

# MPI tones down GDP again

## More caution may quicken stimulus response

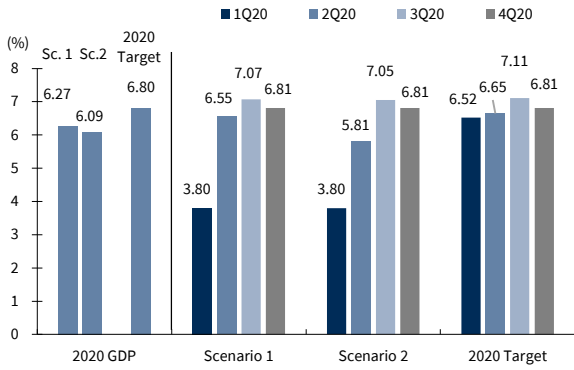
Ministry of Planning & Investment cuts 2020 GDP further to 5.96%-6.25%

- The 2020 GDP growth forecast lowered further to 6.25% for 1Q containment (vs February 5's 6.27%) and 5.96% for 2Q containment (vs 6.09%) at the Government's Standing Committee on February 12 as part of the nCov outbreak assessment.
- Average inflation rate (CPI) forecasts were kept at 3.96% and 4.86% for the two scenarios.
- Breakdown of the revised forecasts show a better outlook for 1Q at only a 2.0%p contraction to 4.52% YoY growth due to better growth in export activities vs the 2.7%p contraction to 3.80% YoY growth for 1Q in the previous forecast.
- The main difference from the earlier forecasts seems to be the duration of the economic fallout, which extend to the second and third quarters mainly due to disruption of production activities (especially the electricity and electronics industries).

More caution may pull forward stimulus – 1H infrastructure spend & 2H monetary easing

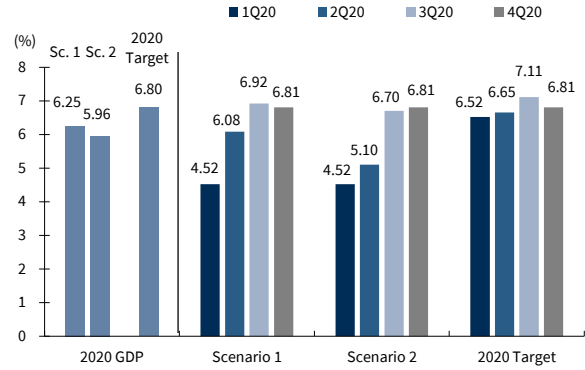
- 1H should focus on infrastructure spending and the government has already issued Resolution No. 07 / NQ-CP at the beginning of February asking the State Appraisal Council to accelerate the feasibility study on expanding phase 1 of the Long Thanh International Airport project. This should allow the Prime Minister to approve investments by March 2020.
- Action from the State Bank of Vietnam (SBV) in the 1H will probably be limited to asking commercial banks to adjust lending rates and rescheduling loan repayments to businesses affected by the outbreak. Monetary easing is more likely to occur in 2H – when inflation moderates – and we expect a synchronous cut to both benchmark and deposit rates, accompanied by higher credit limits at the commercial banks that have met Basel II requirements.
- The SBV should also maintain its current currency policy of VND stability given that both exports and imports have been impacted by the nCoV outbreak and continue to use foreign currency purchases to manage any unwanted strength in the VND.

Fig 1. Ministry of Planning & Investment – Old 2020 GDP revisions due to nCoV outbreak (February 5, 2020)



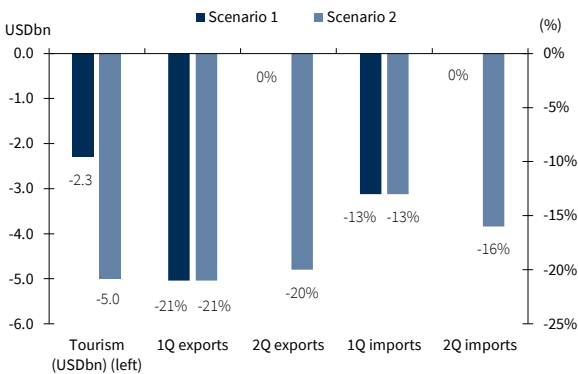
Source: Ministry of Planning & Investment

Fig 2. Ministry of Planning & Investment – New 2020 GDP revisions due to nCoV outbreak (February 12, 2020)



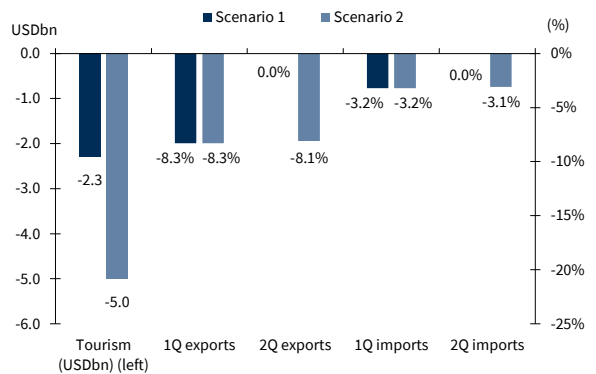
Source: Ministry of Planning & Investment

Fig 3. Ministry of Planning & Investment – Old 2020 GDP forecast assumptions (February 5, 2020)



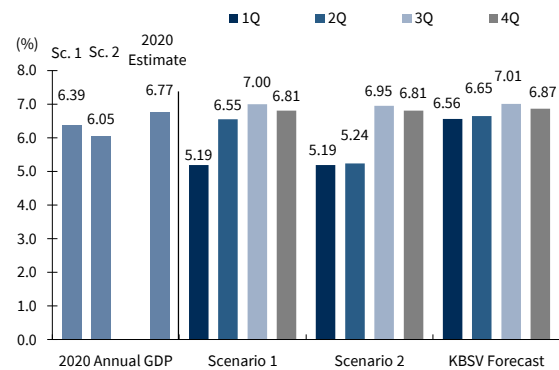
Source: Ministry of Planning & Investment

Fig 4. Ministry of Planning & Investment – New 2020 GDP forecast assumptions (February 12, 2020)



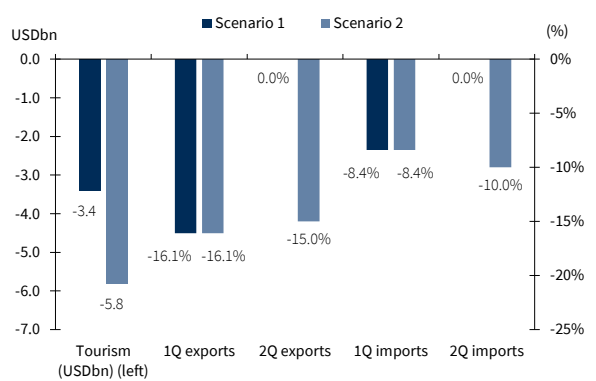
Source: Ministry of Planning & Investment

Fig 5. KB Securities Vietnam – 2020 GDP forecasts after nCoV impact



Source: KB Securities Vietnam

Fig 6. KB Securities Vietnam – 2020 GDP forecast assumptions



Source: Ministry of Planning & Investment

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(based on expectations for absolute price gains over the next 6 months)

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### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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