



Asia Morning Review | Nov 11, 2019

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INDIA

Govt privatisation proceeds reach INR 173.6bn in first half of FY 2019-20

India | Nov 11, 07:34

- **Central government's privatisation target for FY20 is INR 1.1tn**
- **The government hopes to meet the budget revenue target through its planned sell-off of strategic assets**

The proceeds from privatisation reached INR 173.6bn in the first half of the fiscal year 2019-20, a worrying figure for the government which is already set to miss its fiscal deficit target of 3.3% of GDP, according to the data updated on the Department of Investment and Public Asset Management's (Dipam) website.

The government's disinvestment target for this fiscal year is INR 1.1tn and while a negligible amount has been generated so far through privatisation, the government hopes that the sale of its stakes in Bharat Petroleum Corporation Limited (BPCL), Shipping Corporation, Container Corporation of India (ConCor), North Eastern Electric Power Corporation Limited (NEEPCO) and Tehri Hydro Development Corporation Limited (THDC) would fetch INR 840bn or 80% of the total privatisation revenue target.

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BJP declines to form govt in Maharashtra, Governor ask Sena to stake claim

India | Nov 11, 06:45

- **The governor has given Shiv Sena time until Monday evening to prove its ability to form a government**
- **We see a high probability of the imposition of President's rule in Maharashtra as the Shiv Sena will have a tough time securing the required number of seats**

The Bharatiya Janata Party (BJP) declined to form government in Maharashtra on Sunday after Governor Bhagat Singh Koshiyari invited the party to show its 'willingness and ability' to form the government in the state, a development that has inched the state closer to the President's rule, media reported. Consequently, following the procedure, the governor asked the Shiv Sena, the second-largest party, to indicate its 'willingness and ability' to stake claim to power.

The BJP and its decades-old ally Shiv Sena together won 161 seats in the 288-member Maharashtra assembly, well above the halfway mark of 145. However, soon after election results were announced on Oct 24 differences arose between the allies with the BJP refusing to accept Shiv Sena's persistent demand for rotational chief ministership. Shiv Sena did not hold talks with the BJP even once regarding government formation.

We do not completely rule out President's rule in Maharashtra as Shiv Sena will have a tough time securing the required number of seats to form the government. The governor has given Shiv Sena time until the evening to prove its ability to form a government. The Congress is currently holding consultations but has so far remained wary of making concrete comments, although its Maharashtra leaders have shown intent for an alliance. The National Congress Party (NCP) has also conveyed mixed signals on government formation with Shiv Sena.

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Congress blames BJP for economic slowdown on 3rd anniversary of demonetization

India | Nov 11, 06:33

- **The Modi government's demonetization policy failed to achieve most of its intended objectives while disrupting India's broader economy**

The Congress on Friday lambasted in a series of tweets the Modi government over its 2016 move of demonetization with former party president Rahul Gandhi terming it a terror attack that devastated the country's economy, wiped out SMEs and increased unemployment. The third anniversary of the government's demonetization policy coincided with Moody's decision to downgrade India's outlook to negative from stable due to the government's inability to deal with the country's economic slowdown.

On Nov 8, 2016, PM Modi announced that INR 500 and INR 1,000 currency notes would be demonetized with the aim to remove black money from the economy, combat domestic terrorism, expand the tax base and shift to a cashless economy. While the negative impact of the demonetization policy is hard to ascertain, it indeed played a significant part in the overall economic slowdown of the country. The policy badly hit the SMEs since the sector deals largely in cash, thus, the withdrawal of currency eased the overall pace of job creation, which decelerated the private consumption growth. Consequently, the economic growth moderated from 8.2% y/y in FY17 to 7.2% y/y and 6.8% y/y in FY18 and FY19, respectively. The growth is projected to slow down further in the current fiscal year.

The demonetization policy also failed to achieve its intended objectives. Domestic terrorism continues to pose a threat and the economy did not shift to the digital economy as the overall currency in circulation reached INR 22.3tn in Oct 2019 compared with INR 17.6tn in Oct 2016. However, the number of total taxpayers did rise by 37.7% to 84.5mn from FY16 to FY19, according to the Central Board of Direct Taxes.

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INDONESIA

Jokowi's son confirms plans to run for Surakarta mayor

Indonesia | Nov 11, 07:55

- **Gibran rejects claims he aims to start a political dynasty**

President Joko Widodo's son Gibran Rakabuming Raka confirmed he plans to run for Surakarta mayor at the upcoming local election in 2020, The Jakarta Post reported. Gibran rejected claims that his candidacy aimed to start a political dynasty in Indonesia, insisting that if this were the case, he would have asked his father for a ministerial position.

Initially, Gibran planned to wait for his father to finish his term as president but then decided to run for mayor at the upcoming elections. Gibran has already registered with the PDI-P political party, which also supports his father, but it is not clear whether he would be their candidate as the PDI-P has reportedly already selected deputy mayor Achmad Purnomo and city council speaker Teguh Prakosa for their ballot. At any rate, Gibran has scheduled a

meeting with PDI-P leader Megawati Sukarnoputri to discuss his political goals.

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Residential property prices rise by 0.5% q/q in Q3

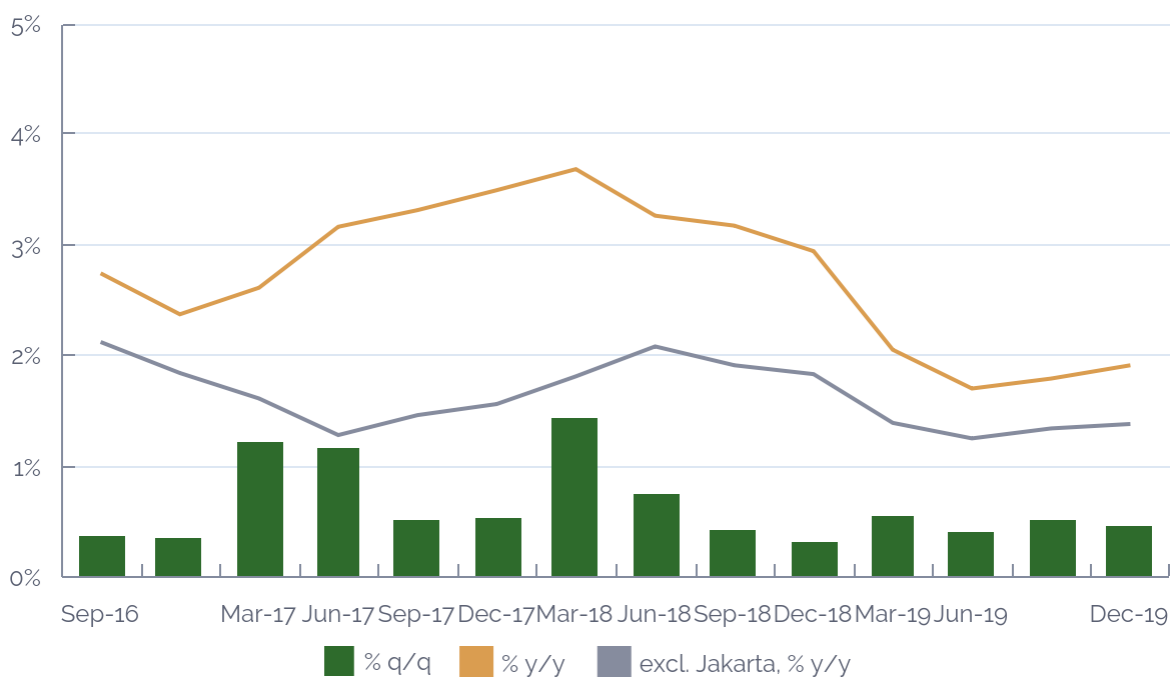
Indonesia | Nov 11, 07:48

- **Small-sized property prices boosted total property price growth in Q3**
- **Bank Indonesia expects property price growth to moderate in Q4**

Residential property prices rose by 0.5% q/q in Q3, accelerating from 0.4% q/q growth in Q2, according to Bank Indonesia data. As a result, property prices remained on a growth trajectory since Bank Indonesia started collecting data in 2012.

Residential property prices

Source | Bank Indonesia



In annual terms, residential property prices rose by 1.8% y/y, up from 1.7% y/y growth in Q2. Small-sized property prices rose at a slightly higher pace in Q3, while medium- and large-sized property prices retained their growth pace. When prices in the Jakarta metropolitan area are excluded, residential property prices growth was lower at 1.3% y/y in Q3, the same as in Q2.

Looking forward, Bank Indonesia projects residential property price growth to ease to 0.4% q/q in Q4, which would bring the annual growth rate to 3.2% y/y.

Residential property prices

	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Medium properties	3.1%	2.6%	1.9%	1.4%	1.4%	1.5%
Large properties	1.7%	1.6%	1.3%	1.1%	1.1%	1.0%

excl. Jakarta metropolitan area, % q/q	0.3%	0.3%	0.4%	0.3%	0.3%	0.3%
excl. Jakarta metropolitan area, % y/y	1.9%	1.8%	1.4%	1.3%	1.3%	1.4%
Total, % y/y	3.2%	3.0%	2.1%	1.7%	1.8%	1.9%
Total, % q/q	0.4%	0.3%	0.5%	0.4%	0.5%	0.4%
Small properties	4.8%	4.8%	3.0%	2.6%	2.9%	3.2%

Note: The last quarter in the table includes forecasts

Source: Bank Indonesia

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KEY STAT Current account deficit falls by 9.6% y/y to USD 8.5bn in Q3

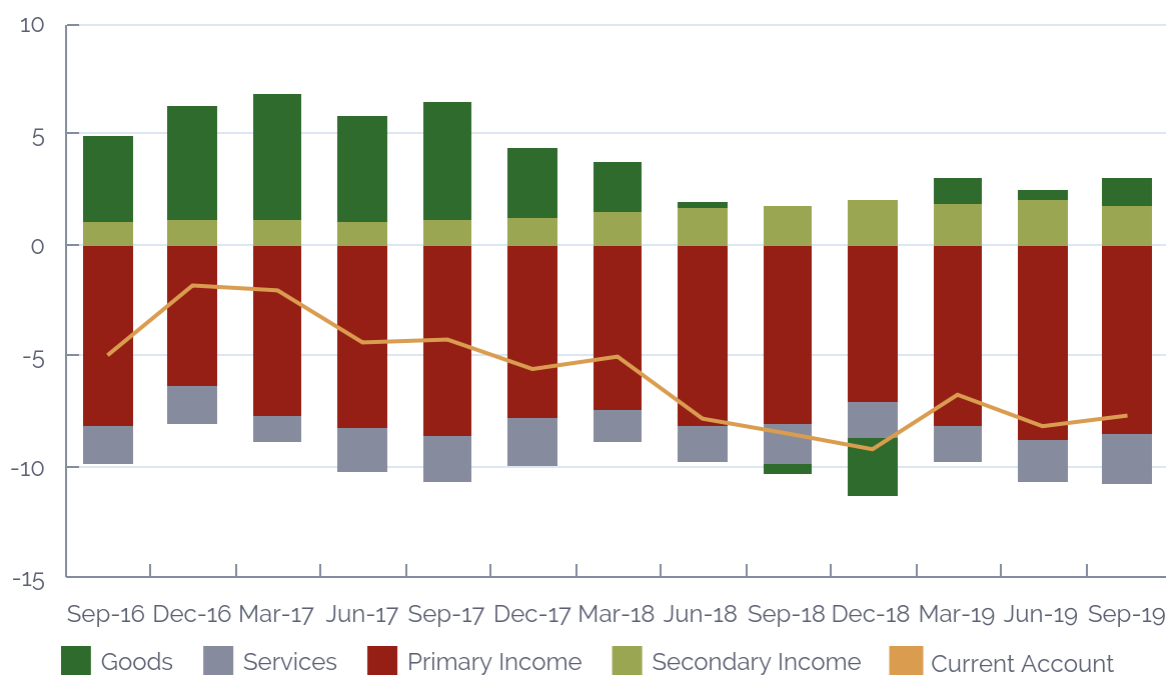
Indonesia | Nov 08, 14:50

- **Import decline outpaced the export decline as oil prices fell y/y**
- **CA deficit increased in Jan-Sep due to higher primary income deficit and services trade deficit**
- **CA deficit accounted for 8.1% of GDP in Jan-Sep**

The current account deficit fell by 9.6% y/y to USD 8.5bn in Q3, according to Bank Indonesia data. The decline came almost solely on the back of the merchandise trade balance, which turned to a surplus in Q3 compared to a small deficit a year ago. The improvement came solely on the back of the sharp import decline, which far outpaced the export contraction during the quarter, on the back of the declining oil and gas prices. In addition, the secondary income surplus rose marginally as well. On the other hand, the services trade deficit expanded at a double-digit pace, while the primary income deficit increased as well. The CA deficit accounted for 2.7% of GDP in Q3, down from 3.2% a year ago.

Balance of payments (USD bn)

Source | Bank Indonesia



In cumulative terms, dynamics were different as the current account deficit expanded by 5.9% y/y to USD 22.5bn on the back of higher primary income deficit and services trade deficit. On the other hand, the merchandise trade deficit contracted in the period as again the import decline far outpaced the export contraction. The cumulative current account deficit accounted for 8.1% of GDP in Jan-Sep.

On the financial side, FDI inflows fell by 20.6% y/y in Q3, but residents' investment abroad declined at a rapid pace as well. As a result, the net FDI inflows actually increased slightly in Q3. Portfolio investments posted EUR 4.8bn net inflows, which were partially offset by net other investment outflows. In Jan-Sep, FDI inflows actually increased at a double-digit pace, while residents' investment abroad fell by more than a third.

Balance of Payments (USD mn)

	Q3 2019	Q3 2018	% y/y	Jan-Sep 2019	Jan-Sep 2018	% y/y
I. Current Account	-7,665.3	-8,476.7	-9.6%	-22,544.5	-21,297.1	5.9%
A. Goods	1,255.2	-454.5	-376.2%	2,925.2	2,145.9	36.3%
Exports, fob	43,636.8	47,706.9	-8.5%	125,055.3	135,821.4	-7.9%
Imports, fob	-42,381.6	-48,161.4	-12.0%	-122,130.2	-133,675.5	-8.6%
B. Services	-2,273.7	-1,822.6	24.7%	-5,791.9	-4,869.7	18.9%
C. Primary Income	-8,428.2	-7,977.1	5.7%	-25,288.1	-23,427.0	7.9%
Inflows	1,635.8	1,763.3	-7.2%	5,376.5	6,331.6	-15.1%
Outflows	-10,063.9	-9,740.5	3.3%	-30,664.6	-29,758.6	3%
D. Secondary Income	1,781.4	1,777.6	0.2%	5,610.4	4,853.7	15.6%
Inflows	3,147.1	3,005.3	4.7%	9,354.9	8,999.0	4%
Outflows	-1,365.7	-1,227.7	11.2%	-3,744.5	-4,145.3	-9.7%
II. Capital Account	1.4	7.7	-81.9%	6.8	68.0	-90.0%
III. Financial Account	7,628.0	3,979.7	91.7%	24,159.5	9,238.8	161.5%
1. Direct Investment	4,801.0	4,500.5	6.7%	16,069.3	11,667.8	37.7%
Assets	-602.3	-2,306.3	-73.9%	-3,031.5	-4,686.7	-35.3%
Liabilities	5,403.3	6,806.8	-20.6%	19,100.8	16,354.5	16.8%
2. Portfolio Investment	4,807.0	-135.3	n.m.	14,570.0	-1,143.7	n.m.
3. Financial Derivatives	134.8	90.9	48.3%	218.5	163.1	34%
4. Other Investment	-2,114.8	-476.4	343.9%	-6,698.3	-1,448.4	362.5%
IV. Total (I + II + III)	-35.9	-4,489.3	-99.2%	1,621.8	-11,990.2	n.m.
V. Net Error and Omissions	-9.9	103.0	n.m.	-1,225.0	-559.4	119%
VI. Overall Balance (IV + V)	-45.9	-4,386.3	-99.0%	396.8	-12,549.7	n.m.
VII. Reserves and Related Items	45.9	4,386.3	-99.0%	-396.8	12,549.7	n.m.
- Current Account (% GDP)	-2.7%	-3.2%		-8.1%	-8.1%	

Source: Bank Indonesia

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MALAYSIA

- **Najib allegedly misappropriated MYR 42mn from SRC international fund**

A court ordered former PM Datuk Seri Najib Razak to enter defence on all 7 charges related to the abuse of funds from the SRC international fund, a subsidiary of 1MDB, local media reported. The court's decision effectively means that Najib will be subject to cross-interrogation by the prosecution as Court determined that there is enough evidence provided by the prosecution. The defence trial is expected to start on Dec 3. Najib is accused of misappropriating some MYR 42mn from the SRC fund. One of the charges relates to a guarantee he issued as a PM to a loan given to SRC from the Retirement Fund (KWAP) worth MYR 4bn. He could serve up to 20 years in prison and punished by whipping and a fine if found guilty.

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KEY STAT

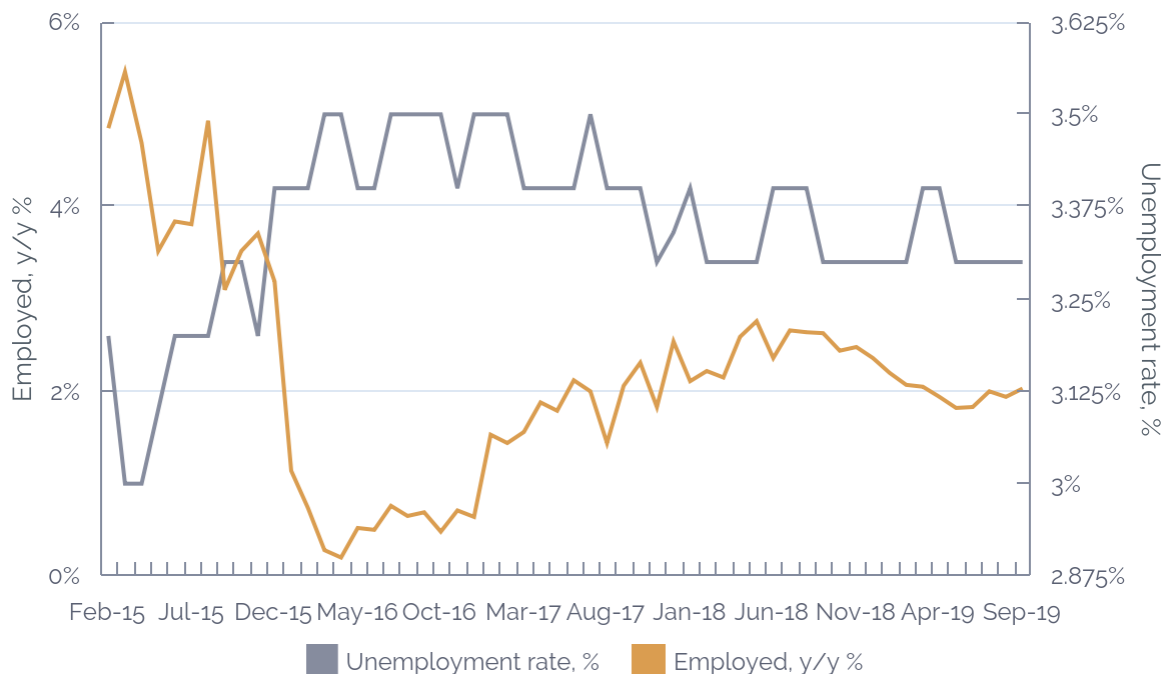
Unemployment rate stays unchanged at 3.3% in September

- **Economy creates some 44,000 new jobs in September**
- **Labour force participation rate continues to rise higher to 68.7%**

The LFS-based monthly unemployed rate stayed unchanged for a fifth straight month at 3.3% in September, according to data released by DOSM. The economy created some 44,100 new jobs in September, which is much higher than the 6,000 created in August. Employment growth thus amounted to 303,400 over the span of the last 12 months, the highest since Feb 2019. Employment growth fuelled an influx of workers into the labour market as the labour force also expanded strongly by 308,300 over the past 12 months. Consequently, the labour force participation rate hit a new multi-year high of 68.7%. The number of unemployed rose by just 5,000 y/y as most people that entered the labour force managed to find a job.

Labour market developments

Source | DOSM



Overall, labour market data remains very upbeat as both employment growth and the labour force expansion show the economy is firing on all cylinders. However, recent slowdown in external demand and in the important electronics sector could drag down growth in the coming months.

Labour market data

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Unemployment rate, %	3.4%	3.3%	3.3%	3.3%	3.3%	3.3%
LFPR, %	68.5%	68.5%	68.6%	68.5%	68.6%	68.7%
Employed, y/y %	1.9%	1.8%	1.8%	2.0%	1.9%	2.0%
Unemployed y/y %	2.6%	3.0%	1.1%	1.2%	-0.9%	1.0%
Labour force y/y %	2.0%	1.9%	1.8%	2.0%	1.8%	2.0%
People outside labour force, y/y %	0.8%	1.3%	1.3%	2.3%	0.5%	0.9%

Source: DOSM

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KEY STAT Industrial production growth remains unchanged at 1.7% y/y in September

Malaysia | Nov 11, 06:52

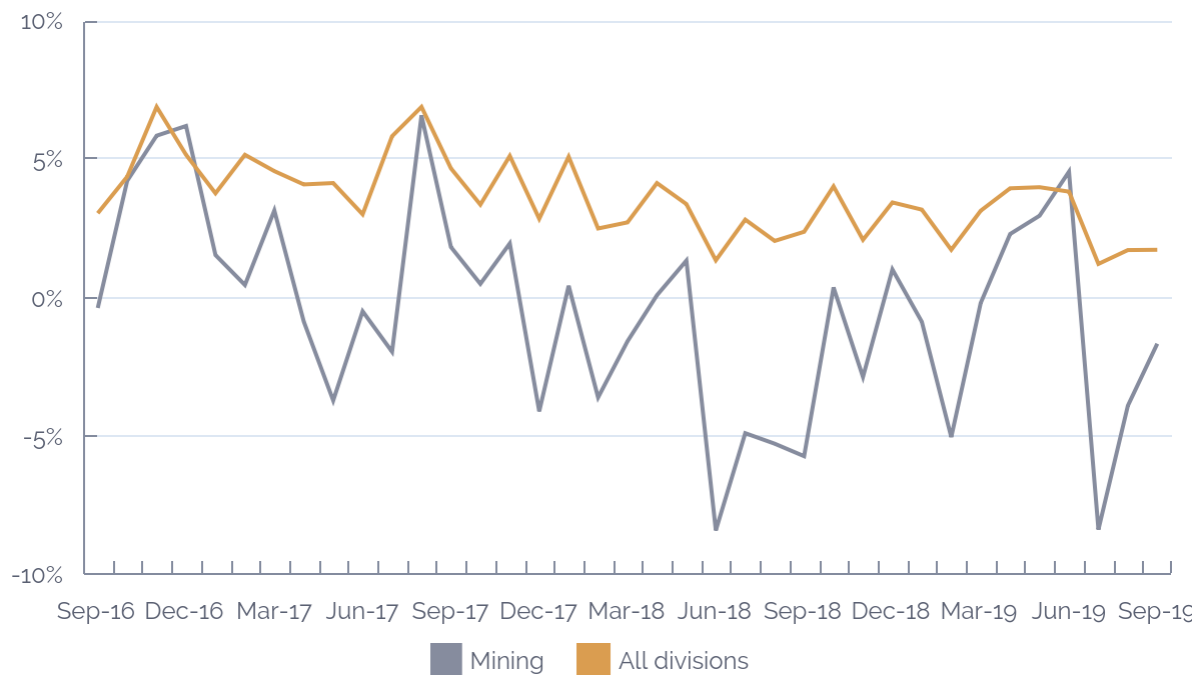
- **Manufacturing production growth slows down to 2.5% y/y**
- **Electrical and electronics products output suffers in particular**

Industrial production growth remained unchanged at 1.7% y/y in September, according to data released by DOSM. In seasonally, adjusted terms, industrial production fell by 0.3% m/m after rising by 0.8% m/m in August. On the positive side, the decline in mining output decelerated to 1.6% y/y from 3.9% y/y as crude petroleum production is

ramped up again after a period of scheduled maintenance at one of the largest oil fields in Malaysia. However, manufacturing output growth slowed down to 2.5% y/y from 3.8% y/y in August which stems from softness in external demand. The electrical and electronics sector in particular weighed on growth, with output rising by just 0.8% y/y compared to 3.1% y/y in August. Thus, Malaysia is finally becoming affected by the downturn in the semiconductor market as other East Asian states.

Industrial production, y/y %

Source | DOSM



The strongest performing sector was transport equipment where production rose by 6.3% y/y, the highest pace in 4 months. In addition, wood products and furniture output also rose quite strongly by 5.8% y/y. Elsewhere, food, beverages and tobacco production rose at a weaker pace by 1.5% y/y, as well as petroleum chemical and rubber products which rose by 2.1% y/y. In terms of the latter, the recent ban on the imports of Malaysian rubber gloves to the US for one company due to the alleged use of forced labour might be affecting production as manufacturing of rubber gloves rose by just 4.8% y/y (the slowest in 6 months). In terms of the food production, crude and refined palm oil production remained on the back foot falling by 0.6% y/y and 26.7% y/y, respectively. That being said, the recent deterioration in India-Malaysia relations could impact palm oil production significantly in the future as India is mulling over the introduction of additional levies on refined palm oil or could even straight up refrain from purchasing Malaysian palm oil.

Industrial production, y/y %

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
All divisions	4.0%	4.0%	3.8%	1.2%	1.7%	1.7%
Mining	2.3%	3.0%	4.6%	-8.4%	-3.9%	-1.6%
Electricity	5.8%	5.7%	1.7%	2.0%	0.3%	4.1%
Manufacturing	4.3%	4.2%	3.8%	4.0%	3.6%	2.5%
Food, Beverages and Tobacco	4.2%	4.4%	3.8%	0.8%	2.4%	1.5%
Textiles, Wearing Apparel	5.7%	5.8%	5.5%	5.8%	6.0%	4.0%

Wood Products, Furniture, Paper	5.2%	6.5%	4.7%	5.6%	5.6%	5.8%
Petroleum, Chemical, Rubber and Plastic	3.6%	3.2%	3.0%	3.4%	3.0%	2.1%
Non-metallic Mineral Products, Metals	4.0%	3.8%	4.8%	4.4%	4.1%	3.8%
Electrical and Electronics Products	4.1%	3.7%	3.5%	4.9%	3.1%	0.8%
Transport Equipment and Other	7.2%	6.9%	5.6%	5.8%	5.9%	6.3%

Source: DOSM

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HIGH BNM cuts reserve requirement ratio by 0.5pps to 3.0%

Malaysia | Nov 08, 16:02

- **BNM explains move is aimed at shoring up liquidity at local banks**

BNM cut the statutory reserve requirement (SRR) to 3% from 3.5% effective from Nov 15, a statement on its website showed. The move is aimed at shoring up liquidity in the domestic banking system and is not a signal on the monetary policy stance, the statement said. We remind that the BNM decided to keep its overnight policy rate (OPR) unchanged at 3% in the last meeting for the year on Nov 5 after cutting it by 25bps in May 2019. BNM stressed that the OPR remains the only indication about the monetary policy stance. We should note that the last time BNM reduced the SRR was in Feb 2016 when it cut from 4% to 3.5%.

Overall, we think that the BNM has shown that its bias remains towards cutting rates and boosting credit activity. The modest inflation outlook and the looming global uncertainties certainly remain supportive of further cuts. We note that the BNM continues to deem that the current monetary stance remains accommodative and has expressed positive comments about domestic economic activity in its latest MPC statement. However, we think that further cuts are possible in 2020 if the external environment remains uncertain and trade war remain elevated.

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PAKISTAN

Revised FTA with China to come into effect from Dec 1

Pakistan | Nov 11, 07:59

- **China will eliminate tariffs on 313 Pakistani export products**

The revised FTA agreement between Pakistan and China will come into effect from Dec 1, a development that could bring down the huge trade imbalance between the two countries, Adviser to PM on Commerce Abdul Razzak said at a news conference.

Phase-II of the FTA was signed by China and Pakistan during PM Khan visit to Beijing in April 2019. Under the agreement, China will eliminate tariffs on 313 Pakistani exports to the country, including the agriculture and textile sector. Safeguard measures are also introduced in the revised FTA to temporarily restrict imports of a product which threaten to cause injury to the domestic industry.

The government expects its export earnings to China increase by USD 500mn within a time span of 18 months

after the agreement comes into effect.

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Govt plans for countrywide tax assessment drive to widen tax base

Pakistan | Nov 11, 05:44

- **PM Khan tasked the FBR to submit the proposal till Nov 30 which will be implemented by June 2020**
- **Increasing tax collection efforts are crucial for the government to meet the IMF's revenue collection target**
- **The World Bank also provided USD 400mn loan to create a sustainable increase in the country's tax revenue**

The government decided to develop a comprehensive plan for countrywide tax assessment and documentation drive to widen tax net and check evasion, including the digital survey of properties to evaluate the wealth parked in the real estate sector, media reported. PM Imran Khan tasked the Federal Board of Revenue (FBR) to submit a detailed proposal in this regard by Nov 30 with June 2020 set as a deadline for adoption of the proposal.

The government under the IMF's Extended Facility Fund has set an ambitious revenue collection target of PKR 5.5tn for FBR in this fiscal year and as it missed the first quarter (Jul-Sep) target by PKR 108bn we believe the government has limited room not to double up its revenue collection efforts. Nevertheless, it is worth mentioning that China in 2017 had proposed the government for conducting digital cartography or digitized land survey of entire country, which is still pending, casting a shadow of doubt on the government's seriousness to implement the latest decision.

We remind that the government in June signed a USD 400mn loan project with the World Bank to strengthen the FBR, simplify the country's tax regime and create a sustainable increase in the country's domestic tax revenue, raising the tax-to-GDP ratio to 17% and increasing the tax filers to 3.5mn from the current 1.2mn by fiscal year 2023-24.

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PHILIPPINES

Vice-President Robredo to discuss war on drugs with US, UN

Philippines | Nov 11, 06:59

- **Meeting with US embassy officials to coordinate cooperation**
- **UN has a lot of knowledge about fighting illegal drugs, Robredo points out**
- **She is waiting for the document defining her responsibilities as ICAD co-chair**

Vice-President Leni Robredo will meet officials of the US and the UN, among others, to discuss the government's war on drugs campaign, the Philippine Star reported on Sunday. She thanked US ambassador to the Philippines Sung Kim for his commitment to partner with the government in this area. Robredo said that this week they will meet US embassy officials to coordinate the flow of cooperation and information. She will also meet the UN officers in the Philippines on Monday. She noted that the UN has lots of research about best practices, and lessons from

other countries concerning the fight against illegal drugs. On Friday, when asked whether she would back an international investigation into the drug war, she said, 'I think it is only fair to the agencies involved that I talk to them directly about it before deciding what to do next.'

Meanwhile, Robredo said she is still waiting for the document that would determine her responsibilities as co-chair of the inter-agency committee on anti-illegal drugs (ICAD). She noted that the position is non-existent in the original executive order that created the body in March 2017. Last week, Vice-President Robredo accepted President Rodrigo Duterte's offer to become a co-chair of ICAD. The police report they have killed over 6,700 suspected drug dealers since Duterte took office in 2016. At the same time, the rights groups estimate that there have been 27,000 drug-related deaths.

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BSP likely to approve Islamic banking rules in November

Philippines | Nov 11, 06:34

- **Several local, foreign players interested in Philippine Islamic banking market**
- **Muslims account for about 10% of the country's population**

The BSP will likely approve this month the rules for conducting Islamic banking in the Philippines, BSP managing director Arifa Ala said on the sidelines of an Islamic finance conference on Friday as quoted by BusinessWorld. The rules concern the licensing framework and the Shari'ah governance, she said. The draft rules have been given to the banking sector for feedback, and their final version will be subject to approval by BSP's monetary board. Several local and foreign players, including Dubai Islamic Bank, have expressed interest in the country's Islamic banking market. However, decisions will be made after the approval of the rules.

In August, President Rodrigo R. Duterte signed into law an act providing for the regulation and organization of Islamic banks. The law mandates the BSP to regulate and supervise Islamic banks and to issue the implementing rules and regulations. An interagency working group had been tasked with the development of the regulatory framework for Islamic banking and finance. BSP governor Benjamin E. Diokno said that the new law 'will unlock the full potential of Islamic financing in fostering inclusive economic growth.' Inclusive finance will hence become available to people who avoid using existing conventional banking services because of their faith. The potential market for Islamic banking services mostly comprises the Muslim population that is about 10% of the Filipinos. In addition, investors looking for new asset classes, instruments and products may also be interested.

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SOUTH KOREA

Exports decline by 20.8% y/y in first 10 days of November

South Korea | Nov 11, 07:42

- **Adjusted for calendar effects exports fall by 9.5% y/y**
- **Semiconductor and ships exports weigh on growth**

Exports declined by 20.8% y/y to USD 11.9bn in the Nov 1-10 period, according to data from the Korean Customs

Office. This period had 1 less working day compared to 2018, so adjusted for calendar effects exports declined less markedly by 9.5% y/y. In comparison, exports fell by 8.9% y/y in Oct 1-10, so the data for Nov 1-10 doesn't show a notable change in trend considering the adjustment for working days. Imports, on the other hand, declined by 21.5% y/y.

Semiconductor and ship exports were the main laggards in the observed period, falling by 33.3% y/y and 64.4% y/y, respectively. Exports of passenger cars and wireless communication devices also fell by 3.8% y/y and 5.6% y/y, respectively, but this was likely caused by the difference in working days. Finally, exports to all major destinations suffered during the period, with exports to China falling by 17.1% y/y and to the US by 18.4% y/y. Exports to the Middle East, however, rose by 8.3% y/y.

All in all, export demand remains on the back foot and there are still no signs that a reversal will happen. Exports have fallen by 10.7% y/y since the beginning of the year to USD 464.6bn.

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Prosecution, education, and labour reforms key to improve fairness – Moon

South Korea | Nov 08, 16:42

- **Moon continues to push for establishment of independent body to investigate politicians**

President Moon Jae-in stated that construction of a fair society and fighting corruption are the key priorities for the government and they can be achieved through the prosecution, labour and education reforms outlined by the government, according to statements he made during a governmental meeting on Friday. The establishment of a committee to investigate corrupt politicians, which is included in the divisive prosecution reform, symbolizes the government's drive to correct wrongs, Moon stated. We note that prosecution reform is still pending approval by parliament and Moon is expected to try to persuade political parties to back the proposal at a meeting on Sunday. Moon also pinpointed the enactment of a labour reform and an education reform as also overdue. Particularly, the government wants to fight unfair practices in the private education sector and improve job prospects for young people.

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Foreign Minister Kang confirms Korea will cancel GSOMIA pact with Japan

South Korea | Nov 08, 16:27

- **Korea can only reverse decision if Japan decides to lift exports restrictions**

Foreign Minister Kang Kyung-wa remained adamant that Korea will cancel the military information sharing pact known as GSOMIA with Japan regardless of the recent attempts made by the US to reverse the decision, local media reported. US defence secretary Mark Esper is expected to visit Seoul next week in order to try to persuade Korea to renew the GSOMIA agreement which expires on Nov 22. Kang stated that Korea can only reverse its decision regarding GSOMIA if it Japan removes its "unfair" export restrictions placed earlier this year. We note that Korea and Japan are expected to start a second round of talks on Nov 19 as part of the WTO regulations to settle trade disputes. We think that Korea is trying to GSOMIA agreement as a bargaining chip to strike a deal with Japan, so it is unlikely to make compromise on GSOMIA unless Japan shows willingness to wind down the export restrictions as well.

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THAILAND

Campaign stimulating home purchases to be launched on Nov 11

Thailand | Nov 08, 16:13

- **Government Housing Bank earmarks up to THB 50bn for mortgage loans at preferential terms**
- **Campaign ends on Dec 31**

A campaign stimulating home purchases will be launched by the finance ministry, the Government Housing Bank (GHB), three real estate associations and several small property companies, the Nation reported on Friday. The campaign will take place from Nov 11 to Dec 31. The GHB will offer mortgage loans with a fixed annual interest rate of 2.5% over three years. These loans will be worth a total of THB 50bn (USD 1.6bn). The home buyers will be also exempted from transfer and mortgage fees. Furthermore, the participating developers will provide promotional offers and discounts. Properties worth up to THB 3mn will be covered by the campaign. A senior official from the prime minister's office said that developers across the country are welcome to join the campaign.

The relatively slow economic growth in the first half of this year is a major concern for the government, which has been implementing various economic stimulus measures. Earlier this week, IMF managing director Kristalina Georgieva said that now is a good time for Thailand to implement stimulus measures to boost its economic growth, given the available policy space, the Bangkok Post reported. The IMF has cut its 2019 and 2020 GDP growth forecasts for Thailand to 2.9% and 3.0%, respectively, according to the Fund's World Economic Outlook released in October. Compared to the April WEO, the two growth rates have been reduced by 0.6pps and 0.5pps, respectively.

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International reserves rise by USD 2.3bn m/m to USD 222.8bn at end-October

Thailand | Nov 08, 09:58

- **Monthly increase driven mainly by foreign currency reserves and gold**

The international reserves increased by USD 2.3bn m/m to USD 222.8bn at end-October, after rising by USD 361.0mn m/m at end-September, the BOT said on Friday. The latest monthly gain was driven mainly by foreign currency reserves and gold. The former rose by 1.0% m/m to USD 213.1bn at end-October. The latter climbed 2.8% m/m to USD 7.5bn. Furthermore, both SDRs and the reserve position in the IMF increased by 1.3% m/m, to USD 1.4bn and USD 838.9mn, respectively. On a related note, the net forward position rose by 3.9% m/m to USD 34.4bn.

International reserves, USD mn

Source | BOT



The IMF concluded the 2019 Article IV consultation with Thailand at end-September. The IMF forecasts that the country's gross official reserves (including net forward position) will stand at USD 251.1bn at end-2019. This level covers 12.4 months of the following year's imports and is also equal to 307.0% of short-term debt, the Fund estimated.

International reserves, USD mn

	Aug-19	Sep-19	Oct-19
Gold	7,519	7,282	7,485
SDRs	1,350	1,344	1,362
Reserve position in the IMF	832	828	839
Foreign currency reserves	210,468	211,076	213,097
TOTAL	220,170	220,531	222,783
Net Forward Position	32,276	33,138	34,427

Source: BOT

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