

Thai Thi Viet Trinh
Macro analyst
trinhttv@kbsec.com.vn

March 2019

Main macro indicators

	2019	
	Jan	Feb
IIP in Manufacturing (% YoY)	8.10	10.30
PMI	51.90	51.20
CPI (%YoY)	2.56	2.60
Exports (USDbn)	22.08	14.60
Imports (USDbn)	21.26	15.50
Disbursed FDI (USDbn)	1.55	1.03
5-year government bond yield (%)	3.90	3.80
Interbank exchange rate (VND)	23,201	23,199

Source: GSO, KBSV

2019 outlook

	2018	2019F
GDP growth (%YoY)	7.08	6.6 - 6.8
Average CPI (%YoY)	3.54	3.8 - 4.0
Credit growth (%YoY)	13.30	13 - 15
M2 growth (%YoY)	11.34	11 - 13
10-year government bond yield (%)	5.10	5.20
Export growth (%YoY)	13.80	10 - 12
Import growth (%YoY)	11.50	11 - 12
Interbank interest rate (VND)	23,240	23,820

Source: KBSV

MACRO REPORT IN THE FIRST HALF OF THE 1Q/2019

Industrial growth showed signs of a recovery: The index of industrial production (IIP) of the whole industry sector in the first two months was estimated to gain 9.2% YoY, lower than the 13.7% increase in 2018. However, regarding the high growth base in January 2018 and the nine-day Lunar New Year holiday, this can be considered a positive growth. The processing and manufacturing sector started to rebound (+11.5% YoY), while the mining sector plunged (-4.7% YoY, compared to the decrease of -1.8% YoY in 2018).

In particular, in 2019 Samsung has launched the new mobile phone products one week earlier than in 2018, most of manufacturing activities were focused on November and December last year instead of December and January as in 2018. The total volume of mobile phone production in November, December 2018 and January 2019 hit 57.4 million phones, +5.1% more than that in 2018.

The television manufacturing sector has maintained the momentum since 2017, with the total production in the first two months reaching 2,267 million units, climbing 37.1% YoY. In addition, sectors which saw positive growth in 2018 still kept the uptrend in 2019, namely oil refinery, textiles, automobiles and steel.

PMI experience a small decrease in three consecutive months after peaking in November 2018: The Purchasing Managers' Index (PMI) of manufacturing sector in Vietnam was 51.2 points in February, lower than the 51.9 point level in January. Nevertheless, Vietnam PMI still stayed above the average of 50 points, additional indicators such as production and volume of new purchase orders also gained, which indicated a high potential growth in processing and manufacturing sector.

The agricultural growth saw a slowdown, while fishing industry growth stayed stable: There was a slowdown in the growth of agricultural sector in the first two months due to unfavorable weather conditions, decreasing export orders and increasing competition from Thailand and Cambodia. The price of exported white rice with 5% broken rate by the middle of February dropped by USD105/ton YoY, and the volume of rice export decreased by 5% YoY. On the other hand, a stable export market has helped promote the fisheries sector, especially the segment farming and processing fish. The value of seafood export in the first two months of 2019 is projected to be US 1.1 billion, rising +2.3% YoY.

Average CPI in the first two months went up by 2.6% YoY, mainly because of the increasing consumption demand during the Tet. Food and catering services saw the highest increase of 5.43% YoY. It is worth noting that the price of public transportation rose 4.4% MoM, but the transportation lost 4.25% compared to the same period in 2018 since petrol prices were kept stable to stabilize prices during the Tet.

FDI in February continued to see positive growth with the total newly registered capital, increased and contributed capital to buy shares of foreign investors reaching USD8.47 billion, 2.5 times higher than that in the same period in 2018. As of February 20, 2019, FDI projects were estimated to disburse USD2.58 billion, 9.8% YoY. Manufacturing, real estate and IT were the three industries that absorbed the largest investment capital in the first two months. In particular, Beer Co. Ltd (Hong Kong) bought shares to invest in Vietnam

Beverage Company Limited with the value of capital contribution reaching USD3.85 billion, which made Hong Kong become the largest FDI partner of Vietnam in the first two months.

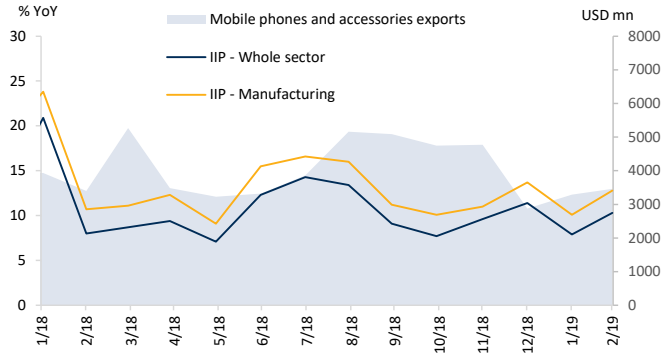
The trade deficit in the first two months was estimated at USD84 million, in which the domestic area had a deficit of USD4.57 billion, FDI area (including crude oil) had a trade surplus of USD4.49 billion. The export turnover was expected to hit USD36.68 billion, +5.9% YoY, while the import turnover was estimated at USD36.76 billion, +7.5% YoY. The export of textile and footwear surged (+19% và +18.4% YoY) thanks to CTPP and the US – China trade war.

Interbank interest rates rose before the Tet due to seasonal factors and tented to lose after that. Deposit rates stayed around 4.5 – 5.5%/year for 6-month term, 5.5 – 7.6%/year for 6-12 month terms and 6.8 – 8.0%/year for 12-13 terms.

Mobilization from Government bonds skyrocketed: In the first half of the 1Q, VND55 tn was mobilized in Government bonds, up by 87% YoY. All of the mobilized bonds were issued by Vietnam State Treasury (VST). The total volume of mobilized bonds completed 21.1% of the 2019 plan and 75% the 1Q plan required by the VST. The interest rates of bid winning kept tumbling compared to that in December, with a 40 – 50bps decrease ranging in different terms.

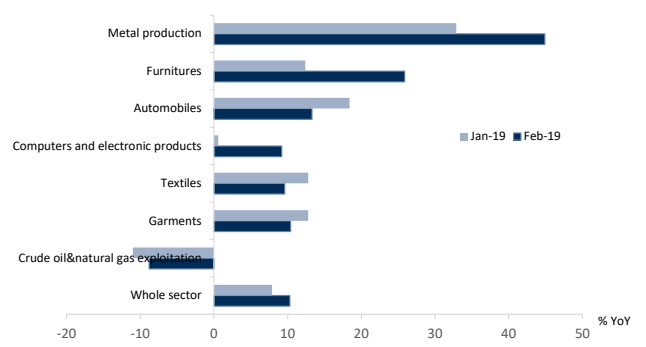
Central exchange rates in the first two months of 2019 gained 0.39% compared to the last 2018, interbank and unofficial rates skidded. In January merely, the SBV bought USD4 billion to accumulate foreign exchange reverses, bringing the reverses back to the highest as in May 2018 of USD63 billion.

Figure 1: Industrial Production Index



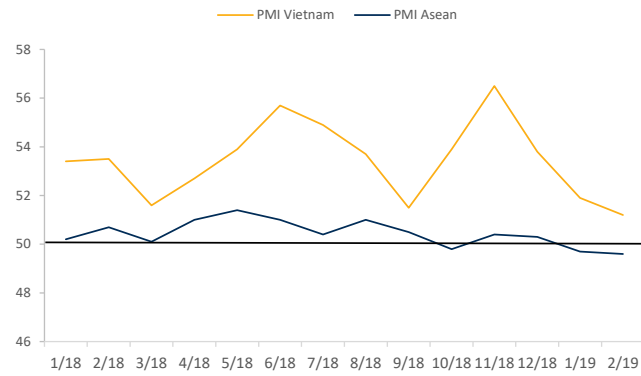
Source: GSO, KBSV

Figure 2: IIP by sectors



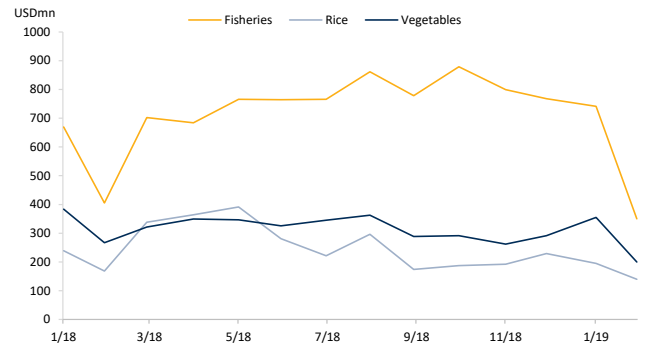
Source: GSO, KBSV

Figure 3: PMI



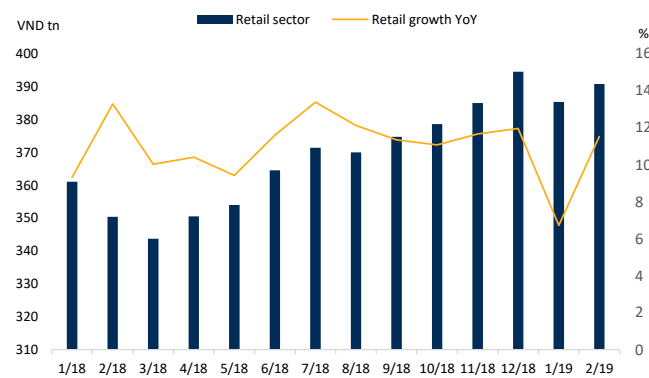
Source: Nikkei, KBSV

Figure 4: Rice, fisheries and vegetables export



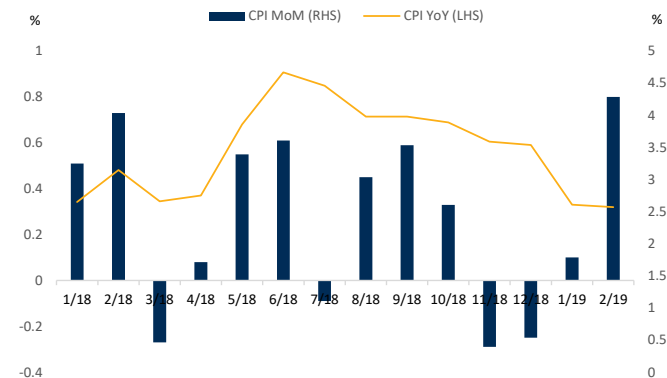
Source: GSO, Customs Office, KBSV

Figure 5: Retail



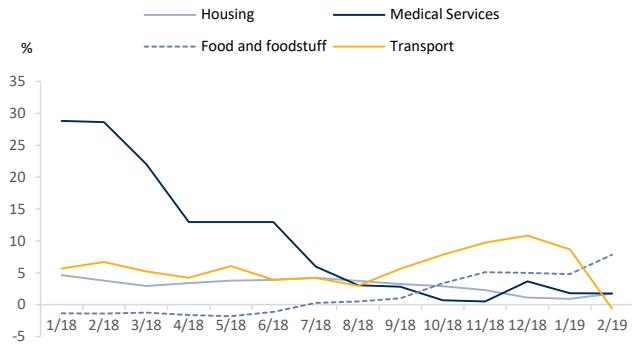
Source: GSO, KBSV

Figure 6: CPI



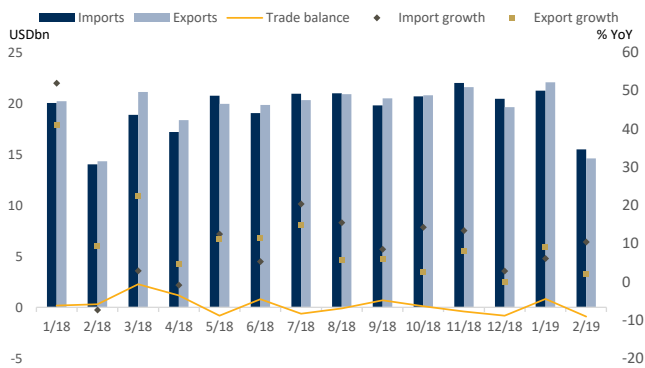
Source: GSO, KBSV

Figure 7: CPI movement by key product lines



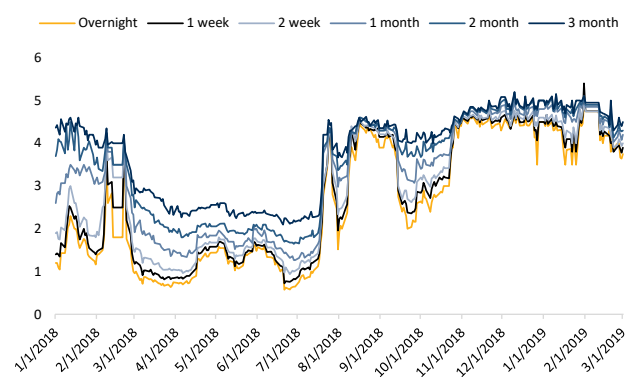
Source: GSO, KBSV

Figure 9: Trade balance



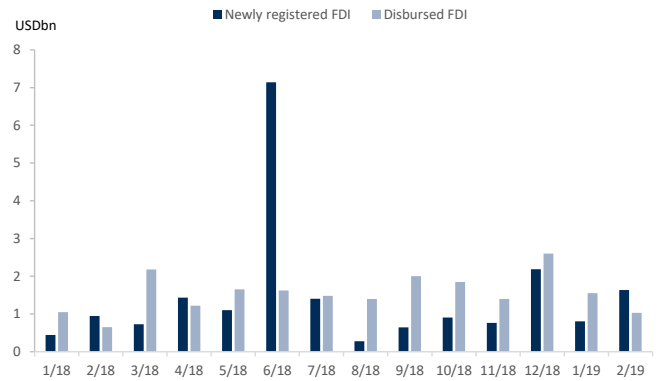
Source: Stock market, KBSV

Figure 11: Interbank interest rates



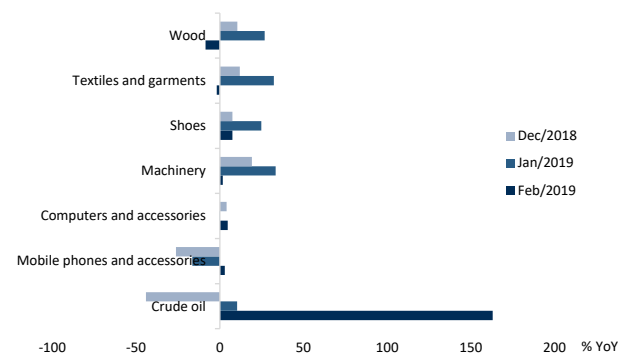
Source: SBV, KBSV

Figure 8: Newly registered and disbursed FDI



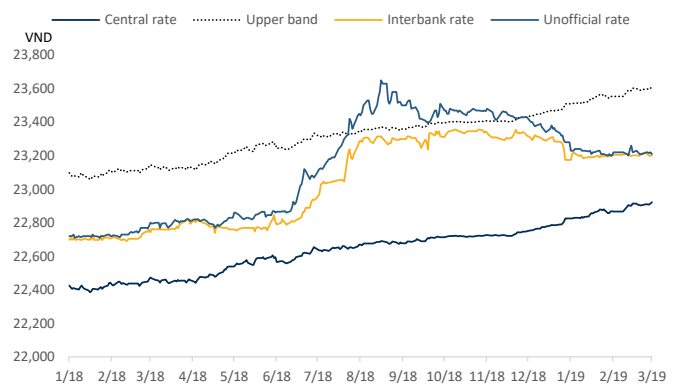
Source: GSO, KBSV

Figure 10: Export growth of main commodity groups



Source: Stock market, KBSV

Figure 12: Exchange rates



Source: Bloomberg, KBSV

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KB SECURITIES VIETNAM (KBSV)

Head Office:

Floor G, 2&7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam.
Tel: (+84) 24 7303 5333 - Fax: (+84) 24 3776 5928

Hanoi Branch

Floor 1, VP Tower, 5 Dien Bien Phu Street, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 3776 5929 - Fax: (+84) 24 3822 3131

Saigon Branch

Floor 1, Saigon Trade Center, 37 Ton Duc Thang Street, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 - Fax: (+84) 28 3910 1611

Ho Chi Minh Branch

Floor 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 - Fax: (+84) 28 3914 1969

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 - Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 - Ext: 2276

Hotmail: ccc@kbsec.com.vn

Website: www.kbsec.com.vn