Quarterly Update of the ASEAN+3 Regional Economic Outlook (AREO)

ASEAN+3 Macroeconomic Research Office (AMRO)

Singapore

January 2026

This report was co-authored by Kriti Andhare, Jun Ee Yohnsen Ang, Naoaki Inayoshi (lead), Catharine Kho, Haobin Wang, and Yuhong Wu, under the supervision of Allen Ng (all Regional Surveillance), with contributions from AMRO country desk economists. The report was reviewed by AMRO Senior Management and approved by Dong He (Chief Economist).

Unless otherwise indicated, the analysis in this report is based on information available up to 19 January 2026. For brevity, "Brunei Darussalam" is referred to as "Brunei", and "Hong Kong, China" is referred to as "Hong Kong" in the text and figures.

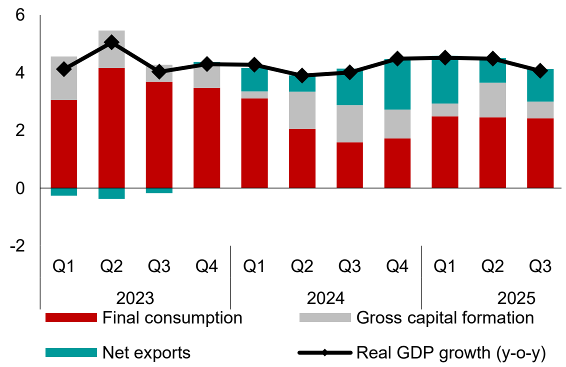
Highlights

- *ASEAN+3 growth exceeded expectations in 2025, supported by resilient technology exports, strong investment in ASEAN, and less severe tariff outcomes than initially anticipated. Inflation remained stable at below its long-run average.*
- *Growth is estimated at 4.3 percent in 2025 and projected to be 4.0 percent in 2026 – upward revisions of 0.2 percentage points for both years compared to the October Update – with moderation in 2026 reflecting expectations of weaker external demand.*
- *Risks to outlook for the region have become more balanced but uncertainty remains elevated. Key concerns are unpredictable US policy, a potential correction in technology demand, and global financial market volatility.*

Regional Economic Developments since the *AREO 2025 October Update*

ASEAN+3 growth continued to hold up in H2 2025, supported by both domestic and external demand. Private consumption remained steady across most economies, underpinned by favorable labor market conditions and low and stable inflation. Private investment remained strong, especially in ASEAN economies, supported by robust FDI commitments into emerging sectors including advanced electronics, electric vehicles, and digital services. On the external front, export demand remained firm, reflecting robust semiconductor-related demand, which helped cushion growth despite ongoing tariff headwinds (Figure 1).

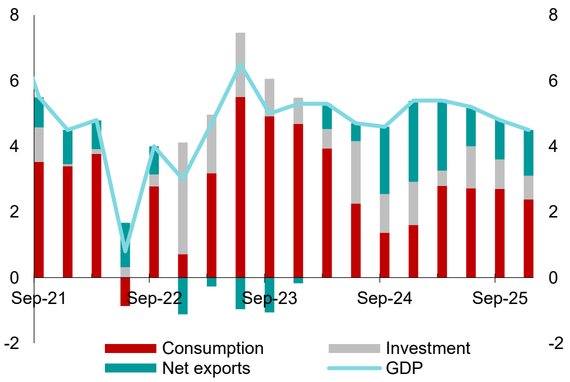
Figure 1. Selected ASEAN+3: Contribution to Real GDP Growth
(Percent, year-on-year; percentage points)



Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Statistical discrepancies are not shown. Excludes Cambodia, Lao PDR, Myanmar, and Vietnam due to data unavailability.

China's economic growth was sustained at 5 percent in 2025. Despite a slight moderation in H2 2025, China registered full-year growth of 5.0 percent – matching its 2024 performance (Figure 2). This performance was sustained by supportive macroeconomic policies, resilient export performance, and robust high-tech manufacturing investment. Nevertheless, the economy continued to face headwinds from a prolonged property sector adjustment, which weighed on overall investment, alongside subdued consumer confidence that dampened domestic demand growth.

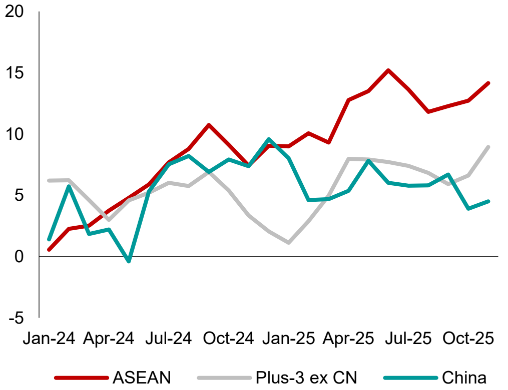
Figure 2. China: Contribution to Real GDP Growth
(Percent, year-on-year; percentage points)



Source: China National Bureau of Statistics (NBS); Wind.

Export performance remained firm. Despite expectations of slower growth following US tariff implementation, regional exports remained firm in H2 2025, buoyed by robust technology demand. ASEAN+3 exports expanded by 7.7 percent, with ASEAN economies showing particularly strong gains (Figure 3). Manufacturing PMIs have also remained broadly positive towards the end of the year, especially in consumer goods and technology equipment segments.

Figure 3. Selected ASEAN+3: Export Growth
(Percent, year-on-year, seasonally adjusted, three-month moving average)



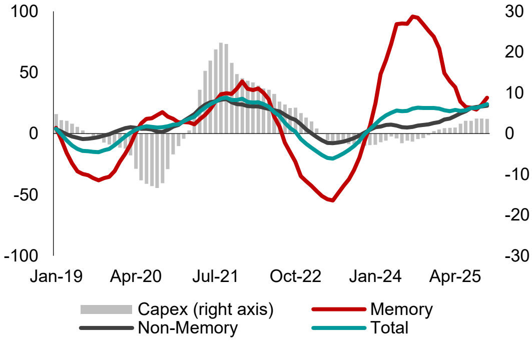
Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Excludes Brunei, Lao PDR, and Myanmar due to data unavailability. Data is seasonally adjusted except for Cambodia. Goods export data are up to November 2025.

Technology exports continued to drive regional export performance. ASEAN+3 semiconductor exports grew robustly by 21.7 percent in H2 2025, reflecting continued strong demand for AI-related applications and cloud infrastructure. Global memory chip sales returned to expansion in H2, pointing to a turnaround in the semiconductor cycle (Figure 4). Looking ahead, the global electronics new orders PMI improved further into December and returned to expansion, signaling continued support to export growth going into 2026.

On the services side, tourism recovery remained uneven across the region. Tourist arrivals generally improved toward the end of the year, with most economies sustaining or regaining momentum (Figure 5). However, following a strong start to the year, tourist arrivals in several other ASEAN economies were affected by temporary disruptions, including natural disasters and security-related concerns.

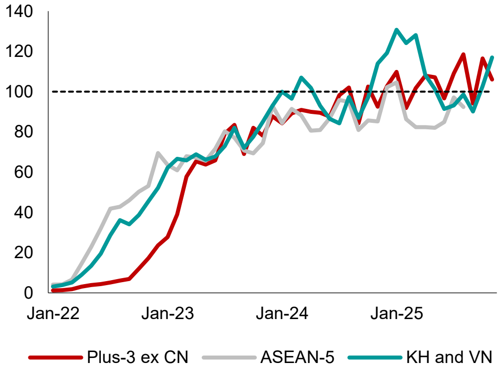
Recent data, however, indicate a normalization in tourism activity towards the year-end. Beyond tourism, the broader services sector has held up well, with services PMIs pointing to continued expansion in industrial and financial services segments.

Figure 4. World: Semiconductor and Capital Expenditure (Capex) Cycles
(Percent, year-over-year, six-month moving average)



Source: World Semiconductor Trade Statistics; AMRO staff estimates.

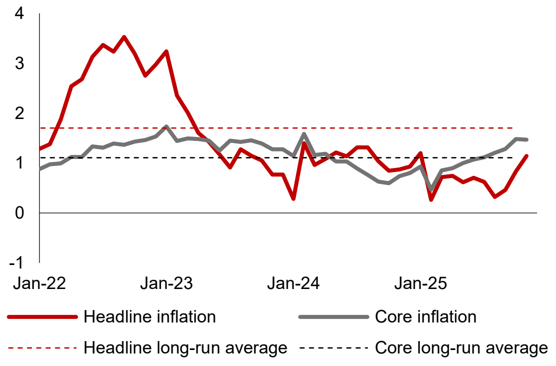
Figure 5. Selected ASEAN+3: Tourist Arrivals
(Index, 2019 = 100)



Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Plus-3 ex CN = Hong Kong, Japan, and Korea. ASEAN-5 = Indonesia, Malaysia, the Philippines, Singapore and Thailand. KH and VN = Cambodia and Vietnam. Excludes Brunei, Lao PDR and Myanmar due to data unavailability. Data are up to November 2025 except for ASEAN-5 (August 2025).

Headline inflation in the region remained below its long-run average in H2 2025. Several economies experienced a modest uptick in headline inflation toward the end of 2025. This uptick was in part driven by higher food prices, as adverse weather conditions disrupted agricultural supply. However, core inflation remained broadly stable across the region around its long-run average.

Figure 6. Selected ASEAN+3: Headline and Core Consumer Price Inflation
(Percent, year-on-year)

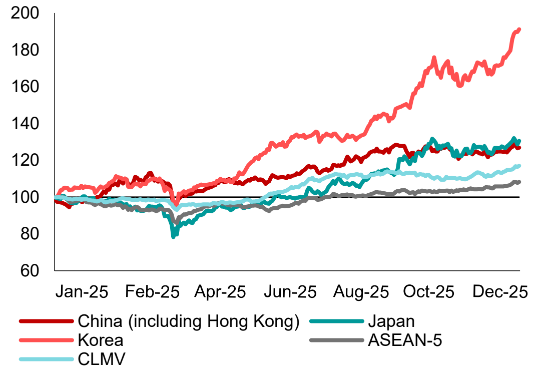


Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Excludes Lao PDR and Myanmar due to data unavailability.

Equity markets continued to strengthen, driven by optimism surrounding AI-related sectors, while regional currencies remained broadly stable. Since the October Update, equity performance has been supported by sustained growth momentum in the AI sector, particularly benefiting technology industries, even as market participants closely monitored developments in US tariff policy. Regional currencies remained broadly stable against the US dollar (Figures 7 and 8). However, some economies experienced currency depreciation and rising 10-year government bond yields, as investors adopted a more cautious stance in response to announcements of expanded fiscal stimulus measures in these economies.

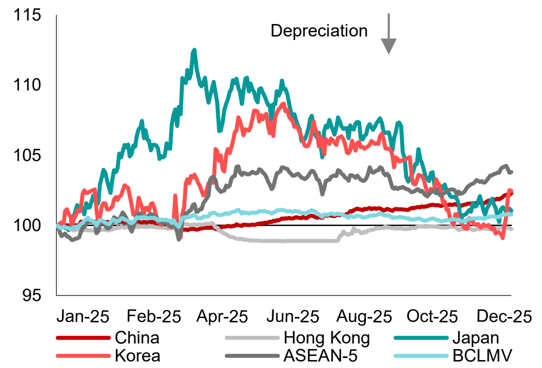
Most central banks across the region held policy rates steady, maintaining an accommodative stance amid subdued inflation pressures. Thailand was a notable exception, cutting rates further in December to a three-year low to support economic growth. In contrast, the Bank of Japan raised rates in December as part of its ongoing monetary policy normalization, as inflation remains above its target level.

Figure 7. Selected ASEAN+3: Equity Market Indices
(Index, 31 December 2024 = 100)



Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: ASEAN-5 is the simple mean of returns in the benchmark equity indices of Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Data as of 9 January 2026.

Figure 8. ASEAN+3: Exchange Rates against the US dollar
(Index, 31 December 2024 = 100)



Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: ASEAN-5 and BCLMV are the simple mean of the changes in bilateral exchange rate against the US dollar of member economies within the group. Data as of 9 January 2026.

Regional Economic Outlook

ASEAN+3 growth is estimated at 4.3 percent in 2025 and is projected to moderate to 4.0 percent in 2026. This represents upward revisions of 0.2 percentage points for both years from the October Update. The stronger-than-expected performance in 2025 reflects less severe tariff outcomes than initially anticipated, robust technology export growth, strong domestic investment – especially in ASEAN – and accommodative macroeconomic policies. While domestic demand is projected to remain firm and continue supporting growth, higher US tariffs and persistent policy uncertainty are expected to weigh on external demand, leading to more moderate growth in 2026.

Headline inflation is estimated at 0.9 percent in 2025 and projected to edge up slightly to 1.2 percent in 2026. The region's low and stable inflation reflects subdued global energy and food prices alongside firm domestic demand. The modest uptick in 2026 stems mainly from subsidy rationalization in some economies. Overall, inflationary pressures remain well contained, with headline inflation staying below 2 percent across the forecast horizon.

Overall risks to the outlook have become more balanced, but downside risks remain and uncertainty continues to be elevated. Ongoing and unpredictable shifts in US trade and macro policy continue to pose risks to the region. A sharp and unanticipated slowdown in technology demand, which has supported both equity markets and exports in recent quarters, could weigh on regional activity, given the region's deep integration in global technology value chains. Additional near-term risks include potential slowdowns in major economies, spikes in global commodity prices, and heightened financial market volatility. However, the regional outlook also has potential upside risks, especially if global semiconductor demand proves more robust than anticipated, or if the high levels of FDI commitments across the region translate more rapidly into actual investment activities.

The five main downside risks that could affect the 2025-2026 baseline forecast are as follows (Figure 9):

- **More aggressive protectionist policies.** Despite greater clarity on tariff rates for most ASEAN+3 economies – and recent trade agreements with some ASEAN members – critical implementation details, such as product classification and treatment of key exports, remain opaque. The risk of tariffs being extended to currently exempted sectors, such as semiconductors, remains significant. Any further escalation of US trade actions could weigh on regional economic activity.

- **Sharp fall in tech demand.** Robust AI-driven demand for technology products has buoyed equity markets and boosted regional exports since 2024. A sharper-than-expected slowdown – stemming from equity market corrections, delays in downstream AI deployment, or capacity overhangs – could weigh significantly on regional exports, with spillovers to other sectors given the technology sector's extensive linkages across regional economies.

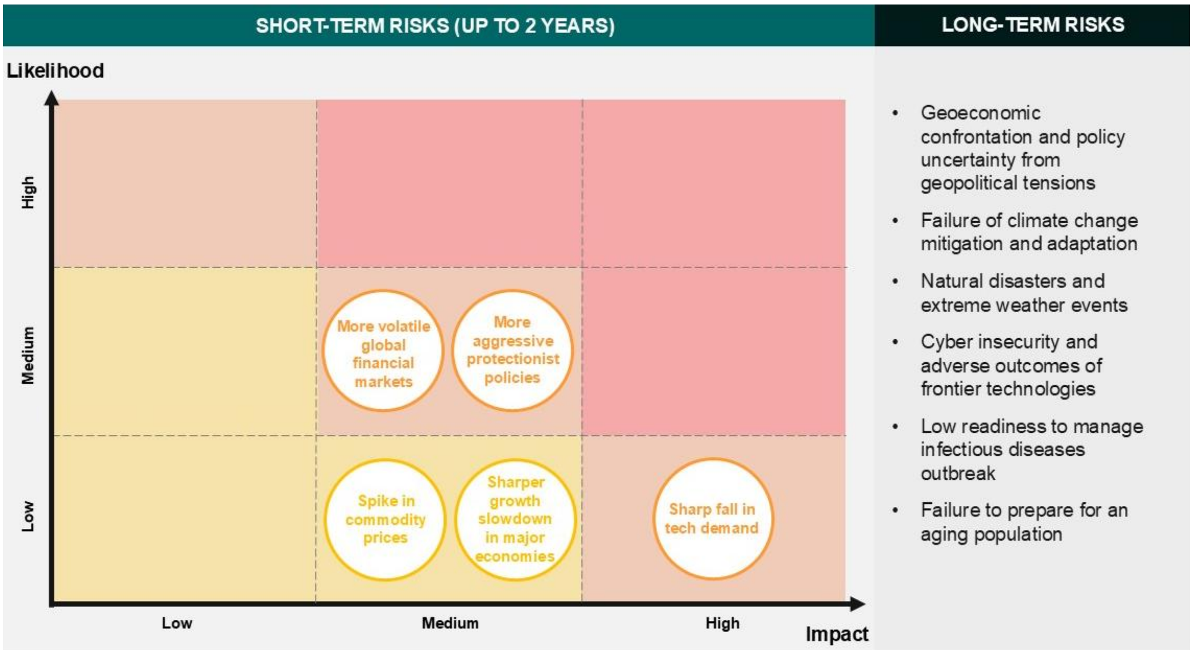
- **More volatile global financial markets.** Global equity valuations remain elevated, and credit spreads are tight, leaving markets vulnerable to shifts in risk sentiment. Potential escalation of geopolitical tensions could cause sharp and unexpected movements in exchange rates and other asset prices. Uncertainty over the Federal Reserve's policy trajectory, especially in the second half of 2026, divergent monetary stances across major economies, and questions surrounding the durability of AI-driven investment flows increase the risk of asset price corrections. Heightened financial market volatility could expose underlying vulnerabilities and undermine macroeconomic stability.

- **Slower growth in major economies.** In the US, policy uncertainty and emerging signs of labor market softening may weigh on consumer and investor confidence, while elevated tariffs and higher inflation could further dampen private demand. In Europe, growth remains vulnerable to risk of higher energy and shipping costs stemming from geopolitical tensions, alongside subdued external demand and structural weaknesses in key industrial sectors. Meanwhile, weaker-than-expected growth in China – driven by protracted property sector adjustment or external headwinds including US tariffs – could also weigh on regional trade, investment, and tourism flows.

- **Spike in global commodity prices.** While commodity prices have remained relatively stable amid ample supply conditions, an escalation of geopolitical tensions in energy-producing regions could trigger spikes in energy prices and reignite inflationary pressures across the region.

Beyond near-term risks, key structural challenges remain a concern for the region. Rising protectionism, accelerating geoeconomic fragmentation, and mounting geopolitical tensions could weigh on long-term growth prospects, particularly for trade-dependent economies. Rapid population aging also poses major economic and social challenges, while inadequate action on climate change risks may heighten the frequency of extreme weather events with significant economic costs.

Figure 9. Regional Risk Map, January 2026



Source: AMRO staff.

Table 1. ASEAN+3: AMRO Growth and Inflation Projections, 2025–26

Economy	Gross Domestic Product (Percent, year-on-year)					Consumer Price Index (Percent, year-on-year)				
	2024	AREO October Update		AREO January Update		2024	AREO October Update		AREO January Update	
		2025[e]	2026[f]	2025[e]	2026[f]		2025[e]	2026[f]	2025[e]	2026[f]
ASEAN+3	**4.2**	**4.1**	**3.8**	**4.3**	**4.0**	**1.2**	**1.0**	**1.1**	**0.9**	**1.2**
Plus-3	**4.1**	**4.0**	**3.7**	**4.2**	**3.9**	**0.7**	**0.6**	**0.7**	**0.6**	**0.8**
China	5.0	4.8	4.4	5.0	4.6	0.2	0.0	0.4	0.0	0.4
Hong Kong, China	2.5	2.4	2.0	3.1	2.7	1.7	1.8	1.6	1.4	1.7
Japan	–0.2	1.0	0.6	1.2	0.8	2.7	3.0	2.1	3.1	2.2
Korea	2.0	0.9	1.7	1.0	1.9	2.3	2.0	1.8	2.1	1.9
ASEAN	**4.9**	**4.6**	**4.3**	**4.8**	**4.6**	**3.1**	**2.5**	**2.8**	**2.3**	**2.7**
Brunei Darussalam	4.1	1.2	1.8	0.1	1.6	–0.4	0.0	0.3	–0.3	0.5
Cambodia	6.0	4.9	5.0	4.8	5.1	0.8	2.6	2.3	2.5	2.3
Indonesia	5.0	5.0	4.9	5.0	5.0	2.3	1.9	2.2	1.9	2.5
Lao PDR	4.3	4.4	4.2	4.6	4.6	23.3	8.5	7.6	7.7	6.8
Malaysia	5.1	4.3	4.0	4.9	4.4	1.8	1.6	2.0	1.4	2.0
Myanmar	2.9	–1.0	1.5	–1.5	2.5	29.6	30.0	28.0	28.0	22.0
The Philippines	5.7	5.6	5.5	5.2	5.3	3.2	1.8	3.2	1.7	3.2
Singapore	4.4	2.6	1.7	4.8	3.0	2.4	0.9	0.8	0.9	1.4
Thailand	2.5	2.2	1.9	2.2	1.7	0.4	0.5	0.8	–0.1	0.3
Vietnam	7.1	7.5	6.4	8.0	7.6	3.6	3.3	2.9	3.3	3.0

■ Revised upwards from October ■ Revised downwards from October ■ Maintained from October

Source: National authorities via Haver Analytics and AMRO staff estimates.
Note: AREO = ASEAN+3 Regional Economic Outlook report. e = estimate, f = forecast. Regional aggregates for growth and inflation are estimated using the weighted average of 2024 GDP on a purchasing power parity basis. Myanmar's GDP and inflation figures are based on its fiscal year, which runs from April 1 of the reference year to March 31 of the following year. Forecasts are as of January 19, 2026.