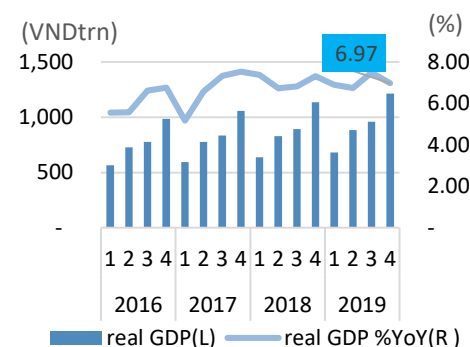


Macro Indicators

Quarterly data	4Q19	3Q19	2Q19
GDP growth (% YoY)	6.97	7.31	6.73
Disbursed FDI (USDbn)	6.16	5.12	4.98
Monthly data	Dec	Nov	Oct
CPI (% YoY)	2.79	3.52	2.24
IIP (% YoY)	6.20	5.41	9.20
Export (% YoY)	10.15*	4.66	7.33
Import (% YoY)	10.98*	-0.87	2.89

Source: GSO, Nikkei, IHS Markit, Bloomberg, FIA. * GSO estimate.

Quarterly GDP at 2010 constant price



Source: GSO

Trade growth rate hits 3-year low in 4Q2019

Real GDP decelerates in 4Q2019. GSO estimates the real GDP in 4Q2019 to reach VND1,214trn, growing 6.97% YoY, 34 basic points (bps)-lower than the growth rate in 3Q2019. Cumulatively, 2019 real GDP grows 7.02% YoY, 22bps-higher than 6.8% target stated in the Government Resolution 01/NQ-CP 2019. ([Page 2](#))

Trade growth rate hits 3-year low in 4Q2019. According to GSO, total trade value increased by only 5.76% YoY, the 3-year low, to reach USD135.3bn in 4Q2019. In particular, the value of export increased by 7.29% YoY to USD68.8bn, while the import value rose by 4.23% YoY to achieve USD66.5bn. As a result, the trade balance recorded a surplus of USD2.3bn. ([Page 4](#))

Pork leads CPI to skyrocket to an eight-year high. According to GSO, December CPI jumped up by 1.4% MoM, recording the highest inflation since September 2012. However, the 12-month average CPI was well-controlled at 2.8%, far less than 4% inflation target of the Government. ([Page 5](#))

Registered FDI soars as disbursed FDI grows modestly. In 4Q2019, the registered inflow of foreign direct investment (FDI) to Vietnam was USD11.86bn, rising by 17.47% YoY, while disbursed FDI was USD6.16bn, increasing by 5.30% YoY. ([Page 8](#))

Industrial Production slightly rebounds in December. In December 2019, the production index for the whole industrial sector (IIP) remained relatively low although modestly recovering from a 3-year low recorded in November. In particular, the IIP slightly rallied to 6.2% YoY from a bottom of 5.4% YoY in November. However, it is worth mentioning that this growth was the second-lowest level since 2017. Once again, oil & gas-related activities were the factors that affected the whole industry the most. ([Page 8](#))

Exchange rate is stable in 2019. In December, USD depreciated against all of ASEAN currencies. Regarding Vietnam dong, the dong value remained strongly stable compared to USD, when the exchange rate USDVND just decreased by 0.16% MoM. Besides, other exchange rates including USDTHB, USDSGD, USDIDR, USDPHP and USDCNY were down by 0.86%, 1.62%, 1.72%, 0.31% and 0.98 % MoM, respectively. The Myanmar currency's Kyat saw the sharp appreciation in value in December when the USDMYR rate reduced by 2.08% MoM. ([Page 10](#))

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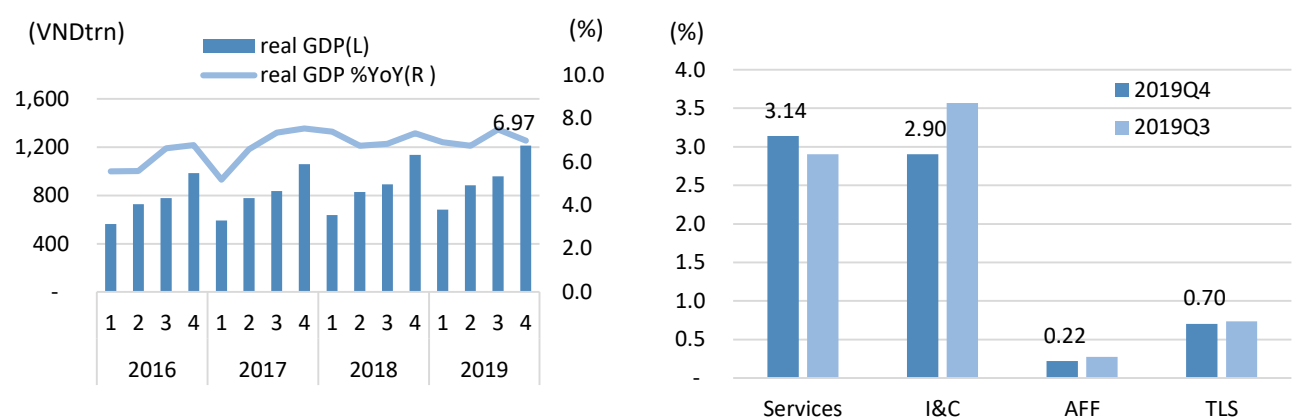
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In 4Q2019, Industry and Construction (I&C), and agriculture, forestry, and fishery (AFF) slowed down while Services recorded acceleration in this quarter. In detail, Services increased by 8.09% YoY, 82bps higher than that of the previous quarter, while I&C, AFF and products taxes less subsidies on production (TLS) rose by 7.92% YoY, 1.62% YoY and 6.44% YoY, which are 223bps, 38bps, and 12bps lower than 3Q2019, respectively.

Fig 01. GDP at constant 2010 price %YoY and contributions by sector



Source: KIS, GSO

I&C: industry and construction, AFF: agriculture, forestry, and fishery, TLS: products taxes less subsidies on production

The AFF sector continued slowing down due to the plunge of pork output

- The pork output plunged by -26.3% YoY as a consequence of the spreading African hog cholera. Besides, the mix of slight decrease of rice crop area (-1.1% YoY) and increase of rice productivity made rice output unchanged year on year. Total agriculture output (at constant 2010 price) decreased by 0.06% YoY, lowering the real GDP growth by 1bps.
- The expansion of fish and shrimp cultivation area, as a result of favorable prices in 2018, drove their respective outputs to increase by 5.3% YoY, and 5.4% YoY and foster the entire fishing sector to grow by 6.44% YoY, adding up 19 bps to total real GDP growth in this quarter.
- The forestry sector grew by 6.26% YoY, 123bps higher than that of 3Q2019 and contributing 4bps to total growth.
- To sum up, the AFF sector increased by 1.62% YoY and contributed 22 bps to the total economic growth.

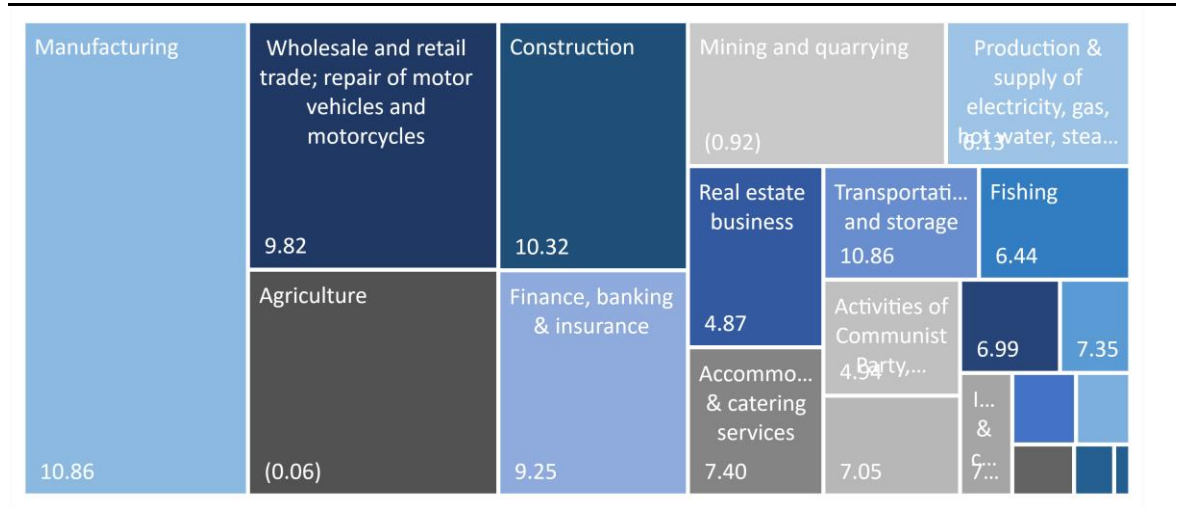
The I&C was driven by the acceleration of the Construction sector

- The construction sector grew by 10.32% YoY, 21bps higher than 3Q2019 and adding 79bps to the real GDP growth.
- The other sectors kept growing consistently compared to the same period last year but their expansion paces slowed somewhat. In the detail, growth rates of (1) the manufacturing, (2) production and supply of electricity, gas, hot water, steam, and air-conditioning, and (3) water supply, sewerage, waste management and remediation activities were 10.86% YoY, 6.13% YoY, and 6.00% YoY, which are 41bps, 17bps, and 3bps lower than 3Q2019, respectively.
- Mining and quarrying recorded a decline of 0.92% YoY, subtracting 6bps from the overall growth.
- Totally, the I&C rose by 7.92% YoY, contributing 2.9% to the real GDP growth.

The services sector accelerated prominently

- The services sector grew by 8.09% YoY, 81bps higher than 3Q2019, and adding 3.14% to the real GDP growth. There were 13 out of 14 constituents of the sector accelerating in this period.
- The top 3 sub-sector, including (1) wholesale and retail trade, repairment of motor vehicles and motorcycles, (2) finance, banking, and insurance, and (3) real estate generally accelerated in last quarter with respective growth rates of 9.82% YoY, 9.26% YoY, and 4.87% YoY. This group contributed 184bps to real GDP growth.
- The transportation and storage grew fastest with a rate of 10.86% YoY.

Fig 02. 4Q2019 Real GDP structure (%YoY)



Source: KIS, GSO

PREDICTION:

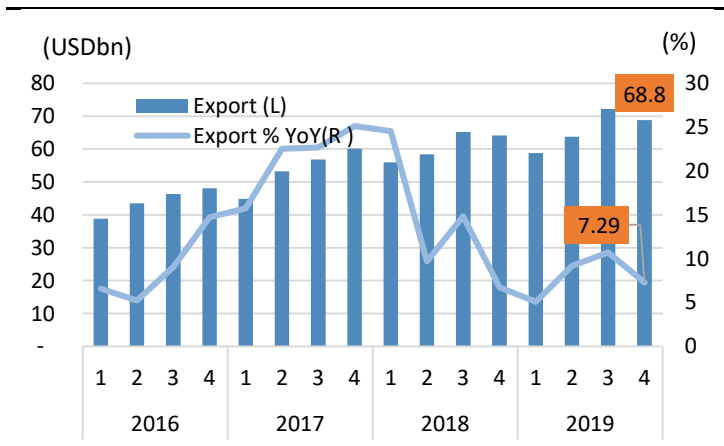
- The surge of pork price will motivate the recovery of pork output, affecting the growth of the agriculture sector in the next quarter positively. The fishery sector will decelerate due to the adjustment in pangasius price in 2019;
- The slowdown in trade activities probably prevent the I&C to accelerate in 1Q2020. However, the easing of the U.S.- China trade tension helps trade activities bounce back and positively affect the growth of I&C in a longer-term;
- The services will grow strongly due to the sustainable growth of domestic consumption;
- Using our time series model, we predict the real GDP to grow 6.48% YoY in 1Q2020.

Trade growth rate hits 3-year low in 4Q2019

According to GSO, total trade value increased by only 5.76% YoY, the 3-year low, to reach USD135.3bn in 4Q2019. In particular, the value of export increased by 7.29% YoY to USD68.8bn, while the import value rose by 4.23% YoY to achieve USD66.5bn. As a result, the trade balance recorded a surplus of USD2.3bn.

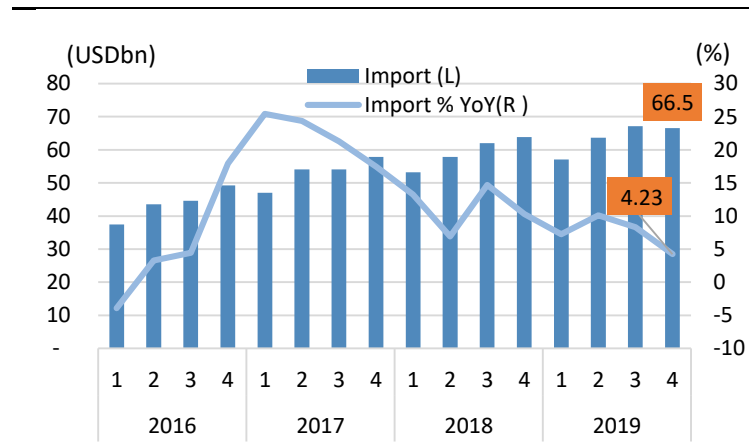
Annually, trade total grew by 7.79% YoY to post USD518bn. In which, the export value reached USD263.6bn, increasing by 8.16% YoY, while the import value recorded USD254.4bn, rising by 7.41% YoY. Finally, the trade balance recorded a surplus of USD9.2bn in 2019.

Fig 03. Vietnam monthly import



Source: KIS, GSO

Fig 04. Vietnam monthly export



Source: KIS, GSO

In terms of export product structure, top five items showed positive movements except textiles and garments. Specifically, Computers, electrical products and parts (CEPP) and Machine, equipment, tools and instruments (METI) surged by 28.13% YoY and 21.32% YoY, contributing 3.94% YoY and 1.41% YoY to the overall growth, respectively. In addition, Telephones, mobile phones and parts thereof (TMPP) and footwears increased by 4.04% YoY and 12.33% YoY, adding up 0.86% YoY and 0.77% YoY to the total export growth. On the contrary, textiles and garments slightly declined by 0.76% YoY, dragging the total export growth

down by 0.10% YoY. The export value of Still image video cameras and parts (SIVCP) plunged prominently by 57.78% YoY, subtracting 0.67% YoY from total export growth. Precious stone, metal and articles item surged by 46.31% YoY and contributed 0.80% YoY to the total export growth.

Fig 05. 4Q2019 Vietnam export by products (% YoY)

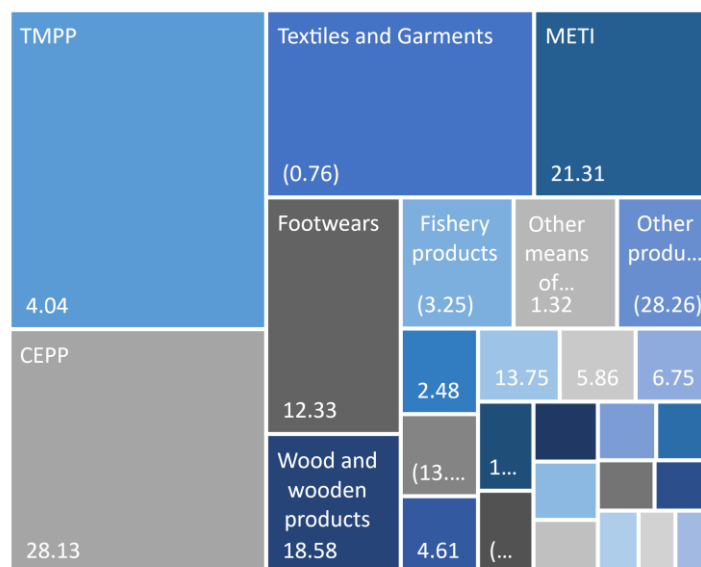
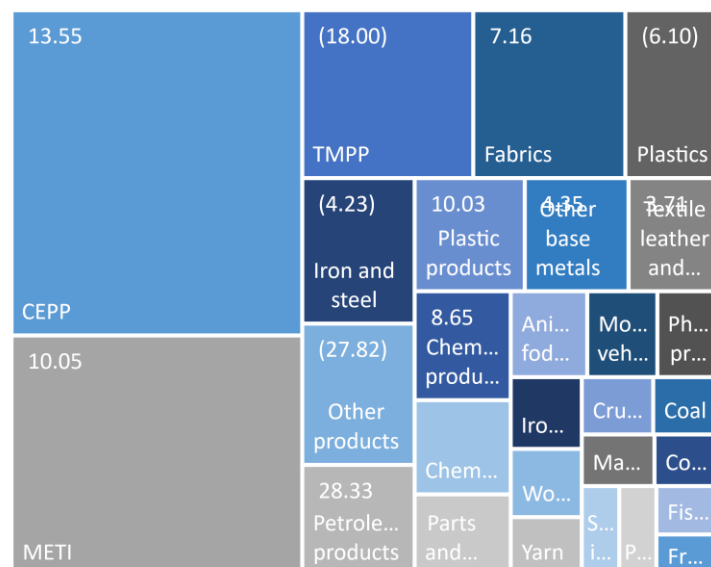


Fig 06. 4Q2019 Vietnam import by products (% YoY)



Source: KIS, GSO

CEPP: Computers electrical products spare-parts and components thereof, METI: Machine equipment tools and instruments, TMPP: Telephones mobile phones and parts thereof.

On the import side, the impressive expansion of CEPP and METI fostered the total import value up in spite of the discouragement from the TMPP. Specifically, CEPP and METI grew by 13.55% YoY and 10.05% YoY, contributing 2.90% YoY and 1.40% YoY to total import growth, while TMPP plunged 18.00% YoY and dragged the overall growth down by 1.29% YoY.

Crude oil sharply declined by 51.55% YoY, posting USD0.58bn, while import value of petroleum product soared by 28.33% YoY to reach USD1.76bn.

PREDICTION:

We estimate that export will surge by 13.00% YoY and post USD66.4bn in 1Q2020. Such growth is mainly driven by impressive improvements in CEPP, textile and garment, METI, footwear, as well as, the acceleration of TMPP. According to this positive scenario of export activity, we also forecast that:

- TMPP jumps by 19.2% YoY and contribute 3.96% YoY;
- CEPP maintains its robust growth rate of 19.4% YoY;
- Textile and garment bounces back at the rate of 14.31%;
- METI, and footwears keep the robust growth rates at 22.6% YoY, and 11.5% YoY respectively.

On the import side, we estimate total value to rise 10.5% YoY and post USD63.1bn in 1Q2020 largely thanks to the contribution of CEPP, METI, TMPP, Fabrics, Iron and Steel. More specifically, we forecast that:

- CEPP and fabrics accelerate with growth rates at 20.6% YoY, and 8.46% YoY respectively;
- METI grows by 6.58% YoY, decelerating slightly compared to 4Q2019;
- TMPP recovers at the growth rate of 3.08% YoY.

Pork leads CPI to skyrocket to an eight-year high

According to GSO, December CPI jumped up by 1.4% MoM, recording the highest inflation since September 2012. However, the 12-month average CPI was well-controlled at 2.8%, far less than 4% inflation target of the Government.

- Pork price was the main factor of pushing inflation up significantly in December. According to the Ministry of Trade, the pork price jumped to above VND90k per kg in the second half of December, an all-time high, due to severe supply shortage. As a result, it led to an intense increase of 3.42% in Food and Foodstuff, in which sub-sectors Foodstuff and Eating outside soared by 4.41% MoM and 2.44% MoM, respectively. In detail, Food & Foodstuff sector contributed to about 88% of the surge in inflation.
- Besides, an upward adjustment for fuel prices on 30th November helped push transportation price up by 0.61% MoM in December.
- Meanwhile, the other sectors increased insignificantly, except for the Postal services & Telecommunication sector.

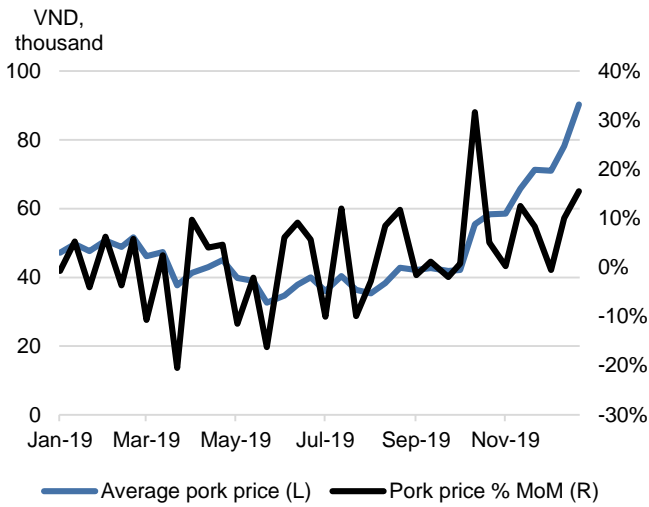
PREDICTION:

We expect inflation to continue to accelerate, likely greater than 1.8%-2% MoM, in the first month of 2020 because of following reasons:

- Lunar New Year will push the pork price further, possibly greater than VND100k per kg. Afterward, we expect the effect of the African swine fever disaster to quickly fade away from February when the demand for pork will decrease significantly. Although it is unlikely that the pork price will soon go back to its before-the-crisis level, we believe that pork price will remain in a range between VND50k to VND60k per kg, equivalent to a 10%-15% YoY increase in the first half of 2020.
- We expect local oil & gas prices will be adjusted upward by 1.5%-2% in January compared to mid December 2019, following an upward trend of global oil prices recently. The transportation price, as a result, will likely rise but modestly.
- At the same time, as demand for all goods and services is significantly higher in the last month of this Lunar Year of the Pig, we also expect prices of other

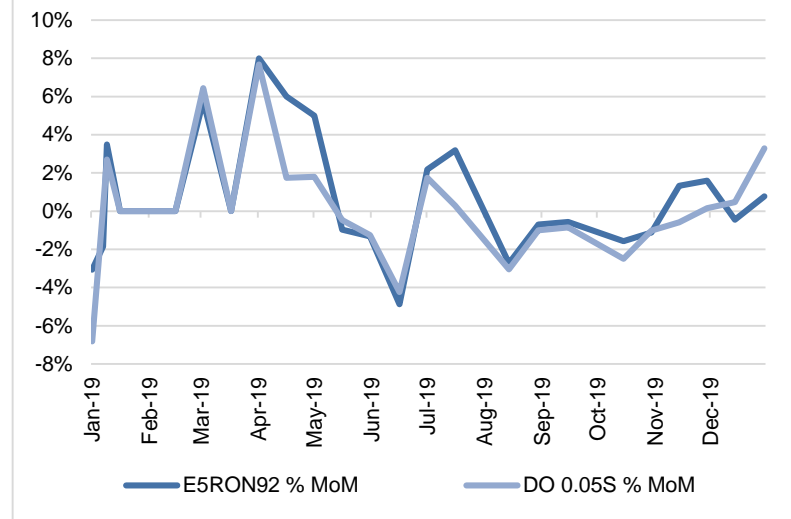
sectors including Beverage & cigarette, Housing & construction materials, and Culture & entertainment & tourism activities will inflate remarkably.

Fig 07. Pork price (% MoM)



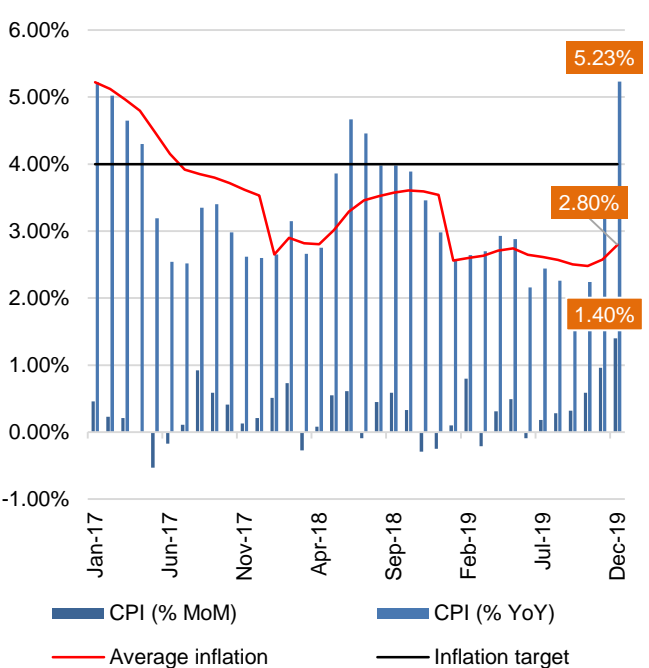
Source: GSO, KIS

Fig 08. Changes in Oil & Gas prices (% MoM)



Source: GSO, KIS

Fig 09. CPI Index



Source: GSO, KIS

Fig 10. Inflation by sector in December 2019

Consumer Price Index	% Weight	% MoM	% YoY
Food and foodstuff	36.12%	3.42%	9.17%
Food	4.46%	0.45%	0.82%
Foodstuff	22.60%	4.41%	12.49%
Eating outside	9.06%	2.44%	5.33%
Beverage and cigarette	3.59%	0.25%	2.27%
Garment, Footwear, hat	6.37%	0.33%	1.49%
Housing and construction materials	15.73%	0.43%	5.12%
Household appliances and goods	7.31%	0.14%	1.34%
Medicine and health care	5.04%	0.03%	2.99%
Healthcare	3.87%	0.00%	3.51%
Traffic	9.37%	0.61%	3.52%
Postal services & Telecommunication	2.89%	-0.09%	-0.70%
Education	5.99%	0.01%	4.25%
Education services	5.16%	0.01%	4.28%
Culture, entertainment and tourism	4.29%	0.09%	1.70%
Other goods and services	3.30%	0.24%	3.14%

Registered FDI soars as disbursed FDI grows modestly

In 4Q2019, the registered inflow of foreign direct investment (FDI) to Vietnam was USD11.86bn, soaring by 17.47% YoY, while disbursed FDI was USD6.16bn, increasing by 5.30% YoY.

Industrial Production slightly rebounds in December

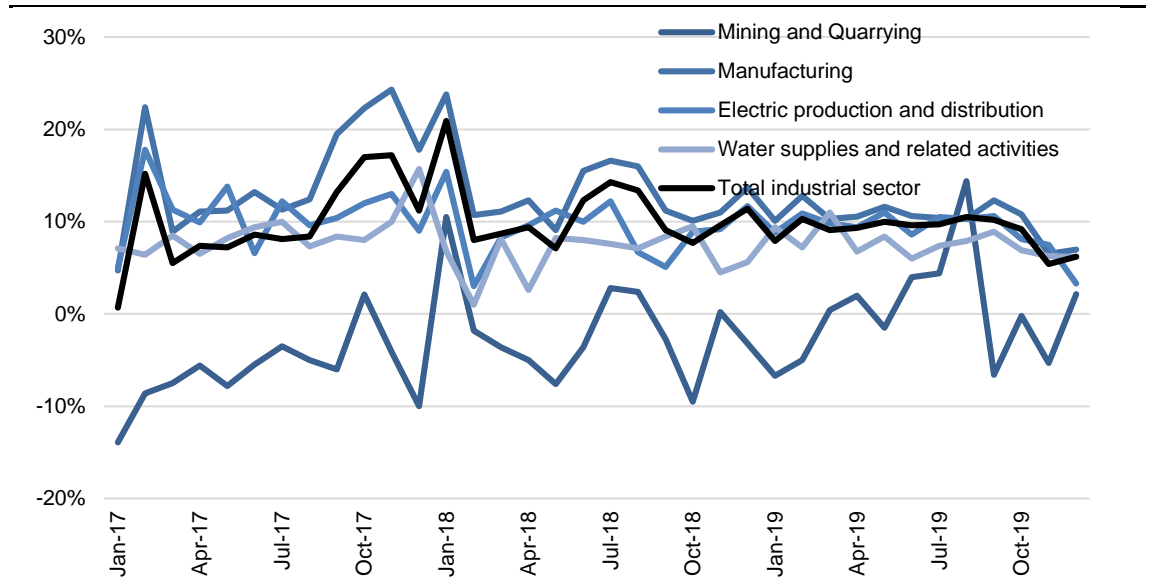
In December 2019, the production index for the whole industrial sector (IIP) remained relatively low although modestly recovering from a 3-year low recorded in November. In particular, the IIP slightly rallied to 6.2% YoY from a bottom of 5.4% YoY in November. However, it is worth mentioning that this growth was the second-lowest level since 2017. Once again, oil & gas-related activities were the factors that affected the whole industry the most.

- The production of the Mining sector expanded by somewhat 2.13% YoY after decreasing in three consecutive months. Some oil & gas-related activities contributed the most to the recovery of the mining industry. Specifically, the extraction of natural gas climbed by 12.07% YoY in December compared to 10.35% YoY in November. In line with the dramatic increase in natural gas production, the support services for petroleum & natural gas exploitation also went up by 8.84% YoY. On the contrary, the extraction of crude oil was on the downward trend in 2019 and continuously fell by -10.84% YoY in the last month.
- For the Manufacturing sector, the production index of this sector kept rising at a slow pace in December, expanding by just 6.97% YoY, which is the third-worst result since 2017. This slowdown is primarily driven by poor performance in petroleum production and communication equipment manufacturing. On the one hand, a decrease of 10.37% YoY in producing petroleum products was due to the major maintenance of the largest oil refining factory Nghi Son, which is expected to fully re-operate in January. On the other hand, the manufacturing of communication equipment such as mobile phone saw a plunge of 9.18% YoY, the worst in 2019, which is likely because of the weak global demand for mobile phones.

PREDICTION:

From our viewpoint, the seasonality and other unfavorable factors which have been deteriorating the industrial production in recent months will likely continue to drive down the IIP in the first month of 2020. A plunge of greater than 20% will be the most likely case in January. However, we expect stronger recovery from Oil & Gas-related activities when the re-operation of the Nghi Son factory will push up the production of those sub-sectors.

Fig 15. Industrial Production Index (IIP)



Source: GSO, KIS

Fig 16. Mining sector (% YoY)

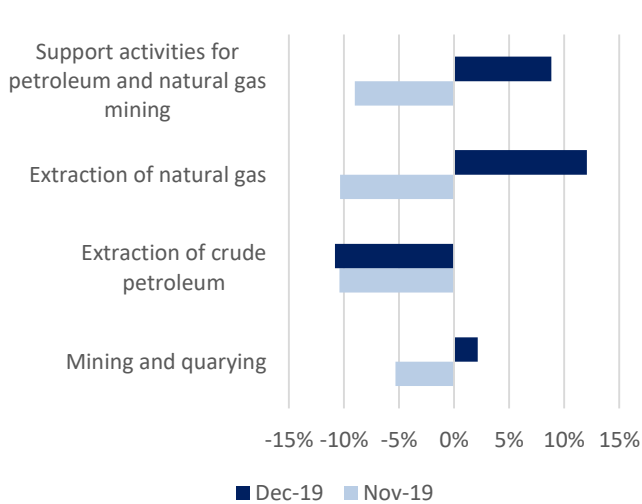
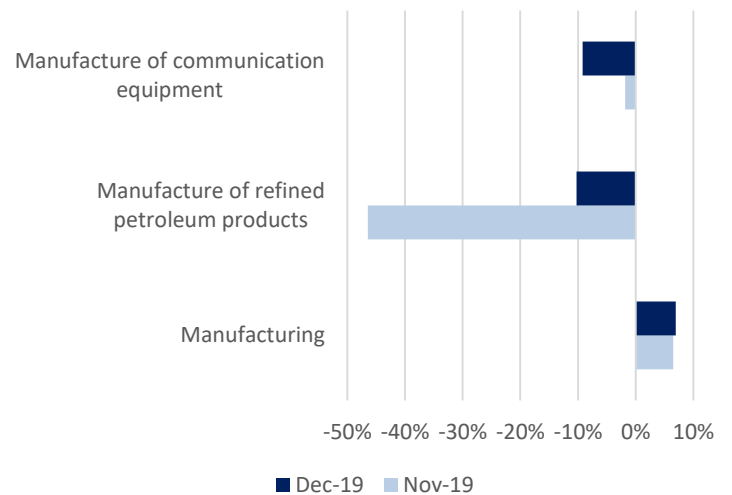


Figure 17. Manufacturing sector (% YoY)



Source: KIS, Bloomberg

Exchange rate is stable in 2019

In December, USD depreciated against all of ASEAN currencies. Regarding Vietnam dong, the dong value remained strongly stable compared to USD, when the exchange rate USDVND just decreased by 0.16% MoM. Besides, other exchange rates including USDTHB, USDSGD, USDIDR, USDPHP and USDCNY were down by 0.86%, 1.62%, 1.72%, 0.31% and 0.98% MoM, respectively. The Myanmar currency's Kyat saw the sharp appreciation in value in December when the USDMYR rate reduced by 2.08% MoM.

Year to date, the bath of Thailand, the rupiah of Indonesia, and the peso of the Philippines were the best performers in comparison to the greenback, appreciating by 7.64%, 4.27% and 3.68% YTD, respectively. At the same time, the Kyat of Myanmar and the Singapore dollar modestly increased by 1.12% and 1.35% YTD compared to the U.S. dollar. On the contrary, the renminbi of China depreciated by 1.45% YTD against the U.S. dollar. Last but the most important, the value of Vietnam dong remained almost unchanged throughout 2019, appreciating only 0.16% against the U.S. dollar.

During 2019, the USDVND rate fluctuated in a narrow range of between 23,170 - 23,470, and this band even narrowed a lot in the second half of 2019. Even in the last two months of 2019, the spread between the interbank exchange rate and the central rate was diminished to almost zero, showing the exchange rate stability. As a result, the soundness in monitoring the exchange rate encouraged trade activities, which posted the ever-highest record of over USD500bn in total in 2019. Besides, the foreign exchange reserve was added in by more than USD20bn in 2019 to more than USD80bn by the end of 2019. This 4-month-import-equivalent reserve is an essential tool for the state bank of Vietnam to conduct exchange rate policies in 2020.

PREDICTION:

From our viewpoint, the most likely scenario in the first half of 2020 is that the USDVND rate will likely move within a narrow range of between 23,160 - 23,350, equivalent to an increase of 0% - 0.75%. The large amount of the foreign exchange reserve will be a key instrument for the central bank to stabilize the exchange rate.

Fig 18. USDVND exchange rate

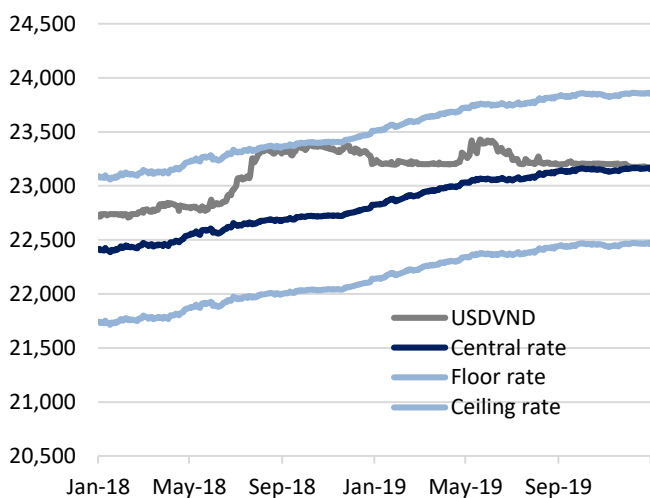
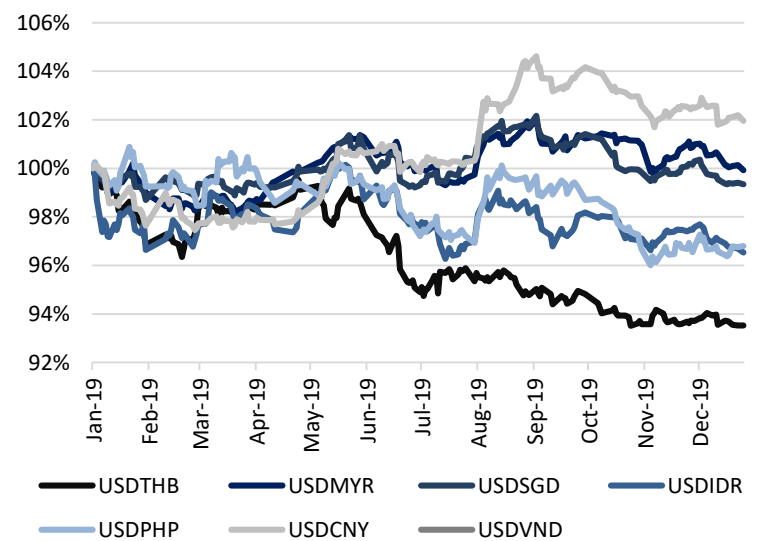


Fig 19. Movements of some ASEAN currencies in 2019



Source: KIS, Bloomberg

Macro scorecard

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	1Q19	2Q19	3Q19	4Q19	2016	2017	2018	2019
Real GDP growth (%)							6.82	6.73	7.31	6.97	6.21	6.81	7.08	7.02
Registered FDI (USDbn)	1.75	2.41	3.54	2.95	2.68	6.23	10.09	10.81	7.66	11.86	20.95	35.88	35.47	38.02
GDP per capita (USD)											2,172	2,353	2,551	2,730
Unemployment rate (%)											2.33	2.21	2.21	2.25
Export (USDbn)	22.98	25.88	23.36	22.40	22.79	21.80	58.76	63.77	72.22	68.83	176.6	215.1	243.5	263.6
Import (USDbn)	22.94	22.45	21.75	22.50	22.34	22.80	57.09	63.68	67.14	66.51	175.0	213.2	236.7	254.4
Export growth (%)	11.10	10.41	10.68	7.33	4.66	10.15	5.10	9.17	10.72	7.29	8.99	21.82	13.19	8.16
Import growth (%)	7.53	5.87	11.77	2.89	-0.87	10.98	7.25	10.12	8.30	4.22	5.55	21.85	11.01	7.41
Inflation (% YoY)	2.44	2.26	1.98	2.48	3.25	2.79	2.63	2.66	2.23	2.79	2.66	3.53	3.54	2.79
USDVND	23,205	23,196	23,203	23,202	23,197	23,173	23,189	23,301	23,203	23,173	22,761	22,698	23,175	23,173
Credit growth (%)	7.48	8.16	9.40			13.70	3.13	7.36	9.40	13.70	18.25	18.24	13.89	13.70
10yr government bond (%)	4.69	4.87	4.07	3.70	3.58	3.37	4.78	4.66	4.07	3.37	6.23	5.14	5.07	3.37

Source: GSO, Bloomberg, FIA, IMF

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