

Vietnam November Inflation

Drops to the lowest since 2016

November CPI was down for the first time since May 2020

- November CPI's reading posts at -0.01% MoM – the first drop since May this year. Thus, YoY figure stands at 1.48% – the lowest since February 2016. Average 11-month headline CPI was 3.5%, much lower than the annual target of 4% of the Government.
- Main factors affecting CPI in November include: 1) Average pork price decreased by 3.44% MoM, and helped prices of food group down by 0.06% MoM. Thus, prices of food and foodstuff group rose only 6.5% YoY – the lowest growth this year; 2) Gasoline price in November decreased by about 3% MoM and helped prices of transport group continue its downturn, -0.47% MoM and -13.27% YoY.

December CPI expects to rise marginally and 2020 average CPI will post at 3.3%

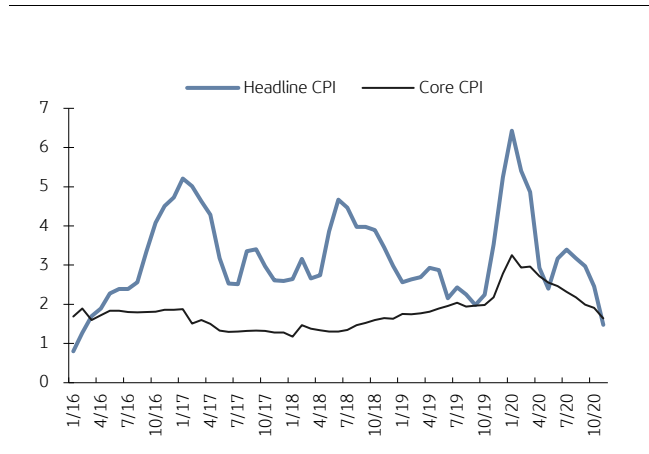
- December CPI is forecasted to increase marginally, by 0.5% MoM due to 1) Average gasoline price in the global market is forecasted to increase by about 8% MoM; 2) Higher demand for household shopping and home repairs at the end of the year.
- We lower our average inflation forecast for 2020 to 3.3% from the previous 3.5% as pork prices are currently on a downturn thanks to the improvement in supply and fuel prices remain at lower level than the same period last year.

Higher chance for another policy rates cut

- Tamed inflation signals higher possibility that the State Bank of Vietnam (SBV) will conduct another policy rate cut in December, in an effort to boost economic growth. In fact, after the recent rate cut by SBV in October, positive results have appeared such as: 1) Rebound in credit growth (only in the first half of November, credit increased by 1%, equivalent to nearly VND 90 trillion compared to the end of October); 2) Recovery in November retail sales and industrial output.

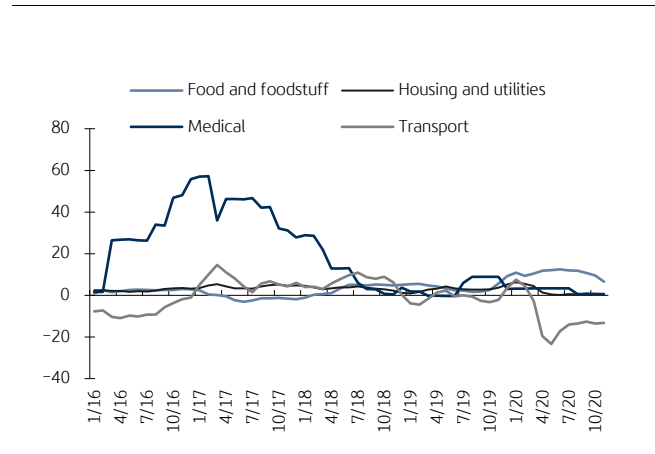


Fig 1. Vietnam - Headline and Core CPI, Jan 16 - Nov 20 (%)



Source: General Statistics Office, KB Securities Vietnam

Fig 2. Vietnam - Key CPI group movement, Jan 16 - Nov 20 (%)



Source: General Statistics Office, KB Securities Vietnam

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|--------------|--------------|--------------|
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|-----------------------|---------------------------------|-------------------------|
| Outperform the market | Perform in line with the market | Underperform the market |

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