

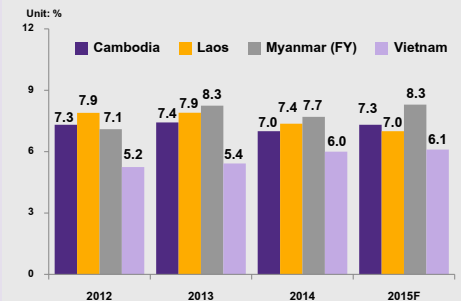
# CLMV Monitor by EIC

11 September 2015

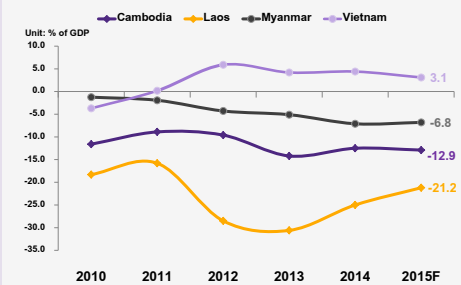


- Cambodia's GDP is expected to grow 7.3% in 2015** with the key drivers from export of textile and apparels, along with the low oil prices throughout 2015 that will help improve domestic spending and decelerate inflation.
- Laos's economy in 2015 is likely to slowdown from last year to a growth of 7.0%** from the falling commodities prices which affected export of copper.
- Myanmar's economy is expected to grow 8.3% in FY2015**, however with the downside risk from the impact of flooding that damaged the country's agricultural sector and likely to hike up country's inflation rate.
- Vietnam's economy is expected to increase 6.1% in 2015** from the strong growth in manufacturing and export especially in E&E sectors. While, the series of Dong devaluation following the Yuan devalued will help maintain the country's export price competitiveness.
- Main threat for CLMV's economy this year remain in the slowdown of China's economy** as it will directly and indirectly impact the global demand especially through those countries with strong economic ties with China including Japan and ASEAN 5. CLMV's export to China is accounted for 11% of its total export.
- Thailand has played role to cope with CLMV infrastructure challenges**, the government has recently allocated THB 5.5 trillion (US\$179.85 billion) for planned infrastructure investments until 2019. Of these infrastructure investments, THB 243 billion (US\$ 7.95 billion) are to build multiple four-lane highways to Thailand's largest border crossings, and THB 403 billion (US\$13.18 billion) for 768km of double-track rail lines extending through the Lao PDR and Cambodia.
- ASEAN is ready to announce the list of items in CLMV of which the tariffs shall be reduced further by 2018**, so that entrepreneur can prepare themselves in advance. Moreover, the ASEAN trade databases will be launched by November 2015; these will tremendously facilitate especially SMEs to retrieve all trade-related data in a single place (like

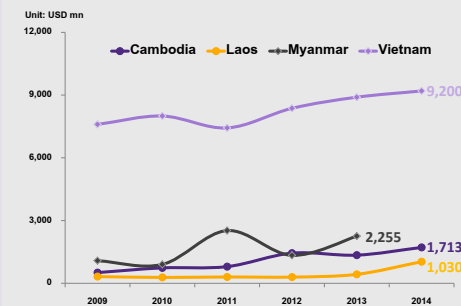
## GDP growth



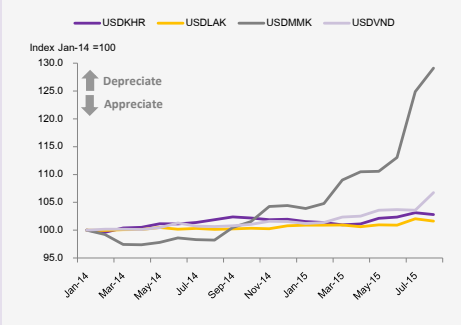
## Current account balance



## Foreign direct investment (BOP basis)



## Foreign exchange rate



one-stop online data center for CLMV).

Sources: ADB, Bloomberg, CEIC, IMF, World Bank, Trademap

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Economic Intelligence Center (EIC)

EIC Online: [www.scbeic.com](http://www.scbeic.com)



## Cambodia Monitor by EIC

### 10 September 2015

### Macroeconomic Update

Cambodia's GDP is expected to grow 7.3% in 2015 with the key drivers from export of textile and apparels, along with the low oil prices throughout 2015 that help improve domestic spending and decelerate inflation. The low oil prices also help reduce Cambodia's import petroleum burden and reduce the country's current account deficit. However, the slowdown in Chinese economy, and the increased in minimum wage may pose as a threat to the country's growth.

Cambodia's GDP growth for 2015 is likely to increase 7.3%, marginally pick-up from 7.1% growth in 2014. During the first 2 months of 2015, export increased 8.8% with export value of footwear grew around 40%, while export value of apparel and textiles moderately grew 3.9%. The dissolved protests between garment factory workers and government, and the economic recovery in the EU and the US will help boost Cambodia's export throughout 2015. In addition, the depreciation of Cambodia riel against US dollar will also likely to further support Cambodia's export. Moreover, tendency of low oil price throughout 2015 will reduce Cambodia's import burden, as the country import petroleum for around 25% of total import, and latter reduce Cambodia's current account deficit. The low oil price also help moderate Cambodia's inflation to an average of around 1.25% in the first 5 months of 2015. Domestic demand is expected to improve following household's benefits from low fuel price, which partially reflect by the 22.8% increase in import of motorcycle. Tourism sector, which is another important growth engine for Cambodia, also pick-up in the first 6 months of 2015 with the growth of 4.6%, up from 2.6% during January-February.

**The negative spillover of China's slowdown and an increased in minimum wage may pose as a threat to Cambodia's economy.** China economic slowdown may hinder Cambodia's export both directly and indirectly by slowing down other trading partner's economy especially the ASEAN countries. Moreover, the increased in minimum wage in the garments sector up by 28% (from \$100 to \$128 per month) might push and slowdown FDI away from the industry as most labor are capped with low productivity. As a result, higher inflows of FDI are moving towards other sectors apart from garments industry, such as services sector which in Q1 of 2015 increased to 2,444 million USD from last year of 199.5 million USD.

### Currencies

| FX     | Last   | %MOM   | %YTD   |
|--------|--------|--------|--------|
| USDKHR | 4095.0 | -0.49% | 0.54%  |
| EURKHR | 4589.3 | 0.86%  | -6.92% |
| JPYKHR | 34.0   | 2.53%  | -0.21% |
| THBKHR | 114.0  | -2.98% | -8.43% |

### Facts and Figures

|                        |   |
|------------------------|---|
| Country                | Cambodia  |
| Population (2014 est.) | 16.6 million  |
| Labor force (2013)     | 8.0 million   |
| GDP (2014 est.)        | USD 16.5 billion  |
| GDP per capita         | USD 1,019   |
| GDP by sector (2013)   | Agriculture: 33.5%,<br>Industry: 25.7%,<br>Services: 40.8%                |
| Top exports (2014)     | Apparel and textiles (69%), footwear (10%), bicycles (4%), rice (4%)      |
| Export partners (2014) | EU (41%), USA (23%), Japan (6%), China (4%),                              |
| Top imports (2014)     | Petroleum (25%), motorcycles (16%), food and beverages (5%), tobacco (5%) |
| Import partners (2014) | Thailand (34%), China (25%), Singapore (8%), USA (3%)                     |

**The Cambodia Industrial Development Policy (IDP) 2015-2025, adopted in March 2015, marked a new milestone of Cambodia economic development.**

IDP is targeted to contribute to achieving the country's vision to become an upper-middle-income country in 2030 and a high-income country in 2050. According to the IDP 2015-2025 document, the government aims to increase the GDP share of industrial sector to 30 per cent by 2025 (24.1 per cent in 2013) and to diversify the export of goods by increasing the export of non-textile to 15 per cent of all exports by 2025 while still promoting the export of processed agricultural products to 12 per cent of all exports by 2025.

Indeed, the IDP may layout its ultimate goal as a growth engine. However, main challenge lies under ongoing labor dispute management. For more than a decade, industrial relations in Cambodia have been marked by a deep disagreement between employers and trade unions. In order for IDP of a transformed, modernized industrial structure to be achieved, It requires an integrated, innovative industrial relations strategy that addresses the serious challenges to resolve disputes and is responsive to the real needs of workers, employers and investors at the same time. Further related policy is to be monitored once announced.



## Industry Update

- **Power:** SMART plans its 2nd coal-fired plant in Cambodia
- **Power:** LANNA is considering its investment in a coal-fired plant (150MW) in Myanmar or Cambodia.
- **Power:** Pestech International (Malaysia) and Shandong Electrical Engineering & Equipment (China) will assist Cambodia in enhancing and upgrading the condition of its electricity grid, in addition to setting up transformer manufacturing plants in the country.
- **Power:** Cambodia will impose new electricity system standards as per Singapore's guidance in order to reduce the risk of electrical fires.
- **Power:** Electricity bills in many parts of Cambodia doubled during the past months, the causes are still under investigation but preliminary conclusions are either hot weather or outdated meters and wires.
- **Infrastructure:** Cambodia and Vietnam reached agreements on a range of transport issues at a Ministerial Meeting held in Ha Noi on Aug 23rd 2015. They agreed to speed up the organization of a bilateral session on traffic connectivity and amendments to a protocol implementing a Viet Nam-Cambodia pact on road transport. If succeeded, the transportation and logistics from Vietnam to Thailand Eastern seaboard via Cambodia will be easier and faster.
- **Auto:** CWT group to JV with Nipatsu and Toyota Tsusho to produce automotive seat at Poipet SEZ, expecting operation to start by 2016.
- **Auto:** Denso plans to build its own plant (now renting) in Phnom Penh SEZ by 2016.
- **Finance & Banking:** KASIKORNBANK and Wing Cambodia Limited Specialised Bank (Wing) – Cambodia's most extensive mobile payment service provider – are introducing a Thai-Cambodian cross-border payment solution to serve bilateral trade and people in either country, including workers and tourists, ahead of the ASEAN Economic Community (AEC) inception at the end of 2015.

## Key Indicators

| Domestic demand          | Share of GDP * | Unit | 2010  | 2011  | 2012  | 2013  | 2014  | 2015F |
|--------------------------|----------------|------|-------|-------|-------|-------|-------|-------|
| GDP                      |                | %YOY | 6.0   | 7.1   | 7.3   | 7.4   | 7.1   | 7.3   |
| Private consumption      | 75%            | %YOY | 8.8   | 10.4  | 5.6   | 5.5   | -     | -     |
| Public consumption       | 9%             | %YOY | 12.5  | 7.8   | 22.4  | 21.3  | -     | -     |
| Investment               | 16%            | %YOY | -9.8  | 10.8  | -24.3 | 14.0  | -     | -     |
| CPI: Headline inflation  |                | %    | 4.0   | 5.5   | 2.9   | 2.9   | 3.9   | 1.6   |
| Policy rate (end period) |                | %    | 1.18  | 1.19  | 1.12  | 1.15  | 1.17  | -     |
| USDKHR                   |                |      | 4,053 | 4,037 | 3,995 | 3,995 | 4,037 | -     |

\* Share of 2013 GDP

| External sector                  | Unit      | 2012  | 2013  | 2014   | Latest  | YTD value | %YTD   |
|----------------------------------|-----------|-------|-------|--------|---------|-----------|--------|
| Export                           | USD mn    | 7,838 | 9,243 | 10,741 | Apr-15  | 3,897     | 8.8%   |
| Export: Clothing                 | USD mn    | 4,212 | 4,940 | 5,376  | Feb-15  | 953       | 3.9%   |
| Import                           | USD mn    | 7,062 | 9,217 | 17,506 | Apr-15  | 6,101     | 8.6%   |
| Import: Petroleum                | USD mn    | 701   | 917   | 993    | Feb-15  | 180       | 18.3%  |
| Import: Motorcycle               | USD mn    | 523   | 573   | 738    | Feb-15  | 126       | 22.8%  |
| Export from Thailand to Cambodia | USD mn    | 3,778 | 4,256 | 4,525  | Jul-15  | 2,926     | 9.8%   |
| Foreign Direct Investment*       | USD mn    | 1,441 | 1,345 | 1,713  | 1Q-2015 | 432       | 5.2%   |
| Approved FDI*                    | USD mn    | 1,879 | 4,483 | 1,604  | 1Q-2015 | 2,873     | 543.8% |
| Approved FDI* from Thailand      | USD mn    | 121   | 32    | 25     | 1Q-2015 | 0         | -%     |
| Visitor Arrivals                 | Person mn | 3.58  | 4.21  | 4.50   | Jun-15  | 2.30      | 4.6%   |

Notes: 1) Export and Import are based on IMF data.

2) FDI reflects direct investment liabilities in the balance of payments.

3) Approved FDI reflects the value of investment projects that has been approved.

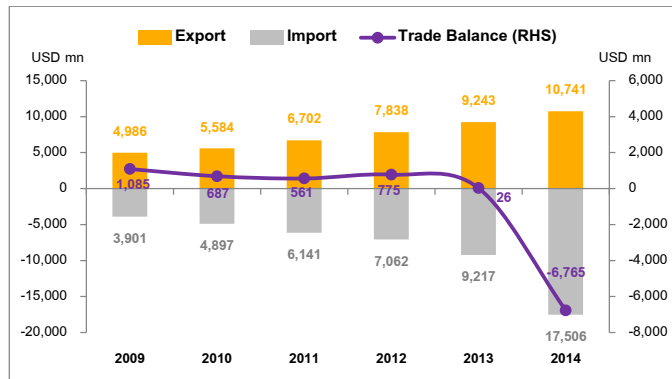
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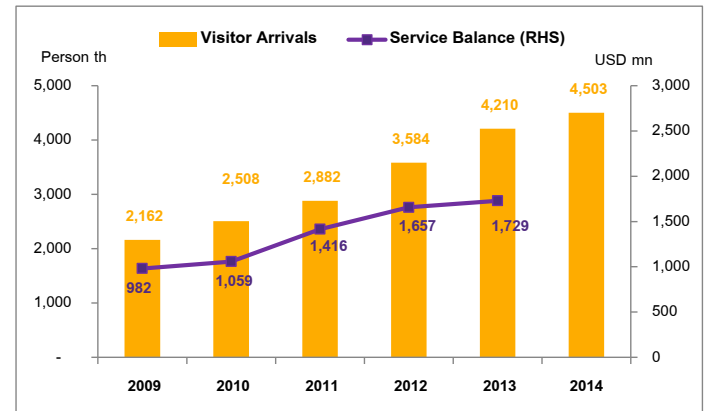
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Sources: ADB, Bloomberg, CEIC, IMF, Trademap, World Bank, the Government of Cambodia, the National Bank of Cambodia

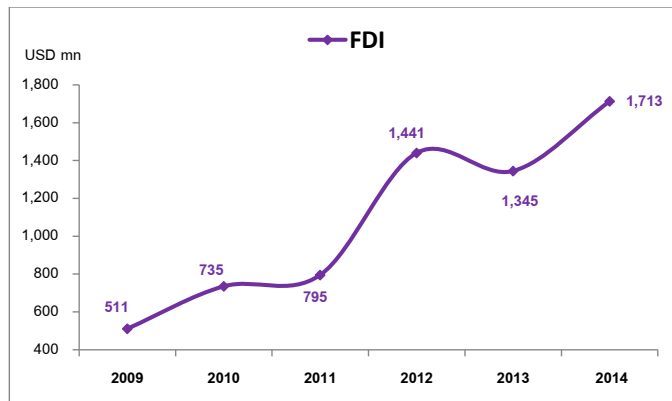
### International trade



### Tourism and services



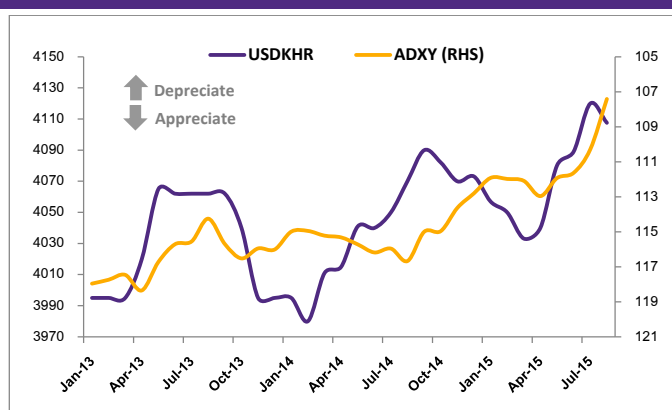
### Foreign direct investment



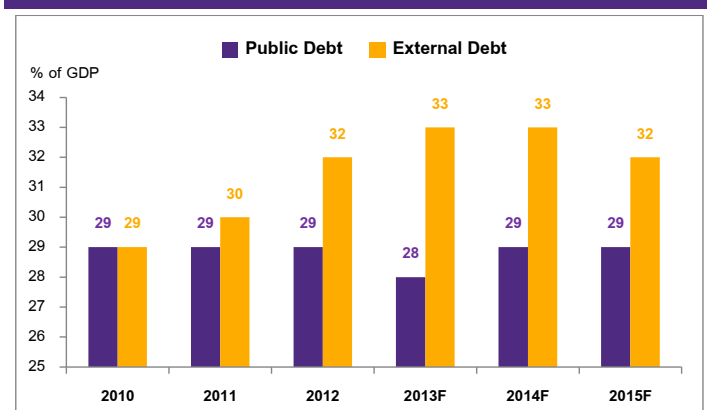
### Foreign reserves



### Khmer riel and Asia Dollar Index



### Public debt and external debt



Sources: ADB, Bloomberg, CEIC, IMF, Trademap, World Bank, the Government of Cambodia, the National Bank of Cambodia

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## Laos Monitor by EIC

**10 September 2015**

### Macroeconomic Update

Laos's economy in 2015 is likely to slowdown from last year to a growth of 7.0% from the falling commodities prices which affected export of copper, the main export product of Laos. While tighten fiscal spending and declining oil price has imposed constraint on total import this year. Strong foreign direct investment especially in energy sector and tourism remain important growth engines for Laos going forward.

**Laos's economy is expected to slow down to 7.0% growth in 2015 down from 7.4% in 2014.** The falling global commodities prices have weakened Laos' copper export, which accounted for over 30% of the total export value. In addition, the slowdown of China's and Thailand's economy, which are the key trading partners of Laos, have further affected Laos export sector, causing the first 4 months export to drop by 15%. The slowdown of China has also reduced the demand for minerals, dampened countries' major mining activities and reduced government main source of revenue, as a result, the government need to tighten their fiscal spending. Laos's inflation for the first 7 months of 2015 has slow to an average of 1.3% from around 4.2% in 2014 thanks to the lower global oil prices which is likely to remain low for the rest of 2015.

**Investment in Laos continues to improve as the government has been pursuing a national policy of FDI promotion.** More investment poured into Hydro power plant and renewable energy business and the trend is likely to continue. Regional actors are slowly overtaking Western groups and multilateral institutions in the hydroelectric sector. Thailand who has benefited extensively from Laotian electricity and therefore it has strongly invested in it, and the latest huge investment was the largest wind farm in Southeast Asia to be built in southern Laos under an agreement between the Lao government and Impact Energy Asia (IEA), a Thai renewable company, the US\$1.5 billion [Bt50 billion] farm will be located near the Mekong River across from Ubon Ratchathani and will generate 600 megawatts on 400,000 rai. Transportation infrastructure, tourism and large agro-forestry projects are also attracting new investors. The main investing countries are Laos' large neighbors Vietnam, China and Thailand, followed by France.

### Currencies

| FX     | Last   | %MOM   | %YTD   |
|--------|--------|--------|--------|
| USDLAK | 8155.0 | -0.49% | 0.69%  |
| EURLAK | 9139.9 | -1.20% | -6.65% |
| JPYLAK | 67.7   | 2.89%  | 0.06%  |
| THBLAK | 224.7  | -3.80% | -8.70% |

### Facts and Figures

|                         |   |
|-------------------------|---|
| Country                 | Laos  |
| Population (2014 est.)  | 6.8 million   |
| Labor force (2013 est.) | 3.4 million   |
| GDP (2014 est.)         | USD 11.7 billion  |
| GDP per capita          | USD 1,729   |
| GDP by sector (2013)    | Agriculture: 26.5%,<br>Industry: 33.1%,<br>Services: 40.4%  |
| Top exports (2013)      | Copper and copper ores (34%),<br>electricity (19%),<br>wood (17%)                                 |
| Export partners (2013)  | Thailand (31%),<br>China (23%),<br>Vietnam (15%), EU (8%)   |
| Top imports (2013)      | Refined fuel (14%),<br>cars and trucks (12%),<br>integrated circuits (8%),<br>iron and steel (7%) |
| Import partners (2013)  | Thailand (61%),<br>China (28%),<br>South Korea (3%)   |

A bright sign for development has been seen recently from the government of Laos and the World Bank signing agreements for three development projects backed by US\$68 million from the bank's International Development Association (IDA) and another US \$2.4 million by the Government of Australia.

- US \$32.4 million **Power Grid Improvement Project** for Electricité du Laos (EDL) to improve the efficiency and reliability of the electricity distribution network
- US\$26.4 million **The Lao PDR Health Governance and Nutrition Development Project**, aims to improve the health of women and children through support of the Lao Government's free maternal and child health services.
- US\$11.6 million project, **the Poverty Reduction Fund II Project (PRF II)**, will help to improve access to and utilization of basic infrastructure and services for poor communities across the country



## Industry Update

- **Food:** V Foods at the beginning of June signed a 10-year partnership deal with Dao Heuang Group and is now licensed to manufacture and distribute Dao canned coffee in Thailand and ASEAN, starting from CLMV market.
- **Power:** SMART signed MOU to study the hydro power plant infrastructure in Laos, if the result went well, there will be a contract signing with partners in Q4'15.
- **Power:** Lao's Ministry of Energy and Mines estimates that the power sector will grow by 30% per year during 2016-2020 as more than 20 plants will start generating power during the period.
- **Power:** Laos received USD 32 million from World Bank to improve the efficiency and reliability of the power distribution network.
- **Building Materials:** SMART Concrete for the first time introduced its distribution channel in Laos via dealers, targeted total revenue in 2015 to be 409 million baht
- **Infrastructure:** Laos is setting up a joint company with China to oversee the construction and financing of a \$7 billion dollar, high-speed railway project that will link the two neighboring countries and extend to Thailand.
- **Retail:** Big C was finally licensed to operate in Laos; first branch in Vientiane will be open by the end of 2015 and expected to expand further into prime cities like Savannakhet, Champasak, and Luang Prabang.
- **Entertainment:** The Laos World Trade Centre (WTC) signed an agreement last month with Thailand's Major Cineplex Group to open a new cinema complex in Vientiane.

## Key Indicators

| Domestic demand          | Share of GDP * | Unit | 2010  | 2011  | 2012  | 2013  | 2014  | 2015F |
|--------------------------|----------------|------|-------|-------|-------|-------|-------|-------|
| GDP                      |                | %YOY | 7.5   | 7.8   | 7.9   | 7.9   | 7.4   | 7.0   |
| Manufacturing            | 8%             | %YOY | 7.0   | 9.7   | 14.5  | 7.7   | -     | -     |
| Construction             | 7%             | %YOY | 20.0  | 24.8  | 19.2  | 9.9   | -     | -     |
| Wholesale/Retail Trade   | 18%            | %YOY | 6.5   | 8.7   | 10.3  | 5.3   | -     | -     |
| CPI: Headline inflation  |                | %    | 6.0   | 7.6   | 4.3   | 6.4   | 4.2   | 3.5   |
| Policy rate (end period) |                | %    | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   |       |
| USDLAK                   |                |      | 8,057 | 8,025 | 7,987 | 8,022 | 8,099 |       |

\* Shares as of 2013

| External sector              | Unit      | 2012  | 2013  | 2014  | Latest | YTD value | %YTD   |
|------------------------------|-----------|-------|-------|-------|--------|-----------|--------|
| Export                       | USD mn    | 3,326 | 3,882 | 4,685 | Apr-15 | 1,382     | -15.2% |
| Export: Copper               | USD mn    | 1,171 | 1,052 | 1,034 | Apr-15 | 280       | -26.9% |
| Export: Electrical energy    | USD mn    | 497   | 590   | 573   | May-15 | 191       | -3.8%  |
| Import                       | USD mn    | 6,340 | 7,287 | 7,948 | Apr-15 | 2,486     | -12.1% |
| Import: Refined fuel         | USD mn    | 940   | 884   | 907   | May-15 | 326       | -25.1% |
| Import: Cars and trucks      | USD mn    | 655   | 746   | 704   | Apr-14 | 264       | -2.9%  |
| Export from Thailand to Laos | USD mn    | 3,588 | 3,758 | 4,033 | Jul-15 | 2,442     | 3.0%   |
| Foreign Direct Investment*   | USD mn    | 294   | 427   | 1,030 | 2014   | 1,030     | 141.4% |
| Approved FDI from Thailand*  | USD mn    | 237   | 275   | 325   | 2014   | 325       | 18.2%  |
| Visitor Arrivals             | Person mn | 3.33  | 3.78  | 4.16  | 2014   | 4.16      | 10.0%  |

Note: 1) Export and Import are based on IMF data.

2) Export and Import by product are based on mirror data of 95% of Laos' trading partners.

3) FDI reflects direct investment liabilities in the balance of payments.

4) Approved FDI from Thailand reflects the value of investment projects that has been approved.

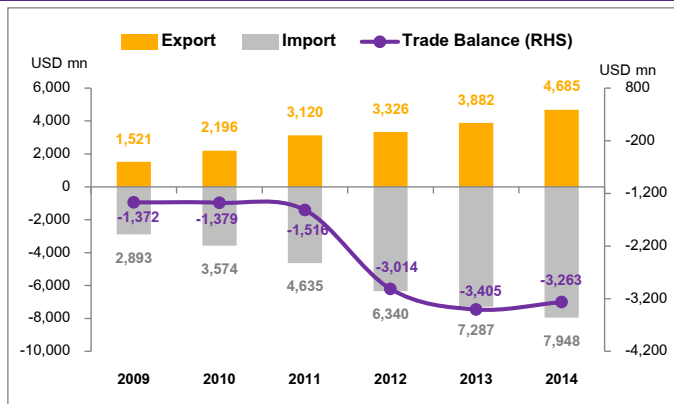
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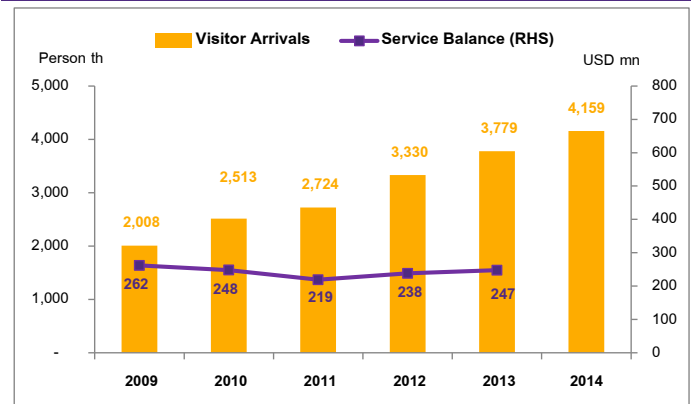
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Sources: ADB, Bloomberg, CEIC, IMF, Trademap, World Bank, the Government of Laos, Bank of the Lao PDR

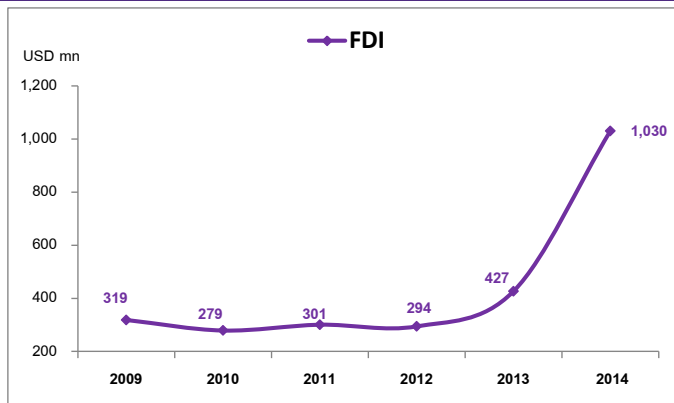
### International trade



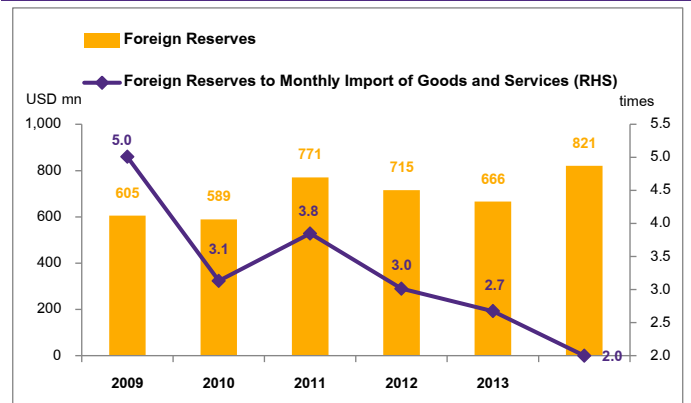
### Tourism and services



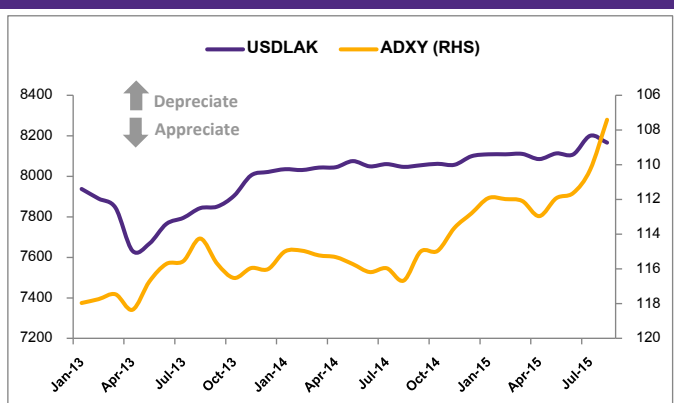
### Foreign direct investment



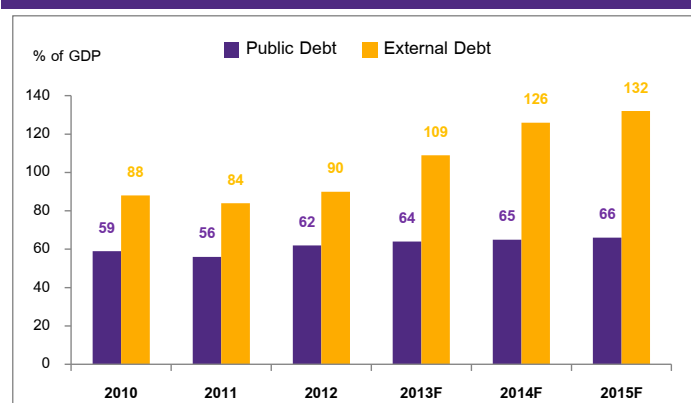
### Foreign Reserves



### Lao kip and Asia Dollar Index



### Public debt and external debt



Sources: ADB, Bloomberg, CEIC, IMF, Trademap, World Bank, the Government of Laos, Bank of the Lao PDR

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## Myanmar Monitor by EIC

10 September 2015

### Macroeconomic Update

Myanmar's economy is expected to grow 8.3% in FY2015<sup>1</sup>, however with the downside risk from impact of flooding that damaged the country's agricultural sector and likely to hike up country's inflation rate. Nevertheless, the strong FDI inflow and growth in tourism sector will help support the economic growth, along with the country's social and economic reform that will help boost foreign investors' confidence going forward.

**Myanmar economy is projected to grow at 8.3% in FY2015 with the downside risk from the impact of flooding.** The recent flood was Myanmar's worst natural disaster since 2008, and had destroyed 10% of cultivated areas and that has caused total loss of about 700,000 tons of exporting rice (equivalent to 1.3% of total GDP, World Bank) as the country needed to prioritize for domestic consumption. The shortage from flood will mostly drive up the country's high inflation rate, and widen the country's current account deficit as export slowdown and large import of goods is needed for reconstruction. However, the government has recently announced that the country might be able to recover back its export capacity by this November and this is to be monitored. The risk from Myanmar large current account deficit had caused kyat to depreciate against dollar at a faster pace in 2015. The depreciation of kyat will hurt the country as it relied heavily on import of capital goods especially in manufacturing sector.

**Social and economic reform will help boost foreign investors' confidence and thus increased FDI inflow into the country.** Myanmar has recently announced its first national minimum wage of 3,600 kyat per normal 8-hours working day (or around 100 THB) and will be holding the country's national election on November 8, 2015. The ongoing social and economic reform will help boost investors' confidence and further increased FDI inflow. FDI mostly spurred into the energy and manufacturing sectors. As a result, the surge of FDI will help increased the country's economic activities and supported the domestic demand

### Currencies

| FX     | Last   | %MOM   | %YTD   |
|--------|--------|--------|--------|
| USDMMK | 1286.0 | 3.79%  | 24.53% |
| EURMMK | 1435.9 | 5.90%  | 14.60% |
| JPYMMK | 10.7   | 7.32%  | 23.66% |
| THBMMK | 35.5   | -0.35% | 13.12% |

### Facts and Figures

|                          |  |
|--------------------------|--|
| Country                  | Myanmar  |
| Population (2014 Census) | 51.4 million   |
| Labor force (2013 est.)  | 34.3 million   |
| GDP (2014)               | USD 62.8 billion   |
| GDP per capita           | USD 1,270  |
| GDP by sector (2013)     | Agriculture: 36.7%, Industry 46.4%, Services 16.9%:                            |
| Top exports (2014)       | Natural gas (41%), wood (15%), jewelry (10%), garment (9%)                     |
| Export partners (2014)   | China (36%), Thailand (34%), India (8%), Japan (5%)                            |
| Top imports (2014)       | Machinery (27%), refined fuel (17%), iron and steel (11%), car and trucks (6%) |
| Import partners (2014)   | China (31%), Thailand (10%), Japan (10%), South Korea (3%)                     |

in the future along with the growing tourism sector.

**Myanmar Investment Commission (MIC) has announced the FDI in fiscal year 2015 soared to 8.1 billion USD**, higher than targeted of approximately 6 billion, thanks to the opening-up of the country's telecommunication sector and a surge in manufacturing and energy sector. According to the MIC, 35% of total FDI flowed into energy sector, while another 25% went into telecommunications and manufacturing sector. However, it is unclear how much the projects approved have been disbursed. The surge in FDI posed as a positive sign to country's economy and the trend is likely to continue, especially from the development of Thilawa Special Economic Zone.

<sup>1</sup>FY2015 = April 2015-March 2016



## Industry Update

- **Food:** Myanmar's first KFC franchise is set to open in Yangon, in a partnership with Yoma Strategic Holdings Ltd before end of this year.
- **Beverage:** F&N will sell its 55% stake in Myanmar Brewery Limited (MBL) at \$560 million to MEHL, a Myanmar army-linked organization. Reuters reported that a source said Kirin was coming in as MEHL's nominee and is looking to buy the stake at the agreed price from F&N.
- **Beverage:** Carlsberg partnered with Myanmar Golden Star Breweries and opened a USD 75 million brewery in Bago in June, producing two local brands and Carlsberg premium.
- **Beverage:** Heineken opened a USD 60 million brewery near the commercial capital Yangon in July after it established a local partnership with Alliance Brewery Company in 2013.
- **Rice:** Myanmar is not able to export rice until mid of the final quarter this year due to the Cyclone Nargis flood. As a result, the government needed to sustain the stock level for domestic consumption. (As of 25<sup>th</sup> AUG, 10% cultivated area damaged, 700,000 million tons short of export, equivalent to 1.3% of total GDP, to be monitored on recovering again in Nov'15)
- **Building Materials:** Siam Cement Group (SCG) plans a joint venture with Siam Global House PLC to capture Myanmar's building materials retail market, expecting to open two retail stores in Yangon and Mandalay. In addition, the company is also looking at Cambodia, Laos and Vietnam to become their next potential markets after Myanmar.
- **Building Materials:** SGC will open its first chain of Thai construction materials stores in Myanmar, starting with one in Yangon and another in Mandalay.
- **Retail:** Makro plans to open its Cash & Carry branches in Myanmar, expecting to operate its first branch in Yangon by mid-2016 targeting mom-and-pops and HoReCa customers, these groups of customers are expanding heavily in Myanmar.
- **Retail:** Sahapat Group partnered with giant local retail group 'City Mart' and transformed its 108 shop into City Express in preparation to expand further for more branches.
- **Power:** Thailand, China and Myanmar are planning to sign a memorandum of understanding (MoU) for the development of the 7,000-megawatt Mong Ton

hydropower plant worth \$4 billion-\$5-billion, and is at the feasibility-study stage

- **Power:** Hitachi and local Electric and Machinery plan to manufacture electric transformers in Myanmar for local and regional distribution.
- **Power:** Thermal coal and coal-fired plants TNDT plans to invest in a coal mine in Myanmar, while its two coal-fired plants (20MW) are under construction targeted to finish in 2017.
- **Power:** GPSC, Marubeni Corporation, EGATi, SRI Synergy Co. Ltd., and Ayeyar Hinthar Holdings Co. Ltd. collaborate with the Myanmar government to build a clean coal power plant, but the plan has not yet been concluded.
- **Power:** RATCH and PTT plan a coal-fired plant (600MW) in Myanmar. RATCH also considers investing in a coal or natural gas power plant in Vietnam.
- **Infrastructure:** Myanmar MJets opens the republic's first world-class private jet terminal, known as Myanmar MJets Business Aviation Center (MMBAC), on Aug 2nd. This terminal is the first of its kind to open, in anticipation of increasing private jet movements, due to the opening up of the republic and the consequent influx of foreign investment, business and tourism.
- **Infrastructure:** India, Bangladesh and Myanmar have plan for a 23-kilometre road from Gundam in Myanmar towards Kunming to connect with China to establish cross-border transport link among the three countries.
- **Oil and gas:** Thailand's leading construction firm Italian-Thai Development PCL has an authority to invest a \$500 million liquefied natural gas (LNG) import terminal at Dawei industrial zone in southern Myanmar. PTT and Shell are the main customers that will use this terminal in order to import LNG.
- **Palm Oil:** Myanmar's attempts in developing its palm oil industry posts a long-term threat to Thailand's export as it is our 3rd largest trading partner for palm oil (14% of total export value).
- **Auto:** Itochu joins Isuzu in maintenance service
- **Hospitality:** BCH is preparing to open up more hospitals in Kasemrad Group to facilitate patients coming from Myanmar and Laos in addition to its currently in operation Kasemrad Sriburin Hospital in Muang District, Chiangrai.
- **Hospitality:** BDMS formed Bangkok Chiangrai Hospital to service patients from Myanmar and Laos and also to prepare for future investment once AEC is live.
- **SEZs:** May'15 Japan has agreed to enter a trilateral cooperation with Thailand and

Myanmar in developing the Dawei Special Economic Zone (SEZ), investment cooperation would be conducted in stages beginning from the construction of public utilities and infrastructure on a 27-rai plot of land and roads linking Dawei to Ban Phu Nam Ron in the Thai province of Kanchaburi. Then, the SEZ development will move to mega projects such as power plants and small sea ports.

- **SEZs:** Aug'15 , Italian-Thai and its partners including Rojana Industrial Park PCL signed concession agreements with Dawei Special Economic Zone management committee to develop the initial phase of the project.
- **SEZs:** Italian-Thai also received the right to develop an additional 8 sqkm of industrial land areas and the company aimed to sell about 20 percent of land areas by 2016 which should create revenue of 10 billion baht (\$284 million), and is expected to reach 70-80 billion baht in 2016 when it begins booking revenue from the Dawei project.
- **Finance & Banking:** Local lender Myanmar Oriental Bank will receive a \$7 million convertible loan from the World Bank's private lending arm International Finance Corporation (IFC) to expand financing for small and medium enterprises in urgent need of capital to grow their businesses.
- **Finance & Banking:** Thai-listed debt collector JMT Network Services (JMT) will form a joint venture, JP Finance Co Ltd, with its partners, to operate a micro-finance business in Myanmar.

## Key Indicators

| Domestic demand          | Unit | FY2010* | FY2011 | FY2012 | FY2013 | FY2014 | FY2015F |
|--------------------------|------|---------|--------|--------|--------|--------|---------|
| GDP                      | %YOY | 5.3     | 5.9    | 7.1    | 8.3    | 7.7    | 8.3     |
| Consumption              | %YOY | 12.7    | 3.3    | -      | -      | -      | -       |
| Domestic Investment      | %YOY | -       | 12.2   | 22.7   | 23.2   | -      | -       |
| CPI: Headline inflation  | %    | 8.2     | 2.8    | 2.8    | 5.7    | 5.9    | 8.4     |
| Policy rate (end period) | %    | 12.0    | 10.0   | 10.0   | 10.0   | 10.0   | -       |
| USDMMK                   |      | 6.4     | 6.4    | 883    | 963    | 1,078  | -       |

\* Fiscal Year (FY) is from 1<sup>st</sup> April to 31<sup>st</sup> March

| External sector                 | Unit      | 2012  | 2013   | 2014   | Latest  | YTD value | %YTD   |
|---------------------------------|-----------|-------|--------|--------|---------|-----------|--------|
| Export                          | USD mn    | 8,900 | 11,233 | 11,031 | Feb-15  | 1,684     | 26.0%  |
| Export: Natural gas             | USD mn    | 3,510 | 3,526  | 4,178  | Feb-15  | 771       | 111.4% |
| Import                          | USD mn    | 9,201 | 12,043 | 16,226 | Feb-15  | 2,895     | 3.9%   |
| Import: Machinery               | USD mn    | 2,348 | 4,003  | 4,360  | Feb-15  | 1,027     | 75.8%  |
| Import: Refined fuel            | USD mn    | 1,794 | 1,715  | 2,681  | Feb-15  | 383       | -41.3% |
| Export from Thailand to Myanmar | USD mn    | 3,127 | 3,788  | 4,239  | Jul-15  | 2,413     | -2.2%  |
| Foreign Direct Investment*      | USD mn    | 1,334 | 2,255  | -      | 1Q-2014 | 670       | 129.5% |
| Approved FDI*                   | USD mn    | 1,069 | 2,781  | 8,567  | Feb-15  | 1,245     | 115.3% |
| Approved FDI* from Thailand     | USD mn    | 0     | 416    | 231    | Feb-15  | 8.7       | -21.3% |
| Visitor Arrivals                | Person mn | 0.79  | 2.03   | 3.08   | Feb-15  | 0.60      | 7.7%   |

Note: 1) International trade, FDI and visitor arrivals are per Calendar Year (CY)

2) FDI reflects direct investment liabilities in the balance of payments.

3) Approved FDI reflects the value of permitted enterprises.

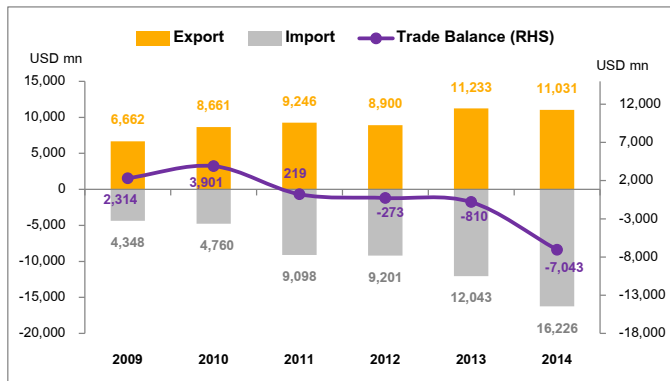
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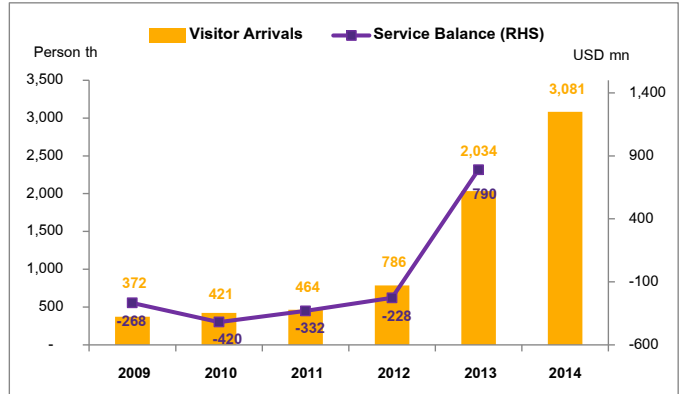
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Sources: ADB, Bloomberg, CEIC, IMF, Trademap, World Bank, the Government of Myanmar, Central Bank of Myanmar

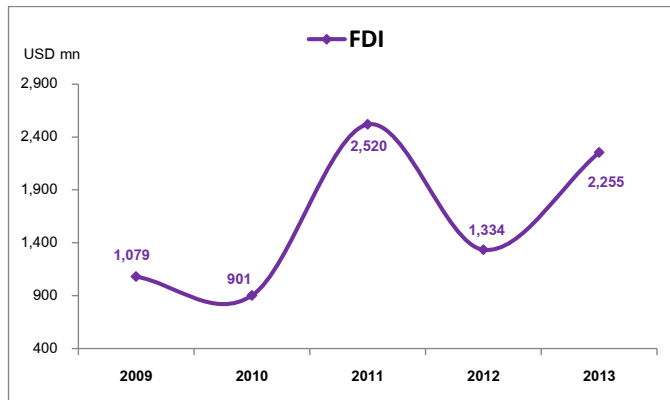
### International trade



### Tourism and services



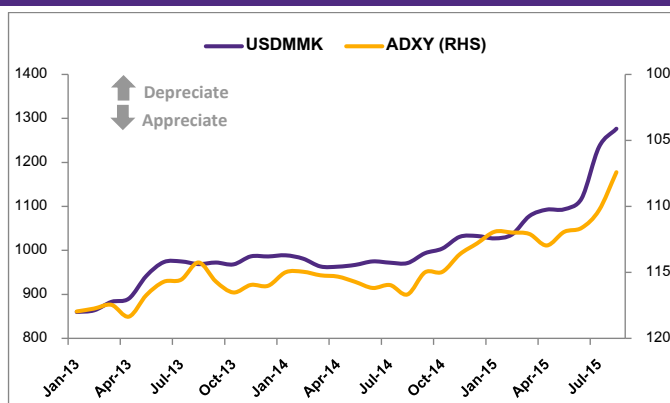
### Foreign direct investment



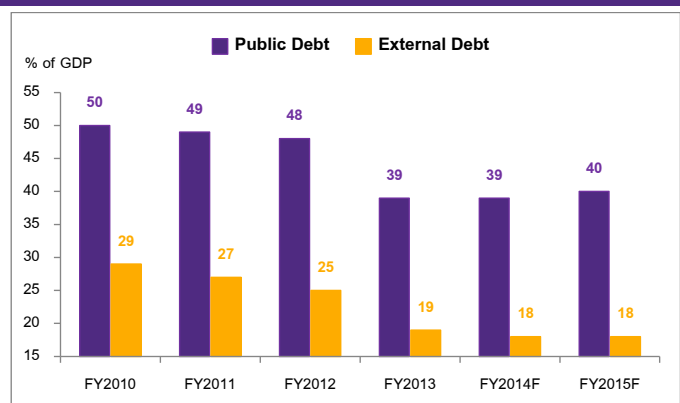
### Foreign reserves



### Myanmar kyat and Asia Dollar Index



### Public debt and external debt



Sources: ADB, Bloomberg, CEIC, IMF, Trademap, World Bank, the Government of Myanmar, Central Bank of Myanmar



## Vietnam Monitor by EIC

10 September 2015

### Macroeconomic Update

Vietnam's economy is expected to increase 6.1% in 2015 as the country emerge as one of the main electronic exporters in world. Vietnam's manufacturing sector continues to grow coincide with its high export growth. The series of Dong devaluation following Yuan's devalue will help maintain the country's export price competitiveness. The downside risk for Vietnam's economy is the slowdown in China which will impact the demand for Vietnam's export both directly and indirectly. However, FDI inflow to Vietnam still increase especially those in E&E sectors, thus making Vietnam's positioned in world market strong and clear.

**Vietnam's GDP is projected to increase 6.1% in 2015 from strong E&E manufacturing and export growth.** Vietnam's GDP in the second quarter of 2015 grew 6.3%YOY increased from 6.1%YOY in the first quarter. The country's manufacturing PMI in the second quarter picked up to 53.5 from 51.3 in the first quarter, coinciding with the export sector which grew 9.2% in the first 8 months up from 8.0% during the first 4 months from high growth in phones and parts export following Samsung's new model. Import also increased more than 16% as more electronics components are imported to assemble in Vietnam. The strong export and manufacturing activities, especially in E&E will uphold Vietnam's economy this year.

**The downside risks for Vietnam's economy include the slowdown of China's economy which is one of Vietnam's major trading partners.** The economic slowdown of China will indirectly affect the recovery of Japan and suppress other ASEAN countries growth. Moreover, the recent devaluation of Yuan has posed a threat to Vietnam's export competitiveness, thus Vietnam's central bank has imposed a series of Dong devaluation including lowering reference rate and widen trading band to ensure the country's competitiveness. In addition, tourist arrivals continue to fall by 7.5% as the number Chinese visitors' slowdown from territorial dispute between the two countries.

**On 4 August 2015, the EU and Vietnam reached an agreement in principle for a bilateral FTA** including the elimination of nearly all tariffs (over 99%). Vietnam will liberalize tariffs over a 10-year period and the EU will liberalize tariffs over a 7-year period. The agreement covers non-tariff barriers to trade and other trade related aspects such as public procurement, regulatory issues,

### Currencies

| FX     | Last    | %MOM   | %YTD   |
|--------|---------|--------|--------|
| USDVND | 22480.0 | 3.01%  | 5.11%  |
| EURVND | 25192.0 | 4.78%  | -2.64% |
| JPYVND | 186.5   | 6.51%  | 4.56%  |
| THBVND | 621.4   | -0.10% | -4.43% |

### Facts and Figures

|                        |  |
|------------------------|--|
| Country                | Vietnam  |
| Population (2014)      | 90.7 million   |
| Labor force (2013)     | 53.3 million   |
| GDP (2014)             | USD 186.2 billion  |
| GDP per capita         | 2,052  |
| GDP by sector (2013)   | Agriculture: 18.4%,<br>Industry: 38.3%,<br>Services: 43.3%   |
| Top exports (2014)     | Textiles and garments (14%),<br>Mobile phones and parts (14%)  |
| Export partners (2014) | EU (18%), USA (18%), Japan (10%),<br>China (10%)   |
| Top imports (2014)     | Machinery (16%),<br>electronics (13%),<br>apparel and textiles (7%),<br>steel (5%),<br>refined fuel (5%) |
| Import partners (2014) | China (28%), South Korea (16%),<br>Japan (9%), EU (7%),<br>Taiwan (7%), USA (7%)                         |

competition, services, investment, intellectual property rights, and sustainable development. Key Vietnam export items include: electronics, textiles, footwear, coffee, rice, seafood, and furniture. Key EU exports include: electrical machinery, aircraft, vehicles, and pharmaceutical products. Direct impact will be on Myanmar and Cambodia who share the same export market in the sector of E&E, textiles, rice and seafood. Moreover, the FTA is expected to make Vietnam more attractive and favorable for investment by European firms.

**FDI in Q1'15 grew by 6.2% QoQ to US \$2.3 Billion with the inflow mainly into high-technology, garment and real estate sectors.** Vietnam has continued to attract FDI from countries with developed electronics industry as well as G20 countries. The country plans to promote technology transfer, set up electronics industry clusters for FDI and domestic enterprises, attract big projects from multinational corporations which are usually entailed by supporting companies, improve the investment and business environment, raising human resource quality, upgrading transport infrastructure, energy and logistics industries.

The textile sector ranked second in attracting FDI with more than US\$1.12 billion in the first seven months of 2015. Of which, Turkey poured US\$660 million in a fiber-producing-plant in the southern province, making it the largest project so far in this field. Garment exports to the EU are expected to rise by 50 percent in the first year and around 20 percent for the consecutive years once the Vietnam-EU free trade agreement comes into effect.

In terms of real estate sector, new capital from foreign investors is gradually flowing into the property market, not only in the premium segment, but also the medium one. The transaction rate increased and the trend is likely to continue due to the Housing Act 2014 which was in effect from 1<sup>st</sup> JULY 2015, allowing individuals and foreign institutions to own houses in Vietnam and ensuring property rights, which has bolstered confidence among investors and stimulate demand for housing from foreigners as enterprises and individuals who will work in Vietnam.

According to the previous Housing Act 2008, type of houses owned by foreign businesses only includes apartments in the development projects of commercial housing. Meanwhile, according to the new Housing Act 2014, the foreign entities have the right to own houses in addition to previously allowed apartments, except for the areas to ensure defense and security as stipulated by the Government. The Housing Act 2014 stated that foreign enterprises are allowed to own houses as agreed in the contract of transactions for sale, lease purchase, donation or inheritance but not exceeding the time limit stated in the issued certificate of

investment, including time of extension; housing ownership period is calculated from the date of issuing Certificate and clearly stated in this Certificate. Before the expiration, the owner can give or sell this house otherwise; it shall be automatically transferred to the State of Vietnam.



## Industry Update

- **Food:** Kinh Do sold 80% stake to Mondelez International for around USD370 million and changed its name to KIDO Corporation.
- **Rice:** Vietnam EU Bilateral FTA (EU-V BFTA) has been signed, 80,000 tons of rices can be exported at 0% tariff per year which will have an impact on Cambodia and Myanmar rice exporter as they share the same export market and were previously granted EBA 0% tariff. However, to be watched out for Thai rice exporters on Vietnam's next move to US or other Asian nations in the future, these are the main Thai export market.
- **Real Estate:** Preuksa was considering setting up new subsidiaries or joint ventures with local partners which require foreign investors to bring in at least \$10 million.
- **Infrastructure:** Nok Air confirmed plans to launch its second scheduled international route, Bangkok-Ho Chi Minh, and began tickets sales. Nok will initially serve the Bangkok-Ho Chi Minh market with four weekly frequencies from 1-Oct-2015, increasing to daily from 25-Oct-2015 and double daily from 1-Dec-2015. Nok is also planning to resume services to Hanoi and launch services to Vietnam's third largest city, Da Nang, although it has not yet set a launch date or begin sales for either of these planned new routes.
- **Power:** Vietnam planning to connect seven islands to the national power grid.
- **Power:** Rain, heaviest in 40 years, forced coal production in Vietnam to halt, increasing power generation shortage risk.
- **Power:** Vietnam planning to end EVN (Electricity of Vietnam) monopoly according to its goal to increase market competitiveness in the industry. EVN has been claiming losses to ask for price hikes every year despite its monopoly status. The prices will now go up and down on supply and demand, but the government will set a cap, and the sellers will try to reduce their prices and improve their payment services. People will have more choices.

## Key Indicators

| Domestic demand          | Share of GDP * | Unit | 2010   | 2011   | 2012   | 2013   | 2014   | 2015F |
|--------------------------|----------------|------|--------|--------|--------|--------|--------|-------|
| GDP                      |                | %YOY | 6.4    | 6.2    | 5.2    | 5.4    | 6.0    | 6.1   |
| Private consumption      | 65%            | %YOY | 8.2    | 4.1    | 4.9    | 5.2    | -      | --    |
| Public consumption       | 6%             | %YOY | 12.3   | 7.1    | 7.2    | 7.3    | -      | -     |
| Investment               | 24%            | %YOY | 10.9   | -7.8   | 1.9    | 5.3    | -      | -     |
| CPI: Headline inflation  |                | %    | 9.2    | 18.7   | 9.1    | 6.6    | 4.1    | 2.5   |
| Policy rate (end period) |                | %    | 9.0    | 15.0   | 9.0    | 7.0    | 6.5    | -     |
| USDVND                   |                |      | 19,498 | 21,034 | 20,840 | 21,095 | 21,388 | -     |

\* share of 2013 GDP

| External sector                 | Unit      | 2012    | 2013    | 2014    | Latest  | YTD value | %YTD  |
|---------------------------------|-----------|---------|---------|---------|---------|-----------|-------|
| Export                          | USD mn    | 114,529 | 132,033 | 150,187 | Aug-15  | 106,316   | 9.2%  |
| Export: Phones and parts        | USD mn    | 13,059  | 21,303  | 23,563  | Aug-15  | 19,962    | 31.7% |
| Export: Textiles and garments   | USD mn    | 15,154  | 18,200  | 21,219  | Aug-15  | 15,151    | 10.1% |
| Import                          | USD mn    | 113,780 | 132,033 | 148,049 | Aug-15  | 110,852   | 16.4% |
| Import: Machinery               | USD mn    | 15,714  | 18,687  | 23,502  | Aug-15  | 19,431    | 31.2% |
| Import: Electronics             | USD mn    | 13,058  | 17,702  | 18,776  | Aug-15  | 15,157    | 35.1% |
| Export from Thailand to Vietnam | USD mn    | 6,483   | 7,182   | 7,882   | Jul-15  | 4,916     | 17.0% |
| Foreign Direct Investment*      | USD mn    | 8,368   | 8,900   | 9,200   | 1Q-2015 | 2,270     | 6.2%  |
| Approved FDI*                   | USD mn    | 7,854   | 14,272  | 15,643  | Aug-15  | 7,879     | 8.7%  |
| Approved FDI from Thailand*     | USD mn    | 73      | 360     | 150     | Aug-15  | 102       | 9.2%  |
| Visitor Arrivals                | Person mn | 6.85    | 7.57    | 7.87    | Aug-15  | 5.06      | -7.5% |

Note: 1) FDI reflects direct investment liabilities in the balance of payments.

2) Approved FDI from Thailand reflects the value of registered capital from Thailand.

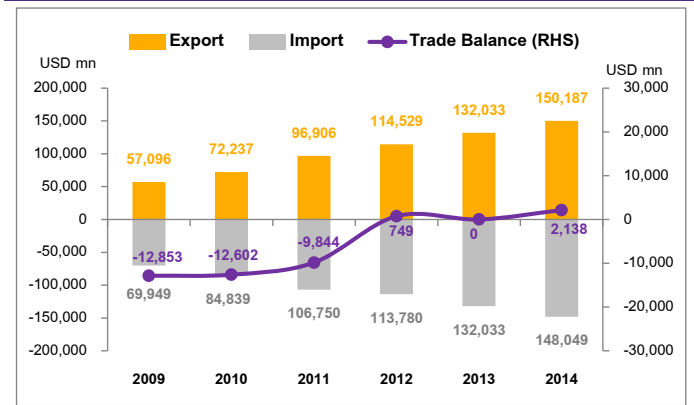
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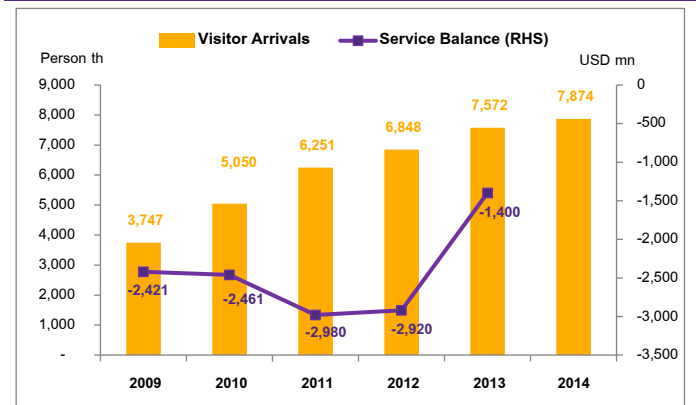
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Sources: ADB, Bloomberg, CEIC, IMF, Trademap, World Bank, the Government of Vietnam, the State Bank of Vietnam

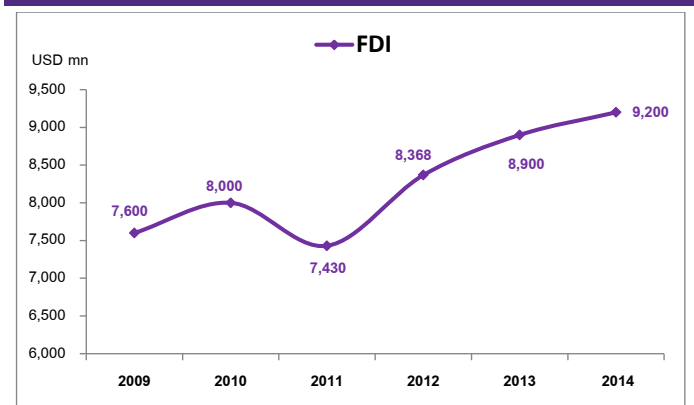
### International trade



### Tourism and services



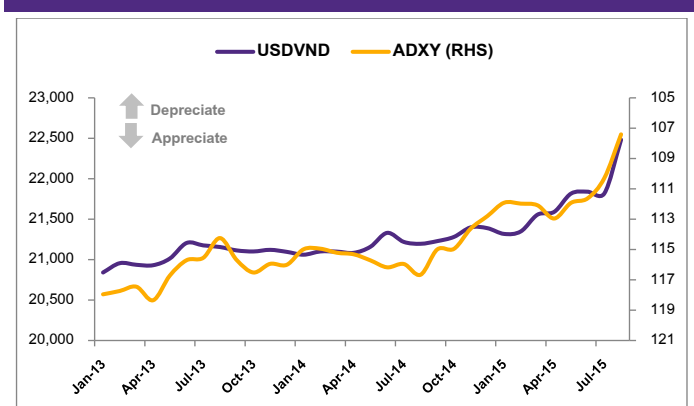
### Foreign direct investment



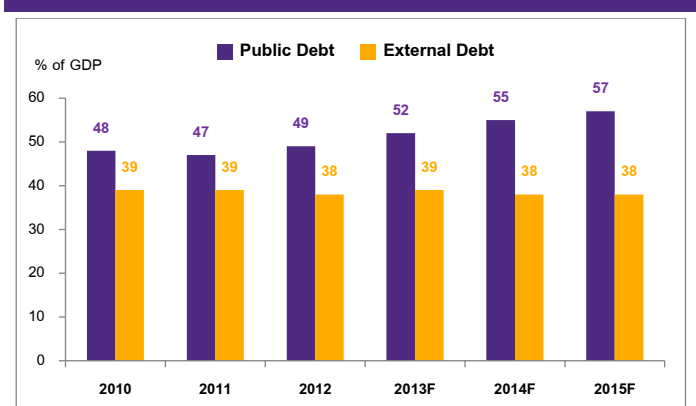
### Foreign reserves



### Vietnamese dong and Asia Dollar Index



### Public debt and external debt



Sources: ADB, Bloomberg, CEIC, IMF, Trademap, World Bank, the Government of Vietnam, the State Bank of Vietnam

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