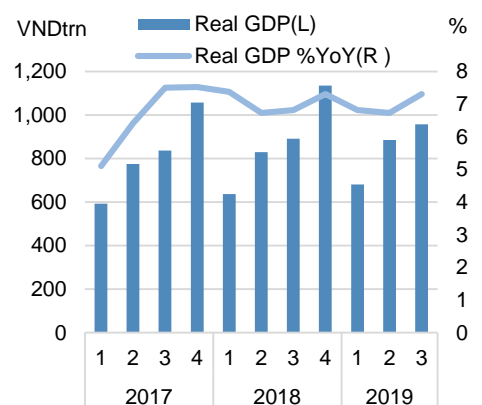


Macro Indicators

Quarterly data	3Q19	2Q19	1Q19
GDP growth (%YoY)	7.31	6.73	6.82
Disbursed FDI (USDbn)	5.12	4.98	4.12
Monthly data	Oct	Sep	Aug
CPI (%YoY)	2.24	2.44	2.26
PMI	50	50.5	51.4
Export (%YoY)	-0.79	10.68	10.41
Import (%YoY)	3.47	11.77	5.87

Source: GSO, Nikkei, IHS Markit, Bloomberg, FIA

GDP Growth quarterly



Source: GSO

FDI drives trade down

Vietnam state budget records a surplus of VND39.8trn. The total government revenue achieved VND1,133.6trn, equaling 80.3% of the year estimate, while the total was estimated at VND1,093.8trn, fulfilling 67% of the year estimate. [\(Page 2\)](#)

Vietnam Industries resume the expansion. Industrial Production Index rose slightly by 2.7% MoM and 9.2% YoY, driven by Manufacturing (+10.8% YoY). In 10M2019, average IIP increased by 9.5% YoY thanks to the expansion of all components. We expect Vietnam industrial production maintains its expansion in the next two months due to the operation of several large projects such as Automobile Factory of Vinfast and Dung Quat Steel Complex. [\(Page 2\)](#)

Export slows due to the sluggishness from FDI-driven products. According to GSO, total trade value increased by 1.30% YoY to reach USD44.9bn in October 2019. In particular, the value of export declined 0.79% YoY to USD22.4bn while the import value increased 3.47%YoY to achieve USD22.5bn, resulting in a deficit of USD100mn in the trade balance. We estimate export to grow 13.78% YoY and import to grow 12.57% YoY in Nov 2019. [\(Page 3\)](#)

Vietnam FDI inflow to increase in November 2019. In October 2019, the registered inflow of foreign direct investment (FDI) to Vietnam was USD2.95bn, rising 16.20% YoY, while disbursed FDI was USD1.99bn, increasing 7.57% YoY. We forecast disbursed FDI to increase by 22.85% YoY, recording USD1.72bn in November 2019. [\(Page 6\)](#)

Rebound of pork price leads CPI increase slightly. Consumer Price Index expanded by somewhat 0.59% MoM and 2.24% YoY in October, which was contributed the most by 8.84% YoY increase of Health care. We expect inflation to remain rising slightly, keeping average CPI of 2019 below the inflation target 4% of the government. [\(Page 8\)](#)

Vietnam dong changes slightly. In October 2019, major currencies in the Southeast Asia region as well as Chinese renminbi appreciated against to the U.S. dollar. The impressive trade surplus of USD6.75bn in Oct 2019 and the high foreign reserve (USD70bn as of Oct 2019) are assumed to help the Vietnam dong stable in the next few months. [\(Page 9\)](#)

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Vietnam state budget records a surplus of VND39.8trn

As of October 15, 2019, total government revenue achieved VND1,133.6trn, equaling 80.3% of the year estimate. Of which, domestic revenue posted VND908.1trn, equaling 77.4% of the annual estimate. Notably, revenue from crude oil achieved VND45trn, equaling 100.9%, while that from export-import activities obtained VND176.9trn, equaling 93.5%.

In term of spending, the total was estimated at VND1,093.8trn, fulfilling 67% of the year estimate. In particular, the regular expenditure posted VND774.9trn, equaling 77.5% of the year plan, and the development and investment spending achieved VND208.6trn, accounting for 48.6%, and the interest payment was VND86.9trn, equaling 69.6%.

As a result, ten months through October 2019, the state budget generally recorded a surplus of VND39.8trn.

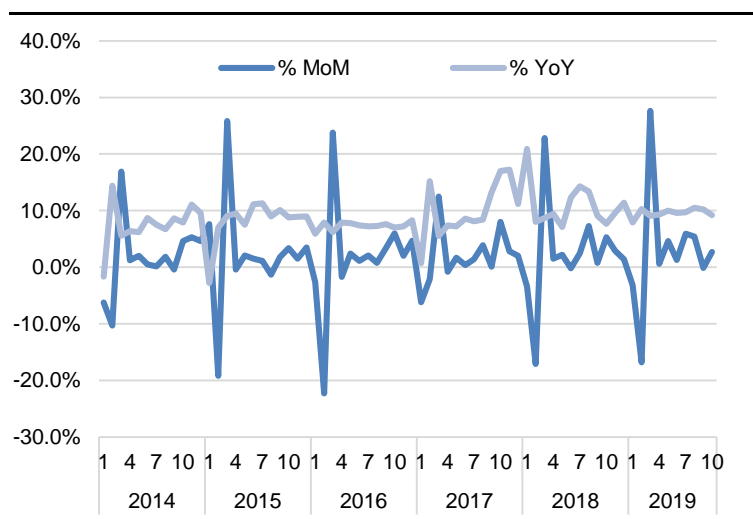
Vietnam Industries resume expansion

Industrial Production Index rose slightly by 2.7% MoM and 9.2% YoY in Oct, driven by Manufacturing (+10.8% YoY), Production and distribution of electricity (+8.1% YoY), Water supply, sewerage, waste management and remediation activities (+6.9% YoY). However, Mining and Quarrying sectors saw a slight decrease of 0.2% YoY.

The operation of Nghi Son Refinery and the expansion of Formosa Ha Tinh Steel Corporation were the key driving forces behind the outstanding growth of the Manufacturing sector.

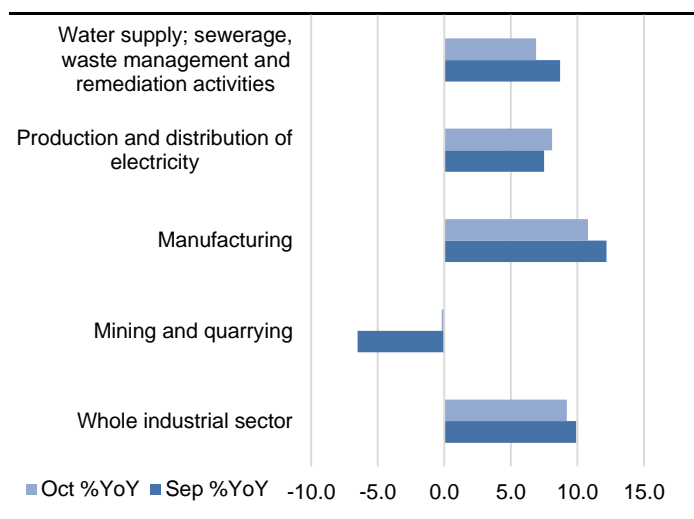
In 10M2019, average IIP rose 9.5% YoY thanks to the expansion of all components.

Fig 01. Industrial Production Index (IIP)



Source: GSO

Fig 02. IIP by sector in Oct 2019



Source: GSO

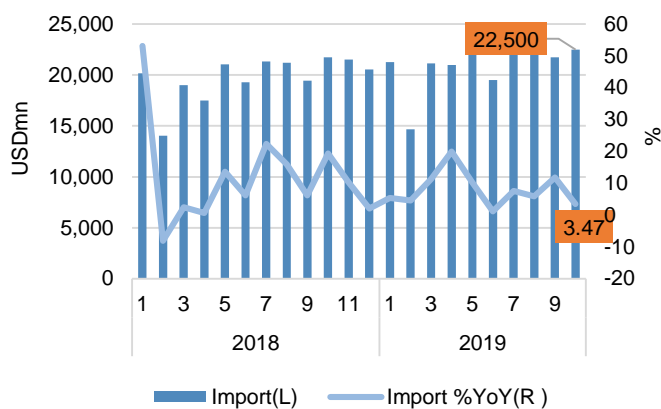
PREDICTION:

We estimate Vietnam industrial product will keep expanding in the next two months, primarily attributed to Automobile Factory Vinfast and Dung Quoc Steel Complex.

Export slows due to the sluggishness from FDI products

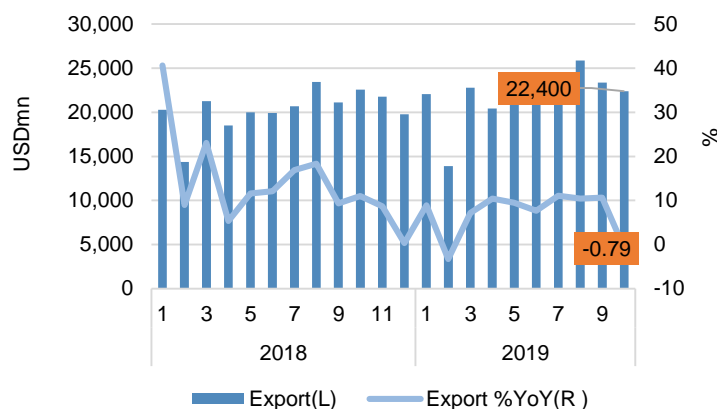
According to GSO, total trade value increased by 1.30% YoY to reach USD44.9bn in October 2019. In particular, the value of export declined 0.79% YoY to USD22.4bn while the import value increased 3.47% YoY to achieve USD22.5bn, resulting in a deficit of USD100mn in the trade balance.

Fig 03. Vietnam monthly import



Source: KIS, GSO

Fig 04. Vietnam monthly export



Source: KIS, GSO

On the export side, the sudden decline of export value from FDI enterprises was the main reason for the decrease in the overall export compared to the same period last year. In detail, the export value of this group posted USD15.5bn, which fell by 4.21% YoY for the worst monthly result this year and contributed 3.02% YoY decline to total export.

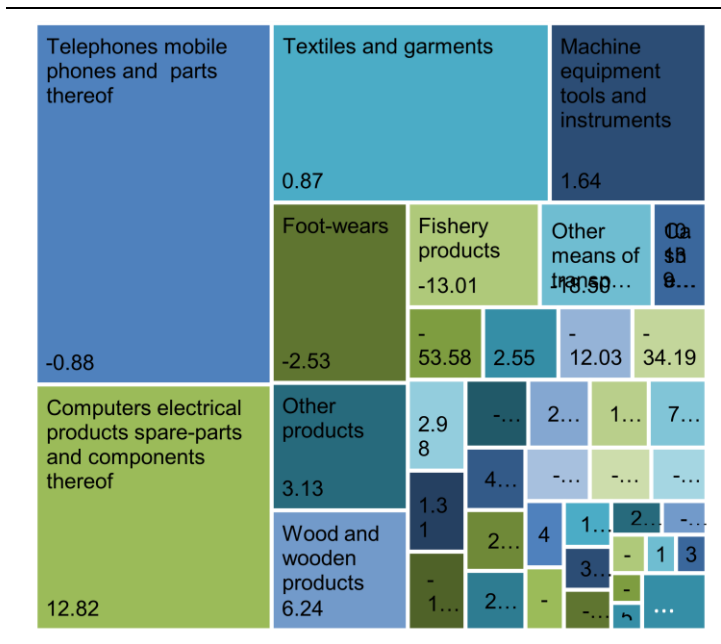
In terms of export product structure, the items of computers, electrical products and parts (CEPP) grew the most with 12.82%YoY, contributing 1.61%YoY growth for the overall growth. On the contrary, still imagines, video cameras, and parts item (SIVCP) plummeted continuously with -53.58% YoY and dragged the overall export down by -1.53%YoY. In addition, telephones, mobile phones and parts item (TMPP) decreased slightly by -0.88% YoY. However, its effect to the overall growth was insignificant.

The total contribution to the export growth of the agriculture sector, including cashew nut, fruits and vegetables, rice, coffee, manioc and manioc products, pepper, and tea, posted -0.21%YoY in this month. In which, although rice export value grew impressively by 23.6% YoY, coffee declined the worst by -27.9% YoY.

The export growth of fishery products showed the worst in this month, hitting the 1-year trough at -13.01% YoY. The downward momentum in pangasius price in the recent months combined with the increasing competitiveness of new players from China and Malaysia discouraged the fishery export. Moreover, Vietnam shrimp export also struggled to compete with Thailand and India.

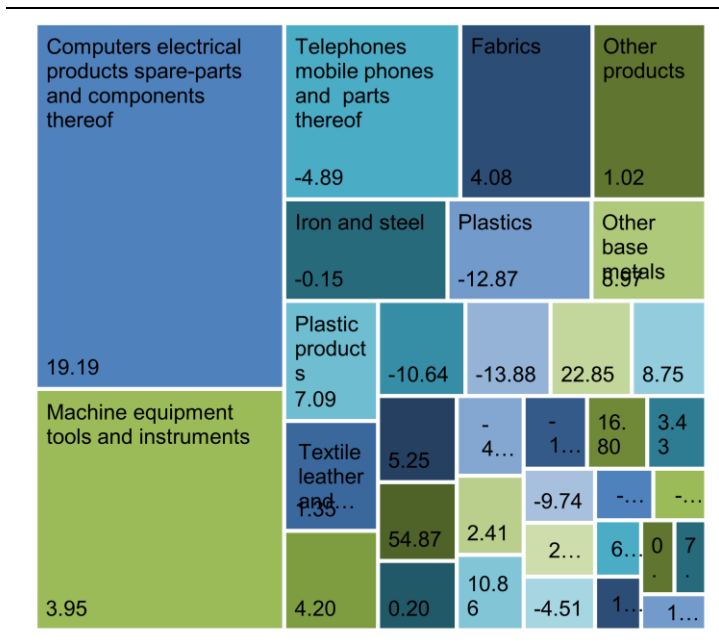
Precious stone, metal and articles item continued to skyrocket by 222.02% YoY and contributed 0.61%YoY to the total export growth.

Fig 5. Vietnam export by products (% YoY)



Source: KIS, GSO

Fig 6. Vietnam import by products (% YoY)



Source: KIS, GSO

On the import side, a remarkable increase in CEPP was the main factor driving the overall import up by 3.47% YoY. In detail, the import value of CEPP posted USD4.5bn, increasing by 19.19% YoY and contributing 3.48%YoY to the total growth. The machine, equipment, tools and instruments item (METI) and TMPP item moved oppositely to each other in October 2019. The import value of METI rose 3.95% YoY to posted USD3.1bn while TMPP import value decreased by 4.89% YoY, recording USD1.6bn.

The contribution from FDI enterprises decreased dramatically from 5.13% of September to 0.1% this month and caused a surprising slowdown in total import value.

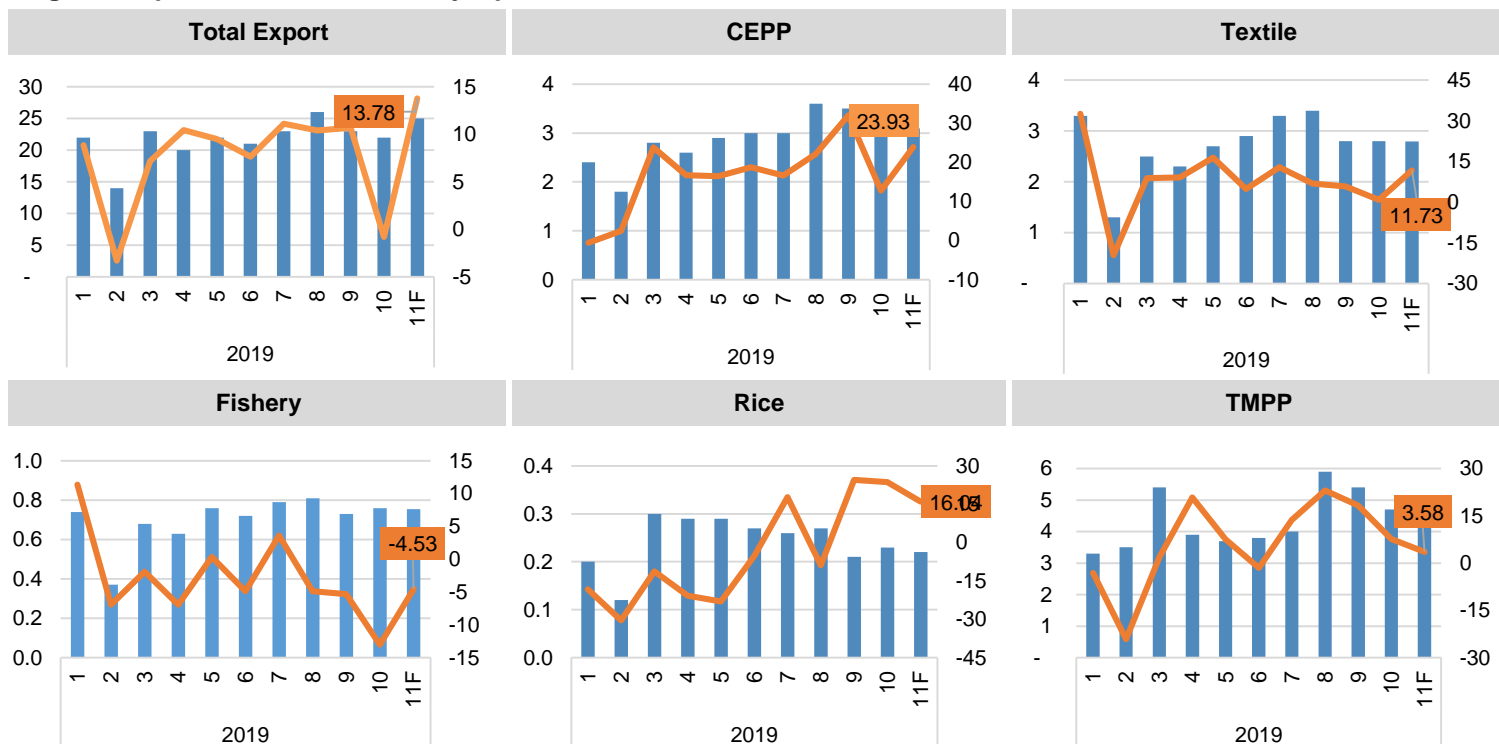
The downward momentum of the import value of petroleum products picked up as this group posted only 10.64% YoY decline in October 2019 compared to 27.7%YoY decline of September. For crude oil, the import pace swung from a surge of 215.82% YoY in September to a plunge of -42.06% YoY in October.

PREDICTION:

We estimate a rebound of export, growing 13.78% YoY and posting USD25.03bn in November 2019, which is attributable to CEPP items:

- We forecast CEPP to accelerate in the next month with a growth rate of 23.93% YoY, posting USD3.10bn.
- We assume the textile and garment will shift from the slowdown phase, triggering in July 2019, to the acceleration phase in next month. The textile and garment is expected to grow 11.73% YoY and reach USD2.79bn.
- The TMPP is estimated to recover and grow slowly at 3.58% YoY to achieve USD4.97bn.
- Fishery export is estimated to fall less severely after hitting the 1-year trough last month.
- The expansion rate of the rice export slow down slightly to 16.04% YoY, recording USD200.47mn.

Fig 07. Export values of some major products



Source: KIS, GSO

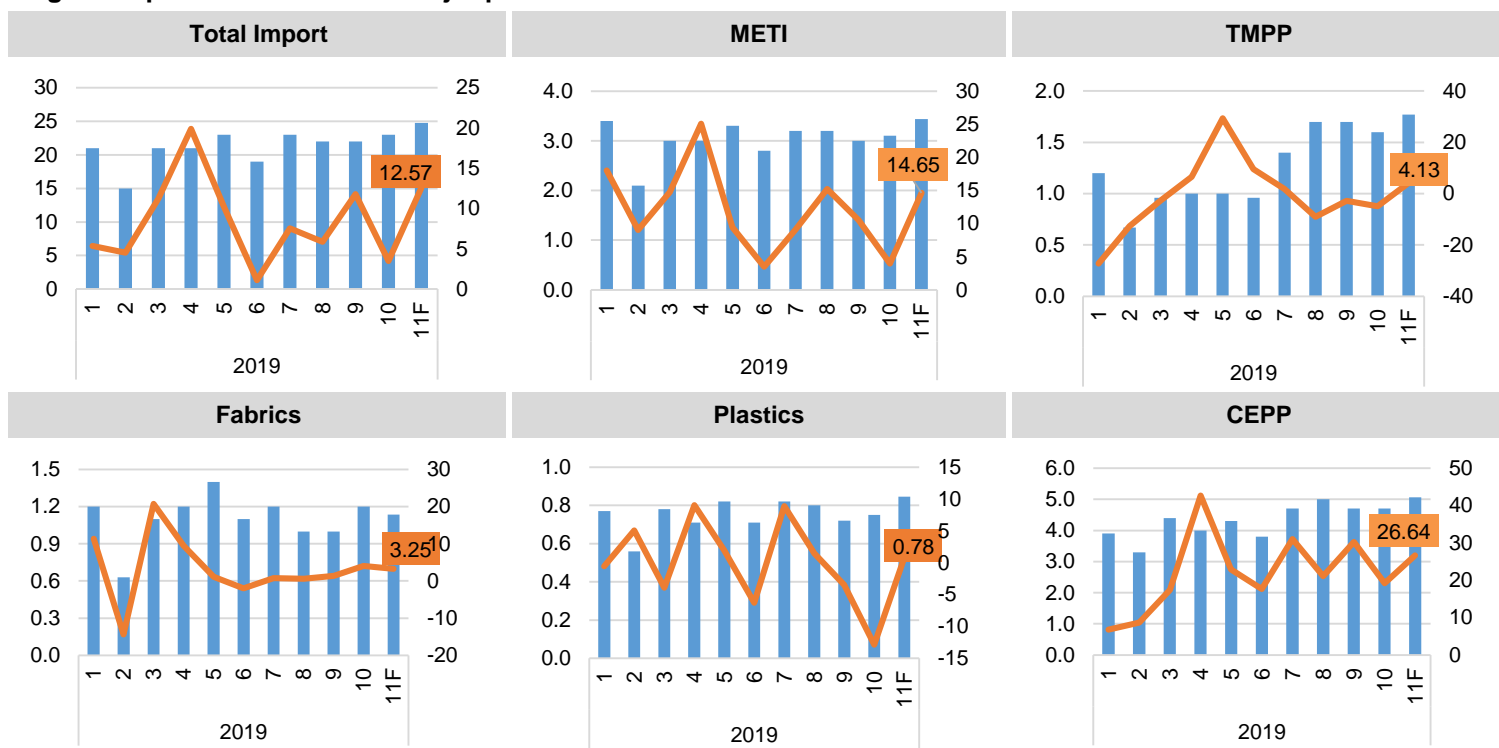
Notes:

- Value (LHS): USDm. Growth (RHS): % YoY
- CEPP: Computers, electrical products and parts; TMPP: Telephones, mobile phones and parts; Textile: Textile and garment

On the import side, we estimate total value to rise 12.57% YoY and post USD24.77bn in November 2019 thanks to the contribution of FDI-driven products such as METI, TMPP, and CEPP:

- The import value of TMPP is expected to recover after three consecutive months of reduction. The METI and the CEPP are assumed to maintain high growth rates at 14.65% YoY and 26.64% YoY respectively;
- The fabrics import is forecasted to persist a modest growth pace;
- We estimate the plastic import to grow slightly after the slumping period starting from July 2019.

Fig 08. Import values of some major products



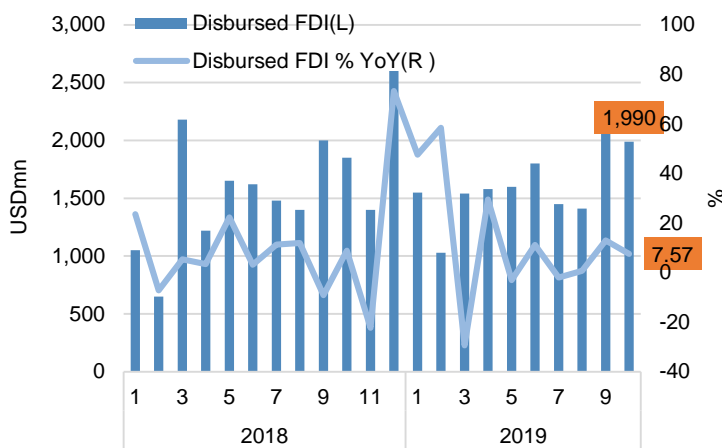
Source: KIS, GSO

Notes:
 - Value (LHS): USDmn. Growth (RHS): % YoY
 - CEPP: Computers, electrical products and parts; TMPP: Telephones, mobile phones and parts; Textile: Textile and garment; METI: Machines, equipment, tools and instruments.

Vietnam FDI inflow to increase in November 2019

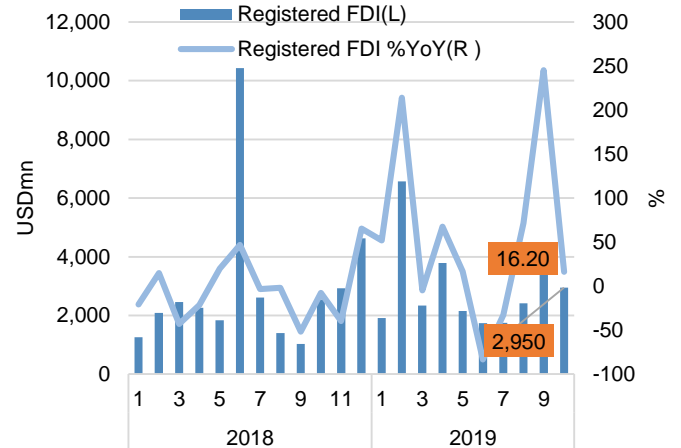
In October 2019, the registered inflow of foreign direct investment (FDI) to Vietnam was USD2.95bn, rising 16.20% YoY, while disbursed FDI was USD1.99bn, increasing 7.57% YoY.

Fig 09. Disbursed FDI



Source: KIS, FIA

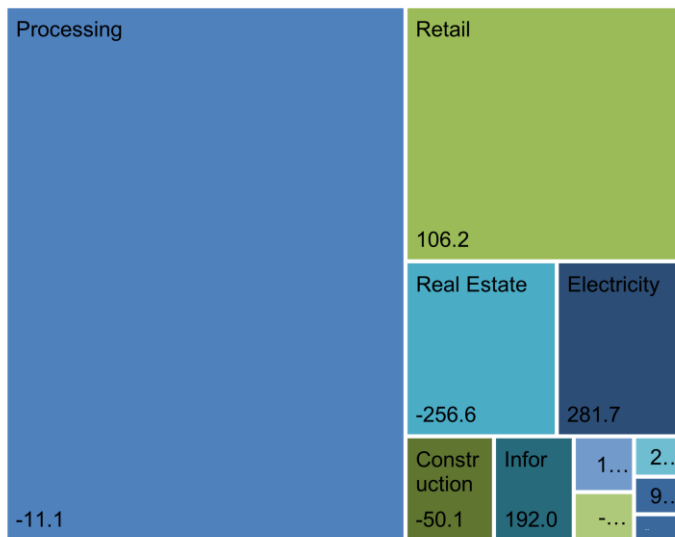
Fig 10. Registered FDI



Source: KIS, Bloomberg, FIA

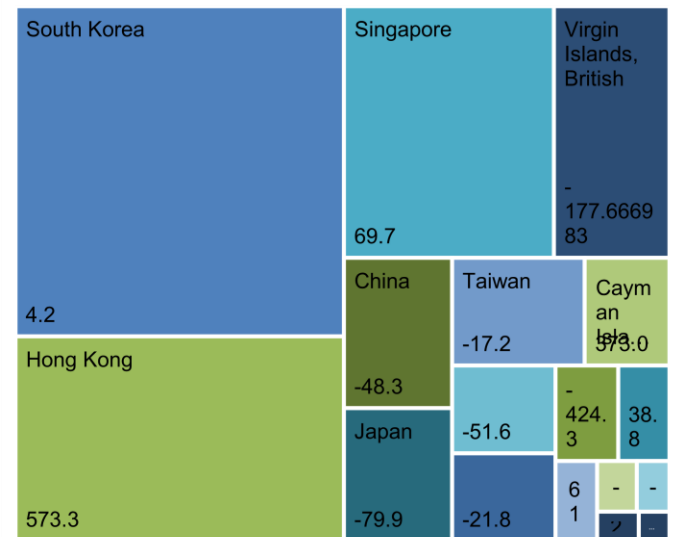
By investment sector, in October 2019, foreign investors invested into 19 sectors and focused on processing and manufacturing sectors with a total capital of USD1.74bn, accounting for 58.83% of total registered capital. Retail stood the second position with a registered capital of USD572.51mn, accounting for 19.41%. The third place was the real estate sector when receiving USD214.8mn registered capital, accounting for 7.28%.

Fig 11. Registered FDI structure by Sector



Source: KIS, FIA

Fig 12. Registered FDI structure by Country

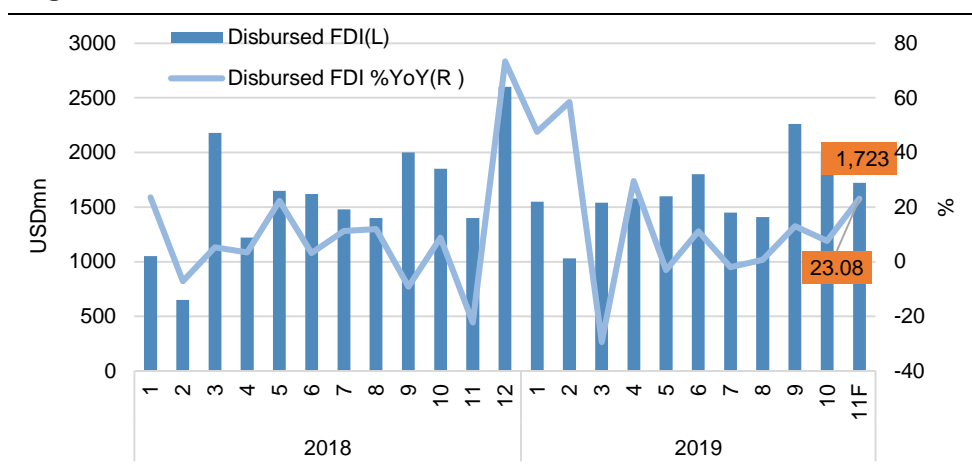


Source: KIS, Bloomberg, FIA

In terms of foreign investor, 103 countries and territories were investing into Vietnam in October 2019. South Korea is the largest investor with a total investment of USD900.99mn, accounting for 30.54% of the total registered capital. Hong Kong ranked the second with a total investment of USD558.44mn, accounting for 18.93% of the total. Singapore stood the third position with total registered investment capital

of USD438.69mn, accounting for 14.87% of total. Virgin Islands, British and China were in the fourth and fifth largest investors, with a total registered capital of USD241.58mn and USD134.94mn respectively.

Fig 13. Disbursed FDI



Sources: KIS, GSO

PREDICTION:

Using the time-series model, we forecast disbursed FDI to increase by 22.85% YoY, recording USD1.72bn in November 2019.

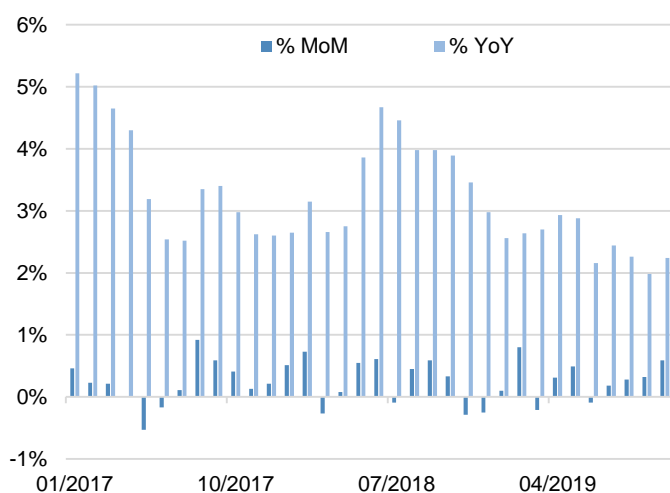
Rebound of pork price leads CPI to increase slightly

According to GSO, Consumer Price Index expanded by somewhat 0.59% MoM and 2.24% YoY in October, which was contributed the most by 8.84% YoY increase of Health care, 4.25% YoY of Education and 2.65% YoY of Housing and construction materials. Leading causes are as follows:

- Circular No. 37/2018/TT-BYT and Circular No. 13/2019/TT-BYT led Health care to surge in 10M2019.
- Seasonality and Decree No. 86/2015/ND-CP have pushed education items to increase since September 2019.
- After African Swine Fever (ASF), pork price has rebounded by around 40% YoY and more than 100% from the bottom thanks to a decline in supply and a rebound in demand.

In Oct 2019, average CPI rose 2.48% YoY, recording the lowest level in the past three years. In which, 9 out of 11 groups posted increases such as Education (+5.94% YoY), Medicine and Health care (+3.43% YoY) and Food & Foodstuff (+3.41% YoY).

Fig 14. Inflation



Source: GSO

Fig 15. Inflation by sector in Oct 2019

Consumer price index	% Weight	% YoY
Food and foodstuff	36.12%	2.24%
Beverage and cigarette	3.59%	2.11%
Garment, Footwear, hat	6.37%	1.73%
Housing and construction materials	15.73%	2.94%
Household appliances and goods	7.31%	1.34%
Medicine and health care	5.04%	8.84%
Traffic	9.37%	-3.19%
Postal services & Telecommunication	2.89%	-0.55%
Education	5.99%	4.25%
Culture, entertainment and tourism	4.29%	1.66%
Other goods and services	3.30%	3.12%

Source: GSO

PREDICTION:

We expect a modest inflation in the coming months and below the target of 4% of the government because:

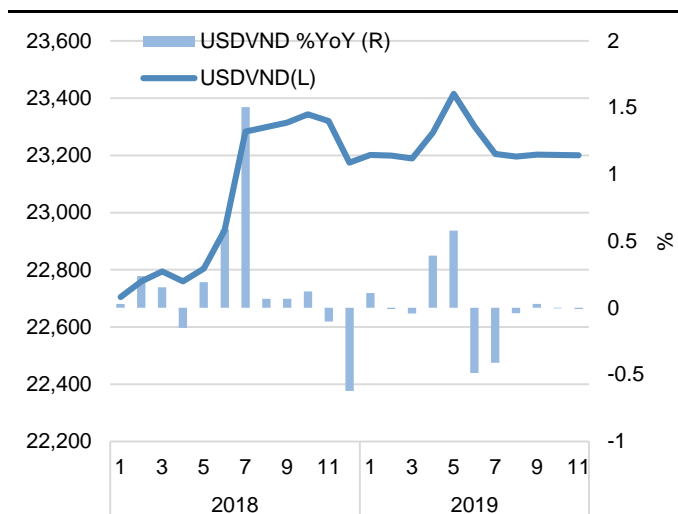
- As African Swine Fever (ASF) is mitigating, pork price is rebounding but modestly.
- The local petrol price is still flat because of the range movement of international price of USD58 to USD62 per barrel. Therefore, the upward pressure on prices of Housing and construction materials, Traffic and Postal services and Telecommunication will be not significant in November.
- The effect of the increase of the basic salary of cadres, civil servants, officials and armed forces is neglect by the year-end because this has already reflected in Medicine and health care and Education.

Vietnam dong changes slightly

At 31 Oct 2019, USDVND was traded at 23,202 (or 23,202 Vietnam dong for 1 U.S. dollar), decreasing slightly by 0.004% MoM.

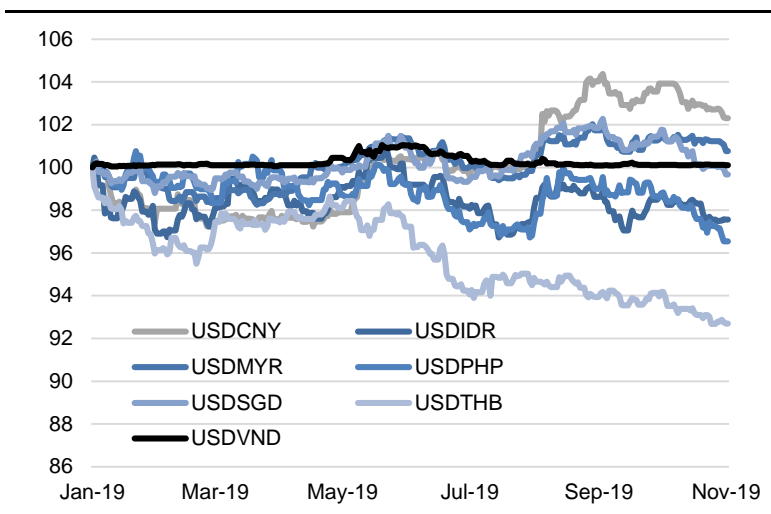
In October 2019, major currencies in the Southeast Asia region as well as Chinese renminbi appreciated against to the U.S. dollar, such as Indonesia rupiah (USDIDR - 1.08%), Malaysia ringgit (USDMYR -0.22%), Philippines peso (USDPHP -2.05%), Singapore dollar (USDSGD -1.56%), and Thailand bath (USDTHB -1.30%). In average, currencies of ASEAN-5 countries increased 1.25% MoM against the greenback.

Fig 16. Vietnam exchange rate - USDVND



Source: KIS, Bloomberg

Fig 17. Movements of some major currencies in Southeast Asia in 2019



Year to date, Vietnam dong (USDVND +0.12%), Indonesia rupiah (USDIDR +2.33%), and Malaysia ringgit (USDMYR +1.08%) depreciated against the U.S. dollar, while Philippines peso (-3.45%), Singapore dollar (USDSGD -0.05%) and Thailand bath (USDTHB -7.25%) moved in the opposite direction.

PREDICTION:

In spite of threats from being labeled as currency manipulator by the U.S. Treasury, the impressive trade surplus of USD6.75bn in Oct 2019 and the high foreign reserve (USD70bn as of Oct 2019) are assumed to help the Vietnam dong stable in the next few months.

Macro scorecard

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	4Q18	1Q19	2Q19	3Q19	2016	2017	2018	2019P
Real GDP growth (%)							7.31	6.82	6.73	7.31	6.21	6.81	7.08	6.8
Registered FDI (USDbn)	2.15	1.73	1.75	2.41	3.54	2.95	5.04	10.09	10.81	7.66	20.95	35.88	35.47	18.20
GDP per capita (USD)											2,172	2,353	2,551	2,730
Unemployment rate (%)											2.33	2.21	2.21	2.25
Export (USDbn)	21.90	21.43	22.98	25.88	23.36	22.40	64.15	58.76	63.77	72.22	176.6	215.1	243.5	280.8
Import (USDbn)	23.19	19.49	22.94	22.45	21.75	22.50	63.81	57.09	63.68	67.14	175.0	213.2	236.7	268.3
Export growth (%)	9.50	7.66	11.10	10.41	10.68	-0.79	6.75	5.10	9.17	10.72	8.99	21.82	13.19	15.33
Import growth (%)	10.22	1.12	7.53	5.87	11.77	3.47	10.28	7.25	10.12	8.30	5.55	21.85	11.01	13.36
Inflation (%YoY)	2.88	2.16	2.44	2.26	1.98	2.48	3.44	2.63	2.66	2.23	2.66	3.53	3.54	4.00
USDVND	23,415	23,301	23,205	23,196	23,203	23,202	23,175	23,189	23,301	23,203	22,761	22,698	23,175	23,200
Credit growth (%)											18.25	18.24	13.89	14
10yr government bond (%)	4.80	4.75	4.69	4.87	4.07	3.67	5.07	4.78	4.66	4.07	6.23	5.14	5.07	5.00

Source: GSO, Bloomberg, FIA, IMF

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