

Vietnam

SMEs report lack of access to credit A recent survey of 2,500 small to medium sized businesses (SMEs) showed that; 1) 60% reported being negatively affected by the weakening economy, 2) 39% faced difficulty in accessing credit, and 3) 90% had taken loans from unofficial sources.

View: Credit contraction continues The proportion of SMEs reporting negative effects from the broader economy more than tripled from just 17% in a 2009 survey, suggesting that the business environment for SMEs has deteriorated. That most must source credit from outside the formal banking system shows that the commercial bank credit contraction continues.

Cambodia

Inflation at 1.2% for October Cambodian inflation remained low in October 2012 at 1.2%, down slightly from 1.3% in September 2012, and still well below the average YTD of 3.1%. Cambodia inflation averaged about 3.0% from 2009 to 2011.

View: Lowers chance of labour unrest Food is the main cost for the average Cambodian, comprising about 45% of the consumption basket. Food inflation can be a major concern in the large garment sector, where wages are fixed. Periods of high inflation have been correlated with agitation for higher wages by garment labour unions; the current benign inflation reduces this risk significantly.

Laos

Labour shortage in garment industry Laos faces a shortage of garment sector labour; the country currently has 30k garment workers in 110 factories, and forecasts demand for 60k by 2015.

View: Sector less critical than in Cambodia Laos faces a labour drain from the garment industry and into the higher paid mining and energy sectors, but also across the border to Thailand; demand from these sources may continue to outpace supply. Garments do comprise the bulk of Laos' manufactured exports, but the sector is less critical than in Cambodia (where garments are 90% of exports), which has no mining or energy exports yet.

Myanmar

Privatization of refineries planned Myanmar plans to privatize its three small oil refineries (which produce about half of the country's current demand); the first could be sold as early as December 2012, according to press reports.

View: Increasing foreign presence in energy likely We expect to see increasing foreign investment in Myanmar's energy sector in 2013, including possible participation in these privatizations. In recent years, FDI in Myanmar has been concentrated on the energy sector, mainly from China, Korea and Thailand. We believe that recently passed foreign investment law will encourage wider regional and global interest in the sector.

Index	Value	% chg
Thailand	1,281.7	0.17
Vietnam	381.7	-0.39
Laos	1,233.1	0.75
Cambodia	666.7	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.2	2.2
Vietnam	9.7	1.7
Laos	6.8	0.8
Cambodia	18.4	0.0

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.7	-0.03
Dong (VND)	20,865	0.00
Kip (LAK)	8,018	0.14
Riel (KHR)	3,992	0.00
Kyat (MMK)	851	0.14

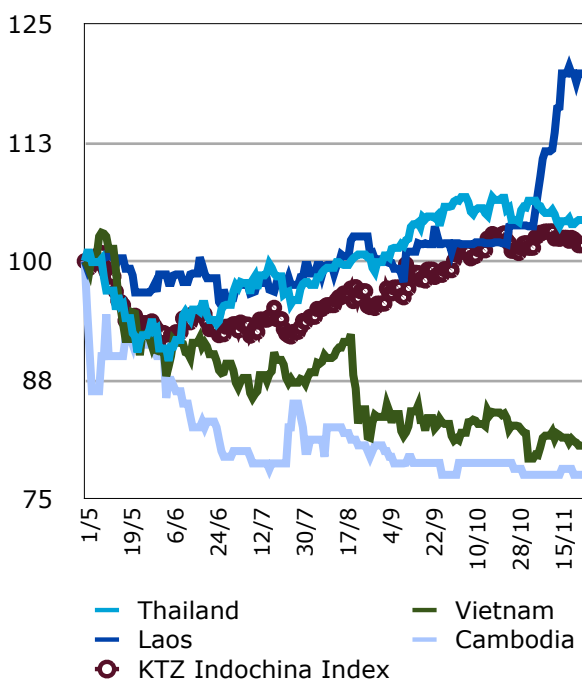
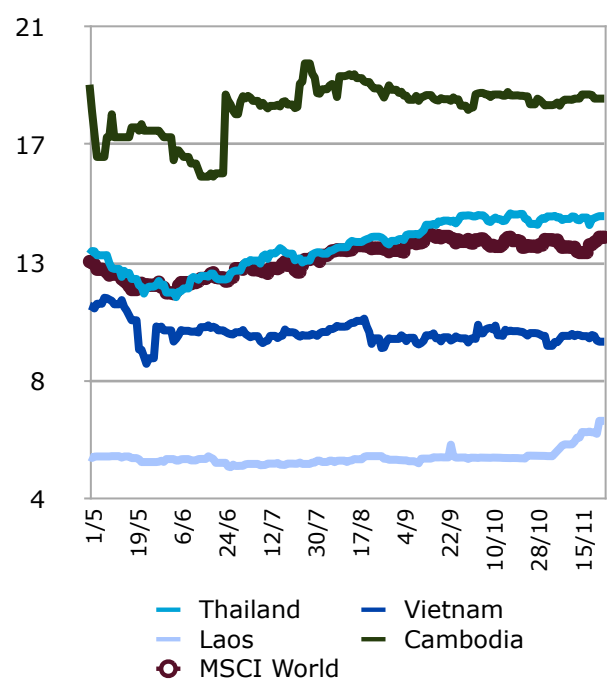
Source: Bloomberg

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Figure 1: Indochina Markets

	Index/ Price*	% chg	Volume('000)	YTD avg daily volume ('000)	Value (US\$ '000)	YTD avg daily value (US\$ '000)
Vietnam (HCI)	382	-0.4%	18,217	48,181	11,077	32,796
Vietnam (HNI)	51	-0.7%	17,153	45,615	4,519	19,216
Laos (LSX)	1,233	0.7%	110	105	81	70
BCEL*	7,500	0.0%	3	24	3	21
EDL*	5,900	0.9%	107	81	79	49
Cambodia (CSX)	667	0.0%	22	47	33	91
PPWSA*	6,200	0.0%	22	47	33	91

Source: Bloomberg *Laos- LAK, Cambodia - KHR

Figure 2: Relative performance*

Figure 3: Market price to earnings ratio


Source: Bloomberg, KT Zmico estimates, * from May 1, 2012

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