

# CARI CAPTURES

SINGAPORE AIRSHOW  
YIELDS US\$12.7 BILLION

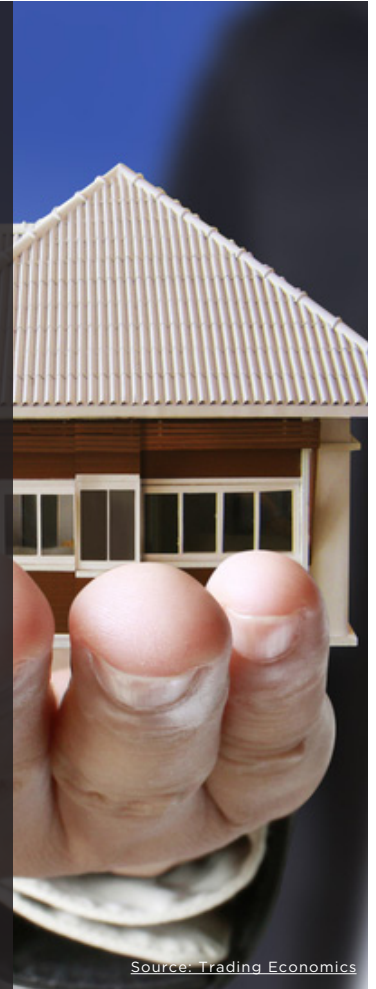
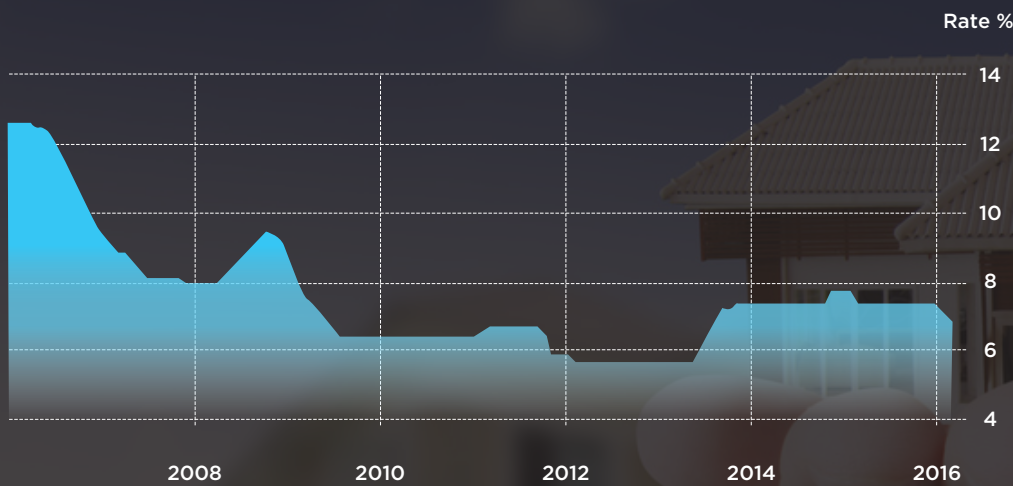
RUSSIAN-THAI RELATIONS  
STRENGTHEN AS US TIES COOL

CIMB BANKS ON ASEAN  
TRANSACTIONS

01 INDONESIA

## INDONESIAN RATE CUT TO BOOST PROPERTY MARKET

### INDONESIA INTEREST RATE



Source: Trading Economics

**According to the Indonesian Real Estate Association (REI), Bank Indonesia's (BI) rate cut will help to spur growth in the real estate industry.**

- ▶ Indonesia cut its benchmark interest rate by 25 basis point to 7% in the hopes that it would lower borrowing costs and spur consumer spending; the REI project that with the added rate cuts, Indonesia's property sector would reach growth rates between 10% to 12% from 7% in 2015
- ▶ Additionally, president Joko Widodo has pledged to provide one million new homes annually; to that end, the government has allocated housing loans for low

income lenders (KPR) through a government backed mortgage (FLPP) program totalling US\$688.6 million

- ▶ Whilst the REI has praised the government's rate cut, it has also noted that comparatively Indonesia's interest rates are still higher than that of neighbouring nations; Malaysia's benchmark interest rate is 3.25%, and Thailand's is 1.50%, making Indonesia less likely to attract foreign investors into the nation's real estate industry

[Jakarta Post \(20 February 2016\)](#)

## SINGAPORE AIRSHOW YIELDS US\$12.7 BILLION

The four days airshow resulted in a total of 51 deals, out of which only 11 were disclosed to have a cumulative value of US\$12.7 billion.

- ▶ The previous airshow in 2014 garnered 44 deals, including 20 disclosed deals totalling US\$32 billion; according to Experia Events, the lack of disclosed details reflects the growing sophistication and competitiveness of the aviation industry
- ▶ Major deals sealed at this year's airshow include billion-dollar commercial airline contracts for Airbus and Boeing, as well as smaller deals involving engine sales, MRO (maintenance, repair, and overhaul) services, and defence services
- ▶ The next edition of the Singapore Airshow is scheduled from Feb 6 to 11 in 2018; potential focus areas for the show include virtual and augmented reality, and showcasing the unique capabilities of Asian countries

[Channel News Asia \(19 February 2016\)](#)

### SINGAPORE AIRSHOW

YEAR	TOTAL DEALS	DISCLOSED DEALS	DISCLOSED DEAL VALUE US DOLLARS, BILLIONS
2008	N/A	N/A	13.4
2012	N/A	N/A	31
2014	41	20	32
2016	51	11	12.7

Source: Department of Civil Aviation

## RUSSIAN-THAI RELATIONS STRENGTHEN AS US TIES COOL

Thailand is pursuing closer ties with Russia in the form of possible arms deals, security cooperation, and trade pacts.

- ▶ In the past 18 months alone, General Prayuth Chan-ocha has met three times with Russian Prime Minister Dmitry Medvedev; furthermore, two Thai deputy prime ministers will travel to Russia to meet with the Russian security council head Nikolai Patrushev
- ▶ The US has halted all sales of arms to Thailand due to its existing policy to implement an arms embargo

against nations ruled by military governments; in response, Thailand has chosen to attempt to purchase US\$1 billion worth of Chinese made submarines and tanks from Russia

- ▶ According to the ABIF timeline of implementation, ASEAN 5 nations are to have agreements with at least one other member state by 2018 whilst all member states are to have agreements with at least one other member state by 2020

[Reuters \(20 February 2016\)](#)

## THAILAND MUST FOCUS ON CLMV

Facing the challenges of political instability, the global economic slowdown, and aging population, Thailand must position itself to benefit from the fast growing economies of Cambodia, Laos, Myanmar and Vietnam. (CLMV)

- ▶ Due to the recent declaration of the ASEAN Economic Community (AEC), Thailand stands to benefit from the huge labour forces and fast-growing markets of CLMV nations; should Thailand be able to deepen its economic links with neighbouring nations, mutually beneficial global supply chains could be established to address the issues outlined above

- ▶ By advertising itself as the link to CMLV economies, Thailand could serve as a point of entry into establishing a foothold in the region's markets; one existing strategy would be the Thailand-plus One strategy touted by Japan, which bases Japanese firms in Thailand prior to expanding further in the region
- ▶ Thailand's largest barrier to linking with other regional economies would be its lack of political stability; in the past decade alone, Thailand's economy has been heavily hamstrung by a string of coups and political protests

[The Nation \(17 February 2016\)](#)

## THE IMPACT OF TERRORISM ON INVESTMENT IN INDONESIA

**Following reports of a terrorist attack in January 2016, Indonesia's stock exchange the Indeks Harga Saham Gabungan (IHSG) fell by 1.8%, closing down by just 0.5% after making a 1.3% recovery prior to the market's close.**

- ▶ This fall in Indonesia's stock market can be attributed to two main reasons; firstly, due to concerns that terrorism would affect economic fundamentals within the nation such as the incidence of revenue from tourism, and secondly, due to a lack of emotional management with investors in the nation
- ▶ According to a study conducted by Dimson, Paul

Marsh and Mike Staunton entitled *The Triumph of the Optimists: 101 Years of Global Investment Returns*, 2002, there is a negative correlation between GDP and stock returns; therefore, it stand for reason that the first reason mentioned above, with its direct impact on GDP would cause stocks to fall

- ▶ On the other hand, according to Watson Wentworth LLP, a consultancy company, the impact of terrorism on the IHSG was limited compared to other more fundamental issues such as the nation's political, regulatory, and economic problems

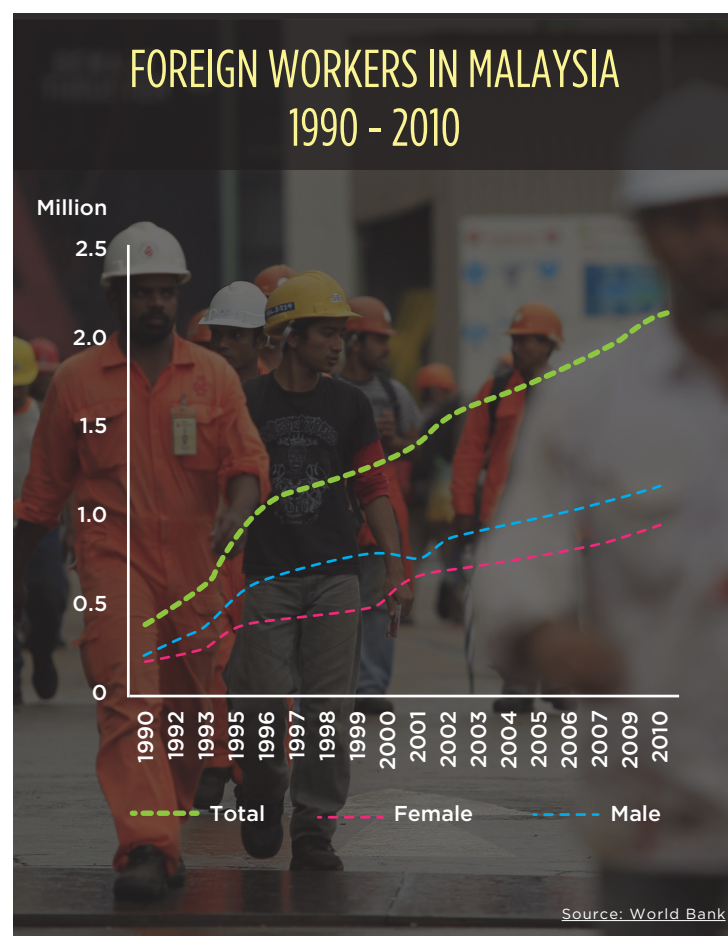
[Value Walk \(18 February 2016\)](#)

## MALAYSIA FREEZES RECRUITMENT OF FOREIGN WORKERS AFTER PROTESTS

**Following widespread criticism against estimates that Malaysia would bring in 1.5 million Bangladeshi foreign workers over three years, Malaysia has issued a moratorium on the recruitment of foreign workers whilst it assesses gaps in the labour force.**

- ▶ The decision marks the the second flip flop on employment policies in the month of February; earlier in the month, Malaysia deferred a plan to double foreign worker levies in order to wean the nation off its dependance on cheaper foreign labour
- ▶ According to Deputy Prime Minister Zaid Hamidi, the temporary halt on importing migrant workers would allow for the government to review a levy system for overseas workers in Malaysia
- ▶ Currently, there are 2.1 million registered foreigners in Malaysia representing 13% of the nation's total labour force; however, official figures do not reflect the population of illegal foreign workers within the nation, with estimates placing the total foreign worker population above the 15% cap imposed by the Malaysian government

[Bloomberg Business \(19 February 2016\)](#)



## CIMB BANKS ON ASEAN TRANSACTIONS

**CIMB Thai Bank has put together a new investment banking team of executives to grow its corporate customer activities across ASEAN.**

- ▶ The new team is expected to reach 50% of total income in the bank's investment banking unit with cross border transactions; currently the Malaysia-based group has more than 1000 branches in 17 countries worldwide serving a variety of corporate, SME, and retail segments
- ▶ Current product offerings include Islamic banking,

asset management, wealth management, and bancassurance services amongst other traditional banking services; CIMB hopes to capitalise on its existing networks and the establishment of the ASEAN Economic Community to further its efforts

- ▶ CIMB Thai Bank's investment banking deals in the pipeline during 2016-2017 include over 20 initial public offerings and deals related to the equity capital market, worth US\$838 million, of which five are real estate deals which have a combined value of US\$139 million

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



## POLITICS

- ▶ Retired Lieutenant General Kin Zaw Oo, a member of Myanmar's cease-fire committee told an armed ethnic group to withdraw its troops from restive Shan state where it has engaged in fighting in recent weeks against another rebel army, as the government military prepares to take charge of security in the area and has asked those concerned to abide by the points in the nationwide cease-fire agreement, a committee member said.

[Radio Free Asia \(23 February 2016\)](#)

## ECONOMY

- ▶ Delays and suspensions to hydropower dams and coal power developments mean that Myanmar will not realize its energy-producing potential in the next decade, according to a recent analysis by BMI Research. Hydropower dams, which are relied upon to provide energy to the major cities, cannot run at full capacity toward the end of the long dry season, but power shortages are predicted to be especially serious this year due to droughts because of El Niño cyclical weather.

[The Irrawaddy \(20 February 2016\)](#)

- ▶ Myanmar's import of food products from Thailand increased by 24% last year, according to Thai media. The statistic came from Thailand's National Food Institute, a quasi-autonomous body under the country's Ministry of Industry. The report said the increase makes Myanmar the fourth largest importer of Thai food products, after Japan, the United States and China.

[The Irrawaddy \(20 February 2016\)](#)

- ▶ Australian and South Korean partners Woodside and Daewoo have discovered gas in one of Myanmar's offshore exploration blocks, according to a statement. Woodside announced a separate discovery just last month in a different exploration block. Woodside CEO Peter Coleman said in the announcement that the two finds were "very encouraging" for the company's chances of finding significant amounts of gas in Myanmar waters.

[The Irrawaddy \(20 February 2016\)](#)

## FOREIGN AFFAIRS

- ▶ The US should further ease sanctions on Myanmar, Vice President Nyan Tun told Barack Obama at the US President's 15-16 February meeting with ASEAN leaders in California, according to Ye Htut, Myanmar's Information Minister. While US economic sanctions were eased for some sectors and individuals following the restoration of diplomatic ties between the two countries in 2012, many businesspeople remain on the Treasury Department's Specially Designated Nationals (SDN) list.

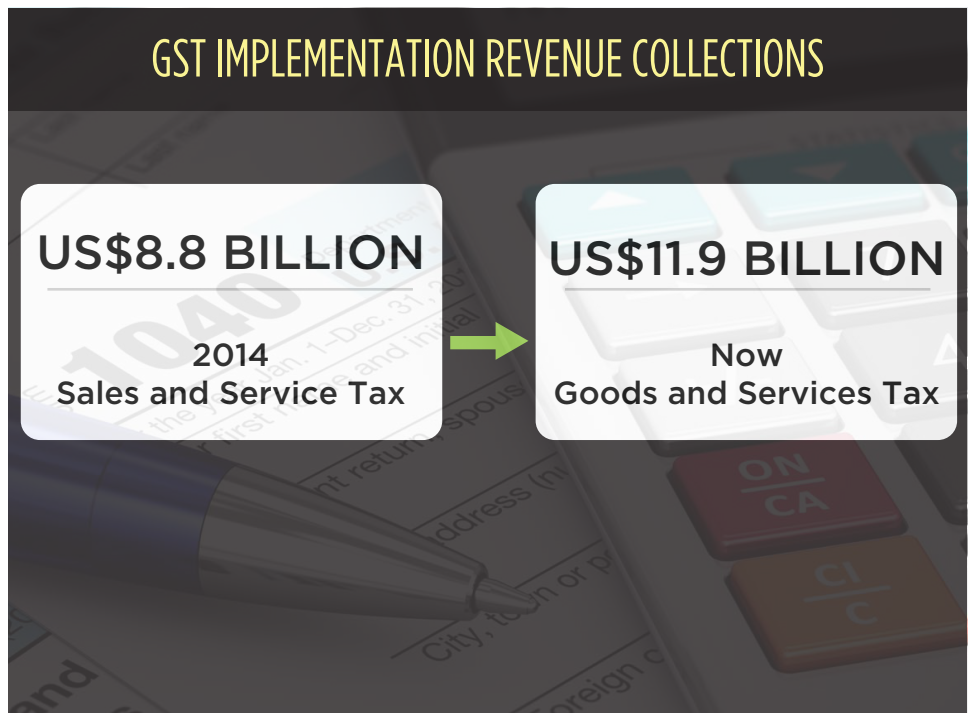
[The Irrawaddy \(20 February 2016\)](#)

## MALAYSIA'S GST IMPLEMENTATION A SUCCESS

**Malaysia's newly implemented Goods and Services Tax (GST) has netted the government approximately US\$11.9 billion in revenue collections since its introduction in 2015.**

- ▶ Prior to the establishment of the GST, Malaysia collected a total of US\$8.8 billion in 2014 under its previous sales and service tax; the increase in tax revenues has benefitted the nation's government by providing an additional revenue buffer against a slowing global economy and sliding commodity prices
- ▶ Whilst initial difficulties and issues surrounding GST implementation has had to be overcome by the nation's businesses, according to a survey by CPA Australia, nearly 70% of respondents reported that their businesses grew in the past 12 months, with 70% of businesses also expecting their growth to continue into the future
- ▶ This represents a 10 percentage point increase from a business survey conducted in 2014, indicating that the implementation of the GST has done little to hamper businesses, and instead has helped in their confidence and revenue reflected in the 4.9% GDP growth rate of Malaysia in 2015

[News Straits Times \(20 February 2016\)](#)



## TONY FERNANDES RECEIVES US-ASEAN BUSINESS COUNCIL AWARD

**AirAsia Group CEO Tan Sri Tony Fernandes has received another accolade after he was recognised by the US-Asean Business Council with the 'Fourth Pillar' award for contributing to the growth of US-Asean relationships.**

- ▶ Mr Fernandes was presented the award in San Francisco by Keith Williams, Chairman of the US-Asean business council, making him the second recipient of the award after President Barack Obama
- ▶ The Fourth Pillar Award is presented individuals representing the "fourth pillar", where extraordinary contributions have been made towards the growth of ASEAN as well as fostering better US-ASEAN ties
- ▶ According to Mr Fernandes, "The potential this region holds is immense, and as a truly Asean brand, we will continue to lobby and spearhead Asean integration, especially but not limited to the aviation, travel and tourism industries."

[The Star \(21 February 2016\)](#)

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