Macroeconomic stability in 2014 has so far been maintained thanks to moderating inflation and strengthening external accounts. While the external sector continues to perform well, domestic demand remains subdued. Our forecast for 2014 growth remains unchanged at 5.5%.

Growth of new orders has led to an increase in production for ten successive months. The retail sector, automobile sales, steel, and cement consumption (after three years of decline) have all risen. However, weaker growth of new businesses, and difficulties in retaining staff, caused the pace of expansion to slow. Job creation is fairly modest. New tonnage rules in the transportation sector have lengthened delivery times and raised input costs in the manufacturing sector, and manufacturers have responded by raising their output prices. Domestic business sentiment is improving slowly but remains below potential. The commercial sector is still struggling; business failure rate has increased by 9.8% y/y in the first seven months of 2014.

While low inflation gives the authorities space for further monetary easing, its effectiveness is curbed by the poor health of the banking system. Credit activity is hampered by growing risk aversion among banks burdened with high bad loan ratios, as well as weak credit demand amid low consumer and investor confidence. Vietnam now must expedite banking and state-owned enterprise restructuring to boost productive investment.

Vietnam’s external position during 2014 remains favorable. Exports rose by 14.1% led by growth in key items like garments and mobile phones. Japan (the largest source of official development assistance in Vietnam) resumed aid after temporarily suspending it amid bribery scandals in June. Bilateral trade with China remained unscathed by the oil rig dispute; with imports from China rising markedly by 17.3%.

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**ASEAN Regional Country Risk Headline News**

The Country Risk Headline News is designed to help draw your attention to potential business risks associated with trading in overseas countries. The headlines below highlight some of the recent changes that have impacted the risk environment.

- **Cambodia** - Labor unrest in garment sector due to minimum wage demands.
- **Malaysia** - Housing market cools after credit tightening by the central bank.
- **Myanmar** - FDI continues to gather pace, especially into natural gas sector.
- **Philippines** - Indicators show economy can withstand recent hike in interest rate.
- **Singapore** - Overhaul of domestic industries continues as prices remain stable.
- **Thailand** - Key tourism sector and private consumption are leading recovery.

For more analysis on the specific factors affecting these countries (or any of the 130 countries covered worldwide) – Go Online if you already have an IRPR Subscription.
ASEAN blue chip companies are increasingly vulnerable to credit risk, according to a survey by Standard & Poor’s Rating Services on the 100 largest companies by market capitalization. This is caused by weakening profitability as economic growth is tapering down, and the reliance on debt for capital spending as they sought expansion abroad.

“Asean companies are increasingly using debt to finance growth and are likely to continue doing that over the next two years,” said Standard & Poor’s credit analyst Xavier Jean. Acquisitions more than doubled for the 100 ASEAN companies between 2011 and 2012, stayed high in 2013 and are on track for a record year in 2014. “The only way for these companies to keep growing seems to be leveraging up.”

S&P estimates that internal cash flows and cash balances could fund only about half of almost US$300 billion ASEAN’s largest companies spent on expansion and acquisitions between 2008 and the first quarter of 2014. At the same time, these companies issued about $150 billion of additional debt to bridge the gap. Nonetheless, most of these companies have enough earnings buffer to absorb a gradual increase in interest rates. Liquidity is generally not an immediate concern. It estimates that these companies have about $70 billion of debt maturing in the next 12 months, compared with close to $110 billion in cash balance.

Rising leverage raises the risk of financial distress, debt or corporate restructuring, or default if competition increases or growth slows down. It also reduces interest servicing capacity. “The largest companies in ASEAN sailed through the 2008-2009 crisis relatively unscathed because of their low debt,” said Jean. “But because of their greater leverage now, we believe the next global financial shock wave or a scenario of lower growth in China could harm these companies more today.”

“Conglomerates are the ones to watch,” Jean said. “Their financial structures are becoming more complex and leveraged, and they have a seemingly insatiable appetite for acquisitions. In that context, an understanding of the full picture of a group and the real scale of its leverage and liquidity is more critical than ever to assessing their credit quality and that of their subsidiaries.”

Compiled from The Nation and Businessweek, September 11, 2014
ASEAN Industry Highlights

Cambodia
- 10-Sep Businesses must pay property tax by October
- 11-Sep Industry casts doubt on meeting Philippine rice bid
- 12-Sep China rice market up for grabs due to ‘unsuitable’ land
- 17-Sep EU give $3.9 million to attract investment
- 26-Sep Report puts cost of illicit cigarettes at $1.2m

Indonesia
- 7-Sep 100 million oil palm sprouts in production pipeline
- 11-Sep Expansion trend seen in mining businesses
- 12-Sep Business groups oppose plantation bill
- 12-Sep Indonesian poultry to be exported to Japan
- 16-Sep Govt to issue decree on new airfare ceilings
- 16-Sep Coal exports in 2015 seen down 14% on new curbs
- 17-Sep Govt to decide on tax holiday for oil refinery
- 18-Sep Domestic furniture industry has promising future
- 18-Sep Car production predicted to reach 1.4 million units
- 20-Sep Jokowi reaffirms investment-friendly promises
- 27-Sep Indonesia may zerorize palm oil tax
- 29-Sep New plantation law may cut foreign ownership

Laos
- 12-Sep ADB: Thailand trails Laos in innovation
- 23-Sep Laos pushes for energy integration
- 26-Sep $26bn savings seen in Laos-Singapore power line

Malaysia
- 9-Sep Thriving healthcare sector boosts disposal glove market
- 9-Sep O&G firms secure RM528.3mil sales in Norway
- 10-Sep Stronger fundamentals for shipping sector
- 11-Sep Car prices lower post-Goods and Services Tax
- 11-Sep Death knell to Malaysia’s power sector reforms
- 12-Sep Spectrum refarming could be negative to telco players
- 16-Sep Malaysia, China sign MoU to establish sister ports
- 17-Sep Modern slavery’ in Malaysia electronics factories?
- 17-Sep Malaysia is Telenor’s biggest market for Internet growth
- 26-Sep Surprise drop in Malaysian palm oil output

Wall St (Featured Video)

U.S. Economic Health Tracker
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D&B’s Small Business Health Index rose nearly half a point during the most recent reporting period, owing to strong improvement in bill and credit-card payments. Despite the improvement the small business outlook remains subdued due to tepid economic expansion. Click here to download.

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ASEAN Industry Highlights

**Myanmar**
- 8-Sep Are the doors for foreign firms open too wide?
- 8-Sep Traders dump the state-owned banks
- 10-Sep New business activities that require mandatory JVs
- 15-Sep Garment industry hopes for ordering rush from the West
- 20-Sep Govt to avoid coal, megadams in energy strategy
- 24-Sep $670m in oil and gas investments approved in August

**Philippines**
- 1-Sep PH companies take on food trade in Paris
- 5-Sep Biotech boosts local export bid
- 8-Sep Manufacturing sector seen to lead growth
- 10-Sep Another solar power plant eyed in Ilocos Norte
- 11-Sep Unstable power supply seen to cut H2 export growth
- 12-Sep Local vehicle assemblers post 2-digits sales hike
- 12-Sep Rules for full entry of foreign banks out in Oct
- 16-Sep Sucat plant back on auction block
- 16-Sep Philippines gains in outsourcing
- 17-Sep Insufficient infrastructure is a major weakness
- 17-Sep Unrealized investments mounting due to FDI rules
- 19-Sep Miners air anxiety over proposed bill

**Singapore**
- 8-Sep E-commerce changing the landscape of logistic industry
- 10-Sep More financial services firms are in hiring mode
- 10-Sep Telcos likely to ring in stagnant growth
- 11-Sep Poll: Stalling global recovery hits growth prospects
- 16-Sep Construction sector the main drag on labour productivity
- 16-Sep Healthcare spending to reach $32b by 2020
- 17-Sep Singapore is perfect springboard for Chinese firms
- 17-Sep Sharp 17-point drop in local business sentiment in Q3
- 17-Sep Electronics exports fall for the 25th consecutive month
- 26-Sep Short-term pains as Singapore restructures economy

**Thailand**
- 9-Sep Rubber at 5yr low on Thai glut
- 11-Sep Food Valley scheme hailed as triumph
- 13-Sep Brdbn loan earmarked for infrastructure funding
- 17-Sep Beverages in line for excise tax rise
- 18-Sep Thailand and China to revive moribund trade
- 19-Sep Fuel price reforms will be fair to all
- 19-Sep Rubber farmers agree to drop protest amid reforms
- 25-Sep Jewellery, rubber most prepared for Asean integration
- 26-Sep Sugar buyers turn away from Thailand
- 26-Sep Logistics, food, hospitality sectors seek greater funding

**Vietnam**
- 8-Sep Anti-dumping duties on steel imports for first time
- 8-Sep Genetically modified foods licensed despite disputes
- 10-Sep Dairy industry focuses on tech, product diversity
- 10-Sep US to import lychees, longans from Vietnam
- 11-Sep Coffee reserves shrinking to lowest since 2011
- 15-Sep Norway pledges support to Vietnam's green growth
- 15-Sep Nepal's JFE edge out of $4.5 billion steel plant deal
- 15-Sep Vietnamese companies want to supply for Samsung
- 18-Sep Australia provides AUD$1.4 mil to develop fruits sector
- 18-Sep VN, Germany to boost economic co-operation
- 24-Sep Czech Republic investors seek opportunities in VN
- 25-Sep Russia imposes strict barriers on VN seafood exports

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Small Businesses Make More Powerful Decisions with Informed Perspective

Small businesses are the lifeblood of the economy, yet many struggle to turn their data insight into action.

Likewise, large businesses seeking inroads with the small business sector need accurate and relevant data.

30 ZETTABYTES
the amount of data that will be stored in the world by 2020

THAT'S EQUAL TO
MORE THAN STREAMING 1 BILLION YEARS OF HDTV VIDEO

10 TERABYTES
the amount of data Facebook generates daily

7 TERABYTES
the amount of data Twitter generates daily

How are small businesses and their larger partners navigating this challenging environment?

Market-sensing predictive analytics can help small businesses and the larger businesses they partner with to answer the tough questions about their customers' and prospects' viability.

- Is this a viable business?
- Can I identify growth opportunities with thriving businesses?
- Do I want to initiate or continue a relationship with this business?
- Do I have complete confidence in the depth of data driving my decision?
- Do I have complete visibility into the financial performance of this business?
- Can I increase the objectivity of my risk assessment?

Answering these questions can help today’s small business owner better understand which customers are likely pay on time, and still be in business in the next 12 months. And larger companies must answer the same questions to get the insight they need to connect to potential small business customers.

The shifting small business sector requires informed perspective to make powerful decisions today. D&B’s insight on small business can turn data into insight, foresight, and action.