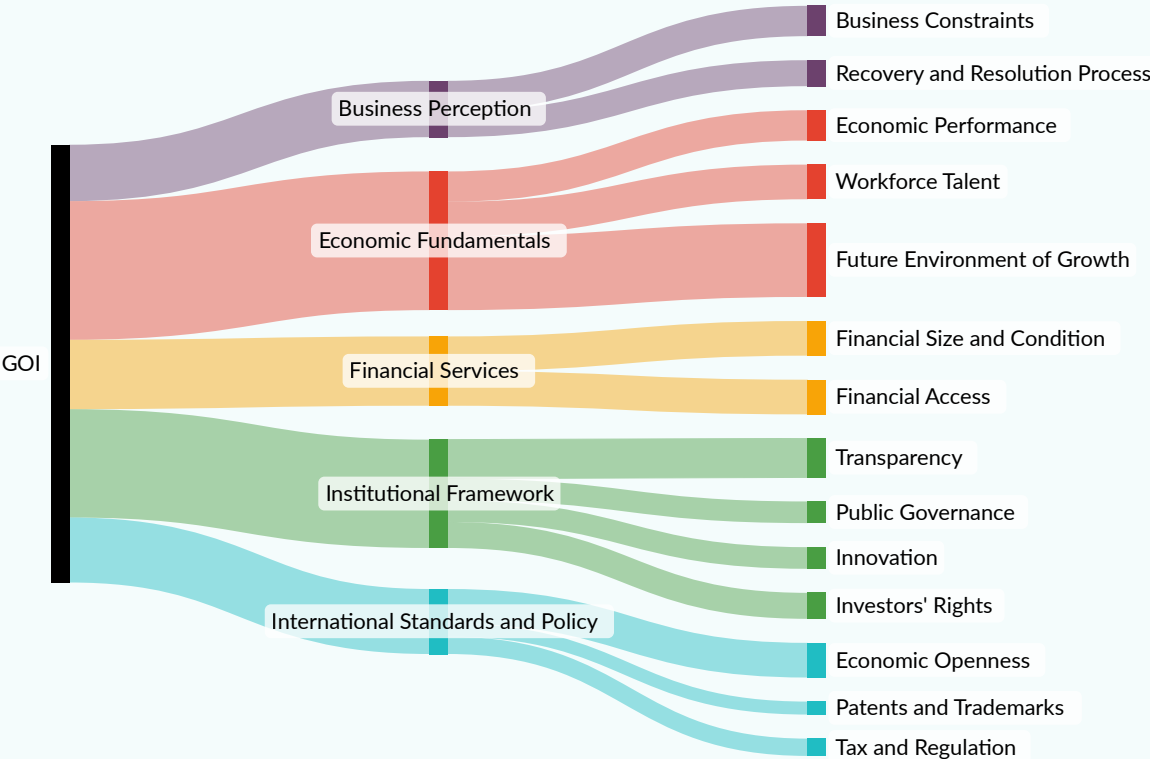
In 2021, the GOI introduced new indicators to capture countries' engagement with the digital economy and their potential to emerge as technological hubs. This year, we further modernized the index to reflect the evolving drivers of investment trends.

In updating the index, we focus on two core objectives: transparency and relevance. To ensure that the GOI continues to rely on transparent and internationally comparable data, we replaced indicators from the World Bank's discontinued Doing Business survey with data from the new *Business Ready* project. We also expanded the GOI's coverage of the digital economy by introducing new indicators that capture both the quality and extent of countries' digital infrastructure and technology adoption. Together, these updates strengthen the GOI's ability to assess investment opportunities in an increasingly interconnected global economy.

GOI Categories and Subcategories

The GOI 2026 maintains its long-standing structure, reflecting the economic and financial conditions that shape foreign investment, as well as key business, legal, and regulatory considerations. For ease of interpretation, the indicators used to construct the index are organized into five broad categories and fourteen subcategories, as illustrated in Figure 1.

Figure 1. GOI Categories and Subcategories



Source: Milken Institute (2026)

Each country's performance across the GOI's categories and subcategories is evaluated using a comprehensive set of indicators that capture economic, financial, and institutional dimensions. These indicators are sourced from internationally recognized organizations and institutions—including the World Bank, the IMF, and Transparency International—ensuring comparability across countries. The complete list of indicators used to construct the GOI rankings, along with their alignment with the index's categories and subcategories, is provided in Box 1.

BOX 1. INDICATORS USED FOR THE GOI, BY CATEGORY AND SUBCATEGORY

BUSINESS PERCEPTION

Business Constraints

- Average management practices
- Cost to register a firm
- Perception of competitiveness
- Percentage of firms identifying labor regulations as the biggest obstacle
- Percentage of firms identifying tax administration as the biggest obstacle
- Reliability of dispute resolution processes
- Time to register a firm

Recovery and Resolution Process

- Enforcing judgments: cost
- Legal and procedural standards in insolvency proceedings
- Resolving insolvency: cost
- Resolving insolvency: protection of debtor's assets and rights
- Time required to enforce a final judgment
- Time to resolve insolvency

ECONOMIC FUNDAMENTALS

Economic Performance

- Central government debt
- GDP growth
- GDP per capita
- Inflation, consumer prices (annual percentage)
- Total factor productivity
- Trade (percentage of GDP)
- Unemployment, total (percentage of total labor force)

Workforce Talent

- Education expenditure
- Labor force participation rate, ages 15+ (percentage of total)
- Labor force participation rate, female (percentage of female population ages 15+)
- Labor force with intermediate education (percentage of total)
- Mean years of schooling
- On-the-job training
- School life expectancy
- Self-employed (percentage of total employment)

Future Environment of Growth

- Age dependency ratio (percentage of working-age population)
- Agricultural land (percentage of land area)
- Air pollution (mean annual exposure)
- CO₂ emissions (average per capita, tonnes per year)
- Fertility rate (births per woman)
- Fixed-broadband internet subscriptions
- Forest area (% of land area)
- Freshwater withdrawals (annual, percentage of internal resources)
- Government health expenditure (percentage of GDP)
- Healthy life expectancy
- International trade in digitally deliverable services
- Internet access (percentage of households)
- Mobile broadband subscriptions
- Mobile phone subscribers (per 100 people)
- New businesses density
- Percentage of the population covered by at least a 3G mobile network
- Proportion of women in government (seats held in national parliament)

FINANCIAL SERVICES

Financial Size and Condition

- Credit bureaus' data coverage
- Existence of publicly available registry
- Insurance corporations' coverage
- Nonperforming loans to total gross loans (by percentage)
- Private credit by banks (percentage of GDP)
- Total nongovernment securities
- Total private debt, loans, and debt securities (percentage of GDP)
- Use of e-payments

Financial Access

- Account ownership
- ATMs (per 100,000 adults)
- Bank branches (per 100,000 adults)
- Credit card ownership (percentage of ages 15+)
- Debit card ownership (percentage of ages 15+)
- Domestic credit ownership to private sector (percentage of GDP)
- Percentage of firms identifying access to finance as a major or severe constraint
- Venture capital per capita

INSTITUTIONAL FRAMEWORK

Transparency

- Availability of general company information
- Company information filing requirements
- Competition authority transparency
- Control of corruption
- Corruption perception index
- E-participation index
- International budget partnership
- Transparency of courts
- Voice and accountability: estimate

Public Governance

- Business regulatory environment
- Government effectiveness
- Judicial independence
- Political stability and absence of violence/terrorism: estimate
- Press freedom

Innovation

- Fair access to innovation
- H-index
- Innovation systems
- Research and development expenditures
- University–industry collaboration

Investors' Rights

- Judicial integrity
- Land administration systems
- Land dispute mechanisms
- Physical property rights protection
- Quality of regulations for financial services
- Rule of law

INTERNATIONAL STANDARDS AND POLICY

Economic Openness

- Bilateral investment treaties
- Chinn-Ito index
- Digital and physical trade infrastructure
- Exchange rate regime
- Practices supporting international trade
- Share of firms exporting digitally ordered goods
- Tariffs, list rates (most-favored nation)
- Treaties with investment provisions

Patents and Trademarks

- Patent applications
- Trademark applications
- Strength of intellectual property (IP) rights protection

Tax and Regulation

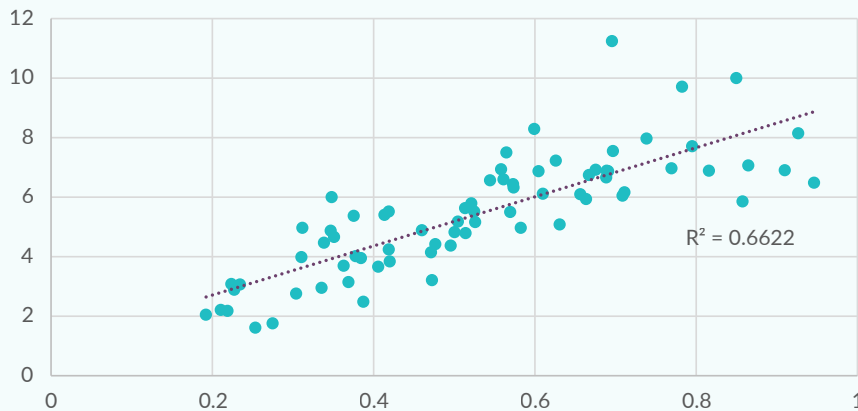
- Corporate tax rate (percent)
- Income tax rate (percent)
- Labor freedom
- Regulatory quality

The Updated GOI and Foreign Capital Inflows

The updated GOI remains a powerful explanatory tool for understanding capital movements across countries at various stages of economic growth and development, as reflected in a robust positive relationship between the index and countries' foreign capital inflows from 2020 to 2024. Indeed, the index explains more than 66.2 percent of the variation in FDI per capita across advanced and developing economies during this period (Figure 2a).

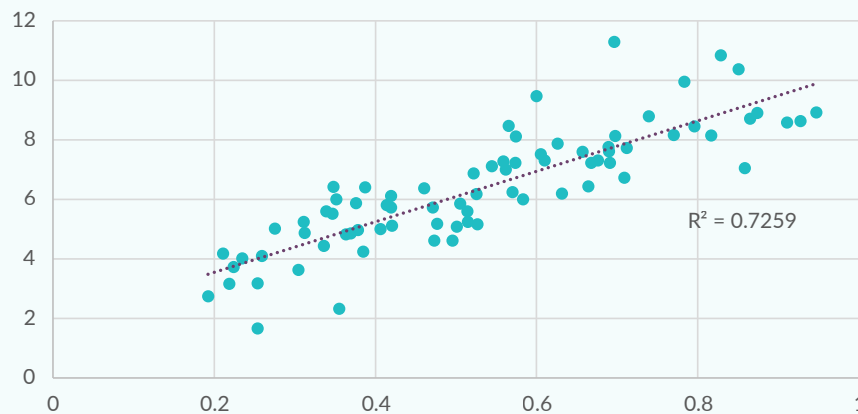
Figure 2. Relationship Between GOI and Global Investment Patterns

2a. GOI Scores Versus Log of FDI per Capita



*Note: Based on the average FDI inflows between 2020 and 2024 for countries with positive inflows.
Source: Milken Institute and authors' calculations based on IMF data (2026)*

Figure 2b. GOI Scores Versus Log of Capital Inflows per Capita



*Note: Based on the average capital inflows between 2020 and 2024 for countries with positive inflows.
Source: Milken Institute and authors' calculations based on IMF data (2026)*

The association between the GOI and total inflows—which include FDI and portfolio and bank-related and other inflows—is even stronger, with the index explaining more than 72.5 percent of the variation in total capital inflows per capita across countries from 2020 to 2024 (Figure 2b). This strong positive relationship highlights the GOI's value as a benchmark for comparing investment environments across countries at different stages of development. It also reinforces the GOI's role as a tool to guide policymakers toward strategies that attract capital and foster economic growth.

Overall Performance of Growth Markets in Southeast Asia

Investment conditions vary across the six growth markets in Southeast Asia analyzed in this report, reflecting each nation's size and stage of economic development. These six countries include Indonesia, one of the world's top 20 economies (by GDP); the Philippines, Vietnam, and Malaysia, all among the top 50; and two smaller markets, Cambodia and Lao PDR, ranked 96th and 137th, respectively. Thailand, another large developing economy in the region, and Myanmar are excluded due to their relatively slower growth rates and their absence from the 2025 *Business Ready* report, one of our primary data sources. Brunei Darussalam and Timor-Leste are not included because of similar data considerations. The role played by Singapore, a major global economic actor and the only advanced economy in Southeast Asia, is discussed in Box 2.

The six growth markets in Southeast Asia analyzed span a wide range of economic development. In 2025, their GDP per capita ranged from \$13,091 in Malaysia to \$2,174 in Lao PDR, while their real GDP growth ranged from 6.5 percent in Vietnam to 3.5 percent in Lao PDR (Table 1).

Table 1. Growth and Size of Growth Markets in Southeast Asia, 2025

	GDP Global Ranking	Population (millions)	GDP per Capita (USD)	Real GDP Growth (projection)
<i>Cambodia</i>	96	17.4	2,812	4.8
<i>Indonesia</i>	17	284.4	5,074	4.9
<i>Lao PDR</i>	137	7.8	2,174	3.5
<i>Malaysia</i>	36	33.9	13,901	4.5
<i>Philippines</i>	33	114.4	4,321	5.4
<i>Vietnam</i>	34	102.2	4,745	6.5

Source: Authors' analysis of data from the IMF World Economic Outlook (2025)

These six countries' ranking on the GOI largely reflects their differences in economic size, income levels, and growth performance. With the highest GDP per capita, Malaysia also has the highest GOI score, ranking 23rd overall (Figure 3). The country stands out in the Financial Services and Business Perception categories, ranking 17th and 18th, respectively. Vietnam, which in 2025 had the strongest real GDP growth rate, ranks 2nd among these six countries and 39th globally. Vietnam's business environment is supported by strong Economic Fundamentals, reinforced by favorable trade conditions that have contributed to high growth alongside relatively low inflation.

Figure 3. GOI Rankings for Growth Markets in Southeast Asia by Category

	Cambodia	Indonesia	Lao PDR	Malaysia	Philippines	Vietnam
<i>Business Perception</i>	66	52	57	18	56	50
<i>Economic Fundamentals</i>	48	36	75	24	32	5
<i>Financial Services</i>	36	38	60	17	42	18
<i>Institutional Framework</i>	73	46	79	23	59	72
<i>International Standards and Policy</i>	47	44	63	35	40	45
<i>Total Rank</i>	56	46	70	23	47	39

Color Key	1-20	21-40	41-60	>60
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Source: Milken Institute (2026)

Indonesia, the Philippines, and Cambodia fall close to the 50th position on the GOI, ranking 46th, 47th, and 56th, respectively. Like Vietnam, Indonesia and the Philippines have benefited from strong economic conditions in recent years, placing 36th and 32nd in Economic Fundamentals, respectively, even as weaker institutional performance continues to weigh on their overall rankings. As the largest economy of these six, Indonesia has a rapidly growing financial sector, ranking 38th in Financial Services—a considerable improvement from its 78th position in 2022. This reflects the growing sophistication and depth of Indonesia’s financial sector.

At the other end of the spectrum, Lao PDR—with the lowest GDP per capita and the slowest growth—has the lowest overall GOI ranking among these six countries. Unlike its regional neighbors, Lao PDR has faced persistent economic and institutional challenges, ranking 75th in Economic Fundamentals and 79th in Institutional Framework.

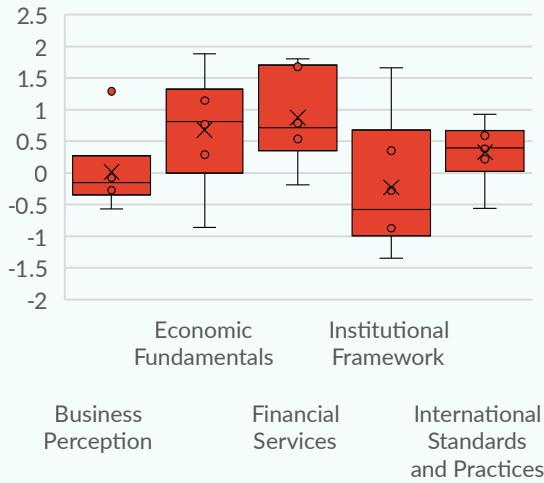
Comparison to Peer Developing Economies

To place investment conditions in these six growth markets in the context of countries with similar risk-return profiles, we compare their performance with that of the rest of the developing economies. To do so, we standardize each country’s GOI score by subtracting the average for other developing economies and dividing the result by the standard deviation for all countries classified as developing economies by the IMF.⁵ Countries with standardized scores above zero perform better than their peers, while those with scores below zero perform worse.

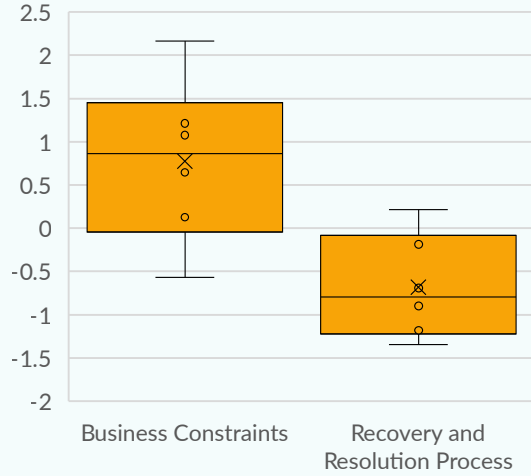
Overall, the six growth markets in Southeast Asia analyzed in the report stand out for their strong performance in Economic Fundamentals and Financial Services (Figure 4). In contrast, they underperform in Institutional Framework, while their average Business Perception and International Standards and Policy scores are broadly aligned with those of peer developing economies.

Figure 4. Comparison of Growth Markets in Southeast Asia with Peer Developing Economies by GOI Category and Subcategory

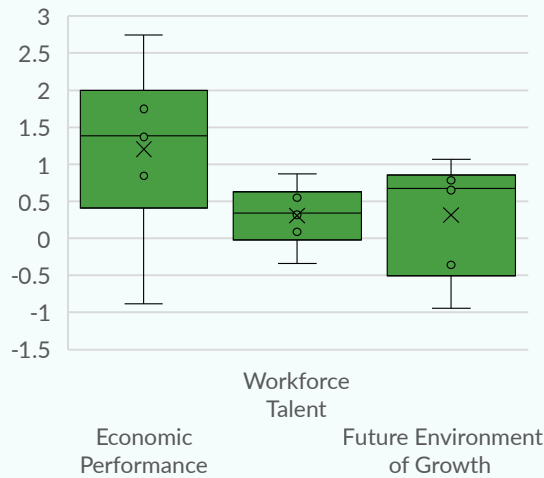
4a. Total by Category



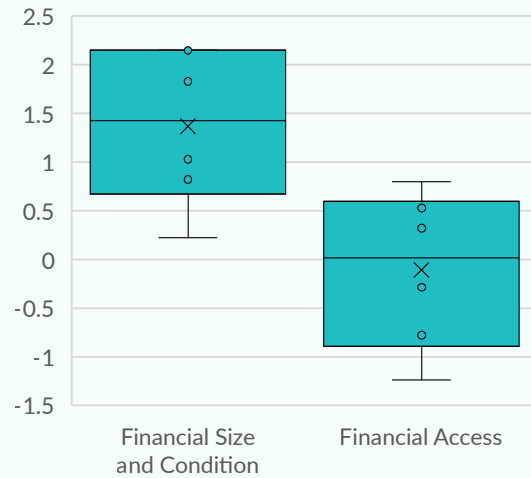
4b. Business Perception by Subcategory



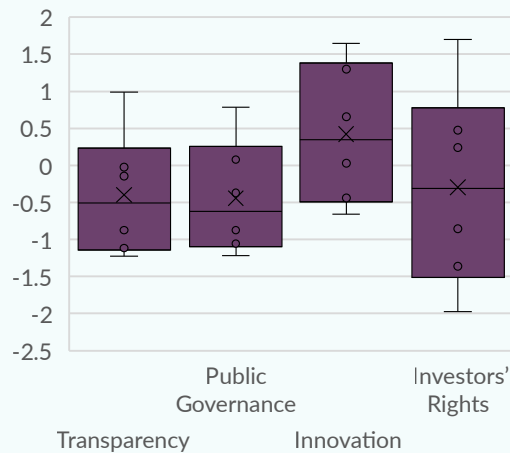
4c. Economic Fundamentals by Subcategory



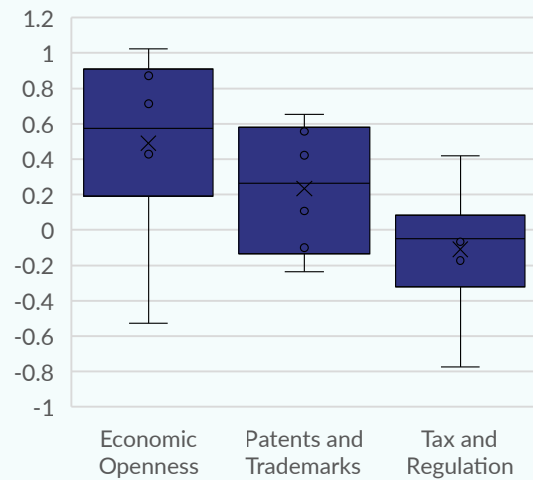
4d. Financial Services by Subcategory



4e. Institutional Framework by Subcategory



4f. International Standards and Policy by Subcategory



Source: Milken Institute (2026)

Breaking down the GOI categories into subcategories reveals deeper insights into the relative performance of these six countries. We find the following:

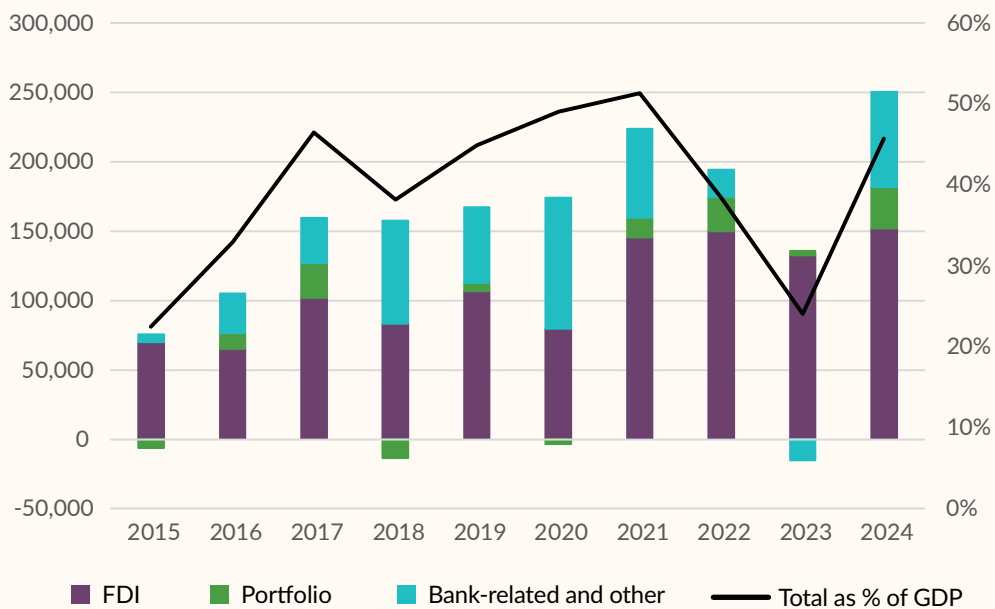
- The group's performance in **Business Perception** masks a clear divergence between the Business Constraints and Recovery and Resolution Process subcategories. Five of these six countries outperform their peers in Business Constraints, with Malaysia leading at 2.2 standard deviations above the average of developing economies. In contrast, the same five Southeast Asian countries tend to lag behind peer developing economies in Recovery and Resolution Process.
- The six countries analyzed demonstrate strong **Economic Fundamentals**, with positive average scores across all subcategories. Favorable conditions have bolstered recent Economic Performance, with Vietnam standing out in this subcategory at 2.7 standard deviations above the average of developing economies. The group also performs relatively well in Workforce Talent and Future Environment of Growth, underscoring the robust fundamentals of these six countries.
- These six countries' above-average scores in **Financial Services** are driven primarily by Financial Size and Condition. All six countries score above the average for developing economies in this subcategory, with Malaysia and Vietnam emerging as leaders. In contrast, three of these six countries fall below the average for developing economies in Financial Access, suggesting a relative weakness.
- The group shows considerable variation in its six countries' **Institutional Framework** scores, particularly in Investors' Rights. Although these six countries' average score in this subcategory falls below that of other developing economies, individual country performance varies widely—from 1.7 standard deviations above the average in Malaysia to 2.0 standard deviations below the average in Lao PDR.

- While these six countries generally score above the average of developing economies in **International Standards and Policy**, their performance varies across the three underlying subcategories. Overall, they tend to score relatively well in Economic Openness and Patents and Trademarks, but not in Tax and Regulation. Malaysia is the only country with above-average scores across all three subcategories, while Lao PDR falls below the average of developing economies in all but Patents and Trademarks.

BOX 2. SINGAPORE'S ECONOMIC INFLUENCE ON GROWTH MARKETS IN SOUTHEAST ASIA

Singapore is a key financial center in Southeast Asia and the region's only advanced economy, serving as a central conduit for cross-border investment in the region. About half of Singapore's FDI inflows originate in the US and Europe, while its outbound FDI is mostly directed to other Asian countries, making it the most common country of origin for recent cross-border M&A activity in Southeast Asia.⁶ Over the past decade, FDI has remained a stable source of capital for Singapore's businesses, even as total capital inflows declined in 2023 (Figure B1). In 2024, total capital inflows to Singapore recovered, reaching a high point of \$250.3 billion.

Figure B1. Capital Inflows to Singapore (USD mill.)



Source: Authors' analysis of data from the IMF International Financial Statistics (2025)

Singapore consistently ranks among the top 20 most attractive countries to investors on the GOI, placing 7th in this year's ranking (Figure B2). It stands out in Financial Services, placing 3rd in Financial Size and Condition and 11th in Financial Access. It also performs strongly in Business Perception and International Standards and Policy, ranking 4th in both categories. It excels in the Recovery and Resolution Process subcategory, ranking among the top three countries globally for creditor protection during liquidation and reorganization. Singapore's combination of low tax rates and high regulatory quality further supports its investor appeal, placing it 2nd in the Tax and Regulation subcategory.

Figure B2. Singapore's GOI Rank by Category and Subcategory

		Color Key
TOTAL	7	1-20
Business Perception	4	21-40
Business Constraints	8	41-60
Recovery and Resolution Process	4	>60
Economic Fundamentals	31	
Economic Performance	20	
Workforce Talent	39	
Future Environment of Growth	41	
Financial Services	7	
Financial Size and Condition	3	
Financial Access	11	
Institutional Framework	15	
Transparency	15	
Public Governance	33	
Innovation	14	
Investors' Rights	13	
International Standards and Policy	4	
Economic Openness	18	
Patents and Trademarks	9	
Tax and Regulation	2	

Source: Milken Institute (2026)

The only GOI category in which Singapore ranks outside the top 20 is Economic Fundamentals, largely due to a relatively weaker score in the Future Environment of Growth, driven largely by demographic pressures such as a low fertility rate and high population density. Even so, Singapore's strengths in financial services, business perception, and regulatory quality continue to make it one of the most attractive destinations for investors interested in the region.

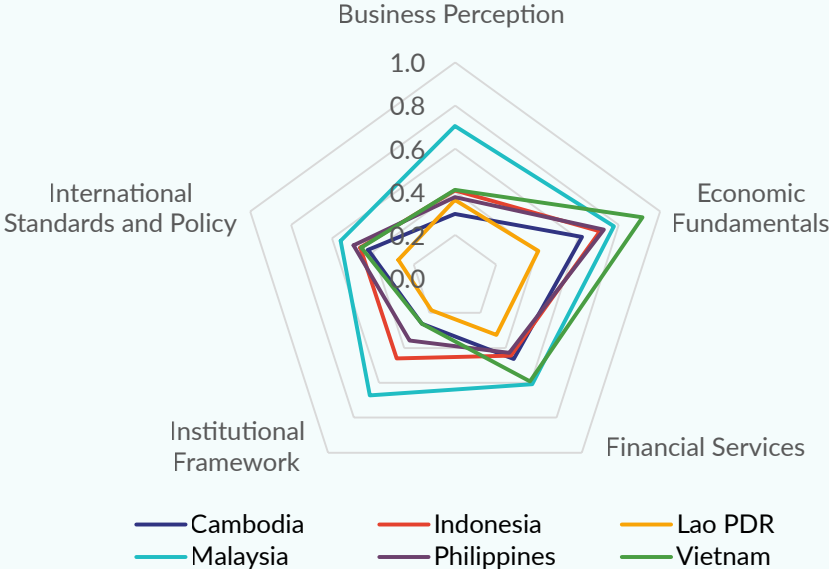
In addition to Singapore's role in attracting foreign capital to Southeast Asia, its banks play a central role in regional financing. With ample capital and liquidity, Singapore's banks have expanded their footprint across Southeast Asia in recent years. From November 2022 to November 2023, United Overseas Bank (UOB) completed a series of major acquisitions in Malaysia, Thailand, Vietnam, and Indonesia, doubling its retail customer base in these countries.⁷ This move solidified Singapore's position as a major source of regional lending and a central conduit of financing across Southeast Asia's growth markets.

Heterogeneity Within Growth Markets in Southeast Asia

The six growth markets in Southeast Asia analyzed in the report exhibit considerable diversity in investment conditions. Malaysia has the strongest investment environment, maintaining its strong performance despite recent political transitions.⁸ It ranks 1st among these six countries in all GOI categories except Economic Fundamentals (Figure 5). Among peer developing economies, Malaysia stands out in Financial Size and Condition and Business Constraints, scoring statistically significantly above the average of developing economies in these subcategories (Figure 6). The main exception in its noteworthy performance is the Recovery and Resolution Process subcategory, where Malaysia scores slightly below the average of developing economies.

Vietnam leads in Economic Fundamentals, driven by its exceptionally high Economic Performance score. Fueled in part by a supply chain reconfiguration, Vietnam’s real GDP growth has accelerated, reaching 7.1 percent in 2024 and 6.5 percent in 2025.⁹ The country also benefits from a favorable Future Environment of Growth and a strong Financial Services sector, scoring statistically significantly above the average for developing economies in the Financial Size and Condition subcategory (Figure 6). However, Vietnam lags the developing economies’ average in the Institutional Framework category, with scores below the mean in Transparency, Public Governance, and Investors’ Rights.

Figure 5. GOI Scores for Growth Markets in Southeast Asia by GOI Category



Source: Milken Institute (2026)

Figure 6. Comparison to Average of Developing Economies by Country and GOI Subcategory

	Cambodia	Indonesia	Lao PDR	Malaysia	Philippines	Vietnam
Business Constraints	0.13	0.65	1.08	2.16	-0.57	1.21
Recovery and Resolution Process	-0.90	-0.69	-1.35	-0.18	0.21	-1.18
Economic Performance	1.37	0.84	-0.88	1.75	1.40	2.74
Workforce Talent	0.55	0.09	0.32	0.36	-0.34	0.87
Future Environment of Growth	-0.36	0.65	-0.95	0.69	0.78	1.06
Financial Size and Condition	1.83	0.22	0.82	2.15	1.03	2.15
Financial Access	-0.78	0.80	-1.24	0.53	-0.29	
Transparency	-1.12	-0.02	-1.23	0.99	-0.14	-0.88
Public Governance	-1.22	0.08	-0.37	0.78	-0.87	-1.06
Innovation	-0.66	1.65	-0.44	1.30	0.03	0.66
Investors' Rights	0.47	-0.86	-1.97	1.70	0.24	-1.36
Economic Openness	0.43	0.71	-0.53	1.02	0.87	0.44
Patents and Trademarks	-0.24	-0.10	0.11	0.65	0.42	0.56
Tax and Regulation	-0.03	-0.07	-0.77	0.42	-0.17	-0.03

Color Key	>2	1 to 2	0 to 1	0 to -1	< -1
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Source: Milken Institute (2026)

Indonesia—the largest of the six economies analyzed—has a broadly balanced investment profile, scoring near or slightly above the average of developing economies on most GOI subcategories (Figure 6). Indonesia’s business environment benefits from relatively strong institutions. It ranks 2nd among these six countries in the Institutional Framework category, with a particularly high Innovation score relative to other developing economies. Globally, Indonesia ranks 15th in Economic Performance, reflecting its stable growth alongside relatively low government debt and unemployment.

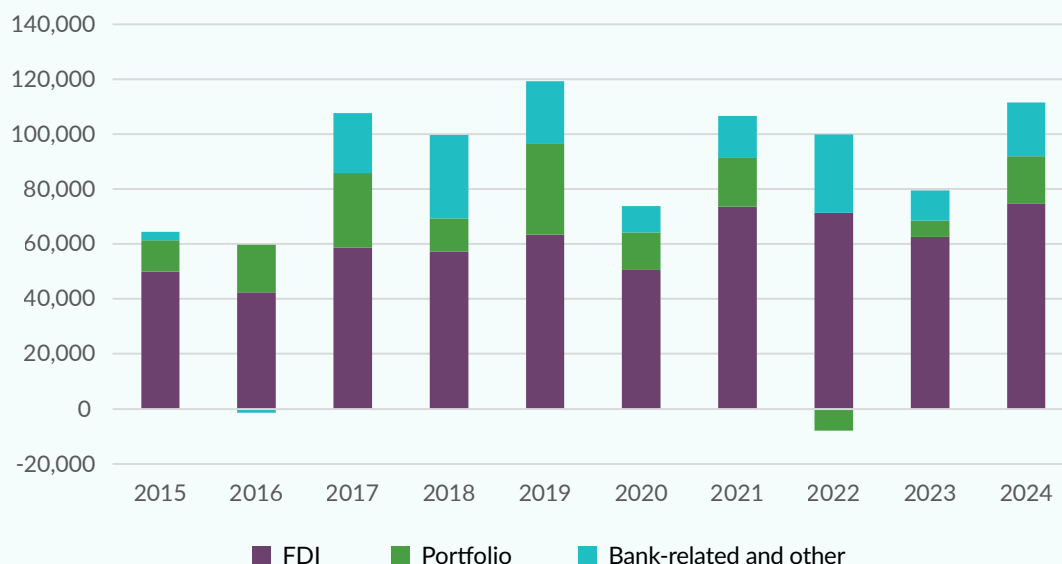
The Philippines also benefits from a balanced investment environment. It ranks 2nd among the six countries analyzed in International Standards and Policy, driven by relatively high scores in the Economic Openness and Patents and Trademarks subcategories (Figure 6). Like Vietnam, the Philippines has experienced rapid post-pandemic growth, placing 6th globally in Economic Performance. However, the country continues to lag in Business Perception and Institutional Framework, particularly in the Business Constraints and Public Governance subcategories.

Cambodia and Lao PDR have the least attractive investment environments of these six economies, ranking last or second-to-last across most GOI categories (Figure 5). Both countries face institutional weaknesses—ranking 73rd (Cambodia) and 79th (Lao PDR) in the Institutional Framework category—and score relatively low in Transparency. In addition, Cambodia falls well below the average of developing economies in Public Governance, while Lao PDR falls behind the developing economies’ group in Investors’ Rights. Cambodia also has the weakest Business Perception in the region. In turn, Lao PDR lags in Financial Services, with an especially low score in Financial Access.

Recent Trends in Cross-Border Investment in Growth Markets in Southeast Asia

Capital inflows to the six growth markets in Southeast Asia analyzed in the report experienced substantial year-to-year variation from 2015 to 2024 (Figure 7). FDI remained the primary source of capital throughout the decade, increasing slightly from \$50.0 billion in 2015 to \$74.7 billion in 2024 and averaging 67.6 percent of total inflows over the period. Portfolio and bank-related and other inflows each averaged 16.2 percent of total capital, with considerable year-to-year fluctuations across both categories.¹⁰ Portfolio inflows ranged from -\$7.9 billion in 2022 to \$33.0 billion in 2019, while bank-related and other inflows ranged from -\$1.4 billion in 2016 to \$30.4 billion in 2018.

Figure 7. Capital Inflows to Growth Markets in Southeast Asia by Type of Capital and Year (USD mill.)



Source: Authors' analysis of data from the IMF International Financial Statistics (2025)

BOX 3. CLASSIFICATION OF CAPITAL FLOWS

We define capital inflows as the financial transactions between foreign investors and domestic economies, measured as nonresidents' net acquisitions of domestic assets. Inflows can be positive or negative, depending on whether purchases exceed sales or vice versa. For instance, when foreign investors purchase \$5 million in domestic assets while selling \$3 million during the same period, this results in net capital inflows of \$2 million.

Capital inflows are classified into three main categories based on the type of investment and underlying motivation:

- **Foreign direct investment inflows:** nonresidents' direct ownership or controlling interest in domestic firms, typically through direct equity purchases
- **Portfolio inflows:** nonresidents' acquisition of stocks, bonds, and other securities issued by residents, including both equity and debt securities in financial markets, without controlling interest
- **Bank-related and other inflows:** transactions in deposits, loans, and other financial instruments, with classification determined by the type of instrument rather than the type of investor, meaning that investors can include nonbank entities. Note that foreign banks' purchase of a resident-issued bond falls under portfolio investments, not bank-related and other flows.

Global and Regional Benchmarks

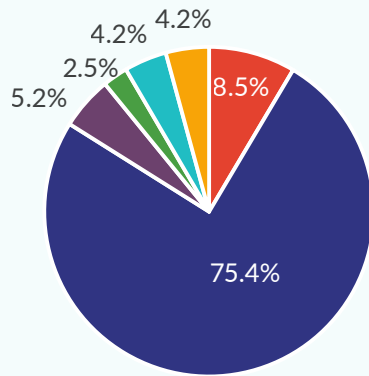
Growth markets in Southeast Asia represent a subset of developing economies, which captured less than 20 percent of the world's capital investment from 2021 to 2024 (Figure 8). Since the COVID-19 pandemic, global capital inflows have increasingly favored advanced economies. From 2021 to 2024, advanced economies absorbed roughly \$1.2 trillion in additional inflows compared to the period from 2017 to 2020 (a 29.5 percent increase), increasing their share of global capital inflows from 75.4 percent to 82.4 percent.

Among developing economies, inflows to China contracted sharply, falling by \$295.2 billion (a 64.1 percent decline) between the four-year periods from 2017 to 2020 and from 2021 to 2024. Inflows to other developing regions expanded in absolute terms—by 14.1 percent in developing economies in Asia (excluding China), 12.2 percent in Latin America and the Caribbean, and 26.4 percent in developing Europe (Figure 8). This growth, however, did not fully compensate for the sharp decline in capital inflows to China that reshaped the global distribution of capital flows.

Figure 8. Share of Global Capital Inflows by Region

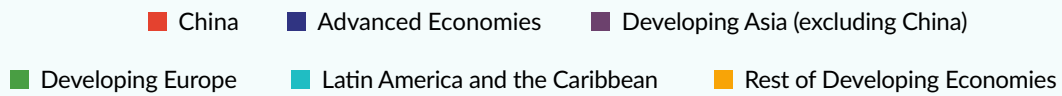
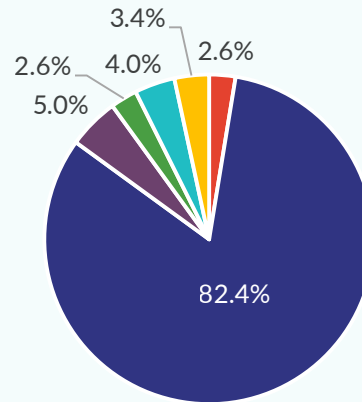
8a. Average from 2017 to 2020

Total = \$5.41 trillion



8b. Average from 2021 to 2024

Total = \$6.40 trillion



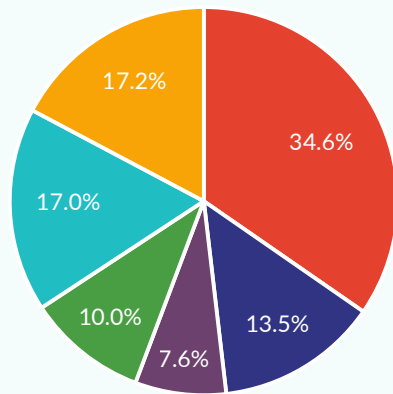
Source: Authors' analysis of data from the IMF International Financial Statistics (2025)

Shifts in capital inflows across developing regions were mixed. Within the developing economies' aggregate, China's share of capital inflows declined by nearly 20 percentage points, falling to 14.7 percent of the total from 2021 to 2024 (compared to 34.6 percent from 2017 to 2020). Latin America and the Caribbean became the most popular destination for investments, attracting almost a fourth (22.5 percent) of all capital inflows to developing economies from 2021 to 2024 (Figure 9). The six growth markets in Southeast Asia analyzed in the report accounted for 8.8 percent of total capital inflows to developing economies from 2021 to 2024, up from 7.6 percent from 2017 to 2020.

Figure 9. Share of Capital Inflows to Developing Economies by Region

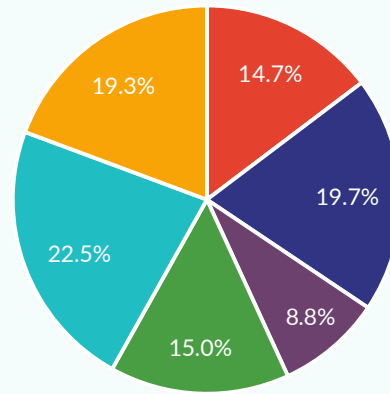
9a. Average from 2017 to 2020

Total = \$1.33 trillion



9b. Average from 2021 to 2024

Total = \$1.13 trillion

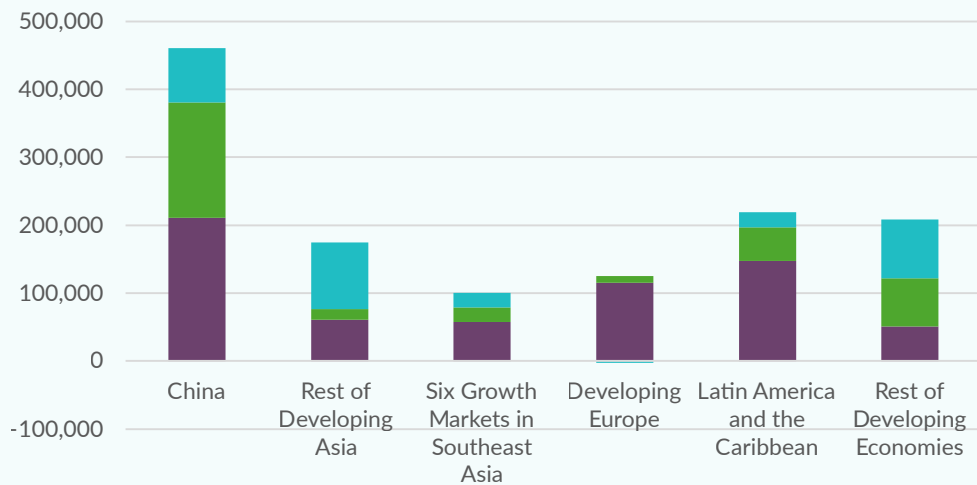


Source: Authors' analysis of data from the IMF International Financial Statistics (2025)

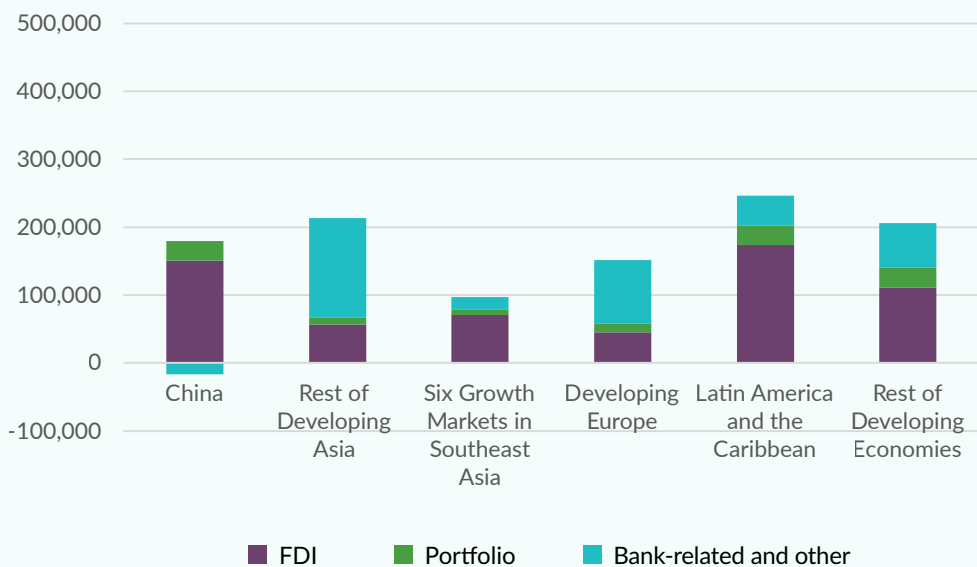
The drop in investment in China altered the composition of capital inflows to developing economies (Figure 10). From 2017 to 2020, portfolio investments accounted for more than a third (36.9 percent) of capital inflows to China—a high share relative to other developing economies. However, from 2021 to 2024, portfolio inflows to China declined both in absolute and relative terms. When all types of capital inflows to China decreased in the latter period, FDI had the smallest decline, down \$5.9 billion, compared with declines of \$14.1 billion in portfolio and \$9.7 billion in bank-related and other inflows. As a result, FDI increased its share of total inflows to China and to the developing economies as a whole.

Figure 10. Capital Inflows to Developing Economies by Region and Type of Capital (USD mill.)

10a. Average from 2017 to 2020



10b. Average from 2021 to 2024

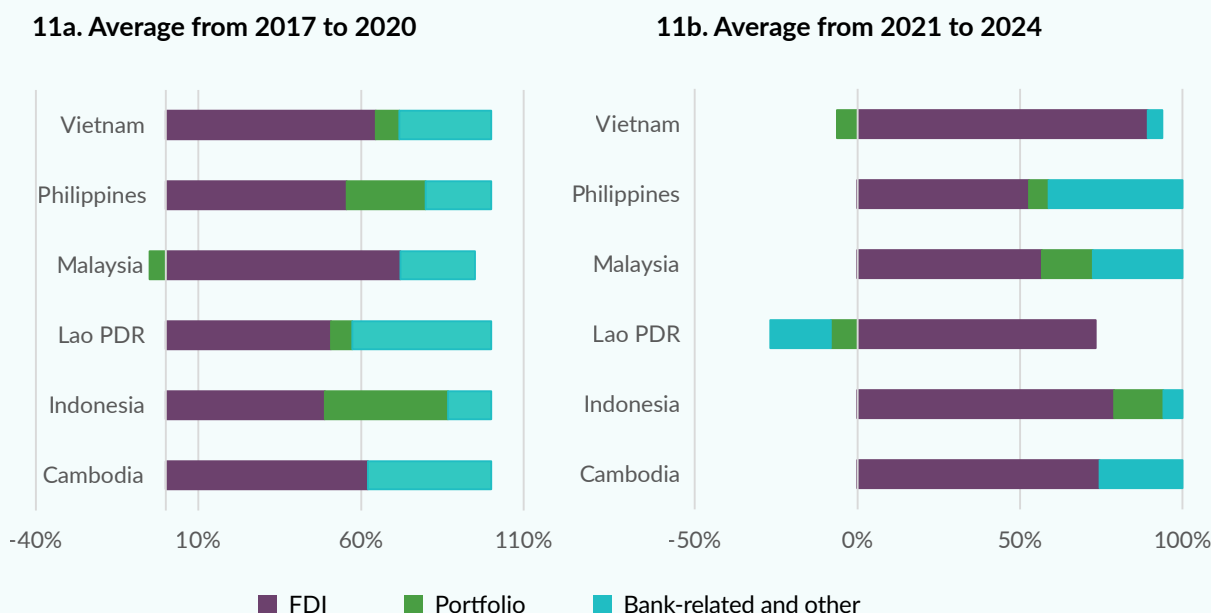


Source: Authors' analysis of data from the IMF International Financial Statistics (2025)

The rest of the developing regions also experienced changes in their capital mix between the two periods. Developing Europe shifted its capital inflows toward bank-related and other financing, which accounted for 61.4 percent of total inflows from 2021 to 2024. In contrast, Latin America and the Caribbean maintained a relatively stable capital mix anchored in FDI inflows, while the six growth markets in Southeast Asia analyzed in the report increased their FDI share from 57.4 percent from 2017 to 2020 to 72.5 percent from 2021 to 2024. Other developing regions (including Sub-Saharan Africa, and the Middle East and Central Asia) also increased their FDI concentration in the latter period.

Magnitude and Composition of Capital Inflows

Figure 11. Share of Capital Inflows by Country and Type of Capital



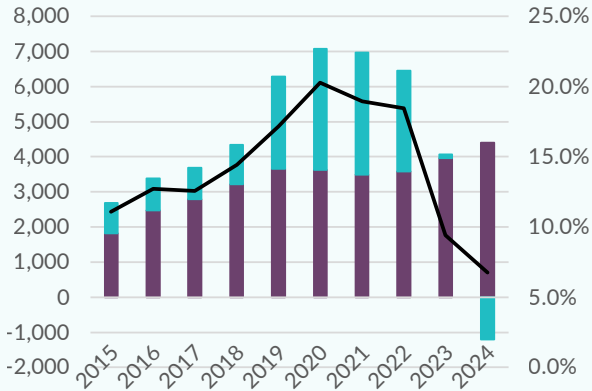
Source: Authors' analysis of data from the IMF International Financial Statistics (2025)

In aggregate, FDI accounted for 72.5 percent of capital inflows to the six growth markets in Southeast Asia analyzed in the report from 2021 to 2024, a 15.1 percentage point increase relative to the period from 2017 to 2020. Meanwhile, the share of portfolio inflows declined sharply from 21.5 percent to 8.5 percent, and bank-related and other inflows fell to 19.1 percent, a 2.0 percentage point decrease from the earlier period. This pattern was due to an increase in the FDI share in four of these six countries, with Malaysia and the Philippines as the exceptions (Figure 11).

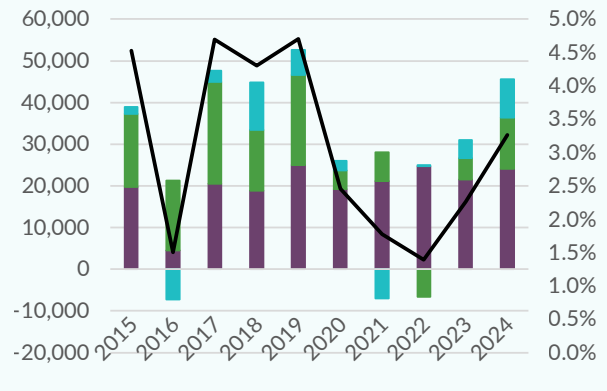
FDI shares decreased in Malaysia and the Philippines from 2021 to 2024 (relative to 2017 to 2020), despite an increase in their absolute values. This decrease resulted from a steep rise in the two countries' portfolio and bank-related and other inflows, particularly in Malaysia, where the sum of these inflows increased more than fivefold (Figure 12). Overall, shifts in portfolio and bank-related and other inflows drove much of the variation in capital inflows to the growth markets in Southeast Asia analyzed in the report over the past decade.

Figure 12. Capital Inflows to Growth Markets in Southeast Asia by Type of Capital and Year (USD mill.)

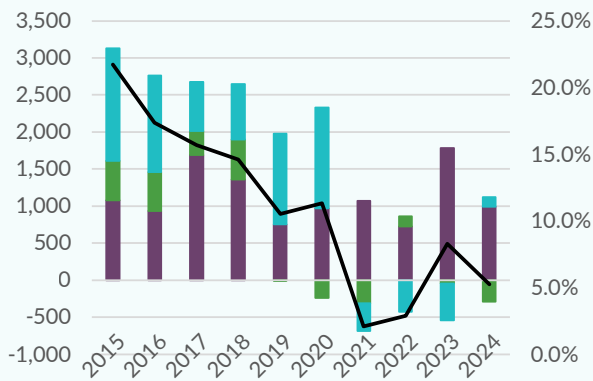
12a. Cambodia



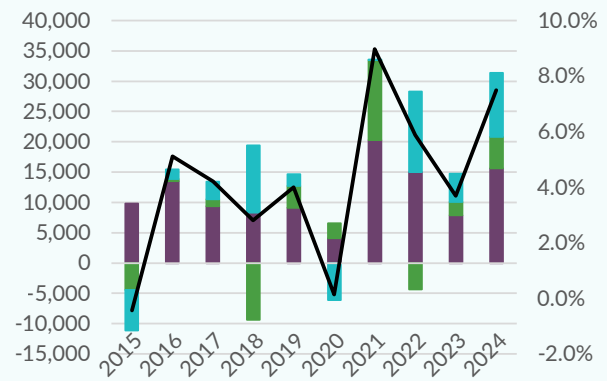
12b. Indonesia



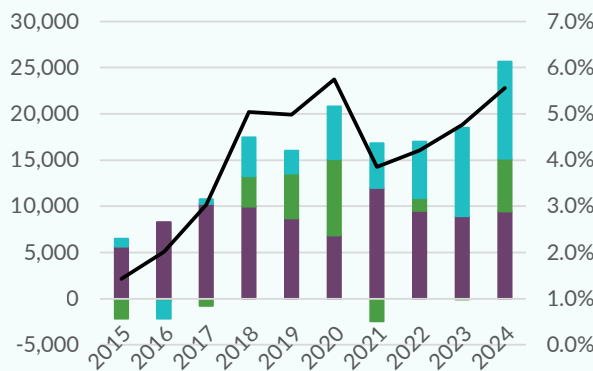
12c. Lao PDR



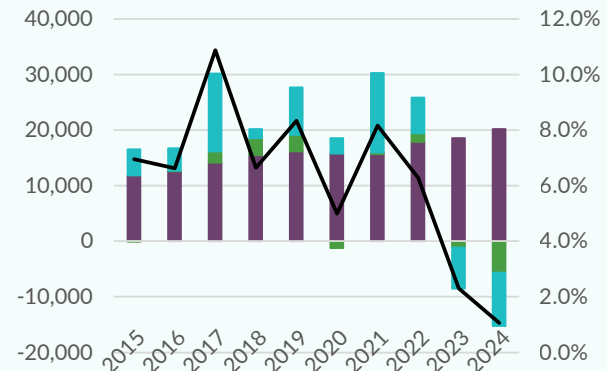
12d. Malaysia



12e. Philippines



12f. Vietnam



■ FDI ■ Portfolio ■ Bank-related and other — Total as % of GDP

Source: Authors' analysis of data from the IMF International Financial Statistics (2025)

BOX 4. CAPITAL INFLOWS TO GROWTH MARKETS IN SOUTHEAST ASIA IN THE PAST DECADE

Overall, capital inflows to the six growth markets in Southeast Asia analyzed in the report increased over the past decade. This aggregate pattern, however, masks notable differences across countries:

- In Cambodia, capital inflows grew steadily until 2021, driven primarily by a strong expansion in bank-related and other inflows and a modest gain in FDI. Since then, bank-related and other inflows have declined sharply, turning negative in 2024. Meanwhile, FDI remained relatively stable, while portfolio inflows were negligible.
- In Indonesia, FDI inflows grew in absolute terms while portfolio and bank-related and other inflows decreased. Despite attracting substantial portfolio inflows from 2015 to 2019, Indonesia experienced relatively low (or negative) portfolio and bank-related and other inflows from 2020 to 2023. Both types of capital recovered in 2024, resulting in the most balanced composition of capital inflows in the country since 2018.
- In Lao PDR, FDI had the largest share of inflows from 2017 to 2018 and again in 2023 and 2024, increasing in relative terms over the entire period, despite a slight decline in its absolute value. Bank-related and other inflows accounted for the largest share of total capital in 2019 and 2020, but declined thereafter, turning negative from 2021 to 2023. Meanwhile, portfolio inflows remained minimal throughout the decade.
- Malaysia experienced the most frequent reversals in capital inflows throughout the decade. After 2015—when FDI represented the only positive type of capital inflows—the total amount of capital generally increased until 2019. Capital flight to safety in 2020 led to a sharp decline in inflows to Malaysia, followed by a recovery in 2021 that has persisted through 2024, despite a temporary drop in inflows in 2023.
- The Philippines demonstrated the most consistent growth trajectory, with its capital inflows rising steadily from 2015 through 2020, before dropping in 2021, and resuming growth in 2022. Bank-related and other inflows played an increasingly significant role from 2018 onward, overtaking FDI in 2023 and 2024. By 2024, the Philippines had a remarkably balanced composition of capital inflows, with 40.9 percent bank-related and other inflows, 36.8 percent FDI, and 22.3 percent portfolio inflows.
- Vietnam experienced a marked shift in the composition of its capital inflows, with an increase in FDI and declines in other types of inflows from 2015 to 2024. While its FDI has remained relatively stable at or above 53.0 percent of total capital inflows, other types of capital have experienced considerable volatility, primarily driven by sharp fluctuations in bank-related and other inflows.

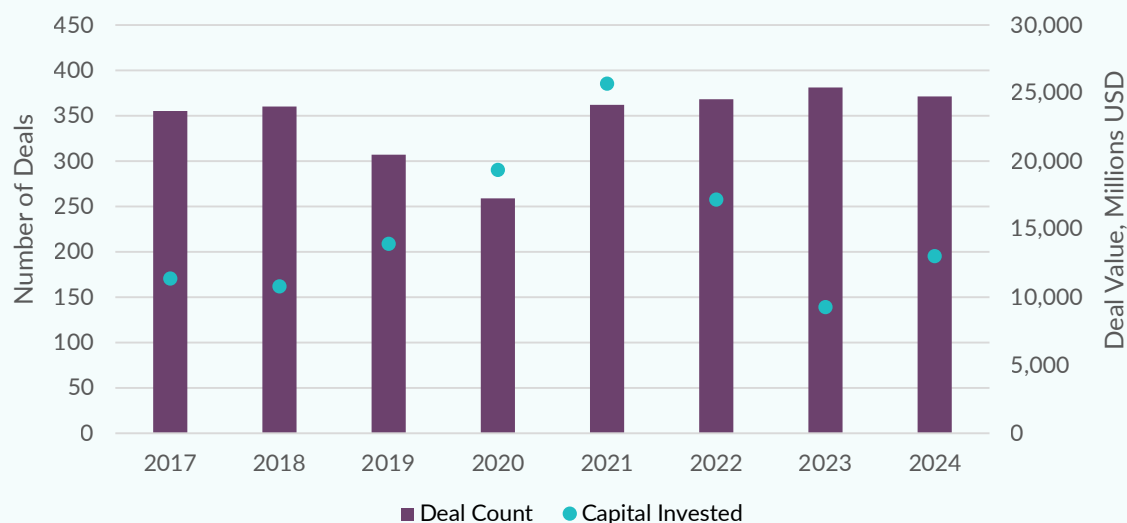
Mergers and Acquisitions in Growth Markets in Southeast Asia

M&As are an important driver of economic activity and a key indicator of FDI inflows to a country. Recent M&A activity in the six growth markets in Southeast Asia analyzed in the report, therefore, offers valuable insight into the structure and composition of the group's investments.

Except for a brief period following the onset of COVID-19 in 2020, the number of M&A transactions (i.e., deal count) in these six countries remained relatively stable from 2017 to 2024, totaling 2,763 transactions. In contrast, the value of M&A investments was far more volatile, reflecting the outsized influence of a small number of exceptionally large transactions—most notably in Indonesia in 2020 and Malaysia in 2021.

Because these six countries represent a relatively small share of global M&A transactions—approximately 1.2 percent from 2017 to 2024—individual large deals can materially affect annual and country-level investment value. For example, an \$18 billion merger between rideshare firm Gojek and e-commerce firm Tokopedia in Indonesia meaningfully elevated total M&A investment in 2021 (Figure 13). While such transactions are a defining feature of these countries' M&A landscape (and are therefore included in our analysis), their presence underscores the need for caution when interpreting year-to-year fluctuations in deal values.

Figure 13. Annual M&A Activity in Growth Markets in Southeast Asia, 2017 to 2024



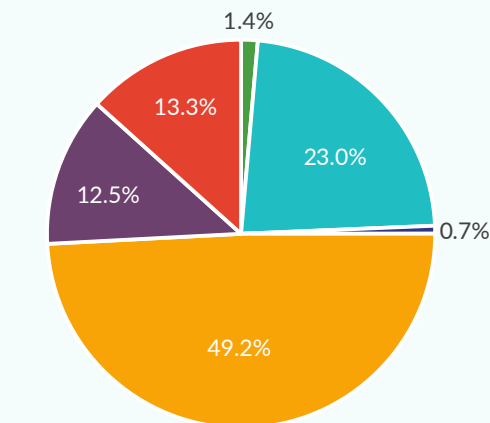
Source: Authors' analysis using data from PitchBook Inc.

Composition of M&A Transactions

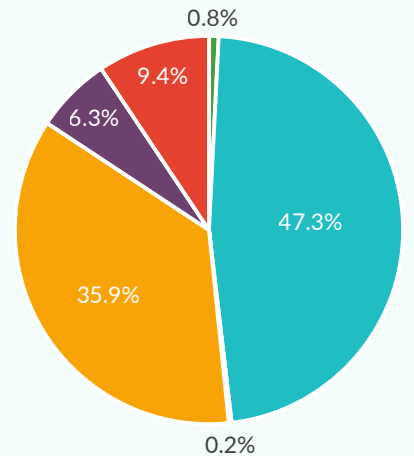
M&A activity is unevenly distributed across the six growth markets in Southeast Asia analyzed in the report. From 2017 to 2024, Malaysia accounted for almost half (49.2 percent) of all M&A deals in these six countries, while Indonesia—the largest economy by GDP—accounted for 47.3 percent of total deal value, due in part to an \$18 billion merger between Gojek and Tokopedia in 2021 (Figure 14). Vietnam ranked 3rd in both deal count and value, accounting for 13.3 percent and 9.4 percent, respectively. The Philippines followed in 4th place, with 12.5 percent of deals and 6.3 percent of deal value. Lao PDR and Cambodia, the smallest of these six economies, recorded minimal M&A activity, each contributing 1.0 percent or less of total deal value (Figure 14).

Figure 14. Percentage of M&A Activity by Country, 2021 to 2024

14a. Number of Deals



14b. Deal Value



■ Cambodia ■ Indonesia ■ Lao PDR ■ Malaysia ■ Philippines ■ Vietnam

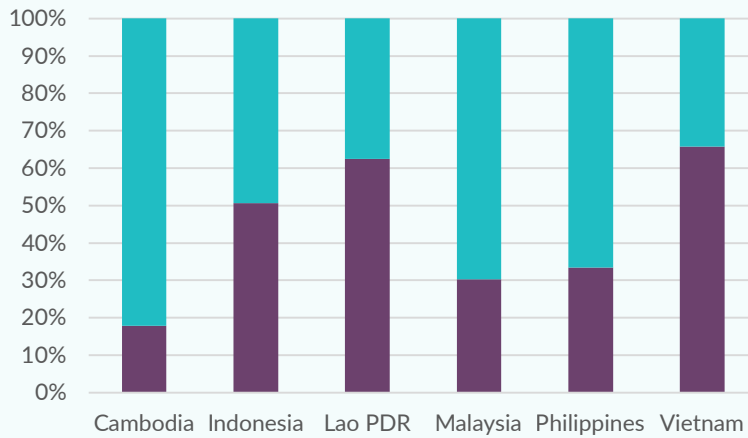
Source: Authors' analysis using data from PitchBook Inc. (2026)

Cross-border M&As tend to be larger than domestic deals, accounting for a greater share of deal value (49.2 percent) than transactions (40.3 percent) in these six countries from 2017 to 2024. Indonesia had an almost identical split between domestic and cross-border M&As in both deal count and value during this period. Malaysia exhibited a similar pattern in deal value, although its deal count was dominated by domestic activity, which accounted for 69.8 percent of total transactions (Figure 15). The Philippines was the only one of the six countries analyzed where domestic M&As accounted for a larger share of both deal count and value.

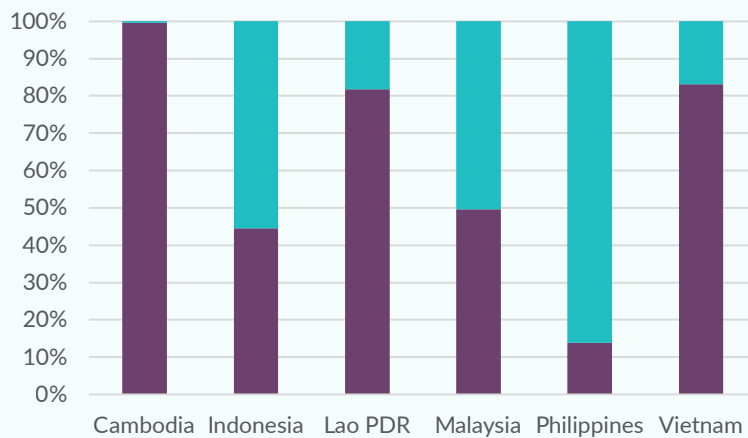
Given the significant role of cross-border M&As in foreign direct investment and overall capital inflows, the following section examines these types of transactions in greater detail.

Figure 15. Domestic Versus Cross-Border M&A Activity by Country, 2021 to 2024

15a. Deal Count



15b. Capital Value



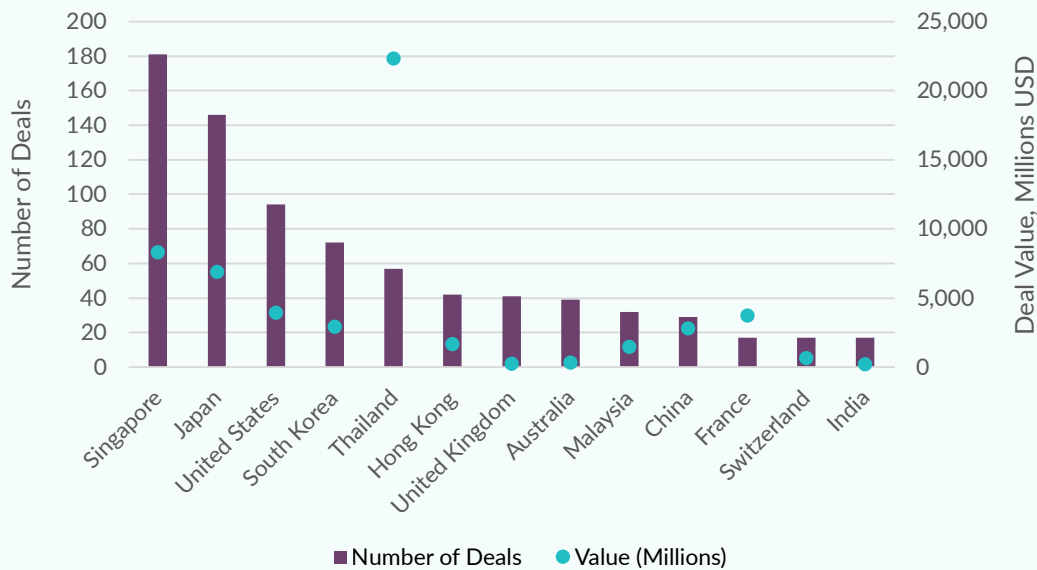
■ Cross-Border
■ Domestic

Source: Authors' analysis using data from PitchBook Inc. (2026)

Focus on Cross-Border M&A Activity

Cross-border M&A transactions in the six growth markets in Southeast Asia analyzed in the report tend to originate in Asia's advanced economies and the United States. From 2017 to 2024, Singapore was the most common country of origin for cross-border M&As, accounting for 18.9 percent of all deals in these six countries. Japan ranked 2nd with 15.3 percent of the deals, followed by the United States and South Korea, with 9.8 percent and 7.5 percent, respectively (Figure 16). Together, these four countries accounted for just over half of all cross-border M&A transactions across the six growth markets in Southeast Asia analyzed in the report, underscoring the importance and depth of regional and international investment linkages that connect developing Southeast Asian economies with major advanced economies.

Figure 16. Cross-Border M&A Activity in Developing Economies in Southeast Asia by Origin, 2017 to 2024

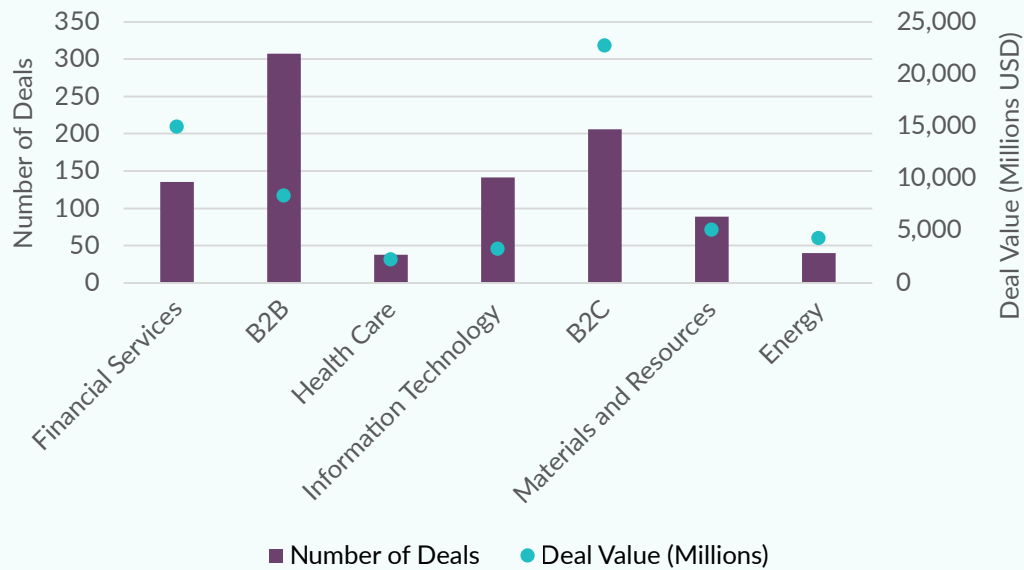


Source: Authors' analysis using data from PitchBook Inc. (2026)

By deal value, Thailand stands out as the main source of M&A activity from 2017 to 2024 in the six countries analyzed. The unusually high M&A capital value originating in Thailand over this period largely reflects a single transaction, namely the acquisition of Tesco's Malaysian businesses by Charoen Pokphand Group for \$10.6 billion in December 2020. Excluding this exceptional transaction, the four countries with the highest number of cross-border M&A deals in the area—Singapore, Japan, the US, and South Korea—were also the top four in terms of transaction value. Notably, France was the 5th-largest source by capital value from 2017 to 2024, despite ranking 11th in deal count.

Across industry sectors, Business Product and Services (B2B) and Consumer Products and Services (B2C) account for the largest shares of cross-border M&A deal count in the six growth markets in Southeast Asia analyzed in the report, followed by Information Technology (IT) and Financial Services (Figure 17). In terms of capital value, B2C ranks first—driven largely by the aforementioned outsized Tesco transaction—followed by Financial Services and then B2B, despite the latter sector's leading position in deal count. This divergence reflects differences in deal size across industry sectors. B2B transactions tend to involve smaller, regionally focused mergers, while deals in the Financial Services and Energy sectors tend to be larger transactions involving international firms.

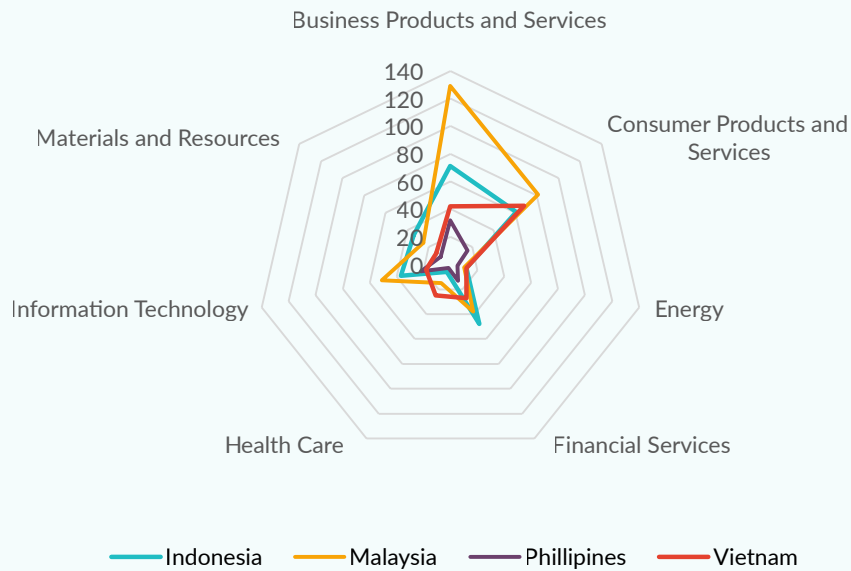
Figure 17. Cross-Border M&A Activity in Growth Markets in Southeast Asia by Industry Sector, 2017 to 2024



Source: Authors' analysis using data from PitchBook Inc. (2026)

Focusing on the four countries with more than 1.0 percent of M&A activity—Malaysia, Indonesia, the Philippines, and Vietnam—reveals notable similarities in the industry composition of cross-border deals. Although deal volumes vary, B2B and B2C account for the largest shares of transactions in three of these four countries (Figure 18). IT and Financial Services also account for a substantial portion of M&A activity across these major economies, while Materials and Resources, Health Care, and Energy play less prominent roles.

Figure 18. Cross-Border Deal Count by Country and Industry Sector, 2017 to 2024



Source: Authors' analysis using data from PitchBook Inc. (2026)

The Philippines stands out as the only country where B2C plays a relatively smaller role, with IT ranking 2nd in terms of deal count from 2017 to 2024. Vietnam records a comparatively high number of Health Care M&A transactions, while Indonesia had the largest share of deals in Materials and Resources. Despite these differences, the overall sectoral distribution of M&A deals remains broadly consistent across the four countries.



Conclusion

Growth markets in Southeast Asia stand at an important juncture. The region has demonstrated that even amid global trade frictions, softening domestic demand, and shifting patterns of capital inflows, it can sustain economic growth. Our findings for six rapidly growing economies in the region—Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, and Vietnam—highlight their resilience while underscoring the work that remains ahead. Strengthening institutions and improving business conditions by narrowing regulatory gaps will be essential for ensuring that these countries can continue to attract—and productively deploy—the investment needed for long-term growth.

As the global environment continues to evolve, growth markets in Southeast Asia, such as Indonesia, Malaysia, and Vietnam, are well positioned to capitalize on emerging opportunities. These countries benefit from strong economic fundamentals, growing financial sectors, and dynamic innovation economies. Yet, to fully capitalize on the new opportunities created by shifting capital trends, they must invest in their workforce talent and strengthen public governance structures. Together, these efforts will determine how effectively they can convert their current momentum into sustained and inclusive growth.

As investors and policymakers navigate what will likely remain a complex landscape, the GOI provides a framework for identifying the underlying conditions that foster economic dynamism. Ultimately, countries that sustain reform momentum—by deepening financial markets, improving regulatory quality, and investing in human capital—will be best positioned to translate external capital into durable gains in productivity, competitiveness, and living standards.

Endnotes

1. As in previous years, the GOI report focuses on emerging and developing economies as defined by the International Monetary Fund's World Economic Outlook. This year, we focus on countries that meet this classification and have growth rates of 4 percent or higher. Brunei Darussalam and Timor-Leste are excluded due to limited data availability.
2. *Regional Economic Outlook: Asia and Pacific* (International Monetary Fund, October 16, 2025), <https://www.imf.org/en/publications/reo/apac/issues/2025/10/24/regional-economic-outlook-for-asia-and-pacific-october-2025>.
3. Ibid.
4. Coverage of the GOI is limited to countries with data available for at least 80 percent of the indicators used to construct the index. For the 2026 edition, coverage was constrained by the availability of World Bank *Business Ready* data from its 2025 release, which does not include several major economies, including China, Germany, Japan, and India. The 2026 edition of *Business Ready* is expected to expand coverage to these countries and others, enabling the GOI to include more than 100 economies in future editions.
5. The standardized score for each country is calculated by subtracting the average category score for developing economies outside developing Southeast Asia from the country's category score and dividing the result by the standard deviation of that category across all developing economies. This calculation yields a z-score that estimates the statistical significance of the difference between a country's performance and the average of developing economies, with values above 1.96 indicating a statistically significant difference.
6. The role played by Singapore in recent cross-border M&A activity in developing economies in Southeast Asia is discussed at length in a later section of the report. See also: Tristan Hennig et al., *Financial Interconnectedness in Asia and the Pacific—Recent Shifts and Implications for Singapore* (International Monetary Fund, August 14, 2025), <https://www.imf.org/-/media/files/publications/selected-issues-papers/2025/english/sipea2025114.pdf>.
7. "UOB Completes Acquisition and Integration of Citigroup's Consumer Banking Business in Indonesia," UOB, November 20, 2023, <https://www.uobgroup.com/uobgroup/newsroom/2023/uob-completes-acquisition-integration-of-citigroup-indonesia-consumer-business.page?path=data/uobgroup/2023/285&cr=segment>.
8. Amay Hattangadi et al., *Malaysia's Newfound Stability* (Morgan Stanley Investment Management, October 2024).
9. "World Economic Outlook (WEO)," International Monetary Fund, accessed January 20, 2026, <https://data.imf.org/en/datasets/IMF.RES:WEO>.
10. See Box 3 for information on the types of inflows covered under the three types of capital analyzed—FDI, portfolio, and bank-related and other inflows.



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