

CARI CAPTURES



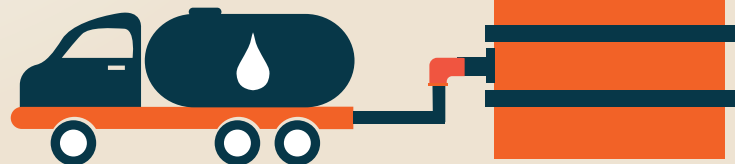
01 FORECASTED GROWTH FALLS FOR ASEAN-5



World Economic Outlook Projections

	Year over year (%)									
	Projections				Difference from		Q4 over Q4			
	2013	2014	2015	2016	October 2014 Projections		Estimates	Projections		
				2015	2016	2014	2015	2016		
Emerging and Developing Asia	6.4	6.5	6.4	6.2	-0.2	-0.3	6.4	6.3	6.2	
China	7.8	7.4	6.8	6.3	-0.3	-0.5	7.4	6.7	6.3	
India	5.0	5.8	6.3	6.5	-0.1	0.0	5.6	6.5	6.6	
ASEAN-5	5.2	4.5	5.2	5.3	-0.2	-0.1	4.6	5.1	6.5	

* For India, data and forecasts are presented on a fiscal year basis and output growth is based on GDP at market prices. Corresponding growth rates for GDP at factor cost are 4.7, 5.6, 6.3, and 6.5 percent for 2013/14, 2014/15, 2015/16, and 2016/17, respectively.



IMF World Economics Outlook

Falling oil prices have caused the IMF to lower its earlier estimates of 5.2% growth in 2015, and 5.3% growth in 2016, by 0.2% and 0.1% respectively.

▶ Whilst declining oil prices will boost growth in the region by lifting purchasing power and private demand in oil importers, negative factors such as investment weakness and diminished expectations about medium-term growth continues in many advanced and emerging market economies will create a net negative impact on growth

- ▶ A gradual and partial reversal of oil prices is expected to continue to benefit both private and public purchasing power over the next two years, with government budgets gaining the most windfall in petrol-subsidised states around the ASEAN region
- ▶ With all of the ASEAN-5 but Malaysia being net importers of oil, the benefits of falling oil prices will largely be evident, even going so far as to ease Indonesia and Malaysia's recent slashing of fuel subsidies to reign in growing government deficits

The Nation (20 January 2015)

02 RUPIAH HITS 1998 LOWS

INDONESIA

According to the Economic Intelligence Unit Survey covering 75 manufacturers sponsored by CIMB and Baker & McKenzie, Indonesia is slated to become Southeast Asia's leader in manufacturing.

- ▶ In the third quarter of 2014, offshore corporate debt alone surged to US\$128.8 billion, 22% more than the nation's foreign currency reserves; coupled with the fact that less than a fifth of Indonesian companies are graded by Standard and Poor, investor confidence in the country and its currency has become an issue
- ▶ The central bank of Indonesia has also begun imposing limits on foreign lines of credit, targeting firms such as developer PT Lippo Karawaci and tire maker PT Gajah Tunggal, who have amassed more than 95% of their debt in US Dollars
- ▶ With the continued threat of federal reserve interest rate hikes sparking capital flight in foreign investors, the central bank of Indonesia has sought to reduce investor risk within the country by capping foreign liabilities; from January onwards, all companies will be required to match at least 20% of their foreign credit against Rupiah fluctuations, along with a 50% foreign asset requirement against offshore borrowing

[Bloomberg \(16 January 2015\)](#)

03 BAHT FACES OUTFLOWS ON REGION'S SMALLEST YIELD GAP

THAILAND

Thailand is becoming susceptible to capital outflows on speculation interest-rate cuts will further reduce Southeast Asia's lowest yield premium. The yield gap between the nation's 10-year bonds and US Treasuries has narrowed 60 basis points in three months to 60 and fell to 45 on 8 January, the lowest since May 2011, data compiled by Bloomberg show.

- ▶ Renewed political tensions will be negative for the baht, according to Malayan Banking Bhd. The currency lost 0.4 per cent on May 22 when the military seized power in a coup, and ended the month 1.4 per cent weaker. It fell 0.3 per cent in 2014
- ▶ Thai local-currency sovereign debt returned 0.4 per cent in December. Overseas investors owned about 714 billion baht (\$22 billion), or about 10 per cent of Thailand's 7.29 trillion baht in outstanding debt issued by the government and state companies as of September, central bank data shows
- ▶ While Thai inflation eased to 0.6 per cent in December and 2014 growth is forecast at 0.7 per cent, rising household borrowing could be compounded by a cut in interest rates. Outstanding household debt was 10.2 trillion baht as of September, a 3.3 per cent rise from the end of 2013 and equal to 83 per cent of gross domestic product, up from 77 per cent in 2012
- ▶ The Bank of Thailand trimmed its 2014 expansion estimate last month to 0.8 per cent from 1.5 per cent, and 2015's projection to 4 per cent versus 4.8 per cent. Higher US interest rates and low Thai rates may trigger outflows into the dollar

[Bloomberg \(20 January 2015\)](#)

A Falling Rupiah

US Dollar - Indonesian Rupiah Conversion Rates



[Bloomberg](#)

04 JAPAN'S SMES SEE THAILAND AS A SPRINGBOARD TO ASEAN

JAPAN THAILAND

Japanese small and medium-sized enterprises in various manufacturing and service sectors are looking at using Thailand as a base for expansion into other ASEAN markets. Industry Minister Chakramon Phasukavanich said that under Japanese Prime Minister Shinzo Abe's policy to help SMEs invest overseas, many companies wanted to expand into Thailand because of the two countries' close relations and their view that Thailand is a centre for ASEAN linkage.

- ▶ Under Abe's policy, the Japanese government wants at least 10,000 SMEs to begin operating abroad between 2014 and 2018 because of the country's economic-growth slowdown and its rising number of elderly people. The most popular segment for investment was supply-chain manufacturing - from farming to services such as medical supplies and electronics
- ▶ By investing overseas, SMEs tap a bigger market while ASEAN - especially Thailand - is a target destination for new investment thanks to the region's rising economic growth, its support infrastructure, and its supply chains and facilities to support business expansion. To facilitate Japanese investment, the ministry will launch a programme to match Thai and Japanese SMEs as partners for starting businesses in Thailand
- ▶ When asked if Thai businesses should be worried about competition from Japanese SMEs, it is said they should not worry too much because Japanese companies wanted Thai partners. He said Japanese investment should also help transfer technology, know-how, and wisdom to Thais
- ▶ The two countries would discuss the possibility of revising the Japan-Thailand Economic Partnership Agreement. Japan wants Thailand to review tariffs on steel and luxury-car imports under the agreement, and Thailand has studied the economic impact of any tariff reductions

[Asia One \(16 January 2015\)](#)

05 S&P PRAISES MALAYSIAN BUDGET CUTS



MALAYSIA

Whilst Standard & Poor's Rating Services praised the Malaysian government's continued commitment towards fiscal consolidation, current economic conditions are set to hamper the nation's struggle to reign in its deficit.

- ▶ The Malaysian government, in its latest revised budget, plans to achieve a budget deficit of 3.2% through spending cuts; however, director of sovereign ratings Phua Yee Farn cites the possibility of a prolonged slump in oil prices as a major impediment to the government's goals
- ▶ As a net exporter of oil, falling oil prices have translated to a contracting oil and gas sector slowing overall economic growth and bringing initial forecasts of 4.5% to 5.5% GDP growth in 2015 into question; the falling oil prices, however, have also lessened the impact of fuel subsidy cuts recently made by the government, increasing the purchasing power of the people which will hopefully help to counteract the slowing economy
- ▶ Prime Minister Datuk Seri Najib Tun Razak recently affirmed the government's commitment to its earlier goals, stating that the government would be able to meet its deficit target of 3.2% of the nation's GDP should oil prices continue to slide to US\$55 per barrel; furthermore, the PM said that there would be a US\$3.8 billion shortfall in government revenue which would need to be reflected in further budget cuts due to current economic conditions

[The Star \(20 January 2014\)](#)

Revised Estimates

- Real GDP Growth estimates lowered from 6% to 5.5%
- Budget deficit target increased from 3% to 3.2% of GDP
- Operating surplus for the government would be US\$1 billion

Key Planks of the Budget



Tourism Boosts

New regulations for Passenger Service Charge (PSC) rates for domestic flights and free Visas for international tourists



New Focus on Domestic Production

Regulatory and fiscal incentives are being put forth to promote Malaysian made goods



Nationwide Consumer Initiative

Government initiatives encouraging nationwide mega-sales will be unstated



Suspended National Services

US\$110 million in savings will be created whilst the government reviews Malaysia's NS program

[The Malaysian Insider](#)
[The Star](#)

06 PARLIAMENT: SINGAPORE WILL BENEFIT FROM LOWER OIL PRICES



SINGAPORE

The Singapore economy will benefit from lower oil prices since it is a net importer of oil, said Minister for Trade and Industry Lim Hng Kiang in Parliament on Monday. A drop in oil prices will translate to lower electricity tariffs and fuel costs.

- ▶ The reduction in price will directly benefit businesses since their operating costs will fall. Consumers will also benefit since they will need to spend less on electricity and other oil-related items such as petrol. These cheaper prices could also increase consumers' purchasing power, thereby stimulating consumption and further boosting the economy
- ▶ Petrochemical sector will benefit from lower oil prices due to reduced input costs (cheaper raw materials), but the "upside" of lower input costs may be limited, as prices of key petrochemical products have

also fallen in tandem with oil prices. This translates into the assumption that their revenue will be lower as margins remain very tight

- ▶ The offshore and marine sector's prospects remain "okay for the immediate future" but may be affected if oil prices continue to stay low for the long
- ▶ Commenting on the exchange rate, Mr Lim mentioned that the recent rise in the United States dollar and fall in the euro against the Singapore dollar "are not expected to have a significant impact on Singapore's economy. He noted that the Monetary Authority of Singapore manages the Singapore dollar exchange rate against a trade-weighted basket of currencies within a prescribed range, and does not focus on the Sing dollar's value against any specific.

[The Straits Times \(23 January 2015\)](#)

07 BRUNEI DARUSSALAM TO DIVERSIFY EXPORTS



BRUNEI

A string of major international trade agreements, due to be implemented in 2015, promise to strengthen and diversify Brunei Darussalam's exports as it ramps up efforts to reduce its dependency on crude oil sales in the wake of plummeting prices.

- ▶ The value of exports slumped 23.2% in October, due to lower shipments of oil, according to the latest figures from the Department of Economic Planning and Development. A 7.3% decline in oil exports was directly caused by the fall in average oil prices
- ▶ The Sultanate is making strides to diversify its economy, as part of its Vision 2035 strategy, which aims to reduce its reliance on oil and gas and increase private-sector employment. The Sultan of Brunei said in November that it is looking to attract more investments in the exports, manufacturing and services sector while halal food

processing, petrochemicals, ICT and high-tech industries remain a priority

- ▶ One of the key regional initiatives with major implications for Bruneian exports is the Regional Comprehensive Economic Partnership (RCEP). The trade agreement, if it materialises, is expected to give Brunei a 6% hike in GDP by 2025, according to some estimates, with the non-oil sector tipped to contribute the most to economic growth
- ▶ Sultan Hassanal Bolkiah said in November that good momentum was building towards the conclusion of the Trans-Pacific Partnership (TPP). Scheduled to start at the end of 2015, the US-led trade pact would establish a free-trade bloc among 12 countries in the Pacific Rim and the conclusion of the agreement is hoped to encourage more Bruneian companies to boost their exports to the US

[Spy Ghana \(13 January 2015\)](#)

08 MYANMAR MONITOR

POLITICS

▶ Myanmar ranks at the bottom of a list of 86 countries in a study on openness of public information available from government, state agencies and private businesses. The Open Data Barometer analysis places Myanmar in a group of 10 capacity-constrained countries, which also included Thailand, Indonesia and Vietnam.

[The Irrawaddy \(24 January 2015\)](#)

▶ Myanmar's military freed 42 child soldiers on 23 January, the United Nations has confirmed. Since pact was signed on the issue in 2012, a total of 595 children have been freed, with 418 taking place in the last twelve months, the UN said. In October, US President Barack Obama decided to keep Myanmar on a list of nations subject to US sanctions over its use of child soldiers.

[Daily Mail \(24 January 2015\)](#)

▶ Lawmakers have rejected a recommendation from President Thein Sein that would allow temporary citizens, known as white card holders, to vote in the constitutional referendum scheduled for May. The move will have the greatest impact in Rakhine State, where most of the country's estimated 1 million white card holders live. White card holders were able to vote in the 2008 constitutional referendum, as well as the 2010 general election and 2012 by-elections.

[Mizzima \(26 January 2015\)](#)

ECONOMY

▶ Thailand's third-largest private hospital group, Thonburi Hospital Group (THG), expects to sign a memorandum of understanding with Ga Mone Pwint Company (GMP Group) in Yangon in early February to build two superior-standard hospitals to serve demand in Myanmar. THG is expected to own 40% of the two new hospitals, which are expected to be ready in a few years.

[Bangkok Post \(26 January 2015\)](#)

▶ Myanmar tycoon Tay Za claims to have purchased uranium samples in northern Myanmar. Uranium is a naturally occurring radioactive element and can be enriched for use in nuclear power plants and nuclear weapons. Tay Za says he is donating most of the samples to the government for further study, adding that he hopes if uranium is found that it will be used for the security of the state.

[Myanmar Times \(26 January 2015\)](#)

FOREIGN AFFAIRS

▶ The Myanmar Parliament has approved signing agreement on establishing a regional secretariat for mutual recognition of ASEAN tourist experts, state-media reported on 24 January. Such an agreement can bring many benefits, including enhanced capacity, cooperation for tourist promotion, lower restrictions, promotion of the ASEAN region, development of tourist services and human resources development.

[Global Post \(24 January 2015\)](#)

09 INDONESIA'S ECONOMIC REFORMS FOR 2015

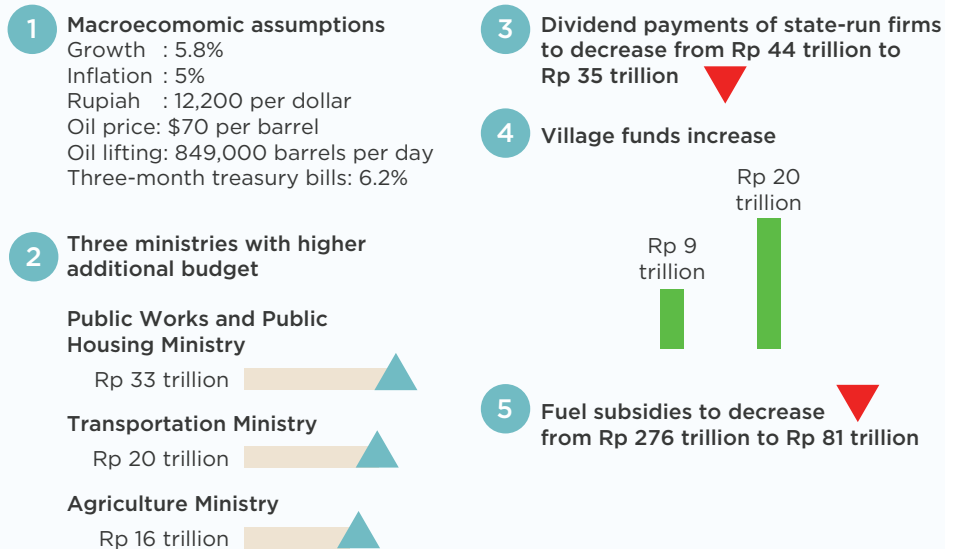
INDONESIA

Following Prime Minister Joko Widodo's fuel subsidy cuts, his administration has announced a US\$3.84 trillion spending package to be invested in 35 of the country's state owned firms.

- ▶ Whilst the bill has yet to pass parliament, Indonesia is slated to pump US\$555 million into mining company Aneka Tambang, US\$76.5 million into steelmaker Krakatau Steel, US\$280 million into construction firm Weskit Karya, and US\$112 million into construction firm Adhi Karaya
- ▶ In broad strokes, the capital placed in Waskita Karya, Adhi Karya, and Aneka Tambang, will be coupled with public offerings by all three firms in order to raise enough funding to undertake the revitalisation of Indonesia's infrastructure
- ▶ In addition to the infusion of capital, reviews on regulations and the operations of state owned firms will be under heavy scrutiny in an effort to make said companies more efficient; from these changes the government hopes to reap US\$2.79 trillion in dividend revenue alone

[Jakarta Globe \(19 January 2015\)](#)

Highlights of Revised 2015 Budget



[Jakarta Post](#)

10 SINGAPORE WILL CONSIDER MATCHING MALAYSIA'S VEP 'IN SOME FORM': TRANSPORT MINISTER

SINGAPORE

Transport Minister Lui Tuck Yew said Malaysia's proposed vehicle entry levy appears to be more akin to a toll on foreign-registered vehicles for revenue purposes. He said if so, Singapore will consider matching it "in some form" after details of the levy are confirmed. This includes whether the levy is imposed only at Malaysia's border with Singapore or at all its borders.

- ▶ Singapore is studying Malaysia's proposal to impose a RM20 vehicle entry permit (VEP) fee on foreign vehicles entering the country, slated to be implemented by middle of this year, saying it will consider matching in some form after getting details of the levy.
- ▶ Transport Minister Lui Tuck Yew said Malaysia's proposed vehicle entry levy appears to be more akin to a toll on foreign-registered vehicles for revenue purposes. He said if so, Singapore will consider matching it "in some form" after details of the levy are confirmed. This includes whether the levy is imposed only at Malaysia's border with Singapore or at all its borders
- ▶ Mr Lui said that Singapore's VEP fee seeks to equalise the cost of owning and using a foreign-registered vehicle in Singapore, with that for a Singapore-registered vehicle
- ▶ Deputy transport minister of Malaysia, Datuk Abdul Aziz Kaprawi, was earlier reported stating that details regarding the implementation of the VEP fee was being revised and upon completion, would be applied at the Causeway as well as the Second Link. A separate implementation of fees for vehicles entering from Thailand and Brunei is also being considered

[Channel News Asia \(19 January 2015\)](#)