

Monetary tightening in Indonesia and Philippines: QNB

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Monetary authorities in Indonesia and the Philippines have recently led some of the most aggressive policy tightenings in emerging Asia. In fact, Bank Indonesia (BI) and Bangko Sentral ng Pilipinas (BSP) have lifted their policy rates by 175 basis points (bps) since May 2018. While the pace and magnitude of rate hikes make the tightening cycles in both Indonesia and the Philippines look similar, the drivers for policy actions have been different.

QNB's weekly 'economic commentary', which delved into each of these cases, noted that BI's actions are designed to support the currency while reducing the country's external vulnerabilities. On the contrary, the BSP's actions are designed primarily to prevent overheating and anchor inflation expectations.

widened recently from 0.9 percent of GDP in Q4 2016 to 3.4 percent in Q3 2018. Moreover, the external stock balance is negative. The net international investment position (NIIP) of the country, which reflects the stocks of foreign assets and liabilities of residents, reads a negative \$306bn or 30.0 percent of GDP. This means that Indonesians are in aggregate net debtors to the rest of the world. Net foreign liabilities are concentrated in non-financial corporations and the government. Crucially for FX, there is a substantial amount of long-term portfolio debt liabilities to non-residents denominated in local currency.

Given all of the above, Indonesia is particularly sensitive to non-resident portfolio capital flows. As the US Federal Reserve stays on course for monetary policy normalization and US bond yields rise, the BI has to follow through or even anticipate hikes to maintain or increase the interest

rate differential, i.e., the difference between domestic rates or yields and other benchmarks such as US Treasuries. This is what is behind BI governor Perry Warjiyo's 'preemptive, front-loaded and ahead of the curve' approach. Higher yields should favour domestic assets and thus prevent or limit capital outflows.

Policy actions have so far boosted BI's credibility and the Indonesian Rupiah (IDR) has rebounded in recent weeks. While the IDR is still down 6.8 percent against the USD year-to-date (YTD), it has appreciated 4.9 percent since late October. Additional hikes are expected and will follow the evolution of the US monetary policy and risk sentiment. The current account gap is not expected to narrow substantially before H2 2019, as imports are currently sticky and exports are negatively affected by lower commodity prices and softer Asian growth.

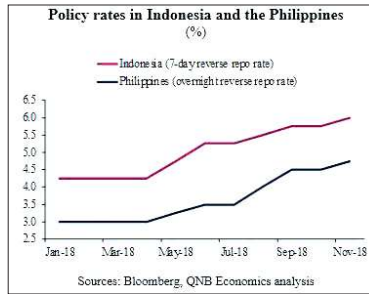
In the Philippines, on the

contrary, the BSP's actions are designed primarily to prevent overheating and anchor inflation expectations. Macroeconomic imbalances in the Philippines are indeed mostly manifested internally. Over the last years the GDP has been growing above potential, which creates capacity constraints and inflationary pressures. Both unemployment and manufacturing spare capacity are close to all time record lows at respectively 5.4 percent and 15.8 percent.

Headline CPI inflation has reached a nine-year high of 6.7 percent y/y in recent months, considerably above the central bank 2 - 4 percent target. Core CPI inflation, which excludes food and energy prices, is also high at 4.6% y/y. Rice, the staple food in the country and the second-largest item in the CPI basket with a weight of nearly 10 percent of total, has been the key culprit for high headline inflation.

Rice prices soared to 10.1 percent y/y in October from 1.4 percent early in the year as Super Typhoon Mangkhut devastated crops and created supply shortages.

The government is trying to ease the pain with emergency imports of rice, but prices are



likely to respond gradually to supply normalization over the coming months. A plethora of other exogenous and temporary factors, including oil prices and the impact of recent indirect tax hikes on high-sugar drinks, fuel, tobacco and beverage, also had their contribution. Minimum wage growth and transport rate hikes were an additional factor more recently.

BSP's credibility has also been boosted after the recent hikes. Inflation is expected to come down towards the target next year, with the BSP forecasting a 3.5 percent rate in 2019. The external environment is set to be supportive as oil prices have already started to go down substantially. The Philippine Peso has also rebounded by 3.4 percent in recent weeks, even if it is still 5.2 percent down YTD.

In short, strong monetary policy actions in Indonesia and the Philippines were important to increase central bank credibility during a period of shocks.

However, the root causes for action differed in both countries. In Indonesia, the main objective is to tackle external imbalances and cover for current account deficits and foreign liabilities, while in the Philippines actions are targeting internal imbalances to curb inflationary pressures.

S'hail shipping expands its fleet and share capital

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S'hail Shipping added its 5th Ship to its fleet of Dry Bulk Carriers. The Ship, "S'hail Al Wajbah" is a 2005 Japanese-built gearless bulk carrier of about 77,000 dwt. The Ship is registered with Ministry of Transport and Communications of the State of Qatar and will fly Qatari Flag, the company said in a statement.

After its establishment in December 2016, the Company has been resilient and consistently growing despite the sudden economic blockade imposed on Qatar in June 2017. This young and dynamic Company is already now the largest Dry Bulk Carrier owning company in the State of Qatar. True to its mission, the Company now eyes to become the largest in the region.

On this occasion, Mohamed Khalifa Al-Sada, Chairman and Managing Director of the Company, said, "In our voyage to expansion, we are extremely

happy to get the support of Qatar Development Bank to finance our 5th acquisition. The support of QDB to the Company acknowledges the capabilities and strategic importance of the Company in the growing role of Qatar's trade and commerce in global economy".

Al-Sada thanked QDB team to jointly work with the Company and within a period of 1 year to ultimately conclude in developing the first ever workable Islamic financing model at QDB tailored-made for ship financing. "We believe this is a commendable achievement dedicated to both our Company and QDB for growth of shipping and maritime business," Al Sada said.

He stated that the Company in its EGM of 30th October 2018 has decided to increase its share capital for purpose of acquiring at least two more ships in order to add to the successes the Company has been achieving since its inception. QNB's weekly 'economic commentary', which delved into each of these cases,



Hassan bin Mohammed Rafi Al-Emadi, Ambassador of Qatar to Japan; Abdullah bin Jassim Zeiara, the Embassy Second Secretary; Mohamed Khalifa Al Sada, Chairman and Managing Director of S'hail Shipping and Maritime Service; and Rajiv Pal, CEO S'hail Shipping, during the signing ceremony held in Tokyo for acquisition of S'hail Al Wajbah.

noted that BI's actions are designed to support the currency while reducing the country's external vulnerabilities. On the contrary, the BSP's actions are

designed primarily to prevent overheating and anchor inflation expectations in Dec-2016. The new acquisition plan will commence from 2019 and will focus

on more modern, fuel-efficient ships. Pursuant to the EGM the Company is issuing new shares for subscription by its existing shareholders.

QFMA announces unified listing rules for funds

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The Qatar Financial Markets Authority has announced presenting unified listing rules for funds and a new governance code for funds listed on Qatar Stock Exchange for consultation to all concerned parties via its official website.

Nasser Ahmad Al Shaibi, the CEO of QFMA, said, "We continue to strengthen our regulations to meet investors' needs along with adopting the best international practices and their local needs in respect of investment funds and their governance. "The review of listing rules and governance code will provide a clear framework for local and international fund management companies to be listed on QSE and encourage the development of asset management in Qatar," he said.

Skyline Automotive unveils all-new Hyundai Santa Fe at Mall of Qatar

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Skyline Automotive, a Jaldah Group company and official distribution partner of the Hyundai Motor Company for Qatar, has launched the All-New Hyundai Santa Fe. The car was unveiled at the Mall of Qatar on November 30, 2018 to celebrate the reveal of the bold and versatile 2019 SUV.

The launch of the All-New Santa Fe marked another key milestone for Skyline Automotive, which allowed visitors to the Mall of Qatar an in-depth view into what the new family-friendly vehicle can offer customers. Other cars that were on display included the Hyundai Tucson Facelift and 2019 Creta Facelift, giving visitors a glimpse into the new modern Hyundai line-up. The growing line-up of smart and stylish vehicles is testament to the brand's elegance as a true leader in innovation and customer-centric vision.

Commenting on the arrival of the All-New Santa Fe, Johan Madarasz, Marketing and Public Relations Manager at Skyline

Automotive, said: "Everyone at Skyline Automotive is really proud to share this milestone directly with our customers in Qatar. The All-New Santa Fe is the perfect family car, providing a striking design, convenient space and innovative safety features to deliver convenience and peace of mind. It is also the perfect embodiment of the smart and stylish design vision Hyundai brand and products are venturing into in the coming years. The journey will continue and we will reveal the all-New SUV crossover KONA at the Annual Burger Festival 2018 to bring this excited moment directly to our customers in Qatar."

The All-New Santa Fe was designed around the needs of the modern family and intuitively fits its every need. Its roomy interior



Officials pose for a group picture at the ceremony.

with increased legroom and space in the trunk is meant to offer comfort and stability on the road. The new vehicle also includes a One-Touch Folding feature, allowing passengers to fold the second-row seats quickly and easily. Furthermore, passengers can make use of a Walk-in Handle by gripping the rear seat handle on the inside of the car, making it easy to climb into the car.

Visually stunning, the All-New Santa Fe includes a wide cascading

chrome grille, Alloy or Dark Hyper silver wheels in the front and rear, as well as composite lights which give the car a high-tech appeal. The vehicle also features LED Daytime Running Lights (DRL), LED Headlamps and LED Fog Lamps. The convenient SUV even features a Roof Rack and LED Rear Combination and Fog Lamps, making it the perfect choice for a family car.

The Santa Fe is the first SUV with HTRAC technology, offering the driver an option of choosing

between different driving modes. The HTRAC all-wheel drive system automatically detects the speed and road conditions, allowing for smoother braking in the All-New SUV.

With safety being a core focus for all Hyundai vehicles, the Santa Fe includes a rear Occupant Alert and Safe Exit Assist, a first in its class. In addition, an Advanced High Strength Steel (AHSS) and a six-airbag System is embedded within. Customers can choose from two different engine options

available at Skyline Automotive, including the 2.4 MPI and the 3.5 V6 MPI petrol engines for a boost in performance.

Following the reveal in the Mall of Qatar, Skyline Automotive will take to the streets of Doha and meet customers as a sponsor of the upcoming Annual Burger Festival 2018 from 4-8 December. Visitors to Katara will have a chance to learn more about the All-New Hyundai Kona and meet members of the Skyline Automotive team.