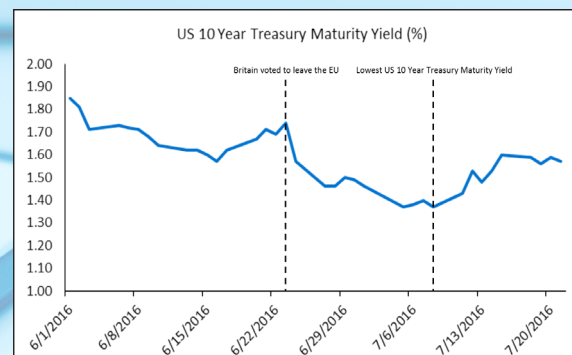
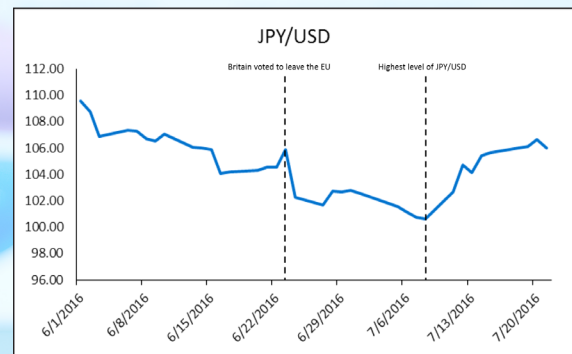


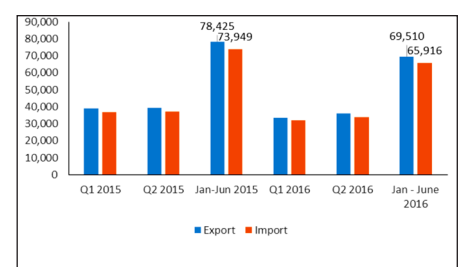
## Monthly Highlights

- Great Britain's unexpected referendum to leave the European Union left the world in shock and triggered a temporary shock to the global financial system as capital flowed to the United States (US) and Japan.
- Capital flows to the US and Japan in the form of currency purchases led to the decline of US 10-year Treasury Notes and the appreciation of the Japanese yen. The yen's appreciation could potentially undermine the effort of the Japanese government to revive its economy as a strong currency leads to deterioration of export product competitiveness in international markets.
- ASEAN: Investment flowing into ASEAN markets is more likely in the form of short-term investment instead of foreign direct investment (FDI).



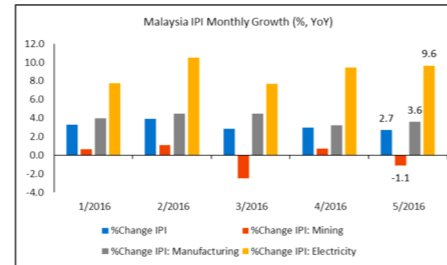
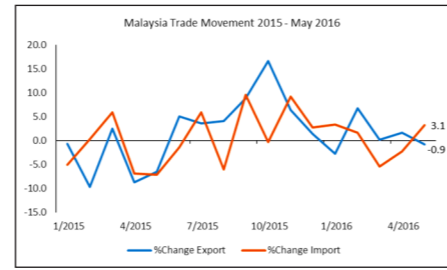
## INDONESIA

- In Q2 of 2016, the Indonesian economy expanded at 5.2 percent, mainly driven by expansion in manufacturing, construction, and wholesale and retail trade sectors.
- The value of Indonesian export declined 11.4 percent to US\$69.5 billion in January–June 2016 from US\$78.4 billion in the same period in 2015, even though from a quarter-to-quarter perspective, it significantly increased 6.9 percent in April–June 2016 from January–March 2016.
- Imports declined 10.8 percent in January–June 2016 YoY based on its aggregate value while quarter-on-quarter imports increased 6.4 percent in Q2 of 2016 from Q1 of 2016.
- Looking ahead, regulators anticipate that the recently passed tax amnesty law may boost Indonesia's growth in the next two quarters by almost 0.3 percent as predicted by Bank Indonesia due to an additional 53 trillion rupiah in government revenue.



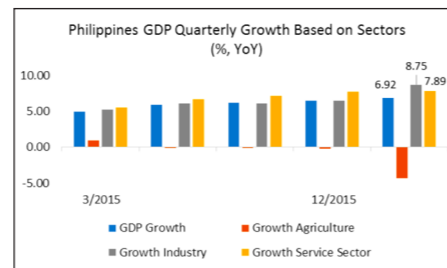
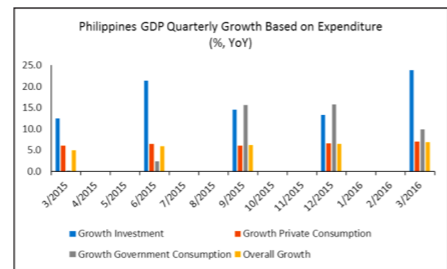
## MALAYSIA

- In May 2016, the Malaysian Industrial Production Index grew at 2.7 percent driven by the manufacturing and electricity sectors that registered growth of 3.6 percent and 9.6 percent, respectively (YoY).
- On the trade side, exports declined by 0.9 percent while imports rose 3.1 percent in May 2016. Exports to China, Angola, Singapore, and Japan declined whereas imports from China, the European Union, US, and Taiwan increased during that period.
- The economy's short-term outlook remains favourable as the economy has diversified from commodities to services and manufacturing sector.
- In addition, the government has taken steps to broaden the revenue base, such as through the introduction of Goods and Services Tax (GST) as part of the Finance Bill passed in April 2015.



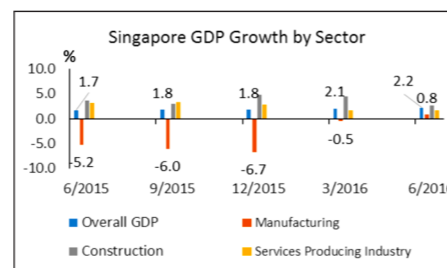
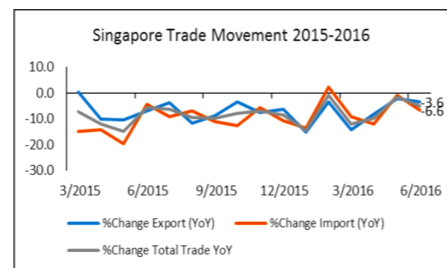
## PHILIPPINES

- In Q1 of 2016, the Philippines' economy grew at the rate of 6.9 percent, helped by increased consumption during the presidential election period.
- Growth was mainly driven by expansion in the industrial sector, which grew at 8.7 percent, and the service sector, which grew at 7.9 percent. Meanwhile, the increase in fixed investment and private consumption acted as the main driver of expenditure-based economic growth.
- Rodrigo Duterte, the newly elected President, is expected to continue the business-friendly economic policies of his predecessor by cutting personal and corporate taxes as well as by increasing borrowing in a bid to boost infrastructure development and economic growth.



## SINGAPORE

- Singapore grew at the rate of 2.2 percent in the second quarter (Q2) of 2016, marginally higher than the 2.1 percent growth in Q1 of 2016.
- In the manufacturing sector, growth was supported by an increase in the output of biomedical manufacturing and electronics clusters. However, growth in the construction sector was moderate due to a slowdown in private sector building activities.
- Growth in the service sector in Singapore during Q2 was driven by wholesale, retail, transportation, and storage sectors, with strong motor vehicle sales as the main component of this development.
- Singapore's overall exports contracted by 3.6 percent.
- On a year-on-year (YoY) basis, total trade declined by 5.0 percent in June 2016 as total imports decreased by 6.6 percent.

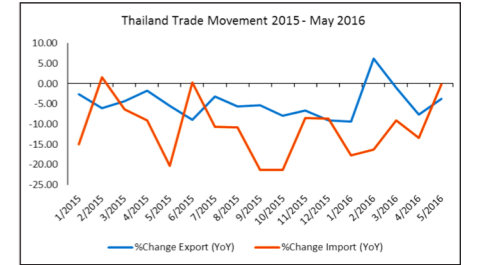
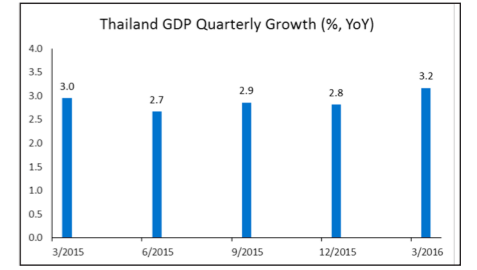


## THAILAND

- The Thai economy expanded by 3.2 percent YoY in Q1 of 2016, better than the 2.8 percent expansion of the previous quarter. The expansion was driven by better-than-expected tourism figures, robust government investment, as well as a combination of policy-easing measures from both monetary and fiscal stimuli.
- Thailand's export and import values declined steadily from January 2015 to May 2016 due to economic deceleration of the

country's key trading partners.

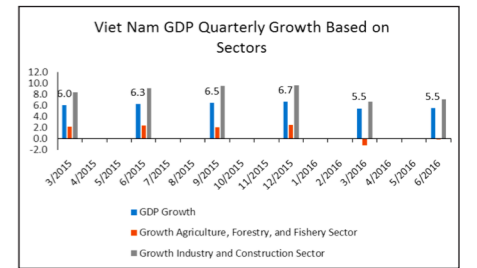
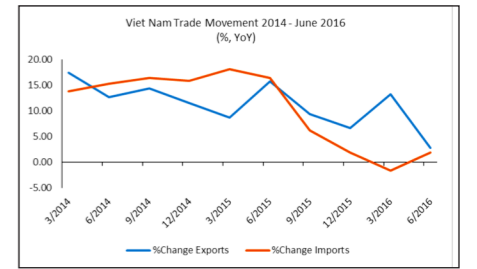
- The positive growth trend for Thailand's economy may be hampered by the slow expansion of the world economy and stricter lending approval imposed by domestic financial institutions.



## VIET NAM

- As of Q2 of 2016, Viet Nam grew 5.5 percent YoY, indicating a slowdown from the same period in 2015 when the economy expanded 6.3 percent.
- Growth up to Q2 of 2016 was mainly driven by the industry and construction sectors. However, the agriculture, forestry, and fishery sectors have contracted since Q1 of 2016.

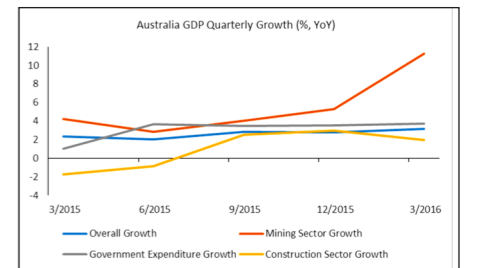
- Trade data show that moderation in export and import growth continues in 2016 as the June data showed only a 2.7 percent growth in export value and a 2 percent growth in import value compared to the same month last year.



## AUSTRALIA

- In 2016, public sector spending in Australia is expected to be the second biggest source of economic growth after the resources sector, as the federal government ended its hiring freeze at the start of the 2016 fiscal year and state governments increased their spending to support the country's healthy 3.1 percent growth in Q1 of 2016.
- On the political side, Australia just held an election that gave Australian Prime Minister

Malcolm Turnbull's Liberal Party of Australia the mandate to continue his government for at least the next 3 years. However, since the new leadership in the Australian Parliament was able to secure only 77 seats in the 150-seat Lower House, there may be an increased risk of the government's failure to carry out its policy.

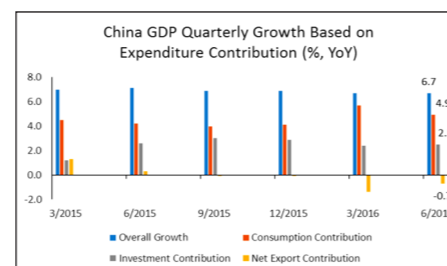
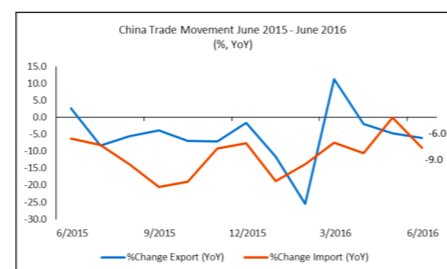


## CHINA

- China expanded by 6.7 percent in Q2 of 2016, beating previous growth estimate of 6.5 percent.
- The government-issued Purchasing Manufacturing Index, another gauge of economic performance, been consistently above 50 in 2016. This index indicates that China's manufacturing sector has been expanding.
- However, negative sentiment still dominates the news as economic growth is fuelled by the increase of fixed asset investment by the government. China's move to increase the government's fixed asset investment contradicts

market expectation for China to tackle excess industrial production and rising corporate debt, as well as to reform state-owned enterprises.

- China's trade data showed a decline in both export and import data on a yearly basis. The data showed a 6 percent and a 9 percent YoY drop in export and import, respectively, as of June 2016.
- China's consumer confidence index has improved to 102.9 in June 2016, from 99.8 in May 2016.

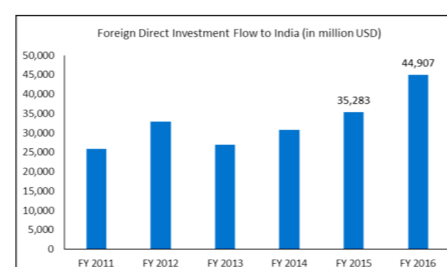
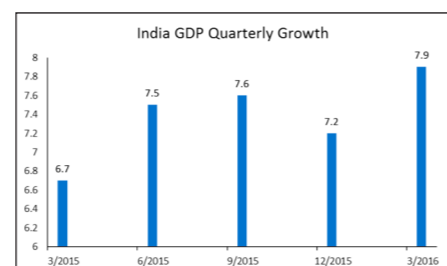


## INDIA

- India's GDP growth in Q1 of 2016 reached 7.9 percent, making India the fastest-growing major economy in the world.
- The optimistic assessment of India is spreading across the world as the foreign direct investment (FDI) into the country jumped 27 percent to US\$44.9 billion by the end of 31 March 2016 from the end of 31 March 2015.
- The recently passed Constitution Amendment Bill for Goods and Services Tax (GST) in the Rajya

Sabha, the upper house of the Parliament of India, gives hope on the economic reform promoted by Prime Minister Narendra Modi as the constitutional amendment is expected to improve the movement of tradable goods across internal boundaries.

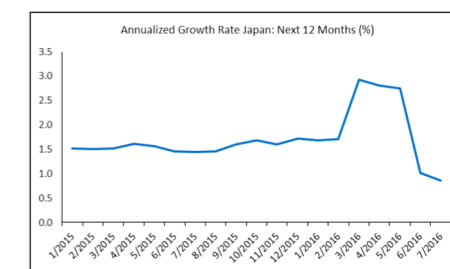
- From the trade indicator reading, India's exports grew 1.4 percent in June 2016 to US\$22.5 billion YoY while its import declined 7.3 percent to US\$30.6 billion.



## JAPAN

- Japan is rumoured to be interested in applying helicopter money, where central bank purchases long-term government debt, in another attempt to revive its economy and to achieve the targeted inflation rate.
- The government is set to cut its 2016 growth forecast by half to 0.9 percent from 1.7 percent previously as a result of a worsening global economic outlook and market expectations ahead of the implementation of the new sales tax policy.

- Specifically, the Brexit vote negatively impacted the Japanese economy due to the strengthening of the Japanese yen against the US dollar (the exchange rate appreciated to ¥100.7 per US\$1.0 on 8 July, from ¥106.2 per US\$1.0 on 23 June), which made its exports less competitive in international markets.
- A government fiscal stimulus package of at least US\$94 billion is expected to be disbursed to the economy following the victory of the Liberal Democratic Party of Japan in the recent parliamentary election.



## NEW ZEALAND

- In New Zealand, inflation rate accelerated 0.4 percent in June, slower than the expected rate of 0.6 percent, which triggered the

Central Bank to cut the benchmark interest rate by 25 basis points to 2.0 percent.

### Data sources:

Data are mostly taken from CEIC, which allowed permission to reproduce its data in this monthly update. Data on US 10-Year Treasury Maturity Yield and JPY to USD are taken from the Federal Reserve Bank of St. Louis ([www.fred.stlouisfed.org](http://www.fred.stlouisfed.org)).

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