

ASIA'S FINANCIAL STABILITY HOLDS UP IN TOUGH TIMES

- Asian financial stability has remained sound despite a series of global shocks, underlining the region's improved resilience. This should help Asia withstand global financial stresses that might result from the sharp monetary tightening of the past year.
- The region has been helped by its relatively better inflation experience and improved regulation. That has allowed a more judicious pace of monetary tightening than in the US.
- Still, household debt is a risk in South Korea and Thailand due to structural difficulties in housing and economic growth. Elsewhere, resilient demand and firm labour markets help underpin financial resilience among households.
- Elevated borrowing costs post a risk to corporations and government finances, offset by cost-cutting and fiscal consolidation in the post-pandemic years.

PHEU THAI GETS ITS SHOT AT FORMING THE NEXT THAI GOVERNMENT

- The progressive Move Forward Party has failed to get its leader Pita Limjaroenrat elected as prime minister. Pheu Thai, which is more acceptable to the old establishment, is now best placed to lead a new government.
- Pheu Thai will sideline Move Forward and form a coalition comprising pro-military parties from the previous government. This should reduce uncertainty and pave the way for the government to proceed with next year's budget and to set out its policy agenda.
- Despite popular hopes for reform being dashed, major outbursts of discontent are unlikely for now. Most Thais seem to want to avoid political turbulence. But the discontent that led to Move Forward's electoral success, will persist. Any lull will be only temporary.

REGIONAL UPDATES

- Malaysia's trade enters a renewed slump, with exports retreating across major products and markets. Already-struggling intermediate imports worsened further.
- Taiwan's export orders continue its long streak of strong contractions.
- Singapore's external sector also remains in a weak state but moves to strengthen Singapore-Johor integration give it a good chance to remedy structural pressures.

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