

SUPPLY CHAIN RECONFIGURATIONS GAINING STEAM

- Evidence is mounting that firms are doubling down on plans to shift production out of China. Geopolitical risks and shifting consumer dynamics will strengthen this trend.
- Economic efficiency is being de-prioritized as firms seek to bolster resilience and security. Reshoring and near-shoring are the new *modus operandi*.
- In addition to the manufacturing segment, the services sector is also seeing major supply chain adjustments as cost pressures in advanced markets spur offshoring efforts.
- China's large scale, however, means that no single economy will be the new centre of global production. Firms will make different locational choices based on their own needs.

POST-ELECTION UNCERTAINTY LOOMS FOLLOWING THAI POLLS

- The reformist Move Forward Party has outperformed prior expectations and emerged as the largest party in parliament, while Pheu Thai was relegated to a close second place.
- Parties aligned with the military-royalist establishment were the target of voter ire, as the electorate sought new political options that promised changes to the status quo.
- Despite its victory, an MFP-led government is unlikely to be tolerated by establishment forces. The humbled Pheu Thai remains in a position to lead a grand coalition government.

REGIONAL UPDATES

- Malaysia's 1Q23 GDP grew respectably, bolstered by resilience in domestic spending. Despite continued normalization, the economy remains on sound footing.
- State elections in the Indian state of Karnataka delivered a setback to Modi's BJP. Congress' victory affirms its position as the primary nationwide opponent to the BJP.
- China saw a large slowdown in credit growth, the latest in a series of signs that the economy is running out of momentum. Anaemic price and trade growth offer no relief.
- Hong Kong's 1Q23 GDP broke a year of consecutive contractions and provides a good start to its post-pandemic reopening. External headwinds, however, are a concern.
- Indonesia saw massive trade contractions that go beyond softening commodities markets.
- The Philippine economy saw slower but still robust domestic-driven growth in 1Q23.

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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