

MACRO-ECONOMY REMAINED STABLE

Macro-economic condition of Vietnam continued to have positive movements in the first 4 months of 2017. The industrial-manufacturing activities continued to show strong improvement with the Purchasing manager index (PMI) achieving 54.1 points in April, albeit a small decline from 54.6 of March, the amount of new production orders sharply increased, especially with regards to off-shore orders. Total consumer retails & services value in April reached VND 317,500 billion, an increase of 1.7% MoM and 11.1% YoY while inflation remained flat. Credit growth was also pushed as the growth rate in the first 4 months of 2017 achieved 4.86%, highest in 6 years and 1.5 times higher than the same period of last year (3%). The only drawback was the trade deficit of USD 800 million, equal to 4.8% total exports last month. At the end of April 2017, Vietnam net imports reached USD 2.74 Billion, equal to 2.2% total country-wide exports, the highest in 5 years.

FOREIGN DIRECT INVESTMENT: POSITIVE SIGNALS

In April, Vietnam continued to take the spotlight of attracting foreign direct investment in the region. In the first 4 months of 2017, total registered capital for new, additional investment and capital contribution achieved USD 10.95 Billion, increased by 40.5% YoY. In which new registered capital amounted to USD 4.88 billion, addition investment accounted for 4.36 Billion and capital contribution is USD 1.21 billion. The manufacturing sector attracted the most of foreign investment in the last 4 months with total registered amount of USD 7.36 billion, equivalent to 70% of total registered amount. Since the beginning of 2017, total FDI disbursement accumulated to USD 4.8 billion, a 3.2% increase YoY. The disbursement of FDI, FII and foreign remittance has created an influx of USD flows in Vietnam, which results in the interbank exchange rate being fixed at a low level (VND 100 higher than the buying price of SBV) under the circumstances that central rate increased continuously, indirectly support the policy makers in managing the macro economy.

INFLATION WAS UNDER CONTROL

The Consumer Price Index (CPI) in April 2017 did not change compared to last month, average inflation as of the end of April is 4.80% YoY. However, inflation remained flat compared to last month as a result of balancing effects between the contributors (Pharmaceuticals and Healthcare services increased by 8.05% and 10.59%) and the defectors (Transportation reduced by 3.06%). Despite a constant total inflation, core inflation rose by 0.09% in April and 1.5% YoY. The movements on global commodities market, specifically oil price) is supporting the Government policies on inflation control, reducing pressure on interest rates and enable for other adjustments (healthcare services, electricity price changes). In the near future, inflation is forecasted to remain low as the oil price is trending towards a trough and food prices would also reduce as a result excess supply.

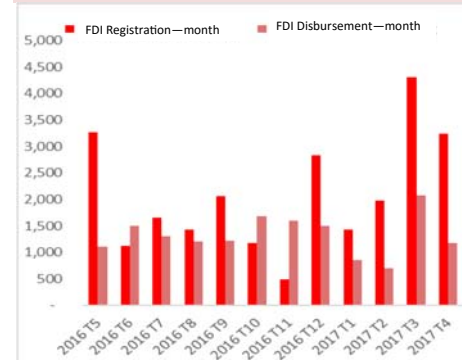
ACTIVE FOREIGN EXCHANGE RATE MANAGEMENT BY STATE BANK OF VIET NAM

The State Bank of Vietnam (SBV) has become more active and directional in managing exchange rate in April. The central rate continued to increase by VND 74 from VND/USD 22,276 to 22,350 in April, which is equal to the accumulated change of the last 2 months. Within the period, the interbank rate, after a surge to 22,795 has stabilized at around 22,735. The continuous increase of central rate from SBV shows that they are actively depreciating VND value to support exports. As a result of the sluggish forecasts of US's economy, the weakening trend of USD value is supporting SBV's action. In April, SBV has purchased an amount of USD 487 million after increasing its buying price by 100 Dong. Accumulated since the beginning of this year, SBV has purchased USD 1.66 Billion and increased the price by 375 dong. The USD purchases made by SBV has contributed to release the pressure on interbank interest rate in the short term, however, the effect of this increase in purchasing price is not sufficient. Therefore, if SBV want to utilize the USD purchasing to control monetary policy, they have to make more decisive actions.

PURCHASING MANAGER INDEX 2015—2017



MONTHLY FDI REGISTRATION AND DISBURSEMENT



MONTHLY INFLATION 2016-2017



INTERBANK EXCHANGE RATES

