Economics
Vietnam Macro

HSBC Global Research

Vietnam at a glance

A closer look at the banking system

- **2Q GDP rises to 5.0% y-o-y from 4.8% in 1Q, but the growth rate is still sub-trend**
- **June HSBC PMI slows to 46.4 from 48.8 in May, mostly on low domestic demand; a weaker China adds another drag**
- **With the Asset Management Company expected to begin operating on 9 July, we take a closer look at Vietnam's banking system**

Slow, steady progress

No country can sustain rapid growth rates without a functioning capital market to allocate capital efficiently. Vietnam's recent sluggish growth rates are reflective of decades of rapid economic growth with a financial system lagging behind in development. The banking sector has transformed since the late 1980s from one in which the State Bank of Vietnam (SBV) functioned both as a central bank and a commercial bank to one now with diverse participants ranging from state-owned to fully foreign-owned banks. But in the past decade, most of the country's credit was allocated to enterprises that did not invest capital productively. In this report, we examine the source of credit extended in the past decade. Our analysis shows that state-owned banks provided most of the loans to the economy.

The recent lending growth slowdown reflects both the government's commitment to improve the efficiency of the economy and diffuse the build-up of bad debts. A high NPL (non-performing loans) ratio and anaemic risk appetite caused the year-to-date (Jan-Jun) credit growth rate to be a meagre 3.31%. The overnight interest rate has hovered near 1% owing to high liquidity. As a first step to reform the financial system, the Prime Minister approved an asset management company (AMC) to resolve half of the bad debts from banks. The AMC is expected to begin operations on 9 July 2013.

For now, the economy operates below potential and will continue to do so until more progress on management takes place. While Vietnam's economy has made a vital U-turn in the past two years, urgent work remains to create an economic system that fosters Vietnam's productive enterprises.

1 July 2013

Trinh D Nguyen
Economist
The Hongkong and Shanghai Banking Corporation Limited
+852 2996 6975
trinhdnguyen@hsbc.com.hk

This note replaces the one of the same title and date to correct the 2013 GDP forecast.

HSBC

Low-hanging fruit

- Economic indicators show that output is below potential; this is because of a deleveraging process that began in late 2010
- State-owned banks, while still dominant in the share of total lending, have reduced their positions significantly
- The NPL ratio has fallen since 2012, but domestic firms are still underperforming; the AMC is designed to alleviate the debt burden

Table 1. HSBC Vietnam Manufacturing PMI and its sub-indices

	Jun-13	May-13	Apr-13	Long-Term Average
PMI Index	46.4	48.8	51.0	49.3
Output	45.0	48.9	51.5	49.6
New Orders	44.9	49.1	51.8	49.4
New Export Orders	49.3	51.3	50.1	49.8
Backlogs of Work	44.6	43.9	48.0	47.9
Stocks of Finished Goods	51.7	47.1	49.2	49.1
Employment	47.0	49.2	51.9	50.1
Output Prices	44.1	49.8	48.0	50.6
Input Prices	51.0	53.2	55.1	56.7
Suppliers' Delivery Times	51.0	50.7	50.2	51.2
Stocks of Purchases	49.0	46.4	47.6	47.5
Quantity of Purchases	45.5	48.2	52.5	48.9

Source: Markit, HSBC; Less than 50 and falling Less than 50 and rising or same Greater than or equal to 50 and falling Greater or equal to 50 and rising or same

A glance at Vietnam's latest HSBC manufacturing PMI readings might make one's heart skip a beat: activity continues to contract. The June reading deteriorates further to 46.4, mostly because of weak domestic activity. The new order sub-index is particularly ugly in June at 44.9, a huge slide from 49.1 in May. Even employment, which has held up well thus far, slipped further to 47.0 from 49.2. Managers are taking no chances and reducing their purchases sharply. The impressive acceleration in April has since disappeared, mostly owing to persistent weakness in domestic demand. The slowdown in China and Korea has added another blow.

But the short-term pain is expected – Vietnam's road to economic recovery is likely to be bumpy because of the country's ongoing deleveraging process. Most observers are not disappointed with the 2Q 2013 GDP growth print of 5.0% y-o-y. What is most important is whether the short-term (but very acutely felt) pain is going to be rewarded by long-term gains: a more efficient economy that is supported by a financial system that rewards productive investment. To answer this question, we take a closer look at Vietnam's banking system.

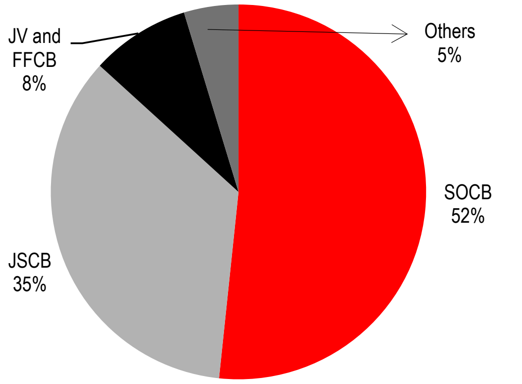
HSBC

Table 2. Vietnamese banking sector

Ownership	Name of bank	Licence date	Charter capital (VND bn)
SOCB	Vietnam Bank for Agriculture and Rural Development	1996	29,154
SOCB	Vietnam Bank for Industry and Trade	2009	26,281
SOCB	Joint Stock Commercial Bank for Foreign Trade of Vietnam	1996	23,174
SOCB	Bank for Investment and Development of Vietnam	2012	23,011
SOCB	Housing Bank of Mekong Delta	1997	3,055
JSCB	Bao Viet Bank	2008	1,500
JSCB	Petrolimex Group Bank	1993	2,000
JSCB	Nam A Commercial Bank (NAMA Bank)	1992	3,000
JSCB	BACA Commercial Bank	1994	3,000
JSCB	Vietnam Capital Bank	1992	3,000
JSCB	Orient Bank (OCB)	1996	3,000
JSCB	Global Petro Commercial Bank	1993	3,000
JSCB	Kien Long Bank	1995	3,000
JSCB	Viet Nam Thuong Tin Bank	2006	3,000
JSCB	Western Rural Commercial Bank	1992	3,000
JSCB	Great Trust Bank	1993	3,000
JSCB	TienPHong Bank	2008	3,000
JSCB	Nam Viet Bank	1995	3,010
JSCB	Saigon bank for Industry & Trade	1993	3,040
JSCB	Vietnam A Bank (VIETA Bank)	2003	3,098
JSCB	Great Asia Bank	1993	3,100
JSCB	Mekong Development Bank	1992	3,750
JSCB	Southern Bank	1993	4,000
JSCB	Anh binh Commercial Bank (ABB)	1993	4,199
JSCB	Vietnam International Commercial Bank (VIB)	1996	4,250
JSCB	Eastern Asia Commercial Bank (EAB)	1992	5,000
JSCB	OCEAN Bank	1993	5,000
JSCB	Vietnam Prosperity Commercial Bank (VPBank)	1993	5,050
JSCB	Housing development Commercial Bank (HD Bank)	1992	5,300
JSCB	Southeast Asia Commercial Bank (SeAbank)	1992	5,334
JSCB	LienViet Post Bank	2008	6,400
JSCB	Maritime Commercial Bank	1991	8,000
JSCB	Vietnam Technological and Commercial Bank	1993	8,788
JSCB	Saigon-Hanoi Commercial Bank	1993	8,865
JSCB	Asia Commercial Bank (ACB)	1993	9,376
JSCB	Military Commercial Bank (MB)	1994	10,000
JSCB	Saigon Bank (SCB)	2001	10,584
JSCB	Saigon Thuong Tin Commercial Bank- Sacombank	1991	10,740
JSCB	Vietnam Export-Import Commercial Bank (Eximbank)	1992	12,355
JV	VID Public Bank	1992	$62.5mn
JV	INDOVINA Bank Limited	1990	$165mn
JV	VINASIAM Bank	1995	$61mn
JV	Vietnam-Russia Joint Venture Bank	2006	$168.5mn
FFCB	Shinhan	2008	7,547
FFCB	HSBC	2008	3,000
FFCB	Standard Chartered	2008	3,000
FFCB	ANZ	2008	3,000
FFCB	Hong Leong	2008	3,000

Note: SOCB= state-owned commercial banks (5 banks); JSCB = joint stock commercial banks (34 banks); JV = joint venture (4 banks); and FFCB = fully foreign-owned commercial banks (5 banks)
Source: SBV, HSBC

Chart 1. While most lending in Vietnam is still dominated by SOCBs, their share has come down



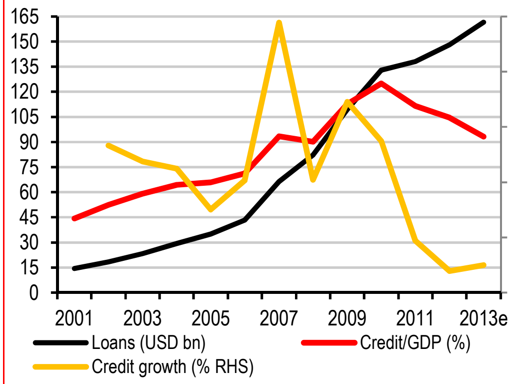
Source: OECD, SBV, HSBC

Table 1 contains a list of Vietnam's 48 banks, ranging in size and ownership. Vietnam's largest five commercial banks are majority state-owned (SOCBs) and were created post the late 1980s reform period to fulfil specialised policy lending functions. Traditionally, SOCBs' customer base has been state-owned enterprises (SOEs), but they have expanded into more traditional commercial banking activities and are no longer considered formal policy institutions (The World Bank, 2001; ASEAN Economic Bulletin, 2009; SF Fed, 2011).

Chart 1 shows that SOCBs dominate lending in Vietnam (data for year 2011). Note that while 52% of total loans originated from SOCBs, their market share has declined significantly since 2001. Chart 3 shows that SOCBs' share declined from close to 80% of total loans in 2001 to 52% in 2011.

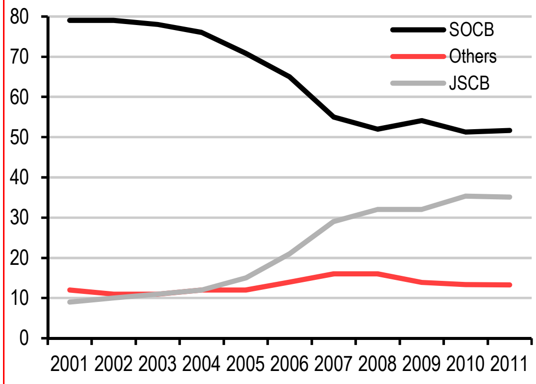
Joint-stock commercial banks (JSCBs) are more diversified than SOCBs because they are established under a joint venture contract with capital by a Vietnamese bank and one or more foreign bank (foreign banks are limited to 49% ownership). Their customer base tends to be small and medium-sized enterprises (SMEs) and retail finance. Their market share has risen significantly since 2001 from 9% to 35.3% in 2010. Since 2006, the State Bank of Vietnam (SBV) allowed five foreign banks to operate as wholly foreign-owned banks, including HSBC.

Chart 2. Vietnam leveraged up significantly from the early 2000s until 2010 but has since de-levered drastically



Source: OECD, SBV, HSBC

Chart 3. SOCBs are still major players but their share of the credit space is declining (% of total loans)



Source: OECD, SBV, HSBC

Vietnam's banking system has developed rapidly: total credit rose from USD14.5bn in 2001 to USD133bn in 2010. Much of the issue surrounding the current economic malaise traces its origins to this rapid leveraging process, which began in the early 2000s. During this period, the country's credit to GDP ratio rose sharply from 44% in 2001 to 125% in 2010. A report of Vietnam's top 200 firms in 2007 by UNDP shows that most of the lending to SOEs was reckless, in most cases firms did not have to provide collateral to acquire the loans. In cases where collateral was provided, the banks often failed to conduct proper due diligence, assuming the implicit backing of the state in the event that the loan defaulted.

Table 3. Bad debts (according to the SBV)

	USDbn	NPL ratio	Credit growth (% y-t-d)
Jun-13	7.6	4.7	3.3
Feb-13	8.3	6.0	-0.2
Jun-12	12.7	8.6	8.9*

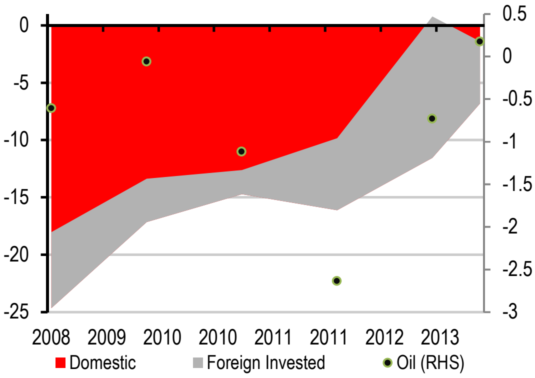
Source: Saigon Times Daily, Bloomberg, Reuters, HSBC; * denotes end of 2012 credit growth

After two episodes of high inflation (23% y-o-y in August 2011), the government realised that Vietnam could no longer bear the cost of a troubled banking system, inefficient SOEs and unproductive public investment.

Chart 2 reflects the consequences of the government's resolve. Credit growth has dropped sharply in the past two years as the government tightened public investment and the private sector held back consumption. As a result, the credit-to-GDP ratio (red line) dropped to 104.5% in 2012 from 125% in 2010. If credit expands by 10% this year, the credit-to-GDP ratio will drop further to 93.3%.

Despite the improvement in the credit-to-GDP ratio, NPLs continue to weigh on the banking system. Some of the loans were non-collateralised or backed by assets, such as real estate, that were booked at inflated values. Many of them turned into non-performing loans when asset prices declined. Given limited data, it is difficult to gauge the exact NPL ratio of Vietnam's banking sector. Table 3 shows estimated bad debts in USDbn based on the SBV's stated NPL ratios for the whole banking system. According to statements from the SBV, the current NPL ratio is 4.7, which is equivalent to USD7.6bn of bad loans; however, some rating agency puts the estimate as high as 20% of GDP.

Chart 4. Vietnam is both more and less stable; NPL ratio is high but the trade balance has improved significantly; higher refining capacity and weaker demand drove oil balance into surplus (USDbn)



Source: CEIC, HSBC

Chart 5. Domestic firms are suffering from weak credit conditions; foreign firms with ample liquidity are excelling

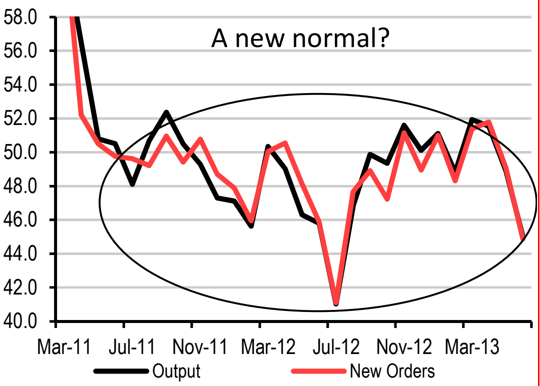
Source: CEIC, HSBC

The government has stated that it will not pay for the recapitalisation of the banks as it is committed to fiscal consolidation. Moreover, the central bank is unlikely to use monetary stimulus to save the poorly managed banks as the SBV tries to contain inflation and gradually wean SOEs off the state's support. The government already reduced public spending and investment to cut the budget deficit, which leaves no room to support the banking sector. This means that banks will have to make their own efforts to recapitalise by selling assets or securing help from external sources. Aid agencies such as the World Bank, the Asian Development Bank and the IMF have stated their willingness to lend, should Vietnam require support. But this seems like an unlikely option as it risks sending the signal that the government has run out of solutions. Given Vietnam's underdeveloped insolvency regulations, banks would prefer to roll over bad debts rather than liquidate them below book value.

The SBV rolled out a banking sector reform roadmap called Decision 254. First it categorised banks based on their fiscal health. The AMC is part of the government's effort to fix banks that were identified by the SBV in this process as having high levels of bad debts. The plan is to issue securities to banks to buy the bad debts at book value. The AMC is due to operate on 9 July.

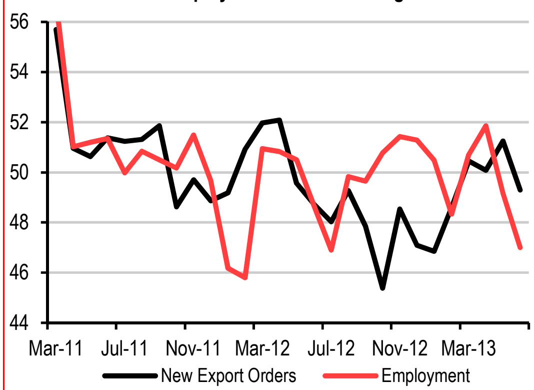
What is noteworthy during this period is that Vietnam's fundamental competitiveness has

Chart 6. Output has been below potential since 2011



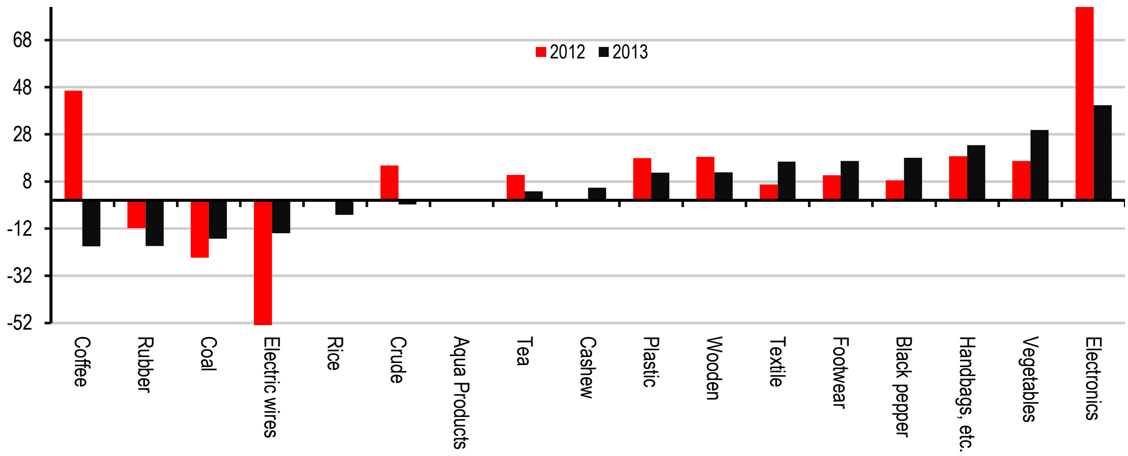
Source: Markit, HSBC

Chart 7. A loss of employment shows the drag intensifies



Source: Markit, HSBC

Chart 8. Weak global prices have dragged down commodity exports while manufacturing rose (exports % y-o-y)



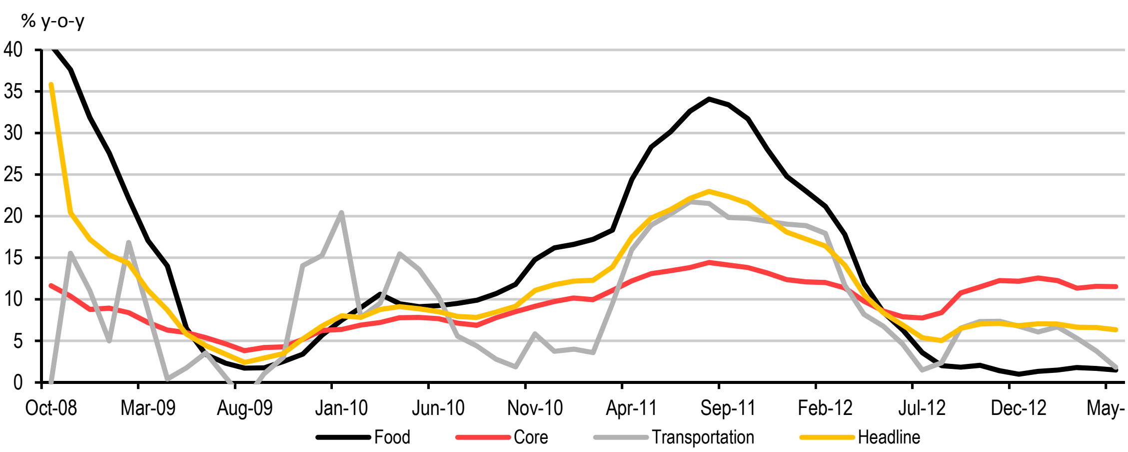
Source: CEIC, HSBC

remained. For example, rising energy production capacity has improved the oil trade balance, albeit slowly and at levels below potential. Year to date, the country has an oil trade surplus of USD 175m. Rising refinery investment and investment into wind power generation will raise Vietnam's energy independence. But this won't be enough: the country's supply of electricity is still significantly below demand.

While the cooling of the economy has exacerbated the country's NPL problem, the macroeconomic picture has become more stable. Vietnam is running a year-to-date trade deficit of USD1.4bn despite contracting commodity exports and sluggish external demand. This is because of strong investment in manufacturing exports. But as Chart 5 shows, domestic firms are not doing as well and strong export growth has been primarily driven by foreign firms.

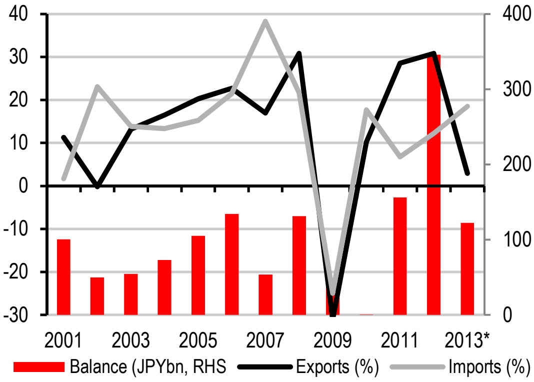
Inflation has also been contained, staying in single digits. Headline inflation rose slightly to 6.7% y-o-y from 6.4% owing to higher service costs. We expect inflation to be contained thanks to weak commodity prices. The SBV recently adjusted the VND:USD reference rate by 1% after keeping the rate steady since end 2011, but we do

Chart 9. Consumers' and firms' demand for food have been low, driving inflation down. Weak global commodity prices also kept transportation costs steady (inflation % y-o-y)



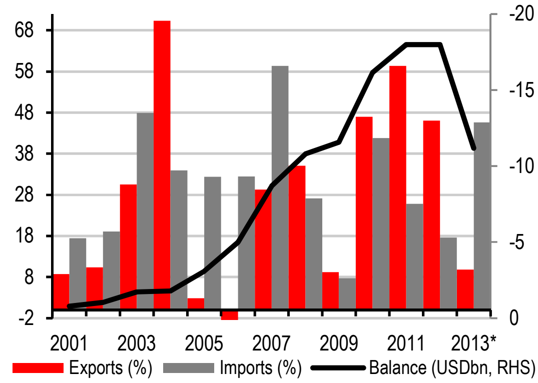
Source: CEIC, HSBC

Chart 10. Trade relations with Japan are increasing thanks to a surge in manufacturing investment



Source: CEIC, HSBC; * Only data until May

Chart 11. The trade deficit with China has risen; Vietnam's exposure to China demand is not as high as US, EU and Japan



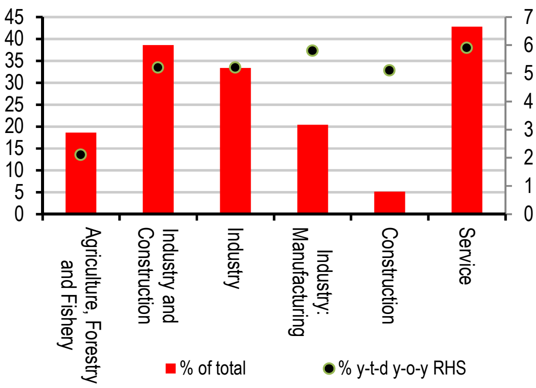
Source: CEIC, HSBC; * only data until May

not think it will significantly affect inflation as the supply and demand dynamic is stable (see *'Vietnam: A little nudge: deposit caps and VND/USD rate lowered'*, 27 June 2013).

Vietnam continues to attract high FDI inflows. Year-to-date registered FDI rose by 22% to USD5.8bn with most of the investment coming from Japan. Charts 10 and 11 show that Vietnamese imports from both Japan and China rose, reflecting the trend that more new investment in manufacturing is flowing to Vietnam from China and Japan. As such, even though credit growth has contracted on a real basis, the employment picture in Vietnam has not deteriorated significantly thanks to new investment.

While Vietnam is holding up better than expected during the deleveraging process, this does not mean the situation is sustainable. Whether Vietnam's current growth sacrifice is worthwhile remains to be seen. So far, the government appears to be committed to improving the management of the country by gradually improving the capacity of its institutions. The SBV is slowly making progress in its management of monetary policy. The appointment of two new technocrats to the Politburo will hopefully translate to more efficient governance of the economy (see *'Vietnam at a glance: Getting the house in order'*, 3 June 2013).

Chart 12. 2Q 2013 GDP growth was 5.0% y-o-y; manufacturing and services are holding up the economy



Source: CEIC, HSBC; Note that Vietnam recently rebased its GDP to 2010 year, which makes statistical analysis difficult as it only released two quarters of data

Chart 13. Retail sales have decelerated but are not falling apart

Source: CEIC, HSBC

HSBC

Table 4. Main HSBC Forecasts

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013f	Q3 2013f	Q4 2013f	2012	2013f
GDP (% y-o-y)	4.8	4.7	5.4	5.5	4.8	5.0	5.1	5.3	5.0	5.1
CPI, average (% y-o-y)	16.0	8.6	5.6	7.0	6.9	6.6	5.9	3.9	9.3	5.8
Trade balance (% GDP)	0.9	-1.1	0.9	1.4	0.8	-1.0	-1.8	-0.4	**0.2***	**-3.5***
OMO rate, end quarter (%)	13.0	10.0	8.0	7.0	6.5	6.0	6.0	6.0	7.0	6.0
VND/USD, end quarter	20,900	20,905	20,860	20,843	20,935	21,000	21,000	21,000	20,843	21,000

*Denotes year-end in USDbn
Source: CEIC, HSBC estimates

We remain watchful of Vietnam's progress, which so far has been painful, especially for the SME sector, but necessary to improve the efficiency of the country's investments and build a brighter future.

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), and/or strategist(s) who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and/or any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Trinh Nguyen

Important Disclosures

This document has been prepared and is being distributed by the Research Department of HSBC and is intended solely for the clients of HSBC and is not for publication to other persons, whether through the press or by other means.

This document is for information purposes only and it should not be regarded as an offer to sell or as a solicitation of an offer to buy the securities or other investment products mentioned in it and/or to participate in any trading strategy. Advice in this document is general and should not be construed as personal advice, given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. If necessary, seek professional investment and tax advice.

Certain investment products mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. Investors should consult with their HSBC representative regarding the suitability of the investment products mentioned in this document and take into account their specific investment objectives, financial situation or particular needs before making a commitment to purchase investment products.

The value of and the income produced by the investment products mentioned in this document may fluctuate, so that an investor may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Value and income from investment products may be adversely affected by exchange rates, interest rates, or other factors. Past performance of a particular investment product is not indicative of future results.

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments (including derivatives) of companies covered in HSBC Research on a principal or agency basis.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking revenues.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at www.hsbcnet.com/research.

** HSBC Legal Entities are listed in the Disclaimer below.*

Additional disclosures

1. This report is dated as at 01 July 2013.
2. All market data included in this report are dated as at close 27 June 2013, unless otherwise indicated in the report.
3. HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.

HSBC

Disclaimer

** Legal entities as at 8 August 2012*
'UAE' HSBC Bank Middle East Limited, Dubai; 'HK' The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; 'TW' HSBC Securities (Taiwan) Corporation Limited; 'CA' HSBC Bank Canada, Toronto; HSBC Bank, Paris Branch; HSBC France; 'DE' HSBC Trinkaus & Burkhardt AG, Düsseldorf; 000 HSBC Bank (RR), Moscow; 'IN' HSBC Securities and Capital Markets (India) Private Limited, Mumbai; 'JP' HSBC Securities (Japan) Limited, Tokyo; 'EG' HSBC Securities Egypt SAE, Cairo; 'CN' HSBC Investment Bank Asia Limited, Beijing Representative Office; The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch; HSBC Securities (South Africa) (Pty) Ltd, Johannesburg; HSBC Bank plc, London, Madrid, Milan, Stockholm, Tel Aviv; 'US' HSBC Securities (USA) Inc, New York; HSBC Yatirim Menkul Degerler AS, Istanbul; HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC; HSBC Bank Brasil SA – Banco Múltiplo; HSBC Bank Australia Limited; HSBC Bank Argentina SA; HSBC Saudi Arabia Limited; The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR

Issuer of report
The Hongkong and Shanghai Banking Corporation Limited
Level 19, 1 Queen's Road Central
Hong Kong SAR
Telephone: +852 2843 9111
Telex: 75100 CAPEL HX
Fax: +852 2801 4138
Website: www.research.hsbc.com

The Hongkong and Shanghai Banking Corporation Limited ("HSBC") has issued this research material. The Hongkong and Shanghai Banking Corporation Limited is regulated by the Hong Kong Monetary Authority. This material is distributed in the United Kingdom by HSBC Bank plc. In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (AFSL No. 232595). These respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient.

This publication is distributed in New Zealand by The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR.

This material is distributed in Japan by HSBC Securities (Japan) Limited. HSBC Securities (USA) Inc. accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. All US persons receiving and/or accessing this report and intending to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report. In Korea, this publication is distributed by either The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") or The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch ("HBAP SEL") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. Both HBAP SLS and HBAP SEL are regulated by the Financial Services Commission and the Financial Supervisory Service of Korea. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. Recipients in Singapore should contact a "Hongkong and Shanghai Banking Corporation Limited, Singapore Branch" representative in respect of any matters arising from, or in connection with this report. In the UK this material may only be distributed to institutional and professional customers and is not intended for private customers. It is not to be distributed or passed on, directly or indirectly, to any other person. HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC is authorized and regulated by Secretaría de Hacienda y Crédito Público and Comisión Nacional Bancaria y de Valores (CNBV). HSBC Bank (Panama) S.A. is regulated by Superintendencia de Bancos de Panama. Banco HSBC Honduras S.A. is regulated by Comisión Nacional de Bancos y Seguros (CNBS). Banco HSBC Salvadoreño, S.A. is regulated by Superintendencia del Sistema Financiero (SSF). HSBC Colombia S.A. is regulated by Superintendencia Financiera de Colombia. Banco HSBC Costa Rica S.A. is supervised by Superintendencia General de Entidades Financieras (SUGEF). Banistmo Nicaragua, S.A. is authorized and regulated by Superintendencia de Bancos y de Otras Instituciones Financieras (SIBOIF).

Any recommendations contained in it are intended for the professional investors to whom it is distributed. This material is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. HSBC has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; HSBC makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of HSBC only and are subject to change without notice. The decision and responsibility on whether or not to invest must be taken by the reader. HSBC and its affiliates and/or their officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). HSBC and its affiliates may act as market maker or have assumed an underwriting commitment in the securities of any companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform banking or underwriting services for or relating to those companies. This material may not be further distributed in whole or in part for any purpose. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. (070905)

In Canada, this document has been distributed by HSBC Bank Canada and/or its affiliates. Where this document contains market updates/overviews, or similar materials (collectively deemed "Commentary" in Canada although other affiliate jurisdictions may term "Commentary" as either "macro-research" or "research"), the Commentary is not an offer to sell, or a solicitation of an offer to sell or subscribe for, any financial product or instrument (including, without limitation, any currencies, securities, commodities or other financial instruments).

Global Economics Research Team

Global

Stephen King
Global Head of Economics
+44 20 7991 6700 stephen.king@hsbcib.com

Karen Ward
Senior Global Economist
+44 20 7991 3692 karen.ward@hsbcib.com

Madhur Jha
+44 20 7991 6755 madhur.jha@hsbcib.com

Europe & United Kingdom

Janet Henry
Chief European Economist
+44 20 7991 6711 janet.henry@hsbcib.com

Simon Wells
Chief UK Economist
+44 20 7991 6718 simon.wells@hsbcib.com

Matteo Cominetta
+44 20 7991 6708 matteo.cominetta@hsbc.com

John Zhu
+44 20 7991 2170 john.zhu@hsbcib.com

Germany

Stefan Schilbe
+49 211910 3137 stefan.schilbe@hsbc.de

France

Mathilde Lemoine
+33 1 4070 3266 mathilde.lemoine@hsbc.fr

North America

Kevin Logan
Chief US Economist
+1 212 525 3195 kevin.r.logan@us.hsbc.com

Ryan Wang
+1 212 525 3181 ryan.wang@us.hsbc.com

David G Watt
+1 416 868 8130 david.g.watt@hsbc.ca

Asia Pacific

Qu Hongbin
Managing Director, Co-head Asian Economics Research and Chief Economist Greater China
+852 2822 2025 hongbinqu@hsbc.com.hk

Frederic Neumann
Managing Director, Co-head Asian Economics Research
+852 2822 4556 fredericneumann@hsbc.com.hk

Leif Eskesen
Chief Economist, India & ASEAN
+65 6658 8962 leifeskesen@hsbc.com.sg

Paul Bloxham
Chief Economist, Australia and New Zealand
+612 9255 2635 paulbloxham@hsbc.com.au

Adam Richardson
+612 9006 5848 adamrichardson@hsbc.com.au

Donna Kwok
+852 2996 6621 donnahjkwok@hsbc.com.hk

Trinh Nguyen
+852 2996 6975 trinhdnguyen@hsbc.com.hk

Ronald Man
+852 2996 6743 ronaldman@hsbc.com.hk

Sun Junwei
+86 10 5999 8234 junweisun@hsbc.com.cn

Sophia Ma
+86 10 5999 8232 xiaopingma@hsbc.com.cn

Su Sian Lim
+65 6658 8963 susianlim@hsbc.com.sg

Izumi Devalier
+852 2822 1647 izumidevalier@hsbc.com.hk

Julia Wang
+852 2822 4687 juliarwang@hsbc.com.hk

Global Emerging Markets

Pablo Goldberg
Head of Global EM Research
+1 212 525 8729 pablo.a.goldberg@hsbc.com

Bertrand Delgado
EM Strategist
+1 212 525 0745 bertrand.j.delgado@us.hsbc.com

Emerging Europe and Sub-Saharan Africa

Murat Ulgen
Chief Economist, Central & Eastern Europe and sub-Saharan Africa
+44 20 7991 6782 muratulgen@hsbc.com

Alexander Morozov
Chief Economist, Russia and CIS
+7 495 783 8855 alexander.morozov@hsbc.com

Artem Biryukov
Economist, Russia and CIS
+7 495 721 1515 artem.biryukov@hsbc.com

Agata Urbanska
Economist, CEE
+44 20 7992 2774 agata.urbanska@hsbcib.com

Melis Metiner
Economist, Turkey
+90 212 376 4618 melismetiner@hsbc.com.tr

Middle East and North Africa

Simon Williams
Chief Economist
+971 4 423 6925 simon.williams@hsbc.com

Liz Martins
Senior Economist
+971 4 423 6928 liz.martins@hsbc.com

Latin America

Andre Loes
Chief Economist, Latin America
+55 11 3371 8184 andre.a.loes@hsbc.com.br

Argentina

Javier Finkman
Chief Economist, South America ex-Brazil
+54 11 4344 8144 javier.finkman@hsbc.com.ar

Ramiro D Blazquez
Senior Economist
+54 11 4348 2616 ramiro.blazquez@hsbc.com.ar

Jorge Morgenstern
Senior Economist
+54 11 4130 9229 jorge.morgenstern@hsbc.com.ar

Brazil

Constantin Jancso
Senior Economist
+55 11 3371 8183 constantin.c.jancso@hsbc.com.br

Mexico

Sergio Martin
Chief Economist
+52 55 5721 2164 sergio.martinm@hsbc.com.mx

Claudia Navarrete
Economist
+52 55 5721 2422 claudia.navarrete@hsbc.com.mx

Central America

Lorena Dominguez
Economist
+52 55 5721 2172 lorena.dominguez@hsbc.com.mx