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

ASEAN+3 Macroeconomic Research Office (AMRO)

Singapore

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Unless otherwise indicated, the analysis in this report is based on information available up to 17 January 2025. For brevity, “Brunei Darussalam” is referred to as “Brunei”, and “Hong Kong, China” is referred to as “Hong Kong” in the text and figures.

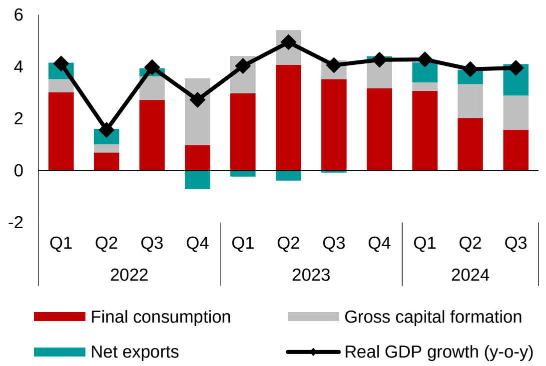
Highlights

- *ASEAN+3 growth remained robust at 4.2 percent in 2024, underpinned by strong domestic demand and improvements in export, while inflation moderated to pre-pandemic levels.*
- *Growth is forecast to sustain at 4.2 percent in 2025, though Plus-3 economies face greater headwinds from rising trade tensions than ASEAN economies.*
- *Regional inflation is expected to remain stable at 2.1 percent in 2025. Some economies could face modest increase in inflation due to stronger domestic demand and supply side adjustments.*
- *Uncertainties surrounding the outlook has increased considerably. Key risks stem from potentially more aggressive US protectionist policies, alongside risks from tighter global financial conditions and commodity price spikes.*

Regional Economic Developments since the *October 2024 AREO Update*

The ASEAN+3 region registered steady growth in the second half of 2024, anchored by firm domestic demand and continued recovery in exports (Figure 1). While household spending was more subdued in the Plus-3, private consumption in ASEAN economies remained robust, supported by favorable employment conditions and easing inflation. Domestic investment also strengthened in the third quarter in tandem with improving industrial activity and external demand—7 out of 11 regional economies saw improvements in manufacturing purchasing managers indexes (PMIs) in the second half of 2024.

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

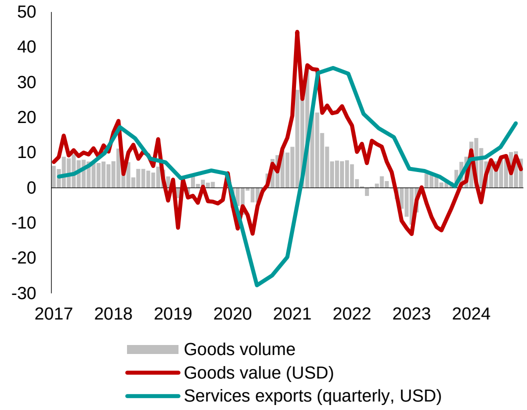


Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Statistical discrepancies are not shown. Excludes Cambodia, Lao PDR, Myanmar, and Vietnam due to data unavailability.

China's economy grew by 5.0 percent in 2024, reflecting strong recovery in exports and supportive monetary and fiscal policies. Apart from the real estate sector, investment in other key sectors, particularly in high-tech manufacturing and services, remained resilient. Exports registered strong expansion, supported by robust external demand for machinery, electronics, and electric vehicles. Household spending, however, remained subdued with continued weakness in consumer sentiments. Enhanced policy measures were taken to support growth, such as higher infrastructure spending, reduced interest rates on housing loans and local government debt, income transfers, and subsidies for consumer spending.

Regional exports maintained robust momentum throughout 2024. ASEAN+3 exports expanded by 5.2 percent in the first three quarters, the strongest growth since the corresponding period in 2022 (Figure 2). Exports are expected to improve further towards the end of the year as businesses front-load shipments to the US in anticipation of tariff increases in 2025. After several months of subdued expectations, manufacturing activity—particularly automotive and consumer goods—are showing signs of a turnaround as evidenced by the stronger PMIs towards the year-end.

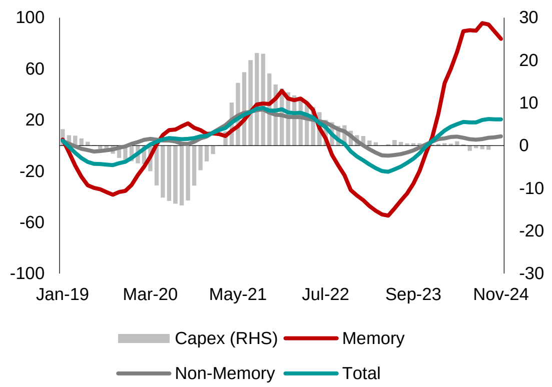
Figure 2. Selected ASEAN+3: Export Growth
(Percent, year-on-year)



Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Goods exports data are up to November 2024. Volume growth is a 3-month moving average; services exports data (quarterly) are up to Q3 2024.

Regional exports were also boosted by the global semiconductor upcycle in 2024. Worldwide chip sales continued to trend upwards, with a 10.7 percent quarter-on-quarter increase in the third quarter[1], before the semiconductor cycle moderated towards the end of 2024 (Figure 3). However, semiconductor exports from Singapore and Malaysia remained robust.

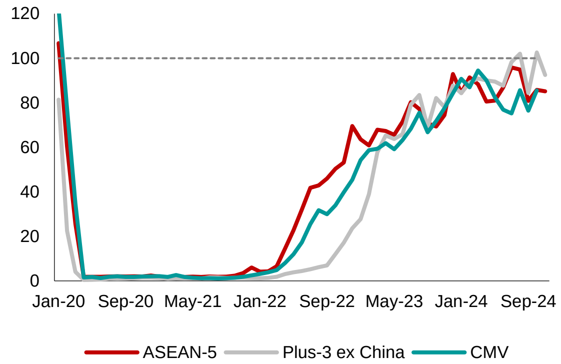
Figure 3. World: Semiconductor and Capital Expenditure (Capex) Cycles
(Percent, year-over-year, six-month moving average)



Source: World Semiconductor Trade Statistics; AMRO staff estimates.

Tourism recovery remained on track, benefitting in part from the return of tourists from China. By the end of 2024, tourist arrivals in five economies—Cambodia, Japan, Korea, Thailand, and Vietnam—have surpassed pre-pandemic levels (Figure 4). After months of moderate demand, tourists from China increased markedly in the last two months of 2024, further supporting the recovery in the regional tourism sector. However, the recovery in tourist arrivals was more modest in some regional economies, such as Singapore and the Philippines—with total tourist arrivals remaining below pre-pandemic levels.

Figure 4. Selected ASEAN+3: Tourist Arrivals
(Index, 2019 = 100)

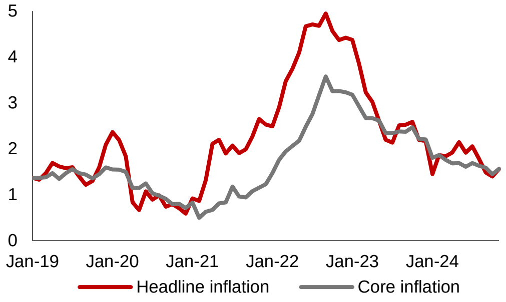


Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Excludes Brunei and Lao PDR due to data unavailability. Plus-3 ex China = Hong Kong, Japan, and Korea. ASEAN-5 = Indonesia, Malaysia, Philippines, Singapore and Thailand. CMV = Cambodia, Myanmar and Vietnam. Data are up to November 2024, except CMV (October 2024).

Headline inflation continued to moderate, while core inflation remained well-contained in the fourth quarter of 2024 (Figure 5). Headline inflation trended downward as the spikes in global energy and transport prices abated toward the end of the year. Notwithstanding the slight uptick in November 2024, core inflation remained stable in line with well-anchored inflation expectations.

[1] Sales data from World Semiconductor Trade Statistics (WSTS).

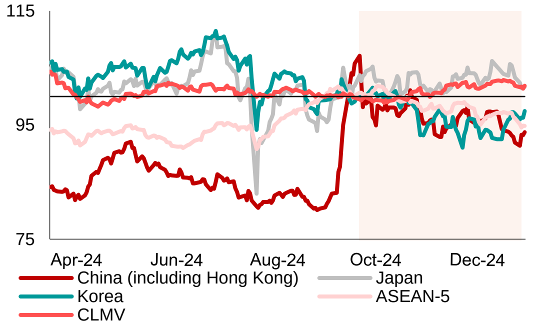
Figure 5. Selected ASEAN+3: Headline and Core Consumer Price Inflation
(Percent, year-on-year)



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

Financial market volatility increased amid US policy uncertainty. The anticipation of protectionist measures by the incoming US Administration, particularly through tariff increases, tax cuts, and financial deregulation, has shifted market sentiments in favor of US dollar and US financial assets. This shift has precipitated a sustained depreciation of regional currencies to levels comparable to those observed in the first half of 2024, accompanied by declining stock indices (Figures 6 and 7). The Korean financial market was especially vulnerable in December 2024, with the Korean won depreciating to its weakest level in 15 years and the KOSPI reaching its 2024 nadir—a decline attributed to both global policy uncertainties and domestic political upheaval.

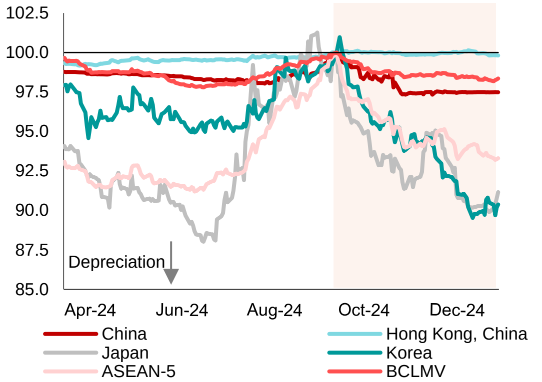
Figure 6. Selected ASEAN+3: Equity Market Indices
(Index, 30 September 2024 = 100)



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 17 January 2025.

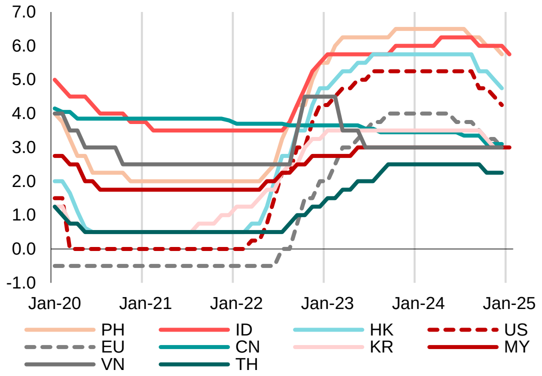
Several ASEAN+3 central banks eased monetary policy in the fourth quarter of 2024. China reduced its one-year and five-year loan prime rates further by 25 basis points in October, following a similar adjustment in July, to support soft domestic demand (Figure 8). Hong Kong implemented two consecutive 25 basis point rate cuts in, November and December, in tandem with the US Federal Fund rate adjustments. The Philippines also reduced interest rates by 25 basis points twice, in October and December, to boost economic growth. Meanwhile, Korea and Thailand eased policy stance for the first time in nearly four years, lowering rates by 25 basis points in October amid easing inflationary pressures while Indonesia also cut its policy rate by 25 basis points in January. Other regional economies maintained their policy rates, in view of continued resilience in domestic demand conditions.

Figure 7. ASEAN+3: Exchange Rates against the US dollar
(Index, 29 December 2023 = 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 17 January 2025.

Figure 8. Selected Economies: Policy Interest Rates
(Percentage points)

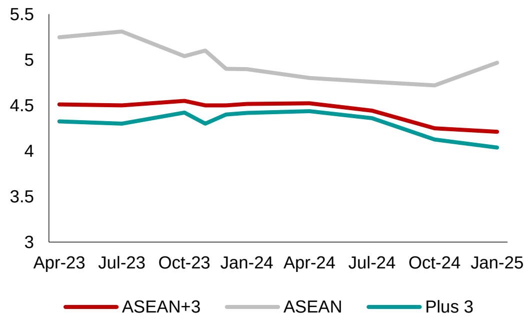


Source: National authorities via Haver Analytics.
Note: Data are up to 17 January 2025. Policy rates refer to one-year loan prime rate (China, CN); BI Rate (Indonesia, ID); the target rate for the 10-year government bond yield (Japan, JP); base rate (Hong Kong, HK; Korea, KR); overnight policy rate (Malaysia, MY); overnight reverse repo rate (the Philippines, PH); one-day repurchase rate (Thailand, TH); refinancing rate (Vietnam, VN); federal funds rate (upper range) (United States, US); and deposit facility rate (euro area, EU).

Regional Economic Outlook

Overall, the ASEAN+3 region grew by 4.2 percent in 2024, in line with the *October 2024 AREO Update* (Figure 9)***.*** Weaker-than-expected growth in the Plus-3 economies was offset by stronger performance in the ASEAN economies (Table 1). Firm private consumption, alongside improvement in investment has continued to anchor growth, with external demand providing additional lift to growth.

Figure 9. ASEAN+3: Evolution of Growth Forecast for 2024
(Percent, year-on-year)



Source: AMRO staff estimates and forecasts.
Note: Horizontal axis refer to the month of AREO publications during the year.

The ASEAN+3 region is expected to continue to grow at 4.2 percent in 2025. Growth will be mainly driven by domestic demand, with firm external demand providing continued support. Nonetheless, regional growth has been revised downward from the 4.4 percent in the *October 2024 AREO Update* mainly to reflect the baseline assumption of the United States increasing tariffs on imports from China in the second half of 2025[2]. The higher tariffs are expected to increase prices in the US and constrain private sector spending. As a major export market for most ASEAN+3 economies, the resulting decline in demand from the US would weigh on regional exports. The impact is expected to be more significant for the Plus-3 economies, especially China. Growth of Plus-3 is now therefore projected to be lower by 0.3 percentage point compared to a more marginal impact of 0.1 percentage point reduction for ASEAN in 2025 (Figure 11).

Headline inflation for the region[3] is forecast to remain low, at 2.1 percent in 2025[4]. Inflation decelerated further to 1.7 percent in 2024, in tandem with lower commodity prices and moderation in underlying inflationary pressure. Inflation is expected to be slightly higher at 2.1 percent in 2025, primarily driven by higher inflation in China, Hong Kong, Brunei, Cambodia, Malaysia, and Thailand. Higher inflation in these economies reflects improving domestic demand and several supply-side adjustments (e.g., reduction in energy subsidies). Overall, inflationary pressure remains well contained in the region, with headline inflation returning to pre-pandemic rates for most economies.

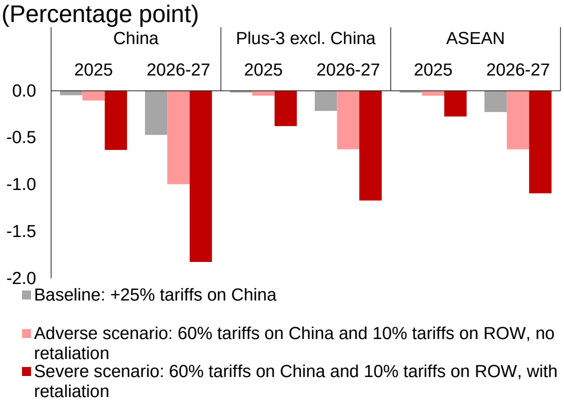
External uncertainties have increased, with potential policy shifts under the

[2] In the baseline projection, the United States is assumed to increase tariffs on imports from China by 25 percent.
[3] Excludes Lao PDR and Myanmar, where inflation dynamics are being compounded by currency depreciation.
[4] Excluding Lao PDR and Myanmar. Including Lao PDR and Myanmar, the region's inflation rate is expected to decrease from 5.1 percent in 2024 to 4.6 percent in 2025.

new US administration being the most immediate concern. The incoming administration has signaled a range of potential policy changes, each with varying degrees of uncertainty and impact. As a major trade partner for the region, these measures—including import tariffs, fiscal expansion and immigration policies—are expected to have significant impact on both the near- and medium-term outlook for the region. In addition, ongoing geopolitical tensions could further heighten uncertainties. The five main risks that could affect the 2025 baseline forecast are as follows (Figure 10):

- **More aggressive protectionist policies from the US.** The new US administration has emphasized using tariffs as a means to reduce its trade deficit, protect domestic industries and jobs, and increase fiscal revenue. The proposed tariffs so far, which vary in scope, include a severe scenario of 60 percent tariffs on imports from China and 10–25 percent tariffs on goods from other countries.
    - Under this scenario, AMRO estimates suggest that regional growth could be lower by 0.1 percentage point in 2025 (Figure 11).
    - The impact would be considerably worse if affected economies were to retaliate, with growth being potentially 0.6 percentage point lower instead.
    - The negative impact is likely to accumulate over time as demand is expected to continue to be dampened. Consequently, tariff retaliation could result in regional growth declining by 1–2 percentage points by 2026–2027—marking the slowest regional growth since the Asian Financial Crisis (excluding the pandemic years of 2020–2022).
    - Other non-tariff protectionist measures—such as expanding domestic-sourcing procurement, stricter investment screening and broader export controls—could exacerbate this impact.

Figure 11. ASEAN+3: Impact of US Tariffs on GDP Growth
(Percentage point)



Source: Oxford Economics Model, AMRO staff calculations.
Note: Regional aggregates are weighted using 2023 GDP on PPP basis. Brunei Darussalam, Cambodia, Lao PDR and Myanmar are excluded due to data unavailability. Estimates do not take into account the indirect impact(s) that could arise from the tariff measures such as those from adverse sentiments channel.

- **Sharper growth slowdown in the US and Europe.** In the US, uncertainty over policy shifts could also dampen consumer sentiments and discourage investment. This is especially true in relation to the proposal by the new US administration to deport illegal immigrants as that would adversely affect the labor market. In Europe, growth recovery could be derailed by escalating global trade tensions, and spikes in energy and shipping costs due to geopolitical conflicts.

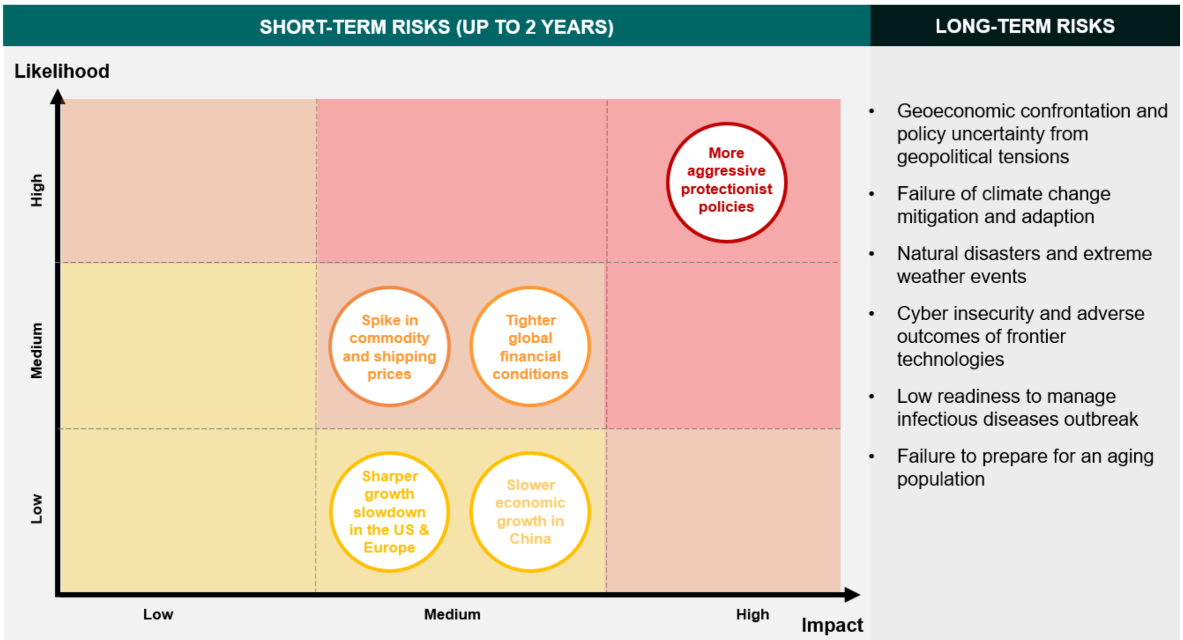
- **Tighter global financial conditions.** A resurgence of inflation in the US could lead to the US interest rate remaining high for an extended period, leading to a stronger US dollar and overall tighter global financial conditions. This will likely spillover to the region, complicating the conduct of monetary policy, with policy rates compelled to rise or remain high in response to capital outflows and sustained exchange rate depreciations. Economic activity across the region could moderate further as a result.

- **Spike in global commodity prices and shipping costs.** Extreme weather conditions could affect agriculture production, while ongoing geopolitical conflicts, particularly in the Middle East, may drive up global energy prices. Disruptions in key maritime routes such as the Red Sea could increase freight costs. The resurgence of these global prices may trigger inflationary pressures in the region and weigh on growth.

- **Slower economic growth in China.** China's property sector has shown tentative signs of stabilization. However, a prolonged adjustment and weaker sentiments could hinder broader economic growth. Slower growth in China could weigh on trade, investment and tourism flows in the rest of the region.

In addition to these near-term risks, the region also faces significant structural challenges. Beyond the immediate risk of higher protectionism, the ongoing geoeconomic fragmentation and geopolitical tensions would weigh on the longer-term growth prospects of regional economies, particularly the trade-dependent ones. At the same time, regional economies would also confront pressing economic challenges posed by its rapidly aging population. These challenges could potentially weigh on long-term growth and social stability. Failure to address climate change could also result in extreme weather events that could have significant impact on regional economies.

Figure 10. Regional Risk Map, January 2025



Source: AMRO staff.

Table 1. ASEAN+3: AMRO Growth and Inflation Projections, 2024–25

Economy	Gross Domestic Product (Percent year-on-year)					Consumer Price Index (Percent year-on-year)				
	2023 *(Actual)*	AREO 2024 October Update		AREO 2024 January Update		2023 *(Actual)*	AREO 2024 October Update		AREO 2024 January Update	
		2024[f]	2025[f]	2024[f]	2025[f]		2024[f]	2025[f]	2024[f]	2025[f]
ASEAN+3	**4.3**	**4.2**	**4.4**	**4.2**	**4.2**	**6.3**	**4.9**	**4.1**	**5.1**	**4.6**
ex. Lao PDR and Myanmar	**–**	**–**	**–**	**–**	**–**	**2.8**	**1.9**	**2.3**	**1.7**	**2.1**
Plus-3	**4.4**	**4.1**	**4.3**	**4.0**	**4.0**	**2.3**	**1.8**	**2.0**	**1.7**	**1.8**
China	5.2	5.0	5.1	5.0	4.8	0.2	0.5	1.3	0.2	1.1
Hong Kong, China	3.3	3.3	3.0	2.7	2.6	2.1	1.9	2.3	1.8	2.2
Japan	1.5	0.5	1.4	0.1	1.3	3.3	2.4	2.2	2.6	2.2
Korea	1.4	2.5	2.0	2.2	1.9	3.6	2.4	2.0	2.3	1.8
ASEAN	**4.2**	**4.7**	**4.9**	**5.0**	**4.8**	**8.0**	**6.1**	**4.9**	**6.5**	**5.7**
Ex. Lao PDR and Myanmar	**–**	**–**	**–**	**–**	**–**	**3.0**	**2.0**	**2.4**	**1.8**	**2.2**
Brunei Darussalam	1.4	4.0	2.1	5.0	3.0	0.4	0.1	0.7	–0.4	0.9
Cambodia	5.0	5.6	5.9	5.7	5.8	2.1	0.4	2.3	0.4	1.5
Indonesia	5.0	5.1	5.2	5.1	5.1	3.7	2.7	2.5	2.3	2.5
Lao PDR	4.2	4.5	4.6	4.5	4.6	31.2	25.0	15.0	23.1	15.0
Malaysia	3.6	4.7	4.9	5.1	4.7	2.5	2.3	3.6	1.9	2.7
Myanmar	3.5	1.8	2.0	3.2	1.0	24.4	20.0	15.0	27.5	25.0
The Philippines	5.5	6.1	6.3	5.8	6.3	6.0	3.3	3.1	3.2	3.2
Singapore	1.1	2.4	2.0	4.0	2.7	4.8	2.8	2.5	2.4	1.8
Thailand	1.9	2.8	3.3	2.8	3.1	1.2	0.7	1.5	0.7	1.3
Vietnam	5.0	6.2	6.6	7.1	6.5	3.3	3.9	3.3	3.6	3.5

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 are estimated using the weighted average of 2023 GDP on purchasing power parity basis; regional aggregates for inflation are computed using simple averaging. 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 21 January 2025.