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**ASEAN-6\*:**

Indonesia, Malaysia, Philippines,  
Singapore, Thailand, Vietnam

Nominal GDP: USD3.8 trillion

Population: 614 million

Goods Exports: USD1.9 trillion

\*regional aggregates as of 2024

**Related reports**

[Indonesia 2026 Outlook: Time to deliver](#)

[Singapore 2026 Outlook: Measured Resilience](#)

[Separate Paths: Economic Outlook and Market Strategy for 2026](#)

- ASEAN-6 trade performance defied significant disruptions from tariffs and supply chain dislocation last year.
- Managing sustained disruptions remains key. Governments are closing ranks and taking a proactive stance.
- Investment interest is strong, partly helped by the AI wave.
- We expect ASEAN-6 growth to moderate to 4.4% yoy this year.
- Fiscal policy is likely to be supportive, while the bulk of monetary easing is behind us.

**ASEAN-6 – Individual commentaries**

- **Indonesia:** Growth supportive policy
- **Malaysia:** Continuing Ekonomi Madani policies
- **Philippines:** Ironing out hurdles
- **Singapore:** Measured resilience
- **Thailand:** Elections and economic fragilities
- **Vietnam:** Rising to external challenges

**Key themes**

Three themes are likely to be relevant for the ASEAN-6 countries in the near term. First, we expect trade growth to endure as tariff exemptions for key sectors and ongoing global AI tech expansion would provide cushion, alongside regional countries' active efforts to deepen engagements with key global partners. We are mindful that some extent of cyclical normalisation after last year's front-loading export lift and due to the lagged drag from US tariffs is inevitable. **Second**, regional authorities will seek to lift domestic consumption and investments tapping into FDI as well as expansionary fiscal policy at home as a counterweight to isolationist trade policies. **Third**, a push to deepen regional capital markets is bound to continue.

Beyond discussing these themes, we also outline the economic and policy outlook for 2026 in this report, after which are country-specific notes.

**#1 Trade activity to normalise**

2025 was a volatile year for trade policies, with an earlier sharp increase in reciprocal tariffs imposed by the US, eventually watered down by July-August. Nonetheless, the revised rates were 2x-6x pre-US elections, suggesting that trade barriers are higher than in the past. This marked a further weakening of the open, rules-based international trading order, which Southeast Asia thrived on. Fearing the grim impact, the bloc responded in two major ways: 1) by negotiating de-escalation with America, reducing elevated tariffs set in trade frameworks, and 2) by pragmatically doubling down on strengthening internal integration and

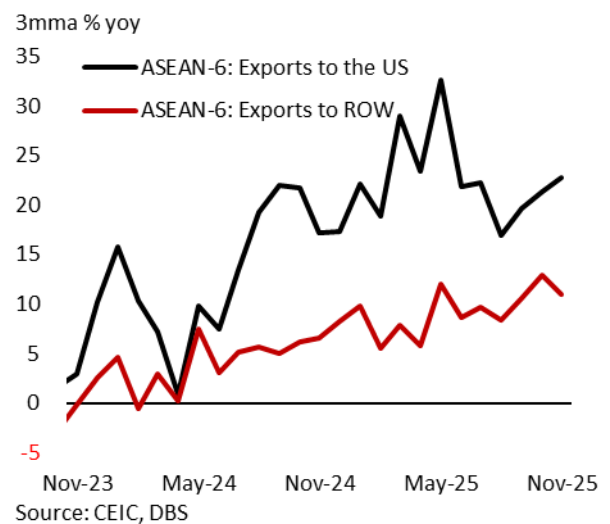
diversifying partnerships with external partners.

**We expect the region to build on these efforts in 2026 to backstop external resilience for the long haul and stand out amidst rising geoeconomic fragmentation.**

**- Constructive engagements with the US**

ASEAN will aim to continue constructive engagements with the US. Regional exports withstood US tariffs well in 2025, growing by 12.3% yoy through November. This was lifted by strong shipments to the US, which increased by 24.5% yoy over the same period, due to the staggered implementation of tariffs, and not as blanket and burdensome trade restrictions as initially feared.

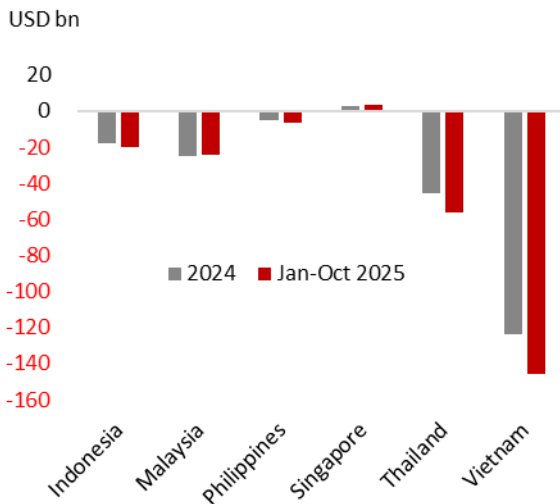
**ASEAN's goods exports to the US have performed better than feared in 2025**



Crucially, the US lowered reciprocal rates for ASEAN-6, excluding Singapore, to 19-20%. These are significantly below the punitive rates of 30-46% that were threatened on Liberation Day. These rates came with various concessions, such as increased US goods purchases, greater market access, and reduced non-tariff barriers in areas like investment,

digital trade, and services, among others. However, wider US bilateral goods trade deficits with ASEAN (notably Vietnam and Thailand) in 2025 might result in renewed scrutiny.

Wider US goods trade balance with ASEAN-6



Source: CEIC, DBS

ASEAN will seek to secure preferential rates to limit the downside impact. Notably, Malaysia is actively negotiating with the US to maintain exemptions for its semiconductor exports from fresh tariffs, while Singapore is in talks to clarify on exemptions to 100% tariffs on branded/patented pharmaceutical goods.

**Ongoing healthy two-way dialogue with the Trump administration would hopefully sustain the agreements and reduce the risk of an unpredictable roller coaster of trade policy announcements.**

**- Expanding partnerships in ASEAN and beyond**

**We expect ASEAN’s trade diplomacy to remain robust in 2026, following successful milestones in 2025.**

ASEAN remains committed to upholding an open and rules-based multilateral trading system and deepening integration by actively upgrading existing Free Trade Agreements (FTAs) while exploring new upgrades with like-minded partners. Landmark agreements signed last year include the ASEAN Trade in Goods Agreement (ATIGA) Upgrade, and the ASEAN-China Free Trade Area (ACFTA) 3.0 Upgrade, both during the 47<sup>th</sup> ASEAN Summit in October. These agreements streamline customs procedures and trade facilitation, and expand into new areas such as digital trade, green economy, and supply chain connectivity.

The bloc will look to expand and diversify its Trade Outside the US (TOTUS) network, while also signing a major digital agreement this year. Malaysia, the Philippines, Thailand have already restarted FTA negotiations with the *European Union (EU)*, ASEAN’s third-largest trading partner), and are set to advance discussions this year, with expectations of finalising talks by 2027, which will form the foundation of a broader ASEAN-EU pact. *Canada*, ASEAN’s 16<sup>th</sup> largest trading partner, is actively working with the region on a comprehensive ASEAN-Canada Free Trade Agreement (ACAFTA), targeting substantial conclusion by 2026. The bloc will also kickstart negotiations with *South Korea*, its fifth largest trading partner, this year to upgrade their FTA to include the digital economy, green economy, and supply chain resilience.

Lastly, the region will sign the Digital Economy Framework Agreement (DEFA), the world’s first region-wide agreement dedicated to digital economy governance, in 2026. Southeast Asia (SEA)’s digital economy is already booming and could cushion a moderation of goods trade.

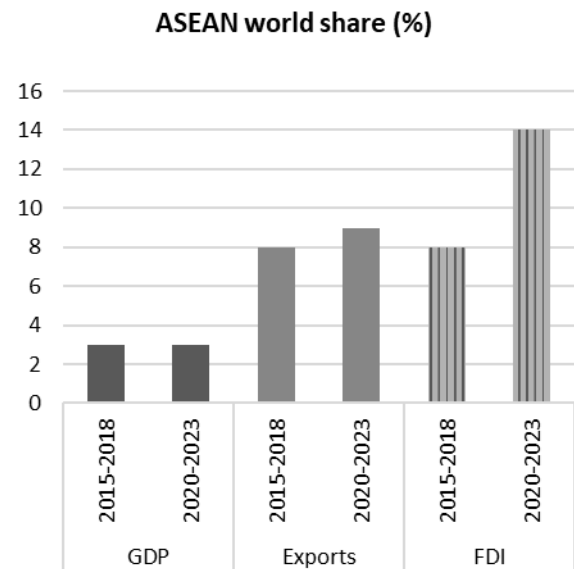
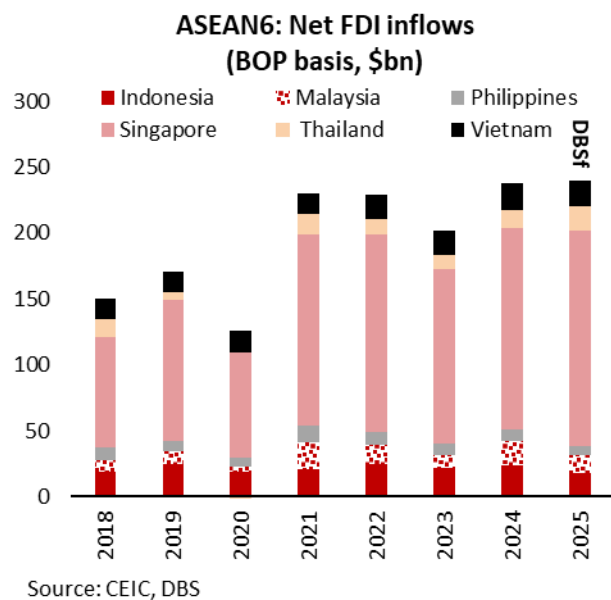
Gross merchandise value is on track to surpass \$300bn in 2025 with 15% yoy growth<sup>1</sup>, with the potential of unlocking value up to \$2tn by 2030<sup>2</sup> with the progressive implementation of DEFA (see [ASEAN-6 2025-40: The next leap](#) for a discussion of trade deepening efforts and DEFA).

**Investment interests remain strong**

FDI inflows into the ASEAN-6 region have continued to grow at a steady pace in the past five years, improving from \$171bn in 2019 vs nearly \$240bn (DBSf in 2025), slightly better than in 2024. Within manufacturing FDI, supply chain intensive industries and digital economy likely drove much of last year’s upmove, notwithstanding the difficult geopolitical environment and isolationist trade tendencies.

[2025-40: The next leap](#) and [ASEAN-6 2025 Outlook: Crosswinds](#). ASEAN accounted for >20% of the global semiconductor ATMP industry (assembly marking testing and packaging)<sup>3</sup>, besides cornering ~12% of global greenfield flows and leading the region at large by attracting half of the developing world’s total. Industry estimates are optimistic about the outlook. WSTS projects global semiconductor revenue to grow 26.3% to \$975bn in 2026, similar to 22.5% in 2025.

The US, intra-ASEAN flows, China, and the UK cumulatively accounted for nearly half of the FDI investments in 2024, with the mix turning more balanced with more interests from North Asian countries (especially Korea, Taiwan and Japan), as these countries moved up to top 10 investors.

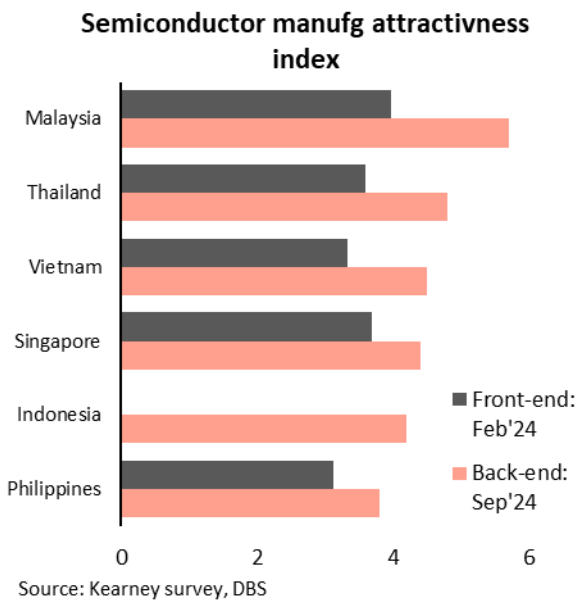


The region’s strong presence in the electronics/semiconductor supply chain is well-established, and we discussed it in [ASEAN-6](#)

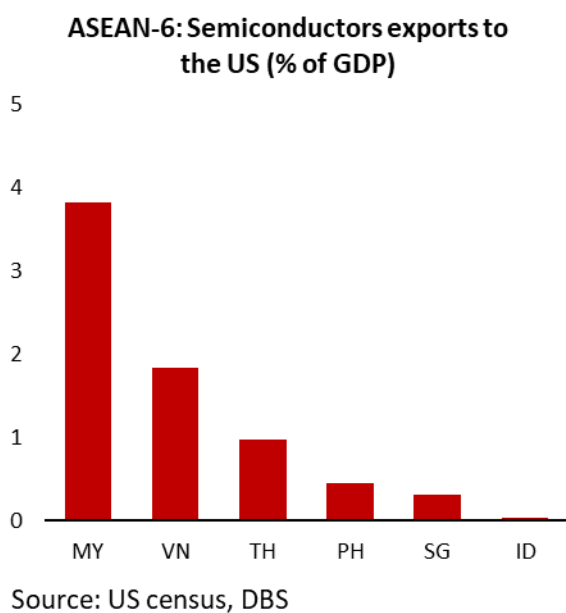
<sup>1</sup> [e-Conomy SEA 2025 report](#)

<sup>2</sup> [ASEAN Secretariat: Digital Economy Framework Agreement \(DEFA\): ASEAN to leap forward its digital economy and unlock US\\$2 Tn by 2030](#)

<sup>3</sup> [ASEAN Investment Report 2025](#)



National governments have also undertaken a proactive approach in attracting these investment and trade flows, with more than 200 measures introduced in the past three years across the bloc, comprising of initiatives to boost supply chain facilities, improve transport and connectivity, as well as innovation.



Increasingly, it is also becoming a **critical player in the Artificial Intelligence (AI) hardware ecosystem**, benefiting from backward linkages to the investment boom in other parts of the world, particularly the US. **Across the AI value chain, countries are present in the ‘hardware’ to ‘software’ solutions.** This includes data centres, AI infrastructure build-up and hardware manufacturing on the ‘hardware’ part and applied AI/ specialised solutions on the ‘software’ layer.

**On the ‘hardware’ part, the bloc’s strength<sup>4</sup> stems from,** a) depth of the supplier ecosystem, across high value added to low tech facilities – for instance precision engineering for fabs, outsourced semiconductor assembly and test services (OSAT), radio-frequency components for network gear, and optical interconnects all scale with AI compute; b) data centre FDI expansion has been robust, attracted by ASEAN’s land availability, connectivity, gradual shift towards clean energy and potential expansion in manufacturing capabilities; c) chip manufacturing is maturing, moving up the value chain from purely mature-node.

In 2024, ASEAN climbed to the fifth position globally, hosting about 390 data centres vs ~295 in 2020. This was accompanied by a sharp increase in data centre capacity to ~1.7GW from about 800MW in 2020, according to the ASEAN Investment Report. Capacity is projected to grow by CAGR of at least more than 10% until the end of this decade from a market size of about ~11-\$13bn in 2024.

Amongst the ASEAN-6 countries, Malaysia is in the lead, boosted by investment commitments

<sup>4</sup> [ASEAN’s quiet upside in the global tech boom by EDB](#)

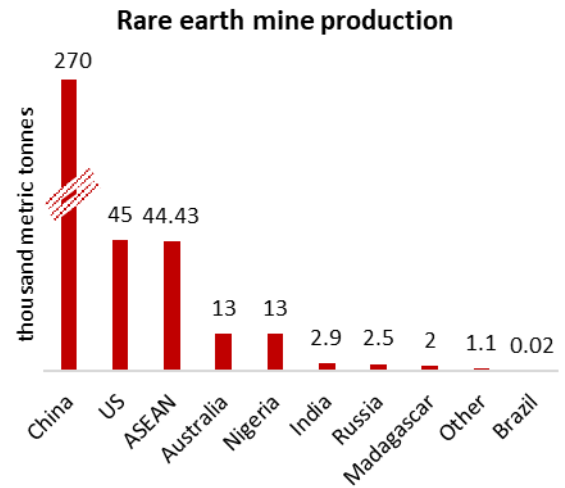
by big-ticket US-based hyperscalers, such as Amazon Web Services, Google, Microsoft, and Oracle. Singapore is viewed as a mature hub, with a growing operational base, with incremental scale up constrained by energy/land uses. Spillover benefits are expected in the upcoming Singapore-Johor Special Economic Zone. Indonesia is a high growth market, especially with new commitments in Greater Jakarta and Batam, while Thailand, Vietnam, and Philippines are emerging markets.

**Seeking a piece of the rare metal supply pie**

Amidst rising geopolitical tensions surrounding rare earth supplies, ASEAN’s resource base and growing industrial capacity position it as a potential strategic counterbalance. While China admittedly leads across the value chain by a wide margin, a few ASEAN-6 countries could emerge as alternative sources to the likes of Malaysia (for refining), Thailand, and Vietnam. ASEAN also has its strengths in the broader mineral universe, including more than half of the global nickel reserves, besides bauxite, and cobalt.

This will require concerted effort, starting with a dedicated investment framework roping in key stakeholders. This not only includes identifying the industry as a strategic priority but also makes it necessary for the public sector to take the driver’s seat, given the long gestation periods involved and capital-intensive nature of commitments. Support measures will encompass the need to raise medium-to-long term capital, better geological data to identify reserves, provision of tax concessions, and reduced regulatory friction. Cognizant of the region’s strengths, the US took proactive steps to secure rare supplies via deals with selected ASEAN counterparts last year, which included

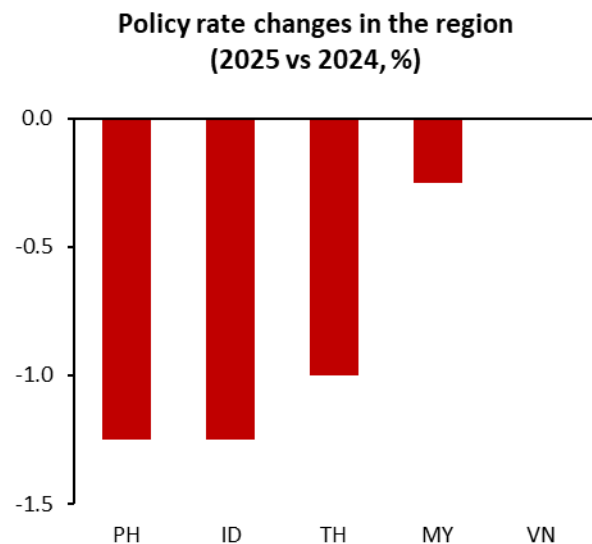
steps to allow companies to collaborate on local processing and manufacturing capabilities.



Source: USGS, DBS  
 Note: ASEAN includes Myanmar, Thailand, Vietnam, Malaysia. Data as of 2024.

**#2 Domestic drivers a key counterweight**

ASEAN-6 exports mix, and tariff exemptions will provide some extent of resilience this year, we also expect national authorities to boost domestic engines including investment and consumption as a counterweight to protectionist global trade tendencies.



Source: Central banks, DBS

Regional central banks lowered interest rates in 2025, tapping the ample real rate buffer. Fiscal policies were also supportive.

Heading into 2026, authorities will be keen for investments to benefit the domestic economy through higher employment and broad basing the ecosystem, while fiscal policy stays expansionary albeit not threatening key thresholds. In this context, Indonesia will be in focus after the welfare-oriented push saw the 2025 deficit widen, raising the risk of a wider than budgeted gap this year as well. Vietnam has room for continued strong public infrastructure investments, with emphasis on transport and energy construction. Malaysia's government spending will be calibrated with targeted and expanded cash aid and higher development outlays, but cutbacks in subsidies will enable gradual fiscal consolidation. Philippines' public spending plans might be deferred by the ongoing corruption scandal and related allegations. Thailand's fiscal policy direction is likely to be in a flux until the cloud from the elections on February 8 is lifted.

Room for monetary easing is limited this year (*see discussion in the outlook section below*).

### #3 Efforts to deepen capital markets

Lastly, growth aspirations will also require deeper domestic capital markets, especially markets-based financing, to support expanding public and private sector needs. While positive, ASEAN-6 equity market performance, tracked by the MSCI ASEAN Index, lagged its North Asian peers last year due to the absence of heavyweights in generative AI and related technologies. However, we see room for investors to build exposure in these markets this year possibly as a non-AI counterweight to

already crowded holdings in tech counters and concentrated ex-ASEAN country-specific bets.

The region's vantage position in global supply chains, attractive valuations, positive earnings beat, expansionary fiscal tilt, and accommodative monetary conditions, offer an attractive diversification bet. Moreover, markets like Singapore have announced and are executing various measures, from increasing investor demand to developing cross-border connectivity/partnerships, and enhancing trading and regulatory approaches, to strengthen competitiveness and revive its equities market.

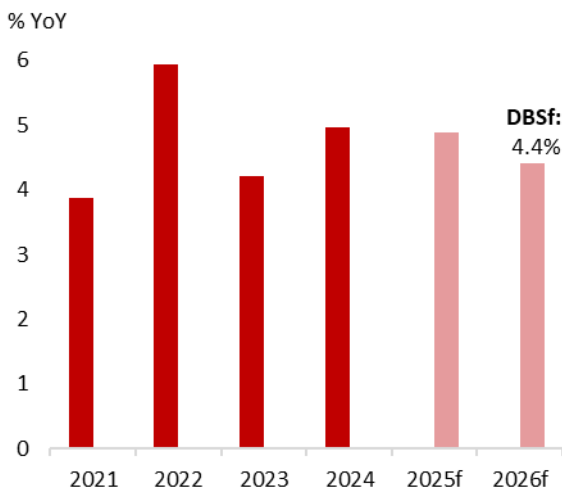
Our six-point checklist to screen attractiveness, spanning from export dependence to the US, stock market support measures to forward PE valuation relative to the 10Y history and PE/Growth ratio, shows Singapore and Indonesia leading the league tables for this year, while Philippines and Thailand have much room to catch up. Laggards within the ASEAN-6 region will be also required to address persistent domestic political and economic pain points. With resilient growth, reform momentum, and rising global relevance, ASEAN-6 is well-positioned to deliver attractive investment opportunities, from facing a disruptive year to making it an advantageous one in 2026.

**2026 Economic and Policy outlook**

**Growth**

In 2026, we expect ASEAN-6’s economy to moderate to 4.4% with a modest upside bias, from 4.9% in 2025. The delayed drag from US tariffs will likely be cushioned by domestic strength and supportive policies.

ASEAN-6 real GDP growth (ppp-weighted)



Source: CEIC, DBS

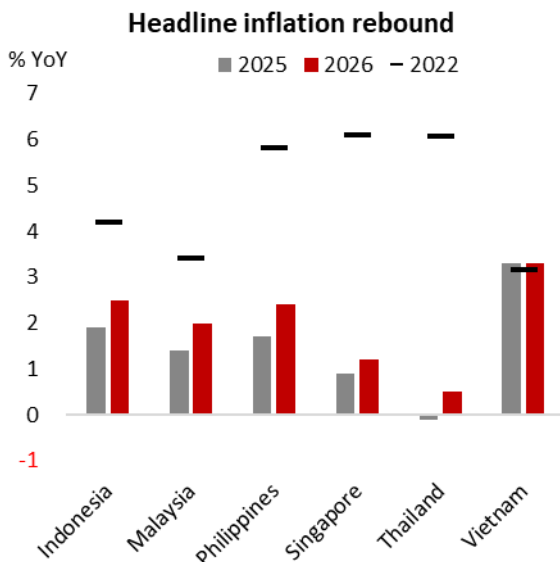
Regional goods exports are poised to be restrained in tandem with a slower global trade cycle in 2026, despite having withstood the US tariff shock well last year. Exports will moderate due to the lagged drag from US tariffs, with the staggered implementation of restrictions last year delaying the negative impact. US tariffs are higher than pre-Trump 2.0 levels, even with a de-escalation in trade tensions and less blanket restrictions than feared amidst recovering factory sentiments. Yet, we expect persistent AI-led demand for electronics shipments to provide cushion, even as risks from impending US semiconductor tariffs loom. Trade-reliant Malaysia, Singapore, Thailand, and Vietnam will watch these developments closely.

The bloc’s domestic strength and policy anchors will support and mitigate the external tariff-related challenges. Household consumption growth will be mostly supported by resilient labour conditions, targeted income fiscal support, and manageable inflation, except in Thailand.

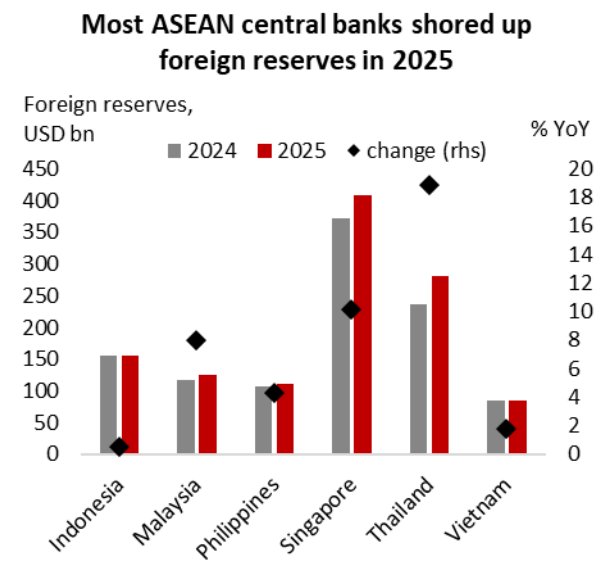
Investment expansion will likely continue to benefit from ongoing strong FDI interest amidst ongoing supply chain adjustments, and proactive government capital expenditures in areas like transport infrastructure. Domestic demand should also receive some tailwinds from monetary easing spillovers that mostly occurred last year.

**Inflation and Monetary policy**

We expect inflation across ASEAN-6 to rise but remain within targets in 2026. The disinflation in oil and food, which were key drivers of regional price pressures, will fade this year. Global energy prices will decline more gradually compared to 2025, amidst geopolitical uncertainty and excess supply conditions. Food prices face upside risks from any weather vagaries as climate change sparks more frequent disruptions. Overall imported price pressures will still be kept at bay with modest currency appreciation. Core inflation would be supported by underlying domestic demand resilience. Inflation will be within the targets and comfort boundaries of central banks, but the price rebound leaves less scope for sizeable monetary easing.



Source: CEIC, DBS



Source: CEIC, DBS

**Our expectations for further pro-growth monetary policy loosening in 2026 will be relatively modest and opportunistic compared to 2025.** We expect Bank Indonesia (BI) and Bangko Sentral ng Pilipinas (BSP) to lower rates by 50bps each this year (both having slashed by 125bps in 2025). They will be vigilant of firming inflation and currency softness that might threaten and hinder price and external macro stability. Dovish Bank of Thailand (BOT), having reduced rates by 100bps to 1.25% in 2025, will increasingly consider the diminishing policy space and effectiveness to cushion the soft economy amidst muted inflation, with our forecast for a 25bps cut. Implied rates appear to reflect some tightening risks, though regional policymakers will be wary of premature move to hike rates given global uncertainties.

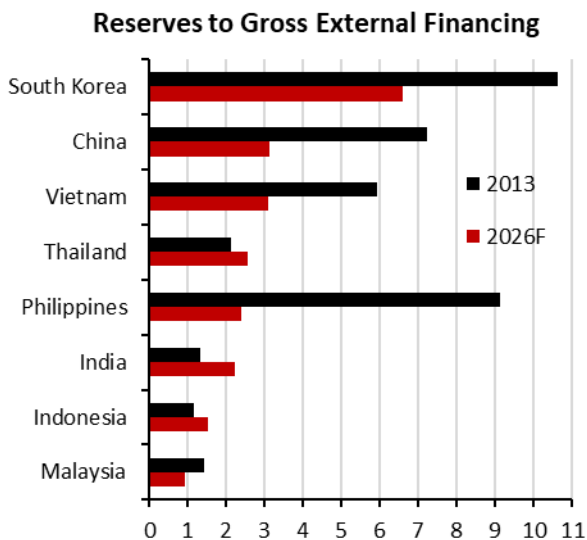
**Macro stability**

Regional currencies are expected to regain stability in 2026 amidst a second consecutive year of US dollar weakness, following divergent ASEAN-6 performance in 2025.

Nonetheless, we expect authorities to guard against complacency in the midst of increased unpredictability and unexpected external shocks.

Most SEA central banks preserved their macro defences and buffers by accumulating foreign reserves in 2025 during favourable market conditions.

Our proprietary gross external financing ratio (GEFR) ratio for economies under our coverage continues to broadly reflect sufficient foreign reserves against current account balances and short-term external debt (by residual maturity where available). The IMF’s Assessing Reserve Adequacy (ARA) metrics also broadly show adequate buffers for most ASEAN economies, except for Vietnam. Vietnam’s moderately below adequate indicator is partly mitigated by its high current account surplus and robust FDI inflows.



Source: CEIC, World Bank, IMF, Country authorities, DBS

*In the next section, we present our economic outlook for each of the countries in ASEAN-6 (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam).*

**Indonesia: Growth supportive policy**

	2024	2025F	2026F	2027F
GDP, % yoy	5.1	5.0	5.2	5.1
Inflation, % yoy	3.7	1.9	2.5	2.2
Policy rate, % eop	6.00	4.75	4.25	4.25
10-yr yield, % eop	7.10	6.10	5.90	5.90
USDIDR, eop	16162	16650	16350	16630

Indonesia’s growth exhibited relative resilience in 3Q25 despite civil protests and US tariffs coming into effect. The economy expanded 5% yoy in 3Q, benefiting from stimulus measures, a modest pickup in public spending and positive net external trade on the back of frontloaded manufactured and commodity exports. ([Indonesia’s growth pulse](#))

Growth is likely to fare better in 4Q25, as the combined effect of policy transmission, fast track in government spending, welfare measures, surplus liquidity and relative resilience in external trade play out. After successive rounds of stimulus packages, another IDR30trn tranche was announced for Oct, comprising of cash handouts, transport discounts etc. The government also transferred IDR 200trn from its contingency fund towards spurring credit growth, while manufactured and commodity exports stayed firm into late-2025. Factoring these drivers, we revise our full year growth forecast to 5% from 4.9% before.

**We revise up 2026 growth to 5.2% yoy as fiscal and monetary policies are geared to be growth supportive next year.** Besides accelerated government spending, we expect a push towards welfare programs. The domestic investment agency has also been tasked to undertake strategic downstreaming projects and WTE (waste to energy) commitments. BI is expected to push for further transmission into bank lending rates. Consumption will require

more support in light of easing productivity, while youth unemployment remains high amidst tepid wage growth and a widening informal economy. FDI into the metals and base processing industries is expected to continue, while the government seeks tariff exemptions on key commodity groups.

**Inflation trend remains within the target range and is unlikely to be a concern for the central bank.** Reversal in base effects (stimulus driven slump in 2025), better credit growth and seasonal food pressures are expected to lift 2026 inflation to 2.5%. Lower FX volatility and stable inflation allowed the BI’s policy rate to be lowered by 150bp between Aug24 in 6.25% and Oct25 to 4.75%. A perceptible shift towards growth suggests that the BI will continue to lower rates in 2026, albeit be opportunistic with timing. Rupiah stability will be an important determinant of the timing of the cut, just as the IDR briefly depreciated to a record low in early 2026.

**Fiscal policy will be expansionary** ([Indonesia’s evolving policy mix](#)), with ministries likely to be encouraged to disburse unspent allocations. Social programs are set to continue in 2026, with emphasis on improving the implementation of the sizeable free meal program (~1.1% of GDP). Fresh taxes are not in the pipeline though a push to improve tax compliance and widen the base will be necessary to make up for ~0.3% of GDP worth revenues that will be channeled to the national investment agency. Unlike the past, we don’t expect an undershoot of the fiscal targets, but a breach of the crucial -3% of GDP threshold is also unlikely to maintain investor confidence.

Radhika Rao

**Malaysia: Continuing Ekonomi Madani policies**

	2024	2025	2026F	2027F
GDP, % yoy	5.1	4.9	4.0	4.2
Inflation, % yoy	1.8	1.4	2.0	2.0
Policy rate, % eop	3.00	2.75	2.75	2.75
10-yr yield, % eop	3.81	3.51	3.40	3.40
USDMYR, eop	4.47	4.06	4.03	4.10

**Malaysia has entered 2026 with a sense of cautious optimism.** Domestic buffers and supportive policies under the Anwar government’s Ekonomi Madani agenda are likely to cushion the economy against a challenging global trade backdrop, which faces headwinds from unsettled US tariffs with lingering threats of semiconductor levies. These factors inform our real GDP growth forecast of 4.0% in 2026, which aligns with the official projection range of 4.0-4.5%, and compared to the advance estimated 4.9% expansion in 2025.

**We expect the resilient domestic demand that cushioned and supported the Malaysian economy in 2025 to extend into 2026.** A positive investment cycle is underway, seen in strong momentum of investment approvals. Investment growth will continue to be catalysed by long-term economic plans under the Ekonomi Madani agenda, which are attracting higher foreign direct investment (FDI).

The Johor-Singapore Special Economic Zone, formalised in January 2025, is demonstrating great regional potential in countering geopolitical challenges. With the JS-SEZ taking shape, the Johor state has impetus to remain a leader in garnering investments, which will be positive for overall investment expansion.

Additionally, private consumption, accounting for ~60% of GDP, will remain a key growth pillar. Household spending will likely be supported by ongoing income gains amidst a steady labour market, and consumption-boosting policies announced in Budget 2026, such as expanded targeted cash aid. Visit Malaysia 2026 would also spur tourism-related consumer spending.

**Nonetheless, Malaysia’s goods exports are likely to be negatively impacted by external headwinds from US tariffs.** Shipments to the US are exposed to 19% US reciprocal tariffs. Electronics exports, which have been bolstered by US tariff exemptions and robust external demand, face downside risks from lingering sky-high US semiconductors. The wildcard is the Malaysia-US talks on potentially 0% chip tariffs, which would take some time to negotiate.

Even as Malaysia’s economy navigates global challenges, the government has stuck to its ongoing commitment to fiscal sustainability in Budget 2026, the 4<sup>th</sup> under the Madani Budget series. Carefully calibrated reforms would help both sides of the government ledger into 2026, gradually reducing the federal government budget deficit to 3.5% of GDP in 2026.

**Amidst an uncertain backdrop, we expect Bank Negara Malaysia (BNM) to ensure a monetary policy stance that remains supportive of growth.** Having pre-emptively cut its Overnight Policy Rate (OPR) by 25bps to 2.75% in July 2025 to preserve the growth path, we expect BNM to hold its OPR steady at 2.75% throughout 2026, remaining patient and preserving monetary ammunition amidst external uncertainties. This would be amidst contained inflation that rises modestly to the long-term average of 2.0% in 2026.

*Chua Han Teng*

**Philippines: Ironing out hurdles**

	2024	2025F	2026F	2027F
GDP, % yoy	5.7	4.7	5.0	5.0
Inflation, % yoy	3.0	1.7	2.4	2.0
Policy rate, % eop	5.75	4.50	4.00	4.00
10-yr yield, % eop	5.50	5.65	5.45	5.45
USDPHP, eop	58.1	58.5	55.6	56.7

**Philippines’ growth slowed sharply in 3Q25 to 4% yoy from 5.5% quarter before on lower fiscal spending, and weak investments.**

Consumption eased compared to the quarter before, with exports emerging as the only bright spot, lowering the annual profile significantly. Building in our forecast for a subdued 4Q, 2025 growth is likely to average 4.7% vs our earlier forecast of 5.3%. As it stands, growth was expected to moderate in rest of 2025 and next year due to a confluence of domestic and external headwinds, including impact of typhoons, domestic governance issues (corruption issues from flood control projects), slower fiscal expenditure and impact of US tariffs. Impact of these developments is expected to spill over into 2026, marked by slower disbursements towards public infrastructure projects accompanied by cautious private sector commitments.

**Consumption demand should make up for part of the downside**, with real purchasing power benefiting from softer inflation, low unemployment rate and loose financial conditions. But part of the buoyancy will be hurt by sporadic typhoons that hurt farm output and weaker sentiment on the corruption scandals.

**External trade has exhibited relative resilience** in 9M25, though the impact could be material next year if Section 232 announcements bring electronics (more than half of Philippines’ goods exports) under its umbrella. Tariff

uncertainty will also hurt at the margin as Philippines’ positive arbitrage was eroded after the rate was raised to 19% in Liberation Day 2.0, bringing it on par with the regional peers. Electrical machinery & equipment, commodities, and nuclear applications are few of Philippines’ top exports to the US.

Speedy resolution to the lingering trouble facing past flood projects, besides revival in private domestic and foreign interests in renewable energy projects, better realisation in FDI and resilient remittances are few potential offsets to the otherwise sombre outlook.

Philippines’ inflation exceeded expectations to rise 1.8% yoy in Dec25, propped by the impact of typhoons on food production and supplies. In wake of the release, **BSP Governor Remolona signaled that one more rate cut was likely this year, as early as Feb26**, beyond which the benchmark rate was “very close to where we want’. **The central bank’s dovish commentary, impending growth risks and a negative output gap suggest that the door remains open for further cuts.** Our baseline projection is for one more cut beyond Feb to the neutral rate of 4% to address downside risks to growth. Dovish signals are expected to weigh on the peso, with FX intervention likely to be the first line of defence to prevent a weaker currency from adding to inflationary risks. Exogenous forces will also carry some weight as a resumption in the US Fed rate cuts likely to preserve rate differentials. Current account deficit is likely to stay around 3.0-3.3% of GDP this year and next.

*Radhika Rao*

**Singapore: Measured resilience**

	2024	2025	2026F	2027F
GDP, % yoy	4.4	4.8	1.8	2.3
Inflation, % yoy	2.4	0.9	1.2	1.5
10-yr yield, % eop	2.86	2.12	2.20	2.30
USDSGD, eop	1.37	1.29	1.25	1.27

**Singapore’s highly globalised economy is exposed to profound global shifts towards increased geoeconomic fragmentation, rapid technological advancement, and climate change, trends we expect to persist into 2026.**

Despite a more resilient economic performance than initially feared in 2025 following the US tariffs shock, global growth in 2026 will face a visible trade drag from the lagged impact of higher US tariffs. However, this will be cushioned by tech investments and adoption, alongside supportive financial conditions. Risks are skewed to the downside, from lingering tariff tensions and stretched financial markets.

In this external backdrop, **we expect Singapore’s real GDP expansion at 1.8% in 2026. This is close to potential growth, but cooling from the robust advance estimate of 4.8% in 2025.** Trade-related sectors will confront headwinds from global trade frictions stemming from US tariff hikes around the world, and some payback from exports front-loading. The electronics upcycle, ongoing since mid-2024, looks mature and would normalise if the support from the artificial intelligence (AI) boom somewhat wanes, while threatened US semiconductor tariffs are enforced.

The modern services cluster (encompassing information & communications, finance & insurance, and professional services) also face external challenges, but cushioned by strong AI digitalisation efforts, accommodative financial conditions, and Singapore’s enduring

attractiveness as a trusted business hub. The local construction sector will be a bright standout, lifted by major multi-year transport infrastructure investments, hospitality project expansions, and housing rollout.

**Singapore’s inflation will be contained in 2026, despite rebounding from the low rate in 2025.**

We forecast core and headline inflation averaging 1.0% and 1.2%, respectively, in 2026, but with upside risks. These will remain below 2%, which the Monetary Authority of Singapore (MAS) likely considers consistent with overall domestic price stability. The disinflationary impact from external factors is set to wane, due to a slower decline in global oil prices in 2026, even amidst Singapore dollar appreciation. Domestic administrative price adjustments for green transition, such as a 1.8-fold rise in the carbon tax, and a new sustainable fuel levy on airfares, would exert upside pressure on electricity tariffs and travel-related costs. While public transport fares will be hiked by 5%, enhanced public healthcare and education subsidies will cap essential services inflation.

**Regarding policy, we expect the MAS to keep the powder dry in 2026, safeguarding flexibility in an uncertain global environment.**

The MAS maintained the three parameters of its SGD NEER policy band in July and October 2025, after easing its appreciation rate twice in 1H25 in response to trade war growth risks and low inflation. Its current policy is consistent with a narrower 0% output gap and gradually higher inflation. In the government’s new term, it will focus on sustaining competitiveness in a tough landscape, with the Singapore Economic Resilience Taskforce set to unveil full recommendations by mid-2026.

*Chua Han Teng*

**Thailand: Elections and economic fragilities**

	2024	2025F	2026F	2027F
GDP, % yoy	2.5	2.1	1.6	2.0
Inflation, % yoy	0.4	-0.1	0.5	1.0
Policy rate, % eop	2.25	1.25	1.00	1.00
10-yr yield, % eop	2.25	1.64	1.50	1.50
USDTHB, eop	34.4	31.5	30.9	31.5

**Thailand's economy will have to contend with an uncertain and challenging landscape in 2026.** We expect rising domestic political uncertainty and cautious investor sentiment in 1H26, as the kingdom gears up for general elections on 8 February.

Domestic politics has been turbulent since the previous polls in 2023, with the country appointing the third Prime Minister (PM) in two years in September 2025. PM Anutin Charnvirakul, leader of the Bhumjaithai Party, dissolved the lower house parliament on 12 December 2025, paving the way for general elections. This was within the four-month commitment, as part of the agreement to secure support for his premiership from People's Party, which holds a majority in parliament. The upcoming elections are shaping up as a three-way contest between the People's Party, the Bhumjaithai Party, and the Pheu Thai Party. A new government would be formed by around mid-year in the event of definite results. However, any post-elections gridlock like in 2023 would be negative for investor confidence and hamper policymaking, at a time of fragile economic conditions.

Besides domestic political uncertainty, Thai economic growth will likely face downside pressures amidst global trade headwinds due to geopolitical risks from US tariffs. We forecast slower real GDP growth of 1.6% in 2026, compared to slightly above 2% in 2025. Goods

exports that have benefitted significantly from front-loading in 2025 will likely pull back in 2026. Thailand is exposed to the US market, its largest goods exports destination at ~18% of the total. Shipments to the US are therefore likely to be directly dragged by the 19% US reciprocal tariffs. Overall external demand would soften amidst increased global trade frictions, while currently buoyant electronics exports face downside risks from lingering US semiconductor tariff threats.

Other growth components, such as private consumption and foreign tourism, face challenges. Private consumption is confronted with weakened consumer confidence, and ongoing structural deleveraging of high household debt, although it would be supported by temporary government stimulus in 4Q25. The post-pandemic recovery in foreign tourism has been halted in 2025 by lower Chinese arrivals, Thailand's largest source market. The return of Chinese tourists in the coming quarters is likely to be gradual, given regional competition and shifting preferences.

**The Bank of Thailand (BOT) has signalled that monetary policy will stay accommodative throughout 2026.** This is even as the central bank has cut its policy interest rate by 100bps to 1.25% in 2025. We see scope for another 25bps reduction for the policy rate to reach 1.00% in 2026, considering sub-par GDP expansion, muted credit conditions, and risks of negative shocks, amidst average headline inflation of 0.5%, which will be below the BOT's 1-3% target.

*Chua Han Teng*

**Vietnam: Rising to external challenges**

	2024	2025	2026F	2027F
GDP, % yoy	7.1	8.0	6.5	6.5
Inflation, % yoy	3.6	3.3	3.3	3.3
Policy rate, % eop	4.50	4.50	4.50	4.50
US\$VND, eop	25485	26298	26410	26670

**Vietnam is poised to extend its lead as ASEAN-6’s top economic growth performer for the third consecutive year in 2026.** This is based on our real GDP growth forecast of 6.5% in 2026, despite cooling from the stellar growth of 8.0% in 2025 and 7.1% in 2024. We expect growth to be underpinned by firm investment and resilient consumption amidst supportive policies, but goods exports will likely ease due to external headwinds from US tariffs.

**Robust investment prospects will be driven by the continued influx of foreign direct investment (FDI), and public sector-led projects.** Over the past few years, Vietnam has increasingly become a highly attractive destination for global multinational companies (MNCs) and Chinese enterprises seeking to optimise costs and diversify their supply chains to manage risks from rising geopolitical-driven trade and unexpected disruptions. We expect Vietnam to maintain its value proposition in 2026. Furthermore, the government’s new wave of reform plans, structured under four pillars (institutional and legal overhauls, private sector strengthening, technology and digitalisation, and international integration), if successfully implemented, will enhance the business environment, and sustain FDI inflows beyond 2026. Improving lagging infrastructure would also bolster the country’s logistical performance and its investment appeal to businesses. Government efforts are heading in the right direction, given the acceleration in

state investment growth to nearly 30% yoy in 2025. We see room for continued strong state infrastructure investment momentum, such as in transportation and industrial works. Low public debt, at 30+% of GDP, offers space for continued expansionary fiscal policy. Vietnam’s ongoing financial market reforms have also earned a conditional upgrade by FTSE Russell to secondary emerging market status, effective September 2026. We expect this to attract higher global capital inflows to support its continued economic development.

With the government targeting an ambitious annual economic growth of at least 10% over the next five years - a goal that will be tough to meet amidst ongoing tariff challenges, **we expect supportive monetary policy that complements an expansionary fiscal stance.** Credit growth has accelerated throughout 2025, reaching nearly 20% yoy. The official credit growth guidance in 2026 has been pared back to 15%, but still loose, even if the central bank’s refinancing rate is little changed. This would be feasible provided inflation is contained, but rapid credit growth raises the risk of resource misallocation.

**US tariffs will pose a major challenge to Vietnam’s export-oriented manufacturing sector and its economy in 2026,** due to its high goods exports exposure to the US at ~30% of the total. Non-electronics exports would face downward pressures from 20% US reciprocal tariffs. We also see downside risks from lingering threats of US semiconductor tariffs. Vietnam’s strong overall and electronics exports momentum in 2025, which has been buoyed by US tariff exemptions on electronics goods, could dissipate significantly.

*Chua Han Teng*

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