

## **Vietnam**

**Government spending above targets for 10M/11** The Ministry of Finance showed that government spending for 10M/11 was higher than expected, already representing 79% of the 2012 budget, while revenue was just 76% of the 2012 budget.

**View: Unlikely to meet 2012 budget** The government appears unlikely to meet its budget for this year, given that we do not expect a major turnaround in the economy over the last two months of the year. Both the issues of a potential decline in tax revenues from slower corporate growth, and the possible need for a further fiscal boost, driving up government spending, are likely to persist into 2013.

## **Cambodia**

**Oil import volume up 12.5% yoy for 9M/12** The Ministry of Commerce reported oil imports of 1.2bn tonnes for 9M/12, up 12.5% yoy, and US\$1.2bn in value terms, up 18.7% yoy. Cambodia currently imports 100% of its petroleum, although it has potential offshore resources currently under exploration.

**View: Well below 2011 growth rate** Oil imports are a key indicator of overall economic activity in Cambodia, and imports this year show a significant slowdown yoy. Oil import growth was above 100% in value terms in 2011, compared to just low single digit growth this year, suggesting a weakening pace of economic growth for 2012 YTD.

## **Laos**

**Toyota subsidiary to establish parts factory** Toyota Boshoku Corporation has announced that it will set up a parts factory in the Savan-Seno industrial park in Savannakhet province.

**View: Auto industry expanding** This is the second major auto plant announced in a week; Korea's Kolao earlier stated plans to open a car assembly plant. Neighboring Thailand is already central to Southeast Asia's major auto industry. Given Laos' geographic and cultural proximity to Thailand and inexpensive labour force, we believe that expansion to Laos by foreign auto firms already operating in Thailand will be an attractive option.

## **Myanmar**

**Major insurers and accountants plan market entry** Major international consultancy PricewaterhouseCoopers has now established an office in Yangon, and large global insurance companies, including Prudential, AIA Group and Manulife, are also planning to enter the market. It is estimated that Myanmar could generate US\$1.6bn in annual premiums, which would be around the same size as the Vietnam market.

**View: Expecting a surge in major new projects** These firms are entering the market to capitalize on a large wave of expected new industrial projects in multiple sectors, and their presence is a significant vote of confidence in the country's potential growth.

| Index    | Value   | % chg |
|----------|---------|-------|
| Thailand | 1,279.3 | -0.76 |
| Vietnam  | 387.7   | 0.65  |
| Laos     | 1,195.4 | 2.26  |
| Cambodia | 666.7   | 0.00  |

Source: Bloomberg

| Valuation | P/E  | P/B |
|-----------|------|-----|
| Thailand  | 14.1 | 2.2 |
| Vietnam   | 9.9  | 1.7 |
| Laos      | 6.2  | 0.8 |
| Cambodia  | 18.4 | 0.0 |

Source: Bloomberg, KT Zmico estimates

| Currency   | USD:x  | % chg |
|------------|--------|-------|
| Baht (THB) | 30.7   | 0.07  |
| Dong (VND) | 20,850 | 0.02  |
| Kip (LAK)  | 8,026  | 0.09  |
| Riel (KHR) | 3,992  | 0.00  |
| Kyat (MMK) | 851    | 0.09  |

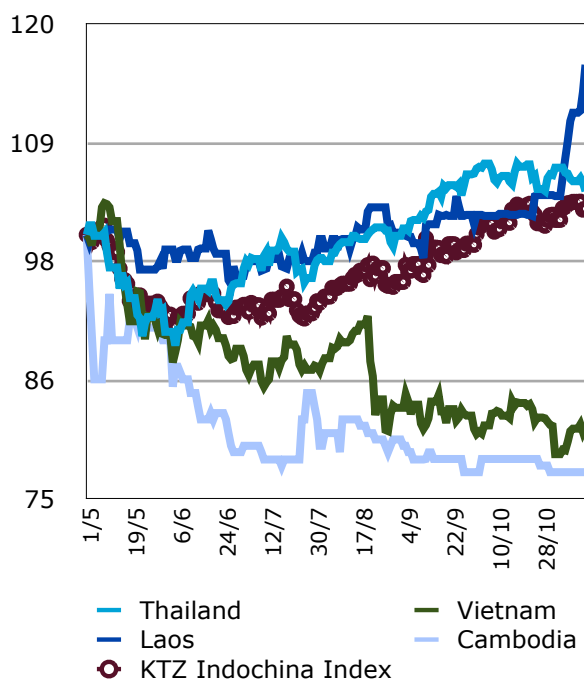
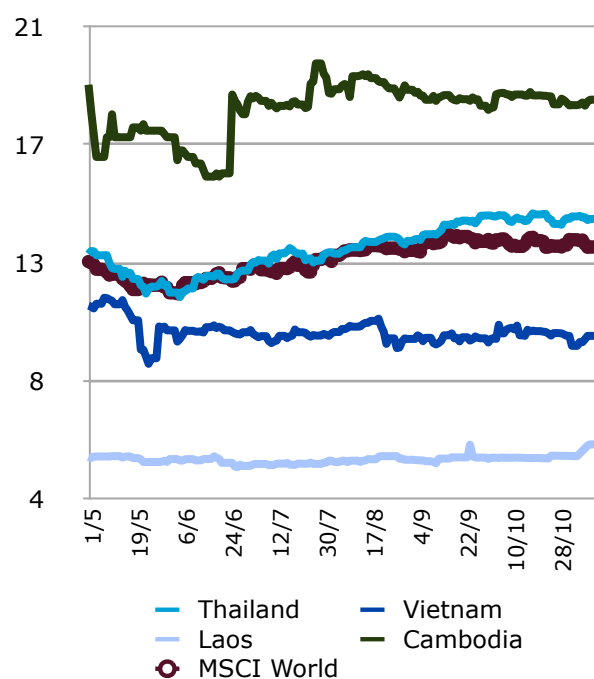
Source: Bloomberg

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**Figure 1: Indochina Markets**

|                | Index/<br>Price* | % chg | Volume('000<br>) | YTD avg daily<br>volume<br>( '000) | Value<br>(US\$ '000) | YTD avg daily<br>value<br>(US\$ '000) |
|----------------|------------------|-------|------------------|------------------------------------|----------------------|---------------------------------------|
| Vietnam (HCI)  | 388              | 0.6%  | 21,575           | 49,013                             | 13,678               | 33,414                                |
| Vietnam (HNI)  | 52               | -0.2% | 18,353           | 46,358                             | 5,440                | 19,614                                |
| Laos (LSX)     | 1,195            | 2.3%  | 24               | 106                                | 18                   | 70                                    |
| BCEL*          | 7,450            | -0.7% | 1                | 24                                 | 1                    | 22                                    |
| EDL*           | 5,700            | 2.7%  | 23               | 82                                 | 16                   | 49                                    |
| Cambodia (CSX) | 667              | 0.0%  | 30               | 49                                 | 47                   | 94                                    |
| PPWSA*         | 6,200            | 0.0%  | 30               | 49                                 | 47                   | 94                                    |

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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