

ECONOMICS – ASEAN

Quarterly ASEAN Outlook

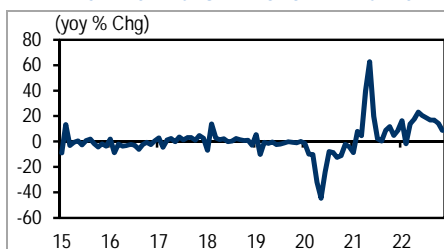
Guarded Optimism As Prospects Brighten For A Soft Landing

Interest rates should peak in 1Q23 while inflation is expected to continue receding in 1H23. Growth in ASEAN would be supported by the reopening of China in 2023. Thailand benefits from a tourism recovery and high food prices. **BUY Bangkok Bank (Target: Bt165), Advanced Info (Target: Bt244) and Thai Union (Target: Bt23).** We like Indonesia for growth from green commodities. **BUY Bank Rakyat (Target: Rp5,300), Telkom Indonesia (Target: Rp4,860) and Mitra Adiperkasa (Target: Rp1,600).**

OUR VIEWS

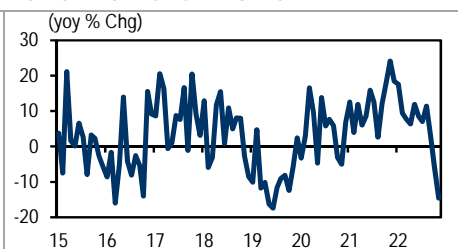
- **Singapore: Growth in services driven by reopening.** GDP growth eased to 4.1% yoy in 3Q22. The construction and services sectors expanded 7.8% and 5.8% yoy respectively. The services sector accounted for 93% of headline growth in 3Q22. Within the services sector, wholesale trade (+5.4% yoy), retail trade (+8.9% yoy), transportation & storage (+6.8% yoy) and food & beverages (+30.5% yoy) benefitted from the easing of COVID-19 restrictions and reopening of international borders. The manufacturing sector slowed to an anaemic pace of 0.8% yoy.

RETAIL SALES EXCLUDE MOTOR VEHICLES



Source: CEIC

NON-OIL DOMESTIC EXPORTS



Source: CEIC

- **SGD supported by MAS' restrictive stance on monetary policy.** UOB forecasts anaemic GDP growth of 0.7% in 2023 due to faltering exports for electronics and weaker external demand. The services sector should continue to benefit from recovery in leisure and business air travel and inbound tourism, which boosts in-person services. Monetary Authority of Singapore (MAS) has moved to a restrictive stance after five rounds of tightening since Oct 21. 3M SIBOR is expected to stabilise at 4.55% by mid-23. The Singapore dollar is expected to outperform Asian peers.

SUMMARY OF FORECASTS – SINGAPORE

FX & Rates	1Q23	2Q23	3Q23	4Q23
USD/SGD	1.38	1.39	1.40	1.40
SGD 3M SIBOR	4.45	4.55	4.55	4.55
Economic Indicators	2020	2021	2022F	2023F
GDP (%)	-4.1	7.6	3.5	0.7
CPI (Average yoy %)	-0.2	2.3	6.0	5.0
Unemployment Rate (%)	3.3	2.4	2.1	2.3
Current Account (% of GDP)	14.0	18.1	17.0	15.0
Fiscal Balance (% of GDP)	-10.8	-1.0	-0.5	0.8

Source: UOB Global Economics & Markets Research

PEER COMPARISON – ASEAN

Name	Ticker	Rec	Price 9 Jan 23 (LCY)	Target Price (LCY)	Mkt Cap (US\$m)	PE 2023F (x)	2024F (x)	P/B 2023F (x)	2024F (x)	Yield 2023F (%)	2024F (%)	ROE 2023F (%)	2024F (%)
CapitaLand Ascott	CLAS SP	BUY	1.04	1.37	2,687.3	24.0	22.3	0.9	1.0	5.9	6.2	3.5	3.8
Genting Singapore	GENS SP	BUY	0.97	1.15	8,781.3	17.3	17.2	1.4	1.4	3.6	4.1	8.4	8.2
Singapore Telecommunications	ST SP	BUY	2.51	3.15	31,065.2	17.1	15.8	1.5	1.4	5.8	5.0	8.5	9.1
Genting Malaysia	GENM MK	BUY	2.80	3.50	3,626.3	16.3	12.5	1.2	1.2	7.0	7.0	6.5	9.8
My EG Services	MYEG MK	BUY	0.845	1.30	1,436.8	14.2	13.5	2.8	2.4	2.1	2.2	23.2	18.9
Yinson Holdings	YNS MK	BUY	2.52	4.45	1,668.1	20.4	11.9	2.4	2.3	4.0	4.0	9.1	13.1
Bangkok Bank	BBL TB	BUY	157.50	165.00	8,966.4	8.3	7.2	0.6	0.5	4.5	4.3	6.8	7.5
Advanced Info Service	ADVANC TB	BUY	203.00	244.00	18,006.7	18.9	18.7	6.4	8.4	4.3	4.8	35.2	39.0
Thai Union Group	TU TB	BUY	16.10	23.00	2,298.6	10.5	9.9	1.2	1.1	4.8	5.0	11.3	11.3
Bank Rakyat Indonesia	BBRI IJ	BUY	4,590	5,300	44,685.0	12.6	11.4	2.1	2.0	5.1	5.7	17.5	18.3
PT Telkom	TLKM IJ	BUY	3,790	4,860	24,116.5	14.7	13.8	2.9	2.7	5.4	5.8	20.2	20.2
Mitra Adiperkasa	MAPI IJ	BUY	1,280	1,600	1,364.9	13.2	10.8	2.6	2.2	2.9	3.0	22.0	22.0

Source: Bloomberg, UOB Kay Hian

OVERWEIGHT

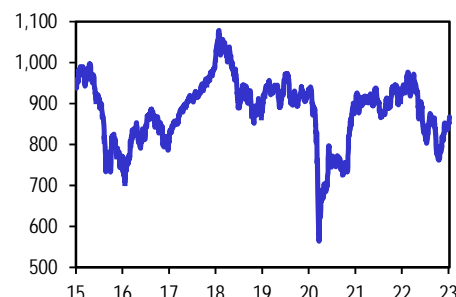
(Maintained)

TOP BUYS

Company	Rec	Share Price (LCY)	Target Price (LCY)
CLAS	BUY	1.04	1.37
GENS	BUY	0.97	1.15
ST	BUY	2.51	3.15
GENM	BUY	2.80	3.50
MYEG	BUY	0.845	1.30
YNS	BUY	2.52	4.45
BBL	BUY	157.50	165.00
ADVANC	BUY	203.00	244.00
TU	BUY	16.10	23.00
BBRI	BUY	4,590	5,300
TLKM	BUY	3,790	4,860
MAPI	BUY	1,280	1,600

Source: UOB Kay Hian

FTSE ASEAN ALL-SHARE INDEX



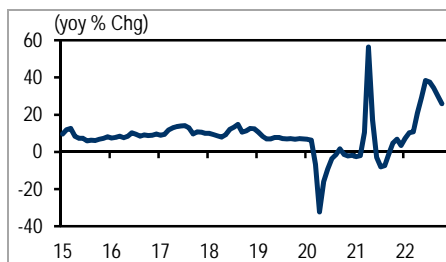
Source: Bloomberg

ANALYST(S)

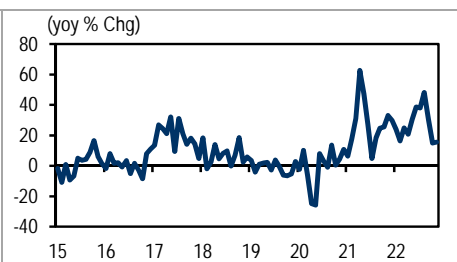
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- Malaysia: Surging exports boosted by electronics and commodities.** GDP growth accelerated to 14.2% yoy in 3Q22. Private consumption grew as Malaysia transitioned to living with COVID-19 as an endemic since Apr 22 and continued government subsidies. Exports were boosted by strong global demand for electrical & electronics products and higher commodity prices (LNG and crude petroleum). GDP growth is expected to slow to 4.0% in 2023 due to external headwinds and further fiscal consolidation.

RETAIL SALES



EXPORTS



- Headwinds from potential fiscal austerity.** The new government's pledge to consolidate Malaysia's fiscal position could lead to potential changes to the subsidy policies, which weigh on private consumption. The previous government has tabled a pro-growth budget for 2023 with expenditure worth RM372b (20.5% of GDP). Fiscal deficit is projected to narrow to 5.5% of GDP in 2023. Bank Negara raised Overnight Policy Rate (OPR) by 25bp to 2.75%, the 4th back-to-back rate hike since May 22. UOB forecasts two more 25bp OPR hikes in 1Q23 (January and March).

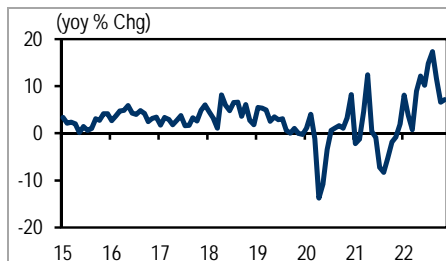
SUMMARY OF FORECASTS - MALAYSIA

FX & Rates	1Q23	2023	3Q23	4Q23
USD/MYR	4.55	4.60	4.65	4.65
MYR O/N Policy Rate (%)	3.25	3.25	3.25	3.25
Economic Indicators	2020	2021	2022F	2023F
GDP (%)	-5.5	3.1	8.3	4.0
CPI (Average yoy %)	-1.2	2.5	3.5	2.8
Unemployment Rate (%)	4.8	4.2	3.5	3.2
Current Account (% of GDP)	4.2	3.8	2.0	2.5
Fiscal Balance (% of GDP)	-6.2	-6.4	-5.8	-5.5

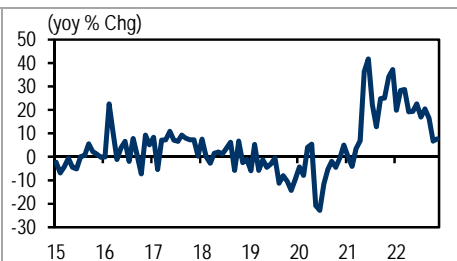
Source: UOB Global Economics & Markets Research

- Thailand: Broad-based recovery from consumption and services.** GDP growth accelerated to 4.5% yoy in 3Q22 (1H22: 2.4%). Household consumption expanded 9% yoy. Expenditure on services grew 15.8% yoy driven by hotels & restaurants and recreation & culture. Expenditure in durable goods grew 18.2% yoy with growth in purchase of vehicles. Expenditure in non-durable goods grew 3.2% yoy due to pick-up in food & beverages. There was strong growth in services exports (tourism) although the anticipated return of Chinese tourists has not materialised yet. Investments turned around to an expansion of 5.2% yoy driven by private investment in machinery and equipment.

PRIVATE CONSUMPTION

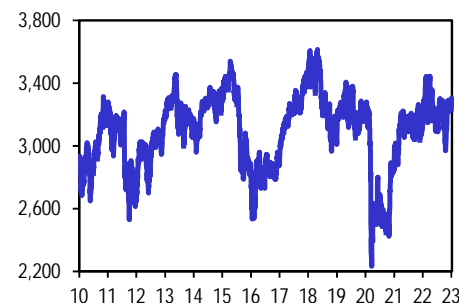


EXPORTS

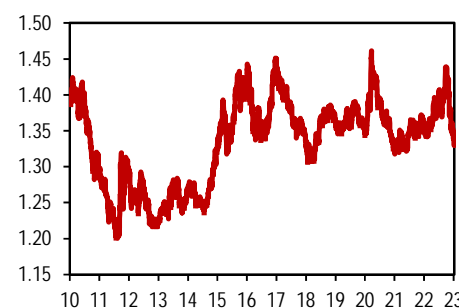


- A tinge of dovishness.** UOB forecasts GDP growth of 3.7% for 2023 with continued recovery of inbound tourists to Thailand, which boosts domestic trade activities, and results in stronger exports. Prices for energy and some key imported food items have eased recently. BOT expects inflation to have peaked in 3Q22 and forecasts average inflation of 2-3% for 2023. BOT is likely to adopt a gradual pace of policy tightening. UOB expects benchmark 1D Repo Rate to peak at 1.75% in 1Q23.

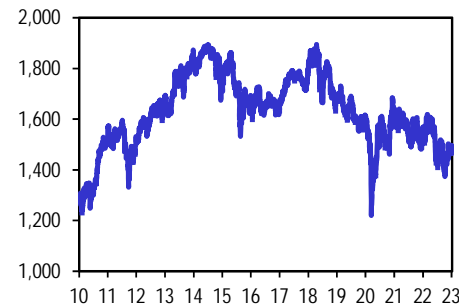
STRAITS TIMES INDEX



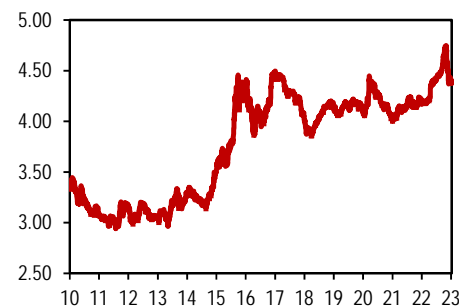
SGD



BURSA MALAYSIA KLCI



MYR



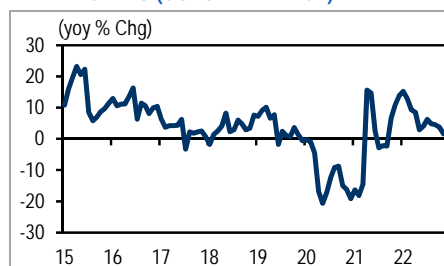
SUMMARY OF FORECASTS – THAILAND

FX & Rates	1Q23	2Q23	3Q23	4Q23
USD/THB	35.6	35.8	36.0	36.2
THB 1D Repo (%)	1.75	1.75	1.75	1.75
Economic Indicators	2020	2021	2022F	2023F
GDP (%)	-6.2	1.6	3.2	3.7
CPI (Average yoy %)	-0.8	1.2	6.0	2.7
Unemployment Rate (%)	1.9	1.6	1.4	1.2
Current Account (% of GDP)	0.3	-1.6	-0.8	2.8
Fiscal Balance (% of GDP)	-3.0	-3.7	-4.6	-3.8

Source: UOB Global Economics & Markets Research

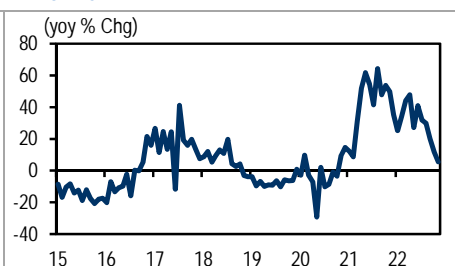
- **Indonesia: Riding on rising commodity prices.** GDP growth accelerated to 5.7% yoy in 3Q22. Steady reopening led to growth in private consumption (+5.4% yoy) and investment spending (+5% yoy). Growth in exports was spectacular at +21.6% yoy supported by higher commodity prices. Government spending contracted 2.9% yoy, the 3rd consecutive quarter of decline. Inflation is expected to ease to 4% in 2023 as second order impact from higher fuel prices on other components of the CPI basket is contained.

RETAIL SALES (CONSTANT PRICE)



Source: CEIC

EXPORTS



Source: CEIC

- **Stability enhanced by current account surpluses.** Indonesia's external balance is much stronger after two consecutive years of current account surpluses. Its forex reserve stood at a healthy US\$134b, representing import coverage ratio of 5.9 months. BI has hiked by a cumulative 175bp since Aug 22. The pace of rate hikes is expected to slow to a lower gear from Dec 22 onwards. BI Rate is expected to peak at 6.0% in Feb 23, providing a comfortable spread of 100bp above Fed Funds Rate at 5.0%. UOB sees USD/IDR as vulnerable and expects weakening to 16,200 by 4Q23.

SUMMARY OF FORECASTS – INDONESIA

FX & Rates	1Q23	2Q23	3Q23	4Q23
USD/IDR	15,900	16,100	16,200	16,300
IDR 7D Reverse Repo (%)	6.00	6.00	6.00	6.00
Economic Indicators	2020	2021	2022F	2023F
GDP (%)	-2.1	3.7	5.4	4.9
CPI (Average yoy %)	2.0	1.6	4.4	4.0
Unemployment Rate (%)	7.1	6.3	6.0	5.8
Current Account (% of GDP)	-0.5	0.3	0.8	-0.5
Fiscal Balance (% of GDP)	-6.1	-4.6	-3.2	-3.0

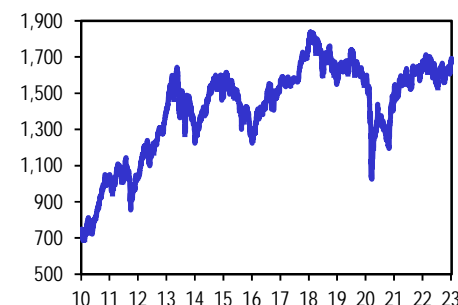
Source: UOB Global Economics & Markets Research

ACTION

- **Prefer Thailand and Indonesia.** US interest rates should reach their peak in 1Q23. Pressure on emerging markets is expected to ease thereafter. Thailand is the biggest beneficiary of the reopening of China with Mainland tourists making up 26% of total visitor arrivals during pre-pandemic days. Thailand also benefits from high prices for agricultural and food commodities. BUY Bangkok Bank (BBL TB/Target: Bt165), Advanced Info Service (ADVANC TB/Target: Bt244) and Thai Union Group (TU TB/Target: Bt23). We like Indonesia for the growth from green commodities. Financial stability has improved with sustainable current account surpluses and lower inflation. BUY Bank Rakyat Indonesia (BBRI IJ/Target: Rp5,300), Telkom Indonesia (TLKM IJ/Target: Rp4,860) and Mitra Adiperkasa (MAPI IJ/Target: Rp1,600).

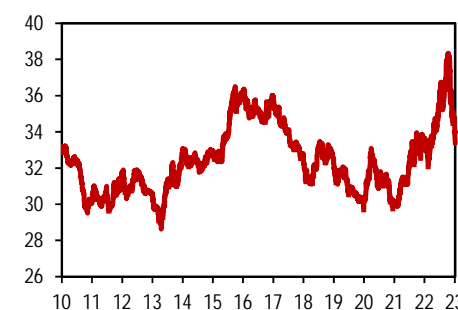
- **Selective picks from Singapore and Malaysia.** Singapore is most sensitive to the slowdown in the external environment. BUY CapitaLand Ascott (CLAS SP/Target: S\$1.37), Genting Singapore (GENS SP/Target: S\$1.15) and Singtel (ST SP/Target: S\$3.15). Malaysian equities face uncertainties due to UMNO's general election expected in 2Q23. BUY Genting Malaysia (GENM MK/Target: RM3.50), My EG Services (MYEG MK/Target: RM1.30) and Yinson Holdings (YNS MK/Target: RM4.45).

THAILAND SET INDEX



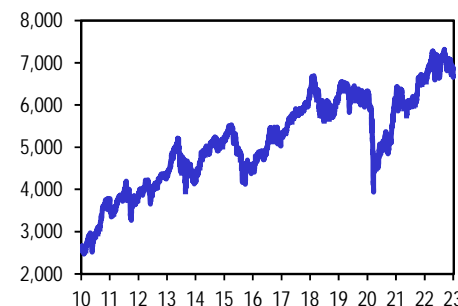
Source: Bloomberg

THB



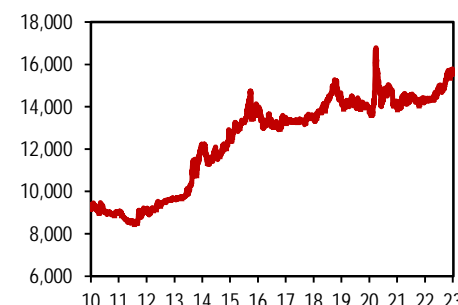
Source: Bloomberg

JAKARTA COMPOSITE INDEX



Source: Bloomberg

IDR



Source: Bloomberg

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