

Vietnam

HCM bad debts at 6.2% by year end A Ho Chi Minh City municipal central bank official has estimated that bad debt in the city would be at 6.2% by end-2012, according to press reports.

View: Bad debt levels still unclear There is no universally accepted official source of bad debt estimates for Vietnam. There have been reports from various sources estimating systemic bad debt at at least 5%-10%, though it has been suggested that even the high end of these estimates are low. Although the government has announced a bad debt reduction plan, we expect that NPLs could remain high well into 2013, as the real estate industry, the source of much of the bad debt, continues to flounder.

Cambodia

Foreign arrivals up 23.8% for 10M/12 Foreign arrivals have been strong this year, rising 23.8% yoy for 10M/12 to 2.85mn, and up 20.5% yoy in October 2012 to 281k.

View: Receipts growth may not match arrivals growth Historically, strong arrivals growth in Cambodia was associated with commensurate growth in tourist receipts, as a large proportion of visitors were from higher income countries. However, the mix of arrivals has shifted dramatically in the past five years towards lower income regional countries, which has reduced spending/arrival considerably. We expect this trend to continue into 2013, with receipts growth remaining below arrivals growth.

Laos

Inflation at 3.5% in October 2012 Laos' yoy CPI inflation was 3.5% in October 2012, down from 3.7% in September 2012 and below the average YTD of 4.3%.

View: Expecting strong BOL track record to continue The Bank of Laos has maintained a stable monetary environment over the past several years with inflation below 10% (the most recent peak was 9.8% in May 2011). This is even as neighbors Vietnam, in 2011, and Cambodia, in 2008, have seen period of 20%+ inflation. We expect that inflation will remain relatively benign into early 2013.

Myanmar

Coffee plantation to be established First Myanmar Investment plans to establish a coffee plantation mainly for exports, through its subsidiary Myanmar Agri-Tech, in conjunction with UK-headquartered global leader in coffee trading, ED&F Man.

View: Vietnam, Laos, suggest room for growth Myanmar has areas conducive to coffee growth, similar to Vietnam and Laos, but the resources have barely been tapped. Total green coffee production was 7.3k tonnes in 2010, and exports were a miniscule 57 tonnes. That Laos produced 47.2k tonnes, and exported 17.0k tonnes, while Vietnam exported 1.2mn tonnes in 2010, suggests wide room for coffee export growth from Myanmar.

Index	Value	% chg
Thailand	1,299.9	0.22
Vietnam	375.8	-0.29
Laos	1,196.4	-2.97
Cambodia	666.7	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.5	2.2
Vietnam	9.5	1.6
Laos	6.6	0.8
Cambodia	18.4	0.0

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.7	0.10
Dong (VND)	20,850	-0.04
Kip (LAK)	8,008	0.42
Riel (KHR)	3,992	0.00
Kyat (MMK)	853	0.37

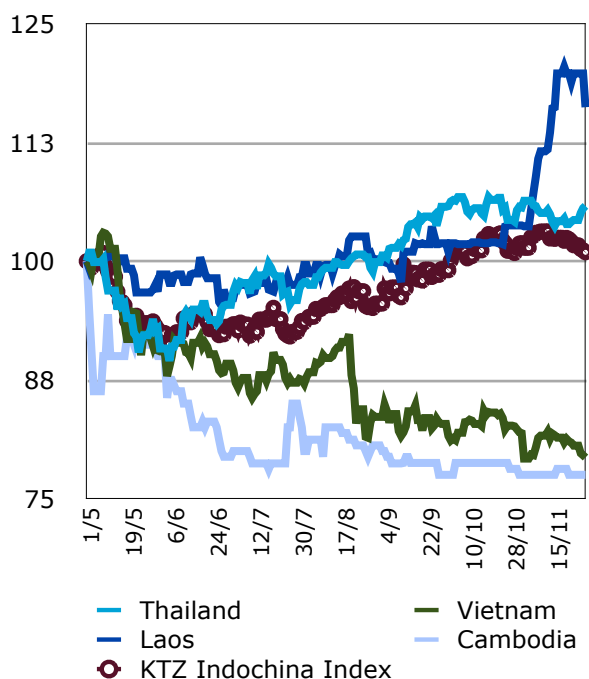
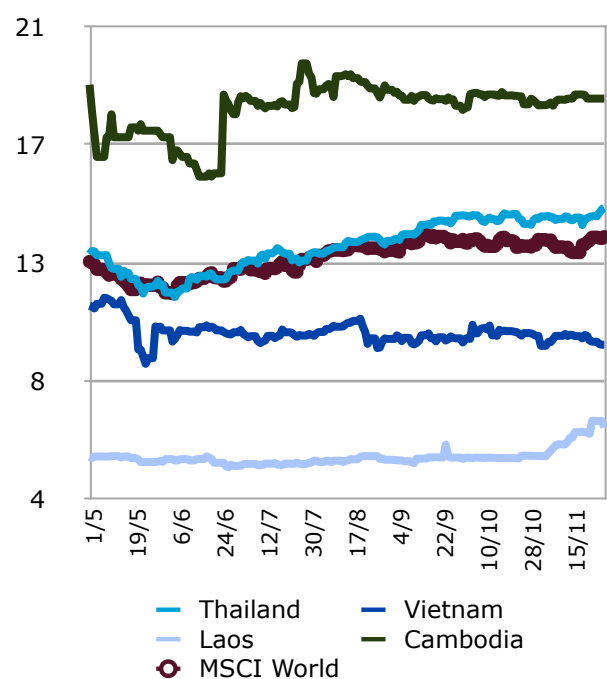
Source: Bloomberg

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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)	376	-0.3%	15,890	47,714	9,732	32,454
Vietnam (HNI)	51	0.1%	10,516	45,149	3,298	18,988
Laos (LSX)	1,196	-3.0%	42	105	36	70
BCEL*	7,500	0.0%	28	24	26	21
EDL*	5,700	-3.4%	15	81	11	49
Cambodia (CSX)	667	0.0%	8	46	12	89
PPWSA*	6,200	0.0%	8	46	12	89

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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