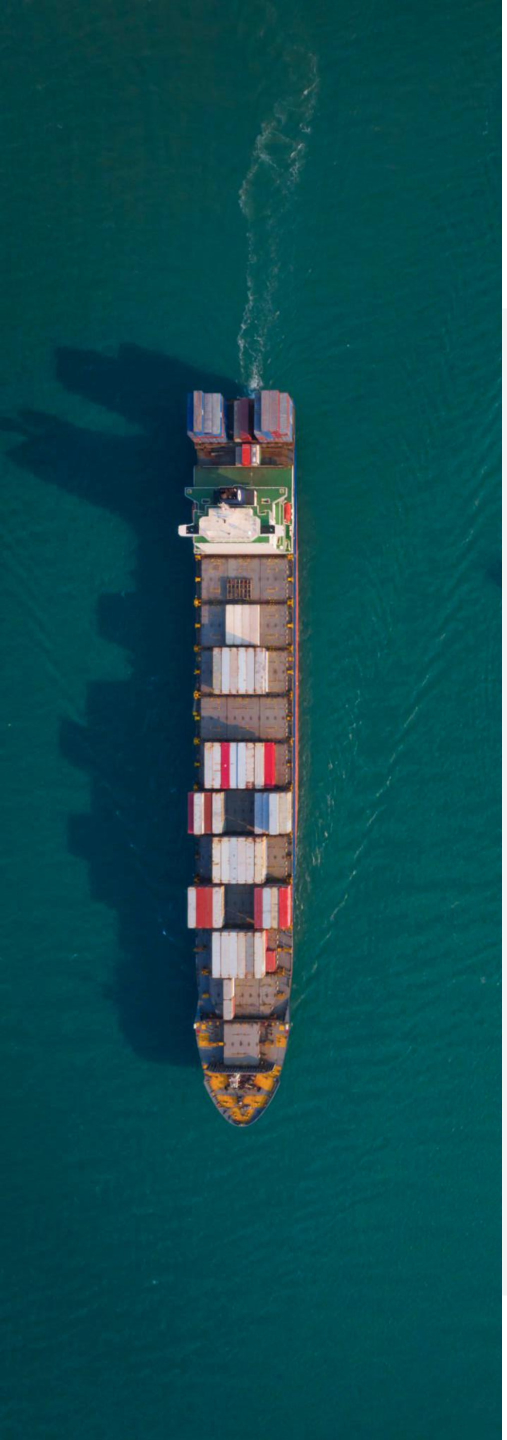
ASEAN+3 Regional Economic Outlook

July 2026 Update

Stronger AI Demand Lifts Outlook but Uncertainty Remains Elevated

Regional Surveillance
27 July 2026

AMRO
ASEAN +3 MACROECONOMIC RESEARCH OFFICE



Key highlights

1. **Solid growth momentum:** ASEAN+3 registered firm expansion in the first half of 2026, supported by firm domestic demand and strong AI-related exports. Impact from Middle East conflict is contained so far.

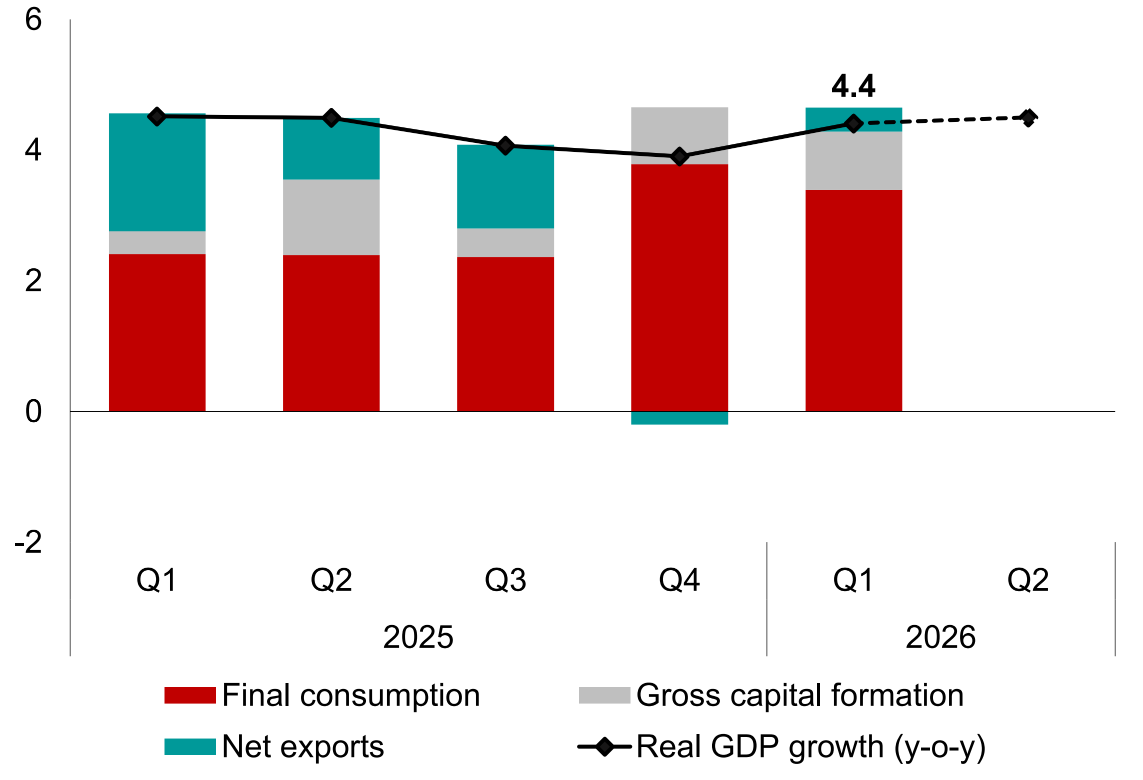
2. **Outlook improved:** Growth is revised upward to 4.1 percent in 2026, and maintained at 4.0 percent in 2027 as robust AI-driven demand offset headwinds from the Middle East conflict. Headline inflation is projected at 1.6 percent in 2026 and 2027.

3. **Uncertainty remains elevated:** The evolving Middle East conflict and the durability of the AI-driven technology cycle are the most salient risks; alongside financial market volatility and further protectionist measures.

ASEAN+3 economies have remained resilient despite the tariff shock and the onset of the Middle East conflict

Regional growth accelerated to 4.4 percent in Q1 2026, driven by strong domestic demand and robust exports

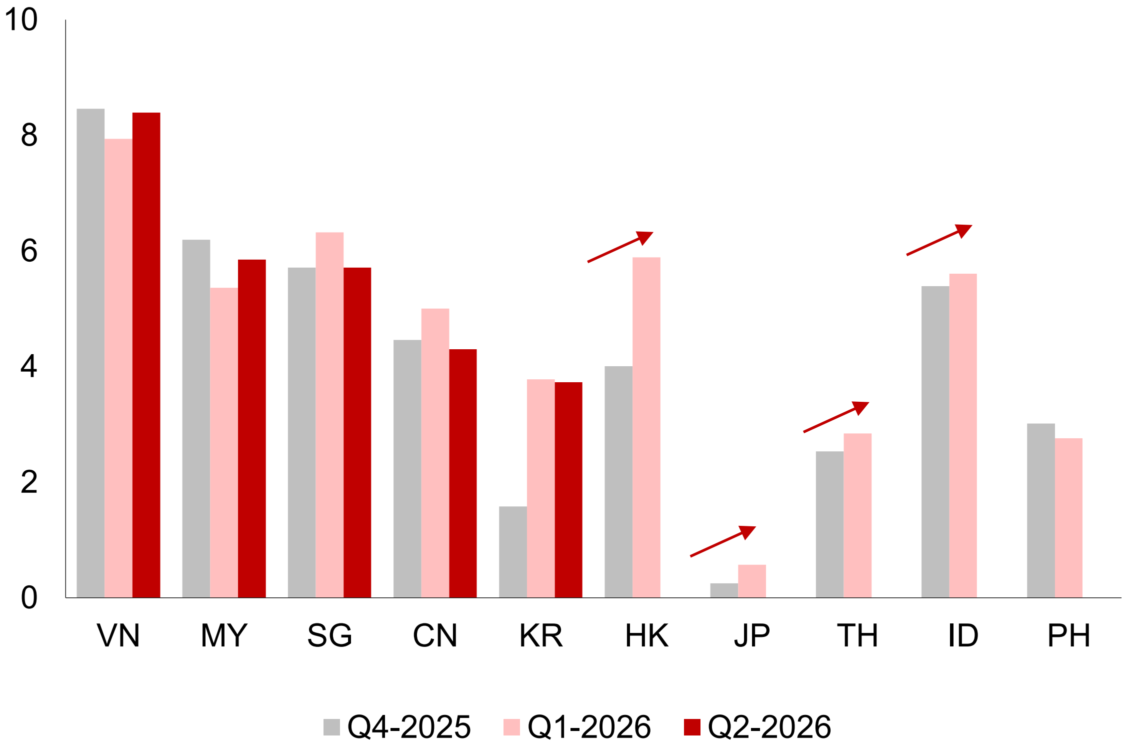
Contribution to ASEAN+3 Real GDP Growth
(Percent year-on-year; percentage point contribution)



Source: National authorities via Haver Analytics

The strong performance was broad-based, with most regional economies growing faster-than-expected in the 1H of 2026

Real GDP Growth
(Percent, year-on-year)

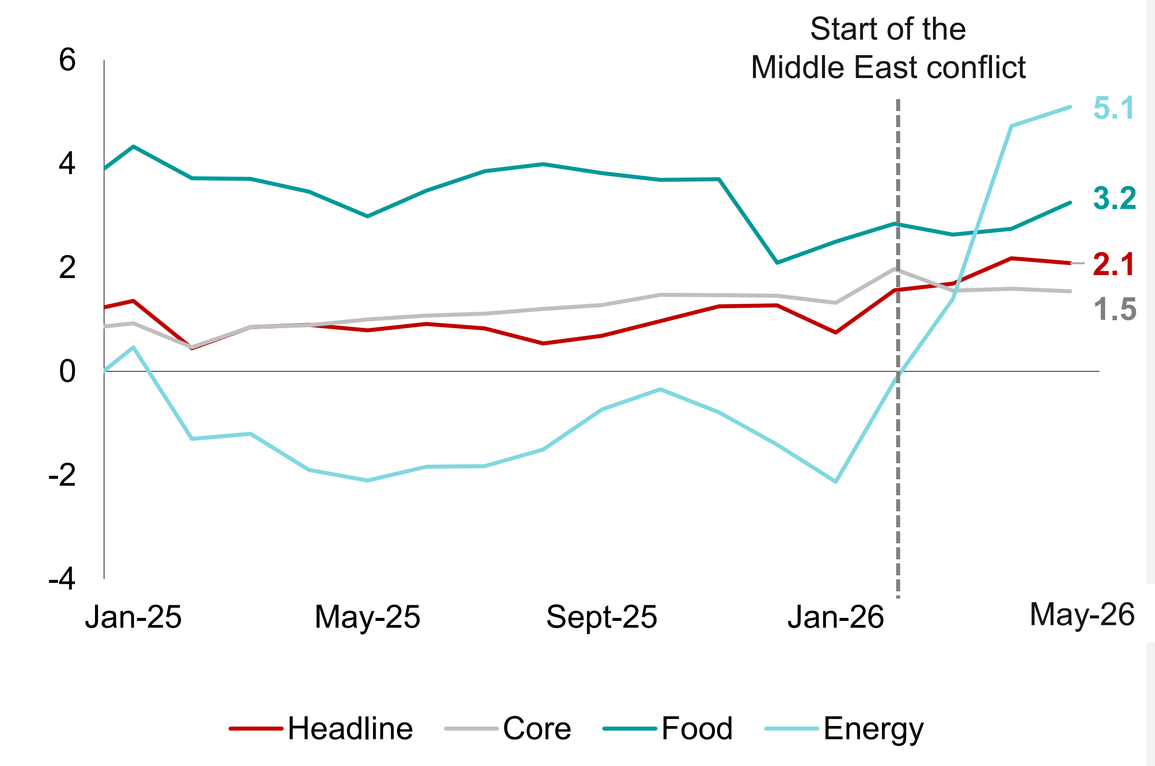


Source: National authorities via Haver Analytics

Inflationary pressures have remained broadly contained

Headline and core inflation have begun to moderate, although food price pressures are beginning to emerge

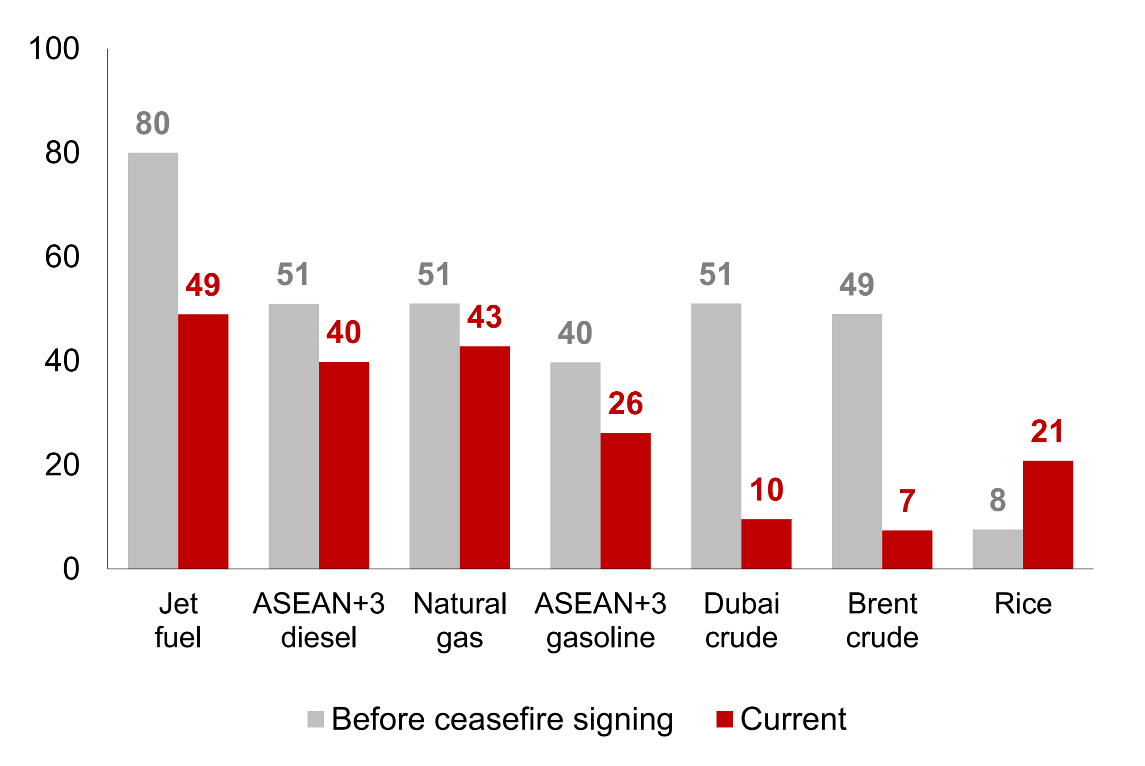
ASEAN+3: Headline, Core and Food Inflation
(Percent, year-on-year)



Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Myanmar is excluded due to data unavailability. Regional aggregates are weighted using 2025 GDP at purchasing power parity. Food inflation aggregate excludes China data.

Commodity prices have moderated since June but remain elevated

Change In Commodity Prices Since Start of Conflict
(Percent; change since 27 February 2026)

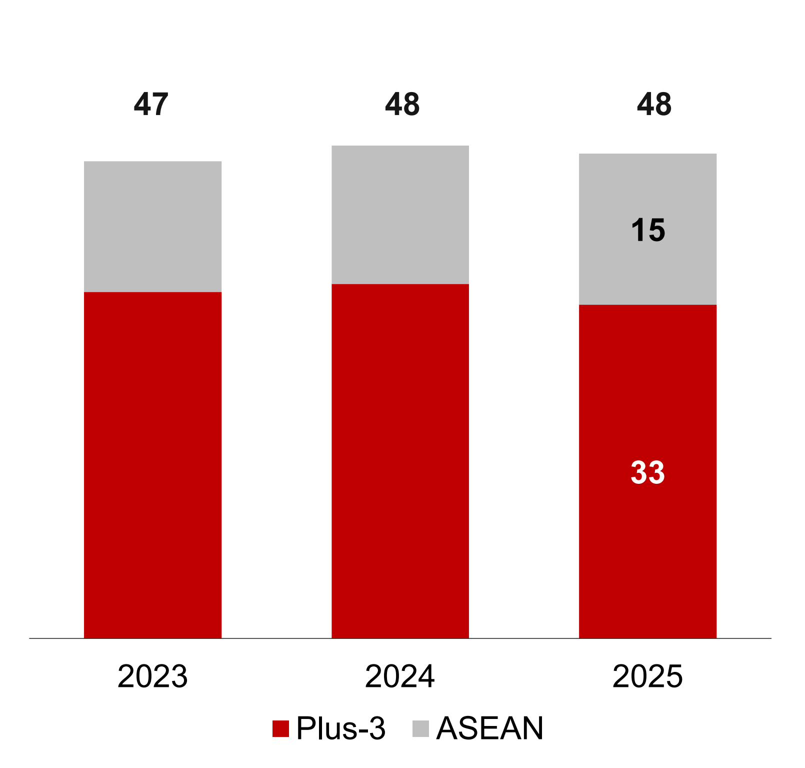


Source: ICE Daily Futures; New York Mercantile Exchange; World Bank; International Monetary Fund; S&P Global Energy; International Air Transport Association (IATA); World Bank Food Index; national authorities via Haver Analytics; and AMRO staff calculations.
Note: Before ceasefire signing prices refer to prices as of 21 May 2026. Current prices refer to latest available data, i.e. 20 July 2026 for crude oil, natural gas, and jet fuel; 16 July 2026 for gasoline and diesel; and June 2026 for rice. Rice refers to the average price of Thailand's 5 percent broken white rice. Gasoline and diesel prices refer to the average price of the lowest unsubsidized RON/diesel grade in Cambodia, China, Indonesia, Japan, Korea, Lao PDR (diesel only), Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

Stronger-than-expected AI-related demand is supporting growth and lifting the outlook for regional economies, especially those with strong global supply linkages

ASEAN+3 accounts for about half of the world's AI-related trade

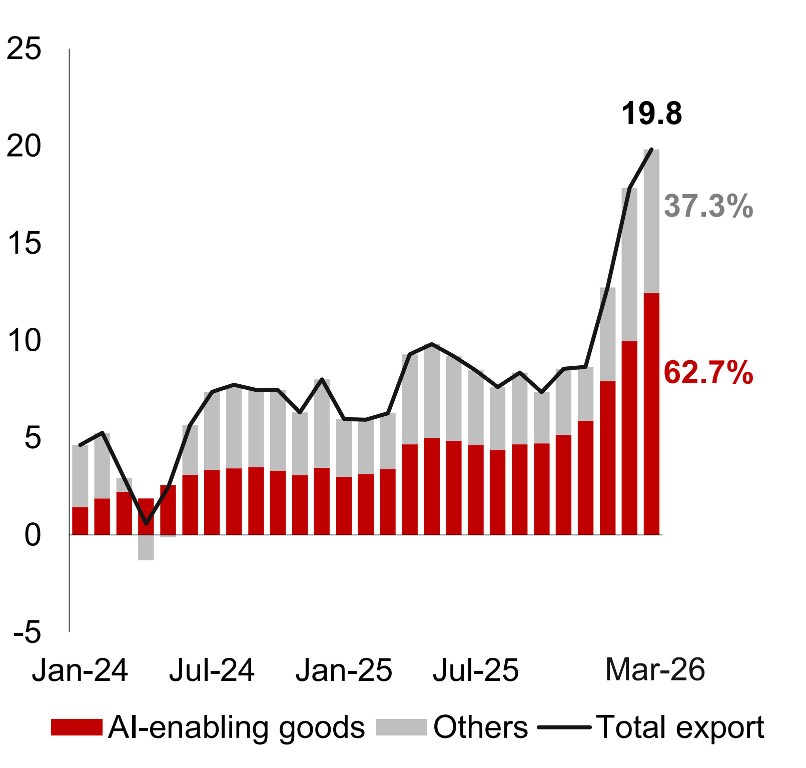
AI-related Trade
(Percent of world AI-related trade)



Source: S&P Global Trade Analytics; WTO AI-enabling product classification; AMRO calculations.
Note: Trade is measured as annual average of exports and imports.

AI-driven demand has contributed almost two-third of regional export growth in 1Q 2026

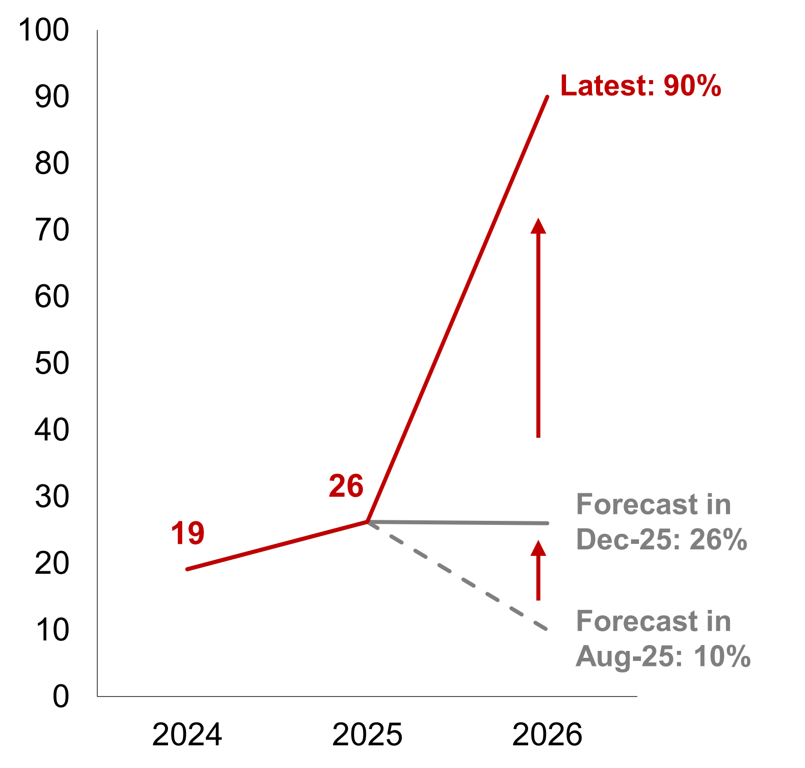
Selected ASEAN+3: Export Growth
(Percent year-on-year; percentage point contribution)



Source: S&P Global Trade Analytics; WTO AI-enabling product classfication; AMRO staff calculations.
Note: Excludes Brunei, Cambodia, Lao PDR, and Myanmar due to data unavailability. AI-enabling goods refer to raw materials and processed chemicals; intermediate inputs; and equipment essential for AI development and deployment, defined by the WTO.

Global semiconductor sales are expected to remain robust, with growth forecasts tripled

Global Semiconductor Sales Forecast
(Percent year-on-year)



Source: WSTS

ASEAN+3 remains on track to grow by around 4%, with inflation lower than initially expected given revised assumption of lower global oil prices

AMRO Staff Baseline Growth and Inflation Forecasts, 2026-27
(Percent year-on-year)

Economy	Gross Domestic Product					Consumer Price Index				
	2025	Interim Update – June		Latest		2025	Interim Update - June		Latest	
		2026f	2027f	2026f	2027f		2026f	2027f	2026f	2027f
ASEAN+3	**4.3**	**4.0**	**4.0**	**4.1**	**4.0**	**0.9**	**1.8**	**1.5**	**1.6**	**1.6**
Plus-3	**4.2**	**3.8**	**3.8**	**3.9**	**3.8**	**0.6**	**1.3**	**1.1**	**1.1**	**1.3**
China	5.0	4.5	4.5	4.5	4.5	0.0	1.0	0.8	0.8	1.0
Hong Kong, China	3.6	3.4	3.0	3.4	3.0	1.4	2.0	1.6	2.0	1.6
Japan	1.1	0.6	0.8	0.6	0.8	3.2	2.3	2.2	2.1	2.2
Korea	1.1	2.4	2.0	3.1	2.2	2.1	2.4	2.1	2.6	2.4
ASEAN	**4.9**	**4.6**	**4.8**	**4.8**	**4.8**	**2.0**	**4.0**	**3.2**	**3.6**	**3.1**
Brunei Darussalam	1.0	2.3	1.7	1.9	1.7	–0.3	1.2	0.9	0.7	0.5
Cambodia	5.3	4.2	4.9	4.2	4.9	2.5	4.5	2.4	5.1	2.8
Indonesia	5.1	5.0	5.1	5.0	5.1	1.9	3.4	3.0	3.4	3.0
Lao PDR	4.8	4.6	4.7	4.6	4.7	7.7	9.0	7.1	8.1	7.0
Malaysia	5.2	4.6	4.7	4.9	4.7	1.4	2.0	2.0	2.0	2.0
Myanmar	–1.5	2.5	2.5	2.5	2.5	18.0	24.0	18.0	20.0	18.0
Philippines	4.4	4.1	5.5	4.1	5.5	1.7	6.0	4.1	5.7	4.1
Singapore	5.0	3.4	2.9	4.8	3.1	0.9	2.5	2.1	2.1	1.7
Thailand	2.4	2.1	2.5	2.4	2.5	–0.1	2.9	1.5	1.4	1.1
Vietnam	8.0	7.2	7.0	7.5	7.3	3.3	4.4	4.0	4.3	3.9

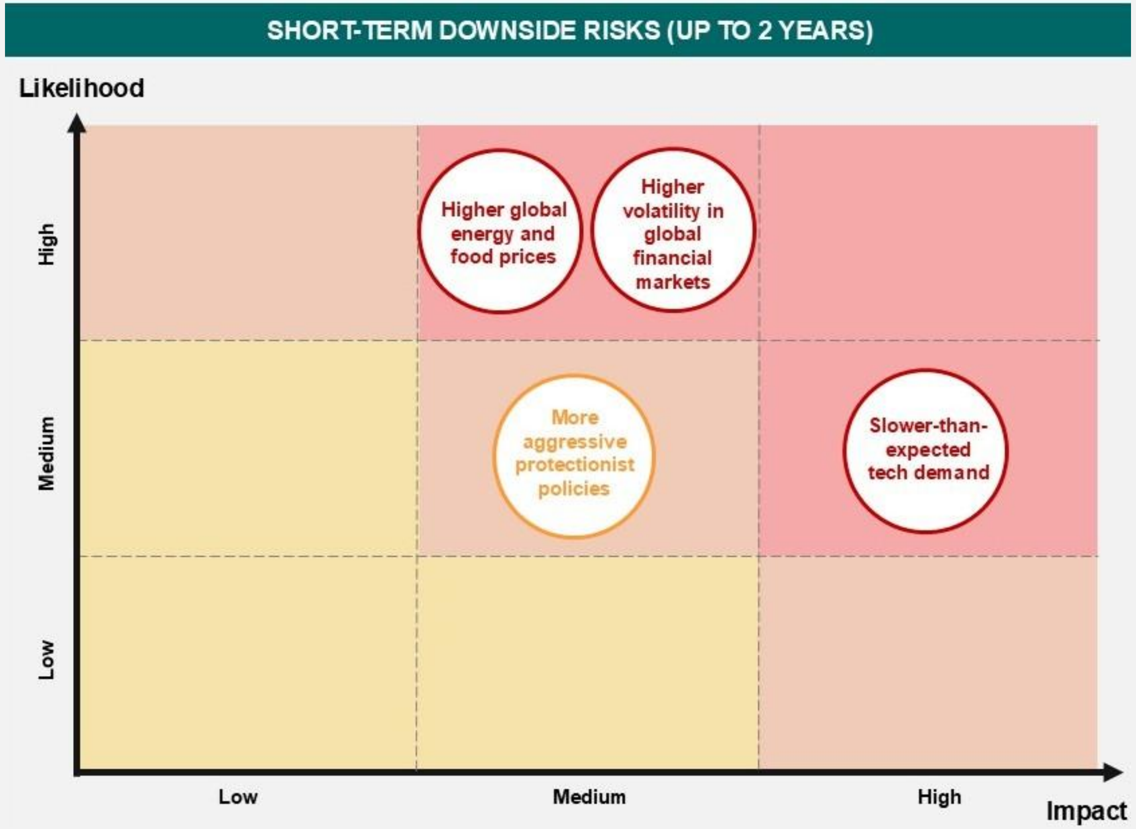
Revised upwards from AREO Interim Update   Revised downwards   Maintained

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 2025 GDP on purchasing power parity basis; regional aggregates for inflation are computed using weighted 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 as of 23 July 2026.

The outlook remains subject to significant uncertainty

The most salient risks stem from the evolving Middle East conflict and the durability of the AI-driven technology cycle

Regional Risk Map
(July 2026)



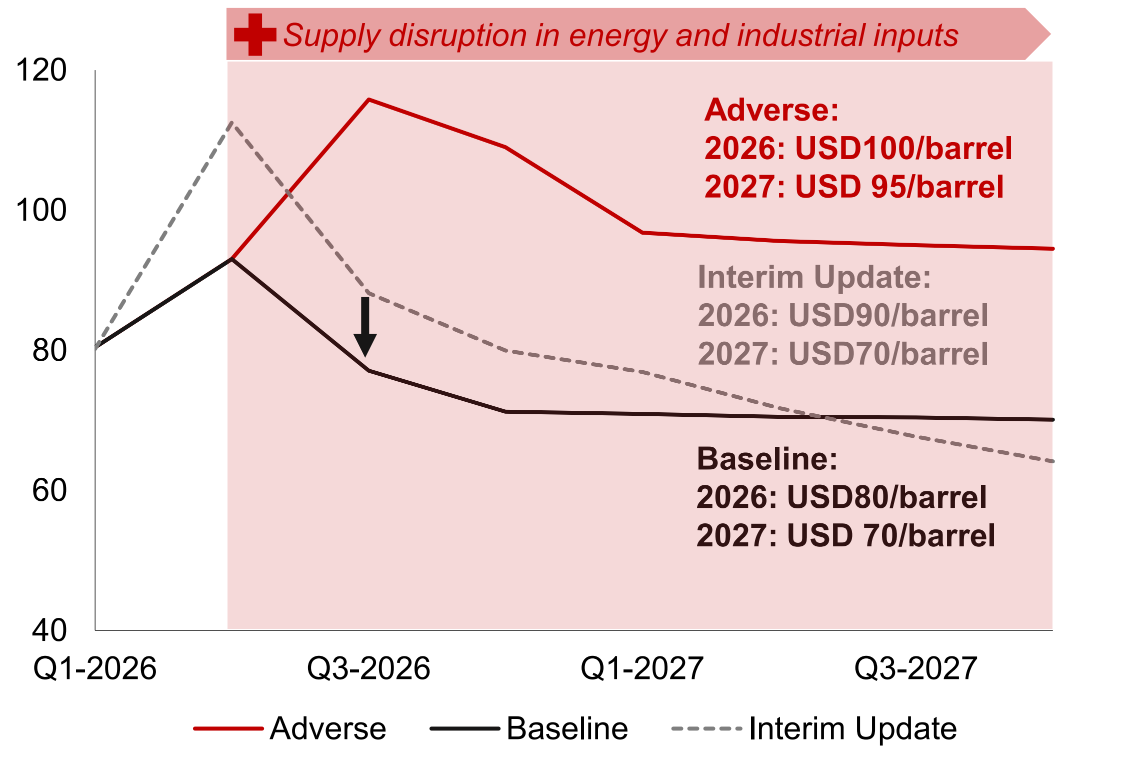
- Key downside risks to outlook include renewed escalation in the Middle East conflict, which could raise global energy and food prices, and lower AI-related demand.
- Financial market volatility and rising trade protectionism could further weigh on the outlook.

Source: AMRO staff assessment.

Risks from the Middle East conflict have not disappeared

Under a scenario of Strait of Hormuz remaining effectively closed throughout 2027 and Brent averages USD90-100/barrel through 2027, sustained energy and industrial supply disruption would weigh on economic activity while amplifying price pressures

2026–2027 Brent Crude Oil Price Scenarios
(USD per barrel)



2027 GDP Growth and Headline Inflation Under Adverse Scenario
(Percent year-on-year)

	Baseline	Adverse scenario	Ppt difference
GDP growth			
ASEAN+3	**4.0**	**2.8**	**-1.2**
Plus-3	3.9	2.7	-1.2
ASEAN	4.8	3.3	-1.5
Headline inflation			
ASEAN+3	**1.6**	**4.6**	**3.0**
Plus-3	1.3	4.1	2.9
ASEAN	3.1	6.7	3.6

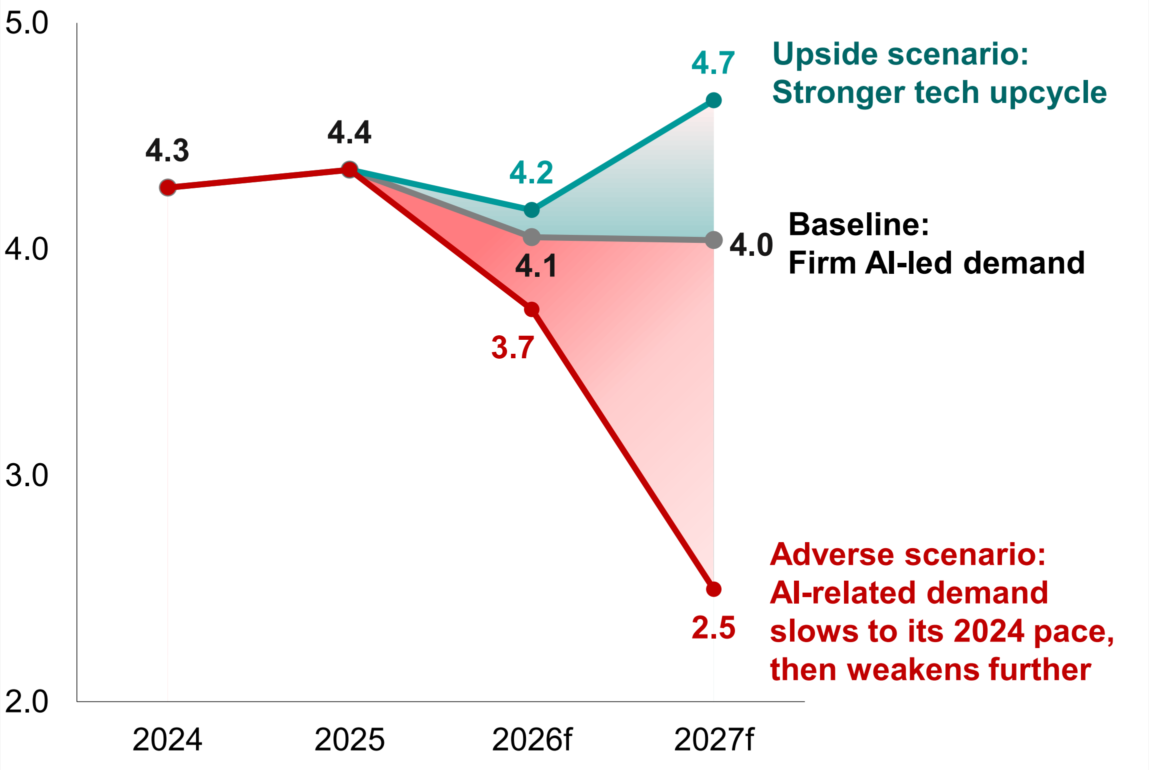
Source: Oxford Economics Model; AMRO staff estimates and forecasts.
Note: Baseline assumes tariffs as of end February 2026 (ASEAN effective rate 10.2 percent) with investment growth moderating from 2025. Upside scenarios assume investment grows 10 percent quarter-on-quarter faster than baseline, adverse scenarios 5 percent slower (in line with the 2022 tech downcycle). Further upside and severe adverse scenarios additionally assuming tariffs 5 percent lower or 10 percent higher than baseline, respectively. Regional aggregates are weighted using 2025 GDP on PPP basis. Brunei, Cambodia, Lao PDR, and Myanmar are excluded due to data unavailability.

The AI cycle has become a key swing factor for the region's outlook

Moderation in AI-related demand – even without an outright correction – could weigh materially on regional outlook

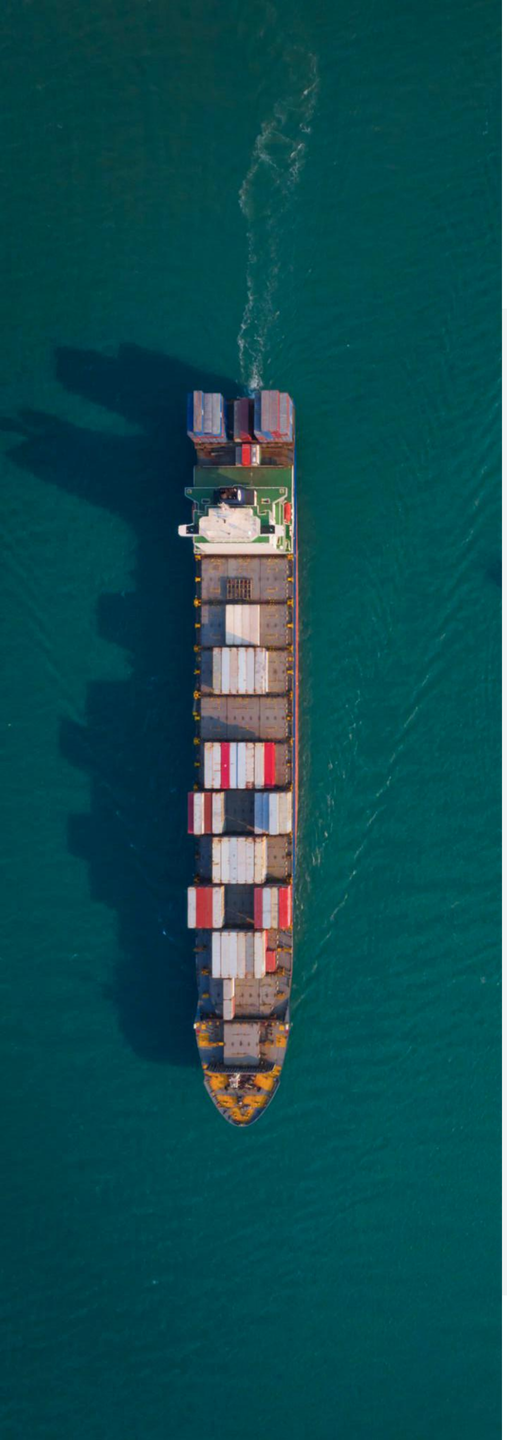
A disorderly correction in AI-related asset valuations could amplify these effects through financial channels

ASEAN+3 Growth Projections Under Different Scenarios
(Percent, year-on-year)



- **A scenario of moderately weaker AI demand would weigh on exports and investment, slowing ASEAN+3 growth to 2.5% in 2027** – slowest growth since the Asian Financial Crisis outside the pandemic year.
- **A scenario of disorderly correction in AI-related asset valuations could be considerably more severe**, with spillovers through multiple channels, including a sharp reversal of concentrated AI-related equity gains, refinancing stress among leveraged firms, and weaker risk sentiment weighing on regional capital flows.

Source: Oxford Economics Model, AMRO staff calculations.
Note: Baseline assumes global tech-driven investment growth continues to expand from 2025. Upside scenario assume investment is 5 percent higher than baseline, while the adverse scenario assumes investment grows at a similar rate to 2024. Regional aggregates are weighted using 2025 GDP on PPP basis.



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Thank you

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