

THE GOVERNMENT MAINTAIN GDP GROWTH TARGET IN 2016

The announced figure of GDP growth for the first 6 month of 2016 (increased by 5.52% YoY) is not optimistic and also lower than the previous 2 years. However, the government has decided not to adjust the GDP growth target for 2016 (6.7%). The Ministry of Planning and Investment has presented 3 growth scenarios in the last 6 months, which would require a 7.57% growth to meet the target of 6.7% for the whole year of 2016. This growth rate is difficult to achieve under current circumstances that quarterly growth from 2011 until now is only at the 4.1%-6.78% range. In the base case scenario, the 6 month growth rate would need to reach 7.23% and the yearly growth rate is at 6.5%. The persistence of maintaining growth target has shown the determination of the Government in the significant regime changes to create a new growth catalyst for the economy. The observable efforts would include the macroeconomic stabilization, reduce lending cost beside the changes in legal system. In the first 6 months of 2016, the State Bank of Vietnam (SBV) has been buying in USD to increase the foreign currency reserves, inject Vietnamese Dong into the economy with the value equivalent to USD 8 billion, significantly improve the liquidity on interbank market and stabilize deposit rates. In the last 6 months of 2016, the signals had shown that SBV would continue with its policies, which is currently support by a surplus in balance of payments with several factors including foreign investment, balance of trade and foreign remittance.

FOREIGN DIRECT INVESTMENT GROWING STRONG

The most significant foreign currency supply for the accumulation of foreign currency reserves of SBV is the disbursement of FDI projects. In the first 7 months of 2016, total value of disbursements reached USD 8.6 billion, increased by 15.5% YoY. Total value of FDI projects registered in 7 months achieved USD 12.94 billion, an abnormal increase at 46.9% YoY. At the end of the first 7 months of 2016, total value of FDI disbursement and registration is equivalent to 56.9% and 59.3% of 2015's figures. It is expected that the disbursement rate will accelerate quickly in the later months of 2016 when investors are attempting to complete their preparation for the legalization of the Trans-pacific Partnership (TPP) in 2018. The expected FDI disbursement amount in 2016 will be higher than 2015 (USD 14.5 billion), consequently lead to an inflows of foreign currency equivalent to the amount purchased by SBV in the first half of 2016. As the last buyer on currency market, SBV will continue purchasing foreign currency and inject Vietnamese Dong into the banking system. This will be the main source of liquidity for banks. Besides, a balanced Foreign Indirect Investment after 7 months (flutuations at about USD 24 million) also contributed to the stability of overall balance of payments.

STABILIZED BALANCE OF TRADE

Import & Export growth in the first 7 months of 2016 (Total export achieved USD 96.83 billion (+5.3% YoY) and total import achieved 95.03 billion (-0.9% YoY)) has shown the low probability to achieve the goal of 10% and might be lower than 2015 export growth (9.2%). However, the reduction in import cost (if excluded will result in a rise of 7.4% in total import) has generate a surplus in balance of trade of 2016. After 7 months, the balance of trade is now at surplus USD 1.8 billion (net export of July 2016 achieved USD 100 million). The surplus balance of trade has contributed to a surplus in overall balance of payment in 2016. The report from SBV had shown a balance of payment surplus of USD 3,464 million as of 31 March 2016. It is expected that export will maintain its stable trend while imports (with a large proportion consisted of raw materials) will be sluggish with a persistent low price level, which, would lead to a balance of trade achieve equilibrium. Policies of SBV receive a strong support from the balance of trade where the payment pressure from imports is not significant.

STABLE GROWTH OF FOREIGN REMITTANCE

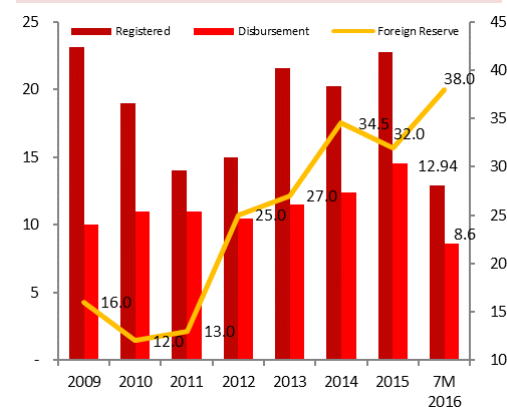
With regards to Vietnam's economy, foreign remittance plays an important role where the inflows of remittance (equivalent to 6.2% to 6.6% of total GDP during is always stable during the 2011-2015 period despite a gradual declining trend due to the rate of remittance was increasing slower than GDP growth) is always stable and increasing at 5%/year. Total foreign remittance to Vietnam in 2015 is VND 12.25 billion, making Vietnam the 11th country in terms of remittance value. Ho Chi Minh city (HCMC) is the destination of the majority of foreign remittance with a contribution rate of 40-50%. In the first 7 month of 2016, total remittance transferred to HCMC achieved USD 2.5 billion, increase by 4.16% YoY and is expected to reach USD 5.8 billion. The forecast for total remittance growth of Vietnam in 2016 is 4.5%, lower than the average of the 2011-2015 period (6.4%/year). With a stable USD/VND exchange rate, the amount converted to Vietnamese Dong increased significantly and was invested mostly into manufacturing sector. Figures from State Bank of Vietnam shows a 72% remittance received is invested into manufacturing sector while 22% is invested into real estate. Foreign remittance is also a significant supply of foreign currency as well as an investment source into Vietnam economy. Total balance of payment is currently benefited from this source.

SCENARIOS OF GDP GROWTH IN THE LAST 6 MONTH OF 2016

	Expected GDP growth in last 6 months - 2016	Expected whole year growth - 2016
Scenario 1 (bad case)	6.83%	6.27%
Scenario 2 (base case)	7.23%	6.5%
Scenario 3 (good case)	7.57%	6.7%

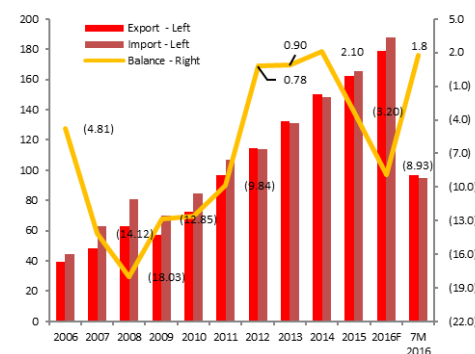
Source: MPI/Goverment

REGISTRATION AND DISBURSEMENT OF FOREIGN DIRECT INVESTMENT (FDI) AND FOREIGN CURRENCY RESERVES



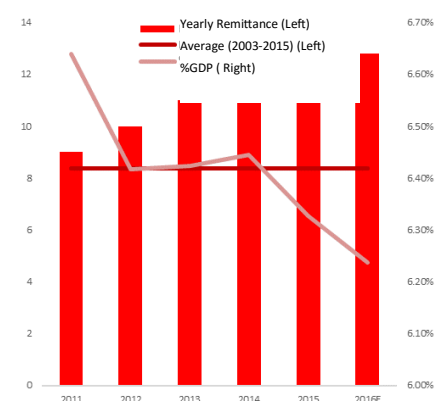
Source: State Bank of Vietnam

IMPORT/EXPORT AND TRADE BALANCE



Source: GSO

FOREIGN REMITTANCE RECEIVED AND UTILIZATION



Source: HSC, VFM