

THE END OF THE CHINESE GROWTH MIRACLE?

- Structural factors cast doubt on Beijing’s ambitions to achieve “medium–developed country” status by 2035. This will have consequences for global economic prospects.
- China risks turning old before getting rich, with the labour force shrinkage progressively dragging on growth. There is little that policy can achieve to reverse this decline.
- Productivity growth is not forthcoming, with the low–hanging fruits of sectoral reallocation and industrialization already exhausted. Global decoupling worsens matters.
- Capital accumulation also faces diminishing returns. Moreover, a concentration of political power increases the risks of policy mistakes which can damage economic growth.

MALAYSIA’S BUDGET 2023 (ANWAR’S VERSION)

- The revised 2023 budget attempts to balance the need for fiscal consolidation, providing support to distressed households, and shoring up political support.
- While the headline consolidation seems welcome, this relies heavily on assumptions of higher government revenues, which gave the government more scope for spending.
- The government continues to seek alternatives to reintroducing the abolished Goods and Services Tax, but these do not raise sufficient revenues to fund key policy objectives.
- Measures to strengthen public finance governance and industrial upgrading are welcome steps to bolster long–term fiscal and economic prospects.

REGIONAL UPDATES

- South Korea’s central bank retained its hawkish rhetoric even as it paused monetary tightening. Consumer and business sentiment remain weak, indicative of growing difficulties.
- Hong Kong unveiled a budget to support a nascent recovery and restore its international attractiveness. Notable long–term gaps remain, including attracting and retaining talent.
- Malaysia’s inflation continued easing due to softening price pressures in transport costs.
- Singapore is waging a difficult fight against inflation, with headline and core inflation ticking up in Jan 23. Manufacturing headwinds may lead to a broader slowdown.

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