

DBS

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Macro Insights Livestream
October 2026

Resilient and vulnerable

Taimur BAIG, PhD, Chief Economist

Nathan CHOW, Senior Economist

Han Teng CHUA, Senior Economist

Outline

IMF meeting takeaways
Taimur BAIG

Hong Kong outlook
Nathan CHOW

MAS review, SE Asia outlook 2026-35
Han Teng CHUA

Your questions



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Five key takeaways

- US debt and short-term refinancing strains
- Europe's fiscal pressure and worsening trade tensions with China
- China's need for stronger domestic demand and investment trade liberalisation
- Indonesia's governance, policy, and market-rating concerns
- An AI bust's likelihood and systemic implications

US debt issues

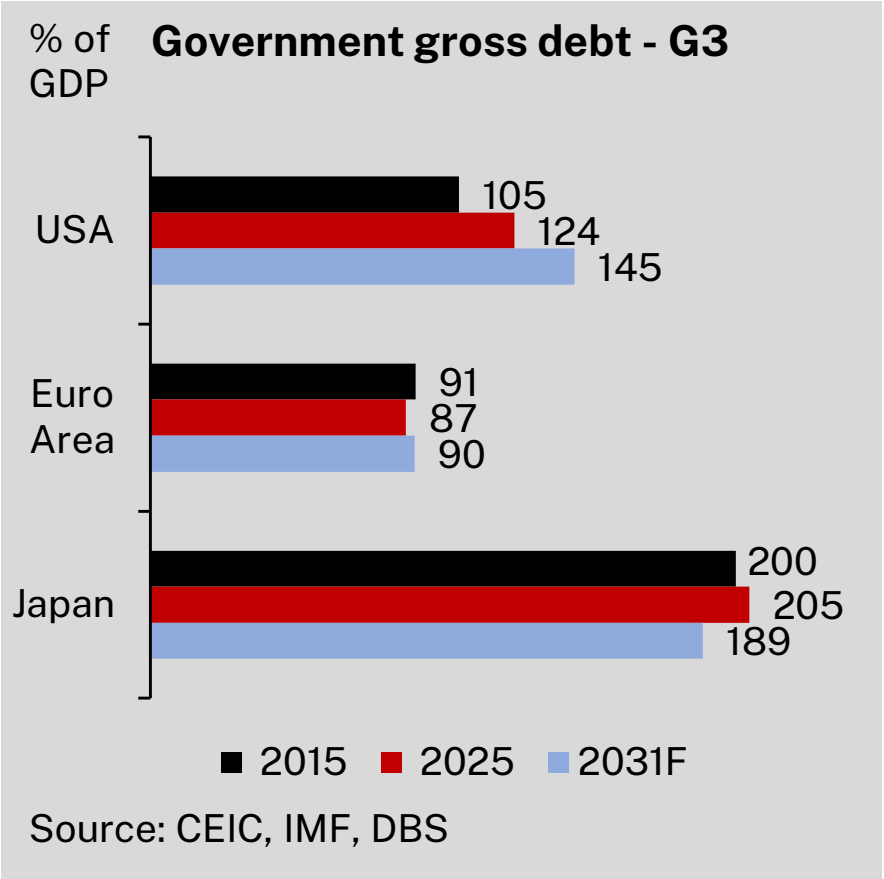
Deficit heading past 6% of GDP

Four line-items cost over USD1trln—Defense, Interest Payment, Medicare, and Social Security

Gross funding needs amount to over 40% of GDP

Debt in the 140-160% GDP range by the end-2030

Little hope of consolidation post mid-terms



US debt issues

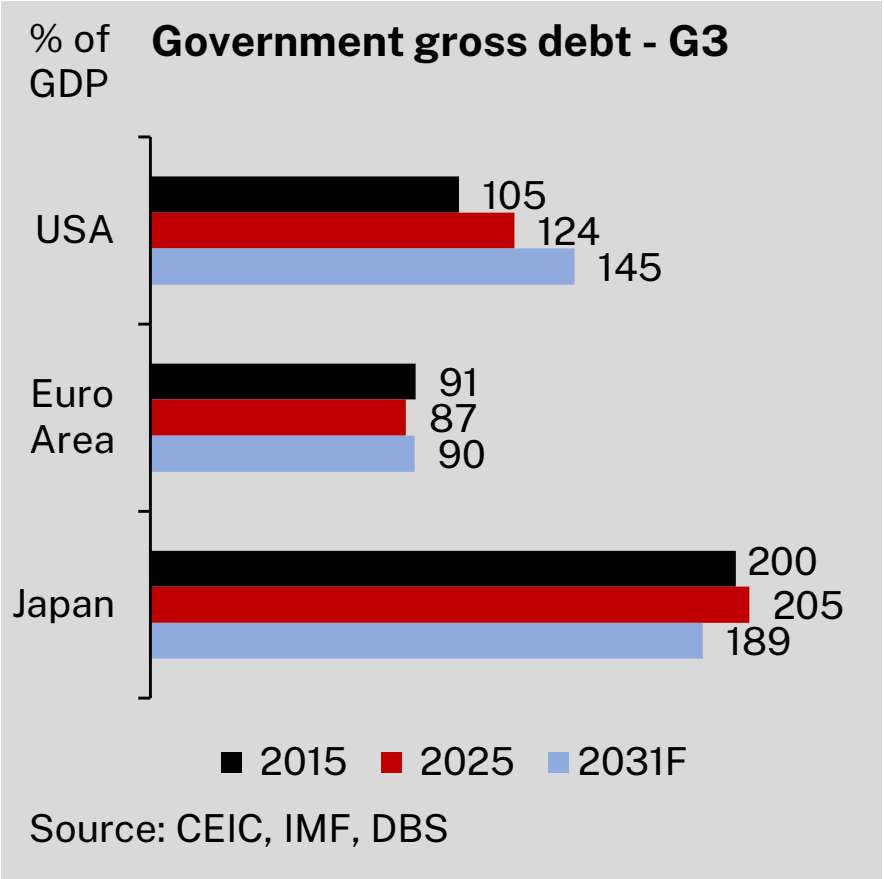
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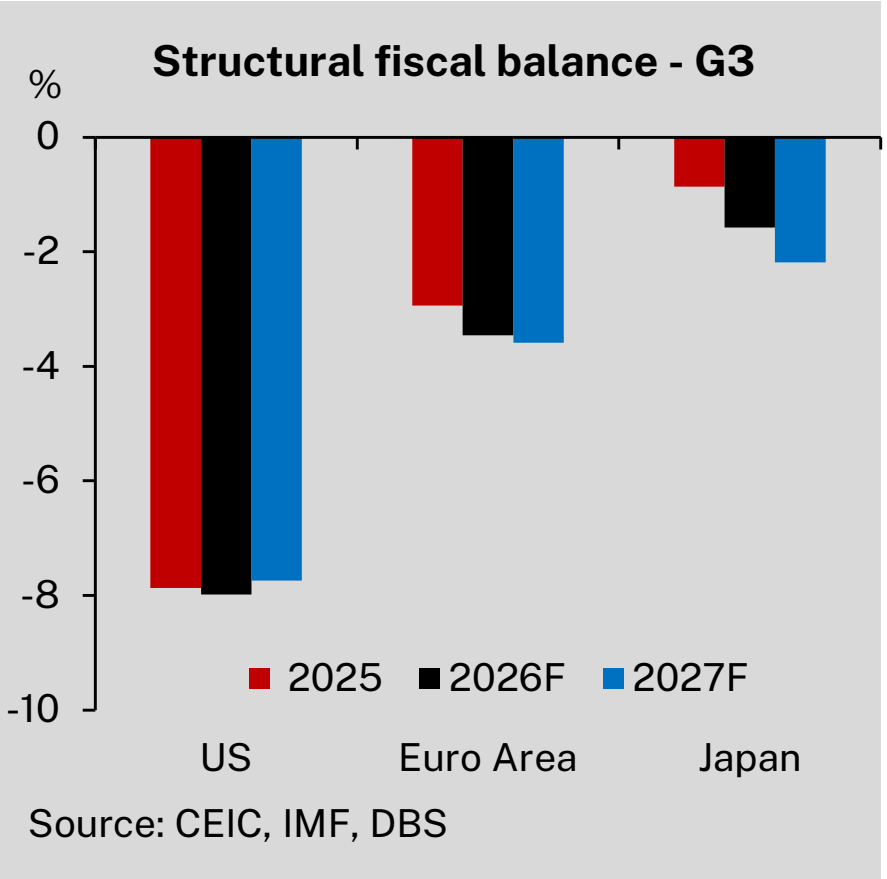
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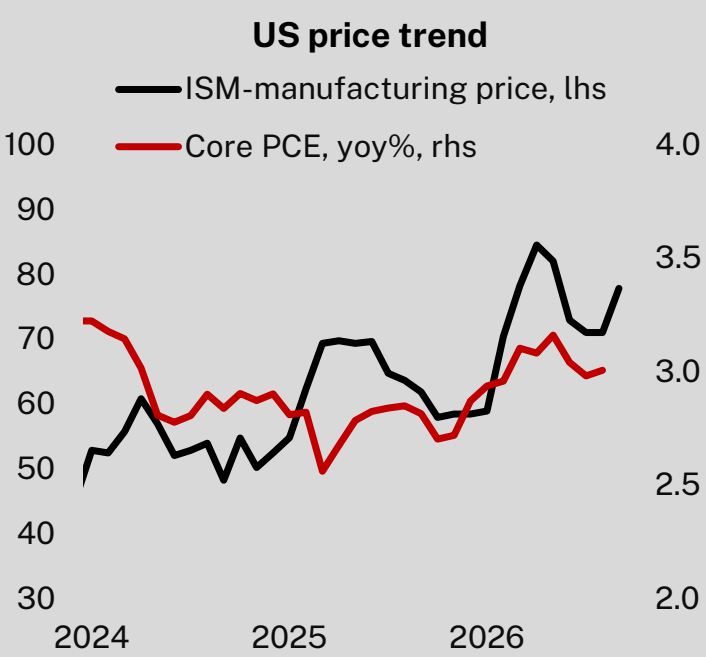
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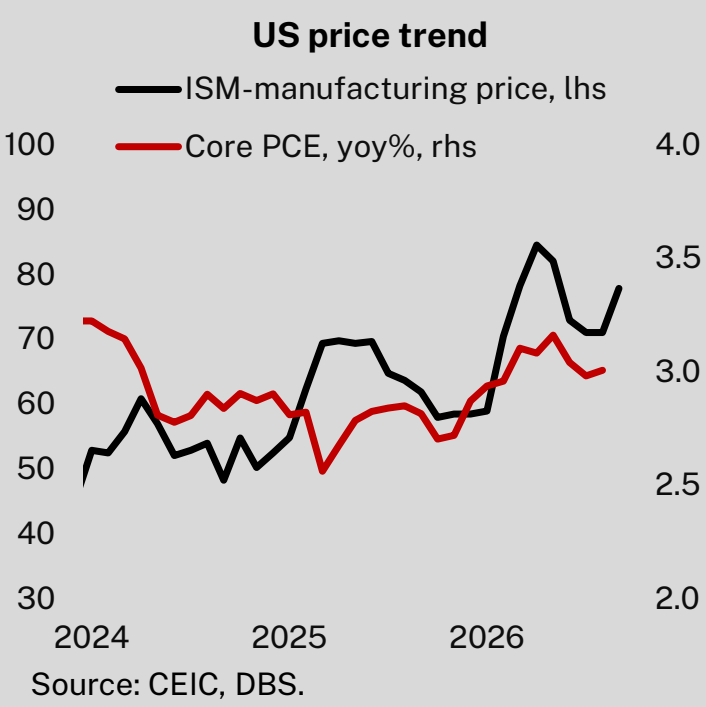


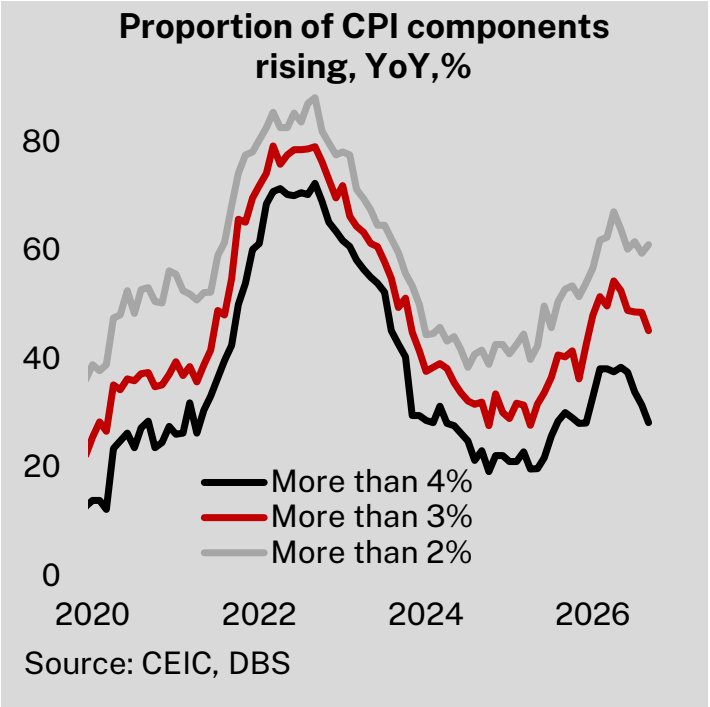
US inflation issues



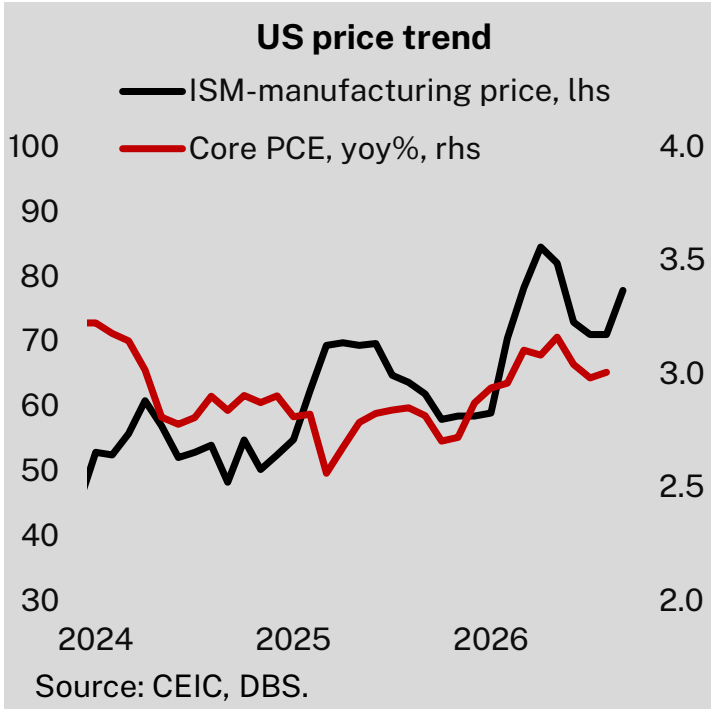
Source: CEIC, DBS.

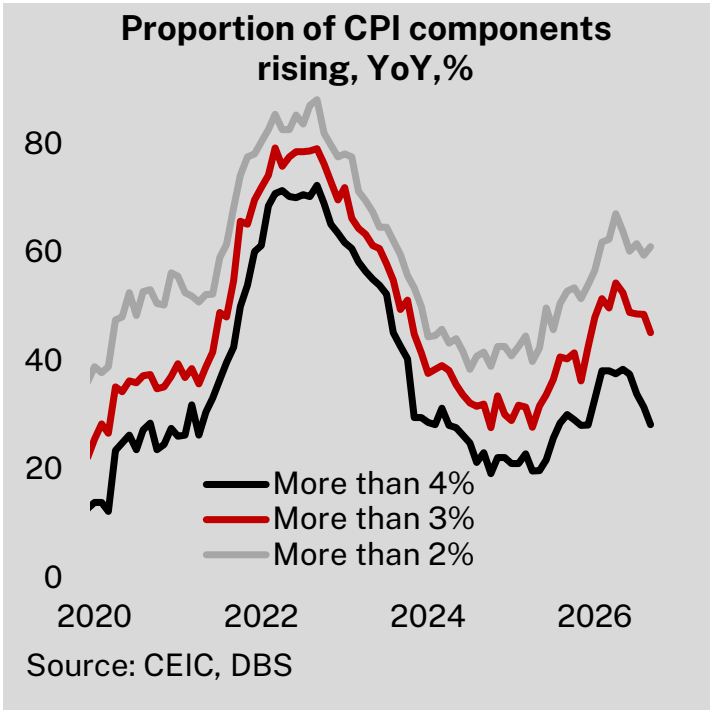
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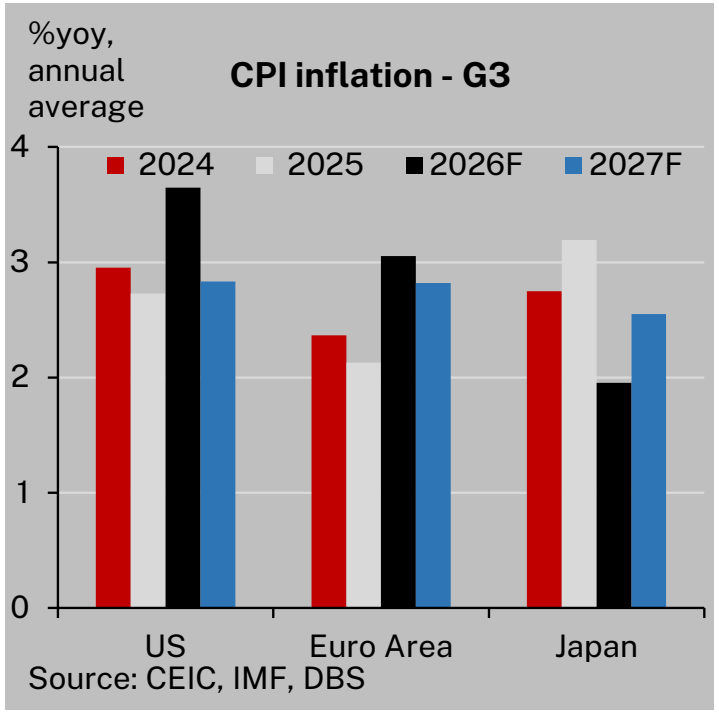




US inflation issues







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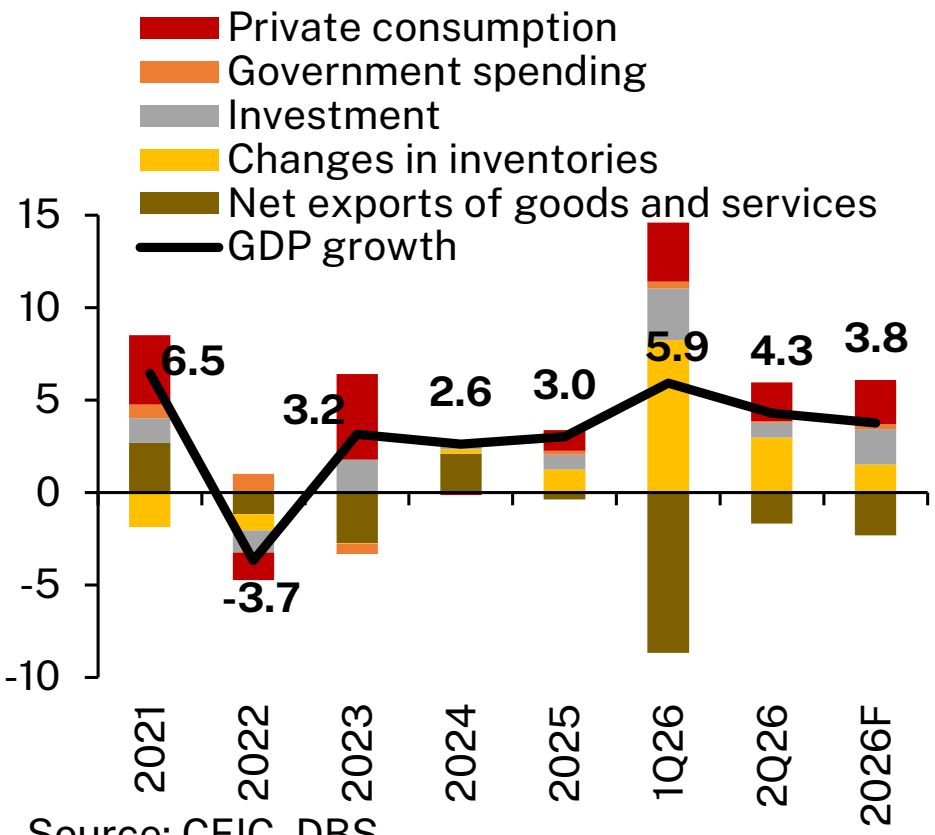
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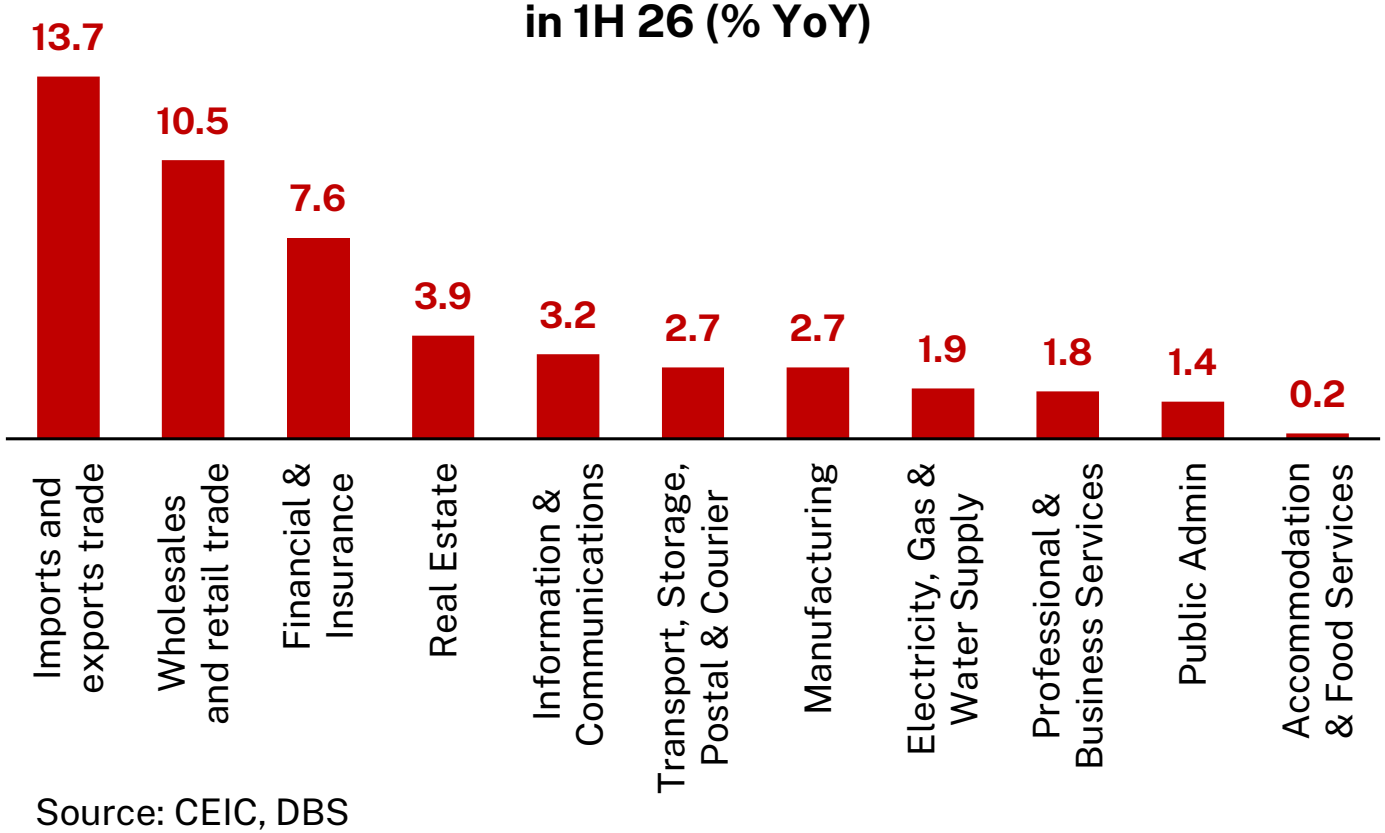
Solid headline growth, moderating momentum

Contribution to Hong Kong GDP growth, %



Source: CEIC, DBS

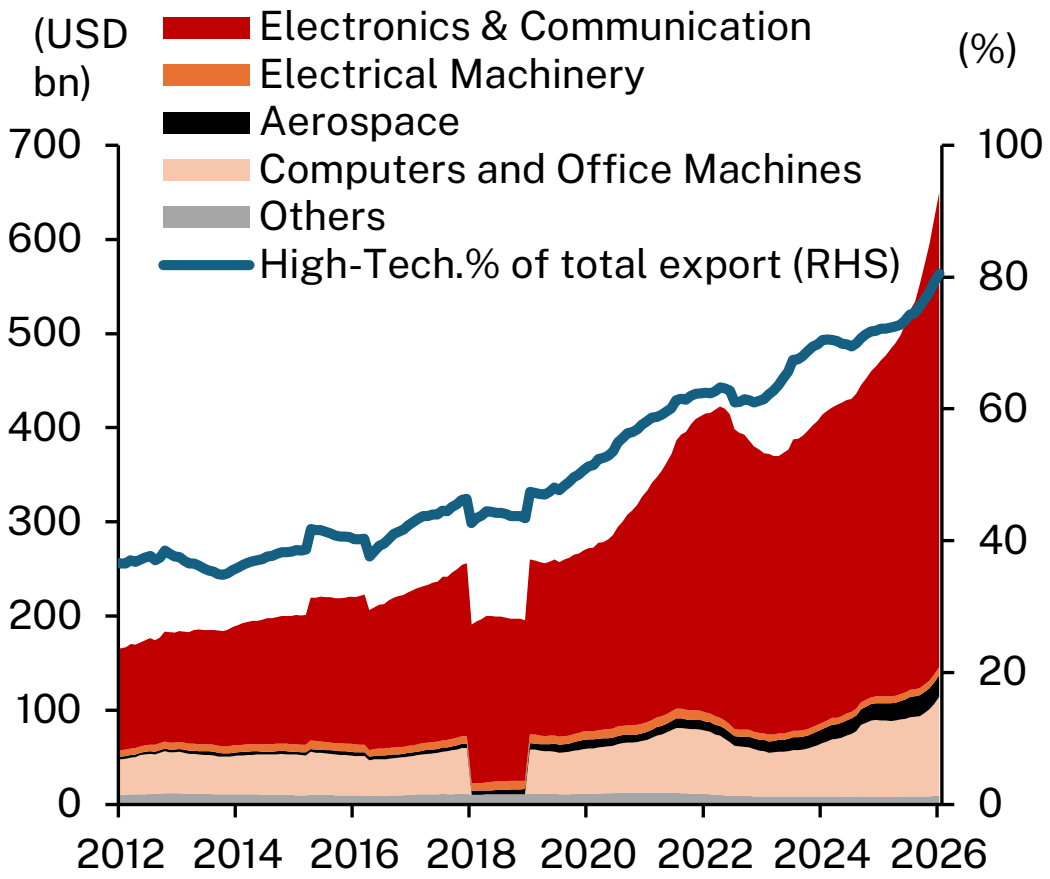
GDP growth by industry in 1H 26 (% YoY)



Source: CEIC, DBS

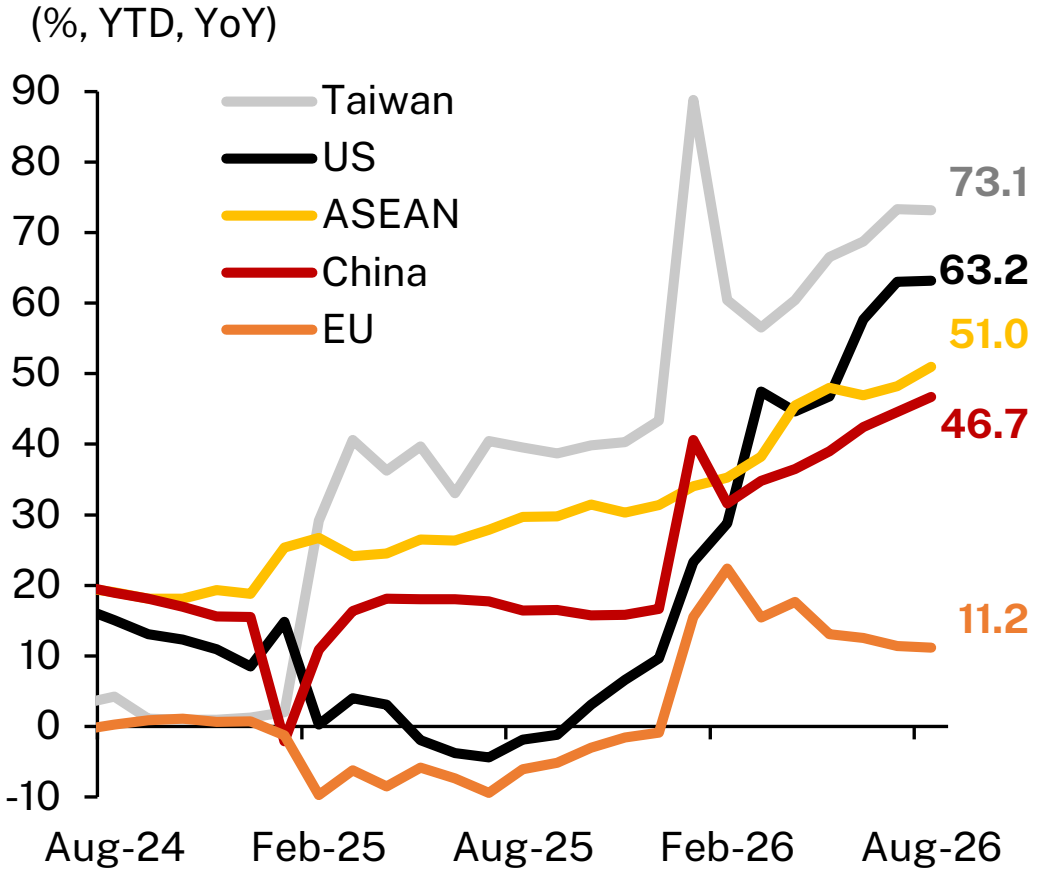
High-tech export surge fueled by AI boom

High-tech exports



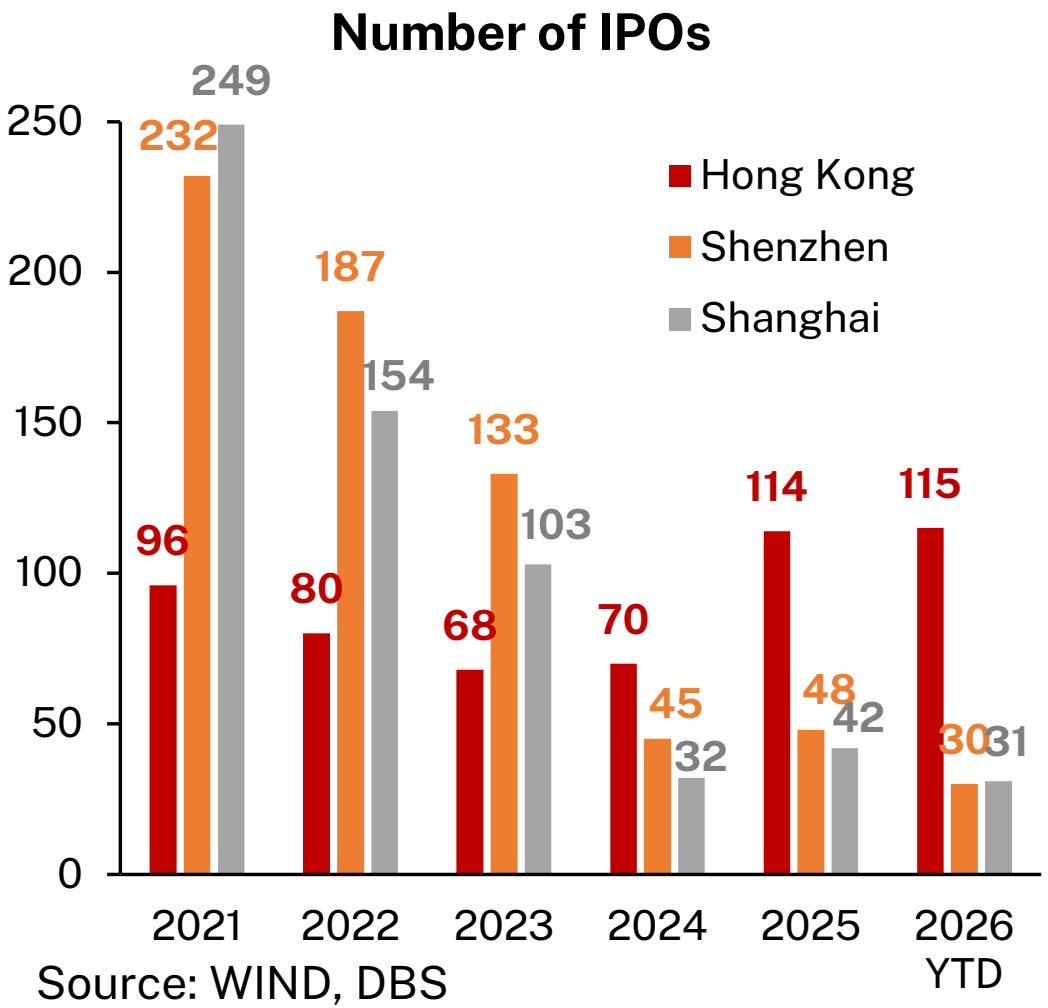
Source: CEIC, UNComtrade, DBS

Exports by destination

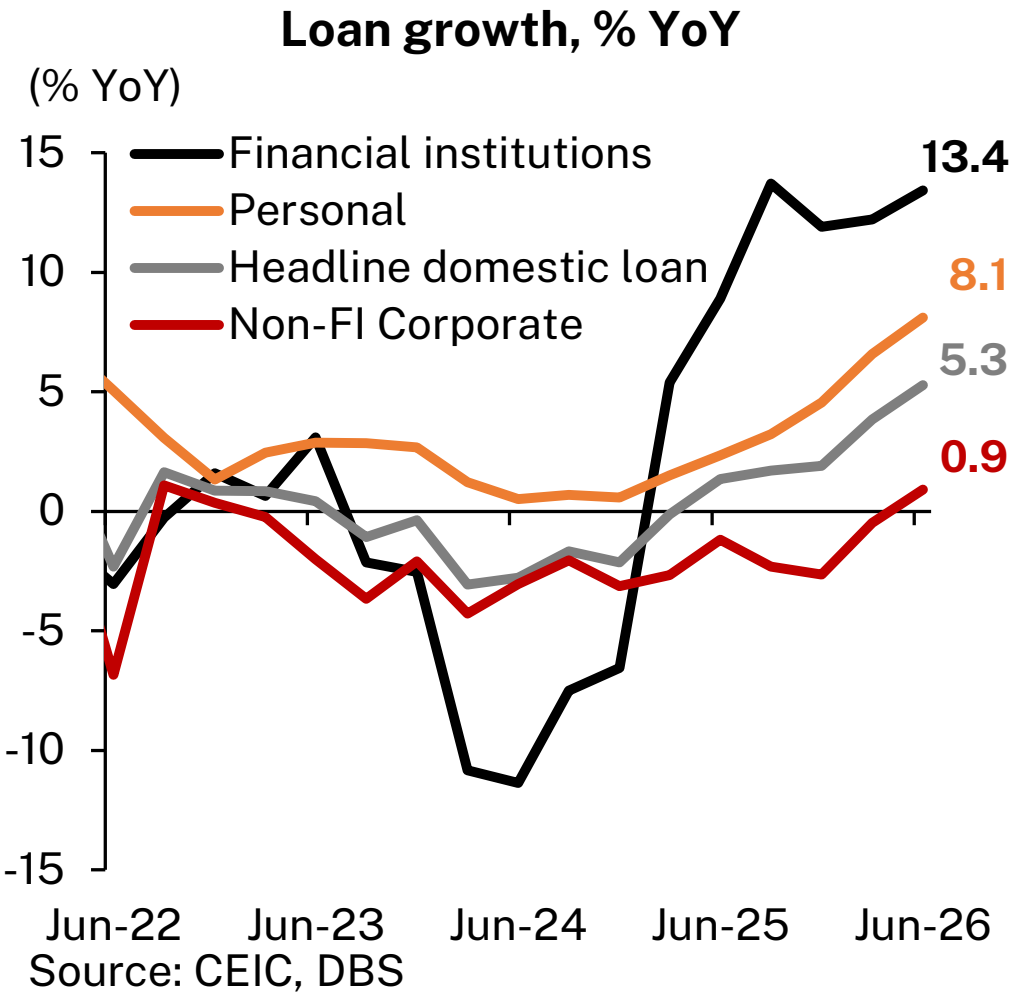


Source: CEIC, DBS

IPO resurgence drives ecosystem activity



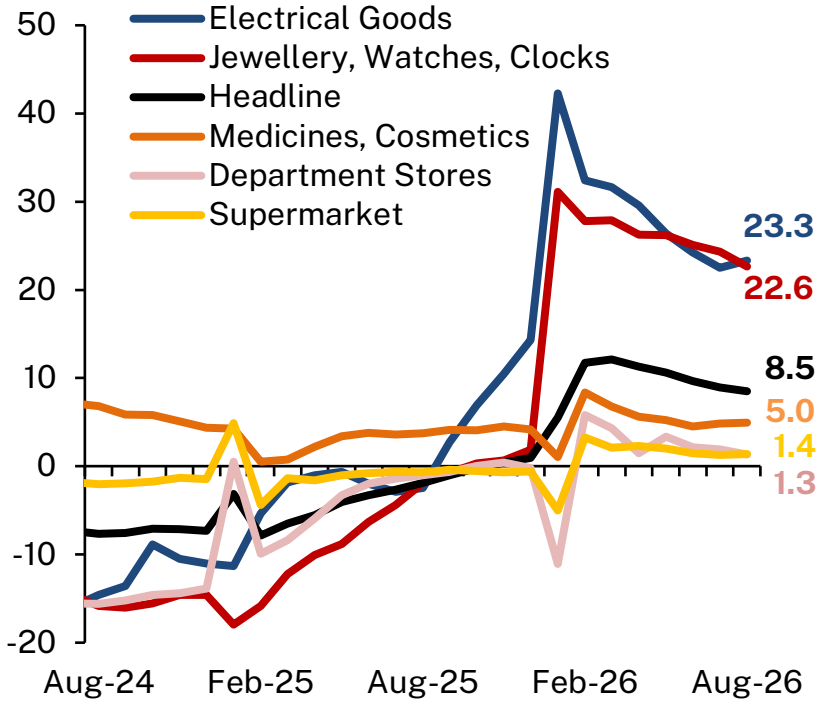
Source: WIND, DBS



Source: CEIC, DBS

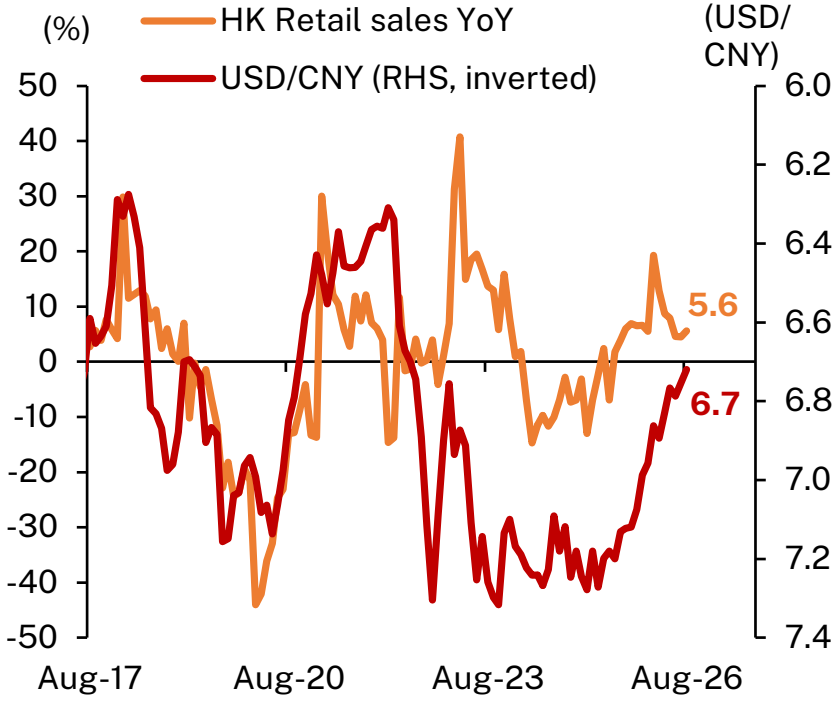
A tale of two retails: tourists spend, locals shift

Retail sales growth (% YoY YTD)



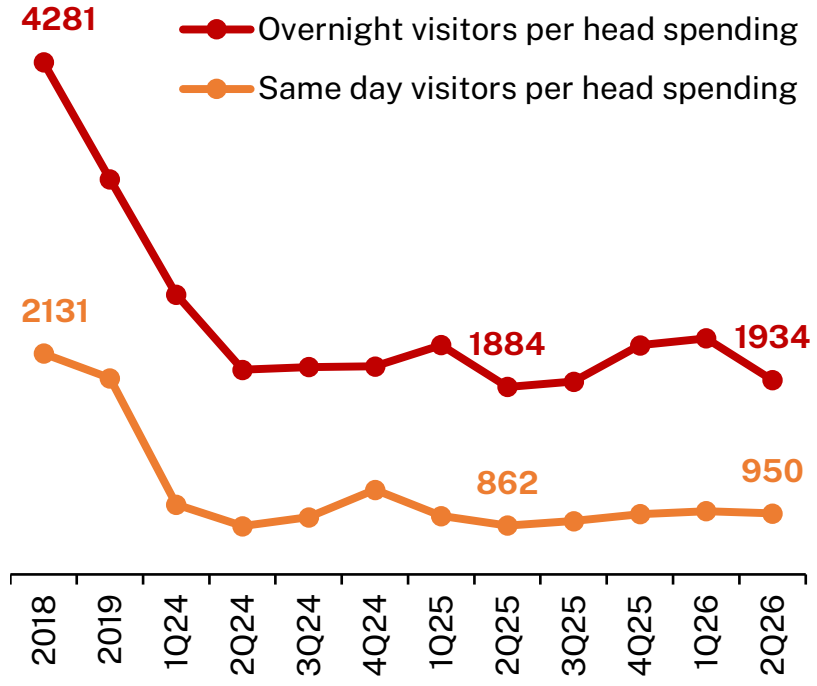
Source: CEIC, DBS

CNY and HK retail sales



Source: Bloomberg, DBS

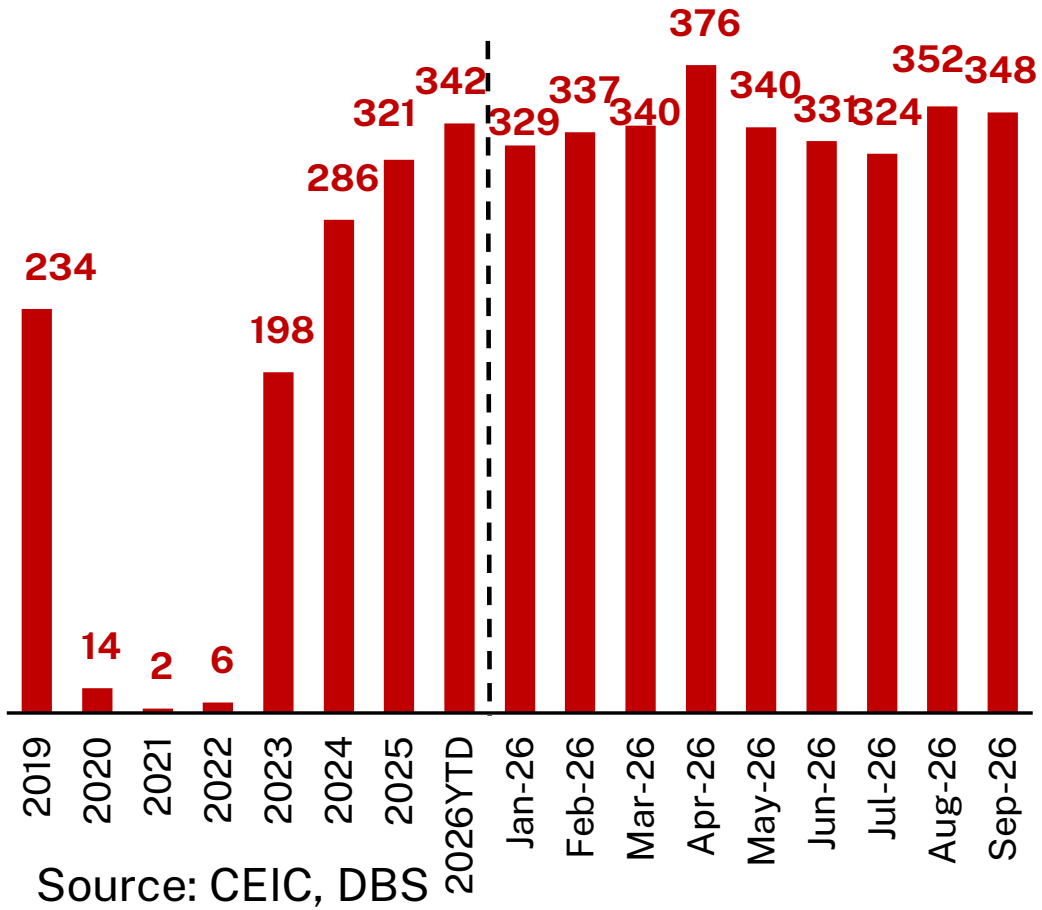
Visitors spending per head (HKD)



Source: CEIC, DBS

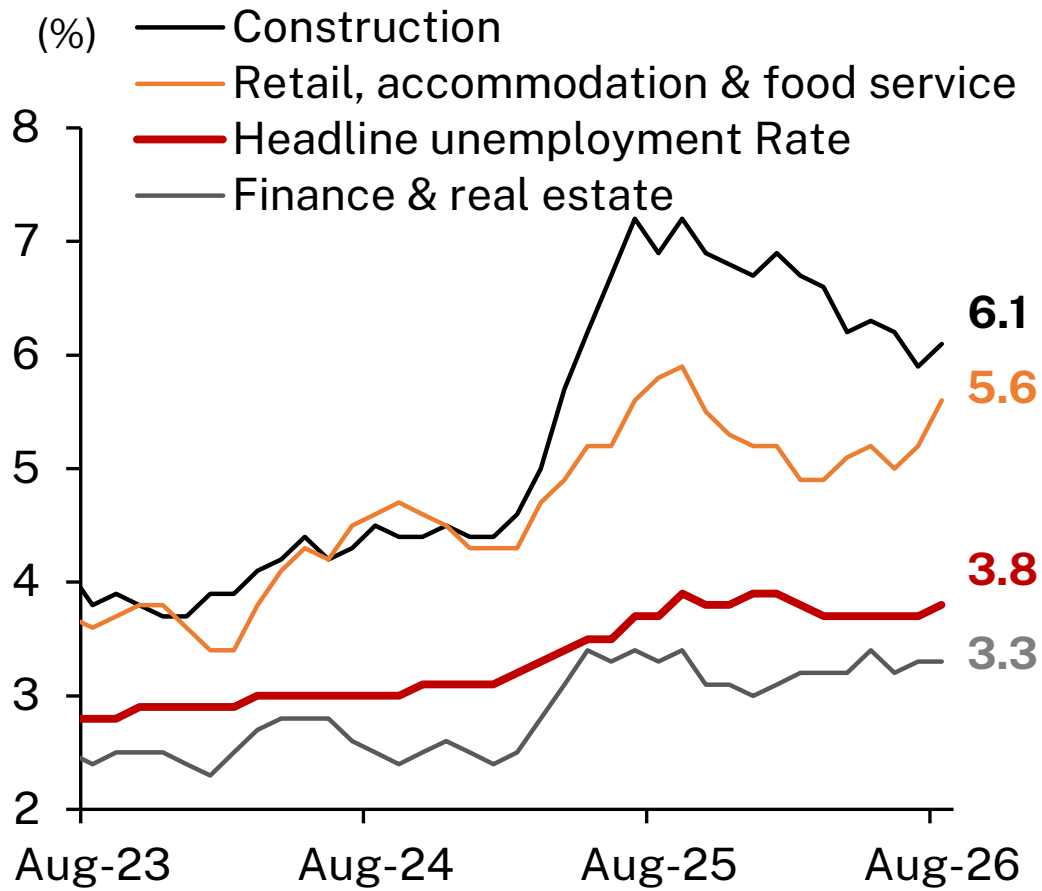
Northbound consumption weighs on local service jobs

Daily average HK resident departure via China/HK customs ('000 person)



Source: CEIC, DBS

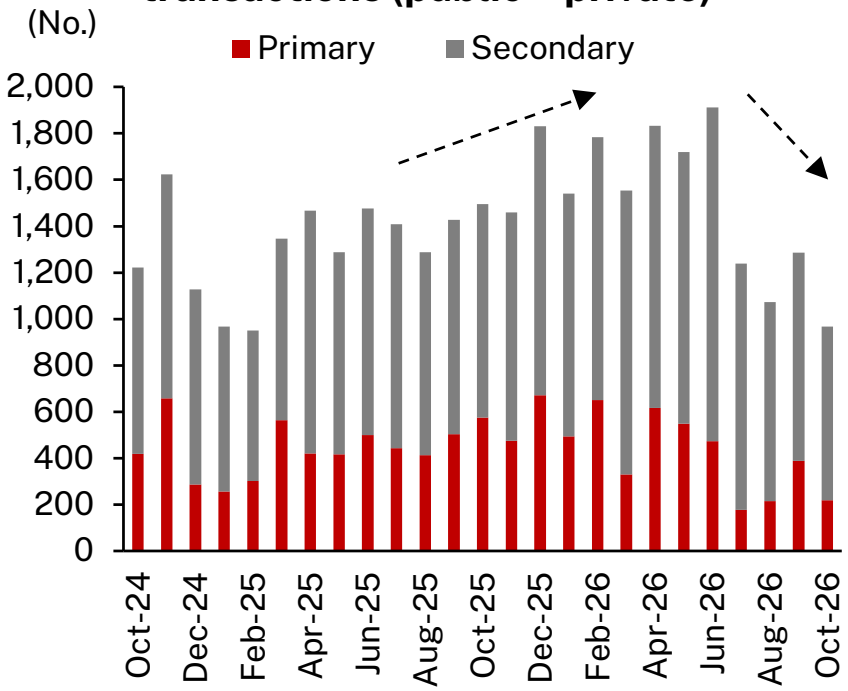
Unemployment rate (%)



Source: CEIC, DBS

Rising interest rates temper property recovery

Land Registry average weekly property transactions (public + private)



Source: Centaline, Land Registry, DBS

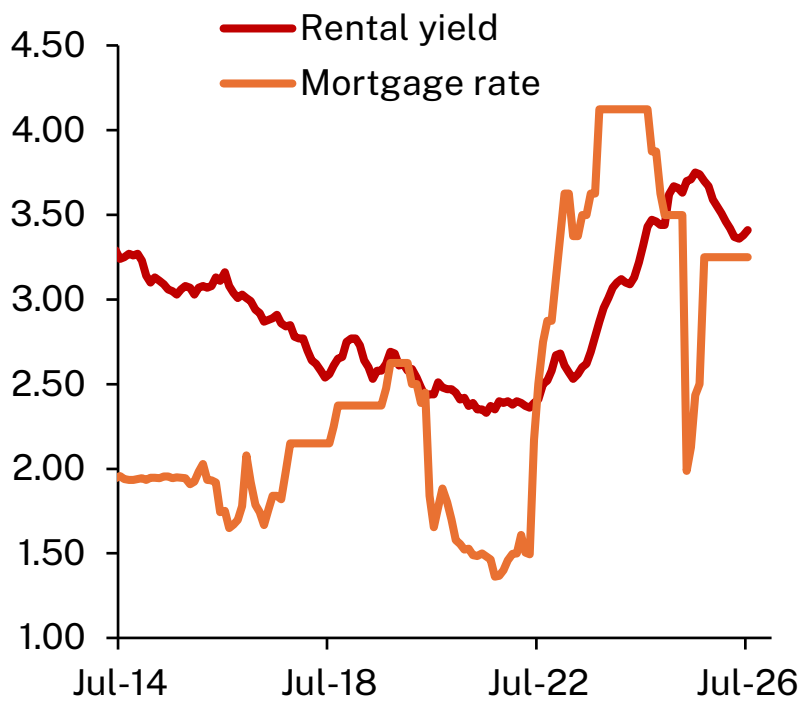
Home price movement (Centa City Leading Index)



(% YoY)	Home price growth
2018	+14.0
2019	+5.7
2020	-1.1
2021	+4.7
2022	-15.1
2023	-6.1
2024	-6.5
2025	-4.7
YTD-26	+10.7

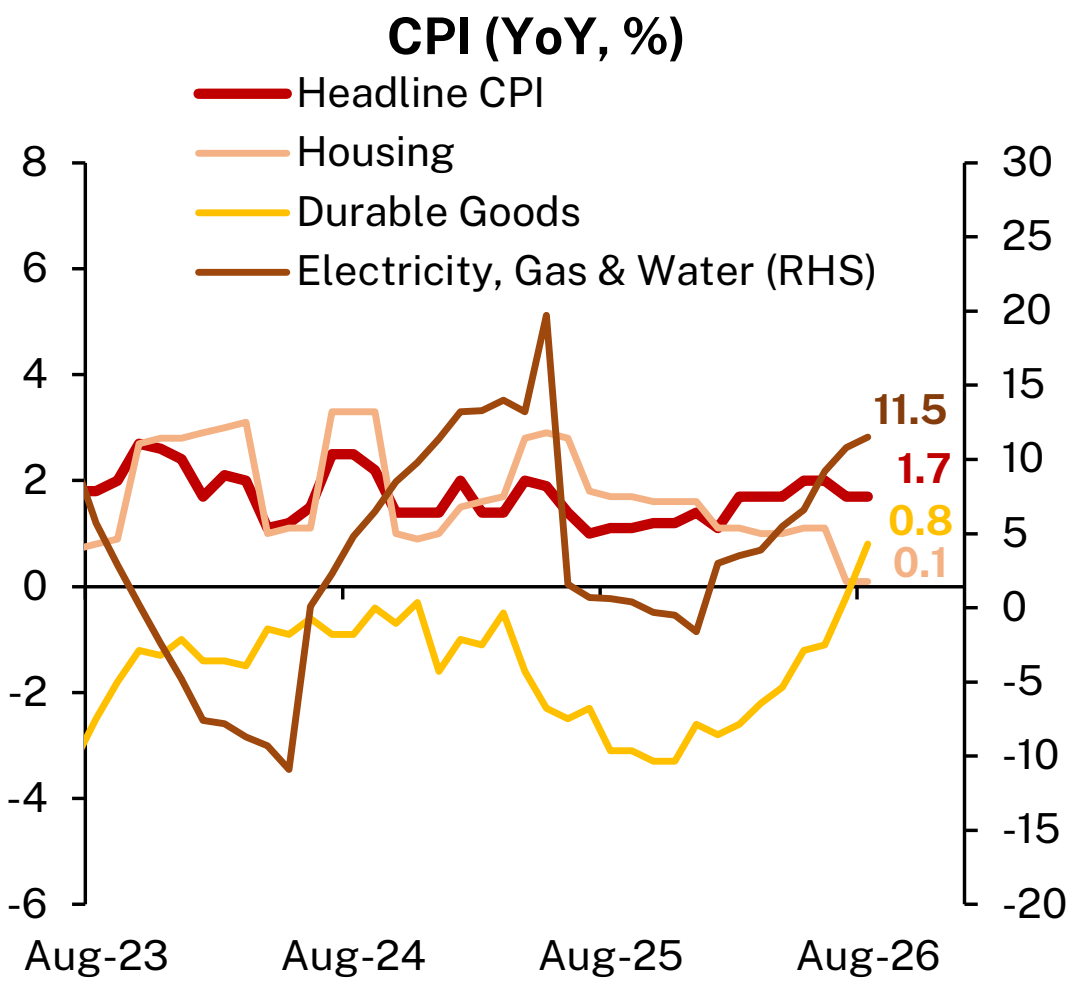
Source: CEIC, DBS

Rental yield and mortgage rate (%)

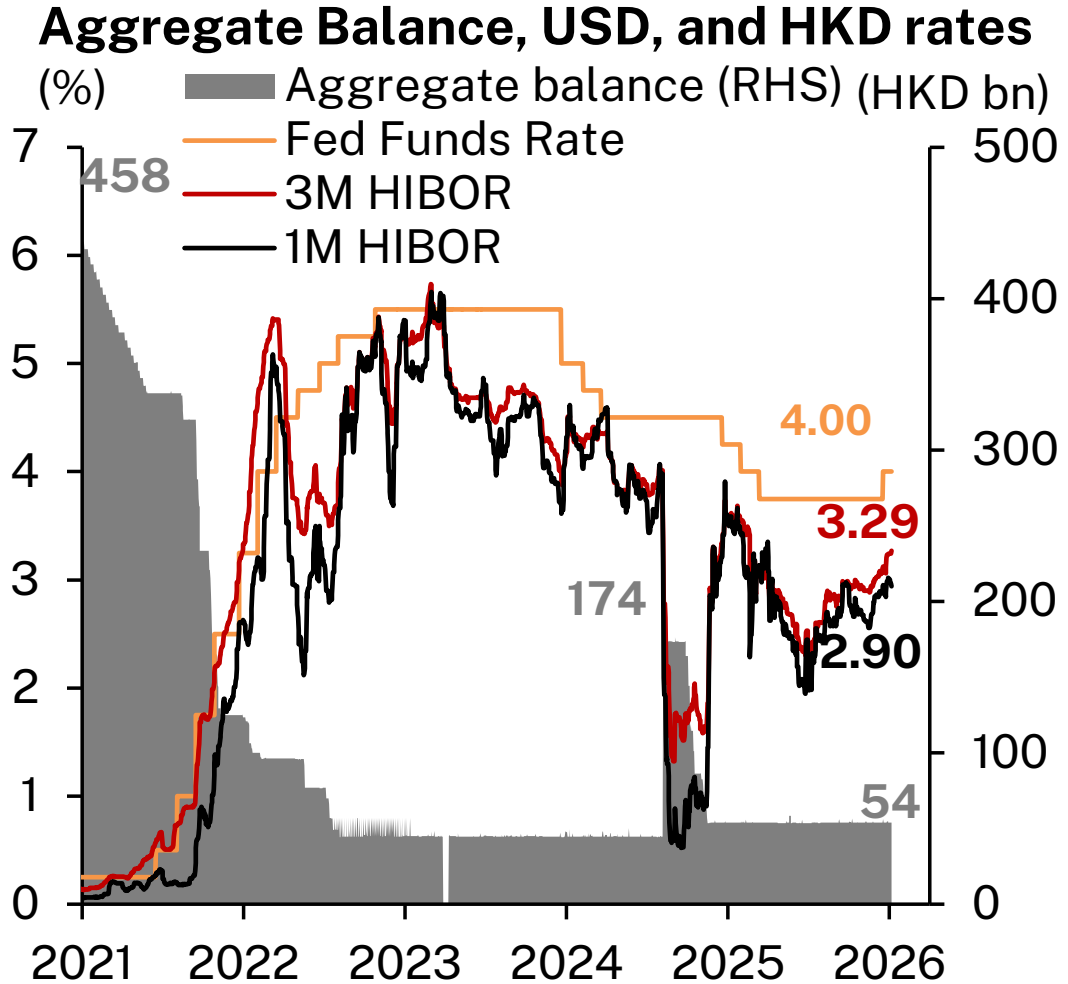


Source: Centaline, CEIC, DBS

Rate transmission mechanism & the CPI feedback loop



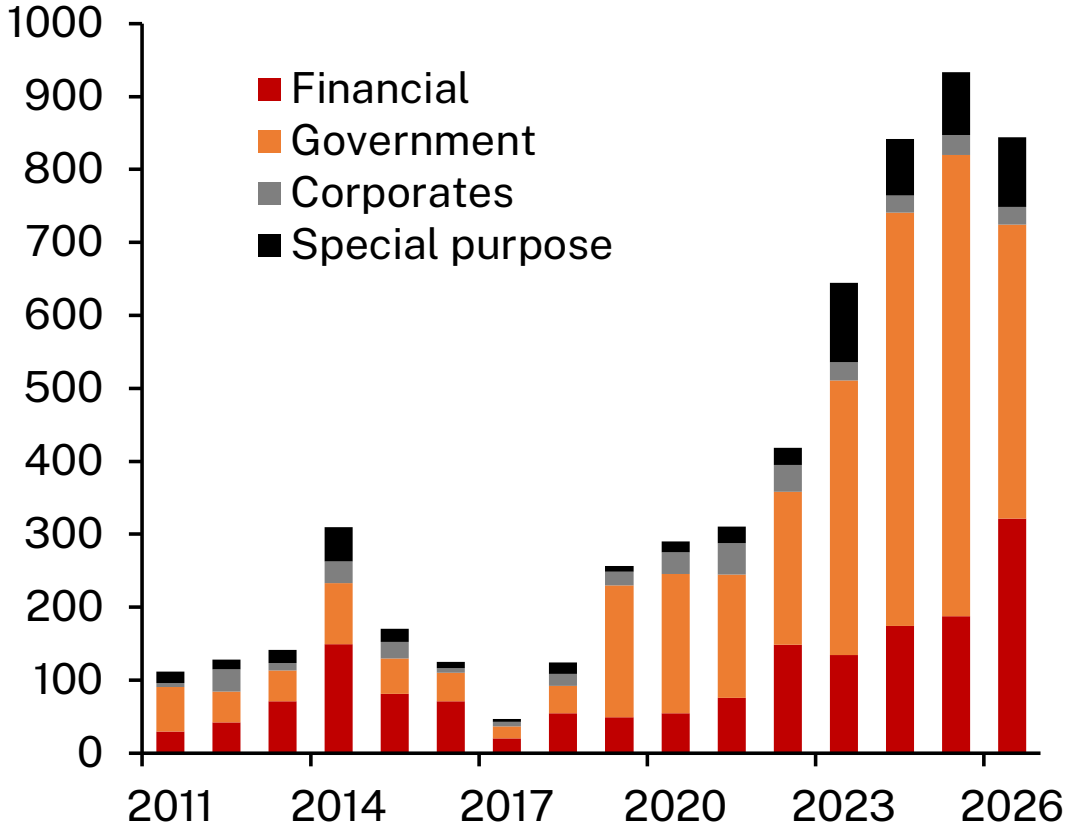
Source: CEIC, DBS



Source: Bloomberg, DBS

Dim sum bond surge driven by cheaper RMB funding

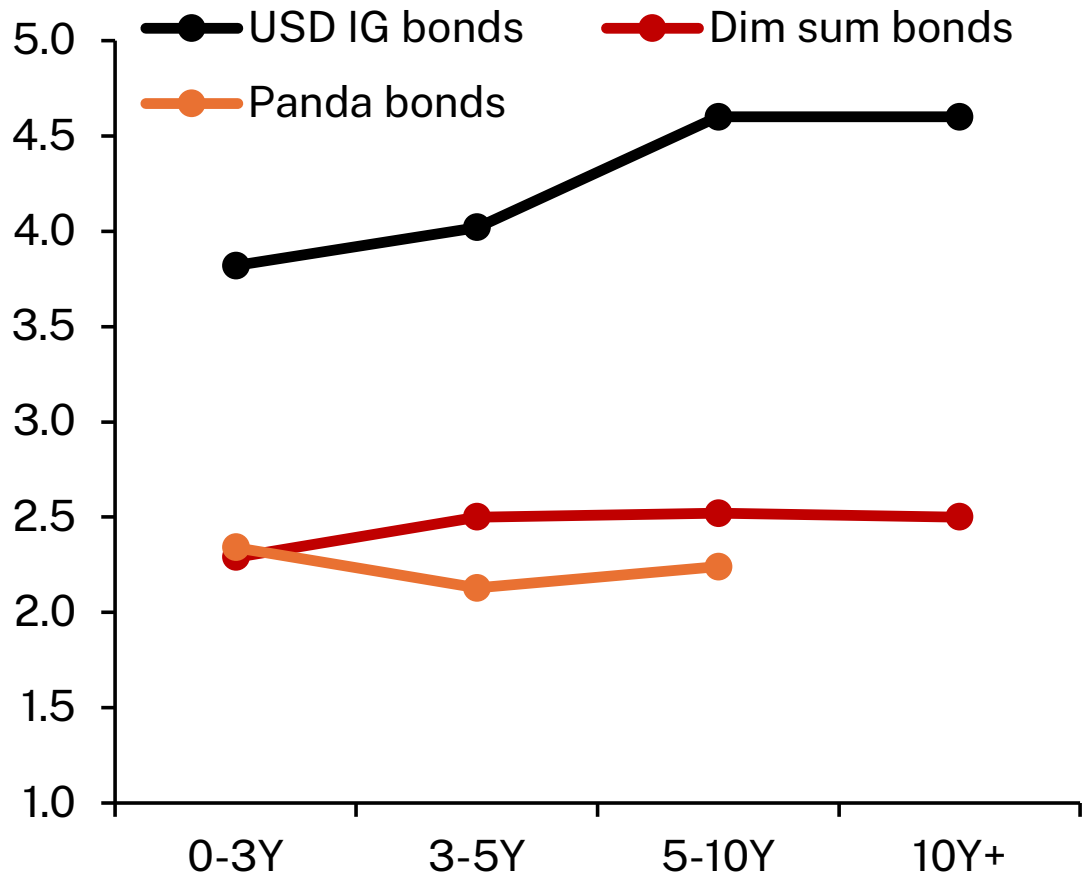
Dim sum bond issuance (RMB bn)



(*) 2026 = 9M2026

Source: Bloomberg, DBS

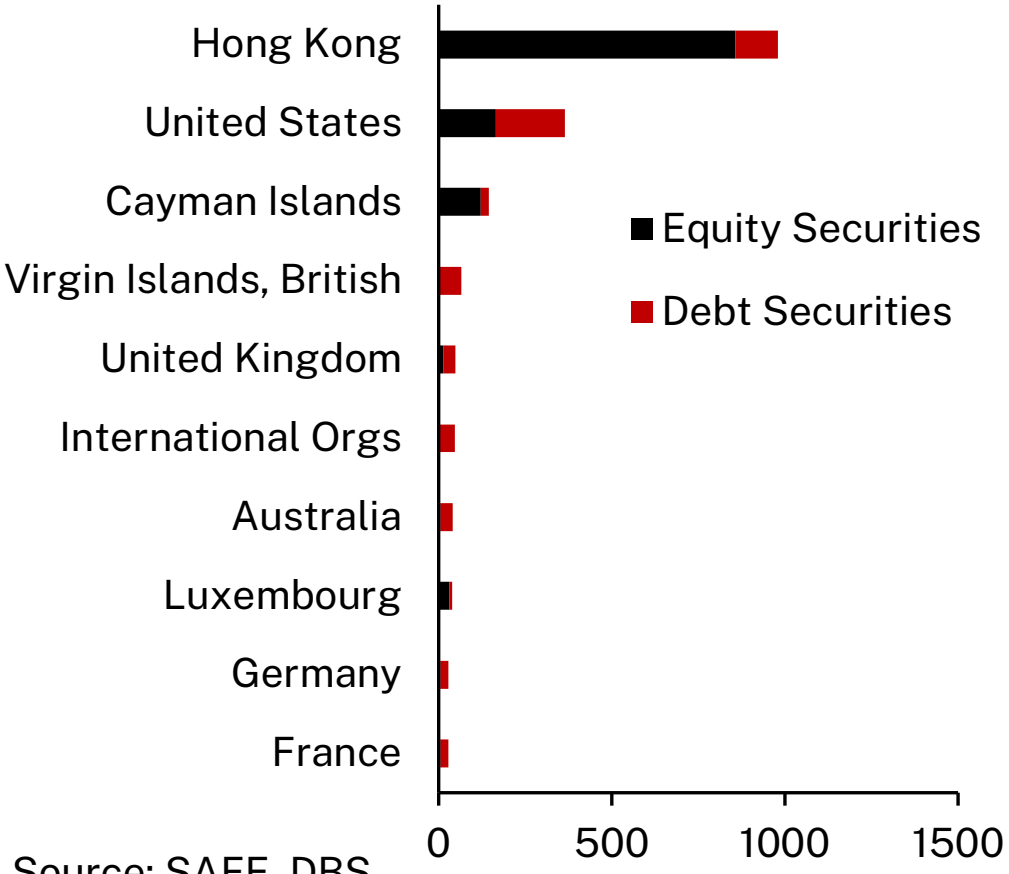
Average coupon by tenor (%)



Source: Blomberg, DBS

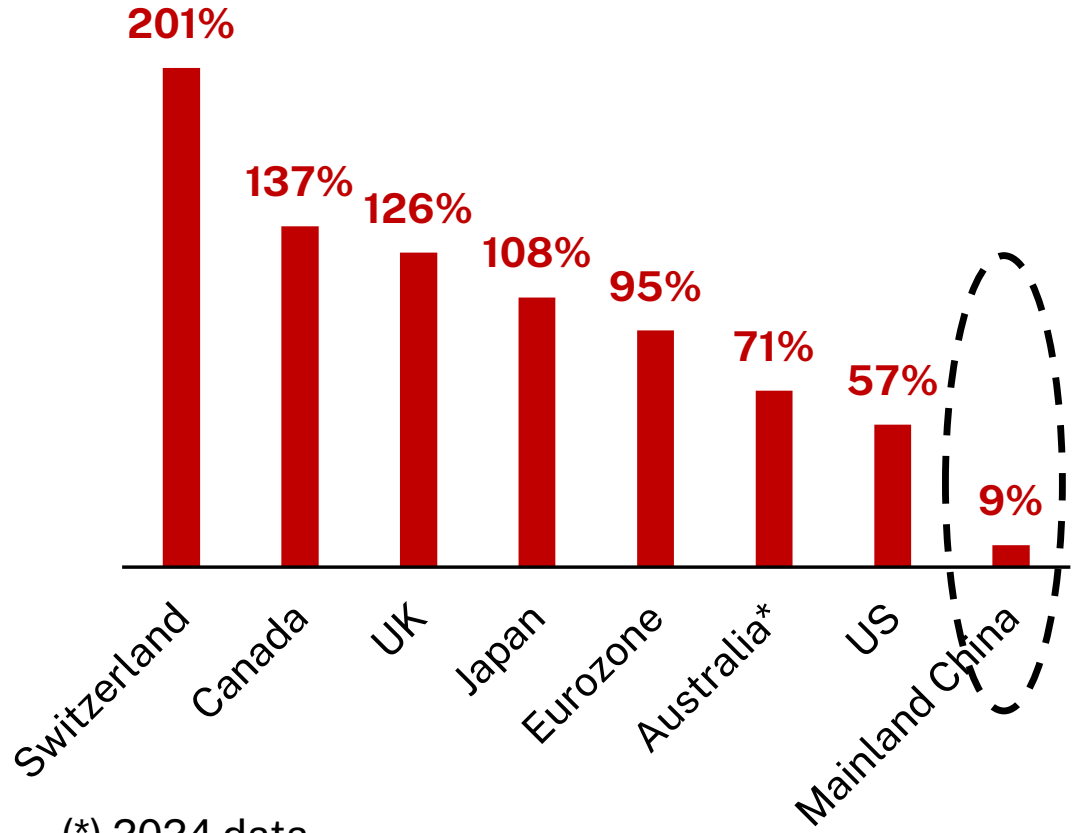
China’s premier offshore wealth gateway

China's foriegn portfolio assets as of end-2025 (USD bn)



Source: SAFE, DBS

Foreign portfolio investments as % of GDP as of 1H25



(*) 2024 data
Source: IMF, DBS

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MAS review: Pause is not a U-turn

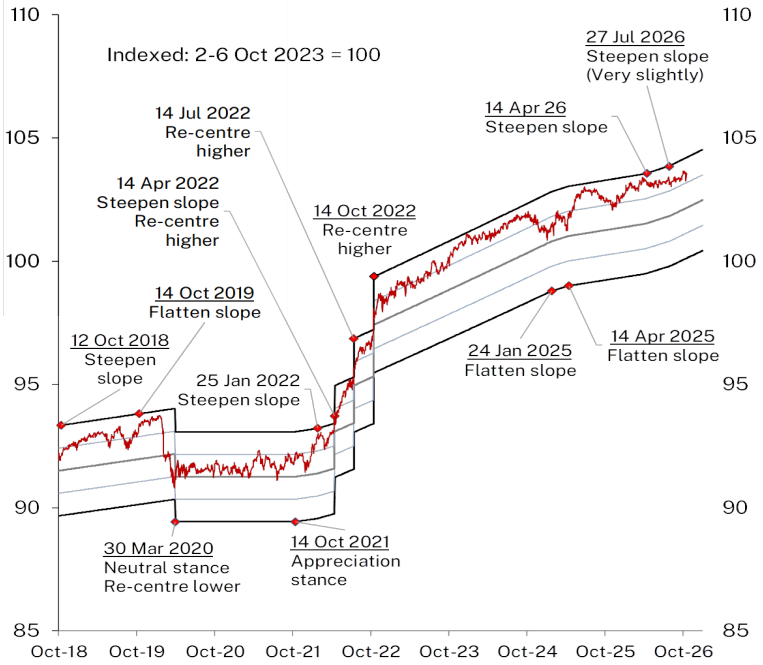
Oct-26 decision

SGD NEER policy band: Unchanged slope, width, mid-point
April & July: Two proactive slope increases

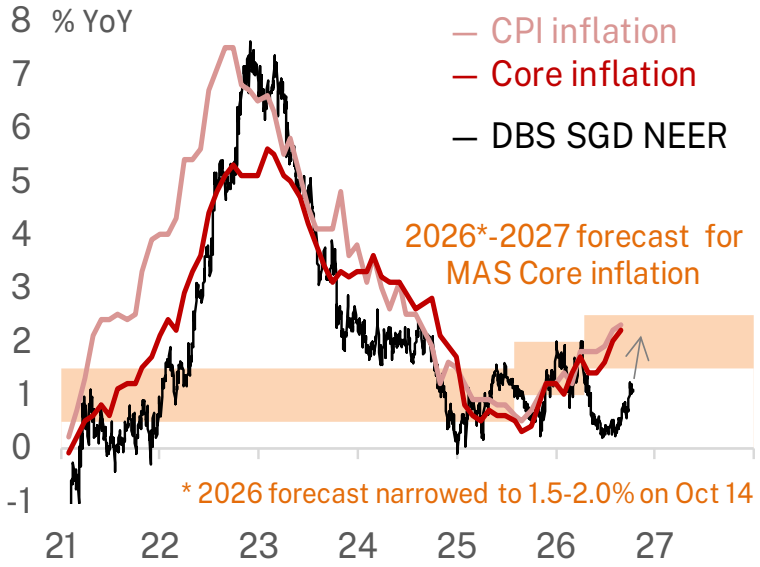
Rationale & Outlook

1) Lower-than-expected inflation in 2026
2) Slightly elevated inflation to ease from mid-2027
3) Growth to normalise but still firm and above-potential in 2027

DBS SGD NEER & Policy Band

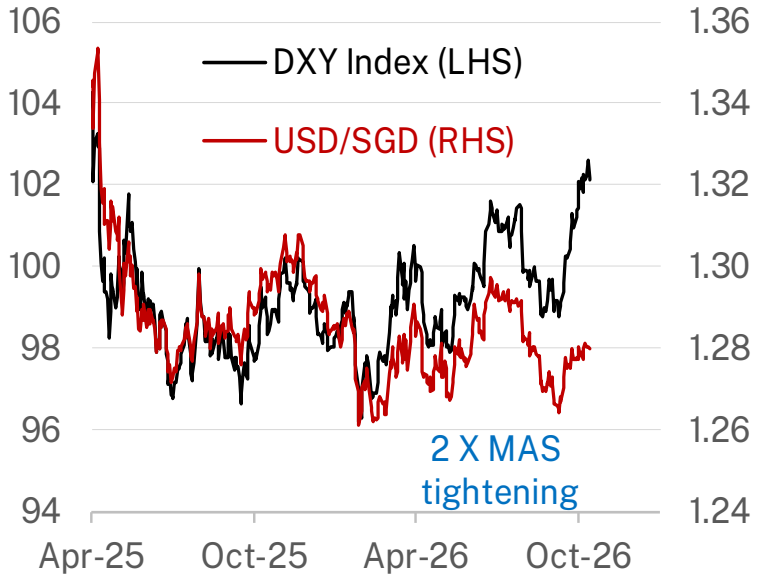


No rush to tighten for the rest of 2026



Sources: DBS Research, Bloomberg data

USD/SGD <1.30 despite DXY > 100



Sources: DBS Research, Bloomberg data

From Tailwinds to Trade-Offs: Southeast Asia Outlook 2026 - 2035



In our 2024 outlook, we expected SEA to sustain growth of ~5.1%, underpinned by strong fundamentals and emerging growth engines

Traditional growth fundamentals remain critical

- Ease of doing business
- Diversify trade partners
- Strengthen institutions
- Improve workforce
- Build infrastructure
- Increase stability
- Facilitate investment

Five new growth drivers could provide additional upside

- Invest in new growth sectors
- Foster tech-enabled disruptors
- Strengthen capital markets
- Accelerate green transition
- Embrace multilateral initiatives

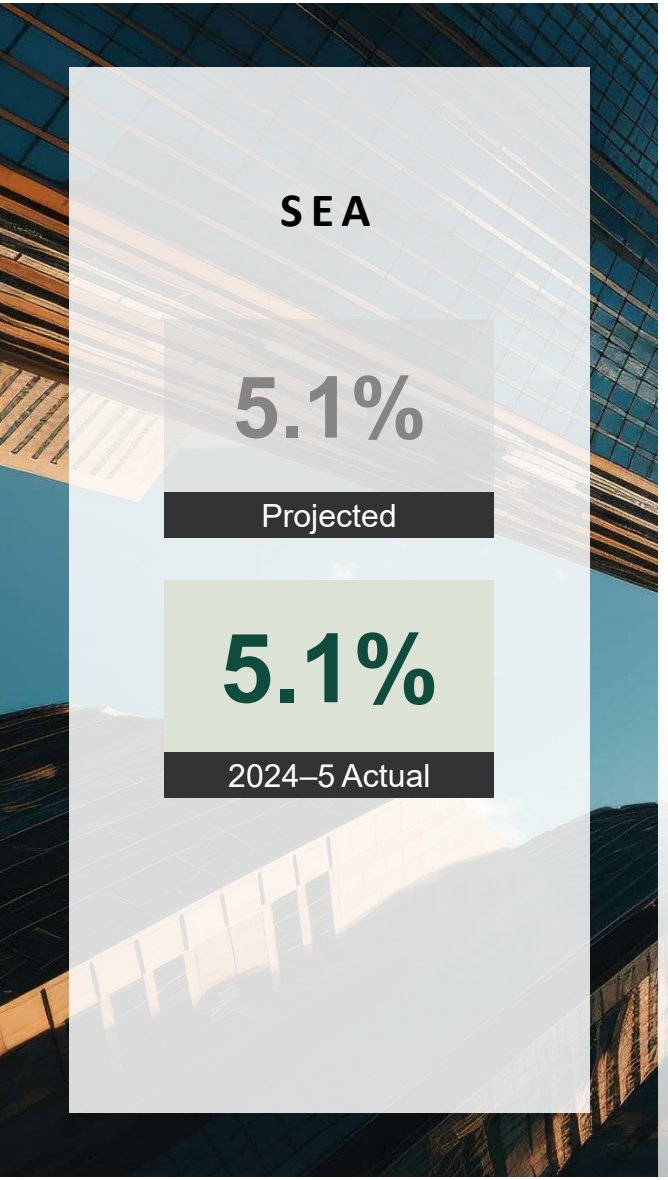
But the external environment evolved faster than anticipated

External volatility intensified
Wars, tariffs and policy uncertainty created more disruption to trade, investment and confidence
than anticipate

Technology accelerated faster and more unevenly
The AI cycle created outsized benefits for economies already positioned in semiconductors, data centres,..

Structural strengths and weaknesses mattered more
Countries with stronger institutions, workforce capabilities and established ecosystems captured upside faster,

SEA-6 overall grew exactly as expected, but with wider divergence



SEA

5.1%	5.1%
Projected	2024–5 Actual

	5.7%	5.1%
	Projected	2024–5 Actual

	4.5%	5.2%
	Projected	2024–5 Actual

	6.1%	5.1%
	Projected	2024–5 Actual

	2.5%	5.2%
	Projected	2024–5 Actual

	2.8%	2.7%
	Projected	2024–5 Actual

	6.6%	7.5%
	Projected	2024–5 Actual

SEA-6 to grow 4.8% YoY on average over 2026–2035

	HISTORICAL AVERAGE			FORECAST
	1996–2005	2006–15	2016–25	
Indonesia	2.9	5.6	4.2	**5.4**
Malaysia	4.8	4.9	4.0	**4.3**
Philippines	4.2	5.5	4.6	**5.8**
Singapore	5.3	5.7	3.5	**2.7**
Thailand	3.2	3.4	2.0	**2.2**
Vietnam	7.2	6.3	6.3	**6.2**
SEA-6	3.9	5.2	4.1	**4.8**

Scenarios: Three global scenarios for 10-year SEA outlook



BASE SCENARIO

Heated rivalry and deteriorating world order

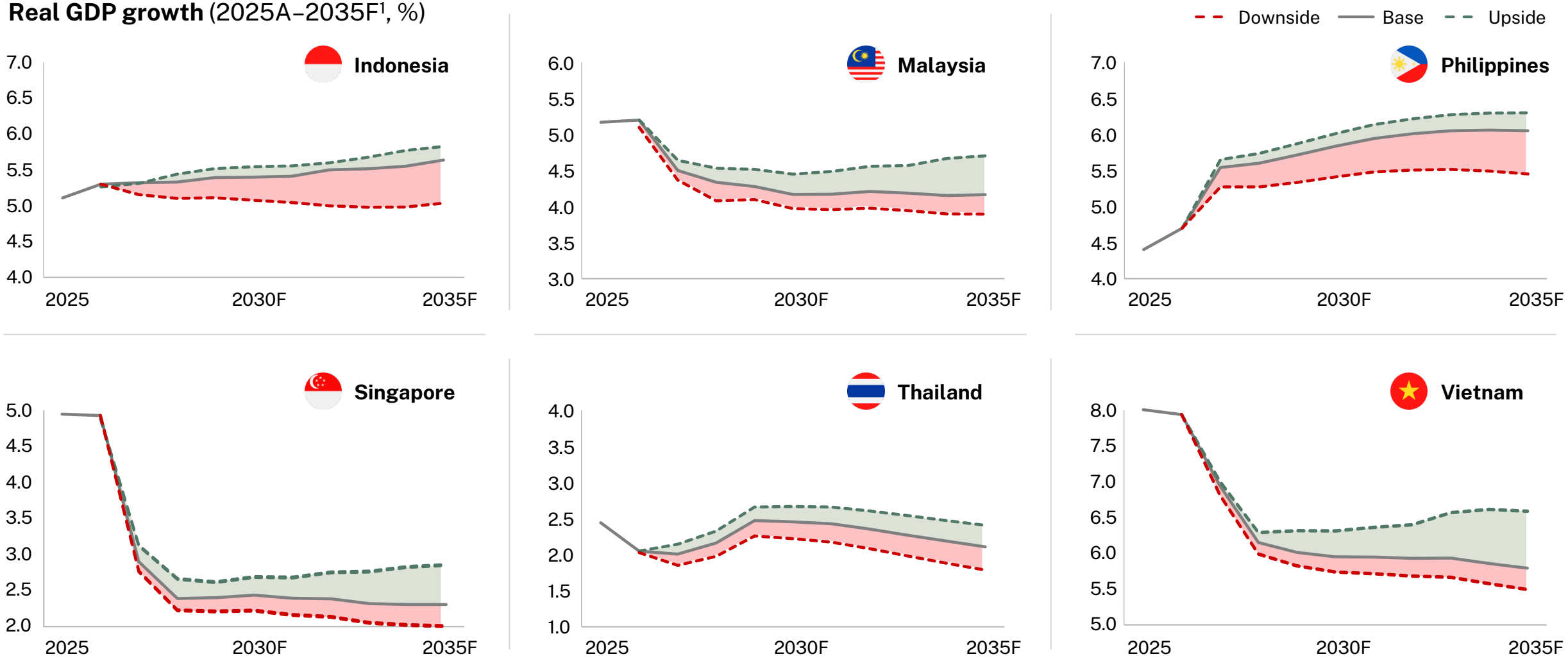
Globalization & trade	US disruption continues and China remains mercantilist Fiscal and populist pressures mount
Tech & industrial competition	Parallel China and U.S. AI development; SEA negotiates mixed access and selective decoupling AI, robotics, and automation drive productivity gains
Conflict & escalation	Proxy conflicts persist but avoid major war Energy, food, and FX buffers cushion external shocks

Scenarios: Three global scenarios for 10-year SEA outlook

	DOWNSIDE SCENARIO Acrimonious rivalry and split world order	BASE SCENARIO Heated rivalry and deteriorating world order	UPSIDE SCENARIO Managed rivalry with repaired world order
Globalization & trade	• China-US rivalry hardens into bloc competition • Trade, finance, and institutions weaken or fragment	• US disruption continues and China remains mercantilist • Fiscal and populist pressures mount	• US, China, and other major powers step back from confrontation • US re-engages on trade and alliances
Tech & industrial competition	• Bifurcation of Chinese and U.S. tech stacks and trading ecosystems • AI shock widens gaps between winners and laggards	• Parallel China and U.S. AI development; SEA negotiates mixed access and selective decoupling • AI, robotics, and automation drive productivity gains	• Tech ecosystems remain competitive but connected • SEA becomes increasingly critical to both Chinese and U.S. AI ecosystems
Conflict & escalation	• Conflicts disrupt energy, trade, and chokepoints • Proxy conflicts trigger market shocks	• Proxy conflicts persist but avoid major war • Energy, food, and FX buffers cushion external shocks	• Fewer proxy conflicts and lower military posture • Flashpoints remain unresolved but stable

Outcomes: Each country in SEA-6 faces a distinct outcome range — resilience sets the floor, structural potential the ceiling

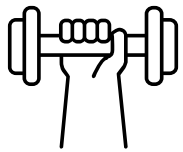
Real GDP growth (2025A–2035F[1], %)



Note: 1. 2025A reflects actual data; all years from 2026 onwards are forecasts (F)

Looking ahead: Three priorities will drive differential outcomes in each country

Strengthen institutional resilience



Institutional resilience is the enabling condition for sustained growth, shaping the ability to absorb shocks, attract capital, and execute effectively

Fortify energy systems



Energy is becoming the foundational constraint on growth, determining whether countries can sustain industrial expansion, power digital infrastructure and manage costs & security risks

Capture AI dividend



AI is emerging as the primary productivity lever, with the potential to reshape industries — but only for countries able to translate adoption into real economic gains

Looking ahead: The 10-year forecasts hinge acutely on near-term policy choices

Indonesia CREDIBILITY	Restoring policy consistency will determine whether Indonesia's scale becomes a durable advantage
Malaysia CONVERSION	Semiconductor and data center momentum must translate into deeper ecosystem capability across election cycles
Philippines TRANSITION	AI disruption is accelerating, making the next few years critical for moving the BPO sector up the value chain
Singapore DIFFUSION	A clear beneficiary of the global AI build-out, the question is whether gains spread more broadly across the economy
Thailand INSTITUTIONS	Building a clear reform agenda before demographic and competitive pressures close the window is crucial
Vietnam EXECUTION	Prioritizing energy supply and infrastructure investment will unlock the next phase of growth

Thank You

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