

CLMV Monitor by EIC

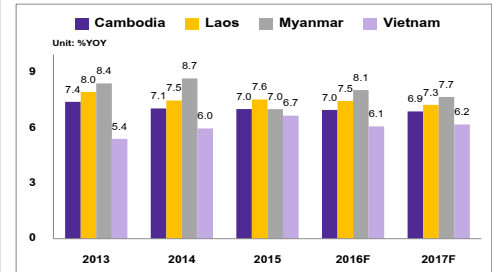
24 November 2016



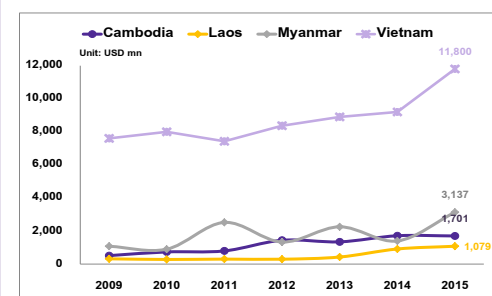
CLMV countries look for ways towards seamless connectivity as CLMV leaders have agreed on cooperative measures to enhance their connectivity at the 8th CLMV Cooperation Summit in Hanoi in October. Leaders pointed to the challenges facing the Mekong Region, including limited human resources, underdeveloped infrastructure, regional and global economic instability, and open economies' vulnerability. To maintain economic growth momentum and improve competitiveness, leaders agreed to simultaneously reform domestic economy, maintain economic stability, create an optimal business environment, and proactively integrate more into the regional and global economies. According to the Summit, the CLMV nations will accelerate the building of missing links and upgrade roads along the North–South Economic Corridor, the East–West Economic Corridor, and the Southern Economic Corridor. CLMV leaders agreed to step up the harmonization of cross-border procedures and develop industrial zones along the corridors to facilitate trade and investment. They will promote border trade via harmonizing member countries' border-trade procedures and developing a network of border markets, carry out trade and investment promotion activities, and facilitate the investment of CLMV enterprises in each other's markets. Regarding industrial cooperation, the four countries will collectively foster collaboration in industrial policy development and small and medium enterprise policy development.

- **Under the US Donald Trump's presidency and now with the Trans-Pacific Partnership (TPP) no longer being feasible, CLMV nations would likely focus more on realizing the Regional Comprehensive Economic Partnership (RCEP), a China-backed trade deal.** Concerning the effect after the US election, many parts of president-elect Trump's campaign to "Make America Great Again" are mostly inward-looking policies to boost the US economy and paying less attention to CLMV countries. Specifically, the TPP is of concern to Vietnam mainly, if the mega trade deal does not become reality, then the existing option of RCEP will be given more consideration for countries in this region.

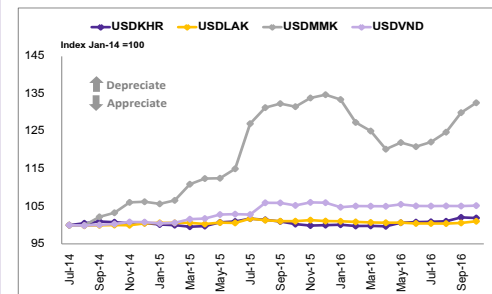
GDP Growth



Foreign Direct Investment (BOP basis)



Foreign Exchange Rate



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Sources: ADB, Bloomberg, CEIC, CIA, IMF, World Bank, Focus Economics, Capital Economics

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Cambodia Monitor by EIC

24 November 2016

Macroeconomic Update

Cambodia's growth is projected to reach 7% in 2016, propelled by exports, construction, and government consumption while agriculture is likely to expand due to better weather conditions. Resilient exports and depressed oil prices contribute to a narrowing of the trade deficit, supporting the country's overall external position. Although there are signs of slowing, especially in the micro-finance sector, the banking sector's credit growth remained high at 27%YOY in June. The value of garment exports grew solidly during the first half of 2016, increasing around 10%YOY. This solid export growth came from locally-based manufacturers introducing more sophisticated process such as printing and embroidery to add value to their garment products, and a sharp rise in exports to the EU market. However, sustaining this growth in the long term is becoming increasingly difficult amid growing competition and shrinking global trade, said the World Bank. The current account deficit is projected to narrow to 9.7% of GDP in 2016, due to reduced imports following the completion of major hydro projects, low commodity prices and growing remittances. The country's national debt stood at USD 5.7 billion at the end of June, totaling about one third of GDP according to a report on the national budget submitted to the National Assembly. This debt level is deemed manageable and relatively low compare to other neighboring economies and the government so far has not taken more external debts and still has room to borrow, if needed. Lastly, inflation was moderate at around 3% in July.

In the medium term, the encouraging outlook is likely to continue, strategically reinforced by regional integration. The economy is expected to sustain a high growth trajectory, growing 6.9% in 2017. Solid garment exports should continue to support while the construction sector is expected to slow gradually due to concerns regarding oversupply in the real estate market in major cities. The tourism and agriculture sectors are expected to expand modestly. However, the future outlook is still subject to cautious downside risks. Rapid credit growth, along with growing concentration in real estate, domestically poses heightened risks to financial and macroeconomic stability. External risks include a slowdown in China, USD rapid appreciation, and weak growth in Europe coupled with uncertainty from Brexit. Importantly, Trump's trade protectionism policy, if implemented, might affect Cambodian exports to the US which comprise one fourth of the country's total export value.

Currencies

FX	Last	%MOM	%YTD
USDKHR	4120.7	-0.12%	1.75%
EURKHR	4348.3	-3.14%	-1.11%
JPYKHR	36.6	-7.53%	8.73%
THBKHR	114.5	-0.87%	1.78%

as of November 23, 2016

Facts and Figures

Country	Cambodia
Population (2016 est.)	15.78 million
Labor force (2014 est.)	8.26 million
GDP (2016 est.)	19.37 USD billion
GDP per capita (2016 est.)	1,228 USD
GDP by sector (2015 est.)	Agriculture: 28.2% Industry: 29.4% Services: 42.3%
Top exports (2015)	Textiles 82% Electrical products 4% Rice 3% Vehicles and parts 3% Rubbers and plastics 3%
Export partners (2015)	United States 23% United Kingdom 9% Germany 8% Japan 7% Canada 7%
Top imports (2015)	Textiles 40% Vehicles and parts 11% Machinery 6% Electrical products 5% Gold 5%
Import partners (2015)	Thailand 29% China 22% Vietnam 16% Hong Kong 6% Singapore 6%

Small and Medium Enterprises (SMEs) are encouraged to be listed on the Cambodian stock exchange, following the signing of a memorandum of understanding (MoU) between the Federation of Associations for Small and Medium Enterprises (FASMEC) and the Securities and Exchange Commission of Cambodia (SECC). SMEs have an important role in Cambodia's economy, and account for a large percentage of employment. However, the lack of access to capital is currently a constraining factor to their growth. The Cambodian Securities Exchange (CSX) started the Growth Board a year ago, designed to list SMEs, but so far no companies have applied to be listed. The government is now aiming for companies to list. Companies listing on the CSX will receive a 50% tax exemption on revenue for the first five years, and income tax suspended for the same time period.

The Cambodian government agreed to raise the minimum wage for garment workers by about 9% in a move that failed to satisfy either the garment workers' unions or the manufacturers. The minimum wage for the crucial sector of Cambodia's economy would rise to USD 153 per month beginning next year. Currently, the minimum wage of workers is USD 140. While the increase falls short of USD 171 per month for wage proposal pushed by the unions, the Garment Manufacturers Association in Cambodia (GMAC) fears that the increase will damage their ability to compete with other lower-wage countries. The manufacturers, however, only wanted a USD 147 per month. Fundamentally, manufacturing wages in Cambodia have to remain low by international standards, largely because of pressures to compete with other low-cost production centers such as Bangladesh and Vietnam.

Cambodia's new e-commerce law is on the edge of becoming a reality. Cambodian Ministry of Commerce announced that the 90 articles long act is being finalized and should be presented for parliamentary review in the course of next year. Cambodia remains the last ASEAN country not to have enacted e-commerce law and related consumer protection law.

During China's President Xi visit to Cambodia in October, the two countries signed soft loan deals worth around USD 237 million in addition to dozens of agreements including: 1) China-Cambodia agreement on student exchange through an extra 500 scholarship plus 100 for youth, 2) China-Cambodia agreement on increasing the number of direct airplane flight to attract more tourist, 3) China-Cambodia agreement on military assistance worth around USD 14.8 million, 4) China-Cambodia agreement on reconstructing the Preah Vihear temple, a famous tourist destination, and other 31 business agreements.



Industry Update

- **Agriculture:** Qingdao Tian Rui Group, a Chinese agricultural firm, will invest over USD 2.1 billion to develop a new special economic zone (SEZ) in Cambodia. This SEZ will focus on agro-processing factory and storage business for Cambodia to export its agricultural produce to Chinese buyers. The final plan envisions 30-100 factories once the SEZ is fully operated in 5 to 10 years. The group intends to break ground soon on a USD 2.1 billion plant outside Phnom Penh that will be devoted to processing agricultural products for export. The company found that Cambodia still does not have such large-scale storage to serve the agriculture sector, and there is no company that can process agricultural products on a large scale for export. Moreover, it will also enter into contracts with local farmers to buy their products, like fruit, and bring them to the SEZ, and attract other Chinese investors to set up factories here to process the agricultural products, like mangoes for making juice. The company is now waiting for approval from the Ministry of Land Management to begin construction on a 300 hectare site in Kong Pisei district, about 30 km outside Phnom Penh.
- **Agriculture:** Cambodia's government unveils a plan to open a potato research center which will focus on developing potato varieties most suited to the country. The consumption of potato in Cambodia has been growing over the years. This research center is part of the Strategic Development of Agriculture for 2014-2018 which government aims to improve the country's agricultural industry.
- **Power:** Cambodia reduced its electricity import significantly in 2015 due to new domestic power plants coming online. Electricity demand increased 30% while imports from Vietnam decreased by 5% to around 20% and imports from Thailand decreased to 5.1% from almost 11% in 2014. Moreover in 2015, two coal-fired power plants contributed to the rise in domestic electricity generation. Electricity generated from coal also surpassed hydro power for the first time in 2015.
- **Power:** Chinese companies have provided 100% financing on all but one of hydropower projects in Cambodia. Six hydropower plants in operation today are all entirely funded by Chinese companies. The seventh project, under construction, is a joint venture between Chinese, Malaysia, and Vietnamese companies.
- **Oil & Gas:** PTT plans to increase the number of existing petrol stations in Cambodia from 28 to 90 stations by 2020. It was estimated that the firm would earn THB 10 billion from its oil business in Cambodia by 2020. The petrol sale volume in Siem Reap is at 100,000 liters per month and it is expected to constantly grow. PTT petrol sale volume ranked fifth in Cambodia and would rise to the fourth next year.
- **Automobile:** Japan targets to increase supply chain investment in Cambodia due to increasing import demand for machinery and auto parts from Cambodia. There were over THB 2.8 billion invested capital during the past decade.

- **Electrical & Electronics:** KCE, Thai PCB maker, considers expanding the production base to Cambodia in 2020-2021 for diversification on risk from Thailand.
- **Textile:** The Hongdou Group, a Chinese company based in Jiangsu province, is doing research into Cambodian buying trends and is interested in opening its own store in Cambodia. The Hongdou Group, also known as Hodo, is mostly involved in the garment sector. Edward Kingson, director of the brand culture, said the move represented a shift in their focus away from their main markets in China.
- **Transportation:** Cambodia Angkor Air has signed an agreement with BOC Aviation Limited, a subsidiary of the Bank of China, to lease two new Airbus A320 aircraft. These new Airbus A320 will provide a new travel experience to Cambodia Angkor Air's customers and boost the country's tourism sector. At present, Cambodia Angkor Air is focusing on regional markets including China, Japan, South Korea, India, Hong Kong and the ASEAN region.
- **Wholesale & Retail:** Thailand's Narai Intertrade, a maker of high-quality fabric bags distributed under the NaRaYa brand, is partnering with ISETAN and AEON to expand business in CLMV countries. ISETAN will be the sales representative and has now operated 4 stores in Vietnam, while AEON operates their first store in Cambodia.
- **Tourism:** Chinese and Cambodian officials have signed a memorandum of understanding to increase exchanges of investment and training for tourism, said the Ministry of Tourism. The deal seeks to increase cooperation between the private and public sectors in the tourism industry of each country. The agreement, part of China's One Belt One Road Initiative, also promotes exchanges in human resource training, training for management and the creation of more direct flights between the countries. Cambodia is also working to develop more facilities for Chinese tourists, including an accreditation system for tourism establishments, as part of its "China-Ready" strategy announced in May. The goal of the country's China-Ready strategy is for Cambodia to attract 2 million of Chinese tourists a year by 2020. Cambodia received 3.7 million international tourist arrivals during the first nine months of the year and expects to receive 5 million tourists in 2016.
- **Hotel:** Phnom Penh attracts big-name hotel brand and international hotel brands are fast to identify Phnom Penh as a city with favorable growth in the hospitality sector, with the Marriott emerging as the latest global hotel chain to make inroads in the Kingdom. The American diversified hospitality company has announced plans to open its Courtyard by Marriott brand in Phnom Penh in 2017, in line with its Asian growth expansion strategy.
- **Real Estate:** Ticon Industrial Connection Plc, a Thai-based factory and warehouse developer, is expanding its operations into fast-growing ASEAN economies, including Cambodia, to help offset sluggish growth at home. Lalitphant Phiriyaphant, the

company's chief financial officer, said Ticon has seen many of its customers relocate into Cambodia under the Thailand+1 strategy, in which Japanese companies that have set up production in Thailand extend parts of their supply chains to neighboring countries in order to hedge risk and take advantage of cheaper operating costs.

- **Telecom:** China's technology giant Huawei signed two Memorandums of Understanding (MoUs) with Cambodia to support Information and Communications Technology (ICT) education in the country. The first MoU on "Seeds for the Future" was signed by Lyu Qing Chen, chief executive officer of Huawei Technologies (Cambodia), and Lawmaker Hun Many, president of the Union of Youth Federations of Cambodia, and the second deal on e-Education and ICT Talent development was inked between Lyu Qing Chen and Chet Chealy, rector of the state-run Royal University of Phnom Penh (RUPP). The two deals will significantly contribute to developing human resources in ICT for Cambodia.
- **Real Estate:** Prime residential property for rent in Cambodia's capital has posted the highest yield around 8% per year. With strong demand and a limited supply around, the apartment market has a high occupancy rate above 80%. Demand for rental is mainly driven by expatriates from MNCs while asking rent are relatively high as these companies are willing to pay on good quality accommodation for their staffs. Rents for one-bedroom and two-bedroom are relatively high, but selling prices for these high-end units are much lower due largely to the lower land and construction costs.

Key Indicators

Domestic Demand	Share of GDP *	Unit	2011	2012	2013	2014	2015E	2016F
Real GDP		%YOY	7.1	7.3	7.4	7.1	7.0	7.0
Household consumption	79%	%YOY	10.4	4.6	5.8	4.5	7.8	-
Government consumption	5%	%YOY	7.8	5.7	5.2	2.4	4.0	-
Fixed capital formation	21%	%YOY	10.8	17.4	15.3	9.1	2.9	-
Consumer price (end period)		%YOY	4.9	2.5	4.7	1.0	2.9	3.2
Policy rate (end period)		%	1.34	1.33	1.34	1.42	1.42	
USDKHR (period average)								

* Share of 2015 GDP

External Sector	Unit	2011	2012	2013	2014	2015	%YOY
Exports	USD mn	6,662	7,791	9,191	10,787	11,891	10.2
Textiles	USD mn	4,295	4,648	5,504	5,864	6,994	19.3
Electrical products	USD mn	6	42	244	53	321	505.9
Imports	USD mn	6,142	7,063	9,218	17,527	18,946	8.1
Textiles	USD mn	2,362	2,731	3,114	4,064	4,275	5.2
Machinery/Electrical	USD mn	682	699	1,025	1,478	1,183	-20.0
Exports from Thailand	USD mn	2,693	3,778	4,256	4,525	4,958	9.6
Foreign direct investment	USD mn	795	1,441	1,345	1,730	1,701	-1.7
Net TDI from Thailand	USD mn	-14	117	135	124	38	-69.4
Visitor Arrivals	Person mn	2.9	3.6	4.2	4.5	4.8	6.1

Note: 1) %YOY (year-on-year percentage change) of the YTD value

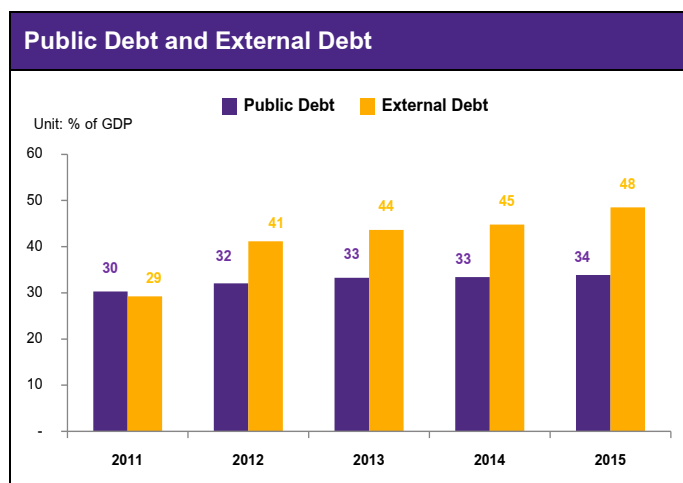
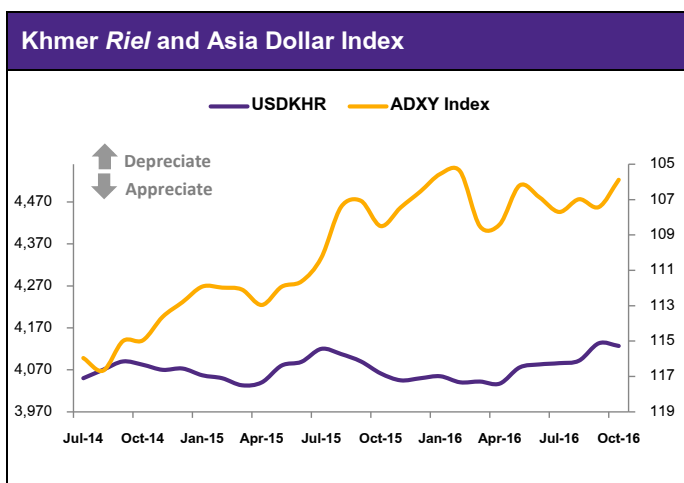
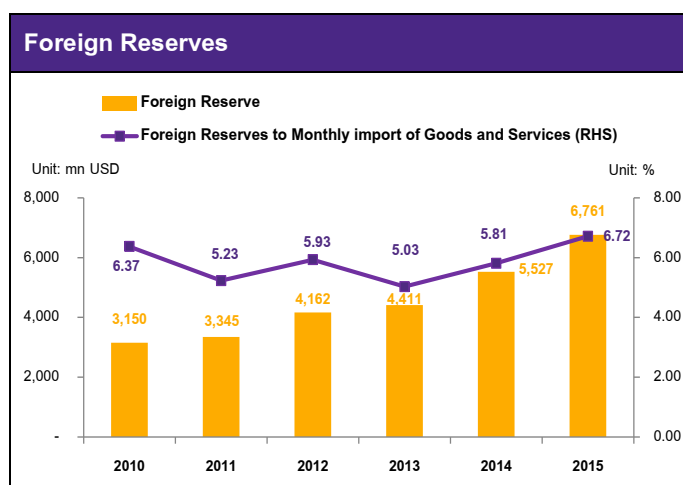
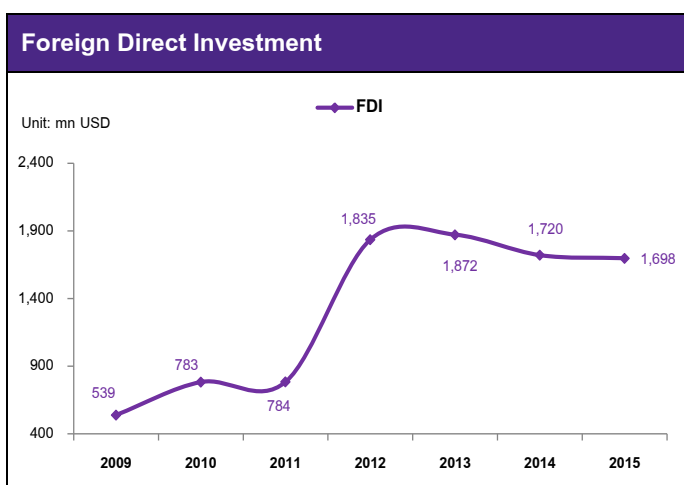
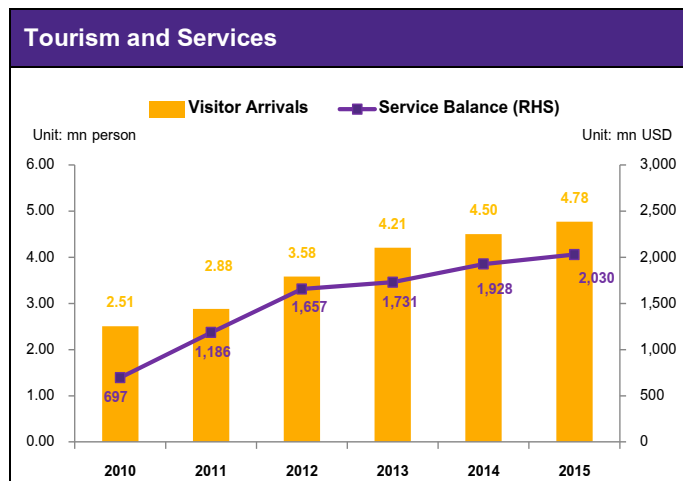
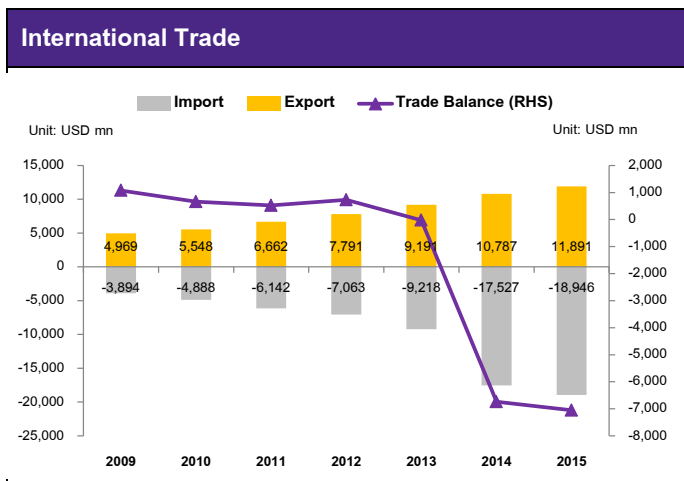
- 2) Exports and Imports are based on IMF data.
- 3) FDI reflects foreign direct investment (net inflows).
- 4) Net TDI from Thailand reflects Thai direct investment abroad.

Increase

Decrease

Stabilize

Sources: ADB, Bloomberg, CEIC, CIA, IMF, World Bank, Harvard, MIT, the Government of Cambodia, and the National Bank of Cambodia



Source: ADB, Bloomberg, CEIC, CIA, IMF, World Bank, Harvard, MIT, the Government of Cambodia, and the National Bank of Cambodia

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Laos Monitor by EIC

24 November 2016

Macroeconomic Update

According to the IMF, Laos' economic growth is forecasted to increase by 7.5% in 2016 and around 7.3% in 2017. The overall economic growth has been impressive with strong growth and moderately low inflation at around 1-4%, but public deficit and external vulnerabilities remain. As stated by IMF managing director, Christine Lagarde, at the conclusion of her visit to Laos in September, it will be important for Laos to maintain the momentum of fiscal consolidation to reduce public debt and safeguard macroeconomic stability during the transition out of low-income country status. Implementing fiscal reforms including tax policy and debt management will make the public sector more resilient. It is also necessary for the country to continually accumulate international reserves and address weaknesses in the banking system and strengthen supervision.

China-Laos railway will be built to become a demonstration project in "Go Global" strategy, said Chinese companies participating in a business symposium held in Vientiane in October. Chen Shiping, Director General of China Railway International Group, vowed to send skilled personnel, use advanced construction technology and management models to complete the project with high quality, making China-Laos railway the demonstration project in China's "Go Global" strategy in railway sector as part of the "Belt and Road" initiative. The China-Laos railway has a total length of 414 kilometers, linking Mohan-Boten border gate of China in northern Laos and capital Vientiane. Operating speed on the route is designed at 160 kilometers per hour. Kicking off in late 2015, construction of the project is scheduled for five years with investment of about CNY 37.4 billion (USD 6.8 billion).

Laos and northeast China's Jilin province agreed to expand production capacity cooperation during a meeting on promotion of production capacity cooperation held in Vientiane in November. Lao Deputy Minister of Planning and Investment, Khamlien Pholsena, said Jilin is the first Chinese region coming to Laos to promote production capacity cooperation. The meeting is expected to drive bilateral exchange as well as to create favorable conditions for further cooperation in order to deepen cooperative partnership between the two countries. This cooperation is also one of major activities to practically implement the "Belt and Road" initiative proposed by China.

Currencies

FX	Last	%MOM	%YTD
USDLAK	8173.0	0.53%	0.31%
EURLAK	8624.6	-2.51%	-2.52%
JPYLAK	72.6	-6.91%	7.20%
THBLAK	228.9	-1.34%	1.23%

as of November 23, 2016

Facts and Figures

Country	Laos
Population (2016 est.)	7.16 million
Labor force (2015 est.)	3.44 million
GDP (2016 est.)	13.76 USD billion
GDP per capita (2016 est.)	1,921 USD
GDP by sector (2015 est.)	Agriculture: 22.2% Industry: 32.4% Services: 38.7%
Top exports (2015)	Copper 27% Wood Products 17% Electrical energy 17% Agro products 10% Electrical machinery and parts 9%
Export partners (2015)	China 38% Thailand 30% Vietnam 17% Japan 2% Germany 2%
Top imports (2015)	Vehicles and parts 28% Machinery/Electrical 22% Energy/Mineral fuels 15% Agro products 14% Iron and steels 8%
Import partners (2015)	Thailand 69% China 20% Korea 3% Japan 2% Singapore 1%



Industry Update

- **Food:** G Farm, a company from the Republic of Korea will spend USD 6 million to construct a cashew nut processing plant while an additional USD 3 million will be invested by the company to support farmers in the province in planting the nut trees and collecting harvests from the growers. The cashew nut processing plant would be built in Khong district, Champassak province, where farmers will be supported in planting thousands of hectares of cashew nut trees after the provincial administration office gives permission for this USD 9 million Korean project.
- **Food:** The Laos government ordered a factory in the capital Vientiane that recycles 80 tons of spent beer malt a day to shut down after its owners failed to control pollution from the process, where residents there blame it for polluting the air and water. While recycling spent beer malt is generally considered an environmentally sustainable practice, it also creates pollution on its own. BeerLao, the nation's most popular beer, is among the products it manufactures in its brewery in Vientiane's Hatsayfong district.
- **Automobile:** Volvo group targets 10% growth on 2016 truck sales. The company plans to invest under budget THB 80-100 million for dealer branch expansion within 2020.
- **Electrical & Electronics:** TSR, Thai home appliance maker, partners with local Laotian player under the new group name "JB Group" to focus and expand the new market in Laos targeting THB 30 million on sales within one year, starting from October 2016.
- **Logistics:** Laos and Cambodia have agreed to open new border crossings to link the two nations more closely and enhance trade and investment cooperation. The two countries plan to build a 145-metre bridge across the Xe Lam Phao River in Mounlapamok district, Champassak province, to connect to northern Cambodia. A 78-kilometre road linking Mounlapamok district to the Xe Lam Phao Bridge is also planned. The joint action delegates of the two countries also visited a new border checkpoint in the area of Veunyang village, Mounlapamok district and the Veunkham border in Khong district, Champassak province. Both parties believe the new border crossings and bridge will boost tourism and economic development as well as make people-to-people exchange easier, especially among those living in nearby areas. Both nations are planning to open a border crossing linking the Nong Nok Khiene area in Khong district, Champassak province, and the Trapeang Kriel area in Cambodia's Stung Treng province, which is scheduled to officially open in November.
- **Logistics:** The Customs Department under Laos' Ministry of Finance will begin collecting Valued Added Tax (VAT) payments in November. The tax will be collected at the first Thai-Lao Friendship Bridge between Thailand's Nong Khai province and Laos' capital Vientiane followed by the other international border crossings, said Bounpaseuth Sikounlabout, acting Director General of the Customs Department.
- **Wholesale & Retail:** The Thai franchisee of The Face Shop (TFS), a well-known South Korean beauty-store chain, is set to open its first overseas store in a joint venture with

a partner in Laos. Pithan Ongkosit, president of TFS (Thailand), distributor and licensed operator of The Face Shop in Thailand, said the company would open the Laos store this year. It will be the debut of The Face Shop in the CLMV market. Pithan said the company planned to invest THB 100 million in opening new stores this year and another THB 50 million next year.

- **Transportation:** SilkAir has launched two new routes to Luang Prabang and Vientienne in Laos, starting from October 31. SilkAir schedules its flights to Laos three times a week – on Monday, Thursday and Saturday – with same day return. With this launch, SilkAir's route network now spans 51 destinations in 14 countries.
- **Telecom:** InfoSat-Laos has agreed the lease of transponder capacity on Thaicom 8 to facilitate the launch of a direct-to-home (DTH) satellite TV network in its home country. The Ku-band satellite capacity will enable delivery of more than 15 channels on InfoSat's new DTH platform, in both standard definition (SD) and high definition (HD).
- **Real Estate:** The real estate sector in Laos has seen changes in recent years as more investors have been engaging in building apartments and houses for rent. The move is to meet rising rental demand by foreign business people, who are not allowed to purchase property under Laos' law. However, supply has not met the demand. Currently, 80% of the rental accommodation market is in hands of Lao people and foreigners hold the remaining 20%.
- **Hotel:** As part of its growth strategy to introduce its brand across the Asia-Pacific region, ONYX Hospitality Group has recently announced a partnership agreement with Tang Charoen (TCR) Group Co., Ltd. to manage three Amari hotels in Laos, marking ONYX's market entry into Laos. The first Amari property, in Vang Vieng, is due to welcome its first guests in 2017 while the other two properties in Vientiane and Pakse are both scheduled to open in 2020. Amari's signature Amaya Food Gallery, Breeze Spa and creative meeting venues will be featured in each property.
- **Hotel:** Akaryn Hotel Group is getting a foothold in the ASEAN market with the official launch of its first overseas property in Vientiane, scheduled for late 2016. The expansion will help increase its revenue by 20% to THB 750 million next year, said founder and managing director Anchalika Kijkanakorn. The luxury hotel was selected by the UN-led Asia Geographical Indication Program as its main partner, in line with its sustainable approach to business growth and destination development.

Key Indicators

Domestic Demand	Share of GDP *	Unit	2011	2012	2013	2014	2015E	2016F
Real GDP		% YOY	8.0	7.9	8.0	7.5	7.6	7.5
Household consumption	62%	% YOY	17.2	7.9	17.0	5.1	0.3	-
Government consumption	14%	% YOY	19.3	35.1	49.1	-1.2	7.9	-
Fixed capital formation	33%	% YOY	25.5	34.9	10.5	8.0	14.8	-
Consumer price (end period)		%	-	4.3	6.4	4.1	1.3	1.6
Policy rate (end period)		%	6.25	6.25	6.25	6.25	5.63	
USD/LAK (period average)								

* Share of 2015 GDP

External Sector	Unit	2011	2012	2013	2014	2015	%YOY
Export	USD mn	3,120	3,326	3,883	4,687	4,386	-6.4
Copper	USD mn	1,201	1,192	1,176	1,166	74	-16.5
Wood Products	USD mn	615	608	982	1,736	601	-65.4
Import	USD mn	4,642	6,382	7,320	8,009	7,568	-5.5
Machinery/Electrical	USD mn	766	1,230	1,882	2,110	1,317	-37.6
Vehicle and parts	USD mn	796	1,128	1,141	1,070	1,106	3.4
Export from Thailand	USD mn	2,768	3,588	3,758	4,033	4,237	5.1
Foreign Direct Investment	USD mn	301	294	427	913	1,079	18.2
Net TDI from Thailand	USD mn	-102	249	206	284	464	63.2
Visitor Arrivals	Person mn	2.7	3.3	3.8	4.2	4.7	12.6

Note: 1) %YOY (year-on-year percentage change) of the YTD value

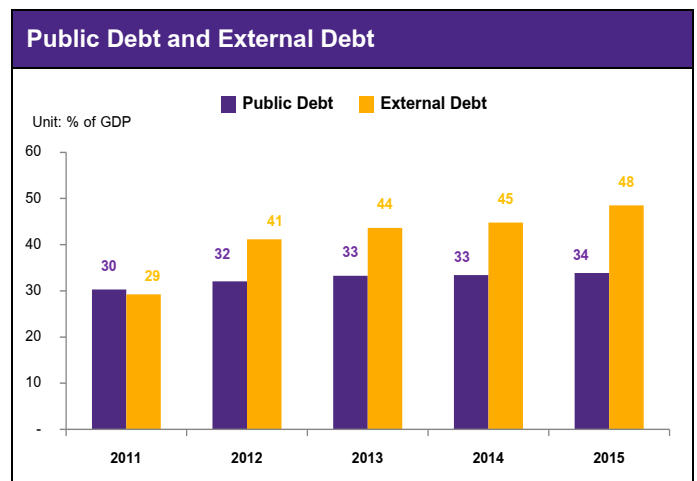
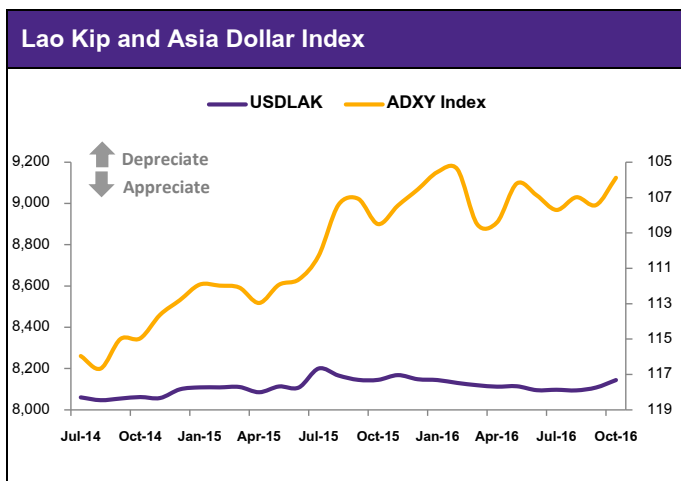
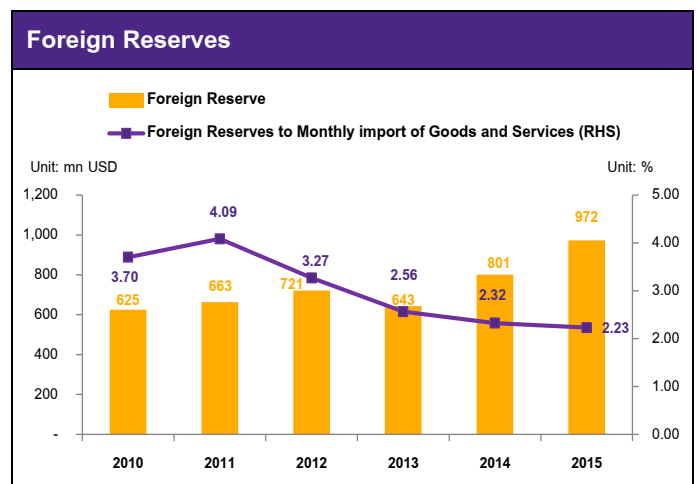
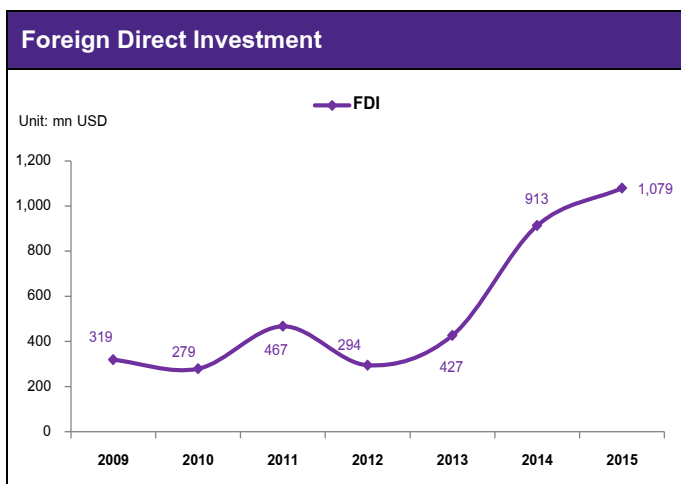
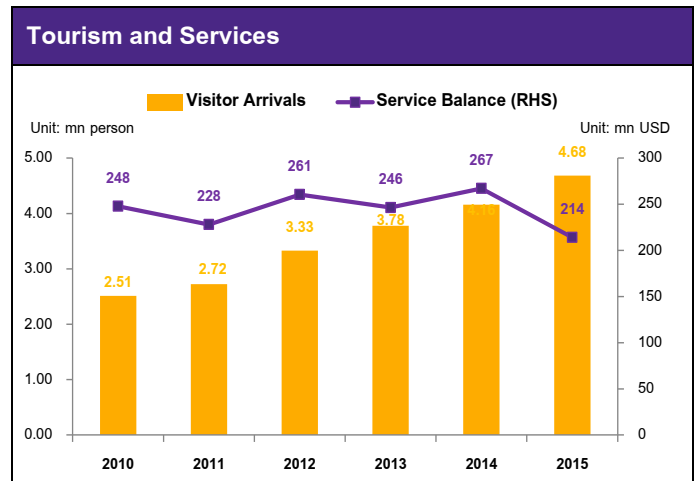
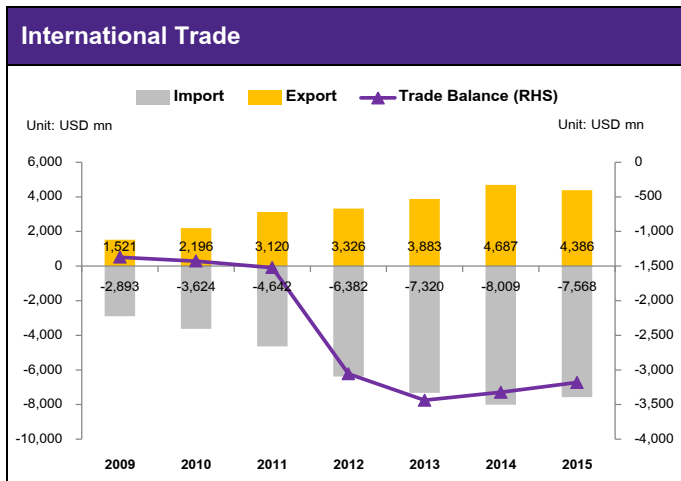
- 2) Exports and Imports are based on IMF data.
- 3) FDI reflects foreign direct investment (net inflows).
- 4) Net TDI from Thailand reflects Thai direct investment abroad.

Increase

Decrease

Stabilize

Sources: ADB, Bloomberg, CEIC, CIA, IMF, World Bank, Harvard, MIT, the Government of Laos, and Bank of the Lao PDR



Source: ADB, Bloomberg, CEIC, CIA, IMF, World Bank, Harvard, MIT, the Government of Laos, and Bank of the Lao PDR

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Myanmar Monitor by EIC

24 November 2016

Macroeconomic Update

Myanmar remains a fast-growing economy with GDP expected to increase by 8.1% in 2016 and around 7.7% in 2017. Growth softened in the first half of the year, reflecting a correction in the real estate market, an adjustment in the construction sector, slowing demand from major trading partners, and weak commodity prices. However, with increases in FDI and aid inflows, growth is expected to recover in the second half of the year. Inflation decreased from 9% to 6.3% in August, but the current account deficit is forecasted to increase to about 6.7% of GDP. According to the IMF, Myanmar's authorities have made crucial economic progress including the enactment of the Financial Institutions Law, the passage of the Investment Law, and continued improvements in revenue administration. However, macroeconomic imbalances persist as inflation remains relatively high and the fiscal and the current account deficits continue to widen. Maintaining macroeconomic stability remains the top priority, which means bringing down inflation, strengthening Myanmar's external position, and fortifying the banking system, said the IMF.

The International Finance Corporation (IFC), a member of the World Bank Group, is helping Myanmar's government to develop a secured-transactions framework that will allow businesses, especially micro, small, and medium enterprises (MSMEs), to access finance by offering movable assets as collateral. Access to formal financial services in Myanmar is among the lowest in the world. According to a World Bank Group survey of 1,000 Myanmar companies, around 92% of businesses relied on their own funds for business operations. Businesses in Myanmar can currently raise funds basically only by pledging immovable assets such as land and buildings as security. Myanmar needs a modern system to allow business borrowers to use movable assets such as account receivables, inventories, equipment, title documents, and intellectual property as collateral. This will unlock significant financing for MSMEs because the lack of access to finance is a key obstacle in doing business and preventing them from growing, creating jobs, and contributing more to Myanmar's economy.

The IFC is lending up to USD 13.5 million to United International Group Limited, a leading domestic hotel owner and operator in Myanmar, to expand its hospitality business. According to the IFC, tourism is a critical

Currencies

FX	Last	%MOM	%YTD
USDMMK	1310.5	2.26%	0.04%
EURMMK	1387.2	-0.59%	-3.07%
JPYMMK	11.7	-5.07%	7.29%
THBMMK	36.8	-0.37%	1.10%

as of November 23, 2016

Facts and Figures

Country	Myanmar
Population (2016 est.)	52.25 million
Labor force (2015 est.)	36.18 million
GDP (2016 est.)	68.28 USD billion
GDP per capita (2016 est.)	1,307 USD
GDP by sector (2015 est.)	Agriculture: 36.1% Industry: 22.3% Services: 41.6%
Top exports (2015)	Energy 38% Precious stones 18% Textiles 15% Vegetable products 9% Minerals 5%
Export partners (2015)	China 37% Thailand 30% Singapore 6% India 6% Japan 4%
Top imports (2015)	Vehicles and parts 16% Electrical products 12% Machinery 11% Petroleum oils 9% Iron and steel 8%
Import partners (2015)	China 30% Singapore 25% Japan 11% Thailand 10% Malaysia 4%

component of Myanmar's economy as it contributed USD 3 billion to Myanmar's GDP in 2014 and is predicted to grow 8.4% annually until 2025. By then, the sector will employ around 2 million people. IFC's convertible loan will help United International, which owns and operates the Amata resort chain, build new hotels in two of Myanmar's biggest tourism destinations: Bagan, world-famous for its ancient pagodas, and Inle, home to the biodiversity-rich Inle Lake.

The World Bank sees progress and problems for business in Myanmar.

Electricity supply, land registration and access to credit are still serious obstacles for a new venture in Myanmar. Still, the country continues to climb the World Bank's country rankings for ease of starting a business, having cut the cost of setting up a business by half in the last year and simplified registration. The country was ranked 170 of out 190 countries in the bank's annual Doing Business report. Among ASEAN countries, Myanmar is by far the lowest-scoring member country, 31 places behind Laos at 139th.

Japan will provide aid worth around JPY 800 billion (USD 7.73 billion) to Myanmar over five years to support its peace building and development efforts, said Prime Minister Shinzo Abe.

About JPY 40 billion of the aid planned by the government and private sectors will be directed towards supporting ethnic minorities in the country. The rest of the aid would be spent on areas such as airports and electricity projects. Myanmar needs Japanese investment and robust bilateral ties as a counterweight to its largest trading partner, China. Japan is also eager for opportunities to help Myanmar meet its extensive infrastructure and development needs.

After consulting with State Counselor, Aung San Suu Kyi, during her visit to the United States in September, President Barack Obama formally announced the lifting of U.S. sanctions on Myanmar by terminating an emergency order that deemed the policies of the former military government a threat to the U.S. national security. The U.S. decision to lift trade sanctions against Myanmar has been welcomed by local economists and businessmen. The decision is to remove more than 100 businessmen tied to the former military regime from a U.S. Treasury blacklist and lift restrictions on Myanmar's jade and gemstone industry. The U.S. also officially granted Myanmar greater access to its market by listing the country in the General System of Preferences (GSP). The decision helps all sorts of exporters access the US market and end difficulties for local businesses trying to use international financial services. This will also allow the import of minerals such

as jadeites and rubies from Myanmar into the US. The most immediate and concrete impact will be to lower the regulatory hurdles for US companies seeking to do business in Myanmar. Moreover, this will facilitate their joint ventures and business cooperation with other foreign companies trading with and investing in the country, and significantly spur US-Myanmar trade and investment relations. However, human rights activists worry that the decision would reduce the west's leverage over the army. Global Witness, an NGO conducting extensive investigations into the military's control of Myanmar's natural resources, calls the sanction lift a major setback as they reckon it will hinder efforts to clean up the country's corrupt business environment, and the gem trade in particular. This puts a greater responsibility on the NLD government to make sure crony businessmen improve their practices, which have often involved allegations of corruption, and the jade trade.

The long-awaited Myanmar Investment Law (MIL) has received a generally positive response from the business community. The new law, which replaces the Foreign Investment Law enacted in 2012 and the Myanmar Citizen Investment Law in 2013, was enacted by President Htin Kyaw on October 18 and is expected to be implemented before the next fiscal year beginning on April 1. Combining elements of the old laws, the new investment law also includes some new concepts, such as targeting areas and economic sectors for accelerated development. One of the main changes in the new MIL is that it levels the playing field between domestic and foreign investors. Tax breaks are equally available to both in the new law, under which the Myanmar Investment Commission (MIC) will designate economic sectors to be promoted and areas to be prioritized for development. The geographic areas and economic sectors to be targeted for accelerated development will be determined by the MIC. The priority sectors would be infrastructure and labor-intensive industries, such as manufacturing and agriculture. As before, the new MIL law allows investors to lease government or private land for 50 years, with two extensions of 10 years permitted.

A committee chaired by officials from Myanmar's Finance Ministry and the central bank has been created to deal with exchange rate volatility. Under the NLD government, the value of the kyat has not only depreciated but also fluctuated. However, it is not easy to solve the problem of the depreciation of the kyat in the short term because the root cause stems from the government's huge budget deficit and the trade deficit. The problem of the budget deficit was inherited from the previous government.



Industry Update

- **Food:** Twinings Tea enters in Myanmar. Myanmar has become the 116th market for Twinings, one of the world's best-selling premium tea brands. Market research was conducted before the official launch and the company decided to award the distribution rights to AB Food & Beverages and Premium Distribution. The products are now available in supermarkets and gourmet stores in major cities and destinations including Yangon, Mandalay, Nay Pyi Taw, Bagan, Taunggyi, Inle, Ngapali and Mawlamyaing – major destinations for foreign tourists.
- **Healthcare:** Bangkok smile dental clinic has received approval to launch market in CLMV countries. In next year, the clinic will be opened in Myanmar and Vietnam which have large population and openness to medical business. Investment budget for each branch is around THB 20-100 million.
- **Building Material:** Japanese iron and steel trader R&K Trading will begin operations at a JPY 1.5 billion (USD 14.3 million) factory in Myanmar this month, launching as Myanmar's largest steel-processing site. The factory, located in the Thilawa Special Economic Zone, has an annual production capacity of 120,000 tons. It will mass-produce such products as construction materials using steel imported from Japan. Aiming to differentiate its products from Chinese ones, R&K Trading installed state-of-the-art machinery in the factory. In the future, the company eyes supplying high-value-added steel for use in bridge- and ship-building. The company aims to lower production costs by processing some steel in Myanmar while also tailoring products to customer needs.
- **Logistics:** A notice from Rangoon Division's Supervisory Committee for Traffic Rules Enforcement prohibiting cargo and container vehicles from using the city's roads during the daytime. The Oct. 25 notice was addressed to two associations—the Myanmar Cargo Vehicles Association and the Myanmar Container Trucks Association. It stated that cargo and container trucks would only be permitted on the roads from 9:00 p.m. to 6:00 a.m. The move was prompted mainly by traffic congestion on Strand and Bayintnaung roads, which many container trucks and cargo vehicles use and which are also connected to the city's downtown area.
- **Telecom:** Telenor, Norwegian telecom company, will focus on improving data services in Myanmar, said the head of the local business, as an era of rapid subscriber growth following the opening up of the economy has ended. Telenor has established itself as the second largest in the market with 18 million subscribers. Myanmar accounted for 5.3% of Telenor's revenue in the third quarter of this year and was one of its fastest growing markets.
- **Oil & Gas:** The startup of Chinese refinery faces delay as Myanmar seeks extra oil tax. PetroChina completed construction of 260,000 barrels per day (bpd)

refinery at Anning in Yunnan province, and had aimed for test operations in October, but the project was being held back after state firm balked at paying an extra tax for piping crude oil through Myanmar. The Myanmar government is asking for an additional 5% tax for the crude oil, which is on top of an agreed transit fee and pipeline tariff. The refinery will run into losses if this tax applies. PetroChina still needs to talk with the Ministry of Finance, Myanmar.

- **Power:** US-Myanmar consortium won the first tender to build a 300 MW power plant to supply electricity to Yangon. The US-Myanmar consortium beat out Chinese consortium to win the bid.
- **Transportation:** Yusen Logistics has started to build refrigerated warehouse in Myanmar. The Japanese company will invest USD 7 million in the 6,200 square meter facility inside the Thilawa Special Economic Zone. The cold-storage functionality is rare in the Southeast Asian nation. The warehouse is slated to begin operations next July and will store products in three temperature zones: 15-20 Celsius, 5 Celsius, and minus 20 Celsius.
- **Electrical & Electronics:** Panasonic aims to develop solar power generation business in Myanmar in the near future. At present, they start bringing solar power generation and power storage battery device to the village of Central Myanmar already for providing electrical street light.
- **Real Estate:** Most expatriates cannot afford to buy condos. According to Ko Ko Htwe, the chairman of Taw Win Construction, most foreigners living in Myanmar cannot afford condominiums, despite the recent law enabling expats to purchase condo properties. Instead, most expatriates choose to stay in normal apartments, and the market for condo sales is still cold. The Condominium Law, enacted on January 22 this year, allows expats to purchase up to 40% of the properties in a condominium complex with an area larger than 20,000 square meters. However, the market has not picked up in the four months since the law was enacted.
- **Hotel:** Mandalay to enforce new license system on landlords. Landlords in Mandalay city will have to apply for a license starting next April. Section 76 of MCDC (Mandalay City Development Committee) Law states that operating a boarding house, guesthouse or renting out apartments requires a business license. From the next fiscal year, MCDC officials will enforce this to the letter. Those applying for a business license to rent out a property will need the original lease agreement and a copy made between the owner and tenant.
- **Finance:** KBZ Bank, Myanmar's largest private bank, is opening a representative office in Singapore. The bank chose Singapore to be their window on the world for numerous reasons. Singapore is Myanmar's largest investor after China, and there is a vibrant trading relationship between the two countries.

Key Indicators

Domestic Demand	Share of GDP *	Unit	2011	2012	2013	2014	2015E	2016F
Real GDP		% YOY	5.6	7.3	8.4	8.7	7.0	8.1
Household consumption	50%	% YOY	5.3	1.4	11.9	2.5	-	-
Government consumption	18%	% YOY	16.3	90.7	12.8	33.8	-	-
Fixed capital formation	35%	% YOY	71.8	14.9	6.4	18.3	-	-
Consumer price (end period)		%	-1.1	4.7	6.3	7.5	10.7	10.4
Policy rate (end period)		%	12.00	10.00	10.00	10.00	10.00	

USDMMK (period average)

• Share of 2015 GDP

External Sector	Unit	2011	2012	2013	2014	2015	%YOY
Export	USD mn	8,330	8,267	10,423	22,495	12,681	-43.6
Energy	USD mn	3,146	3,509	4,030	5,033	,983	-1.0
Precious stones	USD mn	799	323	1,225	12,429	2,396	-80.7
Import	USD mn	13,720	17,072	20,488	24,429	24,517	0.4
Vehicles and parts	USD mn	1,530	2,594	2,638	2,612	3,492	33.7
Electrical products	USD mn	842	1,223	1,882	2,654	2,610	33.7
Export from Thailand	USD mn	2,846	3,127	3,788	4,239	4,175	-1.5
Foreign Direct Investment	USD mn	2,520	1,334	2,255	1,398	3,137	124.4
Net TDI from Thailand	USD mn	355	334	751	406	744	83.3
Visitor Arrivals	Person mn	4.6	7.9	20.3	30.8	46.8	51.9

Note: 1) %YOY (year-on-year percentage change) of the YTD value

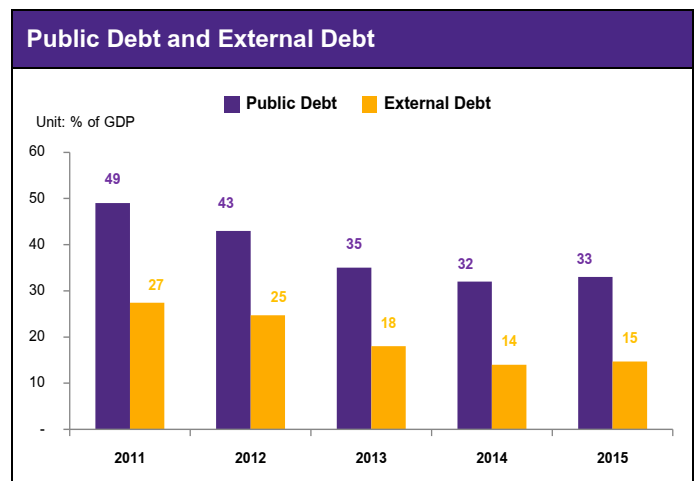
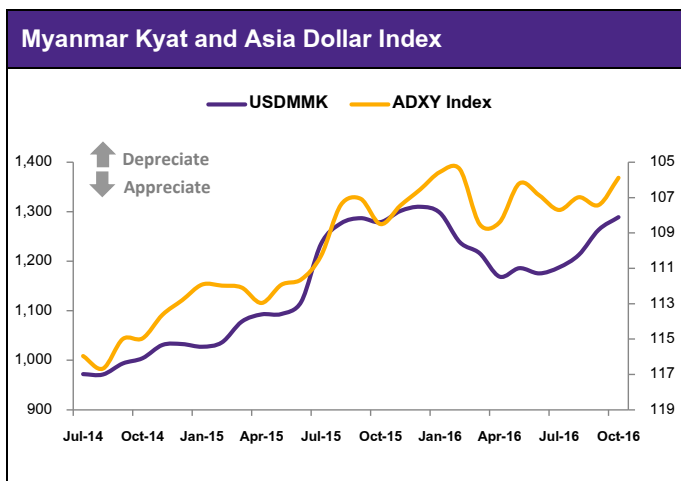
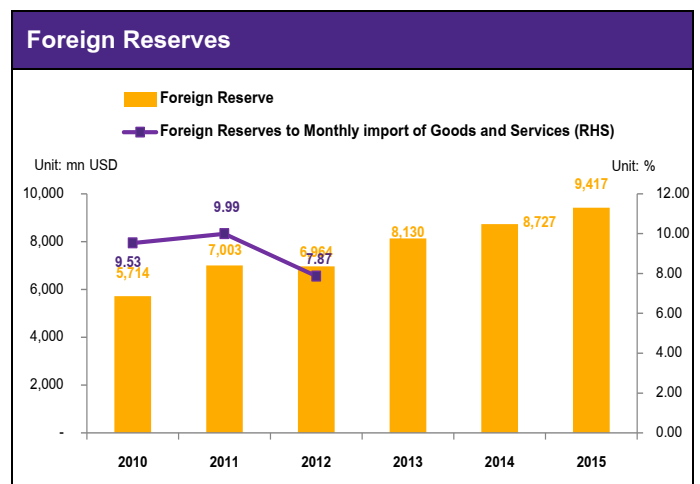
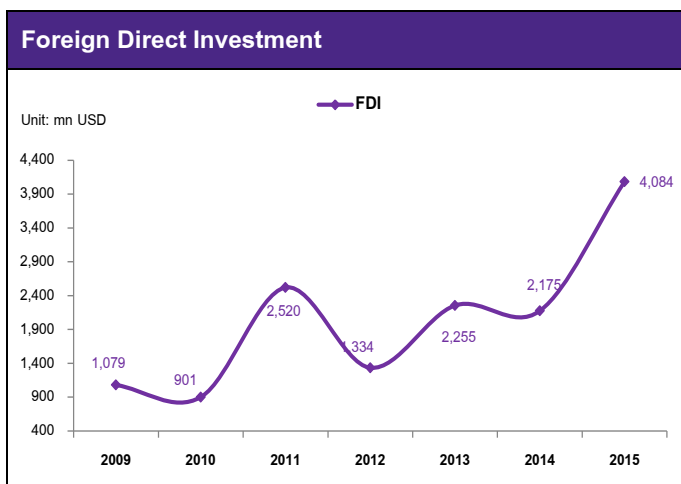
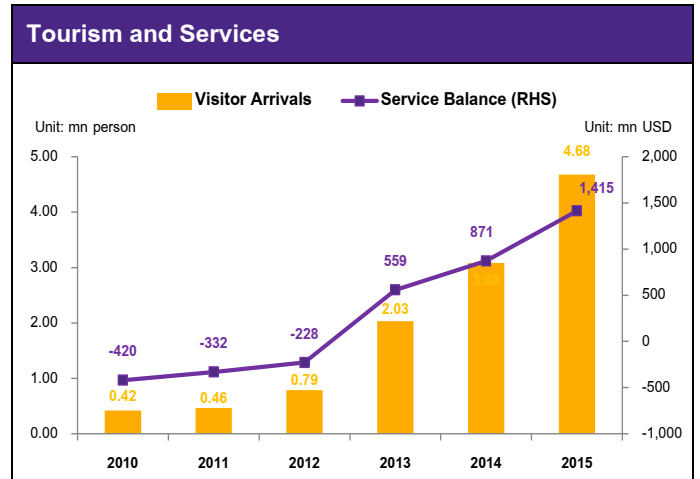
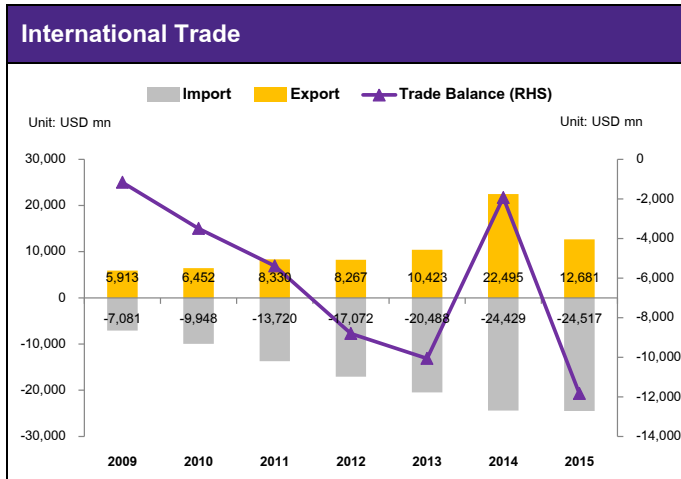
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- 4) Net TDI from Thailand reflects Thai direct investment abroad.

Increase

Decrease

Stabilize

Sources: ADB, Bloomberg, CEIC, CIA, IMF, World Bank, Harvard, MIT, the Government of Myanmar, and the Central Bank of Myanmar



Source: ADB, Bloomberg, CEIC, CIA, IMF, World Bank, Harvard, MIT, the Government of Myanmar, and the Central Bank of Myanmar



Vietnam Monitor by EIC

24 November 2016

Macroeconomic Update

Vietnam's GDP rose 6.4%YOY in the third quarter and in the nine months through September, the economy grew 5.93%, said the General Statistics Office. Growth is being supported by rising FDI and exports, stronger credit demand and a slight recovery in agriculture following a severe drought. Vietnam's economy has mainly benefited in recent years from companies such as Samsung Electronics Corporation setting up plants in the country, transforming it into a manufacturing hub for electronic goods, including smartphones. Samsung picked the northern province of Bac Ninh as the base for its operations, employing 45,000 workers and investing USD15 billion to create a factory town. From January to September, manufacturing rose 11%YOY while agriculture rose 0.05%YOY. Disbursed FDI rose 12%YOY. Vietnam posted a trade deficit of USD 100 million in September. However, during the first nine months of the year, it had a trade surplus of USD 2.77 billion and received about USD 11 billion in FDI, up 12.4%YOY. Vietnam remains highly competitive, especially in apparel and electronics assembly, and it should gain a greater global market share even as world trade remains lackluster. Lastly, Vietnam's annual inflation rate accelerated to 4% in October, moving closer to the 5% target for the whole year. Medicine and healthcare services saw a 10% hike, a major force behind the high inflation rate. All things considered, the scope for further monetary easing appears limited for the time being. Similarly, the potential for fiscal easing is also small. According to the National Financial Supervisory Commission, the budget deficit as in August totaled nearly VND 111.5 trillion. Besides, the government is facing the biggest fiscal strain among emerging markets in Southeast Asia. Public debt is set to reach 64% of GDP this year, compared with 44% in Thailand.

The fallout from Samsung Electronics Corporation's dramatic move to end production of its Galaxy Note 7 smartphone from a malfunction of the battery is set to spread to Vietnam, hurting its exports. Since the company's exports represent about 20% of the country's shipments, the recall of 2.5 million smartphones after complaints of exploding batteries contributed to a USD 1.1 billion decline in exports in September. However, Vietnam's external sector remains relatively resilient; exports still rose by 9%YOY in September, once again outpacing regional peers. Yet, Vietnam is still struggling to meet its target of 10% export growth this year.

Currencies

FX	Last	%MOM	%YTD
USDVND	22538.0	1.02%	0.24%
EURVND	23907.0	-1.62%	-2.16%
JPYVND	201.6	-5.95%	7.79%
THBVND	635.1	-0.34%	1.77%

as of November 23, 2016

Facts and Figures

Country	Vietnam
Population (2016 est.)	92.64 million
Labor force (2015 est.)	54.93 million
GDP (2016 est.)	200.49 USD billion
GDP per capita (2016 est.)	2,164 USD
GDP by sector (2015 est.)	Agriculture: 17.4% Industry: 38.8% Services: 43.7%
Top exports (2015)	Electrical & electronics 34% Textiles 27% Machinery 8% Furniture 4% Fish and crustaceans 2%
Export partners (2015)	United States 19% China 19% Japan 10% South Korea 5% Hongkong 4%
Top imports (2015)	Electrical & Electronics 21% Textiles 15% Machinery 11% Iron and steels 4% Plastics and Rubbers 6%
Import partners (2015)	China 30% South Korea 15% Japan 9% Taiwan 8% Thailand 5%

The State Bank of Vietnam has managed to keep bad debts in the banking system under 3% of outstanding loans so far this year, said Deputy Governor Nguyen Thi Hong. Bad debts in the banking system, as of August 31, were reported at 2.7%, according to the central bank data. The specter of bad debt has been looming over Vietnam's economy since 2012 when total bad debts, mostly in the real estate sector, hit VND 280 trillion (USD 12.5 billion), equivalent to a staggering 11% of GDP. Vietnam has done much to overhaul its banking system since 2012 after a lending spree and weak controls led to a surge in bad debts. Non-performing loans, which was at 17% at the time, dropped to 2.7% as of August after the government set up the Vietnam Asset Management Company to buy the bad debts of banks.

Vietnam's National Assembly, the legislative body, passed a resolution targeting economic growth of 6.7% for 2017, higher than the estimate for this year. The GDP target for this year was originally set at 6.7%, but it has been revised down to a range of 6.3-6.5%. A few setbacks have caused the economy to cool down, including drought and saltwater intrusion in the southern region in the early months, the mass fish death disaster along the central coast, and the Samsung Note 7 fallout. Agriculture and mining activities in particular were badly hit. For 2017, Export growth is estimated at 6-7%, while inflation is set to reach 4%. The government forecasts a budget deficit of 3.5% of GDP.

The World Bank report released in late September highlights the need for Viet Nam to revamp its agricultural sector to meet demographic and economic challenges. The World Bank suggests that the sector needs to boost value-added content and diversify its offerings to increase the country's market access opportunities. The recommendations are timely, given that Vietnam's export market is expected to continually grow through the recent formation of the ASEAN Economic Community and the forthcoming EU-Vietnam Free Trade Agreement, taking full effect in 2018. As one of the mainstays of the Vietnamese economy, agriculture accounted for 17.4% of GDP in 2015 and currently employs nearly half of the workforce. While Vietnam's agricultural exports are on the rise, its products are often perceived as being both low in value-added and quality. The government is already looking to take suggestions from the World Bank report on board to overhaul the agricultural sector through the greater use of advanced technology and techniques for value-added processing.

According to the World Bank, the government of Vietnam has showed determination for long-term reforms. Vietnam's 2011–2020 Socio-Economic

Development Strategy (SEDS) gives attention to structural reforms, environmental sustainability, social equity and emerging issues of macroeconomic stability. It defines three "breakthrough areas": (1) promoting human resources/skills development (particularly skills for modern industry and innovation); (2) improving market institutions, and (3) infrastructure development. In addition to the elaboration of three SEDS breakthrough areas, the five-year Socio-Economic Development Plan (SEDP) for 2011-2015 focused on three critical restructuring areas – the banking sector, state-owned enterprises and public investment - that are needed to achieve these objectives. The SEDP for 2016-2020, approved in April 2016, acknowledges slow progress on certain SEDP reform priorities and emphasizes the need to accelerate these reforms over the next SEDP period, 2016-2020, to achieve targets set out in the 10-year strategy.

Vietnam is a top destination for Japan's mechanical engineering companies seeking investment opportunities in Southeast Asia. Japanese firms are impressed by the industriousness of Vietnamese people. They also highly value the country's political stability and favorable policies on investment and trade. According to Deputy Director of the Foreign Investment Agency under the Ministry of Planning and Investment, the manufacturing and processing industries absorbed the largest portion of Japan's investment in Vietnam. At the end of September, Japan has more than 1,500 manufacturing and processing projects worth almost USD 33 billion in Vietnam. The two sides are set to focus their cooperation on six industries in the near future: electronics, agricultural machinery, agro-fishery processing, shipbuilding, automobile and spare part production, and environment and energy.

Prime Minister, Nguyen Xuan Phuc, confirmed the government's policy to allow foreign investors to engage more in Vietnam's economy via accelerated equitization of state-owned enterprises (SOEs) and capital divestments. Currently, many Vietnamese SOEs are faced with major debts and losses, while their equitization process remains slow and their corporate governance are weak. Generally, Vietnam is very slow in implementing SOE reforms. Over the past few years, the World Bank and the Asian Development Bank have continuously urged the government to boost SOE reforms in order to make room for private enterprises, helping improve the economy's competitiveness. Stressing the importance of the government's move to determinedly reform SOEs, the World Bank regularly commented that Vietnam needs to focus on the equitization quality.

Under the US Trump's presidency and with the tendency of TPP withdrawal, Vietnamese leaders have started looking instead toward a series of two-way free-trade deals to sustain their fast-growing economy, and to offset losing export opportunities from a lack of the TPP. Among the confirmed FTA with trading partners are Australia, Chile, China, India, Japan, New Zealand, South Korea and the European Union. According to Vietnam's trade minister, Tran Tuan Anh, Vietnam will stay competitive and its economy will still thrive even if the TPP deal collapses. "If the TPP is implemented smoothly, our economic opportunities and competitive sectors like textiles, shoes, seafood, coffee and smartphone will definitely benefit, but if not we still have world markets, and these sectors will still be competitive" Tuan Anh said. As a result, it seems that, at least for now, there might be no direct effect for Vietnamese exports and they will only lose opportunities on some products to freely access (zero tariff on all merchandise goods) the US market as Vietnam does not have GSP from the US. Furthermore, Vietnam has been receiving record FDI and expansion by firms into the country, often as a cheap alternative to China, buoyed by the prospect of a cost-cutting TPP. As a result, in terms of future FDI, it is possible that multinational companies may move less factories and investment into Vietnam if the pact does not take effect. However, with its economic growth potential and rising middle income class, the economy itself is already attractive. For this reason, it is likely that the death of the TPP too will not directly affect FDI inflows into the country at least in the near future. China is now in a stronger position than ever to push its own regional trade pact, the Regional Comprehensive Economic Partnership (RCEP), long seen as a rival of the TPP. Vietnam will be following the transition period in the United States with some apprehension and strong consideration of joining RCEP when it comes to participating in the mega FTA.



Industry Update

- **Food:** Heineken has purchased a brewery in Vietnam from Carlsberg for an undisclosed amount. The brewery will be renamed as Heineken Vietnam Brewery Vung Tau. Vietnam's beer market is less dominated by local brewers; an attractive prospect for international companies. Local brewers in Vietnam took up 63% of local market share in 2015, compared to other Asian cities like Japan and Thailand, where home-grown brands took up around 90% of the volume. Vietnamese drinkers are projected to consume more than 4.04 billion liters of beer this year, the highest in the region, an increase from 3.88 billion liters in 2015.
- **Building Material:** According to the Ministry of Construction (MOC) of Vietnam, the country's cement sales reached 55 million tons for the first nine months of 2016. The number shows that domestic consumption of cement raised by 7.7% to 43 million tons while outbound sales, which Vietnam's local firms have to compete with Thailand and China, shrunk by 2% to 12 million tons, compared with the same period of last year. However, the MOC projected that this year's cement output would be around 72 million tons, up 4%YOY.
- **Building Material:** The Viglacera Float Glass Company (VIFG) and Vietnam Float Glass Company (VFG), accounting for more than 90% of float glass production in Vietnam last year, have failed in their request for a safeguard investigation on imported product. The imported float glass in Vietnam increased rapidly from USD 33.5 million in 2009 to USD 92 million in 2015, but the Ministry's Competition Administration Department decided that the foreign-made glassware had not affected local sales and market share.
- **Building Material:** Vietnam's two largest steelmakers are ready to make multi-billion dollar capacity investments as the country tries to build up a domestic counterweight to its high dependence on Chinese steel. Second-ranked Hoa Sen Group plans to spend USD 10 billion on production facilities in southern Vietnam's Ninh Thuan, taking advantage of the province's deep-water ports to import raw materials and export finished steel. Construction will begin next year. Hoa Phat Group, the Vietnamese steel industry leader, plans to build a USD 2.7 billion steelworks in the Dung Quat Economic Zone of Quang Ngai Province, on a site that a Taiwanese steelmaker had picked for a project that it proved unable to finance. Hoa Phat aims to start the new steelworks as soon as 2020. Its 4 million tons of annual capacity will lift the group's total capacity by 130%. Hoa Phat is also working on a USD 170 million steel plate mill in Hung Yen Province.
- **Automobile:** Marquardt Group, a German manufacturer of electro-mechanical plan to discuss a high-tech automotive component production project with local authorities. Total investment capital of the project is expected to be USD 39-50 million, which would employ 500-600 local workers. Construction will take about two

years. Marquardt supplies components for world-famous auto brands like Mercedes Benz, BMW, Volkswagen, and General Motors.

- **Electrical & Electronics:** Daikin, A/C maker, will standardize its new production plant worldwide for efficiency starting next year based on a plant being built in the US, and intends to install the same type of equipment at a new facility in Vietnam
- **Electrical & Electronics:** Chinese smartphone makers focus to increase more market share in Vietnam after Samsung and Apple share continues to decline.
- **Food:** Vietnam's TTC Group, a sugar, energy and real estate conglomerate, is stepping up production of the sweetener and seeking new investors as it gears up for a Singapore listing for one of its sugar units in five years that will raise around USD 600 million. The company has already expanded its sugar operations beyond Vietnam to Cambodia and soon to Laos. The company is also targeting a 2.5-fold expansion of its Cambodian sugarcane plantation to 20,000 hectares (49,000 acres). The expansion would lower production costs by one fifth, making Vietnamese sugar products more competitive compared to imported sugar products in the country.
- **Power:** Vietnam plans to increase coal import to 85 million tons by 2030 and will start importing LNG by 2023. In the past, Vietnam was a net exporter of coal. However, due to a growing fleet of coal-fired power plants to meet demand for electricity, Vietnam became net importer of coal in 2015.
- **Petrochemical:** PTTGC aims to boost sales of plastic pellets in SE Asia with targets average growth of 31% by 2020. The move is part of PTTGC's plan to diversify its sales portfolio toward fast growing neighbors especially Cambodia, Laos, Myanmar and Vietnam (CLMV). Their annual sales of plastic are expected to rise to 266,000 tons by 2020, compare 68,000 tons in 2015. Moreover, PTTGC is planning to increase its market share in CLMV to 15% in 2020 from 6% in 2015.
- **Petrochemical:** SCG Chemical reveals that capital expenditure used in the first nine months is just around THB 2.6 billion and will not achieve the 2016 plan of THB 4-5 billion due to the delay of some projects. Long Son petrochemical complex which located in Vietnam is expected to long delay and construction phase will slate for the latter half of 2017 after facing the difficulties of finding new partner due to the withdrawal of previous partner, Qatar Petroleum.
- **Logistics:** A highway connecting Vientiane and Hanoi is expected to be constructed in the near future, said Prime Minister Thongloun Sisoulith during his visit to Vietnam. The visiting premier said the government had agreed with Vietnam's proposal to build a highway connecting to two nations' capital cities. He also requested Vietnam to provide Laos with the effective access to the Vung An Seaport in the north-central province of Ha Tinh.

- **Wholesale & Retail:** A trend of cooperation between retailers and e-Commerce platforms in Vietnam is growing rapidly. Survey from department of e-Commerce and ICT indicates that 34% of retailers use social network to distribute their products. However, not all retailers can develop their platform so they decided to be a partner with e-Commerce platform like Lazada and Shopee instead.
- **Real Estate:** In the first nine months of 2016, FDI into Vietnam increased by 12%YOY to USD 11 billion. Just behind South Korea, Singapore is the second-largest investor into Vietnam, with companies from the Lion City accounting for USD 1.85 billion or 16% of cross border investment. According to Regina Lim from JLL Capital Markets Singapore Advisory & Research team, the trend is not only set to continue but signals good news for the real estate industry. JLL estimates that Singapore developers have invested USD 1.2 billion in property projects in Ho Chi Minh City in the last two years, with the bulk of the investments focused on residential development.
- **Hotel:** The accommodation platform Airbnb has seen explosive growth in Vietnam in the last two years. In Saigon, the country's largest city and the city with the most listings on the service, the numbers have tripled in the last year alone. From around 1,200 Airbnb listings in 2015, there are now almost 3,500 active listings in the city. Hanoi is slower to embrace the service, but still has more than 2,100 listings.
- **Transportation:** Thai AirAsia (TAA) will introduce a second daily flight from Bangkok to Hanoi starting from December 9. With the introduction of the second daily flight to Hanoi, TAA will outstrip rival budget carrier Nok Air in terms of frequency from Don Mueang to the Vietnamese capital. TAA has set a promotional one-way fare, inclusive of airport tax, on the Bangkok-Hanoi route at 990 baht, available for booking by November 13 for travel from December 9 to October 28 next year. Aside from the daily flight to Hanoi, TAA serves Ho Chi Minh City with three daily flights.
- **Telecom:** VNPT-VinaPhone has officially launched 4G services on Phu Quoc Island, becoming the first operator in the country to offer commercial 4G service. The VNPT mobile subsidiary has installed 100 base stations on the island and aims to widely provide 4G services in 2017 with 21,000 BTS to be installed nationwide. Pricing will be set at the same or in some cases lower rates than 3G services.
- **SEZ:** A subsidiary of Thailand's Hemraj land and development Plc and Cienco 4 Corporation, a Vietnamese construction firm, have teamed up to build a USD 1 billion industrial zone in Vietnam. The venture, Hemaraj-Cienco 4 Co., signed a deal with the provincial government of Nghe An, in central Vietnam, to start building the industrial zone next year in seven phases for completion in 2038.

Key Indicators

Domestic Demand	Share of GDP *	Unit	2011	2012	2013	2014	2015E	2016F
Real GDP		% YOY	6.2	5.2	5.4	6.0	6.7	6.1
Household consumption	65%	% YOY	4.1	4.9	5.2	6.1	9.3	-
Government consumption	6%	% YOY	7.1	7.2	7.3	7.0	7.0	-
Fixed capital formation	25%	% YOY	-7.8	1.9	5.3	9.3	9.4	-
Consumer price (end period)		%	18.1	6.8	6.0	1.8	0.6	3.5
Policy rate (end period)		%	15.00	9.00	7.00	6.50	6.50	
USDVND (period average)								

* Share of 2015 GDP

External Sector	Unit	2011	2012	2013	2014	2015	%YOY
Export	USD mn	92,296	110,118	125,765	142,013	163,019	14.8
Electrical & Electronics	USD mn	12,846	22,396	32,283	36,495	64,496	76.7
Textiles	USD mn	25,103	27,536	32,584	38,975	50,700	30.1
Import	USD mn	104,418	111,528	128,890	144,294	212,439	47.2
Electrical & Electronics	USD mn	14,390	22,963	31,424	34,081	41,148	20.7
Textiles	USD mn	12,204	12,451	14,715	17,050	28,227	65.6
Export from Thailand	USD mn	7,059	6,483	7,182	7,882	8,907	13.0
Foreign Direct Investment	USD mn	7,430	8,368	8,900	9,200	11,800	28.3
Net TDI from Thailand	USD mn	358	283	402	141	269	90.8
Visitor Arrivals	Person mn	6.0	6.8	7.6	7.9	7.9	0.9

Note: 1) %YOY (year-on-year percentage change) of the YTD value

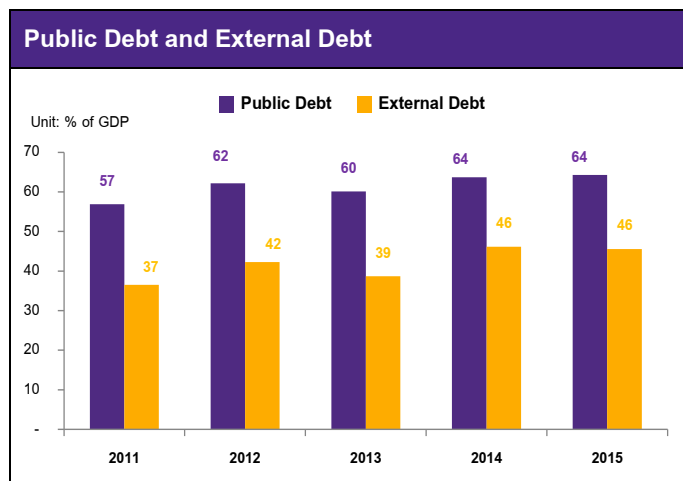
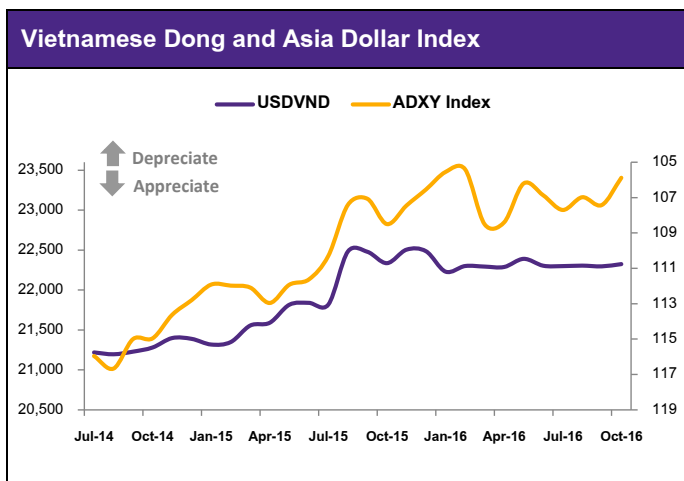
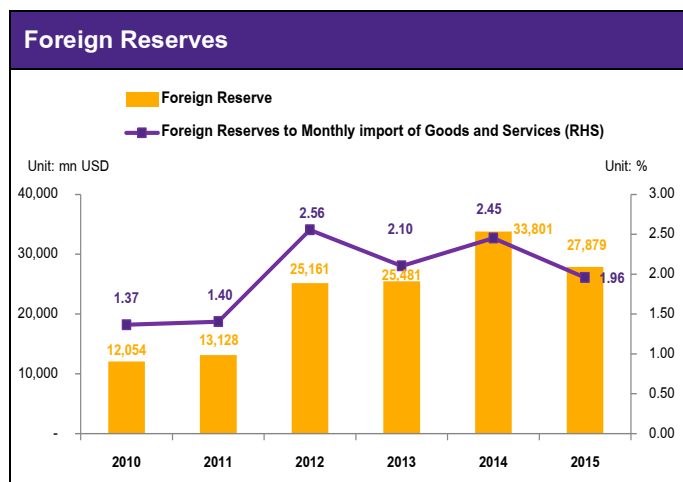
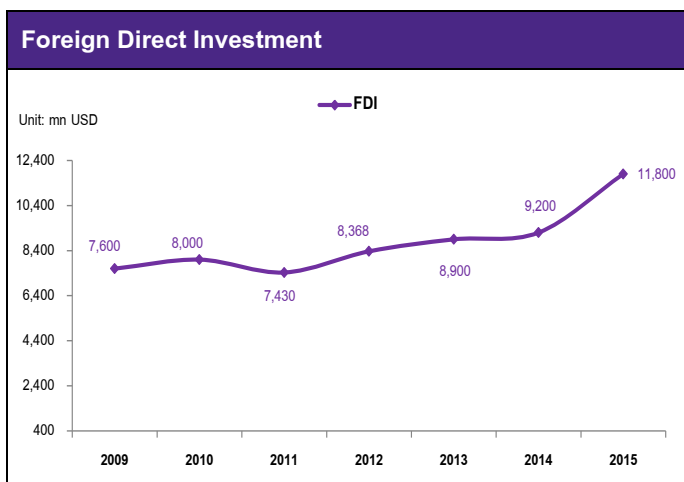
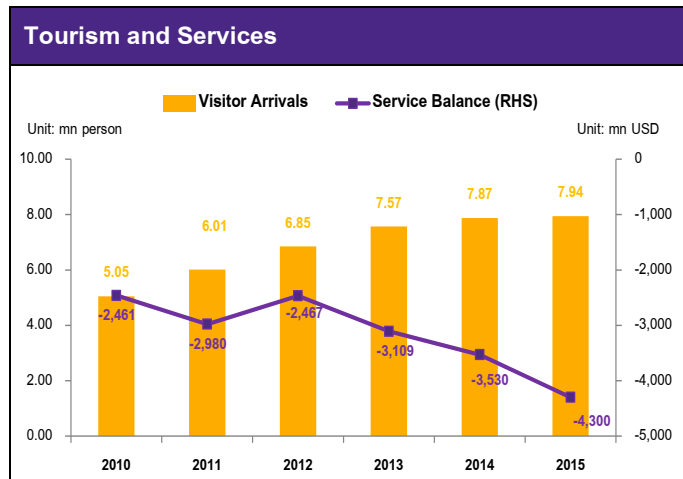
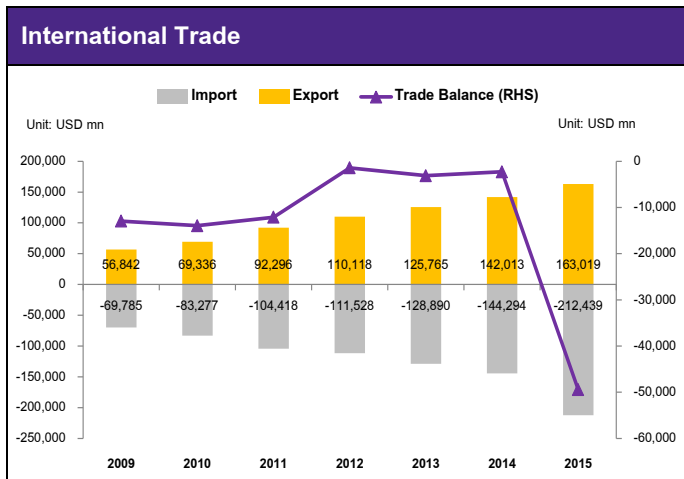
- 2) Exports and Imports are based on IMF data.
- 3) FDI reflects foreign direct investment (net inflows).
- 4) Net TDI from Thailand reflects Thai direct investment abroad.

Increase

Decrease

Stabilize

Sources: ADB, Bloomberg, CEIC, CIA, IMF, World Bank, Harvard, MIT, the Government of Vietnam, and the State Bank of Vietnam



Source: ADB, Bloomberg, CEIC, CIA, IMF, World Bank, Harvard, MIT, the Government of Vietnam, and the State Bank of Vietnam

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