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Economic Update

Indonesia fiscal deficit revised higher to 2.35% of GDP**Thailand's imports unexpectedly rise, but exports declined**

Indonesia's revised budget has been approved by the Parliament, where the country's GDP growth has been revised lower, but also with expectations for lower inflation and improvement in Indonesia Rupiah, see Chart 1. In the revised budget, in view of slower economy, the Indonesian government's revenue collection was revised lower by 2% to IDR1,786trn. Even so, the revenue collection in the first five months of 2016 only accounted for about 28% of the revised revenue. However, to shore up the revenue collection, the parliament has also approved the Tax Amnesty Bill, to be effective 1st July 2016 and will be in effect until March 2017.

The amnesty programme is expected to contribute IDR165trn to the government revenue coffers in 2016, about 9% of the revised revenue. Nevertheless, at this rate of increase (28% in first five months of 2016 excluding tax amnesty), unless the economy improved significantly, we believe it would still be difficult for the government to achieve the revised revenue target. As a result, the country's budget deficit position is likely to widen to 2.35% of GDP for 2016, compared to original target of 2.15%, as higher government expenditure on infrastructure will also likely be needed to shore up economic growth in the country. Real GDP growth target has been revised lower by 0.1ppt to 5.2% for 2016, after slowing to six-year low of 4.8% in 2015. Much of this will be domestically-driven, spearheaded by government spending, especially as external environment remains uncertain.

Separately, in Thailand, the country's customs imports unexpectedly rebounded to a 0.5% yoy growth (-14.9% in April), supported by a turnaround in the imports of consumer goods (+7.9% vs -1.7% in April), raw materials and intermediate products (+2.4% vs -9.4% in April) as well as stronger demand for vehicles and transport accessories (+22.8%). This was in tandem with stronger car sales for the month, which rose by 15.9% yoy (1.7% in April). This reflects some stabilisation in domestic demand, where consumer confidence index has shown some stabilisation at 72.6 in May (72.7 in April), and may be an indication of improvement in 2H16.

However, the country's customs exports fell for second month in May, by 4.4% yoy (-8% in April). This was higher than market expectation of a 3.2% decline, reflecting that the brief uptick in Feb-Mar 2016 was only temporary. The impact of Brexit on Thailand's trade should be manageable as UK only accounted for 1.3% of Thailand's export in 2015, whereas exports to EU was about 8.9%. We believe the Thailand's economy will continue to be supported by domestic demand and tourism sector.

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Fig 1: ASEAN economic releases (24 June – 30 June 2016)

	JUL 2015	AUG 2015	SEP 2015	OCT 2015	NOV 2015	DEC 2015	JAN 2016	FEB 2016	MAR 2016	APR 2016	MAY 2016	GENERAL CONSENSUS
PHILIPPINES												
Imports (%yoy)	23.0	5.7	8.2	16.9	10.1	-25.8	20.5	-5.6	11.7	29.2	-	20.0
Trade balance (US\$bn)	-1.5	-1.0	-1.3	-1.9	-1.0	0.6	-2.6	-1.1	-1.7	-2.3	-	-1.9
SINGAPORE												
IPI (%yoy)	-6.1	-4.7	-6.3	-3.3	-2.8	-11.9	1.1	-3.6	0.5	3.0	0.9	1.0
THAILAND												
Customs exports (%yoy)	-3.6	-6.7	-5.5	-8.1	-7.4	-8.7	-8.9	10.3	1.3	-8.0	-4.4	-3.2
Customs imports (%yoy)	-12.7	-4.8	-26.2	-18.2	-9.5	-9.2	-12.4	-16.8	-6.9	-14.9	0.5	-5.0
Custom trade (US\$bn)	0.8	0.7	2.8	2.1	0.3	1.5	0.2	5.0	3.0	0.7	1.5	2.4

Source: All data from CEIC, consensus from Bloomberg

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Appendix I: ASEAN economic charts (24 – 30 June 2016)

Chart 1: Indonesia's revised budget

		2016 state budget	
		Original	Revised
GDP growth	%	5.3	5.2
Inflation	%	4.7	4.0
Exchange rate	IDR/USD	13,900.0	13,500.0
3-month SBI/SPN	%	5.5	5.5
Indonesian crude oil price	USD/Barrel	50.0	40.0
Oil lifting	1000 Barrel/Day	830.0	820.0
Gas lifting	MN Barrel/Day	1,150.0	1,150.0
Revenues	IDR trn	1,822.5	1,768.2
Tax revenues	IDR trn	1,546.7	1,539.2
Total expenditure	IDR trn	2,095.7	2,082.9
Central government spending	IDR trn	1,325.6	1,306.7
Ministries and institutions spending	IDR trn	784.1	767.8
Regional transfers and village funds	IDR trn	770.2	776.3
Subsidy	IDR trn	182.6	177.8
State capital injections to SOEs	IDR trn	40.4	50.5

Chart 2: Philippines share of imports

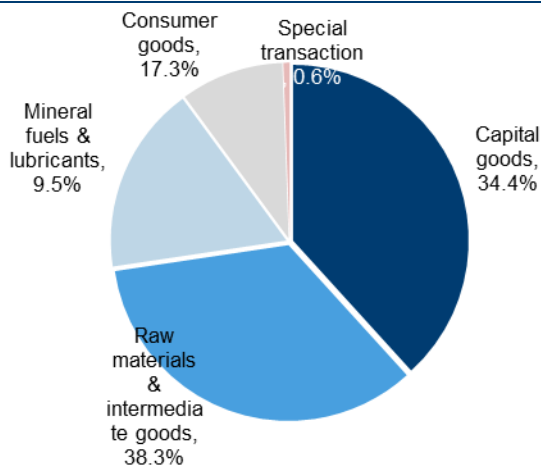


Chart 3: Singapore's production

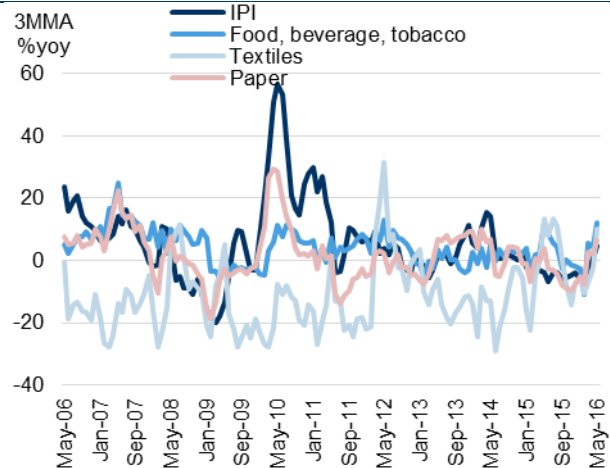


Chart 4: Thailand's trade

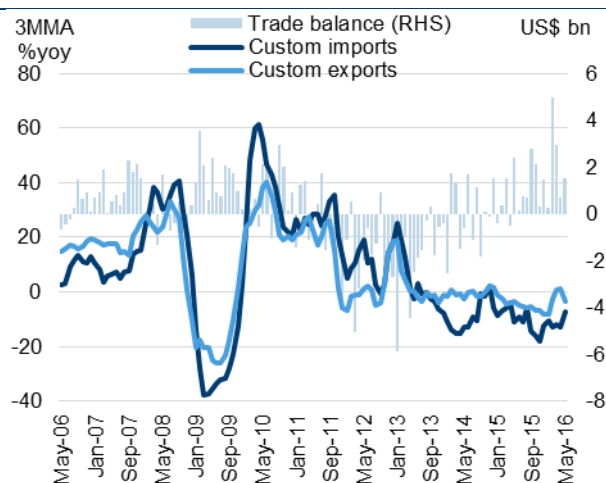
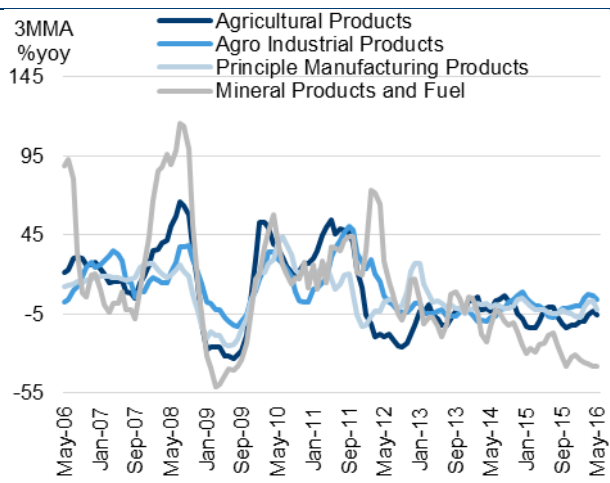


Chart 5: Thailand's export by commodities



Source: All data for charts sourced from CEIC and Bloomberg

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Appendix II: Upcoming ASEAN economic releases charts

Chart 6: Philippines' inflation

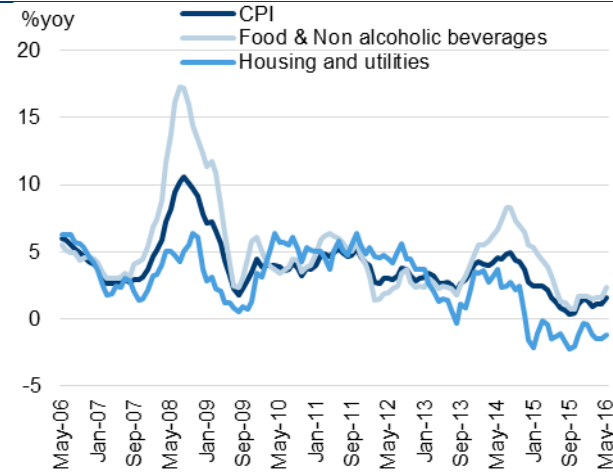


Chart 7: Thailand's inflation

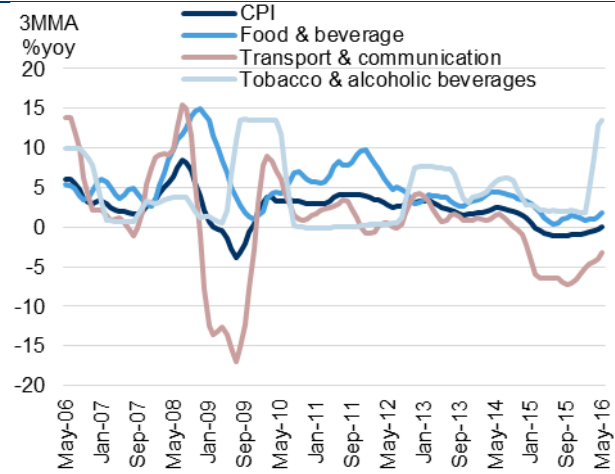


Chart 8: Malaysia's trade

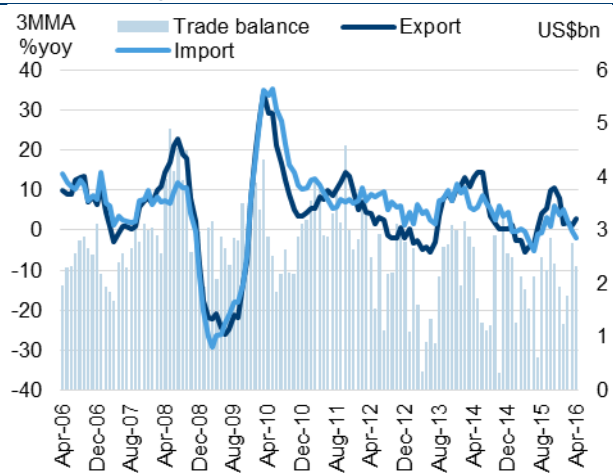


Chart 9: Malaysia's reserves

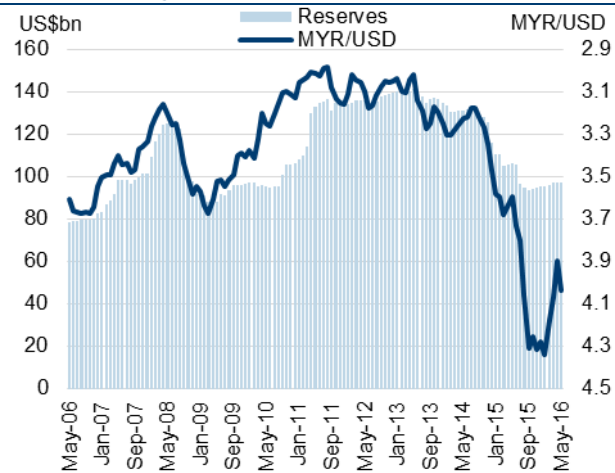


Chart 10: Thailand's consumer confidence

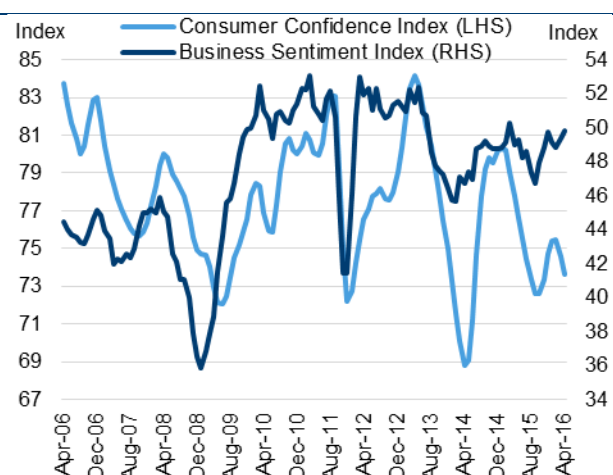
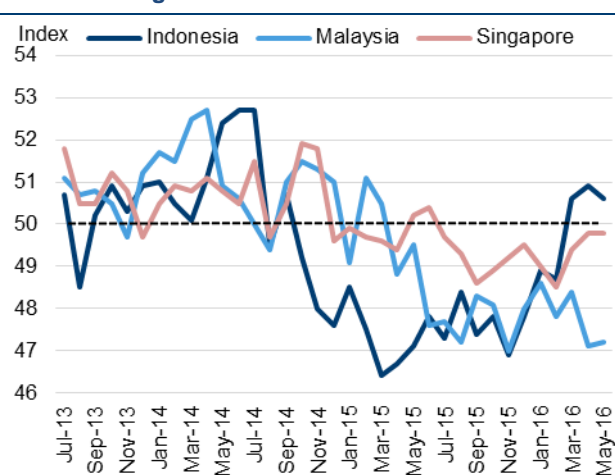


Chart 11: Regional PMI



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	6.8	-
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	29.2	-
Trade balance (US\$bn)	-0.6	-1.5	-1.0	-1.3	-1.9	-1.0	0.6	-2.6	-1.1	-1.7	-2.3	-
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	82.9
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	-1.6
IPI (%yoy)	-2.7	-6.1	-4.7	-6.3	-3.3	-2.8	-11.9	0.1	-3.6	0.5	3.0	-
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	11.6
Electronic exports	7.6	2.5	-2.7	5.7	-3.2	0.6	-0.3	-0.6	0.7	-9.1	-7.4	-6.0
Imports (%yoy)	-4.5	-9.2	-6.9	-11.0	-12.7	-5.8	-10.6	-13.7	2.2	-9.0	-12.0	-0.9
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	4.1
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	-4.4
Imports (%yoy)	-0.3	-12.7	-4.8	-26.2	-18.2	-9.5	-9.2	-12.4	-16.8	-6.9	-14.9	0.5
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	1.5
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

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Appendix IV: ASEAN Economic Calendar for July 2016

July 2016				
Monday	Tuesday	Wednesday	Thursday	Friday
				1
				MY May Trade
				TH June CPI
				ID June Nikkei PMI
4	5	6	7	8
	PH June CPI	ID June consumer confidence	TH June consumer confidence	TH June 30 Reserves
	SG June Nikkei PMI			
	MY June 30 Reserves	ID June reserves	SG June Reserves	
			PH June Reserves	
11	12	13	14	15
	PH May Exports	MY MPC Meeting	SG May Retail sales	TH Jul. 8 Reserves
	MY May IPI		SG 2Q16 GDP	ID June trade
	MY May manufacturing sales			
18	19	20	21	22
SG June NODX		SG June IPI	ID MPC Meeting	TH Jul. 15 Reserves
		MY June CPI		MY Jul.15 Reserves
25	26	27	28	29
TH June Trade	PH May trade	TH June Capacity utilization		TH Jul. 22 Reserves
SG June CPI	ID June money supply			SG June Money supply
				PH June Money supply
				MY June 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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