
Mizuho Economic Outlook & Analysis

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Patchy private consumption in Asia

Monetary and fiscal measures support consumption, but structural factors weigh on consumption in some countries and regions

< Summary >

- ◆ Private consumption in Asia has been mixed. Interest rate cuts and stimulus measures support consumption growth in many countries and regions, but structural factors remain an obstacle to consumption growth in some areas.
 - ◆ The structural factors weighing on consumption include (1) Taiwan: concentration of wage increases in the electronic parts industry, (2) Thailand: high household debt ratio, and (3) Indonesia: shrinking middle class.
 - ◆ These structural issues are likely to persist on top of other negative factors, such as shrinking policy space for monetary and fiscal measures and the growing inflow of Chinese goods. Efforts to enhance the underlying strength of private consumption are essential.
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Research Division

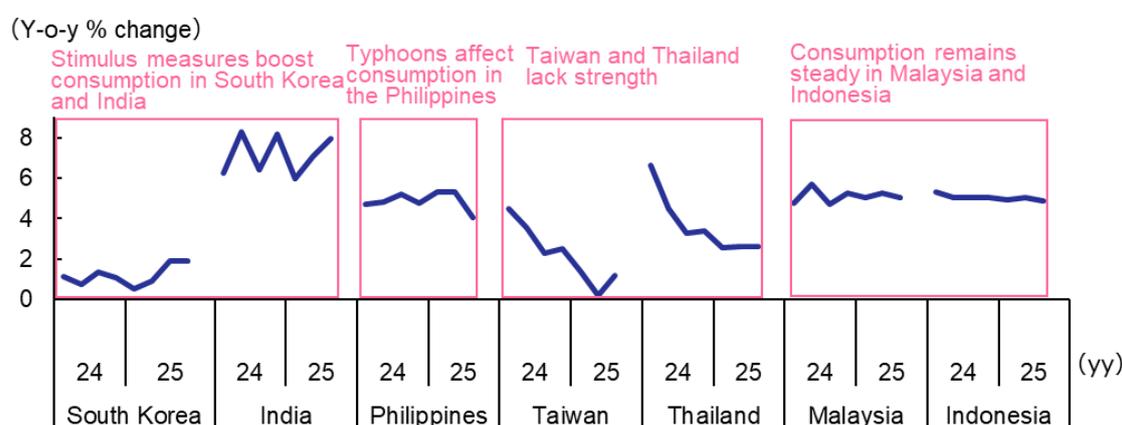
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1. Private consumption in Asia has been patchy

Private consumption in Asia¹ showed mixed trends in Q3 2025 (Chart 1). While government stimulus measures boosted consumption in South Korea and India, consumption in the Philippines was affected by destructive typhoons. In Taiwan and Thailand, consumption lacked strength due to structural factors, as discussed later. Malaysia and Indonesia saw consumption grow at around 4% to 5%, which can be assessed as solid, but Indonesia’s outlook may not be bright, as argued by Nishino, et al. (2025). This report looks at the varied consumption trends in Asia by focusing on various economic stimulus and structural factors.

Chart 1: Trends in Asia’s consumption (real)



Note: Data except for South Korea are up to Q3 2025; South Korea, up to Q4 2025.
 Source: Made by MHRT based on the statistics of the relevant countries or regions and CEIC.

2. Uneven trends stem not from differing stimulus, but from the presence of structural headwinds

First, we look at economic stimulus. On the monetary front, as Kikegawa (2025) has discussed, a full-fledged rate-cutting cycle began in the second half of 2024, backed mainly by the slowdown in inflation and fading concerns over currency depreciation (Chart 2). Interest rate cuts were implemented in the Philippines, Indonesia, Thailand and Malaysia in Q3 2025, which are expected to support consumption.

As to fiscal actions, South Korea and India have implemented measures to spur consumption, such as household benefits or tax cuts. South Korea issued coupons worth 150,000 to 500,000 won per person (July 2025). India boosted consumption by cutting

¹ The subjects of analysis in this report are India, Indonesia, South Korea, Thailand, Taiwan, the Philippines and Malaysia.

income taxes (April 2025) and the GST (Goods and Services Tax) (September 2025).

In these ways, many countries and regions have employed measures like interest rate cuts or household benefits or tax cuts to stimulate consumption, but they have produced mixed results, as mentioned at the beginning. The mixed results are thought to be due to structural factors specific to some countries and regions.

This report particularly focuses on (1) Taiwan’s sluggish consumption despite fairly strong exports, (2) Thailand’s substantial household debts weighing on consumption, and (3) the shrinking middle class in Indonesia, and examines the structural factors weighing on consumption in each case.

We begin with Taiwan. Amid the AI boom, Taiwan’s exports jumped 32% from a year earlier, contributing to 8.2% year-on-year GDP growth in Q3 2025; in contrast, consumption grew by just 1.2%. This contrast can be explained by the uneven distribution of the AI boom’s benefits, which are largely enjoyed by the electronic parts industry.

Thanks to surging AI-related demand, wages in the electronic parts sector, which were already high, have risen even higher, while average wage growth across all sectors, including traditional industries, has been slow (**Chart 3**). Electronic parts manufacturing is a capital-intensive industry accounting for a small proportion of Taiwan’s employment. Since wage increases in this sector have yet to spread to other industries, overall household income has not improved significantly.

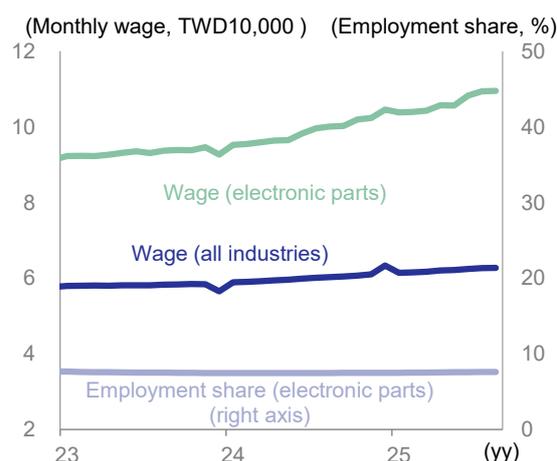
Chart 2: Policy rates of Asian countries and regions

| | | Philippines | Indonesia | Thailand | South Korea | India | Malaysia | Taiwan |
|----|----|-------------|-----------|----------|-------------|-------|----------|--------|
| 23 | Q1 | 6.25 | 5.75 | 1.75 | 3.50 | 6.50 | 2.75 | 1.875 |
| | Q2 | 6.25 | 5.75 | 2.00 | 3.50 | 6.50 | 3.00 | 1.875 |
| | Q3 | 6.25 | 5.75 | 2.50 | 3.50 | 6.50 | 3.00 | 1.875 |
| | Q4 | 6.50 | 6.00 | 2.50 | 3.50 | 6.50 | 3.00 | 1.875 |
| 24 | Q1 | 6.50 | 6.00 | 2.50 | 3.50 | 6.50 | 3.00 | 2.000 |
| | Q2 | 6.50 | 6.25 | 2.50 | 3.50 | 6.50 | 3.00 | 2.000 |
| | Q3 | 6.25 | 6.00 | 2.50 | 3.50 | 6.50 | 3.00 | 2.000 |
| | Q4 | 5.75 | 6.00 | 2.25 | 3.00 | 6.50 | 3.00 | 2.000 |
| 25 | Q1 | 5.75 | 5.75 | 2.00 | 2.75 | 6.25 | 3.00 | 2.000 |
| | Q2 | 5.25 | 5.50 | 1.75 | 2.50 | 5.50 | 3.00 | 2.000 |
| | Q3 | 5.00 | 4.75 | 1.50 | 2.50 | 5.50 | 2.75 | 2.000 |
| | Q4 | 4.50 | 4.75 | 1.25 | 2.50 | 5.25 | 2.75 | 2.000 |
| 26 | 1月 | 4.50 | 4.75 | 1.25 | 2.50 | 5.25 | 2.75 | 2.000 |

Note: As of the end of each period. Pink indicates rate hikes and blue shows rate cuts.

Source: Made by MHRT based on LSEG.

Chart 3: Taiwan: Wage and employment shares of the electronic parts sector



Source: Made by MHRT based on CEIC.

In summary, Taiwan’s weak consumption can be attributed to the “growing gap

between leading-edge industries and traditional industries amid economic growth concentrated in certain sectors.” To promote consumption recovery, it is crucial to create a structure enabling strong growth in leading-edge industries to prompt wage increases across wider industries, or to implement a redistribution policy.

Next in Thailand, the high household debt-to-GDP ratio remains a drag on consumption. The country’s household debt ballooned in the 2010s, leading to a prolonged slump in new auto sales through tightened car loan screening (**Chart 4**). The rise in household debts in the 2010s was due largely to an increase in car and housing loans on the back of (1) low interest rates at the time, (2) the “first car buyer” program from late 2011 to 2012 (tax rebate for first-time private car buyers), and the “first home” program (preferential interest rates and tax benefits for first-time home buyers).

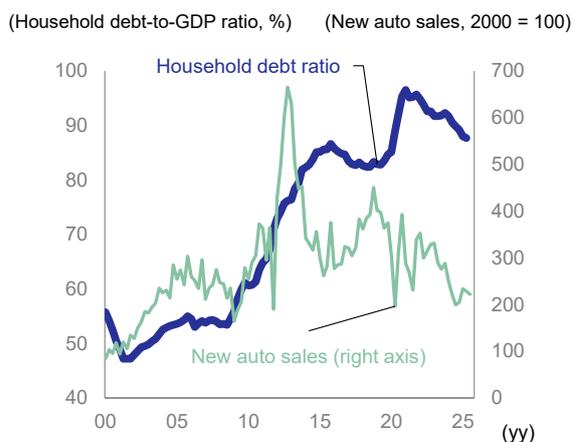
The “Debt Clinic” scheme (interest rate relief, rescheduling of debts) introduced in 2017 helped lower the household debt ratio temporarily, but it climbed once again as personal income fell amid the coronavirus pandemic. The ratio has turned downward over the past few years but remains high in the upper 80% range. The government is undertaking a debt restructuring program from early 2026 to aid small debtors with unsecured non-performing loans of no more than 100,000 baht by waiving interest payments. The relief plan is expected to reduce the burden of indebted households and thereby encourage consumption.

It has also been pointed out that people may expect the government to bail them out eventually and continue to borrow without considering their repayment ability (i.e., creating a moral hazard). To fundamentally resolve this issue, it is vital to enhance debtors’ repayment capacity by improving the income and employment environment.

Lastly in Indonesia, as pointed out by Nishino et al. (2025), the shrinking middle class is weighing on consumption. A pre- and post-pandemic comparison of income distribution indicates that the ratio of “middle class” has shrunk, while “vulnerable poor” is growing (**Chart 5**). With many people having lost their regular jobs during the pandemic or for other reasons and become unpaid family workers, the average “quality of employment” has declined.

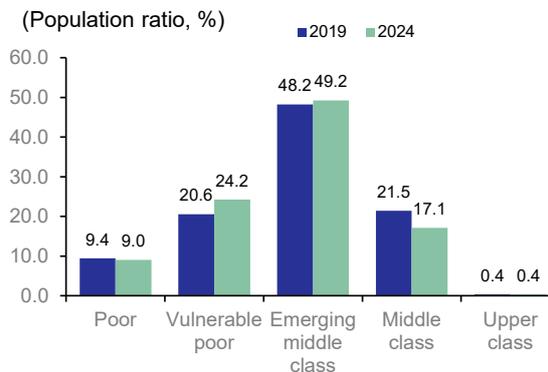
The Prabowo Subianto administration is prioritizing populist-leaning policies such as the free meals program but seems less eager to promote industrial upgrading and improve the “quality of employment.” To expand the middle class and strengthen consumption, the government needs to develop high value-added industries and create good quality employment opportunities.

Chart 4: Thailand: Household debt ratio, new auto sales



Source: Made by MHRT based on CEIC and BIS.

Chart 5: Indonesia: Population ratio by income levels



Note: "Poor" refers to households below the poverty line (PL). "Vulnerable poor" are those with income 1.0 to 1.5 times the PL; "Emerging middle class," 1.5 to 3.5 times; "Middle class," 3.5 to 17 times; and "Upper class," 17 times and above.

Source: Made by MHRT based on Statistics Indonesia.

3. Downward pressure of structural factors will remain; declining capacity to implement monetary and fiscal measures poses a real concern

The structural factors weighing on consumption in Taiwan, Thailand and Indonesia, as explained earlier, are likely to persist for the time being. Another concern is that the governments are losing their capacity to implement additional stimulus measures, which have bolstered consumption in the Asian region.

As to monetary policies, South Korea's ability to reduce interest rates is growing limited. In its statement, dated January 15, 2026, the central bank deleted the wording, "The Bank of Korea will decide whether and when to implement any further Base Rate cuts," signaling an end to the country's rate cut cycle.

In terms of fiscal policy, Indonesia is facing difficult circumstances, with growing concerns over the country's fiscal outlook since its fiscal deficit surged to 2.92% of GDP in 2025, close to the legal limit of 3%. Fiscal anxieties may weaken the rupiah and become an obstacle to interest rate cuts. Under this situation, it is difficult for the government to launch new fiscal measures.

Furthermore, corporate earnings are likely to be affected by downward pressure on exports due to the United States' tariff policies and by the growing inflow of Chinese goods. Their impact on employment or wages could weigh on consumption. Amid mounting domestic and external challenges, countries and regions facing structural factors, as identified in this report, need to resolve these problems quickly and enhance the underlying strength of private consumption. Policymakers' ability to address these challenges will be

put to the test.

Reference

Refer to the original Japanese report by clicking the URL below for the reference material.
<https://www.mizuho-rt.co.jp/business/research/report/pdf/insight-as260130.pdf>