



The Asian Miracle

Will it Continue?

January 2016

Francis Tan

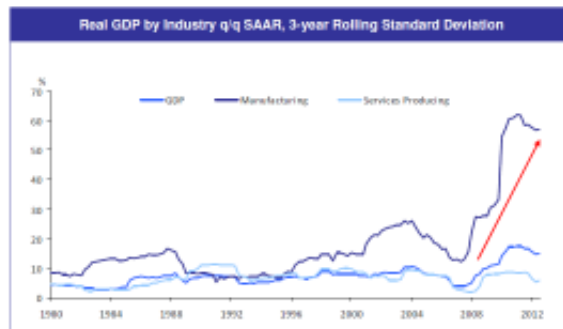
UOB Global Economics & Markets Research

Disclaimers

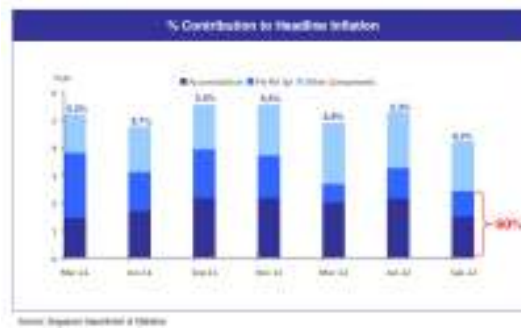
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Recap: 2013 → Will Growth-Inflation Puzzle Continue

Manufacturing Sector Contributed To Volatility In GDP



Accommodation & P&R Road Transport Explain 80% of Headline Inf.



Healthcare Costs Are Rising



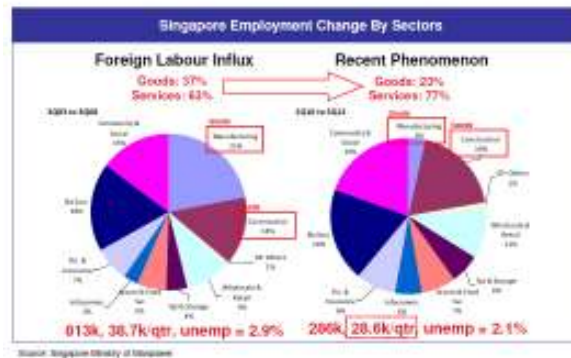
Component	Weight	2012 % y/y	Index (2010=100)
Food	22.1%	2.50%	187.80
Housing	25.5%	7.75%	181.18
Private H&T	11.7%	7.80%	148.78
Public H&T	3.7%	4.91%	165.80
Education & Training	7.4%	3.50%	140.80
Recreation & Others	15.6%	1.81%	185.19
Healthcare	5.8%	8.20%	175.55
Communications	4.8%	-0.10%	88.00
Clothing & Footwear	3.4%	1.45%	182.30

Source: Singapore Department of Statistics

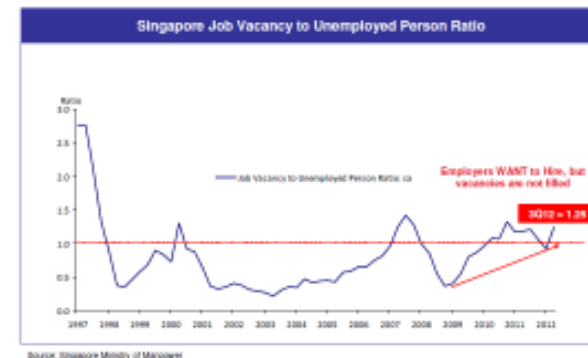
What's More Important Is Business Costs



Low Unemployment Was Due To Strong Hiring In Services Sectors



... But Job Vacancies Increasing...

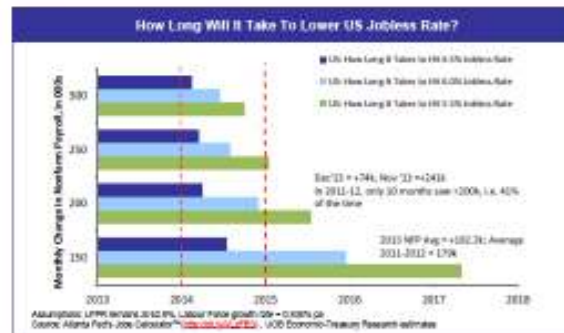


Recap: 2014 → Of US Rates & Asian Trade

Timeline of Fed's Actions Since Global Financial Crisis



Fed to Maintain near-zero interest rates till unemployment reaches 6.5%



This Is The Century For Asia



Strong Intra-Asian Trade, But Where Is The Slowdown & Why?



A lot More Opportunities In Services As Income Rises

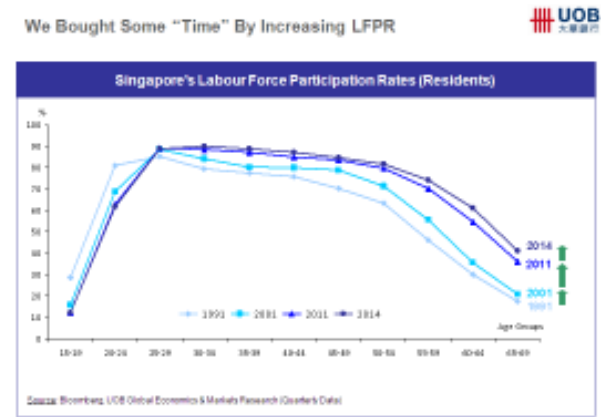
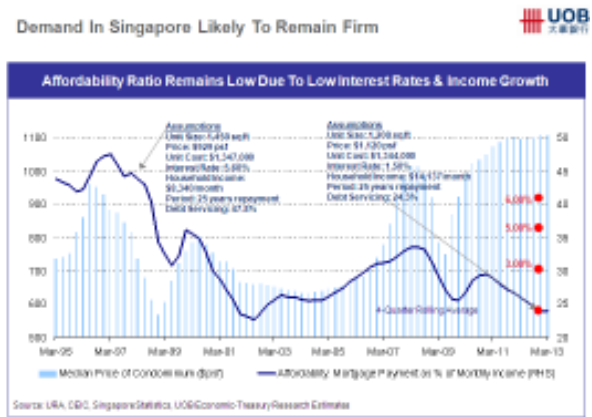
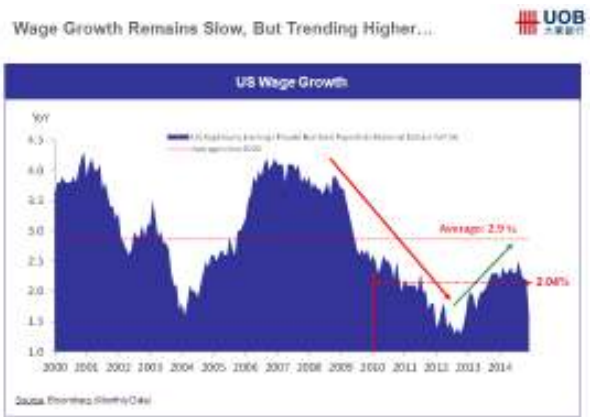


Structural Disruptions To (almost) All Industries

Industries	% Share of GDP (2012)	Disruptors
Manufacturing	27%	Stratasys
Utilities	7%	Energy
Wholesale/Retail	15%	Qoo10, amazon.com, eBay
Tpt/Storage	8%	sharetransport.sg
Accomd/Food	2%	airbnb, foomorama, flika.com
Infocomms	4%	napster
Finance/Insurance	12%	KICKSTARTER, go
Bit Svcs	11%	design, Muzi, Muzi
Other Svcs	9%	kickstarter, go

* Not inside the list: Construction industry

Recap: 1H2015 → Near-term Challenges, Long-term Goals

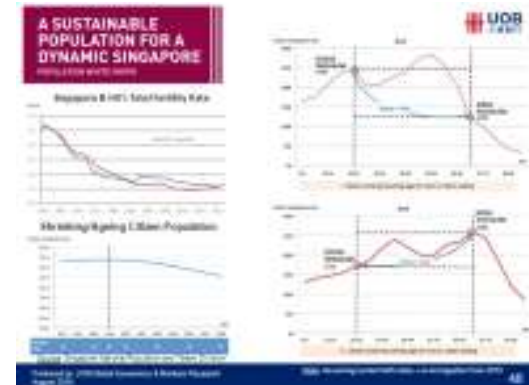
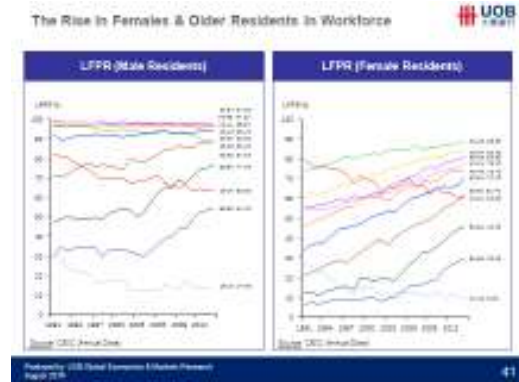


Recap: 2H2015 → First Greece, Then China: What Else Next?

Deflationary Risks & Weak Global Growth Prompted Central Banks To Cut Rates

Central Bank Policy Decisions in 2015

Country	Central Bank	Policy Rate	Change	Effective Rate	Next Meeting
USA	Fed	0.25%	-0.25%	0.00%	19 Nov 2015
UK	BoE	0.50%	-0.25%	0.25%	19 Nov 2015
EU	ECB	0.00%	-0.25%	-0.25%	19 Nov 2015
Japan	BoJ	-0.10%	-0.10%	-0.10%	19 Nov 2015
China	PBoC	4.25%	-0.25%	4.00%	19 Nov 2015
India	RBI	8.25%	-0.25%	8.00%	19 Nov 2015
South Africa	Reserve Bank	9.25%	-0.25%	9.00%	19 Nov 2015
Canada	BoC	1.00%	-0.25%	0.75%	19 Nov 2015
Switzerland	SNB	0.00%	-0.25%	-0.25%	19 Nov 2015
Sweden	Riksbank	0.50%	-0.25%	0.25%	19 Nov 2015
Norway	Norges Bank	2.50%	-0.25%	2.25%	19 Nov 2015
Denmark	Danske Bank	1.50%	-0.25%	1.25%	19 Nov 2015
Poland	NBP	1.50%	-0.25%	1.25%	19 Nov 2015
Czech Republic	CNB	2.00%	-0.25%	1.75%	19 Nov 2015
Hungary	MNB	1.00%	-0.25%	0.75%	19 Nov 2015
Slovakia	NBS	1.00%	-0.25%	0.75%	19 Nov 2015
Slovenia	BNP	1.00%	-0.25%	0.75%	19 Nov 2015
Lithuania	LTU	1.00%	-0.25%	0.75%	19 Nov 2015
Latvia	LAU	1.00%	-0.25%	0.75%	19 Nov 2015
Estonia	EBU	1.00%	-0.25%	0.75%	19 Nov 2015
Finland	EUF	1.00%	-0.25%	0.75%	19 Nov 2015
Portugal	Banco de Portugal	3.00%	-0.25%	2.75%	19 Nov 2015
Greece	Bank of Greece	4.00%	-0.25%	3.75%	19 Nov 2015
Ireland	Central Bank	1.00%	-0.25%	0.75%	19 Nov 2015
Spain	Banco de España	1.00%	-0.25%	0.75%	19 Nov 2015
France	Banque de France	0.50%	-0.25%	0.25%	19 Nov 2015
Germany	Deutsche Bundesbank	0.00%	-0.25%	-0.25%	19 Nov 2015
Austria	Oesterreichische Nationalbank	0.00%	-0.25%	-0.25%	19 Nov 2015
Italy	Banca d'Italia	0.00%	-0.25%	-0.25%	19 Nov 2015
Netherlands	De Nederlandsche Bank	0.00%	-0.25%	-0.25%	19 Nov 2015
Belgium	Nationale Bank van België	0.00%	-0.25%	-0.25%	19 Nov 2015
Luxembourg	Banque Centrale Européenne	0.00%	-0.25%	-0.25%	19 Nov 2015
Cyprus	Bank of Cyprus	3.00%	-0.25%	2.75%	19 Nov 2015
Malta	Bank of Malta	1.00%	-0.25%	0.75%	19 Nov 2015
Croatia	Hrvatska Banka	3.00%	-0.25%	2.75%	19 Nov 2015
Serbia	Banka za Srbiju	3.50%	-0.25%	3.25%	19 Nov 2015
Bulgaria	Banque Nationale de Bulgarie	3.00%	-0.25%	2.75%	19 Nov 2015
Romania	Banque Nationale de Roumanie	3.00%	-0.25%	2.75%	19 Nov 2015
Ukraine	National Bank of Ukraine	10.00%	-0.25%	9.75%	19 Nov 2015
Russia	Central Bank of Russia	7.00%	-0.25%	6.75%	19 Nov 2015
South Korea	Bank of Korea	3.50%	-0.25%	3.25%	19 Nov 2015
Indonesia	Bank Indonesia	6.25%	-0.25%	6.00%	19 Nov 2015
Philippines	Reserve Bank of the Philippines	5.50%	-0.25%	5.25%	19 Nov 2015
Thailand	Bank of Thailand	1.50%	-0.25%	1.25%	19 Nov 2015
Vietnam	State Bank of Vietnam	11.00%	-0.25%	10.75%	19 Nov 2015
Myanmar	Central Bank of Myanmar	10.00%	-0.25%	9.75%	19 Nov 2015
Malaysia	Bank Negara Malaysia	3.00%	-0.25%	2.75%	19 Nov 2015
Singapore	Monetary Authority of Singapore	1.00%	-0.25%	0.75%	19 Nov 2015
Hong Kong	Financial Markets Operations Department	5.00%	-0.25%	4.75%	19 Nov 2015
Taiwan	Central Bank of the Republic of China	1.50%	-0.25%	1.25%	19 Nov 2015
China	People's Bank of China	4.25%	-0.25%	4.00%	19 Nov 2015
India	Reserve Bank of India	8.25%	-0.25%	8.00%	19 Nov 2015
South Africa	Reserve Bank of South Africa	9.25%	-0.25%	9.00%	19 Nov 2015
Canada	Bank of Canada	1.00%	-0.25%	0.75%	19 Nov 2015
USA	Federal Reserve	0.25%	-0.25%	0.00%	19 Nov 2015

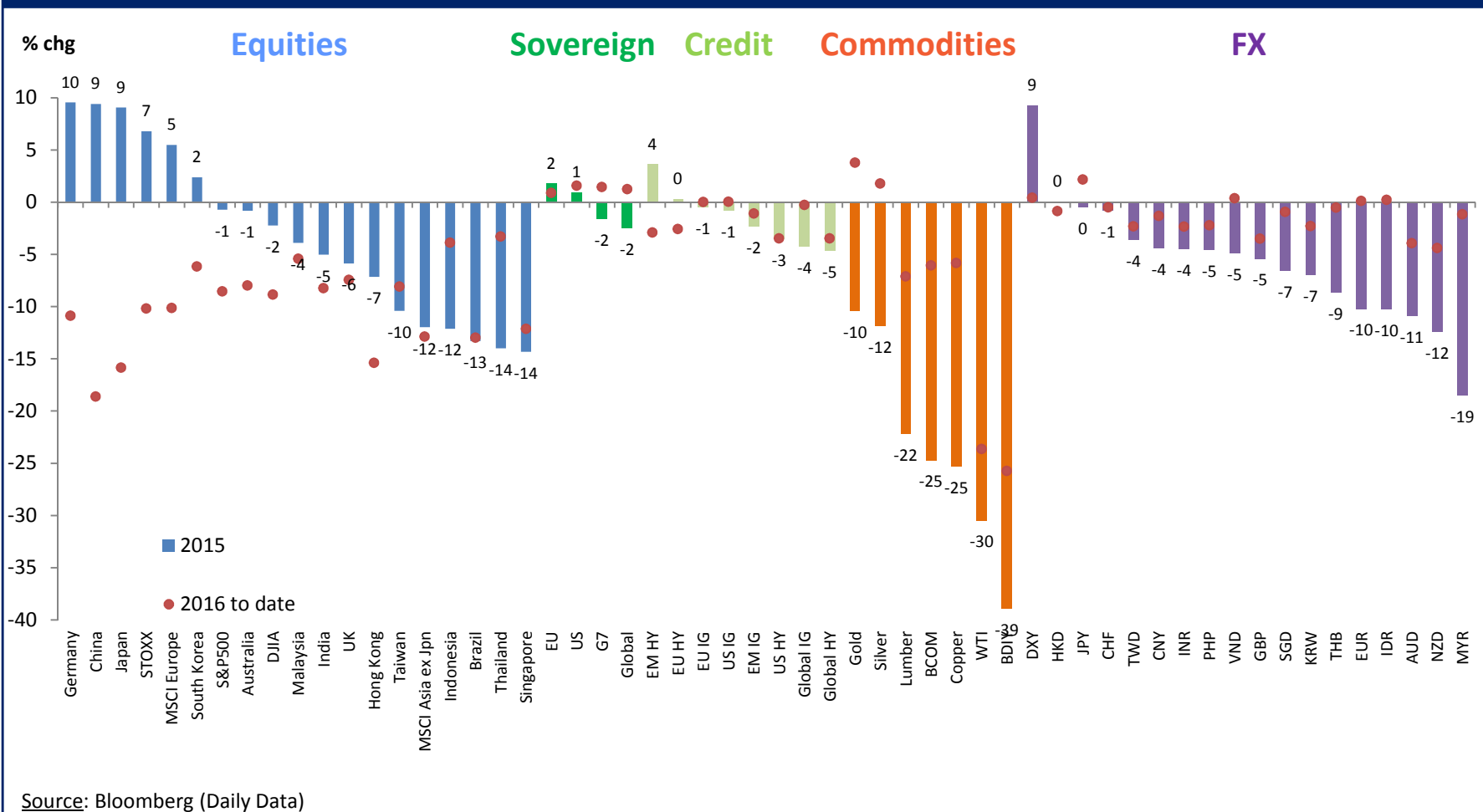


Looking Back: Top “Concerns” / “Interests” of 2015

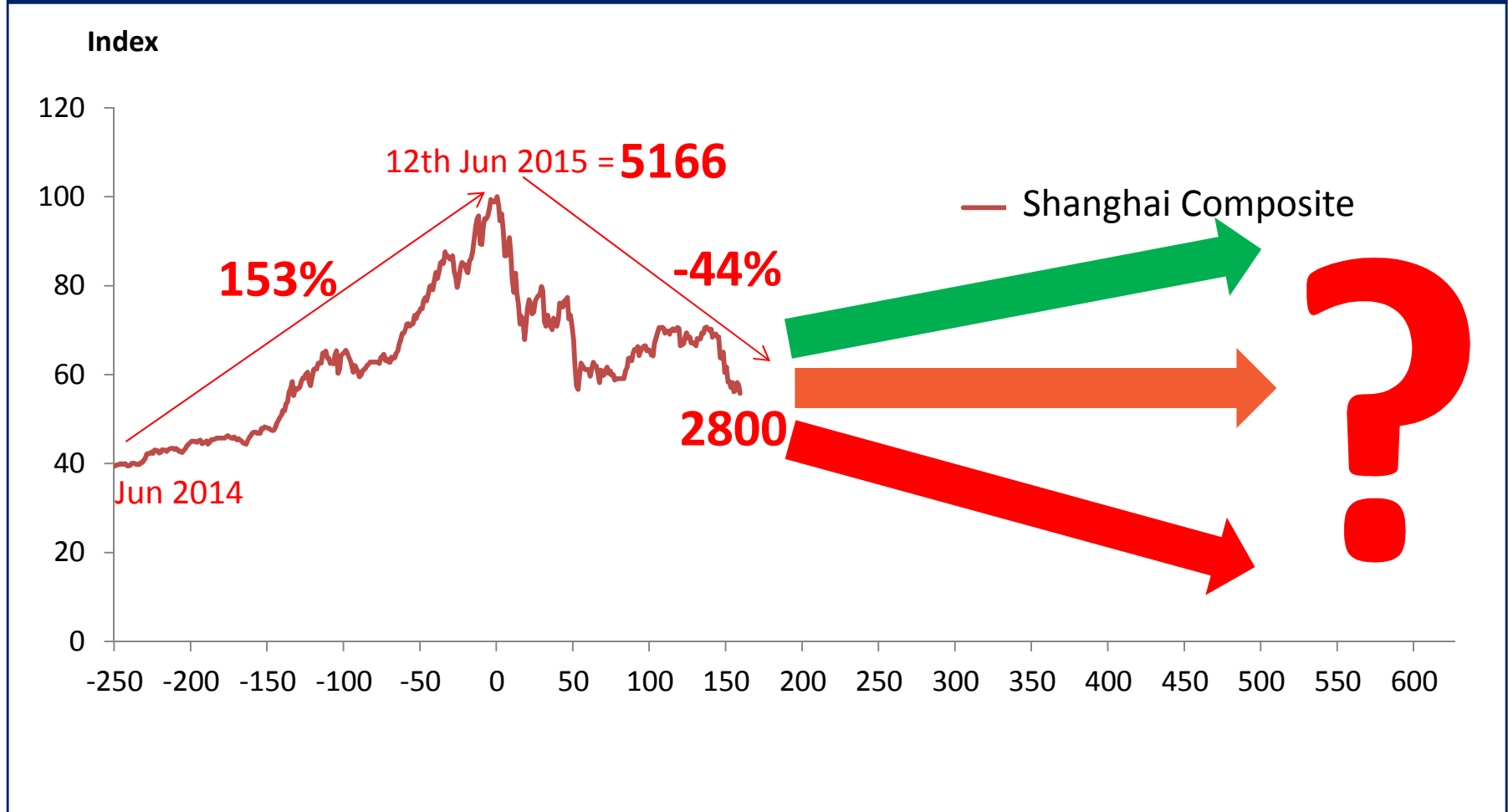
Rank	Global News	SG News	SG Searches
10	Bangkok Bomb	Budget 2015	Lee Hsien Loong
9	Bersih 4.0	SEA Games medal tally	Lee Wei Ling
8	Nepal Earthquake	Workers’ Party	QZ8501
7	Charlie Hebdo	Medishield Life	MERS
6	Greece	Prime Minister’s Office	Amos Yee
5	ISIS	SG 50	iPhone 6S
4	Paris	GE 2015	WhatsApp Web
3	Sabah Earthquake	Sabah Earthquake	SEA Games
2	QZ8501	SEA Games	Lee Kuan Yew
1	MERS	PSI Singapore	PSI Singapore

Source: Google (Annual Data)

Asset Class Performance in 2015



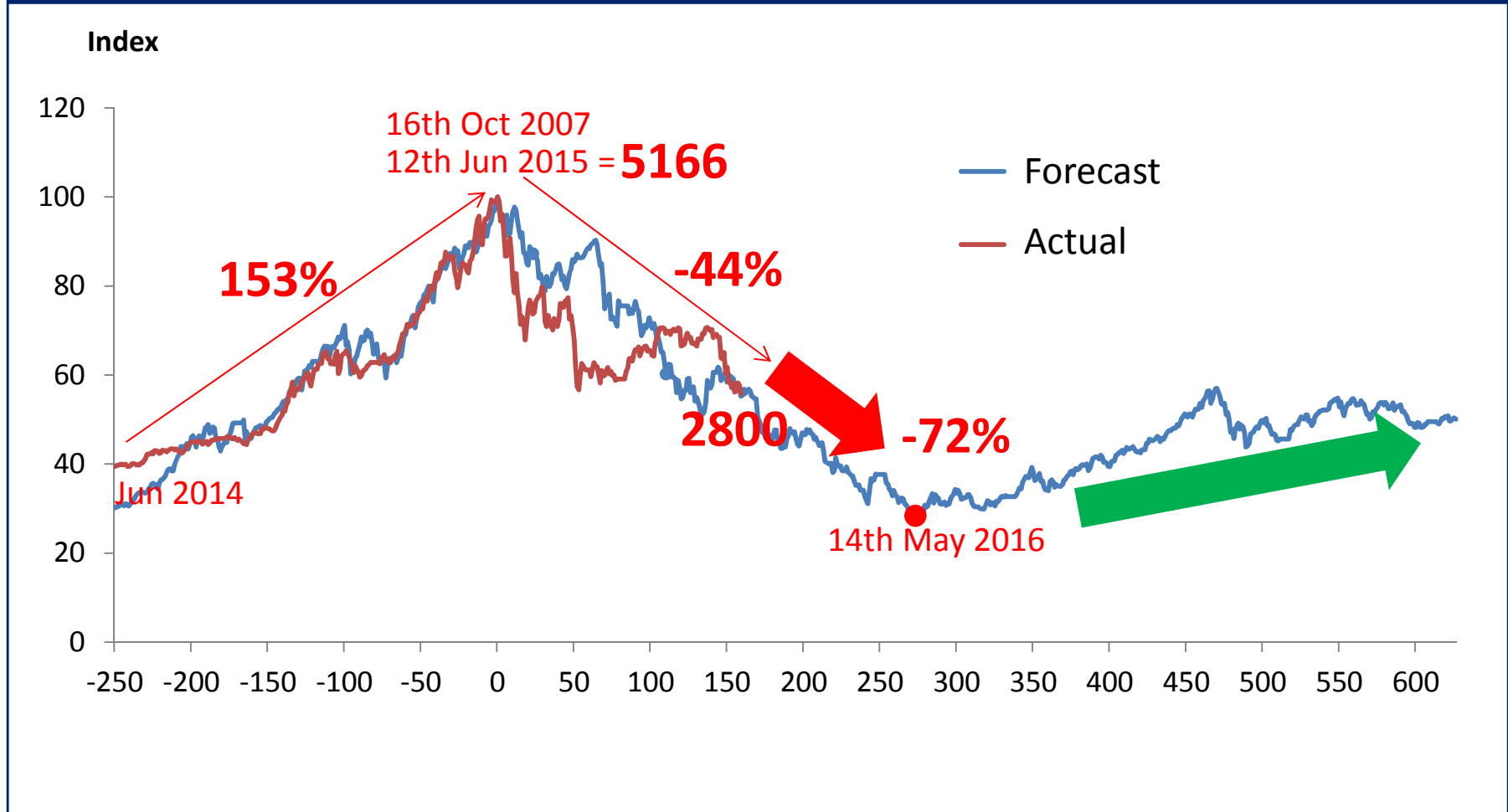
Shanghai Composite Index

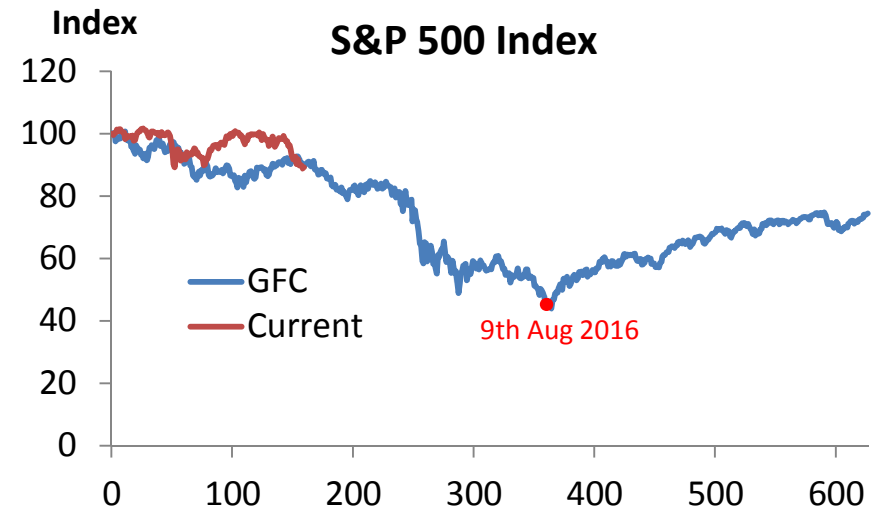
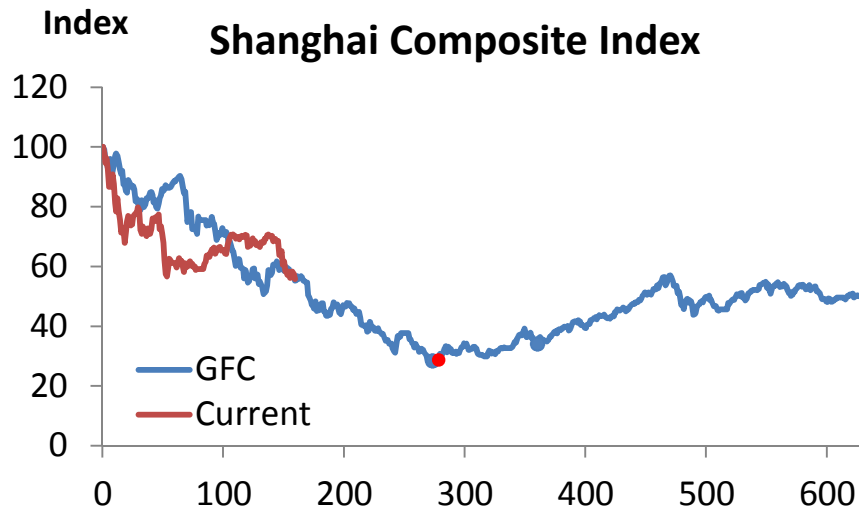
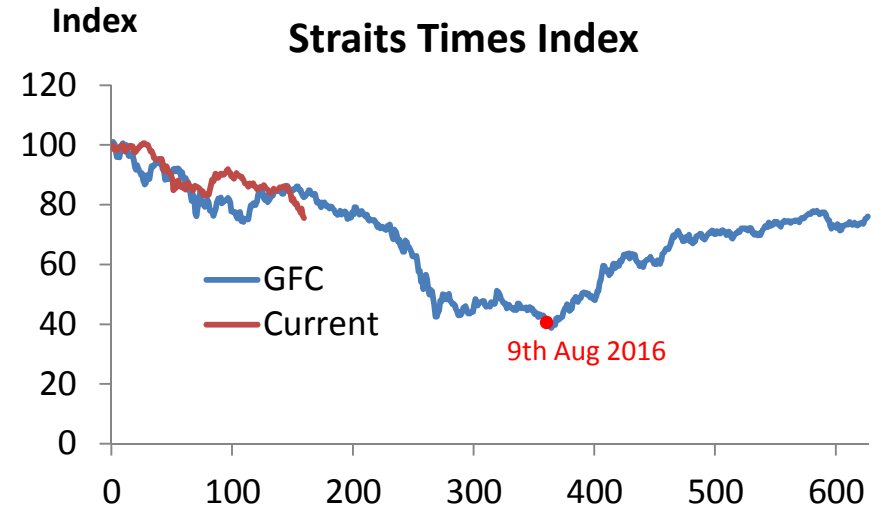
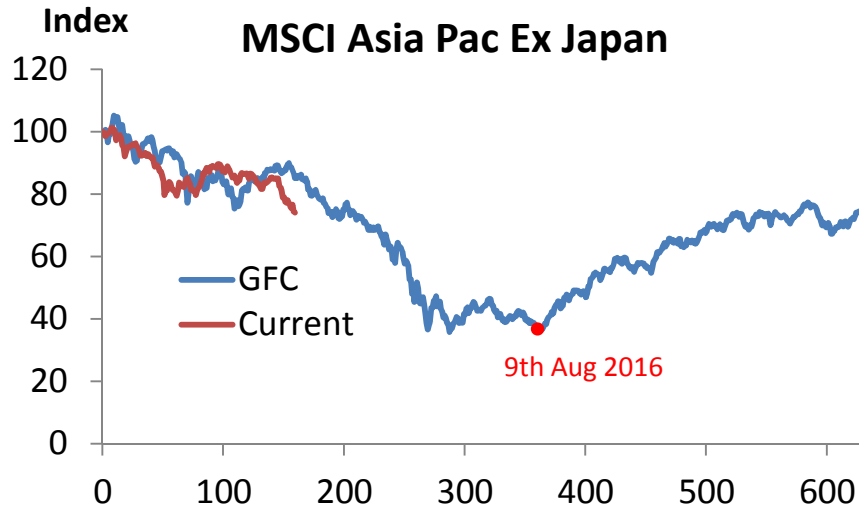


History doesn't repeat itself,
... but it does **RHYME**.

Mark Twain

Shanghai Composite Index (Actual vs Forecast)







What Lies Ahead?

2010 Economic Strategies Committee

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

1. Exploring new growth areas;
2. Anchoring global companies in Singapore while nurturing home-grown enterprises;
3. Growing human and knowledge capital;
4. Creating high-value jobs for Singaporeans;
5. Maximising finite resources such as land and energy



MOF
MINISTRY OF FINANCE
SINGAPORE

2016 “The Future Economy” Committee

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.

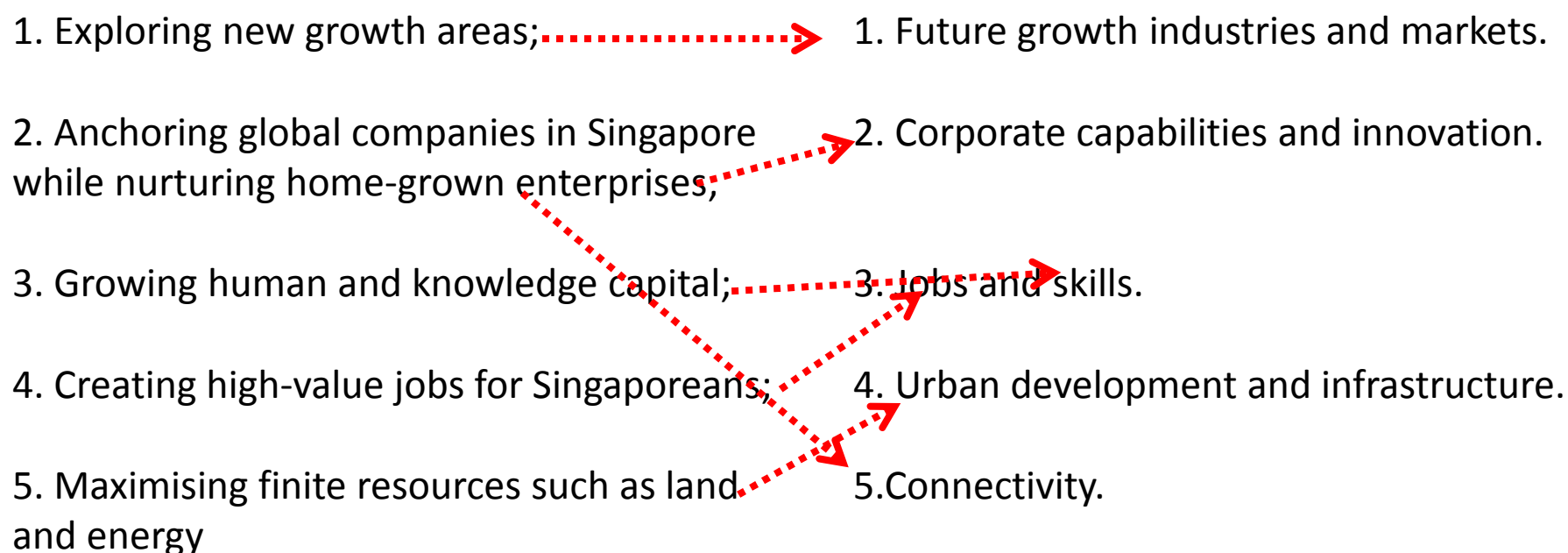
Connectivity. Study modern connectivity and flows in the future global economy and recommend how Singapore can continue to be a hub that brings value to Asia and the world.



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. |

“Old Song, New Singer”

• The “Asian Miracle”, Is it?

Did the Rise of China as a Manufacturing Powerhouse Cannibalise Exports from other Countries (eg: ASEAN)?

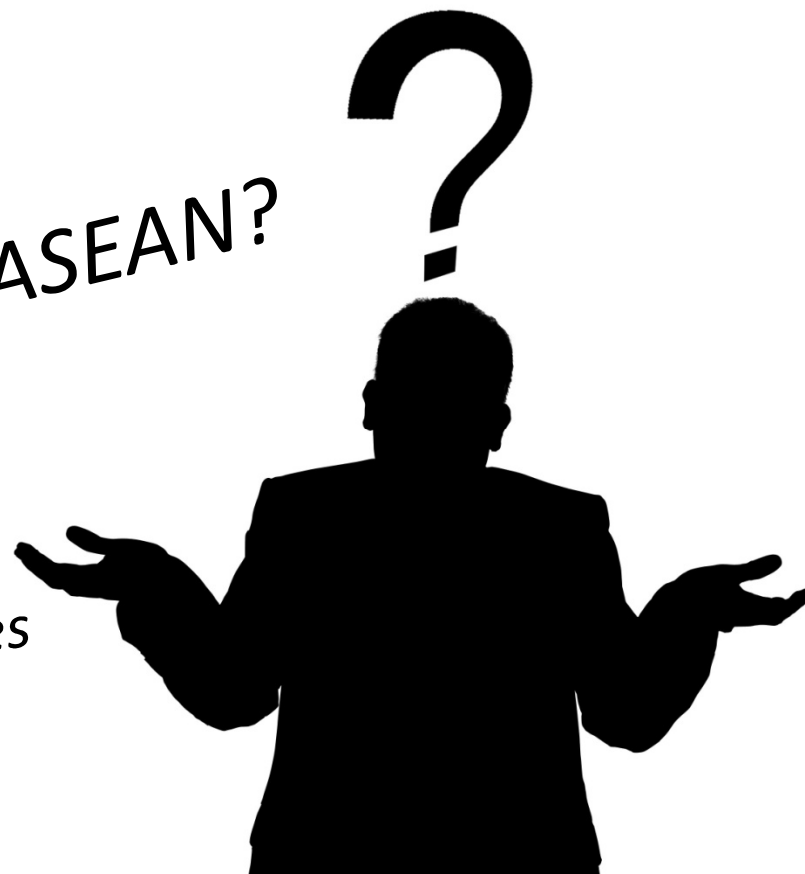
Will The “Miracle” Continue?

Why Are We So Optimistic About ASEAN?

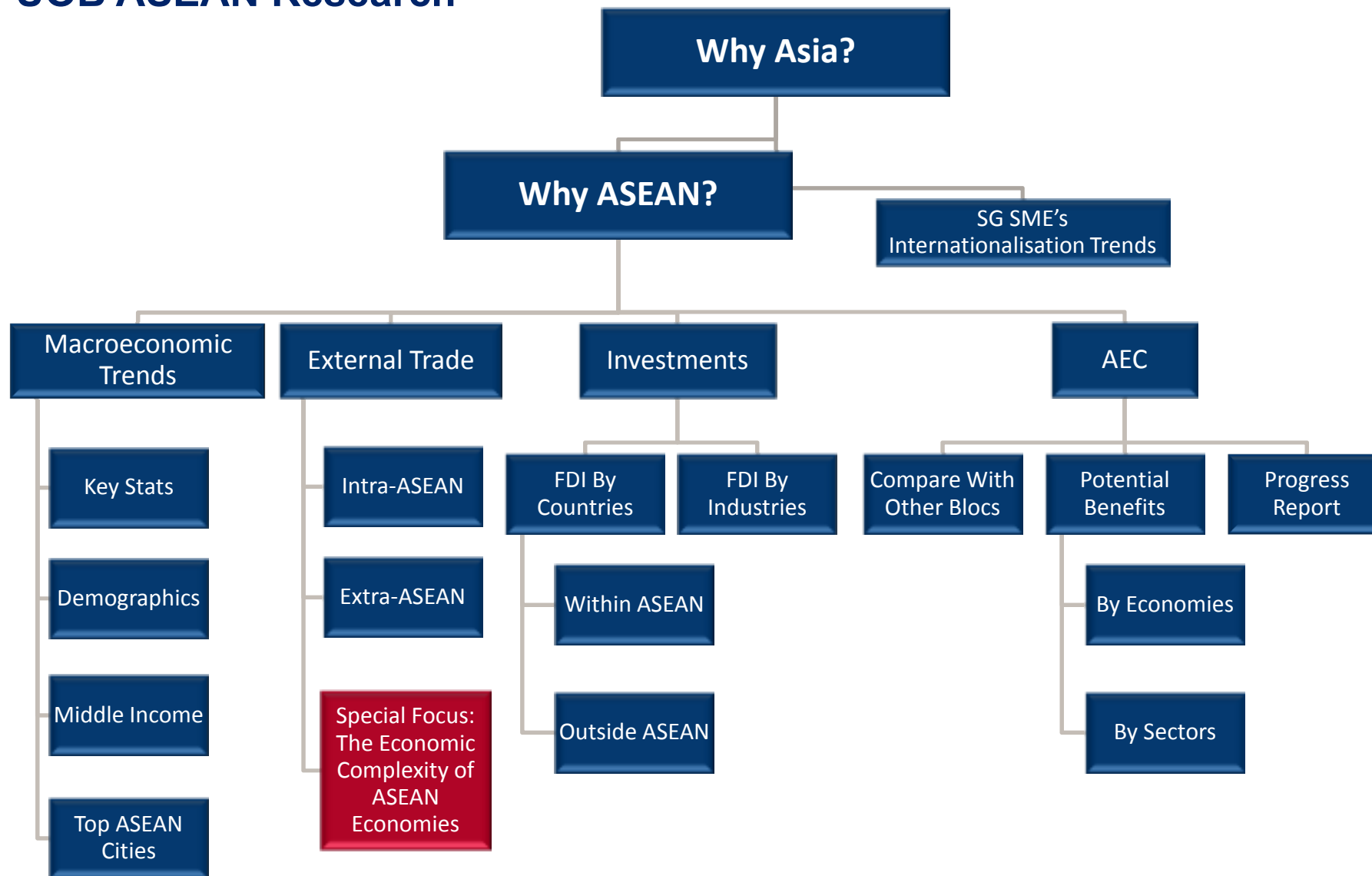
BONUS

The BIGGEST Challenge for Corporates

What Kind of Companies Will Succeed?

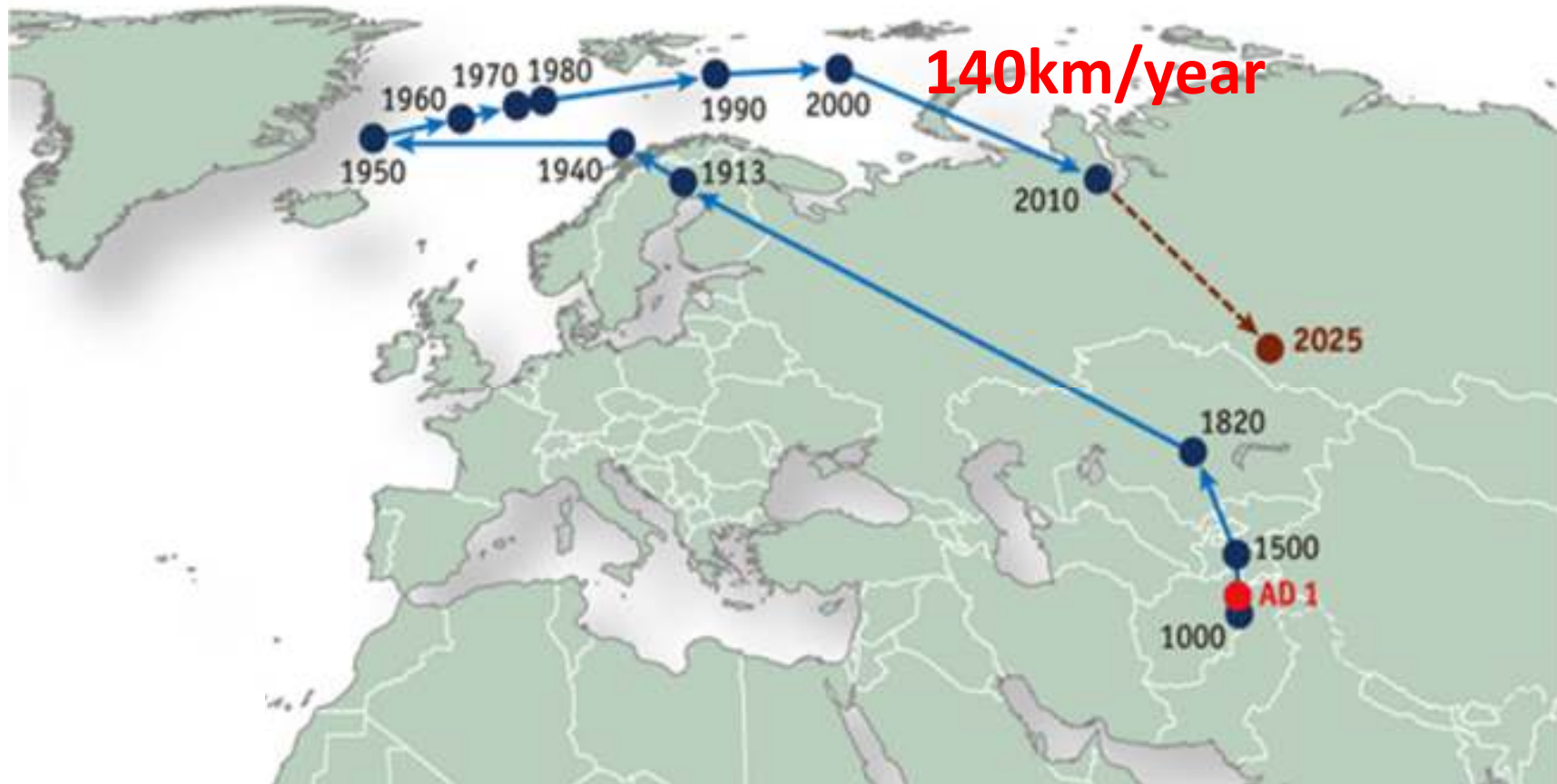


UOB ASEAN Research



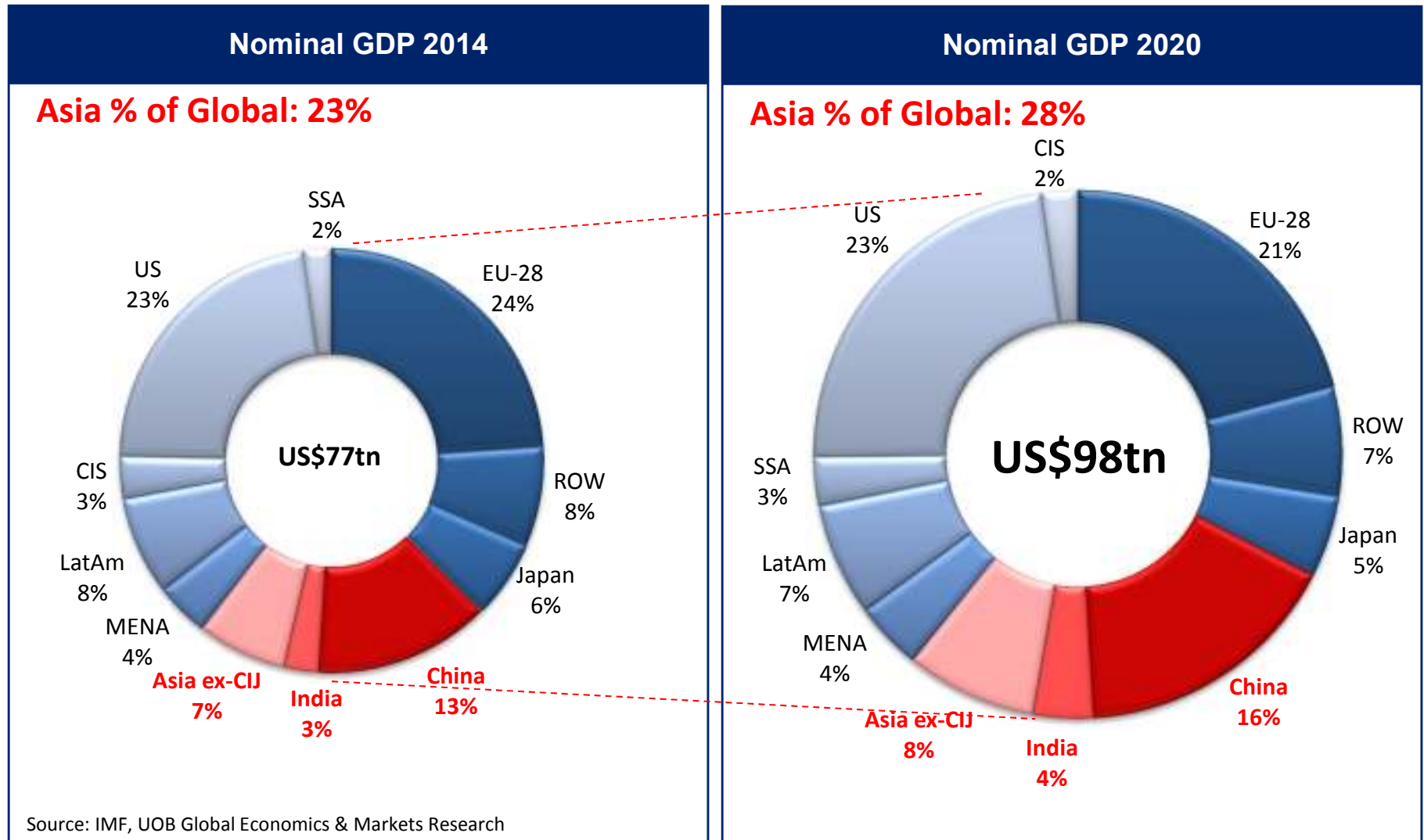
This Is The Century For Asia

Evolution of the Earth's Economic Centre Of Gravity, AD1 to AD2025

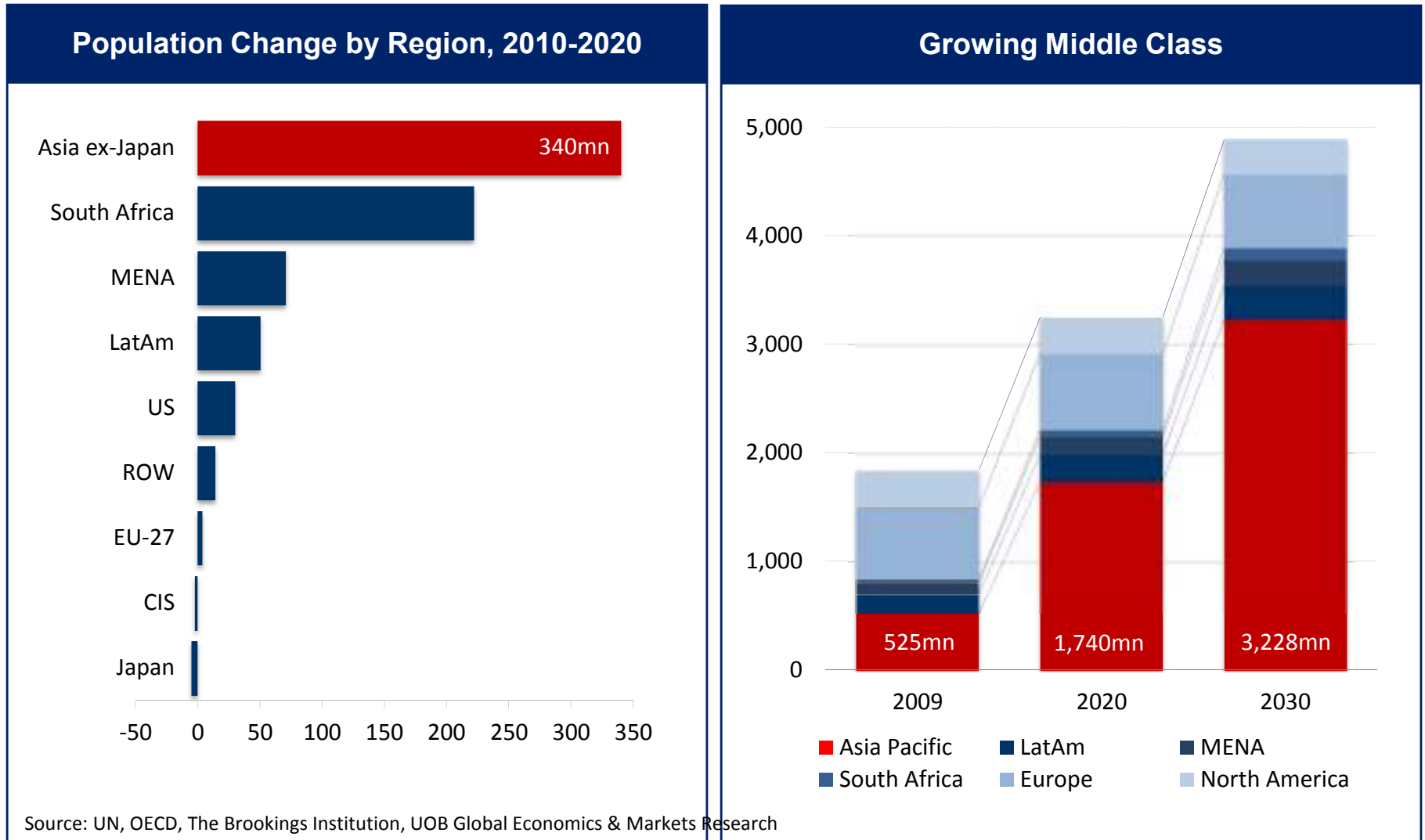


Source: McKinsey Global Institute, June 2012, Urban World: Cities and the rise of the consuming class

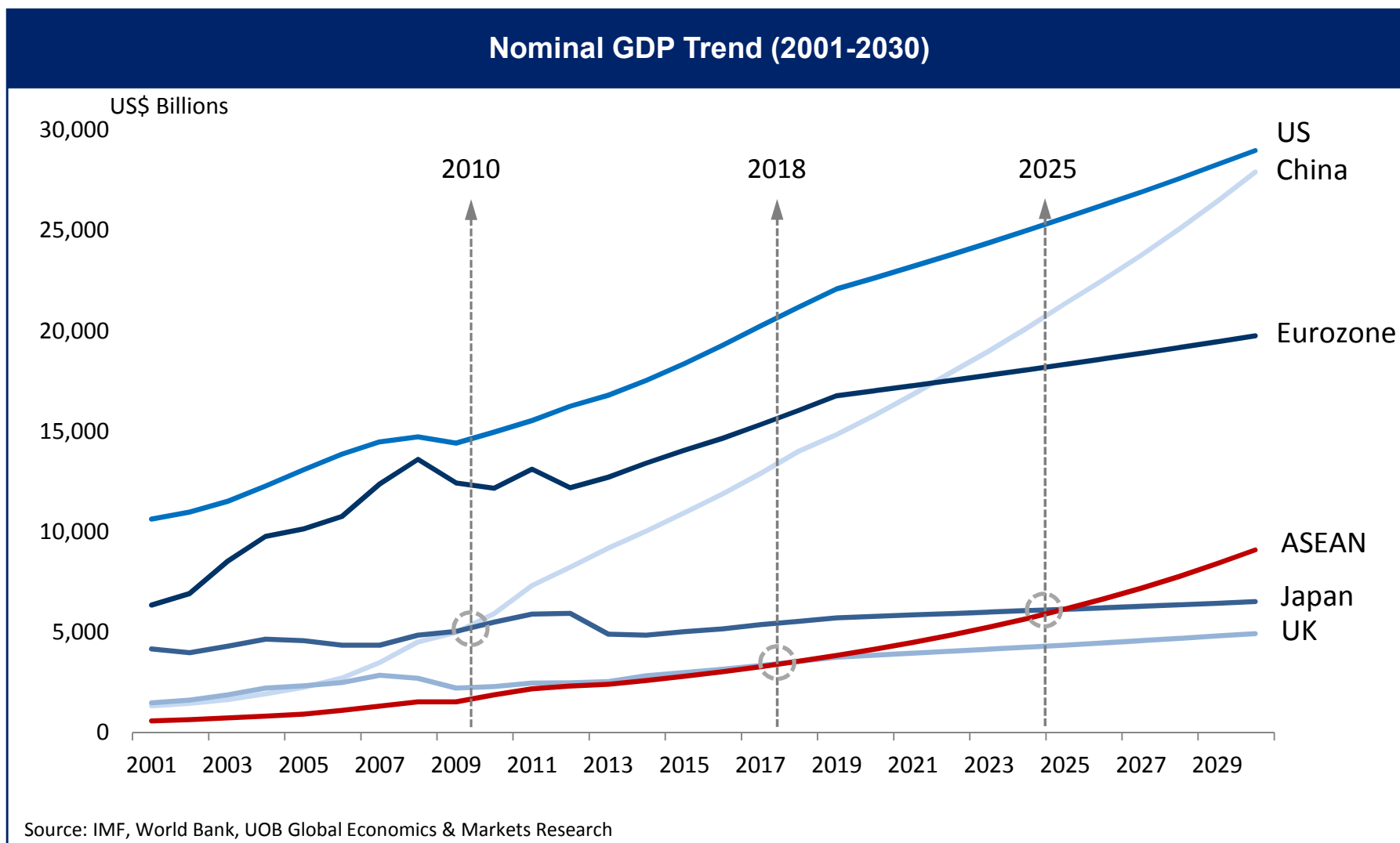
Asia's Increasing Share of Global GDP



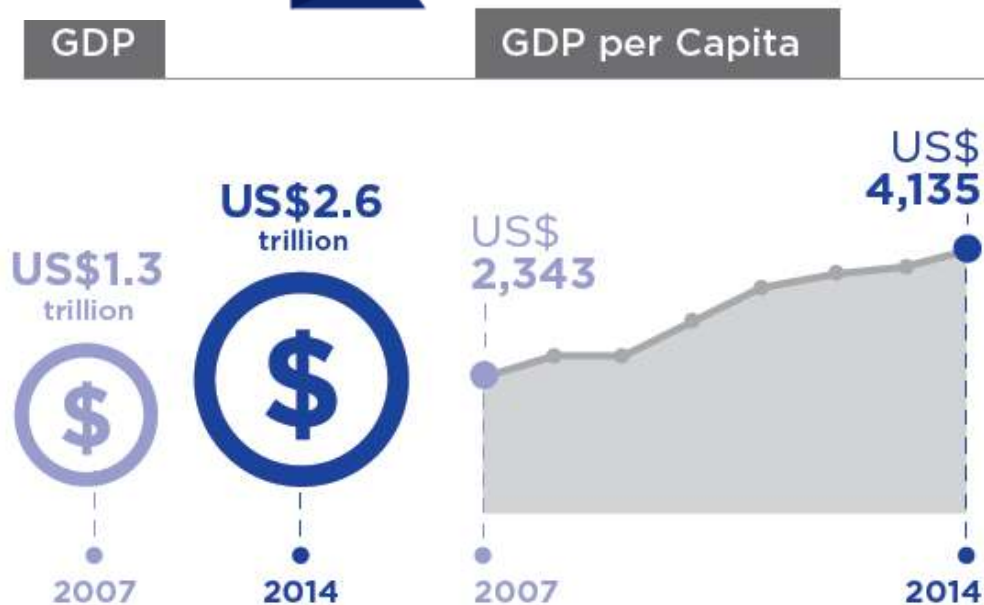
Growing Population and Consumer Affluence



China & ASEAN Amongst World's Top Economies



ASEAN Economy



Between 2007 and 2014, ASEAN GDP **nearly doubled**, while current GDP per capita **increased by 76%**

In 2014, ASEAN economy was

the **7th largest in the world** & the **3rd largest in Asia**



Source: ASEAN Secretariat

Since 2000, ASEAN Saw Rapid & Stable Growth

Selected Key Economic Indicators Comparing ASEAN & ROW

GDP 2013, current prices \$ trillion		Real GDP growth, 2000–13 %		GDP growth volatility, 2000–13 ¹ %		Share of debt to GDP, 2013 %		Inflation rate, 2013 GDP deflator, %	
United States	16.8	China	10.0	Russia	4.2	Japan	243.2	India	7.0
China	9.3	India	7.0	India	2.4	Italy	132.5	Russia	6.5
Japan	4.9	ASEAN	5.1	United Kingdom	2.3	United States	104.5	Brazil	6.5
Germany	3.6	Russia	4.4	Italy	2.3	France	93.9	ASEAN	2.8
France	2.7	Brazil	3.2	Germany	2.3	United Kingdom	90.1	Germany	2.3
United Kingdom	2.5	Canada	1.9	Japan	2.2	Canada	89.1	United Kingdom	2.1
ASEAN	2.4	United States	1.8	Brazil	2.2	Germany	78.1	China	1.7
Brazil	2.2	United Kingdom	1.5	China	1.8	India	66.7	United States	1.5
Russia	2.1	Germany	1.1	United States	1.7	Brazil	66.3	Canada	1.5
Italy	2.1	France	1.0	Canada	1.7	ASEAN	46.7	Italy	1.4
India	1.9	Japan	0.8	France	1.6	China	22.4	France	1.1
Canada	1.8	Italy	0.0	ASEAN	1.5	Russia	13.4	Japan	-0.6

Source: IHS; World Economic Outlook (IMF), McKinsey Global Institute

Key Macroeconomic & Development Statistics (2013)

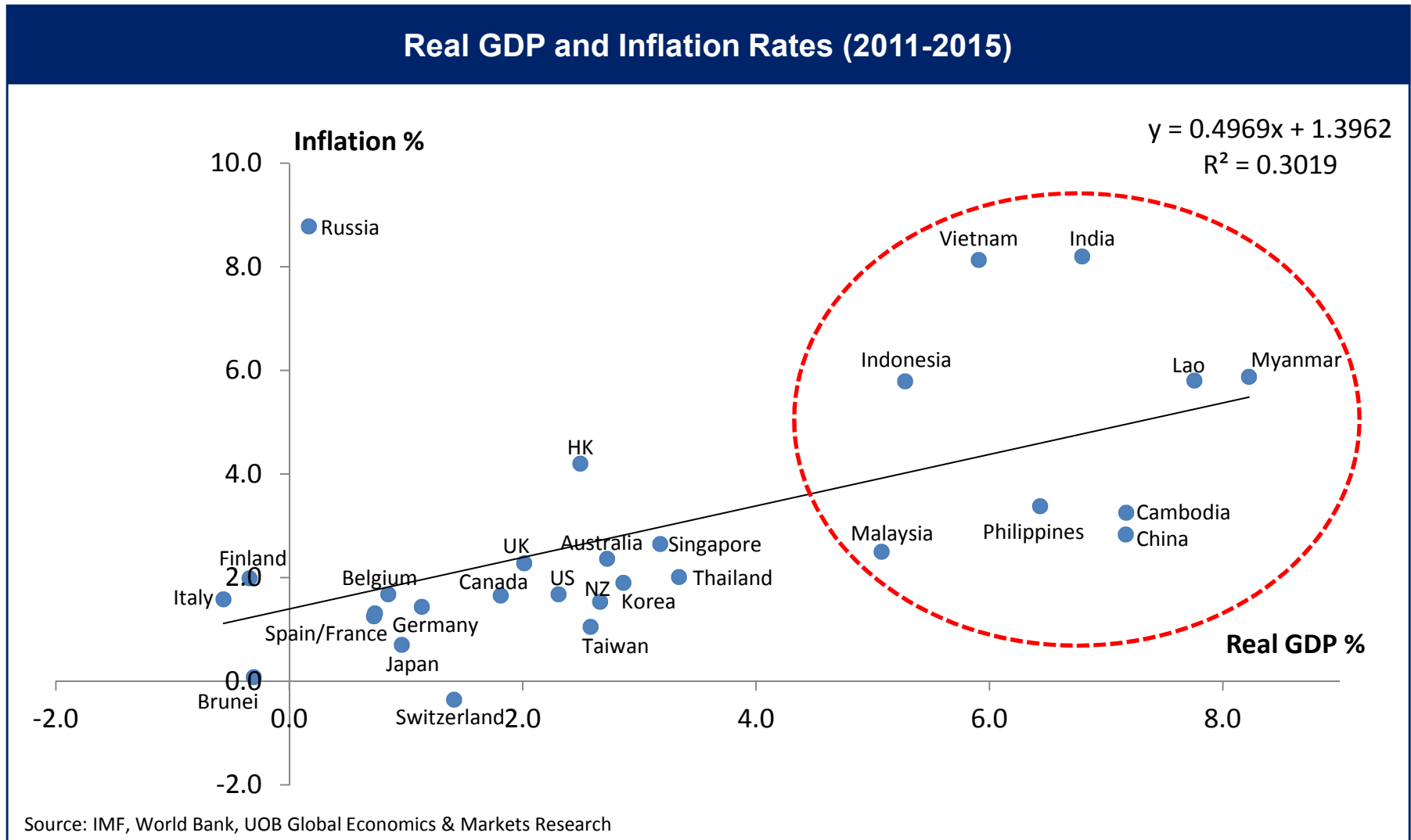
ASEAN Countries	Land Area (sq km)	Population (000)	Urban Population (%)	GDP Current Market Prices (US\$m)	GDP Per Capita (US\$)	Internet Subscriber Per 1000 Persons	International Air Passenger Traffic (000)
Brunei	5,769	406	78.7*	16,117	39,679	130	2,017**
Cambodia	181,035	14,963	21.4	15,511	1,037	49*	3,997*
Indonesia	1,860,360	248,818	50.1	860,850	3,460	163	10,943
Lao	236,800	6,644	36.0*	10,283	1,548	108*	729
Malaysia	330,290	29,948	72.7*	312,072	10,420	226	38,032
Myanmar	676,577	61,568	30.8	54,661	888	41	2,652
Philippines	300,000	99,385	49.1*	269,024	2,707	64*	16,421*
Singapore	716	5,399	100.0	297,941	55,182	720	52,775
Thailand	513,120	68,251	33.9*	387,574	5,679	27*	54,005
Viet Nam	330,972	98,709	32.2	171,219	1,909	58	13,203*

* 2012 figure

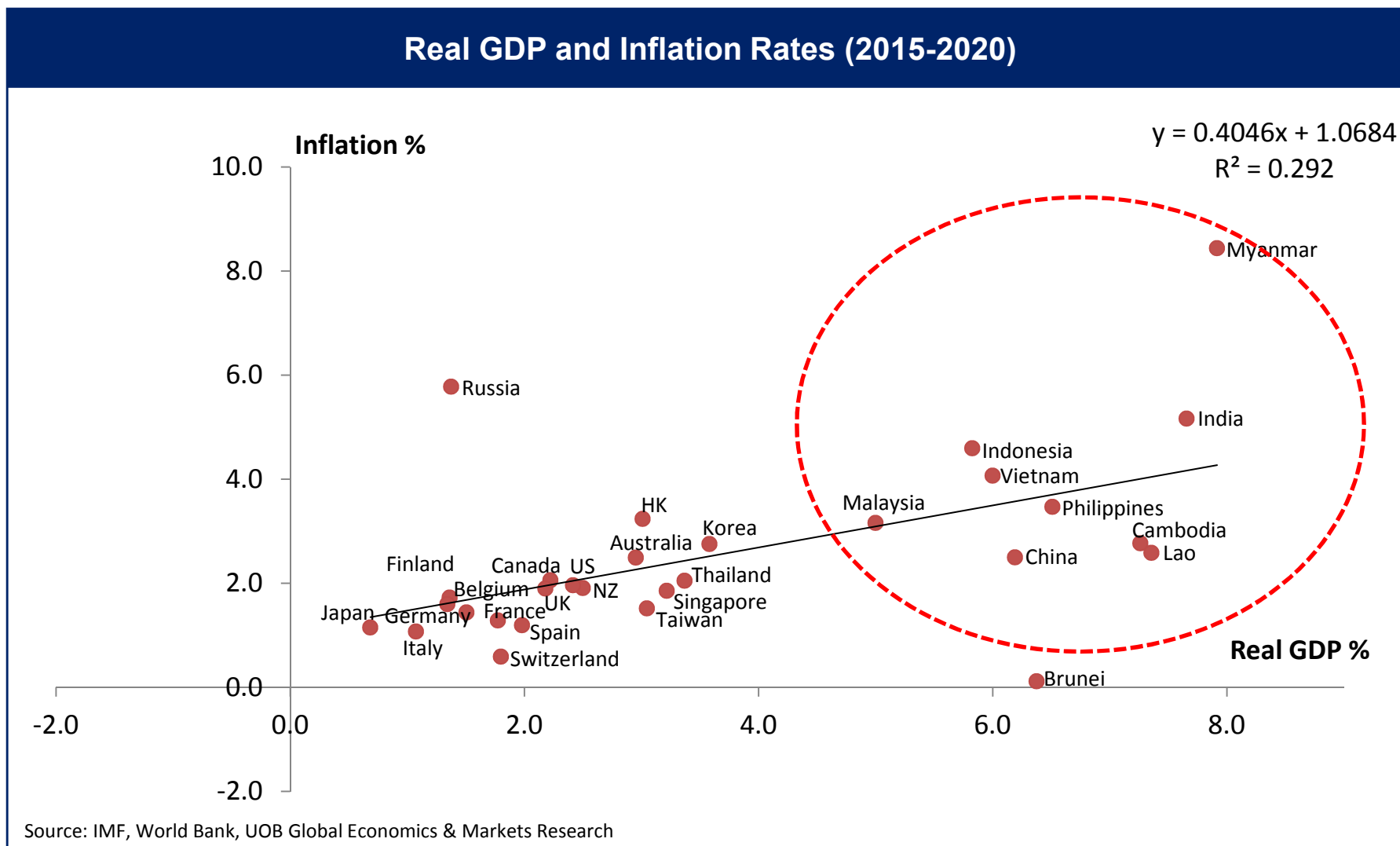
** 2011 figure

Source: ASEAN Statistics Leaflet – Selected Key Indicators 2014

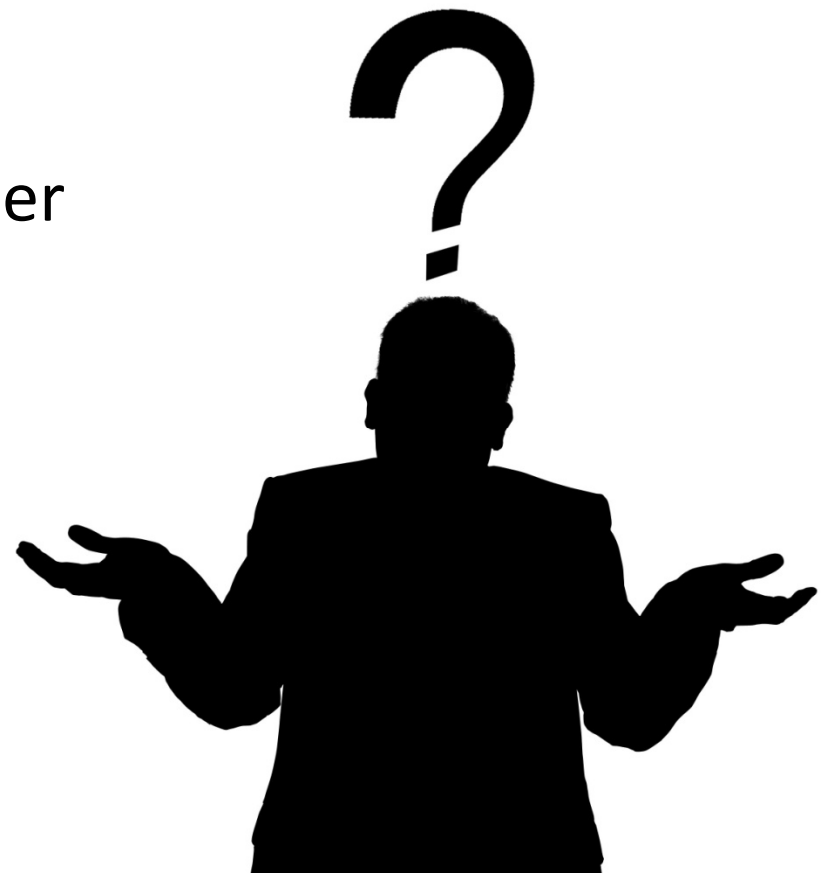
Relatively More Favourable Economic Conditions



Relatively More Favourable Economic Conditions



Did the Rise of China as a
Manufacturing Powerhouse
Cannibalise Exports from other
Countries (eg: ASEAN)?



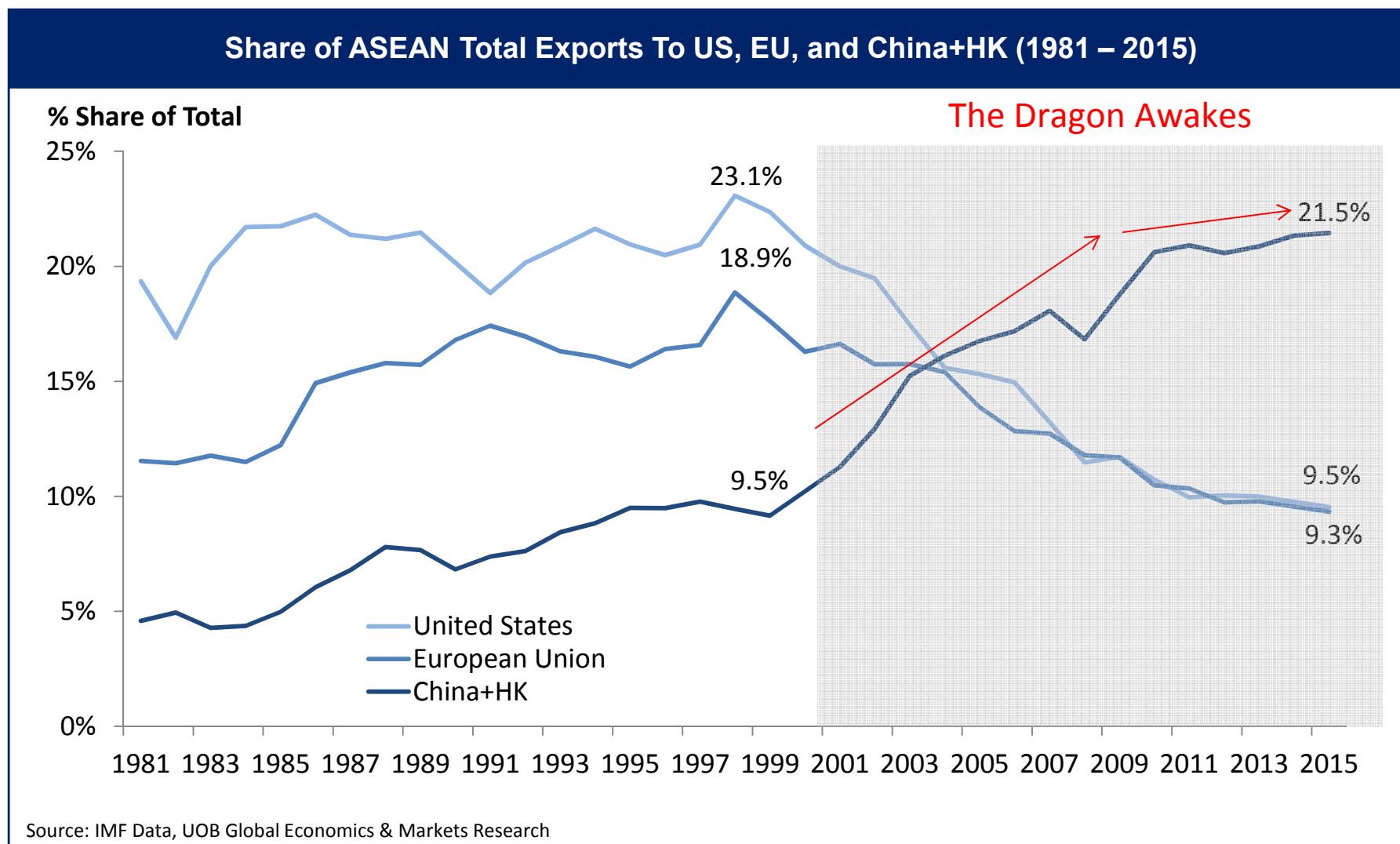
The Importance of China as an Exporter to the US and EU

<i>US Goods Imports, US\$ billions</i>			<i>US Goods Imports, US\$ billions</i>		
<i>Country</i>	<i>2000</i>	<i>% Total</i>	<i>Country</i>	<i>2012</i>	<i>% Total</i>
World	1,258	100	World	2,334	100
Canada	233	18	China	444	19
EU	219	17	EU	376	16
Japan	151	12	Canada	327	14
Mexico	137	11	Mexico	280	12
China	108	9	Japan	150	6
ASEAN	91	7	ASEAN	127	5

<i>EU Goods Imports, US\$ billions</i>			<i>EU Goods Imports, US\$ billions</i>		
<i>Country</i>	<i>2000</i>	<i>% Total</i>	<i>Country</i>	<i>2012</i>	<i>% Total</i>
World	913	100	World	2,358	100
USA	190	21	China	375	16
Japan	85	9	Russia	276	12
ASEAN	69	8	USA	265	11
China	69	8	Switzerland	137	6
Russia	59	6	Norway	130	6
Switzerland	58	6	ASEAN	129	5

Source: Christopher Napoli, "China's Economic Rise: Implications for ASEAN Trade Flows", Journal of Southeast Asian Economics Vol. 31, No. 3 (2014). Pp. 345-60

ASEAN Exported Less To US & EU Since 1998, But A lot More To China



But Can The China Growth Engine
Continue To Roar, Or Slow To A Sputter?



Slower Growth This Decade... And Longer?



Manufacturing Powerhouse Slows Down





经济转型

“旧经济”指数

房地产投资

纺织及织物出口

热电力生产

有色金属矿石生产

国有企业产值

“新经济”指数

医药消费

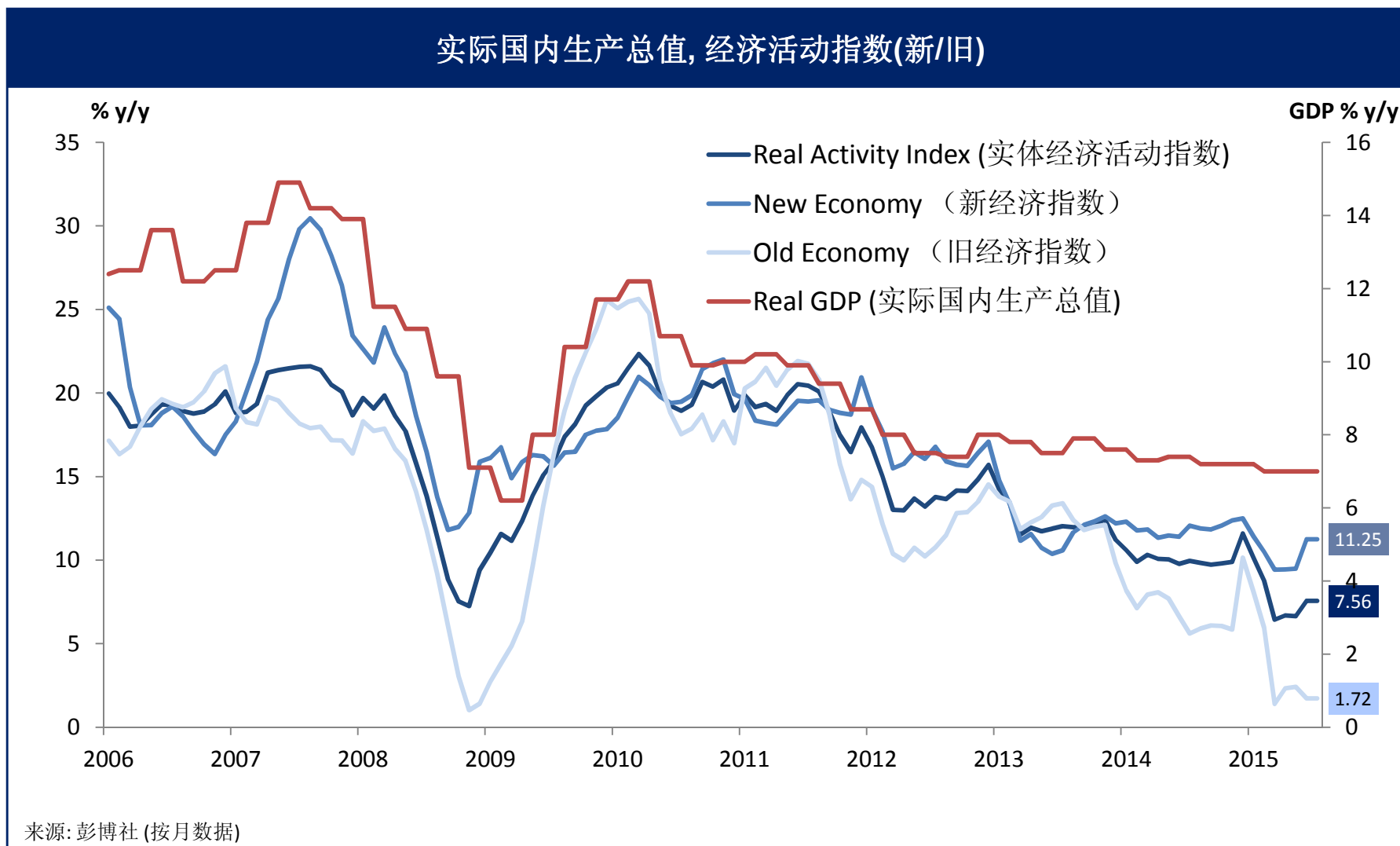
汽车出口

清洁能源电力生产

通信设备和电脑生产

民营企业产值

新经济行业在支持7%的经济增长







1950

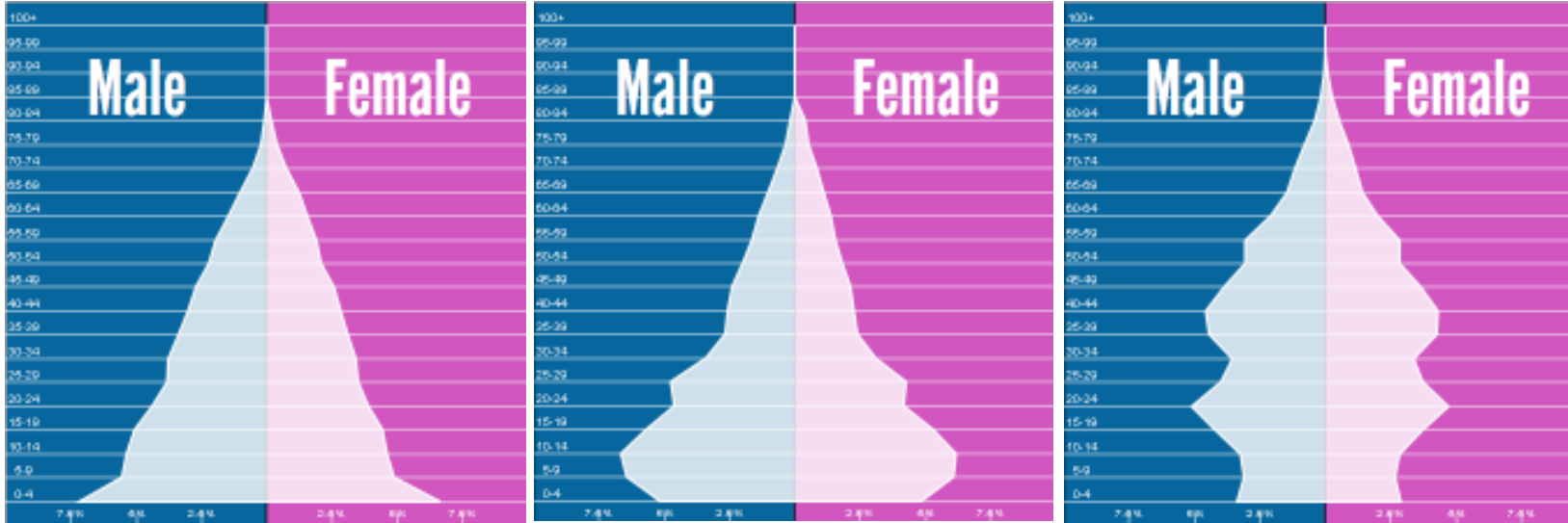
544m

1980

984m

2010

1360m



2040

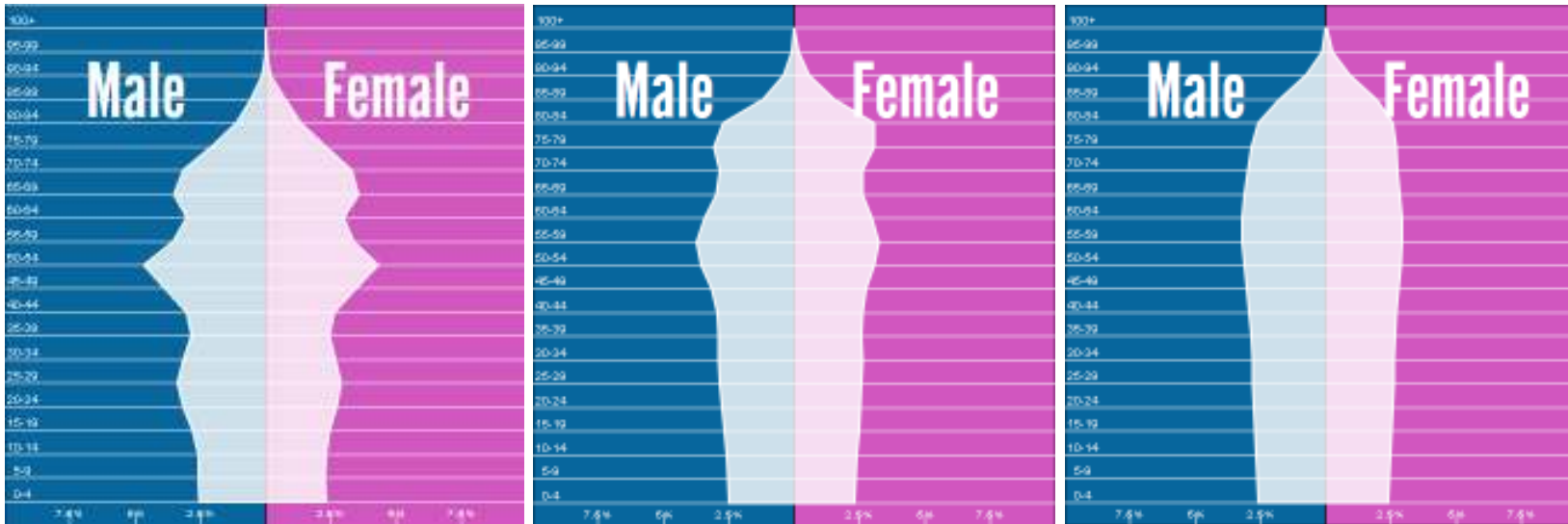
1435m

2070

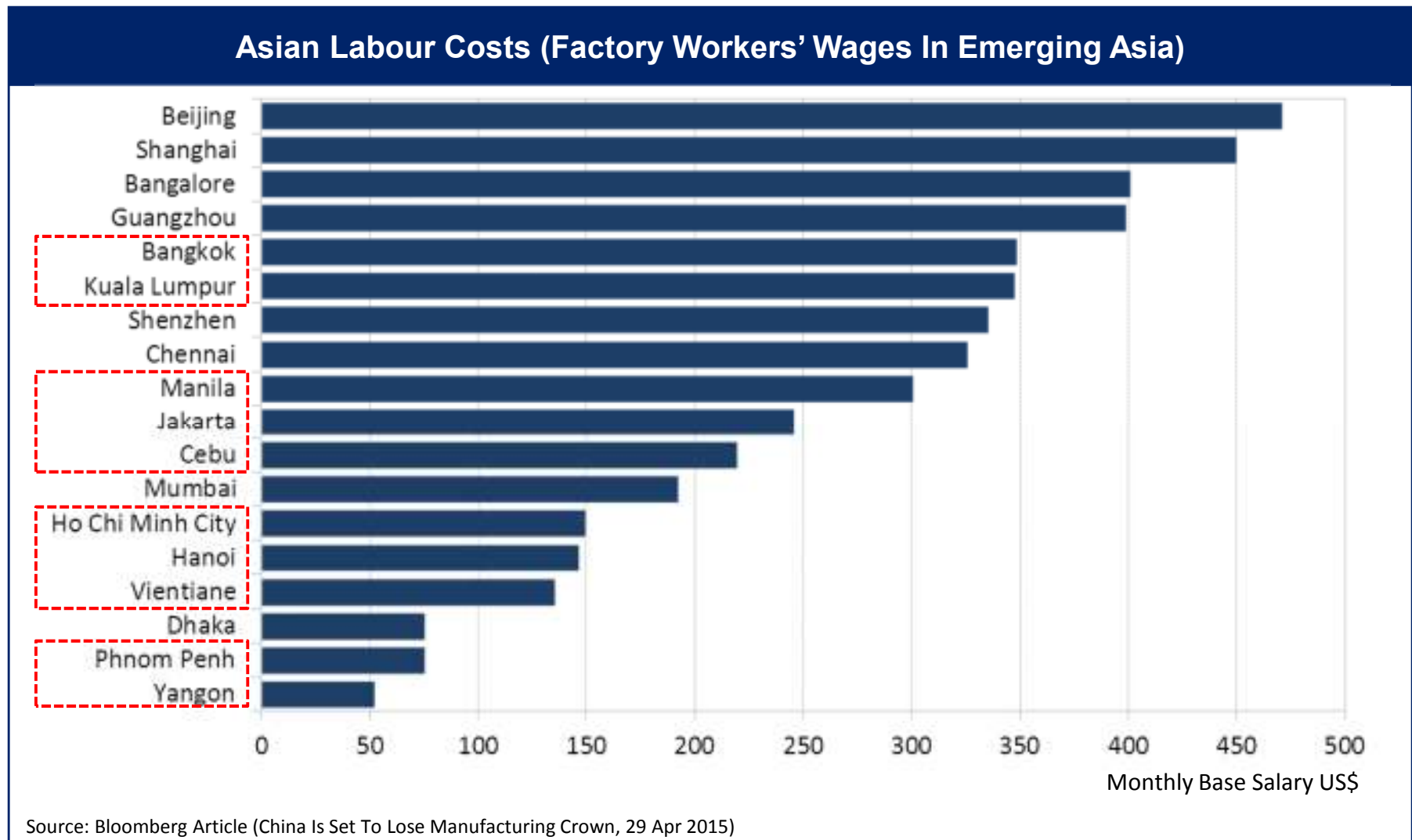
1241m

2100

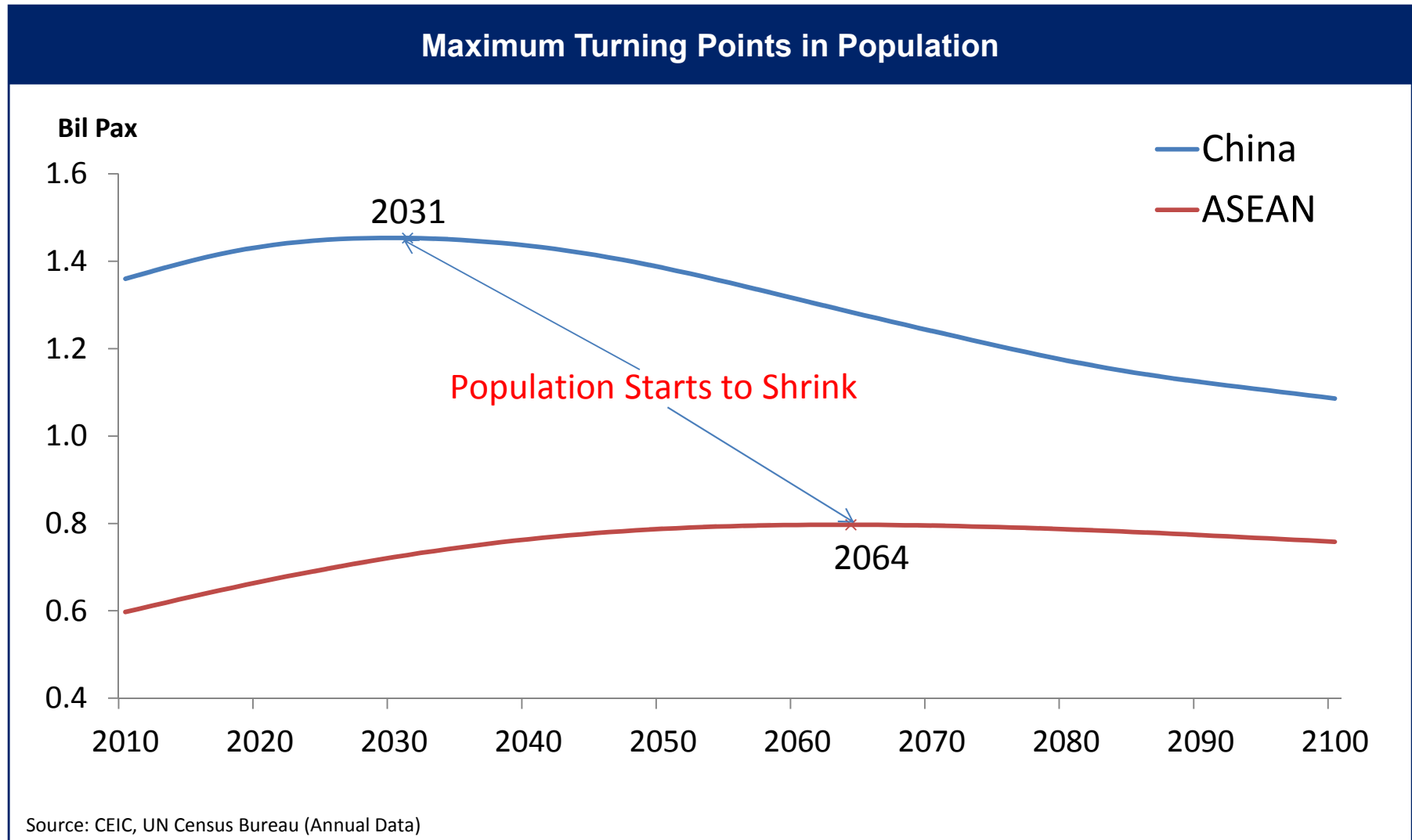
1086m



Rising Labour Costs Across China's Cities

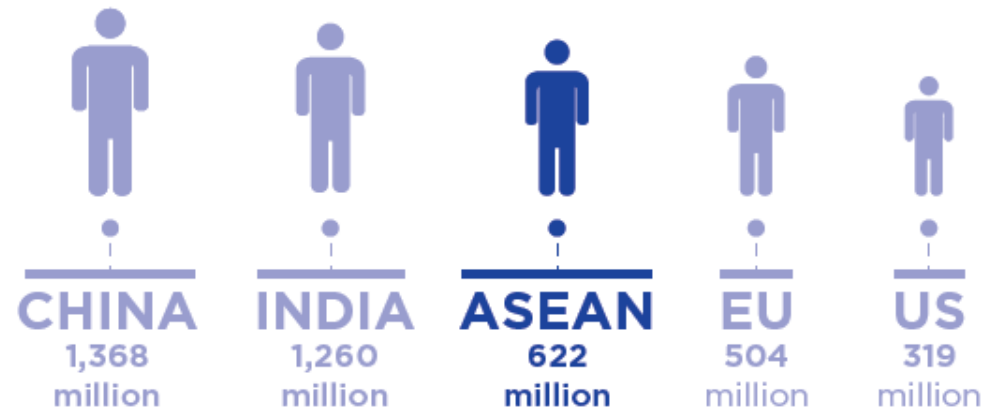


Demographics of China and ASEAN



ASEAN Population

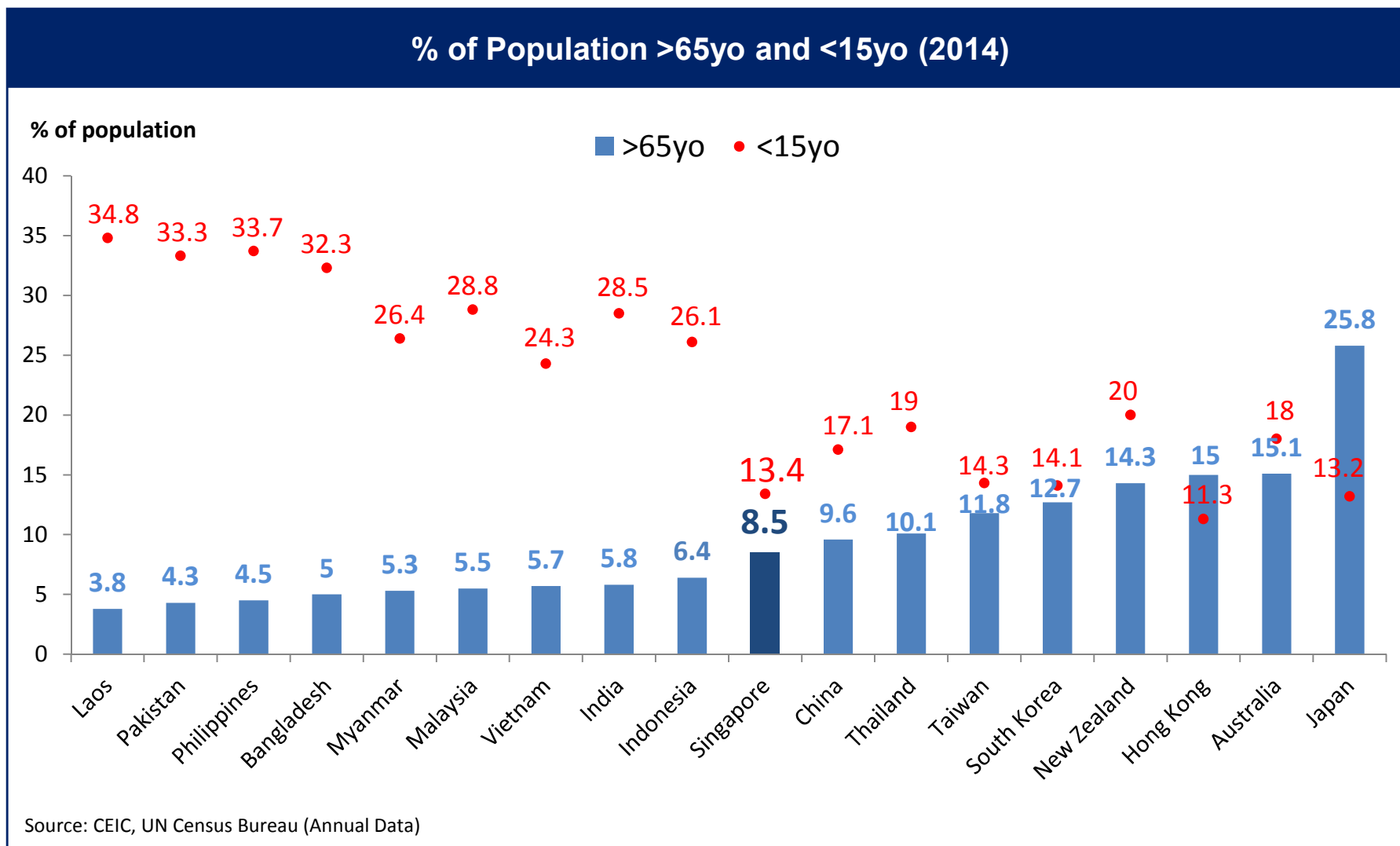
In 2014, ASEAN population was the **3rd largest in the world**



Over half of ASEAN population were **below 30 years of age** in 2014, as compared to 39% of East Asian and 34% of European.

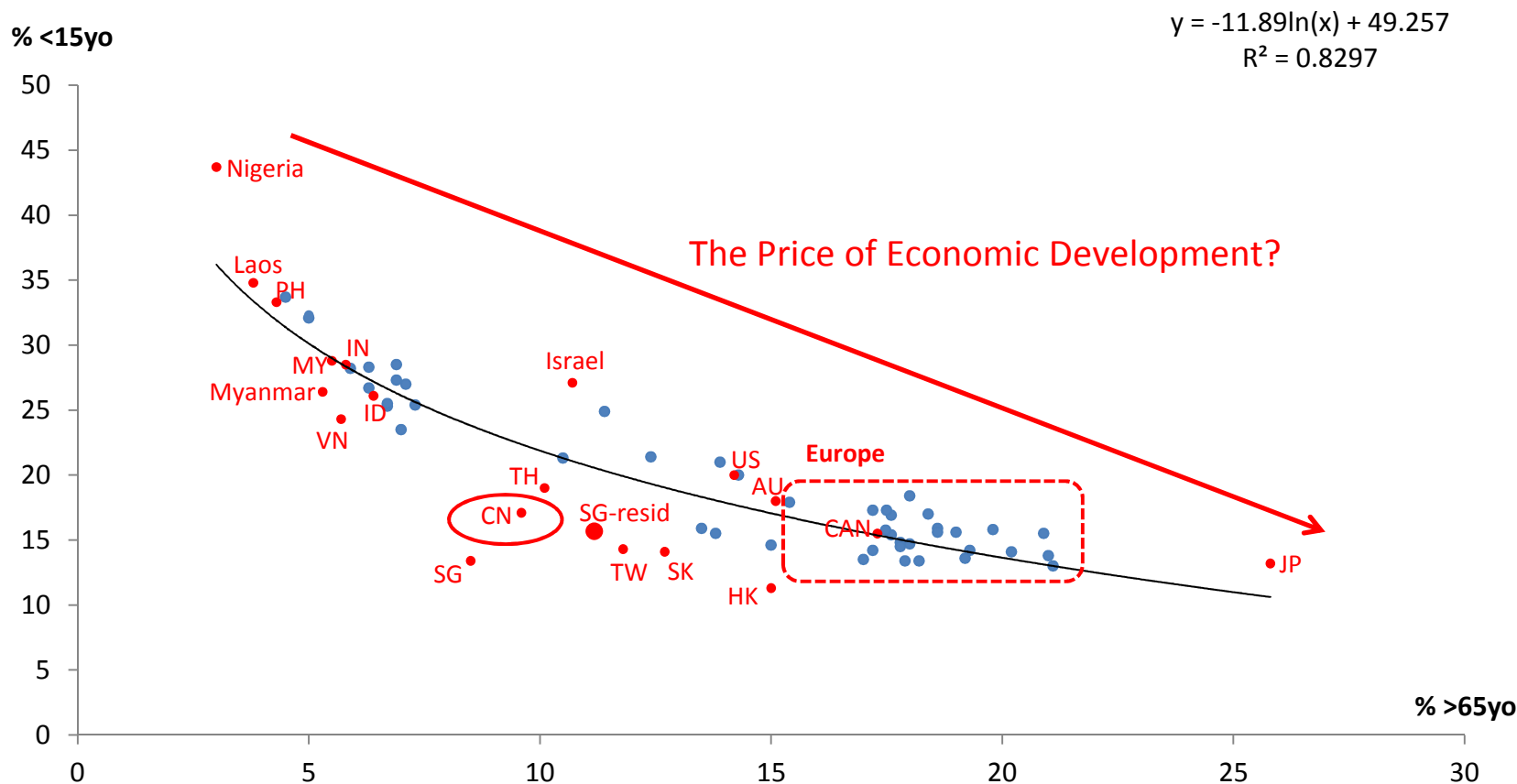
Source: ASEAN Secretariat, UN

Strong Demographics Is On ASEAN's Side



Economic Development = Higher Dependency Ratios?

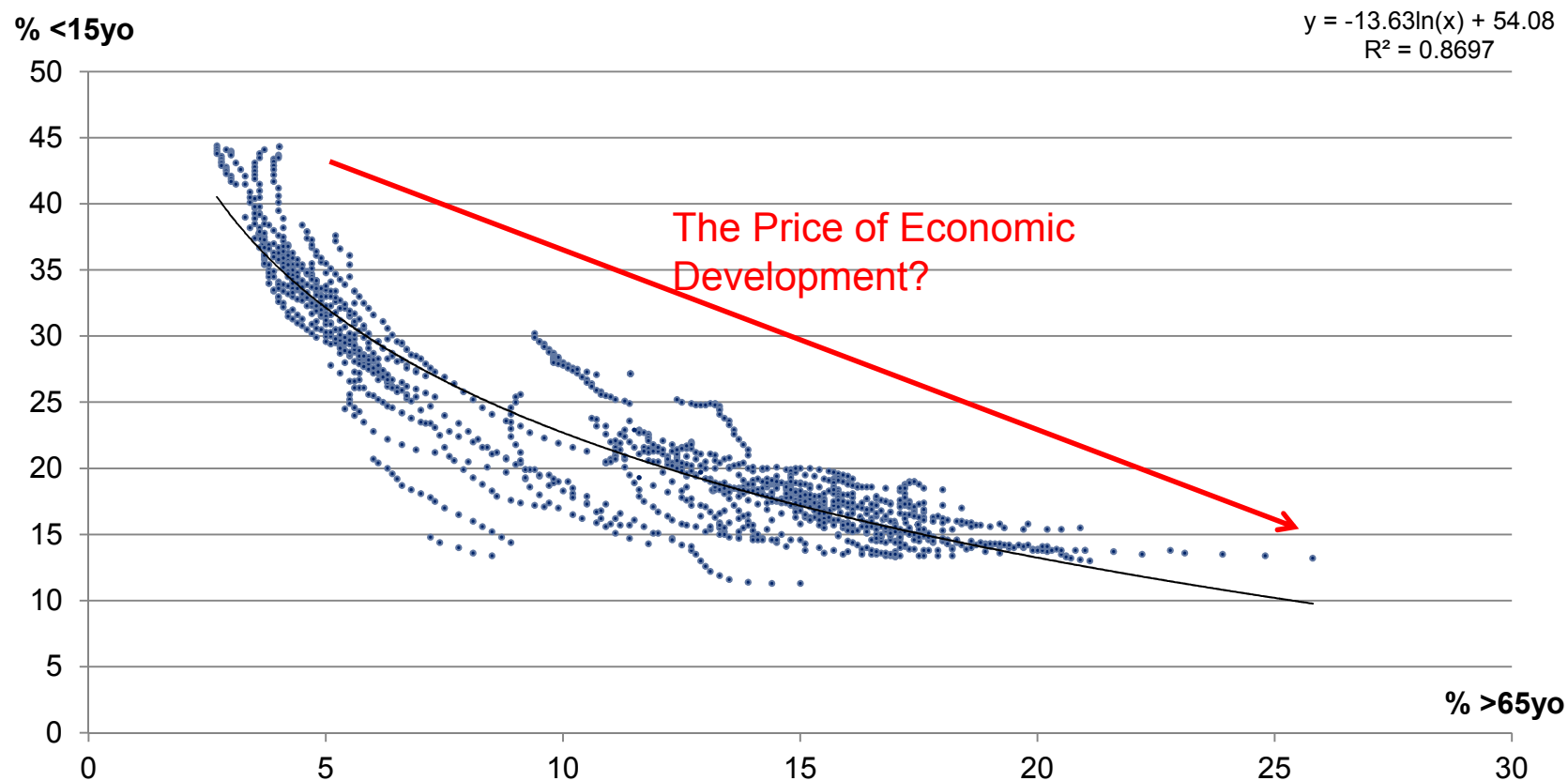
Scatterplot of <15yo and >65yo in Selected Countries (2014)



Source: CEIC, UN Census Bureau (Annual Data)

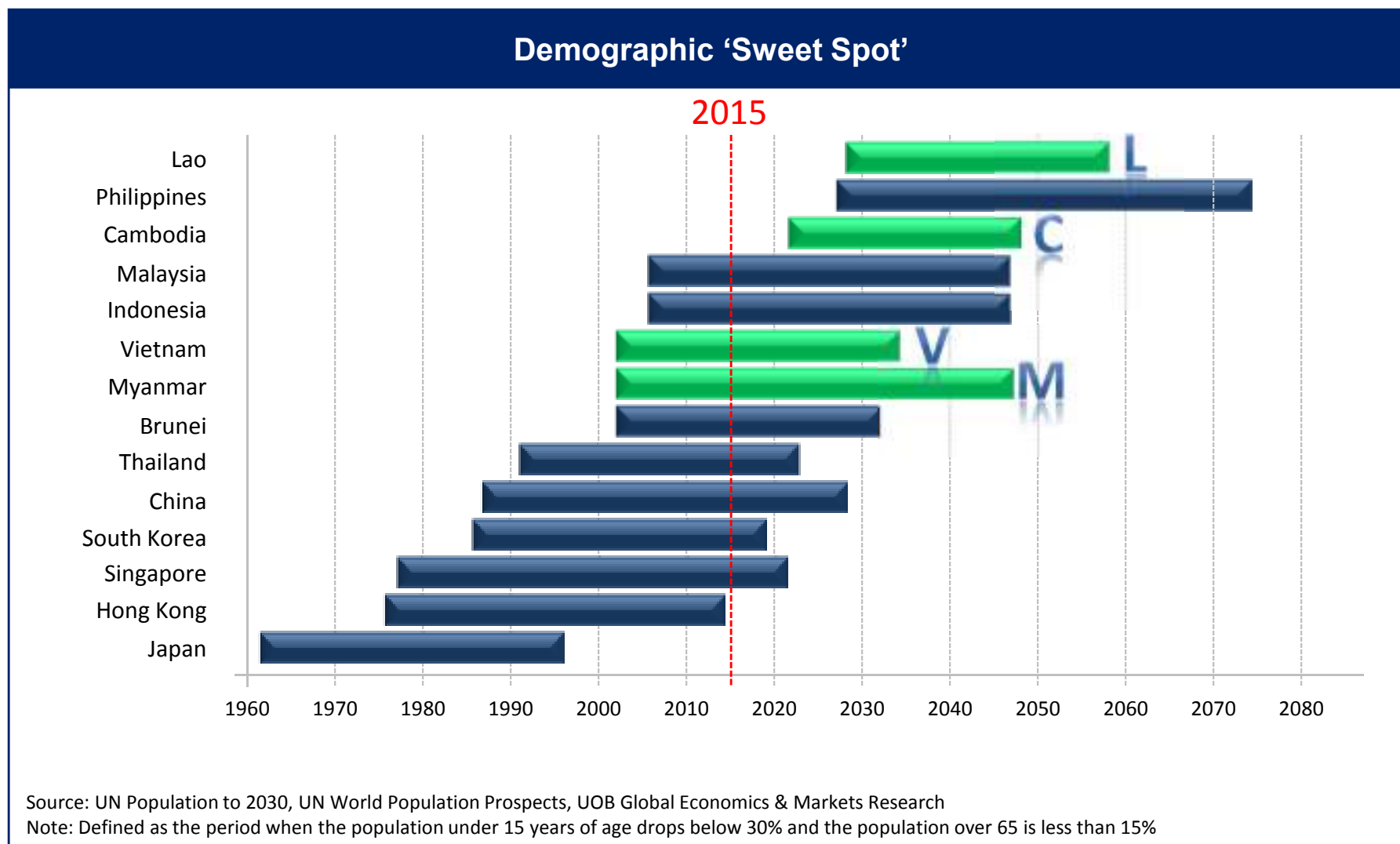
Economic Development = Higher Dependency Ratios?

Scatterplot of <15yo and >65yo For 65 Countries (1993-2014),



Source: CEIC, UN Census Bureau (Annual Data)

ASEAN Set To Benefit From Strong Demographic Profile

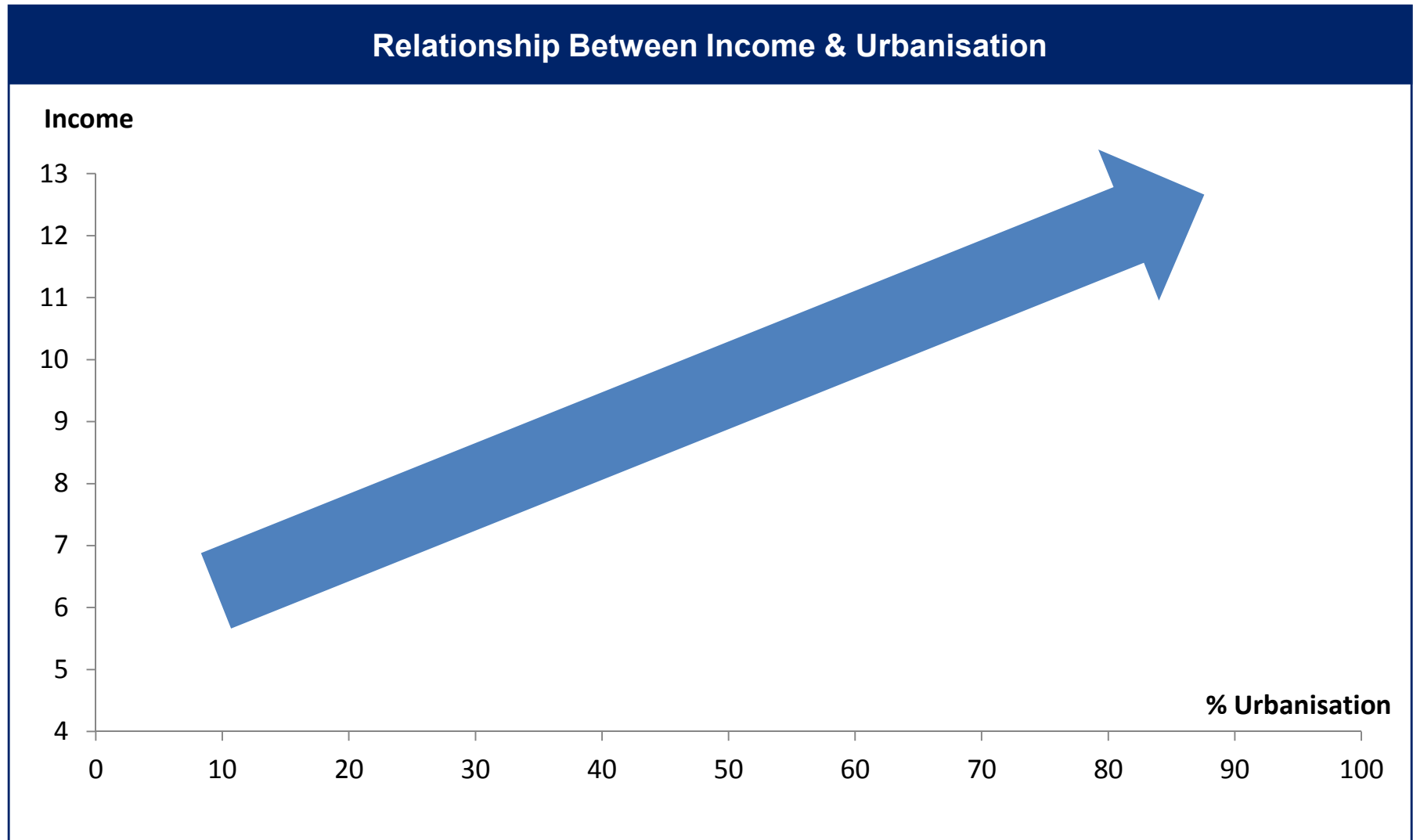




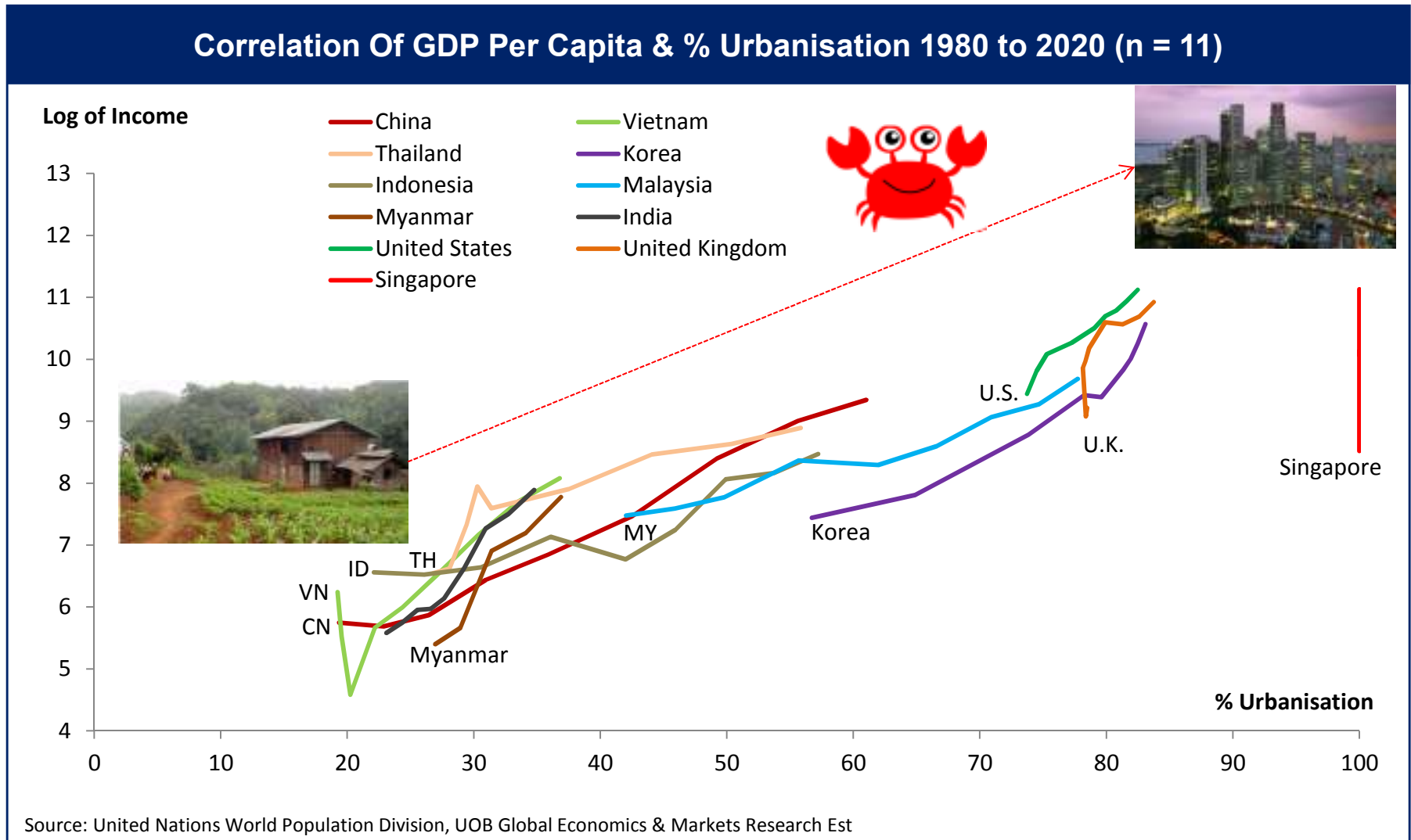
“Rural-Urban Migration”. So What?



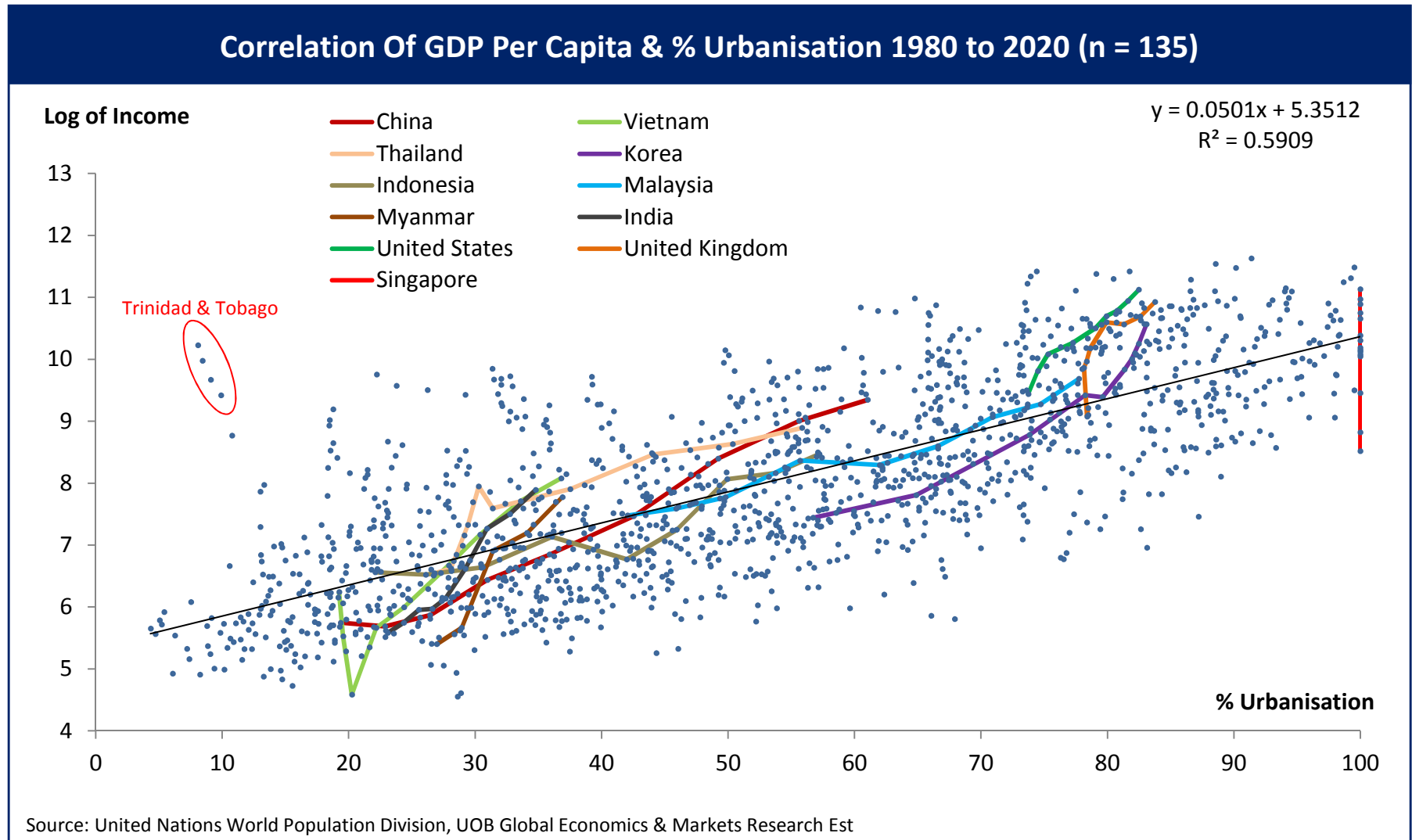
Quiz Time...



Urbanisation Is Positively Correlated With Rising Prosperity

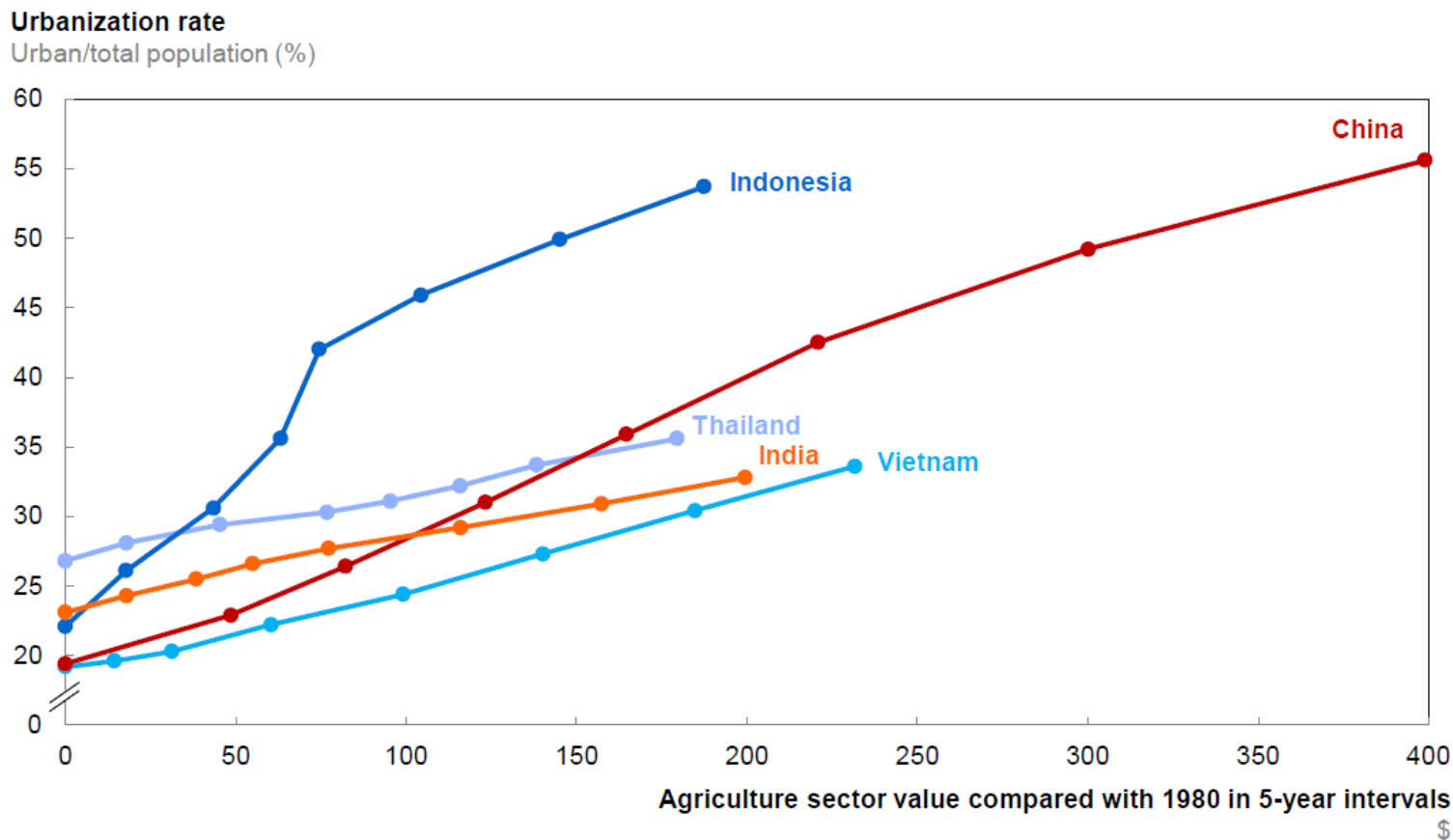


Urbanisation Is Positively Correlated With Rising Prosperity



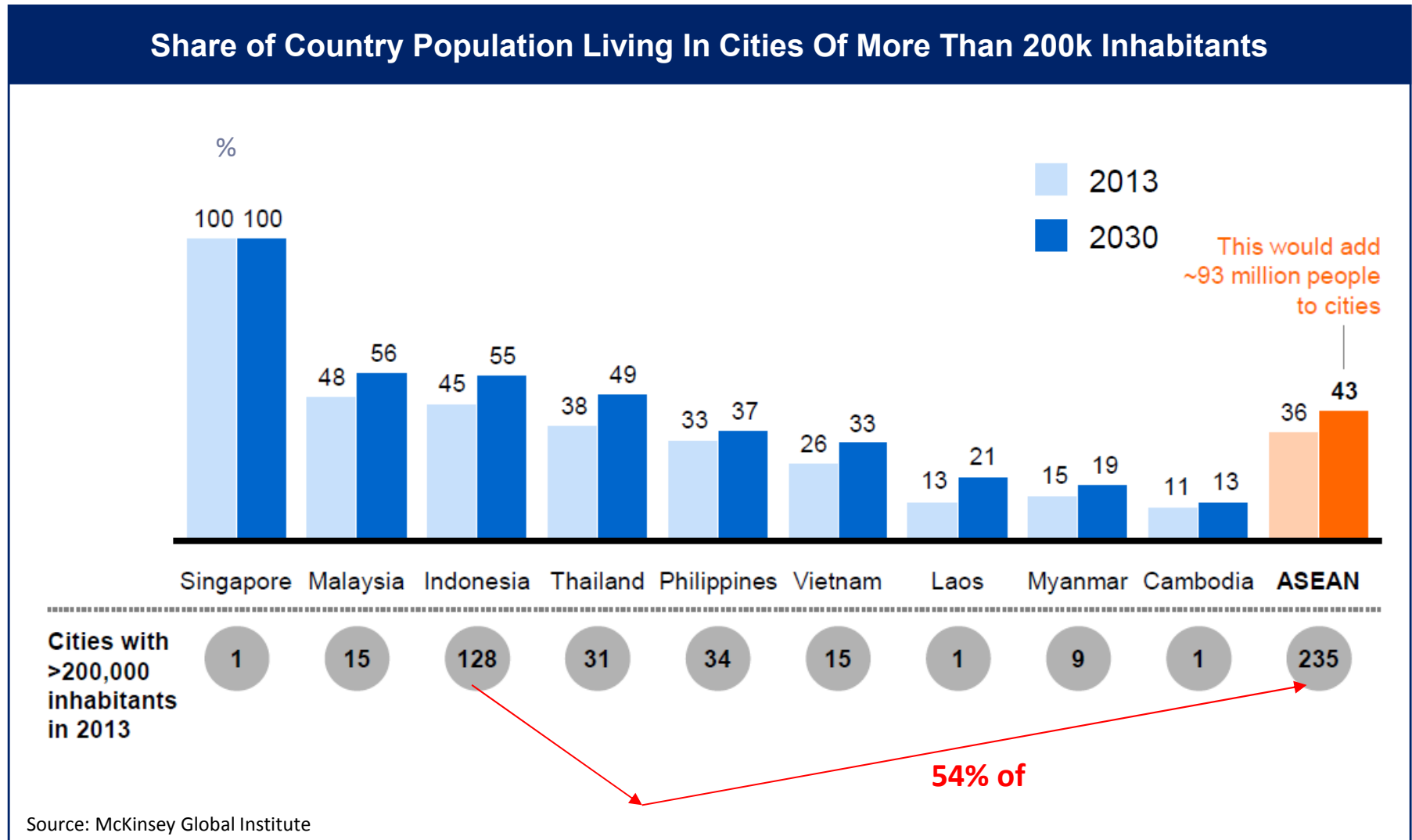
Increase Urbanisation → Increase Agricultural Value

Relationship Of Urbanisation & Agricultural Value

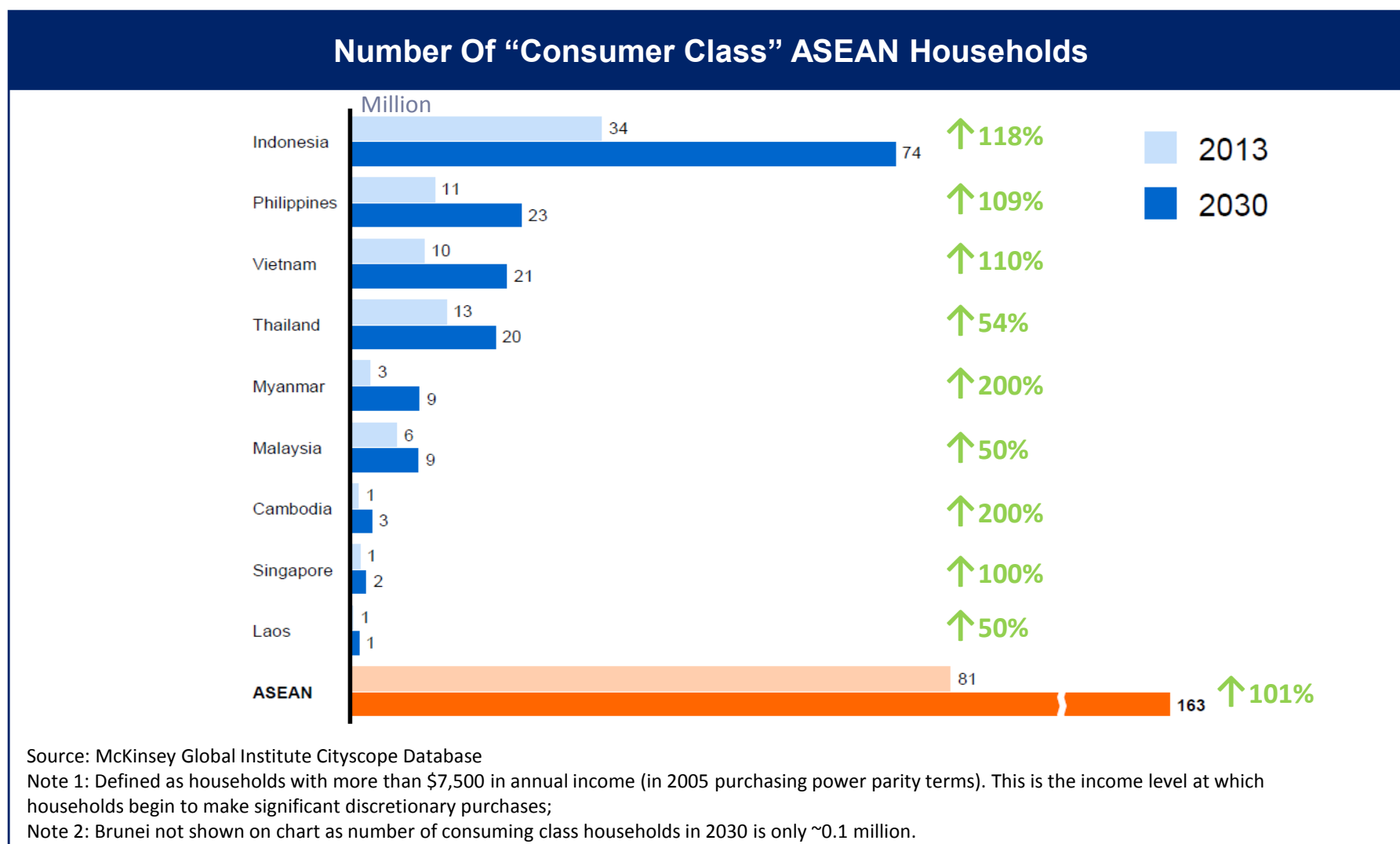


Source: IHS, World Population Prospects (UN), McKinsey Global Institute analysis
 NOTE: First data point per country, 1980; last data point per country, estimated for 2015.

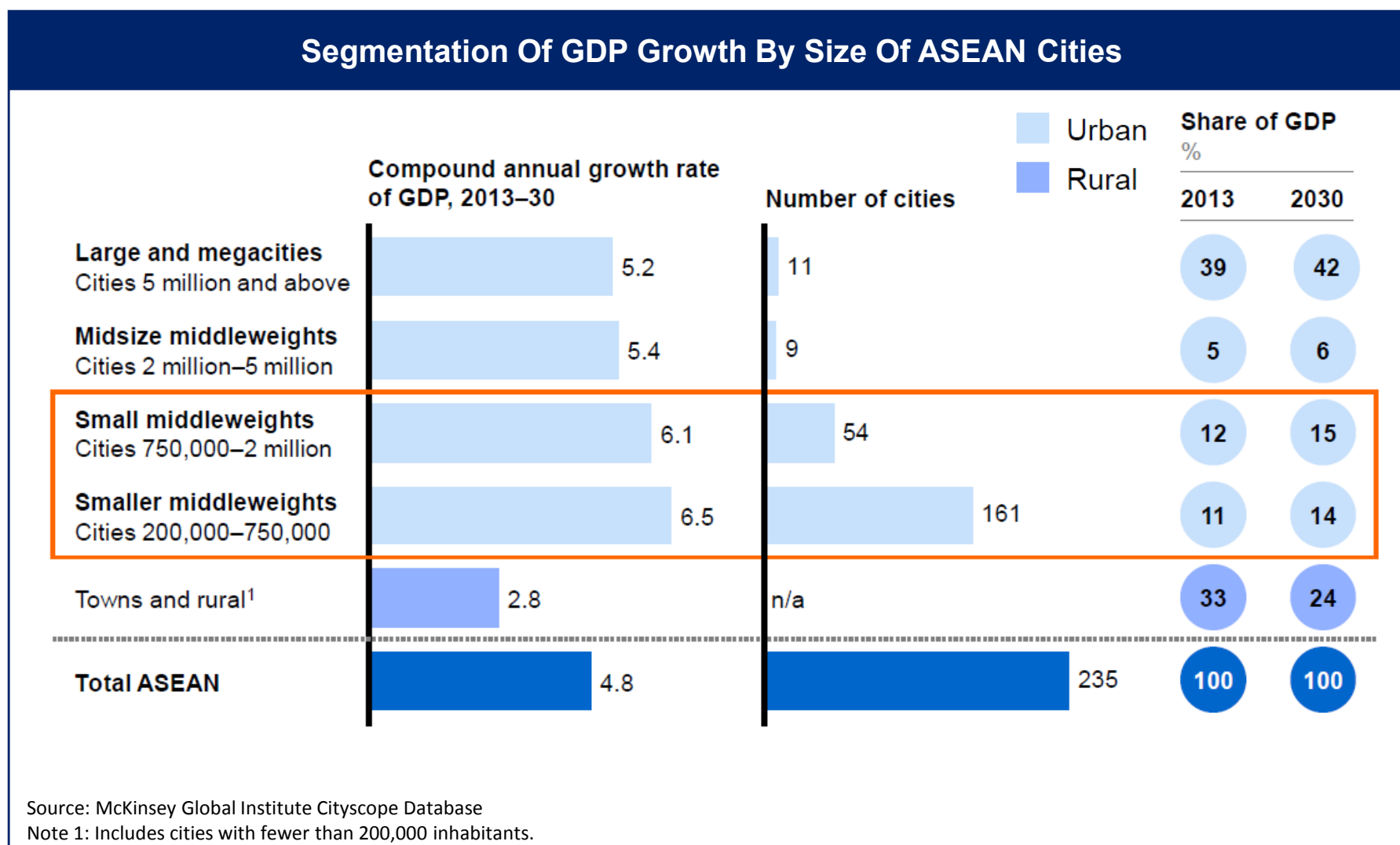
90 Million More People Moving Into ASEAN Cities



“Consumer Class” ASEAN Households To Double By 2030

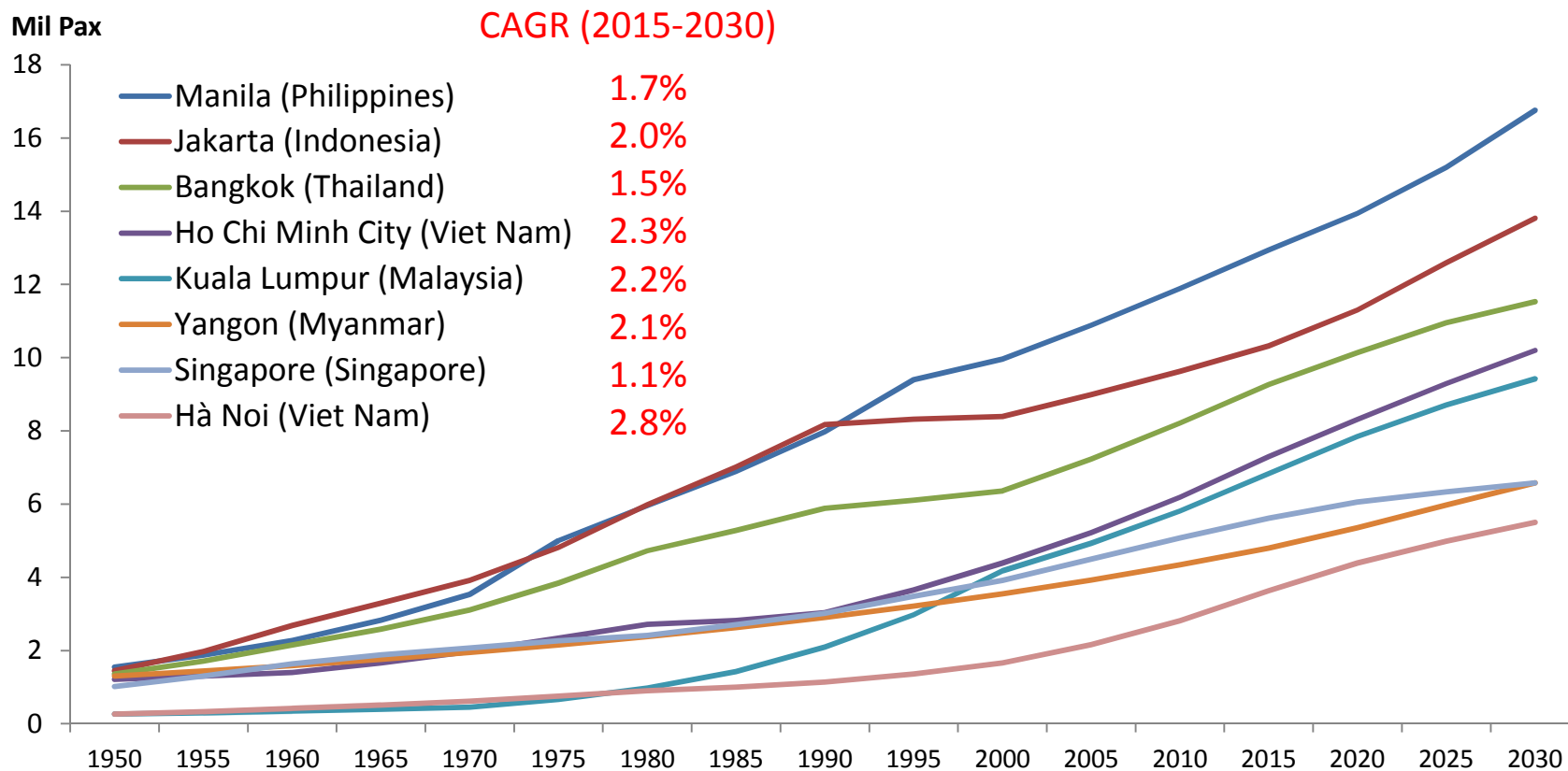


Largest Growth Opportunities In Mid-Sized Cities



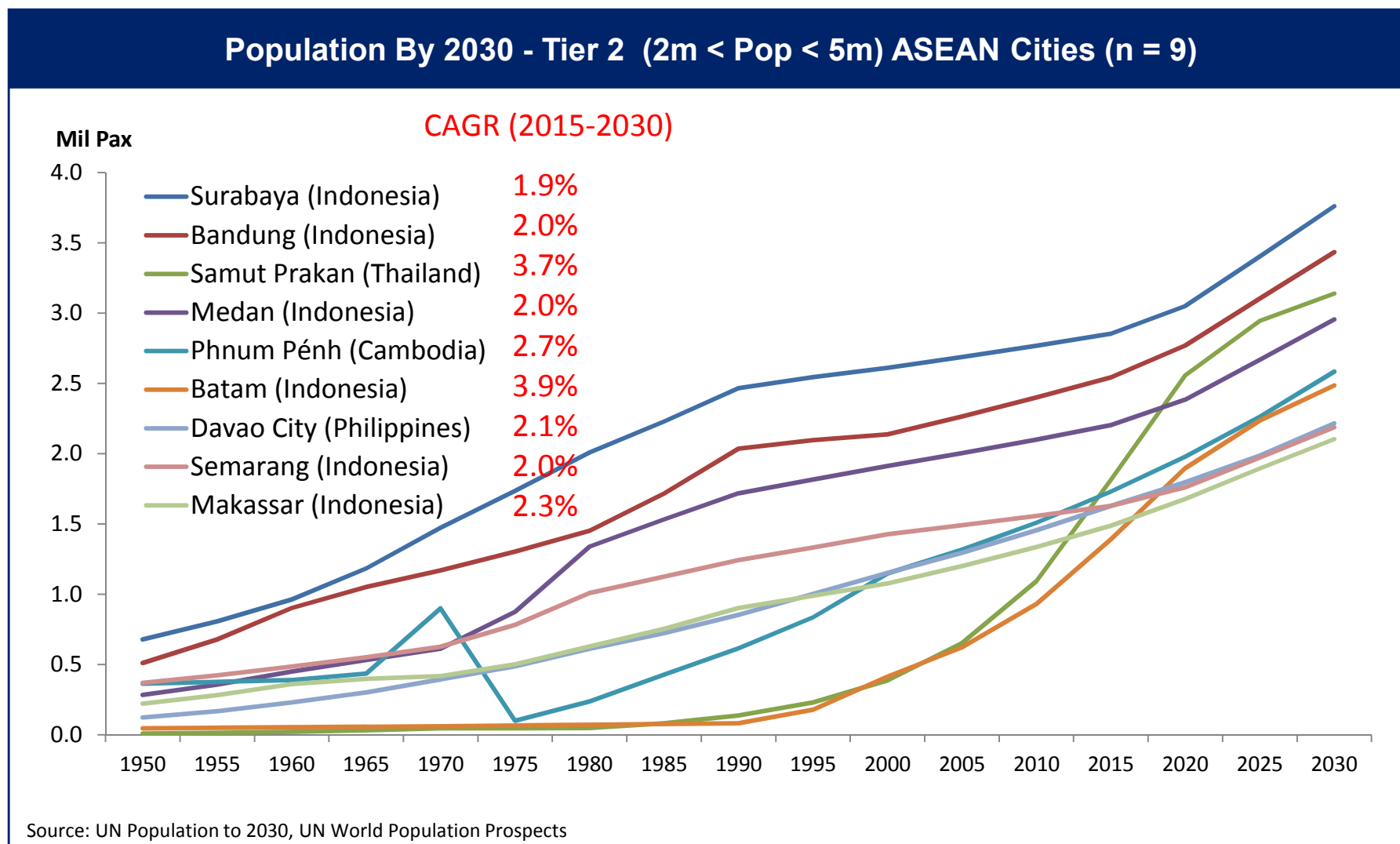
Largest ASEAN Cities By 2030

Population By 2030 - Tier 1 (Pop > 5m) ASEAN Cities (n = 8)



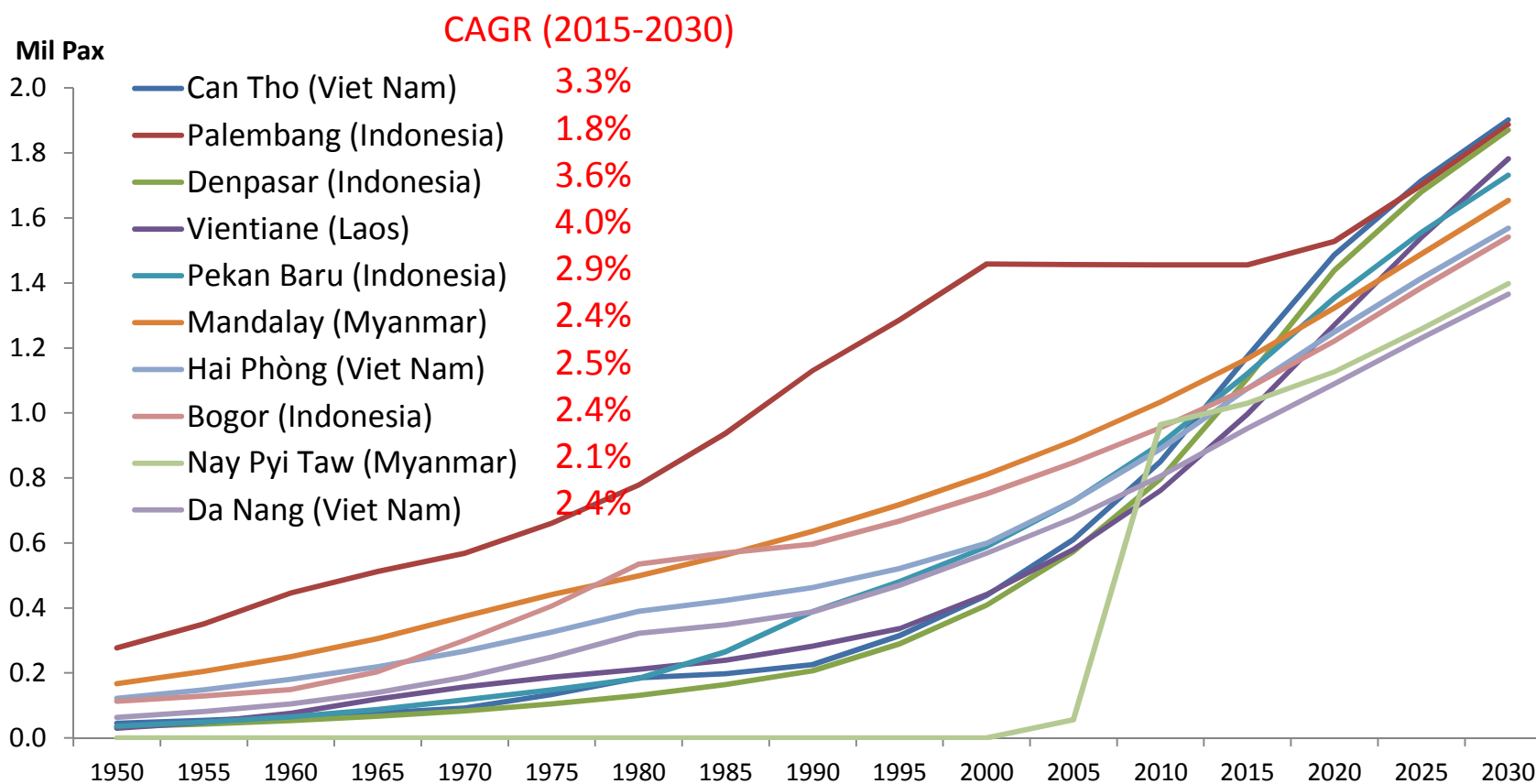
Source: UN Population to 2030, UN World Population Prospects

Tier 2 ASEAN Cities By 2030



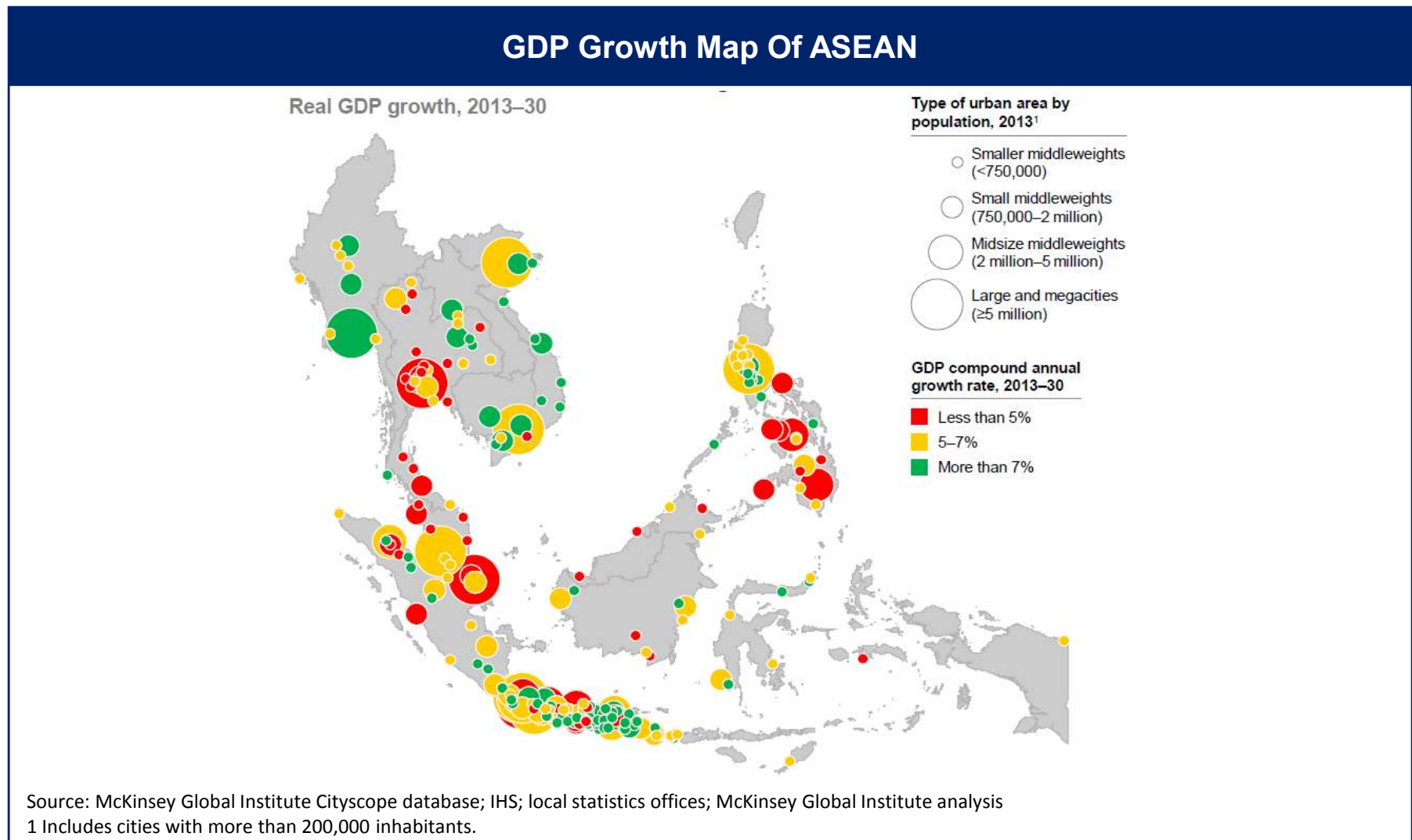
Tier 3 ASEAN Cities By 2030

Population By 2030 - Tier 3A (0.75m < Pop < 2m) ASEAN Cities (n = 10)



Source: UN Population to 2030, UN World Population Prospects

Key Cities In ASEAN That Will Drive Economic Growth





Younger = YES

Cheaper = MAYBE



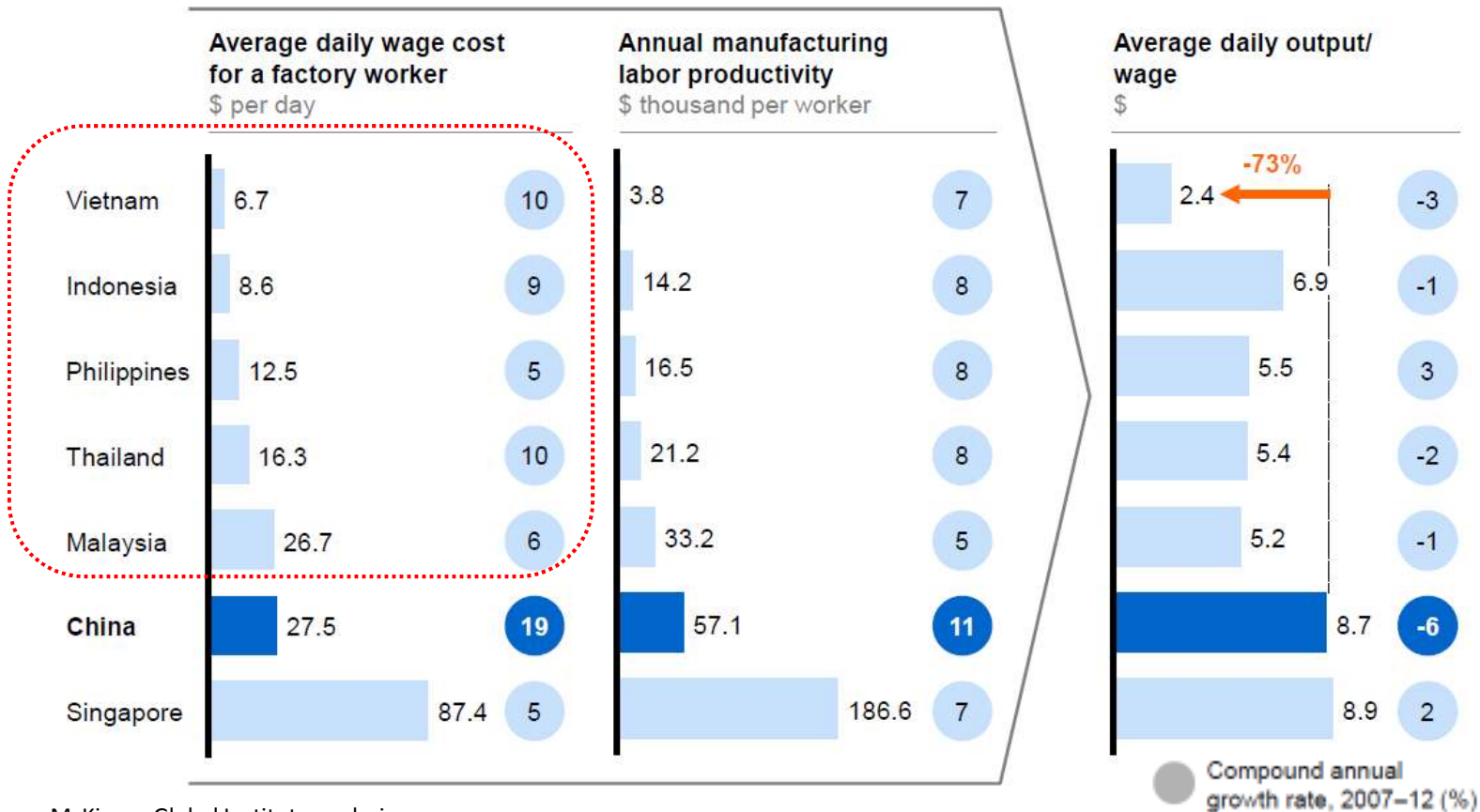
But...

“Better, Faster?”



Although Cheaper Than China, ASEAN Not As Productive

Average Daily Wage, Productivity, Output in 2012



Source: McKinsey Global Institute analysis

Note: Brunei, Cambodia, Laos, and Myanmar not included due to lack of available data. Analysis assumes Monday-Friday work and 4 weeks off work per year for all countries (combination of leave allowances and public holidays).

Infrastructure Challenges In ASEAN



**YOUR
opportunities!**

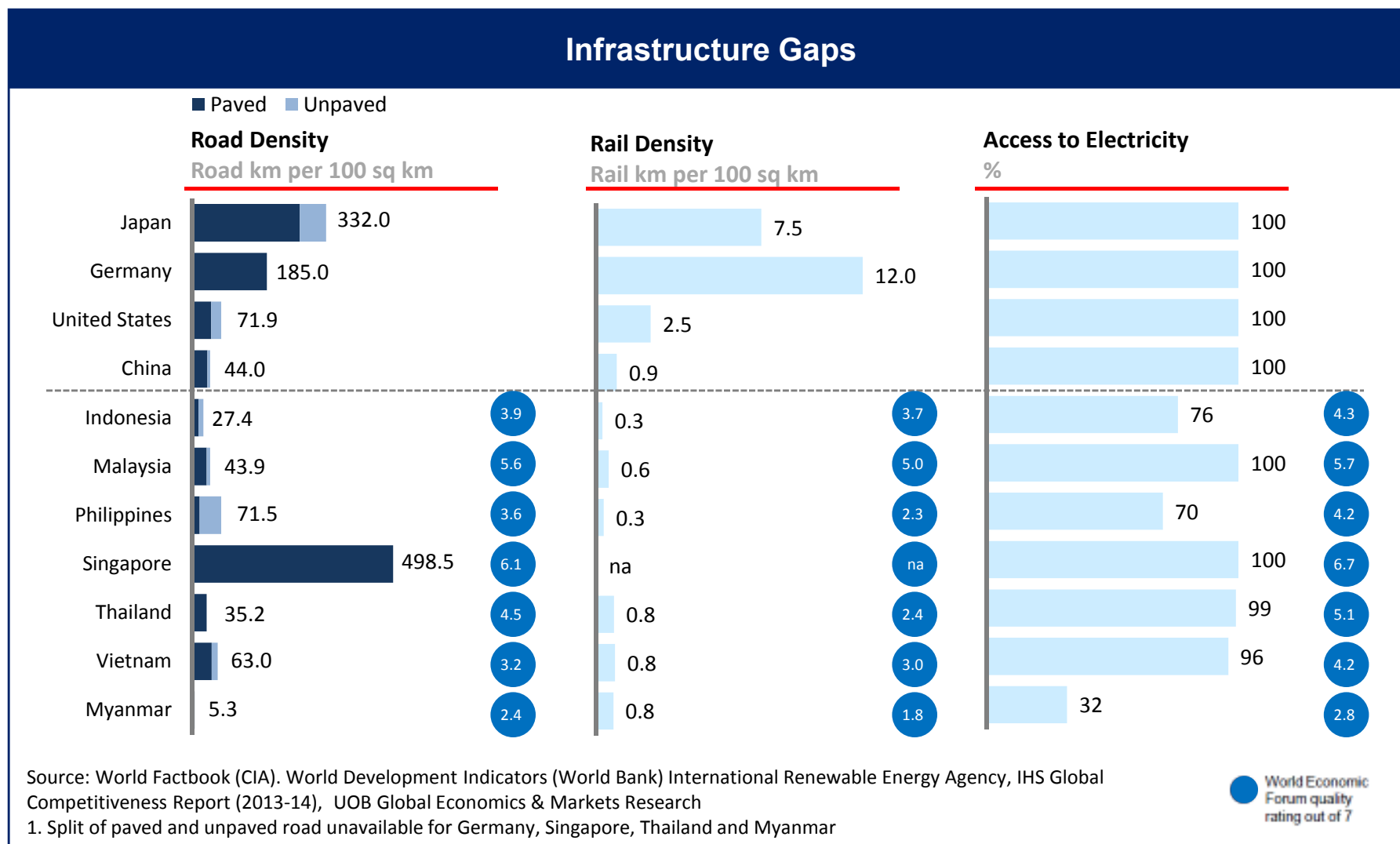


Asia Lags Behind OECD and Latin American Economies In Infrastructure Coverage

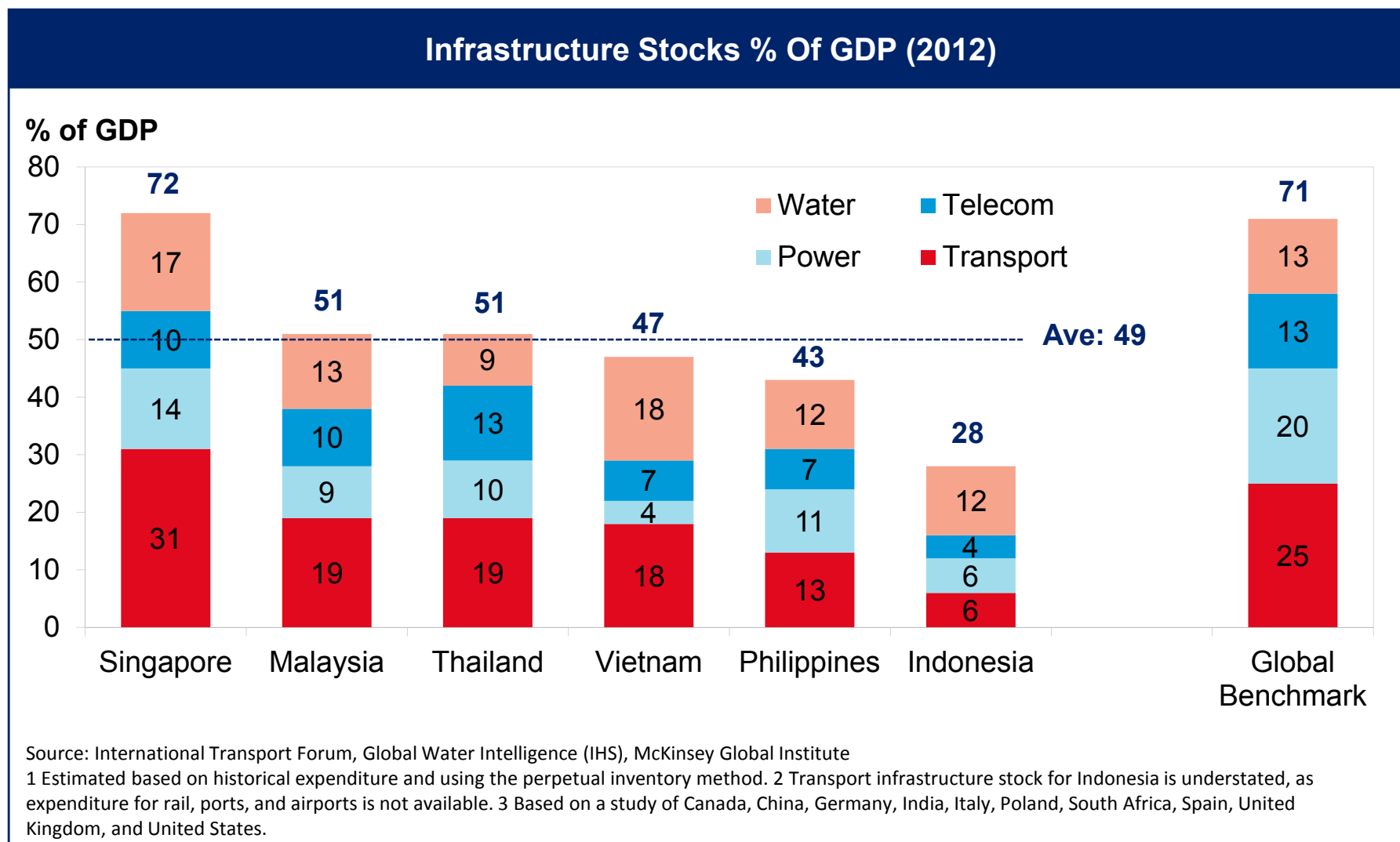
Country	Roads (km)	Rail (km)	Phone (number)	Electrification	Clean Water
	Per 1,000 people			Percentage	
ASEAN	10.5	0.27	3.5	71.7	86.4
Asia	211.7	5.21	13.9	99.8	99.6
Latin America	14.3	2.48	6.1	92.7	91.4
Africa	n.a.	0.95	1.4	28.5	58.4

Source: IE Singapore (IE Insights Vol.18)

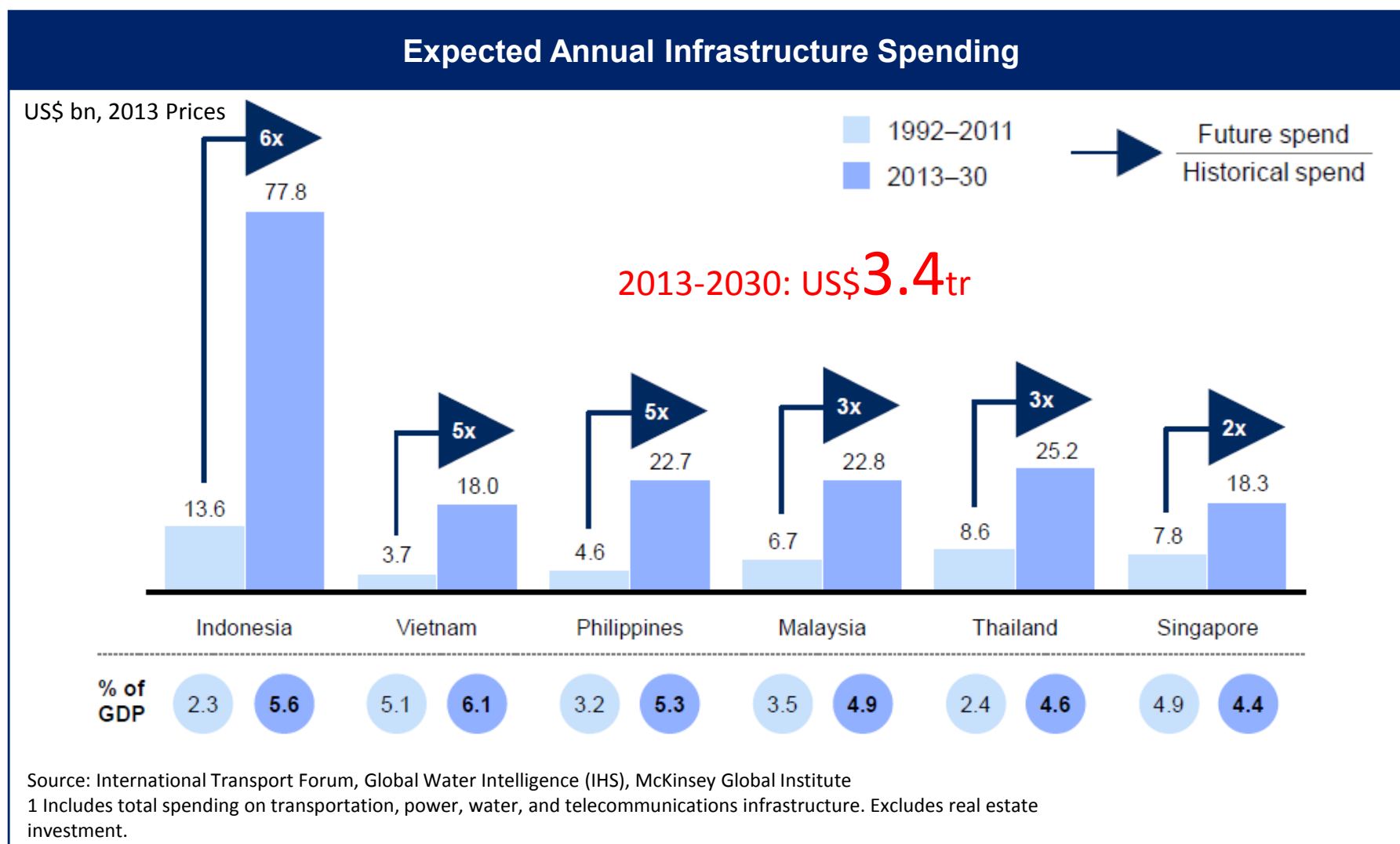
Gaps In Supply & Quality Of Infrastructure In ASEAN



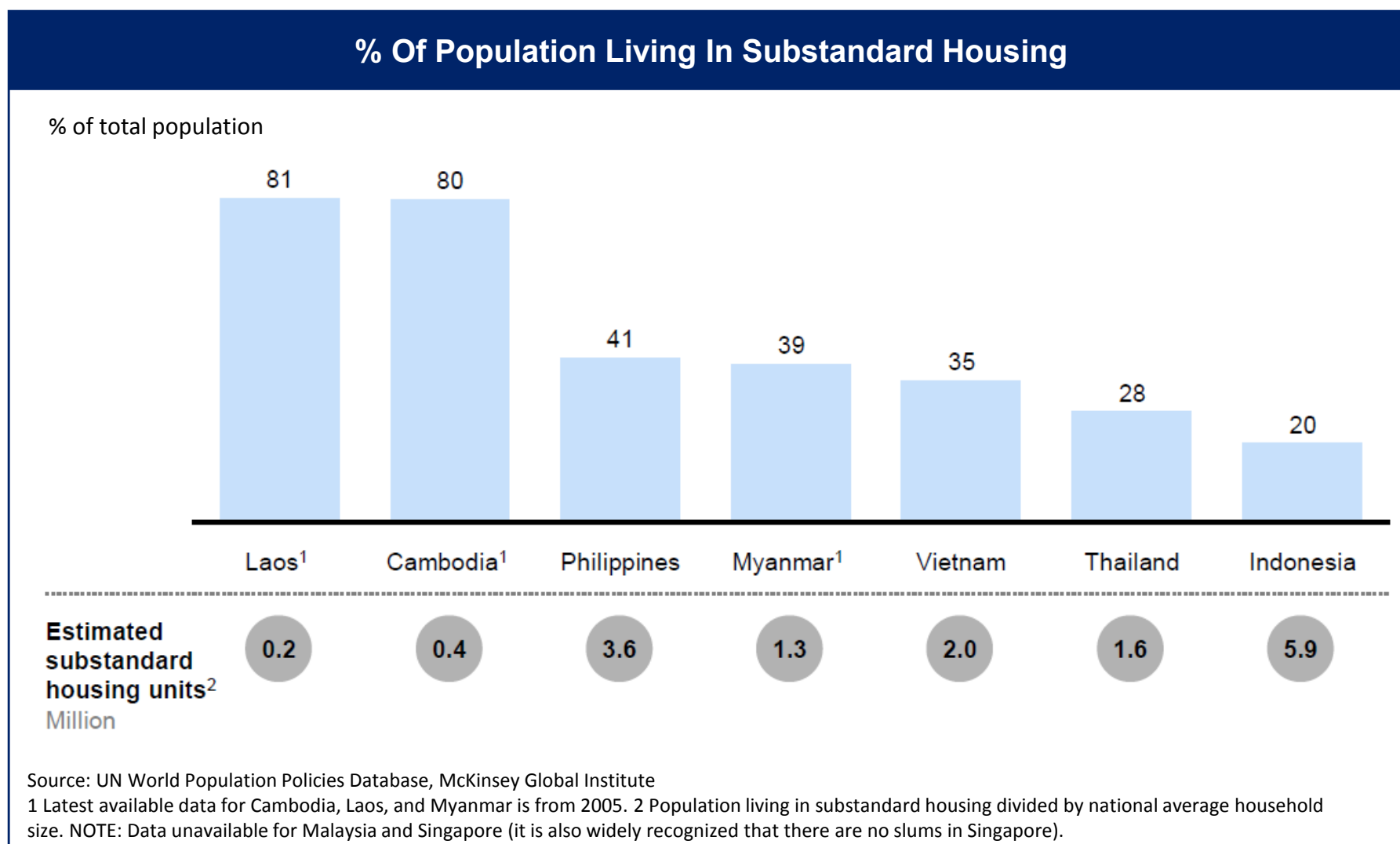
Most ASEAN Countries Inf. Stock Below Global Average



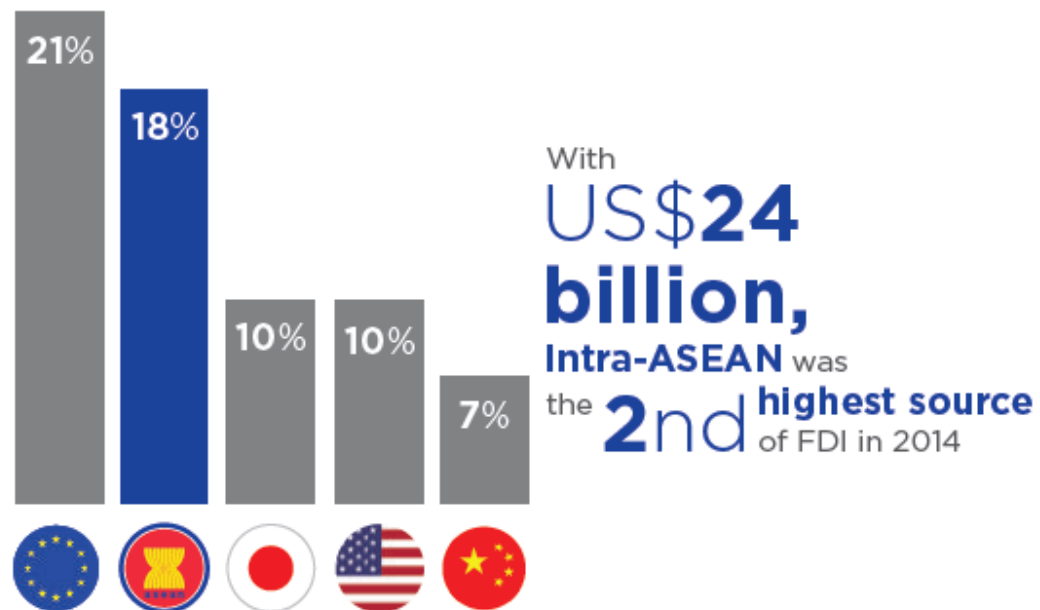
Infrastructure Spending To Increase Further



Many In ASEAN Living In Substandard Housing



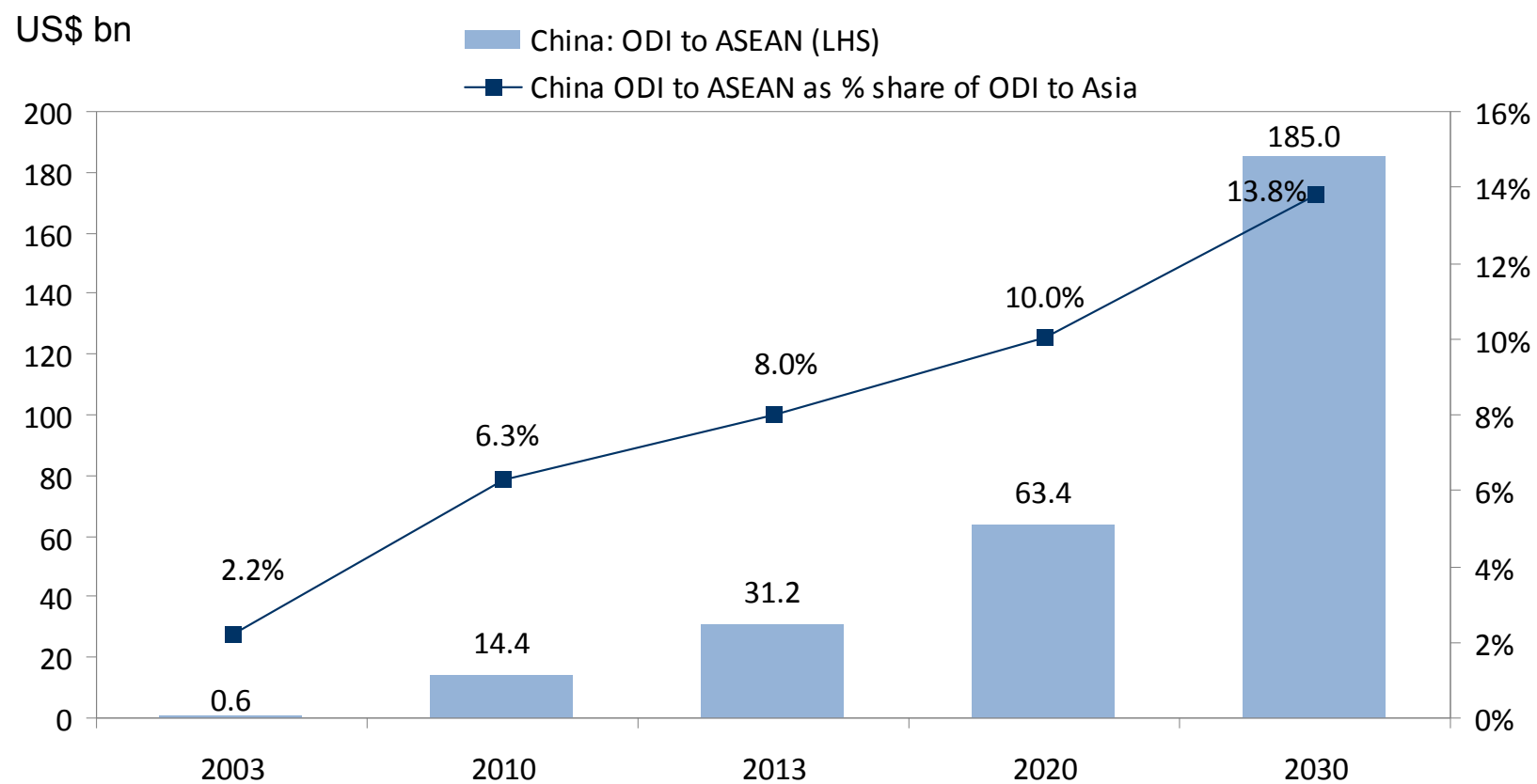
ASEAN FDI



Source: ASEAN Secretariat

More Chinese Investments Into ASEAN

China's Outward Direct Investment Into ASEAN 2003-2030



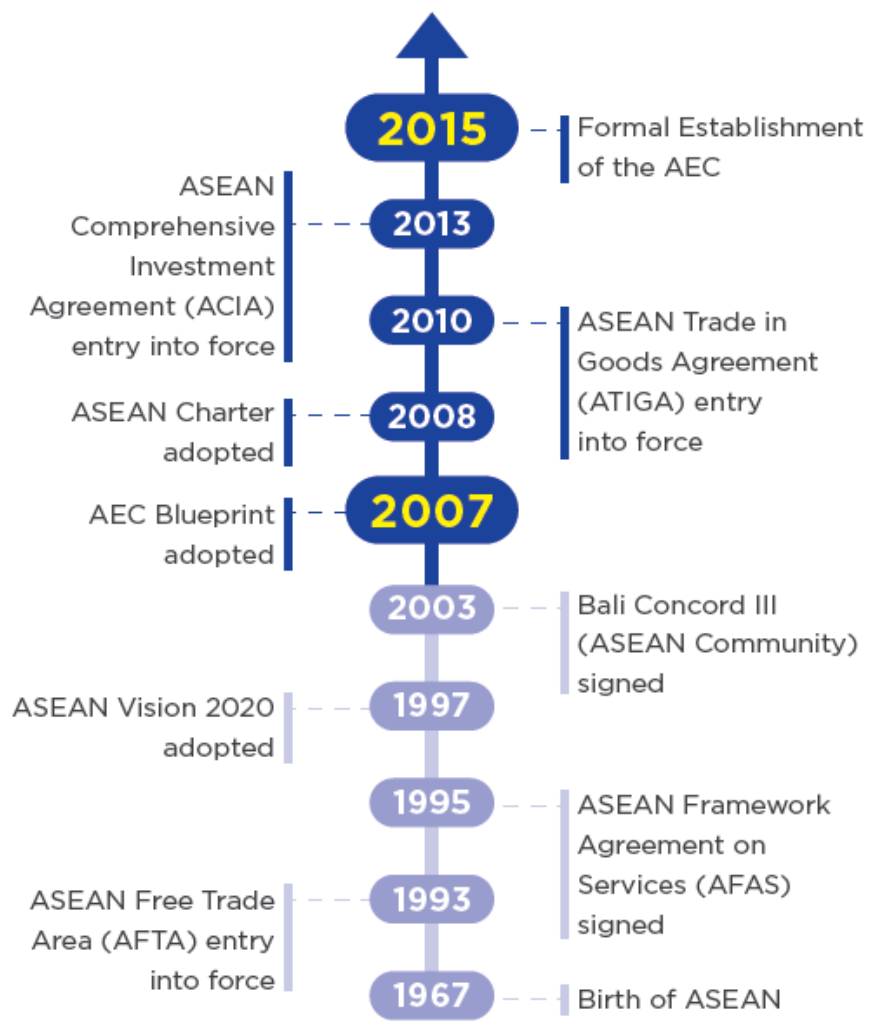
Source: CEIC, UOB Global Economics & Markets Research

Will AEC Bring More Trade Flows?



ASEAN Trade

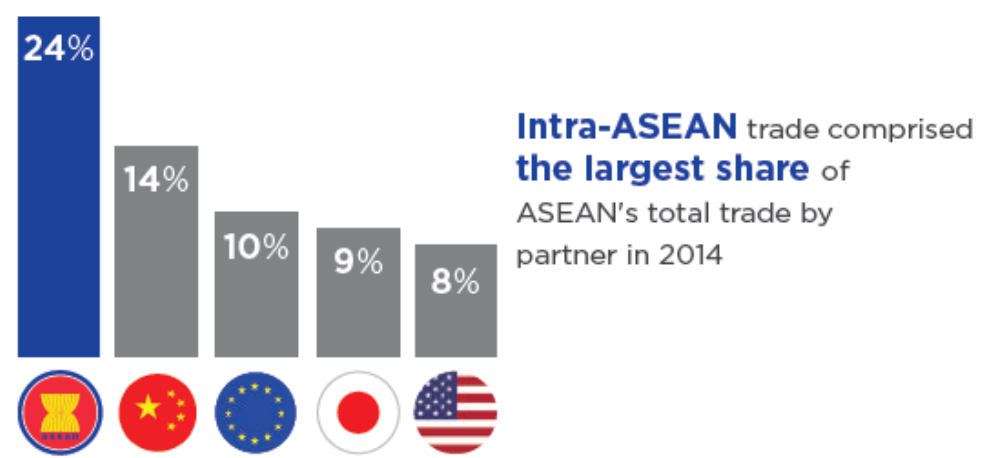
AEC 2025



Total ASEAN Trade



Major Trading Partners



42.5% Of ASEAN Merchandise Exports Go To ASEAN & China (including Hong Kong)

Share of Exports To Trade Partners, 2014 (%)

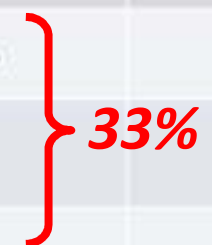
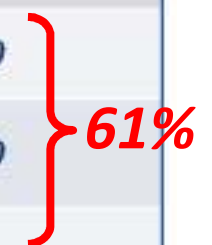
Exports	ASEAN	China + Hong Kong	India	Japan	South Korea	Australia	European Union	United Kingdom	United States	Canada
Brunei	14.0	0.8	6.5	42.3	17.2	8.2	0.1	0.1	0.2	0.1
Cambodia	13.6	4.6	0.1	5.7	0.0	0.8	32.8	8.5	28.3	0.0
Indonesia	11.2	16.2	7.2	13.7	6.3	3.0	8.8	0.8	9.4	0.7
Laos	57.5	27.4	0.0	2.8	0.3	1.5	8.8	2.1	0.9	0.3
Malaysia	25.1	23.5	3.0	9.8	3.7	3.3	7.8	1.6	9.2	0.8
Myanmar	42.4	26.1	12.6	6.9	4.5	0.2	2.4	0.7	0.3	0.1
Philippines	14.8	32.4	0.6	12.6	5.1	1.1	8.9	0.7	13.2	1.7
Singapore	29.4	23.6	2.7	2.8	4.0	5.3	8.3	0.9	6.9	0.5
Thailand	23.6	20.0	2.3	9.2	2.2	5.0	9.2	1.5	11.3	1.2
Vietnam	13.6	15.2	2.0	9.8	5.0	2.8	19.5	2.8	18.0	1.6

Source: IMF

Opportunities in Asia – Trade to be Increasingly Intra-Regional

ASEAN Total Merchandise Exports By Destination (% of Total)

Country	2000	2011	2020F
<i>ASIA, of which</i>	52.3	65.5	80.0
- ASEAN 东盟	22.8	25.0	30.0
- China+TW+HK	8.8	20.8	25.0
- India	1.6	3.6	6.0
- Japan	13.6	10.1	8.0
EU 27	14.9	10.0	8.2
North America	20.1	9.9	8.5
Middle East	1.9	2.7	3.5

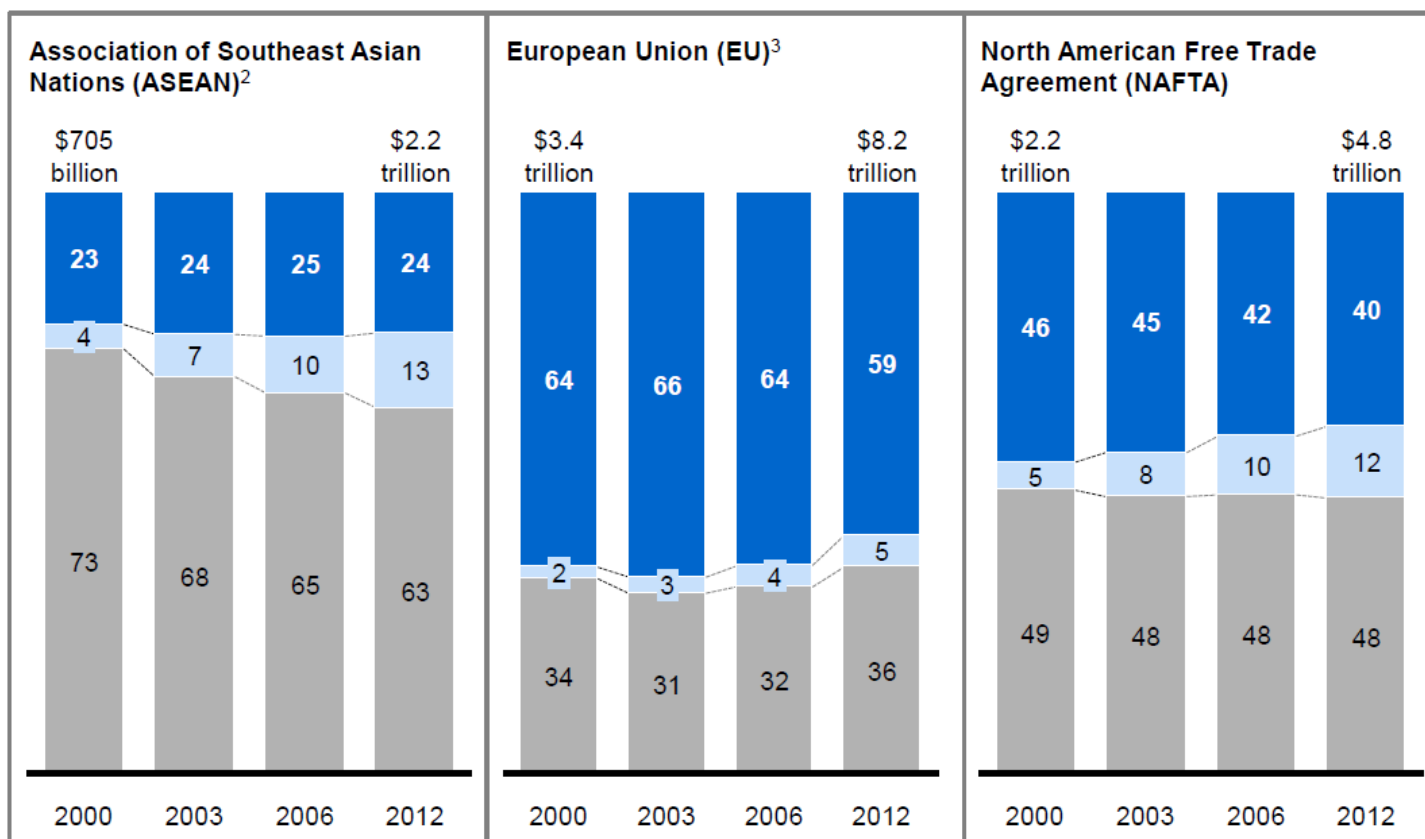

33%

61%

Source: <http://www.asean.org/resources/2012-02-10-08-47-55/asean-statistics>; IMF, ASEAN investment report 2011, UOB Global Economics & Markets Research estimates and forecasts

Lots More Room For Intra-Regional Trade In ASEAN After AEC

Intra- & Extra- Regional Trade Across Trading Blocs

Share of Total Goods Trade, %



Source: Comtrade; McKinsey Global Institute analysis

■ Intra-regional ■ Trade with China ■ Extra-regional (excluding China)

AEC's Aspirations Will Be Different From Other Blocs

Comparing AEC & Other Economic Cooperation Agreements

- Already realized (or significant progress toward realization)
- Targeting but not sufficient realization
- Not targeting (to any meaningful extent)



AEC



Eurozone



NAFTA

	AEC	Eurozone	NAFTA
Elimination of tariffs			
Elimination of non-tariff barriers			
Common tariffs with other countries			
Liberalization of service trade			
Mutual recognition of standards			
Trade facilitation			
Liberalization of foreign investment			
Free movement of people			
Intellectual property			
Government procurement			
Competition policy			
Common currency			

Source: McKinsey Global Institute analysis

ASEAN's Landscape Dominated By MNCs & National Champions, But Few Regional Champions

Analysis by retail value & geography, 2013

	MNCs	Regional Champion	National Champion	No. of Companies
	Global company with ASEAN footprint	ASEAN company with significant ¹ multi-cty footprint	Strong presence in a single ASEAN cty	Total
Packaged Food & Beverages	40 <ul style="list-style-type: none"> Nestle Artisanal Royal FrieslandCampina Unilever Group Groupe Danone 	15 <ul style="list-style-type: none"> JG Summit Hldgs San Miguel CP Group 	96 <ul style="list-style-type: none"> Indofood Sukses Makmur (ID) Vietnam Dairy Pdts (VN) Monde Nissin (PH) Masan Group (VN) Mayora Indah (ID) 	441
Beauty & Personal Care	25 <ul style="list-style-type: none"> Unilever Group Procter & Gamble L'Oreal Groupe Colgate-Palmolive Johnson & Johnson 	1 <ul style="list-style-type: none"> Mandom 	15 <ul style="list-style-type: none"> Better Way (TH) Giffarine Group of Cos (TH) SSUP Group (TH) Splash (PH) Kino Sentra Industrindo (ID) 	177
Apparel & Footwear	27 <ul style="list-style-type: none"> Adidas Group Inditex Industria de Diseno Textil Nike Bata Ltd Wacoal Hldgs 	1 <ul style="list-style-type: none"> Sing Tsu Fang 	13 <ul style="list-style-type: none"> Suyen (PH) Golden ABC (PH) Padini Hldgs Berhad (MA) Jaspal (TH) Saha Pathana Inter-Hldg (TH) 	142

1: "Significant defined as > 10% of company's retail value

2: Includes small companies with <\$50m retail value (excl'd from MNCs/Regional/National champion analysis)

3: Examples from packaged food & hot drink categories; excl soft drink & alcoholic beverage categories

Source: Euromonitor, McKinsey

ASEAN: Dominated By MNCs/National Champions, Few Regional Champions (contd')

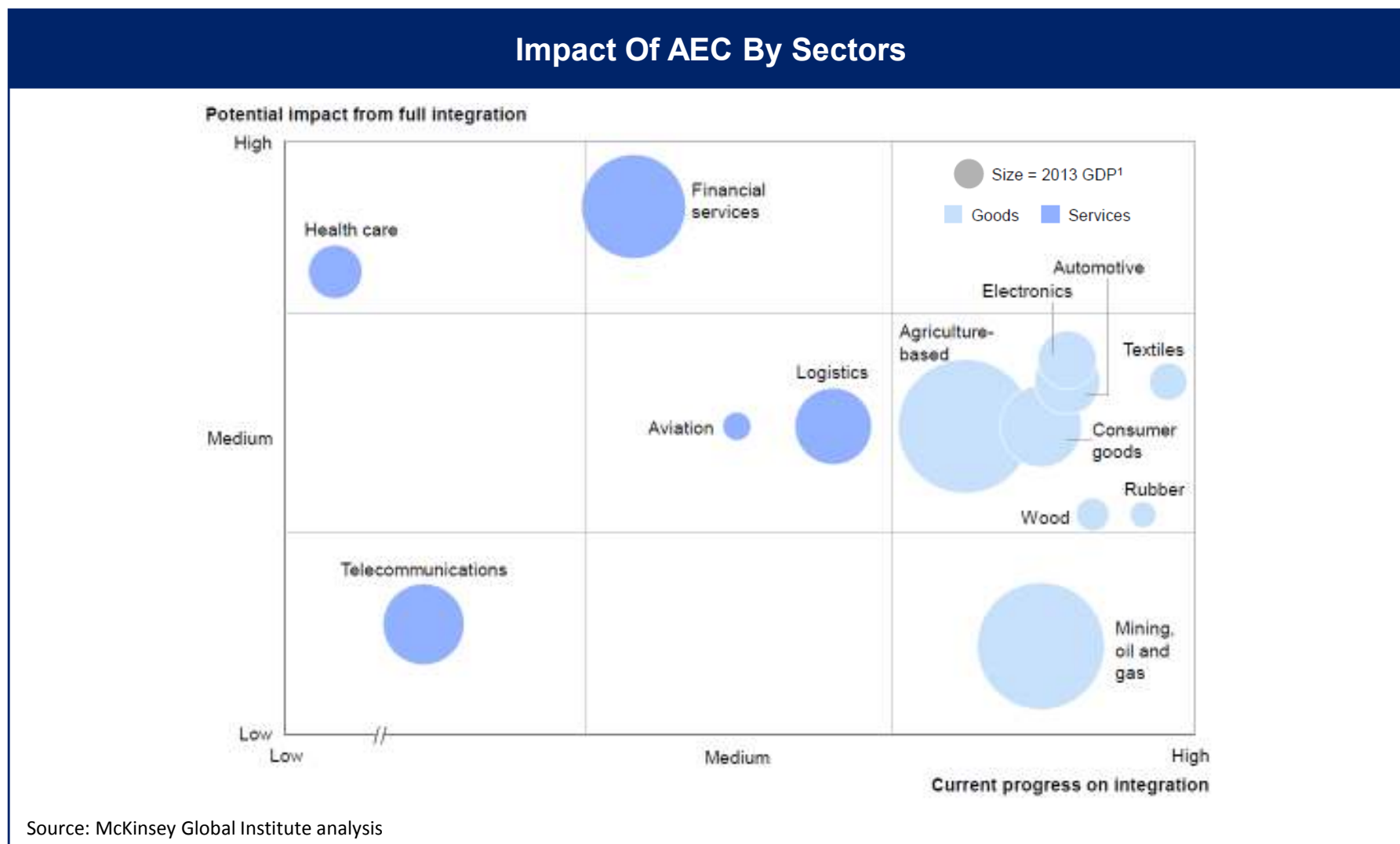
Analysis by retail value & geography, 2013

	MNCs	Regional Champion	National Champion	
	Global company with ASEAN footprint	ASEAN company with significant multi-cty footprint	Strong presence in a single ASEAN cty	Total
Consumer Electronics	35 <ul style="list-style-type: none"> • Samsung • Nokia • LG • Apple • Sony 	1 <ul style="list-style-type: none"> • Creative Technology 	18 <ul style="list-style-type: none"> • Metrotech Jaya Komunika (ID) • Cosmic Technologies (PH) • Hartono Istana Teknologi (ID) • Solid Group (PH) • Samart (TH) 	89
Consumer Healthcare	27 <ul style="list-style-type: none"> • Amyway • Herbalife • GlaxoSmithKline • Nu Skin Enterprises 	3 <ul style="list-style-type: none"> • United Laboratories • Citra Nusa Insan Cemerlang 	15 <ul style="list-style-type: none"> • Kalbe Farma (ID) • Temp Scan Pacific (ID) • Sido Muncul (ID) • Konimex Pharmaceutical Labs (ID) • Scotch Industrial (TH) 	298

Source: Euromonitor; McKinsey Global Institute analysis

1 "Significant" defined as >10 percent of company's retail value. 2 Includes small companies with <\$50 million retail value (excluded from multinationals/regional champion/national champion analysis). 3 Examples drawn from packaged food and hot drink categories; excludes soft drink and alcoholic beverage categories.

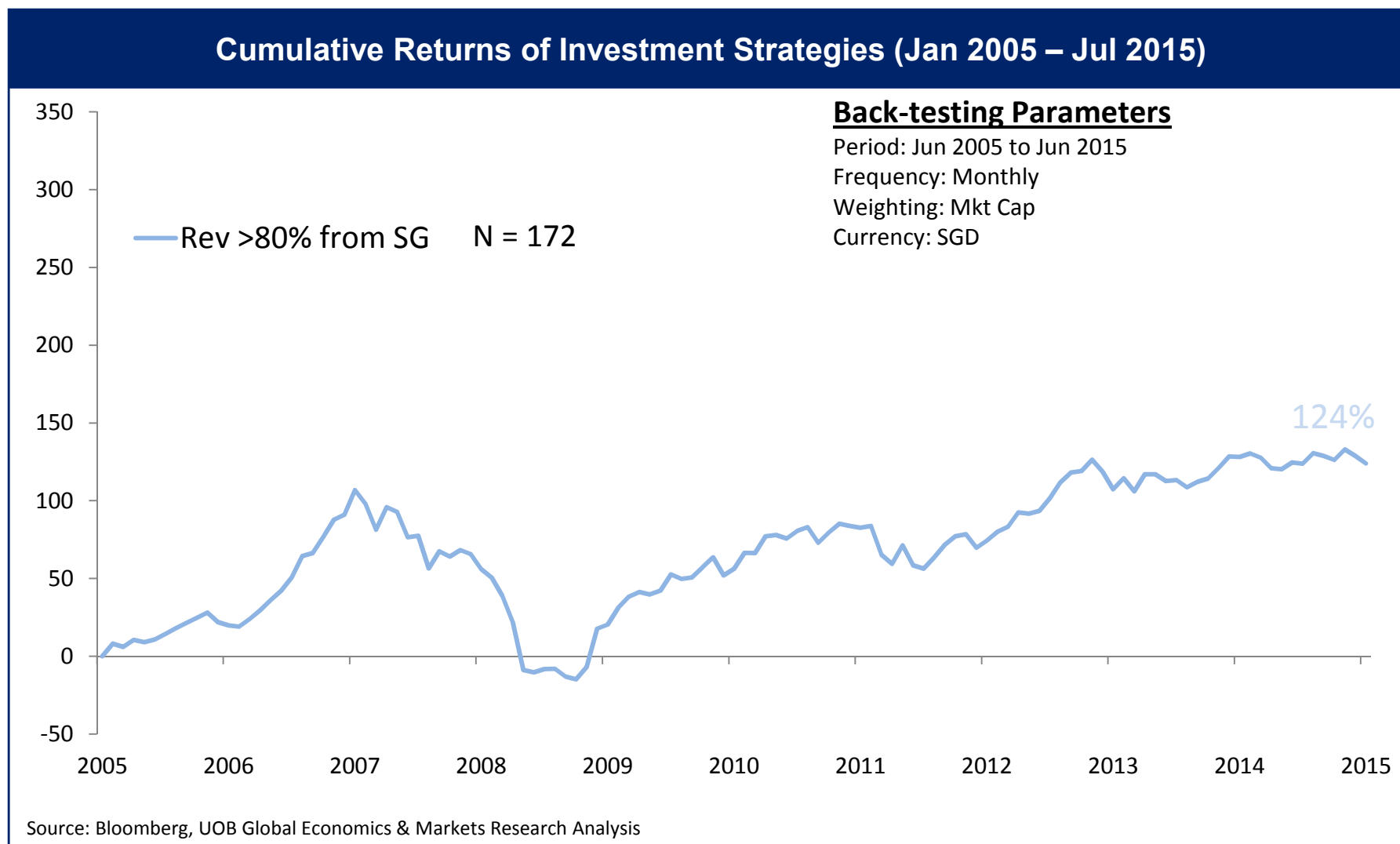
Impact of AEC Will Vary Across Sectors



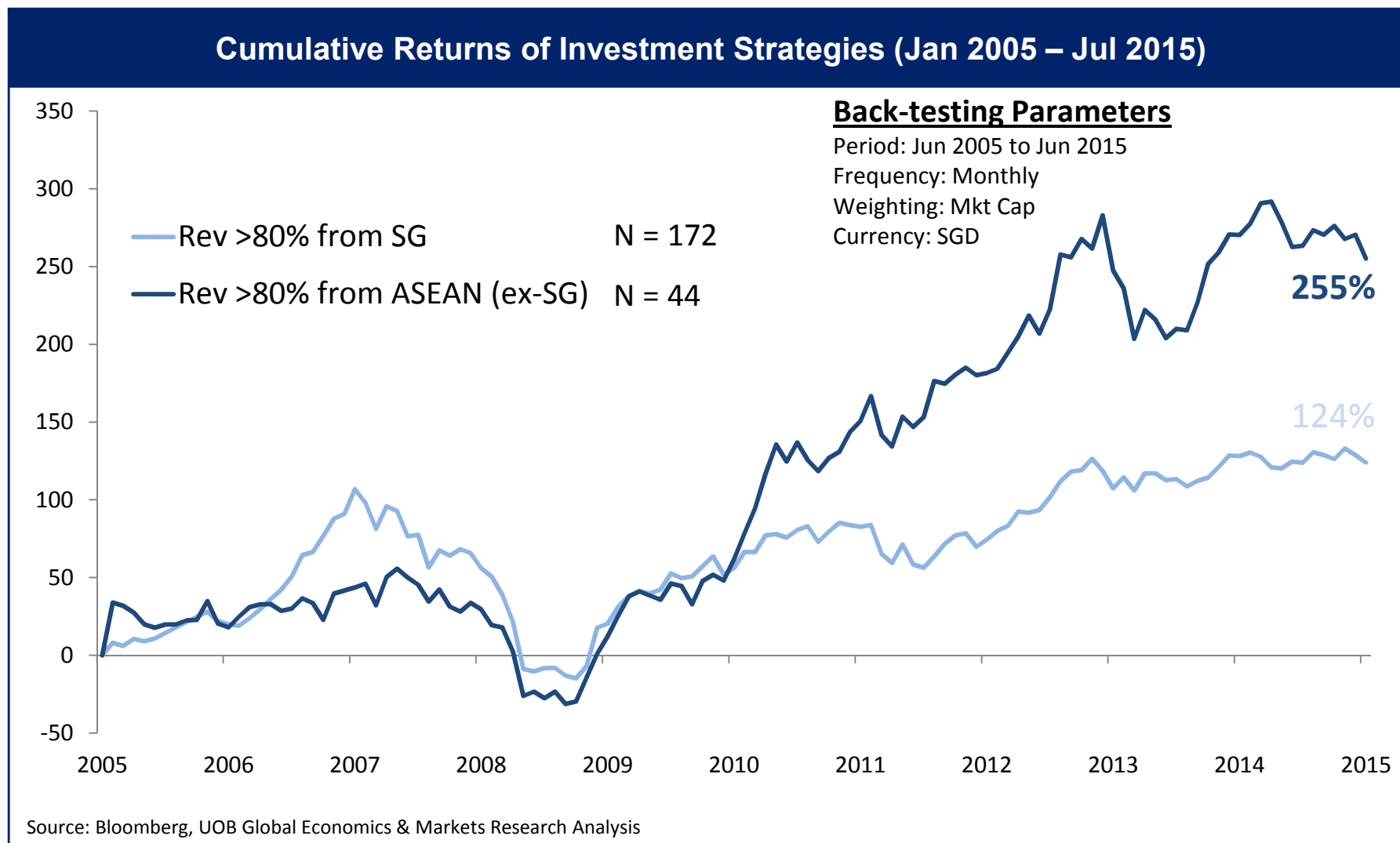
*How Attractive Is It To Have An
ASEAN Strategy?*



SG-Strategy Generated 124% Total Returns



Twice The Returns For ASEAN-Strategy



Summary Statistics On Both Investment Themes

N = 172

N = 44

	Rev > 80% from SG	Rev > 80% from ASEAN (ex-SG)
Return Statistics		
Total Return (%)	123.87	255.18
Mean Return (%)	9.44	17.08
Min. Return (%)	-8.07	-8.46
Max. Return (%)	5.51	8.45
Risk Statistics		
Std. Deviation	11.75	21.09
Semi Variance	10.83	17.83
Skewness	-0.59	0.24
Risk/Return Statistics		
Sharpe Ratio	0.51	0.53

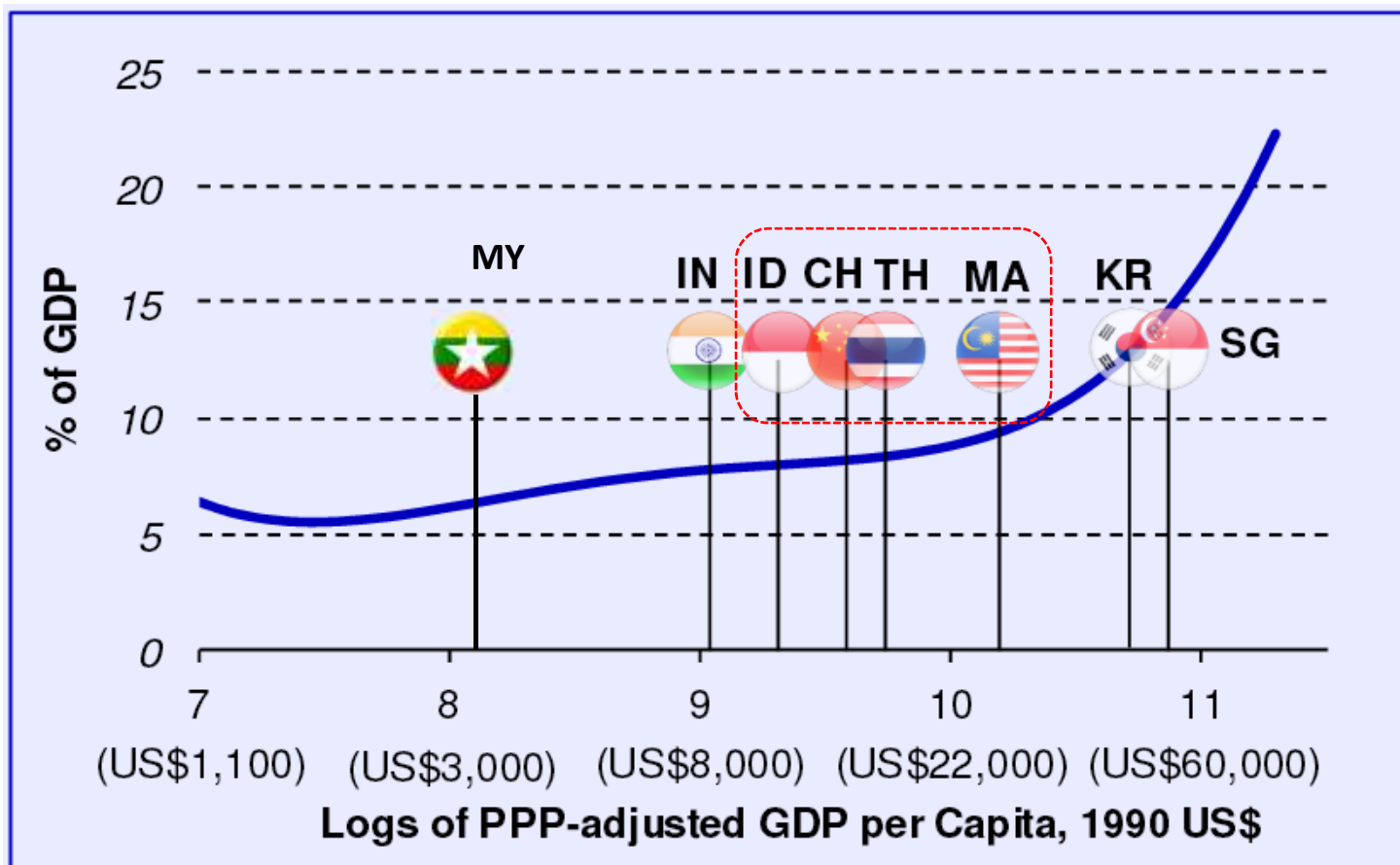
Source: Bloomberg, UOB Global Economics & Markets Research Analysis

So, Will Developed Countries Lose
Competitiveness?



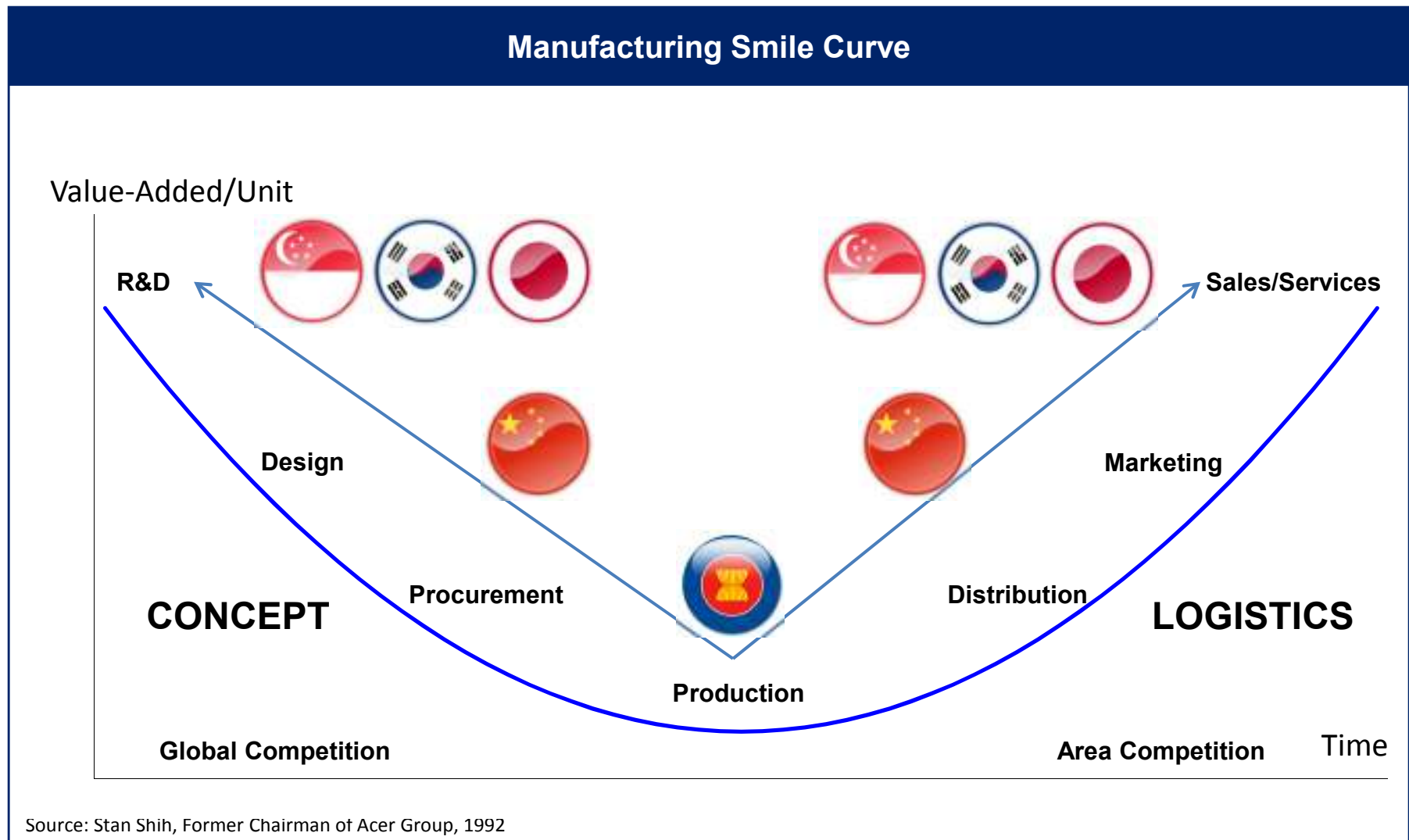
A Lot More Opportunities In Services Exports As Income Rises Across Asia

Asian Services Imports By Income Level



Source: IMF WEO Oct 2013, Eichengreen, B and Gupta, P (2009), "The Two Waves of Service Sector Growth", NBER Working Paper No. 14968.

And Even In Manufacturing, You Can Specialise In Services!



The REAL **BIG** Challenge For
Corporates?



amazon.com 1994

淘宝网 2003

SKILLSHARE 2010

SUNPOWER 2010



indiegogo 2007

gengo 2008

napster 1999-2001

KFIT 2015

Qoo10 2000

99 designs 2010



UBER 2009

FundedByMe 2011

roomorama 2009

kezaar 2012

sharetransport.sg 2012

airbnb 2008

Paktor 2013

9flats.com 2011

BLOOPOOLING.sg 2012

MinuteWorkers where time really is money

First Solar 1999

zopa 2005

1986

microfranchise.sg 2012


























KICKSTARTER 2009

Stratasys FOR A 3D WORLD 1989

You Just Need An App To Start A Biz!.. And A BIG One!



Structural Disruptions To (almost) All Industries

Industries	% Share of GDP (2014)	Disrupters
Manufacturing	19%	 
Utilities	1%	 
Wholesale/Retail	18%	   
Tpt/Storage	8%	 
Accomd/Food	2%	  
Infocomms	4%	
Finance/Insurance	12%	   
Biz Svcs	14%	  
Other Svcs	10%	   

* Not inside the list: Construction industry (5% share of GDP)



Question & Answer Session

Contact Details

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UOB Global Economics & Markets Research

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About The Speaker

Francis is an economist with United Overseas Bank's Global Economics & Markets Research team and covers macroeconomic research on Asia. 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 just published a paper titled "Growth and Environmental Quality in Singapore: Is There Any Trade-off?" in the "Ecological Indicators" journal in 2014.



Thank you