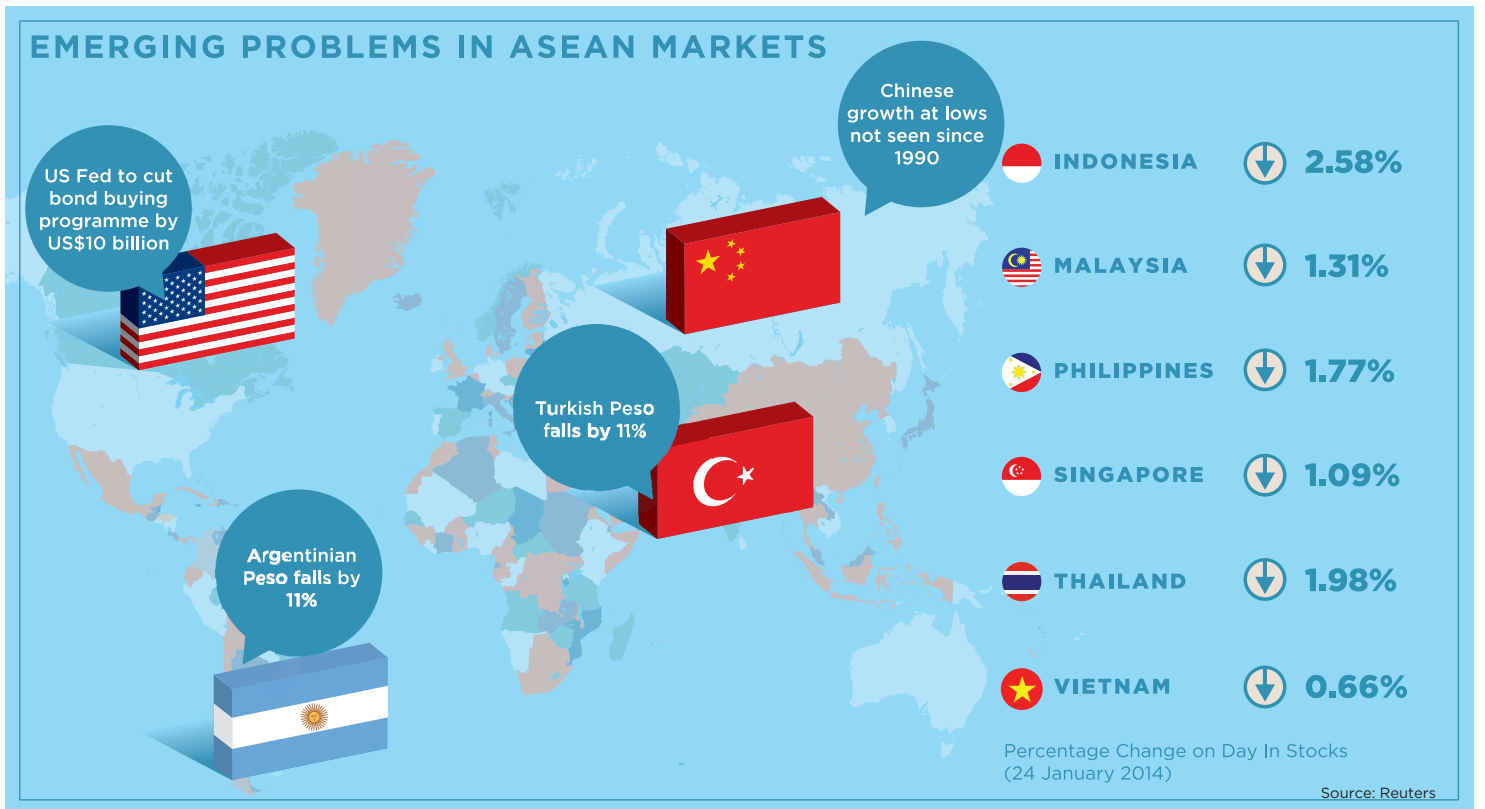


CARI CAPTURES

01 EMERGING PROBLEMS IN ASEAN MARKETS



Concerns raised on potential Fed tapering and slowing Chinese growth have prompted foreign investors to abandon risky assets in emerging markets for safer prospects in developed countries; in effect, causing a massive selloff which has prompted ASEAN countries to reconsider their monetary policies.

- ▶ The sell-off was induced by a cocktail of negative sentiment which began with fears spawned by growing speculation that the US Federal Reserve would cut its bond buying programme by US\$10 billion; concerns were exacerbated by China's disclosure of slowing growth, which is being caused by weaker manufacturing numbers and tighter credit conditions
- ▶ Market anxiety was further compounded by the recent fall in Turkish and Argentinian currencies, in essence producing a market outlook of volatile emerging market currencies and slowing growth prospects in two of the world's largest consumer markets
- ▶ Stocks in both Singapore and Malaysia fell by approximately 1%

on 24 January, trading at five month lows, whilst Thai and Filipino shares dropped by roughly 2%; meanwhile, Indonesia was the worst hit, falling by 2.58% due to greater risks associated with its large current-account deficit

- ▶ According to the head of Asian Economic Research, Frederic Neumann, the impact of China's slowing growth will be minimised by its strong current account surplus and relatively closed economy, meaning that further falls should not be as drastic
- ▶ Despite such assurances, ASEAN governments are speculated to continue raising or maintaining higher interest rates in order to halt the outflow of capital, as has been the case for India, Argentina and Turkey; in particular, Indonesia has already raised interest rates by a cumulative 1.75% this year, whilst Thailand has gone against expectations and maintained its interest rates at 2.25% for several years of macroeconomic difficulties

02 MOODY'S OBSERVES IMPROVED ASSET QUALITY IN PHILIPPINE BANKS



PHILIPPINES

In its Leading Indicators of Asset Quality for Banks in Asia Pacific report, Moody's, using country-specific indicators to assess the domestic banking industry's asset quality trends, with soured loans as the main reference, observed that there is an improving asset quality trend going on in the Philippines' banking sector.

- ▶ The debt watcher acknowledged that the Philippines' robust economic performance has been supported by strong local business activity and consumption, reinforced by improved spending, enabling the country to enter a structural shift to higher growth, accompanied by low inflation; which will be going back 3.4% in 2014 as the Philippines recovers from inflation added by Typhoon Yolanda
- ▶ Moody's had identified remittance inflows, business confidence index, manufacturing value of the production index, and imports of capital goods as the four leading indicators for the country, all

of which signaled an improving asset quality for banks

- ▶ Remittance inflows amounted up to US\$20.6 billion as of November 2013, and have been a key factor in supporting the debt-servicing capability of the retail sectors and the trend is expected to continue in early 2014 following recent natural calamities that destroyed homes and displaced thousands of families
- ▶ Strong business confidence signals optimism around domestic business and revenue growth, which in turn, would support good asset quality metrics for the corporate and small and medium enterprise (SME) sectors
- ▶ Growth in imports, indicating a pick-up in capital investment and economic activity, are also key contribution to an improving asset quality for banks, and it would likely remain strong, driven by the strong momentum of domestic economic growth and business activities

[Philstar \(29 Jan 2014\)](#)

04 VIETNAM STOCK MARKET TO OUTPERFORM ASIA IN 2014



VIETNAM

Securities listed in the VN Index (VNINDEX) are slated to grow by approximately 8% in 2014, outperforming most markets in Southeast Asia.

- ▶ According to Bloomberg analysts, the 8% rise in stocks can be attributed to three main reasons; firstly, increases in projected economic growth from 5.4% to 5.8% showing strong fundamentals; secondly, growing speculation that Prime Minister Dung will liberalise foreign capital ownership limits; and lastly, due to the Vietnamese government plans to purchase USD\$10 billion in bad, non-performing debt

- ▶ Positive projections will potentially attract more than US\$263 million, the total number of funds raised in 2013 which was considered a slow year for Vietnamese markets; further factors driving the increase would be the 15% rise in exports, 10% jump in FDI, and slowing levels of inflation which has recently dropped to 5.4% from 23% in 2011
- ▶ Furthermore, low valuations due to slower growth in 2013 have made Vietnamese stocks highly desirable; according to Bloomberg polls, the VN index is valued at about 12 times estimated earnings, which is the lowest level in Southeast Asia

[Bloomberg \(26 Jan 2014\)](#)

03 MID-CORPORATE FIRMS TO EXPAND DESPITE SLOWING MARKETS



SINGAPORE



ASEAN



Firms generating up to US\$250 million in annual turnover, which are sandwiched between small and medium sized enterprises, are projected to continue expanding despite slowed growth and increased instability in ASEAN economies.

- ▶ Singapore based Mid-Corporate Firms are slated to expand in 2014, gaining market footholds within the ASEAN region and building foundations for future growth; the aforementioned moves will be supported by cash management and trade finance services being offered by regional banks
- ▶ The tandem of newly offered essential regional banking services, and the weaker market position of larger firms due to economic downturn have combined to create an environment conducive for Mid-Corporate Firms to succeed, according to Kevin Kwek, a banking analyst at Bernstein Research
- ▶ In particular, Osim, a Singaporean firm dealing in electronic massage chairs, plans to continue developing its presence in 30 countries whilst also entering the Chinese market with 25 new retail outlets; these actions are further made possible as Osim benefitted from 20 consecutive quarters of profit and now holds the majority market share despite its Mid-Corporate stature
- ▶ Amongst other Singaporean start-ups, TWG Tea, a boutique tea retailer also plans to enter Asia and the Middle East with 20 outlets, whilst BreadTalk, a bakery chain, is intending to expand in China, Thailand, India, Japan and the US; meanwhile, Charles & Keith, a designer goods firm is expected to enter Latin American markets after its successful expansion in Southeast Asia
- ▶ Singapore's big three banks, DBS, OCBC, and UOB, approximately earn 40% of their overall income from Mid-Corporate Firms, meaning that expansions in said firms will benefit regional banking in the near future; however, long term earnings are not guaranteed as maturing companies are likely to switch to larger banks with global networks to support growth further afield

[Asia Pacific \(29 Jan 2014\)](#)

05 LABOR RESTRICTIONS CAUSED SKILLED JOB CREATIONS TO FALL IN SINGAPORE

SINGAPORE

The Singapore government's efforts in curbing the number of foreign workers and focus instead on boosting productivity are starting to make an impact with the city state's main economic planning agency expecting the number of new skilled jobs created in 2014 to fall by to fall by 25-35% compared to 2013.

- ▶ According to Singapore's Economic Development Board (EDB), the country expects to create 14,000 to 16,000 new skilled jobs in 2014, down from 21,400 in 2013
- ▶ New rules that will require companies to consider Singaporeans for skilled vacancies before turning to candidates from abroad will kick in this August and EDB Chairman Leo Yip noted that companies have to adjust to the changing manpower landscape in Singapore
- ▶ The city-state saw its productivity grow by 0.2% and 1.6% in the

second and third quarters of 2013, marking the first time it grew for two quarters since 2012, after six quarters of contraction

- ▶ Fixed-asset investment (FAI) in Singapore fell 24 % to S\$12.1 billion (US\$9.5 billion) in 2013 from S\$16 billion (US\$12.5 billion) in 2012, figures from the EDB showed
- ▶ While electronics still accounted for 27 per cent of total FAI last year, investment in the sector dropped by 46.8 per cent to US\$3.3 billion; FAI in the chemicals sector dropped 62.7 per cent to US\$2.5 billion.

[Asia One \(29 Jan 2014\)](#)

06 TENSION AT JAMES SHOAL

ASEAN MALAYSIA CHINA

Several Chinese destroyers reportedly carried out an incursion into the contested James Shoal in a "routine patrol", but facts pertaining to the Chinese operation into disputed territory are being contradicted by statements released by the Malaysian military.

- ▶ Xinhua, a Chinese news agency has made claims that Chinese destroyers patrolled the James Shoal shore in a routine operation to maintain China's southernmost territories; a fact that Malaysia contests as it claims the James Shoal is in fact the part of its sovereign territory
- ▶ The Chinese military further affirmed that its actions were in line with "safeguarding its sovereignty and maritime

interests", urging soldiers and officers to "always be prepared to fight, improve combat capabilities and lead the forces to help build the country into a maritime power"

- ▶ Following the incident, Royal Malaysian Navy chief Abdul Aziz Jaafar released a statement declaring that the Chinese military had not violated Malaysian sovereignty, as the operation had been carried out hundreds of miles north of James Shoal shores in international waters
- ▶ Acts such as China's latest patrol is but the latest development in a string of hostile acts regarding the James Shoal; in March 2013, four Chinese vessels made similar patrols whilst launching

munitions into the air, which was followed by the implanting of steel markers claiming the shore as Chinese territory

- ▶ Said actions can only damage Sino-Malaysian relations, as Chinese gunboat diplomacy will serve to weaken bilateral ties and might even prompt Malaysia to coordinate policy efforts with other ASEAN nations against Chinese interests
- ▶ Meanwhile, other ASEAN nations and the United States have continued to stress the importance of finalizing a Code of Conduct to limit further hostilities in the region

[Reuters \(29 Jan 2014\)](#)



Source: reuter

07 FILIPINO MUSLIM SEPARATISTS AGREE TO DISARMAMENT TREATY

PHILIPPINES

The Moro Islamic Liberation Front (MILF), Philippines' largest Muslim separatist group, has recently signed a deal with the government to decommission its weapons in exchange for good faith towards the creation of an autonomous region in Mindanao.

- ▶ The signings conclude negotiations which began in October 2012, formalising the deliberations into a deal which details the creation of a semi-autonomous region in Mindanao for the rebels, in effect ending four decades of violence which has caused over 100,000 deaths and stunted economic growth in the Southern Philippines
- ▶ The deal affirms elections for assembly members for the new self-governing region by May 2016, whilst also detailing the creation of a special police force with jurisdiction within Mindanao, and further

outlines concrete measures for the disarmament of MILF rebels so as to maintain peace and stability within the region

- ▶ Although both rebels and the Filipino executive branch of government have signed the aforementioned deal, legislation is still needed to pass through the Philippine Congress in order for its provisions to take effect
- ▶ Whilst the treaty brings about overtures of peace, it should be noted that other Muslim rebel groups such as the MNLF, an extremist faction, have in fact broken away from MILF and could potentially continue to threaten peace and stability in the region

[ft.com \(26 Jan 2014\)](#)

08 MYANMAR MONITOR

POLITICS

- ▶ A report compiled of stakeholders' comments on the upcoming changes to Myanmar's Constitution hints at a rise in anti-reform sentiment in Myanmar. A committee evaluating the report found resistance to opening the door for opposition leader Aung San Suu Kyi to assume the presidency. Only 592 signatures were in favour of scrapping the section on presidential qualifications that disqualify Suu Kyi but more than 100,000 signatures opposing changes to allow her to run for president or dismantle the provision that guarantees a place in politics for Myanmar's military.

[The Wall Street Journal \(2 February 2013\)](#)

ECONOMY

- ▶ Experts are predicting that 2014 will be a year of waiting for the Myanmar business community, as the country's uncertain political situation continues to put a dampener on both local and overseas investment. Although the first six months the 2013-2014 fiscal year has seen more investment than the whole of the 2012-2013 fiscal year (US\$1.8 billion and US\$1.4 billion respectively), observers say many more potential investors are waiting for the outcome of the 2015 elections, which could have a significant impact on the international community's view on Myanmar.

[The Irrawaddy \(29 January 2014\)](#)

- ▶ The new stock exchange in Yangon, due to begin trading in Q4 of 2015, will have a start-up cash float of 32 billion kyat—equivalent to US\$32.5 million. Almost half of the start-up capital will be provided by Japan's Daiwa Securities Group and the Tokyo Stock Exchange. Myanmar firms that want to be listed will have to comply with a minimum business standard, which will be detailed in exchange rules still being drafted.

[The Irrawaddy \(1 February 2014\)](#)

- ▶ The shortage of skilled labour in the garment sector is hampering the sector's growth and Myanmar's ability to take advantage of increased interest from international investment in manufacturing, industry sources said. Many trained workers are snatched up by manufacturing start-ups and others move to Thailand for higher wages.

[Myanmar Times \(2 February 2014\)](#)

FOREIGN AFFAIRS

- ▶ German President Joachim Gauck is scheduled to lead a high-level delegation of parliamentarians and German business leaders to Myanmar on 9-12 February as part of a regional tour. This year marks the 60th anniversary of the establishment of diplomatic relations between Myanmar and Germany.

[Myanmar Times \(3 February 2014\)](#)

CULTURE

- ▶ Myanmar will host a Thai film festival for the first time in Yangon from 28-30 March. The film festival is jointly organised by the Media 7 from Myanmar and Kanrana JK media from Thailand, and aims to promote and exchange cultural and media development between the two countries.

[Eleven Myanmar \(2 February 2014\)](#)

09 CAMBODIAN MILITARY AND DISSIDENTS CLASH AS VIOLENCE ESCALATES

CAMBODIA



15 Sept 2013

Violent clashes erupted, leaving one protester dead and several wounded, as around 20,000 CNRP supporters rally in the Cambodian capital



29 Dec 2013

Tens of thousands of anti-government demonstrators marched through Phnom Penh in one of the biggest acts of defiance against the nearly three decades of rule by Cambodia's authoritarian Prime Minister, Hun Sen



21 Jan 2014

Police briefly detained 11 activists in an attempt to maintain order, as the activists tried to deliver petitions to foreign diplomats in the Cambodian capital following a ban on protests that took effect in 1 January



27 Jan 2014

Cambodian military police used smoke grenades and batons to quell a protest by demonstrators demanding that a new television channel be allowed to broadcast, wounding at least eight people

Source: Business Inquirer

A protest against the government refusal to grant a broadcast license to a new television channel run by a staunch government critic in the country where the broadcast media is accused of lacking political independence and at least 9 people injured during the clash.

- ▶ This protest chief by Mam Sonando, a Cambodia's most prominent human rights defender and owner of the independent Beehive radio station, a station that broadcast Voice of America and Free Asia programming in the country who protest in accordance to government reject his apply to expand his radio network

- ▶ Mam Sonando and hundreds of supporters clashed with more than 100 riot police armed with shields, electric batons and smoke canisters when tried to march on the Ministry of Information in Phnom Penh, where Man Sonando has sent his request since 2005 but always been denied

- ▶ After a months-long political crisis in Cambodia, US-based Human Rights Watch called on the United Nations on 27 January 2014 to pressure the Cambodian government over the recent violence so that engage in serious reforms that could bring a harmonious environment to the country and people

[Business Inquirer \(20 Jan 2014\)](#)

10 MUNIR MAJID APPOINTED AS HEAD OF THE CIMB ASEAN RESEARCH INSTITUTE

MALAYSIA

Tan Sri Dr Munir Majid has been appointed Chairman of the CIMB ASEAN Research Institute (CARI) effective 1 February 2014, taking over from Glenn Muhammad Surya Yusuf, who will remain on the board of CARI.

- ▶ According to Tan Sri Dr Munir, ASEAN would face two challenging years ahead as the region seeks to become a community based on three pillars – economic, political and socio-cultural
- ▶ He further acknowledged that while business people are most interested in the ASEAN Economic Community (AEC), some of them did not have sufficient consciousness of the challenges and opportunities presented by the AEC
- ▶ Tan Sri Dr Munir obtained his BSc (Econ) from the London School of Economics and Political Science in 1971, and his PhD in International

Relations in 1978

- ▶ While Tan Sri Dr Munir is currently the Chairman of Bank Muamalat Malaysia Bhd, and has been on its board since 2008, he has also served in various other capacities, including as Group Editor of the New Straits Times, Executive Chairman of the Securities Commission, and Chairman of both Celcom and Malaysian Airline System
- ▶ Established in 2011 by CIMB Group, CARI - a not-for-profit research unit that supports ASEAN economic integration and the AEC in particular - is the secretariat of the ASEAN Business Club, a network of leading ASEAN multinational Chief Executive Officers

[Bernama \(26 Jan 2014\)](#)