

**Global Markets Research**
**Economics - Vietnam**

## Vietnam grew 5.10% in 1Q

*After annual growth of 6.25% in 2016, Vietnam's economy grew at a three year low pace of 5.10% YOY in the first quarter of 2017. In the first quarter, services and manufacturing sectors were picking up speed from the same time last year, but was offset by slower growth in the construction sector. Exports and imports growth decelerated in March after seasonal distortion in February but retail sales growth staged a surprisingly robust 9.20% YOY growth in 1Q. Samsung's decision to end production of the Note 7 smartphone and weather related factor has stifled Vietnam's growth since last year but with upside risks such as positive global outlook, robust foreign investment flow and resilient domestic markets, Vietnam is on track to achieve its 6.70% growth target for this year.*

*Vietnam grew 5.10% YOY in 1Q, softening from the 5.46% YOY pace in 1Q16*

Vietnam's economy expanded 5.10% YOY in the first quarter of 2017 which was much slower than the expected 6.25% YOY growth. The economy grew 6.21% in 2016. The services sector grew 6.52% YOY in 1Q but was quicker than the 6.13% YOY the same time last year. Manufacturing sector grew 8.30% YOY in 1Q17 (1Q16: +7.90% YOY). The construction sector expanded 6.10% in the first quarter but was slower than the 9.94% YOY growth in 1Q16. For the full 2016, construction sector expanded 10.00% as foreign investment continued to buoy the property market. FDI was at a record high of \$15.8 billion last year. In addition, agriculture sector grew 2.03% YOY this quarter and we saw a marked improvement from the 1.23% contraction in the first quarter of last year.

*Exports increased 7.80% YOY to USD 16.30 billion in March (February: +29.80% YOY)*

Exports growth decelerated to 7.80% YOY to USD 16.30 billion in March after seasonal factors and low base effect in February tapered away. Exports jumped a whopping 29.90% YOY a month ago. Shipments of machinery equipment & parts (March: +27.30% YOY vs February: +61.90% YOY), footwear (March: +14.40% YOY vs February: +34.40% YOY), electrical and computer parts (March: +40.40% YOY vs February: +64.40% YOY) and steel (March: +29.0% YOY vs February: +112.90% YOY) were notably slower than last month amid seasonal distortion. Adding to deceleration in shipments of those major products, exports of telephones & parts slipped 24.40% YOY in March (February: -3.40% YOY).

*Imports increased 20.10% YOY to USD 17.40 billion in March (February: +47.20% YOY)*

Imports growth moderated to 20.10% YOY to USD 17.40 billion in March (February: +47.20% YOY) as imports of footwear materials turned negative (March: -0.20% YOY vs February: +39.20% YOY). Imports of automobiles contracted 28.00% in March from a year ago followed an 11.50% YOY increase in February. Growth in other categories including fabrics (March: +8.70% YOY vs February: +31.80% YOY), steel (March: +33.50% YOY vs February: +75.50% YOY), machinery tools & parts (March: +21.80% YOY vs February: +59.80% YOY) and electric/ computer supplies (March: +9.60% YOY vs February: +29.70% YOY) were notably softer compared to last month.

Trade deficits narrowed to USD 1.10 billion in March from USD 2.04 billion in February as MOM exports (+24.40%) growth outpaced imports (+14.90%). Exports will remain a growth driver to Vietnam this year as global growth and inflation pick up.

Industrial production growth eased to 5.50% YOY in March (February: +15.20% YOY) no thanks to the 7.50% YOY drop in mining & quarrying sector output. Production in the manufacturing sector climbed 8.90% YOY this month, slowing down from the 22.40% YOY growth in February. Electricity output growth decelerated to 11.30% YOY in March (February: +17.80% YOY).

Retail sales spending rose 9.20% YOY to VND 921 trillion in the first quarter of 2017 after increasing 8.70% YOY in January-February period. Spending in hotel/restaurant (March: +8.90% YOY vs. February: +4.20% YOY) and tourism industries (March: +9.90% YOY vs. February: +5.10% YOY) gathered steam, offsetting softer revenue growth in the services industry (March: +5.90% YOY vs. February: +7.20% YOY).

Meanwhile, consumer prices index (CPI) rose at a softer pace of 4.65% YOY in March, softening from the 5.02% pace in February. This month, cost of transport increased at a quicker pace of 14.57% YOY after a rise of 9.97% YOY in February. Food prices rose 0.11% YOY (February: +0.50% YOY) and healthcare cost increased 35.93% YOY in March (February: +57.21% YOY). Stepping on the accelerator pedal, cost of housing and construction materials climbed 5.30% YOY in March after a 4.77% YOY increase in February.

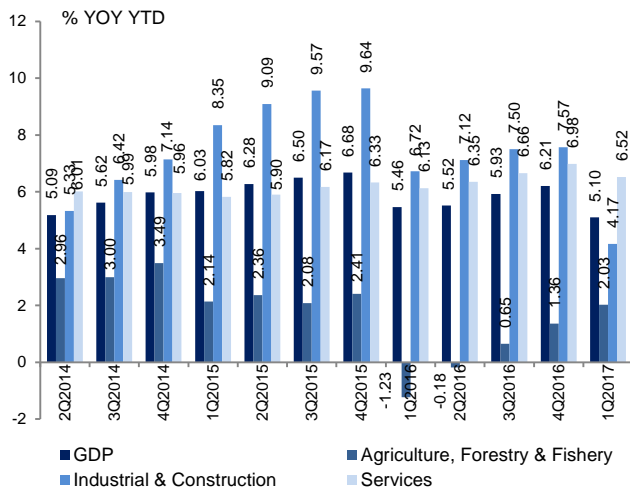
A couple of downside factors have weighed down on the Vietnamese since last year. On top of the list, the recall of 2.5 million Samsung smartphones last year and the company's decision to end production of the Note 7 led to slower growth in the manufacturing sector. In addition, drought and salination problems dampened the pace of recovery in the agriculture sector. On the flipside of the coin, positive global outlook, buoyant foreign investment flow and robust domestic markets will set the path for Vietnam to achieve its 6.70% growth target for this year.

*IPI slowed to 5.50% YOY in March (February: +15.20% YOY)*

*Retail sales rose 9.20% YOY in the first quarter after growing 8.70% YOY in January-February*

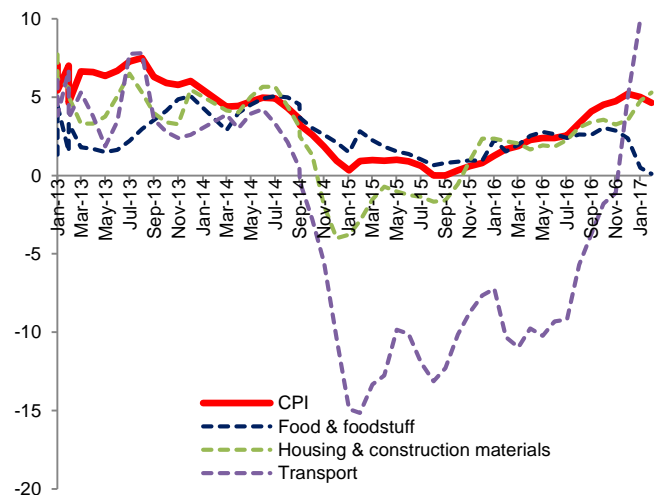
*Inflation rose 4.65% YOY in March (February: +5.02% YOY)*

**Figure 1: GDP Growth (%YOY YTD)**



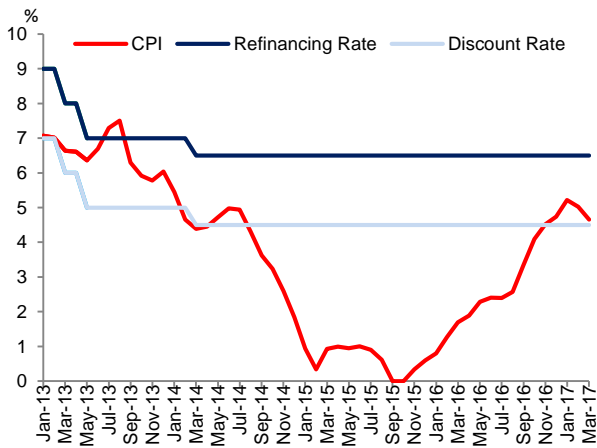
Source: General Statistics Office, Vietnam, and Bloomberg

**Figure 2: CPI by Major Component (% YOY)**



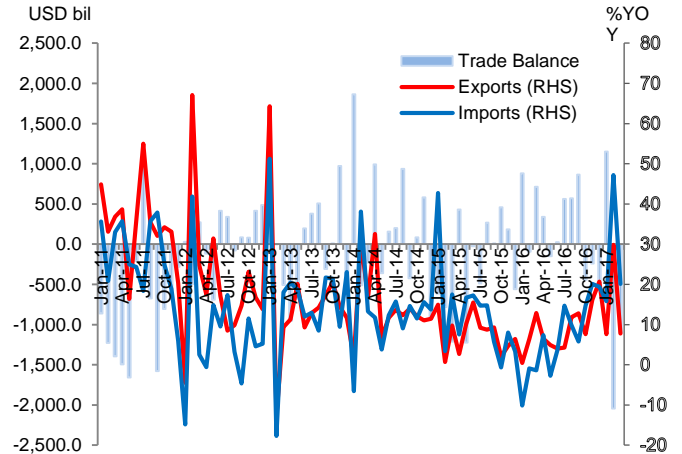
Source: General Statistics Office, Vietnam and Bloomberg

**Figure 3: CPI (%YOY) vs Refinancing & Discount Rates**



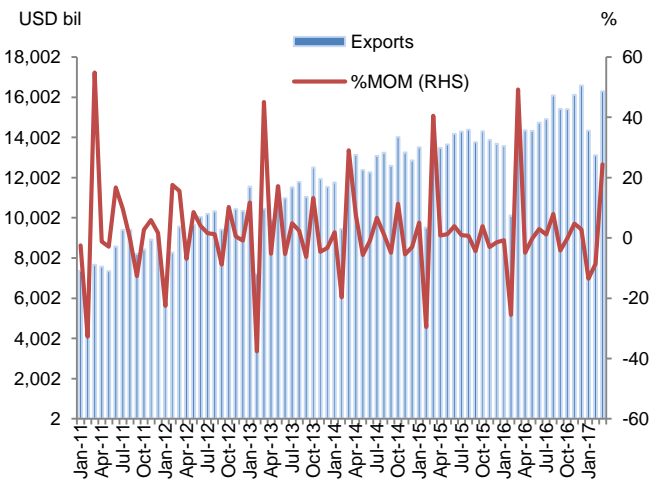
Source: General Statistics Office, Vietnam, and Bloomberg

**Figure 4: External Trade Performance**



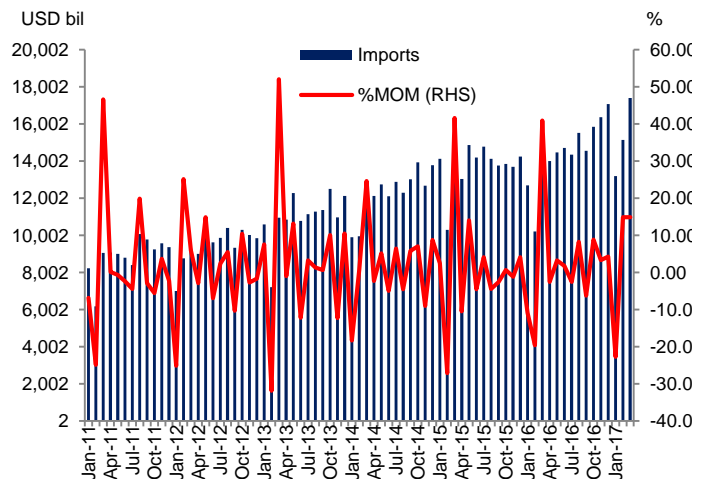
Source: General Statistics Office, Vietnam, and Bloomberg

**Figure 5: Exports Growth by Value**



Source: General Statistics Office, Vietnam, and Bloomberg

**Figure 6: Imports Growth by Value**



Source: General Statistics Office, Vietnam, and Bloomberg

Figure 7: Top 5 Products Exports Growth

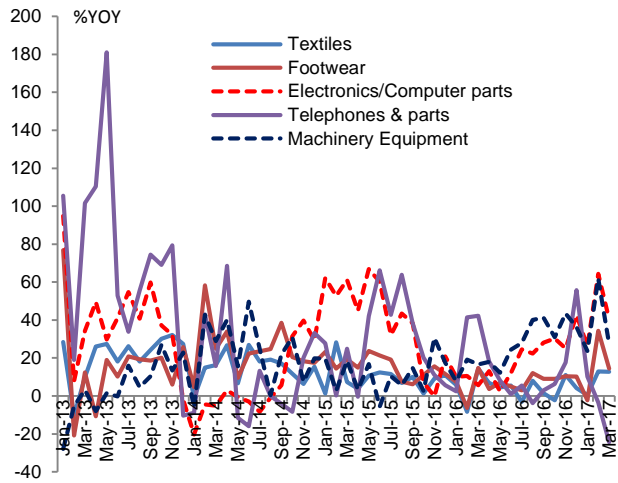
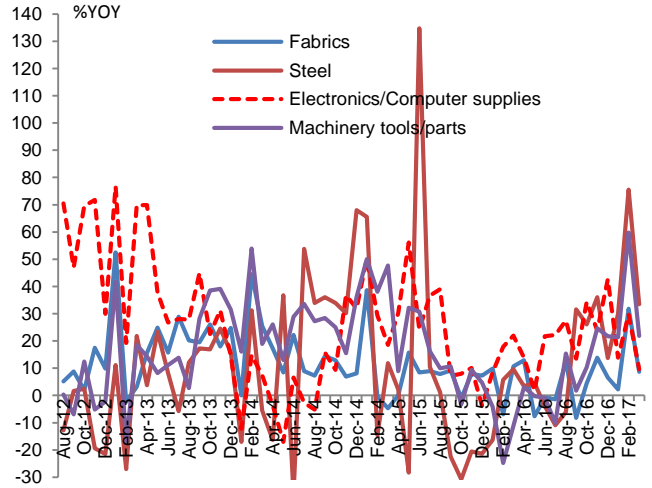


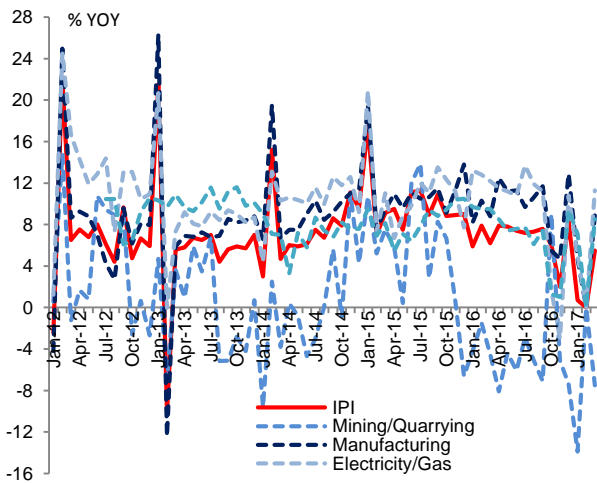
Figure 8: Top 4 Products Imports Growth



Source: General Statistics Office, Vietnam, and Bloomberg

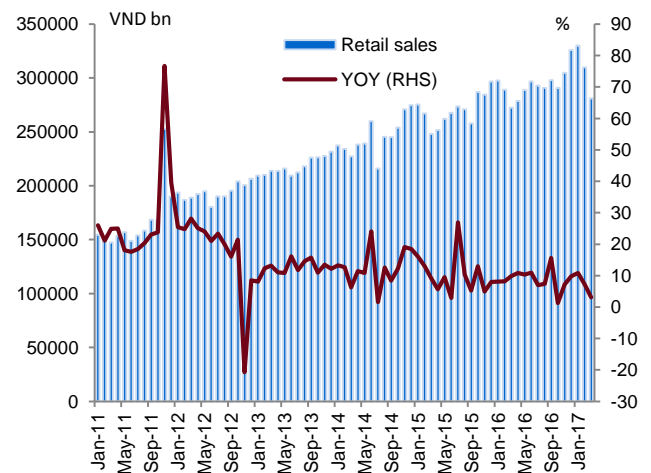
Source: General Statistics Office, Vietnam, and Bloomberg

Figure 9: Industrial Production Growth



Source: General Statistics Office, Vietnam, and Bloomberg

Figure 10: Retail Sales Growth



Source: General Statistics Office, Vietnam, and Bloomberg

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