

## Election watch in India, Indonesia, and Thailand: *Plenty of drama, but market implication largely neutral*

DBS Group Research

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- *India, Indonesia and Thailand will go the polls between March and July 2019.*
- *In India, the ruling party Bharatiya Janata Party-led coalition is facing vigorous challenge from the main opposition Congress party and regional parties.*
- *In Indonesia, this would be the first time when legislative and presidential elections take place simultaneously. The incumbent, President Jokowi, is leading the polls, yet soft economic conditions could reduce his margin.*
- *Five years since the military coup, the upcoming election in Thailand is expected to usher in a civilian government.*
- *Irrespective of outcome, there is broad bipartisan support for recent key policy initiatives. This ensures policy and reform continuity.*
- *Low oil prices and slower pace of US hikes provide a favourable global environment.*

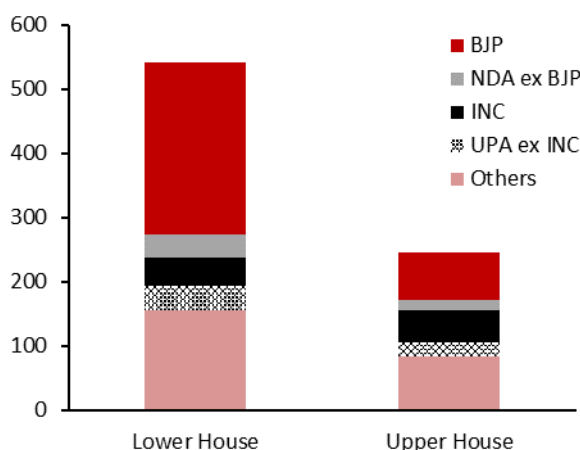
**India, Indonesia and Thailand will go the polls between March and July 2019.** Mid-term elections in the Philippines in late-May will be watched closely but will not be of material consequence for the ruling party. We delve into the respective economies to highlight the political backdrop and discuss relevant aspects which will be keenly watched by the investment community.

### India

India is due to hold its general elections in April-May 2019. The Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA) has been in power since 2014, when it established a nationwide footprint. The coalition won with an outright majority of 336 seats (vs 545 up for vote) in the Lower house, with the BJP single-handedly over the half-way mark with 282 seats.

Since then, the BJP's tally has fallen to 268 seats from 282. The recent departure of a key ally has also lowered the coalition's tally, though the count is still above 272 needed for a simple majority, leaving the alliance in a comfortable position.

**Key players in the upper- lower houses of parliament**  
Number of seats



Source: Election commission, media reports, DBS Group Research

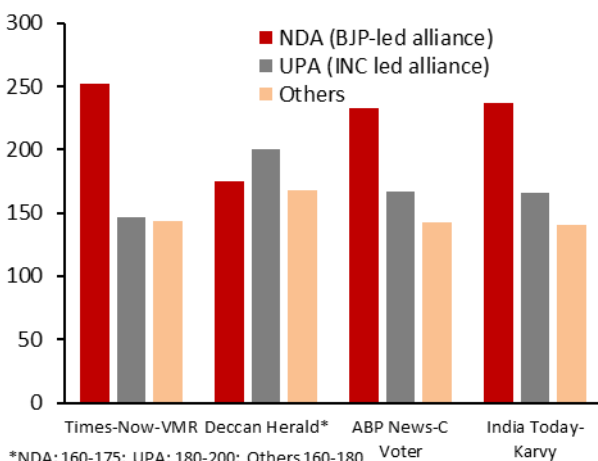
**In the Upper house - Rajya Sabha - the BJP started on the backfoot in 2014** with less than 50 seats (allies held 16). The count has since improved to 73 (over 80, if allies are included). While the BJP is expected to strengthen its

position in the coming years, the current count is below the 125 seats needed for a simple majority, implying that key reform decisions will still need a broader consensus.

As for the other players, the Indian National Congress and its alliance members under United Progressive Alliance (UPA) umbrella are putting up a vigorous challenge. **Apart from the national parties, recent state elections have raised the possibility of a more united opposition:** either through disparate regional parties combining forces or regional party-INC alliances. For instance, in one of the largest states in the country, Uttar Pradesh, two regional parties – Bahujan Samaj Party (BSP) and Samajwadi Party (SP) – have already announced a pre-poll alliance, with plans to contest 76 of the 80 seats up for vote, pitting themselves against the Congress and ruling BJP.

**With a mixed result in the recent parliamentary by-polls and state legislature elections, risks of a hung parliament cannot be discounted.** Four recent opinion polls point to an average of 220-230 seats for the BJP-led coalition, falling short of a majority. The UPA is expected to fare better than 2014, but ‘Others’ will tellingly enjoy stronger bargaining power.

**Private opinion polls (four recent - Jan19)**  
number of seats



Source: Media reports, DBS Group Research

**We will publish an impact study on the elections separately.** For now, a clear majority for any party/coalition will be the most favourable outcome, with any unstable arrangement with disparate partners to bode poorly for the investment climate, flows and the economy. That apart, we note broader bipartisan support for recent key policy initiatives. India’s political-economy

is attaining modern welfare dimensions—direct cash transfer, universal basic income, and jobs provisions, as reinforced at the recent budget presentation (see [here](#)). As was the case with the 2014 elections, when despite a change in government, impetus for GST, financial inclusion, and fuel subsidy reduction did not waver, we expect some of the new welfare measures to take shape independent of the election outcome.

Radhika Rao

**Indonesia**

Indonesia is preparing for the next general elections on April 17, 2019 - a first when both legislative and presidential elections will be held simultaneously.

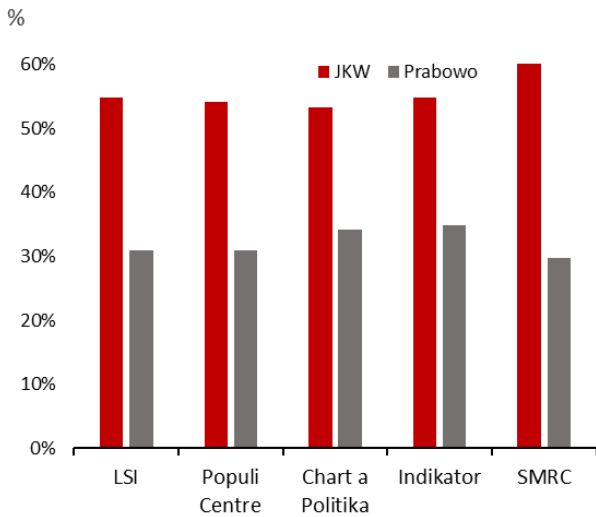
In addition to the simple, direct voting for president-vice president combo, the legislative election will elect 575 members for the People’s Representative Council (DPR) and 19,817 for the Regional People’s Representative Council (DPRD) through the open-list system. This also marks the fourth open-list legislative election in which voters have some control over the preferred candidate (vis-à-vis decided by the party in earlier election).

We see elections as neutral for growth prospects, providing stability reigns. In addition, as the incumbent President’s running mate is an Islamic figure from the largest Muslim Organization, *Nahdatul Ulama*, the campaign tone has shifted away from sectarian politics, a key in the recent regional elections.

Jokowi began his political career as mayor of Solo in 2005, becoming governor of Jakarta in 2012, and then entered presidential elections in 2014. Unlike his opponent ex-General Prabowo, who hails from a political elite family, Jokowi is neither from the political elite circles nor military who usually dominate Indonesian politics. Yet, his non-political background proved to be popular back in 2014 and at present.

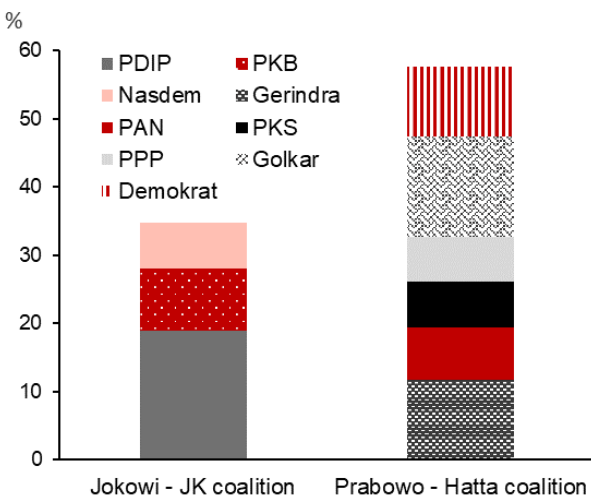
Latest polls suggest the incumbent still lead by a margin of around 20% from different surveys done between Oct18 to Jan 19 (chart below). The margin has improved from his first election in 2014 in which Jokowi won the election by 53.15% vote vs Prabowo at 46.85%, with less than a 7% margin.

Latest electability polls between Oct18-Jan19



Source: Media reports, DBS Group Research

2014 Election results

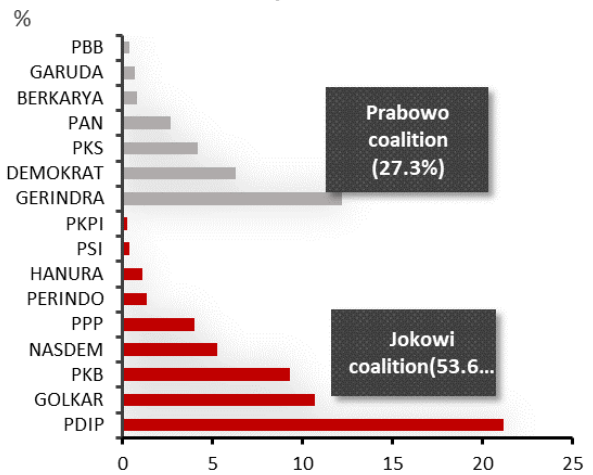


Source: Media reports, DBS Group Research

Top four parties unchanged from 2014 elections

Moving on to the legislative elections, the four largest parties remain the same. Back in 2014, the results saw PDIP (18.95%) in the lead, Gerindra (11.81%), Golkar (14.75%) and Demokrat (10.19%). Recent surveys by Indikator show the same four parties with slightly different backing: PDIP (21.16%), Gerindra (12.2%) Golkar (10.7%), and Demokrat (6.3%).

2019 Coalition electability

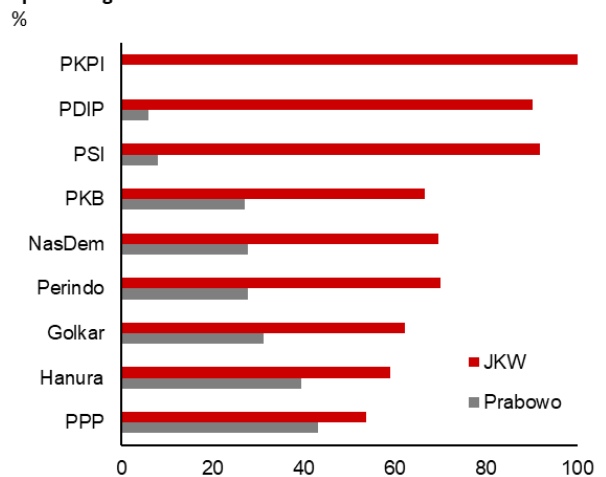


Source: Indikator, DBS Group Research

Unlike 2014, Jokowi nine-party coalition has higher legislative electability (53.6%) compared to Prabowo four-party coalition (27.3%). Back then, Jokowi's coalition consisted of five parties which gained only 36.5% seats in the parliament vs Prabowo seven-parties at 63.54%.

Presidential and legislative elections, as we observed in 2014, don't carry a one-to-one correlation. In fact, recent survey by Indikator shows a split in the voting pattern.

Split voting in JKW coalition



Source: Indikator, DBS Group Research

It is too early to judge the candidates' plans before the official economic debate on April 13. However, after years of reform to improve competitiveness and push to improve long-term potential growth through infrastructure development, tax reform, fuel subsidy reform, we expect the same type of reform to continue irrespective of the election results. Additional unfinished

business includes reviving the export-oriented manufacturing sector which is needed for higher long-term growth while closing the widening current account gap and moving up the value chain ladder for commodities exports.

*Masyita Crystallin*

## Thailand

Thailand is gearing up for the first general elections since a military coup was declared in May 2014. Polls scheduled for February previously, will now be held on March 24.

**Three main parties are in the fray: the Palang Prachart, Thai Raksa Chart and Democrat party.** Palang Prachart is perceived as being pro-junta, as its members include few of the ruling government's cabinet ministers. The party has named General Prayut Chan-o-cha, the incumbent Prime Minister, as its PM candidate.

Next, the Thai Raksa Chart Party (TRCP) is seen as a descendent of the Pheu Thai party, which backed the earlier premiers Thaksin Shinawatra and his successor (and sister) Yingluck. In its earlier form, the party drew strength from the north and northeast parts of the country. The TRCP had named princess Ubolratana Rajakanya as their PM candidate, but the candidacy was subsequently withdrawn following advice from the Royal family and the Election Commission (EC) ruling against its favour. At the time of writing, the EC plans to refer the party to the Constitutional court, recommending that the party be disbanded as its conduct was "hostile towards the constitutional monarchy". Developments on this front are fluid. If the matter settles down and they remain in the running, Sudarat Keyuraphan, TRCP's current executive committee chairwoman, former Transport Minister Chatchart Sittipan and former justice minister Chaikasem Sitisiri, might emerge as alternate candidates for the PM's role.

Lastly, the Democrat Party led by former PM Abhisit Vejjajiva, is the other contender. Several smaller and newer parties (Future Forward, Seri Ruan Thai, amongst others) have also entered the field and might join hands with one of the national parties as the poll day draws closer.

**The Thai electoral system has undergone many changes since the last election in 2014, with a provisional constitution approved in 2016.** Under this, the parliament will be bicameral i.e. Senate with 250 nominated members and House of Representatives with 500 members, of which 350 are elected through direct elections in single-seat constituencies and rest given proportional representation. The National Council for Peace and Order (NCPO), which represents the military junta, is responsible for appointing the Senate members.

**The path to form the next government poses few challenges.** The provisional constitution requires the leading party to win a majority in the combined – upper and lower – house i.e. bag at least 376 out of 750 seats; this will be an uphill task for any single/ coalition party. Media reports, however, speculate that the Palang Pracharat party might have an edge in this arrangement. With a (junta's) defacto control over the Senate, the party will only require a little more than 126 seats in the lower house to lay stake to form the next government.

Once the votes are cast, markets are likely to await the official results, due within 60 days of the vote. An opinion poll conducted by the National Institute of Development Administration, or Nida [1] showed General Prayut emerge as the most popular choice for the PM post, but Pheu Thai as the front-runner party (32.7% of the votes).

**The new government is likely to be in place ahead of two key events in rest of the year:** HM King Vajiralongkorn's coronation ceremony on May 4-6 and Thailand hosting the first of the two 2019 ASEAN Summits in June 2019.

On the economic front, while we don't anticipate any politics-led chaos in the run-up to the election. Formation of a stable government to be beneficial for growth prospects, drive by continuation of large public sector investment projects. Domestic markets were briefly perturbed by recent developments as investors were caught by surprise, alongside the Thai baht also being viewed as being overbought by some parameters.

*Notes: [1] National Institute of Development Administration, or Nida poll; 20Jan19; Bangkok Post*

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