

## CONCENTRATE RESOURCES TO COMMIT TO THE GROWTH OBJECTIVES

In May 2016, The Vietnamese government announced the 2016 growth target (6.7%) will be maintained without any adjustment. The reasons for this would include the appearance of positive factors towards the end of this year as well as active movements of the government in controlling inflation and supporting economic growth. The policies issued by the State Bank of Vietnam in May have shown supports towards higher credit to manufacturing sector. The Government also signals positive regime changes to improve of business environment. The changes could be observed via plan to issue 49 decrees governing business conditions and investment before July 1st 2016. The forecasted GDP growth in Q2 2016 is in a range from 6.1% (HSBC) to 6.17% (CIEM – Central Institute for Economic Management) and 6.0-6.2% (BIDV). The forecasted GDP growth for 2nd quarter implies the growth rate for first half of 2016 at 5.7%-5.8%. The main catalyst for the GDP growth to resume is the expansion of Manufacturing and Processing sector. The increase of FDI and public investment (VND 77,000 billion has been added to investment budget from Government budget and new issuance of Government Bond) will support economic growth. The current developments have shown the government's commitment towards the approved growth target of 2016 as well as target for period from 2016 to 2020.

## CREDIT GROWTH AND MONEY SUPPLY

As at May 31st 2016, total credit growth of the banking system is 5.48% compared to Dec 31 2015. In comparison to the first 5 months of 2015, the credit growth increased by 17.6%. It should be noticed that the outstanding credit in foreign currencies has decreased 5.96% compared to Dec 31st 2015, which shows the adjustment of SBV in limiting the credit in foreign currency has come into effect. The level of credit growth in May 2016 is the highest in the last 5 years and is consistent with the target for whole year of 2016 (18% - 20%). Beside the credit growth, money supply has increased by 5.88% after 5 months of 2016, significantly higher than the growth of 3.64% in 2015. However, the reason for the increasing in money supply stems from the positive balance of payments in the same period, the fund flows from FDI disbursements (USD 5.8 billion) and trade surplus (USD 1.36 billion), which have contributed to the balance of payment surplus and increased money supply. The growth in credit rate and money supply after 5 months has demonstrated the suitable expansion rate within control to achieve the targeted economic growth. Considering the target of 6.7% annual GDP growth in 2016, the rate by which credit and money supply would increase need to be at minimum of 18% to support growth of Vietnam's economy.

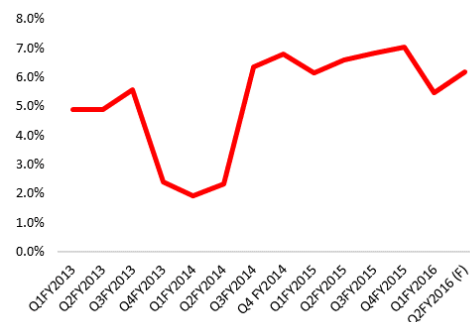
## POSITIVE CONSUMPTION GROWTH

After the first 5 months of 2016, despite the negative effects of draught and other factors, the consumer goods and services retail grow by 9.1% compared to the same period of last year, amounting to VND 1427.1 trillion. The growth after adjustment for inflation is 7.8%, slightly decrease (0.4%) in comparison with last year growth. Revenue from goods retail are accounted for the largest proportion (76.5% total consumption) and achieved 9.5% of growth. Among a range of goods, food is the one with highest increase rate (13.6%), following by clothes and apparels (10.9%). The stable growth of total goods & services retails indicate the demand for consumption is not affected by the negative factors. Besides, the increase rate of real retail and services value (after inflation adjustment) in 2015 and first 5 months of 2016 is better than corresponding figures for period 2011-2014. The growth of consumption demand supports the growth in manufacturing sector. However, the Industrial Production Index only increased by 7.5% compared to the same period last year, and this growth rate was lower than the growth of 9.4% in 2015. The Purchasing Manager Index – PMI in May has reached 52.7 points, increasing from 52.3 points of April, which has shown the improvement in production in 6 consecutive months and signals the manufacturing activities are expanding with new order growing at high rate.

## SBV: THE POLICIES SUPPORT STABLE INTEREST RATE.

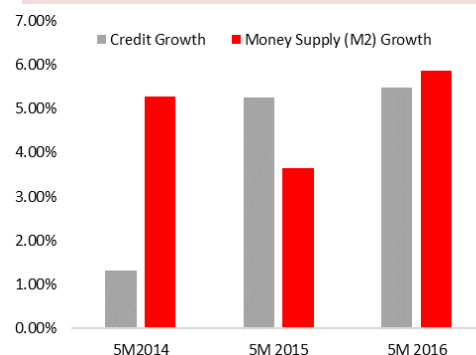
In April 2016, the State Bank of Vietnam sent the signals of stabilizing interest rate on the market. In May 2016, SBV has carried specifically related actions to the point by issuing Circular 06/2016/TT-NHNN and 07/2016/TT-NHNN. These Circulars adjust and set out the development schedule for local banks in terms of the using short term deposits to fund medium and long term loans, the provision on risk on property loan and the lending activities in foreign currency as well as other issues. These adjustments will support local banks in preparing for a higher standard of governance and allow the banks to lend at a higher limit compared to the planned limit which was in the draft of this Circular. In the market, there is almost no change in the average deposit rate of all terms between April and May (increase by 1 basis point) while the average lending rate continues to decrease. Average lending rate of different maturities in the market in May 2016 is 9.27% (decrease 0.1% compared to April). Several banks have decreased the rates for short term deposits as a result of high liquidity in the interbank market which decreased interbank short term rates.

QUARTERLY GDP GROWTH 2013-2016 (% YOY)



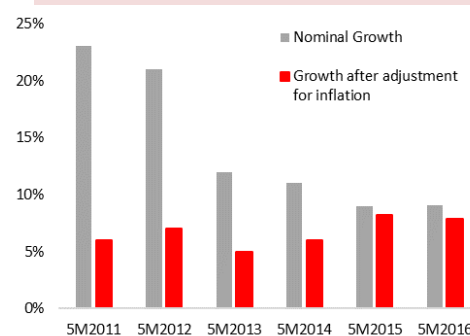
Source: GSO

CREDIT GROWTH AND MONEY SUPPLY GROWTH IN THE FIRST 5 MONTHS 2014-2016 (% compared to December of last year)



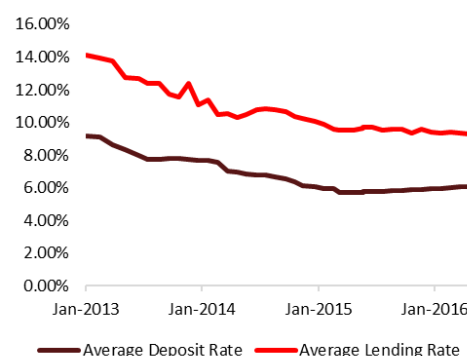
Source: State Bank of Vietnam

TOTAL GOODS & SERVICES RETAIL GROWTH (FIRST 5 MONTHS OF THE YEAR, 2011-2016)



Source: GSO

MONTHLY AVERAGE DEPOSIT AND LENDING RATE (FROM JAN 2013 TO MAY 2016)



Source: HSC, VFM