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Economic Outlook Asia-Pacific Q1 2026: Signs Of Relief

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Key Takeaways

- China's domestic demand is likely to remain subdued and exports should slow. But we raised our 2026 GDP growth forecast to 4.4%, from 4%, due to lower U.S. tariffs.
- Across the rest of Asia-Pacific, reduced tariff uncertainty, tech export strength, and resilient demand have prompted us to lift our

2026 GDP forecast to 4.2% from 4.0%.

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- In our view, few, if any, central banks have scope to further lower policy rates as they are near neutral levels and exchange rates have weakened.

Global conditions are still shifting. Even so, we think a tentative thaw in U.S.-China ties and, in many economies, resilient domestic demand should help Asia-Pacific growth hold up in 2026. We anticipate central banks will have little room to cut further as rates return to more neutral territory and currencies remain under pressure.

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The External Setting: Global Growth Resilience Amid Tariff Headwinds

The Global economy has seen a significant slowdown due to the impact of U.S. tariff increases and the uncertainty about them. Global activity has derived support from tailwinds

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The South Korean Economy Shows Signs of Recovery



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Rating: AA- (Very Good)



Rating: A (Good)

Rating: A- (Good)



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The economic outlook for Asia-Pacific in Q1 2026 is generally positive, with signs of recovery across most countries. The region's economy is expected to grow at a moderate pace, driven by strong consumer demand and investment. However, inflation remains a concern, particularly in some countries like India and Indonesia. The political landscape is also a factor, with elections in several countries potentially impacting policy stability and investment decisions.



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