



# 2017 Global Outlook

## Of Rising Trade Protectionism & Political Isolation - What does all these mean for us Earthlings?

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UOB Global Economics & Markets Research

14<sup>th</sup> February 2017

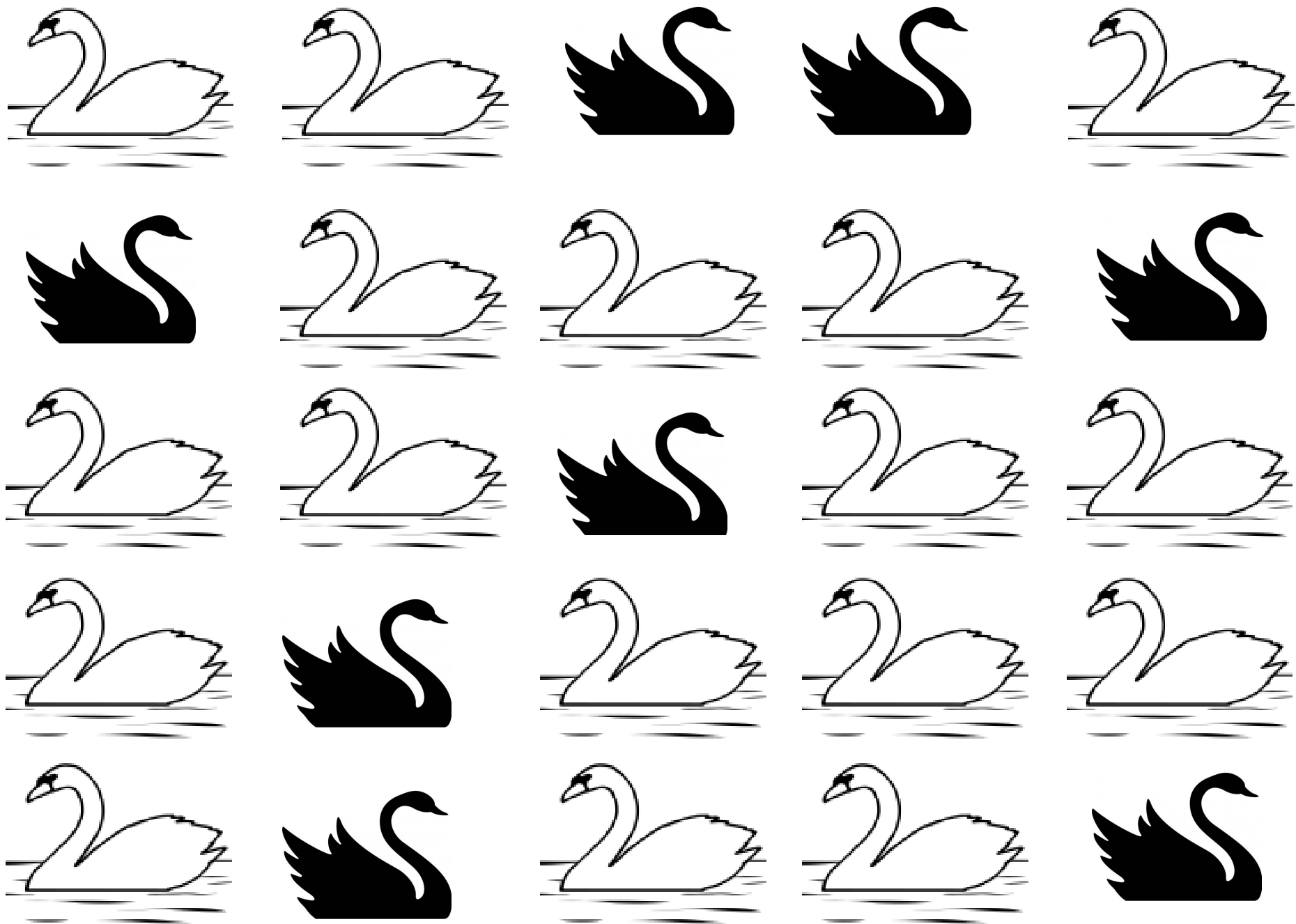
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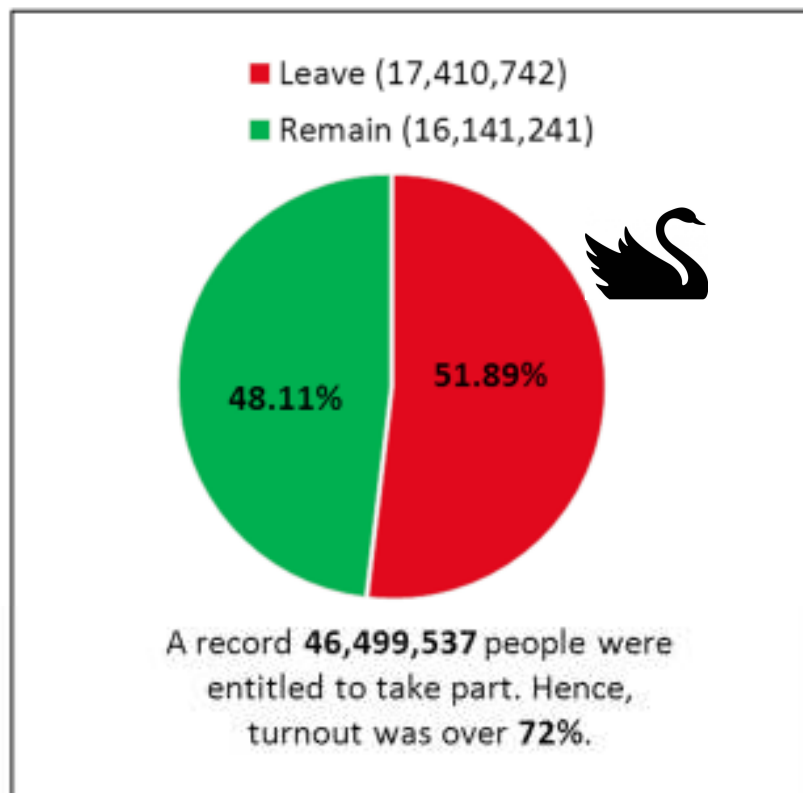
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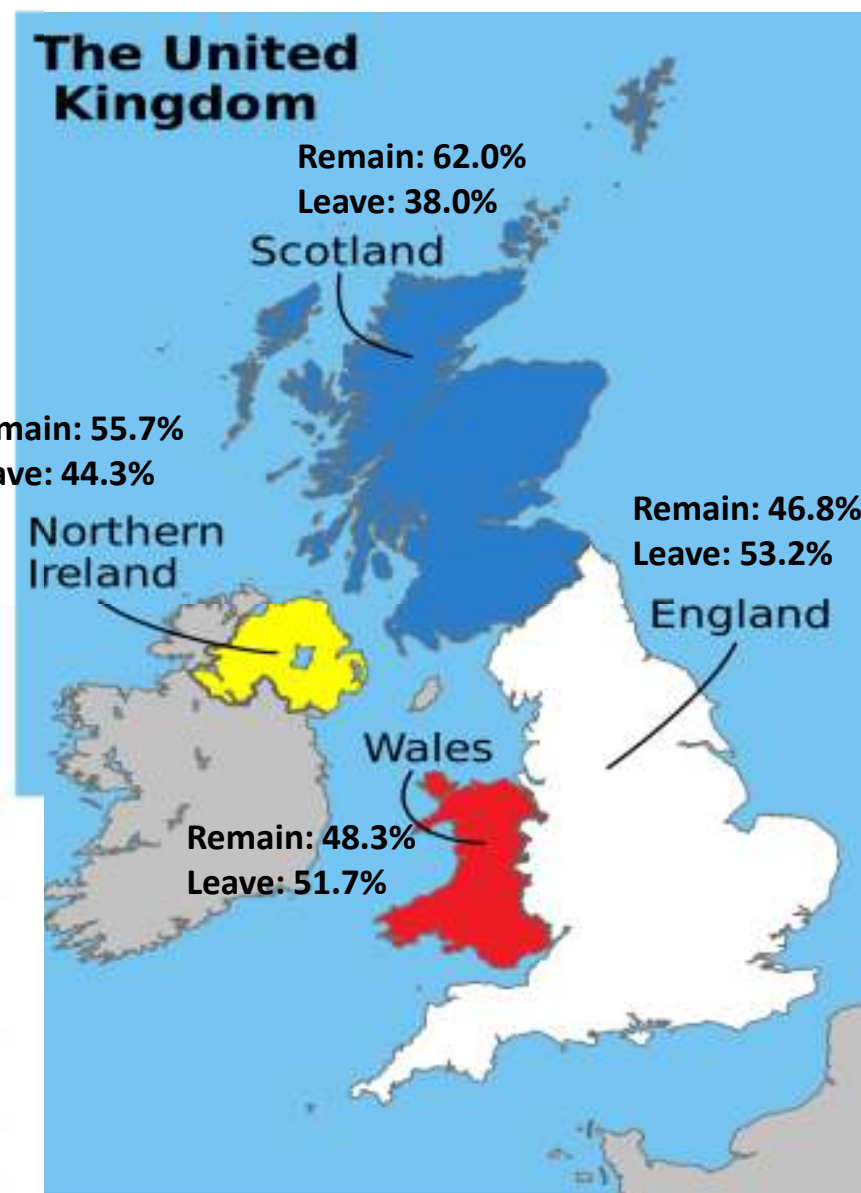




# UK Referendum: The Outcome



Referendum on the United Kingdom's membership of the European Union	
Vote only once by putting a cross <input checked="" type="checkbox"/> in the box next to your choice	
Should the United Kingdom remain a member of the European Union or leave the European Union?	
Remain a member of the European Union	<input type="checkbox"/>
Leave the European Union	<input type="checkbox"/>



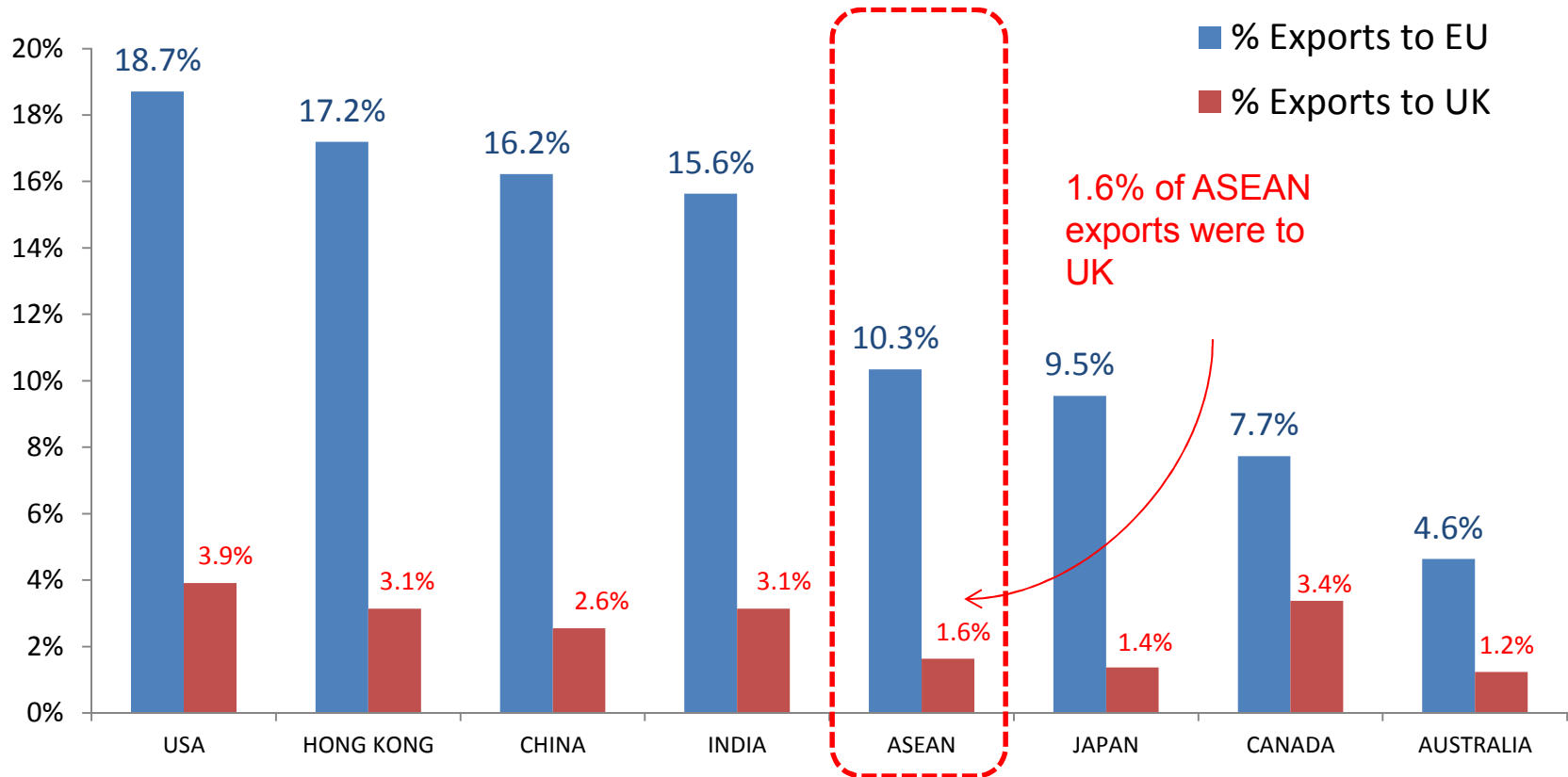
# Euro Exposed To Political Risks

2017		
<b>January</b>	19	ECB rate announcement
<b>March</b>	9	ECB rate announcement
	15	Dutch General Election
<b>April</b>	23	French Presidential Election (1 <sup>st</sup> Round)
	27	ECB rate announcement
<b>May</b>	7	French Presidential Election (2 <sup>nd</sup> Round)
<b>June</b>	8	ECB rate announcement
<b>July</b>	20	ECB rate announcement
<b>September</b>	7	ECB rate announcement
<b>October</b>		Czech Legislative Election
	22*	German Federal Election
	26	ECB rate announcement
<b>December</b>	14	ECB rate announcement

# 1.6% of ASEAN's Exports Were To The UK; 10.3% to EU

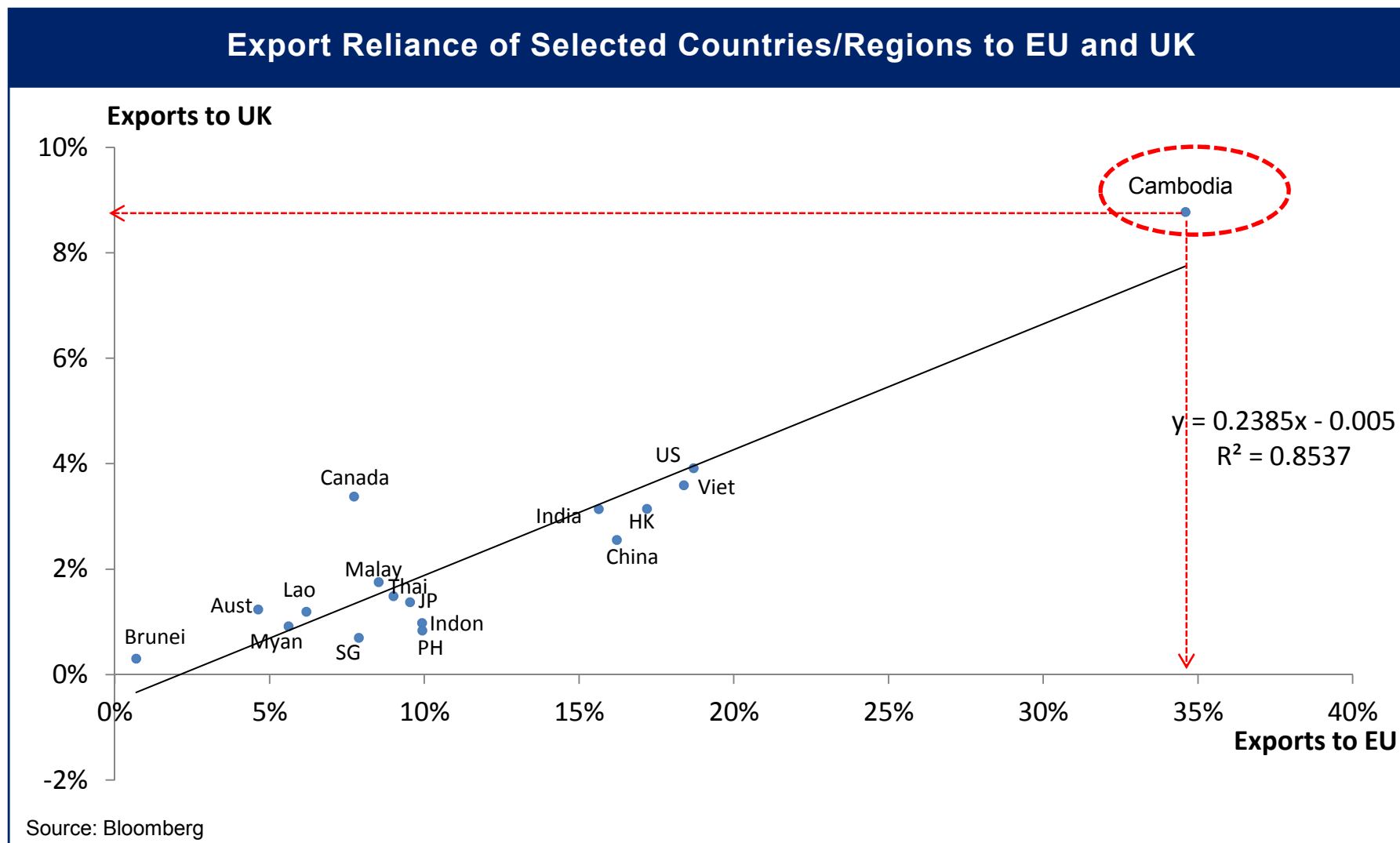
## Export Reliance of Selected Countries/Regions to EU and UK (2015)

% Share Of Exports To



Source: IMF (Annual data)

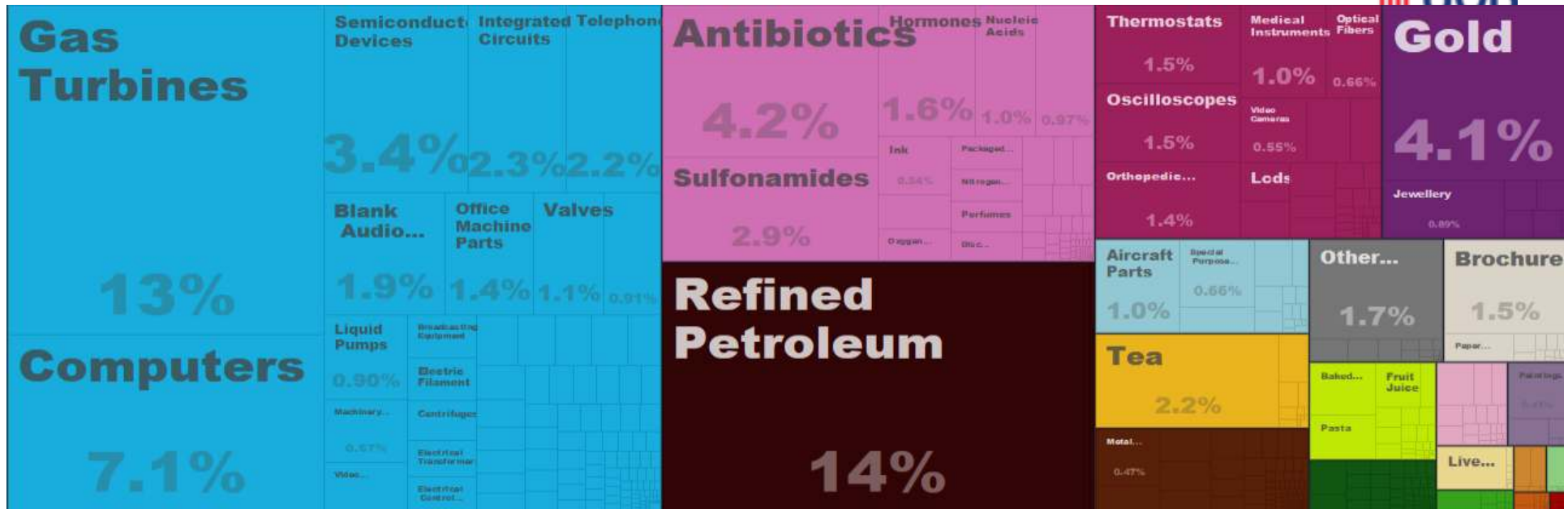
# However, The Reliance Is Very Different Across ASEAN Countries



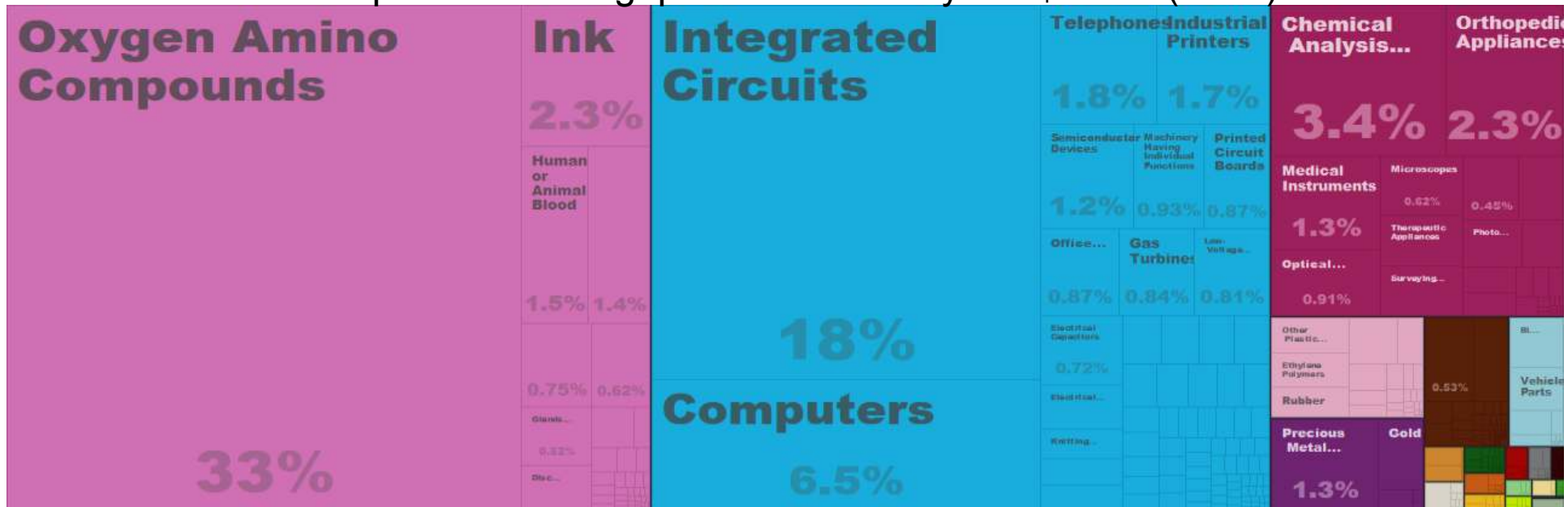




Exports from Singapore to UK: US\$2.17b (2014)



Exports from Singapore to Germany: US\$6.43b (2014)

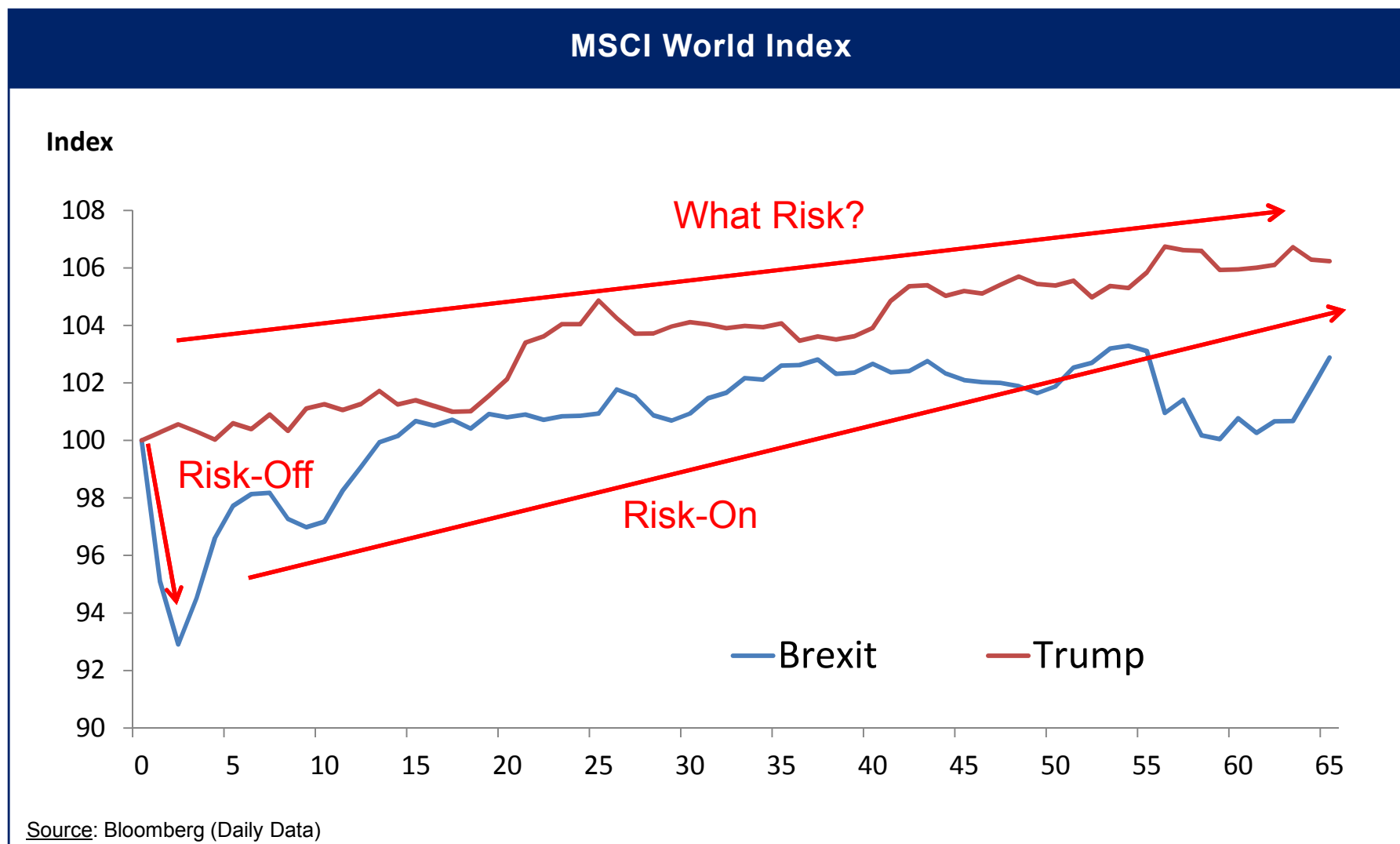


A photograph of Donald Trump from the chest up. He is wearing a dark blue suit jacket, a white dress shirt, and a bright red necktie. He has a small American flag pin on his left lapel. He is giving a thumbs-up gesture with his right hand. The background is a solid blue color.

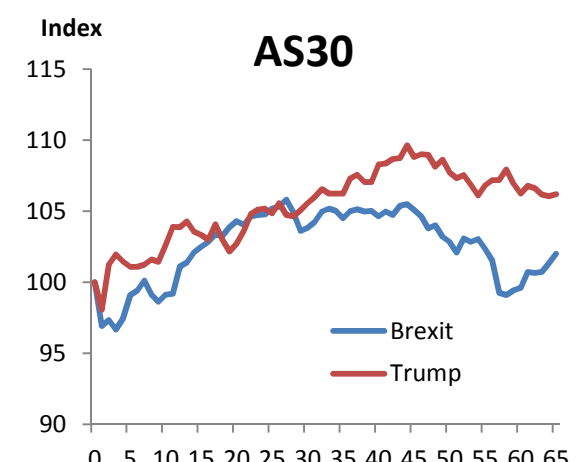
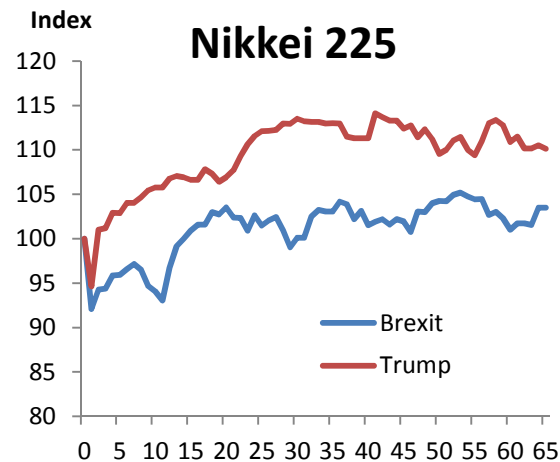
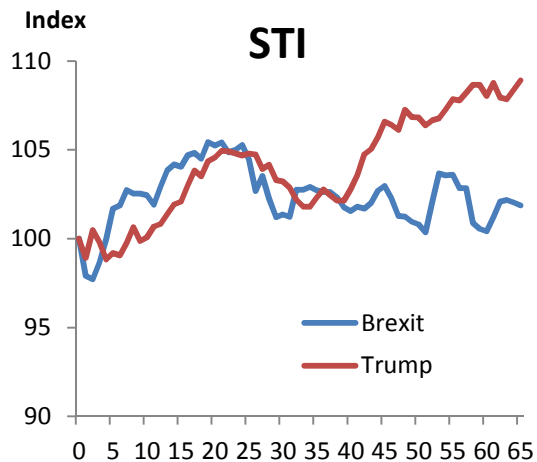
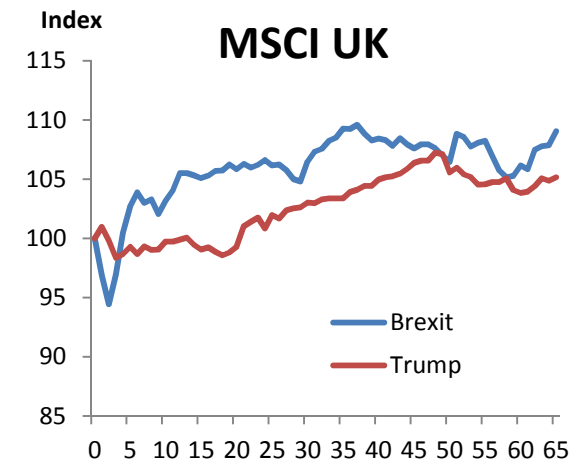
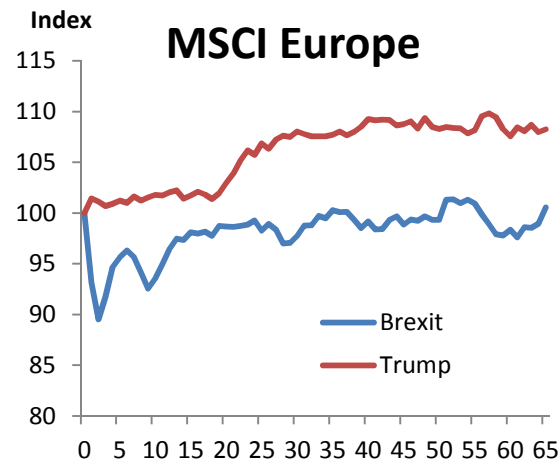
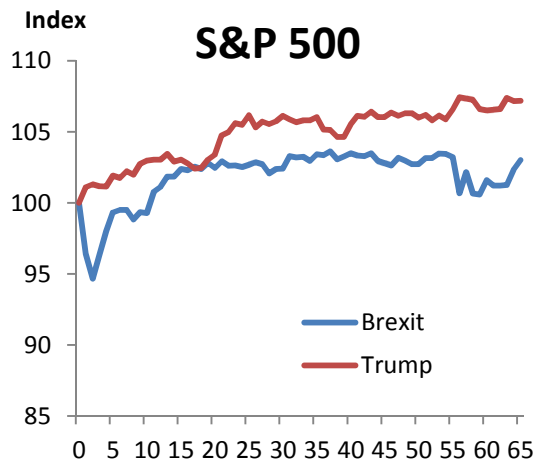
AMERICA is GREAT again!

Really?

# Investors Seem To Shrug Off Trump's Anti-trade, Anti-world Rhetoric

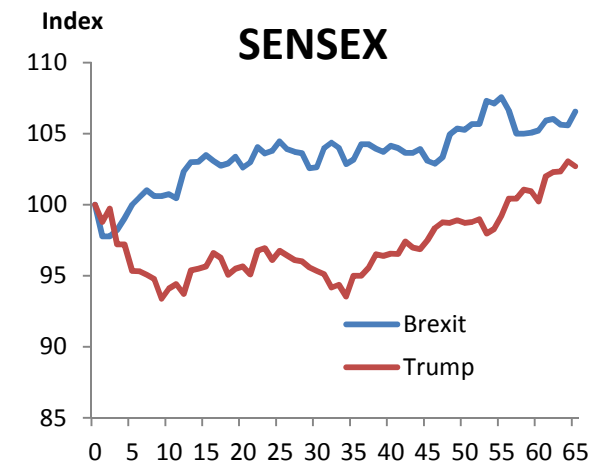
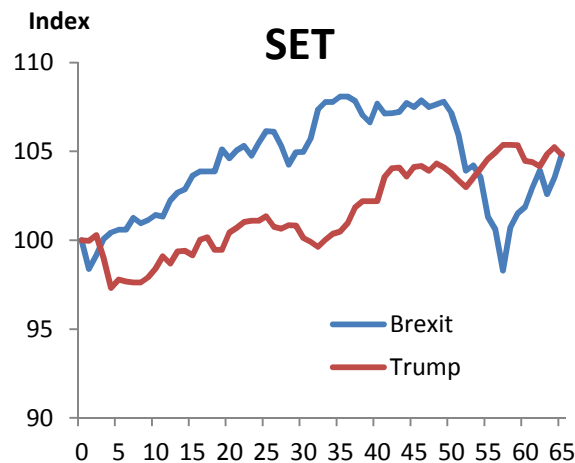
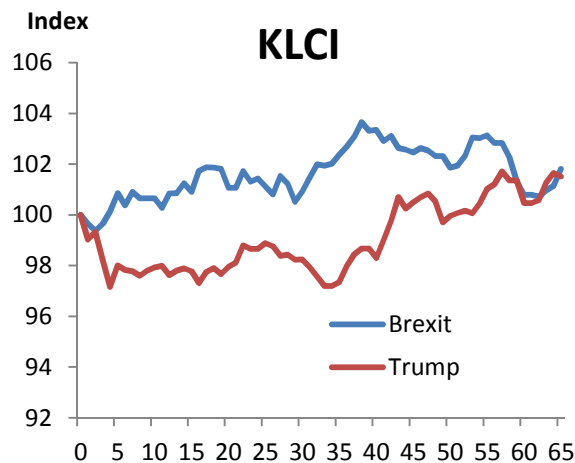
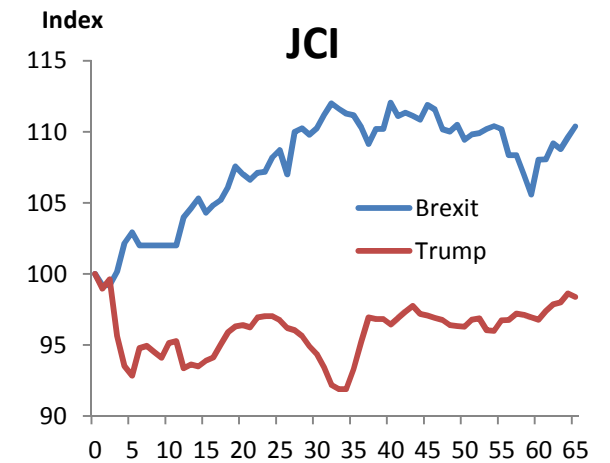
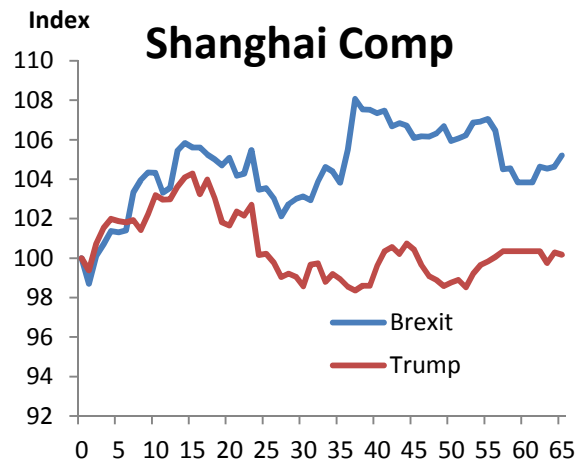
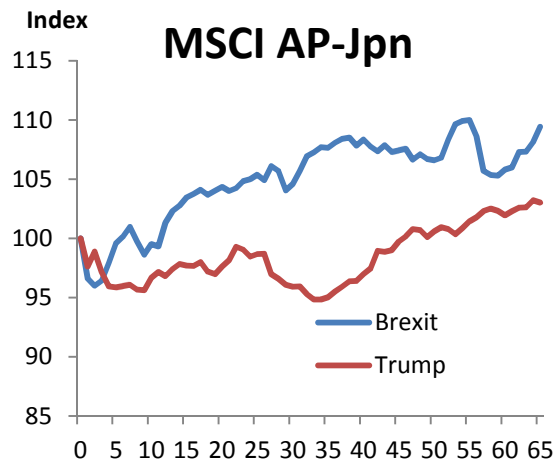


# DM Equities Supported After Trump Win



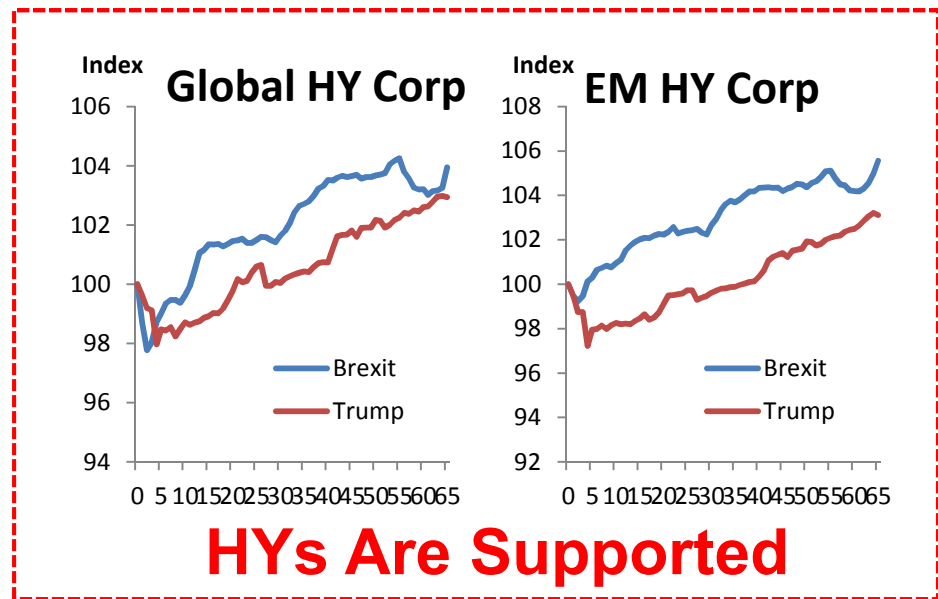
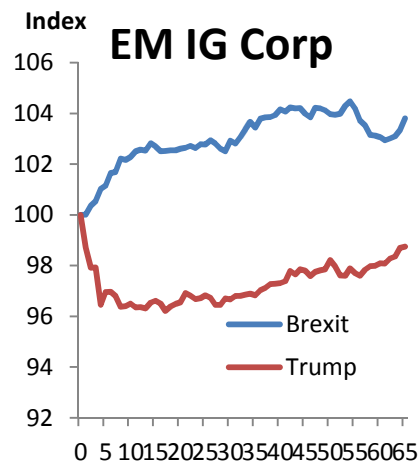
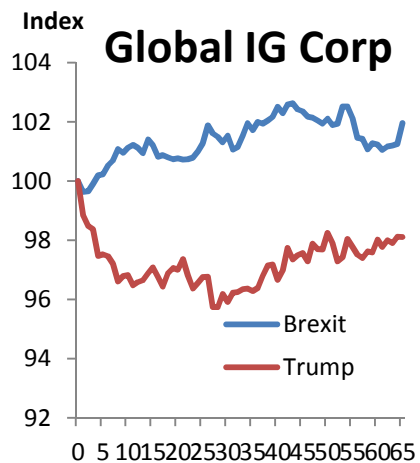
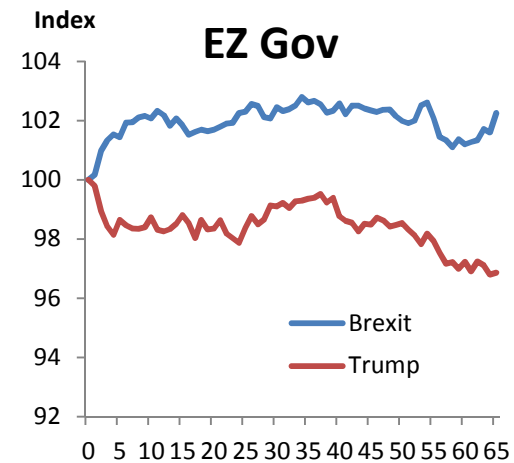
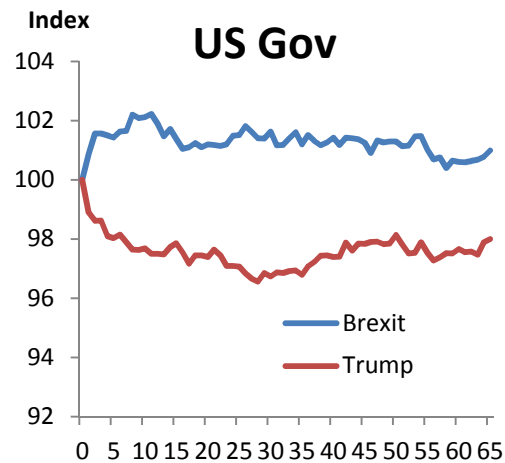
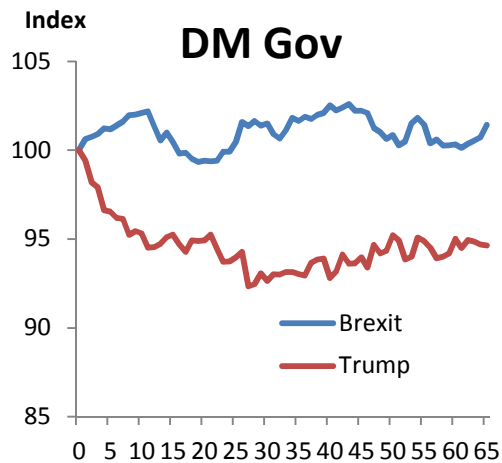
Source: Bloomberg (Daily Data)

# Sell-off of EM Equities Supported After Trump Win



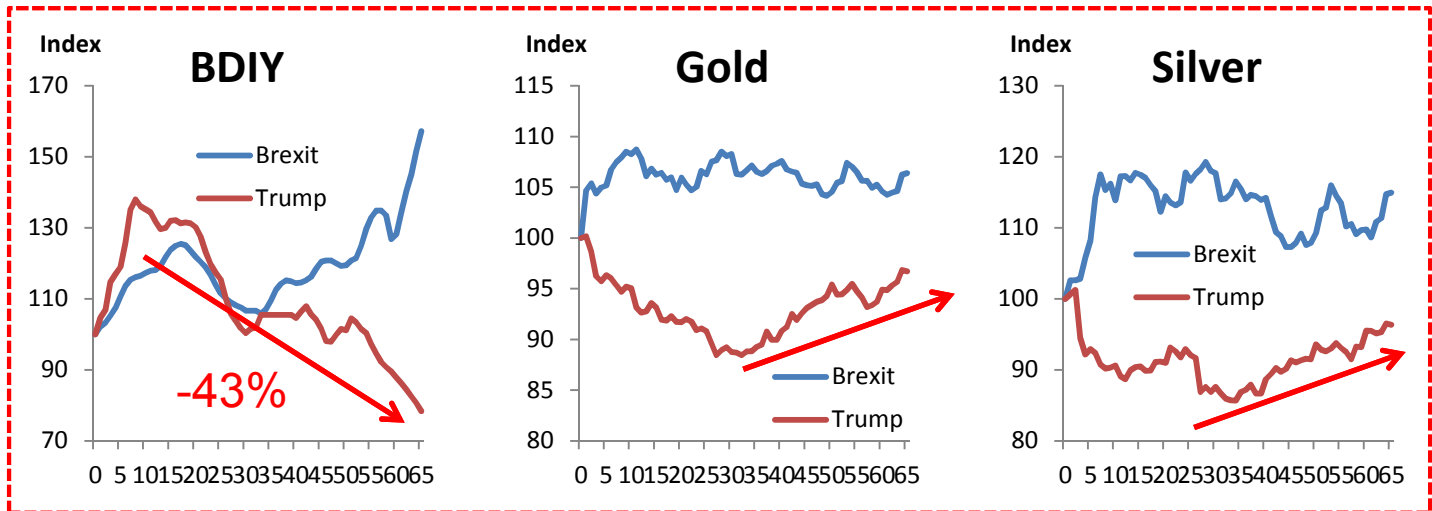
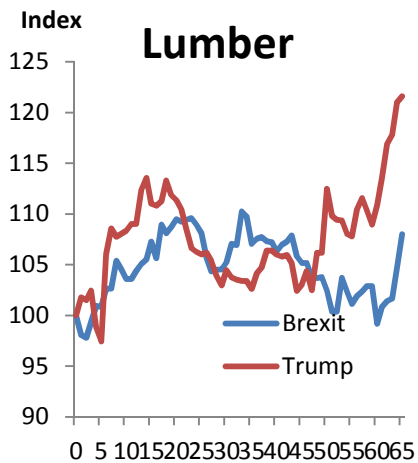
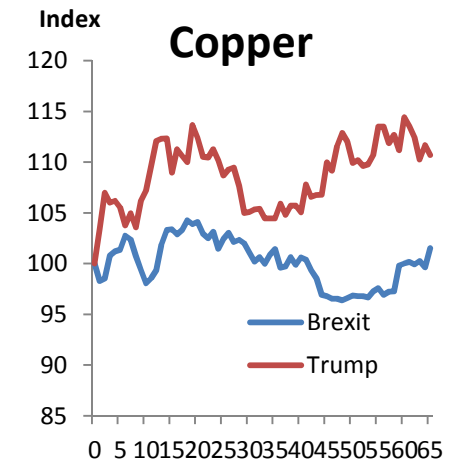
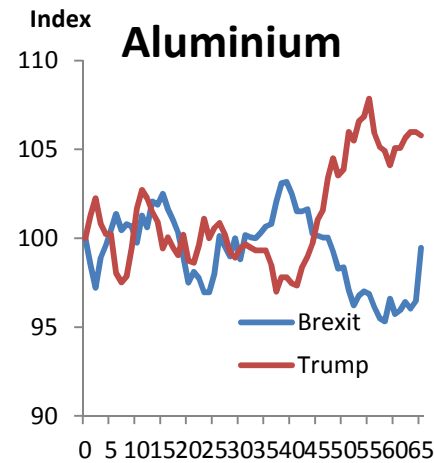
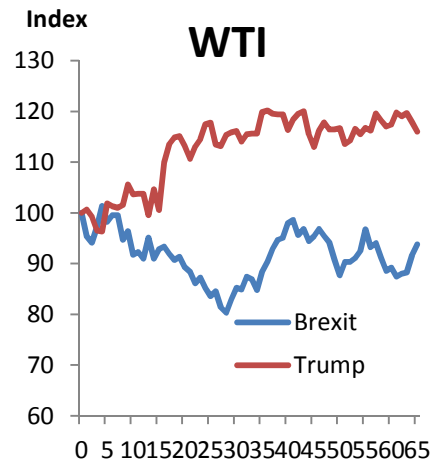
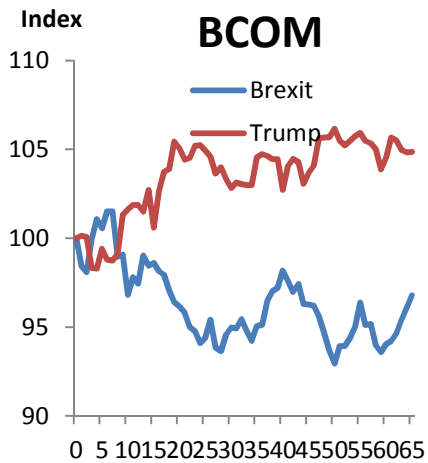
Source: Bloomberg (Daily Data)

# Selling Off Safe Havens



Source: Bloomberg (Daily Data)

# Commodities Prices Run-up Is Not Rational



**Markets Getting Nervous**

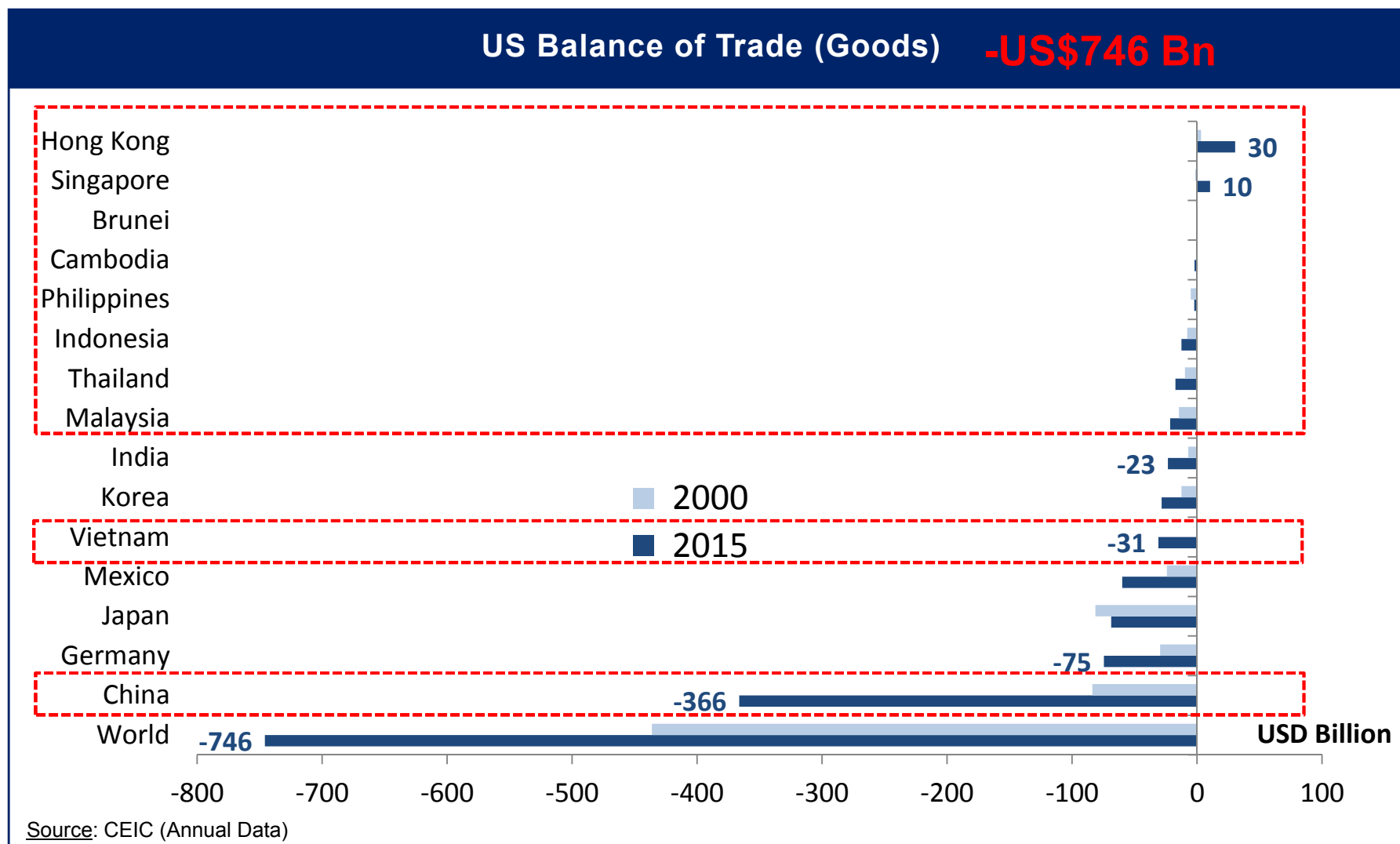


# You Should LOVE Donald Trump!



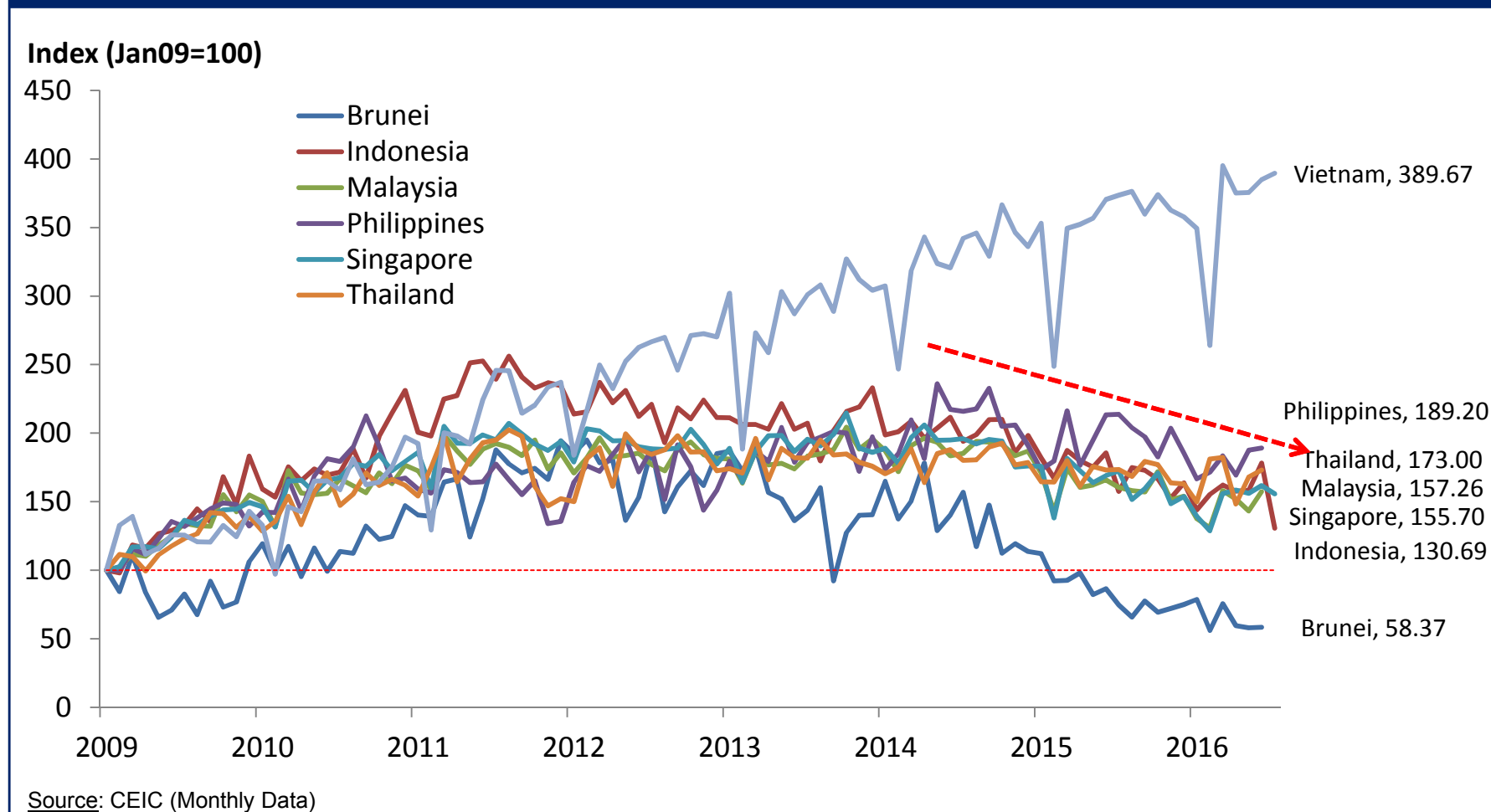
Trump's Tweet	Company	Down by	Char count	Each character costs
Boeing is building a brand new 747 Air Force One for future presidents, but costs are out of control, more than \$4 billion. Cancel order!	Boeing	\$ 989,800,000	113	\$8,759,292
General Motors is sending Mexican made model of Chevy Cruze to U.S. car dealers-tax free across border. Make in U.S.A.or pay big border tax!	GM	\$ 409,710,000	117	\$3,501,795
Build plant in US or pay big border tax	Toyota	\$ 1,200,000,000	31	\$38,709,677

# ASEAN Countries Didn't Account Much of US Trade Deficit

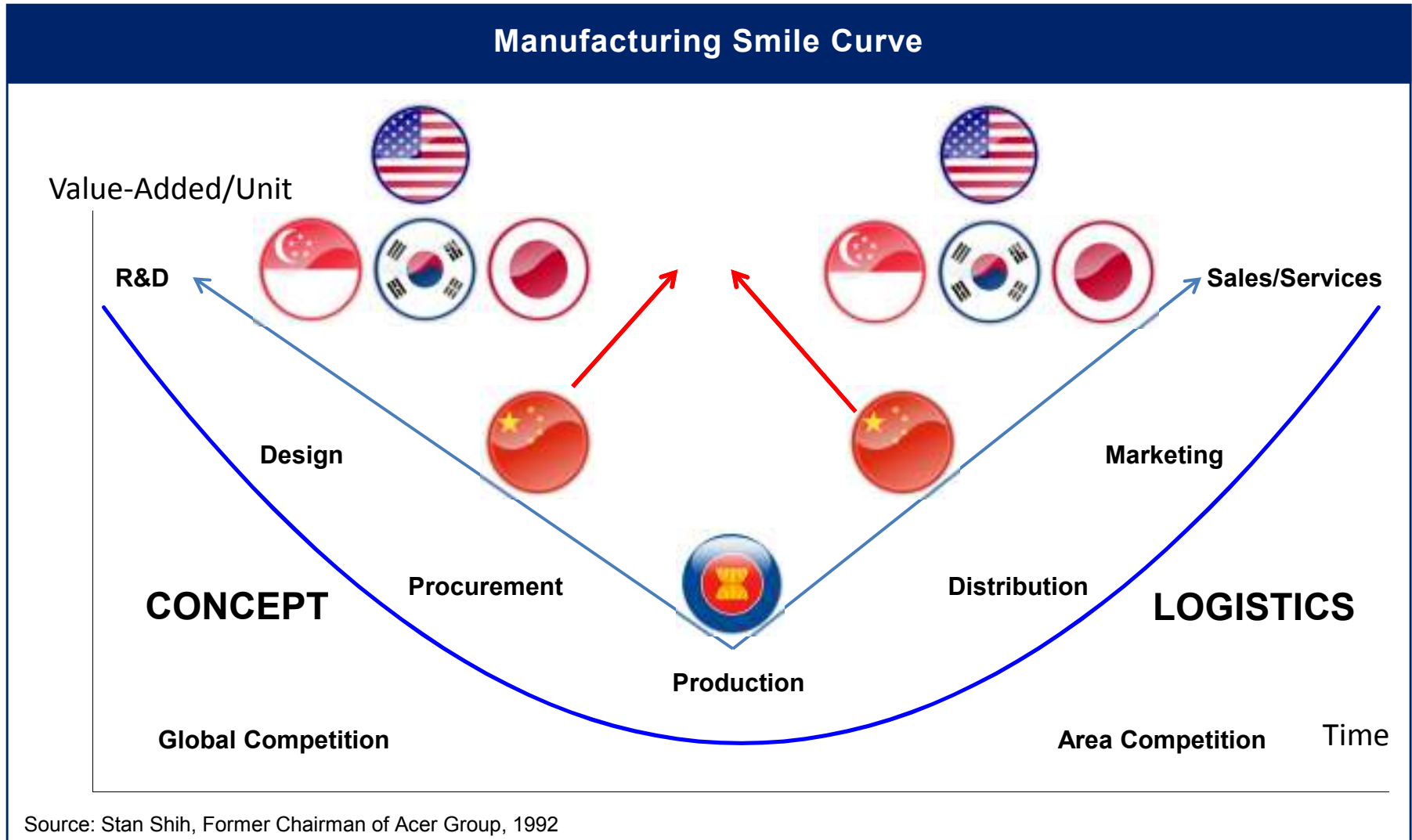


# Vietnam Is ASEAN's New China! (Although a Much Smaller Sized One)

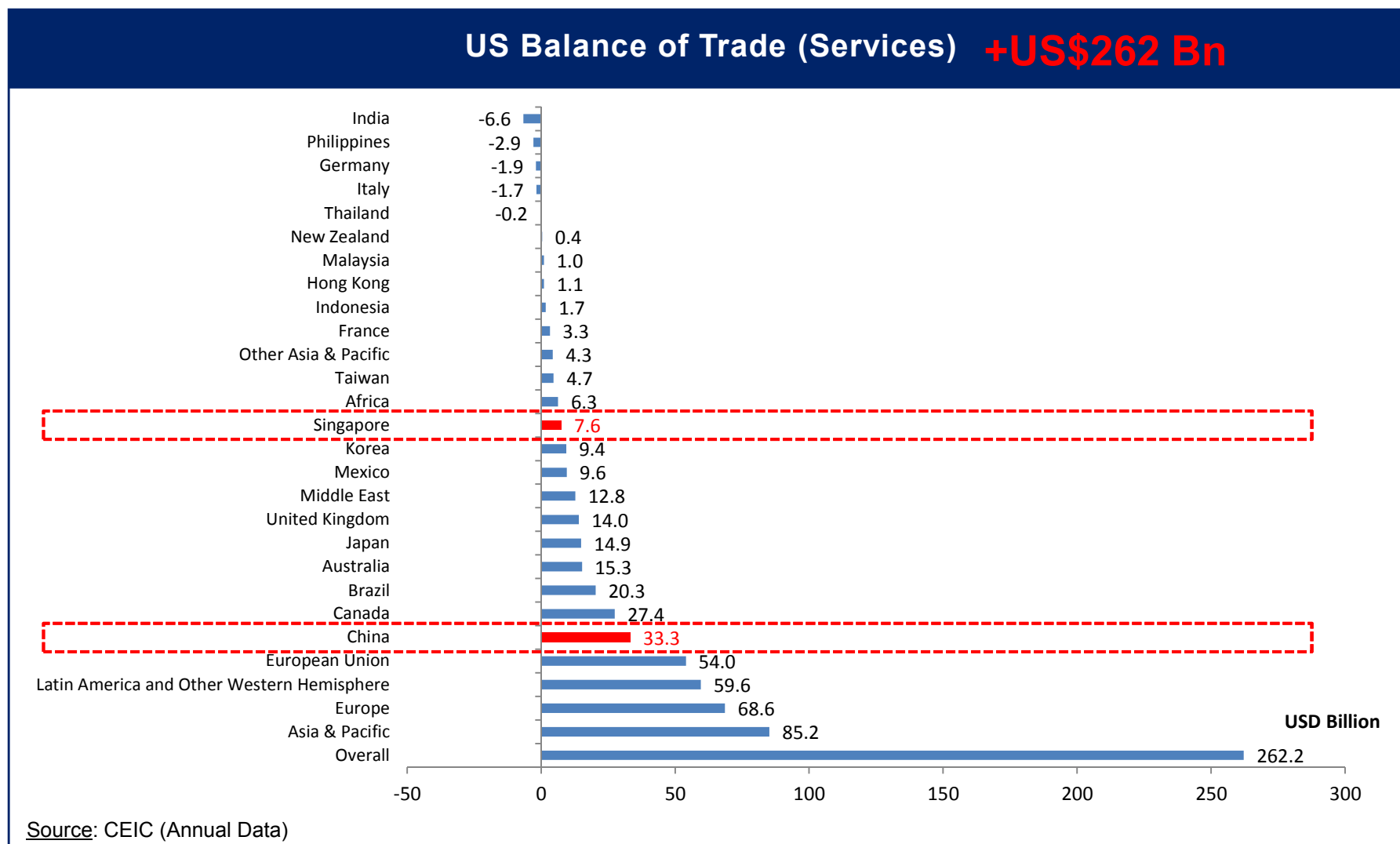
**Total Nominal Exports (USD) Indexed For Selected ASEAN Economies**



# Let's Learn About Manufacturing!



# And The US Should NOT Complain Too Much...



# Trump, Listen UP: US Is In A Better Shape Today, Not Worse!



## US Balance of Trade with the World

	Goods	Services	Overall
2000	-436	74	-362
2015	-746	262	-484
Growth =	71.1%	254.1%	33.7%

# US Exporting High Value Added Services!

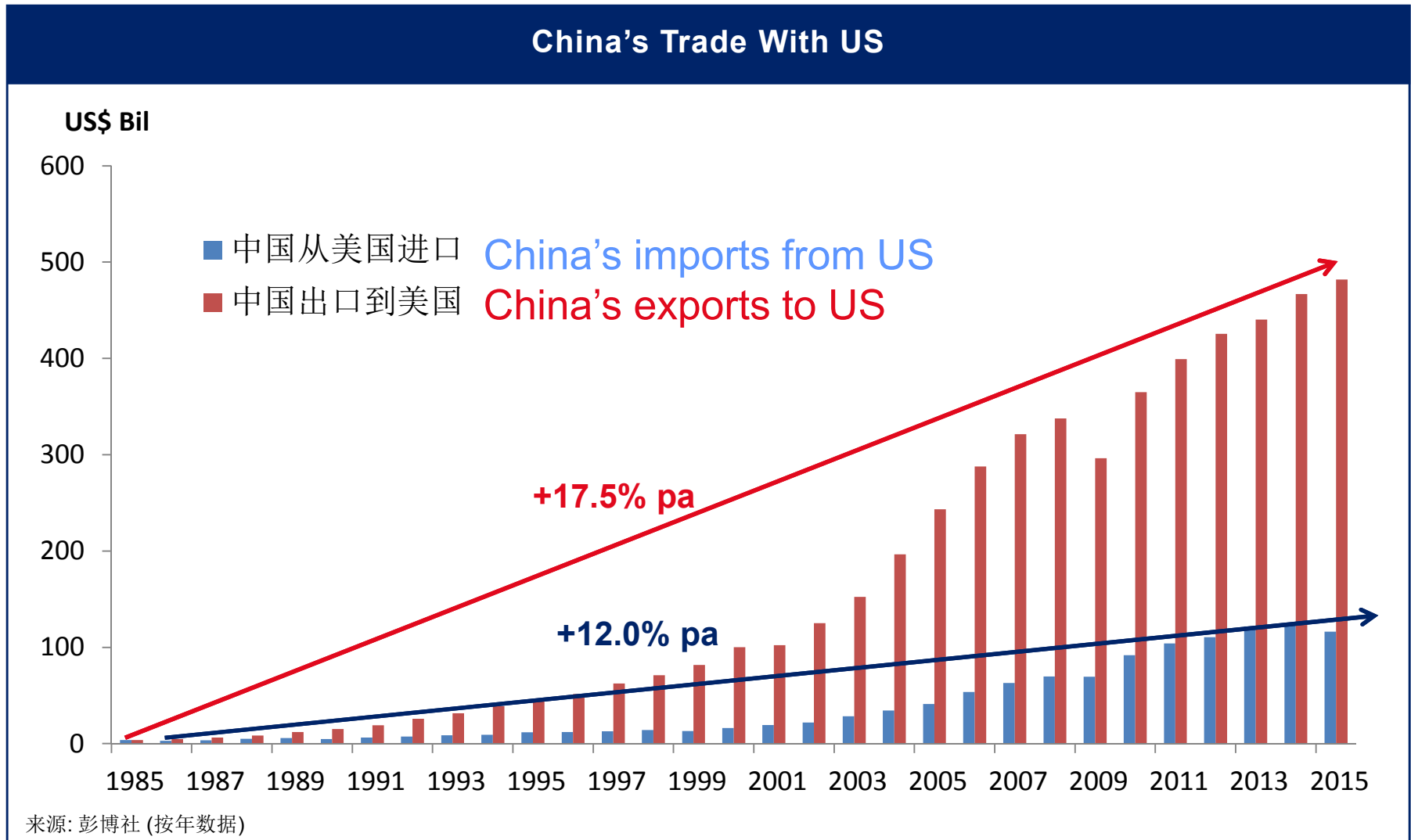
## US Trade Bal (Svcs) with Singapore

S/N	Category	USD Mn
1	Services: Singapore: TCI: Information	6,538
2	Svcs: Singapore: Intellectual Property Charges n.i.e. (IPC)	2,526
3	Svcs: Singapore: OB: PMC: Acctng, Auditing & Bookkeeping	2,343
4	Svcs: Singapore: IPC: Unaffiliated	2,258
5	Svcs: Singapore: IPC: Affiliated (AF)	2,240
6	Svcs: Singapore: OB: Research & Development	2,118
7	Svcs: Singapore: IPC: Industrial Processes	1,499
8	Svcs: Singapore: IPC: AF: US Aff Exp to Foreign Parent Grp	976
9	Svcs: Singapore: Government Goods & Services n.i.e.	563
10	Svcs: Singapore: OB: PMC: Advertising	460
11	Services: Singapore: TCI: Telecommunications	449
12	Services: Singapore: Maintenance & Repair n.i.e.	441
13	Services: Singapore: Travel incl Education	435
14	Svcs: Singapore: IPC: Computer Software	425
15	Svcs: Singapore: IPC: Other	306
16	Services: Singapore: Travel: Other Business & Personal	296
17	Svcs: Singapore: IPC: Trademarks	295
18	Services: Singapore: Financial	279
19	Services: Singapore: Insurance: Reinsurance	274
20	Svcs: Singapore: Other Business (OB)	252
41	Services: Singapore: Transport: Air: Passenger	-191
42	Services: Singapore: Transport: Air	-210
43	Svcs: Singapore: OB: TTR: Architectural & Engineering	-239
44	Services: Singapore: Telecom, Computer & Info (TCI)	-271
45	Services: Singapore: Transport: Sea	-376
46	Services: Singapore: Transport: Sea: Freight	-468
47	Services: Singapore: Transport	-580
48	Svcs: Singapore: OB: PMC: Bus & Mngt Consult & PR	-1,124
49	Svcs: Singapore: OB: Professional & Mngt Consulting (PMC)	-1,424

## US Trade Bal (Svcs) with China

S/N	Category	USD Mn
1	Services: China: Travel incl Education	23,522
2	Services: China: Travel: Other Business & Personal	12,331
3	Services: China: Travel: Education Related	11,141
4	Services: China: Intellectual Property Charges n.i.e. (IPC)	5,625
5	Services: China: IPC: Affiliated (AF)	3,416
6	Services: China: IPC: AF: US Parents Exp to Foreign Affil	3,369
7	Services: China: Financial	2,488
8	Services: China: IPC: Industrial Processes	2,418
9	Services: China: IPC: Unaffiliated	2,209
10	Services: China: OB: Technical, Trade Rel & Other Bus (TTR)	2,163
11	Services: China: Transport: Air: Passenger	1,630
12	Services: China: IPC: Trademarks	1,468
13	Services: China: Transport: Air	1,341
14	Services: China: Maintenance & Repair n.i.e.	1,184
15	Services: China: OB: TTR: Architectural & Engineering	1,126
16	Services: China: IPC: Computer Software	880
17	Services: China: OB: TTR: Operating Leasing	749
18	Services: China: Transport: Sea: Port	660
19	Services: China: IPC: Audio Visual & Related Products (AVR)	559
20	Services: China: IPC: AVR: Movies & Television Programming	529
42	Services: China: Telecommunications, Computer & Info (TCI)	-247
43	Services: China: TCI: Computer	-292
44	Services: China: OB: Professional & Mngt Consulting (PMC)	-348
45	Services: China: OB: PMC: Bus & Mngt Consult & PR	-355
46	Services: China: Other Business (OB)	-381
47	Services: China: Transport: Sea	-1,129
48	Services: China: Transport: Sea: Freight	-1,789
49	Services: China: OB: Research & Development	-2,196

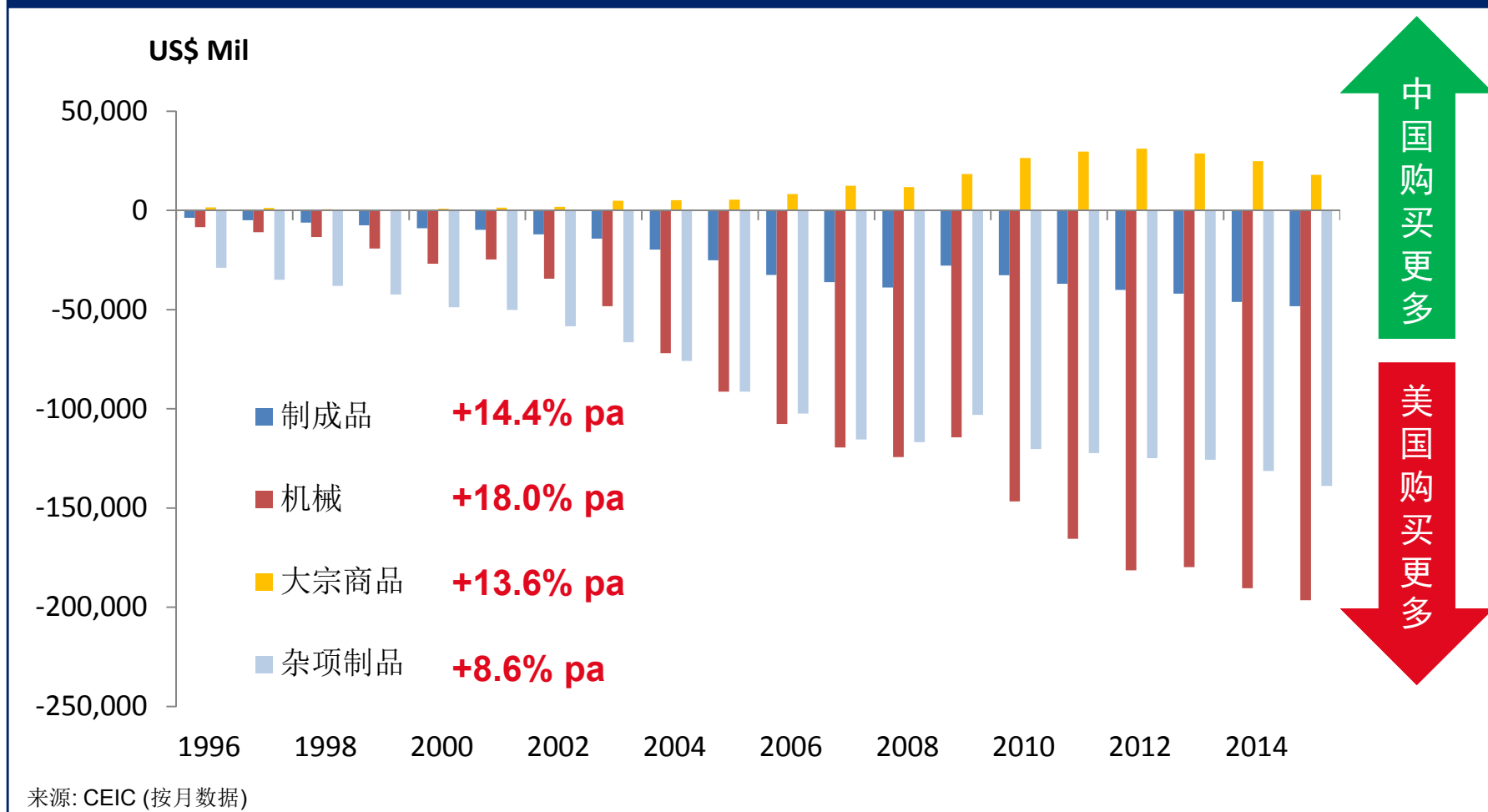
# China is America's 3<sup>rd</sup> Largest Exporting Partner (10%) ; America is China's Largest Exporting Partner (18%)





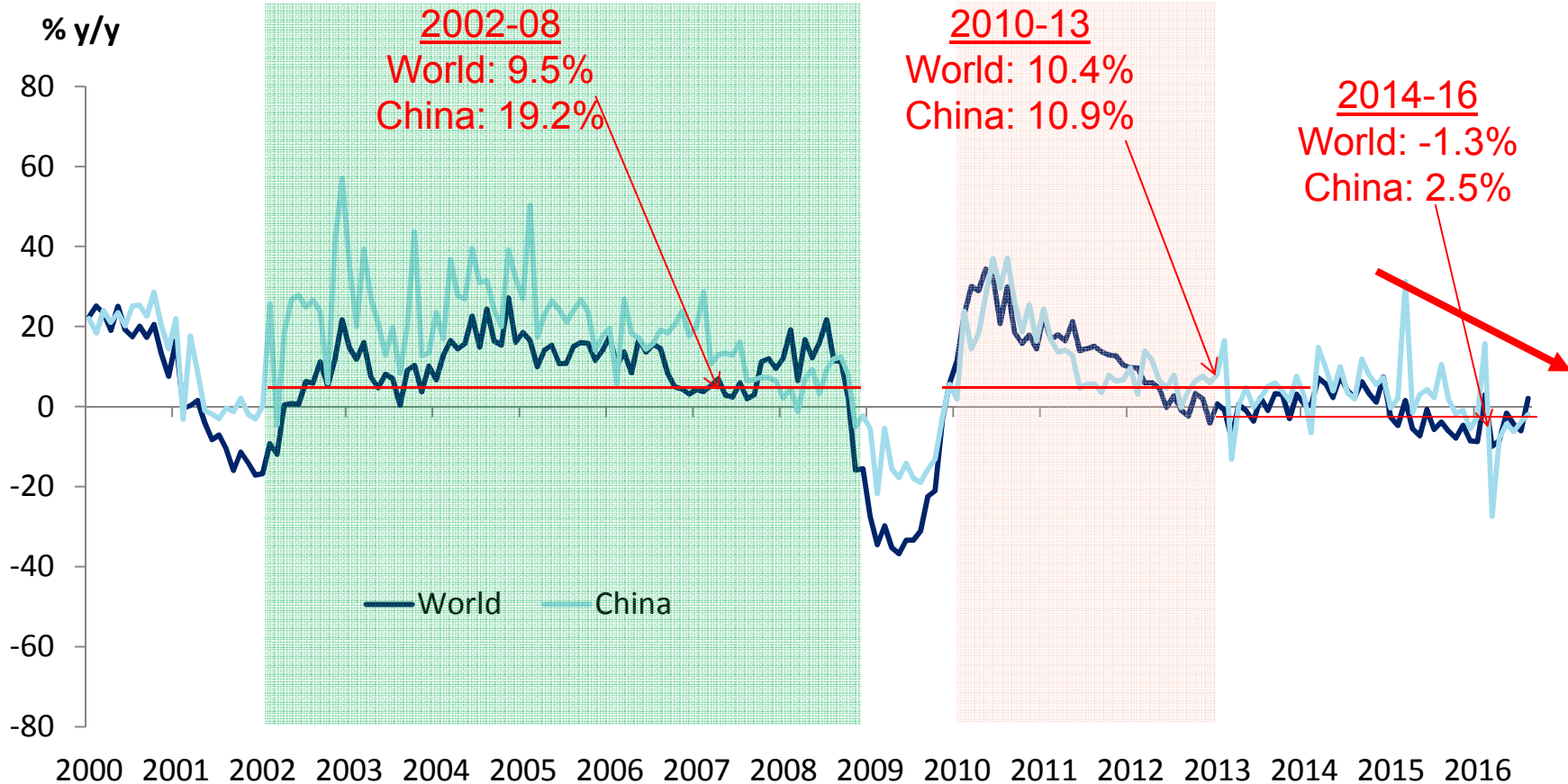
# US Buying Higher Value-added Items & Capital Goods at Faster Rate

## US Trade Deficits with China by Product Type (SITC 1-digit)



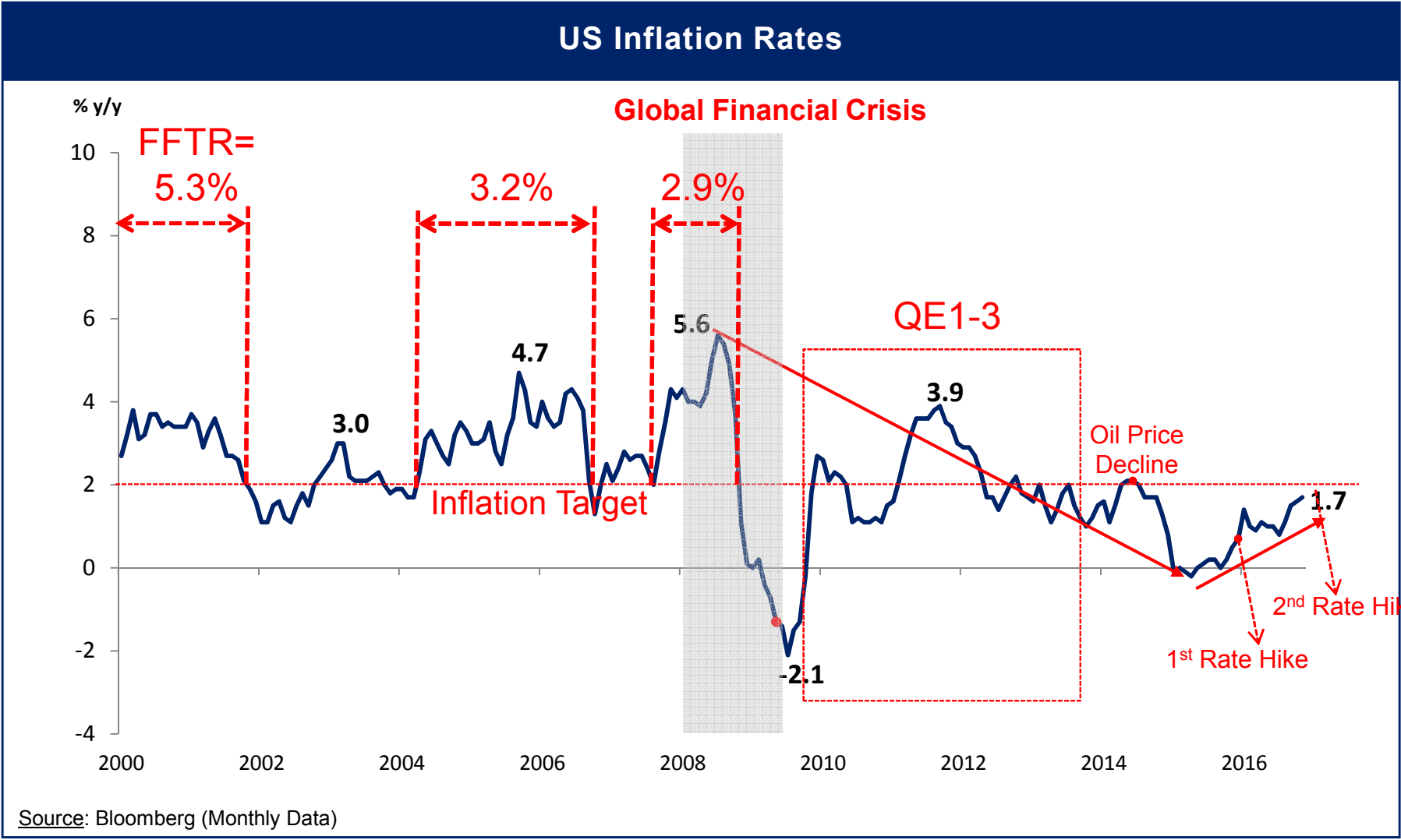
# Although US Is Recovering, It May Not Translate To More Global Trade

## US Nominal Imports From The World and China (US\$)

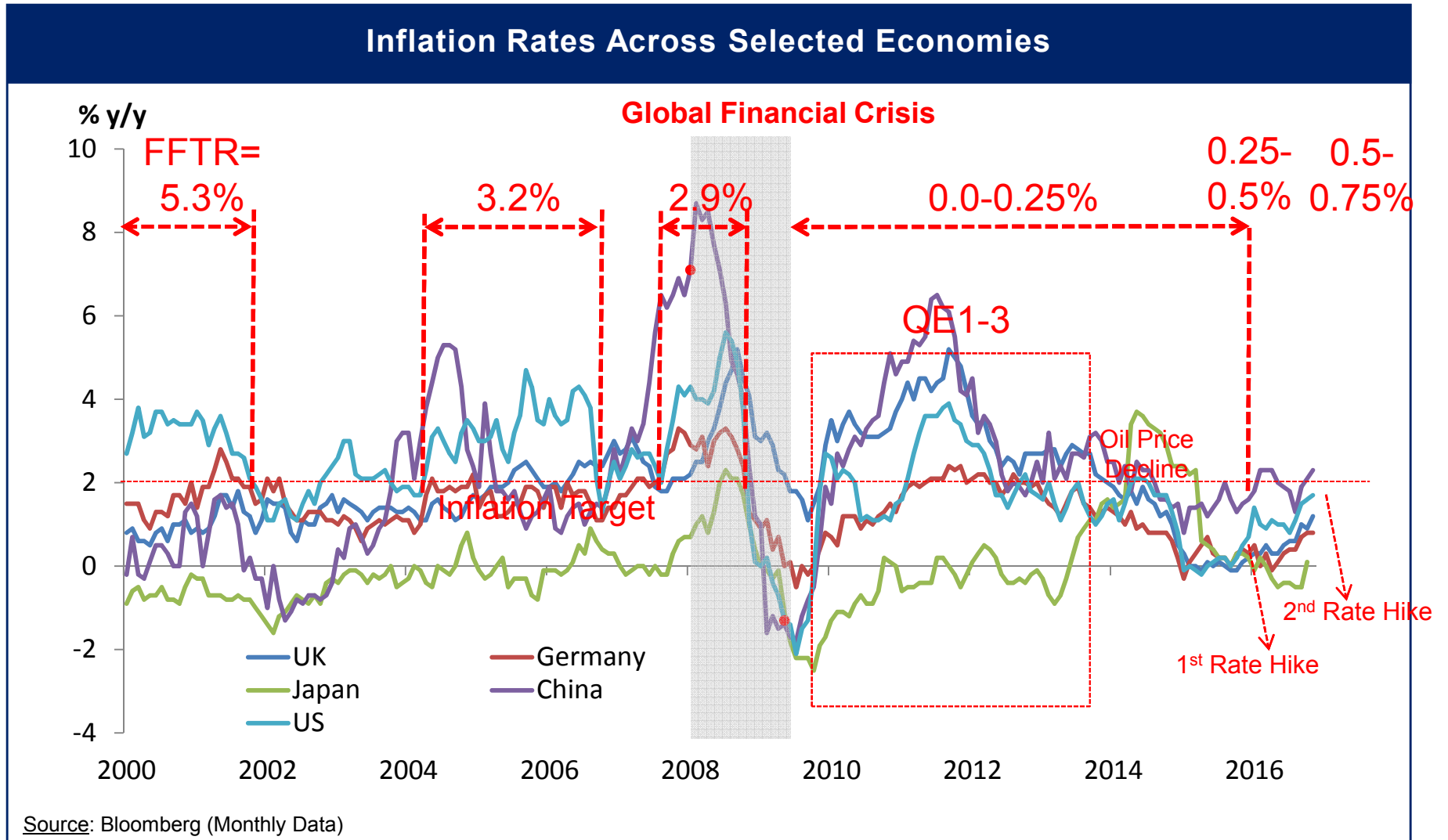


Source: Bloomberg (Monthly Data)

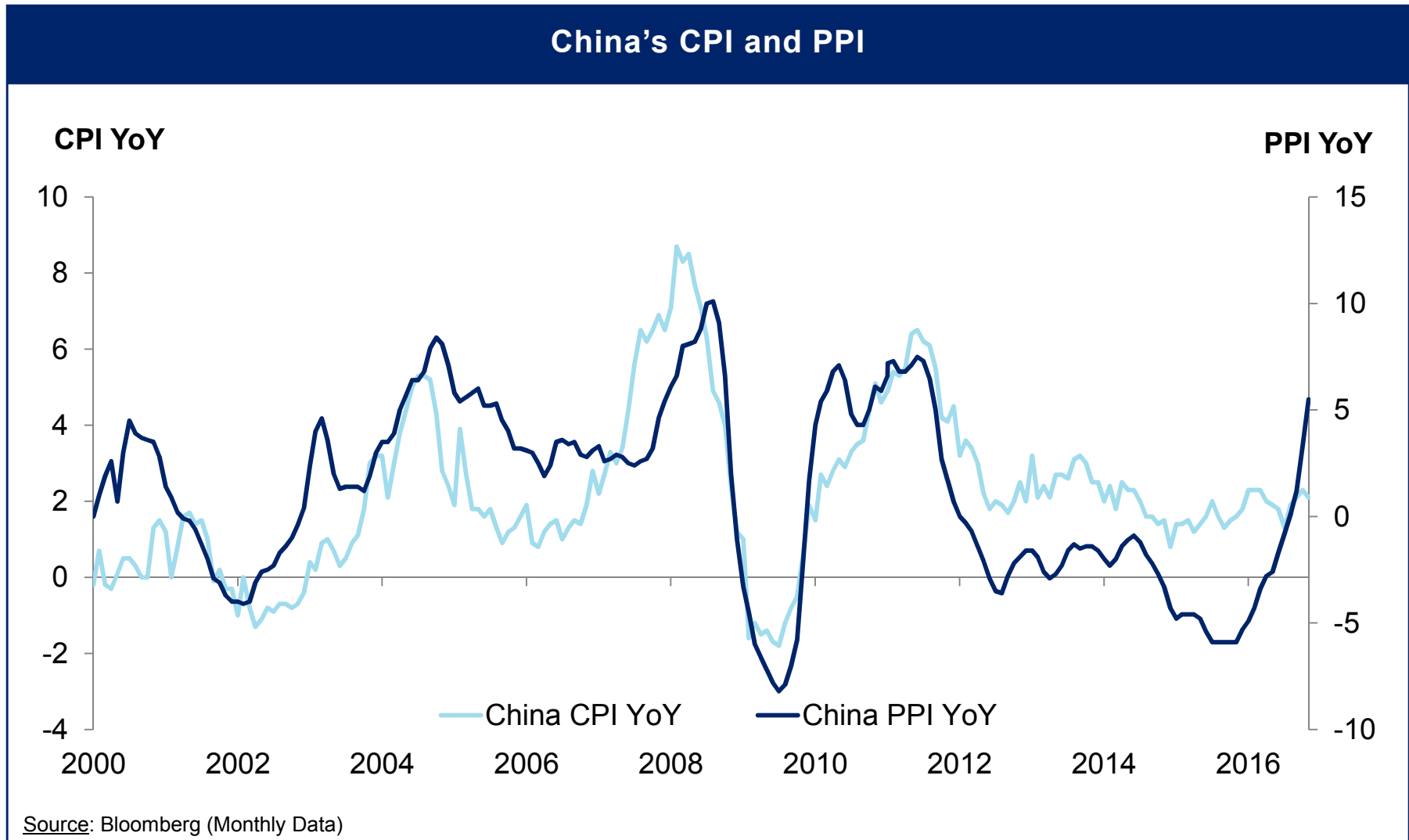
# After Years of Dovish Monetary Policies, US Inflation Is Back Up



# Same Inflation Story For Other Major Economies

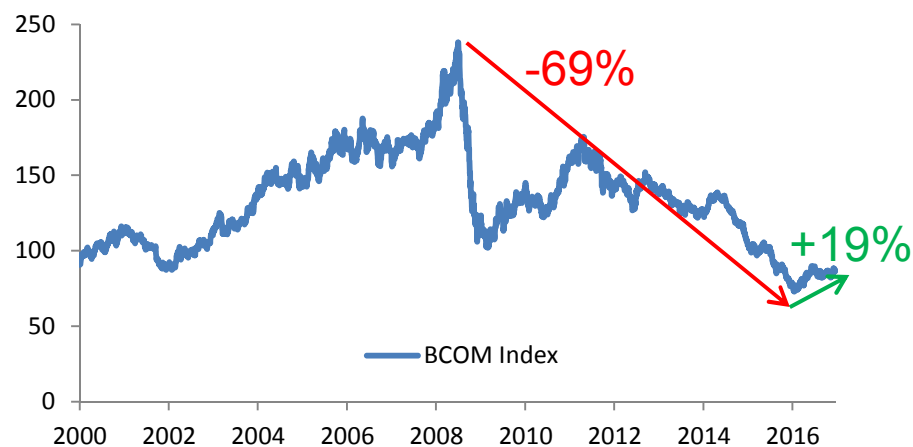


# Both Consumer and Producer Inflation Picking Up In China

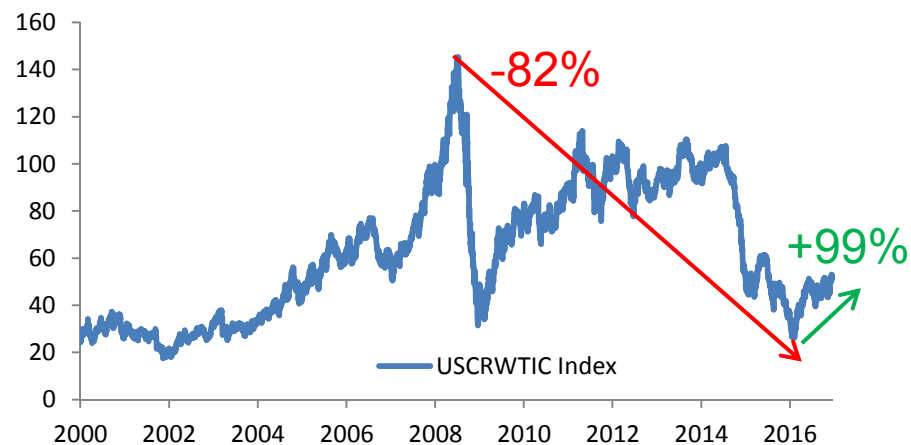


# Higher Commodities Prices Recently

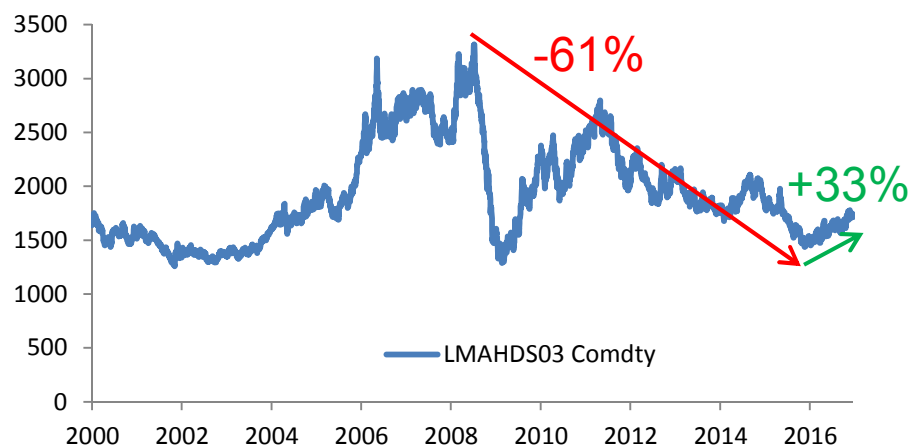
## Bloomberg Commodity Index



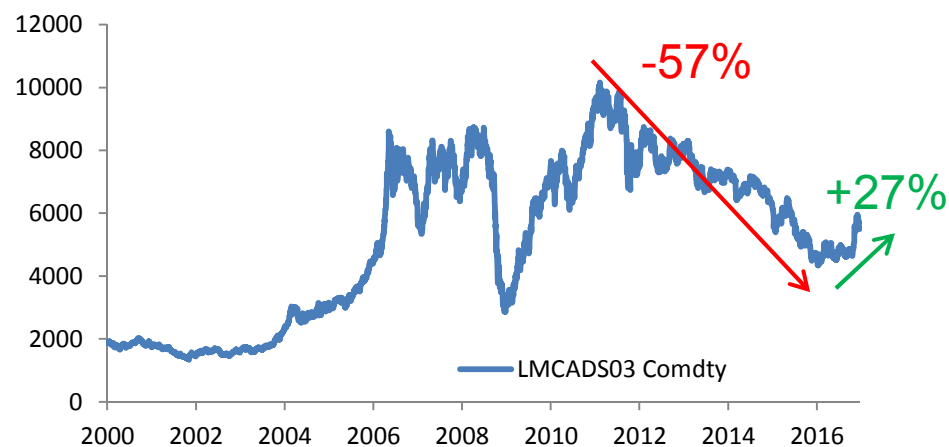
## West Texas Intermediate Crude



## Aluminium



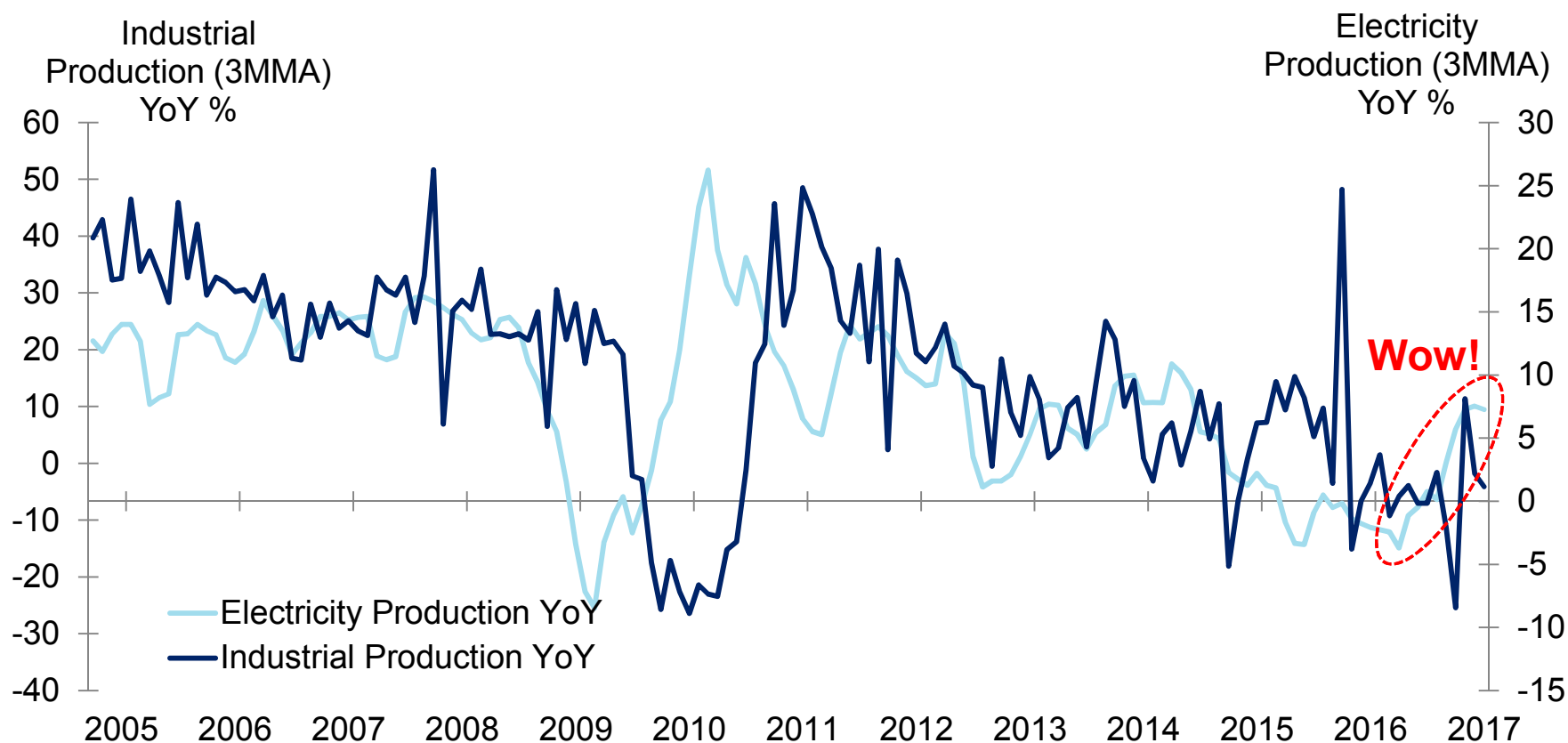
## Copper



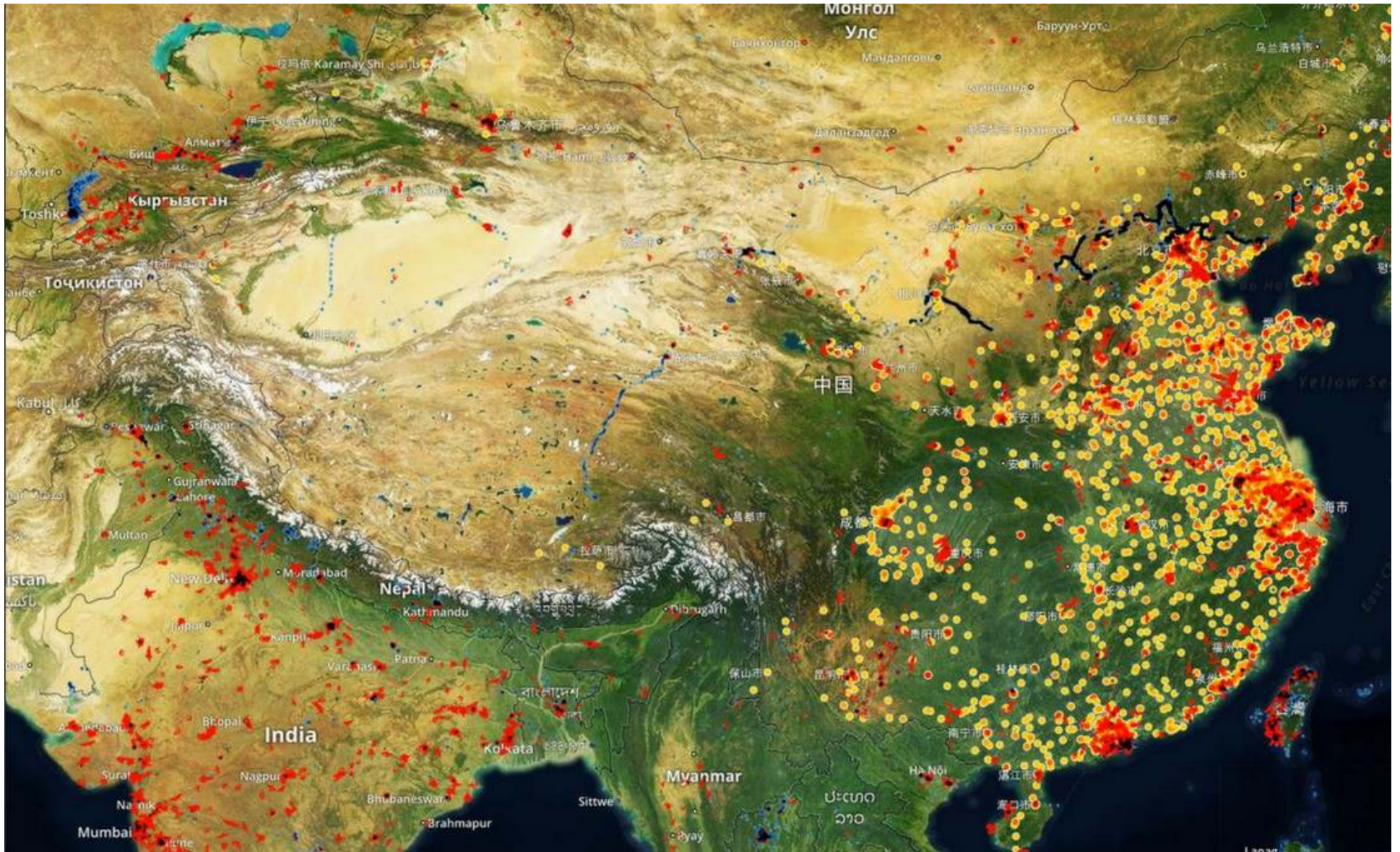
Source: Bloomberg (Daily Data)

# Slowdown in China's Industries and Electricity Demand

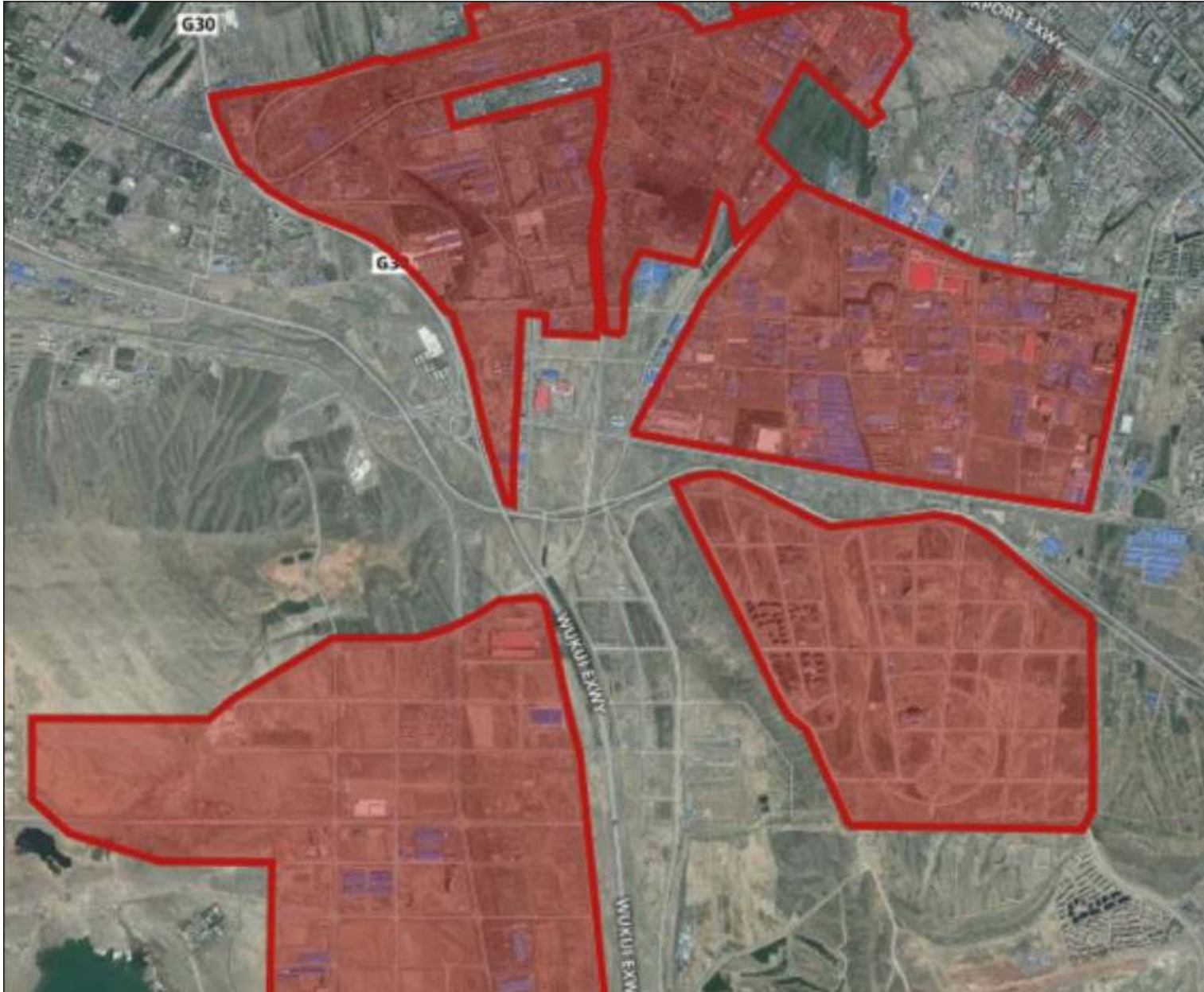
## China Electricity Production and Industrial Production (3MMA) YoY



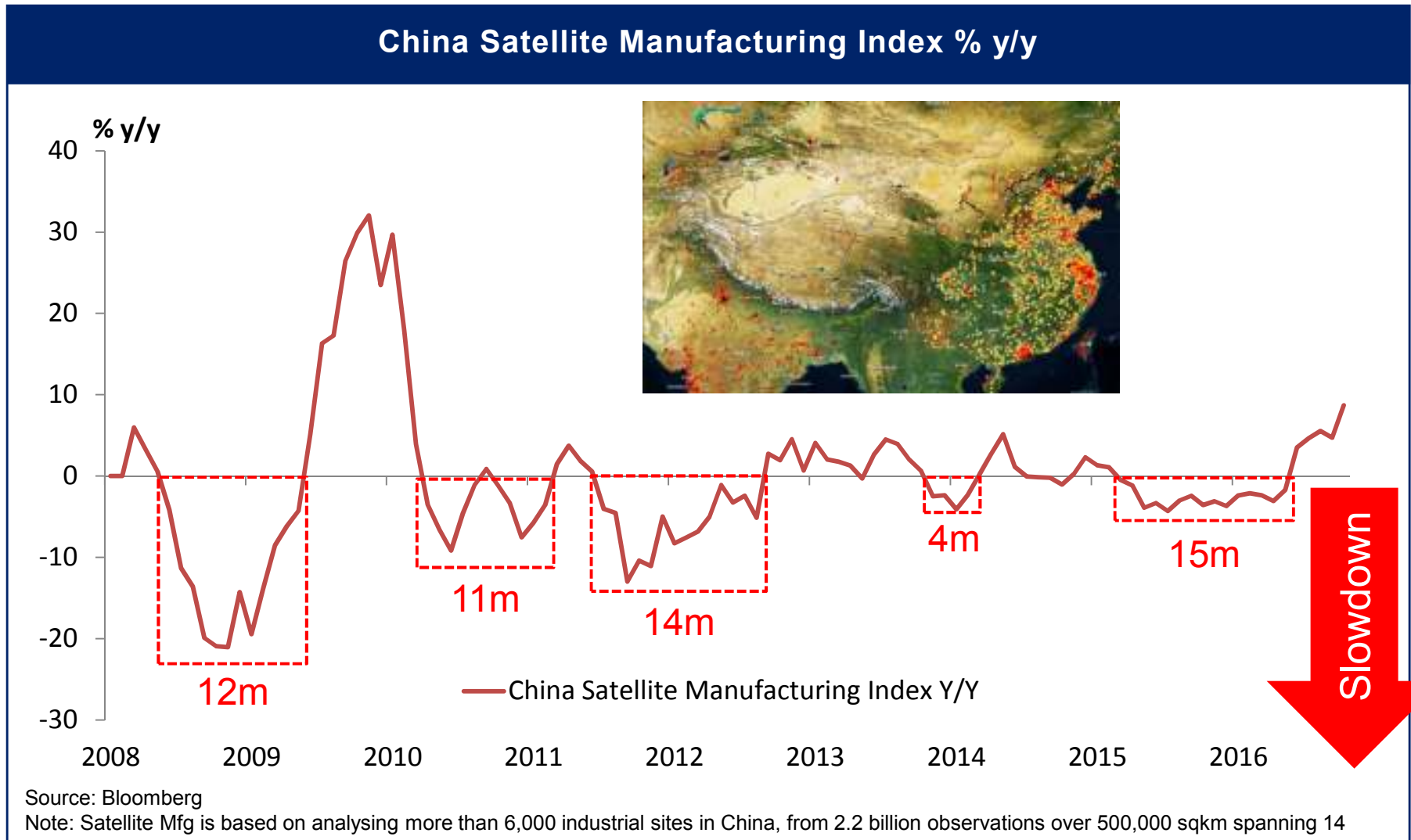
Source: Bloomberg (Quarterly Data)





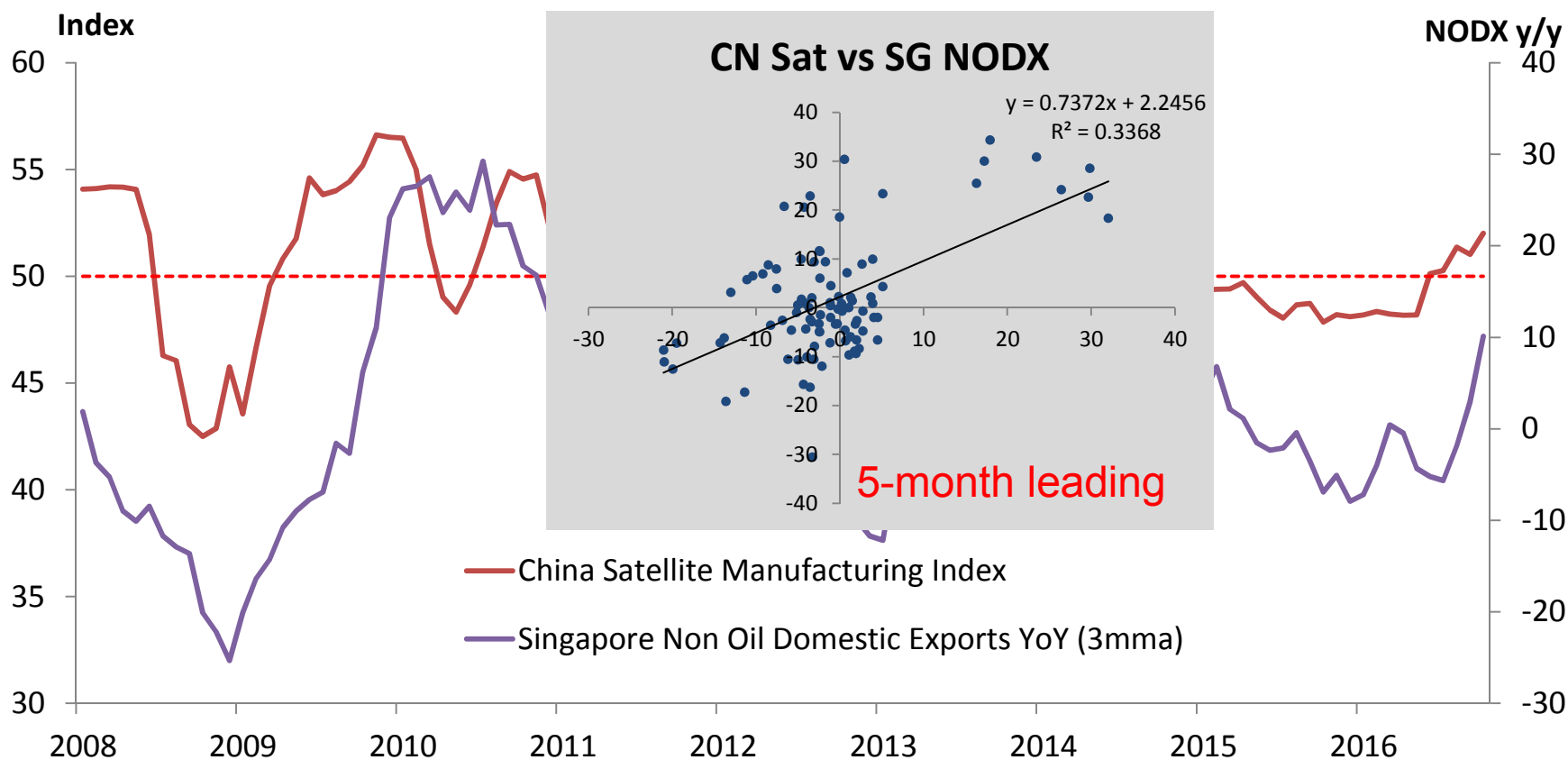


# Nowcasting China's Manufacturing Health



# China's Mfg As A Mildly Positive Leading Indicator For SG NODX

## China Satellite Manufacturing Index & Singapore Non-Oil Domestic Exports



Source: Bloomberg

Note: Satellite Mfg is based on analysing more than 6,000 industrial sites in China, from 2.2 billion observations over 500,000 sqkm spanning 14 years

# Higher Consumer Prices Due To Higher Labour & Services Costs

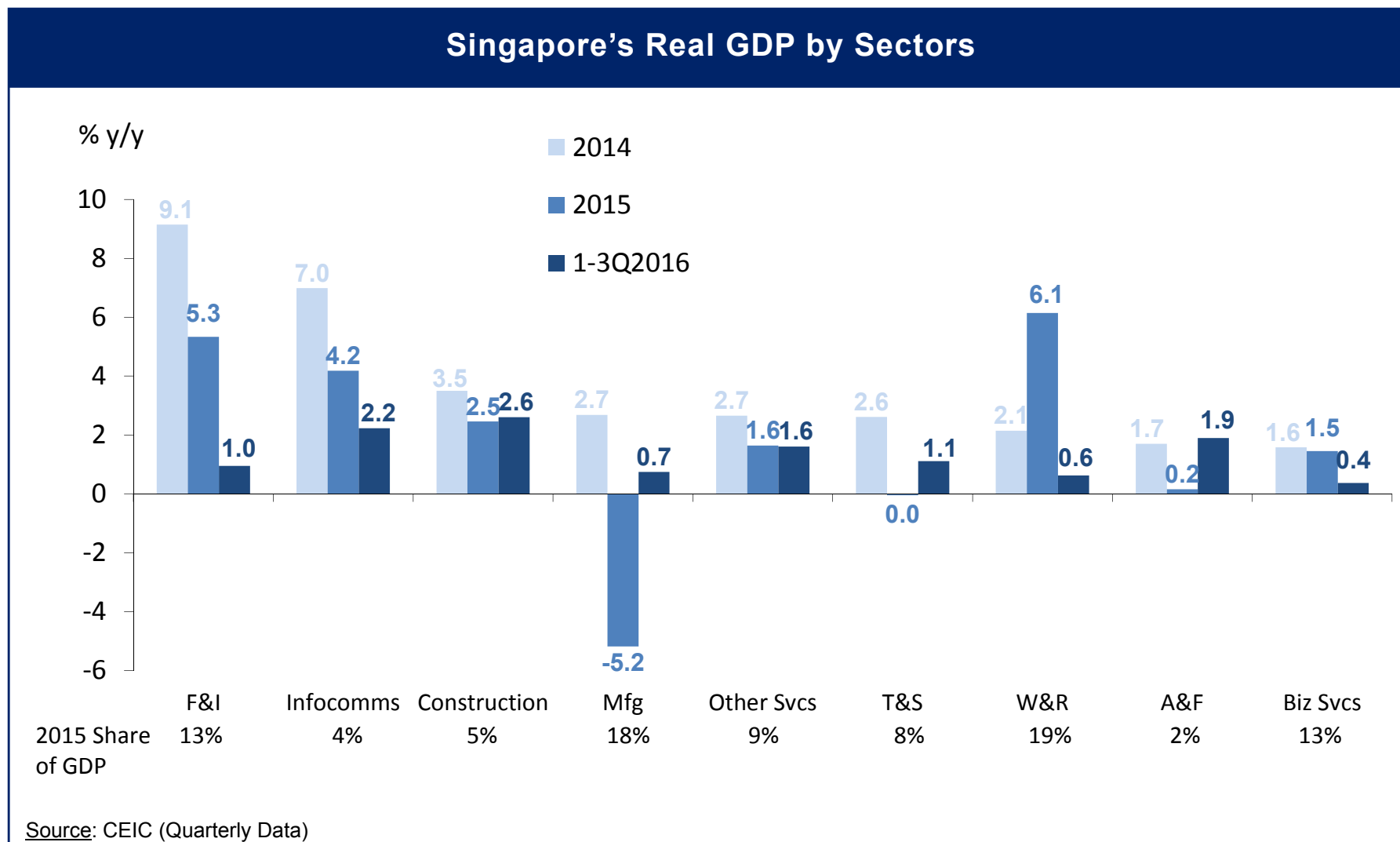




# Singapore's Economic Fate

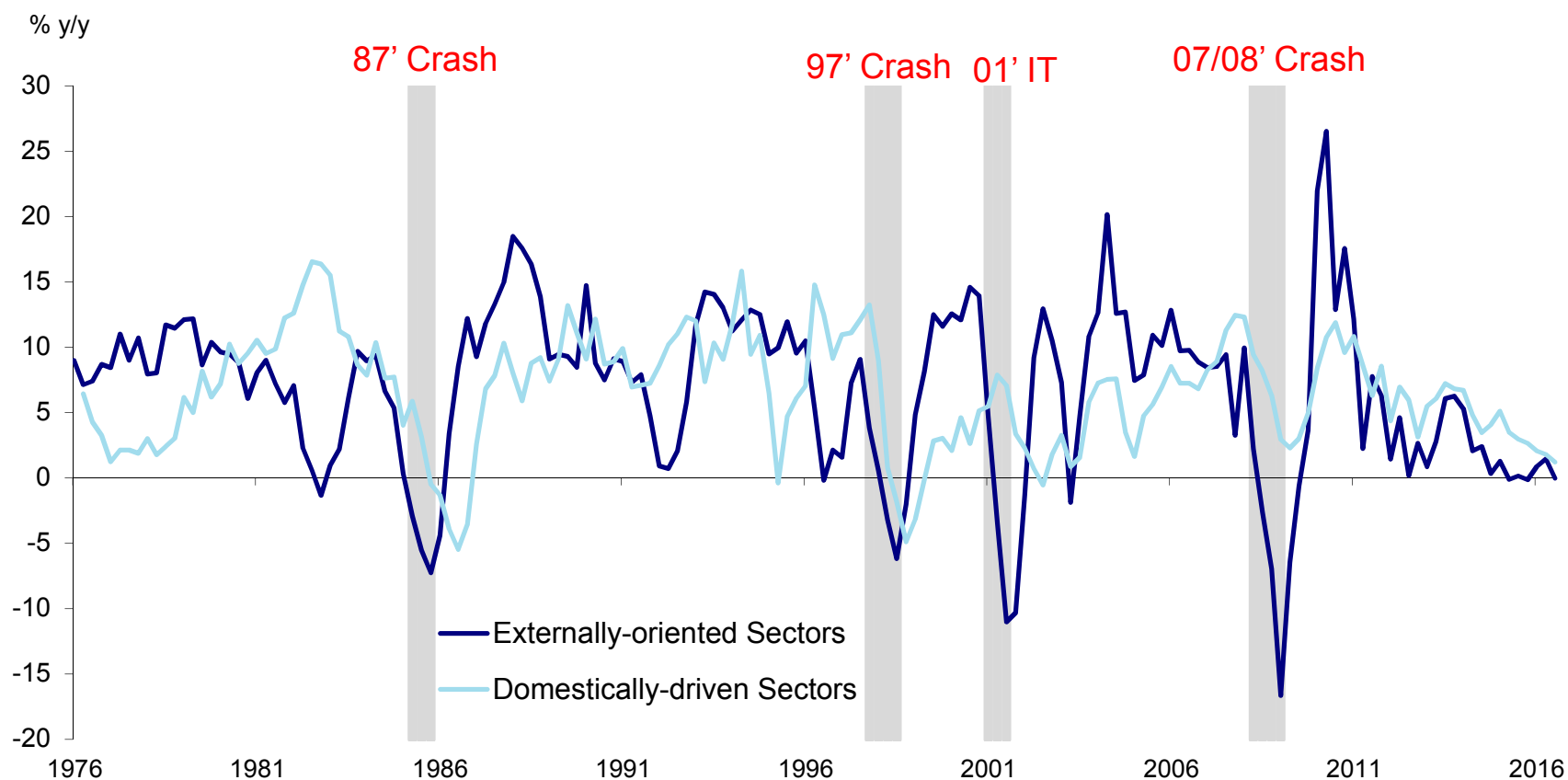
The Good Years of Blind-driving are Over

# Slowdown in Almost Every Sectors; External Sectors At The Start, And Now, Domestic Sectors. But...



# External Sectors' Slowdown Dragged On Domestic Sectors, But Latest Data Is Optimistic

## External vs Domestic Sectors of Singapore's GDP

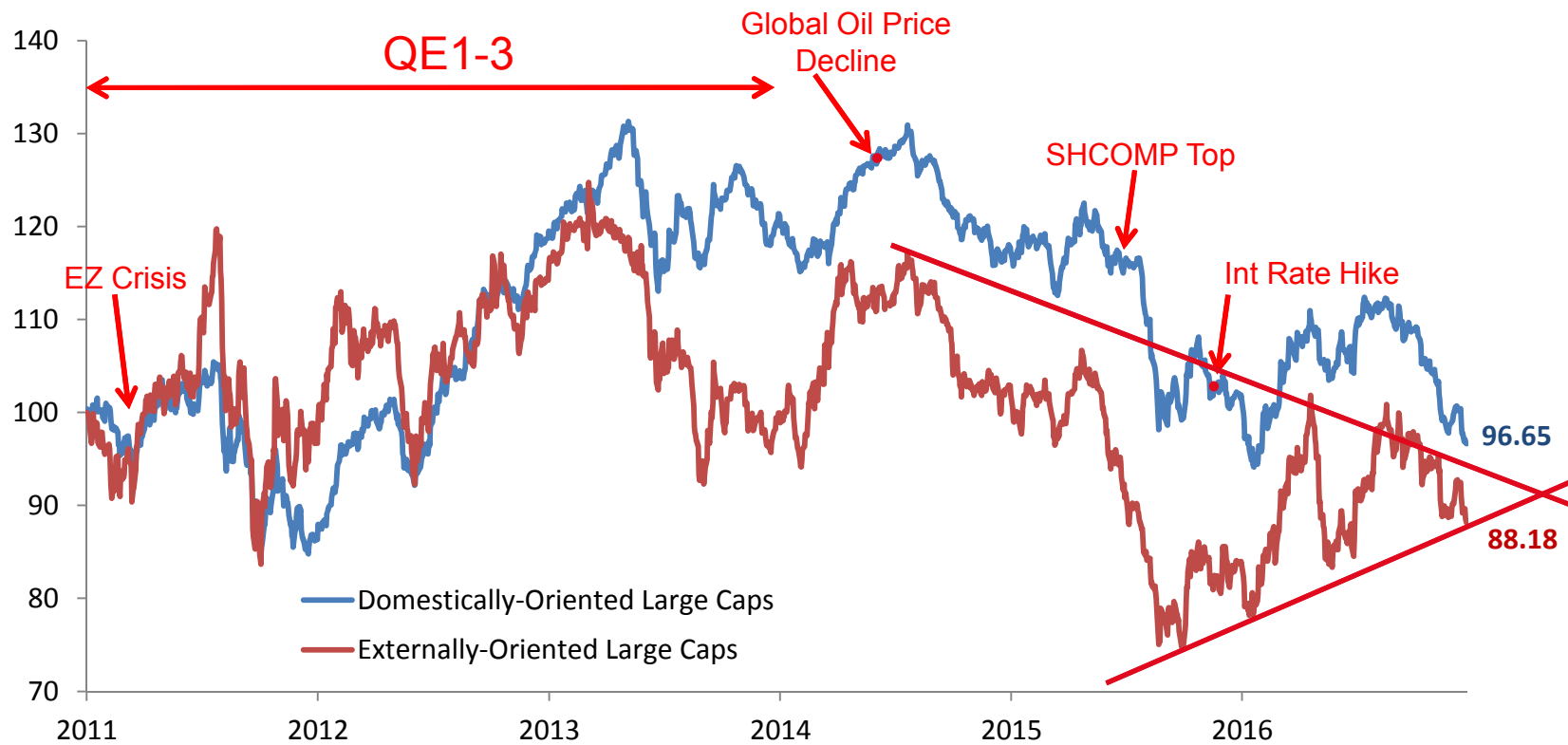


Source: CEIC (Quarterly Data)

# Similar Reaction Seen In Stock Market

## SG Large Caps With External vs Domestic Focus

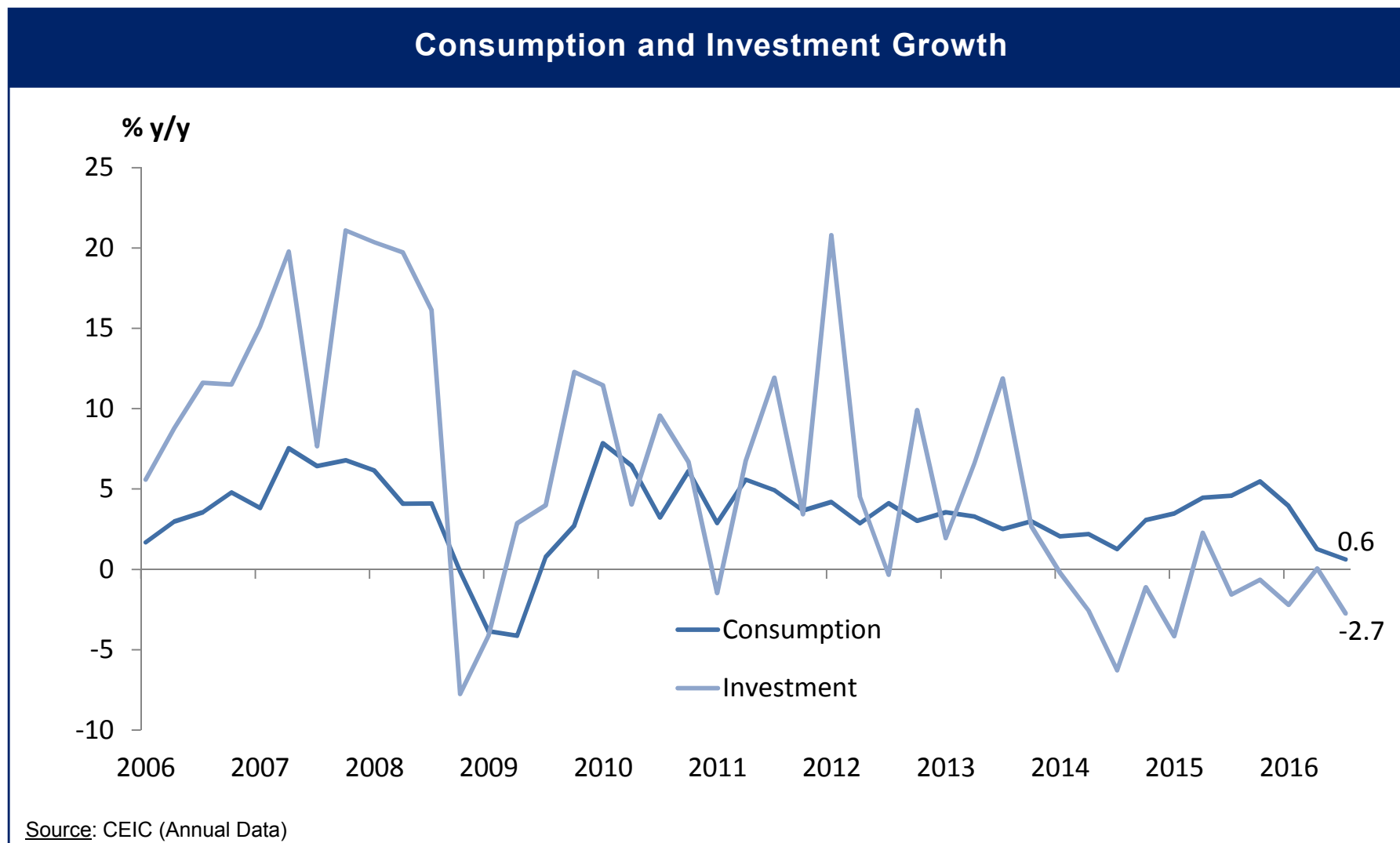
Index (2011=100)



Note: External Stocks = % Rev >80% from Overseas; Domestic Stocks = % Rev >80% from Local  
Source: Bloomberg



# Weak Consumption and Investment Growth

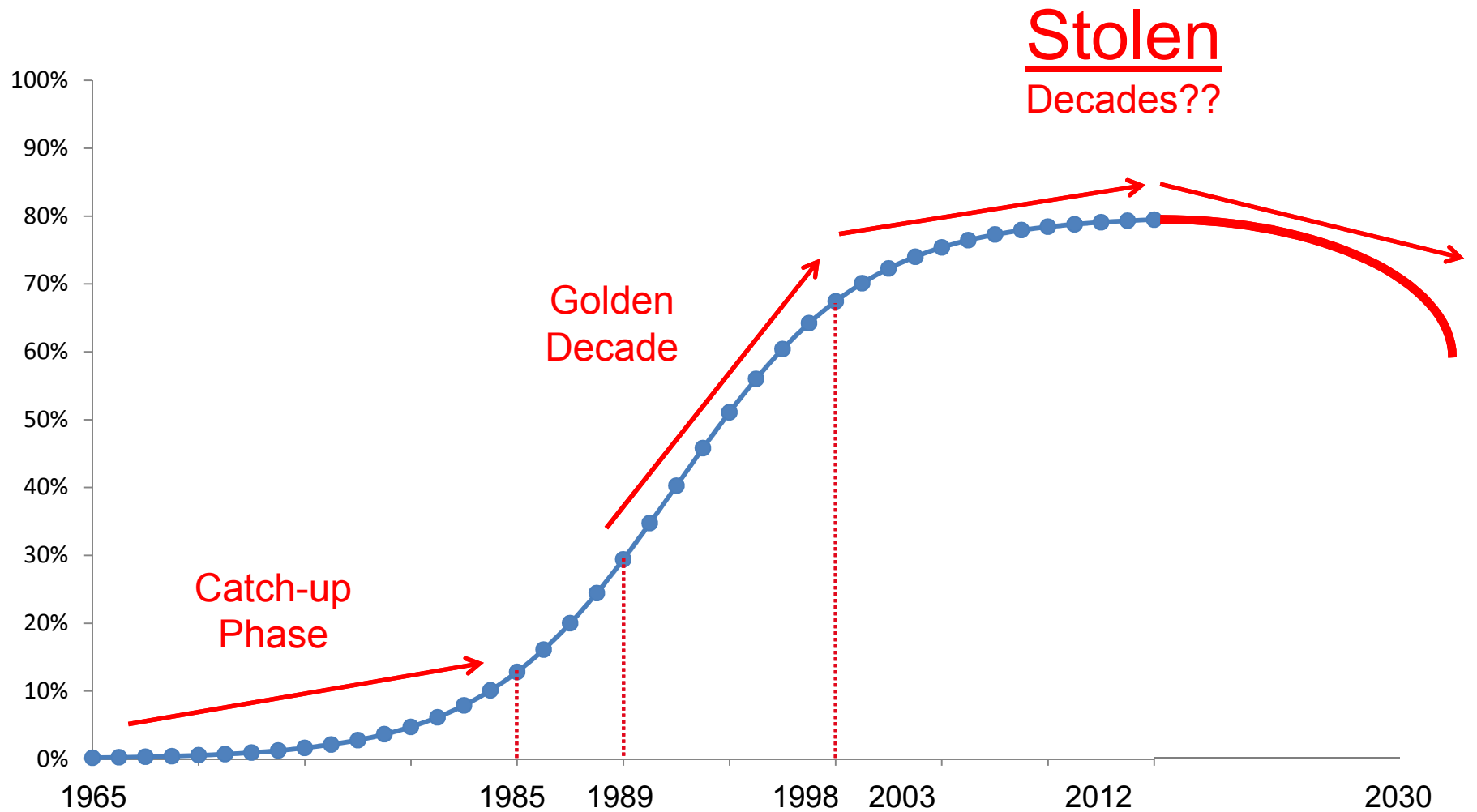


# A Brief History of Our Economic Strategy

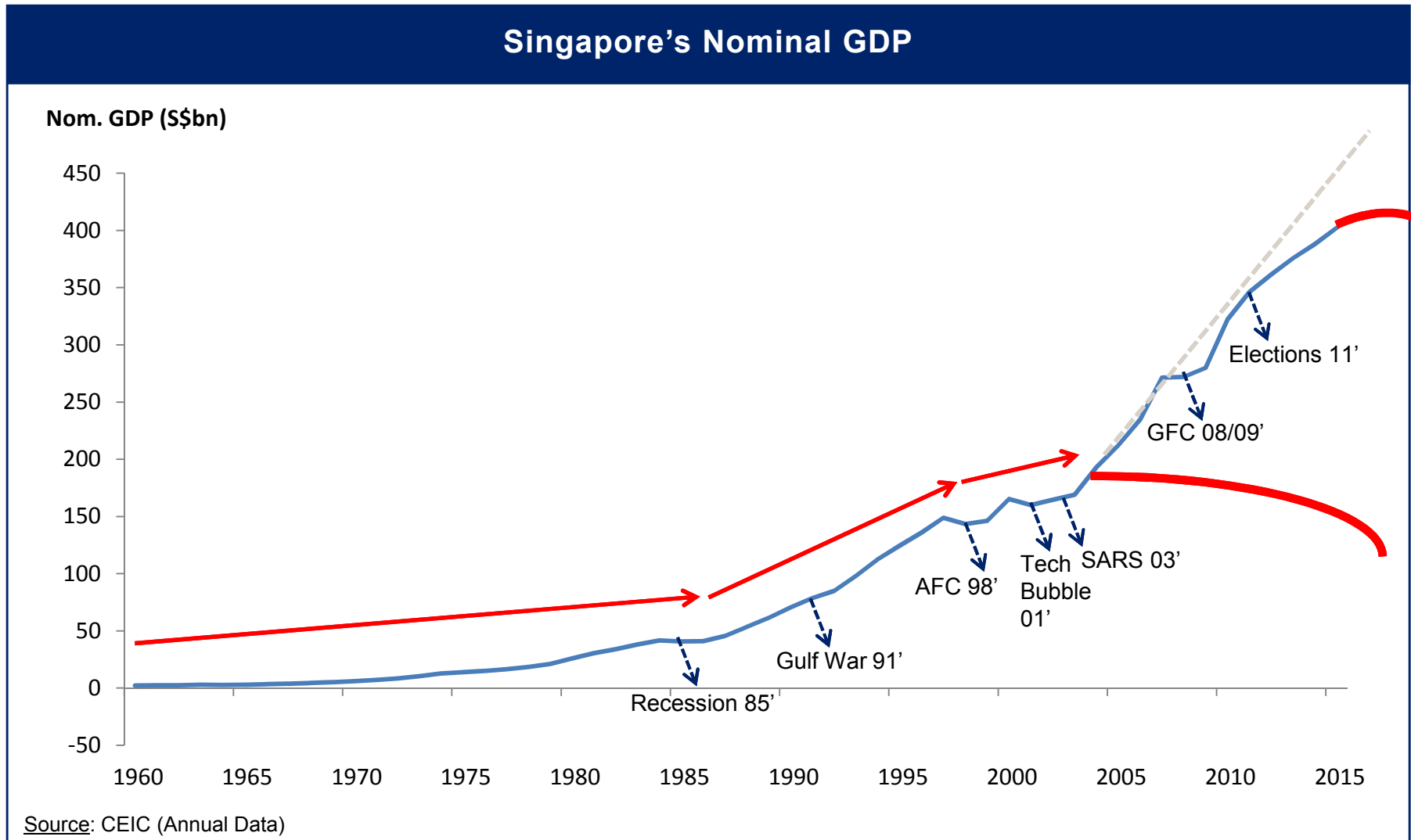


Source: Singapore Ministry of Trade & Industry

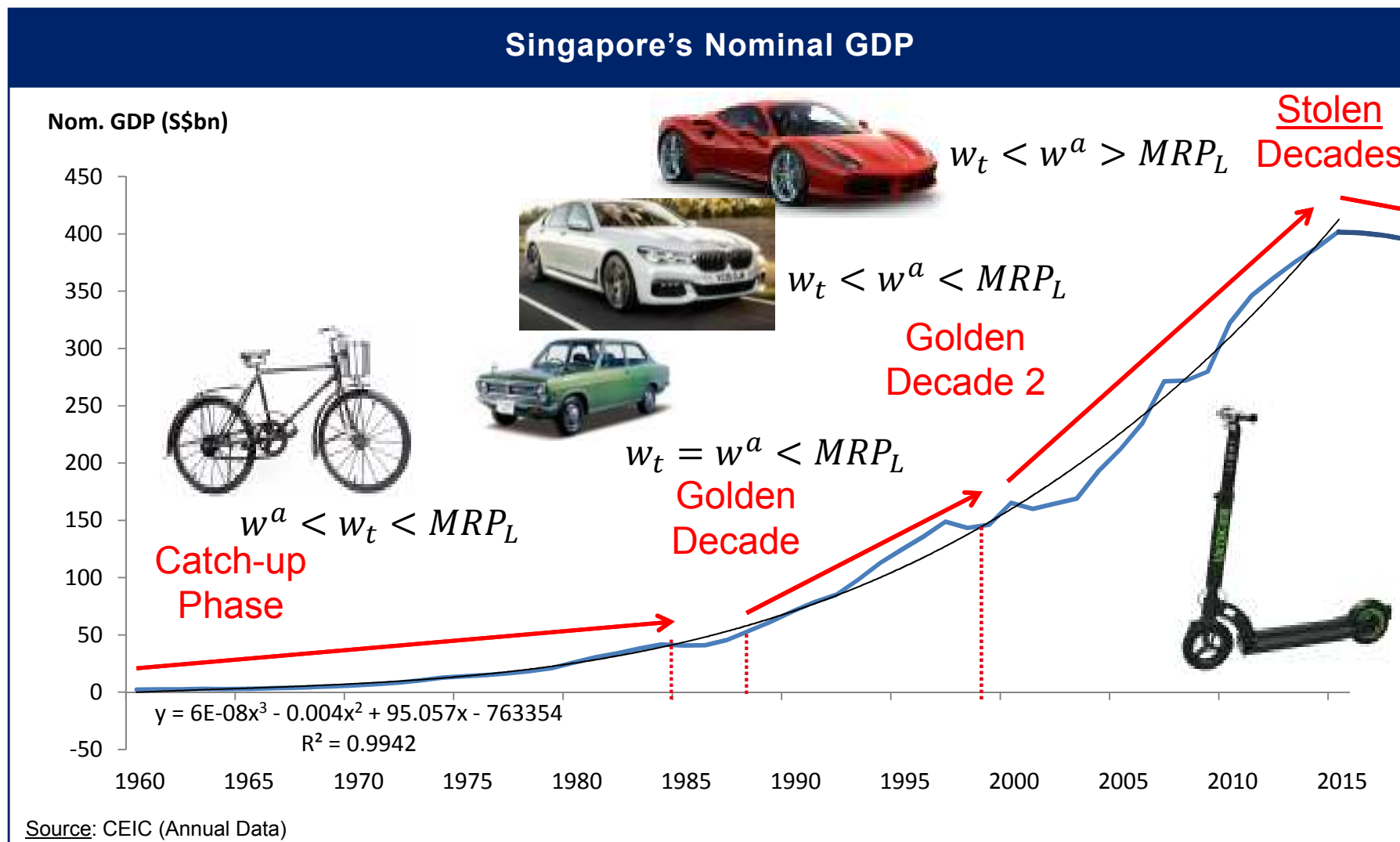
# A Theoretical Model of Economic Growth



# Theory vs Empirics?



# Theory vs Empirics?





# ~~2016 Committee For Future Economy~~

## 2010 Economic Strategies Committee

1. I

2. A

ent



own

3. Growing human and knowledge capital;
4. Creating high-value jobs for Singaporeans;
5. Maximising finite resources such as land and energy

$$Y = AL^{\beta} K^{\alpha}$$

# 2016 Committee For Future Economy



**Future growth industries and markets.** Identify and design growth strategies for priority clusters in Singapore, and to enable companies to seize opportunities in the global marketplace.

**Corporate capabilities and innovation.** Recommend strategies to enable companies and industry clusters to develop innovative capacities, and use technology as well as new business models and partnerships to create value.

**Jobs and skills.** Assess the impact of demographics and technology on the labour force, and recommend strategies to create and re-design jobs, and to equip Singaporeans with the skillsets needed for the future.

**Urban development and infrastructure.** Recommend strategies to enhance our infrastructure and develop sustainable urban spaces, so as to create an outstanding living environment for our people and reinforce economic advantage.

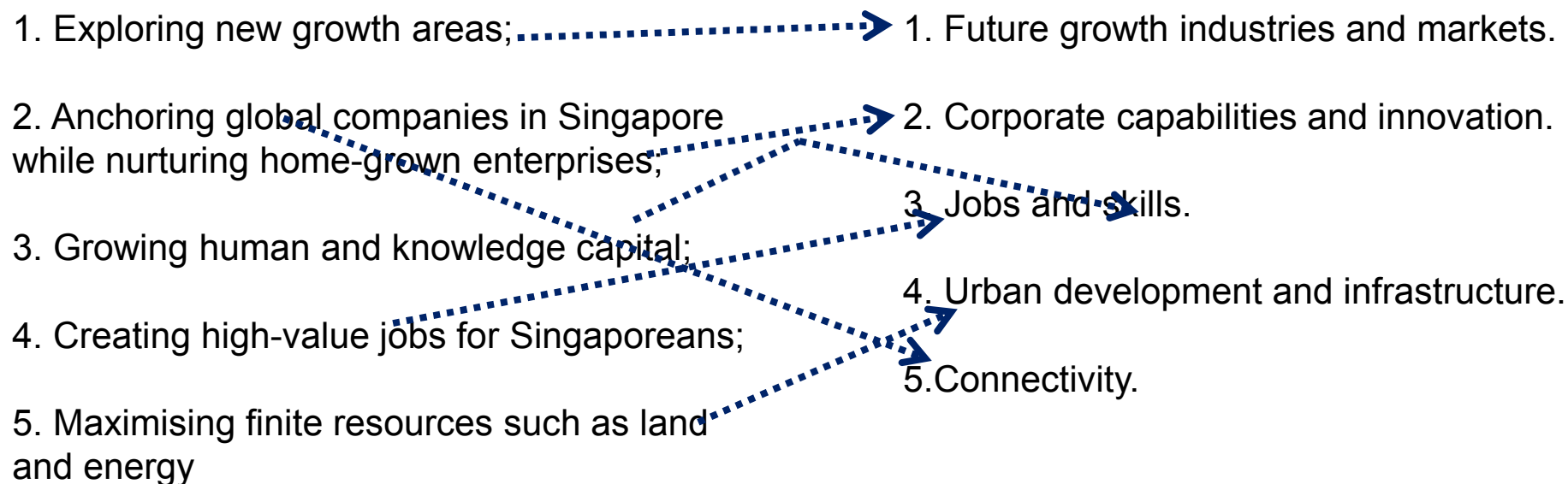
**Connectivity.** Study modern connectivity and flows in the future global economy and recommend how Singapore can continue to be a hub that brings value to Asia and the world.



# Comparing The 2016 Goals With 2010's

## 2010

## 2016

- 
- |  |   |   |
|--|---|---|
| 1. Exploring new growth areas;   | → | 1. Future growth industries and markets.  |
| 2. Anchoring global companies in Singapore while nurturing home-grown enterprises; | → | 2. Corporate capabilities and innovation. |
| 3. Growing human and knowledge capital;  | → | 3. Jobs and skills.                       |
| 4. Creating high-value jobs for Singaporeans;                                      | → | 4. Urban development and infrastructure.  |
| 5. Maximising finite resources such as land and energy                             | → | 5. Connectivity.                          |

$$Y = AL^{\beta} K^{\alpha}$$

“Old Song, New Singer”

## Tackling 5 Areas

## Using 7 Strategies

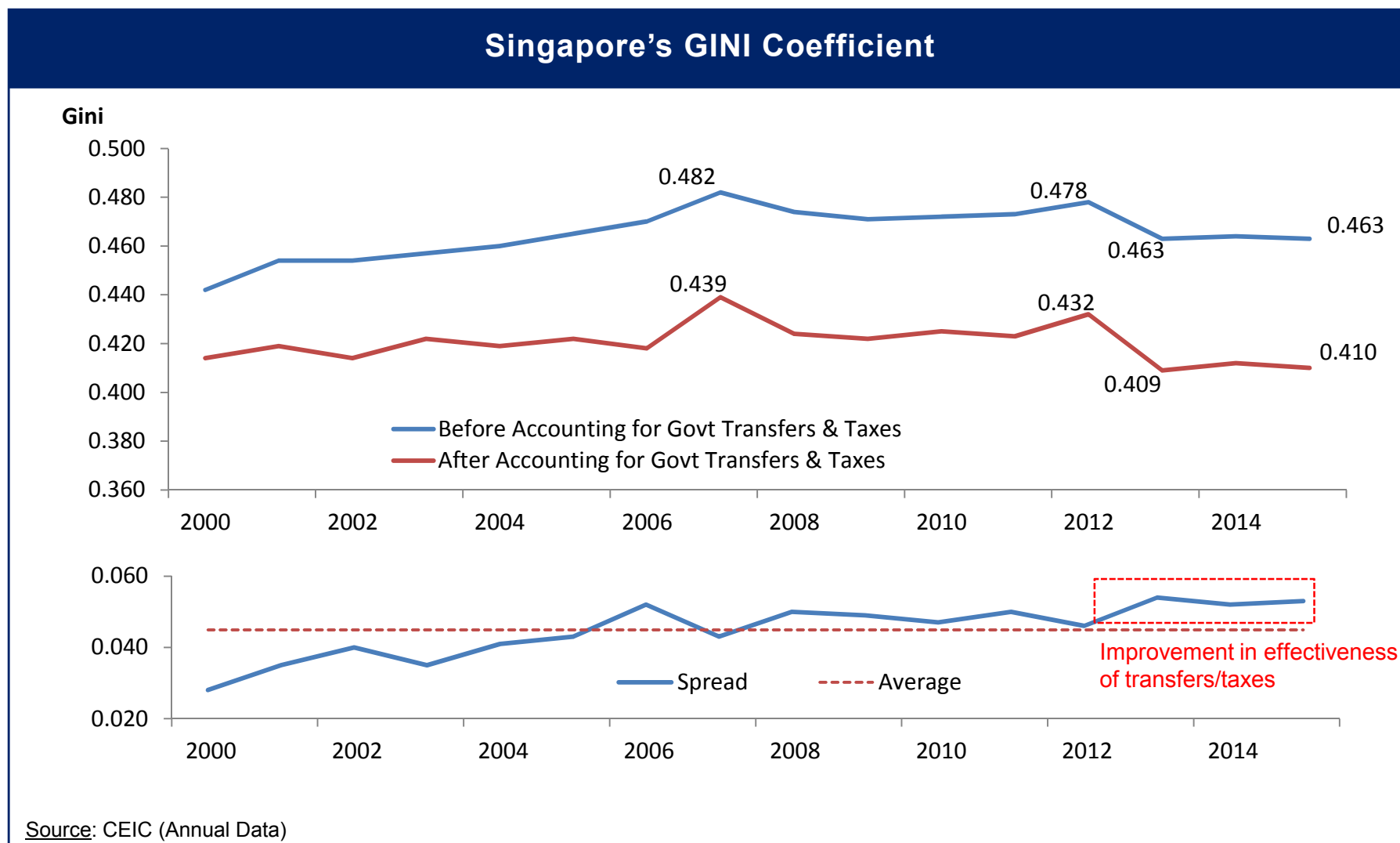


1. Future growth industries and markets.
2. Corporate capabilities and innovation.
3. Jobs and skills.
4. Urban development and infrastructure.
5. Connectivity.

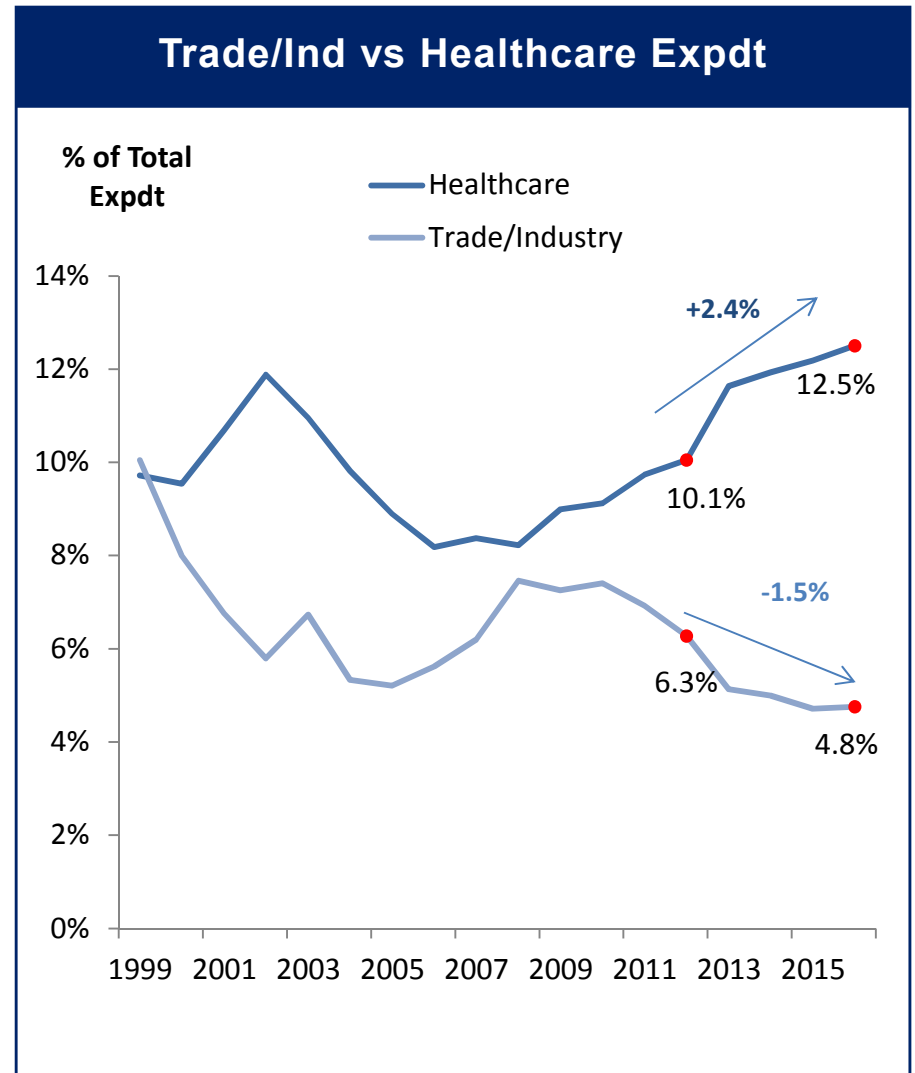
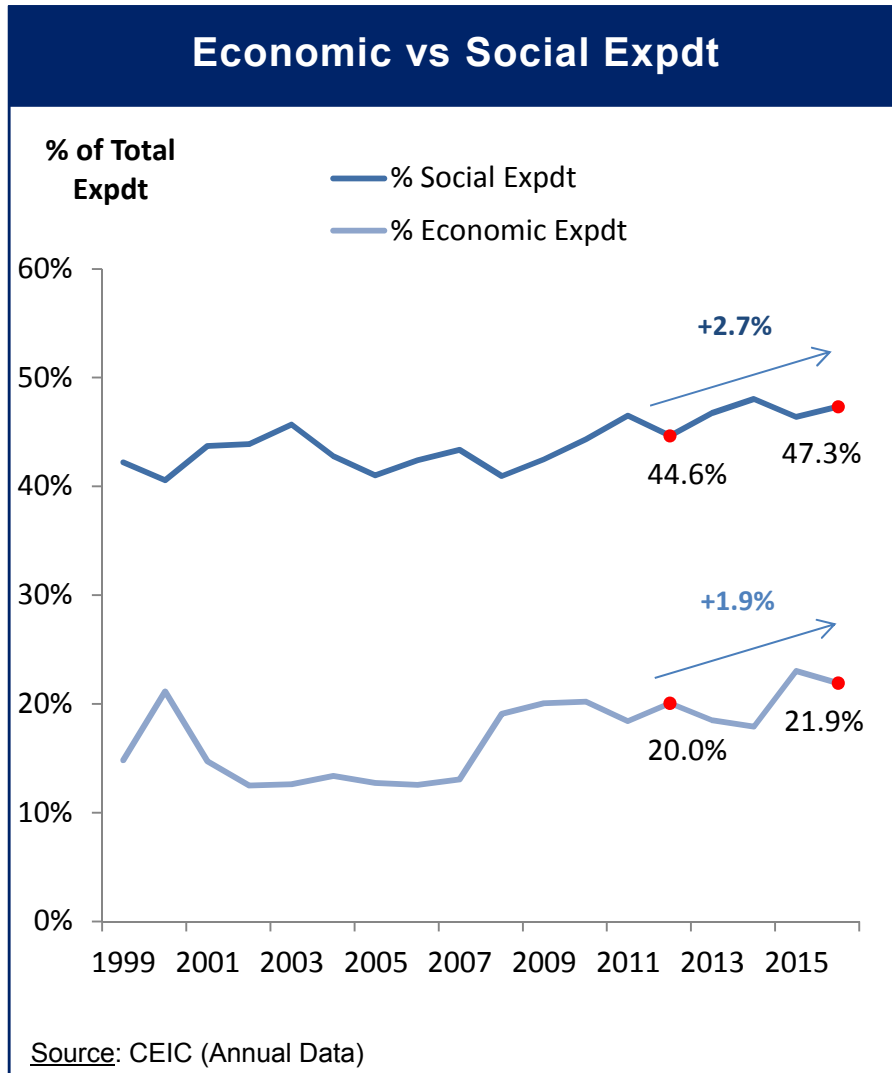


Source: COMMITTEE ON THE FUTURE ECONOMY  
STRAITS TIMES GRAPHICS

# Improvement in GINI Coefficient, Especially after Government Intervention



# Lots More Emphasis on Social Expdnt Since 2011



## We Face New Challenges

### A. The Future Beyond SG50: New World, New Challenges

A.1. Madam Speaker, I beg to financial policy of the Government from 1st January 2016 to 31st March 2017.

### We Have Come a Long Way

A.2. Last year, we celebrated a significant milestone. This year, we stand on the shoulders of giants.

A.3. Our first 50 years tell an inspiring story of overcoming great odds.

A.4. Our pioneers have shown us the way forward.

A.5. We have invested in our people and our infrastructure.

A.6. Through our uncharismatic leadership, we have built a strong and resilient nation.

A.7. Through our up-farm-up-out strategy, we have created a vibrant and dynamic economy.

A.8. Our economic growth has been a testament to our resilience and innovation.

A.9. Our social progress has been a testament to our commitment to our people.

A.10. Our environmental stewardship has been a testament to our responsibility to the planet.

A.11. Our cultural heritage has been a testament to our rich and diverse society.

A.12. Our international relations have been a testament to our global engagement.

A.13. Our defence and security have been a testament to our commitment to our nation's safety.

A.14. Our sports and recreation have been a testament to our vibrant and active society.

A.15. Our arts and culture have been a testament to our rich and diverse society.

A.16. Our education and research have been a testament to our commitment to excellence.

A.17. Our healthcare and social services have been a testament to our commitment to our people.

A.18. Our housing and urban planning have been a testament to our commitment to our people.

A.19. Our transport and infrastructure have been a testament to our commitment to our people.

A.20. Our digital transformation have been a testament to our commitment to our people.

A.20. **Core for us to succeed is the spirit of partnership**, where Singaporeans work together in new ways to transform our economy and strengthen our society.

A.21. We have inherited a rich heritage from our kampong days. Over the years, we have brought new vitality, from the traditional to the modern.

A.22. Conversion to the modern economy has been a collective commitment. We have worked together to overcome challenges and build a resilient society.

A.23. Everyone has a role, and we must work together to give strength and resilience to our nation.

A.24. **We must come together** to build a resilient and innovative economy. We must embrace change and innovation, and work together to overcome challenges and build a resilient society.

A.25. **Likewise, we must develop a resilient society**. Over the last decade, the Government has taken steps to ensure that our economy is resilient to external shocks. We must remain prudent in our expenditures, and ensure every dollar spent is spent responsibly. We must encourage every Singaporean to contribute towards caring for our fellow citizens and building for the future.

### A Spirit of Partnership for our New Chapter

A.19. Much work lies ahead. I am confident that if we have the will, we will find the way.

### B. Transform and Innovate

### Growing Singapore

B.1. Let me start by saying that we have made significant progress in our economic growth over the past few years.

B.2. Over the past few years, we have focused on three key areas: innovation, productivity, and resilience.

B.3. Progress has been made in all three areas, and we are confident that we will continue to make significant progress in the coming years.

B.4. We have invested in our research and development, and we have seen a significant increase in our innovation output.

B.5. We have also focused on improving our productivity, and we have seen a significant increase in our productivity growth rate.

B.6. Finally, we have focused on building a resilient economy, and we have seen a significant increase in our resilience to external shocks.

B.7. We are confident that we will continue to make significant progress in the coming years, and we will continue to build a resilient and innovative economy.

B.8. We will continue to invest in our research and development, and we will continue to focus on improving our productivity and building a resilient economy.

B.9. We will continue to focus on innovation, productivity, and resilience, and we will continue to build a resilient and innovative economy.

B.10. We will continue to invest in our research and development, and we will continue to focus on improving our productivity and building a resilient economy.

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**Economic Challenges**

B.4. In 2015, the...

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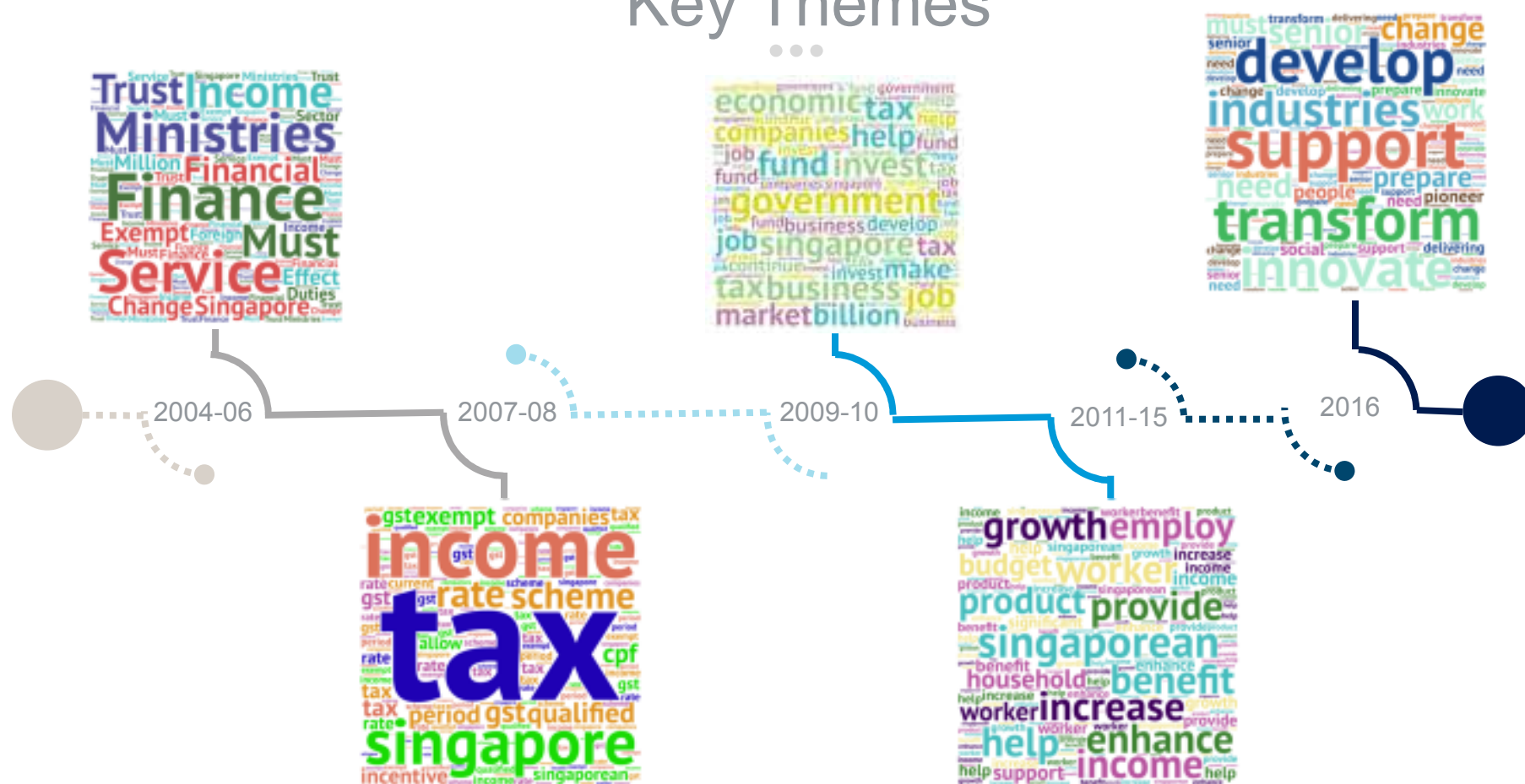
15. **All these translate into higher spending needs.** Our expenditures have grown to almost **two and a half times** of what...

Too Much Information; Too Little Time!

# Utilising Machine Learning To Sieve Out Key Themes From Singapore's Annual Budgets

MACHINE LEARNING

## Key Themes



# Topic Modelling on Previous Budgets Using The Latent Dirichlet Allocation Method

1

## QUESTION

“Can we uncover key themes from past budget statements?”

2

## CHALLENGE

Understand and organize large collections of unstructured text bodies in a short time



12 Years of History



600 pages

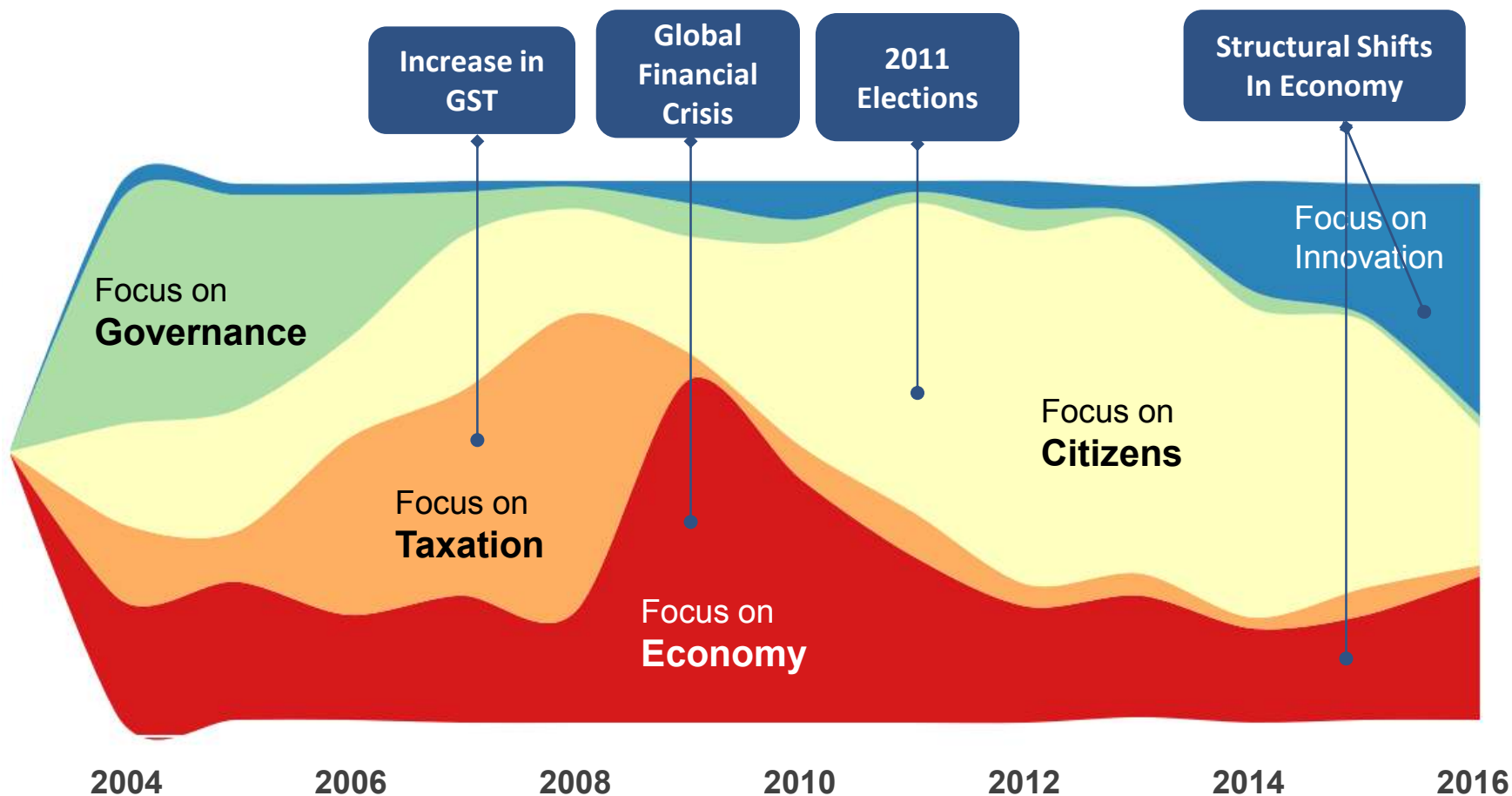


1 Million words



Uncovered within 1 day

# Results





## In Summary

- Rising trade protectionism is a net negative for the global economy. The problem is not about free trade; It's about the more equal distribution of wealth/income amongst the population. Rather than looking at their internal allocation process, charismatic leaders are hitting out at the wrong issue and conveniently putting the blame to other countries (“easy targets”).
- Should the US erect a full wall of trade protectionism against China, the effect will be equally bad for themselves. China may suffer from an initial trade shock, but will overcome it eventually, due to the various reasons discussed. It's other emerging economies that will be more at risk, since they urgently need to get into manufacturing to avoid the poverty trap. Without trade, current account and fiscal deficits will be the key problems facing them and emerging market currencies will thus experience more depreciation pressures.
- Singapore urgently needs to find new reasons for our existence. Our population is ageing at quite a quick rate and creates an ever-pressing need to restructure the supply side of the economy.

# Question & Answer Session

## Contact Details

### Francis Tan

UOB Global Economics & Markets Research

francis.tantt@uobgroup.com



## About The Speaker

Francis is an Asian economist with United Overseas Bank's Global Economics & Markets Research team with special focus on research on ASEAN economies. He provides regular economics commentary on TV and is frequently quoted in the media. Before joining UOB in 2012, Francis was an investment strategist at Phillip Capital where he used macroeconomics, business cycle theories, market timing and technical analyses to develop a systematic top-down investment approach for discretionary portfolios. Prior to that, Francis served as an Investment Manager in the wealth management arm of the Royal Bank of Scotland. His career also included stints as an economist at the Ministry of Trade and Industry and the Singapore Tourism Board, where he specialised in Tourism Economics.

Francis obtained the Bachelor of Social Science (Honours) in Economics in 2002 and the Master of Social Science in Applied Economics in 2003 from the National University of Singapore. Continuing his academic interests in the field of applied economics, Francis most recently contributed a chapter titled "Tourism Demand in Singapore: Estimating Neighbourhood Effects" in the Handbook of Tourism Economics published in 2013, and had published a paper titled "Growth and Environmental Quality in Singapore: Is There Any Trade-off?" in the "Ecological Indicators" journal in 2014.

# Thank You

