

CARI CAPTURES

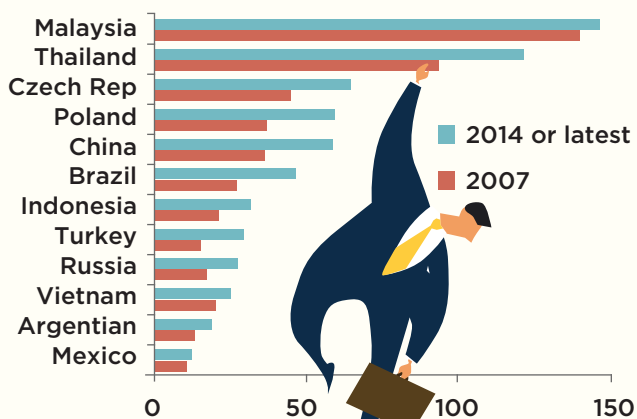


01 MALAYSIA, THAILAND, AND CHINA LEAD RISE IN HOUSEHOLD DEBT



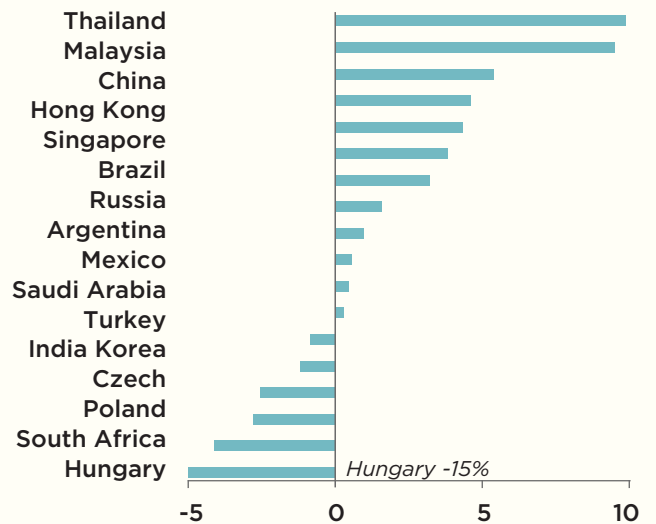
Worldwide Household Debt Over The Past 8 Years

Emerging Market Household Debt-to-Income Ratio percent



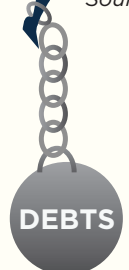
Source: McKinsery, IIF

Emerging Market: Household Credit-to-GDP Gap percentage points, deviation from its long-term trend



Source: IIF.

Household credit gap is the deviation of current credit growth from the long-term trend



The Institute of International Finance (IIF) recently released a report which estimated that US\$6.2 trillion of the total US\$7.7 trillion in worldwide household debt over the past 8 years can be attributed to emerging markets.

- ▶ The report, which called for tighter regulations raised concerns that household debt could quickly become an issue due to slowing growth, deflationary risks, and increased corporate debt within emerging markets
- ▶ In particular, the report highlighted that Malaysia had the highest household debt to GDP ratio which now stands at 145%, the nation's debt ratio rose by approximately 75% since 2007; according to

the IIF, with Malaysia's vulnerable household sector, rising interest rates, and depreciating ringgit, the country's financial standing is placed at an increased risk

- ▶ Behind Malaysia, China also saw a 25% increase in household debt, whilst Thailand saw a 28% rise over the past 7 years; should the situation not be monitored closely by authorities and regulators, the IIF warns that it could quickly spiral out of control with household debt becoming a burden and exacerbating slowing conditions

Magnet Mail

02 SINGAPORE, TURKEY SIGN COMPREHENSIVE FTA

SINGAPORE

The Turkey-Singapore Free Trade Agreement (TRSFTA) will be implemented over the course of two years, eliminating tariffs on 80% of all Singaporean export lines to Turkey.

- ▶ The coverage of Singapore's latest bilateral FTA will also extend to 95% of all tariff lines by the end of the decade, boosting both the short and long term prospects for exports ranging from electronics and pharmaceuticals, to chemicals and processed food products

- ▶ Furthermore, Turkey's strategic location as the gateway between Central Asia and Europe coupled with Singapore's direct investments into the nation, which totaled to US\$240 in 2013, makes the FTA an economic coup for Singapore
- ▶ Currently, Singapore has two other trade agreements with Turkey; the Singapore-Turkey Investment Promotion and Protection Agreement (IPPA), and the Singapore-Turkey Avoidance of Double Taxation Agreement (DTA), signed in 2008 and 1999 respectively

[Business Times \(15 November 2015\)](#)

03 INTERNATIONAL INSTITUTIONS AFFIRM CREDITWORTHINESS AMID SLOW GROWTH

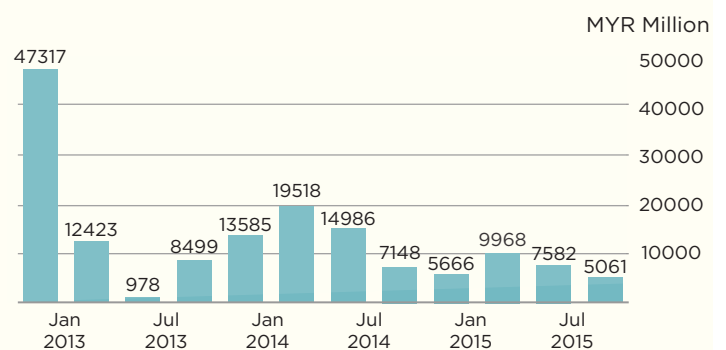
MALAYSIA

Despite experiencing its slowest growth in over two years, Malaysia both the IMF and Moody's have affirmed the stability of Malaysia's economy in the face of rising political and business risks.

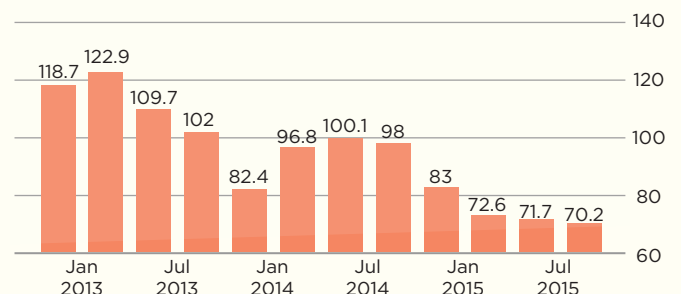
- ▶ According to the IMF's managing director, Christine Lagarde, Malaysia's strong fundamentals will continue to help the nation maintain steady growth despite China's slowdown with the added caveat that the Malaysia's government would need to guard against future volatility
- ▶ Meanwhile, Moody's Investors Service has rated the likelihood of political factors in Malaysia affecting the country's creditworthiness as very low, notwithstanding the Malaysia Development Berhad (1MDB) issue; in fact, fiscal reform within the nation was observed to have accelerated within the nation with the implementation of its new Goods and Services Tax (GST) and other budgetary reforms
- ▶ However, even with the confidence of international institutions in Malaysia's economic future, it should be noted that Malaysia posted its lowest growth since 2013 with a 4.7% GDP growth rate, alongside a diminished current account surplus and heavily depreciated currency

[Channel News Asia \(13 November 2015\)](#)

Malaysia Current Account



Malaysia Consumer Confidence



[Trading Economics](#)

04 THAILAND DEVELOPS REGIONAL MILITARY TIES

THAILAND

After recently completing its longstanding biennial naval exercise with Singapore, Thailand also conducted its first joint military air exercise with China's Air Force.

- ▶ The joint military exercise with China's military comes at a time of heightened tensions within the region caused by China's claims within the South China Sea which has clashed with what many ASEAN nations consider to be sovereign territory; Thailand's military embrace of China is in sharp contrast to many of the political stances within the Southeast Asian region in such matters

- ▶ Whilst Thailand has been a longstanding ally of the United States since the Cold War, Beijing's recent quick embrace of Bangkok's new military leaders following the coup in May 2014 has managed to pull Thailand's ruling military government towards China's sphere of influence
- ▶ It should also be noted that Thailand has no competing claims with China with regards to the disputes within the South China Sea, thus removing the bulwark of similarity unifying the rest of the delicate position of ASEAN nations

[Value Walk \(15 November 2015\)](#)

05 STRONG INCENTIVES FOR RENEWABLE ENERGY INVESTMENT IN ASEAN



Though renewable energy incentives vary within the ASEAN region, a strong interest in reducing emissions and transitioning to a fossil fuel free reality has created a vibrant industry for alternative energy within member states.

▶ Since 2011, Singapore has invested more than US\$570 million into solar energy solutions targeted at both companies and individuals; in particular, the government developed a solar PV leasing plan which rents solar panels to residents and small businesses, breaking down the cost barrier in owning solar panels and accelerating the uptake of solar energy in the country

▶ Meanwhile, Thailand, Malaysia, and the Philippines have developed a Feed in Tariff (FIT) program in which excess energy generated by privately owned solar panels and wind turbines can be sold to the government at a guaranteed fixed rate so as to incentivise the use and uptake of solar energy

▶ Additionally, many ASEAN nations have developed home grown techniques in incentivising the adoption of alternative fuels; in Thailand, both tax based and non-tax based incentives are offered to companies developing clean energy, whilst the Philippines has implemented a 7 year tax holiday for alternative fuel companies, and Vietnam and Malaysia have also adopted similar initiatives

[Reuters \(9 November 2015\)](#)

Renewable Energy Incentives		
	Feed In Tariff (FIT)	Notable Initiatives
Singapore	No	Alongside 35 government funding/incentive programs, Grant for Energy Efficient Technologies (GREET) provide 20% funding for energy efficient equipment, whilst the Design for Efficiency (Dfe) scheme allows for subsidies of up to US\$428,000 for companies developing green technologies
Thailand	Yes	Reduced import duties for equipment, income tax discounts, foreign worker permits, land and foreign remittance grants for alternative energy companies
Philippines	Yes	The National Renewal Energy Program offers a seven year tax holiday to renewable energy developers, at the end of which companies will only be taxed at a fixed rate of 10%, further import tariff reductions for said companies
Vietnam	No	Heavy subsidies offered by the Environmental protection Fund for solar and wind powered energy development, incentive tax of 10% for 15 years for alternative energy companies
Malaysia	Yes	Funding and guidance offered by Malaysia Building Intergrated Potovoltaic Project (MBIPV)

[Bloomberg \(6 November 2015\)](#)

07 INDONESIA TO USE YUAN IN CHINESE TRADE



Instead of the traditional use of US dollars in international trade, Bank Indonesia has signed an agreement with the People's Bank of China to use the Yuan in all future bilateral trade from 2016.

▶ The agreement, which will be effective for three years and is open to extension, was designed to reduce dependency on the dollar in a bid to save foreign exchange reserves according to an official at the National Development Planning Board of Indonesia; the agreement is expected to move US\$15.66 billion in trade away from the USD and will be contingent on global currency updates to be further clarified by both governments

▶ The agreement was further strengthened in September through a loan agreement worth US\$3 billion from the China Development Bank with Bank Mandiri, Bank Negara Indonesia (BNI) and Bank Rakyat Indonesia (BRI); the loan is to be disbursed over the course of 10 years, with almost 30% being dispersed in renminbi

▶ It should be noted that the use of Yuan in trade also bears risks, as its circulations is limited relative to the common use of the US dollar in trade; as such, increased demand in the Yuan may result in a decline i terms of trade for Indonesia, thus rendering the deal more harmful than helpful to the economy depending on the movement of both currencies

[Asia One \(14 November 2015\)](#)

08 ASEAN BANKS ENTER TOUGH ENVIRONMENT FROM STRONG POSITION



According to Fitch, a ratings agency, sluggish economic growth, depreciating currencies, and softer commodity prices influenced by China's slowdown will continue to create a tougher operating environment for banks within the ASEAN region.

▶ Prime challenges banks would face lie within currency, credit, and liquidity related risks as asset quality continues to deteriorate; in particular, Indonesia and Malaysia are the least well positioned to handle said risks with poor currencies, the threat of political instability, and high levels of household debt plaguing nations

▶ It should be noted, however, that a Fitch stress test of nine Indonesian banks accounting for 65% of Indonesia's total banking assets yielded a high level of resilience to increasing credit costs and a sliding currency; furthermore, Malaysia's banks are said to have sound buffers, with both financial and natural hedges to reduce the inherent risk of external borrowings by Malaysian corporates

▶ In essence, Fitch has stated that it does not expect a broad based regional crisis, with increased capital controls and regional cooperation having been developed following both the 1997 and 2008 crisis and slowdown

[Reuters \(9 November 2015\)](#)



08 MYANMAR MONITOR

NATIONAL

▶ Hopes faded on 23 November that any of 100 people still missing would be found alive two days after a landslide near a jade mine in northern Myanmar smashed into a makeshift settlement, burying mine workers as they slept. Rescue workers had recovered 104 bodies when the search was suspended on the day before.

[Reuters \(22 November 2015\)](#)

POLITICS

▶ Myanmar Parliament appears poised to clear most or all of the outstanding economic reform bills before new lawmakers take their seats at the end of January. With discussions of a supplementary budget underway, the next order of business is expected to include revisions to the 100-year-old Companies Act, the 1994 Mining Law and the 1993 Banks and Financial Institutions Law (BFIL), along with the update and merger of the Foreign Investment and Myanmar Citizens Investment laws.

[The Irrawaddy \(21 November 2015\)](#)

ECONOMY

▶ Two weeks since Myanmar's general election and the country's reference foreign exchange rate has slid further against the US dollar, sitting at just under 1,300 kyat against the dollar as of 23 November. The kyat has seen a 30 percent slide against the US dollar since January, partly as a result of the country's widening current account deficit. The Central Bank is currently seeking ways to reverse the depreciation, including by selling US dollars to local private banks in an attempt to drive down the value of the greenback.

[The Irrawaddy \(23 November 2015\)](#)

FOREIGN AFFAIRS

▶ Myanmar has strongly rejected the United Nation's criticism of its human rights record, after the third committee of the United Nations General Assembly in New York released its evaluation of Myanmar's human rights record on 18 November 18. The country was criticized on numerous counts, among them the adoption of the controversial "protection of race and religion laws" which discriminate against women and ethnic minorities.

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

▶ Economic conditions in Myanmar drove many people overseas seeking better job prospects. Post elections, some migrant workers told media they would head back home for half their pay, but that the government needs to effect the change they voted for. There is no accurate study on the number of Myanmar migrant workers worldwide, but in Singapore there are an estimated 200,000 Myanmar nationals working across various industries.

[Channel News Asia \(21 November 2015\)](#)

09 ADB INVESTS IN IRRIGATION AND IMMUNISATION

CAMBODIA

The ADB is slated to provide a total of US\$64 million dollars in the form of loans and grants to Cambodia for use of irrigation and malaria control projects.

- ▶ The agreement, which was overseen by ADB Cambodia's Resident Mission Officer in Charge Jan Hansen, was signed by Cambodia's Minister of Economy and Finance Aun Porn Moniroth; according to Officer Hansen, the projects will ultimately help to boost productivity and income for farmers by ensuring both the health of crops and farmers
- ▶ The US\$60 million loan for the Uplands Irrigation and Water Resources Management Sector Project would support the government's efforts to increase agricultural production by rehabilitating, modernising, and climate-proofing irrigation systems in central Kampong Thom and northwestern Battambang provinces
- ▶ The US\$4 million grant, allocated for Cambodia under the additional financing for the 2nd Greater Mekong Sub-regional Communicable Diseases Control Project, will strengthen the national malaria programs and expand the regional malaria surveillance and response system, focusing on border districts and information exchanges among Cambodia, Laos and Vietnam

[BBC \(13 November 2015\)](#)

10 PETRONAS CUTS STATE DIVIDENDS AS PROFITS SLIDE

MALAYSIA

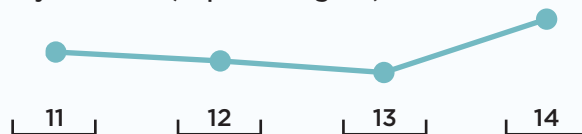
With net profits sliding by 91% and revenue falling by 25% in the third quarter of 2015, Petronas has announced that it will pay 40% less in dividends to the government next year.

- ▶ The state owned oil and gas firm, which makes up almost half of Malaysia's oil revenue has faced declining profits due to a depreciating currency, political uncertainty, and worsening oil prices; due to its lack of profitability, government contributions in 2016 will amount to US\$3.7 billion, down from US\$6 billion in 2015
- ▶ With global oil prices having dropped by more than half since mid 2014, Petronas' CEO has hoped that the price of Brent crude oil will remain at US\$48 per barrel; Meanwhile, Petronas has announced that its operational cash flow was unable to cover its capital expenditures and committed dividends, causing it to draw on its reserves
- ▶ Prime Minister Najib Razak's 2016 budget has estimated Malaysia's total oil revenue will be US\$7.39 billion in 2016, compared to US\$20.3 billion in 2015; it should be noted that oil revenues drive a large portion of the state's budget

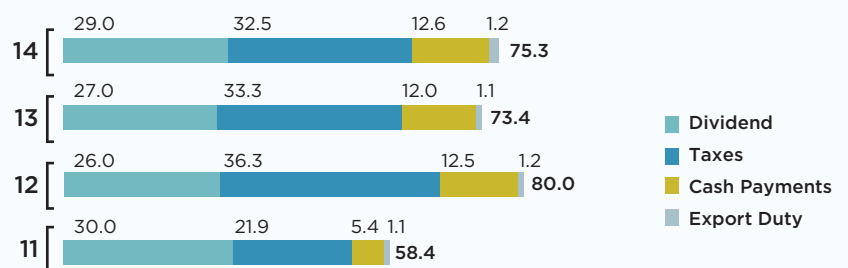
[Reuters \(11 November 2015\)](#)

Past Petronas Dividends

Divident Payout Ratio (in percentage %)



Contribution to Governments and Revenue Foregone (in RM Billion)



[Petronas](#)