

Moody's lowers Vietnam's outlook

A warning sign

Moody's reaffirms Vietnam's Ba3 ratings but downgrades the outlook after completing the downgrade review begun on October 9, 2019

- Moody's maintains Vietnam's Ba3 rating as local and foreign currency issuer and senior unsecured rating but lowers the outlook to negative
- The reason given for the downgrade comes from payment delays on the government's indirect debt obligations, which have not been completely resolved given the lack of tangible measures to improve interagency coordination in debt management
- Moody's maintains a positive assessment of Vietnam's economic outlook

Lower outlook is a warning sign but not likely to be overly negative

- Moody's decision to lower Vietnam's outlook is likely an effort to have the government administration focus more attention on forthcoming payments of all its debt obligations. The action also highlights the need for the government to disclose resources that will be mobilized to meet these obligations to allow international organizations to more thoroughly evaluate projects. Financial management of the public sector will likely have to improve the quality and timeliness of financial statements to improve transparency
- Moreover, the negative outlook may have implications for Vietnam's next credit review and Moody's could downgrade Vietnam's rating to B1. This may also affect the baseline credit ratings (BCA), counterparty risk ratings (CRRs) and counterparty risk assessment (CRA) of 17 Vietnam banks and create an indirect impact on the stock market.

Fig 1. Moody's credit ratings for Vietnam

Rating	Outlook	Date of assessment
Ba3	Negative	18/12/2019
Ba3	Review for downgrade	09/10/2019
Ba3	Stable	10/08/2018
B1	Positive	28/04/2017
B1	Stable	29/07/2014
B2	Stable	28/09/2012
B1	Negative	15/12/2010
Ba3	Negative	04/06/2008
Ba3	Positive	15/03/2007
Ba3	Stable	07/07/2005
B1	Positive	11/05/2003

Source: Moody's, KB Securities Vietnam

Moody's lowers Vietnam's outlook to negative

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Investment ratings & definitions

Investment Ratings for Stocks

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

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

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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