

Donald Trump elected as the President of the United States



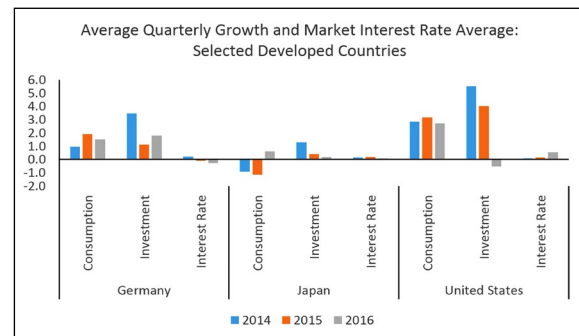
The election of Donald Trump as the 45th President of the United States has left the world wondering about whether the president-elect will follow through on his campaign promises. Although it seems unlikely that the newly elected president will follow up on all of his promises, countries in Asia are cautious about his policies as they will have significant repercussion on Asian economy.

Energy Market Developments

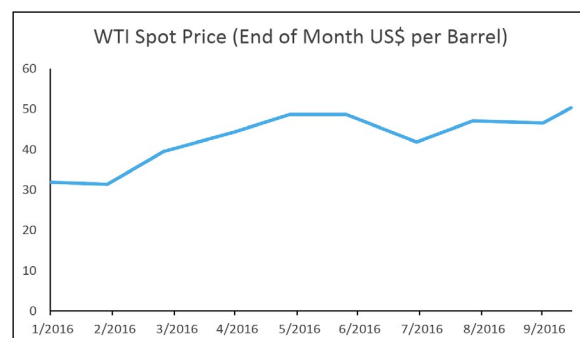
During the 170th (Extraordinary) Meeting of the OPEC Conference held in Algeria on 28 September 2016, the Organization of the Petroleum Exporting Countries (OPEC) struck a deal to limit oil production to 32.5 – 33 million barrels per day (bpd) from the current level of 33.2 million bpd. The production cut has pushed the crude oil price to US\$50.3 in October from US\$46.6 in September. Although the move has managed to increase the oil price by 8 percent during that period, it is doubtful that the higher price will be maintained as the increased oil price will motivate non-OPEC countries to increase production.

The Interest Rate New Norm: Low Rates

Private consumption and investment growth remained weak in Germany, Japan, and the United States of America (USA) in the third quarter of 2016, indicating that the low or negative benchmark interest rates imposed by the central banks in the aftermath of the global financial crisis have failed to produce the desired outcome. Meanwhile, portfolio investments from advanced economies to ASEAN 5 countries (Indonesia, Malaysia, Philippines, Singapore, and Thailand) totalled about US\$132 billion between 2014 and the first semester of 2016. Although it seems like the low rates among developed countries' central banks are likely to last for the foreseeable future, ASEAN 5 should be mindful that the possibility of a USA federal funds rate hike might trigger a jump in capital reversal at the end of 2016.



Source: Economist Intelligence Unit

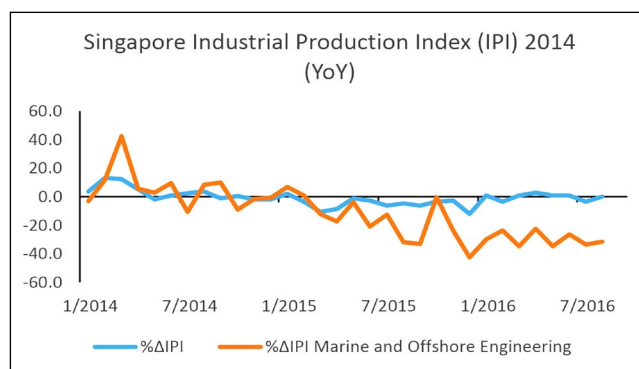


INDONESIA

- After a sometimes shaky first two years, President Joko Widodo has managed to establish a strong political base in the parliament and a well-coordinated cabinet. In recent months, he has been able to push through reforms to the government budget by reallocating fuel subsidies and by implementing the tax amnesty program. In addition, the President's commitment to reform is shown by the move to cut red tape and streamline business regulations. Moving forward, the government should refocus the economic packages on more strategic issues such as energy supply, industrial and trade policies, and deeper integration with world trade.
- Bank Indonesia (BI) unexpectedly cut its benchmark rate by 25 bps to 4.75 percent from 5 percent in the previous month. This move is aimed to boost domestic demand by increasing credit demand as the borrowing cost is expected to decline. [BI stated](#) that the rate cut was possible due to several factors including: the narrowing current account deficit to below 2 percent, the stable rupiah value with a tendency of appreciating, the low inflation rate within the range of 3-5 percent, and a stable financial system.

SINGAPORE

- Based on advance estimates from the Ministry of Trade and Industry, the Singapore economy expanded by 0.6 percent on a year-on-year basis in the third quarter (Q3) of 2016, the slowest growth rate since 2009, mainly due to the contraction of its industrial output. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy contracted by 4.1 percent. One of the industries that has dragged down the growth rate is the marine and offshore engineering sector, which [includes oil rig manufacturing](#), where output fell nearly 30 percent in the first eight months of 2016. Persistently low oil prices have put major energy projects on hold since 2014 into 2017 and beyond, affecting Singapore as the global centre for oil-rig construction.



CHINA

- The Chinese economy expanded by 6.7 percent in Q3 2016 year-on-year (YoY), which analysts believed to be fuelled by expansion in credit. [Data](#) showed the ratio of liabilities of state owned enterprises (SOEs) to assets reached 66 percent. Economists are concerned that China may meet its short-term growth target at the expense of longterm financial system stability¹. As quoted by the [Wall Street Journal](#), many economists say that China's policymakers are caught in a deepening trap: they have to deal with the debt problem by deleveraging their debt; however, slower credit growth may hamper the overall economic growth, which in the end will make it harder for corporations to repay their outstanding debts.
- The Chinese Communist Party's Central Committee held the Sixth Plenum of the 18th Communist Party of China Congress from 24 to 27 October 2016. Historically, this event has been used by the most important political officials to devise major policies which include the long term direction of the Chinese economy such as the abolishment of China's one-child policy last year. In this year's meeting, [the party bolstered](#) its anti-corruption surveillance and established a code of conduct for cadres and institutions that allow investigation of senior leaders within the Communist Party.

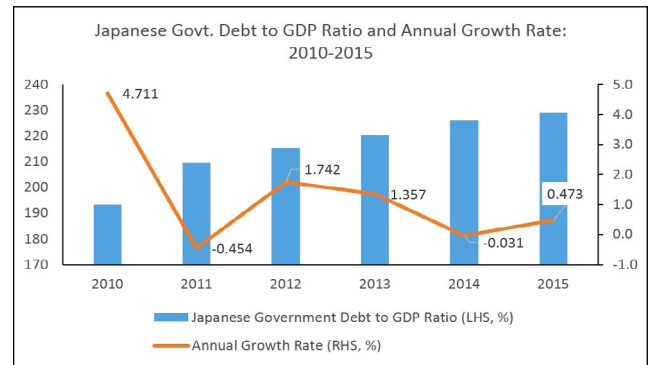
¹Asset Management Division: Ministry of Finance China

INDIA

- In an attempt to reign in the underground economy, India finished its four-month tax amnesty programme and managed to urge thousands of people to declare their unregistered assets amounting [US\\$ 9.5 billion and collected around US\\$ 4.5 billion](#) from the redemption charge. As the government did not reveal the programme's revenue target, analysts are not able to assess the programme's success.
- To further stimulate the economy amidst weak global growth, the Reserve Bank of India recently cut its benchmark interest rate by 25 basis points to 6.25 percent from 6.5 percent. The central bank stated that the easing of inflationary pressures had 'opened up space for policy action.'

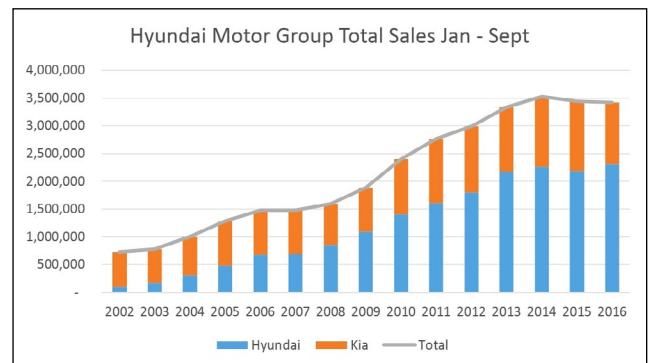
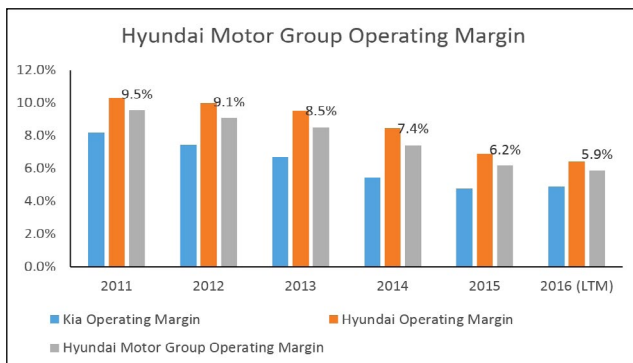
JAPAN

- The Japanese Parliament passed a supplementary budget of ¥3.3 trillion (US\$32 billion) in October 2016 in addition to the ¥100 trillion total annual government spending budget ending in March 2017. Although some economists urged for more stimulus to be passed in a bid to boost Japan's slow economic growth, it is worth noting that having a high government debt to GDP ratio (more than 200 percent) without sustained growth might bring greater risk to Japanese economy in the future. Combined with fiscal stimulus, Japan should put more emphasis on structural reforms to revive its economy through various measures, including providing better and more affordable child care to attract more women to join the workforce and perhaps opening labour market to foreign workers to absorb skills and technology.



SOUTH KOREA

- South Korea manufacturing sector grew at the rate of 0.4 percent compare to the overall industrial sector output that grew 3 percent during the first nine months of 2016, year-on-year. This is partly due to the fact that Korean manufacturing conglomerates have suffered a series of problems this year: Samsung permanently terminated the production of the troubled Galaxy Note 7 smartphones and [Hyundai Motor](#) experienced a continuous decline of its global sales during the first three quarters. Its operating profit margin has been kept only around 6 percent in the last two years compare to more than 7 percent in 2011-2014. The company attributed the crisis to a reduction in demand from emerging markets, a more competitive price of Japanese products, a more aggressive competition in China with domestic automakers, and a series of walkouts that have cost the automaker multitrillions of won in reduced car production.



Source: ERIA calculations based on data provided in Hyundai and Kia Official Website

***Data sources:**

Unless stated otherwise, data are mostly taken from CEIC. CEIC has granted permission to reproduce its data in this monthly update.

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