Economic Update

ASEAN Weekly Wrap

Bank Indonesia cut its reference rate by 25bps to 6.5%

This was in tandem with slower global growth and Fed pause on rate

Bank Indonesia (BI) unexpectedly cut BI reference rate by 25bps to 6.5% on the 15-16th June Board of Governors meeting, the lowest level since July 2013. Similarly, the BI 7-Day reverse repo rate, which is scheduled to replace the BI rate as the main policy rate effective 19th August 2016, was reduced by the same magnitude to 5.25%. The rate reduction decision was the fourth made by BI in 2016, and came a day after the US Fed opted to delay the second Federal funds rate (FFR) hike. The central bank is cautious on the global growth outlook, as US growth recovery is deemed not solid with lingering US labour market concerns, as well as the threat of Brexit, which has the potential to add tension to global financial markets.

With Indonesia's inflation continue to trend lower (3.3% yoy in May vs 3.6% in April), we believe the latest rate cut may provide some support to the country's domestic demand and growth momentum amid weaker global economic outlook. Recall that World Bank lowered global growth projection recently by a significant 0.5 percentage points to 2.4% for 2016 and 0.3 percentage points to 2.8% for 2017 (2.4% in 2015). While Indonesia's domestic economic growth may likely improve in 2Q16, BI also cautioned that it was not as strong as previously assessed, raising the possibility of further easing in the months ahead. Weaker global growth has impacted Indonesia through the trade channel, where export growth came in worse-than-expected in May, contracting by a sharp 9.8% yoy (-12.4% in April). This was the 20th month of contraction, and compared to market expectations of a 7.8% decline. Both oil & gas (O&G) and non-O&G also extended contraction into 20th month, at -31.2% yoy and -7.1% respectively. Meanwhile, as the contraction of import moderated significantly to 4.1% yoy in May (-14.4% in April), the country's trade balance narrowed to US$375.6m (US$662.3m in April).

Separately, Singapore's retail sales slowed from 5.2% yoy in March to 3.8% yoy in April, significantly lower than market expectations of 6.1%. The retail sales were supported by purchase of motor vehicles, which rose by 43% (41.3% in March), attributable to lower premium for Certificate of Entitlement (COE) compared to 2015. Nevertheless, excluding motor vehicles, retail sales contracted by 3.1%, underlining subdued domestic demand environment in the country. This was reflected mainly in lower retail sales for food & beverages (-6.9% yoy), furniture & household equipment (-1.8%), telecommunications & computers (-17.2%).

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Fig 1: ASEAN economic releases (10 June – 16 June 2016)

	AUG 2015	SEP 2015	OCT 2015	NOV 2015	DEC 2015	JAN 2016	FEB 2016	MAR 2016	APR 2016	MAY 2016	JUN 2016	GENERAL CONSENSUS
MALAYSIA												
CPI (%yoy)	3.1	2.6	2.5	2.6	2.7	3.5	4.2	2.6	2.1	2.0	-	*2.0*
IPI (%yoy)	2.3	5.1	4.2	1.9	2.7	3.3	3.9	2.8	3.0	-	-	*3.5*
INDONESIA												
Exports (%yoy)	-12.1	-17.6	-20.7	-18.0	-17.5	-20.9	-7.1	-13.4	-12.4	-9.8	-	*-7.8*
Imports (%yoy)	-16.2	-25.6	-27.5	-18.0	-16.3	-17.0	-11.6	-10.4	-14.4	-4.1	-	*-5.8*
Trade balance (US$bn)	0.3	1.0	1.0	-0.4	-0.2	0.0	1.1	0.5	0.7	0.4	-	*0.7*
BI Reference Rate (%)	7.50	7.50	7.50	7.50	7.50	7.25	7.00	6.75	6.75	6.75	6.50	*6.75*
PHILIPPINES												
Exports (%yoy)	-6.3	-15.2	-10.8	-1.1	-3.0	-3.9	-4.5	-15.1	-4.1	-	-	*-4.7*
SINGAPORE												
Retail sales (%yoy)	6.6	4.3	2.9	4.8	2.8	7.8	-3.1	5.2	3.8	-	-	*6.1*

Source: All data from CEIC, consensus from Bloomberg

Appendix I: ASEAN economic charts (10 – 16 June 2016)

Chart 1: Malaysia's production

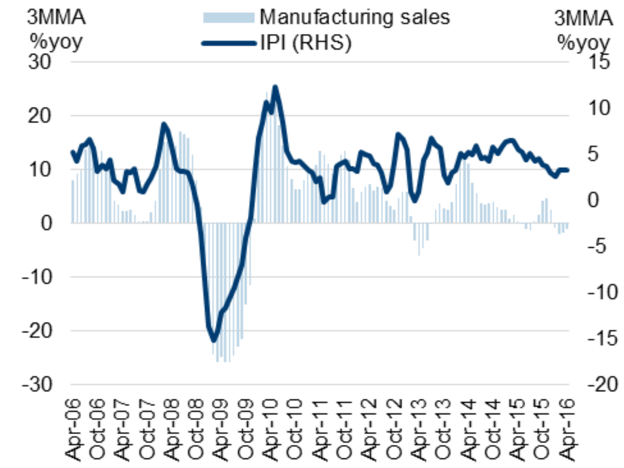


Chart 2: Malaysia's inflation

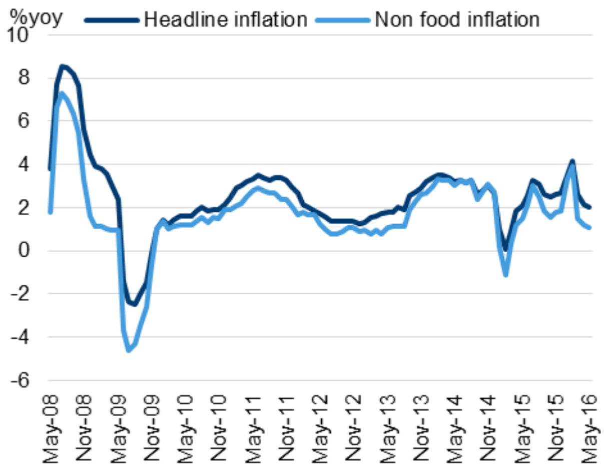


Chart 3: Indonesia's trade

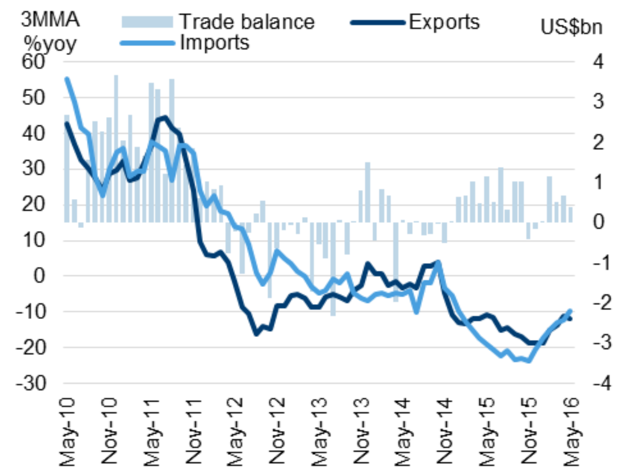


Chart 4: Indonesia's policy rate

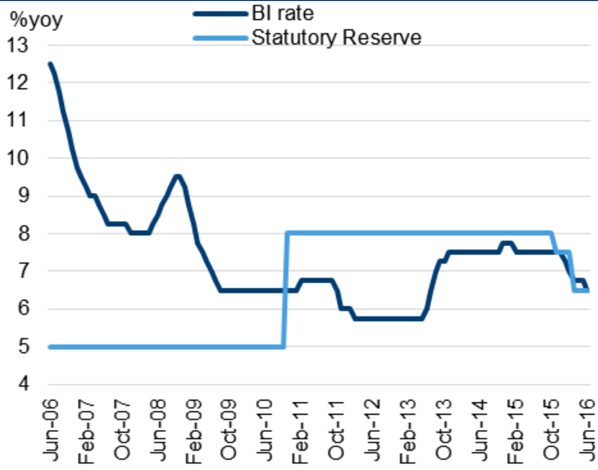


Chart 5: Singapore's retail sales

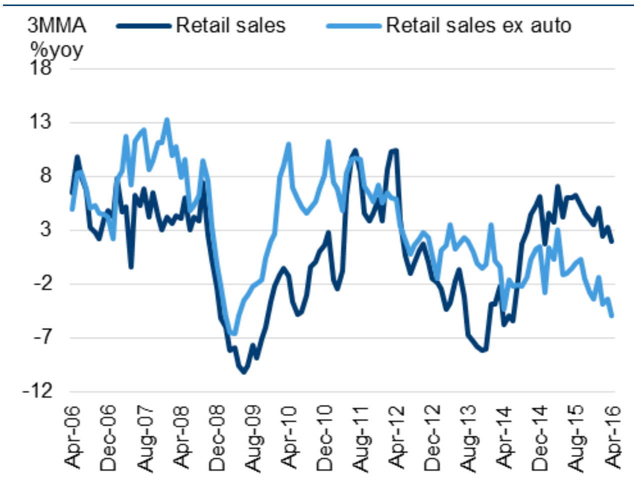
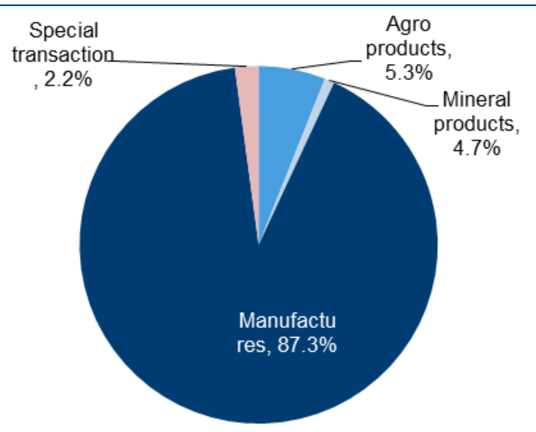


Chart 6: Share of Philippines' exports



Source: All data for charts sourced from CEIC and Bloomberg

Appendix II: Upcoming ASEAN economic releases charts

Chart 7: Singapore's exports

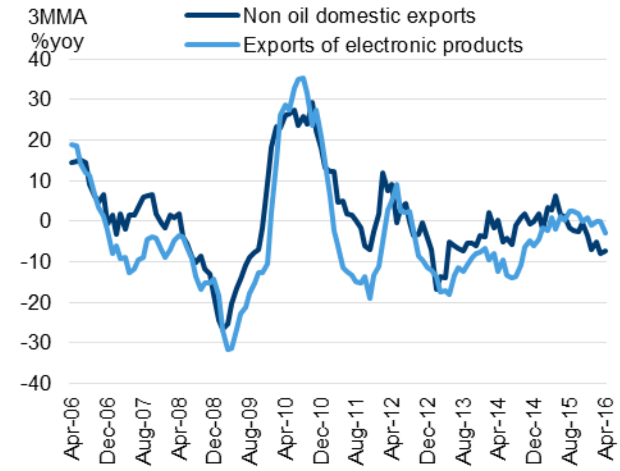


Chart 8: Singapore's inflation by main components

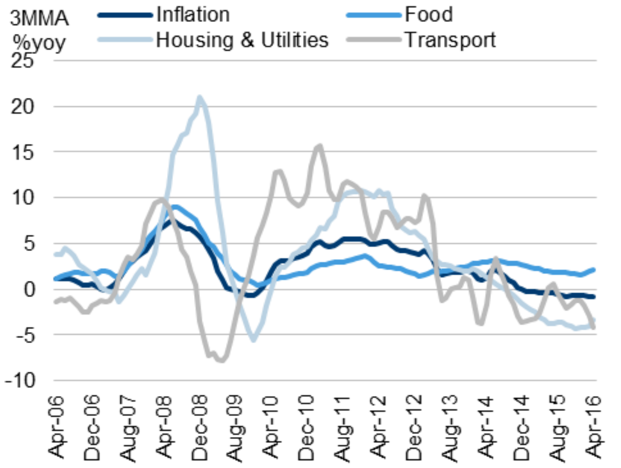


Chart 9: Thailand's policy rate

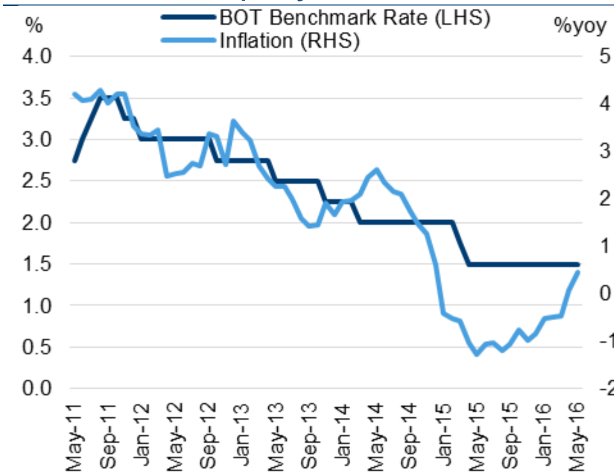


Chart 10: Philippines' and Thailand's policy rate

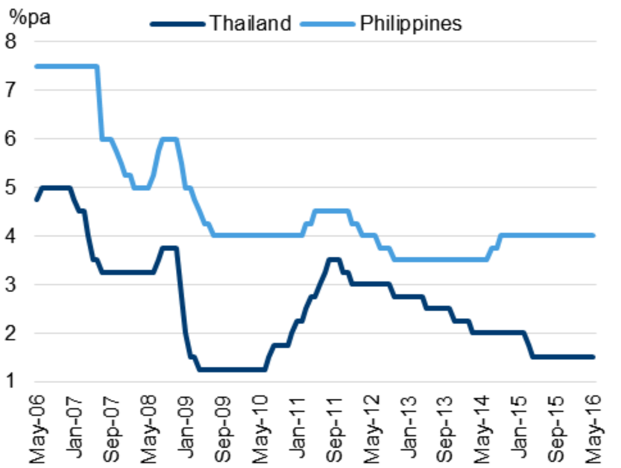


Chart 11: Thailand's trade

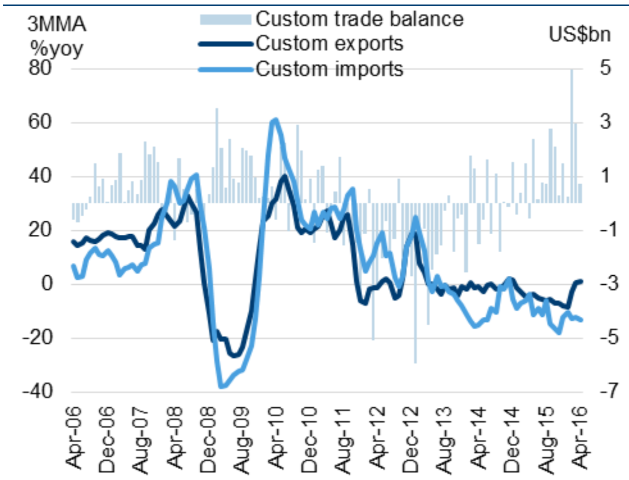
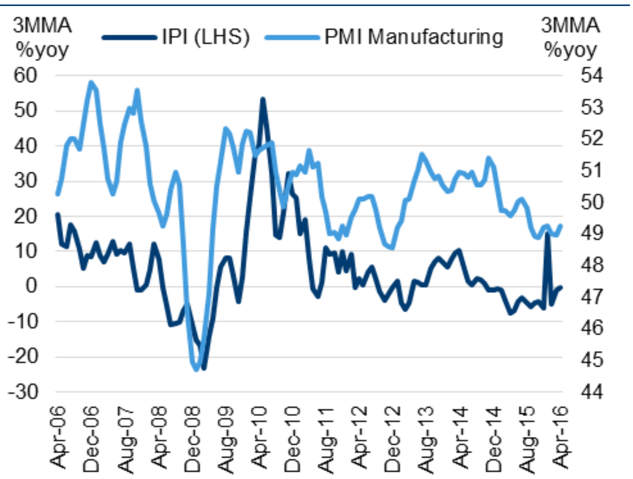


Chart 12: Singapore's production



Source: All data for charts sourced from CEIC and Bloomberg

Appendix III: Monthly ASEAN economic data trend

	JUN 2015	JUL 2015	AUG 2015	SEP 2015	OCT 2015	NOV 2015	DEC 2015	JAN 2016	FEB 2016	MAR 2016	APR 2016	MAY 2016
MALAYSIA												
CPI (%yoy)	2.5	3.3	3.1	2.6	2.5	2.6	2.7	3.5	4.2	2.6	2.1	2.0
Core CPI (%yoy)	2.1	3.1	2.5	1.8	1.6	1.8	1.8	3.3	3.9	1.5	1.2	1.1
IPI (%yoy)	4.4	6.1	2.3	5.1	4.2	1.9	2.7	3.3	3.9	2.8	3.0	-
Exports (%yoy)	5.0	3.5	4.1	8.8	16.7	6.3	1.4	-2.8	6.7	0.2	1.6	-
Imports (%yoy)	-1.5	5.9	-6.1	9.6	-0.4	9.1	2.7	3.3	1.6	-5.5	-2.3	-
Trade balance (US$bn)	2.1	0.6	2.5	2.2	2.9	2.4	1.9	1.2	1.8	2.8	2.3	-
Foreign reserves (US$bn)	105.5	96.7	94.7	93.3	94.0	94.6	95.3	95.5	95.6	97.0	97.0	97.3
INDONESIA												
CPI (%yoy)	7.3	7.3	7.2	6.8	6.2	4.9	3.4	4.1	4.4	4.4	3.6	3.3
Core CPI (%yoy)	5.0	4.9	4.9	5.1	5.0	4.8	4.0	3.6	3.6	3.5	3.4	3.4
IPI (%yoy)	5.0	4.4	5.7	2.0	6.2	6.6	1.5	2.6	7.5	2.8	1.6	-
Exports (%yoy)	-12.4	-18.8	-12.1	-17.6	-20.7	-18.0	-17.5	-20.9	-7.1	-13.4	-12.4	-9.8
Imports (%yoy)	-17.3	-28.4	-16.2	-25.6	-27.5	-18.0	-16.3	-17.0	-11.6	-10.4	-14.4	-4.1
Trade balance (US$bn)	0.5	1.4	0.3	1.0	1.0	-0.4	-0.2	0.0	1.1	0.5	0.7	0.4
Foreign reserves (US$bn)	108.0	107.6	105.3	101.7	100.7	100.2	105.9	102.1	104.5	107.5	107.7	103.6
PHILIPPINES												
CPI (%yoy)	1.2	0.8	0.6	0.4	0.4	1.1	1.5	1.3	0.9	1.1	1.1	1.6
Core CPI (%yoy)	2.0	1.9	1.6	1.4	1.5	1.8	2.1	1.8	1.5	1.5	1.5	1.6
IPI (%yoy)	-7.9	-6.6	-5.8	-5.4	-6.3	-2.2	-3.1	25.8	6.8	1.8	-	-
Exports (%yoy)	-1.8	-1.8	-6.3	-15.5	-10.8	-1.1	-3.0	-3.9	-4.5	-15.1	-4.1	-
Imports (%yoy)	22.6	23.0	5.7	8.2	16.9	10.1	-25.8	20.5	-5.6	11.7	-	-
Trade balance (US$bn)	-0.6	-1.5	-1.0	-1.3	-1.9	-1.0	0.6	-2.6	-1.1	-1.7	-	-
Foreign reserves (US$bn)	80.6	80.3	80.2	80.5	81.1	80.2	80.7	80.7	81.9	83.0	83.7	83.5
SINGAPORE												
CPI (%yoy)	-0.3	-0.4	-0.8	-0.6	-0.8	-0.8	-0.6	-0.6	-0.8	-1.0	-0.5	-
IPI (%yoy)	-2.7	-6.1	-4.7	-6.3	-3.3	-2.8	-11.9	0.1	-3.7	0.1	2.9	-
Non oil domestic exports (%yoy)	3.4	1.4	-9.8	2.1	0.0	-3.4	-7.2	-10.1	2.0	-15.7	-7.9	-
Electronic exports	7.6	2.5	-2.7	5.7	-3.2	0.6	-0.3	-0.6	0.7	-9.1	-7.4	-
Imports (%yoy)	-4.5	-9.2	-6.9	-11.0	-12.7	-5.8	-10.6	-13.7	2.2	-9.0	-12.0	-
Trade balance (US$bn)	3.2	4.1	2.9	3.9	5.3	3.5	3.7	4.2	1.9	3.6	4.6	-
Foreign reserves (US$bn)	253.3	250.1	250.4	251.6	249.8	247.1	247.7	244.9	244.0	246.2	250.4	247.1
THAILAND												
CPI (%yoy)	-1.1	-1.0	-1.2	-1.1	-0.8	-1.0	-0.9	-0.5	-0.5	-0.5	-0.5	0.1
Core CPI (%yoy)	0.9	0.9	0.9	1.0	1.0	0.9	0.7	0.6	0.7	0.7	0.7	0.8
IPI (%yoy)	-0.6	2.7	0.5	-0.3	-0.8	0.3	1.4	-3.5	-1.7	2.2	1.5	-
Exports (%yoy)	-7.9	-3.6	-6.7	-5.5	-8.1	-7.4	-8.7	-8.9	10.3	1.3	-8.0	-
Imports (%yoy)	-0.3	-12.7	-4.8	-26.2	-18.2	-9.5	-9.2	-12.4	-16.8	-6.9	-14.9	-
Trade balance (US$bn)	0.2	0.8	0.7	2.8	2.1	0.3	1.5	0.2	5.0	3.0	0.7	-
Foreign reserves (US$bn)	160.3	156.9	155.8	155.5	158.3	155.7	156.5	160.1	168.0	175.1	178.6	-
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	4.2
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	6.9
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	3.2

Source: Bloomberg, CEIC

Appendix IV: ASEAN Economic Calendar for June 2016

June 2016

Monday	Tuesday	Wednesday	Thursday	Friday
		1	2	3
		TH May CPI ID May Nikkei PMI ID May CPI MY May Nikkei PMI		MY Apr. Trade TH May 27 Reserves SG May Nikkei PMI
6	7	8	9	10
ID May reserves	SG May Reserves MY May 31 Reserves PH May CPI PH May Reserves	ID May consumer confidence	TH May consumer confidence	TH June 3 Reserves MY Apr. IPI MY Apr. Manufacturing sales PH Apr. Exports
13	14	15	16	17
		ID May trade SG Apr. Retail sales MY May CPI	ID MPC Meeting	TH June 10 Reserves SG May NODX
20	21	22	23	24
	MY June 15 Reserves	TH MPC Meeting	SG May CPI PH MPC Meeting	TH June 17 Reserves TH May Trade SG May IPI PH Apr. Trade
27	28	29	30	
TH May Manufacturing production TH May Capacity utilization			TH June 24 Reserves SG May Money supply MY May Money supply PH May Money supply	

ID=Indonesia, MY=Malaysia, PH=Philippines, SG=Singapore, TH=Thailand
Dates for indicators are subject to change
Source: Bloomberg

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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