

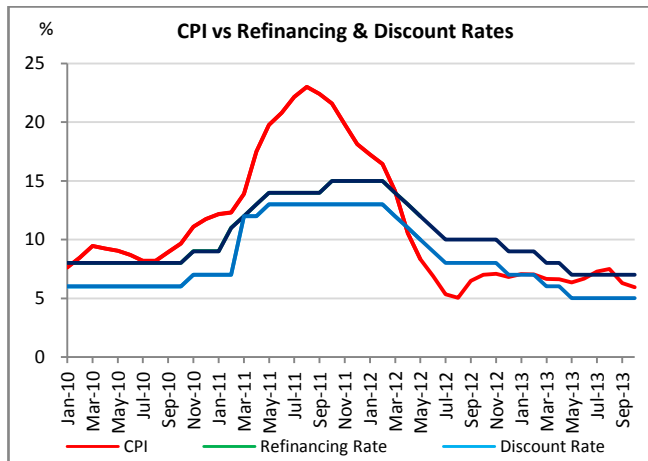
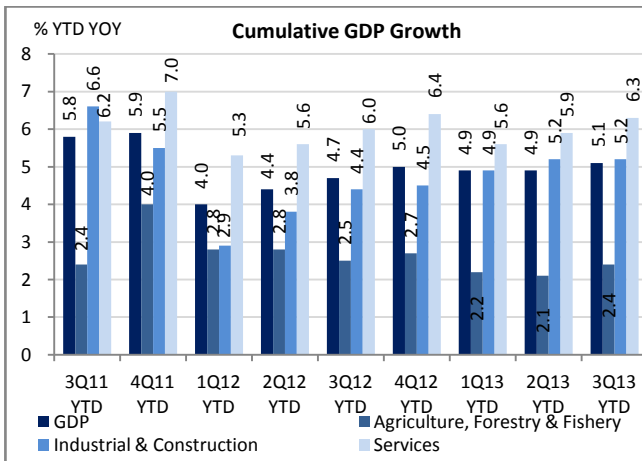
Economic Update
4 Nov 2013
**Vietnamese Economy At A Glance:
Signs Of Slowing Momentum**

Vietnam's economy expanded 5.1% YOY as expected in the first 9 months of this year, beating the 4.7% growth recorded in same period of 2012 as resilient exports from increased foreign investments offset sustained weakness in lending and consumption.

Credit growth further improved to 6.82% through Jan-Sept compared to a year ago, up from 6.5% through Jan-Aug, according to the central bank. While signs of quicker lending growth is a positive, the rate of growth is still short of the 12% full year target set by the government.

Vietnam's CPI moderated for a 2nd straight month, registering a 14-month low of 5.92% YOY in Oct (Sept: 6.30%). The figure was against estimates of an acceleration to 6.50%. We continue to expect the State Bank of Vietnam to keep the refinancing and discount rates at 7% and 5% respectively for the time being.

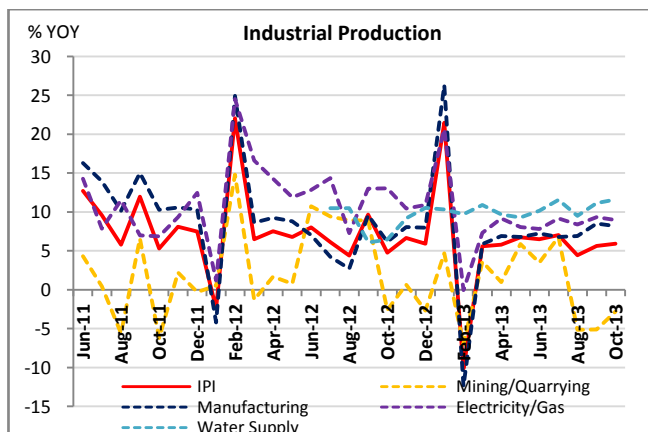
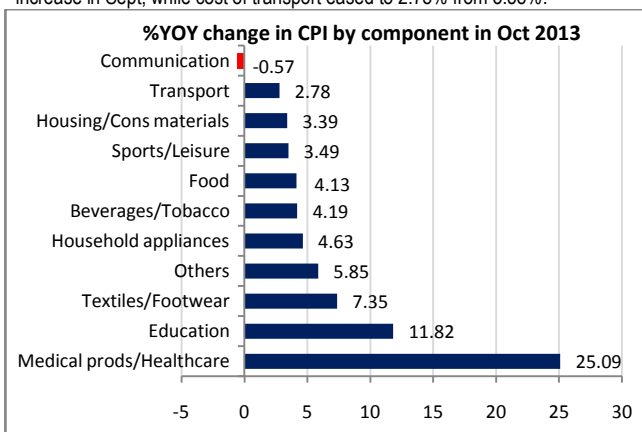
Meanwhile, the central bank has submitted a proposal to the Prime Minister to spur lending up until the end of 2013. It includes measures to restructure debts and provide new loans to credible businesses, as well as to allow banks to lend in excess of the permitted 15% equity limit to borrowers managing priority projects.



Prices of food & foodstuff (accounting for 39.9% of CPI weight) continued to push upwards in Sept, rising 4.13% from a 3.55% increase the preceding month. This marks a fifth month in succession that food prices have increased at a quicker pace as well as the highest rate since Jun 2012.

However, the overall CPI was held back by prices of housing & construction materials that softened to their 6-month and 5-month lows respectively. Housing & construction materials cost increased 3.39% in Oct compared to a 4.00% increase in Sept, while cost of transport eased to 2.78% from 3.58%.

Industrial output increased 5.9% YOY in Oct, up slightly from 5.6% in Sept. Despite easier productions in manufacturing (+8.2% vs +8.5% in September) and electricity / gas (+9.0% vs +9.4%), overall output was lifted by quicker growth in output of water supply, which rose to 11.6% from 11.2% previously. The smaller 2.8% YOY decline in mining/ quarrying output, the slowest in 3 months, also helped lift production gain in October.

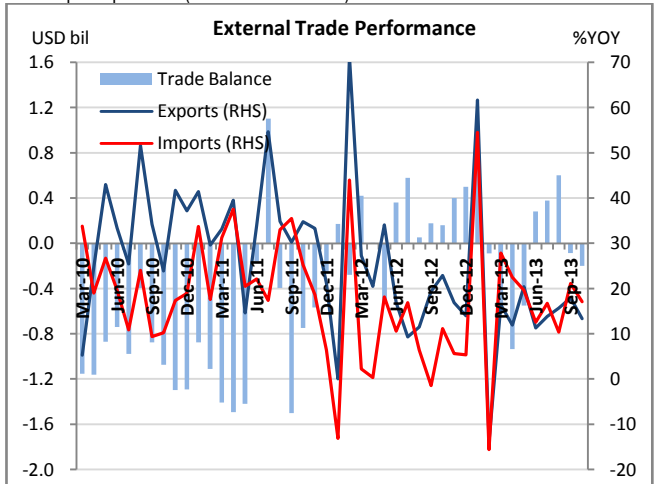
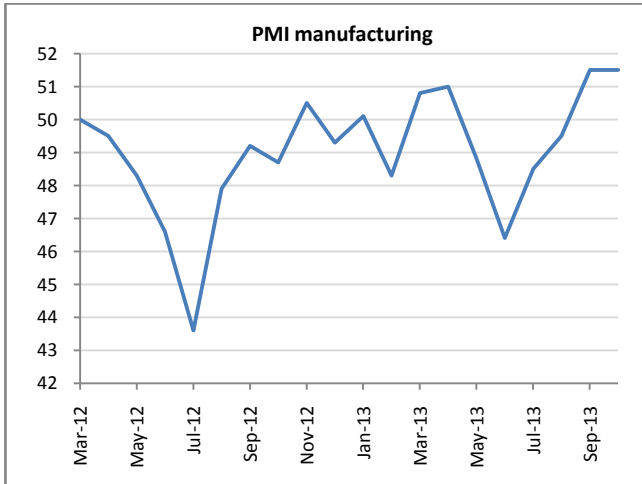


The PMI manufacturing index steadied at 51.5 in Oct, staying at its best level since records began and indicating that the manufacturing sector continues to grow at a healthy pace.

Exports grew at a slower pace of 13.4% YOY in October, while September's exports growth was revised lower to 17.9% YOY (+19.2% before revision), adding to signs exports momentum was weakening.

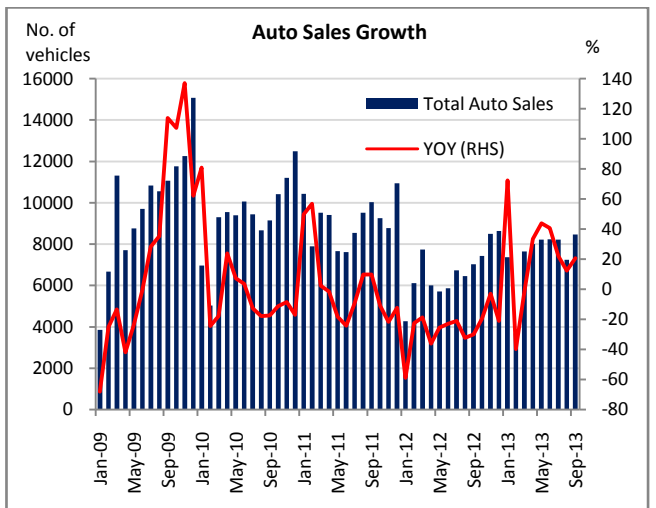
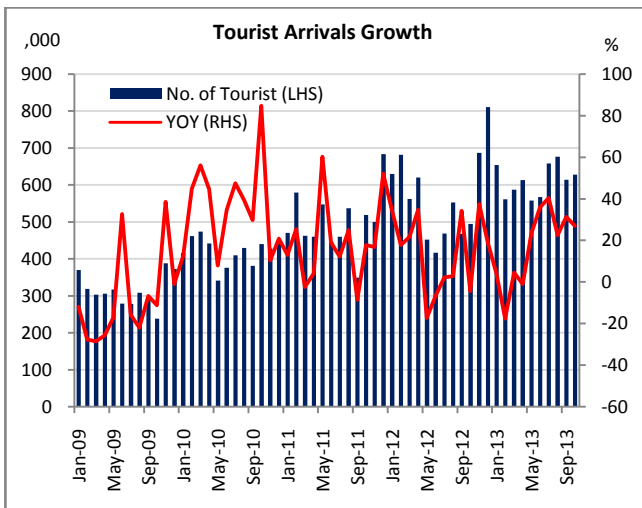
The trade balance fell deeper into deficit, widening to \$200m in October from \$88m a month ago as imports growth of 5.6% MOM outpaced the 4.6% MOM increase in exports.

The slowdown in exports were broad-based, but most notably in telephones & parts (+53.6% from +74.4%), electronics/ computer parts (+16.0% from 22.1%) and aquatic products (+24.9% from 59.8%).

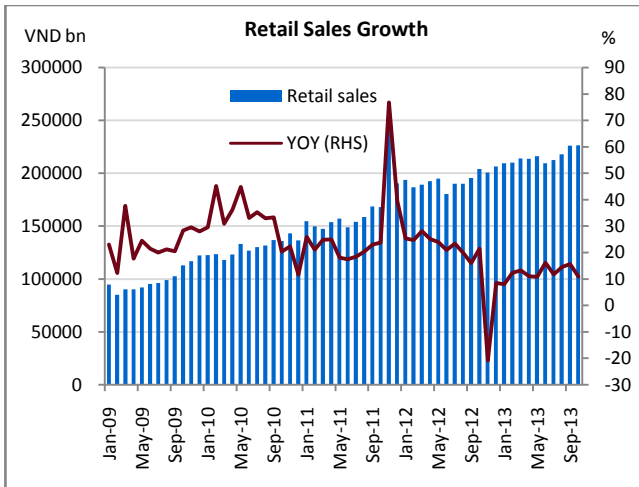


Tourism activity continues to grow at a robust pace. About 628k visitors arrived in Vietnam in Oct, up 26.9% YOY though eased from a strong 31.3% increase in Sept.

Auto sales soared 20.6% YOY to 8,465 units in Sept, registering the highest number of sales in 9 months. Sales advanced from a 12.2% increase in Aug while monthly growth soared 16.9% MOM, marking its highest in 6 months and rebounding from 2 months of decline.

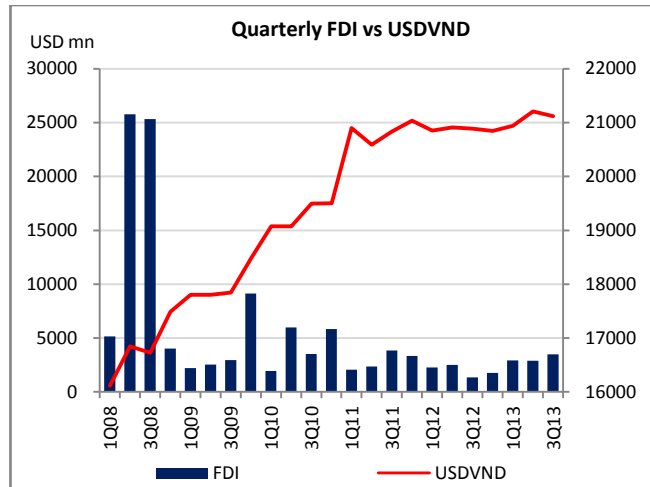


Consumer demand looks stalled as retail sales rose at its slowest pace in 5 months, by 11.0% YOY to VND 226 trillion in Oct, pulling back from September's strong 15.7% YOY gain.

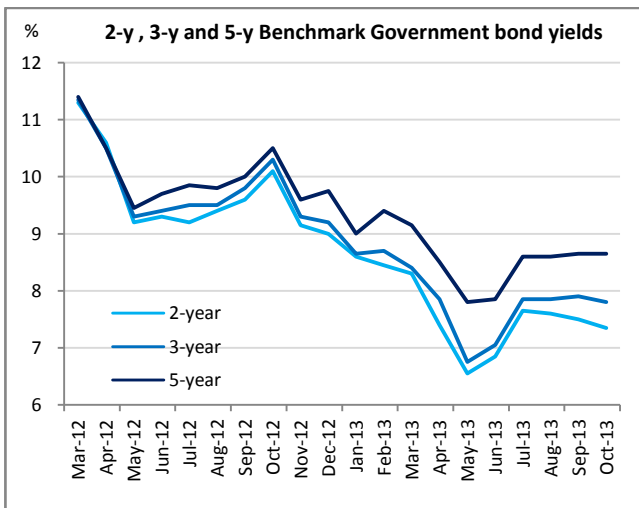


The Vietnamese Dong advanced for a fourth consecutive month on USD weakness, gaining 0.1% MOM in Sept to close at 21100.

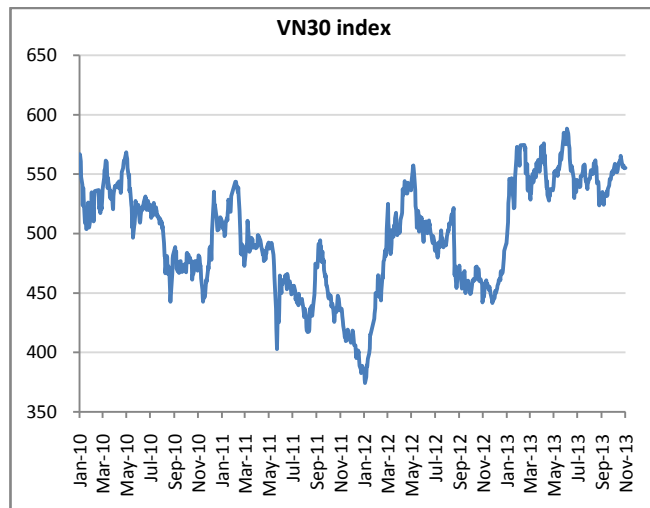
FDI surged 561.5% YOY to \$3.7b in Oct. YTD, a total of \$13.1b worth of FDI has flowed into Vietnam, a strong 95.8% increase from the first 10 months in 2012.



The 2- and 3-year securities were in demand in Oct, pushing yields lower by 15bps and 10bps respectively to 7.35% and 7.80%. The 5-year yield stayed unchanged at 8.650%.



Vietnamese equities extended its rally in Oct, lifted by rising bets that the Fed will not be able to taper QE this year due to expected disruptions in the economy stemming from government shutdown. The VN 30 index soared to a high of 565.28 before easing ahead of FOMC meeting, but still closing 0.73% MOM higher at 555.36.



Sources: General Statistics Office of Vietnam, Bloomberg and HLBB Fixed Income & Economic Research

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