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Indonesia's GDP growth fails to gather steam in 1Q16

Economic Update

BI to keep its rate unchanged at 6.75% for the next three meetings

Indonesia's GDP slowed from 5.04% yoy in 4Q15 to 4.92% in 1Q16, lower than market expectations of 5.07%, despite the accommodative monetary and fiscal policies from the central bank and government to spur economic growth. The moderation was due to slower domestic demand, which expanded by 5.04% yoy in 1Q16 (5.89% in 4Q15) on lower public consumption growth (2.93%) as well as investment (5.57%). However, growth in household consumption sustained its momentum at 4.94%. On the supply side, construction output growth slowed to 7.9% yoy (8.2% in 4Q15), while mining output fell for the fifth consecutive quarter. However, manufacturing GDP trended higher to 4.6% (4.4% in 4Q15), and services sector growth hold up at 6.1%.

In the months ahead, we believe the subdued GDP growth may provide some avenue for Bank Indonesia (BI) to cut policy rates to stimulate the economy, especially as inflation continues to show moderation, slowing to 3.6% yoy in April (4.45% in March) on slower increase in food prices (8.92%), housing, electricity, gas and fuel (1.45%) and lower transportation cost (-1.52%). While inflation rate stays well within central bank's target of 3-5%, we do not think rate cut will happen until the new policy rate (7-day Repo Rate) is adopted on 19th August 2016, where the new policy rate is deemed to improve the effectiveness of the monetary policy transmission. Furthermore, there may be some inflationary pressure as Ramadan draws near, and the central bank will like give more time to assess fiscal impact on the economy. Indonesia's manufacturing PMI rose further to 50.9 in April, the second month above 50-level that indicates expansion. As a result, we expect BI to keep its rate unchanged at 6.75% for the next three meeting (19th May, 16th June and 21st July 2016).

Separately, Thailand's inflation rate turned positive for the first time in 16 months, at 0.1% yoy in April (-0.5% in March), against market expectation of a 0.1% decline. This was contributed by food and beverages prices which rose further by 1.6% yoy, while decline in transport cost moderated to -2.9% (-4.3% in March). On the other hand, Philippines' inflation stayed at 1.1% yoy in April, below market expectation of 1.2% and central bank's target range of 2-4%. We expect Bangko Sentral ng Pilipinas will likely keep its policy rate unchanged at 4% throughout 2016 as economic growth remains healthy. In the Philippines' Presidential election, which will be held on 9th May 2016, market observers believe economic concern revolves around policy continuity, as the outgoing President Benigno Aquino III has successfully revived the country's economic growth to steady GDP growth with rising foreign direct investment inflows during the six years in power.

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Fig 1: ASEAN economic releases (29 April – 5 May 2016)

	JUL 2015	AUG 2015	SEP 2015	OCT 2015	NOV 2015	DEC 2015	JAN 2016	FEB 2016	MAR 2016	APR 2016	GENERAL CONSENSUS
INDONESIA											
CPI (%yoy)	7.3	7.2	6.8	6.2	4.9	3.4	4.1	4.4	4.4	3.6	3.8
Core CPI (%yoy)	4.9	4.9	5.1	5.0	4.8	4.0	3.6	3.6	3.5	3.4	3.4
PHILIPPINES											
CPI (%yoy)	0.8	0.6	0.4	0.4	1.1	1.5	1.3	0.9	1.1	1.1	1.2
Core CPI (%yoy)	1.9	1.6	1.4	1.5	1.8	2.1	1.8	1.5	1.5	1.5	1.6
THAILAND											
CPI (%yoy)	-1.0	-1.2	-1.1	-0.8	-1.0	-0.9	-0.5	-0.5	-0.5	0.1	-0.1
Core CPI (%yoy)	0.9	0.9	1.0	1.0	0.9	0.7	0.6	0.7	0.7	0.8	0.7
IPI (%yoy)	2.7	0.5	-0.3	-0.8	0.3	1.4	-3.5	-1.7	1.8	-	-0.3
Real GDP (%yoy)	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	CONSENSUS
INDONESIA	5.6	5.1	5.0	5.0	5.0	4.7	4.7	4.7	5.0	4.9	5.1

Source: All data from CEIC, consensus from Bloomberg

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Appendix I: ASEAN economic charts (29 April – 5 May 2016)

Chart 1: Indonesia's GDP growth

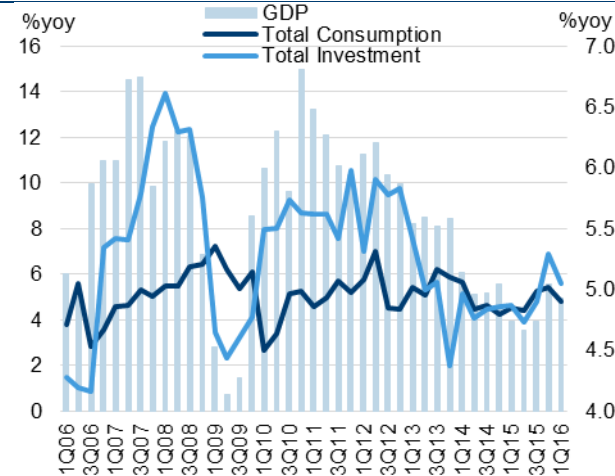


Chart 2: Indonesia's inflation

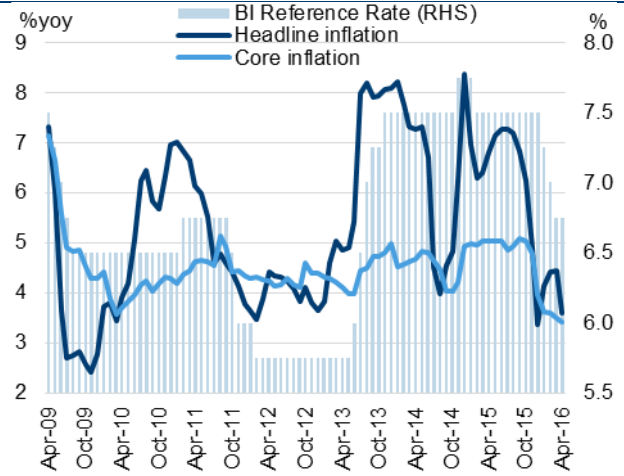


Chart 3: Thailand's manufacturing production

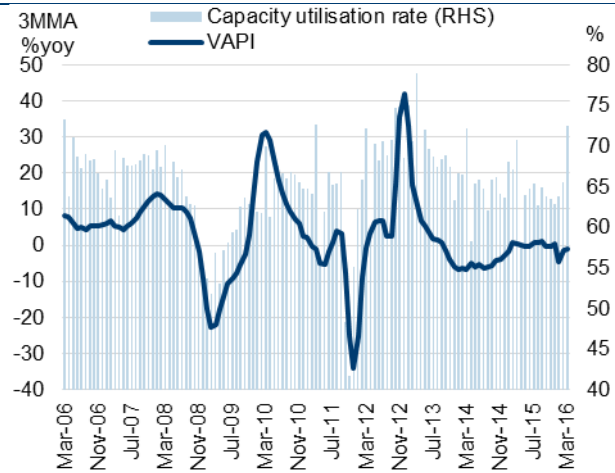


Chart 4: Thailand's inflation

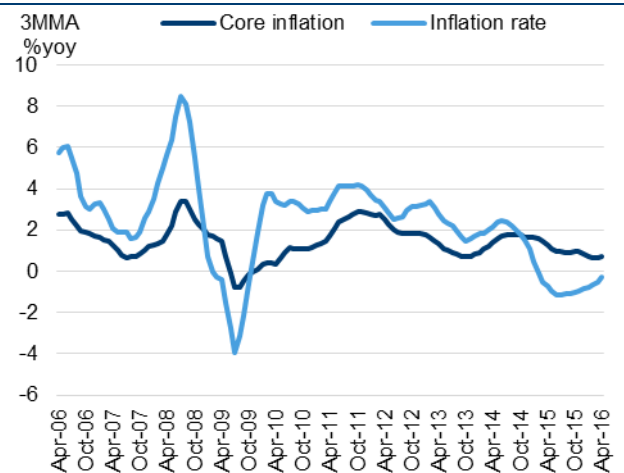


Chart 5: Regional PMI

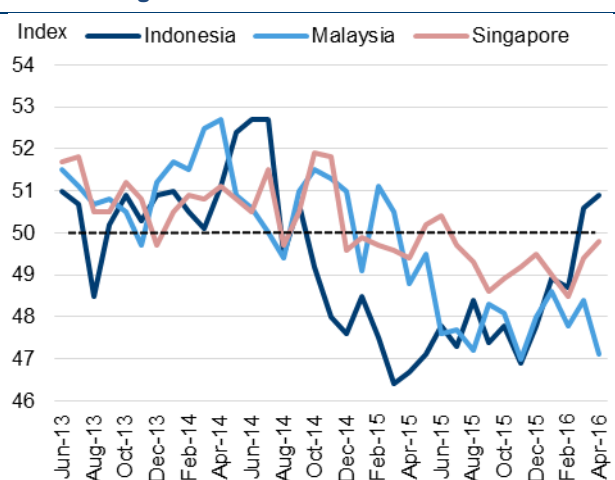
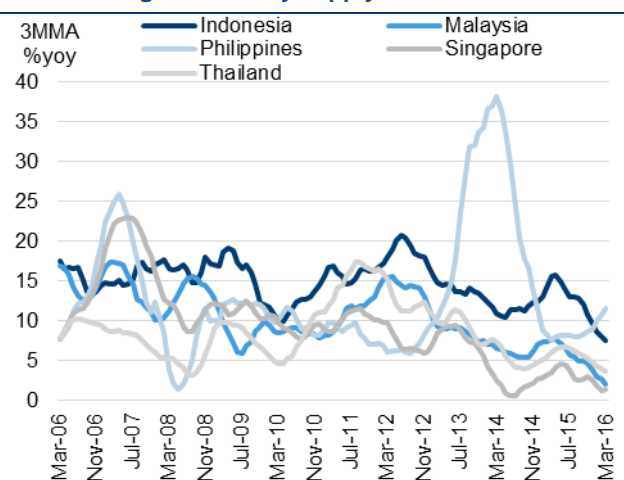


Chart 6: Regional money supply



Source: All data for charts sourced from CEIC and Bloomberg

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Appendix II: Upcoming ASEAN economic releases charts

Chart 7: Singapore's reserve

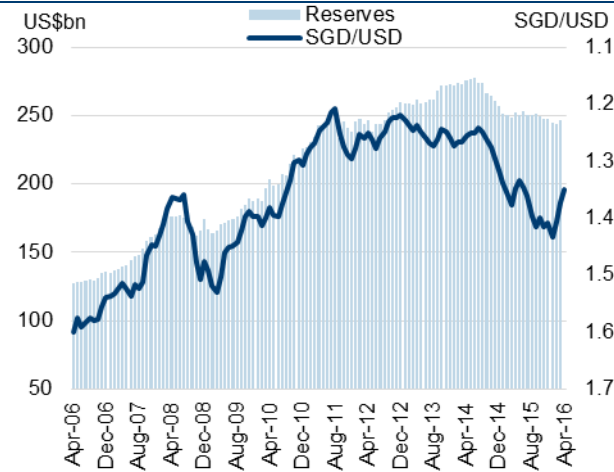


Chart 8: Thailand's and Philippines' policy rate

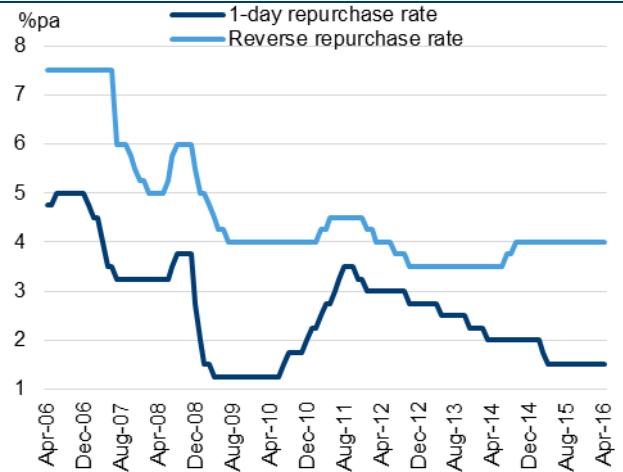


Chart 9: Philippines' exports



Chart 10: Philippines' reserve

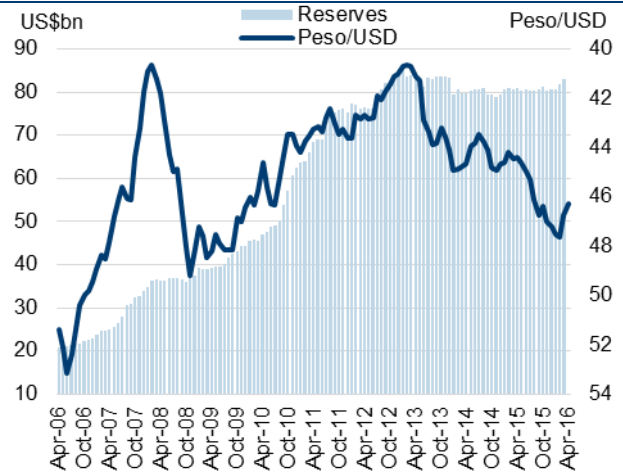


Chart 11: Malaysia's trade

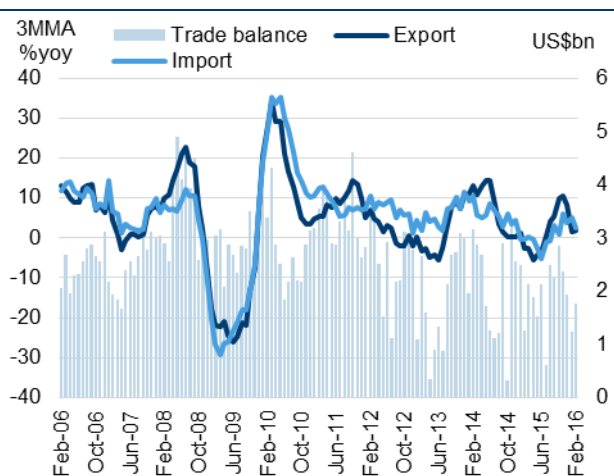
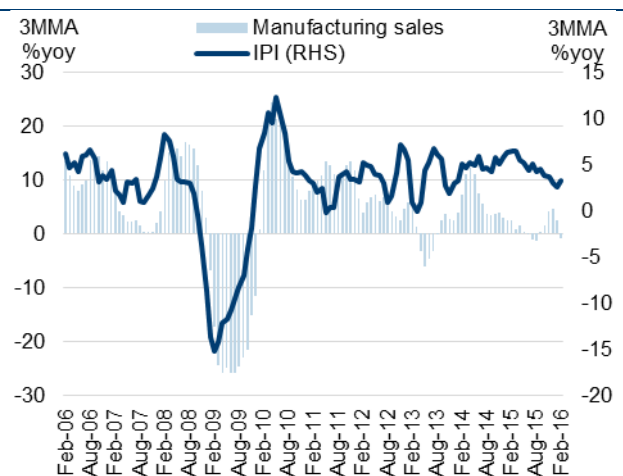


Chart 12: Malaysia's production



Source: All data for charts sourced from CEIC and Bloomberg

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Appendix III: Monthly ASEAN economic data trend

	MAY 2015	JUN 2015	JUL 2015	AUG 2015	SEP 2015	OCT 2015	NOV 2015	DEC 2015	JAN 2016	FEB 2016	MAR 2016	APR 2016
MALAYSIA												
CPI (%yoy)	2.1	2.5	3.3	3.1	2.6	2.5	2.6	2.7	3.5	4.2	2.6	-
Core CPI (%yoy)	1.5	2.1	3.1	2.5	1.8	1.6	1.8	1.8	3.3	3.9	1.5	-
IPI (%yoy)	4.5	4.4	6.1	2.3	5.1	4.2	1.9	2.7	3.3	3.9	-	-
Exports (%yoy)	-6.6	5.0	3.5	4.1	8.8	16.7	6.3	1.4	-2.8	6.7	-	-
Imports (%yoy)	-7.1	-1.5	5.9	-6.1	9.6	-0.4	9.1	2.7	3.3	1.6	-	-
Trade balance (US\$bn)	1.5	2.1	0.6	2.5	2.2	2.9	2.4	1.9	1.2	1.8	-	-
Foreign reserves (US\$bn)	106.4	105.5	96.7	94.7	93.3	94.0	94.6	95.3	95.5	95.6	97.0	-
INDONESIA												
CPI (%yoy)	7.1	7.3	7.3	7.2	6.8	6.2	4.9	3.4	4.1	4.4	4.4	3.6
Core CPI (%yoy)	5.0	5.0	4.9	4.9	5.1	5.0	4.8	4.0	3.6	3.6	3.5	3.4
IPI (%yoy)	2.4	5.0	4.4	5.7	2.0	6.2	6.6	2.4	3.7	2.9	-	-
Exports (%yoy)	-14.4	-12.4	-18.8	-12.1	-17.6	-20.7	-18.0	-17.5	-20.9	-7.1	-13.5	-
Imports (%yoy)	-21.4	-17.3	-28.4	-16.2	-25.6	-27.5	-18.0	-16.3	-17.0	-11.6	-10.4	-
Trade balance (US\$bn)	1.1	0.5	1.4	0.3	1.0	1.0	-0.4	-0.2	0.0	1.1	0.5	-
Foreign reserves (US\$bn)	110.8	108.0	107.6	105.3	101.7	100.7	100.2	105.9	102.1	104.5	107.5	-
PHILIPPINES												
CPI (%yoy)	1.6	1.2	0.8	0.6	0.4	0.4	1.1	1.5	1.3	0.9	1.1	-
Core CPI (%yoy)	2.2	2.0	1.9	1.6	1.4	1.5	1.8	2.1	1.8	1.5	1.5	-
IPI (%yoy)	-8.0	-7.9	-6.6	-5.8	-5.4	-6.3	-2.2	-3.1	25.8	2.8	-	-
Exports (%yoy)	-17.4	-1.8	-1.8	-6.3	-15.5	-10.8	-1.1	-3.0	-3.9	-4.5	-	-
Imports (%yoy)	-13.4	22.6	23.0	5.7	8.2	16.9	10.1	-25.8	20.5	-5.6	-	-
Trade balance (US\$bn)	0.5	-0.6	-1.5	-1.0	-1.3	-1.9	-1.0	0.6	-2.6	-1.1	-	-
Foreign reserves (US\$bn)	80.4	80.6	80.3	80.2	80.5	81.1	80.2	80.7	80.7	81.9	83.0	-
SINGAPORE												
CPI (%yoy)	-0.4	-0.3	-0.4	-0.8	-0.6	-0.8	-0.8	-0.6	-0.6	-0.8	-1.0	-
IPI (%yoy)	-1.2	-2.7	-6.1	-4.7	-6.3	-3.3	-2.8	-11.9	0.1	-3.8	-0.5	-
Non oil domestic exports (%yoy)	-0.7	3.4	1.4	-9.8	2.1	0.0	-3.4	-7.2	-10.1	2.0	-15.6	-
Electronic exports	-2.8	7.6	2.5	-2.7	5.7	-3.2	0.6	-0.3	-0.6	0.7	-9.1	-
Imports (%yoy)	-19.6	-4.5	-9.2	-6.9	-11.0	-12.7	-5.8	-10.6	-13.7	2.2	-8.6	-
Trade balance (US\$bn)	4.6	3.2	4.1	2.9	3.9	5.3	3.5	3.7	4.2	2.0	3.6	-
Foreign reserves (US\$bn)	250.2	253.3	250.1	250.4	251.6	249.8	247.1	247.7	244.9	244.0	246.5	-
THAILAND												
CPI (%yoy)	-1.3	-1.1	-1.0	-1.2	-1.1	-0.8	-1.0	-0.9	-0.5	-0.5	-0.5	-0.5
Core CPI (%yoy)	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.7	0.6	0.7	0.7	0.7
IPI (%yoy)	-0.1	-0.6	2.7	0.5	-0.3	-0.8	0.3	1.4	-3.5	-1.7	1.8	-
Exports (%yoy)	-5.0	-7.9	-3.6	-6.7	-5.5	-8.1	-7.4	-8.7	-8.9	10.3	1.3	-
Imports (%yoy)	-20.0	-0.3	-12.7	-4.8	-26.2	-18.2	-9.5	-9.2	-12.4	-16.8	-6.9	-
Trade balance (US\$bn)	2.4	0.2	0.8	0.7	2.8	2.1	0.3	1.5	0.2	5.0	3.0	-
Foreign reserves (US\$bn)	158.5	160.3	156.9	155.8	155.5	158.3	155.7	156.5	160.1	168.0	175.1	-
REAL GDP (%yoy)												
	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
MALAYSIA	4.6	4.9	5.0	6.3	6.5	5.6	5.7	5.6	4.9	4.7	4.5	-
INDONESIA	5.6	5.5	5.6	5.1	5.0	5.0	5.0	4.7	4.7	4.7	5.0	4.9
PHILIPPINES	7.9	6.8	6.1	5.6	6.7	5.5	6.6	5.0	5.8	6.1	6.3	-
SINGAPORE	4.4	5.7	5.6	4.6	2.6	3.1	2.8	2.7	1.7	1.8	1.8	1.8
THAILAND	2.6	2.5	0.5	-0.5	0.8	0.9	2.1	3.0	2.7	2.9	2.8	-

Source: Bloomberg, CEIC

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