

## A REALITY CHECK ON THE YUAN'S PROSPECTS AS A GLOBAL CURRENCY

- The notion of “de-dollarization” is once again in vogue, with the yuan being floated as the dollar’s successor as a global currency. We are skeptical of such maximalist claims.
- A detailed examination of the yuan’s current position shows that it is a far cry from being a global currency. While its role will grow, overtaking the dollar remains unlikely.
- Bolstering the yuan so that it develops the necessary features of a global currency would require colossal, and ultimately unlikely, changes in Beijing’s economic and foreign policy.
- Asian governments may complain about dollar hegemony but will ultimately stick to the devil they know, while taking measures to manage the downsides.

## WITH MAY ELECTIONS, THAILAND APPROACHES A MAJOR TURNING POINT

- Parliamentary elections next week come as the military–royalist establishment faces internal divisions and voter ire. Thailand is ripe for a transition in government.
- The Pheu Thai Party of ousted Prime Minister Thaksin Shinawatra is set to become the largest party, but the more radical Move Forward is also emerging as a formidable force.
- A “grand coalition” between Pheu Thai and pro–establishment parties is likely. That could lead to the compromises needed to heal Thailand’s deep–seated divisions.

## REGIONAL UPDATES

- China continues its economic recovery but headwinds are apparent in both the external and domestic sectors. Misguided policy priorities by Beijing add to the woes.
- The latest Asian purchasing manager surveys show that while the current picture remains mixed across economies, firms remain confident that economic conditions will improve.
- Taiwan’s trade slowdown shows signs of bottoming out, with the pivotal semiconductors sector exhibiting a milder–than–expected contraction.
- Indonesia’s 1Q23 GDP growth held up due to domestic demand. But the deteriorating performance of capital formation indicates continued regulatory and political uncertainty.
- Malaysia’s central bank resumed its rate hikes to fully reverse pandemic–era cuts, suggesting improved confidence in the resilience of the domestic economy.

*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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