

Global Markets Research

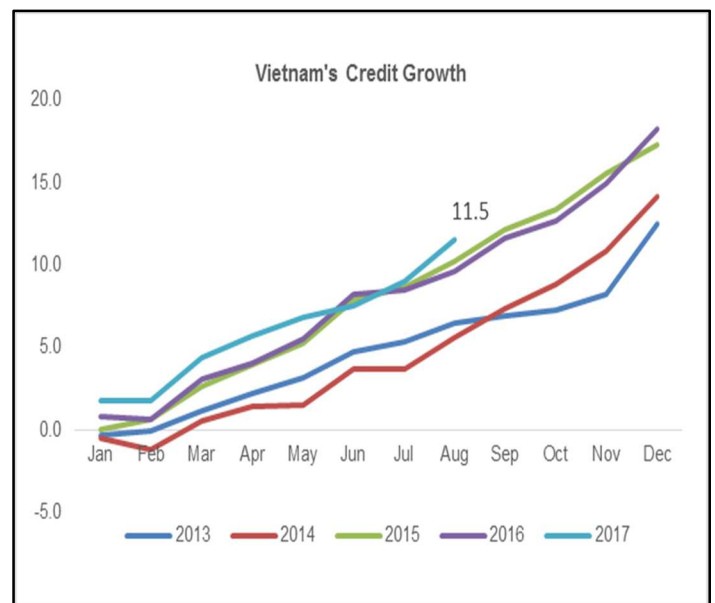
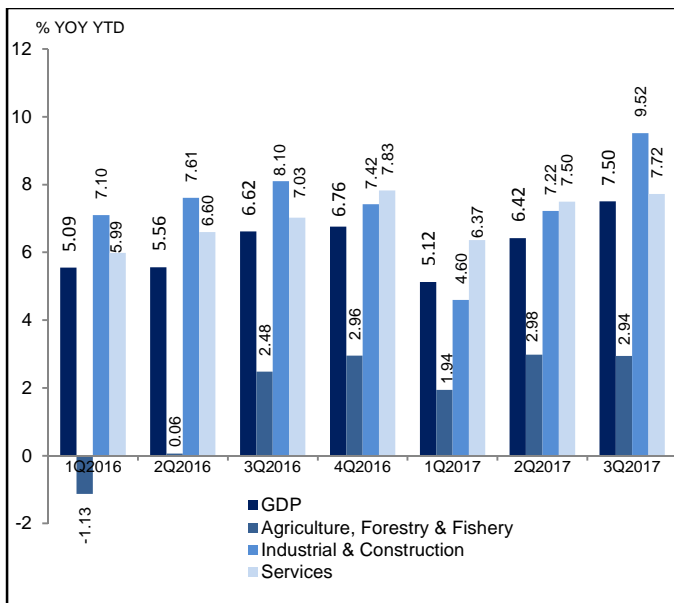
Economics: Vietnam

Vietnamese Economy At A Glance: Growth momentum remains firm going into 4Q

To recap, the Vietnamese economy picked up steam for the 2nd straight quarter, expanding 7.50% YOY in 3Q (2Q: +6.42%), thanks to faster growth in industrial & construction (+9.52% vs +7.22%), as well as services (+7.72% vs +7.50%). Growth accelerated to 6.47% YOY in the first three quarters of 2017, lowering the hurdles for full year growth to achieve the government's full year growth target of 6.70%. Continuous recovery in global growth, robust foreign investment flow and resilient domestic demand underpinned by the 25bps rate cut on 10-July to spur growth, shall continue to spearhead growth in 4Q, bringing full year growth closer to the targeted 6.7%.

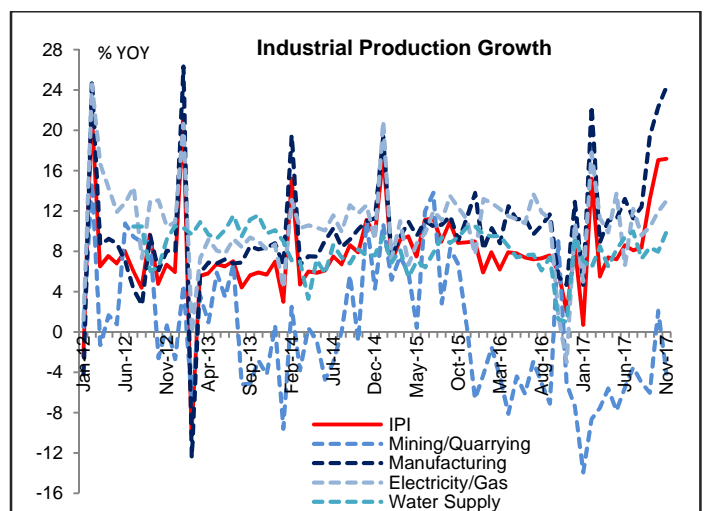
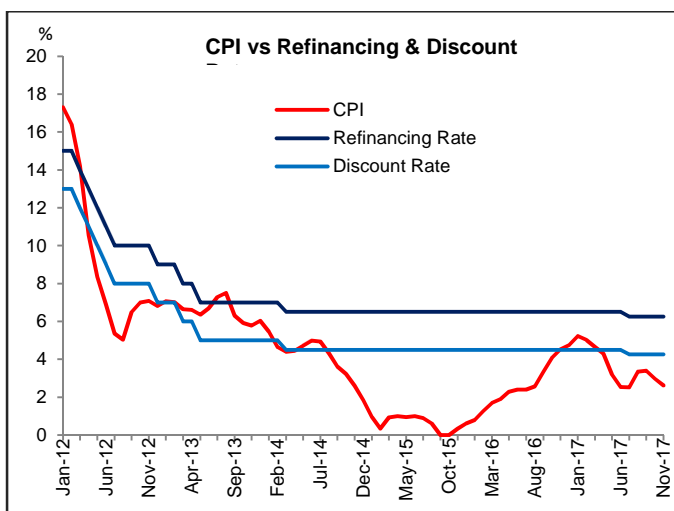
Credit growth continued to gain traction for the 6th straight month, to 11.5% YOY in August, outpacing growth pace seen for the same time period of previous years. Despite the pick-up, there is still a lot of catch-up to do in order to achieve the government's credit growth target of 21% this year.

* growth from December the preceding year

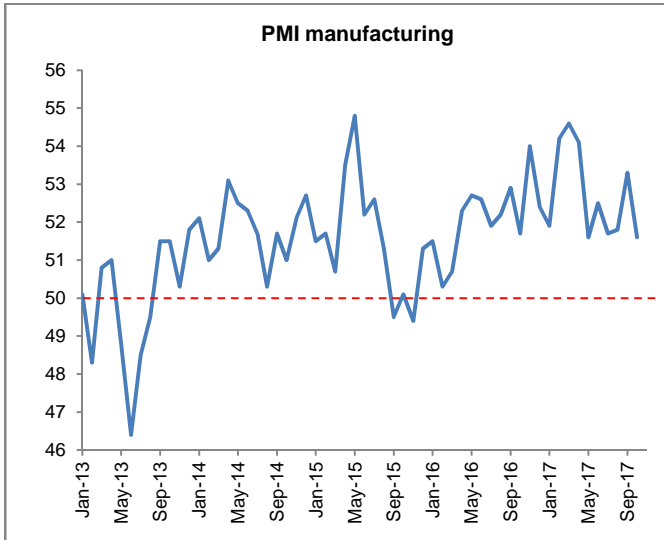


Consumer inflation moderated for a 2nd consecutive month, to 2.62% YOY in November (Oct: +2.98%). This was a result of bigger decline in food prices (-1.60% vs -1.23%) and smaller increases in the prices of housing/ construction materials (+4.63% vs +5.18%) and transport (+4.23% vs +5.21%). Against a still subdued global inflationary environment, Vietnamese CPI will likely fall short of the government's target of 4.00% for the full year. YTD, CPI average 3.62%.

Industrial output growth continued to garnered steam, growing 17.2% YOY in November (Oct: +17.0%), its fastest since Jan-2015. All subsectors recorded quicker expansion except mining & quarrying which resumed a decline of 4.1%, proving last month's rebound, its first in a year, as just a blip. Output of manufacturing, electricity/ gas, water supply all rose at a faster pace of 24.3% YOY (Oct: +22.3%), 13.0% (Oct: 12.0%), and 10.0% (Oct: +8.0%) respectively, riding on improving global demand.

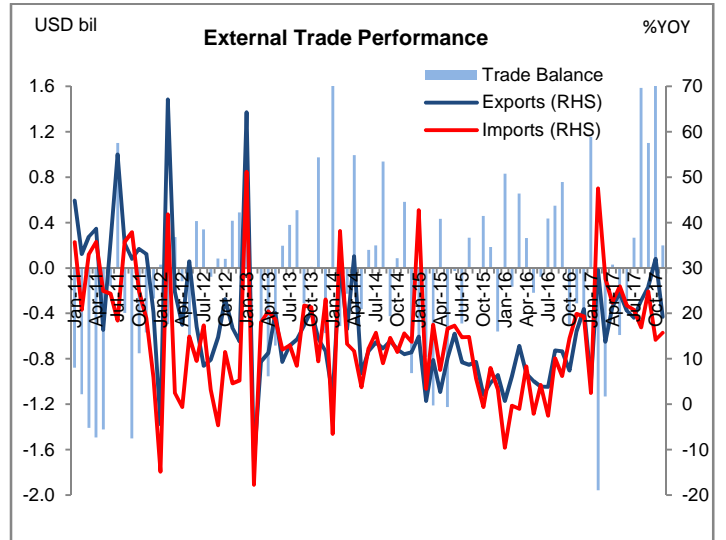


The Purchasing Manager's Index pulled back from a 5-month high of 53.3 in September to 51.6 in October, in tandem with slower growth momentum seen in global manufacturing which offered telltale signs of slightly softer growth in 4Q.

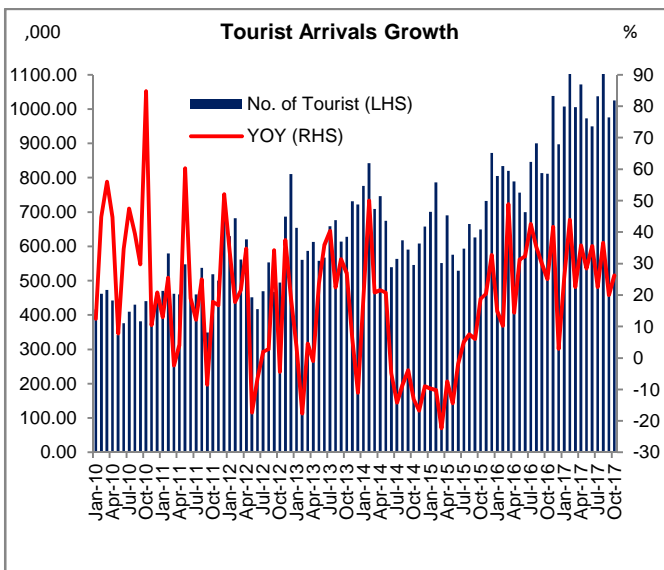


Exports continued to grow at double-digit pace for the 10th straight month, albeit at more moderate pace of 19.2% YOY in November (Oct: +32.0%) , thanks to continuous demand as the global economy continues to recover favourably. Imports grew at a quicker pace of 15.8% YOY in November (Oct, +14.2%) but notably slower than the average of 23% gain in the first nine months of the year. Trade balance remained in surplus for the 5th consecutive month, but marked its smallest surplus in the last five months, at only US\$0.2bn, sharply lower than US\$2.2bn in October as a result of decline in exports (-5.4% MOM) and an increase in imports (+4.9% MOM).

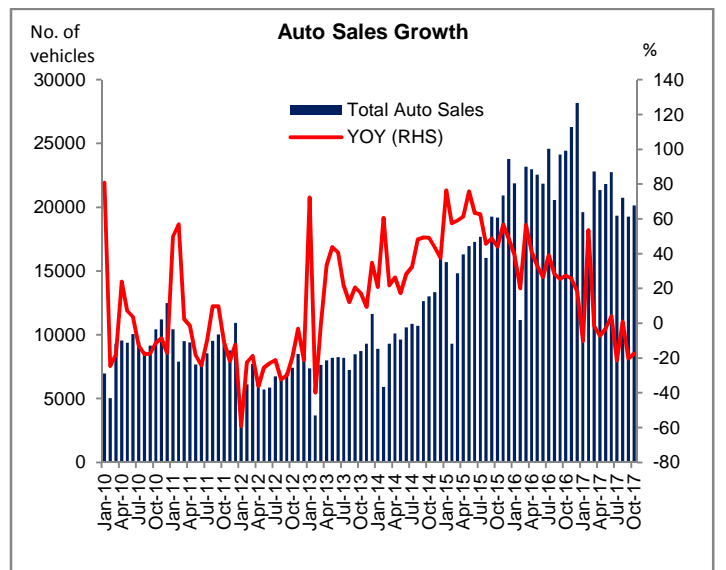
Year-to-date November, exports growth picked up further to 21.2% YOY while imports grew at an equally robust pace of 21.8% YOY. This marked a commendable improvement from the 7.8% and 4.3% YOY increase in exports and imports in the same corresponding period in 2016, thanks again to recovery in the global economy.



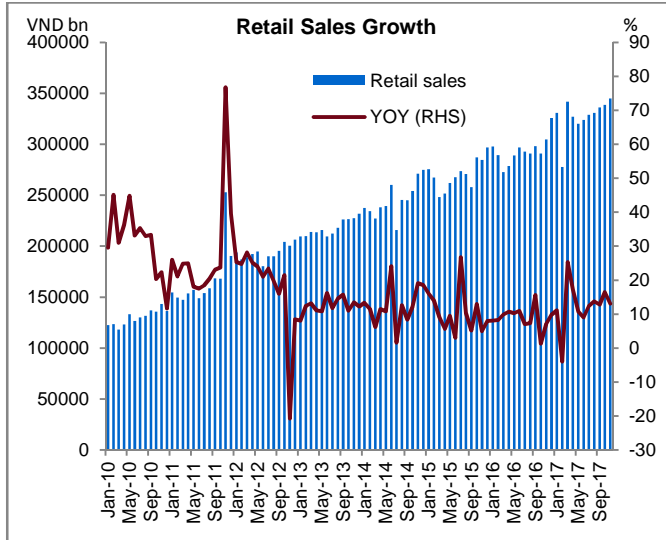
Tourist arrivals continued to register commendable double-digit growth of 26.2% YOY, receiving 1.025m tourists in October (Sept: +20.0% YOY to 976k), adding to signs of buoyancy in Vietnam tourism activities. The increase in arrivals from China and South Korea quickened to 28.6% and 78.9% YOY in October (Sept: +20.4% and +65.1%). Tourists from China, South Korea, and Japan continued to maintain the top three spots, collectively accounted for 58% of total arrivals YTD October.



Auto sales extended its decline for the 2nd straight month, falling 17.5% YOY to 20,156 units in October (Sept: -20.2% YOY), data from the Vietnam Automotive Manufacturers Association showed. MOM, total auto sales continued to whipsaw, rising 4.7% again in October after falling 7.2% a month ago, lifted by higher sales of both passenger and commercial vehicles.

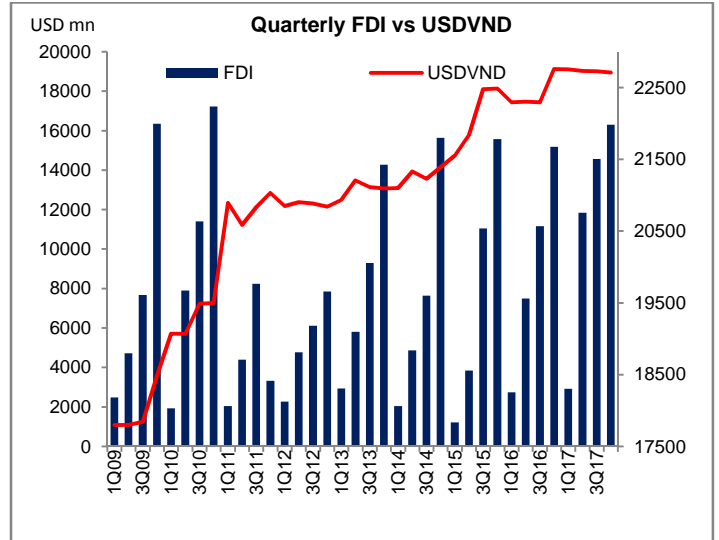


Retail sales growth continued to hover at the 12-16% ranges, increasing 13.1% YOY to VND 344.8bn in November (Oct: +16.5%). Sales were higher by 10.7% YOY YTD, totaling VND 3.6bn in the first eleven months of 2017. Sales from trade, tourism, and services registered higher growth but sales at hotels/ restaurants grew at a slower pace.

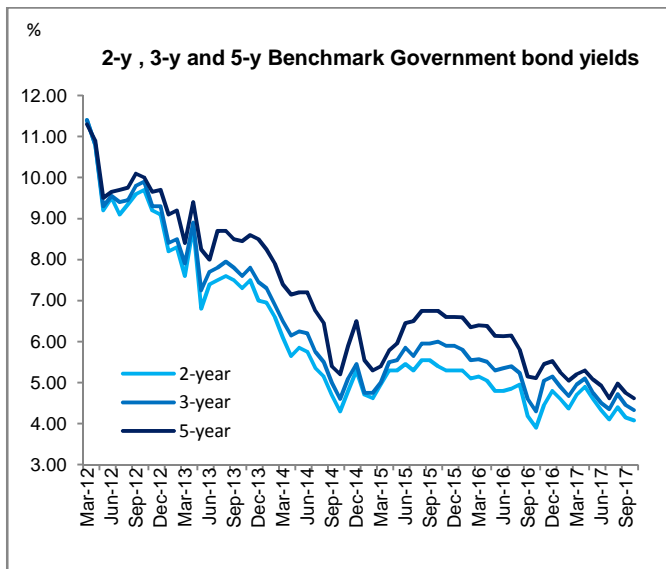


The Vietnamese Dong were little changed MOM against USD at 22711 as at end-October in the absence of fresh catalyst to drive gains in the greenback.

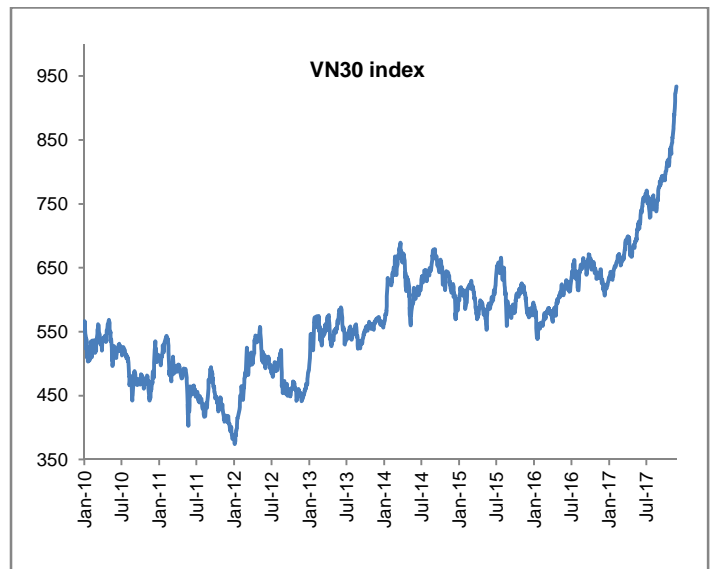
Foreign direct investment (FDI) continued to see a 32.9% YOY increase to USD16.3bn in the first ten months of the year, adding to signs continuous inflows from FDIs will continue to spur growth in the Vietnamese economy in the medium to longer term. Based on available data, the manufacturing sector remained the biggest FDI recipient YTD.



Vietnamese bond yields extended its leg down for the 2nd consecutive month in October, proving the short spikes in August as just a blip. Yields of 2y, 3y and 5y benchmarks further edged down by 7-13bps to 4.08%, 4.33% and 4.62% respectively.



Equity market in Vietnam extended its steady climb this year. The VN30 Index advanced by 48.6% YTD to 933 at time of writing as investors shifted towards riskier emerging market equities amid improving global macroeconomic outlook.



Source: General Statistics Office, Vietnam, State Bank of Vietnam, Markit, and Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Menara Hong Leong

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hbb.hongleong.com.my

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