

## MALAYSIA'S LONG ROAD TO REFORM: OPPORTUNITIES AND CHALLENGES

- Discussions with Malaysian stakeholders suggest that the key task for Malaysia's long-run prospects is to rectify previous policy mistakes to unleash the potential for growth.
- The cyclical outlook remains broadly positive, with consumption showing resilience despite losing the one-off boosts from pension drawdowns and excess savings.
- The government is proceeding cautiously with its pace and sequencing of reforms, Working relationships with the bureaucracy are also carefully managed.
- A key strategic aim should be to rationalize and consolidate the fragmented patchwork of policies and frameworks in areas such as social welfare and investment promotion.
- Ultimately, the government is clear-eyed about the challenges facing Malaysia's economy. Achieving much-needed political stability will give it the space to pursue harder reforms.

## VIETNAM'S ECONOMY IS ON SHAKY GROUND

- Vietnam's 1Q23 GDP figures reveal underlying weaknesses due to a slowdown in external demand. Manufacturing growth has also suffered as a result of poor export performance.
- Private consumption is also under pressure, with higher inflation, higher borrowing costs, and a bleaker labour market weighing on consumer and business sentiment.
- Real estate is another source of downside risk, with project suspensions and the closure of construction firms among the causes of worry. Policy remedies are on the way.
- There are upsides including continued foreign investor interest and accelerated public sector investment. Much will hinge on policymakers' agility in rectifying shortcomings.

## REGIONAL UPDATES

- China's uneven recovery continues, with weak industrial profits suggesting an element of fragility. Foreign investor confidence is still shaky given recent mixed signals from Beijing.
- South Korea's non-manufacturing sector provides a glimmer of hope for a turnaround, while business and consumer sentiment show tentative signs of recovery.
- The Philippines' President Marcos Jr. is beginning a process of constitutional amendments of an economic nature. He is also banking on a new sovereign fund to expedite growth.

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**Manu Bhaskaran**  
Chief Executive Officer  
[manu@centennialasia.com](mailto:manu@centennialasia.com)

**Celine Tan**  
Economist  
[celine@centennialasia.com](mailto:celine@centennialasia.com)

**Lok ChenYue**  
Economist  
[chenyue@centennialasia.com](mailto:chenyue@centennialasia.com)