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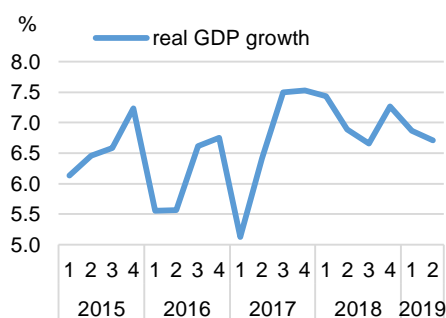
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Macro Indicators

| | June | July |
|-------------------------|--------|--------|
| CPI (% YoY) | 2.44% | 2.44% |
| PMI | 52.5 | 52.6 |
| Export (% YoY) | 21.60 | 22.60 |
| Import (% YoY) | 21.20 | 22.40 |
| Registered FDI (USD bn) | 2.15 | 1.75 |
| USDVND | 23,301 | 23,230 |

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

GDP Growth quarterly



Source: GSO

Vietnam dong back to stability

Industrial production kept expansion amid waning global trade. Vietnam saw its industry production expanding with Industrial Production Index (IIP) rising 5.9% MoM and 9.7% YoY and Vietnam PMI improving to 52.6 in July from 52.5 in June. Although the slowdown of the global growth, the positive outlook of Vietnam Industry is still intact in the remaining months of the year thanks to the high business confidence of manufacturers.

Trade activities face tougher upcoming months. According to GSO, the total trade value increased by 7.11% YoY to reach USD45bn in July 2019. In which, the value of export rose 9.27% YoY to USD22.6bn while the import value increased 5.02% YoY to achieve USD22.4bn, resulting a small trade surplus of USD200mn.

Vietnam FDI inflow declined. In July 2019, the registered inflow of foreign direct investment (FDI) to Vietnam was USD1.75bn, declining 32.9% YoY, while disbursed FDI was USD1.06bn, decreasing 2.02% YoY.

Inflation was under control. In July 2019, Consumer Price Index rose slightly 0.18% MoM and 2.44% YoY. We expect the disinflation to continue in Aug because (1) the basic salary of cadres, civil servants, officials and armed forces in July will put upward pressure on all components of CPI gradually and (2) pork price has slightly improved after African Swine Fever (ASF) but demand is still weak.

Vietnam dong appreciated. At 31 July 2019, USDVND was traded at 23,230 (23,230 Vietnam dongs for 1 U.S. dollar), declining 0.3% MoM due to the global weakness of U.S. dollar. The cumulative trade surplus of USD1.98bn and the high value of foreign exchange reserve are assumed to support the stability of Vietnam dong.

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Vietnam state budget records a surplus of VND51.4trn

Seven months through 15 July 2019, total government revenue achieved VND777.7trn, equaling 55.1% of the annual estimate. More specifically, domestic revenue recorded VND620.5trn, equaling 52.9% of the annual estimate, that from crude oil posted VND31.1trn, equaling 69.7%, and from export-import activities obtained VND123.9trn, equaling 65.5%.

Meanwhile, total government expenditures were estimated at VND726.3trn, accounting for 44.5% of the yearly estimate. In which, regular expenditures were VND522.8trn, equaling 52.3%, development and investment achieved VND130.5trn, accounting for 30.4%, and interest payment was 65.2 trillion dongs, equaling 52.2%.

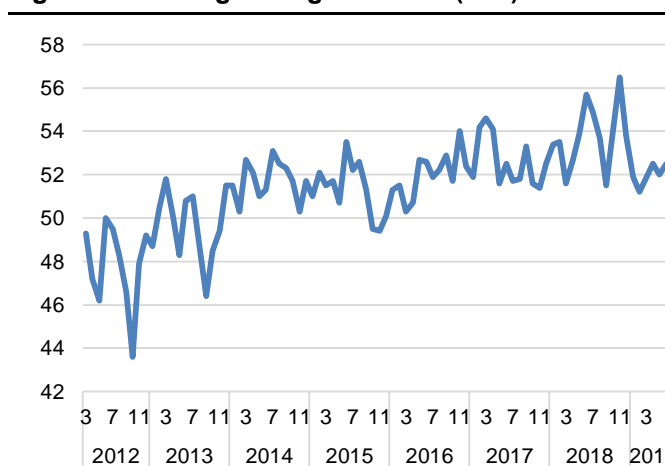
Industrial production keeps expansion amid waning global trade

The escalation of the trade war has put tremendous downward pressure on the industrial production in ASEAN countries. In July, ASEAN PMI kept contracting with the reading of 49.5, the lowest in the past two years. In which, manufacturing sectors in major countries such as Singapore, Indonesia, Malaysia decreased.

However, Vietnam saw its industrial production expanding. Vietnam PMI increased to 52.6 in July from 52.5 of June, recording 44-month expansion in a row for the longest streak since the first survey in March 2012, driven by the strong growth of the output and new order. More orders pushed manufacturers to add new employment in 3 out of the past 4 months.

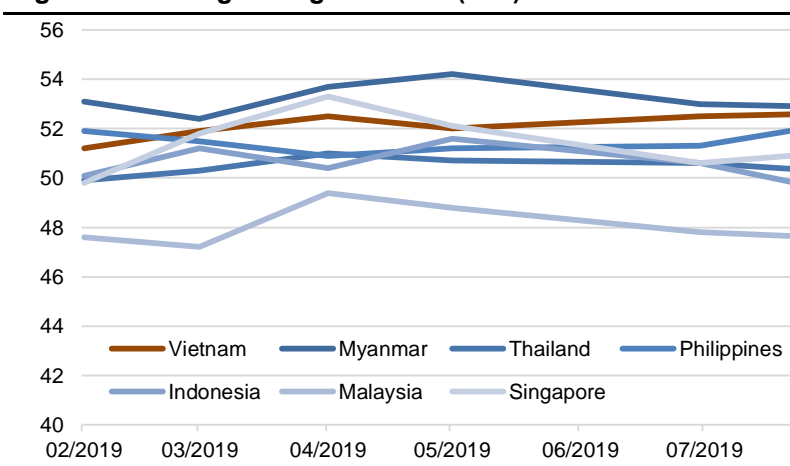
Nevertheless, new export orders slowed down due to the trade war, which made companies to lower selling price despite of rising input cost.

Fig 1. Purchasing Managers' Index (PMI)



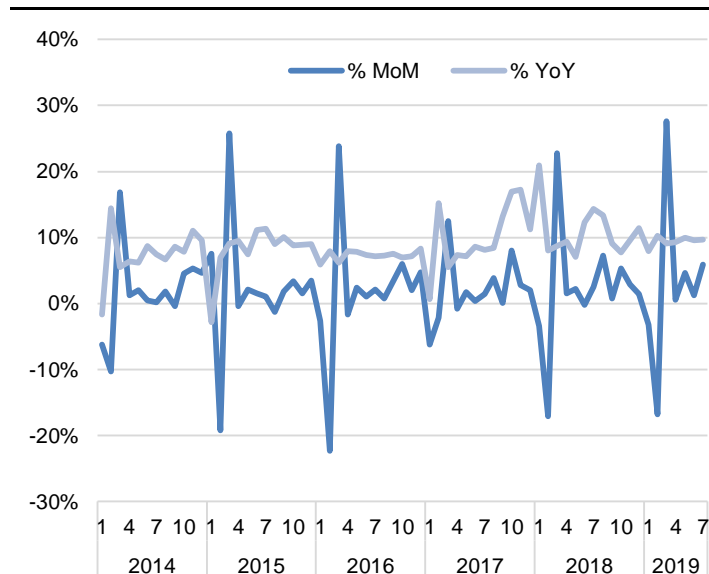
Source: Nikkei, IHS Markit

Fig 2. Purchasing Managers' Index (PMI) in ASEAN

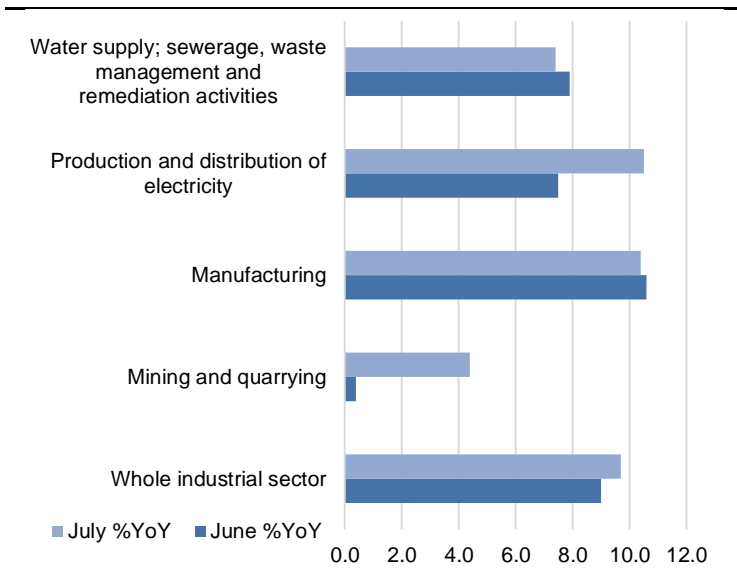


Source: Nikkei, IHS Markit

In addition, Industrial Production Index IIP also indicated expansion thanks to Mining and quarrying (+4.4% YoY), Manufacturing (+10.4% YoY), Production and distribution of electricity (+10.5% YoY), and Water supply, sewerage, waste management and remediation activities (+7.4% YoY). In which the Manufacturing sector remained the high growth thanks to the operation of Nghi Son Refinery and the expansion of Formosa Ha Tinh Steel Corporation.

Fig 3. Industrial Production Index (IIP)


Source: GSO

Fig 4. IIP by sector in 2Q2019


Source: GSO

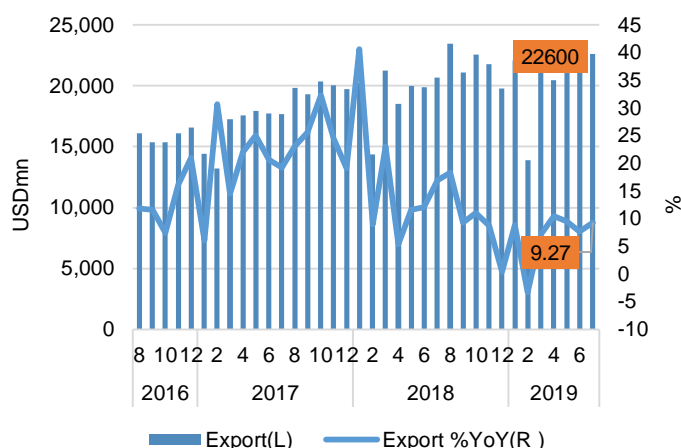
PREDICTION:

Although the slowdown of the global growth, the positive outlook of Vietnam Industry is still intact in the remaining months of the year thanks to the high business confidence of manufacturers.

Trade activities to face tougher upcoming months

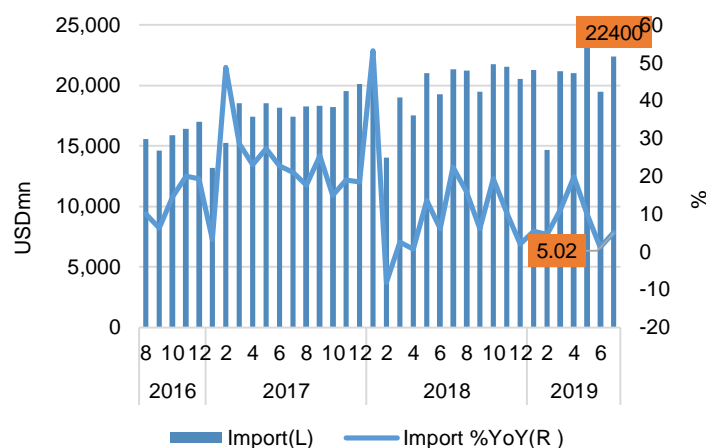
According to GSO, the total trade value increased by 7.11% YoY to reach USD45bn in July 2019. In which, the value of export raised 9.27% YoY to USD22.6bn while the import value increased 5.02% YoY to achieve USD22.4bn, resulting in a small surplus of USD200mn in the trade balance.

Fig 5. Vietnam export



Source: KIS, GSO

Fig 6. Vietnam import

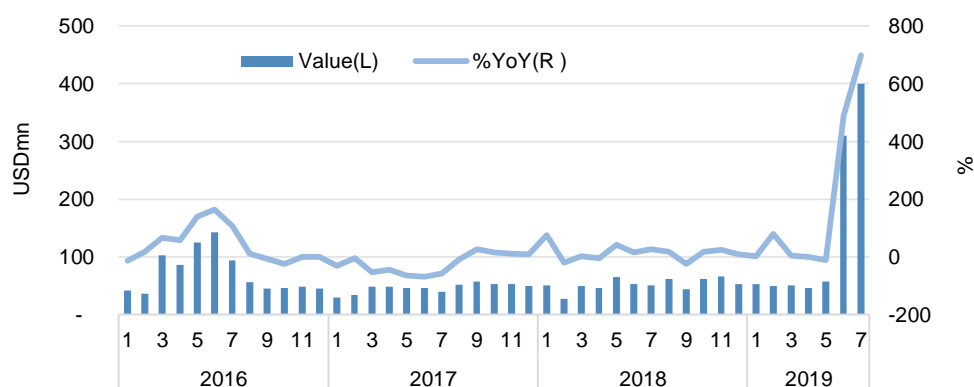


Source: KIS, GSO

By export entity, FDI sector maintained its significant portion in trade structure in July 2019. Specifically, export value from FDI sector reached USD15.6bn, accounting for 69.1% of total export value while the import value from this group achieved USD13.1bn, accounting for 58.5% of total import.

By export product, telephones, mobile phones and parts group, the largest export contributor, suffered a decline. The value of the top five group accounted for 59.07% of total export value and contributed 5.49% to export growth in this period. On the contrary, the surge of precious stone, precious metal and articles group contributed significantly to the overall growth along with traditional sectors such as textiles and garments group, computers, electrical products, spare-parts and components group and footwear group. Specifically, the precious stone, precious metal and articles group surged by 697.48% YoY to reach USD400bn, contributing 1.69% to the total export growth.

Fig 7. Export value of precious stone, precious metal and articles thereof



Source: KIS, GSO

On the import side, computers, electrical products, spare-parts and components group and machine equipments, tools and instruments group were still leading sectors in July 2019 with USD4.3bn and USD3.2bn value, accounting for 19.20% and 14.29% of total import value respectively. The former grew by 19.47 %YoY, contributing 3.29% to total import growth while the later increased by 9.6% YoY, adding 1.31% to the overall growth. The strong improvement of these two groups compensated for the sudden decline of 51.85% YoY of other base metal sector to keep the growth of the total import.

PREDICTION:

Generally, global rising trade tariff will make a negatively effect on trade activitives in the coming months:

- The increase of U.S. tariff on computers, electrical products and parts as well as telephones, mobile phones and parts from China will lower the demand and hence slow Vietnam total trade value down.
- However, textiles and garment may benefit from the same U.S. tariff on Chinese good and is expected to compensate partly for the above two export groups.

Fig 8. Vietnam export by products (% YoY)

| Telephones, mobile phones and parts thereof | Computers, electrical products, spare-parts and components thereof | Machine, equipment, tools and instruments | | Other products | |
|---|--|---|--------|----------------|---------|
| | | 11.25 | | 8.28 | |
| -1.90 | 18.97 | Wood and wooden products | 697.48 | 15.33 | -9.10 |
| | | 15.44 | 23.01 | -29.... | -18.... |
| | | Fishery products | 4.81 | -14.66 | 12.... |
| | | Foot-wears | -3.30 | -0.... | 1.... |
| Textiles and garments | 15.94 | Other means of transport... | 4.64 | 7.81 | 1.... |
| | | | 18.... | 18.... | 4.... |
| | | | | | |
| | | | | | |

Source: KIS, GSO

Fig 9. Vietnam import by products (% YoY)

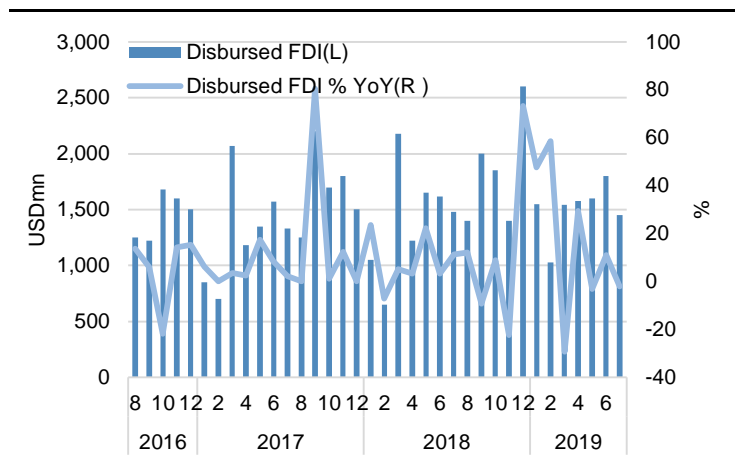
| Computers, electrical products, spare-parts and components thereof | Telephon... mobile phones and parts thereof | Iron and steel | | Plastics | | Textile, leather... | |
|--|---|---|--------|----------|--------|---------------------|--------|
| | | -3.94 | | 4.02 | | 19.21 | |
| 19.47 | 4.44 | Other base metals | -11.07 | -23.10 | 14.73 | 117.... | 29.... |
| | | Plastic products | 9.05 | -6.89 | 91.... | 16.... | -1.... |
| | | Machine, equipment, tools and instruments | 4.44 | -24.... | 13.... | -... | 1.... |
| | | Other products | 11.61 | -7.31 | -7.... | 2.... | 3.... |
| 9.60 | 11.61 | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Source: KIS, GSO

Vietnam FDI inflow contracts

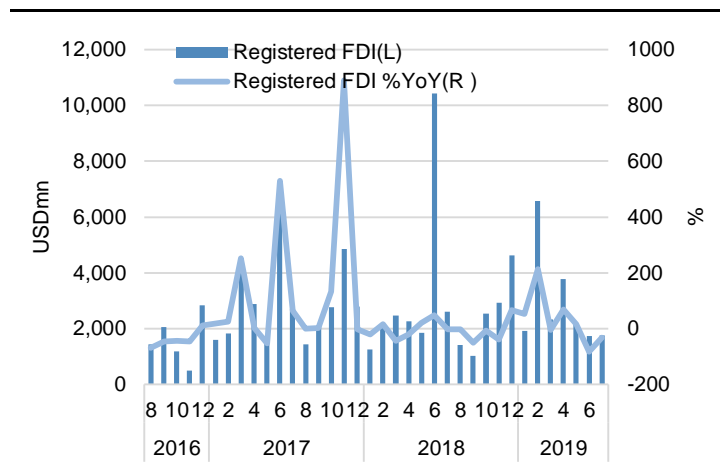
In July 2019, the registered inflow of foreign direct investment (FDI) to Vietnam was USD1.75bn, declining 32.9% YoY, while disbursed FDI was USD1.06bn, decreasing 2.02% YoY.

Fig 10. Disbursed FDI



Source: KIS, FIA

Fig 11. Registered FDI



Source: KIS, Bloomberg, FIA

By investment sector, in the first seven months of 2019, foreign investors invested into 19 sectors and focused on processing and manufacturing sectors with a total capital of USD14.46bn, accounting for 71.5% of total registered capital. Real estate stood the second position with a registered capital of USD1.47bn, accounting for 7.3% of the total registered capital. The third place was the wholesale and retail sector with a registered capital of USD1.1bn, accounting for 5.4%.

By investor, 99 countries and territories were investing in Vietnam. Hong Kong was the largest investor with a total investment of USD5.44bn, accounting for 26.9% of the total investment capital. South Korea ranked the second with a total investment of USD3.13bn, accounting for 15.5% of the total investment capital in Vietnam. China stood the third position with total registered investment capital of USD2.48bn, accounting for 12.3% of total investment capital. Singapore and Japan were in the fourth and fifth largest investors, respectively, with a total registered capital of USD2.3bn and USD2.25bn.

PREDICTION:

Warning signals from the U.S. Treasury Department about trade and foreign exchange policies aiming at Vietnam made foreign investors hesitate to disburse in the past few months. However, generally speaking, the U.S. tariff hike on imported goods from China is predicted to cause an increase of FDI inflows into Vietnam as what happened in 2Q2018.

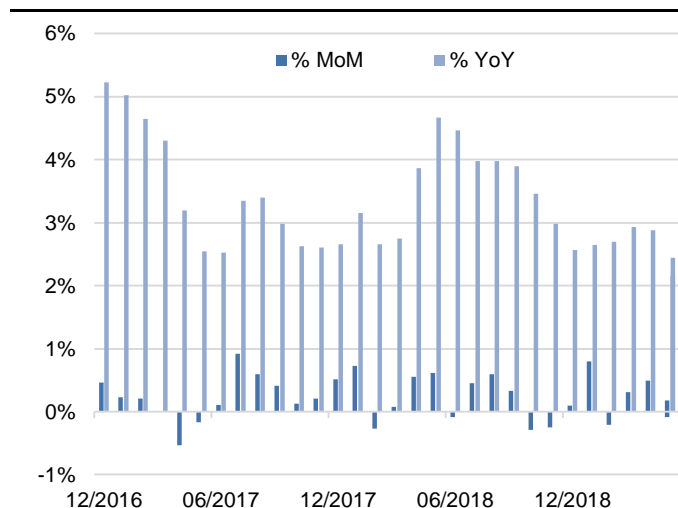
Consumer Price Index is under control

In July 2019, Consumer Price Index rose slightly 0.18% MoM and 2.44% YoY. In which, Education increased +6.48% YoY, Medicine and health care (+5.93% YoY), Housing and construction (+2.92%YoY), and Food and foodstuff (+2.34%YoY), which are explained by:

- Decree No. 86/2015/ND-CP increased the services of domestic education.
- Circular No. 37/2018/TT-BYT led the Medicine and health sharply to increase in Dec 2018.
- Housing and construction cost is badly affected by the decision of the ministry of industry and trade to raise the average electricity retail prices by +8.36% on 20 Mar 2019.

Year to date, average CPI increased 2.61% YoY, a low level since 2017.

Fig 12. Inflation



Source: GSO

Fig 13. Inflation by sector in 2Q2019

| Consumer price index | % Weight | % YoY |
|-------------------------------------|----------|--------|
| Food and foodstuff | 36.12% | 2.34% |
| Beverage and cigarette | 3.59% | 2.20% |
| Garment, Footwear, hat | 6.37% | 1.86% |
| Housing and construction materials | 15.73% | 2.92% |
| Household appliances and goods | 7.31% | 1.42% |
| Medicine and health care | 5.04% | 5.93% |
| Traffic | 9.37% | -0.04% |
| Postal services & Telecommunication | 2.89% | -0.64% |
| Education | 5.99% | 6.48% |
| Culture. entertainment and tourism | 4.29% | 1.92% |
| Other goods and services | 3.30% | 2.93% |

Source: GSO

PREDICTION:

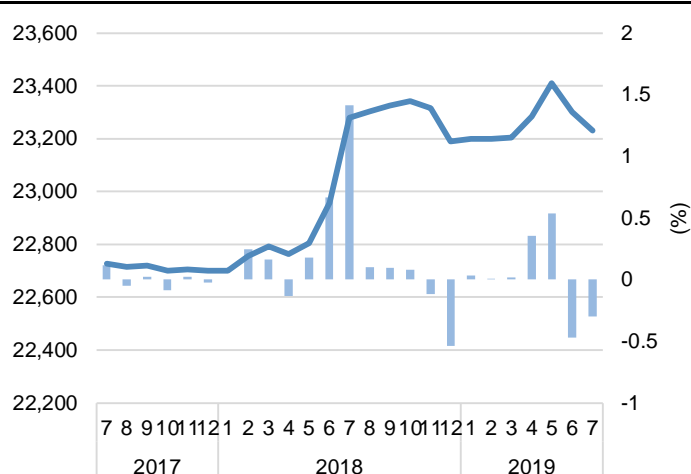
We expect the disinflation will continue in Aug because:

- After African Swine Fever (ASF), pork price has recovered but still modestly due to declining demand.
- Due to seasonality, Education will significantly impact on CPI in September than in August.
- The basic salary of cadres, civil servants, officials and armed forces was risen since 01 July 2019, which will not put immediate upward pressure on CPI in August.

Vietnam dong appreciates

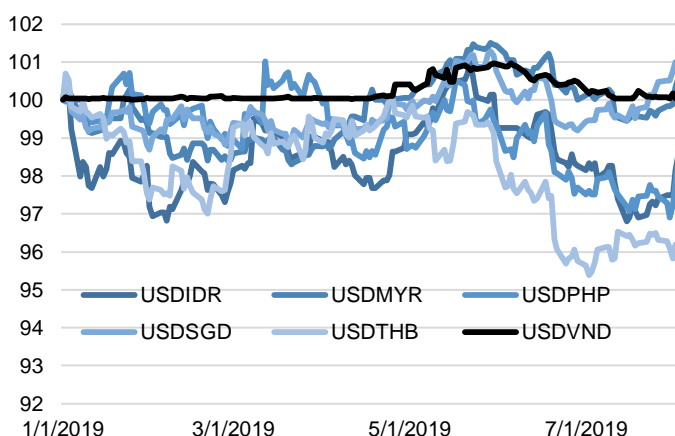
At 31 July 2019, USDVND is traded at 23,230 (23,230 Vietnam dong for 1 U.S. dollar), declining 0.3%MoM due to the global weakness of the greenback.

Fig 14. Vietnam exchange rate - USDVND



Source: KIS, Bloomberg

Fig 15. Movements of some major currencies in southeast Asia in 2019



In July 2019, major currencies in the Southeast Asia region were diverging. There were three currencies in ASEAN-5 group appreciating against the U.S. dollar in this period, including Indonesia rupiah (USDIDR -0.8%), Malaysia ringgit (USDMYR -0.12%) and Philippines peso (USDPHP -0.47%). Meanwhile, Singapore dollar (USDSGD +1.58%) and Thailand bath (USDTHB +0.07%) depreciated against the counterpart.

Seven months through July, compared with the U.S. dollar, Vietnam dong (USDVND 0.11%); Malaysia ringgit (USDMYR +0.61%) and Singapore dollar (USDSGD +0.98%) moved in the opposite direction with Indonesia rupiah (USDIDR -1.39%); Philippines peso (-1.50%) and Thailand bath (USDTHB -4.18%).

PREDICTION:

In spite of threats from being labeled as currency manipulator by the U.S., the cumulative trade surplus of USD1.98bn and the high value of foreign exchange reserve are assumed to support the stability of Vietnam dong.

Macro scorecard

| | Feb 19 | Mar 19 | Apr 19 | May 19 | Jun 19 | July 19 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 2016 | 2017 | 2018 | 2019P |
|--------------------------|--------|--------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|-------|
| Real GDP growth (%) | | | | | | | 6.82 | 7.3 | 6.71 | 6.71 | 6.21 | 6.81 | 7.08 | 6.8 |
| Registered FDI (USDbn) | 6.56 | 2.33 | 3.79 | 2.15 | 1.73 | 1.75 | 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) | 14.60 | 22.40 | 19.90 | 21.90 | 21.60 | 22.60 | 65.28 | 64.02 | 58.86 | 42.26 | 176.6 | 215.1 | 243.5 | 280.8 |
| Import (USDbn) | 15.50 | 21.80 | 20.60 | 22.80 | 21.20 | 22.40 | 62.32 | 63.55 | 57.45 | 44.11 | 175.0 | 213.2 | 236.7 | 268.3 |
| Export growth (%) | 1.90 | 5.99 | 8.35 | 9.79 | 8.84 | 9.27 | 14.91 | 6.53 | 5.93 | -27.91 | 8.99 | 21.82 | 13.19 | 15.33 |
| Import growth (%) | 10.45 | 15.49 | 19.74 | 9.80 | 11.31 | 5.02 | 15.16 | 9.71 | 8.66 | -23.90 | 5.55 | 21.85 | 11.01 | 13.36 |
| Inflation (%YoY) | 2.64 | 2.70 | 2.93 | 2.88 | 2.16 | 2.44 | 4.14 | 3.44 | 2.63 | 2.65 | 2.66 | 3.53 | 3.54 | 4.00 |
| USDVND | 23,199 | 23,189 | 23,280 | 23,415 | 23,301 | 23,230 | 23,315 | 23,175 | 23,189 | 23,301 | 22,761 | 22,698 | 23,175 | |
| Credit growth (%) | | | | | | | | | | | 18.25 | 18.24 | 13.89 | 14 |
| 10yr government bond (%) | 4.70 | 4.78 | 4.73 | 4.70 | 4.66 | 4.40 | 4.96 | 5.07 | 4.78 | 4.66 | 6.23 | 5.14 | 5.07 | |

Source: GSO, Bloomberg, FIA, IMF

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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.

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