

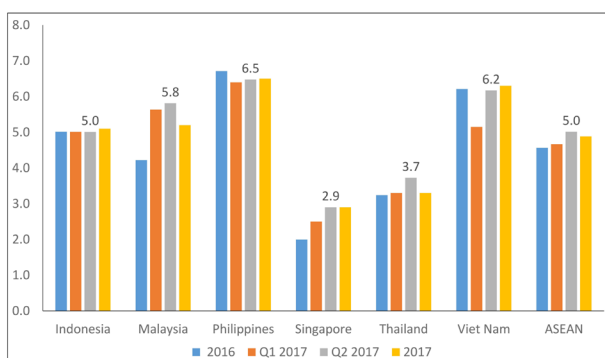
Southeast Asia Grows by 5% in Q2-2017

The Southeast Asian economy expands 5% in Q2-2017 (Figure 1), mainly driven by trade (Figures 2 and 3).

However, a lower than expected consumption growth rate in Indonesia was a drag on gross domestic product (GDP) growth – despite an increase in government spending on infrastructure that aims to boost domestic demand, growth in the region’s biggest economy has failed to accelerate.

On the monetary system front, the average inflation rate of Southeast Asia was 2.3% in June 2017 with lower price pressures in the Philippines, Malaysia, and Thailand, but higher than expected inflation in Indonesia due to rising energy commodity prices. Despite low inflationary pressure, rising interest rates in the United States (US) reduced space for most central banks in the Association of Southeast Asian Nations (ASEAN) to cut rates. In 2017, Southeast Asia’s economy is expected to grow by 4.9%, as US protectionist policies and an expected slowdown in China have not yet materialised. Growth is likely to be continuously supported by a favourable development of exports and continuous growth in domestic demand.

Figure 1. Southeast Asian Economic Growth
(%, yoy)

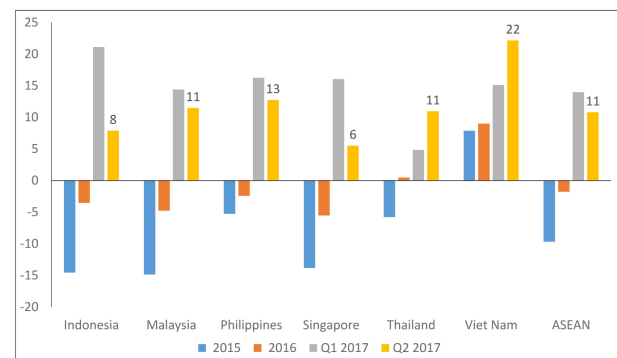


yoy = year-on-year; ASEAN = Association of Southeast Asian Nations.

Note: The Southeast Asian Countries include Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

Source: National Statistics Offices of Southeast Asian Countries and Economist Intelligence Unit, 2017.

Figure 2. Southeast Asia’s Exports
(%, yoy)

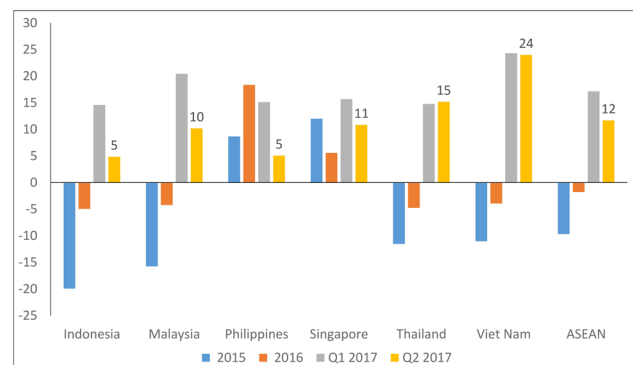


yoy = year-on-year; ASEAN = Association of Southeast Asian Nations.

Note: The Southeast Asian Countries include Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

Source: National Statistics Offices of Southeast Asian Countries, 2017.

Figure 3. Southeast Asia’s Imports
(%, yoy)



yoy = year-on-year; ASEAN = Association of Southeast Asian Nations.

Note: The Southeast Asian Countries include Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

Source: National Statistics Offices of Southeast Asian Countries, 2017.

INDONESIA

The Indonesian economy grew by 5.0% in Q2-2017, mainly supported by an expansion of fixed investment of 5.4% and export growth of 7.9% (Table 1). Moreover, recovering commodity prices in 2017 triggered growth of 2.2% in Q2-2017 in the mining and quarrying sector, its fastest growth rate since Q1-2014.

Consumption growth, which has been the backbone of Indonesia's growth, only grew by 4.9%, year-on-year, contributing to 2.65% of overall GDP growth as retail sales expanded by only 5%, in contrast with Q2-2016 when growth was 13.7%. Moreover, a persistent tax collection shortfall has also hampered government efforts to expand its consumption, which contracted by 1.9% in Q2-2017. Last, it was also seen that manufacturing industry only able to grow by 3.5% compare to services sector that grew 5.3%.

The mixed results of Indonesia's Q2-2017 need to be examined closely. First, they show how the manufacturing sector has been unable to expand in response to the improved external demand. Second, it shows that the 23% increase in government spending on infrastructure from Rp313 trillion to Rp387.7 trillion has not achieved the boost in domestic demand that had been expected. The Indonesian economy will continue to be reliant on the improvement of the external sector and more government infrastructure spending financed through debt issuance. To maintain public confidence, it is essential for the government to maintain its budget deficit below 3% of GDP and to continue with its reforms to improve Indonesia's business climate and stimulate the growth of the manufacturing sector.

MALAYSIA

The Malaysian economy continued to grow strongly in Q2-2017, registering 5.8% growth, supported by a 7.1% expansion of private consumption and 11.5% export growth (Table 2). Moreover, the strong exports growth is giving a strong boost to the manufacturing sector as 38% of the country's exported products are electronics and electrical products, which allowed the overall manufacturing sector to grow by 6%. Due to the robust economic performance in the first 2 quarters of 2017, it is likely that the government will call for an early election to capitalise on its recent economic achievements.

Table 1. Indonesia's Quarterly Economic Indicators

Indonesia Economic Indicators	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Economic Growth (% yoy)	5.2	5.0	4.9	5.0	5.0
Retail Sales (% yoy)	13.7	9.3	9.5	4.8	5.0
Private Consumption (% yoy)	5.1	5.0	5.0	4.9	4.9
Government Consumption (% yoy)	6.2	-2.9	-4.0	2.7	-1.9
Fixed Investment (% yoy)	4.2	4.2	4.8	4.8	5.4
Agriculture, Forestry and Fisheries (% yoy)	3.4	3.0	5.3	7.1	3.3
Mining and Quarrying (% yoy)	1.2	0.3	1.6	-0.6	2.2
Manufacturing Industry (% yoy)	4.6	4.5	3.4	4.2	3.5
Exports (US\$ billion)	36	35	40	41	39
Imports (US\$ billion)	34	33	37	37	36
Exports (% yoy)	-7.5	-4.9	14.0	21.1	7.9
Imports (% yoy)	-8.5	-3.9	6.5	14.6	4.9
Exchange Rates (Rp per US\$, end of period)	13,355	13,118	13,417	13,346	13,298
Inflation (% end of period)	3.5	3.1	3.0	3.6	4.4

yoy = year-on-year.

Source: Statistics Indonesia, 2017.

Table 2. Malaysia's Quarterly Economic Indicators

Malaysia Economic Indicators	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Economic Growth (% yoy)	4.0	4.3	4.5	5.6	5.8
Retail Sales (% yoy)	8.7	9.0	9.1	10.1	13.5
Private Consumption (% yoy)	6.2	6.3	6.1	6.6	7.1
Government Consumption (% yoy)	5.5	2.1	-4.2	7.5	3.3
Fixed Investment (% yoy)	6.1	2.0	2.4	10.0	4.1
Agriculture, Forestry and Fisheries (% yoy)	-7.8	-6.1	-2.5	8.3	5.9
Mining and Quarrying (% yoy)	2.1	2.9	5.0	1.6	0.2
Manufacturing Industry (% yoy)	4.2	4.3	4.7	5.6	6.0
Exports (US\$ billion)	47	48	50	51	52
Imports (US\$ billion)	42	44	44	46	47
Exports (% yoy)	-7.2	-2.1	1.9	14.4	11.5
Imports (% yoy)	-6.2	-0.1	4.1	20.4	10.2
Exchange Rates (MR per US\$, end of period)	4.0	4.1	4.5	4.4	4.3
Inflation (% end of period)	1.6	1.5	1.8	5.1	3.6

yoy = year-on-year.

Source: Department of Statistics of Malaysia, 2017.

PHILIPPINES

The Philippines economy grew by 6.5% in Q2-2017, driven by a 7.1% expansion of government consumption and 9.4% fixed investment growth (Table 3). Moreover, strong export growth of 11% – driven by 12.6% growth of electronic products components and semiconductors and 8.4% growth of electronic data processing – also provided a much needed boost to the economy. Exports to the Philippines' top three destination countries – Japan, the United States, and Hong Kong – grew by 4%, -1%, and 27%, respectively.

SINGAPORE

The Singaporean economy grew by 2.9% in Q2-2017, mainly supported by a 8.1% expansion of government consumption and 5.5% export growth (Table 4). Furthermore, strong export growth in the first 2 quarters of 2017 provided a boost to the manufacturing sector as 50% of the city state's exported products belongs to high value added machinery and transport products, allowing the overall manufacturing sector to grow by 8.1% in Q2-2017.

Private consumption rose by only 0.1%, however, and there was a 7.3% contraction in fixed investment, the latter due to weakness in private sector investment. First, a continuous decline in property prices in Singapore since Q1 2014 has reduced incentives for people to invest in private residential property. Second, global economic uncertainty has reduced the incentives for the business sector to invest in fixed investment to expand production capacity.

THAILAND

The Thai economy grew by 3.7% in Q2-2017, mainly supported by a 2.7% expansion of government consumption and robust export growth of 10.9%, whereas private consumption growth was lacklustre (Table 5). Favourable weather and increased external demand for agro industrial products in 2017 triggered 17.1% growth of the agriculture, forestry, and fisheries sector in Q2-2017, following consecutive year-on-year contractions during the second quarters of 2016 (-0.9%) and 2015 (-5.3%).

On the political front, the Government of Thailand has just approved the first phase of a Chinese high-speed railway connecting Thailand to South China with a project value of US\$5.2 billion. While the positive external environment is expected to give the Thai economy a boost, the strong baht, if it continues to be strong, has the potential to reduce the competitiveness of Thai exports.

Table 3. Philippines' Quarterly Economic Indicators

Philippines Economic Indicators	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Economic Growth (% , yoy)	7.1	7.1	6.6	6.4	6.5
Private Consumption (% , yoy)	7.5	7.2	6.2	5.8	5.9
Government Consumption (% , yoy)	13.5	3.1	4.5	0.1	7.1
Fixed Investment (% , yoy)	30.3	25.4	18.5	14.7	9.4
Agriculture, Forestry and Fisheries (% , yoy)	-2.0	3.0	-1.3	4.9	6.3
Mining and Quarrying (% , yoy)	-4.0	-2.0	10.8	-18.0	13.7
Manufacturing Industry (% , yoy)	6.2	6.8	7.0	7.6	7.9
Exports (US\$ billion)	14.0	15.2	14.9	15.5	15.5
Imports (US\$ billion)	21.2	21.7	22.1	22.1	22.2
Exports (% , yoy)	-4.8	-1.8	3.6	16.3	11.0
Imports (% , yoy)	33.8	12.6	16.9	15.1	4.7
Exchange Rates (P per US\$, end of period)	46.5	47.4	49.8	50.3	49.9
Inflation (% , end of period)	1.9	2.3	2.5	2.9	2.6

yoy = year-on-year.

Source: Philippines Statistics, 2017.

Table 4. Singapore's Quarterly Economic Indicators

Singapore Economic Indicators	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Economic Growth (% , yoy)	1.9	1.2	2.9	2.5	2.9
Retail Sales (% , yoy)	1.9	1.0	0.4	1.2	2.0
Private Consumption (% , yoy)	1.2	0.2	-2.3	-0.7	0.1
Government Consumption (% , yoy)	10.1	-1.3	7.0	4.9	5.3
Fixed Investment (% , yoy)	1.4	-4.3	-5.0	-3.8	-7.3
Manufacturing (% , yoy)	1.5	1.8	11.5	8.5	8.1
Construction (% , yoy)	2.7	-2.2	-2.8	-6.3	-5.7
Services (% , yoy)	1.1	0.4	1.0	1.4	2.4
Exports (US\$ billion)	86.2	86.1	89.2	89.0	90.9
Imports (US\$ billion)	73.1	72.6	78.6	77.6	79.0
Exports (% , yoy)	-5.8	-1.8	1.9	16.0	5.5
Imports (% , yoy)	-7.4	-9.1	6.1	15.7	10.8
Exchange Rates (S\$ per US\$, end of period)	1.35	1.37	1.45	1.40	1.38
Inflation (% , end of period)	-0.7	-0.2	0.2	0.7	0.5

yoy = year-on-year.

Source: Statistics of Singapore and Ministry of Trade and Industry of Singapore, 2017.

Table 5. Thailand's Quarterly Economic Indicators

Thailand Economic Indicators	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Economic Growth (% , yoy)	3.6	3.2	3.0	3.3	3.7
Retail Sales (% , yoy)	4.0	4.3	2.9	2.5	2.1
Private Consumption (% , yoy)	4.0	3.0	2.5	3.2	3.0
Government Consumption (% , yoy)	2.4	-5.2	1.8	0.3	2.7
Fixed Investment (% , yoy)	3.5	1.0	1.8	1.7	0.4
Agriculture, Forestry and Fisheries (% , yoy)	-0.9	0.6	2.7	6.3	17.0
Mining and Quarrying (% , yoy)	0.6	-0.9	-4.8	-5.6	-7.6
Manufacturing Industry (% , yoy)	2.2	1.6	2.2	1.3	1.0
Exports (US\$ billion)	51.5	55.2	54.8	56.5	57.1
Imports (US\$ billion)	47.0	49.5	52.0	52.4	54.2
Exports (% , yoy)	-3.8	1.0	3.8	4.9	10.9
Imports (% , yoy)	-8.5	-1.7	6.2	14.8	15.2
Exchange Rates (B per US\$, end of period)	35.2	34.7	35.8	34.5	34.0
Inflation (% , end of period)	0.4	0.4	1.1	0.8	0.0

yoy = year-on-year.

Source: National Economic and Social Development Board of Thailand, 2017.

VIET NAM

The Vietnamese economy expanded by 6.2% in Q2-2017 compared to its 3-year low growth rate of 5.2% in Q1-2017, driven by a rebound of the manufacturing sector, which expanded by 10.9% (Table 6). The robust expansion in the manufacturing sector is largely due to a production boost by Samsung that simultaneously stimulated 41.5% growth in its electronic products exports and 22.6% growth in its overall export products. However, a 8.2% contraction in mining output has dampened the outlook for Viet Nam's economy as the sector has been hit by the introduction of a new tax on natural resources and maturing oil fields.

Looking ahead, the government's decision to liberalise the economy by lifting restrictions on foreign investment in selective services sectors, including telecommunications and finance, is expected to further boost the economy. However, the high volumes of non-performing loans in the banking sector pose significant risks to the Vietnamese financial sectors. On the geopolitical front, a 2-year contract extension between state-owned oil company PetroVietnam and India's ONGC Videsh Ltd that allows the Indian company to explore Viet Nam's oil reserves in disputed waters of the South China Sea threatens to increase tensions between Viet Nam and China over maritime territory.

Table 6. Viet Nam's Quarterly Economic Indicators

Viet Nam Economic Indicators	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Economic Growth (% yoy)	5.8	6.6	6.7	5.2	6.2
Agriculture, Forestry and Fisheries (% yoy)	-0.3	0.7	1.4	1.9	2.7
Mining and Quarrying (% yoy)	-1.9	-3.0	-4.0	-9.1	-8.2
Manufacturing Industry (% yoy)	10.2	11.2	11.9	9.3	10.9
Construction (% yoy)	9.9	9.1	10.0	4.8	9.0
Services (% yoy)	6.3	6.6	7.0	6.4	7.0
Exports (US\$ billion)	43.5	46.3	48.0	44.6	53.1
Imports (US\$ billion)	43.5	44.6	49.3	46.6	53.9
Exports (% yoy)	5.2	9.1	14.7	15.1	22.1
Imports (% yoy)	3.3	4.5	17.9	24.3	24.0
Exchange Rates (D per US\$, end of period)	21,873	21,949	22,159	22,276	22,731
Inflation (% end of period)	2.4	3.3	4.7	4.7	2.5

yoy = year-on-year.

Source: Viet Nam General Statistics Office, 2017.

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