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April 2019

Main Macro Indicators

	2019			
	Jan	Feb	Mar	Apr
IIP in Manufacturing (% YoY)	8.10	10.30	9.20	9.30
PMI	51.90	51.20	51.90	52.50
CPI (%YoY)	2.56	2.60	2.63	2.70
Exports (USDbn)	22.08	14.60	22.78	19.90
Imports (USDbn)	21.26	15.50	21.15	20.60
Disbursed FDI (USDbn)	1.55	1.03	1.54	1.58
5-year government bond yield (%)	3.90	3.80	4.85	4.78
Interbank exchange rate (VND)	23,201	23,199	23,189	23,280

Source: GSO, KBSV

2019 Forecast

	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	14.00
M2 growth (%YoY)	11.34	13.00
10-year government bond yield (%)	5.10	5.00
Export growth (%YoY)	13.80	10 - 12
Import growth (%YoY)	11.50	11 - 12
Interbank interest rate (VND)	23,240	23,600

Source: KBSV

VIETNAM ECONOMIC OVERVIEW APRIL 2019

The index of industrial production (IIP) in April climbed 0.6% MoM and 9.5% YoY, in which manufacturing and processing still played a key role and boosted the overall growth (+1.2% MoM; +10.5% YoY). IIP of the whole sector was at a moderate level, with IIP of manufacturing and processing saw a two-digit growth in 11 consecutive months.

Production of mobile phones increased sharply over the same period in 2018, +17.2% YoY, and exports of phones and components thus maintained a positive growth rate of +12% YoY in April. This is a positive signal while Samsung's new product line this year opened for sale one week earlier than in 2018 (March 8, 2019 compared to March 16, 2018). In particular, on April 22, Samsung announced to delay the selling date of Galaxy Fold, but this may not affect the manufacturing and exports of Vietnam as in the beginning of 2017. This is the market-penetrative product (estimated to account only for 1% of the total Samsung shipments), and many experts do not consider this as a serious issue to Samsung.

In addition, sectors with positive growth in 2018 continue to maintain a stable speed including Petrochemical, Textile, Automobile and Steel. Mining industry saw a positive growth in April, with the main contribution from coal mining of +13.9% YoY. Crude oil and gas fell by -1.5%, a relatively low decrease compared to the previous months.

PMI in April 2019 hit 52.5 points, the highest in the last five months, staying above 50 points within 41 consecutive months, which proved significant improvements in manufacturing area. In ASEAN, Vietnam April PMI growth speed ranked second, after Myanmar, and much higher than the average index (50.3 points). The main factor contributing to the recent operating conditions is the considerable increase in the number of new purchase order.

Agricultural and fishery growth slowed amid restricted export markets: Agricultural growth saw a slowdown due to unfavorable weather conditions (prolonged hot temperature causing a decline in production efficiency) and a decrease in the number of export orders (rice exports in March lost 30% YoY in value and 13.7% YoY in quantity). Besides, tra fish farming did not have supportive factors due as the prices of tra fish tended to go down in March, the volume of tra fish exported to the main markets (the US and China) fell. Fishery exportation in April was estimated to be down 9% YoY.

CPI in April gained 0.31% MoM and the average CPI in the first four months climbed 2.71% YoY – the lowest 4-month CPI increase in the last four years. Transportation and housing materials, and construction are the key contributors to April CPI increase, triggering by the two adjustment period to raise the prices of oil and gas (oil prices gained 9.88% MoM on average) and the increase of electricity retail prices on March 20 (up by 1.85% MoM). Meanwhile, food and foodstuff prices plunged (-0.57% MoM) due to African swine fever and decreasing exported rice prices. CPI movements in the next months will probably be strongly impacted in an indirect way by electricity price hikes and oil price fluctuation.

FDI continued to see positive growth with the total of increasing newly registered and added capital combined with foreign investors' contributed capital to buy shares reaching USD14.59 billion, climbing 81% compared to that in the

same period of 2018. By April 20, 2019, it is estimated that FDI projects have disbursed USD5.7 billion, increasing +7.5% YoY. Manufacturing - processing, real estate and wholesale and retail industries are the three sectors that absorbed the largest investment capital in the first four months. In April, outstanding projects included 2 tire manufacturing projects invested by Chinese investors in Tay Ninh and Tien Giang with a total registered capital of nearly USD500 million and solar power production project of Thailand in Phu Yen valued at USD 216.7 million.

The trade deficit in April was estimated to reach USD700 million, domestic sector had a trade deficit of USD2.68 billion, FDI sector (including crude oil) had a trade surplus of USD1.98 billion. In April, exports rebounded slightly with an estimated export turnover of USD19.9 billion, +7.5% YoY. Electronic products such as mobile phones, cameras, computers, and components continued to gain over 12% YoY. Exports of footwear and wood products maintained a positive growth (11.8% and 22.5% YoY, respectively).

In contrast, imports rose with a higher speed, which brought an import turnover of about USD20.6 billion, +17.6% YoY. Export turnover of crude oil, cars, electronics, computers and components witnessed a surge in growth (+46.4% YoY in electronic products and +21.8% in components). This may be a signal for a strong recovery in the electronic production and export cycle in the near future, since most electronic imports are likely to be spare parts and components to complete the final product for exportation. Notably, LG's move of the entire phone manufacturing factories to Vietnam at the end of the second quarter will partly make the increase of imports of equipment in the coming time, but it is a positive factor for export activities in a long term.

As in April 17, M2 and credit growth by April 17 was 3.29% and 3.23% YTD, much lower than the relevant figures in the same period in previous years. SBV has bought USD8.35 billion in the first four months of the year, which means it has injected about VND194 to the economy; and via OMOs, SBV has net-withdrew VND90 trillion. In April only, SBV's buying foreign currencies seemed to be less active, the buying volume was estimated at USD1.4 billion, concentrated at the first half of the month.

Interbank interest rates saw contrasting moves in April. In the first half of April 2019, interbank interest rates have been increasing sharply, overnight interest rates hit 4% per year and in the last 10 days of April, the rates of all terms quickly declined to 3% per year. Interbank rate fluctuation in April was closely related to the cash flow of the State Treasury running into/ out of the interbank system. To be more specific, from the second half of March to the beginning of April, the State Treasury withdrew an amount of deposit from commercial banks, resulting in tightening liquidity and increasing interbank interest rates. In the last week of April, a relatively large amount of money from the State Treasury was injected into the system, the money supply in the market increased dramatically and made the interest rates on the interbank market tumble.

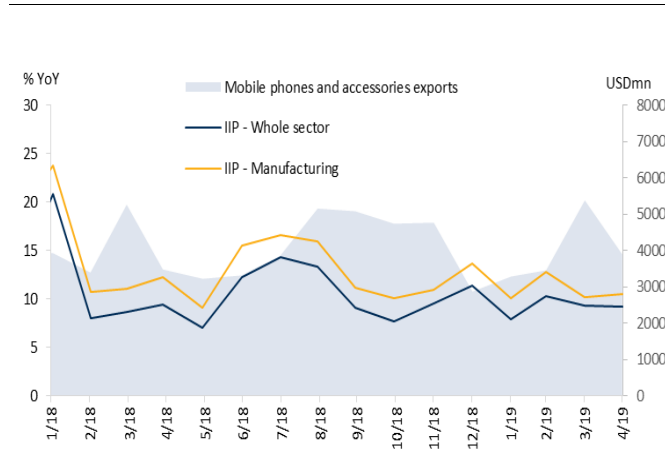
Primary and secondary Government bond markets tended to be less active than in March. On the fundamental market, the State Treasury successfully mobilized VND12,576 billion, losing 11.9% against March, but the winning ratio was just 67.9%. Yields in all terms were almost unchanged. As a result, mobilized Government bonds in the first four months completed 31% of the year's plan. On the secondary market, the trading volume of Government bond yields, including normal trading transactions and resale transactions was VND77.2 trillion and

VND98.4 trillion, down by 6.9% and 16.6% respectively over the last month. Bond yields in short terms tended to rise, while stayed flat in long terms.

The disbursement of public investment in general has not shown any positive signs in April and the first four months of 2019. Specifically, according to data from the Ministry of Finance, disbursement of public investment capital was VND68.5 trillion, reaching 18.67% of the plan set by the Prime Minister. This figure was higher than that in the same period in 2018 (16.93%), but still quite low due to seasonal factors, especially disbursement of foreign capital only completing 4.14% of the plan.

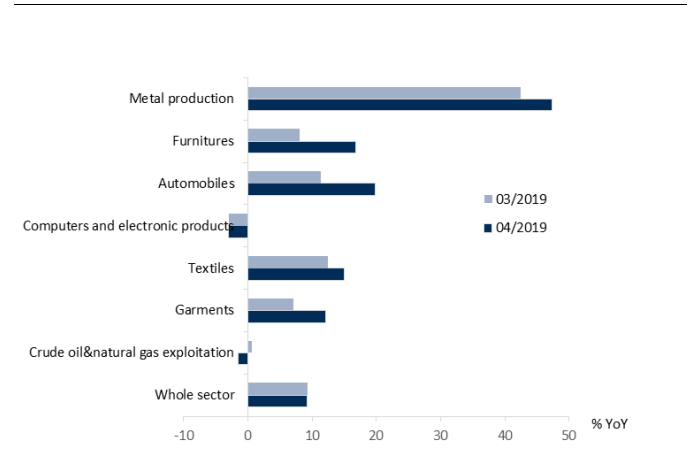
Exchange rates were volatile in April, with the central exchange rate increasing by 0.21% compared to March, the average interbank and unofficial exchange rates rose 0.39% and 0.45% MoM respectively. The two main reasons for this were the significant appreciation of USD in April (average DXY increased by 0.6% MoM) and negative foreign currency reserves in the banking system since commercial banks sold foreign currencies to the SBV with a total value of USD8.35 billion.

Figure 1: IIP



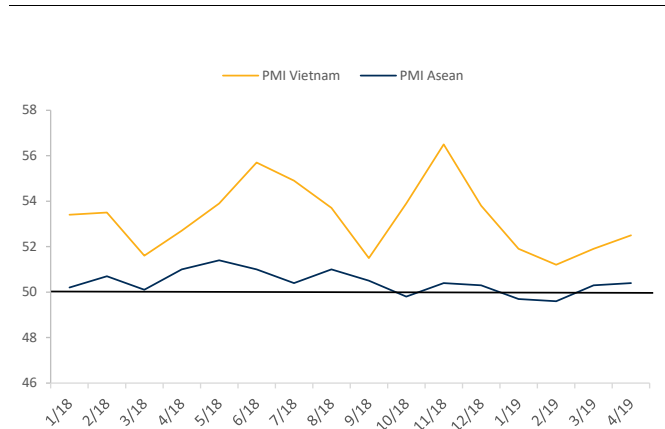
Source: GSO, KBSV

Figure 2: IIP by sectors



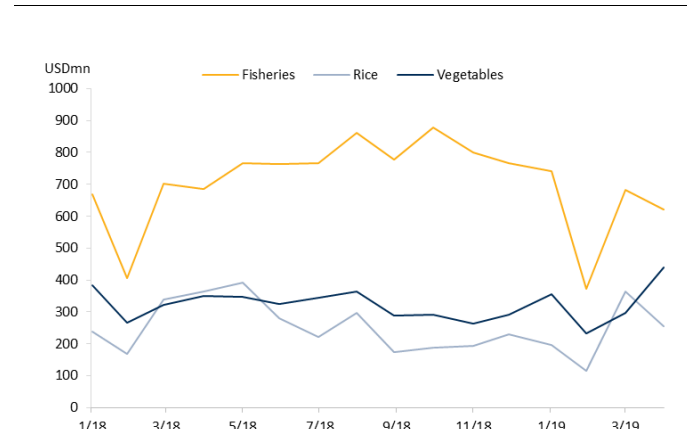
Source: GSO, KBSV

Figure 3: PMI



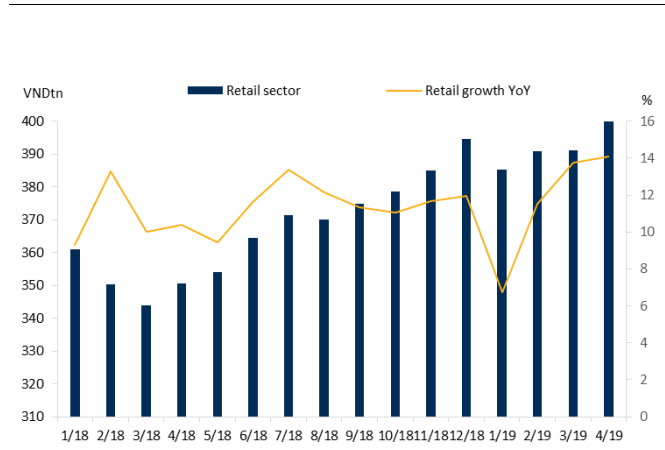
Source: Nikkei, KBSV

Figure 4: Exportation of rice, fisheries and vegetables



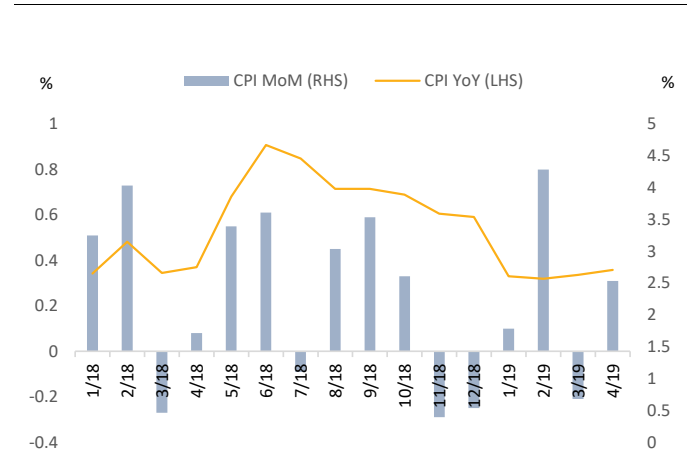
Source: GSO, TCHQ, KBSV

Figure 5: Total retail volume



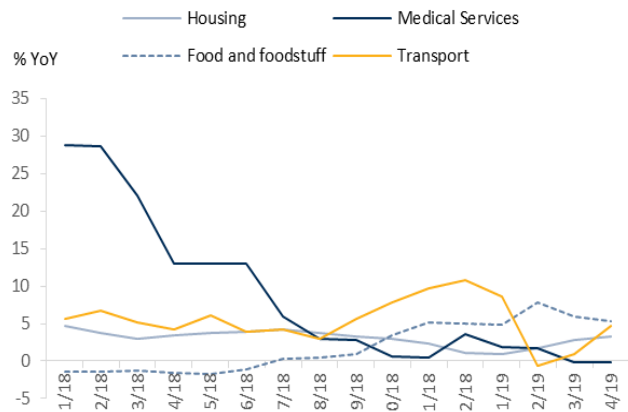
Source: GSO, KBSV

Figure 6: CPI



Source: GSO, KBSV

Figure 7: CPI fluctuation in different sectors



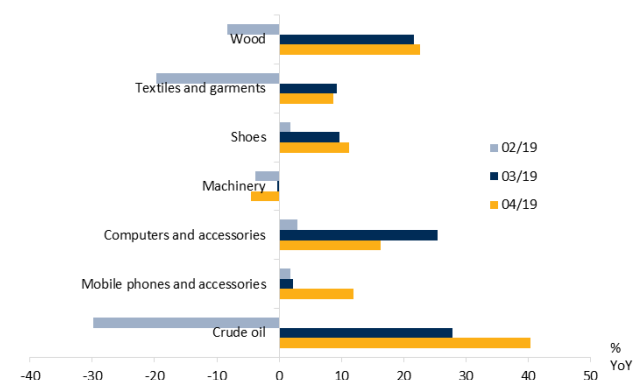
Source: GSO, KBSV

Figure 9: Trade balance



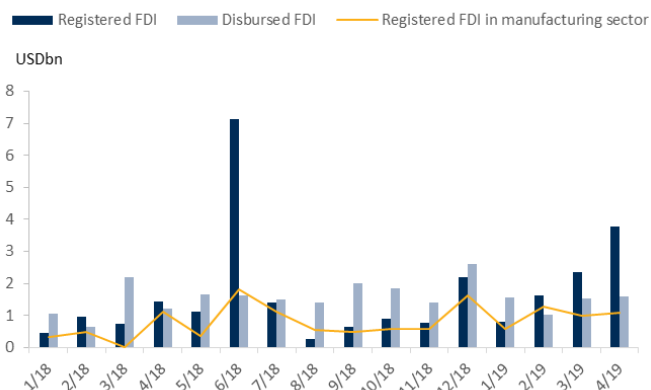
Source: GSO, KBSV

Figure 11: Interbank interest rates



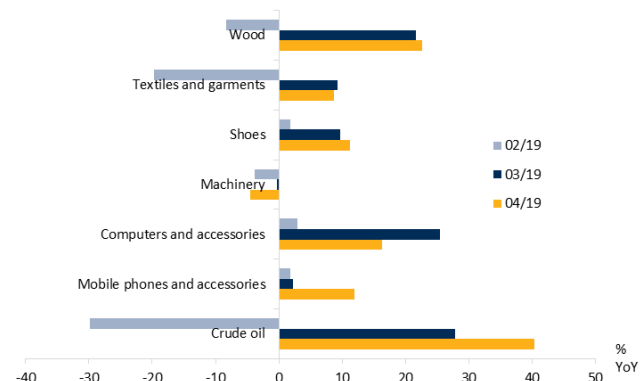
Source: NHNN, KBSV

Figure 8: Newly registered and disbursed FDI



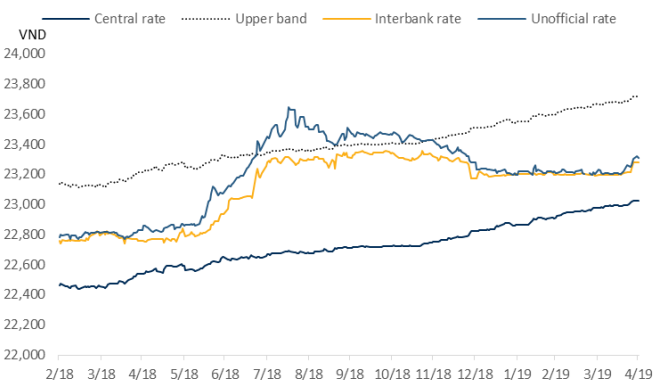
Source: GSO, KBSV

Figure 10: Exportation fluctuation of main commodity groups



Source: GSO, KBSV

Figure 12: Exchange rates



Source: Bloomberg, KBSV

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