

# Centennial Asia Weekly Insights

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## RESILIENCE IN THE WORLD ECONOMY IS ONLY OF MODEST HELP TO ASIA

- The world economy has been more resilient than thought but the demand for Asian manufactured goods has been hurt by cyclical headwinds and lower commodity prices.
- Global services activity, in contrast, has done better but this provides fewer benefits for Asian exporters. Still, a fuller tourism recovery should provide a boost to Asia.
- What could help Asian exporters is capital expenditures in developed economies, which appear to be holding up despite the rising costs of borrowing and concerns over consumer demand. Structural shifts are providing an imperative to invest. Asian growth is also supported by domestic positives such as a recovery in infrastructure spending, targeted fiscal support, and foreign investment inflows.
- We have raised our forecast for China's growth this year and downgraded those for the electronics-dependent economies such as Korea, Taiwan, Thailand and Singapore.

## CHINA'S RECOVERY PROGRESSES BUT ELEMENTS OF FRAGILITY REMAIN

- Economic data in March showed that the recovery is underway, but the pace is uneven and shows signs of slowing in areas such as retail sales, fixed investment, and real estate.
- Forward-looking indicators such as corporate confidence, loan demand, and housing market sentiment are improving, but a "wait-and-see" attitude is prevalent.
- We upgrade our views on Chinese growth given that the recovery remains on track, but this is subject to a considerable margin of error given our reservations.

## REGIONAL UPDATES

- Indonesia's central bank held policy rates constant, expressing confidence that prior rate hikes will deliver disinflation. Trade performance worsened, shrinking the trade balance.
- Taiwanese export orders continued plunging amidst tech cycle difficulties. Orders to major markets including China and the US face continued difficulties.
- Malaysia saw its first joint contraction in exports and imports since Aug 20, but easing inflation and a pickup in domestic economic activity provide comfort about the economy.
- Singapore's exports continued contracting, with little imminent relief on the horizon.

*We wish our Muslim readers a blessed and joyous Hari Raya Aidilfitri.*

*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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