

Interim 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 29 May 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.

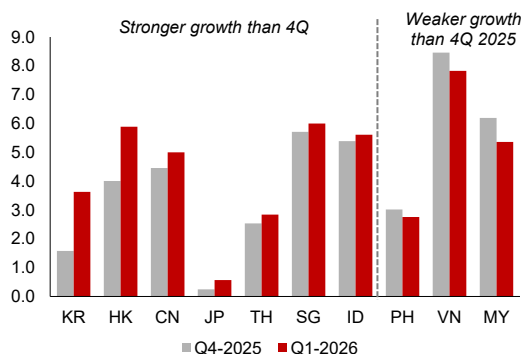
Highlights

- Longer-than-expected Middle East conflict has kept energy and commodity prices elevated, with disruptions to some industrial inputs posing risks to the broader economy.
- ASEAN+3 growth forecast remains unchanged at 4.0 percent in 2026-27, but growth momentum is expected to moderate ahead. Headline inflation is revised up to 1.8 percent in 2026 from 1.4 percent, before easing to 1.5 percent in 2027.
- Under an adverse scenario of prolonged high energy and commodity prices, alongside supply disruption, ASEAN+3 growth could be reduced to 2.5 percent and inflation increased to 3.5 percent in 2026.

Regional Economic Developments since AREO 2026

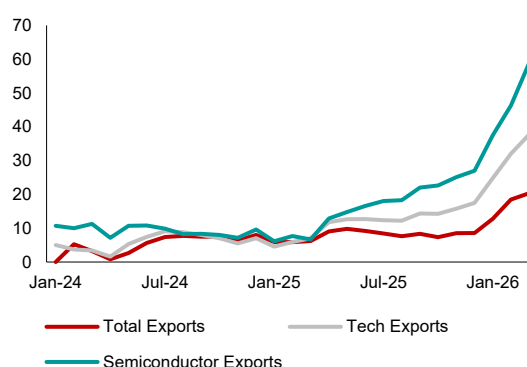
Despite the onset of the Middle East conflict, ASEAN+3 grew firmly by 4.4 percent in the first quarter of 2026. Most economies recorded stronger growth than in the previous quarter as strong domestic demand was further lifted by robust exports (Figure 1). Private consumption strengthened from the previous quarter, as favorable labor market conditions and continued income gains sustained household spending. Private investment also remained resilient, as earlier investment commitments continued to translate into activity in key sectors. Regional export growth, in particular, remained strong, buoyed by robust AI-led semiconductor and electronics demand (Figure 2).

Figure 1. Real GDP Growth
(Percent, year-on-year)



Source: National authorities via Haver Analytics.
Note: Excludes Brunei, Cambodia, Lao PDR and Myanmar due to data unavailability.

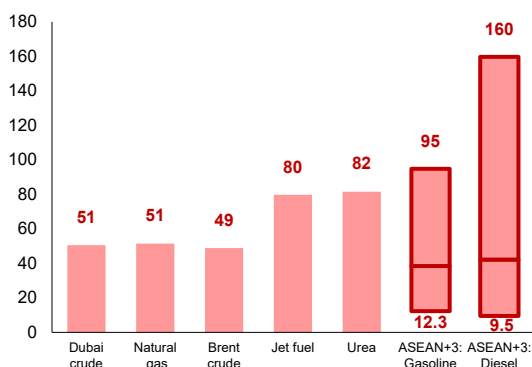
Figure 2. Selected ASEAN+3: Export Growth
(Percent, year-on-year, three-month moving average)



Source: S&P Global Trade Analytics; AMRO staff calculations.
Note: Excludes Brunei, Cambodia, Lao PDR, and Myanmar due to data unavailability. March 2026 data exclude Indonesia, Malaysia, and the Philippines. Tech exports refer to HS Chapter 85, semiconductor exports refer to HS Chapters 8541 and 8542.

However, the conflict has intensified inflationary pressures and disrupted the supply of key industrial inputs. Around 80 percent of vessel transit through the Strait of Hormuz remained disrupted, leading to sustained high energy and commodity prices. Crude oil prices have risen by around 50 percent since the conflict began, with prices of refined products and fertilizer inputs such as urea rising even more sharply by 80 percent (Figure 3). The increase in pump prices for gasoline and diesel vary widely across ASEAN+3, reflecting differing degree of price passthrough.

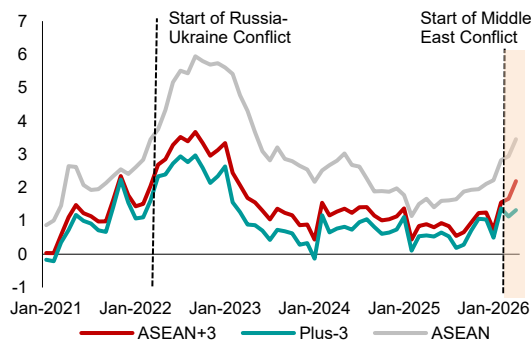
Figure 3. Change In Commodity Prices Since Start of Conflict
(Percent; 21 May 2026 vs 27 February 2026)



Source: World Bank; S&P Global Energy; IATA; New York Mercantile Exchange; national authorities via Haver Analytics; and AMRO staff calculations.

Note: Lines for gasoline and diesel refer to minimum, median and maximum prices. Gasoline refers to the lowest (unsubsidized) RON grade for KH, CN, JP, KR, ID, MY, PH, SG, TH and VN.

Figure 4. Headline Consumer Price Inflation
(Percent, year-on-year)



Source: National authorities via Haver Analytics; AMRO staff calculations.

Note: Regional aggregates are weighted by annual GDP on purchasing power parity basis. Excludes Myanmar due to data unavailability.

The passthrough to inflation thus far has varied across ASEAN+3 economies, reflecting differences in subsidy and pricing mechanisms. Energy-related inflation has picked up sharply in recent months, most noticeably in ASEAN, particularly in economies without fuel subsidies and those that are more dependent on imported energy and fuel-intensive transport and food systems. In contrast, price pressures in the Plus-3 economies have remained comparatively contained given in part policy measures to contain price pressure and the availability of

high fuel reserve buffers (Figure 4). Tightening financial conditions have also raised government bond yields and currency depreciation pressure for some economies, compounding inflation.

Beyond price pressures, strains in industrial supply chains are emerging although systematic market dislocation has not been observed. Disruptions to crude oil supply have reduced availability of refined products such as naphtha and liquefied petroleum gas, key inputs for petrochemicals and manufacturing. Petrochemical-reliant industries, such as chemicals, plastics and packaging, have shown some early signs of disruption, while the electronics supply chains also face reduced access to helium and specialty gases from the Middle East. So far, firms have mitigated the impact through alternative sourcing, keeping disruptions largely reflected in higher prices, although a prolonged conflict could lead to more material production disruptions.

Regional Economic Outlook

Despite a more adverse outlook for the Middle East conflict, ASEAN+3 is still expected to expand by 4.0 percent in 2026–27. Regional growth forecast is unchanged from AREO 2026 as stronger-than-expected Q1 outturn is expected to offset weaker momentum ahead (Table 1). Growth is likely to moderate more sharply over the rest of the year as supply disruption and higher energy and industrial input costs weigh on broader economic activity. Growth revisions are uneven across the region, with forecasts upgraded for most Plus-3 economies on the back of the robust AI-driven technology cycle, while ASEAN growth has been downgraded in some economies, including the Philippines and Vietnam, where stronger inflation passthrough is expected to weigh on domestic demand.

Headline inflation has been revised up to 1.8 percent from 1.4 percent, before easing to 1.5 percent in 2027. The revision is broad-based, reflecting higher global energy prices and spillovers to input costs, with additional pressure from expected increase in food prices due to higher production and transport costs. The upward revision is more pronounced in ASEAN economies, reflecting greater reliance on energy imports and larger share of food in consumption baskets. However, the overall passthrough to consumers is partly cushioned in some economies by subsidies and price measures, while demand-side pressures remain contained amid moderate wage growth.

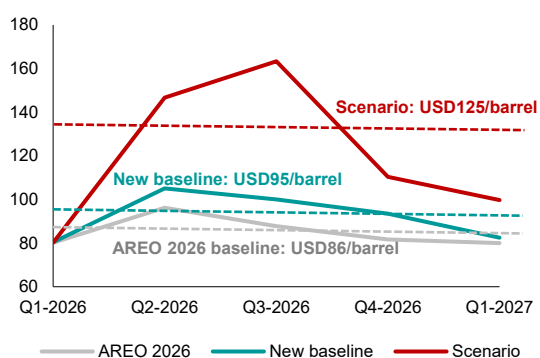
The trajectory of the Middle East conflict remains the most consequential near-term uncertainty, with the range of plausible outcomes wider than usual.

The updated baseline assumes a gradual easing of Strait of Hormuz disruptions, with oil prices moderating from the third quarter and energy and petrochemical flows normalizing (Figure 5). The key concern is that elevated security risks could sustain a persistent premium on shipping and insurance costs. This may delay the normalization of refining and petrochemical flows and extend strain on key industrial inputs, affecting chemicals, plastics, and electronics supply chains, while fertilizer disruptions would pass through to food prices with a lag. If these pressures intensify, downside risks would increase further.

ASEAN+3 could face significant stagflationary pressure if the situation in the Middle East worsens. In an adverse scenario in which Brent averages USD125 per barrel for 2026, alongside broader and more prolonged disruptions to key industrial inputs, regional growth could fall to 2.5

percent in 2026, while inflation would rise to 3.5 percent (Figure 6). Except for the pandemic years, this would mark the highest regional inflation in over a decade, and the slowest regional growth since the Asian Financial Crisis.

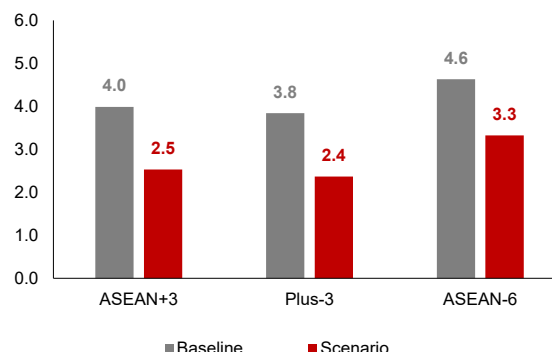
Figure 5. Brent Crude Oil Price Scenarios for 2026 (USD per barrel)



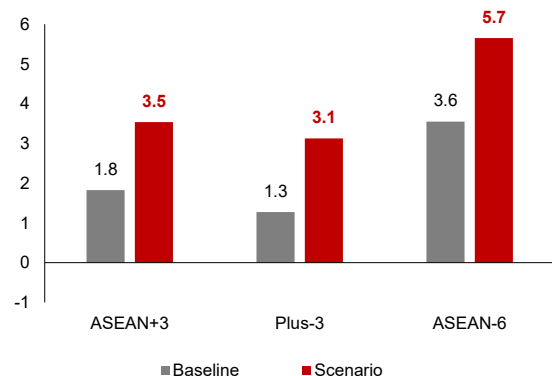
Source: Bloomberg Finance LP; AMRO staff calculations.

Figure 6. 2026 Growth and Inflation Under Scenario of Higher Energy Prices and Supply Disruption (Percent, year-on-year)

Real GDP Growth



Headline Inflation



Source: Oxford Economics Model; AMRO staff estimates and forecasts. Note: Scenario refers to an adverse scenario where Brent Crude prices average at USD 125 per barrel for 2026, alongside broader and more prolonged disruptions to key industrial inputs.

Table 1. ASEAN+3: AMRO Growth and Inflation Projections, 2026–27

Economy	Gross Domestic Product (Percent, year-on-year)					Consumer Price Index (Percent, year-on-year)				
	2025	AREO 2026		AREO 2026 Interim Update		2025	AREO 2026		AREO 2026 Interim Update	
		2026 ^f	2027 ^f	2026 ^f	2027 ^f		2026 ^f	2027 ^f	2026 ^f	2027 ^f
ASEAN+3	4.4	4.0	4.0	4.0	4.0	0.9	1.4	1.5	1.8	1.5
Plus-3	4.2	3.8	3.8	3.8	3.8	0.6	1.0	1.2	1.3	1.1
China	5.0	4.5	4.5	4.5	4.5	0.0	0.6	0.9	1.0	0.8
Hong Kong, China	3.6	2.8	2.7	3.4	3.0	1.4	1.9	1.6	2.0	1.6
Japan	1.2	0.7	0.8	0.6	0.8	3.2	2.4	2.2	2.3	2.2
Korea	1.0	1.9	1.9	2.4	2.0	2.1	2.3	2.2	2.4	2.1
ASEAN	4.9	4.6	4.8	4.6	4.8	2.2	3.1	2.9	4.0	3.2
Brunei Darussalam	0.7	1.9	1.8	2.3	1.7	-0.3	0.9	0.8	1.2	0.9
Cambodia	5.2	4.9	5.2	4.2	4.9	2.5	2.9	2.5	4.5	2.4
Indonesia	5.1	5.0	5.1	5.0	5.1	1.9	2.8	2.9	3.4	3.0
Lao PDR	4.8	4.6	4.5	4.6	4.7	7.7	7.8	7.1	9.0	7.1
Malaysia	5.2	4.6	4.7	4.6	4.7	1.4	2.0	2.0	2.0	2.0
Myanmar	-1.5	2.5	2.5	2.5	2.5	28.0	24.0	16.0	24.0	18.0
The Philippines	4.4	5.3	5.8	4.1	5.5	1.7	3.9	3.6	6.0	4.1
Singapore	5.0	3.4	3.1	3.4	2.9	0.9	1.8	1.8	2.5	2.1
Thailand	2.4	1.7	2.2	2.1	2.5	-0.1	1.1	1.0	2.9	1.5
Vietnam	8.0	7.4	7.1	7.2	7.0	3.3	3.8	3.4	4.4	4.0

■ Revised upwards from April ■ Revised downwards from April ■ Maintained from April

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 2025 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 May 22, 2026.