

Table of contents

1. Manufacturing and financial sectors drive real GDP up impressively 2
2. The state budget records a surplus . 4
3. Manufacturing leads Vietnam Industries 4
4. Trade activities improve moderately 5
5. Registered FDI surges while disbursed FDI increases modestly ... 6
6. The Vietnam dong slightly appreciates against the U.S. dollar... 9
7. Macro scorecard 10

Macro Indicators

Quarterly data	Q2 2019	Q3 2019
GDP (% YoY)	6.73%	7.31%
Export (% YoY)	9.17%	8.05%
Import (% YoY)	10.12%	10.07%
Disbursed FDI (USDbn)	4.98	5.12
Monthly data	Aug	Sep
IIP (% YoY)	9.6%	10.2%
PMI	52.5	50.5
CPI (% YoY)	2.88%	2.93%
USDVND	23,196	23,201
1Y G-bond yield	3.26%	3.27%

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

Mr. Y Nguyen

(+84-28) 3914 8585 - Ext: 1463
y.nt@kisvn.vn
www.kisvn.vn

Mr. Hieu Tran

(+84-28) 3914 8585 - Ext: 1464
hieu.ttm@kisvn.vn
www.kisvn.vn

Industry and Construction sector grow robustly

Manufacturing and financial sectors drove real GDP up impressively. Vietnam real GDP in 3Q2019 was estimated to post VND957.1trn, growing 7.31% YoY and 58 basis point higher than that of the previous quarter. Industry and construction sector and services sector improved significantly while agriculture, forestry and fishery sector performed poorly.

Manufacturing led Vietnam Industries. In 3Q2019, average IIP rose 10.2% YoY thanks to the expansion of all components, especially Manufacturing with +10.8% YoY growth. We expect industrial production to continue its momentum thanks to the production of some large projects such as Vinfast automobile factory and Dung Quat steel complex.

Trade activities grew modestly. According to GSO, Vietnam's total trade value increased 9.03% YoY to USD138.7bn in 3Q2019, of which, the import value increased 10.07%YoY to achieve USD68.2bn while the export value grew 8.05% YoY to USD70.5bn. Consequently, the trade balance posted a surplus of USD2.2bn, which is USD2.15bn higher than the previous amount in 2Q2019.

The registered FDI surged while the disbursed FDI slowed down. In 3Q2019, the registered inflow of foreign direct investment (FDI) to Vietnam was USD7.7bn, jumping 52.71% YoY. In which, the processing is the most attractive sector with USD4.9bn, accounting for 63.5% of total investment and adding 30.13% to the growth of the registered FDI. The overall registered FDI was also supported by the surge in capital inflow to real estate sector at 364.5% YoY, contributing 22.48% to total FDI.

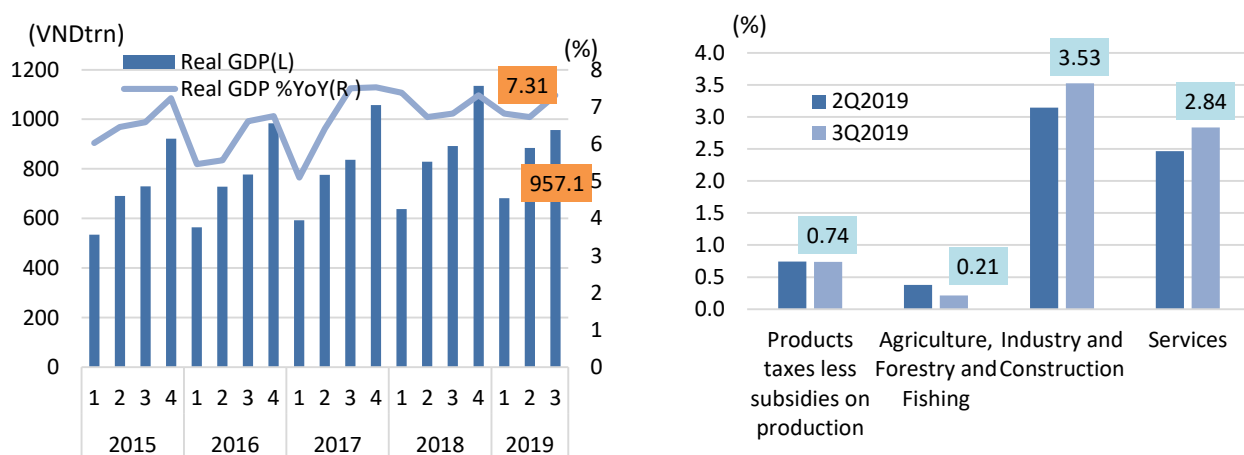
Upward inflation pressure from Healthcare and Education. According to GSO, in 3Q2019, average CPI increased by 2.23% YoY, which was contributed the most by +7.87% YoY increase of Healthcare. In 4Q2019, we expect inflation to remain low, keeping average CPI of 2019 below the inflation target 4% of the government.

The Vietnam dong slightly appreciated against the U.S. dollar. At the end of September 2019, USDVND was traded at 23,201 (23,201 Vietnamese dong for 1 U.S. dollar), decreasing 0.43% compared to the previous quarter. Except Thailand baht (THB) and Vietnam dong (VND), most of other major currencies in the Southeast Asia depreciated against the U.S. dollar in 3Q2019 such as Indonesia rupiah (IDR), Malaysia ringgit (MYR), Philippines peso (PHP) and Singapore dollar (SGD).

Manufacturing and financial sectors drive real GDP up impressively

Vietnam real GDP in 3Q2019 was estimated to post VND957.1trn, growing 7.31% YoY and 58 basis point (bps) higher than that of the previous quarter. The impressive growth in this period pushed the cumulative growth rate up to 6.98% YoY, 18 bps higher than the annual target rate of 6.8% by the Government in Resolution 01/NQ-CP 2019. Industry and construction (I&C) sector and services sector improved significantly while agriculture, forestry and fishery (AFF) sector performed poorly.

Fig 01. Real GDP and growth contribution by sector



Source: KIS, GSO

The AFF sector continued slowing down due to the weak agriculture production

- The output of agriculture sector stepped back in 3Q2019 due to the spreading of African hog cholera (the pork production decreased 17% YoY) and the decline of rice productivity, being attributable to the drought and unfavorable climate conditions.
- The fishery sector grew 5.53 %YoY, adding up 19 bps to total real GDP growth. The improvement of shrimp output in this quarter is explained relatively by the surge in shrimp price in recent months.
- Overall, the AFF sector increased 1.53% compared to the same period last year, contributing 21 bps to the total economy growth.

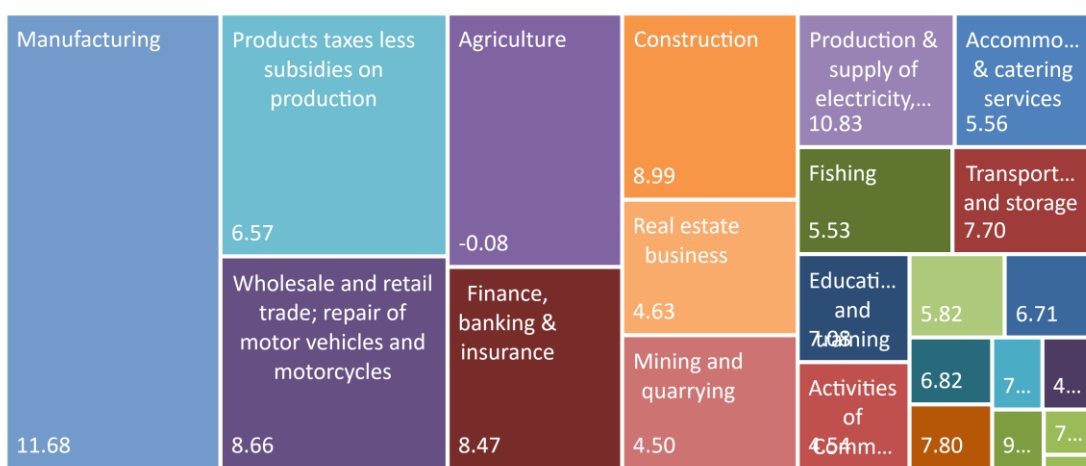
The I&C sector improved significantly based on the robust growth of manufacturing production

- The manufacturing sector played the key role in driving I&C sector up in 3Q2019. In detail, this sector kept growing robustly with a rate of 11.68% YoY, contributing 2.22% to the overall growth.

- Mining and quarrying recorded the second consecutive quarter of recovery after trending downward for a long period since 2016. Production expansions in coal and metal ores are the main reasons for the recovery of this group.
- The construction sector also recorded an acceleration with the growth rate of 8.99% YoY, contributing 0.58% to the total real GDP growth.

The growth of services sector in this quarter was mainly driven by the acceleration of wholesale and retail sub-sector and finance, banking and insurance one. The services sector grew 7.11% YoY and contributed 2.84% to the total growth, exceeding 37 bps compared to that of the last period. In which, wholesale and retail sub-sector and finance, banking and insurance sub-sector grew 8.66% YoY and 8.47% respectively. The total contribution of these two groups was 1.43% which was 40 bps higher than that of 2Q2019.

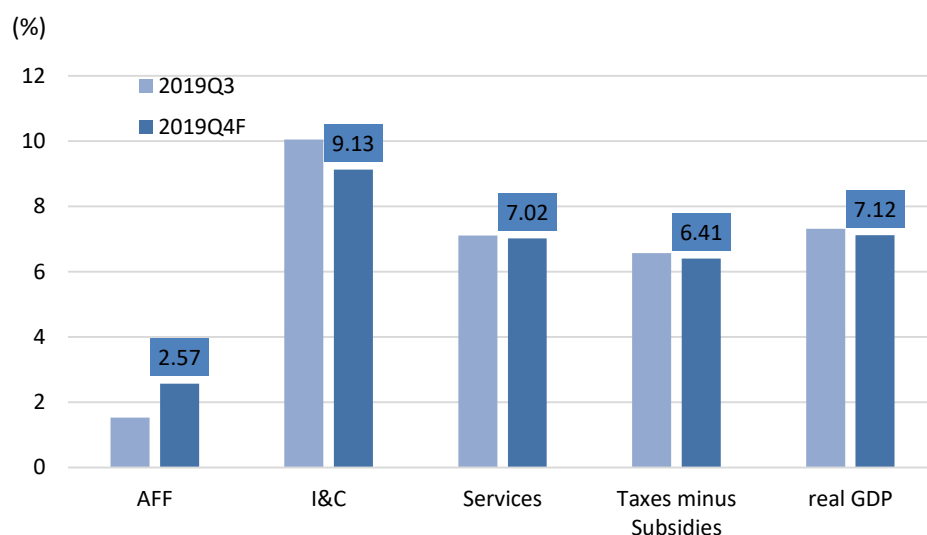
Fig 02. Real GDP structure (%YoY)



Source: KIS, GSO

PREDICTION:

- The increase of pork price will motivate the recovery of pork production, affecting positively the growth rate of agriculture sector in the next quarter. The fishery sector is predicted to move up firmly at around 6% YoY. The overall growth rate in AFF sector is predicted to grow moderately at 2.57% YoY, contributing 35 bps to the real GDP growth.
- I&C and services sectors are expected to remain their robust growth rates at 9.13% YoY and 7.02%, contributing 3.35% and 2.72% to the total growth respectively.
- Overall, the real GDP is forecasted to grow 7.12% YoY in 4Q2019 and 7.04% YoY in for entire 2019.

Fig 02. Real GDP structure (%YoY)

Source: KIS, GSO

The state budget records a surplus

As of 15/09/2019, the total government revenue was estimated to achieve VND1,028.7trn, fulfilling 72.9% of the annual target. More specifically, domestic revenue recorded VND824.6trn, equivalent to 70.3% of the year target, crude oil contributed VND40.8trn, finishing 91.5%, and collection from trade achieved VND159.8trn, equaling to 84.4% of annual target.

Meanwhile, the total government expenditure was estimated at VND962.2trn, fulfilling 58.9% of the yearly target. In which, the regular expenditure was VND691.9trn, finishing 69.2%, the spending for development and investment reached VND174.3trn, equivalent to 40.6%, and interest payment was VND78.6trn, equivalent to 63%.

Manufacturing led Vietnam Industries

In September, Industrial Production Index fell slightly 0.01% MoM but increased sharply 10.2% YoY, driven by Manufacturing (+12.3% YoY).

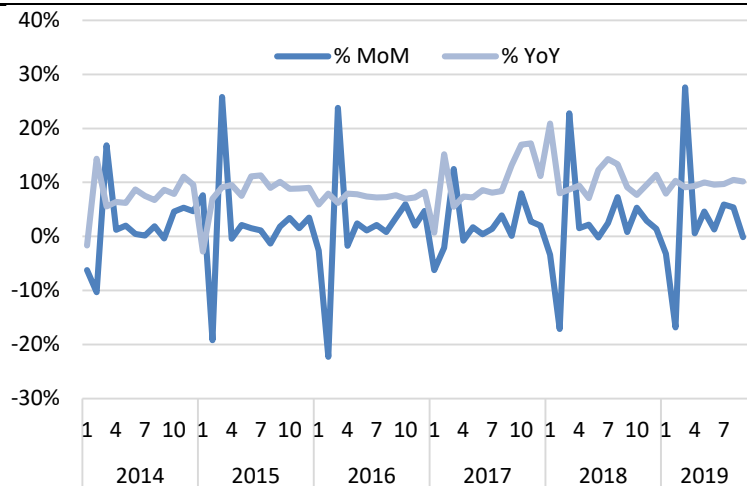
In 3Q2019, average IIP rose 10.2% YoY thanks to the expansion of all components. Specifically, Manufacturing grew +10.8% YoY, Production and distribution of electricity +10.4% YoY, Water supply, sewerage, waste management and remediation activities +7.2% YoY and Mining and quarrying +2.8% YoY.

The highest growth of Manufacturing was driven by the operation of Nghi Son Refinery and the expansion of Formosa Ha Tinh Steel Corporation.

PREDICTION:

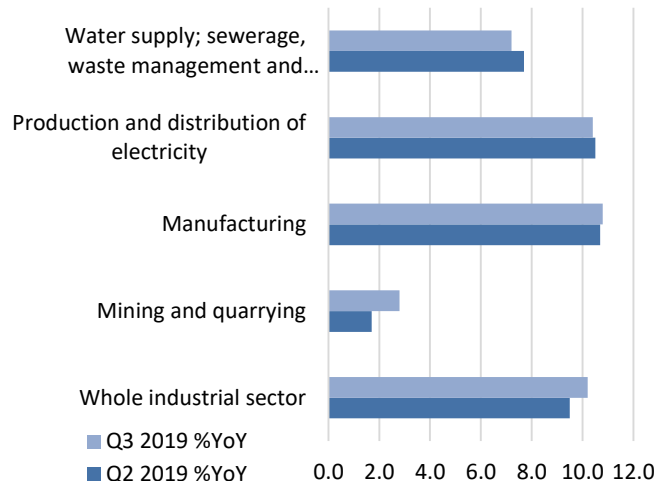
Despite the slowdown of the world economy, we expect industrial production continues its momentum thanks to the operation of several large projects in 3Q2019 such as Automobile Factory of Vinfast and Dung Quat Steel Complex.

Fig 02. Industrial Production Index growth (IIP)



Source: GSO

Fig 03. IIP by sector in 3Q2019

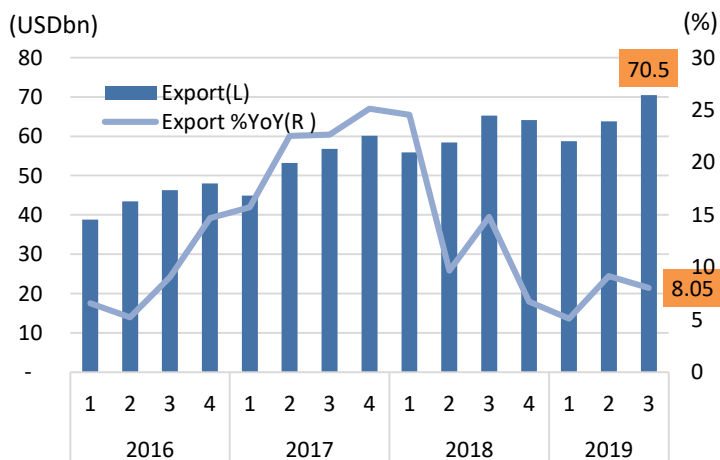


Source: GSO

Trade activities improve moderately

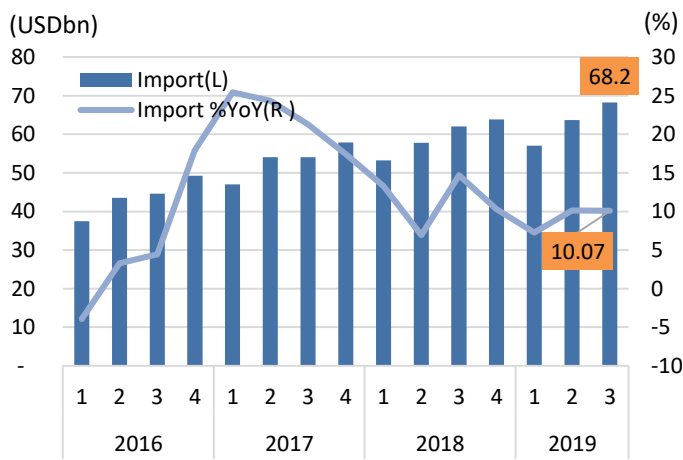
According to GSO, Vietnam's total trade value increased 9.03% YoY to USD138.7bn in 3Q2019, of which, the import value increased 10.07%YoY to achieve USD68.2bn while the export value grew 8.05% YoY to USD70.5bn. Consequently, the trade balance posted a surplus of USD2.2bn, which is USD2.15bn higher than the previous amount.

Fig 04. Export



Source: KIS, GSO

Fig 05. Import



Source: KIS, GSO

FDI sector maintained a substantial share in the trade structure in 3Q2019. Specifically, export value from FDI sector reached USD48.4bn, accounting for 68.6%

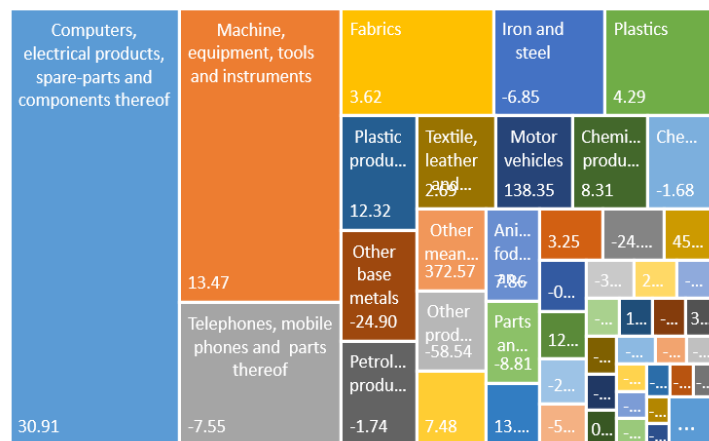
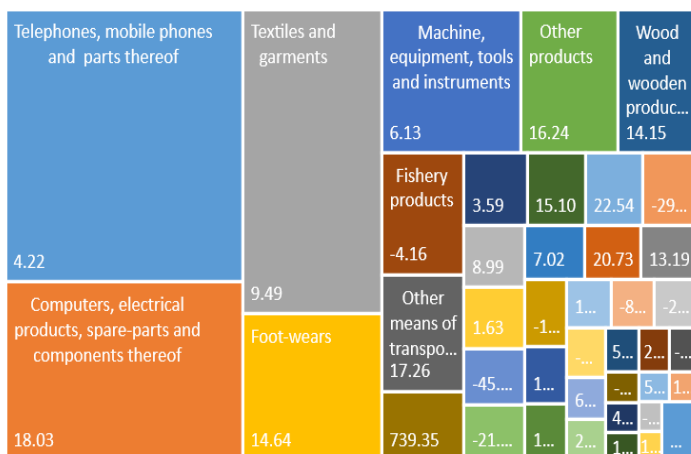
of total export value, while import value from this group achieved USD40.3bn, accounting for 59.04% of the overall import value.

Breaking down by export product, telephone and mobile phone group posted USD14.7bn, contributing 20.8% in export structure and growing 4.22% YoY. Computers, electrical products and components group increased 18.03% YoY and contributed 2.26% to the export growth, which is the largest contributor in this quarter. Textile and garment group moved forward consistently in 3Q2019 by growing 9.49% YoY and adding 1.28% to the growth of the overall total export. In addition, the growth of export in this period is relatively attributable to the surge at 739.35% YoY in the precious stone, precious metals and articles export value.

Regarding to the import structure, computers, electrical products and components group surged 30.91% YoY and contributed 5.64% to the total import growth in this period. Moreover, machine, equipment, tools and instruments group grew significantly at 13.47% YoY, contributing 1.82% to the total growth. The import value of motor vehicles continued raising significantly by 138.35% YoY and contributed 1.35% to the overall growth.

Fig 06. Export structure (%YoY)

Fig 07. Import structure (%YoY)



Source: KIS, GSO

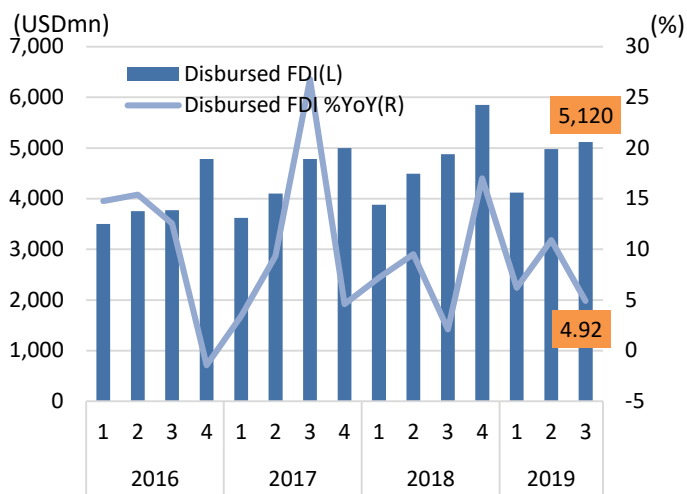
Source: KIS, GSO

Registered FDI surges while disbursed FDI increases modestly

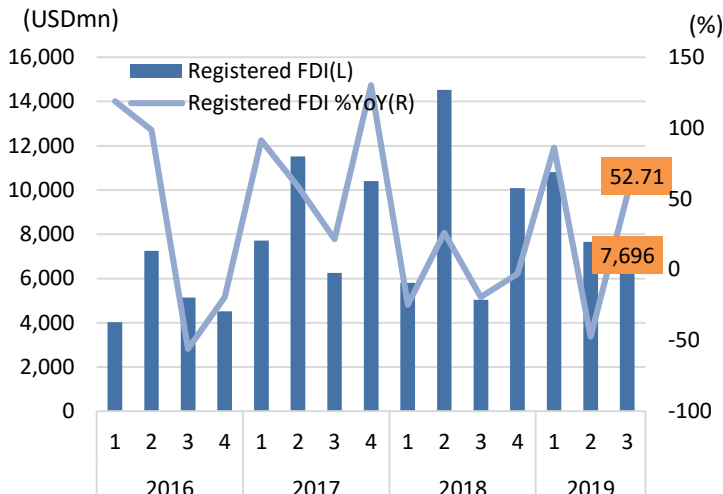
In 3Q2019, the registered inflow of foreign direct investment (FDI) to Vietnam was USD7.7bn, rising 52.71% YoY. In which, the processing is the most attractive sector with USD4.9bn, accounting for 63.5% of total investment and adding 30.13% to the registered FDI growth. The overall registered FDI was also supported by the surge of 364.5% YoY in capital inflow to real estate sector, contributing 22.48% to total FDI.

Fig 08. Disbursed FDI

Fig 09. Registered FDI



Source: KIS, FIA

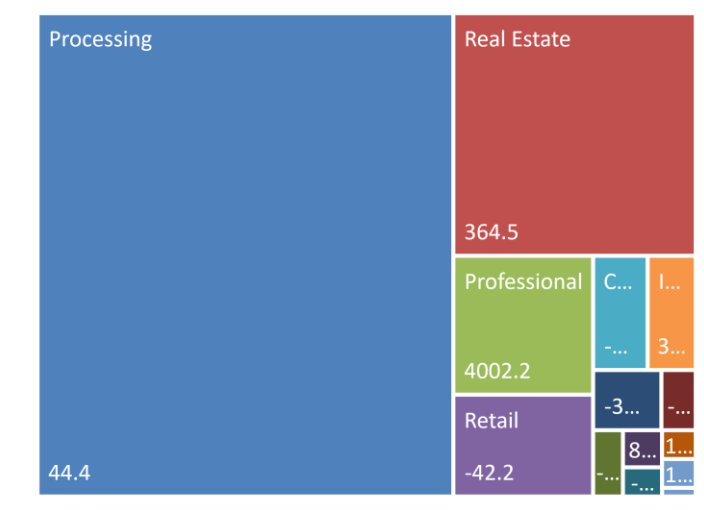


Source: KIS, FIA

By country, the registered capital was mostly driven by capital inflows from South Korea, Singapore, Japan, China and Hong Kong with USD1.89bn, USD1.57bn, USD1.11bn, USD0.78bn and USD0.58bn respectively. This top five group held 78.32% share in value and added 51.24% to the growth rate.

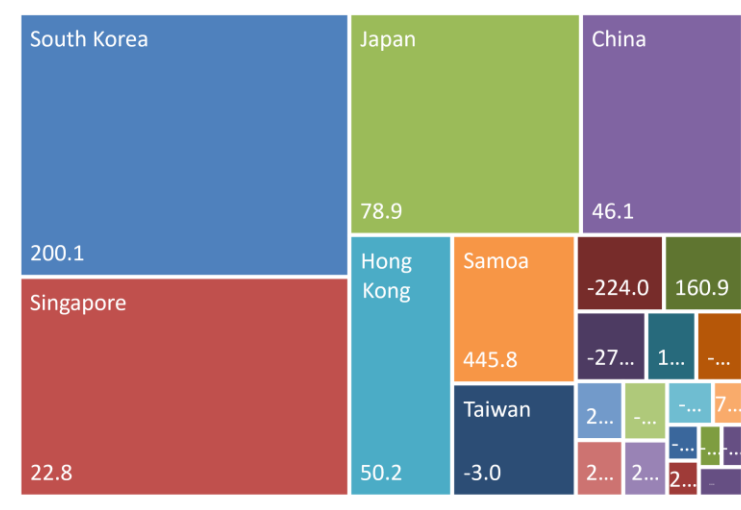
The disbursed foreign direct investment (FDI) to Vietnam increased slightly at 4.92% YoY to reach USD5.12bn in this quarter.

Fig 10. Registered FDI structure by Industry (%YoY)



Source: KIS, FIA

Fig 11. Registered FDI structure by Country (%YoY)



Source: KIS, FIA

High pressure from Healthcare and Education

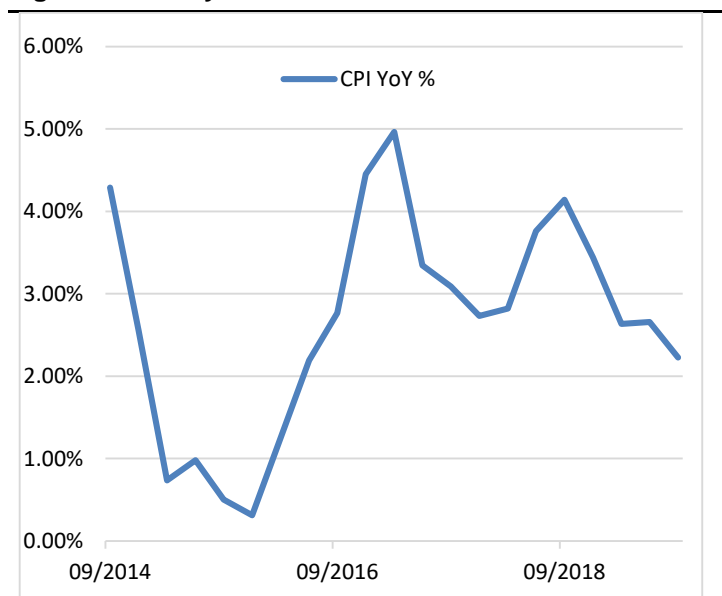
According to GSO, Consumer Price Index (CPI) rose slightly 0.32% MoM but increased by 2.20% YoY in Sep 2019. In 3Q2019, average CPI increased by 2.23% YoY, which was contributed the most by +7.87% YoY growth of Healthcare, 5.91%

YoY of Education and 2.87% of Housing & Construction materials. There are three main causes for the ring inflation in 3Q2019:

- Decree No. 86/2015/ND-CP and seasonality factor pushed the price of education up.
- Decision No. 648 / QD-BCT by Ministry of Industry and Trade increased the average electricity retail price by +8.36% in Mar 2019, which drove Housing & Construction materials price up markedly.
- Healthcare price increased due to Circular No. 37/2018/TT-BYT and Circular No. 13/2019/TT-BYT.

In 9M2019, average CPI rose 2.50% YoY, the least in the past three years, with the price index of 9 out of 11 groups posting increases. Notably, Education price index increased the most by 6.13% YoY.

Fig 12. Quarterly Inflation



Source: GSO

Fig 13. Inflation by sector in 3Q2019

Consumer price index	% Weight	% YoY
Food and foodstuff	36.12%	1.95%
Beverage and cigarette	3.59%	2.14%
Garment, Footwear, hat	6.37%	1.84%
Housing and construction materials	15.73%	2.81%
Household appliances and goods	7.31%	1.38%
Medicine and health care	5.04%	7.87%
Traffic	9.37%	-1.11%
Postal services & Telecommunication	2.89%	-0.59%
Education	5.99%	5.91%
Culture, entertainment and tourism	4.29%	1.74%
Other goods and services	3.30%	2.97%

Source: GSO

PREDICTION:

In 4Q2019, we expect inflation to remain low, keeping average CPI in 2019 below the inflation target 4% of the government. Reasons are as follows:

- *Although local petrol price rose in tandem with global oil prices on 01 Oct 2019, its downtrend is still intact in the medium term. Therefore, the upward pressure on the prices of Housing and construction materials, Traffic and Postal services and Telecommunication is not significant.*
- *As African Swine Fever (ASF) is mitigating, pork price is recovering but modestly due to declining demand and a small contribution of foodstuff to CPI.*
- *The upward pressure from the increase of the basic salary of cadres, civil servants, officials and armed forces is not significant.*

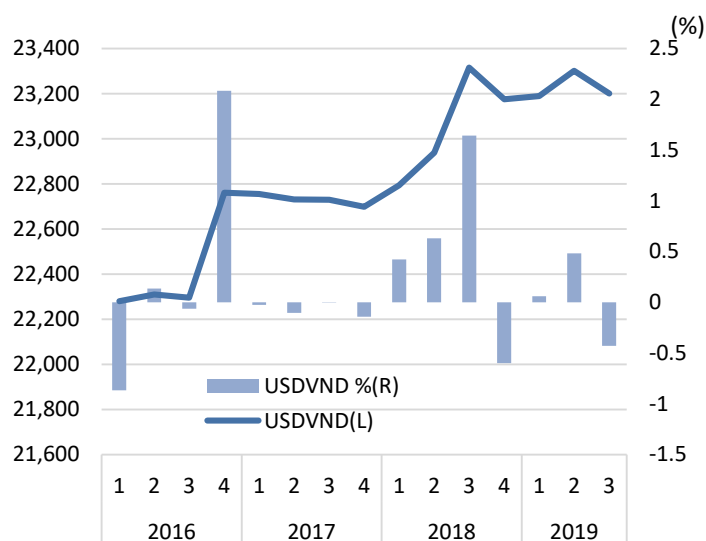
The Vietnam dong slightly appreciates against the U.S. dollar

At the end of September 2019, USDVND was traded at 23,201 (23,201 Vietnamese dong for 1 U.S. dollar), decreasing 0.43% compared to the end of June. Most of other major currencies in the Southeast Asia depreciated against the U.S. dollar in 3Q2019 such as Indonesia rupiah (IDR), Malaysia ringgit (MYR), Philippines peso (PHP) and Singapore dollar (SGD) except Thailand baht (THB). The SGD depreciated the most at 2.14% while the IDR, the MYR and the PHP devaluated 0.47%, 1.33% and 1.22% respectively against the U.S. dollar. The THB appreciated slightly at 0.23% for the third consecutive quarter.

Year to date, the IDR, the PHP and the THB appreciated at 1.36%, 1.46% and 5.99% while the MYR, the SGD and the Vietnam dong depreciated at 1.29%, 1.46% and 0.11% against the U.S. dollar.

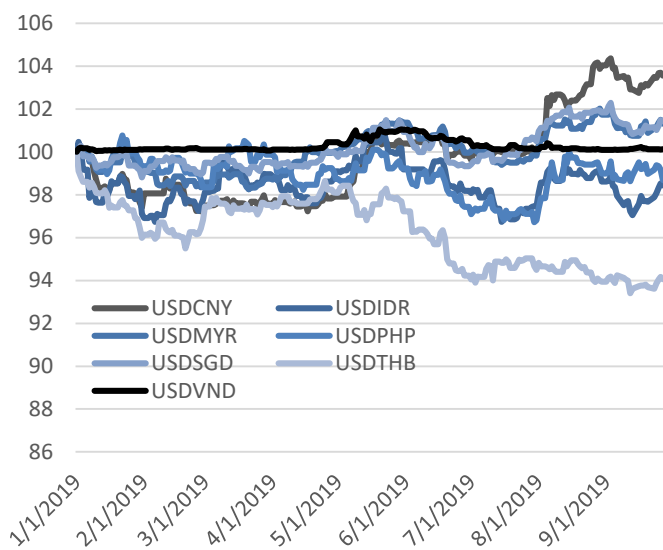
The China renminbi (CNY) depreciated aggressively at 4.10% in this quarter against the U.S. dollar as a result of the trade retaliation to the U.S. tariff hike on goods and services originated from China. However, year to date, the CNY appreciated 3.92% against the greenback.

Fig 14. Vietnam exchange rate - USDVND



Source: KIS, Bloomberg

Fig 15. compare currency change in ASEAN



Source: KIS, Bloomberg

PREDICTION:

The recent volatility against the USD of The VND was relatively small compared to other major currencies in the Southeast Asia. Stronger export activities, stable FDI inflow and increasing remittance are assumed to support the stability of the dong against U.S. dollar in 4Q2019.

Macro scorecard

	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 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
Disbursed FDI (%)	29.51	-3.03	11.11	-2.03	0.71	13.00	17.00	6.19	10.91	4.92	8.97	10.76	9.14	10.00
GDP per capita (USD)											2,172	2,353	2,551	2,730
Unemployment rate (%)											2.33	2.21	2.21	2.25
Export (USDbn)	20.44	21.90	21.43	22.98	24.50	23.00	64.15	58.76	63.77	70.48	176.6	215.0	243.7	279.4
Import (USDbn)	20.99	23.19	19.49	22.94	22.80	22.50	63.81	57.09	63.68	68.24	175.0	213.2	236.7	267.0
Export growth (%)	10.44	9.50	7.66	11.10	4.51	8.99	6.75	5.10	9.17	8.05	8.99	21.82	13.19	14.66
Import growth (%)	19.90	10.22	1.12	7.53	7.52	15.63	10.28	7.25	10.12	10.07	5.55	21.85	11.01	12.80
Inflation (%YoY)	1.98	2.26	2.44	2.16	2.88	2.93	4.14	3.44	2.63	2.65	2.66	3.53	3.54	4.00
USDVND	23,280	23,415	23,301	23,205	23,196	23,201	23,175	23,189	23,301	23,201	22,761	22,698	23,175	23,384
Credit growth (%)											18.25	18.24	13.89	14

Contacts

HCM City Head Office

Level 3, TNR Tower

180-192 Nguyen Cong Tru St., District 1, HCM City

Tel: (+84 28) 3914 8585

Fax: (+84 28) 3821 6898

Institutional Sales

Ms. Uyen Lam

Head of Institutional Sales

(+84 28) 3914 8585 (x1444)

uyen.lh@kisvn.vn

Recommendation System

OVERWEIGHT: where we believe prospective 12 months VND total return (including dividends) will be 15% or more.

NEUTRAL: where we believe it will be -5% to 15%.

UNDERWEIGHT: where we believe it will be -5% or less.

Disclaimer

This report has been issued by the **KIS VN Securities Corporation (KIS)** with the instructional contributions of **KIS VN Securities Corporation** whose employees are specified in the publication. This report is for information of its institutional and professional customers.

This report is and should not be construed as an offer to sell or a solicitation of an offer to purchase or subscribe for any investment. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. Investors are advised make their own financial decisions based on their independent financial advisors as they believe necessary and based on their particular circumstances such as their financial situation, investment objectives and other considerations.

In preparing this report, we have relied upon and assumed the accuracy and completeness of all information available from public and other sources which we believe to be reliable, but which we have not independently verified. **KIS** makes no express or implied guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy or completeness of such information.

Opinions, estimates, and projections expressed are current opinions of the authors as of the original publication date appearing on this report only and the information, including the opinions contained herein, and are subject to change without notice.

KIS and its affiliates may from time to time perform investment banking or other services for, or solicit investment banking or other business from, companies mentioned herein. Further, **KIS** and its affiliates, and/or their officers, directors and employees involved in the preparation or issuance of this report may, from time to time, have long or short positions in, and buy or sell, the securities, or derivatives (including options) thereof, of companies mentioned herein, or related securities or derivatives in a manner that may be consistent or inconsistent with this report and opinions expressed therein. As a result, investors should be aware that **KIS** and its affiliates and/or their officers, directors and employees may have a conflict of interest that could affect this report.

This report shall not be copied, reproduced, distributed (in whole or in part) or disclosed by recipients to any other person without the express permission of **KIS** in writing.