Mizuho Flash: Asia

Economics & Strategy | Asia ex-Japan

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Asia: Computing Restrictive Costs

"In economics, things take longer to happen than you think they will, and then they happen faster than you thought they could."
— Rudi Dornbusch

Tougher AI Controls Broaden the Capex Risk

- The US Department of Commerce's latest regulations extend AI-related export controls beyond physical semiconductor shipments, introducing licensing requirements for overseas data centres that provide advanced computing services to Chinese and other restricted entities.
- While the immediate focus has been on chipmakers, the more consequential implication may be for **AI-led capital expenditure across Asia especially with the regulation mentioning Indonesia, Malaysia, Singapore, Thailand and Brazil explicitly**. By restricting access to overseas computing capacity, the measures potentially weaken one of the largest sources of incremental investment demand in the region.
- With the Total Processing Performance requirement at a low threshold, the impact is likely to be most acute for data-centre operators and infrastructure providers in key ASEAN hubs such as **Singapore, Johor, Batam and Thailand's Eastern Economic Corridor**, where expectations of sustained Chinese and multinational demand have underpinned expansion plans.
- Early market reactions suggest investors are increasingly concerned about utilisation and revenue assumptions rather than hardware supply constraints. Nvidia's suspension of licensed Hopper shipments to China and Datasection's sharp reduction in FY2027 revenue guidance highlight mounting uncertainty over the durability of AI-related demand.

From Capex Tailwind to Growth Risk

- The broader macro relevance stems from the outsized role AI-related investments have played in supporting global growth over the past two years. Data-centre construction, power infrastructure upgrades and semiconductor-related investments have become increasingly important contributors to fixed-asset investment across parts of Asia.
- Consequently, any moderation in AI infrastructure spending may represent **a tangible drag on investment growth**, particularly for economies that have benefited disproportionately from AI-related capital inflows.
- A slower pace of AI expansion may also moderate demand for construction materials, electricity generation, specialised industrial equipment and imported semiconductor hardware. In turn, some of the investment-driven inflation pressures that have emerged over the past two years could begin to ease.
- This dynamic is already visible in commodity markets. Recent weakness in copper prices reflects growing scepticism around previously assumptions for future power-grid, data-centre and electrification demand.

Macro and Market Implications

- Even as slower AI-related capex could eventually reduce one of the structural factors underpinning elevated yields, near term headwinds could **exacerbate debt sell-offs** as attempts of diversification of customer bases may imply that the excess demand situation for existing compute could potentially soften.
- As such, pricing power could potentially moderate with **ensuing implication on revenue projections** for data centers having front loaded purchase of chips.
- For Asia's growth, the implications are more mixed and nuanced. **Southeast Asian** economies could potentially see a scale back in FDI if project pipelines are delayed though a moderation in investment-driven imports and energy demand may partially offset these pressures.
- Meanwhile, **North Asian** economies could see a further moderation in growth though given the strong order books, there is potential **for adjustments in supply capacity** to mitigate any slowdown in demand.
- The **bigger risk** though is to ensure that the initial bout of financial sector correction do not pose **macro financial stability issues** for the real economy.
- All in, the latest restrictions broaden the AI story from a semiconductor issue into a macroeconomic one. While the controls are aimed at limiting access to advanced computing, their second-order effect may be to temper AI-led investment, moderate growth expectations and reduce one of the key drivers of capital expenditure that has supported global activity, funding demand and risk sentiments in 2026.

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