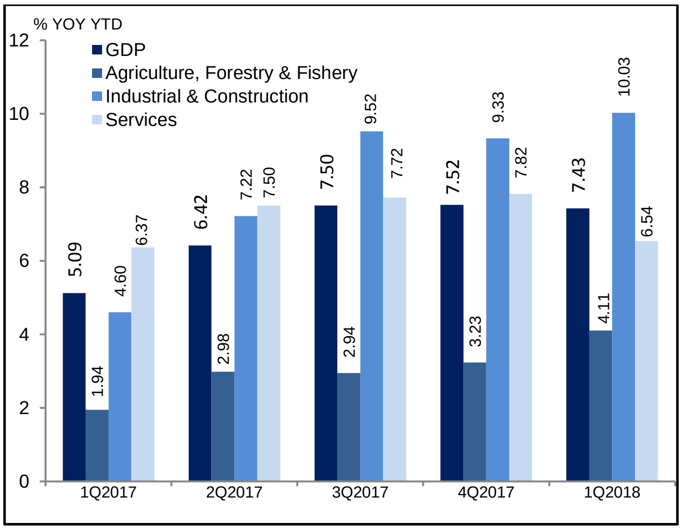
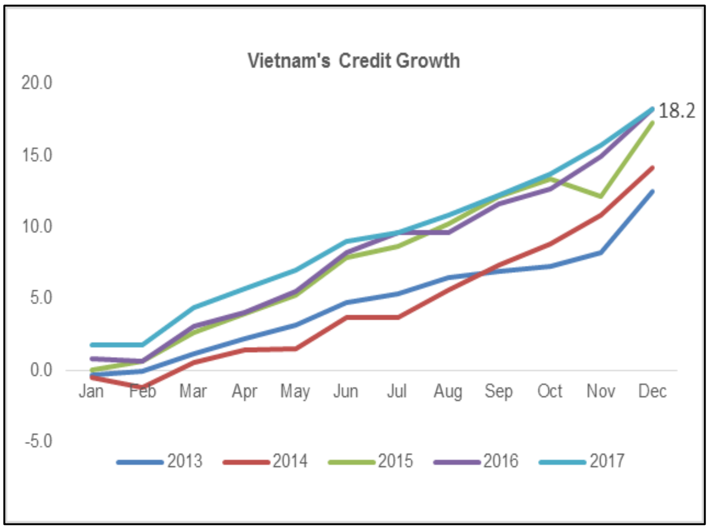
Vietnamese Economy At A Glance:
More moderate but still positive growth outlook

The Vietnamese economy grew at a steady rate of 7.43% YOY in 1Q18 (4Q17: +7.53% YOY), supported by faster growth in agriculture, forestry & fishery (+4.11% vs +3.23%) and industry & construction (+10.03% vs +9.33%). This was however offset by slower increases in services (+6.54% vs +7.82%). Upbeat 1Q GDP suggests the Vietnamese economy is on solid grounds that would likely pave the way for another robust year, achieving or even surpassing the government's growth target of 6.7%.

Momentum in credit growth remained firm, even though it ended the year a tad lower at 18.2% in 2017 (2016: +18.3%), well within the 18-19% target and remained well above recent growth rates of between 12-18%. Credit growth is expected to moderate to 17% this year, a target set by State Bank of Vietnam, supported by anticipated sustained 6.7% expansion in the Vietnamese economy (2017: +6.8%).

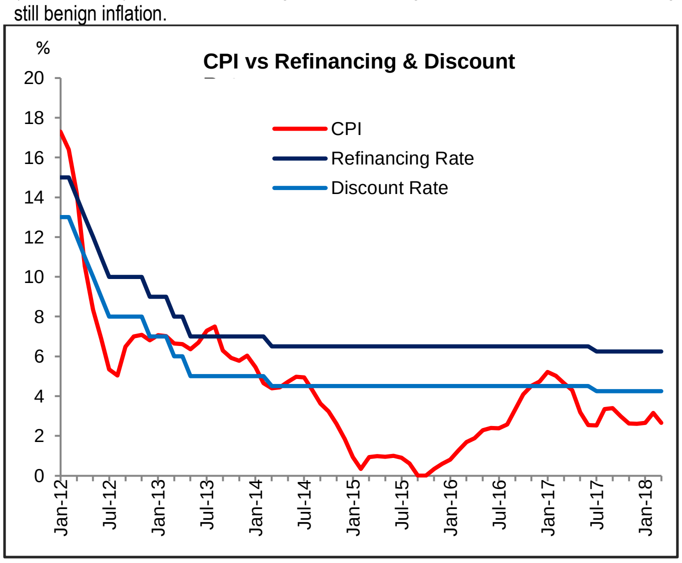
* growth from December the preceding year

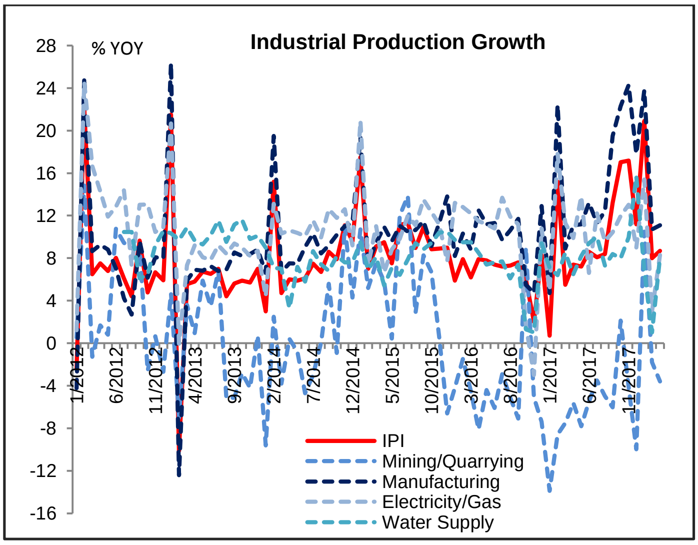




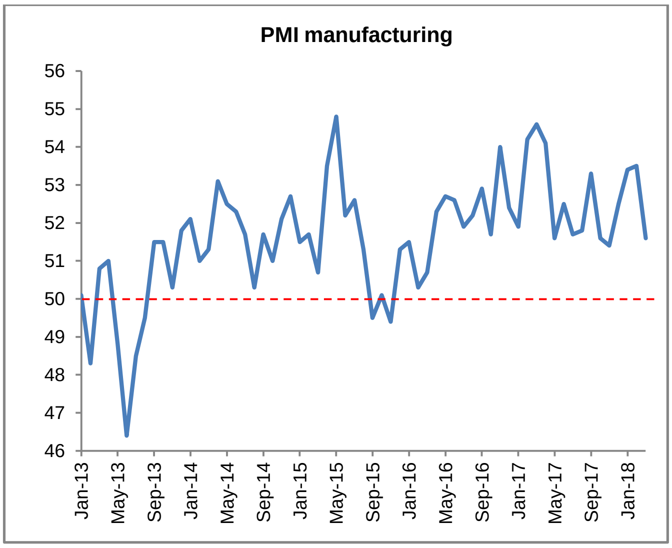
Consumer inflation tapered off for the first time in three months, to 2.66% YOY in March (Feb: +3.15%). The easier inflation was a result slower increases across a broad spectrum of products and services, except for food (+4.54% vs +4.33%). Key components of housing and transport reported softer increases of 2.96% and 2.97% respectively (Feb: +3.76% and +4.17%). CPI averaged slightly higher at 2.82% in 1Q18 (4Q17: 2.73%), but still below the government's target of 3.0-3.5% in 2018, reflecting still benign inflation.

Industrial output growth bounced back slightly from the 9-month low level of 8.0% YOY in February to increase 8.7% YOY in March. The pick-up was seen in all subsectors save for deeper contraction in mining/ quarrying. Output of manufacturing, electricity/ gas, water supply all rose at a faster pace of 11.1%, 8.3%, and 8.1% YOY respectively in March.



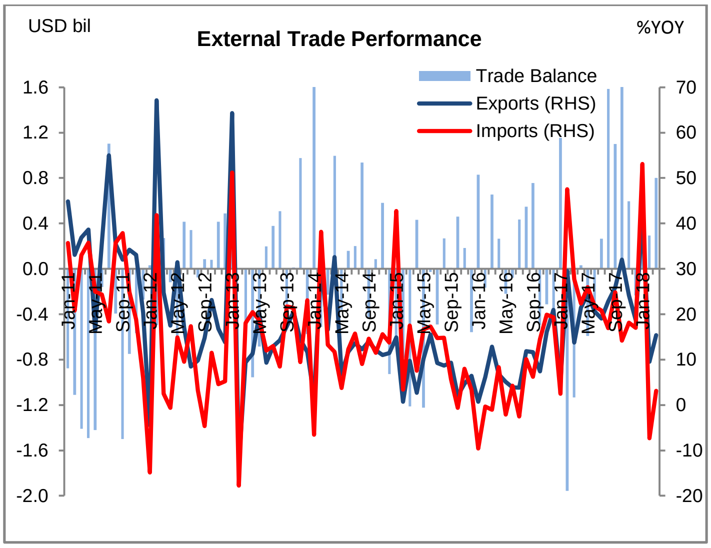


The Purchasing Manager's Index continued to pull back from a 9-month high of 53.4 in January to 51.6 in March (Feb: 53.5), in tandem with slower growth momentum seen in global manufacturing which offered telltale signs of slightly softer growth in 1Q.

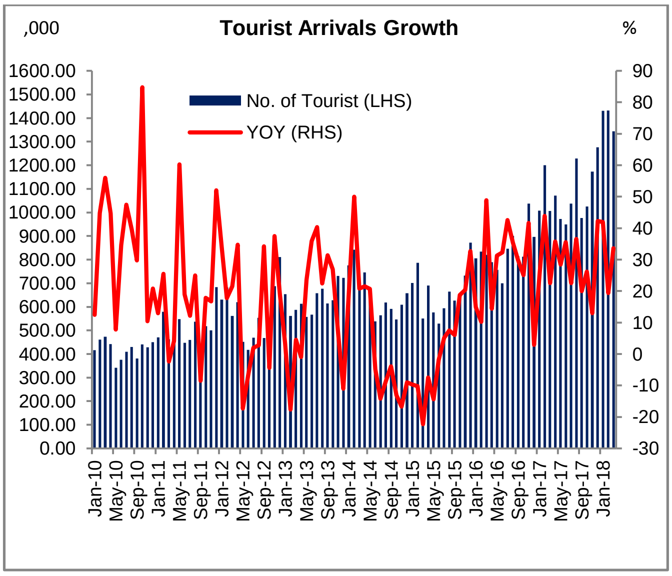


Exports reaccelerated from February slump and grew 15.4% YOY in March (Feb: +9.5% revised) while imports grew at a slower pace of 3.1% YOY during the month (Feb: -7.3% revised).The quicker exports growth was led by textiles, footwear, electronics/ computer, phones, and machinery. Trade surplus widened to US$800m in March (Feb: surplus of US$294m), its highest in five months.

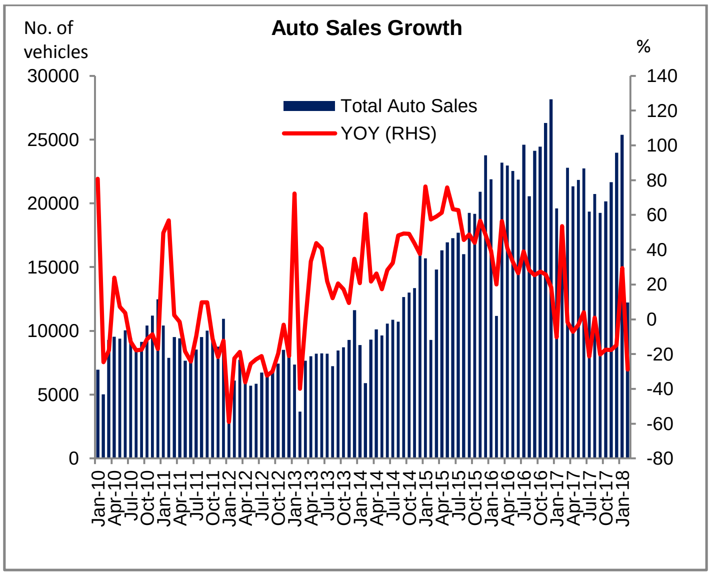
Year-to-date March, exports growth remained commendable at 22.0% YOY while imports growth was comparatively more subdued at 13.6% YOY (YTD Feb-17: +22.9% and +15.3% respectively), signaling softer domestic demand.



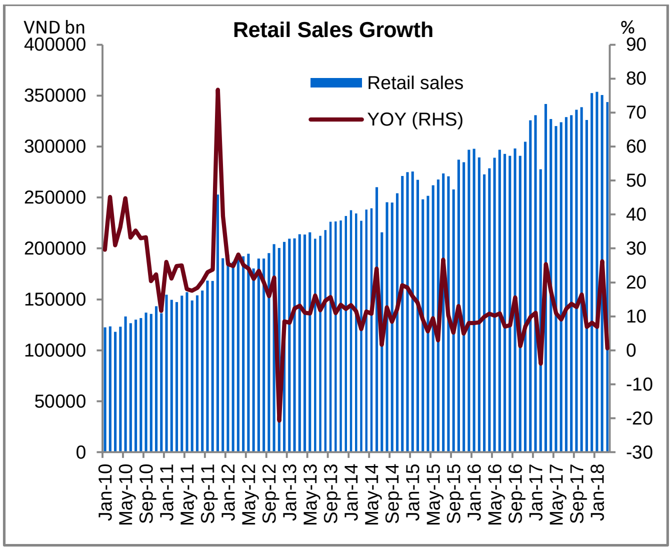
Tourist arrivals continued to see double digit growth of 33.6% YOY, receiving 1.343m tourists in March (Feb: +19.4% YOY to 1.43m), reaffirming booming tourism activities in Vietnam. Tourists arrivals from China jumped 52.3% YOY to 454k in March, while South Korea tourists increased 66.9% YOY to 272k, even though both saw declines MOM, of 6.2% and 10.5% respectively. Tourist arrivals from Japan was the only group among the major countries that saw increase of 16.7% MOM to 77k in March.



Auto sales registered another month of massive decline, falling 28.8% YOY to 12,221 units in February (Jan: +29.4% YOY to 25.381 units), which was a norm for the shorter month of February. MOM, total auto sales plunged for the first time in five months, by a whopping 51.8%, dragged by hefty falls in both passenger cars, and commercial vehicles. We are hopeful that this seasonal abnormality will normalize in the months ahead.

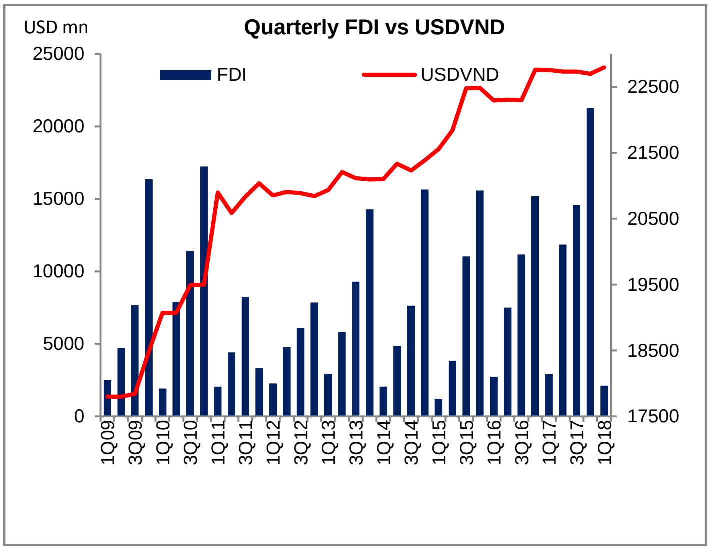


Retail sales growth tapered off to a mere 0.6% YOY in March, marking a sharp pullback from the hefty 26.2% increase in February. YTD Mar-18, retail sales grew at a slightly slower pace of 9.9% YOY (YTD Feb-18: +10.1%), underpinned by continued healthy growth in all the main categories from trade to hotel/ restaurants, services, and tourism.

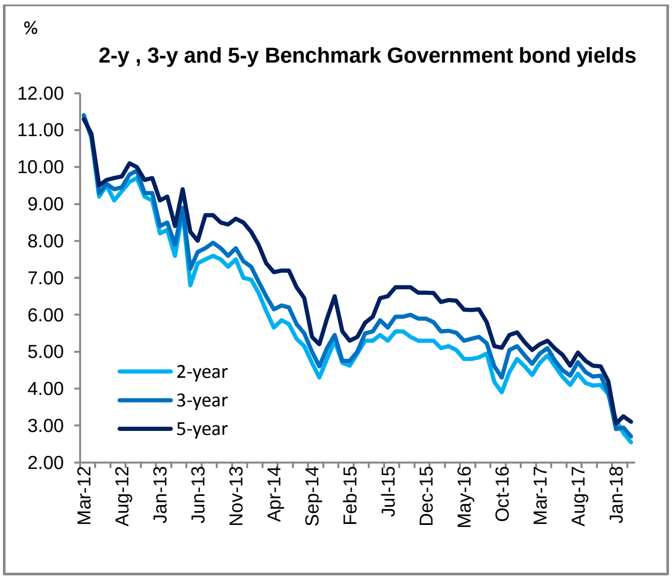


The Vietnamese Dong depreciated further by 0.2% MOM against USD to 22794 as at end-March on the back of sustained USD strength supported by prospects of Fed policy normalization.

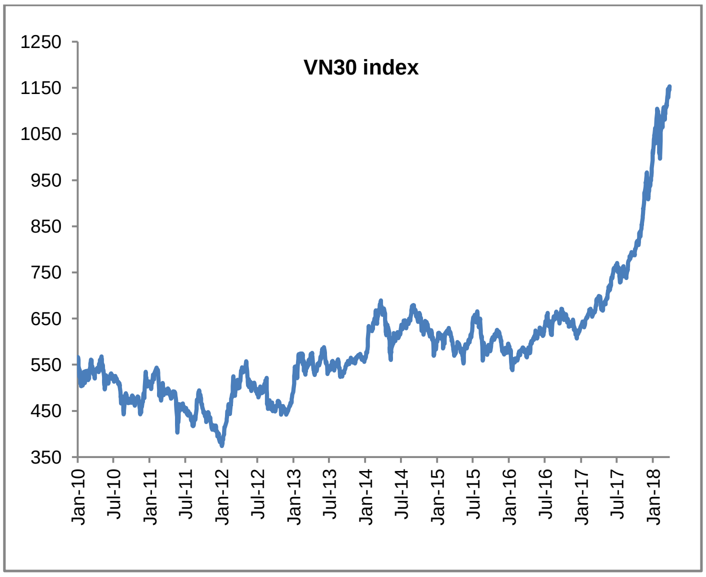
Foreign direct investment (FDI) saw a slow start to the new year, contracting 27.3% YOY to USD2.12bn in 1Q18, a sharp pull back from the 40.1% YOY increase to USD21.3bn for the full year of 2017 and paled in comparison to the 6.5% increase or US$2.92bn in 1Q17. We maintain our view that FDI will pick up in the months ahead, as Vietnam remains one of the favourite investment destinations for foreign investors.



The downtrend in Vietnamese bond yields seemed unabated since September, trending down further in March. Yields of 2y, 3y and 5y benchmarks further edged down by 2-3bps MOM to 2.55%, 2.70%% and 3.10% respectively as at end-March.



Equity market in Vietnam contineud to rally in March. The VN30 Index advanced a commendable 18.2% YTD to 1153.08 as at end-Marcg as investors remained upbeat about riskier emerging market equities amid positive global macroeconomic outlook.



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

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