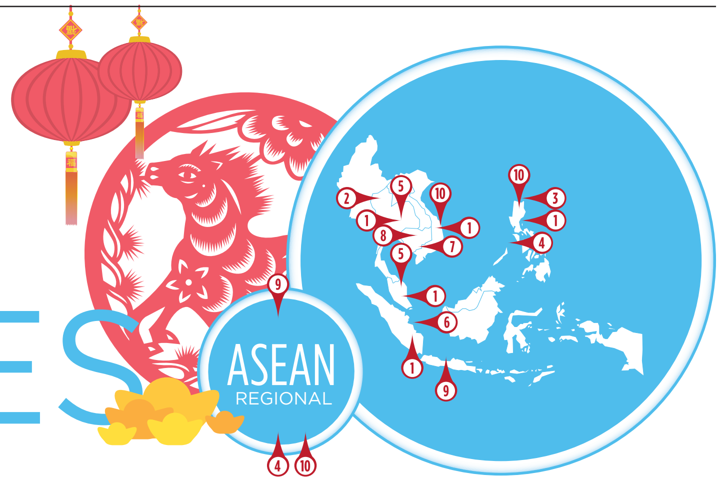
CARI CAPTURES



01 ASEAN ECONOMIC UPDATE; US FED TAPERING TO TEST ASEAN ECONOMIC FUNDAMENTALS

ASEAN INDONESIA THAILAND MALAYSIA PHILIPPINES VIETNAM

Individual Country Projected Growth (%)

	2012	2013	2014	2015
INDONESIA	6.2	6.2	5.2	5.5
MALAYSIA	5.6	4.7	4.9	5.2
PHILIPPINES	6.8	6.8	6.3	5.5
THAILAND	6.4	3.1	5.2	5.0
VIETNAM	5.2	5.3	5.4	5.4

ASEAN-5 Growth

2012	2013	2014	2015
6.2	5.0	5.1	5.6

Source: imf.org

Following the recent revisions in GDP growth projections by the IMF, ASEAN economies are expected to collectively continue growing at a projected rate of 5.1 percent despite US Fed tapering and the adoption of austerity in the region.

- The IMF recently revised ASEAN-5 (Indonesia, Malaysia, Philippines, Thailand, and Vietnam) growth rates, reducing the initially projected 5.4 percent for 2014 by 0.3 percent to better reflect the region's recent adoption of austerity measures, the Fed's impending interest rate hikes, and rising political/financial instability within the region
- When viewed in totality, the impact of impending Fed tapering on emerging markets has been relatively muted by a rise in external demand in advanced economies and China, leaving much of the downturn in growth perceptions to be attributed to domestic market fundamentals and volatility
- Individually, the revisions for each ASEAN nation's projected growth were mixed; whilst the Filipino economic growth rate rose by 0.3 percent in order to account for the impact of humanitarian aid and recovery fueled growth as a result of Typhoon Yolanda, Indonesia's growth rates are projected to slip due to falling demand in its resource exports, subsidy cuts which would reduce consumption, and its volatile currency which could potentially drive away investors
- Meanwhile, Malaysia is slated to increase its growth by 0.5 percent in 2014 despite recent subsidy cuts and policy reform; improvements are said to be driven by a boost in exports as world growth and trade improve
- Despite Thailand's most recent rise in political unrest, its depreciation in currency and slowdown in exports, the robust Thai economy is still projected to grow by 5.2 percent in 2014, whilst the Vietnam is also projected to grow at a rate of 5.4 percent as it recovers from several years of macroeconomic difficulties

Forbes (21 Jan 2014)

02 THAILAND'S ECONOMY FALTERS IN THE FACE OF UNCERTAINTY

THAILAND

The impact of recent unrest has been felt by Thailand's economy in a plethora of ways, most recently, Toyota has halted the investment of US$ 609 million pending further developments; meanwhile, the Thai government has cut the 2014 growth forecast for the second time in a month.

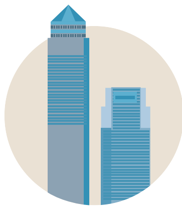
- In response to escalating public unrest, Prime Minister Yingluck Shinawatra's recent declared state of emergency has hampered the global outlook of Thai markets and the Thai Government's fiscal and monetary efficacy; halting a US$ 609 million Toyota investment and delaying up to US$ 60.8 billion worth of infrastructural projects and state investments, according to Head of Thailand's Fiscal Policy Office
- Recent economic signs have been unfavourable; firstly, growth in Thailand's GDP is being facilitated by a fall in demand for imports, which is a symptom of falling consumer spending; secondly, a large portion of economic growth can be traced to increased government spending, which has damaged the deficit and is prone to delays in periods of political instability; lastly, Thailand's automotive manufacturing sector is showing signs of slowing down, such as six months of contraction within the manufacturing industry between April and September of 2013 according to ANZ
- Meanwhile, the Bank of Thailand has lowered its projected GDP growth from 5.1 percent to 3.1 percent, refusing to lower interest rates which would stimulate the economy and shore up falling market desirability

Bloomberg (21 Jan 2014)
Financial Times (21 Jan 2014)

Tourism makes up 6% Thailand's economy, 15% of its workforce

US$2 billion in economic losses since the beginning of the most recent protests, which could go up to US$6 billion according to government estimates

Clashes caused a 60% fall in tourism revenue in previous protests (2010)



Red Zone shops and department stores are losing US $31 million a day due to protests

Growth projections have fallen to 3.1 % from 5.1%

Source: bbc.co.uk & Global Times

03 PESO WEAKENS AS FED MEETING LOOMS

PHILIPPINES

The Peso took a nosedive to another multi-year low as investors kept their preference for the dollar ahead of the impending US Federal Reserve's policy meeting, where it is expected to further reduce its monetary stimulus program.

- The local currency fell by 13 centavos (PHP cents) on January 20th, 2014 from PHP45.12 per US Dollar to PHP45.25 per US Dollar, marking its weakest level since August 31st, 2010 when it closed at PHP45.37 to the dollar
- As the US Central Bank holds a policy meeting on January 29, 2014, markets are bullish on the dollar as expectations are that the Fed to speed up tapering plans by cutting their purchases by another US$10 billion
- The Fed officials had announced earlier following their last policy meeting in December that they would cut the monthly bond purchases to US$75 billion from US$85 billion starting in January 2014, sending signals that the US economy was on track for its projected growth
- A better than expected December housing starts - an indicator of new residential construction projects – reported by US Labor Department as well as corporate demand had also caused the Peso to lose ground against US Dollar

Business World Online (21 Jan 2014)

04 FOREIGN GOODS DOMINATE FILIPINO CONSUMER AND INDUSTRIAL GOODS MARKETS

PHILIPPINES ASEAN

Since Philippines joined the World Trade Organization (WTO) and widened its trade cooperation within ASEAN, its consumer and industrial goods markets have been dominated by foreign and ASEAN brands.

- According to a survey conducted by Gerardo P. Sicat, a well-known Filipino economist, local brands in Philippines have not been able to compete with ASEAN and foreign brands from developed countries such as Japan, Korea and Taiwan for shelf space in the consumer products ranging from household appliances to electronic gadgets
- Thanks to a wider variety of brands and style of goods on sale, price sensitive Filipino consumers have been favoring other ASEAN and Chinese manufactured goods over local brands due to lower prices whilst quality concerned consumers will look for high end products sourced from Japan, Europe, and the United States
- Mr. Gerardo was surprised that Philippine products were not dominant in the consumer goods market even though Philippine brands appeared to be well represented, noting that ASEAN and China manufactured goods including building products were offered at very competitive prices in the country
- The creation of a free trade area has allowed foreign investors to reallocate their presence among ASEAN countries to attain full regional coverage but the Philippines has apparently miss out on a good portion of the reallocation of investments and jobs due to investment protectionism practiced by the government which placed restrictive economic provisions concerning foreign capital in the constitution

The Philippine Star (22 Jan 2014)

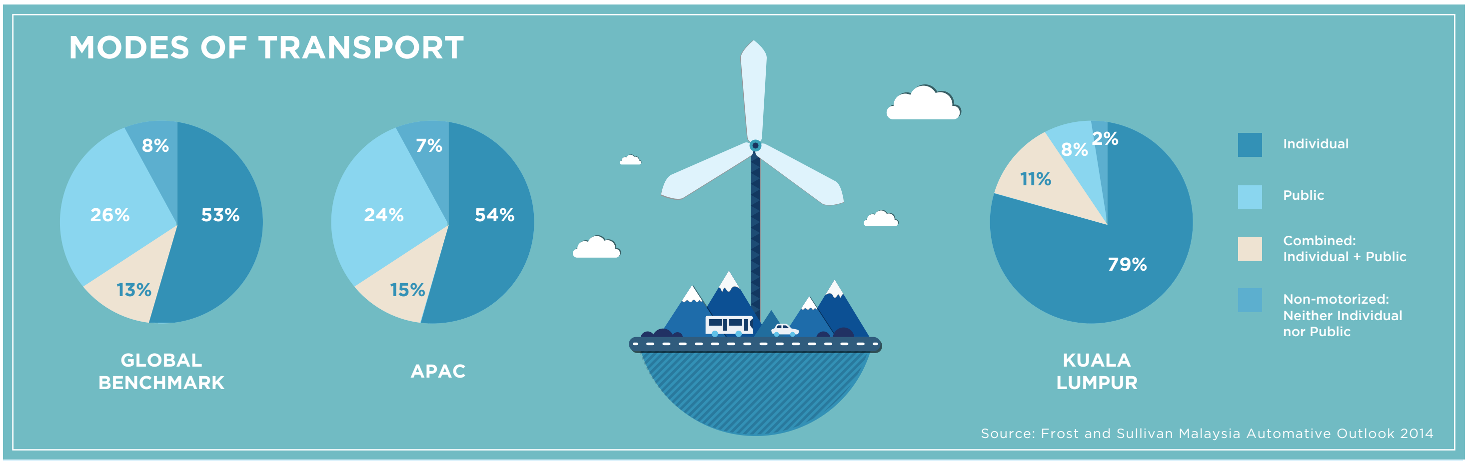
05 MALAYSIA MOVES FORWARD WITH NEW NATIONAL AUTOMOTIVE PLAN (NAP)

MALAYSIA THAILAND

Malaysia's new National Automotive Plan is set to reduce automobile prices by 20-30 percent by 2018, whilst fostering an environment conducive to the development of Environmentally Efficient Vehicles (EEVs); public sentiment divided over policies.

- Costing US$600 million over the course of four years, the NAP is aimed at increasing both local and export sales to a combined 1.25 million cars and net a projected revenue of US$3 billion by 2020
- Impact analysis also projects car prices to fall by 20 to 30 percent by 2018 for domestic markets, whilst fostering an environment conducive for EEVs to gain a 55 percent market share; positively impacting one of ASEAN's largest automotive markets
- Funds will be used to attract foreign and domestic investments in the EEV segment, whilst production restrictions for foreign firms will be removed in an effort to liberalise the industry; in particular, incentives for investment such as the offer of pioneer status, investment tax allowances, grants, soft loans, and lowered excise duties will be used to attract foreign firms
- As an added positive benefit, the NAP opens the possibility of a reduction in duties, thus decreasing trade barriers within the ASEAN automotive production chain whilst increasing the Malaysian presence in Total Automotive Sales
- However, public reception of the policy has remained mixed, with detractors citing a general lack of specificity in plans; in particular, the NAP fails to address the issue of "Approved Permits"(essentially the right to import cars) and has instead elected to lengthen the policy and conduct a study

The Star (21 Jan 2014)



06 SINGAPORE LEGISLATURE TO ADDRESS BIG ISSUES IN LITTLE INDIA

SINGAPORE

Dealing with its first riot since 1969, the Singapore Government is slated to pass stringent alcohol restrictions within the district of Little India.

- Singaporean authorities are seeking to pass temporary legislation that would increase their powers to maintain public order within the Little India enclave
- The new bill, which is currently scheduled to be effective for one year, would allow police and other enforcement agencies to administer stricter alcohol controls as well as regulate the movement of persons
- New powers include allowing enforcement officers to inspect and interview any persons entering special designated zones. Officers will also be empowered to ban and exclude certain persons from entering these designated zones for specified durations
- These temporary measures have been made to provide more time for the government to enact longer term legislation, taking into account the findings and recommendations from an ongoing Committee of Inquiry into the recent riots

Yahoo Newsroom (20 Jan 2014)

07 KEY PROTESTORS DETAINED IN CAMBODIAN CRACKDOWN

CAMBODIA

Cambodian police detained 11 activists as they broke up a rally calling for international assistance to secure the release of protesters; prominent land activists Tep Vanny and Uorm Bopha were also arrested during the recent government operation

- Strongman premier Hun Sen is facing mounting criticism by human rights groups concerning his government's suppression of street protests seeking to challenge his nearly three decade rule with Chan Soveth, a campaigner with local rights group Adhoc, warning that Cambodia was sliding back towards "an absolute communist state"
- Earlier this month police opened fire on garment factory employees demanding a minimum wage of US$160 per month for their work in an industry which supplies brands including Gap, Nike and H&M, killing at least four civilians
- The 23 people detained in connection with the unrest are being held at a prison near the border with Vietnam on charges of intentionally causing violence and destroying property, according to local rights activists
- The government cited that the recent rallies were illegal and any opposition demonstrations in Phnom Penh had been indefinitely banned to avoid protesters carrying out anarchic activities

Channelnews Asia (21 Jan 2014)

08 MYANMAR MONITOR

POLITICS

- The United Nations, the United States and human rights groups are pressing Myanmar to hold a swift independent probe into the reported killings of at least 48 Muslims by Buddhist mobs in Rakhine state earlier this month. The Myanmar government however issued a statement on 24 January denying reports of the violence.

  Radio Free Asia (24 January 2014)

- Leaders of 17 ethnic armed groups in Myanmar agreed to sign a ceasefire accord with the government on 25 January at the end of a six-day conference between held in Kayin state. The leaders agreed in principle to the government's framework proposal of "first ceasefire, then political dialogue" to achieve domestic peace.

  Global Times (25 January 2014)

ECONOMY

- Myanmar's economy is on pace to grow 7.5% this fiscal year, the International Monetary Fund said, praising the government for working to liberalise the foreign exchange market and boost central bank reserves. The fund however warned that inflation is expected to surpass 6% by March, and could continue to rise.

  The Washington Post (22 January 2014)

- The World Bank will contribute US$2 billion in a development programme for Myanmar, the Bank's president Jim Yong Kim announced on 26 January, on his first visit to Myanmar. Half of the funds will be used to expand power supplies, while US$200 million will be used for healthcare improvements. More than 70% of the population does not have access to reliable electricity and only one in four people has access to quality healthcare.

  Channel NewsAsia (26 January 2014)

- Details have emerged of a secret plan by a Chinese construction company and a Myanmar firm to build four hydro dams on a river in Kachin State that would generate a combined 1,200 megawatts of electricity - equal to one third of Myanmar's entire present power capacity. There have not been any consultations with communities likely to be dislocated by the dams.

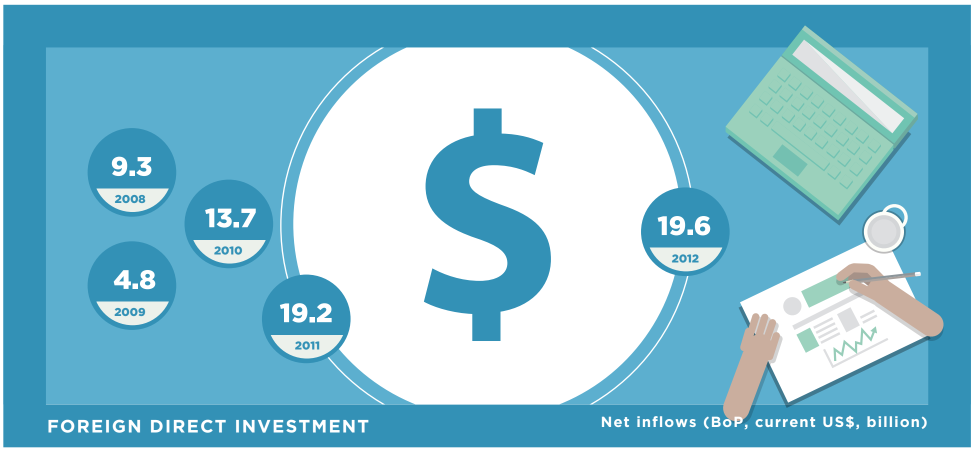
  The Irrawaddy (18 January 2014)

- According to newly released figures from the Ministry of Hotels and Tourism, 136 new hotels opened in Myanmar in 2013, making the total number of hotels 923, with a capacity of 35,000 rooms. Myanmar received more than 2.4 million visitors last year – more than 885,000 by air, more than 6,000 by sea, and more than 1 million from the border gates.

  Eleven Myanmar (22 January 2014)

09 INDONESIA GUNNING FOR 15% INCREASE IN FOREIGN DIRECT INVESTMENT IN 2014

INDONESIA



A slowing economy coupled with uncertain policy outlook in an election year did not deter Indonesia from setting an ambitious target of attracting 15 per cent more foreign direct investment (FDI) this year than in 2013.

- Indonesia had sluggish economic growth in 2013 due to a 20% devaluation of its currency against the dollar, falling commodity prices, and nationalistic policies imposed by government after enjoying a robust five-year economic growth that had seen increasing demand by foreign investors for its vast natural resources and a consumer boom
- The Investment Board is targeting FDI of Rp311 trillion (US$25.5 billion) in 2014 after achieving a total of Rp270.4 trillion (US$22.2 billion) in FDI in 2013, an increase of 22.4% compared with the 26% gain achieved in 2012
- Investors however would have a "wait and see" approach in the first half of 2014 before the election takes place as both political factors and economic programs were crucial in making their investment decisions
- The government had estimated that the economy grew 5.7% in 2013, compared with 6.2% in 2012, attributing the slower growth to declining export proceeds amid weak commodity prices and volatile consumer spending in the wake of rising fuel costs and higher interest rates
- Indonesia, in need of achieving solid economic growth and trimming worryingly high current account deficit, had hit a roadblock to economic recovery when its mining industry - a key source of FDI in Indonesia and a major job creator – was in turmoil after Jakarta banned most mineral ore exports earlier in mid-January 2014 in a bid to force companies to build processing plants at home
- Despite the grim economic outlook, Mr Mahendra Siregar, chief of Indonesia's Investment Coordinating Board, noted that many multinationals see opportunities in the world's fourth most populous country (a 250 million population), with Japanese investors in December 2013 pledging a total of US$3.5 billion over the next year and a half in a range of industries, ranging from automotive to electronics, mining, finance and food production

Today (21 Jan 2014)

10 ASEAN SUMMIT WATCH; PACIFISM STRESSED IN SOUTH-CHINA SEA DISPUTE

ASEAN PHILIPPINES VIETNAM

The recent ASEAN summit in Myanmar yielded mixed results in regards to the highly disputed South China Seas; with ASEAN nations stressing peaceful resolutions in the face of Chinese aggression.

- Recent legislation passed by China bans foreign vehicles from entering the highly disputed South China Sea, escalating tensions with the Philippines, Malaysia, Brunei and Vietnam; meanwhile, said laws have been actively enforced by China through regular patrols in the region through the use of a 5,000 ton military vessel
- ASEAN nations have taken to stressing a "non-violent" resolution to the issue, affirming that all parties should adhere to the "Declaration on the Conduct of Parties in the South China Sea(DOC); a largely toothless act that calls for non-violence whilst the Code of Conduct (COC) in the South China Sea is realized
- On a positive note, a joint science expedition between the Philippines and China has been undertaken in an attempt to determine the age of the South China Sea, which has been the first major development in cooperation between the two nations in 2014

Asia One (15 Jan 2014)

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