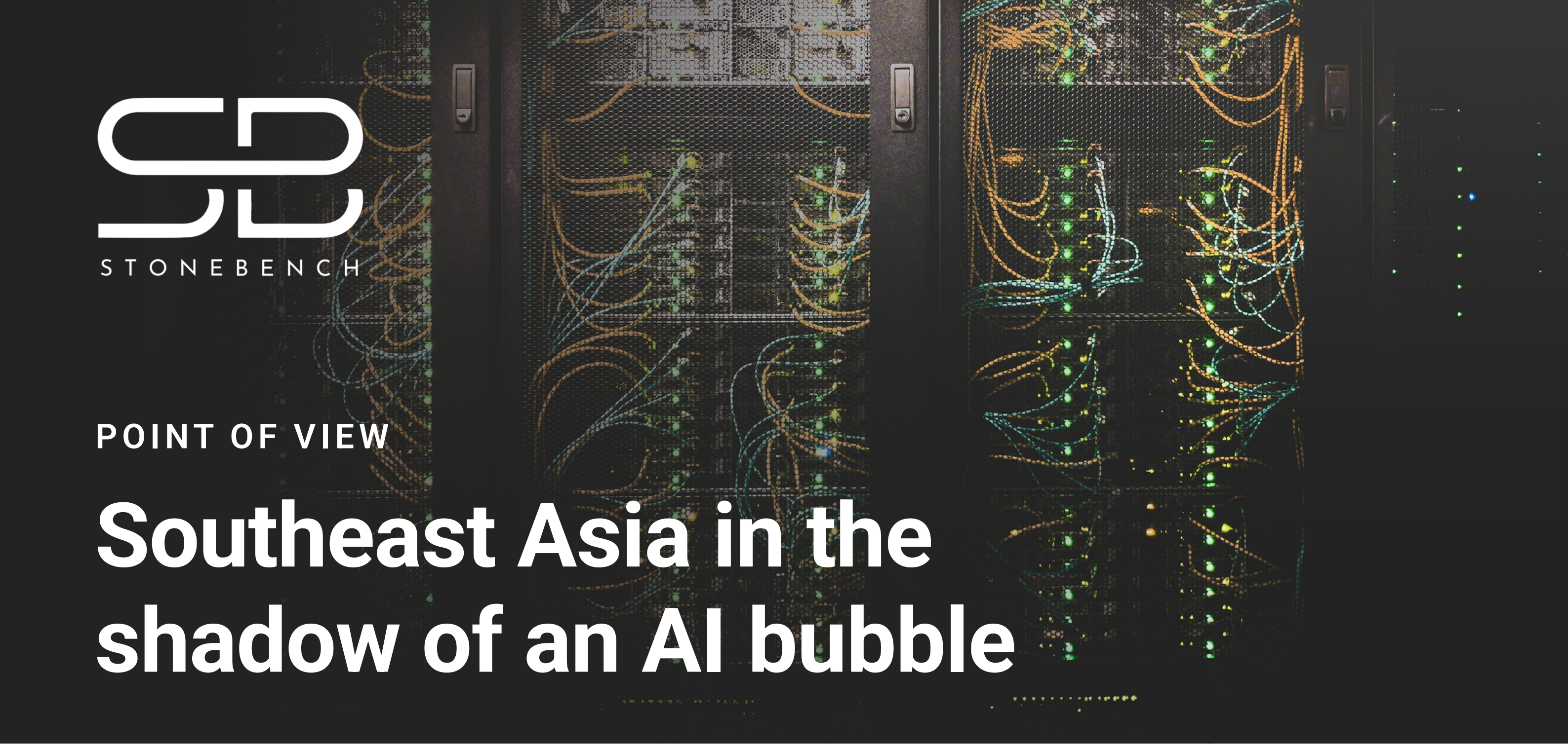

STONEBENCH

POINT OF VIEW

Southeast Asia in the shadow of an AI bubble

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In late November 2025, rumours began to circulate among investors: is there an artificial intelligence (AI) bubble brewing?

These concerns were reinforced by buzzy news headlines that major investors were rethinking their positions amidst concerns over “the magnitude and financing” of AI technologies.[1] Over half of investors surveyed by Bank of America believe AI stocks are a “bubble”, and even the Bank of England is putting out warning signals that a “sharp correction” is on its way as AI share prices reach levels not seen since 2008.[2]

Tech leaders such as Alphabet’s Sundar Pichai and Amazon’s Jeff Bezos acknowledged a degree of “irrationality” that could be fuelling tech stocks’ soaring valuations, and some are comparing the current market to the dot-com era or the “tulip mania” of the 17th century.[3 4 5]

Whether or not this is truly a bubble, a collapse in the AI market will have far-reaching consequences, especially in the Asia-Pacific, the world’s “AI backbone”, where 70% of global chipmaking and 90% of AI memory is concentrated.[6] While countries like Taiwan, Japan and South Korea—mainstays of the global AI ecosystem—will undoubtedly be affected, Southeast Asia warrants attention too, given an AI bubble could have repercussions for entire economies.

[1] Forbes. “Why Are Amazon, Microsoft and Other Tech Stocks Down? AI Bubble Fears Cause Sell-Off.” https://www.forbes.com/sites/tylerroush/2025/11/18/why-are-amazon-microsoft-and-other-tech-stocks-down-ai-bubble-fears-cause-sell-off/

[2] BBC. “Bank of England warns of AI bubble risk.” https://www.bbc.com/news/articles/cx2e0y3913jo

[3] World Economic Forum. “What we mean when we talk about an artificial intelligence ‘bubble’.” https://www.weforum.org/stories/2025/10/artificial-intelligence-bubble-dot-com-tulip-mania/

[4] CNBC. “Ark Invest CEO Cathie Wood flags AI market correction risk: ‘We think there will be a reality check’.” https://www.cnbc.com/2025/10/28/cathie-wood-flags-market-correction-risk-but-rejects-ai-bubble-fears.html

[5] Reuters. “Opinions split over AI bubble after billions invested.” https://www.reuters.com/business/finance/opinions-split-over-ai-bubble-after-billions-invested-2025-10-16/

[6] Reuters. “Opinions split over AI bubble after billions invested.” https://www.reuters.com/business/finance/opinions-split-over-ai-bubble-after-billions-invested-2025-10-16/

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A surge in investment inflows

Though much attention has been focused on the impacts of the AI boom for the seven biggest tech companies, the technology has also been powering a quiet but significant revolution for Southeast Asia. AI-related investments have flowed steadily and in abundance into the region as companies build essential data centres and cloud computing capabilities to fuel their innovative capacities.

Image by Erik Mclean

In 2025 alone, five major US companies are expected to invest as much as US$325 billion globally, with Southeast Asia positioned to capture a large share of that investment. And commitments to Singapore, Indonesia, Malaysia and Thailand are on the rise.[7] At this pace, total AI-related spending in Southeast Asia is expected to surpass US$110 billion by 2028.[8] That's 25% growth in just half a decade, reflecting widespread adoption of AI across various industries.

These investments aren't just coming from external sources but also from within each market as Southeast Asian governments chase the economic momentum of the AI revolution.

Countries across Southeast Asia have started formulating national AI roadmaps, such as Indonesia's National Strategy for AI and Singapore's NAIS 2.0.[9] In Malaysia, the 2021-2025 Artificial Intelligence Roadmap was launched to support the country's bid to become one of the world's biggest AI economies by 2030.[10]

This plan is also being accompanied by heavy investments by private companies, as evidenced by reporting that Malaysia's palm oil giants are turning their vast land holdings into data centres and solar farms.[11] Similarly, in Thailand, the government has approved a US$3.1 billion investment into hyperscale factories specifically geared towards AI and issued six licenses for stalled data centre projects.[12]

[7] East Asia Forum. "Making Southeast Asia's AI numbers stack up." https://eastasiaforum.org/2025/10/28/making-southeast-asias-ai-numbers-stack-up/

[8] Asian Insiders. "AI Investment in Asia Heats Up as More Companies Embrace Innovation." https://asianinsiders.com/2025/03/18/2025-ai-investment-asia/

[9] ERIA. "Is Southeast Asia the Next Frontier for AI?" https://www.eria.org/news-and-views/is-southeast-asia-the-next-frontier-for-ai-

[10] Malay Mail. "Malaysia targets top 20 AI economy status by 2030 with new national roadmap." https://www.malaymail.com/news/malaysia/2025/08/29/malaysia-targets-top-20-ai-economy-status-by-2030-with-new-national-roadmap/189251

[11] Malay Mail. "Malaysia's palm oil giants pivot to AI data centres, solar projects to meet US$34 billion investment boom." https://www.malaymail.com/news/malaysia/2025/11/19/malaysias-palm-oil-giants-pivot-to-ai-data-centres-solar-projects-to-meet-us34-billion-investment-boom/198931

[12] Telecom Review Asia Pacific. "Thailand Approves USD 3.1B in New Investments with Major Data Center Push." https://www.telecomreviewasia.com/news/industry-news/26926-thailand-approves-usd-3-1b-in-new-investments-with-major-data-center-push/

These data centre investments are building on the strong momentum of ASEAN's semiconductor industry, a critical component of the AI ecosystem. Over the past decade, Southeast Asia has emerged as a key node in the global semiconductor supply chain thanks to supportive government policies, substantive FDI flows and shifting geopolitical dynamics.

The US-China trade war has rerouted supply chains through Southeast Asia, as well as India. Malaysia and Singapore increasingly dominate upstream semiconductor fabrication and design processes, and assembly, testing and packaging are expanding into Vietnam, Thailand and the Philippines.[13] [14]

Combined, these factors highlight the growing influence of Southeast Asia in global AI supply chains, as well as the immense vulnerabilities the region faces as a result of its decision to pin its fortunes on the AI sector.

Winners and losers in Southeast Asia

Now then, if the AI bubble does indeed pop, what will the fallout look like?

Many analysts are in agreement that the hit to the economy in the event of a burst AI bubble will be substantial, with some suggesting that the impacts could be worse than the dot-com crash due to the sheer size of AI-related investments currently. After all, in the first half of 2025, spending on data centres outstripped consumer spending in the US.[15] If all that money suddenly evaporated, there's likely to be less investment and fewer jobs available, two levers that could set the stage for a recession, not just in the US but globally, given how closely interlinked the global economy has become.

In Asia, the ripple effects could be much more powerful considering the close correlation between AI volatility and the region's economic prospects. In early 2025, sharp dips in tech stocks were mirrored by the performance of Asia Pacific markets.[16]

Within Southeast Asia, there will be some obvious losers.

Malaysia and Thailand are likely to face the worst of the impacts due to their acceleration of data centre builds. Malaysia, in particular, will be hit hard as its economic growth projections in 2025 were overtly connected to higher demand for semiconductors and AI applications in a recent Ministry of Finance report.[17] [18] In comparison, countries like Singapore could weather the storm a lot better due to greater market diversification, which will limit its vulnerabilities to sudden pullback on AI spending.[19]

That being said, there is a counter-argument to be made that, despite Southeast Asia's AI-driven frenzy for data centres, these intelligent technologies are not the only factor driving investments in this area.[20] While data centres are integral to

[13] Speeda. "Southeast Asia's Rising Role in Semiconductors." https://sea.ub-speeda.com/asean-insights/industry-reports/southeast-asia-semiconductor/

[14] ASEAN Business Advisory Council. "How Vietnam, Malaysia, and Singapore Are Shaping ASEAN's Semiconductor Supply Chain Potential." https://asean-bac.org/news-and-press-releases/how-vietnam-malaysia-and-singapore-are-shaping-asean-s-semiconductor-supply-chain-potential

[15] The Atlantic. "Just How Bad Would an AI Bubble Be?" https://www.theatlantic.com/economy/archive/2025/09/ai-bubble-us-economy/684128/

[16] Capacity. "Is the future of AI being built in Asia?" https://capacityglobal.com/news/asia-ai-boom/

[17] Ministry of Finance, Malaysia. "Malaysia To Sustain Growth At 4-4.5 Pct Next Year Driven By Higher Demand for Semiconductors, AI Applications – MoF." https://mof.gov.my/portal/en/news/press-citations/malaysia-to-sustain-growth-at-4-4-5-pct-next-year-driven-by-higher-demand-for-semiconductors-ai-applications---mof

[18] YouTube. "The AI Bubble That Could Make or Break Malaysia's Tech Stocks." https://www.youtube.com/watch?v=j3R3gH-xapY

[19] Channel News Asia. "As AI bubble fears grow, can Singapore withstand a sharp market correction?" https://www.channelnewsasia.com/singapore/ai-bubble-tech-stocks-economy-semiconductors-manufacturing-5462361

[20] South China Morning Post. "An AI-fuelled data centre bubble in the making? Not in Asia." https://www.scmp.com/opinion/asia-opinion/article/3333044/ai-fuelled-data-centre-bubble-making-not-asia?module=perpetual_scroll_0&pgtype=article

AI workflows, they are also key components for a whole range of technologies, from basic digital finance ecosystems and Internet of Things sensors to renewables generation and distribution. That is to say, even if AI tumbles down the priority list, there will still be a need for data centres to power other, equally essential technologies.

There could also be other potential positive impacts of an AI bubble bursting, despite the initial acute pains of the moment. A burst AI bubble could finally refocus the market towards long-term development of AI technologies with real-world use cases and tangible results. That could open a path towards true AI maturity, forcing companies to actually build products that make a difference.[21]

Bubble or not, AI does have long-term potential and value, although a market correction could change the timelines for how companies get there. There's also no telling the scale of the impacts on Southeast Asian economies, but what these dynamics do reveal is the region's growing importance in global technology markets. No longer bystanders to growth, Southeast Asia is an active and rising power that will play a central role in the AI story.

Image by Linh Tran

ABOUT STONEBENCH

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[21] MLQ.ai. "The GenAI Divide: State of AI in business 2025." https://mlq.ai/media/quarterly_decks/v0.1_State_of_AI_in_Business_2025_Report.pdf