

#### STRONG IMPROVEMENT OF BUSINESS CONFIDENCE

The macro-economic stability and government effort in improving business environment has significantly affected the confidence level of companies and society as a whole. The Business Climate Index (BCI) calculated by the European Chamber of Commerce in Vietnam every quarter by surveying the European companies operating in Vietnam has achieved 86 points in the third quarter of 2016. This is the highest point in the history of the index since its inception in the 4th quarter of 2010. The index has noticeably increased from 77 points since Q2 and now become considerably higher than the average of 64 throughout the survey period. 95.4% of the surveyed companies believe that macro-economy will remain as stable as it was in 3rd Quarter 2016 or even better in the 4th Quarter and 80.7% supposed that their business results will be in the good-excellent spectrum at the final quarter of this year. The business confidence in social environment also has signs of strong improvement when the number of new business registered in the first 10 months of 2016 achieves 91,765, equivalent to 96.8% the total number of 2015. However, it should be noted that the value of capital registered has achieved VND 710,600 billion, a strong surge compared to 2015's figures of VND 601,500 billion. This extraordinary increase in capital registered has pushed the average capital registered per company up by 22% from VND 6.35 billion (2015) to 7.74 billion (2016). This success in improving business confidence could be considered as the first success of the new government, who act with a new constructive mindset.

#### THE NATIONAL ASSEMBLY APPROVED ECONOMIC DEVELOPMENT PLAN IN 2017

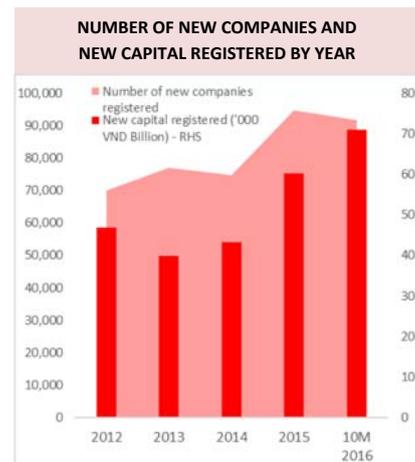
On November 7th 2016, the Vietnamese National Assembly had approved the economic development plan for 2017. In general, the approved plan shows government's dedication in promoting economic growth via three main points: i. Maintaining high GDP growth goal despite the decline in agricultural production resulted from natural disaster, ii. Maintaining the objective of total societal investment similar to 2016, which is a difficult objective considering the State budget is limited and Vietnam is transitioning towards borrowing as commercial loans from development financial institutions in 2017, and iii. Controlling the budget deficit under 3.5% of GDP in 2017 as a long-term objective to safely maintain the public debt safety. This objective indicates a stronger governance of government spending and an accelerating sale of state-owned assets in the 4th quarter of 2016 and the first quarter of 2017. The government also express their aim to increase investment for social welfare and infrastructure in 2017 and the following years. 2017 will be the year that the Government will change the Vietnam's economic growth model, from a wide-spread model with intensive use of labor to a more efficient economy with higher productivity. The successful completion of the objectives as laid out above will premise a new period of strong economic growth.

#### CATALYSTS FOR GDP GROWTH IN THE 4TH QUARTER 2016

GDP growth in 4th quarter 2016 will play the decisive role in determining whether or not the GDP growth of 2016 will meet the planned objective. Currently, 4th Quarter GDP growth is forecasted to achieve 6.9-7% compared to the last quarter. With regards to this growth rate, it is expected 2016 GDP growth will meet 6.3%. The Government has issued a lot of new policies to foster economic growth; besides, the following factor will contribute to a strong improvement in the 4th Quarter: i. The Government has commanded Petro Vietnam to increase its output by one additional million tons of crude oil on top of its yearly plan in 2016 (16.03 million tons). In the first 9 months of 2016, Petro Vietnam has produced 12.93 million tons of oil, the addition of 1 more million tons will increase the State's budget income by VND 7,800 billion; ii. Lower lending rates, as observed in the market, lending rates had declined in September and continued that trend until October 2016; iii. Increase credit line for companies. After 10 months, credit growth has achieved 11.81% compared to the end of 2015, this growth rate is lower than necessary to achieved the goal of 17-18% for 2016. The Government is promoting credit growth in the last months of the year; iv. Increase in public investment disbursement. After 10 months, the total disbursement reached 62.6% of total investments and only 46.3% of the capital raised from Government bond issuance is disbursed. Therefore, capital for investment projects is being disbursed at a higher rate in the 4th quarter to promote economic growth.

#### SLIGHT MOVEMENT OF EXCHANGE RATES

In October 2016, the VND/USD exchange rate had increased by a small amount and the State Bank of Vietnam (SBV) has had a few days adjusting the central rate. However, interbank exchange rate slightly moved within the band of 22,300 to 22,338 VND/USD. The unofficial exchange rate fluctuated between 22,310 to 22,360 VND/USD. The reason for this adjustment mainly stems from the fact that People's Bank of China is dropping the price of RMB with regards to USD while USD is in its uptrend because of the increased possibility that the US Federal Reserve (FED) will raise its base rate in December 2016. However, the pressure to devalue VND with regards to USD is not strong in the last months of 2016 as SBV is having the right policy to control exchange rates, foreign exchange market is having good liquidity and SBV is assuming its role as the last buyer on the market. With regards to the significant devaluation of the currencies of other countries within this region, SBV might consider slightly drop VND/USD exchange rate to maintain the competitiveness of Vietnam's economy. The forecasts are concurring that SBV might drop VND price by 0.5% at the end of 2016 compare to the 31st of October 2016, indicating an exchange at about 22,400-22,450 VND/USD by the end of 2016.



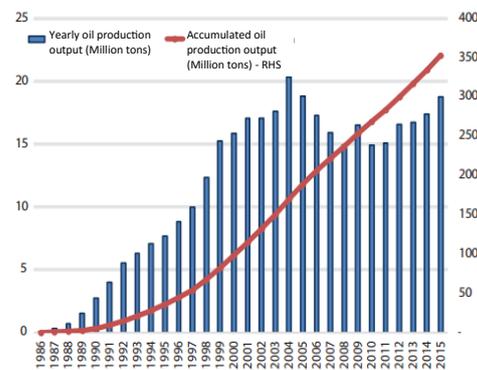
Source: MPI/Government

#### ECONOMIC OBJECTIVES IN 2017 AND PROGRESS IN 2016

No. Objectives	2016 Plan	2016 Results Estimation	2017 Plan	
1	GDP Growth	6.7%	6.30%	6.7%
2	Export Growth	10%	6%-7%	6%-7%
3	Trade Deficit/Export	4%	Surplus 0.6%	3.5%
4	Total Societal Investment /GDP	31.5%	32.5%	31.5%
5	Consumer Price Index (CPI)	Below 5%	~4%	4%
6	Budget Deficit/GDP	5%	5%	3.5%

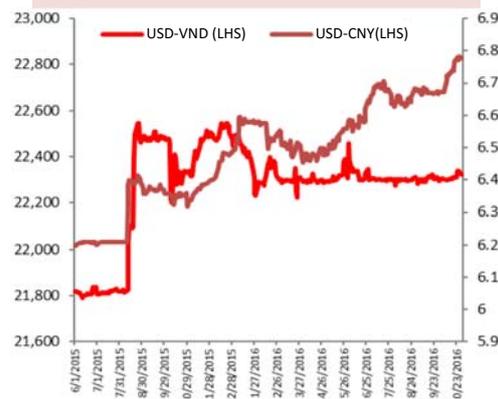
Source: Government of Vietnam

#### YEARLY OIL PRODUCTION OUTPUT OF PETRO VIETNAM



Source: Vietnam Petroleum Institute

#### USD-VND AND USD-VND EXCHANGE RATE IN 2015 AND 2016



Source: State Bank of Vietnam