

MANAGEMENT OF VIETNAM STATE BANK AND EXCHANGE-RATE PEGGING TARGETS FOR 2018

The State Bank of Vietnam (SBV) has been very successful in regulating VND/USD exchange rate fluctuations in the first 11 months of 2018. In the context of USD appreciation in the period from the beginning of the year to 30/11/2018 (The US dollar strength index - DXY rose 5.46%) and the Renminbi depreciated 7.2% against the US dollar in the aforementioned period. The dong depreciated against USD in the same period of 2.69%. On the other hand, the VND/USD exchange rate fluctuation was small in the period from August to November 2018 while the CNY/USD and DXY index fluctuated sharply. Thanks to the SBV foreign currency forward contracts (due 31/1/2019) to commercial banks in November 2018, SBV has completely controlled VND/USD exchange rate in 2018 with the VND depreciation ranged from 2.5% to 3% for the whole year. The economic data shows that the SBV has sufficient resources to keep VND/USD at stable level and market movements are supporting the SBV to do so. Although the SBV has not continued to announce the target for VND/USD exchange rate movements, the forecasts suggest that the SBV will be able to maintain its target to depreciate VND from 2% -3% in 2019. The exchange rate volatile is considered to be in line with market expectations and also support to commercial trade.

CHANGES IN VND/USD EXCHANGE WITH CNY/USD EXCHANGE RATES AND DXY AS OF 1/1/2018 TO 30/11/2018

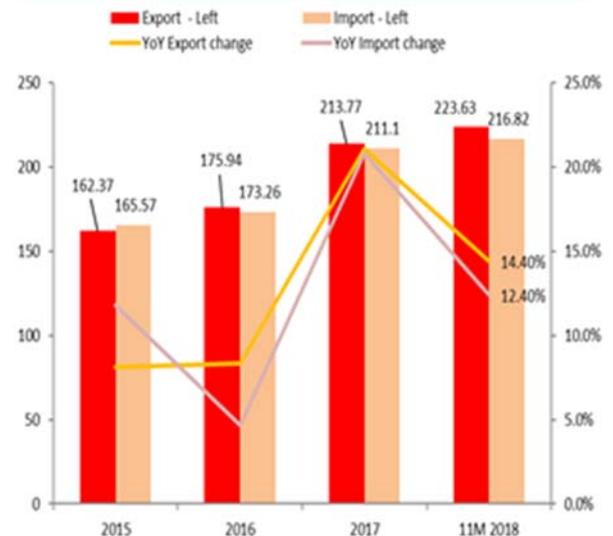


Source: Bloomberg/VFM

IMPORT AND EXPORT ACTIVITIES STILL MAINTAIN STRONG GROWTH RATE

Import and export activities of Vietnam maintain a sustainable growth rate in 2018. It is forecasted that total import and export turnover of Vietnam will reach USD 480 billion in 2018, an increase of about 13% compared to that in 2017, equivalent to 200% of GDP in 2018 (2017 total import-export turnover equivalent to 190% of GDP). The United States is the largest export market with USD 43.7 billion worth of exports in the first 11 months of 2018 (up 15% over the same period last year), and the largest import market is China with USD 59.7 billion value of goods and services (up 13% over the same period of 2017 after 11 months). It can be seen that Vietnam's economy continues to increase its openness to international trade. Import and export data for 11 months in 2018 showed that Vietnam had a superfluity of USD 6.8 billion. In that, USD 216.8 billion was from import and USD 223.6 billion was from in export activities. The figures also show that Vietnam's export and import growth rate in the first 11 months of 2018 was 14.4% and 12.4%, respectively, over the same period last year. The high growth rate of imports and exports is expected to continue maintain in 2019 as Vietnam benefits from trade and production shifts due to the impact of the US-China trade war but tend to decrease in the medium term. Maintaining a high national trading growth rate in 2019 will be a factor for Vietnam to maintain a GDP growth rate of 6.7% for 2019.

IMPORT AND EXPORT ACTIVITIES BY YEAR (For the period 2015-2017 and 11 months 2018)

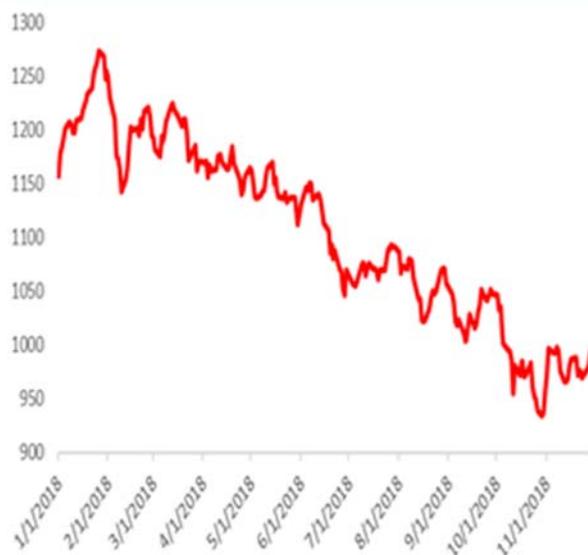


Source: GSO/VFM

EMERGING MARKET ATTRACTS MORE ATTENTION FROM GLOBAL INVESTORS AND FORECASTING FOR 2019

Fund flows back to emerging markets in the last two months of 2018. Emerging markets have attracted huge money flows in the years 2016-2017 and the first quarter of this year before pulled out of these markets to the United States due to the effect of the Fed raising interest rates and appreciation of the dollar. With the withdrawal of capital, emerging-market stock markets have plummeted. The MSCI Emerging Markets Index fell 14.1% year to date and moved from a peak of 1273.1 points to the trough of 934.8 points in the period from 1 January 2018 to November 30, 2018, equivalent to 26.6% decrease (see chart). However, with the global market volatility because of the Fed hike rates and the possibility of US economic growth slow down in 2019, along with the stock markets in the countries in the emerging markets have adjusted sharply, some investors have returned to those market in November. In November 2018, the MSCI stock index rose from 955 to 994 (increased 4%). Market signals show that the stock market at EMs will continue to attract investment flow next year. Although not included in the ECM group, Vietnam securities market are also considered to attract investment inflows as those of EMs in 2019.

EMERGING STOCK MARKET INDEX ANNOUNCED BY MSCI IN 2018



Source: Bloomberg

WORLD AND US ECONOMIC PROSPECT IN 2019

Forecasts suggest that global economic growth tends to slow down in 2019 along with higher inflationary trends. In group of developed countries, the region of Europe and North America has marked growth declines. The slowdown in global growth is due mainly to the risk that US-China trade war will weaken global commercial trade and that the US economy is projected to downtrend because of the impact of the Fed's rising federal fund rates, the decline in influence of the tax cuts on the US economy and the trade war. In addition, forecasts show that emerging economies will continue to grow at 4.8% in 2019. Neighbor countries of Vietnam have seen a slight decline in economic growth, but Vietnam is considered the exception with the Philippines maintaining an impressive growth rate (forecast by WB on economic growth in Vietnam in 2018 is 6.8%). The main impetus for Vietnam's economy from the perspective of supply and demand in 2018 continues to be sustained in 2019. Some evidence shows that FDI inflows continue to flow into Vietnam as Vietnam is one of the top selected countries, when manufacturing business move out of China. In the long term, the Vietnamese government has put forward two new directions (promoting the private and exploiting on the digital economy) to sustain growth besides assessing current economic problems. (including human resources, economic regime and infrastructure).

FORECAST FOR ECONOMIC GROWTH AND INFLATION IN 2019 AREAS AND NATIONS IN THE WORLD (%)

AREAS/ NATIONS	GDP % 2018	Inflation 2018	GDP % 2019	Inflation 2019
Global	3	3,0	2,8	3,3
Developed countries	2,2	2,0	1,9	1,8
Emerging countries	4,8	3,8	4,8	4,3
South America	2,8	2,3	2,4	2,1
China	6,6	2,4	6,6	2,4
Vietnam	6,7	3,7	6,5	4,1
Thailand	4,4	1,2	3,7	1,5
Malaysia	4,7	1,1	4,3	2,4
Phi lip pin	6,5	5,2	6,5	4,5
Indonesia	5,2	3,5	5,0	4,3

Source: HSBC