

CARI CAPTURES

VIETNAM STATE REVENUE
HIT BY OIL SLUMP

ASEAN'S DIGITAL ECONOMY TO
GROW US\$1 TRILLION IN A DECADE

PHILIPPINES TO ADOPT
BASEL III RULES IN 2018

01 MALAYSIA

PETRONAS CUTS 1000 JOBS AMIDST DOWNTURN

- **PETRONAS PLANS TO CUT US\$11.3 BILLION IN EXPENDITURE OVER THE NEXT 4 YEARS**
 - IN 2015 ALONE, PETRONAS ANNOUNCED CUTS OF UP TO 10% IN CAPITAL EXPENDITURES AND 30% OF OPERATING EXPENSES
 - A PLANNED 15% CUT IN CAPITAL EXPENDITURES IN 2016 WAS ALSO ANNOUNCED
- **PETRONAS HAS RETRENCHED 1,000/51,000 STAFF**

CUMULATIVE QUARTER ENDED

31.12.2014	31.12.2015	Key Financial and Operational Highlights
329,148	247,657	Revenue (RM mil)
77,691	36,683	Profit/(Loss) before Taxation (RMmil)
47,613	20,860	Profit/(Loss) After Tax (RM mil)



Source: www.themalaysianinsider.com & Petronas

Malaysia's national oil firm announced the retrenchment of 1000 jobs due to financial challenges caused by a downturn in global crude oil prices.

- ▶ The firm stated that it would offer ongoing efforts to redeploy affected employees over the next six months; the job cuts were part of an internal cost-saving transformation plan to deal with the downturn
- ▶ The announcement comes at a time when Petronas has been posting losses, with global crude oil prices dropping from a peak of \$126.65 per barrel in 2012 to a low of \$27.88 per barrel in January 2016

- ▶ Despite posting US\$750 million in losses for the final quarter of 2015, Petronas has assured that it would contribute US\$3.86 billion in dividends to the federal government; as a corollary, the firm has noted that its gearing would see an increase in debt

aa.com.tr (01 March 2016)

VIETNAM STATE REVENUE HIT BY OIL SLUMP

State revenue increased by 2.4% in the first two months of 2016 year on year; a figure much lower than 2015's year on year growth figure of 17.3%.

▶ In large part, the fall in revenue can be attributed to a fall in both earnings in crude oil which dropped by nearly 57%, and a 24.4% decrease in revenue from export and import duties; this ultimately caused a state budget deficit of US\$1.12 billion for the first two months of 2016

- ▶ Despite a downturn in overall state revenue, Vietnam saw a 12.8% increase in the collection of taxes and fees, which accounts for 87.4% of total state revenue; as analysts predict that oil prices will strengthen over the second half of the year, current trends are not expected to continue
- ▶ The government has already spent US\$1.27 billion in debt related costs due to its growing deficit, which represents a 4.7% year on year increase in debt related costs for the state

[thanhniennews \(29 February 2016\)](#)

ASEAN'S DIGITAL ECONOMY TO GROW US\$1 TRILLION IN A DECADE

According to a report by A.T.K Kearney and Axiata, growth from ASEAN's digital economy could add up to US\$1 trillion to the GDP of member states should they be able to capitalise upon fundamentals already in place.

▶ In summary, the report stressed that growth would be driven by increased broadband penetration, higher worker productivity and new digital industries such as e-commerce, mobile financial services, IoT and cloud computing

- ▶ Making these drivers possible would be the regional fundamentals of high GDP growth, a literate and young population, a track record of ICT innovation and development, growing digital device penetration, and the growing integration of the ASEAN community
- ▶ In 2014 alone, ASEAN's ICT sector saw US\$100 billion in investments, and an annual growth rate of over 15%; the establishment of the ASEAN Economic Community (AEC) is expected to further foreign interest in the region and fund future growth

[www.enterpriseinnovation.net \(29 February 2016\)](#)

PHILIPPINES TO ADOPT BASEL III RULES IN 2018

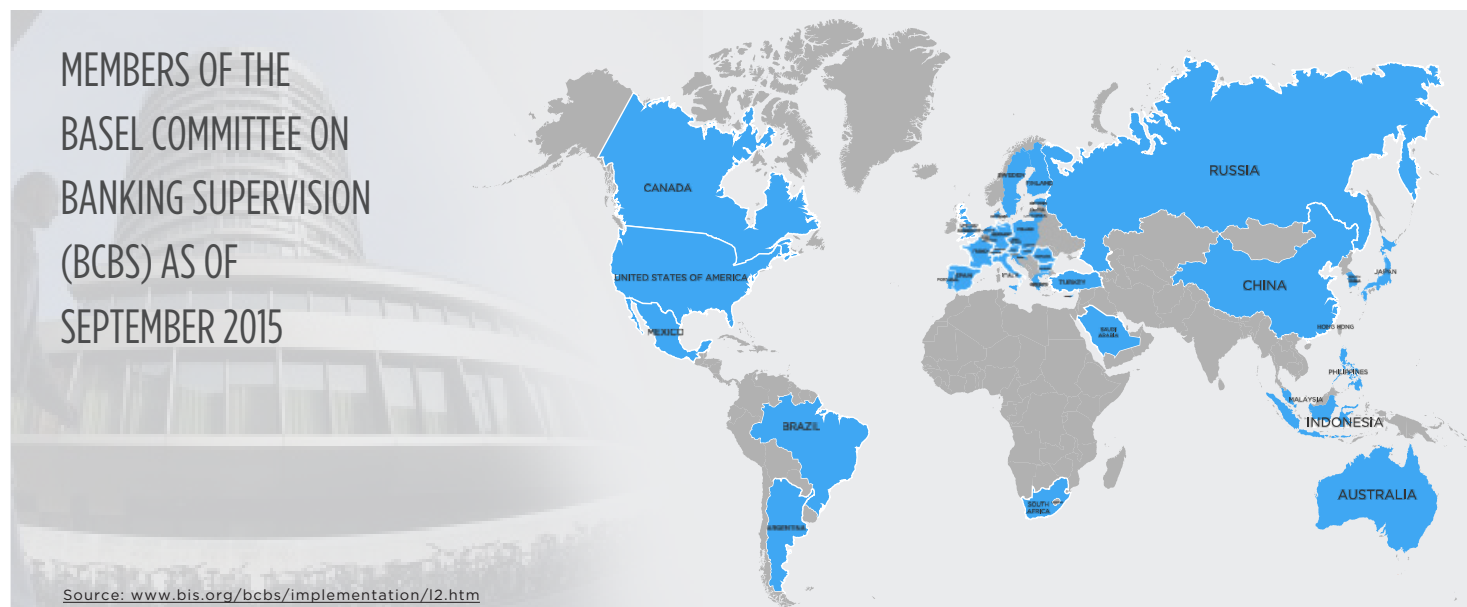
The adoption of Basel III rules would mean that banks operating in the Philippines would need to hold sufficient high quality liquid assets to fund their operations.

- ▶ The Basel framework's liquidity requirements are currently calculated on a liquidity coverage ratio which measures high quality liquid assets against net liquidity outflows over a 30 day stress test period; Basel's III framework requires a 100% threshold for each bank's liquidity coverage ratio
- ▶ The Philippines hopes to implement a 90% threshold by 2018 and a 100% requirement by 2019; additionally,

an 18 month observation period ending in 2018 will attempt to help with the transition by informing the central bank as to potential problems and barriers towards the implementation of the Basel III requirements

- ▶ According to a Moody's report, most rated banks within the ASEAN region are able to comply with the 60% minimum liquidity coverage ratio requirement set out by the accord; as of 2015, only Singapore and Malaysia in the ASEAN region have adopted minimum liquidity coverage ratios as per the Basel framework's calculations

[The WallStreet Journal \(29 February 2016\)](#)



RUPIAH OUTPERFORMS GLOBAL CURRENCIES, RISKS REMAIN

Over the first two months of 2016, the Indonesian rupiah has appreciated by 4.97% against the US dollar, outperforming both the Brazilian real and Malaysian ringgit; however, recent gains have been labeled “hot money” which is temporary in nature.

▶ Recent rises in crude oil, attractive bond yields, improving economic fundamentals and a weakening US dollar have all contributed to the rising Rupiah; however, Indonesia’s Chief Economics Minister Darmin Nasution has affirmed that the nation would need to implement further steps to cement gains in capital inflows

- ▶ Whilst USD\$2.6 billion has entered Indonesia in the first two months of 2016 in the form of investment, approximately US\$144 million has exited due to profit taking by foreign investors; Indonesia hopes that further stimulus measures will incentivise investors to park profits domestically so as to sustain growth
- ▶ 10 packages of stimulus have been implemented by the Jokowi administration since September of 2015; the packages have focused on deregulation and tax incentives to boost the country’s economic growth pace

[Value Walk \(18 February 2016\)](#)

ECONOMIC STIMULUS PACKAGES OF THE INDONESIAN GOVERNMENT

1st	9 September 2015	<ul style="list-style-type: none"> • Boost industrial competitiveness through deregulation • Curtail red tape • Enhance law enforcement & business certainty
2nd	30 September 2015	<ul style="list-style-type: none"> • Interest rate tax cuts for exporters • Speed up investment licensing for investment in industrial estates • Relaxation import taxes on capital goods in industrial estates & aviation
3rd	7 October 2015	<ul style="list-style-type: none"> • Cut energy tariffs for labor-intensive industries
4th	15 October 2015	<ul style="list-style-type: none"> • Fixed formula to determine increases in labor wages • Soft micro loans for >30 small & medium, export-oriented, labor-intensive businesses
5th	22 October 2015	<ul style="list-style-type: none"> • Tax incentive for asset revaluation • Scrap double taxation on real estate investment trusts • Deregulation in Islamic banking
6th	5 November 2015	<ul style="list-style-type: none"> • Tax incentives for investment in special economic zones
7th	4 December 2015	<ul style="list-style-type: none"> • Waive income tax for workers in the nation’s labor-intensive industries • Free leasehold certificates for street vendors operating in 34 state-owned designated areas
8th	21 December 2015	<ul style="list-style-type: none"> • Scrap income tax for 21 categories of airplane spare parts • Incentives for the development of oil refineries by the private sector • One-map policy to harmonize the utilization of land
9th	27 January 2016	<ul style="list-style-type: none"> • Single billing system for port services conducted by SOEs • Integrate National Single Window system with ‘inaportnet’ system • Mandatory use of Indonesian rupiah for payments related to transportation activities • Remove price difference between private commercial and state postal services
10th	11 February 2016	<ul style="list-style-type: none"> • Removing foreign ownership cap on 35 businesses • Protecting small & medium enterprises as well as cooperatives

ASEAN ATTEMPTS TO ADDRESS SOUTH CHINA SEA

Whilst Sino-ASEAN ties remain tense over the current South China Sea dispute, both China and ASEAN member states have agreed to explore Singapore’s proposal of an expanded Code for Unplanned Encounters at Sea (CUES).

- ▶ The expanded code would help to deter a further escalation of conflicts in the South China Sea by diffusing the possibility of violence between coast guard ships in disputed waters; this can be viewed as the first proactive step towards developing a comprehensive Code of Conduct (COC) in the South China Sea
- ▶ Currently, eight ASEAN states and China are signatories

of the 2014 CUES agreement, a common plank which Singapore hopes to capitalise upon in developing further dialogue; Singapore currently holds the role of country coordinator for China-ASEAN relations, a post which spans a three year period into mid 2018

- ▶ China’s construction of military facilities and the deployment of missile systems on islands and reefs in the region has been met with alarm by many ASEAN member states and attracted the attention of the United States; despite hopes that a resolution could be reached through a United Nations Tribunal ruling, tensions have continued to escalate in the region

[Bloomberg \(03 March 2016\)](#)

POLITICS

- ▶ Census data held back last year is still too sensitive to release, officials say. Main findings of the census were made public in May 2015 but information about religion and ethnicity was kept under wraps as further discussions were said to be needed with ethnic leaders over unspecified "problems". Immigration and population department director U Nyi Nyi told media on 22 February that the findings were still going to be kept secret to avoid shattering the peace and stability of the state during the transition period.

[Myanmar Times \(24 February 2016\)](#)

ECONOMY

- ▶ Myanmar's economy has the potential to grow rapidly, by up to some 8% per year in real terms over the next five years, if the new government is able to put the right policies in place, the World Bank said in a new report released on 23 February. "The further opening and diversification of the economy; nationwide programs to achieve universal access to basic education, health, and energy services of reliable quality; and transparency and accountability in the public sector," were identified as three key policy directions by Ulrich Zachau, the World Bank's country director for Southeast Asia.

[The Irrawaddy \(24 February 2016\)](#)

- ▶ International firms in Myanmar face a "talent war" in recruiting Myanmar's best and brightest, says Coca-Cola's country manager Rehan Khan on the sidelines of the American Chamber of Commerce Myanmar's annual economic forum in Yangon. "This is only going to intensify as more companies enter the market. Access to human resources is one big challenge for growth."

[Myanmar Times \(24 February 2016\)](#)

- ▶ Myanmar's Ministry of Culture said on 22 February that all climbing on pagodas would be banned from 1 March, following public backlash against a video showing a song-and-dance performance on top of one structure. The growing number of local and foreign visitors to Bagan - the number of foreigners has more than doubled since 2011, from 120,000 to 250,000 last year - means hundreds are turning up each evening to ascend the temples, placing strain on the ancient structures.

[Myanmar Times \(23 February 2015\)](#)

EDUCATION

- ▶ A total of 671,431 students both inside and outside the country have registered for the national matriculation exam for the 2015-2016 academic year, which will be held on 9-18 March at 1,470 testing centres, state media reported on 23 February.

[The Irrawaddy \(23 February 2016\)](#)

07 VIETNAM

VIETNAM HIT BY WORST DROUGHT IN 90 YEARS

The water level in the Mekong River has gone to its lowest level since 1926, leading to the worst drought and salinisation the region has experienced in nearly a century.

- ▶ The Mekong region houses the country's rice basket, and with water shortages hampering agriculture in the neighbouring countries of Cambodia, Laos, Thailand, and Myanmar, it seems likely that the supply of rice will suffer in the region
- ▶ Vietnam's communist rulers have announced US\$3.8 million of financial assistance for affected areas; the nation is the world's second largest exporter of rice and coffee, two crops that are particularly vulnerable to drought
- ▶ Scientists have blamed the ongoing El Nino weather phenomenon for the current drought, which has led to greater extremes and delayed weather patterns through the region whilst also fostering natural disasters and disease

[bangkokpost \(01 March 2016\)](#)

09 INDONESIA

INDONESIA PLANS STARTUP IPO MARKET

In a bid to draw investors, Indonesia plans to establish a dedicated section within its main stock exchange to host Initial Public Offerings (IPOs) by startups.

- ▶ The new trading market, which has been tentatively termed the "Technology Board" will provide a startup friendly platform to allow for easier exits for entrepreneurs and possibly, lowered investment restrictions
- ▶ Amongst ASEAN nations, Singapore exemplifies the trend towards helping to nurture startups through the creation of secondary markets; in 2007, Singapore set up "Catalist", a stock market section dedicated to startups that didn't meet conventional listing requirements
- ▶ Whilst Indonesia has announced its intentions, it is likely that the Technology Board will take some time to set up as the specifics have yet to be hammered out by Indonesia's Financial Services Authority

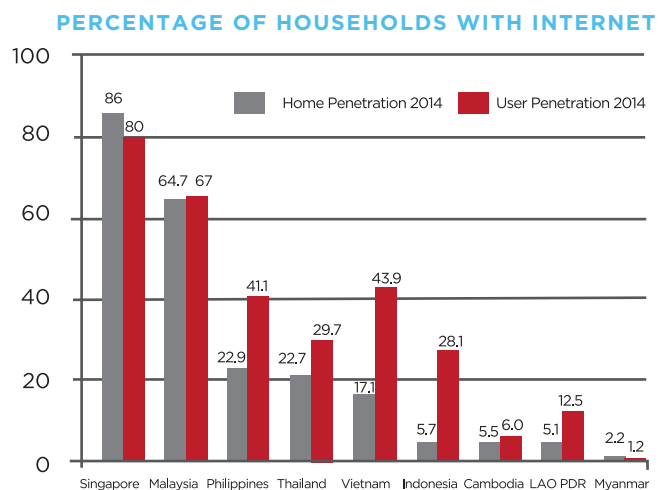
[Bloomberg \(04 March 2016\)](#)

10 ASEAN

THE DISPARITY IN INTERNET ACCESS IN ASEAN

According to a report by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the ASEAN region still faces formidable challenges in narrowing the digital divide of developing and developed ASEAN nations.

- ▶ The report was a pre-feasibility study into a seamless broadband infrastructure development in the region; it showed that on average, whilst coastal ASEAN countries had access to more affordable, faster internet access due to submarine cable landing points, landlocked countries did not



- ▶ To illustrate the divide of ICT development in the region, the report showed that whilst 86% of Singaporean households have internet access, only 5.1% and 2.2% of households in Laos and Myanmar have access to internet
- ▶ The report recommended that trans-border terrestrial links be established between Indonesia and Malaysia, whilst both Vietnam and Laos link up with China; furthermore, Internet Exchange Points, which manage internet traffic and drive down costs, need to be set up in operator neutral countries so as to encourage competition and drive down costs

[eurasiareview \(04 March 2016\)](#)

YOU CAN SUBSCRIBE OUR WEEKLY CAPTURES AT : WWW.CARIASEAN.ORG/NEWSLETTER-SIGNUP