

## DEVELOPING ASIA'S IMPROVING FUNDAMENTALS WILL FURTHER ATTRACT FDI

- The surge in foreign direct investment (FDI) in electronics, EVs and the digital economy signals the region's growing potential. Southeast Asia could regain the position it had in the early 1990s as a premier FDI destination.
- The region's reforms will help overcome challenges in absorbing FDI caused by infrastructure and other deficiencies.
- The evolving investment landscape thus favours Southeast Asia and other emerging Asian economies. But further reforms are needed to rectify historical weaknesses and establish a lasting appeal.

## CHINA'S ECONOMIC WOES WILL PROMPT A RAMP-UP OF MEASURES

- China's faltering economy suggests that its cautious policy approach has not worked. Instead, a hazardous feedback loop is emerging where a weaker economy exacerbates real estate challenges, triggering financial stresses that further impact the economy.
- Most concerning is the property crisis, with its impact on developers, homeowners, and local governments: its contagion effects could lead to unprecedented defaults on bonds held by local government financing vehicles (LGFVs).
- These mounting concerns have pressed policy makers to step up support measures. But the larger set of still carefully calibrated actions that are being planned, while helping to preserve growth, will not suffice for China to regain its previous dynamism.

## REGIONAL UPDATES

- Malaysia saw softer growth in 2Q23 due to unfavourable base effects and the drag from external trade. Exports also started the second half of 2023 on a weak note.
- Indonesia's President Jokowi presented his last budget and annual address. Short-term fiscal policy remains broadly appropriate, but his legacy is ultimately a mixed one.
- Indian inflation surged due to rapidly-rising vegetable prices as unfavourable weather conditions reduced supply. Further measures on food export restrictions are on the cards.

*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.*

[www.centennialasia.com](http://www.centennialasia.com)

**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)

**Hoe Li En**  
Economist  
[lien@centennialasia.com](mailto:lien@centennialasia.com)

**Melanie Tng**  
Economist  
[melanie@centennialasia.com](mailto:melanie@centennialasia.com)