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## ASEAN Developing Countries: Resilient Growth thus far

### IN A NUTSHELL



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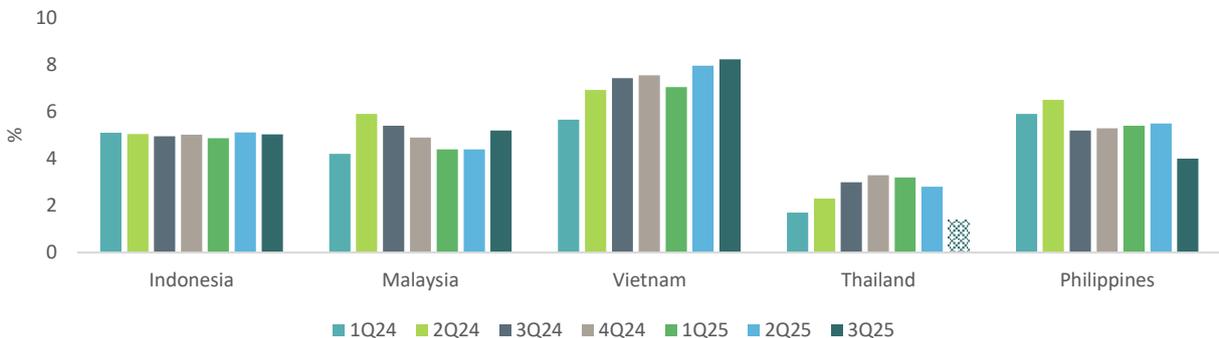


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- Most ASEAN economies delivered stronger-than-expected growth in Q3 2025, supported by milder tariff impacts and accommodative fiscal and monetary policies.
- Effective U.S. tariffs averaged around 20%, with significant exemptions reducing the shock to exports and manufacturing activity.
- Expansionary fiscal measures and liquidity injections helped cushion external shocks and sustain domestic demand.
- Social unrest, corruption scandals, and security concerns are eroding business confidence and dampening investment and tourism flows.
- While near-term resilience persists, political instability and weakening sentiment pose downside risks to 2026 growth. We remain cautious and selective, favoring ASEAN markets with strong domestic fundamentals and credible policy frameworks.

Pre-Liberation Day, the ASEAN region was one of the key focus regions in Asia for investors outside of China, sparking widespread debate about their prospects under the new America First Trade Policy. Some believed the region would benefit from supply chain diversification, given expectations of relatively lower U.S. tariffs, while others worried ASEAN could face scrutiny for transshipment of Chinese goods to the U.S. Despite these external challenges, most ASEAN developing countries delivered stronger-than-expected economic growth in Q3, with the exception of the Philippines and potentially Thailand. This article provides a high-level examination of the factors driving this growth narrative against the backdrop of global trade uncertainty.

Figure 1: ASEAN Developing Countries Real GDP Growth Year-over-Year (YoY%)



Source: Bloomberg, as of November 9, 2025.

### Lower than Headline Effective Tariff

The first reason for ASEAN’s resilient economic growth is that the external shock from U.S. tariffs turned out to be milder than initially expected. On Liberation Day, when the reciprocal tariffs were announced, markets were rattled by headline rates ranging from 17% to 46% for ASEAN countries—especially Vietnam, where exports to the U.S. account for roughly one-quarter of its 2024 nominal GDP. However, subsequent negotiations in June and July led to a significant reduction, with most countries securing an average tariff of around 20%. In addition, large portions of exports received exemptions: over 60% of Malaysian goods and more than 40% of exports

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from Thailand and Vietnam are now exempt from U.S. tariffs. These exemptions have substantially lowered the effective tariff rate compared to the headline figures. While the effective rate still represents a material increase from early-year levels, the impact has been far less severe than markets feared—evidenced by manufacturing PMI trends, which fell sharply after Liberation Day but rebounded later in the summer.

**Figure 2: Comparison of Liberation Day Tariff, Headline Tariff and Effective Tariff Rate of ASEAN Developing Countries**

|                    | 2024 GDP | 2024 Export to US | Export to US/GDP | Liberation Day Tariff | Headline Tariff | Effective Tariff |        |        |        |        |        |        |
|--------------------|----------|-------------------|------------------|-----------------------|-----------------|------------------|--------|--------|--------|--------|--------|--------|
|                    |          |                   |                  |                       |                 | Jan-25           | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 | Jul-25 |
| <b>Indonesia</b>   | 1396.3   | 26.3              | 1.9%             | 32%                   | 19%             | 4.8%             | 4.5%   | 4.6%   | 6.0%   | 7.8%   | 12.2%  | 11.9%  |
| <b>Malaysia</b>    | 422.0    | 47.5              | 11.3%            | 24%                   | 19%             | 0.6%             | 0.6%   | 0.7%   | 2.2%   | 3.9%   | 5.7%   | 6.3%   |
| <b>Vietnam</b>     | 476.4    | 119.2             | 25.0%            | 46%                   | 20%             | 3.4%             | 3.1%   | 3.3%   | 4.6%   | 6.8%   | 8.9%   | 8.9%   |
| <b>Thailand</b>    | 526.4    | 54.9              | 10.4%            | 36%                   | 19%             | 1.3%             | 1.4%   | 1.5%   | 2.7%   | 5.7%   | 7.1%   | 7.1%   |
| <b>Philippines</b> | 461.6    | 12.1              | 2.6%             | 17%                   | 19%             | 1.3%             | 1.2%   | 1.2%   | 2.5%   | 5.1%   | 6.7%   | 7.4%   |

Source: Bloomberg, as of November 9, 2025.

**Figure 3: Manufacturing PMI of ASEAN Developing Countries: YTD 2025**

|                    | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 | Jul-25 | Aug-25 | Sep-25 | Oct-25 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Indonesia</b>   | 51.9   | 53.6   | 52.4   | 46.7   | 47.4   | 46.9   | 49.2   | 51.5   | 50.4   | 51.2   |
| <b>Malaysia</b>    | 48.7   | 49.7   | 48.8   | 48.6   | 48.8   | 49.3   | 49.7   | 49.9   | 49.8   | 49.5   |
| <b>Vietnam</b>     | 48.9   | 49.2   | 50.5   | 45.6   | 49.8   | 48.9   | 52.4   | 50.4   | 50.4   | 54.5   |
| <b>Thailand</b>    | 49.6   | 50.6   | 49.9   | 49.5   | 51.2   | 51.7   | 51.9   | 52.7   | 54.6   | 56.6   |
| <b>Philippines</b> | 52.3   | 51.0   | 49.4   | 53.0   | 50.1   | 50.7   | 50.9   | 50.8   | 49.9   | 50.1   |

Source: Bloomberg, as of November 9, 2025.

### Accommodative Fiscal and Monetary Policy

Robust economic growth across ASEAN markets has supported an improvement in fiscal balances, with deficit-to-GDP ratios narrowing on the back of stronger GDP growth. The resilience has in turn been reinforced by the continued accommodative stance of fiscal and monetary policy across the region. While most ASEAN countries maintain fiscal deficit targets and control measures, improved fiscal conditions in recent years have created room for more expansionary policies. For example, the Malaysian government had invested a total of USD 35 billion to fund 143 data center investment projects since 2021, culminating towards the AI Nation 2030 plan.<sup>1</sup> Likewise, the Indonesian government introduced a broad set of measures targeting multiple social demographics. This includes the USD 28 billion free meal program for students<sup>2</sup>, alongside a USD 1.5 billion fiscal stimulus package in June 2025, which included salary and social aid top-ups, as well as toll discounts.<sup>3</sup> The policy mix has helped anchor domestic support for GDP growth. Yet, Thailand stands out as the only ASEAN economy to withdraw its fiscal stimulus. Thailand shelved its USD 15 billion “Digital Wallet” scheme in June 2025, following criticisms that one-off cash payments were not the right antidote for Thailand’s economic woes.<sup>4</sup> Thailand faces mounting structural headwinds, as ongoing trafficking-related security concerns coincide with its dependence on good and service exports, particularly tourism.

<sup>1</sup> The Malaysia Reserve, as of November 5, 2025

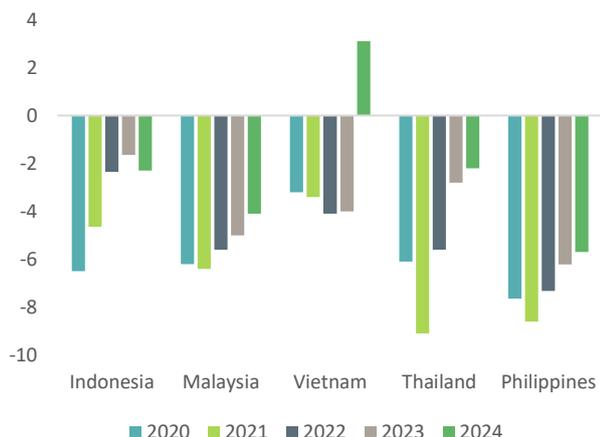
<sup>2</sup> BBC News, as of September 25, 2025

<sup>3</sup> The Business Times, as of July 28, 2025

<sup>4</sup> The Diplomat, as of June 19, 2025

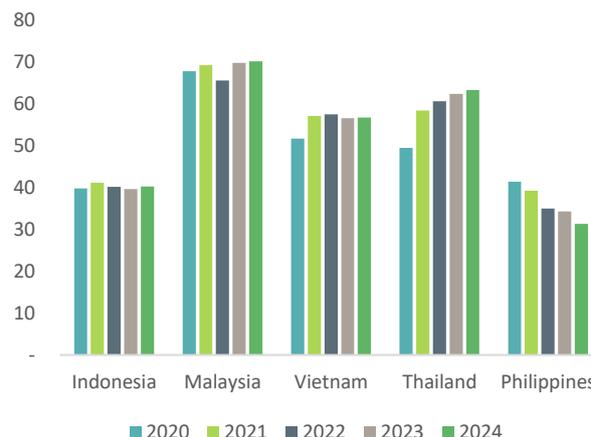
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**Figure 4: Fiscal Balance as Percentage of GDP of ASEAN Developing Economies**



Source: Bloomberg, as of November 9, 2025.

**Figure 5: Debt to GDP of ASEAN Developing Economies (in %)**



Source: Bloomberg, as of November 9, 2025.

On the monetary side, central banks have provided ample liquidity to support economic growth in anticipation of the trade disruption and to address tepid domestic growth. Vietnam perhaps is the only ASEAN country which have kept rates unchanged this year, but senior officials has recently vouched to prioritize economic growth and called for further cuts on commercial banks’ lending interest rates. Although more recently these ASEAN economies have slow-down their pace of rate cuts, the outlook is more hawkish in nature as most of them have acknowledge the needs to support economic growth and see room for further interest rate reductions. As a result, the outlook on monetary policy in ASEAN is expected to remain more expansionary.

This combination of fiscal flexibility and supportive monetary policy has to a large extent helped most of the ASEAN economies cushion the impact of external shocks and sustain domestic demand. In addition, the ASEAN election cycle remains relatively distant, with Vietnam’s next general election scheduled for 2026, and most other economies will not head to the polls until 2027 or later. This provides a temporary window of political stability for expansionary fiscal and accommodative monetary policies.

**Social Unrest Hinged on Growth and Confidence**

Despite supportive fiscal and monetary policies, recent political decisions have triggered social unrest, weighing on investor sentiment. In Indonesia, unpopular perks for lawmakers and President Prabowo’s heavy-handed response to protests in August and September slowed private investment growth from 6.99% in Q2 2025 to 5.04% in Q3. In the Philippines, a corruption scandal tied to flood-control projects sparked mass demonstrations, driving investment growth down from 1.2% in Q2 to -2.8% in Q3. Malaysia faced large-scale rallies against Prime Minister Anwar Ibrahim over rising living costs and unmet reform pledges, while Thailand continues to grapple with trafficking-related security concerns, compounded by official complicity, which is dampening tourism. Collectively, these developments point to a growing risk that persistent social unrest will erode business and consumer confidence, creating headwinds for ASEAN’s growth outlook in 2026.

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**Figure 6: ASEAN Developing Countries Relative Return vs. MSCI Asia Pacific Index**

|                    | 1M     | 3M     | YTD    | Since Last Election |
|--------------------|--------|--------|--------|---------------------|
| <b>Indonesia</b>   | (0.6)  | (2.4)  | (7.3)  | (15.5)              |
| <b>Malaysia</b>    | (1.6)  | (6.0)  | (26.6) | (34.4)              |
| <b>Vietnam</b>     | (10.1) | (7.4)  | 3.0    | 5.2                 |
| <b>Thailand</b>    | (2.6)  | (8.0)  | (34.0) | (61.3)              |
| <b>Philippines</b> | (7.9)  | (18.2) | (38.2) | (56.2)              |

Source: Bloomberg, as of November 12, 2025.

**Figure 7: Thailand Tourist Arrivals Growth YoY**



Source: Bloomberg, as of November 12, 2025.

**Cloudy Outlook in 2026**

Although ASEAN economies have demonstrated resilience amid external trade challenges and supportive policy measures, the outlook for growth remains clouded by rising social unrest and weakening investor confidence. These headwinds suggest that there could be further downside risks as we move into 2026. Against this backdrop, we maintain a more cautious and selective approach toward ASEAN markets, favoring countries with solid domestic fundamentals and stronger policy credibility.

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## Glossary

**ASEAN** refers to The Association of Southeast Asian Nations, a regional intergovernmental organization promoting political and economic cooperation among its ten member countries in Southeast Asia.

**Developing countries** refer to nations with lower income levels and less industrialized economies, often characterized by ongoing social and economic challenges and striving for growth and improved living standards.

**Real GDP growth year-over-year** refers to the annual percentage change in a country's gross domestic product, adjusted for inflation, reflecting the economy's growth trajectory over a year.

**Headline tariff rate** refers to the nominal rate of duty imposed on imported goods, serving as the official indicator of a country's trade policy.

**Effective tariff rate** refers to the actual rate of duty applied to imports after accounting for exemptions, deductions, and specific duties, reflecting the true trade barrier faced by importers.

**Purchasing Managers' Index (PMI)** is an economic indicator that gauges the health of the manufacturing and service sectors by surveying purchasing managers about their activity levels, helping to predict economic trends.

**Fiscal balance as percentage of GDP** is a measure indicating the difference between a government's revenue and expenditure relative to its gross domestic product, reflecting the fiscal health of an economy.

**Debt to GDP** is a ratio that compares a country's total public debt to its gross domestic product, indicating the nation's ability to pay off its debt and overall economic stability.

**Rate cut** refers to a reduction in the interest rate set by a central bank, aimed at stimulating economic activity by lower borrowing costs.

**Expansionary fiscal measures** refer to government policies that involve increased public spending or tax cuts to stimulate economic growth and boost aggregate demand.

**Relative return** refers to the performance of an investment compared to a benchmark or index, highlighting the effectiveness of investments in generating returns relative to the overall market or a specific asset class.

**Tourist arrivals growth** refers to the percentage increase in the number of visitors to a destination over a specific period, indicating trends in tourism demand and economic health.

**Investor confidence** refers to the degree of optimism or pessimism that investors feel about the performance of financial markets, influencing their willingness to buy or sell assets.

Domestic fundamentals refer to the key economic indicators and conditions within a country, such as GDP growth, inflation, employment rates, and fiscal health, that influence its economic stability and performance.

**Policy credibility** refers to the degree to which economic policies are perceived as reliable and effective by stakeholders, influencing confidence in their implementation and potential outcomes.

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