

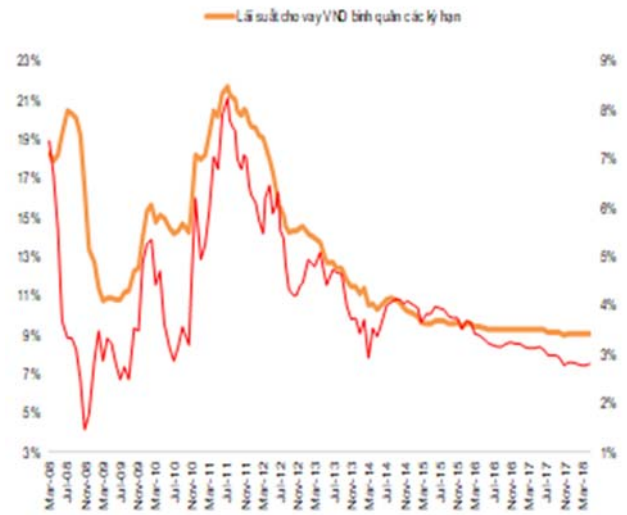
THE STATE BANK MAINTAINS EXPANSIONARY MONETARY POLICY WITH CAUTIOUS

In the first four months of 2018, the State Bank of Vietnam (SBV) continued to deliver the message to market participants about maintaining expansionary monetary policy with the primary goal of controlling inflation (below 4% for 2018) and supporting growth economic. Credit and M2 growth targets for 2018 (17% and 15% respectively from 2017) are unadjusted. As of April 19, 2018, the total means of payment increased by 4.94%; credit increased 4.17% (in VND + 3.94% and USD + 6.84%) and deposit raised 3.94% (VND+ 4.75% and USD -3.86% respectively) compared to 31/12/2017. Credit growth in the first 4 months of 2018 is equivalent to the rate in 2017 and better than rate in the periods prior 2017. In the current situation of Vietnam, the SBV will maintain their target lowering the lending interest rate of banking system. In addition, monetary policy continued to be considered as a key tool to support economic development in the context of unchanged fiscal policy in the second quarter of 2018. By the end of April 2018, investment from State budget reached VND70.9 trillion, equal to 21% of the year plan and up 9.3% over the same period last year (4.4% in the same period of 2017).

EXCHANGE RATE SUPPORTED BY MONEY FLOW INTO VIETNAM

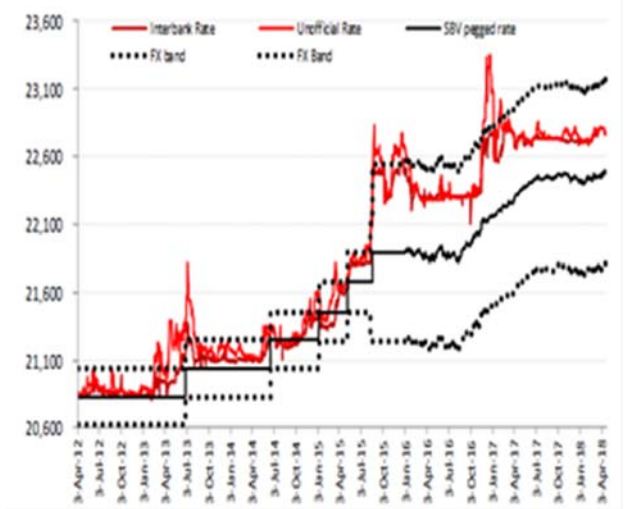
Investment flows in emerging market securities have been on a downward trend since February 2018 (see VFM Macro Newsletter, March 2018), however, cash inflows into Vietnam have not followed this trend. Foreign indirect investment in Vietnam in April 2018 was USD65.7 million and USD554 million in the first four months of 2017 (USD1.163 billion in 2017). In addition to indirect investments, direct disbursements reached USD5.1 billion and export surplus reached USD3.39 billion by the end of April 2018. The above factors allowed the State Bank of Vietnam (SBV) continued to maintain the stability of the VND/USD rate and high liquidity for the banking system. The SBV used the purchase of USD from commercial banks (including immediate buy and buy) as a tool to neutralize the money flow into Vietnam. The VND/USD exchange rate was stable in the first four months of the year and will continue to stabilize in the rest of the year (with slight downward trend at the end of the year) due to factors supporting the market's ability to control. The SBV's control over the exchange rate continued to be sustained.

AVERAGE VND LENDING RATE AND THE SPREAD BETWEEN LENDING RATE AND DEPOSIT RATE (RHS) For the period 2008-2018



Source: HSC/VFM

VND/USD EXCHANGE RATE IN PERIOD FROM JANUARY 2012 TO MAY 2017



Source: VFM/Reuter

VIETNAM WAS REVISED UP CREDIT RATING

Macroeconomic stability, high GDP growth rate (expected 6.7%), trade surplus (USD 3.39 billion after 4 months), high foreign exchange reserves (USD63 billion to the end of April 2018, increase USD66 billion by the end of 2018) are the highlights of the improvement of Vietnam's credit rating. The volatility of credit swap rate on Vietnam Government Bonds (CDS) has improved markedly since 2012 and has fallen sharply in 2017 before rising slightly in early 2018 and is currently maintaining a low level has shown increased credibility with Vietnam. Currently, the long-term credit rating of Vietnam's foreign currency debt has been raised from "BB-" to "BB" with a positive outlook on 14/5/2018. In 2018, the Vietnam government plans to borrow VND384 trillion, including VND275,970 billion from domestic and foreign funds of VND108,030 billion. The fact that international ratings agencies raise their ratings for Vietnam will significantly change their ability to mobilize and create a precondition for lowering interest rates on foreign loans in 2018.

MOBILIZATION INTEREST RATE FOR VIETNAM BONDS (January 2012 - April 2018) (%)

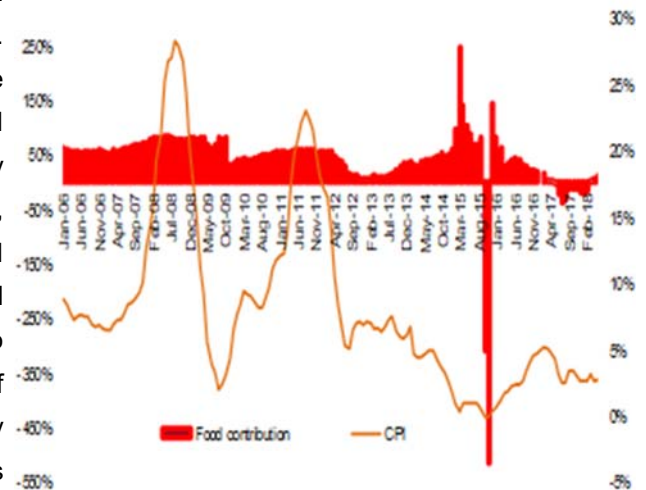


Source: Reuter/VFM

THERE ARE SOME PRESSURES FOR INFLATION

Inflation was low in April 2018 with an increase of 0.08% compared to March. The average inflation in the first 4 months of 2018 increased 2.8% year-over-year and the average basic inflation data were 1.34%. In April 2018, inflation increased mainly due to the impact of the adjustment of retail gasoline prices twice in the month causing CPI increase of 0.11%. The slow increase of CPI in 2017 and the early months of 2018 have an significant impact on food price declines, although pork prices in April 2018 rose 1.25%. However, in May CPI will be affected by rising petrol prices and volatility of pork prices. World oil prices are in a rising trend in the short term as supplies continue to be constrained by political turmoil and embargoes. With the impact of declining inventory, pork prices are on the upward trend as supply decreases and demand increases (as China needs to increase imports if high tariffs are imposed on imported pork from the United States). Forecasts show CPI in May will keeps rising slightly at 0.2% to 0.3% over April 2018.

VIETNAM INFLATION AND CONTRIBUTION OF FOOD PRICES IN INFLATION (LHS) (JANUARY 2006 - APRIL 2018)



Source: GSO/HSC