

HOW WILL EMERGING ASIA FARE IN 2023?

- Post-pandemic normalization in factor markets and government policy, as well as domestic and international political shifts will work under the hood of the world order.
- These processes may trigger surprises such as heightened geopolitical shocks and rivalries, but there may be upsides that Southeast Asia can take advantage of.
- Early 2023 will be difficult, but we expect global growth to hold better than expected due to China's reopening, post-pandemic normalization, and technological change.
- A new asset pricing regime may result in more financial stresses, as asset prices that have inflated greatly in the 2010s have yet to price in the end of the low-rate, easy-money era.

CAUTIOUS OPTIMISM FOR CHINA'S 2023 GROWTH PROSPECTS

- Dynamic zero-covid has been buried decisively, paving the way for an economic rebound. However, underlying weaknesses mean that the recovery will be a muted one.
- Consumption, investment, and export growth face significant headwinds arising from weak external demand and scarred investor and household sentiment.
- An accommodative policy stance towards business activity may offset some of the headwinds, but government capacity to implement expansionary policy is diminished.

REGIONAL UPDATES

- South Korea's trade and manufacturing performance for Dec 22 continues to deteriorate, leaving the central bank with a delicate balancing act for its upcoming decision.
- Taiwan also faces export headwinds, and indicators of consumer and producer sentiment are downbeat. Disinflationary progress faces a setback due to higher food prices.
- India's preliminary GDP figures show strong FY23 growth driven by domestic demand.
- Malaysia's prime minister Anwar Ibrahim faces a difficult balancing act in resolving the impasse between component members of his coalition following the Sabah political crisis.
- Singapore's labour market shows signs of cooling, but wage pressures persist.
- Thailand can look forward to a strong recovery in inbound tourism and domestic investor confidence. A smooth resolution to upcoming elections is a further upside.

Centennial Asia Advisors is an independent research and advisory firm focused on emerging economies in the Asia Pacific. We specialize in the intersection of economics, politics, and international affairs.

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